



**Annual Report 2009**  
The Nykredit Bank Group

**Nykredit**

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# Nykredit Bank's business profile



## Financial sustainability

Through Strategy 2013, Nykredit aims to develop a new organisation, paving the way for significant business development over the next years.

The foundation of Strategy 2013 is "One new Nykredit", a unified organisation which will further develop the current group strategy with commercial and mortgage banking as core activities.

Strategy 2013 defines commercial banking as an essential prerequisite for achieving profitable growth of the mortgage operations and the Nykredit Group. Nykredit will consequently focus on the positioning of Nykredit Bank, pri-

marily in the Danish banking market. As part of this strategy, Nykredit Bank and Forstædernes Bank will merge in 2010.

Strategy 2013 also means that Nykredit will be structured around a unified organisation offering customers one single point of access to Nykredit.

In future, the group unit Customers will comprise all Nykredit's distribution channels, and it will be up to the customers whether they want to be served personally at the centres, online or by telephone.

The business concept of the Nykredit Group is financial sustainability. For Nykredit Bank, this means a conservative credit policy, balanced risk management and a strong capital structure. The economic climate makes it even more important to adhere to these three principles in the Bank's future activities. The aim is to create new opportunities and services for customers, partners, staff and investors and consequently long-term relationships and financial sustainability.

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

# Company information

## COMPANY INFORMATION

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

Website: [nykredit.com](http://nykredit.com)  
Tel: +45 44 55 18 00

CVR no: 10 51 96 08  
Financial year: 1 January – 31 December  
Municipality of registered office: Copenhagen

See [nykredit.com](http://nykredit.com) for more information on the Nykredit Group, including:

- Annual Report and Interim Reports for 2009
- About Nykredit 2009 – Financial Sustainability
- Risk and Capital Management 2009

## External auditors

Deloitte  
Statsautoriseret Revisionsaktieselskab  
Weidekampsgade 6  
DK-2300 Copenhagen S

## Annual General Meeting

The Annual General Meeting of the Company will be held on 25 February 2010

## BOARD OF DIRECTORS

Karsten Knudsen, Chairman  
Søren Holm, Deputy Chairman  
Henrik K. Asmussen\*)  
Kim Duus  
Allan Kristiansen\*)  
Per Ladegaard  
Bente Overgaard

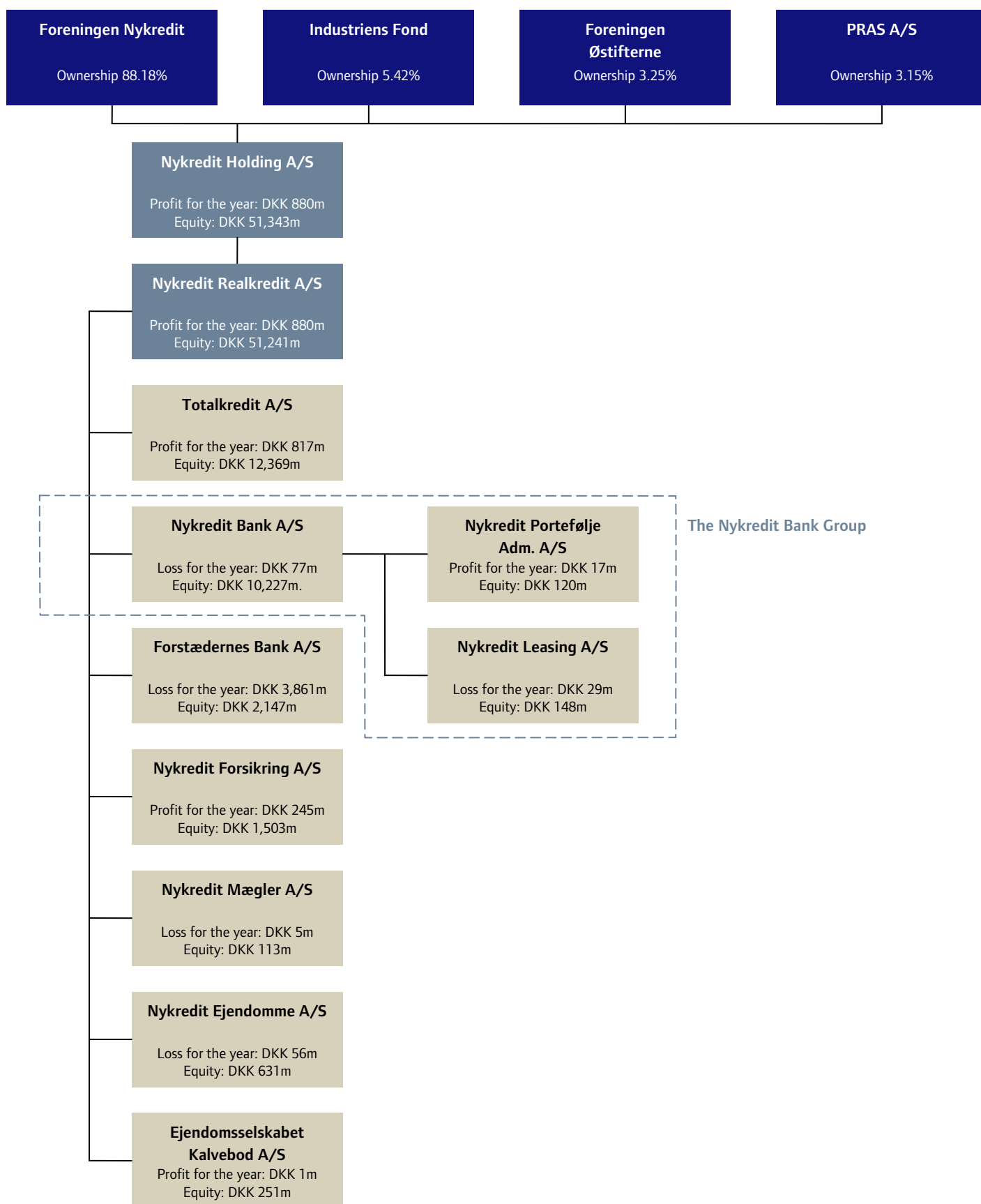
\*) staff-elected member

## EXECUTIVE BOARD

Bjørn Mortensen  
Georg Andersen  
Lars Bo Bertram

For directorships and executive positions of the members of the Board of Directors and the Executive Board, see page 84.

# Group chart



# The Nykredit Bank Group 2005-2009

	The Nykredit Bank Group					
DKK million/EUR million	2009/EUR	2009	2008	2007	2006	2005
<b>SUMMARY INCOME STATEMENT</b>						
Net interest and fee income	356	2,652	1,748	1,323	1,032	1,007
Value adjustments	48	354	(91)	542	522	177
Other operating income	4	31	28	17	21	20
Staff and administrative expenses	177	1,316	1,118	871	739	590
Other operating expenses, depreciation and amortisation	54	404	99	12	3	6
Impairment losses on loans, advances and receivables	165	1,225	763	(14)	(44)	7
Profit (loss) from investments in associates and group enterprises	(18)	(138)	-	-	-	-
<b>Profit (loss) before tax</b>	<b>(6)</b>	<b>(46)</b>	<b>(295)</b>	<b>1,013</b>	<b>877</b>	<b>601</b>
Tax	4	31	(54)	255	250	162
<b>Profit (loss) for the year</b>	<b>(10)</b>	<b>(77)</b>	<b>(241)</b>	<b>758</b>	<b>627</b>	<b>439</b>
<b>BALANCE SHEET, YEAR-END</b>						
<b>Assets</b>						
Cash balance and receivables from central banks and credit institutions	6,376	47,443	32,395	21,123	18,438	15,031
Loans, advances and other receivables at fair value	1,597	11,883	24,490	5,550	3,432	6,688
Loans, advances and other receivables at amortised cost	6,105	45,428	50,897	39,659	28,983	19,731
Bonds at fair value and equities	7,288	54,234	53,561	55,483	47,955	36,152
Other asset items	3,819	28,425	32,457	13,584	8,237	6,860
<b>Total assets</b>	<b>25,185</b>	<b>187,413</b>	<b>193,800</b>	<b>135,399</b>	<b>107,045</b>	<b>84,462</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	7,205	53,609	85,850	76,825	63,107	44,654
Deposits and other payables	6,311	46,965	46,536	31,717	22,667	22,103
Issued bonds at amortised cost	5,582	41,539	17,330	1,562	1,741	654
Other non-derivative financial liabilities at fair value	914	6,798	3,641	5,403	7,032	6,484
Other payables	3,745	27,870	30,881	11,391	6,939	6,094
<b>Total payables</b>	<b>23,757</b>	<b>176,781</b>	<b>184,238</b>	<b>126,898</b>	<b>101,486</b>	<b>79,989</b>
Provisions	54	405	58	2	18	59
Subordinate loan capital		-	2,400	2,400	1,300	800
Equity	1,374	10,227	7,104	6,099	4,241	3,614
<b>Total liabilities and equity</b>	<b>25,185</b>	<b>187,413</b>	<b>193,800</b>	<b>135,399</b>	<b>107,045</b>	<b>84,462</b>
<b>OFF-BALANCE SHEET ITEMS</b>						
Contingent liabilities	2,637	19,626	10,354	14,435	9,343	10,399
Other commitments	1,261	9,387	8,163	8,041	6,374	3,058
<b>FINANCIAL RATIOS</b>						
Capital adequacy ratio, %		12.3	10.2	11.7	10.6	10.3
Core capital ratio, %		12.3	7.7	8.4	8.2	8.8
Return on equity before tax (pa), %		(0.5)	(4.5)	19.6	22.3	17.8
Return on equity after tax (pa), %		(0.9)	(3.6)	14.7	16.0	13.0
Income:cost ratio, DKK		0.98	0.85	2.17	2.26	2.00
Interest rate exposure, %		0.1	(0.3)	3.3	4.3	3.3
Foreign exchange position, %		0.7	3.5	5.7	5.7	4.2
Foreign exchange exposure, %		0.0	0.0	0.1	0.2	0.1
Loans and advances:deposits		1.2	1.6	1.4	1.4	1.2
Loans and advances:equity		5.6	10.6	7.4	7.6	7.3
Growth in loans and advances for the year, %		(24.0)	66.8	39.5	22.7	16.1
Excess cover:statutory liquidity requirements, %		323.9	146.1	150.7	122.7	207.1
Total large exposures, %		62.1	93.6	134.9	336.4	349.5
Impairment losses for the year, %		1.6	0.9	0.0	(0.1)	0.0
Average number of staff, full-time equivalents		729	713	588	492	426

Key figures have been calculated in accordance with the definitions of the Executive Order on the Presentation of Financial Statements.

EUR 1 = DKK 7.4506 at end-2009

# Management's Review



## 2009 – IN BRIEF

- The Group recorded a loss before tax of DKK 46m compared with a loss of DKK 295m in 2008
- 2009 saw satisfactory growth in core income from business operations of 20% from DKK 2,192m in 2008 to DKK 2,636m
- Own trading positions produced a profit of DKK 186m against a loss of DKK 753m in 2008
- Impairment losses on loans, advances and receivables increased by DKK 284m to DKK 1,002m, while provisions relating to the government guarantee scheme rose from DKK 45m to DKK 223m
- Operating expenses rose from DKK 1,217m to DKK 1,720m, of which commission expenses relating to the government guarantee scheme (bank rescue package I) went up by DKK 270m
- The balance sheet was reduced from DKK 193.8bn at end-2008 to DKK 187.4bn mainly due to lower lending
- The ratio of deposits to lending at amortised cost amounted to 103.4 corresponding to a deposit surplus of DKK 1,537m
- Excess cover relative to statutory liquidity requirements rose from 146.1% at end-2008 to 323.9%. Liquidity levels were thus very satisfactory in 2009 and strengthened through issues under the Bank's ECP and EMTN programmes
- Equity stood at DKK 10.2bn, and the core capital ratio was 12.3% against 7.7% in 2008. Core capital grew by DKK 3.2bn in 2009. In addition, subordinate loan capital of DKK 2.4bn was redeemed prematurely
- The individual capital need was 8.77% at end-2009, and the capital adequacy ratio was 12.3% against 10.2% at end-2008.

## The Nykredit Bank Group

### Principal income statement items

DKK million	2009	2008
Net interest and fee income	2,652	1,748
Value adjustments	354	(91)
Other operating income	31	28
<b>Total interest, fees and value adjustments <sup>1</sup></b>	<b>3,037</b>	<b>1,685</b>
Staff and administrative expenses	1,369	1,136
Commission expenses under bank rescue package I	351	81
Impairment losses on loans, advances and receivables	1,002	718
Provisions under bank rescue package I	223	45
Profit (loss) from investments in associates and group enterprises	(138)	-
<b>Loss before tax</b>	<b>(46)</b>	<b>(295)</b>
Tax	31	(54)
<b>Loss for the year</b>	<b>(77)</b>	<b>(241)</b>
<sup>1</sup> Of which		
- Core income	2,973	1,715
- Investment portfolio income	64	(30)

## NYKREDIT BANK GROUP RESULTS

The Group recorded a loss before tax of DKK 46m compared with a loss of DKK 295m in 2008, equal to an improvement of DKK 249m.

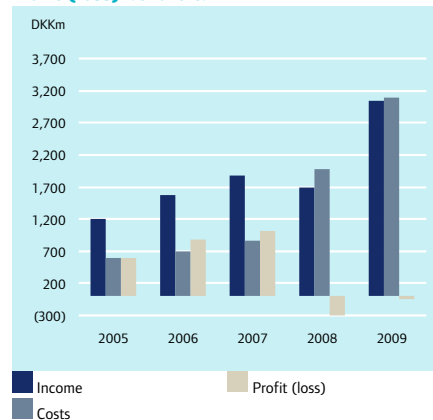
The results were significantly below the original expectation of a profit.

Core income rose by DKK 1,258m (73%) to DKK 2,973m. The rise was very satisfactory and mainly due to an increase in own trading activities, but also core income from business operations showed fair growth.

However, the rise in income was not sufficient to prevent a loss for the year, as the results were also affected by increased expenses totalling DKK 1,103m in the form of commission, impairment losses and provisions for bank rescue package I of DKK 448m, other impairment losses on loans and advances of DKK 284m and increased costs relating to eg the winding-up of Dansk Pantebrevsbørs of DKK 148m. Finally, other wage, salary and administrative expenses rose by DKK 223m.

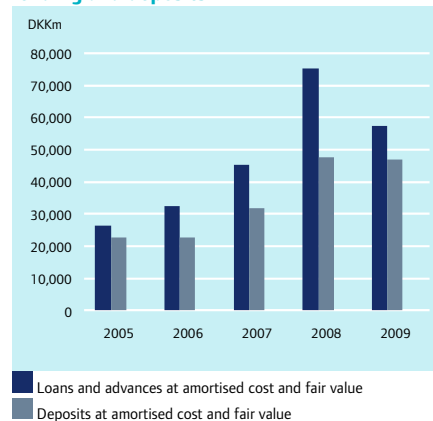
### The Nykredit Bank Group

#### Profit (loss) before tax



### The Nykredit Bank Group

#### Lending and deposits



#### Core income

Core income from business operations showed satisfactory growth from DKK 2,192m in 2008 to DKK 2,636m. The increase was evenly distributed on all business areas.

Income from own trading positions and portfolios of bonds based on subordinate loan capital in Danish banks was DKK 186m against a loss of DKK 753m in 2008. The development was due to a more normalised market situation in 2009 when especially the market prices of Danish banks recovered as a result of eg the effects of bank rescue package II.

Core income from securities amounted to DKK 151m compared with DKK 276m in 2008. The development is mainly attributable to lower average money market rates of 1.83% against 4.48% in 2008.

#### Net interest and fees and value adjustments

Net interest and net fee income increased by DKK 684m (47%) and DKK 220m (78%), respectively. Value adjustments generated an income of DKK 354m against a loss of DKK 91m in 2008. Value adjustment of bonds and foreign currency picked up by DKK 416m, while value adjustment of derivatives was down by DKK 34m. Changes in value adjustments and net interest income should be considered in context, as the Bank widely uses combinations of interest-bearing financial assets and liabilities as well as derivatives, including swaps for interest rate hedging purposes, in its day-to-day operations.

#### Investment portfolio income from group items

Investment portfolio income amounted to DKK 64m against a loss of DKK 30m in 2008. Investment portfolio income corresponds to the part of earnings from non-allocated financial assets and liabilities exceeding risk-free interest. The rise on 2008 was partly due to positive value adjustments resulting from declining yields and reduced yield spreads, partly to growth in the Bank's capital resources in 2009.

#### Capacity costs

Staff and administrative expenses rose by 18% from DKK 1,118m in 2008 to DKK 1,316m. Of the increase, staff expenses accounted for DKK 70m resulting from general pay adjustments and a rise in the average staff number from 713 to 729.

The staff number at end-2009 was 659. The decline from 780 at end-2008 should be seen in the light of the Group's Strategy 2013, under which several group units were brought together in Nykredit Realkredit A/S. As the

transfer of staff took place in the last part of the year, it is not fully reflected in the payroll cost for 2009. Also, Dansk Pantebrevsbørs's staff is no longer included in the staff number.

Other administrative expenses were up DKK 128m to DKK 619m. One reason for the rise was increased IT costs relating to support of business growth and development of the Bank's risk management systems. Another reason was increased payments to Nykredit Realkredit A/S, as the Parent Company performs a larger share of the Bank's business and administrative tasks.

Other operating expenses went up from DKK 94m to DKK 400m. The development was chiefly due to expenses of DKK 351m under bank rescue package I in 2009, up from DKK 81m in 2008. Expenses relating to the winding-up of Dansk Pantebrevsbørs A/S amounted to approximately DKK 45m.

#### Impairment losses and provisions

Impairment losses and provisions totalled DKK 1,225m, with DKK 223m relating to provisions under bank rescue package I and DKK 1,002m to impairment losses on loans and advances. Compared with 2008, this amounted to a rise of DKK 462m, of which increased provisions under bank rescue package I accounted for DKK 178m and increased impairment losses accounted for DKK 284m.

At DKK 1,091m, Corporate Banking accounted for the vast majority of impairment losses and provisions for the year. Impairment losses and provisions relating to Retail Banking and Markets & Asset Management amounted to DKK 76m and DKK 58m, respectively. The ten largest impairments accounted for about 79% of the total charge.

#### Loss from equity investments

The loss of DKK 138m was attributable to Dansk Pantebrevsbørs. In addition, 2009 saw costs of DKK 45m.

#### Tax

Tax has been calculated at DKK 31m.

#### Loss after tax

A loss of DKK 77m was recorded for the year against a loss of DKK 241m in 2008.

#### Dividend

No dividend will be distributed for the financial year.



## Business areas

The Nykredit Bank Group is organised into: Retail Banking, Corporate Banking and Markets & Asset Management.

*Retail Banking* serves households and small agricultural customers, who typically require the same product range as retail customers.

*Corporate Banking* serves business, agricultural and rental housing customers, including housing societies, non-profit housing and mortgage trading activities.

*Markets & Asset Management* handles the activities of the Nykredit Group within trading in securities and derivatives, asset and investment management as well as pension products. Proprietary Trading was recognised as part of the business area up to and including August 2009.

### The Nykredit Bank Group

#### Results before tax by business area

DKK million	Retail Banking		Corporate Banking		Markets & Asset Management		Group items <sup>1</sup>		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Core income from business operations	423	307	719	549	1,494	1,336			2,636	2,192
Core income from trading positions <sup>4</sup>					186	(753)			186	(753)
Core income from group items							151	276	151	276
<b>Total core income</b>	<b>423</b>	<b>307</b>	<b>719</b>	<b>549</b>	<b>1,680</b>	<b>583</b>	<b>151</b>	<b>276</b>	<b>2,973</b>	<b>1,715</b>
Operating costs	199	173	324	249	801	679			1,324	1,101
Dansk Pantebrevsbørs A/S in bankruptcy			183	35					183	35
Commission under bank rescue package I	41	8	192	54	118	19			351	81
<b>Core earnings before impairment losses</b>	<b>183</b>	<b>126</b>	<b>20</b>	<b>211</b>	<b>761</b>	<b>(115)</b>	<b>151</b>	<b>276</b>	<b>1,115</b>	<b>498</b>
Impairment losses on loans and advances	55	15	943	672	4	31	-	-	1,002	718
Provisions under bank rescue package I	21	5	148	30	54	10			223	45
<b>Core earnings after impairment losses</b>	<b>107</b>	<b>106</b>	<b>(1,071)</b>	<b>(491)</b>	<b>703</b>	<b>(156)</b>	<b>151</b>	<b>276</b>	<b>(110)</b>	<b>(265)</b>
Investment portfolio income <sup>2</sup>	-	-	-	-	-	-	64	(30)	64	(30)
<b>Profit (loss) before tax for the period</b>	<b>107</b>	<b>106</b>	<b>(1,071)</b>	<b>(491)</b>	<b>703</b>	<b>(156)</b>	<b>215</b>	<b>246</b>	<b>(46)</b>	<b>(295)</b>
Income:costs	1.3	1.5	0.4	0.5	1.7	0.8	-	-	1.0	0.9
Average allocated business capital <sup>3</sup>	524	373	4,765	4,708	1,597	1,569	116	83	7,002	6,733
Core earnings after losses as % of allocated business capital (pa)	20.4	28.4	(22.5)	(10.4)	44.0	(9.9)	-	-	(1.6)	(4.1)

<sup>1</sup> Include income from securities not allocated to the individual business areas, but included in the Bank's own portfolio, as well as non-allocated expenses.

<sup>2</sup> Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest.

<sup>3</sup> The business capital has been determined according to the Basel II principles based on the method applied to determine the "required capital base".

<sup>4</sup> Comprises net income from Proprietary Trading and value adjustment of the portfolio of subordinate loan capital in Danish banks (Kalvebod I-IV issues).

A breakdown of assets and liabilities by business area is found in note 13 of the Annual Report.

## RETAIL BANKING

The Retail Banking area supplies Nykredit Bank products through the distribution channels of the Nykredit Group, including 49 retail centres, the website nykredit.dk, two call centres and one central customer service centre.

Retail Banking recorded a profit before tax of DKK 107m, which was on a level with the profit for 2008.

Core income went up from DKK 307m in 2008 to DKK 423m. The increase derived mainly from a rise in net interest income from DKK 304m in 2008 to DKK 434m as a result of increasing deposits and loans, while net fees declined by DKK 15m on 2008.

Capacity costs stood at DKK 240m against DKK 181m in 2008. Staff expenses fell from DKK 34m to DKK 33m, as the staff number was reduced from 80 at end-2008 to 56 at end-2009. In addition, costs were affected by commission payable under bank rescue package I, higher IT-related expenses and higher payments to Nykredit Realkredit A/S as a result of increasing joint activities.

Impairment losses amounted to DKK 76m against DKK 20m in 2008. This figure is still modest relative to total loans, advances and guarantees of approximately DKK 21.5bn. However, the trend was rising compared with previous years, which should be seen in the light of the effect, albeit moderate, of increased

expenses relating to bank rescue package I, declining property prices and increased unemployment on customers' finances and consequently the level of impairment losses.

The income:cost ratio decreased from DKK 1.5 to DKK 1.3.

### Balance sheet

Lending increased by 19% from DKK 10.4bn in 2008 to DKK 12.4bn at end-2009, primarily as a result of equity release credits. Deposits stood at DKK 12.8bn, up DKK 2.2bn on 2008. The number of customers opening wage accounts increased by approximately 20,000 to approximately 134,000.

### Activities in 2009

The positive development in Retail Banking continued in 2009, with focus on offering wage accounts to new customers and to the Nykredit Group's homeowner customers.

In 2009 a new youth account was introduced offering particularly favourable terms to young people aged 18 to 28.

Also in 2009 focus was on customers' assets as well as asset management. In September, new high-interest savings accounts with different notice periods and competitive interest rates were opened. As a natural consequence of the tax reform and the refund of mandatory pension contributions, focus on customer pensions was intensified in H2/2009.

In order to strengthen advisory capacity, the number of internally certified asset management advisers was increased further in 2009. Nykredit's retail centres now employ about 100 specialist asset management and pension advisers.

Customer choices decide Nykredit's strategy, including Nykredit's digital channels. A number of new offers and services have been developed and are supplied via nykredit.dk, and still more customers avail themselves of Nykredit's digital channels.

The internet bank has become mobile, and using text messaging services customers can now access their internet bank from anywhere. One of the new digital offers in 2009 was the Smartbudget, which won an international internet prize for its user-friendliness. In 2009 Nykredit also expanded its digital communication with customers.

While several banks recorded a significant decline in customer satisfaction in 2009, retail customers' satisfaction with Nykredit Bank was as high as in 2008. The Bank thus had the most satisfied retail customers in the sector in 2009. The positive development underpins Nykredit's continued growth in the commercial banking area and the continued work with the new strategy.

### Retail Banking in 2010

Also in 2010 Retail Banking will seek to retain and attract wage account and full-service customers. In addition, focus will be on asset management and pension services. Bank competencies will therefore be strengthened continuously through the training and certification of new asset management advisers. Furthermore, 2010 will see the merger between Nykredit and Forstædernes Bank, which will add new products and competencies to the business.

## Results – Retail Banking

DKK million	2009	2008
Core income	423	307
Operating costs	199	173
Commission under bank rescue package I	41	8
<b>Core earnings before impairment losses</b>	<b>183</b>	<b>126</b>
Impairment losses on loans and advances	55	15
Provision for guarantees under bank rescue package I	21	5
<b>Core earnings after impairment losses</b>	<b>107</b>	<b>106</b>
<b>Profit before tax</b>	<b>107</b>	<b>106</b>
Income:costs	1.3	1.5
Average allocated business capital	524	373
Core earnings as % of allocated business capital	20.4	28.4

## Principal balance sheet items

DKK million	2009	2008
<b>Assets</b>		
Loans and advances at amortised cost	12,433	10,361
<b>Payables</b>		
Deposits and other payables	12,755	10,512
<b>Off-balance sheet items</b>		
Guarantees	9,040	4,375

## CORPORATE BANKING

Corporate Banking serves business, agricultural, public sector and rental housing customers including housing society and non-profit housing customers. Products are distributed through 23 commercial centres offering all of the Group's products within banking, mortgage lending, insurance, investment and debt management.

Corporate Banking recorded a loss of DKK 1,071m in 2009 compared with a loss of DKK 491m in 2008. Results were not satisfactory.

Core income increased from DKK 549m in 2008 to DKK 719m (+31%) – a satisfactory level considering market conditions.

However, the rise in core income was offset by the impact of the financial crisis which caused higher commission expenses of DKK 138m compared with 2008 relating to bank rescue package I, higher impairment losses on loans and advances of DKK 271m and finally increased provisions of DKK 118m for guarantees under bank rescue package I.

In addition, Corporate Banking was affected by a total negative earnings impact of around DKK 221m from its associates and group en-

terprises in 2009. Compared with 2008 when a loss of about DKK 30m was recorded, 2009 saw a decline of DKK 191m which was mainly attributable to Dansk Pantebrevsbørs and increasing impairment losses of Nykredit Leasing A/S.

Customer-oriented activities were satisfactory even though core income, excluding value adjustment of corporate bonds, declined from DKK 682m in 2008 to DKK 679m in 2009. The development should mainly be seen in the context of the reduced loans and deposits. Core income from corporate bonds rose by DKK 173m to DKK 40m against a loss of DKK 133m in 2008.

Operating costs went up from DKK 249m in 2008 to DKK 324m. Staff expenses rose by DKK 14m to DKK 179m, as the staff number was on average above the level of 2008. However, the number had dropped from 270 at end-2008 to 221 at end-2009 due to the transfer of staff to Nykredit Realkredit in connection with Strategy 2013. As the transfer took place in the last part of the year, it is not fully reflected in the payroll cost for 2009.

The income:cost ratio was DKK 0.4 in 2009 compared with DKK 0.5 in 2008.

## Balance sheet

Loans and advances fell from DKK 40.5bn at end-2008 to DKK 33.0bn, while deposits declined from DKK 24.6bn in 2008 to DKK 23.1bn. Reasons for the decline in lending included generally lower activity levels and the fact that many customers refinanced their bank loans into mortgage loans.

## Activities in 2009

Nykredit Bank offers a varied corporate product range. The product range includes deposit and loan products, financial instruments, securities trading services and asset management, etc.

2009 saw satisfactory development in core income. Growth was broad-based across the activities of the business area, and the sale and management of asset products in particular developed in a positive direction.

As a consequence of the financial crisis, price levels in the corporate banking area generally increased, mainly due to rising liquidity costs and payments under the government guarantee scheme. In addition, the Bank's corporate exposures were reviewed and adjusted to the new market conditions.

The financial crisis also influenced Nykredit Bank's business focus, and strategic focus consequently was, and remains, in part on increasing deposits. Due to the tax reform, Nykredit Bank also focused on the sale of pension products to corporate customers, including advisory services relating to investment risk hedging, in H2/2009.

Nykredit Bank remained a major player in the market for construction loans for the non-profit housing sector in 2009. As part of the Bank's activities, Corporate Banking also offers corporate finance via capital market products in cooperation with Nykredit Markets.

## Corporate Banking in 2010

In 2010 Corporate Banking will face new and important challenges, focusing on increased lending of high credit quality and continued deposit growth.

