



Annual Report 2009
The Nykredit Realkredit Group

Nykredit

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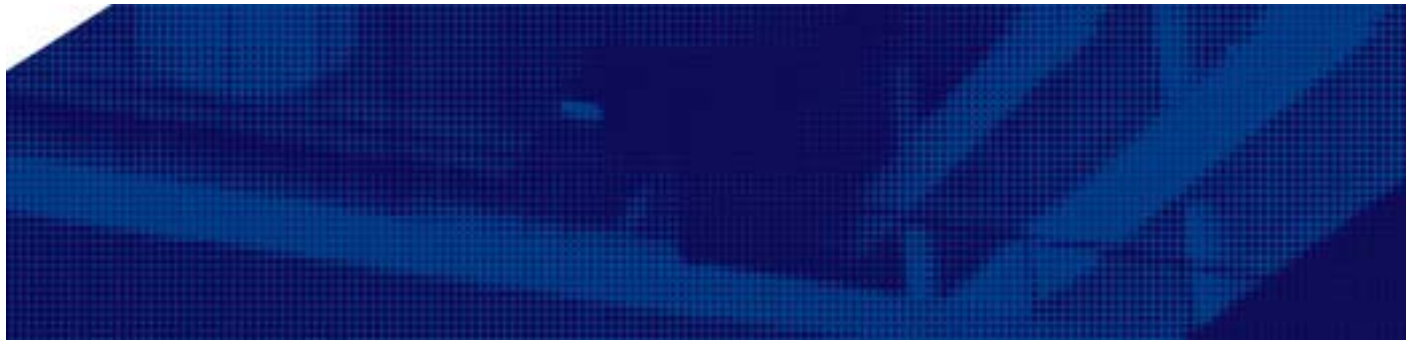
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Nykredit's business concept and strategy



FINANCIAL SUSTAINABILITY

A changing society needs sound financial enterprises to foster changes and secure sustainable short- and long-term financial solutions.

As a market player, Nykredit has financial sustainability as its business concept.

This means

that we

- operate on the basis of a sharply defined ethical frame of reference and long-term relationships
- create new and dynamic opportunities for customers and investors
- value balanced risk management and a strong capital structure.

that you

- as a customer receive holistic advisory services that provide perspective and improve your options
- as a business partner experience competence, respect and determination to realise mutual benefits
- as an investor are offered a broad range of investment options with focus on security and transparency
- as a staff member have room to unfold your full potential while maintaining a work-life balance
- as a member of society can expect us to contribute to securing a stable and efficient financial market, while maintaining a broad sense of community.

NEW STRATEGY TO STRENGTHEN GROWTH IN BANKING

Nykredit adopted a new strategy and reorganised in 2009, paving the way for significant business development and growth over the next 4-5 years.

Strategy 2013 is underpinned by a new unified and market-driven organisation, which will further develop the group, with banking and mortgage lending as core activities.

Strategy 2013 supports our partnership with Totalkredit as a strategically important part of our mortgage operations.

Denmark is our main geographic focus area in terms of business growth.

Fundamental business principles

The strategy is based on a set of fundamental business principles which determine how Nykredit conducts and organises its activities:

- Meeting customer needs
Our services are motivated by customer needs and requirements – we are market-driven and customer-oriented.
- Transparency
It is evident and clear how we organise our activities, what and how we prioritise, and therefore how we create value for our customers and Nykredit.
- New thinking
We prioritise and encourage new thinking as part of the most optimal and flexible use of Nykredit's resources.

- A balanced and profitable business
We aim at profitable business based on long-term and sustainable relations while taking into consideration Nykredit's and our customers' risk.

- Resource mobility
We focus on efficient and cost-conscious use of resources to the utmost benefit of the Group.

The Group's strategic ambitions:

Strategy 2013 contains Nykredit's four long-term targets for the Group:

- Nykredit is a leading player in the Danish financial services sector
- Nykredit and its development stand on two strong legs – banking and mortgage lending
- Nykredit has the most satisfied customers among leading national players
- Nykredit offers one of the most attractive and challenging workplaces in Denmark.

Foreword



2009 – ROBUST BUSINESS GROWTH AND HIGHER LOAN IMPAIRMENT LOSSES

Nykredit experienced robust business growth in 2009, and today the Group has more than 1.1m customers.

Business growth was broad-based. Retail and commercial lending continued to grow, and core income from operations also went up within Retail Customers, Business Partners, Commercial Customers and Markets & Asset Management.

Nykredit's lending increased by DKK 67bn, or 7% in 2009, whereas Danish commercial and mortgage banks in general recorded a setback of DKK 73bn according to official lending statistics. The rise in Nykredit's lending was prompted by high customer satisfaction and the Group's focus on holistic solutions – and not least a long-term capital policy that accommodates an expansion of business activities in times of crisis.

In total, core income from business operations gained 17% excluding Forstædernes Bank and 24% including Forstædernes Bank.

Group costs (excluding Forstædernes Bank) grew by 5% in 2009, corresponding to an improvement of the cost:income ratio from 69% to 62%.

However, progress in core earnings was offset by higher cyclical costs.

In November 2009, Nykredit strengthened its capital structure by EUR 900m through hybrid core capital raised in the open market. Accordingly, Nykredit was able to withdraw its application for a government contribution of hybrid core capital. The annual cost of this new capital is DKK 0.4bn net.

The economic crisis resulted in significant cuts in the central bank's official interest rates reducing Nykredit's core income from securities by DKK 1.4bn on 2008.

Impairment losses on loans and advances mounted in respect of both bank and mortgage lending and totalled DKK 2.8bn, excluding Forstædernes Bank. Impairment losses were up in all lending segments, accounting for 0.13% of residential lending.

In addition, expenses under the government guarantee scheme came to DKK 0.8bn, and expenses relating to supplementary security for SDO-funded loans amounted to DKK 0.1bn.

Forstædernes Bank recorded impairment losses on loans and advances of DKK 4.8bn, which was unsatisfactory. The high level of impairment losses was due to the fact that the bank's credit policy prior to its acquisition by Nykredit mainly focused on customers' assets – in the form of real property and equities. Loans and credits were generally granted against second and third mortgages. Such se-

curity may be worthless when property and equity prices tumble as they did in 2008 and 2009. The Nykredit Group's credit policy has traditionally focused on customers' current ability to pay as well as their assets.

An extraordinarily high investment portfolio income of DKK 4.7bn had a positive effect on profit for 2009.

Overall, 2009 saw sound business growth and an upturn in lending.

We forecast fair business growth in 2010. The new year will be characterised by the implementation of the Group's new Strategy 2013 and the coming merger of Forstædernes Bank into Nykredit Bank. In 2010 impairment losses on bank and mortgage lending will generally remain high, while impairment losses in Forstædernes Bank will normalise. Therefore, total impairment losses are expected to be lower than in 2009. With a normalised trend in investment portfolio income, we forecast a profit before tax in the region of DKK 0-1.5bn.

Peter Engberg Jensen
Group Chief Executive

Company information



COMPANY INFORMATION

Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V

Website: nykredit.com
Tel +45 44 55 10 00

CVR no: 12 71 92 80
Financial period: 1 January – 31 December
Municipality of registered office: Copenhagen

Auditors

Deloitte
Statsautoriseret Revisionsaktieselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Annual General Meeting

The Annual General Meeting of the Company will be held on 24 March 2010

BOARD OF DIRECTORS

Steen E. Christensen, Attorney,
Chairman

Hans Bang-Hansen, Farmer,
Deputy Chairman

Steffen Kragh, CEO
Deputy Chairman

Kristian Bengaard, Senior Consultant *

Michael Demsitz, CEO

Lisbeth Grimm, Treasurer *

Allan Kristiansen, Vice President *

Susanne Møller Nielsen, Support *

Anders C. Obel, CEO

Erling Bech Poulsen, Farmer

Nina Smith, Professor

Jens Erik Udsen, Managing Director

Leif Vinther, Chairman of Staff Association *

For directorships and executive positions of the members of the Board of Directors and the Executive Board, see page 138.

* Staff-elected member

EXECUTIVE BOARD

Peter Engberg Jensen
Group Chief Executive

Kim Duus
Group Managing Director

Søren Holm
Group Managing Director

Karsten Knudsen
Group Managing Director

Per Ladegaard
Group Managing Director

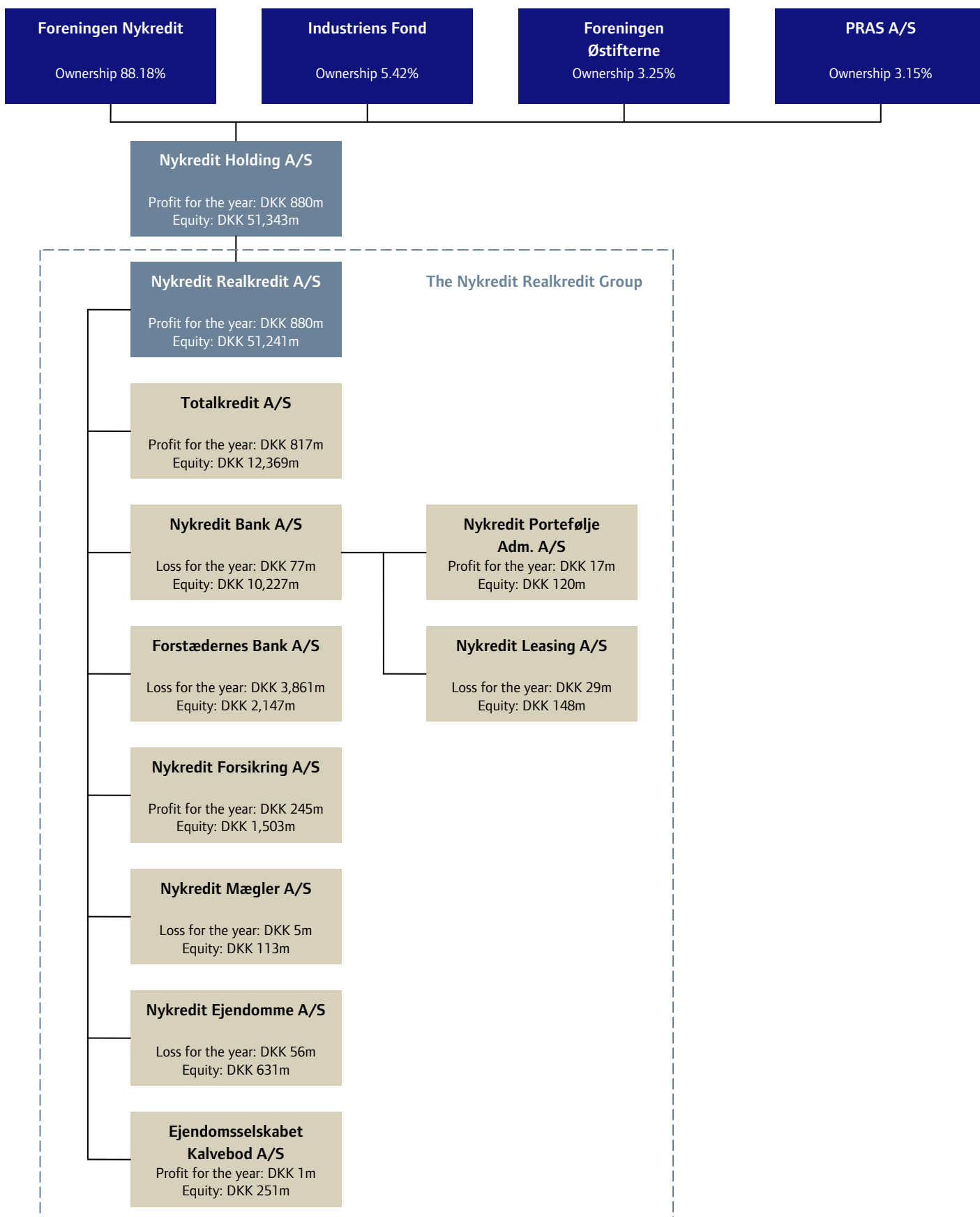
Bente Overgaard
Group Managing Director

At nykredit.com, you may read more about Nykredit and download the following reports:

- Annual Report 2009
- About Nykredit 2009 – Financial Sustainability
- Risk and Capital Management 2009

Information on Nykredit's corporate governance policy is available at nykredit.com/aboutnykredit

Group chart



Reference is made to page 131 for a complete group chart.

Financial highlights

The Nykredit Realkredit Group						
DKK million	2009	2008 ³	2007	2006	2005	EUR 2009
CORE EARNINGS AND RESULTS FOR THE YEAR						
Core income from						Exchange rate: 744.15
- Business operations	9,206	7,411	6,448	5,831	5,745	1,237
- Kalvebod issues ¹	139	(402)	(19)	-	-	19
- Securities	855	2,265	2,099	1,378	904	115
Total	10,200	9,274	8,528	7,209	6,649	1,371
Operating costs, depreciation and amortisation, excluding special value adjustments	5,828	5,072	4,409	4,122	3,710	783
Operating costs, depreciation and amortisation – special value adjustments ²	396	225	(57)	(84)	48	53
Commission – government guarantee scheme	500	112	-	-	-	67
Core earnings before impairment losses	3,476	3,865	4,176	3,171	2,891	468
Impairment losses on mortgage loans and advances	1,755	416	(53)	(325)	(252)	236
Impairment losses on loans and advances – the Nykredit Bank Group	1,002	718	(14)	(44)	7	135
Impairment losses on loans and advances – Forstædernes Bank	4,845	246	-	-	-	651
Impairment losses on loans and advances – the government guarantee scheme	318	63	-	-	-	43
Core earnings after impairment losses	(4,444)	2,422	4,243	3,540	3,136	(597)
Investment portfolio income	4,718	(3,277)	172	932	1,244	634
Profit (loss) before costs of capital	274	(855)	4,415	4,472	4,380	37
Net interest on hybrid core capital	(95)	(25)	(28)	(25)	(38)	(13)
Profit (loss) before tax	179	(880)	4,387	4,447	4,342	24
Tax	50	(185)	1,024	1,120	1,162	7
Profit (loss) for the year	129	(695)	3,363	3,327	3,180	17
Profit (loss) for the year, excluding value adjustment of strategic equities against equity	751	(2,847)	(465)	1,419	1,217	101
SUMMARY BALANCE SHEET, YEAR-END						
Assets	2009	2008	2007	2006	2005	EUR 2009
Receivables from credit institutions and central banks	62,936	73,400	82,645	57,516	67,664	8,457
Mortgage loans at fair value	981,227	895,463	823,228	758,132	699,116	131,859
Bank loans – excluding reverse transactions	60,908	72,734	39,660	28,983	19,870	8,185
Bonds and equities	86,620	103,433	98,588	89,005	79,788	11,640
Other assets	55,572	73,097	30,937	23,528	23,576	7,468
Total assets	1,247,263	1,218,127	1,075,058	957,164	890,014	167,609
Liabilities and equity						
Payables to credit institutions and central banks	119,313	162,549	115,875	84,512	55,322	16,033
Deposits	64,483	61,177	31,581	22,165	21,808	8,665
Issued bonds at fair value	889,899	836,081	796,403	751,560	718,041	119,586
Subordinate loan capital – hybrid core capital	10,805	4,119	3,622	3,730	3,940	1,424
Subordinate loan capital – supplementary capital	4,568	4,860	3,722	4,985	6,104	642
Other liabilities	106,954	98,964	69,408	38,225	36,107	14,373
Equity	51,241	50,377	54,447	51,987	48,692	6,886
Total liabilities and equity	1,247,263	1,218,127	1,075,058	957,164	890,014	167,609
FINANCIAL HIGHLIGHTS	2009	2008	2007	2006	2005	
Profit (loss) for the year as % of average equity	0.3	(1.3)	6.3	6.6	6.8	
Core earnings before impairment losses as % of average equity	6.8	7.4	7.8	6.3	6.2	
Core earnings after impairment losses as % of average equity	(8.7)	4.6	8.0	7.0	6.7	
Costs as % of core income, excluding Forstædernes Bank	61.9	68.9	68.4	70.7	64.6	
Provisions for loan impairment and guarantees – excluding Forstædernes Bank	3,795	1,235	349	406	798	
Provisions for loan impairment and guarantees – Forstædernes Bank	6,569	1,712	-	-	-	
Impairment losses for the year, % – mortgage lending	0.2	0.0	(0.0)	(0.0)	(0.0)	
Impairment losses for the year, % – the Nykredit Bank Group ⁴	1.3	0.8	(0.0)	(0.1)	0.0	
Impairment losses for the year, % – Forstædernes Bank ⁴	20.9	4.6	-	-	-	
Capital adequacy ratio, %	17.8	14.7	10.3	11.8	12.4	
Core capital ratio, %	16.7	13.5	9.7	11.0	11.3	
Average number of full-time staff	4,610	4,507	3,672	3,559	3,287	

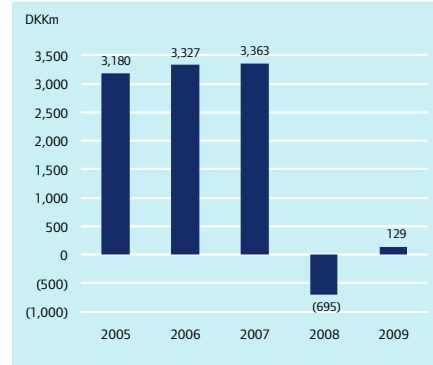
¹ Includes value adjustment of the portfolio of subordinate loan capital in Danish banks.

² Special value adjustments include value adjustment of some staff benefits and owner-occupied properties as well as costs of winding up Dansk Pantebrevsbørs under konkurs A/S.

³ Forstædernes Bank has been included in the Consolidated Financial Statements as from 17 October 2008.

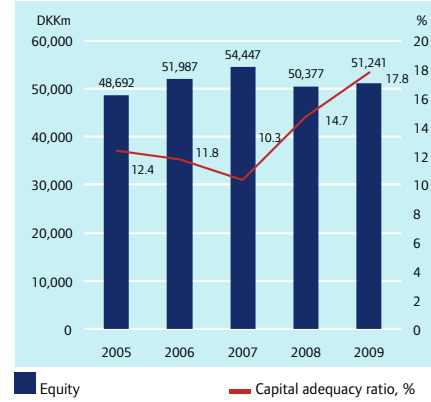
⁴ Excluding the government guarantee scheme.

Profit (loss) for the year



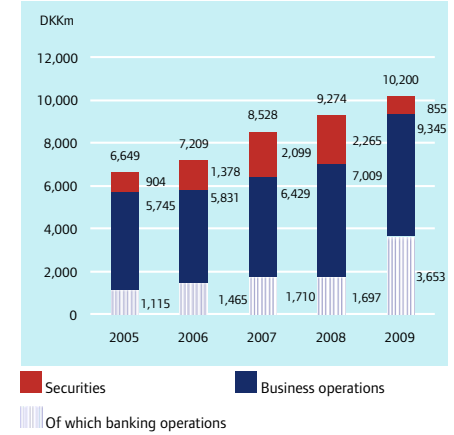
Excluding value adjustment of strategic equities against equity.

Equity and capital adequacy ratio

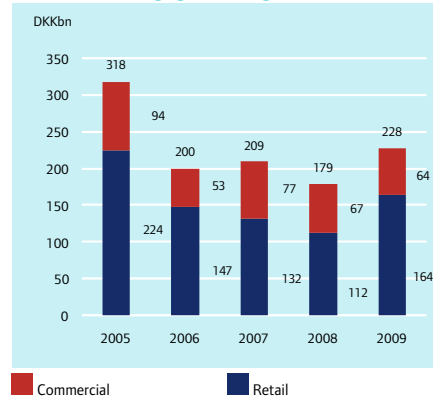


As from 2008, the capital adequacy ratio is determined according to the Basel II rules.

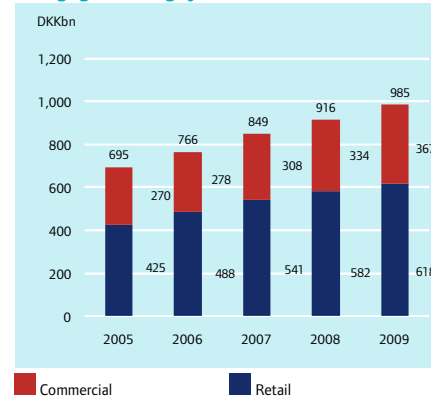
Core income from business operations and securities



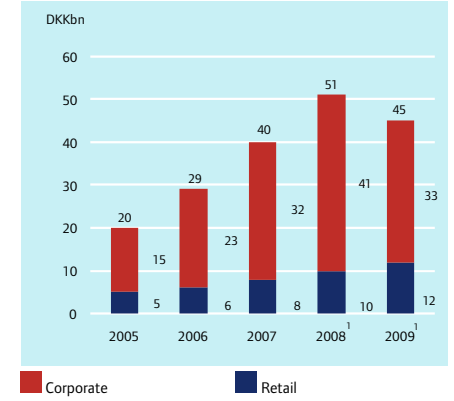
Gross new mortgage lending



Mortgage lending, year-end nominal value



Bank lending, year-end



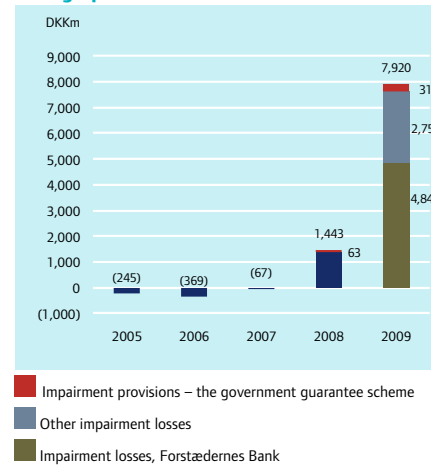
¹ Excluding Forstædernes Bank.

Costs as % of core income from business operations

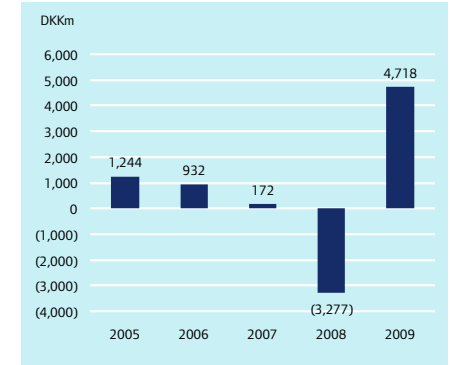


Excluding Forstædernes Bank.

Impairment losses on loans and advances through profit or loss



Investment portfolio income



Excluding value adjustment of strategic equities against equity.

2009 – in brief

Results (for the Nykredit Realkredit Group)

- The Nykredit Realkredit Group posted a profit before tax of DKK 4,923m excluding Forstædernes Bank and DKK 179m including Forstædernes Bank. Profit after tax was DKK 3,681m and DKK 129m, respectively
 - Commission payable and provisions under the government guarantee scheme (bank rescue package I) decreased profit by DKK 818m.

Results (excluding Forstædernes Bank)

- The Group recorded a profit before tax of DKK 4,923m against a loss of DKK 522m in 2008
- Continued growth in customer-oriented business
 - Core income from customer-oriented business increased by DKK 1,221m or 17.1% relative to 2008
 - Mortgage lending in nominal terms and bank lending went up by DKK 63bn to DKK 1,031bn
- Costs as a percentage of core income from business operations were trimmed from 68.9% in 2008 to 61.9%
 - Operating costs, depreciation and amortisation, excluding special value adjustments, went up by DKK 259m or 5.3%
 - Special value adjustments amounted to DKK 396m
 - Nykredit Bank's commission payable under the government guarantee scheme increased to DKK 351m from DKK 81m in 2008
- Impairment losses on loans and advances came to DKK 2,757m against DKK 1,134m in 2008
 - Impairment losses on mortgage lending were DKK 1,755m, equal to 0.2% of lending
 - Nykredit Bank's impairment losses on loans and advances amounted to DKK 1,002m, excluding the government guarantee scheme, corresponding to 1.3% of lending
 - Impairment losses relating to the government guarantee scheme were recorded at DKK 223m
- Core income from securities was DKK 863m against DKK 2,232m in 2008
 - Money market rates averaged 1.83% compared with 4.48% in 2008
- The investment portfolio generated an income of DKK 4,554m against a loss of DKK 3,071m in 2008
 - The main reasons for the high income in 2009 were yield spread tightening between government bonds and other bonds and lower interest rates
- Costs of capital in the form of net interest on hybrid core capital came to DKK 95m.

Forstædernes Bank

- The bank recorded a loss before tax of DKK 4,750m for 2009 after adjustment for provisions of DKK 406m in the opening balance sheet
- Impairment losses on loans and advances were DKK 4,845m, or 20.9%, after adjustment of DKK 406m
 - A review of the provisioning need for all lending was prompted in Q3-Q4/2009 by the markedly poorer business climate and lower property prices
 - Impairment losses relating to the bank's proportion of the government guarantee scheme were DKK 95m.

Capital resources (including Forstædernes Bank)

- The core capital ratio and capital adequacy ratio rose to 16.7% and 17.8%, respectively
- The individual capital need was 9.8% based on an assessment of the expected business climate in 2010
- Nykredit issued hybrid core capital of EUR 900m in the open market in early November
- Group equity amounted to DKK 51.2bn.

OUTLOOK FOR 2010

- Nykredit expects continued progress in business volumes. Growth seems set to be strongest within bank and mortgage lending. Core earnings before impairment losses are projected to range between DKK 3,700m and DKK 4,000m.
- In 2010 impairment losses on bank and mortgage lending will generally remain, while impairment losses in Forstædernes Bank will normalise. Therefore, total impairment losses are expected to be lower than in 2009. We expect a normalised trend in investment portfolio income.
- In total, we forecast a profit before tax in the region of DKK 0-1.5bn. This forecast is subject to significant uncertainty as it depends on macroeconomic and financial market trends.

Management's Review

NYKREDIT REALKREDIT GROUP RESULTS

The Group, excluding Forstædernes Bank, recorded a profit before tax of DKK 4,923m against a loss of DKK 522m in 2008.

Profit before tax including Forstædernes Bank was DKK 179m in 2009.

The profit reflects healthy growth in customer-oriented business, rising loan impairment losses, significant expenses under the government guarantee scheme and very high investment portfolio income.

Core income from customer-oriented business, excluding Forstædernes Bank, rose by DKK 1,221m or 17.1% on the year before.

Group mortgage lending measured at nominal value and bank lending, excluding Forstædernes Bank, increased by DKK 63bn or 6.5% to DKK 1,031bn compared with the beginning of the year. Growth amounted to DKK 38bn within retail lending and DKK 25bn within commercial lending.

Group impairment losses on loans and advances, excluding Forstædernes Bank, came to DKK 2,757m in 2009. Further, provisions relating to the government guarantee scheme were

recorded at DKK 223m. Impairment losses on retail and commercial lending amounted to DKK 844m and DKK 1,913m, respectively.

The Consolidated Financial Statements included loan impairment losses of DKK 4,845m relating to Forstædernes Bank after adjustment for provisions of DKK 406m recognised in the opening balance sheet. Further, provisions under the government guarantee scheme came to DKK 95m.

Group impairment losses on loans and advances reflected the deterioration of the business climate – especially in Q2/2009 when Danish GDP dropped heavily – and resulted in

The Nykredit Realkredit Group

Core earnings and investment portfolio income

DKK million	2009	2008	2009	2008 ³
	Excl Forstædernes Bank		Incl Forstædernes Bank	
Core income from				
- Business operations	8,374	7,153	9,206	7,411
- Kalvebod issues ¹	139	(402)	139	(402)
- Securities	863	2,233	855	2,265
Total	9,376	8,984	10,200	9,274
Operating costs, depreciation and amortisation – excluding special value adjustments	5,185	4,926	5,828	5,072
Operating costs, depreciation and amortisation – special value adjustments ²	396	224	396	225
Commission – government guarantee scheme	351	81	500	112
Core earnings before impairment losses	3,444	3,753	3,476	3,865
Impairment losses on loans and advances – mortgage lending	1,755	416	1,755	416
Impairment losses on loans and advances – the Nykredit Bank Group	1,002	718	1,002	718
Impairment losses on loans and advances – Forstædernes Bank	-	-	4,845	246
Impairment losses on loans and advances – the government guarantee scheme	223	45	318	63
Core earnings after impairment losses	464	2,574	(4,444)	2,422
Investment portfolio income	4,554	(3,071)	4,718	(3,277)
Profit (loss) before costs of capital	5,018	(497)	274	(855)
Net interest on hybrid core capital	(95)	(25)	(95)	(25)
Profit (loss) before tax	4,923	(522)	179	(880)
Tax	1,242	(111)	50	(185)
Profit (loss) for the year	3,681	(411)	129	(695)

¹ Includes value adjustment of the portfolio of subordinate loan capital in Danish banks.

² Special value adjustments include value adjustment of some staff benefits and owner-occupied properties as well as costs of winding up Dansk Pantebevsningsbørs in bankruptcy.

³ Forstædernes Bank has been included in the Consolidated Financial Statements as from 17 October 2008.

a critical review of Forstædernes Bank's entire loan portfolio in Q3-Q4/2009. Impairment losses on loans and advances in Forstædernes Bank chiefly derived from large property exposures in respect of which the bank's security is weak, based on second or third mortgages.

The group expense under the government guarantee scheme totalled DKK 818m, of which DKK 500m was commission payable in respect of the banks' deposit and debt obligations, and DKK 318m was Nykredit's proportion of provisions to cover distressed banks.

The Group posted investment portfolio income of DKK 4,718m against a loss of DKK 3,277m in 2008. The chief reasons for the steep growth were tighter yield spreads between government bonds and other types of bond and lower interest rates.

The Group posted a profit after tax, excluding Forstædernes Bank, of DKK 3,681m against a loss of DKK 411m the year before. Profit, including Forstædernes Bank, was DKK 129m in 2009.

Strategic equities, chiefly in banks, which are value adjusted against equity, generated a capital gain of DKK 751m against a capital loss of DKK 2,847m the year before.

The following earnings review does not include Forstædernes Bank.

Core earnings

Core income from business operations

Group core income from customer-oriented business gained 17.1% from DKK 7,153m in 2008 to DKK 8,374m – up DKK 1,221m.

Core income from mortgage operations continued to grow and improved by DKK 645m, or 14.8%, to DKK 4,997m against DKK 4,352m in 2008. Gross new mortgage lending was DKK 228bn compared with DKK 179bn in 2008. Group mortgage lending at nominal value rose by DKK 69bn to DKK 985bn at end-2009.

Core income from banking operations rose by DKK 985m, or 55.0%, to DKK 2,775m.

Nykredit Markets & Asset Management continued to record growth in core income from customer-oriented activities, which increased by 11.7% or DKK 157m to DKK 1,494m.

The remaining banking operations, excluding Kalvebod issues, also showed progress, and core income picked up by 33.4%, or DKK 286m, to DKK 1,142m. Nykredit Bank's lend-

ing fell by DKK 5.5bn to DKK 45.4bn at end-2009 on account of lower demand for commercial loans and to some extent refinancing of commercial loans into mortgage loans. Retail lending increased by DKK 2.1bn to DKK 12.4bn. Deposits were up DKK 0.4bn to DKK 47.0bn relative to the beginning of the year.

Nykredit Bank's income from the portfolio of Kalvebod issues in the form of subordinate capital in Danish banks amounted to DKK 139m against a loss of DKK 402m in 2008.

Nykredit Forsikring's core income from business operations rose by 32.4% or DKK 109m to DKK 445m. The combined ratio of the insurer declined to 86.4% against 93.4% the year before. These figures reflected a fair trend in activities with low claims ratios.

Core income from securities

Core income from securities was DKK 863m against DKK 2,233m the year before. The decline was mainly due to lower average money market rates at 1.83% compared with 4.48% in 2008.

Core income from securities equals the return which the Group could have obtained by placing its investment portfolios at risk-free interest rates. In addition, core income from securities includes net interest expenses relating to supplementary capital and the acquisition of Totalkredit – determined in relation to risk-free interest.

Operating costs, depreciation and

amortisation, excl special value adjustments

The Group's costs excluding value adjustments and commission payable under the government guarantee scheme came to DKK 5,185m, corresponding to 5.3% growth on 2008. Costs as a percentage of core income from business operations were trimmed from 68.9% in 2008 to 61.9% in 2009.

Operating costs, depreciation and

amortisation – special value adjustments

Special value adjustments, which comprise net value adjustment of assets and liabilities relating to Nykredit's pension schemes (run-off), certain staff schemes and value adjustment of owner-occupied properties, came to DKK 213m. Expenses and provisions regarding the winding up of Dansk Pantebrevsbørs amounted to DKK 183m. In total, these operating expenses amounted to DKK 396m against DKK 224m the year before.

Commission – government guarantee scheme
Nykredit Bank's commission payable under the government guarantee scheme amounted to DKK 351m against DKK 81m in 2008.

Impairment losses on loans and advances

Group impairment losses on loans and advances were DKK 2,757m against DKK 1,134m in 2008. Of this amount, DKK 844m stemmed from the retail segment and DKK 1,913m from the commercial segment. To this should be added further provisions of DKK 223m for guarantees under the government guarantee scheme.

In 2009 the Group's recognised losses on mortgage and bank lending rose to DKK 176m and DKK 145m, respectively, compared with a total recognised loss of DKK 104m in 2008.

Nykredit Realkredit recorded impairment losses on loans and advances of DKK 1,216m against DKK 344m in 2008, equivalent to 0.22% of lending. Of this figure DKK 249m, or 0.13%, was attributable to retail customers against an income of DKK 46m in 2008. Impairment losses on loans and advances to commercial customers amounted to DKK 967m in 2009 equal to 0.26% of lending.

Impairment losses on loans and advances in Totalkredit amounted to DKK 515m, equal to 0.12% of lending, against DKK 55m in 2008.

Under the Totalkredit concept, recognised losses corresponding to the part of a loan exceeding 60% of the LTV of a property when the loan is issued are offset against future commission payments from Totalkredit to the partner banks. In the year under review, DKK 18m was offset. If impairments for the year are recognised as losses, about 60-70% is expected to be offset against commission payable to the banks over the next 1-2 years.

Impairment losses on loans and advances granted by Nykredit Bank totalled DKK 1,002m, equal to 2.13% of lending, against DKK 718m in 2008. Retail customers accounted for DKK 55m of impairment losses for the year (equal to 0.44% of lending) against DKK 14m in 2008. Impairment losses on loans and advances to corporate customers amounted to DKK 947m or 2.75% of lending in 2009.

Impairment losses in Nykredit Mægler (estate agency business) came to DKK 24m in 2009.

Investment portfolio income

The Group's investment portfolio income was DKK 4,554m against a loss of DKK 3,071m in 2008. To this should be added value adjustment of strategic equities against equity of DKK 751m after tax compared with a negative value adjustment of DKK 2,847m in 2008.

Investment portfolio income was characterised by declining interest rates and normalisation of spreads between mortgage and corporate bonds on the one hand and government bonds on the other.

In H2/2009 Nykredit reduced its exposure to the above spreads markedly.

Investment portfolio income is the excess income obtained from investing in equities, bonds and derivative financial instruments in addition to the risk-free interest. Price spreads and interest margins relating to the mortgage lending of Nykredit Realkredit and Totalkredit as well as the trading activities of Nykredit Markets have been included not as investment portfolio income, but as core income from business operations.

Nykredit's securities portfolio consists mainly of Danish and European mortgage bonds.

The interest rate risk of the portfolio has been widely reduced by offsetting sales of government bonds or through interest rate derivatives.

Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 4,630m.

The Nykredit Group has invested DKK 4,750m in equities, of which strategic equities value adjusted against equity accounted for DKK 2,941m. In 2009 the investment portfolio of equities and equity instruments value adjusted through profit or loss generated a loss of DKK 76m.

Net interest on hybrid core capital

The Group has raised hybrid core capital for a total of DKK 10,805m, of which DKK 6,592m was raised in the open market in early November 2009. Results were affected by a net interest expense of DKK 95m for hybrid core capital raised by Nykredit.

Tax

Tax calculated on profit for the year, excluding Forstædernes Bank, was DKK 1,242m, corresponding to 25.2%.

Dividend

It will be recommended for adoption by the Annual General Meeting that no dividend be distributed for 2009.

BUSINESS AREAS

Nykredit is organised into the business areas Retail Customers, Business Partners, Commercial Customers, Markets & Asset Management and Forstædernes Bank.

Group core income from business operations totalled DKK 9,206m against DKK 7,411m in 2008. Retail Customers and Business Partners contributed 41.6% of total core income.

In 2009 mortgage lending rose from DKK 916bn to DKK 985bn in nominal terms. The Nykredit Group's gross new lending rose to DKK 228bn from DKK 179bn in 2008.

The Group's market share of mortgage lending was 45.7% and 55.9% of gross and net new lending, respectively, in 2009 compared with 41.0% and 40.7% in 2008.

Gross new residential lending came to DKK 164bn against DKK 112bn the year before, equal to a market share of Danish residential mortgage lending of 48.9% compared with 47.4% in 2008.

Nykredit Bank's lending decreased by DKK 5.5bn to DKK 45.4bn in 2009. Corporate banking accounted for DKK 7.6bn of the decline due to lower demand for loans and to some extent refinancing of bank loans into mortgage loans. Retail lending increased by DKK 2.1bn to DKK 12.4bn.

Deposits increased by DKK 0.4bn to DKK 47bn at end-2009.

Forstædernes Bank's lending came to DKK 15.5bn against DKK 22.3bn at end-2008. Higher individual loan impairment provisions in particular accounted for about DKK 5bn of the decline of DKK 6.8bn.

Deposits increased by DKK 3.4bn to DKK 18.2bn at end-2009.

Nykredit Forsikring's insurance portfolio grew by DKK 37m to DKK 1,418m. Retail Customers represented an increase of DKK 34m.

Nykredit Mægler saw a 10% downturn in turnover from 13,800 properties sold in 2008 to 12,450.

Results by business area ¹⁾

DKK million	Retail Customers	Business Partners	Commercial Customers	Markets & Asset Management	Forstædernes Bank	Group items and eliminations	Total
2009							
Core income from							
- Business operations	2,324	1,504	2,905	1,493	832	147	9,206
- Kalvebod issues	-	-	-	139	-	-	139
Total	2,324	1,504	2,905	1,632	832	147 ²⁾	9,345
Core income from securities	-	-	-	-	-	855	855
Operating costs	1,548	419	1,110	801	598	955	5,431
Commission under the government guarantee scheme	41	-	192	118	149	-	500
Depreciation of property, plant and equipment and amortisation of intangible assets	16	449	2	-	63	263	793
Core earnings before impairment losses	719	636	1,601	713	22	(216)	3,476
Impairment losses on loans and advances	304	540	1,908	4	4,845	318 ⁵⁾	7,920
Core earnings after impairment losses	415	96	(307)	709	(4,823)	(534)	(4,444)
Investment portfolio income ³⁾	-	-	-	-	-	4,718	4,718
Profit (loss) before costs of capital	415	96	(307)	709	(4,823)	4,184	274
Net interest on hybrid core capital	-	-	-	-	-	(95)	(95)
Profit (loss) before tax	415	96	(307)	709	(4,823)	4,089	179
Return							
Average business capital, DKKm ⁴⁾	4,206	7,625	12,106	2,340	2,249	3,466	31,992
Core earnings after impairment losses as % of average business capital ⁴⁾	9.9	1.3	(2.5)	30.3	(214.5)	-	(13.9)
2008							
Profit (loss) before tax	421	336	553	215	(171)	(2,234)	(880)
Return							
Average business capital, DKKm ⁴⁾	3,675	6,532	13,087	2,218	-	3,010	28,522
Core earnings after impairment losses as % of average business capital ⁴⁾	11.5	5.1	4.2	9.7	-	-	7.4

¹⁾ Reference is made to note 2 in the financial statements for complete segment financial statements with comparative figures.

²⁾ Of which DKK 187m concerns the proportionate consolidation of JN Data (DKK 195m in 2008).

³⁾ Investment portfolio income includes a loss from investments in associates of DKK 125m in 2009 against a profit of DKK 123m in 2008.

⁴⁾ Business capital has been calculated as the required capital base, equal to Pillar I and Pillar II.

⁵⁾ Provisions for guarantees relating to the government guarantee scheme.

Results – Retail Customers

DKK million	2009	2008
Core income from business operations	2,324	2,013
Operating costs	1,548	1,583
Commission under the government guarantee scheme	41	8
Depreciation of property, plant and equipment and amortisation of intangible assets	16	15
Core earnings before impairment losses	719	407
Impairment losses on loans and advances – mortgage lending	249	(28)
Impairment losses on loans and advances – banking	55	14
Core earnings after impairment losses	415	421

Business activities

DKK million	2009	2008
Mortgage lending		
Gross new lending	38,544	24,293
Net new lending	9,250	3,667
Portfolio at nominal value, year-end	180,400	178,239
Impairment losses as % of lending	0.12	(0.03)
Impairment provisions, year-end		
- Individual impairment provisions	127	13
- Collective impairment provisions	55	36
Impairment provisions as % of lending	0.10	0.02
Portfolio of properties repossessed, year-end (properties)	98	47
Banking		
Loans and advances, year-end	12,433	10,360
Deposits, year-end	12,756	10,512
Impairment losses as % of lending	0.44	0.13
Impairment provisions, year-end		
- Individual impairment provisions	66	27
- Collective impairment provisions	6	3
Impairment provisions as % of lending	0.58	0.29
Guarantees, year-end ¹	7,747	4,285
Provisions for guarantees, year-end ¹	-	-
Insurance		
New policies written	230	242
Insurance portfolio, year-end	956	922

¹ Excluding the government guarantee scheme.

Retail Customers

The business area Retail Customers covers activities aimed at retail customers through Nykredit's own distribution channels. Retail Customers also serves the Group's part-time farming customers.

Under the Nykredit brand, retail customers are offered bank, mortgage, insurance, investment and pension products through Nykredit's distribution channels, including 49 retail centres, 2 call centres, nykredit.dk, and a central customer services centre. Two insurance centres, two asset management centres, and the estate agencies of the Nybolig and Estate chains constitute other distribution channels.

Activities

Total mortgage lending at nominal value rose by DKK 2.2bn to DKK 180bn at end-2009.

Gross new lending surged by DKK 14.3bn to DKK 38.5bn. The rise was especially due to higher refinancing activity.

Bank lending improved by DKK 2.1bn, or 20.0%, to DKK 12.4bn in 2009. Deposits rose by DKK 2.2bn, or 21.3%, to DKK 12.7bn at end-2009.

The insurance portfolio went up by DKK 34m to DKK 956m.

Results

Core earnings before impairment losses grew to DKK 719m against DKK 407m the year before.

Core income from business operations was DKK 2,324m against DKK 2,013m the year before.

Operating costs were DKK 1,548m against DKK 1,583m in 2008. Commission under the government guarantee scheme came to DKK 41m against DKK 8m in 2008.

Impairment losses on loans and advances showed an up-trend and were recorded at DKK 304m compared with a net income of DKK 14m the year before. Impairment losses as a percentage of lending amounted to 0.12% of mortgage lending and 0.44% of bank lending. Recognised mortgage loan losses for the year were DKK 88m against DKK 11m the year before.

Impairment provisions totalled DKK 254m at end-2009 against DKK 79m at the beginning of the year. Impairment provisions for mortgage loans and bank loans came to DKK 182m and DKK 72m, respectively.

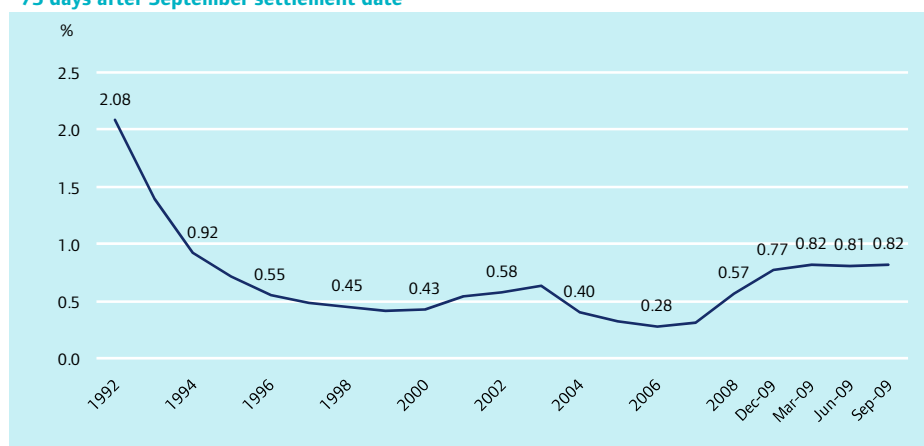
At the September settlement date, the 75-day mortgage loan arrears as a percentage of total mortgage payments due came to 0.82% against 0.57% at the settlement date in September 2008.

Since the beginning of the year, the Group has repossessed 177 properties and sold 126. At end-2009, the portfolio of repossessed properties stood at 98 against 47 at the beginning of the year.

The security behind mortgage lending to retail customers remains substantial. The LTV ratios of mortgage loans are shown below with individual loans relative to the estimated values of the individual properties at end-2009.

Despite generally declining housing prices, particularly in the metropolitan area, only 1.8% of private residential mortgage lending exceeded 80% of the current values of individual properties at the end of the year.

Arrears ratio, mortgage lending – 75 days after September settlement date



Mortgage debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value)				Total	LTV, median
	0-40	40-60	60-80	Over 80		
2009 ¹	120,911	35,161	16,028	3,190	175,290	27%
2008 ²	124,871	32,225	9,120	754	166,970	25%

¹ The table allows for any financed costs. For example, a fully mortgaged owner-occupied dwelling with financed costs of 2% will be placed in the category Over 80%.

