Annual Report 2012
The Nykredit Bank Group

CONTENTS

COMPANY INFORMATION	**1**
External auditors, Board of Directors and Executive Board	1
Group chart	2
MANAGEMENT'S REVIEW	**3**
The Nykredit Bank Group 2008-2012	3
2012 – in brief	4
Liquidity	4
Capital	4
Nykredit Bank Group results	5
Results relative to forecasts	6
Outlook for 2013	7
Other	7
Tax	7
Ratings	7
Balance sheet, equity and capital adequacy	8
Events occurred after the end of the financial year	9
Business areas	10
CAPITAL POLICY AND MANAGEMENT	**16**
ORGANISATION, MANAGEMENT AND CONTROL SYSTEMS	**17**
Financial sustainability	17
Strategy to strengthen growth in banking	17
Organisation and delegation of responsibilities	18
Remuneration	19
Corporate responsibility	19
Internal control and risk management systems	20
GROUP RISK MANAGEMENT	**22**
Credit risk	22
Market risk	25
Liquidity management	27
Operational risk	28
Uncertainty as to recognition and measurement	28
IMPAIRMENT LOSSES, LOANS AND ADVANCES	**29**
NYKREDIT BANK A/S	**32**
MANAGEMENT STATEMENT AND AUDIT REPORTS	**34**
Management Statement	34
Internal Auditors' Report	35
Independent Auditors' Report	36
FINANCIAL STATEMENTS 2012	**37**
Income statements	37
Balance sheets	38
Statement of changes in equity	40
Cash flow statement	42
Notes	43
Financial ratios, definitions	97
OTHER INFORMATION	**98**
Financial calendar for 2013	98
Nykredit Bank's Management	99

COMPANY INFORMATION

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

Website: nykredit.com
Tel: +45 44 55 18 00

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

Nykredit Bank is wholly owned by Nykredit Realkredit A/S and has been included in 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 12 March 2013

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 99.

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

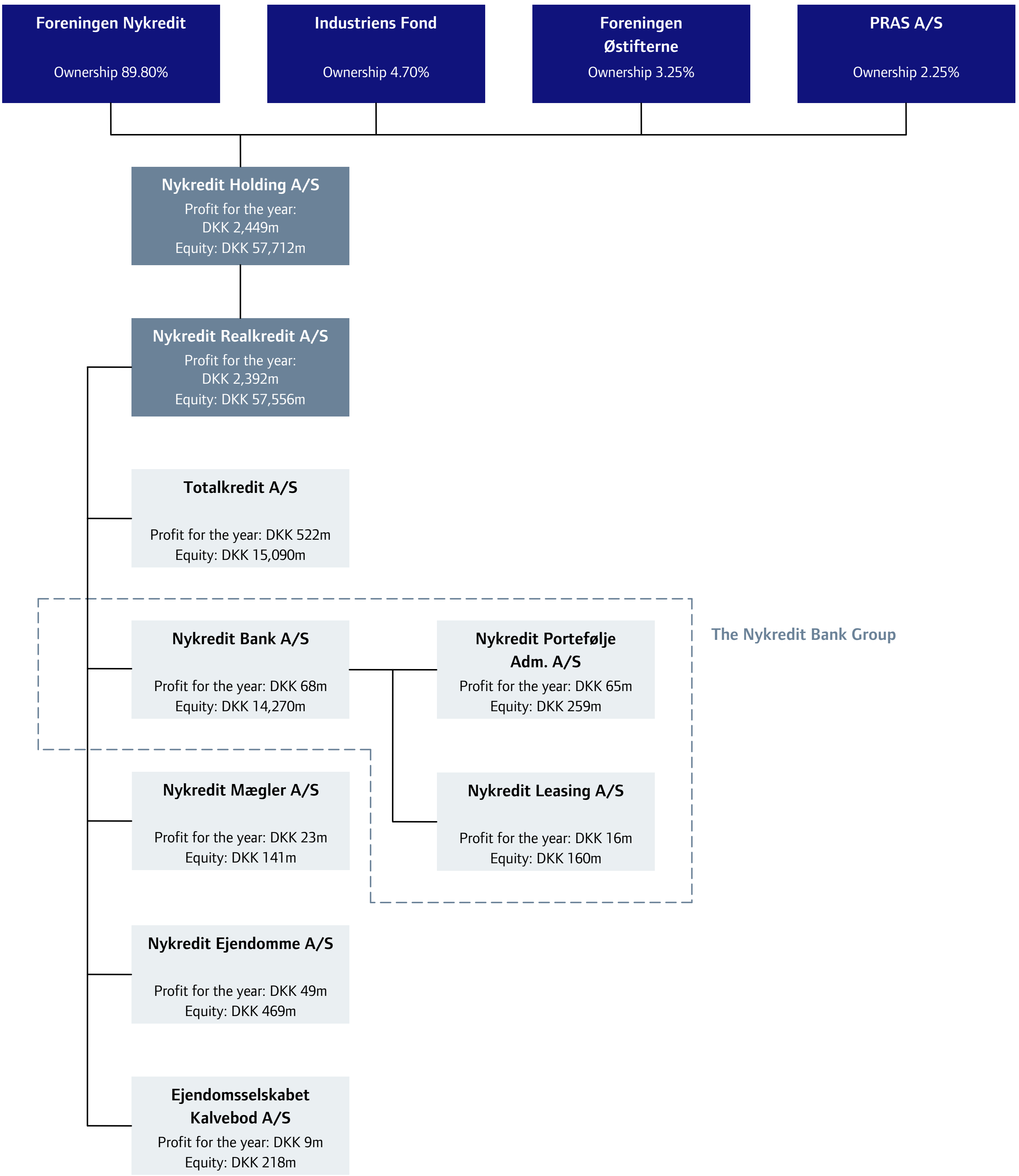
Hans Bang-Hansen, Farmer

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

- Annual Report 2012
- About Nykredit 2012 – CSR Report on Financial Sustainability
- Risk and Capital Management 2012

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

GROUP CHART



Reference is made to note 47 of this report for a full group structure.

THE NYKREDIT BANK GROUP 2008-2012

DKK million/EUR million Comparative figures have been restated to reflect the merger with Forstædernes Bank A/S in 2010	2012/EUR	2012	2011	2010	2009	2008
						The Nykredit Bank Group
CORE EARNINGS AND RESULTS FOR THE YEAR						
Core income from:						
- business operations	462	3,447	3,506	3,830	3,641	3,270
- value adjustment of derivatives and corporate bonds	(143)	(1,067)	(632)	(47)	(176)	(133)
- Proprietary Trading (activity transferred to Nykredit Realkredit in 2009)	-	-	-	-	47	(351)
- securities	8	61	175	126	143	495
Total	**327**	**2,441**	**3,049**	**3,909**	**3,655**	**3,281**
Operating costs and depreciation of equipment	244	1,824	1,814	1,781	1,969	1,857
Payment to the Guarantee Fund for Depositors and Investors	3	23	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	**80**	**594**	**1,135**	**1,788**	**1,003**	**1,312**
Impairment losses on loans and advances and provisions for guarantees	75	557	388	1,215	6,253	2,234
Provisions for guarantees relating to the government guarantee scheme (Bank Rescue Package I)	-	-	-	279	318	63
Core earnings after impairment losses	**5**	**37**	**747**	**294**	**(5,568)**	**(985)**
Investment portfolio income[1]	4	30	(154)	223	366	(919)
Profit (loss) before tax	**9**	**67**	**593**	**517**	**(5,202)**	**(1,904)**
Tax	0	(1)	160	122	(1,264)	(436)
Profit (loss) for the year	**9**	**68**	**433**	**395**	**(3,938)**	**(1,468)**
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	6,007	44,812	50,244	29,480	46,361	35,318
Loans, advances and other receivables at fair value	4,745	35,401	22,007	12,920	11,963	24,544
Loans, advances and other receivables at amortised cost	6,676	49,807	55,901	59,072	60,921	73,157
Bonds at fair value and equities	7,828	58,399	61,063	75,266	65,670	57,004
Remaining asset items	6,983	52,099	43,153	33,684	30,294	33,692
Total assets	**32,239**	**240,518**	**232,368**	**210,422**	**215,209**	**223,715**
Liabilities and equity						
Payables to credit institutions and central banks	7,420	55,355	63,093	48,351	56,843	91,637
Deposits and other payables	7,332	54,701	57,551	55,699	65,117	61,240
Issued bonds at amortised cost	3,820	28,498	26,137	32,848	44,059	20,528
Other non-derivative financial liabilities at fair value	4,523	33,741	27,308	25,679	6,798	3,641
Remaining payables	7,166	53,468	43,594	32,416	28,084	32,246
Provisions	31	235	233	847	765	119
Subordinated debt	34	250	250	813	1,169	4,145
Equity	1,913	14,270	14,202	13,769	12,374	10,159
Total liabilities and equity	**32,239**	**240,518**	**232,368**	**210,422**	**215,209**	**223,715**
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	1,631	12,169	10,142	15,225	23,386	16,374
Other commitments	1,053	7,858	6,842	7,012	9,387	8,163
FINANCIAL RATIOS						
Profit (loss) for the year as % of average equity, pa		0.5	3.1	3.0	(35.0)	(15.9)
Profit (loss) before tax for the year as % of average equity, pa		0.5	4.2	4.0	(46.2)	(20.6)
Core earnings before impairment losses as % of average equity, pa		4.2	8.1	13.7	8.5	14.2
Core earnings after impairment losses as % of average equity, pa		0.3	5.3	2.2	(49.8)	(10.7)
Costs excl impairment losses as % of core income from business operations		53.6	54.6	56.2	67.8	60.2
Provisions for loan impairment, DKKm		4,057	4,294	6,143	7,812	2,385
Impairment losses for the year, %		0.5	0.4	1.6	6.3	2.0
Total capital ratio, %		21.3	19.3	15.9	12.3	10.2
Tier 1 capital ratio, %		21.3	19.3	15.2	12.3	7.7
Core Tier 1 capital ratio, %		21.0	19.0	15.0	12.3	7.7
Average number of full-time staff		850	817	847	1,228	1,798

For financial highlights based on the Group's presentation of income statement and balance sheet etc, please see notes 48 and 49.

[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.

2012 – IN BRIEF

2012 – IN BRIEF

- Profit before tax was DKK 67m against DKK 593m in 2011.

- Core income from business operations declined to DKK 3,447m from DKK 3,506m in 2011.

  Retail recorded growth in core income in 2012, whereas core income from Wholesale was lower.

- Value adjustment of interest rate swaps came to a charge of DKK 1,067m against a charge of DKK 632m in 2011.

- Operating costs were DKK 1,824m, the same as in 2011.

- Impairment losses grew by DKK 169m to DKK 557m. The rising impairment losses were chiefly attributable to Retail. Impairment losses for the year amounted to 0.5% against 0.4% in 2011.

- Core earnings after impairment losses subsequently stood at DKK 37m against DKK 747m in 2011.

- Investment portfolio income grew to DKK 30m from a loss of DKK 154m in 2011 when income was partly affected by substantial capital losses on subordinated debt instruments in distressed Danish banks.

- Costs as a percentage of core income from business operations were 53.6% against 54.6% in 2011.

- The balance sheet stood at DKK 240.5bn against DKK 232.4bn at end-2011.

- Profit before tax generated a return on equity of 0.5% against 4.2% in 2011.

Ratings
- Fitch Ratings has assigned issuer ratings of A and F1 to Nykredit Bank.

LIQUIDITY
- Excess cover relative to statutory liquidity requirements was a satisfactory 183%, and the Bank had a deposit surplus of DKK 4.9bn.

CAPITAL
- The core Tier 1 capital ratio and the total capital ratio were 21.0% and 21.3%, respectively, at end-2012 against 19.0% and 19.3% in 2011, and the internal capital adequacy requirement (ICAAP) stood at 10.5%.

NYKREDIT BANK GROUP RESULTS

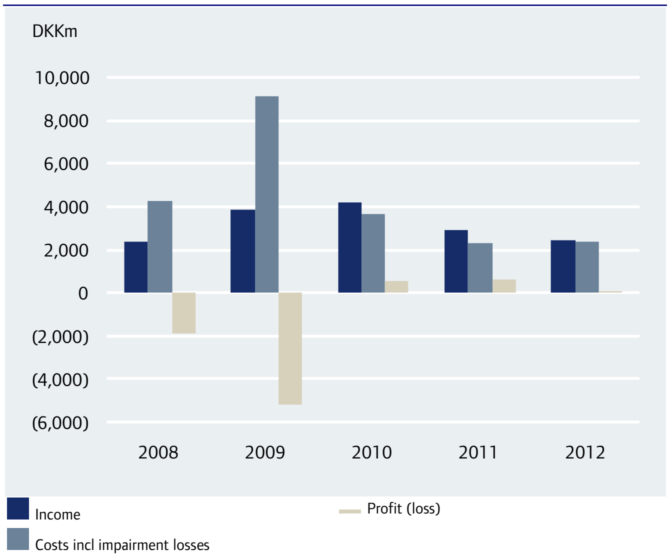
The Group reported a profit before tax of DKK 67m against DKK 593m in 2011.

Core income from business operations developed as expected, but at a slightly lower level than in 2011, whereas a rise in value adjustment of interest rate swaps of DKK 435m and impairment losses on loans and advances of DKK 169m affected results adversely compared with 2011.

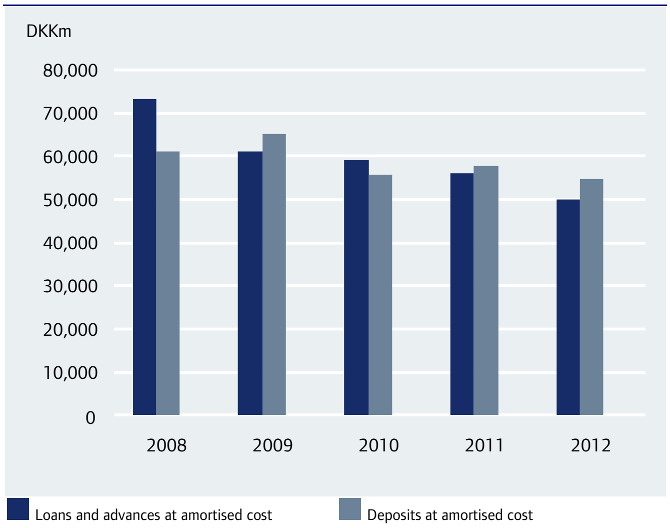
Core earnings

Core earnings after impairment losses were DKK 37m, down DKK 710m from DKK 747m in 2011.

The Nykredit Bank Group
Profit before tax



The Nykredit Bank Group
Loans, advances and deposits



Core income from business operations
Core income was DKK 3,447m in 2012, equal to a 2% decline from DKK 3,506m in 2011.

Core income from Retail rose to DKK 2,027m from DKK 1,877m in 2011.

However, core income from Wholesale was slightly lower than in 2011, down by DKK 28m to DKK 1,551m. Nykredit Markets and Nykredit Asset Management reported increasing income levels, whereas income from Corporate & Institutional Banking was lower than in 2011.

Value adjustment of derivatives and corporate bonds
The credit exposure to interest rate hedging contracts with commercial customers resulted in a negative market value adjustment of DKK 1,095m compared with a negative market value adjustment of DKK 642m in 2011.

Of the charge for the year, DKK 63m stemmed from recognised losses on terminated swaps, while the rest derived from value adjustment of non-terminated interest rate swaps in respect of which the expensed amount is not necessarily lost. A rise in interest rate levels will therefore have a positive impact on results.

One reason for the higher charge is the declining interest rate level, which has resulted in substantial, positive market values of interest rate swaps with commercial customers which have not fully provided security in the form of cash deposits or government and mortgage bonds. This has increased Nykredit Bank's credit exposure. The Bank has made market value adjustments as regards customers with low ratings.

The persistently very low interest rates in 2012 have prompted a more conservative valuation than previously, and the Bank's general method for pricing of interest rate swaps has been adjusted to reflect market trends.

As the Bank's interest rate swaps have typically been entered into on a hedged basis, the total net interest rate exposure is very modest.

Value adjustment of corporate bonds totalled DKK 28m against DKK 10m in 2011.

Core income from securities
Core income decreased from DKK 175m in 2011 to DKK 61m in 2012, which mirrored the decline in the risk-free interest rate from an average of 1.27% in 2011 to 0.43% in 2012. The risk-free interest rate is based on Danmarks Nationalbank's lending rate.

Operating expenses, depreciation and amortisation
Operating expenses edged up from DKK 1,814m in 2011 to DKK 1,824m.

Staff expenses were DKK 788m compared with DKK 769m in 2011, equal to an increase of 2.5%. This was particularly prompted by the recruitment of staff for the Stockholm branch and the general development in wages and salaries.

The average staff number went up by 4.0% to 850 from 817 in 2011, partly reflecting the set-up of the Stockholm branch and a general adjustment of staff levels.

Other administrative expenses decreased from DKK 1,031m in 2011 to DKK 1,021m in 2012.

Payment to the Guarantee Fund for Depositors and Investors
The payment to the Danish Guarantee Fund for Depositors and Investors amounted to DKK 23m in 2012 compared with about DKK 100m in 2011 when the payment reflected expenses for the winding-up of Amagerbanken A/S, Fjordbank Mors A/S and Max Bank A/S. Of the payment in 2012, DKK 5m was adjustment of expenses for distressed banks in 2011.

Impairment losses and provisions
Impairment losses and provisions rose from DKK 388m in 2011 to DKK 557m.

A rise in individual impairment provisions of DKK 187m, in collective impairment provisions of DKK 42m and a positive impact from provisions for guarantees of DKK 60m due to reversals were behind this development.

The higher charge in 2012 was particularly attributable to Retail impairments, increasing by DKK 103m to DKK 511m owing to a higher provisioning need for both personal customers and small and medium-sized enterprises (SMEs). Impairment losses in Wholesale came to DKK 34m compared with an income of DKK 39m in 2011 when the item was affected by a reversal of provisions made previously.

Impairment losses for the year amounted to 0.5% against 0.4% in 2011.

Investment portfolio income
Investment portfolio income came to DKK 30m against a charge of DKK 154m in 2011.

In addition to the income in excess of the risk-free interest, investment portfolio income in 2012 comprised commission payable for a loss guarantee provided by Nykredit Holding A/S.

In 2011 the expense was significantly impacted by negative value adjustment of Kalvebod issues of DKK 190m and by negative value adjustment of sector equities of DKK 44m.

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 is recognised in their core income.

Tax
The Bank's tax calculations showed a total tax income of DKK 1m, as non-taxable income exceeded net profit for the year before tax. As a result, taxable income for the year was negative.

Results after tax
The Group recorded a profit after tax of DKK 68m, equivalent to a return on equity of 0.5%. In 2011 the Group delivered a profit of DKK 433m and a return on equity of 3.1%.

Dividend
It will be recommended for approval by the Annual General Meeting that no dividend be distributed for the financial year 2012.

Results for Q4/2012
The Group recorded a loss before tax of DKK 270m in Q4/2012 against a profit of DKK 35m in Q3/2012.

Income from business operations and administrative costs were generally on a level with the preceding quarters in 2012.

The decline in results of DKK 305m compared with Q3/2012 especially reflected higher negative value adjustment of DKK 477m regarding interest rate swaps. Compared with the past few quarters, value adjustments were relatively high.

Core income from business operations was DKK 133m higher than in Q3. However, core income in Q4 did not differ substantially from that of the preceding quarters, and the development reflected ordinary periodic fluctuations.

Costs of DKK 450m in Q4 matched expectations and were on a level with Q1-Q3/2012.

Impairment losses stood at DKK 142m in Q4/2012, largely corresponding to the level in the previous quarters of 2012.

RESULTS FOR 2012 RELATIVE TO FORECASTS
When the Annual Report for 2011 was announced, the Bank expected a profit for 2012 on a level with the 2011 profit, albeit this involved significant uncertainty about the development in credit-related items. The same applied in connection with the announcement of the Interim Report for Q3/2012.

However, profit before tax in 2012 was down DKK 526m from the level in 2011.

Core income from business operations was slightly below the 2011 level, while core income from securities fell by DKK 114m due to the drop in the risk-free interest rate. The development in both items was within the margin of uncertainty that always exists in connection with an estimate and does not indicate changes as such to the Bank's basic business foundation.

Similarly, the cost level was broadly in line with expectations.

However, credit-related expenses for interest rate swaps and lending increased by a total of DKK 604m compared with 2011 and were thus the main reason for the reduced profit for 2012, including the development from Q3 to Q4.

OUTLOOK FOR 2013

Nykredit Bank forecasts rising core income and growth in deposits and lending in 2013.

Nykredit Bank will continue to focus on the development in costs and forecasts a lower cost:income ratio in 2013.

Impairment losses on loans and advances are expected to increase slightly and will depend on the economic climate and housing market in general.

Finally, value adjustment of interest rate swaps is expected to decline considerably in 2013, but the development will depend on changes in interest rate levels.

Based on the above, core earnings after impairment losses are expected to improve compared with 2012.

OTHER

TAX

The Danish tax authorities have proposed that the taxable income declared for 2008 be changed. The change relates to a tax deduction for impairment losses made by Forstædernes Bank, which was merged with Nykredit Bank in 2010. Reference is made to note 37 "Contingent liabilities" of this report.

RATINGS

Nykredit Bank is rated by Standard & Poor's and from 20 August 2012 by Fitch Ratings as well.

Nykredit requested Moody's Investors Service to cease rating the Nykredit Group as from 13 April 2012.

On 20 August 2012, Fitch Ratings announced that Nykredit Realkredit A/S and Nykredit Bank A/S had been assigned a long-term Issuer Default Rating (IDR) of A and a short-term IDR of F1, both on stable outlooks. Reference is made to Nykredit's press release dated 20 August 2012.

