

Annual Report 2015
Nykredit Realkredit Group



Nykredit

CONTENTS

MANAGEMENT'S REVIEW

Group Chief Executive's Statement	1
Company details	2
Group chart	3
Financial highlights	4
Nykredit's strategy	6
2015 – in brief	8
Results relative to 2014	8
Results for Q4/2015	10
Results relative to forecasts	10
Outlook for 2016	10
Other	10
Uncertainty as to recognition and measurement	11
Material risks	11
Events since the balance sheet date	11
Business areas	12
Retail	14
Wholesale	16
Totalkredit Partners	16
Wholesale Clients	18
Group Items	21
Capital and liquidity management	22
Equity and own funds	24
Funding	26
Credit ratings	30
Liquidity	31
Lending	32
Mortgage lending	33
Bank lending	37
Organisation, management and corporate responsibility	39
Nykredit – Engaging with Society	39
Organisation and delegation of responsibilities	39
The under-represented gender	41
Corporate governance	41
Remuneration	41
Internal control and risk management systems	42
Group companies	44
Nykredit Holding A/S	44
Nykredit Realkredit A/S	44
Totalkredit A/S	46
The Nykredit Bank Group	47
Nykredit Mægler A/S	48
Nykredit Ejendomme A/S	48
The Ejendomsselskabet Kalvebod Group	48

MANAGEMENT STATEMENT AND AUDIT REPORTS

Management Statement	49
Internal Auditors' Report	50
Independent Auditors' Report	51

FINANCIAL STATEMENTS 2015

Income statements	52
Statements of comprehensive income	53
Balance sheets	54
Statement of changes in equity	56
Cash flow statement	60
Notes	61

FIVE-QUARTER FINANCIAL HIGHLIGHTS	144
--	------------

SUMMARY CAPITAL ADEQUACY	145
---------------------------------	------------

SERIES FINANCIAL STATEMENTS	146
------------------------------------	------------

OTHER INFORMATION

Financial calendar for 2016	149
Directorships and executive positions	150

GROUP CHIEF EXECUTIVE'S STATEMENT

Nykredit is about to undergo historical changes. In the coming years, we will prepare for the listing of our 165-year-old business on the stock exchange. As members of the Group Executive Board, we have no doubts: A stock exchange listing of Nykredit will benefit our customers as well as Denmark at large.

When we presented our plans for a listing, we made two commitments: We promised Denmark that Nykredit and Totalkredit would be present in every district, city and town in Denmark to provide loans to homeowners and businesses.

And we promised our customers that a listed Nykredit will introduce a profit-sharing model we call "KundeKroner" according to which the Nykredit Association will return a significant portion of the dividends received from a listed Nykredit to the companies of the Nykredit Group. Returning the capital will enable the companies to award cash benefits to customers.

This way, our everyday focus will be to make every effort to maximise customers' cash benefits, motivated by the fact that the better our performance, the more we can return to homeowners and businesses across the country.

These two commitments represent the future Nykredit.

Nykredit's transformation journey

Our commitments exemplify Nykredit's current transformation. In the past two years, we have undergone a transformation towards becoming a more customer-relevant business. We will now spend the coming months preparing for the next steps in our transformation.

Our starting point is the best financial results ever. Profit from core business increased to DKK 5,387m in 2015 from DKK 3,249m in 2014, driven by exceptionally high activity at the beginning of the year and very low impairment levels. We cannot expect these trends to continue in 2016. The results were also achieved thanks to a focused and dedicated effort by all of Nykredit's staff members.

Profit for the year grew Common Equity Tier 1 (CET1) capital to DKK 60.5bn from DKK 55.6bn in 2014. This is a major achievement in itself. But it is unfortunately not enough.

The world in which we do business is changing markedly. Nykredit is facing stricter capital requirements from international authorities. Already now, we know that we need CET 1 capital of at least DKK 70bn by the beginning of 2019. We have a plan that will enable us to reach this goal – also without a listing.

But new and stricter capital requirements are looming on the horizon. The forthcoming requirements are not final yet, but their scope is expected to be significant. In the absence of fundamental changes, the capital requirements will, even in a minimum version, be a major challenge to Nykredit in its present form.

To give but one example: Tightening risk weights for home loans is being discussed in Europe. They have already been tightened in Sweden, which means that banks must hold more capital when granting loans to homeowners. If the same rules are introduced in Denmark, this will increase our CET1 capital requirement by nearly DKK 15bn.

This is a challenge that Nykredit, as a responsible, systemically important financial institution, must address and strive to resolve now.

Large business potential

Nykredit is at a cross-roads. We can either raise new capital through a stock exchange listing and increase prices simultaneously, or we could increase prices significantly more and cut back activities and lending drastically. The latter would have a detrimental impact on our core business: Danish homeowners, business owners and farmers would experience sizeable price rises and deteriorating credit options. This is not a desirable scenario, and we have therefore decided to prepare for a stock exchange listing, which will give us the strategic and financial flexibility needed to realise Nykredit's large potential.

And the potential is indeed large. We have a clear strategy, Winning the Double. We have strengthened our relationship with customers – in part through our homeowner banking concept, BoligBank. We have also strengthened our ties with our 59 Totalkredit partners. We have for instance expanded the partnership to include business mortgages. And our initiatives have proved worthwhile: Satisfaction has improved among both our homeowner customers and our Totalkredit partners.

At the same time, we will continue to streamline Nykredit according to Business Plan 2018. Our cost:income ratio dropped to 41.9% in 2015 from 44.3% in 2014 and 57.9% in 2013. Most recently, we have decided to divest the properties housing our Copenhagen headquarters. I would like to thank everyone at Nykredit for assuming responsibility for ensuring that Nykredit becomes increasingly efficient and profitable year after year. There should be no doubt that we – also in future – will do everything within our power to reduce costs and grow earnings, for the better our performance, the more we can return to our customers.

We have come far in our transformation towards a more customer-relevant Nykredit. We are getting ready for the next important step, to float Nykredit on the stock exchange. I am pleased that we can take this step on the back of a strong and robust financial performance.

Yours sincerely



Michael Rasmussen
Group Chief Executive

COMPANY DETAILS

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

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

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

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Annual General Meeting

The Annual General Meeting of the Company will be held on 16 March 2016.

BOARD OF DIRECTORS

Steen E. Christensen, Chairman, Attorney

Hans Bang-Hansen, Deputy Chairman, Farmer

Steffen Kragh, Deputy Chairman, Chief Executive Officer

Michael Demsitz, Chief Executive Officer
Merete Eldrup, Chief Executive Officer
Marlene Holm, Political Secretary*
Allan Kristiansen, Chief Account Manager*
Bent Naur, former Chief Executive Officer
Ina Nielsen, Developer*
Anders C. Obel, Chief Executive Officer
Erling Bech Poulsen, Farmer
Lars Peter Skaarup, Personal Adviser*
Nina Smith, Professor
Jens Erik Udsen, Managing Director
Leif Vinther, Chairman of Staff Association*

* Staff-elected member

See pages 150-152 for directorships and executive positions of the members of the Board of Directors and the Executive Board.

NOMINATION BOARD

Steen E. Christensen, Chairman
Hans Bang-Hansen
Steffen Kragh
Nina Smith

AUDIT BOARD

Steffen Kragh, Chairman
Anders C. Obel
Nina Smith
Jens Erik Udsen

REMUNERATION BOARD

Steen E. Christensen, Chairman
Hans Bang-Hansen
Steffen Kragh
Leif Vinther, Chairman of Staff Association

RISK BOARD

Nina Smith, Chairman
Steffen Kragh
Merete Eldrup
Bent Naur
Michael Demsitz

EXECUTIVE BOARD

Michael Rasmussen
Group Chief Executive

Kim Duus
Group Managing Director

Søren Holm
Group Managing Director

Anders Jensen
Group Managing Director

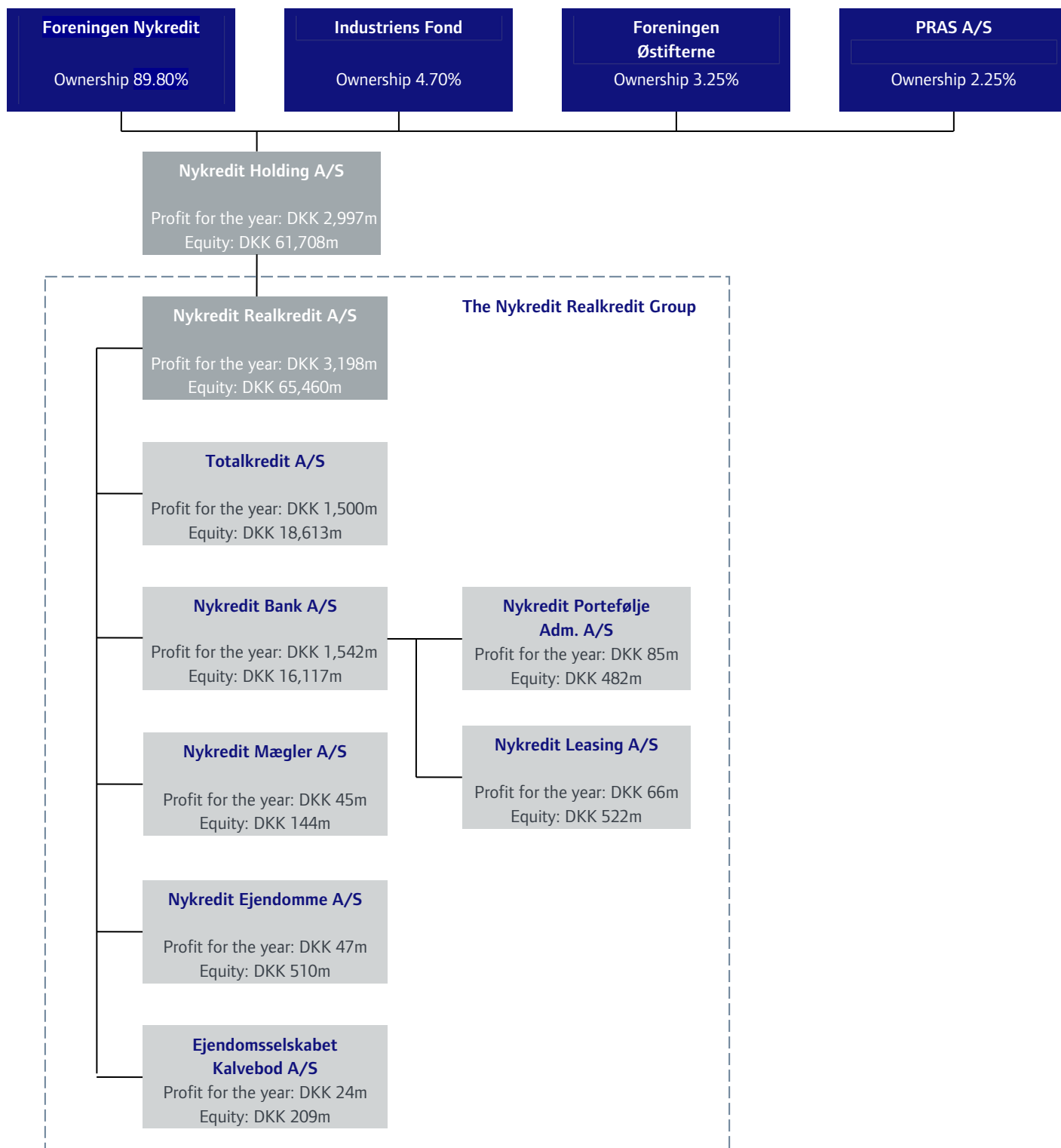
Bente Overgaard
Group Managing Director

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

- Annual Report 2015
- CSR Report 2015 – Nykredit Engaging with Society
- CR Fact Book 2015
- Risk and Capital Management 2015

Information on corporate governance is available at nykredit.com/corporategovernanceuk

GROUP CHART



Reference is made to note 52 for a full list of Group companies.

FINANCIAL HIGHLIGHTS

Nykredit Realkredit Group

EUR 2015

Exchange rate:

746.25

DKK million	2015	2014 ³	2013	2012	2011	EUR 2015
CORE EARNINGS AND RESULTS FOR THE YEAR						
Core income from						
- business operations	11,945	11,509	10,439	10,228	9,198	1,601
- value adjustment of interest rate swaps due to interest rate changes	685	(1,229)	467	46	-	92
- other value adjustment of interest rate swaps	(275)	(2,133)	(1,242)	(1,141)	(642)	(37)
- senior and subordinated debt	(610)	(936)	(944)	(901)	(652)	(82)
- securities	38	130	118	212	644	5
Total	11,783	7,341	8,838	8,444	8,548	1,579
Operating costs, depreciation and amortisation	5,005	5,103	6,047	5,594	5,967	671
Amortisation of goodwill and customer relationships	1,965	852	-	-	-	263
Mortgage business contribution to the Danish Resolution Fund ¹	61	-	-	-	-	8
Core earnings before impairment losses	4,752	1,386	2,791	2,850	2,581	637
Impairment losses on mortgage loans and advances	1,041	2,132	2,415	1,592	1,026	139
Impairment losses on bank loans and advances	(121)	219	349	557	388	(16)
Core earnings after impairment losses	3,832	(965)	27	701	1,167	514
Investment portfolio income	750	779	1,190	1,989	19	100
Investment portfolio income, capital gains from the sale of strategic equities	103	-	697	455	160	14
Profit (loss) before tax	4,685	(186)	1,914	3,145	1,346	628
Tax	1,494	90	240	575	223	200
Profit (loss) for the year	3,191	(276)	1,674	2,569	1,123	428
Interest on Additional Tier 1 capital, charged against equity	197	-	-	-	-	26
Value adjustment of strategic equities against equity	7	238	(343)	(237)	(854)	1
SUMMARY BALANCE SHEET						
	31.12.2015	31.12.2014³	31.12.2013	31.12.2012	31.12.2011	EUR 2015
Assets						
Receivables from credit institutions and central banks	23,253	42,288	35,758	60,174	66,258	3,116
Mortgage loans at fair value	1,119,101	1,137,099	1,136,644	1,136,445	1,083,991	149,963
Bank loans – excluding reverse repurchase lending	46,747	50,494	46,963	49,728	55,776	6,264
Bonds and equities	110,294	131,383	92,961	82,413	100,794	14,780
Remaining assets	84,394	96,037	105,088	104,645	86,086	11,309
Total assets	1,383,789	1,457,301	1,417,414	1,433,405	1,392,905	185,432
Liabilities and equity						
Payables to credit institutions and central banks	30,226	44,863	44,393	67,539	117,626	4,050
Deposits	62,599	65,232	65,172	54,509	57,404	8,388
Bonds in issue at fair value	1,137,314	1,167,163	1,130,020	1,103,818	1,021,942	152,404
Subordinated debt	11,006	11,394	10,964	11,281	11,204	1,475
Remaining liabilities	77,184	109,998	108,149	138,702	129,419	10,343
Equity	65,460	58,650	58,716	57,556	55,310	8,772
Total liabilities and equity	1,383,789	1,457,301	1,417,414	1,433,405	1,392,905	185,432
FINANCIAL RATIOS						
Profit (loss) for the year as % of average equity ²	5.0	(0.5)	2.9	4.6	2.0	
Core earnings before impairment losses as % of average equity ²	7.6	2.4	4.8	5.1	4.7	
Core earnings after impairment losses as % of average equity ²	6.0	(1.6)	0.0	1.2	2.1	
Costs as % of core income from business operations (cost:income ratio)	41.9	44.3	57.9	54.7	64.9	
Total provisions for loan impairment – mortgage lending	5,694	5,506	4,378	2,954	2,485	
Total provisions for loan impairment and guarantees – banking	2,952	3,666	4,078	4,139	4,407	
Impairment losses for the year, % – mortgage lending	0.09	0.19	0.21	0.14	0.09	
Impairment losses for the year, % – banking	(0.12)	0.22	0.29	0.59	0.44	
Total capital ratio, %	23.9	18.2	18.9	19.1	17.1	
Common Equity Tier 1 capital ratio, %	19.4	15.4	15.8	15.8	13.9	
Internal capital adequacy requirement	11.8	11.3	10.4	-	-	
Average number of full-time staff	3,757	3,971	4,052	4,115	4,139	

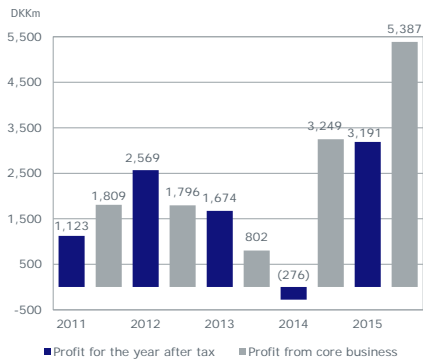
The table was restated in a number of respects in 2015. Net interest on subordinated debt is now presented in "Senior and subordinated debt". Costs which were included in "Operating costs – special value adjustments" in the Financial Statements 2014 are now presented in "Operating costs, depreciation and amortisation". Comparative figures, including financial ratios, have been restated. The restatements have not affected profit (loss) before tax, profit (loss) for the year, equity or the balance sheet.

¹ The item includes Nykredit Realkredit's and Totalkredit's contributions to the Danish Resolution Fund. The mortgage business has not made any contributions to similar schemes in previous years.

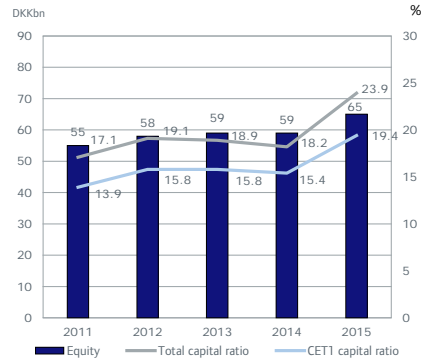
² The Additional Tier 1 (AT1) capital raised in 2015 is treated as a financial obligation for accounting purposes, and the dividends for the year for accounting purposes are included as interest expenses on subordinated debt in the profit (loss) for the year.

³ Adjusted for goodwill impairment of DKK 852m, cf the supplementary/correcting disclosure for the Annual Report 2014 released on 5 November 2015.

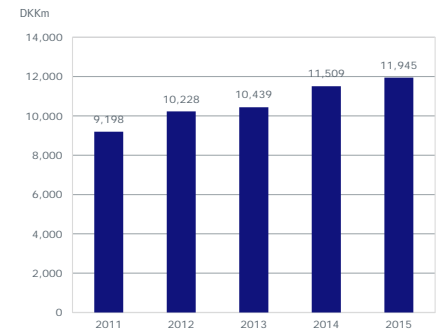
Profit for the year/profit from core business



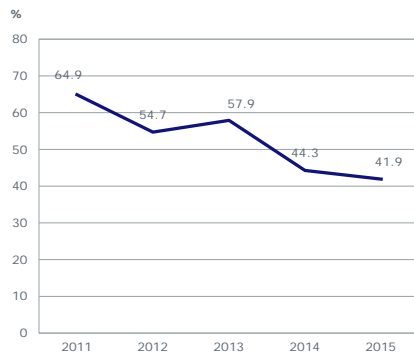
Equity and capital adequacy



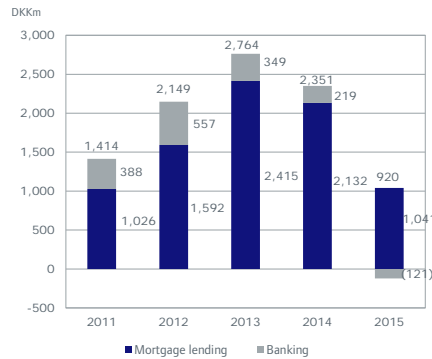
Core income from business operations



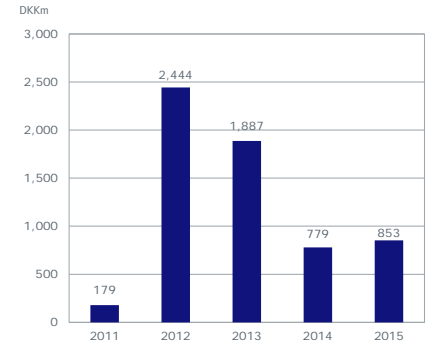
Costs as % of core income from business operations (cost:income ratio)



Impairment losses on loans and advances

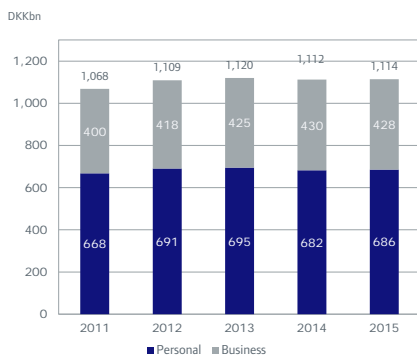


Investment portfolio income

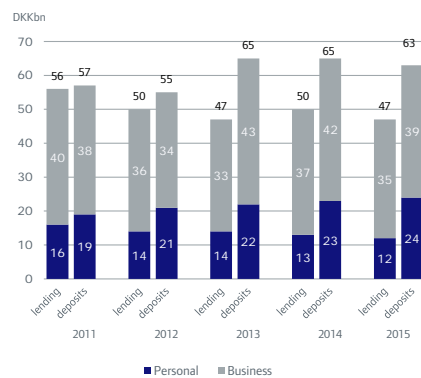


Excluding value adjustment of strategic equities against equity.

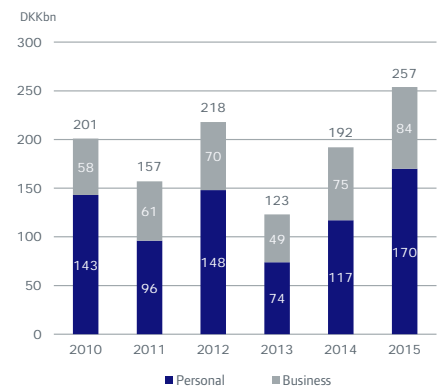
Mortgage portfolio, year-end, nominal value



Bank lending and deposits, year-end



Gross new mortgage lending



NYKREDIT'S STRATEGY

WINNING THE DOUBLE

Nykredit's strategy, Winning the Double, aims to ensure that Nykredit:

- wins homeowners over as satisfied and loyal full-service customers.
- takes the Totalkredit alliance to a higher level.

We have made good progress with Winning the Double. Our homeowner banking concept, Nykredit BoligBank, is attracting new customers. Our new private banking programme and Nykredit's new business banking concept, Nykredit ErhvervsBank, have been well received. Furthermore, our partner activities are prospering, and our plans to improve efficiency and processes proceed as scheduled.

Nykredit aims to grow income from core business and to become even more cost-effective. Meeting these goals is necessary in order to comply with regulatory requirements and to ensure a lasting and competitive business.

As part of the Winning the Double strategy, we have set a financial benchmark with our Business Plan 2018 and have intensified our efforts to improve and develop our core business.

With Business Plan 2018, we aim to achieve a return on equity before tax of 11% by end-2018 (assuming normal interest rate and business levels) and to grow earnings from core business by another DKK 1.5bn relative to Nykredit's 2015 plan.

Business Plan 2018 comprises specific business initiatives characterised by:

- Market positioning – focus on strategic priorities and, as a result, selection of business activities.
- Business optimisation – enhanced commercial focus, higher profitability of customer relationships and focus on targeted allocation and use of resources, including costs and capital.
- Digitisation – a sharper focus on and a clearer prioritisation of resources to help improve the customer experience and boost efficiency.

Focus on full-service customers

Nykredit will be the best bank for Danish homeowners – we want to meet all of their banking needs

We took a number of initiatives in 2015 to strengthen our services and market position in the personal segment. The most important initiatives are:

- Launch of Nykredit BoligBank, which is a value proposition centred around homeowners and offering clear benefits to full-service customers. This includes three programmes: BoligBank, BoligBank 360 and BoligBank 365. The programmes comprise a large number of services within banking and home finance, including targeted and unique services such as BoligEftersyn, FørsteBolig and BoligSkifte.
- Launch of new private banking services. A bespoke value proposition for personal wealth clients. For ten years, Nykredit has offered private banking services to wealth clients. We are now offering our expertise and insight from these activities to a wider group of wealth clients. The new private banking services target clients with assets under management of DKK 2m-7m, and the Private Banking

Elite services target clients with assets under management in excess of DKK 7m.

- In order to strengthen and further develop Nykredit's position in the business segment, we rolled out specific initiatives in 2015 such as:
 - Launch of Nykredit ErhvervsBank, which is a value proposition with focus on business owners – with special benefits for owner-managers (EjerFordele). Nykredit's business customers have a choice between two programmes: ErhvervsBank and ErhvervsBank+. Customers of ErhvervsBank+ have access to a range of unique services such as online tools for customer and employee feedback as well as customer employee discounts. Further, Nykredit Erhvervsbank has specialised in comprehensive advice to clients in the health care sector who have their own practices/clinics covering their personal and business banking needs.

Expansion of partner activities

Nykredit wants to be a strong and loyal business partner to local and regional banks.

In 2015 we took a number of specific initiatives to consolidate and further develop our partnership. The most important initiatives are:

- Launch of Totalkredit Erhverv. Totalkredit and its partner banks have extended their partnership to include business mortgages as an integral part of the Totalkredit alliance. The new services are based on a voluntary opt-in model for the individual banks.
- Launch of the website Bolighed, which is a new digital universe for all Danish homeowners. The site estimates the current market values of all homes, and homeowners may get an idea of the marketability of their homes. Bolighed has had more than 850,000 unique users so far. Bolighed is jointly operated by Arbejdernes Landsbank, Sydbank, Spar Nord and Nykredit.

Increased efficiency and digitisation

In 2015 we implemented a number of specific initiatives to improve efficiency. The most important are:

- Launch of Smart Production. Thanks to Smart Production, all production processes are streamlined based on one standard procedure for all from the point when an adviser transfers a case for production until the customer receives the agreed products. Smart Production improves customer-facing as well as internal processes, and support and production tasks have been unified under one roof.
- Launch of FastConnect, FastID and MødeKlar. Nykredit's digital and automated system, FastConnect, ensures easy and fast registration of new customer relationships. FastID enables existing customers to submit ID documentation to us easily and fast. MødeKlar is a digital solution which our customers and we may use to prepare for meetings.
- As a member of BEC, an IT provider, Nykredit has actively participated in the joint development of BEC's solutions, contributing to efficient and strong IT solutions from BEC for the benefit of our customers and the BEC member banks.

Follow-up on specific targets

Nykredit uses the balanced scorecard as a strategic management tool for measuring the impact of business initiatives. Thus we continually ensure that the intended business changes materialise.

Nykredit's balanced scorecard includes targets at Group level which focus on capital, financial performance, customers, processes and staff. Below, we have set out some of the benchmarks of particular focus in 2015.

Balanced Scorecard

Nykredit's targets	Target update	Targets delivered in 2015
Return on equity of 11%	✓ On track	Marked rise in return on equity in 2015 relative to 2014.
Top-line growth of DKK 1bn and net savings of DKK 400m in 2016	✓ On track	Results for 2015 include a top line on a level with the 2016 target of DKK 11.5bn. A sharp cost focus has trimmed down costs by 2% on 2014, and we expect to reach the 2016 target.
Capital strength	✓ On track	The Common Tier 1 (CET1) capital ratio exceeds the 2015 target.
Number of 360/365 customers	✓ On track	Nykredit BoligBank has been well received by our customers. We have realised our 2015 target and have ambitious targets for 2016.
Customer satisfaction	⚠ More to be done	Personal customer satisfaction with Nykredit is on the rise in the prioritised segments. Business customer satisfaction has been below target. In 2015, a number of specific initiatives were launched to reverse the trend, including Nykredit's new business banking proposition, which is to strengthen Nykredit's position within the business segment.
Partner bank satisfaction	✓ On track	Significant improvement in partner bank satisfaction with Totalkredit.
Processes	⚠ More to be done	Digitisation and process optimisation are key to ensuring efficient business operations and satisfactory customers. In 2015, a number of initiatives were rolled out to increase efficiency and digitisation, which are also to enhance the customer experience.
Staff	✓ On track	Staff satisfaction grew in 2015.

CHANGE MANAGEMENT AND CULTURE CHANGE

A transformation of Nykredit as a business in the coming years is embedded in Winning the Double and Business Plan 2018. Many important business initiatives and changes increase and alter the demands on the organisation – and on management and staff members.

To support this process, we have set up a targeted management training programme, which focuses on change management and the requirements resulting from the strategy. The Winning the Double Academy provides training to all management staff in key change management disciplines. The training programme is delivered as an intensive three-day seminar for teams of 40 managers at a time from across the Group. All Nykredit management staff will have completed the Academy by end-April 2016.

The leadership task and cultural transformation will entail additional activities, and these elements are vital for a successful strategy execution. It is crucial that we continue strengthening our customer and sales focus, and that we raise performance orientation in order for Nykredit as an organisation to obtain the strongest possible market position.

2015 – IN BRIEF

RESULTS RELATIVE TO 2014

Nykredit recorded a profit before tax of DKK 4,685m against a loss of DKK 186m in 2014.

Profit from core business improved to DKK 5,387m from DKK 3,249m in 2014, corresponding to growth of DKK 2,138m, or 66%, cf the table below.

Core income from business operations rose by DKK 436m, or 4%, while other interest income from core business improved results by DKK 234m, generally reflecting growth in income from core business. Operating costs declined by DKK 98m, or 2%, and loan impairment losses were DKK 920m against DKK 2,351m in 2014. Together, these items improved results by DKK 2,199m relative to 2014.

Net of the DKK 61m contribution by the mortgage business to the Danish Resolution Fund, Nykredit posted an increase in profit from core business of DKK 2,138m.

Value adjustment of interest rate swaps had a positive earnings impact of DKK 410m in 2015 compared with a charge of DKK 3,362m in 2014. The positive earnings impact derived from a rise in swap rates.

In Q3/2015, Nykredit wrote down goodwill for impairment by DKK 1,907m relating to the acquisition of Totalkredit A/S. Further, Nykredit wrote down customer relationships by DKK 58m in Q4/2015. The write-down resulted from the annual impairment test. Relative to the Financial Statements for 2014, the impairment test for 2015 has been changed, which means that Nykredit now applies the usual 5-year IFRS budget period. To this should be added changed costs of capital. The impairment charges affected profit and equity, but not own funds (capital adequacy) or Common Equity Tier 1 (CET1) capital.

Loan impairment losses reduced to DKK 920m, down 61%, from DKK 2,351m in 2014 due to lower impairment of both mortgage and bank lending.

The Group reported a post-tax profit of DKK 3,191m for 2015 compared with a loss of DKK 276m in 2014.

Profit from core business

DKK million	2015	2014
Income from core business ¹	11,373	10,703
Costs from core business, including contribution to the Danish Resolution Fund ²	5,066	5,103
Impairment losses on loans and advances	920	2,351
Profit from core business	5,387	3,249
Value adjustment of interest rate swaps	410	(3,362)
Impairment of goodwill and customer relationships	1,965	852
Investment portfolio income	853	779
Profit (loss) before tax	4,685	(186)

¹ Total core income excluding value adjustment of interest rate swaps.

² Total costs excluding impairment of goodwill and customer relationships.

Equity was DKK 65,460m at end-2015 including Additional Tier 1 (AT1) capital of DKK 3,774m (EUR 500m raised in Q1/2015), which is recognised as equity for accounting purposes. Excluding AT1 capital, equity amounted to DKK 61,686m against DKK 58,650m at end-2014.

CET1 capital, the most important capital concept in relation to the capital adequacy rules, was DKK 60.5bn at end-2015 against DKK 55.6bn at end-2014.

Core earnings

Core income from business operations

Core income from business operations rose by DKK 436m, or 4%, to DKK 11,945m.

Core income from mortgage lending increased by DKK 229m, or 3%, to DKK 8,405m due to growth in administration margin and activity income. Earnings trended higher both in respect of Nykredit Realkredit and Totalkredit, in part mirroring high remortgaging activity in Q1.

Nominal mortgage lending totalled DKK 1,114.3bn against DKK 1,111.7bn at end-2014. Totalkredit Partners recorded lending growth of DKK 9.7bn, whereas Retail and Wholesale Clients lending dropped by DKK 6.2bn and DKK 0.8bn, respectively.

Core income from banking amounted to DKK 3,353m, a rise of DKK 188m, or 6%, compared with DKK 3,165m in 2014. The rise was notably attributable to Wholesale Clients, which income grew to DKK 2,691m from DKK 2,380m in 2014, with Nykredit Markets's activities accounting for an increase of DKK 233m to DKK 483m. Corporate & Institutional Banking and Nykredit Asset Management recorded activity growth of DKK 56m and DKK 22m, respectively.

Relative to end-2014, bank lending at amortised cost fell by DKK 3.7bn to DKK 46.7bn at end-2015, while deposits declined by DKK 2.6bn from DKK 65.2bn at end-2014 to DKK 62.6bn. Nykredit Bank's deposits exceeded lending by DKK 15.9bn at end-2015 compared with DKK 14.7bn at the beginning of the year.

Value adjustment of interest rate swaps

Value adjustment for the year equalled a gain of DKK 410m against a charge of DKK 3,362m in 2014. Losses incurred on terminated contracts totalled DKK 106m in 2015 compared with DKK 100m the year before.

Long-term swap rates rose in 2015, which together with credit spread changes resulted in a gain of DKK 685m. In total, other provisions increased by DKK 275m.

The Nykredit Group has no direct interest rate exposure from its portfolios of interest rate swaps due to interest rate hedging arrangements with major domestic and foreign banks. Therefore, value adjustments should in part be seen in the context of the uncertainty about the legal set-up of cooperative housing and customers' financial outlook. Valuations are based on a conservative assessment. Thus, the entire market value of swap contracts with customers having the lowest ratings has been adjusted to DKK 0.

Losses incurred on interest rate swaps from 2012 to end-2015 amounted to DKK 417m and are expected to remain at a low level compared with the total provisions of DKK 5.0bn. One reason for the relatively large provisions is the fact that swap contracts with customers having the lowest ratings are always valued at DKK 0.

Long-term swap rates were 1.9% at end-2015. If the interest rate level changes by 1 percentage point, the value adjustment will increase or decrease, as the case may be, by about DKK 1.9bn.

Senior and subordinated debt

Nykredit's senior debt issues amounted to DKK 25.9bn at end-2015 against DKK 32.8bn at the beginning of the year, and net interest expenses amounted to DKK 329m against DKK 408m in 2014.

Nykredit applies senior debt to fund supplementary collateral for covered bonds (SDOs).

At end-2015, Nykredit had raised subordinated debt totalling DKK 11.0bn, following loan redemption of EUR 900m (DKK 6.7bn) in Q2/2015 and new loans totalling EUR 850m (DKK 6.3bn) in Q4. Net interest expenses were DKK 281m against DKK 528m in 2014.

Core income from securities

The risk-free interest rate, which corresponds to the Danish central bank's average lending rate, dropped from 0.20% to 0.06%, which reduced income from DKK 130m in 2014 to DKK 38m.

Operating costs, depreciation and amortisation

Operating costs, depreciation and amortisation declined from DKK 5,103m in 2014 to DKK 5,005m. Costs as a percentage of core income from business operations were trimmed from 44.3% to 41.9%.

Operating costs for the year in part included a provision of DKK 70m for restructuring costs relating to Nykredit's Business Plan 2018. Net of this, operating costs were cut by DKK 168m, down 3%.

Average staff numbers declined by 214 persons, down 5%, to 3,757 from 3,971 in 2014.

Costs were also affected by a DKK 61m contribution of the mortgage business to the Danish Resolution Fund in 2015. The mortgage business has not previously made any contributions to similar schemes. Nykredit Bank's expenses relating to the new and previous schemes totalled DKK 63m in 2015 against DKK 65m in 2014.

In Q3/2015, goodwill relating to Totalkredit was written down for impairment, which increased costs by DKK 1,907m. In addition, customer relationships were written down for impairment by DKK 58m.

Impairment losses on loans and advances

Impairment losses on loans and advances decreased by DKK 1,431m, or 61%, to DKK 920m. Impairment losses equalled 0.09% of total mortgage lending and negative 0.12% of total bank lending.

Impairment losses on mortgage lending declined to DKK 1,041m, down DKK 1,091m.

Impairment losses on mortgage lending to personal customers increased by DKK 10m to DKK 592m, equal to 0.09% of lending. Impairment losses on mortgage lending to business customers dropped by DKK 1,101m to DKK 449m, equal to 0.10% of lending.

Impairment of bank lending improved from a loss of DKK 219m in 2014 to a gain of DKK 121m in 2015. Retail impairments declined by DKK 23m to a loss of DKK 55m, whereas Wholesale Clients recorded a gain of DKK 176m compared with a loss of DKK 137m in 2014.

Nykredit's impairment provisions for potential future losses on mortgage and bank lending totalled DKK 8.5bn against DKK 9.1bn at the beginning of the year. In addition, total provisions for value adjustment of interest rate swaps amounted to DKK 5.0bn against DKK 5.5bn at the beginning of year.

Losses incurred on mortgage and bank lending for the year were DKK 1,660m against DKK 1,656m in 2014.

Investment portfolio income

Investment portfolio income totalled DKK 750m against DKK 779m in 2014, excluding capital gains from the sale of strategic equities. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 557m. Investment portfolio income from equities and equity instruments, which are value adjusted through profit or loss, was DKK 193m.

In addition, capital gains recognised through profit or loss from the sale of strategic equities amounted to DKK 103m relative to acquisition cost.

Investment portfolio income equals excess income obtained from portfolios not allocated to the business areas in addition to risk-free interest. To this should be added the realised capital gains/losses on the sale of equities classified as available for sale (strategic equities).

The securities portfolio mainly consists of short-term government bonds and Danish covered bonds. Investments also included northern and central European government bonds and covered bonds and to a lesser extent high-rated credit bonds.

The interest rate risk associated with the bond portfolio was largely eliminated through offsetting government bond sales or the use of interest rate swaps.

Tax

Tax calculated on profit for the year was DKK 1,494m. Excluding non-deductible goodwill impairment, tax for the year corresponded to an effective tax rate of 22.7%.

Dividend

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for the financial year 2015.

Additional Tier 1 capital

Nykredit issued EUR 500m worth of Additional Tier 1 (AT1) capital notes in Q1/2015. The notes are perpetual, and payment of principal and interest is discretionary, for which reason the issue is treated as equity for accounting purposes. Correspondingly, interest expenses relating to the issue are recorded as dividend for accounting purposes and are recognised in equity. The calculated interest totalled DKK 197m in 2015.

RESULTS FOR Q4/2015

The Group recorded a profit before tax of DKK 1,574m in Q4/2015 against a loss of DKK 858m in Q3/2015.

The rise was mainly due to positive value adjustment of interest rate swaps and impairment of goodwill. Excluding these items, profit for Q4/2015 was DKK 1,434m against DKK 1,291m in Q3/2015, corresponding to growth of DKK 143m.

Income from business operations was DKK 71m below the level in Q3, whereas total operating costs increased by DKK 187m, in part due to provisions for restructuring of DKK 70m.

Impairment losses were down by DKK 17m relative to Q3/2015, whereas investment portfolio income was up by DKK 382m to DKK 372m. The relatively large upturn in investment portfolio income should in part be seen in the context of the DKK 10m loss on the investment portfolio in Q3/2015.

Compared with a profit of DKK 485m in Q4/2014, excluding value adjustment of interest rate swaps and impairment of goodwill, profit rose by DKK 949m to DKK 1,434m in Q4/2015.

The main contributing factors were a DKK 666m downturn in impairment losses on loans and advances and a DKK 471m upturn in investment portfolio income.

RESULTS RELATIVE TO FORECASTS

In the Annual Report 2014, Nykredit's forecast of core earnings after impairment losses, excluding value adjustment of interest rate swaps, was DKK 3.8bn-4.3bn for 2015.

In its Q1-Q3 Interim Report 2015, Nykredit revised this guidance to DKK 4.7bn-5.2bn, excluding value adjustment of interest rate swaps and goodwill impairment. Realised core earnings were DKK 5.4bn for 2015, which exceeded the high end of the guidance in the Q1-Q3 Interim Report 2015 by DKK 0.2bn.

This was in part the result of higher income from business operations and a low level of impairment losses in Q4/2015. Costs were largely as expected.

OUTLOOK FOR 2016

Profit from core business, which amounted to DKK 5.4bn in 2015, is expected to be DKK 4.1bn-4.6bn in 2016.

Our guidance for 2016 is based on the expectation that market activity will remain subdued and interest rates will be relatively low. The income level is therefore expected to be marginally lower than in 2015, while costs are expected to reduce slightly. Loan impairment losses are expected to normalise relative to the low level in 2015.

In its guidance for 2016, Management has primarily allowed for the general uncertainty about interest rate markets and uncertainty about loan impairment losses.

OTHER

Arbitration settlement between Jyske Bank and Nykredit

In February 2015, Jyske Bank and Nykredit/Totalkredit settled the pending arbitration proceedings. The settlement stipulates the details of Jyske Bank's exit from the Totalkredit alliance, and the two parties have further settled a number of unresolved issues in other areas of their business relationship.

As part of the settlement, Jyske Bank received a one-off commission of DKK 83.6m in 2015, corresponding to 3-4 months' commission under the now terminated partnership agreement. Further, Nykredit Realkredit A/S has purchased part of Jyske Bank's shares in PRAS A/S, the company that was founded when Nykredit acquired Totalkredit.

The parties continue working together in areas of mutual interest, such as JN Data.

Impairment of goodwill and customer relationships

Following talks with the Danish FSA, Nykredit adjusted the accounting figures reported for 2014. Retrospectively, goodwill of DKK 852m relating to the acquisition of Forstædernes Bank A/S in 2008 was written down. The correction affected profit, the balance sheet and equity in the Financial Statements 2014. The restated comparative figures for 2014 have been applied in this Annual Report.

Nykredit wrote down goodwill for impairment by DKK 1,907m in relation to the acquisition of Totalkredit A/S in Q3/2015. In Q4/2015, Nykredit wrote down customer relationships by DKK 49m and a branch acquired by Nykredit Bank in 2009 by DKK 9m.

The write-downs resulted from the annual impairment test. Relative to the Financial Statements 2014, the impairment test for 2015 has been changed, which means that Nykredit has applied the usual 5-year IFRS budget period. To this should be added the impact of higher cost of capital due to growing requirements for different types of capital from regulatory authorities and credit rating agencies. The cost pertaining to the individual types of capital is calculated on the basis of current net costs, including Nykredit's ROE requirements. The combination of the above changes implied a need to write down goodwill, which was charged against income in the Financial Statements 2015.

Nykredit supports Totalkredit partners

In connection with the merger between Nordjyske Bank and Nørresundby Bank, which was approved on 31 March 2015, Nykredit made a commitment to take over a shareholding in the new bank from Spar Nord.

BoligBank

In March Nykredit launched a new homeowner banking concept, BoligBank, with new competitive offers to our customers. The concept is targeted at homeowners, offering simple products at attractive fixed prices. Nykredit BoligBank embodies simplicity, transparency and freedom of choice. The objective is that it should be easy and simple to be a customer of Nykredit BoligBank.

Customers have a choice of three programmes, with an increasing scale of benefits: BoligBank, BoligBank 360 and BoligBank 365. BoligBank is for all homeowners, whereas BoligBank 360 is aimed at customers who also have their everyday banking with us. Customers

with a net worth of more than DKK 500,000 are offered the BoligBank 365 programme.

Change in Totalkredit's Executive Board

As at 30 September 2015, Camilla Holm joined Totalkredit's Executive Board, which now comprises Troels Bülow-Olsen and Camilla Holm.

The purpose was to increase focus on business development and earnings and to ensure strong representation of Totalkredit – in respect of the partner banks and internally across the Nykredit Group.

Totalkredit partnership now also includes business mortgages

Having offered mortgage loans to homeowners for more than 25 years, the Totalkredit partnership has now entered the business mortgage market. In December 2015, the first business customers were offered loans, and from April 2016 all partner banks can offer Totalkredit business mortgages.

Totalkredit business mortgages are offered to the segments Office and retail, Private rental as well as Industry and trades.

The launch of business mortgages strengthens the Totalkredit partnership, providing new growth potential for both partner banks and Totalkredit.

The Danish High Court finds for Nykredit

In July 2015, the Danish High Court found for Nykredit, ruling that a housing cooperative's petition for bankruptcy could not be granted under the specific circumstances. The ruling, which has been appealed to the Danish Supreme Court, did not cause any changes to the valuation of interest rate swaps or other cooperative housing exposures.

New Head of Nykredit Markets and changes in Nykredit Bank's Executive Board

In March 2015, Jeannette Kiirdal Madsen was named new Head of Nykredit Markets, and in that connection Nykredit Markets's business model was redesigned. The new business model requires a closer cooperation and coordination between Nykredit Markets and the rest of the Wholesale division and will be focusing more on meeting the requirements of business and personal customers as a supplement to the existing institutional client base. At the same time, Georg Andersen, former Managing Director of Nykredit Bank and Head of Nykredit Markets, withdrew from his position.

Jesper Berg resigned from Nykredit Bank's Executive Board as at end-September to take up the position as Director General of the Danish FSA.

As at end-November, Dan Sørensen and Henrik Rasmussen joined the Executive Board, while Bjørn Mortensen, Managing Director, left the Executive Board in December 2015.

EU rules on the recovery and resolution of banks

The implementation of new EU rules implies that a resolution fund must be built up at sector level the purpose of which is to issue guarantees and provide loans etc to credit institutions in connection with restructuring and resolution measures.

The resolution fund, which will be based on contributions from the participating businesses, must not be less than 1% of the covered

deposits of the businesses. The fund is scheduled to be in place by end-2024. Specific calculation rules apply to mortgage banks.

In 2015, the contribution to the new resolution fund totalled DKK 61m for the mortgage business and DKK 10m for the banking business, corresponding to six months' contributions since the onset of the scheme as at 1 July 2015.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

The measurement of certain assets and liabilities is based on accounting estimates made by Group Management.

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment, unlisted financial instruments and other provisions.

Uncertainty as to recognition and measurement is described in detail in the accounting policies (note 1), to which reference is made.

MATERIAL RISKS

The Group's most material risks are described in detail in note 46, to which reference is made.

EVENTS SINCE THE BALANCE SHEET DATE

Nykredit Group plans stock exchange listing

Nykredit has for some time been exploring the long-term strategic scope for future-proofing the Nykredit Group.

Against this backdrop, the Board of Directors has recommended to the Committee of Representatives that Nykredit Holding A/S be listed on Nasdaq Copenhagen, which the Committee of Representatives approved on 10 February 2016.

Reference is made to Nykredit's press release dated 4 February 2016.

Price adjustments

As of 1 July 2016, the administration margins for all existing and new Totalkredit loans will be raised. This rise is the result of the increased capital requirements and also aims to ensure a limited use of interest-only loans, highly interest rate sensitive loans and loans with frequent refinancing, which is in keeping with the objective of the Supervisory Diamond of the Danish FSA.

Customers with long-term fixed-rate repayment loans will thus experience the smallest increase.

The effect of the price adjustments has been factored into the guidance for 2016.

Reference is made to Nykredit's press release dated 4 February 2016.

No other significant events have occurred in the period up to the presentation of the Annual Report 2015 which affect the Nykredit Group's financial position.

BUSINESS AREAS

Nykredit's governance and organisational structure is based on the following business areas:

- Retail, which serves Nykredit's personal customers and SMEs, including mortgage lending to Nykredit's personal customers arranged via Totalkredit.
- Wholesale, which comprises Totalkredit Partners and Wholesale Clients. Totalkredit Partners arranges the Group's mortgage loans to personal customers via local and regional banks. Wholesale Clients comprises Corporate & Institutional Banking and the business units Nykredit Markets and Nykredit Asset Management.
- Group Items comprises income and costs not allocated to the business areas, core income from securities and investment portfolio income.
-
- Gross income from customer business is allocated to the business areas supplying the underlying products (Nykredit Markets and Nykredit Asset Management). Gross income attributable to the sales activities of Retail and Corporate & Institutional Banking is subsequently reallocated in full. Correspondingly, Retail and Corporate & Institutional Banking pay a proportion of the operating costs of Nykredit Markets and Nykredit Asset Management that may be attributed to the sales activities.

Adjustment of business areas in 2015

Compared with the presentation in 2014, a number of expenses, including IT costs and management-related costs, were allocated to

Retail and Wholesale in 2015. These expenses were stated under Group Items in previous financial years.

Further, the activities of the company Nykredit Leasing A/S have been transferred from Wholesale to Retail, which should be seen in the light of an organisational adjustment in 2015.

Comparative figures have been restated accordingly.

Earnings

The Group's core earnings after impairment losses were DKK 3,832m. Excluding value adjustment of interest rate swaps and impairment of goodwill, core earnings improved to DKK 6,240m from DKK 4,028m in 2014, corresponding to a rise of DKK 2,212m.

Retail posted a DKK 2,942m increase, mainly due to a DKK 2,107m increase in positive value adjustment of interest rate swaps and a DKK 791m decrease in loan impairment losses.

Totalkredit Partners saw a DKK 52m reduction, excluding goodwill impairment of DKK 1,907m. The reduction included a rise of DKK 40m in income from business operations and a DKK 42m fall in expenses relating to senior debt, offset by an increase in operating costs and loan impairment losses of DKK 84m and DKK 49m, respectively.

Results by business area¹

DKK million	Wholesale			Group Items	Total
	Retail	Totalkredit Partners	Wholesale Clients		
2015					
Core income from					
- customer activities, gross	5,971	2,690	3,238	46	11,945
- payment for distribution	547	-	(547)	-	-
Total business operations	6,518	2,690	2,691	46	11,945
- value adjustment of interest rate swaps	250	-	160	-	410
- senior and subordinated debt	(122)	(168)	(13)	(308)	(610)
- securities	-	-	-	38	38
Total	6,646	2,522	2,838	(224)	11,783
Operating costs	3,389	507	960	148	5,005
Operating costs, impairment of goodwill and customer relationships	9	1,907	-	49	1,965
Operating costs, mortgage business contribution to the Danish Resolution Fund	43	1	17	-	61
Core earnings before impairment losses	3,205	107	1,861	(421)	4,752
Impairment losses on loans and advances	794	411	(285)	0	920
Core earnings after impairment losses	2,411	(304)	2,146	(421)	3,832
Investment portfolio income	-	-	-	750	750
Investment portfolio income, capital gains from the sale of strategic equities	-	-	-	103	103
Profit (loss) before tax	2,411	(304)	2,146	432	4,685
Profit before tax excluding value adjustment of interest rate swaps and impairment of goodwill etc	2,170	1,603	1,986	481	6,240
Average allocated business capital ²	27,576	12,561	13,823	8,275	62,235
Core earnings after impairment losses excluding value adjustment of interest rate swaps and impairment of goodwill etc as % of average equity requirement	7.9	12.8	14.4	-	8.7

¹ Please refer to note 4 of this report for complete segment financial statements with comparative figures.

² Based on Nykredit's internal determination and allocation of capital.

Core earnings in Wholesale Clients were up by DKK 1,074m to DKK 1,986m, excluding value adjustment of interest rate swaps. The main underlying factors were a DKK 311m upturn in core income from business operations, a DKK 103m downturn in capacity costs and a DKK 674m improvement in results, reflecting fewer loan impairment losses.

Group Items recorded a rise in pre-tax profit of DKK 345m to DKK 481m excluding impairment of goodwill of DKK 852m in 2014 and impairment of customer relationships of DKK 49m in 2015. The rise stemmed in part from a drop of DKK 273m in expenses relating to senior and subordinated debt.