### Results – Corporate Banking

DKK million	2009	2008
Core income	719	567
Core income from Dansk Pantebrevsbørs (2008)	-	(18)
<b>Total core income</b>	<b>719</b>	<b>549</b>
Operating costs	324	249
Operating costs relating to Dansk Pantebrevsbørs A/S	183	35
Commission under bank rescue package I	192	54
<b>Core earnings before impairment losses</b>	<b>20</b>	<b>211</b>
Impairment losses on loans and advances	943	672
Provision for guarantees under bank rescue package I	148	30
<b>Core earnings after impairment losses</b>	<b>(1,071)</b>	<b>(491)</b>
<b>Loss before tax</b>	<b>(1,071)</b>	<b>(491)</b>
Income:costs	0.4	0.5
Average allocated business capital	4,765	4,708
Core earnings as % of allocated business capital	(22.5)	(10.4)

### Principal balance sheet items

DKK million	2009	2008
<b>Assets</b>		
Loans and advances at amortised cost	32,995	40,536
Bonds, mortgages and equities	1,542	1,618
<b>Payables</b>		
Deposits and other payables	23,125	24,569
<b>Off-balance sheet items</b>		
Guarantees	16,076	9,976

## MARKETS & ASSET MANAGEMENT

This business area handles the activities of the Nykredit Group within securities and derivative financial instruments trading, asset management and pension advice. The area also includes the Bank's Treasury activities.

The trading and capital market activities of the business area are handled by Nykredit Markets and Debt Capital Markets, while asset management, portfolio administration and long-term savings are the responsibility of Nykredit Asset Management and Nykredit Portefølje Administration A/S. Up to and including August 2009, own trading activities were the responsibility of Proprietary Trading.

The business area recorded a profit of DKK 703m against a loss of DKK 156m in 2008.

The very positive development was broad-based across all business areas, and core income increased by DKK 158m to DKK 1,494m. Income from Proprietary Trading and issues based on subordinate loan capital in Danish banks rose from a loss of DKK 753m in 2008 to a profit of DKK 186m, which should be seen in the light of a gradually normalising market in 2009.

The Nykredit Markets areas Credit Trading and

Fixed Income saw very high activity levels in 2009, with a marked rise in income from Fixed Income in particular. Equities income was just over the level of 2008, while derivatives and foreign exchange trading income was somewhat below the level of 2008. Finally, Nykredit Asset Management and Nykredit Portefølje Administration A/S recorded an income level exceeding that of 2008.

Operating costs went up from DKK 679m to DKK 801m. Of the increase, staff expenses accounted for DKK 32m. On average, the staff number was above the level of 2008, but due to the transfer of staff to Nykredit Realkredit, the number had been reduced from 418 in 2008 to 370 at end-2009. Other operating expenses increased by DKK 91m to DKK 459m, while commission expenses under the government guarantee scheme amounted to DKK 118m against DKK 19m in 2008.

Impairment losses and provisions amounted to DKK 58m against DKK 41m in 2008. The increase was attributable to provisions for guarantees relating to bank rescue package I and collective impairment provisions.

The income:cost ratio was DKK 1.7 in 2009 compared with DKK 0.8 in 2008.

## Balance sheet

The development in balance sheet items should be seen in the light of increasing activity levels, in particular investment of excess liquidity and repo and trading volumes.

## Activities in 2009

### Nykredit Markets

Throughout the financial crisis and the subsequent economic crisis, Nykredit Markets has maintained high earnings and activity levels. This was the case in 2009 as well. The main reasons included an increase in customer numbers and the fact that Nykredit Markets is a customer-driven trading business where risk-taking underpins customer trades, while interest rate and credit risk in the trading book is maintained at a generally low level.

Market trends resulted in shifts between business areas, but the earnings trend across Nykredit Markets reflects growth in several business areas. Not least Fixed Income and Credit Trading delivered satisfactory performances and marked earnings increases, while Derivatives, Foreign Exchange and Equities maintained a good activity level throughout the year.

The year was characterised by a broad increase in the number of both Danish and international customers. Growth was mainly recorded in core operations, while corporate banking activity within derivative financial instruments was markedly lower than in 2008.

Covered bond activity was high, and market conditions generally improved in 2009. Issuance levels in 2009 were positive in all respects, and total issues in the market of more than EUR 120bn reflected a significant turnaround compared with the crisis at the beginning of the year.

### Forstædernes Bank

Forstædernes Bank will be merged into Nykredit Bank in April 2010, but FB Markets's stockbroker activities were fully integrated into Nykredit Markets already in 2009. Nykredit's market position was consequently strengthened due to the broader customer base.

## Results – Markets & Asset Management

DKK million	2009	2008
Core income	1,494	(1,336)
Income from trading positions	186	(753)
<b>Core earnings before impairment losses</b>	<b>1,680</b>	<b>583</b>
Operating costs	801	679
Commission under bank rescue package I	118	19
<b>Core earnings before impairment losses</b>	<b>761</b>	<b>(115)</b>
Impairment losses on loans and advances	4	31
Provisions for guarantees under bank rescue package I	54	10
<b>Core earnings after impairment losses</b>	<b>703</b>	<b>(156)</b>
<b>Profit (loss) before tax</b>	<b>703</b>	<b>(156)</b>
Income:cost	1.7	0.8
Average allocated business capital	1,597	1,569
Core earnings as % of allocated business capital	44.0	(9.9)

## Principal balance sheet items

DKK million	2009	2008
<b>Assets</b>		
Receivables from credit institutions and central banks	47,440	32,391
Loans and advances at fair value	11,883	24,490
Bonds, mortgages and equities	52,662	51,061
<b>Payables</b>		
Payables to credit institutions and central banks	53,609	85,072
Deposits and other payables	11,085	11,455
<b>Off-balance sheet items</b>		
Guarantees	3,897	4,166

### Nykredit Asset Management

In connection with the reorganisation of Nykredit, all asset management and administration competencies were brought together in Asset Management. Asset management products range from Nykredit Invest and Private Portfolio, aimed at the retail market, to discretionary asset management agreements with institutional customers, funds, local authorities and wealthy private individuals.

#### *Assets under management and administration*

Total assets under management and administration stood at DKK 294.2bn at end-2009, up DKK 19.3bn.

#### *Asset management*

Total assets under management amounted to DKK 65.8bn at end-2009, up DKK 7.5bn. The increase was partly due to a larger market share, but also the favourable market trends contributed to the rise in assets under management.

#### *Professional market*

Total assets under management rose by DKK 4.0bn to DKK 55.0bn in 2009, which is considered acceptable. The investment performance of discretionary mandates was satisfactory relative to benchmark in 2009.

In addition to discretionary mandates, Asset Management acts as manager for both wholesale and retail funds in Nykredit Invest. Among the Nykredit Invest subfunds rated by Morningstar, 82% have generated returns above benchmark in 2009.

During 2008 and 2009, Nykredit Asset Management launched the investment fund product Mira, which takes advantage of the significant risk premiums on Danish mortgage bonds resulting from the financial crisis. Since their launch, the Mira funds have received investments of approximately DKK 2.7bn. Mira mainly caters for institutional customers, but a small part has been sold to a wide range of investors via a hedge fund. However, due to the normalisation of risk premiums, the year ended with a considerable resale of investments in the Mira funds.

#### *Retail market*

For asset management products aimed at the retail market, 2009 saw satisfactory growth to a market share of 6.6%. In 2009 the asset management concept Private Portfolio and PensionsInvest saw considerable growth in assets under management of DKK 3.5bn to DKK 10.8bn at end-2009. The increase was due to a rise of 21.2% in the customer base of Private

Portfolio and pension contributions of DKK 0.8bn.

To be able to continue meeting the requirements of customers with annual pension contributions of more than DKK 100,000, Nykredit launched the product Nykredit Lifelong Pension in autumn 2009. Nykredit Lifelong Pension differs from traditional life annuity products by being a market rate product based on the customer's individual risk profile.

The Nykredit Group's investment funds, including Nykredit Invest, increased total assets by 21% to DKK 23.6bn in 2009.

#### *Nykredit Portefølje Administration A/S*

Administration of investment funds in the Nykredit Group is handled through Nykredit Portefølje Administration, a subsidiary of Nykredit Bank, which is a licensed investment management company.

Nykredit Portefølje Administration is one of Denmark's largest investment management companies with a market share of more than 50% of the institutional segment. In 2009 assets under administration grew by DKK 11.9bn to DKK 228.4bn despite the adverse effect of the refund of mandatory pension contributions totalling DKK 38bn, which Nykredit administers for ATP.

See also the subsequent description of Nykredit Portefølje Administration.

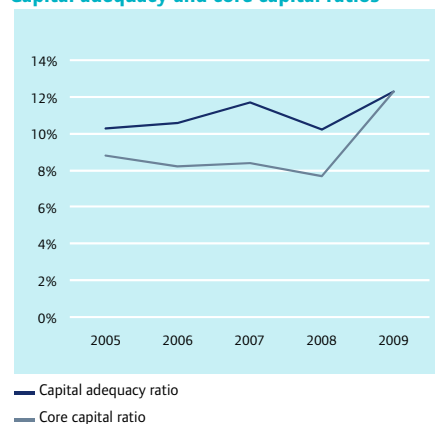
## THE NYKREDIT BANK GROUP BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

### Balance sheet

The Group's balance sheet totalled DKK 187.4bn at end-2009 against DKK 193.8bn at end-2008, down DKK 6.4bn.

### The Nykredit Bank Group

#### Capital adequacy and core capital ratios



### The Nykredit Bank Group

#### Summary balance sheet

DKK million	2009	2008
Receivables from credit institutions	47,371	32,222
Loans and advances at amortised cost and fair value	57,311	75,387
Bonds and equities	54,234	53,561
Payables to credit institutions	53,609	85,850
Deposits and other payables at amortised cost	46,965	46,536
Issued bonds	41,539	17,330
Subordinate loan capital	0	2,400
Equity	10,227	7,104
<b>Total balance sheet</b>	<b>187,413</b>	<b>193,800</b>

### The Nykredit Bank Group

#### Equity

DKK million	2009	2008
Equity, beginning of financial year	7,104	6,099
Loss after tax for the year	(77)	(241)
Other additions and disposals	0	(4)
Capital increase and share premium	3,200	1,250
<b>Equity, end of financial year</b>	<b>10,227</b>	<b>7,104</b>

### The Nykredit Bank Group

#### Capital base and capital adequacy

DKK million	2009	2008
Share capital	4,175	2,575
Retained earnings	6,052	4,529
<b>Core capital</b>	<b>10,227</b>	<b>7,104</b>
Primary and other statutory deductions from core capital	(675)	171
Supplementary capital (prematurely redeemed in 2009)	0	2,400
Statutory deductions from capital base	0	86
<b>Capital base after statutory deductions</b>	<b>9,552</b>	<b>9,247</b>
<b>Weighted items</b>	<b>77,452</b>	<b>90,488</b>
Capital adequacy ratio, %	12.3	10.2
Core capital after statutory deductions as % of weighted items	12.3	7.7

Assets were affected by declines in loans and advances at fair value (reverse lending) and amortised cost of DKK 12.6bn and DKK 5.5bn, respectively, the latter chiefly due to lower corporate lending. Conversely, receivables from credit institutions rose by DKK 15.1bn.

The bond portfolio was unchanged at about DKK 54bn. The size of the portfolio and the Bank's trading positions, repo activities and investment of excess liquidity should be viewed in context. The portfolio mainly contained high-rated government and mortgage bonds. The portfolio also included issues of about DKK 1.2bn in the form of bonds based on subordinate loan capital in Danish banks. Positive value adjustment of this portfolio in the financial statements for 2009 amounted to DKK 139m against negative value adjustment of DKK 400m in 2008. The size of the position was largely unchanged compared with 2008.

Other assets and prepayments totalled DKK 28.4bn against DKK 32.4bn at end-2008. In both years, most of the item was attributable to "Positive market value of derivative financial instruments", which stood at DKK 20.8bn at end-2009. To a large extent these activities were included in the Bank's financial statements on a hedged basis, which was reflected in the "Negative market value of derivative financial instruments" of DKK 19.6bn at end-2009.

Receivables from credit institutions rose from DKK 32.2bn at end-2008 to DKK 47.4bn at end-2009, while payables to credit institutions were reduced from DKK 85.8bn to DKK 53.6bn. The reduced payables to credit institutions can in part be ascribed to the higher proportion of the Bank's funding being obtained under the EMTN and ECP programmes. Deposits were largely unchanged at DKK 47.0bn.

Issued bonds totalled DKK 41.5bn against DKK 17.3bn at end-2008. The Bank has issued notes of DKK 22.3bn under its EMTN programme through international capital markets. Notes issued under the EMTN programme are listed on the Luxembourg Stock Exchange, Société Anonyme de la Bourse de Luxembourg.

Bonds issued under the ECP programme have increased from DKK 4.7bn to DKK 18.9bn.

Other non-derivative financial liabilities at fair value came to DKK 6.8bn against DKK 3.6bn at end-2008. The item mainly consisted of liabilities relating to repo activities, including "Negative securities portfolios".

Other payables and deferred income were DKK 27.9bn against DKK 30.9bn at end-2008. The item mainly consisted of interest and commission payable and "Negative market value of derivative financial instruments".

In 2009 the Bank prematurely redeemed subordinate loan capital totalling DKK 2.4bn.

### Equity

Equity stood at DKK 10,227m at 31 December 2009, equal to an increase of DKK 3,123m on end-2008. The increase was made up of new paid-up capital of DKK 3,200m and loss after tax for the year of DKK 77m. DKK 1,600m of the paid-up capital was share premium.

### Capital adequacy

The capital adequacy ratio of the Nykredit Bank Group landed at 12.3% against 10.2% at end-2008, and the core capital ratio was 12.3% against 7.7% at end-2008. The development was mainly attributable to the capital increase of the year and a decline in weighted assets from DKK 90.5bn at end-2008 to DKK 77.5bn.

The Nykredit Bank Group's individual capital need was calculated at 8.77% (2008: 7.97%).

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

No material events have occurred in the period up to the presentation of the Annual Report.

### OUTLOOK FOR 2010

The merger of Nykredit Bank and Forstædernes Bank will be effective from 1 January 2010 for accounting purposes. This will be reflected in the Bank's outlook for 2010.

The business areas are expected to grow in 2010 as a result of a general rise in business with existing and new customers.

Total income is expected to remain largely unchanged on 2009. Income from Corporate and Retail Banking is expected to go up, partly due to growing lending. However, the favourable market conditions in 2009, which led to high income in Nykredit Markets and from own trading positions, are not expected to continue in 2010. Finally, income from securities is expected to be lower.

In addition to price and pay adjustments, the continued development of the Bank's technological platform and costs relating to the merging of the two bank platforms are expected to increase total costs. Total other operating expenses are expected to be lower.

Overall, we expect results before impairment losses at the same level as in 2009.

Impairment losses on loans and advances, which were extraordinarily high in Forstædernes Bank in 2009, are expected to be significantly lower in 2010. However, the level will remain relatively high. Credit losses are expected to depend mainly on the development in economic activity and unemployment in Denmark.

### OTHER

#### Sustainable investments policy

In 2009 Nykredit adopted the six UN Principles for Responsible Investment (UNPRI), which make up the foundation of Nykredit's sustainable investments policy. Nykredit consequently follows the recommendations of incorporating environmental, social and corporate governance issues into investment analysis and decision-making processes. The sustainable investments policy applies to both the Group's own portfolios and investment products, but also where Nykredit has outsourced the management of investments to external asset managers. To get an objective picture of the positions of the individual companies, Nykredit screens its investments through its business partner GES Investment Services, which has many years of experience in this particular type of work. If Nykredit finds out that a company does not comply with one or more of the agreed conventions or standards, active ownership is exercised, and Nykredit enters into dialogue with the company via GES Investment Services to remedy the issues in question.

#### Capital increase

In 2009 the Bank received additional capital from its Parent Company, Nykredit Realkredit A/S, in the amount of DKK 3,200m. In addition, supplementary capital of DKK 2,400m was redeemed prematurely.

#### Merger with Forstædernes Bank

Nykredit Bank A/S and Forstædernes Bank A/S are expected to merge at 1 April 2010, effective 1 January 2010 for accounting purposes. See also the financial highlights of the pro forma balance sheet on page 82.

#### Organisational changes

Owing to the reorganisation of the Nykredit Group, a number of staff have been transferred from Nykredit Bank A/S to Nykredit Realkredit A/S. The staff will perform a number of intercompany tasks, including tasks for Nykredit Bank.

#### Bank rescue package I

Nykredit Bank participates in the government guarantee scheme covering deposits with and unsecured claims against Danish banks (bank rescue package I). The Bank expects its participation in the scheme to imply increased commission expenses of approximately DKK 348m annually up to October 2010. For 2008 and 2009, the expenses totalled DKK 432m. The scheme is described in further detail in note 43 of the Financial Statements.

The government guarantee scheme guarantees all deposits with Danish banks made by depositors and other unsecured creditors, as the Danish government guarantees deposits with banks participating in the scheme.

Exposures covered by the government guarantee scheme have a risk weighting of 0% in the capital requirement determination.

Banks covered by the scheme are subject to legal requirements as to risk profile and behaviour throughout the guarantee term to prevent any misuse of the scheme. One of the requirements is that bank lending may not exceed 16% over two years (exclusive of reverse lending).

#### Bank rescue package II

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

The extended scheme offers the possibility of adding a government guarantee of up to three years to senior debt and junior covered bonds issued by commercial and/or mortgage banks. The guarantee scheme may remain in force until end-2013. The Bank has been granted an individual government guarantee facility, but has not yet utilised it.

The Bank has not applied for support in the form of hybrid core capital.

**Non-financial reporting**

Nykredit Bank's employment conditions and social responsibility have been described in the Nykredit Group's report About Nykredit 2009 – Financial Sustainability, which is available at [nykredit.com](http://nykredit.com).

**RATINGS**

Nykredit Bank has been rated by Moody's Investors Service and Standard & Poor's, see the table below. Moody's Investors Service has placed the Bank's long-term deposit rating, senior unsecured rating, subordinate rating and junior subordinate rating on stable outlook, while its Bank Financial Strength Rating has been placed on negative outlook.

Standard & Poor's ratings are unchanged from early 2009. However, from previously being on stable outlook, the Bank's long-term rating has now been placed on negative outlook.

**STAFF**

The number of permanent staff in the Nykredit Bank Group increased from an average 713 in 2008 to 729 in 2009, ie a change of 2.24%.

**Staff benefits**

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

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

The reports About Nykredit 2009 – Financial Sustainability and Risk and Capital Management 2009, available at [nykredit.com/reports](http://nykredit.com/reports), contain more information about staff, employment matters and incentive and bonus schemes in the Nykredit Group.

**Nykredit Bank A/S****Ratings**

	Moody's Investors Service	Standard & Poor's
Short-term rating	P-1	A-1
Long-term rating	A1	A+
Bank Financial Strength Rating	C-	



## Risk and capital management

Risk management is a key element of the Group's business operations. Through its risk management, Nykredit Bank seeks to ensure financially sustainable solutions in the short and long term.

Nykredit Bank uses advanced models to quantify the Group's credit and market risk.

Information on Nykredit Bank's risk and capital management is included in the Nykredit Group's report Risk and Capital Management 2009. The report contains a wide selection of risk key figures in accordance with the disclosure requirements of the Danish Executive Order on Capital Adequacy and is available at [nykredit.com/reports](http://nykredit.com/reports).

### Organisation and delineation of responsibilities

The Board of Directors of Nykredit Bank is responsible for defining limits to and monitoring the risk incurred by the Bank as well as for delegating responsibilities and approving overall instructions. The Board of Directors has laid down guidelines and specific limits as to the types of risk the Bank may assume. Such risk limits have been delegated to each of the departments or subsidiaries. To ensure diligent risk management, Bank Group risk is monitored from headquarters by Market Risk Management and Group Credits. The Executive Board is informed about the Group's market risk on a day-to-day basis, while the Bank's overall credit risk is assessed on a weekly basis. The Board of Directors is briefed on a monthly basis.

In Nykredit, risk management is coordinated on an intercompany basis. Overall risk management has been delegated to a number of committees monitoring and assessing the Bank Group's business development and risk.

The principal committees are the Credits Committee, the Treasury Committee, the Risk Committee and the Asset/Liability Committee.

The Credits Committee and the Treasury Committee are responsible for managing group credit risk and market risk, respectively. Both committees lay down guidelines on the risk exposures allowed in the group companies and assign management responsibilities to the companies.

The Asset/Liability Committee is responsible for the Group's overall asset/liability and liquidity management. The Risk Committee has been commissioned to assess and determine all group risks, approve methods of measurement of all types of risk and report risk to the boards of directors of the group companies.

### Audit Committee

In 2009 a group audit committee was appointed. The committee consists of the Board of Directors of Nykredit Realkredit A/S. See also the subsequent section "Audit Committee" in the Annual Report.

### Capital adequacy

Nykredit Bank applies the Basel II capital adequacy rules to determine capital base and capital adequacy.

Nykredit Bank's use of Basel II is described in "Credit risk models" of the group report Risk and Capital Management 2009, available at [nykredit.com/reports](http://nykredit.com/reports).

### Determination methods

Nykredit Bank has obtained approval by the Danish Financial Supervisory Authority (FSA) to determine the capital charge for credit risk in relation to retail lending in Nykredit Bank using the advanced internal ratings-based (IRB) approaches.

The foundation IRB approaches with internal estimates of the probabilities of default are used to determine the capital charge for credit risk in relation to Nykredit Bank's commercial lending.

The standardised approach is applied to determine the capital charge for credit risk in relation to sovereign and credit institution exposures and a few minor portfolios.

Nykredit is developing models in order that the part of the portfolio subject to the foundation IRB approach may also be determined using the advanced IRB approaches in the long term. For the determination of the capital requirement for market risk, Nykredit Bank has obtained FSA approval to apply a VaR model with a time horizon of 10 days and a confidence level of 99%. VaR is described further under "Market risk".

The market risk relating to the remainder of the portfolio is subject to the standardised approach.

The capital requirement for operational risk is determined using the basic indicator approach.

### Capital base and capital adequacy

Nykredit Bank's capital base totalled DKK 9.6bn at end-2009 (2008: DKK 9.2bn).

Nykredit Bank's capital requirement and weighted items at end-2009 stood at DKK 6.2bn and DKK 77.5bn, respectively (2008: DKK 7.2bn and DKK 90.5bn, respectively).

In 2009 transitional rules apply to the effect that weighted items and the capital requirement may not decrease by more than 20% compared with the former rules.

### Types of risk

Nykredit Bank distinguishes between the following general types of risk:

- *Credit risk* reflects the risk of loss as a result of the non-performance of counterparties
- *Market risk* reflects the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price, volatility risks, etc)
- *Liquidity risk* is the risk of loss as a result of insufficient liquidity to cover current payment obligations
- *Operational risk* reflects the risk of loss resulting from inadequate/failed internal processes, people and systems or from external events.

### **Required capital base**

The required capital base is the minimum capital required in Management's opinion to cover all significant risk.

Nykredit Bank's calculation of the required capital base is based on the model calculations used in the determination of the capital requirement. However, a statistical confidence level of 99.93% is applied in line with the rating assigned by the rating agencies. When calculating the capital requirement and the capital adequacy ratio, a 99.9% confidence level is used.

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

Pillar I capital covers credit risk, market risk and operational risk.

Pillar II capital covers other risks as well as an elevated capital requirement for credit and market risk in a weaker economic climate corresponding to expectations for 2010. Pillar II allows for the effect of an elevated capital requirement where rising losses and arrears have been observed as well as any operating losses following a rise in impairment losses, etc.

At end-2009, the required capital base came to DKK 6.8bn, of which DKK 5.0bn concerned Pillar I and DKK 1.8bn Pillar II. The Nykredit Bank Group's capital need was determined at 8.77% at 31 December 2009.

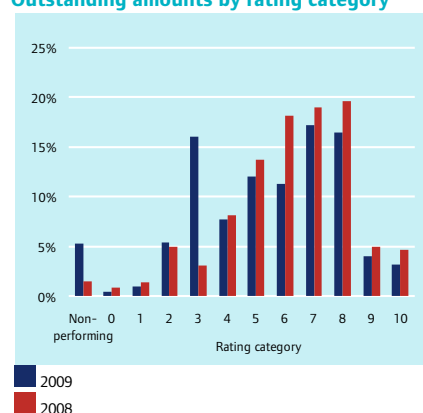
For additional information on capital base and capital need, see the Nykredit Group's report Risk and Capital Management 2009. The report is available at [nykredit.com/reports](http://nykredit.com/reports).

### Rating scale and marginal Probability of Default (PD)

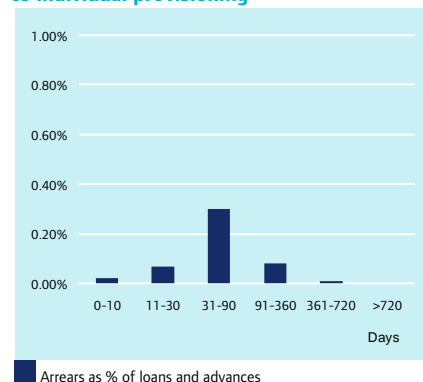
Rating category	PD floor	PD ceiling
10	0.00%	0.15%
9	0.15%	0.25%
8	0.25%	0.40%
7	0.40%	0.60%
6	0.60%	0.90%
5	0.90%	1.30%
4	1.30%	2.00%
3	2.00%	3.00%
2	3.00%	7.00%
1	7.00%	25.00%
0	25.00%	100.00%

### The Nykredit Bank Group

#### Outstanding amounts by rating category



### Accounts overdrawn/in arrears not subject to individual provisioning



### Elements of credit risk determination

The parameters used to determine credit risk are:

PD:	Probability of Default – the probability of a customer defaulting on an obligation to the Nykredit Bank Group.
LGD:	Loss Given Default – the loss ratio of an exposure in case of a customer's default.
Exposure value:	The total exposure to a customer in DKK at the time of default, adjusted for the unutilised part of a credit facility granted.

PD is customer-specific, while the other parameters are product-specific. A PD is therefore assigned to each customer, while each exposure has a separate LGD and exposure value.

### CREDIT RISK

By virtue of the Nykredit Group's size, the credit policy takes into consideration the aim of a suitable market share and an objective of limited losses.

The Board of Directors lays down the overall framework of credit granting and is presented with the Group's largest credit applications for approval or briefing on a current basis. The Bank's credit risk is managed in accordance with credit policies, business procedures and credit granting instructions, etc.

Group Credits is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and the Executive Board and for reporting credit risk internally as well as externally. Group Credits serves all entities of the Nykredit Group and is, accordingly, responsible at group level.

The Risk Committee is responsible for approving credit risk models and reporting credit risk at portfolio level. The Credits Committee undertakes all reporting on individual exposures.

Nykredit's local centres have been authorised to process a considerable part of customer applications for bank facilities independently.

Credit applications exceeding the authority assigned to the centres are processed centrally by Group Credits. Applications involving large amounts must be presented to the Executive Board or the Board of Directors. Applications that will bring the Bank's total exposure to any one customer over DKK 100m are subject to Board approval initially as well as subsequently whenever an exposure increases by a multiple of DKK 50m.

When a customer applies for a bank facility, the customer and its financial circumstances are assessed. Overall guidelines on credit assessment have been laid down centrally and depend for example on the customer's relationship with the Bank's business areas.

Internal credit models continuously form an important part of the assessment of the majority of retail and commercial customers. A thorough assessment of customers is a key prerequisite for avoiding future losses. The same applies to security provided in the form of a number of tangible assets, primarily real property, but also securities, moveable property and guarantees. Any security provided is included in subsequent assessments based on a conservative valuation.

All bank exposures exceeding DKK 2m are reviewed at least once a year as part of the monitoring of credit exposures based on updated financial and customer information. In addition, all exposures showing signs of risk are reviewed, including minor exposures, to identify any need for a change of rating or for individual provisioning. Exposures not provided for individually are provided for in the Bank's collective impairment provisions.

Collective impairment provisions are calculated using a so-called rating model based on adjusted Basel parameters for loss calculations. The Basel parameters are adapted to the accounting rules so that they are based on events occurred, cash flows from loans until maturity and discounting of negative cash flows to present value.

When opening credit lines for financial products, the Bank often requires that a contractual basis be established providing it with a netting option. The contractual framework is typically based on standards such as ISDA or GMRA agreements. No set-off has been made for collateral security or netting agreements in the accounting figures presented.

### Provisions 2009

Total provisions were DKK 1,853m against DKK 770m at end-2008. Of this amount, provisions for loan impairment accounted for DKK 1,580m (2008: DKK 714m) and provisions for guarantees DKK 273m (2008: DKK 56m).

Of provisions for guarantees, DKK 268m was attributable to bank rescue package I against DKK 45m at end-2008.