Nykredit Bank A/S
Ratings

	Fitch	Standard & Poor's
Short-term ratings	F1	A-1
Long-term ratings	A	A+

The Nykredit Bank Group
Summary balance sheet

DKK million	2012	2011
Receivables from credit institutions	44,812	50,244
Loans and advances at fair value	35,401	22,007
Loans and advances at amortised cost	49,807	55,901
of which Retail	27,185	29,130
of which Wholesale	19,655	24,105
of which other loans and advances	2,967	2,666
Bonds and equities	58,399	61,063
Remaining assets	52,099	43,153
Payables to credit institutions and central banks	55,355	63,093
Deposits and other payables	54,701	57,551
of which Retail	36,244	35,013
of which Wholesale	16,285	19,401
of which other loans and advances	2,172	3,137
Issued bonds	28,498	26,137
Other non-derivative financial liabilities at fair value	33,741	27,308
Remaining liabilities	53,703	43,827
Subordinated debt	250	250
Equity	14,270	14,202
Balance sheet total	**240,518**	**232,368**

The Nykredit Bank Group
Equity

DKK million	2012	2011
Equity, beginning of financial year	14,202	13,769
Profit after tax for the year	68	433
Equity, end of financial year	**14,270**	**14,202**

The Nykredit Bank Group
Capital base and capital adequacy

DKK million	2012	2011
Share capital	6,045	6,045
Retained earnings	8,225	8,157
Core Tier 1 capital	**14,270**	**14,202**
Primary and other statutory deductions from core Tier 1 capital	57	193
Supplementary capital and hybrid capital	250	250
Capital base after statutory deductions	**14,463**	**14,259**
Weighted items	68,019	73,811
Capital requirement	5,442	5,904
Total capital ratio, %	21.3	19.3
Tier 1 capital ratio, %	21.3	19.3
Core Tier 1 capital ratio, %	21.0	19.0
Internal capital adequacy requirement (ICAAP), %	10.5	10.2

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet
The balance sheet increased by DKK 8.1bn to DKK 240.5bn.

Receivables from credit institutions and central banks decreased by DKK 5.4bn to DKK 44.8bn, while loans and advances at fair value (repo lending) rose by DKK 13.4bn to DKK 35.4bn. The development in balances with credit institutions widely reflected the Bank's need to raise and place liquidity, including the net result in the Bank's deposit, lending and securities activities.

Loans and advances at amortised cost went down by DKK 6.1bn to DKK 49.8bn attributable to lending to personal and commercial customers of the business area Retail. Wholesale lending also trended downwards from DKK 24.1bn at end-2011 to DKK 19.7bn.

Bonds and equities reduced from DKK 61.1bn at end-2011 to DKK 58.4bn. 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 consisted of high-rated government and covered bonds.

Assets in temporary possession were raised from DKK 55m at end-2011 to DKK 904m at end-2012. The item comprised properties repossessed by the Bank in connection with settlement of non-performing exposures. Compared with 2011 the development was mainly attributable to a specific property company. The property company, comprising one real property, was acquired in the last quarter of the year and is expected to be disposed of in 2013. The carrying amount of debt in this company totals DKK 659m, which explains the rise in "Liabilities temporarily assumed" from DKK 22m at end-2011 to DKK 659m.

Other assets totalled DKK 50.9bn against DKK 43.0bn at end-2011. This included positive market values of derivatives relating to customer activities, own positions and hedging transactions in the amount of DKK 43.9bn at end-2012 (2011: DKK 37.5bn). 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 44.3bn.

Deposits and other payables fell from DKK 57.6bn at end-2011 to DKK 54.7bn at end-2012 on account of a rise of DKK 1.2bn in Retail and a total reduction of DKK 4.1bn in Wholesale and other deposits. Deposits from repo transactions rose from DKK 15.9bn at end-2011 to DKK 17.7bn.

As at 31 December 2012, the Bank's deposit surplus was DKK 4.9bn measured as the balance between deposits and lending at amortised cost. At end-2011, the deposit surplus came to DKK 1.7bn.

Issued bonds totalled DKK 28.5bn against DKK 26.1bn at end-2011. The Bank's issues under the ECP and EMTN programmes continued to obtain satisfactory pricing and interest rate levels.

Other non-derivative financial liabilities at fair value were DKK 33.7bn against DKK 27.3bn at end-2011. The item comprised deposits from repo activities, including negative securities portfolios.

Other payables and deferred income totalled DKK 52.8bn against DKK 43.5bn at end-2011. The item mainly consisted of interest and commission payable and negative market value of derivative financial instruments.

The Bank's hybrid capital remained unchanged at DKK 250m.

Equity, capital base, capital requirements and capital adequacy
Equity stood at DKK 14.3bn at end-2012 against DKK 14.2bn at end-2011. The increase of DKK 0.1bn equalled profit after tax for the year. Equity in Nykredit Bank A/S and the Nykredit Bank Group was identical, as uniform recognition and measurement principles were applied.

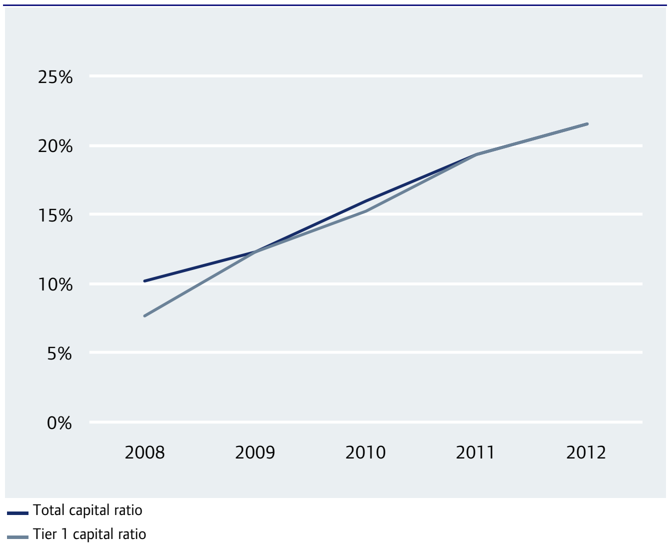
Nykredit Bank's capital base totalled DKK 14.5bn at end-2012 (2011: DKK 14.3bn) and the capital requirement was DKK 5.4bn at end-2012 (2011: DKK 5.9bn).

Weighted assets declined by DKK 5.8bn compared with end-2011 following a drop of DKK 9.0bn in items involving credit risk, a rise of DKK 0.8bn in items involving operational risk and a rise of DKK 2.5bn in items involving market risk.

Nykredit Holding has issued a loss guarantee for the earnings impact of Nykredit Bank's impairment losses and guarantees that exceeds 2% of total loans, advances and guarantees during a financial year subject to a maximum of DKK 2bn for the term of the guarantee. The guarantee resulted in a reduction in the capital requirement for credit risk exposure of about DKK 1.4bn.

The total capital ratio of the Nykredit Bank Group was subsequently 21.3% against 19.3% at end-2011, and the core Tier 1 capital ratio totalled 21.0% against 19.0% at end-2011.

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



The Nykredit Bank Group's internal capital adequacy requirement was 10.5% compared with 10.2% at end-2011.

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 2012, which is available at nykredit.com/reports.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR
No significant events have occurred in the period up to the presentation of the Annual Report.

BUSINESS AREAS

Due to organisational changes within Nykredit, the presentation of the Bank's business areas was changed in 2012 and now comprises:

- Retail, which comprises personal customers as well as SMEs
- Wholesale, which comprises the business units Corporate & Institutional Banking, Nykredit Markets and Nykredit Asset Management
- Group Items, which comprises the Bank's Treasury area and other income and costs not allocated to the business areas, including core income from securities and investment portfolio income.

Gross income from customer activity is allocated to the business areas which have supplied the underlying products (Nykredit Markets and Nykredit Asset Management). Income which may be attributed to the sales activities of Retail and Corporate & Institutional Banking is subsequently allocated in full.

Correspondingly, the related sales costs of Nykredit Markets and Nykredit Asset Management are allocated to Retail and Corporate & Institutional Banking.

The Nykredit Bank Group
Results before tax for 1 January – 31 December by business area

	Retail		Wholesale		Group Items		Total	
DKK million	2012	2011	2012	2011	2012	2011	2012	2011
Core income:								
Customer activities, gross	1,283	1,200	2,295	2,256	(131)	50	3,447	3,506
Payment for distribution	744	677	(744)	(677)	-	-	-	-
Core income from business operations	**2,027**	**1,877**	**1,551**	**1,579**	**(131)**	**50**	**3,447**	**3,506**
Value adjustment of derivatives and corporate bonds	(927)	(408)	(140)	(224)	-	-	(1,067)	(632)
Core income from securities	-	-	-	-	61	175	61	175
Total core income	**1,100**	**1,469**	**1,411**	**1,355**	**(70)**	**225**	**2,441**	**3,049**
Operating costs	837	852	740	703	247	259	1,824	1,814
Payment to the Guarantee Fund for Depositors and Investors	11	-	3	-	9	100	23	100
Core earnings before impairment losses	**252**	**617**	**668**	**652**	**(326)**	**(134)**	**594**	**1,135**
Impairment losses on loans and advances	511	408	34	(39)	12	19	557	388
Core earnings after impairment losses	**(259)**	**209**	**634**	**691**	**(338)**	**(153)**	**37**	**747**
Investment portfolio income	-	-	-	-	30	(154)	30	(154)
Profit (loss) before tax for the year	**(259)**	**209**	**634**	**691**	**(308)**	**(307)**	**67**	**593**
Costs excl impairment losses/core income from business operations, %	41.8	45.4	47.9	44.5	-	-	53.6	54.6

Results – Retail

DKK million	2012	2011
Core income:		
Customer activity, gross	1,283	1,200
Payment for distribution	744	677
Core income from business operations	**2,027**	**1,877**
Value adjustment of derivatives	(927)	(408)
Total core income	**1,100**	**1,469**
Operating costs	837	852
Payment to the Guarantee Fund for Depositors and Investors	11	-
Impairment losses on loans and advances	511	408
Profit (loss) before tax	**(259)**	**209**

Principal balance sheet items

DKK million	2012	2011
Assets		
Loans and advances at amortised cost	27,185	29,130
of which personal customers	14,342	15,476
of which SMEs	12,843	13,654
Impairment provisions on loans and advances	2,141	2,114
Impairment provisions as % of loans and advances	7.3	6.8
Payables		
Deposits and other payables	36,244	35,013
of which personal customers	21,113	18,758
of which SMEs	15,131	16,255
Off-balance sheet items		
Guarantees	10,269	5,052

Retail

The business area provides banking services to personal customers and SMEs, including agricultural customers, residential rental customers and wealthy personal customers. The business area also includes the subsidiary Nykredit Leasing A/S.

Nykredit serves its customers through 55 local customer centres and the sales and advisory centre Nykredit Direkte®. The estate agencies of the Nybolig and Estate chains constitute other distribution channels. Nykredit offers insurance in cooperation with Gjensidige Forsikring.

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

Results

Retail posted a loss before tax of DKK 259m compared with a profit of DKK 209m in 2011. The loss was mainly attributable to personal customers which generated a profit of DKK 534m, whereas SMEs generated a loss of DKK 793m driven by significant value adjustment of interest rate swaps.

Core income from business operations developed favourably from DKK 1,877m in 2011 to DKK 2,027m in 2012.

By contrast, value adjustment of derivatives came to a charge of DKK 927m compared with a charge of DKK 408m in 2011. In both years the charge resulted from SME customers.

Operating costs reduced by DKK 15m to DKK 837m.

Impairment losses were DKK 511m in 2012 against DKK 408m in 2011. Impairment losses for SME customers rose by DKK 70m to DKK 381m, while the charge for personal customers was DKK 130m, up DKK 33m.

Impairment losses were 1.3%.

Costs as a percentage of core income from business operations totalled 41.8% against 45.4% in 2011.

The subsidiary Nykredit Leasing contributed a profit before tax of DKK 15m to the business area's results against a loss of DKK 6m in 2011.

Lending and deposits

The business area's lending decreased by DKK 2.0bn to DKK 27.2bn, while deposits increased by DKK 1.2bn from DKK 35.0bn in 2011 to DKK 36.2bn.

Activities in 2012

As in 2011, the Retail area was affected by low housing market turnover and generally subdued activity, which led to a fall in lending and a low level of fee income from property transactions. Conversely, deposits rose as a result of a higher propensity to save among personal customers.

Competition in the deposits market intensified in 2012, and the Bank devoted many resources to increasing its share of stable deposits through a higher number of banking customers which use Nykredit Bank as their day-to-day bank. As a result, the Bank introduced new stock market-linked and high-yield savings accounts in 2012. Also, at year-end, the sale of investment and pension products was also fairly high, exceeding DKK 1.2bn.

Throughout the year, Nykredit Bank stepped up its efforts to consolidate and expand its position as an advisory and relationship bank for an increasing number of customers. Moreover, the daily dialogue with customers at the customer centres has spurred growth in the number of day-to-day banking customers.

In 2012 competition in the SME market increased, causing both lending and deposit levels to decline over the year.

Against this backdrop, a number of initiatives were undertaken to attract more day-to-day banking customers also in the SME area in order to grow the share of stable deposits. Also in the SME area a number of campaigns were launched, eg for a new stock market-linked savings account.

Measures to increase customer profitability were stepped up in 2012, and interest margins were slightly adjusted partly as a consequence of higher funding costs.

In the wealth management area, the interaction between specialist staff at the customer centres and financial/wealth management advisers intensified, which together with the new organisational positioning of investment advisers resulted in increased sales of wealth management products in H2/2012.

Results – Wholesale

DKK million	2012	2011
Core income:		
Customer activity, gross	2,295	2,256
Payment for distribution	(744)	(677)
Core income from business operations	**1,551**	**1,579**
Value adjustment of derivatives	(140)	(224)
Total core income	**1,411**	**1,355**
Operating costs	740	703
Payment to the Guarantee Fund for Depositors and Investors	3	-
Impairment losses on loans and advances	34	(39)
Profit before tax	**634**	**691**

Principal balance sheet items

DKK million	2012	2011
Assets		
Loans and advances at amortised cost	19,655	24,105
Impairment provisions on loans and advances	1,810	2,089
Impairment provisions as % of loans and advances	8.4	8.0
Repo transactions	35,401	22,007
Payables		
Deposits and other payables	16,285	19,401
Off-balance sheet items		
Guarantees	8,707	10,257

Assets under management and administration and investment funds

DKK million	2012	2011
Institutional market	84,557	84,394
Insourced mandates	19,141	16,937
Total assets under management	**103,698**	**101,331**
Assets under administration in Nykredit Portefølje Administration A/S	513,675	334,796
Of which Nykredit Group investment funds	46,518	35,414

Wholesale: Income and income allocated to Retail

DKK million	2012	2011
Customer activity, gross		
Nykredit Markets	914	839
Nykredit Asset Management	782	715
Corporate & Institutional Banking	599	702
Total	**2,295**	**2,256**
Income allocated to customer areas		
Nykredit Markets	(398)	(337)
Nykredit Asset Management	(452)	(399)
Corporate & Institutional Banking	106	59
Total allocation to Retail	**(744)**	**(677)**
Core income		
Nykredit Markets	516	502
Nykredit Asset Management	330	316
Corporate & Institutional Banking	705	761
Total	**1,551**	**1,579**

Wholesale

The business area Wholesale comprises activities with the Group's corporate and institutional clients as well as the non-profit housing segment.

Wholesale also handles the Group's activities within securities and financial derivatives trading and asset management.

Wholesale consists of the business units Corporate & Institutional Banking, Nykredit Markets and Nykredit Asset Management. Finally, Wholesale comprises a portfolio of terminated exposures.

Results

The business area recorded a profit of DKK 634m compared with DKK 691m in 2011, a decrease of DKK 57m.

The area's core income from business operations fell by DKK 28m from DKK 1,579m to DKK 1,551m in 2012. Generally, the business units developed favourably relative to 2011, but the business area was affected by a loss of about DKK 50m on the equity portfolio relating to the terminated exposures.

The area's gross income from customer activity totalled DKK 2,295m excluding value adjustment of derivatives compared with DKK 2,256m in 2011.

Nykredit Markets posted gross income of DKK 914m, up DKK 75m on 2011, and Nykredit Asset Management recorded growth of DKK 67m in gross income from customer activity, which totalled DKK 782m.

Operating costs amounted to DKK 740m, up DKK 37m, compared with DKK 703m in 2011. This partly resulted from the establishment of the Stockholm branch.

Impairment losses on loans and advances were DKK 34m against an income of DKK 39m in 2011. The impairment loss in 2012 was attributable to an income of DKK 27m in Corporate & Institutional Banking and a loss of DKK 66m for terminated exposures, comprising a portfolio of corporate customers from Forstædernes Bank. Termination of these exposures is generally in line with expectations. In other areas, loan impairments came to an income of DKK 5m.

Impairment losses for the year neared 0% in 2012.

Costs as a percentage of core income from business operations totalled 47.9% against 44.5% in 2011.

Lending and deposits

Lending went down from DKK 24.1bn at end-2011 to DKK 19.7bn at end-2012, of which the portfolio of terminated exposures accounted for an expected decline of DKK 0.5bn.

Deposits decreased from DKK 19.4bn to DKK 16.3bn.

Activities in 2012

In 2012 Corporate & Institutional Banking focused heavily on raising the number of customers which use Nykredit Bank as their day-to-day bank. Increased use of cash management and trade finance specialists also meant that the Bank was better suited to meet the customers' special needs in these areas.

The area's lending and deposit activities were moreover affected by increased competition and generally subdued loan demand. Moreover, a number of corporates took advantage of the low interest rates to refinance bank loans into mortgage loans, leading to reduced lending balances compared with 2011.

Nykredit Markets

Earnings in Nykredit Markets developed satisfactorily and were higher than in 2011. This mirrored higher customer numbers and activity.

Again this year, the performance and activity levels were achieved amid volatile market conditions, driven primarily by the unrest in southern Europe for most of 2012. However, the ECB intervened during the summer by establishing a purchase programme, resulting in a shift in sentiment and calmer government bond markets.

The Nordic countries, and Denmark in particular, were considered safe havens by foreign investors in 2012, which attracted new customer segments. Confidence in the Nordic countries, including Denmark, resulted in negative yield spreads against Germany and a negative deposit rate at Danmarks Nationalbank.

Having set up Markets operations in Sweden last year, Nykredit Markets has become a significant participant in the Nordic fixed income market, which has strengthened its position with foreign institutional customers.

In the Danish market, Nykredit Markets offers a wide range of financial products relating to government bonds, covered bonds, corporate bonds as well as equities, foreign exchange and capital market products. The main customer segment is institutional customers and corporates, but Nykredit Markets also serves large personal customers.

A number of banks and corporates continued to have restricted access to capital in 2012, which whetted the appetite for capital market transactions and led to a positive development in market activity.

Nykredit Asset Management

Nykredit Asset Management is the Group's competence centre within asset management and portfolio administration.

Assets under management and administration

Total assets under management and administration were DKK 617.4bn at end-2012, up DKK 181.2bn on 2011. The rise was attributable to new clients and price gains.

Nykredit 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 103.7bn at end-2012, notably due to the market price development.

Institutional market

Total assets under management were up by DKK 2.3bn to DKK 103.7bn in 2012. Assets under management were driven by the development in the client base and favourable market prices of the mandates under management.

74% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2012. Over the past three years, 81% of Nykredit Asset Management's investment strategies (GIPS composites) have generated above-benchmark returns.

In 2012 Nykredit Asset Management introduced a number of new and innovative products, including the fund Tactical Allocation, which manages clients' equity and bond risk, as well as the fund AMRA, the object of which is to invest in the most attractive local equity markets with a rule-based approach. The product range within balanced portfolios was widened by the introduction of Balance Offensive (having a high allocation to equities).

The investment strategy KOBRA was very successful in 2012, generating a return of 22.1% and a low standard deviation. KOBRA invests in short-term covered bond yield spreads.

A central part of Nykredit Asset Management's strategy is to draw on the expertise of both domestic and foreign asset managers within investment areas outside the Bank's own core competency. At end-2012, Nykredit Assets Management's insourced mandates amounted to DKK 19.1bn, corresponding to a rise of DKK 2.2bn relative to 2011. The rise was primarily due to positive price developments. During the year, StandardLife was appointed to manage corporate bonds and Harding Loevner to manage global equities.

The results were achieved despite extensive implementation of Nykredit Asset Management's new IT operating platform.

Retail market

For asset management products aimed at the retail market, the market share grew from 6.9% in early 2012 to 7.7% at end-2012.

Total assets managed under the wealth management concepts Private Portfolio, Pension Invest and Savings Invest totalled DKK 22.9bn at end-2012, up DKK 2.9bn on 2011. The rise reflects the positive client development and financial market trends.

The investment funds of Nykredit Invest increased their net asset value to DKK 46.5bn in 2012 from 35.4bn at end-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 Denmark's largest investment management company, commanding a market share of more than 40%.

The company reported a profit before tax of DKK 87m against DKK 54m in 2011.

The year 2012 was characterised by a high level of activity. During the year the company attracted five funds and 93 subfunds and discontinued administration of 12 subfunds. Especially the new mandates contributed to an increase in assets under administration totalling DKK 513.7bn at end-2012 against DKK 334.8bn at end-2011. In 2012 Nykredit Portefølje Administration won a number of large contracts with several leading pension and insurance companies in Denmark.

Results – Group Items

DKK million	2012	2011
Core income:		
Customer activity, gross	(131)	50
Payment for distribution	0	0
Core income from business operations	**(131)**	**50**
Core income from securities	61	175
Total core income	**(70)**	**225**
Operating costs	247	259
Payment to the Guarantee Fund for Depositors and Investors	9	100
Impairment losses on loans and advances	12	19
Core earnings after impairment losses	**(338)**	**(153)**
Investment portfolio income	30	(154)
Loss before tax	**(308)**	**(307)**

Principal balance sheet items

DKK million	2012	2011
Assets		
Loans, advances and receivables at amortised cost	2,967	2,666
Impairment provisions	106	91
Impairment provisions as % of loans and advances	3.4	3.3
Payables		
Deposits and other payables	2,172	3,137
Off-balance sheet items		
Guarantees	1,051	1,675

Group Items

Group Items includes the results of the Bank's Treasury area, core earnings and investment portfolio income from securities as well as other income and expenses not allocated to the business areas. Significant unallocated costs include IT costs and payment to the Guarantee Fund for Depositors and Investors.

