Annual Report 2011

The Nykredit Bank Group

Nykredit

CONTENTS

COMPANY INFORMATION

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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 this company's Consolidated Financial Statements and in the Consolidated Financial Statements of Foreningen Nykredit, Copenhagen.

External auditors
Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Annual General Meeting
The Annual General Meeting of the Company will be held on 13 March 2012

BOARD OF DIRECTORS
Karsten Knudsen, Chairman
Søren Holm, Deputy Chairman
Henrik K. Asmussen*)
Olav Brusen Barsøe*)
Kim Duus
Allan Kristiansen*)
Per Ladegaard
Bente Overgaard

*) Elected by the staff of Nykredit Bank

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 101.

NOMINATION BOARD
The Nykredit Group has appointed a Nomination Board to serve the entire Group.

Steen E. Christensen, Attorney
Chairman

Hans Bang-Hansen, Farmer
Nina Smith, Professor
Steffen Kragh, CEO

AUDIT BOARD
The Nykredit Group has appointed an Audit Board to serve the entire Group.

Steffen Kragh, CEO
Chairman

Anders C. Obel, CEO
Nina Smith, Professor

REMUNERATION BOARD
The Remuneration Board serves the entire Group.

Steen E. Christensen, Attorney
Chairman

Steffen Kragh, CEO

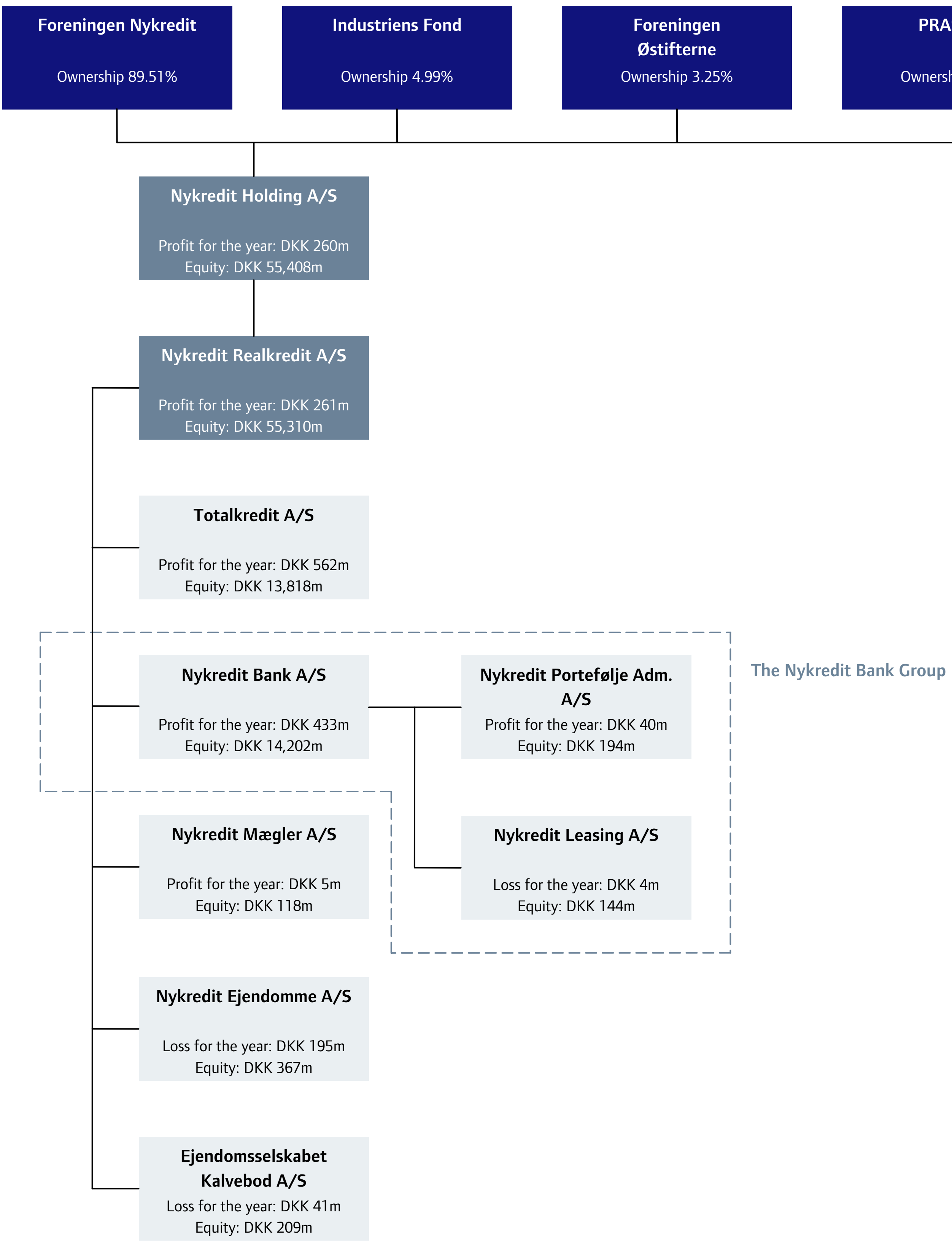
Hans Bang-Hansen, Farmer

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

- Annual Report 2011
- About Nykredit 2011 – CSR Report on Financial Sustainability
- Risk and Capital Management 2011

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

GROUP CHART



Reference is made to note 46 for the entire group structure.

THE NYKREDIT BANK GROUP 2007-2011

DKK million/EUR million Comparative figures have been restated to reflect the merger with Forstædernes Bank A/S	2011/EUR	The Nykredit Bank Group 2011	2010	2009	2008	2007
CORE EARNINGS AND RESULTS FOR THE YEAR						
Core income from:						
- business operations	472	3,506	3,830	3,641	3,270	2,560
- value adjustment of derivatives and corporate bonds	(85)	(632)	(47)	(176)	(133)	(29)
- Proprietary Trading (activity transferred to Nykredit Realkredit in 2009)	-	-	-	47	(351)	105
- securities	24	175	126	143	495	381
Total	**411**	**3,049**	**3,909**	**3,655**	**3,281**	**3,017**
Operating costs and depreciation of equipment	244	1,814	1,781	1,969	1,857	1,553
Special payment to the Guarantee Fund for Depositors and Investors	13	100	-	-	-	-
Commission payable under the government guarantee scheme (Bank Rescue Package I)	-	-	370	500	112	-
Value adjustment of associate	-	-	30	(183)	-	-
Core earnings before impairment losses	**154**	**1,135**	**1,788**	**1,003**	**1,312**	**1,464**
Impairment losses on loans, advances and guarantees	52	388	1,215	6,253	2,234	37
Provisions for guarantees relating to the government guarantee scheme (Bank Rescue Package I)	-	-	279	318	63	-
Core earnings after impairment losses	**102**	**747**	**294**	**(5,568)**	**(985)**	**1,427**
Investment portfolio income [1]	(22)	(154)	223	366	(919)	(55)
Profit (loss) before tax	**80**	**593**	**517**	**(5,202)**	**(1,904)**	**1,372**
Tax	22	160	122	(1,264)	(436)	339
Profit (loss) for the year	**58**	**433**	**395**	**(3,938)**	**(1,468)**	**1,033**
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	6,758	50,244	29,480	46,361	35,318	22,583
Loans, advances and other receivables at fair value	2,960	22,007	12,920	11,963	24,544	5,550
Loans, advances and other receivables at amortised cost	7,519	55,901	59,072	60,921	73,157	65,045
Bonds at fair value and equities	8,215	61,063	75,266	65,670	57,004	61,746
Other asset items	5,805	43,153	33,684	30,294	33,692	14,307
Total assets	**31,256**	**232,368**	**210,422**	**215,209**	**223,715**	**169,231**
Liabilities and equity						
Payables to credit institutions and central banks	8,487	63,093	48,351	56,843	91,637	88,018
Deposits and other payables	7,741	57,551	55,699	65,117	61,240	48,619
Issued bonds at amortised cost	3,516	26,137	32,848	44,059	20,528	3,003
Other non-derivative financial liabilities at fair value	3,673	27,308	25,679	6,798	3,641	5,403
Other payables	5,864	43,594	32,416	28,084	32,246	12,047
Provisions	31	233	847	765	119	30
Subordinated debt	34	250	813	1,169	4,145	3,804
Equity	1,910	14,202	13,769	12,374	10,159	8,307
Total liabilities and equity	**31,256**	**232,368**	**210,422**	**215,209**	**223,715**	**169,231**
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	1,364	10,142	15,225	23,386	16,374	21,578
Other commitments	920	6,842	7,012	9,387	8,163	8,041
FINANCIAL RATIOS						
Profit (loss) for the year as % of average equity, pa		3.1	3.0	(35.0)	(15.9)	14.5
Profit (loss) before tax for the year as % of average equity, pa		4.2	4.0	(46.2)	(20.6)	19.2
Core earnings before impairment losses as % of average equity, pa		8.1	13.7	8.5	14.2	20.5
Core earnings after impairment losses as % of average equity, pa		5.3	2.2	(49.8)	(10.7)	20.0
Costs excl impairment losses as % of core income from business operations		54.6	56.2	67.8	60.2	60.7
Provisions for loan impairment		4,294	6,143	7,812	2,385	349
Impairment losses for the year, %		0.4	1.6	6.3	2.0	0.0
Total capital ratio, %		19.3	15.9	12.3	10.2	11.7
Tier 1 capital ratio, %		19.3	15.2	12.3	7.7	8.4
Core Tier 1 capital ratio, %		19.0	15.0	12.3	7.7	8.4
Average number of staff, full-time equivalents		817	847	1,228	1,798	1,146

For financial highlights based on the Group's presentation of income statement and balance sheet etc, please see notes 47 and 48.

[1] Value adjustment of the portfolio of subordinated debt instruments in Danish banks (Kalvebod issues) has been included from 1 January 2011. Comparative figures have been restated.

2011 – IN BRIEF

2011 – IN BRIEF

- The Group reported a profit before tax of DKK 593m against DKK 517m in 2010.

- Profit before tax benefited notably from a significant reduction of DKK 1,106m in impairment losses on loans and advances. Corporate Banking recorded growth in core income, while the Bank's Markets activities and market value adjustment of interest rate swaps had an adverse income effect. Total core income declined by DKK 860m.

- Core earnings after impairment losses improved by DKK 453m from DKK 294m in 2010 to DKK 747m.

- Core income from business operations decreased to DKK 3,506m, down 8.5%. Total core income from Retail Banking, Corporate Banking and Asset Management exceeded the 2010 level, while trading activities in Markets and earnings from Treasury were somewhat lower than in 2010, partly driven by the European debt crisis and the banking market turmoil.

- Negative market value adjustment of interest rate swaps totalled DKK 632m against DKK 47m in 2010.

- Operating costs and depreciation of equipment rose from DKK 1,781m in 2010 to DKK 1,814m.

- Impairment losses and provisions were down to a satisfactory DKK 388m from DKK 1,215m in 2010, while provisions for Bank Rescue Package I reduced by DKK 279m due to its expiry in 2010.

- Impairment losses were 0.4% of lending against 1.6% in 2010.

- The investment portfolio generated a loss of DKK 154m against income of DKK 223m in 2010. This was in part due to capital losses of DKK 190m on subordinated debt instruments in Amagerbanken and Fjordbank Mors (Kalvebod issues) and a charge of about DKK 44m resulting from value adjustment of sector equities.

- Amagerbanken, Fjordbank Mors and Max Bank generated total expenses of DKK 330m.

- The Bank has no exposures to sovereign debt issued by the GIISP countries.

- The income:cost ratio was 1.26 against 1.14 in 2010. Costs excluding impairment losses as a percentage of core income from business operations were trimmed to 54.6% from 56.2% in 2010.

- The balance sheet stood at DKK 232.4bn against DKK 210.4bn at end-2010.

- Profit before tax generated a return on equity of 4.2% against 4.0% in 2010.

The Nykredit Bank Group
Principal income statement items

DKK million	2011	2010
Core income from:		
- business operations	3,506	3,830
- value adjustment of derivatives and corporate bonds	(632)	(47)
- securities	175	126
Total core income	**3,049**	**3,909**
Administrative expenses	1,814	1,781
Special payment to the Guarantee Fund for Depositors and Investors	100	-
Commission under Bank Rescue Package I	-	370
Value adjustment of associate	-	30
Core earnings before impairment losses	**1,135**	**1,788**
Impairment losses on loans and advances excl Bank Rescue Package I	388	1,215
Provisions for Bank Rescue Package I	-	279
Core earnings after impairment losses	**747**	**294**
Investment portfolio income	(154)	223
Profit before tax	**593**	**517**
Tax	160	122
Profit for the year	**433**	**395**

LIQUIDITY

- Excess cover relative to statutory liquidity requirements was a gratifying 176%.

- At end-2011, the Bank recorded a deposit surplus of DKK 1.7bn measured as the balance between "Deposits and other payables" (DKK 57.6bn) and "Loans and advances at amortised cost" (DKK 55.9bn).

- On 20 January 2012 the Bank issued a bond loan of EUR 500m under the EMTN programme.

CAPITAL

- The core Tier 1 capital ratio and the total capital ratio were 19.0% and 19.3% at end-2011 against 15.0% and 15.9% in 2010, and the internal capital adequacy requirement (ICAAP) was 10.2% against 8.9% at end-2010.

- Equity stood at DKK 14,202m against DKK 13,769m at the beginning of 2011.

OUTLOOK FOR 2012

The euro crisis, which was decisive to activity in Denmark in 2011, is also expected to significantly affect the Bank's earnings from securities trading and investment portfolio income in 2012. Nykredit Bank expects the euro crisis to diminish during 2012. Together with the price adjustments already introduced, this is anticipated to gradually normalise activity levels and to improve the Bank's core income from business operations. Costs are expected to be on a level with 2011.

The trend in loan impairment losses in 2012 is difficult to forecast but is generally expected to be unchanged compared with 2011.

The Bank expects to deliver a profit for 2012 at least on a level with 2011. This forecast is, however, subject to some uncertainty as a result of the financial market turmoil.

NYKREDIT BANK GROUP RESULTS

The Group delivered a profit before tax of DKK 593m against DKK 517m in 2010.

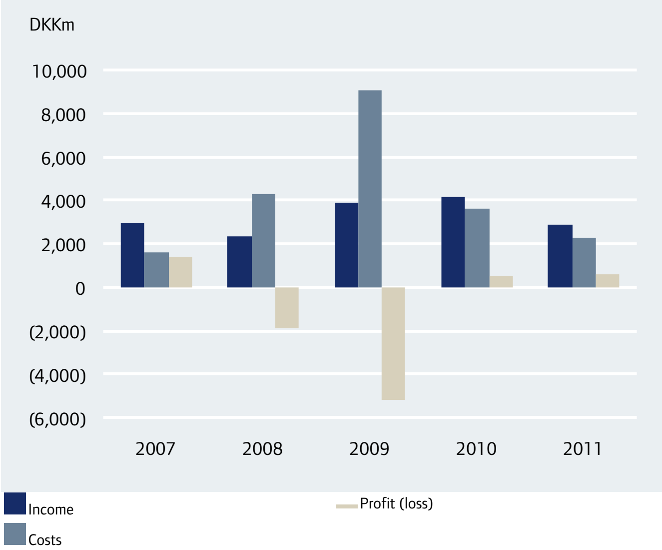
The profit performance benefited from a DKK 1,106m reduction in impairment losses and expenses for Bank Rescue Package I. Corporate Banking income improved, while earnings in the Markets area were affected by fairly low business activity. Total core income from business operations decreased by DKK 324m.

2011 was also affected by total expenses of DKK 330m relating to the winding-up of three domestic banks and by negative market value adjustment of about DKK 632m relating to interest rate swaps.

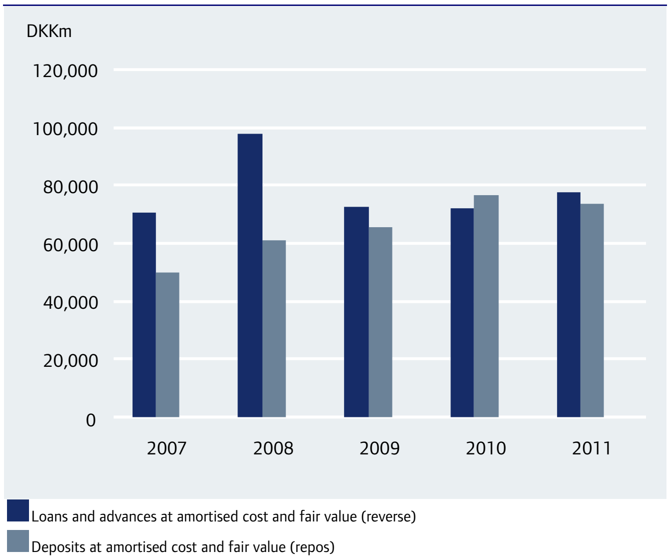
Core earnings

Core earnings after impairment losses improved by DKK 453m to DKK 747m compared with DKK 294m in 2010.

The Nykredit Bank Group
Results before tax



The Nykredit Bank Group
Lending and deposits incl repo transactions



Core income from business operations
Core income dropped by DKK 324m from DKK 3,830m in 2010 to DKK 3,506m.

Core income from Corporate and Retail Banking was affected by slack loan demand and generally subdued activity. However, total core income grew by DKK 104m from DKK 2,077m in 2010 to DKK 2,181m.

Core income from Other Activities diminished from DKK 116m to DKK 74m resulting from the expected termination of the loan portfolio.

Income from Markets & Asset Management was down by DKK 388m from DKK 1,637m in 2010 to DKK 1,249m due to subdued Markets activity and lower Treasury income. Earnings in 2011 were significantly impacted by the debt crisis in a number of EU countries and the general banking market turmoil. Income from Asset Management exceeded the 2010 level.

Value adjustment of derivatives and corporate bonds
A number of commercial customers with floating-rate mortgages have hedged their interest rate risk through swaps with a fixed interest rate of typically 4-5%. The Bank's interest rate risk on these swaps is highly limited, as the risk is hedged on an ongoing basis through offsetting transactions with major international banks.

Interest rate falls in recent years have caused the Bank to provide collateral to international banks – generally in the form of government bonds. Commercial customers must in principle provide the Bank with corresponding collateral. However, according to agreement a number of customers have been exempt from providing such collateral in full, which has increased the Bank's credit risk (counterparty risk) in relation to these customers.

Market value adjustment came to a charge of DKK 642m in 2011 compared with a charge of DKK 121m in 2010.

Interest rate rises will reduce Nykredit Bank's receivables, causing market value adjustments to decrease.

The market value of corporate bonds was adjusted by DKK 10m in 2011 compared with DKK 74m in 2010.

Core income from securities
Income improved from DKK 126m in 2010 to DKK 175m in 2011 due to a rise in the short-term risk-free interest rate from an average 1.05% in 2010 to 1.27% in 2011 and higher income generated by the larger portfolio. The risk-free interest rate is based on Danmarks Nationalbank's lending rate.

Operating expenses, depreciation and amortisation
Operating expenses rose from DKK 1,781m in 2010 to DKK 1,814m.

Staff expenses saw a DKK 37m reduction to DKK 769m compared with DKK 806m in 2010. This development reflected recruitment to the Stockholm branch and a general cutback resulting from eg synergies from organisational changes, including the transfer of staff to shared functions in the Parent Company, Nykredit Realkredit A/S. The reduction was also attributable to a lower level of performance-related pay.

Other administrative expenses increased from DKK 953m in 2010 to DKK 1,031m in 2011, partly driven by higher IT costs relating to a new banking platform, intercompany expenses for using shared functions and costs in connection with the establishment of the branch in Stockholm.

Finally, costs decreased in 2011 because the Group recorded an income of DKK 17m relating to a VAT and payroll tax refund from previous years.

The average staff number was reduced from 847 in 2010 to 817 in 2011 (down 3.5%). One reason was the transfer of staff from Nykredit Bank to shared functions in the Parent Company, Nykredit Realkredit A/S.

Commission payable under Bank Rescue Package I and the Danish Guarantee Fund for Depositors and Investors
The payment to the Guarantee Fund for Depositors and Investors was DKK 100m in 2011, equal to the expected expense relating to the winding-up of Amagerbanken, Fjordbank Mors and Max Bank.

In 2010 the Group incurred an expense of DKK 370m relating to the Bank's commission payable under Bank Rescue Package I, which was discontinued in 2010.

Impairment losses and provisions
Impairment losses and provisions developed very favourably from DKK 1,215m in 2010 to DKK 388m in 2011.

This decline was attributable to individual impairment provisions of DKK 469m against DKK 1,196m in 2010. Collective impairment provisions came to a credit (reversal) of DKK 114m compared with a charge of DKK 164m in 2010. Provisions for guarantees landed at DKK 28m in 2011.

The favourable development was mainly seen in the business area Other Activities with a credit of DKK 82m in 2011 compared with a charge of DKK 777m in 2010.

Impairment losses on Retail Banking dropped from DKK 207m in 2010 to DKK 97m, whereas impairment losses on Corporate Banking increased to DKK 354m against DKK 227m in 2010.

Provisions for Bank Rescue Package I amounted to DKK 279m in 2010.

Impairment losses for the year amounted to 0.4% of lending against 1.6% in 2010.

Investment portfolio income
Investment portfolio income dropped from DKK 223m in 2010 to a loss of DKK 154m in 2011.

The loss of DKK 154m in 2011 mainly resulted from the development in value adjustment of Kalvebod issues that came to a charge of DKK 190m in H1/2011 compared with a credit of DKK 57m, down DKK 247m on 2010. The portfolio was sold to the Parent Company, Nykredit Realkredit, in 2011. Moreover, earnings were affected by a negative adjustment of sector equities of DKK 44m in 2011.

This trend should moreover be seen in the context of the high earnings level in 2010.

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 in the business areas has been recognised in their core income.

Tax
Calculated tax was DKK 160m, or about 27% of profit before tax for the year.

Results after tax
The Group recorded a profit after tax of DKK 433m, equivalent to a return on equity of 3.1%. In 2010 the Group delivered a profit of DKK 395m and a return on equity of 3.0%.

Dividend
It will be recommended for approval by the Annual General Meeting that no dividend be distributed for the financial year 2011.

Results for Q4/2011
The Group recorded a loss before tax of DKK 155m in Q4/2011 against a profit of DKK 303m in Q3/2011.

This decline of DKK 458m mainly stemmed from impairment losses on loans and advances in Q4, up DKK 313m on Q3. Moreover, value adjustment of sector equities was a charge of DKK 53m.

Income from interest, fees and value adjustments was DKK 597m in Q4, which, except for capital losses on sector equities, was broadly unchanged from DKK 661m in Q3/2011.

Compared with H1, income in Q3 and Q4 was particularly affected by negative market value adjustment of derivatives and generally subdued lending and deposit activity.

Costs were DKK 510m, as previously guided. Compared with past quarters, the elevated cost level in Q4 was in part driven by IT costs, set-up of the branch in Sweden and provisions for performance-related pay.

Impairments deteriorated from a credit of DKK 63m in Q3/2011 to a charge of DKK 250m in Q4/2011. Impairment losses on corporate customers and customers in the business area Other Activities remained fairly low, while charges for SMEs (small and medium-sized enterprises) and retail customers increased.

RESULTS RELATIVE TO FORECASTS

At the time of publication of the Annual Report for 2010, the Bank expected a profit of about DKK 2.4bn for 2011, equal to the 2010 profit before impairment losses and expenses for Bank Rescue Package 1. At the time of publication of the Q3/2011 Interim Report, profit guidance was DKK 1.3bn.

Profit for the year adjusted for impairment losses was almost DKK 1.0bn, which was somewhat below expectations at end-Q3/2011.

The main reasons for the lower profit for the year were a slowdown in the activity levels of Markets and Treasury and negative market value adjustments of interest rate swaps in H2, which came to DKK 290m in Q4 alone. Finally, financial performance in 2011 was adversely impacted by the bankruptcies of Amagerbanken, Fjordbank Mors and Max Bank.

The trend in impairment losses, totalling DKK 388m, was generally very positive. However, contrary to expectations the level of impairment losses increased in Q4 on end-Q3/2011.

The cost level was generally as expected.

OUTLOOK FOR 2012

In 2011 the euro crisis was decisive to activity levels in Denmark, which together with the general banking market turmoil resulted in lower earnings from the Bank's securities trading and investment portfolio income.

In 2012 the euro crisis will continue to have a decisive impact on earnings from trading and investment portfolio income partly because of the Bank's exposure to high-rated Danish and European bonds.

The adverse effect from the euro crisis is expected to diminish during 2012. Together with the price adjustments already introduced, this is anticipated to improve core income from customers. Similarly, a favourable development in Europe would also increase trading activity compared with 2011, but this is associated with significant uncertainty.

In 2012 costs are expected to be on a level with 2011 as a result of initiatives to curb costs.

