



Annual Report 2010
The Nykredit Bank Group

Nykredit

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NYKREDIT'S BUSINESS CONCEPT AND STRATEGY

FINANCIAL SUSTAINABILITY

A changing society needs sound financial enterprises to foster changes and secure sustainable short- and long-term financial solutions.

As a market player, Nykredit has financial sustainability as its business concept.

This means

that we

- operate on the basis of a sharply defined ethical frame of reference and long-term relationships
- create new and dynamic opportunities for customers and investors
- value balanced risk management and a strong capital structure.

that you

- as a customer receive holistic advisory services that provide perspective and improve your options
- as a business partner experience competence, respect and determination to realise mutual benefits
- as an investor are offered a broad range of investment options with focus on security and transparency
- as a staff member have room to unfold your full potential while maintaining a work-life balance
- as a member of society can expect us to contribute to securing a stable and efficient financial market, while maintaining a broad sense of community.

STRATEGY TO STRENGTHEN GROWTH IN BANKING

Nykredit adopted a new strategy and reorganised in 2009, paving the way for significant business development and growth in the coming years.

Strategy 2013 is to further develop the Group, with banking and mortgage lending as core activities.

Strategy 2013 supports our partnership with Totalkredit as a strategically important part of our mortgage operations.

Denmark is our main geographic focus area in terms of business growth.

Fundamental business principles

The strategy is based on a set of fundamental business principles which determine how Nykredit conducts and organises its activities:

- Meeting customer needs
Our services are motivated by customer needs and requirements – we are market-driven and customer-oriented.
- Transparency
It is evident and clear how we organise our activities, what and how we prioritise, and therefore how we create value for our customers and Nykredit.
- New thinking
We prioritise and encourage new thinking as part of the most optimal and flexible use of Nykredit's resources.
- A balanced and profitable business
We aim at profitable business based on long-term and sustainable relations while taking into consideration Nykredit's and our customers' risk.
- Resource mobility
We focus on efficient and cost-conscious use of resources to the utmost benefit of the Group.

The Group's strategic ambitions

Strategy 2013 contains Nykredit's four long-term targets for the Group:

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

COMPANY INFORMATION

COMPANY INFORMATION

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

Website: 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

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

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 15 March 2011

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 92.

AUDIT BOARD

The Nykredit Group has set up an Audit Board, which acts as an intercompany audit board.

Steffen Kragh, CEO
Chairman

Anders C. Obel, CEO

Nina Smith, Professor

REMUNERATION BOARD

The board acts as an intercompany remuneration board working on behalf of the entire Nykredit Group.

Steen E. Christensen, Attorney
Chairman

Steffen Kragh, CEO

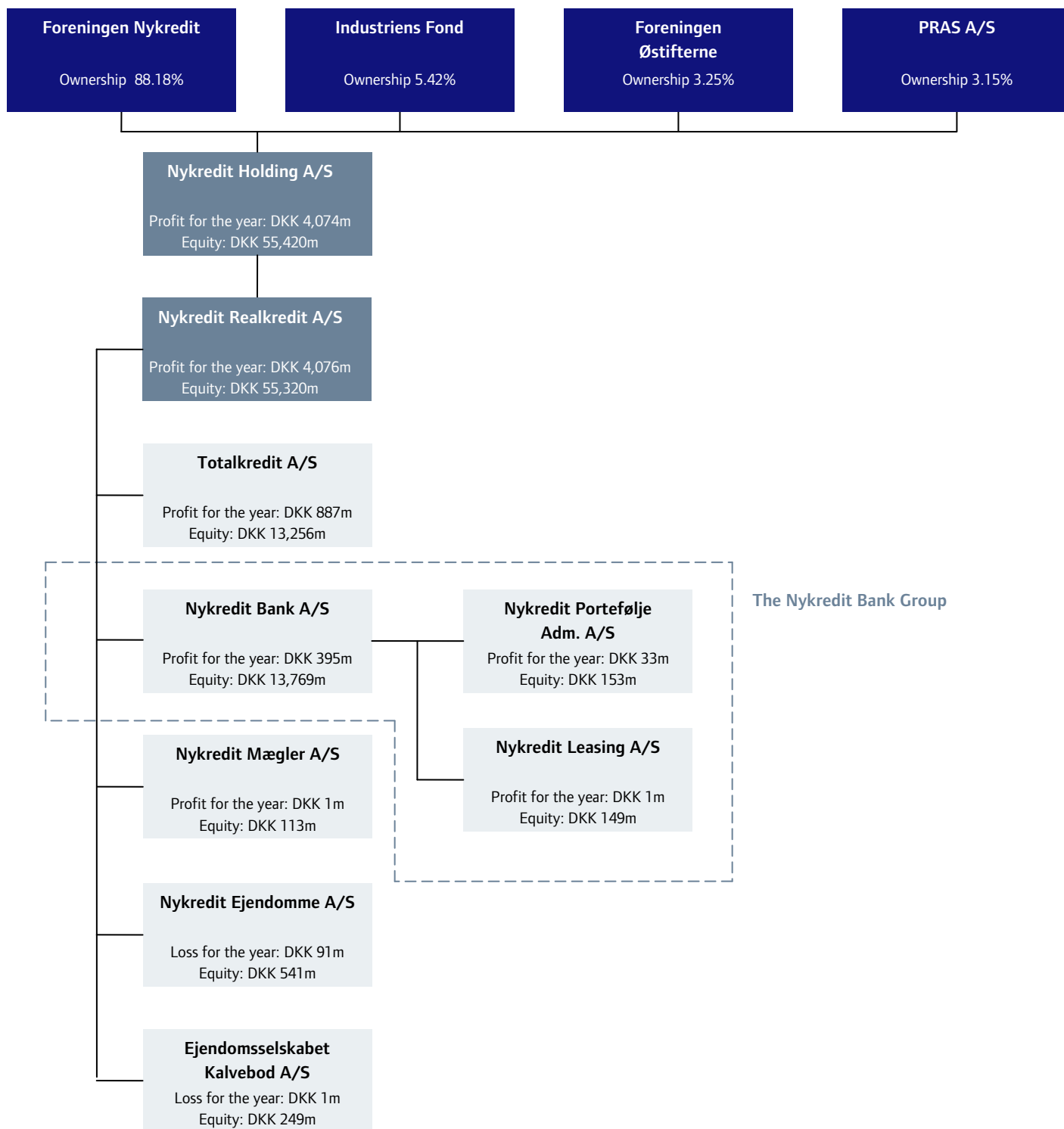
Hans Bang-Hansen, Farmer

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

- Annual Report 2010
- About Nykredit 2010 – Financial Sustainability
- Risk and Capital Management 2010
-

Information on Nykredit's corporate governance policy is available at nykredit.com/aboutnykredit

GROUP CHART



THE NYKREDIT BANK GROUP 2006-2010

The Nykredit Bank Group

DKK million/EUR million

Comparative figures have been restated to reflect the merger with Forstædernes Bank A/S

	2010/EUR	2010	2009	2008	2007	2006
SUMMARY INCOME STATEMENT						
Net interest and fee income	486	3,624	3,675	2,813	2,335	1,900
Value adjustments	64	473	313	(484)	609	757
Other operating income	5	35	33	33	18	23
Staff and administrative expenses	236	1,759	1,911	1,782	1,498	1,275
Other operating expenses, depreciation and amortisation	53	392	605	187	55	40
Impairment losses on loans, advances and receivables	201	1,494	6,571	2,297	37	(3)
Profit (loss) from investments in associates and group enterprises	4	30	(136)	-	-	-
Profit (loss) before tax	69	517	(5,202)	(1,904)	1,372	1,368
Tax	16	122	(1,264)	(436)	339	336
Profit (loss) for the year	53	395	(3,938)	(1,468)	1,033	1,032
BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	3,955	29,480	46,361	35,318	22,583	21,317
Loans, advances and other receivables at fair value	1,733	12,920	11,963	24,544	5,550	3,432
Loans, advances and other receivables at amortised cost	7,924	59,072	60,921	73,157	65,045	49,271
Bonds at fair value and equities	10,097	75,266	65,670	57,004	61,746	54,474
Other asset items	4,519	33,684	30,294	33,692	14,307	8,760
Total assets	28,228	210,422	215,209	223,715	169,231	137,254
Liabilities and equity						
Payables to credit institutions and central banks	6,485	48,351	56,843	91,637	88,018	73,910
Deposits and other payables	7,472	55,699	65,117	61,240	48,619	36,961
Issued bonds at amortised cost	4,406	32,848	44,059	20,528	3,003	3,140
Other non-derivative financial liabilities at fair value	3,445	25,679	6,798	3,641	5,403	7,032
Other payables	4,350	32,416	28,084	32,246	12,047	7,421
Total payables	26,158	194,993	200,901	209,292	157,090	128,464
Provisions	114	847	765	119	30	25
Subordinated debt	109	813	1,169	4,145	3,804	2,805
Equity	1,847	13,769	12,374	10,159	8,307	5,960
Total liabilities and equity	28,228	210,422	215,209	223,715	169,231	137,254
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	2,042	15,225	23,386	16,374	21,578	18,344
Other commitments	941	7,012	9,387	8,163	8,041	6,374
FINANCIAL RATIOS						
Capital adequacy ratio, %		15.9	12.3	10.2	11.7	10.6
Core capital ratio, %		15.2	12.3	7.7	8.4	8.2
Return on equity before tax, % *		4.0	(46.2)	(20.6)	19.2	24.9
Return on equity after tax, % *		3.0	(35.0)	(15.9)	14.5	18.8
Income:cost ratio *		1.14	0.43	0.55	1.86	2.04
Interest rate exposure, %		0.5	0.1	(0.3)	3.3	4.3
Foreign exchange position, %		1.5	0.7	3.5	5.7	5.7
Foreign exchange exposure, %		0.0	0.0	0.0	0.1	0.2
Loans and advances:deposits *		1.4	1.2	1.6	1.5	1.4
Loans and advances:equity *		5.2	5.9	9.6	8.5	8.8
Growth in loans and advances for the year, % *		(1.2)	(34.0)	27.7	25.3	17.9
Excess cover:statutory liquidity requirements, %		251.1	323.9	146.1	150.7	122.7
Total large exposures, %		41.7	62.1	93.6	134.9	336.4
Impairment losses for the year, % *		1.6	6.3	2.0	0.0	0.0
Average number of staff, full-time equivalents *		847	1,228	1,798	1,146	1,036
EUR 1 = DKK 7.4544 at end-2010						

The financial ratios have been calculated in accordance with the definitions of the Executive Order on the Presentation of Financial Statements.

* The financial ratios have been restated to reflect the merger with Forstædernes Bank

MANAGEMENT'S REVIEW

2010 – IN BRIEF

- The Group recorded a profit before tax of DKK 517m against a loss of DKK 5,202m in 2009. The improvement was attributable to a satisfactory rise in core income and a pronounced drop in loan impairment losses.
- Excluding the Bank's expenses for Bank Rescue Package I totalling DKK 649m in 2010, profit was DKK 1,166m.
- Core income from business operations rose by a satisfactory 9% from DKK 3,465m in 2009 to DKK 3,783m in 2010.
- Investment portfolio income amounted to DKK 166m against DKK 227m in 2009.
- Administrative costs declined by 8.0% to DKK 1,781m against DKK 2,016m in 2009. The development was due to a lower staff level, the effect of a keener focus on cost containment and synergies from organisational changes.
- Impairment losses were DKK 1,215m against DKK 6,253m in 2009, while provisions for Bank Rescue Package I decreased from DKK 318m to DKK 279m. Impairment losses amounted to 1.6% of lending against 6.3% in 2009.
- The income:cost ratio was 1.14 against 0.43 in 2009.
- In the period 1 October 2008 to 30 September 2010, the Bank's expenses for Bank

Rescue Package I totalled DKK 1,643m. No further expenses are expected under the scheme.

- The balance sheet stood at DKK 210.4bn against DKK 215.2bn at end-2009.
- Profit before tax generated a positive return on equity of 4.0% against a negative return of 46.2% in 2009.

LIQUIDITY

- Excess cover relative to statutory liquidity requirements was a satisfactory 251.1% against 323.9% at end-2009.
- In 2010 the Bank issued notes worth DKK 11.0bn under the EMTN programme without using the government guarantee facility (Bank Rescue Package II). The issues were made on ordinary market terms and at satisfactory spreads to swaps.

CAPITAL STRUCTURE

- The capital adequacy and core capital ratios were 15.9% and 15.2%, respectively, against 12.3% for both ratios in 2009.
- The internal capital adequacy requirement (ICAAP) was 8.9% against 8.8% at end-2009.
- Equity stood at DKK 13,769m against DKK 12,374m at the beginning of 2010 (incl Forstædernes Bank). The improvement equalled profit for the period plus a capital increase of DKK 1bn. The capital was subscribed for by Nykredit Realkredit A/S.

OUTLOOK FOR 2011

Nykredit Bank expects rising activity and earnings levels in Retail and Corporate Banking. Earnings in Nykredit Markets and Nykredit Asset Management are also forecast to grow compared with 2010. Conversely, core earnings and investment portfolio income from securities are expected to decrease.

Costs are expected to remain largely unchanged, while impairment losses are anticipated to decline. Expenses for Bank Rescue Package I will cease in 2011.

Profit for 2010 – before impairment losses and costs of Bank Rescue Package I – was DKK 2,381m. Nykredit Bank forecasts a profit for 2011 in the same region.

Profit before tax for the year will depend on trends in the financial market and the Danish economy.

The Nykredit Bank Group

Principal income statement items

DKK million	2010	2009
Core income from business operations	3,783	3,465
Core income from Kalvebod issues	57	139
Core income from Proprietary Trading	-	47
Core income from securities	126	143
Total core income	3,966	3,794
Administrative costs	1,781	2,016
Commission under Bank Rescue Package I	370	500
Impairment losses on loans and advances excl Bank Rescue Package I	1,215	6,253
Provisions under Bank Rescue Package I	279	318
Profit (loss) from investments in associates and group enterprises	30	(136)
Core earnings after impairment losses	351	(5,429)
Investment portfolio income	166	227
Profit (loss) before tax	517	(5,202)
Tax	122	(1,264)
Profit (loss) for the year	395	(3,938)

NYKREDIT BANK GROUP RESULTS

Comparative figures have been restated to reflect the merger with Forstædernes Bank A/S. The effect on key figures appears from page 90.

The Group recorded a profit before tax of DKK 517m against a loss of DKK 5,202m in 2009.

The improvement is a result of growth in core income, lower administrative costs and finally a pronounced drop in impairment losses on loans and advances and provisions for guarantees.

Core earnings

Core income from business operations

Income went up from DKK 3,465m in 2009 to DKK 3,783m in 2010, equivalent to a rise of 9%. The development was mainly attributable to increased income in Markets & Asset Management and Corporate Banking.

Core income from Kalvebod issues

Value adjustment of positions in Kalvebod issues generated an income of DKK 57m in 2010 against DKK 139m in 2009.

Core income from securities

Income amounted to DKK 126m against DKK 143m in 2009. The development should be seen in the light of the drop in short-term interest rates from an average 1.83% in 2009 to 1.05% in 2010 and higher income due to an increase in equity.

Operating expenses, depreciation and amortisation

Staff and administrative expenses fell from DKK 1,911m to DKK 1,759m (down 8%). The decline was a result of synergies from organisational changes, the merger with Forstædernes Bank and finally a keener focus on cost containment.

The DKK 152m net reduction was attributable to a decline in staff expenses of DKK 248m and a rise in other administrative costs of DKK 96m.

One reason for the shift was the transfer of staff to the Parent Company, which performs a number of shared group activities. This caused a drop in wage expenses and a derived rise in administrative costs as a result of payments to the Parent Company.

The average staff number was reduced from 1,228 in 2009 to 847 in 2010 (down 31%).

Commission under Bank Rescue Package I

The charge amounted to DKK 370m against DKK 500m in 2009. The lower level was due to the expiry of the scheme at 30 September 2010, ie commission was paid for nine months in 2010 against twelve in 2009.

Impairment losses and provisions

Compared with 2009 when the charge excluding Bank Rescue Package 1 was DKK 6,253m, impairment losses were reduced by DKK 5,038m to DKK 1,215m.

The decline was chiefly attributable to a considerable reduction in impairment losses in Other Activities from DKK 3,900m in 2009 to DKK 777m in 2010. Impairment losses in Corporate Banking also declined significantly from DKK 2,121m in 2009 to DKK 227m. The development reflected a favourable trend in the creditworthiness of corporates in particular, while the risk associated with retail cus-

tomers as well as SMEs continued to be elevated.

Provisions relating to Bank Rescue Package I declined from DKK 318m in 2009 to DKK 279m in 2010.

Investment portfolio income

Investment portfolio income dropped from DKK 227m in 2009 to DKK 166m.

Investment portfolio income is the excess income obtained from the portfolios not allocated to the business areas in addition to risk-free interest. The return on financial instruments of the business areas is included in core income from such instruments.

Tax

Calculated tax was DKK 122m, or about 23.6% of pre-tax profit for the year.

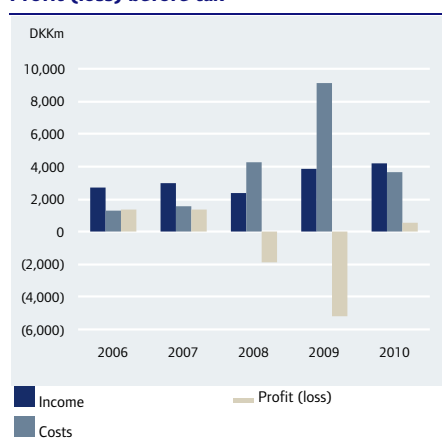
Results after tax

Profit after tax was DKK 395m, equivalent to a return on equity of 3.0%. In 2009 the Group recorded a loss of DKK 3,938m and a negative return on equity of 35%.

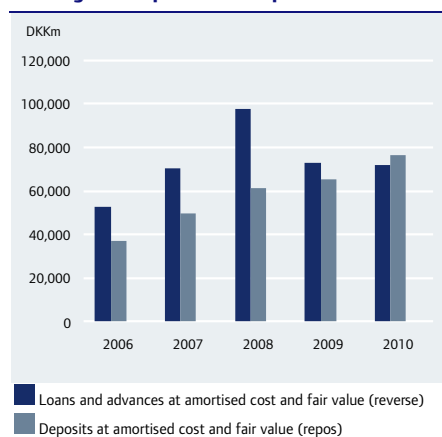
Dividend

It will be recommended for adoption by the Annual General Meeting that no dividend be distributed for the financial year 2010.

The Nykredit Bank Group Profit (loss) before tax



The Nykredit Bank Group Lending and deposits incl repo transactions



BUSINESS AREAS

The Nykredit Bank Group's business areas are focused on: Retail Banking, Corporate Banking and Markets & Asset Management.

The Nykredit Bank Group is part of a unified organisation offering all customers one single point of access to Nykredit. The group unit Customers comprises all Nykredit's distribution channels, and customers may be served personally at the centres, online or by telephone according to their preferences. The Group also includes the competence centres Nykredit Markets and Nykredit Asset Management.

The financial reporting of the Nykredit Bank Group includes the three business areas and Other Activities:

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 cooperatives, non-profit housing and mortgage trading activities.

Markets & Asset Management handles the activities of the Nykredit Group within trading in securities and derivatives, asset management and portfolio administration.

Other Activities comprises a portfolio of terminated corporate exposures from the former Forstædernes Bank.

Owing to organisational changes, certain Asset Management activities have been transferred to Retail Banking and Corporate Banking.

In addition, the segment financial statements were affected by the merger with Forstædernes Bank.

Comparative figures have been restated to reflect the above changes, and certain income statement and balance sheet items have been allocated to the business areas based on estimates.

The Nykredit Bank Group Results before tax by business area

	Retail Banking		Corporate Banking		Markets & Asset Management		Other Activities		Group items ¹		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
DKK million												
Core income from business operations	820	864	1,272	1,098	1,576	1,403	115	100			3,783	3,465
Core income from Kalvebod issues ⁴					57	139					57	139
Core income from Proprietary Trading ⁴						47					-	47
Core income from securities									126	143	126	143
Total core income	820	864	1,272	1,098	1,633	1,589	115	100	126	143	3,966	3,794
Operating costs	436	630	498	585	811	715	36	39			1,781	1,969
Dansk Pantebrevsbørs A/S			30	(183)							30	(183)
Commission under Bank Rescue Package I	55	58	187	225	91	118	37	99			370	500
Core earnings before impairment losses	329	176	617	105	731	756	42	(38)	126	143	1,845	1,142
Impairment losses on loans and advances	207	228	227	2,121	4	4	777	3,900			1,215	6,253
Provisions under Bank Rescue Package I	38	32	124	169	62	54	55	63			279	318
Core earnings after impairment losses	84	(84)	266	(2,185)	665	698	(790)	(4,001)	126	143	351	(5,429)
Investment portfolio income ²		-							166	227	166	227
Profit (loss) before tax for the year	84	(84)	266	(2,185)	665	698	(790)	(4,001)	292	370	517	(5,202)
Income:costs	1.1	0.9	1.3	0.3	1.7	1.8	0.1	-			1.1	0.4
Average allocated business capital ³	1,291	-	15,087	-	1,492	-	563	-	168	-	18,601	-
Core earnings after losses as % of allocated business capital (pa)	6.5	-	1.8	-	44.6	-	(140.3)	-	-	-	1.9	-

¹ 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.

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

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

⁴ Comprises net income from Proprietary Trading and value adjustment of the portfolio of subordinated debt in Danish banks (Kalvebod I-IV issues).

Comparative figures for 2009 have been restated to reflect the merger with Forstædernes Bank and the effect of the organisational changes, as a result of which certain Asset Management activities are now part of Retail Banking and Corporate Banking. Markets & Asset Management's profit for 2009 has consequently been reduced from DKK 703m to DKK 698m.

The change was attributable to reallocation of income of DKK 91m and costs of DKK 86m and does not affect overall results.

A breakdown of assets and liabilities by business area is found in note 2 of the Annual Report.

RETAIL BANKING

The Retail Banking area supplies Nykredit Bank products through the distribution channels of the Nykredit Group, including 57 centres, the website nykredit.dk, two call centres and one central customer service centre.

Two asset management centres and the estate agencies of the Nybolig and Estate chains constitute other distribution channels. Also, Nykredit Bank sells a number of insurance products in cooperation with external insurance providers.

Results

Retail Banking recorded a profit before tax of DKK 84m, equivalent to a rise of DKK 168m.

Core income dropped from DKK 864m in 2009 to DKK 820m as a result of lower interest rate levels and subdued activity levels.

Operating costs amounted to DKK 436m against DKK 630m in 2009, while commission under Bank Rescue Package I came to DKK 55m against DKK 58m in 2009.

Impairment losses were DKK 207m against DKK 228m in 2009, equivalent to 1.1% of lending. Compared with 2009, collective impairment provisions rose by DKK 62m due to a slight weakening of the personal finances of retail customers, which has not yet resulted in specific individual impairment provisions. Provisions relating to Bank Rescue Package I

amounted to DKK 38m compared with DKK 32m in 2009.

The income:cost ratio stood at 1.1 against 0.9 in 2009.

Balance sheet

Lending decreased from DKK 16.6bn to DKK 15.5bn. The development was attributable to slowdown in retail customers' demand for loans and the effect of reallocation between business areas as a result of organisational changes.

Deposits of DKK 18.8bn were about DKK 0.9bn below the level at end-2009.