The business area recorded a loss of DKK 308m, which level was unchanged compared with 2011.

Treasury activities and unallocated costs of staff functions generated a loss of about DKK 178m in 2012.

Core income from securities and investment portfolio income were DKK 91m compared with DKK 21m in 2011 when income was partly affected by the Danish banking market turbulence, resulting in capital losses on subordinated debt instruments etc in Danish banks.

Unallocated expenses rose to DKK 233m from DKK 321m in 2011, of which DKK 229m mainly consisted of IT related expenses and DKK 9m of payment to the Guarantee Fund for Depositors and Investors. In 2011 the item included expenses of DKK 100m for the Guarantee Fund for Depositors and Investors and about DKK 221m of unallocated costs, including a refund of VAT and payroll tax.

CAPITAL POLICY AND MANAGEMENT

CAPITAL POLICY AND MANAGEMENT

Nykredit's objective is to maintain active lending activities 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.

Capital is as far as possible concentrated in the Parent Company, Nykredit Realkredit A/S, to ensure strategic flexibility and leeway. Capital is contributed to subsidiaries as required.

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. The required capital base is the minimum capital required, in Management's judgement, to cover all significant risks.

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

The determination of the required capital base takes into account the business targets by allocating capital for all relevant risks, including any model uncertainties. Nykredit Bank's required capital base was DKK 7.2bn at end-2012, equal to an internal capital adequacy requirement of 10.5%.

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 assets even if the model-based calculations indicate a lower ratio.

The report Risk and Capital Management 2012, available at nykredit.com/reports, contains a detailed description of the determination of the required capital base and internal capital adequacy requirement.

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 added to reflect the uncertainty of the models used.

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

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 will be maintained.

Capital policy under future rules (Basel III)

The European Council of Ministers, the European Parliament and the European Commission agree on all material issues in relation to the new capital adequacy rules. The new rules are expected to be adopted in Q2/2013, and they will be phased in towards 2019.

The new rules are expected to increase the Bank's capital requirement, and the Board of Directors will continually consider initiatives to ensure the requisite growth in equity. At end-2012, Nykredit Bank's Tier 1 capital ratio was 21.3%, and as a central element of the capital policy of the Nykredit Realkredit Group, capital may be contributed to the Bank as required.

Stress tests and capital projections

Nykredit conducts a large number of model-based stress tests. The tests are applied to determine the required capital base, and the test results are included in the Board of Directors' annual assessment of the internal capital adequacy requirement.

The capital projection model includes the macroeconomic factors of greatest importance historically to the Bank's customers. An essential element of the capital projection model is the correlation between the development in the macroeconomic factors and customer credit risk parameters in different scenarios.

Nykredit Bank operates with two scenarios of the economic development: A base case scenario and a slightly weaker economic climate. In a slightly weaker economic climate, the capital requirement for credit risk builds on correlations between customer default rates (PD) and the size of the loss in case of customer default (LGD).

The most important macroeconomic factors identified are:

- Interest rates
- Property prices
- GDP growth
- Equity prices
- Unemployment.

Scenario: Base case

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

Scenario: Slightly weaker economic climate in 2013-2015

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

The capital charge for a slightly weaker economic climate reflects how much the Bank's capital requirement would increase if this scenario occurred.

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 participant, 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 has a strategy which is to pave 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 the Totalkredit concept as a strategically important part of our mortgage operations.

Denmark is our main geographic focus area for 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 objectives for the Group:

- Nykredit is a leading provider in the Danish financial services sector
- Nykredit and its development rest on two strong legs – banking and mortgage lending
- Nykredit has the most satisfied customers among leading Danish providers
- 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

Board of Directors
- Overall governance and strategic management
- Lays down overall policies and guidelines

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

Remuneration Board
- Prepares and recommends the remuneration policy

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

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

Group committees
- Governance and management within selected fields of business

Group Credits Committee
- Manages and formulates the credit policy
- Approves large exposures

Group Treasury Committee
- Manages market risk
- Endorses market risk limits at individual company level
- Operational liquidity management

Group Asset/Liability Committee
- Overall asset/liability and liquidity management

Group Risk Committee
- General capital and risk management
- General risk policy
- Approves risk models

Group Audit Committee
- Reviews audit-related issues

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

Group Advisory Committee
- Lays down guidelines for Nykredit's advisory services

Group Products Committee
- Ensures development and maintenance of concepts and products

Group Pricing Committee
- Reviews recommended prices for group products

Group IT Portfolio Committee
- Determines and approves all aspects of IT operations

Board committees

The board of directors of Nykredit Realkredit A/S has 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

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

The Audit Board consists of Steffen Kragh, CEO (Chairman), Anders C. Obel, CEO, and Nina Smith, Professor, who are all members of the board of directors of Nykredit Realkredit A/S elected by the General Meeting. The board of directors of Nykredit Realkredit A/S has appointed Steffen Kragh, CEO, as the 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 to monitor and verify the independence of the auditors.

The Audit Board held four meetings in 2012.

Remuneration Board

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

The principal task of the Remuneration Board is to make recommendations in respect of Nykredit's remuneration policy, including guidelines on incentive pay, for the approval of the Board of Directors. Also, the Remuneration Board makes proposals for remuneration of Nykredit Realkredit's committee of representatives, board of directors and executive board. Further, it reviews and considers draft resolutions concerning bonus budgets and ensures that the information in the Annual Report about remuneration of the Board of Directors and the Executive Board is correct, fair and satisfactory.

The Remuneration Board held three meetings in 2012.

Nomination Board

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

The Nomination Board is tasked with drawing up recommendations for the Board of Directors on the nomination of candidates for Nykredit Realkredit's committee of representatives, board of directors and executive board. In addition, the Nomination Board, which is accountable to the Board of Directors, is overall responsible for the competency profiles and continuous evaluation of the work and results of the Board of Directors and the Executive Board.

The Nomination Board held five meetings in 2012.

Group committees
The most important committees are the Group Risk Committee, the Group Asset/Liability Committee, the Group Credits Committee, the Group Treasury Committee and the Group Advisory Committee.

The Group Risk Committee is charged with assessing all group risks and internal capital adequacy requirements as well as implementing the capital policy. Furthermore, the Group 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 Group Asset/Liability Committee is responsible for the overall asset/liability and liquidity management.

The Group Credits Committee and the Group Treasury Committee are responsible for managing group credit, market and liquidity risks. 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 Group 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 Group Advisory Committee lays down the overall guidelines for Nykredit's advisory services, including coordination of advisory statements and recommendations across lending and investments and across tactical and strategic asset allocation.

Risk monitoring and management activities are independent of the day-to-day business management.

REMUNERATION
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.

For more information about staff and staff conditions in the Nykredit Group, see About Nykredit 2012 – CSR Report on Financial Sustainability, available at nykredit.com/reports.

Bonus programmes
Individual bonus programmes
Nykredit has designed a number of individual bonus programmes applying to the senior executives and specialists in key areas.

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

Executives reporting directly to the Group Executive Board and other selected executives participate in an individual bonus programme with a potential bonus of up to three months' salary. The 2012 bonus provisions in respect of this group of executives totalled DKK 2m for 2012. Bonus of DKK 1m were paid out for 2011.

Special individual bonus programmes meeting market standards apply to some of the staff of Nykredit Markets and Nykredit Asset Management. The remuneration of these staff members is based on their job performance. For 2012 bonus provisions in respect of this staff group totalled DKK 65m compared with the bonus of DKK 47m paid out in 2011. Bonus paid out amounted to 44.1% of total remuneration for this staff group.

Individual programmes also apply to selected executives and staff in core functions with responsibility for the largest customers. The 2012 bonus provisions in respect of this staff group totalled DKK 16m compared with the bonus of DKK 13m paid out in 2011.

General bonus
No provisions were made for general bonus to other management and staff members in 2012. The general bonus programme has been discontinued from 2012, and the number of staff participating in special programmes has been reduced. The general bonus totalled DKK 3m in 2011.

Bonus provisions
The 2012 bonus provisions came to DKK 89m against a total charge of DKK 84m in 2011.

Significant risk-takers
The Group has designated 28 risk-takers in the Nykredit Bank Group in addition to the Bank's Executive Board. 4 of these are on the payroll of Nykredit Bank, 5 are on the payroll of the Bank's subsidiaries and 19 are on the payroll of Nykredit Realkredit A/S. The latter staff group performs intercompany tasks.

Pursuant to the Danish Financial Business Act, this group is subject to special restrictions, chiefly in relation to payout of bonus and performance-related pay. Some of these restrictions are deferral of payout over a several-year period, partial payout through bonds subject to selling restrictions instead of cash payment and 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 that the individual risk-taker may inflict on Nykredit Bank or Nykredit Realkredit A/S in terms of credit or market risk. As the Nykredit Group is the largest provider of domestic loans in Denmark, the majority of the risk-takers have been designated because of their possibility of inflicting credit losses on Nykredit.

The 2012 bonus provisions were DKK 5m for significant risk-takers and all subsidiary executives compared with DKK 3m for 2011.

The total remuneration of significant risk-takers appears from note 11 to which reference is made.

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

CORPORATE RESPONSIBILITY
The Nykredit Group's social commitment and our relationship with customers, business partners, investors, society and staff are described in the report About Nykredit 2012 – 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 regularly expand and improve their 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.

Group Finance is responsible for the Group's total financial control and reporting, including presentation of the financial statements. Furthermore, Group Finance is responsible for ensuring that the Group's financial reporting complies with policies 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 working committees have been appointed to ensure compliance with current legislation. They review and comment on new and amended accounting rules and policies for the purpose of adapting financial reporting and related processes.

The finance area prepares monthly internal reports, performs budget control and is responsible for the Group's external annual and interim financial reporting.

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 and a number of committees, each chaired by a Group Managing Director, are responsible for risk delineation, management and monitoring.

Other important participants in connection with financial reporting are Group Treasury, Risk Management, Middle Office 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 and guidelines laid down by the Executive Board are observed and to ensure timely prevention, detection and correction of any errors, deviations or omissions.

The controls comprise manual and physical controls as well as general IT controls and automatic application controls in 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 the unit's 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 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 reports are 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 reports are submitted to the Board of Directors, the Executive Board, relevant management levels and the individual business areas and form the basis of Management's accounting estimates. For further information on the Group's risk and capital management, please refer to the publication Risk and Capital Management 2012.

Monitoring

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

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 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 and 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 an obligation to 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 customer exposure has a separate LGD and EV.

CREDIT RISK

Given 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 approval 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 Group Credits Committee undertakes all reporting on individual credit exposures. The Group 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 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 personal and commercial 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 real 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 for individual impairment provisions. Exposures not provided for individually are covered by the Bank's collective impairment provisions.

When opening credit lines for financial products, the Bank 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 few counterparties and for the market value of derivatives cleared through a central clearing house.

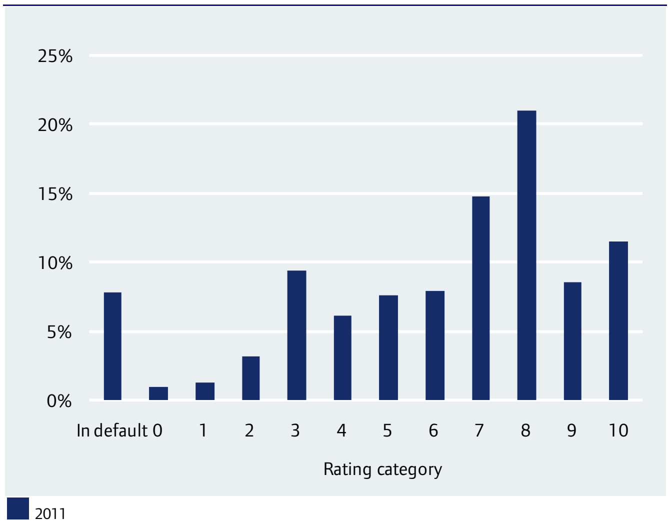
Credit risk models

Nykredit uses internal models in the determination of credit risk for the greater part of the loan portfolio. Credit risk is determined using three key parameters: Probability of Default (PD), Loss Given Default (LGD) and Exposure 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%
Exposures in default	25.00%	100.00%

Nykredit Bank
Lending at amortised cost by rating category



The models used to determine PD and LGD are built 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 PDs of personal customers and small enterprises are 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. Exposures in default fall outside the rating scale and constitute a separate category. Customer ratings are an important element of the credit policy and customer assessment.

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

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

The Nykredit Bank Group
Market risk

DKK million	2012			2011		
	Min	Max	Year-end	Min	Max	Year-end
Value-at-Risk (99%, time horizon of 1 day)	20	36	27	18	46	29
Interest rate risk (100bp change)	(3)	245	69	15	188	103
Equity price risk (general 10% decrease)	23	39	31	-	-	39
Foreign exchange risk:						
Foreign exchange positions, EUR	1	322	74	(528)	384	73
Foreign exchange positions, other currencies	6	31	16	5	82	17
Interest rate volatility risk (Vega)	(2)	2	(1)	(4)	2	2

Market development
Labour market conditions and interest rate levels are of particular importance to arrears and losses.

2012 saw a slight rise in unemployment, which landed at 6.3% at year-end, against 6.2% at end-2011. Nykredit expects unemployment to peak at around 6.5% in late 2013. From a historical perspective, the current unemployment rate is largely on the same level as in 2002 and 2003. Hence, the level of unemployment is not alarming, which is one of the reasons why the level of arrears is relatively low.

Interest rates have also developed favourably for the level of arrears and losses.

Concentration risk
Assessing concentration risk is a natural element of the Bank's risk management. Concentration risk may be divided into two types: single-name concentrations and sectoral concentrations.

Single-name concentrations
Pursuant to the Danish Financial Business Act, individual exposures after deduction of particularly secure assets must not exceed 25% of the capital base. The Bank had no exposures exceeding this limit in 2012. The Bank had no large exposures that exceeded 10% of the capital base. The Bank's largest approved exposure to non-financial counterparties amounted to DKK 1.3bn, equivalent to 9.4% of the capital base. The Bank's 20 largest approved exposures to non-financial counterparties amounted to an aggregate DKK 15.4bn, equivalent to 106% of the capital base.

Sectoral concentrations
A considerable part of the Bank's credit exposure relates to commercial customers. The exposure to commercial customers accounted for 78% of total loans, advances and guarantees against 77% at end-2011. Of this exposure, Nykredit Bank is particularly exposed to the financial and insurance sector, representing 41% of loans, advances and guarantees, compared with 33% at end-2011.

See also the description of loans, advances and guarantees by sector on page 30 of the Management's Review.

Further information on Nykredit Bank's risk management is available in the report Risk and Capital Management 2012 at nykredit.com/reports.

Net interest rate exposure

The Nykredit Bank Group
Market risk

2012 DKK million	Interest rate exposure (100bp change)	Interest rate volatility exposure (Vega)	Equity price exposure (10% change)
Money market instruments	(461)	-	-
Government bonds	(330)	-	-
Covered bonds (ROs)	347	(1)	-
Covered bonds (SDOs)	-	-	-
Other bonds, loans and advances	26	-	-
Equities	-	-	31
Derivative financial instruments	487	0	-
Securitisations	-	-	-
Total 2012	**69**	**(1)**	**31**
Total 2011	**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.

Parameters used to determine Value-at-Risk:

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 have the highest weight.
Time horizon:	Value-at-Risk is determined on the basis of a time horizon of 1 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 and 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. The market risk of the Bank's other subsidiaries is either negligible or hedged with the Bank as counterparty.

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

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

The management of market risk is based on the risk measures fixed by the Board of Directors such as Value-at-Risk and more traditional risk measures such as interest rate risk and vega risk. In addition, risk limits have been determined in relation to spread widening between the Bank's covered 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. The determination is reported on a day-to-day basis and forms 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.

The model applies a confidence level of 99% and the time horizon for calculating the capital requirement is 1 day.

In 2012 VaR averaged DKK 27m (2011: DKK 29m). This meant that Nykredit Bank would at a 99% probability lose less than DKK 27m, in one day, as a consequence of market fluctuations. During 2012, VaR ranged between DKK 20m and DKK 36m.

The Bank has FSA approval to determine VaR for the purpose of calculating the capital requirement to cover market risk. The model applies a confidence level of 99% and the time horizon is 10 days.

VaR is computed on a day-to-day basis as part of the determination of the capital requirement and the results are reported on a day-to-day basis and form part of the market risk limits.

Stressed VaR is added to the current VaR calculation and forms the basis of the calculation of the total capital 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 is fixed annually on the basis of the current portfolios of Nykredit Bank. In Nykredit Bank, the period set is from September 2008 to September 2009 and thereby includes the collapse of Lehman Brothers on 15 September 2008.

Total VaR amounted to DKK 87m at end-2012 (2011: DKK 71m), of which stressed VaR represented DKK 62m (2011: DKK 42m). The level was relatively stable during 2012. Total VaR ranged between DKK 59m and DKK 98m in 2012 (2011: DKK 50m-91m).

Up to the refinancing auctions in December 2012, 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.

Value-at-Risk (excl equities)

In consequence, a number of scenarios depicting unusual market conditions are drawn up on an ongoing basis. The scenarios are calculated on a daily basis and reported to the Board of Directors monthly.

OAS risk

At end-2012, the Bank's OAS risk, which is also included in the Bank's total VaR, was DKK 709m against DKK 505m at end-2011. This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 709m.

Interest rate risk

The Bank's interest rate risk is measured as the change in market value caused by a general interest rate increase of 1 percentage point in respect of bonds and financial instruments.

The Bank's interest rate exposure measured at a general rise in rates of 1 percentage point ranged between a loss of DKK 3m and a gain of DKK 245m in 2012. In 2011 the exposure ranged between a loss of DKK 15m and a gain of DKK 188m.

At end-2012, the interest rate exposure was DKK 69m against DKK 103m at end-2011.

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.

Equity price risk

Equity price risk is the risk of loss as a result of changes in equity prices, and it is calculated as the loss in case of a general equity market decrease of 10%. At end-2012, the determination of market risk included an equity position of DKK 306m against DKK 415m at end-2011.

Foreign exchange risk

In 2012 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 6m and DKK 31m. In 2011 the exposure ranged between DKK 5m and DKK 82m. At end-2012, the foreign exchange exposure amounted to DKK 16m against DKK 17m at end-2011.

The most significant foreign exchange positions in 2012 were in EUR, the exposure ranging between DKK 1m and DKK 322m. In 2011 the exposure ranged between a loss of DKK 528m and a gain of DKK 384m.

Counterparty risk on derivatives

The market value of certain interest rate swaps entered into with commercial customers to hedge their interest rate exposure came to approximately DKK 17bn at end-2012. The risk related to these contracts is mitigated to the extent possible through financial netting agreements and agreements on financial collateral. The market value is determined using discounted cash flows, etc.

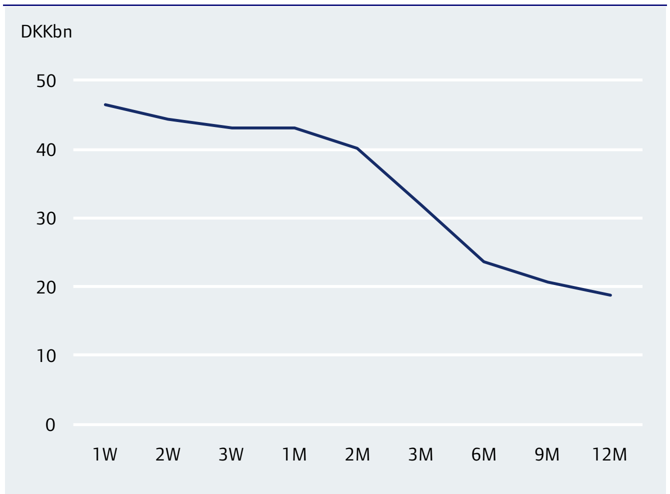
The decline in interest rates in recent years has resulted in increasing market values of interest rate swaps and other instruments and has also increased the credit risk exposure in respect of commercial customers that have not pledged collateral on an ongoing basis. Consequently, a number of fair value adjustments have been made in recent years, both individually and on the basis of credit value adjustment (CVA).

CVA is calculated on an ongoing basis for derivatives entered into with customers based on the customer's current credit quality. In accounting terms, it involves a value adjustment resembling collective loan impairment provisioning.

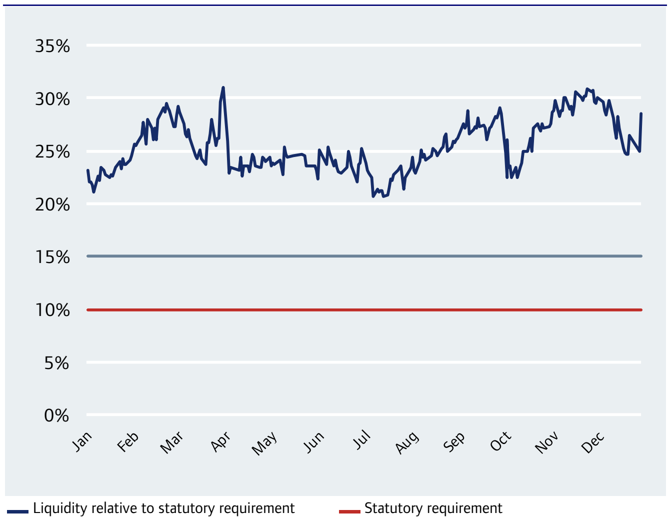
At end-2012, the total market value adjustment came to DKK 1.5bn against DKK 0.8bn in 2011. The earnings impact amounted to DKK 1.1bn in 2012 against DKK 0.7bn in 2011, see page 5 of the Management's Review.

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 added in the determination of the Bank's internal capital adequacy requirement.