The trend in loan impairment losses in 2012 is expected to be unchanged compared with 2011. Property market trends are difficult to forecast, as property prices primarily hinge on behavioural patterns rather than the economic trends, but as the economies in Denmark and Europe are still affected by a number of structural challenges, there is a risk of fluctuations in impairment losses also in 2012.

Loan impairment losses are expected to be concentrated in retail customers and small commercial customers as in 2011.

The Bank expects to deliver a profit for 2012 at least on a level with 2011. This forecast is, however, subject to some uncertainty as a result of the financial market turmoil.

The Nykredit Bank Group
Summary balance sheet

DKK million	2011	2010
Receivables from credit institutions	50,244	29,480
Loans and advances at fair value	22,007	12,920
Loans and advances at amortised cost	55,901	59,072
Bonds and equities	61,063	75,266
Other assets	42,972	33,286
Payables to credit institutions and central banks	63,093	48,351
Deposits and other payables	57,551	55,699
Issued bonds	26,137	32,848
Other non-derivative financial liabilities at fair value	27,308	25,679
Other liabilities	43,512	32,411
Subordinated debt	250	813
Equity	14,202	13,769
Total balance sheet	**232,368**	**210,422**

The Nykredit Bank Group
Equity

DKK million	2011	2010
Equity, beginning of year	13,769	12,374
Profit after tax for the year	433	395
Other additions and disposals	-	0
Capital increase and share premium	-	1,000
Equity, year-end	**14,202**	**13,769**

The Nykredit Bank Group
Capital base and capital adequacy

DKK million	2011	2010
Share capital	6,045	6,045
Retained earnings	8,157	7,724
Core Tier 1 capital	**14,202**	**13,769**
Primary and other statutory deductions from core Tier 1 capital	193	118
Supplementary capital and hybrid capital	250	813
Statutory charge added to capital base	-	69
Capital base after statutory deductions	**14,259**	**14,533**
Weighted items	73,811	91,582
Total capital ratio, %	19.3	15.9
Tier 1 capital ratio, %	19.3	15.2
Core Tier 1 capital ratio, %	19.0	15.0
Internal capital adequacy requirement (ICAAP), %	10.2	8.9

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet
The balance sheet increased by DKK 21.9bn to DKK 232.4bn.

Receivables from credit institutions and central banks increased by DKK 20.7bn to DKK 50.2bn, while loans and advances at fair value (repo lending) rose by DKK 9.1bn to DKK 22.0bn. The development in balances with credit institutions widely reflected the Bank's need to raise and place liquidity, including the net development in the Bank's deposit, lending and securities activities.

Loans and advances at amortised cost went down by DKK 3.2bn to DKK 55.9bn. This decrease mainly derived from a reduction of DKK 3bn in Corporate Banking, whereas Retail Banking and Other Activities remained largely on a level with 2010.

Bonds and equities reduced from DKK 75.3bn at end-2010 to DKK 61.1bn. The size of the portfolio reflected the Bank's repo activities, trading positions and the development in and placing of the Bank's liquidity, of which a substantial part is placed in securities. The portfolio mainly contained government bonds and high-rated covered bonds. The Bank has no exposures to sovereign debt issued by GIISP countries.

By mid-2011 the Bank sold its portfolio of subordinated debt instruments in Danish banks ("Kalvebod" issues) to the Parent Company, Nykredit Realkredit A/S. The value was DKK 1.1bn.

Other assets totalled DKK 43.0bn against DKK 33.3bn at end-2010. At end-2011, DKK 37.5bn was attributable to positive market values of derivative financial instruments relating to the Bank's customer activities in derivatives and own positions for hedge accounting purposes. These transactions were widely hedged and should be viewed in the context of "Other liabilities", which included negative market values in the amount of DKK 36.7bn. At end-2010, the positive market value was DKK 25.9bn.

Deposits and other payables rose from DKK 55.7bn at end-2010 to DKK 57.6bn at end-2011, while deposits from repo transactions decreased from DKK 21.0bn at end-2010 to DKK 15.9bn. The development in deposits and other payables was especially due to an increase of DKK 2.1bn in Markets & Asset Management.

Issued bonds totalled DKK 26.1bn against DKK 32.8bn at end-2010.

Other non-derivative financial liabilities at fair value came to DKK 27.3bn against DKK 25.7bn at end-2010. The item comprised deposits from repo activities, including negative securities portfolios.

Other payables and deferred income totalled DKK 43.5bn against DKK 32.4bn at end-2010. The item mainly consisted of interest and commission payable and a negative market value of derivative financial instruments.

In 2011 the Bank prematurely redeemed subordinated debt of about DKK 594m as planned.

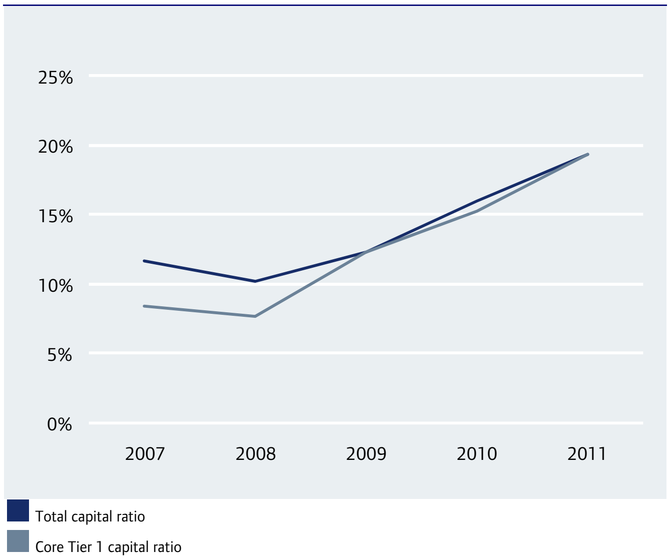
Equity
Equity stood at DKK 14.2bn at end-2011 against DKK 13.8bn at end-2010. The increase of DKK 0.4bn equalled profit after tax for the year. Equity was identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

Capital adequacy
The total capital ratio of the Nykredit Bank Group was 19.3% against 15.9% at end-2010, and the core Tier 1 capital ratio totalled 19.0% against 15.0% at end-2010.

Of the development in the total capital ratio and the core Tier 1 capital ratio, about 3 percentage points result from reduced credit risk following the guarantee issued by Nykredit Holding A/S.

The Nykredit Bank Group's internal capital adequacy requirement (ICAAP) was calculated at 10.2% at end-2011 compared with 8.9% at end-2010. In light of the risk of cyclical fluctuations in impairment losses on unsecured bank loans and the risk of an increased capital requirement for counterparty risk from 2013, it has been decided to set a minimum internal capital adequacy requirement at 10% of risk-weighted items even if the model-based calculations indicate a lower ratio.

The Nykredit Bank Group
Total capital ratio and core Tier 1 capital ratio



EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Issuance of two-year bond loan
On 20 January 2012 the Bank issued a two-year bond loan (senior unsecured) of EUR 500m under the Bank's EMTN programme. The bonds were sold to a wide range of European investors.

Nykredit implements operational and organisational adjustments
The Nykredit Group announced in January that it would take additional steps to adapt to future financial markets. These steps include organisational and operational changes aimed at providing customers with new opportunities, growing earnings, strengthening the capital structure and future-proofing the Danish mortgage model.

One of the new steps is the simplification of the customer organisation by amalgamating retail and commercial centres. A new central advisory centre, Nykredit Direkte®, will be set up, offering customers the services of a personal adviser.

Part of Nykredit's strategy is digital solutions, and Nykredit is currently setting specific digitalisation targets. In 2015 Nykredit expects that digital solutions will cover at least 90% of Nykredit's communication with customers.

As a result of the low activity, total staff members were reduced by 75 in January 2012.

In the period up to the presentation of the Annual Report, no other material events have occurred.

BUSINESS AREAS

The Nykredit Bank Group's business areas are focused on: Retail Banking, Corporate Banking and Markets & Asset Management as well as Other Activities, comprising a portfolio of terminated exposures relating to corporate customers of the former Forstædernes Bank.

The financial reporting of the Nykredit Bank Group comprises the three business areas and Other Activities.

The Nykredit Bank Group
Results before tax by business area

DKK million	Retail Banking		Corporate Banking		Markets & Asset Management		Other Activities		Group items		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Core income from business operations	758	820	1,423	1,257	1,249	1,637	74	116	2	-	3,506	3,830
Value adjustment of derivatives and corporate bonds	-	-	(312)	15	(321)	(61)	1	(1)	-	-	(632)	(47)
Core income from securities	-	-	-	-	-	-	-	-	175	126	175	126
Total core income	**758**	**820**	**1,111**	**1,272**	**928**	**1,576**	**75**	**115**	**177**	**126**	**3,049**	**3,909**
Operating costs	388	436	573	498	846	811	24	36	(17)	-	1,814	1,781
Payment to the Guarantee Fund for Depositors and Investors	-	-	-	-	-	-	-	-	100	-	100	-
Dansk Pantebrevsbørs A/S (income)	-	-	-	30	-	-	-	-	-	-	-	30
Commission payable under Bank Rescue Package I	-	55	-	187	-	91	-	37	-	-	-	370
Core earnings before impairment losses	**370**	**329**	**538**	**617**	**82**	**674**	**51**	**42**	**94**	**126**	**1,135**	**1,788**
Impairment losses on loans and advances	97	207	354	227	19	4	(82)	777	-	-	388	1,215
Provisions for Bank Rescue Package I	-	38	-	124	-	62	-	55	-	-	-	279
Core earnings after impairment losses	**273**	**84**	**184**	**266**	**63**	**608**	**133**	**(790)**	**94**	**126**	**747**	**294**
Investment portfolio income	-	-	-	-	-	-	-	-	(154)	223	(154)	223
Profit (loss) before tax for the year	**273**	**84**	**184**	**266**	**63**	**608**	**133**	**(790)**	**(60)**	**349**	**593**	**517**
Income:costs	1.6	1.1	1.2	1.3	1.1	1.7	-	0.1	-	-	1.3	1.1
Average allocated business capital	1,215	1,291	3,199	5,786	1,996	1,492	250	563	2,309	168	8,969	9,300
Core earnings after losses as % of allocated business capital (pa)	22.5	6.5	5.8	4.6	3.2	40.8	53.2	(140.3)	-	-	8.3	3.2

For further information on the segment financial statements, please refer to note 2 of the Financial Statements.

Retail Banking

Retail Banking covers activities aimed at the retail segment through Nykredit's own distribution channels. The business area also serves part-time farming businesses and international retail customers.

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

Also, Nykredit sells a number of insurance products in cooperation with external insurance providers.

Results

Retail Banking recorded a profit before tax of DKK 273m, up DKK 189m from DKK 84m in 2010.

Core income from business operations decreased from DKK 820m in 2010 to DKK 758m. Net interest income grew due to an improved margin, while fees were considerably lower than 2010 levels, driven by sluggish activity notably in the property market.

Operating costs were DKK 388m compared with DKK 436m in 2010, broadly as expected at the beginning of the year. Commission payable under Bank Rescue Package I amounted to DKK 55m in 2010. The scheme was discontinued in 2010, and therefore no expenses were incurred in 2011.

Impairment losses totalled DKK 97m against DKK 207m in 2010, equivalent to 0.5% of lending compared with 1.1% in 2010. Collective impairment provisions came to a credit of DKK 29m, while individual impairment and other provisions were a charge of DKK 126m.

The income:cost ratio was 1.6 against 1.1 in 2010.

Balance sheet

Lending amounted to DKK 15.8bn at 31 December 2011, corresponding to an increase of DKK 0.3bn compared with DKK 15.5bn at end-2010. Deposits came to DKK 19.2bn against DKK 18.8bn at end-2010.

Activities in 2011

Market activity in Retail Banking in 2011 was affected by the low housing market turnover and the repercussions of the financial crisis. Customers' demand for home financing and the general lending demand were somewhat below the levels of previous years. In addition to the effect of the lower activity, the Bank's fee income was also affected by a shorter average life of guarantees resulting from the introduction of the electronic land registration system.

Competition for deposit customers intensified during the year, and the Bank focused on achieving growth in customer deposits, including current accounts. The rising number of current account customers means that more customers are using Nykredit Bank as their primary bank. Growth in deposits was mainly achieved through Nykredit's fixed-term deposit products, including high-interest savings and equity accounts.

Following a successful H1/2011, the sale of investment and pension products was impacted by the general setback in equity markets.

In 2011 the Bank launched new two service concepts Premium and Plus. Concept customers enjoy a number of benefits, including comprehensive advisory services, attractive lending prices and favourable fees on certain transaction accounts. Plus Customers are customers having business with Nykredit that exceeds DKK 500,000, whereas Premium Customers are customers with assets of more than DKK 2m, or a household income of DKK 1m and business with Nykredit for a minimum of DKK 1m.

In order to underpin the Bank's earnings capacity, general as well as more individual price increases were introduced at end-2011 to counter the rising costs of bank funding.

Results – Retail Banking

DKK million	2011	2010
Core income from business operations	758	820
Operating costs	388	436
Commission payable under Bank Rescue Package I	-	55
Core earnings before impairment losses	**370**	**329**
Impairment losses on loans and advances	97	207
Provision for guarantees under Bank Rescue Package I	-	38
Core earnings after impairment losses	**273**	**84**
Profit before tax	**273**	**84**
Income:costs	1.6	1.1
Average allocated business capital	1,215	1,291
Core earnings as % of allocated business capital	22.5	6.5
Impairment losses for the period, %	0.5	1.1

Principal balance sheet items

DKK million	2011	2010
Assets		
Loans and advances at amortised cost	15,773	15,476
Impairment provisions on loans and advances	449	497
Impairment provisions as % of loans and advances	2.8	3.1
Payables		
Deposits and other payables	19,190	18,758
Off-balance sheet items		
Guarantees	4,943	7,639

Corporate Banking

Corporate Banking comprises activities with all types of businesses including the agricultural and residential rental segments. The residential rental segment includes non-profit housing, cooperative housing and private rental housing.

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

Insurance services are provided in cooperation with Gjensidige Forsikring.

Results

Corporate Banking recorded a profit of DKK 184m in 2011 against a profit of DKK 266m in 2010, down DKK 82m, mainly as a result of negative value adjustment of derivatives of DKK 312m in 2011.

Core income from business operations rose by DKK 166m to DKK 1,423m. Net interest and other operating income went up by DKK 90m compared with 2010, partially resulting from the price adjustments made in 2010 and 2011. Net fee income was about DKK 1m down on 2010.

Results – Corporate Banking

DKK million	2011	2010
Core income from business operations	1,423	1,257
Value adjustment of derivatives and corporate bonds	(312)	15
Total core income	**1,111**	**1,272**
Operating costs	573	498
Dansk Pantebrevsbørs A/S (2010: income)	-	30
Commission payable under Bank Rescue Package I	-	187
Core earnings before impairment losses	**538**	**617**
Impairment losses on loans and advances	354	227
Provision for guarantees under Bank Rescue Package I	-	124
Core earnings after impairment losses	**184**	**266**
Profit before tax	**184**	**266**
Income:costs	1.2	1.3
Average allocated business capital	3,199	5,786
Core earnings as % of allocated business capital	5.8	4.6
Impairment losses for the period, %	0.8	0.7

Principal balance sheet items

DKK million	2011	2010
Assets		
Loans and advances at amortised cost	37,846	40,839
Impairment provisions on loans and advances	2,337	2,600
Impairment provisions as % of loans and advances	5.8	6.0
Bonds, mortgages and equities	1,259	1,425
Payables		
Deposits and other payables	31,818	32,320
Off-balance sheet items		
Guarantees	10,351	12,048

Market value adjustment of interest rate swaps came to a charge of DKK 322m in 2011 against a charge of DKK 59m in 2010, while value adjustment of corporate bonds was a credit of DKK 10m compared with a credit of DKK 74m in 2010.

The subsidiary Nykredit Leasing contributed a loss before tax of DKK 6m to the business area results compared with a profit of DKK 1m in 2010.

Operating costs were DKK 573m against DKK 498m in 2010, up 15%. In 2010 the business area results were partially offset by a charge of DKK 187m relating to commission payable under Bank Rescue Package I.

Impairment losses on loans and advances totalled DKK 354m against DKK 227m in 2010, equivalent to 0.8% of lending compared with 0.7% in 2010. Results were affected by a credit of DKK 53m from collective impairment provisions and a charge of DKK 407m from individual impairment and other provisions. Individual impairment provisions for corporate customers were fairly low, but increased for SMEs. 2010 also saw provisions of DKK 124m for Bank Rescue Package I.

The income:cost ratio was 1.2 in 2011 compared with 1.3 in 2010.

Balance sheet

Lending dropped from DKK 40.8bn at end-2010 to DKK 37.8bn, while deposits amounted to DKK 31.8bn against DKK 32.3bn at end-2010.

Activities in 2011

Market and economic conditions have weakened the investment appetite of businesses in recent years and led to a reduced demand for finance also in 2011. The subdued demand and activity were particularly characteristic of SMEs, whereas activity levels and business volumes with large corporates remained satisfactory.

The higher funding costs weighed down on the Bank's earnings, resulting in an adjustment of the interest margin on most commercial and corporate lending in 2011. In addition to a margin adjustment, reflecting the higher funding costs, prices were adjusted according to the financial position and credit quality of the individual customers.

In 2011 considerable efforts were made to raise the number of customers who use Nykredit as their primary bank. As part of this process, the Bank worked specifically with competence development, and internal processes and internet banking functionalities have been calibrated to meet customers' needs for high flexibility in their daily banking needs.

Competition in the deposits market intensified in 2011, resulting in a decrease in deposits in H1/2011. In H2/2011 deposits rebounded, however, landing at DKK 31.8bn at year-end, which was broadly consistent with the level at end-2010.

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's profit was DKK 63m against DKK 608m in 2010.

Results – Markets & Asset Management

DKK million	2011	2010
Core income from business operations	1,249	1,637
Value adjustment of derivatives and corporate bonds	(321)	(61)
Total core income	**928**	**1,576**
Operating costs	846	811
Commission payable under Bank Rescue Package I	-	91
Core earnings before impairment losses	**82**	**674**
Impairment losses on loans and advances	19	4
Provision for guarantees under Bank Rescue Package I	-	62
Core earnings after impairment losses	**63**	**608**
Profit before tax	**63**	**608**
Income:costs	1.1	1.7
Average allocated business capital	1,996	1,492
Core earnings as % of allocated business capital	3.2	40.8

Principal balance sheet items and activities

DKK million	2011	2010
Assets		
Receivables from credit institutions and central banks	50,244	29,480
Loans and advances at fair value (reverse lending)	22,007	12,920
Bonds, mortgages and equities	59,579	72,318
Positive market value of derivatives	37,494	25,857
Payables		
Payables to credit institutions and central banks	63,093	48,351
Deposits and other payables	6,228	4,113
Issued bonds	26,137	32,848
Non-derivative financial liabilities at fair value	27,308	25,679
Negative market value of derivatives	36,728	24,118
Assets under management and administration		
Institutional market	84,394	76,671
Insourced mandates	16,937	16,156
Total assets under management	**101,331**	**92,827**
Nykredit Portefølje Administration A/S	334,796	305,001
Total assets under management and administration	**436,127**	**397,828**
Investment funds		
Nykredit Group investment funds	35,417	34,475
Off-balance sheet items		
Guarantees	1,214	1,842

Core income from business operations decreased from DKK 1,637m in 2010 to DKK 1,249m. Earnings in 2011 reflected the debt situation in a number of EU countries that put a damper on business activity. Compared with 2010, earnings were also impacted by a drop in Treasury income that had been at a high level in 2010 and was affected by the banking market turmoil in 2011. Income from Asset Management was just above the 2010 level.

Negative value adjustment of derivatives affected results by DKK 321m against DKK 61m in 2010.

Operating costs amounted to DKK 846m against DKK 811m in 2010, while commission payable under Bank Rescue Package I, which came to DKK 91m in 2010, lapsed in 2011.

Impairment losses for the year were DKK 19m, mainly attributable to losses on receivables from Fjordbank Mors of DKK 18m. In 2010 the charge was DKK 66m inclusive of provisions for Bank Rescue Package I of DKK 62m.

In 2011 the subsidiary Nykredit Portefølje Administration contributed a profit before tax of DKK 54m against DKK 44m in 2010. This reflected an uptick in net interest and fee income from DKK 123m in 2010 to DKK 148m in 2011 due to considerable growth in average assets under administration generated by new mandates, higher market values and improved earnings margins.

The income:cost ratio was 1.1 against 1.7 in 2010.

Balance sheet
The development in and size of the balance sheet should be seen in the light of the area's activity level, including investment of surplus liquidity as well as repo and trading activity.

Activities in 2011

Nykredit Markets
2011 earnings in Nykredit Markets were somewhat lower than in 2010. Notably the euro crisis left its mark on earnings, generally fuelling risk aversion and slowing down customer activity. Despite the deteriorating market conditions, Nykredit Markets gained a higher market share of interest rate based basic products during 2011.

On 1 December 2011 Nykredit Markets opened a branch in Stockholm focusing on fixed income. The branch strengthens Nykredit Markets's Nordic profile and distribution capacity. From the outset, the branch captured market share in Sweden.

Business units
Fixed Income, the largest business area of Nykredit Markets, covers a wide range of interest rate activities aimed at institutional customers in Denmark and abroad. The area's activity levels dropped in 2011, given the rising market turmoil, and earnings consequently diminished compared with 2010.

Revenue and earnings from derivatives were also influenced by the tough market conditions in 2011.

Debt Capital Markets and Frequent Issuer Desk saw subdued activity in primary transactions in 2011 due to changed market conditions in this area.

In 2011 equity markets were challenged by rising volatility in a declining market, and the shift in fundamentals prompted lower customer and trading activities. As a result, earnings were below 2010 levels.

The corporate bond market was also challenged by rising volatility in 2011. However, activity remained high with satisfactory earnings levels.

The currency area's activity and earnings levels were unchanged in 2011.

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 were DKK 436.1bn at end-2011, up DKK 38.3bn on 2010. The rise was attributable to new clients and price increases.

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

Asset management
Total assets under management rose to DKK 101.3bn at end-2011 thanks to new clients.

Institutional market
Total assets under management were up DKK 7.7bn to DKK 84.4bn in 2011. In addition to discretionary mandates, Asset Management acts as investment adviser to both wholesale and retail investment funds in Nykredit Invest. Among Asset Management's investment strategies (GIPS composites), 52% generated above-benchmark returns in 2011. Over the past three years, 88% of Asset Management's investment strategies (GIPS composites) generated above-benchmark returns.

Asset Management's strategic objective is to grow its presence in the Danish asset management market. To meet this objective, Asset Management acquired Amber Fondsmæglerselskab A/S in spring to bolster its equity management competencies.

The acquisition brought about the introduction of three targeted equities products in Q4/2011: Global Focus Equities, Nordic Focus Equities, and Climate and Environment.

During 2011 Nykredit Asset Management also launched the investment products New Equity Markets, Cobra and European Corporate 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 sphere of expertise. At end-2011 Asset Management's insourced mandates totalled DKK 16.9bn – largely unchanged on end-2010. However, this was a result of a net client intake that was offset by a slightly adverse market development. In autumn 2011 Asset Management's Manager Selection team was awarded "Best Danish Fund Selection Team of the Year" for the second year running. During the year, Wells Capital Management became a new business partner in connection with new equity market investments.

Retail market
The market share of retail asset management was almost unchanged at 6.9% in 2011. The Federation of Danish Investment Associations reclassified a number of retail investment funds into wholesale investment funds in 2011. This had an adverse effect on the market share compared with 2010. If the reclassification in 2010 and 2011 is factored in, the market share rose by 0.2 percentage point from 6.7% to 6.9%.

Total assets managed under the asset management concepts Private Portfolio, Pension Invest and Savings Invest totalled DKK 20.0bn at end-2011, up DKK 1.5bn compared with 2010. The rise reflects customer intake which was partially offset by capital losses as a result of the development in the financial markets.

The investment funds of Nykredit Invest increased members' capital by DKK 1.1bn to DKK 35.4bn in 2011.

Nykredit Portefølje Administration A/S
Administration of investment funds in the Nykredit Group is handled through Nykredit Portefølje Administration A/S, 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 year 2011 was characterised by a high level of activity. During the year the company attracted three funds and 33 subfunds and discontinued administration of one fund and seven subfunds.

Especially the new mandates contributed to an increase in total assets under administration, which came to DKK 334.8bn at end-2011 against DKK 305.0bn at end-2010. In November 2011 Nykredit Portefølje Administration entered into a portfolio administration agreement with Lønmodtagernes Dyrtidsfond. Following an extensive EU tender, Nykredit won the contract for administration of about DKK 50bn.

Other Activities

Other Activities comprises a portfolio of terminated exposures relating to corporate customers of the former Forstædernes Bank. For this reason, the business area's results were mainly influenced by the development in the provisioning need relating to the underlying loans, advances and guarantees.

The business area recorded a profit for the year of DKK 133m against a loss of DKK 790m in 2010.