Market share of mortgage lending

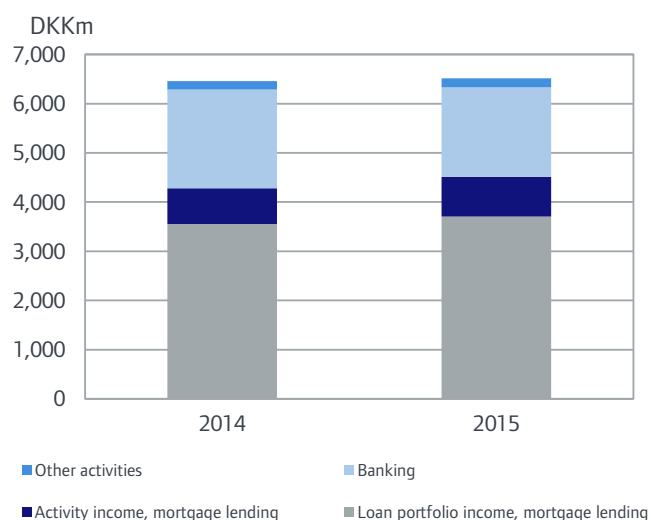
The Group's share of total Danish mortgage lending was 39.6% compared with 39.8% at the beginning of the year, excluding loans arranged by Jyske Bank and others which are no longer part of the Totalkredit alliance. Nykredit's market share was 42.2% of the private residential segment and 36.1% of the business segment, including agricultural customers, against 41.9% and 37.1%, respectively, at the beginning of the year.

Results – Retail

DKK million	2015	2014
Core income from		
- business operations	6,518	6,460
- value adjustment of interest rate swaps	250	(1,857)
- senior debt	(122)	(129)
Total	6,646	4,474
Operating costs	3,389	3,420
Goodwill impairment	9	-
Mortgage business contribution to the Danish Resolution Fund	43	-
Core earnings before impairment losses	3,205	1,054
Impairment losses on mortgage lending	739	1,506
Impairment losses on bank lending	55	79
Core earnings after impairment losses	2,411	(531)
- excluding value adjustment of interest rate swaps	2,170	1,326

Activities – Retail

DKK million	2015	2014
Mortgage lending		
Gross new lending	78,379	67,574
Portfolio at nominal value, year-end	435,916	442,147
Impairment losses for the year as % of loans and advances	0.17	0.34
Impairment losses for the year as % of loans and advances, personal customers	0.09	0.11
Impairment losses for the year as % of loans and advances, business customers	0.23	0.52
Total impairment provisions, year-end		
Total impairment provisions	3,925	3,694
Total impairment provisions as % of loans and advances	0.90	0.84
Banking		
Loans and advances, year-end	27,054	28,006
Deposits, year-end	40,799	40,637
Impairment losses for the year as % of loans and advances	0.21	0.25
Total impairment provisions, year-end		
Total impairment provisions	1,784	1,978
Total impairment provisions as % of loans and advances	6.19	6.60
Guarantees, year-end	4,342	4,357
Provisions for guarantees, year-end	44	51

Core income from business operations – Retail**RETAIL**

The business area Retail serves personal customers and SMEs, including agricultural customers, small housing cooperatives and private rental customers. Mortgage loans granted via Totalkredit to Nykredit's personal customers also form part of the business area Retail. The activities of Nykredit Mægler A/S and Nykredit Leasing A/S are also included in this business area.

Nykredit serves its customers through 54 local customer centres and the sales and advisory centre Nykredit Direkte®. The estate agencies of the Nybolig and Estate chains constitute other distribution channels. Nykredit offers insurance in partnership with Gjensidige Forsikring.

The customers of Retail are offered products within banking, mortgage lending, insurance, pension, investment and debt management.

Strategy

Nykredit has reorganised its regional structure to create fewer, but stronger regions with greater empowerment and focus on full-service customers. Therefore, we are in the process of developing and customising our products, strengthening our advisory services and improving processes as part of our Winning the Double strategy.

We aim to offer our customers an enduring relationship based on trust. Thus, we want higher satisfaction among full-service homeowner customers and SMEs as well as to grow the number and proportion of full-service customers.

2015 in brief

Under the name of Nykredit BoligBank, Nykredit launched a new homeowner banking concept in 2015, which has been favourably received by new and existing customers. The business area has recorded growth in the number of full-service homeowner customers, who are expected to lead to higher business volumes in the long term.

Towards end-2015, we also launched a new private banking concept aimed at customers with assets under management of DKK 2m-7m. These customers will be served by ten private banking centres.

The SME unit registered a satisfactory increase in customers taking their daily banking to Nykredit, and it focused on raising profitability and reducing the risk exposure amount in line with Nykredit's capital targets.

In 2015, both the personal and SME banking segments recorded generally low activity, which reduced lending. The market share is largely unchanged relative to 2014.

Earnings for the year were favourably affected by high refinancing activity in H1/2015.

Activities

Retail recorded a very high activity level in 2015 – especially in Q1 – and gross new mortgage lending increased by DKK 10.8bn to DKK 78.4bn year-on-year. Gross new lending to personal customers and SMEs was DKK 32.6bn and DKK 45.8bn, respectively.

Nominal mortgage lending declined by DKK 6.2bn to DKK 435.9bn compared with the beginning of the year. Of the decline, DKK 6.3bn was attributable to personal customers, whereas lending to SMEs rose by DKK 0.1bn. Lending to personal customers and SMEs was DKK 192bn and DKK 244bn, respectively.

Bank lending was down by DKK 1.0bn to DKK 27.1bn relative to the beginning of the year, whereas deposits were up by DKK 0.2bn to DKK 40.8bn.

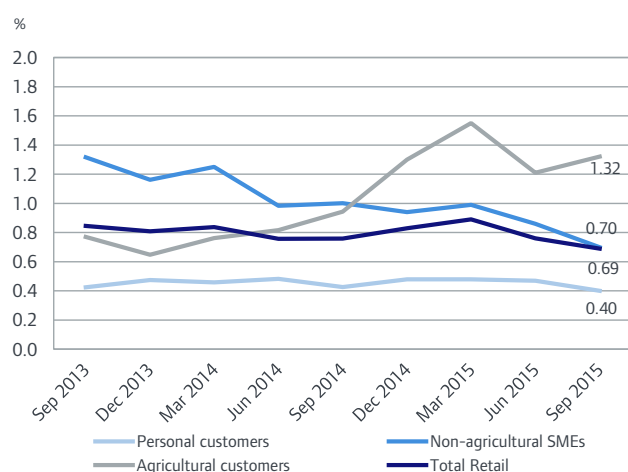
Results

Core earnings after impairment losses grew by DKK 2,942m to DKK 2,411m. Excluding value adjustment of interest rate swaps and goodwill impairment, core earnings were DKK 2,170m, up DKK 844m on 2014.

Income from business operations advanced by DKK 58m, or 1%, to DKK 6,518m, whereas impairment losses reduced by DKK 791m to DKK 794m, mainly due to fewer mortgage loan impairments. Value adjustment of interest rate swaps improved by DKK 2,107m to a gain of DKK 250m compared with a loss of DKK 1,857m in 2014.

Operating costs were trimmed down by DKK 31m to DKK 3,389m in 2015.

Arrears ratio, mortgage lending – Retail 75 days past due



Impairment losses on Retail's mortgage lending contracted by DKK 767m, or 51%, to DKK 739m, while impairment losses on bank lending dropped by DKK 24m. Impairment losses represented 0.17% of mortgage lending and 0.21% of bank lending in the year under review.

Impairment losses on loans to personal customers reduced by a total of DKK 80m, of which DKK 38m related to mortgage lending and DKK 42m to bank lending.

Impairment losses on loans to SMEs declined by a total of DKK 711m, comprising a DKK 729m fall on mortgage lending and a DKK 18m rise on bank lending.

At end-2015, loan impairment provisions totalled DKK 5,709m, which was on a level with the DKK 5,672m recorded at the beginning of the year.

Arrears

At the September due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.69% against 0.76% at the same date in 2014.

Substantial security

The security underlying mortgage lending to the Retail segment remained substantial. The LTV ratios of mortgage loans are shown below with individual loans relative to the estimated values of the individual properties at year-end. Of mortgage lending to personal customers, 2% had a current LTV ratio in excess of 80% against 4% at end-2014. Of mortgage lending to SMEs, 8% had a current LTV ratio in excess of 60% against 10% at end-2014.

International activities

Nykredit offers Danish private residential mortgage loans for properties chiefly in France and Spain directly to customers or through business partners.

Core income from international mortgage lending totalled DKK 134m in 2015, up DKK 19m.

Mortgage lending at cash value was DKK 10.3bn against DKK 10.7bn at end-2014. The majority of the loans were granted in Spain and France, with DKK 5.4bn and DKK 4.7bn, respectively.

Impairment losses on international mortgage lending increased by DKK 18m to DKK 29m in 2015.

Debt outstanding relative to estimated property values – Retail

LTV/%	Personal customers		SMEs		Agricultural customers		Private residential rental customers	
	2015	2014	2015	2014	2015	2014	2015	2014
0-40	67	63	72	69	71	71	61	60
40-60	21	21	20	21	19	19	23	23
60-80	10	12	5	7	7	7	12	13
80-90	1	2	1	1	1	1	2	2
90-100	1	1	1	1	1	1	1	1
> 100	0	1	1	1	1	1	1	1
LTV average¹	63	68	58	61	59	59	69	71

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

Note: The figures are actual LTV ratios including any financed costs.

In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

Results – Wholesale

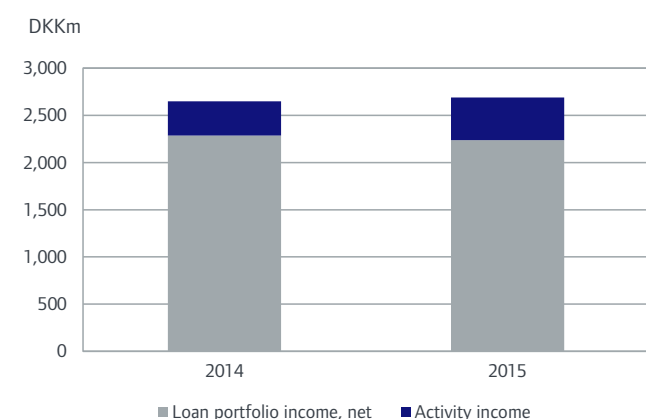
DKK million	2015	2014
Core income from		
- business operations	5,381	5,030
- value adjustment of interest rate swaps	160	(1,505)
- senior debt	(181)	(226)
Total	5,360	3,299
Operating costs	1,467	1,486
Goodwill impairment	1,907	-
Mortgage business contribution to the Danish Resolution Fund	18	-
Core earnings before impairment losses	1,968	1,813
Impairment losses on mortgage lending	302	614
Impairment losses on bank lending	(176)	137
Core earnings after impairment losses	1,842	1,062
- excluding value adjustment of interest rate swaps and goodwill impairment	3,589	2,567

Results – Totalkredit Partners

DKK million	2015	2014
Core income from		
- business operations	2,690	2,650
- senior debt	(168)	(210)
Total	2,522	2,440
Operating costs	507	423
Goodwill impairment	1,907	-
Mortgage business contribution to Resolution Fund	1	-
Core earnings before impairment losses	107	2,017
Impairment losses on mortgage lending	411	362
Core earnings after impairment losses	(304)	1,655
- excluding goodwill impairment	1,603	1,655

Activities – Totalkredit Partners

DKK million	2015	2014
Mortgage lending		
Gross new lending	137,478	89,411
Portfolio at nominal value, year-end	494,250	484,596
Impairment losses for the year as % of loans and advances	0.08	0.07
Total impairment provisions, year-end		
Total impairment provisions	1,231	1,152
Total impairment provisions as % of loans and advances	0.25	0.24

Core income from business operations – Totalkredit Partners**WHOLESALE**

Wholesale comprises the business units Totalkredit Partners and Wholesale Clients. The latter consists of Corporate & Institutional Banking, Nykredit Markets and Nykredit Asset Management.

TOTALKREDIT PARTNERS

Under the Totalkredit brand, Totalkredit Partners provides personal customers with mortgage loans distributed through 59 Danish local and regional banks and Nykredit Bank.

In association with the local and regional partner banks, Totalkredit continuously develops its product range, which includes a new secured homeowner loan. The loan allows partner banks to transfer bank loans secured on real estate to Totalkredit, thus funding these loans.

Under the partnership, the local and regional banks receive part of the administration margin income relating to the loans in question as payment for loan distribution. In return, Totalkredit may offset part of any loss incurred on a loan against the distribution commission payable to the partner banks.

Incurred losses, corresponding to the cash part of a loan exceeding 60% of the mortgageable value of the property at the time of granting, are offset against future commission payments from Totalkredit to its partner banks.

Strategy

Nykredit is making targeted efforts to strengthen and further develop the Totalkredit alliance for the purpose of creating a closer relationship with local and regional banks as well as expanding the alliance beyond mortgage banking.

Nykredit aims to be the strongest and most loyal partner to the local and regional banks.

2015 in brief

The Totalkredit alliance was further strengthened and developed in 2015. An agreement was concluded under which mortgage loans may also be offered to business customers under the Totalkredit alliance. The first business customers were offered loans at end-2015.

In the first part of the year under review, earnings were favourably affected by high refinancing activity. As a result of an active strategy aimed at curtailing the volumes of adjustable-rate mortgage loans (ARMs) with 1-year interest reset, Nykredit offered customers a discount in connection with refinancing into other loans, which reduced earnings for the year by DKK 112m in 2015.

Activities

Totalkredit Partners recorded a very high activity level in 2015 – especially in Q1. Gross new lending climbed to DKK 137.5bn, up DKK 48.1bn on 2014.

Nominal mortgage lending grew by DKK 9.7bn to DKK 494.2bn in 2015. Loans arranged by Jyske Bank and others which are no longer part of the Totalkredit alliance amounted to DKK 45bn at end-2015 against DKK 88bn at end-2013. In this period, loans in the region of DKK 43bn were thus refinanced. Loans totalling some DKK 8bn of this amount were subsequently arranged by the other banks of the To-

talkredit alliance and Totalkredit, corresponding to 18% of the re-financed amount.

Results

Core earnings after impairment losses on loans, excluding goodwill impairment, dropped by DKK 52m to DKK 1,603m against DKK 1,655m in 2014. Including goodwill impairment of DKK 1,907m, earnings declined by DKK 1,959m to a loss of DKK 304m on 2014.

The results reflected growth in core income from business operations of DKK 40m, or 2%, coupled with a DKK 84m rise in operating costs and a DKK 49m increase in loan impairment losses.

A higher activity level generated growth in core income from business operations, especially in H1/2015.

Net expenses relating to senior debt amounted to DKK 168m against DKK 210m in 2014. The reduction was attributable to lower volumes of senior secured debt as well as declining interest rates.

As expected, costs excluding goodwill impairment were up by DKK 84m, or 20%, to DKK 507m relative to 2014. The upturn chiefly stemmed from higher IT costs and changed intercompany settlements, which was a consequence of Totalkredit's increasing proportion of the Nykredit Group's overall activities.

Totalkredit Partners's net loan impairment losses rose by DKK 49m, or 14% year-on-year, to DKK 411m after set-off against commission payable to partner banks.

At end-2015, impairment provisions totalled DKK 1,231m against DKK 1,152m at the beginning of the year. The increase was mainly due to collective impairment provisions.

Arrears

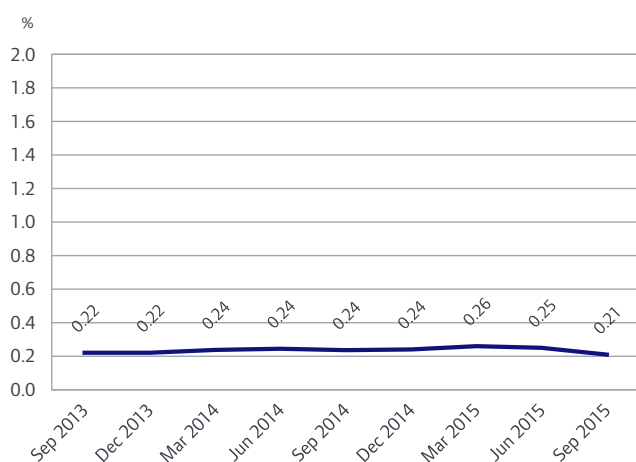
At the September due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.21% against 0.24% at the same date in 2014.

Substantial security

The security underlying mortgage lending is substantial. The LTV ratios of mortgage loans are determined based on the estimated values of the individual properties at year-end. Of mortgage lending, 4% had a current LTV ratio in excess of 80% against 6% at end-2014.

Incurred losses, corresponding to the cash part of a loan exceeding 60% of the mortgageable value of the property at the time of granting, are offset against future commission payments from Totalkredit to its partner banks.

Arrears ratio, mortgage lending – Totalkredit Partners 75 days past due



Debt outstanding relative to estimated property values Totalkredit Partners

LTV/%	2015	2014
0-40	58	55
40-60	24	23
60-80	14	16
80-90	2	3
90-100	1	2
> 100	1	1
LTV average¹	72	77

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

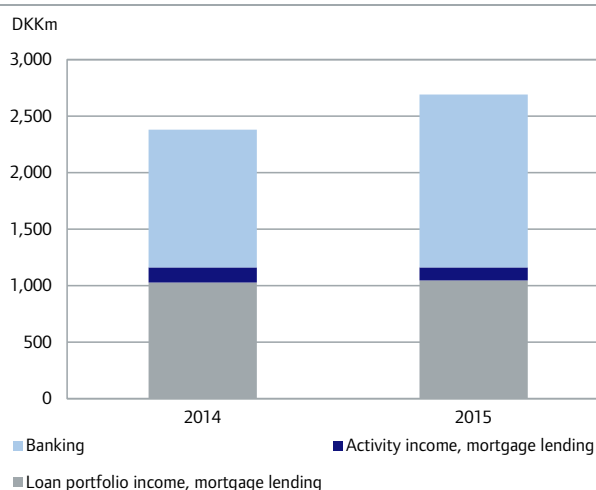
Results – Wholesale Clients

DKK million	2015	2014
Core income from		
- business operations	2,691	2,380
- value adjustment of interest rate swaps	160	(1,505)
- senior debt	(13)	(16)
Total	2,838	859
Operating costs	960	1,063
Mortgage business contribution to the Danish Resolution Fund	17	-
Core earnings before impairment losses	1,861	(204)
Impairment losses on mortgage lending	(109)	252
Impairment losses on bank lending	(176)	137
Core earnings after impairment losses	2,146	(593)
- excluding value adjustment of interest rate swaps	1,986	912

Income from customer activities – Wholesale Clients

DKK million	2015	2014
Customer activities, gross		
Nykredit Markets	781	506
Nykredit Asset Management	805	784
Corporate & Institutional Banking	1,652	1,626
Total	3,238	2,916
Payment for distribution		
Nykredit Markets	(298)	(256)
Nykredit Asset Management	(460)	(461)
Corporate & Institutional Banking	211	181
Total	(547)	(536)
Core income		
Nykredit Markets	483	250
Nykredit Asset Management	345	323
Corporate & Institutional Banking	1,863	1,807
Total	2,691	2,380

Core income from business operations – Wholesale Clients



WHOLESALE CLIENTS

The business area Wholesale Clients comprises activities with Nykredit's corporate and institutional clients, the public housing segment, large housing cooperatives and mortgage lending to business customers for properties abroad. Wholesale Clients also handles Nykredit's activities within securities and financial derivatives trading, and asset and wealth management. Wholesale Clients consists of Corporate & Institutional Banking, Nykredit Markets and Nykredit Asset Management. The activities of Nykredit Leasing A/S were transferred to Retail in 2015.

Strategy

The business strategy of Wholesale Clients aims to provide clients with added value in the form of broad financial advisory services and deep client insight.

Based on Nykredit's strong competency profile, we are working to ensure a better and more holistic experience whenever our clients are in contact with Nykredit.

2015 in brief

Corporate & Institutional Banking's private banking activities were strengthened throughout 2015 as a new office was opened in Aarhus.

Corporate & Institutional Banking continued to focus on growing profitability and adapting the Group's capital consumption in 2015.

Nykredit Markets's activities were affected by significant financial market volatility in 2015, but they also reflected higher activity and earnings levels than in 2014. The bond volumes traded on Nasdaq Copenhagen increased relative to 2014.

Nykredit Asset Management got off to a good start in 2015 with a buoyant market. Subsequently, prices corrected somewhat, but remained fairly higher for the year, especially in Denmark.

Nykredit Asset Management strengthened and expanded equity business in the course of 2015, as it launched alternative investment funds aimed at private investors as the first in Denmark.

79% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2015. Over the past three years, 89% of Nykredit Asset Management's investment strategies (GIPS composites) have generated above-benchmark returns.

Activities – Wholesale Clients

DKK million	2015	2014
Mortgage lending		
Gross new lending	37,814	35,430
Portfolio at nominal value, year-end	184,158	185,002
Impairment losses for the year as % of loans and advances	(0.06)	0.14
Total impairment provisions, year-end		
Total impairment provisions	539	661
Total impairment provisions as % of loans and advances	0.29	0.36
Banking		
Loans and advances, year-end	19,685	22,456
Deposits, year-end	21,368	23,287
Impairment losses for the year as % of loans and advances	(0.87)	0.57
Total impairment provisions, year-end		
Total impairment provisions	1,015	1,526
Total impairment provisions as % of loans and advances	4.90	6.36
Guarantees, year-end	1,892	1,913
Provisions for guarantees, year-end	55	55
Assets under management	143,812	133,484
Assets under administration		
Nykredit Portefølje Administration A/S	700,372	669,112
- Of which Nykredit Group investment funds	66,394	60,165

Activities

In 2015, gross new mortgage lending granted by Wholesale Clients grew by DKK 2.4bn to DKK 37.8bn year-on-year, spurred by a higher activity level.

Nominal mortgage lending decreased by DKK 0.8bn to DKK 184.2bn on the beginning of the year.

Bank lending fell by DKK 2.8bn to DKK 19.7bn on the beginning of the year, and bank deposits were down by DKK 1.9bn to DKK 21.4bn.

Nykredit Asset Management had assets under management totalling DKK 143.8bn at end-2015, up DKK 10.3bn on the beginning of the year. Total assets under administration rose by DKK 31.3bn to DKK 700.4bn at end-2015.

Results

Core earnings after impairment losses grew by DKK 2,739m to DKK 2,146m from a loss of DKK 593m in 2014. Excluding value adjustment of interest rate swaps, earnings were DKK 1,986m against DKK 912m in 2014, an improvement of DKK 1,074m. The factors contributing to the improvement were core income from business operations of DKK 311m and a DKK 674m decrease in loan impairment losses.

Gross income from customer activities was DKK 3,238m against DKK 2,916m in 2014, up DKK 322m, of which Nykredit Markets accounted for DKK 275m, and Asset Management and Corporate & Institutional Banking DKK 21m and DKK 26m, respectively.

Nykredit Markets's income after payment for distribution rose by DKK 233m to DKK 483m in 2015. Nykredit Asset Management's income after payment for distribution grew by DKK 22m to DKK 345m, and Corporate & Institutional Banking recorded an increase of DKK 56m to DKK 1,863m.

Value adjustment of interest rate swaps produced a gain of DKK 160m against a loss of DKK 1,505m in 2014.

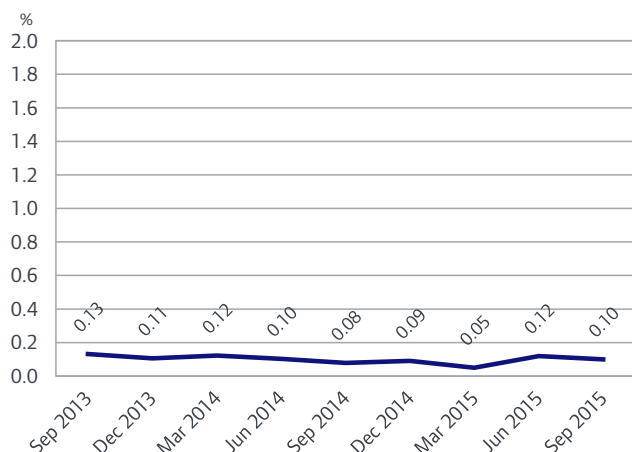
Operating costs were cut by DKK 103m, or 10%, to DKK 960m in 2015.

Impairment of mortgage lending resulted in a gain of DKK 109m compared with a loss of DKK 252m in 2014, while impairment of bank lending produced a gain of DKK 176m against a loss of DKK 137m in 2014.

Impairment losses represented negative 0.06% of mortgage lending and negative 0.87% of bank lending.

Total impairment provisions amounted to DKK 1,554m at end-2015 against DKK 2,187m at the beginning of the year.

**Arrears ratio, mortgage lending – Wholesale Clients
75 days past due**



**Debt outstanding relative to estimated property values
Wholesale Clients**

LTV/%	2015	2014
0-40	72	70
40-60	21	21
60-80	5	7
80-90	1	1
90-100	0	1
> 100	1	0
LTV average¹	56	59

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

Arrears

At the September due date, 75-day mortgage loan arrears were 0.10% and thus remained at a low level. The arrears ratio was 0.08% at the same date in 2014.

Substantial security

The security underlying mortgage lending remained substantial. The LTV ratios of mortgage loans are determined based on the estimated values of the individual properties at year-end. Of mortgage lending, 7% had a current LTV ratio in excess of 60% against 9% at end-2014.

International activities

For properties abroad, Nykredit offers Danish and certain international corporate clients mortgage loans subject to Danish legislation. Mortgage loans have been granted for properties in Finland, Germany, Norway, Sweden and the UK.

Core income from international mortgage lending reduced by DKK 6m to DKK 388m in 2015 from DKK 394m the year before.

Mortgage lending at cash value amounted to DKK 46.3bn at end-2015 against DKK 45.3bn at the beginning of the year. Lending amounted to DKK 3.2bn in Finland, DKK 16.9bn in Germany, DKK 23.6bn in Sweden and DKK 2.3bn in the UK.

Results – Group Items

DKK million	2015	2014
Core income from		
- business operations	46	20
- senior and subordinated debt	(308)	(581)
- securities	38	130
Total	(224)	(431)
Operating costs	148	197
Impairment of goodwill and customer relationships	49	852
Core earnings before impairment losses	(421)	(1,480)
Impairment losses on mortgage lending	0	11
Impairment losses on banking	0	4
Core earnings after impairment losses	(421)	(1,495)
Investment portfolio income	750	779
Investment portfolio income, strategic equities	103	-
Profit (loss) before tax	432	(716)
- excluding impairment of goodwill and customer relationships	481	136

A number of operating costs were allocated to Retail and Wholesale in 2015. Comparative figures for 2014 have been restated.

Activities – Group Items

DKK million	2015	2014
Banking		
Loans and advances, year-end	8	33
Deposits, year-end	432	1,308
Total impairment provisions, year-end		
Total impairment provisions	53	55
Total impairment provisions as % of loans and advances	86.49	62.65
Guarantees, year-end	708	1,276
Provisions for guarantees, year-end	-	-

GROUP ITEMS

A number of income statement and balance sheet items are not allocated to the business areas. Such items are included under Group Items. Compared with 2014, a number of costs, including IT costs, were allocated to Retail, Business Partners and Wholesale Clients in 2015.

Group Items also includes Nykredit's total return on the securities portfolio, which is the sum of "Core income from securities" and "Investment portfolio income". The activities of the companies Nykredit Ejendomme A/S and Ejendomsselskabet Kalvebod A/S also form part of Group Items.

Results

Group Items posted a profit before tax of DKK 432m against a loss of DKK 716m the year before. Excluding impairment of goodwill and customer relationships, profit climbed from DKK 136m to DKK 481m.

Core income from securities

Nykredit's core income from securities was DKK 38m against DKK 130m in 2014, which notably stemmed from a fall from 0.20% to 0.06% in the average risk-free interest rate, which corresponds to the Danish central bank's average lending rate.

Core income from securities equals the return the Group could have obtained by placing its investment portfolios at the risk-free interest rate. Core income from securities also includes net interest expenses relating to Tier 2 capital.

Operating costs

Unallocated costs amounted to DKK 148m against DKK 197m in 2014. Compared with the presentation in 2014, the costs of the business area have reduced significantly, as most are now allocated to the business areas Retail, Totalkredit Partners and Wholesale Clients.

Impairment losses

Impairment losses on loans and advances were nil against DKK 15m in 2014.

Investment portfolio income

Investment portfolio income totalled DKK 750m against DKK 779m in 2014, excluding capital gains from the sale of strategic equities. Investment portfolio income from bonds, liquidity and interest rate instruments amounted to DKK 557m. Investment portfolio income from equities and equity instruments value adjusted through profit or loss was DKK 193m.

In addition, capital gains from the sale of strategic equities recognised through profit or loss amounted to DKK 103m relative to the acquisition cost.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in equities, bonds and derivative financial instruments. To this should be added the realised capital gains/losses from the sale of equities classified as available for sale (strategic equities). Price spreads and interest margins relating to the mortgage lending of Nykredit Realkredit and Totalkredit and the trading activities of Nykredit Markets are included not as investment portfolio income, but as core income from business operations.

Value adjustment of strategic equities against equity netted DKK 7m against DKK 238m in 2014.

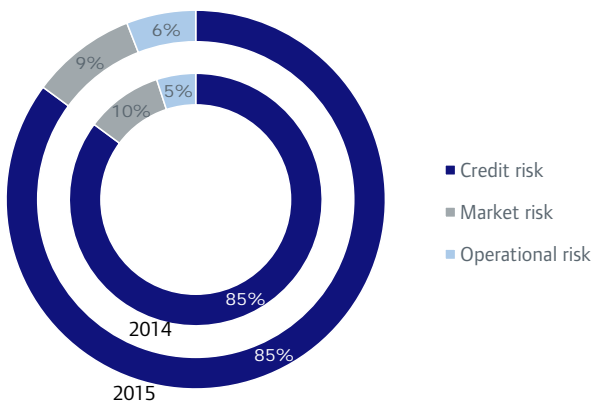
CAPITAL AND LIQUIDITY MANAGEMENT

Nykredit's activities mainly consist of match-funded mortgage lending. Mortgage lending is secured by mortgage over real estate and is therefore characterised by substantial security. The Danish mortgage system is regulated by the Danish Financial Business Act, the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act and the Danish Executive Order on bonds. Danish legislation provides loan-to-value (LTV) limits for the mortgaging of properties, and the credit risk relating to mortgage lending is therefore limited.

Mortgage lending and the underlying funding are regulated by the balance principle, which means that Nykredit incurs limited interest rate risk, foreign exchange risk and liquidity risk on mortgage lending and the underlying funding. Liquidity and market risk is further reduced by the Danish act regulating refinancing risk, which ensures mortgage loan refinancing in special situations. Therefore, credit risk is Nykredit's main risk.

In addition to mortgage lending, Nykredit's activities include banking activities, estate agency services, administration and management of investment funds, leasing and insurance mediation. These business activities and the placement of the investment portfolio involve credit, market, liquidity and operational risks.

Nykredit Realkredit Group Risk exposure amount (REA) by risk type



Nykredit strives to meet best international practice for risk management, to have a transparent risk structure, and to ensure financially sustainable solutions in the short and long term. Nykredit's internal controls and risk management are designed to ensure efficient management of relevant risks. Focus is on risk management balanced according to risk type and a strong capital structure. Nykredit's advanced models for quantifying risks are central elements of the Group's risk and capital management.

Reference is made to note 46 for a more detailed description of Nykredit's risk management. The report Risk and Capital Management 2015, available at nykredit.com/reports, contains a detailed review of Nykredit's capital and risk policy.

Nykredit's investment assets are marked to market. Changes in prices and interest rates will therefore result in some earnings volatility due to changes in related gains/losses on Nykredit's securities investments.

Balance principle and match funding

Nykredit's mortgage lending is regulated by the balance principle. The balance principle limits the financial risk Nykredit may assume in relation to lending and funding.

Danish mortgage banks may apply either the specific balance principle or the general balance principle. Nykredit applies the general balance principle, but in such a manner that Nykredit only assumes limited financial risk on lending and the related funding.

Like other Danish mortgage banks, Nykredit applies fair value when determining mortgage loans and bonds in issue for accounting purposes, and for both the determination is based on the fair value of the bonds. Accordingly, value adjustment of mortgage loans and bonds in issue is included in Nykredit's results with approximately the same amount, but with opposite signs. A change in bond prices will therefore not result in any fluctuation in Nykredit's financial results.

More than 99% of Nykredit's mortgage loans are match-funded. This means for instance that each loan is match-funded through bonds sold in the market. Nykredit issues bonds on a daily basis to fund loans.

Balance principle and match funding



In order to eliminate interest rate risk and exchange rate risk, mortgage loans have the same interest rate and foreign exchange terms as the bonds funding the loans. Fixed-rate loans have fixed funding for the entire loan term. Adjustable-rate mortgages (ARMs) are funded by bonds with maturities that are shorter than the terms of the related loans. The bonds are refinanced upon maturity, and the loan rate is adjusted to the yield-to-maturity of the new bonds funding the loan.

Prepayment of loans reduces the outstanding funding. Borrowers cover Nykredit's costs incidental to prepayments.

The due dates of payment of interest and principal are fixed so that Nykredit receives the funds on or before the dates when the payments to bondholders fall due, provided borrowers make timely payments.

Match funding ensures a match between the interest and principal payments of a loan and the underlying funding. Therefore, Nykredit's earnings margin consists of a separate administration margin, which is chiefly calculated on the basis of the debt outstanding. In addition, various fees may be charged.

Nykredit Realkredit Group
Equity (incl new Additional Tier 1 capital)

DKK million	2015	2014
Equity, beginning of period	58,650	58,716
Profit for the year	3,191	576
Fair value adjustment of equities available for sale	7	238
New Additional Tier 1 (AT1) capital	3,731	-
Other adjustments	(119)	(28)
Equity, year-end	65,460	59,502
Goodwill impairment, end-2014	-	(852)
Equity, year-end, adjusted	65,460	58,650

Nykredit Realkredit Group
Capital and capital adequacy

DKK million	2015	2014
Credit risk	264,865	305,321
Market risk	27,958	35,335
Operational risk	18,397	17,933
Total risk exposure amount (REA)¹	311,220	358,589
Equity at 31 December	65,460	59,502
Goodwill impairment in 2014 (relating to acquisition of Forstædernes Bank)	-	(852)
Adjusted equity as at 31 December (including hybrid/AT1 capital)	65,460	58,650
Hybrid/AT1 capital	(3,774)	-
CET1 capital deductions	(1,161)	(3,091)
CET1 capital	60,525	55,559
Hybrid capital/AT1	3,831	6,746
Hybrid capital/AT1 deductions	(343)	(588)
Tier 1 capital	64,013	61,717
Tier 2 capital	10,820	4,463
Tier 2 capital deductions	(335)	(573)
Own funds	74,498	65,606
CET1 capital ratio, %	19.4	15.4
Tier 1 capital ratio, %	20.5	17.2
Total capital ratio, %	23.9	18.2

Own funds and capital adequacy are specified further in note 2 of this report.

¹ Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 as well as the Danish transitional rules laid down by the Danish FSA. Total REA subject to transitional rules was DKK 603bn at end-2015, equal to a total capital ratio of 15.5%.

Nykredit Realkredit Group
Required own funds and internal capital adequacy requirement

DKK million	2015	2014
Credit risk	21,189	24,426
Market risk	2,237	2,827
Operational risk	1,472	1,435
Total Pillar I	24,898	28,687
Slightly weaker economic climate (stress test, etc)	3,731	3,510
Other factors	5,243	4,538
Model and calculation uncertainties	2,852	3,674
Total Pillar II	11,826	11,722
Total required own funds	36,724	40,409
Internal capital adequacy requirement (Pillar I and Pillar II), %	11.8	11.3

EQUITY AND OWN FUNDS
Equity

Nykredit's equity was DKK 65.5bn at end-2015, equal to a rise of DKK 6.8bn relative to the beginning of the year. The rise was mainly driven by profit for the year of DKK 3.2bn and new Additional Tier 1 (AT1) capital of DKK 3.7bn.

In accordance with IAS 39, Nykredit has classified the Group's strategic equity investments as "available for sale" in its Consolidated Financial Statements. Current value adjustment of these equities is recognised in equity via other comprehensive income, whereas value adjustments following a sale will be reclassified from equity to the income statement. The value of equities classified as available for sale totalled DKK 2,115m at end-2015.

Capital, risk exposure and capital adequacy

Nykredit's own funds include Common Equity Tier 1 (CET1) capital, Additional Tier 1 (AT1) capital and Tier 2 capital after deductions. As part of its capital planning, Nykredit issued EUR 500m of AT1 capital and EUR 850m of Tier 2 capital in 2015.

Nykredit's Tier 1 capital consists mainly of CET1 capital. Tier 1 capital totalled DKK 64.0bn, CET1 capital totalled DKK 60.5bn, and AT1 capital totalled DKK 3.5bn. CET1 capital will be the most important capital concept as this is the type of capital required to comply with most of the regulatory capital requirements.

At end-2015, Nykredit's risk exposure amount (REA) totalled DKK 311bn. With own funds at DKK 74.5bn, this corresponds to a total capital ratio of 23.9% against 18.2% at end-2014. The CET1 capital ratio was 19.4% against 15.4% at end-2014. It should be noted that considerations are being made at the Basel Committee and at EU level as to changed capital adequacy rules in the coming years, cf "Risk of changed capital requirements" below.

At Group level, REA declined by DKK 47bn in 2015. The decline mainly resulted from two factors.

First, REA declined in relation to Nykredit Markets and Group Treasury, in part because of reduced bond portfolios.

Secondly, bank lending fell as a consequence of the general macroeconomic climate in Denmark with continued household deleveraging. Also, the Group's loan-to-value ratios decreased for both private residential lending and business lending.

Reference is made to note 2 in the Financial Statements for more details on Nykredit's capital and capital adequacy.

Required own funds and internal capital adequacy requirement

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit has the required own funds. The required own funds are the minimum capital required, in Management's judgement, to cover all significant risks.

The determination of the required own funds takes into account the business objectives by allocating capital for all relevant risks, including any model uncertainties.

Required own funds consist of two components: Pillar I and Pillar II capital.

Pillar I

Pillar I capital covers credit, market and operational risks. The Pillar I requirement is identical to the statutory capital requirement, which amounted to DKK 24.9bn at end-2015.

Pillar II

Pillar II capital covers other risks as well as an increased capital requirement during an economic downturn. The Pillar II capital requirement was determined at DKK 11.8bn at end-2015.

The determination of other factors in Pillar II includes assessments of reputation risk, control risk, strategic risk, external risk, concentration risk, validation and backtest results, interest rate risk on swaps and credit value adjustments (CVA) etc. Furthermore, capital has been provided for the effects of the new models which are expected to be implemented in 2016.

Under Pillar II, a general capital charge or uncertainty buffer has been provided for uncertainties related to the models that Nykredit applies for calculating capital requirements. The uncertainty buffer amounts to 5% for Nykredit Bank, 7.5% for Nykredit Realkredit and the Nykredit Realkredit Group and 10% for Totalkredit. The buffer is calculated on the basis of the sum of all other risks.

The capital requirement during a slight economic downturn is determined by means of stress tests. Reference is made to note 2 for a more detailed description of Nykredit's stress tests.

At end-2015, Nykredit's required own funds came to DKK 36.7bn. The internal capital adequacy requirement, calculated as the required own funds as a percentage of REA, amounted to 11.8%.

As a systemically important financial institution (SIFI), Nykredit is subject to a special SIFI buffer requirement to be met with CET1 capital. The requirement of 2% will be phased in gradually from 2015 to 2019. In 2015, the SIFI buffer requirement was 0.4%.

A capital conservation buffer, applicable to all financial institutions, will be phased in from 2016. This buffer will increase the statutory CET1 capital requirement. It will be phased in by about 0.6 percentage point per year and will be fully phased in by 2019.

Nykredit's capital policy, which is described in detail under "Capital targets 2019" below, allows for the capital requirement on a fully loaded basis.

Capital targets 2019

As part of the annual review on the Group's overall capital policy and risk appetite, the Board of Directors of the Nykredit Realkredit Group has set a CET1 capital ratio target of 17.5% for 2019.

The Board's decision is based on the following:

- In 2019 the statutory requirement for the Nykredit Realkredit Group's CET1 capital ratio will be around 13%, to which should be added requirements resulting from the stress test exercises of the European Banking Authority (EBA) and the Danish FSA
- Nykredit must hold sufficient capital to ensure ratings with the credit rating agencies that are compatible with the Group's business plans
- The capital level must be market-consistent, corresponding to the level of the other large Nordic financial institutions
- In addition to this, especially three Nykredit characteristics must be allowed for in terms of capital. They are:
 - Nykredit is currently not listed and therefore has more restricted access to capital markets than listed companies
 - Nykredit is one of the largest private bond issuers in Europe
 - Nykredit has a sizeable mortgage loan portfolio. The mortgage loans typically have long loan terms and are non-callable by Nykredit.

Nykredit's capital targets include a total capital ratio of at least 20% of REA. This target is motivated by the same factors as the CET1 capital target.

The Nykredit Group's total REA amounted to DKK 311bn at end-2015.

A number of adjustments to Nykredit's models are currently awaiting the approval of the Danish FSA. Upon approval, REA will increase by an estimated DKK 35bn, resulting in total REA of DKK 345bn. The increase primarily relates to the mortgage business.

Business Plan 2018 is expected to increase REA by another DKK 30bn towards 2019. Altogether, the capital requirement, measured by REA, will amount to an estimated DKK 375bn in 2019.

To this should be added adjustments to the detailed capital requirement calculations, resulting in part from the loss experience in the wake of the financial crisis. These adjustments are expected to add another DKK 25bn to REA, leading to a total of DKK 400bn.

The target for CET1 capital in 2019, based on the known capital rules, is DKK 70bn, corresponding to 17.5% of DKK 400bn.

Risk of changed capital requirements

There is a risk that the capital requirements will change further in the coming years.

First, specific discussions are taking place at the Basel Committee and at the EBA which may result in the introduction of minimum risk weights for home loans and other loans.

Secondly, a new capital floor is in the pipeline for IRB institutions in 2017. This is likely to be based on the Basel Committee's proposal for a new standardised approach for credit risk, which was published in December 2015.

Thirdly, the EBA is working on technical standards on model calculations for IRB institutions.

Each of the said regulatory measures will lead to increased capital requirements for lending with a low risk of loss, including especially mortgage lending.

Nykredit will work to preserve the existing principle of basing capital requirements on the observed risk of loss and thus the proven resilience of the Danish mortgage system.

In overall terms, however, the capital requirements for mortgage lending are likely to increase. How much will depend on the concrete rules prepared by the Basel Committee, the European Commission and the EBA. The increased capital requirements will add an estimated DKK 15bn to the Group's CET1 capital requirement, corresponding to a CET1 capital level around DKK 85bn. This estimate is based on the assumption that Nykredit's CET1 capital ratio target of 17.5% of the risk exposure amount could be lowered to around 15% as a result of reduced cyclicity of the capital requirements.

FUNDING

Nykredit's mortgage lending is funded through the issuance of covered bonds (SDOs and ROs). Bank lending is chiefly funded by deposits.

Nykredit's liquid assets mainly consist of highly liquid bonds, which are funded by deposits, senior secured debt (junior covered bonds), senior unsecured debt (EMTN and ECP programmes), subordinated debt and equity.

Mortgage funding through covered bonds

Most of Nykredit's assets consist of lending secured by mortgage over real estate. These loans are funded through issuance of mortgage covered bonds (SDOs and ROs). Mortgage covered bonds are issued by way of daily tap issuance coupled with refinancing auctions for ARMs and floating-rate loans, etc.

Funding of loans by covered bonds is subject to the following legal requirements:

- At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property (LTV ratio). Subsequently, the LTV ratio will change with the amortisation of the loan and/or as a result of changes in the market value of the property or the underlying covered bonds.
- If current LTV ratios exceed the statutory LTV limits, mortgage lenders must provide supplementary collateral for each loan secured by mortgage over real estate funded by SDOs. Nykredit funds part of the supplementary collateral by issuing senior secured and unsecured debt.

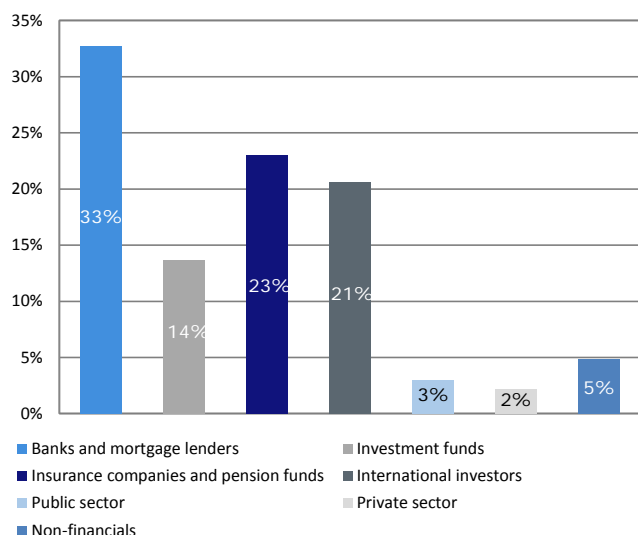
Covered bond market

Nykredit is one of the largest private bond issuers in Europe, and the Group's issues chiefly consist of covered bonds. At end-2015, the Group had a nominal amount of DKK 970bn of SDOs in issue and DKK 242bn of ROs in issue, of which DKK 55bn funded two-tier mortgages.

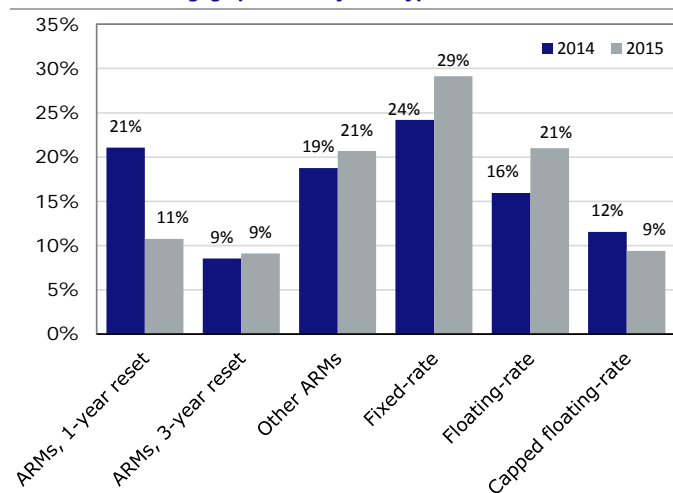
Nykredit's investors mainly comprise Danish banks, mortgage lenders and investment funds, which hold a total of 47%, and insurance companies and pension funds, which hold 23%. Foreign ownership amounts to 21%. However, part of these investors are based in Denmark, but have asset managers domiciled abroad. The higher savings ratio in Denmark means that secure assets are in keen demand from domestic investors. This demand has a stabilising effect on the covered bond market in times of turmoil in international financial markets.

Bonds worth DKK 516bn were issued in 2015, of which DKK 283bn as daily tap issues and DKK 233bn at refinancing auctions.

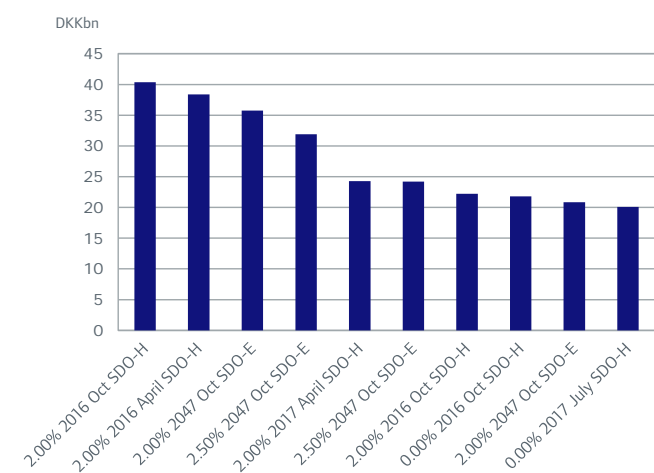
Nykredit Realkredit Group
Covered bond investor base



Nykredit Realkredit Group Breakdown of mortgage portfolio by loan type



Nykredit Realkredit Group Nykredit's largest series on Nasdaq Copenhagen at 4 January 2016



Refinancing of ARMs with 1-year interest reset

As a consequence of the new rating agency and regulatory requirements, including the FSA Supervisory Diamond, Nykredit launched initiatives in late 2014 to reduce the proportion of short-term funding.

This included a new price structure aimed at boosting borrowers' incentives to choose repayment mortgages and longer refinancing intervals.

The low interest rate level also encouraged many customers to switch to fixed-rate loans.

Consequently, 2015 saw extensive refinancing of adjustable-rate mortgages (ARMs) with 1-year interest reset into loan types with longer reset periods, mainly F-kort, Cibor and fixed-rate loans.

The proportion of ARMs with 1-year interest reset has been reduced by DKK 115bn, equivalent to a reduction from 21% to 11% of total lending. Standard & Poor's stable funding ratio improved from 76.9% to 85.4%.

The reduction of loans subject to frequent refinancing has contributed to a marked improvement of the various liquidity and funding ratios. It also reduces the risk related to the refinancing auctions.

Supervisory Diamond

Nykredit expects to stay within all the benchmark limits of the FSA Supervisory Diamond when they enter into force in 2018 and 2020.

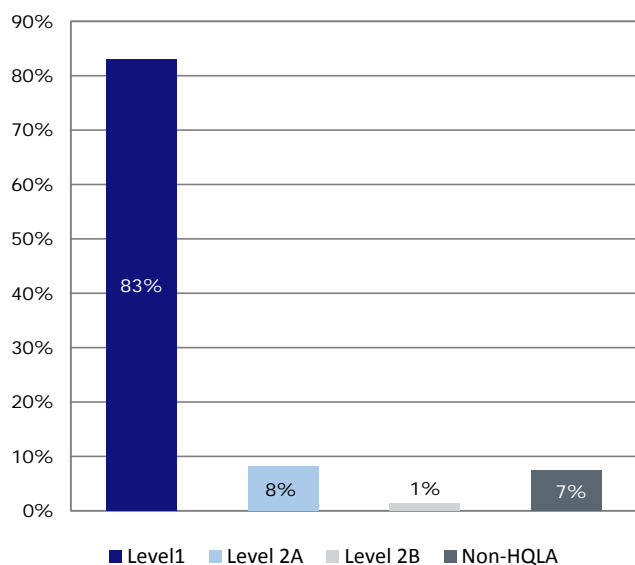
Benchmark bond series

Nykredit strives to build large, liquid benchmark bond series to obtain an effective pricing of its bonds. Nykredit Realkredit and Totalkredit's joint bond issuance contributes to creating large volumes and deep liquidity in the Group's key bond series. Liquidity is also supported by Nykredit's high market share and market making agreements between members of Nasdaq Copenhagen.