Nykredit Bank A/S
Liquidity stress testing (market scenario)



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 s 152 of the Danish Financial Business Act.

Option risk

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

The Bank's vega risk measured as the change in market value following a change in volatility of 1 percentage point amounted to a loss of DKK 1m at end-2012 compared with a gain of DKK 2m in 2011.

LIQUIDITY MANAGEMENT

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

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 on the trading book not serving as collateral 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 and covered bonds eligible as collateral with the Danish central bank 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 a stress test of the Bank's liquidity based on scenarios involving no access to funding markets, the Bank has positive liquidity for at least 12 months.

Pursuant 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 minimum 50% relative to the statutory requirement.

At 31 December 2012, the excess cover was 183% against 176% at end-2011, corresponding to a liquidity buffer of DKK 44.8bn compared with DKK 41.2bn at end-2011. In 2012 the liquidity buffer averaged DKK 36.6bn compared with an average of DKK 31.3bn for 2011.

The Bank's long-term funding activities progressed according to plan, with EMTN issues totalling DKK 20.9bn at 31 December 2012, of which 2012 issuance amounted to DKK 8.9bn.

Further, the Bank continued its current refinancing of short-term ECP issues of DKK 8.8bn-14.7bn. At 31 December 2012 short-term ECP issues totalled DKK 8.8bn.

The aggregate amount issued under the ECP and EMTN programmes was DKK 29.7bn at 31 December 2012 against DKK 26.8bn at end-2011.

Total run-off under Nykredit Bank's EMTN programme in 2013 will be DKK 8bn. The refinancing thereof commenced in autumn 2012.

As regards short-term ECP issues, Nykredit Bank expects to maintain an outstanding amount of DKK 7bn-12bn in 2013.

The total EMTN and ECP issuance requirement depends on the development in the Bank's deposits and lending as well as the Bank's other business activities.

In line with general market trends, the Bank's EMTN funding costs rose noticeably, but the Bank's new issues continue to be in demand among investors.

The Danish central bank introduced new liquidity measures for banks in 2011 by expanding the collateral base to include credit claims of good quality. The Bank is positive towards this initiative, but has no plans to make use of the facility given the Bank's liquidity position.

New liquidity standards – LCR

Nykredit expects to become subject to the new international regulatory framework regarding the Liquidity Coverage Ratio (LCR) in 2015. A number of issues still need to be clarified relative to the current proposal for CRD IV, including the treatment of Danish covered bonds (ROs/SDOs). On this point, Nykredit expects that the draft rules will be changed to the effect that the Bank may continue to include Danish covered bonds in its stock of highly liquid assets.

The Bank's LCR at end-2012 under the proposed rules was 136%.

Given the Bank's liquidity reserve combined with measures already initiated, the Bank expects to fulfil the expected LCR requirements in due time regardless of the final implementation. In that connection, changes to the bond portfolio may be required.

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 for the past three years. The capital charge for operational risk was DKK 503m at end-2012 (2011: DKK 443m).

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

Nykredit systematically records and classifies operational loss events to identify loss sources and gain experience for sharing across the organisation.

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 the 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 judgement, 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" in the Financial Statements under "Significant accounting estimates and assessments".

IMPAIRMENT LOSSES, LOANS AND ADVANCES

Earnings impact for the year

Impairment losses rose from DKK 388m in 2011 to DKK 557m in 2012.

Retail rose by DKK 103m from DKK 408m in 2011 to DKK 511m, of which commercial customers accounted for a rise from DKK 311m to DKK 381m, while personal customers accounted for a rise from DKK 97m to DKK 130m. Generally, the impairment charge remained low, although it trended upwards for especially SMEs.

Impairment losses on Wholesale exposures were a charge of DKK 34m against a credit of DKK 39m in 2011. Corporate customers accounted for a credit of DKK 32m, whereas the portfolio of terminated exposures came to a charge of DKK 66m, primarily as a result of impairment losses on one single exposure.

Impairment losses in other areas came to DKK 12m in 2012 against DKK 19m in 2011. The 2011 charge was partly due to losses on loans and advances to banks totalling DKK 18m.

Impairment losses on loans and advances in connection with termination of interest rate swaps accounted for about DKK 150m of the total impairment charge of DKK 557m in 2012.

Provisions for guarantees were a credit of DKK 32m against a charge of DKK 28m in 2011. This change was mainly attributable to Wholesale.

Individual impairment provisions accounted for a charge of DKK 661m in 2012 (2011: a charge of DKK 474m), whereas collective impairment provisions were a credit of DKK 72m (2011: a charge of DKK 114m).

Please see note 13 of this report for further specification of the Bank's loan impairments and credit risk.

Provisions at 31 December 2012

Total impairment provisions decreased from DKK 4,294m at end-2011 to DKK 4,057m at end-2012.

Of the reduction of DKK 237m, DKK 654m was recognised as lost, whereas new impairment provisions for the year amounted to DKK 417m net.

The reduction consisted of individual impairment provisions of DKK 165m and collective impairment provisions of DKK 72m.

Impairment provisions for Retail went up from DKK 2,114m at end-2011 to DKK 2,141m due to a rise of DKK 36m in impairment provisions for personal customers and a fall of DKK 9m in provisions for SMEs.

Wholesale fell from DKK 2,089m to DKK 1,810m, of which the portfolio of terminated exposures accounted for a decline of DKK 189m from DKK 1,409m at end-2011 to DKK 1,220m. Other business units saw a decline from DKK 680m at end-2011 to DKK 590m.

Loans and advances relating to the portfolio of terminated exposures totalled DKK 2.8bn before impairment provisions, and the carrying amount was DKK 1.6bn (2011: DKK 2.3bn) after impairment provisions of DKK 1.2bn. The carrying amount is estimated to be covered by security and customers' ability to pay, and the exposures are still being terminated according to plan.

Provisions for guarantees fell from DKK 114m at end-2011 to DKK 82m due to fewer provisions for Wholesale.

Provisions for loan impairment and guarantees as a percentage of loans, advances and guarantees came to 4.1% against 4.8% at end-2011. Excluding guarantees, the percentage was 4.5% against 5.2% at end-2011.

The carrying amount of non-accrual loans was DKK 0.8bn against DKK 1.0bn at end-2011.

Provisions – the Nykredit Bank Group

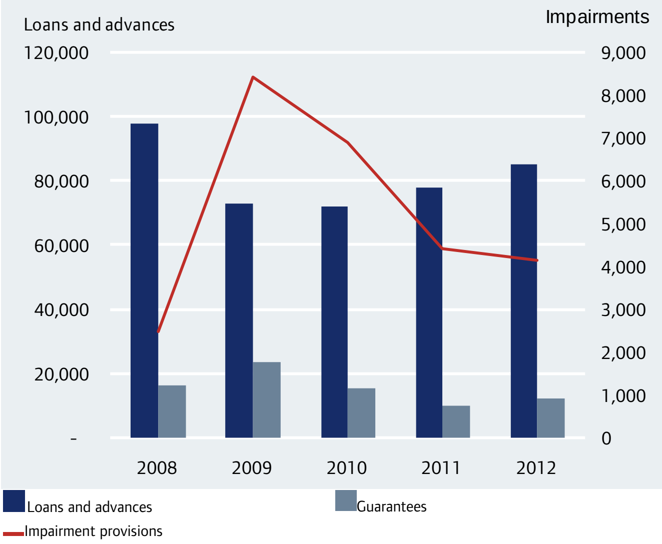
	Retail		Wholesale		Group Items		Total	
DKK million	2012	2011	2012	2011	2012	2011	2012	2011
Impairment provisions, beginning of year	2,114	2,381	2,089	3,698	91	64	4,294	6,143
Impairment provisions and reversals for the year	27	(267)	(279)	(1,609)	15	27	(237)	(1,849)
Impairment provisions, year-end	**2,141**	**2,114**	**1,810**	**2,089**	**106**	**91**	**4,057**	**4,294**
Of which individual	2,001	1,936	1,729	1,959	91	91	3,821	3,986
Of which collective	140	178	81	130	15	0	236	308
Provisions for guarantees								
Provisions, beginning of year	62	332	52	265	0	147	114	745
Provisions, year-end	74	62	8	52	0	0	82	114
Total provisions	**2,215**	**2,176**	**1,818**	**2,141**	**106**	**91**	**4,139**	**4,408**
Earnings impact								
New impairment provisions and losses for the year, net	514	396	86	(45)	14	22	614	373
Received on loans and advances previously written off	14	5	9	5	2	3	25	13
Total	**500**	**391**	**77**	**(50)**	**12**	**19**	**589**	**360**
Provisions for guarantees	11	17	(43)	11	-	-	(32)	28
Total earnings impact	**511**	**408**	**34**	**(39)**	**12**	**19**	**557**	**388**

Loans, advances and guarantees by sector

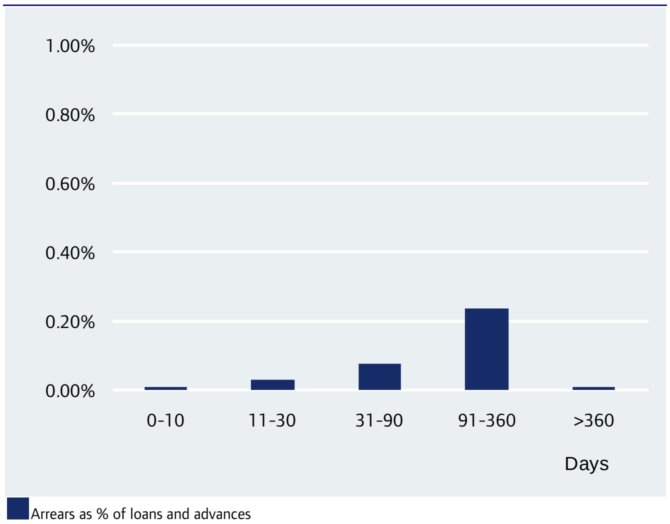
	Loans, advances and guarantees		Provisions	
DKK million	2012	2011	2012	2011
Public sector	**513**	**542**	**4**	**0**
Agriculture, hunting, forestry and fishing	1,957	2,448	167	120
Manufacturing, mining and quarrying	6,377	5,652	155	105
Energy supply	523	1,306	9	33
Construction	1,816	1,687	279	254
Trade	2,217	2,472	237	287
Transport, accommodation and food service activities	2,135	2,308	101	90
Information and communication	879	964	73	65
Financial and insurance activities	39,703	28,656	742	935
Property	13,136	14,613	1,367	1,312
Other commercial	8,109	7,767	397	530
Total commercial	**76,852**	**67,873**	**3,527**	**3,731**
Personal	20,012	19,636	608	677
Total	**97,377**	**88,051**	**4,139**	**4,408**

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, DKKm



Accounts overdrawn/in arrears not subject to individual provisioning



Nykredit Bank A/S
Supervisory Diamond

	2012	2011
Lending growth (limit value <20%)	9.6	8.2
Large exposures (limit value <125%)	0.0	0.0
Property exposure (limit value <25%)	14.6	16.8
Funding ratio (limit value <1.0)	0.6	0.7
Excess liquidity cover (limit value <50%)	183.1	176.0

The amounts overdrawn/in arrears for which no impairment provisions had been made were very limited, equal to 0.4% of total lending against 0.3% at end-2011. These amounts widely concerned a large number of accounts with fairly 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 97.4bn against DKK 88.1bn at end-2011.

The upturn of DKK 9.3bn compared with 2011 mainly stemmed from reverse lending, which rose by DKK 13.4bn to DKK 35.4bn in part due to activity growth in the Stockholm branch. Loans and advances at amortised cost went down by DKK 6.0bn while guarantees increased by DKK 2.0bn.

The financial and insurance sector still accounted for the largest single sectoral exposure of DKK 39.7bn against DKK 28.7bn at end-2011. The increase mainly resulted from reverse lending as a considerable part of lending to this sector is generally granted against bonds as collateral.

Apart from this, the sector distribution generally showed no significant changes relative to the sector breakdown at end-2011.

The financial and insurance sector accounted for 40.8% (end-2011: 32.5%), the property sector 13.5% (end-2011: 16.6%) and personal customers 20.6% (end-2011: 22.3%).

The Bank's lending growth was 9.6% determined pursuant to the rules of the Danish Financial Supervisory Authority (FSA), including rules relating to the Supervisory Diamond. The limit value of the supervisory diamond shows 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 of 9.6% in the Bank's lending (2011: 8.2%) is thus significantly below this measure. Exclusive of reverse lending, lending growth for the year was negative at 10.7% (2011: negative at 5.4%).

Lending to the property and construction sectors saw a total decline from DKK 16.3bn at end-2011 to DKK 15.0bn. Of total lending at end-2012, DKK 11.6bn derived from the rental property sector (end-2011: DKK 13.0bn). At end-2012, impairment provisions for lending to the property sector totalled DKK 1.6bn or 9.9% of total lending compared with DKK 1.6bn or 9.8% at end-2011.

Determined pursuant to the Supervisory Diamond, the Bank's property exposure was 14.6% (2011: 16.8%). In Management's opinion, this exposure is at a satisfactory level, also relative to the Danish FSA's indicative limit of 25%.

None of the Bank's exposures exceeded 10% of the capital base in 2012 (FSA key ratio Large exposures).

The Supervisory Diamond for banks
The FSA Supervisory Diamond sets out limit values for five key ratios that indicate when a bank is operating at an elevated risk.

As at 31 December 2012, Nykredit Bank's key ratios were below the limit values prescribed by the FSA.

NYKREDIT BANK A/S

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S. Nykredit Bank is included in the consolidated financial statements of this company and the consolidated financial statements of Foreningen Nykredit, Copenhagen, which owns 89.80% 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	2012	2011
Net interest and fee income	2,707	3,047
Value adjustments	(553)	(393)
Other operating income	17	8
Capacity costs	1,683	1,771
Impairment losses on loans, advances and receivables	523	346
Profit from investments in associates and group enterprises	81	36
Profit before tax	**46**	**581**
Tax	(22)	148
Profit for the year	**68**	**433**

Nykredit Bank A/S
Summary balance sheet

DKK million	2012	2011
Receivables from credit institutions	44,812	50,244
Loans, advances and receivables	85,060	77,613
Bonds and equities	58,202	60,915
Remaining asset items	51,652	43,544
Total assets	**239,726**	**232,316**
Payables to credit institutions	55,355	63,093
Deposits and other payables	54,756	57,660
Issued bonds at amortised cost	28,498	26,137
Other non-derivative financial instruments at fair value	33,741	27,308
Remaining liability items and provisions	52,856	43,666
Subordinated debt	250	250
Equity	14,270	14,202

Nykredit Bank A/S
Financial ratios

DKK million	2012	2011
Total capital ratio, %	21.3	19.1
Tier 1 capital ratio, %	21.3	19.1
Return on equity before tax, %	0.3	4.3
Return on equity after tax, %	0.5	3.1
Income:cost ratio	1.02	1.26
Number of full-time staff (avg)	723	698

Income statement

Nykredit Bank A/S recorded a profit of DKK 68m for 2012, down DKK 365m from DKK 433m in 2011. Results were mainly affected by higher price adjustment of interest rate swaps and rising loan impairment, see also pages 5 and 6 of the Management's Review.

Net interest and fee income was DKK 2,707m in 2012 compared with DKK 3,047m in 2011, while value adjustments came to a charge of DKK 553m compared with a charge of DKK 393m in 2011.

Overall, income fell back by DKK 500m compared with 2011 largely due to market value adjustment of derivatives of DKK 435m.

Other operating income was DKK 17m against DKK 8m in 2011.

Costs reduced from DKK 1,771m in 2011 to DKK 1,683m. The decline was in part driven by a reduction in payment to the Guarantee Fund for Depositors and Investors from DKK 100m to DKK 23m. The average number of staff increased by 3% to 723 from 698 in 2011.

Impairment losses on loans and advances came to DKK 523m in 2012 against DKK 346m in 2011. Reference is made to the credit risk section of this report.

Profit from equity investments was DKK 81m compared with DKK 36m in 2011, mainly as a result of Dansk Portefølje Administration's profit after tax of DKK 65m and Nykredit Leasing's profit after tax of DKK 16m.

Principal balance sheet items

The balance sheet grew from DKK 232.3bn at end-2011 to DKK 239.7bn.

Cash balance and receivables from credit institutions fell from DKK 50.2bn to DKK 44.8bn.

Loans and advances at fair value rose by DKK 13.4bn, whereas other loans and advances at amortised cost fell by DKK 5.9bn as a result of lower lending by Retail and Wholesale.

Bonds and equities amounted to DKK 58.2bn at end-2012 against DKK 60.9bn at end-2011. As for the entire Group, the size of the portfolio reflects the Bank's Markets and repo activities and surplus liquidity, of which a substantial part is placed in bonds.

Payables to credit institutions and central banks stood at DKK 55.4bn against DKK 63.1bn at end-2011. The development in balances with credit institutions and issued bonds especially reflected the Bank's general current adjustment of liquidity.

Deposits and other payables fell back from DKK 57.7bn at end-2011 to DKK 54.8bn.

Equity
Equity stood at DKK 14,270m against DKK 14,202m at end-2011. Equity for the year increased by profit for the year of DKK 68m.

Dividend
It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2012.

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 2012 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 2012 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 2012.

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, 7 February 2013

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 2012. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

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

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

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

Our audit has not resulted in any qualification.

Opinion

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

Furthermore, in our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2012 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 2012 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, 7 February 2013

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 2012, comprising income statements, statements of comprehensive income, balance sheets, statement of changes in equity and notes, including the Group's and the Company's accounting policies as well as the Group's cash flow statement. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

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

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

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2012 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 2012 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, 7 February 2013

Deloitte
Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup
State-Authorised Public Accountant

Henrik Wellejus
State-Authorised Public Accountant

Statements of income and other comprehensive income for 1 January – 31 December

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		note	The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
4,280	3,921	Interest income	5	4,001	4,351
1,776	1,694	Interest expenses	6	1,675	1,768
2,504	**2,227**	**NET INTEREST INCOME**		**2,326**	**2,583**
4	3	Dividend on equities	7	3	4
1,021	1,156	Fee and commission income	8	1,347	1,233
482	679	Fee and commission expenses	9	697	563
3,047	**2,707**	**NET INTEREST AND FEE INCOME**		**2,979**	**3,257**
(393)	(553)	Value adjustments	10	(555)	(395)
8	17	Other operating income		47	34
1,664	1,653	Staff and administrative expenses	11	1,809	1,800
4	7	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	12	8	4
103	23	Other operating expenses		30	111
346	523	Impairment losses on loans, advances and receivables	13	557	388
36	81	Profit from investments in associates and group enterprises	14	-	-
581	**46**	**PROFIT BEFORE TAX**		**67**	**593**
148	(22)	Tax	15	(1)	160
433	**68**	**PROFIT FOR THE YEAR**		**68**	**433**
		DISTRIBUTION OF PROFIT FOR THE YEAR			
433	68	Profit for the year		68	433
433	**68**	**TOTAL**		**68**	**433**
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT			
433	68	Retained earnings		68	433
433	**68**	**TOTAL**		**68**	**433**
		STATEMENTS OF COMPREHENSIVE INCOME			
433	**68**	**PROFIT FOR THE YEAR**		**68**	**433**
-	-	Other additions and disposals		-	-
-	**-**	**OTHER COMPREHENSIVE INCOME**		**-**	**-**
433	**68**	**COMPREHENSIVE INCOME FOR THE YEAR**		**68**	**433**

Balance sheets at 31 December

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		note	The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		ASSETS			
2,544	7,032	Cash balance and demand deposits with central banks	17	7,032	2,544
47,700	37,780	Receivables from credit institutions and central banks	18	37,780	47,700
22,007	35,401	Loans, advances and other receivables at fair value	19	35,401	22,007
55,606	49,659	Loans, advances and other receivables at amortised cost	20,13	49,807	55,901
60,501	57,827	Bonds at fair value	21	58,023	60,648
414	375	Equities	22	376	415
354	435	Investments in group enterprises	23	-	-
27	23	Intangible assets	24	23	27
18	29	Other property, plant and equipment	26	29	19
0	193	Current tax assets	33	212	0
115	44	Deferred tax assets	33	0	61
55	49	Assets in temporary possession	27	904	55
42,963	50,871	Other assets	28	50,918	42,972
12	8	Prepayments		13	19
232,316	**239,726**	**TOTAL ASSETS**		**240,518**	**232,368**

Balance sheets at 31 December

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		note	The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		LIABILITIES AND EQUITY			
63,093	55,355	Payables to credit institutions and central banks	29	55,355	63,093
57,660	54,756	Deposits and other payables	30	54,701	57,551
26,137	28,498	Issued bonds at amortised cost	31	28,498	26,137
27,308	33,741	Other non-derivative financial liabilities at fair value	32	33,741	27,308
77	0	Current tax liabilities	33	0	70
22	0	Liabilities temporarily assumed		659	22
43,333	52,649	Other liabilities	34	52,805	43,497
1	1	Deferred income		4	5
217,631	**225,000**	**TOTAL PAYABLES**		**225,763**	**217,683**
		Provisions			
0	0	Provisions for deferred tax	33	29	0
114	82	Provisions for losses under guarantees	35	82	114
119	124	Other provisions	35	124	119
233	**206**	**TOTAL PROVISIONS**		**235**	**233**
250	250	Subordinated debt	36	250	250
		Equity			
6,045	6,045	Share capital		6,045	6,045
-	-	Revaluation reserves		-	-
		Other reserves			
70	151	Statutory reserves		-	-
8,087	8,074	Retained earnings		8,225	8,157
14,202	**14,270**	**TOTAL EQUITY**		**14,270**	**14,202**
232,316	**239,726**	**TOTAL LIABILITIES AND EQUITY**		**240,518**	**232,368**
		Off-balance sheet items			
10,142	12,171	Contingent liabilities	37	12,169	10,142
6,672	7,501	Other commitments	38	7,858	6,842
		Accounting policies	1		
		Capital adequacy and Tier 1 capital	2		
		Core earnings and investment portfolio income	3		
		Business areas	4,15		
		Land and buildings	25		
		Related parties	39		
		Financial instruments	40		
		Derivative financial instruments	41		
		Unsettled spot transactions	42		
		Credit, foreign exchange, equity price and interest rate exposures	43		
		IFRS disclosure requirements (reference to Management's Review)	44		
		Hedging interest rate risk	45		
		Genuine sale (purchase) and repurchase/resale transactions	46		
		Group structure	47		
		The Nykredit Bank Group and Nykredit Bank A/S 2008-2012	48,49		
		The Nykredit Bank Group – eight quarters	50		

Statement of changes in equity

DKK million

Nykredit Bank A/S

EQUITY, 31 DECEMBER 2012	Share capital	Statutory reserves	Statutory reserves and revaluation reserves	Retained earnings	Total
End of previous financial year	6,045	70	-	8,087	14,202
Total	**6,045**	**70**	**-**	**8,087**	**14,202**
Comprehensive income:					
Profit (loss) for the year		81		(13)	68
Total comprehensive income	**-**	**81**	**-**	**(13)**	**68**
Total changes in equity	**-**	**81**	**-**	**(13)**	**68**
Equity, 31 December 2012	**6,045**	**151**	**-**	**8,074**	**14,270**
EQUITY, 31 DECEMBER 2011					
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**

Statement of changes in equity

DKK million

The Nykredit Bank Group

EQUITY, 31 DECEMBER 2012	Share capital	Statutory reserves and re-valuation reserves: Revaluation of property	Retained earnings	Total
End of previous financial year	6,045	-	8,157	14,202
Total	**6,045**	**-**	**8,157**	**14,202**
Comprehensive income:				
Profit for the year			68	68
Total comprehensive income	**-**	**-**	**68**	**68**
Total changes in equity	**-**	**-**	**68**	**68**
Equity, 31 December 2012	**6,045**	**-**	**8,225**	**14,270**
EQUITY, 31 DECEMBER 2011				
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**

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 89.80% of Nykredit Realkredit A/S. The financial statements [in Danish] of Foreningen Nykredit may be obtained from the company.