The upturn was notably driven by a reduction in impairments from a charge of DKK 777m in 2010 to a credit of DKK 82m in 2011, equal to a positive earnings impact of DKK 859m.

The lift in results should also be seen in light of the fact that 2010 was affected by commission and provisions relating to Bank Rescue Package I totalling DKK 92m.

Gross lending came to DKK 3.7bn at end-2011 and DKK 2.3bn after deduction for loan impairments of DKK 1.4bn. At end-2011 impairment provisions had been made for about 38.1% of gross lending.

At end-2010 lending was DKK 2.8bn after impairment provisions of about DKK 3bn, equivalent to 52% of gross lending.

Results – Other Activities

DKK million	2011	2010
Core income from business operations	74	116
Value adjustment of derivatives and corporate bonds	1	(1)
Total core income	**75**	**115**
Operating costs	24	36
Commission payable under Bank Rescue Package I	-	37
Core earnings before impairment losses	**51**	**42**
Impairment losses on loans and advances	(82)	777
Provision for guarantees under Bank Rescue Package I	-	55
Core earnings after impairment losses	**133**	**(790)**
Profit (loss) before tax	**133**	**(790)**
Income:costs	-	0.1
Average allocated business capital	250	563
Core earnings as % of allocated business capital	53.2	(140.3)
Impairment losses for the period, %	(1.9)	12.6

Principal balance sheet items

DKK million	2011	2010
Assets		
Loans, advances and receivables at amortised cost	2,282	2,757
Impairment provisions	1,409	2,975
Impairment provisions as % of loans and advances	38.1	51.9
Payables		
Deposits and other payables	315	508
Off-balance sheet items		
Guarantees	476	707

OTHER

Bankruptcies of Amagerbanken, Fjordbank Mors and Max Bank
In 2011 Nykredit charged DKK 180m, DKK 135m and DKK 15m to the income statement as a result of the bankruptcies of Amagerbanken, Fjordbank Mors and Max Bank, respectively.

These charges totalled DKK 330m, of which DKK 100m was a payment to the Guarantee Fund for Depositors and Investors.

Nykredit Markets opens branch in Sweden
In H2/2011 Nykredit Markets set up stock broking operations (covered and government bonds) in Sweden as part of the Nykredit Group's banking strategy. Nykredit Bank is the first new participant in the Swedish market for 20 years.

The branch will be focusing on the Swedish fixed income market where Nykredit already has a considerable business volume.

The branch started trading operations in early December 2011 and was from the outset favourably received by the Swedish market with trading activity fully meeting expectations.

Acquisition of Amber
Nykredit Asset Management has acquired Amber Fondsmæglerselskab A/S including the activities of Amber Asset Management. The acquisition was effective from 10 June 2011.

Amber Asset Management is focusing on active asset management within the areas of global equities, Nordic equities, climate and environment, and energy.

The acquisition should be seen as part of the Nykredit Group's strategy of consolidating and expanding its position in the banking area.

The company has been merged with Nykredit Bank A/S.

Capitalisation
The Board of Directors of Nykredit Realkredit A/S has authorised the Executive Board of Nykredit Realkredit A/S to issue a letter of comfort for the provision of capital as required by Nykredit Realkredit A/S to Nykredit Bank A/S in order that the Bank may maintain a Tier 1 capital of at least 12-13%.

Nykredit Holding A/S has issued a loss guarantee for the part of the Bank's impairment losses and provisions (earnings impact for the year) that exceeds 2% of loans, advances and guarantees subject to a maximum of DKK 2bn for the term of the guarantee.

The guarantee was issued in Q4/2011.

Nykredit Bank A/S
Ratings

	Moody's Investors Service	Standard & Poor's
Short-term rating	P-1	A-1
Long-term rating	A2	A+
Bank Financial Strength Rating	C-	

In Management's assessment, the guarantee will only be invoked in case of severe deterioration of the economic climate, and the probability of the guarantee being invoked is deemed to be low.

Nykredit's Internet bank
The consumer magazine "Tænk Penge" published by the Danish Consumer Council ranked Nykredit's Internet bank no 1 in 2011 for the second consecutive year. The main reason why Nykredit won the test is its online graphic spending overview. The spending overview is one of the functionalities that make Nykredit's internet bank stand out.

RATINGS
Nykredit Bank is rated by Moody's Investors Service and Standard & Poor's.

On 1 July 2011 Moody's Investors Service downgraded the Bank's long-term unsecured rating from A1 to A2. Moody's Investors Service has generally assigned the Bank's ratings a negative outlook. In December 2011, Standard & Poor's affirmed the Bank's current unsecured ratings and assigned a stable outlook following a change in the agency's criteria.

CAPITAL POLICY AND MANAGEMENT

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 credit rating. This means that Nykredit must have sufficient capital to cover an increase in statutory capital requirements during a severe recession.

Nykredit Bank aims to maintain a total capital 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 the 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 judgement to cover all significant risks as determined in the Internal Capital Adequacy Assessment Process (ICAAP).

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 model uncertainties.

In light of the risk of cyclical fluctuations in impairment losses on unsecured bank loans and the risk of an increased capital requirement for counterparty risk from 2013, it has been decided to set a minimum internal capital adequacy requirement of 10% of risk-weighted items even if the model-based calculations indicate a lower ratio.

The report Risk and Capital Management 2011, 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 capital charge is included to reflect the uncertainty of the models used.

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

To support the Bank's rating, Nykredit Holding A/S established a loss guarantee in 2011 for the part of the Bank's impairment losses and provisions that exceeds 2% of loans, advances and guarantees during a financial year subject to a maximum of DKK 2bn for the term of the guarantee.

The establishment of the guarantee resulted in a DKK 1.2bn reduction of the Bank's credit risk exposure at end-2011.

Nykredit pursues a long-term risk and capital management policy, incorporating substantial buffers compared with the statutory requirements. Capital resources are as far as possible concentrated in the Parent Company, Nykredit Realkredit A/S, to ensure strategic flexibility and leeway and to support a continued high rating of the issued bonds. Furthermore, Nykredit Bank has a target of maintaining a Tier 1 capital ratio of at least 12%. Seen in relation to the future business growth and the future regulation, however, the current capitalisation level of Nykredit Bank is maintained. Capital will be allocated to subsidiaries as required.

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 borrower 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 2012-2014
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.

Capital base and capital adequacy

Nykredit Bank's capital base totalled DKK 14.3bn at end-2011 (2010: DKK 14.5bn). Nykredit Bank's capital requirement amounted to DKK 5.9bn at end-2011 (2010: DKK 7.3bn). The Tier 1 capital ratio was 19.3% (2010: 15.2%), and the internal capital adequacy requirement at year-end was 10.2% (2010: 8.9%).

The development in the core Tier 1 capital ratio partly resulted from reduced credit risk following the guarantee issued by Nykredit Holding A/S.

In 2011 the Bank redeemed supplementary capital of DKK 475m and NOK 125m.

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

Nykredit 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 2011, which is available at nykredit.com/reports.

The European Banking Authority (EBA) has conducted a stress test of a number of major European credit institutions. The stress test assessed the capital of the individual institutions on the basis of common rules for valuation of sovereign exposures, etc.

According to the EBA stress test, the Nykredit Group's core Tier 1 capital ratio amounted to 13.9% of risk-weighted items after statutory deductions relative to a benchmark of 9%. For the Nykredit Bank Group, the core Tier 1 capital ratio was 19%. The stress test results confirm Nykredit's very solid capital structure.

ORGANISATION, MANAGEMENT AND CONTROL SYSTEMS

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 strategy in 2009, paving the way for significant business development.

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

The strategy 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:

- Customers first
  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

Nykredit has set four long-term targets for the Group:

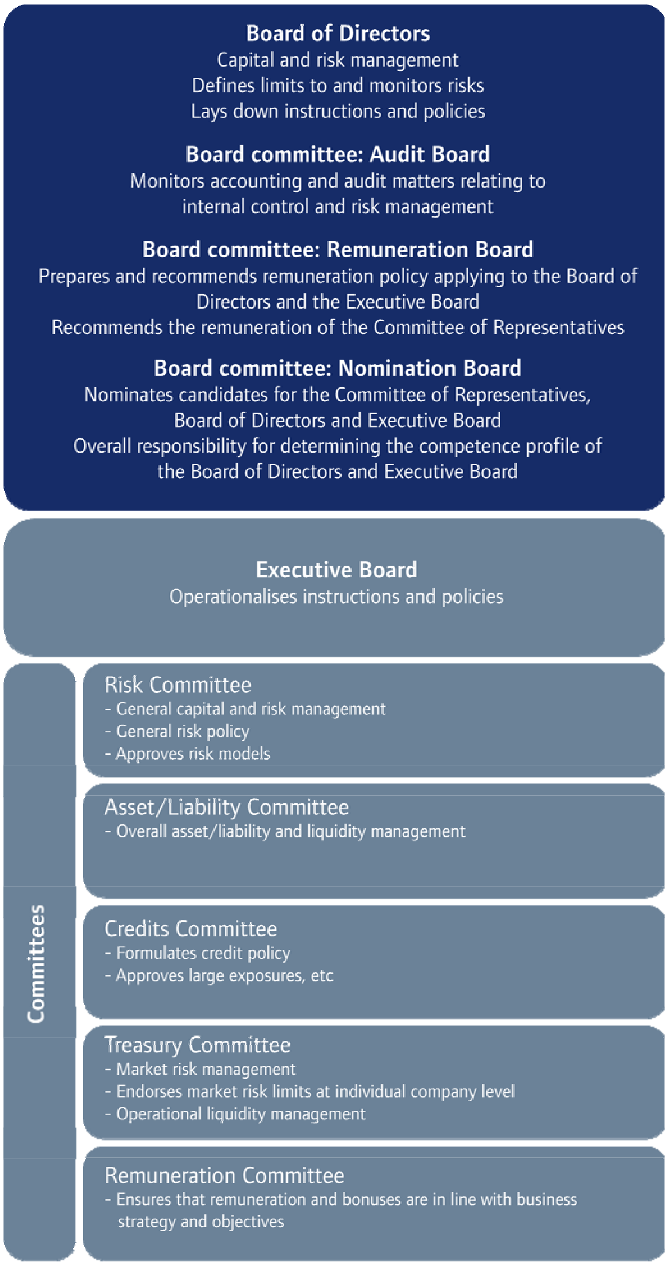
- Nykredit is a leading player in the Danish financial services sector
- Nykredit and its development stand on two strong legs – banking and mortgage lending
- Nykredit has the most satisfied customers among leading Danish players
- Nykredit offers one of the most attractive and challenging workplaces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

Organisation and delegation 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 audit board to serve the entire Nykredit Group. The Audit Board is charged with reviewing accounting and audit matters relating to internal control and risk management.

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.

Organisation and delegation of responsibilities



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 Group's 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 authority assigned 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 overall objective of the Remuneration Committee is to assist the Group Executive Board in ensuring that Nykredit's remuneration practices, including bonus payments, match Nykredit's business strategy and targets.

BOARD COMMITTEES

The Board of Directors of Nykredit Realkredit A/S appointed an Audit Board, a Remuneration Board and a Nomination Board. Each of these boards, working on behalf of the entire Nykredit Group, monitors selected areas and prepares cases for review by the entire Board of Directors.

Audit Board
Pursuant to current legislation, Nykredit Realkredit A/S has appointed 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 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 and finally to monitor and verify the independence of the auditors.

The Audit Board held four meetings in 2011.

Remuneration Board
Nykredit Realkredit A/S appointed a remuneration board in autumn 2010. The board was appointed 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 Committee 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 2011 with focus on these tasks.

Nomination Board
In June 2011, Nykredit Realkredit A/S appointed a joint nomination board serving all the companies of the Nykredit Group.

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

The Nomination Board is tasked with drawing up recommendations for the Board of Directors on the nomination of candidates for the Committee of Representatives, the Board of Directors and the Executive Board. In addition, the Nomination Board, which reports to the Board of Directors, is overall responsible for the competency profiles and continuous evaluation of the work and results of the Board of Directors and the Executive Board.

The Nomination Board has held two meetings since its establishment in June 2011.

STAFF

The average number of staff was reduced from 847 in 2010 to 817 in 2011 owing partly to the transfer of staff to shared group functions in the Parent Company, Nykredit Realkredit A/S. The development also reflected synergies following from the merger with Forstædernes Bank, organisational changes and recruitment of staff to the branch in Stockholm.

Staff benefits

Nykredit offers a number of staff benefits. The most important benefits are group life insurance, full-time accident insurance, critical illness insurance, health insurance and flexible pay packages as well as bonus programmes. The report About Nykredit 2011 – CSR Report on Financial Sustainability, available at nykredit.com/reports, contains more information about staff and staff conditions in the Nykredit Group.

Bonus programmes
A number of individual bonus programmes apply to the top management and specialists in key areas of the Nykredit Group.

The Bank's Executive Board participates in Nykredit's general bonus programme for executives. The programme is discretionary, which means that executives are not guaranteed a bonus. The bonus awarded to executives amounts to a maximum of 6 months' salary. Of the bonus amount, the disbursement of at least 40% is deferred over four years, and a minimum of 50% of the bonus is disbursed as remuneration bonds.

30 risk-takers in the Nykredit Bank Group were designated in 2011 in addition to the Bank's Executive Board. Four of these are on the payroll of Nykredit Bank, five are on the payroll of the Bank's subsidiaries, and 21 are on the payroll of Nykredit Realkredit A/S. The latter 21 staff perform intercompany tasks.

Pursuant to the Danish Financial Business Act, they are subject to special restrictions, chiefly in relation to disbursement. Some of these restrictions are deferral of disbursement over a several-year period, partial disbursement through bonds subject to selling restrictions instead of cash payment and Nykredit's ability to retain the deferred amount under special circumstances.

The risk-takers are designated by the Board of Directors based on the size of the loss risk that the individual risk-taker may inflict on Nykredit Bank or Nykredit in terms of credit or market risk. As Nykredit is the largest lender in Denmark, the majority of the risk-takers have been designated because they may afflict credit-related losses on Nykredit.

The bonus earned in 2011 by all managing directors and risk-takers of the Nykredit Bank Group amounted to DKK 6m.

Details on bonuses for risk-takers, remuneration policy and practices are available at nykredit.com/documentation.

Executives reporting directly to the Group Executive Board participate in an individual bonus programme with a potential bonus of up to three months' salary. For 2011 the executives who were not also risk-takers were awarded bonuses of DKK 2m compared with DKK 2m in 2010.

Special individual bonus programmes apply to some of the staff of Markets and Asset Management in line with market standards for such positions. The remuneration of these staff members is based on their job performance, and the bonus component is generally high relative to the rest of the Group's staff. For 2011 management and staff members of these areas who were not also risk-takers were awarded bonuses of about DKK 55m compared with DKK 110m in 2010.

Additional individual programmes apply to selected staff in core functions with responsibility for the largest customers. Bonuses awarded to such staff amounted to about DKK 20m in 2011 compared with DKK 23m in 2010.

Other management and staff members have participated in a general bonus programme until 2011. The programme will be discontinued from 2012, and the number of staff participating in special programmes has been reduced. Bonuses awarded to other staff totalled about DKK 3m in 2011 compared with DKK 4m in 2010.

CORPORATE RESPONSIBILITY

Nykredit's business concept is financial sustainability. Nykredit's social commitment and our relationship with customers, business partners, investors, society and staff are described in the report About Nykredit 2011 – CSR Report on Financial Sustainability, available at nykredit.com/reports.

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 financial reporting process are designed to efficiently manage rather than eliminate the risk of errors and omissions in connection with financial reporting.

Nykredit Bank and the Nykredit Group are expanding and improving 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.

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 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 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 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 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 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 financial reporting process may generally be summarised as follows:

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

Controls

The purpose of the Group's controls is to ensure that policies, manuals and procedures 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 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 satisfactory permanent internal controls for the handling of business operations.

- *Risk functions* – comprise a number of intercompany areas, such as Group Credits, Group Finance, 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 policies and procedures are observed and whether internal controls performed by the business units are satisfactory.

- *Audit* – comprises internal and external audit. On the basis of an audit plan approved by the Board of Directors, Internal Audit is responsible for carrying out an independent audit of internal controls in 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 relevant 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 is reported to the Board of Directors, the Executive Board, relevant management levels and the individual business areas and 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 2011.

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.

GROUP RISK 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 also describes Nykredit's risk and capital management and is available at nykredit.com/reports.

Types of risk

Nykredit Bank distinguishes between the following general types of risk:

- *Credit risk* reflects the risk of loss following 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.

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 rate of the exposure given 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.

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, commercial and corporate customers.

A thorough assessment of customers is a key prerequisite for safeguarding against future losses. The same applies to security provided in the form of a number of tangible assets, primarily property, but also securities, moveable property and guarantees. Any security provided is included in subsequent assessments based on a conservative valuation.

At least once a year, the Bank's exposures exceeding DKK 2m are reviewed. 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 changing a rating or 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. Generally, no set-off has been made for collateral security or netting agreements in the financial statements. Set-off has been made, however, for repo/reverse transactions with a single counterparty.

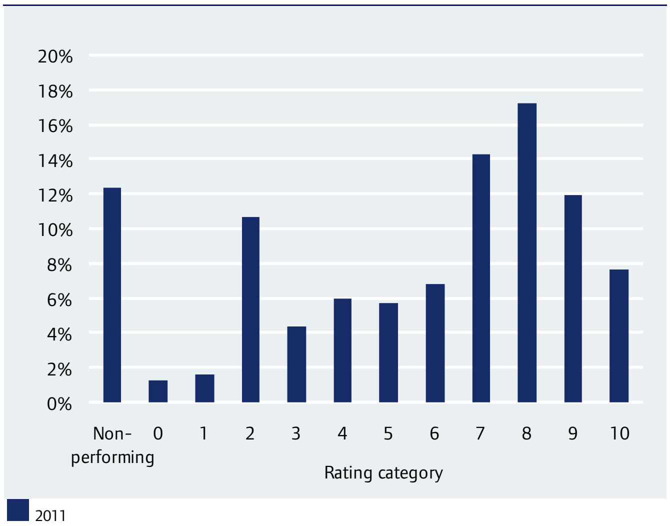
Credit risk models

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

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%
	25.00%	100.00%

Nykredit Bank
Lending at amortised cost by rating category



The models used to determine PD and LGD build on historical data allowing for periods of low as well as high business activity. PD is therefore estimated by weighting current data against data from the early 1990s. Current data carry a 40% weighting, while data from the early 1990s carry a 60% weighting.

The PD of retail customers and small enterprises is determined on the basis of a customer's credit score and payment behaviour. Credit scoring is a statistical calculation of a customer's creditworthiness.

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 financial data, arrears and loan impairment as well as industry-specific conditions and the macroeconomic climate.

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

The PDs of individual customers are converted into ratings from 0 to 10, 10 being the highest rating. 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 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 until expiry of loan terms and the discounted present value of loss flows.

Further information on Nykredit Bank's risk management is available in the report Risk and Capital Management 2011 at nykredit.com/reports.

The Nykredit Bank Group
Market risk

DKK million	2011			2010		
	Min	Max	Year-end	Min	Max	Year-end
Value-at-Risk (99%, 1 day)	18	46	29	17	46	25
Interest rate risk (100bp change)	15	188	103	(2)	214	69
Equity price risk (general 10% decrease)	-	-	39	-	-	33
Foreign exchange exposure:						
Foreign exchange positions, EUR	528	384	73	(446)	453	(208)
Foreign exchange positions, other currencies	5	82	17	5	88	212
Interest rate volatility exposure (Vega)	(4)	2	2	(3)	3	(2)

Net interest rate exposure

The Nykredit Bank Group
Market risk

2011 DKK million	Interest rate exposure (100 bp change)	Interest rate volatility risk (Vega)	Equity price exposure (10% change)
Money market instruments	343	-	-
Government bonds	66	-	-
ROs	346	1	-
SDOs	0	-	-
Other bonds, loans and advances	15	-	-
Equities	-	-	39
Derivative financial instruments	151	1	
Securitisations	-	-	-
Total	**103**	**2**	

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. In calculating the volatilities, last-dated observations carry the highest weight.
Time horizon:	Value-at-Risk is calculated at 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.

MARKET RISK

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).

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.

On 1 December 2011, Nykredit Bank commenced operations in its Stockholm branch for serving Swedish and international customers. The objective of the Stockholm office is to increase activity in Swedish bonds and thereby generate growth in the Bank. The market risk is managed in line with the rest of the Bank's activities.

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 vega risk. 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 limits.

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 2011 VaR averaged DKK 22m (2010: DKK 27m). This meant that Nykredit Bank would at a 99% probability lose less than DKK 22m, in one day, as a consequence of market fluctuations.

VaR came to DKK 29m at end-2011 (2010: DKK 25m). The level was generally fairly stable in 2011, besides a moderate downward trend in H1 and a minor increase towards the end of the year, partly as a result of the opening of the Stockholm branch, which commenced trading in Swedish bonds. VaR ranged between DKK 18m and DKK 46m in 2011 (2010: between DKK 17m and DKK 46m).

As a consequence of the new Executive Order on Capital Adequacy, Nykredit Bank is required to calculate a stressed VaR in addition to the current VaR for determining the total capital adequacy requirement for market risk.

Stressed VaR must be calculated for the current portfolio, but using volatilities and correlations (market data) from a period of significant stress. This period will be fixed annually on the basis of the current portfolios of Nykredit Bank. The period set is from September 2008 to September 2009 and thereby includes the collapse of Lehman Brothers on 15 September 2008.

The Bank's stressed VaR was calculated at DKK 42m at end-2011 (2010: DKK 44m).

Value-at-Risk (excl equities)

Up to the refinancing auctions in December 2011, 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 monthly.

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

Interest rate risk

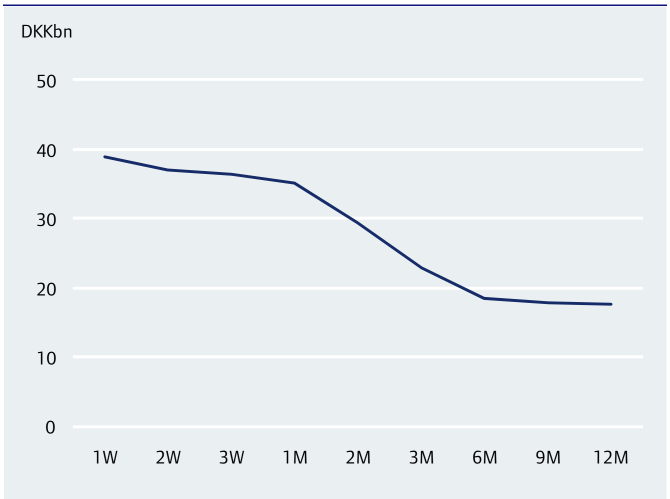
The Bank's interest rate exposure as measured at a general rise in rates of 1 percentage point ranged between a loss of DKK 15m and a gain of DKK 188m in 2011. In 2010 the exposure ranged between a loss of DKK 2m and a gain of DKK 214m.

At end-2011, the interest rate exposure was DKK 103m against DKK 69m at end-2010.

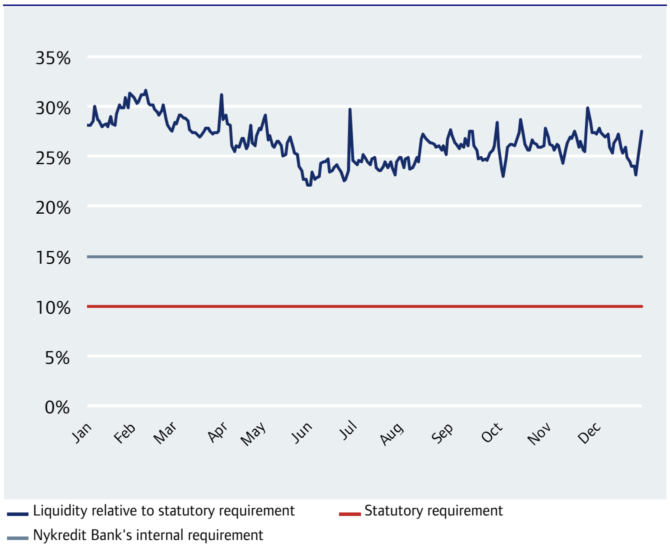
The Bank's interest rate exposures are primarily concentrated in DKK and EUR, but it also has minor exposures in SEK, NOK, USD and CHF.

As a result of the activities in Stockholm, the exposure in SEK saw a certain increase. Long-term loans and deposits are hedged extensively against interest rate movements using interest rate swaps.

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



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



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

OAS risk
At end-2011, the Bank's OAS risk, which is also included in the Bank's total VaR, was DKK 505m against DKK 553m at end-2010. This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 505m. Compared with the beginning of the year, the exposure generally decreased, even if the OAS risk related to the activities in Stockholm increased, viewed separately.

Equity price risk
At end-2011, the determination of market risk included an equity position of DKK 415m against DKK 332m at end-2010.

