



# Annual Report 2013

## The Nykredit Bank Group

Subsidiary of the Nykredit Realkredit Group

**Nykredit**

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# COMPANY INFORMATION

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## COMPANY INFORMATION

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

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

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

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 18 March 2014.

## 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 100.

At [nykredit.com](http://nykredit.com) you may read more about the Nykredit Group and download the following reports:

- Annual Report 2013
- About Nykredit 2013 – CSR Report
- Risk and Capital Management 2013

Information on Nykredit's corporate governance policy is available at [nykredit.com/corporategovernanceuk](http://nykredit.com/corporategovernanceuk)

## NOMINATION BOARD

The Nomination Board serves the entire Nykredit Group.

Steen E. Christensen, Attorney, Chairman  
Hans Bang-Hansen, Farmer  
Steffen Kragh, Chief Executive Officer  
Nina Smith, Professor

## AUDIT BOARD

The Audit Board serves the entire Nykredit Group.

Steffen Kragh, Chief Executive Officer, Chairman  
Anders C. Obel, Chief Executive Officer  
Nina Smith, Professor  
Jens Erik Udsen, Managing Director (from 1 January 2014)

## REMUNERATION BOARD

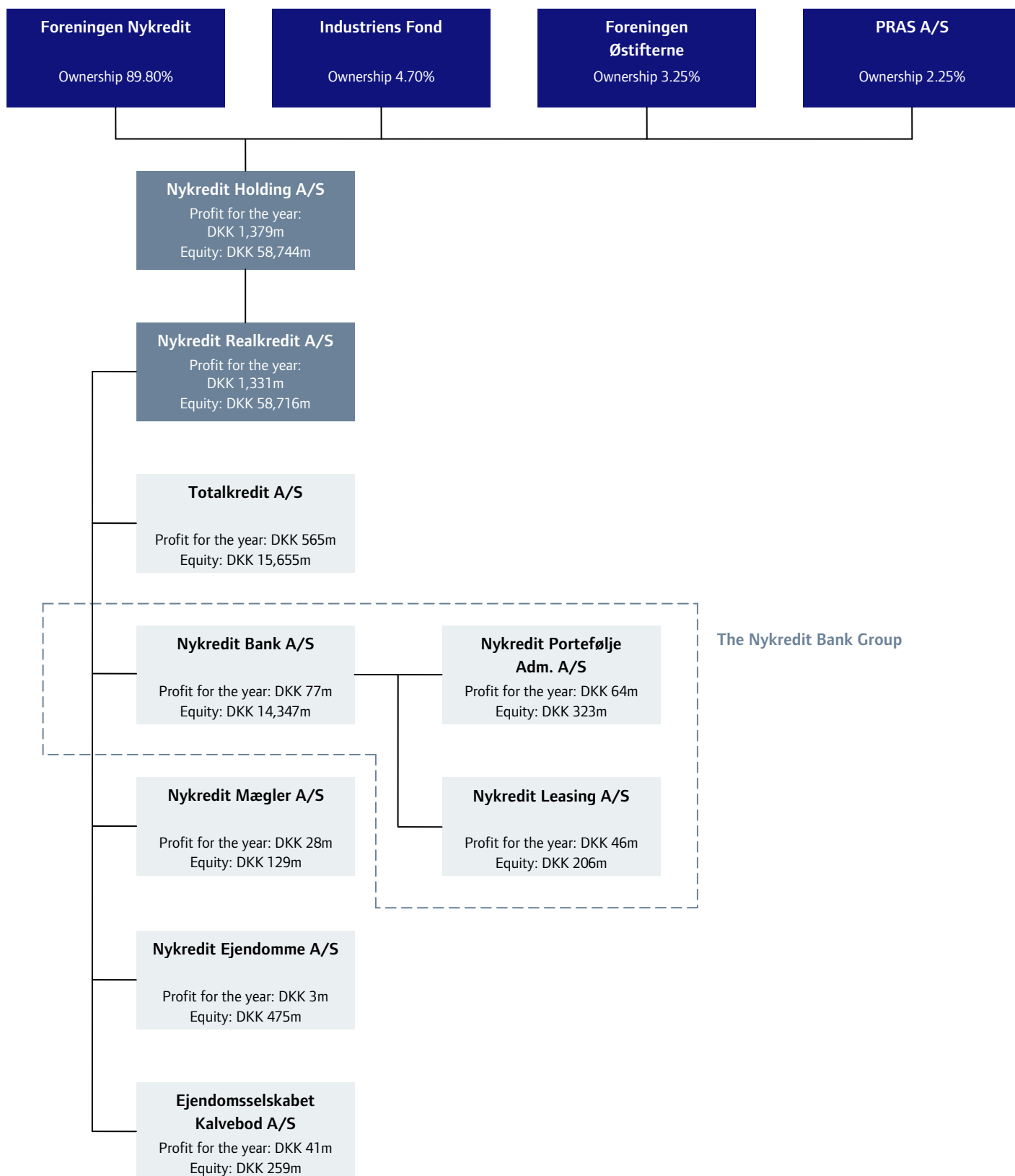
The Remuneration Board serves the entire Nykredit Group.

Steen E. Christensen, Attorney, Chairman  
Hans Bang-Hansen, Farmer  
Steffen Kragh, Chief Executive Officer  
Leif Vinther, Chairman of Staff Association (from 1 January 2014)

## RISK BOARD – FROM 1 APRIL 2014

Nina Smith, Professor, Chairman  
Steffen Kragh, Chief Executive Officer  
Merete Eldrup, Chief Executive Officer  
Bent Naur, former Chief Executive Officer

# GROUP CHART



A description of the Nykredit Bank Group is detailed in note 46.

# THE NYKREDIT BANK GROUP 2009-2013

The Nykredit Bank Group

DKK million/EUR million

Comparative figures have been restated to reflect the merger with

Forstædernes Bank A/S in 2010

	2013/EUR	2013	2012	2011	2010	2009	
<b>CORE EARNINGS AND RESULTS FOR THE YEAR</b>							
<b>Core income from:</b>							
- business operations	436	3,252	3,447	3,506	3,830	3,641	
- value adjustment of derivatives and corporate bonds	(103)	(766)	(1,067)	(632)	(47)	(176)	
- Proprietary Trading (activity transferred to Nykredit Realkredit in 2009)	-	-	-	-	-	47	
- securities	4	33	61	175	126	143	
<b>Total</b>	<b>338</b>	<b>2,519</b>	<b>2,441</b>	<b>3,049</b>	<b>3,909</b>	<b>3,655</b>	
Operating costs and depreciation of equipment	268	2,002	1,824	1,814	1,781	1,969	
Provisions for costs relating to reorganisation	7	50	-	-	-	-	
Payment to the Danish Guarantee Fund for Depositors and Investors	10	71	23	100	-	-	
Commission payable under the government guarantee scheme (Bank Rescue Package I)	-	-	-	-	370	500	
Value adjustment of associate	10	78	-	-	30	(183)	
<b>Core earnings before impairment losses</b>	<b>64</b>	<b>474</b>	<b>594</b>	<b>1,135</b>	<b>1,788</b>	<b>1,003</b>	
Impairment losses on loans and advances and provisions for guarantees	47	349	557	388	1,215	6,253	
Provisions for guarantees relating to the government guarantee scheme (Bank Rescue Package I)	-	-	-	-	279	318	
<b>Core earnings after impairment losses</b>	<b>17</b>	<b>125</b>	<b>37</b>	<b>747</b>	<b>294</b>	<b>(5,568)</b>	
Investment portfolio income <sup>1</sup>	(5)	(40)	30	(154)	223	366	
<b>Profit (loss) before tax</b>	<b>11</b>	<b>85</b>	<b>67</b>	<b>593</b>	<b>517</b>	<b>(5,202)</b>	
Tax	1	8	(1)	160	122	(1,264)	
<b>Profit (loss) for the year</b>	<b>10</b>	<b>77</b>	<b>68</b>	<b>433</b>	<b>395</b>	<b>(3,938)</b>	
<b>SUMMARY BALANCE SHEET, YEAR-END</b>							
<b>Assets</b>							
Cash balances and receivables from central banks	and cred	3,106	23,173	44,812	50,244	29,480	46,361
Loans, advances and other receivables at fair value		7,616	56,814	35,401	22,007	12,920	11,963
Loans, advances and other receivables at amortised cost		6,303	47,024	49,807	55,901	59,072	60,921
Bonds at fair value and equities		8,608	64,219	58,399	61,063	75,266	65,670
Remaining assets		4,411	32,904	52,099	43,153	33,684	30,294
<b>Total assets</b>		<b>30,044</b>	<b>224,134</b>	<b>240,518</b>	<b>232,368</b>	<b>210,422</b>	<b>215,209</b>
<b>Liabilities and equity</b>							
Payables to credit institutions and central banks		7,739	57,732	55,355	63,093	48,351	56,843
Deposits and other payables		8,767	65,405	54,701	57,551	55,699	65,117
Issued bonds at amortised cost		3,577	26,689	28,498	26,137	32,848	44,059
Other non-derivative financial liabilities at fair value		3,920	29,248	33,741	27,308	25,679	6,798
Remaining payables		4,050	30,216	53,468	43,594	32,416	28,084
Provisions		33	247	235	233	847	765
Subordinated debt		34	250	250	250	813	1,169
Equity		1,924	14,347	14,270	14,202	13,769	12,374
<b>Total liabilities and equity</b>		<b>30,044</b>	<b>224,134</b>	<b>240,518</b>	<b>232,368</b>	<b>210,422</b>	<b>215,209</b>
<b>OFF-BALANCE SHEET ITEMS</b>							
Contingent liabilities		1,558	11,620	12,169	10,142	15,225	23,386
Other commitments		926	6,906	7,858	6,842	7,012	9,387
<b>FINANCIAL RATIOS</b>							
Profit (loss) for the year as % of average equity pa			0.5	0.5	3.1	3.0	(35.0)
Profit (loss) before tax for the year as % of average equity pa			0.6	0.5	4.2	4.0	(46.2)
Core earnings before impairment losses as % of average equity pa			3.3	4.2	8.1	13.7	8.5
Core earnings after impairment losses as % of average equity pa			0.9	0.3	5.3	2.2	(49.8)
Costs excl impairment losses as % of core income from business operations			63.7	53.6	54.6	56.2	67.8
Provisions for loan impairment			3,994	4,057	4,294	6,143	7,812
Impairment losses for the year, %			0.3	0.5	0.4	1.6	6.3
Total capital ratio, %			16.8	21.3	19.3	15.9	12.3
Tier 1 capital ratio, %			16.4	21.3	19.3	15.2	12.3
Core Tier 1 capital ratio, %			16.1	21.0	19.0	15.0	12.3
Average number of full-time staff			859	850	817	847	1,228

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

<sup>1</sup> Value adjustment of the portfolio of subordinated debt in Danish banks (Kalvebod issues) has been included from 1 January 2011. Comparative figures have been restated.



# 2013 – IN BRIEF

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## 2013 – IN BRIEF

- Profit before tax was DKK 85m against DKK 67m in 2012.
- Core income from customer activities, excluding derivatives and Nykredit Markets, came to DKK 2,572m, 2% up on DKK 2,533m in 2012.

Core income from business operations, including Nykredit Markets, decreased from DKK 3,447m in 2012 to DKK 3,252m.

- Value adjustment of interest rate swaps came to a charge of DKK 766m against a charge of DKK 1,067m in 2012. The continued relatively high level in 2013 was partly an effect of a more conservative assessment of interest rate swaps following inspection by the Danish Financial Supervisory Authority (FSA).
- Operating costs were DKK 2,002m against DKK 1,824m in 2012.

Operating costs as a percentage of core income from business operations totalled 63.7% against 53.6% in 2012.

- Impairment losses reduced by DKK 208m to DKK 349m. This reduction was mainly attributable to Retail, but also Wholesale and Group Items recorded lower impairment losses than in 2012. Impairment losses for the year were 0.3% of loans and advances against 0.5% in 2012.
- Core earnings after impairment losses subsequently came to DKK 125m against DKK 37m in 2012.
- The investment portfolio produced a loss of DKK 40m against an income of DKK 30m in 2012.
- The balance sheet stood at DKK 224.1bn compared with DKK 240.5bn at end-2012.
- Profit before tax generated a return on equity of 0.6% against 0.5% in 2012.

## LIQUIDITY

- Excess coverage relative to statutory liquidity requirements was a satisfactory 276%, and the Bank had a deposit surplus of DKK 18.4bn.
- The Bank's liquidity coverage ratio (LCR) came to 128% according to the LCR rules.

## CAPITAL

- Equity stood at DKK 14.3bn.
- The core Tier 1 capital ratio was 16.1% against 21.0% at end-2012.
- The total capital ratio was 16.8% against 21.3% at end-2012 and the internal capital adequacy requirement (ICAAP) came to 12.0% compared with 10.5% at end-2012.

## NYKREDIT BANK GROUP RESULTS

The Group recorded a profit before tax of DKK 85m against DKK 67m in 2012.

Core income from business operations was DKK 3,252m, equivalent to a 5.7% drop compared with 2012. The activity levels in Retail and Nykredit Markets were somewhat lower than expected. Value adjustment of interest rate swaps was a charge of DKK 775m against a charge of DKK 1,095m in 2012. The level was still relatively high, but had a less adverse earnings impact compared with last year.

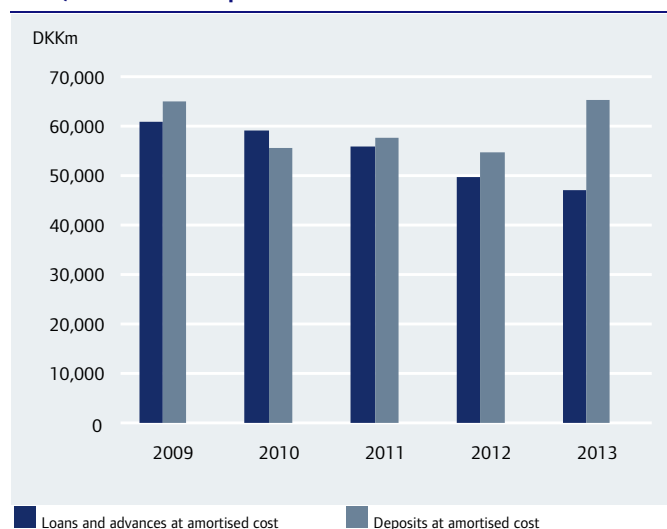
Impairment losses on loans and advances decreased by DKK 208m to DKK 349m compared with 2012, and impairment losses for the year came to 0.3% of loans and advances.

The reduction in impairments generally reflected that the considerable impairments on loans and advances for large real estate projects in previous years have fallen to a more moderate level combined with increasing normalisation of the rental housing market.

### The Nykredit Bank Group Results before tax



### The Nykredit Bank Group Loans, advances and deposits



An income of DKK 224m resulting from loans and advances previously written off was recognised in 2013 compared with DKK 25m the year before. The income generated in 2013 should in part be seen in the light of the Bank's disposal of properties acquired in connection with the settlement of non-performing exposures. The value of assets in temporary possession subsequently reduced from DKK 904m at end-2012 to DKK 212m.

#### Core earnings

Core earnings after impairment losses were DKK 125m, up DKK 88m from DKK 37m in 2012.

#### Core income from business operations

Core income was DKK 3,252m in 2013, equal to a decline of DKK 195m from DKK 3,447m in 2012.

Core income from Retail decreased by DKK 130m owing to generally subdued demand for finance and low property market activity.

Nykredit Markets's core income dropped by DKK 91m to DKK 425m. Earnings generated by the business unit in 2013 were affected by low national and international activity levels, but Nykredit Markets was nevertheless able to secure growth in both its customer base and market share.

Core income from Nykredit Asset Management and Corporate & Institutional Banking was DKK 10m and DKK 5m above the level in 2012, respectively.

#### Value adjustment of derivatives and corporate bonds

The credit exposure to interest rate swaps resulted in a negative market value adjustment of DKK 775m compared with a negative market value adjustment of DKK 1,095m in 2012.

Of the charge for the year, DKK 148m stemmed from losses incurred on terminated swaps, while the rest derived from value adjustment of active interest rate swaps where higher interest rates will thus result in considerable positive value adjustment of active contracts.

The charge in 2013 was particularly affected by a changed valuation of interest rate swaps for housing cooperatives following inspection by the Danish FSA. To this should be added further value adjustments resulting from a more conservative valuation, which totalled about 50% of the value adjustment.

Value adjustment of corporate bonds was DKK 9m against DKK 28m in 2012.

#### Core income from securities

Core income fell back from DKK 61m in 2012 to DKK 33m in 2013, which mirrored the decline in the short-term risk-free interest rate from an average of 0.43% in 2012 to 0.23% in 2013. The risk-free interest rate is based on the Danish central bank's lending rate.

#### Operating costs, depreciation and amortisation

Operating costs, depreciation and amortisation grew by DKK 178m to DKK 2,002m from DKK 1,824m in 2012.

Staff expenses were DKK 822m compared with DKK 788m in 2012, equal to an increase of 4%. This was partly an effect of a slight rise in



the number of staff, the general development in wages and salaries and adjustment of payroll costs of about DKK 10m relating to previous years.

The average number of full-time staff rose from 850 in 2012 to 859 (up 1%).

Other administrative expenses increased from DKK 1,021m in 2012 to DKK 1,170m in 2013. Of the DKK 149m increase, DKK 137m was attributable to a number of IT projects supporting both external requirements for the Bank's reporting scope and internal requirements relating to the Group's business and management control. Part of the higher cost level also derived from the development of the banking platform, including operating expenses and costs for the year in connection with the discontinuation of the banking system Finacle.

#### *Costs of Nykredit 2015*

In connection with the Group's plan "Nykredit 2015", a number of initiatives such as reorganisation, adjustment of the Group's use of IT and staff resizing, DKK 50m has been provided.

*Payment to the Danish Guarantee Fund for Depositors and Investors*  
Payment to the Guarantee Fund for Depositors and Investors amounted to DKK 71m in 2013 compared with DKK 23m in 2012. The payments in 2013 chiefly comprised ordinary payments to the Fund.

#### *Investments in associates*

Results for the year were positively affected by DKK 78m stemming from a partial reversal of provisions for liabilities relating to Dansk Pantebrevsbørs A/S under konkurs (in bankruptcy). The reversal was due to the fact that the Danish Institute of Arbitration found in favour of Nykredit Bank in Q3/2013 concerning a debt obligation and that the expenses incurred in relation to the winding-up of the company are expected to be lower than originally assumed in 2009 when the decision to wind up the company was made. The company is still in the process of being wound up.

#### *Impairment losses and provisions*

Impairment losses and provisions reduced from DKK 557m in 2012 to DKK 349m in 2013.

This reduction mainly reflected a normalisation of the rental property market. Recoveries on claims previously written off totalled DKK 224m, up about DKK 200m from 2012. The recoveries largely derive from a number of property exposures, including proceeds from the disposal of residential rental properties held by Ejendomsselskabet Kalvebod III.

Individual impairment provisions saw a net reduction of DKK 268m from DKK 686m to DKK 418m, while collective impairment provisions accounted for a charge of DKK 134m, corresponding to a rise of DKK 206m compared with a credit of DKK 72m in 2012. The rise in collective impairment provisions mirrors a more conservative assessment of the general provisioning need combined with a moderately elevated loss risk in relation to personal customers and small commercial customers, especially in south and east Denmark excluding the capital region.

Provisions for guarantees amounted to DKK 21m, up DKK 53m on 2012.

The reduction of DKK 208m in impairment losses and provisions for guarantees compared with 2012 was attributable to DKK 105m in Retail, DKK 63m in Wholesale and DKK 40m in Group Items.

Impairment losses for the year were 0.3% of loans and advances against 0.5% in 2012.

#### **Investment portfolio income**

The investment portfolio produced a loss of DKK 40m compared with an income of DKK 30m in 2012.

Investment portfolio income is the excess income obtained from the portfolios not allocated to the business areas in addition to risk-free interest. Investment portfolio income also includes commission to Nykredit Holding A/S for a loss guarantee provided to the Bank. The loss guarantee was terminated in November 2013.

#### **Tax**

The tax charge was DKK 8m, corresponding to 9.4% of profit before tax compared with a negative tax rate of 1.5% in 2012.

The relatively low tax rate was in part due to a large amount of non-taxable income compared with profit for the year before tax.

Another reason is that the Danish parliament adopted a change to the corporation tax rate in 2013. The tax rate remains unchanged at 25% for 2013 and will then gradually decrease to 22% in 2017.

Compared with the current tax rate, the lowering of tax rates until 2017 affects the Nykredit Bank Group's deferred tax payments, corresponding to an estimated income of DKK 4m, which has been recognised in the income statement.

#### **Results after tax**

The Group recorded a profit after tax of DKK 77m, equivalent to a return on equity of 0.5%. In 2012 the Group delivered a profit of DKK 68m and a return on equity of 0.5%.

#### **Dividend**

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for the financial year 2013.

#### **Results for Q4/2013**

Results for Q4/2013 before tax were DKK 0 compared with a loss of DKK 492m in Q3/2013 and a loss of DKK 270m in Q4/2012.

Core income from business operations was up by DKK 62m from DKK 747m in Q3/2013 to DKK 809m. This development generally reflected ordinary periodic fluctuations.

Value adjustment of interest rate swaps still had an adverse impact on earnings (a charge of DKK 205m), but compared with a charge of DKK 617m in Q3/2013, Q4/2013 results improved by DKK 412m. This also represented a substantial improvement on Q4/2012 (a charge of DKK 553m).

Costs amounted to DKK 522m in Q4/2013, up DKK 30m on Q3/2013, owing to higher IT costs. Except from this, the expense was broadly in line with guidance and on a level with Q1-Q3/2013.

Q4/2013 was also affected by provisions for liabilities of DKK 50m for "Nykredit 2015".

Finally, impairment losses reduced by DKK 143m compared with Q3/2013.

#### **RESULTS FOR 2013 RELATIVE TO FORECASTS**

When the Annual Report for 2012 was announced, the Bank expected rising core income and growth in loans, advances and deposits.

The development in core income showed a minor rise of 3% to DKK 2,519m compared with DKK 2,441m the year before. This reflected a decline in core income from business operations, which was offset by an improvement of about DKK 300m in negative value adjustments of interest rate swaps and corporate bonds in 2013 compared with 2012.

However, growth in loans and advances fell short of expectations, whereas deposits went up from DKK 54.7bn at end-2012 to DKK 65.4bn.

Costs exceeded the expected level, partly due to large IT projects and provisions for "Nykredit 2015". This also led to a higher cost:income ratio.