Cash flow statement 1 January – 31 December

DKK million

	The Nykredit Bank Group 2012	2011
Profit after tax for the year	68	433
Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions		
Depreciation and impairment losses for property, plant and equipment	8	4
Other non-cash changes	(17)	0
Impairment losses on loans, advances and receivables	583	401
Tax calculated on profit for the year	(1)	160
Total	**573**	**565**
Profit for the year adjusted for non-cash operating items	**641**	**998**
Change in working capital		
Loans, advances and other receivables	(7,847)	(6,215)
Deposits and other payables	(3,029)	1,848
Payables to credit institutions and central banks	(6,724)	14,082
Bonds at fair value	2,438	14,543
Equities	39	(83)
Other working capital	7,502	2,560
Total	**(7,621)**	**26,735**
Corporation tax paid, net	(100)	(64)
Cash flows from operating activities	**(7,080)**	**27,669**
Cash flows from investing activities		
Property, plant and equipment	(14)	52
Acquisition of subsidiary	0	(19)
Total	**(14)**	**33**
Cash flows from financing activities		
Capital increase	0	0
Subordinated debt	0	(563)
Issued bonds	2,191	(7,025)
Total	**2,191**	**(7,588)**
Total cash flows	**(4,903)**	**20,114**
Cash and cash equivalents, beginning of year	50,244	29,480
Foreign currency translation adjustment of cash	(529)	650
Cash and cash equivalents, year-end	**44,812**	**50,244**
Cash and cash equivalents, year-end		
Specification of cash and cash equivalents, year-end:		
Cash balance and demand deposits with central banks	7,032	2,544
Receivables from credit institutions and central banks	37,780	47,700
Cash and cash equivalents, year-end	**44,812**	**50,244**

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

Segment reporting has been changed due to reorganisation of the Group in early 2012. The new organisation is shaped around the Bank's main business areas – Retail and Wholesale.

Treasury and non-allocated income statement and balance sheet items are included in Group Items.

The most significant changes relative to previous segment reporting are that the activities of personal customers and SMEs have been merged under the business area Retail.

The Group's corporate and institutional clients have been separated from other commercial customers (SMEs) and been included in the business area Wholesale along with the business units Nykredit Markets and Nykredit Asset Management. The portfolio of terminated corporate exposures of the former Forstædernes Bank is also included in the business area Wholesale.

Comparative figures have been restated, and the changes do not affect the Nykredit Bank Group's results, comprehensive income, balance sheet or equity.

In all other respects, the accounting policies are unchanged compared with the Annual Report for 2011.

Danish Executive Order on the Presentation of Financial Statements

In 2012 the Danish Financial Supervisory Authority issued an amended Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The amendments mainly concern specifications for objective evidence of impairment (OEI), including determination of the provisioning need, assessment of the security provided and impairment calculations etc.

The implementation of the amended Executive Order on Financial Reports has not had a significant impact on the Parent Company's or the Group's results, comprehensive income, balance sheet or equity.

New and amended standards and interpretations

Implementation of new or amended standards and interpretations in force and effective for financial years beginning 1 January 2012:

IAS 12 "Income Taxes" (specification of standard) (approved for use in the EU, effective from 1 January 2012 according to the IASB).

IFRS 7 "Financial Instruments: Disclosures" (specification of standard).

The implementation has had no impact on results for the year, comprehensive income, balance sheet or equity.

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 1 "Presentation of Financial Statements" (specification of standard) (approved for use in the EU, expected to be effective from 1 July 2013).

IAS 19 "Employee Benefits" (amendment to standard) (approved for use in the EU, effective from 1 January 2013). The amendment does not affect Nykredit Bank's or the Nykredit Bank Group's financial reporting.

Improvements to IFRS 2009-2011 ("Minor amendments to IFRS as a result of the IASB's annual improvements") (not approved for use in the EU, expected to be effective from 1 January 2013).

IFRS 1 "First-time Adoption of International Financial Reporting Standards", Government Loans (specification of standard) (not approved for use in the EU, expected to be effective from 1 January 2013).

IAS 27 "Separate Financial Statements" (amendment to standard) (approved for use in the EU, effective from 1 January 2014).

IAS 28 "Investments in Associates" (amendment to standard) (approved for use in the EU, effective from 1 January 2014).

IFRS 10 "Consolidated Financial Statements" (new standard) (approved for use in the EU, effective from 1 January 2014).

IFRS 11 "Joint Arrangements" (new standard) (approved for use in the EU, effective from 1 January 2014).

IFRS 12 "Disclosure of Interests in Other Entities" (new standard) (approved for use in the EU, effective from 1 January 2014).

IFRS 13 "Fair Value Measurement" (new standard) (approved for use in the EU, effective from 1 January 2013).

IAS 32 "Financial Instruments: Presentation" (specification of standard) (approved for use in the EU, effective from 1 January 2014).

IFRS 7 "Financial Instruments: Disclosures" (specification of standard) (approved for use in the EU, effective from 1 January 2013).

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.

The IASB is still working on a project which, in time, will replace the IAS 39 rules. The revised standard – IFRS 9 – is divided into three main phases comprising classification and measurement of financial assets and liabilities, impairments and hedge accounting.

The EU has opted not to adopt the IFRS 9 until the results of all three phases are available. The new standard is expected to be implemented in January 2015. The impact of the implementation of IFRS 9 on the Consolidated Financial Statements has not been analysed, as the standard is not currently available in a form that allows for an overall assessment of the effect.

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 40 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 40 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 43% of assets and 33% of liabilities.

Measurement of loans and advances – 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.

Loans and advances made up some 35% of the Group's assets at end-2012.

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 made in 2011 related to distressed banks where estimates and uncertainty were primarily based on a general expectation of losses inflicted by the distressed banks under the schemes. Provisions for losses under guarantees and other provisions totalled DKK 206m at end-2012.

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 as financial assets ("Other assets") or financial liabilities ("Other liabilities") in the balance sheet 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 40.

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 fees and 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 as a result of a previous event that future economic benefits will flow to the Group, and if the value of the asset can be measured reliably.

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

Income is recognised in the income statement as earned. Furthermore, value adjustment of financial assets and liabilities measured at fair value or amortised cost is recognised 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 control is obtained 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.

Acquired enterprises are included from the time of acquisition, which is when the acquiring party obtains control over the acquired enterprise's 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 mirror income from customer activity and risk-free returns on the securities portfolio less operating costs, depreciation, amortisation and impairment losses on loans and advances. Special value adjustment of derivatives and corporate bonds is recognised as a separate item showing the effect of a fair 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 lending rate.

Investment portfolio income includes the part of the return exceeding risk-free interest, ie at Danmarks Nationalbank's repo rate. The Bank's expenses for a loss guarantee issued by Nykredit Holding are offset against investment portfolio income.

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.

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.

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".

Other operating income
Other operating income comprises 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.

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 expenses
Other operating expenses comprise operating expenses not attributable to other income statement items, including payments to the Danish Guarantee Fund for Depositors and Investors.

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.

Using the balance sheet liability method, deferred tax on all temporary differences between the carrying amounts and the tax base of an asset or liability is recognised except for deferred tax on temporary differences arisen on initial recognition of goodwill.

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

If fixed-rate receivables/loans and advances are hedged effectively using derivatives, the value adjustment of the hedged interest rate exposure is added to the amortised cost of the asset.

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.

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.

Liabilities directly attributable to the assets concerned are presented as liabilities relating to assets in temporary possession in the balance sheet.

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

Impairment losses arising on initial classification as 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 consists of financial liabilities in the form of hybrid capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.

Subordinated debt is 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.

If fixed-rate subordinated debt is hedged effectively using derivatives, the fair value of the hedged interest rate exposure is added to the amortised cost of the liability.

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

	31.12.2012	31.12.2011
2. CAPITAL ADEQUACY AND TIER 1 CAPITAL		
Nykredit Bank A/S		
Share capital	6,045	6,045
Reserves	151	70
Retained earnings	8,074	8,087
Total core Tier 1 capital	**14,270**	**14,202**
Hybrid capital	250	250
Primary and other statutory deductions from Tier 1 capital	112	255
Tier 1 capital after statutory deductions	**14,408**	**14,197**
Capital base after statutory deductions	**14,408**	**14,197**
Weighted items involving credit, counterparty and delivery risk	48,885	58,558
Weighted items involving market risk	12,804	10,337
Weighted items involving operational risk	5,927	5,261
Total weighted items	**67,616**	**74,156**
Total capital ratio, %	21.3	19.1
Tier 1 capital ratio, %	21.3	19.1
The Nykredit Bank Group		
Share capital	6,045	6,045
Retained earnings	8,225	8,157
Total core Tier 1 capital	**14,270**	**14,202**
Hybrid capital	250	250
Primary and other statutory deductions from Tier 1 capital	57	193
Tier 1 capital after statutory deductions	**14,463**	**14,259**
Capital base after statutory deductions	**14,463**	**14,259**
Weighted items involving credit, counterparty and delivery risk	48,926	57,940
Weighted items involving market risk	12,804	10,338
Weighted items involving operational risk	6,289	5,533
Total weighted items	**68,019**	**73,811**
Total capital ratio, %	21.3	19.3
Tier 1 capital ratio, %	21.3	19.3

Notes

DKK million

The Nykredit Bank Group

3. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME

1 January – 31 December	2012 Core earnings	2012 Investment portfolio income	2012 Total	2011 Core earnings	2011 Investment portfolio income	2011 Total
Net interest income	2,184	142	2,326	2,429	154	2,583
Dividend on equities	2	1	3	4	-	4
Net fee and commission income	734	(84)	650	672	(2)	670
Net interest and fee income	**2,920**	**59**	**2,979**	**3,105**	**152**	**3,257**
Value adjustments	(527)	(28)	(555)	(89)	(306)	(395)
Other operating income	47	-	47	34	-	34
Staff and administrative expenses	1,809	-	1,809	1,800	-	1,800
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	8	-	8	4	-	4
Other operating expenses	30	-	30	111	-	111
Impairment losses on loans and advances	557	-	557	388	-	388
Profit (loss) before tax	**36**	**31**	**67**	**747**	**(154)**	**593**

Notes

DKK million

The Nykredit Bank Group

4. BUSINESS AREAS

2012	Retail	Wholesale	Group Items and eliminations	Total
Core income from				
- customer activity, gross	1,283	2,295	(131)	3,447
- payment for distribution	744	(744)	0	0
Total core income from business operations*	**2,027**	**1,551**	**(131)**	**3,447**
Value adjustment of derivatives and corporate bonds	(927)	(140)	-	(1,067)
Core income from securities	-	-	61	61
Total core income	**1,100**	**1,411**	**(70)**	**2,441**
Operating costs	835	735	246	1,816
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	2	5	1	8
Payment to the Guarantee Fund for Depositors and Investors	11	3	9	23
Core earnings before impairment losses	**252**	**668**	**(326)**	**594**
Impairment losses on loans and advances	511	34	12	557
Core earnings after impairment losses	**(259)**	**634**	**(338)**	**37**
Investment portfolio income[1]	-	-	30	30
Profit (loss) before tax	**(259)**	**634**	**(308)**	**67**
* Of which transactions between business areas	610	(654)	44	0
Costs excl impairment losses as % of core income from business operations	41.8	47.9	-	53.6
Average allocated business capital[2]	3,383	3,343	2,200	8,926
Core earnings after impairment losses as % of allocated capital (pa)	(7.7)	19.0	-	0.4

2011	Retail	Wholesale	Group Items and eliminations	Total
Core income from				
- customer activity, gross	1,200	2,256	50	3,506
- payment for distribution	677	(677)	0	0
Total core income from business operations*	**1,877**	**1,579**	**50**	**3,506**
Value adjustment of derivatives and corporate bonds	(408)	(224)	-	(632)
Core income from securities	-	-	175	175
Total core income	**1,469**	**1,355**	**225**	**3,049**
Operating costs	851	700	259	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[3]	-	-	100	100
Core earnings before impairment losses	**617**	**652**	**(134)**	**1,135**
Impairment losses on loans and advances	408	(39)	19	388
Core earnings after impairment losses	**209**	**691**	**(153)**	**747**
Investment portfolio income[1]	-	-	(154)	(154)
Profit (loss) before tax	**209**	**691**	**(307)**	**593**
* Of which transactions between business areas	774	(857)	83	0
Costs excl impairment losses as % of core income from business operations	45.4	44.5	-	54.6
Average allocated business capital[2]	3,239	3,381	1,976	8,596
Core earnings after impairment losses as % of allocated capital (pa)	6.5	20.5	-	8.7

The presentation of the Bank's business areas has been changed in 2012. The change is a consequence of the reorganisation of the Nykredit Group and Nykredit Bank. The most significant changes are that the activities of personal customers and SMEs have been merged under the business area Retail. The Group's corporate and institutional clients have been separated from the former business area Corporate Banking and included in Wholesale along with Nykredit Markets and Nykredit Asset Management. Terminated corporate exposures consisting of loans to prior corporate customers of Forstædernes Bank are also recognised under Wholesale. Furthermore, the Bank's Treasury activities have been separated from the former Markets & Asset Management and are now included in Group Items, which also comprises "Core income from securities", "Investment portfolio income" and a number of unallocated costs, including expenses for IT projects and payments to the Guarantee Fund for Depositors and Investors.

[1] Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest. As from 2012, investment portfolio income also includes expenses in connection with Nykredit's intercompany guarantee. In 2011 the investment portfolio income was extensively affected by value adjustment of Kalvebod issues sold to Nykredit Realkredit during the year.

[2] The business capital has been determined according to the Basel II principles.

[3] The payment to the Guarantee Fund for Depositors and Investors in 2011 was largely attributable to the bankruptcies of Amagerbanken A/S, Fjordbank Mors A/S and Max Bank A/S.

Notes

DKK million

The Nykredit Bank Group

4. BUSINESS AREAS (continued)

Balance sheet 2012	**Retail**	**Wholesale**	**Group Items and eliminations**	**Total**
ASSETS				
Receivables from credit institutions and central banks	-	44,787	25	44,812
Loans and advances at fair value	-	35,401	-	35,401
Loans and advances at amortised cost	27,185	19,655	2,967	49,807
Bonds, mortgages and equities	20	35,814	22,565	58,399
Property, plant, equipment and intangible assets	28	909	20	957
Other assets	97	43,428	7,617	51,142
Total assets	**27,330**	**179,994**	**33,194**	**240,518**
LIABILITIES AND EQUITY				
Payables to credit institutions and central banks	-	55,355	-	55,355
Deposits and other payables	36,244	16,285	2,172	54,701
Non-derivative financial liabilities at fair value	-	33,741	-	33,741
Issued bonds	-	-	28,498	28,498
Other payables and provisions	636	44,710	8,357	53,703
Subordinated debt	-	-	250	250
Equity	-	-	14,270	14,270
Total liabilities and equity	**36,880**	**150,091**	**53,547**	**240,518**
Associates and group enterprises have been included in the business areas as follows:[1]				
- profit	16	65	-	81
- investment (equity value)	176	259	-	435
Off-balance sheet items (guarantees)	10,269	8,707	1,051	20,027
Investments in property, plant and equipment as well as intangible assets	-	-	-	-

Balance sheet 2011	**Retail**	**Wholesale**	**Group Items and eliminations**	**Total**
ASSETS				
Receivables from credit institutions and central banks	-	49,646	598	50,244
Loans and advances at fair value	-	22,007	-	22,007
Loans and advances at amortised cost	29,130	24,105	2,666	55,901
Bonds, mortgages and equities	-	51,741	9,322	61,063
Property, plant, equipment and intangible assets	9	37	-	46
Other assets	1,808	37,834	3,465	43,107
Total assets	**30,947**	**185,370**	**16,051**	**232,368**
LIABILITIES AND EQUITY				
Payables to credit institutions and central banks	-	63,093	-	63,093
Deposits and other payables	35,013	19,401	3,137	57,551
Non-derivative financial liabilities at fair value	-	27,308	-	27,308
Issued bonds	-	-	26,137	26,137
Other payables and provisions	287	36,728	6,812	43,827
Subordinated debt	-	-	250	250
Equity	-	-	14,202	14,202
Total liabilities and equity	**35,300**	**146,530**	**50,538**	**232,368**
Associates and group enterprises have been included in the business areas as follows:[1]				
- profit (loss)	(4)	40	-	36
- investment (equity value)	156	194	4	354
Off-balance sheet items (guarantees)	5,052	10,257	1,675	16,984
Investments in property, plant and equipment as well as intangible assets	-	-	-	-

[1] Retail includes leasing and mortgage trading activities whereas the investment management company Nykredit Portefølje Administration A/S is included under Wholesale.

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		5. INTEREST INCOME		
129	160	Receivables from credit institutions and central banks	160	129
2,816	2,868	Loans, advances and other receivables	2,941	2,881
1,523	1,118	Bonds	1,122	1,526
(196)	(226)	Total derivative financial instruments	(226)	(196)
		Of which		
(78)	(58)	- Foreign exchange contracts	(58)	(78)
(106)	(131)	- Interest rate contracts	(131)	(106)
(12)	(30)	- Equity contracts	(30)	(12)
0	(7)	- Other contracts	(7)	0
8	1	Other interest income	4	11
4,280	**3,921**	**Total**	**4,001**	**4,351**
		Of which interest income from genuine purchase and resale transactions entered as		
65	125	Receivables from credit institutions and central banks	125	65
176	283	Loans, advances and other receivables at fair value	283	176
		Of total interest income		
2,704	2,620	Interest income accrued on financial assets measured at amortised cost	2,693	2,769
		Interest income accrued on individually impaired loans and advances totalled DKK 88m (2011: DKK 136m). 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.		
136	101	Interest income accrued on fixed-rate loans and advances	101	136
0	0	Interest income from finance leases	130	123
		6. INTEREST EXPENSES		
272	367	Credit institutions and central banks	367	272
957	737	Deposits and other payables	718	949
503	578	Issued bonds	578	503
44	12	Subordinated debt	12	44
0	0	Other interest expenses	0	0
1,776	**1,694**	**Total**	**1,675**	**1,768**
		Of which interest expenses for genuine sale and repurchase transactions entered as		
117	181	Payables to credit institutions and central banks	181	117
162	171	Deposits and other payables (non-derivative financial liabilities at fair value)	171	162
		Issued bonds		
6	13	Offset interest from the Bank's portfolio of self-issued bonds	13	6
		Of total interest expenses		
1,497	1,342	Interest expenses accrued on financial liabilities measured at amortised cost	1,323	1,489
		7. DIVIDEND ON EQUITIES		
4	3	Dividend on equities	3	4
4	**3**	**Total**	**3**	**4**

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		8. FEE AND COMMISSION INCOME		
158	145	Securities trading and custody accounts	353	554
38	88	Payment services	87	38
20	15	Loan fees	15	27
88	92	Guarantee commission	92	88
717	816	Other fees and commissions	800	526
1,021	**1,156**	**Total**	**1,347**	**1,233**
		Of which:		
120	133	Fees relating to financial instruments not measured at fair value	149	134
744	755	Fees relating to asset management activities and other fiduciary activities	935	947
		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".		
		9. FEE AND COMMISSION EXPENSES		
482	**679**	**Total**	**697**	**563**
		Of which		
224	256	Fees relating to financial instruments not measured at fair value	271	238
134	95	Fees relating to asset management activities and other fiduciary activities	76	194
		10. VALUE ADJUSTMENTS		
2	2	Other loans, advances and receivables at fair value	2	2
(141)	77	Bonds	75	(142)
75	88	Equities	88	75
(1)	-	Investment properties	-	(1)
27	44	Foreign exchange	44	26
(355)	(764)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(764)	(355)
0	0	Other assets	0	0
0	0	Other liabilities	0	0
(393)	**(553)**	**Total**	**(555)**	**(395)**
		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 adjustment of investment properties. No value adjustments have been made for own credit risk on issued bonds or other financial liabilities.		
		Of which value adjustment relating to fair value hedging for accounting purposes		
(1)	131	Fair value hedging	131	(1)
		11. STAFF AND ADMINISTRATIVE EXPENSES		
14	13	Remuneration of Board of Directors/Executive Board	13	14
674	687	Staff expenses	775	755
976	953	Administrative expenses	1,021	1,031
1,664	**1,653**	**Total**	**1,809**	**1,800**

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		11. STAFF AND ADMINISTRATIVE EXPENSES (continued)		
		Remuneration of Board of Directors and Executive Board		
		Board of Directors		
		The three staff-elected board representatives each receive annual remuneration of DKK 60,000 (2011: 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		
14	13	Salaries	13	14
14	**13**	**Total**	**13**	**14**
		Of which:		
4	-	Bonus relating to previous years/adjustment relating to bonus provisions in previous years	-	4
2	3	Bonus provisions for the financial year	3	2
		Remuneration of Executive Board		
		Fixed salaries and remuneration recognised through profit or loss during the financial year		
4	5	Bjørn Mortensen	5	4
4	4	Lars Bo Bertram	4	4
4	4	Georg Andersen	4	4

The members of the Executive Board receive a fixed salary covering all directorships and executive positions in the Nykredit Bank Group. Remuneration, excluding bonus, for the members of the Executive Board averaged DKK 3.2m in 2012 against DKK 3.2m in 2011.

