

To NASDAQ OMX Copenhagen A/S  
and the press

10 February 2011

## Results – the Nykredit Realkredit Group

- The Nykredit Realkredit Group recorded a profit before tax of DKK 3,090m against a loss of DKK 145m in 2009. In addition, the divestment of Nykredit Forsikring generated a profit of DKK 1,511m
- Profit after tax was DKK 3,816m, including profit from the divestment of Nykredit Forsikring, against DKK 129m in 2009
- Customer-oriented business was up by 10.2%
  - Core income from customer-oriented business increased by DKK 882m to DKK 9,522m in 2010
  - Mortgage lending in nominal terms and bank lending went up by DKK 42bn to DKK 1,088bn in 2010
- Operating costs, depreciation and amortisation excluding special value adjustments rose by DKK 104m or 1.9%
  - Costs as a percentage of core income from business operations were trimmed from 62.4% in 2009 to 57.8%
  - Special value adjustments etc produced a charge of DKK 129m
  - Nykredit Bank's commission payable under the government guarantee scheme amounted to DKK 371m against DKK 500m in 2009
- Loan impairment losses declined by DKK 5,499m to DKK 2,103m
  - Impairment losses on mortgage lending were DKK 888m, equal to 0.09% of loans and advances
  - Impairment losses on bank lending came to DKK 1,215m, excluding the government guarantee scheme, equal to 1.31% of loans and advances
  - Impairment losses under the government guarantee scheme were DKK 279m
- Core income from securities amounted to DKK 470m against DKK 829m in 2009
  - Money market rates averaged 1.05% against 1.83% in 2009
- Investment portfolio income was DKK 2,003m against DKK 4,620m in 2009
  - In 2010 investment portfolio income mainly derived from earnings from short-term bonds and tighter yield spreads between mortgage bonds and government bonds
- Cost of capital in the form of net interest on hybrid core capital amounted to DKK 461m against DKK 95m in 2009
- The Group's costs relating to Bank Rescue Package I totalled DKK 1,643m from 2008 up to the expiry of the scheme on 30 September 2010. No further payments are expected to be made under the scheme.

## Capital

- The core capital and capital adequacy ratios were 18.5% and 18.5%, respectively
- The internal capital adequacy requirement (ICAAP) stood at 9.4%
- A dividend distribution of DKK 300m is proposed
- Group equity increased by DKK 4.1bn to DKK 55.0bn after proposed dividend.

## OUTLOOK FOR 2011

- Nykredit expects growth in both retail and commercial lending leading to higher core income. Further, Markets & Asset Management is set to continue growth in earnings. Core earnings before impairment losses are projected to range between DKK 4.3bn and DKK 4.8bn.
- Impairment losses on loans and advances are likely to be in the region of DKK 1.5bn, with an uncertainty margin of DKK 0.5bn. As in 2010, the highest impairment losses are expected for small and medium-sized enterprises (SMEs).
- Results before tax will hinge on trends in financial markets and the Danish economy. Profit before tax is forecast at DKK 3.0bn-3.5bn.

*Peter Engberg Jensen, Group Chief Executive, says:*

Nykredit improved its market position markedly in 2010 as business operations grew by more than 10%. This trend, coupled with only 2% growth in costs, tentative normalisation of impairment loss levels and high investment portfolio income produced a rather good profit of DKK 3.1bn before tax and exclusive of a DKK 1.5bn profit from the divestment of Nykredit Forsikring.

Nykredit has set its strategic course – we have merged Nykredit Bank and Forstædernes Bank. Banking operations contribute 44% of core income today, and our total lending in Denmark represents just below 30% of aggregate lending by the Danish financial sector.

## FINANCIAL HIGHLIGHTS

DKK million	The Nykredit Realkredit Group					
	2010	2009	2008 <sup>3</sup>	2007	2006	EUR 2010
<b>CORE EARNINGS AND RESULTS FOR THE YEAR</b>						Exchange rate 745.44
<b>Core income from</b>						
- Business operations	9,522	8,640	6,920	5,941	5,488	1,277
- Junior covered bonds	(120)	(67)	(40)	-	-	(16)
- Kalvebod issues <sup>1</sup>	57	139	(402)	(19)	-	8
- Securities	470	829	2,212	2,040	1,328	63
<b>Total</b>	<b>9,929</b>	<b>9,541</b>	<b>8,690</b>	<b>7,962</b>	<b>6,816</b>	<b>1,332</b>
Operating costs, depreciation and amortisation, excluding special value adjustments	5,499	5,395	4,678	4,031	3,883	738
Operating costs, depreciation and amortisation – special value adjustments <sup>2</sup>	129	396	225	(57)	(84)	17
Commission – government guarantee scheme	371	500	112	-	-	50
<b>Core earnings before impairment losses</b>	<b>3,930</b>	<b>3,250</b>	<b>3,675</b>	<b>3,988</b>	<b>3,017</b>	<b>527</b>
Impairment losses on loans and advances – mortgage lending	888	1,755	416	(53)	(325)	119
Impairment losses on loans and advances – banking	1,215	5,847	964	(14)	(44)	163
Impairment losses on loans and advances – government guarantee scheme	279	318	63	-	-	37
<b>Core earnings after impairment losses</b>	<b>1,548</b>	<b>(4,670)</b>	<b>2,232</b>	<b>4,055</b>	<b>3,386</b>	<b>208</b>
Investment portfolio income	2,003	4,620	(3,231)	156	851	268
<b>Profit (loss) before cost of capital</b>	<b>3,551</b>	<b>(50)</b>	<b>(999)</b>	<b>4,211</b>	<b>4,237</b>	<b>476</b>
Net interest on hybrid core capital	(461)	(95)	(25)	(28)	(25)	(61)
<b>Profit (loss) before tax from continued operations</b>	<b>3,090</b>	<b>(145)</b>	<b>(1,024)</b>	<b>4,183</b>	<b>4,212</b>	<b>415</b>
Tax	785	(29)	(222)	969	1,055	106
Profit from discontinued insurance operations	1,511	245	107	149	170	203
<b>Profit (loss) for the year</b>	<b>3,816</b>	<b>129</b>	<b>(695)</b>	<b>3,363</b>	<b>3,327</b>	<b>512</b>
<b>Profit (loss) for the year excludes value adjustment and reclassification of strategic equities against equity totalling</b>	<b>261</b>	<b>751</b>	<b>(2,847)</b>	<b>(465)</b>	<b>1,419</b>	<b>22</b>
<b>SUMMARY BALANCE SHEET, YEAR-END</b>						
<b>Assets</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>EUR 2010</b>
Receivables from credit institutions and central banks	58,657	62,909	73,388	82,636	57,516	7,869
Mortgage loans at fair value	1,030,674	981,227	895,463	823,228	758,132	138,264
Bank loans – excluding reverse transactions	58,833	60,908	72,733	39,660	28,983	7,892
Bonds and equities	99,144	86,620	103,434	98,589	89,005	13,300
Remaining assets	63,832	55,521	73,037	30,854	23,528	8,563
<b>Total assets</b>	<b>1,311,140</b>	<b>1,247,185</b>	<b>1,218,055</b>	<b>1,074,967</b>	<b>957,164</b>	<b>175,888</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	95,879	119,313	162,549	115,875	84,512	12,862
Deposits	55,467	64,483	61,177	31,581	22,165	7,441
Issued bonds at fair value	974,319	889,899	836,081	796,403	751,560	130,704
Subordinated debt – hybrid core capital	11,055	10,805	4,119	3,622	3,730	1,483
Subordinated debt – supplementary capital	563	4,628	4,860	3,722	4,985	76
Remaining liabilities	118,537	106,816	98,892	69,317	38,225	15,901
Equity	55,320	51,241	50,377	54,447	51,987	7,421
<b>Total liabilities and equity</b>	<b>1,311,140</b>	<b>1,247,185</b>	<b>1,218,055</b>	<b>1,074,967</b>	<b>957,164</b>	<b>175,888</b>
<b>FINANCIAL HIGHLIGHTS</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	
Profit (loss) for the year as % of average equity	7.2	0.3	(1.3)	6.3	6.6	
Core earnings before impairment losses as % of average equity	7.4	6.4	7.0	7.5	6.0	
Core earnings after impairment losses as % of average equity	2.9	(9.2)	4.3	7.6	6.7	
Costs as % of core income from business operations	57.8	62.4	67.6	67.9	70.8	
Provisions for loan impairment – mortgage lending	2,226	1,942	465	254	319	
Provisions for loan impairment and guarantees – banking	6,888	8,422	2,482	95	87	
Impairment losses for the year, % – mortgage lending	0.09	0.18	0.05	(0.01)	(0.04)	
Impairment losses for the year, % – banking <sup>4</sup>	1.31	6.07	1.80	(0.03)	(0.11)	
Capital adequacy ratio, %	18.5	17.8	14.7	10.3	11.8	
Core capital ratio, %	18.5	16.7	13.5	9.7	11.0	
Average number of full-time staff <sup>5</sup>	4,026	4,135	4,037	3,217	3,129	

<sup>1</sup> Includes value adjustment of the portfolio of subordinated debt in Danish banks.

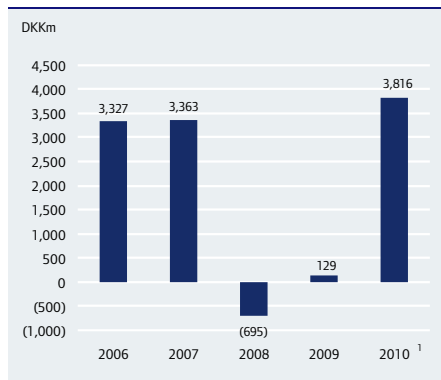
<sup>2</sup> Special value adjustments include value adjustment of certain staff benefits and owner-occupied properties as well as costs of winding up Dansk Pantebrevsbørs under konkurs A/S (in bankruptcy).

<sup>3</sup> Forstædernes Bank was included in the Consolidated Financial Statements as from 17 October 2008.

<sup>4</sup> Excluding provisions under the government guarantee scheme.

<sup>5</sup> Excluding Nykredit Forsikring A/S and JN Data A/S.

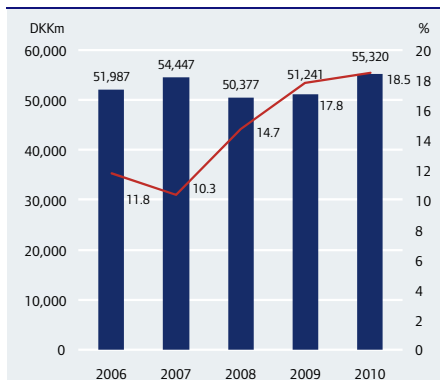
### Results for the year



Excluding value adjustment of strategic equities against equity. Nykredit Forsikring A/S is included up to 29 April 2010.

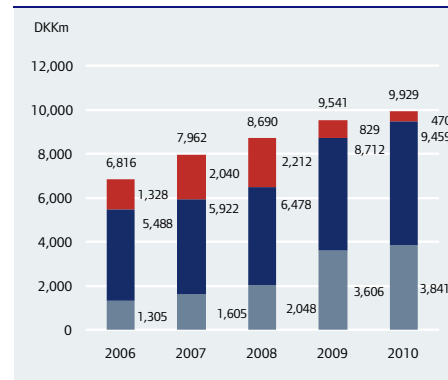
<sup>1</sup> Inclusive of profit from the divestment of Nykredit Forsikring.