Foreign exchange risk
In 2011 the Bank's foreign exchange exposure in terms of the largest numeric sum of positive and negative foreign exchange positions (excl DKK and EUR) ranged between DKK 5m and DKK 82m. In 2010 the exposure ranged between DKK 5m and DKK 88m. At end-2011, the foreign exchange exposure amounted to DKK 17m against DKK 212m at end-2010.

The most significant foreign exchange positions in 2011 were in EUR, the exposure ranging between a loss of DKK 528m and a gain of DKK 384m. In 2010 the exposure ranged between a loss of DKK 446m and a gain of DKK 453m.

Counterparty risk on derivatives
Counterparty risk is a measure of the size of the loss which Nykredit may sustain if a counterparty defaults on its obligations. Counterparty risk is mitigated through financial netting agreements as well as agreements on financial collateral. Concurrently, the Bank seeks to cover the net market value by means of financial collateral on an ongoing basis, and in case of counterparty default net claims are settled at market values.

In recent years, Nykredit has entered into agreements with SMEs on the payment of a fixed loan rate on loans originally raised at a variable rate. The swap agreements serve as a sort of insurance or hedge against increasing interest expenses. The agreements relate to loans carrying a fixed interest rate of typically 4-5%, which is an attractive interest rate level in the long term.

The large interest rate falls in recent years have prompted a rise in the market value of the swap agreements, so that Nykredit Bank's claims against the SMEs have grown. To take account of this risk, the market values of a number of transactions have been adjusted using the Credit Value Adjustment (CVA) model. In accounting terms, it involves a value adjustment resembling collective loan impairment provisions.

Credit value adjustment is a supplementary adjustment carried out for a portfolio of derivative contracts concluded with customers placed in the Bank's lowest rating categories. The market value of the portfolio was a gross amount of DKK 1.5bn at end-2011 and DKK 1.3bn after netting of collateral and receivables.

In the statutory determination of capital, Nykredit Bank applies the market value method to calculate counterparty risk. In Nykredit's opinion, this method underestimates the potential future exposure to long-term interest rate contracts. As a result, a charge of DKK 0.5bn for fixed-rate swaps has been included in the determination of the Bank's internal capital adequacy requirement.

Option risk
The Bank's most significant option risk derives from the embedded options in Danish covered bonds, but the Bank's trading in swaptions 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 DKK 2m at end-2011 compared with a loss of DKK 2m in 2010.

LIQUIDITY MANAGEMENT

Liquidity risk is the risk of loss as a result of insufficient liquidity to cover current payment obligations.

The Bank has adapted its liquidity risk management due to its business development and the new Danish Executive Order on the governance and management of banks. Under the new legislation, a liquidity profile must be set out in the Bank's liquidity policy, and the Board of Directors must issue liquidity instructions requiring liquidity stress testing and a liquidity buffer.

Nykredit Bank monitors its balance sheet and liquidity on a day-to-day basis as part of its liquidity risk management. 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. These securities consist mainly of liquid Danish and European government bonds and covered bonds eligible as collateral with Danmarks Nationalbank or other European central banks.

Stress testing is performed on a continuous basis using bank-specific, sector-specific and combination scenarios as prescribed by the Danish Executive Order on the governance and management of banks.

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 2011, the excess cover was 176% against 251% at end-2010, corresponding to a liquidity buffer of DKK 41.2bn compared with DKK 54.7bn at end-2010. In 2011 the liquidity buffer averaged DKK 31.3bn compared with DKK 49.8bn for 2010.

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

The Bank's long-term funding activities progress according to plan, with EMTN issues totalling DKK 14.5bn at 31 December 2011.

Further, the Bank continued its current refinancing of short-term ECP issues, which totalled DKK 11.9bn at 31 December 2011.

The aggregate amount issued under the ECP and EMTN programmes was DKK 26.4bn at 31 December 2011 against DKK 32.2bn at end-2010.

Danmarks Nationalbank introduced new liquidity measures for banks in H2/2011 by expanding the collateral basis to include lending of good quality. Nykredit is positive towards this initiative, but has no plans to make use of the facility due to Nykredit's liquidity position.

OPERATIONAL RISK

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

Nykredit Bank's capital requirement for operational risk is determined using the basic indicator approach. This means that the capital charge is calculated as 15% of average gross earnings. The capital charge for operational risk was DKK 443m at end-2011.

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 costs involved.

Nykredit systematically records and classifies operational loss 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 most significant points of uncertainty as to recognition and measurement are described in more detail in note 1 "Accounting policies" under "Significant accounting estimates and assessments".

IMPAIRMENT LOSSES, LOANS AND ADVANCES

Earnings impact for the period

Compared with 2010, the trend in impairment losses on loans and advances was highly positive, showing a decline from DKK 1,494m in 2010 to DKK 388m. Impairment losses amounted to 0.4% of total loans, advances and guarantees against 1.6% in 2010.

The improvement of DKK 1,106m was primarily achieved in the business area Other Activities, which saw a reduction of DKK 914m from a charge of DKK 832m in 2010, inclusive of Bank Rescue Package I, to a credit of DKK 82m in 2011. The credit quality of the underlying loans, including a defined portfolio of exposures from the former Forstædernes Bank, improved in 2011, allowing a reversal of impairment provisions previously made.

In Retail Banking impairment losses dropped by DKK 148m to DKK 97m.

The impairment level of Corporate Banking was broadly unchanged from 2010, as higher impairment losses on loans and advances were offset by a decline in provisions for guarantees, including Bank Rescue Package I. Corporate Banking saw a slightly rising trend in impairment losses on SMEs in 2011, while corporate customers and other large businesses still required fairly low impairment charges.

The charge for Markets & Asset Management largely resulted from losses on banks in 2011.

Provisions for guarantees dropped from DKK 134m in 2010 to DKK 28m in 2011. This was in part due to the discontinuation of Bank Rescue Package I in 2010 when the charge was DKK 279m.

Individual impairment provisions were a charge of DKK 474m in 2011, whereas collective impairment provisions accounted for a credit of DKK 114m due to reversals. In 2010 individual impairment provisions came to DKK 1,196m, whereas collective impairment provisions were DKK 164m.

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

Provisions at 31 December 2011

Total impairment provisions decreased from DKK 6,143m at end-2010 to DKK 4,294m at end-2011. Of the reduction of DKK 1,849m, DKK 2,109m was recognised as lost, whereas new impairment provisions for the year amounted to DKK 260m net.

The reduction broke down into DKK 1,735m of individual impairment provisions and DKK 114m of collective impairment provisions.

The business area Other Activities accounted for a major part of the reduction from DKK 2,975m at end-2010 to DKK 1,409m at end-2011, equal to a decline of DKK 1,566m, covering loans and advances recognised as lost of about DKK 1,300m and net reversals for the year of almost DKK 300m.

Impairment provisions for Corporate Banking dropped from DKK 2,600m at end-2010 to DKK 2,337m at end-2011, while impairment provisions for Retail Banking reduced from DKK 497m at end-2010 to DKK 449m.

Collective impairment provisions decreased from DKK 422m at end-2010 to DKK 308m. The decline was broad-based across all business areas.

Provisions for guarantees fell from DKK 745m at end-2010 to DKK 114m. This reflected the final settlement of liabilities of DKK 659m relating to Bank Rescue Package I and a minor net increase in provisions of DKK 28m.

Provisions for loan impairment and guarantees as a percentage of loans, advances and guarantees came to 4.8% against 7.3% at end-2010. Excluding guarantees, the percentage was 5.2% against 7.9% at end-2010.

The carrying amount of non-accrual loans came to DKK 1.0bn against DKK 1.5bn at end-2010.

Provisions – the Nykredit Bank Group

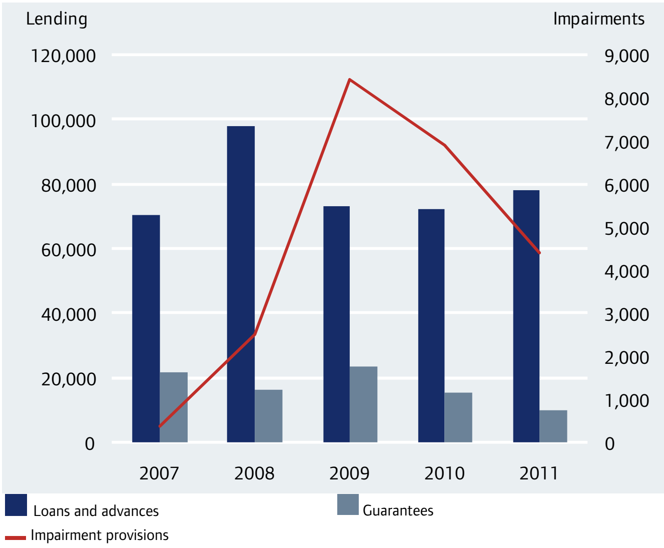
	Retail Banking		Corporate Banking		Markets & Asset Management		Other Activities		Total	
DKK million	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Impairment provisions, beginning of year	497	467	2,600	2,702	71	68	2,975	4,575	6,143	7,812
Impairment provisions and reversals for the year	(48)	30	(263)	(102)	28	3	(1,566)	(1,600)	(1,849)	(1,669)
Impairment provisions, year-end	**449**	**497**	**2,337**	**2,600**	**99**	**71**	**1,409**	**2,975**	**4,294**	**6,143**
Of which individual	379	406	2,134	2,335	91	57	1,382	2,923	3,986	5,721
Of which collective	70	91	203	265	8	14	27	52	308	422
Provisions for guarantees										
Provisions, beginning of year	93	59	337	181	147	87	168	282	745	609
Provisions, year-end	1	93	61	337	-	147	52	168	114	745
Of which relating to Bank Rescue Package I	-	89	-	293	-	147	-	130	-	659
Total provisions	**450**	**590**	**2,398**	**2,937**	**99**	**218**	**1,461**	**3,143**	**4,408**	**6,888**
Earnings impact										
New impairment provisions and losses for the year, net	103	210	341	209	22	10	(93)	937	373	1,366
Received on loans and advances previously provided for	3	2	7	-	3	4	0	-	13	6
Total	**100**	**208**	**334**	**209**	**19**	**6**	**(93)**	**937**	**360**	**1,360**
Provisions for guarantees	(3)	37	20	142	0	60	11	(105)	28	134
Total earnings impact	**97**	**245**	**354**	**351**	**19**	**66**	**(82)**	**832**	**388**	**1,494**

Loans, advances and guarantees by sector

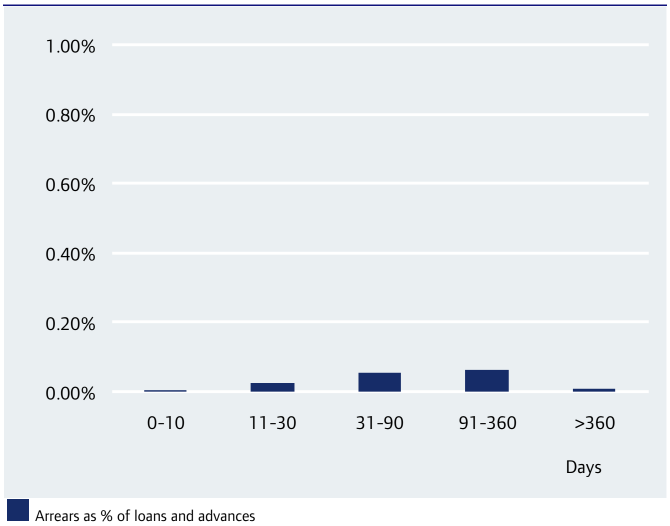
	Loans, advances and guarantees		Provisions	
DKK million	2011	2010	2011	2010
Public sector	**542**	**806**	**0**	**0**
Agriculture, hunting, forestry and fishing	2,448	2,556	120	82
Manufacturing, mining and quarrying	5,652	6,627	105	256
Energy supply	1,306	2,418	33	18
Construction	1,687	1,482	254	285
Trade	2,472	2,235	287	375
Transport, accommodation and food service activities	2,308	1,634	90	61
Information and communication	964	1,443	65	54
Financial and insurance activities	28,656	18,616	935	1,705
Property	14,613	16,739	1,312	1,664
Other trade and industry	7,767	10,350	530	1,481
Total corporate	**67,873**	**64,100**	**3,731**	**5,981**
Retail	19,636	22,311	677	907
Total	**88,051**	**87,217**	**4,408**	**6,888**

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

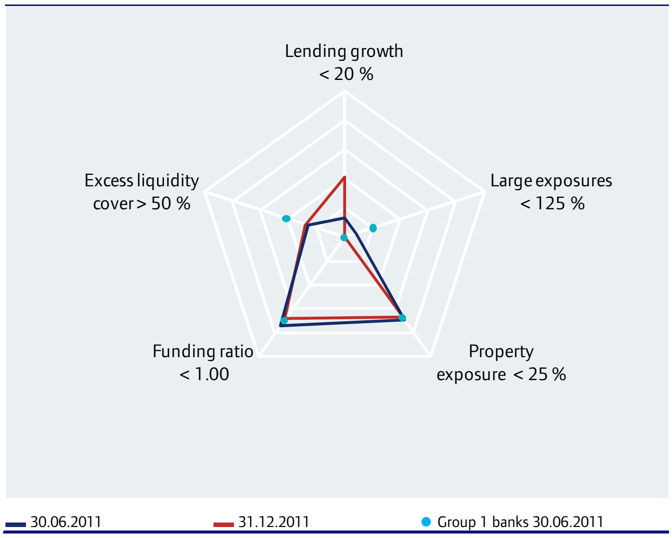
Loans, advances, guarantees and impairment provisions



Accounts overdrawn/in arrears not subject to individual provisioning



The Nykredit Bank Group
Supervisory diamond model



The amounts overdrawn/in arrears for which no impairment provisions had been made were very limited, equal to 0.25% of total lending. This widely concerned a large number of accounts with small overdrafts for which provisioning was not deemed necessary.

Loans, advances and guarantees by sector

The carrying amount of loans, advances and guarantees totalled DKK 88.1bn against DKK 87.2bn at end-2010.

The development chiefly reflected an increase in reverse lending of DKK 9.1bn, a drop in lending at amortised cost of DKK 3.2bn and a reduction in guarantees of DKK 5.1bn.

The Bank's lending growth was 8.2% pursuant to the rules of the Danish Financial Supervisory Authority (FSA), including rules relating to the supervisory diamond model.

The limit values of the supervisory diamond specify when a bank assumes elevated risk from a statistical point of view. The lending limit value shows that growth of 20% or more may imply higher risk. Growth in the Bank's lending of 8.2% is thus significantly below this benchmark. Exclusive of reverse lending, lending growth for the year was negative at 5.4%.

Of total lending, the financial and insurance sector accounted for 32% (2010: 21%), the property sector 16% (2010: 18%) and the retail sector 22% (2010: 26%).

Lending to the financial and insurance sector increased by DKK 10.0bn to DKK 28.7bn, largely an effect of increased reverse lending. The bulk of lending to this sector was generally granted on the basis of repo transactions with bonds serving as collateral.

Lending to the property and construction sectors saw a total reduction from DKK 18.2bn at end-2010 to DKK 16.3bn. Of total lending at end-2011, DKK 13.0bn derived from the rental property sector. At end-2011, impairment provisions for lending to the property sector totalled DKK 1.6bn, equal to 9.8% of total lending, compared with 10.7% at end-2010.

Pursuant to the supervisory diamond model, the Bank's property exposure was 16.8%. In Management's opinion, this exposure is at a satisfactory level, also relative to the Danish FSA's indicative limit of 25%.

Lending to the retail sector went down from DKK 22.3bn to DKK 19.6bn.

Supervisory diamond model for banks

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

As at 31 December 2011, Nykredit Bank was below the limit values prescribed by the FSA. Further, Nykredit Bank was either better or on a level with the other group 1 banks at 30 June 2011 when the FSA published the latest comparative bank figures.

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 89.51% 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 results 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.

Nykredit Bank A/S
Summary income statement

DKK million	2011	2010
Net interest and fee income	3,047	3,453
Value adjustments	(393)	474
Other operating income	8	10
Capacity costs	1,771	2,036
Impairment losses on loans, advances and receivables	346	1,460
Profit from investments in associates and group enterprises	36	65
Profit before tax	**581**	**506**
Tax	148	111
Profit for the year	**433**	**395**

Nykredit Bank A/S
Summary balance sheet

DKK million	2011	2010
Receivables from credit institutions	50,244	29,480
Loans, advances and receivables	77,613	71,728
Bonds and equities	60,915	75,157
Other asset items	43,544	34,048
Total assets	**232,316**	**210,413**
Payables to credit institutions	63,093	48,351
Deposits and other payables	57,660	55,822
Issued bonds at amortised cost	26,137	32,848
Other non-derivative financial instruments at fair value	27,308	25,679
Other liability items and provisions	43,666	33,131
Subordinated debt	250	813
Equity	14,202	13,769

Nykredit Bank A/S
Financial ratios

DKK million	2011	2010
Total capital ratio, %	19.1	15.7
Tier 1 capital ratio, %	19.1	15.0
Return on equity before tax, %	4.3	3.9
Return on equity after tax, %	3.1	3.0
Income:cost ratio	1.26	1.14
Number of full-time staff (avg)	698	744

Income statement

Nykredit Bank A/S recorded a profit of DKK 433m for 2011, up DKK 38m from DKK 395m for 2010. This increase was mainly driven by significantly lower impairments combined with a general drop in income.

Interest and fee income netted DKK 3,047m in 2011 compared with DKK 3,453m in 2010, while negative value adjustments came to DKK 393m compared with positive value adjustments of DKK 474m in 2010.

Overall, income fell back by DKK 1,273m compared with 2010, largely due to market value adjustment of derivatives of DKK 632m, losses on the winding-up of three domestic banks and lower investment portfolio income from securities. Another contributory factor was the considerably lower activity in Nykredit Markets and Treasury than in the preceding year.

Other operating income stood at DKK 8m against DKK 10m in 2010.

Costs declined from DKK 2,036m in 2010 to DKK 1,771m in 2011, partly prompted by the lapse of commission payable under Bank Rescue Package I, which came to DKK 370m in 2010. The average number of staff decreased by 6% to 698 from 744 in 2010.

Impairment losses on loans and advances came to DKK 346m in 2011 against DKK 1,460m in 2010. Reference is made to the credit risk section of this report.

Profit from equity investments was DKK 36m against DKK 65m in 2010, mainly driven by Dansk Portefølje Administration, posting a profit after tax of DKK 40m, and Nykredit Leasing, recording a loss after tax of DKK 4.0m.

Principal balance sheet items

The balance sheet grew from DKK 210.4bn at end-2010 to DKK 232.3bn.

Cash balance and receivables from credit institutions were up from DKK 29.5bn to DKK 50.2bn.

Loans and advances at fair value rose by DKK 9.1bn, while other loans and advances at amortised cost fell by DKK 3.2bn, substantially as a result of lower corporate lending.

Bonds and equities amounted to DKK 60.9bn at end-2011 against DKK 75.2bn at end-2010. As for the entire Group, the size of the portfolio reflects the Bank's Markets and repo activities and placing of surplus liquidity, of which a substantial part is placed in bonds.

Payables to credit institutions and central banks were DKK 63.1bn against DKK 48.4bn at end-2010. The development in balances with credit institutions and in issued bonds especially reflected the Bank's general ongoing adjustment of liquidity.

Deposits and other payables improved from DKK 55.8bn at end-2010 to DKK 57.7bn, while deposits from repo transactions decreased from DKK 21.0bn to DKK 15.9bn.

Equity

Equity stood at DKK 14,202m against DKK 13,769m at end-2010. Equity for the year increased by profit for the year of DKK 433m.

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2011.

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 2011 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 and Danish disclosure requirements for issuers of listed bonds. The Financial Statements and the Management's Review have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2011 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 2011.

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

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

Copenhagen, 9 February 2012

Executive Board

Bjørn Mortensen

Georg Andersen

Lars Bo Bertram

Board of Directors

Karsten Knudsen, Chairman

Søren Holm, Deputy Chairman

Henrik K. Asmussen*

Olav Brusen Barsøe*

Kim Duus

Allan Kristiansen*

Per Ladegaard

Bente Overgaard

*staff-elected member

INTERNAL AUDITORS' REPORT

Report on the Consolidated Financial Statements and the Financial Statements

We have audited the Consolidated Financial Statements and the Financial Statements of Nykredit Bank A/S for the financial year 1 January – 31 December 2011. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

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

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

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

Our audit has not resulted in any qualification.

Opinion

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

Furthermore, in our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2011 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2011 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Financial Statements.

Statement on the Management's Review

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

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

Copenhagen, 9 February 2012

Claus Okholm	Kim Stormly Hansen
Chief Audit Executive	Deputy Chief Audit Executive

INDEPENDENT AUDITORS' REPORT

To the shareholder of Nykredit Bank A/S

Report on the Consolidated Financial Statements and the Financial Statements

We have audited the Consolidated Financial Statements and the Financial Statements of Nykredit Bank A/S for the financial year 1 January – 31 December 2011, comprising income statements, statements of comprehensive income, balance sheets, statement of changes in equity, cash flow statements and notes, including accounting policies. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

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

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

Auditors' responsibilities

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2011 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2011 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Financial Statements.

Statement on the Management's Review

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

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

Copenhagen, 9 February 2012

Deloitte
Statsautoriseret Revisionspartnerselskab

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 2010	2011		note	The Nykredit Bank Group 2011	2010
4,440	4,280	Interest income	3	4,351	4,495
1,604	1,776	Interest expenses	4	1,768	1,597
2,836	**2,504**	**NET INTEREST INCOME**		**2,583**	**2,898**
3	4	Dividend on equities	5	4	3
1,102	1,021	Fee and commission income	6	1,233	1,276
488	482	Fee and commission expenses	7	563	553
3,453	**3,047**	**NET INTEREST AND FEE INCOME**		**3,257**	**3,624**
474	(393)	Value adjustments	8	(395)	473
10	8	Other operating income		34	35
1,648	1,664	Staff and administrative expenses	9	1,800	1,759
12	4	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	10	4	13
376	103	Other operating expenses		111	379
1,460	346	Impairment losses on loans, advances and receivables	11	388	1,494
65	36	Profit from investments in associates and group enterprises	12	-	30
506	**581**	**PROFIT BEFORE TAX**		**593**	**517**
111	148	Tax	13	160	122
395	**433**	**PROFIT FOR THE YEAR**		**433**	**395**
		DISTRIBUTION OF PROFIT FOR THE YEAR			
395	433	Profit for the year		433	395
395	**433**	**TOTAL**		**433**	**395**
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT			
395	433	Retained earnings		433	395
395	**433**	**TOTAL**		**433**	**395**
		STATEMENTS OF COMPREHENSIVE INCOME			
395	**433**	**PROFIT FOR THE YEAR**		**433**	**395**
0	-	Other additions and disposals		-	0
0	**-**	**OTHER COMPREHENSIVE INCOME**		**-**	**0**
395	**433**	**COMPREHENSIVE INCOME FOR THE YEAR**		**433**	**395**

Balance sheets at 31 December

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		note	The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		ASSETS			
113	2,544	Cash balance and demand deposits with central banks	15	2,544	113
29,367	47,700	Receivables from credit institutions and central banks	16	47,700	29,367
12,920	22,007	Loans, advances and other receivables at fair value	17	22,007	12,920
58,808	55,606	Loans, advances and other receivables at amortised cost	18,11	55,901	59,072
74,826	60,501	Bonds at fair value	19	60,648	74,934
331	414	Equities	20	415	332
0	0	Investments in associates	21	-	-
346	354	Investments in group enterprises	21	-	-
9	27	Intangible assets	22	27	9
68	**-**	**Total land and buildings**	23	**-**	**68**
68	-	- Investment properties		-	68
4	18	Other property, plant and equipment	24	19	6
185	0	Current tax assets	32	0	187
64	115	Deferred tax assets	32	61	27
91	55	Assets in temporary possession	25	55	91
33,277	42,963	Other assets	26	42,972	33,286
4	12	Prepayments		19	10
210,413	**232,316**	**TOTAL ASSETS**		**232,368**	**210,422**

Balance sheets at 31 December

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		note	The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		LIABILITIES AND EQUITY			
48,351	63,093	Payables to credit institutions and central banks	27	63,093	48,351
55,822	57,660	Deposits and other payables	28	57,551	55,699
32,848	26,137	Issued bonds at amortised cost	29	26,137	32,848
25,679	27,308	Other non-derivative financial liabilities at fair value	30	27,308	25,679
0	77	Current tax liabilities	32	70	0
0	22	Liabilities temporarily assumed		22	0
32,283	43,333	Other liabilities	31	43,497	32,411
1	1	Deferred income		5	5
194,984	**217,631**	**TOTAL PAYABLES**		**217,683**	**194,993**
		Provisions			
0	0	Provisions for deferred tax	32	0	0
745	114	Provisions for losses under guarantees	33	114	745
102	119	Other provisions	33	119	102
847	**233**	**TOTAL PROVISIONS**		**233**	**847**
813	250	Subordinated debt	34	250	813
		Equity			
6,045	6,045	Share capital		6,045	6,045
-	-	Revaluation reserves		-	-
		Other reserves			
34	70	Statutory reserves		-	-
7,690	8,087	Retained earnings		8,157	7,724
13,769	**14,202**	**TOTAL EQUITY**		**14,202**	**13,769**
210,413	**232,316**	**TOTAL LIABILITIES AND EQUITY**		**232,368**	**210,422**
		Off-balance sheet items			
15,224	10,142	Contingent liabilities	35	10,142	15,225
6,937	6,672	Other commitments	36	6,842	7,012
		Accounting policies	1		
		Business areas	2,14		
		Related parties	37		
		Financial instruments	38		
		Derivative financial instruments	39		
		Unsettled spot transactions	40		
		Credit, foreign exchange, equity price and interest rate exposures	41		
		IFRS disclosure requirements (reference to Management's Review)	42		
		Hedging interest rate risk	43		
		Genuine sale (purchase) and repurchase/resale transactions	44		
		Other contingent liabilities	45		
		Group structure	46		
		The Nykredit Bank Group 2007-2011	47		
		Nykredit Bank A/S 2007-2011	48		
		The Nykredit Bank Group – eight quarters	49		

Statement of changes in equity

DKK million

Nykredit Bank A/S

EQUITY, 31 DECEMBER 2011	Share capital	Statutory reserves	Statutory reserves and revaluation reserves	Retained earnings	Total
End of previous financial year	6,045	34	-	7,690	13,769
Total	**6,045**	**34**	**-**	**7,690**	**13,769**
Comprehensive income:					
Profit for the year		36		397	433
Total comprehensive income	**-**	**36**	**-**	**397**	**433**
Total changes in equity	**-**	**36**	**-**	**397**	**433**
Equity, 31 December 2011	**6,045**	**70**	**-**	**8,087**	**14,202**
EQUITY, 31 DECEMBER 2010					
End of previous financial year, Nykredit Bank	4,175			6,052	10,227
End of previous financial year, Forstædernes Bank	1,370		1	776	2,147
Total	**5,545**	**-**	**1**	**6,828**	**12,374**
Comprehensive income:					
Transfer			(1)	1	0
Profit for the year		34		361	395
Total comprehensive income	**-**	**34**	**(1)**	**362**	**395**
Capital increase	500			500	1,000
Total changes in equity	**500**	**34**	**(1)**	**862**	**1,395**
Equity, 31 December 2010	**6,045**	**34**	**0**	**7,690**	**13,769**

Statement of changes in equity

DKK million

The Nykredit Bank Group

EQUITY, 31 December 2011	Share capital *	Statutory reserves and re-valuation reserves: Revaluation of property	Retained earnings	Total
End of previous financial year	6,045	-	7,724	13,769
Total	**6,045**	**-**	**7,724**	**13,769**
Comprehensive income:				
Profit for the year			433	433
Total comprehensive income	**-**	**-**	**433**	**433**
Total changes in equity	**-**	**-**	**433**	**433**
Equity, 31 December 2011	**6,045**	**-**	**8,157**	**14,202**
EQUITY, 31 DECEMBER 2010				
End of previous financial year, Nykredit Bank	4,175	0	6,052	10,227
End of previous financial year, Forstædernes Bank	1,370	1	776	2,147
Total	**5,545**	**1**	**6,828**	**12,374**
Comprehensive income:				
Transfer		(1)	1	0
Profit for the year			395	395
Total comprehensive income	**-**	**(1)**	**396**	**395**
Capital increase	500		500	1,000
Total changes in equity	**500**	**(1)**	**896**	**1,395**
Equity, 31 December 2010	**6,045**	**-**	**7,724**	**13,769**

* 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, Denmark.