In addition to their fixed salaries, members of the Executive Board may opt for a company car. The taxable value was DKK 0.0m in 2012 (2011: DKK 0.1m).

No changes were made to the composition of the Executive Board in 2012.

Variable remuneration

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

The bonus awarded to senior executives is based on a bonus potential, currently six months' salary, determined on a year-by-year basis.

For details on the Nykredit Group's remuneration policy, reference is made to nykredit.com and to page 19 of the Management's Review.

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 termination at Nykredit Bank A/S's request, Executive Board members are entitled to termination benefits equal to 9 months' gross salary.

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		Loans, charges or guarantees granted to the members of		
0	0	Executive Board	0	0
1	0	Board of Directors	0	1
12	12	Management of the Bank's Parent Company[1]	12	12

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		11. STAFF AND ADMINISTRATIVE EXPENSES (continued)		
		Deposits from the members of		
2	1	Executive Board	1	2
5	6	Board of Directors	6	5
26	23	Management of the Bank's Parent Company[1]	23	26
		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. Of total lending at end-2012, DKK 6m was secured by way of legal charge (2011: DKK 6m).		
		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 was around 2.75% (2011: 2.5-3.0%), and the deposit rate ranged between 0.125% and 0.75% (2011: 0.25-1.5%).		
		Staff expenses		
558	560	Wages and salaries	635	628
52	56	Pensions (defined contribution plans)	64	59
55	57	Payroll tax	62	60
9	14	Social security expenses	14	8
674	**687**	**Total**	**775**	**755**
		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	6	Fixed salaries	12	12
3	3	Variable remuneration	5	4
-	-	Adjustment of variable remuneration provided for in previous financial years	0	-
9	**9**	**Total**	**17**	**16**
		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 28 other staff members. Four of these are on the payroll of Nykredit Bank, five are on the payroll of the Bank's subsidiaries, and 19 are on the payroll of Nykredit Realkredit. The latter staff group performs intercompany tasks.		
		These staff members are subject to special salary programmes.		
		A maximum of 60% of the variable remuneration is disbursed when granted, while the disbursement of at least 40% is deferred over the following three years.		
		For details on the remuneration policy, see the Management's Review and nykredit.com.		
698	**723**	**Average number of staff, full-time equivalents**	**850**	**817**
		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	1	Tax advice	1	0
1	0	Other services	1	1
2	**2**	**Total**	**3**	**2**

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		12. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS		
4	7	Property, plant and equipment	8	4
-	-	Intangible assets	-	-
4	**7**	**Total**	**8**	**4**
		13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
		Specification of impairment provisions		
3,942	3,775	Total individual impairment provisions	3,821	3,986
307	235	Total collective impairment provisions	236	308
4,249	**4,010**	**Total impairment provisions, year-end**	**4,057**	**4,294**
		Individual impairment provisions		
5,694	3,942	Impairment provisions, beginning of year	3,986	5,721
834	974	Impairment provisions for the year	1,001	867
485	498	Impairment provisions reversed	512	493
2,101	643	Impairment provisions recognised as lost	654	2,109
3,942	**3,775**	**Impairment provisions, year-end**	**3,821**	**3,986**
		Collective impairment provisions		
421	307	Impairment provisions, beginning of year	308	422
(114)	(72)	Impairment provisions for the year, net	(72)	(114)
307	**235**	**Impairment provisions, year-end**	**236**	**308**
		Earnings impact		
235	404	Change in provisions for loan and receivable impairment	417	260
90	173	Losses recognised for the year, net	194	108
12	25	Received on claims previously written off	25	13
5	3	Assets in temporary possession (direct losses)	3	5
318	**555**	**Total impairment losses**	**589**	**360**
28	(32)	Provisions for guarantees	(32)	28
346	**523**	**Total**	**557**	**388**
		Specification of loans and advances with objective evidence of impairment		
6,202	5,942	Loans and advances at amortised cost subject to individual impairment provisioning	6,057	6,298
1,995	2,196	Of which fully impaired	2,197	1,996
4,207	**3,746**	**Total**	**3,860**	**4,302**
3,942	3,775	Individual impairment provisions, year-end	3,821	3,986
1,995	2,196	Of which relating to loans and advances fully impaired	2,197	1,996
1,947	**1,579**	**Total**	**1,624**	**1,990**
2,260	**2,167**	**Carrying amount of loans and advances at amortised cost subject to individual impairment provisioning**	**2,236**	**2,312**
53,653	47,727	Loans and advances at amortised cost subject to collective impairment provisioning	47,807	53,897
307	235	Impairment provisions	236	308
53,346	**47,492**	**Carrying amount of loans and advances at amortised cost subject to collective impairment provisioning**	**47,571**	**53,589**

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		14. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
-	-	Profit from investments in associates	-	-
36	81	Profit from investments in group enterprises	-	-
36	**81**	**Total**	**-**	**-**
		15. TAX		
		Tax for the year can be specified as follows		
148	(22)	Tax on profit for the year	(1)	160
148	**(22)**	**Total**	**(1)**	**160**
		Tax on profit for the year was calculated as follows		
195	(94)	Current tax	(93)	189
(49)	72	Deferred tax	92	(32)
4	(1)	Adjustment of current tax relating to previous years	(2)	5
(2)	1	Adjustment of deferred tax relating to previous years	2	(2)
148	**(22)**	**Total**	**(1)**	**160**
		Tax on profit for the year can be specified as follows		
145	12	Calculated 25% tax on profit before tax	17	148
(9)	(21)	Of which recognised as profit from equity investments	-	-
		Tax effect of		
(4)	(16)	Non-taxable income	(21)	(4)
14	3	Other non-deductible costs	3	14
2	0	Adjustment of tax assessed for previous years	0	2
148	**(22)**	**Total**	**(1)**	**160**
25.4	(47.8)	Effective tax rate, %	(1.5)	27.0
		16. SECONDARY BUSINESS AREA		
		Foreign entities' contributions to profit for the year in the form of interest income, fees, value adjustment and other operating income		
0	7	Stockholm branch	7	0
0	**7**	**Revenue from foreign entities**	**7**	**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 10-15 of the Management's Review and in note 4.		
		Nykredit Bank's foreign revenue in 2012 was exclusively generated by the Stockholm branch, which only started trading in December 2011.		
		The branch's revenue from external customers in 2012 was 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 45m in 2012 (2011: DKK 35m). Other income came to DKK 7m in 2012.		
		Balance sheet		
46	17	Branch assets	17	46
44	12	Branch liabilities and equity, excluding capital	12	44
		The branch balance sheet essentially consists of balances with Nykredit Markets, property, plant and equipment, costs due for salaries and social security as well as minor balances with suppliers etc.		

Notes

DKK million

Nykredit Bank A/S 2011	2012		The Nykredit Bank Group 2012	2011
		17. CASH BALANCE AND DEMAND DEPOSITS WITH CENTRAL BANKS		
2,544	7,032	Cash balance and demand deposits with central banks	7,032	2,544
2,544	**7,032**	**Total**	**7,032**	**2,544**
		18. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
16,788	1,747	Receivables at call from central banks	1,747	16,788
30,912	36,033	Receivables from credit institutions	36,033	30,912
47,700	**37,780**	**Total**	**37,780**	**47,700**
		By time-to-maturity		
18,966	31,889	Demand deposits	31,889	18,966
28,114	5,191	Up to 3 months	5,191	28,114
620	700	Over 3 months and up to 1 year	700	620
47,700	**37,780**	**Total**	**37,780**	**47,700**
13,863	17,559	Of which genuine purchase and resale transactions	17,559	13,863
		19. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
22,007	35,401	Loans and advances at fair value	35,401	22,007
22,007	**35,401**	**Total**	**35,401**	**22,007**
22,007	35,401	Of which genuine purchase and resale transactions	35,401	22,007
		By time-to-maturity		
22,007	35,351	Up to 3 months	35,351	22,007
0	50	Over 3 months and up to 1 year	50	0
22,007	**35,401**	**Total**	**35,401**	**22,007**
		20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
55,606	49,659	Loans and advances	49,807	55,901
55,606	**49,659**	**Total**	**49,807**	**55,901**
		By time-to-maturity		
18,701	19,544	On demand	17,064	16,384
14,974	6,600	Up to 3 months	6,818	15,145
5,474	7,493	Over 3 months and up to 1 year	7,964	5,964
8,320	6,827	Over 1 year and up to 5 years	8,523	10,070
8,137	9,195	Over 5 years	9,438	8,338
55,606	**49,659**	**Total**	**49,807**	**55,901**
		Fixed-rate loans		
1,181	1,071	Of total loans and advances, fixed-rate loans represent	1,071	1,181
1,242	1,127	Market value of fixed-rate loans	1,127	1,242
		Finance leases		
45	43	Of total loans and advances at amortised cost, finance leases represent	2,669	2,311

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)		
		Finance leases (continued)		
46	45	Carrying amount, beginning of year	2,311	1,834
-	-	Additions	1,346	1,411
1	2	Disposals	988	934
45	**43**	**Carrying amount, year-end**	**2,669**	**2,311**
		By time-to-maturity		
0	0	Up to 3 months	218	238
1	2	Over 3 months and up to 1 year	472	386
5	8	Over 1 year and up to 5 years	1,703	1,475
39	33	Over 5 years	276	212
45	**43**	**Total**	**2,669**	**2,311**
		Gross investments in finance leases		
		By time-to-maturity		
4	4	Up to 1 year	766	671
17	19	Over 1 year and up to 5 years	1,972	1,731
57	51	Over 5 years	299	239
78	**74**	**Total**	**3,037**	**2,641**
33	**31**	**Non-earned income**	**368**	**330**
		Where loans and advances under finance leases are concerned, amortised cost represents their fair value. The leases comprise equipment as well as real property. The leases have been concluded on an arm's length basis and have maturities of between 3 and 6 years. However, property leases may run up to 20 years.		
-	-	Impairment provisions for finance leases	34	28
		Non-guaranteed residual values upon expiry of the leases amount to DKK 0.		
		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**
		Commercial		
2	1	Agriculture, hunting, forestry and fishing	2	3
6	6	Manufacturing, mining and quarrying	6	6
2	1	Energy supply	1	2
2	1	Construction	2	2
3	2	Trade	2	3
2	2	Transport, accommodation and food service activities	2	3
1	1	Information and communication	1	1
34	44	Financial and insurance activities	41	32
17	14	Property	13	16
8	7	Other commercial	8	9
77	**79**	**Total commercial**	**78**	**77**
22	**20**	**Personal**	**21**	**22**
100	**100**	**Total**	**100**	**100**
		The sector distribution is based on the official Danish activity codes.		

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		21. BONDS AT FAIR VALUE		
50,092	50,833	Covered bonds (ROs)	51,029	50,239
5,444	4,457	Government bonds	4,457	5,444
5,646	3,780	Other bonds	3,780	5,646
61,182	**59,070**	**Total**	**59,266**	**61,329**
681	1,243	Self-issued bonds offset against issued bonds	1,243	681
60,501	**57,827**	**Total**	**58,023**	**60,648**
		The effect of fair value adjustment was recognised in the income statement.		
2,218	3,328	Of which drawn bonds	3,449	2,218
30,039	32,361	Assets sold as part of genuine sale and repurchase transactions	32,361	30,039
18,371	14,298	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	14,298	18,371
		The collateral was provided on an arm's length basis.		
		Maturities based on the nominal maturities of the securities		
29,805	29,145	Up to 1 year	29,244	29,952
27,726	20,760	Over 1 year and up to 5 years	20,830	27,726
2,970	7,922	Over 5 years	7,949	2,970
60,501	**57,827**	**Total**	**58,023**	**60,648**
		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.		
		22. EQUITIES		
414	375	Equities measured at fair value through profit or loss	376	415
414	**375**	**Total**	**376**	**415**
		Specification of equity portfolios		
181	181	Listed on NASDAQ OMX Copenhagen A/S	182	181
9	7	Listed on other stock exchanges	7	9
224	187	Unlisted equities carried at fair value	187	225
414	**375**	**Total**	**376**	**415**

Notes

DKK million

Nykredit Bank A/S 2011	2012		The Nykredit Bank Group 2012	2011
		23. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
10	10	Cost, beginning of year	-	-
-	-	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		
252	241	Cost, beginning of year	-	-
-	-	Foreign currency translation adjustment	-	-
-	-	Additions	-	-
(11)	-	Other additions/disposals	-	-
241	**241**	**Cost, year-end**	**-**	**-**
94	113	Revaluations and impairment losses, beginning of year	-	-
-	-	Foreign currency translation adjustment	-	-
48	102	Profit before tax	-	-
-	-	Dividend	-	-
12	21	Tax	-	-
(17)	-	Reversal of revaluations and impairment losses	-	-
113	**194**	**Total revaluations and impairment losses, year-end**	**-**	**-**
354	**435**	**Balance, year-end**	**-**	**-**
		Subordinate receivables		
-	-	Group enterprises	-	-
-	-	Associates	-	-
548	309	Other enterprises	309	548
548	**309**	**Total**	**309**	**548**
		Group enterprises		
		Asset items		
2,525	2,713	Loans, advances and other receivables at amortised cost	-	-
43	1	Other assets	-	-
2,568	**2,714**	**Total**	**-**	**-**
		Liability items		
109	56	Deposits and other payables	-	-
0	0	Other liabilities	-	-
109	**56**	**Total**	**-**	**-**

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		24. INTANGIBLE ASSETS		
		Goodwill		
15	33	Acquisition cost, beginning of year	33	15
-	(4)	Adjustment of acquisition price	(4)	-
18	-	Additions for the year	-	18
33	**29**	**Acquisition cost, year-end**	**29**	**33**
6	6	Impairment losses, beginning of year	6	6
-	-	Impairment losses for the year	-	-
6	**6**	**Impairment losses, year-end**	**6**	**6**
27	**23**	**Total goodwill, year-end**	**23**	**27**
9	9	Acquisition of SEB branch in 2008	9	9
18	14	Acquisition of Amber Fondsmæglerselskab A/S in 2011	14	18
27	**23**	**Total goodwill, year-end**	**23**	**27**

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.

Acquisition of Amber Fondsmæglerselskab A/S in 2011: Goodwill was determined at the time of acquisition based on the requirements for earnings and assets under management of the company. Goodwill was allocated to the business area Wholesale. It was agreed on acquisition that the acquisition price may be adjusted on the fulfilment of specified conditions. In 2012 the earnings pattern changed, and the acquisition price and goodwill were consequently adjusted by DKK 4m according to the agreement.

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		Other intangible assets		
-	-	Acquisition cost, beginning of year	-	-
-	-	Disposals	-	-
-	**-**	**Acquisition cost, year-end**	**-**	**-**
-	-	Impairment losses, beginning of year	-	-
-	-	Impairment losses for the year	-	-
-	-	Disposals for the year	-	-
-	**-**	**Amortisation and impairment losses, year-end**	**-**	**-**
-	**-**	**Balance, year-end**	**-**	**-**

Notes

DKK million

Nykredit Bank A/S 2011	2012		The Nykredit Bank Group 2012	2011
		25. LAND AND BUILDINGS		
-	-	Investment properties	-	-
-	**-**	**Total**	**-**	**-**
		Investment properties		
68	-	Fair value, beginning of year	-	68
67	-	Disposals for the year	-	67
(1)	-	Fair value adjustment for the year, net	-	(1)
-	**-**	**Fair value, year-end**	**-**	**-**
73	-	Cost, beginning of year	-	73
73	-	Disposals for the year	-	73
-	**-**	**Cost, year-end**	**-**	**-**
(5)	-	Fair value adjustment, beginning of year	-	(5)
(1)	-	Fair value adjustment for the year through profit or loss, net	-	(1)
6	-	Value adjustment as a result of sale	-	6
-	**-**	**Fair value adjustment, year-end**	**-**	**-**
-	**-**	**Balance, year-end**	**-**	**-**
-	-	Of which assets held under operating leases	-	-
-	-	Latest public land assessment	-	-
4	-	Lease payments received (included in "Other operating income")	-	4
		The property was sold at a price of DKK 67m in 2011.		
		26. OTHER PROPERTY, PLANT AND EQUIPMENT		
18	29	Equipment	29	19
18	**29**	**Total**	**29**	**19**
		Equipment		
16	33	Cost, beginning of year	42	26
19	19	Additions	19	18
2	4	Disposals	4	2
33	**48**	**Cost, year-end**	**57**	**42**
12	15	Depreciation and impairment losses, beginning of year	23	20
4	7	Depreciation for the year	8	4
1	3	Reversal of depreciation and impairment losses	3	1
15	**19**	**Depreciation and impairment losses, year-end**	**28**	**23**
18	**29**	**Balance, year-end**	**29**	**19**
		Equipment is depreciated over 3-5 years and had an average residual depreciation period of 3 years at 31 December 2012 (end-2011: 3 years).		

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Notes

DKK million

Nykredit Bank A/S 2011	2012		The Nykredit Bank Group 2012	2011
		27. ASSETS IN TEMPORARY POSSESSION		
91	55	Assets, beginning of year	55	91
39	54	Additions	909	39
75	60	Disposals	60	75
55	**49**	**Balance, year-end**	**904**	**55**
		At 31 December 2012, this item comprised repossessed properties of DKK 904m against DKK 55m at end-2011.		
		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.		
		28. OTHER ASSETS		
5,160	6,340	Interest and commission receivable	6,374	5,160
37,494	43,896	Positive market value of derivative financial instruments, net	43,896	37,494
309	635	Other	648	318
42,963	**50,871**	**Total**	**50,918**	**42,972**
		Positive market value of derivative financial instruments		
		By time-to-maturity		
1,698	2,522	Up to 1 year	2,522	1,698
4,485	7,190	Over 1 year and up to 5 years	7,190	4,485
31,311	34,184	Over 5 years	34,184	31,311
37,494	**43,896**	**Total**	**43,896**	**37,494**
		Netting		
37,494	43,897	Positive market value of derivative financial instruments, gross	43,897	37,494
-	(1)	Netting of positive and negative market values	(1)	-
37,494	**43,896**	**Net market value**	**43,896**	**37,494**
		Netting of market values is attributable to clearing of derivatives through a central clearing house (CCP clearing) in 2012. The activities were initiated at year-end.		
		The items "Interest and commission receivable" and "Other" fall due within 1 year.		
		29. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
5,144	246	Payables to central banks	246	5,144
57,949	55,109	Payables to credit institutions	55,109	57,949
63,093	**55,355**	**Total**	**55,355**	**63,093**
14,251	13,273	Of which genuine sale and repurchase transactions	13,273	14,251
		By time-to-maturity		
10,941	4,782	Payables on demand	4,782	10,941
47,033	39,802	Up to 3 months	39,802	47,033
3,893	9,913	Over 3 months and up to 1 year	9,913	3,893
1,226	746	Over 1 year and up to 5 years	746	1,226
0	112	Over 5 years	112	0
63,093	**55,355**	**Total**	**55,355**	**63,093**

Notes

DKK million

Nykredit Bank A/S 2011	2012		The Nykredit Bank Group 2012	2011
		30. DEPOSITS AND OTHER PAYABLES		
29,651	34,418	On demand	34,403	29,572
6,313	6,614	At notice	6,614	6,313
18,842	10,818	Time deposits	10,778	18,812
2,854	2,906	Special deposits	2,906	2,854
57,660	**54,756**	**Total**	**54,701**	**57,551**
		By time-to-maturity		
30,692	35,588	On demand	35,532	30,613
15,396	7,707	Up to 3 months	7,707	15,366
5,640	5,613	Over 3 months and up to 1 year	5,613	5,640
4,220	4,138	Over 1 year and up to 5 years	4,138	4,220
1,712	1,710	Over 5 years	1,711	1,712
57,660	**54,756**	**Total**	**54,701**	**57,551**
		31. ISSUED BONDS AT AMORTISED COST		
26,818	29,741	Issued bonds	29,741	26,818
(681)	(1,243)	Own portfolio	(1,243)	(681)
26,137	**28,498**	**Total**	**28,498**	**26,137**
		By time-to-maturity		
13,049	11,293	Up to 3 months	11,293	13,049
2,884	4,354	Over 3 months and up to 1 year	4,354	2,884
9,173	10,711	Over 1 year and up to 5 years	10,711	9,173
1,031	2,140	Over 5 years	2,140	1,031
26,137	**28,498**	**Total**	**28,498**	**26,137**
		Issues		
14,535	20,852	EMTN issues*	20,852	14,535
11,914	8,817	ECP issues*	8,817	11,914
29	29	Employee bonds (former Forstædernes Bank)	29	29
340	43	Other issues*	43	340
26,818	**29,741**	**Total**	**29,741**	**26,818**
681	1,243	Own portfolio	1,243	681
26,137	**28,498**	**Total**	**28,498**	**26,137**
		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.		
		32. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
15,864	17,718	Deposits at fair value	17,718	15,864
11,444	16,023	Negative securities portfolios	16,023	11,444
27,308	**33,741**	**Total**	**33,741**	**27,308**
		By time-to-maturity		
27,308	33,741	Up to 3 months	33,741	27,308
15,864	17,718	Of which genuine sale and repurchase transactions	17,718	15,864