### Equity and capital adequacy ratio



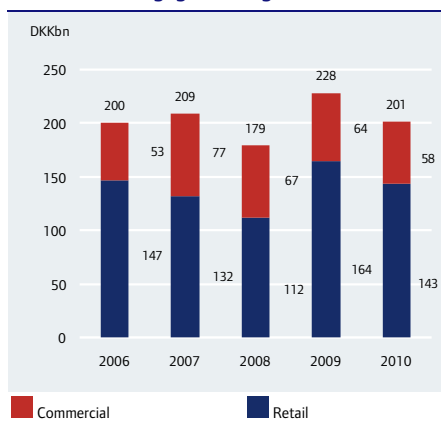
As from 2008, the capital adequacy ratio is determined according to the Basel II rules.

### Core income from business operations and securities



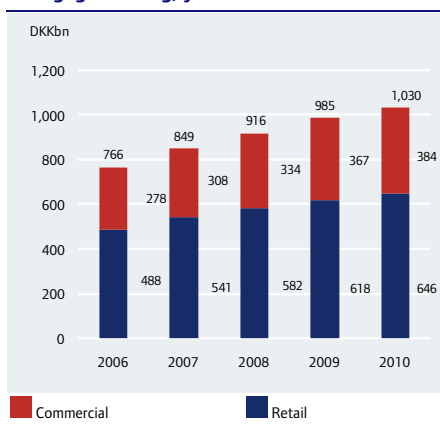
Legend: Securities (red), Business operations incl JCB and Kalvebod issues (dark blue), Of which banking operations (light blue).

### Gross new mortgage lending



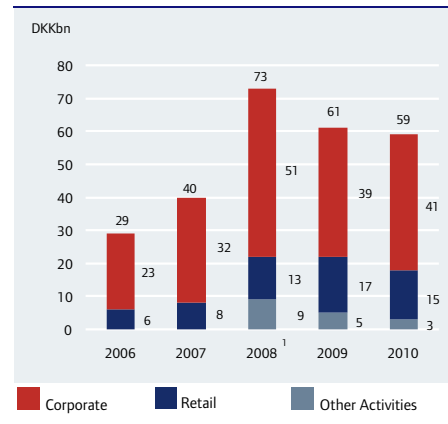
Legend: Commercial (red), Retail (dark blue).

### Mortgage lending, year-end nominal value



Legend: Commercial (red), Retail (dark blue).

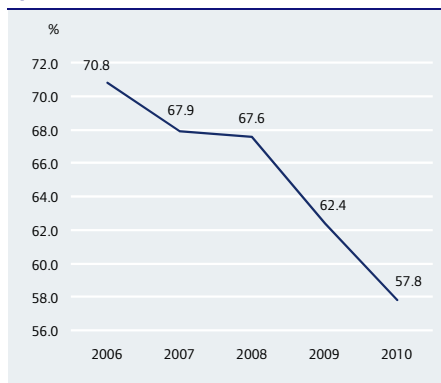
### Bank lending, year-end



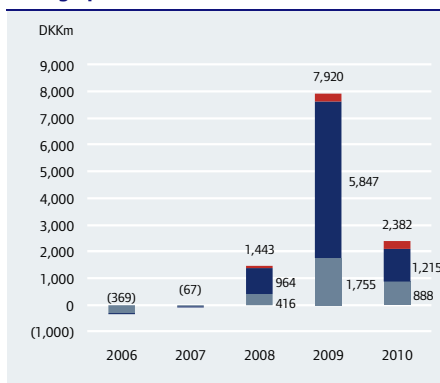
Legend: Corporate (red), Retail (dark blue), Other Activities (light blue).

<sup>1</sup> Inclusive of bank lending by the former Forstædernes Bank.

### Costs as % of core income from business operations

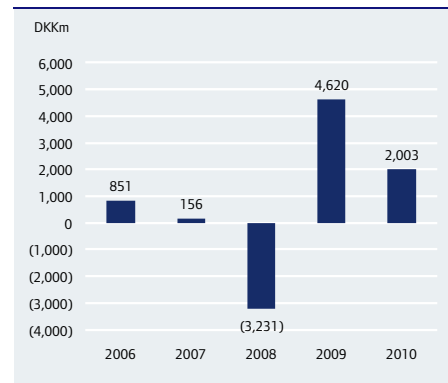


### Impairment losses on loans and advances through profit or loss



Legend: Impairment provisions – the government guarantee scheme (red), Banking (dark blue), Mortgage lending (light blue).

### Investment portfolio income



Excluding value adjustment of strategic equities against equity.

**NYKREDIT REALKREDIT GROUP RESULTS**

The Group recorded a profit before tax of DKK 3,090m, excluding profit from the divestment of Nykredit Forsikring, against a loss of DKK 145m in 2009.

Profit from the divestment of Nykredit Forsikring was DKK 1,511m.

Results reflected continued growth in core income from customer-oriented business, low growth in costs, markedly falling loan impairment losses and high investment portfolio income.

Core income from customer-oriented business increased by DKK 882m, or 10.2%, relative to 2009. Group mortgage lending at nominal value and bank lending rose by a total of DKK 42bn, or 4.0%, to DKK 1,088bn compared with the beginning of the year. Retail lending was up by DKK 26bn and commercial lending by DKK 16bn.

Costs rose by 1.9% to DKK 5,499m in 2010. The cost level mirrored a reduction in headcount, synergies from the merger between Nykredit Bank and Forstædernes Bank and the result of tighter cost control. Costs as a percentage of core income from business operations were down from 62.4% to 57.8% in 2010.

The Group's impairment losses on loans and advances were DKK 2,103m against DKK 7,602m in 2009. Impairment losses equalled 0.19% of total mortgage and bank lending. Of impairment losses for the year, 27% was attributable to retail lending and 73% to commercial lending.

Impairment losses on retail mortgage lending amounted to DKK 342m, reflecting positive trends in the Danish economy in the form of low interest rates and low unemployment. The arrears ratio for retail customers declined from the December settlement date in 2009 to the September settlement date in 2010 when it stood at 0.42%.

Impairment losses on commercial mortgage lending amounted to DKK 528m, chiefly generated by exposures relating to SMEs. A number of large exposures have developed favourably, resulting in reversal of impairment provisions previously made.

Impairment losses on bank lending declined by DKK 4,632m to DKK 1,215m. The decline was notably prompted by a markedly lower provisioning need for Other Activities, which includes terminated exposures. This expenditure went down from DKK 3,494m in 2009 to DKK 777m.

Impairment losses on corporate bank lending were reduced significantly from DKK 2,123m in 2009 to DKK 231m, mirroring an improvement in the creditworthiness of especially large corporate customers. Impairment losses on retail bank lending remained at a moderate level, ie DKK 207m.

The group expense under the government guarantee scheme totalled DKK 650m against DKK 818m in 2009.

The Group posted investment portfolio income of DKK 2,003m against DKK 4,620m in 2009.

Cost of capital in the form of net interest on hybrid core capital amounted to DKK 461m against DKK 95m in 2009.

In March Nykredit entered into a strategic insurance alliance with Gjensidige Forsikring, which acquired Nykredit Forsikring A/S at a price of DKK 2.5bn, of which goodwill amounted to about DKK 1.5bn.

The transfer was completed at end-April 2010. In the Annual Report 2010, the results after tax from the insurance business are presented as profit on discontinued insurance operations. Comparative figures have been restated.

Nykredit recorded a loss after tax of DKK 80m on the discontinued insurance activities against a profit of DKK 245m in 2009. Profit from the divestment of Nykredit Forsikring amounted to DKK 1,591m. The divestment of Nykredit Forsikring had a total earnings impact on the 2010 group results of DKK 1,511m.

The Group recorded a profit after tax of DKK 3,816m, including profit from the divestment of Nykredit Forsikring, against DKK 129m in 2009.

Strategic equities, chiefly in banks, which are value-adjusted against equity, caused an adjustment of DKK 261m against DKK 751m the year before.

The Group's profit after tax and value adjustments against equity improved equity by DKK 4.1bn. After dividend distribution, equity was DKK 55.0bn at end-2010.

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

The Group's core income from customer-oriented business was DKK 9,522m against DKK 8,640m in the same period the year before – up DKK 882m or 10.2%.

Core income from mortgage operations continued to improve, up DKK 452m, or 9.0%, to DKK 5,449m.

Group mortgage lending at nominal value rose by DKK 44bn to DKK 1,030bn at end-2010. Gross new lending was DKK 201bn compared with DKK 228bn in 2009. The decline in gross new lending resulted from lower refinancing activity.

Core income from banking operations rose by DKK 317m, or 9.2%, to DKK 3,783m. The earnings trend in the Bank's customer-oriented business remained positive in 2010 due to progress in Markets & Asset Management and Corporate Banking. Banking operations represented 44% of total core income from business operations.

The Group's bank lending totalled DKK 58.8bn against DKK 60.9bn at the beginning of the year. Deposits decreased by DKK 9.0bn to DKK 55.5bn in the same period.

*Junior covered bonds*

The Group has issued junior covered bonds totalling DKK 29.9bn at nominal value as supplementary collateral for covered bonds. Net interest expenses for junior covered bonds came to DKK 120m against DKK 67m in 2009.

*Core income from Kalvebod issues*

Group income from the portfolio of Kalvebod issues in the form of subordinated debt in Danish banks amounted to DKK 57m against DKK 139m the year before.

*Core income from securities*

Core income from securities was DKK 470m against DKK 829m the year before. The downturn was due to lower average money market rates of 1.05% compared with 1.83% in 2009.

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

*Operating costs, depreciation and amortisation, excl special value adjustments*

The Group's costs excluding special value adjustments and commission payable under the government guarantee scheme came to DKK 5,499m, corresponding to 1.9% growth on 2009. Costs as a percentage of core income from business operations were trimmed to 57.8% from 62.4% in 2009.

The trend in costs mirrored a reduction in headcount equal to 109 full-time staff, synergies from the merger between Nykredit Bank and Forstædernes Bank and the result of sharper cost control.

*Operating costs, depreciation and amortisation – special value adjustments*

Special value adjustments, which comprise net adjustment of assets and liabilities relating to Nykredit's pension schemes in run-off and certain staff schemes produced an expense of DKK 44m. Value adjustment of owner-occupied property generated an expense of DKK 115m.

The winding up of Dansk Pantebrevsbørs produced an income of DKK 30m against an expense of DKK 183m in 2009. The income related to an adjustment of estimated winding-up costs.

Special value adjustments netted operating expenses of DKK 129m in 2010.

*Commission – government guarantee scheme*

Nykredit Bank paid DKK 371m in commission under the government guarantee scheme in 2010, covering the period up to the expiry of the scheme on 30 September, against DKK 500m in 2009.

*Impairment losses on loans and advances*

The Group's impairment losses on loans and advances were DKK 2,103m against DKK 7,602m in 2009. Further, provisions under the government guarantee scheme amounted to DKK 279m.