## Provisions, the Nykredit Bank Group

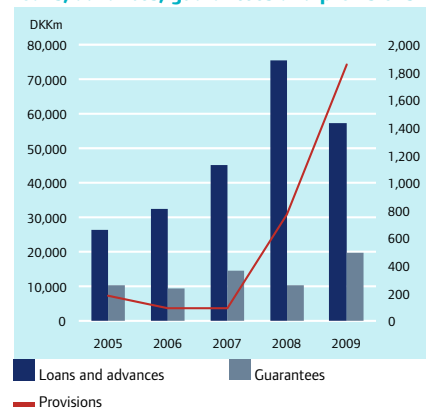
DKK million	Retail Banking		Corporate Banking		Markets & Asset Management		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Impairment provisions, beginning of year	30	22	674	73	10	-	714	95
Brought forward, beginning of year			(53)		53		0	0
Provisions and reversals for the year	48	13	829	636	5	10	882	659
Claims previously provided for, lost in 2009	6	5	10	35			(16)	40
<b>Impairment provisions, year-end</b>	<b>72</b>	<b>30</b>	<b>1,440</b>	<b>674</b>	<b>68</b>	<b>10</b>	<b>1,580</b>	<b>714</b>
Of which individual	66	27	1,339	554	64	10	1,469	591
Of which collective	6	3	101	120	4		111	123
<b>Provisions for guarantees</b>								
Provisions, beginning of year	5	-	41	-	10	-	56	-
Provisions, year-end	27	5	181	41	65	10	273	56
Of which relating to bank rescue package I	26	5	177	30	65	10	268	45
<b>Earnings impact</b>								
New impairment provisions for the year, net	48	13	829	636	5	10	882	659
Received on loans and advances previously provided for	2	3	1	0			3	3
Impairment losses not provided for	8	5	121	25		21	129	51
<b>Total</b>	<b>54</b>	<b>15</b>	<b>949</b>	<b>661</b>	<b>5</b>	<b>31</b>	<b>1,008</b>	<b>707</b>
Provisions for guarantees	22	5	142	41	53	10	217	56
<b>Total earnings impact</b>	<b>76</b>	<b>20</b>	<b>1,091</b>	<b>702</b>	<b>58</b>	<b>41</b>	<b>1,225</b>	<b>763</b>

## Loans, advances and guarantees by sector

DKK million	Loans, advances and guarantees		Provisions	
	2009	2008	2009	2008
<b>Public sector</b>	<b>173</b>	<b>349</b>	<b>0</b>	<b>0</b>
Agriculture, hunting, forestry and fisheries	2,927	2,932	26	7
Manufacturing, extraction of raw materials, utilities	8,004	8,486	277	148
Building and construction	1,074	1,034	9	6
Trade, restaurants and hotels	2,757	2,921	187	11
Transport, mail and telephone	2,407	2,602	13	5
Credit, finance and insurance	12,478	28,484	707	371
Property management and trade, business services	17,362	18,382	248	129
Of which				
- Residential property	6,952	7,627	43	46
- Letting of commercial property	6,878	4,694	81	72
- Business services	3,532	6,061	124	11
Other corporate	8,902	5,143	289	25
<b>Total corporate</b>	<b>55,911</b>	<b>69,984</b>	<b>1,756</b>	<b>702</b>
Retail	20,853	15,408	97	68
<b>Total</b>	<b>76,937</b>	<b>85,741</b>	<b>1,853</b>	<b>770</b>

The distribution is based on public sector statistics and is therefore not directly comparable with the Bank's business areas. Note that sector segments have been changed in 2009. Comparative figures have not been fully restated. In the Bank's view, the effect is of minor importance to the assessment of the portfolio and development in loans, advances and guarantees.

### Loans, advances, guarantees and provisions



Impairment provisions comprised collective impairment provisions of DKK 111m and individual impairment provisions of DKK 1,469m against DKK 123m and DKK 591m in 2008.

Consequently, collective impairment provisions were reduced by DKK 12m, while individual impairment provisions gained DKK 878m.

At end-2009, loans and advances subject to individual provisioning accounted for around DKK 2,027m before impairment provisions of DKK 1,469m, equal to 72% of loans and advances. In 2008 corresponding individual impairment provisions came to DKK 591m or 51% of the underlying loans and advances.

The majority of the Bank's individual impairment provisions were attributable to Corporate Banking. Individual provisions for corporate exposures rose from DKK 554m at end-2008 to DKK 1,339m, equal to an increase of DKK 785m.

The impairment provisions concerned a limited part of the Bank's loan portfolio as about 80% of impairment provisions were attributable to 10 exposures.

Nykredit Bank's subsidiary Nykredit Leasing recorded impairment provisions on loans and advances of DKK 46m against DKK 14m at end-2008.

Impairment provisions on retail exposures rose from DKK 30m to DKK 72m, while Markets & Asset Management provisions rose by DKK 5m to DKK 64m due to an increase in collective impairment provisions.

Relative to loans, advances and guarantees, provisions were 2.35% against 0.9% at end-2008.

Excluding impairment provisions relating to ebh fonden and Dansk Pantebrevsbørs, the ratio

was 1.89%. Considering the market conditions, this level is still relatively low but showing an upward trend compared with 0.5% in 2008.

The breakdown of loans, advances and guarantees by sector and industry was largely unchanged compared with 2008. However, loans and advances to "Credit and finance" declined by DKK 16.0bn to DKK 12.5bn particularly due to fewer reverse loans.

A significant part of the Bank's provisions were attributable to the segment "Credit and finance", which accounted for DKK 707m or about 38% of total provisions. Of this amount, DKK 378m was attributable to ebh fonden and Dansk Pantebrevsbørs, while DKK 268m derived from provisions relating to bank rescue package I.

16% of the Bank's loans, advances and guarantees could be ascribed to the above segment as activities aimed at pension funds, investment funds and investment companies form a significant part of the Bank's business activities. A large share was based on reverse loans.

Of total provisions, DKK 248m could be ascribed to exposures to customers in the property and business services segments. Compared with DKK 129m in 2008, provisions increased by DKK 119m, of which one single exposure accounted for DKK 105m. Total impairment provisions for private residential lending and lending for commercial property letting came to DKK 124m against DKK 118m at end-2008. Relative to total loans, advances and guarantees of DKK 13.8bn, provisions were relatively low – also considering current property market trends. Of impairment provisions of DKK 124m, collective impairment provisions accounted for DKK 24m.

Loans, advances and guarantees for residential properties and letting of commercial property were reduced by approximately DKK 1bn relative to early 2009. Management finds that the exposure is reasonable considering the Bank's size and activities.

The Bank monitors property market trends and its own exposures closely, and Management considers the current exposure to be appropriate. Part of the Bank's lending is made up of land registration guarantees, which historically involve relatively limited credit risk.

Total amounts overdrawn/in arrears for which no impairment provisions had been made in 2009 were fairly limited.

### Guarantees

The Bank issues guarantees on a current basis, including guarantees to mortgage banks. According to the accounting rules, guarantees must be reviewed on a current basis and losses under guarantees provided for if deemed necessary. At end-2009 provisions for guarantees amounted to DKK 273m against DKK 56m at end-2008. Of this amount, DKK 268m concerned provisions under bank rescue package I (2008: DKK 45m).

### Earnings impact

The charge for the year came to DKK 1,225m against DKK 763m in 2008.

Of this amount, Corporate Banking accounted for DKK 1,091m (2008: DKK 702m), Retail Banking DKK 76m (2008: DKK 20m) and Markets & Asset Management DKK 58m (2008: DKK 41m).

Provisions relating to bank rescue package I amounted to DKK 223m, up DKK 178m on 2008.

The subsidiary Nykredit Leasing generated a charge of DKK 70m against income of DKK 10m in 2008.

The charge of DKK 1,225m equalled 1.6% of total loans, advances and guarantees. This exceeded the level at end-2008 (0.9%), reflecting losses on individual large commercial exposures as well as general credit market trends, including the effect of incipient unemployment in the private sector combined with declining property prices.

**Credit risk models**

Nykredit uses internal models in the determination of credit risk. The determination of credit risk is based on three key parameters: Probability of Default (PD), Loss Given Default (LGD) and Exposure Value (EV).

The models used to determine PD and LGD ratios are built on historical data allowing for periods with low as well as high business activity. PDs are therefore estimated by weighing current data against data from the early 1990s. Current data carry a 40% weighting, while data from the early 1990s carry a 60% weighting. In the determination of impairments for accounting purposes, however, current data carry a 100% weighting.

The PD of retail customers and small enterprises is determined on the basis of a customer's credit score and payment behaviour. Credit scoring is a statistical calculation of a customer's creditworthiness based on the customer's financial circumstances and other factors. Credit scoring models have been applied at Nykredit Bank since 1998.

With respect to other customer groups, statistical models have been developed based on conditional probabilities estimating PDs that factor

in business-specific circumstances such as accounting figures, arrears and impairments as well as industry-specific conditions and the macroeconomic climate.

External ratings are used to a very limited extent in respect of a few types of counterparties for which no statistical models can be developed due to the absence of default data. External ratings are converted into PDs.

The PDs of individual customers are converted into ratings from 0 to 10, 10 being the highest rating. Customer ratings are an important element of the credit policy and customer assessment.

LGD is calculated for each customer exposure. For retail customers, LGDs are calculated using internal methods based on loss and default data. The calculations factor in any security such as mortgages on real property, including the type of security, its quality and ranking in the order of priority.

Further information on Nykredit Bank's risk management is available in the publication Risk and Capital Management 2009 at [nykredit.com/reports](http://nykredit.com/reports).

**MARKET RISK**

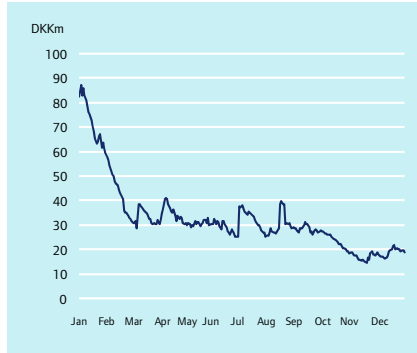
Nykredit Bank assumes market risk in connection with its trading activities with customers, its role as market maker and its placing of liquidity. The most significant market risk relates to the Bank's Markets activities within securities trading as well as swap and money market transactions. Furthermore, the placing of the Bank's excess liquidity in short-term securities also results in market risk exposure. Market risk in the Bank's other subsidiaries is either hedged with the Bank as counterparty or negligible.

The Bank applies a central trading and risk management system, which handles financial instruments, to compute market risk. The system provides the Bank with a high degree of reliability in terms of consistent monitoring and computation of market risk. The validity of the price and risk models is tested on a current basis.

For the purpose of satisfactory market risk management, Nykredit Bank's Board of Directors lays down limits, including specific limits to Value-at-Risk, interest rate, OAS, equity price, foreign exchange and volatility risk. The limits are assigned to the Executive Board of the Bank and further delegated to the acting entities of the Group. Risk Management, which acts independently of the acting entities, monitors market risk on a current basis and reports to Management on a day-to-day basis. Acting and reporting entities are thus segregated.

The management of market risk is based on the risk measures fixed by the Board of Directors such as Value-at-Risk and more traditional risk measures such as interest rate risk and interest rate vega. In addition, risk limits have been determined in relation to spread widening between the Bank's mortgage bond portfolio and interest rate swap hedges. This risk is referred to as OAS (option-adjusted spread) risk and forms a significant part of the Bank's total market risk. The Bank has also defined a number of stress and scenario tests that form part of the management of market risk.

**Value-at-Risk (excl equities)**



Value-at-Risk at 99%

**Net interest rate exposure**



**Elements of the calculation of Value-at-Risk**

Value-at-Risk is a statistical measure of the maximum loss on an investment portfolio at a given probability within a given time horizon. The Nykredit Bank Group calculates Value-at-Risk based on a 99% confidence level and a one-day time horizon.

The parameters used to determine Value-at-Risk are:

Risk factors:	All exposures are transformed into a number of risk factors for interest rate and foreign exchange risk.
Volatilities and correlations:	Daily volatilities and correlations of the above-mentioned risk factors. The volatilities are determined to the effect that the newest observations have the highest weighting.
Time horizon:	Value-at-Risk is determined on the basis of a time horizon of one day, but the figure may be scaled to other time horizons.
Confidence level:	Value-at-Risk is determined at a 99% confidence level.

bonds. For the day-to-day internal determination of VaR, a charge for the Bank's position in equities is also calculated.

The calculation of VaR includes yield curves based on closing market prices as well as historical correlations and volatilities. These are calculated using an EWMA model and a decay factor of 0.94 weighting the observations exponentially which means that the model quickly adapts to new volatilities, but also has a shorter memory span. Hence, the latest market observations will have the highest weighting. The model results are subject to a daily back test which is presented to the Executive Board on a weekly basis.

In 2009 VaR averaged DKK 33m (2008: DKK 44m). This meant that Nykredit Bank would at a 99% probability lose less than DKK 33m in one day as a consequence of market fluctuations. During 2009 VaR ranged between DKK 15m and DKK 87m (2008: DKK 22m-140m).

Value-at-Risk generally decreased in 2009. The reason is that the OAS volatility of mortgage bonds declined heavily due to governmental stabilisation measures such as temporary government guarantees, the possibility of capital contributions or purchases of special assets in spring 2009. The reduced volatility has a direct effect on the Bank's VaR. Furthermore, the transfer of Proprietary Trading to the Bank's Parent Company reduced the Bank's total VaR.

#### Elements of Value-at-Risk

VaR provides no indication of the distribution of losses under unusual market conditions. In consequence, a number of scenarios depicting unusual market conditions have been drawn up. The scenarios are calculated on a daily basis and reported to the Board of Directors on a monthly basis.

The Bank is authorised by the FSA to determine VaR for the purpose of calculating the capital requirement to cover market risk.

#### Interest rate risk

The Bank's interest rate exposure as measured at a general rise in rates of 1 percentage point ranged between a loss of DKK 52m and a gain of DKK 222m in 2009 (2008: a loss of DKK 89m to a gain of DKK 244m) and represented a gain of DKK 9m at end-2009 (2008: a loss of DKK 21m).

The Bank's interest rate exposures are primarily concentrated in DKK and EUR but it also has minor exposures in SEK, NOK, USD and CHF. Long-term loans and deposits are hedged extensively against interest rate movements using interest rate swaps.

#### OAS risk

At end-2009 the Bank recorded an OAS risk of DKK 6m, which is also included in the Bank's total VaR. This figure indicates that a widening of the spread of 100bp at bank level will trigger

a loss of DKK 6m. The spread contracted significantly in 2009. The organisational transfer of Proprietary Trading, which was previously in charge of the Bank's own trading positions, has reduced the Bank's total risk also in this area.

#### Equity price risk

At end-2009 the determination of market risk included an equity position of DKK 231m (2008: DKK 184m).

Equity price risk does not form an integral part of the VaR model. Therefore, the loss distribution of the equity portfolio is determined on a continuous basis as a supplement to the VaR model in the daily determination of market risk.

#### Foreign exchange risk

At end-2009 the most significant foreign exchange positions were in EUR. The Bank's foreign exchange exposure in terms of the largest numeric sum of positive and negative foreign exchange positions (Exchange Rate Indicator 1) ranged between DKK 10m and DKK 502m in 2009 (2008: between DKK 13m and DKK 781m) and was DKK 64m at end-2009 (2008: DKK 245m).

#### Option risk

The Bank's most significant option risk derives from the embedded options in Danish mortgage bonds, but the Bank's trading in swap-tions also implies option risk. The risk is hedged to a significant extent through the purchase of caps.

The Bank's interest rate volatility exposure measured as the change in market value following a change in volatility of 1 percentage point amounted to DKK 2m at end-2009 (2008: a loss of DKK 1m).

#### LIQUIDITY RISK

Liquidity risk reflects the risk that Nykredit Bank is unable to meet its payment obligations or suffers a loss due to a disproportionate increase in funding costs.

The Group's overall liquidity risk is assessed by the Asset/Liability Committee. The Board of Directors of the Bank formulates the liquidity policy, liquidity ratio principles and requirements and liquidity risk targets, which are assessed and monitored on an ongoing basis by the Bank's Treasury Committee. The current balance sheet and liquidity of the Bank are monitored on a day-to-day basis.

The Bank manages the balance sheets based on the liquidity of assets and liabilities and operates with a trading book and a banking book.

### The Nykredit Bank Group

#### Funding sources – banking book

DKK million	2009	2008
Retail deposits	12,755	10,512
Commercial deposits from SMEs	7,785	9,274
Commercial deposits from other commercial customers and local authorities	26,637	26,750
Long-term deposits from financial counterparties	2,084	2,086
Issued bonds (excl ECP issues)	22,135	12,610
Equity and subordinate loan capital	10,227	9,504
Undrawn back-up facilities	-	2,645
<b>Total funding sources (banking book)</b>	<b>81,715</b>	<b>73,381</b>
<b>Banking book, lending</b>	<b>45,428</b>	<b>50,897</b>
<b>Banking book, funding sources relative to banking book, lending</b>	<b>180%</b>	<b>144%</b>

### Nykredit Bank A/S

#### Maximum liquidity deficit limits fixed by the Board of Directors

2009 DKK million	Internal target for		
	maximum liquidity deficit	Absolute minimum point of the period	Average of minimum points for the period
0 – 20 days	0	14,959	34,317
21 days – 3 months	(3,000)	(358)	10,427
3 months – 5 years	(4,500)	(4,239)	(2,265)
5 years – 10 years	(1,000)	(406)	1,634
Over 10 years	0	3,853	6,254

The trading book consists mainly of liquid Danish and European government and mortgage bonds (covered bonds) eligible as collateral with Danmarks Nationalbank or other European central banks. The trading book also includes a portfolio of corporate bonds and the Bank's repo/reverse transactions. Securities not serving as collateral in the trading book are the

primary source to the short-term liquidity buffer.

The liquidity buffer is subject to the Danish Financial Business Act, which stipulates that a bank's liquidity must be at least 10% of total reduced debt and guarantee obligations. Nykredit Bank uses an internal liquidity requirement of at least 15%. The Bank's liquidity was 42.4% at end-2009 (2008: 25.5%). The liquidity buffer shows to which extent the Bank's liquidity exceeds the 10% requirement. The liquidity buffer is thus at hand for any unforeseen drains on the Bank's liquidity. The liquidity buffer averaged DKK 43.0bn in 2009 (2008: DKK 13.0bn). At end-2009, the liquidity buffer stood at DKK 66.7bn (2008: DKK 31.2bn).

The banking book includes lending to customers primarily funded through the Bank's equity, deposits from customers and long-/medium-term capital market funding. Banking book funding rose to 180% at end-2009 against 144% at end-2008 relative to bank lending.

Issues under the EMTN programme grew to EUR 3.0bn at end-2009 from EUR 1.7bn at end-2008. The aim was to obtain particularly high liquidity levels during the financial crisis and the ongoing integration of Forstædernes Bank. As an additional liquidity management buffer, it will be possible to supplement non-guaranteed EMTN issues with issues subject to individual government guarantees under bank rescue package II in 2010.

In 2009 increased diversification of funding sources was obtained through the Euro Commercial Paper (ECP) programme established in late 2008. Funding under the ECP programme rose from EUR 0.6bn at end-2008 to EUR 2.5bn at end-2009 on very favourable terms.

Liquidity risk management is based on an internal liquidity model that quantifies the Bank's liquidity position at future points, excluding future transactions. The liquidity model shows the sum of both known and estimated payments across a maturity range. The liquidity model is a management tool which serves to determine the level of liquidity the Bank needs to raise or place.

The structural liquidity risk limits appear from the table on page 21. For example, the Bank may not have a negative liquidity position within the first 20 banking days.

The model assumptions are stress tested on a daily basis. This includes the effect of a liquidity crisis resulting in lapse of part of the Bank's

funding and/or an increase in the maturity of its assets. In addition, stress tests are conducted according to Moody's Bank Financial Strength Ratings: Global Methodology. The test shows that the Bank can withstand a lack of access to capital markets that exceeds 12 months.

**Capital management**

In Nykredit, excess capital is consolidated in the Parent Company, Nykredit Realkredit. Nykredit Bank aims to maintain a capital adequacy ratio that is at least 1 percentage point higher than the statutory capital requirement.

In compliance with the statutory capital requirement, the Bank has allocated capital lines to its business areas. The line utilisation, which is monitored and reported daily to the entities responsible, serves as a good illustration of the activity levels in the business areas.

**OPERATIONAL RISK**

Operational risk reflects the risk of loss resulting from inadequate/failed internal processes, people and systems or from external events.

Nykredit Bank's capital charge for operational risk, as determined on a pro forma basis using the basic indicator approach under Basel II, came to DKK 237m at end-2009. This means that the capital charge is determined as 15% of average gross earnings.

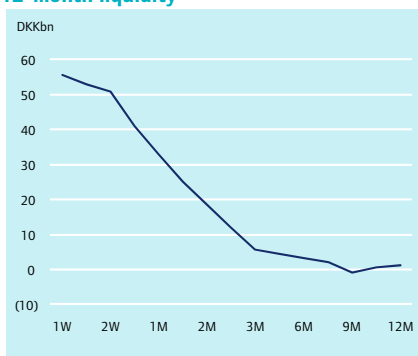
In the Nykredit Group, efforts are constantly made to create a risk culture in which operational risk awareness is a natural part of everyday business activities.

The business areas are responsible for the day-to-day management of operational risk. Operational risk management activities are coordinated centrally to ensure consistency and optimisation across the Group. The Group strives always to limit operational risk, taking into consideration the related costs.

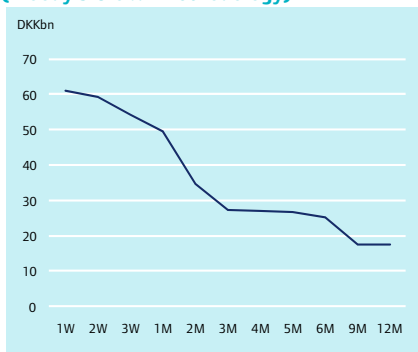
Nykredit systematically records and classifies loss-making operational events to create an overview of sources of loss and to accumulate experience from which the organisation as a whole may benefit.

Business contingency plans ensure constant and secure operations in case of a shutdown of the IT supply or other emergencies.

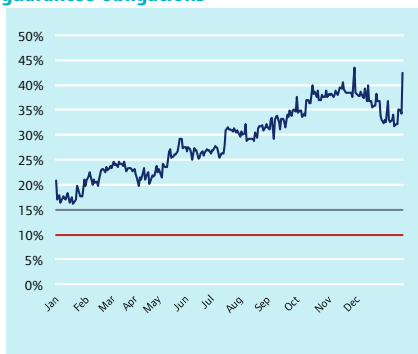
**Nykredit Bank A/S**  
**12-month liquidity**



**Nykredit Bank A/S**  
**Stress test of liquidity –**  
**(Moody's Global Methodology)**



**Nykredit Bank A/S**  
**Liquidity as % of debt and**  
**guarantee obligations**



— Liquidity relative to statutory requirement  
— Statutory requirement  
— Nykredit Bank's internal requirement

Note: The graph shows Nykredit Bank's liquidity as a % of total debt and guarantee obligations after statutory deductions, cf section 152 of the Danish Financial Business Act.



## UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

The day-to-day operations of the Bank imply a number of rights and obligations in respect of which the recognition and subsequent measurement lead to the use of qualified estimates and may be uncertain.

In accordance with IFRS, the Annual Report has been prepared on the basis of assumptions that require the use of accounting estimates in some respects. These estimates are made by Management in accordance with the accounting policies and based on past experience and, in Management's opinion, reasonable and realistic assumptions. The accounting estimates and underlying assumptions are tested and assessed regularly.

Areas in which assumptions and estimates are material to the financial statements are in particular:

*Provisions for loan and receivable impairment* involving significant estimates in connection with the quantification of the risk of not receiving all future payments.

*Listed financial instruments*, which have been priced in low-turnover markets due to the financial turmoil in 2008 and 2009, may to a higher degree than previously involve some uncertainty in connection with the measurement of fair values. For further information on the methods applied, including risks related to the valuation, see note 37 of the financial statements.

*Unlisted financial instruments* involving significant estimates in connection with the measurement of fair values. For further information, see note 37 of the financial statements.

*Provisions* involving certain estimates at the balance sheet date. A substantial part of the provisions is attributable to bank rescue package I, for which reason estimates and uncertainty primarily take their starting point in a general expectation of losses inflicted on the scheme by the distressed banks, cf financial information from the Financial Stability Company.

### Internal control and risk management systems for the external reporting process

The Board of Directors and the Executive Board of Nykredit Bank are responsible for the Group's control and risk management systems for the external financial reporting process. The rules of procedure for the Board of Directors and the Executive Board delineate their responsibilities.

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

The Board of Directors and the Executive Board assess material risk and internal controls on an ongoing basis in connection with the Group's activities and their potential effect on the external financial reporting process.

Together with the Nykredit Group, Nykredit Bank has over the past few years expanded and improved its current monitoring and management of risk in areas where internal models are the core of the Group's day-to-day risk management. Risk is reported on a continuous basis in material areas such as credit risk, market risk and liquidity risk.

### External 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.

The finance area is responsible for the Bank Group's overall financial control and reporting, including presentation of the financial statements. The finance area is also responsible for ensuring that the financial reporting complies with principles laid down and current legislation.

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

A number of committees with representatives from relevant areas across the Group have been appointed to help ensure compliance with current legislation. One of these committees reviews and comments on new and amended accounting rules for the purpose of continuous adaptation of the internal and external financial

reporting process. A committee with special focus on the preparation of the annual report has been established. This committee considers issues specific to the Group which are of importance to the correct presentation of the Group's annual report.

The finance area prepares quarterly or monthly internal forecasts or reports such as budget control and is responsible for annual and interim financial reporting. The finance area consolidates the financial statements monthly, which includes controlling material financial items, and it also reports to public authorities etc.

The finance area of each subsidiary is responsible for the reporting of the company concerned. Financial data and Management's comments on financial and business developments are reported monthly.

### Control environment

Business procedures are laid down and controls are implemented for all material risk areas, including areas of significance to the external financial reporting process.

The Executive Board is responsible for risk delineation, management and monitoring. This responsibility has been reassigned to a number of committees. The Executive Board's powers and duties are provided in:

- The Board of Directors' rules of procedure
- The Executive Board's rules of procedure
- General delineation of duties and responsibilities between the members of the Group Executive Board
- Instructions for the granting of loans and other exposures
- Instructions on financial risk limits
- The rules of procedure of the Risk Committee in the Nykredit Realkredit Group.

Other important participants in connection with the external financial reporting are Group Treasury, Risk Management and Group Credits, which are responsible for the current risk and capital management, including reporting and monitoring of group activities.

### Risk assessment

The Board of Directors' and the Executive Board's risk management relating to the external 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 developments
- Review and approval of budgets and forecasts
- Review of interim and annual reports and other financial data
- Annual assessment of the risk of fraud.

### Controls

The purpose of the Group's controls is to ensure that policies, manuals and procedures, etc 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 IT systems etc applied.

Nykredit's control level is based on the following 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 their duties and for implementing permanent satisfactory internal controls for the handling of business operations.
- Risk management functions – consist of a number of intercompany areas in the Nykredit Group such as Group Credits, the Group's finance areas, Risk Management, Compliance and IT Security. These areas are in charge of providing procedures and policies on behalf of Management. Further, they are responsible for testing whether procedures and policies 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 the Nykredit Group and to perform the statutory audit of the annual report in cooperation with the external auditors. The internal and external auditors endorse the annual report 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 Executive Board's reassignment of its daily control duties to the other management levels in the organisation and the structure of the three functional levels shall ensure:

- Efficient and profitable business conduct
- Reliable internal and external reporting
- Compliance with legislation, other external rules and internal guidelines
- The value of the Group's assets, including efficient management of related risks.

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

**Information and communication**

The Board of Directors has adopted an information and communications policy, which lays down the general requirements for external financial reporting in accordance with legislation and relevant rules and regulations. Nykredit aims to appear open and reliable – in compliance with legislation and the Stock Exchange Code of Ethics.

Internal and external financial reporting is submitted to the Group's Board of Directors and the Executive Board on an ongoing basis. Internal reporting contains analyses of material matters in for instance the Group's business areas and subsidiaries.

Risk reporting is submitted to the Board of Directors, the Executive Board, relevant management levels and the individual business areas. It forms the basis for Management's accounting estimates. For further details of the Group's risk and capital management, reference is made to the report Risk and Capital Management 2009, available at [nykredit.com/reports](http://nykredit.com/reports).

**Monitoring**

In 2009 the Board of Directors set up an Audit Committee, which monitors the financial reporting process and ensures that the Company's internal control system, internal audit and risk management system are effective.

The Audit Committee continuously receives reporting from the Executive Board or external/internal audit on compliance with the provided guidelines etc and on any weaknesses, omissions and/or non-compliance with adopted policies, business procedures or internal controls in the form of long-form audit reports and management summaries.

**Audit Committee**

Nykredit Realkredit A/S set up an Audit Committee in spring 2009, which acts as a joint audit committee for all the companies within the Nykredit Group which are obliged to set up such a committee in accordance with section 2(4) of the Danish executive order on audit committees. These companies are Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Forstædernes Bank A/S and Nykredit Forsikring A/S.

The Audit Committee consists of the entire Board of Directors of Nykredit Realkredit A/S.

The Board of Directors of Nykredit Realkredit A/S has appointed Steffen Kragh, CEO, as the independent member of the Audit Committee skilled in accounts.