In early 2013 impairment losses on loans and advances were expected to increase slightly. However, the development in 2013 was positive, as the impairment charge reduced from DKK 557m in 2012 to DKK 349m in 2013 by the benefit of a rise in recoveries on claims previously written off.

Overall, core earnings after impairment losses grew as expected, albeit modestly, from DKK 37m in 2012 to DKK 125m in 2013.

#### **OUTLOOK FOR 2014**

Nykredit Bank expects growth in the Danish economy to continue in 2014. Housing market trends seem set to be characterised by regional variation, but housing prices will generally trend higher.

Core income is expected to rise compared with 2013, partly as negative value adjustment of interest rate swaps is expected to decrease considerably.

Operating costs are expected to be broadly in line with 2013.

Loan impairment is expected to be somewhat higher than in 2013, when the impairment level was positively affected by reversals and recoveries on claims previously written off.

Overall, core earnings after impairment losses are expected to improve to about DKK 400m in 2014.

Investment portfolio income is expected to be largely unchanged, considering that no commission on a loss guarantee provided by Nykredit Holding is payable in 2014.

**OTHER****TAX**

As stated in previous financial statements, the Danish tax authorities (SKAT) have proposed that the taxable income declared for 2008 and 2009 be changed.

In December 2013 the Danish tax authorities informed the Bank that it waived its claim, and the case is now closed without any tax or accounting implications for the Bank.

**GUARANTEE PROVIDED BY NYKREDIT HOLDING**

In November 2013 Nykredit Bank terminated the loss guarantee provided by Nykredit Holding in 2011. Subject to certain limits, the guarantee covered losses resulting from loan impairment and guarantees.

**NYKREDIT 2015**

In a stock exchange announcement dated 9 December 2013 Nykredit presented "Nykredit 2015", a plan designed to strengthen customer focus, grow earnings, improve efficiency and further develop the Totalkredit concept.

Nykredit's strategic platform is still mortgage lending/banking and the Totalkredit partnership with the local and regional banks in Denmark.

The plan comprises a number of business issues:

- Improved customer focus
- Higher profitability and efficiency
- Reassessment of the IT area
- Increased focus on the Totalkredit concept
- Stronger focus on capital.

The plan includes a review and an adjustment of Nykredit's processes in order to obtain both faster and more efficient customer servicing and development of new customer and loyalty concepts. Nykredit's primary focus will be on Danish personal and commercial customers.

The plan also has a sharper focus on higher profitability and efficiency through higher earnings from Nykredit's core business and cost reductions through process optimisation, adjustment of IT costs and staff reduction mainly in non-customer facing functions.

The Totalkredit partnership will be intensified and further developed in coming years. Initiatives have already been taken to strengthen the relations between the partner banks and Nykredit, and IT support will be further coordinated and integrated.

The press release on "Nykredit 2015" is available at [nykredit.com/aboutnykredit](http://nykredit.com/aboutnykredit).

**CREDIT RATINGS**

Nykredit Bank is rated by Standard & Poor's and Fitch Ratings.

In July 2013 Standard & Poor's affirmed Nykredit Bank A/S's and its Parent Company Nykredit Realkredit A/S's ratings of A+ (long-term unsecured ratings) and A-1 (short-term unsecured ratings), but also assigned negative outlooks to Nykredit's ratings. The negative outlooks are a consequence of Standard & Poor's changed view of the refinancing risk relating to adjustable-rate mortgages (ARMs) in the sector at large.

Nykredit Bank A/S's long-term unsecured rating of A and short-term unsecured rating of F1 with stable outlooks assigned by Fitch Ratings remain unchanged.

Moody's Investors Service still publishes unsolicited ratings for some Nykredit companies, including Nykredit Bank, despite the fact that Nykredit has no rating relationship with Moody's Investors Service anymore.

**Nykredit Bank A/S  
Credit ratings**

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

### The Nykredit Bank Group

#### Summary balance sheet

DKK million	2013	2012
Receivables from credit institutions	23,173	44,812
Loans and advances at fair value	56,814	35,401
Loans and advances at amortised cost	47,024	49,807
of which Retail	26,067	27,185
of which Wholesale	18,498	19,655
of which other loans and advances	2,459	2,967
Bonds and equities	64,219	58,399
Remaining assets	32,904	52,099
Payables to credit institutions and central banks	57,732	55,355
Deposits and other payables	65,405	54,701
of which Retail	39,506	36,244
of which Wholesale	24,526	16,285
of which other deposits	1,373	2,172
Issued bonds	26,689	28,498
Other non-derivative financial liabilities at fair value	29,248	33,741
Remaining payables and provisions	30,463	53,703
Subordinated debt	250	250
Equity	14,347	14,270
<b>Balance sheet total</b>	<b>224,134</b>	<b>240,518</b>

### The Nykredit Bank Group

#### Equity

DKK million	2013	2012
Equity, beginning of year	14,270	14,202
Profit after tax for the year	77	68
<b>Equity, year-end</b>	<b>14,347</b>	<b>14,270</b>

### The Nykredit Bank Group

#### Capital and capital adequacy

DKK million	01.01.2014	2013	2012
Credit risk	70,461	69,481	48,926 <sup>1</sup>
Market risk	13,291	13,291	12,804
Operational risk	5,937	5,937	6,289
<b>Total risk-weighted assets<sup>2</sup></b>	<b>89,689</b>	<b>88,709</b>	<b>68,019</b>
Core/Common Equity Tier 1 capital before deductions	14,347	14,347	14,270
Deductions	(41)	(41)	(57)
<b>Core/Common Equity Tier 1 capital after deductions</b>	<b>14,306</b>	<b>14,306</b>	<b>14,213</b>
Hybrid/Additional Tier 1 capital	200	250	250
<b>Total Tier 1 capital</b>	<b>14,506</b>	<b>14,556</b>	<b>14,463</b>
Tier 2 capital	374	374	-
Deductions from capital base	-	(18)	-
<b>Total capital base</b>	<b>14,880</b>	<b>14,912</b>	<b>14,463</b>
Core/Common Equity Tier 1 capital ratio, %	16.0	16.1	21.0
Tier 1 capital ratio, %	16.2	16.4	21.3
Total capital ratio, %	16.6	16.8	21.3
Internal capital adequacy requirement (Pillar I and Pillar II), %	-	12.0	10.5

Capital base and capital adequacy are specified further in note 2.

<sup>1</sup> The determination of credit risk includes the loss guarantee issued by Nykredit Holding.

<sup>2</sup> Capital adequacy is determined in accordance with the transitional rules of the Danish Executive Order on Capital Adequacy. RWA must constitute at least 80% of the capital requirement determined under Basel I. At end-2013, RWA subject to transitional rules amounted to DKK 63.8bn.

Note: "01.01.2014" shows pro forma capital and capital adequacy determined in accordance with new regulations in force from 2014.

## BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

### Balance sheet

The balance sheet decreased by DKK 16.4bn to DKK 224.1bn.

Receivables from credit institutions and central banks dropped by DKK 21.6bn to DKK 23.2bn, while loans and advances at fair value (reverse lending) rose by DKK 21.4bn to DKK 56.8bn. The development in balances with credit institutions widely reflected the Bank's need to raise and place liquidity, including the development in the Bank's deposit, lending and securities activities.

Loans and advances at amortised cost went down by DKK 2.8bn to DKK 47.0bn attributable to a decline in lending to personal customers and SMEs of the business area Retail. Wholesale lending also trended downwards from DKK 19.7bn at end-2012 to DKK 18.5bn.

Bonds and equities improved from DKK 58.4bn at end-2012 to DKK 64.2bn. The varying portfolio size was principally an effect of the Bank's repo activities and trading positions as well as the development in and placement of the Bank's liquidity. The portfolio mainly consisted of high-rated government and covered bonds.

Assets in temporary possession fell from DKK 0.9bn at end-2012 to DKK 0.2bn at end-2013. The item comprised properties and a property company repossessed by the Bank in connection with settlement of non-performing exposures. The development in 2013 was especially ascribable to the disposal of properties held by Ejendomselskabet Kalvebod III. This caused the reduction from DKK 0.7bn at end-2012 to DKK 0.1bn in "Liabilities temporarily assumed".

Other assets totalled DKK 32.6bn against DKK 50.9bn at end-2012.

This amount included positive market values of derivatives relating to customer activities, own positions and hedging transactions in the amount of DKK 25.9bn at end-2013 against DKK 43.9bn in 2012. These transactions were widely hedged and should be viewed in the context of "Other liabilities", which included negative market values of DKK 23.4bn.

Deposits and other payables rose from DKK 54.7bn at end-2012 to DKK 65.4bn at end-2013 on account of a rise of DKK 3.3bn in Retail and a total rise of DKK 7.4bn in Wholesale and other deposits. Deposits from repo transactions went up from DKK 17.7bn at end-2012 to DKK 18.5bn.

As at 31 December 2013, the Bank's deposit surplus was DKK 18.4bn measured as the balance between deposits and lending at amortised cost. At end-2012, the deposit surplus came to DKK 4.9bn.

Issued bonds totalled DKK 26.7bn against DKK 28.5bn at end-2012. 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 29.2bn against DKK 33.7bn at end-2012. The item comprised deposits from repo activities, including negative securities portfolios.

Other payables and deferred income totalled DKK 30.2bn against DKK 53.5bn at end-2012. The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The fall of DKK 23.3bn partly reflected a reduction in negative market values of derivative financial instruments from DKK 44.3bn at end-2012 to DKK 23.4bn.

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

**Capital and capital adequacy**

Equity stood at DKK 14.3bn at end-2013. Equity strengthened by DKK 77m in 2013, which equalled profit after tax for the year. Equity is identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

Nykredit Bank's capital base after deductions totalled DKK 14.9bn at end-2013 compared with DKK 14.5bn at end-2012, and risk-weighted assets (RWA) amounted to DKK 88.7bn at end-2013 compared with DKK 68.0bn in 2012.

RWA rose by DKK 20.7bn compared with end-2012 following a rise of DKK 20.6bn in items involving credit risk, a drop of DKK 0.4bn in items involving operational risk and a rise of DKK 0.5bn in items involving market risk.

The rise of DKK 20.6bn in items involving credit risk was mainly an effect of the termination in November of a loss guarantee provided by Nykredit Holding, as the guarantee previously reduced the items involving credit risk.

The total capital ratio of the Nykredit Bank Group was subsequently 16.8% against 21.3% at end-2012, and the core Tier 1 capital ratio totalled 16.1% against 21.0% at end-2012. The decline in the total capital ratio and the core Tier 1 capital ratio was primarily an effect of the termination of the loss guarantee issued by Nykredit Holding.

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



Nykredit Bank has a target of maintaining a Tier 1 capital ratio of at least 13.0%.

The Nykredit Bank Group's internal capital adequacy requirement was 12.0% compared with 10.5% at end-2012. The internal capital adequacy requirement is conservatively calculated to be the higher result using either the Bank's internal method or the 8+ method of the Danish FSA. At 31 December 2013, the Bank had a few large short-term exposures. Following their maturity the internal capital adequacy requirement is expected to decline automatically by around 0.5-1%.

The table "Capital and capital adequacy" includes a column with the heading "01.01.2014", which shows capital and capital adequacy in accordance with the new capital adequacy rules applicable from 1 January 2014, including the phase-in rules applicable in 2014. The main change relative to the previous rules is that all future deductions from Tier 2 capital must be made from Tier 1 capital. As Nykredit Bank has not issued Tier 2 capital, largely all deductions are already made from Tier 1 capital. Accordingly, the change is only of modest importance in practice. To this should be added that only 80% of the value of the issued hybrid capital can be included.

Nykredit Bank's use of models to determine risk-weighted assets is described below under "Credit risk" and "Market risk" and in the report Risk and Capital Management 2013, which is available at [nykredit.com/reports](http://nykredit.com/reports).

**UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT**

The preparation of the Annual Report involves the use of informed accounting estimates. These estimates are made by Nykredit's 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" under "Significant accounting estimates and assessments".

**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 2013 which affect the Nykredit Bank Group's financial position.

**BUSINESS AREAS**

The Nykredit Bank Group's business areas are:

- Retail, which comprises personal customers as well as small and medium-sized enterprises (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 business is generally allocated to the business units which have supplied the individual products (including Nykredit Markets and Nykredit Asset Management).

Income which may be attributed to the sales activities of Retail and Corporate & Institutional Banking is subsequently reallocated in full. Correspondingly, Retail and Corporate & Institutional Banking pay a proportion of the capacity costs of Nykredit Markets and Nykredit Asset Management that may be attributed to the sales activities.

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

DKK million	Retail		Wholesale		Group Items		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Core income:</b>								
Customer activities, gross	1,252	1,283	2,120	2,295	(120)	(131)	3,252	3,447
Payment for distribution	645	744	(645)	(744)	-	-	-	-
<b>Core income from business operations</b>	<b>1,897</b>	<b>2,027</b>	<b>1,475</b>	<b>1,551</b>	<b>(120)</b>	<b>(131)</b>	<b>3,252</b>	<b>3,447</b>
Value adjustment of derivatives and corporate bonds	(179)	(927)	(587)	(140)	-	-	(766)	(1,067)
Core income from securities	-	-	-	-	33	61	33	61
<b>Total core income</b>	<b>1,718</b>	<b>1,100</b>	<b>888</b>	<b>1,411</b>	<b>(87)</b>	<b>(70)</b>	<b>2,519</b>	<b>2,441</b>
Operating costs	909	837	722	740	371	247	2,002	1,824
Provisions for costs relating to reorganisation	-	-	-	-	50	-	50	-
Payment to the Guarantee Fund for Depositors and Investors	46	11	10	3	15	9	71	23
Profit from investments in associate	78	-	-	-	-	-	78	-
<b>Core earnings before impairment losses</b>	<b>841</b>	<b>252</b>	<b>156</b>	<b>668</b>	<b>(523)</b>	<b>(326)</b>	<b>474</b>	<b>594</b>
Impairment losses on loans and advances	406	511	(29)	34	(28)	12	349	557
<b>Core earnings after impairment losses</b>	<b>435</b>	<b>(259)</b>	<b>185</b>	<b>634</b>	<b>(495)</b>	<b>(338)</b>	<b>125</b>	<b>37</b>
Investment portfolio income	-	-	-	-	(40)	30	(40)	30
<b>Profit (loss) before tax for the year</b>	<b>435</b>	<b>(259)</b>	<b>185</b>	<b>634</b>	<b>(535)</b>	<b>(308)</b>	<b>85</b>	<b>67</b>
Costs excl impairment losses/core income from business operations, %	50.3	41.8	49.6	47.9	-	-	63.7	53.6



**Results – Retail**

DKK million	2013	2012
<b>Core income:</b>		
Customer activities, gross	1,252	1,283
Payment for distribution	645	744
<b>Core income from business operations</b>	<b>1,897</b>	<b>2,027</b>
Value adjustment of derivatives	(179)	(927)
<b>Total core income</b>	<b>1,718</b>	<b>1,100</b>
Operating costs	909	837
Payment to the Guarantee Fund for Depositors and Investors	46	11
Income from investments in associate	78	0
Impairment losses on loans and advances	406	511
<b>Profit (loss) before tax</b>	<b>435</b>	<b>(259)</b>

**Principal balance sheet items**

DKK million	2013	2012
<b>Assets</b>		
Loans and advances at amortised cost	26,067	27,185
of which personal customers	13,804	14,342
of which commercial customers	12,263	12,843
Impairment provisions on loans and advances	2,320	2,141
Impairment provisions as % of loans and advances	8.2	7.3
<b>Payables</b>		
Deposits and other payables	39,506	36,244
of which personal customers	21,959	21,113
of which commercial customers	17,547	15,131
<b>Off-balance sheet items</b>		
Guarantees	10,051	10,269

**Retail**

The business area provides banking services to personal customers and SMEs, including agricultural customers, residential rental customers and personal wealth clients. 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 partnership with Gjensidige Forsikring.

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

**Results**

Retail posted a profit before tax of DKK 435m compared with a loss of DKK 259m in 2012. The 2013 results were mainly attributable to personal customers, which produced a profit of DKK 373m compared with DKK 534m in 2012, whereas SMEs generated a profit of DKK 62m against a loss of 793m in 2012 due to significant negative value adjustment of interest rate swaps.

Core income from business operations decreased from DKK 2,027m in 2012 to DKK 1,897m in 2013.

By contrast, value adjustment of derivatives came to a charge of DKK 179m compared with a charge of DKK 927m in 2012. In both years the charge resulted from SMEs.

Operating costs rose by DKK 72m to DKK 909m.

Impairment losses fell to DKK 406m in 2013 from DKK 511m in 2012. Impairment losses on SMEs declined by DKK 72m to DKK 309m, while the charge relating to personal customers was DKK 97m, down DKK 33m.

Impairment losses were 1.1% of loans and advances against 1.3% in 2012.

Costs as a percentage of core income from business operations totalled 50.3% against 41.8% in 2012.

The subsidiary Nykredit Leasing contributed a profit before tax of DKK 36m to the business area's results against DKK 15m in 2012.

*Lending and deposits*

The business area's lending decreased by DKK 1.1bn to DKK 26.1bn, while deposits increased by DKK 3.3bn from DKK 36.2bn in 2012 to DKK 39.5bn.

**Activities in 2013**

As in 2012, the personal customers area was affected by low housing market turnover and relatively subdued demand for finance, which led to a fall in lending and a decline in income from homeowner-related activities. Conversely, deposits rose as a result of a higher propensity to save among personal customers.

The Bank devoted many resources to raising its share of stable deposits through an increase in banking customers using Nykredit Bank as

their day-to-day bank and through investment and pension advisory services, which among other things resulted in the introduction of new stock market-linked and high-yield savings accounts. The Private Portfolio concept showed fair sales growth, whereas investment activities focused on the conversion of capital pension plans due to a new tax reform.

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 spurred growth in the number of customers which use Nykredit Bank as their day-to-day bank.

In 2013 competition in the SME market increased, causing lending levels to decline over the year. In addition to fierce competition, mortgage loans are increasingly being substituted for bank loans.

Due to the economic climate, particularly small and domestically-oriented companies weakened, whereas large companies including exporters generally recorded improvement.

Contrary to the development in lending, deposits rose as a result of higher propensity to save among customers as well as more sales initiatives, which have attracted more day-to-day banking customers and consequently increased the share of stable deposits.

Furthermore, an increased use of specialists within the fields of financial, wealth and cash management as well as trade finance enabled the Bank to meet customers' special needs in these areas.

**Results – Wholesale**

DKK million	2013	2012
<b>Core income:</b>		
Customer activities, gross	2,120	2,295
Payment for distribution	(645)	(744)
<b>Core income from business operations</b>	<b>1,475</b>	<b>1,551</b>
Value adjustment of derivatives	(587)	(140)
<b>Total core income</b>	<b>888</b>	<b>1,411</b>
Operating costs	722	740
Payment to the Guarantee Fund for Depositors and Investors	10	3
Impairment losses on loans and advances	(29)	34
<b>Profit before tax</b>	<b>185</b>	<b>634</b>

**Principal balance sheet items**

DKK million	2013	2012
<b>Assets</b>		
Loans and advances at amortised cost	18,498	19,655
Impairment provisions on loans and advances	1,591	1,810
Impairment provisions as % of loans and advances	7.9	8.4
Repo transactions	56,814	35,401
<b>Payables</b>		
Deposits and other payables	24,526	16,285
<b>Off-balance sheet items</b>		
Guarantees	7,021	8,707

**Assets under management and administration and investment funds**

DKK million	2013	2012
Institutional market	97,767	84,557
Insourced mandates	18,502	19,141
<b>Total assets under management</b>	<b>116,269</b>	<b>103,698</b>
Assets under administration, Nykredit Portefølje Administration A/S	598,434	513,675
Of which Nykredit Group investment funds	51,808	46,518

**Wholesale****Income and income allocation to Retail**

DKK million	2013	2012
<b>Customer activities, gross</b>		
Nykredit Markets	680	914
Nykredit Asset Management	788	782
Corporate & Institutional Banking	652	599
<b>Total</b>	<b>2,120</b>	<b>2,295</b>
<b>Income allocated to customer areas</b>		
Nykredit Markets	(255)	(398)
Nykredit Asset Management	(448)	(452)
Corporate & Institutional Banking	58	106
<b>Total allocation to Retail</b>	<b>(645)</b>	<b>(744)</b>
<b>Core income</b>		
Nykredit Markets	425	516
Nykredit Asset Management	340	330
Corporate & Institutional Banking	710	705
<b>Total</b>	<b>1,475</b>	<b>1,551</b>

**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, wealth and asset management.

Wholesale consists of the business units Corporate & Institutional Banking, Nykredit Markets and Nykredit Asset Management as well as Other Activities, which comprises a portfolio of terminated exposures.

**Results**

The business area posted a profit of DKK 185m against DKK 634m in 2012, corresponding to a decline of DKK 449m attributable to reduced core income from business operations combined with increased negative value adjustment of interest rate swaps.

The area's gross income from customer activities totalled DKK 2,120m excluding value adjustment of derivatives compared with DKK 2,295m in 2012.

Nykredit Markets posted gross income of DKK 680m, down DKK 234m on 2012, whereas Nykredit Asset Management recorded growth of DKK 6m in gross income from customer activities, which totalled DKK 788m. Corporate & Institutional Banking saw an increase from DKK 599m to DKK 652m.

Core income from business operations fell by DKK 76m from DKK 1,551m to DKK 1,475m in 2013. The reduction was mainly attributable to Nykredit Markets, as Corporate & Institutional Banking and Nykredit Asset Management improved slightly on 2012.

Operating costs were DKK 722m, the same as in 2012.

Impairment of loans and advances came to an income of DKK 29m against a loss of DKK 34m in 2012. Of the DKK 29m, the business unit Other Activities contributed an income of DKK 267m, whereas Corporate & Institutional Banking generated a loss of DKK 238m. Other Activities was positively affected by recoveries of about DKK 180m from loans and advances previously written off, which mainly concerned previous property-related lending. The impairment loss for Corporate & Institutional Banking was attributable to collective impairment provisions of DKK 137m, whereas individual impairment provisions accounted for DKK 101m.

Impairment losses for the year neared 0% of loans and advances in 2013.

Costs as a percentage of core income from business operations totalled 49.6% against 47.9% in 2012.

*Lending and deposits*

Lending decreased from DKK 19.7bn at end-2012 to DKK 18.5bn at end-2013, of which the portfolio of terminated exposures accounted for a decline from DKK 1.6bn to DKK 0.8bn.

Deposits went up from DKK 16.3bn to DKK 24.5bn.