Activities in 2010

The positive development in Retail Banking continued in 2010, with focus on offering current accounts to new customers and to the Nykredit Group's homeowner customers. The number of customers with current accounts increased by more than 50,000 to about 184,000. The rise was attributable to the intake of customers from Forstædernes Bank as well as an average monthly increase of about 1,000 new current account customers.

In 2010 focus was still on customers' assets including asset management. Activity levels showed an increase on previous years, but did not match expectations.

As regards lending, loans for cooperative housing units and core customer accounts in particular developed favourably, while equity release credits developed flatly over the year.

Customers' choice lies at the heart of Nykredit's strategy, and this is also reflected in Nykredit's digital channels. A number of new products and services have been developed and are supplied via nykredit.dk, and still more customers avail themselves of Nykredit's digital services.

Among the new digital services in 2010 is an online spending overview – a tool showing the customer's personal spending in graphics.

Retail Banking in 2011

Also in 2011 Retail Banking will seek to attract new current account customers and develop full-service relationships with existing customers.

Through holistic advisory services covering customers' assets and liabilities, Nykredit will seek to achieve an increase in the number of retail customers using Nykredit as their main bank in 2011.

In 2011 focus will remain on customers' assets, in particular asset management and pension services.

Results – Retail Banking

DKK million	2010	2009
Core income	820	864
Operating costs	436	630
Commission under Bank Rescue Package I	55	58
Core earnings before impairment losses	329	176
Impairment losses on loans and advances	207	228
Provision for guarantees under Bank Rescue Package I	38	32
Core earnings after impairment losses	84	(84)
Profit (loss) before tax	84	(84)
Income:costs	1.1	0.9
Average allocated business capital	1,219	-
Core earnings as % of allocated business capital	6.5	-

Principal balance sheet items

DKK million	2010	2009
Assets		
Loans and advances at amortised cost	15,476	16,647
Payables		
Deposits and other payables	18,758	19,617
Off-balance sheet items		
Guarantees	7,639	9,040

CORPORATE BANKING

Corporate Banking serves business, agricultural, public sector and rental housing customers, including housing cooperative and non-profit housing customers.

Products are distributed through 34 commercial centres offering all of the Group's products within banking, mortgage lending, investment and debt management. In addition, Corporate Banking is serviced through central units focusing particularly on non-profit housing, private banking, corporate customers, etc.

Results

Corporate Banking recorded a profit of DKK 266m in 2010 against a loss of DKK 2,185m in 2009.

Reasons for the satisfactory progress included a rise in core income from DKK 1,098m in 2009 to DKK 1,272m (16%) and significantly lower impairment losses than in 2009.

The increase in core income was in part attributable to higher fees and margins resulting from price adjustments. Value adjustment of corporate bonds and derivatives came to a gain of DKK 36m against a loss of DKK 74m in 2009.

Operating costs declined from DKK 585m to DKK 498m.

Commission expenses for Bank Rescue Package I amounted to DKK 187m in 2010 compared with DKK 225m in 2009.

Results were also affected by an income of DKK 30m in 2010 relating to Dansk Pantebrevsbørs against a charge of DKK 183m in 2009. The 2010 income concerned an adjustment of the estimated winding up costs, which are now expected to be somewhat lower than estimated in 2009. However, the winding up process has not been completed.

In 2010 the subsidiary Nykredit Leasing A/S contributed a profit before tax of DKK 1m against a loss of DKK 37m in 2009.

Impairment losses on loans and advances declined sharply from DKK 2,121m to DKK 227m, while provisions for guarantees under Bank Rescue Package I amounted to DKK 124m against DKK 169m in 2009. Total impairment losses for the year stood at 0.7% against 3.9% in 2009.

The income:cost ratio was 1.3 in 2010 compared with 0.3 in 2009.

Balance sheet

Lending rose slightly from DKK 39.2bn at end-2009 to DKK 40.8bn at end-2010.

The development reflected a subdued demand for loans from businesses and the effect of

reallocation of lending activities between business areas as a result of organisational changes.

Deposits came to DKK 32.3bn at end-2010 against DKK 33.4bn at end-2009. Fixed-term deposits increased, while other deposits generally decreased.

The Bank has generally not observed a pronounced impact on the deposit balance as a result of the expiry of Bank Rescue Package I on 30 September 2010, and compared with deposits of DKK 29.8bn at 30 June 2010, H2/2010 saw a rise of about DKK 2.5bn.

Activities in 2010

Nykredit Bank's Corporate Banking area has a varied product range which includes deposit and loan products, financial instruments, securities trading and asset management.

As a result of the merger with Forstædernes Bank, Corporate Banking introduced two new product areas in 2010: Cash Management and Trade Finance.

Focus remained on price adjustment of corporate banking products in 2010, and the margins on a number of products were raised slightly.

Attracting deposits was also a strategic focus area, but due to sharper competition and the fact that a number of corporate customers converted their deposits to securities portfolios, total deposits declined in 2010.

Lending was largely unchanged compared with end-2009 due to eg the sharper competition for the most attractive commercial and corporate customers.

Corporate Banking in 2011

In 2011 Corporate Banking will face new and important challenges. Focus will be on increased lending of high credit quality and additional deposit growth. To generate growth, Nykredit will seek to increase the number of commercial and corporate customers who use Nykredit Bank as their main bank. The strategy of becoming a full-scale bank for a growing number of commercial and corporate customers will also mean increased focus on competencies and training in 2011.

Results – Corporate Banking

DKK million	2010	2009
Core income	1,272	1,098
Operating costs	498	585
Dansk Pantebrevsbørs A/S (2010: income)	30	(183)
Commission under Bank Rescue Package I	187	225
Core earnings before impairment losses	617	105
Impairment losses on loans and advances	227	2,121
Provision for guarantees under Bank Rescue Package I	124	169
Core earnings after impairment losses	266	(2,185)
Profit (loss) before tax	266	(2,185)
Income:costs	1.3	0.3
Average allocated business capital	15,087	-
Core earnings as % of allocated business capital	1.8	-

Principal balance sheet items

DKK million	2010	2009
Assets		
Loans and advances at amortised cost	40,839	39,193
Bonds, mortgages and equities	1,425	1,542
Payables		
Deposits and other payables	32,320	33,434
Off-balance sheet items		
Guarantees	12,048	16,076

MARKETS & ASSET MANAGEMENT

This business area handles the activities of the Nykredit Group within trading in securities and derivative financial instruments, asset management and portfolio administration. 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 saving products are the responsibility of Nykredit Asset Management and Nykredit Portefølje Administration.

Results

The business area posted a profit of DKK 665m against DKK 698m in 2009.

The business area recorded total growth in core income from business operations of DKK 173m (12.3%) from DKK 1,403m in 2009 to DKK 1,576m in 2010.

The satisfactory trend was broad-based across several business areas in Nykredit Markets as well as Nykredit Asset Management. 2010 showed considerable growth in eg the customer base – among both Danish and international customers – and higher activity in relation to asset management and administration.

Core income from Kalvebod issues was DKK 57m against DKK 139m in 2009.

Operating costs went up from DKK 715m to DKK 811m. This development matched expect-

tations and reflected the higher activity levels. Commission payable under Bank Rescue Package I came to DKK 91m compared with DKK 118m in 2009.

Impairment losses, including provisions for guarantees relating to Bank Rescue Package I, amounted to DKK 66m against DKK 58m in 2009. The expense was primarily attributable to Bank Rescue Package I and to a minor extent collective impairment provisions.

The subsidiary Nykredit Portefølje Administration contributed a profit before tax of DKK 44m in 2010 against DKK 22m in 2009. The results reflected increased net fee income based on the development in assets under administration.

The income:cost ratio was 1.7 compared with 1.8 in 2009.

Results – Markets & Asset Management

DKK million	2010	2009
Core income from business operations	1,576	1,403
Core income from Kalvebod issues	57	139
Core income from Proprietary Trading	-	47
Total core income	1,633	1,589
Operating costs	811	715
Commission under Bank Rescue Package I	91	118
Core earnings before impairment losses	731	756
Impairment losses on loans and advances	4	4
Provisions for guarantees under Bank Rescue Package I	62	54
Core earnings after impairment losses	665	698
Profit before tax	665	698
Income:costs	1.7	1.8
Average allocated business capital	1,492	-
Core earnings as % of allocated business capital	44.6	-

Principal balance sheet items and activities

DKK million	2010	2009
Assets		
Receivables from credit institutions and central banks	29,480	46,361
Loans and advances at fair value (reverse lending)	12,920	11,963
Bonds, mortgages and equities	73,618	64,098
Payables		
Payables to credit institutions and central banks	48,351	56,843
Deposits and other payables	4,113	11,085
Issued bonds	32,848	44,059
Non-derivative financial liabilities at fair value (repo activities)	25,679	6,798
Assets under management and administration		
Institutional market	76,671	54,975
Private Portfolio and Pension Invest	18,549	10,729
Total assets under management	95,220	65,704
Nykredit Portefølje Administration A/S	305,001	228,385
Total assets under management and administration	400,221	294,089
Investment funds		
Nykredit Group investment funds	34,475	23,944
Off-balance sheet items		
Guarantees	1,842	3,897

Balance sheet

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

Activities in 2010

Nykredit Markets

Nykredit Markets continued to record satisfactory earnings and activity levels in 2010. The reasons include a significant rise in the customer base – among both Danish and international customers.

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

Business units

Fixed Income, the largest business area of Nykredit Markets, which covers a wide range of interest rate activities aimed at institutional customers in Denmark and abroad, continued its high activity level, not least in relation to covered bonds.

Fixed Income earnings were slightly down on 2009. Earnings from customers remained high, but earnings from trading were slightly lower.

The Frequent Issuer Desk had a breakthrough in the Nordic markets in 2010 with higher activity in primary transactions.

Trading in and earnings from derivatives were somewhat lower than in 2009.

Equity activities trended upwards, generating marked earnings growth that partly resulted from higher trading volumes in both domestic and foreign equities. In 2010 the business area was further strengthened, as an equity research function was set up.

Corporate bonds showed increased customer activities and fair earnings growth in 2010.

The Currency Desk and Debt Capital Markets maintained and strengthened their activity and earnings levels in 2010.

Nykredit Asset Management

Nykredit's asset management and portfolio administration competencies have been brought together in Nykredit Asset Management.

Assets under management and administration

Total assets under management and administration stood at DKK 400.2bn at end-2010 (2009: DKK 294.1bn), up DKK 106.1bn.

Asset Management products range from Nykredit Invest and Private Portfolio to discretionary asset management and administration agreements with institutional customers, funds, local authorities and wealthy private individuals.

Asset management

Total assets under management amounted to DKK 95.2bn at end-2010 (2009: DKK 65.7bn). The rise was partly due to a larger market share, but also a positive effect from favourable market trends.

Institutional market

Total assets under management rose by DKK 21.7bn to DKK 76.7bn in 2010. In addition to discretionary mandates, Asset Management acts as investment adviser for both wholesale and retail funds in Nykredit Invest. Among Asset Management's investment strategies (GIPS composites), 81% generated a return above benchmark.

During 2010 Nykredit Asset Management launched the investment products Danish Focus Equities (Danske Fokusaktier) and AIDA. Danish Focus Equities is a concentrated portfolio of 12 to 15 Danish equities, while AIDA is an investment product based on investments in gold, oil, equities and bonds.

A central part of Nykredit Asset Management's strategy is to cooperate with both domestic and foreign asset managers within investment areas outside the Bank's own special competencies. As a result of this cooperation, Asset Management's Manager Selection team was awarded "Best Danish Fund Selection Team of the Year" in autumn 2010.

Retail market

For asset management products aimed at the retail market, 2010 saw satisfactory growth to a market share of 7.1%.

In 2010 the asset management concepts Private Portfolio and Pension Invest saw considerable growth in assets under management of DKK 7.8bn to DKK 18.5bn at end-2010. The increase partly derived from growth in the customer base equivalent to DKK 3.0bn.

The Nykredit Group's investment funds, including Nykredit Invest, increased total assets by 44% to DKK 34.5bn in 2010.

In autumn 2010, Nykredit introduced the concept "Best alternatives". In each of the 12 asset classes included in Nykredit's investment concepts, the customer is offered two alternative investment options with Danish investment funds.

Nykredit Portefølje Administration A/S

Administration of investment funds in the Nykredit Group is handled through Nykredit Portefølje Administration, which is a licensed investment management company. The company is one of Denmark's largest investment management companies with a market share of more than 50% of the institutional segment.

The activity level was high in 2010, and the company launched or took over 3 funds and 27 subfunds, while 5 funds and 31 subfunds were closed due to eg the discontinuation of a mandatory pension scheme (SP).

The development in financial markets and the new mandates implied an increase in total assets under administration, which came to DKK 305.0bn at end-2010 against DKK 228.4bn at end-2009.

OTHER ACTIVITIES

Other Activities comprises a portfolio of terminated exposures relating to corporate customers of Forstædernes Bank. The business area recorded a loss for the year of DKK 790m against a loss of DKK 4,001m in 2009.

As the activities solely concerned a loan portfolio of terminated exposures, the development in results from 2009 to 2010 highly reflected the decline in impairment losses from DKK 3,900m in 2009 to DKK 777m in 2010.

Loans and advances came to DKK 2,757m against DKK 5,081m at end-2009. At end-2010 impairments of about DKK 3bn, or almost 53% of gross lending, had been made.

Results – Other Activities

DKK million	2010	2009
Core income	115	100
Operating costs	36	39
Commission under Bank Rescue Package I	37	99
Core earnings before impairment losses	42	(38)
Impairment losses on loans and advances	777	3,900
Provisions for guarantees under Bank Rescue Package I	55	63
Core earnings after impairment losses	(790)	(4,001)
Loss before tax	(790)	(4,001)
Income:costs	0.1	-
Average allocated business capital	563	-
Core earnings as % of allocated business capital	(140.3)	-

Principal balance sheet items

DKK million	2010	2009
Assets		
Loans, advances and receivables at amortised cost	2,757	5,081
Payables		
Deposits and other payables	508	981
Off-balance sheet items		
Guarantees	707	1,324

THE NYKREDIT BANK GROUP BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

The Group's balance sheet totalled DKK 210.4bn at end-2010 against DKK 215.2bn at end-2009, down DKK 4.8bn.

Receivables from credit institutions dropped from DKK 46.4bn in 2009 to DKK 29.5bn, while payables to credit institutions declined by about DKK 8.5bn to DKK 48.4bn. The development in balances with credit institutions widely reflected the Bank's requirements as to raising and investing liquidity, including the net development in the Bank's deposit, lending and securities activities.

Loans and advances at fair value (reverse lending) and amortised cost together amounted to DKK 72.0bn compared with DKK

72.9bn at end-2009, of which reverse lending accounted for a rise of DKK 1.0bn, while other loans and advances declined by about DKK 1.8bn.

Bond holdings went up from DKK 65.0bn to DKK 74.9bn. 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 1.3bn in the form of bonds based on subordinated debt in Danish banks.

Other assets and prepayments totalled DKK 33.3bn against DKK 28.5bn at end-2009. In both years, most of the item was attributable to the positive market value of derivative

financial instruments, which stood at DKK 25.9bn at end-2010 against DKK 20.7bn 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 24.1bn at end-2010 compared with DKK 19.6bn at end-2009.

Deposits and other payables decreased from DKK 65.1bn at end-2009 to DKK 55.7bn at end-2010, while the raising of liquidity through repo transactions rose by DKK 20.5bn from DKK 0.5bn at end-2009 to DKK 21.0bn at end-2010.

Issued bonds totalled DKK 32.8bn against DKK 44.1bn at end-2009. This decline was in accordance with the Bank's expected liquidity requirement and included both current redemptions and new issues. See also Liquidity risk on page 26.

Other non-derivative financial liabilities at fair value came to DKK 25.7bn against DKK 6.8bn at end-2009. The item mainly consisted of liabilities relating to repo activities, including negative securities portfolios.

Other payables and deferred income was DKK 32.4bn against DKK 28.1bn at end-2009. The item mainly consisted of interest and commission payable and negative market value of derivative financial instruments.

In 2010 the Bank prematurely redeemed subordinated debt of DKK 250m as planned. An additional EUR 10m matured in 2010.

The Nykredit Bank Group Summary balance sheet

DKK million	2010	2009
Receivables from credit institutions	29,480	46,361
Loans and advances at amortised cost and fair value	71,992	72,884
Bonds and equities	75,266	65,670
Payables to credit institutions and central banks	48,351	56,843
Deposits and other payables	55,699	65,117
Issued bonds	32,848	44,059
Subordinated debt	813	1,169
Equity	13,769	12,374
Total balance sheet	210,422	215,209

The Nykredit Bank Group Equity

DKK million	2010	2009
Equity, beginning of financial year (incl Forstædernes Bank)	12,374	10,159
Profit (loss) after tax for the year	395	(3,938)
Other additions and disposals	-	(1)
Capital increase and share premium	1,000	6,154
Equity, end of financial year (incl Forstædernes Bank)	13,769	12,374

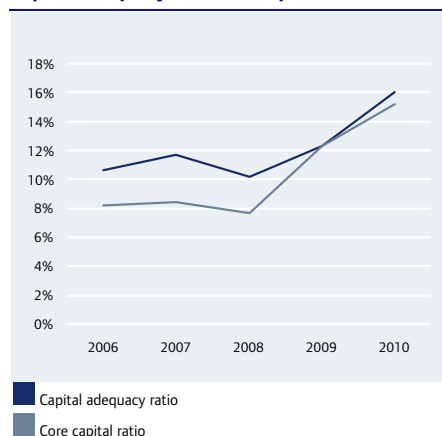
The Nykredit Bank Group Capital base and capital adequacy

DKK million	2010	2009
Share capital	6,045	4,175
Retained earnings	7,724	6,052
Core capital	13,769	10,227
Primary and other statutory deductions from core capital	118	675
Supplementary capital and hybrid core capital	813	0
Statutory charge added to capital base	69	0
Capital base after statutory deductions	14,533	9,552
Weighted items	91,582	77,452
Capital adequacy ratio, %	15.9	12.3
Core capital ratio, %	15.2	12.3
Internal capital adequacy requirement (ICAAP)	8.9	8.8

The capital adequacy and core capital ratios in 2009 equal Nykredit Bank's excl Forstædernes Bank A/S.

The Nykredit Bank Group

Capital adequacy and core capital ratios



Equity

Equity stood at DKK 13,769m at 31 December 2010, equal to an increase of DKK 1,395m on end-2009. The increase was made up of new paid-up capital of DKK 1,000m and profit after tax for the year of DKK 395m.

Capital adequacy

The capital adequacy ratio of the Nykredit Bank Group landed at 15.9% against 12.3% at end-2009, and the core capital ratio was 15.2% against 12.3% at end-2009.

The Nykredit Bank Group's internal capital adequacy requirement (ICAAP) was calculated at 8.9% (2009: 8.8%).

RATINGS

Nykredit Bank has been rated by Moody's Investors Service and Standard & Poor's, see the table below.

In December 2010 Standard & Poor's changed the Bank's rating outlook from negative to stable. One reason was the considerable improvement in impairment losses, which is expected to continue.

Both rating agencies have accordingly placed the Bank's short-term and long-term ratings on stable outlook, while Moody's has placed the Bank Financial Strength Rating on negative outlook.

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-	

STAFF

The number of permanent staff in the Nykredit Bank Group decreased from an average of 1,228 in 2009 to 847 in 2010, ie a reduction of 31.0%. The reduction is due to synergies as a result of organisational changes and the merger with Forstædernes Bank as well as the transfer of staff members to the Parent Company, Nykredit Realkredit, which performs a number of shared group activities.

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.

Special bonus programmes apply to the business areas Markets, Asset Management and specific customer functions which match the market standards in Denmark and abroad for such staff groups. The remuneration of these staff members is based on their job performance – which means that the variable salary component is generally high relative to the rest of the Group's staff.

The reports About Nykredit 2010 – Financial Sustainability, and Risk and Capital Management 2010, available at nykredit.com/reports, contain more information about staff, staff matters and incentive and bonus schemes in the Nykredit Group.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Nykredit Bank's exposure to Amagerbanken

The takeover of Amagerbanken by the Financial Stability Company (Finansiel Stabilitet A/S) is expected to have a negative earnings impact of about DKK 100m-200m on the Bank. Of this amount, about DKK 100m will be attributable to the portfolio of subordinated debt. The amount will depend on the possibility of set-off and the liquidation dividend.

Moreover, Nykredit Bank will have to cover

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

No further material events have occurred in the period up to the presentation of the Annual Report 2010.

RESULTS AND EXPECTATIONS

In relation to the publication of the Annual Report for 2009, the Bank expected a profit of DKK 1,369m for 2010, equal to the 2009 profit before impairment losses.

Profit for the year before impairment losses totalled DKK 2,011m and exceeded expectations by DKK 642m. The improvement was driven by rising core income from the greater part of the Bank's activities, including positive and better than forecast value adjustments on the threshold of 2010.

Total costs were below expectations.

OUTLOOK FOR 2011

Nykredit Bank expects rising activity and earnings levels in retail and corporate banking. Earnings in Nykredit Markets and Nykredit Asset Management are also forecast to grow compared with 2010. Core earnings and investment portfolio income from securities are expected to decrease.

Capacity costs are forecast to be largely unchanged.

Impairment losses are generally expected to be lower than in 2010. Impairment losses on retail lending are forecast to decline slightly, whereas impairment losses relating to small and medium-sized businesses will be unchanged to rising.

Finally, profit before tax for 2011 will not be affected by expenses relating to Bank Rescue Package I, which resulted in a charge of DKK 649m in 2010.

In summary, profit before tax for 2011 is forecast to be largely unchanged relative to 2010 adjusted for impairment losses and expenses for Bank Rescue Package I in the amount of DKK 2,381m.

The outlook for profit before tax will depend on trends in the financial market and the Danish economy.

OTHER

Merger with Forstædernes Bank

As at 1 April 2010, Nykredit Bank merged with Forstædernes Bank, effective from 1 January 2010 for accounting purposes. Comparative figures have been restated to reflect the merger.

Liquidity

The Bank launched a number of issues under its EMTN and ECP programmes in 2010, including a 5-year issue of EUR 500m.

Early redemption of subordinated debt

In 2010 the Bank redeemed supplementary capital of DKK 250m and EUR 10m. No new supplementary or hybrid core capital was raised in 2010.

Capital increase

Due to expectations of continued growth in customer-oriented business, redemption of supplementary capital and the Bank's general aim to maintain adequate capital resources, the Bank increased its capital by DKK 1bn in 2010.

Bank rescue packages

Bank Rescue Package I expired on 30 September 2010. Since 2008 the Bank has incurred expenses in the form of commission and provisions of DKK 984m and DKK 659m, respectively.

Under Bank Rescue Package II, the Bank had a guarantee facility of DKK 15bn for issues subject to individual government guarantee. The Bank did not make use of the guarantee facility, which expired on 31 December 2010.

EXTERNAL FINANCIAL REPORTING PROCESS

Internal control and risk management systems

The Board of Directors and the Executive Board of Nykredit Bank are responsible for the Bank Group's control and risk management systems. The delegation of the responsibilities of the Board of Directors and the Executive Board is prescribed by rules of procedure.

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

□

Over the past few years, Nykredit Bank and the Nykredit Group have expanded and improved their current monitoring and control of risk in areas where internal models are the core of the Group's day-to-day risk management and in areas where processes depend on IT systems. Risk is reported on a continuous basis in material areas such as credit risk, market risk, liquidity risk, operational risk and IT 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. Nykredit Bank's Management continuously reviews items in respect of which estimates may have a material impact on the value of assets and liabilities.