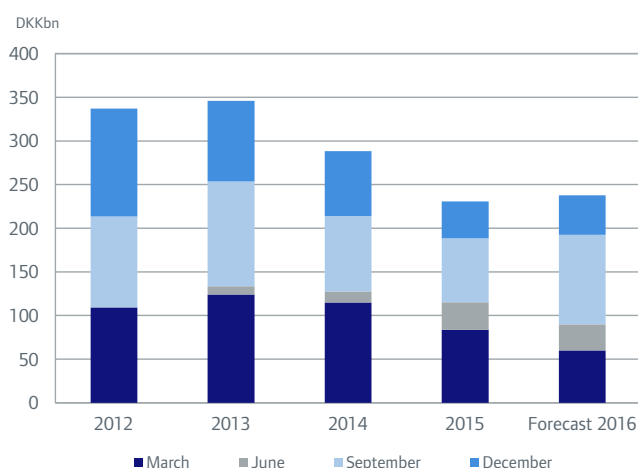
Supervisory Diamond for mortgage lenders

Benchmark	Definition	Commencement	Nykredit
Lending growth	Annual lending growth may not exceed 15% in each of the segments personal customers, commercial residential property, agriculture and other commercial.	2018	In recent years, Nykredit's lending growth has been below the benchmark.
Borrower's interest rate risk	The proportion of lending where the LTV ratio exceeds 75% of the LTV limit and where the loan rate is fixed for up to 2 years only may not exceed 25% of the total loan portfolio.	2018	Nykredit already meets the benchmark.
Interest-only (IO) loans to personal customers	The proportion of IO loans for all-year and holiday housing in an LTV band above 75% of the statutory LTV limit may not exceed 10% of total loans and advances.	2020	Nykredit focuses on reducing the proportion of IO loans with high LTV ratios. The realignment process towards 2020 is thus well under way, and the limit value of maximum 10% is expected to be met before 2020.
Limitation of short-term funding	The proportion of loans to be refinanced must be below 12.5% per quarter and 25% per year.	2020	In the wake of the substantial refinancing activity in 2015, the portfolio of loans with short-term funding has been reduced significantly.
Large exposures	The sum of the 20 largest exposures must not exceed equity.	2018	Nykredit already meets the benchmark limits.

Nykredit Realkredit Group
LCR classification of mortgage bonds in issue



Nykredit Realkredit Group
Covered bond refinancing auctions



Nykredit Realkredit Group
Supplementary collateral requirement (Capital Centres E and H)

DKK billion	
Current supplementary collateral requirement	31.9
Stress test (10% fall in property prices) of supplementary collateral requirement in 12 months	40.5
Assets serving as supplementary collateral in SDO capital centres	38.1
- of which funded by senior secured debt ¹	20.4

¹ Excluding Nykredit Realkredit A/S's portfolio of senior secured debt.

With the introduction of the LCR, banks increasingly prefer high-quality bonds, ie bonds with high outstanding amounts (EUR >500m) and high ratings (minimum AA). As much as 83% of Nykredit's bonds are today classified in the top LCR category, while 8% of bonds are in the second highest category.

Nykredit is continually working towards having a balanced product range that best suits our customers' needs and investors' increased preference for very liquid bond series.

Negative interest rates

Danmarks Nationalbank lowered interest rates in 2015 so that Cibur and Cita rates turned negative. As all Nykredit's floating-rate bonds had an interest rate floor of 0%, new floating-rate loans and bonds were launched that allow negative interest rates. The Danish infrastructure related to bonds has been adjusted so that negative interest is offset against redemptions for investors, and borrowers are compensated for the negative interest by way of an increased principal payment on the loan.

Fixed-rate bullet covered bonds funding ARMs were also hit by negative interest rates in 2015. This may occur where the bonds are traded at a premium resulting in a negative yield-to-maturity for borrowers and investors.

Refinancing risk

Nykredit holds refinancing auctions four times a year. That way, auction volumes are deconcentrated, and the refinancing risk is reduced.

Furthermore, the Danish Act on refinancing risk introduced rules for the issuance of bonds to refinance mortgage loans where the term of the loan exceeds the maturity of the underlying bonds. The Act has introduced mandatory maturity extension in the following situations:

Interest rate trigger: The yield-to-maturity rises by more than 5 percentage points at an auction of bonds with maturities up to 2 years.

Auction trigger: An auction or a similar sale fails.

Subordinated debt

As part of its capital planning, Nykredit issued EUR 500m of AT1 capital and EUR 850m of Tier 2 capital in 2015. These issues meet the future regulatory and rating capital requirements.

Senior secured and unsecured debt

Nykredit Realkredit did not issue any secured or unsecured debt in 2015.

As part of its liquidity management, Nykredit Bank has regularly issued senior unsecured debt in the form of EMTN and ECP issues. The Bank's medium-term bonds in issue under the EMTN programme totalled DKK 14.0bn, and its short-term ECP issues amounted to DKK 8.5bn as at 31 December 2015.

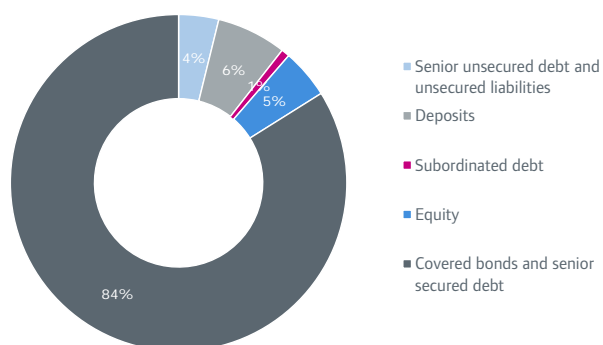
Supplementary collateral

Nykredit Realkredit and Totalkredit may apply their liquid assets to fulfil the supplementary collateral requirement. In addition, the companies may provide supplementary collateral by issuing senior secured or unsecured debt and placing the proceeds in liquid assets in SDO Capital Centres E and H.

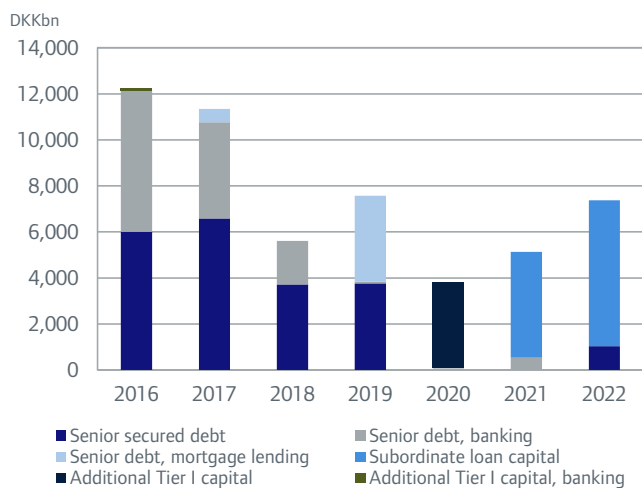
It is Nykredit's policy to have a sizeable collateral buffer in case of declining property prices. Accordingly, Nykredit monitors the need for supplementary collateral closely, and a number of stress tests are conducted to assess the sensitivity of the supplementary collateral requirement to declining property prices etc.

The supplementary collateral requirement was DKK 31.9bn at end-2015. If property prices were to decline by 10%, the requirement would rise to a total of DKK 40.5bn. The requirement for supplementary collateral should be seen in the context of the Group mortgage banks' liquid assets totalling DKK 90bn.

Nykredit Realkredit Group Funding profile



Nykredit Realkredit Group Senior debt maturity profile



Funding of bank lending

Nykredit Bank's deposits exceeded loans by DKK 16.0bn as at 31 December 2015 compared with DKK 14.7bn at end-2014.

Issuance schedule in 2016

Nykredit Realkredit will continue to issue covered bonds on tap and at refinancing auctions.

Nykredit has indicated that in order to maintain its long-term unsecured rating of A with Standard & Poor's, the Nykredit Group will meet the additional loss-absorbing capacity (ALAC) criteria of this credit rating agency. The implication is that Nykredit must raise a special type of bail-inable senior debt or other subordinated capital totalling DKK 20bn-25bn.

Nykredit commenced this process in autumn 2015 by issuing Tier 2 capital. Issuance of the remaining DKK 15bn-20bn is scheduled for 2016-2017. Going forward, the new ALAC-eligible funding will replace the issuance of secured and senior unsecured debt to meet the existing supplementary collateral requirement. At the same time, the new ALAC-eligible funding will satisfy the statutory requirements of the so-called debt buffer towards 2020. When fully phased in, the debt buffer must correspond to at least 2% of total mortgage lending.

Altogether this will result in a new funding structure that offers better protection for ordinary senior creditors. The new structure implies higher funding costs, partly because the new ALAC funding will be more expensive to raise than senior funding, partly because of a transition period in which the existing senior funding has not yet matured.

On the back of the changed issuance schedule and rising house prices, which reduce the requirement for supplementary collateral, Nykredit Realkredit does not expect to issue senior secured or unsecured debt in 2016.

Total run-off under Nykredit Bank's EMTN programme in 2016 will be DKK 6.4bn. The total EMTN and ECP issuance requirement depends on the development in customer deposit and lending levels as well as the Bank's other business activities.

CREDIT RATINGS

Nykredit Realkredit A/S and Nykredit Bank A/S have a rating relationship with the international credit rating agencies Standard & Poor's and Fitch Ratings regarding the rating of the companies and their funding.

The bonds issued by Nykredit Realkredit A/S are primarily mortgage covered bonds (SDOs and ROs). Furthermore, Nykredit has issued bonds to build ALAC and to fund supplementary collateral (senior secured and unsecured debt), subordinated debt (Tier 2 and Tier 2 CoCo) and AT1.

Standard & Poor's

Nykredit Realkredit A/S and Nykredit Bank A/S both have a long-term unsecured rating of A and a short-term unsecured rating of A-1. The rating outlooks are negative.

Senior secured debt is rated AA- by Standard & Poor's. The rating outlooks are negative.

SDOs and ROs issued by Nykredit Realkredit A/S and Totalkredit A/S through rated capital centres are all rated AAA by Standard & Poor's, which is the highest possible rating. The rating outlooks are stable.

On 13 July 2015, Standard & Poor's published its rating actions after its review of the implementation of the EU Bank Recovery and Resolution Directive (BRRD) in Denmark. Standard & Poor's took the position that its ratings on Danish banks will no longer include an uplift for expected government support during a crisis.

Standard & Poor's noted at the same time that Nykredit Realkredit A/S expects to have a capital buffer of 5% according to the criteria of Standard & Poor's ALAC by mid-2017.

This made Standard & Poor's change its long-term credit ratings on Nykredit Realkredit A/S and Nykredit Bank A/S from A+ to A, whereas the short-term credit ratings were affirmed at A-1. This did not affect the ratings on the SDOs and ROs issued by Nykredit Realkredit A/S and Totalkredit A/S.

On 11 December 2015, Standard & Poor's raised the rating of senior secured debt issued by Nykredit Realkredit A/S by 1 notch to AA- due to the implementation of the BRRD.

The negative outlooks on certain ratings reflect Standard & Poor's view on the refinancing risk relating to adjustable-rate mortgages (ARMs) with short-term funding and the fact that they await Nykredit's build-up of ALAC.

Fitch Ratings

Nykredit Realkredit A/S and Nykredit Bank A/S both have a long-term unsecured rating of A and a short-term unsecured rating of F1. The rating outlooks are stable.

Moody's Investors Service

Nykredit terminated its rating relationship with Moody's Investors Service in April 2012.

In this connection, Nykredit ceased supplying information for the purpose of Moody's rating process.

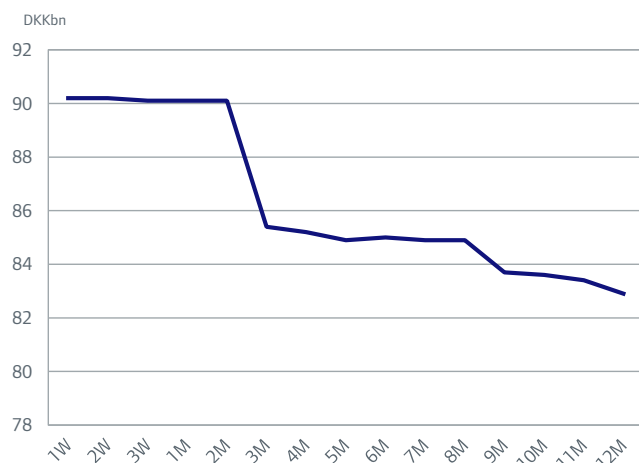
Moody's has nonetheless opted to publish unsolicited ratings for some Group companies.

Listing of ratings

A table listing Nykredit's credit ratings with Standard & Poor's and Fitch Ratings is available in the publication Risk and Capital Management 2015 at nykredit.com/reports as well as at nykredit.com/ir. The report is also available at nykredit.com/reports.

Mortgage lending

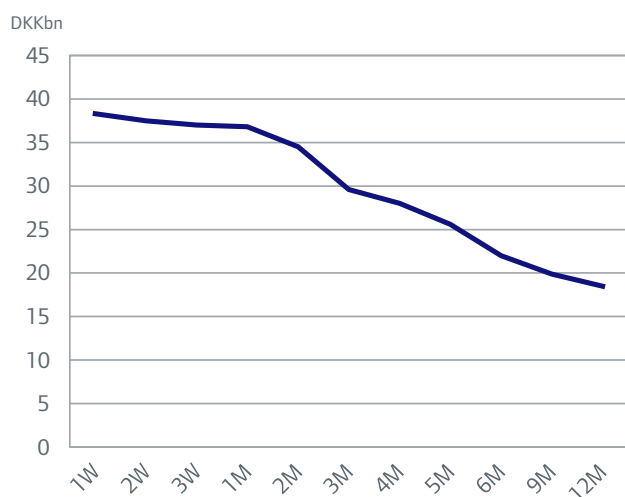
Liquidity stress testing (internal methods)



Note: The unencumbered part of the liquid assets has been projected on the assumption that there is no access to capital market funding.

Banking

Liquidity stress testing (internal methods)



Note: The unencumbered part of the liquid assets has been projected on the assumption that there is no access to capital market funding.

Nykredit Realkredit Group

Difference between mortgage lending and bonds in issue at year-end

DKK billion	2015	2014
Mortgage loans – nominal value, cf note 17a	1.114	1,112
Bonds in issue – nominal value, cf notes 30 a and 30 b	1.212	1,289
Difference	98	177

The difference comprises:

- Bonds sold in connection with refinancing of ARMs ¹	32	56
- Ordinary principal payments and prepayments ²	63	120
Pre-issued bonds in respect of which the underlying loans have not been disbursed, including pre-issuance	3	1
Total	98	177

¹ Nykredit issues and auctions new bonds one month prior to the maturity of the existing bonds. The proceeds are used to buy back/redeem the bonds maturing on 2 January. For a period there is a double set of bonds of which Nykredit generally owns up to half.

² The loan portfolio will be reduced by ordinary principal payments and prepayments, while the outstanding amount of bonds will be reduced on the next payment date, 2 January, and on subsequent payment dates in accordance with the terms of termination. Nykredit will generally place the proceeds in bonds maturing on one of the next payment dates.

LIQUIDITY

Nykredit's liquid assets are mainly liquid Danish and other European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are thus directly applicable for raising liquidity. A smaller part is placed in money market deposits, equities and credit bonds.

The unencumbered part of the liquid assets of the Group's mortgage banks, including proceeds from the issuance of senior secured and unsecured debt, totalled DKK 90bn at end-2015 against DKK 91bn at end-2014.

Liquidity Coverage Ratio (LCR) entered into force as at 1 October 2015. At end-2015, the Nykredit Realkredit Group's LCR was 274%. The aggregate LCR of Nykredit's mortgage banks was 519%, while Nykredit Bank's LCR was 120%. At end-2015, Nykredit Bank's excess liquidity coverage totalled DKK 6.7bn. Nykredit Bank's liquidity reserve was DKK 61.6bn against DKK 68.1bn at end-2014, determined in accordance with section 152 of the Danish Financial Business Act.

Bond portfolio

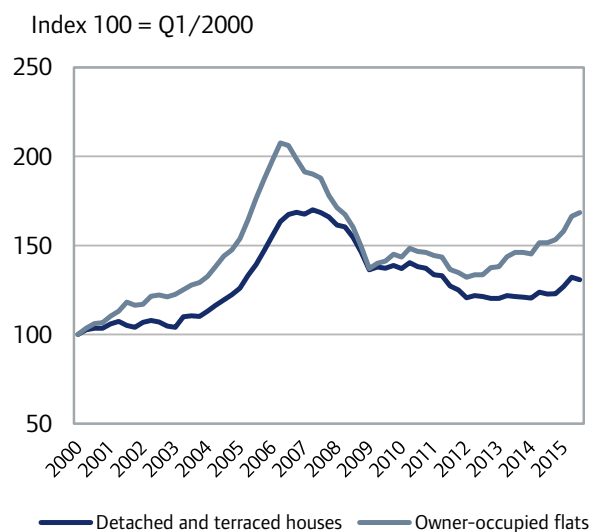
The gross bond portfolio of DKK 216bn comprises mortgage bank reserves, Nykredit Bank's liquid assets, portfolios relating to market making in the mortgage lending and banking areas, proceeds from the issuance of senior secured and unsecured debt as well as DKK 16bn of encumbered assets.

In compliance with the mortgage banking balance principle, part of Nykredit's mortgage bond portfolio includes a temporary portfolio of DKK 61bn relating to the refinancing of the mortgage bonds used to fund Nykredit's ARMs and placement of funds prepaid such as ordinary principal payments, prepayments and funds from fixed-price agreements not yet settled. The portfolio of self-issued bonds held in accordance with the balance principle chiefly comprises short-term bonds maturing on the next payment date. The portfolio is used to secure payment in connection with bond redemption.

Self-issued bonds accounted for DKK 45bn of the liquidity reserves and DKK 56bn of liquid assets held under the balance principle. In the period preceding a payment date, the value of bonds in issue exceeds the value of the mortgage loan portfolio. The main reason is refinancing, as the new bonds are issued immediately after the refinancing auctions, which are conducted approximately one month prior to the relevant payment date, whereas the existing bonds do not mature until the same payment date.

LENDING

Housing prices in Denmark – inflation-adjusted



Source: Association of Danish Mortgage Banks

The Group recorded total mortgage and bank lending, excluding reverse repurchase lending, of DKK 1,161bn against DKK 1,162bn at the beginning of the year.

Mortgage lending at fair value was DKK 1,119bn, down DKK 18bn on the beginning of the year. Nominal mortgage lending amounted to DKK 1,114bn. Nykredit's share of total Danish mortgage lending was 41.3% against 42.3% at the beginning of the year. The market share was 45.2% in the private residential segment and 36.1% in the business segment against 46.2% and 37.1%, respectively, at the beginning of the year.

Bank lending totalled DKK 46.7bn against DKK 50.5bn at the beginning of the year, down DKK 3.8bn. The level reflected modest loan demand. Reverse repurchase lending amounted to DKK 39.5bn against DKK 35.2bn at the beginning of the year.

Impairment provisions for mortgage and bank lending totalled DKK 8.5bn against DKK 9.1bn at the beginning of the year. Further, the Group had made impairment provisions for receivables from credit institutions of DKK 44m at end-2015.

Guarantees provided by Nykredit amounted to DKK 6.9bn at end-2015 against DKK 7.5bn at the beginning of the year.

Nykredit Realkredit Group

Loans, advances, guarantees and impairment losses on loans and advances

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment losses on loans and advances, earnings impact	
	2015	2014	2015	2014	2015	2014
Mortgage lending						
Nykredit Realkredit	543,518	570,029	4,351	4,270	586	1,712
Totalkredit	570,806	541,715	1,343	1,236	455	409
Total	1,114,324	1,111,744	5,694	5,506	1,041	2,121
Bank lending						
Nykredit Bank	46,747	50,494	2,852	3,560	(114)	211
Total	46,747	50,494	2,852	3,560	(114)	211
Receivables from credit institutions						
Total	-	-	44	44	-	15
Reverse repurchase lending	39,467	35,228	-	-	-	-
Guarantees	6,942	7,546	100	107	(7)	4
Loan impairment, %¹						
Nykredit Realkredit	-	-	0.80	0.75	0.11	0.30
Totalkredit	-	-	0.24	0.23	0.08	0.08
Total	-	-	0.51	0.50	0.09	0.19
Nykredit Bank	-	-	5.75	6.59	(0.23)	0.39
Total	-	-	5.75	6.59	(0.23)	0.39

¹ Loan impairment excluding receivables from credit institutions, reverse repurchase lending and guarantees.

Note: Nominal mortgage lending, adjusted for intercompany lending and intercompany set-off.

Impairment provisions for mortgage and bank lending totalled DKK 927m against DKK 2,332m in 2014.

Incurred losses totalled DKK 1,660m in 2015, with DKK 1,011m on mortgage lending and DKK 649m on bank lending.

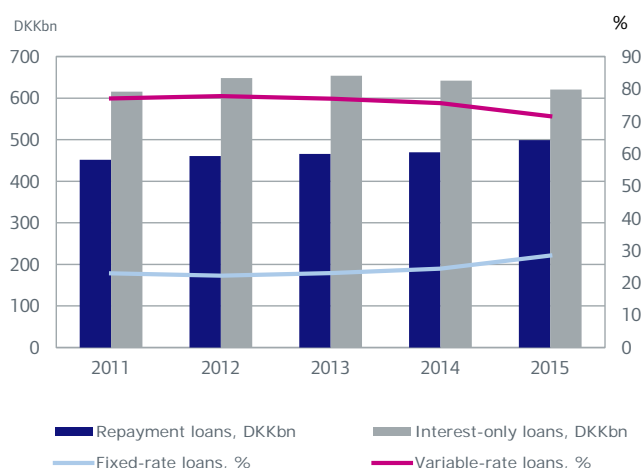
MORTGAGE LENDING

Loan portfolio

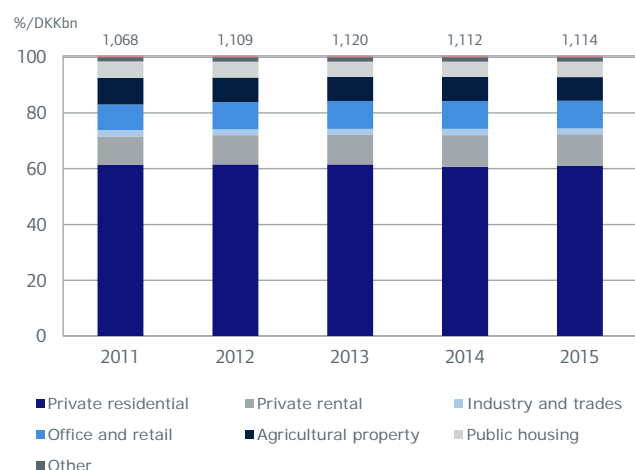
Nykredit's credit exposure in terms of nominal mortgage lending rose by DKK 2.6bn to DKK 1,114bn at end-2015. Private residential lending amounted to DKK 5.4bn of the rise, corresponding to an upturn in residential lending of 0.8%, while industry and trades decreased by DKK 2.0bn.

Nominal lending by property category was relatively unchanged. Private residential lending accounted for 61.1% and remained the largest segment. Lending for private rental, agricultural, and office and retail properties represented 11.3%, 8.5% and 10.0%, respectively. The remaining proportion, 9.1%, related to the property categories industry and trades, public housing, cooperative housing and other.

Nykredit Realkredit Group Mortgage lending by loan type



Nykredit Realkredit Group Mortgage lending by property type



The breakdown of lending was 58.7% in Jutland, 23.7% in the Capital Region and 12.3% in the rest of Sealand. The international proportion of the loan portfolio was unchanged at 5.4% at end-2015.

Lending by loan type

In 2015 Nykredit registered a relatively heavy decline in the proportion of loans with an interest-only period (IO). IO loans represented 55.5% against 57.7% at the beginning of the year, while repayment loans rose from 42.3% to 44.5%.

The proportion of adjustable-rate mortgage loans (ARMs) with 1-year interest reset ("F1" loans) almost halved in the course of 2015; it fell by DKK 112.9bn, or 47.9%, relative to the beginning of the year. Nykredit aims to reduce the amount of F1 loans considerably in the coming years. Conversely, other ARM types increased by DKK 23.7bn, or 8.1%. Fixed-rate callable loan volumes rose by DKK 39.6bn, or 14.2%, relative to the beginning of the year. Money market-linked loans rose by 10.4%, whereas index-linked loans fell by 4.5% relative to the beginning of the year.

Security

The main type of security provided for loans is mortgages over real estate. The security provided is assessed regularly relative to the current market value of a property reflected by the LTV ratios.

In addition to mortgages over real estate, Nykredit accepts guarantees issued by public authorities or banks. Guarantees issued by public authorities contribute to reducing the credit risk of mortgage loans mainly for public housing. Guarantors assume primary liability in respect of such guarantees. Mortgage lending guaranteed by public authorities amounted to DKK 54bn at end-2015.

The bank guarantees comprise guarantees for the registration of mortgages free from any adverse endorsements barring registration, guarantees for interim loans in connection with new building and loss guarantees. Mortgage lending guaranteed by banks amounted to DKK 18bn.

Furthermore, mortgage loans granted via Totalkredit are covered by set-off agreements with partner banks arranging Totalkredit loans. Under these agreements, Totalkredit may set off part of the losses incurred on the mortgage loans against future commission payments to these partner banks. Lending covered by set-off agreements totalled DKK 553bn at end-2015.

Nykredit Realkredit Group
Mortgage lending by property type¹

Fair value at end-2015	DKK m illion/	Private residential	Public housing ²	Cooperative housing	Private rental	Office and retail	Agricultural property	Industry and trades	Other	Total
Mortgage lending										
- Bond debt outstanding		678,993	65,551	38,566	87,522	111,425	96,737	22,960	17,347	1,119,101
- Number of loans		687,088	16,415	5,512	27,550	22,501	37,420	3,289	2,771	802,546
Bond debt outstanding by loans involving										
- public guarantees		0	50,867	2,423	17	4	231	0	115	53,657
- bank guarantees		17,514	0	0	0	0	0	0	0	17,514
- set-off agreements with partner banks		552,806	0	0	0	0	0	0	0	552,806
- no guarantee		108,673	14,685	36,143	87,505	111,421	96,506	22,960	17,232	495,124
Total		678,993	65,551	38,566	87,522	111,425	96,737	22,960	17,347	1,119,101
Bond debt outstanding by loan type										
Fixed-rate loans										
- repayment loans		164,946	22,273	8,225	5,728	10,086	6,698	1,563	3,632	223,150
- loans with interest-only period		81,132	11	1,894	4,748	2,917	4,148	28	213	95,092
Adjustable-rate mortgage loans (ARMs)										
- repayment loans, 1-year interest reset		24,966	209	449	3,018	4,331	5,278	1,037	658	39,946
- other repayment loans		62,570	19,888	1,441	7,544	11,707	7,718	2,803	1,319	114,990
- interest-only loans, 1-year interest reset		65,718	1	574	6,042	3,018	7,095	180	95	82,723
- other loans with interest-only period		147,059	81	6,296	18,233	13,680	12,258	3,228	335	201,170
Money market-linked loans										
Loans with interest rate cap										
- repayment loans		52,824	73	398	836	938	2,495	159	525	58,250
- loans with interest-only period		70,941	7	228	495	468	1,815	11	25	73,990
Loans without interest rate cap										
- repayment loans		854	263	882	8,604	23,271	13,575	8,057	6,046	61,553
- loans with interest-only period		7,982	206	16,082	32,129	40,996	35,449	5,894	4,331	143,068
Index-linked loans		1	22,539	2,098	145	12	207	1	167	25,170
Total		678,993	65,551	38,566	87,522	111,425	96,737	22,960	17,347	1,119,101
Bond debt outstanding by region										
- Capital region		161,519	23,507	20,472	22,482	27,695	2,438	1,310	5,682	265,105
- Sealand Region		91,757	7,526	3,634	4,760	10,822	14,459	2,525	1,714	137,197
- North Denmark Region		94,943	6,995	3,683	9,196	9,640	24,702	3,172	1,489	153,820
- Central Denmark Region		168,986	12,827	5,236	20,401	21,633	29,467	7,041	5,043	270,633
- South Denmark Region		148,636	14,695	5,422	12,397	17,998	25,593	4,525	3,085	232,351
- International		13,152	0	120	18,286	23,637	78	4,387	333	59,994
Total		678,993	65,551	38,566	87,522	111,425	96,737	22,960	17,347	1,119,101
Bond debt by debt outstanding, DKKm										
0-2		509,483	5,492	1,607	16,853	12,691	19,657	1,712	1,050	568,545
2-5		153,217	7,235	5,671	14,263	13,871	29,530	2,139	1,836	227,763
5-20		15,276	25,230	18,047	21,739	24,641	41,140	4,527	5,670	156,270
20-50		967	17,970	7,912	10,464	13,781	5,405	2,249	3,702	62,450
50-100		50	6,185	1,766	5,278	10,055	901	1,323	1,397	26,955
100-		0	3,438	3,563	18,925	36,386	104	11,010	3,691	77,118
Total		678,993	65,551	38,566	87,522	111,425	96,737	22,960	17,347	1,119,101
Bond debt outstanding by remaining loan term, years										
0-10		22,140	4,160	547	11,984	30,799	2,020	3,457	1,370	76,477
10-15		23,711	7,358	804	11,731	28,814	3,446	10,350	1,746	87,959
15-20		94,623	10,095	5,354	11,488	27,856	11,707	4,390	4,740	170,252
20-25		234,573	9,804	18,380	22,731	12,808	43,399	4,743	5,739	352,178
25-30		303,946	25,013	12,737	29,573	11,148	36,165	20	3,750	422,352
30-35		0	9,096	743	14	0	0	0	0	9,853
35-		0	27	1	1	0	0	0	2	30
Total		678,993	65,551	38,566	87,522	111,425	96,737	22,960	17,347	1,119,101

¹ The breakdown by property type is not directly comparable with Nykredit's business areas.

² Public housing includes mortgage lending for subsidised urban renewal.

Mortgage loan impairment**Total impairment provisions**

Total impairment provisions for mortgage lending remained low, equalling 0.51% of total mortgage lending compared with 0.50% at the beginning of the year.

Total impairment provisions increased by DKK 188m to DKK 5,694m at end-2015 compared with the beginning of the year. Of the increase, DKK 240m was attributed to agricultural property. Compared with the beginning of the year, impairment provisions for private residential property were unchanged at 0.33% of lending, whereas impairment provisions for agricultural property rose from 0.89% to 1.16% of lending.

Private residential property accounted for DKK 2,230m of impairment provisions at end-2015, while commercial property accounted for DKK 3,464m.

Earnings impact

Impairment losses on mortgage lending were DKK 1,041m in 2015 against DKK 2,121m in 2014. Of loan impairment losses for the year, DKK 562m, or 54.0%, was attributable to the private residential segment, while DKK 342m, or 32.9%, related to agricultural property.

Loans to weak customers

Nykredit's individually impaired mortgage loans to weak customers increased by DKK 1,414m to DKK 17,628m at end-2015, equal to 1.58% of total loans and advances. The increase was attributable to lending for private residential, office and retail, agricultural and private rental properties.

Mortgage loans to weak customers which had not been individually impaired amounted to DKK 70.7bn at end-2015, equal to 6.3% of total loans and advances. These loans have an elevated risk of default, but not necessarily a high risk of future losses, as the loss risk also depends on the security underlying the loans.

Nykredit Realkredit Group**Provisions for mortgage loan impairment by property type¹**

DKK million/%	2015			2014		
	Total impairment provisions	Total impairment provisions, %	Total earnings impact	Total impairment provisions	Total impairment provisions, %	Total earnings impact
Private residential	2,230	0.33	562	2,164	0.32	554
Private rental ²	1,465	1.16	50	1,500	1.19	856
Industry and trades	244	1.06	45	257	1.03	98
Office and retail	516	0.46	104	506	0.46	91
Agricultural	1,096	1.16	342	856	0.89	441
Public housing	47	0.08	(60)	97	0.16	55
Other	96	0.55	(2)	126	0.71	26
Total	5,694	0.51	1,041	5,506	0.50	2,121

¹ The breakdown by property type is not directly comparable with Nykredit's business areas.

² Housing cooperatives are included in the property category Private rental.

Nykredit Realkredit Group**Credit exposure to mortgage lending by property type¹**

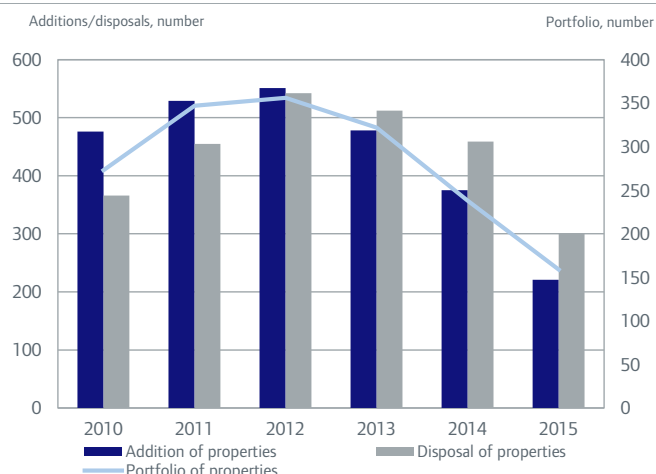
DKK million	2015			2014		
	Lending, year-end	Loans to weak customers, individually impaired	Loans to weak customers, not individually impaired	Lending, year-end	Loans to weak customers, individually impaired	Loans to weak customers, not individually impaired
Private residential	680,402	6,252	47,388	674,974	5,765	42,555
Private rental	126,075	5,097	6,842	126,056	4,984	7,803
Industry and trades	22,999	559	413	25,058	664	580
Office and retail	111,094	1,733	5,898	110,874	1,621	6,791
Agricultural	94,438	3,417	9,560	95,982	2,598	10,621
Public housing ²	61,941	403	348	61,050	382	434
Other	17,374	166	210	17,750	199	441
Nominal value	1,114,324	17,628	70,659	1,111,744	16,214	69,225
Fair value	1,119,101	17,628	70,659	1,137,099	16,214	69,225

Note: For a complete breakdown of mortgage lending by rating category, see note 46.

¹ The breakdown by property type is not directly comparable with Nykredit's business areas.

² Public housing includes subsidised cooperative housing and subsidised urban renewal.

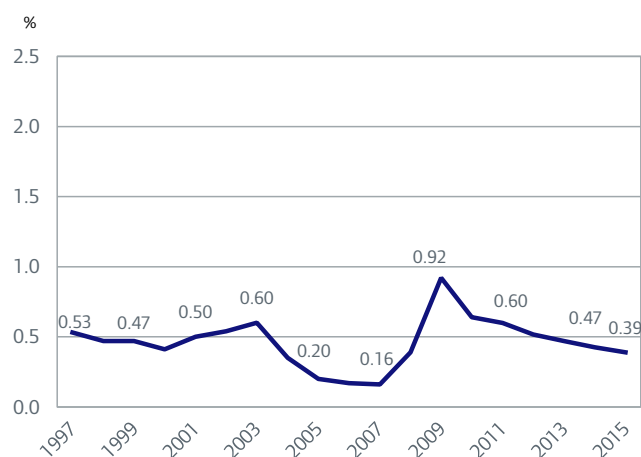
Nykredit Realkredit Group
Properties acquired/sold



Nykredit Realkredit Group
Arrears ratio – 75 days past due

Due dates	Arrears relative to total mortgage payments	Debt outstanding affected by arrears of total debt outstanding	Debt outstanding affected by arrears
	%	%	DKK billion
2015			
- September	0.39	0.39	4.3
- June	0.42	0.48	5.4
- March	0.48	0.49	5.5
2014			
- December	0.42	0.50	5.6
- September	0.42	0.42	4.7
- June	0.41	0.43	4.8
- March	0.46	0.47	5.2

Nykredit Realkredit Group
Arrears ratio, mortgage lending – 75 days past the September due date



Arrears

Mortgage loan arrears are determined 15 and 75 days past the due date. Mortgage loan arrears represented 0.39% of total mortgage payments due 75 days past the September due date against 0.42% at the same time in 2014. Arrears determined 15 days past the December due date represented 0.95% against 0.99% at the same time in 2014.

Similarly, bond debt outstanding affected by arrears as a percentage of total bond debt outstanding dropped from 0.42% to 0.39% year-on-year.

Acquired properties

Nykredit acquires properties at forced sales on a current basis with a view to resale. The portfolio of acquired properties has declined slightly since 2012. The number of properties was down to 159 at end-2015 against 238 properties at the beginning of the year and 356 properties at end-2014. The portfolio of private residential property amounted to 74.

The value of acquired properties totalled DKK 451m. In 2015 the Group acquired 221 properties and sold 300.

BANK LENDING

Loans, advances and guarantees were DKK 93.2bn, which was unchanged on the beginning of the year.

Bank lending at amortised cost amounted to DKK 46.7bn against DKK 50.5bn at the beginning of the year. The level reflected moderate loan demand. Bank lending before provisions for loan impairment was DKK 49.6bn against DKK 54.1bn at the beginning of the year.

Finance and insurance still accounted for the largest single sector exposure at DKK 45.4bn against DKK 40.4bn at end-2014. The exposure widely comprised reverse repurchase lending with bonds serving as security, and the increase of DKK 5.0bn should in part be seen in the context of a general rise of DKK 4.2bn in reverse repurchase lending.

Finance and insurance accounted for 44.8% against 37.9% at end-2014, the real estate sector 10.3% against 12.3% at end-2014, while personal customers contributed 19.8% against 22.2% at end-2014.

Nykredit Bank's lending contracted by 7.5%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

Including reverse repurchase lending, the Bank's lending increased by 0.6% on end-2014.

Lending to the real estate and construction sectors totalled DKK 12.7bn at end-2015 compared with DKK 15.2bn at end-2014. Of total loans, advances and guarantees, DKK 8.8bn derived from the category renting of real estate compared with DKK 11.4bn at end-2014.

At end-2015, loan impairment provisions for lending to the real estate sector totalled DKK 1.4bn against DKK 1.8bn at end-2014, equal to 9.8% of loans and advances to this sector compared with 10.5% at end-2014.

Bank loan impairment and provisions for guarantees

Nykredit's individually impaired loans to weak customers dropped by DKK 931m to DKK 3,947m at end-2015.

Nykredit Realkredit Group Bank lending and guarantees

DKK million	2015	2014
Bank lending	46,747	50,494
Reverse repurchase lending	39,467	35,228
Guarantees	6,942	7,546
Total	93,156	93,268

Nykredit Realkredit Group Credit exposure to bank lending, reverse repurchase lending and guarantees by sector

DKK million	2015		2014	
	Lending, year-end	Loans to weak customers, individually impaired	Lending, year-end	Loans to weak customers, individually impaired
Public sector	296	0	596	0
Agriculture, hunting, forestry and fishing	2,384	84	3,230	207
Manufacturing, mining and quarrying	4,733	300	5,526	302
Energy supply	936	8	1,055	6
Construction	2,234	293	2,087	373
Trade	2,946	158	3,309	208
Transport, accommodation and food service activities	3,444	176	2,930	142
Information and communication	999	20	1,027	82
Finance and insurance	45,416	368	40,420	508
Real estate	10,431	1,513	13,071	1,869
Other	7,481	321	9,643	479
Total business customers	81,004	3,242	82,298	4,176
Personal customers	20,094	706	23,721	702
Total	101,394	3,947	106,615	4,878
- Of which provisions for intercompany guarantees	8,238	-	13,347	-

As the breakdown is based on public sector statistics, it is not directly comparable with the Bank's business areas.

Note: For a complete breakdown of bank lending by rating category, see note 46.

Total impairment provisions

Nykredit's total provisions for bank loan impairment declined by DKK 708m in 2015 to DKK 2,852m at end-2015, equal to 5.75% of total bank lending. Provisions for guarantees amounted to DKK 100m against DKK 107m at the beginning of the year.

Individual impairment provisions for bank lending totalled DKK 2,711m against DKK 3,051m at the beginning of the year, and collective impairment provisions for bank lending were DKK 141m against DKK 509m at the beginning of the year.

The decline in individual impairment provisions of DKK 340m consisted of new impairment provisions of DKK 729m, reversals of DKK 510m and write-offs of DKK 558m.

The shift between individual and collective impairment provisions was attributable to the transfer of a single large exposure from collective to individual impairment provisioning.

Impairment provisions for receivables from credit institutions were unchanged at DKK 23m.

Guarantees

The Bank provides guarantees on a current basis. Guarantees provided were DKK 1,990m, down by DKK 1,148m on the beginning of the year.

At end-2015, provisions for guarantees amounted to DKK 100m against DKK 107m at the beginning of the year.

Earnings impact

Under loan impairment losses for the year, DKK 114m was reversed, and DKK 7m was reversed under provisions for guarantees – totalling a gain of DKK 121m. By comparison, loan impairment losses and provisions for guarantees were DKK 215m in 2014.

Nykredit Realkredit Group**Bank loan impairment and provisions for guarantees by sector¹**

DKK million	2015		2014	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
Public sector	0	0	0	(8)
Agriculture, hunting, forestry and fishing	102	7	138	(10)
Manufacturing, mining and quarrying	225	39	269	26
Energy supply	3	(6)	9	2
Construction	232	11	236	11
Trade	88	1	119	(30)
Transport, accommodation and food service activities	104	32	91	(19)
Information and communication	17	(2)	62	1
Finance and insurance	224	18	305	(85)
Real estate	1,140	(287)	1,540	303
Other	231	5	305	(77)
Total business customers	2,366	(182)	3,074	122
Personal customers	586	61	592	101
Total	2,952	(121)	3,666	215
- of which provisions for losses on guarantees	100	(7)	107	4
Total including impairment provisions for credit institutions	2,975	(121)	3,689	219

¹ As the breakdown is based on public sector statistics, it is not directly comparable with Nykredit Bank's business areas.

ORGANISATION, MANAGEMENT AND CORPORATE RESPONSIBILITY

NYKREDIT – ENGAGING WITH SOCIETY

A changing society needs sound financial enterprises to underpin growth and employment.

As Denmark's largest credit provider with contact to more than 1 million customers, our financial strength is of great importance to Danish society. This is a corporate social responsibility in itself.

Nykredit Realkredit Group Organisation and delegation of responsibilities

Board of Directors

- Overall governance and strategic management
- Lays down overall policies and guidelines

Audit Board

- Monitors matters relating to accounting, audit, internal controls and risk management

Remuneration Board

- Prepares and recommends remuneration policies

Nomination Board

- Nominates candidates for the Committee of Representatives, Board of Directors and Executive Board
- Prepares resolutions on the competency profiles of the Board of Directors and Executive Board

Risk Board

- Advises the Board of Directors on the Nykredit Group's risk profile and risk management

Group Executive Board

- Overall day-to-day management
- Strategic planning and business development
- Operationalises policies and guidelines

Group committees

- Governance and management within selected fields of business

Credits

- Manages and operationalises the credit policy
- Approves large exposures

Asset/Liability

- Overall capital, asset/liability and liquidity management
- SDO cover pool management

Risk

- Monitors risk profile and capital requirements
- General risk policy
- Approves risk models

Contingency

- Responsible for compliance with contingency plans and related IT security policy

Products

- Ensures development and maintenance of concepts and products

Nykredit is a unique financial mutual, which has provided Denmark with stable financing since 1851. Nykredit's objective is the same today; to offer loans to Danish homeowners and companies across Denmark – now and in future.

Being a major financial services group, our ambition is to have a clear and conscientious voice in the public debate on issues affecting our business and our stakeholders. Further, being a major financial services group, we are committed to fulfilling the requirements and expectations of our external environment.

Nykredit has adopted the UN principles on sustainability (Global Compact) and responsible investment (UN PRI). Our financial reporting also complies with the Global Reporting Initiative (GRI).

Corporate social responsibility

For additional information on Nykredit's corporate social responsibility and Nykredit's statutory disclosure, please refer to our CR Fact Book 2015 at nykredit.com/CRfactbook.

For more information on Nykredit, please see our CSR publication 2015 "Nykredit – Engaging with Society" and our website. Information on corporate governance is available at nykredit.com/corporategovernanceuk.

ORGANISATION AND DELEGATION OF RESPONSIBILITIES

The Board of Directors of Nykredit Realkredit A/S counts 15 members, of which ten are elected by the General Meeting for a term of one year and five are elected by and among the staff for a term of four years.

The Board of Directors is the supreme management body of the Company, which makes decisions of a strategic and fundamental nature and lays down guidelines for the day-to-day management by the Group Executive Board.

The Board of Directors must have a suitable size, composition and diversity and possess the skills required to perform the management tasks and the responsibility resting at all times with the Board of Directors as the supreme management body of the Company.

The Board of Directors reviews its competency profile on an ongoing basis and has decided in this respect that the Board of Directors should have special skills and knowledge as regards:

- Strategy
- Sector and real estate expertise
- Economics, finance and accounting
- Capital markets, securities and funding
- Politics, public administration and associations
- Financial regulation
- Corporate governance
- Digitisation, IT and processes
- Organisation/HR and processes
- Credit matters.

Further details on the competency profile of the Board of Directors, the special skills and experience of each board member and the composition, size and diversity of the Board of Directors are available at nykredit.com/organisationuk.

Board committees

The Board of Directors of Nykredit Realkredit A/S has appointed an Audit Board, a Remuneration Board, a Nomination Board and a Risk Board. Each of these board committees monitors selected areas and prepares cases for review by the entire Board of Directors, each within their field of responsibility.

Audit Board

The principal tasks of the Audit Board are to monitor the financial reporting process, the effectiveness of Nykredit's internal control systems, internal audit and risk management as well as the statutory audit of the financial statements, and to monitor and verify the independence of the auditors.

The Audit Board serves the companies of Nykredit that are required to appoint such a board. In addition to Nykredit Realkredit A/S, this concerns Totalkredit A/S and Nykredit Bank A/S.

The Audit Board consists of Steffen Kragh (Chairman), CEO, Anders C. Obel, CEO, Nina Smith, Professor, and Jens Erik Udsen, Managing Director, who are all members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting. The Board of Directors of Nykredit Realkredit A/S has appointed Steffen Kragh, CEO, as the independent, proficient member of the Audit Board.

The Audit Board held four meetings in 2015.

Remuneration Board

One of the principal tasks of the Remuneration Board is to make recommendations in respect of Nykredit's remuneration policy, including guidelines on incentive pay, for the approval of the Board of Directors. The Remuneration Board also makes proposals for remuneration of the Committee of Representatives, the Board of Directors and the Executive Board. Further, the Remuneration Board reviews and considers draft resolutions concerning staff bonus budgets. Finally, the Remuneration Board ensures that the information in the Annual Report about remuneration of the Board of Directors and the Executive Board is correct, fair and satisfactory.

The Remuneration Board consists of Steen E. Christensen (Chairman), Attorney, Hans Bang-Hansen, Farmer, and Steffen Kragh, CEO, who are all members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting, and of Leif Vinther, Chairman of Staff Association and staff-elected member of the Board of Directors of Nykredit Realkredit A/S.

The Remuneration Board held three meetings in 2015.

Nomination Board

The Nomination Board is tasked with drawing up recommendations for the Board of Directors on the nomination of candidates for the Committee of Representatives, the Board of Directors and the Executive Board. The Nomination Board is further tasked with setting targets for the under-represented gender on the Board of Directors and laying down a diversity policy for the Board of Directors. In addition, the Nomination Board, which is accountable to the Board of Directors, is

overall responsible for the competency profiles and continuous evaluation of the work and results of the Board of Directors and the Executive Board.

The Nomination Board consists of Steen E. Christensen (Chairman), Attorney, Hans Bang-Hansen, Farmer, Steffen Kragh, CEO, and Nina Smith, Professor, who are all members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting.

The Nomination Board held three meetings in 2015.

Risk Board

The task of the Risk Board is to monitor Nykredit's overall risk profile and strategy, including to assess the long-term capital requirement and the capital policy. It also assesses products, business model, remuneration structure and incentives as well as risk models and basis of methodology, etc. The Risk Board assists the Board of Directors in overseeing that the risk appetite laid down by the Board of Directors is implemented correctly in the organisation.

The Risk Board serves the companies of Nykredit that are required to appoint such a board. In addition to Nykredit Realkredit A/S, this concerns Totalkredit A/S and Nykredit Bank A/S.

The Risk Board consists of Nina Smith (Chairman), Professor, Steffen Kragh, CEO, Merete Eldrup, Managing Director, Bent Naur, former CEO, and Michael Demnitz, Managing Director, who are all members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting.

The Risk Board held four meetings in 2015.

Committees

Nykredit has appointed five committees which are to perform specific tasks within selected fields. All the committees include at least one member of the Group Executive Board and a management representative from Totalkredit and Nykredit Bank.

Each committee must report to the entire Group Executive Board, and the individual members may at any time request the Group Executive Board to decide on a case.

The Credits Committee is charged with approving credit applications and loan impairments as well as overseeing the management of risks in Nykredit's credits area. The Committee monitors Nykredit's credit portfolio and submits recommendations on credit policies etc to the individual Executive Boards and Boards of Directors. The Committee chiefly considers cases and manages portfolios in the credits area.

The Asset/Liability Committee is charged with monitoring and coordinating Nykredit's use of resources in the form of capital and liquidity, monitoring profitability at the business level and laying down internal limits.

The Risk Committee is charged with overseeing the overall risk profile, capital requirements and risk models of the Nykredit Group in order to assist the individual Executive Boards and Boards of Directors of the Nykredit Group in overseeing – and the managements of the Nykredit Group in ensuring – compliance with current legislation and practice in the area in question.

The Contingency Committee has the overall responsibility for compliance with IT security policy rules in relation to contingencies (major accidents and catastrophes) and the Group's contingency plans covering IT as well as business aspects.

The Products Committee's overarching purpose is to ensure that the development and maintenance of concepts and products potentially involving material risks for the Group, counterparties and/or customers are undertaken in accordance with the Group's business model and the guidelines which the Group Executive Board has approved for development and approval of new concepts and products.

THE UNDER-REPRESENTED GENDER

Since 1995 Nykredit has worked actively to increase the proportion of women in management, with particular focus on recruiting female managers to top-level management. All of the Nykredit Group's financial companies have female representation on their Boards of Directors and have targets in this respect, which must be met before end-2017. The actual 2015 figures and the targets for 2017 are stated below.

Nykredit's Boards of Directors have also adopted a policy for board diversity and for increasing the number of women at other managerial levels.

Further information on Nykredit's gender equality policy and objectives is available in Nykredit's CR Fact Book 2015, available at nykredit.com/CRfactbook.

CORPORATE GOVERNANCE

The Board of Directors of Nykredit Realkredit A/S has decided that Nykredit should act as a listed company for external purposes, operating on sound business terms.

In consequence, Nykredit regularly considers the Recommendations on Corporate Governance of the Danish Committee on Corporate Governance subject to the adjustments that follow from Nykredit's special ownership and management structure and complies with the recommendations where appropriate. The recommendations form part of the rules of Nasdaq Copenhagen.

The recommendations concerning the composition and organisation of the Board of Directors, and in particular the independence of the Board of Directors and shareholders' role and interaction with the company management address an ordinary listed company with many shareholders.

Nykredit Realkredit A/S differs from ordinary listed companies, as the company has only one shareholder, Nykredit Holding A/S, which has a limited number of shareholders: Foreningen Nykredit, Foreningen Østifterne, Industriens Fond and PRAS A/S.

The purpose of the recommendations concerning shareholders' role and interaction with the company management is to create an appropriate setting encouraging shareholders to enter into a dialogue with the company management. The limited number of shareholders of Nykredit Realkredit A/S and Nykredit Holding A/S per se creates a good setting for a close dialogue with the company management. The Board does therefore not consider this part of the recommendations relevant to Nykredit.