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, Denmark, which owns 89.51% of Nykredit Realkredit A/S. The financial statements [in Danish] of Foreningen Nykredit may be obtained from the company.

Capital adequacy and Tier 1 capital

DKK million

	31.12.2011	31.12 2010
Nykredit Bank A/S		
Share capital	6,045	6,045
Reserves	70	34
Retained earnings	8,087	7,690
Total core Tier 1 capital	**14,202**	**13,769**
Hybrid capital	250	239
Primary and other statutory deductions from Tier 1 capital	255	158
Tier 1 capital after statutory deductions	**14,197**	**13,850**
Supplementary capital, subordinate loan capital	-	574
Difference between expected losses and impairments for accounting purposes (supplementary capital charge)	-	149
Primary and other statutory deductions	-	85
Capital base after statutory deductions	**14,197**	**14,488**
Weighted items involving credit, counterparty and delivery risk	58,558	80,102
Weighted items involving market risk	10,337	8,050
Weighted items involving operational risk	5,261	3,902
Total weighted items	**74,156**	**92,054**
Total capital ratio, %	19,1	15,7
Tier 1 capital ratio, %	19,1	15,0
The Nykredit Bank Group		
Share capital	6,045	6,045
Retained earnings	8,157	7,724
Total core Tier 1 capital	**14,202**	**13,769**
Hybrid capital	250	239
Primary and other statutory deductions from Tier 1 capital	193	118
Tier 1 capital after statutory deductions	**14,259**	**13,890**
Supplementary capital, subordinate loan capital	-	574
Difference between expected losses and impairments for accounting purposes (supplementary capital charge)	-	149
Primary and other statutory deductions	-	80
Capital base after statutory deductions	**14,259**	**14,533**
Weighted items involving credit, counterparty and delivery risk	57,940	79,406
Weighted items involving market risk	10,338	8,050
Weighted items involving operational risk	5,533	4,126
Total weighted items	**73,811**	**91,582**
Total capital ratio, %	19.3	15.9
Tier 1 capital ratio, %	19.3	15.2

Cash flow statement 1 January – 31 December

DKK million

	The Nykredit Bank Group	
	2011	2010
Profit after tax for the year	433	395
Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions		
Depreciation and impairment losses for property, plant and equipment	4	13
Other non-cash changes	0	(30)
Impairment losses on loans, advances and receivables	401	1,500
Tax calculated on profit for the year	160	122
Total	**565**	**1,605**
Profit for the year adjusted for non-cash operating items	**998**	**2,000**
Change in working capital		
Loans, advances and other receivables	(6,215)	(377)
Deposits and other payables	1,848	(9,725)
Payables to credit institutions and central banks	14,082	(8,392)
Bonds at fair value	14,543	(8,744)
Equities	(83)	386
Other working capital	2,560	20,870
Total	**26,735**	**(5,982)**
Corporation tax paid, net	(64)	(1,247)
Cash flows from operating activities	**27,669**	**(5,229)**
Cash flows from investing activities		
Property, plant and equipment	52	43
Acquisition of subsidiary	(19)	-
Total	**33**	**43**
Cash flows from financing activities		
Capital increase	0	1,000
Subordinated debt	(563)	(363)
Issued bonds	(7,025)	(12,577)
Total	**(7,588)**	**(11,940)**
Total cash flows	**20,114**	**(17,126)**
Cash and cash equivalents, beginning of year	29,480	46,361
Foreign currency translation adjustment of cash	650	245
Cash and cash equivalents, year-end	**50,244**	**29,480**
Cash and cash equivalents, year-end		
Specification of cash and cash equivalents, year-end:		
Cash balance and demand deposits with central banks	2,544	113
Receivables from credit institutions and central banks	47,700	29,367
Cash and cash equivalents, year-end	**50,244**	**29,480**

Core earnings and investment portfolio income

DKK million

The Nykredit Bank Group

	2011			2010		
1 January – 31 December	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	2,429	154	2,583	2,839	59	2,898
Dividend on equities	4		4	2	1	3
Fee and commission income, net	672	(2)	670	725	(2)	723
Net interest and fee income	**3,105**	**152**	**3,257**	**3,566**	**58**	**3,624**
Value adjustments	(89)	(306)	(395)	308	165	473
Other operating income	34		34	35		35
Staff and administrative expenses	1,800		1,800	1,759		1,759
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	4		4	13		13
Other operating expenses	111		111	379		379
Impairment losses on loans and advances	388		388	1,494		1,494
Profit from investments in associates and group enterprises	-		-	30		30
Profit (loss) before tax	**747**	**(154)**	**593**	**294**	**223**	**517**

Notes

DKK million

The Nykredit Bank Group

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.

Changes to accounting presentation

The presentation of the segment financial statements and the statement of core earnings and investment portfolio income has been modified due to a change made to internal management reporting. In the segment financial statements, earnings related to the portfolio of Kalvebod issues have been transferred from the business area Markets & Asset Management to Group items. In the statement of core earnings and investment portfolio income, earnings related to the portfolio of Kalvebod issues have been transferred from "Core income from business operations" to "Investment portfolio income". In 2011 a loss on the investment portfolio income of DKK 190m was recognised against income of DKK 57m in 2010. Comparative figures have been restated. The modification does not affect the results, comprehensive income, balance sheet or equity. The portfolio of Kalvebod issues was sold to Nykredit Realkredit A/S in 2011.

In all other respects, the accounting policies are unchanged compared with the Annual Report for 2010.

New and amended standards and interpretations

Implementation of new or amended standards and interpretations in force and effective for financial years beginning 1 January 2011:

Improvements to IFRS 2010 (minor amendments to IFRS as a result of the IASB's annual improvements)

IAS 24 "Related Party Disclosures " (amendment to standard)

IAS 32 "Financial Instruments: Presentation" (amendment to standard)

IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC 19 "Extinguishing Financial Liabilities with Equity".

The implementation has had no impact on earnings for the year, comprehensive income, 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.

IAS 19 "Employee Benefits" (specification of standard) (not approved for use in the EU) (expected to be effective from 1 January 2013).

IAS 1 "Presentation of Financial Statements" (specification of standard) (not approved for use in the EU) (expected to be effective from 1 July 2012).

IAS 12 "Income Taxes" (specification of standard) (not approved for use in the EU) (expected to be effective from 1 January 2012).

IFRS 7 "Financial Instruments: Disclosures" (specification of standard) (approved for use in the EU) (applicable for financial years commencing after 1 July 2011).

IFRS 7 "Financial Instruments: Disclosures" (specification of standard) (not approved for use in the EU) (expected to be effective from 1 January 2013).

IAS 28 "Investments in Associates" (amendment to standard) (not approved for use in the EU) (expected to be effective from 1 January 2013).

IAS 27 "Separate Financial Statements" (amendment to standard) (not approved for use in the EU) (expected to be effective from 1 January 2013).

IFRS 13 "Fair Value Measurement" (new standard) (not approved for use in the EU) (expected to be effective from 1 January 2013).

IFRS 12 "Disclosure of Interests in Other Entities" (new standard) (not approved for use in the EU) (expected to be effective from 1 January 2013).

IFRS 11 "Joint Arrangements" (new standard) (not approved for use in the EU) (expected to be effective from 1 January 2013).

IFRS 10 "Consolidated Financial Statements" (new standard) (not approved for use in the EU) (expected to be effective from 1 January 2013).

IAS 32 "Financial Instruments: Presentation" (specification of standard) (not approved for use in the EU) (expected to be effective from 1 January 2014).

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 financial years beginning on or after 1 January 2015.

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 and assessments
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 high 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 fair value measurement. Note 38 further specifies the methods applied to determine the carrying amounts and the related specific uncertainties.

The fair value measurement 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 represented about 33% of assets and 21% of liabilities.

Measurement of loans – impairments
Provisions for loan impairment involve 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 is 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 under Provisions for loan and receivable impairment below for a detailed description.

Lending made up some 33% of the Group's assets at end-2011.

Provisions
"Provisions for losses under guarantees" and "Other provisions" are recognised in "Provisions".

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. Conversely, "Other provisions" are based on a legal or constructive obligation involving a significant estimate of the determination of amounts considered necessary to honour the obligation. Part of the provisions are attributable to the government guarantee scheme (2010) and the Danish Guarantee Fund for Depositors and Investors (2011) where estimates and uncertainty are primarily based on a general expectation of losses inflicted on the schemes by the distressed banks. Provisions for losses under guarantees and other provisions totalled DKK 218m at end-2011.

Recognition and classification of financial instruments
Financial instruments represented more than 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 in the balance sheet as financial assets or liabilities and as value adjustments in the income statement.

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

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

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 reliable view of the fair value of the instruments.

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)
- Financial assets and liabilities at fair value through profit or loss (the fair value option).

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, provisions for loan impairment and other accounting adjustments, including any transaction costs. Capital gains and losses as well as transaction costs are distributed over the life of the asset or liability.

Financial assets and liabilities at fair value through profit or loss (held for trading)
A financial asset/liability is classified as "held for trading" if:
- it was 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 classified as financial assets held for trading unless classified as hedges for hedge accounting purposes.

Financial assets and liabilities at fair value through profit or loss (the fair value option)
On initial recognition, a financial asset/liability is classified at fair value (the fair value option) if:
- a group of financial assets/liabilities is under management, and earnings are assessed by Nykredit 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 as value adjustments through profit or loss for the period in which they arose.

RECOGNITION AND MEASUREMENT IN GENERAL

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 the Group, and if the value of the liability can be measured reliably.

Income is recognised in the income statement as earned. Furthermore, value adjustment of financial assets and liabilities measured at fair value or amortised cost is recognised through profit or loss or in 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 as such for the period in which they arose. Positive and negative fair values of derivative financial instruments are recognised in "Other assets" or "Other liabilities".

The fair values of derivative financial instruments are determined using generally accepted measurement methods based on market information and other generally accepted 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 that are classified and qualify as fair value hedges of a recognised asset or liability are recorded in the income statement together with changes in the value of the hedged asset or liability that are attributable to the hedged risk.

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

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

Netting
Financial assets and liabilities are offset and presented as a net amount when the Group has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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. The financial statements applied for the consolidation have been prepared in accordance with the Group's accounting policies. 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.

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, which is when the acquiring party obtains control over the acquired enterprises' financial and operational decisions.

Identifiable assets, liabilities and contingent assets and 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 values 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 in "Intangible assets". Subsequent measurement of goodwill is described under Intangible assets below. Any negative balances (badwill) are recognised in "Other operating income" through profit or loss.

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

The value adjustment of derivatives and corporate bonds is recognised as a separate item showing the effect of a fair value adjustment. Note 38 further specifies the methods applied to determine the value adjustment.

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, ie 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. Indirect allocation is based on internal allocation keys as well as agreements between the individual business areas.

Items not directly or indirectly attributed to any business area are included in group items.

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 in 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 area 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 assets and liabilities are recognised in the income statement as part of the fair value gain or loss.

The financial statements of independent foreign entities 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 will be impaired 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 any one asset, 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 appropriate principal balance sheet item, eg "Bonds at fair value".

Loans and advances arisen as part of genuine purchase and resale transactions are recognised in "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 in "Payables to credit institutions and central banks" or "Other non-derivative financial liabilities at fair value", depending on the counterparty.

The receivables are fair value adjusted over the life of the agreements through profit or loss.

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 "Other non-derivative financial liabilities at fair value".

Repo/reverse transactions are recognised and measured at fair value and the return is recognised as interest income and interest expenses through profit or loss.

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 in "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 in "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 in "Value adjustments" in profit or loss.

Lease payments received are recognised as income in "Other operating income" on an ongoing basis.

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 the cost differs from the redemption price.

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

Interest expenses 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 in "Impairment losses on loans, advances and receivables".

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

Other operating income
Other operating income comprises other operating income not attributable to other income statement items, including lease income.

Staff and administrative expenses
Staff expenses include wages and salaries as well as social security costs, pensions etc. Jubilee benefit and redundancy payment obligations are recognised successively.

Other operating expenses
Other operating expenses comprise other operating expenses not attributable to other income statement items, including commission payable under the government guarantee scheme (2010) and payment to the Danish Guarantee Fund for Depositors and Investors (2011).

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". Adjustments relating to entries recognised directly in "Equity" or "Other comprehensive income" are recognised accordingly.

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 in "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 bases 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 properties 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 or the settlement of each liability. Deferred tax is measured using the tax rates expected to apply to temporary differences upon reversal and the tax rules prevailing on the balance sheet date or existing tax rules.

Deferred tax assets, including the tax base 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 Nykredit 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 among the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to offset. Deferred tax assets and deferred tax liabilities are offset when there is a legal right to offset.

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 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 loan, individual impairment provisions are made for the loan, 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.

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

The rating model determines impairment based on credit quality migration as a result of the development in adjusted Basel parameters. The segmentation model supplements the rating model by adjusting the Basel parameters for events resulting from changes in the economic climate not yet reflected in the rating model. Management judgements supplement the models by including current expert opinions and expectations for the credit risk development of specific segments.

Having been adjusted to the current economic climate and accounting rules, the Basel parameters applied in the rating and segmentation models are based on cash flows until expiry of loan terms and the discounted present value of loss flows.

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 in "Impairment losses on loans, advances and receivables".

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

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 or generally accepted measurement methods.

If no objective prices from recent trades in unlisted equities are available, these equities are measured at fair value using generally accepted measurement methods of unlisted equities.

The Group's 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 "Value adjustments" in the income statement.

Intangible assets
Goodwill
Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises. 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 when determining 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 in "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 of an asset starts when it is ready for entry into service and 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 in "Other operating income" or "Other operating expenses".

Assets in temporary possession

Assets in temporary possession include repossessed properties 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 "Impairment losses on loans, advances and receivables" in the income statement.

Other assets

Other assets include interest receivable and positive fair values of derivative financial instruments.

Prepayments

Prepayments include prepaid costs.

LIABILITIES AND EQUITY

Payables

Payables to credit institutions and central banks as well as 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 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, the bonds will be value adjusted as regards 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.

Deferred income

Deferred income includes payments received concerning income earned in subsequent years.

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 if effective hedge accounting has been established.

Equity
Share capital
Shares are classified as equity where there is no obligation to transfer cash or other assets.

Retained earnings
Retained earnings comprise 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 consolidated 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 "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 in "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 equity and recorded as "Statutory reserves" (net revaluation according to the equity method). The reserves are adjusted for the distribution of dividend to the Parent Company and for other changes in the equity of subsidiaries.

The IFRS do not allow the equity method 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 **2011**	**Retail Banking**	**Corporate Banking**	**Markets & Asset Management**	**Other Activities**	**Group items [1] and eliminations**	**Total**
Core income from business operations	758	1,423	1,249	74	2	3,506
Value adjustment of derivatives and corporate bonds	-	(312)	(321)	1	-	(632)
Core income from securities	-	-	-	-	175	175
Total core income *	**758**	**1,111**	**928**	**75**	**177**	**3,049**
Operating costs	388	572	843	24	(17)	1,810
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	-	1	3	-	-	4
Payment to the Guarantee Fund for Depositors and Investors [4]	-	-	-	-	100	100
Core earnings before impairment losses	**370**	**538**	**82**	**51**	**94**	**1,135**
Impairment losses on loans and advances	97	354	19	(82)		388
Core earnings after impairment losses	**273**	**184**	**63**	**133**	**94**	**747**
Investment portfolio income [2]	-	-	-	-	(154)	(154)
Profit (loss) before tax	**273**	**184**	**63**	**133**	**(60)**	**593**
* Of which transactions between business areas	137	(40)	(66)	(31)	-	0
Income:costs	1.6	1.2	1.1	-	-	1.3
Average allocated business capital [3]	1,215	3,199	1,996	250	2,309	8,969
Core earnings after impairment losses as % of allocated capital (pa)	22.5	5.8	3.2	53.2	-	8.3

2010	**Retail Banking**	**Corporate Banking**	**Markets & Asset Management**	**Other Activities**	**Group items [1] and eliminations**	**Total**
Core income from business operations	820	1,257	1,637	116	-	3,830
Value adjustment of derivatives and corporate bonds	-	15	(61)	(1)	-	(47)
Core income from securities	-	-	-	-	126	126
Total core income *	**820**	**1,272**	**1,576**	**115**	**126**	**3,909**
Operating costs	436	496	801	36	-	1,769
Depreciation, amortisation 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**	**674**	**42**	**126**	**1,788**
Impairment losses on loans and advances	207	227	4	777	-	1,215
Provisions for Bank Rescue Package I	38	124	62	55	-	279
Core earnings after impairment losses	**84**	**266**	**608**	**(790)**	**126**	**294**
Investment portfolio income [2]					223	223
Profit (loss) before tax	**84**	**266**	**608**	**(790)**	**349**	**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	5,786	1,492	563	168	9,300
Core earnings after impairment losses as % of allocated capital (pa)	6.5	4.6	40.8	(140.3)	-	3.2

Compared with previous periods, value adjustment of a number of derivatives and corporate bonds is recognised separately below core income. The adjustment does not affect the results of the individual business areas. The adjustment is an integral part of the fair value measurement for accounting purposes of the relevant financial instruments and is recognised in "Value adjustments" in the income statement.

[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 costs.

[2] Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest. As from 2011, the Kalvebod issues are included in Group items. In previous financial years, the item was included in the core income of Markets & Asset Management. Comparative figures for 2010 have been restated. Of the loss on the investment portfolio of DKK 154m in 2011, a loss of about DKK 190m was attributable to the Kalvebod issues compared with an income of DKK 57m in 2010. The Bank's portfolio was sold to Nykredit Realkredit A/S in 2011.

[3] The business capital has been determined according to the Basel II principles based on the method applied to determine the required capital base. The business capital of Corporate Banking for 2010 has been adjusted from DKK 15,087m to DKK 5,786m.

[4] Payment to the Guarantee Fund for Depositors and Investors relating to the bankruptcies of Amagerbanken and Fjordbank Mors has been estimated at DKK 85m. Costs related to Max Bank A/S have been estimated at DKK 15m. Total costs also include adjustment of a provision made in 2010 regarding CapiNordic.

Notes

DKK million

The Nykredit Bank Group

2. BUSINESS AREAS (continued)

BALANCE SHEET

2011	Retail Banking	Corporate Banking	Markets & Asset Management	Other Activities	Group items [1] and eliminations	Total
ASSETS						
Receivables from credit institutions and central banks	-	-	50,244	-	-	50,244
Loans and advances at fair value	-	-	22,007	-	-	22,007
Loans and advances at amortised cost	15,773	37,846	-	2,282	-	55,901
Bonds, mortgages and equities	-	1,259	59,579	87	138	61,063
Property, equipment and intangible assets	9	6	31	-	-	46
Other assets	3	20	37,480	32	5,572	43,107
Total assets	**15,785**	**39,131**	**169,341**	**2,401**	**5,710**	**232,368**
LIABILITIES AND EQUITY						
Payables to credit institutions and central banks	-	-	63,093	-	-	63,093
Deposits and other payables	19,190	31,818	6,228	315	-	57,551
Non-derivative financial liabilities at fair value	-	-	27,308	-	-	27,308
Issued bonds	-	-	26,137	-	-	26,137
Other payables and provisions	-	-	36,547	-	7,280	43,827
Subordinated debt	-	-	-	-	250	250
Equity	-	-	-	-	14,202	14,202
Total liabilities and equity	**19,190**	**31,818**	**159,313**	**315**	**21,732**	**232,368**
Associates and group enterprises have been included in the business areas as follows:						
- Profit (loss)	0	(4)	40	-	0	36
- Investment (equity value)	12	144	194	-	4	354
Off-balance sheet items (guarantees)	4,943	10,351	1,214	476	-	16,984
Investments in property, plant and equipment as well as intangible assets	-	-	-	-	-	-

2010	Retail Banking	Corporate Banking	Markets & Asset Management	Other Activities	Group items [1] and eliminations	Total
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	72,318	-	1,523	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**	**145,383**	**2,816**	**4,370**	**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	0	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	-	-	-	-	-	-

[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.