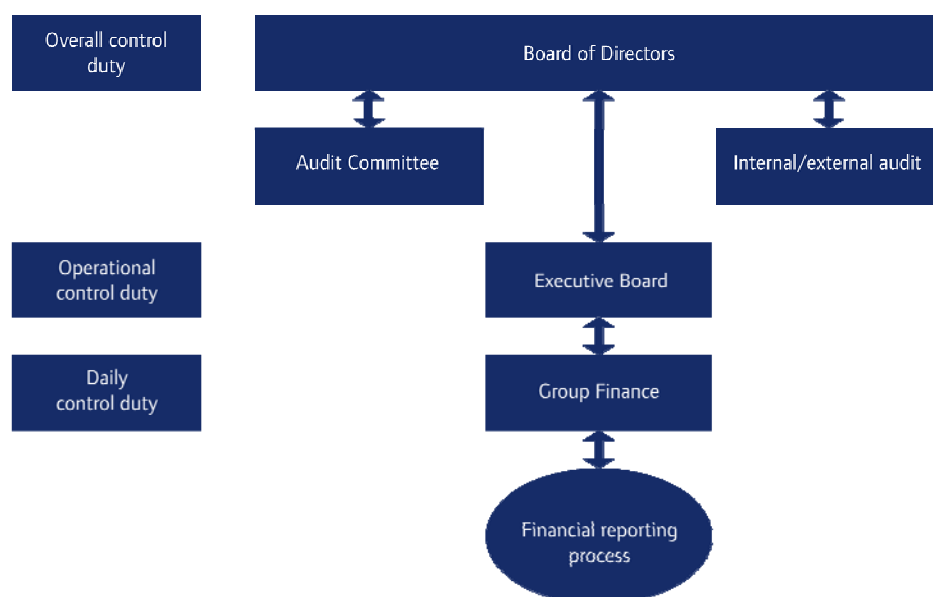
Steffen Kragh is CEO of Egmont and has previously been CFO and later managing director of a number of companies within the Egmont Group.

Steffen Kragh holds a master's degree (Strategic Planning and Finance) from CBS and an Executive MBA from SIMI.

The principal tasks of the Audit Committee are to monitor that the external financial reporting process as well as the Group's internal control systems, internal audit and risk management are effective; to monitor the statutory audit of the financial statements etc; and finally to monitor and verify the independence of the auditors.

The Audit Committee holds at least four annual meetings. Additional meetings are held, if necessary.

**Stakeholder model**



# Nykredit Bank group entities

## NYKREDIT BANK A/S

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S. Nykredit Bank has been included in this company's Consolidated Financial Statements and in the consolidated financial statements of Foreningen Nykredit, Copenhagen, which owns 88.18% of Nykredit Realkredit A/S.

The Nykredit Bank Group consists of the Parent Company Nykredit Bank A/S and its subsidiaries.

Nykredit Bank A/S applies the same recognition and measurement principles as those applied in the Nykredit Bank Group's financial

statements, and profit (loss) for the year and equity are consequently identical in both entities' financial statements.

Since a significant part of the activities of the Nykredit Bank Group are conducted through the Parent Company Nykredit Bank A/S the financial development has been affected by the same factors as described in the Management's Review of the Nykredit Bank Group.

In 2009 Nykredit Bank A/S recorded a loss of DKK 77m, up DKK 164m on the loss for 2008 of DKK 241m.

The loss before tax totalled DKK 45m comprising a profit excluding subsidiaries of DKK

113m and a total loss from associates and subsidiaries of DKK 158m.

Interest and fees netted DKK 2,500m in 2009 compared with DKK 1,620m in 2008, while value adjustments went up from a negative DKK 29m to a positive DKK 363m.

Income from net interest and value adjustments should be considered in context, as the Bank to a large extent uses interest-bearing financial assets and liabilities combined with derivatives as part of its day-to-day operations, including swaps for interest rate hedges.

Other operating income came to DKK 8m in 2009 against DKK 5m in 2008.

Costs rose from DKK 1,075m in 2008 to DKK 1,603m in 2009, up 49%. The increase was related to staff expenses, increased IT expenses and settlements with Nykredit Realkredit as well as expenses for bank rescue package I and costs relating to the winding up of Dansk Pantebrevsbørs. The average number of staff increased by 5% to 625 against 595 in 2008.

Impairment losses on loans and advances came to DKK 1,155m in 2009 against DKK 772m in 2008. The background for this development is described in more detail in the credit risk section of the Annual Report.

Equity investments generated a loss of DKK 158m in 2009 against a loss of DKK 58m in 2008. The negative development in 2009 was mainly attributable to a loss from Dansk Pantebrevsbørs of DKK 138m and from Nykredit Leasing of DKK 29m. Nykredit Portefølje Administration recorded a profit of DKK 17m.

## Principal balance sheet items

The balance sheet total decreased from DKK 192.5bn at end-2008 to DKK 187.5bn.

The cash balance and receivables from credit institutions and central banks increased from DKK 32.4bn in 2008 to DKK 47.4bn.

Loans, advances and receivables decreased by DKK 17.7bn to DKK 57.1bn, of which reverse loans accounted for a decline of DKK 12.7bn. Bonds and equities totalled DKK 54.2bn against DKK 52.6bn at end-2008.

Payables to credit institutions and central banks were DKK 53.6bn against DKK 84.3bn at end-2008. The decline was mainly attribut-

## Nykredit Bank A/S

### Summary income statement

DKK million	2009	2008
Net interest and fee income	2,500	1,620
Value adjustments	363	(29)
Other operating income	8	5
Capacity costs	1,603	1,075
Impairment losses on loans, advances and receivables	1,155	772
Loss from investments in associates and group enterprises	(158)	(58)
<b>Loss before tax</b>	<b>(45)</b>	<b>(309)</b>
Tax	32	(68)
<b>Loss for the year</b>	<b>(77)</b>	<b>(241)</b>

## Nykredit Bank A/S

### Summary balance sheet

DKK million	2009	2008
Receivables from credit institutions	47,439	32,361
Loans, advances and receivables	57,112	74,817
Bonds and equities	54,232	52,597
Other asset items	28,688	32,707
<b>Total assets</b>	<b>187,471</b>	<b>192,482</b>
Payables to credit institutions	53,609	84,321
Deposits and other payables	47,182	46,964
Issued bonds at amortised cost	41,539	17,330
Other liability items and provisions	34,914	34,363
Subordinate loan capital	-	2,400
Equity	10,227	7,104

## Nykredit Bank A/S

### Financial ratios

	2009	2008
Capital adequacy ratio, %	12.2	10.2
Core capital ratio, %	12.2	7.6
Return on equity before tax, %	(0.5)	(4.7)
Return on equity after tax, %	(0.9)	(3.6)
Income:cost ratio, DKK	0.98	0.83
Number of full-time staff (avg)	625	595

able to a rise in the Bank's funding through corporate and retail deposits in 2009 as well as the Bank's own issues under its EMTN and ECP programmes.

Deposits and other payables amounted to DKK 47.2bn against DKK 47.0bn at end-2008.

Equity stood at DKK 10,227m against DKK 7,104m at end-2008. The increase equalled loss for the year of DKK 77m and paid-up capital of DKK 3,200m.

The capital adequacy and core capital ratios both came to 12.2%, against 10.2% and 7.6%, respectively, at end-2008.

### NYKREDIT PORTEFØLJE ADMINISTRATION A/S

The company is wholly owned by Nykredit Bank A/S.

Nykredit Portefølje Administration A/S is a licensed investment management company, which handles the activities of the Nykredit Group within investment fund administration.

The activity level was high in 2009, and the company launched or took over 3 funds and 25 subfunds, while 7 funds and 14 subfunds were discontinued.

Despite the refund of mandatory pension contributions, the development in financial markets in 2009 and addition of new mandates have resulted in an increase of total assets under administration. Assets under administration totalled DKK 228.4bn at end-2009 against DKK 214bn at end-2008.

Profit for the year came to DKK 17m against DKK 14m in 2008. Results reflect increased net fee income based on the development in assets under administration.

The balance sheet total was up from DKK 133m in 2008 to DKK 169m in 2009, predominantly reflecting increased receivables from credit institutions in the form of fixed-term deposits under the government guarantee.

Equity rose from DKK 103m at end-2008 to DKK 120m at end-2009.

#### Nykredit Portefølje Administration A/S

##### Summary income statement

DKK million	2009	2008
Net interest and fee income	93	86
Value adjustments	0	0
Capacity costs	71	68
<b>Profit before tax</b>	<b>22</b>	<b>18</b>
Tax	5	4
<b>Profit for the year</b>	<b>17</b>	<b>14</b>

#### Nykredit Portefølje Administration A/S

##### Summary balance sheet

DKK million	2009	2008
Receivables from credit institutions	132	102
Bonds	0	0
Other asset items	37	31
<b>Total assets</b>	<b>169</b>	<b>133</b>
Other liability items and provisions	49	30
Equity	120	103

#### Nykredit Portefølje Administration A/S

##### Financial ratios

	2009	2008
Capital adequacy ratio, %	66.4	62.8
Return on equity before tax, %	20.0	19.1
Return on equity after tax, %	14.9	14.3
Income:cost ratio, DKK	1.30	1.26
Number of full-time staff (avg)	59	57

**NYKREDIT LEASING A/S**

The company offers lease financing for Danish trade and industry and the public sector.

In 2009 the company merged with the former subsidiary Nykredit Leasing Finans A/S.

Loss before tax came to DKK 37m against a profit of DKK 22m in 2008. The loss was higher than expected, chiefly due to a rise in impairment losses of DKK 80m from an income of DKK 10m in 2008 to an expense of DKK 70m in 2009.

Net income rose by DKK 27m to DKK 80m while loans and advances were unchanged at DKK 2.1bn at end-2009.

Capacity costs went up DKK 6m to DKK 47m, and the number of staff averaged 45 in 2009 against 41 in 2008.

The balance sheet total came to DKK 2.2bn against DKK 2.4bn at end-2008.

Equity went up from DKK 126m to DKK 148m. In 2009 the company received new capital in the amount of DKK 50m from Nykredit Bank A/S.

**Nykredit Leasing A/S****Principal income statement and balance sheet items**

DKK million	2009	2008
Net interest and fee income	58	34
Other operating income	22	19
Capacity costs	47	41
Impairment losses on loans and advances	70	(10)
<b>Profit (loss) before tax</b>	<b>(37)</b>	<b>22</b>
Tax on profit (loss) for the year	(8)	6
<b>Profit (loss) for the year</b>	<b>(29)</b>	<b>16</b>
Loans, advances and receivables	2,132	2,103
Total assets	2,178	2,431
Payables to credit institutions	1,935	2,169
Equity	148	126
Return on equity, %	(21.0)	13.9
Number of full-time staff (avg)	45	41

**DANSK PANTEBREVSØRS A/S**

Nykredit Bank and EBH Bank each own 50% of the company.

The company became subject to insolvency proceedings in 2009. Due to the company's situation, and the fact that large parts of its administration has been assigned to a trustee in bankruptcy, the company was not subject to proportionate consolidation, as Nykredit Bank no longer has control over the company's management and operations.

The company has carried on mortgage trading and related activities, but due to flagging sales, massive mortgage losses and not least the state of EBH Bank, it was decided to wind up the company.

No final financial statements have been prepared for the company, and the financial implications for Nykredit Bank's financial statements are therefore based on a number of managerial estimates.

In Management's view, the winding up of Dansk Pantebrevsørs A/S will involve total expenses of around DKK 183m for Nykredit Bank in 2009 attributable to a capital loss on the company's securities portfolio, current operating costs and general decommissioning costs, including satisfaction of approved creditor claims.

In 2008 the earnings impact of the company on Nykredit Bank's financial statements was a loss before tax of DKK 52m (Nykredit Bank's ownership interest).

No financial statements have been prepared for 2009.

**Dansk Pantebrevsørs A/S****Summary income statement and balance sheet**

DKK million	2008
Net interest and fee income	8
Value adjustments	(41)
Capacity costs	71
<b>Loss before tax</b>	<b>(104)</b>
Tax	5
<b>Loss for the year</b>	<b>(109)</b>
Receivables from credit institutions	1
Mortgage portfolio	195
Other asset items	45
<b>Total assets</b>	<b>241</b>
Payables to credit institutions	297
Other liability items and provisions	9
Equity	(65)
Number of full-time staff (avg)	41

## OTHER COMPANIES

Nykredit Bank also owns a number of small companies some of which have been completely or partly without activity in 2009. The companies have been consolidated in the Nykredit Bank Group's Financial Statements and appear from the Group structure, cf note 44.

These companies include:

*Nykredit Sirius Limited, Cayman Islands*

The company is in liquidation and held a minor portfolio of derivatives at year-end.

*Nykredit Pantebrevsinvestering A/S*, the mortgage portfolio of which was sold in 2005, and since then the company has not carried on activities other than the management of two exposures.

*Pantebrevsselskabet af 8/8 1995 A/S*, which had no activities in 2009.

Also included is a UK subsidiary, which has had no activities in recent years and is in liquidation.



# Management Statement and Audit Reports



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

Copenhagen, 11 February 2010

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2009 of Nykredit Bank A/S and the Nykredit Bank Group.

### Executive Board

Bjørn Mortensen

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The Parent Financial Statements and Management's Review have been prepared in accordance with the Danish Financial Business Act. Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Georg Andersen

Lars Bo Bertram

### Board of Directors

In our opinion, the Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2009 and of the results of the Group's and the Parent Company's activities as well as the Group's cash flows for the financial year 2009.

Karsten Knudsen, Chairman

Søren Holm, Deputy Chairman

Henrik K. Asmussen\*)

We are furthermore of the opinion that the Management's Review gives a fair review of the development in the activities and financial circumstances of the Group and the Parent Company as well as a satisfactory description of the material risk and uncertainty factors affecting the Group and the Parent Company.

Kim Duus

Allan Kristiansen\*)

Per Ladegaard

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

Bente Overgaard

\*) staff-elected member

## INTERNAL AUDITORS' REPORT

We have audited the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review of Nykredit Bank A/S for the financial year 1 January – 31 December 2009. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. In addition, the Consolidated Financial Statements and the Parent Financial Statements have been prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds. The Management's Review has 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 Danish and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review 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 controls established, including the risk management organised by Management and relevant to the entity'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, the Parent Financial Statements and the Management's Review, including evidence supporting such amounts and disclosures. Furthermore, the audit has included evaluating 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, the Parent Financial Statements and the Management's Review.

We have participated in the audit of risk and other material areas and believe that the audit evidence 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 controls established, including the risk management organised by Management aimed at Group and Parent Company reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Consolidated Financial Statements and the Parent Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2009 and of the results of the Group's and the Parent Company's activities as well as the Group's cash flows for the financial year 1 January – 31 December 2009 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for issuers of listed bonds, and the Management's Review gives a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 11 February 2010

Claus Okholm  
Chief Audit Executive

Kim Stormly Hansen  
Deputy Chief Audit Executive

## INDEPENDENT AUDITORS' REPORT

### To the shareholder of Nykredit Bank A/S

We have audited the Consolidated Financial Statements and the Parent Financial Statements of Nykredit Bank A/S for the financial year 1 January – 31 December 2009, comprising income statements, statements of comprehensive income, balance sheets, statements of changes in equity, cash flow statement and notes to the Financial Statements, including accounting policies and Management's Review. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. In addition, the Consolidated Financial Statements and the Parent Financial Statements have been prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds. The Management's Review has been prepared in accordance with the Danish Financial Business Act.

### Management's responsibility for the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review

Management is responsible for the preparation and fair presentation of Consolidated Financial Statements and Parent Financial Statements in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with Danish disclosure requirements for issuers of listed bonds. Management is also responsible for the preparation of a Management's Review that gives a fair review in accordance with the Danish Financial Business Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements, parent financial statements and management's reviews that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review based on our audit. We con-

ducted our audit in accordance with Danish and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of Consolidated Financial Statements and Parent Financial Statements as well as to the preparation of a Management's Review that gives a fair review, 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 entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements, the Parent Financial Statements and the Management's Review.

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 Parent Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2009 and of the results of the Group's and the Parent Company's activities as well as the Group's cash flows for the financial year 1 January – 31 December 2009 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with addi-

tional Danish disclosure requirements for issuers of listed bonds, and the Management's Review gives a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 11 February 2010

Deloitte  
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen  
State-Authorised Public Accountant

Henrik Wellejus  
State-Authorised Public Accountant

## Income statements for 1 January – 31 December

DKK million

Nykredit Bank A/S		Note	The Nykredit Bank Group		
2008	2009		2009	2008	
6,751	4,972	Interest income	2	5,037	6,906
5,346	2,895	Interest expenses	3	2,895	5,448
<b>1,405</b>	<b>2,077</b>	<b>NET INTEREST INCOME</b>		<b>2,142</b>	<b>1,458</b>
6	5	Dividend on equities	4	5	6
608	778	Fee and commission income	5	933	736
399	360	Fee and commission expenses	6	428	452
<b>1,620</b>	<b>2,500</b>	<b>NET INTEREST AND FEE INCOME</b>		<b>2,652</b>	<b>1,748</b>
(29)	363	Value adjustments	7	354	(91)
5	8	Other operating income		31	28
991	1,203	Staff and administrative expenses	8	1,316	1,118
3	3	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	4	5
81	397	Other operating expenses		400	94
772	1,155	Impairment losses on loans, advances and receivables	10	1,225	763
(58)	(158)	Profit (loss) from investments in associates and group enterprises	11, 13	(138)	-
<b>(309)</b>	<b>(45)</b>	<b>LOSS BEFORE TAX</b>		<b>(46)</b>	<b>(295)</b>
(68)	32	Tax	12	31	(54)
<b>(241)</b>	<b>(77)</b>	<b>LOSS FOR THE YEAR</b>		<b>(77)</b>	<b>(241)</b>
		<b>DISTRIBUTION OF PROFIT (LOSS) FOR THE YEAR</b>			
(241)	(77)	Loss for the year			
<b>(241)</b>	<b>(77)</b>	<b>TOTAL</b>			
		<b>PROPOSAL FOR THE DISTRIBUTION OF PROFIT (LOSS)</b>			
(241)	(77)	Retained earnings			
<b>(241)</b>	<b>(77)</b>	<b>TOTAL</b>			

## Statements of comprehensive income for 1 January – 31 December

(241)	(77)	<b>LOSS FOR THE YEAR</b>		(77)	(241)
(4)	-	Other additions and disposals		-	(4)
(4)	-	<b>OTHER COMPREHENSIVE INCOME</b>		-	(4)
<b>(245)</b>	<b>(77)</b>	<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(77)</b>	<b>(245)</b>

## Balance sheets at 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2008	2009		Note	2009	2008
		<b>ASSETS</b>			
173	72	Cash balance and demand deposits with central banks	14	72	173
32,188	47,367	Receivables from credit institutions and central banks	15	47,371	32,222
24,599	11,883	Loans, advances and other receivables at fair value	16	11,883	24,490
50,218	45,229	Loans, advances and other receivables at amortised cost	17, 10	45,428	50,897
52,413	54,003	Bonds at fair value	18	54,003	53,377
184	229	Equities	19	231	184
0	0	Investments in associates	20	-	-
368	335	Investments in group enterprises	20	-	-
9	9	Intangible assets	21	9	11
<b>70</b>	<b>69</b>	<b>Total land and buildings</b>	<b>22,7</b>	<b>69</b>	<b>70</b>
70	69	- Investment properties		69	70
7	6	Other property, plant and equipment	23	8	11
93	28	Current tax assets	31	41	99
87	82	Deferred tax assets	31	57	73
5	5	Assets in temporary possession	24	5	16
32,064	28,122	Other assets	25	28,200	32,169
4	32	Prepayments		36	8
<b>192,482</b>	<b>187,471</b>	<b>TOTAL ASSETS</b>		<b>187,413</b>	<b>193,800</b>

## Balance sheets at 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2008	2009		Note	2009	2008
		<b>LIABILITIES AND EQUITY</b>			
84,321	53,609	Payables to credit institutions and central banks	26	53,609	85,850
46,964	47,182	Deposits and other payables	27	46,965	46,536
17,330	41,539	Issued bonds at amortised cost	28	41,539	17,330
3,641	6,798	Other non-derivative financial liabilities at fair value	29	6,798	3,641
30,663	27,709	Other liabilities	30	27,862	30,871
2	2	Deferred income		8	10
<b>182,921</b>	<b>176,839</b>	<b>TOTAL PAYABLES</b>		<b>176,781</b>	<b>184,238</b>
		<b>Provisions</b>			
0	0	Provisions for deferred tax	31	0	0
56	273	Provisions for losses under guarantees	32	273	56
1	132	Other provisions	32	132	2
<b>57</b>	<b>405</b>	<b>TOTAL PROVISIONS</b>		<b>405</b>	<b>58</b>
2,400	-	Subordinate loan capital	33	-	2,400
		<b>Equity</b>			
2,575	4,175	Share capital		4,175	2,575
-	-	Revaluation reserves		-	-
		<b>Other reserves</b>			
7	0	Statutory reserves		-	-
4,522	6,052	Retained earnings		6,052	4,529
<b>7,104</b>	<b>10,227</b>	<b>TOTAL EQUITY</b>		<b>10,227</b>	<b>7,104</b>
<b>192,482</b>	<b>187,471</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>187,413</b>	<b>193,800</b>
		<b>Off-balance sheet items</b>			
10,353	19,625	Contingent liabilities	34	19,626	10,354
8,129	9,343	Other commitments	35	9,387	8,163
<b>18,482</b>	<b>28,968</b>	<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>29,013</b>	<b>18,517</b>
		Accounting policies	1		
		Related parties	36		
		Financial instruments	37		
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		Nykredit Bank A/S – 2005-2009	45		

## Statement of changes in equity and capital adequacy

DKK million

Nykredit Bank A/S

	Share capital *	Statutory reserve: Reserve for net revaluation according to the equity method	Retained earnings	Total
<b>Equity 2009</b>				
Equity, 1 January 2009, cf table below	2,575	7	4,522	7,104
<b>Comprehensive income:</b>				
Loss for the year	-	(7)	(70)	(77)
<b>Other comprehensive income</b>				
Other additions/disposals	-	-	-	-
<b>Total comprehensive income</b>	-	(7)	(70)	(77)
New paid-up capital	1,600	0	1,600	3,200
<b>Total changes in equity</b>	<b>1,600</b>	<b>(7)</b>	<b>1,530</b>	<b>3,123</b>
<b>Equity, 31 December 2009</b>	<b>4,175</b>	<b>0</b>	<b>6,052</b>	<b>10,227</b>
<b>Equity 2008</b>				
Equity, 1 January 2008	1,950	69	4,080	6,099
<b>Comprehensive income:</b>				
Loss for the year	-	(58)	(183)	(241)
<b>Other comprehensive income</b>				
Other additions/disposals	-	(4)	-	(4)
<b>Total comprehensive income</b>	-	(62)	(183)	(245)
New paid-up capital	625	-	625	1,250
<b>Total changes in equity</b>	<b>625</b>	<b>(62)</b>	<b>442</b>	<b>1,005</b>
<b>Equity, 31 December 2008</b>	<b>2,575</b>	<b>7</b>	<b>4,522</b>	<b>7,104</b>
* The share capital breaks down into 16 shares in multiples of DKK 1m. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen. Nykredit Bank is included in the consolidated financial statements of this company and the consolidated financial statements of Foreningen Nykredit, Copenhagen, which owns 88.18% of Nykredit Realkredit A/S.				
<b>Capital adequacy and core capital</b>				
	<b>2009</b>	<b>2008</b>		
Share capital	4,175	2,575		
Reserves	0	7		
Retained earnings	6,052	4,522		
<b>Total core capital</b>	<b>10,227</b>	<b>7,104</b>		
Primary and other statutory deductions from core capital	(708)	187		
Supplementary capital	-	2,400		
<b>Total</b>	<b>9,519</b>	<b>9,317</b>		
Statutory deductions from capital base	0	91		
<b>Capital base after statutory deductions</b>	<b>9,519</b>	<b>9,226</b>		
Weighted items involving credit, counterparty and delivery risk	67,035	68,826		
Weighted items involving market risk	8,051	19,096		
Weighted items involving operational risk	2,965	2,625		
<b>Total weighted items</b>	<b>78,051</b>	<b>90,547</b>		
Capital adequacy ratio, %	12.2	10.2		
Core capital ratio, %	12.2	7.6		

## Statement of changes in equity and capital adequacy

DKK million

## The Nykredit Bank Group

	Share capital *	Revaluation reserve: Revaluation of property	Retained earnings	Total
<b>Equity 2009</b>				
Equity, 1 January 2009, cf table below	2,575	-	4,529	7,104
<b>Comprehensive income:</b>				
Loss for the year	-	-	(77)	(77)
<b>Other comprehensive income</b>				
Other additions/disposals	-	-	-	-
<b>Total comprehensive income</b>	-	-	(77)	(77)
New paid-up capital	1,600	-	1,600	3,200
<b>Total changes in equity</b>	<b>1,600</b>	-	<b>1,523</b>	<b>3,123</b>
<b>Equity, 31 December 2009</b>	<b>4,175</b>	-	<b>6,052</b>	<b>10,227</b>
<b>Equity 2008</b>				
Equity, 1 January 2008	1,950	4	4,145	6,099
<b>Comprehensive income:</b>				
Loss for the year	-	-	(241)	(241)
<b>Other comprehensive income</b>				
Other additions/disposals	-	(4)	-	4)
<b>Total comprehensive income</b>	-	(4)	(241)	(245)
New paid-up capital	625	-	625	1,250
<b>Total changes in equity</b>	<b>625</b>	(4)	<b>384</b>	<b>1,005</b>
<b>Equity, 31 December 2008</b>	<b>2,575</b>	<b>0</b>	<b>4,529</b>	<b>7,104</b>
<b>Capital adequacy and core capital</b>				
		<b>2009</b>	<b>2008</b>	
Share capital		4,175	2,575	
Retained earnings		6,052	4,529	
<b>Total core capital</b>		<b>10,227</b>	<b>7,104</b>	
Primary and other statutory deductions from core capital		(675)	171	
Supplementary capital		-	2,400	
<b>Total</b>		<b>9,552</b>	<b>9,333</b>	
Statutory deductions from capital base		0	86	
<b>Capital base after statutory deductions</b>		<b>9,552</b>	<b>9,247</b>	
Weighted items involving credit, counterparty and delivery risk		66,185	68,202	
Weighted items involving market risk		8,050	19,372	
Weighted items involving operational risk		3,217	2,914	
<b>Total weighted items</b>		<b>77,452</b>	<b>90,488</b>	
Capital adequacy ratio, %		12.3	10.2	
Core capital ratio, %		12.3	7.7	



# Cash flow statement 1 January – 31 December

DKK million

	The Nykredit Bank Group	
	2009	2008
Loss after tax for the year	(77)	(241)
<b>Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions</b>		
Depreciation and impairment losses for property, plant and equipment	4	5
Other non-cash changes	138	(39)
Impairment losses on loans, advances and receivables	1,228	760
Tax calculated on loss for the year	31	(54)
<b>Total</b>	<b>1,401</b>	<b>672</b>
<b>Profit for the year adjusted for non-cash operating items</b>	<b>1,324</b>	<b>431</b>
<b>Change in working capital</b>		
Loans, advances and other receivables	17,193	(30,874)
Deposits and other payables	413	14,781
Payables to credit institutions and central banks	(32,666)	9,747
Bonds at fair value	(491)	2,092
Equities	(47)	98
Other working capital	4,174	(1,027)
<b>Total</b>	<b>(11,424)</b>	<b>(5,183)</b>
Corporation tax paid, net	(43)	(66)
<b>Cash flows from operating activities</b>	<b>(10,143)</b>	<b>(4,818)</b>
<b>Cash flows from investing activities</b>		
Property, plant and equipment	(2)	(4)
<b>Total</b>	<b>(2)</b>	<b>(4)</b>
<b>Cash flows from financing activities</b>		
Capital contribution	3,200	1,250
Subordinate loan capital	(2,400)	0
Issued bonds	24,430	15,579
<b>Total</b>	<b>25,230</b>	<b>16,829</b>
<b>Total cash flows</b>	<b>15,085</b>	<b>12,007</b>
Cash and cash equivalents, beginning of year	32,395	21,123
Foreign currency translation adjustment of cash	(37)	(735)
<b>Cash and cash equivalents, year-end</b>	<b>47,443</b>	<b>32,395</b>
<b>Cash and cash equivalents, year-end</b>		
Specification of cash and cash equivalents, year-end:		
Cash balance and demand deposits with central banks	72	173
Receivables from credit institutions and central banks	47,371	32,222
<b>Cash and cash equivalents, year-end</b>	<b>47,443</b>	<b>32,395</b>

## Core earnings and investment portfolio income

DKK million

## The Nykredit Bank Group

1 January – 31 December	2009			2008		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	2,085	57	2,142	1,459	(1)	1,458
Dividend on equities	4	1	5	5	1	6
Fee and commission income, net	505		505	284		284
<b>Net interest and fee income</b>	<b>2,594</b>	<b>58</b>	<b>2,652</b>	<b>1,748</b>	<b>0</b>	<b>1,748</b>
Value adjustments	348	6	354	(61)	(30)	(91)
Other operating income	31		31	28		28
Staff and administrative expenses	1,316		1,316	1,118		1,118
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	4		4	5		5
Other operating expenses	400		400	94		94
Impairment losses on loans and advances	1,225		1,225	763		763
Loss from investments in associates and group enterprises	(138)		(138)			
<b>Profit (loss) before tax</b>	<b>(110)</b>	<b>64</b>	<b>(46)</b>	<b>(265)</b>	<b>(30)</b>	<b>(295)</b>
Capacity costs: Dansk Pantebrevsbørs in bankruptcy was recognised in the segment financial statements with the following amounts:						
Staff and administrative expenses	0		0	35		35
Other operating expenses	45		45			
Profit from investments in associates and group enterprises	138		138	0		0
<b>Total expenses</b>	<b>183</b>	<b>0</b>	<b>183</b>	<b>35</b>	<b>0</b>	<b>35</b>
Operating costs in the segment financial statements (note 13) are calculated as follows:						
Staff and administrative expenses	1,316		1,316	1,118		1,118
Other operating expenses	400		400	94		94
<b>Total, cf income statement</b>	<b>1,716</b>	<b>0</b>	<b>1,716</b>	<b>1,212</b>	<b>0</b>	<b>1,212</b>
Of which:						
Dansk Pantebrevsbørs in bankruptcy	45		45	35		35
Commission under the government guarantee scheme	351		351	81		81
<b>Operating costs in the segment financial statements</b>	<b>1,320</b>	<b>0</b>	<b>1,320</b>	<b>1,096</b>	<b>0</b>	<b>1,096</b>

# Notes

## 1 ACCOUNTING POLICIES

### General

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements have furthermore been prepared in accordance with Danish disclosure requirements relating to the presentation of financial statements by issuers of listed bonds, cf the disclosure requirements of NASDAQ OMX Copenhagen and the Executive Order on the application of international financial reporting standards for companies subject to the Danish Financial Business Act.