In 1991 the mortgage association Nykredit was converted into a public limited company. Nykredit operates through Nykredit Realkredit A/S, the objects of which are to carry on mortgage banking and other financial business. The company is wholly owned by Nykredit Holding A/S, the objects of which are to carry on Nykredit's activities. Foreningen Nykredit is the largest shareholder of Nykredit Holding A/S, owning 89.80% of the shares. Its objects are to be a shareholder of Nykredit and to carry on mortgage banking and other financial business.

It is standard practice at Nykredit that the eight members of the Board of Directors of Foreningen Nykredit elected by the Committee of Representatives are also elected for the Boards of Directors of Nykredit Holding A/S and Nykredit Realkredit A/S and that the last two members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting are also members of the Board of Directors of Nykredit Holding A/S. Formally speaking, the directors elected by the General Meeting represent the interests of a controlling shareholder and they are often borrowers of Nykredit Realkredit A/S. This is a natural consequence of Nykredit being a financial mutual and the shared objectives and interests of the companies. As the Board of Directors of Nykredit Realkredit A/S is considered to act independently of special interests, all members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting are generally considered independent.

Where appropriate, Nykredit also complies with the managerial code of conduct of the Danish Bankers Association, which supplements the Recommendations on Corporate Governance.

Information on Nykredit's organisation and corporate governance is available at nykredit.com/corporategovernanceuk.

REMUNERATION

Material risk takers

At end-2015, the Group had identified a total of 196 risk takers:

- Members of the Board of Directors: 28
- Group managing directors: 5
- Subsidiary managing directors: 6
- Other material risk takers: 157
-

The principles for identifying "Other material risk takers" were set out by the Board of Directors at the beginning of 2015 in accordance with current EU rules.

Nykredit Realkredit Group Female board representation

%	Actual 2015	Target 2017
Nykredit Holding	17	25
Nykredit Realkredit	20	25
Nykredit Bank	20	25
Totalkredit	22	25

Remuneration of material risk takers

Pursuant to the Danish Financial Business Act, material risk takers are subject to special restrictions, chiefly in relation to variable remuneration. Some of these restrictions are deferral of payout over a several-year period, partial payout through bonds subject to selling restrictions instead of cash payment and the possibility that Nykredit may retain the deferred amount under special circumstances.

Members of the Board of Directors and Group Managing Directors do not receive variable remuneration, nor bonus awards. The total remuneration of the Board of Directors and the Group Executive Board appears from note 11 of this report.

The 2015 bonus provisions in respect of subsidiary managing directors and other risk takers amounted to DKK 47m compared with bonus provisions of DKK 14m for 2014. The 2015 bonus provisions corresponded to 24% of their fixed salaries.

Part of the reason for the significant increase in bonus awards for risk takers was that the number of risk takers rose by 142% from 2014 to 2015 as a result of new EU rules for identification in 2015. Moreover, Nykredit's results have improved markedly from 2014 to 2015, and as several bonus pools are linked to the financial performance of the business areas and/or attainment of strategic targets, the bonus award basis has increased accordingly.

The total remuneration of risk takers subject to variable remuneration appears from note 11 of this report. Details on bonuses to risk takers, remuneration policy and practices are available at nykredit.com/aboutnykredit.

Bonus programmes

Individual bonus programmes apply to Nykredit's top executives who report directly to the Group Executive Board and to specialists in key areas.

Special individual bonus programmes apply to some of the staff of Nykredit Markets, Nykredit Asset Management and Group Treasury who have major earnings responsibility, in line with market standards for such positions. The remuneration of these staff members is chiefly based on their job performance. The 2015 bonus provisions in respect of these staff members (excl risk takers) amounted to DKK 56m compared with bonus provisions of DKK 46m for 2014. The 2015 bonus provisions corresponded to 37% of the total salaries of these staff members.

In addition, a limited number of individual bonus programmes apply to selected staff. The 2015 bonus provisions in respect of these staff members (excl risk takers) amounted to DKK 8m compared with bonus provisions of DKK 6m for 2014. The 2015 bonus provisions corresponded to 13% of the total salaries of these staff members.

Management executives and certain senior staff members participate in an individual bonus programme with a potential bonus of up to three months' salary. The 2015 bonus provisions in respect of these staff members (excl risk takers) amounted to DKK 9m compared with bonus provisions of DKK 12m for 2014. The 2015 bonus provisions corresponded to 5% of the total salaries of these staff members.

The bonus programmes do not apply to other selected management or staff members, but they may receive an individual performance award.

For 2015, provisions of DKK 15m were made for performance awards compared with performance awards of DKK 9m for 2014. The performance award provisions for 2015 corresponded to 0.8% of the total salaries of these staff members.

The provisions for bonuses and performance awards for 2015 amounted to DKK 133m compared with total bonus and performance awards of DKK 78m for 2014. The total provisions for bonuses and performance awards for 2015 corresponded to a good 5% of total salaries.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

Nykredit regularly expands and improves its monitoring and control of risk. Risk exposure is reported on a continuous basis in all material areas such as credit risk, market risk, liquidity risk, operational risk and IT risk.

Financial reporting process

The financial reporting process is based on internal control and risk management systems, which together ensure that all relevant financial transactions are correctly reflected for accounting purposes and in financial statements. Nykredit's Management regularly reviews items in respect of which estimates may have a material impact on the value of assets and liabilities.

Group Finance, which includes the finance functions of Nykredit Realkredit, Totalkredit and Nykredit Bank, undertakes the Group's total financial reporting and is responsible for ensuring that Group financial reporting complies with policies laid down and current legislation

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

Group Finance prepares monthly internal reports and performs budget control, which includes explaining the monthly, quarterly and annual results. Group Finance is responsible for the Group's external annual and interim financial reporting.

The finance units of each subsidiary is responsible for its own reporting. Financial data and Management's comments on financial and business developments are reported monthly to Group Finance.

Control environment

Business procedures have been laid down and controls implemented for all material risk areas. Overall principles and requirements for the preparation of business procedures and an annual process for the approval of business procedures in material risk areas have been laid down at Group level.

The Executive Board is responsible for risk delineation, management and monitoring. Further, the Audit Board monitors the effectiveness of Nykredit's internal control systems, financial reporting, internal

audit and risk management. The Committees perform the current management and monitoring on behalf of the Executive Board. Other important units in connection with financial reporting are Group Credits, Middle Office, Group Treasury, Capital, Risk and Administration Services, which are responsible for the current risk and capital management, including reporting, bookkeeping and monitoring of Group activities.

Risk assessment

The risk management of the Board of Directors and the Executive Board relating to the financial reporting process may generally be summarised as follows:

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

Controls

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

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

The Executive Board has reassigned its daily control duties, and overall control is based on three functional levels:

- *Business units* – the management of each unit is responsible for identifying, assessing and handling the risks arising in connection with the performance of the unit's duties and for implementing satisfactory permanent internal controls for the handling of business operations.
- *Risk functions* – comprise a number of cross-functional areas, such as Group Credits, Group Finance, decentralised finance functions, Capital, Risk, including the Chief Risk Officer, Compliance and IT Security. These areas may be in charge of providing policies and procedures on behalf of Management. Further, they are responsible for monitoring whether policies and procedures are observed and whether internal controls performed by the business units are satisfactory.
- *Audit* – comprises internal and external audit. On the basis of an audit plan approved by the Board of Directors, Internal Audit is responsible for carrying out an independent audit of internal controls in Nykredit and performing the statutory audit of the Company's financial statements and the consolidated financial statements together with the external auditors. The internal and external auditors endorse the Company's financial statements and the consolidated financial statements and in this connection issue a long-form audit report to the Board of Directors on any matters of which the Board of Directors should be informed.

The three functional levels are to ensure:

- The value of Nykredit's assets, including efficient management of relevant risks

- Reliable internal and external reporting
- Compliance with legislation, other external rules and internal guidelines.

In connection with the preparation of financial statements, a number of fixed procedures and internal controls are performed to ensure that the financial statements provide a fair presentation in accordance with current legislation.

Communication and information

The Board of Directors has adopted an overall communication policy, which lays down the requirements for external financial reporting. Nykredit is committed to a transparent and credible business conduct – in compliance with legislation and the Stock Exchange Code of Ethics.

Internal and external financial reports are regularly submitted to Nykredit's Boards of Directors and Executive Boards. Internal reports include analyses of material matters in, for instance, Nykredit's business areas and subsidiaries.

Risk reports are submitted to the Board of Directors, the Executive Board, relevant management levels and the individual business areas and form the basis of Management's accounting estimates in the financial statements. For further information on the Group's risk and capital management, please refer to the publication Risk and Capital Management 2015, available at nykredit.com/reports.

Nykredit's Audit Board and Risk Board regularly receive reports from the Executive Board and internal/external audit on compliance with the guidelines provided, business procedures and rules.

GROUP COMPANIES

NYKREDIT HOLDING A/S

Nykredit Holding is the Parent Company of Nykredit Realkredit.

The Company's core business is the ownership of Nykredit Realkredit.

The Parent Company recorded a loss of DKK 3m excluding the profit of the subsidiary Nykredit Realkredit.

Reference is made to the Annual Report 2015 of Nykredit Holding.

NYKREDIT REALKREDIT A/S

The Parent Company Nykredit Realkredit A/S posted a profit before tax of DKK 3,745m against a profit of DKK 177m in 2014. Profit after tax was DKK 3,198m against a loss after tax of DKK 38m the year before.

Results for 2015 were mainly affected by a profit from investments in subsidiaries of DKK 3,158m against a loss of DKK 231m the year before. The decrease in impairment losses on loans and advances from DKK 1,723m in 2014 to DKK 586m in 2015 also had a positive impact on results. In 2015, goodwill was impaired by DKK 1,956m against DKK 852m in 2014. Results were also affected by lower investment portfolio income and operating costs relative to 2014.

Core income from mortgage operations increased by DKK 51m to DKK 5,337m. Gross new lending expanded by DKK 8bn to DKK 86bn in 2015, while the loan portfolio decreased by DKK 27bn to DKK 544bn in nominal terms.

Core income from securities amounted to DKK 60m against DKK 109m in 2014.

Operating costs, depreciation and amortisation excluding goodwill impairment and contribution to the Danish Resolution Fund declined 4.2% to DKK 2,507m.

Nykredit Realkredit A/S

Core earnings and investment portfolio income

DKK million	2015	2014 ¹
Core income from		
- business operations	5,337	5,286
- senior and subordinated debt	(455)	(716)
- securities	60	109
Total	4,942	4,679
Operating costs, depreciation and amortisation	2,507	2,618
Impairment of goodwill and rights	1,956	852
Contribution to Resolution Fund	60	-
Core earnings before impairment losses	419	1,209
Impairment losses on loans and advances	586	1,723
Profit (loss) from equity investments	3,158	(231)
Core earnings after impairment losses	2,991	(745)
Investment portfolio income	754	922
Profit before tax	3,745	177
Tax	547	215
Profit (loss) for the year	3,198	(38)

¹ Adjusted for goodwill impairment of DKK 852m.

Impairment losses on loans and advances fell back by DKK 1,137m to DKK 586m. Personal customers accounted for DKK 138m of impairment losses for the year, equal to 0.12% of lending. Business customers accounted for DKK 448m, equal to 0.11% of lending.

Impairment losses represented 0.11% of total loans and advances at fair value of DKK 550bn.

Impairment provisions totalled DKK 4,351m at end-2015, up DKK 81m. Individual impairment provisions stood at DKK 2,958m and collective impairment provisions at DKK 1,393m.

A profit of DKK 3,158m from investments in subsidiaries was recorded compared with a loss of DKK 231m in 2014.

Investment portfolio income was DKK 754m against DKK 922m in 2014.

Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 452m in 2015, while income from portfolio equities and equity instruments came to DKK 180m. To this should be added value adjustment of strategic equities of DKK 122m. Unlike in the Consolidated Financial Statements, strategic equities are not value adjusted against equity, but value adjustment is made against investment portfolio income in the income statement.

Profit distribution

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

For the financial year 2015, Nykredit Realkredit continued the distribution practice applied in the year before as adopted by the Board of Directors. Consequently, no series reserve funds receive any share of results for the year directly.

Equity is allocated to the individual series in compliance with statutory capital requirements and the requirements of credit rating agencies for a given rating (generally AAA). The remaining part of equity is allocated to Nykredit Realkredit In General.

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

Equity stood at DKK 66.5bn at end-2015 compared with DKK 58.6bn the year before. In addition to profit for the year of DKK 3.2bn, equity was affected by new AT1 capital of EUR 500m (DKK 3.7bn) raised in Q1/2015, which was recognised as equity for accounting and capital adequacy purposes.

It will be recommended for adoption by the Annual General Meeting that no dividends be distributed for 2015.

Capital and capital adequacy

The capital adequacy requirements governing Danish mortgage banks are laid down in Part 10 of the Danish Financial Business Act. Own funds must at any time make up at least 8% of the risk exposure amount (REA) of a mortgage bank.

At end-2015, own funds were DKK 74.1bn, corresponding to a total capital ratio of 20.1%.

The internal capital adequacy requirement (ICAAP) was 10.0% at year-end.

Additional Tier 1 capital

Pursuant to the Danish Financial Business Act, Nykredit may use Additional Tier 1 (AT1) capital to fulfil its capital requirement. Payment of interest on the issued capital is discretionary. If Nykredit should fail to fulfil the total capital requirement including Pillar II and buffers, the Danish FSA may demand that Nykredit limits/skips interest payments. Interest payments may gradually be resumed as Nykredit's capitalisation improves.

In February 2015, Nykredit Realkredit issued AT1 capital of EUR 500m (DKK 3.7bn). The notes are perpetual, and payment of principal and interest is discretionary, for which reason the issue is treated as equity for accounting purposes.

Nykredit Realkredit A/S Capital and capital adequacy

DKK million	2015	2014
Equity, incl new AT1 capital (end-2014 adjusted for goodwill impairment)	65,460	58,650
AT1 capital	(3,774)	-
CET1 capital deductions	(1,038)	(2,669)
CET1 capital	60,648	(55,981)
AT1 capital	3,731	6,699
AT1 capital deductions	(541)	(765)
Tier 1 capital	63,838	61,915
Tier 2 capital	10,821	4,466
Tier 2 capital deductions	(530)	(751)
Own funds	74,129	65,630
CET1 capital ratio, %	16.5	14.7
Tier 1 capital ratio, %	17.3	16.2
Total capital ratio, %	20.1	17.2

Nykredit Realkredit A/S Required own funds and capital adequacy requirement

DKK million	2015	2014
Credit risk	27,106	27,901
Market risk	1,392	1,741
Operational risk	901	776
Total Pillar I	29,399	30,418
Total Pillar II	7,325	7,421
Required own funds	36,724	37,839
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.0	10.0

TOTALKREDIT A/S

Totalkredit recorded a profit before tax of DKK 1,961m against DKK 1,932m in 2014. Profit after tax came to DKK 1,500m against DKK 1,458m in 2014.

Results included a rise of DKK 164m, or 6%, in core income from business operations, a decline of DKK 64m in expenses relating to senior secured debt (junior covered bonds), an increase of DKK 159m in operating costs and a rise of DKK 40m in impairment losses on loans and advances.

Investment portfolio income grew by DKK 22m to DKK 147m.

Core income from securities and expenses relating to subordinated debt was a loss of DKK 30m compared with a loss of DKK 8m in 2014.

Operating costs, depreciation and amortisation were DKK 548m against DKK 388m in 2014. The expected rise was chiefly the result of higher IT expenses as well as increased intercompany settlements, as Totalkredit accounts for an increasing proportion of the Group's overall activities, which are increasingly performed by the Parent Company, Nykredit Realkredit A/S.

Impairment losses on loans and advances amounted to DKK 446m against DKK 406m in 2014.

Individual impairment provisions improved by DKK 69m from DKK 416m in 2014 to DKK 347m in 2015.

Totalkredit
Core earnings and investment portfolio income

DKK million	2015	2014
Core income from		
- business operations	2,993	2,829
- senior debt	(156)	(220)
- securities and subordinated debt	(30)	(8)
Total	2,807	2,601
Operating costs, depreciation and amortisation	548	388
Core earnings before impairment losses	2,259	2,213
Impairment losses on loans and advances	446	406
Core earnings after impairment losses	1,813	1,807
Investment portfolio income	147	125
Profit before tax	1,961	1,932
Tax	461	474
Profit for the year	1,500	1,458

Totalkredit
Summary balance sheet, year-end

DKK million	2015	2014
Mortgage loans at fair value	570,443	555,777
Bonds and equities	62,843	91,795
Bonds in issue, Totalkredit	18,368	36,229
Bonds in issue, Nykredit Realkredit	593,396	590,605
Subordinated debt	2,000	3,100
Equity	18,613	17,113
Total assets	651,517	674,753

Conversely, collective impairment provisions increased by DKK 109m, which should be seen in the context of an impairment gain of DKK 11m in 2014 and an impairment loss of DKK 98m in 2015.

An important reason for the rise in collective impairment provisions was higher provisions prompted by the general uncertainty as to the effect of expiring interest-only periods in the years to come when higher mortgage payments may adversely affect the financial situation of some customers. Also, provisions were made in 2015 to cover potentially higher losses on properties with low marketability.

Totalkredit's business concept is based on partner banks being responsible for customer services and for hedging risk relating to the loan portfolio.

Risk relating to Totalkredit is hedged by agreement with the partner banks. Under the agreement, incurred 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.

Accordingly, the company has offset DKK 277m against commission for the year payable to the partner banks compared with DKK 270m in 2014. The amount has been recognised in "Impairment losses on loans and advances".

Equity stood at DKK 18,613m at end-2015 compared with DKK 17,113m the year before.

Own funds were DKK 20,711m at end-2015, corresponding to a total capital ratio of 23.5% against 20.9% at end-2014.

The internal capital adequacy requirement (ICAAP) was 11.3% at year-end.

Reference is made to the Annual Report 2015 of Totalkredit A/S.

THE NYKREDIT BANK GROUP

The Group recorded a profit before tax of DKK 2,010m against a loss of DKK 2,371m in 2014. Excluding value adjustment of interest rate swaps, profit before tax for the year went up by DKK 608m from DKK 992m in 2014 to DKK 1,600m.

The underlying performance was positive, with core income from business operations up by DKK 187m, or 6%, to DKK 3,360m. Operating costs fell by DKK 120m, and impairment losses on loans and advances improved by DKK 340m. Together, these items improved by DKK 647m on 2014.

Value adjustment of interest rate swaps was a gain of DKK 410m in 2015 compared with a loss of DKK 3,362m in 2014. The value adjustment should be seen in the context of the Group's provisions for potential future losses. The provisions mainly cover legal and financial risk associated with the cooperative housing segment.

Core income from securities amounted to DKK 8m against DKK 29m in 2014.

Operating costs, depreciation and amortisation declined by DKK 120m, or 6%, to DKK 1,915m against DKK 2,035m in 2014. Further, a goodwill impairment charge of DKK 9m was recorded in 2015.

Impairment losses on loans and advances improved by DKK 340m relative to the year before as a gain of DKK 121m was recorded in 2015 against a loss of DKK 219m in 2014. The improvement was attributable to reductions in loan impairment losses of DKK 23m in Retail, DKK 313m in Wholesale (Wholesale Clients) and DKK 4m in Group Items.

Investment portfolio income was DKK 35m in 2015 against DKK 43m the year before.

Tax for the year was an expense of DKK 468m against a gain of DKK 599m in 2014.

Equity stood at DKK 16,117m at end-2015 compared with DKK 12,575m the year before. In addition to profit for the year, equity was increased by a share capital contribution of DKK 2,000m from the Parent Company Nykredit Realkredit A/S in February 2015.

The Nykredit Bank Group's own funds were DKK 16,144m at end-2015, corresponding to a total capital ratio of 21.1% against 13.1% at end-2014.

The internal capital adequacy requirement (ICAAP) was 12.0% at year-end against 11.7% at end-2014.

Reference is made to the Annual Report 2015 of the Nykredit Bank Group.

Nykredit Bank Group Core earnings and investment portfolio income

DKK million	2015	2014
Core income from		
- business operations	3,360	3,173
- value adjustment of derivatives due to interest rate changes	685	(1,229)
- other value adjustment of derivatives	(275)	(2,133)
- securities	8	29
Total	3,778	(160)
Operating costs, depreciation and amortisation	1,915	2,035
Goodwill impairment	9	-
Core earnings before impairment losses	1,854	(2,195)
Impairment losses on loans and advances	(121)	219
Core earnings after impairment losses	1,975	(2,414)
Investment portfolio income	35	43
Profit (loss) before tax	2,010	(2,371)
Tax	468	(599)
Profit (loss) for the year	1,542	(1,772)

Nykredit Bank Group Summary balance sheet, year-end

DKK million	2015	2014
Loans and advances	86,214	85,722
Bonds and equities	40,412	65,314
Payables to credit institutions and central banks	34,956	63,876
Deposits	62,758	65,350
Equity	16,117	12,575
Total assets	174,339	229,883

NYKREDIT MÆGLER A/S

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

At end-2015, the agency network comprised 319 estate agencies, of which 244 Nybolig agencies and 75 Estate agencies.

Compared with 2014, the real estate market trended higher in 2015, both in terms of transaction volumes and sales prices, but the trend was characterised by regional variation. The Nykredit Mægler franchisees recorded more property transactions in 2015 than expected.

Nykredit Mægler recorded a profit after tax of DKK 45m against a profit of DKK 35m in 2014.

Equity stood at DKK 144m at end-2015 compared with DKK 134m the year before. In addition to profit for the year, equity was affected by dividend distribution of DKK 35m in 2015.

NYKREDIT EJENDOMME A/S

Nykredit Ejendomme's core business is the letting of some of the commercial properties from which Nykredit operates.

The company posted a profit after tax of DKK 47m in 2015 against DKK 27m the year before. Profit for 2014 included impairment losses on properties of DKK 25m.

Equity stood at DKK 510m at end-2015 compared with DKK 449m the year before. In addition to profit for the year, equity was affected by revaluation of properties of DKK 15m taken directly to equity.

THE EJENDOMSSELSKABET KALVEBOD GROUP

The core business of the company is to temporarily own and manage non-performing exposures, directly or indirectly through subsidiaries, on behalf of the companies of Nykredit.

The company posted a profit after tax of DKK 24m in 2015 against DKK 21m in 2014.

At end-2015, the property portfolio of Ejendomsselskabet Kalvebod totalled DKK 244m.

Equity stood at DKK 209m at end-2015 compared with DKK 185m the year before.

Nykredit Mægler

DKK million	2015	2014
Profit for the year	45	35
Total assets	184	160
Equity	144	134

Nykredit Ejendomme

DKK million	2015	2014
Profit for the year	47	27
Land and buildings	1,438	1,467
Total assets	1,475	1,497
Equity	510	449

Ejendomsselskabet Kalvebod

DKK million	2015	2014
Profit for the year	24	21
Investment properties	244	283
Total assets	300	323
Equity	209	185

MANAGEMENT STATEMENT AND AUDIT REPORTS

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

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report 2015 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements and the Management's Review have been prepared in accordance with the Danish Financial Business Act.

We are of the opinion that the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2015 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 2015.

We are furthermore of the opinion that the Management's Review gives a fair review of the development in the operations and financial circumstances of the Group and the Company as well as a description of the material risk and uncertainty factors which may affect the Group and the Company.

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

Copenhagen, 11 February 2016

Executive Board

Michael Rasmussen
Group Chief Executive

Kim Duus
Group Managing Director

Søren Holm
Group Managing Director

Anders Jensen
Group Managing Director

Bente Overgaard
Group Managing Director

Board of Directors

Steen E. Christensen
Chairman

Hans Bang-Hansen
Deputy Chairman

Steffen Kragh
Deputy Chairman

Michael Demsitz

Merete Eldrup

Marlene Holm*

Allan Kristiansen*

Bent Naur

Ina Nielsen*

Anders C. Obel

Erling Bech Poulsen

Lars Peter Skaarup*

Nina Smith

Jens Erik Udsen

Leif Vinther*

* Staff-elected

INTERNAL AUDITORS' REPORT

Report on the Consolidated Financial Statements and the Financial Statements

We have audited the Consolidated Financial Statements and the Financial Statements of Nykredit Realkredit A/S for the financial year 1 January – 31 December 2015. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and the International Standards on Auditing. This requires us to plan and perform the audit to obtain reasonable assurance that the Consolidated Financial Statements and the Financial Statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the business procedures and internal control established, including the risk management organised by Management relevant to the Group's and the Company's reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2015 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2015 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Financial Statements.

Statement on the Management's Review

We have read the Management's Review pursuant to the Danish Financial Business Act. We have performed no further procedures in addition to the audit of the Consolidated Financial Statements and the Financial Statements.

On this basis, it is our opinion that the information in the Management's Review is consistent with the Consolidated Financial Statements and the Financial Statements.

Copenhagen, 11 February 2016

Claus Okholm
Chief Audit Executive

Kim Stormly Hansen
Deputy Chief Audit Executive

INDEPENDENT AUDITORS' REPORT

To the shareholder of Nykredit Realkredit A/S

Report on the Consolidated Financial Statements and the Financial Statements

We have audited the Consolidated Financial Statements and the Financial Statements of Nykredit Realkredit A/S for the financial year 1 January – 31 December 2015, comprising income statements, statements of comprehensive income, balance sheets, statement of changes in equity and notes, including the Group's and the Company's accounting policies as well as the Group's cash flow statement. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the Consolidated Financial Statements and the Financial Statements

Management is responsible for the preparation and fair presentation of Consolidated Financial Statements in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds as well as for the preparation and fair presentation of Financial Statements in accordance with the Danish Financial Business Act. Management is also responsible for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in Danish audit legislation. This requires us to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance that the Consolidated Financial Statements and the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence for the amounts and disclosures in the Consolidated Financial Statements and the Financial Statements. The audit procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of Consolidated Financial Statements and Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes assessing the appropriateness of the accounting policies adopted by Management, the reasonableness of the accounting estimates made by Management and the overall presentation of the Consolidated Financial Statements and the Financial Statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2015 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2015 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Financial Statements.

Statement on the Management's Review

We have read the Management's Review pursuant to the Danish Financial Business Act. We have performed no further procedures in addition to the audit of the Consolidated Financial Statements and the Financial Statements.

On this basis, it is our opinion that the information in the Management's Review is consistent with the Consolidated Financial Statements and the Financial Statements.

Copenhagen, 11 February 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no: 33 96 35 56

Anders O. Gjelstrup
State-Authorised Public Accountant

Thomas Hjortkjær Petersen
State-Authorised Public Accountant

Income statements for 1 January – 31 December

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group		
2014	2015		Note	2015	2014
28,711	25,577	Interest income	5	32,722	36,655
-	(11)	Negative interest (expense)	5A	(31)	-
24,262	20,549	Interest expenses	6	20,815	25,301
4,449	5,017	NET INTEREST INCOME		11,877	11,353
55	100	Dividend on equities	7	104	82
855	977	Fee and commission income	8	2,498	2,167
130	176	Fee and commission expenses	9	2,697	2,115
5,229	5,918	NET INTEREST AND FEE INCOME		11,783	11,486
359	(235)	Value adjustments	10	652	(3,557)
8	5	Other operating income		194	185
2,389	2,268	Staff and administrative expenses	11	4,658	4,715
1,026	2,134	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	12	2,185	1,087
55	122	Other operating expenses		188	154
1,723	586	Impairment losses on loans, advances and receivables	13	920	2,351
(225)	3,165	Profit (loss) from investments in associates and Group enterprises	14	8	6
177	3,744	PROFIT (LOSS) BEFORE TAX		4,685	(186)
215	547	Tax	15	1,494	90
(38)	3,198	PROFIT (LOSS) FOR THE YEAR		3,191	(276)
		DISTRIBUTION OF PROFIT (LOSS) FOR THE YEAR			
(38)	3,000	Shareholder of Nykredit Realkredit A/S		2,994	(276)
-	197	Holders of Additional Tier 1 capital		197	-
(38)	3,198	PROFIT (LOSS) FOR THE YEAR		3,191	(276)
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT (LOSS)			
(225)	3,165	Statutory reserves			
188	(165)	Retained earnings			
-	197	Additional Tier 1 capital			

Statements of comprehensive income for 1 January – 31 December

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
(38)	3,198	PROFIT (LOSS) FOR THE YEAR	3,191 (276)
		OTHER COMPREHENSIVE INCOME	
		ITEMS THAT CANNOT BE RECLASSIFIED TO PROFIT OR LOSS:	
22	10	Actuarial gains/losses on defined benefit plans	10 22
-	-	Fair value adjustment of owner-occupied properties	17 (67)
-	-	Tax on fair value adjustment of owner-occupied properties	(2) 13
(53)	15	Share of comprehensive income in associates and Group enterprises	- -
(32)	25	Total items that cannot be reclassified to profit or loss	25 (32)
		ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:	
-	-	Fair value adjustment of equities available for sale	122 258
-	-	Tax on fair value adjustment of equities available for sale	(13) (19)
-	-	Realised value adjustment of equities available for sale reclassified to profit or loss	(103) -
-	-	Total items that may be reclassified to profit or loss	7 238
(32)	25	OTHER COMPREHENSIVE INCOME	32 207
(69)	3,222	COMPREHENSIVE INCOME FOR THE YEAR	3,222 (69)
		DISTRIBUTION OF COMPREHENSIVE INCOME	
(69)	3,025	Shareholder of Nykredit Realkredit A/S	3,025 (69)
-	197	Holder of Additional Tier 1 capital notes	197 -
(69)	3,222	COMPREHENSIVE INCOME FOR THE YEAR	3,222 (69)

Balance sheets, year-end

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
2014	2015		Note	2015	2014
ASSETS					
227	351	Cash balances and demand deposits with central banks		3,095	4,644
29,570	18,210	Receivables from credit institutions and central banks	16	20,158	37,644
1,192,558	1,156,122	Loans, advances and other receivables at fair value	17	1,158,926	1,172,805
448	263	Loans, advances and other receivables at amortised cost	18	47,036	50,958
47,745	56,053	Bonds at fair value	19	106,200	127,972
Equities					
3,069	3,733	Equities measured at fair value through profit or loss		1,979	1,376
-	-	Equities available for sale		2,115	2,035
3,069	3,733	Total	20	4,094	3,411
119	122	Investments in associates	21	124	123
30,456	35,594	Investments in Group enterprises	22	-	-
2,175	217	Intangible assets	23	271	2,252
Land and buildings					
-	-	Investment properties		244	283
16	16	Owner-occupied properties		1,460	1,484
16	16	Total	24	1,704	1,767
235	204	Other property, plant and equipment	25	235	273
13	0	Current tax assets	35	0	632
126	103	Deferred tax assets	34	103	128
476	396	Assets in temporary possession	26	451	552
14,642	10,884	Other assets	27	41,171	53,914
190	191	Prepayments		221	226
1,322,066	1,282,458	TOTAL ASSETS		1,383,789	1,457,301

Balance sheets, year-end

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
2014	2015		Note	2015	2014
LIABILITIES AND EQUITY					
22,811	17,724	Payables to credit institutions and central banks	28	30,226	44,863
-	-	Deposits and other payables	29	62,599	65,232
1,204,487	1,169,616	Bonds in issue at fair value	30	1,137,314	1,167,163
3,826	3,795	Bonds in issue at amortised cost	31	23,945	29,457
1,188	427	Other non-derivative financial liabilities at fair value	32	10,126	18,451
-	16	Current tax liabilities	35	142	146
-	-	Liabilities temporarily assumed		29	29
19,268	14,124	Other liabilities	33	42,305	61,161
-	-	Deferred income		7	3
1,251,580	1,205,701	Total payables		1,306,692	1,386,506
Provisions					
198	169	Provisions for pensions and similar obligations	36	175	203
126	70	Provisions for deferred tax	34	123	198
74	63	Repayable reserves in pre-1972 series	37	63	74
-	-	Provisions for losses under guarantees	38	100	107
87	88	Other provisions	39	169	169
485	390	Total provisions		630	751
11,350	10,907	Subordinated debt	40	11,006	11,394
Equity					
1,182	1,182	Share capital		1,182	1,182
Accumulated changes in value					
2	1	- revaluation reserves		160	151
-	-	- value adjustment of equities available for sale		648	641
Other reserves					
3,147	6,288	- statutory reserves		-	-
30,975	26,787	- series reserves		26,787	30,975
23,344	27,427	Retained earnings		32,909	25,701
58,650	61,686	Shareholder of Nykredit Realkredit A/S		61,686	58,650
-	3,774	Holders of Additional Tier 1 capital		3,774	-
58,650	65,460	Total equity		65,460	58,650
1,322,066	1,282,458	TOTAL LIABILITIES AND EQUITY		1,383,789	1,457,301
OFF-BALANCE SHEET ITEMS					
-	-	Contingent liabilities	41	6,942	7,546
1,121	1,197	Other commitments		6,637	5,843
1,121	1,197	TOTAL		13,579	13,389

Statement of changes in equity for 1 January – 31 December

DKK million

Nykredit Realkredit A/S

	Share capital ¹	Revaluation reserves	Statutory reserves ²	Series reserves	Retained earnings	Total, shareholder of Nykredit Realkredit A/S	Additional Tier 1 capital ³	Total
2015								
Equity, 1 January, before goodwill impairment	1,182	2	3,147	30,975	24,197	59,502	-	59,502
Impairment of goodwill relating to the acquisition of Forstædernes Bank A/S	-	-	-	-	(852)	(852)	-	(852)
Equity, 1 January, as restated	1,182	2	3,147	30,975	23,344	58,650	-	58,650
Profit (loss) for the year	-	-	3,165	-	(165)	3,000	197	3,198
Total other comprehensive income	-	-	15	-	10	25	-	25
Total comprehensive income for the year	-	-	3,180	-	(155)	3,025	197	3,222
Transactions with holders								
Issuance of Additional Tier 1 capital	-	-	-	-	-	-	3,731	3,731
Net transaction costs	-	-	-	-	(39)	(39)	-	(39)
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(154)	(154)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	(0)	(0)	0	-
Tax	-	-	-	-	48	48	-	48
Dividend from associates	-	-	(4)	-	4	-	-	-
Dividend from Group enterprises	-	-	(35)	-	35	-	-	-
Realised from the sale of properties	-	(1)	-	-	1	-	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	(4,188)	4,188	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	2	2	-	2
Other adjustments	-	-	-	(0)	0	-	-	-
Equity, 31 December	1,182	1	6,288	26,787	27,427	61,686	3,774	65,460

¹ 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.

² The item relates to a transfer to reserves for net revaluation according to the equity method. The item includes a non-distributable reserve fund of DKK 1,646m in Totalkredit. The reserves are non-distributable.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the bonds are consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500m (nominal) of AT1 capital, which may be redeemed from 26 October 2020. The AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7.125%, the AT1 capital will be written down.

Dividend policy

Nykredit Realkredit does not have a formal dividend policy, and any dividend distribution is decided based on a specific assessment. In 2007, 2010, 2011 and 2012, Nykredit Realkredit distributed total dividend of DKK 1,150m as part of an overall dividend strategy, which among other things meant that dividend distributed to Nykredit Holding was redistributed to the shareholders of this company.

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2015.

Statement of changes in equity for 1 January – 31 December

DKK million

Nykredit Realkredit A/S

	Share capital ¹	Revaluation reserves	Statutory reserves ²	Series reserves	Retained earnings	Additional Tier 1 capital ³	Total equity
2014							
Equity, 1 January	1,182	2	3,554	32,402	21,576	-	58,716
Profit (loss) for the year before goodwill impairment	-	-	(225)	-	1,040	-	815
Impairment of goodwill relating to the acquisition of Forstædernes Bank A/S	-	-	-	-	(852)	-	(852)
Profit (loss) for the year, as restated	-	-	(225)	-	188	-	(37)
Total other comprehensive income	-	-	(53)	-	22	-	(32)
Total comprehensive income for the year	-	-	(279)	-	210	-	(69)
Dividend from associates	-	-	(4)	-	4	-	-
Dividend from Group enterprises	-	-	(125)	-	125	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	(1,427)	1,427	-	-
Transferred from provisions – pre-1972 series	-	-	-	(0)	3	-	3
Equity, 31 December	1,182	2	3,147	30,975	23,344	-	58,650

¹ 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.

² The item relates to a transfer to reserves for net revaluation according to the equity method. The item includes a non-distributable reserve fund of DKK 1,646m in Totalkredit. The reserves are non-distributable.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the bonds are consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500m (nominal) of AT1 capital, which may be redeemed from 26 October 2020. The AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7.125%, the AT1 capital will be written down.

Dividend policy

Nykredit Realkredit does not have a formal dividend policy, and any dividend distribution is decided based on a specific assessment. In 2007, 2010, 2011 and 2012, Nykredit Realkredit distributed total dividend of DKK 1,150m as part of an overall dividend strategy, which among other things meant that dividend distributed to Nykredit Holding was redistributed to the shareholders of this company.

Statement of changes in equity for 1 January – 31 December

DKK million

Nykredit Realkredit Group

	Share capital ¹	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Retained earnings	Total, shareholder of Nykredit Realkredit A/S	Additional Tier 1 capital ²	Total equity
2015								
Equity, 1 January, before goodwill impairment	1,182	151	641	30,975	26,553	59,502	-	59,502
Impairment of goodwill relating to the acquisition of Forstædernes Bank A/S	-	-	-	-	(852)	(852)	-	(852)
Equity, 1 January, as restated	1,182	151	641	30,975	25,701	58,650	-	58,650
Profit for the year	-	-	-	-	2,994	2,994	197	3,191
Total other comprehensive income	-	15	7	-	10	32	-	32
Total comprehensive income for the year	-	15	7	-	3,003	3,025	197	3,222
Transactions with holders of Additional Tier 1 capital								
Issuance of Additional Tier 1 capital	-	-	-	-	-	-	3,731	3,731
Net transaction costs	-	-	-	-	(39)	(39)	-	(39)
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(154)	(154)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	(0)	(0)	0	-
Tax	-	-	-	-	48	48	-	48
Realised from the sale of properties	-	(6)	-	-	6	-	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	(4,188)	4,188	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	(0)	3	2	-	2
Equity, 31 December	1,182	160	648	26,787	32,909	61,686	3,774	65,460

¹ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500m (nominal) of AT1 capital, which may be redeemed from 26 October 2020. The AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7.125%, the AT1 capital will be written down.

Statement of changes in equity for 1 January – 31 December

DKK million

Nykredit Realkredit Group

	Share capital	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Retained earnings	Total equity
2014						
Equity, 1 January	1,182	205	403	32,402	24,525	58,716
Profit for the year before goodwill impairment	-	-	-	-	576	576
Impairment of goodwill relating to the acquisition of Forstædernes Bank A/S	-	-	-	-	(852)	(852)
Loss for the year, as restated	-	-	-	-	(276)	(276)
Total other comprehensive income	-	(53)	238	-	22	207
Total comprehensive income for the year	-	(53)	238	-	(254)	(69)
Adjustment pursuant to capital adequacy rules	-	-	-	(1,427)	1,427	-
Transferred from provisions – pre-1972 series	-	-	-	(0)	3	3
Other adjustments	-	(1)	-	-	1	-
Equity, 31 December	1,182	151	641	30,975	25,701	58,650

¹ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500m (nominal) of AT1 capital, which may be redeemed from 26 October 2020. The AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7.125%, the AT1 capital will be written down.

Cash flow statement for 1 January – 31 December

DKK million

	Nykredit Realkredit Group 2015	2014
Profit (loss) for the year	3,191	(276)
Non-cash operating items		
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	2,185	1,087
Profit from investments in associates	(8)	(6)
Impairment losses on loans, advances and receivables	920	2,351
Prepayments/deferred income, net	9	7
Tax calculated on profit (loss) for the year	1,494	90
Other adjustments	(473)	148
Total	4,126	3,676
Profit for the year adjusted for non-cash operating items	7,317	3,400
Change in working capital		
Loans, advances and other receivables	16,882	15,092
Deposits and payables to credit institutions	(17,271)	530
Bonds in issue	(35,361)	36,326
Other working capital	(14,460)	(10,730)
Total	(50,211)	41,218
Corporation tax paid, net	(883)	(467)
Cash flows from operating activities	(43,777)	44,151
Cash flows from investing activities		
Divestment of associates	1	-
Dividend received from associates	5	4
Purchase and sale of bonds and equities, net	21,089	(38,422)
Purchase of intangible assets	(87)	(133)
Purchase of property, plant and equipment	(350)	(54)
Sale of property, plant and equipment	344	313
Total	21,003	(38,292)
Cash flows from financing activities		
Issuance of subordinated debt	6,312	4,442
Redemption of subordinated debt	(6,699)	(3,872)
Issuance of Additional Tier 1 capital recognised in equity	3,731	-
Purchase and sale of self-issued subordinated debt instruments	55	(37)
Total	3,399	533
Total cash flows for the year	(19,374)	6,392
Cash and cash equivalents, beginning of year	42,288	35,758
Foreign currency translation adjustment of cash	339	138
Cash and cash equivalents, year-end	23,253	42,288
Cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	3,095	4,644
Receivables from credit institutions and central banks	20,158	37,644
Total	23,253	42,288

Notes

LIST OF NOTES

No	Note	Page
1.	Accounting policies	62
2.	Capital and capital adequacy	73
3.	Core earnings and investment portfolio income	76
4.	Business areas	77
5.	Interest income	80
5A.	Negative interest (expense)	80
6.	Interest expenses	81
7.	Dividend on equities	81
8.	Fee and commission income	81
9.	Fee and commission expenses	81
10.	Value adjustments	82
11.	Staff and administrative expenses	82
12.	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	86
13.	Impairment losses on loans, advances and receivables	87
14.	Profit (loss) from investments in associates and Group enterprises	88
15.	Tax	89
16.	Receivables from credit institutions and central banks	90
17.	Loans, advances and other receivables at fair value	90
18.	Loans, advances and other receivables at amortised cost	92
19.	Bonds at fair value	94
20.	Equities	95
21.	Investments in associates	95
22.	Investments in Group enterprises	96
23.	Intangible assets	96
24.	Land and buildings	99
25.	Other property, plant and equipment	101
26.	Assets in temporary possession	101
27.	Other assets	101
28.	Payables to credit institutions and central banks	104
29.	Deposits and other payables	104
30.	Bonds in issue at fair value	104
31.	Bonds in issue at amortised cost	106
32.	Other non-derivative financial liabilities at fair value	107
33.	Other liabilities	107
34.	Provisions for deferred tax/deferred tax assets	108
35.	Current tax assets and liabilities	108
36.	Provisions for pensions and similar obligations	109
37.	Repayable reserves in pre-1972 series	109
38.	Provisions for losses under guarantees	109
39.	Other provisions	109
40.	Subordinated debt	110
41.	Off-balance sheet items	111
42.	Related party transactions and balances	113
43.	Fair value disclosures	116
44.	Derivative financial instruments	121
45.	Repo transactions/reverse repurchase lending	123
46.	Risk management	124
47.	Hedge accounting	136
48.	Currency exposure	137
49.	Other information	138
50.	Financial ratios, definitions	139
51.	Five-year financial highlights	140
52.	Group structure	142

Notes

1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements are furthermore prepared in accordance with additional Danish disclosure requirements for annual reports as stated in the IFRS Executive Order governing financial companies issued pursuant to the Danish Financial Business Act and formulated by Nasdaq Copenhagen for issuers of listed bonds.

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

Impairment of goodwill relating to the acquisition of Forstædernes Bank A/S – correction to Financial Statements 2014

The Danish Financial Supervisory Authority (FSA) has performed a partial review of Nykredit Realkredit's Financial Statements 2014, with special focus on the carrying amount of goodwill. According to the FSA, their review showed that goodwill was overvalued by DKK 852m in Nykredit Realkredit's Financial Statements 2014. As a result, a few items have been adjusted retrospectively for the financial year 2014. These items have been corrected by DKK 852m, cf the table below. The corrections have been included in the comparative figures for 2014 in this Annual Report 2015.

Change in the presentation of business areas

The presentation of the Group's business areas has been changed as Nykredit Leasing A/S was transferred from Wholesale Clients to Retail in Q4/2015. The income and costs of Nykredit Leasing A/S which stem from activities performed in Wholesale Clients are allocated to Wholesale Clients. For 2015, this change resulted in the allocation of pre-tax profit of some 74m (2014: DKK 42m) from Wholesale Clients to Retail.

In 2015, a number of expenses, including IT expenses and management-related costs were allocated to the business areas Retail, Totalkredit Partners and Wholesale Clients as opposed to previously when these expenses were allocated to Group Items. In 2015 the expenses totalled DKK 579m (2014: DKK 655m).

The changes did not affect Nykredit Realkredit's or the Nykredit Realkredit Group's results, comprehensive income, balance sheet or equity.

Comparative figures have been restated. Reference is made to note 4 of the Financial Statements.

The accounting policies are otherwise unchanged compared with the Annual Report for 2014.

For a better overview and to reduce the amount of note disclosures where figures and qualitative disclosures are considered of insignificant importance to the financial statements, certain disclosures have been excluded.

New and amended standards and interpretations

Implementation of new or amended standards and interpretations in force and effective for financial years beginning on 1 January 2015:

Annual improvements to IFRS 2011-2013 (minor amendments to a number of standards as a result of the IASB's annual improvements) (effective from 1 January 2015).

Reporting standards and interpretations not yet in force

At the time of presentation of the Annual Report, a number of new or amended standards and interpretations had not yet entered into force and/or had not been approved for use in the EU or were not effective for the financial year beginning on 1 January 2015.

IAS 19 "Employee Benefits" (specification of standard) (effective from 1 February 2015).

Annual improvements to IFRS 2010-2012 (minor amendments to a number of standards as a result of the IASB's annual improvements) (effective from 1 February 2015).

Restatement of goodwill impairment in the Financial Statements 2014

DKK million	Nykredit Realkredit A/S		Nykredit Realkredit Group	
	Initial 2014	Restated 2014	Initial 2014	Restated 2014
Income statement				
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	174	1,026	234	1,087
Profit (loss) before tax	1,030	177	666	(186)
Profit (loss) after tax	815	(38)	576	(276)
Comprehensive income	783	(69)	783	(69)
Balance sheet				
Intangible assets	3,027	2,175	3,104	2,252
Balance sheet total	1,322,918	1,322,066	1,458,153	1,457,301
Equity	59,502	58,650	59,502	58,650

IFRS 14 "Regulatory Deferral Accounts" (new standard) (not approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (amendment to standard) (approved for use in the EU, expected to be effective from 1 January 2016).

IAS 27 "Equity Method in Separate Financial Statements" (amendment to standard) (approved for use in the EU, effective from 1 January 2016).

Annual improvements to IFRS 2012-2014 (minor amendments to a number of standards as a result of the IASB's annual improvements) (approved for use in the EU, effective from 1 January 2016).

IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (amendment to standards) (not approved for use in the EU, the coming into effect has been postponed).

IAS 1 "Presentation of Financial Statements" (amendment to standard) (approved for use in the EU, effective from 1 January 2016).

IFRS 10, IFRS 12 and IAS 28 "Consolidated Financial Statements", "Disclosure of Interest in Other Entities" and "Investments in Associates and Joint Ventures" (amendment to standards) (not approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 15 "Revenue from Contracts with Customers" (new standard) (not approved for use in the EU, expected to be effective for financial years beginning on 1 January 2018 or later).

IFRS 9 "Financial Instruments" (financial assets (November 2009) and financial liabilities (October 2010) (new standard) (not approved for use in the EU, expected to be effective for financial years beginning on 1 January 2018 or later).

In July 2014, the IASB issued the final IFRS 9 "Financial Instruments". Among other things, the standard includes new provisions governing "classification and measurement of financial assets", "impairment of financial assets" and "hedge accounting".

For Nykredit, an important feature of IFRS 9 is the new principles for calculation of impairment of loans, advances and receivables measured at amortised cost. According to IFRS 9, measurement must be based on an expected loss principle whereas the method of the current IAS 39 is based on objective evidence of impairment (OEI).

Compared with the current standard, IFRS 9 implies earlier recognition of impairment of loans and advances at amortised cost as impairment must be recognised for 12 months' expected losses already at the time of initial recognition.

In the event of later significant changes to loan loss probability, recognition of full-life expected losses may be required in certain circumstances. The standard thus implies earlier recognition of impairment and consequently higher total impairment provisions at the time of implementation. The effect on total impairment provisions is recognised directly in equity at the time of implementation.

A number of analyses, calculations and assessments of the effect on Nykredit's impairments still need to be performed. Due to significant uncertainty about the interpretation itself and the choice of model, etc, we do not consider it possible to estimate the effect on a sufficiently qualified basis.

IFRS 9 provisions on impairment of loans and advances do not include loans, nor mortgage loans, measured at fair value and are therefore not currently expected to result in any significant changes to the process or method of valuation of this loan category.

In Management's view, the implementation of the above standards and amendments to standards will have only a modest impact on the Annual Report, except for the implementation of IFRS 9 the impact of which had not been finally quantified before the presentation of Nykredit's Financial Statements.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

The preparation of the Consolidated Financial Statements involves the use of informed accounting estimates. These estimates and assessments are made by Nykredit's Management in accordance with accounting policies based on past experience and an assessment of future conditions.

Accounting estimates and assumptions are tested and assessed regularly. The estimates and assessments applied are based on assumptions which Management considers reasonable and realistic, but which are inherently uncertain and unpredictable.

Areas implying a high degree of assessment or complexity or areas in which assumptions and estimates are material to the financial statements are:

Determination of the fair value of certain financial instruments

Note 43 specifies the methods applied to determine the carrying amounts and the specific uncertainties related to the measurement of financial instruments at fair value.

The fair value measurement of unlisted derivative financial instruments involves significant estimates and assessments in connection with the choice of calculation methods and valuation and estimation techniques.

The fair value determination of financial instruments for which no listed prices in an active market or observable data are available implies the use of significant estimates and assessments in connection with the choice of credit spread, maturity and extrapolation of each instrument.

Based on level 2 or level 3 of the fair value hierarchy, the fair value of financial assets was 86.8% and 0.2%, respectively, and the fair value of financial liabilities was 4.3% and 0.0%, respectively, at end-2015.

Measurement of loans and advances – impairments

Impairment of loans and advances involves significant estimates and assessments in the quantification of the risk of not receiving all future payments. If it can be established that not all future payments will be received, the determination of the time and amount of the expected payments is subject to significant estimates and assessments.

Furthermore, realisable values of security received and expected dividend payments from bankrupt estates are subject to a number of estimates. Reference is made to "Provisions for loan and receivable impairment" below for a detailed description. Loans and advances made up 87% of the Group's assets at end-2015.

Measurement of goodwill

Purchased goodwill is subject to an ongoing impairment test in which the assessment of the future earning capacity of the companies is based on significant estimates. Reference is made to note 23 for a detailed description of the parameters of the impairment test and sensitivity to changes in relevant parameters. Goodwill was impaired in 2015 and the carrying amount thus came to DKK 14m at year-end compared with DKK 1,930m at end-2014.

Investment and owner-occupied properties

After initial recognition, investment and owner-occupied properties are measured at fair value or at a reassessed value when measurement is subject to significant estimates as regards determination of the discount rate and market rent, which are some of the elements forming part of the fair value measurement. Investment and owner-occupied properties made up DKK 1.704m, or 0.1%, of the Group's assets at end-2015.

Provisions for losses under guarantees

Provisions for losses under guarantees are subject to significant estimates where the determination of the extent to which a guarantee will become effective upon the financial collapse of the guarantee applicant is subject to uncertainty. Provisions for losses under guarantees totalled DKK 100m at end-2015.