² The table allows for any financed costs of up to 2% of lending. For example, the range 60-80% covers loans with an LTV of up to 82%. The model for determining the LTV was adjusted on 11 May 2009, and the figures for 2008 were restated accordingly.

Results – Business Partners

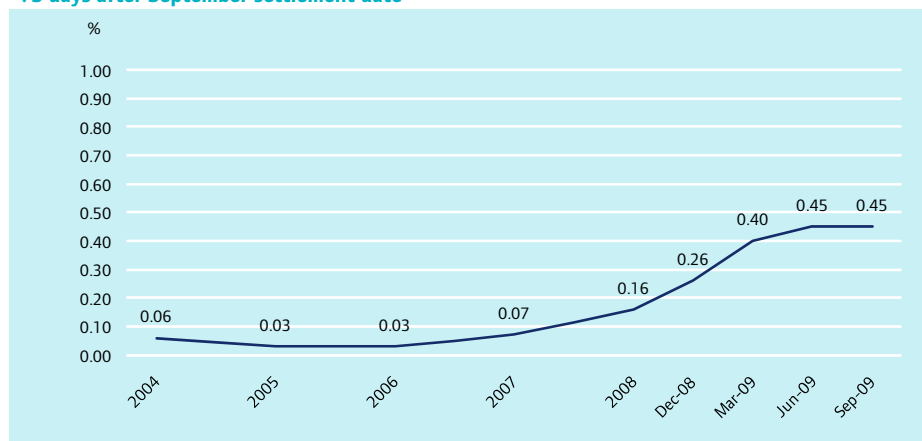
DKK million	2009	2008
Core income from business operations	1,504	1,238
Operating costs	419	432
Depreciation of property, plant and equipment and amortisation of intangible assets	449	415
Core earnings before impairment losses	636	391
Impairment losses on loans and advances	540	55
Core earnings after impairment losses	96	336

Business activities

DKK million	2009	2008
Mortgage lending		
Gross new lending	125,785	87,863
Net new lending	40,466	43,067
Portfolio at nominal value, year-end	438,116	404,090
Impairment losses as % of lending	0.12	0.01
Impairment provisions, year-end		
- Individual impairment provisions	360	22
- Collective impairment provisions	200	32
Impairment provisions as % of lending	0.13	0.01
Portfolio of properties repossessed, year-end (properties)	22	4

Arrears ratio, mortgage lending

– 75 days after September settlement date



Business Partners/Totalkredit

Business Partners coordinates the distribution of mortgage loans to retail customers under the Totalkredit brand through just below 100 Danish local and regional banks having more than 1,000 branches. To this should be added Nykredit's mortgage loans to retail customers abroad.

Activities

Measured at nominal value, mortgage lending rose by DKK 34.0bn to DKK 438bn at end-2009. Gross new lending increased by DKK 37.9bn to DKK 125.8bn. The upturn resulted from higher refinancing activity in particular.

Results

Core earnings before impairment losses came to DKK 636m against DKK 391m the year before.

Core income from business operations was DKK 1,504m against DKK 1,238m the year before.

Operating costs decreased to DKK 419m from DKK 432m the year before.

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to DKK 449m, of which DKK 448m related to distribution rights obtained in connection with Nykredit's acquisition of Totalkredit against DKK 413m in 2008.

Impairment losses on loans and advances came to DKK 540m against DKK 55m in 2008. The increase was mainly attributable to growth in individual impairment provisions of DKK 338m. Impairment losses equalled 0.12% of lending. Recognised losses for the year amounted to DKK 28m, of which DKK 18m was offset against commission payable to the partner banks.

Totalkredit's impairment losses are subject to an agreement with the partner banks, under which recognised losses corresponding to the part of a loan exceeding 60% of the LTV of the property when the loan is issued are offset against future commission payments from Totalkredit to the partner banks. If impairments are recognised as losses, about 60-70% is expected to be offset against commission payable to the banks within the next few years.

Impairment provisions totalled DKK 560m at end-2009, of which individual impairment provisions accounted for DKK 360m.

At the September settlement date, the 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.45% against 0.16% at the settlement date in September 2008.

The portfolio of repossessed properties stood at 22 at year-end against 4 at the beginning of 2009. Since the beginning of the year, the Group has repossessed 46 properties and sold 28.

The LTV ratios of mortgage loans are shown below. 3.5% of mortgage lending to retail customers exceeds 80% of the current values of individual properties against 0.8% at end-2008.

International lending

Nykredit offers Danish private residential mortgages for properties in France, Spain, Poland and Germany directly to customers and through business partners.

Core income from international retail activities totalled DKK 65.8m against DKK 62.8m in 2008.

Nykredit's international gross new lending to retail customers was DKK 1.1bn. The retail loan portfolio stood at DKK 6.8bn at end-2009.

International retail lending gave rise to impairment losses of DKK 25m in 2009, of which DKK 0.7m related to lending in Poland.

Mortgage debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value)				Total	LTV, median
	0-40	40-60	60-80	Over 80		
2009 ¹	259,524	97,682	58,147	15,275	430,628	33%
2008 ²	262,600	89,932	34,754	3,061	390,348	29%

¹ The table allows for any financed costs. For example, a fully mortgaged owner-occupied dwelling with financed costs of 2% will be placed in the category Over 80%.

² The table allows for any financed costs of up to 2% of lending. For example, the range 60-80% covers loans with an LTV of up to 82%. The model for determining the LTV median was adjusted on 11 May 2009, and the figures for 2008 were restated accordingly.

Results – Commercial Customers

DKK million	2009	2008
Core income from business operations	2,905	2,359
Operating costs	1,110	888
Commission under the government guarantee scheme	192	53
Depreciation of property, plant and equipment and amortisation of intangible assets	2	3
Core earnings before impairment losses	1,601	1,415
Impairment losses on loans and advances – mortgage lending	967	199
Impairment losses on loans and advances – banking	941	663
Core earnings after impairment losses	(307)	553

Business activities

DKK million	2009	2008
Mortgage lending		
Gross new lending	63,848	67,318
Net new lending	39,126	41,613
Portfolio at nominal value, year-end	366,700	334,254
Impairment losses as % of lending	0.26	0.06
Impairment provisions, year-end		
- Individual impairment provisions	902	168
- Collective impairment provisions	298	194
Impairment provisions as % of lending	0.33	0.11
Portfolio of properties repossessed, year-end (properties)	43	6
Banking		
Loans and advances, year-end	32,995	40,536
Deposits, year-end	23,125	24,569
Impairment losses as % of lending	2.73	1.61
Impairment provisions, year-end		
- Individual impairment provisions	1,339	554
- Collective impairment provisions	101	120
Impairment provisions as % of lending	4.18	1.64
Guarantees, year-end ¹	10,078	9,362
Provisions for guarantees, year-end ¹	5	
Insurance		
New policies written	75	70
Insurance portfolio, year-end	462	459

¹ Excluding the government guarantee scheme.

Commercial Customers

Commercial Customers comprises activities aimed at all types of businesses including the agricultural and rental housing segments. Rental housing includes non-profit housing, housing society dwellings and private rental housing. Products are distributed through 22 commercial centres offering all of the Group's products within banking, mortgage lending, insurance, investment and debt management.

Activities

The mortgage loan portfolio grew by DKK 32.4bn during the year to DKK 367bn at year-end. Gross new mortgage lending totalled DKK 63.8bn – down DKK 3.5bn on 2008.

Bank lending declined by DKK 7.6bn to DKK 33.0bn at end-2009 due to lower demand for loans and to some extent refinancing of bank loans into mortgage loans. Bank deposits decreased by DKK 1.4bn to DKK 23.1bn at end-2009.

The insurance portfolio was up DKK 3m to DKK 462m at year-end.

Results

Core earnings before impairment losses amounted to DKK 1,601m against DKK 1,415m in 2008.

Core income from business operations was DKK 2,905m against DKK 2,359m the year before.

Operating costs were DKK 1,110m against DKK 888m in 2008. Operating costs were affected by expenses and provisions of DKK 183m relating to the winding up of Dansk Pantebrevsbørs. To this should be added the effect of recruitment in 2008. Commission under the government guarantee scheme amounted to DKK 192m compared with DKK 53m in 2008.

Loan impairment losses came to DKK 1,908m against DKK 862m in 2008. DKK 66m of total impairment losses was attributable to the EBH group against DKK 312m in 2008. Impairment losses represented 0.26% of mortgage lending and 2.73% of bank lending. Recognised mortgage loan losses for the year were DKK 78m against DKK 12m the year before.

Impairment provisions totalled DKK 2,640m at end-2009 against DKK 1,036m at the beginning of the year. Impairment provisions for mortgage and bank lending came to DKK 1,200m and DKK 1,440m, respectively. At end-2009, DKK 378m of impairment provi-

sions for bank loans was attributable to the EBH group against DKK 312m at the beginning of 2009.

International mortgage lending did not give rise to any impairment losses in 2009.

At the September settlement date, the 75-day mortgage loan arrears as a percentage of total mortgage payments due were 1.62% against 0.57% at the settlement date in September 2008.

The number of repossessed properties was 43 against 6 properties at end-2008. Since the beginning of the year, the Group has repossessed 61 properties and sold 24.

The LTV ratios of mortgage loans are shown below. As the calculation contains property classes with different LTVs, reference is made to the report Risk and Capital Management 2009 for a more detailed description of LTV ratios relating to mortgage lending, available at nykredit.com/reports.

International lending

Nykredit offers Danish and selected international commercial customers mortgages subject to Danish legislation for properties abroad. The lending activities comprise properties in the UK, Finland, Norway, Poland, Sweden and Germany. International commercial lending amounted to DKK 30.4bn at end-2009.

Arrears ratio, mortgage lending

– 75 days after September settlement date, Rental housing, Agriculture and Other



Mortgage debt outstanding relative to estimated property values ¹

DKK million	LTV (loan-to-value)				Total	LTV, median
	0-40	40-60	60-80	Over 80		
2009 ²	235,405	55,173	17,517	2,081	310,176	23%
2008 ³	217,912	44,818	10,090	817	273,637	20%

¹ Excl loans and advances to non-profit housing.

² The table allows for any financed costs. For example, a fully mortgaged commercial dwelling with financed costs of 2% will be placed in the category Over 80%.

³ The table allows for any financed costs of up to 2% of lending. For example, the range 60-80% covers loans with an LTV of up to 82%. The model for determining the LTV median was adjusted on 11 May 2009, and the figures for 2008 were restated accordingly.

Results – Markets & Asset Management

DKK million	2009	2008
Core income from		
- Business operations	1,493	1,336
- Kalvebod issues	139	(402)
Total	1,632	934
Operating costs	801	672
Commission under the government guarantee scheme	118	20
Core earnings before impairment losses	713	242
Impairment losses on loans and advances	4	27
Core earnings after impairment losses	709	215

Summary balance sheet, year-end

DKK million	2009	2008
Assets		
Receivables from credit institutions	47,440	32,391
Other loans and advances at fair value	11,883	24,490
Bonds and equities	52,662	51,061
Liabilities and equity		
Payables to credit institutions and central banks	53,609	85,072
Deposits and other payables	11,085	11,455
Issued bonds	41,539	17,330

Markets & Asset Management

Markets & Asset Management handles the activities of the Group within trading in securities and other financial instruments, debt capital, asset management and pension products.

Results

Core earnings after impairment losses totalled DKK 709m compared with DKK 215m in 2008.

Core income from business operations was DKK 1,493m against DKK 1,336m in 2008. The positive development was broad-based across all business areas.

Core income from the portfolio of subordinate loan capital in Danish banks (the Kalvebod issues) rose markedly from a loss of DKK 402m in 2008 to a profit of DKK 139m in 2009.

Nykredit Markets recorded a very high activity level in the areas Credit Trading and Fixed Income, and Fixed Income in particular improved earnings significantly.

Asset Management and Nykredit Portefølje Administration contributed income above the 2008 level. Assets under administration and management totalled DKK 294.2bn at end-2009.

Nykredit Portefølje Administration administered assets in the amount of DKK 228.4bn at end-2009, up DKK 11.9bn compared with the beginning of the year. Assets under management by the Asset Management area increased by DKK 7.5bn to DKK 65.8bn during the year.

Assets under management for private individuals under the Private Portfolio and PensionsInvest concepts grew steeply by DKK 3.5bn to DKK 10.8bn. The improvement derived from a 21.2% customer increase for Private Portfolio and pension contributions of DKK 0.8bn.

Results – Forstædernes Bank A/S

DKK million	2009	2008	2008
		17 Oct – 31 Dec	
Core income from business operations	832	258	945
Operating costs	598	148	664
Commission under the government guarantee scheme	149	32	32
Depreciation of property, plant and equipment and amortisation of intangible assets	69	14	56
- recognised in opening balance sheet	(6)	(12)	(12)
Core earnings before impairment losses	22	76	205
Impairment losses on loans and advances	5,251	1,341	1,517
Recognised in opening balance sheet	(406)	(1,094)	(1,094)
Core earnings after impairment losses	(4,823)	(171)	218

Business activities

DKK million	2009	2008
Loans and advances, year-end	15,493	22,260
Deposits, year-end	18,152	14,704
Impairment losses as % of lending	20.87	4.61
Impairment provisions, year-end		
- Individual impairment provisions	6,085	1,598
- Collective impairment provisions	147	64
Impairment provisions as % of lending	28.69	6.95
Guarantees, year-end ¹	3,132	5,108
Provisions for guarantees, year-end ¹	224	32

¹ Excluding the government guarantee scheme.

Forstædernes Bank

The bank mainly focuses on commercial customers as well as investment, pension and asset management services. Products are distributed through 20 commercial and investment centres in Copenhagen and Århus.

Activities

Lending declined by DKK 6.8bn to DKK 15.5bn at year-end. The downturn chiefly resulted from higher impairment losses. Bank deposits gained DKK 3.4bn to DKK 18.2bn.

Results

Core earnings before impairment losses came to DKK 22m against DKK 205m the year before.

Core income from business operations was DKK 832m in 2009 against DKK 945m in 2008. The decline included higher net interest income from business operations and lower trading income.

Operating costs amounted to DKK 598m. Commission under the government guarantee scheme came to DKK 149m against DKK 32m in 2008.

Impairment losses on loans and advances before adjustment for provisions in the opening balance sheet amounted to DKK 5,251m, or 20.87% of lending, against DKK 1,517m the year before. After adjustment for provisions of DKK 406m recognised in the opening balance sheet, loan impairment losses were DKK 4,845m in 2009.

In H1/2009 impairment losses of DKK 1,341m particularly reflected the financial crisis following the collapse of the Lehman Brothers. Declining equity and property prices as well as increasing exchange rates of CHF and other funding currencies prompted impairments on a number of large exposures.

Impairment losses of DKK 3,910m in H2/2009 should be seen in the context of an extreme decline in GDP in Q2/2009 and a considerable price drop on some types of commercial property. The price fall was most pronounced in respect of rental properties with vacancies. In Q3 and Q4/2009, all the bank's exposures were subject to a critical review and reassessment.

Impairment losses chiefly derived from property exposures in respect of which the bank's security was weak, based on second or third mortgages.

Reference is made to the Annual Report for 2009 of Forstædernes Bank A/S.

Results – Group items

DKK million	2009	2008
Core income from		
- Business operations	147	207
- Securities	855	2,265
Total	1,002	2,472
Operating costs, depreciation and amortisation	1,218	1,138
Core earnings before impairment losses	(216)	1,334
Impairment losses on loans and advances		203
Impairment losses relating to the government guarantee scheme	318	63
Core earnings after impairment losses	(534)	1,068
Investment portfolio income	4,718	(3,277)
Profit (loss) before costs of capital	4,184	(2,209)

Group items

The segment financial statements contain a number of income statement and balance sheet items that cannot be allocated to the business areas. Such items are included under Group items. Group items include the Group's total return on the securities portfolio, which is the sum of "Core income from securities" and "Investment portfolio income".

Group items also include staff function costs and provisions for guarantees under the government guarantee scheme which represent Nykredit's proportion of provisions to cover distressed banks under the government guarantee scheme.

Core income from business operations

Core income from business operations was DKK 147m against DKK 207m the year before. Of this amount the proportionate consolidation of JN Data declined to DKK 187m from DKK 195m in 2008.

Nykredit's proportion of JN Data's revenue amounted to DKK 372m against DKK 337m in 2008.

Core income from securities

Group core income from securities inclusive of Forstædernes Bank was DKK 855m against DKK 2,265m in 2008. The decline was mainly due to lower average money market rates of 1.83% compared with 4.48% in 2008.

Investment portfolio income

The Group's investment portfolio inclusive of Forstædernes Bank saw an income of DKK 4,718m against a loss of DKK 3,277m in 2008.

Impairment losses on loans and advances

Impairment losses on loans and advances amounted to DKK 203m in 2008. They were attributed to losses on guarantees relating to Roskilde Bank. Provisions under the government guarantee scheme rose by DKK 255m to DKK 318m in 2009.

STAFF

The average number of staff in the Group went up from 4,507 in 2008 to 4,610 at end-2009.

The number of permanent staff decreased from 4,348 at the beginning of 2009 to 4,296 at year-end.

Staff benefits

Nykredit offers a number of staff benefits. The most important benefits are group life insurance, full-time accident insurance, critical illness insurance and health insurance.

Incentive and bonus programmes

Nykredit offers its staff incentive as well as bonus programmes.

There is a general bonus programme at group level, which covers the vast majority of the Group's staff – the remaining staff is covered by special bonus programmes, see below.

The bonus allotment criterion applying to the general bonus programme is the development in the business return in each business area. Bonus is linked to the overall earnings of the business area rather than to the individual staff member's sales.

Under the general bonus programme, DKK 17m will be paid for 2009 (0.9% of the payroll of the staff involved) against DKK 30m for 2008 (1.8% of payroll). No employee bonds will be allotted in 2009 as was the case in 2008.

No bonus programme has been set up for the Group Executive Board.

The Group's executive staff reporting to the Group Executive Board are covered by an individual bonus programme with a potential bonus of up to three months' salary. The Group introduced the executive bonus together with a freeze on salary increases for a period corresponding to one month's salary savings. The bonus level was 1.2 months' salary in 2009 against 1.3 months' salary in 2008.

Special bonus programmes apply to the business areas Markets, Asset Management and Group Treasury, which match the market standards in Denmark and abroad for such staff groups. The remuneration of these staff members is based on their job performance – which means that the variable salary component is generally high relative to the rest of the Group's staff.

Markets & Asset Management recorded core income from business operations of DKK 1.5bn in 2009, equivalent to 16% of the Group's total core income from business operations. In 2008 core income came to DKK 1.3bn or 18% of the Group's core income from business operations. In general, the impairment losses of the business area are not significant. In 2009 Group Treasury's return on investment portfolios was DKK 4.2bn higher than the benchmark return, whereas it was DKK 3.2bn lower in 2008. Group Treasury's bonus programme is designed in such a way that any bonus depends on the financial performance over a period of more than one year.

Bonus to staff in Markets, Asset Management and Group Treasury amounted to DKK 114m for 2009 compared with DKK 79m the year before.

There are also bonus programmes in respect of specific customer functions totalling DKK 7m for 2009 against DKK 10m for 2008.

SOCIAL RESPONSIBILITY

Nykredit's business concept is financial sustainability. Nykredit's social commitment – and our relations with customers, partners, investors, society and staff – are described in the report About Nykredit 2009 – Financial Sustainability, available at nykredit.com/reports.

THE NYKREDIT REALKREDIT GROUP EQUITY AND CAPITAL ADEQUACY

Equity

Group equity stood at DKK 51.2bn at end-2009 against DKK 50.4bn 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 a number of Danish local and regional banks. These equities are value adjusted against equity on a continuous basis. The value adjustment against equity in the Consolidated Financial Statements was DKK 751m in 2009. The value of equities classified as available for sale totalled DKK 2,941m.

The Nykredit Realkredit Group

Changes in equity

DKK million	2009	2008
Equity, beginning of year	50,377	54,447
Paid dividend	-	(500)
Profit (loss) for the year	129	(695)
Fair value adjustment of equities – available for sale	751	(2,847)
Other adjustments	(16)	(28)
Equity, year-end	51,241	50,377

Capital base and capital adequacy

The Group's capital base stood at DKK 59.0bn at end-2009. The Group's capital requirement was DKK 26.6bn at end-2009, corresponding to a capital adequacy ratio of 17.8%. The core capital ratio was 16.7%.

The Group's individual capital need at year-end was 9.8%.

For the greater part of lending, the capital charge for credit risk is calculated using the most advanced IRB approaches. The capital charge for market risk is determined mainly on the basis of a Value-at-Risk model, and the capital charge for operational risk is determined using the basic indicator approach.

Nykredit's use of models to determine capital requirements is described under "Group risk management" and in the report Risk and Capital Management 2009, which is available at nykredit.com/reports.

Under a transitional rule applicable to 2009, the capital requirement may not decrease by more than 20% compared with the former rules. The current transitional rule applied will be extended until 2011.

The capital requirement under the transitional rules was DKK 42.0bn, corresponding to a capital adequacy ratio of at least 12.7%.

The Nykredit Realkredit Group

Capital base

DKK million	2009	2008
Core capital		
- Equity, year-end	51,241	50,377
- Revaluation reserves transferred to supplementary capital	(132)	(141)
- Intangible assets, including goodwill	(4,944)	(5,332)
- Capitalised tax assets	(220)	(289)
- Hybrid core capital	10,805	4,119
- Other statutory deductions from core capital	(1,274)	(916)
Core capital, incl hybrid core capital, after statutory deductions	55,476	47,819
Total supplementary capital	4,756	5,060
Statutory deductions from the capital base	(1,274)	(916)
Total capital base after statutory deductions	58,958	51,963

The Nykredit Realkredit Group

Capital adequacy

DKK million	2009	2008
Credit risk	23,728	22,475
Market risk	1,846	4,592
Operational risk	978	1,284
Capital requirement before transitional rule	26,551	28,351
Capital requirement after transitional rule ¹	42,000	47,700
Capital base	58,958	51,963
Core capital ratio ²	16.7	13.5
Capital adequacy ratio	17.8	14.7
Minimum capital adequacy ratio before transitional rule	8.0	8.0
Minimum capital adequacy ratio after transitional rule ³	12.7	13.5
Individual capital need (Pillar I and Pillar II)	9.8	9.8
Total weighted items	331,891	354,385

¹ The capital requirement under the transitional rule has been determined pursuant to the transitional rules of the Danish Executive Order on Capital Adequacy. As a minimum, the capital requirement for 2009 must amount to 80% of the capital requirement determined under Basel I against 90% in 2008.

² The core capital ratio has been determined relative to risk-weighted items without application of the transitional rules.

³ The minimum capital adequacy ratio under the transitional rule has been determined as the capital requirement under the transitional rule as a percentage of risk-weighted items under Basel II. Accordingly, the minimum capital adequacy ratio reflects the capital adequacy requirement as a result of the transitional rules.

CAPITAL POLICY AND STRUCTURE

Nykredit's objective is to be able to maintain its lending activities at an unchanged level regardless of economic trends, while retaining a competitive rating. For this reason, Nykredit requires sufficient capital resources to cover an increase in statutory capital requirements during a severe recession.

Nykredit pursues a long-term risk and capital policy, incorporating substantial buffers compared with the statutory requirements. The capital resources are as far as possible concentrated in the Parent Company, Nykredit Realkredit A/S, to ensure strategic flexibility and leeway. Supplying capital to group companies as required is a central element of the Group's capital policy.

With the application of the IRB approaches, the capital requirement will change as losses and arrears are observed since such changes will affect the estimated risk parameters.

In estimating the risk parameters, Nykredit applies long-term historical data, with loss data dating back to 1991.

Nykredit's internal business capital corresponds to the statutory required capital base. It expresses the amount of capital required to cover the Group's risks in the medium term. Nykredit's required capital base is determined so that it may cover increased losses and increased capital charges in a weaker economic climate corresponding to expectations for 2010.

The determination of the required capital base factors in lending involving an elevated risk of losses. It also incorporates a general capital charge for uncertainties. The determination of the required capital base and capital need is described in more detail overleaf.

Nykredit's overall capital assessment is based on a long-term approach since the Group mainly provides long-term loans with terms of up to 30 years and has a business objective of maintaining an unchanged lending volume during peri-

ods of severe recession. To this end, the determination of the long-term capital need is based on the ability to cover increased losses and capital requirements during a severe recession.

Group equity stood at DKK 51.2bn at end-2009.

Nykredit divides its equity into four elements:

- *Business capital* of DKK 32.6bn equal to the statutory required capital base. Nykredit's assessment of the required capital base is partly based on the consequences of a further deteriorating economy corresponding to the expected weakening of the economic climate in 2010.
- *Cyclical buffer* of DKK 13.2bn covering the expected rise in the statutory required capital base should the economic climate change from the current recession to a severe recession with employment rates rising to the high levels of the early 1990s. The cyclical buffer is determined by means of stress tests.
- *Statutory capital deductions (goodwill etc)* relating to intangible assets of DKK 5.2bn.
- *Strategic capital* of DKK 0.2bn, the long-term capital maintained for strategic initiatives.

In addition to equity, Nykredit Realkredit A/S has raised hybrid core capital in the amount of DKK 10.7bn, of which DKK 4.0bn was raised in 2004. In November 2009, a further DKK 6.6bn was raised in the open market. Nykredit has not raised government hybrid core capital.

The Nykredit Realkredit Group

Capital structure, end-2009

Equity DKK 51.2bn				
Pillar I DKK 25.7bn	Pillar II DKK 6.9bn	Cyclical buffer capital (reserve for severe recession) DKK 13.2bn	Statutory capital deductions DKK 5.2bn	Strategic capital DKK 0.2bn
Business capital DKK 32.6bn				

REQUIRED CAPITAL BASE AND CAPITAL REQUIREMENT

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit has the required capital base (capital adequacy). The required capital base is the minimum capital required in Management's opinion to cover all significant risks.

The report Risk and Capital Management 2009, available at nykredit.com/reports, contains a detailed description of the determination of the required capital base and the capital need of the Nykredit Group as well as all group companies.

The capital requirement is calculated as the required capital base as a percentage of risk-weighted items.

Nykredit aims to maintain a competitive rating of the issued bonds and to remain active as lender also in periods with low business activity. The determination of the required capital base takes into account these business targets by allocating capital for all relevant risks, including any calculation uncertainties.

In determining the required capital base, Nykredit applies statistical confidence levels higher than the 99.9% required by law. The Group's required capital base is determined using a confidence level of 99.97% for all exposures out of consideration for Nykredit's commitment to maintain a competitive rating of the issued bonds.

The Group wants to concentrate its capital resources in the Parent Company, Nykredit Realkredit A/S. Against this background, the

required capital base of Nykredit Bank (99.93%) and of Forstædernes Bank is calculated on the basis of a lower confidence level when calculating the capital requirement of the individual company than applied when calculating the capital requirement of the Group (99.97%).

In Nykredit Realkredit, Totalkredit and Nykredit Bank, the capital charge for exposures with an elevated risk of loss is increased through the internal credit models, in which such exposures are assigned a rating of 0, 1 or 2. In Forstædernes Bank, such models are not applied yet, and exposures with an elevated risk of loss have therefore been assessed individually to determine any need for additional capital. In the course of 2010, the Group's internal credit models will also be applied to the exposures of Forstædernes Bank.

Nykredit applies the following methods to determine the required capital base, see the table below (excl Forstædernes Bank):

- Credit risk is determined using Nykredit's internal model with the same parameters as the IRB models, but without the statutory requirements for minimum levels. The underlying loss data cover from 1991 onwards.
- Market risk is determined using Nykredit's internal Value-at-Risk model, which is described in the section about market risk.
- The required capital base is determined on the basis of the statutory requirements for large exposures, cf section 145 of the Danish Financial Business Act.
- The required capital base may not be lower than the statutory capital requirement, cf section 124(2) of the Danish Financial Business Act 2.

- No deductions are made for any diversification effects between risk types, business areas and countries.
- A number of stress tests are applied to determine the capital need for increasing impairment losses and capital requirements in a weaker economic climate.
- Operating losses in stress tests increase the capital requirement, while no set-off is made for operating profits.

Owing to these calculation methods, Nykredit's required capital base will only be affected to a minor extent by the Danish economy's moving from a boom such as in 2007 to a recessionary period such as in 2009-2010.

Nykredit's required capital base consists of Pillar I and Pillar II capital.

Pillar I

Pillar I capital covers credit, market, operational and insurance risk as well as risk relating to own properties. In the determination of credit risk, weak exposures are assigned a higher risk weight as calculated by the credit models.

In Forstædernes Bank, the statutory capital requirement is applied as Pillar I capital, however, as these exposures are not currently covered by the internal credit models.

Pillar II

Pillar II comprises capital to cover other risks as well as an increased capital requirement during an economic downturn. The capital requirement during an economic downturn is determined by means of stress tests and scenario analyses, cf "Stress tests and capital projections".

Weaker economic climate

In its Pillar II assessment, Nykredit assumes that the economic climate will weaken in 2010, which is in line with the economic forecasts of various recognised sources.

In a weaker economic climate, the need for capital will grow concurrently with increasing arrears and falling property prices. The calculations also factor in any operating losses due to higher impairment losses, etc.

Other factors

The determination of other factors includes any additional risk relating to own properties and reputation risk, which are determined using internal estimates as well as assessments of control risk, strategic risk, external risk and concentration risk, etc.

The Nykredit Realkredit Group Required capital base and capital requirement

DKK million	2009	2008
Credit risk	20,780	19,985
Market risk	3,226	4,831
Operational risk	989	1,290
Insurance risk	574	631
Risk relating to own properties	154	137
Total Pillar I	25,723	26,874
Weaker economic climate (stress tests etc)	2,840	4,080
Other factors ¹	1,191	708
Model and calculation uncertainties	2,856	3,166
Total Pillar II	6,888	7,954
Total required capital base	32,611	34,828
Total risk-weighted items	331,891	354,385
Individual capital need, %	9.8	9.8

¹ Other factors include assessment of control risk, strategic risk, external risk, concentration risk, liquidity risk, etc.

Model and calculation uncertainties

Nykredit applies various models to calculate the capital requirements under both Pillar I and Pillar II.

The calculated capital requirement depends on the choice of model, model design, level of detail, etc. Under Pillar II, a charge is included that reflects the uncertainty of the models used. Generally, the charge applied corresponds to 10% of the risks calculated.

CYCLICAL BUFFER

In addition to the required capital base, Nykredit reserves capital to cover the expected rise in the required capital base if the economic climate changes into severe recession, corresponding to an increase in unemployment to around 10%, cf "Stress tests and capital projections".

The calculations are based on the assumption that the existing lending volume is maintained in spite of a weaker economic climate.

The cyclical buffer amounted to DKK 13.2bn at end-2009.

STRESS TESTS AND CAPITAL PROJECTIONS

Nykredit uses stress tests and scenario analyses in connection with the determination by the boards of directors of the required capital base and long-term capital requirement. A special model has been developed for the purpose of this type of analysis.

Scenario: Weaker economic climate in 2010

The calculation of Pillar II capital and the required capital base is based on Nykredit's macroeconomic expectations for 2010 in the form of Nykredit Bank's official forecasts. These expectations are on a level with the macroeconomic expectations of other leading economists in Denmark.

The calculations take account of the fact that customers' ability to pay is only slowly affected by the overall macroeconomy. For example, many wage earners will have sufficient financial strength to keep paying their mortgages for a period after having lost their jobs. Such calculations are subject to considerable uncertainty, and the charge for credit risk in a weaker economic climate is therefore estimated at DKK 1.7bn-2.8bn. In its capital requirement determination, Nykredit has resolved to set the charge for credit risk at DKK 2.8bn.

The main assumptions behind the calculations are shown in the table below.

Scenario: Severe recession (cyclical buffer)

The macroeconomic scenario used to calculate the cyclical buffer is much more severe than the one applied for Pillar II capital/the required capital base.

The purpose of the cyclical buffer is to secure Nykredit's capital resources, and thereby its lending capacity, during a very severe recession, such as the one in the early 1990s. The calculations also include relatively high interest rates in order to be able to withstand a situation with several coinciding macroeconomic problems.

The main assumptions behind the calculations are shown in the table below.

Stress scenarios for assessment of capital requirement at end-2009

Stress value 2009-2011

Weaker economic climate (scenario used for Pillar II)

GDP, growth in %	2009: (4.5), 2010: 0.9, 2011: 1.2
Interest rates, % ¹	3.6
Property prices, growth in %	(10.2)
Unemployment, %	6.1

Severe recession (scenario used for cyclical buffer)

GDP, growth in %	2009: (4.5), 2010: (1.0), 2011: (0.5)
Interest rates, % ¹	4.6
Property prices, growth in %	(15.0)
Unemployment, %	9.5

¹Average of 3M money market rates and 10Y government bond yields.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

No material events have occurred in the period up to the presentation of the Annual Report 2009.

RESULTS AND EXPECTATIONS

When the Group's Q1-Q3 Interim Report 2009 was presented, core earnings before impairment losses were forecast to be in the region of DKK 2,400m-3,000m.

Core earnings for the year amounted to DKK 3,476m. The higher core earnings were chiefly a result of increased core income from business operations, which in Q4/2009 exceeded the average for the first three quarters of the year by some DKK 400m.

OUTLOOK FOR 2010

Nykredit expects continued progress in business volumes. Growth seems set to be strongest within bank and mortgage lending.

Core earnings before impairment losses are projected to range between DKK 3,700m and DKK 4,000m.

In 2010 impairment losses on bank and mortgage lending will generally remain high, while impairment losses in Forstædernes Bank will normalise. Therefore, total impairment losses are expected to be lower than in 2009.

We expect a normalised trend in investment portfolio income.

In total, we forecast a profit before tax in the region of DKK 0-1.5bn. This forecast is subject to significant uncertainty as it depends on macroeconomic and financial market trends.

OTHER

New strategy to strengthen growth in Nykredit

In mid-May Nykredit presented a new strategy and organisation. Strategy 2013 will pave the way for significant business development and growth over the next 4-5 years.

As part of the strategy, it has been decided to merge Forstædernes Bank with Nykredit Bank. As a consequence, Forstædernes Bank will be phased out as an independent name and brand. The Group's other brands, Totalkredit, Nybolig, Estate and Nykredit Forsikring, will continue unchanged.

With the introduction of Strategy 2013, Nykredit has replaced the former segment-oriented organisation based on business areas with a new unified organisation based on group units directly dependent on mutual dynamics offering Nykredit-branded customers one single point of access to the Nykredit Group.

Nykredit has raised hybrid core capital

In 2009 Nykredit strengthened its capital structure by raising hybrid core capital in the amount of EUR 900m in the open market. Against this backdrop, Nykredit withdrew its application for a government contribution of hybrid core capital.

Management changes

Group Executive Board

In connection with Strategy 2013, the Board of Directors appointed Kim Duus, Managing Director of Nykredit Bank, as Group Managing Director of the Nykredit Group as at 15 May 2009. Kim Duus (53) joined Nykredit in 1997. In spring 2009 Niels Tørslev, Group Managing Director, informed the Board of Directors that he wished to retire when he turned 60 in February 2010. In October the Board of Directors informed Niels Tørslev that it accepted his retirement as at 30 November 2009, as he wanted to take up a new position outside the Nykredit Group on 1 December and as Nykredit's new strategy and organisation were in place.

Board of Directors of Nykredit Realkredit A/S

At Nykredit Realkredit A/S's Annual General Meeting held on 25 March 2009, Anders Christen Obel, CEO, and Erling Bech Poulsen, Farmer, were elected as new members of the Board of Directors.

On 1 August 2009, Susanne Møller Nielsen joined the Boards of Directors of Nykredit Realkredit A/S, Foreningen Nykredit and Nykredit Holding A/S as a staff-elected member. Susanne Møller Nielsen replaced Anette Rostgaard Fischer.

Jens Thomsen, Managing Director, who was a member of the Boards of Directors of Foreningen Nykredit, Nykredit Holding A/S and Nykredit Realkredit A/S, passed away in November.

Tax case

Nykredit Realkredit is party to a pending tax case which the Danish tax authorities have appealed to the Danish High Court. If the High Court finds for Nykredit, deferred tax of DKK 136m will be recognised as income.

External financial reporting process

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Board of Directors and the Executive Board of Nykredit are responsible for the Group's control and risk management systems. The rules of procedure for the Board of Directors and the Executive Board delineate their responsibilities.

The Group's internal controls and risk management relating to external financial reporting are designed to efficiently manage rather than eliminate the risk of omissions and errors in connection external financial reporting.

The Board of Directors and the Executive Board assess material risk and internal controls on an ongoing basis in connection with the Group's activities and their potential effect on the external financial reporting process.

Over the past few years, Nykredit has expanded and improved its current monitoring and management of risk in areas where internal models are the core of the Group's day-to-day risk management. Risk is reported on a continuous basis in material areas such as credit risk, market risk and liquidity risk.

External financial reporting process

The financial reporting process is based on internal control and risk management systems which together ensure that all relevant financial transactions are correctly reflected for accounting purposes and in financial statements.

Group Finance is responsible for the Group's overall financial control and reporting, including presentation of the financial statements. Group Finance is also responsible for ensuring that the Group's financial reporting complies with principles laid down and current legislation.

The finance areas of subsidiaries contribute to the Group's financial control and reporting. They are responsible for the external financial reporting of the subsidiaries, which includes compliance with current legislation and the Group's accounting policies.

A number of committees with representatives from relevant areas across the Group have been appointed to help ensure compliance with current legislation. One of these committees reviews and comments on new and amended accounting rules for the purpose of continuous adaptation of the internal and ex-

ternal financial reporting process. A committee with special focus on the preparation of the annual report has been established. This committee considers issues specific to the Group which are of importance to the correct presentation of the Group's annual report.

Group Finance prepares monthly internal reports such as budget control and is responsible for the Group's annual and interim financial reporting. Group Finance consolidates the Group's financial statements monthly, which includes controlling material financial items, and it also reports to public authorities, rating agencies, etc.

The finance area of each subsidiary is responsible for the reporting of the company concerned. Financial data and Management's comments on financial and business developments are reported monthly to Group Finance.

Control environment

Business procedures are laid down and controls are implemented for all material risk areas, including areas of significance to the external financial reporting process.

The Executive Board is responsible for risk delineation, management and monitoring. This responsibility has been reassigned to a number of committees. The Executive Board's powers and duties are provided in:

- The Board of Directors' rules of procedure
- The Executive Board's rules of procedure
- General delineation of duties and responsibilities between the members of the Group Executive Board
- Instructions for the granting of loans and other exposures in the Nykredit Realkredit Group
- Instructions on market risk limits in the Nykredit Realkredit Group
- The rules of procedure of the Risk Committee in the Nykredit Realkredit Group.

Other important participants in connection with the external financial reporting are Group Treasury, Risk Management and Group Credits, which are responsible for the current risk and capital management, including reporting and monitoring of group activities.

Risk assessment

The Board of Directors' and the Executive Board's risk management relating to the ex-

ternal financial reporting process may generally be summarised as follows:

- Periodical review of risk and financial reporting, including IT systems, general procedures and business procedures
- Review of the areas which include assumptions and estimates material to the financial statements
- Review of business and financial developments
- Review and approval of budgets and forecasts
- Review of interim and annual reports and other financial data
- Annual assessment of the risk of fraud.

Controls

The purpose of the Group's controls is to ensure that policies, manuals and procedures, etc laid down by the Executive Board are observed and to ensure timely prevention, detection and correction of any errors, deviations or omissions.

The controls comprise manual and physical controls as well as general IT controls and automatic application controls in IT systems etc applied.

Nykredit's control level is based on three functional levels:

- *Business units* – the management of each unit is responsible for identifying, assessing and handling the risks arising in connection with the performance of their duties and for implementing permanent satisfactory internal controls for the handling of business operations
- *Risk management functions* – consist of a number of intercompany areas in the Nykredit Group such as Group Credits, Group Finance, decentralised finance areas, Risk Management, Compliance and IT Security. These areas are in charge of providing procedures and policies on behalf of Management. Further, they are responsible for testing whether procedures and policies are observed and whether internal controls performed by the business units are satisfactory.
- *Audit* – comprises internal and external audit. On the basis of an audit plan approved by the Board of Directors, Internal Audit is responsible for carrying out an independent audit of internal controls in the Nykredit Group and to perform the statutory audit of

the annual report in cooperation with the external auditors. The internal and external auditors endorse the annual report and in this connection issue a long-form audit report to the Board of Directors on any matters of which the Board of Directors should be informed.

The Executive Board's reassignment of its daily control duties to the other management levels in the organisation and the structure of the three functional levels shall ensure:

- Efficient and profitable business conduct
- Reliable internal and external reporting
- Compliance with legislation, other external rules and internal guidelines
- The value of the Group's assets, including efficient management of related risks. In connection with the preparation of financial statements, a number of fixed procedures and internal controls are performed to ensure a fair presentation of the financial statements and a presentation in accordance with current legislation.

Information and communication

The Board of Directors has adopted an information and communications policy, which lays down the general requirements for external financial reporting in accordance with legislation and relevant rules and regulations. Nykredit aims to appear open and reliable – in compliance with legislation and the Stock Exchange Code of Ethics.

Internal and external financial reporting is submitted to the Group's Board of Directors

and the Executive Board on an ongoing basis. Internal reporting contains analyses of material matters in for instance the Group's business areas and subsidiaries.

Risk reporting is submitted to the Board of Directors, the Executive Board, relevant management levels and the individual business areas. It forms the basis for Management's accounting estimates. For further details of the Group's risk and capital management, reference is made to a separate report, Risk and Capital Management 2009.

Monitoring

In 2009 the Board of Directors set up an Audit Committee, which monitors that the external financial reporting process and the Company's internal control system, internal audit and risk management system are effective.

The Board of Directors/Audit Committee continuously receives reporting from the Executive Board or external/internal auditors on compliance with the provided guidelines etc and on any weaknesses, omissions and/or non-compliance with adopted policies, business procedures or internal controls in the form of long-form audit reports.

AUDIT COMMITTEE

Nykredit Realkredit A/S set up an Audit Committee in spring 2009, which acts as a joint audit committee for all the companies within the Nykredit Group which are obliged to set up such a committee in accordance with section 2(4) of the Danish executive order on au-

dit committees. These companies are Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Forstædernes Bank A/S and Nykredit Forsikring A/S.

The Audit Committee consists of the entire Board of Directors of Nykredit Realkredit A/S.

The Board of Directors of Nykredit Realkredit A/S has appointed Steffen Kragh, CEO, as the independent member of the Audit Committee skilled in accounts.

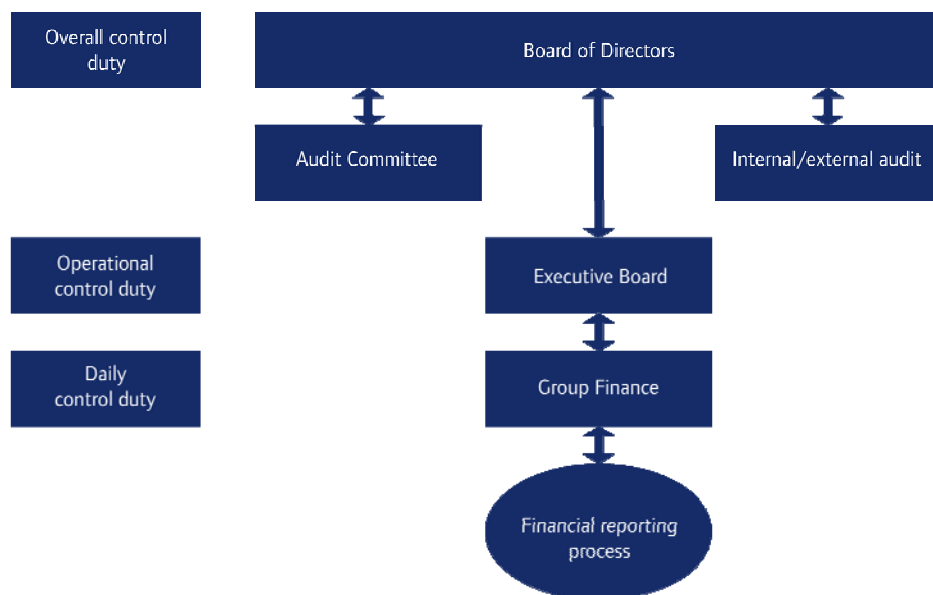
Steffen Kragh is CEO of Egmont and has previously been CFO and later managing director of a number of companies within the Egmont Group.

Steffen Kragh holds a master's degree (Strategic Planning and Finance) from CBS and an Executive MBA from SIMI.

The principal tasks of the Audit Committee are to monitor that the external financial reporting process as well as the Group's internal control systems, internal audit and risk management are effective; to monitor the statutory audit of the financial statements etc; and finally to monitor and verify the independence of the auditors.

The Audit Committee holds at least four annual meetings. Additional meetings are held, if necessary.

Stakeholder model



Group risk management

GROUP CHARACTERISTICS

Nykredit's activities comprise mortgage and bank lending, trading in securities and financial instruments, debt capital, asset management, pension and insurance products. The business activities combined with the investment portfolio involve credit, market, liquidity, insurance and operational risk.

Nykredit strives to meet best international practice for risk management and to maintain openness about the Group's risks at any time. Nykredit's advanced models for quantifying group risks are central elements of the Group's risk and capital management.

Balance principle

By far the greater part of group lending consists of mortgage lending and is governed by the balance principle. The legislative framework behind the balance principle is the Danish Financial Business Act, the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, and the Danish Executive Order on bonds.

Mortgage banks may apply either the specific balance principle or the general balance principle. Nykredit has chosen to apply the general balance principle.

The balance principle is further described at nykredit.com/ir.