The finance area is responsible for the Group's total financial control and reporting, including presentation of the financial statements. The finance area is also responsible for ensuring that the Group's 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 have been set up to help ensure compliance with current legislation. They review and comment on new and amended accounting rules and policies for the purpose of adapting the internal and external financial reporting processes.

The finance area prepares monthly internal reports including budget control and is responsible for the Group's external annual and interim financial reporting. The finance area consolidates the Group's financial statements monthly, which includes controlling material financial items and reporting to public authorities etc.

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

Control environment

Business procedures 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, which have been reassigned to a number of committees.

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 risk management of the Board of Directors and the Executive Board 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 annual and interim 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.

The Executive Board has reassigned its daily control duties, and overall control is based on three general 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 functions* – comprise a number of intercompany areas, such as Group Credits, Group Treasury, decentralised 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 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 three functional levels are to 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 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 Bank and the Nykredit Group are committed to a transparent and credible business conduct – 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 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 information on the Group's risk and capital management, please refer to the publication Risk and Capital Management 2010.

Monitoring

The Group's Audit Board continuously receives reporting from the Executive Board and internal/external auditors on compliance with the provided guidelines, business procedures and regulatory compliance.

Audit Board

Pursuant to current legislation, Nykredit Realkredit A/S has set up an audit board, which is an audit board for the companies in the Nykredit Group which are obliged to set up such a board. In addition to Nykredit Realkredit A/S, the companies in question are Totalkredit A/S and Nykredit Bank A/S.

The Audit Board consists of Steffen Kragh, CEO (Chairman), Anders C. Obel, CEO, and Nina Smith, Professor, who are all board members elected by the General Meeting of Nykredit Realkredit A/S.

The Board of Directors of Nykredit Realkredit A/S has appointed Steffen Kragh, CEO, as an independent proficient member of the Audit Board.

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

The Audit Board held four meetings in 2010.

Remuneration Board

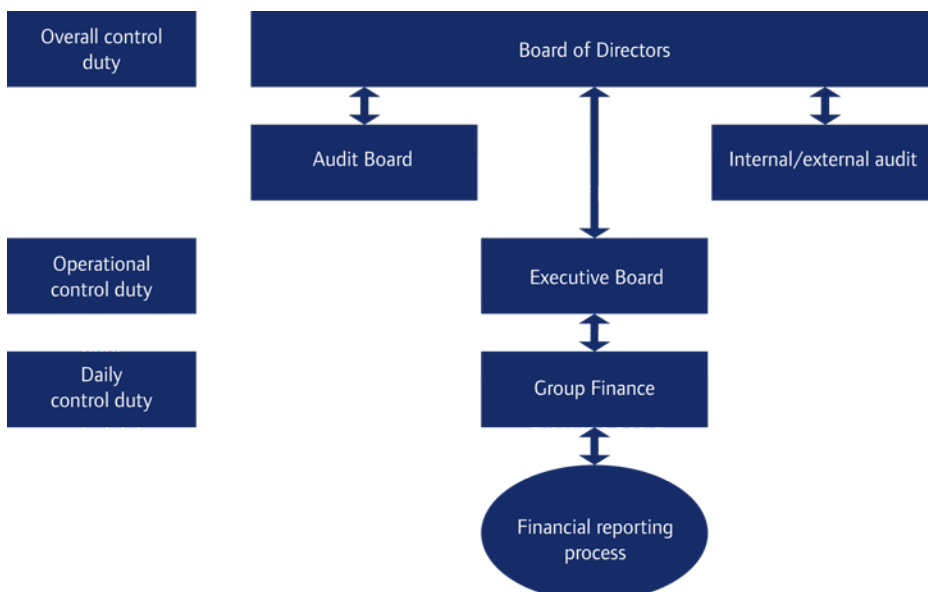
Nykredit Realkredit A/S set up a remuneration board in autumn 2010. The board was set up as a joint remuneration board for all companies in the Nykredit Group.

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

The principal tasks of the Remuneration Board are to make recommendations in respect of Nykredit's remuneration policy, including guidelines on incentive pay, for the approval of the Board of Directors. Also, the Remuneration Board is to make proposals for remuneration of the Board of Representatives, the Board of Directors and the Executive Board. Further, it is to approve draft resolutions concerning staff bonus budgets and to ensure that the information in the Annual Report about remuneration of the Board of Directors and the Executive Board is correct, fair and satisfactory.

The Remuneration Board held three meetings in 2010 with focus on these tasks..

Stakeholder model



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.

Once a year, Nykredit publishes a detailed report entitled Risk and Capital Management that also covers the risk and capital management of Nykredit Bank. The report contains a wide selection of risk key figures in accordance with the disclosure requirements of the Danish Executive Order on Capital Adequacy. The report describes Nykredit's risk and capital management and is available at nykredit.com/reports.

Organisation and delineation of responsibilities

The Board of Directors of Nykredit Bank A/S is responsible for defining limits to and monitoring the Bank's risks as well as laying down overall instructions. The Board of Directors has assigned the day-to-day responsibility to the Executive Board which is in charge of operationalising overall instructions. Risk exposures

and activities are reported to the Board of Directors on a current basis.

The Board of Directors of Nykredit Realkredit A/S has set up an intercompany Audit Board for the Nykredit Group. The Audit Board is charged with reviewing accounting and audit matters relating to internal control and risk management, please refer to the description under "Audit Board".

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 business development and risks of the Bank and other group companies.

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

The Risk Committee is charged with assessing all group risks and internal capital adequacy requirements as well as implementing the

capital policy. Furthermore, the Risk Committee approves measurement methods and models for all types of risk and reports risk to the boards of directors of the group companies.

The Asset/Liability Committee is responsible for the overall asset/liability and liquidity management.

The Credits Committee and the Treasury Committee are responsible for managing group credit, liquidity and market risk, respectively. Both committees approve or endorse all major risk exposures within the limits provided by the Board of Directors of Nykredit Realkredit A/S to the Executive Board. The committees also lay down guidelines on the risk exposures allowed in the group companies and assign management responsibilities to the companies.

The objective of the Remuneration Committee is to assist the Group Executive Board in ensuring that Nykredit's remuneration, including bonus payments, is in line with Nykredit's business strategy and targets.

Organisation and delineation of responsibilities

Board of Directors

Capital and risk management
Defines limits to and monitors risks
Lays down instructions and policies

Board committee: Audit Board

Monitors accounting and audit matters relating to internal control and risk management

Board committee: Remuneration Board

Prepares and recommends remuneration policy applying to the Board of Directors and the Executive Board Recommends the remuneration of the Committee of Representatives

Executive Board

Operationalises instructions and policies

Committees

Risk Committee

- General capital and risk management
- General risk policy
- Approves risk models

Asset/Liability Committee

- Overall asset/liability and liquidity management

Credits Committee

- Formulates credit policy
- Approves large exposures, etc

Treasury Committee

- Market risk management
- Endorses market risk limits at individual company level
- Operational liquidity management

Remuneration Committee

- Ensures that remuneration and bonuses are in line with business strategy and objectives

Capital base and capital adequacy

Nykredit Bank's capital base totalled DKK 14.5bn at end-2010 (2009: DKK 9.6bn). Nykredit Bank's capital requirement was DKK 7.3bn at end-2010 (2009: DKK 6.2bn). The core capital ratio was 15.2% (2009: 12.3%), and the internal capital adequacy requirement (ICAAP) at year-end was 8.9% (2009: 8.8%).

For the greater part of lending, the capital requirement for credit risk is calculated using internal models. The capital requirement for market risk is determined mainly on the basis of a Value-at-Risk model, and the capital requirement for operational risk is determined using the basic indicator approach.

Nykredit Bank's use of models to determine capital requirements is described below under "Credit risk" and "Market risk" and in the report Risk and Capital Management 2010, which is available at nykredit.com/reports.

Under a transitional rule applicable to 2010, the capital requirement may not decrease by more than 20% compared with the Basel I rules. The current transitional rule applied will be extended until 2011. The transitional rules do not determine the capital requirement of Nykredit Bank.

Capital policy and management

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

Nykredit pursues a long-term risk and capital management policy, incorporating substantial buffers compared with the statutory requirements. Capital is as far as possible concentrated in the Parent Company, Nykredit Realkredit A/S, to ensure strategic flexibility and leeway. Contributing capital to group companies as required is a central element of the Group's capital policy.

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* reflects 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 or failed internal processes, people and systems or from external events.

Nykredit Bank aims to maintain a capital adequacy ratio that is at least 1 percentage point higher than the statutory requirement.

The statutory capital requirement is monitored and reported daily to the entities responsible, which are thereby provided with an updated overview of the activity level on an ongoing basis.

Required capital base

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and Executive Board to ensure that Nykredit Bank has the required capital base (capital adequacy). The required capital base is the minimum capital required in Management's opinion to cover all significant risks.

The internal capital adequacy requirement is calculated as the required capital base as a percentage of risk-weighted items.

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

The report Risk and Capital Management 2010, available at nykredit.com/reports, contains a detailed description of the determination of the required capital base and internal capital adequacy requirement (ICAAP result).

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

Pillar I

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

Pillar II

Pillar II comprises capital to cover other risks as well as an increased capital requirement during an economic downturn. The capital requirement during an economic downturn is determined by means of stress tests, cf Stress tests and capital projections.

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

and Pillar II.

Under Pillar II, a charge is included that reflects the uncertainty of the models used.

Generally, the charge applied corresponds to 10% of the risks calculated.

Stress tests and capital projections

Nykredit uses stress tests in connection with the determination by the boards of directors of the required capital base.

The stress tests involve two scenarios of the economic development: A base case scenario and a weaker economic climate. The scenarios are assessed at least once a year.

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

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

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

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

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

Scenario: base case

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

Scenario: weaker economic climate in 2011

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

The Pillar II charge is the capital requirement in this scenario and is calculated as the capital requirement (Pillar I) during a mild recession less the base case capital requirement.

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

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. At Nykredit Bank, all exposures in excess of DKK 50m are subject to approval by the Group's Credits Committee. Applications involving larger 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 corporate 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.

Bank exposures over DKK 2m and exposures including operating finance over DKK 0.5m are reviewed at least once a year. This is 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 covered by the Bank's collective impairment provisions. 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.

Parameters used to determine credit risk

PD	Probability of Default – the probability of a customer defaulting on a credit exposure with the Nykredit Bank Group.
LGD	Loss Given Default – the loss ratio of the exposure in case of a customer's default.
EV	Exposure Value – The total exposure to a customer in DKK at the time of default, including any drawn part of a credit commitment.
The PD is customer-specific, while the other parameters are product-specific. A PD is therefore assigned to each customer, while each of the customer exposures has separate LGDs and EVs.	

Provisions, the Nykredit Bank Group

	Retail Banking		Corporate Banking		Markets & Asset Management		Other Activities		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
DKK million										
Impairment provisions, beginning of year	467	136	2,702	984	68	10	4,575	1,255	7,812	2,385
Provisions and reversals for the year	30	331	(102)	1,718	3	58	(1,600)	3,320	(1,669)	5,427
Impairment provisions, year-end	497	467	2,600	2,702	71	68	2,975	4,575	6,143	7,812
Of which individual	406	438	2,335	2,477	57	64	2,923	4,575	5,721	7,554
Of which collective	91	29	265	225	14	4	52	0	422	258
Provisions for guarantees										
Provisions, beginning of year	59	37	181	47	87	10	282	12	609	106
Provisions, year-end	93	59	337	181	147	87	168	282	745	609
Of which relating to Bank Rescue Package I	89	51	293	170	147	85	130	74	659	380
Total provisions	590	526	2,937	2,883	218	155	3,143	4,857	6,888	8,421
Earnings impact										
New provisions and losses for the year, net	210	224	209	2,112	10	5	937	3,733	1,366	6,074
Received on loans and advances previously provided for	2	2		4	4				6	6
Total	208	222	209	2,108	6	5	937	3,733	1,360	6,068
Provisions for guarantees	37	38	142	182	60	53	(105)	230	134	503
Total earnings impact	245	260	351	2,290	66	58	832	3,963	1,494	6,571

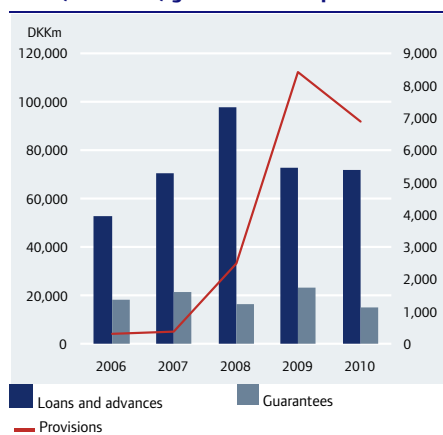
As Forstædernes Bank did not apply the same business areas as Nykredit Bank before the merger, the distribution by business area is to some extent based on estimates in the comparative figures for 2009.

Loans, advances and guarantees by sector

	Loans, advances and guarantees		Provisions	
	2010	2009	2010	2009
DKK million				
Public sector	806	498	0	113
Agriculture, hunting, forestry and fishing	2,556	2,585	82	88
Manufacturing, mining and quarrying	6,627	6,239	256	251
Energy supply	2,418	2,129	18	121
Construction	1,482	1,775	285	212
Trade	2,235	2,348	375	155
Transport, accommodation and food service activities	1,634	1,848	61	130
Information and communication	1,443	2,181	54	144
Financial and insurance activities	18,616	20,698	1,705	1,989
Real property	16,739	20,858	1,664	3,128
Other trade and industry	10,350	9,094	1,481	1,328
Total corporate	64,100	69,755	5,981	7,546
Retail	22,311	26,017	907	762
Total	87,217	96,270	6,888	8,421

The distribution is based on public sector statistics and is therefore not directly comparable with the Bank's business areas. Compared with 2009, the distribution and presentation have been changed, and a number of previous sector names have been replaced with new ones. The change does not affect the sum total, and comparative figures have been restated.

Loans, advances, guarantees and provisions



IMPAIRMENT LOSSES AND PROVISIONS

Earnings impact for the period

The charge for the year came to DKK 1,494m against DKK 6,571m in 2009.

Of the total charge, provisions relating to Bank Rescue Package I accounted for DKK 279m against DKK 318m in 2009.

Individual and other provisions came to DKK 1,330m against DKK 6,500m in 2009, while collective impairment provisions were a charge of DKK 164m against DKK 71m in 2009.

The development in 2010 in the Corporate Banking area indicates that large enterprises are recovering from the crisis and improving their credit quality. This has reduced the provisioning need and thereby the charge in 2010. By contrast, lending to both retail customers and small enterprises has seen a trend of elevated risk levels.

The business area Other Activities accounted for 56% of the total charge for the year, equal to DKK 832m. Again in 2010, the charge remained at a relatively high level, but compared with 2009 when the charge was DKK 3,963m, the provisioning need was markedly lower.

Impairment losses for the year amounted to 1.6% of total loans, advances and guarantees against 6.3% in 2009.

Please see note 41 for further specifications of the Bank's impairments and credit risk.

Provisions at 31 December 2010

Total provisions came to DKK 6,143m against DKK 7,812m at end-2009, while provisions for guarantees amounted to DKK 745m against DKK 609m at end-2009.

The provisions broke down into DKK 422m in the form of collective provisions, corresponding to a rise of DKK 164m, and individual provisions of DKK 5,721m, which was a reduction of DKK 1,833m relative to end-2009.

At end-2010, individual provisions broke down into DKK 406m in Retail Banking, DKK 2,335m in Corporate Banking and DKK 57m in Markets & Asset Management, while Other Activities accounted for DKK 2,923m.

Compared with end-2009, the most significant change was seen in the business area Other Activities where provisions decreased from DKK 4,575m at end-2009 to DKK 2,975m at end-2010. The provisioning rate for these loans was around 53%.

The increase in collective provisions of DKK 164m was distributed evenly over the business areas. The increase was based on a trend towards some slowdown in the economy, which has not yet resulted in any specific individual provisioning need, however.

Provisions for guarantees rose by DKK 136m, from DKK 609m to DKK 745m. The rise was an effect of provisions for the guarantee under Bank Rescue Package I of DKK 279m, while other provisions in all decreased by around DKK 143m.

Provisions for loan impairment and guarantees as a percentage of loans, advances and guarantees came to 7.3% at end-2010 against 8.0% in 2009.

The carrying amount of non-accrual loans came to DKK 1,451m at end-2010.

The amounts of accounts overdrawn/in arrears for which no impairment provisions had been made were very limited.

Loans advances and guarantees by sector

The carrying amount of loans, advances and guarantees totalled DKK 87.2bn against DKK 96.3bn at end-2009. On balance, this equalled a decline of DKK 9.1bn, of which guarantees accounted for DKK 8.2bn.

Real property and financial and insurance activities were reduced by DKK 4.1bn and DKK 2.1bn, respectively, while retail customers fell by DKK 3.7bn. Generally, the distribution of bank lending by sector was largely unchanged.

Loans and advances for real property accounted for 19.2% of total loans, advances

and guarantees against 21.7% at end-2009. In nominal terms it was a decrease of DKK 4.1bn to DKK 16.7bn. The segment is still monitored closely, and the property exposure is assessed on an ongoing basis relative to the Bank's size and capital resources. In Management's assessment, lending is at a reasonable level considering the Bank's size and capital strength. At end-2010, loan impairment provisions and other provisions represented 9% of loans, advances and guarantees for this segment compared with 13% at end-2009.

Loans, advances and guarantees to financial and insurance activities amounted to DKK 18.6bn against DKK 20.7bn at end-2009. In both years, these sectors accounted for around 21% of total loans, advances and guarantees. A considerable part of lending was based on reverse transactions with bonds serving as collateral.

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 are built on historical data allowing for periods with low as well as high business activity. PD is therefore estimated by weighting current data against data dating back to the early 1990s. Current data carry a 40% weighting, while data from the early 1990s carry a 60% weighting.

Following the merger with Nykredit Bank, exposures stemming from Forstædernes Bank are treated in the same way as Nykredit Bank's exposures using the IRB approaches.

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.

With respect to other customer segments, 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.

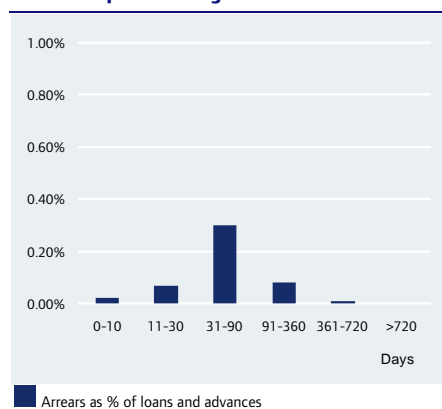
Rating scale and marginal Probability of Default (PD)

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%

**Nykredit Bank
Lending at amortised cost by rating category**



Accounts overdrawn/in arrears not subject to individual provisioning



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. Non-performing loans fall outside the rating scale and constitute a separate category. 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.

Collective impairment provisions are calculated using a so-called rating model based on adjusted Basel parameters for loss calculation. 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.

The PD models were improved in 2010. The changes to the models imply an increase in the number of customers with low ratings (rating categories 0-2) and customers with high ratings (rating categories 7-10).

The changes have had a negligible impact on the determination of capital requirements.

The merger with Forstædernes Bank caused an increase in the share of commercial customers rated 0 or 1, as a relatively larger share of the customers of Forstædernes Bank are assigned to those two rating categories.

As Forstædernes Bank did not apply comparable rating categories, no comparative figures including Forstædernes Bank have been prepared for 2009.

Further information on Nykredit Bank's risk management is available in the report Risk and Capital Management 2010 at 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 bulk of the Bank's market risk relates to 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 risks in the Bank's other subsidiaries are either negligible or hedged with the Bank as counterparty.

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 risks. 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

Value-at-Risk (VaR) is computed on a day-to-day basis as part of the determination of market risk and the related capital requirement. Both computations are reported on a day-to-day basis and form part of the market risk framework.

In general, the Bank calculates risk factors relating to foreign exchange and interest rate risks, OAS risk, vega risk (risk of fluctuations in

interest rate volatility) and risk on index-linked 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. Correlations and volatilities are calculated using an EWMA model with a decay factor of 0.94, which weights the observations exponentially. This implies that the model quickly adapts to new volatilities, but also forgets faster. 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 2010 VaR averaged DKK 27m (2009: DKK 33m). This meant that Nykredit Bank would at a 99% probability lose less than DKK 27m, in one day, as a consequence of market fluctuations. During 2010, VaR ranged between DKK 17m and DKK 46m (2009: DKK 15m-87m).

VaR stood at DKK 25m at end-2010, which was on a level with end-2009. However, the year was affected by various fluctuations, including a large rise in the first part of the year and a subsequent fall in mid-2010 as a result of the debt crisis in a number of European countries. The crisis led to large fluctuations in interest rates, increased volatility and thereby a higher VaR figure. As the uncertainty about the crisis has diminished, volatilities have decreased.

Up to the refinancing auctions in December 2010, the Bank's bond positions increased, which resulted in greater OAS risk and increasing VaR, viewed separately.

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.

Value-at-Risk (excl equities)



- Value-at-Risk at 99%

Net interest rate exposure



Parameters used to determine 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 risks.
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.

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 2m and a gain of DKK 214m in 2010. In 2009 the exposure ranged between a loss of DKK 52m and a gain of DKK 222m.

At end-2010, the interest rate exposure was DKK 69m against DKK 70m at end-2009.

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-2010, the Bank's OAS risk, which is also included in the Bank's total VaR, stood at of DKK 553m against DKK 610m at end-2009.

This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 553m. Compared with the beginning of the year, this risk was reduced in particular by the sale of a large position in EUR-denominated floating-rate bonds.

Equity price risk

At end-2010, the determination of market risk included an equity position of DKK 332m against DKK 718m at end-2009.

Foreign exchange risk

In 2010 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 5m and DKK 88m. In 2009 the exposure ranged between DKK 13m and DKK 648m. At end-2010, the foreign exchange exposure amounted to DKK 212m against DKK 84m at end-2009.

The most significant foreign exchange positions in 2010 were in EUR, the exposure ranging between a loss of DKK 446m and a gain of DKK 453m. In 2009 the exposure ranged

between a loss of DKK 378m and a gain of DKK 470m.

Option risk

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

The Bank's interest rate volatility risk measured as the change in market value following a change in volatility of 1 percentage point amounted to a loss of DKK 2m at end-2010 compared with a gain of DKK 2m in 2009.

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.

Nykredit Bank monitors its balance sheet and liquidity on a day-to-day basis. The management of the Bank's structural liquidity risk is based on an internal model relating to the liquidity of assets and liabilities. Securities not serving as collateral in the trading book constitute a short-term liquidity buffer that may be applied in the case of unforeseen drains on the Bank's liquidity.

Securities not serving as collateral in the trading book consist 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.

The model assumptions are stress tested daily. This includes calculating the effect of a liquidity crisis that would increase the Bank's funding costs and lower the liquidity of assets.

For example, the Bank may not have a negative liquidity position within the first 20 banking days.

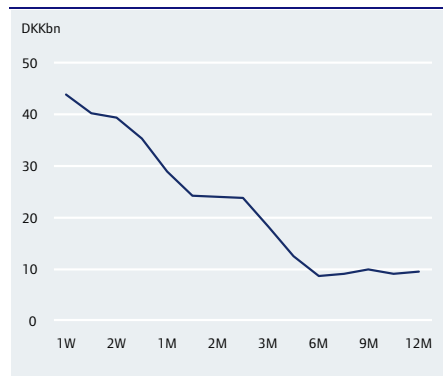
According to the Danish Financial Business Act, a bank's liquidity must be at least 10% of total reduced debt and guarantee obligations. Nykredit Bank operates with an internal excess liquidity cover of a minimum of 50% relative to the statutory requirement.