## Activities in 2013

### Corporate & Institutional Banking

In 2013 Corporate & Institutional Banking maintained its focus on raising the number of customers that take their daily banking to Nykredit Bank. Further, the business unit focused on deepening its relationship with existing customers and expanding their business scope with Nykredit. In line with the commercial customers area in general, Corporate & Institutional Banking improved its cash management, trade finance and Nykredit Markets activities, which meant that the Bank was better suited to meet its customers' special needs in these areas.

The area's lending and deposit activities were affected by increased competition and a number of corporate clients taking advantage of the low interest rates to refinance bank loans into mortgage loans.

### Nykredit Markets

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 and corporate clients, but also includes personal wealth clients. Nykredit Markets's position with foreign institutional investors strengthened in 2013.

In 2013 Nykredit Markets's earnings were negatively affected by waning activity levels in Danish as well as international financial markets, resulting in a decline on last year.

The bond volumes traded on NASDAQ OMX Copenhagen were down around 30% on last year. Despite declining trade volumes in the bond markets, the client base continued to grow – in terms of both Danish and international clients – and Nykredit Markets consequently grew its market share of basic products.

The development in results and activity levels was delivered under volatile market conditions where the central banks largely controlled fixed income markets, changing the focus over the year from tapering of monetary stimulus to maintaining the long-term zero-rate policy.

For large parts of 2013, the Nordic countries and Denmark in particular enjoyed the confidence of foreign investors, and Danish interest rates were largely on a level with the German. Moreover, the Danish central bank maintained its negative deposit rate throughout 2013.

A number of banks and businesses continued to have restricted access to capital in 2013, which whetted the appetite for capital market transactions and led to a positive development in market activity.

### Nykredit Asset Management

Nykredit Asset Management is Nykredit's competence centre within asset management and fund administration.

#### *Assets under management and administration*

Nykredit Asset Management realised good growth rates in 2013 as well.

Total assets under management and administration grew from DKK 617bn to DKK 715bn, an increase of 16% resulting from satisfactory growth in the client base and capital gains.

Nykredit Asset Management's products and solutions range from Nykredit Invest, Private Portfolio, Savings Invest and Pension Invest to discretionary asset management and administration agreements with institutional clients, funds, businesses, public institutions and personal wealth clients.

#### *Asset management*

Total assets under management grew from DKK 104bn to DKK 116bn. The rise resulted from a combination of customer growth and capital gains.

78% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2013. Over the past three years, 72% of Nykredit Asset Management's investment strategies (GIPS composites) have generated above-benchmark returns.

Nykredit Asset Management manages the investment funds of Nykredit Invest. In 2013 Nykredit Invest was awarded Investment Fund of the Year by Dansk Aktie Analyse and the newspaper Morgenavisen Jyllands-Posten. The award was based on a solid short- and long-term performance in competition with other Danish investment funds.

A large number of products stood out in 2013. Nykredit Invest Globale Aktier SRI (Nykredit Invest Global Equities SRI) was thus awarded 5 stars by Morningstar, an investment research provider, after a long period of return/risk ratios that placed the fund among the top 10% in Europe. In 2013 Nykredit Invest Globale Aktier SRI gained 31.6% against a benchmark return of 21.1% thus offering the best performance of the category Globale Aktier, blend (Global Equities, mix).

The hedge fund Hedgeforeningen MIRA, which was launched in the autumn of 2008 during the financial crisis, delivered attractive returns again this year and tops international rankings. Hedgeforeningen MIRA delivered a return of 23.9% at a standard deviation of 2.3%.

As part of its strategy, Nykredit Asset Management liaises with external asset managers in certain investment areas. At end-2013 insourced mandates totalled DKK 19bn, which was largely unchanged on 2012 as Nykredit Asset Management decided to terminate part of the US equity mandates granted following a period of less satisfactory performance by external asset managers. In 2013 new mandates were granted to Pembroke and MFS for the asset classes US Small/Mid Cap and US equities, respectively.

#### *Retail market*

The market share of asset management products aimed at the retail segment was unchanged at 7.7% compared with 2012.

Total assets managed under the wealth management concepts Private Portfolio, Savings Invest and PensionsInvest totalled DKK 25.8bn at end-2013, up DKK 2.0bn on 2012. The rise reflected satisfactory growth in the client base as well as financial market trends. However, the improvement was adversely affected by selling due to conversion of capital pension plans into retirement pension plans and the consequent payment of tax totalling DKK 1.6bn.

Assets under administration of the investment funds of Nykredit Invest increased by 11.0% from DKK 46.5bn in 2012 to DKK 51.8bn in 2013.

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

In the Nykredit Group, the administration of investment funds on behalf of both retail and professional investors is undertaken by 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%.

Profit after tax came to DKK 64m against DKK 65m in 2012.

Net interest and fee income was up DKK 37m (18%) from DKK 203m in 2012 to DKK 240m. The rise reflected significant growth in the client base and assets under administration. Assets under administration thus grew from DKK 514bn at end-2012 to DKK 598bn at end-2013, or 17%. As in 2012, new clients and mandates especially contributed to the strong growth.

Conversely, staff and administrative expenses rose by DKK 37m, mainly due to IT developments and higher staff costs.

Nykredit Portefølje Administration significantly expanded its business activities with several leading pension and insurance companies in Denmark. Considerable resources – both financial and human – were invested in the implementation of a new IT platform in 2013. The implementation is progressing according to plan, and more than half of the funds have now migrated to the new IT platform.

**Results – Group Items**

DKK million	2013	2012
<b>Core income:</b>		
Customer activities, gross	(120)	(131)
Payment for distribution	-	-
<b>Core income from business operations</b>	<b>(120)</b>	<b>(131)</b>
Core income from securities	33	61
<b>Total core income</b>	<b>(87)</b>	<b>(70)</b>
Operating costs	371	247
Provisions for costs relating to reorganisation	50	0
Payment to the Guarantee Fund for Depositors and Investors	15	9
Impairment losses on loans and advances	(28)	12
<b>Core earnings after impairment losses</b>	<b>(495)</b>	<b>(338)</b>
Investment portfolio income	(40)	30
<b>Loss before tax</b>	<b>(535)</b>	<b>(308)</b>

**Principal balance sheet items**

DKK million	2013	2012
<b>Assets</b>		
Loans, advances and receivables at amortised cost	2,459	2,967
Impairment provisions	64	106
Impairment provisions as % of loans and advances	2.4	3.4
<b>Payables</b>		
Deposits and other payables	1,373	2,172
<b>Off-balance sheet items</b>		
Guarantees	1,454	1,051

**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 development costs, provisions for costs relating to "Nykredit 2015" and payments to the Guarantee Fund for Depositors and Investors.

The business area recorded a loss of DKK 535m, which was DKK 227m higher than the loss of DKK 308m in 2012.

Core income from business operations amounted to a loss of DKK 120m, which was largely on a level with 2012. Conversely, core income from securities dropped from DKK 61m in 2012 to DKK 33m. This development mainly resulted from the development in the risk-free interest rate.

Unallocated operating costs amounted to DKK 371m against DKK 247m in 2012. The DKK 124m increase was largely attributable to expenses for IT development.

In 2013 costs comprised DKK 31m relating to staff and administrative expenses for Treasury activities and unallocated costs of staff functions as well as DKK 340m relating to IT development. In 2012 IT development accounted for about DKK 229m.



# 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 (RWA). The determination involves a comparison of Nykredit Bank's own assessment of the required capital base and the results of using the 8+ method of the Danish FSA. This ensures that Nykredit uses the most conservative approach to determine the internal capital adequacy requirement.

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 10.7bn at end-2013, equal to an internal capital adequacy requirement of 12.0%.

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

The determination of the required capital base and the internal capital adequacy requirement is detailed in the report Risk and Capital Management 2013, available at [nykredit.com/reports](http://nykredit.com/reports).

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

#### Pillar I

Pillar I capital covers credit, market and operational risks.

#### Pillar II

Pillar II comprises capital to cover other risk 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 equals 10% of the risks calculated.

Nykredit Bank has a target of maintaining a Tier 1 capital ratio of at least 13.0%. Seen in relation to the future business growth and the future regulation, the current capitalisation level of Nykredit Bank will be maintained.

### Capital policy under future rules (Basel III)

The European Council of Ministers, Parliament and Commission are in agreement on all material items relating to the new capital adequacy requirements, which took effect on 1 January 2014. The new requirements will be implemented gradually up to 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 equity. At end-2013, Nykredit Bank's Tier 1 capital ratio was 16.4%, 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 2014-2016

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.

# 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](http://nykredit.com/reports).

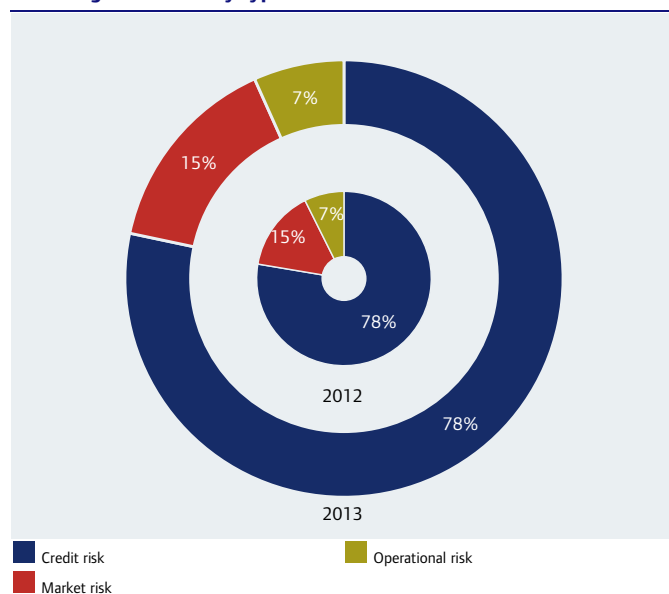
## Parameters used to determine credit risk

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.
EAD	Exposure at Default – the total exposure to a customer in DKK at the time of default, including any drawn part of a credit commitment.
RWA	Risk-weighted assets.

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 EAD.

## The Nykredit Bank Group

### Risk-weighted assets by type of risk



## TYPES OF RISK

Nykredit Bank generally distinguishes between four types of risk. Each type of risk has its own special features, and risk management is structured accordingly.

- Credit risk reflects the risk of loss following the non-performance of parties with whom Nykredit has contracted. An element of credit risk is counterparty risk, which is the risk of loss that Nykredit may sustain if a counterparty defaults on its obligations under financial instruments.
- Market risk reflects the risk of loss as a result of movements in financial markets (interest rate, foreign exchange, equity price, volatility risks, etc).
- Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- Liquidity risk reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations.

Credit, market and operational risks are mitigated by the holding of adequate capital, while liquidity risk is mitigated through a sufficient stock of liquid assets.

## 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 approval 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 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 estate, but also securities, moveable property and guarantees. Any security provided is included 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 based on standards such as ISDA or GMRA agreements. In addition to a netting agreement, an agreement on financial collateral is typically concluded. 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 at Default (EAD).

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 calibrated by weighting current data against data dating back to the early 1990s at a 40:60 ratio.

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.

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.

LGDs are calculated for each of a customer's exposures and are calibrated so that the parameters reflect an economic downturn period. For retail customers, LGDs are calculated using internal methods based on loss and default data. The calculations factor in any security such as mortgages over real estate, including the type and quality of security and the ranking in the order of priority.

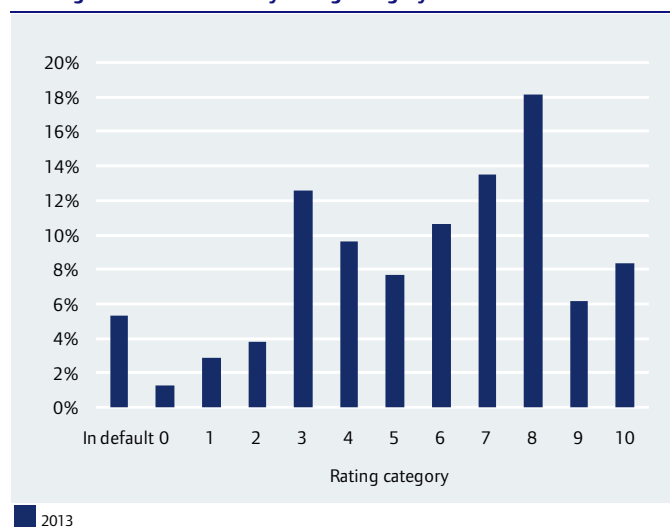
Collective impairment provisions are calculated using a so-called rating model based on adjusted Basel parameters for loss calculation. The Basel parameters are adapted to the accounting rules so that they are based on events occurred, cash flows from loans until maturity and discounting of negative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

**Rating scale and marginal Probabilities 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**



### Risk-weighted assets for credit risk

In the determination of credit risk, exposures are calculated as the sum of the carrying amounts of actual loans and advances as well as credit commitments and guarantees. The exposures are adjusted for the expected utilisation of the undrawn part of credit commitments made and outstanding credit offers. The determination of credit risk also includes counterparty risk.

Risk-weighted assets (RWA) for credit risk are mainly calculated using the Internal Ratings-Based (IRB) approach. RWA calculated using the IRB approach are primarily exposures to commercial and personal customers and make up 90% of total RWA for credit risk. RWA calculated using the standardised approach are primarily credit institution and sovereign exposures and make up 10% of total RWA relating to credit risk.

Assessing concentration risk is a natural element of the Bank's risk management.

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 2013. 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 9.0% of the capital base. The Bank's 20 largest approved exposures to non-financial counterparties amounted to an aggregate DKK 15.9bn, equivalent to 110% of the capital base.

Further information on Nykredit Bank's risk management is available in the report Risk and Capital Management 2013 at [nykredit.com/reports](http://nykredit.com/reports).

### The Nykredit Bank Group Risk-weighted assets – credit risk

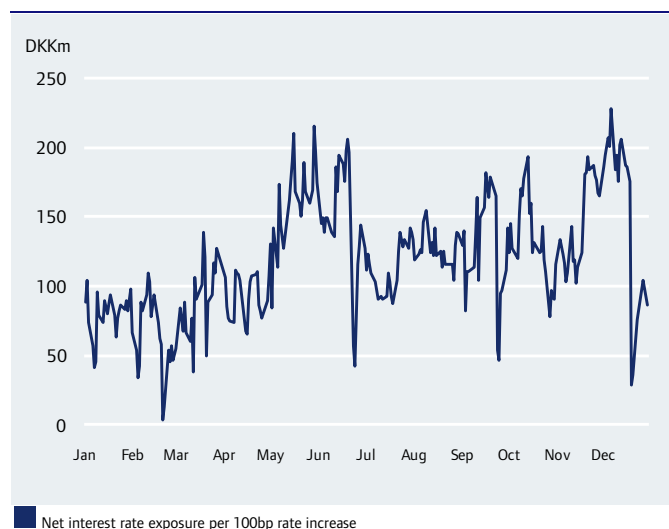
DKK million	2013	2012 <sup>1</sup>
Standardised approach	7,156	6,976
Internal Ratings-Based (IRB) approach	62,325	59,384
<b>Total credit risk</b>	<b>69,481</b>	<b>66,360</b>

<sup>1</sup> The determination of credit risk excludes the loss guarantee issued by Nykredit Holding.

### The Nykredit Bank Group Market risk

DKK million	2013			2012		
	Min	Max	Year-end	Min	Max	Year-end
Value-at-Risk (99%, time horizon of 1 day)	16	23	17	20	36	27
Interest rate risk (100bp change)	3	228	86	(3)	245	69
Equity price risk (general 10% decrease)	18	34	27	23	39	31
Foreign exchange risk:						
Foreign exchange positions, EUR	125	2	465	1	322	74
Foreign exchange positions, other currencies	5	(26)	25	6	31	16
Interest rate volatility risk (Vega)	(4)	1	(3)	(2)	2	(1)

**Net interest rate risk**



**The Nykredit Bank Group  
Market risk**

2013 DKK million	Interest rate risk (100bp change)	Interest rate volatility exposure (Vega)	Equity price exposure (10% change)
Money market instruments	(99)	-	-
Government bonds	(30)	-	-
Danish covered bonds (ROs)	448	0	-
Danish covered bonds (SDOs)	14	-	-
Other bonds, loans and advances	(207)	-	-
Equities	-	-	25
Derivative financial instruments	(38)	(3)	-
<b>Total 2013</b>	<b>89</b>	<b>(3)</b>	<b>25</b>
<b>Total 2012</b>	<b>69</b>	<b>(1)</b>	<b>31</b>

**Parameters used to determine Value-at-Risk**

Value-at-Risk is a statistical measure of the maximum loss that may be incurred on a portfolio at a given probability and 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 risk factors above. In calculating the volatilities, last-dated observations have the highest weight.
Time horizon:	Value-at-Risk is calculated at a time horizon of one day, but the figure may be scaled to other time horizons.
Confidence level:	Value-at-Risk is determined at a 99% confidence level.

**MARKET RISK**

Market risk reflects the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price and volatility risks, etc).

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

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

To ensure 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 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.

**Risk-weighted assets for market risk**

Nykredit Bank's total Value-at-Risk for determination of RWA came to DKK 7,756m. Of this amount, stressed VaR amounted to DKK 6,258m. Market risk exposure calculated using the standardised approach came to DKK 5,535m. The calculation of market risk using the standardised approach comprises debt instruments, equities, foreign exchange exposures and collective investment schemes.

**Market risk measures**

To obtain a full picture of Nykredit's market risk, Nykredit Bank combines various measures that express sensitivity to the development in the financial markets. The determination, management and reporting of market risk take place by combining a range of different tools in the form of statistical models, stress tests and key ratios with subjective assessments.

**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 RWA is 1 day.

In 2013 VaR averaged DKK 17m against DKK 27m in 2012. This meant that Nykredit Bank would at a 99% probability lose less than DKK 17m, in 1 day, as a consequence of market fluctuations. During 2013 VaR ranged between DKK 16m and DKK 23m.

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 RWA and the results are reported on a day-to-day basis and form part of the market risk limits.

#### The Nykredit Bank Group Risk-weighted assets – market risk

DKK million	2013	2012
Internal models (Value-at-Risk)	7,756	7,129
Standardised approach	5,535	5,675
<b>Total market risk</b>	<b>13,291</b>	<b>12,804</b>

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



Stressed VaR is added to the current VaR calculation and forms the basis of the calculation of total RWA 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 65m at end-2013 (2012: DKK 87m), of which stressed VaR represented DKK 47m (2012: DKK 62m). The level was relatively stable during 2013. During 2013 total VaR ranged between DKK 65m and DKK 105m (2012: between DKK 59m and DKK 98m).

Up to the refinancing auctions in December 2013, the Bank's bond positions increased, which resulted in greater OAS risk and increasing VaR, viewed separately.

VaR provides no indication of the distribution of losses under unusual market conditions.

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.

At end-2013, the Bank's OAS risk, which is also included in the Bank's total VaR, was DKK 761m against DKK 709m at end-2012. This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 761m.

#### 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 DKK 3m and DKK 228m in 2013. In 2012 the exposure ranged between a loss of DKK 3m and a gain of DKK 245m.

At end-2013, the interest rate exposure was DKK 86m against DKK 69m at end-2012.

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

#### 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 an equity market decrease of 10%. At end-2013, the determination of market risk included an equity position of DKK 245m against DKK 306m at end-2012.

#### Foreign exchange risk

In 2013 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 a loss of DKK 26m and a gain of DKK 25m. In 2012 the exposure ranged between DKK 6m and DKK 31m. At



end-2013, the foreign exchange exposure amounted to DKK 7m against DKK 16m at end-2012.

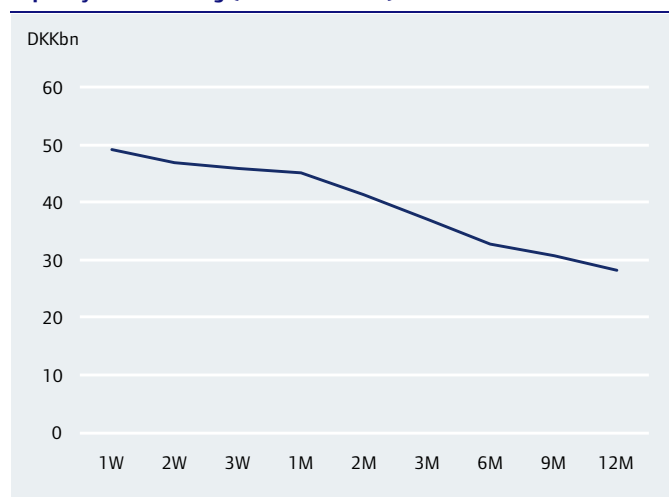
The most significant foreign exchange positions in 2013 were in EUR, the exposure ranging between a loss of DKK 195m and DKK 465m. In 2012 it ranged between DKK 1m and DKK 322m.

**Counterparty risk on derivatives**

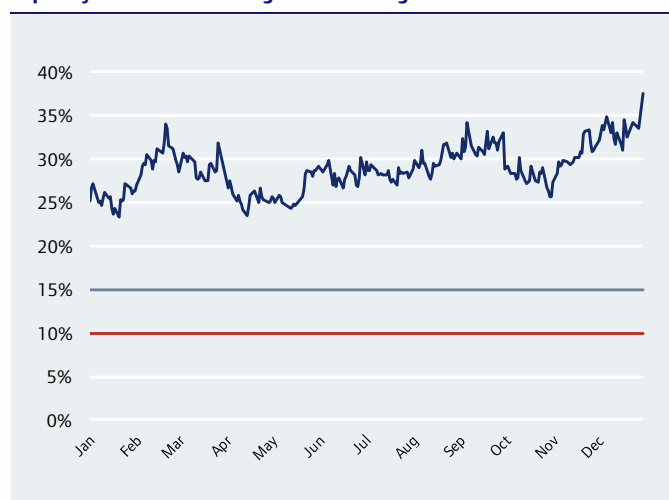
The market value of interest rate swaps entered into with commercial customers to hedge their interest rate exposure came to approximately DKK 12bn at end-2013. The risk related to these contracts is mitigated to the extent possible through financial netting agreements and agreements on financial collateral. 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. Conse-

**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 deductions, cf s 152 of the Danish Financial Business Act.

quently, 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-2013, the total market value adjustment came to DKK 2.2bn against DKK 1.5bn in 2012. The earnings impact was DKK 0.7bn in 2013 against DKK 1.1bn in 2012.

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.

**Option risk**

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

The Bank's vega risk measured as the change in market value following a change in volatility of 1 percentage point amounted to a loss of DKK 3m at end-2013 compared with a loss of DKK 1m in 2012.

**LIQUIDITY**

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 daily basis as part of its liquidity risk management. The Bank's liquidity risk management is based on external requirements laid down by law or from rating agencies as well as on internal factors such as the run-off profile and concentration risk of its assets and liabilities.