### Changes to accounting policies

In the segment financial statements, the risk-free interest rate used to calculate investment portfolio income etc has been changed, and for 2009 it is based on the repo rate. The change has not affected the Bank's profit (loss) or equity, but only the relationship between core earnings and investment portfolio income in the segment financial statements (group items).

The implementation of IFRS 8 "Operating Segments" has not affected the presentation of the Bank's business areas.

Comparative figures have been restated.

In all other respects, the accounting policies are unchanged compared with the Annual Report for 2008.

### New standards and interpretations

Implementation of new and amended standards and interpretations.

#### Standards:

IAS 23 "Borrowing Costs". The standard has been changed to the effect that loan costs incurred in connection with the construction, production and preparation of assets are capitalised as part of acquisition cost. The change only affects amounts capitalised after 1 January 2009.

IFRS 7 "Financial Instruments": Disclosures (further presentation and information requirements concerning financial instruments).

IFRS 1 and IAS 27 "Consolidated and Separate Financial Statements" (changes to the standards).

IAS 39 "Financial Instruments" and IFRIC 9 (changes concerning embedded financial instruments).

IAS 39 "Financial Instruments" (changes relating to recognition and measurement).

IAS 39 "Financial Instruments" (changes relating to reclassification of financial assets).

IAS 32 and IAS 1 "Financial Instruments: Presentation" and "Presentation of Financial Statements" (changes to the standards).

#### Interpretations:

IFRIC 18 "Transfers of Assets from Customers".

Interpretations and changes to reporting standards have not affected accounting policies or the Bank's profit (loss), balance sheet or equity.

### Financial reporting standards and interpretations that have not yet entered into force

In 2009 or at the time of presentation of this Annual Report, a number of new or amended standards and interpretations have not yet been finally approved, entered into force and/or have not been approved for use in the EU.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (not yet approved for use in the EU).

IFRIC 14 "The Limit on a Defined Benefit Asset" (not yet approved for use in the EU).

AS 32 "Financial Instruments: Disclosure and Presentation" (changes to the standard) (not yet approved by the EU).

IAS 24 "Related Party Disclosures" (revision of the standard) (not yet approved by the EU).

IFRS 3 "Business Combinations" (revision of standard) (in force from 2010).

IAS 27 "Consolidated and Separate Financial Statements" (changes to the standard).

Furthermore, the IASB has published the first stage of IFRS 9 concerning "Recognition and measurement" (not yet approved for use in the EU).

In Management's view, the implementation of these standards and interpretations will have only a modest effect on the Annual Report.

### Accounting estimates, recognition and measurement in general

#### Accounting estimates

In accordance with IFRS, the Annual Report has been prepared on the basis of certain special assumptions that require the use of accounting estimates. These estimates have been made by Nykredit Bank's Management in accordance with the accounting policies based on past experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and underlying assumptions are tested and assessed regularly.

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

- Provisions for loan and receivable impairment involving significant estimates in connection with the quantification of the risk of not receiving all future payments. If it is assumed that not all payments will be received, the determination of the time and amount of the expected payments is subject to a number of estimates. Furthermore, the area involves estimates relating to the assessment of realisable values of security and dividend payments.
- Listed financial instruments priced in illiquid markets due to the financial turmoil may to a higher degree than previously involve some uncertainty in connection with the measurement of fair values. Note 37 specifies the methodology applying to the determination of accounting values and the specific uncertainties involved.
- Unlisted financial instruments involving significant estimates in connection with the measurement of fair values. See also note 37.
- Provisions involving certain estimates at the balance sheet date. A considerable part of the provisions is attributable to the government guarantee scheme, for which reason

estimates and uncertainty are primarily based on a general expectation of losses inflicted on the scheme by the distressed banks.

#### *Recognition*

Assets have been recognised in the balance sheet if it is probable that future economic benefits will flow to the Company, and if the value of the asset can be measured reliably.

Liabilities have been recognised in the balance sheet if it is probable that future economic benefits will flow from the Company/Group, and if the value of the liability can be measured reliably.

Financial instruments have been recognised on the settlement date, and changes in the fair value of instruments purchased or sold in the period between the trade date and the settlement date have been recognised as financial assets or liabilities.

Assets which following initial recognition are recognised at amortised cost or cost are not value adjusted in the period between the trade date and the settlement date.

Financial assets or liabilities are derecognised when the right to receive/pay cash flows from the financial asset or liability has lapsed or been transferred, and the Group in all material respects has transferred all risks and returns related to ownership.

Income has been recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost have been recognised in the income statement in the period in which they arose.

Also, all costs incurred in connection with this year's earnings have been recognised in the income statement, including depreciation and amortisation, impairment losses and provisions as well as reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

#### *Measurement*

On initial recognition, financial assets and liabilities have been measured at fair value. Financial assets and liabilities have subsequently been measured at either fair value or amortised cost according to their classification.

The categories "Loans, advances and receivables" and "Other financial liabilities"

have been measured at amortised cost, including a constant effective interest rate over the maturity. Amortised cost has been determined as the original cost less principal payments and plus/less the accumulated amortisation of the difference between the cost and the nominal value less impairment provisions. Capital losses and gains have been distributed over the maturity accordingly.

The category "Financial assets and liabilities at fair value through profit or loss" consists of the two subcategories: financial assets/liabilities held for trading and assets/liabilities classified at fair value (the fair value option) on initial recognition. The vast majority of the Bank's financial instruments at fair value are attributable to the "held for trading" category, as they are part of the Bank's trading activities.

Financial assets/liabilities have been classified as "held for trading" if acquired principally to obtain a gain in the short term, if they form part of a portfolio where evidence of a short-term realisation of gains exists or if classified as such by Management. Derivative financial instruments have also been classified as financial assets held for trading unless classified as hedges.

On initial recognition, a financial asset/liability has been classified at fair value if a group of financial assets/liabilities is managed, and the earnings are determined by Nykredit Bank's Management based on their fair values in accordance with a documented risk management or investment strategy, or if such classification eliminates or significantly reduces any accounting mismatch that might arise using the ordinary measurement provisions of IAS 39.

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" have been recognised in the income statement in the period in which they arose.

If the market for a financial asset or liability is illiquid, or if no publicly recognised pricing exists, Nykredit Bank has determined the fair value using recognised measurement 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.

In Management's opinion, the methods and estimates applied as part of the measurement techniques give a reliable view of the fair values of the instruments.

#### **Derivative financial instruments**

On initial recognition, derivative financial instruments have been recognised in the balance sheet at fair value and have subsequently been measured at fair value. Value adjustments have been recognised in the income statement under "Value adjustments" in the period in which they arose. Positive and negative fair values of derivative financial instruments have been recognised under other assets or other liabilities, as appropriate. The fair values of derivative financial instruments have been determined on the basis of available market data and recognised measurement methods.

#### **Hedge accounting**

Changes in the fair values of derivative financial instruments classified as and meeting the criteria of fair value hedges of recognised assets or liabilities have been recognised in the income statement, including changes in the value of the hedged asset or the hedged liability to the extent of the hedged part.

The Nykredit Bank Group uses derivatives (swaps) to hedge the interest rate risk of certain fixed-rate financial assets and liabilities.

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

#### **Consolidation**

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

Enterprises in which Nykredit Bank exercises joint control with other enterprises not forming part of the Group are considered joint ventures. The Group's investments in joint ventures have been recognised by proportionate consolidation. Proportionate consolidation is discontinued when the Bank no longer exercises control over the enterprise in question.

The Consolidated Financial Statements have been prepared based on the financial statements of the individual enterprises combining items of a uniform nature. All intercompany income and costs, dividends, intercompany shareholdings and balances as well as realised and unrealised intercompany gains and losses have been eliminated.

#### **Business combinations and acquisitions**

Acquisitions have been effected using the uniting-of-interests method in case of mergers with subsidiaries and the purchase method in case of the acquisition of other enterprises.

Enterprises acquired under the purchase method have been recognised in the Financial Statements as from the date of acquisition, and enterprises sold have been recognised up to the transfer date.

On the date of acquisition, the net assets of the enterprise acquired have been recognised in Nykredit Bank's Financial Statements, ie assets, any identifiable intangible assets, excluding the liabilities and contingent liabilities of the enterprise acquired. Recognition and measurement take place at fair value. Any value adjustments relative to the book values of the enterprise acquired have been recognised in the pre-acquisition balance sheet.

Where the net assets acquired can only be measured at a provisional fair value at the date of acquisition, Nykredit Bank may, in accordance with the accounting provisions, adjust such values within a period of 12 months from the date of acquisition.

Where the cost plus transaction costs exceeds the value of the net assets of the enterprise acquired, the excess balance is recognised as goodwill in Nykredit Bank. If negative, the balance is recognised as an income in the income statement on acquisition.

#### **Segment information**

Information has been provided on business segments and geographic markets. The presentation of the business areas has been based on the current reporting made to the Group Management and, consequently, also the principles applied in connection with management control. The business segments reflect the Group's returns and risks and are considered to be the Group's main segments.

The segments include the concepts core earnings and investment portfolio income. Core earnings include earnings from lending, ie

customer-oriented activities, and core earnings from securities. Core earnings from securities include the risk-free return on the part of the securities portfolio not allocated to the business areas. No risk-free interest is calculated on capital allocated to the business areas.

Investment portfolio income includes the part of the return exceeding risk-free interest.

Income and expenses included in the profit (loss) before tax of the individual segments comprise directly as well as indirectly attributable items. Such allocation has been based on internally fixed allocation keys as well as agreements between the individual business segments.

The financial assets and liabilities underlying the financial income and expenses forming part of the segment profit (loss) have been allocated to each business segment. Non-current assets in the segment include the non-current assets used directly in the segment operations, including intangible assets, property, plant, equipment and investments in associates.

The business capital included in the segment reporting has been determined according to the Basel II principles based on the method applied to determine capital adequacy (the required capital base).

Information has been provided exclusively at group level.

#### **Currency**

The Consolidated Financial Statements have been presented in Danish kroner (DKK), which is the functional as well as the presentation currency of the Parent Company. All other currencies have been regarded as foreign currencies.

Transactions in foreign currencies have been translated into the functional currency at the exchange rates prevailing on the transaction date. Exchange rate gains and losses arising on the settlement of these transactions have been recognised in the income statement.

At the balance sheet date, monetary assets and liabilities in foreign currencies were translated at the rates prevailing on the balance sheet date. Foreign currency translation adjustment was recognised in the income statement.

Currency translation differences arisen on translation of non-monetary items such as equities at fair value recognised in the income statement have been recognised as part of the fair value gain or loss.

The financial statements of integrated foreign entities have been 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. The currency change in foreign subsidiaries has been recognised directly in equity.

#### **Impairment**

The carrying amounts of intangible assets, property, plant and equipment are reviewed annually to determine whether there is any evidence of impairment apart from what has been recognised as depreciation and amortisation. If this is the case, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset concerned will be written down to the lower recoverable amount.

The recoverable amount of the asset has been determined as the higher value of the net sales price and the value in use. Where no recoverable amount can be determined for the individual asset, the assets have been measured in the lowest aggregation of assets where overall measurement may provide a reliable recoverable amount.

#### **Repo/reverse**

Securities sold as part of sale and repurchase transactions have been retained in the balance sheet under the appropriate principal item, eg "Bonds". The amount received has been recognised as payables to the counterparty or under "Non-derivative financial liabilities at fair value". The liability has been fair value adjusted over the maturity of the agreement through profit or loss.

Securities acquired as part of sale and repurchase transactions have been stated as receivables from the counterparty or under "Loans, advances and receivables at fair value". The receivables have been fair value adjusted over the maturity of the agreement through profit or loss.

Where the Bank has resold assets received in connection with a repo transaction, and where the Bank is obliged to return the instrument, the value is included in "Other non-derivative financial liabilities at fair value".

## Leases

The Nykredit Bank Group has entered into a number of leases with the Nykredit Bank Group as lessor.

Receivables from the lessee under finance leases have been included under "Loans, advances and other receivables at amortised cost". The leases have been measured so that the carrying amount equals the net investment in the lease. Interest receivable under finance leases has been recognised as income under "Interest income". Principal payments made have been deducted from the carrying amount concurrently with the amortisation of the receivable.

Direct costs on establishment of leases have been recognised in the net investment.

Properties leased under operating leases have been classified as "Investment properties". The properties have been measured at fair value in accordance with IAS 40 "Investment Property". Fair value adjustments have been recognised on a current basis through profit or loss under "Value adjustments".

Lease payments received have been recognised as income under "Other operating income".

## INCOME STATEMENT

### Interest income and expenses

Interest includes interest due and interest accrued up to the balance sheet date.

Interest income includes interest and interest-like income, including interest-like commission received and other income that forms an integral part of the effective interest of the underlying instruments. The item also includes the index premium on assets, forward premium of securities and foreign exchange trades as well as adjustments over the maturity of financial assets measured at amortised cost and where the cost varies from the redemption price.

Interest income from impaired bank loans and advances has been included under "Interest income" at an amount reflecting the effective interest of the impaired value of loans and advances. Any interest income from the underlying loans and advances exceeding this amount has been included under "Impairment losses on loans, advances and receivables".

Interest expenses include all interest-like expenses including adjustment over the maturity of financial liabilities measured at

amortised cost and where the cost differs from the redemption price.

### Dividend

Dividend from equity investments has been recognised as income in the income statement in the financial year in which the dividend was declared.

### Fees and commissions

Fees and commissions include income and expenses relating to services, including management fees. Fee income relating to services rendered on a current basis has been accrued over their terms.

For accounting purposes, fees, commissions and transaction costs have been treated as interest if they formed part of the effective interest of a financial instrument.

Other fees have been recognised in the income statement at the date of transaction.

### Value adjustments

Value adjustments include foreign currency translation adjustment and value adjustment of assets and liabilities measured at fair value. However, value adjustments relating to the credit risk on loans, advances and receivables measured at fair value have been recognised under "Impairment losses on loans, advances and receivables".

### Staff and administrative expenses

Staff expenses include wages and salaries as well as social expenses and pensions.

### Impairment losses on loans, advances and receivables

Recognised losses and changes for the year in provisions for loans, advances, receivables and guarantees have been charged to the income statement under "Impairment losses on loans, advances and receivables".

### Profit (loss) from investments in associates

The proportionate share of the profit (loss) of associates after elimination of the proportionate share of intercompany profit (loss) has been recognised in the Consolidated Income Statement.

### Tax

Tax on taxable income for the year calculated at the current tax rate, adjustment of tax assessed for prior years and adjustment of the proportion of deferred tax relating to tax assets and tax liabilities attributable to the profit for the year have been charged to the income statement. The adjustments relating to

deferred tax attributable to direct equity entries have been recognised directly in equity.

Nykredit Bank and the Bank Group's Danish companies are jointly taxed with the Parent, Foreningen Nykredit (the Nykredit Association), which settles the total tax payable by the Group on the taxable income assessed for the year. Current Danish corporation tax payable has been distributed between the jointly taxed Danish companies relative to their taxable incomes (full distribution subject to refund for tax losses).

The domestic corporation 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 the voluntary payment of tax on account and interest payable or receivable on the over-/underpayment of tax have been recognised under "Other interest income" or "Other interest expenses", as appropriate.

## ASSETS

### Receivables from credit institutions and central banks

Receivables from credit institutions and central banks include receivables from other credit institutions and time deposits with central banks. Initial recognition is based on fair value, while subsequent measurement takes place at amortised cost.

This item also includes securities acquired as part of purchase and resale transactions (repo/reverse) which have subsequently been measured at fair value, as these instruments are part of the trading book.

### Loans, advances and other receivables at fair value (the fair value option)

The item comprises loans, advances and other receivables relating to genuine purchase and resale transactions included in the trading book.

### Loans, advances and other receivables at amortised cost

On initial recognition, other loans, advances and other receivables at amortised cost have been measured at fair value less/plus the costs and income relating to the acquisition. Subsequent measurement takes place at the lower of amortised cost and net realisable value less loan loss provisions.

### Provisions for loan and receivable impairment

The Nykredit Bank Group performs continuous individual reviews and risk assessments of all significant loans, advances and receivables with a view to uncovering objective evidence of impairment. In case of objective evidence of impairment where the event(s) concerned is(are) believed to have a reliably measurable effect on the size of expected future payments from the loan, provisions have been made for loan impairment at the difference between the carrying amount before impairment and the present value of expected future payments from the loan.

Objective evidence is deemed present where for example borrowers have serious financial difficulties, where they do not fulfil the payment obligations under their contracts, and where it is probable that they will go into bankruptcy or become subject to other financial restructuring.

Similarly, individual provisions have been made for non-significant loans, advances and receivables in case of objective evidence of impairment where the event(s) concerned is(are) believed to have a reliably measurable effect on the size of expected future payments from the exposure/loan.

The Bank's loans and advances are generally always placed in groups of uniform credit risks. Where impairment or a provisioning need is identified relating to individual loans and advances, they will be transferred from their respective groups and treated separately. Individual provisions for loan impairment are made based on a discounting of the most probable cash flows from the individual loan or exposure. For all loans subject to individual impairment provisioning, a strategy and action plan is prepared, and the loans/exposures are reviewed on a quarterly basis.

Where OEI is identified on an individual basis and it is not possible to determine the deterioration of payments on individual loans reliably, the individual provisioning need is determined on the basis of a joint assessment of the loan and equivalent loans. Subsequently, collective provisions are made based on the most probable outcome for the deterioration of forecast cash flows. This approach is typically used in the case of very small loans and advances when the Bank's information on the customer's financial position is not up to date.

At each balance sheet date, collective assessments are made of loans and advances for which no individual provisions have been made and, where objective evidence of impairment is identified in one or more groups, collective provisions for loan impairment are made. Calculations are made according to a so-called rating model using adjusted Basel parameters for the loss flow calculation. Having been adjusted to the accounting rules, the Basel parameters are based on events occurred, cash flows until expiry of loan terms and a discounting of loss flows to present value.

In addition to the rating model, collective provisions are also calculated on the basis of a segmentation model adjusting the Basel parameters of the rating model for events occurred which, due to sudden economic developments, have not yet been included in the model.

The calculation of the provisioning need is based on the change in expected losses relative to the time the loans were granted. For each loan in a group, the contribution to the collective provisions is calculated as the difference between the present value of the loss flows of the loan on the balance sheet date and the present value of the expected loss when granting the loan. Collective provisions are calculated as net provisions, with the total of individual contributions making up the group's provisions.

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

Impairment provisions have been deducted from the asset items concerned.

### Equities and bonds

Equities and bonds have been recognised and subsequently measured at fair value equal to fair value determined on the basis of market data and recognised measurement methods. If no objective prices from recent trades in unlisted equities are available, these equities are measured at fair value using recognised measurement methods. Changes in the fair value have been recognised on a current basis in the income statement under value adjustments.

The Group's own portfolio of own issued bonds has been offset against issued bonds (the liability), and interest receivable relating

to own bonds has been offset against interest payable.

### Investments in associates

Associates are enterprises in which the Nykredit Bank Group exercises significant influence but not control.

Investments in associates have been recognised and measured according to the equity method and have therefore been measured at the proportionate ownership share of the enterprises' equity value carried less/plus the proportionate share of unrealised intercompany profits or losses and plus residual goodwill.

Total net revaluation of investments in associates has been transferred through the profit distribution to "Reserve for net revaluation according to the equity method" under equity.

### Intangible assets

#### *Goodwill*

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises. In the segment financial statements, goodwill has been recognised under the business area from/to which the cash flows relating to the enterprise acquired flow. 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 through profit or loss. The recoverable amount is the higher of an entity's "value in use" and "fair value after costs of sale".

#### *Software*

On initial recognition, acquired software has been measured at cost and subsequently at cost less accumulated amortisation. Acquired software is expected to have a useful life of 3-5 years.

### Land and buildings

#### *Investment properties*

Properties held for renting purposes and not occupied by the Group have been classified as investment properties. Investment properties have been recognised at fair value, and value adjustments have been recognised through profit or loss.

Fair value has been based on open market prices adjusted, if necessary, for differences in the nature, location or state of repair of the asset concerned. If such information has not been available, the Group has applied alternative measurement methods such as the

return method or expectations for discounted cash flows. Fair value changes have been recognised in the income statement. The valuation has been made by a valuer attached to the Parent Company, Nykredit Realkredit A/S, who specialises in the valuation of commercial property.

### Other property, plant and equipment

#### Equipment

Equipment has been measured at historical 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 has been made on a straight-line basis over the expected useful lives of:

- Computer equipment and machinery etc up to 5 years
- Equipment and motor vehicles up to 5 years
- Leased premises over the life of the contract or up to 15 years

The residual value and useful lives of the assets have been assessed and adjusted, if necessary, at each balance sheet date. The carrying amount of an asset has been written down to the recoverable amount immediately if the carrying amount of the asset exceeds the estimated recoverable amount.

Gains and losses on the current replacement of property, plant and equipment have been taken to the income statement under "Other operating income" and "Other operating expenses".

### Assets in temporary possession

The item includes repossessed properties in connection with non-performing loans, where the properties are expected to be sold within a short time horizon of generally 12 months. The properties have been measured at the lower of the carrying amount and fair value, net.

These assets have not been depreciated.

### Prepayments

Prepayments include prepaid costs.

## LIABILITIES AND EQUITY

### Payables

Payables to credit institutions and central banks, deposits and other payables have been recognised at the proceeds received less transaction costs incurred. In subsequent periods, payables have been measured at

amortised cost equal to the capitalised value using the effective interest rate so that the difference between the proceeds and the nominal value has been recognised in the income statement as interest expenses over the term of the loan. Other payables have been measured at amortised cost, which in all material respects equals the nominal value.

Payables to credit institutions and central banks arisen as part of "genuine sales and repurchase transactions" have been measured at fair value. Fair value adjustments have been recognised continuously through profit or loss.

### Issued bonds at amortised cost

Issued corporate bonds have been recognised at cost equal to consideration received less costs incurred. Issued bonds have subsequently been measured at amortised cost. Where the bonds have embedded derivative financial hedge instruments measured at fair value, the bonds will be value adjusted on a current basis to ensure accounting symmetry of the value adjustment of the hedged instrument and the hedging derivative financial instrument.

### Other non-derivative financial liabilities at fair value

Other non-derivative financial liabilities at fair value include deposits and negative securities portfolios which relate to "genuine sales and repurchase transactions" and which are held for trading. Negative securities portfolios include securities which the Bank has received in connection with a reverse transaction and subsequently resold, but which the Bank is obliged to return.

### Provisions

Provisions have been recognised where, as a result of an event occurred on or before the balance sheet date, the Group has a legal or constructive obligation, and where it has been probable that economic benefits must be provided to settle the obligation.

In connection with the measurement of provisions, the costs incidental to the settlement of the obligation have been discounted where this has a significant effect on the measurement of the obligation. Discounting has been based on a risk-free interest rate the term and characteristics etc of which corresponds to those of the obligation. The present value changes for the financial year have been recognised under interest expenses/income. Provisions have been based on Management's best estimate of the amount

considered to be adequate to redeem the obligation.

### Corporation and deferred tax

Current tax liabilities and current tax receivable have been recognised in the balance sheet as tax calculated on taxable income adjusted for tax paid on account.

Deferred tax has been measured in accordance with the balance sheet liability method based on all temporary differences between the carrying amounts and tax bases of assets and liabilities. No recognition has been made of deferred tax on temporary differences relating to the amortisation of goodwill disallowed for tax purposes and owner-occupied properties as well as other items where temporary differences – except in case of acquisitions – have arisen at the time of acquisition without having any effect on the profit (loss) or the taxable income. In cases where it has been possible to determine the tax base according to different tax rules, deferred tax has been measured on the basis of Management's planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax base of tax loss carryforwards, have been recognised at the value at which they are expected to be utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax has been measured on the basis of the tax rules and tax rates effective under current legislation on the balance sheet date when deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates have been recognised in the income statement.

### Deferred income

Deferred income comprises payments received concerning income recorded in subsequent years.

### Subordinate loan capital

Subordinate loan capital has initially been recognised at fair value less transaction costs incurred. Subordinate loan capital has subsequently been carried at amortised cost, and any differences between the proceeds (less transaction costs) and the redemption value have been recognised in the income statement over the loan term using the effective interest method.



**Equity***Share capital*

Equities have been classified as equity where no obligation exists to transfer cash or other assets.

*Revaluation reserves*

Revaluation reserves include positive value adjustments of owner-occupied properties less deferred tax. Increases in the reassessed values of properties have been recognised directly under this item unless the increase cancels out a decrease previously recognised in the income statement. The item is adjusted for any impairment fully or partially cancelling out previously recognised value increases. The item is also reduced on divestment of properties.

*Statutory reserves*

The reserves include value adjustments of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves are adjusted for the distribution of dividend to the Parent Company and for other movements in equity in subsidiaries and associates.

*Retained earnings/other reserves*

The items comprise distributable reserves which may be distributed to the Company's shareholders without limitation.

**Cash flow statement**

The consolidated cash flow statement has been prepared according to the indirect method based on profit (loss) for the year. The consolidated cash flow statement shows cash flows from the operating, investing and financing activities for the year, the changes in 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 in hand and demand deposits with central banks" and "Receivables from credit institutions and central banks".

**Intercompany transactions**

The Nykredit Group consists of a number of independent legal entities. Intercompany trade and services have been settled on market terms or, where no real market exists, on an arm's length basis. Alternatively, settlements have been made on a cost reimbursement basis.

**Financial highlights**

Financial highlights have been presented in accordance with the FSA Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

**Special policies for the Parent Company, Nykredit Bank A/S**

The Annual Report of Nykredit Bank A/S has been prepared in accordance with the Danish Financial Business Act and the FSA Executive Order on financial reports for credit institutions and investment companies, etc.

These rules comply with the International Financial Reporting Standards (IFRS) in all material respects and the Nykredit Bank Group's accounting policies. Exceptions to this practice and special circumstances relating to the Parent Company are described below.

**Investments in group enterprises and associates**

The FSA Executive Order prescribes that investments in group enterprises and associates be recognised and measured according to the equity method. IFRS do not allow use of the "equity method" in the separate financial statements of the Parent Company.

The proportionate ownership interest of the equity value of the enterprise, less/plus unrealised intercompany profits or losses and plus the residual value of goodwill, has been recognised under "Investments in group enterprises" and "Investments in associates" in the balance sheet.

Nykredit Bank's share of the enterprises' profit (loss) after elimination of unrealised intercompany profits and losses less depreciation, amortisation and impairment losses has been recognised in the income statement.

Total net revaluation of investments in group enterprises has been transferred through the profit distribution to "Reserve for net revaluation according to the equity method" under equity.

The recognition and measurement principles applied by Nykredit Bank are the same in the Parent Company and in the Group, and accordingly their reporting of results and equity will be identical.