At 31 December 2010, the excess cover was 251% against 324% at end-2009. At 31 December 2010, the liquidity buffer corresponding to the above excess cover amounted to DKK 54.7bn compared with DKK 66.7bn at end-2009. In 2010 the liquidity buffer averaged DKK 49.8bn compared with DKK 43.0bn for 2009.

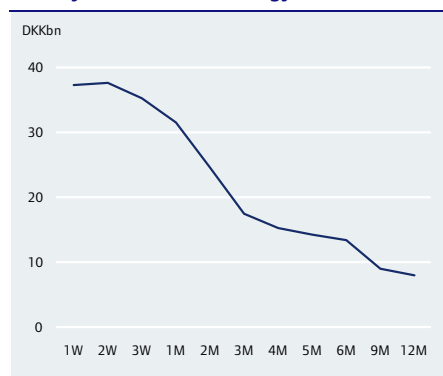
Maximum liquidity deficit targets prescribed by the Bank's Board of Directors

2010 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	25,896	40,362
21 days – 3 months	(3,000)	4,040	14,285
3 months – 5 years	(4,500)	(4,480)	(1,610)
5 years – 10 years	(1,000)	545	2,721
Over 10 years	0	6,846	8,897

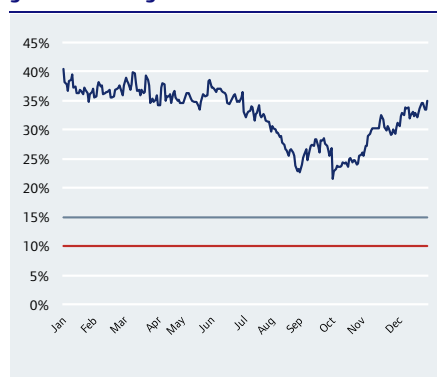
**Nykredit Bank A/S
12-month liquidity**



**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
— Nykredit Bank's internal requirement
— Statutory requirement

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

Stress tests according to the principles of Moody's Investors Service's "Bank Financial Strength Ratings: Global Methodology" show that the Bank has positive liquidity to withstand a 12-month lack of access to the funding markets.

The Bank's long-term funding activities progressed according to plan, with EMTN issues of DKK 15.4bn at 31 December 2010. Further, the Bank has continued its current refinancing of short-term ECP issues, which totalled DKK 16.8bn at 31 December 2010. The aggregate amount issued through the ECP and EMTN programmes was DKK 32.2bn at 31 December 2010 against DKK 41.2bn at end-2009.

As an additional liquidity buffer in 2010, the Bank had a guarantee facility for issues subject to an individual government guarantee under Bank Rescue Package II of DKK 15bn. The facility was not utilised.

Supervisory diamond model for banks

In consequence of the recent financial crisis, the Danish FSA launched a so-called supervisory diamond model in June 2010. The supervisory diamond is a strictly Danish initiative and does not stem from the general EU legislation.

The supervisory diamond sets out limits for five key ratios that indicate when a bank is operating at an excessive risk.

As at 30 June 2010 and 31 December 2010, Nykredit Bank was below the limits prescribed by the FSA.

**The Nykredit Bank Group
Supervisory diamond**



OPERATIONAL RISK

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

Nykredit's capital charge for operational risk is determined using the basic indicator approach under Basel II and came to DKK 312m at end-2010. This means that the capital charge is stated as 15% of average gross earnings.

The Nykredit Group is constantly working to create a risk culture where the awareness of operational risk is a natural part of everyday work.

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 to always limit operational risk taking into consideration the related costs.

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

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

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

In accordance with IFRS, the Annual Report has been prepared on the basis of assumptions that require the use of qualified accounting estimates in some respects. These estimates are made by Group Management in accordance with the accounting policies and based on previous 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:

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 ascertained that not all future payments will be received, the determination of the time and amount of the expected payments is subject to material estimates. Furthermore, assessment of the realisable values of security and expected dividend payments from estates in bankruptcy are subject to a number of estimates.

Listed financial instruments, which have been priced in low-turnover markets, may involve some uncertainty in connection with the measurement of fair values. Note 38 specifies the methodology applying to the determination of carrying amounts and the specific uncertainties involved.

Unlisted financial instruments involving significant estimates in connection with the measurement of fair values. For further information, please refer to note 38 of the financial statements.

Provisions. Provisions for losses under guarantees are subject to material estimates where the quantification of the extent to which a guarantee will become effective upon the financial breakdown of the guarantee holder is surrounded by uncertainty.

NYKREDIT BANK A/S

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

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 the vast majority 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. The Management's Review of the Group therefore largely applies to Nykredit Bank A/S.

Income statement

In 2010 Nykredit Bank A/S recorded a profit of DKK 395m, up DKK 4,333m on the loss for 2009 of DKK 3,938m. Results were chiefly affected by higher income from business operations and significantly lower impairment losses on loans and advances.

Results were also positively affected by a profit from equity investments of DKK 65m in

2010 against a loss of DKK 156m in 2009.

Interest and fee income netted DKK 3,453m in 2010 compared with DKK 3,523m in 2009, while value adjustments went up from DKK 322m to DKK 474m. The aggregate increase was DKK 82m.

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 was unchanged at DKK 10m.

Costs declined from DKK 2,399m to DKK 2,036m in 2010, down 15.1%. The development was mainly attributable to general cost savings and synergies as a result of organisational changes and the merger with Forstædernes Bank and lower commission expenses for Bank Rescue Package I, which dropped from DKK 500m in 2009 to DKK 370m. The average number of staff decreased by 33.8% to 744 from 1,124 in 2009.

Impairment losses on loans and advances came to DKK 1,460m in 2010 against DKK 6,501m in 2009. The improvement should be seen mainly in the light of the substantial impairment losses in 2009 relating to eg customers in Other Activities and Corporate Banking. Impairment losses in these business areas were considerably lower in 2010. Reference is made to the credit risk section of the Annual Report.

Profit from investments was DKK 65m against a loss of DKK 156m in 2009, which mainly stemmed from Dansk Pantebrevsbørs, posting a loss of DKK 138m, and Nykredit Leasing, posting a loss of DKK 29m. In 2010 the entities posted profits of DKK 30m and DKK 1m, respectively.

Nykredit Portefølje Administration recorded a profit of DKK 33m against DKK 17m in 2009.

Principal balance sheet items

The balance sheet total decreased from DKK 215.3bn at end-2009 to DKK 210.4bn.

Cash balances and receivables from credit institutions and central banks dropped from

Nykredit Bank A/S Summary income statement

DKK million	2010	2009
Net interest and fee income	3,453	3,523
Value adjustments	474	322
Other operating income	10	10
Capacity costs	2,036	2,399
Impairment losses on loans, advances and receivables	1,460	6,501
Profit (loss) from investments in associates and group enterprises	65	(156)
Profit (loss) before tax	506	(5,201)
Tax	111	(1,263)
Profit (loss) for the year	395	(3,938)

Nykredit Bank A/S Summary balance sheet

DKK million	2010	2009
Receivables from credit institutions	29,480	46,357
Loans, advances and receivables	71,728	72,685
Bonds and equities	75,157	65,668
Other asset items	34,048	30,557
Total assets	210,413	215,267
Payables to credit institutions	48,351	56,843
Deposits and other payables	55,822	65,334
Issued bonds at amortised cost	32,848	44,059
Other liability items and provisions	58,810	35,488
Subordinated debt	813	1,169
Equity	13,769	12,374

Nykredit Bank A/S Financial ratios

DKK million	2010	2009
Capital adequacy ratio, %	15.7	12.2
Core capital ratio, %	15.0	12.2
Return on equity before tax, %	3.9	(46.2)
Return on equity after tax, %	3.0	(35.0)
Income:cost ratio, DKK	1.14	0.42
Number of full-time staff (avg)	744	1,124

DKK 46.4bn at end-2009 to DKK 29.5bn in 2010.

Loans, advances and receivables decreased moderately by DKK 1.0bn to DKK 71.7bn, of which reverse lending accounted for a rise of DKK 1.0bn, while total other loans and advances declined by DKK 1.9bn. Bonds and equities came to DKK 75.2bn at end-2010 against DKK 65.7bn at end-2009.

Payables to credit institutions and central banks were DKK 48.4bn against DKK 56.8bn at end-2009. The decline was due to the Bank's general ongoing liquidity adjustment.

Deposits and other payables totalled DKK 55.8bn against DKK 65.3bn at end-2009, down DKK 9.5bn. Conversely, deposits from repo transactions rose by DKK 20.5bn to DKK 21.0bn.

Equity

Equity stood at DKK 13,769m against DKK 12,374m at end-2009. Relative to equity of DKK 10,227m, cf Nykredit Bank's Annual Report for 2009, capital is up DKK 2,147m as a result of the merger with Forstædernes Bank, a DKK 1bn capital increase and profit for the year of DKK 395m.

It will be recommended for adoption by the Annual General Meeting that no dividend be distributed for 2010.

MANAGEMENT STATEMENT AND AUDIT REPORTS

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

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2010 of Nykredit Bank A/S and the Nykredit Bank Group.

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 the Management's Review have been prepared in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

In our opinion, the Consolidated Financial Statements and 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 2010 and of the results of the Group's and the Parent Company's operations as well as the Group's cash flows for the financial year 2010.

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

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

Copenhagen, 10 February 2011

Executive Board

Bjørn Mortensen

Georg Andersen

Lars Bo Bertram

Board of Directors

Karsten Knudsen, Chairman

Søren Holm, Deputy Chairman

Henrik K. Asmussen*

Kim Duus

Allan Kristiansen*

Per Ladegaard

Bente Overgaard

*staff-elected member

INTERNAL AUDITORS' REPORT

We have audited the Consolidated Financial Statements, the Financial Statements and the Management's Review of Nykredit Bank A/S for the financial year 1 January – 31 December 2010. 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. Furthermore, the Consolidated Financial Statements and the 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 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 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 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 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the business procedures and internal 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 Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2010 and of the results of the Group's and the Parent Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2010 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, 10 February 2011

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, the Financial Statements and the Management's Review of Nykredit Bank A/S for the financial year 1 January – 31 December 2010, comprising income statements, statements of comprehensive income, balance sheets, statement of changes in equity, cash flow statements and notes to the Financial Statements, including accounting policies. 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 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 Financial Statements and the Management's Review

Management is responsible for the preparation and fair presentation of Consolidated Financial Statements and 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, Financial Statements and a Management's Review 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 Financial Statements and the Management's Review based on our audit. We conducted 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 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 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 Financial Statements and the Management's Review, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of Consolidated Financial Statements and 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 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 Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2010 and of the results of the Group's and the Parent Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2010 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, 10 February 2011

Deloitte
Statsautoriseret Revisionsaktieselskab

Anders O. Gjelstrup
State-Authorised Public Accountant

Henrik Wellejus
State-Authorised Public Accountant

Income statements for 1 January – 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2009	2010		note	2010	2009
6,437	4,440	Interest income	3	4,495	6,502
3,568	1,604	Interest expenses	4	1,597	3,568
2,869	2,836	NET INTEREST INCOME		2,898	2,934
18	3	Dividend on equities	5	3	18
1,016	1,102	Fee and commission income	6	1,276	1,171
380	488	Fee and commission expenses	7	553	448
3,523	3,453	NET INTEREST AND FEE INCOME		3,624	3,675
322	474	Value adjustments	8	473	313
10	10	Other operating income		35	33
1,798	1,648	Staff and administrative expenses	9	1,759	1,911
53	12	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	10	13	54
548	376	Other operating expenses		379	551
6,501	1,460	Impairment losses on loans, advances and receivables	11	1,494	6,571
(156)	65	Profit (loss) from investments in associates and group enterprises	12	30	(136)
(5,201)	506	PROFIT (LOSS) BEFORE TAX		517	(5,202)
(1,263)	111	Tax	13	122	(1,264)
(3,938)	395	PROFIT (LOSS) FOR THE YEAR		395	(3,938)
		DISTRIBUTION OF PROFIT (LOSS) FOR THE YEAR			
(3,938)	395	Profit (loss) for the year		395	(3,938)
(3,938)	395	TOTAL		395	(3,938)
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT (LOSS)			
(3,938)	395	Retained earnings		395	(3,938)
(3,938)	395	TOTAL		395	(3,938)
		STATEMENTS OF COMPREHENSIVE INCOME			
(3,938)	395	PROFIT (LOSS) FOR THE YEAR		395	(3,938)
(1)	-	Other additions and disposals		-	(1)
(1)	-	OTHER COMPREHENSIVE INCOME		-	(1)
(3,939)	395	COMPREHENSIVE INCOME FOR THE YEAR		395	(3,939)

Balance sheets at 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2009	2010		note	2010	2009
		ASSETS			
137	113	Cash balance and demand deposits with central banks	15	113	137
46,220	29,367	Receivables from credit institutions and central banks	16	29,367	46,224
11,963	12,920	Loans, advances and other receivables at fair value	17	12,920	11,963
60,722	58,808	Loans, advances and other receivables at amortised cost	18.11	59,072	60,921
64,952	74,826	Bonds at fair value	19	74,934	64,952
716	331	Equities	20	332	718
0	0	Investments in associates	21	-	-
339	346	Investments in group enterprises	21	-	4
10	9	Intangible assets	22	9	10
69	68	Total land and buildings	23	68	69
69	68	- Investment properties		68	69
58	4	Other property, plant and equipment	24	6	60
1,314	185	Current tax assets	32	187	1,327
287	64	Deferred tax assets	32	27	262
13	91	Assets in temporary possession	25	91	13
28,409	33,277	Other assets	26	33,286	28,487
58	4	Prepayments		10	62
215,267	210,413	TOTAL ASSETS		210,422	215,209

Balance sheets at 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2009	2010		note	2010	2009
LIABILITIES AND EQUITY					
56,843	48,351	Payables to credit institutions and central banks	27	48,351	56,843
65,334	55,822	Deposits and other payables	28	55,699	65,117
44,059	32,848	Issued bonds at amortised cost	29	32,848	44,059
6,798	25,679	Other non-derivative financial liabilities at fair value	30	25,679	6,798
27,918	32,283	Other liabilities	31	32,411	28,071
7	1	Deferred income		5	13
200,959	194,984	TOTAL PAYABLES		194,993	200,901
Provisions					
0	0	Provisions for deferred tax	32	0	0
609	745	Provisions for losses under guarantees	33	745	609
156	102	Other provisions	33	102	156
765	847	TOTAL PROVISIONS		847	765
1,169	813	Subordinated debt	34	813	1,169
Equity					
5,545	6,045	Share capital		6,045	5,545
-	-	Revaluation reserves		-	-
Other reserves					
1	34	Statutory reserves		-	1
6,828	7,690	Retained earnings		7,724	6,828
12,374	13,769	TOTAL EQUITY		13,769	12,374
215,267	210,413	TOTAL LIABILITIES AND EQUITY		210,422	215,209
Off-balance sheet items					
23,385	15,224	Contingent liabilities	35	15,225	23,386
9,343	6,937	Other commitments	36	7,012	9,387
32,728	22,161	TOTAL OFF-BALANCE SHEET ITEMS		22,237	32,773
Accounting policies					
Business areas					
Related parties					
Financial instruments					
Derivative financial instruments					
Unsettled spot transactions					
Credit, foreign exchange, equity price and interest rate exposures					
Hedging interest rate risk					
Genuine sale (purchase) and repurchase/resale transactions					
Other contingent liabilities					
Group structure					
Nykredit Bank A/S 2006-2010					
The Nykredit Bank Group – eight quarters					

Statement of changes in equity

DKK million

Nykredit Bank A/S

	Share capital (restated to reflect the merger with Forstædernes Bank)	Statutory reserves	Revaluation reserves	Retained earnings (restated to reflect the merger with Forstædernes Bank)	Total
EQUITY, 31 DECEMBER 2010					
End of previous financial year, Nykredit Bank	4,175			6,052	10,227
End of previous financial year, Forstædernes Bank (Forstædernes Bank including share premium)	1,370		1	776	2,147
Total, beginning of financial year	5,545	0	1	6,828	12,374
Cancellation of shares in Forstædernes Bank	(1,370)			0	(1,370)
New issue of share capital in Nykredit Bank	1,370				1,370
Transferred to "Retained earnings"			(1)	1	0
TOTAL	5,545	0	0	6,829	12,374
Comprehensive income:					
Profit for the year		34		361	395
Total comprehensive income		34	0	361	395
Capital increase	500			500	1,000
Total changes in equity	500	34	0	861	1,395
Equity, 31 December 2010	6,045	34	0	7,690	13,769
EQUITY, 31 DECEMBER 2009					
End of previous financial year, Nykredit Bank	2,575		7	4,522	7,104
End of previous financial year, Forstædernes Bank (Forstædernes Bank including share premium)	944		2	2,109	3,055
Total, beginning of financial year	3,519		9	6,631	10,159
Comprehensive income:					
Loss for the year			(7)	(3,931)	(3,938)
Total			(7)	(3,931)	(3,938)
Other comprehensive income:					
Other additions and disposals			(1)		(1)
Total comprehensive income	0		(8)	(3,931)	(3,939)
Capital increase	2,026		0	4,128	6,154
Total changes in equity	2,026		(8)	197	2,215
Equity, 31 December 2009	5,545		1	6,828	12,374
Of which:					
Nykredit Bank	4,175		0	6,052	10,227
Forstædernes Bank	1,370		1	776	2,147
Total	5,545		1	6,828	12,374

Statement of changes in equity

DKK million

The Nykredit Bank Group

	Share capital* (restated to reflect the merger with Forstædernes Bank)	Statutory reserves and revaluation reserves	Retained earnings (restated to reflect the merger with Forstædernes Bank)	Total
EQUITY, 31 DECEMBER 2010				
End of previous financial year, Nykredit Bank	4,175		6,052	10,227
End of previous financial year, Forstædernes Bank (Forstædernes Bank including share premium)	1,370	1	776	2,147
Total, beginning of financial year	5,545	1	6,828	12,374
Cancellation of shares in Forstædernes Bank	(1,370)		0	(1,370)
New issue of share capital in Nykredit Bank	1,370			1,370
Transferred to "Retained earnings"		(1)	1	0
TOTAL	5,545	0	6,829	12,374
Comprehensive income:				
Profit for the year			395	395
Total comprehensive income			395	395
Capital increase	500		500	1,000
Total changes in equity	500	0	895	1,395
Equity, 31 December 2010	6,045	0	7,724	13,769
EQUITY, 31 DECEMBER 2009				
End of previous financial year, Nykredit Bank	2,575	0	4,529	7,104
End of previous financial year, Forstædernes Bank (Forstædernes Bank including share premium)	944	1	2,110	3,055
Total, beginning of financial year	3,519	1	6,639	10,159
Comprehensive income:				
Loss for the year			(3,938)	(3,938)
Total			(3,938)	(3,938)
Other comprehensive income:				
Other additions and disposals			(1)	(1)
Total comprehensive income	0	0	(3,939)	(3,939)
Capital increase	2,026		4,128	6,154
Total changes in equity	2,026	0	189	2,215
Equity, 31 December 2009	5,545	1	6,828	12,374

* The share capital breaks down into 18 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, Kalvebod Brygge 1-3, Copenhagen, which owns 88.18% of Nykredit Realkredit A/S. The financial statements of Foreningen Nykredit may be obtained from the company.

Capital adequacy and core capital ratios

DKK million

Nykredit Bank A/S

	31.12.2010	31.12.2009
Capital adequacy and core capital		
Share capital	6,045	4,175
Reserves	34	
Retained earnings	7,690	6,052
Total core capital	13,769	10,227
Hybrid core capital	239	
Primary and other statutory deductions from core capital	158	708
Core capital including hybrid core capital after statutory deductions	13,850	9,519
Supplementary capital, subordinate loan capital	574	
Difference between expected losses and impairments for accounting purposes etc (charge added to supplementary capital)	149	
Primary and other statutory deductions	85	
Capital base after statutory deductions	14,488	9,519
Weighted items involving credit, counterparty and delivery risk	80,102	67,035
Weighted items involving market risk	8,050	8,051
Weighted items involving operational risk	3,902	2,965
Total weighted items	92,054	78,051
Capital adequacy ratio at 31 December 2009 corresponds to that of Nykredit Bank, excl Forstædernes Bank, %	15.7	12.2
Core capital ratio at 31 December 2009 corresponds to that of Nykredit Bank, excl Forstædernes Bank, %	15.0	12.2
The Nykredit Bank Group		
Capital adequacy and core capital		
	31.12.2010	31.12.2009
Share capital	6,045	4,175
Retained earnings	7,724	6,052
Total core capital	13,769	10,227
Hybrid core capital	239	
Primary and other statutory deductions from core capital	118	675
Core capital including hybrid core capital after statutory deductions	13,890	9,552
Supplementary capital, subordinate loan capital	574	
Difference between expected losses and impairments for accounting purposes etc (charge added to supplementary capital)	149	
Primary and other statutory deductions	80	
Capital base after statutory deductions	14,533	9,552
Weighted items involving credit, counterparty and delivery risk	79,406	66,185
Weighted items involving market risk	8,050	8,050
Weighted items involving operational risk	4,126	3,217
Total weighted items	91,582	77,452
Capital adequacy ratio at 31 December 2009 corresponds to that of Nykredit Bank, excl Forstædernes Bank, %	15.9	12.3
Core capital ratio at 31 December 2009 corresponds to that of Nykredit Bank, excl Forstædernes Bank, %	15.2	12.3

Cash flow statement 1 January – 31 December

DKK million

	The Nykredit Bank Group	
	2010	2009
Profit (loss) after tax for the year	395	(3,938)
Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions		
Depreciation and impairment losses for property, plant and equipment	13	54
Other non-cash changes	(30)	0
Impairment losses on loans, advances and receivables	1,500	6,577
Tax calculated on profit (loss) for the year	122	(1,264)
Total	1,605	5,367
Profit for the year adjusted for non-cash operating items	2,000	1,429
Change in working capital		
Loans, advances and other receivables	(377)	18,865
Deposits and other payables	(9,725)	3,861
Payables to credit institutions and central banks	(8,392)	(35,218)
Bonds at fair value	(8,744)	(8,498)
Equities	386	(33)
Other working capital	20,870	3,731
Total	(5,982)	(17,292)
Corporation tax paid, net	(1,247)	(43)
Cash flows from operating activities	(5,229)	(15,906)
Cash flows from investing activities		
Property, plant and equipment	43	58
Total	43	58
Cash flows from financing activities		
Capital contribution	1,000	6,154
Subordinated debt	(363)	(2,976)
Issued bonds	(12,577)	23,751
Total	(11,940)	26,929
Total cash flows	(17,126)	11,081
Cash and cash equivalents, beginning of period	46,361	35,317
Foreign currency translation adjustment of cash	245	(37)
Cash and cash equivalents, year-end	29,480	46,361
Cash and cash equivalents, year-end		
Specification of cash and cash equivalents, year-end:		
Cash balance and demand deposits with central banks	113	137
Receivables from credit institutions and central banks	29,367	46,224
Cash and cash equivalents, year-end	29,480	46,361

Core earnings and investment portfolio income

DKK million

1 January – 31 December	2010			2009		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	2,839	59	2,898	2,663	271	2,934
Dividend on equities	2	1	3	4	14	18
Fee and commission income, net	725	(2)	723	723		723
Net interest and fee income	3,566	58	3,624	3,390	285	3,675
Value adjustments	365	108	473	371	(58)	313
Other operating income	35		35	33		33
Staff and administrative expenses	1,759		1,759	1,911		1,911
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	13		13	54		54
Other operating expenses	379		379	551		551
Impairment losses on loans and advances	1,494		1,494	6,571		6,571
Profit (loss) from investments in associates and group enterprises	30		30	(136)		(136)
Profit (loss) before tax	351	166	517	(5,429)	227	(5,202)
Of which:						
Nykredit Bank				(110)	64	(46)
Forstædernes Bank				(5,319)	163	(5,156)

Notes

1. ACCOUNTING POLICIES OF THE NYKREDIT BANK GROUP

GENERAL

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements are furthermore prepared in accordance with additional Danish disclosure requirements relating to annual reports of issuers of listed bonds.