New liquidity rules and rating requirements require the Bank to hold a large liquidity buffer. Unencumbered securities in the trading book constitute a short-term liquidity buffer that may be applied in the case of unforeseen drains on the Bank's liquidity. These securities consist mainly of liquid Danish and European government and covered bonds eligible as collateral with the Danish central bank or other European central banks.

Stress testing is performed regularly using bank-specific, sector-specific and combination scenarios as prescribed by the Danish Executive Order on 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 coverage of minimum 50% relative to the statutory requirement.

At 31 December 2013, the excess coverage was 276% against 183% at 31 December 2012, corresponding to a liquidity buffer of DKK 62.6bn compared with DKK 44.8bn at 31 December 2012. In 2013 the liquidity reserve averaged DKK 44.4bn compared with DKK 36.6bn for 2012.

The Bank had issued DKK 20.6bn of medium-term bonds under the EMTN programme and DKK 8.7bn of short-term ECP issues as at 31 December 2013.

The aggregate amount of bonds issued under the ECP and EMTN programmes was DKK 29.3bn at 31 December 2013 against DKK 29.7bn at end-2012.

Total run-off under Nykredit Bank's EMTN programme in 2014 will be DKK 6.4bn. The refinancing thereof commenced in autumn 2013 with a benchmark issue of EUR 500m.

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

The Danish central bank introduced new liquidity measures for banks in 2011 by expanding the collateral base to include credit claims of good quality. However, the Bank has no plans to make use of the facility given the Bank's liquidity position. From 1 June 2014 the central bank will discontinue the facility as part of the normalisation of its collateral base.

#### **Liquidity Coverage Ratio**

Nykredit will be subject to the new international regulatory framework regarding the Liquidity Coverage Ratio (LCR) in early 2015. The LCR requirement is to ensure that the stock of liquid assets is sufficient for meeting all payment obligations 30 days ahead without access to market funding.

It is Nykredit's expectation that its covered bonds (SDOs and ROs), except for self-issued bonds, will be eligible for inclusion in the stock of liquid assets.

Under the proposed rules, the LCR of group companies, excluding holdings of self-issued bonds in the stock of liquid assets, was 128% at end-2013.

On the back of its expected SIFI status, Nykredit anticipates that the LCR requirement will be at least 100% as from 1 January 2015.

#### **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 determines RWA for operational risk using the basic indicator approach. This means that the capital requirement is calculated as 15% of average gross earnings for the past three years. To calculate RWA, the capital requirement is divided by 8%. At end-2013, RWA for operational risk came to DKK 5,937m (2012: DKK 6,289m).

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 create an overview of loss sources and gain experience from which the organisation may benefit.

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

# IMPAIRMENT LOSSES AND LENDING

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## Earnings impact for the year

Following the Danish FSA's inspection of the Group's credits area, Nykredit Bank has made a more conservative assessment of cooperative housing exposures. There is objective evidence of impairment (OEI) when conservatively assessed rent and other payments are not sufficient to restore positive equity in a housing cooperative over a 30-year cash flow. In some cases, this results in negative value adjustment of interest rate swaps and impairment of loans and advances. Individual value adjustment of interest rate swaps generally follows the principles applying to impairment of loans and advances in respect of the same customer and are value adjusted to zero if the unsecured part of the loan is written off.

Impairment losses on loans and advances dropped from DKK 557m in 2012 to DKK 349m in 2013.

Individual impairment provisions accounted for a charge of DKK 175m in 2013 (2012: a charge of DKK 661m), whereas collective impairment provisions were a charge of DKK 134m (2012: a credit of DKK 72m). To this should be added a charge of DKK 19m relating to impairment losses on loans and advances to credit institutions.

The increase in collective impairment provisions partly stemmed from a more conservative assessment of lending and a moderately higher risk scenario in certain areas of Denmark.

Impairment losses on Retail declined by DKK 105m from DKK 511m in 2012 to DKK 406m. Of this decline, SMEs accounted for a fall from DKK 381m to DKK 309m and personal customers from DKK 130m to DKK 97m.

Wholesale impairments were an income of DKK 29m compared with a loss of DKK 34m in 2012. Of this income, Other Activities accounted for an income of DKK 267m (2012: a loss of DKK 66m), while impairments in Corporate & Institutional Banking were a loss of DKK 238m (2012: an income of DKK 32m).

The income of DKK 267m from Other Activities resulted in part from significant recoveries from loans and advances written off in previous years in connection with the disposal of property portfolios. Total impairment provisions for lending to Other Activities decreased from DKK 1.2bn to DKK 0.8bn as at 31 December 2013.

Impairments in Group Items were an income of DKK 28m in 2013, which comprised reversal of DKK 47m relating to previous years and new impairment provisions of DKK 19m relating to balances with credit institutions.

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

### Provisions at 31 December 2013

Total impairment provisions decreased from DKK 4,057m at end-2012 to DKK 3,994m at end-2013.

Of the decrease of DKK 63m, DKK 530m was write-offs, whereas new impairment provisions for the year amounted to DKK 467m net.

The reduction consisted of a decrease of DKK 197m in individual impairment provisions and an increase of DKK 134m in collective impairment provisions.

Impairment provisions for Retail went up from DKK 2,141m at end-2012 to DKK 2,320m due to a rise of DKK 48m in provisions for personal customers and a rise of DKK 131m in provisions for SMEs.

Wholesale impairment provisions fell from DKK 1,810m to DKK 1,591m, of which the portfolio of terminated exposures accounted for a decline of DKK 406m from DKK 1,220m at end-2012 to DKK 814m. Other business units saw a rise from DKK 590m at end-2012 to DKK 777m.

Loans and advances relating to the portfolio of terminated exposures totalled DKK 1.7bn before impairment provisions, and the carrying amount was DKK 0.8bn compared with DKK 1.6bn in 2012 after impairment provisions of DKK 0.8bn. 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 increased from DKK 82m at end-2012 to DKK 103m due to a rise in provisions for Wholesale.

Provisions for loan impairment and guarantees as a percentage of loans, advances and guarantees came to 3.4% against 4.1% at end-2012. Excluding guarantees, the percentage was 3.7% against 4.5% at end-2012.

The carrying amount of non-accrual loans was DKK 0.6bn against DKK 0.8bn at end-2012.

### Provisions – the Nykredit Bank Group

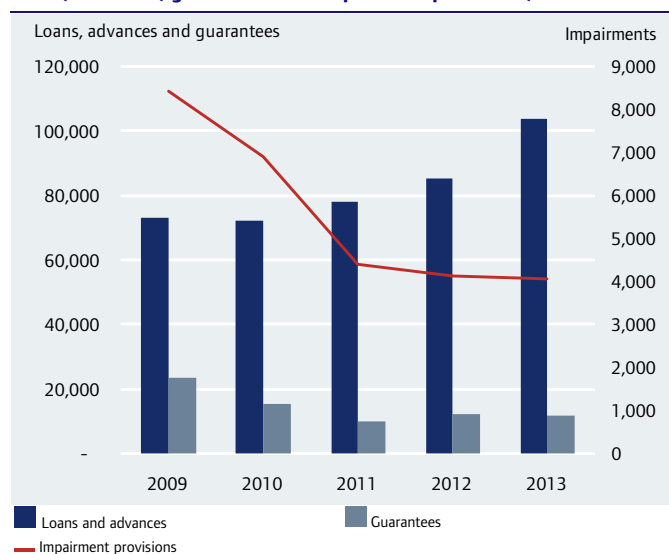
DKK million	Retail		Wholesale		Group Items		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Impairment provisions, beginning of year	2,141	2,114	1,810	2,089	106	91	4,057	4,294
Impairment provisions and reversals for the year	179	27	(219)	(279)	(23)	15	(63)	(237)
<b>Impairment provisions, year-end</b>	<b>2,320</b>	<b>2,141</b>	<b>1,591</b>	<b>1,810</b>	<b>83</b>	<b>106</b>	<b>3,994</b>	<b>4,057</b>
Of which individual	2,124	2,001	1,417	1,729	83	91	3,624	3,821
Of which collective	196	140	174	81	0	15	370	236
<b>Provisions for guarantees</b>								
Provisions, beginning of year	74	62	8	52	-	-	82	114
Provisions, year-end	48	74	55	8	-	-	103	82
<b>Total provisions</b>	<b>2,368</b>	<b>2,215</b>	<b>1,646</b>	<b>1,818</b>	<b>83</b>	<b>106</b>	<b>4,097</b>	<b>4,139</b>
<b>Earnings impact</b>								
New impairment provisions and losses for the year, net	474	514	106	86	(28)	14	552	614
Received on loans and advances previously written off	43	14	181	9	-	2	224	25
<b>Total</b>	<b>431</b>	<b>500</b>	<b>(75)</b>	<b>77</b>	<b>(28)</b>	<b>12</b>	<b>328</b>	<b>589</b>
Provisions for guarantees	(25)	11	46	(43)	-	-	21	(32)
<b>Total earnings impact</b>	<b>406</b>	<b>511</b>	<b>(29)</b>	<b>34</b>	<b>(28)</b>	<b>12</b>	<b>349</b>	<b>557</b>

### Loans, advances and guarantees by sector

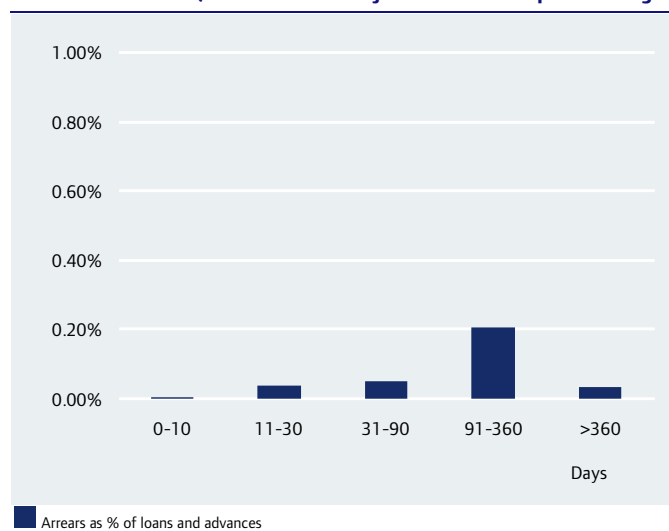
DKK million	Loans, advances and guarantees		Provisions	
	2013	2012	2013	2012
<b>Public sector</b>	<b>493</b>	<b>513</b>	<b>8</b>	<b>4</b>
Agriculture, hunting, forestry and fishing	2,026	1,957	177	167
Manufacturing, mining and quarrying	5,026	6,377	261	155
Energy supply	1,743	523	8	9
Construction	1,796	1,816	262	279
Trade	2,557	2,217	195	237
Transport, accommodation and food service activities	3,025	2,135	126	101
Information and communication	948	879	68	73
Finance and insurance	61,568	39,703	445	742
Real estate	10,676	13,136	1,465	1,367
Other	7,811	8,109	422	397
<b>Total commercial customers</b>	<b>97,176</b>	<b>76,852</b>	<b>3,429</b>	<b>3,527</b>
Personal customers	17,789	20,012	641	608
<b>Total</b>	<b>115,458</b>	<b>97,377</b>	<b>4,078</b>	<b>4,139</b>
<b>Total, incl impairment provisions for banks</b>	<b>-</b>	<b>-</b>	<b>4,097</b>	<b>4,139</b>

The breakdown is based on public sector statistics and is therefore not directly comparable with Nykredit 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 (Parent Company level)**

	2013	2012
Lending growth (limit value <20%)	(7.6)	(10.7)
Large exposures (limit value <125%)	0.0	0.0
Property exposure (limit value <25%)	10.4	14.6
Funding ratio (limit value <1.0%)	0.5	0.6
Excess liquidity coverage (limit value 50%)	276.0	183.1

The amounts overdrawn/in arrears for which no impairment provisions had been made were very limited, equal to 0.3% of total lending against 0.4% at end-2012. These amounts generally 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 115.5bn against DKK 97.4bn at end-2012.

The upturn of DKK 18.1bn compared with 2012 primarily stemmed from reverse lending, which grew by DKK 21.4bn to DKK 56.8bn. Loans and advances at amortised cost reduced by DKK 2.8bn, whereas guarantees fell by DKK 0.5bn.

Finance and insurance still accounted for the largest single sector exposure at DKK 61.6bn against DKK 39.7bn at end-2012. The increase mainly resulted from reverse lending as a considerable part of lending to this sector is generally granted with bonds serving as collateral.

Apart from a reduction regarding personal customers and the real estate sector, the sector distribution generally showed no significant changes compared with end-2012.

Finance and insurance accounted for 53.3% (end-2012: 40.8%), the real estate sector 9.2% (end-2012: 13.5%) and personal customers 15.4% (end-2012: 20.6%).

The Bank recorded negative lending growth of 7.6%, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model which exclude reverse lending. The lending limit value indicates that growth of 20% or more may imply increased risk-taking.

Inclusive of reverse lending, the Bank's lending increased by 20.8% relative to end-2012.

Lending to the real estate and construction sectors saw a total decline from DKK 15.0bn at end-2012 to DKK 12.5bn. Of total loans and advances at end-2013, DKK 8.5bn derived from the category "Renting of real estate" (end-2012: DKK 11.6bn). At end-2013, loan impairment provisions for the real estate sector totalled DKK 1.7bn or 12.2% of total loans and advances to the sector compared with DKK 1.6bn or 9.9% at end-2012.

Determined pursuant to the FSA Supervisory Diamond model, the Bank's property exposure was 10.4% (2012: 14.6%). 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 at end-2013 (FSA key ratio Large exposures).

**The FSA Supervisory Diamond for banks**

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

Nykredit Bank's key ratios were below the maximum limit values throughout 2013 and at 31 December 2013.

# ORGANISATION, MANAGEMENT AND CONTROL SYSTEMS

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## 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.

Nykredit's relationship with customers, business partners, investors, society and staff are described in About Nykredit 2013 – CSR Report, available at [nykredit.com/reports](http://nykredit.com/reports).

## ORGANISATION AND DELEGATION OF RESPONSIBILITIES

The Board of Directors of Nykredit Bank counts eight members, of which five are members of the Executive Board of Nykredit Realkredit A/S and three are elected by the staff.

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.

Nykredit's risk management is coordinated on an intercompany basis.

### 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

#### Risk 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

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.

### Board committees

The board of directors of Nykredit Realkredit A/S has appointed an Audit Board, a Remuneration Board, a Nomination Board and, as at 1 April 2014, a Risk Board. Each of these board committees, 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 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 serves the companies of the Nykredit Group that are required 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, Nina Smith, Professor, and Jens Erik Udsen, Managing Director, 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 Audit Board held four meetings in 2013.

#### Remuneration Board

One of 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. Further, the Remuneration Board makes proposals for remuneration of Nykredit Realkredit's committee of representatives, board of directors and executive board. It also 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 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, and of Leif Vinther, Chairman of Staff Association and staff-elected member of the board of directors of Nykredit Realkredit A/S.

The Remuneration Board held three meetings in 2013.

#### Nomination Board

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 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 held three meetings in 2013.

#### *Risk Board*

With effect from 1 April 2014, Nykredit Realkredit A/S has set up a Risk Board consisting of Nina Smith, Professor (Chairman), Steffen Kragh, CEO, Merete Eldrup, Managing Director, and Bent Naur, former CEO, who are all members of the board of directors of Nykredit Realkredit A/S elected by the General Meeting.

The tasks of the Risk Board will be determined in accordance with statutory requirements once they have reached their final form.

#### **Group committees**

Nykredit has appointed a number of group committees which are to perform specific tasks within selected fields. All the committees include one or more members of the Group Executive Board.

The Group Credits Committee is charged with overseeing the management of risks in the Nykredit Group's credits area.

The Group Treasury Committee is charged with ensuring efficient management of securities and funding activities in the Nykredit Group.

The Group Asset/Liability Committee is charged with monitoring and coordinating liquidity, ALM and capital management.

The Group Risk Committee is charged with overseeing the overall risk profile and capital requirements of the Nykredit Group.

The Group Audit Committee is charged with reviewing audit-related issues, including internal and external audit reporting (group audit plan, long-form audit reports and management summaries) and preparing items for review by the Audit Board.

The Group Contingency Committee has the overall responsibility for compliance with IT security policy rules in relation to contingencies (major accidents and catastrophes) and the Group's contingency plans.

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.

The Group Products Committee's overarching purpose is to ensure that the development and maintenance of concepts and products potentially involving material risks for the Group, counterparties or customers are undertaken in accordance with the Group's business model.

#### **Female board representation**

	Actual	Target
%	2013	2016
Nykredit Holding	17	20
Nykredit Realkredit	20	25
Nykredit Bank	20	20
Totalkredit	14	20

The Group Pricing Committee reviews Nykredit's recommended prices for banking and mortgage services.

The Group IT Portfolio Committee determines and approves all aspects of the Group's IT operations, including the allocation of resources between systems development, management and operation as well as outsourced activities.

#### **THE UNDER-REPRESENTED GENDER**

Nykredit Bank complies with the Nykredit Group's gender equality policy and objectives.

Since 1995, the Nykredit Group has pursued an active strategy to increase the number of women in management with particular focus on recruiting female managers for the highest management levels. All of Nykredit's financial companies have female representation on their boards of directors, and gender representation targets have been set for end-2016, cf the table below.

Nykredit's boards of directors have also adopted a policy to increase the number of women at other managerial levels.

Further information on Nykredit's gender equality policy and objectives is available in About Nykredit 2013 – CSR Report, available at [nykredit.com/reports](http://nykredit.com/reports).

#### **REMUNERATION**

##### *Risk-takers*

The Nykredit Bank Group has 38 risk-takers in addition to its members of the Executive Board and the Board of Directors who are solely risk-takers by virtue of their directorships. Of the 38 risk-takers, nine are on the payroll of Nykredit Bank, five are on the payroll of the Bank's subsidiaries, and 24 are on the payroll of Nykredit Realkredit A/S. The latter staff group performs tasks across the group companies.

As Nykredit is the largest provider of domestic loans in Denmark, the majority of the risk-takers have been designated because of their ability to inflict credit losses on Nykredit.

##### *Remuneration of risk-takers*

Pursuant to the Danish Financial Business Act, risk-takers are subject to special restrictions, chiefly in relation to variable remuneration. 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 the possibility that Nykredit may retain the deferred amount under special circumstances.

The 2013 bonus provisions in respect of Nykredit Bank's Executive Board and other risk-takers amounted to DKK 9m compared with a bonus of DKK 11m in 2012. The 2013 bonus provisions corresponded to 30% of the Group's total salaries.

The total remuneration of risk-takers subject to variable remuneration appears from note 11 of this report.

Details on bonuses for risk-takers, remuneration policy and practices are available at [nykredit.com/aboutnykredit](http://nykredit.com/aboutnykredit).

*Bonus programmes*

Individual bonus programmes apply to Nykredit's 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 executives are not guaranteed a bonus. The bonus awarded to executives amounts to a maximum of 6 months' salary. Of the bonus amount, the disbursement of at least 40% is deferred over four years, and a minimum of 50% of the bonus is disbursed as remuneration bonds.

Special individual bonus programmes apply to some of the staff of Nykredit Markets and Nykredit Asset Management who have major earnings responsibility, in line with market standards for such positions. The remuneration of these staff members is based on their job performance. The 2013 bonus provisions in respect of these staff members (excl risk-takers) amounted to DKK 45m compared with the awarded bonus of DKK 53m for 2012. The 2013 bonus provisions corresponded to 28% of the group's total salaries.

A limited number of executives and staff in core functions with responsibility for corporate and institutional clients and senior executives also have individual programmes. The 2013 bonus provisions in respect of these staff members amounted to DKK 21m compared with the bonus of DKK 17m paid out in 2012.

The bonus programmes do not apply to other management or staff members, but they may receive an individual performance award. For 2013, provisions of DKK 2m were made for performance awards compared with performance awards of DKK 1m for 2012. The performance award provisions for 2013 corresponded to 0.6% of the group's total salaries.

Total provisions for bonuses and performance awards for 2013 came to DKK 76m against total bonuses and performance awards of DKK 82m for 2012. Total bonus and performance award provisions for 2013 corresponded to 12% of total salaries.

**CORPORATE SOCIAL RESPONSIBILITY**

The Nykredit Group's corporate social responsibility and our relationship with customers, business partners, investors, society and staff are described in About Nykredit 2013 – CSR Report, available at [nykredit.com/reports](http://nykredit.com/reports).

**INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

The Board of Directors and the Executive Board of Nykredit Bank are responsible for the Nykredit Bank Group's control and risk management systems. The delegation of responsibilities 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. Risk exposure is reported regularly 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 regularly 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 management, 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 management, control and reporting. They are responsible for the external financial reporting of the subsidiaries, which includes compliance with current legislation and the Group's accounting policies.

A number of 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.

Group Finance 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 group committees, each chaired by a member of the group executive board, are responsible for risk delineation, management and monitoring.

Other important units 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 the business and financial development
- Review and approval of budgets and forecasts
- Review of annual and interim reports and other financial data
- Review of reports from the Chief Risk Officer
- 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 the IT systems applied.

The Executive Board has reassigned its daily control duties, and overall control is based on three general functional levels:

- *Business units* – the management of each unit is responsible for identifying, assessing and handling the risks arising in connection with the performance of their duties and for implementing permanent satisfactory internal controls for the handling of business operations.
- *Risk functions* – comprise a number of intercompany areas, such as Group Credits, Group Finance, decentralised finance functions, 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 liaison 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:

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

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

## Information and communication

The Board of Directors has adopted an information and communications policy, which lays down the general requirements for external financial reporting in accordance with legislation and relevant rules and regulations. Nykredit 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 regularly submitted to the Group's Board of Directors and Executive Board. 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 in the financial statements. For further information on the Group's risk and capital management, please refer to the publication Risk and Capital Management 2013 available at [nykredit.com/reports](http://nykredit.com/reports).

## Monitoring

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

# 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 Holding 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.

## Income statement

Nykredit Bank A/S recorded a profit of DKK 77m for 2013, up DKK

9m from DKK 68m for 2012.

Income totalled DKK 2,137m, which was largely on a level with income of DKK 2,171m in 2012. Net interest and fee income saw an upturn of DKK 242m, while total value adjustments and other operating income dropped by DKK 276m.

Costs rose from DKK 1,683m in 2012 to DKK 1,926m due to higher IT costs and provisions of DKK 50m for the Group's plan "Nykredit 2015".

Impairment losses on loans and advances came to DKK 327m in 2013 against DKK 523m in 2012. Reference is made to the credit risk section of this report.

