



About Nykredit 2010

Financial Sustainability

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Foreword

Nykredit stands out

As the only major Danish financial enterprise, we are owned by an association – Foreningen Nykredit (the Nykredit Association). You might be a member, if you are one of our 300,000 customers with a Nykredit mortgage loan. The ultimate authority of Foreningen Nykredit is the Committee of Representatives, which is composed of 100 members who are elected by and among the members and bondholders. The Board of Directors is elected by and among the Committee members.

What makes financial mutuals different from other financial companies?

In spring 2010, the Copenhagen Business School published the results of a research project – "Selskabsledelse i foreningsejede finansielle selskaber" by Søren V. Svendsen – on corporate governance in financial companies owned by associations, also known as financial mutuals. The results were quite surprising. Nykredit certainly stands out in a Danish context, but financial mutuals constitute a full 20% of the European banking sector. The project also concluded that financial mutuals constitute just as effective banks as the rest of the market, but they are more stable. This is probably because they mainly build up their capital through operating profits. Another characteristic feature of financial mutuals is that they practice openness and social responsibility.

Financial sustainability

The prevalence of financial mutuals surprised us, but we recognise the other characteristics. Our capital reserves and credit policy enabled us to provide loans throughout the financial crisis and thereby mitigate some of the negative consequences of the crisis.

We practice openness. We have been publishing executive salaries and internal capital adequacy requirements since before it became mandatory. In our day-to-day business, we act as a listed company in every respect. We have implemented recommendations on corporate governance on an ongoing basis.

Nykredit has been a member of Global Compact since 2008. Like previously, this publication forms part of our corporate social responsibility reporting. Last year, we decided to extend this with reporting in accordance with the Global Reporting Initiatives principles – equal to C level. Nykredit adopted a sustainable investment policy in 2009 and joined UNPRI – the UN's principles for responsible investments. Nykredit recently signed the Carbon Disclosure Project.

All these initiatives are founded on our business concept "Financial Sustainability". It describes how corporate social responsibility is an integral part of our way of conducting business. The values of our business concept have been pursued since the first credit associations, but they have since become quite modern.

Two examples of corporate social responsibility as an integral part of our business

Providing sustainable financial solutions is a key element of our business. Should a customer, contrary to expectations, fall into financial difficulties, we make a special effort to provide advice. We also offer anonymous advice to customers. The sooner we identify solutions, the more options will be available. This effort is beneficial for Nykredit, but even more so for our customers. At the same time, the general society will benefit from not only less financial damage, but hopefully also less social damage.

Nykredit wants to be an attractive and challenging workplace. Attractive because we aim to attract the right competencies, and challenging because we want to develop the skills and qualifications of the individual staff member. We want to hold on to our staff by offering internal career paths. We believe competent and satisfied staff members generate good results because the expectations of our customers are fulfilled and hopefully sometimes more than fulfilled.

Strategy 2013

Today, banking and mortgage lending are inextricably connected. It is therefore our ambition to expand our banking business so that we can fulfil our objective: Providing sustainable financial solutions.

Peter Engberg Jensen
Group Chief Executive



Nykredit's customers

Banking and mortgage lending are closely interrelated. Nykredit's focus is on providing bespoke advisory services to its customers. Nykredit systematically tracks customer satisfaction and implements development and improvement initiatives to match the requirements of customers in a constantly changing world.

Growth in business activities and lending continues the trend recorded in recent years. With a total share of the Danish lending market (bank and mortgage lending) of 29%, Nykredit is one of the leading lenders in Denmark.

Nykredit strives to meet customers' expectations for a leading financial services group.

Nykredit's market position in Denmark 2010

	DKKbn	Market share
Total bank and mortgage lending	1,061	29%
- Of which mortgage lending	996	42%
- Of which bank lending	65	5%
Assets under administration	305	30%
Assets under management	95	-
Portfolio of retail investment fund units	32	7%
Bond trading	-	23%

Note: Bank and mortgage lending is determined in nominal terms on the basis of the statistics on the balance sheets and flows of the MFI sector prepared by Danmarks Nationalbank.

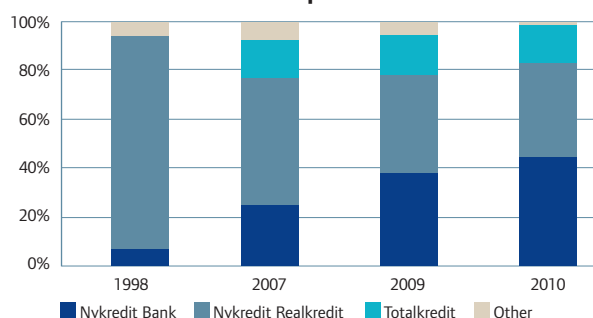


Nykredit's business

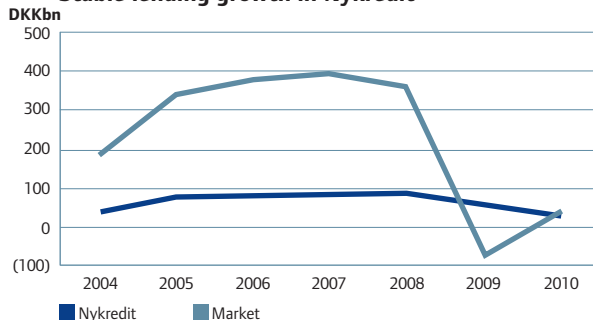
Nykredit has activities within banking, mortgage lending, pension, investment, leasing, estate agency business and insurance.

The development in Nykredit's business volumes is generally characterised by growth, and Nykredit Bank in particular has grown substantially and today accounts for a considerable share of total income from business operations. Nykredit Bank is now the fifth largest bank in Denmark.

Income from business operations

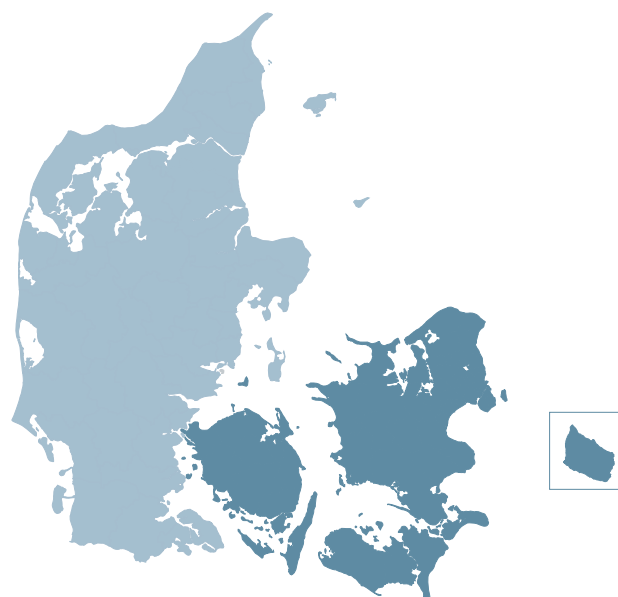


Stable lending growth in Nykredit



As in previous years, Nykredit's lending was considerable in 2010, up DKK 42bn.

The Nykredit Group is in contact with over one million customers. This number includes 441,000 retail customers, 82,000 commercial customers under the Nykredit brand and 587,000 retail customers under Totalkredit's partnership with local and regional banks.



Nykredit's market share of all property types in Denmark

■ Over 45% ■ 30-45%

Note: The Nykredit Group's market share of gross mortgage lending, all property types, by region (Jutland, Funen and Sealand including Bornholm) – 2010.

Nykredit's strategy

In 2009 Nykredit adopted a new strategy and organisation which will pave the way for significant business development and growth up to 2013, with banking and mortgage lending as core activities.

Nykredit has the following strategic ambitions and objectives for 2013:

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

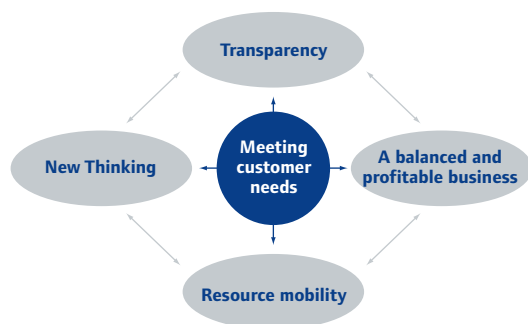
Everything begins with the customer

The strategy revolves around personal services, and the main focus is on being able to offer a wide range of banking services. Customers should see Nykredit as a competent and attentive business partner who makes every effort to understand their needs and circumstances. Nykredit's business principles begin with the customer.

In the years ahead, Nykredit will be introducing a number of new services tailored to meet the financial requirements of individual customers. Individualised services, based on customers' personal circumstances, will be at the heart of Nykredit's services.

In general, still more customers prefer self-service for daily transactions, while many seek advisory services in connection with major financial decisions, for instance home purchases or pensions. Nykredit's advisory and customer concepts will be adapted accordingly.

Nykredit's business principles



Day-to-day banking

Nykredit provides holistic advisory services to both retail and commercial customers. In spring 2010, a new organisation was set up in the Copenhagen area, providing Nykredit with a number of new centres serving both retail and commercial customers. Nykredit is experiencing considerable growth in retail banking, especially in the investment and pension area.

"Nykredit will introduce a new customer philosophy focusing more on customers' different needs regarding personal finances and life-cycle financial planning. As a result, we will be working with completely new advisory and product concepts."

Frank Ryslev, Managing Director, Retail Customers

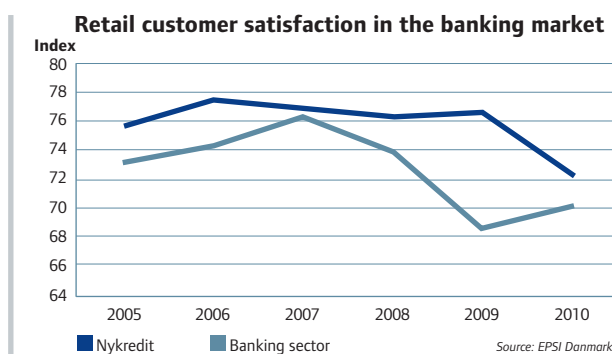
In commercial lending, focus so far has been mainly on real property finance, given Nykredit's origin as a mortgage lender. In future, Nykredit will be offering a number of customers to be their main bank, assisting them in all aspects of their business finances. As the financial partner of commercial customers for their day-to-day banking needs, Nykredit will have an even stronger basis for providing holistic advisory services to customers.