Additional Danish disclosure requirements for the annual reports of the Group are stated in the Executive Order on the application of IFRS by financial companies issued pursuant to the Danish Financial Business Act and by NASDAQ OMX Copenhagen A/S.

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

The Group has opted for early implementation of part of the changes to the additional Danish disclosure requirements applicable to financial years commencing on 1 January 2011. The Group has opted to specify the fee to the auditor performing the statutory audit.

Changes to accounting presentation

The presentation of the segment financial statements has been changed following the merger between Nykredit Bank A/S and Forstædernes Bank A/S and general reorganisation. Comparative figures have been restated to the widest extent possible. Some income statement and balance sheet items have been allocated to the business areas based on estimates. The segment financial statements have been expanded to include a new segment: Other Activities. The change has no impact on the income statement, balance sheet or equity.

In all other respects, the accounting policies are unchanged compared with the Annual Report for 2009.

New and amended standards and interpretations

Implementation of new or amended standards and interpretations in force and effective for financial years beginning 1 January 2010:

IFRS 3 "Business Combinations" (amendment to standard).

Improvements to IFRSs 2009 (minor amendments to IFRSs as a result of the IASB's annual improvements).

The implementation has no impact on earnings for the year, the balance sheet or equity, but has resulted in a more detailed specification of accounting policies.

Reporting standards and interpretations that have not yet entered into force

At the time of presentation of the Annual Report, a number of new or amended standards and interpretations had not yet entered into force and/or had not been approved for use in the EU.

Improvements to IFRSs 2010 (minor amendments to IFRSs as a result of the IASB's annual improvements) (not approved for use in the EU).

IAS 24 "Related Party Disclosures" (amendment to standard) (in force from 1 January 2011).

IAS 32 "Financial Instruments: Presentation" (amendment to standard) (effective for financial years beginning on or after 1 February 2010).

IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for financial years beginning on or after 1 January 2011).

IFRIC 19 "Extinguishing Financial Liabilities with Equity" (effective for financial years beginning on or after 1 July 2010).

IFRS 9 "Financial Instruments: Classification and Measurement" (financial assets (November 2009) and financial liabilities (October 2010)) (new standard) (not approved for use in the EU). Expected to be effective for finan-

cial years beginning on or after 1 January 2013.

IFRS 7 "Financial Instruments: Disclosures" (amendment to standard) (not approved for use in the EU).

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

Significant accounting estimates

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

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

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

Fair value of financial instruments

Listed financial instruments which have been priced in low-turnover markets may involve some uncertainty in connection with the measurement of fair values. Note 38 further specifies the methods applied to determine the carrying amounts and the related specific uncertainties.

Measurement of the fair value of unlisted financial instruments is based on significant estimates. Note 38 further specifies the methods applied to determine the carrying amounts and the related specific uncertainties. Financial instruments the measurement of which is not based on listed prices represent about 27% of assets and 24% of liabilities.

Measurement of loans – impairments

Provisions for loan impairment involving significant estimates in the quantification of the risk of not receiving all future payments. If it is ascertained that not all future payments will be received, the determination of the time and amount of the expected payments are subject to significant estimates.

Furthermore, realisable values of security and expected dividend payments from bankrupt estates are subject to a number of estimates. Reference is made to "ASSETS", "Provisions for loan and receivable impairment" below for a detailed description.

Lending made up some 34% of the Group's assets at end-2010.

Provisions for losses under guarantees

Provisions for losses under guarantees are subject to significant estimates where the determination of the extent to which a guarantee may become effective upon the financial collapse of the guarantee applicant is subject to uncertainty. Part of the provisions are attributable to the government guarantee scheme. Estimates and uncertainty are primarily based on a general expectation of losses inflicted on the scheme by the distressed banks. Provisions for losses under guarantees and off-balance sheet contingent liabilities totalled DKK 847m at end-2010.

Material accounting assessments

Financial instruments

Financial instruments represent about 90% of the Group's assets as well as liabilities.

Financial instruments are 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 are recognised as financial assets or liabilities.

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

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

Financial instruments are initially recognised at fair value. Subsequent measurement depends on the classification at the time of recognition.

Measurement principles and classification of financial instruments are described below as well as in note 38.

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

Classification

Financial instruments are classified as follows:

- Loans, advances and receivables/Other financial liabilities at amortised cost
- Financial assets and liabilities at fair value through profit or loss:
 - held for trading,
 - initially recognised at fair value (the fair value option).

On initial recognition, financial instruments are measured at fair value.

Loans, advances and receivables/Other financial liabilities at amortised cost

Following initial recognition, loans, advances and liabilities are measured at the lower of amortised cost and net realisable value, including a constant effective interest rate over the life of the asset or liability.

Amortised cost is determined as initial cost less principal payments and adjustment for the cumulative difference between cost and the nominal value and any transaction costs.

Capital gains and losses as well as transaction cost are distributed over the life of the asset or liability. In addition, provisions for loan impairment are deducted.

Financial assets and liabilities at fair value through profit or loss

The category consists of the two following categories:

Category 1

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

- chiefly acquired with a view to a short-term gain,
- it forms part of a portfolio where there is evidence of realisation of short-term gains, or
- Management classifies it as such.

Derivative financial instruments are also classified as financial assets held for trading unless classified as hedges.

Category 2

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

- a group of financial assets/liabilities is under management, and earnings are assessed by Nykredit Bank's Management in accordance with a documented risk management strategy or investment strategy based on fair value,
- this classification eliminates or materially reduces measurement inconsistency that would arise on using the general 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" are recognised through profit or loss for the period in which they arose.

RECOGNITION AND MEASUREMENT

Recognition and measurement

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

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

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

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently measured at fair value. Value adjustments are recognised in the income statement under "Value adjustments" for the period in which they arose. Positive and negative fair values of derivative financial instruments are recognised under "Other assets" or "Other liabilities", as appropriate.

The fair values of derivative financial instruments are determined using recognised measurement methods based on market information and other recognised measurement methods.

Hedge accounting

The Group applies derivatives to hedge interest rate risk on some fixed-rate financial assets and liabilities measured at amortised cost.

Changes in the fair values of derivative financial instruments classified as and meeting the criteria of fair value hedging of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or the hedged liability to the extent of the hedged part.

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

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

Consolidation

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

The Consolidated Financial Statements are prepared on the basis of the financial statements of the individual enterprises by 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 are eliminated.

Business combinations and acquisitions

On acquisition of new enterprises where the Parent Company obtains control over the acquired enterprise, the purchase method is applied.

Acquisitions are effected using the uniting-of-interests method of accounting in case of mergers with/between enterprises with the same management.

As mentioned in the Management's Review, Nykredit Bank A/S and Forstædernes Bank A/S merged at 1 April 2010 – effective at 1 January 2010 for accounting purposes. The merger has been accounted for using the uniting-of-interests method of accounting, as both companies had the same parent company, Nykredit Realkredit A/S. In accordance with the uniting-of-interests method of accounting, the financial statements have been prepared as if the companies were merged from the earliest period included in the financial statements. Comparative figures in the Annual Report have been restated accordingly.

Where recognition is based on the purchase method, acquired enterprises are included from the time of acquisition.

The identifiable assets, liabilities and contingent liabilities of the acquired enterprises are measured at fair value at the time of acquisition. Identifiable intangible assets are recognised where they can be separated or arise out of a contractual right and their fair value can be measured reliably. Deferred tax on revaluations is recognised.

Positive balances (goodwill) between the cost of the enterprise and the fair value of the identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under intangible assets.

Profits or losses on divestment or winding up of group enterprises and associates are determined as the difference between the selling price and the carrying amount including goodwill at the time of divestment as well as costs incidental to the divestment or winding up.

Divested enterprises are included up to the time of divestment.

Core earnings and investment portfolio income

In the financial statements, results for the year are divided into core earnings and investment portfolio income, as Management finds that this presentation reflects the activities and earnings in the Group.

Core earnings excluding investment portfolio income mirror results from customer-oriented activities and risk-free returns on the securities portfolio less operating costs, depreciation, amortisation and impairment losses on loans and advances.

Core income from business operations includes earnings from customer-oriented business, etc.

Core income from securities includes the return which the Group would have obtained by placing the part of the securities portfolio not allocated to the business areas at a risk-free interest rate – Danmarks Nationalbank's repo rate.

Investment portfolio income includes the part of the return exceeding risk-free interest – at Danmarks Nationalbank's repo rate.

Segment information

Information is provided on business segments and geographic markets. Business areas are defined on the basis of differences in customer segments, services and group items. The presentation of the business areas is based on internal management reporting. The business areas reflect the Group's risk and return and are considered the Group's core segments. Segment information is in accordance with the Group's accounting policies.

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

The financial assets and liabilities underlying the financial income and expenses forming part of the business area's profit (loss) are allocated to the relevant business area. Non-current assets in the segment include the non-current assets used directly in segment operations, including intangible assets as well as property, plant and equipment.

Goodwill is recognised under the business area which receives or pays the cash flows relating to the enterprise acquired.

The business capital of the individual business areas is determined according to the Basel II principles based on the method applied to determine the required capital base.

The required capital base is the statutory capital requirement plus a projection for a mild recession scenario. The business return is calculated as the results of the business areas relative to the business capital.

No risk-free interest is calculated on capital allocated to the business areas.

Information is provided exclusively at group level.

Currency

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

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

At the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency translation adjustment is 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 are recognised as part of the fair value gain or loss.

The financial statements of integrated foreign entities are translated into Danish kroner at the exchange rates prevailing on the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items.

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 is recognised as depreciation or amortisation. If this is the case, an impairment test is carried out to determine whether the recoverable value is lower than the carrying amount, and if so the asset concerned will be written down to the lower recoverable value.

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

Repo/reverse

Securities sold as part of sale and repurchase transactions are retained in the balance sheet

under the appropriate principal item, eg "Bonds at fair value". Repo/reverse transactions are recognised and measured at fair value.

Loans and advances arisen as part of genuine purchase and resale transactions are recognised under "Receivables from credit institutions and central banks" or "Loans, advances and other receivables at fair value", depending on the counterparty.

Deposits arisen as part of genuine sale and repurchase transactions are recognised under "Payables to credit institutions and central banks" or "Other non-derivative financial liabilities at fair value", depending on the counterparty.

Fair value adjustment takes place through profit or loss over the terms of the agreements.

Where the Group resells assets received in connection with a repo transaction, and where the Group is obliged to return the instruments, the value thereof is included in the item "Other non-derivative financial liabilities at fair value".

Leases

Leases are classified as finance leases when all material risk and returns associated with the title to an asset have been transferred to the lessee.

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

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

Direct costs of establishment of leases are recognised in the net investment. Other leases are classified as operating leases. Properties leased under operating leases are classified as "Investment properties".

The properties are measured at fair value in accordance with IAS 40 "Investment Property". Fair value adjustments are recognised on a

current basis through profit or loss under "Value adjustments".

Lease payments received are recognised as income under "Other operating income".

INCOME STATEMENT

Interest income and expenses

Interest includes interest due and 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 rate of the underlying instruments. The item also includes index premium on assets, forward premium on securities and foreign exchange trades as well as adjustments over the life of financial assets measured at amortised cost and where cost differs from the redemption price.

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

Interest expenses include all interest-like expenses, including adjustment over the life of financial liabilities measured at amortised cost and where cost differs from the redemption price.

Dividend

Dividend from equity investments and equities is recognised as income in the income statement in the financial year in which the dividend is declared.

Fees and commissions

Fees and commissions include income and costs relating to services, including management fees. Fee income relating to services provided on a current basis is accrued over their terms.

For accounting purposes, fees, commissions and transaction costs are treated as interest if they form an integral part of the effective interest rate of a financial instrument.

Other fees and commissions are fully 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. Value adjustments relating to the credit risk of loans, advances and receivables measured at fair value are recognised under the item "Impairment losses on loans, advances and receivables".

Impairment losses on loans, advances and receivables

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

Tax

Tax for the year, consisting of current tax for the year and changes to deferred tax, is recognised in the income statement, unless the tax effect concerns items recognised in "Other comprehensive income", or directly in "Equity". The adjustments relating to deferred tax attributable to entries directly under "Equity" or "Other comprehensive income" are recognised directly in "Equity" or "Other comprehensive income", as appropriate.

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 voluntary payment of tax on account and interest payable or receivable on over-/underpayment of tax are recognised under "Other interest income" or "Other interest expenses", as appropriate.

Current tax liabilities and current tax assets are recognised in the balance sheet as tax calculated on taxable income for the year adjusted for tax paid on account. The current tax for the year is calculated on the basis of the tax rates and rules prevailing on the balance sheet date.

Deferred tax on all temporary differences between the carrying amounts and the tax values of assets and liabilities is recognised using the balance sheet liability method. No recognition is made of deferred tax on temporary differences relating to the amortisation of goodwill disallowed for tax purposes and owner-occupied property as well as other items where temporary differences – except in case of acquisitions – have arisen at the time of acquisition without having any impact on profit (loss) or taxable income.

Deferred tax is determined on the basis of the intended use of each asset and the settlement of each liability, respectively. Deferred tax is measured using the tax rates expected to apply to temporary differences upon reversal and the tax rules prevailing on the balance sheet date or existing tax rules.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised in the balance sheet at the value at which they are expected to be realised, either by set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. On each balance sheet date, it is assessed whether it is probable that future taxable income will allow for the use of the deferred tax asset.

Nykredit Bank's and the Bank Group's Danish companies are jointly taxed with Foreningen Nykredit (the Nykredit Association). The Parent Company settles the total tax payable by the Nykredit Group on the taxable income assessed for the year.

Current Danish corporation tax payable is distributed between the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

Current tax assets and current tax liabilities are set off when there is a statutory right of set-off. Deferred tax assets and deferred tax liabilities are set off when there is a legal right of set-off.

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 made at fair value. Subsequent measurement is made at amortised cost.

This item also includes receivables acquired as part of purchase and resale transactions concluded with credit institutions, which are subsequently measured at fair value, as these instruments form part of the trading book.

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

The item includes 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 are 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 provisions for loan and receivable impairment.

Provisions for loan and receivable impairment

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

Individual impairment provisions

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

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

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

The loan is impaired by the difference between the carrying amount before impairment and the present value of the expected future cash flows from the individual loan or exposure.

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

Similar individual impairment provisions are made for non-significant loans, advances and receivables if there is OEI and the event(s) concerned is(are) believed to have a reliably

measurable effect on the size of expected future payments from the exposure/loan.

If there is OEI in respect of loans at fair value, Nykredit assesses the probability of losses, which assessment is included in the calculation of individual impairment provisions.

Where OEI is identified on an individual basis and it is not possible to determine the deterioration of cash flows 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 expected cash flows.

This approach is generally used for very small loans and advances where the Group's information on the customer's financial position is not up to date.

Collective impairment provisions

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

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

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 impairment 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 rating model.

The outcome of the two above models is subjected to a quarterly informed estimate. For relevant groups, the provisioning need is supplemented with an adjustment if there are events which the model does not take into account.

Impairment provisions in general

Total provisions for loan impairment are deducted from the relevant loans under asset items. Recognised losses, changes in loan impairment provisions for the year and provisions for guarantees are charged to the income statement under "Impairment losses on loans, advances and receivables".

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

Loans and advances not expected to be collected are written off.

Equities and bonds

Equities and bonds are initially recognised at fair value and are subsequently measured at fair value based on listed prices 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 for unlisted equities.

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

Changes in the fair value are recognised on a current basis in the income statement under value adjustments.

Intangible assets

Goodwill

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises. 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.

Land and buildings

Investment properties

Properties which are not occupied by the Group and which are held for the purpose of obtaining rental income and/or capital gains are classified as investment properties.

On acquisition, investment properties are recognised at cost, which includes the purchase price of the property and direct costs. Subsequently, investment properties are measured at fair value, and value adjustments are carried in the income statement.

Fair value is determined on the basis of open market prices or the return method. Where open market prices are applied, adjustment is made for any differences in the nature, location or state of repair of the asset concerned. Finally, any rights of the lessee in respect of the Bank's sale of the property are considered in the determination of the market value.

Under the return method, operating income from the properties is considered in relation to the required rates of return on the properties. The required rates of return under this method take into account the nature, location and state of repair of the property concerned. The measurement is performed by an internal valuer.

Properties acquired in connection with the settlement of an exposure are recognised under "Assets in temporary possession".

Other property, plant and equipment

Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation is made on a straight-line basis over the expected useful lives of:

- Computer equipment and machinery etc up to 5 years
- Equipment and motor vehicles up to 5 years
- Leasehold improvements: maximum term of the lease is 15 years.

The residual values and useful lives of the assets are revalued at each balance sheet date. The carrying amount of an asset is written down to the recoverable amount if the carrying amount of the asset exceeds the estimated recoverable amount.

Gains and losses on the current replacement of property, plant and equipment are recognised under "Other operating income" and "Other operating expenses".

Assets in temporary possession

"Assets in temporary possession" includes properties repossessed in respect of which:

- the Group's possession is temporary only
- a sale is intended in the short term, and
- a sale is highly likely.

Assets in temporary possession are measured at the lower of the carrying amount at the time of classification as assets in temporary possession and the fair value less selling costs. Assets are not depreciated or amortised once classified as assets in temporary possession.

Impairment losses arising on initial classification as asset in temporary possession and gains or losses on subsequent measurement at the lower of the carrying amount and the fair value less selling costs are recognised in the income statement under the relevant items.

LIABILITIES AND EQUITY

Payables

"Payables to credit institutions and central banks" and "Deposits and other payables" are initially recognised at fair value equal to the proceeds received less transaction costs incurred. Subsequently, payables are measured at amortised cost equal to the capitalised value using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement as interest expenses over the loan term.

"Payables to credit institutions and central banks" arisen as part of "Genuine sale and repurchase transactions" are measured at fair value. Fair value adjustments are recognised through profit or loss.

Other liabilities include derivative financial instruments, which are measured at fair value, and other payables, which are measured at amortised cost.

Issued bonds at amortised cost

Issued corporate bonds are initially recognised at fair value equal to consideration received less costs incurred. Issued bonds are subsequently measured at amortised cost. Where the bonds have embedded derivative financial hedge instruments measured at fair value,

bonds will be value adjusted through the part hedged by derivative financial instruments 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 held for trading which are measured at fair value after initial recognition.

Negative securities portfolios include securities which the Bank has received in connection with reverse transactions and subsequently resold, but which the Bank is obliged to return.

Provisions

Provisions are recognised where, as a result of an event occurred on or before the balance sheet date, the Group has a legal or constructive obligation which can be measured reliably and where it is probable that economic benefits must be given up to settle the obligation.

Provisions are measured at Management's best estimate of the amount considered necessary to honour the obligation.

Provisions for losses under guarantees

Provisions for losses under guarantees and loss-making contracts are recognised if it is probable that the guarantee or the contract will become effective and if the liability can be measured reliably.

Subordinated debt

Subordinated debt is initially recognised at fair value less transaction costs incurred. Subordinated debt is subsequently measured at amortised cost, and any differences between the proceeds less transaction costs and the redemption value are recognised in the income statement over the loan term using the effective interest method.

The measurement of subordinated debt is adjusted for the fair value of the hedged interest rate risk.

Equity

Share capital

Equities are classified as equity where there is no obligation to transfer cash or other assets.

Retained earnings

This item comprises distributable reserves which may be distributed to the Company's shareholders.

CASH FLOW STATEMENT

The consolidated cash flow statement is prepared according to the indirect method based on profit (loss) for the year. The Group's cash flow statement shows cash flows for the year stemming from:

- Operating activities
- Investing activities
- Financing activities

Furthermore, the consolidated cash flow statement shows 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 the items "Cash balance and demand deposits with central banks" and "Receivables from credit institutions and central banks".

SPECIAL POLICIES FOR THE PARENT COMPANY NYKREDIT BANK A/S

The Annual Report of Nykredit Bank A/S is prepared in accordance with the Danish Financial Business Act and the FSA Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

In all material respects, these rules comply with the International Financial Reporting Standards (IFRS) 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

Investments in group enterprises are recognised and measured according to the equity method.

The proportionate ownership share of the equity value of the enterprise less/plus unrealised intercompany profits or losses is recognised under "Investments in group enterprises" in the balance sheet.

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

Total net revaluation of investments in group enterprises is transferred through the profit distribution to "Statutory reserves" (net revaluation according to the equity method) under equity. The reserves are adjusted for the distribution of dividend to the Parent Com-

pany and for other changes in the equity of subsidiaries.

According to the IFRS, the equity method is disallowed in the separate financial statements of parent companies. The IFRS prescribe measurement either at cost or at fair value.

The recognition and measurement principles applied 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

The Nykredit Bank Group

2. BUSINESS AREAS						
	Retail Banking	Corporate Banking	Markets & Asset Management	Other Activities	Group items ¹ and eliminations	Total
2010						
Core income from business operations	820	1,272	1,576	115		3,783
Core income from Kalvebod issues			57			57
Core income from securities					126	126
Total core income *	820	1,272	1,633	115	126	3,966
Operating costs	436	496	801	36		1,769
Amortisation, depreciation and impairment losses for property, plant and equipment as well as intangible assets		2	10			12
Dansk Pantebrevsbørs u. konkurs (in bankruptcy) (income)		30				30
Commission payable under the government guarantee scheme (Bank Rescue Package I)	55	187	91	37		370
Core earnings before impairment losses	329	617	731	42	126	1,845
Impairment losses on loans and advances	207	227	4	777		1,215
Provisions under Bank Rescue Package I	38	124	62	55		279
Core earnings after impairment losses	84	266	665	(790)	126	351
Investment portfolio income ²					166	166
Profit (loss) before tax	84	266	665	(790)	292	517
* Of which transactions between business areas	137	44	(155)	(26)	-	0
Income:costs	1.1	1.3	1.7	0.1	-	1.1
Average allocated business capital ³	1,291	15,087	1,492	563	168	18,601
Core earnings after impairment losses as % of allocated capital (pa)	6.5	1.8	44.6	(140.3)	-	1.9
2009						
Core income from business operations	864	1,098	1,403	100		3,465
Core income from Kalvebod issues			139			139
Core income from Proprietary Trading			47			47
Core income from securities					143	143
Total core income *	864	1,098	1,589	100	143	3,794
Operating costs	612	567	714	22		1,915
Amortisation, depreciation and impairment losses for property, plant and equipment as well as intangible assets	18	18	1	17		54
Dansk Pantebrevsbørs A/S		(183)				(183)
Commission payable under the government guarantee scheme (Bank Rescue Package I)	58	225	118	99		500
Core earnings before impairment losses	176	105	756	(38)	143	1,142
Impairment losses on loans and advances	228	2,121	4	3,900		6,253
Provisions under Bank Rescue Package I	32	169	54	63		318
Core earnings after impairment losses	(84)	(2,185)	698	(4,001)	143	(5,429)
Investment portfolio income ²					227	227
Profit (loss) before tax	(84)	(2,185)	698	(4,001)	370	(5,202)
* Of which transactions between business areas	56	(254)	198	-	-	0
Income:costs	0.9	0.3	1.8	0.0	-	0.4

Comparative figures have been restated to reflect the merger with Forstædernes Bank A/S as well as the effect of the organisational change in 2010. Due to the latter, some Asset Management activities have been transferred to Corporate Banking and Retail Banking. The earnings impact corresponds to a total allocation of profit of DKK 5m to Corporate Banking and Retail Banking. The change has not affected total profit before tax.