Pensions and similar obligations

The present value of pension obligations under defined benefit plans depends on the assumptions underlying the actuarial calculations. The determination of the future wages, interest rates, inflation and mortality as well as return on plan assets is based on significant estimates. Reference is made to note 27 for a detailed description. Defined benefit plans recognised in "Other assets" came to DKK 227m. Provisions for pensions and similar obligations made up DKK 175m at end-2015.

FINANCIAL INSTRUMENTS

Recognition and classification of financial instruments

Financial instruments, including derivative financial instruments, represented more than 95% of the Group's assets as well as liabilities.

Recognition

Financial instruments are recognised on the settlement date. With respect to financial instruments that are subsequently measured at fair value, changes in the fair value of instruments purchased or sold in the period between the trade date and the settlement date are recognised as financial assets or liabilities in "Other assets" and "Other liabilities", respectively, in the balance sheet and set off against "Value adjustments" in the income statement.

Assets measured at amortised cost following initial recognition are not value adjusted between the trade date and the settlement date.

Financial assets or liabilities are derecognised when the right to receive or pay related cash flows has lapsed or been transferred, and the

Group has transferred all risks and returns related to ownership in all material respects.

Initially, financial instruments are recognised at fair value. Subsequent measurement particularly depends on whether the instrument is measured at amortised cost or at fair value.

Valuation and classification

Valuation principles and classification of financial instruments are described below as well as in note 43.

Financial instruments are classified as follows:

- Loans, advances and receivables as well as financial liabilities at amortised cost
- Financial assets and liabilities at fair value through profit or loss
 - that are held for trading
 - under the fair value option
- Financial assets available for sale.

Loans, advances and receivables as well as financial liabilities at amortised cost

Receivables from and payables to credit institutions and central banks not acquired as part of repo and reverse repurchase transactions, the Group's bank lending, corporate bonds in issue, selected senior secured debt and subordinated debt as well as "Deposits and other payables" are included in this category.

Loans, advances and receivables as well as liabilities in this category are measured at amortised cost after initial recognition. For loans, advances and receivables, amortised cost equals cost less principal payments, provisions for losses and other accounting adjustments, including any fees and transaction costs that form part of the effective interest of the instruments. For liabilities, amortised cost equals the capitalised value using the effective interest method, whereby the transaction costs are distributed over the life of the liability.

If the interest-rate risk of fixed-rate financial instruments is effectively hedged using derivative financial instruments, the fair value of the hedged interest rate risk is added to or deducted from the amortised cost of the asset.

Value adjustments due to credit risk are recognised in "Impairment losses on loans, advances and receivables".

Financial assets and liabilities held for trading at fair value through profit or loss

A financial asset/liability is classified as "held for trading" if:

- it is chiefly acquired with a view to a short-term gain
- it forms part of a portfolio where there is evidence of realisation of short-term gains, or
- it is a derivative financial instrument that is not a hedge accounting instrument.

The Group's equity and bond portfolios (except strategic equities), derivative financial instruments, repo transactions and reverse repurchase lending and negative securities portfolios are included in this category.

After initial recognition, equities and bonds in the trading book are measured at fair value based on listed prices in an active market,

generally accepted valuation methods based on market information or other generally accepted valuation methods.

It is assessed on an ongoing basis whether a market is considered active or inactive.

If no objective prices from recent trades in unlisted equities are available, these equities are measured at fair value using the International Private Equity and Venture Capital Valuation Guidelines for unlisted equities or in some instances at equity value if this is deemed to correspond to the fair value of the instrument.

The Group's portfolio of self-issued bonds is offset against bonds in issue (the liability), and interest receivable relating to self-issued bonds is offset against interest payable.

Derivative financial instruments are classified as financial assets held for trading. The fair values of derivative financial instruments are determined using generally accepted valuation methods based on market information and other generally accepted valuation methods. Positive and negative fair values of derivative financial instruments are recognised in "Other assets" or "Other liabilities".

Realised and unrealised gains and losses arising from changes in the fair value are recognised in "Value adjustments" in the income statement for the period in which they arose.

Financial assets and liabilities at fair value through profit or loss using the fair value option

On initial recognition, a financial asset/liability is classified at fair value (the fair value option) if:

- a group of financial assets/liabilities is under management, and earnings are assessed by Nykredit's Management based on fair value in accordance with a documented risk management strategy or investment strategy. The majority of the Group's senior debt in issue is consequently recognised at fair value.
- this classification eliminates or materially reduces measurement inconsistency that would arise on using the general measurement provisions of IAS 39. Mortgage loans and issued covered bonds (ROs and SDOs) are consequently recognised at fair value.

Mortgage loans granted in accordance with Danish mortgage legislation are funded by issuing listed covered bonds of uniform terms. Such mortgage loans may be prepaid by delivery of the underlying bonds.

The Nykredit Realkredit Group buys and sells self-issued covered bonds on a continuing basis as they constitute a significant part of the Danish money market.

If mortgage loans and covered bonds in issue were measured at amortised cost, the purchase and sale of self-issued covered bonds would lead to a timing difference between the recognition of gains and losses in the financial statements. The purchase price of the portfolio would not equal the amortised cost of the bonds in issue, and the elimination would lead to the recognition of a random earnings impact. If the portfolio of self-issued covered bonds was subsequently sold, the new amortised cost of the "new issue" would not equal the amortised cost of the matching mortgage loans, and the difference would be amortised over the remaining term-to-maturity.

Mortgage loans are therefore measured at fair value involving an adjustment for the market risk based on the value of the underlying bonds and an adjustment for credit risk based on the impairment need.

After initial recognition, covered bonds, senior unsecured debt and the majority of senior secured debt in issue are measured at fair value based on listed prices or other generally accepted valuation methods based on observable inputs.

Realised and unrealised gains and losses arising from changes in the fair value of "Financial assets and liabilities at fair value through profit or loss" are recognised in "Value adjustments" through profit or loss for the period in which they arose. Value adjustments due to credit risk are recognised in "Impairment losses on loans, advances and receivables".

Financial assets available for sale

The Group's strategic equity investments are classified as financial assets available for sale. The item includes both equities traded in an active market and unlisted equities. Up to a potential sale, unrealised value adjustments of equities available for sale are recognised in "Other comprehensive income" except for impairment losses resulting from material or permanent impairment. Such impairment losses are charged to "Value adjustments" in the income statement.

On realisation, the accumulated value adjustment recognised in "Other comprehensive income" is transferred to "Value adjustments" in the income statement.

Provisions for loan and receivable impairment

Provisions for loan and receivable impairment are divided into individual and collective provisions. The Group's loans and advances are generally placed in groups of uniform credit risk. If there is objective evidence of impairment (OEI) and the event/s concerned is/are believed to have a reliably measurable effect on the size of expected future payments from the loan, individual impairment provisions are made for the loan, which is removed from the relevant group and treated separately.

Individual impairment provisions

The Nykredit Realkredit Group performs continuous individual reviews and risk assessments of all significant loans, advances and receivables to determine whether there is any OEI.

There is OEI in respect of a loan if one or more of the following events have occurred:

- The borrower has serious financial difficulties
- The borrower fails to honour its payment obligations
- It is probable that the borrower will go bankrupt or be subject to other financial restructuring
- Nykredit has eased the borrower's loan terms, which would not have been relevant had the borrower not suffered financial difficulties.

The loan is impaired by the difference between the carrying amount before impairment and the present value of the expected future cash flows from the individual loan or exposure. With respect to asset-backed financing, impairment is recognised for the difference between the carrying amount before impairment and the fair value of the security less all costs.

Strategy and action plans are prepared for all loans subject to individual impairment. The loans/exposures are reviewed quarterly.

Similar individual impairment provisions are made for non-significant loans, advances and receivables if there is OEI and the event/s concerned is/are believed to have a reliably measurable effect on the size of expected future cash flows from the exposure/loan.

If there is OEI in respect of loans at fair value, Nykredit assesses the probability of losses, and the assessment is included in the calculation of individual impairment provisions. Asset-backed financing is fully impaired without the use of probability weights.

For portfolios of small uniform loans, typically loans to personal customers where OEI is identified for each loan, individual impairment provisions are calculated using a statistical model. The statistical model is partly based on experience of losses on similar loans.

Collective impairment provisions

Every quarter collective assessments are made of loans and advances for which no individual provisions have been made, and collective provisions for loan impairment are made where OEI is identified in one or more groups.

The provisioning need is calculated based on the change in expected losses relative to the time the loans were granted. For each loan in a group of loans, the contribution to the impairment of that group is calculated as the difference between the present value of the loss flow at the balance sheet date and the present value of the expected loss when the loan was granted.

Collective impairment provisions are the total of contributions from a rating model and management judgement.

The rating model determines impairment based on credit quality migration as a result of the development in parameters from Nykredit's internal ratings-based (IRB) models. Having been adjusted to the current economic climate and accounting rules, the parameters are based on cash flows until expiry of loan terms and the discounted present value of loss flows. The parameters are moreover adjusted for events resulting from changes in the economic climate not yet reflected in the rating model. Management judgement supplements the models by including up-to-date expert opinions and expectations for the credit risk development of specific segments.

Impairment provisions in general

Provisions for loan impairment are taken to an allowance account and deducted from the relevant asset items. Write-offs, changes in loan impairment provisions for the year and provisions for guarantees are charged to the income statement in "Impairment losses on loans, advances and receivables".

Where events occur showing a partial or complete impairment reduction following individual or collective impairment provisioning, impairment provisions are reversed accordingly.

Impairment losses deemed to be conclusive are recorded as written off.

RECOGNITION, MEASUREMENT AND PRESENTATION IN GENERAL

Recognition and measurement

Assets are recognised in the balance sheet if it is probable as a result of a previous event that future economic benefits will flow to the Group, and if the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet if it is probable as a result of a previous event that future economic benefits will flow from the Group, and if the value of the liability can be measured reliably.

Income is recognised in the income statement as earned. Furthermore, value adjustment of financial assets and liabilities measured at fair value or amortised cost is recognised in the income statement or in other comprehensive income for the period in which it arose.

All costs incurred by the Group are recognised in the income statement, including depreciation, amortisation, impairment losses, provisions and reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

Hedge accounting

The Group applies derivatives to hedge interest rate risk on loans and advances, subordinated debt and bonds in issue measured at amortised cost as well as equity price risk on deposits where the return tracks an equity index.

Changes in the fair values of derivative financial instruments that are classified and qualify as fair value hedges of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability that are attributable to the hedged risk.

The hedges are established for individual assets and liabilities and at portfolio level. The hedge accounting effectiveness is measured and assessed on a regular basis.

If the criteria for hedge accounting are no longer met, the accumulated value adjustment of the hedged item is amortised over its residual life.

Offsetting

Financial assets and liabilities are offset and the net amount reported when the Group has a legally enforceable right of set-off and intends either to settle by way of netting or to realise the asset and settle the liability simultaneously. Offsetting mostly takes place in connection with repo transactions and derivative financial instruments cleared through recognised clearing centres.

Consolidation

Nykredit Realkredit A/S (the Parent Company) and the enterprises in which Nykredit Realkredit A/S exercises direct or indirect control over the financial and operational management are included in the Consolidated Financial Statements. Nykredit Realkredit A/S and its subsidiaries are collectively referred to as the Nykredit Realkredit Group.

Enterprises in which the Nykredit Realkredit Group has joint control together with other enterprises which do not form part of the Group are considered joint ventures. The Group's investments in joint ventures are recognised and measured according to the equity method.

The Consolidated Financial Statements are prepared on the basis of the financial statements of the individual enterprises by combining items of a uniform nature. The financial statements applied for the consolidation are prepared in accordance with the Group's accounting policies. All intercompany income and costs, dividends, intercompany shareholdings, intercompany derivatives and balances as well as realised and unrealised intercompany gains and losses are eliminated.

Acquired enterprises are included from the time of acquisition, which is when the acquiring party obtains control over the acquired enterprises' financial and operational decisions.

Divested enterprises are included up to the time of divestment.

Core earnings and investment portfolio income

The Group's key figures in the Management's Review as well as its segment financial statements are presented in the statement of core earnings and investment portfolio income, as Management finds that this presentation best reflects the activities and earnings of the Group.

Core earnings mirror income from business with customers and core income from securities less operating costs, depreciation, amortisation and impairment losses including loan impairment. The value adjustment of interest rate swaps is recognised as a separate item showing the effect of management adjustments, including CVA adjustment, of the fair value.

Further, goodwill impairment is stated as a separate item in the income statement.

Net costs of senior and subordinated debt are also recognised as a separate item. Net costs of senior debt consist of the difference between the interest payable on the senior debt in issue and the interest receivable on assets in which the proceeds are invested at the time of issuance. Value adjustment of the senior debt in issue and the assets in which proceeds are invested is included in investment portfolio income.

Core income from securities includes the return the Group would have obtained by placing its investment portfolios at a risk-free interest rate corresponding to the Danish central bank's average lending rate. Core income from securities also includes net interest expenses relating to Tier 2 capital and interest expenses on payables relating to the purchase of Totalkredit shares determined relative to risk-free interest.

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

Segment information

Information is provided on business segments and geographical markets. Business areas are defined on the basis of differences in customer segments and services. Items that cannot be allocated to the business areas are included in Group Items. The presentation of the business areas is based on internal management reporting. The business areas reflect the Group's return and risk and are considered the Group's core segments. Segment information is in accordance with the Group's accounting policies.

Income and expenses included in the profit or loss before tax of the individual business areas comprise directly as well as indirectly attributable items. Indirect allocation is based on internal allocation keys and agreements between the individual business areas.

Financial assets and liabilities are allocated to the relevant business area in accordance with internal reporting.

The average business capital of the individual business areas is determined according to Nykredit's internal capital determination model, calculated as 17.5% of the risk exposure amount.

The business return is calculated as the business area's core earnings after impairment losses relative to the average allocated business capital.

No risk-free interest is calculated on capital allocated to the business areas. Risk-free interest is presented in Group Items.

Segment information is provided exclusively at Group level.

Currency

The Consolidated Financial Statements are presented in Danish kroner (DKK), which is the functional as well as the presentation currency of the Parent Company. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Exchange gains and losses arising on the settlement of these transactions are recognised in the income statement.

At the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency translation adjustments are recognised in the income statement.

Currency translation differences arising on translation of non-monetary assets and liabilities are recognised in the income statement as part of the fair value gain or loss.

The financial statements of independent foreign entities (branches in Poland and Sweden) are translated into Danish kroner at the exchange rates prevailing on the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items.

Repo transactions and reverse repurchase lending

Securities sold as part of repo transactions are retained in the appropriate principal balance sheet item, eg "Bonds". Repo transactions are measured at fair value as they are considered an integral component of the trading book.

The amount received is recognised under payables to the counterparty or in "Non-financial liabilities at fair value". The liability is fair value adjusted over the life of the agreement through profit or loss.

Securities acquired as part of reverse repurchase lending are stated as receivables from the counterparty or in "Loans, advances and other receivables at fair value". The receivables are fair value adjusted over the life of the agreement through profit or loss.

Where the Group resells assets received in connection with reverse repurchase lending, and where the Group is obliged to return the instruments, the value thereof is included in "Other non-derivative financial liabilities at fair value".

Repo transactions and reverse repurchase lending are recognised and measured at fair value, and the return is recognised as interest income and interest expenses in the income statement.

Leases

Leases are classified as finance leases when all material risk and returns associated with the title to an asset have been transferred to the lessee.

Receivables from the lessee under finance leases are included in "Loans, advances and other receivables at amortised cost". The leases are valued so that the carrying amount equals the net investment in the lease. Interest income from finance leases is recognised in "Interest income". Principal payments made are deducted from the carrying amount as the receivable is amortised.

Direct costs of establishment of leases are recognised in the net investment.

Other leases are classified as operating leases. Properties leased under operating leases are classified as investment properties.

Business combinations

On acquisition of new enterprises where control is obtained over the acquired enterprise, the purchase method is applied. Acquisitions are reported using the uniting-of-interests method of accounting in case of mergers between enterprises with the same management.

INCOME STATEMENT

Interest income and expenses

Interest comprises interest due and accrued up to the balance sheet date.

Interest income comprises interest and similar income, including commission similar to interest received and other income that form an integral part of the effective interest of the underlying instruments. The item also includes index premium on assets, forward premium on securities and foreign exchange trades as well as adjustments over the life of financial assets measured at amortised cost and where the cost differs from the redemption price.

Interest income from impaired bank loans and advances is included in "Interest income" at an amount reflecting the effective interest rate of the impaired value of loans and advances. Any interest income from the underlying loans and advances exceeding this amount is included in "Impairment losses on loans, advances and receivables".

Interest expenses comprise interest and similar expenses including adjustment over the life of financial liabilities measured at amortised cost and where the cost differs from the redemption price.

Negative interest

Negative interest income and expenses are recognised separately in the income statement and specified in a note.

Dividend

Dividend from equity investments is recognised as income in the income statement in the financial year in which the dividend is declared.

Fees and commissions

Fees and commissions comprise income and costs relating to services, including management fees. Fee income relating to services provided on a current basis is accrued over their terms.

For accounting purposes, fees, commissions and transaction costs are treated as interest if they form an integral part of the effective interest of a financial instrument.

Other fees and commissions are fully recognised in the income statement at the date of transaction.

Other operating income

"Other operating income" comprises operating income not attributable to other income statement items, including income under operating leases.

Staff and administrative expenses

Staff expenses comprise wages and salaries as well as social security costs, pensions etc. Anniversary bonus, termination benefits as well as holiday pay/allowance obligations are recognised successively.

Other operating expenses

"Other operating expenses" comprises operating expenses not attributable to other income statement items, including contributions to guarantee and resolution schemes for mortgage banks.

Tax

Tax for the year, consisting of current tax for the year and changes to deferred tax, is recognised in the income statement, unless the tax effect concerns items recognised in "Other comprehensive income". Adjustments relating to entries recognised in "Other comprehensive income" are recognised accordingly.

Current tax liabilities and current tax assets are recognised in the balance sheet as tax calculated on taxable income for the year adjusted for tax paid on account. The current tax for the year is calculated on the basis of the tax rates and rules prevailing on the balance sheet date.

The Danish tax of the jointly taxed companies is payable in accordance with the scheme for payment of tax on account. Interest payable or deductible relating to voluntary payment of tax on account and interest receivable or payable on over-/underpaid tax is recognised in "Other interest income" or "Other interest expenses", as appropriate.

Based on the balance sheet liability method, deferred tax on all temporary differences between the carrying amounts and the tax base of an asset or liability is recognised except for deferred tax on temporary differences arising on initial recognition of goodwill.

Deferred tax is determined on the basis of the intended use of each asset or the settlement of each liability. Deferred tax is measured using the tax rates expected to apply to temporary differences upon reversal and the tax rules prevailing on the balance sheet date.

Deferred tax assets, including the tax base of any tax loss carryforwards, are recognised in the balance sheet at the value at which they are expected to be realised, either by set-off against deferred tax liabilities or as net tax assets for set-off against tax on future positive taxable income. On each balance sheet date, it is assessed whether it is probable that a deferred tax asset can be used.

The Nykredit Group's Danish companies are jointly taxed with Foreningen Nykredit (the Nykredit Association). Current Danish corporation tax payable is distributed among the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to do so.

ASSETS

Loans, advances and other financial assets

Reference is made to the above description under "Financial instruments" for these items.

Investments in associates

Investments in associates include enterprises that are not Group enterprises, but in which the Nykredit Realkredit Group exercises significant influence but not control, and joint ventures. Enterprises in which the Group holds between 20% and 50% of the voting rights are generally considered associates.

Investments in associates are recognised and measured according to the equity method and are therefore measured at the proportional ownership interest of the enterprises' equity value carried less/plus the proportionate share of unrealised intercompany gains and losses plus goodwill.

The proportionate share of associates' and joint ventures' profit or loss after tax, after elimination of the proportionate share of intercompany gains and losses, is recognised in the consolidated income statement.

Intangible assets

Goodwill

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises at the time of acquisition. Goodwill is tested for impairment at least once a year, and the carrying amount is written down to the lower of the recoverable amount and the carrying amount in the income statement. Reference is made to note 23 for a detailed description of the parameters of the impairment test and sensitivity to changes in relevant parameters.

Impairment losses are recognised in the income statement and are not reversed.

Other intangible assets

Costs relating to development projects are recognised as intangible assets provided that there is sufficient certainty that the value in use of future earnings will cover actual development costs.

Capitalised development costs comprise salaries and other costs directly and indirectly attributable to the Group's development activities.

Other development costs are recognised as costs in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation. Capitalised development costs are amortised on completion of the development project on a straight-line basis over the period in which it is expected to generate economic benefits. The amortisation period is 3-5 years.

Fixed-term rights are recognised at cost less accumulated amortisation. Fixed-term rights are amortised on a straight-line basis over their remaining terms. Fixed-term rights lapse after a period of 5-10 years.

Customer relationships are recognised at cost less accumulated amortisation. Customer relationships are amortised on a straight-line basis over the estimated useful lives of the assets. The amortisation period of customer relationships is 13 years for Nykredit Realkredit and 3 years for Nykredit Bank.

Other intangible assets are written down to the recoverable amount where OEI is identified.

Impairment losses recognised in the income statement are not reversed.

Land and buildings

Owner-occupied properties

Owner-occupied properties are properties which the Group uses for administration, sales and customer contact centres or for other service activities.

On acquisition, owner-occupied properties are recognised at cost and subsequently measured at a reassessed value, equal to the fair value at the revaluation date less subsequent accumulated depreciation and impairment losses. Revaluations are made annually to prevent the carrying amounts from differing significantly from the values determined using the fair value on the balance sheet date.

Subsequent costs are recognised in the carrying amount of the asset concerned or as a separate asset where it is probable that costs incurred will lead to future economic benefits for the Group, and the costs can be measured reliably. The costs of ordinary repair and maintenance are recognised in the income statement as incurred.

Fair value is determined in accordance with the return method, under which operating income from the properties is considered in relation to the required rates of return on the properties. The required rates of return under this method take into account the nature, location and state of repair of the property concerned as well as sales efforts within a reasonable period. The valuation is performed by an internal valuer.

Positive value adjustments less deferred tax are added to revaluation reserves under equity via "Other comprehensive income". Impairment losses offsetting former revaluation of the same property are deducted from revaluation reserves via "Other comprehensive income", while other impairment losses are recognised through profit or loss.

When the asset is ready for entry into service, it is depreciated on a straight-line basis over the estimated useful life of 10-50 years, allowing for the expected scrap value at the expiry of the expected useful life. Land is not depreciated.

Gains and losses on divested assets are determined by comparing sales proceeds with carrying amounts. Gains and losses are recognised in the income statement. On divestment of revalued assets, revaluation amounts contained in the revaluation reserves are transferred to retained earnings under equity without recognition in the income statement.

Investment properties

Properties which are not occupied by the Group and which are held for the purpose of obtaining rental income and/or capital gains are classified as investment properties.

On acquisition, investment properties are recognised at cost, which includes the purchase price of the property and direct costs. Subsequently, investment properties are measured at fair value, and value adjustments are carried in the income statement.

Fair value is determined on the basis of open market prices or the return method. Where open market prices are applied, adjustment is made for any differences in the nature, location or state of repair of the asset concerned.

Under the return method, operating income from the properties is considered in relation to the required rates of return on the properties. The required rates of return under this method take into account the nature, location and state of repair of the property concerned as well as sales efforts within a reasonable period. The valuation is performed by an internal valuer.

Other property, plant and equipment

Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation is made on a straight-line basis over the expected useful lives of:

- Computer equipment and machinery up to 5 years
- Equipment and motor vehicles up to 5 years
- Leasehold improvements; maximum term of the lease is 15 years.

The residual values and useful lives of the assets are revalued at each balance sheet date. The carrying amount of an asset is written down to the recoverable amount if the carrying amount of the asset exceeds the estimated recoverable amount.

Gains and losses on the divestment of property, plant and equipment are recognised in "Other operating income" or "Other operating expenses".

Assets in temporary possession

Assets in temporary possession include property, plant and equipment or groups thereof as well as investments in subsidiaries and associates in respect of which:

- the Group's possession is temporary only
- a sale is intended in the short term, and
- a sale is highly likely.

Properties acquired in connection with the termination of an exposure are recognised in "Assets in temporary possession".

Liabilities directly attributable to the assets concerned are presented as liabilities relating to assets in temporary possession in the balance sheet.

Assets in temporary possession are measured at the lower of the carrying amount at the time of classification as assets in temporary possession and the fair value less selling costs. Assets are not depreciated or amortised once classified as assets in temporary possession.

Impairment losses arising on initial classification as assets in temporary possession and gains and losses on subsequent measurement at the lower of the carrying amount and the fair value less selling costs are recognised in "Impairment losses on loans, advances and receivables" in the income statement. Income and expenses relating to subsidiaries in temporary possession are recognised separately in the income statement if the effect is significant.

LIABILITIES AND EQUITY

Payables

Reference is made to the above description under "Financial instruments" for these items.

Provisions

Provisions are recognised where, as a result of an event occurred on or before the balance sheet date, the Group has a legal or constructive obligation which can be measured reliably and where it is probable that economic benefits must be given up to settle the obligation. Provisions are measured at Management's best estimate of the amount considered necessary to honour the obligation.

Pensions and similar obligations

The Group has entered into pension agreements with the majority of its staff. The agreements may be divided into two main types of plans:

- Defined contribution plans according to which the Group makes fixed contributions to staff pension plans on a current basis. The Group is under no obligation to make further contributions. The contributions to defined contribution plans are recognised in the income statement for the period concerned, and any contributions payable are recognised in "Other payables" in the balance sheet.
- Defined benefit plans under which the Group is obliged to pay certain benefits in connection with retirement. Defined benefit plans are subject to an annual actuarial calculation (the projected unit credit method) of the value in use of future benefits payable under the plans.

The value in use of defined benefit plans is based on assumptions of the future development in eg wages, interest rates, inflation and mortality. Discounting is based on an interest rate in accordance with IAS 19. The value in use is only calculated for benefits to which staff members have become entitled through their employment with the Group.

The fair value of assets relating to the pension plan less the actuarial value in use of the pension obligations is recognised in the balance sheet under "Other assets" or "Other liabilities". Actuarial gains and losses are recognised in "Other comprehensive income" in the year in which they arose.

A number of the Group's staff members are entitled to receive a bonus on attaining retirement age and when having been employed by the Group for 25 and 40 years. The obligations are recognised successively

up to the date when the staff member is entitled to receive the benefit. The measurement of the size of the obligation allows for actuarial conditions, including the probability of staff members retiring before the benefit vests and therefore losing entitlement to the benefit. The obligations are recognised at present value using a zero-coupon rate plus a risk margin. The present value changes prompted by changes to the discount rate within the financial year are recognised in "Other interest income" or "Other interest expenses".

Repayable reserves in pre-1972 series

Repayable reserves include reserves in pre-1972 series repayable after full or partial redemption of loans in compliance with the articles of association of the series concerned.

Provisions for losses under guarantees

Provisions for losses under guarantees and loss-making contracts are recognised if it is probable that the guarantee or the contract will become effective and if the liability can be measured reliably.

Subordinated debt

Subordinated debt consists of financial liabilities in the form of subordinate loan capital and hybrid capital/Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.

Nykredit has raised subordinated debt in the form of bonds in issue which are subject to permanent write-down through profit or loss if Nykredit's Common Equity Tier 1 capital ratio drops to 7% or less. Until this level is reached, Nykredit is obliged to pay interest to bondholders, which combined with the current high capital level has resulted in the issue being classified as subordinated debt.

Equity

Share capital

Shares in issue are classified as equity where there is no legal obligation to transfer cash or other assets to the shareholder.

Revaluation reserves

Revaluation reserves include positive value adjustment of owner-occupied properties less deferred tax on the value adjustment. Increases in the reassessed value of properties are recognised directly in this item unless the increase cancels out a decrease previously recognised in the income statement. The item is adjusted for impairment fully or partially cancelling out previously recognised value increases. The item is also reduced on divestment of properties.

Accumulated value adjustment of equities available for sale

The reserve includes unrealised value adjustment of equities available for sale. If there is impairment of a significant or permanent nature, the accumulated unrealised loss is reclassified from the reserve to the income statement.

Statutory reserves

The Group's statutory reserves relate to the transfer to reserves for net revaluation of investments in associates according to the equity method.

Series reserves

Series reserves include series reserves where there is no obligation to repay the borrowers.

Retained earnings

Retained earnings comprise reserves which are in principle distributable to the Company's shareholders. However, under the Danish Financial Business Act, distribution must in certain circumstances ensure Nykredit's compliance with the so-called combined capital buffer requirement in respect of the Parent Company and the Group.

Proposed dividend

Dividend expected to be distributed for the year is carried as a separate item in equity. Proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration).

Holders of Additional Tier 1 capital

Perpetual Additional Tier 1 capital with discretionary payment of principal and interest is recognised as equity for accounting purposes. Correspondingly, interest expenses relating to the issue are recorded as dividend for accounting purposes. Interest is deducted from equity at the time of payment.

CASH FLOW STATEMENT

The consolidated cash flow statement is prepared according to the indirect method based on profit or loss for the year. The consolidated cash flow statement shows cash flows for the year stemming from:

- Operating activities
- Investing activities
- Financing activities.

Operating activities include the Group's principal and other activities which are not part of its investing or financing activities.

Investing activities comprise the purchase and sale of non-current assets and financial investments not included in cash and cash equivalents.

Financing activities comprise subordinated debt raised as well as redeemed, including the sale and purchase of self-issued subordinated debt, and payments to or from shareholders.

Furthermore, the cash flow statement shows the changes in the Group's cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of "Cash balances and demand deposits with central banks" and "Receivables from credit institutions and central banks".

SPECIAL ACCOUNTING POLICIES FOR THE PARENT COMPANY NYKREDIT REALKREDIT A/S

The Financial Statements of the Parent Company Nykredit Realkredit A/S are prepared in accordance with the Danish Financial Business Act and the FSA Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. In all material respects, these rules comply with the International Financial Reporting Standards (IFRS) and the Group's accounting policies as described above. Exceptions to these accounting policies include recognition of "Equities available for sale" and "Investments in Group enterprises". These exceptions and other special circumstances relating to the Parent Company are described below.

Changes to the Executive Order on the presentation of financial reports

The Danish FSA did not make any amendments to the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc for 2015.

Financial assets available for sale

Unlike the IFRS, the FSA Executive Order on Financial Reports does not allow the classification of financial assets as available for sale with fair value adjustment recognised in "Other comprehensive income". In the Parent Company, equities available for sale are classified as equities measured at fair value through profit or loss.

Investments in Group enterprises

Investments in Group enterprises (subsidiaries) are recognised and measured according to the equity method. Conversely, the IFRS do not allow the equity method in the separate financial statements of parent companies until the amendment to IAS 27 has entered into force as at 1 January 2016. The IFRS prescribe measurement either at cost or at fair value until that date.

The proportional ownership interest of the equity value of the enterprises less/plus unrealised intercompany gains and losses is recognised in "Investments in Group enterprises" in the Parent Company's balance sheet. Any positive difference between the total cost of investments in Group enterprises and the fair value of the net assets at the time of acquisition is recognised in "Intangible assets" in the balance sheet.

Nykredit's share of the enterprises' profit or loss after tax and elimination of unrealised intercompany gains and losses less depreciation, amortisation and impairment losses is recognised in the Parent Company's income statement.

Total net revaluation of investments in Group enterprises is transferred to equity in "Statutory reserves" through the distribution of profit for the year. The reserves are reduced by dividend distribution to the Parent Company and are adjusted for other changes in the equity of Group enterprises.

Statutory reserves

The Parent Company's statutory reserves include value adjustment of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves are reduced by dividend distribution to the Parent Company and are adjusted for other changes in the equity of subsidiaries and associates. The reserves are non-distributable.

Loans, advances and other receivables at fair value

Totalkredit mortgage loan funding

Nykredit Realkredit A/S issues covered bonds for the funding of loans granted by the subsidiary Totalkredit A/S (joint funding). Totalkredit A/S is therefore under an obligation to pay interest, redemption and prepayment amounts to Nykredit Realkredit A/S which will settle such payments in respect of the bond investors.

Mortgage loans and the joint funding balances with Totalkredit A/S are measured at fair value adjusted for market risk based on the value of the underlying bonds and any impairment for credit risk.

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
2. CAPITAL AND CAPITAL ADEQUACY				
58,650	65,460	Equity for accounting purposes	65,460	58,650
-	(3,774)	Carrying amount of Additional Tier 1 capital recognised in equity	(3,774)	-
58,650	61,686	Equity excluding Additional Tier 1 capital	61,686	58,650
(111)	(54)	Prudent valuation adjustment	(359)	(551)
(2,116)	(169)	Intangible assets excluding deferred tax liabilities	(275)	(2,188)
(1,877)	(1,767)	Provisions for expected losses in accordance with IRB approach	(1,116)	(1,433)
(237)	(244)	Other additions/deductions	(217)	(237)
1,673	1,197	Transitional adjustment of deductions	806	1,318
(2,669)	(1,038)	Common Equity Tier 1 capital deductions	(1,161)	(3,091)
55,981	60,648	Common Equity Tier 1 capital	60,525	55,559
6,699	3,731	Hybrid capital/Additional Tier 1 capital	3,831	6,746
(75)	(27)	Hybrid capital/Additional Tier 1 capital deductions	(22)	(75)
(691)	(514)	Transitional adjustment of deductions	(322)	(513)
5,933	3,190	Total hybrid capital/Additional Tier 1 capital after deductions	3,488	6,158
61,915	63,838	Tier 1 capital	64,013	61,717
4,466	10,821	Tier 2 capital	10,820	4,463
(751)	(530)	Transitional adjustment of deductions	(335)	(573)
65,630	74,129	Own funds	74,498	65,606
348,763	338,823	Credit risk	264,865	305,321
21,769	17,396	Market risk	27,958	35,335
9,705	11,266	Operational risk	18,397	17,933
380,237	367,484	Total risk exposure amount	311,220	358,589
Financial ratios				
14.7	16.5	Common Equity Tier 1 capital ratio, %	19.4	15.4
16.2	17.3	Tier 1 capital ratio, %	20.5	17.2
17.2	20.1	Total capital ratio, %	23.9	18.2

Capital and capital adequacy have been determined in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the Capital Requirements Regulation) as well as the Danish transitional rules laid down by the Danish FSA.

Comparative figures for 2014 have been restated to reflect the effect of goodwill impairment of DKK 852m, cf the supplementary/correcting disclosure for the Annual Report 2014 released on 5 November 2015.

Notes

2. CAPITAL AND CAPITAL ADEQUACY (continued)

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit has the required own funds. The required own funds are the minimum capital required, in Management's judgement, to cover all significant risks.

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks, including any model uncertainties.

Stress tests and capital projection

Nykredit applies model-based stress tests and capital projections to determine the required own funds. The stress test calculations include the macroeconomic factors of greatest importance historically to Nykredit's customers.

The most important macroeconomic factors identified are:

- GDP growth
- Interest rates
- Property prices
- Unemployment
- Equity prices.

Nykredit Realkredit Group Stress scenarios for determination of capital requirement

%	2016	2017	2018
Scenario: Base case			
GDP growth	1.2	1.5	1.7
Interest rates ¹	0.4	0.8	1.0
Property prices, growth	5.6	2.9	2.9
Unemployment	4.0	3.8	3.7
Danish equity index, growth	2.0	2.0	2.0
Slightly weaker economic climate (scenario applied under Pillar II)			
GDP growth	0.0	0.0	0.0
Interest rates ¹	1.4	2.2	3.0
Property prices, growth	-2.0	-2.0	-1.0
Unemployment	5.0	5.8	6.0
Danish equity index, growth	-5.0	-5.0	0.0
Severe recession (scenario applied under countercyclical buffer)			
GDP growth	-3.0	-2.0	0.0
Interest rates ¹	5.5	6.5	7.0
Property prices, growth	-12.0	-10.0	-5.0
Unemployment	6.5	9.0	10.0
Danish equity index, growth	-10.0	-10.0	-5.0

¹ Average of 3-month money market rates and 10-year government bond yields.

Nykredit operates with three scenarios for the macroeconomic development: a base case, a slightly weaker economic climate and a severe recession. Both in a slightly weaker economic climate and during a severe recession, the capital requirement for credit risk builds on correlations between the macroeconomic factors, customer default rates (PD) and the size of the loss in case of customer default (LGD). These correlations are an essential element of the capital projection model.

Nykredit participates in the stress test exercises of both the Danish FSA and the European Banking Authority (EBA). The results are compared with the internal stress tests under the capital projection model and are included in the capital planning.

Scenario: Base case

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

Scenario: Slightly weaker economic climate in 2016-2018

The scenario is designed to illustrate a slightly weaker economic climate relative to the base case scenario. The capital charge reflects how much Nykredit's capital requirement would increase if this scenario occurred.

The capital charge for a slightly weaker economic climate came to DKK 3.7bn at end-2015.

Scenario: Severe recession

A central element of Nykredit's capital policy is to have sufficient capital resources, also in the long term. The assessments are also factored into the current assessment of equity targets going forward.

Nykredit continually calculates the impact of severe recession combined with a relatively high interest rate level. When determining the size of the countercyclical buffer, it is assumed that the current lending volume is maintained regardless of the economic downturn.

Nykredit's severe recession scenario reflects an unusual, but not unlikely, situation.

According to Nykredit's stress calculations, the risk exposure amount (REA) may increase by over DKK 100bn in a severe recession. It should be noted, however, that Management may make decisions that can reduce such rise.

The report Risk and Capital Management 2015, available at nykredit.com/reports, contains a detailed description of the determination of required own funds and internal capital adequacy requirement of Nykredit as well as all Group companies. The report is not audited.

NYKREDIT'S CAPITAL REQUIREMENTS

Regulatory framework

Nykredit's future capital targets are based on the regulatory capital requirements, supplemented with credit rating agencies' and bond investors' expectations for the capitalisation of Nykredit as one of the largest private bond issuers in Europe.

The regulatory capital requirements may be met using different types of capital. Both applicable legislation and financial markets require that the majority of own funds is Common Equity Tier 1 (CET1) capital. Going forward, the most important capital instruments will be:

- CET1 capital generated through retained earnings is the most important element in the capital structure. In addition to this, Nykredit is planning a stock exchange listing to enable the flexibility necessary in terms of capital going forward. CET1 capital is to contribute to safeguarding a strong Nykredit with high-rated, attractively priced covered bonds as well as active lending in all parts of the country that can support growth in Denmark.
- A small part of the capital requirement may presumably be met by Additional Tier 1 capital. Additional Tier 1 capital is expected to be a less expensive capital instrument than preference shares.
- A small part of the capital requirement and capital for rating purposes may be met by a special type of subordinate loan capital with a so-called write-down trigger which is activated if equity falls below 7% of REA. Nykredit issued CoCo bonds of EUR 600m in 2014.
- Lastly, a small part of the formal capital requirements may be met by conventional subordinated capital. This type of capital may also count towards new, future rating agency requirements.

Under the coming capital requirements, the minimum CET1 capital requirement will be 10.5-13% of REA (13% in a favourable economic climate, 10.5% during other economic trends). To this should be added 5-6% of REA to be met by either equity or other types of capital instruments, cf above.

As part of the annual review of the Group's overall capital policy and risk appetite, the Board of Directors of the Nykredit Realkredit Group has set a CET1 capital ratio target of 17.5% for 2019.

The Board's decision is based on the following:

In 2019 Nykredit must fulfil a regulatory capital requirement of around 13%, to which should be added requirements resulting from the stress test exercises of the EBA and the Danish FSA. Furthermore, Nykredit must hold sufficient capital to ensure a rating with the credit rating agencies that is compatible with the Group's business plans.

At the same time, bond investors expect Nykredit to maintain a capital level that corresponds to those of the other large Nordic financial institutions.

In addition to this, especially three Nykredit characteristics must be allowed for in terms of capital:

- Nykredit is currently not listed and therefore has more restricted access to capital markets than listed companies
- Nykredit is one of the largest private bond issuers in Europe
- Nykredit has a sizeable mortgage loan portfolio. The mortgage loans typically have long loan terms and are non-callable by Nykredit.

Nykredit's capital targets include a total capital ratio of at least 20% of REA. This target is motivated by the same factors as the CET1 capital target. It is merely a different capital concept.

Nykredit's capital targets are described in more detail under "Capital targets 2019".

A robust capital position is essential to be able to maintain active lending to Nykredit's full-service customers, also in a challenging economic climate. The capital targets are a central element of Nykredit's risk appetite. The overall capital policy and risk appetite, including the Group's capital targets, are determined annually by the Board of Directors. Nykredit's risk appetite and capital targets are described in the report Risk and Capital Management 2015.

Notes

DKK million

Nykkredit Realkredit Group

3. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME

	2015			2014		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	10,653	1,223	11,877	10,283	1,071	11,353
Dividend on equities	4	100	104	19	62	82
Fee and commission income, net	(180)	(18)	(198)	80	(28)	52
Net interest and fee income	10,477	1,305	11,783	10,382	1,105	11,486
Value adjustments	1,112	(460)	652	(3,225)	(332)	(3,557)
Other operating income	194	-	194	185	-	185
Staff and administrative expenses	4,658	-	4,658	4,715	-	4,715
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	2,185	-	2,185	1,087	-	1,087
Other operating expenses	188	-	188	154	-	154
Impairment losses on loans and advances	920	-	920	2,351	-	2,351
Profit from investments in associates	-	8	8	-	6	6
Profit (loss) before tax	3,832	853	4,685	(965)	779	(186)

Notes

DKK million

Nykredit Realkredit Group

4. BUSINESS AREAS

The business areas reflect Nykredit Realkredit's structure and internal reporting. Retail serves personal customers as well as small and medium-sized enterprises (SMEs). Wholesale Clients comprises activities with corporate and institutional clients, securities trading, derivatives trading, wealth and asset management. Group Items comprises the Bank's treasury area as well as unallocated costs. Please refer to the business area section in the Management's Review.

RESULTS 2015	Retail		Totalkredit Partners		Wholesale Clients			Group Items	Total	
	Personal customers	SMEs	Total Retail	Totalkredit Partners	CIB	Markets	Asset Manage- ment			Total Wholesale Clients
Core income from										
- customer activities, gross	2,706	3,266	5,971	2,690	1,651	782	805	3,238	46	11,945
- payment for distribution	330	217	547	-	211	(298)	(460)	(547)	-	0
Total business operations	3,036	3,484	6,518	2,690	1,862	483	345	2,691	46	11,945
- value adjustment of interest rate swaps	1	249	250	-	166	(6)	-	160	-	410
- senior and subordinated debt	(51)	(71)	(122)	(168)	(13)	-	-	(13)	(308)	(610)
- core income from securities	-	-	-	-	-	-	-	-	38	38
Total*	2,986	3,662	6,646	2,522	2,016	477	345	2,838	(224)	11,783
Operating costs and depreciation of equipment ¹	-	-	3,389	507	409	334	217	960	148	5,005
Impairment of goodwill and customer relationships ²	9	-	9	1,907	-	-	-	-	49	1,965
Mortgage business contribution to the Danish Resolution Fund ¹	-	-	43	1	17	-	-	17	-	61
Core earnings before impairment losses			3,205	108	1,590	143	128	1,861	(421)	4,752
Impairment losses on loans and advances	249	546	794	411	(285)	(0)	(0)	(285)	0	920
Core earnings after impairment losses			2,411	(304)	1,876	143	128	2,146	(421)	3,832
Investment portfolio income ³	-	-	-	-	-	-	-	-	853	853
Profit (loss) before tax			2,411	(304)	1,876	143	128	2,146	432	4,685
* Of which transactions between business areas	334	55	389	(30)	78	(109)	(453)	(484)	125	-
Average allocated business capital	-	-	27,576	12,561	-	-	-	13,823	8,275	62,235
Core earnings after impairment losses as % of allocated capital	-	-	8.7	(2.4)	-	-	-	15.5	-	6.2

The presentation of the business areas is based on the segments used for the internal management reporting at end-2015.

Compared with the presentation in the Annual Report 2014, reporting has been expanded to present the business units Retail, SMEs, CIB, Markets and Asset Management separately. Special non-continuing exposures are included in CIB.

Further, the presentation of the business areas has been changed with a transfer of the subsidiary Nykredit Leasing A/S from CIB to SMEs. For 2015, this change resulted in the re-allocation of pre-tax profit of DKK 74m from CIB to SMEs (2014: DKK 42m). As from 2015, a number of expenses, including IT expenses and management-related costs, have been allocated to the other business areas. These expenses were allocated to Group Items in previous years. The charge totalled DKK 579m in 2015 (2014: DKK 655m), of which DKK 355m (2014: DKK 388m) was allocated to Retail, DKK 0m (2014: DKK 28m) to Totalkredit Partners and DKK 224m (2014: DKK 239m) to Wholesale Clients. Comparative figures have been restated.

Note 3 shows the principal items of the business areas relative to the income statement items as presented in the consolidated income statement.

¹ An overall assessment of operating costs and depreciation of equipment for Personal customers and SMEs is presented in the internal report.

² Impairment comprises goodwill impairment of DKK 1,916m and impairment of customer relationships of DKK 49m.

³ Investment portfolio income includes a profit from investments in associates of DKK 8m against DKK 6m in 2014.

Geographical markets

Core income from international lending came to DKK 522m (2014: DKK 509m).

The international loan portfolio totalled DKK 57bn at end-2015 (2014: DKK 56bn).

Notes

DKK million

Nykredit Realkredit Group

4. BUSINESS AREAS (continued)

RESULTS 2014	Retail		Totalkredit Partners		Wholesale Clients			Group Items	Total	
	Personal customers	SMEs	Total Retail	Totalkredit Partners	CIB	Markets	Asset Manage- ment			Total Wholesale Clients
Core income from										
- customer activities, gross	2,794	3,130	5,924	2,650	1,626	506	784	2,916	20	11,510
- payment for distribution	310	226	536	-	181	(256)	(461)	(536)	-	-
Total business operations	3,104	3,356	6,460	2,650	1,807	250	323	2,380	20	11,510
- value adjustment of interest rate swaps	(6)	(1,851)	(1,857)	-	(1,505)	-	-	(1,505)	-	(3,362)
- senior and subordinated debt	(58)	(71)	(129)	(210)	(16)	-	-	(16)	(581)	(936)
- core income from securities	-	-	-	-	-	-	-	-	130	130
Total*	3,040	1,434	4,474	2,440	286	250	323	859	(431)	7,341
Operating costs and depreciation of equipment	-	-	3,420	423	412	383	268	1,063	197	5,103
Impairment of goodwill	-	-	-	-	-	-	-	-	852	852
Mortgage business contribution to the Danish Resolution Fund	-	-	-	-	-	-	-	-	-	-
Core earnings before impairment losses			1,054	2,017	(126)	(133)	55	(204)	(1,480)	1,386
Impairment losses on loans and advances	319	1,266	1,585	362	392	(2)	(1)	389	15	2,351
Core earnings after impairment losses			(531)	1,655	(518)	(131)	56	(593)	(1,495)	(965)
Investment portfolio income ²			-	-	-	-	-	-	779	779
Profit (loss) before tax			(531)	1,655	(518)	(131)	56	(593)	(716)	(186)
* Of which transactions between business areas	366	214	580	(20)	42	(491)	(434)	(883)	323	-
Average allocated business capital	-	-	27,120	13,589	-	-	-	15,172	9,933	65,814
Core earnings after impairment losses as % of allocated capital	-	-	(2.0)	12.2	-	-	-	(3.9)	-	(1.5)

Notes

DKK million

Nykredit Realkredit Group

4. BUSINESS AREAS (continued)

BALANCE SHEET 2015	Retail		Totalkredit Partners		Wholesale Clients			Group Items	Total	
	Personal	SMEs	Total Retail	Totalkredit Partners	CIB	Markets	Asset Manage- ment			Total Wholesale Clients
ASSETS										
Mortgage loans at fair value	192,550	245,374	437,924	496,529	185,006	-	-	185,006	-	1,119,459
Reverse repurchase lending at fair value	-	-	-	-	-	39,467	-	39,467	-	39,467
Loans and advances at amortised cost	12,077	14,977	27,054	45	19,457	467	5	19,929	8	47,036
Assets by business area	204,627	260,351	464,978	496,574	204,463	39,934	5	244,402	8	1,205,962
Unallocated assets										177,827
Total assets										1,383,789
LIABILITIES AND EQUITY										
Bank deposits and other payables at amortised cost	23,781	17,018	40,799	-	15,748	1,481	4,139	21,368	432	62,599
Liabilities by business area	23,781	17,018	40,799	-	15,748	1,481	4,139	21,368	432	62,599
Unallocated liabilities										1,255,730
Equity										65,460
Total liabilities and equity										1,383,789
Off-balance sheet items	3,387	955	4,342	-	1,892	-	-	1,892	708	6,942

BALANCE SHEET 2014	Retail		Totalkredit Partners		Wholesale Clients			Group Items	Total	
	Personal	SMEs	Total Retail	Totalkredit Partners	CIB	Markets	Asset Manage- ment			Total Wholesale Clients
ASSETS										
Mortgage loans at fair value	195,144	242,682	437,826	484,607	184,356	-	-	184,356	30,789	1,137,578
Reverse repurchase lending at fair value	-	-	-	-	-	35,228	-	35,228	-	35,228
Loans and advances at amortised cost	13,229	15,241	28,470	-	21,759	689	8	22,456	32	50,958
Assets by business area	208,373	257,923	466,296	484,607	206,115	35,917	8	242,040	30,821	1,223,764
Unallocated assets										233,537
Total assets										1,457,301
LIABILITIES AND EQUITY										
Bank deposits and other payables at amortised cost	23,332	17,305	40,637	-	18,851	574	3,862	23,287	1,308	65,232
Liabilities by business area	23,332	17,305	40,637	-	18,851	574	3,862	23,287	1,308	65,232
Unallocated liabilities										1,333,419
Equity										58,650
Total liabilities and equity										1,457,301
Off-balance sheet items	3,006	1,351	4,357	-	1,913	-	-	1,913	1,276	7,546

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
5. INTEREST INCOME			
12,355	11,614	4	65
11,111	8,600	22,390	26,220
4,248	4,203	8,784	8,377
Bonds			
469	319	795	1,087
529	584	1,137	1,523
33	249	271	67
112	97	184	303
Derivative financial instruments			
(12)	(11)	176	4
249	128	(250)	101
-	-	(40)	(55)
-	-	8	22
92	113	118	104
29,186	25,897	33,577	37,819
(469)	(319)	(795)	(1,087)
(5)	(0)	(60)	(77)
28,711	25,577	32,722	36,655
Of which interest income from reverse repurchase lending entered as:			
1	0	0	19
-	-	9	139
Of total interest income:			
165	156	2,112	2,395
-	-	107	90
-	-	106	90
-	-	128	124
Interest income accrued on individually impaired bank loans totalled DKK 107m (2014: DKK 90m). Nykredit Bank A/S generally does not charge interest on individually impaired loans. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairment.			
5A. NEGATIVE INTEREST (expense)			
Interest income			
-	(19)	(26)	-
-	(0)	(106)	-
-	(20)	(131)	-
Interest expenses			
-	(3)	(50)	-
-	(5)	(51)	-
-	(8)	(101)	-
-	(11)	(31)	-

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
6. INTEREST EXPENSES			
40	1	31	201
-	0	139	352
23,725	20,376	21,107	25,013
860	362	363	869
112	129	28	31
24,737	20,868	21,669	26,465
(469)	(319)	(795)	(1,087)
(5)	(0)	(60)	(77)
24,262	20,549	20,815	25,301
Of which interest expenses from repo transactions entered as:			
37	0	0	141
-	-	1	39
Of total interest expenses:			
1,044	579	856	1,690
7. DIVIDEND ON EQUITIES			
55	100	34	58
-	-	70	23
55	100	104	82
8. FEE AND COMMISSION INCOME			
-	-	150	153
8	-	861	818
848	977	1,487	1,196
855	977	2,498	2,167
9. FEE AND COMMISSION EXPENSES			
-	-	20	19
-	-	75	58
130	176	2,602	2,037
130	176	2,697	2,115

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
2014	2015	2015	2014	
10. VALUE ADJUSTMENTS				
Assets measured at fair value through profit or loss				
4,162	(4,992)	Mortgage loans, a)	(16,783)	9,913
6,340	(11,283)	Totalkredit mortgage loan funding, a)	-	-
110	(194)	Other loans, advances and receivables at fair value, b)	(2)	2
871	(525)	Bonds, b)	(614)	293
501	261	Equities, b)	245	327
-	-	Investment properties	5	8
29	8	Foreign exchange ¹	86	(3)
(1,009)	(112)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments ² , b)	499	(4,041)
Assets measured at fair value and recognised in "Other comprehensive income"				
-	-	Realised value adjustment of equities available for sale reclassified to the income statement	103	
Liabilities measured at fair value through profit or loss				
(4,305)	5,319	Bonds in issue, a)	17,112	(10,055)
(6,340)	11,283	Totalkredit mortgage loan funding, a)	-	-
359	(235)	Total	652	(3,557)
		¹ Of which value adjustment of assets and liabilities recognised at amortised cost	(1,110)	1,312
		² Of which value adjustment of interest rate swaps	410	(3,362)
a) Financial assets and liabilities classified at fair value on initial recognition.				
b) Financial assets and liabilities classified under the trading book.				
Of which value adjustment relating to fair value hedging for accounting purposes				
-	-	Fair value hedging	(5)	124
Value adjustments mainly relate to financial assets, financial liabilities and derivative financial instruments included in the Group's trading activities. No value adjustments have been made for own credit risk on bonds in issue or other financial liabilities.				
11. STAFF AND ADMINISTRATIVE EXPENSES				
54	43	Remuneration of Board of Directors and Executive Board	43	54
1,958	2,006	Staff expenses	2,878	2,855
377	218	Other administrative expenses	1,737	1,806
2,389	2,268	Total	4,658	4,715
Remuneration of Board of Directors and Executive Board				
Board of Directors				
3	4	Fees	4	3
Executive Board				
39	43	Base salaries	43	39
11	(4)	Pensions	(4)	11
54	43	Total	43	54

Notes

11. STAFF AND ADMINISTRATIVE EXPENSES (continued)

Terms and conditions applying to the Board of Directors

The 15 members of the Board of Directors receive fixed fees and a refund of any costs incurred in connection with board meetings. The fees are unchanged relative to end-2014.