Profit from equity investments came to DKK 188m compared with DKK 81m in 2012 as a result of Dansk Portefølje Administration's profit after tax of DKK 64m and Nykredit Leasing's profit after tax of DKK 46m. In addition to this, Dansk Pantebrevsbørs under konkurs (in bankruptcy) contributed income of DKK 78m.

## Principal balance sheet items

The balance sheet total decreased from DKK 239.7bn at end-2012 to DKK 223.1bn.

Cash balances and receivables from credit institutions fell from DKK 44.8bn to DKK 23.2bn.

Loans and advances at fair value rose by DKK 21.4bn, whereas other loans and advances at amortised cost fell by DKK 3.8bn as a result of lower Retail and Wholesale lending.

Bonds and equities amounted to DKK 64.0bn at end-2013 against DKK 58.2bn at end-2012. As for the entire Group, the size of the portfolio reflects Nykredit Markets's activities, repo activities and surplus liquidity, of which a substantial part is placed in bonds.

Payables to credit institutions and central banks stood at DKK 57.0bn against DKK 55.4bn at end-2012. The development in balances with credit institutions and issued bonds especially reflected the Bank's general ongoing adjustment of liquidity.

Deposits and other payables went up from DKK 54.8bn at end-2012 to DKK 65.5bn. Deposits from Retail and Wholesale rose compared with the level at end-2012.

## Equity

Equity stood at DKK 14,347m against DKK 14,270m at end-2012. Equity for the year increased by profit for the year of DKK 77m.

## Capital adequacy

The total capital ratio decreased from 21.3% in 2012 to 16.8%, which was mainly an effect of the termination in November of the loss guarantee provided by Nykredit Holding.

## Dividend

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2013.

### Nykredit Bank A/S Summary income statement

DKK million	2013	2012
Net interest and fee income	2,949	2,707
Value adjustments	(812)	(553)
Other operating income	0	17
Operating expenses	1,926	1,683
Impairment losses on loans, advances and receivables	327	523
Profit from investments in associates and group enterprises	188	81
<b>Profit before tax</b>	<b>72</b>	<b>46</b>
Tax	(5)	(22)
<b>Profit for the year</b>	<b>77</b>	<b>68</b>

### Nykredit Bank A/S Summary balance sheet

DKK million	2013	2012
Receivables from credit institutions	23,172	44,812
Loans, advances and receivables	102,720	85,060
Bonds and equities	64,004	58,202
Remaining assets	33,238	51,652
<b>Total assets</b>	<b>223,134</b>	<b>239,726</b>
Payables to credit institutions	56,987	55,355
Deposits and other payables	65,543	54,756
Issued bonds at amortised cost	26,689	28,498
Other non-derivative financial instruments at fair value	29,248	33,741
Remaining payables and provisions	30,070	52,856
Subordinated debt	250	250
Equity	14,347	14,270

### Nykredit Bank A/S Financial ratios

DKK million	2013	2012
Total capital ratio, %	16.8	21.3
Tier 1 capital ratio, %	16.4	21.3
Return on equity before tax, %	0.5	0.3
Return on equity after tax, %	0.5	0.5
Income:cost ratio	1.03	1.02
Number of full-time staff (avg)	714	723

# MANAGEMENT STATEMENT AND AUDIT REPORTS

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## 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 2013 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.

Copenhagen, 6 February 2014

### Executive Board

Bjørn Mortensen

Georg Andersen

Lars Bo Bertram

We are of the opinion that 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 2013 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 2013.

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.

### Board of Directors

Karsten Knudsen, Chairman

Søren Holm, Deputy Chairman

Henrik K. Asmussen\*

Olav Brusén 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 2013. 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 relevant to 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 2013 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 2013 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, 6 February 2014

Claus Okholm  
Chief Audit Executive

Kim Stormly Hansen  
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 2013, 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 2013 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 2013 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, 6 February 2014

Deloitte  
Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup  
State-Authorised Public Accountant

Henrik Wellejus  
State-Authorised Public Accountant



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

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2012	2013		note	2013	2012
3,921	3,463	Interest income	5	3,556	4,001
1,694	1,075	Interest expenses	6	1,075	1,675
<b>2,227</b>	<b>2,388</b>	<b>NET INTEREST INCOME</b>		<b>2,481</b>	<b>2,326</b>
3	26	Dividend on equities	7	26	3
1,156	1,202	Fee and commission income	8	1,433	1,347
679	667	Fee and commission expenses	9	675	697
<b>2,707</b>	<b>2,949</b>	<b>NET INTEREST AND FEE INCOME</b>		<b>3,265</b>	<b>2,979</b>
(553)	(812)	Value adjustments	10	(815)	(555)
17	0	Other operating income		29	47
1,653	1,800	Staff and administrative expenses	11	1,992	1,809
7	9	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	12	9	8
23	117	Other operating expenses		122	30
523	448	Impairment losses on loans, advances and receivables	13	470	557
0	(121)	Net income from subsidiary in temporary possession	13, 46	(121)	0
<b>523</b>	<b>327</b>	<b>TOTAL IMPAIRMENT LOSSES</b>		<b>349</b>	<b>557</b>
81	188	Profit from investments in associates and group enterprises	14	78	-
<b>46</b>	<b>72</b>	<b>PROFIT BEFORE TAX</b>		<b>85</b>	<b>67</b>
(22)	(5)	Tax	15	8	(1)
<b>68</b>	<b>77</b>	<b>PROFIT FOR THE YEAR</b>		<b>77</b>	<b>68</b>
<b>DISTRIBUTION OF PROFIT FOR THE YEAR</b>					
68	77	Profit for the year		77	68
<b>68</b>	<b>77</b>	<b>TOTAL</b>		<b>77</b>	<b>68</b>
<b>PROPOSAL FOR THE DISTRIBUTION OF PROFIT</b>					
68	77	Retained earnings		77	68
<b>68</b>	<b>77</b>	<b>TOTAL</b>		<b>77</b>	<b>68</b>
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>					
<b>68</b>	<b>77</b>	<b>PROFIT FOR THE YEAR</b>		<b>77</b>	<b>68</b>
-	-	Other additions and disposals		-	-
-	-	<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>68</b>	<b>77</b>	<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>77</b>	<b>68</b>

## Balance sheets at 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2012	2013		note	2013	2012
<b>ASSETS</b>					
7,032	3,049	Cash balances and demand deposits with central banks	17	3,049	7,032
37,780	20,123	Receivables from credit institutions and central banks	18	20,124	37,780
35,401	56,814	Loans, advances and other receivables at fair value	19	56,814	35,401
49,659	45,906	Loans, advances and other receivables at amortised cost	20,13	47,024	49,807
57,827	63,648	Bonds at fair value	21	63,863	58,023
375	356	Equities	22	356	376
435	545	Investments in group enterprises	23	-	-
23	23	Intangible assets	24	23	23
29	21	Other property, plant and equipment	25	21	29
193	47	Current tax assets	32	65	212
44	9	Deferred tax assets	32	0	0
49	79	Assets in temporary possession	26	212	904
50,871	32,493	Other assets	27	32,555	50,918
8	21	Prepayments		28	13
<b>239,726</b>	<b>223,134</b>	<b>TOTAL ASSETS</b>		<b>224,134</b>	<b>240,518</b>

## Balance sheets at 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2012	2013		note	2013	2012
<b>LIABILITIES AND EQUITY</b>					
55,355	56,987	Payables to credit institutions and central banks	28	57,732	55,355
54,756	65,543	Deposits and other payables	29	65,405	54,701
28,498	26,689	Issued bonds at amortised cost	30	26,689	28,498
33,741	29,248	Other non-derivative financial liabilities at fair value	31	29,248	33,741
0	29	Liabilities temporarily assumed		136	659
52,649	29,868	Other liabilities	33	30,075	52,805
1	1	Deferred income		5	4
<b>225,000</b>	<b>208,365</b>	<b>TOTAL PAYABLES</b>		<b>209,290</b>	<b>225,763</b>
<b>Provisions</b>					
0	0	Provisions for deferred tax	32	75	29
82	103	Provisions for losses under guarantees	34	103	82
124	69	Other provisions	34	69	124
<b>206</b>	<b>172</b>	<b>TOTAL PROVISIONS</b>		<b>247</b>	<b>235</b>
250	250	Subordinated debt	35	250	250
<b>Equity</b>					
6,045	6,045	Share capital		6,045	6,045
<b>Other reserves</b>					
151	260	Statutory reserves		-	-
8,074	8,042	Retained earnings		8,302	8,225
<b>14,270</b>	<b>14,347</b>	<b>TOTAL EQUITY</b>		<b>14,347</b>	<b>14,270</b>
<b>239,726</b>	<b>223,134</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>224,134</b>	<b>240,518</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
12,171	11,719	Contingent liabilities	36	11,620	12,169
7,501	6,707	Other commitments	37	6,906	7,858
		Accounting policies	1		
		Capital adequacy and Tier 1 capital	2		
		Core earnings and investment portfolio income	3		
		Business areas	4,16		
		Related parties	38		
		Financial instruments	39		
		Derivative financial instruments	40		
		Unsettled spot transactions	41		
		Credit, foreign exchange, equity price and interest rate exposures	42		
		IFRS disclosure requirements (reference to Management's Review)	43		
		Hedging interest rate risk	44		
		Repo transactions and reverse lending	45		
		Group structure	46		
		The Nykredit Bank Group 2009-2013	47		
		Nykredit Bank A/S 2009-2013	48		

## Statement of changes in equity

DKK million

Nykredit Bank A/S

	Share capital	Statutory reserves	Retained earnings	Total
<b>EQUITY, 31 DECEMBER 2013</b>				
End of previous financial year	6,045	151	8,074	14,270
<b>Total</b>	<b>6,045</b>	<b>151</b>	<b>8,074</b>	<b>14,270</b>
<b>Comprehensive income:</b>				
Profit (loss) for the year		109	(32)	77
<b>Total comprehensive income</b>	<b>-</b>	<b>109</b>	<b>(32)</b>	<b>77</b>
<b>Total changes in equity</b>	<b>-</b>	<b>109</b>	<b>(32)</b>	<b>77</b>
<b>Equity, 31 December 2013</b>	<b>6,045</b>	<b>260</b>	<b>8,042</b>	<b>14,347</b>
<b>EQUITY, 31 DECEMBER 2012</b>				
End of previous financial year	6,045	70	8,087	14,202
<b>Total</b>	<b>6,045</b>	<b>70</b>	<b>8,087</b>	<b>14,202</b>
<b>Comprehensive income:</b>				
Profit (loss) for the year		81	(13)	68
<b>Total comprehensive income</b>	<b>-</b>	<b>81</b>	<b>(13)</b>	<b>68</b>
<b>Total changes in equity</b>	<b>-</b>	<b>81</b>	<b>(13)</b>	<b>68</b>
<b>Equity, 31 December 2012</b>	<b>6,045</b>	<b>151</b>	<b>8,074</b>	<b>14,270</b>

## Statement of changes in equity

DKK million

The Nykredit Bank Group

	Share capital*	Retained earnings	Total
<b>EQUITY, 31 DECEMBER 2013</b>			
End of previous financial year	6,045	8,225	14,270
<b>Total</b>	<b>6,045</b>	<b>8,225</b>	<b>14,270</b>
<b>Comprehensive income:</b>			
Profit for the year		77	77
<b>Total comprehensive income</b>	<b>-</b>	<b>77</b>	<b>77</b>
<b>Total changes in equity</b>	<b>-</b>	<b>77</b>	<b>77</b>
<b>Equity, 31 December 2013</b>	<b>6,045</b>	<b>8,302</b>	<b>14,347</b>
<b>EQUITY, 31 DECEMBER 2012</b>			
End of previous financial year	6,045	8,157	14,202
<b>Total</b>	<b>6,045</b>	<b>8,157</b>	<b>14,202</b>
<b>Comprehensive income:</b>			
Profit for the year		68	68
<b>Total comprehensive income</b>	<b>-</b>	<b>68</b>	<b>68</b>
<b>Total changes in equity</b>	<b>-</b>	<b>68</b>	<b>68</b>
<b>Equity, 31 December 2012</b>	<b>6,045</b>	<b>8,225</b>	<b>14,270</b>

\*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 89.8% of Nykredit Holding 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	
	2013	2012
Profit after tax for the year	77	68
<b>Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions</b>		
Depreciation and impairment losses for property, plant and equipment	9	8
Other non-cash changes	9	(17)
Impairment losses on loans, advances and receivables	573	583
Tax calculated on profit for the year	8	(1)
<b>Total</b>	<b>599</b>	<b>573</b>
<b>Profit for the year adjusted for non-cash operating items</b>	<b>676</b>	<b>641</b>
<b>Change in working capital</b>		
Loans, advances and other receivables	(19,270)	(7,847)
Deposits and other payables	10,659	(3,029)
Payables to credit institutions and central banks	2,966	(6,724)
Bonds at fair value	(6,815)	2,438
Equities	20	39
Other working capital	(8,762)	7,593
<b>Total</b>	<b>(21,202)</b>	<b>(7,530)</b>
Corporation tax paid, net	186	(191)
<b>Cash flows from operating activities</b>	<b>(20,340)</b>	<b>(7,080)</b>
<b>Cash flows from investing activities</b>		
Property, plant and equipment	(1)	(14)
Acquisition of subsidiary	-	-
<b>Total</b>	<b>(1)</b>	<b>(14)</b>
<b>Cash flows from financing activities</b>		
Capital increase	-	-
Subordinated debt	-	-
Issued bonds	(1,371)	2,191
<b>Total</b>	<b>(1,371)</b>	<b>2,191</b>
<b>Total cash flows</b>	<b>(21,712)</b>	<b>(4,903)</b>
Cash and cash equivalents, beginning of year	44,812	50,244
Foreign currency translation adjustment of cash	73	(529)
<b>Cash and cash equivalents, year-end</b>	<b>23,173</b>	<b>44,812</b>
<b>Cash and cash equivalents, year-end</b>		
Specification of cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	3,049	7,032
Receivables from credit institutions and central banks	20,124	37,780
<b>Cash and cash equivalents, year-end</b>	<b>23,173</b>	<b>44,812</b>

# Notes

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 for annual reports of issuers of listed bonds.

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

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

The accounting policies are unchanged compared with the Annual Report 2012.

### New and amended standards and interpretations

Implementation of new or amended standards and interpretations in force and effective for financial years beginning on 1 January 2013:

Annual improvements to IFRS 2009-2011 (minor amendments to a number of standards as a result of the IASB's annual improvements).

IFRS 13 "Fair Value Measurement" (new standard). This standard has resulted in more information in connection with fair value determination, especially fair values categorised within level 3 of the fair value hierarchy.

IFRS 7 "Financial Instruments: Disclosures" (specification of standard). Changes to IFRS 7 have resulted in more information on offsetting financial assets and financial liabilities.

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

### Reporting standards and interpretations not yet in 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 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).

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

IAS 36 "Impairment of Assets" (amendment to standard) (approved for use in the EU, effective from 1 January 2014).

IAS 39 "Financial Instruments: Recognition and Measurement" (amendment to standard) (approved for use in the EU, effective from 1 January 2014).

IAS 19 "Employee Benefits" (specification of standard) (not approved for use in the EU, expected to be effective from 1 July 2014).

Annual improvements to IFRS 2010-2012 (minor amendments to a number of standards as a result of the IASB's annual improvements).

Annual improvements to IFRS 2011-2013 (minor amendments to a number of standards as a result of the IASB's annual improvements).

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 IFRS 9 until the results of all three phases are available. A final effective date of the standard has not yet been announced. The impact of the implementation of IFRS 9 on the Consolidated Financial Statements has not yet 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 and assessments are made by Nykredit'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 and assessments applied are based on assumptions which Management considers reasonable and realistic, but which are uncertain and unpredictable per se.

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

### Determination of the fair value of certain financial instruments

Notes 39 and 40 further specify the methods applied to determine the carrying amounts and the specific uncertainties related to the measurement of financial instruments at fair value.

The fair value measurement of unlisted derivative financial instruments involves significant estimates and assessments in connection with the choice of calculation methods and valuation and estimation techniques.

The fair value determination of financial instruments for which no listed prices in an active market or observable data are available implies the use of significant estimates and assessments in connection with the choice of credit spread, maturities and extrapolation of each instrument.

The fair value of financial assets and liabilities measured at fair value based on level 2 or level 3 of the fair value hierarchy came to DKK 103,253m and DKK 61,864m, respectively, at end-2013.

### 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 received and expected dividend payments from bankrupt estates are subject to a number of estimates. Reference is made to "Provisions for loan and receivable impairment" below for a detailed description.

Loans and advances made up some 46% of the Group's assets at end-2013.

### 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 will 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. Provisions for losses under guarantees and other provisions totalled DKK 172m at end-2013.

## FINANCIAL INSTRUMENTS

### Recognition, classification and measurement of financial instruments

Financial instruments, including derivative financial instruments, represented more than 93% of the Group's assets as well as liabilities.

#### Recognition

Financial instruments are recognised on the settlement date. Changes in the fair value of instruments purchased or sold in the period between the trade date and the settlement date are recognised as financial assets or liabilities in "Other assets"/"Other liabilities" in the balance sheet and as "Value adjustments" in the income statement.

Assets 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.

Initially, financial instruments are recognised at fair value. Subsequent measurement particularly depends on whether the instrument is measured at amortised cost or at fair value.

#### Measurement and classification

Measurement principles and classification of financial instruments are described below as well as in notes 39 and 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).

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

Receivables from and payables to credit institutions and central banks not acquired as part of repo and reverse transactions, the Group's bank lending, issued corporate bonds, subordinated debt as well as deposits and other payables are included in this category.

Loans, advances and receivables are measured at amortised cost after initial recognition. For loans, advances and receivables, amortised cost equals cost less principal payments, provisions for loan impairment and other accounting adjustments, including any fees and transaction costs that form part of the effective interest rate of the instruments.

If fixed-rate financial instruments are hedged effectively by derivative financial instruments, the fair value of the hedged interest rate exposure is added to the amortised cost of the asset.

Value adjustments due to credit risk are recognised in "Impairment losses on loans, advances and receivables".

*Financial assets and liabilities held for trading at fair value through profit or loss*

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

- it is 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.

The Group's equity and bond portfolios, derivative financial instruments, repo and reverse transactions and negative securities portfolios are included in this category.

After initial recognition, equities and bonds are measured at fair value based on listed prices in an active market, generally accepted measurement methods based on market information or other generally accepted measurement methods.

It is assessed on an ongoing basis whether a market is considered active or inactive.

If no objective prices from recent trades in unlisted equities are available, these equities are measured at fair value using the International Private Equity and Venture Capital Valuation Guidelines for unlisted equities or in some instances at equity value if this is deemed to correspond to the fair value of the instrument.

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.

Derivative financial instruments are classified as financial assets held for trading unless they are classified as hedges for hedge accounting purposes. The fair values of derivative financial instruments are determined using generally accepted measurement methods based on market information and other generally accepted measurement methods. Positive and negative fair values of derivative financial instruments are recognised in "Other assets" or "Other liabilities".

Realised and unrealised gains and losses arising from changes in the fair value are recognised in "Value adjustments" in the income statement for the period in which they arose.

#### **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 placed in groups of uniform credit risk. 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*

Individual reviews and risk assessments of all significant loans, advances and receivables are performed on a continuous basis 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 bankrupt or be subject to other financial restructuring
- Nykredit 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 cash flows from the exposure/loan.

#### *Collective impairment provisions*

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

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 and management judgement.

The rating model determines impairment based on credit quality migration as a result of the development in parameters from Nykredit's internal ratings-based (IRB) models. Having been adjusted to the current economic climate and accounting rules, the parameters are based on cash flows until expiry of loan terms and the discounted present value of loss flows. The parameters are moreover adjusted for events resulting from changes in the economic climate not yet reflected in the rating model. Management judgement supplements the models by including current expert opinions and expectations for the credit risk development of specific segments.

#### *Impairment provisions in general*

Total provisions for loan impairment are deducted from the relevant loans under asset items. Write-offs, 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.

If not reversed, impairment provisions are recorded as written off.

## RECOGNITION, MEASUREMENT AND PRESENTATION 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 in the income statement or in other comprehensive income for the period in which it arose.

All costs 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.

### Hedge accounting

The Group applies derivatives to hedge interest rate risk on loans and advances, subordinated debt and issued bonds 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 recognised 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 hedge accounting are no longer met, the accumulated value adjustment of the hedged item is amortised over its residual life.

### Consolidation

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

The Consolidated Financial Statements are prepared on the basis of the financial statements of the individual enterprises by combining items of a uniform nature. The financial statements applied for the consolidation are 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.

Acquired enterprises are included from the time of acquisition, which is when the acquiring party obtains control over the acquired enterprises' financial and operational decisions.

Divested enterprises are included up to the time of divestment.

### Core earnings and investment portfolio income

The Group's financial key figures in the Management's Review 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 best reflects the activities and earnings of the Group.

Core earnings mirror income from customer-oriented business and core income from securities less operating costs, depreciation, amortisation and impairment losses on loans and advances. The 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 the Group would have obtained by placing its investment portfolios at a risk-free interest rate – the Danish central bank's average lending rate.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in equities, bonds and derivative financial instruments. The Bank's expenses for a loss guarantee issued by Nykredit Holding until 6 November 2013 are offset against investment portfolio income.

### Segment information

Information is provided on business segments and geographical 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 return and risk 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 or loss before tax of the individual business areas comprise directly as well as indirectly attributable items. Indirect allocation is based on internal allocation keys and agreements between the individual business areas.

Items not directly or indirectly attributable are included in Group Items.

The financial assets and liabilities underlying the financial income and expenses forming part of the business areas' profit or 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 an internal capital determination model used for internal reporting.

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 adjustments are 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 (branch in Sweden) 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 repo transactions are retained in the appropriate principal balance sheet item, eg "Bonds". Repo transactions are measured at fair value as they are considered an integral component of the trading book.

Reverse lending is recognised in "Receivables from credit institutions and central banks" or "Loans, advances and receivables at fair value", depending on the counterparty.

Deposits relating to repo transactions are recognised in "Payables to credit institutions and central banks" or "Other non-derivative financial liabilities at fair value", depending on the counterparty.

Where the Group resells assets received in connection with repo transactions, 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 in the income statement.

### 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.

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 income from finance leases is recognised in "Interest income". Principal payments made are deducted from the carrying amount concurrently with amortisation of the receivable.

Direct costs of establishment of leases are recognised in the net investment.

Other leases are classified as operating leases. Properties leased under operating leases are classified as investment properties.

### 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.

## INCOME STATEMENT

### Interest income and expenses

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

Interest income includes interest and similar 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 interest and similar expenses including adjustment over the life of financial liabilities measured at amortised cost and where the 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.

**Other operating expenses**

Other operating expenses comprise operating expenses not attributable to other income statement items, including payment 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-/underpaid tax is 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.