The merger between Nykredit Bank and Forstædernes Bank

Nykredit Bank merged with Forstædernes Bank in April 2010. During the merger process, focus was on offering customers a smooth transition to Nykredit's banking systems. We succeeded for the vast majority of customers. However, regrettably the transition caused problems for some commercial customers. But considerable resources were immediately allocated to solving these problems, and the situation consequently improved significantly in H2/2010. Ensuring that customers receive the best possible services from Nykredit is a key priority.

Banking customer satisfaction survey

Every autumn, the research institution EPSI measures the satisfaction of Danish banking customers. The latest survey was published in October 2010 and shows a marginal rise in general banking customer satisfaction. Nykredit's retail customer satisfaction has declined, but Nykredit's retail customers are still more satisfied than the average banking customer. Nykredit currently monitors and gauges customer satisfaction in order to know its customers and be able to guide its business by their needs.



Nykredit Asset Management

A number of the most professional investors in Denmark employ Nykredit Asset Management as their asset manager. Targeted efforts are made to meet clients' quality requirements.

Nykredit Asset Management tailors investment portfolios to meet clients' individual needs, taking into account factors such as risk profile, time horizon, return expectations and liquidity requirements.

In 2010 Nykredit Asset Management saw pronounced growth. Assets under management grew by 45% to DKK 95bn and assets under administration by 34% to DKK 305bn.

Sustainable investment by Nykredit

Nykredit has a sustainable investment policy outlining Nykredit's efforts to ensure that funds are handled in a socially responsible way.

The investment policy takes into account environmental, social and corporate governance (ESG) issues. International ESG standards and conventions are considered, as Nykredit believes that sustainability may be a catalyst of higher returns and lower risk in the long run.

UN conventions

Nykredit's policy is based on the UN Global Compact and the UN's six principles for responsible investments (UNPRI) – a set of common global guidelines for responsible investment behaviour.

Nykredit is also a member of DANSIF, a network of investment professionals, consulting firms and others dealing with responsible investments.

"At Nykredit, we believe that we can change the behaviour of companies with vague ethical standards – it just takes commitment."

Lars Bo Bertram, Managing Director

Screening of companies

All portfolio companies are screened twice a year by an external adviser, GES Investment Services, and new information relevant to the existing portfolios is analysed on a current basis. If it turns out that a company does not comply with the international standards and conventions, Nykredit will try to affect its behaviour through dialogue. Nykredit is currently pursuing a dialogue with 20 companies. The screening concerns all companies in which we invest, ie over 1,800 companies.

Only if Nykredit does not expect a positive outcome of negotiations with the companies will those companies be excluded from Nykredit's investment universe. At the moment, this applies to 11 companies.

Outlook

In future, Nykredit will exercise its voting right at the general meetings of companies included in the investment portfolio, as this is one way of influencing the companies directly. Nykredit has therefore entered into agreements enabling it to vote at general meetings through a business partner. In this way, Nykredit utilises its participating interests in a flexible and efficient manner to influence the companies in the desired direction. We regard this as a natural opportunity in exercising active ownership.

Nykredit shares its experience

In 2010 the Danish Commerce and Companies Agency published a guide to responsible investment and active ownership focusing on how companies can translate social responsibility into specific active ownership initiatives. Nykredit has provided input to the guide, explaining how Nykredit invests responsibly and how we have implemented the UNPRI principles.

Digital dialogue

For several years, Nykredit has focused on digital media and has developed a number of web tools in dialogue with customers. Nykredit's strategy for developing new digital tools is based on four general objectives:

- improved and simpler overview
- individualisation and personalisation
- higher accessibility
- dialogue and innovation.

Nykredit's many digital tools include several mobile applications and calculation modules for customers, such as Smartbudget, the online pension calculator and the overview feature of Nykredit's online bank.

Furthermore, Nykredit's customers can hold video conferences with their financial adviser, and video comments on housing finances etc are broadcast at nykredit.tv. Customers may also participate in debates at the Nykredit Blog.

Customers' choice lies at the heart of Nykredit's strategy. The same applies to Nykredit's digital channels. Consequently, several new options and services have been developed for nykredit.dk, and many customers are using Nykredit's digital services.

Online activity

Number	2009	2010
Hits at nykredit.dk	9,108,000	11,428,000
Online calculations	3,563,000	2,686,000
Hits at Nykredit Blog	122,000	91,000
Hits at nykredit.tv	99,000	96,000
WebDesk meetings	7,700	9,600



Mobile applications

The application Nykredit Finans makes it possible to track trends in the Danish economy, interest rate trends and equity market performance. The auto assistance feature is for motorists who meet with an accident, and the cash feature shows the location of the nearest ATM or bank. The applications are available at nykredit.dk/mobilapp.

Smartbudget – 1 minute budgeting

More than 17,000 customers have gained an overview of their personal finances using Nykredit's Smartbudget. In a few clicks, you can prepare a budget that indicates whether your budget is balanced. Customer feedback has been integrated into the tool, and many customers have taken the opportunity to share money saving tips and comments. You can read more about this at nykredit.dk/budget.

Top ranking in several surveys

Several surveys have hailed Nykredit's digital tools as some of the best in the market. The Danish Consumer Council emphasised the user friendliness of Nykredit's website and Smartbudget in its money magazine, and a survey conducted by Danish research company MyResearch and media agency Starcom ranked Nykredit Bank as no 1 because of its mobile applications, use of calculators and great visibility on Google.

Customer ambassador – when the customer needs help

Customers who need help are offered assistance by Nykredit's customer ambassador at nykredit.dk.

Solutions for the dissatisfied customer

The customer ambassador's prime duty is to ensure that customers are guaranteed fair complaint handling. Together with the customer, Nykredit seeks to find solutions to customer complaints.

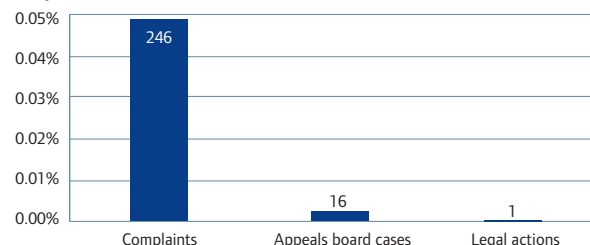
In 2010 the customer ambassador handled 374 enquiries, of which 298 were from customers who were dissatisfied, mainly with case processing aspects, a specific decision such as refusal of a loan application or insufficient communication. Dissatisfied customers were fully or partly successful in 73% of the cases.

At Nykredit we strive to learn from the mistakes that will inevitably occur in a business serving more than one million customers.

If a problem cannot be solved decentrally, the matter will be referred to Nykredit's complaints unit. In 2010 the unit processed 246 complaints regarding banking and mortgage services.

Customer complaints in 2010, Nykredit Bank and Nykredit Realkredit

Complaints/Number of customers



Open dialogue with the customer

The customer ambassador regularly posts blog entries at nykredit.dk. Focus is on topics that are relevant to the customer's satisfaction with Nykredit. Here, customers are free to discuss major and minor issues – and of course to be critical.

Principal, interest rate swap and APR?

What is principal, interest rate swap and APR? Like other industries, the financial sector uses many technical terms. Even though we try to talk and write in a language that customers will understand, there may still be a concept or two that could cause confusion. Therefore, a glossary is available at nykredit.dk/blog explaining terms and concepts relating to mortgage lending, banking, insurance, investment and pension.

Advising customers in financial difficulties

In the customer ambassador's universe, customers in financial difficulties will also find tips and self-help tools. Most importantly, Nykredit's financial hotline offers customers anonymous advice and sparring during extended hours to help them put their finances in order.

About half the customers who receive sparring from Nykredit's hotline subsequently request a meeting with an adviser at one of Nykredit's centres. A solution is found for about one third of these customers, involving a new agreement with Nykredit regarding eg a payment arrangement, loan refinancing or a new credit facility.

Financially distressed customers

Nykredit Realkredit	2008	2009	2010
Loans in arrears ¹	1,618	2,370	2,020
Collection proceedings ²	1,333	1,826	1,783
Forced sales	255	569	738
Lender-assisted sales	42	174	231

¹ Measured by the number of mortgage loans (several mortgages on the same property count as one) in arrears 75 days after the September settlement date. ² Number of mortgage loans referred for collection proceedings due to arrears at the September settlement date.

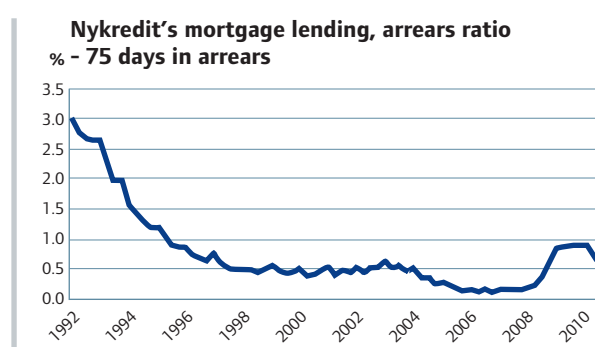
The economic slowdown since end-2008 has also affected Nykredit's customers, and several of them now have difficulties making their mortgage payments. It is in the interest of both the customer and Nykredit that a forced sale of the customer's home is avoided. In some cases, Nykredit may assist with a so-called lender-assisted sale to prevent a forced sale. The advantage of a lender-assisted sale is that the customer may obtain a higher price and avoid the costs of a forced sale.

Avoiding forced sales

Nykredit has therefore intensified its efforts to help homeowners in financial difficulties. At the customer ambassador's website, the process towards a forced sale is explained in a simple model. The model underpins our clear message: The sooner you contact Nykredit regarding payment difficulties, the greater the chance to avoid a forced sale.

Even though some customers are going through a hard time, the general situation is nowhere as bad as during the crisis in the 1990s. The development in Nykredit's arrears ratio relating to

bond loans shows that the level is currently only slightly higher than in the period between the two most recent crises when conditions were considered more normal.



Contact Nykredit

Nykredit's customers can seek advice and buy Nykredit branded products directly through our contact channels:

- Nykredit's 57 retail centres
- Nykredit's 34 commercial centres
- online via e-mail, chat or webdesk meetings
- by telephone via Nykredit's central sales and customer contact centres.

