

To NASDAQ OMX København A/S  
and the press

5 February 2009

## PRELIMINARY ANNOUNCEMENT OF FINANCIAL STATEMENTS FOR 2008 – THE NYKREDIT REALKREDIT GROUP

### Results for 2008

- Continued growth in customer-oriented business:
  - Core income from customer-oriented business increased by DKK 705m to DKK 7,153m
  - Mortgage lending at nominal value went up by DKK 67bn to DKK 916bn
  - Nykredit Bank's lending increased by DKK 11bn to DKK 51bn, while deposits rose by DKK 15bn to DKK 46bn
  - Core income from business operations and securities increased by DKK 741m to DKK 9,263m
  - The above items do not include Forstædernes Bank and the effect of the financial crisis, cf page 3
- Operating costs, depreciation and amortisation excluding special value adjustments, etc went up by DKK 517m, or 11.7%
  - The cost increase was primarily due to the continued business growth within Commercial Customers and Markets & Asset Management
- Impairment losses on mortgage lending remained low and came to DKK 208m, equal to 0.02% of lending
- Nykredit Bank's impairment losses on loans and advances, excluding the effect of the financial crisis, were DKK 396m against an income of DKK 14m in 2007
- The Group posted a loss before tax of DKK 880m for the year against a profit of DKK 4,387m for 2007. Contributory factors were:
  - The investment portfolio, which generated a loss of DKK 2,622m
  - The financial crisis, with a negative effect of DKK 1,391m (Roskilde Bank, EBH Bank, etc)
  - The acquisition of Forstædernes Bank, with a negative effect of DKK 358m
  - Ordinary group operations, which generated earnings of DKK 3,491m against DKK 4,387m in 2007.

### Capital resources

- The Group's individual capital need/required capital base amounts to 9.8% or DKK 34.8bn (during a mild recession)
- Group equity was DKK 50.4bn, net of goodwill DKK 45.1bn
- Core capital and capital adequacy ratios were 13.5% and 14.7%, respectively, at end-2008.

### Peter Engberg Jensen, Group Chief Executive, has the following comments on the Financial Statements:

*– 2008 saw continued growth in customer-oriented business, which increased by 11%. Even with the adverse economic climate, impairment losses and provisions in the Group's core business were limited. But the international financial crisis clearly affected the Group's results in the form of impairment losses relating to Roskilde Bank and EBH as well as a loss on the investment portfolio. Despite unsatisfactory results, we are well prepared for the years ahead thanks to our healthy core operations and strong capital structure.*

### Information about the Nykredit Group

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

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*The Financial Statements will be presented today, 5 February 2009, at 14:00 at a press conference held at Nykredit's headquarters, Kalvebod Brygge 1-3, DK-1780 Copenhagen V*

CVR no 12 71 92 80

# Financial highlights

DKK million	The Nykredit Realkredit Group					EUR 2008
	2008 <sup>1</sup>	2007	2006	2005 <sup>2</sup>	2004 <sup>2</sup>	
<b>CORE EARNINGS AND RESULTS FOR THE YEAR</b>						
<b>Core income from</b>						
- Business operations	6,658	6,534	5,992	5,826	4,822	894
- Securities	2,141	1,988	1,260	825	814	287
<b>Total</b>	<b>8,799</b>	<b>8,522</b>	<b>7,252</b>	<b>6,651</b>	<b>5,636</b>	<b>1,181</b>
Operating costs, depreciation and amortisation	5,409	4,352	4,038	3,758	3,518	726
<b>Core earnings before impairment losses</b>	<b>3,390</b>	<b>4,170</b>	<b>3,214</b>	<b>2,893</b>	<b>2,118</b>	<b>455</b>
Impairment losses on loans and advances	1,443	(67)	(369)	(245)	(400)	194
<b>Core earnings after impairment losses</b>	<b>1,947</b>	<b>4,237</b>	<b>3,583</b>	<b>3,138</b>	<b>2,518</b>	<b>261</b>
Investment portfolio income	(2,827)	150	864	1,204	1,731	(379)
<b>Profit/loss before tax</b>	<b>(880)</b>	<b>4,387</b>	<b>4,447</b>	<b>4,342</b>	<b>4,249</b>	<b>(118)</b>
Tax	(185)	1,024	1,120	1,162	1,056	(25)
<b>Profit/loss for the year</b>	<b>(695)</b>	<b>3,363</b>	<b>3,327</b>	<b>3,180</b>	<b>3,193</b>	<b>(93)</b>
<b>Profit/loss for the year excludes value adjustment of strategic equities against equity</b>						
	<b>(2,847)</b>	<b>(465)</b>	<b>1,419</b>	<b>1,217</b>	<b>-</b>	<b>(382)</b>
<b>SUMMARY BALANCE SHEET, YEAR-END</b>						
<b>Assets</b>						
Receivables from credit institutions and central banks	73,400	82,645	57,516	67,664	52,809	9,852
Mortgage loans	895,463	823,228	758,132	699,116	632,504	120,205
Bank loans – excl reverse transactions	72,734	39,660	28,983	19,870	17,408	9,762
Bonds and equities	103,433	98,588	89,005	79,788	73,957	13,883
Other assets	73,097	30,937	23,528	23,576	21,405	9,792
<b>Total assets</b>	<b>1,218,127</b>	<b>1,075,058</b>	<b>957,164</b>	<b>890,014</b>	<b>798,083</b>	<b>163,494</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	162,549	115,875	84,512	55,322	44,069	21,817
Deposits	61,177	31,581	22,165	21,808	18,702	8,211
Issued bonds	836,081	796,403	751,560	718,041	651,607	112,217
Subordinate loan capital						
- Hybrid core capital	4,119	3,622	3,730	3,940	3,844	553
- Supplementary capital	4,860	3,722	4,985	6,104	2,600	652
Other liabilities	98,964	69,408	38,225	36,107	33,026	13,283
Equity	50,377	54,447	51,987	48,692	44,235	6,761
<b>Total liabilities and equity</b>	<b>1,218,127</b>	<b>1,075,058</b>	<b>957,164</b>	<b>890,014</b>	<b>798,083</b>	<b>163,494</b>
<b>FINANCIAL HIGHLIGHTS</b>						
Profit/loss for the year as % of average equity	(1.3)	6.3	6.6	6.8	7.7	
Core earnings before impairment losses as % of average equity	6.5	7.8	6.4	6.2	5.1	
Core earnings after impairment losses as % of average equity	3.7	8.0	7.1	6.8	6.0	
Costs as % of core income	61.5	51.1	55.7	56.5	62.4	
Impairment provisions for loans, advances and guarantees excl Forstædernes Bank	1,235	349	406	798	1,110	
Impairment provisions for loans, advances and guarantees, Forstædernes Bank	1,712	-	-	-	-	
Impairment losses for the year, %	0.1	(0.0)	(0.0)	(0.0)	(0.1)	
Capital adequacy ratio, %	14.7	10.3	11.8	12.4	11.5	
Core capital ratio, %	13.5	9.7	11.0	11.3	11.0	
Individual capital adequacy requirement (mild recession)	9.8	-	-	-	-	
Average number of full-time staff	4,507	3,672	3,559	3,287	3,234	

<sup>1</sup> Forstædernes Bank has been consolidated with Nykredit Realkredit from 17 October 2008 inclusive.

<sup>2</sup> As from 2005, the financial statements have been presented in accordance with IFRS.