Based on 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 current tax of the Nykredit Group's 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 do so. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to do so.

**ASSETS****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 in the income statement.

**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 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 and property companies 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.

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

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.

### **LIABILITIES AND EQUITY**

#### **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.

#### **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.

#### **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 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 or 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 balances and demand deposits with central banks" and "Receivables from credit institutions and central banks".

### **SPECIAL ACCOUNTING 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 Firms, 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.

In 2013 the Danish FSA issued an amended Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The amendments mainly concern specifications for new or amended international financial reporting standards coming into effect.

The amendments do not affect the Group's results, comprehensive income, balance sheet or equity.

**Investments in group enterprises**

Investments in group enterprises are recognised and measured according to the equity method. 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 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 or losses after tax and 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 in "Statutory reserves" (net revaluation according to the equity method). The reserves are reduced by dividend distribution to the Parent Company and are adjusted for other changes in the equity of subsidiaries.



## Notes

DKK million

	2013	2012
<b>2. CAPITAL ADEQUACY AND TIER 1 CAPITAL</b>		
<b>Nykredit Bank A/S</b>		
Share capital	6,045	6,045
Reserves	260	151
Retained earnings	8,042	8,074
<b>Total core Tier 1 capital</b>	<b>14,347</b>	<b>14,270</b>
Hybrid capital	250	250
Primary and other deductions from Tier 1 capital	56	112
<b>Tier 1 capital after deductions</b>	<b>14,541</b>	<b>14,408</b>
Tier 2 capital	385	-
<b>Capital base before deductions</b>	<b>14,926</b>	<b>14,408</b>
Deductions from capital base	24	-
<b>Capital base after deductions</b>	<b>14,902</b>	<b>14,408</b>
Weighted items involving credit, counterparty and delivery risk	70,098	48,885
Weighted items involving market risk	13,291	12,804
Weighted items involving operational risk	5,483	5,927
<b>Total weighted items</b>	<b>88,872</b>	<b>67,616</b>
Total capital ratio, %	16.8	21.3
Tier 1 capital ratio, %	16.4	21.3
<b>The Nykredit Bank Group</b>		
Share capital	6,045	6,045
Retained earnings	8,302	8,225
<b>Total core Tier 1 capital</b>	<b>14,347</b>	<b>14,270</b>
Hybrid capital	250	250
Primary and other deductions from Tier 1 capital	41	57
<b>Tier 1 capital after deductions</b>	<b>14,556</b>	<b>14,463</b>
Tier 2 capital	374	-
<b>Capital base before deductions</b>	<b>14,930</b>	<b>14,463</b>
Deductions from capital base	18	-
<b>Capital base after deductions</b>	<b>14,912</b>	<b>14,463</b>
Weighted items involving credit, counterparty and delivery risk	69,481	48,926
Weighted items involving market risk	13,291	12,804
Weighted items involving operational risk	5,937	6,289
<b>Total weighted items</b>	<b>88,709</b>	<b>68,019</b>
Total capital ratio, %	16.8	21.3
Tier 1 capital ratio, %	16.4	21.3

## Notes

DKK million

The Nykredit Bank Group

3. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME	2013			2012		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
1 January – 31 December						
Net interest income	2,376	105	2,481	2,184	142	2,326
Dividend on equities	14	12	26	2	1	3
Fee and commission income, net	830	(72)	758	734	(84)	650
<b>Net interest and fee income</b>	<b>3,220</b>	<b>45</b>	<b>3,265</b>	<b>2,920</b>	<b>59</b>	<b>2,979</b>
Value adjustments	(730)	(85)	(815)	(527)	(28)	(555)
Other operating income	29	-	29	47	-	47
Staff and administrative expenses	1,992	-	1,992	1,809	-	1,809
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	-	9	8	-	8
Other operating expenses	122	-	122	30	-	30
Impairment losses on loans and advances	349	-	349	557	-	557
Profit from investments in associates	78	-	78			
<b>Profit (loss) before tax</b>	<b>125</b>	<b>(40)</b>	<b>85</b>	<b>36</b>	<b>31</b>	<b>67</b>

## Notes

DKK million

The Nykredit Bank Group

## 4. BUSINESS AREAS

	Retail	Wholesale	Group Items and eliminations	Total
<b>2013</b>				
<b>Core income from</b>				
- customer activities, gross	1,252	2,120	(120)	3,252
- payment for distribution	645	(645)	0	0
<b>Total core income from business operations*</b>	<b>1,897</b>	<b>1,475</b>	<b>(120)</b>	<b>3,252</b>
Value adjustment of derivatives and corporate bonds	(179)	(587)	-	(766)
Core income from securities	-	-	33	33
<b>Total core income</b>	<b>1,718</b>	<b>888</b>	<b>(87)</b>	<b>2,519</b>
Operating costs	907	716	371	1,994
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	2	6		8
Provisions for costs relating to reorganisation	-	-	50	50
Payment to the Guarantee Fund for Depositors and Investors	46	10	15	71
Profit from investments in associates and group enterprises	78			78
<b>Core earnings before impairment losses</b>	<b>841</b>	<b>156</b>	<b>(523)</b>	<b>474</b>
Impairment losses on loans and advances	406	(29)	(28)	349
<b>Core earnings after impairment losses</b>	<b>435</b>	<b>185</b>	<b>(495)</b>	<b>125</b>
Investment portfolio income <sup>1</sup>			(40)	(40)
<b>Profit (loss) before tax</b>	<b>435</b>	<b>185</b>	<b>(535)</b>	<b>85</b>
* Of which transactions between business areas.	479	(906)	427	0
Costs excl impairment losses as % of core income from business operations	50.3	49.6	-	63.7
Average allocated business capital <sup>2</sup>	3,215	2,743	3,447	9,405
Core earnings after impairment losses as % of allocated capital (pa)	13.5	6.7	-	1.3
<b>2012</b>				
<b>Core income from</b>				
- customer activities, gross	1,283	2,295	(131)	3,447
- payment for distribution	744	(744)	0	0
<b>Total core income from business operations*</b>	<b>2,027</b>	<b>1,551</b>	<b>(131)</b>	<b>3,447</b>
Value adjustment of derivatives and corporate bonds	(927)	(140)	-	(1,067)
Core income from securities	-	-	61	61
<b>Total core income</b>	<b>1,100</b>	<b>1,411</b>	<b>(70)</b>	<b>2,441</b>
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
<b>Core earnings before impairment losses</b>	<b>252</b>	<b>668</b>	<b>(326)</b>	<b>594</b>
Impairment losses on loans and advances	511	34	12	557
<b>Core earnings after impairment losses</b>	<b>(259)</b>	<b>634</b>	<b>(338)</b>	<b>37</b>
Investment portfolio income <sup>1</sup>	-	-	30	30
<b>Profit (loss) before tax</b>	<b>(259)</b>	<b>634</b>	<b>(308)</b>	<b>67</b>
* 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 <sup>2</sup>	3,383	3,343	2,200	8,926
Core earnings after impairment losses as % of allocated capital (pa)	(7.7)	19.0	-	0.4

<sup>1</sup> Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest.

<sup>2</sup> The business capital has been determined according to the Basel II principles and the Bank's internal allocation.

## Notes

DKK million

The Nykredit Bank Group

## 4. BUSINESS AREAS (continued)

## BALANCE SHEET

	Retail	Wholesale	Group Items and eliminations	Total
<b>2013</b>				
<b>ASSETS</b>				
Receivables from credit institutions and central banks		22,708	465	23,173
Loans and advances at fair value		56,814		56,814
Loans and advances at amortised cost	26,067	18,498	2,459	47,024
Bonds, mortgages and equities	31	36,071	28,117	64,219
Property, plant, equipment and intangible assets	40	201	15	256
Other assets	47	31,667	934	32,648
<b>Total assets</b>	<b>26,185</b>	<b>165,959</b>	<b>31,990</b>	<b>224,134</b>
<b>LIABILITIES AND EQUITY</b>				
Payables to credit institutions and central banks		54,987	2,745	57,732
Deposits and other payables	39,506	24,526	1,373	65,405
Non-derivative financial liabilities at fair value		29,248		29,248
Issued bonds			26,689	26,689
Other payables and provisions	624	29,511	328	30,463
Subordinated debt			250	250
Equity			14,347	14,347
<b>Total liabilities and equity</b>	<b>40,130</b>	<b>138,272</b>	<b>45,732</b>	<b>224,134</b>
Associates and group enterprises have been included in the business areas as follows: <sup>1</sup>				
- Profit	45	65	-	110
- Investment (equity value)	222	323	-	545
Off-balance sheet items (guarantees)	10,051	7,021	1,454	18,526
Investments in property, plant and equipment as well as intangible assets	-	-	-	-
<b>2012</b>				
<b>ASSETS</b>				
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
<b>Total assets</b>	<b>27,330</b>	<b>179,994</b>	<b>33,194</b>	<b>240,518</b>
<b>LIABILITIES AND EQUITY</b>				
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		0	28,498	28,498
Other payables and provisions	636	44,710	8,357	53,703
Subordinated debt			250	250
Equity			14,270	14,270
<b>Total liabilities and equity</b>	<b>36,880</b>	<b>150,091</b>	<b>53,547</b>	<b>240,518</b>
Associates and group enterprises have been included in the business areas as follows: <sup>1</sup>				
- 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	-	-	-	-

<sup>1</sup> 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			The Nykredit Bank Group	
2012	2013		2013	2012
		<b>5. INTEREST INCOME</b>		
160	40	Receivables from credit institutions and central banks	40	160
2,868	2,489	Loans, advances and other receivables	2,575	2,941
1,118	1,019	Bonds	1,023	1,122
(226)	(110)	Total derivative financial instruments	(109)	(226)
		Of which		
(58)	(19)	- Foreign exchange contracts	(19)	(58)
(131)	(40)	- Interest rate contracts	(40)	(131)
(30)	(46)	- Equity contracts	(46)	(30)
(7)	(5)	- Other contracts	(4)	(7)
1	25	Other interest income	27	4
<b>3,921</b>	<b>3,463</b>	<b>Total</b>	<b>3,556</b>	<b>4,001</b>
		<b>Of which interest income from genuine purchase and resale transactions entered as</b>		
125	28	Receivables from credit institutions and central banks	28	125
283	164	Loans, advances and other receivables at fair value	164	283
		<b>Of total interest income</b>		
2,620	2,337	Interest income accrued on financial assets measured at amortised cost	2,423	2,693
		Interest income accrued on individually impaired loans and advances totalled DKK 106m (2012: DKK 88m). Interest generally does not accrue on individually impaired loans and advances. Interest income attributable to the impaired part of loans and advances after the first time of impairment is offset against subsequent impairment.		
101	82	Interest income accrued on fixed-rate loans and advances	101	101
3	3	Interest income from finance leases	118	130
		<b>6. INTEREST EXPENSES</b>		
367	162	Credit institutions and central banks	163	367
737	457	Deposits and other payables	456	718
578	443	Issued bonds	443	578
12	12	Subordinated debt	12	12
0	1	Other interest expenses	1	0
<b>1,694</b>	<b>1,075</b>	<b>Total</b>	<b>1,075</b>	<b>1,675</b>
		<b>Of which interest expenses for genuine sale and repurchase transactions entered as</b>		
181	49	Payables to credit institutions and central banks	49	181
171	70	Deposits and other payables (non-derivative financial liabilities at fair value)	70	171
		<b>Issued bonds</b>		
13	27	Offset interest on the Bank's portfolio of self-issued bonds	27	13
		<b>Of total interest expenses</b>		
1,342	956	Interest expenses accrued on financial liabilities measured at amortised cost	956	1,323
		<b>7. DIVIDEND ON EQUITIES</b>		
3	26	Dividend on equities	26	3
<b>3</b>	<b>26</b>	<b>Total</b>	<b>26</b>	<b>3</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2012	2013		2013	2012
		<b>8. FEE AND COMMISSION INCOME</b>		
145	140	Securities trading and custody accounts	385	353
88	79	Payment services	79	87
15	36	Loan fees	36	15
92	88	Guarantee commission	87	92
816	859	Other fees and commissions	846	800
<b>1,156</b>	<b>1,202</b>	<b>Total</b>	<b>1,433</b>	<b>1,347</b>
		<b>Of which:</b>		
133	152	Fees relating to financial instruments not measured at fair value	190	149
755	538	Fees relating to asset management activities and other fiduciary activities	749	935
		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".		
		<b>9. FEE AND COMMISSION EXPENSES</b>		
<b>679</b>	<b>667</b>	<b>Total</b>	<b>675</b>	<b>697</b>
		<b>Of which:</b>		
256	252	Fees relating to financial instruments not measured at fair value	273	271
95	113	Fees relating to asset management activities and other fiduciary activities	103	76
		<b>10. VALUE ADJUSTMENTS</b>		
2	15	Other loans, advances and receivables at fair value	15	2
77	(137)	Bonds	(140)	75
88	72	Equities	72	88
44	58	Foreign exchange	58	44
(764)	(820)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(820)	(764)
<b>(553)</b>	<b>(812)</b>	<b>Total</b>	<b>(815)</b>	<b>(555)</b>
		Value adjustments mainly relate to financial assets, financial liabilities and derivative financial instruments included in the Bank's/Group's trading activities. No value adjustments have been made for own credit risk on issued bonds or other financial liabilities.		
		<b>Of which value adjustment relating to fair value hedging for accounting purposes</b>		
190	10	Fair value hedging	10	190
		<b>11. STAFF AND ADMINISTRATIVE EXPENSES</b>		
13	13	Remuneration of Board of Directors/Executive Board	13	13
687	707	Staff expenses	809	775
953	1,080	Administrative expenses	1,170	1,021
<b>1,653</b>	<b>1,800</b>	<b>Total</b>	<b>1,992</b>	<b>1,809</b>
		<b>Remuneration of Board of Directors and Executive Board</b>		
		<b>Board of Directors</b>		
		The three staff-elected board representatives each receive annual remuneration of DKK 60,000. No additional remuneration is paid to the Board of Directors except for a refund of any costs relating to board meetings.		

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
<b>11. STAFF AND ADMINISTRATIVE EXPENSES (continued)</b>			
<b>Executive Board</b>			
13	13	13	13
13	13	13	13
<b>Of which:</b>			
0	0	0	0
3	3	3	3
<b>Remuneration of Executive Board</b>			
<b>Fixed salaries and remuneration recognised in the income statement during the financial year</b>			
5	5	5	5
4	4	4	4
4	4	4	4
<p>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 2013 against DKK 3.2m in 2012.</p> <p>In addition to their fixed salaries, members of the Executive Board may opt for a company car. The taxable value was DKK 0.0m (2012: DKK 0.0m).</p> <p>No changes were made to the composition of the Executive Board in 2013.</p> <p><b>Variable remuneration</b> 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.</p> <p>The bonus awarded to senior executives is based on a bonus potential, currently six months' salary, determined on a year-by-year basis.</p> <p>For details on the Nykredit Group's remuneration policy, reference is made to nykredit.com and to page 32 of the Management's Review.</p> <p><b>Other information</b> The pensionable age for members of the Executive Board is 70 years. No agreements have been made on pension benefits for Executive Board members.</p> <p>The period of notice is 12 months. If their contracts are terminated by Nykredit Bank A/S, Executive Board members are entitled to termination benefits equal to 9 months' gross salary.</p>			



## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
<b>11. STAFF AND ADMINISTRATIVE EXPENSES (continued)</b>			
<b>Loans, charges or guarantees granted to the members of</b>			
0	0	0	0
0	0	0	0
12	5	5	12
<b>Deposits from the members of</b>			
1	0	0	1
6	4	4	6
23	49	49	23
Balances with the above members of the Bank's Management and their related parties carry interest on an arm's length basis.			
<sup>1</sup> 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-2013, DKK 4m was secured by way of legal charge (2012: 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% (2012: 2.75%), and the deposit rate ranged between 0.125% and 0.75% (2012: 0.125-0.75%).			
<b>Staff expenses</b>			
560	564	649	635
56	57	66	64
57	71	78	62
14	15	16	14
<b>687</b>	<b>707</b>	<b>809</b>	<b>775</b>
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	13	20	12
3	5	6	5
-	0	0	-
<b>9</b>	<b>18</b>	<b>26</b>	<b>17</b>
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 38 other staff members. 9 of these are on the payroll of Nykredit Bank, 5 are on the payroll of the Bank's subsidiaries, and 24 are on the payroll of Nykredit Realkredit. The latter staff group performs intercompany tasks. In 2012 the number of other staff members was 28.			
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.			

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
		<b>11. STAFF AND ADMINISTRATIVE EXPENSES (continued)</b>	
723	714	Average number of staff, full-time equivalents	859 850
		<b>Total fees to the auditors appointed by the General Meeting, Deloitte, who perform the statutory audit:</b>	
1	1	- Statutory audit of the financial statements	1 1
0	0	- Other assurance engagements	0 0
1	0	- Tax advice	0 1
0	1	- Other services	1 1
<b>2</b>	<b>2</b>	<b>Total</b>	<b>2 3</b>
		<b>12. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS</b>	
7	9	Property, plant and equipment	9 8
-	-	- Intangible assets	- -
<b>7</b>	<b>9</b>	<b>Total</b>	<b>9 8</b>
		<b>13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES</b>	
		<b>Specification of impairment provisions</b>	
3,775	3,582	Total individual impairment provisions	3,624 3,821
235	369	Total collective impairment provisions	370 236
<b>4,010</b>	<b>3,951</b>	<b>Total impairment provisions, year-end</b>	<b>3,994 4,057</b>
		<b>Individual impairment provisions for loans, advances and receivables</b>	
3,942	3,775	Impairment provisions, beginning of year	3,821 3,986
974	951	Impairment provisions for the year	976 1,001
498	643	Impairment provisions reversed	662 512
643	520	Impairment provisions written off	530 654
<b>3,775</b>	<b>3,563</b>	<b>Impairment provisions, year-end</b>	<b>3,605 3,821</b>
		<b>Individual impairment provisions for lending to credit institutions</b>	
-	-	- Impairment provisions, beginning of year	- -
-	19	Impairment provisions for the year	19 -
<b>-</b>	<b>19</b>	<b>Impairment provisions, year-end</b>	<b>19 -</b>
		<b>Collective impairment provisions</b>	
307	235	Impairment provisions, beginning of year	236 308
(72)	134	Impairment provisions for the year, net	134 (72)
<b>235</b>	<b>369</b>	<b>Impairment provisions, year-end</b>	<b>370 236</b>
		<b>Earnings impact</b>	
404	442	Change in provisions for loan and receivable impairment	448 417
-	19	Change in impairment provisions for lending to credit institutions	19 -
173	68	Write-offs for the year, net	83 194
25	104	Received on claims previously written off	103 25
-	121	Net income from subsidiary in temporary possession	121 -
3	2	Assets in temporary possession (direct losses)	2 3
<b>555</b>	<b>306</b>	<b>Total impairment losses</b>	<b>328 589</b>
(32)	21	Provisions for guarantees	21 (32)
<b>523</b>	<b>327</b>	<b>Total</b>	<b>349 557</b>

## Notes

DKK million

Nycredit Bank A/S				The Nycredit Bank Group	
2012	2013			2013	2012
<b>13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)</b>					
<b>Specification of loans and advances subject to objective evidence of impairment</b>					
5,942	5,582	Loans and advances at amortised cost subject to individual impairment provisioning		5,697	6,057
2,196	2,348	Of which fully impaired		2,352	2,197
<b>3,746</b>	<b>3,234</b>	<b>Total</b>		<b>3,345</b>	<b>3,860</b>
3,775	3,563	Individual impairment provisions for loans, advances and receivables, year-end		3,605	3,821
2,196	2,348	Of which relating to loans and advances fully impaired		2,352	2,197
<b>1,579</b>	<b>1,215</b>	<b>Total</b>		<b>1,253</b>	<b>1,624</b>
<b>2,167</b>	<b>2,019</b>	<b>Carrying amount of loans and advances at amortised cost with individual impairment provisioning</b>		<b>2,092</b>	<b>2,236</b>
47,727	44,256	Loans and advances at amortised cost subject to collective impairment provisioning		45,302	47,807
235	369	Impairment provisions		370	236
<b>47,492</b>	<b>43,887</b>	<b>Carrying amount of loans and advances at amortised cost with collective impairment provisioning</b>		<b>44,932</b>	<b>47,571</b>
Income from subsidiary in temporary possession relates to sale of properties acquired in connection with settlement of commitments.					
<b>14. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>					
-	78	Profit from investments in associates		78	-
81	110	Profit from investments in group enterprises		-	-
<b>81</b>	<b>188</b>	<b>Total</b>		<b>78</b>	<b>-</b>
<b>15. TAX</b>					
<b>Tax for the year can be specified as follows:</b>					
(22)	(5)	Tax on profit for the year		8	(1)
<b>(22)</b>	<b>(5)</b>	<b>Total</b>		<b>8</b>	<b>(1)</b>
<b>Tax on profit for the year was calculated as follows:</b>					
(94)	(41)	Current tax		(39)	(93)
72	34	Deferred tax		51	92
0	2	Adjustment of deferred tax due to a reduction in the corporation tax rate		(4)	0
(1)	1	Adjustment of current tax relating to previous years		1	(2)
1	(1)	Adjustment of deferred tax relating to previous years		(1)	2
<b>(22)</b>	<b>(5)</b>	<b>Total</b>		<b>8</b>	<b>(1)</b>
<b>Tax on profit for the year can be specified as follows:</b>					
12	18	Calculated 25% tax on profit before tax		21	17
(21)	(27)	Of which recognised as profit from equity investments		-	-
Tax effect of					
(16)	0	Non-taxable income		(11)	(21)
3	2	Other non-deductible costs		2	3
0	2	Adjustment of deferred tax due to a reduction in the corporation tax rate		(4)	0
<b>(22)</b>	<b>(5)</b>	<b>Total</b>		<b>8</b>	<b>(1)</b>
(47.8)	(6.9)	Effective tax rate, %		9.4	(1.5)

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
	<b>16. SECONDARY BUSINESS AREA</b>		
	<b>Foreign entities' contributions to profit for the year in the form of interest income, fees, value adjustment and other operating income</b>		
7	4 Stockholm branch	4	7
<b>7</b>	<b>4 Revenue from foreign entities</b>	<b>4</b>	<b>7</b>
	Contributions from foreign entities are regarded as the Group's secondary segment. Note information about the business areas regarded as the Group's primary segment is presented and described on pages 11-16 of the Management's Review and in note 4.		
	Nykredit Bank's foreign revenue in 2013 was exclusively generated by the Stockholm branch, which started trading in December 2011.		
	The branch's revenue from external customers in 2013 was limited, as the branch's income is mainly generated through a cost-plus agreement by way of intercompany settlement with Nykredit Markets. The settlement amounted to DKK 60m in 2013 (2012: DKK 45m). Other income came to DKK 4m in 2013 (2012: DKK 7m).		
	<b>Balance sheet</b>		
17	25 Branch assets	25	17
12	12 Branch liabilities and equity, excluding capital	12	12
	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.		