The local and regional banks in the Totalkredit partnership serve customers through more than 1,000 branches.

Nykredit's social responsibility

Nykredit's business concept of Financial Sustainability describes how values such as balance, long-term relations and a broad social responsibility are integral parts of our relations with customers, business partners, investors, staff and the rest of society.

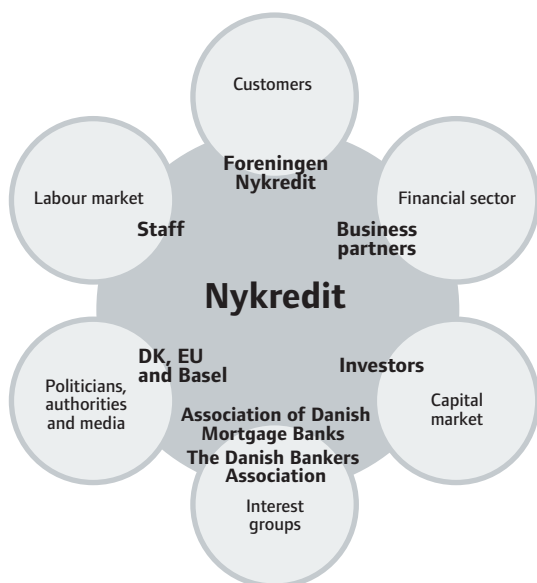


Nykredit's membership of the UN Global Compact network is a natural consequence of our business concept. This publication forms part of our effort to implement and raise the awareness of the ten principles of Global Compact for corporate social responsibility. Nykredit's report on corporate social responsibility is based on the Global Reporting Initiative (GRI) guidelines.

In addition, Nykredit's investment policy complies with the UN's principles for responsible investments, UNPRI. Nykredit recently signed the Carbon Disclosure Project, and we will submit reports on our carbon emissions as part of our climate response.

These are but a few examples of Nykredit's broad effort to actively incorporate our social responsibility in the business and sometimes also outside the day-to-day business activities. Common to all these activities, however, is that Nykredit plays a role. This applies to the climate challenge, where we will take our share of the responsibility and willingly share our knowledge. It also applies to social initiatives, where Nykredit's competencies make a difference outside the business.

Nykredit's relations



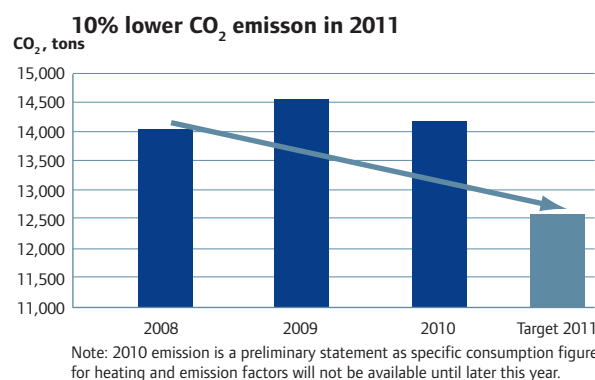
Environment and climate

The climate impact is an important social issue. Being one of Denmark's largest financial services providers, we share the responsibility for a long-term environment and climate response.

Nykredit has set a target of reducing the Group's carbon footprint by 10% in the period from 2008 to end-2011. This is an absolute target in the sense that, although Nykredit grows organically, we are still committed to reaching the target by the end of 2011. The reduction will be achieved by actively reducing Nykredit's own CO₂ emission.

In 2009 and the first half of 2010, we focused on laying the groundwork for future reductions. All buildings have been screened for potential CO₂ reduction initiatives. We have then made a prioritised list so that initiatives yielding the largest effect and having the shortest repayment period will be implemented first.

Nykredit's CO₂ emission increased from 2008 to 2009, but decreased in 2010. We are confident that the 2011 target will be fulfilled as we have already implemented several energy-saving measures and will be implementing more in 2011.



New operations centre

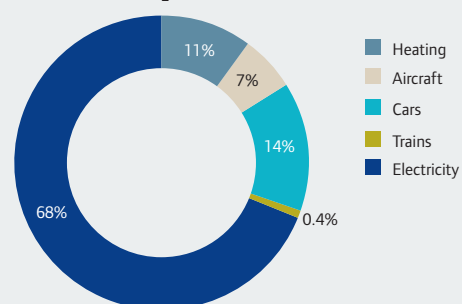
One of the largest technical projects that may contribute to lowering CO₂ emission is the establishment of a central operations centre. The operations centre will enable Nykredit's technicians to control the cooling, heating and ventilation systems in all Nykredit buildings throughout Denmark. They will also be able to monitor the consumption of electricity, water and heating. The operations centre will ensure that cooling and ventilation systems only operate during working hours and that the heating system is utilised optimally.



Resource consumption and CO₂ emission

Resource consumption	2008	2009	2010
Electricity, MWh	19,057	18,552	18,162
Heating, MWh	10,760	11,985	10,756
Water, m ³	39,950	41,518	41,332
Transport, 1,000 km	18,422	19,599	19,913
- of which by aircraft	6,688	6,467	6,541
- of which by car	10,335	11,656	11,298
- of which by train	1,399	1,476	2,075
CO₂ emission, tons			
Electricity	9,770	9,800	9,596
Heating	1,500	1,711	1,530
Transport	2,801	3,096	3,070
- of which by aircraft	963	1,039	1,069
- of which by car	1,791	2,007	1,944
- of which by train	47	50	56
Total CO₂ emission	14,072	14,606	14,196
Heated area, sqm	140,440	151,831	142,958
Heating per sqm, KWh	77	79	75
CO ₂ emission per full-time staff, tons	3.33	3.38	3.22

Nykredit's CO₂ emission in 2010 by source



Effect of operations centre already visible

Nykredit's centre in Næstved was the first centre that was connected to the central operations centre. During the first week of operation, the electricity consumption for technical installations was reduced by around 85%, and the centre's total electricity consumption was reduced by around 33%.

In the course of 2010, a total of 25 Nykredit centres were connected to the operations centre. The implementation in the 25 centres has yielded large savings, corresponding to an estimated 3-4% of the Group's total energy consumption. The work will continue over the next years until the heating, cooling and ventilation in all Nykredit's buildings can be controlled from the new operations centre.

For more detailed information on Nykredit's resource consumption and CO₂ emission, please see Nykredit's environmental and climate reporting for 2009 at nykredit.dk.

Focus on electricity consumption

Electricity consumption is the largest source of CO₂ emission in Nykredit. The new operations centre plays an important role in reducing electricity consumption, but effective IT systems also play a key role.

Environment-friendly IT solutions for Nykredit Markets

When the new area for securities trading was built at Nykredit's headquarters, CO₂ emission was limited by actively choosing low-energy IT equipment. By replacing old workstations and improving the cooling conditions, we achieved an energy saving of around 40%. In addition, the choice of low-energy screens brought down electricity consumption per screen by 84%. The low-energy screens have a favourable effect on the indoor climate, which results in a reduction in CO₂ emission from the cooling systems.

Healthy Green Habits

The staff campaign, Healthy Green Habits, is aimed at reducing Nykredit's environmental impact by raising awareness of what individual staff members can do to reduce the environmental impact and collecting proposals for improvement – in other words, healthy green habits. The campaign was launched in 2009 and will continue in 2011 as well.

Nykredit's Healthy Green Habits:

- print in duplex mode
- sort your waste and reuse paper
- clean out your drives
- turn off the computer when you leave work
- hold video conferences.

Video conferences reduce CO₂ emission

Nykredit's CO₂ emission from transport has increased since 2007. Video conferences may contribute to reversing this trend. Also, it will be easier to "meet" across the country, and travel expenses will fall. Today, Nykredit has 77 video conference rooms, and the aim is for video conferences to be incorporated as a natural element of the daily work routines.

Purchasing policy

Nykredit will contribute to promoting the production of more environmentally sustainable products. To this end, Nykredit has introduced new purchasing policies and guidelines so that

Nykredit's purchases strike a balance between environmental, ethical and financial considerations.

Suppliers and subsuppliers must act responsibly and ethically correct in relation to the environment:

- all contractual relations are to include requirements for responsibility and ethics in relation to child labour, forced labour, general labour standards and the working environment
- all printed matter from Nykredit is printed on paper carrying the Nordic ecolabel the Swan
- primary cleaning products are low environment impact products
- all new lighting fixtures are energy-saving models.

Climate initiatives and partnerships

Totalkredit entered into a cooperation agreement in 2010 with Cleantech from DONG Energy. The aim is to make it easier for homeowners to make energy-saving improvements in their homes and thereby considerably reduce their heating bills. Customers are offered an inspection of the house free of charge, highlighting potential energy-saving measures, and then receive a specified offer for having the improvements made by a professional.

Centre management focusing on CO₂ reduction

Nykredit's centre in Roskilde moved into new premises in January 2010. Even in a new building, small changes can yield major energy savings – an effort in which the centre manager is taking an active part.

The centre manager's knowledge of staff work routines and needs has resulted in an adjustment of the lighting:

- the lighting in office and corridor spaces and in the atrium is turned off completely when the daylight is sufficiently strong
- in the café areas, which are used for brief staff meetings and breaks, the light is turned on by pressing a pushbutton and turns off automatically after 30 minutes
- all lighting in the entire building turns off automatically when the last staff member leaves the building and turns on the alarm.



Social initiatives

Nykredit is making an active effort to make available our specialist knowledge.

Social partnership

Since the beginning of 2009, the Mary Foundation, Mødrehjælpen (Mothers Help) and Nykredit have been partners in a project offering free and independent personal, financial and legal counselling to vulnerable women in the metropolitan area.

So far, 600 women have received counselling under the project, and surveys indicate a favourable effect. The number of women who feel that they can cope with their financial situation has more than doubled after they received counselling.

25 Nykredit staff are volunteering as financial mentors in the project. The mentors draw on their professional experience and feel they make a difference to the women they assist.

Counselling at crisis centres

In 2010 the project was extended to include counselling at crisis centres outside Copenhagen. This part of the project is carried out in cooperation between the Mary Foundation, the National Organization of Shelters for Battered Women and Children (LOKK), local law firms and Nykredit. To begin with, counselling has been set up in Aarhus and Elsinor.

Based on the positive results, Nykredit together with Foreningen Østifterne will continue to provide financial support to the project until the end of 2012.