Annual fees, end-2015 (DKK 1,000)

	Chairman	Deputy Chairman	Director
Nykredit Realkredit A/S	390	315	120
Nykredit Holding A/S	555	370	185
Foreningen Nykredit	195	130	75

In addition, Allan Kristiansen received a fee of DKK 60,000 as staff-elected board member of Nykredit Bank A/S.

The chairmen of the Audit, Risk and Remuneration Boards receive fees of DKK 150,000, DKK 150,000 and DKK 75,000, respectively. Other members of the Audit, Risk and Remuneration Boards receive fees of DKK 100,000, DKK 100,000 and DKK 50,000, respectively. Members of the Nomination Board do not receive separate fees.

A combination of Chairman of the Audit or Risk Board and an ordinary member of one of the two boards will not result in fees exceeding DKK 200,000.

No agreements have been made for pension plans, bonus schemes or special termination benefits for members of the Board of Directors elected by the General Meeting.

Notes

11. STAFF AND ADMINISTRATIVE EXPENSES (continued)

2015	Michael Rasmussen	Kim Duus	Søren Holm	Anders Jensen	Bente Overgaard	Total
Remuneration of the Executive Board (DKK 1,000)						
Contractual salary	9,805	6,070	6,070	6,070	6,070	34,085
Pension contributions ¹	2,270	-	-	1,396	1,396	5,062
Anniversary bonus	-	-	-	-	150	150
Compensation for waiving defined benefit pension plan					4,000	4,000
Total	12,075	6,070	6,070	7,466	11,616	43,297
Defined benefit plans	-	2,447	2,443	-	(8,705)	(3,815)
Total expenses, carrying amount/earned income	12,075	8,517	8,513	7,466	2,911	39,482

¹ In addition to their contractual salaries, Michael Rasmussen, Anders Jensen and Bente Overgaard receive a pension contribution of 23% for a pension plan of their own choice. Kim Duus and Søren Holm will be covered by defined benefit pension plans from the age of 60.

With the exception of Michael Rasmussen, Executive Board members receive the same contractual salary, but are covered by different pension plans. The pension plans impact expenses for accounting purposes at varying degrees. Members of the Executive Board entitled to pension contributions receive 23% of their contractual salary, whereas the carrying amount of expenses for defined pension plans are provisions for expected pension contributions for the persons concerned. Defined benefit pension plans are based on, among other factors, a calculated retirement age of 60.

Members of the Executive Board receive fixed salaries covering all directorships and executive positions in Foreningen Nykredit as well as Group enterprises and associates. Neither bonus schemes nor other variable remuneration plans have been established for the members of the Executive Board.

In accordance with the Group's HR policy, Bente Overgaard has received anniversary bonus of DKK 150,000. Bente Overgaard further received DKK 4,000,000 as compensation for waiving a defined benefit pension plan and for a reduction of her termination benefits period from 22 to 12 months. Further, the provisions made for Bente Overgaard's defined benefit pension plan were reversed.

No changes were made to the composition of the Executive Board in 2015.

Pension and termination benefits of the Executive Board	Michael Rasmussen	Kim Duus	Søren Holm	Anders Jensen	Bente Overgaard ¹
Pension plan	-	Defined benefit	Defined benefit	-	-
Pension terms	-	60% of fixed salary for up to 5 years from the age of 60	60% of fixed salary for up to 5 years from the age of 60	-	-
Termination benefit	23 mths	22 mths	22 mths	12 mths	12 mths
Mutual term of notice	6 mths	6 mths	6 mths	6 mths	6 mths

¹ Effective from 1 January 2015, Bente Overgaard's pension plan has been changed from a defined benefit plan to a defined contribution plan and her termination benefits period has been reduced from 22 to 12 months.

Group managing directors Kim Duus and Søren Holm may resign by giving 12 months' notice from the age of 60 until the age of 70 and are entitled to pension benefits equal to 60% of their base salaries. Pension benefits are paid for a maximum of 5 years, and the benefits entitlement lapses when the Group Managing Director attains the age of 70. Further, Nykredit may request a Group Managing Director to retire in this period subject to 6 months' notice.

Group Managing Directors will retire in the month they attain the age of 70 at the latest.

Notes

11. STAFF AND ADMINISTRATIVE EXPENSES (continued)

2014								
Remuneration of the Executive Board (DKK 1,000)	Michael Rasmussen	Kim Duus	Søren Holm	Anders Jensen	Karsten Knudsen	Per Ladegaard	Bente Overgaard	Total
Contractual salary	9,612	5,951	5,951	1,488	3,967	3,967	5,951	36,887
Pension contributions ¹	2,225	-	-	342	-	-	-	2,567
Total	11,837	5,951	5,951	1,830	3,967	3,967	5,951	39,454
Defined benefit plans	-	2,202	2,241	-	2,700	2,700	1,305	11,148
Total expenses, carrying amount/ earned income	11,837	8,153	8,192	1,830	6,667	6,667	7,256	50,602

¹ In addition to their contractual salaries, Michael Rasmussen and Anders Jensen receive a pension contribution of 23% for a pension plan of their own choice. Kim Duus, Søren Holm, Bente Overgaard, Karsten Knudsen and Per Ladegaard will be covered by defined benefit pension plans from the age of 60.

Compared with the Annual Report 2014, this note has been changed, now showing contractual salaries and pension plan of own choice separately. The salaries have thus not been changed.

Karsten Knudsen and Per Ladegaard resigned from the Group Executive Board on 1 March 2014 and performed selected tasks up until their retirement at end-August 2014. As at 1 October 2014, Anders Jensen was appointed Group Managing Director with responsibility for Retail.

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
11. STAFF AND ADMINISTRATIVE EXPENSES (continued)			
Staff expenses			
1,549	1,597	2,314	2,279
189	182	252	265
198	207	287	284
21	20	25	27
1,958	2,006	2,878	2,855
32	124	171	47
In addition to the Board of Directors and Executive Board, Nykredit has designated the following number (average) of staff whose activities significantly affect Nykredit's risk profile (material risk takers)			
Details of Nykredit's remuneration policy appear from page 41 of the Management's Review under Remuneration and at nykredit.com.			
Remuneration of material risk takers is included in "Staff expenses" and breaks down into:			
43	148	236	71
7	28	47	14
(0)	(1)	(2)	(0)
49	176	282	85
Material risk takers are only covered by defined contribution pension plans.			
Variable remuneration comprises variable remuneration components in the financial year as well as bonus provided for at the end of the financial year. The final bonus is determined during the first quarter of the following financial year. The difference between the bonus provided for and the final bonus is recognised in "Adjustment of variable remuneration provided for in previous years".			
Number of staff			
2,981	2,826	3,757	3,971
Average number of staff for the financial year, full-time equivalents			
Fee to auditor appointed by the General Meeting			
4	6	10	8
Total fees include:			
2	2	5	5
0	0	0	0
0	0	0	0
2	4	5	3
4	6	10	8
12. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
Intangible assets			
76	71	86	82
852	1,972	1,981	853
Property, plant and equipment			
97	91	118	127
-	-	0	35
-	-	-	(10)
1,026	2,134	2,185	1,087

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES			
13 a. Earnings impact			
1,234	389	935	1,643
11	-	-	15
237	(8)	(278)	365
173	191	573	522
(35)	(46)	(112)	(75)
-	-	(7)	4
1,619	526	1,110	2,473
Total impairment losses on loans, advances and receivables, and provisions for guarantees			
111	91	120	157
(7)	(32)	(42)	(13)
-	-	(268)	(267)
1,723	586	920	2,351
Total			
13 b. Specification of impairment provisions for loans, advances and receivables			
2,890	2,980	6,266	6,509
1,401	1,393	2,324	2,602
4,291	4,373	8,590	9,110
Total impairment provisions			
Impairment provisions have been offset against the following items:			
4,168	4,213	5,397	5,268
102	138	297	238
-	-	2,852	3,560
21	21	44	44
4,291	4,373	8,590	9,110
Total impairment provisions			
13 c. Individual impairment provisions for loans and advances			
2,039	2,869	6,465	6,116
Impairment provisions, beginning of year			
1,547	965	2,159	2,661
(314)	(575)	(1,223)	(1,018)
(119)	(57)	(90)	(160)
(285)	(243)	(1,087)	(1,134)
2,869	2,958	6,223	6,465
Impairment provisions, year-end			
Of total individual impairment provisions for bank lending to business customers of DKK 2.0bn (2014: approximately DKK 2.3bn), approximately DKK 0.3bn, or 17% (2014: approximately 24%), can be attributed to exposures to customers whose financial circumstances have led to bankruptcy, bankruptcy proceedings or compulsory dissolution.			
Of total individual impairment provisions for mortgage lending, approximately 76% (2014: 90%) or DKK 2,656m can be attributed to customers in serious financial difficulties but not in arrears. Approximately 10% (2014: 12%) or DKK 359m of total individual impairment provisions can be attributed to customers subject to bankruptcy, compulsory dissolution, bankruptcy proceedings or who have died.			
Loans are impaired if a customer is deemed to be in serious financial difficulty, or forbearance has been granted as a result of financial difficulty. When assessing whether loans are impaired, factors such as non-performance of contractual obligations, personal circumstances such as divorce, unemployment or long-term illness are taken into consideration.			

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)			
13 d. Collective impairment provisions for loans and advances			
1,165	1,401	2,602	2,237
237	(8)	(278)	365
1,401	1,393	2,324	2,602
13 e. Individual impairment provisions for receivables from credit institutions			
10	21	44	29
11	-	-	15
21	21	44	44
13 f. Specification of loans, advances and receivables from credit institutions with objective evidence of impairment			
13,612	14,694	21,730	20,619
2,869	2,958	6,223	6,465
10,743	11,736	15,507	14,155
37,553	31,939	116,156	116,681
1,401	1,393	2,324	2,602
36,152	30,546	113,832	114,079
29	29	54	54
21	21	44	44
8	8	10	10
13 g. Impairment provisions for acquired properties			
365	315	414	469
119	57	90	160
117	99	130	167
(6)	(8)	(10)	(10)
(280)	(246)	(337)	(372)
315	217	287	414
Impairment provisions for acquired properties have been offset against "Assets in temporary possession".			
14. PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
6	7	8	6
(231)	3,158	-	-
(225)	3,165	8	6

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
15. TAX			
15 a. Tax on profit (loss) for the year			
Tax on profit (loss) for the year has been calculated as follows:			
203	598	1,565	85
6	(65)	(86)	(7)
7	15	12	25
(2)	(1)	2	(14)
215	547	1,494	90
Tax on profit (loss) for the year can be specified as follows:			
43	880	1,101	(46)
Tax effect of:			
(52)	(804)	(90)	(104)
218	456	468	228
5	14	15	12
215	547	1,494	90

15 b. Payroll tax

In addition to corporation tax, the Nykredit Group paid payroll tax of DKK 287m (2014: DKK 284m). Payroll tax has been included in "Staff expenses", cf note 11.

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
16. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
-	6,772	Receivables from central banks	6,772	8,000
28,230	11,004	Receivables from credit institutions	12,284	24,670
-	-	Reverse repurchase lending to central banks	-	746
1,340	433	Reverse repurchase lending to credit institutions	1,102	4,228
29,570	18,210	Total	20,158	37,644
Receivables from credit institutions and central banks by time-to-maturity				
10,194	4,724	On demand	10,702	22,791
9,090	9,178	Up to 3 months	9,449	9,996
7,178	2,300	Over 3 months and up to 1 year	-	4,850
3,100	-	Over 1 year and up to 5 years	-	-
8	2,008	Over 5 years	8	8
29,570	18,210	Total	20,158	37,644
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
582,417	549,618	Mortgage loans	1,119,101	1,137,099
268	235	Arrears and outlays	358	479
-	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	39,467	35,228
19,294	12,891	Loans to Totalkredit serving as collateral in capital centres	-	-
590,579	593,377	Totalkredit mortgage loan funding	-	-
1,192,558	1,156,122	Total	1,158,926	1,172,805
17 a. Mortgage loans				
588,670	570,913	Balance, beginning of year, nominal value	1,111,744	1,119,970
76,191	86,795	New loans	257,128	190,529
164	152	Indexation	152	164
(1,279)	926	Foreign currency translation adjustment	926	(1,279)
(12,412)	(11,815)	Ordinary principal payments	(18,974)	(18,861)
(80,420)	(102,615)	Prepayments and extraordinary principal payments	(236,652)	(178,780)
570,913	544,356	Balance, year-end, nominal value	1,114,324	1,111,744
(360)	(207)	Loans transferred relating to properties in temporary possession	(255)	(411)
244	231	Loans assumed by the Danish Agency for Governmental Management	231	244
570,797	544,380	Total	1,114,300	1,111,577
15,788	9,452	Adjustment for interest rate risk	10,198	30,789
Adjustment for credit risk				
(2,767)	(2,820)	Individual impairment provisions	(3,215)	(3,176)
(1,401)	(1,393)	Collective impairment provisions	(2,182)	(2,092)
582,417	549,618	Balance, year-end, fair value	1,119,101	1,137,099

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)			
As collateral for loans and advances, Nykredit has received mortgages over real estate and:			
28,328	28,894	44,772	35,382
1,014	674	12,913	10,412
6,776	2,749	13,302	21,675
Mortgage loans at nominal value by property category			
Loans and advances as %, year-end			
22	19	58	58
2	1	3	3
17	18	9	9
15	16	8	8
4	4	2	2
20	21	10	10
17	17	9	9
3	3	2	2
100	100	100	100
For further specification of mortgage loans by loan type and property category, please refer to page 33 of the Management's Review.			
17 b. Arrears and outlays			
296	280	385	431
74	93	269	287
(102)	(138)	(297)	(238)
268	235	358	479
Breakdown of arrears on non-impaired loans and advances at fair value			
		928	880
		289	218
		202	69
		74	71
		129	132
		1,623	1,370
Breakdown of non-impaired loans and advances at fair value (as % of loans and advances)			
		0.08	0.08
		0.03	0.02
		0.02	0.01
		0.01	0.01
		0.01	0.01
		0.15	0.13
Mortgage loans, arrears and outlays as well as other loans and advances by time-to-maturity			
6,576	4,058	46,663	44,876
11,629	12,169	21,124	17,365
82,579	85,214	140,040	123,245
481,900	448,412	951,099	987,320
582,685	549,853	1,158,926	1,172,805
Mortgage loans recognised at fair value, arrears and outlays as well as other loans and advances by time-to-maturity are stated after impairment provisions.			

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)				
17 c. Loans to Totalkredit serving as collateral in capital centres				
Loans to Totalkredit serving as collateral in capital centres by time-to-maturity				
1,518	163	Up to 3 months	-	-
1,982	11,742	Over 3 months and up to 1 year	-	-
14,800	987	Over 1 year and up to 5 years	-	-
995	-	Over 5 years	-	-
19,294	12,891	Total	-	-
17 d. Totalkredit mortgage loan funding				
531,206	576,910	Balance, beginning of year, nominal value	-	-
252,757	290,238	New loans	-	-
(4,293)	(5,873)	Ordinary principal payments	-	-
(202,760)	(267,843)	Prepayments and extraordinary principal payments	-	-
576,910	593,432	Balance, year-end, nominal value	-	-
13,669	(54)	Adjustment for interest rate risk	-	-
590,579	593,377	Balance, year-end, fair value	-	-
Totalkredit mortgage loan funding by time-to-maturity				
54,828	26,644	Up to 3 months	-	-
143,741	97,498	Over 3 months and up to 1 year	-	-
200,714	232,548	Over 1 year and up to 5 years	-	-
191,297	236,688	Over 5 years	-	-
590,579	593,377	Total	-	-
Totalkredit mortgage loan funding by time-to-maturity is stated at fair value.				
18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
-	-	Bank loans and advances	49,599	54,054
26	19	Totalkredit mortgage loan funding	-	-
-	-	Mortgage loans	19	27
449	269	Other loans and advances	295	465
476	288	Balance, year-end	49,914	54,546
Adjustment for credit risk				
-	-	Individual impairment provisions	(2,711)	(3,051)
-	-	Collective impairment provisions	(141)	(509)
476	288	Balance after impairment, year-end	47,061	50,986
(28)	(25)	Set-off of self-issued "Other loans and advances" against "Bonds in issue at amortised cost" – note 31	(25)	(28)
448	263	Total	47,036	50,958
The Nykredit Group hedges the interest rate risk of fixed-rate bank loans and advances on a current basis using derivatives. This enables the Group to manage its overall interest rate sensitivity taking into consideration expected interest rate developments.				
The bank loan portfolio has been fair value adjusted through profit or loss as a result of the use of hedge accounting.				
-	-	Of total loans and advances, fixed-rate bank loans represent	1,918	1,519
-	-	Fair value of fixed-rate loans	1,929	1,547

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)			
Loans, advances and other receivables at amortised cost by time-to-maturity			
-	-	9,868	10,340
3	2	10,519	12,194
5	5	5,383	5,965
232	38	10,576	11,322
208	218	10,691	11,137
448	263	47,036	50,958
Loans and advances by time-to-maturity are stated after impairment and after set-off of self-issued securities.			
Breakdown of non-impaired loans and advances in arrears at amortised cost			
		8	18
		52	54
		25	93
		86	105
		27	70
	Total	198	340
Breakdown of non-impaired loans and advances in arrears at amortised cost (as % of loans and advances)			
		0.02	0.04
		0.11	0.11
		0.06	0.19
		0.19	0.21
		0.06	0.14
	Total	0.44	0.69
18a. Bank loans and advances			
Non-accrual loans or loans carrying a reduced interest rate			
-	-	638	789
-	-	5	6
Bank loans, advances and guarantee debtors by sector			
Loans and advances as %, year-end			
-	-	0	1
Business customers			
-	-	4	4
-	-	7	7
-	-	1	1
-	-	4	3
-	-	5	4
-	-	6	4
-	-	2	1
-	-	11	9
-	-	16	18
-	-	11	13
-	-	67	66
-	-	33	33
-	-	100	100
The sector distribution is based on the official Danish activity codes.			

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)				
18 a. Bank loans and advances (continued)				
Finance leases				
Of total loans and advances at amortised cost, finance leases represent				
-	-	Balance, beginning of year	3,457	2,963
-	-	Additions	1,957	1,780
-	-	Disposals	(1,383)	(1,286)
-	-	Balance, year-end	4,031	3,457
-	-	Impairment provisions for finance leases represent	41	34
Non-guaranteed residual values on expiry of the leases represent DKK 0.				
Finance leases by time-to-maturity				
-	-	Up to 3 months	321	255
-	-	Over 3 months and up to 1 year	709	617
-	-	Over 1 year and up to 5 years	2,589	2,217
-	-	Over 5 years	412	368
-	-	Total	4,031	3,457
Where loans and advances under finance leases are concerned, amortised cost represents their fair value. The leases comprise equipment as well as real estate. The leases have been concluded on an arm's length basis. The term of the leases is generally 3 to 6 years, but may be up to 20 years for leased properties.				
Gross investments in finance leases				
Gross investments in finance leases by time-to-maturity				
-	-	Up to 1 year	1,150	996
-	-	Over 1 year and up to 5 years	2,862	2,495
-	-	Over 5 years	427	384
-	-	Total	4,439	3,875
-	-	Non-earned income	408	418
19. BONDS AT FAIR VALUE				
69,776	39,046	Self-issued covered bonds (særligt dækkede obligationer, SDOs)	72,801	121,334
35,460	15,876	Self-issued covered bonds (realkreditobligationer, ROs)	34,506	59,926
-	-	Self-issued corporate bonds	2,028	2,342
-	-	Self-issued senior debt	370	410
34,306	39,224	Other ROs	85,747	99,523
10,445	12,815	Government bonds	12,969	18,556
2,994	4,013	Other bonds	7,485	9,893
152,981	110,974	Total	215,905	311,982
(69,750)	(39,020)	Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 30	(72,774)	(121,307)
(26)	(26)	Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 31	(26)	(26)
(35,460)	(15,876)	Set-off of self-issued ROs against "Bonds in issue at fair value" – note 30	(34,506)	(59,926)
-	-	Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 31	(2,028)	(2,342)
-	-	Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 30	(370)	(410)
47,745	56,053	Total	106,200	127,972
3,679	8,221	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	13,092	20,142
The deposits were made on an arm's length basis in accordance with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment period of very few value dates.				

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
19. BONDS AT FAIR VALUE (continued)			
Collateral security was provided on an arm's length basis.			
As the majority – around DKK 106bn – of the Group's bond portfolio is included in the Group's trading activities, the actual maturities of these bonds are expected to be less than 1 year. Of the Group's bond portfolio, bonds of approximately DKK 1bn are expected to have a maturity of up to 5 years.			
20. EQUITIES			
3,069	3,733	1,979	1,376
-	-	2,115	2,035
3,069	3,733	4,094	3,411
20 a. Equities measured at fair value through profit or loss			
1,215	1,426	370	194
9	45	51	17
1,846	2,262	1,559	1,164
3,069	3,733	1,979	1,376
20 b. Equities available for sale			
-	-	1,235	1,143
-	-	880	892
-	-	2,115	2,035
-	-	2,035	1,460
-	-	150	317
-	-	(193)	-
-	-	122	258
-	-	2,115	2,035
Equities in Spar Nord Bank A/S, Sydbank A/S, DLR Kredit A/S and VP Securities A/S have been classified as equities available for sale. Equities available for sale are fair value adjusted in "Other comprehensive income" until a potential sale.			
21. INVESTMENTS IN ASSOCIATES			
113	113	114	114
-	-	(0)	-
113	113	114	114
5	7	8	6
6	7	8	6
(4)	(4)	(5)	(4)
-	(0)	(0)	-
7	10	10	8
119	122	124	123

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
22. INVESTMENTS IN GROUP ENTERPRISES				
25,938	25,938	Cost, beginning of year	-	-
-	2,000	Additions	-	-
25,938	27,938	Cost, year-end	-	-
4,927	4,518	Revaluations and impairment losses, beginning of year	-	-
(231)	3,158	Profit (loss)	-	-
(125)	(35)	Dividend	-	-
(53)	15	Other movements in capital	-	-
4,518	7,656	Revaluations and impairment losses, year-end	-	-
30,456	35,594	Balance, year-end	-	-
29,688	34,730	Of which credit institutions	-	-
Subordinated receivables				
3,100	2,000	Group enterprises	-	-
1,555	2,254	Other enterprises	2,275	1,823
4,655	4,254	Total	2,275	1,823
23. INTANGIBLE ASSETS				
1,907	-	Goodwill	14	1,930
-	-	Fixed-term rights	20	22
123	117	Software	117	123
87	100	Development projects in progress	100	87
57	-	Customer relationships	20	90
2,175	217	Total	271	2,252
23 a. Goodwill				
2,759	2,759	Cost, beginning of year	2,782	2,782
2,759	2,759	Cost, year-end	2,782	2,782
-	-	Impairment, beginning of year, before impairment of Forstædernes Bank A/S	-	-
-	852	Impairment of goodwill relating to the acquisition of Forstædernes Bank A/S	852	-
-	852	Impairment, beginning of year, after impairment of Forstædernes Bank A/S	852	-
852	1,907	Impairment for the year	1,916	852
852	2,759	Impairment, year-end	2,768	852
1,907	-	Balance, year-end	14	1,930

The FSA has performed a partial review of Nykredit Realkredit's Financial Statements 2014, with special focus on the carrying amount of goodwill. According to the FSA, their review showed that goodwill was overvalued by DKK 852m in Nykredit Realkredit's Financial Statements 2014. As a result, goodwill has been adjusted by DKK 852m at end-2014.

The budget period related to the impairment test for 2014 of Nykredit Bank A/S has been changed from 10 years to 5 years, as talks with the Danish FSA have established that the 10-year period was not adequately motivated, including that it is not documented by experience that the longer period provides a better basis of calculation. Furthermore, the FSA does not find that the applied business growth has been adequately documented. As a result of this correction, goodwill of DKK 852m has been written down for impairment in full. Goodwill has been attributed to the business area Group Items, and the impairment test is based on the expected cash flows of Nykredit Bank A/S.

For further information, reference is made to note 1, Accounting policies, under General.

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
2014	2015	2015	2014	
23. INTANGIBLE ASSETS (continued)				
23 a. Goodwill (continued)				
The impairment test of Totalkredit A/S is based on the following assumptions:				
		2015	2014	
Budget period		5 years	10 years	
Acquired goodwill		1,907	1,907	
Required rate of return before tax up to 2019		11.3%	10.3%	
Required rate of return before tax from 2019		12.3%	10.3%	
Average annual business growth in the budget period		3.4%	2.7%	
Fixed annual business growth in the terminal period		2.0%	2.0%	
In 2015, Nykredit wrote down goodwill relating to the acquisition of Totalkredit for impairment. The goodwill impairment reflected the annual impairment test, in which a reduction of the budget and projection periods from 10 to 5 years combined with higher required rates of return and costs of capital resulted in impairment of DKK 1,907m.				
Following talks with the Danish FSA, the budget period has been reduced from 10 to 5 years, which corresponds to the usual period under IAS 36.				
After impairment, goodwill relating to the acquisition of Totalkredit A/S was fully impaired in 2015. The impairment relates to the business area Totalkredit Partners.				
23 b. Fixed-term rights				
4,506	4,506	Cost, beginning of year	4,575	4,580
-	-	- Additions	1	1
-	-	- Disposals	(1)	(7)
4,506	4,506	Cost, year-end	4,575	4,575
4,506	4,506	Amortisation and impairment losses, beginning of year	4,553	4,554
-	-	- Amortisation for the year	2	3
-	-	- Reversal of amortisation and impairment losses	(0)	(4)
4,506	4,506	Amortisation and impairment losses, year-end	4,555	4,553
-	-	Balance, year-end	20	22
-	-	Fixed-term rights are amortised over 9 years.		
-	-	Residual amortisation period at 31 December (average number of years)	5	5
23 c. Software				
853	931	Cost, beginning of year	931	853
78	71	Transferred from development projects in progress	71	78
931	1,002	Cost, year-end	1,002	931
740	807	Amortisation and impairment losses, beginning of year	807	740
-	3	Transferred from development projects in progress	3	-
68	63	Amortisation for the year	63	68
-	11	Impairment provisions for the year	11	-
807	884	Amortisation and impairment losses, year-end	884	807
123	117	Balance, year-end	117	123
2	2	Software is amortised over 3-5 years.		
2	2	Residual amortisation period at 31 December (average number of years)	2	2

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
23. INTANGIBLE ASSETS (continued)			
23 d. Development projects in progress			
66	87	87	66
99	86	86	99
(78)	(71)	(71)	(78)
	(2)	(2)	
87	100	100	87
-	-	-	-
-	5	5	-
	(3)	(3)	
	(2)	(2)	
-	-	-	-
87	100	100	87
23 e. Customer relationships			
110	110	145	110
-	-	-	35
110	110	145	145
44	53	55	44
8	8	20	11
-	49	49	-
53	110	125	55
57	-	20	90
7	-	2	7

Customer relationships are amortised over 3-13 years.

- Residual amortisation period at 31 December (average number of years)

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
24. LAND AND BUILDINGS			
-	-	244	283
16	16	1,460	1,484
16	16	1,704	1,767
24 a. Investment properties			
-	-	283	554
-	-	278	0
-	-	(311)	(278)
-	-	(6)	8
-	-	244	283
-	-	244	273
-	-	27	32
-	-	7	10
-	-	-	0
The valuation was carried out by an internal valuer based on the return method. The required rate of return is determined based on property type, location and state of repair. In 2015 the required rate of return ranged between 6.7% and 9.2% for commercial property and 5.1% for residential property (an average of 8.4% and 5.1%, respectively).			
-	-	235	254
Rental income under non-cancellable operating leases			
-	-	15	23
-	-	6	19
-	-	21	42

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
	24. LAND AND BUILDINGS (continued)		
	24 b. Owner-occupied properties		
18	16 Cost, beginning of year	2,173	2,211
-	- Additions, including improvements	3	-
(2)	- Disposals	(50)	(38)
16	16 Cost, year-end	2,126	2,173
3	2 Revaluations, beginning of year	299	367
-	- Additions for the year recognised in "Other comprehensive income"	17	6
-	- Disposals for the year recognised in "Other comprehensive income"	-	(73)
(1)	- Reversal of revaluations	(9)	(2)
2	2 Revaluations, year-end	307	299
2	2 Depreciation and impairment losses, beginning of year	989	952
0	0 Depreciation for the year	18	19
-	- Impairment losses for the year	-	35
(0)	- Reversal of depreciation and impairment losses	(34)	(17)
2	2 Depreciation and impairment losses, year-end	974	989
16	16 Balance, year-end	1,460	1,484
2	2 Owner-occupied properties are depreciated over a period of 20-50 years. Residual depreciation period at 31 December (average number of years)	18	20
	The latest revaluation of owner-occupied properties was made at end-2015.		
	The valuations were carried out by an internal valuer based on the return method. In 2015 the required rate of return ranged between 5.0% and 7.75% (5.4% on average) depending on the nature, location and state of repair of the owner-occupied property.		
14	14 If no revaluations had been made, the carrying amount of owner-occupied properties would have been:	1,143	1,184

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
25. OTHER PROPERTY, PLANT AND EQUIPMENT				
741	658	Cost, beginning of year	834	931
48	64	Additions	69	53
(131)	(38)	Disposals	(61)	(150)
658	684	Cost, year-end	842	834
26. DEPRECIATION AND IMPAIRMENT LOSSES				
431	423	Depreciation and impairment losses, beginning of year	561	576
97	91	Depreciation for the year	99	108
(105)	(34)	Reversal of depreciation and impairment losses	(53)	(124)
423	478	Depreciation and impairment losses, year-end	607	561
235	204	Balance, year-end	235	273
Other assets are depreciated over 4-15 years.				
2	2	Residual depreciation period at 31 December (average number of years)	3	3
26. ASSETS IN TEMPORARY POSSESSION				
476	396	Acquired properties for sale	451	552
476	396	Total	451	552
If the Nykredit Group acquires a mortgaged property through a forced sale by public auction to reduce its loss on exposures in default, the Group will seek to realise the mortgaged property at the highest obtainable price within 12 months. The assets are recognised in Group Items in the segment financial statements.				
27. OTHER ASSETS				
9,893	7,213	Interest and commission receivable	6,388	9,503
257	177	Receivables from Group enterprises	-	-
3,689	2,962	Positive market value of derivative financial instruments	31,579	41,937
214	227	Defined benefit plans	227	214
589	304	Other	2,977	2,260
14,642	10,884	Total	41,171	53,914
27 a. Netting				
-	2,959	Positive market value of derivative financial instruments, gross	41,905	51,045
-	15	Other receivables included in netting	12,073	9,154
-	(12)	Netting of positive and negative market values, cf note 33 a.	(22,399)	(18,261)
-	2,962	Net market value	31,579	41,937
168	983	In connection with derivatives transactions, Nykredit has received security not included in netting of	3,806	1,645
Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.				
Apart from netting, security is provided on a daily basis by way of a variation margin corresponding to the market value changes of the contracts entered into.				
Offsetting takes place for derivatives that have been cleared through a central clearing house (CCP).				

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
27. OTHER ASSETS (continued)			
27 b. Defined benefit plans			
The majority of the Group's pension plans are defined contribution plans. The contributions are charged against income on a current basis.			
The Group's defined benefit plans are funded through contributions from Nykredit Realkredit A/S into the pension fund in run-off Nykredits Afviklingspensionskasse, which acts in the members' interests by investing the contributions made to cover the pension obligations.			
Due to the excess coverage of the pension fund, Nykredit Realkredit A/S has not made any contributions since 2009. The pension fund is subject to Danish legislation on company pension funds. The plans are closed to new members and concern staff employed before 1972.			
(555)	(521)	(521)	(555)
769	748	748	769
214	227	227	214
Net assets, year-end			
(548)	(555)	(555)	(548)
Obligation, beginning of year			
(13)	(6)	(6)	(13)
5	(13)	(13)	5
(38)	14	14	(38)
39	38	38	39
(555)	(521)	(521)	(555)
Obligation, year-end			
736	769	769	736
Plan assets, beginning of year			
17	9	9	17
54	9	9	54
(39)	(38)	(38)	(39)
769	748	748	769
Plan assets, year-end			
214	227	227	214
Net assets, year-end			
Pension costs/income relating to defined benefit plans recognised in "Staff and administrative expenses" in the income statement			
4	3	3	4
4	3	3	4
Total			
Pension costs/income relating to defined benefit plans recognised in "Other comprehensive income" in "Actuarial gains/losses on defined benefit plans"			
5	(13)	(13)	5
17	23	23	17
22	10	10	22
Total			
Plan assets break down as follows:			
846	818	818	846
19	14	14	19
(95)	(84)	(84)	(95)
769	748	748	769
Total assets			

All pension fund assets are measured on the basis of listed prices (level 1 input).

The pension fund extensively seeks to match the term of its assets with the expected term of its obligations. Further, expected pension benefit increases are matched with investments in index-linked bonds.

Notes

DKK million

27. OTHER ASSETS (continued)

27 b. Defined benefit plans (continued)

Average actuarial calculation assumptions	2015	2014	2013	2012	2011
Inflation, %	2.0	2.0	2.0	2.0	2.0
Discount rate, %	1.2	2.1	1.8	2.8	3.5
Wage growth, %	0.5	2.0	2.0	2.0	2.0
The Nykredit Group's pension obligations	2015	2014	2013	2012	2011
Plan liabilities	(521)	(555)	(548)	(588)	(657)
Plan assets	748	769	736	792	780
Net assets	227	214	188	204	123
Net actuarial adjustments	2015	2014	2013	2012	2011
Actuarial adjustments to plan liabilities	1	(33)	9	43	(36)
Actuarial adjustments to plan assets	(2)	58	(46)	35	27
Tax adjustments	11	(3)	13	(17)	1
Total actuarial adjustments	10	22	(24)	61	(7)
Expected expiry of the pension obligations	2015	2014			
Within 1 year	(36)	(38)			
1-5 years	(135)	(136)			
5-10 years	(142)	(137)			
Over 10 years	(208)	(244)			
Total pension obligations	(521)	(555)			

The expected expiry of the pension obligation is based on the discounted obligation.

Sensitivities Impact on pension obligation (in DKK million) on adjustment of:	End-2015		End-2014	
	+1%/+10%	-1%/-10%	+1%/+10%	-1%/-10%
Discount rate (+/- 1 percentage point)	43	-50	47	-54
Wage growth and pension increases (+/- 1 percentage point)	-56	47	-61	52
Life expectancy (+/- 10%)	-24	24	-25	25

Sensitivities are computed subject to "all things being equal", meaning that one parameter is adjusted, while the remaining parameters are left unchanged. This will rarely be the case in practice, and assumption changes may also be correlated.

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
28. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
1,525	1,336	Payables to credit institutions	8,543	14,848
-	-	Payables to central banks	-	34
21,286	16,388	Repo transactions with credit institutions	21,683	29,235
-	-	Repo transactions with central banks	-	746
22,811	17,724	Total	30,226	44,863
Payables to credit institutions and central banks by time-to-maturity				
1,165	986	On demand	3,679	3,251
21,286	16,388	Up to 3 months	24,158	38,316
360	350	Over 3 months and up to 1 year	1,625	2,104
-	-	Over 1 year and up to 5 years	764	1,154
-	-	Over 5 years	-	37
22,811	17,724	Total	30,226	44,863
29. DEPOSITS AND OTHER PAYABLES				
-	-	On demand	49,962	45,806
-	-	At notice	2,334	5,306
-	-	Time deposits	7,536	11,097
-	-	Special deposits	2,767	3,022
-	-	Total	62,599	65,232
Deposits and other payables by time-to-maturity				
-	-	On demand	50,355	47,059
-	-	Up to 3 months	7,408	7,406
-	-	Over 3 months and up to 1 year	1,535	5,901
-	-	Over 1 year and up to 5 years	1,547	2,944
-	-	Over 5 years	1,755	1,921
-	-	Total	62,599	65,232
30. BONDS IN ISSUE AT FAIR VALUE				
290,664	230,588	ROs	251,040	329,773
989,633	971,449	SDOs	971,449	989,633
25,103	18,155	Senior secured debt	18,155	25,103
4,297	4,320	Senior unsecured debt	4,320	4,297
1,309,697	1,224,512	Total	1,244,964	1,348,806
(105,210)	(54,896)	Self-issued bonds transferred from "Bonds at fair value" – note 19	(107,650)	(181,643)
1,204,487	1,169,616	Total	1,137,314	1,167,163

Changes in the fair values of covered bonds (ROs and SDOs) and senior debt issues attributable to the Nykredit Group's own credit risk can be determined relative to changes in option-adjusted yield spreads (OAS) against government bonds or relative to changes in yield spreads against equivalent bonds from other Danish mortgage lenders.

Determined relative to other Danish mortgage lenders, the fair value has not been subject to changes attributable to the Nykredit Group's own credit risk in 2015 or since the issue, as there are no measurable price differences between bonds with identical properties issued by different lenders.

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
30. BONDS IN ISSUE AT FAIR VALUE (continued)				
<p>The yield spread between government bonds and senior debt issues remained unchanged, whereas the spread between government bonds and ROs/SDOs widened in 2015. The yield spread changes in 2015 caused a decline in the fair value of bonds in issue of approx DKK 17bn attributable to Nykredit's own credit risk.</p> <p>Since 2007 spread widening between government bonds and ROs/SDOs has resulted in a fair value decline of approx DKK 6bn attributable to Nykredit's own credit risk, whereas spread tightening between government bonds and senior debt issues has resulted in a fair value increase of senior debt in issue of approx DKK 1bn.</p> <p>Equity and profit/loss have not been affected by the changes in fair value for ROs and SDOs, as the value of mortgage loans has changed correspondingly.</p> <p>The determination allows for both maturity and nominal holding, but is to some extent based on estimates.</p>				
30 a. ROs				
280,572	222,555	ROs at nominal value	242,206	318,349
10,092	8,033	Fair value adjustment	8,834	11,424
290,664	230,588	ROs at fair value	251,040	329,773
(35,460)	(15,876)	Self-issued ROs transferred from "Bonds at fair value" – note 19	(34,506)	(59,926)
255,204	214,712	Total	216,534	269,847
163	24	Of which pre-issuance	24	163
31,039	15,331	ROs redeemed and maturing at next creditor payment date	16,191	34,988
30 b. SDOs				
970,263	970,081	SDOs at nominal value	970,081	970,263
19,370	1,368	Fair value adjustment	1,368	19,370
989,633	971,449	SDOs at fair value	971,449	989,633
(69,750)	(39,020)	Self-issued SDOs transferred from "Bonds at fair value" – note 19	(72,774)	(121,307)
919,883	932,429	Total	898,675	868,325
587	2,408	Of which pre-issuance	2,408	587
117,327	57,889	SDOs redeemed and maturing at next creditor payment date	57,889	117,327
30 c. Senior secured debt				
24,122	17,503	Senior secured debt at nominal value	17,503	24,122
982	652	Fair value adjustment	652	982
25,103	18,155	Senior secured debt at fair value	18,155	25,103
-	-	Self-issued senior secured debt transferred from "Bonds at fair value" – note 19	(370)	(410)
25,103	18,155	Total	17,784	24,694
1,430	118	Senior secured debt maturing at next creditor payment date	118	1,430

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
30. BONDS IN ISSUE AT FAIR VALUE (continued)			
30 d. Senior unsecured debt			
4,291	4,320	4,320	4,291
5	(0)	(0)	5
4,297	4,320	4,320	4,297
-	-	-	-
Bonds in issue at fair value by time-to-maturity			
99,078	51,020	54,379	72,095
295,110	215,741	190,928	290,349
493,759	306,511	288,026	477,842
316,540	596,344	603,982	326,877
1,204,487	1,169,616	1,137,314	1,167,163
Bonds in issue by time-to-maturity are stated at fair value after set-off against self-issued bonds.			
31. BONDS IN ISSUE AT AMORTISED COST			
-	-	22,179	27,965
26	26	26	26
3,774	3,789	3,789	3,774
48	-	-	55
33	30	30	33
3,880	3,846	26,024	31,852
-	-	(2,028)	(2,342)
(26)	(26)	(26)	(26)
(28)	(25)	(25)	(28)
3,826	3,795	23,945	29,457
Bonds in issue at amortised cost by time-to-maturity			
-	-	5,053	9,517
-	-	7,598	7,263
3,797	3,767	10,947	12,201
29	27	347	476
3,826	3,795	23,945	29,457
Bonds in issue by time-to-maturity are stated at amortised cost after set-off against self-issued bonds.			
31 a. Corporate bonds			
Issues			
-	-	13,734	17,575
-	-	8,202	10,096
-	-	243	294
-	-	22,179	27,965

* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
32. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
-	-	Repo transactions with undertakings other than credit institutions and central banks	7,438	13,855
1,188	427	Negative securities portfolios	2,689	4,596
1,188	427	Total	10,126	18,451
Other non-derivative financial liabilities by time-to-maturity				
-	-	On demand	111	499
1,188	427	Up to 3 months	10,015	17,952
1,188	427	Total	10,126	18,451
33. OTHER LIABILITIES				
13,163	9,551	Interest and commission payable	11,776	16,218
4,324	3,154	Negative market value of derivative financial instruments	27,287	40,958
113	-	Payables relating to the purchase of Totalkredit shares	-	101
1,668	1,419	Other	3,241	3,885
19,268	14,124	Total	42,305	61,161
33 a. Netting				
-	3,166	Negative market value of derivative financial instruments, gross	46,289	56,365
-	0	Other liabilities included by netting	3,397	2,854
-	(12)	Netting of positive and negative market values, cf note 27 a.	(22,399)	(18,261)
-	3,154	Net market value	27,287	40,958
779	1,445	In connection with derivatives transactions, Nykredit has provided security not included in netting of	11,639	12,447
		The netting of market values is exclusively attributable to clearing of derivatives through a central clearing house (CCP clearing).		

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
34. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS			
Deferred tax			
4	(1)	(70)	(104)
(6)	65	86	7
2	1	(2)	14
-	-	(2)	13
	(32)	(32)	-
(1)	33	(20)	(70)
Deferred tax recognised in the balance sheet:			
126	103	103	128
(126)	(70)	(123)	(198)
(1)	33	(20)	(70)
Deferred tax relates to:			
(3)	5	(103)	(106)
21	27	27	21
(60)	(48)	(49)	(64)
9	11	(6)	(2)
10	(8)	23	38
-	-	(38)	(62)
26	-	78	107
57	56	57	58
(61)	(9)	(9)	(61)
-	-	0	0
(1)	33	(20)	(70)
Deferred tax assets not recognised in the balance sheet:			
18	16	105	132
18	16	105	132
The asset has not been recognised, as it is not likely to crystallise in the near future.			
35. CURRENT TAX ASSETS AND LIABILITIES			
Current tax assets			
46	13	632	152
-	(13)	(631)	(42)
(203)	-	(0)	414
177	-	(0)	151
(7)	-	-	(25)
-	-	-	(19)
13	0	0	632
Current tax liabilities			
-	0	146	-
-	(13)	(631)	(42)
-	598	1,565	499
-	(504)	(883)	(312)
-	15	12	1
-	-	13	-
-	(80)	(80)	-
-	16	142	146

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
36. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS			
201	198	203	207
(26)	(27)	(27)	(26)
37	18	18	37
10	(4)	(4)	10
(24)	(16)	(16)	(24)
198	169	175	203
37. REPAYABLE RESERVES IN PRE-1972 SERIES			
80	74	74	80
(13)	(14)	(14)	(13)
7	3	3	7
74	63	63	74
<p>Repayable reserves in pre-1972 series stem from loan agreements under which the borrowers on full or partial repayment of their outstanding amounts are paid their share of the series reserve fund in compliance with the terms of the series concerned. This obligation will be gradually reduced up until 2033 as the borrowers repay their loans.</p>			
38. PROVISIONS FOR LOSSES UNDER GUARANTEES			
-	-	107	103
-	-	17	32
-	-	(23)	(28)
-	-	100	107
39. OTHER PROVISIONS			
126	87	169	194
(47)	(9)	(9)	(61)
9	10	10	37
(0)	0	0	(0)
87	88	169	169

Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
2014	2015		2015	2014
		40. SUBORDINATED DEBT		
		Subordinated debt consists of financial liabilities in the form of subordinate loan capital, hybrid capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
		Subordinated debt is included in Nykredit's own funds in accordance with the EU's Capital Requirements Regulation.		
		Subordinate loan capital		
		Nom EUR 600m. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every 5 years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7%, the loan will be written down.		
4,609	4,602		4,602	4,609
		Nom EUR 800m. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next 5 years.		
-	5,932		5,932	-
		Nom EUR 50m. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first 2 years after issuance. In the remaining loan term, the interest rate will be fixed every 6 months.		
-	373		373	-
4,609	10,907	Total subordinate loan capital	10,907	4,609
		Hybrid capital/Additional Tier 1 capital		
		Nom DKK 100m. The loan is perpetual and carries an interest rate of 1.7% pa above 3M Cibur		
-	-		100	100
		Nom EUR 900m. The loan is perpetual, but may be redeemed at par (100) from 1 April 2015. The loan carries a fixed interest rate of 9.0% pa up to 1 April 2015, after which date the interest rate will be fixed every 5 years.		
6,741	-		-	6,741
6,741	-	Total hybrid capital/Additional Tier 1 capital	100	6,841
		Portfolio of self-issued bonds		
-	-		(1)	(56)
11,350	10,907	Total subordinated debt	11,006	11,394
11,165	10,821	Subordinated debt that may be included in own funds	10,921	11,209
36	29	Costs related to raising and redeeming subordinated debt	29	36
3,722	6,699	Extraordinary principal payments and redemption of subordinated debt in the financial period	6,699	3,872
		Hedge accounting		
		The exposure to fair value changes in the price of the bonds as a result of changes in market rates is hedged. The Nykredit Group has countered this risk by entering into interest rate swaps:		
		0 Market value of interest rate swaps of EUR 50m (nominal)	0	-
177	154	Market value of interest rate swaps of EUR 600m (nominal)	154	177
-	(14)	Market value of interest rate swaps of EUR 800m (nominal)	(14)	-
46	-	Market value of interest rate swaps of EUR 900m (nominal)	-	46
		373 Market value of subordinate loan capital of EUR 50m (nominal)	373	-
4,466	4,478	Market value of subordinate loan capital of EUR 600m (nominal)	4,478	4,466
-	5,965	Market value of subordinate loan capital of EUR 800m (nominal)	5,965	-
6,699	-	Market value of hybrid capital/Additional Tier 1 capital of EUR 900m (nominal)	-	6,699

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
41. OFF-BALANCE SHEET ITEMS			
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
-	-	6,942	7,546
	-		
1,121	1,197	6,637	5,843
1,121	1,197	13,579	13,389
41 a. Contingent liabilities			
-	-	1,706	2,843
-	-	284	295
-	-	4,952	4,408
-	-	6,942	7,546
"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.			
Contingent liabilities by time-to-expiry			
-	-	4,336	3,299
-	-	1,798	2,758
-	-	808	1,489
-	-	6,942	7,546

The time-to-expiry is partly based on estimates as not all guarantees have a fixed expiry date and as the expiry date may depend on the time of registration etc.

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
41. OFF-BALANCE SHEET ITEMS (continued)			
41 b. Other commitments			
1	0	5,299	4,508
1,121	1,197	1,338	1,334
1,121	1,197	6,637	5,843
"Other" under "Other commitments" comprises obligations to and charges in favour of securities depositaries, investment commitments to private equity funds and non-callable lease payments.			
The following non-callable lease payments are recognised in "Other" under "Other commitments":			
170	167	84	87
333	270	217	252
16	10	10	13
519	447	312	352

Non-callable lease payments comprise Nykredit's rental obligations.

Additional contingent liabilities

Owing to its size and business scope, the Nykredit Group is continuously involved in legal proceedings and litigation. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Group's financial position.

Nykredit participates in the mandatory Danish deposit guarantee scheme. A new scheme was introduced in 2015, as the Danish Guarantee Fund took over the activities and assets of the Danish Guarantee Fund for Depositors and Investors on 1 June 2015. The purpose of the Danish Guarantee Fund is to provide cover for depositors and investors of distressed institutions included in the Fund's scheme. The scheme includes both natural and legal persons, and deposits are covered by an amount equivalent to EUR 100,000 per depositor and EUR 20,000 per investor.

Nykredit also participates in the Danish Resolution Fund scheme, which is a resolution finance scheme that was also established on 1 June 2015. The Danish Resolution Fund is financed by annual contributions from participating banks, mortgage lenders and investment companies and, as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits. Participating institutions pay an annual amount to cover any losses incurred by the Danish Resolution Fund in connection with the resolution of distressed institutions.

BEC is an IT provider of Nykredit Bank. According to BEC's articles of association, Nykredit Bank may terminate its membership of BEC giving 5 years' notice to the end of a financial year. Should the membership terminate for other reasons related to Nykredit Bank, compensation will be payable to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice or subject to a transitional scheme.