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		3. INTEREST INCOME		
176	129	Receivables from credit institutions and central banks	129	176
2,598	2,816	Loans, advances and other receivables	2,881	2,649
1,919	1,523	Bonds	1,526	1,920
(288)	(196)	Total derivative financial instruments	(196)	(288)
		Of which:		
(59)	(78)	- Foreign exchange contracts	(78)	(59)
(222)	(106)	- Interest rate contracts	(106)	(222)
(7)	(12)	- Equity contracts	(12)	(7)
35	8	Other interest income	11	38
4,440	**4,280**	**Total**	**4,351**	**4,495**
		Of which interest income from genuine purchase and resale transactions entered as		
90	65	Receivables from credit institutions and central banks	65	90
88	176	Loans, advances and other receivables at fair value	176	88
		Of total interest income		
2,596	2,704	Interest income accrued on financial assets measured at amortised cost	2,769	2,647
		Interest income accrued on individually impaired loans and advances totals DKK 136m (2010: DKK 155m). The Bank suspends addition of interest on individually impaired loans and advances to a significant extent. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairment.		
150	136	Interest income accrued on fixed-rate loans and advances	136	150
0	0	Interest income from finance leases	123	106
		4. INTEREST EXPENSES		
263	272	Credit institutions and central banks	272	263
805	957	Deposits and other payables	949	798
500	503	Issued bonds	503	500
36	44	Subordinated debt	44	36
0	0	Other interest expenses	0	0
1,604	**1,776**	**Total**	**1,768**	**1,597**
		Of which interest expenses for genuine sale and repurchase transactions entered as		
77	117	Payables to credit institutions and central banks	117	77
73	162	Deposits and other payables (non-derivative financial liabilities at fair value)	162	73
		Issued bonds		
5	6	Offset interest from the Bank's portfolio of self-issued bonds	6	5
		Of total interest expenses		
1,454	1,497	Interest expenses accrued on financial liabilities measured at amortised cost	1,489	1,447
		5. DIVIDEND ON EQUITIES		
3	4	Dividend on equities	4	3
3	**4**	**Total**	**4**	**3**

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		6. FEE AND COMMISSION INCOME		
172	158	Securities trading and custody accounts	554	500
44	38	Payment services	38	44
30	20	Loan fees	27	37
159	88	Guarantee commissions	88	159
697	717	Other fees and commissions	526	536
1,102	**1,021**	**Total**	**1,233**	**1,276**
		Of which:		
129	120	Fees relating to financial instruments not measured at fair value	134	142
666	744	Fees relating to asset management activities and other fiduciary activities	947	835
		Certain fees that form an integral part of the effective interest rate of an underlying loan measured at amortised cost have been presented in "Interest income".		
		7. FEE AND COMMISSION EXPENSES		
488	**482**	**Total**	**563**	**553**
		Of which		
209	224	Fees relating to financial instruments not measured at fair value	238	221
142	134	Fees relating to asset management activities and other fiduciary activities	194	191
		8. VALUE ADJUSTMENTS		
0	2	Other loans, advances and receivables at fair value	2	0
(290)	(141)	Bonds	(142)	(290)
119	75	Equities	75	118
(1)	(1)	Investment properties	(1)	(1)
82	27	Foreign exchange	26	82
564	(355)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(355)	564
0	0	Other assets	0	0
0	0	Other liabilities	0	0
474	**(393)**	**Total**	**(395)**	**473**
		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		
(1)	(1)	Fair value hedging	(1)	(1)

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		9. STAFF AND ADMINISTRATIVE EXPENSES		
10	14	Remuneration of Board of Directors/Executive Board	14	10
729	674	Staff expenses	755	796
909	976	Administrative expenses	1,031	953
1,648	**1,664**	**Total**	**1,800**	**1,759**
		Remuneration of Board of Directors and Executive Board		
		Board of Directors		
		Remuneration		
		The three staff-elected board representatives each receive annual remuneration of DKK 60,000. No additional remuneration is paid to the Board of Directors except for a refund of any costs relating to board meetings.		
		Executive Board		
10	14	Salaries	14	10
10	**14**	**Total**	**14**	**10**
		Of which:		
1	4	Bonus payments for the financial years 2010 and 2009	4	1
-	2	Bonus provisions for the financial year 2011	2	-
		Remuneration of Executive Board		
		Fixed salaries and remuneration paid during the financial year		
4	4	Bjørn Mortensen	4	4
3	4	Lars Bo Bertram	4	3
3	4	Georg Andersen	4	3

The Executive Board receive a fixed salary covering all directorships and executive positions in the Nykredit Bank Group. In addition to their fixed salaries, members of the Executive Board may opt for a company car. The taxable value of a company car was DKK 0.1m (2010: DKK 0.1m).

No changes were made to the composition of the Executive Board in 2011.

Variable remuneration

The Bank's Executive Board participate in Nykredit's general bonus programme for executives. The programme is discretionary, which means that executives are not guaranteed a bonus.

The bonus awarded to executives amounts to a maximum of six months' salary. Of the bonus amount, the disbursement of at least 40% is deferred over four years, and a minimum of 50% of the bonus is disbursed as remuneration bonds.

Notes

DKK million

Nykredit Bank A/S 2010	2011		The Nykredit Bank Group 2011	2010
		9. STAFF AND ADMINISTRATIVE EXPENSES (continued)		
		Other information		
		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 nine months' gross salary.		
		Loans, charges or guarantees granted to the members of		
0	0	Executive Board	0	0
0	1	Board of Directors	1	0
9	12	Management of the Bank's Parent Company [1]	12	9
		Deposits from the members of		
1	2	Executive Board	2	1
5	5	Board of Directors	5	5
56	26	Management of the Bank's Parent Company [1]	26	56
		Balances with the above members of the Bank's Management and their related parties carry interest on an arm's length basis.		
		[1] Including balances with related parties and companies. From the financial year 2011, only balances with companies etc in which individual members of Management have control are included. Previously, also companies in which individual members of Management had significant influence were included. Comparative figures have been restated. DKK 6m of total lending was secured by way of legal charge in 2011.		
		Transactions with related parties are subject to ordinary business terms and market-based interest terms. The lending rate for members of the Bank's Executive Board or Board of Directors ranges between 2.5% and 3.0% (2010: 2.5% and 8.5%), and the deposit rate ranges between 0.25% and 1.5% (2010: 0.5% and 1.0%).		
		Staff expenses		
612	558	Wages and salaries	628	671
54	52	Pensions (defined contribution plans)	59	59
63	64	Payroll tax and social security expenses	68	66
729	**674**	**Total**	**755**	**796**
		Payroll tax also includes payroll tax relating to the Executive Board.		
		Of which remuneration of staff members whose activities have a significant influence on the Bank's risk profile (significant risk-takers):		
	6	Fixed salaries	12	
	3	Variable salaries *	4	
	1	Payroll tax	2	
-	**10**	**Total**	**18**	**-**
		* Provisions for the financial year		
		The legal framework governing the selection of significant risk-takers only entered into force in 2011. Therefore, no significant risk-takers were designated in the financial year 2010, and consequently comparative figures are not available.		

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		9. STAFF AND ADMINISTRATIVE EXPENSES (continued)		
		Staff members whose activities have a significant influence on Nykredit Bank's and the Nykredit Bank Group's risk profile include the Executive Board and 30 other staff members. Four of these are on the payroll of Nykredit Bank, five are on the payroll of the Bank's subsidiaries, and 21 are on the payroll of Nykredit Realkredit. The latter 21 staff perform intercompany tasks.		
		These staff members are subject to special salary programmes.		
		A maximum of 60% of the variable salary is disbursed when granted, while the disbursement of at least 40% is deferred over the following three years.		
		50% of the variable salary is disbursed as bonds the value of which depends on the development in the Nykredit Realkredit Group's (the Parent Company's) total capital ratio, earnings etc.		
		For details on the remuneration policy, see the Management's Review and nykredit.com/documentation.		
744	**698**	**Average number of staff, full-time equivalents**	**817**	**847**
		Total fees to the auditors appointed by the General Meeting, Deloitte, who perform the statutory audit:		
1	1	Statutory audit of the financial statements	1	1
0	0	Other assurance engagements	0	0
0	0	Tax advice	0	0
6	1	Other services	1	6
7	**2**	**Total**	**2**	**7**
		10. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS		
11	4	Property, plant and equipment	4	12
1	0	Intangible assets	0	1
12	**4**	**Total**	**4**	**13**
		11. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
		Specification of impairment provisions		
5,694	3,942	Total individual impairment provisions	3,986	5,721
421	307	Total collective impairment provisions	308	422
6,115	**4,249**	**Total impairment provisions, year-end**	**4,294**	**6,143**
		Individual impairment provisions		
7,509	5,694	Impairment provisions, beginning of year	5,721	7,554
1,365	834	Impairment provisions for the year	867	1,380
712	485	Impairment provisions reversed	493	726
2,468	2,101	Impairment provisions recognised as lost	2,109	2,487
5,694	**3,942**	**Impairment provisions, year-end**	**3,986**	**5,721**
		Collective impairment provisions		
257	421	Impairment provisions, beginning of year	422	258
164	(114)	Impairment provisions for the year, net	(114)	164
421	**307**	**Impairment provisions, year-end**	**308**	**422**

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		11. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)		
		Earnings impact		
817	235	Change in provisions for loan and receivable impairment	260	818
515	90	Losses recognised for the year, net	108	548
6	12	Received on claims previously written off	13	6
-	5	Assets in temporary possession (direct losses)	5	-
1,326	**318**	**Total impairment losses**	**360**	**1,360**
134	28	Provisions for guarantees	28	134
1,460	**346**	**Total**	**388**	**1,494**
		Specification of loans and advances with objective evidence of impairment		
8,076	6,202	Loans and advances at amortised cost subject to individual impairment provisioning	6,298	8,156
3,418	1,995	Of which fully impaired	1,996	3,418
4,658	**4,207**	**Total**	**4,302**	**4,738**
5,694	3,942	Individual impairment provisions, year-end	3,986	5,721
3,418	1,995	Of which relating to loans and advances fully impaired	1,996	3,418
2,276	**1,947**	**Total**	**1,990**	**2,303**
2,382	**2,260**	**Carrying amount of loans and advances at amortised cost subject to individual impairment provisioning**	**2,312**	**2,435**
56,847	53,653	Loans and advances at amortised cost subject to collective impairment provisioning	53,897	57,059
421	307	Impairment provisions	308	422
56,426	**53,346**	**Carrying amount of loans and advances at amortised cost subject to collective impairment provisioning**	**53,589**	**56,637**
		12. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
30	0	Profit from investments in associates	-	30
35	36	Profit from investments in group enterprises	-	0
65	**36**	**Total**	**-**	**30**
		13. TAX		
		Tax for the year can be specified as follows		
111	148	Tax on profit for the year	160	122
111	**148**	**Total**	**160**	**122**
		Tax on profit for the year was calculated as follows		
94	195	Current tax	189	100
(10)	(49)	Deferred tax	(32)	(5)
(201)	4	Adjustment of current tax relating to previous years	5	(207)
228	(2)	Adjustment of deferred tax relating to previous years	(2)	234
111	**148**	**Total**	**160**	**122**
		Tax on profit for the year can be specified as follows		
127	145	Calculated 25% tax on profit before tax	148	130
(9)	(9)	Recognised as profit from equity investments	-	-
		Tax effect of		
(39)	(4)	Non-taxable income	(4)	(39)
5	14	Other non-deductible costs	14	4
27	2	Adjustment of tax assessed for previous years	2	27
111	**148**	**Total**	**160**	**122**
21.9	25.4	Effective tax rate, %	27.0	23.6

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		14. SECONDARY BUSINESS AREA		
		Foreign entities' contributions to profit for the year in the form of interest income, fees, value adjustments and other operating income		
-	0	Stockholm branch	0	-
-	**0**	**Revenue from foreign entities**	**0**	**-**

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 10 to 15 of the Management's Review and specified further in note 2.

Nykredit Bank's foreign revenue in 2011 was exclusively generated by the Stockholm branch, which only started trading in December 2011.

The branch's revenue from external customers in 2011 was very limited, as the branch's income is mainly generated through a cost-plus agreement by way of intercompany settlement with Nykredit Bank's Markets area. The settlement amounted to DKK 35m in 2011.

The branch balance sheet essentially consists of balances with Nykredit Bank as well as minor short-term balances with suppliers etc.

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		15. CASH BALANCE AND DEMAND DEPOSITS WITH CENTRAL BANKS		
113	2,544	Cash balance and demand deposits with central banks	2,544	113
113	**2,544**	**Total**	**2,544**	**113**
		16. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
791	16,788	Receivables at call from central banks	16,788	791
28,576	30,912	Receivables from credit institutions	30,912	28,576
29,367	**47,700**	**Total**	**47,700**	**29,367**
		By time-to-maturity		
21,462	18,966	Demand deposits	18,966	21,462
7,065	28,114	Up to 3 months	28,114	7,065
110	620	Over 3 months and up to 1 year	620	110
730	0	Over 1 year and up to 5 years	0	730
0	0	Over 5 years	0	0
29,367	**47,700**	**Total**	**47,700**	**29,367**
3,279	13,863	Of which genuine purchase and resale transactions	13,863	3,279
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
12,920	22,007	Loans and advances at fair value	22,007	12,920
12,920	**22,007**	**Total**	**22,007**	**12,920**
12,920	22,007	Of which genuine purchase and resale transactions	22,007	12,920
		By time-to-maturity		
12,920	22,007	Up to 3 months	22,007	12,920
0	0	Over 3 months and up to 1 year	0	0
12,920	**22,007**	**Total**	**22,007**	**12,920**

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
58,808	55,606	Loans and advances	55,901	59,072
58,808	**55,606**	**Total**	**55,901**	**59,072**
		By time-to-maturity		
22,451	18,701	On demand	16,384	22,355
15,576	14,974	Up to 3 months	15,145	15,676
6,128	5,474	Over 3 months and up to 1 year	5,964	6,502
7,242	8,320	Over 1 year and up to 5 years	10,070	6,986
7,411	8,137	Over 5 years	8,338	7,553
58,808	**55,606**	**Total**	**55,901**	**59,072**
		Fixed-rate loans		
1,899	1,181	Of total loans and advances, fixed-rate loans represent	1,181	1,899
1,950	1,242	Market value of fixed-rate loans	1,242	1,950
		Finance leases		
46	45	Of total loans and advances at amortised cost, finance leases represent	2,311	1,834
114	46	Carrying amount, beginning of year	1,834	1,849
-	-	Additions	1,411	884
68	1	Disposals	934	899
46	**45**	**Carrying amount, year-end**	**2,311**	**1,834**
		By time-to-maturity		
0	0	Up to 3 months	238	194
1	1	Over 3 months and up to 1 year	386	343
5	5	Over 1 year and up to 5 years	1,475	1,127
40	39	Over 5 years	212	170
46	**45**	**Total**	**2,311**	**1,834**
		Gross investments in finance leases		
		By time-to-maturity		
4	4	Up to 1 year	671	560
17	17	Over 1 year and up to 5 years	1,731	1,326
61	57	Over 5 years	239	195
82	**78**	**Total**	**2,641**	**2,081**
36	**33**	**Non-earned income**	**330**	**247**
		Where loans and advances under finance leases are concerned, amortised cost represents their fair value. The leases comprise equipment as well as property. The leases have been concluded on an arm's length basis and have maturities of between 3 and 6 years. However, property leases may run up to 20 years.		
-	-	Impairment provisions for finance leases	28	28
		Non-guaranteed residual values upon expiry of the leases amount to DKK 0.		

Notes

DKK million

Nykredit Bank A/S 2010	2011		The Nykredit Bank Group 2011	2010
		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		
2	2	Agriculture, hunting, forestry and fishing	3	3
7	6	Manufacturing, mining and quarrying	6	8
3	2	Energy supply	2	3
1	2	Construction	2	2
3	3	Trade	3	3
1	2	Transport, accommodation and food service activities	3	2
2	1	Information and communication	1	2
24	34	Financial and insurance activities	32	21
19	17	Property	16	18
11	8	Other trade and industry	9	11
73	**77**	**Total corporate**	**77**	**73**
26	**22**	**Retail**	**22**	**26**
100	**100**	**Total**	**100**	**100**

The sector distribution is based on the official Danish activity codes.

		19. BONDS AT FAIR VALUE		
67,545	50,092	Covered bonds	50,239	67,653
2,761	5,444	Government bonds	5,444	2,761
5,469	5,646	Other bonds	5,646	5,469
75,775	**61,182**	**Total**	**61,329**	**75,883**
949	681	Self-issued bonds offset against issued bonds	681	949
74,826	**60,501**	**Total**	**60,648**	**74,934**
		The effect of fair value adjustment was recognised in the income statement.		
10,379	2,218	Of which drawn bonds	2,218	10,379
25,290	30,039	Assets sold as part of genuine sale and repurchase transactions	30,039	25,290
16,061	18,371	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	18,371	16,061
		The collateral was provided on an arm's length basis.		
		Maturities based on the nominal maturities of the securities		
48,230	29,805	Up to 1 year	29,952	48,338
18,567	27,726	Over 1 year and up to 5 years	27,726	18,567
8,029	2,970	Over 5 years	2,970	8,029
74,826	**60,501**	**Total**	**60,648**	**74,934**

The actual holding period may be considerably shorter than the nominal maturity because a significant part of the portfolio is included in the Bank's trading activities.

Notes

DKK million

Nykredit Bank A/S 2010	2011		The Nykredit Bank Group 2011	2010
		20. EQUITIES		
331	414	Equities measured at fair value through profit or loss	415	332
331	**414**	**Total**	**415**	**332**
		Specification of equity portfolios		
39	181	Listed on NASDAQ OMX Copenhagen A/S	181	39
4	9	Listed on other stock exchanges	9	4
288	224	Unlisted equities carried at fair value	225	289
331	**414**	**Total**	**415**	**332**
		21. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
10	10	Cost, beginning of year	-	-
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		
314	252	Cost, beginning of year	-	-
0	-	Foreign currency translation adjustment	-	-
0	-	Additions	-	-
(62)	(11)	Other additions/disposals	-	-
252	**241**	**Cost, year-end**	**-**	**-**
25	94	Revaluations and impairment losses, beginning of year	-	-
0	-	Foreign currency translation adjustment	-	-
45	48	Profit before tax	-	-
-	-	Dividend	-	-
11	12	Tax	-	-
35	(17)	Reversal of revaluations and impairment losses	-	-
94	**113**	**Total revaluations and impairment losses, year-end**	**-**	**-**
346	**354**	**Balance, year-end**	**-**	**-**
		Subordinate receivables		
-	-	Group enterprises	-	-
-	-	Associates	-	-
820	548	Other enterprises	548	820
820	**548**	**Total**	**548**	**820**

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		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		
1,916	2,525	Loans, advances and other receivables at amortised cost	-	-
44	43	Other assets	-	-
1,960	**2,568**	**Total**	**-**	**-**
		Liability items		
118	109	Deposits and other payables	-	-
5	0	Other liabilities	-	-
123	**109**	**Total**	**-**	**-**
		22. INTANGIBLE ASSETS		
		Goodwill		
15	15	Acquisition cost, beginning of year	15	15
-	18	Additions for the year	18	-
15	**33**	**Acquisition cost, year-end**	**33**	**15**
6	6	Impairment losses, beginning of year	6	6
-	-	Impairment losses for the year	-	-
6	**6**	**Impairment losses, year-end**	**6**	**6**
9	**27**	**Total goodwill, year-end**	**27**	**9**
9	9	Acquisition of SEB branch in 2008	9	9
-	18	Acquisition of Amber Fondsmæglerselskab A/S in 2011	18	-
9	**27**	**Total goodwill, year-end**	**27**	**9**

Acquisition of SEB branch: Goodwill was determined at the time of acquisition based on earnings requirements for the branch, including a required rate of return of 10% before tax. Goodwill was allocated to the business area Retail Banking.

Acquisition of Amber Fondsmæglerselskab A/S in 2011: Goodwill was determined at the time of acquisition based on earnings requirements for the company. Goodwill was allocated to the business area Markets & Asset Management.

So far, earnings have met these requirements and are expected to be maintained in 2012. Consequently, goodwill remains unimpaired.

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		22. INTANGIBLE ASSETS (continued)		
		Other intangible assets		
53	-	Acquisition cost, beginning of year	-	53
53	-	Disposals	-	53
-	**-**	**Acquisition cost, year-end**	**-**	**-**
52	-	Impairment losses, beginning of year	-	52
1	-	Impairment losses for the year	-	1
53	-	Disposals for the year	-	53
-	**-**	**Amortisation and impairment losses, year-end**	**-**	**-**
-	**-**	**Balance, year-end**	**-**	**-**
		23. LAND AND BUILDINGS		
68	-	Investment properties	-	68
68	**-**	**Total**	**-**	**68**
		Investment properties		
69	68	Fair value, beginning of year	68	69
-	67	Disposals for the year	67	-
(1)	(1)	Fair value adjustment for the year, net	(1)	(1)
68	**-**	**Fair value, year-end**	**-**	**68**
73	73	Cost, beginning of year	73	73
-	73	Disposals for the year	73	-
73	**-**	**Cost, year-end**	**-**	**73**
(4)	(5)	Fair value adjustment, beginning of year	(5)	(4)
(1)	(1)	Fair value adjustment for the year through profit or loss, net	(1)	(1)
-	6	Value adjustment as a result of sale	6	-
(5)	**-**	**Fair value adjustment, year-end**	**-**	**(5)**
68	**-**	**Balance, year-end**	**-**	**68**
68	-	Of which assets held under operating leases	-	68
66	-	Latest public land assessment	-	66
5	4	Lease payments received (included in "Other operating income")	4	5
		By time-to-maturity		
1	-	Up to 1 year	-	1
7	-	Over 1 year and up to 5 years	-	7
60	-	Over 5 years	-	60
68	**-**	**Total**	**-**	**68**
		Minimum lease payments		
5	-	Up to 1 year	-	5
23	-	Over 1 year and up to 5 years	-	23
78	-	Over 5 years	-	78
106	**-**	**Total**	**-**	**106**

The property was sold at a price of DKK 67m in 2011.

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		24. OTHER PROPERTY, PLANT AND EQUIPMENT		
4	18	Equipment	19	6
4	**18**	**Total**	**19**	**6**
		Equipment		
214	16	Cost, beginning of year	26	224
3	19	Additions	18	3
201	2	Disposals	2	201
16	**33**	**Cost, year-end**	**42**	**26**
156	12	Depreciation and impairment losses, beginning of year	20	164
11	4	Depreciation for the year	4	12
155	1	Reversal of depreciation and impairment losses	1	156
12	**15**	**Depreciation and impairment losses, year-end**	**23**	**20**
4	**18**	**Balance, year-end**	**19**	**6**

Equipment is depreciated over three to five years and had an average residual depreciation period of three years at 31 December 2011 (end-2010: two years).

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		25. ASSETS IN TEMPORARY POSSESSION		
13	91	Assets, beginning of year	91	13
116	39	Additions	39	116
38	75	Disposals	75	38
91	**55**	**Balance, year-end**	**55**	**91**

At 31 December 2010 and 31 December 2011, this item solely comprised repossessed properties.

Nykredit Bank accepts mortgages on property as security for loans, and in a number of instances the Bank repossesses the properties in the event of borrowers' non-performance of loan agreements etc.

Property valuation is based on the expected sales values in case of disposal within a period of 12 months.

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		26. OTHER ASSETS		
7,217	5,160	Interest and commission receivable	5,160	7,218
25,857	37,494	Positive market value of derivative financial instruments	37,494	25,857
203	309	Other	318	211
33,277	**42,963**	**Total**	**42,972**	**33,286**
		Positive market value of derivative financial instruments		
		By time-to-maturity		
2,198	1,698	Up to 1 year	1,698	2,198
5,313	4,485	Over 1 year and up to 5 years	4,485	5,313
18,346	31,311	Over 5 years	31,311	18,346
25,857	**37,494**	**Total**	**37,494**	**25,857**

The items "Interest and commission receivable" and "Other" fall due within one year.

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		27. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
1,171	5,144	Payables to central banks	5,144	1,171
47,180	57,949	Payables to credit institutions	57,949	47,180
48,351	**63,093**	**Total**	**63,093**	**48,351**
4,792	14,251	Of which genuine sale and repurchase transactions	14,251	4,792
		By time-to-maturity		
24,961	10,941	Payables on demand	10,941	24,961
21,490	47,033	Up to 3 months	47,033	21,490
1,380	3,893	Over 3 months and up to 1 year	3,893	1,380
490	1,226	Over 1 year and up to 5 years	1,226	490
30	0	Over 5 years	0	30
48,351	**63,093**	**Total**	**63,093**	**48,351**
		28. DEPOSITS AND OTHER PAYABLES		
32,054	29,651	On demand	29,572	31,971
4,977	6,313	At notice	6,313	4,977
16,031	18,842	Time deposits	18,812	15,991
2,760	2,854	Special deposits	2,854	2,760
55,822	**57,660**	**Total**	**57,551**	**55,699**
		By time-to-maturity		
32,054	46,088	Up to 3 months	45,979	31,971
19,485	5,640	Over 3 months and up to 1 year	5,640	19,445
2,614	4,220	Over 1 year and up to 5 years	4,220	2,614
1,669	1,712	Over 5 years	1,712	1,669
55,822	**57,660**	**Total**	**57,551**	**55,699**
		29. ISSUED BONDS AT AMORTISED COST		
33,797	26,818	Issued bonds	26,818	33,797
(949)	(681)	Own portfolio	(681)	(949)
32,848	**26,137**	**Total**	**26,137**	**32,848**
		By time-to-maturity		
16,164	13,049	Up to 3 months	13,049	16,164
8,308	2,884	Over 3 months and up to 1 year	2,884	8,308
7,571	9,173	Over 1 year and up to 5 years	9,173	7,571
805	1,031	Over 5 years	1,031	805
32,848	**26,137**	**Total**	**26,137**	**32,848**
		Issues		
15,351	14,535	EMTN issues*	14,535	15,351
16,840	11,914	ECP issues*	11,914	16,840
29	29	Employee bonds (former Forstædernes Bank)	29	29
1,577	340	Other issues *	340	1,577
33,797	**26,818**	**Total**	**26,818**	**33,797**
949	681	Own portfolio	681	949
32,848	**26,137**	**Total**	**26,137**	**32,848**

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.