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		33. PROVISIONS FOR DEFERRED TAX		
		Deferred tax		
(64)	(115)	Deferred tax, beginning of year (asset)	(61)	(27)
(49)	72	Deferred tax for the year recognised in profit for the year	92	(32)
(2)	(1)	Adjustment of deferred tax assessed for previous years	(2)	(2)
(115)	**(44)**	**Balance, year-end**	**29**	**(61)**
		Deferred tax recognised in the balance sheet as follows		
(115)	(44)	Deferred tax (asset)	-	(61)
-	-	Deferred tax (liability)	29	-
(115)	**(44)**	**Net balance, year-end**	**29**	**(61)**
		Deferred tax relates to		
(22)	(22)	Loans and advances	52	38
0	0	Equities	0	0
1	2	Intangible assets	2	1
(5)	(3)	Property, plant and equipment	(4)	(5)
10	5	Other assets and prepayments	5	4
(24)	53	Issued bonds	53	(24)
(75)	(79)	Other liabilities and deferred income	(79)	(75)
(115)	**(44)**	**Total**	**29**	**(61)**
		Recognised in profit for the year		
(2)	0	Loans and advances	14	15
0	0	Equities	0	0
1	2	Property, plant and equipment	1	1
0	1	Intangible assets	1	0
1	(5)	Other assets and prepayments	1	1
(8)	(4)	Other liabilities and deferred income	(4)	(8)
(41)	77	Issued bonds	77	(41)
(49)	**71**	**Total**	**90**	**(32)**
		Current tax assets/liabilities		
185	(77)	Corporation tax receivable, beginning of year	(70)	187
(195)	94	Current tax for the year	93	(189)
(63)	177	Corporation tax paid for the year, net	191	(64)
(4)	(1)	Adjustment relating to previous years	(2)	(4)
(77)	**193**	**Balance, year-end**	**212**	**(70)**
		34. OTHER LIABILITIES		
6,026	7,731	Interest and commission payable	7,731	6,056
36,728	44,329	Negative market value of derivative financial instruments, net	44,329	36,728
579	589	Other payables	745	713
43,333	**52,649**	**Total**	**52,805**	**43,497**

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		34. OTHER LIABILITIES (continued)		
		Negative market value of derivative financial instruments		
		By time-to-maturity		
1,606	3,145	Up to 1 year	3,145	1,606
5,760	7,942	Over 1 year and up to 5 years	7,942	5,760
29,362	33,242	Over 5 years	33,242	29,362
36,728	**44,329**	**Total**	**44,329**	**36,728**
		Netting		
36,728	44,330	Negative market value of derivative financial instruments, gross	44,330	36,728
-	(1)	Netting of positive and negative market values	(1)	-
36,728	**44,329**	**Net market value**	**44,329**	**36,728**
		Netting of market values is attributable to clearing of derivatives through a central clearing house (CCP clearing) in 2012. The activities were initiated at year-end.		
		The items "Interest and commission payable" and "Other payables" fall due within one year.		
		35. PROVISIONS		
		Provisions for losses under guarantees		
745	114	Balance, beginning of year	114	745
92	36	Additions	36	92
64	68	Reversal of unutilised amounts	68	64
659	-	Disposals	-	659
114	**82**	**Balance, year-end**	**82**	**114**
		Other provisions		
102	119	Balance, beginning of year	119	102
88	6	Additions	6	88
71	1	Disposals	1	71
119	**124**	**Balance, year-end**	**124**	**119**
		Total provisions for losses under guarantees and other provisions		
847	233	Balance, beginning of year	233	847
180	42	Additions	42	180
135	69	Reversal of unutilised amounts	69	135
659	-	Disposals	-	659
233	**206**	**Balance, year-end**	**206**	**233**

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.

Of disposals for 2011 under "Provisions for losses under guarantees", DKK 659m concerned provisions for Bank Rescue Package I. This discharged the Bank from its obligations under Bank Rescue Package I.

Of additions for 2011 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.

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

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		36. SUBORDINATED DEBT		
		Subordinated debt consists of financial liabilities in the form of hybrid capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
		Subordinated debt is included in full in the capital base.		
		Hybrid capital		
100	100	Nom DKK 100m. The loan is perpetual and carries a floating interest rate of 1.7% pa above 3M Cibor.	100	100
150	150	Nom DKK 150m. The loan is perpetual and carries a fixed interest rate of 6.3% pa.	150	150
250	**250**	**Total**	**250**	**250**
250	**250**	**Total subordinated debt**	**250**	**250**
		Included in the determination of the capital base after statutory deductions		
250	250	Hybrid capital	250	250
-	-	Costs related to raising and redeeming subordinated debt	-	-
		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.		
		37. CONTINGENT LIABILITIES		
6,861	9,102	Financial guarantees	9,100	6,861
501	593	Registration and refinancing guarantees	593	501
2,780	2,476	Other contingent liabilities	2,476	2,780
10,142	**12,171**	**Total**	**12,169**	**10,142**
		By time-to-maturity		
7,493	9,046	Up to 1 year	9,045	7,493
2,190	2,471	Over 1 year and up to 5 years	2,470	2,190
459	654	Over 5 years	654	459
10,142	**12,171**	**Total**	**12,169**	**10,142**
		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 land registration etc.		

Notes

DKK million

37. CONTINGENT LIABILITIES (continued)

Other contingent liabilities

Legal proceedings

The Bank's operations involve the Bank in legal proceedings and litigation, including tax disputes. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Bank Group's financial position.

Tax

The Danish tax authorities (SKAT) have proposed that the taxable income declared for 2008 be changed.

The proposal is based on a review of eight exposures granted by Forstædernes Bank and subsequently assumed by the Nykredit Realkredit Group in connection with the acquisition of Forstædernes Bank. In 2010 Forstædernes Bank was merged with Nykredit Bank. As a result of the financial crisis and the property market trends, Forstædernes Bank recorded considerable impairment losses on these exposures in 2008 and 2009 for accounting as well as tax purposes.

SKAT's review for the accounting year 2008 has not been completed yet. However, in SKAT's opinion the loans were not granted on standard business terms and failed to comply with the business procedures and instructions. For this reason, SKAT finds that there was no basis for deducting the impairment losses from the taxable income.

The tax effect for the accounting year 2008 could amount to up to DKK 300m, but as the review has not been completed yet, the amount is provisional. SKAT has not yet taken a position on possible changes to the accounting year 2009, but the amount is estimated to correspond to the 2008 level.

Nykredit Bank's management disagrees with the reasoning presented by SKAT and is of the opinion that the loans were granted on standard business terms and in accordance with Forstædernes Bank's policies and business procedures. The loans were moreover granted up to five years prior to the financial crisis, at which time the adverse effects of the property market development were unforeseeable.

Should SKAT uphold that a tax deduction cannot be obtained, the Bank will appeal against SKAT's decision. In the Bank's opinion, the probability that the courts will find for SKAT in case of legal action is negligible. A judgement delivered by the Danish Supreme Court (no SKM2012.353 of 1 June 2012) in 2012 sustains the Bank's view. On this basis, the tax charge has not been adjusted.

The bankruptcies of Amagerbanken, Fjordbank Mors and Max Bank in 2011

For the full year 2011, the Bank charged about DKK 330m related to the bankruptcies of Amagerbanken A/S, Fjordbank Mors A/S and Max Bank A/S to the income statement, corresponding to the costs the Bank expected to incur in relation to the winding-up of the three banks. In 2012 DKK 11m related to the bankruptcy of Amagerbanken (capital losses on securities) was charged to the income statement.

The majority of the Bank's losses in connection with Amagerbanken and Fjordbank Mors were attributable to hybrid capital and subordinated debt. The expenses in connection with Max Bank came to DKK 15m, corresponding to the Bank's estimated share of the expenses covered by the Danish Guarantee Fund for Depositors and Investors in connection with the winding-up of the bank. Nykredit Bank had no loans, advances or other receivables in respect of Max Bank.

Guarantee Fund for Depositors and Investors

Nykredit Bank participates in the mandatory Guarantee Fund for Depositors and Investors. Participating banks must pay a fixed annual amount of 2.5‰ of the covered net deposits. Payment to the Fund's bank department is mandatory until the assets of the scheme exceed 1% of the covered net deposits. The bank department bears any direct losses on the winding-up of Danish banks, cf Bank Rescue Packages III and IV, to the extent the loss is attributable to the covered net deposits.

Any losses arising from the final winding-up are covered by the Fund through its winding-up and restructuring department. Nykredit Bank's share of the expense will amount to about 3%.

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		38. OTHER COMMITMENTS		
6,493	7,328	Irrevocable credit commitments	7,328	6,493
179	173	Other	530	349
6,672	**7,501**	**Total**	**7,858**	**6,842**

39. 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 (note 47) 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 11.

No unusual related party transactions occurred in 2011 or 2012.

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 2011 or 2012 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 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		39. 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		
1,120	903	Interest income	905	1,123
128	147	Interest expenses	147	128
153	195	Fee and commission income	195	153
390	493	Fee and commission expenses	493	390
294	284	Value adjustments	284	294
579	541	Costs	561	598
		Asset items		
1,879	218	Receivables from credit institutions and central banks	218	1,879
125	80	Loans, advances and other receivables at amortised cost	80	125
36,117	30,781	Bonds at fair value	30,878	36,193
807	885	Other assets	886	810
		Liability items		
29,297	32,441	Payables to credit institutions and central banks	32,441	29,297
280	425	Deposits and other payables	425	280
1,723	1,146	Other non-derivative financial liabilities at fair value	1,146	1,723
54	122	Other liabilities	122	54
		Transactions with other group enterprises		
		Income statement		
55	54	Interest income	-	-
8	19	Interest expenses	-	-
186	10	Fee and commission income	-	-
5	1	Fee and commission expenses	-	-
0	1	Staff and administrative expenses	-	-
		Asset items		
2,524	2,713	Loans, advances and other receivables at amortised cost	-	-
43	1	Other assets	-	-
		Liability items		
109	56	Deposits and other payables	-	-
0	0	Other liabilities	-	-

Notes

40. 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 determines 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 is not 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. The measurement of these financial instruments in the financial statements includes value changes deriving from changes in the hedged interest rate risk, 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

40. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

2012	IAS 39 category	Carrying amount	Fair value	Balance	Fair value com-putedusing	
					Method 1	Method 2
Assets						
Cash balance and demand deposits with central banks	a)	7,032	7,032		7,032	
Receivables at call from central banks	a)	1,747	1,747		1,747	
Receivables from credit institutions	a+c)	36,033	36,033		36,033	
Loans, advances and other receivables at fair value	c)	35,401	35,401		35,401	
Loans, advances and other receivables at amortised cost	a)	49,807	49,896	(89)		49,896
Bonds at fair value	c)	58,023	58,023		58,023	
Equities	b+c)	376	376		189	187
Interest and commission receivable	a)	6,374	6,374			6,374
Derivative financial instruments	c)	43,896	43,896		43,896	
Total		**238,689**	**238,778**	**(89)**	**182,321**	**56,457**
Liabilities and equity						
Payables to credit institutions and central banks	d)	55,355	55,338	17	55,338	
Deposits and other payables	d)	54,701	54,637	64		54,637
Issued bonds at amortised cost	d)	28,498	28,867	(369)	28,867	
Other non-derivative financial liabilities at fair value	c)	33,741	33,741		33,741	
Interest and commission payable	d)	7,731	7,731			7,731
Derivative financial instruments	c)	44,329	44,329		44,329	
Subordinated debt	d)	250	247	3		247
Total		**224,605**	**224,890**	**(285)**	**162,275**	**62,615**

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

40. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

2011	IAS 39 category	Carrying amount	Fair value	Balance	Fair value com-putedusing	
					Method 1	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

40. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

2012	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, measured at fair value)		17,559		17,559
Loans and advances at fair value		35,401		35,401
Bonds at fair value	51,785	6,238		58,023
Equities	214		162	376
Positive market value of derivative financial instruments	744	42,473	651	43,868
Total	**52,743**	**101,671**	**813**	**155,227**
Financial instruments in the form of liabilities:				
Trading book:				
Payables to credit institutions and central banks (repo transactions, measured at fair value)		13,273		13,273
Other non-derivative financial liabilities at fair value	16,023	17,718		33,741
Negative market value of derivative financial instruments	758	43,377	166	44,301
Total	**16,781**	**74,368**	**166**	**91,315**
Financial instruments measured on the basis of unobservable inputs				
Fair value assets, beginning of year			1,878	
Of which transferred to/from "Observable inputs"			(1,029)	
Capital gains/losses on portfolio securities recognised in the income statement			26	
Additions for the year			96	
Disposals for the year			158	
Fair value assets, year-end			**813**	
Fair value liabilities, beginning of year			133	
Capital gains/losses on portfolio securities recognised in the income statement			25	
Additions for the year			12	
Disposals for the year			4	
Fair value liabilities, year-end			**166**	

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

40. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

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, measured at fair value)		13,863		13,863
Loans and advances at fair value		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, 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**

Notes

The Nykredit Bank Group

40. 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. The model uses for instance 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 0.8bn (2011: DKK 1.9bn) and DKK 0.2bn (2011: DKK 0.1bn), 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 100m (2011: around DKK 213m).

Notes

DKK million

The Nykredit Bank Group

41. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net market value				Gross market value			
2012	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	(58)	(8)	(6)	0	146	218	(72)	46,157
Forward contracts/futures, sold	42	3	0	0	134	89	45	28,359
Swaps	(488)	(150)	229	95	1,641	1,955	(314)	47,542
Options, purchased	1	4	0	0	5	0	5	4,196
Options, written	(1)	(4)	0	0	0	5	(5)	4,196
Interest rate contracts								
Forward contracts/futures, purchased	61	(2)	(3)	0	93	37	56	128,756
Forward contracts/futures, sold	(106)	0	3	0	15	118	(103)	116,301
Forward Rate Agreements, purchased	(71)	(128)	(88)	0	1	288	(287)	313,017
Forward Rate Agreements, sold	82	160	87	0	330	1	329	315,283
Swaps	49	13	(974)	749	40,382	40,545	(163)	1,069,438
Options, purchased	0	0	143	936	1,119	40	1,079	55,215
Options, written	0	(12)	(142)	(838)	0	992	(992)	40,416
Equity contracts								
Forward contracts/futures, purchased	0	0	0	0	0	0	0	4
Forward contracts/futures, sold	(3)	0	0	0	0	2	(2)	64
Options, purchased	0	0	0	0	0	0	0	0
Options, written	0	0	0	0	0	0	0	0
Total							**(424)**	
2011								
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**	

Notes

DKK million

42. UNSETTLED SPOT TRANSACTIONS

THE NYKREDIT BANK GROUP			2012		2011
			Market value		
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	3,950	2	2	0	(3)
Foreign exchange contracts, sold	14,110	15	28	(13)	6
Interest rate contracts, purchased	38,364	10	3	7	37
Interest rate contracts, sold	36,353	3	5	(2)	(13)
Equity contracts, purchased	102	1	1	0	1
Equity contracts, sold	113	1	1	0	(1)
Total	**92,992**	**32**	**40**	**(8)**	**27**
Total, the year before	**23,225**	**47**	**20**	**27**	**(4)**

NYKREDIT BANK A/S			2012		2011
			Market value		
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	3,950	2	2	0	(3)
Foreign exchange contracts, sold	14,110	15	28	(13)	6
Interest rate contracts, purchased	38,364	10	3	7	37
Interest rate contracts, sold	36,353	3	5	(2)	(13)
Equity contracts, purchased	102	1	1	0	1
Equity contracts, sold	113	1	1	0	(1)
Total	**92,992**	**32**	**40**	**(8)**	**27**
Total, the year before	**23,225**	**47**	**20**	**27**	**(4)**

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		43. 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		
2,544	7,032	Cash balance and demand deposits with central banks	7,032	2,544
47,700	37,780	Receivables from credit institutions and central banks	37,780	47,700
22,007	35,401	Loans, advances and other receivables at fair value (reverse lending)	35,401	22,007
55,606	49,659	Loans, advances and other receivables at amortised cost	49,807	55,901
28,835	27,185	of which lending in Retail	27,185	29,130
24,105	19,507	of which lending in Wholesale	19,655	24,105
2,666	2,967	of which lending in Group Items	2,967	2,666
60,501	57,827	Bonds	58,023	60,648
414	375	Equities	376	415
42,963	50,871	Other assets	50,918	42,972
		Off-balance sheet items		
10,142	12,171	Contingent liabilities	12,169	10,142
6,672	7,501	Other commitments	7,858	6,842

Concentration risk

Pursuant to the Danish Financial Business Act, individual exposures after deduction of particularly secure assets must not exceed 25% of the capital base. The Bank had no exposures exceeding this limit in 2012. Further, the Bank had no large exposures that exceeded 10% of the capital base. The Bank's largest single exposure to non-financial counterparties amounted to DKK 1.3bn, equivalent to 9.4% of the capital base. The Bank's 20 largest approved exposures to non-financial counterparties amounted to an aggregate DKK 15.4bn, equivalent to 106% of the capital base.

A considerable part of the Bank's credit exposure relates to commercial customers. The aggregate exposure to commercial customers accounted for 78% of total loans, advances and guarantees. Of this exposure, Nykredit Bank is particularly exposed to the financial and insurance sector, representing 41% of loans, advances and guarantees.

Collateral received

Loans, advances and collateral security provided are subject to regular review and, where relevant, Nykredit Bank employs the options available to mitigate the risk relating to its lending activities. Collateral security is mainly obtained in the form of charges on securities and/or tangible assets such as real property and equipment, but also moveable property and guarantees are included.

The opening of lines for trading in financial products often requires a contractual basis entitling Nykredit Bank to netting. The contractual basis is typically based on current market standards such as ISDA or GMRA agreements. Except for the netting of repo transactions with one single counterparty and netting of the market values of relatively few derivatives, no set-off has been made of collateral or netting agreements in the accounting figures presented.

For reverse lending to credit institutions of DKK 17.6bn (2011: DKK 13.9bn) and other customers of DKK 35.4bn (2011: DKK 22.0bn), the Bank has received collateral in the form of bonds at a market value which in all material respects hedges the credit risk of the loan portfolio.

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

Notes

DKK million

The Nykredit Bank Group

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

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

31 December 2012	Carrying amount			Provisions		
	Loans and advances	Guarantees	Total loans, advances and guarantees	Individual and other provisions	Collective impairment provisions	Total
Public sector	**308**	**205**	**513**	**4**	**0**	**4**
Commercial						
Agriculture, hunting, forestry and fishing	1,638	319	1,957	162	5	167
Manufacturing, mining and quarrying	5,565	812	6,377	146	9	155
Energy supply	471	52	523	9	0	9
Construction	1,339	477	1,816	273	6	279
Trade	2,024	193	2,217	232	5	237
Transport, accommodation and food service activities	2,034	101	2,135	97	4	101
Information and communication	795	84	879	71	2	73
Financial and insurance activities	38,846	857	39,703	705	37	742
Property	10,802	2,334	13,136	1,292	75	1,367
Other commercial	7,203	906	8,109	380	17	397
Total commercial	**70,717**	**6,135**	**76,852**	**3,367**	**160**	**3,527**
Personal	14,183	5,829	20,012	532	76	608
Total	**85,208**	**12,169**	**97,377**	**3,903**	**236**	**4,139**
Of which reverse lending	35,401	-	35,401	-	-	-

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**
Commercial						
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 commercial	7,079	688	7,767	508	22	530
Total commercial	**62,213**	**5,660**	**67,873**	**3,484**	**247**	**3,731**
Personal	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	-	-	-

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

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

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

2012	Manufact., building and construction	Credit and finance	Property management and trade	Transport, trade and hotels	Other commercial and public	Personal	Total
Rating category							
10	1,049	376	193	330	880	2,890	5,718
9	210	399	759	562	561	1,803	4,294
8	1,790	1,603	2,634	810	2,186	1,445	10,468
7	1,355	273	2,625	658	1,137	1,300	7,348
6	613	360	1,191	117	712	956	3,949
5	375	137	1,082	206	698	1,277	3,775
4	307	97	576	79	524	1,472	3,055
3	384	2,280	432	101	661	814	4,672
2	80	124	171	102	243	876	1,596
1	27	14	215	47	82	274	659
0	13	22	196	18	70	146	465
Exposures in default	618	1,778	2,120	735	910	1,509	7,670
Total	**6,821**	**7,463**	**12,194**	**3,765**	**8,664**	**14,762**	**53,669**
Individual and collective impairment provisions							4,010
Carrying amount							**49,659**
Total exposures in default*							7,670
Individual impairment provisions							3,775
Carrying amount after impairment provisions							**3,895**
*** Of which loans and advances subject to individual impairment provisioning**							**5,942**
Individual impairment provisions as % of loans and advances subject to individual impairment provisioning							**63.5%**

The carrying amount of exposures in default, totalling DKK 3,895m, has been determined on the basis of the Bank's expectations regarding customers' ability to pay and the value of security received.

Rating categories include Nykredit Bank A/S's loans, advances and receivables at amortised cost determined before impairments.

The category Exposures in default includes loans and advances provided for individually and loans and advances to customers with an elevated risk of future default, but not necessarily a high risk of future losses, as the loss risk also depends on any security provided for a loan. The rating categories are described in detail in the report Risk and Capital Management 2012, available at nykredit.com/reports.

Notes

DKK million

Nykredit Bank

43. 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 commercial and public	Personal	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
Exposures in default	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 exposures in default*							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 exposures in default, totalling DKK 3,513m, has been determined based on the Bank's expectations regarding customers' ability to pay and the value of security received.