Nykredit's compliance with the balance principle

The Group's market and liquidity risk in connection with the issuance of bonds for the funding of mortgage loans is much lower than the limits provided by legislation. Loans funded by mortgage bonds or Danish covered bonds ("særligt dækkede obligationer" – SDOs) are granted according to uniform principles of market and liquidity risk.

More than 99% of the Group's mortgage loans are match-funded and have the following characteristics:

- On the granting of a loan, Nykredit issues the bonds that fund the loan on a daily basis.
- Each loan is match-funded through bonds sold in the market.
- The loan is denominated in the same currency as that of the bonds sold.
- The loan rate equals the yield-to-maturity of the bonds sold.
- The majority of loans have fixed funding throughout the loan term. Adjustable-rate mortgage loans have no fixed funding, but are funded by bonds with maturities between 1 and 11 years. On refinancing, the loan rate is adjusted to the yield-to-maturity of the bonds sold for the purpose of refinancing.
- When loans are prepaid, the matching outstanding funding is reduced. Borrowers cover Nykredit's costs incidental to prepayments.
- The due dates of payment of interest and principal are fixed so that Nykredit receives the funds on or before the dates when the payments to bondholders fall due, provided borrowers make timely payments.
- Nykredit's earnings margin consists of a separate administration margin, which is calculated on the basis of the debt outstanding and may be changed if market conditions change, for instance in loss-making periods. In addition, various fees may be charged.

In practice, these characteristics mean that Nykredit incurs neither interest rate risk, foreign exchange risk, liquidity risk nor refinancing risk from its mortgage lending and its underlying funding.

Insignificant interest rate exposures may arise, however, because of prepayments by customers as well as minor practical differences between the granting/prepayment of loans and the associated sale/buyback of the underlying bonds.

Nykredit has been able to maintain an unchanged level of match-funded lending

throughout the financial crisis. In 2009, new issues of ROs and SDOs amounted to DKK 422bn, of which DKK 162bn was issued in connection with the refinancing auctions in December.

Strengths of Danish mortgage lending

- The statutory balance principle lays down strict limits to the liquidity and market risk allowed in connection with mortgage lending and the underlying funding.
- Mortgage loans are issued against security in the form of mortgages on real property. Legislation specifies limits of between 60% and 80% to the loan-to-value ratio depending on the type of property. Losses on mortgage loans are therefore very limited.
- Pursuant to statutory requirements, 60% of the capital requirement must be placed in listed bonds. Mortgage bond issuers are therefore characterised by a high degree of liquidity under normal market conditions.

RISK AND CAPITAL MANAGEMENT

Risk management is the responsibility of the Board of Directors and the Executive Board and is a key element of the Group's business operations. Through risk management, Nykredit seeks to ensure financially sustainable solutions in the short and long term.

Due to the match-funding of mortgage loans as described above, group lending primarily involves credit risk. Mortgage lending measured at fair value totalled DKK 981bn, while bank lending, excluding reverse transactions, totalled DKK 61bn.

Another important risk factor is the market risk relating to the Group's investment portfolio, the business area Markets and the Treasury functions of Nykredit Bank and Forstædernes Bank. Liquidity risk plays only a minor part in the Group because of the match-funding principle and mainly concerns the activities of Nykredit Bank and Forstædernes Bank.

Every year, Nykredit publishes a detailed report Risk and Capital Management. The report

contains a wide selection of risk key figures in accordance with the disclosure requirements of the Danish Executive Order on Capital Adequacy. The report also describes Nykredit's risk and capital management and is available at nykredit.com/reports.

Nykredit publishes detailed quarterly reports on its loan portfolio by capital centre under "Cover pool disclosure" at nykredit.com/coverpool.

Organisation and delineation of responsibilities

The Board of Directors of Nykredit Realkredit A/S is responsible for defining limits to and monitoring group risks as well as laying down overall instructions. Risk exposures and activities are reported to the Board of Directors on a current basis.

The Board of Directors has assigned the day-to-day responsibility to the Group Executive Board, which is in charge of operationalising overall instructions. The continuous monitoring and managing of risk are the responsibility

of committees, all chaired by a member of the Group Executive Board.

The principal committees at Nykredit are the Risk Committee, the Asset/Liability Committee, the Credits Committee and the Treasury Committee.

The Risk Committee is charged with assessing the Group's risks and capital needs as well as implementing the capital policy. Furthermore, the Risk Committee approves measurement methods and models for all types of risk and reports risk to the boards of directors of the group companies.

The Asset/Liability Committee is responsible for the overall asset/liability and liquidity management.

The Credits Committee and the Treasury Committee are responsible for managing group credit risk and market risk, respectively. Both committees approve or endorse all major risk exposures within the limits provided by the Board of Directors of Nykredit Realkredit A/S to the Executive Board.

In 2009 an Audit Committee was set up for all group companies, see the description under "Audit Committee". The Committee is composed of all members of the Board of Directors and committee meetings are attended by the Executive Board of Nykredit Realkredit A/S as well as the internal chief audit executive and the external auditors. The Audit Committee is charged with reviewing accounting and auditing issues relating to internal control and risk management.

Risk organisation



Risk types

Nykredit distinguishes between the following general types of risk:

- Credit risk* reflects the risk of loss following the non-performance of counterparties.
- Market risk* reflects the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price and volatility risk, etc).
- Liquidity risk* reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations.
- Operational risk* reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- Insurance risk* reflects the risk of claims net of reinsurance payable on insurance policies written.

CREDIT RISK

The Board of Directors lays down the overall framework of credit granting and is presented with the Group's largest credit applications for approval or briefing on a current basis.

Within the framework laid down by the Board of Directors, the Group Executive Board is responsible for the policies governing the individual business areas and Treasury. On behalf of the Group Executive Board, the Credits Committee considers large credit applications on a current basis.

Group Credits is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and the Group Executive Board. The Credits Committee undertakes all reporting on individual credit facilities. The Risk Committee is responsible for approving credit risk models and reporting credit risk at portfolio level.

Nykredit's local centres are authorised to decide on most credit applications in line with the Group's aim to process most credit applications locally.

Credit applications exceeding the authority assigned to the centres are processed centrally by Group Credits. The applications submitted are decided by Group Credits unless they involve exposures requiring the approval of the Credits Committee or the Board of Directors. The Board of Directors grants or approves loans and/or facilities that, if granted, will bring Nykredit's total exposure to any one customer over DKK 200m and, subsequently, when the exposure increases by multiples of DKK 100m.

When processing credit applications, the centres perform an assessment of the individual customer. The assessment is based on a customer rating computed by Nykredit's credit models. The customer rating is supplemented by an assessment of the customer's financial position and other relevant matters. In connection with mortgage loan applications, statutory property valuations are also per-

formed. The overall guidelines on customer assessment and property valuation are prescribed by Group Credits.

The granting of exposures over a specified amount by subsidiaries is subject to approval by either the Group's Credits Committee or the Board of Directors of Nykredit Realkredit A/S.

At Nykredit Bank and Forstædernes Bank, exposures over DKK 50m are subject to approval by the Group's Credits Committee, and exposures over DKK 200m are subject to approval by the Board of Directors of Nykredit Realkredit A/S.

When the credit lines relating to derivative financial instruments are granted, Nykredit will often require that a contractual basis be established providing group companies with a netting option. The contractual framework will typically be based on market standards such as ISDA or ISMA agreements.

All exposures of a certain size are reviewed at least once a year as part of the monitoring of credit exposures and on the basis of updated financial and customer information. In addition, all exposures showing signs of risk are reviewed.

Nykredit has obtained FSA permission to apply a statistical model in the valuation of properties with no physical inspection. The model is applied in connection with first-time or supplementary mortgaging of detached and terraced houses that meet the specific requirements for mortgageable value and risk classification. Valuations are approved by the relevant local centre and monitored centrally.

Furthermore, Nykredit uses a statistical model for the ongoing monitoring of the market values of properties. The model is applied to detached homes, holiday homes and owner-occupied flats that satisfy specific requirements for LTV ratios, risk classification and time since the last valuation. The statistical valuations are performed centrally and supplemented with local valuations. As prescribed

by law, the ongoing monitoring of market values is conducted at least once a year in respect of commercial properties and at least once every three years in respect of residential properties.

A substantial part of the Group's residential mortgage lending is arranged by Danish local and regional banks. In these cases, the bank performs the initial assessment of the customer and valuation of the property.

As a main rule, mortgage loans to retail customers arranged by banks are covered by a set-off agreement for recognised losses.

The right of set-off applies to the part of the loan that exceeds 60% of the property value at the time of loan disbursement, and it applies for the entire loan term.

On recognising loan losses, Totalkredit is entitled subsequently to offset the losses against the commission paid to the banks for arranging the loans.

Credit risk models

Nykredit uses internal models in the determination of credit risk. The determination of credit risk is based on three key parameters: Probability of Default (PD), Loss Given Default (LGD) and the exposure value.

The models used to determine PD and LGD ratios are built on historical data allowing for periods with low as well as high business activity. PDs are therefore estimated by weighting current data against data from the early 1990s. Current data carry a 40% weighting, while data from the early 1990s carry a 60% weighting. The LGD level for mortgage products reflects the level of losses during the recession in 1991-1993.

The PDs of retail customers and small enterprises are determined on the basis of a customer's credit score and payment behaviour. Credit scoring is a statistical calculation of a customer's creditworthiness.

With respect to other customer segments, statistical models have been developed based on conditional probabilities estimating PDs that factor in business-specific circumstances such as financial data, arrears and loan impairment as well as industry-specific conditions and the macroeconomic climate.

Credit risk elements

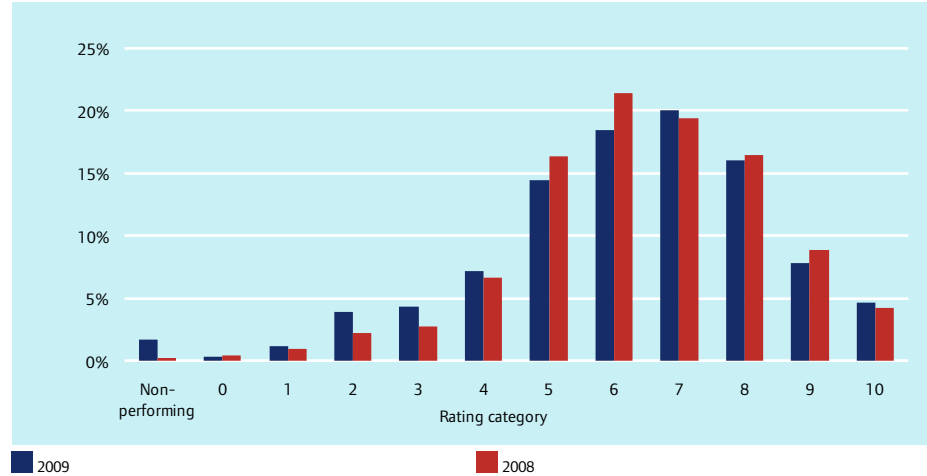
The parameters included in the calculation of credit risk are:

PD	Probability of Default – the probability of a customer defaulting on an obligation to the Nykredit Group.
LGD	Loss Given Default – the loss rate of an exposure in case of a customer's default.
Exposure value	The total exposure to a customer in DKK at the time of default, adjusted for any drawn part of a credit commitment.

The PD is customer-specific, while the other parameters are product-specific. A PD is therefore assigned to each customer, while each exposure has a separate LGD and exposure value.

The Nykredit Realkredit Group

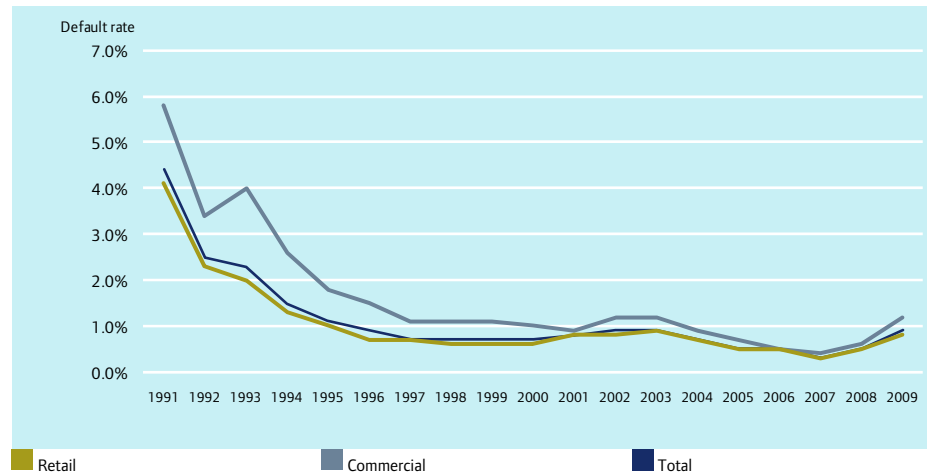
Outstanding amounts by rating category



Note: The breakdown shows the total outstanding amounts by rating category reflecting the probability of a customer defaulting on an exposure to Nykredit. 10 is the highest rating.

Nykredit Realkredit A/S

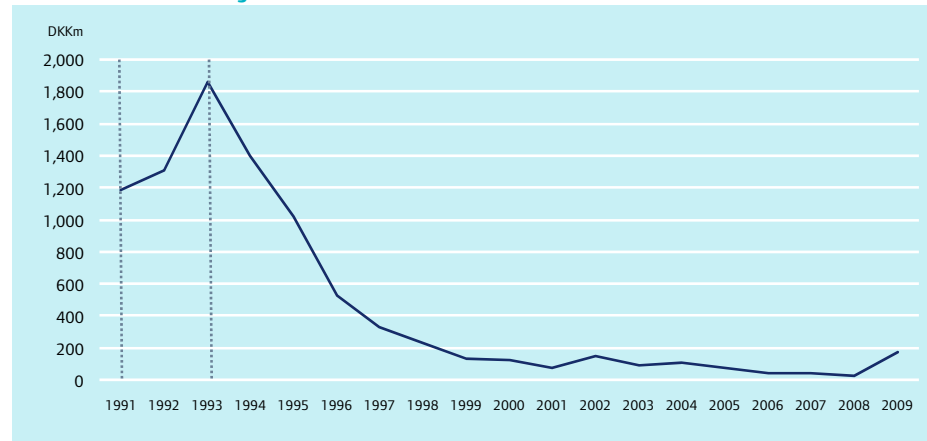
Data behind PDs



Data to PD with 60% weighting: 1991-2002
Data to PD with 40% weighting: Current data

Nykredit Realkredit A/S

Data behind LGDs – recognised losses



Data behind applied LGD: 1991-1993. Losses for 2008 are exclusive of losses relating to Roskilde Bank.

External ratings are used to a very limited extent in respect of a few types of counterparties for which no statistical models can be developed due to the absence of default data. External ratings are converted into PDs.

The PDs of individual customers are converted into ratings from 0 to 10, 10 being the highest rating. Non-performing loans fall outside the rating scale and thus constitute a separate category. Customer ratings are an important element of the credit policy and customer assessment.

LGD is calculated for each customer exposure. The LGDs of the majority of the Group's exposures are determined using internal approaches based on loss and default data. The calculations factor in any security such as mortgages on real property, including the type of security, its quality and ranking in the order of priority.

Mortgage banking is characterised by low LGDs as the security provided by way of mortgages on real property offers good protection against losses.

Further information on Nykredit's risk management is available in the report Risk and Capital Management 2009 at nykredit.com/reports.

Forstædernes Bank

In 2009 impairment losses on loans and advances were significantly higher in Forstædernes Bank than in Nykredit Bank. The difference is due to the two factors below:

First, Forstædernes Bank's credit granting was mainly based on an assessment of property values and equity prices. In the Nykredit Group in general, credit granting has traditionally been based on an assessment of both the customers' current ability to pay and the value of the security in the form of properties, equities, etc.

Second, Forstædernes Bank has to a very large extent granted loans secured on second or third mortgages.

Maximum statutory LTV ratios by property category

Owner-occupied properties for all-year habitation	80% ¹
Private housing society dwellings	
Private rental housing properties	
Non-profit housing	
Youth housing	
Senior housing	
Properties used for social, cultural or educational purposes	60%
Holiday homes	
Agricultural and forestry properties, market gardens, etc. ²	
Office and retail properties ²	
Industry and trades properties ²	
Utilities	
Other properties – including undeveloped land	40%

¹ Some loan types offered for residential housing are subject to a lower LTV ratio than 80%, but no supplementary security is required unless the LTV ratio subsequently exceeds 80%.

² The LTV ratio may be extended up to 70% against supplementary security of above 60%.

The Nykredit Realkredit Group

Mortgage debt outstanding relative to estimated property values

2009 DKK billion	LTV (loan-to-value)						Total	LTV ¹ %
	0-20	20-40	40-60	60-80	80-100	Over 100		
Owner-occupied housing	203	177	133	74	17	2	606	31
Private rental housing	35	25	18	9	0	0	87	27
Industry and trades	12	8	4	1	0	0	26	23
Office and retail	38	28	17	4	1	0	86	24
Agriculture	48	31	14	3	1	0	98	20
Non-profit housing	-	-	-	-	-	-	-	-
Other	6	4	2	0	0	0	13	20
Total 2009	342	274	188	92	19	2	981	27
Total 2008	317	264	186	60	5	0	897	27

Note: The table allows for any financed costs. For example, a fully financed owner-occupied dwelling with financed costs of 2% will be placed in the LTV range > 80%.

¹ Determined as the mid-part of the debt outstanding relative to estimated property values.

The Nykredit Realkredit Group

Mortgage debt outstanding relative to estimated property values

2009 %	LTV (loan-to-value)					
	0-20	20-40	40-60	60-80	80-100	Over 100
Owner-occupied housing	33	29	22	12	3	0
Private rental housing	40	28	21	10	0	0
Industry and trades	44	32	18	5	1	0
Office and retail	43	32	19	4	1	0
Agriculture	50	32	14	3	1	0
Non-profit housing	-	-	-	-	-	-
Other	51	31	14	3	0	0
Total 2009¹	37	30	21	10	2	0

¹ Calculated on the basis of debt outstanding including non-profit housing for which reason the totals do not add up to 100%.

The Nykredit Realkredit Group

Change in LTVs, past years

2008-2009 %	LTV (loan-to-value)					
	0-20	20-40	40-60	60-80	80-100	Over 100
Owner-occupied housing	-4	-2	0	4	2	0
Private rental housing	-1	1	-1	2	0	0
Industry and trades	-8	1	3	3	1	0
Office and retail	-6	0	3	3	1	0
Agriculture	-6	1	3	2	1	0
Non-profit housing	-	-	-	-	-	-
Other	2	1	-2	-1	0	0
Total	-4	-1	0	4	2	0

Loan-to-value ratios (LTVs)

At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property pursuant to Danish legislation. Subsequently, the relationship between the mortgage debt outstanding and the value of the property will change with the amortisation of the loan and/or as a result of changes in the market value of the property or the mortgage loan.

Mortgage banks must provide supplementary security for each loan granted against a mortgage on real property funded by the issuance of SDOs if LTV ratios exceed statutory LTV limits at any time throughout the term of a loan. The majority of mortgage loans have an initial loan term of 20-30 years.

Nykredit monitors the development in the loan portfolio relative to property values (LTVs) very closely. To ensure sustainable credit and capital policies in the long term, scenario analyses and stress tests are used to assess the effects of marked price decreases in the housing market. In the scenarios, the development in future LTVs for different property types is analysed as well as the consequences thereof.

The table "Mortgage debt outstanding relative to estimated property values" shows the LTVs of group mortgage lending. The proportion of lending covered by guarantees provided by public authorities has been deducted. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the non-profit housing segment. For this reason, LTVs of non-profit housing do not offer relevant risk data.

In the tables, the debt outstanding is distributed continuously by LTV category. In the table, loans with security covering for example between 0 and 30% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-20% and one third in the LTV range 20-40%. The table shows that where owner-occupied housing is concerned, 62% of mortgage lending falls within 40% of the property values.

Further detailed information on the Group's mortgage loan portfolio is available under "Cover pool disclosure" at nykredit.com/coverpool.

MARKET RISK

Market risk reflects the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price and volatility risk, etc).

The Nykredit Group's business activities involve a number of different market risks.

By far the greater part of group lending is mortgage lending. The statutory balance principle limits the interest rate, volatility, foreign exchange and liquidity risk relating to mortgage lending and the associated funding.

However, Nykredit's risk in connection with mortgage lending is much lower than the limits provided by legislation. Nykredit funds its mortgage lending according to the match-funding principle. For this reason, Nykredit's mortgage

banking activities involve insignificant liquidity, interest rate and refinancing risk.

Nykredit's market risk relates mainly to the investment portfolios. Furthermore, the banking activities involve market risk.

The limits relating to market risk in the Nykredit Realkredit Group are subject to approval by the Board of Directors. Through the Treasury Committee and within the limits provided by the Board of Directors, the Executive Board assigns and approves market risk limits for the group companies.

The limits provided by the Board of Directors restrict the scope for assuming interest rate, equity price, foreign exchange, volatility and credit risk in this area. Other risks, such as commodity exposures, are not allowed.

The limits permit the use of financial instruments, provided that the risk involved can be determined and managed adequately. Financial instruments are included in the limit for the underlying asset.

Compliance with risk limits is monitored daily and independently of the acting entities of the Group, and any non-compliance is reported to the Treasury Committee or Nykredit's Board of Directors depending on the nature of such non-compliance.

Portfolios and development in market risk

Nykredit's securities portfolio consists mainly of Danish and European mortgage bonds. Nykredit has also invested in high-rated bank bonds and has an equity portfolio of which the main part is strategic equities which are adjusted against equity.

The interest rate risk relating to the portfolio is reduced by way of offsetting sales of government bonds or interest rate derivatives. Accordingly, Nykredit is exposed to the development in the spreads between yields relating to its mortgage bond portfolio and the rates on the hedging securities.

Financial market trends resulted in substantial capital losses in 2008 due to spread widening. Throughout most of 2009, however, these spreads narrowed fairly much. In total, the investment portfolio of bonds, liquidity and interest rate instruments generated income of DKK 4,743m due to market trends in 2009.

The Nykredit Realkredit Group holds DKK 1,168m in Kalvebod series I, II, III and IV and DKK 12m in Scandinotes series III and V. Both issues are structured bank bonds, the cover assets of which are subordinate loan capital and hybrid core capital in Danish banks.

The Group also invests in equities. Slightly more than half of equity investments consists of strategic equities. Nykredit's portfolio of strategic equities amounted to DKK 2.9bn at end-2009, of which equities in Danish banks represented DKK 2.0bn.

The portfolio of strategic equities has seen large price increases since spring 2009. The Group's total value adjustment of strategic equities in 2009 amounted to DKK 751m. The value adjustment is made against equity.

The Nykredit Realkredit Group**Investment portfolio credit risk**

DKK million	2009	2008
Mortgage bonds/ROs, SDOs and other covered bonds		
Rating of or above Aa3/AA-	52,264	64,556
Rating: A1/A+ – Ba1/BB+	2,709	377
Rating: Ba2/BB and below	-	-
Not rated	3	3
Total mortgage bonds/ROs, SDOs and other covered bond:	54,976	64,936
Corporate bonds		
Rating of or above Aa3/AA-	3,695	7,428
Rating: A1/A+ – Ba1/BB+	5,550	2,778
Rating: Ba2/BB and below	975	206
Not rated	3,177	2,371
Total corporate bonds	13,397	12,783
Of which:		
<i>Subordinate loan capital and hybrid core capital in Danish banks¹</i>	1,794	201
<i>Subordinate loan capital and hybrid core capital in other banks¹</i>	1,132	1,540
<i>Kalvebod and Scandinotes</i>	1,180	1,224
<i>Structured bonds</i>	197	270
<i>Hedge funds</i>	4	905
<i>Collateralised Loan Obligations (CLO)</i>	45	111
Total credit exposures	68,374	77,719

Note: Kalvebod and Scandinotes are structured bonds with cover assets in the form of hybrid core capital and subordinate loan capital in Scandinavian banks.

¹ Excl Kalvebod and Scandinotes.

The Nykredit Realkredit Group**Credit derivative transactions**

2009			
DKK million	Risk hedge bought	Risk hedge sold	Total nominal value
Financial institutions	-	568	568
Businesses	-	-	-
Index	-	792	792
Total 2009	-	1,360	1,360

Key figures on market risk

Market risk cannot be assessed adequately on the basis of a single risk key figure. To obtain a full overview of group market risk, Nykredit combines various key figures that express sensitivity to the development in the financial markets. The Group's determination, management and reporting of market risk require a range of different tools in the form of statistical models, stress tests and key ratios combined with subjective assessments.

The Nykredit Realkredit Group

Market risk (conventional calculation)

2009	Interest rate		
	Interest rate risk (100bp change)	volatility risk (Vega)	Equity price risk (10% change)
DKK million			
Money market instruments	(91)	-	-
Government bonds	555	-	-
Mortgage bonds	935	(5)	-
SDOs	2,128	(1)	-
Other bonds, loans and advances	(544)	-	-
Equities	-	-	473
Derivative financial instruments	(2,077)	2	(33)
Total	906	(3)	440

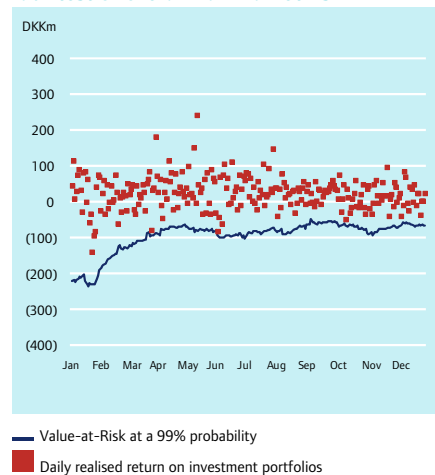
The Nykredit Realkredit Group

Market risk

DKK million	2009			2008		
	Min	Max	Closing	Min	Max	Closing
Value-at-Risk (99%, time horizon of 1 day)	118	393	118	168	597	331
Interest rate risk (change of 100bp)	749	1,259	906	389	1,160	908
- of which mortgage lending	(21)	217	170	(66)	96	22
Equity risk (general decline of 10%)	294	463	440	368	698	368
- of which adjusted against equity	185	319	293	207	495	211
Foreign exchange risk:						
- Exchange Rate Indicator 1	247	1,988	1,988	377	1,264	463
- Exchange Rate Indicator 2	2	14	11	6	14	8

Note: Forstædernes Bank included as from 17 October 2008.

The Nykredit Realkredit Group
Back test of overall VaR market risk



Value-at-Risk

Nykredit applies a Value-at-Risk (VaR) model for day-to-day internal management and determination of business capital. The choice of time horizon and confidence level in the model depends on the purpose of the calculations. For the day-to-day internal management, a time horizon of one day and a confidence level of 99% are applied, while a time horizon of approximately one year and a confidence level of 99.97% are applied for the determination of business capital. VaR is calculated for both the trading book and the banking book.

Nykredit Realkredit A/S and Nykredit Bank A/S have the approval of the Danish FSA also to apply VaR in determining the capital charge for market risk.

The VaR model for determining the capital requirement applies a statutory confidence level of 99% and a time horizon of 10 days. For the purpose of determining the capital requirement, Nykredit Realkredit A/S only calculates VaR in respect of the trading book, whereas the Nykredit Bank Group makes calculations for the trading book as well as the banking book excluding equities.

The Group's internal VaR totalled DKK 118m at end-2009, including Forstædernes Bank. This means that, according to Nykredit's model, the Group would, at a 99% probability, lose a maximum of DKK 118m in one day in consequence of market fluctuations.

Interest rate risk

The Group's interest rate risk is measured as the change in market value caused by a general interest rate increase of 1 percentage point in respect of bonds and financial instruments.

The Group's benchmark for the interest-bearing portfolio is given at an interest rate risk of DKK 605m.

Nykredit primarily invests in mortgage bonds, SDOs and corporate bonds. Viewed separately, this involves a positive interest rate exposure. The interest rate risk is hedged by way of off-setting sales of government bonds and interest rate derivatives. These positions alone involve a negative interest rate exposure. Overall, the Group's interest rate risk is reduced to a minimum.

Elements of Value-at-Risk determination

Value-at-Risk (VaR) is a statistical measure of the maximum loss on a portfolio at a given probability within a given time horizon. The Nykredit Realkredit Group calculates VaR subject to a 99% confidence level and a time horizon of 1 day. Risk is determined based on a VaR model that includes the risk relating to spreads between mortgage bond yields and swap rates.

Parameters used to determine VaR:

- Risk factors: All positions are transformed into a number of risk factors relating to equity price, interest rate and foreign exchange risk.
- Volatilities and correlations: Daily volatilities and correlations of the above risk factors. In calculating the volatilities, last-dated observations carry the highest weight. Volatilities and correlations are estimated on the basis of data on the past 250 days.
- Time horizon: VaR is determined on the basis of a time horizon of 1 day, but may be scaled to other time horizons.
- Confidence level: VaR is determined based on a 99% confidence level for the determination of capital requirement and the day-to-day risk management, and a confidence level of 99.97% for the determination of the required capital base and long-term capital need.

Back testing:

The model results are back tested on a day-to-day basis against actual realised returns on the investment portfolios to ensure that the model results are reliable and correct at any time.

Stress testing:

Daily stress testing is performed to determine the risk of losses under extreme market conditions based on simulated market movements and events. More comprehensive stress testing is performed periodically. Stress testing attempts to determine the sensitivity of the portfolios to probable events and allow identification of errors in the risk determination.

Equity price risk

The Group's exposure to equities and equity instruments was DKK 4,404m at end-2009.

The exposure to strategic equities categorised as available for sale under IAS 39 ranged between DKK 2,948m and DKK 4,632m in 2009. This development mirrored the positive equity market trend since end-Q1/2009. However, the market development was negative in H2/2009 for a few small Danish banks included in the Group's portfolio of strategic equities due to specific liquidity problems. This development was due to the specific liquidity problems of a few institutions.

Equity price risk is measured as the Group's loss at a decrease in equity markets of 10%.

The benchmark of the equity portfolio was DKK 2,400m.

Volatility risk

The market value of options and financial instruments with embedded options such as callable mortgage bonds partly depends on the expected market volatility.

Positions involving volatility risk are used as a risk hedging tool and for active position-taking. The risk is determined and managed on a continuous basis with respect to all financial instruments with embedded options.

Volatility risk is measured as the Group's loss resulting from an increase in volatility of 1 percentage point.

Foreign exchange risk

Nykredit hedges most of the foreign exchange risk of its investments and therefore had only minor foreign exchange positions in currencies other than EUR in 2009.

In the course of 2009, foreign exchange risk was measured by Exchange Rate Indicators 1 and 2.

Refinancing risk

Refinancing risk is the risk of having to refinance debt in a period with high interest rates or with particularly unfavourable loan terms.

The refinancing risk in relation to mortgage banking is very limited as a result of the balance principle and match-funding of loans.

The mortgage loan types Tilpasningslån, BoligXlån (ARMs) and RenteMax (floating-rate loan with an interest rate cap shorter than the loan term) are refinanced by way of issuance of new bonds. At refinancing, borrowers obtain a loan rate that mirrors the yield-to-maturity of the bonds sold. Consequently, the Nykredit Realkredit Group incurs no interest rate risk in connection with refinancing. Furthermore, the bond sale is organised so that the Nykredit Realkredit Group does not incur any liquidity risk in connection with the refinancing.

INSURANCE RISK

Nykredit's insurance activities are exclusively concentrated within retail and agricultural customers as well as commercial buildings insurance. Nykredit Forsikring (Insurer) has a well-diversified portfolio.

The board of directors of Nykredit Forsikring

holds the overall responsibility for managing insurance risk. The board lays down guidelines for the types and size of risk written as well as the principles of risk assessment and reinsurance. In cooperation with the technical departments, the Risk Management department of the Insurer has the day-to-day responsibility for managing insurance risk.

In the Commercial Customers area, an insurance risk committee reviews and approves insurance offers of substantial amounts to commercial customers. Unusual or substantial risk exposures are subject to board approval.

It is a company objective to limit the risks through reinsurance. The reinsurance cover means that Nykredit Forsikring pays a certain proportion of the claims expenses for the year, while the remainder is covered by reinsurance. The proportion payable by the Insurer itself depends on the amount of the claims expenses.

Reinsurance business ceded goes to other insurance companies in accordance with the overall guidelines laid down by the board of directors of Nykredit Forsikring for rating requirements for reinsurance companies.

Determination of claims reserves

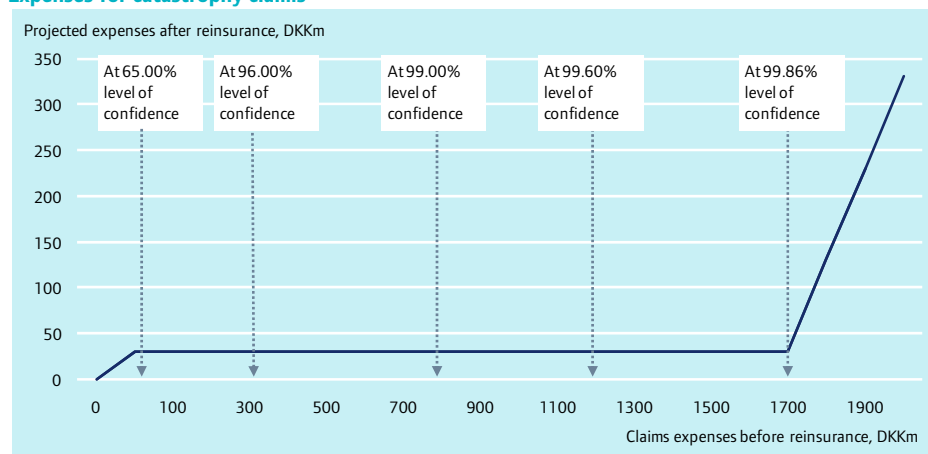
Claims reserves are determined by sector on the basis of actuarial methods in combination with accounting assessments.

Claims under DKK 100,000 are included in a collective reserve model. Nykredit Forsikring applies a generally recognised model (ChainLadder), based on net claims payments made, to determine the reserve.

The key assumptions of the ChainLadder approach are the Insurer's claims payment pattern and movements in prices. Nykredit Forsikring tests these assumptions on an ongoing basis.

The reserves are allocated according to the number of open claims and average claims levels experienced within the individual coverage groups. Where large claims are concerned, the reserves are allocated individually. Further reserves are provided on the basis of increases in claims expenses for known claims based on claims experience.

**Nykredit Forsikring A/S
Expenses for catastrophe claims**



OPERATIONAL RISK

The Nykredit Group is constantly working to create a risk culture where the awareness of operational risk is a natural part of everyday work.

The business areas are responsible for the day-to-day management of operational risk. Operational risk management activities are coordinated centrally to ensure consistency and optimisation across the Group. The Group strives to always limit operational risk taking into consideration the related costs.

Nykredit systematically records and classifies loss-making operational events to create an overview of loss sources and gain experience from which others in the organisation may benefit.

Business contingency plans ensure constant and secure operations in case of a shutdown of the IT supply or other emergencies.

Operational risk factors associated with the Group's core activities – mortgage activities – are limited by nature as they are based on a high degree of standardisation.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

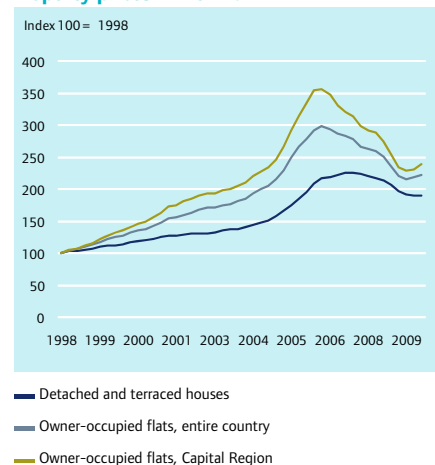
In accordance with IFRS, the Annual Report has been prepared on the basis of assumptions that require the use of accounting estimates in some respects. These estimates are made by Group Management in accordance with the accounting policies and based on previous experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and underlying assumptions are tested and assessed regularly. Areas in which assumptions and estimates are material to the financial statements are:

- Provisions for loan and receivable impairment involving significant estimates in connection with the quantification of the risk of not receiving all future payments. If it is ascertained that not all future payments will be received, the determination of the time and amount of the expected payments is subject to material estimates, including assessment of the realisable values of security and expected dividend payments from estates in bankruptcy.
- Provisions for losses under guarantees are also subject to material estimates where the quantification of the extent that a guarantee will become effective upon the financial breakdown of the guarantee holder is surrounded by uncertainty.
- Listed financial instruments, which have been priced in low-turnover markets due to the financial turmoil, may like in 2008 involve some uncertainty in connection with the measurement of fair values. The notes further specify the methods used to determine the carrying amounts and the related specific uncertainties.
- Unlisted financial instruments involving significant estimates in connection with the measurement of fair values.
- Goodwill on consolidation, as the assessment of the future earning capacity of the companies is based on significant estimates.
- The value of defined benefit plans (Other assets) involving significant estimates in connection with the actuarial assumptions on which the determination is based, including discounting rates, the expected return on plan assets and the expected rate of increase in wages, salaries and pensions.
- Insurance obligations involving significant estimates in connection with actuarial assumptions, including the settlement of open claims, payment patterns and the development in prices.
- Provisions involving certain estimates.

Lending

The Nykredit Realkredit Group Property prices in Denmark



Source: The Association of Danish Mortgage Banks

Group lending totalled DKK 1,046bn at end-2009 against DKK 990bn at the beginning of the year.

Total lending includes mortgage lending in nominal terms and bank lending excluding reverse transactions and guarantees.

Group mortgage lending in nominal terms excluding arrears went up by DKK 69bn to DKK 985bn at year-end. Retail customers accounted for just under 53% of annual lending growth.

Bank lending in Nykredit Bank amounted to DKK 45.4bn at end-2009 against DKK 50.9bn at the beginning of the year, down DKK 5.5bn. Retail lending rose by DKK 2.1bn to DKK 12.4bn, mainly due to equity release credits.

Commercial lending declined by DKK 7.6bn to DKK 33.0bn on account of lower demand for commercial loans and to some extent refinancing of commercial loans into mortgage loans.

Bank lending in Forstædernes Bank accounted for DKK 15.5bn at end-2009 against DKK 22.3bn at the beginning of the year – a decline of DKK 6.8bn, of which about DKK 5bn was mainly attributable to an increase in individual provisions for loan impairment.

Group reverse transactions amounted to DKK 12.0bn against DKK 24.5bn at the beginning of the year.

At end-2009, total provisions for mortgage and bank loan impairment were DKK 9,754m against DKK 2,841m at end-2008. The Group made no impairment provisions for receivables from credit institutions and central banks or reverse transactions in 2009.

The Group's guarantees totalled DKK 23.0bn against DKK 15.8bn at the beginning of the year. At end-2009, provisions for guarantees amounted to DKK 610m. Of this amount, provisions relating to the government guarantee scheme accounted for DKK 381m against DKK 63m at the beginning of the year.

The Nykredit Realkredit Group Loans, advances and guarantees and impairment losses on loans and advances

DKK million	Loans, advances and guarantees		Provisions for loan impairment and guarantees		Impairment losses on loans and advances – earnings impact	
	2009	2008	2009	2008	2009	2008
Mortgage lending ¹						
Nykredit Realkredit	554,471	516,311	1,407	410	1,240	361
Totalkredit	431,511	400,802	535	55	515	55
Total	985,982	917,113	1,942	465	1,755	416
Of which arrears	766	531	-	-	-	-
Bank lending						
Nykredit Bank	45,428	50,897	1,580	714	1,008	706
Forstædernes Bank	15,493	22,260	6,232	1,662	4,653	228
Total	60,921	73,157	7,812	2,376	5,661	934
Reverse transactions	11,962	24,544	-	-	-	-
Guarantees	23,036	15,834	610	106	504	93
Of which the government guarantee scheme	938	1,256	381	63	318	63
Provisioning rates ²						
Nykredit Realkredit	-	-	0.25	0.08	0.22	0.07
Totalkredit	-	-	0.12	0.01	0.12	0.01
Total			0.20	0.05	0.18	0.05
Nykredit Bank	-	-	3.36	1.38	2.14	1.37
Forstædernes Bank	-	-	28.69	6.95	23.29 ³	5.53 ³
Total			11.37	3.15	8.83 ³	2.68 ³

¹ Mortgage lending in nominal terms, including arrears.

² Provisioning rates are exclusive of reverse transactions and guarantees.

³ Before adjustment for impairment provisions in the opening balance sheet (2009: DKK 406m, 2008: DKK 1,094m).

MORTGAGE LENDING

Loan portfolio

A breakdown of the Group's mortgage loan portfolio by property and loan type is shown on page 41. The table includes both mortgage loans funded by ROs and mortgage loans funded by SDOs.

The security behind the mortgage loan portfolio remains substantial. Also, mortgage loans granted via Totalkredit are covered by set-off agreements, which means that Totalkredit may offset a significant part of recognised mortgage loan losses against future commission payments to the partner banks.

The portfolio is highly diversified in terms of loan type, geography, maturity and size of debt outstanding. At year-end 63% of total mortgage loans were mortgages granted for owner-occupied dwellings in Denmark.

Geographically, around half of lending related to Jutland and almost 27% to the metropolitan area. The share of international lending was unchanged at 3.6% at end-2009.

In terms of loan type, the loan portfolio changed slightly in 2009. The share of interest-only loans went up from 48% to 51%. The share of floating-rate loans – including private residential adjustable-rate mortgages (ARMs) – amounted to 67% against 56% the year before. Floating-rate loans accounted for 73% of commercial lending. However, for commercial customers, the interest terms of mortgage loans cannot be viewed separately from a customer's financial contracts, including swap agreements.

Guarantees

Nykredit mainly receives guarantees from public authorities and banks.

Guarantees issued by public authorities contribute to reducing the credit risk of mortgage loans mainly for subsidised housing. Public authority guarantees are guarantees whereby the guarantor assumes primary liability. This means that Nykredit may enforce the guarantee if a loan falls into arrears.

The bank guarantees comprise guarantees for the registration of mortgages without endorsements, guarantees for interim loans in connection with new building and loss guarantees.

The volume of mortgage lending covered by loss guarantees issued by the partner banks amounted to just under DKK 9bn. Lending subject to a right of set-off totalled DKK 422bn at end-2009.

The Nykredit Realkredit Group

Mortgage lending by property category ¹

Nominal value end-2009	Owner-occupied housing	Private rental housing	Industry and trades	Office and retail	Agriculture	Non-profit housing	Other	Total
DKK million/number								
Mortgage loans								
- Bond debt outstanding	607,315	93,090	26,614	81,743	99,138	64,389	12,927	985,216
- Number of loans	667,007	26,984	3,489	15,077	45,858	22,781	3,011	784,207
Bond debt outstanding by loans involving								
- Public-authority guarantees	1	218	0	65	309	49,341	141	50,074
- Bank guarantees	8,782	1	-	-	81	0	1	8,864
- Set-off agreement with banks	422,200	0	-	-	0	0	0	422,200
- No guarantee	176,333	92,871	26,614	81,678	98,748	15,048	12,785	504,078
Total	607,315	93,090	26,614	81,743	99,138	64,389	12,927	985,216
Bond debt outstanding by loan type								
Fixed-rate loans								
- Repayment loans	156,077	15,153	3,826	10,082	11,853	13,600	4,112	214,703
- Interest-only loans	69,151	4,394	53	4,767	2,669	33	62	81,129
Adjustable-rate mortgages								
- Repayment loans	69,220	7,441	2,751	10,112	14,346	19,355	1,220	124,445
- Interest-only loans	153,241	25,699	4,805	28,415	26,483	507	538	239,689
Money market-linked loans								
Capped								
- Repayment loans	72,366	2,583	359	1,730	4,128	129	1,041	82,336
- Interest-only loans	84,564	1,967	15	387	3,723	25	115	90,796
Uncapped								
- Repayment loans	296	4,926	5,173	9,783	7,079	225	3,893	31,375
- Interest-only loans	2,376	30,768	9,632	16,380	28,493	206	1,618	89,472
Index-linked loans	24	159	0	87	363	30,310	327	31,270
Total	607,315	93,090	26,614	81,743	99,138	64,389	12,927	985,216
Bond debt outstanding by geographic area								
- Metropolitan area	170,236	34,698	2,385	24,508	3,741	25,877	3,713	265,158
- Other Eastern Denmark	65,638	5,618	2,069	3,418	13,807	5,321	1,167	97,038
- Funen	54,385	6,837	884	4,966	9,277	6,102	1,210	83,663
- Jutland	308,497	35,828	16,727	34,516	71,780	27,089	6,833	501,270
- Faroe Islands and Greenland	1,846	243	2	103	-	-	4	2,197
- International	6,713	9,866	4,548	14,233	533	-	-	35,892
Total	607,315	93,090	26,614	81,743	99,138	64,389	12,927	985,216
Bond debt outstanding by loan ranges, DKKm								
0-2	482,271	15,754	1,605	7,807	23,531	7,481	1,191	539,640
2-5	115,431	15,550	2,346	9,874	29,991	9,552	1,865	184,609
5-20	8,898	27,725	5,482	20,250	38,211	27,930	4,885	133,381
20-50	664	13,050	3,628	11,505	5,763	14,482	2,945	52,037
50-100	51	4,997	2,254	7,876	1,243	3,536	996	20,953
100-	-	16,014	11,301	24,431	399	1,408	1,044	54,597
Total	607,315	93,090	26,614	81,743	99,138	64,389	12,927	985,216
Bond debt outstanding by remaining loan term, years								
0-10	13,277	3,343	3,925	16,308	2,567	3,490	808	43,717
10-15	27,248	5,849	5,778	14,846	3,634	7,545	1,997	66,897
15-20	27,975	14,618	10,947	31,601	6,293	8,299	2,989	102,723
20-25	171,826	19,102	66	3,489	24,065	12,974	3,384	234,905
25-30	366,990	50,085	5,898	15,497	62,578	7,049	3,721	511,819
30-35	0	66	-	-	-	12,814	28	12,908
35-	-	25	-	1	-	12,219	-	12,246
Total	607,315	93,090	26,614	81,743	99,138	64,389	12,927	985,216

¹ The breakdown by property category is not directly comparable to the Group's business areas.