The Group has opted to present the income statement broken down into core earnings and investment portfolio income as this is believed to reflect the Group's activities and earnings. Core earnings include results from customer-oriented activities and the risk-free interest from the securities portfolio under "Core income from securities". Investment portfolio income reflects the realised excess earnings from investment in bonds and equities, etc relative to the risk-free interest earned.

EUR 1 = DKK 745.06 at end-2008.

## SUMMARY

The financial crisis caused Danish bank collapses for the first time in many years. Another consequence of the crisis was expanding yield spreads between mortgage bonds and government bonds – and plummeting prices of equities and corporate bonds.

Nykredit's core business – lending secured against mortgages on real property – was not significantly affected by the financial crisis, lower housing prices and incipient recession in Denmark. This was mainly due to the Danish mortgage system, which proved efficient in 2008, as losses were low and the funding climate robust. Throughout 2008, the ability to sell newly issued mortgage bonds was maintained, and daily bond sales were unchanged. The large bond auctions in December proceeded according to plan as well.

The strength of Nykredit's bond funding was underscored by a AAA rating from Standard & Poor's in November 2008.

The results for 2008 of the Nykredit Realkredit Group showed continued growth in customer-oriented business and low mortgage loan losses. However, results were affected by the extraordinary financial market trends and the acquisition of Forstædernes Bank.

The Nykredit Realkredit Group posted a loss before tax of DKK 880m for 2008 against a profit of DKK 4,387m the year before. The

results may be divided into three main parts:

- A negative effect of the financial crisis of DKK 4,013m including investment portfolio income, see below.
- A negative effect of the acquisition of Forstædernes Bank of DKK 358m.
- Ordinary group operations generating a profit of DKK 3,491m against DKK 4,387m in 2007.

The steady expansion of the Nykredit Realkredit Group's customer-oriented business continued in 2008. Core income grew by 10.9% to DKK 7,153m excluding Forstædernes Bank.

Notwithstanding the financial crisis and declining property prices, the Group's impairment losses on mortgage loans were only DKK 208m (0.02% of lending) and DKK 414m on other lending to non-financial customers, excluding Forstædernes Bank.

The extraordinary development in financial markets – not least in Q4/2008 – had a significant effect on the Nykredit Realkredit Group's financial statements as a result of Nykredit's business relationships with financial institutions. The most significant effects, excluding Forstædernes Bank, are:

- Impairment losses of DKK 245m under guarantee obligations in relation to the Private Contingency Association (Det Private Beredskab til Afvikling af Nødlidende Banker, Sparekasser og

Andelskasser) with respect to Roskilde Bank and EBH Bank.

- Impairment losses of DKK 312m on lending to the EBH group which should be seen in the context of the extensive business cooperation between Nykredit and the EBH group.
- Negative value adjustment of own positions in Markets & Asset Management of DKK 753m of which DKK 351m concerned ordinary own positions and DKK 402m Kalvebod bond issues (subordinate loan capital for Danish banks). In this respect, Nykredit has not taken advantage of the new rules of IAS 39 according to which recognition of value adjustments through profit or loss may be omitted.
- Costs of guarantee commission payable under the government guarantee scheme of DKK 81m.

The negative effect on core earnings of items relating to the financial crisis totalled DKK 1,391m.

The acquisition of Forstædernes Bank also had a negative effect of DKK 358m on the Nykredit Realkredit Group's results for the period 17 October 2008 – 31 December 2008.

Impairment losses in Forstædernes Bank for this period were DKK 1,358m, of which DKK 1,094m related to impairment losses for which adjustments were made in the opening balance sheet at the time of the acquisition of the bank. Therefore, the Nykredit Realkredit Group's financial statements are solely

## The Nykredit Realkredit Group

### Core earnings and investment portfolio income

DKK million	Results for 2008 The Nykredit Realkredit Group	Results for 2008 Forstædernes Bank	Investment portfolio income and items relating to financial crisis	Corrected results, 2008 The Nykredit Realkredit Group	Results for 2007
<b>Core income from</b>					
- Business operations excluding Markets & Asset Management	6,075	258	-	5,817	5,570
- Markets & Asset Management	583	-	(753)	1,336	964
<b>Total</b>	<b>6,658</b>	<b>258</b>	<b>(753)</b>	<b>7,153</b>	<b>6,534<sup>1</sup></b>
Core income from securities	2,141	31	-	2,110	1,988
<b>Core income from business operations and securities</b>	<b>8,799</b>	<b>289</b>	<b>(753)</b>	<b>9,263</b>	<b>8,522</b>
Operating costs, depreciation and amortisation	5,409	178	81	5,150	4,352
<b>Core earnings before impairment losses</b>	<b>3,390</b>	<b>111</b>	<b>(834)</b>	<b>4,113</b>	<b>4,170</b>
Impairment losses on loans and advances	1,443	264	557	622	(67)
<b>Core earnings after impairment losses</b>	<b>1,947</b>	<b>(153)</b>	<b>(1,391)</b>	<b>3,491</b>	<b>4,237</b>
Investment portfolio income	(2,827)	(205)	(2,622)	-	150
<b>Profit/loss before tax</b>	<b>(880)</b>	<b>(358)</b>	<b>(4,016)</b>	<b>3,491</b>	<b>4,387</b>

<sup>1</sup> Core income from customer-oriented business excl own position-taking rose from DKK 6,448m in 2007 to DKK 7,153m in 2008.

affected by the difference of DKK 264m. The total adjustment relating to impairment losses on loans and advances in the opening balance sheet amounted to about DKK 1.5bn, of which some DKK 0.4bn remains for future credit losses in 2009 onwards.

The core earnings of the Nykredit Realkredit Group after impairment losses totalled DKK 1,947m against DKK 4,237m in 2007.

The loss on the investment portfolio chiefly derived from the widening yield spreads between mortgage bonds and government bonds, as Nykredit has a large portfolio of mortgage bonds in respect of which the interest rate risk has been reduced by taking offsetting positions in government bonds and swaps. Lower prices of high-rated bank bonds and equities also contributed to the negative investment portfolio income.

Note that Nykredit has not taken advantage of the new IAS rules according to which certain financial assets may be reclassified in order to omit fair value adjustments through profit or loss in certain cases. The new rules would have had a significant, positive earnings impact in Markets & Asset Management and on investment portfolio income. On balance, the development in equity would be the same after a number of years, however, regardless of accounting principle.

The investment portfolio of the Nykredit Realkredit Group, excluding Forstædernes Bank, generated a loss of DKK 2,622m against an income of DKK 150m in 2007.

#### **Capital adequacy ratio**

The capital adequacy ratio of the Nykredit Realkredit Group is 14.7%, of which the core capital ratio is 13.5%.

The Group's individual capital requirement amounts to 9.8% and is determined on the basis of a mild recession.

Under the transitional rules of Basel II, the capital adequacy ratio must be at least 13.5% at 31 December 2008 and at least 12.0% at 1 January 2009.

**NYKREDIT REALKREDIT GROUP RESULTS**

The Group, including Forstædernes Bank, recorded a loss before tax of DKK 880m, of which the investment portfolio accounted for a loss of DKK 2,827m. In 2007 the Group recorded a profit before tax of DKK 4,387m.

Results after tax, including Forstædernes Bank, were a loss of DKK 695m against a profit of DKK 3,363m the year before.

Forstædernes Bank, which has been recognised as of 17 October 2008, has a negative impact on the Nykredit Realkredit Group's results before tax of DKK 358m. After tax the impact was a loss of DKK 284m.