Notes

DKK million

The Nykredit Bank Group

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

Loans and advances carrying a reduced interest rate

Group	**2012**	**2011**
Gross lending	1,852	2,391
Provisions for loan impairment	1,024	1,371
Carrying amount	**828**	**1,020**
Of which non-accrual	827	1,019
Of which carrying a reduced interest rate	1	1

Provisioning rate, %	**Q4/**	**Q3/**	**Q2/**	**Q1/**	**Q4/**	**Q3/**	**Q2/**	**Q1/**
Group	**2012**	**2012**	**2012**	**2012**	**2011**	**2011**	**2011**	**2011**
Total loans and advances	85,208	88,564	87,424	88,880	77,908	70,180	73,950	73,968
Total guarantees	12,169	11,552	12,366	11,040	10,142	10,555	9,229	12,175
Provisions for loan impairment	4,057	4,328	4,304	4,315	4,294	5,137	5,354	6,050
Provisions for guarantees	82	88	82	69	114	144	153	109
Total loans, advances, guarantees and loan impairment	**101,516**	**104,532**	**104,176**	**104,304**	**92,458**	**86,016**	**88,686**	**92,302**
Provisioning rate, %	4.1	4.2	4.2	4.2	4.8	6.1	6.2	6.7
Provisioning rate excluding guarantees, %	4.5	4.7	4.7	4.6	5.2	6.8	6.8	7.6

Secured lending before impairment provisions		**2012**			**2011**	
Group	**Public**	**Personal**	**Commercial**	**Public**	**Personal**	**Commercial**
Unsecured lending	307	13,777	18,535	347	12,537	15,426
Lending secured by way of legal charge or other collateral security:						
Fully secured	75	3,077	39,528	44	3,360	33,182
Partially secured	124	5,001	8,841	56	4,968	12,282
Total lending before impairment provisions	**506**	**21,855**	**66,904**	**447**	**20,865**	**60,890**

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 3.0bn (2011: DKK 3.4bn) – around DKK 0.8bn (28%) (2011: around 23%) 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 2011	2012		The Nykredit Bank Group 2012	2011
		43. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)		
		Foreign exchange risk		
91,192	85,768	Total foreign exchange assets	85,768	91,192
68,912	55,630	Of which receivables from credit institutions, loans and advances, securities	55,630	68,912
22,723	30,138	Of which interest and positive market value of derivative financial instruments receivable	30,138	22,723
86,760	84,956	Total foreign exchange liabilities	84,956	86,760
65,232	54,745	Of which payables to credit institutions, deposits and issued bonds	54,745	65,232
21,678	30,211	Of which interest and negative market value of derivative financial instruments payable	30,211	21,678
90	12	Exchange rate indicator 1 (DKKm)	12	90
0.6	0.0	Exchange rate indicator 1 as % of Tier 1 capital after statutory deductions	0.0	0.6
1	0	Exchange rate indicator 2 (DKKm)	0	1
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		
249	280	DKK	281	250
(143)	(211)	EUR	(211)	(143)
2	10	SEK	10	2
(6)	(7)	CHF	(7)	(6)
0	5	NOK	5	0
(1)	0	USD	0	(1)
1	(9)	GBP	(9)	1
0	(1)	Other currencies	(1)	0
102	**67**	**Total interest rate exposure of debt instruments, year-end**	**68**	**103**
		The Bank's interest rate exposure, measured as a general rise in rates of 1 percentage point, ranged between a loss of DKK 3m and a gain of DKK 245m in 2012 (2011: between a loss of DKK 15m and a gain of DKK 188m).		
		Value-at-Risk		
29	26	Year-end	26	29
22	27	Average for the year	27	22
		Value-at-Risk ranged between DKK 20m and DKK 36m in 2012 (2011: DKK 18m-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	(1)	**Option risk**	(1)	2
		The interest rate volatility risk is measured as the change in a market value following a change in volatility of 1 percentage point.		
505	709	**OAS risk**	709	505
		The OAS risk, which is included in the Bank's total Value-at-Risk, stood at DKK 709m at end-2012 (2011: DKK 505m). This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 709m.		
414	306	**Equity price risk**	306	415
		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 amounted to DKK 31m (2011: 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's 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 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		44. 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 sections Group risk management and Impairment losses, loans and advances on pages 22-31 of the Management's Review, which form an integral part of note 43.		
		For information on subsequent events, see page 9 of the Management's Review.		
		45. 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).		
		HEDGED FIXED-RATE ASSETS		
1,181	1,071	Loans, advances and other receivables at amortised cost	1,071	1,181
1,181	**1,071**	**Total nominal value**	**1,071**	**1,181**
		Market value of hedged fixed-rate assets		
1,242	1,127	Loans, advances and other receivables at amortised cost	1,127	1,242
1,242	**1,127**	**Total carrying amount, year-end**	**1,127**	**1,242**
		Fair value adjustment		
61	56	Loans, advances and other receivables at amortised cost	56	61
61	**56**	**Total fair value adjustment**	**56**	**61**
4,290	6,557	Issued bonds at amortised cost	6,557	4,290
4,290	**6,557**	**Total nominal value**	**6,557**	**4,290**
		Market value of hedged fixed-rate financial liabilities		
4,387	6,779	Issued bonds at amortised cost	6,779	4,387
4,387	**6,779**	**Total carrying amount, year-end**	**6,779**	**4,387**
		Fair value adjustment		
(97)	(222)	Issued bonds at amortised cost	(222)	(97)
(97)	**(222)**	**Total fair value adjustment**	**(222)**	**(97)**
		HEDGING DERIVATIVE FINANCIAL INSTRUMENTS		
5,173	7,050	Nominal value (synthetic principal)	7,050	5,173
35	166	Market value adjustment (negative market value)	166	35

Notes

DKK million

Nykredit Bank A/S 2011	Nykredit Bank A/S 2012		The Nykredit Bank Group 2012	The Nykredit Bank Group 2011
		45. HEDGING INTEREST RATE RISK (continued)		
		FAIR VALUE ADJUSTMENT DIFFERENCE		
(1)	**0**	**Total**	**0**	**(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		
0	(130)	Hedged transactions	(130)	0
(1)	131	Hedging transactions	131	(1)
		46. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS		
		Of the asset items below, genuine purchase and resale transactions represent		
13,863	17,559	Receivables from credit institutions and central banks	17,559	13,863
22,351	36,862	Loans, advances and other receivables at fair value, gross	36,862	22,351
344	1,461	Set-off against "Other non-derivative financial liabilities at fair value"	1,461	344
22,007	**35,401**	**Loans, advances and other receivables at fair value, net**	**35,401**	**22,007**
		Of the liability items below, genuine sale and repurchase transactions represent		
14,251	13,273	Payables to credit institutions and central banks	13,273	14,251
16,208	19,179	Other non-derivative financial liabilities at fair value, gross	19,179	16,208
344	1,461	Set-off against "Loans, advances and other receivables at fair value"	1,461	344
15,864	**17,718**	**Other non-derivative financial liabilities at fair value, net**	**17,718**	**15,864**
		Assets sold as part of genuine sale and repurchase transactions		
30,039	32,361	Bonds at fair value	32,361	30,039
		The Bank's activities take place exclusively through an exchange of listed bonds on an arm's length basis.		

Notes

DKK million

47. GROUP STRUCTURE

Name and registered office	Revenue*	Assets	Liabilities	Share capital 31.12.2012	Equity 31.12.2011	Ownership interest, % 31.12.2012	Profit for the year	Nykredit Bank's share of profit for the year	Equity 31.12.2012	Carrying amount
Nykredit Bank A/S (Parent Company) a)	2,171	239,726	225,456	6,045	14,202	-	68	-	14,270	-
Consolidated subsidiaries										
Nykredit Portefølje Administration A/S, Copenhagen e)	201	278	19	25	194	100	65	65	259	259
Nykredit Pantebrevsinvestering A/S, Copenhagen b)	0	12	0	5	12	100	0	0	12	12
Nykredit Leasing A/S, Gladsaxe c)	107	3,089	2,929	46	144	100	16	16	160	160
FB Ejendomme A/S, Copenhagen d)	0	5	1	1	4	100	0	0	4	4
Associates										
Dansk Pantebrevsbørs A/S, Copenhagen b)										
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.

Nykredit Pantebrevsinvestering A/S had only few activities.

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/EUR million

48. THE NYKREDIT BANK GROUP 2008-2012	2012/EUR	2012	2011	2010	2009	2008
SUMMARY INCOME STATEMENT						
Net interest and fee income	399	2,979	3,257	3,624	3,675	2,813
Value adjustments	(74)	(555)	(395)	473	313	(484)
Other operating income	6	47	34	35	33	33
Staff and administrative expenses	242	1,809	1,800	1,759	1,911	1,782
Other operating costs, depreciation and amortisation	5	38	115	392	605	187
Impairment losses on loans, advances and receivables	75	557	388	1,494	6,571	2,297
Profit (loss) from investments in associates and group enterprises	-	-	-	30	(136)	-
Profit (loss) before tax	**9**	**67**	**593**	**517**	**(5,202)**	**(1,904)**
Tax	0	(1)	160	122	(1,264)	(436)
Profit (loss) for the year	**9**	**68**	**433**	**395**	**(3,938)**	**(1,468)**
Comprehensive income						
Other comprehensive income		-	-	-	-	(4)
Total comprehensive income	**9**	**68**	**433**	**395**	**(3,938)**	**(1,472)**
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	6,007	44,812	50,244	29,480	46,361	35,318
Loans, advances and other receivables at fair value	4,745	35,401	22,007	12,920	11,963	24,544
Loans, advances and other receivables at amortised cost	6,676	49,807	55,901	59,072	60,921	73,157
Bonds at fair value and equities	7,828	58,399	61,063	75,266	65,670	57,004
Other asset items	6,983	52,099	43,153	33,684	30,294	33,692
Total assets	**32,239**	**240,518**	**232,368**	**210,422**	**215,209**	**223,715**
Liabilities and equity						
Payables to credit institutions and central banks	7,420	55,355	63,093	48,351	56,843	91,637
Deposits and other payables	7,332	54,701	57,551	55,699	65,117	61,240
Issued bonds at amortised cost	3,820	28,498	26,137	32,848	44,059	20,528
Other non-derivative financial liabilities at fair value	4,523	33,741	27,308	25,679	6,798	3,641
Remaining payables	7,167	53,468	43,594	32,416	28,084	32,246
Total payables	**30,262**	**225,763**	**217,683**	**194,993**	**200,901**	**209,292**
Provisions	31	235	233	847	765	119
Subordinated debt	34	250	250	813	1,169	4,145
Equity	1,913	14,270	14,202	13,769	12,374	10,159
Total liabilities and equity	**32,239**	**240,518**	**232,368**	**210,422**	**215,209**	**223,715**
OFF-BALANCE SHEET ITEMS						
Contingent liabilities and other commitments	2,684	20,027	16,984	22,237	32,773	24,537
FINANCIAL RATIOS						
Total capital ratio, %		21.3	19.3	15.9	12.3	10.2
Tier 1 ratio, %		21.3	19.3	15.2	12.3	7.7
Return on equity before tax (pa), %		0.5	4.2	4.0	(46.2)	(20.6)
Return on equity after tax (pa), %		0.5	3.1	3.0	(35.0)	(15.9)
Income:cost ratio		1.03	1.26	1.14	0.43	0.55
Interest rate exposure, %		0.5	0.7	0.5	0.1	(0.3)
Foreign exchange position, %		0.0	0.6	1.5	0.7	3.5
Foreign exchange exposure, %		0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits		1.6	1.5	1.4	1.2	1.6
Loans and advances:equity		6.0	5.5	5.2	5.9	9.6
Growth in loans and advances for the year, %		9.4	8.2	(1.2)	(34.0)	27.7
Excess cover:statutory liquidity requirements, %		183.2	176.4	251.1	323.9	146.1
Total large exposures, %		0.0	0.0	41.7	62.1	93.6
Impairment losses for the year, %		0.5	0.4	1.6	6.3	2.0
Average number of staff, full-time equivalents		850	817	847	1,228	1,798

EUR 1 = DKK 7.4604 at end-2012

Notes

DKK/EUR million

49. NYKREDIT BANK A/S 2008-2012	2012/EUR	2012	2011	2010	2009	2008
SUMMARY INCOME STATEMENT						
Net interest and fee income	363	2,707	3,047	3,453	3,523	2,685
Value adjustments	(74)	(553)	(393)	474	322	(422)
Other operating income	2	17	8	10	10	10
Staff and administrative expenses	222	1,653	1,664	1,648	1,798	1,655
Other operating costs, depreciation and amortisation	4	30	107	388	601	172
Impairment losses on loans, advances and receivables	70	523	346	1,460	6,501	2,306
Profit (loss) from investments in associates and group enterprises	11	81	36	65	(156)	(58)
Profit (loss) before tax	**6**	**46**	**581**	**506**	**(5,201)**	**(1,918)**
Tax	(3)	(22)	148	111	(1,263)	(450)
Profit (loss) for the year	**9**	**68**	**433**	**395**	**(3,938)**	**(1,468)**
Comprehensive income						
Other comprehensive income	-	-	-	-	-	(4)
Total comprehensive income	**9**	**68**	**433**	**395**	**(3,938)**	**(1,472)**
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	6,007	44,812	50,244	29,480	46,357	35,284
Loans, advances and other receivables at fair value	4,745	35,401	22,007	12,920	11,963	24,653
Loans, advances and other receivables at amortised cost	6,656	49,659	55,606	58,808	60,722	72,478
Bonds at fair value and equities	7,801	58,202	60,915	75,157	65,668	56,040
Investments in associates and group enterprises	58	435	354	346	339	372
Other asset items	6,865	51,217	43,190	33,702	30,218	33,570
Total assets	**32,133**	**239,726**	**232,316**	**210,413**	**215,267**	**222,397**
Liabilities and equity						
Payables to credit institutions and central banks	7,420	55,355	63,093	48,351	56,843	90,108
Deposits and other payables	7,340	54,756	57,660	55,822	65,334	61,668
Issued bonds at amortised cost	3,820	28,498	26,137	32,848	44,059	20,528
Other non-derivative financial liabilities at fair value	4,523	33,741	27,308	25,679	6,798	3,641
Remaining payables	7,057	52,650	43,433	32,284	27,925	32,030
Total payables	**30,159**	**225,000**	**217,631**	**194,984**	**200,959**	**207,975**
Provisions	28	206	233	847	765	118
Subordinated debt	34	250	250	813	1,169	4,145
Equity	1,913	14,270	14,202	13,769	12,374	10,159
Total liabilities and equity	**32,133**	**239,726**	**232,316**	**210,413**	**215,267**	**222,397**
OFF-BALANCE SHEET ITEMS						
Contingent liabilities and other commitments	2,639	19,672	16,814	22,161	32,728	24,502
FINANCIAL RATIOS						
Total capital ratio, %		21.3	19.1	15.7	12.2	10.2
Tier 1 ratio, %		21.3	19.1	15.0	12.2	7.6
Return on equity before tax (pa), %		0.3	4.3	3.9	(46.2)	(20.8)
Return on equity after tax (pa), %		0.5	3.1	3.0	(35.0)	(15.9)
Income:cost ratio		1.02	1.26	1.14	0.42	0.54
Interest rate exposure, %		0.5	0.7	0.5	0.1	(0.3)
Foreign exchange position, %		0.0	0.6	1.5	0.7	3.8
Foreign exchange exposure, %		0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits		1.6	1.4	1.4	1.2	1.6
Loans and advances:equity		6.0	5.5	5.2	5.9	9.6
Growth in loans and advances for the year, %		9.6	8.2	(1.3)	(33.6)	28.5
Excess cover:statutory liquidity requirements, %		183.1	175.8	251.1	324.0	155.0
Total large exposures, %		0.0	0.0	41.8	62.2	93.7
Impairment losses for the year, %		0.5	0.4	1.6	6.2	2.0
Average number of staff, full-time equivalents		723	698	744	1,124	1,165

EUR 1 = DKK 7.4604 at end-2012

Notes

DKK million

	Q4/2012	Q3/2012	Q2/2012	Q1/2012	Q4/2011	Q3/2011	Q2/2011	Q1/2011
50. THE NYKREDIT BANK GROUP – EIGHT QUARTERS (unaudited)								
SUMMARY INCOME STATEMENT								
Net interest income	620	544	559	603	653	639	662	629
Dividends, fees and commission income (net)	205	137	155	156	155	150	183	186
Net interest and fee income	**825**	**681**	**714**	**759**	**808**	**789**	**845**	**815**
Value adjustments	(521)	(18)	36	(52)	(211)	(128)	18	(74)
Other operating income	23	10	7	7	12	8	7	7
Staff and administrative expenses	446	452	454	457	510	410	447	433
Other operating costs, depreciation and amortisation	9	19	(2)	12	4	19	18	74
Impairment losses on loans, advances and receivables	142	167	155	93	250	(63)	175	26
Profit (loss) before tax	**(270)**	**35**	**150**	**152**	**(155)**	**303**	**230**	**215**
Tax	(83)	10	31	41	(31)	76	61	54
Profit (loss)	**(187)**	**25**	**119**	**111**	**(124)**	**227**	**169**	**161**
Comprehensive income								
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	**(187)**	**25**	**119**	**111**	**(124)**	**227**	**169**	**161**
SUMMARY BALANCE SHEET, YEAR-END								
Assets								
Cash balance and receivables from central banks and credit institutions	44,812	33,000	44,545	43,008	50,244	21,471	25,418	28,515
Loans, advances and other receivables at fair value	35,401	34,470	32,106	32,830	22,007	14,398	16,409	13,451
Loans, advances and other receivables at amortised cost	49,807	54,094	55,318	56,050	55,901	55,782	57,541	60,517
Bonds at fair value	58,023	77,328	72,499	71,787	60,648	68,219	56,388	67,921
Equities	376	374	340	392	415	436	448	377
Land and buildings	-	-	-	-	-	67	67	68
Other asset items	52,099	56,593	48,531	43,161	43,153	42,372	25,818	27,734
Total assets	**240,518**	**255,859**	**253,339**	**247,228**	**232,368**	**202,745**	**182,089**	**198,583**
Liabilities and equity								
Payables to credit institutions and central banks	55,355	65,018	66,191	67,967	63,093	45,633	37,647	40,888
Deposits and other payables	54,701	53,684	55,446	56,828	57,551	53,659	52,107	53,648
Issued bonds	28,498	31,278	27,385	31,576	26,137	27,207	26,113	33,886
Other non-derivative financial liabilities at fair value	33,741	33,112	39,656	32,179	27,308	18,590	25,336	28,030
Remaining payables	53,468	57,850	49,778	43,917	43,594	42,419	25,766	27,184
Total payables	**225,763**	**240,942**	**238,456**	**232,467**	**217,683**	**187,508**	**166,969**	**183,636**
Provisions	235	210	201	198	233	261	255	282
Subordinated debt	250	250	250	250	250	650	766	735
Equity	14,270	14,457	14,432	14,313	14,202	14,326	14,099	13,930
Total liabilities and equity	**240,518**	**255,859**	**253,339**	**247,228**	**232,368**	**202,745**	**182,089**	**198,583**
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	12,169	11,552	12,366	11,040	10,142	10,555	9,229	12,175
Other commitments	7,858	7,740	7,766	6,601	6,842	7,050	6,617	7,378
FINANCIAL RATIOS								
Total capital ratio, %	21.3	20.4	19.8	21.2	19.3	18.0	18.5	16.4
Tier 1 ratio, %	21.3	20.4	19.8	21.2	19.3	17.2	17.9	15.9
Return on equity before tax (pa), %	(7.5)	1.0	4.2	4.2	(4.3)	8.5	6.6	6.2
Return on equity after tax (pa), %	(5.2)	0.7	3.3	3.1	(3.5)	6.4	4.8	4.6
Interest rate exposure, %	0.5	0.2	0.6	0.6	0.7	0.8	0.5	1.0

Notes

DKK million

	Q4/2012	Q3/2012	Q2/2012	Q1/2012	Q4/2011	Q3/2011	Q2/2011	Q1/2011
50. THE NYKREDIT BANK GROUP – EIGHT QUARTERS (continued) (unaudited)								
Summary core earnings and investment portfolio income								
Core income from business operations	878	745	985	839	896	922	912	776
Value adjustment of derivatives and corporate bonds	(553)	(76)	(268)	(170)	(287)	(356)	(36)	47
Core income from securities	7	8	21	25	42	53	44	36
Total core income	**332**	**677**	**738**	**694**	**651**	**619**	**920**	**859**
Operating costs and depreciation of equipment	450	456	457	461	513	414	450	437
Special payment to the Guarantee Fund for Depositors and Investors	5	15	(5)	8	0	15	15	70
Core earnings before impairment losses	**(123)**	**206**	**286**	**225**	**138**	**190**	**455**	**352**
Impairment losses on loans and advances	142	167	155	93	250	(63)	175	26
Core earnings after impairment losses	**(265)**	**39**	**131**	**132**	**(112)**	**253**	**280**	**326**
Investment portfolio income	(5)	(4)	19	20	(43)	50	(50)	(111)
Profit (loss) before tax	**(270)**	**35**	**150**	**152**	**(155)**	**303**	**230**	**215**
Tax	(83)	10	31	41	(31)	76	61	54
Profit (loss)	**(187)**	**25**	**119**	**111**	**(124)**	**227**	**169**	**161**

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 year divided by loans and advances + guarantees + impairment provisions

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

OTHER INFORMATION

FINANCIAL CALENDAR FOR 2013

7 February
Annual Report 2012 and a preliminary announcement of the financial statements of the Nykredit Bank Group.

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

17 May
Q1 Interim Report of the Nykredit Bank Group.

20 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 13 March 2012. 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***
Wealth Management Adviser

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***
Chief 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
JN Data A/S

Director of:
Bankernes EDB Central
IT-Universitetet i København (ITU)
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
Københavns Energi A/S*

Member of the 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 section 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 the 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 2012
** Resigned in 2012
*** 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.