Nykredit Realkredit has issued a letter of comfort stating that Nykredit Realkredit will contribute capital to Nykredit Bank to ensure that Nykredit Bank's Tier 1 capital calculated according to the Basel II rules does not fall below 12-13%. However, Nykredit Realkredit will not contribute capital to Nykredit Bank if that will bring Nykredit Realkredit's total capital ratio below the statutory capital requirement plus 0.5% or the internal capital adequacy requirement (ICAAP) plus 0.5%.

Nykredit Realkredit is jointly taxed in Denmark with Foreningen Nykredit (the Nykredit Association) as the administration company. Pursuant to the Danish Corporation Tax Act, the Company is liable for income taxes etc payable by the jointly taxed companies as of the financial year 2013 and for any obligations to withhold tax at source on interest, royalties and dividends of these companies as of 1 July 2012.

Nykredit Realkredit A/S is liable for the obligations of the pension fund in run-off Nykredits Afviklingspensionskasse (CVR no 24 25 62 19).

Notes

42. RELATED PARTY TRANSACTIONS AND BALANCES

Foreningen Nykredit, the Parent Company Nykredit Holding A/S, Group enterprises and associates of Nykredit Realkredit A/S as stated in the Group structure as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in 2015.

The companies have entered into various agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, sales commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks. Inter-company trading in goods and services took place on an arm's length, cost reimbursement or profit split basis.

Significant related party transactions prevailing/entered into in 2015 include:

Agreements between Nykredit Realkredit A/S and Totalkredit A/S

As a part of the Group's joint funding activities, Nykredit Realkredit A/S has funded mortgage loans granted by its subsidiary Totalkredit A/S on an ongoing basis. The balances are mentioned in note 17 d. Totalkredit A/S funds its lending by issuing a master bond for each capital centre with Nykredit Realkredit A/S as the only creditor. The master bond constitutes security for Nykredit Realkredit A/S's issuance of covered bonds (ROs and SDOs) and serves to ensure that Totalkredit A/S transfers all payments to bondholders under the loans and advances granted by Totalkredit A/S to Nykredit Realkredit A/S, no later than at the same time as Nykredit Realkredit A/S makes payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet.

Nykredit Realkredit A/S has granted a loan, cf section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loan amounted to DKK 12.9bn at 31 December 2015. The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

An agreement has been made to hedge market risk relating to collateral, including investments, in Totalkredit's capital centres.

Agreement on the distribution of mortgage loans to personal customers via Totalkredit A/S (this agreement was concluded on the same terms as apply to other partners, including commission payments).

Nykredit Realkredit A/S has granted loans of DKK 2.0bn to Totalkredit A/S in the form of subordinated debt.

Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas.

In February 2015, Nykredit Realkredit A/S contributed additional equity of DKK 2bn to Nykredit Bank A/S.

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)			
42 a. Transactions with subsidiaries			
Income statement			
12,282	11,539	-	-
668	587	-	-
473	556	-	-
69	89	-	-
6,168	(11,367)	-	-
(749)	(848)	-	-
Asset items			
18,885	8,525	-	-
20,179	13,729	-	-
590,579	593,377	-	-
26	19	-	-
916	2,117	-	-
6,719	5,156	-	-
Liability items			
3,399	384	-	-
76,918	49,170	-	-
1,752	1,114	-	-
42 b. Transactions with Parent Companies			
Income statement			
0	0	0	0
-	-	-	-
Asset items			
-	-	-	-
Liability items			
-	-	23	32
21	29	32	25
42 c. Transactions with joint venture			
Income statement			
237	236	240	244
Asset items			
0	0	0	0
Liability items			
-	-	1	0

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)			
42 d. Transactions with associates			
Income statement			
-	-	-	-
-	-	1	0
Liability items			
-	-	11	1
42 e. Transactions with the Board of Directors and Executive Board			
Interest expenses of the members of:			
0	0	0	0
1	0	1	1
1	2	2	1
Loans, charges or guarantees granted to the members of:			
5	0	21	23
28	11	22	40
89	88	92	93
Deposits from the members of:			
-	-	14	8
-	-	3	18
-	-	3	9
<p>Related party facilities have been granted on standard business terms. Interest rates applying to ordinary loans range between 2.75% and 10.75% (2014: 1.25% and 10.75%), while deposits carry interest rates ranging between 0.0% and 1.25% (2014: 0.0% and 0.75%).</p> <p>Facilities granted to the Executive Board, the Board of Directors or related parties thereof have not given rise to impairment provisions or impairment losses.</p>			

Notes

Nykredit Realkredit Group

43. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheets. The tables in notes 43 a. and 43 b. show the values of all instruments compared with the carrying amounts at which the instruments are recognised in the balance sheets.

The fair value is the amount at which a financial asset may be traded, or the amount at which a financial liability may be settled, between independent and willing parties.

The Group's fair value assets and liabilities are generally recognised based on publicly listed prices or market terms on active markets at the balance sheet date. If the market for a financial asset or liability is illiquid, or if there is no publicly recognised pricing, Nykredit Bank determines the fair value using generally accepted valuation techniques. These techniques include corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option and other models based on observable market data.

Valuation techniques are generally applied to OTC derivatives and unlisted assets and liabilities.

Unlisted equities are recognised at fair value using valuation methods according to which the fair value is estimated as the price of an asset traded between independent parties or based on the company's equity value, if the equity value is assumed equal to the fair value of the instrument.

In connection with the determination of the fair value of the financial instruments measured at amortised cost in the financial statements, the following methods and significant assumptions have been applied:

- For loans, advances and receivables as well as deposits and other payables measured at amortised cost, carrying a variable interest rate and entered into on standard credit terms, the carrying amounts are estimated to correspond to the fair values.
- The fair value of certain financial instruments recognised at amortised cost has been hedged using derivatives, cf note 47. The measurement of these financial instruments in the Financial Statements includes value changes deriving from changes in the hedged fair value, cf the provisions on hedge accounting. Their recognition is assumed to be a reasonable approximation to the fair value of these financial instruments.
- The fair value of fixed-rate assets and financial liabilities measured at amortised cost has been determined using generally accepted valuation methods, where the credit risk is assessed in connection with the credit assessment of loans and advances, while the interest rate risk is assessed using observable yield curves.
- The fair value of assets and liabilities without a fixed term has been assumed to be the value disburseable on the balance sheet date.
- The fair value of bonds in issue is measured based on valuation techniques, taking into account comparable transactions and observable inputs such as yield curves, at which Nykredit might launch issues.

Note 42 a shows the fair value of the financial instruments recognised at amortised cost and the instances where the fair value does not correspond to the carrying amount.

Listed prices

The Group's assets and liabilities at fair value are to the widest extent possible recognised at listed prices or prices quoted in an active market or authorised market place.

Observable inputs

When an instrument is not traded in an active market, measurement is based on observable inputs and generally accepted calculation methods, valuation and estimation techniques such as discounted cash flows and option models.

Observable inputs are typically yield curves, volatilities and market prices of similar instruments which are usually obtained through ordinary providers such as Reuters, Bloomberg and market makers. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length. Reverse repurchase lending and repo transactions as well as unlisted derivatives generally belong in this category.

Valuation techniques are generally applied to measure derivatives and unlisted assets and liabilities.

Further, the valuation of derivatives implies the use of so-called Credit Value Adjustment (CVA), thus including counterparty credit risk in the valuation. The CVA of derivatives with a positive market value is primarily based on external credit curves such as Itraxx Main, but also on own data as regards customers without OEI in the lowest rating categories, as there are no available external curves suitable for calculation of credit risk on these customers. Finally, calculations are made to simulate future exposures to interest rate swaps. Calculations involving increased CVA are included in the value adjustment.

The valuation of derivatives further includes so-called Debt Value Adjustment (DVA) of transactions with customers with negative market values. The determination of DVA resembles that of CVA, but DVA is based on a curve of A ratings, which corresponds to Nykredit's rating. Net value adjustment due to DVA and CVA comprised DKK 182m at 31 December 2015.

Notes

Nykredit Realkredit Group

43. FAIR VALUE DISCLOSURES (continued)

Observable inputs (continued)

Upon entering into financial derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity, credit risk and return on capital. The minimum margin is amortised at valuation of derivatives over their times-to maturity. At 31 December 2015, the non-amortised minimum margin amounted to DKK 430m compared with DKK 470m at end-2014. Finally, in some instances further value adjustment based on management judgement is made if the models do not take into account all known risks, including eg legal risks.

In some cases, markets, eg the bond market, become inactive and illiquid. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discounting techniques.

Unobservable inputs

When it is not possible to measure financial instruments at fair value based on prices in active markets or observable inputs, measurement is based on own assumptions and extrapolations etc. Where possible and appropriate, measurement is based on actual transactions adjusted for differences in eg the liquidity, credit spreads and maturities of the instruments. The Group's unlisted equities are generally classified under this heading although valuation is based on the IPEV Valuation Guidelines.

The positive market values of a number of interest rate swaps with customers in the Bank's lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by the Bank to calculate collective impairment provisions for loans and advances at amortised cost. Interest rate swaps which have been fair value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty are also included in the category Unobservable inputs. These counterparties are all rated 0, and OEI has thus been identified for these customers. Following value adjustment, the fair value came to DKK 621m at 31 December 2015. Credit value adjustments came to DKK 4,964m at 31 December 2015 (end-2014: DKK 4,832m).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by around +/- DKK 185m.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 31 December 2015, the proportion was 0.4% against 0.4% at end-2014. The proportion of financial liabilities was 0.0% against 0.0% at end-2014.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 5.4bn (2014: DKK 3.5bn) was attributable to this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be DKK 538m in 2015 (0.8% of equity at 31 December 2015). The earnings impact for 2014 was estimated at DKK 351m (0.6% of equity at 31 December 2014).

Transfers between categories

Transfers between the categories Listed prices, Observable inputs and Unobservable inputs are made when an instrument is classified differently on the balance sheet date than at the beginning of the financial year. The value transferred to another category corresponds to the fair value at the beginning of the year. With respect to interest rate swaps that have been fair value adjusted to DKK 0 due to credit risk adjustment, separate calculations are made each month.

In 2015 and 2014, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the rating categories (credit risk) of counterparties and in all material respects concerned interest rate swaps, as regards financial instruments with positive market value. In addition to these interest rate swaps, derivative contracts were transferred from Unobservable inputs to Observable inputs in 2015 as these contracts are now determined via accepted calculation methods and consequently not included in the category Unobservable inputs.

Transfers between the categories Listed prices and Observable inputs in all material respects resulted from redeemed bonds that were reclassified on redemption. Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 31 December 2015, the amount was DKK 2.5bn against DKK 3.4bn at end-2014. Further, in 2015 derivative contracts were transferred from the category Listed prices to Observable inputs as the fair value of the contracts are calculated using accepted calculation methods. In 2015 DKK 0.2bn relating to instruments with positive market value and DKK 0.2bn relating to instruments with negative market value were consequently transferred.

No transfers were made between the categories Listed prices and Unobservable inputs.

Notes

DKK million

Nykkredit Realkredit Group

43. FAIR VALUE DISCLOSURES (continued)

43 a. Disclosures about fair value of assets and liabilities recognised at amortised cost

2015	Carrying amount	Fair value	Balance	Fair value calculated on the basis of		
				listed prices	observable inputs	unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	47,036	47,154	117	-	19	47,134
Total	47,036	47,154	117	-	19	47,134
Liabilities						
Bonds in issue at amortised cost	23,945	24,233	(288)	-	24,227	6
Subordinated debt	11,006	10,898	109	-	10,798	100
Total	34,951	35,131	(179)	-	35,025	106
Transfer from assets			117			
Total balance			(62)			
2014	Carrying amount	Fair value	Balance	Fair value calculated on the basis of		
				listed prices	observable inputs	unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	50,958	51,062	104	-	27	51,035
Total	50,958	51,062	104	-	27	51,035
Liabilities						
Bonds in issue at amortised cost	29,457	29,866	(409)	-	19,955	9,911
Subordinated debt	11,394	11,459	(65)	-	11,359	100
Total	40,851	41,325	(474)	-	31,314	10,011
Transfer from assets			104			
Total balance			(370)			

Notes

DKK million

Nycredit Realkredit Group

43. FAIR VALUE DISCLOSURES (continued)

43 b. Fair value of assets and liabilities recognised at fair value (IFRS hierarchy)

31 December 2015

Assets:

Recognised in the trading book:

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- reverse repurchase lending to credit institutions and central banks	-	1,102	-	1,102
- other reverse repurchase lending	-	39,467	-	39,467
- bonds at fair value	98,302	7,611	287	106,200
- equities measured at fair value through profit or loss	545	-	1,435	1,979
- positive fair value of derivative financial instruments	64	30,894	621	31,579

Recognised through the fair value option:

- mortgage loans, arrears and outlays	-	1,119,459	-	1,119,459
---------------------------------------	---	-----------	---	-----------

Recognised as available for sale:

- equities available for sale	1,235	-	880	2,115
-------------------------------	-------	---	-----	-------

Other assets recognised at fair value:

- owner-occupied properties	-	-	1,460	1,460
- investment properties	-	-	244	244
- assets in temporary possession	-	-	451	451

Total	100,146	1,198,533	5,378	1,304,057
Percentage	7.7	91.9	0.4	100

Liabilities:

Recognised in the trading book:

- repo transactions with credit institutions and central banks	-	21,683	-	21,683
- other non-derivative financial liabilities at fair value incl negative securities portfolios	2,689	7,438	-	10,126
- negative fair value of derivative financial instruments	84	27,203	-	27,287

Recognised through the fair value option:

- bonds in issue at fair value	1,134,547	2,736	31	1,137,314
--------------------------------	-----------	-------	----	-----------

Total	1,137,319	59,060	31	1,196,410
Percentage	95.1	4.9	0.0	100

Assets and liabilities measured on the basis of unobservable inputs

	Properties	Bonds	Equities	Derivatives	Total
Fair value, beginning of year, assets	2,320	180	2,015	1,312	5,826
Value adjustment recognised in the income statement	(1)	2	229	(409)	(179)
Unrealised capital gains and losses recognised in "Other comprehensive income"	17	-	(72)	-	(55)
Purchases for the year	281	44	551	-	875
Sales for the year	(462)	(57)	(408)	-	(927)
Transferred from Listed prices and Observable inputs ¹	-	118	-	183	302
Transferred to Listed prices and Observable inputs ²	-	-	-	(465)	(465)
Fair value, year-end, assets	2,155	286	2,315	621	5,378
Fair value, beginning of year, liabilities	-	-	-	297	297
Transferred to Listed prices and Observable inputs ²	-	-	-	(297)	(297)
Purchases for the year	-	-	-	31	31
Fair value, year-end, liabilities	-	-	-	31	31

¹ Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.

² Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

Notes

DKK million

Nykkredit Realkredit Group

43. FAIR VALUE DISCLOSURES (continued)

43 b. Fair value of assets and liabilities recognised at fair value (IFRS hierarchy) (continued)

31 December 2014

Assets:

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Recognised in the trading book:				
- reverse repurchase lending to credit institutions and central banks	-	4,975	-	4,975
- other reverse repurchase lending	-	35,228	-	35,228
- bonds at fair value	109,795	17,997	180	127,972
- equities measured at fair value through profit or loss	254	-	1,122	1,376
- positive fair value of derivative financial instruments	1,182	39,443	1,312	41,937
Recognised through the fair value option:				
- mortgage loans, arrears and outlays	-	1,137,578	-	1,137,578
Recognised as available for sale:				
- equities available for sale	1,143	-	892	2,035
Other assets recognised at fair value:				
- owner-occupied properties	-	-	1,484	1,484
- investment properties	-	-	283	283
- assets in temporary possession	-	-	552	552
Total	112,374	1,235,220	5,826	1,353,420
Percentage	8.3	91.3	0.4	100

Liabilities:

Recognised in the trading book:				
- repo transactions with credit institutions and central banks	-	29,981	-	29,981
- other non-derivative financial liabilities at fair value incl negative securities portfolios	4,596	13,855	-	18,451
- negative fair value of derivative financial instruments	1,178	39,484	297	40,958
Recognised through the fair value option:				
- bonds in issue at fair value	1,155,269	11,894	-	1,167,163
Total	1,161,043	95,213	297	1,256,553
Percentage	92.4	7.6	0.0	100

Assets and liabilities measured on the basis of unobservable inputs

	Properties	Bonds	Equities	Derivatives	Total
Fair value, beginning of year, assets	2,856	496	1,853	1,294	6,499
Value adjustment recognised in the income statement	(32)	8	243	(2,276)	(2,057)
Unrealised capital gains and losses recognised in "Other comprehensive income"	(67)	-	50	-	(17)
Purchases for the year	3	9	164	-	176
Sales for the year	(440)	(19)	(295)	-	(754)
Redemptions for the year	-	(283)	-	(2)	(285)
Transferred to Listed prices and Observable inputs	-	(32)	-	(1,147)	(1,179)
Transferred from Listed prices and Observable inputs ¹	-	-	-	3,443	3,443
Fair value, year-end, assets	2,320	179	2,015	1,312	5,826
Fair value, beginning of year, liabilities				242	242
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement				148	148
Redemptions for the year				(93)	(93)
Fair value, year-end, liabilities				297	297

¹ Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

Notes

DKK million

Nycredit Realkredit Group

44. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity

	Net market value				Gross market value			
	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
2015								
Foreign exchange contracts								
Forward contracts/futures, purchased	228	69	(19)	-	425	148	278	34,006
Forward contracts/futures, sold	(31)	(49)	7	-	98	172	(73)	28,802
Swaps	(10)	143	267	222	975	353	622	16,767
Options, purchased	0	-	0	-	0	-	0	47
Options, written	(0)	-	(0)	-	-	0	(0)	47
Interest rate contracts								
Forward contracts/futures, purchased	(4)	1	-	-	43	46	(3)	44,369
Forward contracts/futures, sold	(11)	(3)	(0)	-	43	58	(15)	46,428
Forward rate agreements, purchased	(117)	(134)	(6)	-	6	263	(257)	111,303
Forward rate agreements, sold	140	82	6	-	234	6	227	91,939
Swaps	(3)	(166)	443	3,272	28,387	24,842	3,545	1,208,304
Options, purchased	4	44	810	206	1,081	17	1,064	41,537
Options, written	-	(37)	(799)	(226)	-	1,061	(1,061)	30,268
Equity contracts								
Forward contracts/futures, sold	0	-	-	-	0	0	0	47
Swaps	-	(1)	(23)	-	126	150	(24)	2,321
Options, purchased	-	5	-	-	114	109	5	5
Credit contracts								
Credit default swaps, purchased	-	-	(6)	-	-	6	(6)	1,276
Credit default swaps, sold	-	-	15	-	15	0	15	1,395
Swaps	-	-	(3)	-	-	3	(3)	143
Unsettled spot transactions								
	(19)	-	-	-	32	52	(19)	38,260
Total	176	(47)	689	3,474	31,579	27,287	4,292	1,697,264

Notes

DKK million

Nycredit Realkredit Group

44. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

By time-to-maturity

	Net market value				Gross market value			
	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
2014								
Foreign exchange contracts								
Forward contracts/futures, purchased	130	103	(11)	-	326	105	221	42,567
Forward contracts/futures, sold	(27)	(69)	(10)	-	183	289	(105)	27,496
Swaps	24	87	218	184	707	193	514	18,900
Options, purchased	19	1	-	-	20	-	20	3,553
Options, written	(18)	(1)	-	-	-	19	(19)	3,590
Interest rate contracts								
Forward contracts/futures, purchased	32	(1)	(1)	-	63	33	30	142,371
Forward contracts/futures, sold	(108)	1	(4)	-	32	144	(111)	131,578
Forward rate agreements, purchased	(90)	(319)	(167)	-	0	576	(576)	339,329
Forward rate agreements, sold	87	304	175	-	565	0	565	332,308
Swaps	(32)	124	(1,584)	2,032	38,155	37,614	541	1,390,105
Options, purchased	-	313	434	1,112	1,874	15	1,859	58,045
Options, written	-	(375)	(432)	(1,125)	-	1,933	(1,933)	45,828
Equity contracts								
Forward contracts/futures, sold	0	-	-	-	0	0	0	14
Options, purchased	2	-	-	-	2	-	2	2
Unsettled spot transactions								
	(28)	-	-	-	9	38	(28)	46,990
Total	(10)	167	(1,381)	2,203	41,937	40,958	979	2,582,674

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
45. REPO TRANSACTIONS AND REVERSE REPURCHASE LENDING			
The Nykredit Group applies repo transactions and reverse repurchase lending in its day-to-day business operations. All transactions were entered into using bonds as the underlying asset.			
Of the asset items below, reverse repurchase lending represents:			
1,340	433		
		Receivables from credit institutions and central banks	1,102 4,975
		Bonds received as collateral but not offset against the balance	(427) (1,328)
		Total less collateral	675 3,647
		Loans, advances and other receivables at fair value, gross	40,971 35,351
		Set-off against "Other non-derivative financial liabilities at fair value" ¹	(1,504) (123)
		Loans, advances and other receivables at fair value, net	39,467 35,228
		Bonds received as collateral but not offset against the balance ²	(39,186) (34,981)
		Total less collateral	281 247
		¹ Of which self-issued bonds	620 -
		² Of which self-issued bonds	13,695 5,536
Of the liability items below, repo transactions represent:			
21,286	16,388		
		Payables to credit institutions and central banks	21,683 29,981
		Bonds provided as collateral	(16,333) (18,931)
		Other non-derivative financial liabilities at fair value, gross	8,942 13,978
		Set-off against "Loans, advances and other receivables at fair value" ¹	(1,504) (123)
		Other non-derivative financial liabilities at fair value, net	7,438 13,855
		Bonds provided as collateral ²	(7,426) (13,867)
		Total less collateral	12 (12)
		¹ Of which self-issued bonds	804 -
		² Of which self-issued bonds	177 1,004
Assets sold as part of repo transactions:			
22,011	16,333		
		Bonds at fair value	30,188 44,556

Notes

46. RISK MANAGEMENT

Nykredit's characteristics

Nykredit's activities mainly consist of match-funded mortgage lending. Mortgage lending is secured by mortgage over real estate and is therefore characterised by a high degree of security. The Danish mortgage system is regulated by the Danish Financial Business Act, the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, and the Danish Executive Order on bonds. Danish legislation provides loan-to-value (LTV) ratios for the mortgaging of properties, and mortgage loan losses are therefore limited

Nykredit Realkredit Group

Risk exposure amount – credit risk

DKK million	2015	2014
Standardised approach	13,274	20,114
IRB approach	249,814	283,501
Credit value adjustment (CVA)	1,383	1,394
Default fund contribution	394	312
Total credit risk	264,865	305,321

Elements of credit risk determination

PD	Probability of Default is the probability of a customer defaulting on an obligation to Nykredit.
LGD	Loss Given Default is the loss rate of an exposure in case of a customer's default.
EAD	Exposure At Default is the total estimated exposure to a customer in DKK at the time of default, including any drawn part of a credit commitment.
REA	Risk Exposure Amount is credit exposures factoring in the risk relating to the individual customer. It is calculated by risk-weighting credit exposures. The risk weighting is calculated on the basis of PD and LGD levels.
Default	An exposure is in default where it is deemed improbable that the customer will repay all debt in full, or where a significant amount has been in arrears for 90 days. For mortgage products, Nykredit considers 75 days past due to be a clear sign that a customer is unable to repay its debt in full, while for bank products the third reminder will constitute such a sign (typically 25 days past due). Exposures for which individual impairment provisions have been made or a direct loss has been incurred are also considered in default.

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

Mortgage lending and the matching funding are regulated by the balance principle. This means that Nykredit incurs negligible interest rate risk, foreign exchange risk and liquidity risk on mortgage lending and the underlying funding. Liquidity and market risk is further reduced by the Danish act regulating refinancing risk, which ensures mortgage loan refinancing in special situations. Therefore, credit risk is Nykredit's largest risk.

In addition to mortgage lending, Nykredit's activities include banking activities, estate agency services, administration and management of investment funds, leasing and insurance mediation. The business activities combined with the investment portfolio involve credit, market, liquidity and operational risks.

Types of risk

Nykredit strives to meet best international practice for risk management including disclosure of risk exposures. Risk management is the responsibility of the Board of Directors and the Executive Board and is a key element of Nykredit's day-to-day operations. Through risk management, Nykredit seeks to ensure financially sustainable solutions in the short and long term. Focus is on risk management balanced according to risk type and a strong capital structure. Nykredit's advanced models for quantifying risks are central elements of the Group's risk and capital management.

Nykredit distinguishes between four main types of risk. Each type of risk has its own special features, and risk management is structured accordingly.

- Credit risk reflects the risk of loss following the non-performance of parties with whom Nykredit has contracted. Counterparty risk, which is the risk of loss that Nykredit may sustain if a counterparty defaults on its obligations under financial instruments, is an element of credit risk.
- Market risk reflects the risk of loss as a result of movements in financial markets (interest rate, foreign exchange, equity price, volatility risks, etc).
- Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk also includes legal and model risks.
- Liquidity risk reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations.

Credit, market and operational risks are mitigated by the holding of adequate capital. Liquidity risk is mitigated by the holding of a sufficient stock of liquid assets.

The determination of the risk exposure amount (REA) is to ensure that credit institutions hold adequate capital to withstand potential losses. New liquidity measures are to ensure that credit institutions hold sufficient stocks of liquid assets to fulfil future payment obligations.

Nykredit publishes a detailed report annually entitled Risk and Capital Management, available at nykredit.com/reports. It describes Nykredit's risk and capital management in detail and contains a wide selection of risk key figures in accordance with the disclosure requirements of the Capital Requirements Regulation (CRR). The report is not audited.

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

Credit risk

Credit risk denotes the risk of loss following the non-performance of payment obligations by counterparties. This applies to counterparties in the form of Nykredit's borrowers and counterparties under financial contracts.

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

Within the framework laid down by the Board of Directors, the Executive Board sets out the policies governing the individual business areas and Treasury. Nykredit's local customer centres have been authorised to process most credit applications independently. This is in line with Nykredit's aim to process most credit applications locally. To this end, decentralised credit entities have been set up which up to a certain limit process credit applications that exceed the authority assigned to the customer centres. Credit applications exceeding the authority assigned to the decentralised credit entities are processed centrally by Group Credits. At both Group and subsidiary level, exposures over a specified amount are subject to approval by the Credits Committee or the Board of Directors of the Group company concerned.

Group Credits is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and the Group Executive Board. Group Credits is responsible for the reporting on individual credit exposures and the portfolio targets set out in the credit policy. The Risk Committee is responsible for approving credit risk models and receives reports on credit risk at portfolio level.

When processing credit applications, the centres conduct an assessment of the individual customer. The assessment is based on a customer rating which reflects a conversion of a customer's probability of default computed by Nykredit's own credit models. The customer rating is supplemented with an assessment of the customer's financial position and any other relevant matters. In connection with mortgage loan applications, the statutory property valuations are also performed. At least once a year, exposures of a certain size are reviewed, as are exposures showing signs of risk.

For mortgage loans provided through local and regional banks, the bank performs the initial assessment of the customer and valuation of the property. As a main rule, these loans are covered by a set-off agreement for incurred losses.

Nykredit has the approval of the Danish FSA to apply a statistical model in the valuation of certain owner-occupied properties with no physical inspection. Another statistical model is used for the ongoing monitoring of the market values of certain residential properties. The

statistical valuations are performed centrally and supplemented with local valuations.

Credit risk models

Nykredit uses internal ratings-based (IRB) models in the determination of credit risk for the greater part of the loan portfolio. Credit risk is determined using three key parameters: Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The PD is customer-specific, while the other parameters are product-specific. One PD is therefore assigned to each customer, while each of the customer's products has a separate LGD and EAD. However, personal customers have two PDs, one assigned by Nykredit Bank and one assigned by Nykredit Realkredit/Totalkredit.

The models used to determine PD and LGD are built on historical data allowing for periods of low as well as high business activity.

PDs are calibrated by weighting current data against data dating back to the early 1990s at a 40:60 ratio.

The PDs of personal customers and SMEs are determined using credit scoring models. Credit scoring is a statistical calculation of the credit-worthiness of a customer, and the calculation includes data on the customer's financial position and payment behaviour as well as any loan impairment.

Statistical models have been developed for Corporate & Institutional Banking clients and production farming businesses based on conditional probabilities estimating PDs on the basis of financial data for the business and information on payment behaviour and any loan impairment.

External credit ratings are used to a very limited extent for a few types of counterparty. External credit ratings are translated into PDs. PDs are updated as Nykredit receives new information about the customer or the customer's financial circumstances. Updates are made at least once every three months.

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

LGDs are calculated for each of a customer's exposures and are calibrated so that the parameters reflect an economic downturn period equal to the beginning of the 1990s. For Nykredit Bank's personal lending, a gross unemployment rate of 10% indicates an economic downturn. This is more than twice the current unemployment level.

The LGDs of the majority of Nykredit's exposures are determined using internal approaches based on loss and default data. The LGD calculations factor in any security, including the type of security (typically mortgages on real estate), its quality, and its ranking in the order of priority. Mortgage banking is usually characterised by low LGDs as the security provided by way of mortgages on real estate offers good protection against losses.

Nykredit estimates an EAD for all exposures relating to a customer, reflecting the total expected exposure to the customer at the time of

default, including any drawn part of approved credit commitments. The latter is factored in using conversion factors (CF).

Nykredit is currently using the foundation IRB approach, with LGD estimates fixed by the Danish FSA, for the determination of credit risk relating to business exposures of Nykredit Bank.

In 2014 Nykredit applied to the Danish FSA for approval to apply the advanced IRB approach and internal LGD and CF estimates to Nykredit Bank's business exposures. The application also concerned new CF models to be applied to personal customer exposures and an adjustment of the method of calculating REA for exposures in default across the Nykredit Group. The new models are expected to be approved and implemented in 2016. The determination of Nykredit's internal capital adequacy requirement factors in the aggregate effects.

Risk exposure amount for credit risk

Nykredit's total REA for credit risk amounted to DKK 264.9bn at end-2015 against DKK 305.3bn at end-2014. The decline of just over DKK 40bn resulted from subdued bank lending as a consequence of the

general macroeconomic climate in Denmark with continued household deleveraging. Also, a rise in housing prices in several parts of Denmark during 2015 reduced the LTV levels for Nykredit's private residential lending. The LTV levels for business lending dropped as well. Altogether, this has led to a reduction of risk weights.

REA for credit risk is mainly calculated using the IRB approach. REA calculated using the IRB approach primarily includes exposures to business and personal customers. REA calculated using the standardised approach primarily includes credit institution and sovereign exposures.

76% of Nykredit's customers make timely payments, while possessing solid financial strength. Nykredit denotes these customers as "ordinary customers" (rating categories 6-10).

Overall, 17% of Nykredit's customers are considered "ordinary customers without significant signs of weakness". These customers also make timely payments, but their financial strength is lower than that of "ordinary customers" (rating categories 3-5).

The remaining share of the Group's customers are "weak customers" (rating categories 0-2) or customers having defaulted on their obligations. This group comprises customers with and without objective evidence of impairment (OEI). Just under 4% of Nykredit's customers show OEI.

Concentration risk

Concentration risk is a natural element of Nykredit's risk management. Nykredit aims to have very low concentration risk.

Nykredit had no large exposures to non-financial counterparties that exceeded 10% of eligible capital. Nykredit's largest exposure to non-financial counterparties amounted to DKK 5.6bn at end-2015, equivalent to 7.6% of eligible capital.

Nykredit's 20 largest exposures to non-financial counterparties amounted to an aggregate DKK 59.2bn, equivalent to 79.5% of eligible capital at end-2015. At end-2014, the 20 largest exposures to non-financial counterparties represented 90% of eligible capital. The vast majority of these exposures are mortgage loans with underlying security.

Nykredit had 26 non-financial counterparties to which the exposure represented over 2% of eligible capital (large exposures). The majority of these had good ratings, but one group was assessed as weak (ratings 0-2).

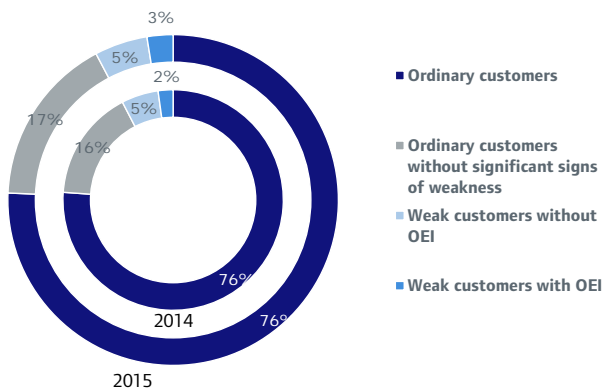
Geographically, 58.7% of lending was in Jutland. The Copenhagen area represented 23.7% of the loan portfolio, and the rest of Sealand represented 12.3%. International lending was unchanged at 5.4% at end-2015.

Security

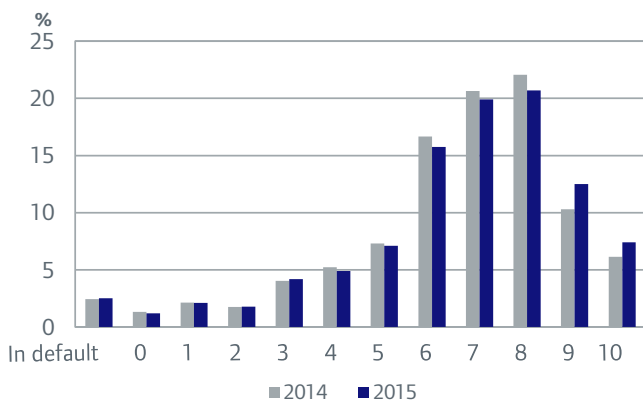
The main type of security provided for loans is mortgages on real estate. The security provided is valued regularly relative to the current market value of a property via the Loan-to-Value (LTV) ratio.

In addition to mortgages on real estate, Nykredit accepts guarantees issued by public authorities or banks. Guarantees issued by public authorities contribute to reducing the credit risk of mortgage loans

**Nykredit Realkredit Group
Credit exposure by customer credit quality**



**Nykredit Realkredit Group
Credit exposure by rating category**



Note: The distribution shows the total credit exposure by rating category. 10 is the highest rating.

Statutory LTV limits by property category

Private residential property for all-year habitation	80% ¹
Private cooperative housing	80% ¹
Private residential rental properties	80% ¹
Public housing	80% ¹
Youth housing	80% ¹
Senior housing	80% ¹
Properties used for social, cultural or educational purposes	60%
Holiday homes	60%
Agricultural and forestry properties, market gardens, etc ²	60%
Office and retail properties	60%
Industry and trades properties	60%
Utilities	60%
Other properties – including undeveloped land	40%

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

² The LTV limit may be extended to 70% against supplementary collateral for the part in excess of 60%.

mainly for public housing. The guarantor assumes primary liability in respect of such guarantees. Mortgage lending guaranteed by public authorities amounted to DKK 54bn at end-2015.

The bank guarantees comprise guarantees for the registration of mortgages free from any adverse endorsements, guarantees for interim loans in connection with new building and loss guarantees. Mortgage lending guaranteed by banks amounted to DKK 18bn.

Furthermore, mortgage loans granted via Totalcredit are covered by set-off agreements with the partner banks arranging Totalcredit loans. Under these agreements, Totalcredit may set off part of write-offs on mortgage lending against future commission payments to these partner banks. Lending covered by set-off agreements totalled DKK 553bn at end-2015.

Loan-to-value ratios (LTVs)

The LTV ratio expresses the debt outstanding relative to the estimated property value. At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property pursuant to Danish legislation. After disbursement of a loan, the LTV ratio will change with the amortisation of the loan and/or as a result of changes in the market value of the property or the underlying covered bonds.

Nykredit Realkredit Group**Debt outstanding relative to estimated property values**

DKK million/%	LTV (loan-to-value)						Total	LTV average % ¹
	0-40	40-60	60-80	80-90	90-100	>100		
Private residential	410,936	157,419	89,933	11,481	5,009	4,216	678,993	70
Private rental	77,926	28,097	13,618	1,870	1,018	1,195	123,725	67
Industry and trades	18,948	3,340	424	92	56	100	22,960	49
Office and retail	81,467	23,844	4,419	681	381	633	111,425	56
Agricultural	69,437	18,079	6,789	1,122	541	769	96,737	58
Public housing	-	-	-	-	-	-	67,913	-
Other	13,320	3,009	875	43	25	74	17,347	52
Total 2015	672,034	233,789	116,058	15,289	7,031	6,987	1,119,101	65
Total 2014 ²	653,815	235,800	134,014	23,945	10,883	10,648	1,137,983	69

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

² 2014 figures include intercompany exposures and therefore deviate from the determination in note 17 a.

Note: The figures are actual LTV ratios including any financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the public housing segment. For this reason, LTVs of public housing offer no relevant risk data.

In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

Nykredit Realkredit Group**Debt outstanding relative to estimated property values**

%	LTV (loan-to-value)					
	0-40	40-60	60-80	80-90	90-100	>100
Private residential	61	23	13	2	1	1
Private rental	63	23	11	2	1	1
Industry and trades	83	15	2	0	0	0
Office and retail	73	21	4	1	0	1
Agricultural	72	19	7	1	1	1
Public housing	-	-	-	-	-	-
Other	77	17	5	0	0	0
Total 2015¹	64	22	11	1	1	1
Total 2014	61	22	12	2	1	1

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

Note: The figures are actual LTV ratios including any financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the public housing segment. For this reason, LTVs of public housing offer no relevant risk data.

In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

Nykredit closely monitors the development in LTV ratios. To ensure sustainable credit and capital policies in the long term, scenario analyses and stress tests are used to assess the effect of significant price decreases in the housing market.

At end-2015, the LTV level of the Group's total loan portfolio was 65%, down 4 percentage points on end-2014. The table "Debt outstanding relative to estimated property values" shows the LTVs of Nykredit's mortgage lending by property type.

At end-2015, 0.6% of the Group's private residential mortgage lending had LTV levels over 100%. The bulk of the Group's loans with LTV levels over 100% were granted to homeowners in South and West Sealand.

It should be noted that homeowners with negative equity (LTV >100%) do not as such result in losses for Nykredit. The typical loss triggers are socioeconomic events such as unemployment, divorce or illness.

Counterparty risk

Nykredit applies financial instruments, such as derivatives and repurchase agreements (repo transactions), for serving customers and for managing liquidity and market risks.

Counterparty risk is a measure of the size of the loss which Nykredit may sustain in case of non-payment by a counterparty. For the purpose of calculating the capital requirement, counterparty risk exposures are calculated according to the mark-to-market method, ie as any positive market value of the transaction plus the potential future credit exposure.

The counterparty risk exposure after netting and collateral was DKK 17.8bn at end-2015. Of this amount, derivatives represented DKK 15.5bn and repo transactions DKK 2.2bn. REA totalled DKK 9bn.

Nykredit mitigates its counterparty risk through financial netting agreements as well as agreements on financial collateral. The contractual framework is based on market standards such as ISDA or GRMA agreements.

The use of derivative financial instruments is governed by the ordinary credit approval rules and credit policies, supplemented with a number of restrictions and policy rules. In addition to limits to amounts and terms, examples are requirements related to the type, size and credit-worthiness of customers.

Nykredit Realkredit Group Counterparty risk

DKK million	Derivatives	Repos	Total
Exposure before netting	69,831	71,549	141,380
Netting	50,317	-	50,317
Exposure after netting	19,514	71,549	91,063
Collateral received	3,965	69,314	73,279
Exposure after netting and collateral, end-2015	15,549	2,235	17,784
End-2014	24,910	2,700	27,610

Note: The figures in the table are not directly comparable with note 27 a, as the capital adequacy rules allow further netting than the accounting rules.

Nykredit uses central counterparties for professional derivatives clearing. Interest rate swaps, FRAs and repo transactions are cleared through direct membership of NASDAQ OMX Clearing; moreover, interest rate swaps are cleared through indirect membership of the London Clearing House.

Value adjustment of derivatives

The market value of a financial instrument changes according to the underlying market parameters, such as interest rates and exchange rates. This may lead to high market values in favour of both Nykredit and its counterparties.

Nykredit makes fair value adjustment of financial instruments in accordance with the International Financial Reporting Standards (IFRS). This includes credit value adjustments (CVA) based on the customer's current credit quality as well as individual value adjustments in respect of customers showing OEI. The value adjustments are generally made according to the same method as loan impairment.

At end-2015, total value adjustments (provisions) came to DKK 5.0bn. Management judgement accounted for DKK 1.4bn of total value adjustments.

Market risk

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

By far the greater part of Nykredit's lending is mortgage lending. Mortgage lending is governed by a statutory balance principle and handled according to the match-funding principle. As a result, Nykredit incurs very limited market risk on mortgage lending. Nykredit's market risk relates mainly to the placing of equity and liquidity reserves. In addition, Nykredit Bank and Nykredit Realkredit incur market risk in connection with trading in bonds, swaps and other financial products with customers.

Nykredit determines the market risk relating to its portfolio for the purpose of the day-to-day internal management of all positions involving market risk and for the purpose of calculating REA for market risk to determine the statutory capital requirement.

The day-to-day internal management of market risk is based on the guidelines setting the limits to Nykredit's market risk appetite as adopted by the Board of Directors. Market risk control and monitoring take place by combining a range of different key ratios, an internal Value-at-Risk model and various stress and scenario tests.

REA for market risk for determination of the statutory capital requirement is calculated using a Value-at-Risk (VaR) model, which is approved by the Danish FSA, combined with the standardised approach. This results in one figure for total REA for market risk.

Risk exposure amount for market risk

Nykredit Realkredit A/S and Nykredit Bank A/S have the approval of the Danish FSA to apply a VaR model in determining REA for market risk. For the purpose of determining REA, Nykredit Realkredit only applies VaR in respect of the trading book, whereas Nykredit Bank applies VaR for the trading book as well as the banking book, excluding equities.

The confidence level of the VaR model is 99%, and the time horizon for calculating REA is 10 days. The model results are back tested on a day-to-day basis against actual realised returns on the investment portfolios to ensure that the model results are reliable and correct at any time.

The VaR model is based on historical financial market data. As the current conditions in financial markets do not always correspond to the historical conditions (for instance during a financial crisis), a stressed VaR is added to REA resulting from the current VaR calculation.

Stressed VaR is calculated for the current portfolio by means of the VaR model, but using volatilities and correlations from a period of significant stress.

Nykredit's total REA from VaR came to DKK 16.4bn at end-2015, of which stressed VaR accounted for DKK 11.8bn.

The standardised approach for market risk is applied to determine REA for debt instruments, equities, foreign exchange risk and collective investment schemes not covered by the VaR model. REA calculated using the standardised approach was DKK 11.6bn at end-2015.

Internal market risk management

Nykredit's internal determination, management and reporting of market risk take place by combining statistical models, stress tests and key figures with various subjective assessments.

The traditional risk measures, such as interest rate, equity price, foreign exchange and volatility risks, constitute sensitivity tests. They are used to calculate the effect on the value of a portfolio in case of changing market conditions, for example a rise or fall in interest rates, equity prices or volatilities. Calculations are only made for one type of risk at a time. The traditional risk measures do not indicate how likely a particular event is to occur, but rather how much it would affect the value of a portfolio.

VaR models are applied to calculate the maximum value decrease of a portfolio over a given period and at a given probability. VaR models measure the effect and probability of several risks occurring at the same time.

Nykredit Realkredit Group REA for market risk

DKK million	2015			2014
	Specific risk	General risk	Total REA	Total REA
Internal models (VaR):	-	16,364	16,364	26,272
Value-at-Risk (99%, 10 days)	-	4,562	4,562	7,701
Stressed Value-at-Risk (99%, 10 days)	-	11,802	11,802	18,572
Standardised approach:	9,761	1,833	11,594	9,063
Debt instruments	7,037	1,650	8,687	6,975
Equities	2,023	183	2,206	1,639
Foreign exchange risk	-	-	-	-
Collective investment schemes	701	-	701	449
Total REA for market risk	9,761	18,197	27,958	35,335

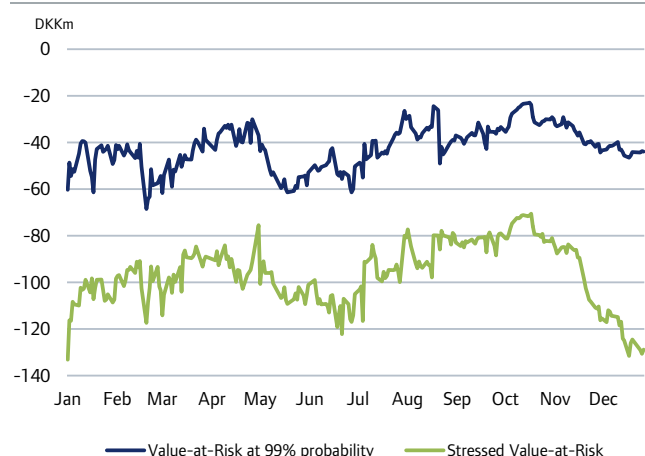
Nykredit Realkredit Group Market risk – key figures for day-to-day management

DKK million	2015			2014		
	Min	Max	Year-end	Min	Max	Year-end
Internal Value-at-Risk (99%, time horizon of 1 day)	93	363	126	60	248	128
Interest rate risk (100bp change)	51	517	403	(223)	460	366
- of which outside the trading book	(48)	293	55	(69)	139	103
- of which on mortgage activities	12	190	93	(95)	139	84
Spread risk (OAS)	2,108	3,276	3,151	2,144	3,312	2,707
Equity price risk (general 10% decrease)	346	497	415	215	471	344
- of which adjusted against equity	192	239	211	146	204	204
Foreign exchange risk:						
Foreign exchange positions, EUR	(1,368)	773	152	(1,068)	759	70
Foreign exchange positions, other currencies	(77)	209	46	23	624	369
Interest rate volatility risk (Vega)	(4)	23	22	(1)	20	10

Note: Calculation of market risk covers both the trading book and the banking book. As some of the mortgage activities have been classified as belonging to the banking book, interest rate risk outside the trading book and interest rate risk from mortgage activities overlap. Spread risk is determined exclusive of government bonds and bank issues.

Nykredit Realkredit Group**Interest rate-related market risk**

DKK million	Interest rate risk (100bp change)	Interest rate volatility risk (Vega)
Money market instruments	(17)	-
Government bonds	280	-
Danish covered bonds (ROs)	2,243	21
Danish covered bonds (SDOs)	(163)	-
Other bonds, loans and advances	2	0
Derivative financial instruments	(1,943)	0
Securitisations	-	-
Total	403	22

Nykredit Realkredit Group**Development in VaR and stressed VaR****Interest rate risk**

Interest rate risk is the risk of loss as a result of interest rate changes. Nykredit's interest rate risk is measured as the change in market value caused by a general interest rate increase of 1 percentage point in respect of bonds and other financial instruments. The Group's interest rate exposure amounted to DKK 403m at end-2015.

Furthermore, Nykredit incurs interest rate risk on interest rate swaps with customers with the lowest ratings, typically customers showing OEI. If the interest rate level changes by 1 percentage point, the value adjustment will increase or decrease, as the case may be, by about DKK 1.9bn.

Spread risk

Spread risk is the risk of spread widening between covered bond yields and swap rates. The spread risk of the Group's portfolio of covered bonds amounted to DKK 3.2bn at end-2015. This means that the Group would lose DKK 3.2bn on its investments in covered bonds if the spread between covered bond yields and swap rates widened by 1 percentage point.

Equity price risk

Equity price risk is the risk of loss as a result of changes in equity prices, and it is calculated as the loss in case of a general equity market decrease of 10%. Nykredit's equity price risk amounted to DKK 415m at end-2015.

During 2015 the strategic equity investment exposure ranged between DKK 1.9bn and DKK 2.4bn. At end-2015, the portfolio amounted to DKK 2.1bn. The entire exposure was to Danish financial counterparties.

Foreign exchange risk

Foreign exchange risk is the risk of loss as a result of changes in exchange rates. Foreign exchange risk is measured as the gain/loss in a given currency resulting from DKK strengthening by 10%.

Nykredit hedges its foreign exchange exposures except for some minor tactical foreign exchange positions held to achieve a gain. Therefore, the Group had only minor foreign exchange positions in currencies other than EUR in 2015.

Volatility risk

Volatility is a measure of the variation in the price of an asset, such as the movement in the price of a bond. The market value of options and financial instruments with embedded options such as callable covered bonds partly depends on the expected market volatility. Volatility risk is the risk of loss as a result of changes in market expectations for future volatility.

Volatility risk is measured as the change in market value resulting from an increase in volatility of 1 percentage point, increased volatility implying a loss on Nykredit's part.

This risk is determined for all financial instruments with embedded options and is managed by means of limits.

Internal Value-at-Risk

Nykredit's internal VaR model applied in the day-to-day risk management uses a confidence level of 99% and a time horizon of 1 day.

In general, risk factors are calculated for interest rate, foreign exchange, volatility and spread risks. For the daily internal determination of VaR, an add-on for the Bank's position in equities is also calculated.

Nykredit's internal VaR totalled DKK 126m at end-2015 against DKK 128m at end-2014. This means that, according to the internal VaR model, Nykredit would, at a 99% probability, lose a maximum of DKK 126m in one day in consequence of market fluctuations.

Bonds in the trading book

The securities portfolio mainly comprises short-term Danish government and covered bonds. Investments are also made in North and Central European government and covered bonds and, to a smaller extent, in high-rated credit bonds.

At end-2015, Nykredit had a government bond exposure of DKK 14.4bn.

Of Nykredit's total exposure in Danish and other covered bonds and credit bonds of an aggregate DKK 89.4bn, the exposure to securities rated Aa3/AA- or higher amounted to DKK 88.6bn.

Liquidity risk

The balance sheet structure of the mortgage banks ensures a high level of liquidity as mortgage borrowers make their payments on or before the date on which Nykredit pays bondholders. Therefore, mortgage lending and the funding thereof produce positive liquidity.

Further, mortgage loans are funded by bonds which match the loan term or by bonds which are refinanced one or more times during the loan term. For loans subject to refinancing, the structure of the loan agreements eliminates funding-related market risk.

The liquidity position ensures that Nykredit has a sizeable buffer for cash flows driven by customer flows, loan arrears, current costs and maturing capital market funding. In addition, the liquidity position ensures the Group's compliance with statutory liquidity requirements, including the requirement of Danish mortgage legislation for supplementary collateral in case of falling property prices in connection with covered bond issuance (SDOs), the liquidity requirement of the Danish Financial Business Act and credit rating agencies' requirements for maintaining the current high ratings.

**Nykredit Realkredit Group
Equity portfolio by type**

DKK million	2015	2014	Change	2015
	Equity portfolio	Equity portfolio		Equity price risk
Outside trading book	3,201	2,656	545	320
- of which strategic equities	2,115	2,035	79	211
Trading book	461	274	187	46
Private equity	493	506	-13	49
Total	4,155	3,436	719	415

Note: In addition to the portfolio described in note 20, the equity portfolio includes derivative financial instruments and associates.

**Nykredit Realkredit Group
Bond portfolio by type and country**

DKK million	Government bonds	Covered bonds	Senior debt	Credit bonds (excl subordinated capital)		Total
				Subordinated capital	Subordinated capital	
Denmark	9,428	78,515	220	118	538	88,819
Sweden	2,514	4,987	-	37	70	7,608
Norway	48	3,196	-	-	-	3,245
France	370	239	-	1,507	372	2,488
Other EEA countries	2,158	366	-	244	1,107	3,876
Other	(81)	1	-	0	151	71
Total 2015	14,437	87,305	220	1,906	2,238	106,107

Note: The figures in the table are not directly comparable with note 19, as they include derivative financial instruments as well as agreed but not executed transactions.