Strategic equities, chiefly in banks, which are value-adjusted against equity, generated a capital loss of DKK 2,847m against a capital loss of DKK 465m the year before.

The Group, excluding Forstædernes Bank, recorded a loss before tax of DKK 522m against a profit of DKK 4,387m in 2007.

The following earnings review does not include Forstædernes Bank. A review of Forstædernes Bank may be found on page 15.

**Core earnings***Core income from business operations*

Group core income from business operations was DKK 6,400m against DKK 6,534m in 2007. After value adjustments relating to the Bank's ordinary own positions and Kalvebod issues, core income from customer-oriented business increased by DKK 705m to DKK

7,153m, equal to an increase of 10.9%.

Core income from mortgage lending showed continued progress and came to DKK 4,352m against DKK 4,146m the year before, up 5.0%. Gross new mortgage lending was DKK 179bn compared with DKK 208bn in 2007. Total lending at nominal value increased by DKK 67bn to DKK 916bn at end-2008.

Nykredit Bank's customer-oriented business activities continued growing, and core income increased by DKK 110m to DKK 856m, equal to 14.8%. Nykredit Bank's lending increased by DKK 11bn to DKK 51bn in 2008.

Nykredit Markets recorded growth in earnings from customer-oriented activities, which increased by DKK 458m to DKK 1,336m, up 52.2%.

Turmoil in financial markets led to a significant negative value adjustment of the Bank's own positions of DKK 351m, to which comes a negative value adjustment of DKK 402m on Kalvebod issues, subordinate loan capital for Danish banks. This had a total negative effect of DKK 753m against a gain of DKK 86m in 2007.

*Core income from Markets & Asset*

Management totalled DKK 583m compared with DKK 964m in 2007.

*Core income from securities*

Core income from securities totalled DKK 2,110m against DKK 1,988m the year before, which should be viewed in the light of

increased average money market rates of 4.3% against 4.0% the year before.

Core income from securities equals the return which the Group would have obtained by placing its investment portfolios at risk-free interest rates. In addition, core income from securities includes net interest expenses relating to subordinate loan capital, the acquisition of Totalkredit and the issuance of junior covered bonds.

Net interest expenses relating to junior covered bonds came to DKK 56m. The background is falling property prices, requiring additional collateral for SDOs.

*Operating costs, depreciation and amortisation*  
Operating costs, depreciation and amortisation went up by DKK 879m to DKK 5,231m.

Excluding value adjustment of special staff benefits, owner-occupied properties and guarantee commission payable to the government, costs went up by DKK 517m, equal to an 11.7% cost growth.

This was primarily due to increasing staff numbers in the IT area and the expanded business volumes within Commercial Customers and Markets & Asset Management.

In 2008 guarantee commission for the Private Contingency Association came to DKK 81m.

*Impairment losses on loans and advances*

Group impairment losses on loans and advances were DKK 1,179m against a net income of DKK 67m in 2007. Of the 2008 impairment losses DKK 245m may be attributed to losses under guarantee obligations to the Private Contingency Association regarding Roskilde Bank and the EBH Bank. To this comes impairment losses on credit facilities extended to the EBH group of DKK 312m. Group impairment losses on other loans and advances then came to DKK 622m.

Impairment provisions for mortgage lending came to DKK 208m, equal to 0.02% of lending. Impairment provisions for mortgage lending saw an impact from an increase in collective impairment provisions of DKK 99m.

For bank lending impairment provisions came to DKK 396m not including Roskilde Bank and the EBH group. DKK 112m of this was the result of an increase in collective impairment provisions.

In 2008 the Group's recognised loan losses remained very low and came to DKK 25m and

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

DKK million	2008		2007
	Incl Forstædernes Bank	Excl Forstædernes Bank	
<b>Core income from</b>			
- Business operations – excluding Markets & Asset Management	6,075	5,817	5,570
- Markets & Asset Management	583	583	964
- Securities	2,141	2,110	1,988
<b>Total</b>	<b>8,799</b>	<b>8,510</b>	<b>8,522</b>
Operating costs, depreciation and amortisation	5,409	5,231	4,342
<b>Core earnings before impairment losses</b>	<b>3,390</b>	<b>3,279</b>	<b>4,170</b>
Impairment losses on loans and advances	1,443	1,179	(67)
<b>Core earnings after impairment losses</b>	<b>1,947</b>	<b>2,100</b>	<b>4,237</b>
Investment portfolio income	(2,827)	(2,622)	150
<b>Profit/loss before tax</b>	<b>(880)</b>	<b>(522)</b>	<b>4,387</b>
Tax	(185)	(111)	1,024
<b>Profit/loss for the year</b>	<b>(695)</b>	<b>(411)</b>	<b>3,363</b>

Forstædernes Bank was consolidated with Nykredit Realkredit from 17 October 2008 inclusive.

DKK 78m on mortgage and bank lending, respectively, compared with a total loss of DKK 52m in 2007.

The Group's impairment provisions totalled DKK 1,179m at end-2008 against DKK 349m at end-2007. Of this figure DKK 464m concerns the mortgage business and DKK 715m Nykredit Bank.

#### **Investment portfolio income**

The Group's investment portfolio generated a loss of DKK 2,622m against an income of DKK 150m in 2007. To this should be added a negative value adjustment of strategic equities against equity of DKK 2,847m after tax compared with a negative value adjustment of DKK 465m in 2007.

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 and interest rate spreads relating to the mortgage business of Nykredit Realkredit and Totalkredit as well as the trading activities of Markets & Asset Management have not been included in the investment portfolio income, but as core income from business operations.

Most of Nykredit's securities portfolio has been invested in Danish and other European mortgage bonds. Nykredit has also invested DKK 4.8bn in high-rated bank bonds. The interest rate risk pertaining to the portfolio has been reduced by taking offsetting positions in government bonds or by entering into interest rate swaps.

As a consequence of the international financial crisis, yield spreads between mortgage bonds and government bonds widened by approximately 0.9 percentage points in 2008, while the price of bank bonds declined significantly in general.

Owing to market trends, the investment portfolio of bonds, liquidity, and interest rate instruments generated a loss of DKK 1,966m of which some DKK 1,600m concerns mortgage bonds, some DKK 1,200m concerns high-rated bank issues, and approximately DKK 800m concerns income derived from falling interest rates, etc in 2008.

Nykredit decided to maintain interest rate and yield spread positions throughout the year. Any yield spread narrowing in 2009 will thus result in positive investment portfolio income.

Nykredit has a relatively large portfolio of bank equities, of which the majority are strategic investments that are value-adjusted against equity. Therefore, Nykredit's equity portfolio has been significantly affected by the financial crisis. Value adjustment of equities and equity instruments, which are value-adjusted against profit or loss, came to a negative figure of DKK 656m.

#### **Tax**

Tax on the loss for the year is estimated as an income of DKK 111m.

#### **Dividend**

It will be recommended for adoption by the Annual General Meeting that no dividends be distributed for 2008.

**BUSINESS AREAS**

Nykredit is organised into the business areas Retail Customers, Business Partners, Commercial Customers, Markets & Asset Management and, since 17 October 2008, Forstædernes Bank.

Group core earnings before impairment losses totalled DKK 3,390m against DKK 4,170m in 2007.

In 2008 mortgage lending rose from DKK 849bn to DKK 916bn in nominal terms. The Nykredit Group realised gross new lending of DKK 179bn against DKK 208bn in 2007.