Provisions for mortgage loan impairment

Continuous individual reviews and risk assessments of all mortgage exposures exceeding DKK 300m are performed to uncover any objective evidence of impairment and an expected adverse effect on future cash flows from loans. On this basis, individual provisions are made for relevant loans. Exposures below DKK 300m are reviewed for the purpose of uncovering a need for individual provisioning when objective evidence of impairment is observed.

Exposures not subject to individual provisioning are subject to collective assessment. Collective impairment provisions are made for groups of customers of uniform credit risk.

Collective impairment provisions are calculated using a rating model based on adjusted Basel parameters for the loss calculation. Having been adjusted to the accounting rules, the Basel parameters are based on events occurred, cash flows until expiry of loan terms and a discounting of loss flows to present value.

In addition to the rating model, collective provisions are also calculated on the basis of a segmentation model adjusting the Basel parameters of the rating model for events occurred which, due to economic developments, have not yet been included in the model.

Group mortgage exposures in nominal terms, including arrears, totalled DKK 986bn at end-2009 against DKK 917bn at the beginning of the year.

The Group's total impaired mortgage loans increased by DKK 6,062m to DKK 6,627m at end-2009. The rise was mainly attributable to lending for owner-occupied dwellings and private rental housing.

Impaired loans include loans and advances for which objective evidence of impairment has been observed and which have been individually provided for.

Mortgage loans with low customer ratings accounted for DKK 20.6bn against DKK 15.2bn at the beginning of the year, up DKK 5.4bn.

Loans with low customer ratings are non-performing loans and loans in rating classes 0 and 1 for which Nykredit's internal credit models show a probability of default of more than 7%, but which have not yet been provided for. In other words, these are loans that are associated with an elevated risk of future default, but not necessarily high risk of future losses, ie the loss risk also depends on any security behind the loan.

The Group's total provisions for mortgage loan impairment increased significantly in 2009, landing at DKK 1,942m at year-end. The rise in impairment provisions included both loans subject to individual provisioning and loans subject to collective provisioning.

Owner-occupied dwellings accounted for DKK 768m of impairment provisions at year-end, while other sectors totalled DKK 1,174m.

The Group's total impairment provisions amounted to 0.20% of total mortgage lending.

The Nykredit Realkredit Group**Credit exposure to mortgage lending by property category ¹**

DKK million	2009			2008		
	Lending year-end	Impaired loans – individual provisioning	Loans to low-rated customers – no provisioning	Lending year-end	Impaired loans – individual provisioning	Loans to low-rated customers – no provisioning
Owner-occupied dwellings	607,671	3,020	6,889	571,267	166	5,231
Private rental housing	93,284	3,113	6,146	80,227	135	3,373
Industry and trades	26,665	176	699	25,206	145	729
Office and retail	81,836	216	3,766	74,086	44	1,985
Agriculture	99,186	57	2,154	89,183	47	1,668
Non-profit housing	64,404	10	755	64,321	15	1,766
Other	12,936	35	218	12,823	13	496
Total	985,982	6,627	20,627	917,113	565	15,248

¹ The breakdown by property category is not directly comparable to the Group's business areas.

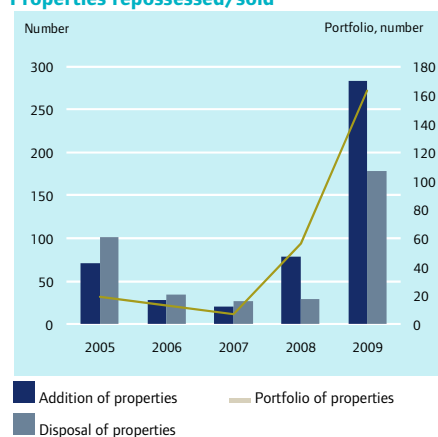
For a complete breakdown of mortgage lending into rating classes, see note 47.

The Nykredit Realkredit Group**Provisions for mortgage loan impairment by property category ¹**

DKK million	2009			2008		
	Individual impairment provisions	Collective impairment provisions	Total	Individual impairment provisions	Collective impairment provisions	Total
Owner-occupied dwellings	512	256	768	34	68	102
Private rental housing	687	110	797	26	27	53
Industry and trades	72	36	108	93	21	114
Office and retail	81	67	148	15	25	40
Agriculture	20	38	58	17	91	108
Non-profit housing	1	21	22	7	10	17
Other	15	26	41	11	20	31
Total	1,388	554	1,942	203	262	465

¹ The breakdown by property category is not directly comparable to the Group's business areas.

The Nykredit Realkredit Group Properties repossessed/sold



Individual impairment provisions

Individual provisions for mortgage loan impairment totalled DKK 1,388m against DKK 203m at the beginning of the year

Collective impairment provisions

At end-2009 the Group's collective provisions for mortgage loan impairment totalled DKK 554m against DKK 262m at the beginning of the year.

Earnings impact

Recognised losses are on the rise, but are still at a moderate level. Recognised losses on mortgage loans in 2009 amounted to DKK 176m against DKK 25m the year before.

The total earnings impact of impairment losses on loans and advances was DKK 1,755m

against DKK 416m in 2008. DKK 967m, or 55%, of total impairment losses on loans and advances for the year were attributable to Commercial Customers.

Arrears

At end-2009 the arrears ratio had increased compared with the level at end-2008, but remained low. At the quarterly settlement date 1 September 2009, the Group's 75-day mortgage loan arrears were 0.92% of total mortgage payments due compared with 0.39% at the same time in 2008.

Repossessed properties

In 2009 the Group repossessed 284 properties and sold 178. At end-2009 the property portfolio stood at 163 against 57 at the beginning of the year. Of the 163 properties, 120 were owner-occupied dwellings.

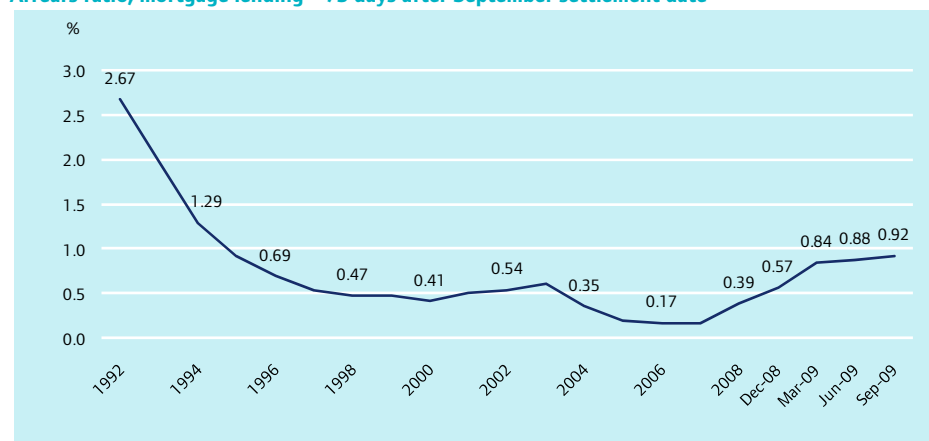
The Nykredit Realkredit Group Arrears ratio 75 days after settlement date

%	Arrears relative to total mortgage payments	Bond debt outst. affected by arrears relative to total bond debt outst.
Settlement months		
2009		
- September	0.92	1.15
- June	0.88	1.07
- March	0.84	0.92
2008		
- December	0.57	0.73
- September	0.39	0.58

The Nykredit Realkredit Group Post-settlement date arrears by maturity

DKK million	2009			2008	
	September	June	March	December	September
Up to 45 days	151	173	150	129	74
45-75 days	123	144	124	105	57
75-195 days			82	57	33
Over 345 days				25	12

The Nykredit Realkredit Group Arrears ratio, mortgage lending – 75 days after September settlement date



BANK LENDING**Total impairment provisions**

Individual and collective impairment provisions are made for bank loans as for mortgage loans. Bank exposures in excess of DKK 150m are subject to continuous individual review and risk assessment to uncover any objective evidence of impairment.

Nykredit Bank's exposures exceeding DKK 2m are reviewed at least once a year as part of the monitoring of credit exposures based on updated financial and customer information. In addition, all exposures showing signs of risk

are reviewed, including minor exposures, to identify any need for individual provisioning.

Exposures not provided for individually are covered by the Bank's collective impairment provisions.

Collective impairment provisions are calculated using a rating model based on adjusted Basel parameters for the loss calculation. Having been adjusted to the accounting rules, the Basel parameters are based on events occurred, cash flows until expiry of loan terms and a discounting of loss flows to present value.

In addition to the rating model, collective provisions are also calculated on the basis of a segmentation model adjusting the Basel parameters of the rating model for events occurred which, due to economic developments, have not yet been included in the model.

Nykredit Bank

The Nykredit Bank Group's credit exposures amounted to DKK 76.9bn at end-2009 against DKK 85.7bn at the beginning of the year.

Bank lending accounted for DKK 45.4bn of total credit exposures at end-2009 against DKK 50.9bn at the beginning of the year. Bank loans and advances before impairment losses were DKK 47.0bn at end-2009 against DKK 51.6bn at end-2008.

The Group's total impaired bank loans increased by DKK 870m to DKK 2,027m at end-2009.

Impaired loans include loans and advances for which objective evidence of impairment has been observed and which have been individually provided for.

Bank loans to customers with low ratings accounted for DKK 0.6bn against DKK 1.2bn at the beginning of the year, down DKK 0.6bn.

The Nykredit Bank Group**Loans, advances and guarantees**

DKK million	2009	2008
Bank loans and advances	45,428	50,897
Reverse transactions	11,883	24,490
Guarantees	19,626	10,354
Total	76,937	85,741

The Nykredit Bank Group**Total provisions for bank loan impairment and guarantees**

DKK million	Provisions for guarantees	Individual impairment provisions	Collective impairment provisions	2009		2008	
				Total provisions	Total provisions		
Retail	27	66	6	99	35		
Other	246	1,403	105	1,754	735		
Total	273	1,469	111	1,853	770		

Nykredit Bank**Bank credit exposure before impairment provisions by industry ¹**

DKK million	2009			2008		
	Lending year-end	Impaired loans – individual provisioning	Loans to customers with low ratings, no provisioning	Lending year-end	Impaired loans – individual provisioning	Loans to customers with low ratings, no provisioning
Retail	12,303	96	158	11,649	50	76
Manufacturing	7,836	472	38	8,083	258	167
Property management and trading	11,657	257	247	16,085	207	531
Credit and finance	466	427	36	3,988	602	40
Other commercial	14,746	775	168	11,806	40	354
Total	47,008	2,027	647	51,611	1,157	1,168

For a complete breakdown of bank lending into rating classes, see note 47.

Nykredit Bank**Total impairment provisions for bank lending ¹**

DKK million	2009			2008		
	Individual impairment provisions	Collective impairment provisions	Total	Individual impairment provisions	Collective impairment provisions	Total
Retail	83	13	96	45	23	68
Manufacturing	242	35	277	133	10	143
Property management and trading	213	31	244	73	57	130
Credit and finance	430	9	439	321	2	323
Other commercial	501	23	524	19	31	50
Total	1,469	111	1,580	591	123	714

¹ The breakdown is based on official industry statistics and is therefore not directly comparable to the Group's business areas.

Bank loans with low customer ratings include loans in rating classes 0 and 1 for which Nykredit's internal credit models show a probability of default of more than 7%, but which have not yet been provided for. In other words, these are loans that is associated with an elevated risk of future default, but not necessarily future losses, ie the loss risk also depends on any security behind the loan.

Provisions for loan impairment amounted to DKK 1,580m against DKK 714m at end-2008, up DKK 866m.

Individual impairment provisions rose to DKK 1,469m against DKK 591m at the beginning of the year, and collective impairment provisions amounted to DKK 111m at end-2009 against DKK 123m at the beginning of the year. Consequently, collective impairment provisions were reduced by DKK 12m, while individual impairment provisions gained DKK 878m.

Guarantees

The Bank issues guarantees on a current basis, including guarantees to mortgage banks. According to the accounting rules, guarantees must be reviewed on a current basis and losses under guarantees provided for if deemed necessary.

At end-2009, provisions for guarantees amounted to DKK 273m against DKK 56m at end-2008. Of this amount, provisions relating to the government guarantee scheme amounted to DKK 268m against DKK 45m in 2008.

Earnings impact

Impairment losses on loans and advances came to DKK 1,225m against DKK 763m in 2008.

Of the expense for the year, provisions under the government guarantee scheme amounted to DKK 223m, up DKK 178m on 2008.

Forstædernes Bank

The bank's total credit exposures in the form of loans, advances and guarantees decreased by DKK 8.8bn to DKK 19.0bn at end-2009.

Bank lending accounted for DKK 15.5bn of total credit exposures against DKK 22.3bn at the beginning of the year. Bank loans before impairment losses were DKK 21.7bn against DKK 23.9bn at the beginning of the year – corresponding to a decline of DKK 2.2bn.

Provisions for bank loan impairment came to DKK 6,232m at end-2009 against DKK 1,662m at the beginning of the year.

Individual provisions for loan impairment went up by DKK 6,085m against DKK 1,598m at the beginning of the year.

Impairment losses chiefly derived from large property exposures in respect of which the Bank's security is weak, based on second or third mortgages.

A potential provisioning need of DKK 1,500m was identified in the opening balance sheet in connection with the acquisition of the bank.

The financial crisis following Lehman Brothers' collapse caused declining equity prices, falling property prices and rising exchange rates of CHF and other loan currencies. This prompted increased provisions in Q4/2008 and H1/2009.

In Q2/2009 Denmark's gross domestic product dropped markedly, and property prices and property turnover continued declining. This boosted provisions for loan impairment in Q3-Q4/2009, and all loans in Forstædernes Bank were reviewed and revalued.

Before Nykredit's acquisition of Forstædernes Bank, the bank pursued a different credit policy than Nykredit, which has prompted the considerably higher provisioning level in Forstædernes Bank than in Nykredit Bank. For further information, see the credit risk section.

Collective provisions for loan impairment increased by DKK 83m to DKK 147m at end-2009.

Guarantees

The Bank issues guarantees on a current basis, including to mortgage banks. According to the accounting rules, guarantees must be reviewed on a current basis and losses under guarantees provided for if deemed necessary.

At end-2009, provisions for guarantees amounted to DKK 337m against DKK 50m at the beginning of the year. Of this amount, provisions relating to the government guarantee scheme amounted to DKK 113m against DKK 18m at the beginning of the year.

Earnings impact

The total earnings impact of impairment losses on loans and advances was DKK 4,939m against DKK 264m in 2008. Excluding adjustment for provisions made in the opening balance sheet totalling DKK 1,500m, the earnings impact was DKK 5,345m and DKK 1,358m, respectively.

Of the impact for the year, provisions relating to the government guarantee scheme amounted to DKK 95m, up DKK 77m on 2008.

Forstædernes Bank

Loans, advances and guarantees

DKK million	2009	2008
Bank loans and advances	15,493	22,260
Reverse transactions	80	54
Guarantees	3,410	5,480
Total	18,983	27,794

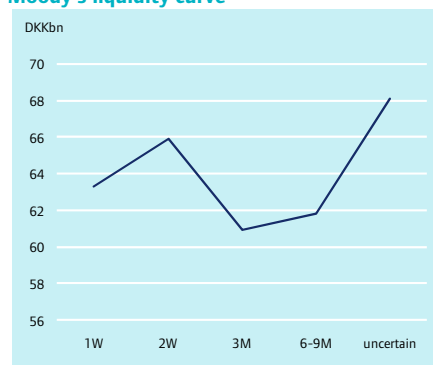
Forstædernes Bank

Total provisions for bank loan impairment and guarantees

DKK million				2009	2008
	Provisions for guarantees	Individual impairment provisions	Collective impairment provisions	Total provisions	Total provisions
Retail	4	312	23	339	156
Other	333	5,773	124	6,230	1,556
Total	337	6,085	147	6,569	1,712

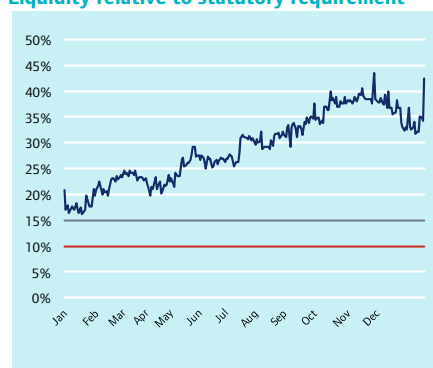
Liquidity and funding

Nykredit Realkredit A/S and Totalkredit A/S Moody's liquidity curve



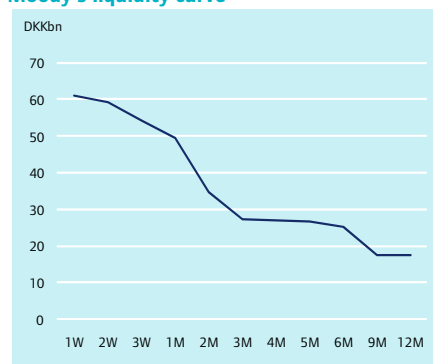
Note: Liquidity raised through issuance of junior covered bonds is included up to their maturity. Liquidity tied up in investments is included in "uncertain".

The Nykredit Bank Group Liquidity relative to statutory requirement



— Liquidity
— Nykredit Bank's internal requirements
— Statutory requirements

The Nykredit Bank Group Moody's liquidity curve



LIQUIDITY RISK

Liquidity risk is the risk of loss as a result of insufficient liquidity to cover current payment obligations.

The Group's overall liquidity risk is monitored closely and assessed by the Asset/Liability Committee. The committee lays down liquidity policies for the Group's companies. The day-to-day management of liquidity risk is performed by the individual companies based on these policies.

Mortgage activities etc

Most of the Group's lending consists of mortgage loans funded by covered bonds in accordance with the match-funding principle. Mortgage lending and the funding thereof are therefore by and large liquidity neutral.

Nykredit is to provide supplementary security for the part of its lending funded by covered bonds (SDOs) which exceeds LTVs following the slump in property prices. Supplementary security may consist of government bonds, bonds issued by Nykredit out of the relevant capital centre etc. The Nykredit Realkredit Group has provided supplementary security amounting to DKK 15.1bn. Supplementary security is financed through the reserves of the capital centre and through the issuance of junior covered bonds in the amount of DKK 15.3bn. Nykredit has created a buffer against the risk of property price declines in 2010 by issuing junior covered bonds in excess of the security provided.

Nykredit's capital resources are mainly placed in a portfolio of listed bonds in addition to portfolio equities and strategic equities. By virtue of their large bond portfolios, the mortgage banks have plenty of liquidity.

In its "Bank Financial Strength Ratings: Global Methodology" from February 2007, Moody's Investors Service has laid down a number of principles for requirements relating to the liquidity management of banks. In order to achieve the rating "Very Good Liquidity Management", the liquidity curve must be positive for a projected time span of 12 months. The liquidity of Nykredit Realkredit and Totalkredit is always positive in part due to match funding and the investment rules governing the capital reserved to meet the capital requirement.

The liquidity curves of Nykredit Realkredit and Totalkredit, Nykredit Bank and Forstædernes

Bank illustrate that the Nykredit Group has an extremely strong liquidity position.

In February 2009 a scheme was set up under which Danish mortgage banks may obtain an individual government guarantee for issues of unsubordinated unsecured debt and junior covered bonds. Mortgage banks may apply for guarantees of up to three years until end-2010. Nykredit has not made use of the scheme.

In H2/2009 the Danish central bank expanded the range of assets eligible as permanent collateral for the loans of commercial and mortgage banks with the Danish central bank (monetary policy loans and intraday credits) to include junior covered bonds issued by mortgage banks.

Nykredit Bank

The Bank's Board of Directors formulates the liquidity policy, principles and requirements for liquidity ratios to be approved by the Group's Asset/Liability Committee.

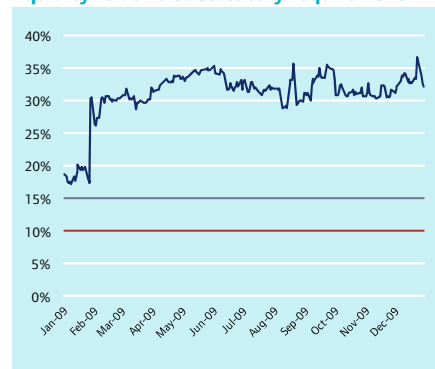
The Bank manages its balance sheet based on the liquidity of assets and liabilities and operates with a trading book and a banking book.

The trading book consists mainly of liquid Danish and European government and mortgage bonds (covered bonds) eligible as collateral with Danmarks Nationalbank or other European central banks. Securities not serving as collateral in the trading book constitute the greater part of the short-term liquidity buffer.

The liquidity buffer is determined in accordance with the Danish Financial Business Act, which stipulates that a bank's liquidity must be at least 10% of reduced debt and guarantee obligations. Nykredit Bank uses an internal liquidity requirement of at least 15%. The Bank's liquidity was recorded at 42.4% at end-2009. The liquidity buffer shows to which extent the Bank's liquidity exceeds the 10% requirement and may consequently be used for any unforeseen liquidity drains. The liquidity buffer averaged DKK 43bn in 2009. It stood at DKK 66.7bn at end-2009.

Forstædernes Bank A/S

Liquidity relative to statutory requirement

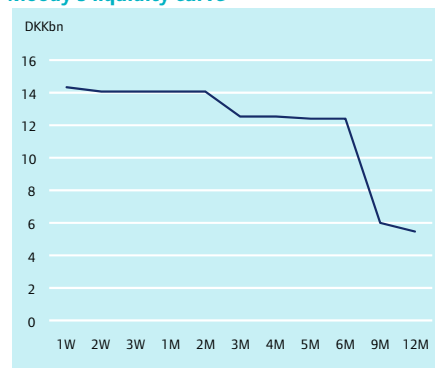


— Liquidity
 — Forstædernes Bank's internal requirement
 — Statutory requirement

Note: Forstædernes Bank's liquidity is shown as a percentage of reduced debt and guarantee obligations after statutory deductions, cf section 152 of the Danish Financial Business Act.

Forstædernes Bank A/S

Moody's liquidity curve



The banking book includes lending to customers, primarily funded through the Bank's equity, customer deposits and long- and medium-term capital market funding. Banking book funding rose to 180% at end-2009 against 144% at end-2008 relative to bank lending.

Outstanding issues under the EMTN programme grew to EUR 3.0bn at end-2009 from EUR 1.7bn at end-2008, which was characterised by exceptionally difficult market conditions. As an extra liquidity buffer, it will be possible to issue notes with individual government guarantees under bank rescue package II in 2010 in addition to non-guaranteed EMTN issues. The Bank's Euro Commercial Paper programme (ECP) established in late 2008 grew from EUR 0.6bn at end-2008 to EUR 2.5bn at end-2009.

Liquidity risk is stress-tested according to Moody's "Bank Financial Strength Ratings: Global Methodology". Stress tests show that the Bank can withstand a lack of access to capital markets that exceeds 12 months.

Forstædernes Bank

Forstædernes Bank's liquidity management is based on the principles applied by Nykredit Bank. Like Nykredit Bank, Forstædernes Bank operates with a target for excess liquidity cover of a minimum of 50% relative to the 10% liquidity requirement laid down in the Danish Financial Business Act.

Stress tests according to the principles of Moody's Investors Service's Bank Financial Strength Ratings: Global Methodology show that the bank can withstand a 12-month long lack of access to the funding market.

BOND ISSUES

The Nykredit Realkredit Group is one of the largest private bond issuers in Europe.

The Nykredit Realkredit Group's bond issuance mainly consists of "særligt dækkede obligationer" (SDOs, covered bonds) and "realkreditobligationer" (ROs, mortgage bonds issued after 1 January 2008). The Group was able to issue ROs and SDOs on a day-to-day basis throughout 2009 and did not find it necessary to buy individual government guarantees available after the adoption of bank rescue package II.

In addition, the Group has issued hybrid core capital, supplementary capital and bonds used to finance supplementary security issued in pursuance of section 33 e of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (junior covered bonds) in Nykredit Realkredit.

Nykredit Bank has made issues under the ECP and EMTN programmes as part of its funding programme. Forstædernes Bank used to issue hybrid core capital, supplementary capital and bonds as part of its funding programme.

The Nykredit Realkredit Group's total bond issuance breaks down as follows: 46% is SDOs, 47.8% ROs, 1.2% junior covered bonds, 0.4% supplementary capital, 0.9% hybrid core capital and 3.7% other bonds.

Ratings

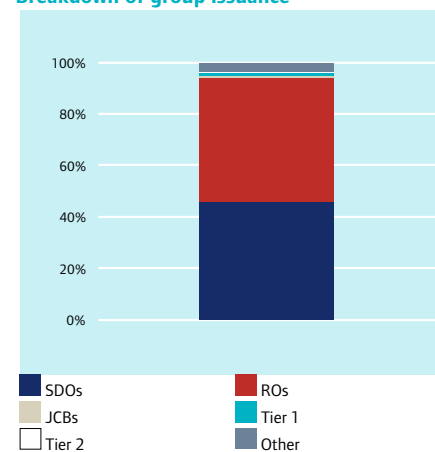
Nykredit Realkredit, Nykredit Bank and the majority of the Group's bond issues have been rated by international rating agencies.

The Nykredit Realkredit Group

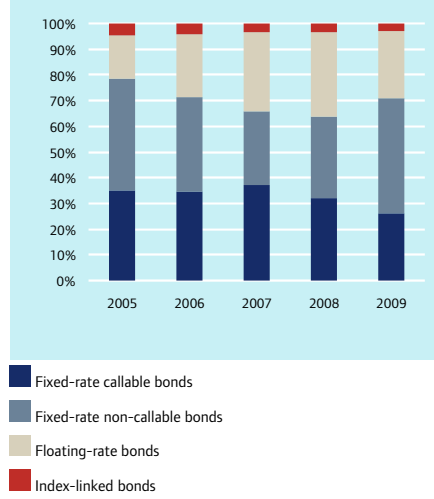
Overview of ratings

	Moody's Investors Service	Standard & Poor's
SDOs, ROs and JCBs		
Nykredit Realkredit A/S		
- Capital Centre E (covered bonds, SDOs)	Aaa	AAA ³
- Capital Centre E (junior covered bonds, JCBs)	Aa3	-
- Capital Centre D (covered bonds, ROs)	Aaa	AAA ³
- Capital Centre C (covered bonds, ROs)	Aa1	AAA ³
- Nykredit Realkredit In General (covered bonds, ROs)	Aa1	AAA ³
Totalkredit A/S		
- Capital Centre C (covered bonds, ROs)	Aaa	AAA ³
Other ratings		
Nykredit Realkredit A/S		
- Short-term unsecured rating	P-1	A-1
- Long-term unsecured rating	A1	A+ ²
- Supplementary capital (Tier 2)	A2	-
- Hybrid core capital (Tier 1)	A3 ¹	BBB+
Nykredit Bank A/S		
- Short-term deposit rating	P-1	A-1
- Long-term deposit rating	A1	A+ ²
- Bank Financial Strength Rating	C- ²	-
EMTN Programme		
- Short-term senior debt maturing by 30 September 2010	P-1	A-1+
- Short-term senior debt maturing after 30 September 2010	P-1	A-1
- Long-term senior debt maturing by 30 September 2010	Aaa	AAA
- Long-term senior debt maturing after 30 September 2010	A1	A+ ²
- Supplementary capital (Tier 2)	A2	A-
- Hybrid core capital (Tier 1)	A3 ¹	-
ECP Programme and CD Programme		
- Short-term senior debt maturing by 30 September 2010	P-1	A-1+
- Short-term senior debt maturing after 30 September 2010	P-1	A-1

Breakdown of group issuance



Issued amount of ROs and SDOs by bond type



Issued SDOs and ROs

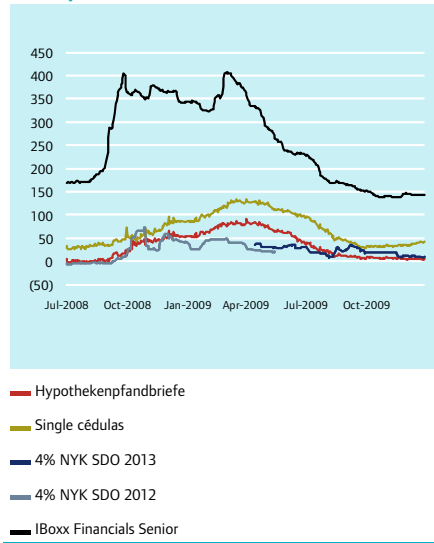
The Nykredit Realkredit Group's bonds are issued by tap on a day-to-day basis and at three annual refinancing auctions held in March, September and December.

The financial crisis in 2009 left its mark on European covered bond issuers' possibilities of issuing and selling covered bonds.

In contrast to the European markets in general, the Nykredit Realkredit Group continued to be able to sell its bonds both where the day-to-day tap issues are concerned and at the refinancing auctions. Furthermore, Nykredit's bonds traded at more attractive levels than most other European covered bond issues, even after issuance activities were resumed. Both benefited Danish borrowers.

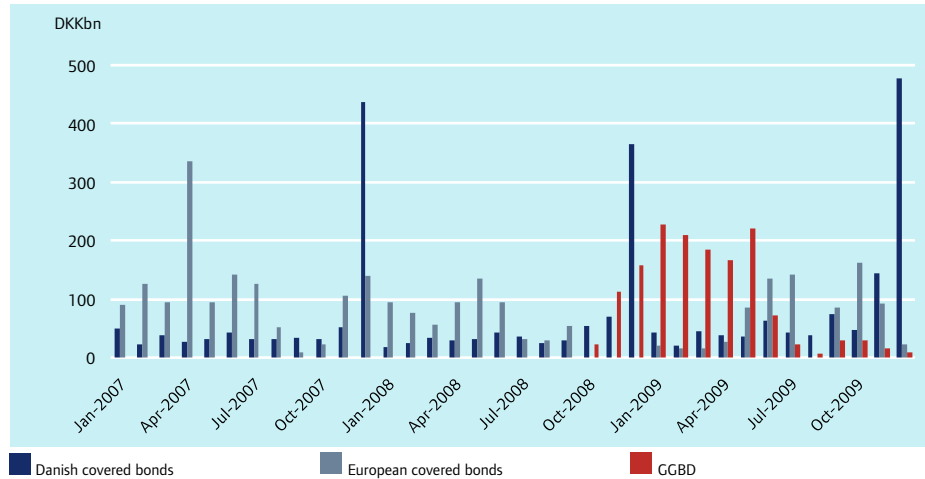
In recent years the composition of the Nykredit Realkredit Group's outstanding amount of bonds has changed, partly because of the expanded product supply and partly because of the yield development. At end-2009, fixed-rate callable bonds accounted for 26% of the total outstanding amount, while fixed-rate non-callable bullet bonds made up 45%. The share of floating-rate bonds relative to the Group's outstanding amount totalled 26%.

Yield spreads



The Nykredit Realkredit Group

Issues



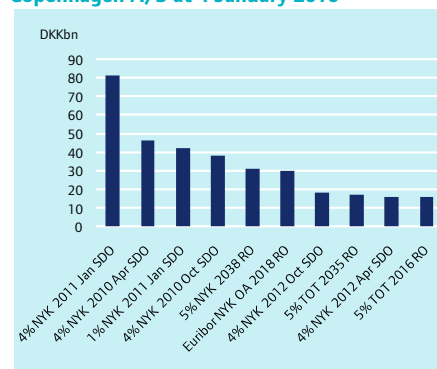
At the ARMs refinancing auctions in 2009, bonds of DKK 174bn were issued. The day-to-day tap issuance of bonds amounted to DKK 248bn in 2009.

At end-2009 ROs and SDOs of a nominal amount of DKK 996bn had been issued, excluding bonds maturing on 4 January 2010 and drawn bonds maturing on 4 January 2010.

Gross issuance of ROs and SDOs by bond type, coupon and time-to-maturity

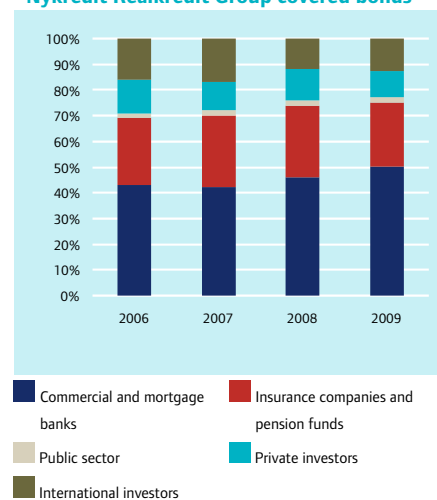
DKKm/%	2009	2008
Total nominal gross issuance	422,568	226,740
- of which refinancing	174,320	116,175
Bond types		
Fixed-rate callable bonds:	6.9	15.2
- of which deferred annuity bonds	2.3	7.4
Fixed-rate bullet bonds:	88.7	76.4
- of which in DKK	70.2	62.3
- of which in SEK	1.2	-
Floating-rate bonds:	4.4	8.4
- of which short-term uncapped	3.3	3.9
- of which short-term capped	1.0	5.7
- of which short-term capped deferred annuity	0.0	(0.5)
- of which long-term uncapped	0.0	(1.2)
- of which long-term capped annuity	0.0	0.2
- of which long-term capped deferred annuity	0.0	0.2
Total	100.0	100.0
Coupon		
2%	5.9	0.0
3%	2.3	0.0
4%	66.0	63.0
5%	10.0	11.3
6%	1.2	5.7
Floating-rate bonds	4.4	8.4
Other	10.2	11.5
Total	100.0	100.0
Time-to-maturity of bonds		
Under 10 years	92.0	80.6
- Excl refinancing	50.7	29.3
10-19 years	1.3	5.1
20-29 years	0.7	0.0
30 years and above	6.1	14.4
Total	100.0	100.0

Nykredit's largest series on NASDAQ OMX Copenhagen A/S at 4 January 2010



Investor base

– Nykredit Realkredit Group covered bonds



Bond liquidity

The Nykredit Realkredit Group strives to build large, liquid bond series to obtain an effective pricing of the Group's bonds. At the same time, Nykredit must satisfy borrowers' demands for a variety of different mortgage products, resulting in bond issues with different interest rate caps, rate fixing methods, maturities, etc.

Nykredit Realkredit and Totalkredit's joint bond issuance fosters large volumes and deep liquidity of the Group's key bond series. Liquidity is also furthered through the Group's high market share and the market making of a number of the members of NASDAQ OMX Copenhagen A/S. In addition, the Nykredit Realkredit Group quotes prices in NASDAQ OMX Copenhagen A/S's trading systems for the retail market for the Group's benchmark series.

At 4 January 2010, 63% of the Group's issued bonds fell within 29 series, each with an outstanding amount of more than DKK 10bn. The ten largest bond series combined had an outstanding amount of more than DKK 335bn, equal to 36% of the total amount of issued bonds.

At 4 January 2010, the Nykredit Realkredit Group's largest bond series at end-2009 was a 1Y fixed-rate non-callable bullet bond with an outstanding amount of DKK 81bn.

Bond investors

Nykredit sells its ROs and SDOs to both Danish and international investors. In November 2009, the Group's ROs and SDOs accounted for 50% of international investors' portfolios of Danish ROs and SDOs.

International investors held 13% of the Nykredit Group's ROs and SDOs in November 2009 compared with 12% in November 2008.

Domestic financial institutions held 50% of the Nykredit Realkredit Group's outstanding amount of ROs and SDOs in November 2009, while insurance companies and pension funds held 24%.

Information about the Group's funding and the Danish mortgage system is available at nykredit.com/ir.

Other bonds

In October 2009 Nykredit Realkredit strengthened its capital structure through an issue of Tier 1 hybrid core capital in the amount of EUR 900m. The issue carried a fixed rate of 9.0% until call at 1 April 2015 when the bonds may be redeemed.

Nykredit Bank issued bonds of DKK 43.9bn as part of its ordinary funding activities. Largely all bonds are listed on NASDAQ OMX Copenhagen A/S.

Forstædernes Bank has issued bonds of DKK 3.6bn, which are listed on NASDAQ OMX Copenhagen A/S and Oslo Børs ASA.

52% of Nykredit Bank and Forstædernes Bank's issues will mature before expiry of bank rescue package I and are covered by the government guarantee until 30 September 2010.

The Nykredit Group did not find it necessary to buy government guarantees under bank rescue package II in connection with its issuance of bonds.

Outstanding bonds excl ROs and SDOs

End-2009	Nominal	Nominal	Nominal	Call	Maturity
	DKK million	EUR million	DKK million, other currencies		
Nykredit Realkredit					
Hybrid core capital		1,400		2014-2015	
Supplementary capital		500		2010	2013-2015
Junior covered bonds	15,325				2010-2015
Nykredit Bank					
Bond loans	3,496	2,380	3,762		2010-2016
Commercial paper issues		1,231	9,737		2010
Forstædernes Bank					
Hybrid core capital	250			2014-2016	
Supplementary capital	725	10	112	2010-2011	2013-2015
Bond loans	1,460		1,028		2010-2011

SDO management

Mortgage bonds issued before 1 January 2008 are approved as covered bonds pursuant to the EU's Capital Requirements Directives (CRD) and the Danish capital adequacy rules, etc. Consequently, when held by credit institutions, such bonds are assigned a 10% risk-weighting under the standardised approach for determination of capital requirements for credit risk, as opposed to 20% otherwise.

ROs issued from 1 January 2008 carry a 20% risk-weighting in credit institutions. The risk-weighting of SDOs is 10%.

SDO cover pools must consist of one or more of the following three types of cover assets:

- Mortgages on real property
- Claims against credit institutions, including guarantees for registration of mortgages without endorsements and guarantees for interim loans in connection with new building
- Government bonds or other claims against EU/EEA member states, etc.

A decline in property prices or a rise in the carrying amounts of the loans as a result of increasing bond prices may trigger a need for supplementary security, cf the section about LTV limits.

Nykredit Realkredit and Totalkredit may procure supplementary security by placing part of the capital base or borrowed funds in government, mortgage or covered bonds or as deposits serving as security for SDOs in Capital Centre E.

It is Nykredit's policy to maintain a sizeable buffer against declining property prices or for periods with refinancing surges. Since December 2007, Nykredit has provided supplementary security in the form of government bonds financed by the issuance of junior covered bonds (section 33 e of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act). At end-2009 Nykredit had issued DKK 15.3bn-worth of junior covered bonds.

Under Danish law, holders of junior covered bonds are secondary secured creditors, whereas holders of mortgage bonds/ROs and SDOs are primary secured creditors, see also nykredit.com/ir.

For more details on supplementary security in relation to slumps in the property market etc, please refer to the report Risk and Capital Management at nykredit.com/reports.

Outstanding amount of ROs and SDOs by bond type, coupon and time-to-maturity

DKK billion/%	2009	2008
Total nominal outstanding amount	1,174	1,047
Bond types		
Fixed-rate callable bonds of which:	26.0	32.0
- Deferred annuity bonds	7.1	9.5
Fixed-rate non-callable bullet bonds of which:	45.1	32.0
- Fixed-rate non-callable bullet bonds, DKK	36.1	26.9
- Fixed-rate non-callable bullet bonds, EUR	8.6	5.1
- Fixed-rate non-callable bullet bonds, SEK	0.4	-
Floating-rate bonds of which:	26.2	32.8
- Short-term uncapped	9.7	11.0
- Short-term capped	8.0	9.9
- Short-term capped deferred annuity	1.0	1.3
- Long-term capped annuity	3.4	3.3
- Long-term capped deferred annuity	2.5	3.8
Index-linked bonds	2.7	3.2
Total	100.0	100.0
Coupon		
2%	2.9	2.1
3%	1.5	0.9
4%	41.6	36.8
5%	16.0	16.9
6%	4.5	6.7
Other fixed-rate bonds	4.6	0.7
Floating-rate bonds	26.2	32.8
Index-linked bonds	2.7	3.2
Total	100.0	100.0
Time-to-maturity		
Under 10 years	53.5	41.1
- of which bonds maturing after 1 January	36.0	26.2
10-19 years	12.6	15.9
20-29 years	9.0	9.0
Over 30 years	25.0	34.0
Total	100.0	100.0

Note: Short-term floating-rate bonds have an original maturity of 10 years or less.

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.

The Parent Company broke even in 2009 excluding the profit from 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. Reference is made to the Annual Report of Nykredit Holding for 2009.

NYKREDIT REALKREDIT A/S

Nykredit Realkredit posted a profit before tax of DKK 1,731m against a loss of DKK 3,913m in 2008. The Company recorded a profit after tax of DKK 880m against a loss of DKK 3,542m the year before.

A markedly higher investment portfolio income of DKK 4,758m and growth in earnings from customer-oriented activities affected profit in 2009. The investment portfolio income included the return on strategic equities. Negative earnings from subsidiaries, declining core income from securities and rising impairment losses had an adverse impact on profit.

Core income from mortgage operations gained DKK 409m to DKK 3,620m. The figure reflected gross new lending of DKK 103bn

against DKK 93bn in 2008, and a rise in the loan portfolio of DKK 38bn to DKK 554bn in nominal terms.

Core income from securities amounted to DKK 502m against DKK 1,435m in 2008, which mirrored a decline in average money market rates from 4.48% in 2008 to 1.83%.

Operating costs, depreciation and amortisation went up by DKK 107m to DKK 3,211m, equal to an increase of 3.4%. Before value adjustment of special staff benefits, costs increased by DKK 120m.

Impairment losses on loans and advances were DKK 1,216m against DKK 344m in 2008. Of this amount, DKK 249m or 0.13% of lending was attributable to the retail segment. The commercial segment accounted for DKK 967m, corresponding to 0.26% of lending.

The level of recognised losses on loans and advances continued to be low in 2009, ie DKK 166m against DKK 23m the year before.

Mortgage loan impairment represented 0.22% of total lending of DKK 554bn.

Impairment provisions totalled DKK 1,407m at end-2009, up DKK 997m. Individual impairment provisions came to DKK 1,053m and collective impairment provisions DKK 354m.

Income of DKK 4,758m was recorded from the investment portfolio against a loss of DKK 5,377m the year before. Value adjustment of strategic equities, which has been recognised as investment portfolio income unlike in the

Consolidated Financial Statements, came to a gain of DKK 749m against a loss of DKK 2,837m in 2008.

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 in proportion to their taxable income.

Profit distribution

The profit for the year has been taken to equity in accordance with the Articles of Association and the guidelines laid down by the Board of Directors.

For the financial year 2009, Nykredit Realkredit continued the distribution practice applied the year before as adopted by the Board of Directors. Consequently, no series reserve funds, except Capital Centres D and E, receive any share of results for the year directly.

As regards Capital Centres D and E, the profit distribution reflects the special investment rules governing these capital centres. The capital adequacy requirements of the individual series may, however, necessitate a transfer of capital to series reserve funds.

In accordance with the articles of association of pre-1972 series, the reserve fund shares will be distributed when a loan is partially or fully repaid. In case of losses or a need to provide for a non-performing mortgage of a pre-1972 series, the series in question will be reduced by an equivalent amount. The reserve funds of pre-1972 series will therefore only be affected by distributed reserve fund shares for the year and any loan impairment. Contributed capital consequent to the capital requirements is not distributable.

After inclusion of profit for the year, equity stood at DKK 51,241m at end-2009 against DKK 50,377m at the beginning of the year.

It will be recommended for adoption by the Annual General Meeting that no dividend be distributed for 2009.

Nykredit Realkredit A/S

Core earnings and investment portfolio income

DKK million	2009	2008
Core income from		
- Business operations	3,620	3,211
- Securities	502	1,435
Total	4,122	4,646
Operating costs, depreciation and amortisation	3,211	3,104
Core earnings before impairment losses	911	1,542
Impairment losses on loans and advances	1,216	344
Profit (loss) from equity investments	(2,627)	291
Core earnings after impairment losses	(2,932)	1,489
Investment portfolio income	4,758	(5,377)
Net interest on hybrid core capital	(95)	(25)
Profit (loss) before tax	1,731	(3,913)
Tax	(851)	(371)
Profit (loss) for the year	880	(3,542)

Capital base and capital adequacy

The capital adequacy requirements governing Danish mortgage banks are laid down in Part 10 of the Danish Financial Business Act. The capital base must at any time make up at least 8% of the risk-weighted items of a mortgage bank.

In 2009 a transitional rule applied to the effect that the capital requirement could not decrease by more than 20% compared with the former rules.

According to the transitional rules, the capital requirement amounted to DKK 29.6bn, equal to a capital adequacy ratio of at least 9.0%.

Nykredit Realkredit's capital adequacy ratio came to 17.7%, which exceeded the statutory requirement.

Hybrid core capital – distributable reserves

Pursuant to the Danish Financial Business Act, a company may not pay interest on hybrid core capital to creditors unless the company has distributable reserves. Interest governed by this provision equals the amount of interest accrued in the period in which the company has no distributable reserves. Interest payments may not be resumed until the company has distributable reserves again, and only interest accrued from this time may be paid.

Distributable reserves include retained earnings for previous years and for 2009 as well as reserves distributable as dividend.

Determined pursuant to the Danish Financial Business Act, Nykredit Realkredit's distributable reserves excluding series reserve funds amounted to DKK 23.3bn.