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2008	2009		2009	2008
		<b>2. INTEREST INCOME</b>		
629	296	Receivables from credit institutions and central banks	297	632
3,397	2,490	Loans, advances and other receivables	2,547	3,471
2,406	2,364	Bonds	2,368	2,482
319	(181)	Total derivative financial instruments	(181)	319
		Of which		
156	(135)	- Foreign exchange contracts	(135)	156
163	(45)	- Interest rate contracts	(45)	163
0	(1)	- Equity contracts	(1)	0
0	3	Other interest income	6	2
<b>6,751</b>	<b>4,972</b>	<b>Total</b>	<b>5,037</b>	<b>6,906</b>
		<b>Of which interest income from genuine purchase and resale transactions entered as</b>		
386	72	Receivables from credit institutions and central banks	72	391
522	437	Loans, advances and other receivables at fair value	437	511
		<b>Of total interest income</b>		
3,118	2,277	Interest income accrued on financial assets measured at amortised cost	2,335	3,201
		Interest income accrued on loans and advances for which individual impairment provisions have been made amounts to DKK 36m (2008: DKK 30m). The Bank to a significant extent suspends addition of interest on individually impaired loans and advances. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairments.		
248	218	Interest income accrued on fixed-rate loans and advances	218	248
6	8	Interest income from finance leases	133	169
		<b>3. INTEREST EXPENSES</b>		
3,128	522	Credit institutions and central banks	533	3,251
1,743	1,558	Deposits and other payables	1,546	1,722
334	731	Issued bonds	732	334
141	84	Subordinate loan capital	84	141
0	0	Other interest expenses	0	0
<b>5,346</b>	<b>2,895</b>	<b>Total</b>	<b>2,895</b>	<b>5,448</b>
		<b>Of which interest expenses for genuine sale and repurchase transactions entered as</b>		
418	96	Payables to credit institutions and central banks	98	468
56	27	Deposits and other payables (non-derivative financial liabilities at fair value)	27	54
		<b>Issued bonds</b>		
27	21	Offset interest from the Bank's own portfolio of own bonds	21	27
		<b>Of total interest expenses</b>		
4,872	2,772	Interest expenses accrued on financial liabilities measured at amortised cost	2,770	4,926
		<b>4. DIVIDEND ON EQUITIES</b>		
6	5	Dividend on equities	5	6
<b>6</b>	<b>5</b>	<b>Total</b>	<b>5</b>	<b>6</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2008	2009		2009	2008
		<b>5. FEE AND COMMISSION INCOME</b>		
59	69	Securities trading and custody accounts	277	203
23	25	Payment services	25	23
13	31	Loan fees	36	16
76	93	Guarantee commissions	93	76
437	560	Other fees and commissions	502	418
<b>608</b>	<b>778</b>	<b>Total</b>	<b>933</b>	<b>736</b>
		<b>Of which:</b>		
104	148	Fees relating to financial instruments not measured at fair value	158	111
263	346	Fees relating to asset management activities and other fiduciary activities	492	386
		Certain fees that form an integral part of the effective interest rate of an underlying loan measured at amortised cost have been presented under "Interest income".		
		<b>6. FEE AND COMMISSION EXPENSES</b>		
<b>399</b>	<b>360</b>	<b>Total</b>	<b>428</b>	<b>452</b>
		<b>Of which:</b>		
131	169	Fees relating to financial instruments not measured at fair value	180	141
61	69	Fees relating to asset management activities and other fiduciary activities	126	103
		<b>7. VALUE ADJUSTMENTS</b>		
(5)	4	Other loans, advances and receivables at fair value	4	(4)
54	140	Bonds	138	13
19	74	Equities	74	19
(1)	(1)	Investment properties	(1)	(1)
(67)	224	Foreign exchange	224	(67)
(29)	(78)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(85)	(51)
<b>(29)</b>	<b>363</b>	<b>Total</b>	<b>354</b>	<b>(91)</b>
		Value adjustments mainly relate to financial assets, financial liabilities and derivative financial instruments included in the Bank's/Group's trading activities as well as value adjustments of investment properties.		
		<b>Of which value adjustment relating to fair value hedging for accounting purposes</b>		
1	0	Fair value hedging (cf note 41)	0	1

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
<b>8. STAFF AND ADMINISTRATIVE EXPENSES</b>			
7	7	7	7
544	622	690	620
440	574	619	491
<b>991</b>	<b>1,203</b>	<b>1,316</b>	<b>1,118</b>
<b>Remuneration of Board of Directors and Executive Board</b>			
<b>Board of Directors</b>			
Remuneration			
Each staff-elected board representative receives annual remuneration of DKK 60,000.			
<b>Executive Board</b>			
7	7	7	7
<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>Remuneration of Executive Board</b>			
As Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S, Management finds specifying the individual salaries of the Executive Board members immaterial to the assessment of the Annual Report. Consequently, the Company has elected to derogate from the recommendation to disclose individual salaries.			
Of the above remuneration, DKK 1.0m constitutes bonus payments (2008: DKK 1.9m).			
The Bank's Executive Board is further remunerated in the form of a company car. The taxable value thereof was DKK 0.1m in 2009 (2008: DKK 0.1m).			
Members of the Executive Board receive a fixed salary. No permanent bonus plans have been established.			
Executive Board members do not receive remuneration as directors of group enterprises and associates.			
The pensionable age for members of the Executive Board is 70 years. No agreements have been made on pension benefits for Executive Board members.			
The term of notice is 12 months. Upon resignation at Nykredit Bank A/S's request, Executive Board members are entitled to termination benefits equal to 9 months' gross salary.			
<b>Loans, charges or guarantees granted to the members of</b>			
0	0	0	0
0	0	0	0
1,069	409	409	1,069
<b>Deposits from the members of</b>			
0	1	1	0
1	3	3	1
75	141	141	75
Balances with the above members of the Bank's Management and their related parties carry interest at usual market rates.			
<sup>1</sup> Including balances with related parties and companies.			
<b>Staff expenses</b>			
458	527	586	524
41	45	50	47
45	50	54	49
<b>544</b>	<b>622</b>	<b>690</b>	<b>620</b>
<b>595</b>	<b>625</b>	<b>729</b>	<b>713</b>
<b>Average number of staff, full-time equivalents</b>			
<b>Aggregate fees to the auditors appointed by the General Meeting that perform the statutory audit</b>			
1	1	1	1
2	11	12	3
<b>3</b>	<b>12</b>	<b>13</b>	<b>4</b>
In addition, expenses relating to the activities of the Group's Internal Audit have been defrayed.			

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2008	2009		2009	2008
<b>9. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS</b>				
3	3	Property, plant and equipment	4	5
<b>3</b>	<b>3</b>	<b>Total</b>	<b>4</b>	<b>5</b>
<b>10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES</b>				
<b>Specification of impairment provisions</b>				
577	1,424	Total individual impairment provisions	1,469	591
123	110	Total collective impairment provisions	111	123
<b>700</b>	<b>1,534</b>	<b>Total impairment provisions, year-end</b>	<b>1,580</b>	<b>714</b>
<b>Individual impairment provisions</b>				
18	577	Impairment provisions, beginning of year	591	84
567	981	Impairment provisions for the year	1,023	577
3	124	Reversed impairment provisions	129	30
-	-	Other additions/disposals	-	-
5	10	Impairment provisions recognised as lost	16	40
<b>577</b>	<b>1,424</b>	<b>Impairment provisions, year-end</b>	<b>1,469</b>	<b>591</b>
<b>Collective impairment provisions</b>				
11	123	Impairment provisions, beginning of year	123	11
112	(13)	Impairment provisions for the year, net	(12)	112
<b>123</b>	<b>110</b>	<b>Impairment provisions, year-end</b>	<b>111</b>	<b>123</b>
<b>Effect on profit (loss)</b>				
676	844	Change in provisions for loan and receivable impairment	882	659
43	96	Losses recognised for the year, net	129	51
(3)	(3)	Received on claims previously written off	(3)	(3)
56	218	Provisions for losses under guarantees, cf note 32	217	56
<b>772</b>	<b>1,155</b>	<b>Total</b>	<b>1,225</b>	<b>763</b>
<b>Specification of loans and advances with objective evidence of impairment</b>				
1,118	1,879	Loans and advances subject to individual provisioning	2,027	1,157
577	1,424	Impairments	1,469	591
<b>541</b>	<b>455</b>	<b>Carrying amount of non-performing loans</b>	<b>558</b>	<b>566</b>
49,301	45,205	Loans and advances subject to collective provisioning	47,188	49,301
123	110	Impairments	111	123
<b>49,178</b>	<b>45,095</b>	<b>Loans and advances after impairment</b>	<b>47,077</b>	<b>49,178</b>
<b>11. PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>				
(54)	(138)	Profit (loss) from investments in associates	(138)	-
(4)	(20)	Profit (loss) from investments in group enterprises	-	-
<b>(58)</b>	<b>(158)</b>	<b>Total</b>	<b>(138)</b>	<b>-</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
		<b>12. TAX</b>	
		<b>Tax for the year can be specified as follows:</b>	
(68)	32	31	(54)
<b>(68)</b>	<b>32</b>	<b>31</b>	<b>(54)</b>
		<b>Tax on profit (loss) for the year has been calculated as follows:</b>	
(15)	31	18	(29)
(53)	6	18	(28)
0	(4)	(4)	0
0	(1)	(1)	3
<b>(68)</b>	<b>32</b>	<b>31</b>	<b>(54)</b>
		<b>Tax on profit (loss) for the year can be specified as follows:</b>	
(77)	(11)	(12)	(74)
5	37	-	-
(1)	(2)	(2)	(1)
5	13	50	18
-	(5)	(5)	3
<b>(68)</b>	<b>32</b>	<b>31</b>	<b>(54)</b>
22.0	(71.1)	(67.3)	18.3
		<b>13. BUSINESS AREAS</b>	
		<b>Foreign entities' contributions to profit (loss) for the year in the form of interest income, fees, value adjustments and other operating income</b>	
-	-	(7)	(35)
<b>-</b>	<b>-</b>	<b>(7)</b>	<b>(35)</b>
		Contributions from foreign entities are regarded as the Group's secondary segment. Note information about the business areas regarded as the Group's primary segment is presented and described on pages 7 to 11 of the Management's Review.	
		Foreign entities' revenues, results, etc, are also shown under "Group structure", note 44.	

## Notes

DKK million

## The Nykredit Bank Group

## 13. BUSINESS AREAS (continued)

## PROFIT (LOSS) BEFORE TAX

2009	Retail Banking	Corporate Banking	Markets & Asset Manage- ment	Group items <sup>1</sup>	Total
DKK million					
Core income from business operations	423	719	1,494		2,636
Core income from own trading positions <sup>4</sup>			186		186
Core income from group items				151	151
<b>Total core income *)</b>	<b>423</b>	<b>719</b>	<b>1,680</b>	<b>151</b>	<b>2,973</b>
*) Transactions between business areas	56	(254)	198	-	0
Operating costs	198	323	799		1,320
Amortisation, depreciation and impairment losses for property, plant and equipment as well as intangible assets	1	1	2		4
Dansk Pantebrevsbørs A/S in bankruptcy		183			183
Commission under the government guarantee scheme (bank rescue package I)	41	192	118		351
<b>Core earnings before impairment losses</b>	<b>183</b>	<b>20</b>	<b>761</b>	<b>151</b>	<b>1,115</b>
Impairment losses on loans and advances	55	943	4		1,002
Provisions under bank rescue package I	21	148	54		223
<b>Core earnings after impairment losses</b>	<b>107</b>	<b>(1,071)</b>	<b>703</b>	<b>151</b>	<b>(110)</b>
Investment portfolio income <sup>2</sup>				64	64
<b>Profit (loss) before tax for the year</b>	<b>107</b>	<b>(1,071)</b>	<b>703</b>	<b>215</b>	<b>(46)</b>
Income:costs	1.3	0.4	1.7	-	1.0
Average allocated business capital <sup>3</sup>	524	4,765	1,597	116	7,002
Core earnings after losses as % of allocated business capital (pa)	20.4	(22.5)	44.0	-	(1.6)
<b>2008</b>					
DKK million					
Core income from business operations	307	549	1,336		2,192
Core income from own trading positions			(753)		(753)
Core income from group items				276	276
<b>Total core income *)</b>	<b>307</b>	<b>549</b>	<b>583</b>	<b>276</b>	<b>1,715</b>
*) Transactions between business areas	51	(326)	275	-	0
Operating costs	173	246	677		1,096
Amortisation, depreciation and impairment losses for property, plant and equipment as well as intangible assets		3	2		5
Dansk Pantebrevsbørs A/S in bankruptcy		35			35
Commission under the government guarantee scheme (bank rescue package I)	8	54	19		81
<b>Core earnings before impairment losses</b>	<b>126</b>	<b>211</b>	<b>(115)</b>	<b>276</b>	<b>498</b>
Impairment losses on loans and advances	15	672	31		718
Provisions under bank rescue package I	5	30	10		45
<b>Core earnings after impairment losses</b>	<b>106</b>	<b>(491)</b>	<b>(156)</b>	<b>276</b>	<b>(265)</b>
Investment portfolio income <sup>2</sup>				(30)	(30)
<b>Profit (loss) before tax for the year</b>	<b>106</b>	<b>(491)</b>	<b>(156)</b>	<b>246</b>	<b>(295)</b>
Income:costs	1.5	0.5	0.8	-	0.9
Average allocated business capital <sup>3</sup>	373	4,708	1,569	83	6,733
Core earnings after losses as % of allocated business capital (pa)	28.4	(10.4)	(9.9)	-	(4.1)

<sup>1</sup> Include income from securities not allocated to the individual business areas, but included in the Bank's own portfolio, as well as non-allocated expenses.

<sup>2</sup> Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest.

<sup>3</sup> The business capital has been determined according to the Basel II principles based on the method applied to determine the "required capital base".

<sup>4</sup> Comprises net income from proprietary trading activities in Markets and Asset Management and value adjustment of the portfolio of subordinate loan capital in Danish banks.

## Notes

DKK million

## The Nykredit Bank Group

## 13. BUSINESS AREAS (continued)

## BALANCE SHEET

2009	Retail Banking	Corporate Banking	Markets & Asset Manage- ment	Group items <sup>1</sup>	Total
<b>ASSETS</b>					
Receivables from credit institutions and central banks			47,440	3	47,443
Loans and advances at fair value			11,883		11,883
Loans and advances at amortised cost	12,433	32,995			45,428
Bonds, mortgages and equities		1,542	52,662	30	54,234
Property and equipment	13	76	1	1	91
Other assets			20,589	7,745	28,334
<b>Total assets</b>	<b>12,446</b>	<b>34,613</b>	<b>132,575</b>	<b>7,779</b>	<b>187,413</b>
<b>LIABILITIES AND EQUITY</b>					
Payables to credit institutions and central banks			53,609		53,609
Deposits and other payables	12,755	23,125	11,085		46,965
Non-derivative financial liabilities at fair value			6,798		6,798
Issued bonds			41,539		41,539
Other payables and provisions	27	313	19,227	8,708	28,275
Subordinate loan capital			0		0
Equity				10,227	10,227
<b>Total liabilities and equity</b>	<b>12,782</b>	<b>23,438</b>	<b>132,258</b>	<b>18,935</b>	<b>187,413</b>
Associates and group enterprises have been included in the business areas as follows:					
- Profit (loss)	0	(165)	17	(10)	(158)
- Investment (equity value)	39	173	120	3	335
Off-balance sheet items (guarantees etc)	9,040	16,076	3,897		29,013
Investments in property, plant and equipment	1	1			2
<b>2008</b>					
DKK million					
	Retail Banking	Corporate Banking	Markets & Asset Manage- ment	Group items <sup>1</sup>	Total
<b>ASSETS</b>					
Receivables from credit institutions and central banks			32,391	4	32,395
Loans and advances at fair value			24,490		24,490
Loans and advances at amortised cost	10,361	40,536			50,897
Bonds, mortgages and equities		1,618	51,061	882	53,561
Property and equipment	4	77		11	92
Other assets	9	11	22,202	10,143	32,365
<b>Total assets</b>	<b>10,374</b>	<b>42,242</b>	<b>130,144</b>	<b>11,040</b>	<b>193,800</b>
<b>LIABILITIES AND EQUITY</b>					
Payables to credit institutions and central banks			85,072	778	85,850
Deposits and other payables	10,512	24,569	11,455		46,536
Non-derivative financial liabilities at fair value			3,641		3,641
Issued bonds			17,330		17,330
Other payables and provisions	5	43	21,174	9,717	30,939
Subordinate loan capital				2,400	2,400
Equity				7,104	7,104
<b>Total liabilities and equity</b>	<b>10,517</b>	<b>24,612</b>	<b>138,672</b>	<b>19,999</b>	<b>193,800</b>
Associates and group enterprises <sup>1</sup> have been included in the business areas as follows:					
- Profit (loss)	2	(37)	14	(39)	(60)
- Investment (equity value)	39	147	103	78	367
Off-balance sheet items (guarantees etc)	4,375	9,976	4,166		18,517
Investments in property, plant and equipment	10			(6)	4

<sup>1</sup> The Corporate Banking area includes leasing and mortgage trading activities whereas the investment management company Nykredit Portefølje Administration A/S is included under Markets & Asset Management. The subsidiary Nykredit Sirius Limited is included under group items.



## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2008	2009		2009	2008
		<b>14. CASH BALANCE AND DEMAND DEPOSITS WITH CENTRAL BANKS</b>		
173	72	Cash balance and demand deposits with central banks	72	173
<b>173</b>	<b>72</b>	<b>Total</b>	<b>72</b>	<b>173</b>
		<b>15. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>		
8,438	893	Receivables at call from central banks	893	8,438
23,750	46,474	Receivables from credit institutions	46,478	23,784
<b>32,188</b>	<b>47,367</b>	<b>Total</b>	<b>47,371</b>	<b>32,222</b>
		<b>By time-to-maturity</b>		
7,343	26,775	Demand deposits	26,779	7,347
17,653	18,281	Up to 3 months	18,281	17,683
4,332	2,311	Over 3 months and up to 1 year	2,311	4,332
5	0	Over 1 year and up to 5 years	0	5
2,855	0	Over 5 years	0	2,855
<b>32,188</b>	<b>47,367</b>	<b>Total</b>	<b>47,371</b>	<b>32,222</b>
4,380	10,755	Of which genuine purchase and resale transactions	10,755	4,380
		<b>16. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE</b>		
24,599	11,883	Loans and advances at fair value	11,883	24,490
<b>24,599</b>	<b>11,883</b>	<b>Total</b>	<b>11,883</b>	<b>24,490</b>
24,599	11,883	Of which genuine purchase and resale transactions	11,883	24,490
		<b>By time-to-maturity</b>		
19,347	11,883	Up to 3 months	11,883	19,238
5,252	0	Over 3 months and up to 1 year	0	5,252
<b>24,599</b>	<b>11,883</b>	<b>Total</b>	<b>11,883</b>	<b>24,490</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
<b>17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST</b>			
50,218	45,229	45,428	50,897
<b>50,218</b>	<b>45,229</b>	<b>45,428</b>	<b>50,897</b>
<b>Loans and advances</b>			
<b>By time-to-maturity</b>			
19,853	15,493	13,957	18,800
11,027	10,935	11,140	11,198
4,854	4,808	5,149	5,196
6,688	6,330	7,415	7,818
7,796	7,663	7,767	7,885
<b>50,218</b>	<b>45,229</b>	<b>45,428</b>	<b>50,897</b>
<b>Non-accrual loans or loans carrying a reduced interest rate</b>			
146	85	188	175
7	148	148	7
<b>Impairment provisions made, year-end, cf note 10</b>			
577	1,424	1,469	591
123	110	111	123
<b>Fixed-rate loans</b>			
2,537	2,567	2,567	2,537
2,581	2,627	2,627	2,581
<b>Finance leases</b>			
118	114	1,849	1,849
121	118	1,849	1,747
0	0	952	983
3	4	952	881
<b>118</b>	<b>114</b>	<b>1,849</b>	<b>1,849</b>
<b>By time-to-maturity</b>			
1	2	208	171
3	67	407	345
74	5	1,090	1,204
40	40	144	129
<b>118</b>	<b>114</b>	<b>1,849</b>	<b>1,849</b>
<b>Gross investments in finance leases</b>			
<b>By time-to-maturity</b>			
11	72	631	580
89	15	1,283	1,381
58	60	167	147
<b>158</b>	<b>147</b>	<b>2,081</b>	<b>2,108</b>
<b>40</b>	<b>33</b>	<b>232</b>	<b>259</b>
<b>Non-earned income</b>			
Where loans and advances under finance leases are concerned, amortised cost represents the fair value thereof. The leases comprise equipment as well as real property. The leases have been concluded on an arm's length basis and have maturities of between 3 and 6 years. However, leases for real property may run up to 20 years.			
-	-	46	14
Non-guaranteed residual values upon expiry of the leases amount to DKK 0.			

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2008	2009		2009	2008
<b>17. LOANS, ADVANCES AND OTHER RECEIVABLES (continued)</b>				
<b>Loans, advances and guarantee debtors by sector and industry as %, year-end</b>				
Includes loans, advances and other receivables at fair value				
0%	0%	<b>Public sector</b>	0%	0%
<b>Corporate customers</b>				
3%	4%	Agriculture, hunting and forestry	4%	3%
0%	0%	Fisheries	0%	0%
10%	10%	Manufacturing industries, extraction of raw materials, utilities	10%	10%
1%	1%	Building and construction	1%	1%
3%	4%	Trade, restaurants and hotels	4%	3%
3%	3%	Transport, mail and telephone	3%	3%
35%	16%	Credit, finance and insurance	16%	34%
21%	23%	Property management and trade, business services	23%	21%
6%	12%	Other trade and industry	12%	7%
<b>82%</b>	<b>73%</b>	<b>Total corporate customers</b>	<b>73%</b>	<b>82%</b>
<b>18%</b>	<b>27%</b>	<b>Retail customers</b>	<b>27%</b>	<b>18%</b>
<b>100%</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>	<b>100%</b>
The sector distribution is based on the official Danish activity codes.				
<b>18. BONDS AT FAIR VALUE</b>				
44,027	40,937	Mortgage bonds	40,937	44,260
1,389	8,475	Government bonds	8,475	1,389
7,654	4,839	Other bonds	4,839	8,385
<b>53,070</b>	<b>54,251</b>	<b>Total</b>	<b>54,251</b>	<b>54,034</b>
657	248	Own bonds offset against issued bonds, cf note 28	248	657
<b>52,413</b>	<b>54,003</b>	<b>Total</b>	<b>54,003</b>	<b>53,377</b>
The effect of fair value adjustment has been recognised in the income statement.				
650	6,233	Of which drawn bonds	6,233	650
6,401	7,556	Assets sold as part of genuine sale and repurchase transactions	7,556	6,401
49,639	22,104	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	22,104	49,639
The collateral was provided on an arm's length basis.				
<b>19. EQUITIES</b>				
184	229	Equities measured at fair value through profit or loss	231	184
<b>184</b>	<b>229</b>	<b>Total</b>	<b>231</b>	<b>184</b>
<b>Specification of equity portfolios</b>				
27	41	Listed on NASDAQ OMX Copenhagen A/S	41	27
6	5	Listed on other stock exchanges	5	6
151	183	Unlisted equities carried at fair value	185	151
<b>184</b>	<b>229</b>	<b>Total equities</b>	<b>231</b>	<b>184</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
<b>20. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>			
<b>Investments in associates</b>			
10	10	-	-
0	0	-	-
<b>10</b>	<b>10</b>	<b>-</b>	<b>-</b>
12	(10)	-	-
(52)	0	-	-
(3)	0	-	-
33	-	-	-
<b>(10)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>
<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>Investments in group enterprises</b>			
361	325	-	-
(4)	1	-	-
0	50	-	-
(32)	(65)	-	-
<b>325</b>	<b>311</b>	<b>-</b>	<b>-</b>
22	43	-	-
(3)	1	-	-
8	(22)	-	-
(12)	2	-	-
28	-	-	-
<b>43</b>	<b>24</b>	<b>-</b>	<b>-</b>
<b>368</b>	<b>335</b>	<b>-</b>	<b>-</b>
<b>Subordinate receivables</b>			
-	-	-	-
-	-	-	-
581	757	757	581
<b>581</b>	<b>757</b>	<b>757</b>	<b>581</b>
<b>Balances with associates and group enterprises</b>			
<b>Associates</b>			
<b>Asset items</b>			
66	0	0	33
<b>66</b>	<b>0</b>	<b>0</b>	<b>33</b>
<b>Liability items</b>			
1	0	0	0
<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Group enterprises</b>			
<b>Asset items</b>			
1,383	1,935	-	-
<b>1,383</b>	<b>1,935</b>	<b>-</b>	<b>-</b>
<b>Liability items</b>			
428	217	-	-
<b>428</b>	<b>217</b>	<b>-</b>	<b>-</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
		<b>21. INTANGIBLE ASSETS</b>	
		<b>Goodwill</b>	
6	15	15	6
9	-	-	9
<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
6	6	6	6
0	0	0	0
<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
		<b>Other intangible assets</b>	
-	-	2	2
-	-	(2)	-
<b>-</b>	<b>-</b>	<b>0</b>	<b>2</b>
-	-	0	0
-	-	0	0
<b>-</b>	<b>-</b>	<b>0</b>	<b>0</b>
<b>-</b>	<b>-</b>	<b>0</b>	<b>2</b>

Goodwill of DKK 9m concerns Nykredit Bank's acquisition of SEB branch in 2008. At the time of acquisition, goodwill was determined based on earning requirements to the branch, including a return requirement of 10% before tax. So far, earnings have met these expectations and are expected to be maintained in 2010. Consequently goodwill remains unimpaired. Branch assets and liabilities consist of customer activities such as deposits and loans.

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
		<b>22. LAND AND BUILDINGS</b>	
70	69	69	70
-	-	0	0
<b>70</b>	<b>69</b>	<b>69</b>	<b>70</b>
		<b>Investment properties</b>	
71	70	70	71
0	0	0	0
(1)	(1)	(1)	(1)
<b>70</b>	<b>69</b>	<b>69</b>	<b>70</b>
		<b>Cost, year-end</b>	
73	73	73	73
0	0	0	0
<b>73</b>	<b>73</b>	<b>73</b>	<b>73</b>
		<b>Fair value adjustment, year-end</b>	
(2)	(3)	(3)	(2)
(1)	(1)	(1)	(1)
<b>(3)</b>	<b>(4)</b>	<b>(4)</b>	<b>(3)</b>
<b>70</b>	<b>69</b>	<b>69</b>	<b>70</b>
		<b>Balance, year-end</b>	
70	69	69	70
58	66	66	58
5	5	5	5
		<b>By time-to-maturity</b>	
1	1	1	1
5	6	6	5
64	62	62	64
<b>70</b>	<b>69</b>	<b>69</b>	<b>70</b>
		<b>Minimum lease payments</b>	
5	5	5	5
22	22	22	22
89	84	84	89
<b>116</b>	<b>111</b>	<b>111</b>	<b>116</b>
		<b>Total</b>	
		The lease expires in 2021 at the latest at which time the residual risk exposure has been calculated at DKK 20.4m (discounted value) (2008: DKK 19m).	
		No impairment provisions for credit losses have been made.	
		Fair value has been determined based on an internal model which includes future cash flows as well as the pricing of similar properties. For the valuation, the Parent Company Nykredit Realkredit's valuers have determined the market value. For this determination, a required rate of return of 6.25% has been applied.	
		The lessee has an option to buy the property according to specifically agreed guidelines. This factor has been included in the determination of fair value. In case of a disposal, the price will in all essentials reflect the book value at the time of disposal.	
		<b>Owner-occupied properties</b>	
-	-	-	8
-	-	-	(8)
-	-	-	<b>0</b>
		<b>Cost, year-end</b>	
-	-	-	4
-	-	-	-
-	-	-	4
-	-	-	<b>0</b>
		<b>Revaluations, year-end</b>	
-	-	-	1
-	-	-	-
-	-	-	(1)
-	-	-	<b>0</b>
		<b>Depreciation and impairment losses, year-end</b>	
-	-	-	<b>0</b>
		<b>Balance, year-end</b>	
-	-	-	<b>0</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
<b>23. OTHER PROPERTY, PLANT AND EQUIPMENT</b>			
7	6	8	11
<b>7</b>	<b>6</b>	<b>8</b>	<b>11</b>
<b>Equipment</b>			
11	15	29	24
4	4	4	6
0	3	7	1
<b>15</b>	<b>16</b>	<b>26</b>	<b>29</b>
<b>Cost, year-end</b>			
5	8	18	14
-	1	4	1
-	-	-	-
3	3	4	5
0	0	-	-
<b>8</b>	<b>10</b>	<b>18</b>	<b>18</b>
<b>Depreciation and impairment losses, year-end</b>			
<b>7</b>	<b>6</b>	<b>8</b>	<b>11</b>
<b>Balance, year-end</b>			
Equipment is depreciated over three to five years and had an average residual depreciation period of three years at 31 December 2009.			
<b>24. ASSETS IN TEMPORARY POSSESSION</b>			
-	5	16	-
5	0	0	16
-	0	11	-
<b>5</b>	<b>5</b>	<b>5</b>	<b>16</b>
<b>Assets, year-end</b>			
<b>25. OTHER ASSETS</b>			
8,914	7,319	7,350	8,958
22,981	20,723	20,769	23,023
169	80	81	188
<b>32,064</b>	<b>28,122</b>	<b>28,200</b>	<b>32,169</b>
<b>Total</b>			
<b>26. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>			
40,082	63	63	40,082
44,239	53,546	53,546	45,768
<b>84,321</b>	<b>53,609</b>	<b>53,609</b>	<b>85,850</b>
<b>Total</b>			
6,510	7,258	7,258	7,180
Of which genuine sale and repurchase transactions			
<b>By time-to-maturity</b>			
26,036	28,087	28,087	27,565
53,255	22,991	22,991	53,255
2,415	819	819	2,415
2,615	1,712	1,712	2,615
<b>84,321</b>	<b>53,609</b>	<b>53,609</b>	<b>85,850</b>
<b>Total</b>			
<b>27. DEPOSITS AND OTHER PAYABLES</b>			
15,904	20,507	20,400	15,536
3,140	3,958	3,958	3,140
26,663	21,083	20,973	26,603
1,257	1,634	1,634	1,257
<b>46,964</b>	<b>47,182</b>	<b>46,965</b>	<b>46,536</b>
<b>Total</b>			
<b>By time-to-maturity</b>			
33,129	40,672	40,455	32,761
12,224	3,962	3,962	12,164
755	1,420	1,420	755
856	1,128	1,128	856
<b>46,964</b>	<b>47,182</b>	<b>46,965</b>	<b>46,536</b>
<b>Total</b>			

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2008	2009		2009	2008
		<b>28. ISSUED BONDS AT AMORTISED COST</b>		
18,008	41,787	Issued bonds	41,787	18,008
(678)	(248)	Own portfolio	(248)	(678)
<b>17,330</b>	<b>41,539</b>	<b>Total</b>	<b>41,539</b>	<b>17,330</b>
		<b>By time-to-maturity</b>		
7,127	23,431	Up to 3 months	23,431	7,127
1,402	15,092	Over 3 months and up to 1 year	15,092	1,402
8,612	2,891	Over 1 year and up to 5 years	2,891	8,612
189	125	Over 5 years	125	189
<b>17,330</b>	<b>41,539</b>	<b>Total</b>	<b>41,539</b>	<b>17,330</b>
		<b>Issues</b>		
12,798	22,319	EMTN issues *	22,319	12,798
4,725	18,900	ECP issues *	18,900	4,725
464	568	Other issues *	568	464
<b>17,987</b>	<b>41,787</b>	<b>Total</b>	<b>41,787</b>	<b>17,987</b>
657	248	Own portfolio	248	657
<b>17,330</b>	<b>41,539</b>	<b>Total</b>	<b>41,539</b>	<b>17,330</b>
		* Listed on NASDAQ OMX Copenhagen A/S or Luxembourg Stock Exchange		
		No value adjustments have been made that can be ascribed to credit risk changes.		
		All issues carry floating interest rates.		
		<b>29. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE</b>		
50	451	Deposits at fair value	451	50
3,591	6,347	Negative securities portfolios	6,347	3,591
<b>3,641</b>	<b>6,798</b>	<b>Total</b>	<b>6,798</b>	<b>3,641</b>
		<b>By time-to-maturity</b>		
3,641	6,798	Up to 3 months	6,798	3,641
50	451	Of which genuine sale and repurchase transactions	451	50
		<b>30. OTHER LIABILITIES</b>		
9,125	7,812	Interest and commission payable	7,812	9,130
21,166	19,567	Negative market value of derivative financial instruments	19,613	21,234
372	330	Other payables	437	507
<b>30,663</b>	<b>27,709</b>	<b>Total</b>	<b>27,862</b>	<b>30,871</b>
		"Interest and commission payable" and "Other payables" fall due within one year.		



## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
		<b>31. PROVISIONS FOR DEFERRED TAX</b>	
		<b>Deferred tax</b>	
(34)	(87)	(73)	(42)
(53)	6	17	(34)
0	(1)	(1)	3
<b>(87)</b>	<b>(82)</b>	<b>(57)</b>	<b>(73)</b>
		<b>Deferred tax recognised in the balance sheet as follows:</b>	
(87)	(82)	(57)	(73)
0	0	0	0
<b>(87)</b>	<b>(82)</b>	<b>(57)</b>	<b>(73)</b>
		<b>Deferred tax relates to:</b>	
(11)	(15)	17	9
(10)	(2)	(2)	(10)
0	1	1	-
5	5	5	5
(81)	(83)	(90)	(87)
10	12	12	10
<b>(87)</b>	<b>(82)</b>	<b>(57)</b>	<b>(73)</b>
		<b>Recognised in loss for the year</b>	
(6)	(4)	8	23
(11)	7	8	(12)
1	1	1	0
(38)	0	(2)	(44)
1	2	2	2
0	0	0	0
<b>(53)</b>	<b>6</b>	<b>17</b>	<b>(31)</b>
		<b>Current tax assets/liabilities</b>	
15	93	99	11
15	(32)	(18)	23
64	(37)	(44)	66
(1)	4	4	(1)
<b>93</b>	<b>28</b>	<b>41</b>	<b>99</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
<b>32. PROVISIONS</b>			
<b>Provisions for losses under guarantees</b>			
-	56	56	-
56	228	228	56
-	11	11	-
<b>56</b>	<b>273</b>	<b>273</b>	<b>56</b>
<b>Other provisions</b>			
1	1	2	2
-	131	131	-
0	0	1	-
<b>1</b>	<b>132</b>	<b>132</b>	<b>2</b>
<b>Total provisions for losses under guarantees and other provisions</b>			
1	57	58	2
56	359	359	56
0	11	12	0
<b>57</b>	<b>405</b>	<b>405</b>	<b>58</b>
<p>As a result of its operations, the Bank continuously enters into contracts where it is probable that the settlement of the liability will lead to an outflow of the Bank's financial resources, and where a reliable estimate may be made of the size of the liability.</p> <p>The balance sheet items in the financial statements represent the Bank's best estimates of the expected costs relating to provisions. The uncertainty connected with the estimates is mainly due to uncertainty about the actual losses arising in connection with the distressed banks included under the government guarantee scheme.</p> <p>The provisions typically concern contractual obligations relating to loans and advances and other banking activities. The item also includes the provisions found necessary in connection with the Bank's participation in the government guarantee scheme. It is estimated that the majority of provisions will be settled within 1-2 years.</p>			
<b>33. SUBORDINATE LOAN CAPITAL</b>			
<p>Subordinate loan capital consists of financial liabilities which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met. The loan capital below was granted by Nykredit Realkredit A/S. The loan capital forms part of the supplementary capital and has been included in full in the capital base. The loans are denominated in DKK and repayable at par (100). No costs were incurred when the loans were raised.</p>			
300	-	-	300
<p>The loan was granted in 2005 and redeemed prematurely on 20 August 2009. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.</p>			
500	-	-	500
<p>The loan was granted in 2006 and redeemed prematurely on 20 August 2009. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.</p>			
600	-	-	600
<p>The loan was granted in 2007 and redeemed prematurely on 20 August 2009. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.</p>			
500	-	-	500
<p>The loan was granted in 2007 and redeemed prematurely on 20 August 2009. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.</p>			
250	-	-	250
<p>The loan was granted in 2008 and redeemed prematurely on 20 August 2009. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.</p>			
250	-	-	250
<p>The loan was granted in 2008 and redeemed prematurely on 20 August 2009. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.</p>			
<b>2,400</b>	<b>-</b>	<b>-</b>	<b>2,400</b>
<b>Total</b>			

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2008	2009		2009	2008
		<b>34. CONTINGENT LIABILITIES</b>		
8,172	17,083	Financial guarantees	17,083	8,172
4	13	Registration and refinancing guarantees	13	4
2,177	2,529	Other contingent liabilities	2,530	2,178
<b>10,353</b>	<b>19,625</b>	<b>Total</b>	<b>19,626</b>	<b>10,354</b>
		<b>By time-to-maturity</b>		
8,170	16,777	Up to 1 year	16,778	8,171
1,921	2,534	Over 1 year and up to 5 years	2,534	1,921
262	314	Over 5 years	314	262
<b>10,353</b>	<b>19,625</b>	<b>Total</b>	<b>19,626</b>	<b>10,354</b>
		Determination of maturity is partly based on estimates as not all guarantees have a fixed expiry date and as the expiry date may also depend on pending registration etc.		
		<b>35. OTHER COMMITMENTS</b>		
8,021	9,235	Irrevocable credit commitments	9,235	8,021
108	108	Other	152	142
<b>8,129</b>	<b>9,343</b>	<b>Total</b>	<b>9,387</b>	<b>8,163</b>
		<b>36. RELATED PARTY TRANSACTIONS AND BALANCES</b>		
		The Parent Company Nykredit Realkredit, its parent company as well as group enterprises and associates are regarded as related parties. In addition, Nykredit Bank's group enterprises and associates are included as stated in the group structure as well as the Bank's Board of Directors, the Executive Board and related parties thereof. Transactions with the Board of Directors, the Executive Board and related parties thereof appear from note 8.		
		No unusual related party transactions occurred in 2009.		
		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, insurance, sales commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks.		
		Intercompany trade and services took place on an arm's length basis.		
		Important related party transactions prevailing/entered into in 2008 or 2009 include:		
		<b>Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S</b>		
		Master agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas. In 2008 and 2009, Nykredit Realkredit had subordinate loan capital in Nykredit Bank A/S.		
		<b>Agreements between Nykredit Holding A/S and Nykredit Bank A/S</b>		
		On specific occasions, Nykredit Holding A/S has issued guarantees or letters of comfort to third parties. Nykredit Holding has issued guarantees to Nykredit Bank A/S covering pre-fixed loss amounts with respect to some of the Bank's exposures. The guarantees expired on 30 June 2008.		
		<b>Associates</b>		
		<b>Income statement</b>		
4	3	Interest income	2	2
		<b>Asset items</b>		
66	-	Loans, advances and other receivables at amortised cost	-	33
		<b>Liability items</b>		
1	-	Deposits and other payables	-	0

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
<b>36. RELATED PARTY TRANSACTIONS AND BALANCES (continued)</b>			
<b>Transactions with the Parent Company Nykredit Realkredit A/S and its group enterprises and associates</b>			
<b>Income statement</b>			
1,101	907	907	1,118
491	554	554	491
118	123	123	118
327	285	285	327
(1,746)	619	619	(1,757)
-	3	3	-
232	325	325	232
<b>Asset items</b>			
2,442	12,220	12,220	2,442
0	13	13	0
20,799	29,313	29,313	20,867
1,202	396	396	1,203
<b>Liability items</b>			
25,979	18,619	18,619	25,979
414	1,029	1,029	414
1,703	3,433	3,433	1,703
2,887	932	932	2,887
2,400	-	-	2,400
<b>Transactions with other group enterprises</b>			
<b>Income statement</b>			
70	65	-	-
21	12	-	-
23	63	-	-
0	0	-	-
<b>Asset items</b>			
1,383	1,935	-	-
<b>Liability items</b>			
428	217	-	-

# Notes

## 37. MARKET VALUE OF FINANCIAL INSTRUMENTS

### Measurement principles for financial instruments

Financial instruments have been measured at fair value or amortised cost in the balance sheet. The table overleaf shows the fair values of financial instruments compared with the carrying amounts at which the instruments have been recognised in the balance sheet.

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 parties.

The majority of the Group's fair value assets and liabilities have been measured based on officially listed prices or market prices at the balance sheet date. If the market for a financial asset or liability is illiquid, or if there is no publicly recognised price, Nykredit Bank has determined the fair value using recognised measurement techniques. These techniques include using corresponding recent transactions between independent parties, reference to other corresponding instruments, analyses of discounted cash flows as well as option and other models based on observable market data. Finally, measurements are based on own assumptions and extrapolations when it has not been possible to measure the asset or liability on the basis of objective market input.

Measurement techniques are generally applied to OTC derivatives and unlisted assets and liabilities.

Unlisted equities are recognised at fair value using measurement methods, according to which the fair value is estimated as the price of an asset traded between independent parties.

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:

- The interest rate risk of certain financial instruments recognised at amortised cost has been hedged by means of derivatives, cf note 41. These financial instruments have been measured at fair value in the financial statements, cf the provisions on hedge accounting of interest rate risk.
- The carrying amounts of loans, advances and receivables as well as other financial liabilities due within 12 months are also regarded as their fair values.
- For loans, advances and receivables as well as other financial liabilities measured at amortised cost, carrying a floating interest rate and entered into on standard credit terms, carrying amounts have been estimated to correspond to the fair values.
- The fair value of fixed-rate assets and financial liabilities measured at amortised cost has been determined using recognised measurement methods.
- The credit risk of fixed-rate financial assets (loans and advances) has been assessed in relation to other loans, advances and receivables.
- The fair value of deposits and other payables without a fixed term has been assumed to be the value disburseable at the balance sheet date.

The table overleaf also shows the difference between carrying amounts and fair values not recognised in the income statement and attributable to the difference between the fair value and amortised cost carried and the fair value computed.

## Notes

DKK million

## The Nykredit Bank Group

## 37. MARKET VALUE OF FINANCIAL INSTRUMENTS (continued)

2009	IAS 39	Carrying	Fair value	Balance	Fair value computed using	
	category	amount			Method 1	Method 2
<b>Assets</b>						
Cash balance and demand deposits with central banks	a)	72	72	0	72	0
Receivables at call from central banks	a)	893	893	0	893	0
Receivables from credit institutions	a+c)	46,478	46,501	(23)	46,501	0
Loans, advances and other receivables at fair value	c)	11,883	11,883	0	11,883	0
Loans, advances and other receivables at amortised cost	a)	45,428	45,398	30	0	45,398
Bonds at fair value	c)	54,003	54,003	0	52,534	1,469
Equities	b+c)	231	231	0	46	185
Interest and commission receivable	a)	7,350	7,350	0	0	7,350
Derivative financial instruments	c)	20,769	20,769	0	20,537	232
<b>Total</b>		<b>187,107</b>	<b>187,100</b>	<b>7</b>	<b>132,466</b>	<b>54,634</b>
<b>Liabilities</b>						
Payables to credit institutions and central banks	d)	53,609	53,609	0	53,609	0
Deposits and other payables	d)	46,965	47,022	(57)	0	47,022
Issued bonds at amortised cost	d)	41,539	41,635	(96)	41,635	0
Other non-derivative financial liabilities at fair value	c)	6,798	6,798	0	6,798	0
Interest and commission payable	d)	7,812	7,812	0	0	7,812
Derivative financial instruments	c)	19,613	19,613	0	19,346	267
Subordinate loan capital	d)	-	-	0	0	-
<b>Total</b>		<b>176,336</b>	<b>176,489</b>	<b>(153)</b>	<b>121,388</b>	<b>55,101</b>

## Measurement methods

Method 1: Recognised measurement methods based on market data

Method 2: Other recognised measurement methods

## IAS 39 category

a) Loans, advances and receivables

b) Assets/liabilities classified at fair value on initial recognition (fair value option)

c) Financial assets/liabilities held for trading

d) Other financial liabilities

## Notes

DKK million

## The Nykredit Bank Group

## 37. MARKET VALUE OF FINANCIAL INSTRUMENTS (continued)

2008	IAS 39 category	Carrying		Balance	Fair value computed using	
		amount	Fair value		Method 1	Method 2
<b>Assets</b>						
Cash balance and demand deposits with central banks	a)	173	173	0	173	0
Receivables at call from central banks	a)	8,438	8,438	0	8,438	0
Receivables from credit institutions	a+c)	23,784	23,784	0	23,784	0
Loans, advances and other receivables at fair value	c)	24,490	24,490	0	24,490	0
Loans, advances and other receivables at amortised cost	a)	50,897	50,920	(23)	0	50,920
Bonds at fair value	c)	53,377	53,377	0	39,914	13,463
Equities	b+c)	184	184	0	33	151
Interest and commission receivable	a)	8,958	8,958	0	0	8,958
Derivative financial instruments	c)	23,023	23,023	0	23,023	0
<b>Total</b>		<b>193,324</b>	<b>193,347</b>	<b>(23)</b>	<b>119,855</b>	<b>73,492</b>
<b>Liabilities</b>						
Payables to credit institutions and central banks	d)	85,850	85,864	(14)	85,864	0
Deposits and other payables	d)	46,536	46,607	(71)	0	46,607
Issued bonds at amortised cost	d)	17,330	17,324	6	17,324	0
Other non-derivative financial liabilities at fair value	c)	3,641	3,641	0	3,641	0
Interest and commission payable	d)	9,130	9,130	0	0	9,130
Derivative financial instruments	c)	21,234	21,234	0	21,234	0
Subordinate loan capital	d)	2,400	2,400	0	0	2,400
<b>Total</b>		<b>186,121</b>	<b>186,200</b>	<b>(79)</b>	<b>128,063</b>	<b>58,137</b>

## Measurement methods

Method 1: Recognised measurement methods based on market data

Method 2: Other recognised measurement methods

## IAS 39 category

- a) Loans, advances and receivables
- b) Assets/liabilities classified at fair value on initial recognition (fair value option)
- c) Financial assets/liabilities held for trading
- d) Other financial liabilities

# Notes

DKK million

## The Nykredit Bank Group

### 37. MARKET VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities at fair value  
by measurement category (the IFRS hierarchy)

	Fair value			Total (carrying amount)
	Listed prices	Observable inputs	Unobserv- able inputs	
Financial instruments in the form of assets:				
Trading book:				
Balances with credit institutions (reverse lending, cf note 15, measured at fair value)		10,755		10,755
Loans and advances at fair value (note 16)		11,883		11,883
Bonds at fair value	43,262	9,272	1,469	54,003
Equities	46		185	231
Positive market value of derivative financial instruments	321	20,216	232	20,769
<b>Total</b>	<b>43,629</b>	<b>52,126</b>	<b>1,886</b>	<b>97,641</b>
Financial instruments in the form of liabilities:				
Trading book:				
Payables to credit institutions and central banks (repo transactions, cf note 26, measured at fair value)		7,258		7,258
Other non-derivative financial obligations at fair value	6,347	451		6,798
Negative market value of derivative financial instruments	116	19,230	267	19,613
<b>Total</b>	<b>6,463</b>	<b>26,939</b>	<b>267</b>	<b>33,669</b>

Comparative figures for 2008 are not disclosed, cf the commencement provisions of IFRS 7.

#### Listed prices

The Bank'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 models, valuation and estimation techniques as for instance discounted cash flows and option models.

Observable inputs are typically yield curve, volatility and market price data of similar instruments which are usually obtained through ordinary providers such as Reuters, Bloomberg, market makers, etc. If fair value is based on transactions in similar instruments, measurement is only based on transactions entered into on an arm's length basis. Reverse lending and repo deposits as well as unlisted derivatives are generally attributable to this category.

Measurement techniques are generally applied to measure derivatives and unlisted assets and liabilities.

In some cases, markets – eg the bond market – have gradually become inactive and illiquid during 2008 and 2009. When assessing market transactions it may therefore be difficult to conclude whether the transactions were entered into on an arm's length basis or sales were forced. If measurement is based on new transactions, the transaction price is compared with the price obtained using relevant yield curves and discounting techniques.

#### Unobservable inputs

When it is not possible to measure financial instruments at fair value, through prices in active markets or observable inputs, measurement is made on the basis of own assumptions and extrapolation 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 Bank's unlisted equities are generally placed in this category.

Measurement, notably of instruments categorised as "unobservable inputs", is inherently subject to some uncertainty. Of total assets and liabilities, DKK 1.9bn and DKK 0.3bn, respectively, are attributable to this category. Assuming that an actual market price will deviate by +/- 10% relative to the calculated fair value, the earnings impact will be approximately DKK 215m.



## Notes

DKK million

The Nykredit Bank Group

## 38. DERIVATIVE FINANCIAL INSTRUMENTS

## By time-to-maturity

	Net market value				Gross market value			
	Up to 3 months	Over 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
<b>2009</b>								
<b>Foreign exchange contracts</b>								
Forward contracts/futures, purchased	71	(1)	0	0	313	243	70	50,214
Forward contracts/futures, sold	(58)	12	0	0	38	84	(46)	40,271
Swaps	(70)	(26)	203	(11)	2,137	2,041	96	74,043
Options, purchased	10	0	0	0	10	0	10	449
Options, written	(10)	0	0	0	0	10	(10)	706
<b>Interest rate contracts</b>								
Forward contracts/futures, purchased	(60)	(1)	0	0	27	88	(61)	100,055
Forward contracts/futures, sold	53	1	0	0	84	30	54	87,922
Forward Rate Agreements, purchased	(24)	(8)	(1)	0	0	33	(33)	27,310
Forward Rate Agreements, sold	23	7	1	0	31	0	31	24,317
Swaps	(4)	(218)	173	948	16,760	15,861	899	709,376
Options, purchased	0	0	21	1,324	1,345	0	1,345	45,136
Options, written	0	0	(51)	(1,137)	3	1,191	(1,188)	40,879
<b>Equity contracts</b>								
Forward contracts/futures, purchased	1	0	0	0	1	0	1	21
Forward contracts/futures, sold	(2)	0	0	0	0	2	(2)	51
Options, purchased	0	0	9	0	9	0	9	41
Options, written	0	0	(8)	0	0	8	(8)	25
<b>Total, the Nykredit Bank Group</b>							<b>1,167</b>	
<b>2008</b>								
<b>Foreign exchange contracts</b>								
Forward contracts/futures, purchased	83	(30)	(3)	0	1,045	995	50	46,641
Forward contracts/futures, sold	404	36	0	0	505	65	440	39,619
Swaps	(7)	8	137	(80)	3,604	3,546	58	77,094
Options, purchased	25	4	0	0	29	0	29	2,561
Options, written	(25)	(4)	0	0	0	29	(29)	2,561
<b>Interest rate contracts</b>								
Forward contracts/futures, purchased	445	0	0	0	448	3	445	75,317
Forward contracts/futures, sold	(468)	(87)	0	0	1	556	(555)	70,258
Forward Rate Agreements, purchased	(41)	(37)	(4)	0	0	82	(82)	31,702
Forward Rate Agreements, sold	27	17	4	0	48	0	48	11,152
Swaps	9	22	62	1,109	16,247	15,045	1,202	590,642
Options, purchased	0	8	3	1,034	1,083	38	1,045	32,241
Options, written	0	(3)	(41)	(810)	3	857	(854)	27,515
<b>Equity contracts</b>								
Forward contracts/futures, purchased	1	0	0	0	1	0	1	12
Forward contracts/futures, sold	(2)	0	0	0	0	2	(2)	63
Options, purchased	0	0	0	0	0	0	0	3
Options, written	0	0	0	0	0	0	0	11
<b>Total, the Nykredit Bank Group</b>							<b>1,796</b>	

## Notes

DKK million

## 39. UNSETTLED SPOT TRANSACTIONS

## THE NYKREDIT BANK GROUP

	Nominal value	2009 Market value			2008
		Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	5,325	0	8	(8)	(8)
Foreign exchange contracts, sold	7,032	0	4	(4)	0
Interest rate contracts, purchased	4,406	6	5	1	3
Interest rate contracts, sold	5,061	2	3	(1)	(1)
Equity contracts, purchased	136	1	0	1	0
Equity contracts, sold	62	0	1	(1)	(1)
<b>Total</b>	<b>22,022</b>	<b>9</b>	<b>21</b>	<b>(12)</b>	<b>(7)</b>
<b>Total, the year before</b>	<b>23,166</b>	<b>8</b>	<b>15</b>	<b>(7)</b>	<b>17</b>

## NYKREDIT BANK A/S

	Nominal value	2009 Market value			2008
		Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	5,325	0	8	(8)	(8)
Foreign exchange contracts, sold	7,032	0	4	(4)	0
Interest rate contracts, purchased	4,406	6	5	1	3
Interest rate contracts, sold	5,061	2	3	(1)	(1)
Equity contracts, purchased	136	1	0	1	0
Equity contracts, sold	62	0	1	(1)	(1)
<b>Total</b>	<b>22,022</b>	<b>9</b>	<b>21</b>	<b>(12)</b>	<b>(7)</b>
<b>Total, the year before</b>	<b>23,166</b>	<b>8</b>	<b>15</b>	<b>(7)</b>	<b>17</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
<b>40. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES</b>			
<b>Credit risk</b>			
The Group's maximum credit exposure is composed of selected balance sheet and off-balance sheet items.			
<b>Total credit exposure</b>			
<b>On-balance sheet items</b>			
173	72	72	173
32,188	47,367	47,371	32,222
24,599	11,883	11,883	24,490
50,218	45,229	45,428	50,897
10,361	12,433	12,433	10,361
39,857	32,796	33,203	40,536
52,413	54,003	54,003	53,377
184	229	231	184
32,064	28,122	28,200	32,169
<b>Off-balance sheet items</b>			
10,353	19,625	19,626	10,354
8,021	9,235	9,235	8,021
<b>Concentration risk</b>			
Pursuant to the Danish Financial Business Act, after deduction of particularly secure claims the exposure to any one customer or group of interconnected customers must not exceed 25% of the capital base. Furthermore, the sum of exposures which represent 10% or more of the capital base after deduction of particularly secure claims must not exceed 800% of the capital base. None of the Bank Group's exposures exceeded these limits in 2009 or the year before. Concentration of loans, advances and guarantees by sector appears overleaf and on page 18 of the Management's Review.			
<b>Collateral received</b>			
Loans, advances and collateral security provided are subject to ongoing review and, where relevant, Nykredit Bank employs the options available to reduce the risk relating to its lending activities. Collateral security is mainly obtained in the form of charges on securities and/or real assets such as real property and equipment, but also moveable property and guarantees are included.			
The establishment of lines for trading in financial products often requires a contractual basis giving Nykredit Bank access to netting. The contractual basis is typically based on current market standards such as ISDA or ISMA agreements. No set-off has been made for collateral security or netting agreements in the accounting figures presented.			
For reverse lending to credit institutions (DKK 10.8bn) and other customers (DKK 11.9bn) the Bank has received collateral security in the form of bonds at a price which in all material respects hedges the lending credit risk.			
Nykredit Bank only uses credit default swap transactions to a negligible extent.			

## Notes

DKK million

The Nykredit Bank Group

## 40. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)

## Loans, advances and guarantees by sector and industry

2009	Carrying amount			Impairment provisions		
	Loans and advances	Guarantees	Total	Loans, adv., guarantees subject to individual provisioning	Individual impairment provisions	Collective impairment provisions
<b>Public sector</b>	<b>85</b>	<b>88</b>	<b>173</b>			
<b>Corporate customers</b>						
Agriculture, hunting and forestry	1,938	989	2,927	51	25	1
Manufacturing industries, extraction of raw materials, utilities	7,637	367	8,004	472	242	35
Building and construction	696	378	1,074	33	7	2
Trade, restaurants and hotels	2,331	426	2,757	253	182	5
Transport, mail and telephone	2,031	376	2,407	40	10	3
Credit, finance and insurance	10,882	1,596	12,478	1,355	698	9
Property management and trade, business services	11,419	5,943	17,362	261	217	31
Other trade and industry	7,805	1,097	8,902	398	277	12
<b>Total corporate customers</b>	<b>44,739</b>	<b>11,172</b>	<b>55,911</b>	<b>2,863</b>	<b>1,658</b>	<b>98</b>
<b>Retail customers</b>	<b>12,487</b>	<b>8,366</b>	<b>20,853</b>	<b>97</b>	<b>84</b>	<b>13</b>
<b>Total</b>	<b>57,311</b>	<b>19,626</b>	<b>76,937</b>	<b>2,960</b>	<b>1,742</b>	<b>111</b>
Of which reverse lending	11,883	-	11,883	-	-	-
<b>Nykredit Bank A/S</b>						
Guarantees		19,625	19,625	933	273	
Loans, advances and other receivables at amortised cost	45,229		45,229	1,879	1,424	110
<b>2008</b>						
	Carrying amount			Impairment provisions		
	Loans and advances	Guarantees	Total	Loans, adv., guarantees subject to individual provisioning	Individual impairment provisions	Collective impairment provisions
<b>Public sector</b>	<b>250</b>	<b>99</b>	<b>349</b>			
<b>Corporate customers</b>						
Agriculture, hunting and forestry	2,473	459	2,932	5	2	5
Manufacturing industries, extraction of raw materials, utilities	7,951	535	8,486	266	141	10
Building and construction	765	269	1,034	6	1	4
Trade, restaurants and hotels	2,745	176	2,921	3	3	6
Transport, mail and telephone	2,334	268	2,602	14	2	1
Credit, finance and insurance	27,173	1,311	28,484	1,517	369	2
Property management and trade, business services	15,987	2,395	18,382	206	73	57
Other trade and industry	4,129	1,014	5,143	11	11	15
<b>Total corporate customers</b>	<b>63,557</b>	<b>6,427</b>	<b>69,984</b>	<b>2,028</b>	<b>602</b>	<b>100</b>
<b>Retail customers</b>	<b>11,580</b>	<b>3,828</b>	<b>15,408</b>	<b>50</b>	<b>45</b>	<b>23</b>
<b>Total</b>	<b>75,387</b>	<b>10,354</b>	<b>85,741</b>	<b>2,078</b>	<b>647</b>	<b>123</b>
Of which reverse lending	24,490	-	24,490	-	-	-
<b>Nykredit Bank A/S</b>						
Guarantees		10,353	10,353	923	56	
Loans, advances and other receivables at amortised cost	50,218		50,218	1,118	577	123

The distribution is based on public sector statistics and therefore not directly comparable with the Bank's business areas.