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		30. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
20,967	15,864	Deposits at fair value	15,864	20,967
4,712	11,444	Negative securities portfolios	11,444	4,712
25,679	**27,308**	**Total**	**27,308**	**25,679**
		By time-to-maturity		
25,679	27,308	Up to 3 months	27,308	25,679
20,967	15,864	Of which genuine sale and repurchase transactions	15,864	20,967
		31. OTHER LIABILITIES		
7,562	6,026	Interest and commission payable	6,056	7,518
24,118	36,728	Negative market value of derivative financial instruments	36,728	24,118
603	579	Other payables	713	775
32,283	**43,333**	**Total**	**43,497**	**32,411**
		Negative market value of derivative financial instruments		
		By time-to-maturity		
1,560	1,606	Up to 1 year	1,606	1,560
5,269	5,760	Over 1 year and up to 5 years	5,760	5,269
17,289	29,362	Over 5 years	29,362	17,289
24,118	**36,728**	**Total**	**36,728**	**24,118**

The items "Interest and commission payable" and "Other payables" fall due within one year.

Notes

DKK million

Nykredit Bank A/S 2010	2011		The Nykredit Bank Group 2011	2010
		32. PROVISIONS FOR DEFERRED TAX		
		Deferred tax		
(287)	(64)	Deferred tax, beginning of year (asset)	(27)	(262)
(10)	(49)	Deferred tax for the year recognised in profit for the year	(32)	(5)
233	(2)	Adjustment of deferred tax assessed for previous years	(2)	240
(64)	**(115)**	**Balance, year-end (asset)**	**(61)**	**(27)**
		Deferred tax recognised in the balance sheet as follows		
(64)	(115)	Deferred tax (asset)	(61)	(27)
0	0	Deferred tax (liability)	(0)	0
(64)	**(115)**	**Net balance, year-end**	**(61)**	**(27)**
		Deferred tax relates to		
(20)	(22)	Loans and advances	38	23
(0)	0	Equities	0	(0)
1	1	Intangible assets	1	(1)
(6)	(5)	Property, plant and equipment, including buildings	(5)	(6)
9	10	Other assets and prepayments	4	3
16	(24)	Issued bonds	(24)	16
(67)	(75)	Other liabilities and deferred income	(75)	(67)
(64)	**(115)**	**Total**	**(61)**	**(27)**
		Recognised in profit for the year		
3	(2)	Loans and advances	15	14
0	0	Equities	0	0
1	1	Property, plant and equipment, including buildings	1	1
(1)	0	Intangible assets	0	(1)
185	1	Other assets and prepayments	1	186
35	(8)	Other liabilities and deferred income	(8)	35
0	(41)	Issued bonds	(41)	0
223	**(49)**	**Total**	**(32)**	**235**
		Current tax assets/liabilities		
1,314	185	Corporation tax receivable, beginning of year	187	1.327
(94)	(195)	Current tax for the year	(189)	(100)
(1,242)	(63)	Corporation tax paid for the year, net	(64)	(1,247)
207	(4)	Adjustment relating to previous years	(4)	207
185	**(77)**	**Balance, year-end**	**(70)**	**187**

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		33. PROVISIONS		
		Provisions for losses under guarantees		
609	745	Balance, beginning of year	745	609
344	92	Additions	92	344
208	723	Disposals	723	208
745	**114**	**Balance, year-end**	**114**	**745**
		Other provisions		
156	102	Balance, beginning of year	102	156
1	88	Additions	88	1
55	71	Disposals	71	55
102	**119**	**Balance, year-end**	**119**	**102**
		Total provisions for losses under guarantees and other provisions		
765	847	Balance, beginning of year	847	765
345	180	Additions	180	345
263	794	Disposals	794	263
847	**233**	**Balance, year-end**	**233**	**847**

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.

The balance sheet items in the financial statements represent the Bank's best estimates of the expected costs relating to provisions.

The provisions typically concern contractual obligations relating to loans and advances and other banking activities, including provisions for Bank Rescue Package I in 2010.

Of disposals for the year under "Provisions for losses under guarantees", DKK 659m concerned provisions for Bank Rescue Package I. This discharges the Bank from its obligations under Bank Rescue Package I.

Of additions for the year under "Other provisions", DKK 85m concerned the Bank's payment to the Guarantee Fund for Depositors and Investors for the winding-up of Amagerbanken and Max Bank A/S. Of this amount, DKK 70m relating to Amagerbanken was settled in 2011.

It is estimated that the majority of provisions will be settled within 1-2 years.

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		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 is included in full in the capital base.		
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 above 6M Cibor. The loan was prematurely redeemed in March 2011.	-	75
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 above 3M Nibor. The loan was prematurely redeemed in September 2011.	-	119
200	-	Nom DKK 200m. The loan falls due at par (100) on 16 November 2014 and carries a floating interest rate of 1.0% pa above 6M Cibor. The loan was prematurely redeemed in November 2011.	-	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 above 3M Euribor. The loan was prematurely redeemed in November 2011.	-	180
574	**-**	**Total**	**-**	**574**
		Hybrid capital		
89	100	Nom DKK 100m. The loan is perpetual and carries a floating interest rate of 1.7% pa above 3M Cibor.	100	89
150	150	Nom DKK 150m. The loan is perpetual and carries a fixed interest rate of 6.3% pa.	150	150
239	**250**	**Total**	**250**	**239**
813	**250**	**Total subordinated debt**	**250**	**813**
		Included in the determination of the capital base after statutory deductions		
574	-	Subordinate loan capital	-	574
239	250	Hybrid capital	250	239
-	-	Costs related to raising and redeeming subordinated debt	-	-
-	-	Except for the above early redemptions, no extraordinary principal payments were recorded.	-	-
		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.		
		35. CONTINGENT LIABILITIES		
11,739	6,861	Financial guarantees	6,861	11,739
568	501	Registration and refinancing guarantees	501	568
2,917	2,780	Other contingent liabilities	2,780	2,918
15,224	**10,142**	**Total**	**10,142**	**15,225**
		By time-to-maturity		
13,366	7,493	Up to 1 year	7,493	13,367
1,572	2,190	Over 1 year and up to 5 years	2,190	1,572
286	459	Over 5 years	459	286
15,224	**10,142**	**Total**	**10,142**	**15,225**
		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.		

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		36. OTHER COMMITMENTS		
6,780	6,493	Irrevocable credit commitments	6,493	6,780
157	179	Other	349	232
6,937	**6,672**	**Total**	**6,842**	**7,012**

37. RELATED PARTY TRANSACTIONS AND BALANCES

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, its Executive Board and related parties thereof. Transactions with the Board of Directors, the Executive Board and related parties thereof appear from note 9.

No unusual related party transactions occurred in 2011.

The companies have entered into various agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, insurance, sales commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks.

Intercompany trade and services took place on an arm's length basis or on a cost reimbursement basis.

Important related party transactions prevailing/entered into in 2010 or 2011 include:

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.

In 2011 Nykredit Bank sold its portfolio of Kalvebod issues to Nykredit Realkredit. The fair value came to about DKK 1.1bn.

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.

Furthermore, Nykredit Holding A/S has issued a loss guarantee for the part of the Bank's impairment losses and provisions (earnings impact for the year) that exceeds 2% of loans, advances and guarantees subject to a maximum of DKK 2bn for the term of the guarantee. The guarantee is valid until terminated by the Bank's Management.

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)		
		Associates		
		Income statement		
-	-	Interest income	-	-
		Asset items		
-	-	Loans, advances and other receivables at amortised cost	-	-
		Liability items		
-	-	Deposits and other payables	-	-
		Transactions with the Parent Company, Nykredit Realkredit A/S, and its group enterprises and associates		
		Income statement		
1,201	1,120	Interest income	1,123	1,202
177	128	Interest expenses	128	177
177	153	Fee and commission income	153	177
358	390	Fee and commission expenses	390	358
1,149	294	Value adjustments	294	1,149
552	579	Costs	598	563
		Asset items		
1,550	1,879	Receivables from credit institutions and central banks	1,879	1,550
240	125	Loans, advances and other receivables at amortised cost	125	240
39,592	36,117	Bonds at fair value	36,193	39,649
989	807	Other assets	810	989
		Liability items		
24,638	29,297	Payables to credit institutions and central banks	29,297	24,638
360	280	Deposits and other payables	280	360
2,599	1,723	Other non-derivative financial liabilities at fair value	1,723	2,599
85	54	Other liabilities	54	85
		Transactions with other group enterprises		
		Income statement		
53	55	Interest income	-	-
7	8	Interest expenses	-	-
151	186	Fee and commission income	-	-
11	5	Fee and commission expenses	-	-
		Asset items		
1,916	2,524	Loans, advances and other receivables at amortised cost	-	-
44	43	Other assets	-	-
		Liability items		
118	109	Deposits and other payables	-	-
5	0	Other liabilities	-	-

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 financial assets may be traded, or the amount at which financial liabilities may be settled, between independent parties.

The majority of the Group's fair value assets and liabilities have been measured on the basis of 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 generally accepted 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 or based on the company's equity value.

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 their fair values.

- The fair value of fixed-rate assets and financial liabilities measured at amortised cost has been determined using generally accepted 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 disbursable 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)

2011	IAS 39 category	Carrying amount	Fair value	Balance	Fair value computed using Method 1	Fair value computed using Method 2
Assets						
Cash balance and demand deposits with central banks	a)	2,544	2,544		2,544	
Receivables at call from central banks	a)	16,788	16,788		16,788	
Receivables from credit institutions	a+c)	30,912	30,912		30,912	
Loans, advances and other receivables at fair value	c)	22,007	22,007		22,007	
Loans, advances and other receivables at amortised cost	a)	55,901	55,988	(87)		55,988
Bonds at fair value	c)	60,648	60,648		60,648	
Equities	b+c)	415	415		190	225
Interest and commission receivable	a)	5,160	5,160			5,160
Derivative financial instruments	c)	37,494	37,494		37,494	
Total		**231,869**	**231,956**	**(87)**	**170,583**	**61,373**
Liabilities and equity						
Payables to credit institutions and central banks	d)	63,093	63,099	(6)	63,099	
Deposits and other payables	d)	57,551	57,629	(78)		57,629
Issued bonds at amortised cost	d)	26,137	26,323	(186)	26,323	
Other non-derivative financial liabilities at fair value	c)	27,308	27,308		27,308	
Interest and commission payable	d)	6,056	6,056			6,056
Derivative financial instruments	c)	36,728	36,728		36,728	
Subordinated debt	d)	250	250			250
Total		**217,123**	**217,393**	**(270)**	**153,458**	**63,935**

Measurement methods

Method 1: Generally accepted measurement methods based on market data

Method 2: Other generally accepted measurement methods

IAS 39 category

a) Loans, advances and receivables

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

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

Measurement methods

Method 1: Generally accepted measurement methods based on market data

Method 2: Other generally accepted measurement methods

IAS 39 category

a) Loans, advances and receivables

b) Assets/liabilities classified at fair value on initial recognition (the 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			
2011	**Listed prices**	**Observ-able inputs**	**Unobserv-able inputs**	**Total (carrying amounts)**
Financial instruments in the form of assets:				
Trading book:				
Balances with credit institutions (reverse lending, cf note 16, measured at fair value)		13,863		13,863
Loans and advances at fair value (note 17)		22,007		22,007
Bonds at fair value	56,046	4,590	12	60,648
Equities	190		225	415
Positive market value of derivative financial instruments	378	35,475	1,641	37,494
Total	**56,614**	**75,935**	**1,878**	**134,427**
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)		14,251		14,251
Other non-derivative financial liabilities at fair value	11,444	15,864		27,308
Negative market value of derivative financial instruments	1,227	35,368	133	36,728
Total	**12,671**	**65,483**	**133**	**78,287**

Financial instruments measured on the basis of unobservable inputs	
Fair value assets, beginning of year	1,943
Transferred from "Observable inputs" (positive market value of derivative financial instruments)	1,523
Capital gains/losses on portfolio securities recognised in the income statement	(550)
Additions for the year	68
Disposals for the year	(1,106)
Fair value assets, year-end	**1,878**
Fair value liabilities, beginning of year	231
Capital gains/losses on portfolio securities recognised in the income statement	(81)
Disposals for the year	(17)
Fair value liabilities, year-end	**133**

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

Notes

DKK million

The Nykredit Bank Group

38. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

2010	**Listed prices**	**Observ-able inputs**	**Unobserv-able inputs**	**Total (carrying amounts)**
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 on the basis of unobservable inputs	
Fair value assets, beginning of year	2,365
Of which transferred to/from "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)
Reclassified to "Other assets" *	(104)
Fair value assets, year-end	**1,943**
Fair value liabilities, beginning of year	
Of which transferred to/from "Observable inputs"	267
Capital gains/losses on portfolio securities recognised in the income statement	(36)
Fair value liabilities, year-end	**231**

* Disposals in 2010 were largely attributable to the sale and reclassification of unlisted equities originating from Forstædernes Bank.
Also 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".

Notes

The Nykredit Bank Group

38. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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 methods, valuation and estimation techniques such as discounted cash flows and option models.

Observable inputs are typically yield curves, volatility and market prices of similar instruments which are usually obtained through ordinary providers such as Reuters, Bloomberg and market makers. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length. Reverse 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 may gradually become inactive and illiquid, such as the bond market in 2008 and 2009. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discount 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 belong in this category.

Positive market values of a number of interest rate swaps with customers in the Bank's lowest rating categories have been adjusted for increased credit risk using a so-called Credit Value Adjustment model. Among the data used by the model are the statistical data applied by the Bank to calculate collective impairment provisions for loans and advances at amortised cost.

Measurement, notably of instruments classified as "Unobservable inputs", is inherently subject to some uncertainty. Of total assets and liabilities, DKK 1.9bn (2010: DKK 1.9bn) and DKK 0.1bn (2010: DKK 0.2bn), 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 0.2bn (2010: around DKK 0.2bn).

Notes

DKK million

The Nykredit Bank Group

39. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net market value				Gross market value			
2011	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
Foreign exchange contracts								
Forward contracts/futures, purchased	270	76	7	0	474	121	353	44,851
Forward contracts/futures, sold	(304)	(41)	(6)	0	202	553	(351)	47,940
Swaps	(13)	183	(412)	157	1,654	1,739	(85)	52,305
Options, purchased	2	16	0	0	18	0	18	5,304
Options, written	(2)	(16)	0	0	0	18	(18)	5,244
Interest rate contracts								
Forward contracts/futures, purchased	(190)	1	0	0	146	335	(189)	61,683
Forward contracts/futures, sold	144	(71)	0	0	297	224	73	65,235
Forward Rate Agreements, purchased	(6)	(11)	(1)	0	6	24	(18)	67,633
Forward Rate Agreements, sold	6	8	(1)	(2)	18	7	11	60,081
Swaps	6	(32)	(822)	1,483	33,305	32,670	635	705,951
Options, purchased	0	0	129	1,191	1,327	7	1,320	51,132
Options, written	0	0	(169)	(838)	0	1,007	(1,007)	36,267
Equity contracts								
Forward contracts/futures, purchased	0	0	0	0	0	0	0	0
Forward contracts/futures, sold	0	0	0	0	0	0	0	0
Options, purchased	0	0	0	0	0	0	0	22
Options, written	0	(2)	0	0	0	2	(2)	73
Total							**740**	
2010								
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							**1,743**	

Notes

DKK million

40. UNSETTLED SPOT TRANSACTIONS

THE NYKREDIT BANK GROUP			2011		2010
			Market value		
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	4,228	0	3	(3)	(6)
Foreign exchange contracts, sold	3,154	6	0	6	(4)
Interest rate contracts, purchased	8,529	39	2	37	8
Interest rate contracts, sold	7,096	1	14	(13)	(3)
Equity contracts, purchased	96	1	0	1	0
Equity contracts, sold	122	0	1	(1)	1
Total	**23,225**	**47**	**20**	**27**	**(4)**
Total, the year before	**20,718**	**16**	**20**	**(4)**	**(12)**

NYKREDIT BANK A/S			2011		2010
			Market value		
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	4,228	0	3	(3)	(6)
Foreign exchange contracts, sold	3,154	6	0	6	(4)
Interest rate contracts, purchased	8,529	39	2	37	8
Interest rate contracts, sold	7,096	1	14	(13)	(3)
Equity contracts, purchased	96	1	0	1	0
Equity contracts, sold	122	0	1	(1)	1
Total	**23,225**	**47**	**20**	**27**	**(4)**
Total, the year before	**20,718**	**16**	**20**	**(4)**	**(12)**

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		41. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES		
		Credit risk		
		The Group's maximum credit exposure is composed of selected on-balance and off-balance sheet items		
		Total credit exposure		
		On-balance sheet items		
113	2,544	Cash balance and demand deposits with central banks	2,544	113
29,367	47,700	Receivables from credit institutions and central banks	47,700	29,367
12,920	22,007	Loans, advances and other receivables at fair value (reverse lending)	22,007	12,920
58,808	55,606	Loans, advances and other receivables at amortised cost	55,901	59,072
15,476	15,773	Of which lending in Retail Banking	15,773	15,476
40,575	37,551	Of which lending in Corporate Banking	37,846	40,839
2,757	2,282	Of which lending in Other Activities	2,282	2,757
74,826	60,501	Bonds	60,648	74,934
331	414	Equities	415	332
33,277	42,963	Other assets	42,972	33,286
		Off-balance sheet items		
15,224	10,142	Contingent liabilities	10,142	15,225
6,937	6,672	Other commitments	6,842	7,012

Concentration risk

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 pursuant to the Danish Financial Business Act. 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 (applicable to the financial year 2010). None of the Nykredit Bank Group's exposures exceeded these limits in 2011 or the year before. Concentration of loans, advances and guarantees by sector appears overleaf.

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 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. Except for the netting of repo transactions with one single counterparty, no set-off has been made for collateral security or netting agreements in the accounting figures presented.

For reverse lending to credit institutions of DKK 13.9bn (2010: DKK 3.3bn) and other customers of DKK 22.0bn (2010: DKK 12.9bn), the Bank has received collateral security in the form of bonds at a market value which in all material respects hedges the lending credit risk.

Nykredit Bank only uses credit default swap transactions to a negligible extent.

Notes

DKK million

The Nykredit Bank Group

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

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

31 December 2011	Carrying amount			Provisions		
	Loans and advances	Guarantees	Total loans, advances and guarantees	Individual and other provisions	Collective impairment provisions	Total
Public sector	**237**	**305**	**542**	**0**	**0**	**0**
Corporate						
Agriculture, hunting, forestry and fishing	2,102	346	2,448	107	13	120
Manufacturing, mining and quarrying	5,214	438	5,652	87	18	105
Energy supply	1,253	53	1,306	29	4	33
Construction	1,373	314	1,687	245	9	254
Trade	2,224	248	2,472	281	6	287
Transport, accommodation and food service activities	1.782	526	2,308	83	7	90
Information and communication	896	68	964	63	2	65
Financial and insurance activities	27,867	789	28,656	909	26	935
Property	12,423	2,190	14,613	1,172	140	1,312
Other trade and industry	7,079	688	7,767	508	22	530
Total corporate	**62,213**	**5,660**	**67,873**	**3,484**	**247**	**3,731**
Retail	15,459	4,177	19,636	616	61	677
Total	**77,909**	**10,142**	**88,051**	**4,100**	**308**	**4,408**
Of which reverse lending	22,007	-	22,007	-	-	-

31 December 2010	Carrying amount			Provisions		
	Loans and advances	Guarantees	Total loans, advances and guarantees	Individual and other provisions	Collective impairment provisions	Total
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
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	-	-	-

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

Notes

DKK million

Nykredit Bank

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

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

2011	Manufact., building and construction	Credit and finance	Property management and trade	Transport, trade and hotels	Other trade and public	Retail	Total
Rating category							
10	63	263	211	311	633	2,631	4,112
9	1,496	1,921	727	400	1,206	1,871	7,621
8	2,138	779	2,806	895	1,758	1,981	10,357
7	1,201	1,062	3,542	388	1,068	1,658	8,919
6	342	281	984	287	763	1,259	3,916
5	360	135	747	136	428	1,361	3,167
4	377	138	602	115	615	1,465	3,312
3	341	373	287	234	507	590	2,332
2	339	3,208	1,131	116	555	1,287	6,636
1	119	87	280	69	165	371	1,091
0	123	219	138	13	154	290	937
Non-performing exposures	634	1,445	2,175	806	1,025	1,370	7,455
Total	**7,533**	**9,911**	**13,630**	**3,770**	**8,877**	**16,134**	**59,855**
Individual and collective impairment provisions							4,249
Carrying amount							**55,606**

Total non-performing exposures *	7,455
Individual impairment provisions	3,942
Carrying amount after impairment provisions	**3,513**
*** Of which loans and advances subject to individual impairment provisioning**	**6,202**
Individual impairment provisions as % of loans and advances subject to individual impairment provisioning	**63.6%**

The carrying amount of non-performing exposures, totalling DKK 3,513m, has been determined based on the Bank's expectations regarding customers' ability to pay and the value of security received. Of this amount, about DKK 2.0bn derived from terminated exposures from the former Forstædernes Bank.

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 0-1 comprised 3.2% of total lending (2010: 4.6%). In addition to exposures with an elevated risk of future default, the category of non-performing exposures includes loans provided for individually.

Notes

DKK million

Nykredit Bank

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	Manufact., building and construction	Credit and finance	Property management and trade	Transport, trade and hotels	Other trade and public	Retail	Total
Rating category							
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**
Individual and collective impairment provisions							6,115
Carrying amount							**58,808**

Total non-performing exposures *	10,423
Individual impairment provisions	5,694
Carrying amount after impairment provisions	**4,729**
*** Of which loans and advances subject to individual impairment provisioning**	**8,076**
Individual impairment provisions as % of loans and advances subject to individual impairment provisioning	**70.5%**

The carrying amount of non-performing exposures, totalling DKK 4,729m, has been determined based on the Bank's expectations regarding customers' ability to pay and the value of security received. Of this amount, about DKK 2.5bn derived from terminated exposures from the former Forstædernes Bank.

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 0-1 comprised 4.6% of total lending. In addition to exposures with an elevated risk of future default, the category of non-performing exposures also includes loans provided for individually.

Notes

DKK million

The Nykredit Bank Group

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

Loans and advances carrying a reduced interest rate

Group	**2011**	**2010**
Gross lending	2,391	4,502
Provisions for loan impairment	1,371	3,050
Carrying amount	**1,020**	**1,452**
Of which non-accrual	1,019	1,451
Of which carrying a reduced interest rate	1	1

Provisioning rate, % **Group**	**Q4/ 2011**	**Q3/ 2011**	**Q2/ 2011**	**Q1/ 2011**	**Q4/ 2010**	**Q3/ 2010**	**Q2/ 2010**	**Q1/ 2010**
Total loans and advances	77,908	70,180	73,950	73,968	71,992	73,900	75,254	73,185
Total guarantees	10,142	10,555	9,229	12,175	15,225	16,436	17,549	20,131
Provisions for loan impairment	4,294	5,137	5,354	6,050	6,143	7,170	7,020	8,009
Provisions for guarantees	114	144	153	109	745	920	823	791
Total loans, advances, guarantees and loan impairment	**92,458**	**86,016**	**88,686**	**92,302**	**94,105**	**98,426**	**100,646**	**102,116**
Provisioning rate, %	4.8	6.1	6.2	6.7	7.3	8.2	7.8	8.6
Provisioning rate excluding guarantees, %	5.2	6.8	6.8	7.6	7.9	8.8	8.5	9.9

Secured lending before impairment provisions		**2011**			**2010**	
Group	**Public**	**Retail**	**Corporate**	**Public**	**Retail**	**Corporate**
Unsecured lending	347	12,537	15,426	17	9,037	30,955
Lending secured by way of legal charge or other collateral security:						
Fully secured	44	3,360	33,182	16	3,334	16,755
Partially secured	56	4,968	12,282	36	4,762	13,224
Total lending before impairment provisions	**447**	**20,865**	**60,890**	**69**	**17,133**	**60,934**

Includes the Nykredit Bank Group's loans and advances 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 – DKK 3.4bn (2010: DKK 5.3bn) – around DKK 0.8bn (23%) (2010: around 30%) can be attributed to exposures to customers whose severe financial positions have led to bankruptcy, bankruptcy proceedings or compulsory dissolution.