Sponsorships

Sponsoring agreements with institutions of arts, culture and sports as well as education establishments play a natural role in the constant task of raising awareness about the Nykredit Group, strengthening the existing network and building new ones.

Nykredit's sponsorships totalled DKK 15.2m in 2010 distributed over the following sponsorship agreements:

- Vorespuls.dk – partnership agreement with the Danish Gymnastics and Sports Associations (DGI)
- Nykredit Copenhagen Marathon – main sponsor
- Dansk Golf Union – main sponsor
- The Royal Danish Theatre – main sponsor and sponsor of the concerts "Opera i det fri", Rosenborg and Skamlingsbanken.
- National Gallery of Denmark – x-rummet
- Louisiana - Louisiana Contemporary
- The Royal Danish Academy of Fine Arts' Schools of Visual Arts – main sponsor
- Copenhagen Business School
- The research centre Danish Center for Accounting and Finance (D-CAF).



Vorespuls.dk

In 2010 Nykredit entered into a partnership with DGI on an online forum for physical activities and events aimed at enhancing public health. The sponsorship is part of Nykredit's initiatives in the field of physical activity.

The objective is to invest DKK 12m in a partnership with DGI over the next four years to improve public health by encouraging more Danes to engage in physical activity.

The actual project under the partnership is about creating an online physical activity universe and arranging various sports events throughout Denmark at the website vorespuls.dk. The forum aims at inspiring Danish adults to get started and include physical activity as a healthy element of their daily routines.

The site was launched in August, and three pilot sports events were held across Denmark in September. Based on the experience from these events, ten to twelve sports events will be held in various locations in Denmark in the spring and autumn of 2011.

Nykredit Copenhagen Marathon

In 2009 Nykredit entered into a three-year agreement with Sparta Atletik on a sponsorship of the Copenhagen Marathon. The first marathon under the agreement took place on 23 May 2010.

There was a festive atmosphere in the capital as the number of participants in the Nykredit Copenhagen Marathon 2010 beat the record. The number of runners reached 12,644, and not less than 9,141 completed the 42.195 km distance through the City, including 1,200 Nykredit customers and 170 Nykredit staff.

A mere 2 hours, 22 minutes and 29 seconds after the starting signal for the Nykredit Copenhagen Marathon 2010, the first runner passed the finishing line where Nykredit's Group Chief Executive, Peter Engberg Jensen, was ready to congratulate the winner. Among the women, the new record was 2 hours, 30 minutes and 53 seconds.

In the course of a few years, the number of participants have increased from around 5,000 to a number that puts the Nykredit Copenhagen Marathon among the largest marathons in Europe. The vision is to become the largest marathon in Scandinavia over the next few years. In 2011 the Nykredit Copenhagen Marathon takes place on Sunday 22 May.

You can get inspiration for several different sports at vorespuls.dk. For example, there is a running programme that can be adapted to all levels. You can also read more about different methods to stay motivated and find support and guidance if you want to join the Nykredit Copenhagen Marathon in 2011.

vorespuls.dk

The Nykredit Foundation

The Foundation is managed by Nykredit Realkredit A/S and has a capital of DKK 100m. The Nykredit Foundation awarded DKK 7.7m in 2010, of which DKK 1.6m went to Nykredit's prizes.

Nykredit's Research Prize 2010

The research prize was first awarded in 2010. The prize is awarded for original and innovative, high-quality research in the financial, HR or CSR area. The research prize consists of a prize for a new or ongoing research project and a merit award to a researcher.

The Research Prize 2010 of DKK 750,000 went to Professor Søren Leth-Petersen, University of Copenhagen, for a project that will provide new knowledge of how home buyers and sellers react in a market at risk of unemployment and falling income.

Professor Søren Hvidkjær, Copenhagen Business School, was awarded the Researcher Prize 2010 of DKK 250,000 for groundbreaking research connecting the fields of asset pricing and market microstructure.

Architect Mette Lange's Moving Schools in India



Nykredit's Architecture Prize and Motivation Prize

The Architecture Prize of DKK 500,000 in 2010 was awarded to SLA Arkitekter, represented by Stig L Andersson, Architect, for poetic and remarkable urban spaces.

The Motivation Prize of DKK 100,000 was awarded to Mette Lange, Architect MAA, for her creative Moving Schools in India.

Nykredit wants to make a difference and continuously supports initiatives within arts and culture, research, sports and humanitarian work.

Examples of grants from the Foundation in 2010:

- DKK 300,000 to Louisiana. Grant for Poul Erik Tøjner's book "Se selv" about principal works in the Louisiana collection
- DKK 241,600 to the Health Care Centre for Cancer Survivors for specially designed wallpaper in a new centre
- DKK 25,000 to Museum Amager, Dragør, for a new thatched roof.
- DKK 20,000 to The Cosmo International School of Southern Denmark, Kolding
- DKK 15,000 to Business College Horsens for interior decoration
- DKK 10,000 to Nyborg Roklub for new windows and doors
- DKK 100,000 to Patriotisk Selskab, Odense, for a 200th anniversary publication
- DKK 50,000 to Boligforeningen Ringgården, sections 19 and 20, for a multicultural cookbook
- DKK 50,000 to HG Gymnastik, Næstved, for construction of a pit in Holsted Hallen
- DKK 200,000 to KUNSTEN, Aalborg, for a catalogue for the Movin'Space exhibition
- DKK 10,000 to Boligselskabet af 1964, Hjørring, for artistic decoration
- DKK 10,000 to Daugård Idrætsforening for a multi-discipline track
- DKK 3,000 to Foreningen Aalborg Miniby for workshop improvements
- DKK 100,000 to Foreningen Bevaringsværdige Bygninger for brochures and production of written material
- DKK 100,000 to Virklund Fritidscenter, Silkeborg, for construction of community house in Virklund
- DKK 83,094 to the boarding school and treatment centre Skovgården, Fuglebjerg, for refurbishment
- DKK 159,000 to Kunstforeningen Gl. Strand for technical equipment.

Nykredit's staff

An attractive and challenging workplace

Nykredit strives to be one of the most attractive and challenging workplaces in Denmark, measured by our ability to attract and retain staff as well as their level of motivation and job satisfaction. Nykredit's approach to this change will be characterised by increased focus on performance as a precondition for being able to be attractive and challenging at the same time.

New job and title structure

A basic parameter for being both attractive and challenging is that Nykredit can demonstrate transparent career paths and clear and consistent competence requirements and expectations for the individual. To this end, Nykredit introduced a new job and title structure across the entire Group in the autumn of 2010.

In the job structure, all positions are ranked across the Group on the basis of their relative weight. The evaluation of the weighting of the individual position is based on Mercer's recognised International Position Evaluation (IPE). The job structure recognises career paths other than the management path and renders visible the significance of a specialist career.

dition, a new HR system with self-service functions has been launched, aimed at all staff levels. Staff members can enter their mobility and career aspirations in the HR system, and to managers, it offers a better overview of staff and tools for structured staff administration and development.

At Nykredit, we are making a targeted effort to develop the talent of our staff, and internal mobility is a key element. Around 90% of all management positions and nearly two thirds of all other positions are filled by internal candidates.

Nykredit certification

Nykredit focuses on ongoing competency development at both staff and manager level and has for several years applied a certification programme for customer-oriented staff. Since 2007, all asset management advisers have been certified on an ongoing basis, and the certification has been extended to include asset management consultants, financial advisers and investment advisers.

The certification implies testing and documenting competencies to ensure that our customers receive the best possible advice and that our staff are comfortable with their work situation. In a typical certification process at Nykredit, staff members must complete training modules, exercises and tests as well as a final exam with external assessment.

The certification training is structured in "competence houses" with verified competency requirements.

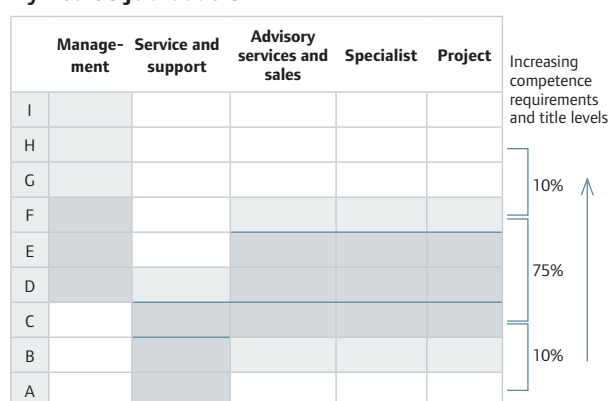
The certification at Nykredit includes the statutory requirements being introduced in the field of investment, etc, and Nykredit goes beyond the external minimum requirements by introducing internal certification in relation to professional knowledge, product management and the personal quality of the advisory services.

"Nykredit certification is a way to verify that the right competencies are available, and it ensures the provision of high-quality advisory services. But we also experience that the certification provides greater security and transparency for our staff, both in terms of the requirements for their particular position and in terms of their career opportunities across the Nykredit Group."

Danny Krasnik, First Vice President

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Nykredit's job ladders



The typical job levels are marked in the figure. The dark grey cells represent the job levels where staff are typically placed. The lighter grey cells show levels where relatively few staff members are expected to be placed. At the higher and lower, white job ladders, no staff members are expected to be placed, but may be placed there in exceptional cases. Placing of specific staff at level G or higher is subject to approval by the Group Executive Board.

Internal mobility and career development

Nykredit focuses on internal mobility and career development and launched an internal career website in 2010 where our staff can seek inspiration for developing their careers with Nykredit. In ad-



HRH Crown Princess Mary of Denmark presents the Integration Ministry's Integration Prize to Ismail Kaplan, Nykredit.

New Thinking for staff

New Thinking is one of Nykredit's core values stemming from an ambition to be forward-thinking and innovative. New Thinking is to be expressed through concrete actions aimed at creating a more innovative and learning corporate culture.

In 2009 all managers were trained in New Thinking, and training programmes for specialists were held at Nykredit Academy. Now, all staff categories are included. Also, an interactive New Thinking site has been developed where staff members can find inspiration, knowledge and tools for thinking and acting more innovatively. At the same time, a new electronic ideas bank will be launched where everybody at Nykredit can share and exchange knowledge and ideas across the Group.