Average capital for 2009 has not been determined as it has not been possible to produce comparative figures for Forstædernes Bank according to the principles applied by Nykredit Bank in 2009. For comparative figures 2009, this also means that some income statement items and asset items have been allocated to the business areas based on an estimate.

¹ Include income from securities not allocated to the individual business areas, but included in the Bank's own portfolio.

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

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

In 2009 Proprietary Trading activities were transferred to the Parent Company, Nykredit Realkredit A/S.

Notes

DKK million

The Nykredit Bank Group

2. BUSINESS AREAS (continued)						
BALANCE SHEET						
	Retail Banking	Corporate Banking	Markets & Asset Management	Other activities	Group items ¹ and eliminations	Total
2010						
ASSETS						
Receivables from credit institutions and central banks			29,480			29,480
Loans and advances at fair value			12,920			12,920
Loans and advances at amortised cost	15,476	40,839		2,757		59,072
Bonds, mortgages and equities		1,425	73,618		223	75,266
Property, equipment and intangible assets	9	72	2			83
Other assets		32	30,663	59	2,847	33,601
Total assets	15,485	42,368	146,683	2,816	3,070	210,422
LIABILITIES AND EQUITY						
Payables to credit institutions and central banks			48,351			48,351
Deposits and other payables	18,758	32,320	4,113	508		55,699
Non-derivative financial liabilities at fair value			25,679			25,679
Issued bonds			32,848			32,848
Other payables and provisions			24,186		9,077	33,263
Subordinated debt					813	813
Equity					13,769	13,769
Total liabilities and equity	18,758	32,320	135,177	508	23,659	210,422
Associates and group enterprises have been included in the business areas as follows:						
- Profit		1	34			35
- Investment (equity value)	40	149	153		4	346
Off-balance sheet items (guarantees)	7,639	12,048	1,842	707	-	22,236
Investments in property, plant and equipment as well as intangible assets	-	-	-	-	-	-
2009						
ASSETS						
Receivables from credit institutions and central banks			46,358		3	46,361
Loans and advances at fair value			11,962			11,962
Loans and advances at amortised cost	16,647	39,193		5,081		60,921
Bonds, mortgages and equities		1,542	64,098		30	65,670
Property, equipment and intangible assets	32	94	1	1	1	129
Other assets			20,555		9,611	30,166
Total assets	16,679	40,829	142,974	5,082	9,645	215,209
LIABILITIES AND EQUITY						
Payables to credit institutions and central banks			56,843			56,843
Deposits and other payables	19,617	33,434	11,085	981		65,117
Non-derivative financial liabilities at fair value			6,798			6,798
Issued bonds			44,059			44,059
Other payables and provisions	86	494	19,321	15	8,933	28,849
Subordinated debt					1,169	1,169
Equity					12,374	12,374
Total liabilities and equity	19,703	33,928	138,106	996	22,476	215,209
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)	9,040	16,076	3,897	1,324	2,436	32,773
Investments in property, plant and equipment as well as intangible assets	10	-	-	-	(6)	4

¹ Corporate Banking includes leasing and mortgage trading activities whereas the investment management company Nykredit Portefølje Administration A/S is included under Markets & Asset Management. Goodwill of DKK 9m has been allocated to Retail Banking.

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
		3. INTEREST INCOME		
268	176	Receivables from credit institutions and central banks	176	269
3,584	2,598	Loans, advances and other receivables	2,649	3,641
2,716	1,919	Bonds	1,920	2,720
(139)	(288)	Total derivative financial instruments	(288)	(139)
		Of which:		
(82)	(59)	- Foreign exchange contracts	(59)	(82)
(56)	(222)	- Interest rate contracts	(222)	(56)
(1)	(7)	- Equity contracts	(7)	(1)
8	35	Other interest income	38	11
6,437	4,440	Total	4,495	6,502
1,465	-	Of which Forstædernes Bank, incl eliminations	-	1,465
		Of which interest income from genuine purchase and resale transactions entered as		
72	90	Receivables from credit institutions and central banks	90	72
438	88	Loans, advances and other receivables at fair value	88	438
		Of total interest income		
3,342	2,596	Interest income accrued on financial assets measured at amortised cost	2,647	3,400
		Interest income accrued on loans and advances for which individual impairment provisions have been made amounts to DKK 155m (2009: DKK 94m). 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.		
225	150	Interest income accrued on fixed-rate loans and advances	150	225
8	0	Interest income from finance leases	106	133
		4. INTEREST EXPENSES		
628	263	Credit institutions and central banks	263	639
1,935	805	Deposits and other payables	798	1,923
834	500	Issued bonds	500	835
171	36	Subordinated debt	36	171
0	0	Other interest expenses	0	0
3,568	1,604	Total	1,597	3,568
673	-	Of which Forstædernes Bank, incl eliminations	-	673
		Of which interest expenses for genuine sale and repurchase transactions entered as		
97	77	Payables to credit institutions and central banks	77	99
27	73	Deposits and other payables (non-derivative financial liabilities at fair value)	73	27
		Issued bonds		
21	5	Offset interest from the Bank's own portfolio of self-issued bonds	5	21
		Of total interest expenses		
3,444	1,454	Interest expenses accrued on financial liabilities measured at amortised cost	1,447	3,442

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
		5. DIVIDEND ON EQUITIES		
18	3	Dividend on equities	3	18
18	3	Total	3	18
13	-	Of which Forstædernes Bank, incl eliminations	-	13
		6. FEE AND COMMISSION INCOME		
172	172	Securities trading and custody accounts	500	380
49	44	Payment services	44	49
48	30	Loan fees	37	53
164	159	Guarantee commissions	159	164
583	697	Other fees and commissions	536	525
1,016	1,102	Total	1,276	1,171
238	-	Of which Forstædernes Bank, incl eliminations	-	238
		Of which:		
151	129	Fees relating to financial instruments not measured at fair value	142	161
346	666	Fees relating to asset management activities and other fiduciary activities	835	492
		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".		
		7. FEE AND COMMISSION EXPENSES		
380	488	Total	553	448
20	-	Of which Forstædernes Bank, incl eliminations	-	20
		Of which:		
170	209	Fees relating to financial instruments not measured at fair value	221	181
69	142	Fees relating to asset management activities and other fiduciary activities	191	126
		8. VALUE ADJUSTMENTS		
4	0	Other loans, advances and receivables at fair value	0	4
34	(290)	Bonds	(290)	32
118	119	Equities	118	118
(1)	(1)	Investment properties	(1)	(1)
234	82	Foreign exchange	82	234
(61)	564	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	564	(68)
1	0	Other assets	0	1
(7)	0	Other liabilities	0	(7)
322	474	Total	473	313
(41)	-	Of which Forstædernes Bank, incl eliminations	-	(41)
		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. No value adjustments have been made for own credit risk on issued bonds or other liabilities.		
		Of which value adjustment relating to fair value hedging for accounting purposes		
0	(1)	Fair value hedging (cf note 42)	(1)	0

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
9. STAFF AND ADMINISTRATIVE EXPENSES				
8	10	Remuneration of Board of Directors/Executive Board	10	8
978	729	Staff expenses	796	1,046
812	909	Administrative expenses	953	857
1,798	1,648	Total	1,759	1,911
595	-	Of which Forstædernes Bank, incl eliminations	-	595
Remuneration of Board of Directors and Executive Board				
Board of Directors				
Remuneration				
Each staff-elected board representative receives annual remuneration of DKK 60,000. No additional remuneration is paid to board representatives.				
Executive Board				
8	10	Salaries	10	8
8	10	Total	10	8
Remuneration of Executive Board				
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.				
In 2010 bonus payments came to DKK 1.5m (2009: DKK 1.0m). The Bank's Executive Board is further remunerated in the form of a company car. The taxable value thereof was DKK 0.1m in 2010 (2009: 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 period 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.				
Loans, charges or guarantees granted to the members of				
0	0	Executive Board	0	0
0	0	Board of Directors	0	0
409	802	Management of the Bank's Parent Company ¹	802	409
Deposits from the members of				
1	1	Executive Board	1	1
3	5	Board of Directors	5	3
141	106	Management of the Bank's Parent Company ¹	106	141
¹ Including balances with related parties and companies.				
Balances with members of the Bank's Management and their related parties were entered into, and carry interest, on an arm's length basis.				
The lending rate for members of the Banks' Executive Board or Board of Directors ranges between 2.5% and 8.5%, and the deposit rate ranges between 0.5% and 1.0%.				

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
9. STAFF AND ADMINISTRATIVE EXPENSES (continued)			
Staff expenses			
827	612	671	886
75	54	59	80
76	63	66	80
978	729	796	1,046
978	729	796	1,046
978	729	796	1,046
1,124	744	847	1,228
Average number of staff, full-time equivalents			
Aggregate fees to the auditors appointed by the General Meeting, Deloitte, that performs the statutory audit:			
2	1	1	2
0	0	0	0
0	0	0	0
11	6	6	12
13	7	7	14
13	7	7	14
10. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
33	11	12	34
20	1	1	20
53	12	13	54
53	12	13	54

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
11. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES				
Specification of impairment provisions				
7,509	5,694	Total individual impairment provisions	5,721	7,554
257	421	Total collective impairment provisions	422	258
7,766	6,115	Total impairment provisions, year-end	6,143	7,812
Individual impairment provisions				
577	1,424	Impairment provisions, beginning of year, Nykredit Bank	1,469	591
1,607	6,085	Additions, Forstædernes Bank, beginning of year	6,085	1,607
2,184	7,509	Total impairment provisions, beginning of year	7,554	2,198
5,920	1,365	Impairment provisions for the year	1,380	5,962
139	712	Reversed impairment provisions	726	144
43	0	Other additions/disposals	0	43
499	2,468	Impairment provisions recognised as lost	2,487	505
7,509	5,694	Impairment provisions, year-end	5,721	7,554
6,085	-	Of which Forstædernes Bank	-	6,085
Collective impairment provisions				
123	110	Impairment provisions, beginning of year, Nykredit Bank	111	123
64	147	Additions, Forstædernes Bank, beginning of year	147	64
187	257	Total impairment provisions, beginning of year	258	187
70	164	Impairment provisions for the year, net	164	71
257	421	Impairment provisions, year-end	422	258
147	-	Of which Forstædernes Bank	-	147
Earnings impact				
5,895	817	Change in provisions for loan and receivable impairment	818	5,933
108	515	Losses recognised for the year, net	548	141
6	6	Received on claims previously written off	6	6
5,997	1,326	Total impairment provisions	1,360	6,068
504	134	Provisions for losses under guarantees	134	503
6,501	1,460	Total	1,494	6,571
5,346	-	Of which Forstædernes Bank	-	5,346
Specification of loans and advances with objective evidence of impairment				
8,396	8,076	Loans and advances subject to individual provisioning	8,156	8,544
7,509	5,694	Impairment provisions	5,721	7,554
887	2,382	Carrying amount of non-performing loans	2,435	990
432	-	Of which Forstædernes Bank	-	432
70,012	69,767	Loans and advances subject to collective provisioning	69,979	72,152
257	421	Impairment provisions	422	258
71,798	69,346	Loans and advances after impairment provisions	69,557	71,894
12,938	-	Of which Forstædernes Bank	-	12,938

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
12. PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
(138)	30	30	(138)
(18)	35	0	2
(156)	65	30	(136)
13. TAX			
Tax for the year can be specified as follows			
(1,263)	111	122	(1,264)
(1,263)	111	122	(1,264)
(1,295)	-	-	(1,295)
Tax on profit (loss) for the year has been calculated as follows			
(1,253)	94	100	(1,266)
(11)	(10)	(5)	1
2	(201)	(207)	2
(1)	228	234	(1)
(1,263)	111	122	(1,264)
Tax on profit (loss) for the year can be specified as follows			
(1,300)	127	130	(1,301)
37	(9)	-	-
Tax effect of:			
(5)	(39)	(39)	(5)
4	5	4	41
1	27	27	1
(1,263)	111	122	(1,264)
24.3	21.9	23.6	24.3
Effective tax rate, %			

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
		14. SECONDARY BUSINESS AREA		
		Foreign entities' contributions to profit (loss) for the year in the form of interest income, fees, value adjustments and other operating income		
-	-	England and the Cayman Islands	0	(7)
-	-	Revenue from foreign entities	0	(7)
		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 8 to 13 of the Management's Review.		
		Foreign entities' revenues, results, etc, are also shown under Group structure, note 45.		
		15. CASH BALANCE AND DEMAND DEPOSITS WITH CENTRAL BANKS		
137	113	Cash balance and demand deposits with central banks	113	137
137	113	Total	113	137
65	-	Of which Forstædernes Bank, incl eliminations	-	65
		16. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
893	791	Receivables at call from central banks	791	893
45,327	28,576	Receivables from credit institutions	28,576	45,331
46,220	29,367	Total	29,367	46,224
(1,147)	-	Of which Forstædernes Bank, incl eliminations	-	(1,147)
		By time-to-maturity		
27,104	21,462	Demand deposits	21,462	27,108
16,305	7,065	Up to 3 months	7,065	16,305
2,311	110	Over 3 months and up to 1 year	110	2,311
500	730	Over 1 year and up to 5 years	730	500
46,220	29,367	Total	29,367	46,224
10,755	3,279	Of which genuine purchase and resale transactions	3,279	10,755
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
11,963	12,920	Loans and advances at fair value	12,920	11,963
11,963	12,920	Total	12,920	11,963
80		Of which Forstædernes Bank		80
11,963	12,920	Of which genuine purchase and resale transactions	12,920	11,963
		By time-to-maturity		
11,963	12,920	Up to 3 months	12,920	11,963
11,963	12,920	Total	12,920	11,963

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
60,722	58,808	Loans and advances	59,072	60,921
60,722	58,808	Total	59,072	60,921
15,493	-	Of which Forstædernes Bank	-	15,493
By time-to-maturity				
22,294	22,451	On demand	22,355	20,758
12,135	15,576	Up to 3 months	15,676	12,340
6,324	6,128	Over 3 months and up to 1 year	6,502	6,665
10,389	7,242	Over 1 year and up to 5 years	6,986	11,474
9,580	7,411	Over 5 years	7,553	9,684
60,722	58,808	Total	59,072	60,921
Fixed-rate loans				
2,640	1,899	Of total loans and advances, fixed-rate loans represent	1,899	2,640
2,700	1,950	Market value of fixed-rate loans	1,950	2,700
Finance leases				
114	46	Of total loans and advances at amortised cost, finance leases represent	1,834	1,849
118	114	Carrying amount, beginning of year	1,849	1,849
-	-	Additions	884	952
4	68	Disposals	899	952
114	46	Carrying amount, year-end	1,834	1,849
By time-to-maturity				
2	0	Up to 3 months	194	208
67	1	Over 3 months and up to 1 year	343	407
5	5	Over 1 year and up to 5 years	1,127	1,090
40	40	Over 5 years	170	144
114	46	Total	1,834	1,849
Gross investments in finance leases				
By time-to-maturity				
72	4	Up to 1 year	560	631
15	17	Over 1 year and up to 5 years	1,326	1,283
60	61	Over 5 years	195	167
147	82	Total	2,081	2,081
33	36	Non-earned income	247	232
Where loans and advances under finance leases are concerned, amortised cost represents their fair value. 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.				
-	-	Impairment provisions for finance leases	28	46
Non-guaranteed residual values upon expiry of the leases amount to DKK 0.				

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
		18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)		
		Loans, advances and guarantee debtors by sector and industry as %, year-end		
		Includes loans, advances and receivables at fair value		
1	1	Public sector	1	1
		Corporate		
3	2	Agriculture, hunting, forestry and fishing	3	3
6	7	Manufacturing, mining and quarrying	8	6
2	3	Energy supply	3	2
2	1	Construction	2	2
2	3	Trade	3	2
2	1	Transport, accommodation and food service activities	2	2
2	2	Information and communication	2	2
21	24	Financial and insurance activities	21	21
22	19	Real property	18	22
9	11	Other trade and industry	11	9
72	73	Total corporate	73	72
27	26	Retail	26	27
100	100	Total	100	100
		The sector distribution is based on the official Danish activity codes. The distribution was changed in 2010. Comparative figures have been restated, partly using estimates.		
		19. BONDS AT FAIR VALUE		
51,315	67,545	Mortgage bonds	67,653	51,315
9,042	2,761	Government bonds	2,761	9,042
4,843	5,469	Other bonds	5,469	4,843
65,200	75,775	Total	75,883	65,200
248	949	Self-issued bonds offset against issued bonds, cf note 29	949	248
64,952	74,829	Total	74,934	64,952
10,949	-	Of which Forstædernes Bank	-	10,949
		The effect of fair value adjustment has been recognised in the income statement.		
1,747	10,379	Of which drawn bonds	10,379	1,747
7,636	25,290	Assets sold as part of genuine sale and repurchase transactions	25,290	7,636
25,027	16,061	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	16,061	25,027
		The collateral was provided on an arm's length basis.		
		Of the Bank's bond portfolio, approximately DKK 50bn has a maturity of less than 1 year, and around DKK 20bn has a maturity of up to 5 years. Because a significant part of the portfolio is included in the Bank's trading activities, the actual maturity may be shorter.		

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
		20. EQUITIES		
716	331	Equities measured at fair value through profit or loss	332	718
716	331	Total	332	718
487	-	Of which Forstædernes Bank	-	487
		Specification of equity portfolios		
49	39	Listed on NASDAQ OMX Copenhagen A/S	39	49
5	4	Listed on other stock exchanges	4	5
662	288	Unlisted equities carried at fair value	289	664
716	331	Total	332	718
		21. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
10	10	Cost, beginning of year	-	-
0	0	Disposals	-	-
10	10	Cost, year-end	-	-
(10)	(10)	Revaluations and impairment losses, beginning of year	-	-
0	0	Profit before tax	-	-
0	0	Tax	-	-
0	0	Reversal of revaluations and impairment losses	-	-
(10)	(10)	Total revaluations and impairment losses, year-end	-	-
0	0	Balance, year-end	-	-
		Investments in group enterprises		
325	311	Cost, beginning of year	-	-
3	3	Additions relating to merger with Forstædernes Bank, beginning of year	-	3
1	0	Foreign currency translation adjustment	-	-
50	0	Additions	-	-
(65)	(62)	Other additions/disposals	-	-
314	252	Cost, year-end	-	3
43	24	Revaluations and impairment losses, beginning of year	-	-
1	1	Additions relating to merger with Forstædernes Bank, beginning of year	-	1
1	0	Foreign currency translation adjustment	-	-
(22)	45	Profit (loss) before tax	-	-
0	0	Dividend	-	-
2	11	Tax	-	-
0	35	Reversal of revaluations and impairment losses	-	-
25	94	Total revaluations and impairment losses, year-end	-	1
339	346	Balance, year-end	-	4
		Subordinate receivables		
-	-	Group enterprises	-	-
-	-	Associates	-	-
757	820	Other enterprises	820	757
757	820	Total	820	757

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
21. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (continued)			
Balances with associates and group enterprises			
Associates			
Asset items			
-	-	-	-
	- Loans, advances and other receivables at amortised cost	-	-
-	- Total	-	-
Liability items			
-	- Deposits and other payables	-	-
-	- Total	-	-
Group enterprises			
Asset items			
1,935	1,916	-	-
	Loans, advances and other receivables at amortised cost	-	-
1	44	-	-
	Other assets	-	-
1,936	1,960	-	-
	Total		
Liability items			
220	118	-	-
	Deposits and other payables	-	-
0	5	-	-
	Other liabilities	-	-
220	123	-	-
	Total		
22. INTANGIBLE ASSETS			
Goodwill			
15	15	15	15
	Acquisition cost, beginning of year	15	15
-	- Additions for the year	-	-
15	15	15	15
	Acquisition cost, year-end		
6	6	6	6
	Impairment losses, beginning of year	6	6
-	- Impairment losses for the year	-	-
6	6	6	6
	Impairment losses, year-end		
9	9	9	9
	Total goodwill, year-end		
Other intangible assets			
-	-	-	2
	Acquisition cost, beginning of year	-	2
50	53	53	50
	Additions relating to merger with Forstædernes Bank, beginning of year	53	50
4	-	-	4
	Additions for the year (2009: Forstædernes Bank, DKK 4m)	-	4
1	53	53	3
	Disposals for the year (2009: Forstædernes Bank, DKK 1m)	53	3
53	0	0	53
	Acquisition cost, year-end		
-	-	-	-
	Impairment losses, beginning of year	-	-
32	52	52	32
	Additions relating to merger with Forstædernes Bank, beginning of year	52	32
20	1	1	20
	Impairment losses for the year (2009: Forstædernes Bank, DKK 20m)	1	20
0	53	53	0
	Disposals for the year	53	0
52	0	0	52
	Amortisation and impairment losses, year-end		
1	0	0	1
	Balance, year-end		
1			1
	Of which Forstædernes Bank		1

Goodwill of DKK 9m concerns Nykredit Bank's acquisition of SEB branch in 2008. Goodwill was determined at the time of acquisition based on earnings requirements for the branch, including a return requirement of 10% before tax. So far, earnings have met these expectations and are expected to be maintained in 2011. 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	
2009	2010	2010	2009
23. LAND AND BUILDINGS			
69	68	68	69
	Investment properties		
69	68	68	69
	Total		
Investment properties			
70	69	69	70
	Fair value, beginning of year		
-	-	-	-
	Disposals for the year		
(1)	(1)	(1)	(1)
	Fair value adjustment for the year, net		
69	68	68	69
	Fair value, year-end		
73	73	73	73
	Cost, beginning of year		
-	-	-	-
	Disposals for the year		
73	73	73	73
	Cost, year-end		
(3)	(4)	(4)	(3)
	Fair value adjustment, beginning of year		
(1)	(1)	(1)	(1)
	Fair value adjustment for the year through profit or loss, net		
(4)	(5)	(5)	(4)
	Fair value adjustment, year-end		
69	68	68	69
	Balance, year-end		
69	68	68	69
	Of which assets held under operating leases		
66	66	66	66
	Latest public land assessment		
5	5	5	5
	Lease payments received (included in "Other operating income")		
By time-to-maturity			
1	1	1	1
	Up to 1 year		
6	7	7	6
	Over 1 year and up to 5 years		
62	60	60	62
	Over 5 years		
69	68	68	69
	Total		
Minimum lease payments			
5	5	5	5
	Up to 1 year		
22	23	23	22
	Over 1 year and up to 5 years		
84	78	78	84
	Over 5 years		
111	106	106	111
	Total		
<p>The lease expires in 2021 at the latest at which time the residual risk exposure has been calculated at DKK 21.6m (discounted value) (2009: DKK 20.4m).</p> <p>No impairment provisions for credit losses have been made.</p> <p>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.</p> <p>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.</p>			