Notes

DKK million

Nykredit Bank A/S 2010	2011		The Nykredit Bank Group 2011	2010
		41. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)		
		Foreign exchange risk		
48,261	68,912	Total foreign exchange assets	68,912	48,261
55,521	65,232	Total foreign exchange liabilities	65,232	55,521
212	90	Exchange rate indicator 1 (DKKm)	90	212
1.5	0.6	Exchange rate indicator 1 as % of Tier 1 capital after statutory deductions	0.6	1.5
0	1	Exchange rate indicator 2 (DKKm)	1	0
0	0	Exchange rate indicator 2 as % of Tier 1 capital after statutory deductions	0	0
		Interest rate risk by the currency involving the highest interest rate exposure		
156	249	DKK	250	156
(97)	(143)	EUR	(143)	(97)
12	2	SEK	2	12
0	(6)	CHF	(6)	0
(2)	0	NOK	0	(2)
2	(1)	USD	(1)	2
(1)	1	GBP	1	(1)
(1)	0	Other currencies	0	(1)
69	**102**	**Total interest rate exposure of debt instruments, year-end**	**103**	**69**
		The Bank's interest rate exposure as measured at a general rise in rates of 1 percentage point ranged between a loss of DKK 15m and a gain of DKK 188m in 2011 (2010: between a loss of DKK 2m and a gain of DKK 214m)		
		Value-at-Risk		
25	29	Year-end	29	25
27	22	Average for the year	22	27
		Value-at-Risk ranged between DKK 18m and DKK 46m in 2011 (2010: between DKK 17m and DKK 46m)		
		Value-at-Risk is a statistical measure of the maximum loss the Bank may incur 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**	**Option risk**	**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.		
		OAS risk		
		The OAS risk, which is included in the Bank's total Value-at-Risk, stood at DKK 505m at end-2011 (2010: DKK 553m). This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 505m.		
331	**414**	**Equity price risk**	**415**	**332**
		Equity price risk has been disclosed as the carrying amount of the Bank's investments in equities, etc. After recognition of derivative financial instruments, the effect of a 10% change amounts to DKK 39m.		
		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.		

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010

42. IFRS DISCLOSURE REQUIREMENTS (REFERENCE TO MANAGEMENT'S REVIEW)

The Nykredit Bank Group's credit risk, market risk and risk management policies are described in detail in the section "Capital policy and management" on pages 17 and 18 of the Management's Review and in Group Risk Management on pages 24-29, which are to be viewed as an integral part of note 41.

For information on subsequent events, see page 9 of the Management's Review.

43. 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 market risk and risk management policies of the Nykredit Group are described in the section "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 are generally 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).

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		HEDGED FIXED-RATE ASSETS		
1,899	1,181	Loans, advances and other receivables at amortised cost	1,181	1,899
1,899	**1,181**	**Total nominal value**	**1,181**	**1,899**
		Market value of hedged fixed-rate assets		
1,950	1,242	Loans, advances and other receivables at amortised cost	1,242	1,950
1,950	**1,242**	**Total carrying amount, year-end**	**1,242**	**1,950**
		Fair value adjustment		
51	61	Loans, advances and other receivables at amortised cost	61	51
51	**61**	**Total fair value adjustment**	**61**	**51**
4,301	4,290	Issued bonds at amortised cost	4,290	4,301
4,301	**4,290**	**Total nominal value**	**4,290**	**4,301**
		Market value of hedged fixed-rate financial liabilities		
4,213	4,387	Issued bonds at amortised cost	4,387	4,213
4,213	**4,387**	**Total carrying amount, year-end**	**4,387**	**4,213**
		Fair value adjustment		
88	(97)	Issued bonds at amortised cost	(97)	88
88	**(97)**	**Total fair value adjustment**	**(97)**	**88**

Notes

DKK million

Nykredit Bank A/S 2010	Nykredit Bank A/S 2011		The Nykredit Bank Group 2011	The Nykredit Bank Group 2010
		43. HEDGING INTEREST RATE RISK (continued)		
		HEDGING DERIVATIVE FINANCIAL INSTRUMENTS		
5,673	5,173	Nominal value (synthetic principal)	5,173	5,673
(140)	35	Market value adjustment (negative market value)	35	(140)
		FAIR VALUE ADJUSTMENT DIFFERENCE		
(1)	**(1)**	**Total**	**(1)**	**(1)**
		Hedged and hedging financial instruments have been fair value adjusted through profit or loss.		
		Amounts recognised through profit or loss for the financial year		
79	0	Hedged transactions	0	79
(80)	(1)	Hedging transactions	(1)	(80)
		44. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS		
		Of the asset items below, genuine purchase and resale transactions represent		
3,279	13,863	Receivables from credit institutions and central banks	13,863	3,279
12,920	22,007	Loans, advances and other receivables at fair value	22,007	12,920
-	344	Offset concerning "Other non-derivative financial liabilities at fair value"	344	-
		Of the liability items below, genuine sale and repurchase transactions represent		
4,792	14,251	Payables to credit institutions and central banks	14,251	4,792
20,967	15,864	Other non-derivative financial liabilities at fair value	15,864	20,967
-	344	Offset concerning "Loans, advances and other receivables at fair value"	344	-
		Assets sold as part of genuine sale and repurchase transactions		
25,290	30,039	Bonds at fair value	30,039	25,290

The Bank's activities take place exclusively through an exchange of listed bonds on an arm's length basis.

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2010	2011		2011	2010

45. OTHER CONTINGENT LIABILITIES

Legal proceedings and litigation

The Bank's operations involve the Bank in legal proceedings and litigation. The Bank is of the opinion that the outcome thereof will have no material effect on its financial position.

"Government guarantee scheme"

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 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 2011 the Bank paid the amount to the Financial Stability Company.

The bankruptcies of Amagerbanken and Fjordbank Mors

In H1/2011 Nykredit Bank charged about DKK 200m related to the bankruptcy of Amagerbanken and an additional amount of almost DKK 140m related to the bankruptcy of Fjordbank Mors to the income statement, of which expected payments to the Guarantee Fund for Depositors and Investors amounted to DKK 85m, including adjustment regarding CapiNordic. In Q3/2011 the total charge was reduced by around DKK 30m due to Amagerbanken's dividend adjustment from 58.8% to 84.4%.

The majority of the Bank's losses were attributable to hybrid capital and subordinated debt.

In addition to the determination of the final dividend, the actual charge depends on the approval of the Bank's net claim against Amagerbanken and Fjordbank Mors.

Max Bank A/S

In Q3/2011 Nykredit Bank made a provision of approximately DKK 15m, corresponding to the Bank's estimated share of the costs covered by the Guarantee Fund for Depositors and Investors in connection with the winding-up of Max Bank. Nykredit Bank had no loans, advances or other receivables in the form of securities or subordinated debt in Max Bank.

Guarantee Fund for Depositors and Investors

Nykredit Bank A/S is liable for about 3% of any losses that the Guarantee Fund for Depositors and Investors must cover as a result of bankruptcies or winding-up of Danish banks.

Notes

DKK million

46. GROUP STRUCTURE

Name and registered office	Revenue *	Assets	Liabilities	Share capital 31.12.2011	Equity 31.12.2010	Ownership interest, % 31.12.2011	Profit (loss) for the year	Nykredit Bank's share of profit (loss) for the year	Equity 31.12.2011	Carrying amount
Nykredit Bank A/S (Parent Company) a)	2,662	232,316	218,114	6,045	13,769	-	433	-	14,202	-
Consolidated subsidiaries										
Nykredit Portefølje Administration A/S, Copenhagen e)	146	292	98	25	153	100	40	40	194	194
Nykredit Pantebrevsinvestering A/S, Copenhagen b)	0	12	0	5	12	100	0	0	12	12
Nykredit Leasing A/S, Gladsaxe c)	93	2,747	2,603	46	149	100	(4)	(4)	144	144
FB Ejendomme A/S, Copenhagen d)	0	5	1	1	4	100	0	0	4	4
Associates										
Dansk Pantebrevsbørs A/S, Copenhagen b) [1]										
The company is subject to insolvency proceedings.	-	-	-	-	-	50	0	-	0	-

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

[1)] 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 control is no longer considered satisfied. Therefore the company has not been proportionately consolidated.

Pantebrevsselskabet af 8/8 1995 A/S was finally wound up in 2011, and Nykredit Pantebrevsinvestering A/S had few activities. Nykredit Bank A/S and Amber Fondsmæglerselskab A/S, which was acquired at 10 June 2011, merged in 2011.

a) Bank
b) Mortgage trading company
c) Leasing company
d) Property management company
e) Investment management activities, including asset management and investment advisory services

Notes

DKK million

46. GROUP STRUCTURE (continued)

Amber Fondsmæglerselskab A/S
As part of the Nykredit Group's strategy of consolidating and expanding its position in the banking area, Nykredit Bank A/S acquired all shares in Amber Fondsmæglerselskab A/S on 10 June 2011.

The company merged with Nykredit Bank A/S in 2011, and the company's results and balance sheet have been included in the Financial Statements of Nykredit Bank as from 10 June. The activities are included in the segment financial statements of Asset Management.

Amber Fondsmæglerselskab A/S: financial highlights	Financial statements 2010	1 January – 10 June 2011	Estimates for FY 2011	Estimated impact on Nykredit Bank's results for 2011
Income statement				
Net interest income	0.1	0.2	0.4	0.2
Net fee income	9.6	2.8	5.1	2.3
Net interest and fee income	**9.7**	**3.0**	**5.5**	**2.5**
Value adjustments	0.0	(0.2)	(0.3)	(0.1)
Staff and administrative expenses	7.6	3.1	4.5	1.4
Depreciation and impairment losses for property, plant and equipment	0.1	0.0	0.0	0.0
Profit (loss) before tax	**2.0**	**(0.3)**	**0.7**	**1.0**
Tax	(0.5)	0.1	(0.2)	(0.3)
Profit (loss) after tax	**1.5**	**(0.2)**	**0.5**	**0.7**
Balance sheet				
Assets				
Receivables from credit institutions	3.5	1.0		
Bonds at fair value	6.0	11.5		
Other assets	6.1	1.5		
Total	**15.6**	**14.0**		
Liabilities and equity				
Total payables	5.6	4.2		
Equity	10.0	9.8		
Total	**15.6**	**14.0**		

At the date of acquisition, the assets and liabilities acquired consisted of bonds at fair value, short-term receivables from credit institutions and other short-term accounts. In Nykredit Bank's opinion, the carrying amounts of assets and liabilities corresponded to their fair values. No additional fair value adjustment as at the date of acquisition has therefore been made, cf IFRS 3. Also in the view of the Bank, no additional intangible assets must be recognised at fair value. The difference between the acquired net assets and the payment for these has subsequently been fully recognised as goodwill in "Intangible assets" in the Bank's Financial Statements.

The purchase price of the company is paid by way of two cash instalments, of which about DKK 19m was paid in 2011. No significant external costs were related to the acquisition.

Notes

DKK/EUR million

47. THE NYKREDIT BANK GROUP 2007-2011	2011/EUR	2011	2010	2009	2008	2007
SUMMARY INCOME STATEMENT						
Net interest and fee income	438	3,257	3,624	3,675	2,813	2,335
Value adjustments	(53)	(395)	473	313	(484)	609
Other operating income	5	34	35	33	33	18
Staff and administrative expenses	242	1,800	1,759	1,911	1,782	1,498
Other operating costs, depreciation and amortisation	15	115	392	605	187	55
Impairment losses on loans, advances and receivables	52	388	1,494	6,571	2,297	37
Profit (loss) from investments in associates and group enterprises	-	-	30	(136)	-	-
Profit (loss) before tax	**80**	**593**	**517**	**(5,202)**	**(1,904)**	**1,372**
Tax	22	160	122	(1,264)	(436)	339
Profit (loss) for the year	**58**	**433**	**395**	**(3,938)**	**(1,468)**	**1,033**
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	6,758	50,244	29,480	46,361	35,318	22,583
Loans, advances and other receivables at fair value	2,960	22,007	12,920	11,963	24,544	5,550
Loans, advances and other receivables at amortised cost	7,519	55,901	59,072	60,921	73,157	65,045
Bonds at fair value and equities	8,214	61,063	75,266	65,670	57,004	61,746
Other asset items	5,805	43,153	33,684	30,294	33,692	14,307
Total assets	**31,257**	**232,368**	**210,422**	**215,209**	**223,715**	**169,231**
Liabilities and equity						
Payables to credit institutions and central banks	8,487	63,093	48,351	56,843	91,637	88,018
Deposits and other payables	7,741	57,551	55,699	65,117	61,240	48,619
Issued bonds at amortised cost	3,516	26,137	32,848	44,059	20,528	3,003
Other non-derivative financial liabilities at fair value	3,673	27,308	25,679	6,798	3,641	5,403
Other payables	5,864	43,594	32,416	28,084	32,246	12,047
Total payables	**29,282**	**217,683**	**194,993**	**200,901**	**209,292**	**157,090**
Provisions	31	233	847	765	119	30
Subordinated debt	34	250	813	1,169	4,145	3,804
Equity	1,910	14,202	13,769	12,374	10,159	8,307
Total liabilities and equity	**31,257**	**232,368**	**210,422**	**215,209**	**223,715**	**169,231**
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	1,364	10,142	15,225	23,386	16,374	21,578
Other commitments	920	6,842	7,012	9,387	8,163	8,041
FINANCIAL RATIOS						
Total capital ratio, %		19.3	15.9	12.3	10.2	11.7
Tier 1 ratio, %		19.3	15.2	12.3	7.7	8.4
Return on equity before tax (pa), % *		4.2	4.0	(46.2)	(20.6)	19.2
Return on equity after tax (pa), % *		3.1	3.0	(35.0)	(15.9)	14.5
Income:cost ratio *		1.26	1.14	0.43	0.55	1.86
Interest rate exposure, %		0.7	0.5	0.1	(0.3)	3.3
Foreign exchange position, %		0.6	1.5	0.7	3.5	5.7
Foreign exchange exposure, %		0.0	0.0	0.0	0.0	0.1
Loans and advances:deposits *		1.5	1.4	1.2	1.6	1.5
Loans and advances:equity *		5.5	5.2	5.9	9.6	8.5
Growth in loans and advances for the year, % *		8.2	(1.2)	(34.0)	27.7	25.3
Excess cover:statutory liquidity requirements, %		176.4	251.1	323.9	146.1	150.7
Total large exposures, %		0.0	41.7	62.1	93.6	134.9
Impairment losses for the year, % *		0.4	1.6	6.3	2.0	0.0
Average number of staff, full-time equivalents *		817	847	1,228	1,798	1,146

*Restated to reflect the merger with Forstædernes Bank

Financial ratios regarding the total capital ratio and the Tier 1 capital ratio etc were not affected by the merger with Forstædernes Bank. Comparative figures thus correspond to Nykredit Bank's original ratios.

EUR 1 = DKK 7.4342 at end-2011

Notes

DKK/EUR million

48. NYKREDIT BANK A/S 2007-2011	2011/EUR	2011	2010	2009	2008	2007
SUMMARY INCOME STATEMENT						
Net interest and fee income	410	3,047	3,453	3,523	2,685	2,243
Value adjustments	(53)	(393)	474	322	(422)	593
Other operating income	1	8	10	10	10	9
Staff and administrative expenses	224	1,664	1,648	1,798	1,655	1,406
Other operating costs, depreciation and amortisation	14	107	388	601	172	52
Impairment losses on loans, advances and receivables	47	346	1,460	6,501	2,306	6
Profit from investments in associates and group enterprises	5	36	65	(156)	(58)	(5)
Profit (loss) before tax	**78**	**581**	**506**	**(5,201)**	**(1,918)**	**1,376**
Tax	20	148	111	(1,263)	(450)	343
Profit (loss) for the year	**58**	**433**	**395**	**(3,938)**	**(1,468)**	**1,033**
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	6,758	50,244	29,480	46,357	35,284	21,647
Loans, advances and other receivables at fair value	2,960	22,007	12,920	11,963	24,653	5,737
Loans, advances and other receivables at amortised cost	7,480	55,606	58,808	60,722	72,478	63,700
Bonds at fair value and equities	8,194	60,915	75,157	65,668	56,040	59,573
Investments in associates and group enterprises	48	354	346	339	372	409
Other asset items	5,810	43,190	33,702	30,218	33,570	14,149
Total assets	**31,250**	**232,316**	**210,413**	**215,267**	**222,397**	**165,215**
Liabilities and equity						
Payables to credit institutions and central banks	8,487	63,093	48,351	56,843	90,108	84,489
Deposits and other payables	7,756	57,660	55,822	65,334	61,668	48,936
Issued bonds at amortised cost	3,516	26,137	32,848	44,059	20,528	3,003
Other non-derivative financial liabilities at fair value	3,673	27,308	25,679	6,798	3,641	4,776
Other payables	5,842	43,433	32,284	27,925	32,030	11,871
Total payables	**29,275**	**217,631**	**194,984**	**200,959**	**207,975**	**153,075**
Provisions	31	233	847	765	118	29
Subordinated debt	34	250	813	1,169	4,145	3,804
Equity	1,910	14,202	13,769	12,374	10,159	8,307
Total liabilities and equity	**31,250**	**232,316**	**210,413**	**215,267**	**222,397**	**165,215**
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	1,364	10,142	15,224	23,385	16,373	21,578
Other commitments	897	6,672	6,937	9,343	8,129	8,011
FINANCIAL RATIOS						
Total capital ratio, %		19.1	15.7	12.2	10.2	12.0
Tier 1 ratio, %		19.1	15.0	12.2	7.6	8.6
Return on equity before tax (pa), % *		4.3	3.9	(46.2)	(20.8)	19.3
Return on equity after tax (pa), % *		3.1	3.0	(35.0)	(15.9)	14.5
Income:cost ratio *		1.26	1.14	0.42	0.54	1.94
Interest rate exposure, %		0.7	0.5	0.1	(0.3)	3.2
Foreign exchange position, %		0.6	1.5	0.7	3.8	5.7
Foreign exchange exposure, %		0.0	0.0	0.0	0.0	0.1
Loans and advances:deposits *		1.4	1.4	1.2	1.6	1.4
Loans and advances:equity *		5.5	5.2	5.9	9.6	8.4
Growth in loans and advances for the year, % *		8.2	(1.3)	(33.6)	28.5	24.4
Excess cover:statutory liquidity requirements, %		175.8	251.1	324.0	155.0	147.7
Total large exposures, %		0.0	41.8	62.2	93.7	134.7
Impairment losses for the year, % *		0.4	1.6	6.2	2.0	0.0
Average number of staff, full-time equivalents *		698	744	1,124	1,165	1,065

Financial ratios regarding the total capital ratio and the Tier 1 capital ratio etc were not affected by the merger with Forstædernes Bank. Comparative figures thus correspond to Nykredit Bank's original ratios.

EUR 1 = DKK 7.4342 at end-2011

Notes

DKK million

	Q4/2011	Q3/2011	Q2/2011	Q1/2011	Q4/2010	Q3/2010	Q2/2010	Q1/2010
49. THE NYKREDIT BANK GROUP – EIGHT QUARTERS								
SUMMARY INCOME STATEMENT								
Net interest income	653	639	662	629	733	747	747	671
Dividends, fees and commission income (net)	155	150	183	186	178	139	189	220
Net interest and fee income	**808**	**789**	**845**	**815**	**911**	**886**	**936**	**891**
Value adjustments	(211)	(128)	18	(74)	70	103	107	193
Net interest, fees and value adjustments	**597**	**661**	**863**	**741**	**981**	**989**	**1,043**	**1,084**
Other operating income	12	8	7	7	8	9	5	11
Staff and administrative expenses	510	410	447	433	374	408	467	510
Other operating costs, depreciation and amortisation	4	19	18	74	5	125	130	130
Impairment losses on loans, advances and receivables	250	(63)	175	26	441	304	368	381
Profit from investments in associates and group enterprises	-	-	-	-	30	-	-	-
Profit (loss) before tax	**(155)**	**303**	**230**	**215**	**199**	**161**	**83**	**74**
Tax	(31)	76	61	54	14	41	14	53
Profit (loss)	**(124)**	**227**	**169**	**161**	**185**	**120**	**69**	**21**
SUMMARY BALANCE SHEET, YEAR-END								
Assets								
Cash balance and receivables from central banks and credit institutions	50,244	21,471	25,418	28,515	29,480	26,635	35,201	45,103
Loans, advances and receivables at fair value	22,007	14,398	16,409	13,451	12,920	13,958	13,899	13,314
Loans, advances and receivables at amortised cost	55,901	55,782	57,541	60,517	59,072	59,942	61,355	59,871
Bonds at fair value	60,648	68,219	56,388	67,921	74,934	69,667	72,516	74,197
Equities	415	436	448	377	332	466	530	198
Land and buildings	-	67	67	68	68	68	69	69
Other asset items	43,153	42,372	25,818	27,734	33,616	48,799	44,362	36,066
Total assets	**232,368**	**202,745**	**182,089**	**198,583**	**210,422**	**219,535**	**227,932**	**228,818**
Liabilities and equity								
Payables to credit institutions and central banks	63,093	45,633	37,647	40,888	48,351	49,851	65,922	66,382
Deposits and other payables	57,551	53,659	52,107	53,648	55,699	54,745	57,481	59,762
Issued bonds	26,137	27,207	26,113	33,886	32,848	25,830	38,114	40,365
Other non-derivative financial liabilities at fair value	27,308	18,590	25,336	28,030	25,679	26,891	9,785	14,327
Other payables	43,594	42,419	25,766	27,184	32,416	46,693	42,072	33,490
Total payables	**217,683**	**187,508**	**166,969**	**183,636**	**194,993**	**204,010**	**213,374**	**214,326**
Provisions	233	261	255	282	847	1,055	958	948
Subordinated debt	250	650	766	735	813	886	1,136	1,144
Equity	14,202	14,326	14,099	13,930	13,769	13,584	12,464	12,400
Total liabilities and equity	**232,368**	**202,745**	**182,089**	**198,583**	**210,422**	**219,535**	**227,932**	**228,818**
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	10,142	10,555	9,229	12,175	15,225	16,436	17,549	20,131
Other commitments	6,842	7,050	6,617	7,378	7,012	7,349	7,531	8,476
FINANCIAL RATIOS								
Total capital ratio, %	19.3	18.0	18.5	16.4	15.9	15.0	12.7	12.4
Tier 1 ratio, %	19.3	17.2	17.9	15.9	15.2	14.0	12.0	12.4
Return on equity before tax (pa), %	(4.3)	8.5	6.6	6.2	5.8	4.9	2.7	2.4
Return on equity after tax (pa), %	(3.5)	6.4	4.8	4.6	5.4	3.7	2.2	0.7
Income:cost ratio	0.8	1.83	1.36	1.40	1.24	1.19	1.09	1.07
Interest rate exposure, %	0.7	0.8	0.5	1.0	0.5	0.6	0.8	0.7

Financial ratios, definitions

Total capital ratio, %	Capital base divided by risk-weighted assets
Tier 1 ratio, %	Tier 1 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 Tier 1 capital after statutory deductions
Foreign exchange position, %	Foreign exchange indicator 1 divided by Tier 1 capital less statutory deductions
Foreign exchange exposure, %	Foreign exchange indicator 2 divided by Tier 1 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.

OTHER INFORMATION

FINANCIAL CALENDAR FOR 2012

9 February
Annual Report for 2011 and a preliminary announcement of financial statements of the Nykredit Realkredit Group.

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

10 May
Q1 Interim Report of the Nykredit Bank Group.

23 August
H1 Interim Report of the Nykredit Bank Group.

8 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 in 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 15 March 2011. 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

Chairman of:
Ejendomsselskabet Kalvebod A/S

Director of:
Dampskibsselskabet "Norden" A/S

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

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

Olav Brusen Barsøe ***
Asset Management Consultant
Date of birth: 8 May 1968
Joined the Board on 2 March 2011

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:
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

Chairman of:
Totalkredit A/S

Director of:
Nykredit Mægler A/S
Nykredit Administration V A/S
JN Data A/S
Ejendomsselskabet Kalvebod A/S
Realkreditrådet

Allan Kristiansen ***
Senior Relationship Manager

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

Chairman of:
Nykredit Mægler A/S
e-nettet Holding A/S
e-nettet A/S

Deputy Chairman of:
JN Data A/S

Director of:
Bankernes EDB Central, Observer
IT-Universitetet i København (ITU)

Member of committee of representatives of:
Gigtforeningen

Owner of Bræmkærgård

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

Chairman of:
Nykredit Ejendomme A/S
Nykredits Afviklingspensionskasse

Deputy Chairman of:
CfL Center for ledelse *

Director of:
Nykredit Mægler A/S
Finanssektorens Uddannelsescenter
Finanssektorens Arbejdsgiverforening

Member of committee of representatives of:
Ejendomsforeningen Danmark

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

Chairman of:
FB Ejendomme A/S

Director of:
Komplementarselskabet Advizer ApS
Finansrådet
JSNFA Holding A/S

Member of committee of representatives of:
Det Private Beredskab til Afvikling af Nødlidende Banker, Sparekasser og Andelskasser

Georg Andersen
Managing Director

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

Deputy Chairman of:
Børsmæglerforeningen

Director of:
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

Chairman of:
Nykredit Portefølje Administration A/S
Jysk Display A/S

Director of:
CFA Denmark

* Joined in 2011
** Resigned in 2011
*** 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.