Nykredit Realkredit A/S

Capital base

DKK million	2009	2008
Core capital		
- Equity, year-end	51,241	50,377
- Revaluation reserves transferred to supplementary capital	(5)	(5)
- Intangible assets, including goodwill	(4,882)	(5,252)
- Capitalised tax assets	(9)	0
- Hybrid core capital	10,547	3,864
- Other statutory deductions from core capital ¹	(1,242)	(937)
Core capital, incl hybrid core capital, after statutory deductions	55,651	48,048
Supplementary capital	3,718	3,785
Statutory deductions from the capital base ¹	(1,242)	(937)
Total capital base after statutory deductions	58,127	50,896

¹ Under section 139 of the Danish Financial Business Act, 50% of the capital requirement, etc of insurance company subsidiaries and certain investments in credit and finance institutions must be deducted from core capital and supplementary capital.

Capital requirement and capital adequacy ratio

DKK million	2009	2008
Credit risk	24,251	22,184
Market risk	1,201	2,922
Operational risk	787	850
Total capital requirement before transitional rules	26,238	25,955
Total capital requirement after transitional rules ¹	29,561	32,736
Capital base	58,127	50,896
Core capital ratio ²	17.0	14.8
Capital adequacy ratio	17.7	15.7
Minimum capital adequacy ratio before transitional rules	8.0	8.0
Minimum capital adequacy ratio after transitional rules ³	9.0	10.1
Weighted items	327,980	324,443

¹ The capital requirement after transitional rules has been determined pursuant to the transitional rules of the Executive Order on Capital Adequacy. As a minimum, the capital requirement for 2009 must amount to 80% of the capital requirement determined under Basel I compared with 90% for 2008.

² The core capital ratio has been determined relative to risk-weighted items without application of the transitional rules.

³ The minimum capital adequacy ratio after transitional rules has been determined as the capital requirement after transitional rules as % of risk-weighted items under Basel II. Accordingly, the minimum capital adequacy ratio reflects the capital adequacy requirement as a result of the transitional rules.

TOTALKREDIT A/S

For 2009 Totalkredit posted a profit of DKK 1,090m before tax and DKK 817m after tax against DKK 1,100m and DKK 823m, respectively, in 2008.

Profit for 2009 reflected growth in earnings from customer-oriented business, a sharp rise in loan impairment losses, a drop in core income from securities and high investment portfolio income.

Core income from business operations increased by DKK 237m to DKK 1,378m in 2009. Core income for the year mirrored recent years' lending growth and high refinancing activity in 2009.

In nominal terms, the loan portfolio increased by DKK 31bn to DKK 431bn at year-end.

Gross lending was DKK 125bn, and net new lending came to DKK 40bn.

Core income from securities amounted to DKK 181m compared with DKK 461m in 2008. The decline mainly stemmed from lower average money market rates at 1.83% compared with 4.48% in 2008.

Operating costs, depreciation and amortisation were DKK 375m, ie unchanged on 2008.

Loan impairment losses came to DKK 515m against DKK 55m the year before and equalled 0.12% of nominal lending at year-end.

The greater provisioning need reflects the negative business climate with higher unemployment and plunging property prices.

Under the Totalkredit concept, recognised losses corresponding to the part of a loan exceeding 60% of the LTV at the time of granting the loan are offset against future commission payments from Totalkredit to the partner banks.

If impairments for the year are recognised as losses, Totalkredit expects that about 60-70% will be offset against commissions payable within the next few years.

After recognition of profit for the year, equity stood at DKK 12,369m at year-end.

The capital base was DKK 14,905m at end-2009, equal to a capital adequacy ratio of 20.2%.

Reference is made to the Annual Report for 2009 of Totalkredit A/S.

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

DKK million	2009	2008
Core income from		
- Business operations	1,378	1,141
- Securities	181	461
Total	1,559	1,602
Operating costs, depreciation and amortisation	375	375
Core earnings before impairment losses	1,184	1,227
Impairment losses on loans and advances	515	55
Core earnings after impairment losses	669	1,172
Investment portfolio income	421	(72)
Profit before tax	1,090	1,100
Tax	273	277
Profit for the year	817	823

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

DKK million	2009	2008
Mortgage loans at fair value	430,483	390,452
Bonds and equities	87,311	52,437
Issued bonds, Totalkredit	104,789	121,243
Issued bonds, Nykredit Realkredit	399,389	315,349
Subordinate loan capital	2,600	3,600
Equity	12,369	11,552
Total assets	537,895	461,338

THE NYKREDIT BANK GROUP

The Nykredit Bank Group recorded a loss before tax of DKK 46m compared with a loss of DKK 295m for 2008. After tax, the loss was DKK 77m against a loss of DKK 241m in 2008.

Core income from business operations saw an increase of DKK 444m, or 20%, to DKK 2,636m stemming from higher income in all business areas.

Core income from own trading positions (Proprietary Trading and Kalvebod issues) picked up to DKK 186m from a loss of DKK 753m in 2008. The development was due to a partly normalised market situation in 2009 when especially the prices of Danish banks recovered. Income from Proprietary Trading was recognised as part of the business area Markets & Asset Management up to and including August 2009.

Core income from securities declined by DKK 125m to DKK 151m. The decline was mainly due to lower average money market rates.

Operating costs, depreciation and amortisation went up by DKK 187m to DKK 1,324m, equal to an increase of 16% on 2008. Further, guarantee commission under the government guarantee scheme climbed by DKK 271m to

DKK 351m, and expenses for winding up Dansk Pantebrevsbørs in bankruptcy totalled DKK 183m.

Impairment losses on loans and advances deteriorated by DKK 462m to DKK 1,225m, of which provisions under the government guarantee scheme accounted for DKK 223m.

Commercial exposures accounted for the vast majority of impairment losses for the year, ie DKK 946m, excluding provisions under the government guarantee scheme. The ten largest exposures accounted for about 80% of impairment losses.

The Bank strengthened its core capital in 2009 through a capital contribution of DKK 3.2bn by Nykredit Realkredit, and supplementary capital of DKK 2.4bn was redeemed prematurely.

Equity increased to DKK 10,227m at end-2009 from DKK 7,104m at end-2008.

The Bank's capital base was DKK 9,552m at end-2009, equivalent to a capital adequacy ratio of 12.3% against 10.2% at end-2008.

Reference is made to the Nykredit Bank Group's Annual Report for 2009.

The Nykredit Bank Group

Core earnings and investment portfolio income

DKK million	2009	2008
Core income from		
- Business operations	2,636	2,192
- Own trading activities	186	(753)
Total	2,822	1,439
Core income from securities	151	276
Total	2,973	1,715
Operating costs, depreciation and amortisation	1,324	1,137
Dansk Pantebrevsbørs in bankruptcy	183	-
Commission – government guarantee scheme	351	80
Core earnings before impairment losses	1,115	498
Impairment losses on loans and advances	1,225	763
Core earnings after impairment losses	(110)	(265)
Investment portfolio income	64	(30)
Loss before tax	(46)	(295)
Tax	(31)	(54)
Loss for the year	(77)	(241)

The Nykredit Bank Group

Summary balance sheet, year-end

DKK million	2009	2008
Loans and advances	57,311	75,387
Bonds and equities	54,234	53,561
Payables to credit institutions and central banks	53,609	85,850
Deposits	46,965	46,536
Equity	10,227	7,104
Total assets	187,413	193,800

FORSTÆDERNES BANK A/S

Forstædernes Bank recorded a loss of DKK 4,744m before tax and DKK 3,552m after tax for 2009. Results were chiefly affected by significant impairment losses on loans and advances.

Core income from business operations was DKK 831m against DKK 945m in 2008. The decline resulted from higher net interest income and lower trading income.

Securities generated a loss of DKK 7m compared with core income of DKK 232m in 2008. The decline mainly derived from lower average money market rates.

Operating costs, depreciation and amortisation amounted to DKK 648m against DKK 720m in 2008. In addition, commission under the government guarantee scheme came to DKK 149m against DKK 32m in 2008.

The decline in costs chiefly reflected a staff reduction of about 12%. The decrease in staff numbers was brought about by Forstædernes Bank's adjustment of resources to the generally more moderate activity level and the

amalgamation of core functions with Nykredit Bank as the surviving company.

Impairment losses on loans and advances were DKK 5,346m against DKK 1,534m in 2008. Impairment losses chiefly derived from large property exposures in respect of which the Bank's security is weak, based on second or third mortgages. In addition, the financial crisis and economic stagnation have caused further impairment losses on the Bank's other exposures.

A critical review of all exposures in the bank was carried out in Q3 and Q4. This review resulted in substantial impairment provisions in Q3/2009 and to some extent in Q4/2009 as well.

The investment portfolio generated an income of DKK 163m against a loss of DKK 500m in 2008.

In 2009 Forstædernes Bank received additional equity of DKK 2,954m. The equity capital was contributed by the Parent Company, Nykredit Realkredit A/S.

After recognition of the loss for the year and the capital increase, equity stood at DKK

2,147m at end-2009.

The Bank's capital adequacy ratio was 15.7% at end-2009 against 15.5% at end-2008.

Reference is made to the Annual Report for 2009 of Forstædernes Bank A/S.

Forstædernes Bank A/S**Core earnings and investment portfolio income**

DKK million	2009	2008	2008
		17 Oct – 31 Dec	
Core income from			
- Business operations	831	258	945
- Securities	(7)	32	232
Total	824	290	1,177
Operating costs, depreciation and amortisation	648	158	720
Recognised in opening balance sheet	(6)	(12)	-
Commission – government guarantee scheme	149	32	32
Core earnings before impairment losses	33	112	425
Impairment losses on loans and advances	5,251	1,340	1,534
Recognised in opening balance sheet	(406)	(1,094)	-
Provisions under the government guarantee scheme	95	18	-
Core earnings after impairment losses	(4,907)	(152)	(1,109)
Investment portfolio income	163	(206)	(500)
Loss before tax	(4,744)	(358)	(1,609)
Tax	(1,192)	(74)	(382)
Profit (loss) for the year	(3,552)	(284)	(1,227)

Forstædernes Bank A/S**Summary balance sheet, year-end**

DKK million	2009	2008
Loans and advances	15,573	22,314
Bonds and equities	11,436	3,443
Payables to credit institutions	8,270	7,221
Deposits and other payables	18,152	14,704
Subordinate loan capital	1,169	1,745
Equity	2,147	3,055
Total assets	33,038	32,298

NYKREDIT FORSIKRING A/S

For 2009 the insurer recorded a profit of DKK 324m before tax and DKK 245m after tax against DKK 144m and DKK 108m, respectively, in 2008.

The combined ratio and operating ratio decreased to 86.4% and 86.0%, respectively.

As the claims ratio was very low in 2009, Nykredit Forsikring recorded its highest profit ever. Further, profit also mirrored preventive measures.

The insurer recorded a technical profit of DKK 200m against DKK 136m the year before. The technical profit is profit before tax adjusted for core income from securities and investment portfolio income.

Premiums rose to DKK 1,418m from DKK 1,381m at end-2008, up 2.7%. Retail customers and commercial customers accounted for DKK 34m and DKK 3m, respectively, of the rise.

New insurance policies written totalled DKK 305m in 2009, which was unchanged on 2008.

Operating costs, depreciation and amortisation rose by DKK 45m to DKK 245m. The cost ratio went up by 0.3% to 18.7%.

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

The investment portfolio generated an income of DKK 98m against a loss of DKK 45m in 2008.

After inclusion of profit for the year, equity stood at DKK 1,503m at year-end.

The statutory capital base requirement was DKK 979m at end-2009, while the solvency margin amounted to DKK 245m.

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

DKK million	2009	2008
Core income from		
- Business operations	1,320	1,279
- Securities	26	53
Total	1,346	1,332
Operating costs, depreciation and amortisation	245	200
Claims incurred	875	943
Core earnings	226	189
Investment portfolio income	98	(45)
Profit before tax	324	144
Tax	79	36
Profit for the year	245	108

Nykredit Forsikring A/S**Financial highlights**

DKK million	2009	2008
Premiums, adjusted for reserves	1,418	1,368
Net premiums earned	1,333	1,285
Financial ratios		
Claims ratio, %	61.5	71.1
Cost ratio, %	18.7	18.4
Net reinsurance ratio, %	6.2	3.9
Combined ratio, %	86.4	93.4
Operating ratio, %	86.0	90.4

NYKREDIT MÆGLER A/S

Nykredit Mægler's core business is being the franchiser of the estate agency chain Nybolig and business partner to the estate agency chain Estate.

At end-2009, the agency network comprised 310 estate agencies of which 219 Nybolig agencies and 91 Estate agencies.

Activity in the property market was at its lowest since 1991. Nykredit Mægler franchisees sold 12,450 properties in 2009, 10% fewer than the year before.

Nykredit Mægler recorded a loss of DKK 6m before tax and DKK 5m after tax against a profit of DKK 3m and DKK 1m, respectively, in 2008.

The company booked impairment losses of DKK 24m in respect of a few franchisees in 2009 compared with DKK 17m in 2008.

NYKREDIT EJENDOMME A/S

Nykredit Ejendomme's main activity is the leasing of a number of the Nykredit Realkredit Group's owner-occupied properties.

Nykredit Ejendomme posted a loss of DKK 50m before tax and DKK 56m after tax for 2009 against a loss of DKK 122m and DKK 125m, respectively, in 2008. Results for 2009 were reduced by impairment losses on the company's properties of DKK 70m compared with DKK 151m the year before.

The company's equity was DKK 631m at end-2009.

EJENDOMSSELSKABET KALVEBOD A/S

The principal activities of the company are to temporarily own and manage non-performing exposures, directly or indirectly through subsidiaries, on behalf of companies in the Nykredit Group.

Profit for 2009 was almost DKK 1m after tax. There were no activities in the company in 2009. Profit was therefore mainly influenced by financial income.

The company's equity was DKK 251m at end-2009.

Nykredit Mægler A/S

DKK million	2009	2008
Profit for the year	(5)	1
Balance sheet total	150	151
Equity	113	117

Nykredit Ejendomme A/S

DKK million	2009	2008
Profit for the year	(56)	(125)
Balance sheet total	1,771	1,647
Equity	631	695

Ejendomsselskabet Kalvebod A/S

DKK million	2009 ¹
Profit for the year	1
Balance sheet total	251
Equity	251

¹ Includes the financial period 1 July 2008 – 31 December 2009.

Management Statement and Audit Reports



STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2009 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The Parent Financial Statements and the Management's Review

have been prepared in accordance with the Danish Financial Business Act. Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

In our opinion, the Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2009 and of the results of the Group's and the Parent

Company's activities as well as the Group's cash flows for the financial year 2009.

We are furthermore of the opinion that the Management's Review gives a fair review of the development in the activities and financial circumstances of the Group and the Parent Company as well as a satisfactory description of the material risk and uncertainty factors affecting the Group and the Parent Company.

The Annual Report is recommended for approval by the General Meeting.

Copenhagen, 11 February 2010

Executive Board

Peter Engberg Jensen
Group Chief Executive

Kim Duus
Group Managing Director

Søren Holm
Group Managing Director

Karsten Knudsen
Group Managing Director

Per Ladegaard
Group Managing Director

Bente Overgaard
Group Managing Director

Board of Directors

Steen E. Christensen,
Chairman

Hans Bang-Hansen,
Deputy Chairman

Steffen Kragh,
Deputy Chairman

Kristian Bengaard

Michael Demsitz

Lisbeth Grimm

Allan Kristiansen

Susanne Møller Nielsen

Anders C. Obel

Erling Bech Poulsen

Nina Smith

Jens Erik Udsen

Leif Vinther

INTERNAL AUDITORS' REPORT

We have audited the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review of Nykredit Realkredit A/S for the financial year 1 January – 31 December 2009. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. Further, the Consolidated Financial Statements and the Parent Financial Statements have been prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds. The Management's Review has been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and the Danish and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review are free from material misstatement.

The audit has been performed in accordance with the division of work agreed with the external auditors and has included an assessment of business procedures and internal controls established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risks. Based on materiality and risk, we have examined, on a test basis, the basis of amounts and other disclosures in the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review, including evidence supporting such amounts and disclosures. Furthermore, the audit has included evaluating the appropriateness of the accounting policies applied by Management, the reasonableness of the accounting estimates made by Management and the overall presentation of the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review.

We have participated in the audit of risk and other material areas and believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the business procedures and internal controls established, including the risk management organised by Management aimed at Group and Parent Company reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Consolidated Financial Statements and the Parent Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2009 and of the results of the Group's and the Parent Company's activities as well as the Group's cash flows for the financial year 1 January – 31 December 2009 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for issuers of listed bonds, and the Management's Review gives a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 11 February 2010

Claus Okholm
Chief Audit Executive

Kim Stormly Hansen
Deputy Chief Audit Executive

INDEPENDENT AUDITORS' REPORT

To the shareholder of Nykredit Realkredit A/S

We have audited the Consolidated Financial Statements and the Parent Financial Statements of Nykredit Realkredit A/S for the financial year 1 January – 31 December 2009, comprising income statements, statements of comprehensive income, balance sheets, statement of changes in equity, cash flow statements and notes to the Financial Statements, including accounting policies and Management's Review. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. In addition, the Consolidated Financial Statements and the Parent Financial Statements have been prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds. The Management's Review has been prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review

Management is responsible for the preparation and fair presentation of Consolidated Financial Statements and Parent Financial Statements in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with Danish disclosure requirements for issuers of listed bonds. Management is also responsible for the preparation of a Management's Review that gives a fair review in accordance with the Danish Financial Business Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements, parent financial statements and management's reviews that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of Consolidated Financial Statements and Parent Financial Statements as well as to the preparation of a Management's Review that gives a fair review, 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 entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2009 and the results of the Group's and the Parent Company's activities as well as the Group's cash flows for the financial year 1 January – 31 December 2009 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for issuers of listed bonds, and the Management's Review gives a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 11 February 2010

Deloitte
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen
State-Authorised Public Accountant

Henrik Wellejus
State-Authorised Public Accountant

Income statements for 1 January – 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group		
2008	2009		Note	2009	2008
40,881	40,357	Interest income	3	52,344	54,962
37,152	34,845	Interest expenses	4	41,114	47,096
3,730	5,512	NET INTEREST INCOME		11,230	7,866
100	46	Dividend on equities	5	64	108
772	872	Fee and commission income	6	2,026	1,374
204	236	Fee and commission expenses	7	1,518	1,266
4,399	6,193	NET INTEREST AND FEE INCOME		11,802	8,082
-	-	Net premiums earned	8	1,333	1,285
(5,353)	2,508	Value adjustments	9	2,195	(2,921)
78	87	Other operating income		353	349
-	-	Claims incurred, net of reinsurance	10	875	943
2,576	2,619	Staff and administrative expenses	11	5,240	4,505
528	592	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	12	793	782
4	0	Other operating expenses		551	126
344	1,216	Impairment losses on loans, advances and receivables	13,38	7,919	1,443
414	(2,630)	Profit (loss) from investments in associates and group enterprises	14	(125)	123
(3,913)	1,731	PROFIT (LOSS) BEFORE TAX		179	(880)
(371)	851	Tax	15	50	(186)
(3,542)	880	PROFIT (LOSS) FOR THE YEAR		129	(695)
-	-	DISTRIBUTION OF PROFIT (LOSS) FOR THE YEAR			
-	-	Shareholders of Nykredit Realkredit A/S		129	(695)
(572)	(2,795)	PROPOSAL FOR THE DISTRIBUTION OF PROFIT (LOSS)			
(2,970)	3,675	Statutory reserves			
		Retained earnings			

Statements of comprehensive income for 1 January – 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group		
2008	2009		Note	2009	2008
(3,542)	880	PROFIT (LOSS) FOR THE YEAR		129	(695)
(18)	(15)	Foreign currency translation adjustment of foreign entities		(15)	(18)
2	-	- Fair value adjustment of owner-occupied properties		(12)	(27)
(0)	-	- Tax on fair value adjustment of owner-occupied properties		3	7
-	-	- Fair value adjustment of equities available for sale		748	(2,843)
-	-	- Tax on fair value adjustment of equities available for sale		3	(4)
(22)	(10)	Share of comprehensive income in associates and group enterprises		(1)	-
(39)	(25)	OTHER COMPREHENSIVE INCOME		726	(2,886)
(3,581)	855	COMPREHENSIVE INCOME FOR THE YEAR		855	(3,581)
		DISTRIBUTION OF COMPREHENSIVE INCOME			
-	-	- Shareholders of Nykredit Realkredit A/S		855	(3,581)

Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group			
2008	2009		Note	2009	2008
		ASSETS			
78	1,691	Cash balance and demand deposits with central banks		1,828	323
58,010	36,301	Receivables from credit institutions and central banks	16	61,107	73,077
820,662	957,350	Loans, advances and other receivables at fair value	17	992,992	920,430
722	1,103	Loans, advances and other receivables at amortised cost	18	62,011	73,755
65,564	51,070	Bonds at fair value	19	81,871	99,731
		Equities			
2,999	4,025	Equities measured at fair value through profit or loss		1,809	1,585
-	-	Equities available for sale		2,941	2,118
2,999	4,025	Total	20	4,750	3,702
168	151	Investments in associates	21	84	81
23,603	27,240	Investments in group enterprises	22	-	-
5,252	4,882	Intangible assets	23	4,944	5,332
		Land and buildings			
-	-	Investment properties		69	70
25	25	Owner-occupied properties		1,767	1,646
25	25	Total	24	1,836	1,716
188	239	Other property, plant and equipment	25	404	402
116	0	Current tax assets	34	1,328	415
818	790	Deferred tax assets	33	1,072	1,213
52	159	Assets in temporary possession	26	191	70
15,607	16,306	Other assets	27	32,622	37,673
144	112	Prepayments		222	207
994,008	1,101,443	TOTAL ASSETS		1,247,263	1,218,127

Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group			
2008	2009		Note	2009	2008
		LIABILITIES AND EQUITY			
100,911	97,339	Payables to credit institutions and central banks	28	119,313	162,549
-	-	Deposits and other payables	29	64,483	61,177
790,326	907,439	Issued bonds at fair value	30	889,899	836,081
138	194	Issued bonds at amortised cost	31	44,253	20,665
19,823	3,812	Other non-derivative financial liabilities at fair value		8,902	21,941
-	720	Current tax liabilities	34	1,008	72
23,667	25,304	Other liabilities	32	49,289	53,282
-	-	Deferred income		14	20
934,865	1,034,809	Total payables		1,177,160	1,155,787
		Provisions			
209	276	Provisions for pensions and similar obligations	35	294	232
851	781	Provisions for deferred tax	33	849	922
-	-	Insurance liabilities	36	1,448	1,594
102	107	Repayable reserves funded by pre-1972 series	37	107	102
-	-	Provisions for losses under guarantees	38	610	106
19	25	Other provisions	39	182	26
1,182	1,190	Total provisions		3,490	2,984
7,584	14,203	Subordinate loan capital	40	15,372	8,979
		Equity			
1,182	1,182	Share capital		1,182	1,182
		Accumulated changes in value			
5	5	- Revaluation reserves		132	141
(3)	-	- Accumulated foreign currency translation adjustment of foreign entities		-	(3)
-	-	- Value adjustment of equities available for sale		1,575	(674)
		Other reserves			
2,844	-	- Statutory reserves		-	-
25,778	26,760	- Series reserves		26,760	25,778
20,572	23,294	Retained earnings		21,592	23,954
50,377	51,241	Total equity		51,241	50,377
994,008	1,101,443	TOTAL LIABILITIES AND EQUITY		1,247,263	1,218,127
		OFF-BALANCE SHEET ITEMS	41		
-	-	Contingent liabilities		8,336	8,905
1,577	1,468	Other commitments		10,951	10,601
1,577	1,468	TOTAL		19,287	19,506
		Accounting policies	1		
		Results by business area	2		
		Related party transactions and balances	42		
		Fair value of financial instruments	43		
		Fair value hierarchy for financial instruments	44		
		Derivative financial instruments	45		
		Genuine sale and repurchase transactions and genuine purchase and resale transactions	46		
		Risk management	47		
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Statement of changes in equity

Nykredit Realkredit A/S

DKK million

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Statutory reserves *	Series reserves	Retained earnings	Proposed dividend	Total
2009								
Equity, 1 January	1,182	5	(3)	2,844	25,778	20,572	-	50,377
Dividend from associates	-	-	-	(13)	-	13	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	982	(982)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	(0)	9	-	9
Adjustment relating to foreign entities	-	-	18	-	-	(18)	-	-
Adjustment relating to subsidiaries	-	-	-	(25)	-	25	-	-
Comprehensive income	-	-	(15)	(2,805)	-	3,675	-	855
Equity, 31 December	1,182	5	-	-	26,760	23,294	-	51,241
2008								
Equity, 1 January	1,182	89	15	3,435	24,258	24,969	500	54,447
Paid dividend	-	-	-	-	-	-	(500)	(500)
Adjustment pursuant to capital adequacy rules	-	-	-	-	1,520	(1,520)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	16	-	16
Adjustment relating to associates	-	-	-	6	-	(6)	-	-
Adjustment relating to subsidiaries	-	-	-	(3)	-	(2)	-	(5)
Reclassification	-	(85)	-	-	-	85	-	-
Comprehensive income	-	1	(18)	(594)	-	(2,970)	-	(3,581)
Equity, 31 December	1,182	5	(3)	2,844	25,778	20,572	-	50,377

* The item relates to transfer to reserves for net revaluation according to the equity method. The reserves are non-distributable.

The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

Statement of changes in equity

The Nykredit Realkredit Group

DKK million

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Accumulated value adjustment of equities available for sale	Series reserves	Retained earnings	Proposed dividend	Total
2009								
Equity, 1 January	1,182	141	(3)	(674)	25,778	23,954	-	50,377
Reclassification of adjustment of equities available for sale ¹	-	-	-	1,498	-	(1,498)	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	982	(982)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	(0)	9	-	9
Adjustment relating to foreign entities	-	-	18	-	-	(18)	-	-
Comprehensive income	-	(9)	(15)	751	-	128	-	855
Equity, 31 December	1,182	132	-	1,575	26,760	21,592	-	51,241
2008								
Equity, 1 January	1,182	247	15	2,173	24,258	26,072	500	54,447
Paid dividend	-	-	-	-	-	-	(500)	(500)
Adjustment pursuant to capital adequacy rules	-	-	-	-	1,520	(1,520)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	16	-	16
Other adjustments	-	-	-	-	-	(5)	-	(5)
Reclassification	-	(85)	-	-	-	85	-	-
Comprehensive income	-	(21)	(18)	(2,847)	-	(695)	-	(3,581)
Equity, 31 December	1,182	141	(3)	(674)	25,778	23,954	-	50,377

¹ Reclassification includes accumulated value adjustment of strategic equities prior to 1 January 2005.

Core earnings and investment portfolio income 1 January – 31 December

The Nykredit Realkredit Group

DKK million

	2009				2008			
	Core earnings	Investment portfolio income	Costs of capital	Total	Core earnings	Investment portfolio income	Costs of capital	Total
Net interest income	8,271	3,059	(101)	11,230	8,755	(862)	(28)	7,866
Dividend on equities	3	61	-	64	4	104	-	108
Net fee and commission income	538	-30	-	508	167	(59)	-	108
Net interest and fee income	8,813	3,089	(101)	11,802	8,926	(817)	(28)	8,082
Net premiums earned	1,333	-	-	1,333	1,285	-	-	1,285
Value adjustments	582	1,607	6	2,195	(344)	(2,580)	3	(2,921)
Other operating income	344	9	-	353	349	-	-	349
Claims incurred, net of reinsurance	875	-	-	875	943	-	-	943
Staff and administrative expenses	5,378	(138)	-	5,240	4,505	-	-	4,505
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	793	-	-	793	782	-	-	782
Other operating expenses	551	-	-	551	123	3	-	126
Impairment losses on loans, advances and other receivables	7,919	-	-	7,919	1,443	-	-	1,443
Profit (loss) from investments in associates	-	(125)	-	(125)	-	123	-	123
Profit (loss) before tax	(4,443)	4,718	(95)	179	2,421	(3,277)	(25)	(880)

Cash flow statement 1 January – 31 December

DKK million

	The Nykredit Realkredit Group	
	2009	2008
Profit (loss) after tax for the year	129	(695)
Amortisation and impairment losses for intangible assets	558	491
Depreciation and impairment losses for property, plant and equipment	234	290
Profit (loss) from investments in associates	125	(123)
Impairment losses on loans, advances and receivables	7,919	1,443
Prepayments/deferred income, net	(22)	(46)
Tax calculated on profit (loss) for the year	50	(186)
Other adjustments	735	(2,875)
Total	9,601	(1,006)
Profit (loss) for the year adjusted for non-cash operating items	9,729	(1,701)
Change in working capital		
Loans, advances and other receivables	(68,738)	(126,065)
Deposits and payables to credit institutions	(39,930)	76,270
Issued bonds	77,406	58,754
Other working capital	(11,529)	(10,479)
Total	(42,792)	(1,519)
Corporation tax paid, net	48	(228)
Cash flows from operating activities	(33,015)	(3,448)
Cash flows from investing activities		
Investments	16,684	(4,665)
Intangible assets	(171)	(1,824)
Property, plant and equipment	(357)	(444)
Total	16,157	(6,933)
Cash flows from financing activities		
Subordinate loan capital	6,394	1,636
Paid dividend	-	(500)
Total	6,394	1,136
Total cash flows	(10,464)	(9,245)
Cash and cash equivalents, beginning of year		
Cash balance and demand deposits with central banks	323	135
Receivables from credit institutions and central banks	73,077	82,510
Total	73,400	82,645
Cash and cash equivalents, year-end		
Cash balance and demand deposits with central banks	1,828	323
Receivables from credit institutions and central banks	61,107	73,077
Total	62,936	73,400

Notes

1. ACCOUNTING POLICIES OF THE NYKREDIT REALKREDIT GROUP

General

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements have furthermore been prepared in accordance with Danish disclosure requirements relating to the presentation of financial statements of issuers of listed bonds, cf the disclosure requirements of NASDAQ OMX Copenhagen A/S and the Executive Order on the application of international financial reporting standards for companies subject to the Danish Financial Business Act.

All figures in the Annual Report have been rounded to the nearest million kroner (DKK). The totals stated have been calculated on the basis of actual figures. Due to the rounding-off, the sum of individual figures and the stated totals may differ slightly.

Changes to accounting policies

With effect from 1 January 2009, it has been decided to apply the lending rate (repo rate) of the Danish central bank as the risk-free interest rate when determining core earnings and investment portfolio income. Previously, the tomorrow/next rate was used as the risk-free interest rate. Comparative figures have been restated accordingly. The change only affects the distribution between core income from securities and investment portfolio income. The change has not affected profit (loss) after tax, the balance sheet or equity.

IFRS 8 "Operating Segments" entered into force at 1 January 2009. As a consequence, additional cost allocation has been made to the business areas. Comparative figures have been restated to reflect this presentation. The change has not affected profit (loss) after tax, the balance sheet or equity.

Until recently, the business area Markets & Asset Management included the results of Proprietary Trading (own trading activities). As part of the reorganisation prompted by the Nykredit Group's Strategy 2013, Proprietary Trading was integrated with the investment operations of the Parent Company at 31 August 2009. The results of Proprietary Trading have been reclassified from own trading activi-

ties to investment portfolio income under group items. The change has not affected profit (loss) after tax, the balance sheet or equity.

With effect from 1 January 2009, it has been decided to separate net interest income etc from hybrid core capital from core income from business operations. Comparative figures have been restated to reflect the new presentation. The change has not affected profit (loss) after tax, the balance sheet or equity.

Comprehensive income is specified in a separate statement, cf IAS 1 "Presentation of Financial Statements".

In all other respects, the accounting policies are unchanged compared with the Annual Report for 2008.

New and amended standards and interpretations

Implementation of new and amended standards and interpretations

Standards:

IAS 23 "Borrowing Costs". The standard has been changed to the effect that loan costs incurred in connection with the construction, production or preparation of assets are capitalised as part of acquisition cost. The change will only affect amounts capitalised after 1 January 2009.

IFRS 7 "Financial Instruments: Disclosures" (further disclosure requirements concerning financial instruments).

IFRS 1 and IAS 27 "Consolidated and Separate Financial Statements" (changes to the standards).

IAS 39 "Financial Instruments" and IFRIC 9 (changes concerning embedded financial instruments).

IAS 39 "Financial Instruments" (changes relating to recognition and measurement).

IAS 39 "Financial Instruments" (changes relating to reclassification of financial assets).

IAS 32 and IAS 1 "Financial Instruments: Disclosure and Presentation" and "Presentation

of Financial Statements" (changes to the standards).

Interpretations:

IFRIC 18 "Transfers of Assets from Customers".

Interpretations and changes to financial reporting standards have not affected accounting policies, the Group's profit (loss), balance sheet or equity.

Financial reporting standards and interpretations that have not yet entered into force

At the time of presentation of this Annual Report, a number of new or amended standards and interpretations have not yet entered into force and/or have not been approved for use in the EU.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (has not been approved for use in the EU).

IFRIC 14 "The Limit on a Defined Benefit Asset" (has not been approved for use in the EU).

IAS 32 "Financial Instruments: Disclosure and Presentation" (changes to the standard) (has not been approved for use in the EU).

IAS 24 "Related Party Disclosures" (revision of standard) (has not been approved for use in the EU).

IFRS 3 "Business Combinations" (revision of standard) (in force from 2010).

IAS 27 "Consolidated and Separate Financial Statements" (changes to the standard).

Furthermore, the IASB has published the first stage of IFRS 9 concerning recognition and measurement (has not been approved for use in the EU).

In Management's view, the implementation of amended and new standards will have only a modest effect on the Annual Report.

Accounting estimates, recognition and measurement in general

Accounting estimates

In accordance with IFRS, the Annual Report has been prepared on the basis of certain spe-

cial assumptions that require the use of accounting estimates. These estimates have been made by Nykredit's Management in accordance with the accounting policies and based on past experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and their underlying assumptions are tested and assessed regularly.

Areas implying a higher degree of assessment or complexity or areas in which assumptions and estimates are material to the financial statements are:

- Provisions for loan and receivable impairment involving significant estimates in connection with the quantification of the risk of not receiving all future payments. If it is ascertained that not all future payments will be received, the determination of the time and amount of the expected payments is subject to material estimates, including assessment of the realisable values of security and expected dividend payments from estates in bankruptcy.
- Provisions for losses under guarantees are also subject to material estimates, where the quantification of the extent to which a guarantee will become effective upon the financial breakdown of the guarantee holder is surrounded by uncertainty.
- As in 2008, listed financial instruments, which have been priced in low-turnover markets due to the financial turmoil, may involve some uncertainty in connection with the measurement of fair values. The notes specify the methodology used to determine accounting values and the specific uncertainties involved.
- Unlisted financial instruments involving significant estimates in connection with the measurement of fair values.
- Goodwill on consolidation, as the assessment of the future earning capacity of the companies is based on significant estimates.
- The value of defined benefit plans (Other assets) involving significant estimates in connection with the actuarial assumptions on which the determination is based, including discounting rates, the expected return on plan assets and the expected rate of increase in wages, salaries and pensions.
- Insurance obligations involving significant estimates in connection with the actuarial determination, including the settlement of open claims, payment patterns and the development in prices.
- Provisions involving certain estimates.

Recognition

Assets have been recognised in the balance sheet if it has been probable that future economic benefits will flow to the Company/Group, and if the value of the asset can be measured reliably.

Liabilities have been recognised in the balance sheet if it has been probable that future economic benefits will flow from the Company/Group, and if the value of the liability can be measured reliably.

Financial instruments are recognised on the settlement date, and changes in the fair value of instruments purchased or sold in the period between the trade date and the settlement date are recognised as financial assets or liabilities.

Assets which following initial recognition are measured at amortised cost or cost are not value adjusted between the trade date and the settlement date.

Financial assets or liabilities are derecognised when the right to receive/pay related cash flows has lapsed or been transferred, and the Group in all material respects has transferred all risks and returns related to ownership.

Income has been recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost have been recognised through profit or loss in the period in which they have arisen.

Also, all costs incurred in connection with this year's earnings have been recognised in the income statement, including depreciation and amortisation, impairment losses and provisions as well as reversals as a result of changed accounting estimates previously recognised in the income statement.

Measurement

On initial recognition, financial assets/liabilities have been measured at fair value. Financial assets/liabilities have subsequently been measured at either fair value or amortised cost according to their classification.

The categories "Loans, advances and receivables at amortised cost" and "Other financial liabilities at amortised cost" have been measured at amortised cost, including a constant effective interest rate over the maturity. Amortised cost has been determined as the original cost less principal payments and plus/less the accumulated amortisation of the differ-

ence between the cost and the nominal value less impairment provisions. Capital losses and gains have been distributed over the maturity accordingly.

The category "Financial assets and liabilities at fair value through profit or loss" consists of the two subcategories: financial assets/liabilities held for trading and assets/liabilities classified at fair value (the fair value option) on initial recognition.

Financial assets/liabilities have been classified as "held for trading" if acquired principally to obtain a gain in the short term, if they form part of a portfolio where evidence of a short-term realisation of gains exists or if classified as such by Management. Derivative financial instruments have also been classified as financial assets held for trading unless classified as hedges.

On initial recognition, a financial asset/liability has been classified at fair value (the fair value option) if a group of financial assets/liabilities are managed, and the earnings are determined by Nykredit's Management based on their fair value in accordance with a documented risk management or investment strategy, or if such classification eliminates or significantly reduces any accounting mismatch that might arise on application of the ordinary measurement provisions of IAS 39.

Realised and unrealised gains and losses relating to changes in the fair value of "Financial assets and liabilities at fair value through profit or loss" have been recognised in the income statement in the period in which they arose.

The category "Financial assets available for sale" includes financial assets classified as such by Nykredit's Management or because they do not fall into any other categories.

"Financial assets available for sale" have been measured on a current basis at fair value, and the fair value adjustments have been recognised directly in equity. When a financial asset has been divested or written down, the accumulated fair value adjustments have been transferred to the income statement.

If the market for a financial asset or liability is illiquid, or if no publicly recognised pricing exists, Nykredit has determined the fair value using recognised measurement techniques. These techniques include the use of corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of dis-

counted cash flows as well as option and other models based on observable market data. Where it is not possible to determine the fair value by way of recognised measurement techniques based on observable market data, measurement is based on own assumptions and extrapolation.

In Management's opinion, the methods and estimates applied as part of the measurement techniques give a reliable view of the fair value of the instruments.

Derivative financial instruments

On initial recognition, derivative financial instruments have been recognised in the balance sheet at fair value and have subsequently been measured at fair value. Value adjustments have been recognised in the income statement under "Value adjustments" in the period in which they arose. Positive and negative fair values of derivative financial instruments have been recognised under other assets or other liabilities, as appropriate. The fair values of derivative financial instruments have been stated on the basis of available market data and recognised measurement methods.

Hedge accounting

Changes in the fair values of derivative financial instruments classified as and meeting the criteria of fair value hedges of a recognised asset or liability have been recognised in the income statement, including changes in the value of the hedged asset or the hedged liability to the extent of the hedged part.

The Nykredit Group uses derivatives (interest rate swaps) to hedge the interest rate risk of certain fixed-rate financial assets and liabilities.

The hedges may be established for individual assets and liabilities and at portfolio level. The hedge accounting effectiveness is measured and assessed on a current basis.

Consolidation

Nykredit Realkredit A/S (the Parent Company) and the enterprises in which Nykredit Realkredit A/S exercises direct or indirect control over the enterprises' financial and operational management have been included in the Consolidated Financial Statements. Collectively, Nykredit Realkredit A/S and its subsidiaries are referred to as the Nykredit Realkredit Group.

Enterprises in which the Nykredit Realkredit Group shares joint control with other enterprises which do not form part of the Group are

considered joint ventures. The Group's investments in joint ventures have been recognised by proportionate consolidation. Proportionate consolidation is discontinued when the Group no longer exercises control over the enterprise in question.

The Consolidated Financial Statements have been prepared based on the financial statements of the individual enterprises combining items of a uniform nature. All intercompany income and costs, dividends, intercompany shareholdings and balances as well as realised and unrealised intercompany gains and losses have been eliminated.

Newly acquired and divested enterprises have been recognised in the income statement in the period in which Nykredit Realkredit A/S owned the enterprise. Comparative figures have not been adjusted for divested or newly acquired enterprises except in the case of mergers with subsidiaries.

Business combinations and acquisitions

On acquisition of new enterprises in which the Parent Company obtains control over the acquired enterprise, the purchase method has been applied. Acquisitions have been effected using the uniting-of-interests method of accounting in the case of mergers with/between subsidiaries.

The identifiable assets, liabilities and contingent liabilities of the acquired enterprises have been measured at fair value at the time of acquisition. Identifiable intangible assets have been recognised where they can be separated or arise out of a contractual right, and where the fair value can be determined reliably. Deferred tax on revaluations made has been recognised.

For business combinations made on 11 November 2003 or later, positive balances (goodwill) between the cost of the enterprise and the fair value of the identifiable assets, liabilities and contingent liabilities acquired have been recognised as goodwill under intangible assets.

For business combinations made on 11 November 2003 or later, the accounting classification according to the previous accounting policies has been maintained. Goodwill has been recognised based on cost recognised in accordance with the previous accounting policies less amortisation and impairment losses up to 10 November 2003. Goodwill has not been amortised after 11 November 2003.

Gains or losses on divestment or winding up of subsidiaries and associates have been determined as the difference between the selling price or the disposal consideration and the carrying amount of net assets including goodwill at the time of sale as well as costs incidental to the sale or winding-up.

Minority interests

In determining the consolidated profit (loss) and equity, the proportion of subsidiaries' profit (loss) and equity attributable to minority interests has been recognised as separate items in the income statement and balance sheet. Minority interests have been recognised based on the revaluation of acquired assets and liabilities at fair value at the time of the acquisition of the subsidiaries.

In case of subsequent changes in minority interests, the change will be included in profit (loss) from the time of change.

Segment information

Information has been provided on business segments and geographic markets. The presentation of the business areas has been based on the current reporting made to the Group Management and, consequently, also the principles applied in connection with management control. The business segments reflect the Group's returns and risks and are considered to be the Group's main segments.

The segments include the concepts core earnings and investment portfolio income. Core earnings include earnings from lending, ie customer-oriented activities, and core earnings from securities. Core earnings from securities include the risk-free return on the part of the securities portfolio not allocated to the business areas. No risk-free interest is calculated on capital allocated to the business areas.

Investment portfolio income includes the part of the return exceeding risk-free interest.

Income and expenses included in the profit (loss) before tax of the individual segments comprise directly as well as indirectly attributable items. Such allocation has been based on internally fixed allocation keys as well as agreements between the individual business segments. Items not directly or indirectly attributable have not been subject to allocation.

The underlying financial assets and liabilities of the financial income and expenses forming part of the segment profit (loss) have been allocated to each business segment. Non-current assets in the segment include the non-

current assets used directly in the segment operations, including intangible assets, property, plant, equipment and investments in associates.

The business capital of the individual segments has been determined according to the Basel II principles based on the method applied to determine the required capital base. The required capital base is the statutory capital requirement plus a projection assuming a mild recession. The business return has been calculated as the results of the business areas relative to the business capital.

Information has been provided exclusively at group level.

Currency

The Consolidated Financial Statements have been presented in Danish kroner (DKK), which is the functional as well as the presentation currency of the Parent Company. All other currencies have been regarded as foreign currencies.

Transactions in foreign currencies have been translated into the functional currency at the exchange rates prevailing on the transaction date. Exchange rate gains and losses arising on the settlement of these transactions have been recognised in the income statement.

At the balance sheet date, monetary assets and liabilities in foreign currencies were translated at the rate prevailing on the balance sheet date. Foreign currency translation adjustment was recognised in the income statement.

Currency translation differences arisen on translation of non-monetary items such as equities at fair value recognised in the income statement have been recognised as part of the fair value gain or loss.

The financial statements of integrated foreign entities have been translated into Danish kroner at the exchange rates prevailing on the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items. The currency change in foreign subsidiaries has been recognised directly in equity.

Impairment

The carrying amounts of intangible assets, property, plant and equipment are reviewed annually to determine whether there is any evidence of impairment apart from what has been recognised as depreciation and amortisa-

tion. If this is the case, an impairment test is carried out to determine whether the recoverable value is lower than the carrying amount, and the asset concerned will be written down to the lower recoverable value. Such impairment test is carried out annually with respect to in-progress development projects and goodwill regardless of whether there has been any evidence of impairment.

The recoverable value of an asset has been determined as the higher value of the net sales price and the value in use. Where no recoverable value can be determined for the individual asset, the assets have been measured in the lowest aggregation of assets where overall measurement may provide a reliable recoverable value.

Repo/reverse

Securities sold as part of sale and repurchase transactions have been retained in the balance sheet under the appropriate principal item, eg "Bonds". The amount received has been recognised as payables to the counterparty or under "Non-derivative financial liabilities at fair value". The liability has been fair value adjusted over the maturity of the agreement through profit or loss.

Securities acquired as part of sale and repurchase transactions have been stated as receivables from the counterparty or under the item "Loans, advances and other receivables at fair value". The receivables have been fair value adjusted over the maturity of the agreement through profit or loss.

Where the Group has resold assets received in connection with a repo transaction, and where the Group is obliged to return the instruments, the value has been included in the item "Other non-derivative financial liabilities at fair value".

Leases

The Nykredit Group has entered into a number of leases with Nykredit as lessor.

Receivables from the lessee under finance leases have been included under "Loans, advances and other receivables at amortised cost". The leases have been measured so that the carrying amount equals the net investment in the lease. Interest receivable under finance leases has been recognised as income under the item "Interest income". Repayments made have been deducted from the carrying amount concurrently with the amortisation of the receivable.

Direct costs on establishment of leases have been recognised in the net investment.