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2012	2013		2013	2012
		<b>17. CASH BALANCES AND DEMAND DEPOSITS WITH CENTRAL BANKS</b>		
7,032	3,049	Cash balances and demand deposits with central banks	3,049	7,032
<b>7,032</b>	<b>3,049</b>	<b>Total</b>	<b>3,049</b>	<b>7,032</b>
		<b>18. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>		
1,747	2,069	Receivables at call from central banks	2,069	1,747
36,033	18,054	Receivables from credit institutions	18,055	36,033
<b>37,780</b>	<b>20,123</b>	<b>Total</b>	<b>20,124</b>	<b>37,780</b>
		<b>By time-to-maturity</b>		
31,889	10,426	Demand deposits	10,427	31,889
5,191	9,247	Up to 3 months	9,247	5,191
700	450	Over 3 months and up to 1 year	450	700
<b>37,780</b>	<b>20,123</b>	<b>Total</b>	<b>20,124</b>	<b>37,780</b>
17,559	10,437	Of which reverse lending (purchase and resale transactions)	10,437	17,559
		<b>19. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE</b>		
35,401	56,814	Loans and advances at fair value	56,814	35,401
<b>35,401</b>	<b>56,814</b>	<b>Total</b>	<b>56,814</b>	<b>35,401</b>
35,401	56,814	Of which reverse lending (purchase and resale transactions)	56,814	35,401
		<b>By time-to-maturity</b>		
35,351	56,814	Up to 3 months	56,814	35,351
50	-	Over 3 months and up to 1 year	-	50
<b>35,401</b>	<b>56,814</b>	<b>Total</b>	<b>56,814</b>	<b>35,401</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2012	2013		2013	2012
<b>20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST</b>				
49,659	45,906	Loans and advances	47,024	49,807
<b>49,659</b>	<b>45,906</b>	<b>Total</b>	<b>47,024</b>	<b>49,807</b>
<b>By time-to-maturity</b>				
19,544	13,184	On demand	10,972	17,064
6,600	10,218	Up to 3 months	10,401	6,818
7,493	4,670	Over 3 months and up to 1 year	5,321	7,964
6,827	8,307	Over 1 year and up to 5 years	10,547	8,523
9,195	9,527	Over 5 years	9,783	9,438
<b>49,659</b>	<b>45,906</b>	<b>Total</b>	<b>47,024</b>	<b>49,807</b>
<b>Fixed-rate loans</b>				
1,071	2,704	Of total loans and advances, fixed-rate loans represent	2,704	1,071
1,127	2,731	Market value of fixed-rate loans	2,731	1,127
<b>Finance leases</b>				
43	42	Of total loans and advances at amortised cost, finance leases represent	2,963	2,669
45	43	Carrying amount, beginning of year	2,669	2,311
-	-	Additions	1,369	1,346
2	1	Disposals	1,075	988
<b>43</b>	<b>42</b>	<b>Carrying amount, year-end</b>	<b>2,963</b>	<b>2,669</b>
<b>By time-to-maturity</b>				
0	42	Up to 3 months	294	218
2	-	Over 3 months and up to 1 year	536	472
8	-	Over 1 year and up to 5 years	1,906	1,703
33	-	Over 5 years	227	276
<b>43</b>	<b>42</b>	<b>Total</b>	<b>2,963</b>	<b>2,669</b>
<b>Gross investments in finance leases</b>				
<b>By time-to-maturity</b>				
4	42	Up to 1 year	903	766
19	-	Over 1 year and up to 5 years	2,155	1,972
51	-	Over 5 years	236	299
<b>74</b>	<b>42</b>	<b>Total</b>	<b>3,294</b>	<b>3,037</b>
<b>31</b>	<b>-</b>	<b>Non-earned income</b>	<b>331</b>	<b>368</b>
<p>Where loans and advances under finance leases are concerned, amortised cost represents their fair value. The leases comprise equipment as well as real estate. The leases have been concluded on an arm's length basis and have maturities of between 3 and 6 years. The initial maturity of property leases was 20 years. The leased property is expected to be sold in 2014.</p>				
-	-	Impairment provisions for finance leases	43	47
<p>Non-guaranteed residual values upon expiry of the leases amount to DKK 0.</p>				

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group		
2012	2013	2013	2012	
<b>20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)</b>				
<b>Loans, advances and guarantee debtors by sector as %, year-end</b>				
Includes loans, advances and receivables at fair value				
<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	
	<b>Public sector</b>			
	<b>Commercial customers</b>			
1	1 Agriculture, hunting, forestry and fishing	2	2	
6	4 Manufacturing, mining and quarrying	4	6	
1	1 Energy supply	1	1	
1	1 Construction	2	2	
2	2 Trade	2	2	
2	2 Transport, accommodation and food service activities	3	2	
1	1 Information and communication	1	1	
44	56 Finance and insurance	53	41	
14	9 Real estate	9	13	
7	6 Other	7	8	
<b>79</b>	<b>83 Total commercial customers</b>	<b>84</b>	<b>78</b>	
<b>20</b>	<b>16 Personal customers</b>	<b>15</b>	<b>21</b>	
<b>100</b>	<b>100 Total</b>	<b>100</b>	<b>100</b>	
The sector distribution is based on the official Danish activity codes.				
<b>21. BONDS AT FAIR VALUE</b>				
50,833	56,225	Covered bonds (realkreditobligationer, ROs)	56,440	51,029
4,457	4,505	Government bonds	4,505	4,457
3,780	5,560	Other bonds	5,560	3,780
<b>59,070</b>	<b>66,290</b>	<b>Total</b>	<b>66,505</b>	<b>59,266</b>
1,243	2,642	Self-issued bonds offset against issued bonds	2,642	1,243
<b>57,827</b>	<b>63,648</b>	<b>Total</b>	<b>63,863</b>	<b>58,023</b>
The effect of fair value adjustment was recognised in the income statement.				
3,328	12,065	Of which redeemed bonds	12,065	3,449
32,361	38,659	Assets sold as part of repo transactions (sale and repurchase transactions)	38,659	32,361
14,298	14,917	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	14,917	14,298
The collateral was provided on an arm's length basis.				
<b>Maturities based on the nominal maturities of the securities</b>				
29,145	28,005	Up to 1 year	28,100	29,244
20,760	26,732	Over 1 year and up to 5 years	26,822	20,830
7,922	8,911	Over 5 years	8,941	7,949
<b>57,827</b>	<b>63,648</b>	<b>Total</b>	<b>63,863</b>	<b>58,023</b>
The actual holding period may be considerably shorter than the nominal maturity because a significant part of the portfolio is included in the Bank's trading activities.				



## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
		<b>22. EQUITIES</b>	
375	356	Equities measured at fair value through profit or loss	356 376
<b>375</b>	<b>356</b>	<b>Total</b>	<b>356 376</b>
		<b>Specification of equity portfolios</b>	
181	192	Listed on NASDAQ OMX Copenhagen A/S	192 182
7	15	Listed on other stock exchanges	15 7
187	149	Unlisted equities carried at fair value	149 187
<b>375</b>	<b>356</b>	<b>Total</b>	<b>356 376</b>
		<b>23. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>	
		<b>Investments in associates</b>	
10	10	Cost, beginning of year	- -
-	-	- Disposals	- -
<b>10</b>	<b>10</b>	<b>Cost, year-end</b>	<b>- -</b>
(10)	(10)	Revaluations and impairment losses, beginning of year	- -
0	0	Profit before tax	- -
0	0	Reversal of revaluations and impairment losses	- -
<b>(10)</b>	<b>(10)</b>	<b>Total revaluations and impairment losses, year-end</b>	<b>- -</b>
<b>0</b>	<b>0</b>	<b>Balance, year-end</b>	<b>- -</b>
		<b>Investments in group enterprises</b>	
241	241	Cost, beginning of year	- -
-	-	- Foreign currency translation adjustment	- -
-	-	- Additions	- -
-	-	- Other additions/disposals	- -
<b>241</b>	<b>241</b>	<b>Cost, year-end</b>	<b>- -</b>
113	194	Revaluations and impairment losses, beginning of year	- -
-	-	- Foreign currency translation adjustment	- -
102	123	Profit before tax	- -
-	-	- Dividend	- -
21	13	Tax	- -
-	-	- Reversal of revaluations and impairment losses	- -
<b>194</b>	<b>304</b>	<b>Total revaluations and impairment losses, year-end</b>	<b>- -</b>
<b>435</b>	<b>545</b>	<b>Balance, year-end</b>	<b>- -</b>
		<b>Subordinate receivables</b>	
-	-	- Group enterprises	- -
-	-	- Associates	- -
309	323	Other enterprises	323 309
<b>309</b>	<b>323</b>	<b>Total</b>	<b>323 309</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
<b>23. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (continued)</b>			
<b>Balances with associates and group enterprises</b>			
<b>Associates</b>			
<b>Asset items</b>			
-	-	-	-
-	-	-	-
<b>Liability items</b>			
-	-	-	-
-	-	-	-
<b>Group enterprises</b>			
<b>Asset items</b>			
2,713	2,284	-	-
1	1	-	-
<b>2,714</b>	<b>2,285</b>	<b>-</b>	<b>-</b>
<b>Liability items</b>			
56	97	-	-
0	2	-	-
<b>56</b>	<b>99</b>	<b>-</b>	<b>-</b>
<b>24. INTANGIBLE ASSETS</b>			
<b>Goodwill</b>			
33	29	29	33
(4)	-	-	(4)
-	-	-	-
<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>
6	6	6	6
-	-	-	-
<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>
9	9	9	9
14	14	14	14
<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>
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 in 2012.			

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
		<b>25. OTHER PROPERTY, PLANT AND EQUIPMENT</b>	
29	21	Equipment	21 29
<b>29</b>	<b>21</b>	<b>Total</b>	<b>21 29</b>
		<b>Equipment</b>	
33	48	Cost, beginning of year	57 42
19	1	Additions	2 19
4	0	Disposals	1 4
<b>48</b>	<b>49</b>	<b>Cost, year-end</b>	<b>58 57</b>
15	19	Depreciation and impairment losses, beginning of year	28 23
7	9	Depreciation for the year	9 8
3	0	Reversal of depreciation and impairment losses	0 3
<b>19</b>	<b>28</b>	<b>Depreciation and impairment losses, year-end</b>	<b>37 28</b>
<b>29</b>	<b>21</b>	<b>Balance, year-end</b>	<b>21 29</b>
		Equipment is depreciated over 3-5 years and had an average residual depreciation period of 2 years at 31 December 2013 (end-2012: 3 years).	
		<b>26. ASSETS IN TEMPORARY POSSESSION</b>	
55	49	Assets, beginning of year	904 55
54	45	Additions	45 909
60	15	Disposals	737 60
<b>49</b>	<b>79</b>	<b>Balance, year-end</b>	<b>212 904</b>
		Assets in temporary possession comprised repossessed properties and shares in a property company. Of the DKK 737m carried under "Disposals", DKK 722m related to the sale of 13 properties held by Kalvebod III, a property group. At 31 December 2013, the property group owned one property, which is expected to be sold in February 2014.	
		Nykredit Bank accepts mortgages over real estate 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.	

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2012	2013		2013	2012
		<b>27. OTHER ASSETS</b>		
6,340	5,160	Interest and commission receivable	5,206	6,374
43,896	25,896	Positive market value of derivative financial instruments, net	25,896	43,896
635	1,437	Other	1,453	648
<b>50,871</b>	<b>32,493</b>	<b>Total</b>	<b>32,555</b>	<b>50,918</b>
		<b>Positive market value of derivative financial instruments</b>		
		<b>By time-to-maturity</b>		
2,522	962	Up to 1 year	962	2,522
7,190	5,926	Over 1 year and up to 5 years	5,926	7,190
34,184	19,008	Over 5 years	19,008	34,184
<b>43,896</b>	<b>25,896</b>	<b>Total</b>	<b>25,896</b>	<b>43,896</b>
		<b>Netting</b>		
43,897	28,451	Positive market value of derivative financial instruments, gross	28,451	43,897
-	3,919	Other receivables included in netting	3,919	-
(1)	(6,474)	Netting of positive and negative market values	(6,474)	(1)
<b>43,896</b>	<b>25,896</b>	<b>Net market value</b>	<b>25,896</b>	<b>43,896</b>
		Netting of market values is solely attributable to clearing of derivatives through a central clearing house (CCP clearing) in 2012. The activities were initiated at end-2012.		
1,090	1,624	In connection with derivatives transactions, the Bank received security of	1,624	1,090
		The items "Interest and commission receivable" and "Other" fall due within 1 year.		
		<b>28. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>		
246	407	Payables to central banks	407	246
55,109	56,580	Payables to credit institutions	57,325	55,109
<b>55,355</b>	<b>56,987</b>	<b>Total</b>	<b>57,732</b>	<b>55,355</b>
13,273	20,447	Of which repo transactions (sale and repurchase transactions)	20,447	13,273
		<b>By time-to-maturity</b>		
4,782	7,546	Payables on demand	7,546	4,782
39,802	42,809	Up to 3 months	42,809	39,802
9,913	5,923	Over 3 months and up to 1 year	5,923	9,913
746	709	Over 1 year and up to 5 years	1,454	746
112	0	Over 5 years	0	112
<b>55,355</b>	<b>56,987</b>	<b>Total</b>	<b>57,732</b>	<b>55,355</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2012	2013		2013	2012
<b>29. DEPOSITS AND OTHER PAYABLES</b>				
34,418	43,012	On demand	42,924	34,403
6,614	6,271	At notice	6,271	6,614
10,818	13,179	Time deposits	13,129	10,778
2,906	3,081	Special deposits	3,081	2,906
<b>54,756</b>	<b>65,543</b>	<b>Total</b>	<b>65,405</b>	<b>54,701</b>
<b>By time-to-maturity</b>				
35,588	43,936	On demand	43,848	35,532
7,707	7,884	Up to 3 months	7,834	7,707
5,613	7,873	Over 3 months and up to 1 year	7,873	5,613
4,138	3,946	Over 1 year and up to 5 years	3,946	4,138
1,710	1,904	Over 5 years	1,904	1,711
<b>54,756</b>	<b>65,543</b>	<b>Total</b>	<b>65,405</b>	<b>54,701</b>
<b>30. ISSUED BONDS AT AMORTISED COST</b>				
29,741	29,331	Issued bonds	29,331	29,741
(1,243)	(2,642)	Own portfolio	(2,642)	(1,243)
<b>28,498</b>	<b>26,689</b>	<b>Total</b>	<b>26,689</b>	<b>28,498</b>
<b>By time-to-maturity</b>				
11,293	9,475	Up to 3 months	9,475	11,293
4,354	5,495	Over 3 months and up to 1 year	5,495	4,354
10,711	11,062	Over 1 year and up to 5 years	11,062	10,711
2,140	657	Over 5 years	657	2,140
<b>28,498</b>	<b>26,689</b>	<b>Total</b>	<b>26,689</b>	<b>28,498</b>
<b>Issues</b>				
20,852	20,592	EMTN issues*	20,592	20,852
8,817	8,718	ECP issues*	8,718	8,817
29	21	Employee bonds (former Forstædernes Bank)	21	29
43	0	Other issues*	0	43
<b>29,741</b>	<b>29,331</b>	<b>Total</b>	<b>29,331</b>	<b>29,741</b>
1,243	2,642	Own portfolio	2,642	1,243
<b>28,498</b>	<b>26,689</b>	<b>Total</b>	<b>26,689</b>	<b>28,498</b>

No value adjustments have been made that can be attributed to changes in own credit risk.

\* Listed on NASDAQ OMX Copenhagen A/S or the Luxembourg Stock Exchange.

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group		
2012	2013		2013	2012
<b>31. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE</b>				
17,718	18,513	Deposits at fair value	18,513	17,718
16,023	10,735	Negative securities portfolios	10,735	16,023
<b>33,741</b>	<b>29,248</b>	<b>Total</b>	<b>29,248</b>	<b>33,741</b>
<b>By time-to-maturity</b>				
33,741	29,248	Up to 3 months	29,248	33,741
17,718	18,513	Of which repo transactions (sale and repurchase transactions)	18,513	17,718
<b>32. PROVISIONS FOR DEFERRED TAX</b>				
<b>Deferred tax</b>				
(115)	(44)	Deferred tax, beginning of year (asset)	29	(61)
72	34	Deferred tax for the year recognised in profit for the year	51	92
(1)	(1)	Adjustment of deferred tax assessed for previous years	(1)	(2)
0	2	Adjustment of deferred tax due to a reduction in the corporation tax rate	(4)	0
<b>(44)</b>	<b>(9)</b>	<b>Balance, year-end</b>	<b>75</b>	<b>29</b>
<b>Deferred tax recognised in the balance sheet as follows</b>				
(44)	(9)	Deferred tax (asset)	-	-
-	-	Deferred tax (liability)	75	29
<b>(44)</b>	<b>(9)</b>	<b>Net balance, year-end</b>	<b>75</b>	<b>29</b>
<b>Deferred tax relates to</b>				
(22)	(18)	Loans and advances	78	52
2	2	Intangible assets	2	2
(3)	(3)	Property, plant and equipment	(3)	(4)
5	3	Other assets and prepayments	(9)	5
53	70	Issued bonds	70	53
(79)	(63)	Other liabilities and deferred income	(63)	(79)
<b>(44)</b>	<b>(9)</b>	<b>Total</b>	<b>75</b>	<b>29</b>
<b>Recognised in profit for the year</b>				
0	2	Loans and advances	27	14
2	1	Property, plant and equipment	1	1
1	1	Intangible assets	1	1
(5)	(2)	Other assets and prepayments	(14)	1
(4)	9	Other liabilities and deferred income	15	(4)
77	24	Issued bonds	16	77
<b>71</b>	<b>35</b>	<b>Total</b>	<b>46</b>	<b>90</b>
<b>Current tax assets/liabilities</b>				
(77)	193	Corporation tax receivable, beginning of year	212	(70)
94	41	Current tax for the year	39	93
177	186	Corporation tax paid for the year, net	185	191
(1)	(1)	Adjustment relating to previous years	(1)	(2)
<b>193</b>	<b>47</b>	<b>Balance, year-end</b>	<b>65</b>	<b>212</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2012	2013		2013	2012
		<b>33. OTHER LIABILITIES</b>		
7,731	5,760	Interest and commission payable	5,759	7,731
44,329	23,444	Negative market value of derivative financial instruments, net	23,444	44,329
589	664	Other payables	872	745
<b>52,649</b>	<b>29,868</b>	<b>Total</b>	<b>30,075</b>	<b>52,805</b>
		<b>Negative market value of derivative financial instruments</b>		
		<b>By time-to-maturity</b>		
3,145	897	Up to 1 year	897	3,145
7,942	3,463	Over 1 year and up to 5 years	3,463	7,942
33,242	19,084	Over 5 years	19,084	33,242
<b>44,329</b>	<b>23,444</b>	<b>Total</b>	<b>23,444</b>	<b>44,329</b>
		<b>Netting</b>		
44,330	29,898	Negative market value of derivative financial instruments, gross	29,898	44,330
-	20	Other debt included in netting	20	0
(1)	(6,474)	Netting of positive and negative market values	(6,474)	(1)
<b>44,329</b>	<b>23,444</b>	<b>Net market value</b>	<b>23,444</b>	<b>44,329</b>
		Netting of market values is attributable to clearing of derivatives through a central clearing house (CCP clearing). The activities were initiated at end-2012.		
		The items "Interest and commission payable" and "Other payables" fall due within one year.		
		<b>34. PROVISIONS</b>		
		<b>Provisions for losses under guarantees</b>		
114	82	Balance, beginning of year	82	114
36	77	Additions	77	36
68	56	Reversal of unutilised amounts	56	68
0	0	Disposals	0	0
<b>82</b>	<b>103</b>	<b>Balance, year-end</b>	<b>103</b>	<b>82</b>
		<b>Other provisions</b>		
119	124	Balance, beginning of year	124	119
6	54	Additions	54	6
1	109	Disposals	109	1
<b>124</b>	<b>69</b>	<b>Balance, year-end</b>	<b>69</b>	<b>124</b>
		<b>Total provisions for losses under guarantees and other provisions</b>		
233	206	Balance, beginning of year	206	233
42	131	Additions	131	42
69	56	Reversal of unutilised amounts	56	69
0	109	Disposals	109	0
<b>206</b>	<b>172</b>	<b>Balance, year-end</b>	<b>172</b>	<b>206</b>
		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.		
		It is estimated that the majority of provisions will be settled within 1-2 years.		



## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
<b>35. SUBORDINATED DEBT</b>			
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.			
<b>Hybrid capital</b>			
100	100	Nom DKK 100m. The loan is perpetual and carries a floating interest rate of 1.7% pa above 3M Cibur.	100
150	150	Nom DKK 150m. The loan is perpetual and carries a fixed interest rate of 6.3% pa.	150
<b>250</b>	<b>250</b>	<b>Total subordinated debt</b>	<b>250</b>
250	250	Included in the determination of the capital base after deductions Hybrid capital	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.	-
<b>36. CONTINGENT LIABILITIES</b>			
9,102	7,972	Financial guarantees	7,972
593	846	Registration and refinancing guarantees	846
2,476	2,901	Other contingent liabilities	2,802
<b>12,171</b>	<b>11,719</b>	<b>Total</b>	<b>11,620</b>
<b>By time-to-maturity</b>			
9,046	8,086	Up to 1 year	7,987
2,471	2,930	Over 1 year and up to 5 years	2,930
654	703	Over 5 years	703
<b>12,171</b>	<b>11,719</b>	<b>Total</b>	<b>11,620</b>
The fixing of guarantee periods is based on the expiry of the individual agreements. Where a period has not been fixed for a guarantee, expiry is based on an estimate.			
<b>Other contingent liabilities</b>			
<i>Legal proceedings</i>			
The Bank's operations involve the Bank in legal proceedings and litigation, including tax disputes. The cases are reviewed regularly, 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.			
<i>Guarantee Fund for Depositors and Investors</i>			
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 of the sector. 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 Guarantee Fund for Depositors and Investors through its winding-up and restructuring department. Nykredit Bank's share of the expense will amount to about 3%.			
<i>Joint taxation</i>			
The Company is jointly taxed in Denmark with Foreningen Nykredit as the administration company. Pursuant to the Danish Corporation Tax Act, the Company is liable for income taxes etc payable by the jointly taxed companies as of the financial year 2013 and for any obligations to withhold tax at source on interest, royalties and dividends of these companies as of 1 July 2012.			