Diversity

At Nykredit, we regard diversity – respecting and tolerating heterogeneity – as an important attitudinal precondition for new thinking and want to assume social responsibility through our work for diversity. In 2010 the Career, Gender and Culture task force changed its name to the Diversity Network, mainly to emphasise that initiatives are launched across a broad range of fields, including gender, age, educational background, sexual orientation and ethnicity.

"Winning the Integration Ministry's Integration Prize as "non-ethnic Danish business manager of the year" was a great recognition. I am honoured that my work effort here has been noticed. I am pleased to be a role model for other non-ethnic Danes because, in the long run, I think the good examples can inspire others."

Ismail Kaplan, Function Manager

Operation Chain Reaction

Operation Chain Reaction – Recommendation for more women on supervisory boards – a new initiative launched by the Minister for Gender Equality. Nykredit was among the first to sign and thereby commit to making a special effort in the coming years to develop and recruit more female supervisory board members.

Charter for more women in management

Following Nykredit's adoption in 2008 of the Charter for more women in management, 2010 saw continued focus on initiatives to increase the number of female managers in the Group.

Nykredit has entered into cooperation with IBM, Grundfos and VIA University College on arranging network meetings for female managers in Jutland.

Women in management

On Sealand, Nykredit together with the Danish Broadcasting Corporation, TDC, the Danish Ministry of Finance and DONG Energy set up a networking initiative targeted at female managers and manager candidates. The purpose of the networking initiative is to set up cross-disciplinary networks where female managers can develop their skills and discuss the dilemmas and challenges of a career in management with external peers. A total of 18 female managers at Nykredit were invited to join the network in 2010.

In connection with Group Chief Executive Peter Engberg Jensen's role as ambassador for more women in management, Nykredit and Microsoft have exchanged top executive candidates under an initiative launched by the Confederation of Danish Industry (Toplederdepechen). The initiative implies that three female managers at Nykredit enter into a sparring programme with three executives from the top management of Microsoft and vice versa. The development in the share of female managers at Nykredit progresses slowly, while the share of female managers in middle

management is seeing clear growth. That way, a pipeline to the top management level is gradually formed, and the effort towards having more women in management by 2015 continues.

Nykredit has an objective of having more women in management at all levels and particularly in top management. In connection with manager recruitment, both genders must be represented. To strengthen and expand the field of candidates for manager positions, more systematic internal search processes have been implemented, and vacant positions are posted internally.

In addition, the recruitment consultants also look at candidates among completed and ongoing "pre-manager" training programmes.

Nykredit Health

In 2010 Nykredit turned the spotlight on the health of its staff and launched a health concept which implies that all permanent Nykredit staff were offered a health check. The purpose of the health concept is to create a business with healthy and content staff, and to support Nykredit's objectives, values and business concept.

Roughly 70% of Nykredit's staff has accepted the offer of a health check, and according to the first report, the average health condition of Nykredit's staff is slightly better than the benchmark compared with other companies.

Health initiatives at Nykredit

- Nykredit encourages staff to use Nykredit's bicycles to and from meetings and to join Nykredit's other physical activity initiatives.
- Nykredit offers attractive lunch schemes to its staff. The headquarters canteen serves a buffet with lots of healthy food. 98% of the basic ingredients are organic.
- Running in Nykredit's Sports Club with personal guidance in 2010 and participation in the Nykredit Copenhagen Marathon.
- Health Check and Health Check Light.
- Catalogue with attractive offers of fitness training, dietary advice, etc.

"I accepted the offer of a health check, expecting it to confirm that I was overweight and in poor physical condition. That was confirmed, to say the least, and I immediately started changing my way of life as regards food and physical exercise. So far, this has resulted in a weight loss of around 40 kg. In short – the health check really changed my life for the better."

Niels O. R. Rasmussen, Divisional Vice President

Share of female managers

%	1996	2008	2009	2010	Target 2015
Executive management ¹	3	10	12	13	25
Middle management ²	14	18	20	25	30
Lower management ³		38	35	33	45

¹ Group Executive Board and managers reporting to the Board. ² Managers reporting to executive management. ³ Other managers.

Nykredit job satisfaction

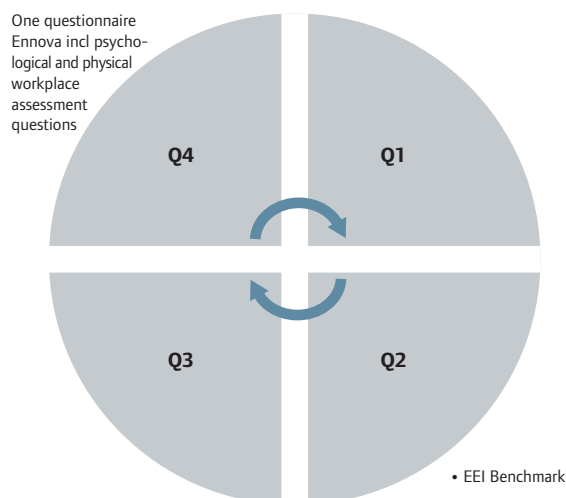
We focus on job satisfaction among Nykredit's staff and continuously strive to improve solutions and conditions that strengthen the working environment.

Nykredit Trivsel is a new framework for Nykredit's staff surveys. It is a concept that combines job satisfaction and workplace assessment surveys. The surveys constitute a comprehensive process with data collection twice a year. In the first half of the year, job satisfaction is measured using the European Employee Index (EEI) benchmark, while the second half also includes a survey of the psychological and physical working environment.

The data from the surveys are used with a view to improving and designing work spaces and optimising the general job satisfaction among our staff. At the same time, they constitute an important link to customer satisfaction surveys and provide Nykredit with a better overview of the correlation between staff and customer satisfaction.

At Nykredit, absence due to illness constitutes 3.22% of available working hours. This is slightly higher than the average level of absence in the sector, which Nykredit aims to change, for instance through increased focus on health and job satisfaction among our staff.

Nykredit job satisfaction, annual cycle



Absence due to illness

%	2007	2008	2009	2010
Illness	3.24	3.14	3.11	3.22
Child's illness	0.41	0.40	0.45	0.45

Nykredit's staff in figures

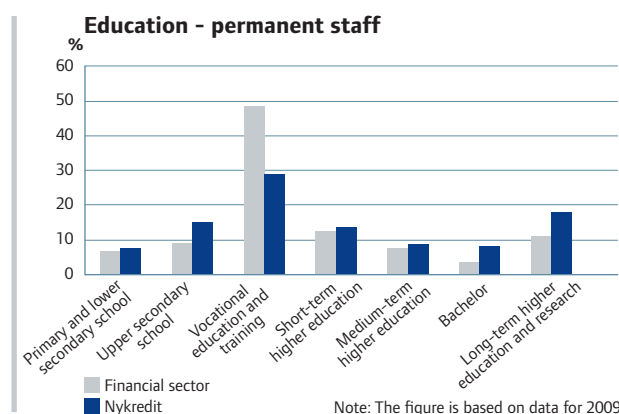
In 2010 the average number of staff at Nykredit was 4,026.

Permanent staff

	2008	2009	2010
Permanent staff, year-end	3,531	4,061	3,826
- of which part-time staff	367	490	479
Staff paid by the hour	774	601	665
New staff ¹	687	214	197
Outflow ²	349	220	287
New staff as % of permanent staff	21.5	6.1	4.9
Outflow as % of permanent staff	10.9	6.2	7.1

¹ In 2009 new staff is exclusive of 536 staff of Forstædernes Bank. ² In 2010 outflow is exclusive of 338 staff of Nykredit Forsikring.

Nykredit's staff is well educated. In 2010 47% of Nykredit's staff had a short or medium-term higher education, while 22% of the staff had a long-term higher education.



Nykredit's staff is younger in relative terms than the financial sector average. At Nykredit the average age is 42 years against 44 years in the financial sector in general. The average length of service was 8.6 years in 2010 compared with 13.6 years for the sector in general.



History of Nykredit

- 1851** Formation of Kreditforeningen af Jydske Landejendomsbesiddere – the oldest of the mortgage associations that later merge and become Nykredit
- 1985** Kreditforeningen Nykredit is formed by a merger of Jyllands Kreditforening and Forenede Kreditforeninger
- 1989** Estate agency business is set up
- 1991** Kreditforeningen Nykredit is converted into Nykredit A/S
- 1992** Merger with Industrifinansiering A/S
- 1994** Nykredit Bank is set up
- 1998** Nykredit Forsikring is set up
- 2000** Østifterne Forsikring is acquired and merged with Nykredit Forsikring
- 2003** Acquisition of Totalkredit
- 2008** Acquisition of Forstædernes Bank
- 2010** Sale of Nykredit Forsikring to Gjensidige
 - Distribution agreement with Gjensidige
 - Merger of Nykredit Bank and Forstædernes Bank

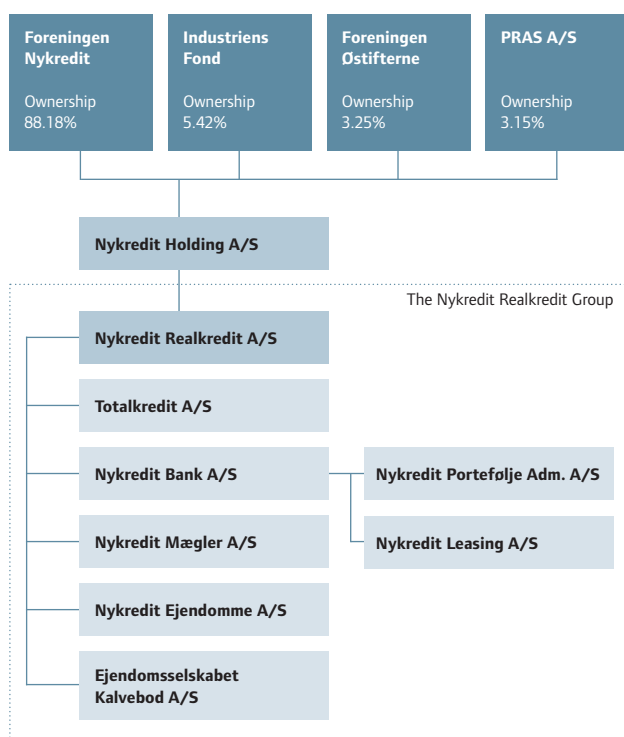
Nykredit's ownership structure and capital policy

Ownership structure, governance and history

In 1991 Nykredit was converted from a credit association to a private limited company, and the current corporate structure was established. Nykredit operates through Nykredit Realkredit A/S, the object of which is to carry on mortgage banking and other financial business. The company is wholly owned by Nykredit Holding A/S, the object of which is to continue Nykredit's activities. Foreningen Nykredit (the Nykredit Association) owns 88.18% of the holding company, the object of which is to be shareholder of the Nykredit Group and to carry on mortgage banking and other financial business through the Group.

