

To NASDAQ OMX, Copenhagen and the press

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Earnings forecast for the year 2008

The figures below are preliminary and are subject to change until the presentation of the Preliminary Announcement of Financial Statements and the Annual Report on 5 February 2009.

The Nykredit Realkredit Group's results for 2008 show continued growth in customer business and low mortgage losses but they were affected by the extraordinary development in financial markets involving bank collapses, plunging equity prices, massive yield spread widening and the acquisition of Forstædernes Bank.

The steady expansion of the Nykredit Realkredit Group's customer-oriented business activities continued in 2008 and went up by 11% to DKK 7.2bn excluding Forstædernes Bank, cf below.

Notwithstanding the financial crisis and declining property prices, the Group's impairment losses on mortgage loans were only DKK 0.2bn (0.02% of lending) and DKK 0.4bn 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, amount to DKK 1.4bn:

- Impairment losses of DKK 0.2bn under guarantee obligations in relation to the Private Contingency Association with respect to Roskilde Bank and EBH Bank.
- Impairment losses on lending to the EBH group of DKK 0.4bn. The loans granted to the EBH group should be seen in the context of extensive business cooperation between Nykredit and the EBH group.
- Value adjustments relating to own positions in Markets & Asset Management of DKK 0.8bn of which DKK 0.4bn concerned ordinary own positions and DKK 0.4bn relating to Kalvebod 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 certain financial assets may be reclassified for the purpose of omitting fair value adjustments through profit or loss.
- Costs of guarantee commission payable to the Danish government of DKK 0.1bn.

Nykredit's acquisition of Forstædernes Bank also had a negative effect of DKK 0.4bn on the Nykredit Realkredit Group's results for the period 17 October 2008 to 31 December 2008.

Impairment losses in Forstædernes Bank for this period were DKK 1.4bn of which DKK 1.1bn related to impairment losses for which adjustments were made in the opening balance sheet at the time of the acquisition of the bank. The net effect on the financial statements of the Nykredit Realkredit Group was therefore only DKK 0.3bn. The adjustment for impairment losses and provisions for loans and advances in the opening balance sheet totalled DKK 1.5bn of which DKK 0.4bn remains to cover projected credit losses for 2009 and coming years.

The investment portfolio of the Nykredit Realkredit Group, excluding Forstædernes Bank, generated a loss of DKK 2.6bn – on a level with that of end-Q3/2008.

Total core earnings after impairment losses of the Nykredit Realkredit Group were DKK 2.0bn, and results were a loss before tax of 0.9bn, cf table below.

DKKbn	Core earnings after impairment losses	Results before tax
Ordinary group operations	3.5	3.5
Effect of financial crisis and investment portfolio income	(1.4)	(4.0)
Effect of Forstædernes Bank	(0.1)	(0.4)
	2.0	(0.9)

Please note that Nykredit has not taken advantage of the new IAS rules according to which certain financial assets may be reclassified for the purpose of omitting fair value adjustments through profit or loss in certain cases. The new rules would have had a significantly 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.

In line with previous practice, Nykredit has value-adjusted strategic equities directly against equity. In 2008, such value adjustments came to a loss of DKK 2.8bn.

The results above of the Nykredit Realkredit Group include Nykredit's subsidiaries. Totalkredit expects a profit before tax of DKK 1.1bn. Nykredit Bank expects a loss before tax of DKK 0.3bn. Forstædernes Bank expects a loss of DKK 1.6bn of which DKK 1.1bn relates to impairment losses included in the Nykredit Realkredit Group's opening balance sheet at the time of the acquisition of the bank. Nykredit Forsikring expects a profit before tax of DKK 0.1bn.

Peter Engberg Jensen, Group Chief Executive, has the following comments:

The ordinary business operations and core earnings showed positive trends in 2008 with 11% growth in customer-oriented business and low losses within both mortgage and commercial banking – when disregarding the development in Forstædernes Bank, Markets & Asset Management and losses relating to Roskilde Bank and the EBH group.

All in all, Nykredit's core operations are healthy and incur only low risk. However, these results are put in the shade by the extraordinary development in financial markets involving bank collapses and losses on bond and equity markets. We expect core earnings after impairment losses of DKK 2.0bn and a loss before tax of DKK 0.9bn for the year.

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