Properties leased under operating leases have been classified as "Investment properties". The properties have been measured at fair value in accordance with IAS 40 "Investment Property". Fair value adjustments have been recognised on a current basis through profit or loss under the item "Value adjustments".

Lease payments received have been recognised as income under "Other operating income".

Pensions and similar obligations

The Group has entered into pension agreements with the majority of its staff. The agreements can be divided into two overall types of plans:

Defined contribution plans according to which the Group makes fixed contributions to staff members' pension plans on a current basis. The Group is under no obligation to make further contributions. The contributions to defined contribution plans have been recognised in the income statement at the due date, and any contributions payable have been recognised in the balance sheet under "Other payables".

Defined benefit plans according to which the Group is obligated to make certain contributions in connection with retirement. Defined benefit plans are subject to an annual actuarial calculation (the Projected Unit Credit method) of the value in use of future benefits payable under the plans. The value in use has been calculated based on assumptions of the future development in eg wages, interest rates, inflation and mortality. The value in use has only been calculated for benefits to which staff members have become entitled through their employment in the Group. The actuarially calculated value in use less the fair value of plan assets has been recognised in the balance sheet under "Other assets" or "Other liabilities", as appropriate. Actuarial gains and losses have been recognised in the income statement in the year in which they arose.

INCOME STATEMENT

Interest income and expenses

Interest includes interest due and accrued up to the balance sheet date.

Interest income includes interest and interest-like income, including interest-like commission received and other income that forms an integral part of the effective interest of the underlying instruments. The item also includes the index premium on assets, forward premium on securities and foreign exchange trades as well as adjustments over the maturity of financial assets measured at amortised cost and where cost varies from the redemption price.

Interest income from impaired bank loans and advances has been included under "Interest income" at an amount reflecting the effective interest of the impaired value of loans and advances. Any interest income from the underlying loans and advances exceeding this amount has been included under the item "Impairment losses on loans, advances and receivables".

Interest expenses include all interest-like expenses including adjustment over the maturity of financial liabilities measured at amortised cost and where the cost differs from the redemption price.

Dividend

Dividend from equity investments has been recognised as income in the income statement in the financial year in which the dividend was declared.

Fees and commissions

Fees and commissions include income and expenses relating to services, including management fees. Fee income relating to services delivered on a current basis has been accrued over their terms.

For accounting purposes, fees, commissions and transaction costs have been treated as interest if they form part of the effective interest of a financial instrument.

Other fees have been recognised in the income statement at the date of transaction.

Net premiums earned

Premiums

Net premiums earned include the directly and indirectly written policies for the year in which the risk period commenced before the end of the financial period less reinsurers' share and changes in the provisions for unearned premiums. Premiums have been recognised accord-

ing to policy risk exposure, however, to an extent at least equal to the coverage period.

Technical interest

Technical interest attributed from the investment business to the insurance business has been determined as an estimated interest yield on the average insurance provisions for the year. Such interest has been estimated based on the interest rate prescribed by the Danish Financial Supervisory Authority.

The item includes the discounting effect attributable to maturity changes in insurance provisions.

Value adjustments

Value adjustments include foreign currency translation adjustment and value adjustment of assets and liabilities measured at fair value. Value adjustments relating to the credit risk of loans, advances and receivables measured at fair value have been recognised under the item "Impairment losses on loans, advances and receivables".

Claims incurred, net of reinsurance

Claims incurred consist of claims paid for the year, the run-off profit (loss) relating to previous years and adjustments for changes in claims provisions less reinsurers' share. Furthermore, the item includes expenses incurred in connection with the inspection and valuation of damage as well as direct and indirect claims administration expenses.

The item does not include the share of changes in claims provisions attributable to changes in the discount rate and maturity reductions, which have been recognised under "Value adjustments" or "Technical interest", as appropriate.

Staff and administrative expenses

Staff expenses include wages and salaries as well as social expenses and pensions. Obligations for jubilee benefits and severance pay have been recognised successively.

Impairment losses on loans, advances and receivables

Recognised losses and changes for the year in provisions for loans, advances and guarantee obligations have been charged to the income statement under "Impairment losses on loans, advances and receivables".

Profit (loss) from investments in associates

The proportionate share of the profit (loss) after tax of associates after elimination of the proportionate share of intercompany profit

(loss) has been recognised in the Consolidated Income Statement.

Tax

Tax on taxable income for the year calculated at the current tax rate, adjustment of tax assessed for prior years and adjustment of the proportion of deferred tax relating to tax assets and liabilities attributable to the profit for the year have been charged to the income statement. The adjustments relating to deferred tax attributable to direct equity entries have been recognised directly in equity.

The Nykredit Group's Danish companies have been jointly taxed with the Parent Foreningen Nykredit (the Nykredit Association), which settles the total tax payable by the Group on the taxable income assessed for the year. Current Danish corporation tax payable has been distributed between the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

The domestic corporation tax of the jointly taxed companies is payable in accordance with the scheme for payment of tax on account. Interest payable or receivable relating to the voluntary payment of tax on account and interest payable or receivable on the over-/underpayment of tax have been recognised under "Other interest income" or "Other interest expenses", as appropriate.

ASSETS

Receivables from credit institutions and central banks

Receivables from credit institutions and central banks include receivables from other credit institutions and time deposits with central banks. The first recognition is based on fair value. Subsequent measurement has been made at amortised cost.

This item also includes securities acquired as part of purchase and resale transactions (repo/reverse), which have subsequently been measured at fair value, as these instruments form part of the trading book.

Loans, advances and other receivables at fair value (the fair value option)

The item includes loans and advances included in the trading book and mortgage loans classified at fair value (the fair value option) as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions of IAS 39.

Mortgage loans granted in accordance with Danish mortgage legislation have been funded by issued listed mortgage bonds or SDOs of uniform terms. Such mortgage loans may be prepaid by way of a delivery of the underlying bonds. The Nykredit Group buys and sells its own issued mortgage bonds and SDOs on a continuing basis as they constitute a key part of the Danish money market. If mortgage loans and issued mortgage bonds/SDOs were measured at amortised cost, the purchase and sale of own mortgage bonds/SDOs would lead to a time lag between the recognition of gains and losses in the financial statements. The purchase price of the holding would not equal the amortised cost of the issued bonds, and the elimination would lead to the recognition of a random earnings impact. If the holding of own mortgage bonds/SDOs is subsequently sold, the new amortised cost of the "new issue" will not equal the amortised cost of the related mortgage loans, and the difference will be amortised over the term-to-maturity. Mortgage loans have therefore been measured at fair value and include an adjustment for the market risk based on the value of the underlying bonds and an adjustment for credit risk based on the provisioning need.

Totalkredit mortgage loan funding

Nykredit Realkredit A/S issues mortgage bonds/SDOs for the funding of loans granted by Nykredit Realkredit A/S as well as Totalkredit A/S. Totalkredit A/S is therefore under an obligation to pay interest, drawing and prepayment amounts to Nykredit Realkredit A/S, which will transfer such payments to bond investors.

Mortgage loans have been measured at fair value with adjustment for market risk based on the value of the underlying bonds and any impairment provisions for credit risk. Nykredit's Management has resolved to apply the fair value option as such classification eliminates the accounting mismatch that would arise on using amortised cost as defined by IAS 39, cf above.

Loans, advances and other receivables at amortised cost

On initial recognition, other loans, advances and other receivables at amortised cost have been measured at fair value less/plus the costs and income relating to the acquisition. Subsequent measurement takes place at the lower of amortised cost and net realisable value less loan loss provisions.

Provisions for loan and receivable impairment

The Nykredit Realkredit Group performs continuous individual reviews and risk assessments of all significant loans, advances and receivables with a view to uncovering objective evidence of impairment (OEI). In case of objective evidence of impairment where the event(s) concerned is(are) believed to have a reliably measurable effect on the size of expected future payments from the loan, provisions have been made for loan impairment at the difference between the carrying amount before impairment and the present value of expected future payments from the loan.

Objective evidence is deemed present where for example borrowers have serious financial difficulties, where they do not fulfil the payment obligations under their contracts, or where it is probable that they will go into bankruptcy or become subject to other financial restructuring.

Similarly, individual provisions have been made for non-significant loans, advances and receivables in case of objective evidence of impairment where the event(s) concerned is(are) believed to have a reliably measurable effect on the size of expected future payments from the exposure/loan.

The Group's loans and advances are generally always placed in groups of uniform credit risks. Where impairment or a provisioning need is identified relating to individual loans and advances, they will be transferred from their respective groups and treated separately. Individual provisions for loan impairment are made based on a discounting of the most probable cash flows from the individual loan or exposure. For all loans subject to individual impairment provisioning, a strategy and action plan is prepared, and the loans/exposures are reviewed on a quarterly basis.

Where OEI is identified on an individual basis and it is not possible to determine the deterioration of payments on individual loans reliably, the individual provisioning need is determined on the basis of a joint assessment of the loan and equivalent loans. Subsequently, collective provisions are made based on the most probable outcome for the deterioration of forecast cash flows. This approach is typically used in the case of very small loans and advances when the Group's information on the customer's financial position is not up to date.

At each balance sheet date, collective assessments are made of loans and advances for

which no individual provisions have been made and, where objective evidence of impairment is identified in one or more groups, collective provisions for loan impairment are made. Calculations are made according to a so-called rating model using adjusted Basel parameters for the loss flow calculation. Having been adjusted to the accounting rules, the Basel parameters are based on events occurred, cash flows until expiry of loan terms and a discounting of loss flows to present value.

In addition to the rating model, collective provisions are also calculated on the basis of a segmentation model adjusting the Basel parameters of the rating model for events occurred which, due to sudden economic developments, have not yet been included in the rating model.

The calculation of the provisioning need is based on the change in expected losses relative to the time the loans were granted. For each loan in a group of loans, the contribution to the impairment of that group is calculated as the difference between the present value of the loss flow at the balance sheet date and the present value of the expected loss when the loan was granted. The total impairment of the group is calculated in net terms as the contributions of the individual loans are added up to give the impairment of the group.

Where events occur showing a partial or complete impairment reduction following individual or collective provisioning, impairment provisions have been reversed accordingly.

Impairment provisions have been deducted from the asset items concerned.

Equities and bonds

Equities and bonds have been recognised at fair value and have subsequently been measured at fair value equal to an estimated fair value determined on the basis of listed prices and recognised measurement methods. If no objective prices from recent trades in unlisted equities are available, these equities are measured at fair value using EVCA's measurement rules for unlisted equities. Changes in the fair value have been recognised on a current basis in the income statement under value adjustments.

The Group's own portfolio of own issued bonds has been offset against issued bonds (the liability), and interest receivable relating to own bonds has been offset against interest payable.

Equities classified as "available for sale" have been recognised at fair value and have subsequently been measured at fair value equal to an estimated fair value determined on the basis of listed prices and recognised measurement methods and measurement and estimation techniques. Unrealised value adjustments have been recognised directly in equity except for material or permanent impairments and reversal thereof. On realisation, the accumulated value adjustment recognised in equity has been transferred to value adjustments in the income statement.

Investments in associates

Associates are enterprises in which the Nykredit Realkredit Group exercises significant influence but not control.

Investments in associates have been recognised and measured according to the equity method and have therefore been measured at the proportionate ownership share of the enterprises' equity value carried less/plus the proportionate share of unrealised intercompany profits or losses and plus residual goodwill.

Total net revaluation of investments in associates has been transferred through the profit distribution to "Reserve for net revaluation according to the equity method" under equity.

Intangible assets

Goodwill

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises. In the segment financial statements, goodwill has been recognised under the business area from/to which the cash flows relating to the enterprise acquired flow. Goodwill is tested for impairment at least once a year, and the carrying amount is written down to the recoverable value if this is lower than the carrying amount through profit or loss. The recoverable value means "the higher of an entity's value in use and fair value after selling costs".

Fixed-term rights

Fixed-term rights have been recognised at cost less accumulated amortisation and impairment losses, if any.

Fixed-term rights have been amortised on a straight-line basis over their remaining term. The fixed-term rights lapse after a period of between 5 and 10 years.

Software

Clearly defined and identifiable development projects intended for employment and involving a demonstrable technical rate of utilisation, adequate resources and application potential in Nykredit have been recognised as intangible assets provided that there is sufficient certainty that the value in use of future earnings will cover the actual development costs.

Capitalised development projects comprise salaries and other costs directly and indirectly attributable to the Company's development activities.

Development projects not meeting the criteria for recognition in the balance sheet have been recognised as expenses in the income statement as incurred.

Capitalised development costs have been measured at the lower of cost less accumulated amortisation and impairment losses and the recoverable value. Capitalised development costs have been amortised on completion of the development work on a straight-line basis over the period in which it is expected to generate economic benefits. The amortisation period is 3-5 years.

Customer relationships

Customer relationships, etc are recognised at cost less accumulated amortisation and any impairment losses.

Customer relationships, etc are amortised on a straight-line basis over the estimated useful lives of the assets. The amortisation period is 2-13 years.

Land and buildings

Owner-occupied properties

The owner-occupied properties are properties which the Group uses for administration, sales and customer contact centres or for other service activities. Owner-occupied properties have been stated in the balance sheet at a reassessed value, equal to the fair value at the revaluation date less subsequent accumulated depreciation and impairment losses. Revaluations are made on a continuous basis to prevent the carrying amounts from differing significantly from the value determined using the fair value on the balance sheet date.

Fair value is based on open market prices. If such information has not been available, the Group has applied the return method according to which the operating income from the properties is compared with the required rates of return of the properties. The required rates

of return under this method take into account the nature, location and state of repair of the asset concerned. The valuation has been made by an internal valuer.

Depreciation has been made on a straight-line basis over 20-50 years based on annually revalued scrap values and the estimated useful lives of the properties.

Increases in the carrying amounts after tax arising on revaluation of owner-occupied properties have been added to the revaluation reserves under equity. Impairment losses offsetting former revaluations of the same asset have been deducted from revaluation reserves directly in equity, while other impairment losses have been recognised in the income statement.

Subsequent costs have been recognised in the carrying amount of the asset concerned or recognised as a separate asset where it has been probable that costs incurred will lead to future economic benefits for the Group, and the costs can be measured reliably. The costs of ordinary repair and maintenance have been recognised in the income statement as incurred.

Gains and losses on divested assets have been determined by comparing the sales proceeds with the carrying amount. Gains and losses have been recognised in the income statement. On divestment of revalued assets, revaluations contained in the revaluation reserves have been transferred to retained earnings.

Investment properties

Properties held for renting purposes and not occupied by the Group have been classified as investment properties.

Investment properties have been recognised in the income statement at fair value including value adjustments.

Fair value has been based on open market prices, adjusted, if necessary, for differences in the nature, location or state of repair of the asset concerned. If such information has not been available, the Group has applied alternative measurement methods such as the return method or expectations for discounted cash flows. Fair value changes have been recognised in the income statement. The valuation has been made by an internal valuer who specialises in the valuation of commercial property.

Properties acquired in connection with the settlement of an exposure have been recognised under assets in temporary possession.

Plant under construction

Plant under construction has been measured at cost. Costs of property, plant and equipment include costs directly attributable to construction. Interest on capital borrowed to finance plant under construction in connection with the construction, production and preparation of assets is capitalised as part of the acquisition cost as from 1 January 2009.

Other property, plant and equipment

Equipment

Equipment has been measured at historical cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation has been made on a straight-line basis over the expected useful lives of:

- Computer equipment and machinery etc up to 4 years
- Equipment and motor vehicles up to 5 years
- Leasehold improvements; maximum term of the lease is 15 years.

The residual value and useful lives of the assets have been assessed and adjusted, if necessary, at each balance sheet date. The carrying amount of an asset has been written down to the recoverable value immediately if the carrying amount of the asset exceeded the estimated recoverable value.

Gains and losses on the current replacement of property, plant and equipment have been charged to the income statement under "Other operating income" and "Other operating expenses".

Assets in temporary possession

Assets in temporary possession include property, plant and equipment or groups thereof (mainly repossessed properties), and subsidiaries and associates held temporarily by the enterprise and awaiting sale in the short term where such sale is highly likely. Liabilities directly attached to the assets concerned have been presented as liabilities relating to assets in temporary possession in the balance sheet.

Assets in temporary possession are measured at the lower of the carrying amount at the time of the classification as "held for sale" and the fair value less selling costs. Assets are nei-

ther depreciated nor amortised once classified as "held for sale".

Impairment losses arising on initial classification as "held for sale" and gains or losses on subsequent measurement at the lower of the carrying amount and fair value less selling costs have been recognised in the income statement under the relevant items.

Prepayments

Prepayments include prepaid costs.

LIABILITIES AND EQUITY

Payables

Payables to credit institutions and central banks, deposits and other payables have been recognised at the proceeds received less transaction costs incurred. In subsequent periods, payables have been measured at amortised cost equal to the capitalised value using the effective interest rate so that the difference between the proceeds and the nominal value has been recognised in the income statement as interest expenses over the term of the loan. Other payables have been measured at amortised cost, which in all material respects equals the nominal value.

Payables to credit institutions and central banks arisen as part of "genuine sale and repurchase transactions" have been measured at fair value. Fair value adjustments have been recognised continuously through profit or loss.

Issued bonds at fair value

Issued mortgage bonds, SDOs and junior covered bonds have been classified on initial recognition at fair value (the fair value option) as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions of IAS 39.

The fair value of the issued mortgage bonds, SDOs and junior covered bonds is generally prevailing market prices. Published and prepaid, but still undrawn bonds have been measured at discounted value. Bonds not traded actively have been recognised at estimated market prices.

Issued bonds at amortised cost

Issued corporate bonds have been recognised at cost equal to consideration received less costs incurred. Issued bonds have subsequently been measured at amortised cost. Where the bonds have embedded derivative financial hedge instruments measured at fair value, the bonds will be value adjusted on a

current basis to ensure accounting symmetry of the value adjustment of the hedged instrument and the hedging derivative financial instrument.

Other non-derivative financial liabilities at fair value

Other non-derivative financial liabilities at fair value include deposits and negative securities portfolios held for trading which have been measured at fair value after initial recognition.

Provisions

Provisions have been recognised where, as a result of an event occurred on or before the balance sheet date, the Group has a legal or constructive obligation which can be measured reliably and where it has been probable that economic benefits must be provided to settle the obligation.

In connection with the measurement of provisions, the costs incidental to the settlement of the obligation have been discounted where this has a significant effect on the measurement of the obligation. The discount rate applied has a term and other characteristics which correspond to those of the obligation. The discount rate reflects general market rates plus the specific risks which the provision concerned is estimated to involve. The present value changes for the financial year have been recognised under interest expenses/income.

Provisions have been measured at Management's best estimate of the amount considered necessary to redeem the obligation.

Repayable reserves

Repayable reserves include reserves in pre-1972 series repayable after full or partial redemption of loans in compliance with the articles of association of the series concerned.

Pensions and similar obligations

Part of the Group's staff is entitled to receive a fixed amount on attaining their retirement age (senior benefit and retirement benefit plans) and when having been employed by the Group for 25 and 40 years (jubilees). The obligations have been recognised successively up to the date when the staff member is entitled to receive the benefit.

The measurement of the size of the obligation allows for actuarial conditions, including the probability of staff members retiring before the time of benefit and therefore losing the entitlement to the benefit.

Insurance obligations*Provisions for unearned premiums*

Provisions for unearned premiums constitute the part of gross premiums concerning future risks to policies that have been at risk at the balance sheet date, however, at least equal to the part of the coverage period occurring after the balance sheet date.

Claims provisions

Claims provisions include amounts determined on a best estimate basis which have not been disbursed yet relating to insurance events occurring up to the balance sheet date whether they have been reported or not. Claims provisions also include direct and indirect administrative expenses which are believed, on a best estimate basis, to be able to cover the settlement of open claims.

Corporation and deferred tax

Current tax liabilities and current tax receivable have been recognised in the balance sheet as tax calculated on taxable income adjusted for tax paid on account.

Deferred tax has been measured in accordance with the balance sheet liability method based on all temporary differences between the carrying amounts and tax bases of assets and liabilities. No recognition has been made of deferred tax on temporary differences relating to the amortisation of goodwill disallowed for tax purposes and owner-occupied properties as well as other items where temporary differences – except in case of acquisitions – have arisen at the time of acquisition without having any effect on the profit (loss) or the taxable income. In cases where it has been possible to determine the tax base according to different tax rules, deferred tax has been measured on the basis of Management's planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax base of tax loss carryforwards, have been recognised at the value at which they are expected to be utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax has been measured on the basis of the tax rules and tax rates effective under current legislation on the balance sheet date when deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates have been recognised in the income statement.

Deferred income

Deferred income comprises payments received concerning income recorded in subsequent years.

Subordinate loan capital

Subordinate loan capital, including hybrid core capital, has initially been recognised at fair value less transaction costs incurred. Subordinate loan capital has subsequently been carried at amortised cost, and any differences between the proceeds (less transaction costs) and the redemption value have been recognised in the income statement over the loan term using the effective interest method.

Equity*Share capital*

Equities have been classified as equity where no obligation exists to transfer cash or other assets.

Proposed dividend

Proposed dividend has been recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration). Dividend expected to be distributed for the year has been carried as a separate item under equity.

Revaluation reserves

Revaluation reserves include positive value adjustments of owner-occupied properties less deferred tax on the value adjustment. Increases in the reassessed value of properties have been recognised directly under this item unless the increase cancels out a decrease previously recognised in the income statement. The item is adjusted for impairment fully or partially cancelling out previously recognised value increases. The item is also reduced on divestment of properties.

Other value adjustments

The reserves concern unrealised value adjustments of equities available for sale and exchange rate differences arisen on the translation of financial statements of foreign enterprises from their functional currencies to the Nykredit Group's presentation currency (Danish kroner).

Statutory reserves

The reserves include value adjustments of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves are adjusted for the distribution of dividend to the Parent Company and for other movements in equity in subsidiaries and associates.

Series reserves

Series reserves include series reserves in mortgage banks where there is no obligation to repay the borrowers.

Retained earnings

Comprise distributable reserves which may be distributed to the Company's shareholders without limitation.

CASH FLOW STATEMENT

The consolidated cash flow statement has been prepared according to the indirect method based on profit (loss) for the year. The consolidated cash flow statement shows cash flows from the operating, investing and financing activities for the year, the changes in cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of the items "Cash in hand and demand deposits with central banks" and "Receivables from credit institutions and central banks".

INTERCOMPANY TRANSACTIONS

The Nykredit Group consists of a number of independent legal entities. Intercompany trade and services have been settled at market terms or, where no real market exists, on an arm's length basis. Alternatively, settlements have been made on a cost reimbursement basis.

FINANCIAL HIGHLIGHTS

Financial highlights have been presented in accordance with the FSA Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

SPECIAL POLICIES FOR THE PARENT COMPANY NYKREDIT REALKREDIT A/S

The Annual Report of Nykredit Realkredit A/S has been prepared in accordance with the Danish Financial Business Act and the FSA Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

These rules comply with the International Financial Reporting Standards (IFRS) in all material respects and the Nykredit Group's accounting policies. Exceptions to this practice and special circumstances relating to the Parent Company have been described below.

Investments in group enterprises and associates

Investments in group enterprises and associates have been recognised and measured according to the equity method.

The proportionate ownership interest of the equity value of the enterprise less/plus unreal-

ised intercompany profits or losses has been recognised under "Investments in group enterprises" and "Investments in associates" in the balance sheet. Any positive difference between the total cost of group enterprises and the fair value of the net assets at the time of acquisition has been recognised in the balance sheet as an asset under "Intangible assets". Any positive difference between the total cost of associates and the fair value of the net assets at the time of acquisition has been recognised in the balance sheet as an addition to the equity investment.

Nykredit's share of the enterprises' profit (loss) after tax and after elimination of unrealised intercompany profits and losses less depreciation, amortisation and impairment losses has been recognised in the income statement.

Total net revaluation of investments in group enterprises has been transferred through the profit distribution to "Statutory reserves" under equity.

According to IFRS, the "equity method" is disallowed in the separate financial statements of parent companies. IFRS prescribe measurement either at cost or at fair value.

Financial assets available for sale

Unlike IFRS, the FSA Executive Order does not allow the classification of financial assets as "available for sale" with fair value adjustment recognised in equity. In the Parent Company, equities available for sale have been classified as equities involving value adjustment through profit or loss.

Notes

DKK million

2. RESULTS BY BUSINESS AREA

	Retail Customers	Business Partners	Commercial Customers	Markets & Asset Man- agement	Forstæder- nes Bank	Group items and elimina- tions	Total
2009							
Core income from							
- Business operations	2,324	1,504	2,905	1,493	832	147	9,205
- Kalvebod issues	-	-	-	139	-	-	139
Total	2,324	1,504	2,905	1,632	832	147¹	9,344
Transactions between business areas represent	45	(65)	84	(328)	264	-	-
Core income from securities	-	-	-	-	-	855	855
Operating costs	1,589	419	1,302	919	747	955	5,931
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	16	449	2	-	63	263	793
Core earnings before impairment losses	719	636	1,601	713	22	(216)	3,475
Impairment losses on loans and advances	304	540	1,908	4	4,845	318	7,919
Core earnings after impairment losses	415	96	(307)	709	(4,823)	(534)	(4,444)
Investment portfolio income ²	-	-	-	-	-	4,718	4,718
Profit (loss) before costs of capital	415	96	(307)	709	(4,823)	4,184	274
Net interest on hybrid core capital	-	-	-	-	-	95	95
Profit (loss) before tax	415	96	(307)	709	(4,823)	4,089	179
2008							
Core income from							
- Business operations	2,013	1,238	2,359	1,336	258	207	7,411
- Kalvebod issues	-	-	-	(402)	-	-	(402)
Total	2,013	1,238	2,359	934	258	207¹	7,009
Transactions between business areas represent	50	(29)	152	10	(183)	-	-
Core income from securities	-	-	-	-	-	2,265	2,265
Operating costs	1,591	432	941	690	168	805	4,627
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	15	415	3	2	14	333	782
Core earnings before impairment losses	407	391	1,415	242	76	1,334	3,865
Impairment losses on loans and advances	(14)	55	862	27	247	266	1,443
Core earnings after impairment losses	421	336	553	215	(171)	1,068	2,422
Investment portfolio income ²	-	-	-	-	-	(3,277)	(3,277)
Profit (loss) before costs of capital	421	336	553	215	(171)	(2,209)	(855)
Net interest on hybrid core capital	-	-	-	-	-	25	25
Profit (loss) before tax	421	336	553	215	(171)	(2,234)	(880)

Group segment information is provided by business area and geographical markets as primary and secondary segments, respectively.

Geographical markets

Core income from international lending came to DKK 179m in 2009 against DKK 149m in 2008. International lending totalled DKK 37bn at end-2009 against DKK 31bn at end-2008.

¹ Of which DKK 187m (2008: DKK 195m) relates to the proportionate consolidation of JN Data.

² Investment portfolio income includes a loss of DKK 125m from investments in associates (2008: DKK 123m).

Notes

DKK million

2. RESULTS BY BUSINESS AREA (continued)

Summary balance sheet items, year-end					Markets	Group		Total
	Retail Customers	Business Partners	Commercial Customers	& Asset Management	Forstæder- nes Bank	items and eliminations		
2009								
Assets								
Receivables from credit institutions	-	-	-	47,439	3,954	11,542	62,935	
Mortgage loans at fair value	180,394	437,746	366,055	-	-	(3,204)	980,991	
Other loans and advances at fair value	-	-	-	11,883	79	39	12,001	
Bank loans at amortised cost	12,433	82	32,994	-	15,493	1,009	62,011	
Bonds and equities	-	-	1,542	52,663	2,832	29,584	86,621	
Investments in associates	-	-	-	-	-	84	84	
Intangible assets, property, plant and equipment	73	3,699	76	1	161	3,174	7,184	
Other assets	-	-	-	20,591	1,817	13,028	35,436	
Total assets	192,900	441,527	400,667	132,577	24,336	55,256	1,247,263	
Liabilities and equity								
Payables to credit institutions	-	-	-	53,608	8,270	57,435	119,313	
Deposits and other payables	12,756	-	23,125	11,085	18,152	(635)	64,483	
Issued bonds ¹	222,971	434,036	453,235	41,539	2,520	(220,150)	934,151	
Insurance liabilities	1,003	-	445	-	-	-	1,448	
Other liabilities	-	3,208	-	26,365	1,744	45,310	76,627	
Equity	-	-	-	-	-	51,241	51,241	
Total liabilities and equity	236,730	437,244	476,805	132,597	30,686	(66,799)	1,247,263	
Off-balance sheet items	9,040	-	16,076	3,897	3,760	(13,486)	19,287	
Investments in intangible assets, property, plant and equipment	2	69	1	-	(11)	435	496	
2008								
Assets								
Receivables from credit institutions	-	-	-	32,391	4,357	36,652	73,400	
Mortgage loans at fair value	178,343	404,168	334,395	-	-	(21,021)	895,885	
Other loans and advances at fair value	-	-	-	24,490	55	-	24,545	
Bank loans at amortised cost	10,360	103	40,537	-	22,260	495	73,755	
Bonds and equities	-	-	1,618	51,061	3,443	47,311	103,433	
Investments in associates	-	-	-	-	-	81	81	
Intangible assets, property, plant and equipment	80	4,077	76	-	103	3,114	7,450	
Other assets	-	-	11	22,202	2,081	15,284	39,578	
Total assets	188,783	408,348	376,637	130,144	32,299	81,916	1,218,127	
Liabilities and equity								
Payables to credit institutions	-	-	-	85,072	7,221	70,256	162,549	
Deposits and other payables	10,512	-	24,569	11,455	14,704	(63)	61,177	
Issued bonds ¹	206,649	451,320	387,531	17,329	3,198	(209,281)	856,746	
Insurance liabilities	1,021	-	573	-	-	-	1,594	
Other liabilities	5	3,411	43	24,817	4,121	53,287	85,684	
Equity	-	-	-	-	-	50,377	50,377	
Total liabilities and equity	218,187	454,731	412,716	138,673	29,244	(35,424)	1,218,127	
Off-balance sheet items	4,376	-	9,976	4,165	6,020	(5,031)	19,506	
Investments in intangible assets, property, plant and equipment	10	732	-	-	-	1,474	2,216	

¹Own bonds have been offset under "Group items and eliminations", which also includes adjustment for market risk on mortgage lending and issued bonds.

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
3. INTEREST INCOME			
13,762	14,232	434	1,928
23,579	21,260	43,593	45,904
2,261	2,643	4,633	4,082
Bonds			
796	1,984	2,905	1,018
648	603	1,525	2,137
1,657	1,491	2,754	2,658
(759)	(4)	177	(718)
327	266	475	733
Derivative financial instruments			
(133)	320	139	185
186	84	184	237
-	-	(1)	-
93	126	93	63
42,417	43,005	56,910	58,226
(796)	(1,984)	(2,905)	(1,018)
(648)	(603)	(1,525)	(2,137)
(92)	(60)	(136)	(109)
40,881	40,357	52,344	54,962
Of which interest income from genuine purchase and resale transactions entered as:			
967	116	181	1,337
-	40	502	539
Of total interest income:			
902	421	3,900	4,506
-	-	36	4
-	-	225	249
Interest income accrued on individually impaired bank loans totals DKK 94m (2008: DKK 33m). With respect to the Group's banking business, individually impaired loans are extensively carried as non-accrual loans. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairment.			
4. INTEREST EXPENSES			
2,303	1,203	1,709	5,223
-	1	1,920	1,854
35,888	35,827	41,511	42,757
378	352	417	397
119	109	123	130
38,687	37,493	45,680	50,361
(796)	(1,984)	(2,905)	(1,018)
(648)	(603)	(1,525)	(2,137)
(92)	(60)	(136)	(109)
37,152	34,845	41,114	47,096
Of which interest expenses from genuine sale and repurchase transactions entered under:			
1,095	401	491	1,543
-	1	28	54

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
4. INTEREST EXPENSES (continued)			
Of total interest expenses:			
1,714	1,173	4,700	6,948
Interest expenses accrued on financial liabilities measured at amortised cost			
5. DIVIDEND ON EQUITIES			
100	46	30	36
-	-	35	72
Dividend			
Dividend on equities available for sale			
100	46	64	108
Total			
6. FEE AND COMMISSION INCOME			
-	-	158	111
1	2	492	378
771	869	1,376	885
772	872	2,026	1,374
Fees relating to financial instruments measured at amortised cost			
Fees from asset management activities and other fiduciary activities			
Other fees			
Total			
7. FEE AND COMMISSION EXPENSES			
-	-	180	141
-	-	125	41
204	236	1,212	1,084
204	236	1,518	1,266
Fees relating to financial instruments measured at amortised cost			
Fees from asset management activities and other fiduciary activities			
Other fees			
Total			
8. NET PREMIUMS EARNED			
-	-	1,418	1,368
-	-	(85)	(83)
-	-	1,333	1,285
Net premiums			
Reinsurance premium, reserve-adjusted			
Total			
9. VALUE ADJUSTMENTS			
Financial assets measured at fair value through profit or loss			
711	6,746	15,271	5,824
3,054	6,549	-	-
(7)	6	14	(12)
(969)	1,664	1,784	(678)
(3,674)	813	181	(878)
-	-	(1)	(1)
196	(40)	194	116
(818)	409	392	(1,361)
-	-	(17)	(26)
Mortgage loans			
Totalkredit mortgage loan funding			
Other loans, advances and receivables at fair value			
Bonds			
Equities			
Investment properties			
Foreign exchange			
Foreign exchange, interest rate and other contracts as well as derivative financial instruments			
Other assets			
Financial liabilities measured at fair value through profit or loss			
(792)	(7,090)	(15,615)	(5,905)
(3,054)	(6,549)	-	-
-	-	(8)	-
(5,353)	2,508	2,195	(2,921)
Issued bonds			
Totalkredit mortgage loan funding			
Other liabilities			
Total			
Of which value adjustment of hedge accounting instruments			
1	(0)	(16)	1
Fair value hedge			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
10. CLAIMS INCURRED, NET OF REINSURANCE			
-	-	871	973
-	-	3	(30)
-	-	875	943
11. STAFF AND ADMINISTRATIVE EXPENSES			
35	49	49	35
1,503	1,767	3,265	2,629
1,038	803	2,036	1,942
2,576	2,619	5,350	4,607
-	-	(109)	(102)
2,576	2,619	5,240	4,505
Remuneration of Board of Directors and Executive Board			
Board of Directors			
2	2	2	2
Executive Board			
31	35	35	31
-	9	9	-
3	3	3	3
35	49	49	35
<p>The composition of the Executive Board changed as follows in 2009: Kim Duus became a member of the Executive Board as at 15 May 2009. Niels Tørslev retired from the Executive Board as at 30 November 2009.</p>			
Terms and conditions governing the Board of Directors			
Members of the Board of Directors receive a fixed remuneration and a refund of any costs relating to board meetings.			
Annual remuneration, end-2009 (DKK)			
	Chairman	Deputy Chairman	Director
Nykredit Realkredit A/S	360,000	290,000	110,000
Nykredit Holding A/S	510,000	340,000	170,000
Foreningen Nykredit	180,000	120,000	70,000
No agreements have been made for pension plans, bonus plans or special termination benefits for members of the Board of Directors.			
No members of Nykredit Realkredit A/S's Board of Directors elected by the General Meeting serve on the boards of Nykredit Realkredit A/S's subsidiaries.			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
11. STAFF AND ADMINISTRATIVE EXPENSES (continued)			
Terms and conditions governing the Executive Board			
Members of the Executive Board receive a fixed salary covering all directorships and executive positions in Foreningen Nykredit and its group enterprises and associates. In addition to their fixed salaries, Executive Board members may opt for a company car in a price range of up to 25% of their gross salaries. The taxable value thereof came to DKK 0.8m in 2009.			
Fixed annual salary, end-2009 (DKK)			
		7,830,000	
		5,150,000	
		5,150,000	
		5,150,000	
		5,150,000	
		5,150,000	
No agreements have been made on pension plans for Executive Board members, but they may resign on attaining the age of 60 and are entitled to receive early retirement benefits for up to five years equal to 65% of their gross salaries until attaining the age of 70. Similarly, Nykredit may request a member of the Executive Board to accept early retirement benefits in this period. The early retirement benefit scheme is expected to be utilised in part or in full. Provisions have therefore been made in the Financial Statements for 2009.			
Members of the Executive Board are subject to a mutual term of notice of six months. Upon resignation at Nykredit's request, an Executive Board member is entitled to termination benefits equal to 24 months' gross salary.			
Staff expenses			
1,255	1,484	2,751	2,208
133	151	274	222
114	132	239	199
1,503	1,767	3,265	2,629
"Salaries" includes the Nykredit Realkredit Group's proportionate share of a share-based compensation programme for the staff of the joint venture JN Data A/S. The compensation programme is based on shares in the joint venture partner Jyske Bank A/S.			
Number of staff			
2,520	2,650	4,610	4,507
Audit fees			
5	6	20	13
2	2	13	7
In addition to the fees mentioned above, expenses relating to the activities of the Group's Internal Audit have been paid.			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
12. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
Intangible assets			
476	531	545	491
-	-	14	1
Property, plant and equipment			
52	61	164	139
-	-	70	151
528	592	793	782
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES			
13 a. Effect on income statements			
90	872	6,649	866
68	125	362	273
23	166	855	130
191	-	-	210
(37)	(27)	(33)	(45)
335	1,136	7,833	1,434
9	70	93	9
1	11	11	1
-	-	(18)	-
344	1,216	7,919	1,443
13 b. Specification of provisions for loan impairment and guarantee debtors			
180	1,053	9,553	2,904
230	354	812	449
410	1,407	10,364	3,353
Total provisions are offset against the following items/notes			
309	732	931	342
101	676	1,011	123
-	-	7,812	2,784
-	-	610	106
410	1,407	10,364	3,353

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)			
13 c. Individual provisions for loan impairment and guarantee debtors			
91	180	2,904	176
-	-	-	1,863
128	992	7,717	981
(30)	(56)	(492)	(63)
(8)	(63)	(577)	(52)
180	1,053	9,553	2,904
-	-	610	106
13 d. Collective impairment provisions			
162	230	449	173
-	-	-	3
104	210	497	309
(36)	(86)	(135)	(36)
230	354	812	449
13 e. Specification of loans and advances subject to objective evidence of impairment			
447	4,636	16,088	3,948
180	1,053	8,943	2,392
267	3,584	7,146	1,556
385,131	485,931	975,327	843,147
230	354	812	449
384,901	485,577	974,516	842,698
14. PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
124	(3)	(125)	123
290	(2,627)	-	-
414	(2,630)	(125)	123
15. TAX			
Tax on profit for the year has been calculated as follows:			
(100)	915	11	2
(252)	(50)	50	(173)
(3)	(21)	(19)	(3)
(17)	8	8	(12)
(371)	851	50	(186)
Tax on profit for the year can be specified as follows:			
(978)	433	44	(220)
Tax effect of:			
(468)	(525)	(530)	(1,184)
1,095	956	547	1,234
(20)	(13)	(11)	(15)
(371)	851	50	(186)
9.5	49.2	28.1	21.1

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2008	2009	2009	2008	
16. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
6,896	11,636	Receivables at call with central banks	12,529	17,212
51,115	24,665	Receivables from credit institutions	48,578	55,865
58,010	36,301	Total	61,107	73,077
13,769	2,414	Of which prepaid funds, including prepayments at par and proceeds from the issue of fixed-price agreements	5,414	14,069
By time-to-maturity				
17,233	12,286	Demand deposits	31,756	17,362
34,428	21,414	Up to 3 months	28,901	49,585
-	-	Over 3 months and up to 1 year	450	3,332
2,150	-	Over 1 year and up to 5 years	-	6
4,200	2,600	Over 5 years	-	2,793
58,010	36,301	Total	61,107	73,077
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
505,115	550,598	Mortgage loans	981,227	895,463
318	(91)	Arrears and outlays	(236)	422
-	39	Other loans and advances	12,001	24,545
-	7,496	Lending to Totalkredit serving as security in Capital Centre E	-	-
315,229	399,307	Totalkredit mortgage loan funding	-	-
820,662	957,350	Total	992,992	920,430
Mortgage loans				
486,036	515,906	Balance, beginning of year, nominal value	916,582	849,211
94,188	102,790	New loans	227,000	183,030
942	926	Indexation	926	942
(2,255)	822	Foreign currency translation adjustment	822	(2,255)
(13,579)	(12,226)	Ordinary principal payments	(18,005)	(18,615)
(49,425)	(54,306)	Prepayments and extraordinary principal payments	(142,110)	(95,731)
515,906	553,913	Balance, year-end, nominal value	985,216	916,582
(31)	(129)	Loans transferred relating to properties in temporary possession	(129)	(31)
274	273	Loans assumed by the Danish Agency for Governmental Management	273	274
516,149	554,058	Total nominal value	985,361	916,826
(10,725)	(2,728)	Adjustment for interest rate risk	(3,204)	(21,021)
Adjustment for credit risk				
(80)	(377)	Individual impairment provisions	(377)	(80)
(230)	(354)	Collective impairment provisions	(554)	(262)
505,115	550,598	Balance, year-end, fair value	981,227	895,463
22,712	22,687	In addition to mortgages on real property, supplementary guarantees for loans received total	28,049	27,840
2,859	2,694	Total interim loan guarantees received	13,281	19,947

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)			
Mortgage loans at nominal value by property category			
Loans and advances as %, year-end			
32	34	61	60
2	2	3	3
18	20	11	10
10	8	4	6
5	5	3	3
14	12	7	8
17	17	10	10
2	2	1	1
-	-	-	-
100	100	100	100
Arrears and outlays			
405	558	766	531
14	27	9	13
(101)	(676)	(1,011)	(123)
318	(91)	(236)	422
By time-to-maturity			
Mortgage loans and arrears and other loans			
2,089	2,439	14,402	22,926
12,257	12,092	12,095	21,536
8,365	11,174	12,143	33,059
482,722	524,841	954,352	842,908
505,433	550,546	992,992	920,430
Time-to-maturity for loans and other receivables is based on fair value.			
Lending to Totalkredit serving as security in Capital Centre E			
By time-to-maturity			
-	-	-	-
-	-	-	-
-	7,496	-	-
-	-	-	-
-	7,496	-	-
Totalkredit mortgage loan funding			
250,569	321,411	-	-
132,289	200,218	-	-
(1,749)	(2,213)	-	-
(59,699)	(121,540)	-	-
321,411	397,876	-	-
(6,182)	1,431	-	-
315,229	399,307	-	-

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)			
By time-to-maturity			
Totalkredit mortgage loan funding			
42,170	64,513	-	-
2,488	114,178	-	-
91,635	72,234	-	-
178,936	148,383	-	-
315,229	399,307	-	-
Time-to-maturity for Totalkredit mortgage loan funding is based on fair value.			
18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-	68,721	75,517
104	82	-	-
-	-	82	103
684	1,077	1,077	984
788	1,159	69,879	76,604
Adjustment for credit risk			
-	-	(7,554)	(2,596)
-	-	(258)	(187)
788	1,159	62,067	73,821
(66)	(55)	(55)	(66)
722	1,103	62,011	73,755
The Nykredit Realkredit Group hedges the interest rate risk of fixed-rate bank loans and advances on a current basis using derivatives. This enables the Group to manage its overall interest rate sensitivity taking into consideration the expected interest rate development.			
The marking-to-market of the bank loan portfolio as a result of the use of hedge accounting has been recognised under "Other assets" or "Other liabilities".			
-	-	2,641	2,643
By time-to-maturity			
Loans and advances			
-	-	20,745	29,901
1	1	12,342	12,658
4	3	6,668	6,974
3	14	11,488	13,361
780	1,140	10,824	10,926
788	1,159	62,067	73,821
Non-accrual loans or loans carrying a reduced interest rate			
-	-	5,208	1,263
-	-	672	7

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)			
Finance leases			
Of total loans and advances at amortised cost, finance leases represent			
-	-		
	-	Balance, beginning of year	1,849
-	-	Additions	952
-	-	Disposals	(952)
-	-	Balance, year-end	1,849
-	-	Impairment provisions for finance leases represent	46
-	-	Non-guaranteed residual values on expiry of the leases represent	-
By time-to-maturity			
-	-	Up to 3 months	208
-	-	Over 3 months and up to 1 year	407
-	-	Over 1 year and up to 5 years	1,090
-	-	Over 5 years	144
-	-	Total	1,849
Where loans and advances under finance leases are concerned, amortised cost represents the fair value thereof. The leases comprise equipment as well as real property. The leases have been concluded on an arm's length basis.			
Gross investments in finance leases			
By time-to-maturity			
-	-	Up to 3 months	-
-	-	Over 3 months and up to 1 year	631
-	-	Over 1 year and up to 5 years	1,283
-	-	Over 5 years	167
-	-	Total	2,081
-	-	Non-earned income	232
The finance lease terms range from 1 to 6 years.			
Bank lending by sector and industry			
Loans and advances as %, year-end			
-	-	Public sector	0
Corporate customers			
-	-	Agriculture, hunting and forestry	3
-	-	Fisheries	0
-	-	Manufacturing industries, extraction of raw materials, utilities	9
-	-	Building and construction	2
-	-	Trade, restaurants and hotels	5
-	-	Transport, mail and telephone	3
-	-	Credit, finance and insurance	14
-	-	Property management and trade, business services	25
-	-	Other trade and industry	13
-	-	Total corporate customers	74
-	-	Retail customers	26
-	-	Total	100
The sector distribution is based on the official Danish activity codes.			