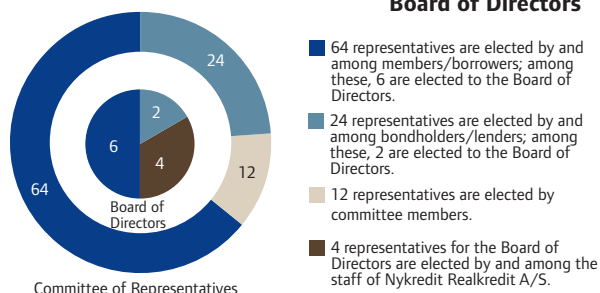
The ultimate authority of Foreningen Nykredit is the Committee of Representatives, which is composed of 100 representatives who are elected by the members and bondholders. Borrowers and bondholders are core stakeholders in Nykredit Realkredit's business. Borrowers are our customers – bondholders provide the foundation for Nykredit's low-rate lending based on mortgage bond issuance. The Committee of Representatives elects the Board of Directors of the Association and approves the annual reports and any amendments to the articles of association.

Owing to Nykredit's corporate structure, Foreningen Nykredit,



Nykredit Holding A/S and Nykredit Realkredit A/S have the same objectives and common interests. Therefore, it is natural that all members of the Board of Directors of Foreningen Nykredit elected by the Committee of Representatives are also members of the boards of directors of Nykredit Holding and Nykredit Realkredit.

Composition of the Committee of Representatives and Board of Directors



All customers who have a mortgage loan with Nykredit Realkredit A/S gain membership of Foreningen Nykredit. Membership lapses automatically on the date on which a borrower ceases having a Nykredit mortgage loan.

Members are entitled to vote at elections of representatives in the electoral district in which they own a property.

Members may also be elected to the Committee of Representatives by running as candidate in the area where they live or in one of the areas in which they own a property. In order to run for election, candidates must be endorsed by at least 25 other members of the Association in their electoral district or by the Board of Directors.

Bondholders with a bond portfolio in excess of DKK 25,000 are entitled to vote at the election for the Committee of Representatives. Bondholders may only vote for bondholder candidates. Denmark is not divided into electoral districts.

The election is announced towards the end of the year in the daily newspapers and at nykredit.dk.

Remuneration governance

In 2010 Nykredit set up a Remuneration Board and a Remuneration Committee and adopted a group remuneration policy.

The Remuneration Board is appointed by the Board of Directors and is composed of three directors. The primary role of the Remuneration Board is to prepare and recommend the remuneration policy applying to Nykredit's Board of Directors and Execu-

tive Board for adoption by Nykredit's Board of Directors and the remuneration of the members of the Committee of Representatives.

The Remuneration Committee is composed of Nykredit executive officers and reports to the Group Executive Board. The object of the Committee is to assist the Group Executive Board in ensuring that Nykredit's remuneration, including bonus payments, is in line with Nykredit's business strategy and targets and that relevant legislation and rules are complied with.

Unique Danish mortgage system

The Danish mortgage system is unique and recognised as one of the best systems in the world. The system is founded on

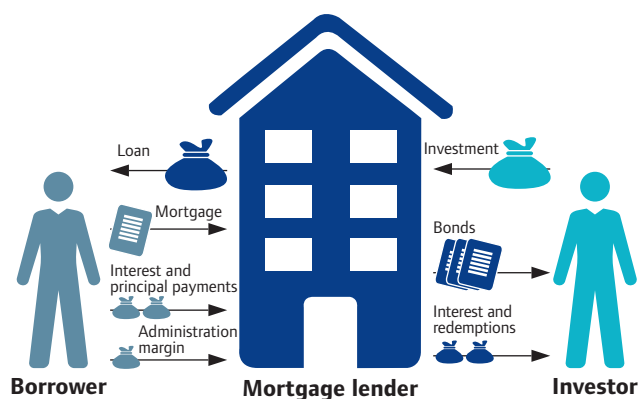
- low lending rates based on listed bonds
- transparent pricing and repayment terms
- the balance principle, which secures long-term financial stability.

The stability of the Danish mortgage system ensures that Nykredit can offer homeowners mortgage loans and investors secure bonds at any time.

Balance principle and match funding

The balance principle is the cornerstone of the Danish mortgage system.

Balance principle - match between loans and bonds



The stability of the Danish mortgage market derives from the match funding of most Danish mortgage loans. Match funding means that loans and funding mirror each other, and the funding costs are visibly reflected in the loan. Match funding eliminates the

interest rate, foreign exchange, liquidity and refinancing risks of mortgage loans. The most important risk of Danish mortgage banks is therefore credit risk – the risk that borrowers fail to make timely payments or fail to pay at all.

Match funding allows customers to prepay their loans by purchasing the underlying bonds on the stock exchange. This principle ensures financial mobility, active debt management and protection against a loss of home equity.

In addition, in Denmark borrowers are personally liable for debt, which is typically not the case in other countries, for instance, in the US.

Security

Security underlying investment in Danish mortgage bonds is based on the following factors:

- the bonds are secured against a registered mortgage on real property
- loan-to-value (LTV) limits for loans in the different property categories are laid down by law
- if property prices fall and LTV limits are thereby exceeded, mortgage banks must provide additional security in case of SDOs (Danish covered bonds)
- mortgage banks comply with a number of statutory requirements such as that of capital adequacy
- mortgage banks apply a balance principle which reduces financial risk in relation to loan balances
- mortgage banks are supervised by the Danish Financial Supervisory Authority.

New regulation underway

A completely new set of rules for the regulation of financial markets is underway, motivated by the liquidity crisis and bank collapses in most countries following the large credit losses and lack of interbank trust during the financial crisis. The new rules seek to create a more stable financial sector by introducing stricter capital requirements and completely new regulation of the technically complex liquidity area.

The process

In December 2010, the Basel Committee published its proposal for new capital and liquidity rules. The Basel Committee, made up of central bank governors and financial regulators from the 20 largest countries, is a very influential forum, but without legislative powers. The European Commission is expected to present a

proposal for a Directive during summer 2011, to be adopted by the European Parliament and the Council. The draft directive is expected to be based on the Basel Committee's proposal, but adapted to specific European conditions. The final Directive must be transposed into national law in all EU Member States – which in Denmark implies adoption by the Danish parliament.

In Denmark, the Ministry of Economic Affairs, Danmarks Nationalbank, the Danish Financial Supervisory Authority and the Association of Danish Mortgage Banks have taken concerted action to explain the special Danish problems caused by the new proposals to the EU organisations involved.

Good proposals for capital adequacy rules, but problematic liquidity regulation

We generally welcome the legislative initiatives in the EU and Denmark.

Stricter equity requirements are necessary to enable banks to absorb cyclical losses without difficulty.

Stress testing of capital structures in probable and less probable economic scenarios is also essential to ensure long-term sustainable operations. Since the implementation of Basel II, this has been a priority of Nykredit, and already before stress testing became mandatory, we carried out our own stress tests and published the results when describing our capital structure.

Obviously, liquidity management requirements are necessary. But the proposals presented by the Basel Committee in December 2010, which are to form the basis of European legislation, seem to be motivated by the requirements in the US and UK. These countries do not have efficient mortgage systems like those in several European countries, but a deposit-based lending system combined with non-transparent bond issues, often of poor credit quality. Against that background, the Basel Committee has proposed that sovereign debt must make up at least 60% of credit institutions' total liquidity. Covered bonds qualify as high-quality liquid assets only to a limited extent.

The proposal inadvertently creates substantial challenges for the Danish system. Firstly, it is a provable fact that Danish covered bonds are just as liquid as sovereign debt. Secondly, they are highly secure due to the lending terms and balance principle applying in Denmark. Thirdly, Denmark has a relatively small volume of sovereign debt. In fact, the volume of covered bonds in Denmark is four times that of sovereign debt. This means that Denmark does not have enough sovereign debt to meet the liquidity requirements to be imposed on banks and mortgage lenders. If

covered bonds do not qualify as liquid assets based on objective quality criteria, financial stability will be jeopardised.

The Basel Committee's proposal will also mean the elimination of Danish adjustable-rate mortgages funded by 1-year bonds.

Inexpensive mortgage loans, fixed-rate as well as variable-rate, are a vital social good which we should protect. This also applies to ARMs subject to annual interest rate reset.

We agree that the existing refinancing model, under which a high volume of bonds is sold within very few days, is inappropriate and exposes borrowers to unnecessary potential risk. ARMs are an attractive loan type, which only requires adjustment so that refinancing is spread over most of the year. This would protect consumers against random interest rate fluctuations in connection with potential currency crises. Developments in recent years have shown that the financial sector must be well prepared for even relatively unlikely events – such as a currency crisis.

Consequences of new regulation

Paradoxically, the Basel Committee's proposal could potentially increase the risks in the Danish financial system rather than reduce them. The consequence will be a reduced and more expensive loan offering to consumers as well as businesses.

This is the reason why the Danish financial sector and the Danish authorities are working actively to ensure that the EU legislation will take into account the secure and stable mortgage systems in eg Denmark, Germany and Sweden. The dialogue with the EU is positive and constructive. We therefore expect the draft directive to have regard for the characteristic feature of the Danish mortgage system.

"To us, it is important that future tightening of statutory requirements will not be unnecessarily harsh, in order to maintain a sustainable economy. In parallel with the legislative process, Nykredit is preparing for the new regulatory framework. Regardless of the final version of the new rules, Nykredit will therefore still offer attractive products and have a sustainable business model when the rules come into force."

Peter Engberg Jensen, Group Chief Executive

Sustainable capital policy

The capital structure is an essential element of Nykredit's financial sustainability. Nykredit's ownership structure makes it difficult to raise new capital in equity markets. Therefore, Nykredit pursues a long-term conservative capital policy that ensures the Group's financial sustainability.

Nykredit is committed to maintaining its lending activities at an unchanged level regardless of economic trends, while retaining a competitive credit rating.