Of impairment losses for the year, DKK 932m stemmed from an increase in individual impairment provisions and DKK 577m from a rise in collective impairment provisions.

The Group's impairment losses on mortgage lending stood at DKK 870m against DKK 1,731m in 2009, equal to 0.09% of lending. Of impairment losses for the year, DKK 342m, or 0.05% of lending, was attributable to the retail segment against DKK 764m in 2009. The

commercial segment accounted for DKK 528m of impairments, corresponding to 0.14% of lending.

The Group's impairment losses on bank lending came to DKK 1,215m, equal to 1.31% of lending. Of impairment losses for the year, DKK 207m, or 1.31% of lending, was attributed to the retail segment. The commercial segment accounted for DKK 231m of impairment losses, equal to 0.48% of lending in 2010. Further, Nykredit recorded impairment losses on loans and advances of DKK 777m relating to Other Activities, which chiefly includes terminated exposures.

Impairment losses in respect of Nykredit Mægler (estate agency business) amounted to DKK 18m.

**Investment portfolio income**

The Group's investment portfolio income came to DKK 2,003m against DKK 4,620m in 2009.

Value adjustment of strategic equities against equity netted DKK 161m after tax compared with DKK 751m in 2009.

The investment portfolio income stemmed from investments in short-term bonds in particular and tighter yield spreads between mortgage and corporate bonds on the one hand and government bonds on the other.

Investment portfolio income is the excess income obtained from investing in equities, bonds and derivative financial instruments in addition to risk-free interest. Price spreads and interest margins relating to the mortgage operations 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 2,083m. Investment portfolio income from equities and equity instruments value adjusted through profit or loss was DKK 20m. Further, reclassification of strategic equities resulted in a loss of DKK 100m.

**Net interest on hybrid core capital**

The Group has raised hybrid core capital for a total of DKK 11.1bn, of which DKK 6.6bn was raised in November 2009.

Profit for the year was affected by net interest expenses of DKK 461m against DKK 95m in 2009.

**Tax**

Tax calculated on profit for the year was DKK 785m, corresponding to an effective tax rate of 25.4%.

**Dividend**

It will be recommended for adoption by the Annual General Meeting that dividend in the amount of DKK 300m be distributed for 2010.

**BUSINESS AREAS**

The segment financial statements were in 2010 affected by the merger between Nykredit Bank and Forstædernes Bank and a general reorganisation at end-2009 relating to Strategy 2013. Comparative figures have been restated to the widest extent possible. Some income statement and balance sheet items have been allocated to the business areas based on estimates.

The Nykredit Realkredit Group is organised into the business areas Retail Customers, Totalkredit, Commercial Customers, Markets & Asset Management and Other Activities.

Group core income from business operations totalled DKK 9,402m against DKK 8,573m in 2009.

In 2010 mortgage lending rose from DKK 985bn to DKK 1,030bn in nominal terms. The Nykredit Group recorded gross new lending of DKK 201bn against DKK 228bn in 2009.

In the year under review, the Group's share of the Danish mortgage market was 42.0% for total lending and 44.3% for gross new lending against 41.4% and 45.7%, respectively, in 2009.

Gross new residential mortgage lending came to DKK 143bn against DKK 164bn the year before. The market share of Danish residential mortgage lending amounted to 45.9% in 2010 compared with 45.3% in 2009.

Gross new lending to commercial customers came to DKK 58bn against DKK 64bn the year before. The market share of Danish mortgage lending to commercial customers was 36.6% in 2010 compared with 35.9% in 2009.

Bank lending decreased from DKK 60.9bn at the beginning of the year to DKK 58.8bn. Deposits declined from DKK 64.5bn at the beginning of 2010 to DKK 55.5bn.

Bank lending to the commercial segment saw growth of DKK 1.4bn, whereas the retail segment recorded a downturn of DKK 1.2bn. Bank lending under Other Activities, covering terminated exposures, declined by DKK 2.3bn.

Bank deposits in Retail Customers, Commercial Customers and Markets & Asset Management decreased by DKK 0.7bn, DKK 1.3bn and DKK 6.5bn, respectively.

Nykredit Mægler saw a 14.2% improvement in turnover from 12,450 properties sold in 2009 to 14,215.

**Results by business area <sup>1</sup>**

	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Management	Other Activities	Group items and eliminations	Total
DKK million							
<b>2010</b>							
<b>Core income from</b>							
- Business operations	2,366	1,460	3,719	1,577	298	(18)	9,402
- Kalvebod issues				57			57
Core income from securities						470	470
<b>Total</b>	<b>2,366</b>	<b>1,460</b>	<b>3,719</b>	<b>1,634</b>	<b>298</b>	<b>452</b>	<b>9,929</b>
Operating costs	1,644	419	1,061	801	238	654	4,817
Commission under the government guarantee scheme	55	-	187	92	37	-	371
Depreciation of property, plant and equipment and amortisation of intangible assets	-	467	2	11	165	166	811
<b>Core earnings before impairment losses</b>	<b>667</b>	<b>574</b>	<b>2,469</b>	<b>730</b>	<b>(142)</b>	<b>(368)</b>	<b>3,930</b>
Impairment losses on loans and advances	389	158	755	4	797	279 <sup>4</sup>	2,382
<b>Core earnings after impairment losses</b>	<b>278</b>	<b>416</b>	<b>1,714</b>	<b>726</b>	<b>(939)</b>	<b>(647)</b>	<b>1,548</b>
Investment portfolio income <sup>2</sup>	-	-	-	-	-	2,003	2,003
<b>Profit (loss) before cost of capital</b>	<b>278</b>	<b>416</b>	<b>1,714</b>	<b>726</b>	<b>(939)</b>	<b>1,356</b>	<b>3,551</b>
Net interest on hybrid core capital	-	-	-	-	-	(461)	(461)
<b>Profit (loss) before tax from continued operations</b>	<b>278</b>	<b>416</b>	<b>1,714</b>	<b>726</b>	<b>(939)</b>	<b>895</b>	<b>3,090</b>
<b>Return</b>							
Average business capital, DKKm <sup>3</sup>	3,984	7,035	11,283	2,262	1,610	4,082	30,256
Core earnings after impairment losses as % of average business capital <sup>3</sup>	7.0	5.9	15.2	32.1	(58.3)	-	5.1
<b>2009</b>							
<b>Profit (loss) before tax from continued operations</b>	<b>130</b>	<b>99</b>	<b>(1,452)</b>	<b>705</b>	<b>(3,681)</b>	<b>4,054</b>	<b>(145)</b>
<b>Return</b>							
Average business capital, DKKm <sup>3</sup>	4,016	7,421	13,255	2,296	616	3,539	31,143
Core earnings after impairment losses as % of average business capital <sup>3</sup>	3.2	1.3	(11.0)	30.7	(597.6)	-	(15.0)

<sup>1</sup> Reference is made to note 2 in the Financial Statements for complete segment financial statements with comparative figures.

<sup>2</sup> Investment portfolio income includes a profit of DKK 6m from investments in associates (a loss of DKK 141m in 2009).

<sup>3</sup> Business capital has been calculated as the required capital base (ICAAP), equal to Pillar I and Pillar II.

<sup>4</sup> Provisions for guarantees relating to the government guarantee scheme.

**Results – Retail Customers**

DKK million	2010	2009
Core income from business operations	2,366	2,411
Operating costs	1,644	1,719
Commission under the government guarantee scheme	55	60
Depreciation of property, plant and equipment and amortisation of intangible assets	-	24
<b>Core earnings before impairment losses</b>	<b>667</b>	<b>608</b>
Impairment losses on loans and advances – mortgage lending	182	249
Impairment losses on loans and advances – banking	207	229
<b>Core earnings after impairment losses</b>	<b>278</b>	<b>130</b>

**Activity**

DKK million	2010	2009
<b>Mortgage lending</b>		
Gross new lending	33,083	39,614
Net new lending	6,775	10,102
Portfolio at nominal value, year-end	188,969	185,669
Impairment losses as % of loans and advances	0.10	0.13
<b>Total impairment provisions, year-end</b>		
- Individual impairment provisions	118	151
- Collective impairment provisions	111	56
Total impairment provisions as % of loans and advances	0.12	0.11
Portfolio of properties repossessed, year-end (properties)	137	94
<b>Banking</b>		
Loans and advances, year-end	15,476	16,647
Deposits, year-end	18,758	19,465
Impairment losses as % of loans and advances	1.31	1.30
<b>Total impairment provisions, year-end</b>		
- Individual impairment provisions	406	438
- Collective impairment provisions	91	29
Total impairment provisions as % of loans and advances	3.11	2.73
Guarantees, year-end <sup>1</sup>	6,301	8,801
Provisions for guarantees, year-end <sup>1</sup>	4	7

<sup>1</sup> Excluding the government guarantee scheme.

**Retail Customers**

Retail Customers covers activities aimed at the retail segment through Nykredit's own distribution channels. Retail Customers also serves the Group's customers with part-time farming businesses and retail customers owning properties in France, Spain and Germany financed by Danish mortgage loans.

Under the Nykredit brand, retail customers are offered bank, mortgage, insurance, investment and pension products through Nykredit's distribution channels, including 57 centres, 2 call centres, nykredit.dk, and a central customer services centre. Two asset management centres and the estate agencies of the Nybolig and Estate chains constitute other distribution channels.

**Activity**

Total mortgage lending in nominal terms increased by DKK 3.3bn to DKK 189bn at year-end. Gross new lending declined by DKK 6.5bn to DKK 33.1bn in 2010 due to lower loan refinancing activity.

Bank lending declined from DKK 16.6bn at the beginning of the year to DKK 15.5bn at year-end. Bank deposits descended from DKK 19.5bn to DKK 18.8bn in the same period.

**Results**

Core earnings before impairment losses were DKK 667m against DKK 608m in 2009.

Core income from business operations was DKK 2,366m against DKK 2,411m in 2009.

Operating costs fell by DKK 75m to DKK 1,644m in 2010. Commission under the government guarantee scheme came to DKK 55m against DKK 60m in 2009.

Impairment losses stood at DKK 182m and DKK 207m for mortgage and bank lending, respectively, against a total of DKK 478m in 2009. Impairment losses represented 0.10% of mortgage lending and 1.31% of bank lending.

Impairment provisions totalled DKK 726m at end-2010 against DKK 674m at the beginning of the year. Total impairment provisions for mortgage loans and bank loans came to DKK 229m and DKK 497m, respectively. The change in total impairment provisions of DKK 52m stemmed from a DKK 117m rise in collective impairment provisions and a DKK 65m decline in individual impairment provisions.

At the September settlement date, 75-day mortgage loan arrears as a percentage of total mortgage payments due came to 0.63% against 0.82% at the settlement date in September 2009. The arrears ratio saw a downward trend and returned to the level of 2003.

In the year under review, the Group repossessed 222 properties and sold 179. At end-2010, the portfolio of repossessed properties stood at 137 against 94 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-2010.

1.2% of mortgage lending to retail customers has a current LTV ratio in excess of 80% against 1.8% at end-2009.

### International lending

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

Core income from international retail activities totalled DKK 56m against DKK 45.8m in 2009.

Nykredit's international gross new lending to retail customers was DKK 1.4bn. The retail loan portfolio was DKK 6.2bn at end-2010 against DKK 5.1bn at end-2009.