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2008	2009		2009	2008
19. BONDS AT FAIR VALUE				
77,962	99,401	Own SDOs	195,665	129,125
45,118	91,320	Own ROs	117,784	69,847
54,065	35,418	Other ROs	56,427	78,243
6,547	11,181	Government bonds	17,050	8,176
8,670	4,515	Other bonds	10,301	17,877
192,362	241,835	Total	397,227	303,268
(45,118)	(91,320)	Set-off of own ROs against "Issued bonds at fair value" – note 30	(117,784)	(69,847)
(77,911)	(99,373)	Set-off of own SDOs against "Issued bonds at fair value" – note 30	(195,638)	(129,075)
(3,718)	(45)	Set-off of own junior covered bonds against "Issued bonds at fair value" – note 30	(1,658)	(3,908)
(51)	(28)	Set-off of own SDOs against "Issued bonds at amortised cost" – note 31	(28)	(51)
-	-	Set-off of own other bonds against "Issued bonds at amortised cost" – note 31	(248)	(657)
65,564	51,070	Net	81,871	99,731
210	935	Of which drawn bonds	7,201	940
48,507	62,109	Bond holdings stemming from prepaid funds, including immediate prepayments at par, and proceeds from the issue of fixed-price agreements.	70,364	48,507
76,750	37,609	As collateral security for the Danish central bank (Danmarks Nationalbank), the Danish FUTOP clearing centre and foreign clearing centres, bonds have been deposited of a total market value of	62,636	128,297
		Collateral security was provided on an arm's length basis.		
20. EQUITIES				
2,999	4,025	Equities measured at fair value through profit or loss	1,809	1,585
-	-	Equities available for sale	2,941	2,118
2,999	4,025	Total	4,750	3,702

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2008	2009		2009	2008
20. EQUITIES (continued)				
Equities measured at fair value through profit or loss				
1,862	2,772	Listed on NASDAQ OMX Copenhagen A/S	193	143
250	338	Listed on other stock exchanges	343	298
886	915	Unlisted equities carried at fair value	1,272	1,144
2,999	4,025	Total	1,809	1,585
Specification of equities measured at fair value and recognised in equity				
-	-	Portfolio, beginning of year	2,118	4,960
-	-	- Additions	75	-
-	-	- Additions relating to acquisition of subsidiary	-	1
-	-	- Market value adjustment	748	(2,843)
-	-	Portfolio, year-end	2,941	2,118
Equities in Jyske Bank A/S, Sydbank A/S, Spar Nord Bank A/S, Amagerbanken A/S, Jeudan A/S, DADES A/S and VP Securities A/S have been classified as equities available for sale. Equities available for sale are fair value-adjusted until a potential sale and recognised in equity.				
Equities available for sale, fair value-adjusted against equity				
-	-	- Listed on NASDAQ OMX Copenhagen A/S	2,628	1,794
-	-	- Unlisted equities measured at fair value	313	324
-	-	Total	2,941	2,118
21. INVESTMENTS IN ASSOCIATES				
148	158	Acquisition cost, beginning of year	62	88
38	2	Additions	7	2
(27)	(3)	Disposals	(3)	(27)
158	158	Acquisition cost, year-end	67	62
40	10	Revaluations and impairment losses, beginning of year	18	49
14	(3)	Profit (loss)	13	13
(2)	(13)	Dividend	(13)	(2)
(0)	-	- Other movements in capital	-	(0)
(43)	-	- Reversal of revaluations and impairment losses	-	(43)
10	(6)	Revaluations and impairment losses, year-end	18	18
168	151	Balance, year-end	84	81
90	91	Of which proportionate consolidation	-	-

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2008	2009		2009	2008
22. INVESTMENTS IN GROUP ENTERPRISES				
15,148	19,712	Acquisition cost, beginning of year	-	-
(21)	1	Foreign currency translation adjustment	-	-
4,584	6,404	Additions	-	-
-	(135)	Disposals	-	-
19,712	25,981	Acquisition cost, year-end	-	-
3,626	3,891	Revaluations and impairment losses, beginning of year	-	-
2	(0)	Foreign currency translation adjustment	-	-
290	(2,627)	Profit (loss)	-	-
-	5	Reversal of revaluations and impairment losses	-	-
(27)	(10)	Other movements in capital	-	-
3,891	1,259	Revaluations and impairment losses, year-end	-	-
23,603	27,240	Balance, year-end	-	-
21,531	24,742	Of which credit institutions	-	-
Subordinate receivables				
6,350	2,600	Group enterprises	-	-
1,698	1,527	Other enterprises	2,284	2,279
8,048	4,127	Total	2,284	2,279
23. INTANGIBLE ASSETS				
2,759	2,759	Goodwill	2,769	2,769
2,169	1,791	Fixed-term rights	1,832	2,214
110	65	Software	77	135
88	159	Development projects in progress	159	88
126	108	Customer relationships	108	126
5,252	4,882	Total	4,944	5,332
Goodwill				
2,094	2,759	Acquisition cost, beginning of year	2,769	2,094
852	-	Additions	-	862
(188)	-	Disposals	-	(188)
2,759	2,759	Acquisition cost, year-end	2,769	2,769
2,759	2,759	Balance, year-end	2,769	2,769
Goodwill of DKK 1,907m (2008: DKK 1,907m) relates to the business area Business Partners.				
Goodwill of DKK 852m (2008: DKK 852m) relates to the business area Forstædernes Bank.				

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
23. INTANGIBLE ASSETS (continued)			
Goodwill (continued)			
Goodwill has not been amortised, and an impairment test provided no evidence of goodwill impairment relating to the acquisition of Totalkredit A/S and Forstædernes Bank A/S.			
The impairment test compared the discounted value of estimated future cash flows with the carrying amount.			
The impairment test for Totalkredit is based on the following assumptions:			
Future cash flows are based on the realised results for 2009 and projections for the following five years. The terminal value for the period 2014 onwards has been determined based on an assumption of annual growth in profit. Furthermore, the following assumptions apply to the impairment test of Totalkredit.			
		1,907	
Purchased goodwill		10%	
Required rate of return before tax		9.5%	
Estimated avg annual growth from 2009 to 2014		2%	
Estimated avg annual growth from 2014 onwards			
The impairment test for Forstædernes Bank is based on the following assumptions:			
Future cash flows are based on the realised results for 2009 and projections for the following 50 years. It is assumed that the terminal value at end-2060 will equal the book value at that time. Furthermore, the following assumptions apply to the impairment test of Forstædernes Bank.			
		852	
Purchased goodwill		10%	
Required rate of return before tax		4.5%	
Average annual business growth			
Fixed-term rights			
3,310	4,229	4,298	3,357
919	70	71	941
4,229	4,299	4,369	4,298
Acquisition cost, beginning of year			
Acquisitions			
1,647	2,060	2,084	1,665
414	448	453	419
2,060	2,508	2,537	2,084
Amortisation and impairment losses, beginning of year			
Amortisation for the year			
2,169	1,791	1,832	2,214
Balance, year-end			
5	4	4	5
Fixed-term rights are amortised over a period of up to nine years.			
Residual amortisation period at 31 December (number of years)			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
23. INTANGIBLE ASSETS (continued)			
Software			
273	321	379	302
-	-	-	29
-	-	11	-
-	-	(3)	-
48	20	20	48
321	341	407	379
Amortisation and impairment losses, beginning of year			
153	211	243	167
-	-	-	8
58	65	87	68
-	-	(1)	-
211	276	330	243
Balance, year-end			
110	65	77	135
Software is amortised over a period of up to four years.			
2	1	1	2
Development projects in progress			
79	88	88	79
57	91	91	57
(48)	(20)	(20)	(48)
88	159	159	88
Balance, year-end			
88	159	159	88
Customer relationships			
-	130	130	-
130	-	-	130
130	130	130	130
Amortisation and impairment losses, beginning of year			
-	4	4	-
4	18	18	4
4	22	22	4
Balance, year-end			
126	108	108	126
Customer relationships are amortised over a period of up to 13 years.			
13	12	12	13

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
24. LAND AND BUILDINGS			
-	-	69	70
25	25	1,479	1,512
0	-	287	134
25	25	1,836	1,716
Investment properties			
-	-	70	71
-	-	(1)	(1)
-	-	69	70
-	-	69	70
-	-	5	5
Rental income under non-cancellable operating leases			
-	-	1	1
-	-	6	5
-	-	62	64
-	-	69	70
Owner-occupied properties			
291	20	1,493	1,495
0	0	13	9
-	-	2	-
(271)	-	(19)	(11)
20	20	1,489	1,493
118	6	291	322
-	-	-	1
2	-	3	9
(114)	-	(16)	(41)
6	6	278	291
52	1	273	242
0	0	19	19
-	-	1	13
(51)	-	(5)	(2)
1	2	288	273
25	25	1,479	1,512
9	8	15	16
<p>Owner-occupied properties are depreciated over a period of 20-50 years.</p> <p>Residual depreciation period at 31 December (number of years)</p> <p>The latest revaluation of owner-occupied properties was made at end-2009.</p> <p>The valuations were carried out by an internal valuer based on the return method. In 2009 the required rate of return ranged between 4.75% and 7.5% depending on the nature, location and state of repair of the owner-occupied property.</p>			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
24. LAND AND BUILDINGS (continued)			
Plant under construction			
3	0	291	62
-	-	225	232
(2)	(0)	(3)	(2)
0	-	513	291
-	-	(157)	(19)
-	-	(69)	(138)
-	-	(226)	(157)
0	-	287	134
0	-	287	134
25. OTHER PROPERTY, PLANT AND EQUIPMENT			
524	597	1,258	927
-	-	-	233
79	113	162	153
(6)	(18)	(55)	(55)
597	691	1,365	1,258
368	409	856	652
-	-	-	143
45	60	143	108
(4)	(16)	(39)	(48)
409	453	961	856
188	239	404	402
4	4	3	4
26. ASSETS IN TEMPORARY POSSESSION			
52	159	191	70
52	159	191	70
<p>The Nykredit Group receives mortgages on real property as security for loans. If the Group repossesses a mortgaged property to reduce its loss on the non-performing exposure, the Group will seek to realise the mortgaged property at the highest obtainable price within 12 months. The assets are recognised under "Group items" in the segment financial statements.</p>			

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2008	2009		2009	2008
		27. OTHER ASSETS		
9,701	11,808	Interest and commission receivable	10,522	11,393
872	1,068	Receivables from group enterprises	-	-
4,638	2,981	Positive market value of derivative financial instruments	21,310	25,380
123	142	Defined benefit plans	142	123
-	-	Receivable relating to reinsurance	22	72
273	306	Other assets	625	705
15,607	16,306	Total	32,622	37,673
		Changes in receivables relating to reinsurance for the year		
-	-	Balance, beginning of year	72	106
-	-	Utilised for the year	(47)	(64)
-	-	Provision for the year	(3)	34
-	-	Adjustment for the year as a result of changes to the discount rate and discount period	3	3
-	-	Reversal of unutilised amounts	(4)	(7)
-	-	Balance, year-end	22	72
		Defined benefit plans		
		The great majority of the Group's pension plans are defined contribution plans under which contributions are paid to insurance companies. These contributions have been charged against income on a current basis, cf note 11.		
		The Group's defined benefit plans are funded through payments from Nykredit Realkredit A/S and from staff into pension funds acting in the members' interest by investing the payments made to cover the pension obligations. The pension funds are subject to the legislation on company pension funds. The plans are closed to new members and concern staff employed before 1972.		
(530)	(558)	Present value of defined benefit plans	(558)	(530)
652	700	Fair value of plan assets	700	652
123	142	Net assets, year-end	142	123
(542)	(530)	Obligation, beginning of year	(530)	(542)
(26)	(31)	Calculated interest expenses relating to the obligation	(31)	(26)
(7)	(54)	Actuarial gains/losses	(54)	(7)
3	5	Past service costs	5	3
43	52	Pension benefits paid	52	43
(530)	(558)	Obligation, year-end	(558)	(530)
712	652	Plan assets, beginning of year	652	712
46	57	Expected return on plan assets	57	46
(61)	21	Actuarial gains/losses	21	(61)
-	22	Contributions	22	-
(45)	(52)	Pension benefits paid	(52)	(45)
652	700	Plan assets, year-end	700	652

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2008	2009	2009	2008	
27. OTHER ASSETS (continued)				
Pension costs/income relating to defined benefit plans recognised in the income statement				
(26)	(31)	Calculated interest expenses relating to the benefits	(31)	(26)
46	57	Expected return on plan assets	57	46
3	5	Past service costs	5	3
(69)	(33)	Actuarial gains (losses) for the year	(33)	(69)
(47)	(2)	Total	(2)	(47)
Expenses/income have/has been recognised under "Staff and administrative expenses"				
Plan assets break down as follows:				
114	-	Equities	-	114
632	758	Bonds	758	632
38	45	Cash and other receivables	45	38
(132)	(103)	Tax	(103)	(132)
652	700	Total plan assets	700	652
Return on plan assets before tax				
(51)	49	Actual return on plan assets	49	(51)
46	57	Expected return on plan assets	57	46
(96)	(9)	Actuarial losses on plan assets	(9)	(96)

Actuarial calculation assumptions

	2009	2008	2007	2006	2005
Expected return on plan assets, %	5.5-6.3	5.5-6.3	4.6-5.5	4.0-6.5	7
Discount rate (average), %	5,0	4,8	4,1	4,1	3,9
Wage rate, %	2	2	3	2	2

Net asset and experience changes

The Nykredit Realkredit Group's pension obligations for this year and the preceding four years are as follows:

	2009	2008	2007	2006	2005
Plan liabilities	(558)	(530)	(542)	(702)	(823)
Plan assets	700	652	712	772	836
Over-/underfunding	142	122	170	70	13
Experience adjustments on plan liabilities	(54)	(7)	142	98	(66)
Experience adjustments on plan assets	21	(61)	(87)	(43)	76

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
28. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS			
27,411	59,813	81,724	48,967
73,500	37,526	37,589	113,582
100,911	97,339	119,313	162,549
By time-to-maturity			
657	605	6,068	3,691
100,254	95,574	108,810	151,715
-	1,161	2,422	3,785
-	-	1,901	3,247
-	-	112	112
100,911	97,339	119,313	162,549
29. DEPOSITS AND OTHER PAYABLES			
-	-	35,495	26,216
-	-	4,705	4,091
-	-	21,035	28,145
-	-	3,249	2,724
-	-	64,483	61,177
By time-to-maturity			
-	-	35,739	27,309
-	-	20,899	18,863
-	-	4,022	12,311
-	-	1,742	1,043
-	-	2,080	1,650
-	-	64,483	61,177
30. ISSUED BONDS AT FAIR VALUE			
556,134	484,020	590,822	677,972
348,006	598,715	598,715	348,006
12,932	15,443	15,443	12,932
917,073	1,098,178	1,204,979	1,038,910
(126,747)	(190,738)	(315,080)	(202,829)
790,326	907,439	889,899	836,081

Of the total fair value adjustment of issued SDOs and mortgage bonds in 2009, DKK 0m (2008: DKK 0m) represents a change in the fair value of own credit risk. Of the accumulated effect, DKK 0m represents changes in 2009 (2008: DKK 0m).

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2008	2009		2009	2008
30. ISSUED BONDS AT FAIR VALUE (continued)				
30.a. Mortgage bonds				
570,887	488,785	Mortgage bonds at nominal value	597,493	696,839
(14,753)	(4,764)	Fair value adjustment	(6,672)	(18,867)
556,134	484,020	Mortgage bonds at fair value	590,822	677,972
(45,118)	(91,320)	Own mortgage bonds transferred from "Bonds at fair value" – note 19	(117,784)	(69,847)
511,016	392,700	Total	473,038	608,124
229	308	Of which pre-issuance	308	229
33,453	29,620	Drawn for redemption at next creditor settlement date	31,049	35,690
30.b. SDOs (særligt dækkede obligationer)				
350,197	595,149	SDOs at nominal value	595,149	350,197
(2,190)	3,566	Fair value adjustment	3,566	(2,190)
348,006	598,715	SDOs at fair value	598,715	348,006
(77,911)	(99,373)	Own SDOs transferred from "Bonds at fair value" – note 19	(195,638)	(129,075)
270,096	499,341	Total	403,077	218,932
1,307	850	Of which pre-issuance	850	1,307
95,096	166,028	Drawn for redemption at next creditor settlement date	166,028	95,096
30.c. Junior covered bonds				
13,000	15,384	Junior covered bonds at nominal value	15,384	13,000
(68)	59	Fair value adjustment	59	(68)
12,932	15,443	Junior covered bonds at fair value	15,443	12,932
(3,718)	(45)	Own junior covered bonds transferred from "Bonds at fair value" – note 19	(1,658)	(3,908)
9,214	15,397	Total	13,784	9,024
5,000	-	Drawn for redemption at next creditor settlement date	-	5,000
By time-to-maturity				
131,579	198,737	Up to 3 months	203,134	133,784
69,122	253,420	Over 3 months and up to 1 year	255,316	70,927
138,442	271,150	Over 1 year and up to 5 years	282,485	152,421
577,930	374,870	Over 5 years	464,044	681,778
917,073	1,098,178	Total	1,204,979	1,038,910

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
31. ISSUED BONDS AT AMORTISED COST			
-	-	44,278	21,162
103	88	88	103
86	134	163	108
66	55	55	66
255	277	44,585	21,439
By time-to-maturity			
-	-	-	3,018
0	0	23,566	4,110
19	11	16,600	1,420
75	179	4,135	12,470
161	88	284	421
255	277	44,585	21,439
32. OTHER LIABILITIES			
17,281	18,626	24,081	26,296
2,213	2,107	19,303	21,877
3,473	3,208	3,140	3,411
699	1,363	2,765	1,697
23,667	25,304	49,289	53,282
33. PROVISIONS FOR DEFERRED TAX			
Deferred tax			
490	33	(291)	484
(33)	-	-	-
-	-	0	(399)
(251)	(50)	47	(166)
(17)	8	24	(15)
-	-	(3)	(7)
230	-	-	230
33	-	-	33
(417)	-	-	(417)
33	(9)	(223)	(291)
Deferred tax recognised in the balance sheet as follows:			
(818)	(790)	(1,072)	(1,213)
851	781	849	922
33	(9)	(223)	(291)

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
33. PROVISIONS FOR DEFERRED TAX (continued)			
Deferred tax relates to:			
(4)	(4)	12	(99)
5	(2)	(4)	(4)
(15)	(41)	(41)	(15)
574	475	478	579
50	59	109	111
2	2	(130)	(122)
(75)	-	(151)	(240)
(85)	(91)	(85)	(76)
(461)	(499)	(502)	(467)
43	93	93	43
33	(9)	(223)	(291)
Deferred tax assets not recognised in the balance sheet:			
0	0	72	51
0	0	72	51
The asset has not been recognised, as the Group is examining whether it will crystallise. The asset is not likely to crystallise in the near future.			
34. CURRENT TAX ASSETS AND LIABILITIES			
Current tax assets			
59	116	415	95
-	-	-	34
-	(116)	(116)	(25)
100	-	1,266	322
(46)	-	(251)	(14)
3	-	13	3
116	0	1,328	415
Current tax liabilities			
-	-	72	15
-	(116)	(116)	(26)
-	915	1,277	324
-	(58)	(203)	(242)
-	(21)	(22)	-
-	720	1,008	72

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
35. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS			
179	209	232	197
-	-	-	5
(4)	(8)	(8)	(5)
57	101	95	62
(3)	(4)	(4)	(4)
(19)	(21)	(21)	(22)
209	276	294	232
36. INSURANCE OBLIGATIONS			
-	-	1,594	1,702
-	-	(1,124)	(1,171)
-	-	1,003	1,063
-	-	51	44
-	-	(77)	(44)
-	-	1,448	1,594
37. REPAYABLE RESERVES IN PRE-1972 SERIES			
110	102	102	110
(15)	(5)	(5)	(15)
7	10	10	7
102	107	107	102
38. PROVISIONS FOR LOSSES UNDER GUARANTEES			
-	-	106	-
-	-	-	14
-	-	603	92
-	-	(99)	-
-	-	610	106
39. OTHER PROVISIONS			
767	19	26	769
-	-	-	4
-	(2)	(10)	-
(750)	-	-	(750)
2	11	170	4
-	(2)	(2)	-
-	(1)	(3)	-
19	25	182	26

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2008	2009	2009	2008	
		40. SUBORDINATE LOAN CAPITAL AND HYBRID CORE CAPITAL		
		Subordinate loan capital consists of financial liabilities including hybrid core capital which, in case of voluntary or compulsory liquidation, will not be repaid until after the claims of ordinary creditors have been met.		
		Subordinate loan capital is included in the capital base in accordance with sections 124, 132 and 136 of the Danish Financial Business Act.		
		Subordinate loan capital		
-	-	Nom EUR 10m. The loan falls due at par (100) on 31 October 2015 and carries a floating interest rate.	74	75
-	-	Nom DKK 75m. The loan falls due at par (100) on 29 March 2014 and carries a floating interest rate.	75	75
-	-	Nom DKK 100m. The loan was prepaid in 2009 and carried a fixed interest rate.	-	100
-	-	Nom DKK 100m. The loan falls due at par (100) on 24 September 2013 and carries a floating interest rate.	100	100
-	-	Nom NOK 125m. The loan falls due at par (100) on 29 September 2014 and carries a floating interest rate.	111	94
-	-	Nom DKK 150m. The loan was prepaid in 2009 and carried a floating interest rate.	-	150
-	-	Nom DKK 150m. The loan falls due at par (100) on 6 May 2013 and carries a fixed interest rate.	151	148
-	-	Nom DKK 200m. The loan falls due at par (100) on 30 September 2014 and carries a floating interest rate.	200	200
-	-	Nom DKK 200m. The loan falls due at par (100) on 1 November 2014 and carries a floating interest rate.	200	200
3,720	3,656	Nom EUR 500m. The loan falls due at par (100) on 20 September 2013 and carries a floating interest rate.	3,656	3,720
3,720	3,656	Total subordinate loan capital	4,568	4,860
		Hybrid core capital		
-	-	Nom DKK 100m. The loan is perpetual and carries a floating interest rate.	100	100
-	-	Nom DKK 150m. The loan is perpetual and carries a fixed interest rate.	158	154
3,864	3,955	Nominal EUR 500m. The loan is perpetual, but may be redeemed at par (100) from 22 September 2014. The loan carries a fixed interest rate of 4.9% up to 22 September 2014, after which date it will carry a floating interest rate.	3,955	3,864
-	6,592	Nom EUR 900m. The loan is perpetual, but may be redeemed at par (100) from 1 April 2015. The loan carries an interest rate of 9% up to 1 April 2015, after which date the interest rate will be fixed every 5 years.	6,592	-
3,864	10,547	Total hybrid core capital	10,805	4,119
7,584	14,203	Total subordinate loan capital and hybrid core capital	15,372	8,979
7,584	14,202	Subordinate loan capital to be included in the capital base	15,370	8,977

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
40. SUBORDINATE LOAN CAPITAL AND HYBRID CORE CAPITAL (continued)			
-	82	82	-
	Costs relating to incurrence and repayment of subordinate loan capital		
-	-	250	-
	Extraordinary principal payments and repayment of subordinate loan capital in the financial period		
Hedge accounting			
The exposure to fair value changes in the price of the bonds as a result of changes in market rates is hedged. The Nykredit Realkredit Group has countered this risk by entering into the following interest rate swaps:			
A 10-year interest rate swap with a notional principal of EUR 500m (nominal).			
Two 5-year interest rate swaps each with a notional principal of EUR 450m (nominal).			
153	246	246	153
-	(26)	(26)	-
	Market value of interest rate swap of EUR 500m (nominal)		
	Market value of interest rate swap of EUR 900m (nominal)		
2,683	3,247	3,247	2,683
-	7,113	7,113	-
	Market value of hybrid core capital of EUR 500m (nominal)		
	Market value of hybrid core capital of EUR 900m (nominal)		

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
41. OFF-BALANCE SHEET ITEMS			
<p>The size and business scope of the Nykredit Realkredit Group continuously involve the Group in legal proceedings. For a description of significant cases, please refer to the Management's Review. Other pending cases are not expected to have a significant effect on the Nykredit Realkredit Group's financial position.</p> <p>Nykredit Realkredit A/S is jointly taxed with all the Danish group enterprises of the Foreningen Nykredit Group. Nykredit Realkredit A/S is solely liable for the part of tax which is attributable to Nykredit Realkredit A/S and which is not settled with Foreningen Nykredit via the scheme for payment of tax on account.</p> <p>The companies Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Forstædernes Bank A/S, Nykredit Leasing A/S, Nykredit Forsikring A/S and Nykredit Portefølje Adm. A/S are registered jointly where payroll tax and VAT are concerned and are jointly and severally liable for the settlement thereof.</p> <p>Nykredit Realkredit A/S is liable for the obligations of the pension funds Jyllands Kreditforenings Afviklingspensionskasse (CVR no 24256219) and Den Under Afvikling Værende Pensionskasse i Forenede Kreditforeninger (CVR no 71977714).</p> <p>Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.</p>			
-	-	8,336	8,905
1,577	1,468	10,951	10,601
1,577	1,468	19,287	19,506
Contingent liabilities			
-	-	4,394	5,235
-	-	7	8
-	-	3,935	3,663
-	-	8,336	8,905
By time-to-maturity			
-	-	3,384	
-	-	2,991	
-	-	1,961	
-	-	8,336	
<p>Determination of time-to-maturity is partly based on estimates as not all guarantees have a fixed expiry date and as the expiry date may also depend on pending registration etc. Time-to-maturity has not been calculated for 2008, but it is assumed to be more or less identical to that determined for 2009.</p>			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2008	2009	2009	2008	
41. OFF-BALANCE SHEET ITEMS (continued)				
"Government guarantee scheme"				
Nykredit Bank A/S and Forstædernes Bank A/S participate in the "government guarantee scheme", under which the Danish government has issued a two-year guarantee that covers the Danish banks enrolled on the scheme. The guarantee will remain in force until 30 September 2010.				
For the financial year 2009, just below DKK 500m has been charged to the income statement under "Other operating expenses".				
The companies also participate in a sector guarantee totalling DKK 20bn with a share estimated at DKK 1.3bn, which has been recognised under "Contingent liabilities" (off-balance sheet items). Under their guarantee obligations, the companies are liable for up to DKK 380m included under "Provisions for guarantees".				
Other contingent liabilities				
69	48	Irrevocable credit commitments	9,283	8,091
1,507	1,421	Other liabilities	1,668	2,510
1,577	1,468	Total	10,951	10,601
The Group leases properties under operating leases. The lease terms are typically between 2 and 12 years with an option for extension on expiry. No contingent lease payments are payable under the lease agreements.				
The following non-cancellable lease payments are recognised under "Other liabilities":				
125	135	Up to 1 year	167	161
418	516	Over 1 year and up to 5 years	610	268
104	110	Over 5 years	289	327
648	761	Total	1,065	756

Notes

42. RELATED PARTY TRANSACTIONS AND BALANCES

Foreningen Nykredit, the Parent Company Nykredit Holding A/S, group enterprises and associates of Nykredit Realkredit A/S as stated under "Group structure" as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

The companies have entered into agreements as a natural part of the Group's day-to-day operations. The agreements typically involve finance, guarantees, insurance, sales commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks. In 2009 no unusual related party transactions occurred and intercompany trading in goods took place on an arm's length basis.

Significant related party transactions prevailing/entered into in 2009 include:

Agreements between Nykredit Realkredit A/S and Totalkredit A/S

Master agreements on facility, credit and risk management, management and organisational development and allocation of staff-related costs.
Master agreement on the terms applicable to transactions in the securities area.
Agreement on joint funding of mortgage loans.
Nykredit Realkredit A/S has granted loans to Totalkredit A/S serving as security in Capital Centre E.
Nykredit Realkredit A/S has provided Totalkredit A/S with subordinate loan capital.

Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S

Master agreements on facility, credit and risk management, management and organisational development and allocation of staff-related costs.
Master agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas.
Nykredit Realkredit A/S has converted subordinate loan capital in Nykredit Bank A/S into share capital.
Nykredit Realkredit A/S has subscribed for additional share capital.

Agreements between Nykredit Realkredit A/S and Forstædernes Bank A/S

Master agreements on facility, credit and risk management, management and organisational development and allocation of staff-related costs.
Nykredit Realkredit A/S has converted subordinate loan capital in Forstædernes Bank A/S into share capital.
Nykredit Realkredit A/S has subscribed for additional share capital.
Agreement on bond trading in connection with settlement of mortgage loans granted by Forstædernes Bank A/S.
Agreement on portfolio management.

Agreements between Nykredit Realkredit A/S and Nykredit Mægler A/S

Master agreements on facility management, management and organisational development and allocation of staff-related costs.
Agreements on commission payable in connection with referral of lending business.

Agreements between Nykredit Realkredit A/S and Nykredit Forsikring A/S

Master agreements on facility and risk management, management and organisational development and allocation of staff-related costs.
Agreement on the employment of insurance agents at Nykredit Realkredit A/S centres, sales commission to Nykredit centres and agreement on the management of certain investments.

Agreements between Nykredit Realkredit A/S and JN Data A/S

Agreements on joint IT support etc.

Agreements between Nykredit Realkredit A/S and Nykredit Ejendomme A/S

Nykredit Realkredit A/S has granted a credit line to Nykredit Ejendomme A/S.

Agreements between Totalkredit A/S and Forstædernes Bank A/S

Agreements on commission payable in connection with referral of lending business.

Agreements between Totalkredit A/S and Nykredit Mægler A/S

Agreements on commission payable in connection with referral of lending business.

Agreements between Nykredit Bank A/S and Forstædernes Bank A/S

Master agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas.

Agreements between Nykredit Holding A/S and Nykredit Bank A/S

On specific occasions, Nykredit Holding A/S has issued guarantees or letters of comfort to third parties.

Transactions with the Board of Directors and Executive Board

Transactions involving the Board of Directors and Executive Board are disclosed in note 42.e.

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)			
42.a. Transactions with subsidiaries			
Income statement			
12,901	14,815	-	-
1,212	1,434	-	-
402	363	-	-
144	133	-	-
5,523	5,762	-	-
75	75	-	-
(193)	(380)	-	-
Asset items			
25,221	12,903	-	-
-	7,496	-	-
315,229	399,307	-	-
104	82	-	-
8,027	8,027	-	-
10,785	12,378	-	-
Liability items			
2,833	9,264	-	-
66,452	120,028	-	-
2,149	3,834	-	-
42.b. Transactions with parent companies			
Income statement			
-	-	11	17
-	-	-	1
Liability items			
-	-	335	327
-	-	-	-
-	-	-	8
42.c. Transactions with joint ventures			
Income statement			
-	-	-	-
-	-	-	-
364	409	419	364
Asset items			
-	-	-	-
3	1	1	3
Liability items			
-	-	-	-
21	24	24	21

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)			
42.d. Transactions with associates			
Income statement			
-	-	-	0
-	-	1	0
-	-	-	-
-	-	-	-
-	-	-	-
Asset items			
-	-	-	-
-	-	-	-
-	-	-	-
Liability items			
-	-	59	18
-	-	-	-
42.e. Transactions with the Board of Directors and Executive Board			
Loans, charges or guarantees granted to the members of:			
9	16	20	13
33	23	42	50
4,284	4,982	5,621	5,336
Deposits from the members of:			
-	-	3	2
-	-	0	19
-	-	147	56
Exposures with related parties have been granted on standard business terms and at market rates.			

Notes

The Nykredit Realkredit Group

DKK million

43. FAIR VALUE OF FINANCIAL INSTRUMENTS

Measurement principles for financial instruments

Financial instruments have been measured at fair value or amortised cost in the balance sheets. The table overleaf shows the fair values of all instruments compared with the carrying amounts at which the instruments have been recognised in the balance sheets.

The fair value is the amount at which financial assets may be traded, or the amount at which financial liabilities may be settled, between independent parties.

The majority of the Group's fair value assets and liabilities have been recognised based on publicly listed prices or market terms on active markets at the balance sheet date. If the market for a financial asset or liability is illiquid, or if no publicly recognised pricing exists, Nykredit has determined the fair value using recognised measurement techniques. These techniques include corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option and other models based on observable market data.

Measurement techniques have been generally applied to OTC derivatives and unlisted assets and liabilities.

Unlisted equities are measured at fair value using the EVCA (European Private Equity & Venture Capital Association) measurement guidelines for the fair value of unlisted equities, according to which the fair value is estimated as the price of an asset traded between independent parties.

In connection with the determination of the fair value of the financial instruments measured at amortised cost in the financial statements, the following methods and significant assumptions have been applied:

- The interest rate risk of certain financial instruments recognised at amortised cost has been hedged by means of derivatives, cf note 48. These financial instruments have been measured at fair value in the financial statements, cf the provisions on hedge accounting of interest rate risk.
- The carrying amounts of loans, advances and receivables as well as other financial liabilities due within 12 months are also regarded as their fair values.
- For loans, advances and receivables as well as other financial liabilities measured at amortised cost, carrying a floating interest rate and entered into on standard credit terms, carrying amounts have been estimated to correspond to the fair value.
- The fair value of fixed-rate loans measured at amortised cost has been determined based on recognised measurement methods. The credit risk on fixed-rate loans and advances has been assessed in relation to other loans, advances and receivables.
- The fair value of deposits and other payables without a fixed term has been assumed to be the value disbursable at the balance sheet date.

The table overleaf also shows the value which has not been recognised in the income statement for the financial year due to differences between financial instruments measured at amortised cost or fair value and the (unrealised) value adjustment of "Financial assets available for sale" recognised directly in equity.

Notes

The Nykredit Realkredit Group

DKK million

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)						
2009	IAS 39 category	Carrying value	Fair value	Balance	Fair value calculated on the basis of method 1 method 2	
Assets						
Cash balance and demand deposits with central banks	a)	1,828	1,828	-	1,828	-
Receivables at call with central banks	a)	12,529	12,529	-	12,529	-
Receivables from credit institutions	a+c)	48,578	48,578	-	48,578	-
Loans, advances and other receivables at fair value	b)	992,992	992,992	-	992,992	-
Loans, advances and other receivables at amortised cost	a)	62,011	61,987	(24)	-	61,987
Bonds at fair value	c)	81,871	81,871	-	80,402	1,469
Equities measured at fair value through profit or loss	c)	1,809	1,809	-	537	1,272
Equities available for sale	d)	2,941	2,941	-	2,628	313
Interest and commission receivable	a)	10,522	10,522	-	-	10,522
Derivative financial instruments	c)	21,310	21,310	-	20,908	403
Other assets	a)	869	869	-	-	869
Total		1,237,261	1,237,237	(24)	1,160,401	76,836
Liabilities and equity						
Payables to credit institutions	e)	81,724	81,745	(21)	81,745	-
Payables to central banks	e)	37,589	37,589	-	37,589	-
Deposits and other payables	e)	64,483	64,525	(42)	-	64,525
Issued bonds at fair value	b)	889,899	889,899	-	889,899	-
Issued bonds at amortised cost	e)	44,253	44,350	(97)	44,350	-
Other non-derivative financial liabilities at fair value	c)	8,902	8,902	-	8,902	-
Interest and commission payable	e)	24,081	24,081	-	-	24,081
Derivative financial instruments	c)	19,303	19,303	-	18,823	479
Other payables	e)	5,919	5,919	-	-	5,919
Subordinate loan capital	e)	15,372	15,081	291	11,529	3,552
Total		1,191,525	1,191,394	131	1,092,837	98,557
Transfer from assets				(24)		
Total balance				107		
Unrealised gains and losses recognised in equity:						
Equities available for sale				751		
Balances not recognised in the income statement				858		
Measurement methods						
Method 1: Accepted measurement methods based on market data						
Method 2: Other accepted measurement methods						
IAS 39 category						
a) Loans, advances and receivables						
b) Assets/liabilities recognised at fair value on initial recognition (fair value option)						
c) Financial assets/liabilities held for trading						
d) Financial assets available for sale						
e) Other financial liabilities						

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The Nykredit Realkredit Group

DKK million

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)						
2008	IAS 39 category	Carrying value	Fair value	Balance	Fair value calculated on the basis of method 1 method 2	
Assets						
Cash balance and demand deposits with central banks	a)	323	323	-	323	-
Receivables at call with central banks	a)	17,212	17,212	-	17,212	-
Receivables from credit institutions	a+c)	55,865	55,865	-	55,865	-
Loans, advances and other receivables at fair value	b)	920,430	920,430	-	920,430	-
Loans, advances and other receivables at amortised cost	a)	73,755	73,778	23	-	73,778
Bonds at fair value	c)	99,731	99,731	-	79,699	20,032
Equities measured at fair value through profit or loss	c)	1,585	1,585	-	440	1,144
Equities available for sale	d)	2,118	2,118	-	1,794	324
Interest and commission receivable	a)	11,393	11,393	-	-	11,393
Derivative financial instruments	c)	25,380	25,380	-	25,380	-
Other assets	a)	905	905	-	-	905
Total		1,208,697	1,208,720	23	1,101,143	107,577
Liabilities and equity						
Payables to credit institutions	e)	98,545	98,567	(22)	98,567	-
Payables to central banks	e)	64,004	64,004	-	64,004	-
Deposits and other payables	e)	61,177	61,262	(85)	-	61,262
Issued bonds at fair value	b)	836,081	836,081	-	836,081	-
Issued bonds at amortised cost	e)	20,665	20,664	1	20,664	-
Other non-derivative financial liabilities at fair value	c)	21,941	21,941	-	21,941	-
Interest and commission payable	e)	26,296	26,296	-	-	26,296
Derivative financial instruments	c)	21,877	21,877	-	21,877	-
Other payables	e)	5,128	5,128	-	-	5,128
Subordinate loan capital	e)	8,979	7,840	1,139	4,462	3,378
Total		1,164,694	1,163,660	1,034	1,067,597	96,063
Transfer from assets				23		
Total balance				1,057		
Unrealised gains and losses recognised in equity:						
Equities available for sale				(2,847)		
Balances not recognised in the income statement				(1,790)		
Measurement methods						
Method 1: Accepted measurement methods based on market data						
Method 2: Other accepted measurement methods						
IAS 39 category						
a) Loans, advances and receivables						
b) Assets/liabilities recognised at fair value on initial recognition (fair value option)						
c) Financial assets/liabilities held for trading						
d) Financial assets available for sale						
e) Other financial liabilities						

Notes

The Nykredit Realkredit Group

DKK million

44. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS

Financial instruments at fair value by measurement categories (the IFRS hierarchy)

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial instruments in the form of assets:				
Recognised as trading book:				
- Receivables from credit institutions and central banks ¹	-	12,074	-	12,074
- Other loans and advances	-	12,001	-	12,001
- Bonds at fair value	60,395	20,006	1,469	81,871
- Equities measured at fair value through profit or loss	1,016	-	793	1,809
- Positive fair value of derivative financial instruments	321	20,757	232	21,310
Recognised through the fair value option:				
- Mortgage loans, arrears and outlays	980,991	-	-	980,991
Recognised as available for sale:				
- Equities available for sale	2,628	-	313	2,941
Total	1,045,351	64,839	2,807	1,112,997
Financial instruments in the form of liabilities:				
Recognised as trading book:				
- Payables to credit institutions and central banks ¹	-	55,998	-	55,998
- Other non-derivative financial liabilities at fair value	8,451	451	-	8,902
- Negative fair value of derivative financial instruments	116	18,920	267	19,303
Recognised through the fair value option:				
- Issued bonds at fair value	889,899	-	-	889,899
Total	898,465	75,369	267	974,101

¹ "Receivables from credit institutions and central banks" and "Payables to credit institutions and central banks" consist of genuine sale and repurchase transactions as well as genuine purchase and resale transactions recognised at fair value, cf note 46.

Comparative figures for 2008 are not disclosed, cf the commencement provisions of IFRS 7.

Listed prices

The Group's assets and liabilities at fair value are to the widest extent possible recognised at listed prices or prices quoted in an active market or authorised market place.

Observable inputs

When an instrument is not traded in an active market, measurement is based on observable inputs and using generally accepted calculation methods, valuation and estimation techniques such as discounted cash flows and option models.

Observable inputs are typically yield curves, volatility and market prices of similar instruments which are usually obtained through ordinary providers such as Reuters, Bloomberg, market makers, etc. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length. Reverse transactions and repo loans as well as unlisted derivatives generally belong in this category.

Measurement techniques are generally applied to measure derivatives and unlisted assets and liabilities.

Notes

The Nykredit Realkredit Group

DKK million

44. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

In some cases, the markets, eg the bond market, have gradually become inactive and illiquid during 2008 and 2009. As a result when assessing market transactions, it may be difficult to conclude whether the transactions were executed at arm's length or were compulsory. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discount techniques.

Unobservable inputs

When it is not possible to measure financial instruments at fair value, through active market prices or observable inputs, measurement is made on the basis of internal assumptions and extrapolation, etc. Where possible and appropriate, measurement is based on actual transactions adjusted for differences in eg the liquidity, credit spreads and maturity of the instruments. The Group's unlisted equities are generally categorised under this heading although measurement is based on the EVCA measurement guidelines.

Measurement, notably of instruments categorised as "unobservable inputs", is inherently subject to some uncertainty. Of the total assets and liabilities, DKK 2,807m and DKK 267m, respectively, can be ascribed to this category.

Notes

The Nykredit Realkredit Group

DKK million

45. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net market value				Gross market value		Net market value	Nominal value
	Up to 3 months	3 months and up to 1 year	1 year and up to 5 years	Over 5 years	Positive market value	Negative market value		
2009								
Foreign exchange contracts								
Forwards/futures, purchased	2	(5)	-	-	247	249	(2)	48,634
Forwards/futures, sold	(31)	7	-	-	48	72	(24)	58,989
Swaps	(71)	253	487	380	2,044	994	1,050	75,084
Options, purchased	10	0	-	-	10	-	10	14,867
Options, written	(6)	(0)	-	-	(0)	6	(6)	372
Interest rate contracts								
Forwards/futures, purchased	2	(2)	-	-	67	66	1	120,304
Forwards/futures, sold	168	1	-	-	201	32	169	200,833
Forward Rate Agreements, purchased	(21)	(11)	(1)	-	0	34	(34)	38,810
Forward Rate Agreements, sold	16	10	1	-	28	0	28	31,817
Swaps	(7)	(305)	232	757	16,693	16,017	676	812,843
Options, purchased	1	0	(283)	1,686	1,953	548	1,405	89,815
Options, written	0	(0)	(51)	(1,071)	3	1,125	(1,122)	38,499
Equity contracts								
Forwards/futures, purchased	(13)	-	-	-	2	14	(13)	21
Forwards/futures, sold	(2)	-	-	-	0	2	(2)	51
Options, purchased	0	0	(9)	-	9	18	(9)	84
Options, written	(0)	-	-	-	-	0	(0)	25
Credit contracts								
Credit default swaps, purchased	-	-	(20)	-	-	20	(20)	186
Credit default swaps, sold	-	-	(16)	(82)	1	99	(98)	1,174
Unsettled spot transactions	(2)	-	-	-	5	7	(2)	9,349

Notes

The Nykredit Realkredit Group

DKK million

45. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

By time-to-maturity	Net market value				Gross market value		Net market value	Nominal value
	Up to 3 months	3 months and up to 1 year	1 year and up to 5 years	Over 5 years	Positive market value	Negative market value		
2008								
Foreign exchange contracts								
Forwards/futures, purchased	(307)	(29)	(3)	-	1,064	1,403	(339)	63,366
Forwards/futures, sold	1,129	36	0	-	1,370	206	1,165	72,460
Swaps	(4)	341	923	410	3,295	1,626	1,670	72,613
Options, purchased	310	5	0	-	317	0	316	18,372
Options, written	(310)	(5)	(0)	-	0	317	(316)	18,372
Interest rate contracts								
Forwards/futures, purchased	406	1	-	-	409	2	407	147,384
Forwards/futures, sold	(656)	(87)	-	-	2	746	(743)	106,749
Forward Rate Agreements, purchased	(42)	(37)	(4)	-	-	83	(83)	31,732
Forward Rate Agreements, sold	27	17	4	-	48	-	48	11,183
Swaps	9	36	(5)	970	16,797	15,788	1,009	644,904
Options, purchased	0	8	3	1,419	1,957	527	1,430	62,699
Options, written	0	(3)	(41)	(771)	3	818	(816)	27,083
Equity contracts								
Forwards/futures, purchased	(0)	(0)	-	-	1	1	(1)	12
Forwards/futures, sold	(1)	0	-	-	4	5	(1)	63
Options, purchased	1	0	-	-	1	-	1	3
Options, written	(1)	(0)	-	-	-	1	(1)	11
Credit contracts								
Credit default swaps, purchased	-	-	-	-	-	-	-	-
Credit default swaps, sold	-	-	(45)	(90)	-	135	(135)	1,193
Unsettled spot transactions	(110)	-	-	-	111	220	(110)	42,618

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2008	2009	2009	2008
46. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS			
The Nykredit Realkredit Group applies genuine purchase and resale transactions and genuine sale and repurchase transactions in the day-to-day business operations. All transactions were entered into using bonds as the underlying asset.			
Of the asset items below, genuine purchase and resale transactions represent:			
20,082	6,869	12,074	24,463
-	39	12,001	24,545
Of the liability items below, genuine sale and repurchase transactions represent:			
23,922	54,210	55,998	31,102
-	-	451	-
	143	143	-
Assets sold as part of genuine sale and repurchase transactions:			
23,922	54,353	56,439	28,304

Notes

DKK million

The Nykredit Realkredit Group

	2009	2008
47. RISK MANAGEMENT		
The Nykredit Realkredit Group's risk and policies are described in the Management's Review under "Group Risk Management". The information below has been included as a supplement to the Management's Review.		
Credit risk		
The Group's maximum credit exposure is composed of selected balance sheet and off-balance sheet items.		
Total credit exposure		
On-balance sheet items		
Demand deposits with central banks	1,723	213
Receivables from credit institutions and central banks	61,107	73,077
Loans, advances and other receivables at fair value	992,992	920,430
Loans, advances and other receivables at amortised cost	62,011	73,755
Bonds at fair value	81,871	99,731
Equities	4,750	3,702
Other assets	32,702	37,758
Off-balance sheet items		
Guarantees	8,336	8,905
Irrevocable credit commitments	9,283	8,091
Total	1,254,776	1,225,662

Concentration risk

Pursuant to the Danish Financial Business Act, an exposure with any one customer or group of mutually connected customers may not, after subtracting particularly secure claims, exceed 25% of the capital base. Furthermore, the sum of exposures which, after deduction of particularly secure claims, amount to 10% or more of the capital base, may not add up to more than 800% of the capital base. The Nykredit Realkredit Group had no exposures in 2008 or 2009 which exceeded the said limits.