Danish legislation lays down a minimum capital requirement in order for Nykredit to fulfil its obligations as lender. The statutory capital requirement increases with the risk incurred by Nykredit. Nykredit's risk is calculated by means of statistical models based on customers' ability to pay and resulting losses and arrears.

Losses and arrears have a direct impact on Nykredit's bottom line, leaving lower earnings to be retained for reserves. Increasing losses and arrears also cause the statutory capital requirements to increase. Losses and arrears generally rise during an economic recession.

Since Nykredit typically grants mortgage loans with terms of 20-30 years, one or more recessionary periods are likely to occur during the loan terms. Nykredit has structured its capital policy so that, regardless of the current economic climate, the size of the capital reserves is always adjusted to the requirement during a severe recession. This enables Nykredit to maintain its lending capacity at all times.

Capital is as far as possible concentrated in the Parent Company, to ensure strategic flexibility and leeway. Contributing capital to group companies as required is a central element of the Group's capital policy.

Coupled with a prudent credit policy and sound business operations, the capital policy forms the basis of Nykredit's credit ratings assigned by international credit rating agencies. Nykredit's SDOs (Danish covered bonds) have been assigned top ratings by Moody's (Aaa) and Standard & Poor's (AAA).

Nykredit is prepared for stricter capital requirements

The Basel Committee's proposal for new regulation introduces statutory cyclical buffers in the form of a permanent buffer and a macro buffer. Under the Committee's proposal in its current form, Nykredit will be able to meet the new and stricter capital requirements.

No government capital

Nykredit has not received any government capital in the wake of the financial crisis, but has exclusively raised capital in the open market.

Positive earnings necessary to secure future lending

A financial services provider such as Nykredit must have positive earnings to enable equity to grow through retained earnings. Capital resources must grow steadily to enable lending to continue and ensure compliance with statutory requirements. As

administration margin income is the only stable income from mortgage lending, it is essential that we are able to adjust margin rates when costs relating to losses or capital change. For this reason, Nykredit has brought a case before the courts regarding the right to raise administration margins.

Nykredit's ratings for new issues

	Moody's	S&P
SDOs	Aaa	AAA
Long-term unsecured rating	A1	A+

Nykredit's capital structure

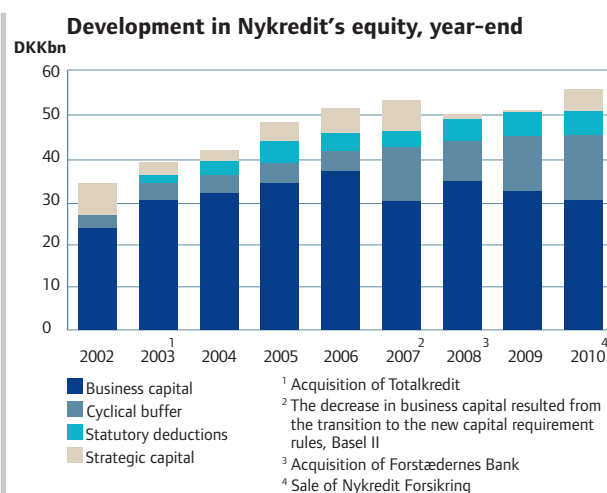
DKKbn	2010
Business capital – Pillar I Statutory capital requirement in a favourable economic climate	23.7
Business capital – Pillar II Additional statutory capital requirement during a mild recession	7.0
Cyclical buffer Additional statutory capital requirement during a severe recession	15.3
Statutory deductions	4.7
Strategic capital	4.3
Total equity after dividend distribution	55.0

Business capital is the amount of capital which Nykredit must set aside according to law. The business capital amounted to DKK 30.7bn at the end-2010.

The cyclical buffer must cover the expected increase in the statutory capital requirement in case of a severe recession. Nykredit keeps a cyclical buffer at all times. At end-2010 it amounted DKK 15.3bn.

Statutory deductions are partly time-limited rights under the partnership agreement with the regional and local banks behind Totalkredit, partly goodwill from the acquisition of Totalkredit and Forstædernes Bank. At end-2010 statutory deductions came to DKK 4.7bn.

Strategic capital is the equity component that may be applied for business growth. Strategic capital amounted to DKK 4.3bn at end-2010.





Nykredit in figures

Nykredit bond investors

Nykredit is the largest mortgage lender in Denmark and one of the largest private bond issuers in Europe.

Nykredit's bond issues consist mainly of covered bonds. In addition to this, Nykredit has issued hybrid core capital and subordinate loan capital. Moreover, Nykredit Bank has issued bonds as part of its international funding programme.

The target is a broad and diversified group of investors and an efficient market for the bonds. An efficient market for Nykredit's bonds means favourable interest terms for Nykredit and our customers.

Due to the size of the Danish market for bonds for funding mortgage loans, the mortgage banking sector is a central element of credit intermediation in Denmark.

Nykredit's bonds

At end-2010, a nominal amount of DKK 1,047bn of covered bonds had been issued.

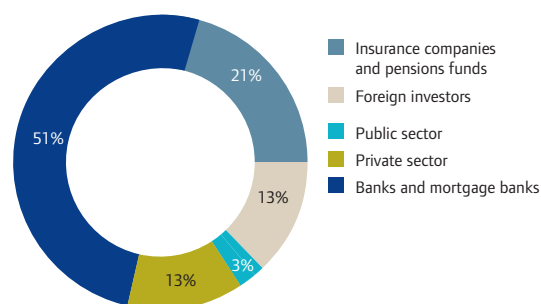
The bulk of Nykredit's issued bonds is applied for financing owner-occupied dwellings.

Most of the security underlying Nykredit's bonds is within 40% of the value of the properties.

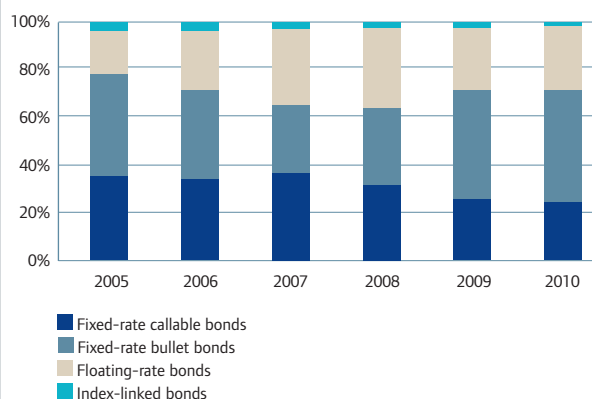
Bond debt outstanding by LTV range, end-2010

%	0-40	40-60	60-80	80-90	90-100	over 100
Owner-occupied dwellings	64	22	12	1	0	0
Private residential rental	67	21	11	1	1	0
Industry and trade	82	16	2	0	0	0
Office and retail	74	21	5	0	0	0
Agriculture	74	18	6	1	1	0
Non-profit housing	-	-	-	-	-	-
Other	81	14	4	0	0	0
Total 2010	67	21	10	1	0	0

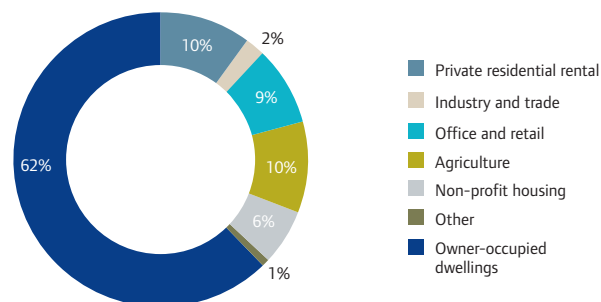
Investors in Nykredit's issued SDOs and mortgage bonds 2010



Distribution of issued mortgage bonds and SDOs by type of bond



Bond debt outstanding by property type, end-2010



Financial highlights

Nykredit Realkredit Group Core earnings and results

DKK million	2009	2010
Core income from		
- Business operations	8,640	9,522
- Junior covered bonds	(67)	(120)
- Kalvebod issues	139	57
- Securities	829	470
Total	9,541	9,929
Operating costs, depreciation and amortisation	5,791	5,628
Commission - government guarantee scheme	500	371
Core earnings before impairment losses	3,250	3,930
Impairment losses on loans and advances - mortgage lending	1,755	888
Impairment losses on loans and advances - bank lending	5,847	1,215
Impairment losses on loans and advances - government guarantee scheme	318	279
Core earnings after impairment losses	(4,670)	1,548
Investment portfolio income	4,620	2,003
Profit (loss) before costs of capital	(50)	3,551
Net interest on hybrid core capital	(95)	(461)
Profit (loss) before tax from continuing operations	(145)	3,090
Tax	(29)	785
Profit from discontinued insurance operations	245	1,511
Profit for the period	129	3,816
Profit for the year excl reclassification and value adjustment of equities against equity	751	261

¹ Nykredit's portfolio of strategic equities amounted to DKK 3.3bn at end-2010.