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

Gross new lending to retail customers came to DKK 112bn against DKK 132bn the year before, equal to a market share of Danish residential mortgage lending of 47.4%

compared with 48.3% in 2007. Commercial lending came to DKK 67bn against DKK 76bn in 2007.

Nykredit Bank continued its growth path in 2008. Lending went up by DKK 11bn to DKK 51bn. Commercial Customers represented an increase of DKK 9bn. At end-2008 deposits had grown by DKK 15bn to DKK 47bn.

Forstædernes Bank's lending totalled DKK 22bn against DKK 25bn at end-2007. Deposits were DKK 15bn against DKK 17bn at end-2007.

Nykredit Forsikring (insurer) recorded growth in respect of retail and commercial customers. The insurance portfolio went up by DKK 41m to DKK 1,381m at end-2008.

Nykredit Mægler (estate agency business) saw a 28.9% downturn in turnover from 19,400 properties sold in 2007 to 13,800 properties.

**Results by business area**

DKK million	Retail Customers	Business Partners	Commercial Customers	Markets & Asset Management	Forstædernes Bank	Group items and eliminations	Total
<b>2008</b>							
<b>Core income from business operations</b>							
- Mortgage lending activities	1,302	1,238	1,736	-	-	-	4,276
- Other activities	711	-	623	583	258	207	2,382
<b>Total</b>	<b>2,013</b>	<b>1,238</b>	<b>2,359</b>	<b>583</b>	<b>258</b>	<b>207<sup>1</sup></b>	<b>6,658</b>
Core income from securities	-	-	-	-	-	2,141	2,141
Operating costs	1,321	409	790	677	168	1,262	4,627
Depreciation on property, plant and equipment and amortisation of intangible assets	15	415	3	2	10	337	782
<b>Core earnings before impairment losses</b>	<b>677</b>	<b>414</b>	<b>1,566</b>	<b>(96)</b>	<b>80</b>	<b>749</b>	<b>3,390</b>
<b>losses</b>							
Impairment losses on loans and advances	(14)	55	550	27	264	561	1,443
<b>Core earnings after impairment losses</b>	<b>691</b>	<b>359</b>	<b>1,016</b>	<b>(123)</b>	<b>(184)</b>	<b>188</b>	<b>1,947</b>
Investment portfolio income <sup>2</sup>	-	-	-	-	-	(2,827)	(2,827)
<b>Profit/loss before tax</b>	<b>691</b>	<b>359</b>	<b>1,016</b>	<b>(123)</b>	<b>(184)</b>	<b>(2,639)</b>	<b>(880)</b>
<b>Return</b>							
Average business capital, DKKm <sup>3</sup>	3,675	3,652	13,087	2,218	-	-	28,522
Core earnings after impairment losses as % of average business capital	18.8	5.5	7.8	(5.5)	-	-	7.4
<b>2007</b>							
<b>Profit before tax</b>	<b>749</b>	<b>313</b>	<b>1,606</b>	<b>429</b>	<b>-</b>	<b>1,290</b>	<b>4,387</b>
<b>Return</b>							
Average business capital, DKKm <sup>3</sup>	3,758	5,196	1,110	429	-	-	25,894
Core earnings after impairment losses as % of average business capital	19.9	6.0	14.5	22.1	-	-	16.4

<sup>1</sup> Of which DKK 195m concerns the proportionate consolidation of JN Data (DKK 185m in 2007).

<sup>2</sup> Investment portfolio income includes the profit/loss from investments in associates of DKK 123m in 2008 against DKK 42m in 2007.

<sup>3</sup> Statutory capital requirement according to Basel II.

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

### Balance sheet

At end-2008 the Group's balance sheet amounted to DKK 1,218bn against DKK 1,075bn at end-2007.

Group mortgage lending at fair value totalled DKK 895bn at end-2008 against DKK 823bn at the beginning of the year. Measured at nominal value, mortgage lending rose by DKK 67bn to DKK 916bn at year-end.

Bank lending in Nykredit Bank excluding reverse transactions amounted to DKK 51bn at end-2008 – up DKK 11bn. Deposits increased by DKK 15bn to just below DKK 47bn at end-2008.

In Forstædernes Bank, lending excluding reverse transactions amounted to DKK 22bn, and deposits totalled DKK 15bn at end-2008.

### Equity and dividend

In 2007 the Nykredit Group launched a 3-year dividend plan involving an expected total dividend distribution of DKK 1,500m to the four shareholders of Nykredit Holding A/S: Foreningen Nykredit, Industriens Realkreditfond, Foreningen Østifterne and PRAS A/S.

Nykredit has distributed a dividend of DKK 500m in both 2007 and 2008.

Owing to the negative trend in results, it will be recommended for adoption by the Annual General Meeting that no dividend be distributed for 2008.

Group equity stood at DKK 50.4bn at end-2008 against DKK 54.4bn at the beginning of the year.

As previously, 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 several Danish regional banks. These equities are value-adjusted against equity. The value adjustment against equity in the Consolidated Financial Statements came to a loss of DKK 2,847m after tax. The value of equities classified as available for sale totalled DKK 2,118m at year-end.

Nykredit has decided not to apply the new IAS 39 rules, which increased the scope for omitting fair value adjustment of certain assets at 1 October 2008.

## The Nykredit Realkredit Group

### Changes in equity

DKK million	2008	2007
<b>Equity, beginning of year</b>	<b>54,447</b>	<b>51,987</b>
Extraordinary dividend	-	(500)
Paid dividend	(500)	-
Profit/loss for the year	(695)	3,363
Fair value adjustment of equities – available for sale	(2,847)	(465)
Other adjustments	(28)	62
<b>Equity, year-end</b>	<b>50,377</b>	<b>54,447</b>



## CAPITAL ADEQUACY

The capital base and capital adequacy have been determined according to the capital adequacy rules of Basel II since 1 January 2008.

Nykredit's application of the Basel II rules is described in detail in "Group Risk Management" below and the report "Risk and Capital Management 2008", available at [nykredit.com/reports](http://nykredit.com/reports).

### Capital structure and return

Nykredit's objective is to be able to maintain its lending activities at an unchanged level regardless of economic trends while retaining its high rating. Consequently, Nykredit must have the necessary equity to cover the rise in the statutory capital requirement and the required capital base in a period of severe recession.

Nykredit therefore divides its equity into four elements:

- Business capital of DKK 34.8bn equal to the statutory capital base requirement. Nykredit assesses its required capital base relative to the capital requirement during a mild recession.
- Cyclical buffer of DKK 9.5bn covering the expected rise in the capital base requirement, should the economic climate change from mild to severe recession.
- Statutory capital deductions (goodwill) relating to intangible assets of DKK 5.3bn.
- Strategic capital of DKK 0.8bn, the long-term capital maintained for strategic initiatives.

The acquisition of Forstædernes Bank, the loss for 2008 and the general growth in operations had reduced Nykredit's strategic capital to DKK 0.8bn at end-2008 compared with DKK 6.9bn in 2007.

### Required capital base

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and 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 risk.

Nykredit's calculation of the required capital base is based on the model calculations used for the determination of the capital requirement. However, a statistical level of security of 99.97% is applied, equal to a Aa2-Aa3 rating. When calculating the capital requirement and the capital adequacy ratio, a 99.9% confidence level is used.

The required capital base consists of Pillar I and Pillar II capital.