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
		24. OTHER PROPERTY, PLANT AND EQUIPMENT		
58	4	Equipment	6	60
58	4	Total	6	60
52		Of which Forstædernes Bank		52
		Equipment		
15	16	Cost, beginning of year	26	29
212	198	Cost, beginning of year, additions relating to merger with Forstædernes Bank	198	212
11	3	Additions for the year (2009: Forstædernes Bank, DKK 7m)	3	11
24	201	Disposals for the year (2009: Forstædernes Bank, DKK 21m)	201	28
214	16	Cost, year-end	26	224
8	10	Depreciation and impairment losses, beginning of year	18	18
128	146	Depreciation and impairment losses, beginning of year, additions relating to merger with Forstædernes Bank	146	128
33	11	Depreciation for the year (2009: Forstædernes Bank, DKK 30m)	12	34
(13)	(133)	Reversal of depreciation and impairment losses (2009: Forstædernes Bank, a negative DKK 12m)	(156)	(16)
156	12	Depreciation and impairment losses, year-end	20	164
58	4	Balance, year-end	6	60
		Equipment is depreciated over three to five years and had an average residual depreciation period of two years at 31 December 2010.		
		25. ASSETS IN TEMPORARY POSSESSION		
5	5	Assets, beginning of year	5	5
8	8	Additions relating to merger with Forstædernes Bank, beginning of year	8	8
-	116	Additions for the year	116	-
-	38	Disposals for the year	38	-
13	91	Total	91	13
		The Nykredit Bank Group accepts mortgages on real property as security for loans. If the Group repossesses a property by way of a forced sale to reduce its losses on a non-performing exposure, the Group will attempt to realise the mortgage in the best possible way within 12 months. Assets have been included in the Group's segmental financial statements under group items. At 31 December 2010, this item solely comprised properties repossessed.		
		26. OTHER ASSETS		
7,614	7,217	Interest and commission receivable	7,218	7,645
20,689	25,857	Positive market value of derivative financial instruments	25,857	20,735
106	203	Other	211	107
28,409	33,277	Total	33,286	28,487
287	-	Of which Forstædernes Bank, incl eliminations	-	287

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
27. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
63	1,171	Payables to central banks	1,171	63
56,780	47,180	Payables to credit institutions	47,180	56,780
56,843	48,351	Total	48,351	56,843
3,234	-	Of which Forstædernes Bank	-	3,234
7,338	4,792	Of which genuine sale and repurchase transactions	4,792	7,338
By time-to-maturity				
23,928	24,961	Payables on demand	24,961	23,928
24,792	21,490	Up to 3 months	21,490	24,792
6,110	1,380	Over 3 months and up to 1 year	1,380	6,110
1,901	490	Over 1 year and up to 5 years	490	1,901
112	30	Over 5 years	30	112
56,843	48,351	Total	48,351	56,843
28. DEPOSITS AND OTHER PAYABLES				
36,236	32,054	On demand	31,971	36,129
4,704	4,977	At notice	4,977	4,704
21,145	16,031	Time deposits	15,991	21,035
3,249	2,760	Special deposits	2,760	3,249
65,334	55,822	Total	55,699	65,117
18,152	-	Of which Forstædernes Bank	-	18,152
By time-to-maturity				
57,490	32,054	Up to 3 months	31,971	57,273
4,022	19,485	Over 3 months and up to 1 year	19,445	4,022
1,742	2,614	Over 1 year and up to 5 years	2,614	1,742
2,080	1,669	Over 5 years	1,669	2,080
65,334	55,822	Total	55,699	65,117

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
29. ISSUED BONDS AT AMORTISED COST				
44,307	33,797	Issued bonds	33,797	44,307
(248)	(949)	Own portfolio	(949)	(248)
44,059	32,848	Total	32,848	44,059
2,520	-	Of which Forstædernes Bank	-	2,520
By time-to-maturity				
23,431	16,164	Up to 3 months	16,164	23,431
16,552	8,308	Over 3 months and up to 1 year	8,308	16,552
3,944	7,571	Over 1 year and up to 5 years	7,571	3,944
132	805	Over 5 years	805	132
44,059	32,848	Total	32,848	44,059
Issues				
22,319	15,351	EMTN issues *	15,351	22,319
18,900	16,840	ECP issues *	16,840	18,900
29	29	Employee bonds (former Forstædernes Bank)	29	29
3,059	1,577	Other issues *	1,577	3,059
44,307	33,797	Total	33,797	44,307
248	949	Own portfolio	949	248
44,059	32,848	Total	32,848	44,059
No value adjustments have been made that can be ascribed to own credit risk changes.				
* Listed on NASDAQ OMX Copenhagen A/S or on the Luxembourg Stock Exchange.				
30. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
451	20,967	Deposits at fair value	20,967	451
6,347	4,712	Negative securities portfolios	4,712	6,347
6,798	25,679	Total	25,679	6,798
By time-to-maturity				
6,798	25,679	Up to 3 months	25,679	6,798
451	20,967	Of which genuine sale and repurchase transactions	20,967	451
31. OTHER LIABILITIES				
7,883	7,562	Interest and commission payable	7,518	7,883
19,574	24,118	Negative market value of derivative financial instruments	24,118	19,620
461	603	Other payables	775	568
27,918	32,283	Total	32,411	28,071
209	-	Of which Forstædernes Bank, incl eliminations	-	209
The items "Interest and commission payable" and "Other payables" fall due within one year.				

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
32. PROVISIONS FOR DEFERRED TAX			
Deferred tax			
(87)	(82)	(57)	(73)
(200)	(205)	(205)	(200)
(10)	(10)	(5)	1
10	233	240	10
	(2009: Forstædernes Bank, DKK 11m)		
(287)	(64)	(27)	(262)
(205)	-	-	(205)
Deferred tax recognised in the balance sheet as follows			
(287)	(64)	(27)	(262)
0	0	0	0
(287)	(64)	(27)	(262)
Deferred tax relates to			
(16)	(13)	30	16
(2)	(2)	(2)	(2)
0	(6)	(6)	0
(5)	(21)	(21)	(5)
(134)	(66)	(72)	(141)
(139)	0	0	(139)
9	44	44	9
(287)	(64)	(27)	(262)
Recognised in profit (loss) for the year			
(3)	3	14	9
6	0	0	7
0	1	1	0
(4)	(1)	(1)	(4)
126	185	186	124
0	35	35	0
3	0	0	3
128	223	235	139
Current tax assets/liabilities			
93	28	41	99
214	1,286	1,286	214
1,252	(94)	(100)	1,266
(35)	(1,242)	(1,247)	(42)
(210)	207	207	(210)
1,314	185	187	1,327
1,286	-	-	1,286

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
33. PROVISIONS			
Provisions for losses under guarantees			
56	272	272	56
50	337	337	50
514	344	344	514
11	208	208	11
609	745	745	609
337	-	-	337
Other provisions			
1	132	132	2
5	24	24	5
159	1	1	159
9	55	55	10
156	102	102	156
24	-	-	24
Total provisions for losses under guarantees and other provisions			
57	404	404	58
55	361	361	55
673	345	345	673
20	263	263	21
765	847	847	765
<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.</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>			

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
34. SUBORDINATED DEBT			
Subordinated debt consists of financial liabilities in the form of subordinate loan capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met. Subordinated debt forms part of the supplementary capital and are included in full in the capital base.			
74	-		
Nom EUR 10m. The loan fell due at par (100) on 31 October 2010 and carried a floating interest rate of 1.0% pa over 6M Euribor		-	74
75	75		
Nom DKK 75m. The loan falls due at par (100) on 29 March 2014 and carries a floating interest rate of 2.5% pa over 6M Cibor		75	75
100	-		
Nom DKK 100m. The loan has been prematurely redeemed. The loan carried a floating interest rate of 2.5% pa over 6M Cibor		-	100
111	119		
Nom NOK 125m. The loan falls due at par (100) on 29 September 2014 and carries a floating interest rate of 0.75 % pa over 3M Nibor		119	111
151	-		
Nom DKK 150m. The loan has been prematurely redeemed. The loan carried a fixed interest rate of 4.1% pa		-	151
200	200		
Nom DKK 200m. The loan falls due at par (100) on 30 September 2014 and carries a floating interest rate of 1.0% pa over 6M Cibor		200	200
200	180		
Nom DKK 200m. The loan falls due at par (100) on 1 November 2014 and carries a floating interest rate of 1.0% pa over 3M Euribor		180	200
911	574	574	911
Hybrid core capital			
100	89		
Nom DKK 100m. The loan is perpetual and carries a floating interest rate of 1.7% pa over 3M Cibor		89	100
158	150		
Nom DKK 150m. The loan is perpetual and carries a fixed interest rate of 6.3% pa		150	158
258	239	239	258
1,169	813	813	1,169
Included in the determination of the capital base after statutory deductions			
	574	574	
	239	239	
-	-	-	-
-	-	-	-
No value adjustments have been made that can be attributed to changes in own credit risk.			
Subordinated debt fully relates to capital raised by the former Forstædernes Bank.			

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
35. CONTINGENT LIABILITIES				
18,951	11,739	Financial guarantees	11,739	18,951
1,279	568	Registration and refinancing guarantees	568	1,279
3,155	2,917	Other contingent liabilities	2,918	3,156
23,385	15,224	Total	15,225	23,386
3,760		Of which Forstædernes Bank		3,760
By time-to-maturity				
17,994	13,366	Up to 1 year	13,367	17,995
3,123	1,572	Over 1 year and up to 5 years	1,572	3,123
2,268	286	Over 5 years	286	2,268
23,385	15,224	Total	15,225	23,386
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.				
36. OTHER COMMITMENTS				
9,235	6,780	Irrevocable credit commitments	6,780	9,235
108	157	Other	232	152
9,343	6,937	Total	7,012	9,387
37. RELATED PARTY TRANSACTIONS AND BALANCES				
<p>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 9.</p> <p>No unusual related party transactions occurred in 2010.</p> <p>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.</p> <p>Intercompany trade and services took place on an arm's length basis or on a cost reimbursement basis.</p> <p>Important related party transactions prevailing/entered into in 2009 or 2010 include:</p> <p>Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S Master agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas.</p> <p>Agreements between Nykredit Holding A/S and Nykredit Bank A/S On specific occasions, Nykredit Holding A/S has issued guarantees or letters of comfort to third parties.</p>				

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)			
Associates			
Income statement			
4	-	-	2
Asset items			
66	-	-	33
Liability items			
1	-	-	0
Transactions with the Parent Company, Nykredit Realkredit A/S, and its group enterprises and associates			
Income statement			
877	570	570	877
558	177	177	558
166	177	177	166
278	358	358	278
852	1,149	1,149	852
3	0	0	3
313	552	563	325
Asset items			
10,677	1,550	1,550	10,677
13	240	240	13
37,917	39,592	39,649	37,917
257	989	989	257
Liability items			
20,279	24,638	24,638	20,279
1,029	360	360	1,029
3,433	2,599	2,599	3,433
989	85	85	989
-	-	-	-
Transactions with other group enterprises			
Income statement			
65	53	-	-
12	7	-	-
63	151	-	-
0	11	-	-
Asset items			
1,935	1,916	-	-
1	44	-	-
Liability items			
220	118	-	-
0	5	-	-

Notes

38. FAIR VALUE MEASUREMENT 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. 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

38. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)						
2010	IAS 39 category	Carrying amount	Fair value	Balance	Fair value computed using	
					Method 1	Method 2
Assets						
Cash balance and demand deposits with central banks	a)	113	113	0	113	0
Receivables at call from central banks	a)	791	791	0	791	0
Receivables from credit institutions	a+c)	28,576	28,576	0	28,576	0
Loans, advances and other receivables at fair value	c)	12,920	12,920	0	12,920	0
Loans, advances and other receivables at amortised cost	a)	59,072	59,127	(55)	0	59,127
Bonds at fair value	c)	74,934	74,934	0	74,934	0
Equities	b+c)	332	332	0	43	289
Interest and commission receivable	a)	7,218	7,218	0	0	7,218
Derivative financial instruments	c)	25,857	25,857	0	25,857	0
Total		209,813	209,868	(55)	143,234	66,634
Liabilities						
Payables to credit institutions and central banks	d)	48,351	48,353	(2)	48,353	0
Deposits and other payables	d)	55,699	55,751	(52)	0	55,751
Issued bonds at amortised cost	d)	32,848	32,932	(84)	32,932	0
Other non-derivative financial liabilities at fair value	c)	25,679	25,679	0	25,679	0
Interest and commission payable	d)	7,518	7,518	0	0	7,518
Derivative financial instruments	c)	24,118	24,118	0	24,118	0
Subordinated debt	d)	813	813	0	0	813
Total		195,026	195,164	(138)	131,082	64,082
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

38. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)						
2009	IAS 39 category	Carrying amount	Fair value	Balance	Fair value computed using	
					Method 1	Method 2
Assets						
Cash balance and demand deposits with central banks	a)	137	137	0	137	0
Receivables at call from central banks	a)	893	893	0	893	0
Receivables from credit institutions	a+c)	45,331	45,354	(23)	45,354	0
Loans, advances and other receivables at fair value	c)	11,963	11,963	0	11,963	0
Loans, advances and other receivables at amortised cost	a)	60,921	60,898	23	0	60,898
Bonds at fair value	c)	64,952	64,952	0	63,483	1,469
Equities	b+c)	718	718	0	54	664
Interest and commission receivable	a)	7,645	7,645	0	0	7,645
Derivative financial instruments	c)	20,735	20,735	0	20,332	403
Total		213,295	213,295	0	142,216	71,079
Liabilities						
Payables to credit institutions and central banks	d)	56,843	56,863	(20)	56,863	0
Deposits and other payables	d)	65,117	65,160	(43)	0	65,160
Issued bonds at amortised cost	d)	44,059	44,156	(97)	44,156	0
Other non-derivative financial liabilities at fair value	c)	6,798	6,798	0	6,798	0
Interest and commission payable	d)	7,883	7,883	0	0	7,883
Derivative financial instruments	c)	19,620	19,620	0	19,141	479
Subordinated debt	d)	1,169	1,169	0	0	1,169
Total		201,489	201,649	(160)	126,958	74,691
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

38. FAIR VALUE MEASUREMENT 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	
2010				
Financial instruments in the form of assets:				
Trading book:				
Balances with credit institutions (reverse lending, cf note 16, measured at fair value)		3,279		3,279
Loans and advances at fair value (note 17)		12,920		12,920
Bonds at fair value	60,120	13,290	1,524	74,934
Equities	124		208	332
Positive market value of derivative financial instruments	71	25,575	211	25,857
Total	60,315	55,064	1,943	117,322
Financial instruments in the form of liabilities:				
Trading book:				
Payables to credit institutions and central banks (repo transactions, cf note 27, measured at fair value)		4,792		4,792
Other non-derivative financial liabilities at fair value	4,712	20,967		25,679
Negative market value of derivative financial instruments	70	23,817	231	24,118
Total	4,782	49,576	231	54,589
Financial instruments measured based on unobservable inputs				
Fair value assets, beginning of year			2,365	
Of which transferred to listed prices			(166)	
Capital gains/losses on portfolio securities recognised in the income statement			39	
Additions for the year			15	
Disposals for the year			(206)	
Transfer to "Other assets"			(104)	
Fair value assets, year-end			1,943	
Fair value liabilities, beginning of year			267	
Capital gains/losses on portfolio securities recognised in the income statement			(36)	
Fair value liabilities, year-end			231	

Value adjustments related to assets or liabilities at fair value have been recognised in the income statement under the item "Value adjustments".

Disposals for the year are largely attributable to the sale and reclassification of unlisted equities originating from Forstædernes Bank.

In 2010 a portfolio of unlisted equities traded and priced on a current basis based on market listings was transferred from the category "Unobservable inputs" to "Listed prices".

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The Nykredit Bank Group

38. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	Listed prices	Observable inputs	Unobservable inputs	Total (carrying amount)
2009				
Financial instruments in the form of assets:				
Trading book:				
Balances with credit institutions (reverse lending, cf note 16, measured at fair value)		10,755		10,755
Loans and advances at fair value (note 17)		11,963		11,963
Bonds at fair value	54,211	9,272	1,469	64,952
Equities	54		664	718
Positive market value of derivative financial instruments	321	20,182	232	20,735
Total	54,586	52,172	2,365	109,123
Financial instruments in the form of liabilities:				
Trading book:				
Payables to credit institutions and central banks (repo transactions, cf note 27, measured at fair value)		7,338		7,338
Other non-derivative financial liabilities at fair value	6,347	451		6,798
Negative market value of derivative financial instruments	116	19,237	267	19,620
Total	6,463	27,026	267	33,756

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 based only 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 has therefore been 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. To some extent the Bank's unlisted equities are 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 (2009: DKK 2.4bn) and DKK 0.2bn (2009: DKK 0.3bn), respectively, are attributable to this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be approximately DKK 210m (2009: around DKK 263m).

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39. DERIVATIVE FINANCIAL INSTRUMENTS	Net market value				Gross market value			
	By time-to-maturity	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
2010	Up to 3 months							
Foreign exchange contracts								
Forward contracts/futures, purchased	(38)	24	0	0	228	242	(14)	34,464
Forward contracts/futures, sold	(47)	54	0	0	162	155	7	31,071
Swaps	250	359	203	140	3,337	2,385	952	77,611
Options, purchased	4	9	0	0	13	0	13	9,192
Options, written	(4)	(9)	0	0	0	13	(13)	6,336
Interest rate contracts								
Forward contracts/futures, purchased	55	0	0	0	65	10	55	49,313
Forward contracts/futures, sold	(53)	0	0	0	10	63	(53)	49,884
Forward Rate Agreements, purchased	(7)	(4)	1	0	9	19	(10)	24,890
Forward Rate Agreements, sold	10	8	(1)	0	18	1	17	23,598
Swaps	(4)	27	(166)	589	20,617	20,171	446	743,177
Options, purchased	2	0	119	1,256	1,377	0	1,377	43,370
Options, written	0	3	(111)	(925)	4	1,037	(1,033)	34,901
Equity contracts								
Forward contracts/futures, purchased	0	0	0	0	0	0	0	56
Forward contracts/futures, sold	(1)	0	0	0	0	1	(1)	28
Options, purchased	0	0	0	0	0	0	0	1
Options, written	0	0	0	0	0	0	0	0
Total, the Nykredit Bank Group							1,743	
2009								
Foreign exchange contracts								
Forward contracts/futures, purchased	91	(1)	0	0	340	250	90	52,289
Forward contracts/futures, sold	(78)	12	0	0	43	109	(66)	43,049
Swaps	(70)	(26)	157	(11)	2,240	2,190	50	77,245
Options, purchased	10	0	0	0	10	0	10	494
Options, written	(10)	0	0	0	0	10	(10)	751
Interest rate contracts								
Forward contracts/futures, purchased	(61)	(1)	0	0	27	89	(62)	100,665
Forward contracts/futures, sold	53	1	0	0	84	30	54	87,935
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	13	(236)	179	948	16,788	15,884	904	713,583
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
Equity contracts								
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
Swaps	0	0	1	0	5	5	0	43
Total, the Nykredit Bank Group							1,125	
Of which Forstædernes Bank							(42)	

Notes

DKK million

40. UNSETTLED SPOT TRANSACTIONS					
The Nykredit Bank Group	2010			2009	
	Market value			Net	Net
	Nominal value	Positive	Negative	market value	market value
Foreign exchange contracts, purchased	1,890	7	13	(6)	(8)
Foreign exchange contracts, sold	2,371	0	4	(4)	(4)
Interest rate contracts, purchased	10,821	8	0	8	1
Interest rate contracts, sold	5,490	0	3	(3)	(1)
Equity contracts, purchased	71	0	0	0	1
Equity contracts, sold	75	1	0	1	(1)
Total	20,718	16	20	(4)	(12)
Total, the year before	22,827	10	22	(12)	(7)
Nykredit Bank A/S	2010			2009	
	Market value			Net	Nominal
	value	Positive	Negative	market value	value
Foreign exchange contracts, purchased	1,890	7	13	(6)	(8)
Foreign exchange contracts, sold	2,371	0	4	(4)	(4)
Interest rate contracts, purchased	10,821	8	0	8	1
Interest rate contracts, sold	5,490	0	3	(3)	(1)
Equity contracts, purchased	71	0	0	0	1
Equity contracts, sold	75	1	0	1	(1)
Total	20,718	16	20	(4)	(12)
Total, the year before	22,827	10	22	(12)	(7)

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
41. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES			
Credit risk			
The Group's maximum credit exposure is composed of selected balance sheet and off-balance sheet items.			
Total credit exposure			
On-balance sheet items			
137	113	113	137
46,220	29,367	29,367	46,224
11,963	12,920	12,920	11,963
60,722	58,808	59,072	60,921
16,647	15,476	15,476	16,647
38,994	40,575	40,839	39,193
5,081	2,757	2,757	5,081
64,952	74,826	74,934	64,952
716	331	332	718
28,409	33,277	33,286	28,487
Off-balance sheet items			
23,385	15,224	15,225	23,386
9,343	6,937	7,012	9,387
Concentration risk			
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 Nykredit Bank Group's exposures exceeded these limits in 2010 or the year before. Concentration of loans, advances and guarantees by sector appears overleaf and on page 22 of the Management's Review.			
Collateral received			
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 3.3bn) and other customers (DKK 12.9bn) 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.			

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DKK million

The Nykredit Bank Group

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

Loans, advances and guarantees provided for, by sector and industry

31 December 2010	Carrying amount		Total loans, advances and guarantees	Individual and other provisions	Provisions Collective impairment provisions	Total
	Loans and advances	Guarantees				
Public sector	253	553	806	0	0	0
Corporate						
Agriculture, hunting, forestry and fishing	2,019	537	2,556	77	5	82
Manufacturing, mining and quarrying	5,908	719	6,627	221	35	256
Energy supply	2,339	79	2,418	7	11	18
Construction	1,121	361	1,482	279	6	285
Trade	1,785	450	2,235	368	7	375
Transport, accommodation and food service activities	1,309	325	1,634	55	6	61
Information and communication	1,360	83	1,443	49	5	54
Financial and insurance activities	17,812	804	18,616	1,675	30	1,705
Real property	13,018	3,721	16,739	1,589	75	1,664
Other trade and industry	8,940	1,410	10,350	1,356	125	1,481
Total corporate	55,611	8,489	64,100	5,676	305	5,981
Retail	16,128	6,183	22,311	790	117	907
Total	71,992	15,225	87,217	6,466	422	6,888
Of which reverse lending	12,920	-	12,920	-	-	-

31 December 2009	Carrying amount		Total loans, advances and guarantees	Individual and other provisions	Provisions Collective impairment provisions	Total
	Loans and advances	Guarantees				
The Nykredit Bank Group						
Public sector	133	365	498	113	0	113
Corporate						
Agriculture, hunting, forestry and fishing	1,580	1,005	2,585	85	3	88
Manufacturing, mining and quarrying	5,896	343	6,239	245	6	251
Energy supply	2,062	67	2,129	90	31	121
Construction	1,262	513	1,775	199	13	212
Trade	1,922	426	2,348	149	6	155
Transport, accommodation and food service activities	1,332	516	1,848	125	5	130
Information and communication	1,983	198	2,181	138	6	144
Financial and insurance activities	18,898	1,800	20,698	1,950	39	1,989
Real property	14,414	6,444	20,858	3,057	71	3,128
Other trade and industry	6,562	2,532	9,094	1,300	27	1,328
Total corporate	55,911	13,844	69,755	7,338	207	7,546
Retail	16,840	9,177	26,017	711	51	762
Total	72,884	23,386	96,270	8,162	258	8,421
Of which reverse lending	11,963	-	11,963	-	-	-

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

Notes

DKK million

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

Loans and advances at amortised cost by rating category (Nykredit Bank A/S)

2010 Rating category	Manufact., building, and con- struction	Credit and finance	Property manage- ment and trade	Transport, trade and hotels	Other trade and public	Retail	Total
10	551	79	354	40	539	472	2,035
9	164	80	740	282	490	1,020	2,776
8	1,322	593	2,733	935	1,960	2,044	9,587
7	2,349	355	4,479	827	1,871	1,777	11,658
6	860	10	2,322	162	507	1,822	5,683
5	230	489	735	190	238	1,728	3,610
4	428	19	813	103	284	1,841	3,488
3	610	4	1,272	258	281	1,478	3,903
2	1,004	2,615	1,288	266	909	2,705	8,787
1	150	19	518	109	260	810	1,866
0	147	157	205	52	247	299	1,107
Non-performing exposures	1,122	1,313	3,803	826	2,166	1,193	10,423
Total	8,937	5,733	19,262	4,050	9,752	17,189	64,923

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 yet 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 4.6% of total lending. In addition to exposures with an elevated risk of future default, the category Non-performing exposures also includes loans provided for individually.