**Nykredit Realkredit Group
Bond portfolio by type and external rating category**

DKK million	Government bonds	Covered bonds	Senior debt	Credit bonds (excl subordinated capital)		Total
				Subordinated capital	Subordinated capital	
Aaa/AAA	11,188	86,406	-	244	-	97,838
Aa1/AA+ - Aa3/AA-	3,236	198	219	1,507	-	5,160
A1/A+ - Baa3/BBB-	-	1,003	1	-	1,467	2,471
Ba1/BB+ or below	-	1	-	-	652	653
Not rated	13	(303)	-	156	119	(15)
Total 2015	14,437	87,305	220	1,906	2,238	106,107

Note: The figures in the table are not directly comparable with note 19, as they include derivative financial instruments as well as agreed but not executed transactions.

The Board of Directors has laid down requirements for Nykredit's liquidity limits in both an expected scenario and stressed scenarios for an appropriate time horizon. The Asset/Liability Committee oversees the liquidity of Group companies. The individual Group companies manage day-to-day liquidity risk.

Nykredit's liquid assets are mainly liquid Danish and other European government and covered bonds. In a liquid repo market, these securities are eligible as collateral with other banks and with the Danish or other European central banks and are directly exchangeable into liquidity. To this should be added a small portfolio of money market deposits, equities and credit bonds.

The Liquidity Coverage Ratio (LCR) entered into force as at 1 October 2015. At end-2015, the Nykredit Realkredit Group's LCR was 274%. The aggregate LCR of Nykredit's mortgage banks was 519%, while Nykredit Bank's LCR was 120%. At end-2015, Nykredit Bank's excess liquidity coverage totalled DKK 6.7bn. Nykredit Bank's liquidity reserve was DKK 61.6bn against DKK 68.1bn at end-2014, determined in accordance with section 152 of the Danish Financial Business Act

Operational risk

Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk also includes legal and model risks.

The Nykredit Group is continuously working to create a risk culture where the awareness of operational risk is a natural part of everyday work. The objective is to support and develop an organisation where mitigation and management of operational risks are an integral part of both the day-to-day business activities and the long-term planning. Operational risk must be limited continually taking into consideration the costs involved.

Given its nature and characteristics, operational risk is best mitigated and managed through the day-to-day business activities. The responsibility for the day-to-day management of operational risk is thus decentralised and lies with the individual business areas. Operational risk management activities are coordinated centrally to ensure coherence, consistency and optimisation across the Group.

As part of operational risk management, operational events are systematically recorded, categorised and reported with a view to creating an overview of loss sources and gaining experience for sharing across the organisation.

In addition to the recording of operational risk events, Nykredit is continuously working on identifying significant operational risks. Operational risk mapping provides a valuable overview of particularly risky processes and systems at Nykredit and therefore constitutes an excellent management tool. The operational risks identified also form the basis of the Nykredit Group's overall operational risk appetite.

Nykredit determines the capital requirement for operational risk using the basic indicator approach. This means that the capital requirement is calculated as 15% of average gross earnings of the past three years. To calculate REA, the capital requirement is divided by 8%. REA for operational risk was DKK 18.4bn throughout 2015.

Notes

DKK million

	Nykredit Realkredit Group	
	2015	2014
46. RISK MANAGEMENT (continued)		
Credit risk		
The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.		
Total credit exposure		
Balance sheet items		
Demand deposits with central banks	2,992	4,507
Receivables from credit institutions and central banks	20,158	37,644
Loans, advances and other receivables at fair value	1,158,926	1,172,805
Loans, advances and other receivables at amortised cost	47,036	50,958
Bonds at fair value	106,200	127,972
Other assets	41,165	53,926
Off-balance sheet items		
Contingent liabilities	6,942	7,546
Irrevocable credit commitments	5,299	4,508
Total	1,388,718	1,459,867

Collateral security received

The Nykredit Realkredit Group mitigates the risk relating to individual transactions through loss guarantees and legal charges over physical assets. Mortgage debt outstanding relative to estimated property values appears from page 127. In the table below, bank lending is broken down into unsecured lending and lending secured in part or in full by way of legal charge or other collateral security.

Bank lending	2015				2014			
	Public	Personal	Business	Total	Public	Personal	Business	Total
Unsecured lending	19	6,016	22,755	28,790	100	6,623	28,729	35,452
Lending secured by way of legal charge or other collateral security:								
Fully secured	196	2,468	44,604	47,268	99	2,749	4,574	7,422
Partially secured	25	3,721	9,262	13,008	20	3,940	7,220	11,180
Total lending before impairment	240	12,205	76,621	89,066	219	13,312	40,523	54,054

The establishment of lines for trading in financial products often requires a contractual basis giving the Group a netting right. The contractual framework is typically based on current market standards such as ISDA or GMRA agreements.

Supervisory Diamond for banks

The Danish FSA has defined five benchmarks – the so-called Supervisory Diamond – that indicate when a bank is operating at an elevated risk. At 31 December 2015, Nykredit Bank operated below the limit values of the Danish FSA.

Supervisory Diamond limit values	Limit values	Nykredit Bank
Lending growth, %	< 20	(7.5)
Large exposures, %	< 125	11.1
Property exposure, %	< 25	11.4
Funding ratio	< 1,00	0.5
Excess liquidity coverage, %	> 50	347

Notes

DKK million

Nykredit Realkredit Group

46. RISK MANAGEMENT (continued)

Mortgage lending by property and rating category

The rating illustrates the customer's ability to pay, but not the probability of loss. Substantial security is usually provided for mortgage loans, which mitigates or minimises the risk of loss – regardless of customer ratings.

	Private residential property	Private residential rental	Industry and trades	Office and retail	Agriculture	Public housing	Other	Total
2015								
Rating category								
10	48,302	8,122	2,690	7,065	1,908	2,201	130	70,418
9	78,614	12,032	10,551	17,047	5,067	4,944	2,831	131,086
8	158,742	18,955	3,254	21,422	9,922	30,080	6,379	248,755
7	144,390	24,717	2,832	27,579	12,951	21,518	5,095	239,082
6	101,790	21,579	1,331	15,141	16,139	3,309	1,152	160,441
5	44,532	12,175	570	6,331	16,176	565	750	81,098
4	32,354	6,636	364	4,107	7,310	306	130	51,207
3	18,037	7,891	436	4,773	11,988	297	531	43,952
2	20,979	410	40	331	320	19	24	22,122
1	21,051	1,476	96	960	2,132	170	73	25,959
0	4,653	1,810	159	2,539	5,317	144	110	14,732
Exposures in default	6,957	8,243	677	3,801	5,208	418	170	25,474
Total	680,402	124,046	22,999	111,094	94,438	63,971	17,374	1,114,324

	Private residential property	Private residential rental	Industry and trades	Office and retail	Agriculture	Public housing	Other	Total
2014								
Rating category								
10	38,183	603	2,985	7,218	1,681	668	91	51,431
9	69,272	8,428	10,514	13,422	4,759	3,258	1,663	111,317
8	157,748	23,542	4,351	26,392	10,005	30,330	8,672	261,040
7	147,676	33,069	2,827	23,214	13,898	23,685	4,119	248,488
6	112,157	21,799	1,692	14,396	16,898	3,345	1,236	171,523
5	49,660	8,453	730	7,572	15,398	770	584	83,167
4	35,336	8,006	399	5,032	7,492	303	438	57,006
3	16,621	6,954	315	5,216	12,630	289	308	42,333
2	18,385	489	79	457	595	14	17	20,036
1	18,451	3,017	186	1,292	2,213	188	277	25,624
0	4,787	1,902	203	2,690	6,072	191	139	15,985
Exposures in default	6,700	7,379	776	3,972	4,339	422	207	23,795
Total	674,974	123,641	25,058	110,874	95,982	63,465	17,750	1,111,744

The Group's mortgage lending is determined at nominal value. Mortgage lending is disclosed by rating category that reflects the rating of individual customers defined as the probability of default. The rating categories range from 0 to 10, 10 being the highest rating.

Exposures in default: Includes exposures subject to individual impairment provisioning and exposures in arrears for more than 75 days for which individual impairment provisioning has not been deemed necessary.

Rating categories 0-2: Rating category 0 comprises customers with objective evidence of impairment (OEI) but without a need for individual impairment provisioning. Rating categories 1-2 comprises customers without OEI but of a low credit quality resulting from uncertainty about future earning, poor financial statements and a vulnerable financial situation.

Notes

DKK million

Nycredit Realkredit Group

46. RISK MANAGEMENT (continued)

Bank lending by sector and rating category

The rating illustrates the customer's ability to pay, but not the probability of loss.

	Manufacturing and construction	Credit and finance	Property management and trade	Transport, trade and accommodation	Other trade and public	Personal customers	Total
2015							
Rating category							
10	1,512	408	222	87	455	1,306	3,990
9	57	1,504	340	129	788	956	3,775
8	487	478	2,229	839	1,283	1,127	6,443
7	1,132	415	1,771	1,877	998	1,075	7,268
6	952	531	1,564	568	813	1,176	5,603
5	173	112	632	228	700	1,921	3,766
4	576	145	569	237	1,054	2,167	4,748
3	1,760	755	557	1,216	2,638	967	7,893
2	31	9	27	32	96	484	678
1	21	49	256	51	94	312	784
0	43	36	118	37	67	84	386
Exposures in default	665	308	1,731	347	524	690	4,265
Total	7,409	4,750	10,017	5,648	9,509	12,265	49,599

Bank lending by sector and rating category

	Manufacturing and construction	Credit and finance	Property management and trade	Transport, trade and accommodation	Other trade and public	Personal customers	Total
2014							
Rating category							
10	2,152	147	131	64	770	1,134	4,398
9	249	195	524	205	1,675	960	3,808
8	838	862	2,825	1,386	1,670	1,096	8,677
7	1,107	1,051	1,629	1,272	1,174	1,120	7,353
6	174	451	1,416	670	740	1,414	4,865
5	500	157	916	317	798	2,032	4,720
4	328	169	905	215	520	2,191	4,328
3	1,798	379	465	917	2,707	1,370	7,636
2	52	146	75	83	240	798	1,394
1	115	20	552	66	334	295	1,382
0	82	24	105	32	153	133	529
Exposures in default	696	160	2,178	386	775	769	4,964
Total	8,091	3,761	11,721	5,613	11,556	13,312	54,054

Rating categories include Nycredit Bank A/S's loans, advances and receivables at amortised cost determined before impairments.

Bank lending is disclosed by rating category that reflects the rating of individual customers defined as the probability of default. The rating categories range from 0 to 10, 10 being the highest rating.

Exposures in default: Includes exposures subject to individual impairment provisioning and exposures with third reminders for which individual impairment provisioning has not been deemed necessary.

Rating categories 0-2: Rating category 0 comprises customers with objective evidence of impairment (OEI) but without a need for individual impairment provisioning. Rating categories 1-2 comprises customers without OEI but of a low credit quality resulting from uncertainty about future earning, poor financial statements and a vulnerable financial situation.

Notes

DKK million

47. HEDGE ACCOUNTING

The interest rate risk relating to fixed-rate assets and liabilities has been hedged on a current basis. The hedge comprises the following:

	Nykredit Realkredit A/S			Nykredit Realkredit Group		
	Nominal/ amortised value	Carrying amount	Fair value adjustment for account- ing purposes	Nominal/ amortised value	Carrying amount	Fair value adjustment for account- ing purposes
2015						
Assets						
Loans and advances	-	-	-	1,918	1,929	11
Liabilities						
Deposits and other payables	-	-	-	3,301	3,413	(112)
Bonds in issue	3,727	3,789	(62)	7,548	7,705	(157)
Subordinated debt	10,762	10,907	(145)	10,762	10,907	(145)
Derivative financial instruments						
Interest rate swaps, loans and advances as well as deposits and other payables (net)	-	-	-	2,095	(10)	(10)
Interest rate swaps, bonds in issue	3,731	62	62	7,655	157	157
Interest rate swaps, subordinated debt	10,821	140	140	10,821	140	140
Credit derivatives, deposits and other payables	-	-	-	143	(3)	(3)
Equity derivatives, deposits and other payables	-	-	-	1,647	104	104
Gain/loss for the year on hedging instruments		1			(164)	
Gain/loss for the year on hedged items		(1)			159	
Net gain/loss		-			(5)	
2014						
Assets						
Loans and advances	-	-	-	1,519	1,547	28
Liabilities						
Deposits and other payables	-	-	-	4,428	4,655	(227)
Bonds in issue	3,715	3,774	(58)	11,075	11,291	(215)
Subordinated debt	11,128	11,350	(222)	11,128	11,350	(222)
Derivative financial instruments						
Interest rate swaps, loans and advances as well as deposits and other payables (net)	-	-	-	2,215	193	193
Interest rate swaps, bonds in issue	3,722	58	58	11,082	215	215
Interest rate swaps, subordinated debt	11,165	222	222	11,165	222	222
Gain/loss for the year on hedging instruments		(1)			114	
Gain/loss for the year on hedged items		1			(105)	
Net gain		-			9	

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

The Nykredit Group continuously hedges the interest rate risk of fixed-rate assets and liabilities using derivative financial instruments etc. This enables the Group to manage the level of its aggregate interest rate sensitivity taking into consideration expected interest rate developments.

Hedging is made by defining a portfolio of loans, advances, deposits and other payables with a uniform risk level (in certain instances as net portfolios), which is subsequently hedged using derivative financial instruments.

According to reporting provisions, loans, advances and deposits must generally be measured at amortised cost, while derivative financial instruments are measured at fair value.

To obtain accounting symmetry between hedging and hedged transactions, adjustment of the carrying amounts of the financial assets and liabilities that form part of the effective accounting hedge has been allowed. The fair value adjustment exclusively concerns the hedged part (the interest rate exposure).

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
2014	2015	2015	2014
48. CURRENCY EXPOSURE			
By main currency, net			
(0)	5	10	(1)
4	(0)	(1)	4
98	44	45	91
18	(2)	(4)	21
2	(0)	(1)	(36)
0	0	(0)	0
2	(7)	(7)	2
(35)	(25)	164	100
9	5	6	12
98	21	211	192
133	55	226	229
Exchange Rate Indicator 1 is determined as the sum of the highest numerical value of assets (long-term position) or net payables. Indicator 1 shows the overall foreign exchange risk.			

Notes

49. OTHER INFORMATION

EVENTS SINCE THE BALANCE SHEET DATE

No significant events have occurred in the period up to the presentation of the Annual Report 2015 which affect the financial position of the Nykredit Group.

PROFIT (LOSS) AND EQUITY RESTATED TO FSA REQUIREMENTS

The Nykredit Group's financial statements are prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU. The Group's accounting policies comply with the provisions of the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. However, the Executive Order does not include the option to classify financial assets as "available for sale" with fair value adjustment against "Other comprehensive income". In the Nykredit Group's FSA reporting, "Equities available for sale" have been classified as equities measured at fair value through profit or loss.

The difference has no impact on "Equity", only on "Profit (loss)" and "Other comprehensive income", cf below:

	Profit (loss)		Other comprehensive income		Equity	
	2015	2014	2015	2014	2015	2014
Group reporting pursuant to the IFRS	3,191	(276)	32	207	65,460	58,560
Value adjustment of equities available for sale	109	239	(109)	(239)	-	-
Group reporting subject to FSA requirements	3,300	(37)	(77)	(32)	65,460	58,650

"Value adjustment of equities available for sale" (strategic equities) comprises fair value adjustment, realised value adjustments reclassified to the income statement as well as the tax effect of the fair value adjustment.

Notes

50. FINANCIAL RATIOS, DEFINITIONS

Financial ratios

Return on equity before tax, %	Definition The sum of profit (loss) before tax and value adjustment of strategic equities before tax divided by average equity.
Return on equity after tax, %	The sum of profit (loss) after tax and value adjustment of strategic equities after tax divided by average equity.
Income:cost ratio	Total income plus value adjustment of strategic equities before tax divided by total costs less tax.
Foreign exchange position, %	Exchange Rate Indicator 1 at year-end divided by Tier 1 capital including hybrid capital/Additional Tier 1 capital after deductions at year-end.
Loans and advances:equity (loan gearing)	The sum of loans and advances at fair value and loans and advances at amortised cost divided by equity at year-end.
Growth in loans and advances for the year, %	Loans and advances at nominal value at year-end divided by loans and advances at nominal value at the beginning of the year.
Total impairment provisions, %	Total provisions for loan impairment and guarantees at year-end divided by the sum of loans and advances at fair value, arrears and outlays, loans and advances at amortised cost, guarantees and total provisions for loan impairment and guarantees at year-end.
Impairment losses for the year, %	Provisions for loan impairment and guarantees for the year divided by the sum of loans and advances at fair value, arrears and outlays, loans and advances at amortised cost, guarantees and total provisions for loan impairment and guarantees at year-end.
Return on capital employed, %	Profit (loss) after tax for the year divided by total assets.
Financial ratios concerning capital and capital adequacy	Definition
Total capital ratio, %	Own funds divided by the risk exposure amount.
Tier 1 capital ratio, %	Tier 1 capital (including hybrid capital/Additional Tier 1 capital) divided by the risk exposure amount.
Common Equity Tier 1 capital ratio, %	Common Equity Tier 1 capital (less hybrid capital/Additional Tier 1 capital) divided by the risk exposure amount.
Financial ratios are based on the Danish FSA's definitions and guidelines.	

Notes

DKK million

Nykredit Realkredit A/S

	2015	2014	2013	2012	2011
51. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	5,017	4,449	4,415	5,355	4,764
Net fee income	901	780	793	863	708
Net interest and fee income	5,918	5,229	5,208	6,218	5,472
Value adjustments	(235)	359	779	196	(2,399)
Other operating income	5	8	17	11	26
Staff and administrative expenses	2,268	2,389	2,580	2,570	2,704
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	2,134	1,026	835	730	672
Other operating expenses	122	55	103	0	3
Impairment losses on loans, advances and receivables	586	1,723	1,837	1,057	570
Profit (loss) from investments in associates and Group enterprises	3,165	(225)	738	719	774
Profit (loss) before tax	3,744	177	1,389	2,786	(76)
Tax	547	215	58	454	(345)
Profit (loss) for the year	3,198	(38)	1,331	2,332	269
SUMMARY BALANCE SHEET, YEAR-END					
Assets					
Cash balances and receivables from credit institutions and central banks	18,561	29,797	25,498	33,991	39,170
Mortgage loans at fair value	549,618	582,417	597,200	614,848	604,292
Totalkredit mortgage loan funding	593,377	590,579	538,541	520,658	461,846
Bonds and equities	59,786	50,814	29,439	41,361	71,885
Remaining assets	61,116	68,458	77,043	78,361	73,880
Total assets	1,282,458	1,322,066	1,267,720	1,289,219	1,251,073
Liabilities and equity					
Payables to credit institutions and central banks	17,724	22,811	12,668	48,597	89,065
Bonds in issue	1,169,616	1,204,487	1,160,447	1,145,585	1,060,979
Subordinated debt	10,907	11,350	10,734	11,035	10,965
Remaining liabilities	18,750	24,767	25,155	26,446	34,754
Equity	65,460	58,650	58,716	57,556	55,310
Total liabilities and equity	1,282,458	1,322,066	1,267,720	1,289,219	1,251,073
OFF-BALANCE SHEET ITEMS					
Other commitments	1,197	1,121	1,208	1,620	1,981
FINANCIAL RATIOS¹					
Total capital ratio, %	20.1	17.2	17.0	16.4	15.4
Tier 1 capital ratio, %	17.3	16.2	17.0	16.4	15.4
Return on equity before tax, %	6.0	0.3	2.4	4.9	(0.1)
Return on equity after tax, %	5.2	(0.1)	2.3	4.1	0.5
Income:cost ratio	1.73	1.03	1.26	1.64	0.98
Foreign exchange position, %	0.1	0.2	1.3	0.6	0.9
Loans and advances:equity (loan gearing)	8.4	9.9	10.2	10.7	11.0
Growth in loans and advances for the year, %	(4.7)	(3.0)	(1.9)	0.7	3.5
Total impairment provisions, %	0.78	0.73	0.53	0.33	0.29
Impairment losses for the year, %	0.11	0.29	0.31	0.17	0.09
Return on capital employed, %	0.25	(0.00)	0.11	0.18	0.02

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50.

Notes

DKK million

Nykredit Realkredit Group	2015	2014	2013	2012	2011
51. FIVE-YEAR FINANCIAL HIGHLIGHTS (continued)					
SUMMARY INCOME STATEMENT					
Net interest income	11,877	11,353	10,325	10,838	10,103
Net fee income	(94)	133	15	321	322
Net interest and fee income	11,783	11,486	10,340	11,159	10,425
Value adjustments	652	(3,557)	150	(547)	(1,935)
Other operating income	194	185	210	230	226
Staff and administrative expenses	4,658	4,715	5,004	4,799	4,924
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	2,185	1,087	896	766	930
Other operating expenses	188	154	225	30	114
Impairment losses on loans, advances and receivables	920	2,351	2,764	2,149	1,414
Profit from investments in associates	8	6	103	47	10
Profit (loss) before tax	4,685	(186)	1,914	3,144	1,345
Tax	1,494	90	240	575	223
Profit (loss) for the year	3,191	(276)	1,674	2,569	1,123
Value adjustment and reclassification of strategic equities against equity	7	238	(343)	(237)	(854)
SUMMARY BALANCE SHEET, YEAR-END					
Assets					
Cash balances and receivables from credit institutions and central banks	23,253	42,288	35,758	60,174	66,258
Mortgage loans at fair value	1,119,101	1,137,099	1,136,644	1,136,445	1,083,991
Bank loans – excluding reverse repurchase lending	46,747	50,494	46,963	49,728	55,776
Bonds and equities	110,294	131,383	92,961	82,413	100,794
Remaining assets	84,394	96,037	105,087	104,645	86,086
Total assets	1,383,789	1,457,301	1,417,414	1,433,405	1,392,905
Liabilities and equity					
Payables to credit institutions and central banks	30,226	44,863	44,393	67,539	117,626
Deposits and other payables	62,599	65,232	65,172	54,509	57,404
Bonds in issue at fair value	1,137,314	1,167,163	1,130,020	1,103,818	1,021,942
Subordinated debt	11,006	11,394	10,964	11,281	11,204
Remaining liabilities	77,184	109,998	108,148	138,701	129,419
Equity	65,460	58,650	58,716	57,556	55,310
Total liabilities and equity	1,383,789	1,457,301	1,417,414	1,433,405	1,392,905
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,942	7,546	6,311	4,806	5,375
Other commitments	6,637	5,843	7,925	9,213	8,389
FINANCIAL RATIOS¹					
Total capital ratio, %	23.9	18.2	18.9	19.1	17.1
Tier 1 capital ratio, %	20.5	17.2	18.9	19.1	17.1
Return on equity before tax, %	7.6	0.1	2.8	5.3	0.5
Return on equity after tax, %	5.2	(0.1)	2.3	4.1	0.5
Income:cost ratio	1.59	1.01	1.18	1.38	1.03
Foreign exchange position, %	0.4	0.4	1.6	0.6	0.8
Loans and advances:equity (loan gearing)	18.4	20.9	21.1	21.2	21.0
Growth in loans and advances for the year, %	0.2	(2.1)	2.5	4.2	4.0
Total impairment provisions, %	0.71	0.74	0.67	0.57	0.59
Impairment losses for the year, %	0.08	0.19	0.22	0.17	0.12
Return on capital employed, %	0.23	(0.02)	0.12	0.18	0.08

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50.

Notes

DKK million

Nykredit Realkredit A/S

52. GROUP STRUCTURE

	Ownership interest as % 31 December 2015	Profit for 2015	Equity, 31 December 2015	Number of staff 2015	Profit (loss) for 2014	Equity, 31 December 2014	Number of staff 2014
Name and registered office							
Nykredit Realkredit A/S (Parent Company), Copenhagen, a)	-	3,198	65,460	2,826	(38)	58,650	2,981
Totalkredit A/S, Copenhagen, a)	100	1,500	18,613	120	1,458	17,113	118
Nykredit Bank A/S, Copenhagen, b)	100	1,542	16,117	606	(1,772)	12,575	672
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	85	482	107	75	398	95
Nykredit Leasing A/S, Gladsaxe, e)	100	66	522	48	50	456	53
Nykredit Mægler A/S, Copenhagen, c)	100	45	144	48	35	134	50
Nykredit Ejendomme A/S, Copenhagen, d)	100	47	510	2	27	449	2
Ejendomsselskabet Kalvebod A/S, Copenhagen, h)	100	24	209	-	21	185	-
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	12	118	-	15	106	-
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	12	87	-	6	75	-
Nykredit Adm. V A/S, Copenhagen, f)	100	0	1	-	0	1	-

The Group structure only includes significant subsidiaries. Financial information is provided in such order as the companies are recognised in the Consolidated Financial Statements.

Geographical distribution of activities

Denmark: Companies and activities appear from the Group structure above
 Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a)
 Sweden: Nykredit Bank A/S, branch, b)¹

	Number of staff	Revenue*	Profit (loss) before tax	Tax	Government aid received
	3,745	35,272	4,711	1,494	-
	12	14	0	0	-
	-	0	(26)	0	-

¹ The branch in Sweden ceased its activities in January 2015 and is being wound up completely.

* For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as interest, fee and commission income and other operating income.

- a) Mortgage bank
- b) Bank
- c) Estate agency business
- d) Property company
- e) Leasing business
- f) No activity
- g) Investment management company
- h) Holding company, no independent activities

Nykredit Realkredit A/S is 100% owned by and consolidated with Nykredit Holding A/S, which is consolidated with Foreningen Nykredit. The financial statements (in Danish) of Foreningen Nykredit and Nykredit Holding A/S are available from:

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

Notes

DKK million

Nykredit Realkredit Group

	Ownership interest as %, 31 December 2015	Revenue 2015	Profit for 2015	Assets, 31 December 2014	Liabilities, 31 December 2015	Equity, 31 December 2015	Nykredit's share of profit for 2015	Nykredit's share of equity value, 31 December 2015	Profit for 2014	Equity, 31 December 2014
52. GROUP STRUCTURE (continued)										
Name and registered office										
Associates*										
Boligsiden A/S, Copenhagen, a)	23	-	2	18	3	15	0	4	2	13
Core Property Management A/S, Copenhagen, c)	20	31	9	28	5	23	2	5	7	22
E-nettet A/S, Copenhagen, b)	17	115	15	148	62	86	3	12	10	77
Erhvervsinvest K/S, Copenhagen, c) ¹	-	-	-	-	-	-	-	-	0	3
JN Data A/S, Silkeborg, b)	50	1,385	4	645	439	206	2	103	4	201
JSNA Holding A/S, Aalborg, c)	33	0	0	3	0	3	0	1	0	3

* Recognised on the basis of the latest annual reports or interim reports as at 30 September if annual reports are not available.

¹ Erhvervsinvest K/S was subject to voluntary liquidation in 2015.

Nykredit holds less than 20% of the shares in E-nettet A/S, but still exercises significant influence over the financial and operational conditions of the company as it has a representative on the board of directors. Consequently, for accounting purposes the shareholding is treated as an associate.

- a) Property company
- b) IT business
- c) Investment company

Five-quarter financial highlights¹

DKK million

Nykredit Realkredit Group	FY 2015	FY 2014	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015	Q4/ 2014
Core income from							
Business operations ²	11,744	7,211	2,894	2,524	4,350	1,976	1,411
Securities	38	130	10	7	7	14	36
Total	11,783	7,341	2,904	2,532	4,357	1,990	1,447
Operating costs, depreciation and amortisation	7,031	5,955	1,474	3,136	1,197	1,223	2,190
Core earnings before impairment losses	4,752	1,386	1,429	(604)	3,160	767	(743)
Impairment losses on loans and advances	920	2,351	227	244	120	329	893
Core earnings after impairment losses	3,832	(965)	1,202	(848)	3,040	438	(1,636)
Investment portfolio income	853	779	372	(10)	47	445	(99)
Profit (loss) before tax	4,685	(186)	1,574	(858)	3,087	883	(1,736)
Tax	1,494	90	374	233	690	197	(237)
Profit (loss) for the year/period	3,191	(276)	1,200	(1,091)	2,396	686	(1,498)
Other comprehensive income							
Actuarial gains/losses on defined benefit plans	10	22	(0)	(2)	4	8	4
Value adjustment of strategic equities	110	238	(247)	52	149	157	15
Realised gains/losses on strategic equities	(103)	-	-	(103)	-	-	-
Fair value adjustment of owner-occupied properties	15	(53)	15	-	-	-	(25)
Total other comprehensive income	32	207	(233)	(53)	153	164	(6)
Comprehensive income for the year/period	3,222	(69)	967	(1,144)	2,549	850	(1,505)
SUMMARY BALANCE SHEET	31.12.2015	31.12.2014	31.12.2015	30.09.2015	30.06.2015	31.03.2015	31.12.2014
Assets							
Cash balances and receivables from credit institutions and central banks	23,253	42,288	23,253	36,732	47,414	70,932	42,288
Mortgage loans at fair value	1,119,101	1,137,099	1,119,101	1,118,029	1,119,080	1,137,833	1,137,099
Bank loans – excluding reverse repurchase lending	46,747	50,494	46,747	47,506	49,441	49,404	50,494
Bonds and equities	110,294	131,383	110,294	102,786	109,404	104,795	131,383
Remaining assets	84,394	96,037	84,394	83,371	81,773	97,683	96,037
Total assets	1,383,789	1,457,301	1,383,789	1,388,425	1,407,112	1,460,647	1,457,301
Liabilities and equity							
Payables to credit institutions and central banks	30,226	44,863	30,226	35,117	39,322	38,860	44,863
Deposits and other payables	62,599	65,232	62,599	61,581	65,939	67,733	65,232
Bonds in issue at fair value	1,137,314	1,167,163	1,137,314	1,134,618	1,146,975	1,181,483	1,167,163
Subordinated debt	11,006	11,394	11,006	4,684	4,646	11,417	11,394
Remaining liabilities	77,184	109,998	77,184	87,847	84,508	97,952	109,998
Equity	65,460	58,650	65,460	64,577	65,722	63,203	58,650
Total liabilities and equity	1,383,789	1,457,301	1,383,789	1,388,425	1,407,112	1,460,647	1,457,301
FINANCIAL RATIOS							
Profit (loss) for the year/period as % of average equity pa	5.0	(0.5)	7.8	(6.7)	14.9	4.5	(10.1)
Core earnings before impairment losses as % of average equity pa	7.6	2.4	8.8	(3.7)	19.6	5.0	(5.0)
Core earnings after impairment losses as % of average equity pa	6.0	(1.6)	7.4	(5.2)	18.9	2.9	(11.0)
Total provisions for loan impairment and guarantees	8,646	9,173	8,646	8,911	9,032	9,274	9,173
Impairment losses for the year/period, %	0.08	0.19	0.02	0.02	0.01	0.03	0.07
Total capital ratio, %	23.9	18.2	23.9	21.7	20.3	18.9	18.2
Tier 1 capital ratio, %	20.5	17.2	20.5	20.4	19.0	17.6	17.2
Average number of full-time staff	3,757	3,971	3,757	3,763	3,785	3,827	3,971

¹The quarterly financial highlights have not been audited.

² Business operations include value adjustment of interest rate swaps as well as interest on senior and subordinated debt.

Summary capital adequacy

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
31.12.2014	31.12.2015		31.12.2015	31.12.2014
55,981	60,648	Common Equity Tier 1 capital	60,525	55,559
5,933	3,190	Total hybrid capital/Additional Tier 1 capital after deductions	3,488	6,158
61,915	63,838	Tier 1 capital	64,013	61,717
65,630	74,129	Own funds	74,498	65,606
380,237	367,484	Total risk exposure amount	311,220	358,589
14.7	16.5	Common Equity Tier 1 capital ratio, %	19.4	15.4
16.2	17.3	Tier 1 capital ratio, %	20.5	17.2
17.2	20.1	Total capital ratio, %	23.9	18.2
Nykredit Bank Group			Nykredit Holding Group	
31.12.2014	31.12.2015		31.12.2015	31.12.2014
12,044	15,743	Common Equity Tier 1 capital	60,272	55,584
15	87	Total hybrid capital/Additional Tier 1 capital after deductions	845	6,158
12,059	15,831	Tier 1 capital	61,117	61,742
12,365	16,145	Own funds	64,398	63,121
94,051	76,311	Total risk exposure amount	310,294	358,684
12.8	20.6	Common Equity Tier 1 capital ratio, %	19.4	15.4
12.8	20.7	Tier 1 capital ratio, %	19.6	17.2
13.1	21.1	Total capital ratio, %	20.7	17.5

Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 as well as the Danish transitional rules laid down by the Danish FSA.

SERIES FINANCIAL STATEMENTS

DKK million

Nykredit Realkredit A/S

Pursuant to the Danish Financial Supervisory Authority's Executive Order no 872 of 20 November 1995 on series financial statements in mortgage banks, mortgage banks are required to prepare separate series financial statements for series with series reserve funds, cf section 25(1) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act.

The Series Financial Statements have been prepared on the basis of the Financial Statements 2015 of Nykredit Realkredit A/S.

The distribution of profit for 2015 adopted by Nykredit Realkredit A/S's Board of Directors (cf the Annual Report, page 44) has been included in the Series Financial Statements. The series' calculated share of profit for the year of Nykredit Realkredit A/S determined in accordance with the Executive Order has been taken to the general reserves of Nykredit Realkredit A/S.

The Series Financial Statements have been printed at association level, cf section 30(3) of the Executive Order.

Complete Series Financial Statements may be obtained from Nykredit Realkredit A/S.

SERIES FINANCIAL STATEMENTS

DKK million

Nykredit Realkredit A/S

Summary series financial statements at the level of the association and Nykredit Realkredit In General

2015	1 KØK	2 FSK	3 LCR	4 HUM	5 BHY	6 SKRF	7 VESØ
Income statement							
Income from lending	0.6	0.5	0.1	0.1	0.3	0.1	0.1
Interest, net	1.5	0.4	0.3	1.0	0.2	0.2	0.3
Administrative expenses	(1.4)	(0.4)	(0.3)	(1.0)	(0.2)	(0.2)	(0.3)
Impairment losses on loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.2)	(0.1)	0.0	0.0	(0.1)	0.0	0.0
Profit	0.5	0.4	0.1	0.1	0.2	0.1	0.1

Balance sheet

Assets

Mortgage loans	157.3	175.5	14.6	14.1	19.6	11.4	12.9
Remaining assets	43.5	12.1	8.9	20.8	10.6	4.6	8.3
Total assets	200.8	187.6	23.5	34.9	30.2	16.0	21.2

Liabilities and equity

Bonds in issue	172.1	176.3	17.7	16.2	27.0	12.6	15.8
Remaining liabilities	6.6	6.1	0.7	1.1	1.0	0.5	0.7
Equity	22.1	5.2	5.1	17.6	2.2	2.9	4.7
Total liabilities and equity	200.8	187.6	23.5	34.9	30.2	16.0	21.2

Movements in capital, net

	(3.5)	(1.4)	(0.3)	(0.3)	(0.9)	(0.3)	(0.8)
--	--------------	--------------	--------------	--------------	--------------	--------------	--------------

2015	8 HUSM	9 LHYP	10 KHYP	11 JLKR	12 TOTAL (1-11)
Income statement					
Income from lending	0.1	0.1	0.1	0.0	2.1
Interest, net	0.5	0.3	0.1	0.2	5.0
Administrative expenses	(0.5)	(0.3)	(0.1)	(0.2)	(4.9)
Impairment losses on loans and advances	0.0	0.0	0.0	0.0	0.0
Tax	(0.1)	0.0	0.0	0.0	(0.5)
Profit	0.0	0.1	0.1	0.0	1.7

Balance sheet

Assets

Mortgage loans	11.3	1.7	2.4	9.3	430.1
Remaining assets	9.5	6.8	4.0	4.2	133.3
Total assets	20.8	8.5	6.4	13.5	563.4

Liabilities and equity

Bonds in issue	12.0	4.8	4.9	10.7	470.1
Remaining liabilities	0.7	0.2	0.2	0.5	18.3
Equity	8.1	3.5	1.3	2.3	75.0
Total liabilities and equity	20.8	8.5	6.4	13.5	563.4

Movements in capital, net

	(0.1)	(4.2)	(1.6)	(0.5)
--	--------------	--------------	--------------	--------------

SERIES FINANCIAL STATEMENTS

DKK million

Nykredit Realkredit A/S
Summary series financial statements at the level of the association and Nykredit Realkredit In General

2015	13 FK	14 JK	15 NYK	16 TOTAL (13-15)	17 INST	18 TOTAL (12,16,17)
Income statement						
Income from lending	0.0	0.0	4,252.0	4,252.0	0.0	4,254.1
Interest, net	0.0	0.0	2,188.0	2,188.0	1,686.0	3,879.0
Administrative expenses	0.0	0.0	(2,144.8)	(2,144.8)	(1,652.9)	(3,802.6)
Impairment losses on loans and advances	0.0	0.0	(669.5)	(669.5)	83.4	(586.1)
Tax	0.0	0.0	(852.1)	(852.1)	305.7	(546.9)
Results	0.0	0.0	2,773.6	2,773.6	422.2	3,197.5

Balance sheet

Assets

Mortgage loans	1.6	1.0	550,526.8	550,529.4	2.1	550,961.6
Remaining assets	0.6	0.6	750,826.0	750,827.2	36,058.2	787,018.7
Total assets	2.2	1.6	1,301,352.8	1,301,356.6	36,060.3	1,337,980.3

Liabilities and equity

Bonds in issue	2.0	1.5	1,232,522.4	1,232,525.9	0.0	1,232,996.0
Remaining liabilities	0.2	0.1	42,051.0	42,051.3	1,165.2	43,234.8
Equity	0.0	0.0	26,779.4	26,779.4	34,895.1	61,749.5
Total liabilities and equity	2.2	1.6	1,301,352.8	1,301,356.6	36,060.3	1,337,980.3

Movements in capital, net

(0.1) (0.1) (4,185.8) 6,372.9

1 Københavns Kreditforening	7 Den vest- og sønderjydske Kreditforening	13 Forenede Kreditforeninger
2 Fyens Stifts Kreditforening	8 Jydsk Husmandskreditforening	14 Jyllands Kreditforening
3 Landkreditkassen	9 Landhypotekforeningen for Danmark	15 Nykredit (incl Capital Centres C, D, E, G, H and I)
4 Østifternes Husmandskreditforening	10 Købstadshypotekforeningen	16 Total (13-15) Associations after 1972
5 Byernes Hypotekforening	11 Jydsk Landkreditforening	17 Nykredit Realkredit In General
6 Sønderjyllands Kreditforening	12 Total (1-11) Associations before 1972	18 Total (12, 16, 17) Nykredit Realkredit A/S

Notes

1. Assets, Series Financial Statements

Assets in Nykredit Realkredit A/S's Financial Statements, end-2015	1,282,458.2
Assets, Series Financial Statements	1,337,980.3
Difference	(55,522.1)

Specified as follows:

Set-off of self-issued ROs, self-issued SDOs, self-issued senior secured debt and self-issued other securities	(54,946.9)
Set-off of interest receivable from self-issued bonds	(575.2)
Total	(55,522.1)

2. Equity, Series Financial Statements

Equity in Nykredit Realkredit A/S's Financial Statements, end-2015	65,460.3
Of which holders of Additional Tier 1 capital	(3,774.0)
Provisions for repayable reserves in pre-1972 series	63.2
Equity, Series Financial Statements	61,749.5

OTHER INFORMATION

FINANCIAL CALENDAR FOR 2016 – THE COMPANIES OF THE NYKREDIT GROUP

11 February	Annual reports for 2015 and announcements of financial statements of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.
15 March	Annual General Meeting of Nykredit Bank A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
15 March	Annual General Meeting of Totalkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
16 March	Annual General Meeting of Nykredit Realkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
12 May	Q1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.
18 August	H1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.
10 November	Q1-Q3 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

DIRECTORSHIPS AND EXECUTIVE POSITIONS

The Board of Directors and the Executive Board form the Nykredit Realkredit Group's management.

BOARD OF DIRECTORS

The Board of Directors meets monthly, except in July, and holds a strategy and theme seminar once a year.

The members of Nykredit's Board of Directors are elected for a term of one year. The latest election took place on 18 March 2015. Re-election is not subject to any restrictions.

Below, an account is given of the individual director's position, age and years of service on the Board as well as directorships and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

All members of the Board of Directors are also directors of the Parent Company Nykredit Holding A/S.

Steen E. Christensen

Attorney

Date of birth: 2 April 1947

Joined the Board on 12 April 2000

Non-independent director in view of the length of tenure

Chairman of:

Foreningen Nykredit

Nykredits Fond

A/S Motortramp

Aktieselskabet Dampskibsselskabet

Orients Fond

Aktieselskabet Det Dansk-Franske Dampskibsselskabs Understøttelsesfond af 1950

Bornholmstrafikken Holding A/S

Charlottenlund & Nedergaard Godser A/S**

Det Arnstedtske Familiefond

Ejendomsselskabet Amaliegade 49 A/S**

Persolit Holding A/S

Rosendal og Margrethelund Godser A/S**

Deputy Chairman of:

Danske Færger A/S

Director of:

Danish Nitrogen Import A/S

Ny-Nitrogen A/S

Persolit Entreprenørfirma A/S

Skovselskabet Skov-Sam Holding ApS and subsidiaries:

Skovselskabet Bjørsløv ApS

Skovselskabet Dejbjerg ApS

Skovselskabet Djursland ApS

Skovselskabet Glumsø Østerskov ApS

Skovselskabet Guldborgland ApS

Skovselskabet Harreskov ApS

Skovselskabet Hesselvig ApS

Skovselskabet Morville ApS

Skovselskabet Rønhøj ApS

Skovselskabet Skov-Sam II ApS and

subsidiaries:

Skovselskabet Skåningshave ApS

Skovselskabet Skåstrup Frihed ApS

Skovselskabet Slauggaard ApS

Skovselskabet Ørbæk ApS

Soldaterlegatets Præsidium

Chief Executive Officer of:

Advokatanpartsselskabet Steen E. Christensen

Hans Bang-Hansen

Farmer

Date of birth: 15 August 1955

Joined the Board on 18 April 2001

Non-independent director in view of the length of tenure

Chairman of:

Horsens Vand A/S

Horsens Vand Holding A/S

Håstrupgård ApS

Director of:

Foreningen Nykredit

Nykredits Fond

Horsens Folkeblads Fond

Jyske Medier A/S*

Municipal posts:

Chairman of Midttrafik

Member of the municipal council of Horsens

Managing Director of:

Arnen Holding ApS

HGE Holding ApS

Håstrupgård Ejendomme ApS

LNT Invest ApS

Provstlund ApS

Steffen Kragh

Chief Executive Officer

Date of birth: 6 April 1964

Joined the Board on 28 March 2006

Independent director

Managing Director of:

Egmont Fonden

Egmont International Holding A/S

Ejendomsselskabet Gothersgade 55 ApS

Ejendomsselskabet Vognmagergade 11 ApS

Chairman of:

Egmont Administration A/S

Egmont Finansiering A/S

Egmont Holding A/S

Lindhardt og Ringhof Forlag A/S

Nordisk Film A/S

AE-TV Holding AS**

Egmont AS**

Egmont Holding AS**

Egmont Holding Limited

Deputy Chairman of:

Cappelen Damm Holding AS

Lundbeckfonden

Lundbeckfond Invest A/S

Director of:

Foreningen Nykredit

Egmont Book Publishing Ltd.

Egmont UK Ltd.

MBG Sleeping Egmont A/S*

N2L Sleeping Egmont A/S

Chief Executive Officer of:

NKB Invest 103 ApS

Michael Demsitz

Chief Executive Officer

Date of birth: 1 February 1955

Joined the Board on 31 March 2004

Independent director

Managing Director of:

Boligkontoret Danmark

Chairman of:

Alment Bestyrelsesakademi

Byggeskedefonden

Director of:

Foreningen Nykredit

Nykredits Fond

AlmenNet

Boligselskabernes Landsforening

Merete Eldrup

Chief Executive Officer

Date of birth: 4 August 1963

Joined the Board on 24 March 2010

Independent director

Chief Executive Officer of:

TV2/DANMARK A/S

Chairman of:

TV 2 BIB A/S

TV 2 DTT A/S

TV 2 Networks A/S

TV 2 Radio A/S**

Deputy Chairman of:
Gyldendal A/S

Director of:
Foreningen Nykredit
Rambøll Gruppen A/S

Marlene Holm***
Political Secretary

Date of birth: 2 December 1964
Joined the Board on 21 March 2012

Director of:
Foreningen Nykredit

Allan Kristiansen***
Chief Relationship Manager

Date of birth: 6 March 1958
Joined the Board on 12 April 2000

Director of:
Nykredit Bank A/S

Bent Naur
Former Chief Executive Officer

Date of birth: 24 April 1947
Joined the Board on 20 March 2013
Independent director

Chairman of:
Fonden Nr. Vosborg**

Deputy Chairman of:
Finansiel Stabilitet

Ina Nielsen* ***
Developer

Date of birth: 17 April 1968
Joined the Board on 3 September 2015

Director of:
Foreningen Nykredit*

Anders C. Obel
Chief Executive Officer

Date of birth: 19 October 1960
Joined the Board on 25 March 2009
Independent director

Chief Executive Officer of:
C.W. Obel A/S

Chairman of:
C. W. Obel Bolig A/S*
C. W. Obel Ejendomme A/S
C. W. Obel Projekt A/S

Obel-LFI Ejendomme A/S
Semco Maritime A/S

Deputy Chairman of:
Danfoss Semco A/S**

Director of:
Foreningen Nykredit
Axzon A/S
Erhvervsinvest Management A/S
Fonden Det Obelske Jubilæumskollegium
Fritz Hansen A/S
Høvdingsgaard Fonden
Mullerupgaard og Gl. Estrup Fonden
Scandinavian Tobacco Group A/S
Skandinavisk Holding A/S
Skandinavisk Holding II A/S
Skjærringefonden
Woodmancott Fonden

Chief Executive Officer of:
NKB Invest 108 ApS**

Erling Bech Poulsen
Farmer

Date of birth: 14 June 1955
Joined the Board on 25 March 2009
Independent director

Chairman of:
Foreningen Østifterne f.m.b.a.

Director of:
Agrovakia A/S
Axzon A/S
Kølhede Invest A/S
Polen Invest A/S
Vandborg Karosserifabrik A/S
Managing Director of:
Kølhede Holding ApS
Kølhede Invest A/S
Majbrit Poulsen Holding ApS
Malene Poulsen Holding ApS
Morten Poulsen Holding ApS

Lars Peter Skaarup***
Personal Adviser

Date of birth: 16 March 1959
Joined the Board on 21 March 2012

Director of:
Foreningen Nykredit
Oliefyrsmændene A/S

Nina Smith
Professor

Date of birth: 17 October 1955
Joined the Board on 22 September 2004
Independent director

Professor at Institut for Økonomi,
Aarhus Universitet

Chairman of:
Aarhus Symposium
Dagpengekommisionen**
Favrskov Gymnasium
KORA (Det Nationale Institut for Kommuners
og Regioners Analyse og Forskning)

Deputy Chairman of:
Foreningen Nykredit
Nykredits Fond

Director of:
Aarhus Festuges Fond**
A/S Hæghsmindes Parkbebyggelse
Carlsberg A/S
Carlsbergfondet
Carlsbergfondets Forskerboliger A/S
Ejendomsaktieselskabet C.F. Richsvej 99-101
Ejendomsaktieselskabet "Haraldsborg"
Ejendomsaktieselskabet "Munken"
Ejendomsaktieselskabet "Ved Boldparken"
Ejendoms-Aktieselskabet Søborg Huse

Member of Det Økonomiske Råd
Member of Regeringens Kvalitetsudvalg**

Jens Erik Udsen
Managing Director

Date of birth: 1 November 1946
Joined the Board on 1 May 1998
Non-independent director in view of the length
of tenure

Managing Director of:
Langstrupvej ApS
Nesdu A/S

Director of:
Foreningen Nykredit
Fonden "Renholdningsselskabet af 1898"
Nesdu A/S
Sbs Byfornyelse s.m.b.a.**

OTHER INFORMATION

Leif Vinther***

Chairman of Staff Association

Date of birth: 18 April 1959
Joined the Board on 12 April 2000

Director of:
Foreningen Nykredit
Nykredits Fond
Finansforbundets hovedbestyrelse

Kristian Bengaard**

Senior Consultant

Resigned as at 3 September 2015

EXECUTIVE BOARD

Below, an account is given of the individual Executive Board member's position, age, years of service on the Board and other executive positions, including in other companies as permitted by the Board of Directors pursuant to section 80 of the Danish Financial Business Act.

Michael Rasmussen

Group Chief Executive

Date of birth: 13 November 1964
Joined the Executive Board on
1 September 2013

Chief Executive Officer of:
Foreningen Nykredit
Nykredit Holding A/S

Chairman of:
Nykredit Bank A/S
Totalkredit A/S
Investeringsfonden for Udviklingslande (IFU)
Realkreditrådet

Director of:
Nykredits Fond
Creditkassens Jubilæumsfond

Kim Duus

Group Managing Director

Date of birth: 8 December 1956
Joined the Executive Board on 15 May 2009

Managing Director of:
Nykredit Holding A/S

Chairman of:
Nykredit Portefølje Administration A/S

Director of:
Nykredit Bank A/S
Totalkredit A/S

Søren Holm

Group Managing Director

Date of birth: 15 November 1956
Joined the Executive Board on 1 March 2006

Managing Director of:
Nykredit Holding A/S

Chairman of:
Ejendomsselskabet Kalvebod A/S

Deputy Chairman of:
Nykredit Bank A/S

Director of:
Totalkredit A/S
JN Data A/S**
Realkreditrådet
VP Securities A/S

Anders Jensen

Group Managing Director

Date of birth: 20 January 1965
Joined the Executive Board on 1 October 2014

Managing Director of:
Nykredit Holding A/S

Chairman of:
Nykredit Leasing A/S*
Nykredit Mægler A/S*
Bolighed A/S*
Swipp ApS #
Swipp Holding ApS

Director of:
Nykredit Bank A/S
Totalkredit A/S
DSEB (Danish Society for Education and Business)**
Finansrådet*
Grænsefonden*
Niels Brock (Copenhagen Business College)
Member of the committee of representatives of: Det Private Beredskab*

Bente Overgaard

Group Managing Director

Date of birth: 21 June 1964
Joined the Executive Board on 1 March 2008

Managing Director of:
Nykredit Holding A/S

Chairman of:
Nykredits Afviklingspensionskasse
Nykredit Ejendomme A/S

Deputy Chairman of:
JN Data A/S

Director of:
Nykredit Bank A/S
Totalkredit A/S
Bankernes EDB Central a.m.b.a.
Bolighed A/S*
Den Danske Naturfond*
E-nettet A/S
Finanssektorens Arbejdsgiverforening (FA)
Finanssektorens Uddannelsescenter
Øresundsinstituttet

Member of the committee of representatives of: Ejendomsforeningen Danmark

* Joined in 2015

** Resigned in 2015

*** Staff-elected member (non-independent director)

Note: 4T af 1. oktober 2012 Drift ApS has changed its name to Swipp ApS

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.