Pillar I capital covers credit risk, market risk, operational risk, insurance risk and risk relating to own properties.

Pillar II comprises capital to cover other risks as well as an increased capital requirement for credit and market risk during a mild recession. Pillar II allows for the effect of an elevated capital requirement where rising losses and arrears have been observed as well as any operating losses following a rise in impairment losses, etc.

At 31 December 2008, the required capital base came to DKK 34.8bn, of which DKK 26.8bn concerned Pillar I and DKK 8.0bn Pillar II.

The Nykredit Realkredit Group calculates its capital need as the required capital base as a percentage of risk-weighted items. The capital need during a mild recession equals 9.8%.

## The Nykredit Realkredit Group

### Capital structure at 31 December 2008

Equity				
DKK 50.4bn				
Pillar I DKK 26.8bn	Pillar II DKK 8.0bn	Cyclical buffer capital DKK 9.5bn	Statutory capital deductions DKK 5.3bn	Strategic capital DKK 0.8bn
Business capital DKK 34.8bn				

### Capital base and capital adequacy

Under the transitional rules, the capital requirement may not decrease by more than 10% and 20% in 2008 and 2009, respectively, compared with the former rules.

According to the transitional rules, the capital requirement came to DKK 47.7bn at end-2008, equal to a statutory capital adequacy ratio of at least 13.5%.

According to the transitional rules applicable to 2009, the capital requirement amounted to DKK 42.4bn at 1 January 2009, equal to a statutory capital adequacy ratio of at least 12.0%.

The Group's capital base totalled DKK 52.0bn at end-2008.

The capital adequacy ratio and core capital ratio amounted to 14.7% and 13.5%, respectively, at end-2008.

By comparison, the individual capital need based on a mild recession amounted to 9.8%.

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

#### Bank rescue package II

In January 2009 the Danish parliament adopted a number of measures extending the government guarantee scheme.

The extended scheme offers the possibility of opting for a government guarantee of up to three years for senior debt and junior covered bonds issued by commercial or mortgage banks. The guarantee scheme may remain in force until end-2013.

Commercial and mortgage banks may also apply for a government contribution of hybrid core capital.

#### Rating of junior covered bonds

In January 2009, Moody's Investors Service assigned a Aa2 rating to Nykredit Realkredit A/S's junior covered bonds issued out of Capital Centre E.

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

### RESULTS AND EXPECTATIONS

In relation to the presentation of the Group's Q1-Q3 Interim Report 2008, core earnings for 2008 were forecast to be in the region of DKK 3,300m-3,500m.

Core earnings for 2008 amounted to DKK 1,947m. The lower core earnings notably derived from items relating to the financial crisis and the results of Forstædernes Bank.

### OUTLOOK FOR 2009

Nykredit expects continued growth in core income from customer-oriented business activities. Growth is estimated to be 10-15%.

Market developments will for instance hinge on international economic trends, interest rates and the expected fiscal policy measures in Denmark. Further unemployment growth is in prospect and property prices may continue declining.

As no precise forecasts of impairment losses on loans and advances can be made, Nykredit has supplemented its risk reporting with expected loan loss levels based on the given economic assumptions.

### The Nykredit Realkredit Group

#### Capital base

DKK million	2008	1.1.2008
<b>Core capital</b>		
- Equity, year-end	50,377	54,447
- Revaluation reserves transferred to supplementary capital	(141)	(247)
- Proposed dividend	-	(500)
- Intangible assets, including goodwill	(5,332)	(3,999)
- Capitalised tax assets	(289)	-
- Hybrid core capital	4,119	3,622
- Other statutory deductions from core capital	(916)	(1,679)
<b>Core capital, incl hybrid core capital, after statutory deductions</b>	<b>47,819</b>	<b>51,643</b>
<b>Total supplementary capital</b>	<b>5,060</b>	<b>4,037</b>
<b>Statutory deductions from the capital base</b>	<b>(916)</b>	<b>1,679</b>
<b>Total capital base after statutory deductions</b>	<b>51,963</b>	<b>54,001</b>

### The Nykredit Realkredit Group

#### Capital requirement and capital adequacy ratio

DKK million	2008	1.1.2008
Credit risk	22,475	20,817
Market risk	4,592	2,014
Operational risk	1,284	1,245
<b>Capital requirement before transitional rules</b>	<b>28,351</b>	<b>24,076</b>
<b>Capital requirement after transitional rules <sup>1</sup></b>	<b>47,700</b>	<b>38,801</b>
<b>Capital base</b>	<b>51,963</b>	<b>54,001</b>
<b>Capital adequacy ratio</b>	<b>14.7</b>	<b>17.9</b>
Minimum capital adequacy ratio before transitional rules	8.0	8.0
Minimum capital adequacy ratio after transitional rules <sup>2</sup>	13.5	12.9
Core capital ratio <sup>3</sup>	13.5	17.2
Individual capital need (mild recession)	9.8	10.1
<b>Total weighted items</b>	<b>354,385</b>	<b>300,959</b>

Note: 1 January 2008 has been determined based on balance sheet figures at 31 December 2007.

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

<sup>2</sup> 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.

<sup>3</sup> The core capital ratio has been determined on the basis of risk-weighted items of DKK 354,385m, ie not using the transitional rules.

The financial crisis expanded spreads between government and mortgage bonds and cut prices of equities and bank bonds in 2008. The trends in this area are of importance to the Group's core income from Markets & Asset Management and to investment portfolio income. Unchanged yield spreads will therefore result in a normalised investment portfolio income in 2009.

Compared with the 2008 results, which were characterised by a number of special events with negative consequences, the Nykredit Group anticipates a satisfactory profit for 2009, but it will be lower than levels recorded in the years preceding the financial crisis.

## OTHER

### Enlargement of Group Executive Board

Bente Overgaard, Executive Vice President, was appointed Group Managing Director and joined Nykredit's Group Executive Board on 1 March 2008. She is in charge of human resources, staff training, management and organisational development as well as the Group's facilities management functions.

The Group Executive Board subsequently consists of Peter Engberg Jensen, Group Chief Executive, and Søren Holm, Karsten Knudsen, Per Ladegaard, Bente Overgaard and Niels Tørslev, all Group Managing Directors.

### Reinforced partnership with local and regional banks

On 1 April 2008, Nykredit/Totalkredit and the Danish local and regional banks entered into a new and broader partnership agreement, which extends the agreement concluded in 2003 when Nykredit acquired Totalkredit.

One of the key terms of the agreement was that the final price of the Totalkredit shares should be determined in 2008 rather than in 2010, as originally agreed. The back payment will amount to DKK 1,460m after tax for settlement on 1 October 2012.

### Nykredit acquired Forstædernes Bank

Based on an enquiry by the Board of Directors of Forstædernes Bank, Nykredit made a conditional tender offer for Forstædernes Bank in September, which was accepted by shareholders representing 97.2% of the share capital. The acquisition price was DKK 1,825m.

Forstædernes Bank is a good strategic fit with Nykredit, because it has a customer base mainly consisting of SMEs and wealthy private individuals, and because it focuses on housing,

investment and pension activities like Nykredit. Furthermore, Forstædernes Bank strongly complements the presence of the Nykredit Group in the metropolitan area.

Nykredit has so far focused on organic growth in commercial banking. The acquisition of Forstædernes Bank will strengthen Nykredit's market position.

Forstædernes Bank's Executive Board was expanded in November with Bjørn Damgaard Mortensen, Managing Director.