International retail lending gave rise to impairment losses of DKK 2.6m against DKK 25m in 2009. In 2010 a number of previous loan impairment losses totalling DKK 12m were reversed.

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



### Mortgage debt outstanding relative to estimated property values

	DKK million						LTV (loan-to-value)		
	0-40	40-60	60-80	80-90	90-100	Over 100	Total	LTV, median <sup>1</sup>	LTV, avg <sup>2</sup>
2010	124,934	36,364	15,687	1,538	539	23	179,085	27%	60%
2009	120,911	35,161	16,028	2,283	877	30	175,290	27%	61%

<sup>1</sup> Determined as the mid part of the debt outstanding relative to estimated property values.

<sup>2</sup> Determined as the top part of the debt outstanding relative to estimated property values.



**Results – Totalkredit**

DKK million	2010	2009
Core income from business operations	1,460	1,439
Operating costs	419	376
Depreciation of property, plant and equipment and amortisation of intangible assets	467	449
<b>Core earnings before impairment losses</b>	<b>574</b>	<b>614</b>
Impairment losses on loans and advances	158	515
<b>Core earnings after impairment losses</b>	<b>416</b>	<b>99</b>

**Activity**

DKK million	2010	2009
<b>Mortgage lending</b>		
Gross new lending	110,079	124,715
Net new lending	29,970	39,614
Portfolio at nominal value, year-end	455,105	431,303
Impairment losses as % of loans and advances	0.03	0.12
<b>Total impairment provisions, year-end</b>		
- Individual impairment provisions	278	336
- Collective impairment provisions	245	199
Total impairment provisions as % of loans and advances	0.11	0.12
Portfolio of properties repossessed (properties)	53	22

**Totalkredit**

Totalkredit is responsible for the distribution of mortgage loans to retail customers under the Totalkredit brand through nearly 100 Danish local and regional banks having more than 1,000 branches.

*Activity*

Mortgage lending in nominal terms rose by DKK 23.8bn to DKK 455bn at end-2010. Gross new lending fell by DKK 14.6bn to DKK 110.1bn in 2010. The downturn in gross new lending can be ascribed to lower refinancing activity.

*Results*

Core earnings before impairment losses stood at DKK 574m against DKK 614m in 2009.

Core income from business operations was DKK 1,460m against DKK 1,439m in 2009.

Operating costs increased to DKK 419m from DKK 376m in 2009. The main reason for the rise was intensified marketing and higher IT investment costs in support of Totalkredit's distribution concept.

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to DKK 467m, which mainly related to distribution rights obtained in connection with Nykredit's acquisition of Totalkredit.

Totalkredit's business concept is lending through its partner banks – Danish local and regional banks. The partner banks are responsible for serving customers and hedging loan portfolio risk.

Risk is hedged by agreement with the partner banks. Under the agreement, recognised losses corresponding to the part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments from Totalkredit to the partner banks.

Loan impairment losses netted DKK 158m after set-off against commission payable to partner banks totalling DKK 107m compared with DKK 515m in 2009. Impairment losses equalled 0.03% of lending.

At end-2010, loan impairment provisions totalled DKK 523m against DKK 535m at the beginning of the year. The DKK 12m decline in total impairment provisions stemmed from a DKK 46m rise in collective impairment provi-

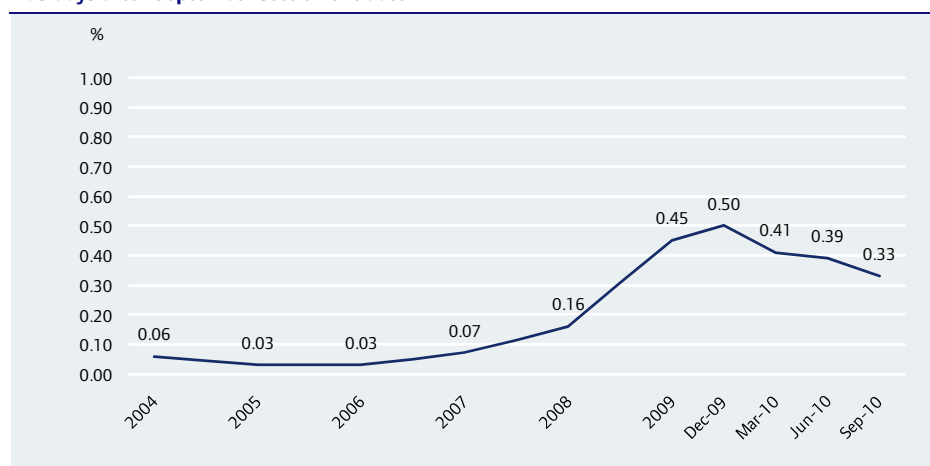
sions and a DKK 58m drop in individual impairment provisions.

At the September settlement date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.33% against 0.45% at the same date in 2009.

The portfolio of repossessed properties stood at 53 at year-end against 22 at the beginning of 2010. In the year under review, 117 properties were repossessed and 86 sold.

The LTV ratios of mortgage loans granted are shown below. 2.1% of mortgage lending to retail customers has a current LTV ratio in excess of 80% against 3.5% at end-2009.

#### 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 <sup>1</sup>	LTV, avg <sup>2</sup>
	0-40	40-60	60-80	80-90	90-100	Over 100			
2010	280,432	105,886	60,307	6,448	2,103	813	455,989	32%	68%
2009	259,524	97,682	58,147	9,816	3,781	1,678	430,628	33%	70%

<sup>1</sup> Determined as the mid part of the debt outstanding relative to estimated property values.

<sup>2</sup> Determined as the top part of the debt outstanding relative to estimated property values.

**Results – Commercial Customers**

DKK million	2010	2009
Core income from business operations	3,719	3,131
Operating costs	1,061	1,252
Commission under the government guarantee scheme	187	223
Depreciation of property, plant and equipment and amortisation of intangible assets	2	22
<b>Core earnings before impairment losses</b>	<b>2,469</b>	<b>1,634</b>
Impairment losses on loans and advances – mortgage lending	528	967
Impairment losses on loans and advances – banking	227	2,119
<b>Core earnings after impairment losses</b>	<b>1,714</b>	<b>(1,452)</b>

**Activity**

DKK million	2010	2009
<b>Mortgage lending</b>		
Gross new lending	57,987	63,848
Net new lending	26,308	39,126
Portfolio at nominal value, year-end	384,026	366,700
Impairment losses as % of loans and advances	0.14	0.26
<b>Total impairment provisions, year-end</b>		
- Individual impairment provisions	860	902
- Collective impairment provisions	611	298
Total impairment provisions as % of loans and advances	0.38	0.33
Portfolio of repossessed properties, year-end (properties)	83	47
<b>Banking</b>		
Loans and advances, year-end	40,599	39,181
Deposits, year-end	32,320	33,619
Impairment losses as % of loans and advances	0.48	5.03
<b>Total impairment provisions, year-end</b>		
- Individual impairment provisions	2,335	2,476
- Collective impairment provisions	265	225
Total impairment provisions as % of loans and advances	6.02	6.45
Guarantees, year-end <sup>1</sup>	6,547	11,281
Provisions for guarantees, year-end <sup>1</sup>	44	12

<sup>1</sup> Excluding the government guarantee scheme.

**Commercial Customers**

Commercial Customers comprises activities with all types of businesses including the agricultural and residential rental segments. The residential rental segment includes non-profit housing, cooperative housing and private rental housing. Products are distributed through 34 commercial centres offering all of the Group's products within banking, mortgage lending, investment and debt management. Insurance services are provided in cooperation with Gjensidige Forsikring.

*Activity*

In nominal terms, total mortgage lending increased by DKK 17.3bn to DKK 384bn at year-end. Gross new lending deteriorated by DKK 5.9bn to DKK 58.0bn.

Bank lending gained DKK 1.4bn to DKK 40.6bn at end-2010.

The development in lending mainly reflected a flat market where many SMEs remained reluctant to make new investments. By contrast, investments by large enterprises gained new momentum in 2010.

Bank deposits declined from DKK 33.6bn at the beginning of the year to DKK 32.3bn at year-end. The trend should be seen in the context of keener competition and the fact that a number of major customers converted their deposits to securities.

*Results*

Core earnings before impairment losses were DKK 2,469m against DKK 1,634m in 2009.

Core income from business operations was DKK 3,719m against DKK 3,131m in 2009. Of the rise, DKK 413m was attributed to mortgage lending.

Operating costs declined to DKK 1,061m from DKK 1,252m in 2009. Operating costs were affected by a reversal of expenses relating to Dansk Pantebrevsbørs under konkurs (in bankruptcy) of DKK 30m against an expense of DKK 183m in 2009. Further, commission under the government guarantee scheme came to DKK 187m against DKK 223m in 2009.

Impairment losses amounted to DKK 528m and DKK 227m on mortgage and bank lending, respectively, against a total of DKK 3,086m in 2009. Impairment losses represented 0.14% of mortgage lending and 0.48% of bank lending.

Impairment provisions totalled DKK 4,071m at end-2010 against DKK 3,901m at the beginning of the year. The change in impairment provisions of DKK 170m stemmed from a DKK 353m rise in collective impairment provisions and a DKK 183m decline in individual impairment provisions.

At the September settlement date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 1.18% for Commercial Customers less the agricultural segment against 1.93% at the same date in 2009. The percentage for the agricultural segment was 0.64% at the September settlement date against 0.78% at the June settlement date.

At end-2010, the portfolio of repossessed properties contained 83 against 47 at the beginning of the year. In 2010, the Group repossessed 134 properties and sold 98.

The LTV ratios of mortgage loans are shown below. As the table contains property types

subject to different LTV limits, reference is made to the report Risk and Capital Management 2010, available at [nykredit.com/reports](http://nykredit.com/reports), for a more detailed description of the LTV levels of Nykredit's mortgage lending.

#### International lending

Nykredit offers Danish and selected international commercial customers mortgages subject to Danish legislation for properties abroad. The activities comprise properties in the UK, Finland, Norway, Sweden and Germany.

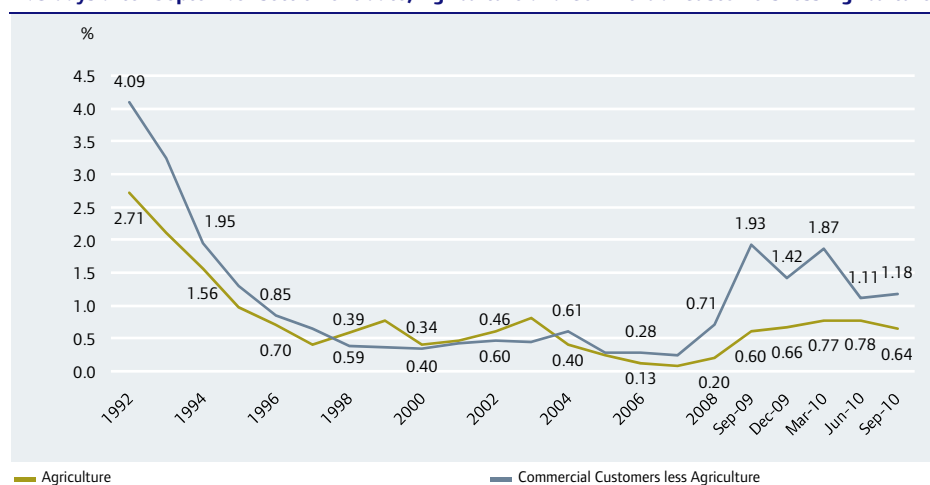
Core income from international commercial customers totalled DKK 145.4m against DKK 113.7m in 2009.