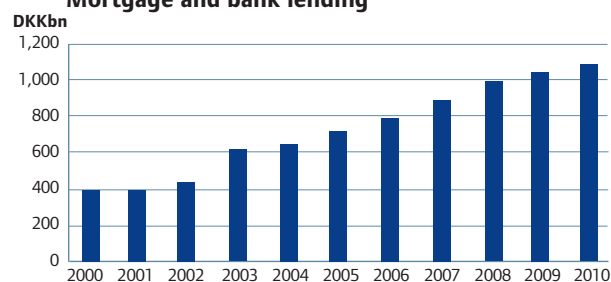
Impairment losses for 2010, %

Nykredit Realkredit	0.13
Totalkredit	0.03
The Nykredit Bank Group	1.31
The Nykredit Realkredit Group	0.19

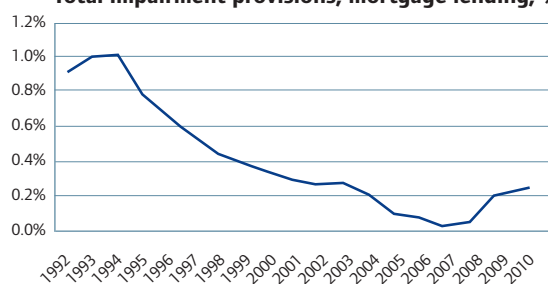
Financial ratios 2010

Core earnings before impairment losses as % of average equity, pa	7.4
Core earnings after impairment losses as % of average equity, pa	2.9
Core capital ratio, %	18.5
Capital adequacy ratio, %	18.5
Average number of full-time staff	4,026

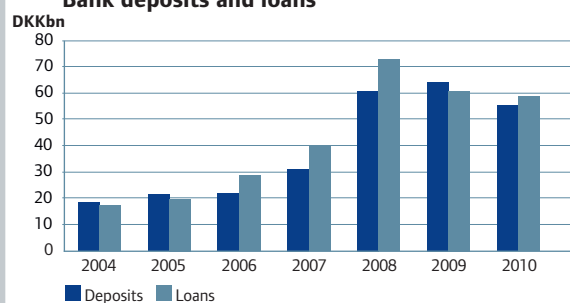
Mortgage and bank lending



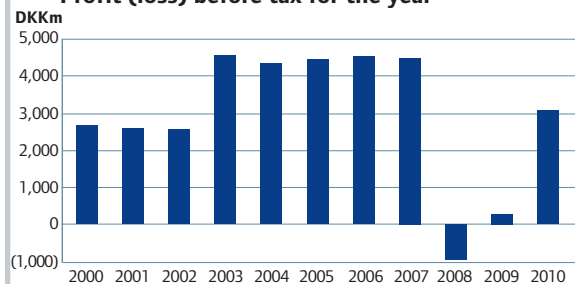
Total impairment provisions, mortgage lending, %



Bank deposits and loans



Profit (loss) before tax for the year



Reporting policies

The contents of this report pertain to all activities of the entire Nykredit Realkredit Group, including subsidiaries. In this report, the Nykredit Realkredit Group is referred to as Nykredit or the Nykredit Group. The reporting principles apply to the data which Nykredit has found significant. As a main rule, the latest data available have been applied in this report. The report is included in the audit of the Management's review in the Annual Report 2010. Due to rounding-off, the sum totals of the tables in the report may differ from the sum of the figures.

Nykredit's customers

Bank and mortgage lending is determined in nominal terms on the basis of the statistics on the balance sheets and flows of the MFI sector prepared by Danmarks Nationalbank.

The market share of assets under administration is determined on the basis of the official statistics prepared by the Federation of Danish Investment Associations.

The market share in terms of Nykredit's amount of retail investment fund units in custody denotes the share of the total number of retail investment fund units in custody with Nykredit Bank (ie, both own units and those of external managers).

Bond trading has been calculated on the basis of a 12-month average of the Nykredit Realkredit Group's share of total bond trading (excl repo transactions) measured at market value in the regulated market and OTC.

Nykredit's position as the fifth largest bank in Denmark is based on the share of both bank lending and bank deposits. Both figures are calculated averages for Q2/2010 and Q4/2009.

The figure "Nykredit's income from business operations" only includes income from customer-oriented business activities. Core income from business operations is distributed by product.

In the figure "Stable lending growth in Nykredit", lending figures derive from the statistics for monetary financial institutions, known as MFI statistics. The figures exclude loans to MFIs, but include reverse transactions. Figures for 2009 include Forstædernes Bank.

The total number of customers has been adjusted so that multi-service customers only appear once.

Total customer complaints exclude complaints by customers with the Danish local and regional banks of the Totalkredit partnership. The principle of determination is the number of complaints received in the year under review, and the number of adjudicated cases in respect of complaints brought before the appeals board.

In the figure "Arrears ratio for mortgage loans", the arrears ratio is based on payments 75 days in arrears relative to total mortgage payments for a settlement period. The curve covers four annual settlement periods. The last settlement period is the September 2010 quarter.

Nykredit's social responsibility

The environmental and climate report includes companies in Denmark wholly owned by Nykredit throughout the financial year. Partially owned subsidiaries and foreign activities are not included, with the exception of JN Data, which has been included on the grounds of materiality at a proportion equal to Nykredit's stake. Transport figures exclude JN Data and Nykredit Leasing.

In accordance with Nykredit's policy to reduce our CO₂ emissions by 10% from 2008 up to and including 2011, figures for the baseline year 2008 have been adjusted for changes resulting from acquisitions or divestments during the year. As the duty of reduction also applies to acquisitions, 2008 emissions by acquired assets have been added to Nykredit's total emissions for 2008. Thus, data for Forstædernes Bank are included as from 2008.

Emission factors

	Emission factors	Sources
Consumption of electricity in Eastern Denmark (Sealand and the islands)*	539 g CO ₂ /kWh (2009)	energinet.dk
Consumption of electricity in Western Denmark (Jutland and Funen)*	516 g CO ₂ /kWh (2009)	energinet.dk
District heating*	133.1 g CO ₂ /kWh (2009)	Energy statistics by the Danish Environmental Protection Agency
Natural gas	205.9 g CO ₂ /kWh	Key2Green.dk
Heating oil	266.4 g CO ₂ /kWh	Key2Green.dk
Flights under 600 km	150 g CO ₂ /pers. km	The British Department for Environment, Defra
Flights over 600 km	110 g CO ₂ /pers. km	The British Department for Environment, Defra
Train travel	27 g CO ₂ /pers. km	DSB
Cars - company cars and cars under gross salary contracts	Diesel: 2.65 kg CO ₂ /liter Petrol: 2.40 kg CO ₂ /liter	The Danish Environmental Protection Agency's standard factors for heating values and CO ₂ emission
Work-related travel by car	175 g CO ₂ /km	Key2Green.dk
Taxis	148 g CO ₂ /km	Key2Green.dk

* Emission factors for 2010 are published in April 2011.

Resource consumption data also include leased premises. Consumption of electricity is computed on the basis of meter readings.

In calculating CO₂ emission for 2010, degree-day adjusted CO₂ emission from heat consumption is applied, thereby enabling year-on-year comparison.

Heat consumption is determined on the basis of meter readings for Nykredit's own properties. Consumption relating to leased premises is determined on the basis of the statement of heating expenses of the premises and Nykredit's share of consumption (usually in terms of floor area). The heat consumption in MWh was previously calculated using an incorrect factor for a number of Nykredit's centres. The historical data have therefore been corrected back to 2008. Heating sources are district heating, natural gas and heating oil.

Air transport is computed on the basis of data from the travel agencies which Nykredit uses.

Car transport covers work-related travel by company car (50% work-related driving), taxi or own car. Staff transport to and from work is not included.

Rail transport is computed on the basis of emission of 27 g CO₂/person/km and an average price of DKK 0.77/km.

CO₂ emission is computed on the basis of consumption and the emission factors shown below. The emission factors for electricity and district heating are determined based on a heat efficiency of 200% with the addition of a 5% net loss.

See also Nykredit's environmental and climate reporting for calculation details.

Nykredit's staff

The number of staff is an average for 2010 on the basis of the Group's total ATP (Danish Labour Market Supplementary Pension scheme) contributions for the year relative to the ATP contribution for one full-time staff member. Staff in companies where Nykredit exercises control has been included in proportion to the respective ownership interests.

Permanent staff exclude canteen, cleaning and other staff as well as Nykredit Leasing and staff in Poland.

The staff of Forstædernes Bank are included from 2009 (571 at beginning of year/536 at year-end). Permanent staff numbers are not directly comparable from one year to the next. A staff member may change from being permanently employed to being paid by the hour, temporary staff or trainee. Just as a staff member on



leave without pay is neither included in the number of permanent staff nor under outflow.

Part-time staff have been determined as the number of permanent staff working less than the number of hours required of a permanent staff member under the group collective agreement.

Inflow and outflow of permanent staff reflect permanent staff joining or leaving the Group's wholly-owned companies. The percentage is determined on the basis of permanent staff at the beginning of the year.

The number of managers in Nykredit is computed as the number of managers having staff responsibility.

Illness has been measured as the working days lost due to illness of permanent staff in proportion to the potential working hours, ie fixed working hours, including holidays, etc.

Nykredit's ownership structure and capital policy

PRAS A/S is owned by the regional and local banks, Totalkredit's partner banks. The company was formed in connection with Nykredit's acquisition of Totalkredit in 2003.

Nykredit's group chart illustrates the structure at end-2010, after the divestment of Nykredit Forsikring and the merger of Nykredit Bank and Forstædernes Bank.

Unique Danish mortgage system

At the publication of this report, the proposals of the Basel Committee for new regulation of the financial sector have not yet been adopted, and the final rules may therefore be slightly different from the proposals addressed in this report.

Nykredit in figures

Data on Nykredit's investor base are for the period up to and including November 2010.

The bond debt outstanding by property type is computed at nominal value.

Mortgage lending for calculation of the provisioning rates of Nykredit Realkredit and Totalkredit is based on loans and advances at nominal value and arrears and outlays at fair value. Impairment losses are the earnings impact for the year.

Bank lending for calculation of the provisioning rate of Nykredit Bank is based on loans and advances at fair value, loans and advances at amortised cost, guarantees excl the government guarantee scheme as well as individual and collective impairment

provisions. Impairment losses are the earnings impact for the year excluding the government guarantee scheme.

Nykredit's mortgage lending is stated in nominal terms and bank lending at amortised cost, excluding reverse transactions. Lending includes foreign lending. Lending figures from and including 2006 are presented in accordance with IFRS.

Provisioning rates for mortgage lending are based on total provisions at year-end relative to the total bond debt outstanding at year-end. Impairment provisions for repossessed properties are included.

Bank deposits and loans are stated at year-end. Loans are exclusive of reverse transactions and guarantees.

Profit before tax is stated as the Nykredit Group's total profit before tax. The profit on discontinued insurance operations are not included in 2010.

Reporting

You can read more about the Nykredit Group at nykredit.com, including the following reports:

Annual Report 2010

- Financial statements of Nykredit Realkredit A/S
- Management's review
- Corporate governance
- Members of Nykredit's Board of Directors and Executive Board

Risk and Capital Management 2010

- Risk management
- Capital requirements
- Capital management
- Liquidity and funding
- Credit risk and market risk

Environmental and climate reporting 2009

- Climate policy
- Climate response
- Resource consumption
- CO₂ emission statement

About Nykredit 2010

- Customers
- Social responsibility
- Staff policy

Nykredit's websites:

Nykredit Investor Relations – nykredit.com/investorcom

- Nykredit Investor Relations
- Funding
- Loan portfolio
- Danish mortgage finance
- Library

[Nykredit.com/aboutnykredit](http://nykredit.com/aboutnykredit)

- Our company
- Sustainability
- Organisation
- Press
- and much more...

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