### Nykredit Bank and Forstædernes Bank participate in government guarantee scheme

In October, the Danish government and the Danish banking sector (the Private Contingency Association) introduced a guarantee scheme for deposits with and unsecured claims against Danish banks. Nykredit Bank and Forstædernes Bank participate in the scheme. The results for the financial year 2008 are affected by commission expenses of DKK 109m. The scheme will imply annual commission expenses at Group level in the region of DKK 475m up to October 2010.

Under the scheme, the Nykredit Group has a guarantee obligation to cover the excess risk of DKK 10bn under the guarantee scheme, of which the Group's share is expected to be in the region of DKK 630m.

In 2008 this guarantee obligation resulted in an impairment loss of DKK 62m relating to EBH Bank.

### Nykredit bonds rated AAA by Standard & Poor's

In November rating agency Standard & Poor's announced that Nykredit had been assigned the highest rating, AAA. This rating applies to Nykredit Realkredit A/S's covered bonds issued out of Capital Centres C, D, E and Nykredit In General and covered bonds issued out of Totalkredit A/S's Capital Centre C.

The AAA rating by Standard & Poor's emphasises Nykredit's substantial credit strength despite the global financial crisis, and the rating confirms the credit quality of Nykredit's covered bonds.

Nykredit Realkredit A/S had already been assigned a short-term unsecured rating of A-1 by Standard & Poor's.

In November, Nykredit Realkredit A/S was assigned a long-term unsecured rating of A+, and Nykredit Bank A/S was assigned a short-term deposit rating of A-1 and a long-term deposit rating of A+ by Standard & Poor's.

### 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 171m will be recognised as income.

## 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 recorded a profit before tax of DKK 2m for 2008 excluding the loss 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 2008.

### NYKREDIT REALKREDIT A/S

Nykredit Realkredit posted a loss before tax of DKK 3,913m against a profit of DKK 3,291m in 2007. The Company recorded a loss after tax of DKK 3,542m against a profit of DKK 2,897m the year before.

Results for 2008 include growth in earnings from customer-oriented business and low losses except for losses under the guarantee obligations in relation to the Private Contingency Association and Roskilde Bank. However, they also include a loss on the investment portfolio of DKK 5,320m, lower earnings from subsidiaries and higher operating costs and impairment losses. The investment portfolio results include the return on strategic equities.

Core income from mortgage operations gained DKK 64m to DKK 3,211m. The figure reflected gross new lending of DKK 93bn in 2008, against DKK 110bn in 2007, and a rise in the loan portfolio of DKK 30bn to DKK 516bn in nominal terms.

Core income from securities amounted to DKK 1,354m compared with DKK 1,414m in 2007. The decline was attributed to a reduction of the investment portfolio, which was partly offset by a rise in average money market rates from 4.0% to 4.3%.

Mortgage banking costs totalled DKK 3,104m, up DKK 407m or 15%. Before value adjustment of special staff benefits, costs increased by DKK 280m.

Mortgage loan impairment was DKK 344m against a net income of DKK 55m in 2007. Of

the 2008 impairment losses, DKK 191m concerned losses on guarantee obligations relating to the Private Contingency Association and Roskilde Bank, and an increase in collective impairment provisions of DKK 68m.

The level of the mortgage bank's recognised losses on loans and advances continued to be very low in 2008 at DKK 23m against DKK 63m the year before.

Impairment provisions totalled DKK 410m at end-2008, up DKK 157m. Individual impairment provisions came to DKK 180m and collective impairment provisions DKK 230m.

Mortgage loan impairment continued to be very low relative to total loans and advances of DKK 516bn. Total impairment provisions constitute 0.08% of total lending.

The investment portfolio produced a loss of DKK 5,320m for 2008 against a loss of DKK 384m the year before. Value adjustment of strategic equities, which has been recognised as investment portfolio income unlike the practice in the Consolidated Financial Statements, generated a loss of DKK 2,837m against a loss of DKK 524m in 2007.

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.

### Nykredit Realkredit A/S

#### Core earnings and investment portfolio income

DKK million	2008	2007
<b>Core income from</b>		
- Business operations	3,211	3,147
- Securities	1,354	1,414
<b>Total</b>	<b>4,565</b>	<b>4,561</b>
Operating costs, depreciation and amortisation	3,104	2,697
<b>Core earnings before impairment losses</b>	<b>1,461</b>	<b>1,864</b>
Impairment losses on loans and advances	344	(55)
Profit from equity investments	290	1,756
<b>Core earnings after impairment losses</b>	<b>1,407</b>	<b>3,675</b>
Investment portfolio income	(5,320)	(384)
<b>Profit/loss before tax</b>	<b>(3,913)</b>	<b>3,291</b>
Tax	(371)	394
<b>Profit/loss for the year</b>	<b>(3,542)</b>	<b>2,897</b>

**TOTALKREDIT A/S**

For 2008 Totalkredit posted a profit of DKK 1,100m before tax and DKK 823m after tax against DKK 1,004m and DKK 754m, respectively, in 2007.

Total core income was DKK 1,574m in 2008 against DKK 1,321m in 2007.

Core income from business operations increased by DKK 142m to DKK 1,141m against DKK 999m in 2007. Core income for the year mirrored recent years' growth in lending, which continued in 2008.

In nominal terms, the loan portfolio increased by DKK 38bn to DKK 401bn at year-end. Gross lending came to DKK 87bn and net new lending to DKK 43bn.

Core income from securities amounted to DKK 433m compared with DKK 322m in 2007. The upturn stemmed from investment portfolio growth following a capital increase in 2007 and a rise in average money market rates from 4.0% to 4.3%.

Operating costs, depreciation and amortisation were DKK 375m against DKK 314m the year before. The increase chiefly stemmed from higher IT costs relating to measures supporting Totalkredit's business concept.

Loan impairment losses came to DKK 55m

against DKK 1m in 2007. The impairment losses for the year equalled 0.01% of nominal lending at year-end. Recognised losses represented about DKK 1m of impairment losses. The rise in impairment losses results from the transition to the so-called set-off model.

Collective impairment provisions amounted to DKK 32m at end-2008 and individual impairment provisions were DKK 22m, of which the main part is likely to be offset against Totalkredit's commission payable to its business partners.

The set-off model increases impairment of loans and advances compared with the previous guarantee model. Provisions for loan impairment are made where there is objective evidence of impairment.

When a loss is recognised, Totalkredit may offset the loss against future commission expenses.

Totalkredit expects that the main part of impairment losses on loans and advances will subsequently be offset against commissions payable to partner banks.

Under the set-off model, Totalkredit bears the entire capital charge relating to the loan.

After recognition of profit for the year, equity stood at DKK 11,552m at year-end.

The capital base was 14,826m at end-2008, equal to a capital adequacy ratio of 26.7%.