International commercial lending amounted to DKK 30.2bn at end-2010 against DKK 30.3bn at end-2009.

International mortgage lending did not give rise to any impairment losses in 2010 or 2009.

#### Arrears ratio, mortgage lending

– 75 days after September settlement date, Agriculture and Commercial Customers less Agriculture



#### Mortgage debt outstanding relative to estimated property values <sup>1</sup>

DKK million	LTV (loan-to-value)						Total	LTV, median <sup>3</sup>	LTV, avg <sup>4</sup>
	0-40	40-60	60-80	80-90	90-100	Over 100			
<b>2010</b>									
Commercial Customers <sup>2</sup>	166,459	45,533	16,527	1,330	804	0	230,654	25%	53%
Agriculture <sup>5</sup>	74,932	17,829	6,078	1,022	1,034	1	100,895	24%	55%
<b>2009</b>									
Commercial Customers <sup>2</sup>	155,422	41,346	14,532	754	418	0	212,472	23%	52%
Agriculture	79,983	13,827	2,985	463	445	0	97,704	20%	47%

<sup>1</sup> Excl loans and advances to non-profit housing.

<sup>2</sup> Commercial customers less agricultural segment.

<sup>3</sup> Determined as the mid part of the debt outstanding relative to estimated property values.

<sup>4</sup> Determined as the top part of the debt outstanding relative to estimated property values.

<sup>5</sup> The 2010 figures for agriculture are based on Nykredit's conservative mortgageable values, for which a price per hectare of DKK 150,000 has been applied.

**Results – Markets & Asset Management**

DKK million	2010	2009
Core income from		
- Business operations	1,577	1,403
- Kalvebod issues	57	139
<b>Total</b>	<b>1,634</b>	<b>1,542</b>
Operating costs	801	715
Commission under the government guarantee scheme	92	118
Depreciation of property, plant and equipment and amortisation of intangible assets	11	-
<b>Core earnings before impairment losses</b>	<b>730</b>	<b>709</b>
Impairment losses on loans and advances	4	4
<b>Core earnings after impairment losses</b>	<b>726</b>	<b>705</b>

**Activity**

DKK million	2010	2009
<b>Assets</b>		
Receivables from credit institutions	29,480	45,357
Other loans and advances at fair value	12,920	11,962
Bonds and equities	33,967	64,099
<b>Liabilities and equity</b>		
Payables to credit institutions and central banks	48,351	56,842
Deposits and other payables	3,881	10,450
Issued bonds	32,374	44,059
<b>Assets under management</b>		
- Institutional market	76,671	54,975
- Retail market	18,549	10,729
<b>Total</b>	<b>95,220</b>	<b>65,704</b>
<b>Assets under administration</b>		
<b>Nykredit Portefølje Administration A/S</b>	<b>305,001</b>	<b>228,385</b>
- of which the Nykredit Group's investment funds	34,475	23,944
<b>Total assets under management and administration</b>	<b>400,221</b>	<b>294,089</b>

**Markets & Asset Management**

This business area handles the activities of the Group within trading in securities and derivative financial instruments, asset management and pension products.

**Activity***Nykredit Markets*

Nykredit Markets recorded satisfactory earnings and activity levels in 2010, including growth in the customer base.

The euro crisis resulted in massive intra-European spread widening and pronounced yield decreases in the German market. This improved earnings opportunities in Denmark, as investors were increasingly attracted to the Nordic markets, including Denmark.

Fixed Income is Nykredit Markets's largest business area. In 2010 Fixed Income posted earnings which were somewhat lower than the year before. Earnings from customer-related business remained high, while earnings from trading were slightly lower.

Activity trended higher within both domestic and international equities. In 2010 the business area was further strengthened, as an equity research function was set up.

*Nykredit Asset Management*

Nykredit Asset Management's assets under management and administration totalled DKK 400.2bn at end-2010 against DKK 294.1bn at end-2009. Assets under management grew by DKK 29.5bn to DKK 95.2bn during the year.

Nykredit Portefølje Administration administered assets of DKK 305bn at end-2010, up DKK 76.6bn on the beginning of the year.

The Nykredit Group's investment funds increased members' capital by 44% to DKK 34.5bn at end-2010.

*Results*

Core earnings before impairment losses totalled DKK 730m against DKK 709m in 2009.

Core income from business operations was DKK 1,577m against DKK 1,403m in 2009. Progress was broad-based across the business areas of Nykredit Markets and Nykredit Asset Management.

Core income from the portfolio of subordinated debt in Danish banks (Kalvebod issues) equalled value adjustment of DKK 57m against DKK 139m in 2009.

Operating costs were DKK 801m against DKK 715m in 2009. This development matched expectations and reflected the higher activity level. Commission under the government guarantee scheme came to DKK 92m against DKK 118m in 2009.

**Results – Other Activities**

DKK million	2010	2009
Core income from business operations	298	227
Operating costs	238	167
Commission under the government guarantee scheme	37	99
Depreciation of property, plant and equipment and amortisation of intangible assets	165	124
<b>Core earnings before impairment losses</b>	<b>(142)</b>	<b>(163)</b>
Impairment losses on loans and advances – mortgage lending	20	24
Impairment losses on loans and advances – banking	777	3,494
<b>Core earnings after impairment losses</b>	<b>(939)</b>	<b>(3,681)</b>

**Activity**

DKK million	2010	2009
<b>Mortgage lending</b>		
Portfolio at nominal value, year-end	1,536	1,544
<b>Total impairment provisions, year-end</b>		
- Individual impairment provisions	2	1
<b>Banking</b>		
Loans and advances, year-end	2,757	5,081
Deposits, year-end	507	948
Impairment losses as % of loans and advances	16.36	38.66
<b>Total impairment provisions, year-end</b>		
- Individual impairment provisions	2,923	4,576
- Collective impairment provisions	52	-
Total impairment provisions as % of loans and advances	51.90	47.39
Guarantees, year-end <sup>1</sup>	577	876
Provisions for guarantees, year-end <sup>1</sup>	38	208

<sup>1</sup> Excluding the government guarantee scheme.

**Other Activities**

Other Activities mainly comprises a portfolio of terminated exposures relating to corporate customers of the former Forstædernes Bank and mortgage loans granted via a branch in Poland. The area also includes the activities of Nykredit Mægler A/S, Nykredit Ejendomme A/S and Ejendomsselskabet Kalvebod A/S.

**Results**

Core earnings before impairment losses were a loss of DKK 142m against a loss of DKK 163m in 2009.

Core income from business operations amounted to DKK 298m against DKK 227m in 2009.

Operating costs were DKK 238m against DKK 167m in 2009. Commission under the government guarantee scheme came to DKK 37m against DKK 99m the year before.

Impairment losses on bank lending and provisions for guarantees amounted to DKK 777m and DKK 20m, respectively, for Other Activities compared with a total of DKK 3,518m in 2009.

Total impairment provisions for bank lending stood at DKK 2,975m against DKK 4,576m at the beginning of the year. The decline reflected that a number of non-performing loans were recognised as lost in the year.

Mortgage lending in Poland gave rise to individual impairment provisions of DKK 2m.

The property company Ejendomsselskabet Kalvebod A/S was set up in 2009 for the purpose of limiting losses on non-performing property exposures through temporary, but active ownership of properties.

In H2/2010, Ejendomsselskabet Kalvebod A/S acquired the shares of two property companies with a total property portfolio of DKK 776m. The company expects to hold the properties for 1 to 2 years until they can be sold under more favourable market conditions. By gathering such property portfolios, Nykredit expects to obtain a higher price than if the individual properties were disposed of separately by forced sale.

**Results – Group items**

DKK million	2010	2009
Core income from		
- Business operations	(18)	(38)
- Securities	470	829
<b>Total</b>	<b>452</b>	<b>791</b>
Operating costs	654	819
Depreciation of property, plant and equipment and amortisation of intangible assets	166	125
<b>Core earnings before impairment losses</b>	<b>(368)</b>	<b>(153)</b>
Impairment losses on loans and advances – government guarantee scheme	279	318
<b>Core earnings after impairment losses</b>	<b>(647)</b>	<b>(471)</b>
Investment portfolio income	2,003	4,620
<b>Profit before cost of capital</b>	<b>1,356</b>	<b>4,149</b>
Net interest on hybrid core capital	(461)	(95)
<b>Profit before tax from continued operations</b>	<b>895</b>	<b>4,054</b>

**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 carried under "Group items" and include costs of staff functions and provisions for guarantees under the government guarantee scheme.

Group items also includes the Group's total return on the securities portfolio, which is the sum of "Core income from securities" and "Investment portfolio income".

*Core income from securities*

The Group recorded core income from securities of DKK 470m against DKK 829m in 2009, chiefly due to lower average money market rates of 1.05% against 1.83% in 2009.

*Impairment losses on loans and advances – government guarantee scheme*

The Group made further provisions of DKK 279m in 2010, equal to the Bank's expected loss on Bank Rescue Package I. The entire provision came to DKK 659m at end-2010. No further payments are expected to be made under the scheme.

*Investment portfolio income*

The Group's investment portfolio income stood at DKK 2,003m against DKK 4,620m in 2009. The change in investment portfolio income stemmed from investments in short-term bonds in particular and tighter yield spreads between mortgage and corporate bonds on the one hand and government bonds on the other.



**STAFF**

The average number of staff in the Group went down from 4,135 in 2009 to 4,026 at end-2010.

**Staff benefits**

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

Nykredit also has incentive programmes with performance-related pay, etc.

The report About Nykredit 2010 – Financial Sustainability, available at [nykredit.com/reports](http://nykredit.com/reports), contains more information about staff and staff matters in the Nykredit Group.

*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 are covered by special bonus programmes, see below.

The bonus allotment criteria applying to the general bonus programme are group results and 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 performance.

Under the general bonus programme, DKK 45m will be paid for 2010 (2.7% of the payroll of the staff involved) against DKK 18m for 2009 (0.9% of payroll).

No bonus programme has been set up for the Board of Directors or 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 bonus level was 1.6 months' salary in 2010 against 1.5 months' salary in 2009.

Special bonus programmes apply to Markets, Asset Management and Group Treasury, which match the market standards 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.

Bonus to staff in Markets, Asset Management and Group Treasury amounted to DKK 119m for 2010 compared with DKK 114m the year before.

There are also bonus programmes in respect of specific customer functions. Bonus under these programmes totalled DKK 21m in 2010 against DKK 8m in 2009.

The above bonus programmes will also apply to 2011. The most recent amendments to the Danish Financial Business Act, which contains a wide range of requirements for incentive and bonus programmes for selected managing directors and risk-takers, have imposed restrictions on about 50 executives and non-executives from 1 January 2011. Some of these restrictions are deferral of disbursement, disbursement through bonds and the possibility that Nykredit may retain the deferred amount under special circumstances.