Comparative figures for the rating categories for 2009 have been determined excluding lending in Forstædernes Bank, as lending in Forstædernes Bank was not previously categorised and calculated according to the same principles and methods as applied by Nykredit Bank A/S.

2009 Rating category	Manufact., building, and con- struction	Credit and finance	Property manage- ment and trade	Transport, trade and hotels	Other trade and public	Retail	Total
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
Total	7,258	4,483	11,194	3,261	7,984	12,583	46,763

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

Loans carrying a reduced interest rate

Group	2010	2009
Gross lending	4,502	8,925
Provisions for loan impairment	3,050	4,145
Carrying amount	1,452	4,780
Of which non-accrual	1,451	4,632
Of which at reduced interest rate	1	148

Provisioning rate, %	Q4/ 2010	Q3/ 2010	Q2/ 2010	Q1/ 2010	Q4/ 2009	Q3/ 2009	Q2/ 2009	Q1/ 2009
Group								
Total loans and advances	71,992	73,900	75,254	73,185	72,884	87,260	89,145	93,710
Total guarantees	15,225	16,436	17,549	20,131	23,386	16,797	16,015	15,860
Provisions for loan impairment	6,143	7,170	7,020	8,009	7,812	4,854	4,020	3,246
Provisions for guarantees	745	920	823	791	609	403	252	137
Loans, advances, guarantees and loan impairment	94,105	98,426	100,646	102,116	104,692	109,314	109,432	112,953
Provisioning rate, %	7.3	8.2	7.8	8.6	8.0	4.8	3.9	3.0
Provisioning rate excluding guarantees, %	7.9	8.8	8.5	9.9	9.7	5.3	4.3	3.3

Lending secured by mortgage

	2010			2009		
	Public	Retail	Corporate	Public	Retail	Corporate
Group						
Unsecured lending	17	9,037	30,955	49	8,457	29,917
Lending secured by mortgage or other collateral:						
Fully secured	16	3,334	16,755	382	4,837	25,739
Partially secured	36	4,762	13,224	67	3,263	7,985
Total	69	17,133	60,934	498	16,557	63,641

Includes loans and advances before impairment losses at amortised cost as well as loans and advances at fair value. The determination is based on official Danish activity codes and is therefore not a reflection of Nykredit Bank's business segments.

Of total individual impairment provisions for commercial lending, equal to DKK 5.3bn, around 30% can be attributed to exposures to customers whose severe financial positions have led to bankruptcy or bankruptcy proceedings.

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
41. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)			
Foreign exchange risk			
67,191	48,261	48,261	67,215
69,944	55,521	55,521	69,919
84	212	212	84
0.7	1.5	1.5	0.7
0	0	0	1
0	0	0	0
Interest rate risk by the currency involving the highest interest rate exposure			
103	156	156	103
(18)	(97)	(97)	(18)
(3)	12	12	(3)
4	0	0	4
1	(2)	(2)	1
(16)	2	2	(16)
0	(1)	(1)	0
(1)	(1)	(1)	(1)
70	69	69	70
61	-	-	61
25	25	25	25
6	-	-	6
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.			
2	(2)	(2)	2
The interest rate volatility risk is measured as the change in a market value following a change in volatility of one percentage point.			
716	331	332	718
Equity price risk			
Equity price risk has been disclosed as the carrying amount of the Bank's investments in equities, etc.			
Liquidity risk			
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 as 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.			
Information stated in the Management's Review			
The Nykredit Bank Group's credit risk, market risk and risk management policies are described in detail under "Risk and capital management" on pages 19 to 28 of the Management's Review, which are to be viewed as an integral part of note 41.			

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2009	2010		2010	2009
42. HEDGING INTEREST RATE RISK				
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).				
HEDGED FIXED-RATE ASSETS				
2,567	1,899	Loans, advances and other receivables at amortised cost	1,899	2,567
2,567	1,899	Total nominal value	1,899	2,567
Market value of hedged fixed-rate assets				
2,627	1,950	Loans, advances and other receivables at amortised cost	1,950	2,627
2,627	1,950	Total carrying amount, year-end	1,950	2,627
Fair value adjustment				
60	51	Loans, advances and other receivables at amortised cost	51	60
60	51	Total fair value adjustment	51	60
-	4,301	Issued bonds at amortised cost	4,301	-
	4,301	Total nominal value	4,301	-
Market value of hedged fixed-rate financial liabilities				
-	4,213	Issued bonds at amortised cost	4,213	-
-	4,213	Total carrying amount, year-end	4,213	-
Fair value adjustment				
-	88	Issued bonds at amortised cost	88	-
-	88	Total fair value adjustment	88	-
HEDGING DERIVATIVE FINANCIAL INSTRUMENTS				
1,404	5,673	Nominal value (synthetic principal)	5,673	1,404
(60)	(140)	Market value adjustment (negative market value)	(140)	(60)
FAIR VALUE ADJUSTMENT DIFFERENCE				
0	(1)	Total	(1)	0
Hedged and hedging financial instruments have been fair value adjusted through profit or loss.				
Amounts recognised through profit or loss for the financial year				
16	79	Hedged transactions	79	16
(16)	(80)	Hedging transactions	(80)	(16)

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2009	2010	2010	2009
43. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS			
Of the asset items below, genuine purchase and resale transactions represent			
10,755	3,279	3,279	10,755
11,963	12,920	12,920	11,963
Of the liability items below, genuine sale and repurchase transactions represent			
7,338	4,792	4,792	7,338
451	20,967	20,967	451
Assets sold as part of genuine sale and repurchase transactions			
7,556	25,290	25,290	7,556
The Bank's activities take place exclusively through an exchange of listed bonds and on an arm's length basis.			
44. OTHER CONTINGENT LIABILITIES			
<i>Legal proceedings and litigation</i>			
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.			
<i>"Government guarantee scheme"</i>			
Under the scheme, which expired at end-September 2010, the Danish government issued a two-year guarantee that covered the Danish banks participating in the scheme.			
Nykredit Bank's share of the total guarantee commission amounted to DKK 984m up to 30 September 2010. For Q1-Q3/2010, DKK 370m was charged to the income statement (under "Other operating expenses").			
Nykredit Bank also participated in a sector guarantee totalling DKK 20bn with a share of up to DKK 1,318m.			
At 31 December 2010, DKK 659m had been provided for the obligation.			
In Management's opinion, the provision at 31 December 2010 reflects the Bank's share of the expected obligation.			

Notes

DKK million

45. GROUP STRUCTURE

Name and registered office	Revenue *)	Assets	Liabilities	Share capital 31.12.2010	Equity 31.12.2009	Ownership interest, % 31.12.2010	Profit for the year	Nykredit Bank's share of profit for the year	Equity 31.12.2010	Carrying amount
Nykredit Bank A/S (Parent Company) a)	3,938	210,41 3	196,64 4	6,045	12,374	-	395	-	13,769	-
Consolidated subsidiaries										
Nykredit Portefølje Administration A/S, Copenhagen f)	121	239	86	25	120	100	33	33	153	153
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	12	0	5	11	100	0	0	12	12
Nykredit Sirius Ltd., Cayman Islands e)	0	0	0	0	3	-	1	1	-	-
Nykredit Finance plc, Plymouth d)	0	0	0	0	25	-	0	0	-	-
Nykredit Leasing A/S (formerly LeasIT A/S), Gladsaxe c)	79	2,200	2,052	46	148	100	1	1	149	149
FB Ejendomme A/S, Copenhagen g)	0	5	1	1	4	100	0	0	4	4
Associates										
Dansk Pantebrevsbørs A/S, Copenhagen b) 1)	-	-	-	-	-	50	-	-	-	-

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

1) 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, the requirement of controlling influence is no longer considered satisfied. Therefore the company has not been proportionately consolidated.

Nykredit Sirius Ltd. and Nykredit Finance plc were liquidated in 2010, and Pantebrevsselskabet af 8/8 1995 A/S and Nykredit Pantebrevsinvestering A/S had few activities.

a) Bank

b) Mortgage trading company

c) Leasing company

d) No activity

e) Finance institution

f) Investment management company. Nykredit Portefølje Administration was previously a subsidiary of Nykredit Portefølje Bank.

g) Property management company

The property company Ryvang Invest A/S, which was acquired in H1/2010, was sold in Q3/2010.

Notes

DKK/EUR million

46. NYKREDIT BANK A/S 2006-2010	2010/EUR	2010	2009	2008	2007	2006
SUMMARY INCOME STATEMENT						
Net interest and fee income	463	3,453	3,523	2,685	2,243	1,824
Value adjustments	64	474	322	(422)	593	721
Other operating income	1	10	10	10	9	21
Staff and administrative expenses	221	1,648	1,798	1,655	1,406	1,204
Other operating costs, depreciation and amortisation	52	388	601	172	52	40
Impairment losses on loans, advances and receivables	196	1,460	6,501	2,306	6	(11)
Profit (loss) from investments in associates and group enterprises	9	65	(156)	(58)	(5)	14
Profit (loss) before tax	68	506	(5,201)	(1,918)	1,376	1,347
Tax	15	111	(1,263)	(450)	343	315
Profit (loss) for the year	53	395	(3,938)	(1,468)	1,033	1,032
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	3,955	29,480	46,357	35,284	21,647	21,150
Loans, advances and other receivables at fair value	1,733	12,920	11,963	24,653	5,737	3,432
Loans, advances and other receivables at amortised cost	7,889	58,808	60,722	72,478	63,700	49,046
Bonds at fair value and equities	10,082	75,157	65,668	56,040	59,573	53,757
Investments in associates and group enterprises	46	346	339	372	409	321
Other asset items	4,521	33,702	30,218	33,570	14,149	8,682
Total assets	28,226	210,413	215,267	222,397	165,215	136,388
Liabilities and equity						
Payables to credit institutions and central banks	6,486	48,351	56,843	90,108	84,489	73,351
Deposits and other payables	7,488	55,822	65,334	61,668	48,936	37,058
Issued bonds at amortised cost	4,407	32,848	44,059	20,528	3,003	3,140
Other non-derivative financial liabilities at fair value	3,445	25,679	6,798	3,641	4,776	7,032
Other payables	4,330	32,284	27,925	32,030	11,871	7,021
Total payables	26,156	194,984	200,959	207,975	153,075	127,602
Provisions	114	847	765	118	29	21
Subordinated debt	109	813	1,169	4,145	3,804	2,805
Equity	1,847	13,769	12,374	10,159	8,307	5,960
Total liabilities and equity	28,226	210,413	215,267	222,397	165,215	136,388
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	2,042	15,224	23,385	16,373	21,578	18,344
Other commitments	931	6,937	9,343	8,129	8,011	6,346
FINANCIAL RATIOS						
Capital adequacy ratio, %		15.7	12.2	10.2	12.0	10.6
Core capital ratio, %		15.0	12.2	7.6	8.6	8.3
Return on equity before tax (pa), % *		3.9	(46.2)	(20.8)	19.3	24.5
Return on equity after tax (pa), % *		3.0	(35.0)	(15.9)	14.5	18.8
Income:cost ratio *		1.14	0.42	0.54	1.94	2.09
Interest rate exposure, %		0.5	0.1	(0.3)	3.2	4.2
Foreign exchange position, %		1.5	0.7	3.8	5.7	5.4
Foreign exchange exposure, %		0.0	0.0	0.0	0.1	0.2
Loans and advances:deposits *		1.4	1.2	1.6	1.4	1.4
Loans and advances:equity *		5.2	5.9	9.6	8.4	8.8
Growth in loans and advances for the year, % *		(1.3)	(33.6)	28.5	24.4	18.0
Excess cover:statutory liquidity requirements, %		251.1	324.0	155.0	147.7	117.2
Total large exposures, %		41.8	62.2	93.7	134.7	336.4
Impairment losses for the year, % *		1.6	6.2	2.0	0.0	0.0
Average number of staff, full-time equivalents *		744	1,124	1,165	1,065	977

* Restated to reflect the merger with Forstædernes Bank

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 the Presentation of Financial Statements.

Notes

	Q4/ 2010	Q3/ 2010	Q2/ 2010	Q1/ 2010	Q4/ 2009	Q3/ 2009	Q2/ 2009	Q1/ 2009
47. THE NYKREDIT BANK GROUP – EIGHT QUARTERS								
SUMMARY INCOME STATEMENT								
Net interest income	733	747	747	671	689	773	730	742
Dividends, fees and commission income (net)	178	139	189	220	192	169	202	178
Net interest and fee income	911	886	936	891	881	942	932	920
Value adjustments	70	103	107	193	291	(48)	109	(39)
Net interest, fees and value adjustments	981	989	1,043	1,084	1,172	894	1,041	881
Other operating income	8	9	5	13	7	7	7	12
Staff and administrative expenses	374	408	467	510	500	430	510	471
Other operating costs, depreciation and amortisation	5	125	130	132	140	178	140	147
Impairment losses on loans, advances and receivables	441	304	368	381	1,322	3,393	964	892
Profit (loss) from investments in associates and group enterprises	30	0	0	0	2	(138)	0	0
Profit (loss) before tax	199	161	83	74	(781)	(3,238)	(566)	(617)
Tax	14	41	14	53	(214)	(769)	(134)	(147)
Profit (loss)	185	120	69	21	(567)	(2,469)	(432)	(470)
SUMMARY BALANCE SHEET, YEAR-END								
Assets								
Cash balance and receivables from central banks and credit institutions	29,480	26,635	35,201	45,103	46,361	25,520	25,567	28,297
Loans, advances and other receivables at fair value	12,920	13,958	13,899	13,314	11,963	24,904	23,320	25,749
Loans, advances and other receivables at amortised cost	59,072	59,942	61,355	59,871	60,921	62,356	65,825	67,961
Bonds at fair value	74,934	69,667	72,516	74,197	64,951	58,819	80,687	74,857
Equities	332	466	530	198	719	604	611	616
Land and buildings	68	68	69	69	69	70	70	70
Other asset items	33,616	48,799	44,362	36,066	30,225	33,063	28,669	34,979
Total assets	210,422	219,535	227,932	228,818	215,209	205,336	224,749	232,529
Liabilities and equity								
Payables to credit institutions and central banks	48,351	49,851	65,922	66,382	56,843	46,532	77,074	77,336
Deposits and other payables	55,699	54,745	57,481	59,762	65,117	63,897	60,890	59,270
Issued bonds	32,848	25,830	38,114	40,365	44,059	43,308	39,692	42,207
Other non-derivative financial liabilities at fair value	25,679	26,891	9,785	14,327	6,798	6,502	5,083	4,728
Other payables	32,416	46,693	42,072	33,490	28,084	31,584	27,914	34,485
Total payables	194,993	204,010	213,374	214,326	200,901	191,823	210,653	218,026
Provisions	847	1,055	958	948	765	554	278	150
Subordinated debt	813	886	1,136	1,144	1,169	1,318	4,058	4,161
Equity	13,769	13,584	12,464	12,400	12,374	11,641	9,760	10,192
Total liabilities and equity	210,422	219,535	227,932	228,818	215,209	205,336	224,749	232,529
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	15,225	16,436	17,549	20,131	23,386	16,797	16,015	15,860
Other commitments	7,012	7,349	7,531	8,476	9,387	8,220	9,258	8,570
FINANCIAL RATIOS								
Capital adequacy ratio, % *	15.9	15.0	12.7	12.4	12.3	13.6	12.5	11.6
Core capital ratio, % *	15.2	14.0	12.0	12.4	12.3	13.7	9.4	8.7
Return on equity before tax (pa), %	5.8	4.9	2.7	2.4	(26.0)	(121.0)	(22.7)	(24.3)
Return on equity after tax (pa), %	5.4	3.7	2.2	0.7	(18.9)	(92.3)	(17.3)	(18.5)
Income:cost ratio	1.2	1.19	1.09	1.07	0.60	0.19	0.65	0.59
Interest rate exposure, % *	0.5	0.6	0.8	0.7	0.1	0.3	1.1	0.9
* Equals the financial ratios of the Nykredit Bank Group for the period up to and including end-2009								

Financial ratios, definitions

Capital adequacy ratio, %	Capital base divided by risk-weighted assets
Core capital ratio, %	Core capital after statutory deductions divided by risk-weighted assets
Return on equity before tax, %	Profit (loss) before tax as a percentage of average equity
Return on equity after tax, %	Profit (loss) after tax as a percentage of average equity
Income:cost ratio	Income incl profit (loss) from associates and group enterprises divided by costs less tax
Interest rate exposure, %	Interest rate exposure divided by core capital after statutory deductions
Foreign exchange position, %	Foreign exchange indicator 1 divided by core capital less statutory deductions
Foreign exchange exposure, %	Foreign exchange indicator 2 divided by core capital less statutory deductions
Loans and advances:deposits	Loans and advances + impairment provisions divided by deposits Loans and advances: Include loans and advances at fair value and loans and advances at amortised cost
Loans and advances:equity	Loans and advances divided by equity (year-end) Loans and advances: Include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances for the year, %	Growth in loans and advances from the beginning of the year to year-end (loans and advances at the beginning of the year divided by loans and advances at year-end) Loans and advances: Include loans and advances at fair value and loans and advances at amortised cost
Excess cover:statutory liquidity requirements, %	Excess cover relative to the 10% requirement of s 152 of the Danish Financial Business Act. (Available excess liquidity relative to 10% of reduced payables) (Reduced payables: Balance sheet total + guarantees - equity - subordinated debt, included in the determination of the capital base)
Total large exposures, %	Total large exposures divided by the capital base
Impairment losses for the year, %	Impairment losses for the period divided by loans and advances + guarantees + impairment provisions

The financial ratios have been calculated in accordance with the Danish FSA's guidelines thereon.

Merger between Nykredit Bank and Forstædernes Bank A/S

Summary statement of comparative figures for 2009

Summary of the merged banks' financial statements for 2009, DKK million	Nykredit Bank A/S	The Nykredit Bank Group	Forstædernes Bank	Eliminations	Total Parent Company	Total Group
Interest income	4,972	5,037	1,550	(85)	6,437	6,502
Interest expenses	2,895	2,895	758	(85)	3,568	3,568
NET INTEREST INCOME	2,077	2,142	792	0	2,869	2,934
Dividend on equities	5	5	13		18	18
Fee and commission income	778	933	245	(7)	1,016	1,171
Fee and commission expenses	360	428	27	(7)	380	448
NET INTEREST AND FEE INCOME	2,500	2,652	1,023	0	3,523	3,675
Value adjustments	363	354	(41)		322	313
Other operating income	8	31	5	(3)	10	33
Staff and administrative expenses	1,203	1,316	598	(3)	1,798	1,911
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	3	4	50		53	54
Other operating expenses	397	400	151		548	551
Impairment losses on loans, advances and receivables	1,155	1,225	5,346		6,501	6,571
Profit (loss) from investments in associates and group enterprises	(158)	(138)	2		(156)	(136)
PROFIT (LOSS) BEFORE TAX	(45)	(46)	(5,156)	0	(5,201)	(5,202)
Tax	32	31	(1,295)		(1,263)	(1,264)
PROFIT (LOSS) FOR THE YEAR	(77)	(77)	(3,861)	0	(3,938)	(3,938)
ASSETS						
Cash balance and demand deposits with central banks	72	72	65		137	137
Receivables from credit institutions and central banks	47,367	47,371	3,889	(5,036)	46,220	46,224
Loans, advances and other receivables at fair value	11,883	11,883	80		11,963	11,963
Loans, advances and other receivables at amortised cost	45,229	45,428	15,493		60,722	60,921
Bonds at fair value	54,003	54,003	10,949		64,952	64,952
Equities	229	231	487		716	718
Investments in associates and group enterprises	335	0	4		339	4
Intangible assets	9	9	1		10	10
Land and buildings	69	69	0		69	69
Other assets	28,122	28,200	492	(205)	28,409	28,487
Other	153	147	1,577		1,730	1,724
TOTAL ASSETS	187,471	187,413	33,037	(5,241)	215,267	215,209
LIABILITIES AND EQUITY						
Payables to credit institutions and central banks	53,609	53,609	8,270	(5,036)	56,843	56,843
Deposits and other payables	47,182	46,965	18,152		65,334	65,117
Issued bonds at amortised cost	41,539	41,539	2,520		44,059	44,059
Other non-derivative financial liabilities at fair value	6,798	6,798	0		6,798	6,798
Other liabilities and deferred income	27,711	27,870	419	(205)	27,925	28,084
TOTAL PAYABLES	176,839	176,781	29,361	(5,241)	200,959	200,901
TOTAL PROVISIONS	405	405	360	0	765	765
Subordinated debt	0	0	1,169		1,169	1,169
Equity						
Share capital	4,175	4,175	1,370		5,545	5,545
Statutory reserves			1		1	1
Retained earnings	6,052	6,052	776		6,828	6,828
TOTAL EQUITY	10,227	10,227	2,147	0	12,374	12,374
TOTAL LIABILITIES AND EQUITY	187,471	187,413	33,037	(5,241)	215,267	215,209

OTHER INFORMATION

FINANCIAL CALENDAR FOR 2011

10 February

Preliminary announcement of financial statements of the Nykredit Bank Group.

15 March

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

12 May

Q1 Interim Report of the Nykredit Bank Group.

18 August

H1 Interim Report of the Nykredit Bank Group.

10 November

Q1-Q3 Interim Report of the Nykredit Bank Group.

Published announcements are available at 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 on 9 July.

The members of Nykredit Bank's Board of Directors appointed by the General Meeting are elected for a term of one year. An ordinary election took place on 25 February 2010 and the latest 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 **
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

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 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
Nykredit Forsikring A/S (Chairman) **
e-nettet Holding A/S (Chairman)
e-nettet A/S (Chairman)
JN Data A/S (Deputy Chairman)
BEC (Bankernes EDB Central), Observer
IT-Universitetet i København
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 (Chairman)
Nykredit Leasing A/S **
Nykredit Mægler
Finanssektorens Uddannelsescenter

Den under afvikling værende Pensionskasse i Forenede Kreditforeninger (Chairman)
Jyllands Kreditforenings Afviklingspensionskasse (Chairman)
Ejendomsforeningen Danmark (Member of the Committee of Representatives) *
Finanssektorens Arbejdsgiverforening *

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 **
Komplementarselskabet Advizer ApS
Finansrådet
FB Ejendomme A/S (Chairman)
JSNFA Holding A/S
Det Private Beredskab til Afvikling af Nødlidende Banker, Sparekasser og Andelskasser (Member of the Committee of Representatives)

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 (Deputy Chairman)
MTS Associated Markets SA/NV, Bruxelles
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

Jysk Display A/S *

* Joined in 2010/2011

** Resigned in 2010

*** 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.