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

DKK million	2008	2007
<b>Core income from</b>		
- Business operations	1,141	999
- Securities	433	322
<b>Total</b>	<b>1,574</b>	<b>1,321</b>
Operating costs, depreciation and amortisation	375	314
<b>Core earnings before impairment losses</b>	<b>1,199</b>	<b>1,007</b>
Impairment losses on loans and advances	55	1
<b>Core earnings after impairment losses</b>	<b>1,144</b>	<b>1,006</b>
Investment portfolio income	(44)	(2)
<b>Profit before tax</b>	<b>1,100</b>	<b>1,004</b>
Tax	277	250
<b>Profit for the year</b>	<b>823</b>	<b>754</b>

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

DKK million	2008	2007
Mortgage loans at fair value	390,451	349,278
Bonds and equities	52,437	47,156
Issued bonds, Totalkredit	121,243	145,401
Issued bonds, Nykredit Realkredit	315,349	242,622
Subordinate loan capital	3,600	3,600
Equity	11,552	10,729
<b>Total assets</b>	<b>461,338</b>	<b>409,914</b>

**THE NYKREDIT BANK GROUP**

For 2008 the Nykredit Bank Group posted a loss of DKK 295m before tax and a loss of DKK 241m after tax against a profit of DKK 1,013m and DKK 758m, respectively, in 2007.

Come income from business operations increased by DKK 568m to DKK 2,192m, corresponding to 35.0% growth. The improvement of core income from business operations was reduced by DKK 753m due to losses of DKK 351m on own trading activities and DKK 402m relating to Kalvebod bonds (subordinate loan capital in Danish banks). In 2007 own trading activities produced earnings of DKK 86m.

Operating costs, depreciation and amortisation amounted to DKK 1,217m against DKK 883m in 2007. Of this amount, DKK 81m was the Bank's commission payable to the Private Contingency Association.

Another reason for the rise was recruitment in Corporate Banking and Markets & Asset Management leading to a 36% rise in staff to 709 at end-2008. Costs also climbed higher because Nykredit Leasing was fully recognised in 2008.

Impairment losses on loans and advances were DKK 762m against a net income of DKK 14m in 2007.

Impairment losses relating to Roskilde Bank and the EBH Group came to DKK 366m. This included DKK 57m for losses under the guarantee obligations relating to the Private Contingency Association and the Winding-Up Company.

Impairment of commercial and retail exposures, etc, amounted to DKK 379m and DKK 15m, respectively.

Nykredit Bank increased its share capital by DKK 1,250m in 2008. The entire 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 7,104m at year-end.

The Nykredit Bank Group's capital adequacy ratio was 10.2% at end-2008 against 11.7% at end-2007.

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

DKK million	2008	2007
<b>Core income from</b>		
- Business operations	2,192	1,624
- Own trading activities	(753)	86
<b>Total</b>	<b>1,439</b>	<b>1,710</b>
Core income from securities	265	186
<b>Total</b>	<b>1,704</b>	<b>1,896</b>
Operating costs, depreciation and amortisation	1,217	883
<b>Core earnings before impairment losses</b>	<b>487</b>	<b>1,013</b>
Impairment losses on loans and advances	763	(14)
<b>Core earnings after impairment losses</b>	<b>(276)</b>	<b>1,027</b>
Investment portfolio income	(19)	(14)
<b>Profit/loss before tax</b>	<b>(295)</b>	<b>1,013</b>
Tax	(54)	255
<b>Profit/loss for the year</b>	<b>(241)</b>	<b>758</b>

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

DKK million	2008	2007
Loans and advances	75,387	45,209
Bonds and equities	53,561	55,483
Payables to credit institutions and central banks	85,850	76,825
Deposits	46,536	31,717
Equity	7,104	6,099
<b>Total assets</b>	<b>193,800</b>	<b>135,399</b>

**FORSTÆDERNES BANK A/S**

This section outlines the results of Forstædernes Bank for the full year 2008.

Forstædernes Bank recorded a loss of DKK 1,609m before tax and DKK 1,227m after tax for 2008 against a profit of DKK 359m and DKK 275m, respectively, in 2007.

Core income from business operations was DKK 945m against DKK 907m in 2007. The increase in core income was partly the result of increased activity within customers' foreign exchange trading.

Operating costs, depreciation and amortisation amounted to DKK 752m against DKK 670m in 2007. The increase was one-off costs of DKK 26m relating to Nykredit's acquisition of the bank. In addition, guarantee commission under the government guarantee scheme came to DKK 32m.

Impairment losses on loans and advances were DKK 1,534m against DKK 50m in 2007. The increase in impairment losses was due to the continuously deteriorating property market coupled with impaired values of collateral and securities. The higher impairment losses were

mainly due to a small number of large exposures relating to the property sector.

The Bank's investment portfolio income was influenced by increasingly adverse financial markets with falling equity and bond prices. The investment portfolio thus generated a loss of DKK 487m against a loss of DKK 23m in 2007.

Forstædernes Bank increased its share capital by DKK 2,003m in 2008 and raised subordinate loan capital of DKK 350m. The entire 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 3,055m at end-2008.

The bank's capital adequacy ratio was 15.5% at end-2008 against 11.2% the year before.

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

DKK million	2008	2008	2007
	17.10. – 31.12.		
Core income from			
- Business operations	258	945	907
- Securities	31	219	195
<b>Total</b>	<b>289</b>	<b>1,164</b>	<b>1,102</b>
Operating costs, depreciation and amortisation	190	752	670
Recognised in opening balance sheet	(12)	-	-
<b>Core earnings before impairment losses</b>	<b>111</b>	<b>412</b>	<b>432</b>
Impairment losses on loans and advances	1,358	1,534	50
Recognised in opening balance sheet	(1,094)	-	-
<b>Core earnings after impairment losses</b>	<b>(153)</b>	<b>(1,122)</b>	<b>382</b>
Investment portfolio income	(205)	(487)	(23)
<b>Profit/loss from ordinary operating activities</b>	<b>(358)</b>	<b>(1,609)</b>	<b>359</b>
Tax	(74)	(382)	84
<b>Profit/loss for the year</b>	<b>(284)</b>	<b>1,227</b>	<b>275</b>

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

DKK million	2008	2007
Loans and advances	22,314	25,386
Bonds and equities	3,443	6,263
Payables to credit institutions	7,221	11,193
Deposits and other debt	14,704	16,902
Subordinate loan capital	1,745	1,404
Equity	3,055	2,208
<b>Total assets</b>	<b>32,298</b>	<b>33,832</b>

**NYKREDIT FORSIKRING A/S**

For 2008 the insurer recorded a profit of DKK 144m before tax and DKK 108m after tax against DKK 203m and DKK 149m, respectively, in 2007. Profit was affected by lower investment portfolio income in particular.

The insurer posted a technical profit of DKK 136m against DKK 129m the year before. The technical profit is profit before tax adjusted for core income from securities and investment portfolio income.

Premiums rose to DKK 1,381m from DKK 1,340m at end-2007, up 7%. Retail Customers and Commercial Customers accounted for DKK 28m and DKK 13m, respectively, of the rise.

New insurance policies written totalled DKK 312m in 2008, which was unchanged on 2007.

Operating costs, depreciation and amortisation went up by DKK 6m to DKK 200m. The cost ratio edged up by 0.2% to 18.4%.

The combined ratio and the operating ratio were unchanged at 93.4% and 90.4%, respectively.

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 a loss of DKK 43m against an income of DKK 17m in 2007.

After inclusion of the loss for the year, equity stood at DKK 1,258m at year-end.

The statutory capital base requirement was DKK 1,138m at end-2008, while the capital margin amounted to DKK 229m.