**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 2010 – Financial Sustainability, available at [nykredit.com/reports](http://nykredit.com/reports).

## THE NYKREDIT REALKREDIT GROUP EQUITY AND CAPITAL ADEQUACY

### Equity

In 2007 the Nykredit Group launched a dividend plan involving an expected total dividend distribution of DKK 1,500m for a limited number of years to the four shareholders of Nykredit Holding A/S: Foreningen Nykredit, Industriens Fond, Foreningen Østifterne and PRAS A/S.

So far, Nykredit has distributed dividend of DKK 1,000m under this dividend plan.

As part of the dividend plan, an ordinary dividend of DKK 300m for 2010 is recommended for approval by Nykredit Reakredit A/S's General Meeting.

Group equity stood at DKK 55.3bn before ordinary dividend at end-2010 against DKK 51.2bn at the beginning of the year. After payment of proposed dividend, equity will amount to DKK 55.0bn.

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 and are value adjusted against equity on a current basis. The value adjustment against equity in the Consolidated Financial Statements was DKK 161m after tax in 2010.

In compliance with international reporting standards, Nykredit reclassified unrealised capital losses relating to its strategic shareholding in Amagerbanken. The reclassification had a negative earnings impact of DKK 100m, but had no impact on the Group's equity at end-2010.

### Equity and capital base

DKK million	2010	2009
<b>Equity, beginning of year</b>	51,241	50,377
Profit for the year	3,816	129
Fair value adjustment of equities – available for sale	161	751
Reclassification to the income statement of unrealised capital losses on equities available for sale	100	-
Other adjustments	2	(16)
<b>Equity, year-end</b>	<b>55,320</b>	<b>51,241</b>
Revaluation reserves transferred to supplementary capital	(132)	(132)
Proposed dividend	(300)	-
Intangible assets, including goodwill	(4,545)	(4,944)
Capitalised tax assets	(126)	(220)
Hybrid core capital	11,055	10,805
Other statutory deductions from core capital <sup>1</sup>	(776)	(1,274)
<b>Core capital, incl hybrid core capital, after statutory deductions</b>	<b>60,496</b>	<b>55,476</b>
<b>Total supplementary capital</b>	<b>780</b>	<b>4,756</b>
Statutory deductions from the capital base	(776)	(1,274)
<b>Total capital base after statutory deductions</b>	<b>60,500</b>	<b>58,958</b>

Note: Capital base and capital adequacy are further specified on page 67.

<sup>1</sup> Pursuant to section 139 of the Danish Financial Business Act, 50% of certain investments in credit and finance institutions must be deducted from core capital and supplementary capital, respectively.

### Capital base and capital adequacy

The Group's capital base stood at DKK 60.5bn at end-2010, corresponding to a capital adequacy ratio of 18.5%. The Group's capital requirement was DKK 26.2bn at end-2010. The core capital ratio stood at 18.5%.

The Group's internal capital adequacy requirement (ICAAP) at year-end was 9.4%.

The IRB advanced approaches are used to determine the credit risk relating to the greater part of the loan portfolio. The capital requirement for market risk is chiefly determined using a Value-at-Risk model, and the capital requirement 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 2010, which is available at [nykredit.com/reports](http://nykredit.com/reports).

Under a transitional rule applicable to 2010, the capital requirement may not decrease by more than 20% compared with the Basel I rules. The transitional rule has been extended a number of times and is expected to be extended until the new EU capital adequacy rules take effect.

The capital requirement under the transitional rule was DKK 45.0bn, corresponding to a capital adequacy ratio of at least 13.7%.

### The Nykredit Realkredit Group Capital adequacy

DKK million	2010	2009
Credit risk	23,269	23,728
Market risk	1,672	1,846
Operational risk	1,272	978
<b>Capital requirement before transitional rule</b>	<b>26,213</b>	<b>26,551</b>
<b>Capital requirement after transitional rule <sup>1</sup></b>	<b>45,016</b>	<b>42,408</b>
<b>Capital base</b>	<b>60,500</b>	<b>58,958</b>
Core capital ratio <sup>2</sup>	18.5	16.7
Capital adequacy ratio	18.5	17.8
Capital adequacy requirement (SREP)	8.0	8.0
Required capital adequacy ratio after transitional rule <sup>3</sup>	13.7	12.7
Internal capital adequacy requirement (Pillar I and Pillar II)	9.4	9.8
<b>Total weighted items</b>	<b>327,665</b>	<b>331,891</b>

<sup>1</sup> The capital requirement after the transitional rule has been determined in accordance with the transitional provisions of the Danish Executive Order on Capital Adequacy. The capital requirements in 2009-2011 must constitute at least 80% of the capital requirement determined under Basel I.

<sup>2</sup> The core capital ratio has been determined relative to risk-weighted items without application of the transitional rule.

<sup>3</sup> The required capital adequacy ratio after transitional rule has been determined as the capital requirement after transitional rule as a percentage of risk-weighted items under Basel II, thereby expressing the capital adequacy requirement in consequence of the transitional rule.

**CAPITAL POLICY AND STRUCTURE**

One of Nykredit's objectives is to be able to maintain its lending activities at an unchanged level regardless of economic trends, while retaining a competitive rating. This means that Nykredit must have sufficient capital to cover an increase in statutory capital requirements during a severe recession.

Nykredit pursues a long-term risk and capital management policy, incorporating substantial buffers compared with the statutory requirements. Financial resources are as far as possible concentrated in the Parent Company, Nykredit Realkredit A/S, to ensure strategic flexibility and leeway. Contributing 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 risk parameters, Nykredit applies historical 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.

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

The determination of the long-term capital requirement is based on the ability to cover increased losses and capital requirements during a severe recession with high unemployment and high interest rates.

Group equity after dividend distribution was DKK 55.0bn at end-2010.

Nykredit divides its equity into four elements:

- *Business capital* of DKK 30.7bn equal to the statutory required capital base. Nykredit's assessment of the required capital base is partly based on the consequences of a deterioration of the current economic climate.
- *Cyclical buffer* of DKK 15.3bn covering the expected rise in the statutory required capital base should the economic climate change from a weaker economic climate to a severe recession with unemployment rates rising to the high levels seen in the early 1990s. The cyclical buffer is determined by means of stress tests.
- *Statutory capital deductions (goodwill etc)* relating to intangible assets of DKK 4.7bn.
- *Strategic capital* of DKK 4.3bn, the long-term capital maintained for strategic initiatives.

In addition to equity, the Group has raised hybrid core capital of DKK 11.1bn.

**The Nykredit Realkredit Group  
Capital structure, end-2010**

Equity after dividend distribution DKK 55.0bn				
Pillar I DKK 23.7bn	Pillar II DKK 7.0bn	Cyclical buffer capital (reserve for severe recession) DKK 15.3bn	Statutory capital deductions DKK 4.7bn	Strategic capital DKK 4.3bn
Business capital DKK 30.7bn				

## REQUIRED CAPITAL BASE AND CAPITAL REQUIREMENT

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 risks.

Capital adequacy is calculated as the required capital base (ICAAP) as a percentage of risk-weighted items.

The determination of the required capital base takes into account the business targets by allocating capital for all relevant risks, including any calculation uncertainties.

The report Risk and Capital Management 2010, available at [nykredit.com/reports](http://nykredit.com/reports), contains a detailed description of the determination of the required capital base and the capital requirement of the Nykredit Group as well as all group companies.

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

### Pillar I

Pillar I capital covers credit, market and operational risks as well as risk relating to own properties.

### 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, cf "Stress tests and capital projections".

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

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

Nykredit aims to maintain a competitive rating of the issued bonds and to remain active as a lender also in periods of low business activity.

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 a severe recession, corresponding to an increase in unemployment to around 10% along with high interest rates.

The cyclical buffer amounted to DKK 15.3bn at end-2010.

## STRESS TESTS AND CAPITAL PROJECTIONS

Nykredit uses stress tests in connection with the determination by the boards of directors of the required capital base and long-term capital requirement.

Nykredit operates with three scenarios of the economic development: a base case scenario, a weaker economic climate and a severe recession.

The scenarios are assessed at least once a year.

An essential element of the capital projection model is the correlation between the different economic scenarios and borrowers' credit risk parameters.

The transformation of the macroeconomic scenarios to stressed default rates builds on historical correlations between customer default rates and macroeconomic variables.

The following macroeconomic variables have been deemed significant and are therefore included in the capital projection model:

- Interest rates (weighted on the basis of short-term unsecured and long-term interest rates)
- Real GDP (annual growth rate)
- Nominal house prices (annual growth rate)
- Unemployment rate (absolute rate change)
- Equities (annual growth rate in OMXC20)

The macroeconomic variables are stressed so as to arrive at the three scenarios.

## The Nykredit Realkredit Group

### Required capital base and internal capital adequacy requirement (ICAAP result)

DKK million	2010	2009
Credit risk	19,254	20,780
Market risk	3,149	3,226
Operational risk	1,209	989
Insurance risk <sup>2</sup>	-	574
Risk relating to own properties	137	154
<b>Total Pillar I</b>	<b>23,750</b>	<b>25,723</b>
Weaker economic climate (stress tests, etc)	2,781	2,840
Other factors <sup>1</sup>	1,441	1,191
Model and calculation uncertainties	2,797	2,856
<b>Total Pillar II</b>	<b>7,020</b>	<b>6,888</b>
<b>Total required capital base</b>	<b>30,770</b>	<b>32,611</b>
<b>Total risk-weighted assets</b>	<b>327,665</b>	<b>321,891</b>
<b>Internal capital adequacy requirement, %</b>	<b>9.4</b>	<b>9.8</b>

<sup>1</sup> Other factors include assessment of control risk, strategic risk, external risk, concentration risk, liquidity risk, etc.

<sup>2</sup> Insurance risk is not included in 2010 after the sale of Nykredit Forsikring A/S.

**Scenario: base case**

This scenario is a projection of the Danish economy based on Nykredit's official assessment of the current economic climate.

**Scenario: weaker economic climate in 2011**

The scenario is designed to illustrate a weaker economic climate relative to the base case scenario.

The Pillar II charge is the capital requirement in this scenario and is calculated as the capital requirement (Pillar I) in a weaker economic climate less the base case capital requirement. The charge for a weaker economic climate is subdivided into a charge for credit risk, market risk, reputation risk and operational risk, and the capital requirement for own properties.

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

**Scenario: severe recession (cyclical buffer)**

Nykredit designs the severe recession scenario so that it reflects an extreme, but not unlikely, situation. The development determines the size of the cyclical buffer.

The cyclical buffer equals the capital requirement in this scenario and is calculated as the capital requirement (Pillar I) during a severe recession less the base case capital requirement and Pillar II charge. Any negative earnings impact is also added covering the accumulated loss calculated in the scenario, which in the model shows the total development in equity.

**FSA stress tests**

As part of the Group's capital policy, in addition to assessing the calculation of its own scenarios, Nykredit also assesses the stress scenarios prepared by the Danish FSA. The scenarios of

the FSA and Nykredit are generally similar, but differ in terms of model setup. Since the FSA published the scenario analyses in 2010, Nykredit has regularly assessed the results in relation to the results based on its own models. The FSA's stress scenarios, which now cover mortgage banks as well, have not given rise to adjustments of Nykredit's own stress calculations, nor of its capital policy.