Collateral security received

The Nykredit Realkredit Group reduces the risk relating to individual transactions by entering into loss guarantees and receiving security in physical assets. The establishment of lines for trading in financial products often requires a contractual basis giving the Group access to netting. The contractual basis is typically standards such as ISDA or ISMA agreements.

Notes

The Nykredit Realkredit Group

DKK million

47. RISK MANAGEMENT (continued)

Mortgage lending by property and rating categories

The rating illustrates the customer's ability to pay but not the probability of loss. Significant security is usually provided for mortgage loans, which reduces or eliminates the risk of loss – regardless of the customer's rating.

2009	Owner-occupied housing	Private rental housing	Industry and trades	Office and retail	Agri-culture	Non-profit housing	Other	Total
Rating category								
10	37,577	817	2,501	2,415	5,499	268	78	49,156
9	40,285	3,982	2,762	8,170	13,021	4,756	844	73,820
8	77,812	17,519	4,181	8,335	23,629	25,965	3,270	160,709
7	101,179	24,248	7,228	20,040	23,504	17,413	3,844	197,454
6	144,143	11,690	2,065	11,306	13,698	3,852	2,377	189,131
5	121,804	6,037	1,611	7,143	10,551	3,042	659	150,848
4	48,789	5,366	2,795	5,331	2,485	4,418	843	70,028
3	17,266	5,853	1,494	3,667	1,458	2,537	304	32,579
2	8,907	8,514	1,153	11,446	3,130	1,388	464	35,002
1	5,198	1,832	271	1,752	1,395	580	68	11,096
0	376	870	230	802	365	37	80	2,761
Non-performing exposures	4,335	6,556	374	1,428	451	148	105	13,398
Total	607,670	93,284	26,665	81,835	99,186	64,404	12,936	985,982

2008	Owner-occupied housing	Private rental housing	Industry and trades	Office and retail	Agri-culture	Non-profit housing	Other	Total
Rating category								
10	17,888	652	1,859	2,001	6,598	418	90	29,505
9	42,268	3,777	1,576	6,734	12,878	2,707	623	70,563
8	80,190	17,532	4,866	10,013	19,749	16,913	3,607	152,871
7	107,929	19,812	8,277	15,457	18,389	12,205	2,352	184,421
6	136,003	10,905	2,085	9,201	10,924	6,133	2,869	178,120
5	107,875	5,708	1,523	9,559	10,014	4,963	725	140,367
4	50,142	5,250	977	7,925	4,041	7,048	599	75,982
3	16,216	7,013	2,508	3,744	1,888	8,814	960	41,143
2	7,358	6,069	661	7,424	2,987	3,339	490	28,328
1	3,287	2,053	434	1,251	1,263	1,529	409	10,225
0	313	1,005	194	598	339	172	75	2,695
Non-performing exposures	1,796	450	247	181	114	80	25	2,893
Total	571,267	80,227	25,206	74,087	89,183	64,321	12,824	917,114

Group mortgage lending is stated in nominal terms including arrears and disclosed by rating categories that reflect the rating of the individual customer defined as the probability of default. The rating categories range from 0 to 10, 10 being the highest rating.

Mortgage loans with low customer ratings are loans in rating categories 0 and 1 (not including loans to public sector customers) for which Nykredit's internal credit models show a probability of default of more than 7%, but which have not yet been provided for. In other words, these are loans that are associated with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan.

The category "Non-performing exposures" includes loans provided for individually and loans to customers with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan. Nykredit's rating categories are further described in the report Risk and Capital Management 2009, available at nykredit.com/reports.

Notes

The Nykredit Realkredit Group

DKK million

47. RISK MANAGEMENT (continued)

Bank lending (Nykredit Bank) by sector and rating categories

2009 Rating category	Manufacturing, building and construction	Credit and finance	Property management and trade etc	Transport, trade and hotels	Other trade and public	Retail	Total
10	745	13	83	13	219	423	1,496
9	176	11	392	59	741	510	1,889
8	1,326	572	2,611	918	1,494	776	7,697
7	733	189	3,201	557	2,196	1,173	8,049
6	615	1	1,073	189	1,031	2,386	5,295
5	612	8	1,330	85	800	2,783	5,618
4	228	19	433	128	342	2,452	3,602
3	1,764	2,527	645	902	425	1,232	7,495
2	579	410	720	99	186	513	2,507
1	18	3	142	9	138	148	458
0	20	33	105	6	15	10	189
Non-performing exposures	442	697	459	296	397	177	2,468
Total	7,258	4,483	11,194	3,261	7,984	12,583	46,763

Bank lending (Nykredit Bank) by sector and rating categories

2009 Rating category	Manufacturing, building and construction	Credit and finance	Property management and trade etc	Transport, trade and hotels	Other trade and public	Retail	Total
10	512	68	901	113	444	367	2,405
9	388	705	549	78	284	556	2,560
8	1,314	469	4,851	1,772	441	1,112	9,959
7	1,945	934	2,640	1,716	1,242	1,180	9,657
6	1,143	1,634	2,526	707	1,058	2,172	9,240
5	1,081	1,512	880	288	850	2,354	6,965
4	355	25	1,134	94	296	2,196	4,100
3	302	9	388	17	75	776	1,567
2	247	360	621	33	519	757	2,537
1	162	38	163	16	285	66	730
0	5	2	368	6	47	10	438
Non-performing exposures	35	394	207	9	13	102	760
Total	7,489	6,150	15,228	4,849	5,554	11,648	50,918

Rating categories include Nykredit Bank A/S's loans, advances and receivables at amortised cost determined before impairments. Loans with low customer ratings are loans in rating categories 0 and 1 (not including loans to public sector customers) for which Nykredit's internal credit models show a probability of default of more than 7%, but which have not been provided for. In other words, these are loans that are associated with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan.

The category "Non-performing exposures" includes loans provided for individually and loans to customers with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan. Nykredit's rating categories are further described in the report Risk and Capital Management 2009, available at nykredit.com/reports.

Notes

DKK million

The Nykredit Realkredit Group

48. HEDGE ACCOUNTING

The interest rate risk relating to fixed-rate assets and liabilities has been hedged on a current basis. The hedge comprises the following:

	Nominal value	Carrying value	Fair value
2009			
Assets			
Loans and advances	2,642	2,646	2,706
Liabilities			
Subordinate loan capital	10,829	10,959	10,772
Issued bonds	1,078	1,028	1,028
Derivative financial instruments			
Interest rate swaps, subordinate loan capital	10,829	631	631
Interest rate swaps, fixed-rate bank loans and advances	1,490	1,486	1,486
Interest rate swaps, issued bonds	1,078	1,028	1,028
Total	27,946	17,778	17,651
Gain (loss) for the year on hedging instruments		229	
Gain (loss) for the year on hedged items		(227)	
Net gain		(2)	
2008			
Assets			
Loans and advances	2,641	2,645	2,689
Liabilities			
Subordinate loan capital	4,220	4,360	3,179
Issued bonds	1,174	1,177	1,179
Derivative financial instruments			
Interest rate swaps, subordinate loan capital	4,220	648	648
Interest rate swaps, fixed-rate bank loans and advances	2,379	169	169
Interest rate swaps, issued bonds	1,174	1,179	1,179
Total	15,808	10,178	9,043
Gain (loss) for the year on hedging instruments		(189)	
Gain (loss) for the year on hedged items		189	
Net gain		-	

Notes

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2008	2009		2009	2008
49. CURRENCY EXPOSURE				
By main currency (net)				
(0)	174	USD	174	(1)
-	(3)	GBP	(1)	2
(327)	76	SEK	81	(332)
211	75	NOK	71	225
-	1	CHF	1	(33)
(12)	(169)	JPY	(169)	(10)
94	1,597	EUR	1,673	32
11	(8)	Other	(8)	(8)
(23)	1,743	Total	1,823	(125)
339	1,922	Exchange Rate Indicator 1	2,001	391
Exchange Rate Indicator 1 is determined as the sum of the higher numerical value of assets (long-term position) or net payables. Indicator 1 shows the overall foreign exchange risk.				
7	11	Exchange Rate Indicator 2	11	7
Exchange Rate Indicator 2 is based on a statistical method where historical data have been compiled by the Danish authorities and reflect the overall loss risk.				

50. IFRS DISCLOSURE REQUIREMENTS INCLUDED IN THE MANAGEMENT'S REVIEW**Information on risk**

The nature and scope of group risk are described in "Group risk management", which includes credit risk, market risk and insurance risk. Reference is made to pages 29-38.

Group liquidity and the management thereof are described in "Liquidity and funding". Reference is made to pages 47-48.

For qualitative information on group policies and risk management procedures, see "Group risk management" under "Risk and capital management" and "Group characteristics". Reference is made to pages 29-30.

Other information

For specification of equity, core capital and capital base, see page 22.

For information on subsequent events, see Management's Review under "Events occurred after the end of the financial year". Reference is made to page 26.

Notes

DKK million

The Nykredit Realkredit Group	FY/ 2009	FY/ 2008	Q4/ 2009	Q3/ 2009	Q2/ 2009	Q1/ 2009	Q4/ 2008
51. FIVE-QUARTER FINANCIAL HIGHLIGHTS							
Core income from							
Business operations	9,345	7,009	2,677	2,207	2,320	2,140	2,115
Securities	855	2,265	155	157	202	341	650
Total	10,200	9,274	2,832	2,364	2,523	2,481	2,765
Operating costs, depreciation and amortisation	6,724	5,410	1,709	1,682	1,686	1,648	1,791
Core earnings before impairment losses	3,476	3,864	1,123	682	837	833	975
Impairment losses on loans and advances	7,919	1,443	1,999	4,089	1,163	668	1,320
Core earnings after impairment losses	(4,443)	2,421	(876)	(3,407)	(326)	165	(345)
Investment portfolio income	4,718	(3,277)	658	1,686	1,751	623	(253)
Profit (loss) before costs of capital	274	(856)	(218)	(1,721)	1,425	788	(598)
Net interest on hybrid core capital	95	25	77	6	6	6	2
Profit (loss) before tax	179	(880)	(295)	(1,726)	1,419	782	(600)
Tax	50	(186)	(138)	(379)	359	208	(78)
Profit (loss) for the period	129	(695)	(157)	(1,348)	1,059	574	(521)
Profit (loss) for the year/period excluding value adjustment of strategic equities against equity	751	(2,847)	(87)	382	462	(6)	(1,443)
SUMMARY BALANCE SHEET, END OF PERIOD							
Assets							
Cash balance and receivables from credit institutions and central banks	62,936	73,400	62,936	38,055	48,010	52,710	73,400
Mortgage loans at fair value	981,227	895,463	981,227	972,080	942,634	921,397	895,463
Bank loans – excluding reverse transactions	60,908	72,733	60,908	62,333	65,802	67,937	72,733
Bonds and equities	86,620	103,434	86,620	88,736	112,219	97,960	103,434
Other assets	55,572	73,097	55,572	81,032	72,848	79,027	73,097
Total assets	1,247,263	1,218,127	1,247,263	1,242,236	1,241,514	1,219,031	1,218,127
Liabilities and equity							
Payables to credit institutions and central banks	119,313	162,549	119,313	115,755	132,244	152,961	162,549
Deposits and other payables	64,483	61,177	64,483	63,486	60,557	59,222	61,177
Issued bonds at fair value	889,899	836,081	889,899	888,380	883,736	834,419	836,081
Hybrid core capital	10,805	4,119	10,805	4,224	4,183	4,233	4,119
Supplementary capital	4,568	4,860	4,568	4,777	4,771	4,873	4,860
Other liabilities	106,955	98,964	106,955	114,110	103,554	112,394	98,964
Equity	51,241	50,377	51,241	51,503	52,469	50,930	50,377
Total liabilities and equity	1,247,263	1,218,127	1,247,263	1,242,236	1,241,514	1,219,031	1,218,127
FINANCIAL RATIOS							
Profit for the year/period as % of average equity pa	0.3	(1.3)	(1.2)	(10.4)	8.2	4.5	(4.1)
Core earnings before impairment losses as % of average equity pa	6.8	7.4	8.7	5.2	6.5	6.6	7.6
Core earnings after impairment losses as % of average equity pa	(8.7)	4.6	(6.8)	(26.2)	(2.5)	1.3	(2.7)
Provisions for loan impairment and guarantees	10,364	2,947	10,364	8,542	5,022	3,964	2,947
Impairment losses for the year/period, %	0.7	0.1	0.2	0.4	0.1	0.1	0.1
Capital adequacy ratio, %*	17.8	14.7	17.8	16.8	16.7	15.8	14.7
Core capital ratio, %*	16.7	13.5	16.7	15.5	15.5	14.6	13.5
Average number of full-time staff	4,610	4,507	4,610	4,543	4,618	4,644	4,507

* As from 1 January 2008, the capital adequacy and core capital ratios are determined in accordance with Basel II.

Notes

DKK million

Nykredit Realkredit A/S	2009	2008	2007	2006	2005
52. FIVE-YEAR FINANCIAL HIGHLIGHTS					
Net interest income	5,512	3,730	3,484	3,169	3,658
Net fee income	681	669	791	771	1,228
Net interest and fee income	6,193	4,399	4,276	3,940	4,886
Value adjustments	2,508	(5,353)	(136)	2,387	1,621
Other operating income	87	78	5	16	4
Staff and administrative expenses	2,619	2,576	2,243	2,319	2,202
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	592	528	454	407	361
Other operating expenses	0	4	0	-	-
Impairment losses on loans, advances and receivables	1,216	344	(55)	(326)	(251)
Profit (loss) from investments in associates and group enterprises	(2,630)	414	1,789	1,407	1,027
Profit (loss) before tax	1,731	(3,913)	3,291	5,350	5,226
Tax	851	(371)	394	604	829
Profit (loss) for the year	880	(3,542)	2,897	4,746	4,397
BALANCE SHEET SUMMARY					
	2009	2008	2007	2006	2005
Assets					
Cash balance and receivables from credit institutions and central banks	37,992	58,089	79,969	47,568	54,087
Mortgage lending at fair value	550,598	505,115	473,950	451,893	439,866
Totalkredit mortgage loan funding	399,307	315,229	242,622	166,063	63,453
Bonds and equities	55,094	68,563	69,892	59,604	65,476
Other assets	58,451	47,013	35,581	28,975	19,574
Total assets	1,101,443	994,008	902,014	754,103	642,456
Liabilities and equity					
Payables to credit institutions and central banks	97,339	100,911	63,210	38,101	27,859
Issued bonds	907,439	790,326	724,746	634,851	539,934
Subordinate loan capital	14,203	7,584	7,343	7,450	7,662
Other liabilities	31,220	44,810	52,268	21,714	19,862
Equity	51,241	50,377	54,447	51,987	47,139
Total liabilities and equity	1,101,443	994,008	902,014	754,103	642,456
OFF-BALANCE SHEET ITEMS					
Other commitments	1,468	1,577	1,641	1,965	1,426
FINANCIAL RATIOS ¹					
Capital adequacy ratio, %*	17.7	15.7	13.8	15.4	16.0
Core capital ratio, %*	17.0	14.8	13.0	14.7	15.0
Return on equity before tax	3.4	(7.5)	6.2	10.8	11.6
Return on equity after tax	1.7	(6.8)	5.4	9.6	9.8
Income:cost ratio, DKK	1.4	(0.13)	2.25	3.23	3.26
Foreign exchange position, %	3.5	0.7	1.8	0.5	0.6
Loans and advances:equity (loan gearing)	10.9	10.0	8.7	8.7	9.4
Growth in loans and advances for the year, %	7.3	6.2	7.0	4.3	1.6
Accumulated impairment provisions, %	0.3	0.1	0.1	0.1	0.1
Impairment losses for the year, %	0.2	0.1	(0.0)	(0.1)	(0.1)

¹ Financial ratios are based on the definitions and guidelines of the Danish Financial Supervisory Authority.

* As from 1 January 2008, the capital adequacy and core capital ratios are determined in accordance with Basel II.

Notes

DKK million

The Nykredit Realkredit Group	2009	2008	2007	2006	2005
52. FIVE-YEAR FINANCIAL HIGHLIGHTS (continued)					
Net interest income	11,230	7,866	6,641	5,653	5,988
Net fee income	572	216	370	401	1,034
Net interest and fee income	11,802	8,082	7,011	6,054	7,022
Net premiums earned	1,333	1,285	1,214	1,183	1,152
Value adjustments	2,195	(2,921)	921	1,516	444
Other operating income	353	349	387	235	157
Claims incurred, net of reinsurance	875	943	895	896	938
Staff and administrative expenses	5,240	4,505	3,809	3,536	3,204
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	793	782	541	500	549
Other operating expenses	551	126	3	2	5
Impairment losses on loans, advances and receivables	7,919	1,443	(67)	(369)	(245)
Profit (loss) from investments in associates	(125)	123	34	24	18
Profit (loss) before tax	179	(880)	4,387	4,447	4,342
Tax	50	(186)	1,024	1,120	1,162
Profit (loss) for the year	129	(695)	3,363	3,327	3,180
Profit (loss) for the year excluding value adjustment of strategic equities against equity	751	(2,847)	(465)	1,419	1,217
BALANCE SHEET SUMMARY					
Assets					
Cash balance and receivables from credit institutions and central banks	62,936	73,400	82,645	57,516	67,664
Mortgage loans at fair value	981,227	895,463	823,228	758,132	699,116
Bank loans – excluding reverse transactions	60,908	72,733	39,660	28,983	19,870
Bonds and equities	86,620	103,434	98,589	89,005	79,788
Other assets	55,572	73,097	30,937	23,528	23,576
Total assets	1,247,263	1,218,127	1,075,058	957,164	890,014
Liabilities and equity					
Payables to credit institutions and central banks	119,313	162,549	115,875	84,512	55,322
Deposits and other payables	64,483	61,177	31,581	22,165	21,808
Issued bonds at fair value	889,899	836,081	796,403	751,560	718,041
Subordinate loan capital	15,372	8,979	7,343	8,715	10,044
Other liabilities	106,955	98,964	69,409	38,225	36,107
Equity	51,241	50,377	54,447	51,987	48,692
Total liabilities and equity	1,247,263	1,218,127	1,075,058	957,164	890,014
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	8,336	8,905	4,242	2,987	4,263
Other commitments	10,951	10,601	9,427	8,001	4,077
FINANCIAL RATIOS ¹					
Capital adequacy ratio, %*	17.8	14.7	10.3	11.8	12.4
Core capital ratio, %*	16.7	13.5	9.7	11.0	11.3
Individual capital need	9.8	9.8	-	-	-
Return on equity before tax	1.8	(7.1)	7.3	11.7	12.1
Return on equity after tax	1.7	(6.8)	5.4	9.4	9.5
Income:cost ratio, DKK	1.06	0.52	1.75	2.29	2.26
Foreign exchange position, %	3.6	0.8	2.3	1.1	1.0
Loans and advances:equity (loan gearing)	20.6	19.7	16.0	15.2	14.9
Growth in loans and advances for the year, %	4.3	13.4	11.9	10.6	11.8
Accumulated impairment provisions, %	1.0	0.3	0.0	0.1	0.1
Impairment losses for the year, %	0.7	0.1	(0.0)	(0.0)	(0.0)

¹ Financial ratios are based on the definitions and guidelines of the Danish Financial Supervisory Authority, and financial ratios have therefore been calculated based on profit for the year including value adjustment of strategic equities.

* As from 1 January 2008, the capital adequacy and core capital ratios are determined in accordance with Basel II.

Group structure

The Nykredit Realkredit Group

DKK million

	Ownership as % at 31.12.2009	Revenue 2009	Profit (loss) for 2009	Assets at 31.12.2009	Liabilities at 31.12.2009	Equity at 31.12.2009	Nykredit's share of profit (loss) for 2009	Equity value at 31.12.2009	Profit (loss) for 2008	Equity at 31.12.2008
53. GROUP STRUCTURE										
Name and registered office										
The Nykredit Realkredit Group										
Nykredit Realkredit A/S, Copenhagen a)										
Consolidated subsidiaries										
Totalkredit A/S, Taastrup, a)	100	1,779	817	537,895	525,526	12,369	817	12,369	823	11,552
Nykredit Bank A/S, Copenhagen, b)	100	2,871	(77)	187,471	177,244	10,227	(77)	10,227	(241)	7,104
Nykredit Finance plc, Plymouth, i)	100	-	2	24	-	25	2	25	1	21
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen, i)	100	-	-	28	-	28	-	28	1	28
Nykredit Pantebrevsinvestering A/S, Copenhagen, e)	100	-	-	11	-	11	-	11	0	11
Nykredit Portefølje Administration A/S, Copenhagen, j)	100	93	17	169	49	120	17	120	14	103
Nykredit Sirius Ltd., Cayman Islands, d)	100	(7)	(10)	49	46	3	(10)	3	(39)	78
Nykredit Leasing A/S, Gladsaxe, h)	100	81	(29)	2,178	2,030	148	(29)	148	16	126
Forstædernes Bank A/S, Copenhagen, b)	100	987	(3,861)	33,038	29,722	2,147	(3,861)	2,147	(1,227)	3,055
Nykredit Forsikring A/S, c)	100	1,333	245	3,100	1,597	1,503	245	1,503	108	1,258
Nykredit Mægler A/S, Århus, f)	100	115	(5)	150	37	113	(5)	113	1	118
Nykredit Ejendomme A/S, Copenhagen, g)	100	114	(56)	1,771	1,140	631	(56)	631	(125)	695
Ejendomsselskabet Kalvebod A/S, Copenhagen, g)	100	-	1	251	-	251	1	251	-	-
Nykredit Adm. V A/S, Copenhagen, i)	100	-	-	1	-	1	-	1	-	1
Dene Finanse S.A., Warsaw, k)	-	-	2	-	-	-	2	-	7	128

a) Mortgage bank

b) Bank

c) Insurance company

d) Financial enterprise

e) Mortgage trading company

f) Estate agency business

g) Property company

h) Leasing business

i) No activity

j) Investment management company

k) The company has been liquidated

Nykredit Realkredit A/S is consolidated with the Parent Company, Nykredit Holding A/S, which is consolidated with Foreningen Nykredit.

The financial statements of Foreningen Nykredit (in Danish) and Nykredit Holding A/S (in Danish) are available from:

Nykredit Realkredit A/S

Kalvebod Brygge 1-3

DK-1780 Copenhagen V

Group structure (continued)

The Nykredit Realkredit Group

DKK million

53. GROUP STRUCTURE (continued)	Ownership as % at 31.12.2009	Revenue 2009	Profit (loss) for 2009	Assets at 31.12.2009	Liabilities at 31.12.2009	Equity at 31.12.2009	Nykredit's share of profit (loss) for 2009	Equity value at 31.12.2009	Profit (loss) for 2008	Equity at 31.12.2008
Name and registered office										
Associates subject to proportionate consolidation										
Dansk Pantebrevsbørs A/S, Copenhagen, a) ¹	-	-	-	-	-	-	-	-	(109)	(65)
JN Data A/S, Silkeborg, d)	50	747	2	363	182	181	1	91	2	180
Associates *)										
Dansk Pantebrevsbørs A/S, Copenhagen, c) ¹	-	-	(138)	-	-	-	(138)	-	-	(65)
Erhvervsinvest K/S, Aalborg, e)	22	-	(4)	189	-	189	(1)	40	(8)	250
E-nettet Holding A/S, Copenhagen, d)	25	11	(14)	221	159	62	(3)	8	(15)	89
JSNFA A/S, Horsens, e)	25	-	-	5	1	4	-	1	-	4
Erhvervsinvest Management A/S, Aalborg, f)	25	10	3	21	6	15	1	4	1	12
FDC A/S, Ballerup, d)	33	35	26	68	3	65	9	22	-	1
FDC ApS, Ballerup, d)	33	-	-	-	-	-	-	-	-	-
Core Property Management A/S, Copenhagen, b)	20	32	4	36	11	25	1	5	19	40
Scandinavian Private Equity Partners A/S, Copenhagen, e)	37	2	-	10	1	9	-	3	1	9

*) Recognised based on accounting figures as at 30 September as annual reports are not available.

¹ The company has previously been proportionately consolidated due to shareholders' agreements under which the Nykredit Realkredit Group was entitled to appoint a member of the board of directors. As the company is subject to insolvency proceedings, it is assumed that the company no longer meets the requirement of significant influence. The company is consequently not subject to proportionate consolidation in the financial statements from 1 January to 31 December 2009.

- a) Mortgage trading company
- b) Property company
- c) In liquidation
- d) IT business
- e) Investment company
- f) Consultancy

Group structure (continued)

The Nykredit Realkredit Group

DKK million

53. GROUP STRUCTURE (continued)	Ownership as % at 31.12.2009	Profit (loss) for the year	Equity at 31.12.2009
Name and registered office			
Other enterprises in which the Group holds at least 10% of the share capital			
Jeudan A/S, Copenhagen *	19.45	(398)	2,955
Fredericia Erhvervs-Investering ApS, Fredericia *	10.10	-	-
Håndværkets Byfornyelsesselskab S.m.b.a., Copenhagen *	18.48	-	9
ED Equity Holding B.V., Amsterdam *	30.43	-	8
Cross Atlantic Partners KS III, Copenhagen *	11.88	2	11
Cross Atlantic Partners KS IV, Copenhagen *	16.63	(9)	141
Cross Atlantic Partners KS V, Copenhagen *	13.33	(5)	53
EQT III No 3 LP, Guernsey *	16.00	(325)	235
Nordic Private Equity Partners, Copenhagen *	11.27	48	10
Bisca Holding A/S, Hjørring *	25.00	1	58
EDL 2 Invest 3 ApS, Copenhagen *	28.30	(24)	113
Ejendomsselskabet Nordtyskland IV A/S, Copenhagen *	47.92	(5)	98
VP Securities A/S, Tåstrup *	12.57	96	200
Erhvervsinvest II K/S	10.93	(21)	139

* According to the latest published annual report.

Nykredit Realkredit A/S holds 47.92% of the shares in Ejendomsselskabet Nordtyskland IV A/S, but exercises neither control nor significant influence in the company. Nykredit Realkredit A/S has no representatives on the board of directors or the executive board and therefore has no influence on the financial position and operations of the company. Consequently, the shareholding is treated as an equity investment included in the trading book for accounting purposes.

Series Financial Statements



Pursuant to the Danish Financial Supervisory Authority Executive Order no 872 of 20 November 1995 on series financial statements in mortgage banks, mortgage banks are required to prepare separate series financial statements for series with series reserve funds, cf section 25(1) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act.

The Series Financial Statements have been prepared on the basis of the Annual Report of Nykredit Realkredit A/S for 2009.

The distribution of profit for 2009 adopted by Nykredit Realkredit A/S's Board of Directors (cf the Annual Report, page 54) has been included in the Series Financial Statements. The series' calculated share of profit for the year of Nykredit Realkredit A/S determined in accordance with the Executive Order has been taken to the general reserves of the Mortgage Bank. Where Capital Centres D and E are concerned, the Series Financial Statements have been adapted to the special investment rules governing the Capital Centres.

The Series Financial Statements have been printed at association level, cf section 30(3) of the Executive Order.

Complete Series Financial Statements may be obtained from Nykredit Realkredit A/S.

Series Financial Statements for 2009 of Nykredit Realkredit A/S

Summary at the level of the Association and Nykredit Realkredit In General

DKK million

	1	2	3	4	5	6	7	8
	KØK	FSK	LCR	HUM	BHY	KØH	ØHYP	SKRF
Income statement								
Income from lending	1.9	0.8	0.1	0.2	0.6	0.0	0.1	0.2
Interest payable on subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest, net	(1.2)	(0.3)	(0.2)	(0.5)	(0.2)	0.0	0.0	(0.2)
Administrative expenses	(2.3)	(0.6)	(0.3)	(1.0)	(0.3)	0.0	(0.1)	(0.3)
Impairment losses on loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	0.4	0.0	0.1	0.3	0.0	0.0	0.0	0.1
Profit (loss)	(1.2)	(0.1)	(0.3)	(1.0)	0.1	0.0	0.0	(0.2)
Balance sheet								
Assets								
Mortgage loans	691.6	239.4	30.6	33.8	136.1	0.3	3.6	29.2
Securities portfolio	16.4	5.4	1.5	1.5	2.0	0.0	0.2	1.1
Other assets	822.5	256.8	49.1	77.5	165.3	1.1	9.1	48.9
Total assets	1,530.5	501.6	81.2	112.8	303.4	1.4	12.9	79.2
Liabilities and equity								
Issued bonds	727.5	242.5	34.5	37.8	147.7	0.4	4.8	33.7
Other liabilities	760.0	249.1	40.3	56.0	150.7	0.7	6.4	39.3
Subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity	43.0	10.0	6.4	19.0	5.0	0.3	1.7	6.2
Total liabilities and equity	1,530.5	501.6	81.2	112.8	303.4	1.4	12.9	79.2
Movements in capital, net	(1.4)	(1.5)	(0.2)	(0.2)	(0.3)	(0.1)	(0.3)	(0.9)
	9	10	11	12	13	14	15	16 TOTAL
	VESØ	HUSM	NHYP	LHYP	KHYP	JHYP	JLKR	(1-15)
Income statement								
Income from lending	0.1	0.2	0.0	0.2	0.2	0.0	0.2	4.8
Interest payable on subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest, net	(0.2)	(0.5)	0.0	(0.3)	(0.2)	(0.1)	(0.2)	(4.1)
Administrative expenses	(0.4)	(0.9)	0.0	(0.5)	(0.3)	(0.2)	(0.4)	(7.6)
Losses on loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	0.1	0.3	0.0	0.1	0.1	0.1	0.1	1.7
Profit (loss)	(0.4)	(0.9)	0.0	(0.5)	(0.2)	(0.2)	(0.3)	(5.2)
Balance sheet								
Assets								
Mortgage loans	30.1	26.2	0.7	25.6	19.6	0.2	33.2	1,300.2
Securities portfolio	1.5	1.3	0.0	1.0	0.6	0.2	1.6	34.3
Other assets	52.8	66.8	2.1	47.2	34.6	7.8	59.1	1,700.7
Total assets	84.4	94.3	2.8	73.8	54.8	8.2	93.9	3,035.2
Liabilities and equity								
Issued bonds	34.2	29.6	1.0	28.0	22.2	0.3	39.1	1,383.3
Other liabilities	41.9	46.9	1.4	36.6	27.2	4.1	46.6	1,507.2
Subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity	8.3	17.8	0.4	9.2	5.4	3.8	8.2	144.7
Total liabilities and equity	84.4	94.3	2.8	73.8	54.8	8.2	93.9	3,035.2
Movements in capital, net	(0.5)	(0.5)	(0.1)	(0.1)	(0.4)	0.0	(1.0)	

Series Financial Statements for 2009 of Nykredit Realkredit A/S

Summary at the level of the Association and Nykredit Realkredit In General

DKK million

	17 FK	18 JK	19 NYK	20 TOTAL (17-19)	21 INST	22 TOTAL (16,20,21)
Income statement						
Income from lending	4.1	3.7	2,659.3	2,667.1	38.5	2,710.4
Interest payable on subordinate loan capital	0.0	0.0	0.0	0.0	(352.6)	(352.6)
Interest, net	(0.5)	(0.6)	3,879.8	3,878.7	(667.9)	3,206.7
Administrative expenses	(1.0)	(1.1)	(1,370.8)	(1,372.9)	(1,236.5)	(2,617.0)
Impairment losses on loans and advances	3.1	0.0	(1,215.0)	(1,211.9)	(4.6)	(1,216.5)
Tax	(1.4)	(0.5)	(988.4)	(990.3)	137.3	(851.3)
Profit (loss)	4.3	1.5	2,964.9	2,970.7	(2,085.8)	879.7
Balance sheet						
Assets						
Mortgage loans	104.7	134.1	541,922.4	542,161.2	7,762.7	551,224.1
Securities portfolio	3.2	4.6	117,934.2	117,942.0	4,317.0	122,293.3
Other assets	278.8	307.6	539,896.3	540,482.7	81,713.2	623,896.6
Total assets¹	386.7	446.3	1,199,752.9	1,200,585.9	93,792.9	1,297,414.0
Liabilities and equity						
Issued bonds	189.3	217.0	1,094,215.5	1,094,621.8	8,496.2	1,104,501.3
Other liabilities	192.0	221.6	78,803.5	79,217.1	46,576.8	127,301.1
Subordinate loan capital	0.0	0.0	0.0	0.0	14,263.5	14,263.5
Equity ²	5.4	7.7	26,733.9	26,747.0	24,456.4	51,348.1
Total liabilities and equity	386.7	446.3	1,199,752.9	1,200,585.9	93,792.9	1,297,414.0
Movements in capital, net	(9.1)	(12.2)	2,836.1		(1,938.8)	
1 Københavns Kreditforening		9 Den vest- og sønderjydske Kreditforening		16 Total (1-15) Associations before 1972		
2 Fyens Stifts Kreditforening		10 Jydsk Husmandskreditforening		17 Forenede Kreditforeninger		
3 Landkreditkassen		11 Ny Jydsk Landhypotekforening		18 Jyllands Kreditforening		
4 Østifternes Husmandskreditforening		12 Landhypotekforeningen for Danmark		19 Nykredit (incl Capital Centres C, D and E)		
5 Byernes Hypotekforening		13 Købstadshypotekforeningen		20 Total (17-19) Associations after 1972		
6 Københavns Hypotekforening		14 Jydsk Hypotekforening		21 Nykredit In General		
7 Østifternes Hypotekforening		15 Jydsk Landkreditforening		22 Total (16, 20, 21) Nykredit Realkredit A/S		
8 Sønderjyllands Kreditforening						
Notes						DKK million
1. Assets, Series Financial Statements						2009
Assets, Annual Report						1,101,442.8
Assets, Series Financial Statements						1,297,414.0
Difference						(195,971.2)
Specified as follows:						
Set-off of own issued mortgage bonds, own SDOs, own junior covered bonds and own other securities						(190,876.2)
Set-off of interest receivable from own issued bonds						(5,095.0)
Total						(195,971.2)
2. Equity, Series Financial Statements						
According to the Series Financial Statements, equity may be reconciled to the Financial Statements of Nykredit Realkredit A/S as follows:						
Equity, Financial Statements						51,240.6
Provisions for repayable reserves in pre-1972 series						107.5
Equity, Series Financial Statements						51,348.1

Other information



FINANCIAL CALENDAR FOR 2010

11 February

Preliminary announcements of financial statements of the Nykredit Realkredit Group, Totalkredit A/S, the Nykredit Bank Group and Forstædernes Bank A/S.

Annual Reports for 2009 of the Nykredit Realkredit Group, Totalkredit A/S, the Nykredit Bank Group and Forstædernes Bank A/S will be published electronically.

25 February

General Meeting of Forstædernes Bank A/S, Kalvebod Brygge 47, DK-1560 Copenhagen V.

25 February

General Meeting of Nykredit Bank A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

23 March

General Meeting of Totalkredit A/S, Helgeshøj Allé 53, DK-2630 Tåstrup.

24 March

General Meeting of Nykredit Realkredit A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

19 May

Q1 Interim Reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

19 August

H1 Interim Reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

11 November

Q1-Q3 Interim Reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

Published announcements are available on Nykredit's website at nykredit.com/press.

NYKREDIT'S MANAGEMENT**Board of Directors and Executive Board**

The Board of Directors and the Executive Board form the Nykredit Group Management.

BOARD OF DIRECTORS

The Board of Directors meets monthly, except in July, and holds a strategy and theme seminar once a year.

The members of Nykredit's Board of Directors are elected for a term of one year. The latest election took place on 25 March 2009. Re-election is not subject to any restrictions.

Below, an account is given of the individual director's position, age, years of service on the Board and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

All members of the Board of Directors are also Directors of the Parent Company Nykredit Holding A/S.

Steen E. Christensen

Attorney

Date of birth: 2 April 1947
Joined the Board on 1 May 2000

Partner and Director of Plesner Advokatfirma

Director of:
Foreningen Nykredit (Chairman)
A/S Motortramp (Chairman)
Ejendomsselskabet Amaliegade 49 A/S (Chairman)
Persolit Holding A/S (Chairman)
Norgren A/S (Deputy Chairman)
Danish Nitrogen Import A/S
Ny-Nitrogen A/S
Persolit Entreprenørfirma A/S
Margrethelund Gods A/S
Rosendal Gods A/S
Skov-Sam Holding ApS
Skov-Sam Holding II ApS and subsidiaries

Legal Secretary of Foreningen Danske Godser og Herregårde (Godsejerforeningen)

Hans Bang-Hansen

Farmer

Date of birth: 15 August 1955
Joined the Board on 1 May 2001

Director of:
Foreningen Nykredit
Bjerre Gymnastik- & Idrætsfeterskole Akademiet (BGI Akademiet)
Horsens Folkeblad A/S

Municipal posts:
First Deputy Mayor, Municipality of Horsens
Chairman of the Technical and Environmental Committee, Municipality of Horsens
Director of Midttrafik

Chairman and Managing Director of Arnen Holding ApS
Chairman and Managing Director of LNT Invest ApS
Chairman of Håstrupgård ApS

Steffen Kragh

Chief Executive Officer

Date of birth: 6 April 1964
Joined the Board on 1 April 2006

Managing Director of Egmont Fonden and Egmont International Holding A/S

Director of:
Foreningen Nykredit
A number of subsidiaries of the Egmont Group (Chairman)

Kristian Bengaard
Senior Consultant ***

Date of birth: 16 August 1958
Joined the Board on 1 March 1999

Director of:
Foreningen Nykredit
Købæk Strand Konferencenter A/S
Member of the Executive Council of Finansforbundet

Michael Demsitz

Managing Director

Date of birth: 1 February 1955
Joined the Board on 1 April 2004

Managing Director of Boligkontoret Danmark

Director of:
Foreningen Nykredit
Almen Bolignet
Boligselskabernes Landsforening

Lisbeth Grimm

Treasurer ***

Date of birth: 8 September 1957
Joined the Board on 27 March 2008

Director of:
Foreningen Nykredit

Allan Kristiansen

Vice President ***

Date of birth: 6 March 1958
Joined the Board on 1 May 2000

Director of:
Nykredit Bank A/S

Susanne Møller Nielsen

Supporter ***

Date of birth: 21 May 1962
Joined the Board on 1 August 2009

Director of:
Foreningen Nykredit *

Anders C. Obel

Chief Executive Officer

Date of birth: 19 October 1960
Joined the Board on 25 March 2009

Chief Executive Officer of C.W. Obel A/S

Director of:
Foreningen Nykredit
Danfoss-Semco A/S
Power-Flex ApS
C. W. Obel Ejendomme A/S (Chairman)
C. W. Obel Projekt A/S (Chairman)
Skandinavisk Holding A/S
SGD-Bera A/S
Scandinavian Tobacco Group A/S
Semco Maritime A/S (Chairman)
Fonden Det Obelske Jubilæumskollegium
Thomas Harttung A/S
Fritz Hansen A/S
Slowmoney A/S
Erhvervsinvest Management A/S**Erling Bech Poulsen**

Farmer

Date of birth: 14 June 1955
Joined the Board on 25 March 2009Director of:
Foreningen Østifterne F.m.b.A.
Agrovakia A/S (Chairman)
Vandborg Karosserifabrik A/S
Kølhede Invest A/S
Lemvig Biogasanlæg A.m.b.A. **
Lemvig Kraftvarme A/S ****Nina Smith**

Professor

Date of birth: 17 October 1955
Joined the Board on 1 October 2004

Professor at Institut for Økonomi, Aarhus Universitet

Director of:
Foreningen Nykredit (Deputy Chairman)
Niras Gruppen A/S (Chairman)
Favrskov Gymnasium (Deputy Chairman)
Århus Festuge**Jens Erik Udsen**

Managing Director

Date of birth: 1 November 1946
Joined the Board on 1 May 1998

Managing Director of Nesdu A/S

Director of:
Foreningen Nykredit
Jeudan A/S
Nesdu A/S
Renhold A/S
Renholdningsselskabet af 1898
SBS byfornyelse**Leif Vinther**

Chairman of Staff Association ***

Date of birth: 18 April 1959
Joined the Board on 1 May 2000Director of:
Foreningen Nykredit**EXECUTIVE BOARD**

Below, an account is given of the individual Executive Board member's position, age, years of service on the Board and other executive positions, including in other companies as permitted by the Board of Directors pursuant to section 80 of the Danish Financial Business Act.

Peter Engberg Jensen

Group Chief Executive

Date of birth: 6 April 1953
Joined the Group Executive Board on 1 March 1997Managing Director of Nykredit Holding A/S
Managing Director of Foreningen Nykredit
Chairman of Nykredit Administration V A/S
Chairman of Forstædernes Bank A/S
Chairman of Realkreditrådet
President of the European Mortgage Federation**Kim Duus**

Group Managing Director

Date of birth: 8 December 1956
Joined the Group Executive Board on 15 May 2009Managing Director of Nykredit Holding A/S *
Managing Director of Nykredit Bank A/S **
Director of Nykredit Bank A/S *
Director of Nykredit Forsikring A/S *
Director of Totalkredit A/S *
Director of Nykredit Portefølje Administration A/S *
Director of Finansrådet ****Søren Holm**

Group Managing Director

Date of birth: 15 November 1956
Joined the Group Executive Board on 1 March 2006Managing Director of Nykredit Holding A/S
Director of Nykredit Administration V A/S
Director of Nykredit Bank A/S
Director of Nykredit Ejendomme A/S **
Director of Nykredit Forsikring A/S
Director of Nykredit Mægler A/S
Chairman of Totalkredit A/S
Director of JN Data A/S
Director of Forstædernes Bank A/S
Director of Ejendomsselskabet Kalvebod A/S *
Director of Realkreditrådet

Karsten Knudsen

Group Managing Director

Date of birth: 21 June 1953
 Joined the Group Executive Board
 on 1 June 2005

Managing Director of Nykredit Holding A/S
 Chairman of Nykredit Bank A/S
 Chairman of Nykredit Leasing A/S
 Chairman of Ejendomsselskabet
 Kalvebod A/S *
 Director of Nykredit Forsikring A/S **
 Director of Dansk Pantebrevsbørs A/S **
 Director of Forstædernes Bank A/S
 Director of Dampskibsselskabet Norden A/S

Per Ladegaard

Group Managing Director

Date of birth: 17 March 1953
 Joined the Group Executive Board
 on 1 May 1998

Managing Director of Nykredit Holding A/S
 Director of Nykredit Bank A/S
 Chairman of Nykredit Mægler A/S
 Chairman of Nykredit Forsikring A/S
 Chairman of e-nettet Holding A/S
 Chairman of e-nettet A/S
 Chairman of JN Data A/S
 Director of Finanssektorens Uddannelses-
 center **
 Director of Forstædernes Bank A/S
 Director of IT-Universitetet
 Observer of BEC (Bankernes EDB Central)
 Owner of Bræmkærgård

Bente Overgaard

Group Managing Director

Date of birth: 21 June 1964
 Joined the Group Executive Board on 1 March
 2008

Managing Director of Nykredit Holding A/S
 Managing Director of Nykredit Ejen-
 domme A/S **
 Director of Nykredit Bank A/S *
 Chairman of Nykredit Ejendomme A/S
 Director of Nykredit Ejendomme A/S
 Director of Nykredit Leasing A/S
 Director of Nykredit Mægler A/S *
 Director of Finanssektorens Uddannelses-
 center *

* Joined in 2009

** Resigned in 2009

*** Staff-elected member

CORPORATE GOVERNANCE

Nykredit's Board of Directors has decided that the Nykredit Group – with the adjustments that follow from its special ownership and management structure – should act as a listed company. This includes running the Group on sound business terms.

This implies compliance by Nykredit with NASDAQ OMX Copenhagen A/S's revised Recommendations for corporate governance. However, Nykredit's ownership structure implies that the majority of board members are elected by and among borrowers and bondholders in Nykredit Realkredit, cf below.

The recommendations concerning shareholders' role and interaction with the company management address a conventionally listed company with many shareholders.

Nykredit Realkredit A/S's ownership structure differs from a conventionally listed company, as the Parent Company Nykredit Holding A/S only has four shareholders of which Foreningen Nykredit owns 88.18% of the shares.

The purpose of the recommendations concerning shareholders' role and interaction with the company management is to create an appropriate forum encouraging shareholders to enter into a dialogue with the company management. The number of shareholders in Nykredit per se creates a good framework for a close dialogue with the company management. The Board does therefore not consider this part of the recommendations relevant to Nykredit.

According to the recommendations, at least half the board members elected by the General Meeting should be independent persons. The board members of Nykredit Holding A/S and the wholly-owned subsidiary Nykredit Realkredit A/S are appointed by and among the boards of directors of the shareholders Foreningen Nykredit, Foreningen Østifterne and PRAS A/S. The board members of Foreningen Nykredit are elected by the Committee of Representatives of Foreningen Nykredit. The representatives are elected by and among borrowers of Nykredit Realkredit A/S and by and among the bondholders.

The Board evaluates its work regularly.

Further information on Nykredit's organisation and corporate governance is available at nykredit.com.

This document is an English translation of the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.