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

DKK million	2008	2007
<b>Core income from</b>		
- Business operations	1,279	1,218
- Securities	51	57
<b>Total</b>	<b>1,330</b>	<b>1,275</b>
Operating costs, depreciation and amortisation	200	194
Claims incurred	943	895
<b>Core earnings</b>	<b>187</b>	<b>186</b>
Investment portfolio income	(43)	17
<b>Profit before tax</b>	<b>144</b>	<b>203</b>
Tax	36	54
<b>Profit for the year</b>	<b>108</b>	<b>149</b>

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

DKK million	2008	2007
Premiums, adjusted for reserves	1,368	1,292
Net premiums earned	1,285	1,214
<b>Financial ratios</b>		
Claims ratio, %	71.1	74.5
Cost ratio, %	18.4	18.2
Net reinsurance ratio, %	3.9	0.7
Combined ratio, %	93.4	93.4
Operating ratio, %	90.4	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-2008, the agency network comprised 322 estate agencies of which 224 Nybolig agencies and 98 Estate agencies.

Activity in the property market was at its lowest since 1991. Nykredit Mægler franchisees sold 13,800 properties in 2008, 30% fewer than the year before.

Nykredit Mægler recorded a profit of DKK 3m before tax and DKK 1m after tax against DKK 49m and DKK 35m, respectively, in 2007. The company booked impairment losses of DKK 16m in respect of a few franchisees 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.

The Company posted a loss of DKK 125m for 2008 against a profit of DKK 54m the year before. Results for 2008 were reduced by impairment losses on the company's properties of DKK 151m. By comparison, profit for 2007 included a gain of DKK 45m concerning the sale of the company's stake in Hotelinvest Kalvebod A/S.

In the year under review, the Parent Company made a capital increase of DKK 303m in the form of a contribution of six properties.

The company's equity was DKK 695m at end-2008.

**Nykredit Mægler A/S**

DKK million	2008	2007
Profit for the year	1	35
Balance sheet total	151	143
Equity	117	116

**Nykredit Ejendomme A/S**

DKK million	2008	2007
Profit/loss for the year	(125)	54
Balance sheet total	1,647	1,283
Equity	695	540

## Income statements for 1 January – 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2007	2008		2008	2007
32,018	40,881	Interest income	54,962	44,179
28,533	37,152	Interest expenses	47,096	37,538
3,484	3,730	<b>NET INTEREST INCOME</b>	<b>7,866</b>	<b>6,641</b>
184	100	Dividend on equities	108	191
811	772	Fee and commission income	1,374	1,387
203	204	Fee and commission expenses	1,266	1,209
4,276	4,399	<b>NET INTEREST AND FEE INCOME</b>	<b>8,082</b>	<b>7,011</b>
-	-	Net premiums earned	1,285	1,214
(136)	(5,353)	Value adjustments	(2,921)	921
5	78	Other operating income	349	387
-	-	Claims incurred, net of reinsurance	943	895
2,243	2,576	Staff and administrative expenses	4,505	3,809
454	528	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	782	541
0	4	Other operating expenses	126	3
(55)	344	Impairment losses on loans, advances and receivables	1,443	(67)
1,789	414	Profit from investments in associates and group enterprises	123	34
3,291	(3,913)	<b>PROFIT/LOSS BEFORE TAX</b>	<b>(880)</b>	<b>4,387</b>
394	(371)	Tax	(186)	1,024
2,897	(3,542)	<b>PROFIT/LOSS FOR THE YEAR</b>	<b>(695)</b>	<b>3,363</b>
		<b>DISTRIBUTION OF PROFIT/LOSS FOR THE YEAR</b>		
-	-	Shareholders of Nykredit Realkredit A/S	(695)	3,363
		<b>PROPOSAL FOR THE DISTRIBUTION OF PROFIT/LOSS</b>		
1,785	(572)	Statutory reserves		
612	(2,970)	Retained earnings		
500	-	Proposed dividend		

## Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2007	2008	2008	2007
		<b>ASSETS</b>	
32	78	Cash balance and demand deposits with central banks	323 135
79,937	58,010	Receivables from credit institutions and central banks	73,077 82,510
716,684	820,662	Loans, advances and other receivables at fair value	920,430 828,954
649	722	Loans, advances and other receivables at amortised cost	73,755 40,608
62,548	65,564	Bonds at fair value	99,731 90,935
		<b>Equities</b>	
7,344	2,999	Equities measured at fair value through profit or loss	1,585 2,694
-	-	Equities available for sale	2,118 4,960
<b>7,344</b>	<b>2,999</b>	<b>Total</b>	<b>3,702 7,653</b>
188	168	Investments in associates	81 137
18,774	23,603	Investments in group enterprises	- -
3,957	5,252	Intangible assets	5,332 3,999
		<b>Land and buildings</b>	
-	-	Investment properties	70 71
360	25	Owner-occupied properties	1,646 1,617
<b>360</b>	<b>25</b>	<b>Total</b>	<b>1,716 1,688</b>
156	188	Other property, plant and equipment	402 276
59	116	Current tax assets	415 95
258	818	Deferred tax assets	1,213 313
5	52	Assets in temporary possession	70 5
10,942	15,607	Other assets	37,673 17,596
121	144	Prepayments	207 152
<b>902,014</b>	<b>994,008</b>	<b>TOTAL ASSETS</b>	<b>1,218,127 1,075,058</b>

## Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group	
2007	2008		2008	2007
		<b>LIABILITIES AND EQUITY</b>		
63,210	100,911	Payables to credit institutions and central banks	162,549	115,875
-	-	Deposits and other payables	61,177	31,581
724,746	790,326	Issued bonds at fair value	836,081	796,403
27	138	Issued bonds at amortised cost	20,665	1,589
30,560	19,823	Other non-derivative financial liabilities at fair value	21,941	33,444
-	-	Current tax liabilities	72	15
19,876	23,667	Other liabilities	53,282	30,775
-	-	Deferred income	20	11
<b>838,420</b>	<b>934,865</b>	<b>Total payables</b>	<b>1,155,787</b>	<b>1,009,693</b>
		<b>Provisions</b>		
179	209	Provisions for pensions and similar obligations	232	197
748	851	Provisions for deferred tax	922	797
-	-	Insurance liabilities	1,594	1,702
110	102	Repayable reserves funded by pre-1972 series	102	110
-	-	Provisions for losses under guarantees	106	-
767	19	Other provisions	26	769
<b>1,804</b>	<b>1,182</b>	<b>Total provisions</b>	<b>2,984</b>	<b>3,575</b>
<b>7,343</b>	<b>7,584</b>	<b>Subordinate loan capital</b>	<b>8,979</b>	<b>7,343</b>
		<b>Equity</b>		
1,182	1,182	Share capital	1,182	1,182
		<b>Accumulated changes in value</b>		
89	5	- Revaluation reserves	141	247
15	(3)	- Accumulated foreign currency translation adjustment of foreign entities	(3)	15
-	-	- Value adjustment of equities available for sale	(674)	2,173
		<b>Other reserves</b>		
3,435	2,844	- Statutory reserves	-	-
24,258	25,778	- Series reserves	25,778	24,258
24,969	20,572	Retained earnings	23,954	26,072
500	-	Proposed dividend	-	500
<b>54,447</b>	<b>50,377</b>	<b>Total equity</b>	<b>50,377</b>	<b>54,447</b>
<b>902,014</b>	<b>994,008</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,218,127</b>	<b>1,075,058</b>
		<b>OFF-BALANCE SHEET ITEMS</b>		
-	-	Guarantees	8,905	4,242
1,641	1,577	Other contingent liabilities	10,601	9,427
<b>1,641</b>	<b>1,577</b>	<b>TOTAL</b>	<b>19,506</b>	<b>13,670</b>

# Group chart