**NEW REGULATION**

A new set of rules for the regulation of financial markets is under way. The purpose of the new rules is to create a more stable financial sector through higher capital requirements and new liquidity standards.

In December 2010, the Basel Committee issued a proposal for new regulation of capital and liquidity – Basel III. The Basel Committee is an influential forum in the regulation process, but has no legislative powers. The European Commission is expected to present a draft directive during summer 2011 for subsequent adoption by the European Parliament and the Council. The draft directive is expected to be relatively similar to the Basel Committee's proposal.

Nykredit is positive towards the legislative initiatives. Stricter equity requirements are necessary to enable banks to absorb cyclical losses. The Basel Committee proposes an increase in the capital requirement from 8% of risk-weighted assets to 13% (including buffers). Stress testing of capital resources is also necessary to ensure sustainable long-term operations. For this reason, Nykredit has been conducting stress tests and has published the results in the description of our capital structure already before it became mandatory.

Liquidity management requirements are also natural components. However, the proposals submitted by the Basel Committee in December 2010, which are to form the basis of European legislation, seem to be motivated by the requirements in the US and UK, which do not have efficient mortgage systems such as the Danish system. The US and UK have deposit-based lending systems supplemented with non-transparent bond issues, typically of poor credit quality. Against that background, the Basel Committee has proposed that sovereign debt must make up at least 60% of credit institutions' total liquidity. Covered bonds qualify as high-quality liquid assets only to a limited extent.

The Basel Committee's proposals inadvertently pose major challenges for Denmark. Firstly because Danish covered bonds are as liquid as sovereign debt. Furthermore, they are highly secure due to the lending terms and balance principle applying in Denmark. Secondly, Denmark has a relatively small volume of sovereign debt.

This means that Denmark does not have enough sovereign debt to meet the liquidity requirements imposed on banks and mortgage lenders in future. If covered bonds do not qualify as liquid assets based on objective quality criteria, financial stability will be jeopardised.

The Basel Committee's proposal will also mean elimination of Danish adjustable-rate mortgages funded by 1-year bonds. Nykredit agrees that the existing refinancing model with large bond sales taking place in a matter of a few days is not optimal. In consequence, Nykredit's refinancing auctions in 2010 were distributed more evenly over the year compared with previously, and the work towards expanding this model continues.

Paradoxically, the Basel Committee's proposal could potentially increase the risks in the Danish financial system rather than reduce them. This is the reason why Nykredit, the financial sector in general and the Danish authorities are working actively to ensure that the EU legislation take into account the secure and stable mortgage systems known from eg Denmark, Germany and Sweden. The dialogue with the EU is positive and constructive. We therefore expect the draft directive to have regard for the characteristic features of the Danish mortgage system.

**Stress scenarios for determination of capital requirement at end-2010**

%	2010-2013
<b>Weaker economic climate (scenario applied under Pillar II)</b>	
GDP, growth	-1.9 ; 1.0
Interest rates <sup>1</sup>	1.9 ; 5.3
Property prices, growth	-7.5 ; 3.4
Unemployment	4.2 ; 6.0
<b>Severe recession (scenario applied under cyclical buffer)</b>	
GDP, growth	-2.0 ; 0.0
Interest rates, <sup>1</sup>	1.9 ; 8.5
Property prices, growth	-15.0 ; 3.4
Unemployment	4.2 ; 9.5

Note: For example, -1.9;1.0 denotes that growth in GDP in the periods 2010-2013 is in the range from -1.9% to 1.0%.  
<sup>1</sup> Average of 3-month money market rates and 10-year government bond yields.

## EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

### The Nykredit Group's exposure to Amagerbanken

The takeover of Amagerbanken by the Financial Stability Company (Finansiel Stabilitet A/S) will affect the Nykredit Group as follows:

The market value of Nykredit's shareholding and subordinated debt in Amagerbanken totalling about DKK 180m is expected to be lost.

Further, Nykredit expects a negative earnings impact of DKK 0-80m for 2011 from ordinary net receivables from Amagerbanken. The amount will depend on the possibility of set-off and the liquidation dividend.

Finally, Nykredit will have to cover about 2.9% of the obligations of the Danish Deposit Guarantee Fund to Amagerbanken's customers, equal to some DKK 70m.

### Tax case

The Danish High Court delivered judgment in the pending tax case against Nykredit Realkredit on 1 February 2011. The High Court found for Nykredit Realkredit on all counts. The period allowed for appeal expires in March 2011. If the Danish tax authorities do not appeal the judgment to the Danish Supreme Court, Nykredit Realkredit will be able to recognise deferred tax in the region of DKK 125m.

Apart from this, no material events have occurred in the period up to the presentation of the Annual Report 2010.

## RESULTS AND EXPECTATIONS

When the Group's Q1-Q3 Interim Report 2010 was presented, core earnings before impairment losses were forecast to be in the region of DKK 3.5bn-4.0bn. Expectations of profit before tax for the full year were in the region of DKK 2.7bn-3.2bn excluding profit from the divestment of Nykredit Forsikring.

Core earnings before impairment losses for 2010 were DKK 3.9bn, and profit before tax amounted to DKK 3.1bn excluding profit from the divestment of Nykredit Forsikring.

## OUTLOOK FOR 2011

Nykredit expects growth in both retail and commercial lending leading to higher core

income. Further, Markets & Asset Management will continue to record an improvement in earnings. Core earnings before impairment losses are projected to range between DKK 4.3bn and DKK 4.8bn.

Impairment losses on loans and advances are likely to be in the region of DKK 1.5bn, with an uncertainty margin of about DKK 0.5bn. As in 2010, the highest impairment losses are expected on SMEs.

Investment portfolio income seems set to normalise provided that the interest rate development remains stable in 2011.

Profit before tax will hinge on trends in financial markets and the Danish economy. Profit before tax is estimated to be DKK 3.0bn-3.5bn.

## OTHER

### Higher administration margins and new mortgage price structure

In February 2010, Nykredit announced that it would increase margins on both new and existing mortgage loans to retail customers.

In June, the Danish Competition Council announced that Nykredit could not raise administration margins as intended stating that the adjustments conflicted with Nykredit's undertaking to lower administration margins. This undertaking was made when Nykredit acquired Totalkredit in autumn 2003.

As Nykredit disagreed with this assessment, it brought the matter before the Competition Appeals Tribunal, which in December upheld the decision of the Danish Competition Council.

Nykredit is still of the opinion that the announced administration margin increases do not conflict with the undertaking from 2003, because it was never agreed to be indefinite or to be of a duration stretching beyond the undertakings made in the partnership agreements with the former owners of Totalkredit. These undertakings all expired on 1 April 2010.

The decision of the Competition Appeals Tribunal implies that Nykredit must seek the Danish Competition Authority's approval of any adjustment of administration margins on retail mortgages unlike all other Danish mortgage banks.

### Case brought before the courts

The right to raise administration margins without prior approval by the Danish Competition Authority is of such fundamental importance to the future business development of the Nykredit Group that Nykredit has brought the case before the courts.

Although Nykredit has appealed the case, it continues a dialogue with the Danish Competition Authority about whether market and regulatory conditions have changed to an extent that warrants adjustment or discontinuation of the ceiling on Nykredit's administration margins since its acquisition of Totalkredit.

### Strategic alliance with Gjensidige Forsikring

In March Nykredit divested its insurance business and entered into a strategic insurance alliance with Gjensidige Forsikring. The latter acquired Nykredit Forsikring A/S at a price of DKK 2.5bn, of which goodwill amounted to about DKK 1.5bn.

A core element of the alliance is a distribution agreement according to which Nykredit continues to supply and sell insurance products to its customers with Gjensidige Forsikring as supplier. Retail customers will continue to be served under the Nykredit brand, whereas commercial – including agricultural – customers will be served under the Gjensidige brand.

The transaction was completed on 29 April 2010.

### Capital increase – Nykredit Bank A/S

As a result of continued growth in Nykredit Bank, the Bank's share capital was strengthened by DKK 1.0bn measured at market value in September. The capital increase was fully subscribed for by Nykredit Realkredit.

### Early redemption of subordinated debt

In September Nykredit Realkredit A/S redeemed supplementary capital of a nominal amount of EUR 500m.

In August, September and October, Nykredit Bank A/S redeemed supplementary capital of DKK 150m, DKK 100m and EUR 10m, respectively.

### Bank rescue packages

The Danish Bank Rescue Package I expired on 30 September 2010. Since 2008 the Nykredit Group has incurred costs in the form of commission and provisions totalling DKK 1,643m.

The Nykredit Group has raised neither government hybrid core capital nor any other loans with an individual government guarantee.

**FSA inspections**

The FSA performs regular inspections of Danish banks and mortgage lenders.

In 2010 the FSA conducted inspections of the Nykredit Group: The published inspection reports can be accessed at [nykredit.dk](http://nykredit.dk).



## Income statements for 1 January – 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group		
2009	2010		Note	2010	2009
40,357	36,082	Interest income		44,496	52,237
34,845	30,750	Interest expenses		33,286	41,115
5,512	5,332	<b>NET INTEREST INCOME</b>		<b>11,210</b>	<b>11,122</b>
46	49	Dividend on equities		52	64
872	949	Fee and commission income		2,149	2,003
236	253	Fee and commission expenses		1,595	1,474
6,193	6,077	<b>NET INTEREST AND FEE INCOME</b>		<b>11,816</b>	<b>11,715</b>
2,508	(333)	Value adjustments		(559)	2,186
87	92	Other operating income		209	165
2,619	2,642	Staff and administrative expenses		4,837	4,857
592	649	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		811	744
0	2	Other operating expenses		382	551
1,216	712	Impairment losses on loans, advances and receivables		2,382	7,919
(2,630)	2,708	Profit (loss) from investments in associates and group enterprises		36	(141)
1,731	4,538	<b>PROFIT (LOSS) BEFORE TAX</b>		<b>3,090</b>	<b>(145)</b>
851	461	Tax		786	(29)
880	4,076	<b>PROFIT (LOSS) FROM CONTINUED OPERATIONS FOR THE YEAR</b>		<b>2,304</b>	<b>(117)</b>
-	-	Profit from discontinued insurance operations		1,511	245
880	4,076	<b>PROFIT FOR THE YEAR</b>		<b>3,816</b>	<b>129</b>
-	-	<b>DISTRIBUTION OF PROFIT FOR THE YEAR</b>			
-	-	- Shareholders of Nykredit Realkredit A/S		3,816	129
		<b>PROPOSAL FOR THE DISTRIBUTION OF PROFIT</b>			
(2,795)	1,361	Statutory reserves			
3,675	2,415	Retained earnings			
-	300	Proposed dividend			

## Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group			
2009	2010		Note	2010	2009
<b>ASSETS</b>					
1,691	394	Cash balance and demand deposits with central banks		507	1,828
36,301	45,510	Receivables from credit institutions and central banks		58,149	61,081
957,350	1,019,032	Loans, advances and other receivables at fair value		1,043,763	992,992
1,103	944	Loans, advances and other receivables at amortised cost		59,777	62,011
51,070	58,697	Bonds at fair value		94,139	81,871
<b>Equities</b>					
4,025	4,673	Equities measured at fair value through profit or loss		1,696	1,809
-	-	Equities available for sale		3,309	2,941
4,025	4,673	<b>Total</b>		5,005	4,750
151	149	Investments in associates		151	175
27,240	27,930	Investments in group enterprises		-	-
4,882	4,499	Intangible assets		4,545	4,933
<b>Land and buildings</b>					
-	-	Investment properties		845	69
25	23	Owner-occupied property		1,715	1,767
25	23	<b>Total</b>		2,560	1,836
239	306	Other property, plant and equipment		342	334
-	-	Current tax assets		188	1,327
790	703	Deferred tax assets		747	1,065
159	274	Assets in temporary possession		404	191
16,306	17,052	Other assets		40,646	32,605
112	199	Prepayments		218	186
1,101,443	1,180,384	<b>TOTAL ASSETS</b>		1,311,140	1,247,185

## Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group			
2009	2010		Note	2010	2009
<b>LIABILITIES AND EQUITY</b>					
97,339	79,456	Payables to credit institutions and central banks		95,879	119,313
-	-	Deposits and other payables		55,467	64,483
907,439	1,002,524	Issued bonds at fair value		974,319	889,899
194	195	Issued bonds at amortised cost		32,569	44,253
3,812	4,394	Other non-derivative financial liabilities at fair value		28,160	8,902
720	129	Current tax liabilities		160	1,008
25,304	26,532	Other liabilities		55,721	49,224
-	-	Deferred income		6	14
<b>1,034,809</b>	<b>1,113,230</b>	<b>Total payables</b>		<b>1,242,281</b>	<b>1,177,096</b>
<b>Provisions</b>					
276	322	Provisions for pensions and similar obligations		326	280
781	580	Provisions for deferred tax		621	849
-	-	Insurance liabilities		-	1,448
107	100	Repayable reserves funded by pre-1972 series		100	107
-	-	Provisions for losses under guarantees		745	610
25	27	Other provisions		129	182
<b>1,190</b>	<b>1,029</b>	<b>Total provisions</b>		<b>1,921</b>	<b>3,476</b>
<b>14,203</b>	<b>10,805</b>	<b>Subordinated debt</b>		<b>11,618</b>	<b>15,372</b>
<b>Equity</b>					
1,182	1,182	Share capital		1,182	1,182
<b>Accumulated changes in value</b>					
5	4	- Revaluation reserves		132	132
-	-	- Value adjustment of equities available for sale		1,836	1,575
<b>Other reserves</b>					
-	1,357	- Statutory reserves		-	-
26,760	35,490	- Series reserves		35,490	26,760
23,294	16,987	Retained earnings		16,380	21,592
-	300	Proposed dividend		300	-
<b>51,241</b>	<b>55,320</b>	<b>Total equity</b>		<b>55,320</b>	<b>51,241</b>
<b>1,101,443</b>	<b>1,180,384</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,311,140</b>	<b>1,247,185</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
-	-	Contingent liabilities		6,286	8,336
1,468	1,273	Other commitments		8,013	10,852
<b>1,468</b>	<b>1,273</b>	<b>TOTAL</b>		<b>14,298</b>	<b>19,189</b>

## Statement of changes in equity

DKK million

Nykredit Realkredit A/S

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Statutory reserves*	Series reserves	Retained earnings	Proposed dividend	Total
<b>2010</b>								
Equity, 1 January	1,182	5	-	-	26,760	23,294	-	51,241
Profit for the year	-	-	-	1,361	-	2,415	300	4,076
<b>Other comprehensive income</b>								
Share of comprehensive income in associates and group enterprises	-	-	-	2	-	-	-	2
Fair value adjustment of owner-occupied property	-	(1)	-	-	-	-	-	(1)
<b>Total other comprehensive income</b>	-	(1)	-	2	-	-	-	1
<b>Total comprehensive income for the year</b>	-	(1)	-	1,363	-	2,415	300	4,077
Dividend from associates	-	-	-	(6)	-	6	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	8,730	(8,730)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	3	-	3
<b>Equity, 31 December</b>	<b>1,182</b>	<b>4</b>	<b>-</b>	<b>1,357</b>	<b>35,490</b>	<b>16,987</b>	<b>300</b>	<b>55,320</b>
<b>2009</b>								
Equity, 1 January	1,182	5	(3)	2,844	25,778	20,572	-	50,377
Profit (loss) for the year	-	-	-	(2,795)	-	3,675	-	880
<b>Other comprehensive income</b>								
Foreign currency translation adjustment of foreign entities	-	-	(15)	-	-	-	-	(15)
Share of comprehensive income in associates and group enterprises	-	-	-	(10)	-	-	-	(10)
<b>Total other comprehensive income</b>	-	-	(15)	(10)	-	-	-	(25)
<b>Total comprehensive income for the year</b>	-	-	(15)	(2,805)	-	3,675	-	855
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	-	-
<b>Equity, 31 December</b>	<b>1,182</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>26,760</b>	<b>23,294</b>	<b>-</b>	<b>51,241</b>

\* 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

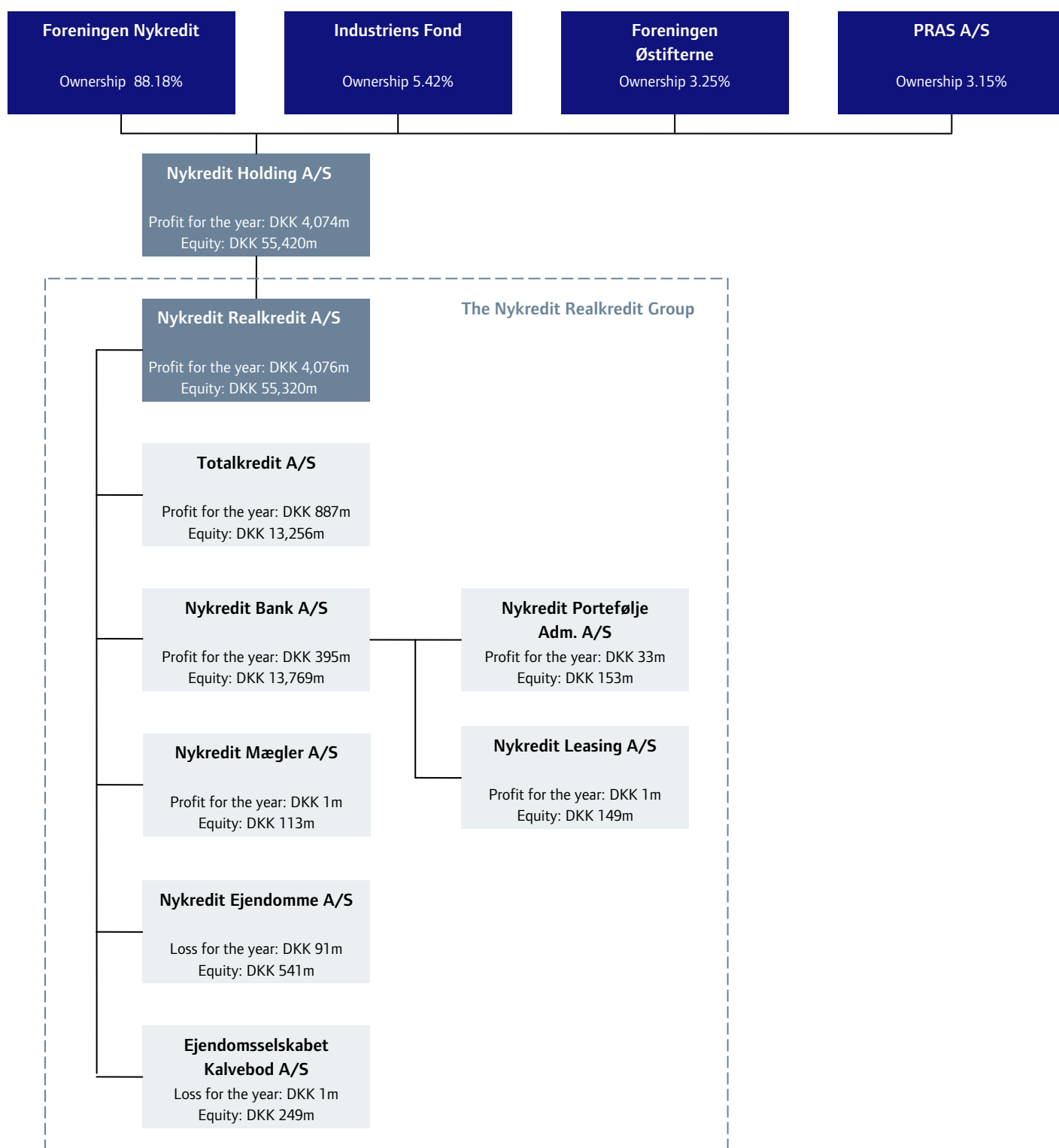
DKK million

The Nykredit Realkredit Group

	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
<b>2010</b>								
Equity, 1 January	1,182	132	-	1,575	26,760	21,592	-	51,241
Profit for the year	-	-	-	-	-	3,516	300	3,816
<b>Other comprehensive income</b>								
Fair value adjustment of owner-occupied property	-	1	-	-	-	-	-	1
Fair value adjustment of equities available for sale	-	-	-	161	-	-	-	161
Unrealised capital loss on equities available for sale has been reclassified to the income statement due to objective evidence of impairment	-	-	-	100	-	-	-	100
<b>Total other comprehensive income</b>	-	1	-	261	-	-	-	261
<b>Total comprehensive income for the year</b>	-	1	-	261	-	3,516	300	4,077
Adjustment pursuant to capital adequacy rules	-	-	-	-	8,730	(8,730)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	3	-	3
<b>Equity, 31 December</b>	<b>1,182</b>	<b>132</b>	<b>-</b>	<b>1,836</b>	<b>35,490</b>	<b>16,380</b>	<b>300</b>	<b>55,320</b>
<b>2009</b>								
Equity, 1 January	1,182	141	(3)	(674)	25,778	23,954	-	50,377
Profit for the year	-	-	-	-	-	129	-	129
<b>Other comprehensive income</b>								
Foreign currency translation adjustment of foreign entities	-	-	(15)	-	-	-	-	(15)
Fair value adjustment of owner-occupied property	-	(9)	-	-	-	-	-	(9)
Fair value adjustment of equities available for sale	-	-	-	751	-	-	-	751
Share of comprehensive income in associates	-	-	-	-	-	(1)	-	(1)
<b>Total other comprehensive income</b>	-	(9)	(15)	751	-	(1)	-	726
<b>Total comprehensive income for the year</b>	-	(9)	(15)	751	-	128	-	855
Reclassification of value adjustment of equities available for sale <sup>1</sup>	-	-	-	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)	-	-
<b>Equity, 31 December</b>	<b>1,182</b>	<b>132</b>	<b>-</b>	<b>1,575</b>	<b>26,760</b>	<b>21,592</b>	<b>-</b>	<b>51,241</b>

<sup>1</sup>Reclassification includes accumulated value adjustment of strategic equities prior to 1 January 2005.

# COMPANY INFORMATION



*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.*