## Notes

DKK million

## The Nykredit Bank Group

## 40. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)

## Loans carrying a reduced interest rate (the Nykredit Bank Group)

	<b>2009</b>	<b>2008</b>
Gross lending	1,435	478
Impairments	1,099	296
<b>Carrying amount</b>	<b>336</b>	<b>182</b>
Of which non-accrual	188	175
Of which at reduced interest rate	148	7

## Loans and advances at amortised cost by sector (Nykredit Bank A/S)

	Manufatur- ing, building and con- struction	Credit and finance	Property manage- ment and trade etc	Transport, trade and hotels	Other trade and public	Retail	Total
<b>2009</b>							
<b>Rating category</b>							
10	745	13	83	13	219	423	1,496
9	176	11	392	59	741	510	1,889
8	1,326	572	2,611	918	1,494	776	7,697
7	733	189	3,201	557	2,196	1,173	8,049
6	615	1	1,073	189	1,031	2,386	5,295
5	612	8	1,330	85	800	2,783	5,618
4	228	19	433	128	342	2,452	3,602
3	1,764	2,527	645	902	425	1,232	7,495
2	579	410	720	99	186	513	2,507
1	18	3	142	9	138	148	458
0	20	33	105	6	15	10	189
Non-performing exposures	442	697	459	296	397	177	2,468
<b>Total</b>	<b>7,258</b>	<b>4,483</b>	<b>11,194</b>	<b>3,261</b>	<b>7,984</b>	<b>12,583</b>	<b>46,763</b>

	Manufatur- ing, building and con- struction	Credit and finance	Property manage- ment and trade etc	Transport, trade and hotels	Other trade and public	Retail	Total
<b>2008</b>							
<b>Rating category</b>							
10	512	68	901	113	444	367	2,405
9	388	705	549	78	284	556	2,560
8	1,314	469	4,851	1,772	441	1,112	9,959
7	1,945	934	2,640	1,716	1,242	1,180	9,657
6	1,143	1,634	2,526	707	1,058	2,172	9,240
5	1,081	1,512	880	288	850	2,354	6,965
4	355	25	1,134	94	296	2,196	4,100
3	302	9	388	17	75	776	1,567
2	247	360	621	33	519	757	2,537
1	162	38	163	16	285	66	730
0	5	2	368	6	47	10	438
Non-performing exposures	35	394	207	9	13	102	760
<b>Total</b>	<b>7,489</b>	<b>6,150</b>	<b>15,228</b>	<b>4,849</b>	<b>5,554</b>	<b>11,648</b>	<b>50,918</b>

Rating categories include Nykredit Bank A/S's loans, advances and receivables at amortised cost determined before impairments. Loans with low customer ratings are loans in rating categories 0 and 1 (not including loans to public sector customers) for which Nykredit's internal credit models show a probability of default of more than 7%, but which have not been provided for. In other words, these are loans that are associated with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan. Rating categories 0 and 1 comprise 1.4% of total lending. The category non-performing exposures includes loans provided for individually and loans to customers with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan. Nykredit's rating categories are further described in the report Risk and Capital Management 2009, available at [nykredit.com/reports](http://nykredit.com/reports).

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2008	2009	2009	2008
<b>40. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)</b>			
<b>Foreign exchange risk</b>			
51,038	58,528	58,552	50,897
54,560	60,855	60,830	54,393
263	64	64	245
3.8	0.7	0.7	3.5
1	0	0	1
0	0	0	0
<b>Interest rate risk by the currency involving the highest interest rate exposure</b>			
(151)	46	46	(144)
112	(23)	(23)	108
0	(3)	(3)	0
12	5	5	12
5	0	0	5
0	1	1	0
(4)	(16)	(16)	(4)
2	0	0	2
1	(1)	(1)	0
<b>(23)</b>	<b>9</b>	<b>9</b>	<b>(21)</b>
<b>79</b>	<b>19</b>	<b>19</b>	<b>79</b>
<b>Value-at-Risk</b>			
Value-at-Risk is a statistical measure of the maximum loss the Bank may risk at a given probability and time horizon. The Bank calculates the key figure subject to a one-tailed confidence level of 99% and a time horizon of one day.			
<b>(1)</b>	<b>2</b>	<b>2</b>	<b>(1)</b>
<b>Option risk</b>			
The interest rate volatility risk is measured as the change in a market value following a change in volatility of one percentage point.			
<b>184</b>	<b>229</b>	<b>231</b>	<b>184</b>
<b>Equity price risk</b>			
Equity price risk has been disclosed as the carrying amount of the Bank's investments in equities, etc.			
<b>Liquidity risk</b>			
The day-to-day operations of Nykredit Bank are affected by certain liquidity fluctuations, including the risk of the Bank and the Bank Group not being able to meet their expected and unexpected payment obligations when they fall due.			
Furthermore, a risk of losses may arise as a result of the Bank or the Bank Group's difficulty in disposing of or realising certain assets within a limited time horizon and without any significant impairment of the market value due to inadequate market liquidity or other market interruptions.			
<b>Information stated in the Management's Review</b>			
The Nykredit Bank Group's credit risk, market risk and risk management policies are described in detail under "Risk and capital management" on pages 15 to 22 of the Management's Review, which are to be viewed as an integral part of note 40.			

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2008	2009		2009	2008
		<b>41. HEDGING INTEREST RATE RISK</b>		
		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's market risk and risk management policies are described under "Market risk" in the Management's Review.		
		The Nykredit Bank 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 the expected interest rate development.		
		According to the accounting 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 hedge accounting has been allowed. The fair value adjustment exclusively concerns the hedged part (the interest rate exposure).		
		<b>HEDGED FIXED-RATE ASSETS</b>		
2,537	2,567	Loans, advances and other receivables at amortised cost	2,567	2,537
<b>2,537</b>	<b>2,567</b>	<b>Total nominal value</b>	<b>2,567</b>	<b>2,537</b>
		<b>Market value of hedged fixed-rate assets</b>		
2,581	2,627	Loans, advances and other receivables at amortised cost	2,627	2,581
<b>2,581</b>	<b>2,627</b>	<b>Total carrying amount, year-end</b>	<b>2,627</b>	<b>2,581</b>
		<b>Fair value adjustment</b>		
44	60	Loans, advances and other receivables at amortised cost	60	44
<b>44</b>	<b>60</b>	<b>Total fair value adjustment</b>	<b>60</b>	<b>44</b>
		<b>HEDGING DERIVATIVE FINANCIAL INSTRUMENTS</b>		
2,251	1,404	Nominal value (synthetic principal)	1,404	2,251
(44)	(60)	Market value adjustment (negative market value)	(60)	(44)
		<b>FAIR VALUE ADJUSTMENT DIFFERENCE</b>		
<b>0</b>	<b>0</b>	<b>Total</b>	<b>0</b>	<b>0</b>
		Hedged and hedging financial instruments have been fair value adjusted through profit or loss.		
		<b>Amounts recognised through profit or loss for the financial year</b>		
64	16	Hedged transactions	16	64
(63)	(16)	Hedging transactions	(16)	(63)

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2008	2009		2009	2008
<b>42. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS</b>				
<b>Of the asset items below, genuine purchase and resale transactions represent:</b>				
4,380	10,755	Receivables from credit institutions and central banks	10,755	4,380
24,599	11,883	Loans, advances and other receivables at fair value	11,883	24,490
<b>Of the liability items below, genuine sale and repurchase transactions represent:</b>				
6,510	7,258	Payables to credit institutions and central banks	7,258	7,180
5	451	Other non-derivative financial liabilities at fair value	451	50
<b>Assets sold as part of genuine sale and repurchase transactions</b>				
6,401	7,556	Bonds at fair value	7,556	6,401
The Bank's activities take place exclusively through an exchange of listed bonds and on an arm's length basis.				
<b>43. OTHER CONTINGENT LIABILITIES</b>				
Legal proceedings and litigation The Bank's operations involve the Bank in legal proceedings and litigation. The Bank is of the opinion that the outcome thereof will have no material effect on its financial position.				
Government guarantee scheme The Bank participates in the government guarantee scheme (bank rescue package I) implying that the Danish government has issued a two-year guarantee that covers the Danish banks participating in the scheme.				
Nykredit Bank's share of the total guarantee commission is an estimated DKK 348m pa until 30 September 2010. For the financial year 2009, DKK 351m, including a minor adjustment for 2008, has been charged to the income statement (under "Other operating expenses").				
Nykredit Bank also participates in a sector guarantee totalling DKK 20bn with a share estimated at DKK 928m which has been recognised under "Other contingent liabilities" (off-balance sheet items). Under the guarantee obligation, Nykredit Bank is liable for up to DKK 928m if one or more Danish banks become distressed for reasons covered by the scheme. At 31 December 2009, DKK 268m had been provided for the guarantee.				



## Notes

DKK million

## 44. GROUP STRUCTURE

Name and registered office	Revenue *)	Assets	Liabilities	Share capital 31.12.09	Equity 31.12.08	Ownership interest, % 31.12.09	Profit (loss) for the year	Nykredit Bank's share of profit (loss) for the year	Equity 31.12.09	Carrying amount
<b>Nykredit Bank A/S (Parent Company) a)</b>	2,871	187,471	177,244	4,175	7,104	-	(77)	-	10,227	-
<b>Consolidated subsidiaries</b>										
Nykredit Portefølje Administration A/S, Copenhagen f)	93	169	49	25	103	100	17	17	120	120
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen d)	0	28	0	5	28	100	0	0	28	28
Nykredit Pantebrevsinvestering A/S, Copenhagen b)	0	11	0	5	11	100	0	0	11	11
Nykredit Sirius Ltd., the Cayman Islands e)	(7)	49	46	46	78	100	(10)	(10)	3	3
Nykredit Finance plc, Plymouth d)	0	24	0	21	21	100	2	2	25	25
Nykredit Leasing A/S (formerly LeasIT A/S), Gladsaxe c) 1)	81	2,178	2,030	46	126	100	(29)	(29)	148	148
<b>Associates</b>										
Dansk Pantebrevsbørs A/S, Copenhagen b) 2)	-	-	-	-	(65)	-	(138)	(138)	-	-
The company is subject to insolvency proceedings										

\* For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as: net interest and fee income, value adjustments and other operating income.

1) From 1 October 2007, Nykredit Bank's ownership interest was increased from 22.65% to 100%, and LeasIT A/S subsequently merged with Nykredit Leasing A/S in 2008 with LeasIT A/S as the surviving company. After the merger, the company continued under the name of Nykredit Leasing A/S.

2) The company used to be subject to proportionate consolidation based on shareholders' agreements entitling the Bank to appoint a director. As the company is subject to insolvency proceedings, it is assumed that the company no longer meets the requirement of significant influence. The company is consequently not subject to proportionate consolidation in the financial statements for 1 January to 31 December 2009.

Pantebrevsselskabet af 8/8 -1995 A/S and Nykredit Pantebrevsinvestering had few activities in 2009. Nykredit Sirius Ltd. and Nykredit Finance Plc. are in liquidation.

- a) Bank
- b) Mortgage trading company
- c) Leasing company
- d) No activity
- e) Finance institution
- f) Investment management company

## Notes

DKK million/EUR

	2009/EUR	2009	2008	2007	2006	2005
<b>45. NYKREDIT BANK A/S 2005-2009</b>						
<b>SUMMARY INCOME STATEMENT</b>						
Net interest and fee income	336	2,500	1,620	1,231	956	946
Value adjustments	49	363	(29)	526	486	152
Other operating income	1	8	5	8	19	19
Staff and administrative expenses	162	1,203	991	779	668	539
Other operating costs, depreciation and amortisation	54	400	84	9	3	3
Impairment losses on loans, advances and receivables	155	1,155	772	(45)	(52)	5
Profit (loss) from investments in associates and group enterprises	(21)	(158)	(58)	(5)	14	16
<b>Profit (loss) before tax</b>	<b>(6)</b>	<b>(45)</b>	<b>(309)</b>	<b>1,017</b>	<b>856</b>	<b>586</b>
Tax	4	32	(68)	259	229	147
<b>Profit (loss) for the year</b>	<b>(10)</b>	<b>(77)</b>	<b>(241)</b>	<b>758</b>	<b>627</b>	<b>439</b>
<b>SUMMARY BALANCE SHEET, YEAR-END</b>						
<b>Assets</b>						
Cash balance and receivables from central banks and credit institutions	6,375	47,439	32,361	20,187	18,271	15,035
Loans, advances and other receivables at fair value	1,597	11,883	24,599	5,737	3,432	6,688
Loans, advances and other receivables at amortised cost	6,078	45,229	50,218	38,314	28,758	19,484
Bonds at fair value and equities	7,288	54,232	52,597	53,310	47,238	35,943
Investments in associates and group enterprises	45	335	368	405	297	174
Other asset items	3,810	28,353	32,339	13,430	8,183	6,840
<b>Total assets</b>	<b>25,193</b>	<b>187,471</b>	<b>192,482</b>	<b>131,383</b>	<b>106,179</b>	<b>84,164</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	7,204	53,609	84,321	73,296	62,548	44,317
Deposits and other payables	6,340	47,182	46,964	32,034	22,764	22,192
Issued bonds at amortised cost	5,582	41,539	17,330	1,562	1,741	654
Other non-derivative financial liabilities at fair value	914	6,798	3,641	4,776	7,032	6,484
Other payables	3,725	27,711	30,665	11,215	6,539	6,050
<b>Total payables</b>	<b>23,765</b>	<b>176,839</b>	<b>182,921</b>	<b>122,883</b>	<b>100,624</b>	<b>79,697</b>
Provisions	54	405	57	1	14	53
Subordinate loan capital	-	-	2,400	2,400	1,300	800
Equity	1,374	10,227	7,104	6,099	4,241	3,614
<b>Total liabilities and equity</b>	<b>25,193</b>	<b>187,471</b>	<b>192,482</b>	<b>131,383</b>	<b>106,179</b>	<b>84,164</b>
<b>OFF-BALANCE SHEET ITEMS</b>						
Contingent liabilities	2,637	19,625	10,353	14,435	9,343	10,399
Other commitments	1,256	9,343	8,129	8,011	6,346	3,030
<b>FINANCIAL RATIOS</b>						
Capital adequacy ratio, %		12.2	10.2	12.0	10.6	10.4
Core capital ratio, %		12.2	7.6	8.6	8.3	8.9
Return on equity before tax (pa), %		(0.5)	(4.7)	19.7	21.0	17.3
Return on equity after tax (pa), %		(0.9)	(3.6)	14.7	16.0	13.0
Income:cost ratio, DKK		0.8	0.83	2.37	2.42	2.10
Interest rate exposure, %		0.1	(0.3)	3.2	4.2	3.3
Foreign exchange position, %		0.7	3.8	5.7	5.4	4.2
Foreign exchange exposure, %		0.0	0.0	0.1	0.2	0.1
Loans and advances:deposits		1.2	1.6	1.4	1.4	1.2
Loans and advances:equity		5.5	10.5	7.2	7.6	7.2
Annual lending growth, %		(23.7)	69.8	36.8	23.0	15.7
Excess cover:statutory liquidity requirements, %		324.0	155.0	147.7	117.2	207.8
Total large exposures, %		62.2	93.7	134.7	336.4	349.5
Impairment losses for the year, %		1.6	0.9	(0.1)	(0.1)	0.0
Average number of staff, full-time equivalents		625	595	507	433	372

Reference is made to the 5-year summary for the Nykredit Bank Group in the Management's Review.

The financial ratios have been calculated in accordance with the definitions of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc..

EUR 1 = DKK 7.4415 at end-2009

# The Nykredit Bank Group – eight quarters

DKK million

	Q4/ 2009	Q3/ 2009	Q2/ 2009	Q1/ 2009	Q4/ 2008	Q3/ 2008	Q2/ 2008	Q1/ 2008
<b>SUMMARY INCOME STATEMENT</b>								
Net interest income	503	566	542	531	459	344	336	319
Dividends, fees and commission income (net)	131	119	141	119	69	68	85	68
<b>Net interest and fee income</b>	<b>634</b>	<b>685</b>	<b>683</b>	<b>650</b>	<b>528</b>	<b>412</b>	<b>421</b>	<b>387</b>
Value adjustments	272	(67)	149	0	(21)	(69)	19	(20)
<b>Net interest, fees and value adjustments</b>	<b>906</b>	<b>618</b>	<b>832</b>	<b>650</b>	<b>507</b>	<b>343</b>	<b>440</b>	<b>367</b>
Other operating income	10	6	6	9	7	6	9	6
Staff and administrative expenses	366	291	344	315	308	291	275	244
Other operating costs, depreciation and amortisation	90	133	88	93	93	3	1	2
Profit (loss) from investments in associates and group enterprises	0	(138)	-	-	-	-	-	-
Impairment losses on loans, advances and receivables	233	526	380	86	658	20	83	2
<b>Profit (loss) before tax</b>	<b>227</b>	<b>(464)</b>	<b>26</b>	<b>165</b>	<b>(545)</b>	<b>35</b>	<b>90</b>	<b>125</b>
Tax	53	(75)	7	46	(117)	8	24	31
<b>Profit (loss)</b>	<b>174</b>	<b>(389)</b>	<b>19</b>	<b>119</b>	<b>(428)</b>	<b>27</b>	<b>66</b>	<b>94</b>
<b>SUMMARY BALANCE SHEET, YEAR-END</b>								
<b>Assets</b>								
Cash balance and receivables from central banks and credit institutions	47,443	31,164	30,579	29,139	32,395	16,542	15,326	22,327
Loans, advances and other receivables at fair value	11,883	24,823	23,244	25,679	24,490	13,444	11,515	8,171
Loans, advances and other receivables at amortised cost	45,428	45,279	45,793	47,485	50,897	50,449	49,039	43,538
Bonds at fair value	54,003	46,929	71,409	68,580	53,377	47,650	52,253	59,662
Equities	231	167	191	202	184	265	254	290
Land and buildings	69	70	70	70	70	70	71	82
Other asset items	28,356	31,254	27,819	34,256	32,387	18,330	19,567	13,460
<b>Total assets</b>	<b>187,413</b>	<b>179,686</b>	<b>199,105</b>	<b>205,411</b>	<b>193,800</b>	<b>146,750</b>	<b>148,025</b>	<b>147,530</b>
<b>Liabilities and equity</b>								
Payables to credit institutions and central banks	53,609	44,278	75,381	73,401	85,850	69,680	75,760	84,330
Deposits and other payables	46,965	46,493	44,341	44,207	46,536	34,126	32,595	31,700
Issued bonds	41,539	40,806	36,920	39,184	17,330	10,357	6,802	4,541
Other non-derivative financial liabilities at fair value	6,798	6,502	5,083	4,728	3,641	6,773	6,932	7,041
Other payables	27,870	31,211	27,577	34,189	30,881	17,090	17,279	11,323
<b>Total payables</b>	<b>176,781</b>	<b>169,290</b>	<b>189,302</b>	<b>195,709</b>	<b>184,238</b>	<b>138,026</b>	<b>139,368</b>	<b>138,935</b>
Provisions	405	343	161	79	58	42	2	2
Subordinate loan capital	-	-	2,400	2,400	2,400	2,400	2,400	2,400
Equity	10,227	10,053	7,242	7,223	7,104	6,282	6,255	6,193
<b>Total liabilities and equity</b>	<b>187,413</b>	<b>179,686</b>	<b>199,105</b>	<b>205,411</b>	<b>193,800</b>	<b>146,750</b>	<b>148,025</b>	<b>147,530</b>
<b>OFF-BALANCE SHEET ITEMS</b>								
Contingent liabilities	19,626	12,683	11,336	10,080	10,354	9,887	12,513	11,277
Other commitments	9,387	8,220	9,258	8,570	8,163	8,059	8,761	8,365
<b>FINANCIAL RATIOS</b>								
Capital adequacy ratio, %	12.3	13.6	12.5	11.6	10.2	10.3	9.3	9.8
Core capital ratio, %	12.3	13.7	9.4	8.7	7.7	7.6	6.9	7.2
Return on equity before tax (pa), %	8.9	(21.5)	1.4	9.2	(32.6)	2.2	5.8	8.1
Return on equity after tax (pa), %	6.8	(18.0)	1.1	6.6	(25.6)	1.7	4.2	6.1
Income:cost ratio, DKK	1.33	0.51	1.03	1.33	0.48	1.11	1.25	1.50
Interest rate exposure, %	0.1	0.3	1.1	0.9	(0.3)	1.2	1.3	2.4

Q2 and Q3/2008 figures have been adjusted, cf the Bank's stock exchange announcement of 23 January 2009.

# Pro forma balance sheet for the merger between Nykredit Bank A/S and Forstædernes Bank A/S

Forstædernes Bank A/S and Nykredit Bank A/S will be merged on 1 April 2010. The merger is expected to be effected using the uniting-of-interests method, as the companies have been subsidiaries of the same parent company, Nykredit Realkredit A/S. Consequently, there will be no goodwill or value adjustment of the assets and liabilities included in the merger. For accounting purposes, the merger is effective as of 1 January 2010. After the merger, the surviving company, Nykredit Bank A/S, will continue to be wholly owned by Nykredit Realkredit A/S.

	Nykredit Bank	Forstædernes Bank	Total	Eliminations	Pro forma balance sheet
<b>BALANCE SHEET AT 31 DECEMBER 2009</b>					
<b>Assets</b>					
Cash balance and receivables from central banks and credit institutions	47,439	3,954	51,393	(5,036)	46,357
Loans, advances and other receivables at fair value	11,883	80	11,963		11,963
Loans, advances and other receivables at amortised cost	45,229	15,493	60,722		60,722
Bonds at fair value and equities	54,232	11,436	65,668		65,668
Investments in associates and group enterprises	335	4	339		339
Other asset items	28,353	2,071	30,424	(205)	30,219
<b>Total assets</b>	<b>187,471</b>	<b>33,038</b>	<b>220,509</b>	<b>(5,241)</b>	<b>215,268</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	53,609	8,270	61,879	(5,036)	56,843
Deposits and other payables	47,182	18,152	65,334		65,334
Issued bonds at amortised costs	41,539	2,520	44,059		44,059
Other non-derivative financial liabilities at fair value	6,798	0	6,798		6,798
Other payables	27,711	420	28,131	(205)	27,926
<b>Total payables</b>	<b>176,839</b>	<b>29,362</b>	<b>206,201</b>	<b>(5,241)</b>	<b>200,960</b>
Provisions	405	360	765		765
Subordinate loan capital	0	1,169	1,169		1,169
Equity	10,227	2,147	12,374		12,374
<b>Total liabilities and equity</b>	<b>187,471</b>	<b>33,038</b>	<b>220,509</b>	<b>(5,241)</b>	<b>215,268</b>
The balance sheet is based on a summary of the merged companies' balance sheets at 31 December 2009, cf the annual reports of the companies.					
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	19,625	3,760	23,385		23,385
Other commitments	9,343	0	9,343		9,343
<b>EQUITY</b>					
Share capital	4,175	1,370	5,545		5,545
Cancellation of shares in Forstædernes Bank				(1,370)	(1,370)
New issues in Nykredit Bank				1,370	1,370
<b>Total share capital</b>	<b>4,175</b>	<b>1,370</b>	<b>5,545</b>	<b>0</b>	<b>5,545</b>
Statutory reserves	0	1	1		1
Dissolution of statutory reserves in Forstædernes Bank			0	(1)	(1)
<b>Total statutory reserves</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>(1)</b>	<b>0</b>
Retained earnings	6,052	776	6,828		6,828
Transferred from statutory reserves			0	1	1
<b>Total retained earnings</b>	<b>6,052</b>	<b>776</b>	<b>6,828</b>	<b>1</b>	<b>6,829</b>
<b>Total equity</b>	<b>10,227</b>	<b>2,147</b>	<b>12,374</b>	<b>0</b>	<b>12,374</b>
<b>FINANCIAL RATIOS</b>					
Capital adequacy ratio, %	12.2	15.7	-	-	12.2
Core capital ratio, %	12.2	11.2	-	-	12.2

As Nykredit Bank A/S is the surviving company, the capital adequacy and core capital ratios at the date of merger are identical to those of Nykredit Bank A/S. After the merger, the capital adequacy and core capital ratios are expected to be close to 12%.

## Other information



### FINANCIAL CALENDAR FOR 2010

**11 February**

Preliminary announcement of financial statements of the Nykredit Bank Group.

**25 February**

General Meeting of Nykredit Bank A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

**19 May**

Q1 Interim Report of the Nykredit Bank Group.

**19 August**

H1 Interim Report of the Nykredit Bank Group.

**11 November**

Q1-Q3 Interim Report of the Nykredit Bank Group.

Published announcements are available on Nykredit's website at [nykredit.com](http://nykredit.com).

**NYKREDIT BANK'S MANAGEMENT****Board of Directors and Executive Board**

The Board of Directors and the Executive Board form the Nykredit Bank Group Management.

**BOARD OF DIRECTORS**

The Board meets monthly except in July.

The members of Nykredit Bank's Board of Directors appointed by the General Meeting are elected for a term of one year. The latest ordinary election took place on 11 March 2009 and an Extraordinary General Meeting was held on 20 August 2009. Re-election is not subject to any restrictions.

Staff-elected board members are elected for a term of four years.

Below, an account is given of the individual Director's position, age, years of service on the Board and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

**Karsten Knudsen**

Managing Director of Nykredit Holding A/S  
Group Managing Director of Nykredit Realkredit A/S

Date of birth: 21 June 1953  
Joined the Board on 1 October 2007

Director of:  
Nykredit Leasing A/S (Chairman)  
Nykredit Forsikring A/S  
Dansk Pantebrevsbørs A/S \*\*  
Dampskibsselskabet Norden A/S  
Forstædernes Bank A/S  
Ejendomsselskabet Kalvebod A/S \*

**Henrik K. Asmussen \*\*\***  
Head of Frequent Issuer Desk

Date of birth: 10 March 1966  
Joined the Board on 1 January 2007

**Kim Duus**

Managing Director of Nykredit Holding A/S \*  
Group Managing Director of Nykredit Realkredit A/S \*

Date of birth: 8 December 1956  
Joined the Board on 20 August 2009

Director of:  
Nykredit Forsikring A/S \*  
Totalkredit A/S \*  
Nykredit Portefølje Administration A/S  
Finansrådet \*\*

**Søren Holm**

Managing Director of Nykredit Holding A/S  
Group Managing Director of Nykredit Realkredit A/S

Date of birth: 15 November 1956  
Joined the Board on 26 September 2002

Director of:  
Nykredit Ejendomme A/S \*\*  
Nykredit Forsikring A/S  
Nykredit Mægler A/S  
Nykredit Administration V A/S  
Totalkredit A/S (Chairman)  
JN Data A/S  
Forstædernes Bank A/S  
Ejendomsselskabet Kalvebod A/S \*  
Realkreditrådet \*

**Allan Kristiansen \*\*\***  
Vice President

Date of birth: 6 March 1958  
Joined the Board on 13 March 2003

Director of:  
Nykredit Holding A/S  
Nykredit Realkredit A/S

**Per Ladegaard**

Managing Director of Nykredit Holding A/S  
Group Managing Director of Nykredit Realkredit A/S

Date of birth: 17 March 1953  
Joined the Board on 18 March 1998

Director of:  
Nykredit Mægler A/S (Chairman)  
Nykredit Forsikring A/S (Chairman)  
e-nettet Holding A/S (Chairman)  
e-nettet A/S (Chairman)  
JN Data A/S (Chairman)  
BEC (Bankernes EDB Central), Observer  
Finanssektorens Uddannelsescenter \*\*  
IT-Universitetet  
Owner of Bræmkærgård  
Forstædernes Bank A/S

**Bente Overgaard**

Managing Director of Nykredit Holding A/S \*  
Group Managing Director of Nykredit Realkredit A/S \*

Date of birth: 21 June 1964  
Joined the Board on 20 August 2009

Director of:  
Nykredit Ejendomme A/S  
Nykredit Leasing A/S  
Nykredit Mægler \*

Finanssektorens Uddannelsescenter \*

**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 s 80 of the Danish Financial Business Act.

**Bjørn Mortensen**

Managing Director

Date of birth: 12 December 1967  
Joined the Executive Board on 1 October 2007

Director of:  
Nykredit Leasing A/S  
Erhvervsinvest Management A/S \*\*  
Komplementarselskabet Advizer ApS  
Finansrådet \*  
FB Ejendomme A/S (Chairman)

Member of the Committee of Representatives of Det Private Beredskab af Afvikling og Nødlidende Banker, Sparekasser og Andelskasser \*

Managing Director of:  
Forstædernes Bank A/S

**Georg Andersen**

Managing Director

Date of birth: 30 May 1959  
Joined the Executive Board on 20 August 2009

Director of:  
Børsmæglerforeningen  
MTS Associated Markets SA/NV, Brussels  
Member of Fondsrådet \*

**Lars Bo Bertram**

Managing Director

Date of birth: 28 December 1962  
Joined the Executive Board on 20 August 2009

Director of:  
Nykredit Portefølje Administration A/S (Chairman)  
CFA Danmark

\* Joined in 2009  
\*\* Resigned in 2009  
\*\*\* Staff-elected member

*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.*