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2012	2013		2013	2012
<b>37. OTHER COMMITMENTS</b>				
7,328	6,527	Irrevocable credit commitments	6,527	7,328
173	180	Other	379	530
<b>7,501</b>	<b>6,707</b>	<b>Total</b>	<b>6,906</b>	<b>7,858</b>

**38. RELATED PARTY TRANSACTIONS AND BALANCES**

The Parent Company Nykredit Realkredit, its parent company as well as group enterprises and associates are regarded as related parties. In addition, Nykredit Bank's group enterprises and associates are included as stated in the group structure as well as the Bank's Board of Directors, its Executive Board and related parties thereof. Transactions with the Board of Directors, the Executive Board and related parties thereof appear from note 11.

No unusual related party transactions occurred in 2012 or 2013.

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 or a cost reimbursement basis.

Significant related party transactions prevailing/entered into in 2012 or 2013 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.

**Agreements between Nykredit Holding A/S and Nykredit Bank A/S**

Nykredit Holding A/S has issued guarantees or letters of comfort to third parties in specific cases.

In 2011 Nykredit Holding A/S 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 guarantee period. The guarantee was terminated by the Bank's Management on 6 November 2013.

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
<b>38. RELATED PARTY TRANSACTIONS AND BALANCES (continued)</b>			
<b>Associates</b>			
<b>Income statement</b>			
-	-	-	-
	-	-	-
	-	-	-
<b>Asset items</b>			
-	-	-	-
<b>Liability items</b>			
-	-	-	-
<b>Transactions with the Parent Company, Nykredit Realkredit A/S, and its group enterprises and associates</b>			
<b>Income statement</b>			
903	518	520	905
147	59	59	147
195	228	228	195
493	473	473	493
284	(423)	(425)	284
541	641	670	561
<b>Asset items</b>			
218	22	22	218
80	61	61	80
30,781	14,424	14,534	30,878
885	368	370	886
<b>Liability items</b>			
32,441	25,097	25,097	32,441
425	275	275	425
1,146	2,739	2,739	1,146
122	51	51	122
<b>Transactions with other group enterprises</b>			
<b>Income statement</b>			
54	48	-	-
19	1	-	-
10	9	-	-
1	20	-	-
1	3	-	-
<b>Asset items</b>			
2,713	2,284	-	-
1	1	-	-
<b>Liability items</b>			
56	97	-	-
0	2	-	-

# Notes

## 39. 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 balance between carrying amounts and fair values not recognised in the income statement and attributable to the balance between the fair value and amortised cost carried and the fair value computed.

## Notes

DKK million

The Nykredit Bank Group

39. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)						
2013	IAS 39 category	Carrying amount	Fair value	Balance	Fair value computed using	
					Method 1	Method 2
<b>Assets</b>						
Cash balances and demand deposits with central banks	a)	3,049	3,049		3,049	
Receivables at call from central banks	a)	2,069	2,069		2,069	
Receivables from credit institutions	a+b)	18,055	18,055		18,055	
Loans, advances and other receivables at fair value	b)	56,814	56,814		56,814	
Loans, advances and other receivables at amortised cost	a)	47,024	47,094	70		47,094
Bonds at fair value	b)	63,863	63,863		63,863	
Equities	b)	356	356		238	118
Interest and commission receivable	a)	5,206	5,206			5,206
Derivative financial instruments	b)	25,896	25,896		25,896	1,294
<b>Total</b>		<b>222,332</b>	<b>222,402</b>	<b>70</b>	<b>169,984</b>	<b>53,712</b>
Of which (IAS 39 categories):						
a) Loans, advances and receivables		64,966	65,036	70	12,736	52,300
b) Financial assets held for trading		157,366	157,366		157,248	1,412
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	c+d)	57,732	57,730	2	57,730	
Deposits and other payables	d)	65,405	65,347	58		65,347
Issued bonds at amortised cost	d)	26,689	26,745	(56)	26,745	
Other non-derivative financial liabilities at fair value	c)	29,248	29,248		29,248	
Interest and commission payable	d)	5,759	5,759			5,759
Derivative financial instruments	c)	23,444	23,444		23,202	242
Subordinated debt	d)	250	251	(1)		251
<b>Total</b>		<b>208,527</b>	<b>208,524</b>	<b>3</b>	<b>136,925</b>	<b>71,599</b>
Of which (IAS 39 categories):						
c) Financial liabilities held for trading		73,139	73,139	0	72,897	242
d) Other financial liabilities		135,388	135,385	3	64,028	71,357
<b>Measurement methods</b>						
Method 1: Generally accepted measurement methods based on market data						
Method 2: Other generally accepted measurement methods						
The above fair value measurement of financial instruments measured at amortised cost in the financial statements is attributable to Observable inputs and Unobservable inputs according to the fair value hierarchy. Financial assets and liabilities, respectively, amounted to:						
Financial assets (Observable inputs)			12,736			
Financial assets (Unobservable inputs)			52,300			
Financial liabilities (Observable inputs)			64,028			
Financial liabilities (Unobservable inputs)			71,357			

## Notes

DKK million

## The Nykredit Bank Group

39. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)						
2012	IAS 39 category	Carrying amount	Fair value	Balance	Fair value computed using	
					Method 1	Method 2
<b>Assets</b>						
Cash balances 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+b)	36,033	36,033		36,033	
Loans, advances and other receivables at fair value	b)	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	b)	58,023	58,023		58,023	
Equities	b+b)	376	376		214	162
Interest and commission receivable	a)	6,374	6,374			6,374
Derivative financial instruments	b)	43,896	43,896		43,245	651
<b>Total</b>		<b>238,689</b>	<b>238,778</b>	<b>89</b>	<b>181,695</b>	<b>57,083</b>
Of which (IAS 39 categories):						
a) Loans, advances and receivables		83,434	83,523	89	27,253	56,270
b) Financial assets held for trading		155,255	155,255		154,442	813
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	c+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		44,163	166
Subordinated debt	d)	250	247	3		247
<b>Total</b>		<b>224,605</b>	<b>224,890</b>	<b>(285)</b>	<b>162,109</b>	<b>62,781</b>
Of which (IAS 39 categories):						
c) Financial liabilities held for trading		91,343	91,343	0	91,177	166
d) Other financial liabilities		133,262	133,547	(285)	70,932	62,615
<b>Measurement methods</b>						
Method 1: Generally accepted measurement methods based on market data						
Method 2: Other generally accepted measurement methods						
The above fair value measurements of financial instruments measured at amortised cost in the financial statements are attributable to Observable inputs and Unobservable inputs according to the fair value hierarchy. Financial assets and liabilities, respectively, amounted to:						
Financial assets (Observable inputs)			27,253			
Financial assets (Unobservable inputs)			56,270			
Financial liabilities (Observable inputs)			70,932			
Financial liabilities (Unobservable inputs)			62,615			

## Notes

DKK million

The Nykredit Bank Group

**39. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

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

	Listed prices	Observable inputs	Unobservable inputs	Total (carrying amounts)
<b>2013</b>				
Financial instruments in the form of assets:				
Trading book:				
Balances with credit institutions (reverse lending measured at fair value)		10,437		10,437
Loans and advances at fair value		56,814		56,814
Bonds at fair value	53,384	10,479		63,863
Equities	238		118	356
Derivatives	491	24,111	1,294	25,896
<b>Total</b>	<b>54,113</b>	<b>101,841</b>	<b>1,412</b>	<b>157,366</b>
Percentage	34.4	64.7	0.9	100.0
Financial instruments in the form of liabilities:				
Trading book:				
Payables to credit institutions and central banks (repo deposits measured at fair value)		20,447		20,447
Other non-derivative financial liabilities at fair value	10,735	18,513		29,248
Derivatives	540	22,662	242	23,444
<b>Total</b>	<b>11,275</b>	<b>61,622</b>	<b>242</b>	<b>73,139</b>
Percentage	15.4	84.3	0.3	100.0
<b>Financial instruments measured on the basis of unobservable inputs</b>				
	<b>Bonds</b>	<b>Equities</b>	<b>Derivatives</b>	<b>Total</b>
Fair value, beginning of year, assets		162	651	813
Transferred from "Observable inputs"			1,823	1,823
Transferred to "Observable inputs"			(113)	(113)
Capital gains and losses recognised in the income statement		(10)	(1,067)	(1,077)
Additions for the year		2		2
Disposals for the year		(36)		(36)
<b>Fair value, year-end, assets</b>		<b>118</b>	<b>1,294</b>	<b>1,412</b>
Fair value, beginning of year, liabilities			166	166
Capital gains and losses recognised in the income statement			76	76
Additions for the year				
Disposals for the year				
<b>Fair value, year-end, liabilities</b>			<b>242</b>	<b>242</b>

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

For 2013 unrealised negative value adjustments of DKK 1,085 relating to the portfolio of financial instruments measured on the basis of unobservable inputs were recognised in the income statement at 31 December 2013.



## Notes

DKK million

The Nykredit Bank Group

## 39. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	Listed prices	Observable inputs	Unobservable inputs	Total (carrying amounts)
<b>2012</b>				
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
Derivatives	744	42,501	651	43,896
<b>Total</b>	<b>52,743</b>	<b>101,699</b>	<b>813</b>	<b>155,255</b>
Percentage	34.0	65.5	0.5	100.0
Financial instruments in the form of liabilities:				
Trading book:				
Payables to credit institutions and central banks (repo deposits measured at fair value)		13,273		13,273
Other non-derivative financial liabilities at fair value	16,023	17,718		33,741
Derivatives	758	43,405	166	44,329
<b>Total</b>	<b>16,781</b>	<b>74,396</b>	<b>166</b>	<b>91,343</b>
Percentage	18.4	81.4	0.2	100.0
<b>Financial instruments measured on the basis of unobservable inputs</b>				
	<b>Bonds</b>	<b>Equities</b>	<b>Derivatives</b>	<b>Total</b>
Fair value, beginning of year, assets	12	225	1,641	1,878
Transferred from "Observable inputs"			829	829
Transferred to "Observable inputs"			(733)	(733)
Capital gains and losses recognised in the income statement	(12)	(51)	(1,036)	(1,099)
Additions for the year		6	90	96
Disposals for the year		(18)	(140)	(158)
<b>Fair value, year-end, assets</b>		<b>162</b>	<b>651</b>	<b>813</b>
Fair value, beginning of year, liabilities			133	133
Capital gains and losses recognised in the income statement			25	25
Additions for the year			12	12
Disposals for the year			4	4
<b>Fair value, year-end, liabilities</b>			<b>166</b>	<b>166</b>

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

For 2012 unrealised negative value adjustments of DKK 711m relating to the portfolio of financial instruments measured on the basis of unobservable inputs were recognised in the income statement at 31 December 2012.

# Notes

The Nykredit Bank Group

## 39. 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.

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

Reverse lending, repo deposits and unlisted derivatives generally belong in this category.

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 based on prices in active markets or observable inputs, measurement is based on own assumptions and extrapolations 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.

Reclassifications between the categories Listed prices, Observable inputs and Unobservable inputs are made when an instrument is classified differently on the balance sheet date than at the beginning of the financial year. In 2013 reclassifications between the categories Observable inputs and Unobservable inputs resulted from changes to the rating categories of counterparties (credit risk) in all material respects.

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.

This category also comprises interest rate swaps which have been value adjusted to DKK 0 (after deduction of security) due to the creditworthiness of the counterparty.

Following the above value adjustments, the fair value of these swaps came to DKK 1,117m at 31 December 2013 and these swaps thus represent the majority of the derivatives with positive market values in this category. Value adjustments based on credit assessments came to DKK 1,654m at 31 December 2013.

As the interest rate risk on these derivatives is hedged in all material respects, only rating category changes/credit risk may influence the earnings impact.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 31 December 2013, the proportion was 0.9% against 0.5% at end-2012. The share of financial liabilities was 0.3% against 0.2% at 31 December 2012.

Measurement, notably of instruments the measurement of which is based on "Unobservable inputs", is inherently subject to some uncertainty. Of total assets and liabilities, DKK 1.4bn (2012: DKK 0.8bn) and DKK 0.2bn (2012: DKK 0.2bn), respectively, were 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 165m in 2013 (1.15% of equity at 31 December 2013). The earnings impact for 2012 has been estimated at DKK 100m (0.7% of equity at 31 December 2012).

## Notes

DKK million

The Nykredit Bank Group

## 40. DERIVATIVE FINANCIAL INSTRUMENTS

## By time-to-maturity

	Net market value				Positive market value	Gross market value		
	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years		Negative market value	Net market value	Nominal value
<b>2013</b>								
<b>Foreign exchange contracts</b>								
Forward contracts/futures, purchased	(57)	(1)	(3)	0	91	152	(61)	39,012
Forward contracts/futures, sold	11	(11)	3	0	92	89	3	25,365
Swaps	17	42	(44)	88	728	625	103	18,121
Options, purchased	0	4	0	0	4	0	4	2,660
Options, written	0	(3)	0	0	0	3	(3)	2,605
<b>Interest rate contracts</b>								
Forward contracts/futures, purchased	(22)	8	(12)	0	1	27	(26)	88,555
Forward contracts/futures, sold	30	0	0	0	43	13	30	179,980
Forward Rate Agreements, purchased	(56)	(135)	(29)	0	11	231	(220)	290,192
Forward Rate Agreements, sold	74	127	18	0	232	13	219	300,620
Swaps	29	11	2,526	(379)	23,491	21,304	2,187	1,131,580
Options, purchased	0	0	112	1,070	1,190	8	1,182	54,624
Options, written	0	0	(108)	(855)	10	973	(963)	40,080
<b>Equity contracts</b>								
Forward contracts/futures, purchased	1	0	0	0	2	1	1	147
Forward contracts/futures, sold	(3)	0	0	0	1	4	(3)	164
Options, purchased	0	0	0	0	0	0	0	0
Options, written	(1)	0	0	0	0	1	(1)	0
<b>Total</b>							<b>2,452</b>	
<b>2012</b>								
<b>Foreign exchange contracts</b>								
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
<b>Interest rate contracts</b>								
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
<b>Equity contracts</b>								
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
<b>Total</b>							<b>(424)</b>	

## Notes

DKK million

41. UNSETTLED SPOT TRANSACTIONS					
THE NYKREDIT BANK GROUP	Nominal value	2013 Market value		Net market value	2012
		Positive	Negative		Net market value
Foreign exchange contracts, purchased	6,439	11	11	0	0
Foreign exchange contracts, sold	7,666	5	4	1	(13)
Interest rate contracts, purchased	15,028	3	3	0	7
Interest rate contracts, sold	17,923	14	0	14	(2)
Equity contracts, purchased	147	1	1	0	0
Equity contracts, sold	164	1	1	0	0
<b>Total</b>	<b>47,367</b>	<b>35</b>	<b>20</b>	<b>15</b>	<b>(8)</b>
<b>Total, the year before</b>	<b>92,992</b>	<b>32</b>	<b>40</b>	<b>(8)</b>	<b>27</b>
NYKREDIT BANK A/S	Nominal value	2013 Market value		Net market value	2012
		Positive	Negative		Net market value
Foreign exchange contracts, purchased	6,439	11	11	0	0
Foreign exchange contracts, sold	7,666	5	4	1	(13)
Interest rate contracts, purchased	15,028	3	3	0	7
Interest rate contracts, sold	17,923	14	0	14	(2)
Equity contracts, purchased	147	1	1	0	0
Equity contracts, sold	164	1	1	0	0
<b>Total</b>	<b>47,367</b>	<b>35</b>	<b>20</b>	<b>15</b>	<b>(8)</b>
<b>Total, the year before</b>	<b>92,992</b>	<b>32</b>	<b>40</b>	<b>(8)</b>	<b>27</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
<b>42. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES</b>			
<b>Credit risk</b>			
The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.			
<b>Total credit exposure</b>			
<b>Balance sheet items</b>			
7,032	3,049	3,049	7,032
37,780	20,123	20,124	37,780
35,401	56,814	56,814	35,401
49,659	45,906	47,024	49,807
27,185	26,067	26,067	27,185
19,507	18,350	18,498	19,655
2,967	2,459	2,459	2,967
57,827	63,648	63,863	58,023
375	356	356	376
50,871	32,493	32,555	50,918
<b>Off-balance sheet items</b>			
12,171	11,719	11,620	12,169
7,501	6,707	6,906	7,858
<b>Concentration risk</b>			
Pursuant to the Danish Financial Business Act, individual exposures must not exceed 25% of the capital base after deduction of particularly secure assets. The Bank had no exposures exceeding this limit in 2013. 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 9.0% of the capital base. The Bank's 20 largest approved exposures to non-financial counterparties amounted to an aggregate DKK 15.9bn, equivalent to 110% of the capital base (2012: DKK 15.4bn/106%).			
A considerable part of the Bank's credit exposure relates to commercial customers. The aggregate exposure to commercial customers accounted for 84% (2012: 78%) of total loans, advances and guarantees. Of this exposure, Nykredit Bank is particularly exposed to the finance and insurance sector, representing 53% (2012: 41%) of loans, advances and guarantees.			
<b>Collateral security received</b>			
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 estate 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 typically reflects 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 derivatives through a central clearing house, no set-off has been made of collateral security or netting agreements in the accounting figures presented.			
For reverse lending to credit institutions of DKK 10.4bn (2012: DKK 17.6bn) and other customers of DKK 56.8bn (2012: DKK 35.4bn), the Bank has received collateral security in the form of bonds at a market value which 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

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

## Loans, advances, guarantees and provisions by sector

31 December 2013	Carrying amount			Individual and other provisions	Provisions		Total
	Loans and advances	Guarantees	Total loans, advances and guarantees		Collective impairment provisions		
<b>Public sector</b>	<b>259</b>	<b>234</b>	<b>493</b>	<b>0</b>	<b>8</b>	<b>8</b>	
<b>Commercial customers</b>							
Agriculture, hunting, forestry and fishing	1,640	386	2,026	168	9	177	
Manufacturing, mining and quarrying	4,763	263	5,026	219	42	261	
Energy supply	1,733	10	1,743	6	2	8	
Construction	1,392	404	1,796	258	4	262	
Trade	2,301	256	2,557	189	6	195	
Transport, accommodation and food service activities	2,411	614	3,025	120	6	126	
Information and communication	788	160	948	65	3	68	
Finance and insurance	59,924	1,644	61,568	435	10	445	
Real estate	8,872	1,804	10,676	1,317	148	1,465	
Other	6,969	842	7,811	393	29	422	
<b>Total commercial customers</b>	<b>90,793</b>	<b>6,383</b>	<b>97,176</b>	<b>3,170</b>	<b>259</b>	<b>3,429</b>	
Personal customers	12,786	5,003	17,789	538	103	641	
<b>Total</b>	<b>103,838</b>	<b>11,620</b>	<b>115,458</b>	<b>3,708</b>	<b>370</b>	<b>4,078</b>	
Of which reverse lending	56,814	-	56,814	-	-	-	

31 December 2012	Carrying amount			Individual and other provisions	Provisions		Total
	Loans and advances	Guarantees	Total loans, advances and guarantees		Collective impairment provisions		
<b>Public sector</b>	<b>308</b>	<b>205</b>	<b>513</b>	<b>4</b>	<b>0</b>	<b>4</b>	
<b>Commercial customers</b>							
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	
Finance and insurance	38,846	857	39,703	705	37	742	
Real estate	10,802	2,334	13,136	1,292	75	1,367	
Other	7,203	906	8,109	380	17	397	
<b>Total commercial customers</b>	<b>70,717</b>	<b>6,135</b>	<b>76,852</b>	<b>3,367</b>	<b>160</b>	<b>3,527</b>	
Personal customers	14,183	5,829	20,012	532	76	608	
<b>Total</b>	<b>85,208</b>	<b>12,169</b>	<b>97,377</b>	<b>3,903</b>	<b>236</b>	<b>4,139</b>	
Of which reverse lending	35,401	-	35,401	-	-	-	

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

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

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

2013	Manufact. and construct.	Credit and finance	Property management and trade	Transport, trade and ac- commodation	Other commercial and public	Personal customers	Total
<b>Rating category</b>							
10	1,249	255	85	500	681	1,072	3,842
9	684	239	367	242	411	906	2,849
8	1,147	1,749	1,829	967	1,583	1,064	8,339
7	445	363	2,168	699	1,494	1,014	6,183
6	703	262	1,054	385	1,250	1,233	4,887
5	464	81	358	144	405	2,082	3,534
4	807	123	587	197	413	2,273	4,400
3	342	2,701	446	436	372	1,478	5,775
2	171	24	65	114	305	1,058	1,737
1	61	38	605	96	187	318	1,305
0	84	25	195	42	75	181	602
Exposures in default	607	1,195	2,118	704	1,014	747	6,385
<b>Total</b>	<b>6,764</b>	<b>7,055</b>	<b>9,877</b>	<b>4,526</b>	<b>8,190</b>	<b>13,426</b>	<b>49,838</b>
Individual and collective impairment provisions							3,932
<b>Carrying amount</b>							<b>45,906</b>
Total exposures in default*							6,385
Individual impairment provisions							3,563
<b>Carrying amount after impairment provisions</b>							<b>2,822</b>
<b>* Of which loans and advances with individual impairment provisioning</b>							<b>5,582</b>
<b>Individual impairment provisions as % of loans and advances with individual impairment provisioning</b>							<b>63.8</b>

The carrying amount of exposures in default, totalling DKK 2,822m (2012: 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 impaired loans with individual provisioning and loans without individual provisioning to weak customers in default.

The rating categories are described in detail in the report Risk and Capital Management 2013, available at [nykredit.com/reports](http://nykredit.com/reports).

## Notes

DKK million

Nykredit Bank

## 42. 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. and construct.	Credit and finance	Property management and trade	Transport, trade and ac- commodation	Other commercial and public	Personal customers	Total
<b>Rating category</b>							
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
<b>Total</b>	<b>6,821</b>	<b>7,463</b>	<b>12,194</b>	<b>3,765</b>	<b>8,664</b>	<b>14,762</b>	<b>53,669</b>
Individual and collective impairment provisions							4,010
<b>Carrying amount</b>							<b>49,659</b>
Total exposures in default*							7,670
Individual impairment provisions							3,775
<b>Carrying amount after impairment provisions</b>							<b>3,895</b>
<b>* Of which loans and advances with individual impairment provisioning</b>							<b>5,942</b>
<b>Individual impairment provisions as % of loans and advances with individual impairment provisioning</b>							<b>63.5</b>

The category "Exposures in default" includes impaired loans with individual provisioning and loans without individual provisioning to weak customers in default.

The rating categories are described in detail in the report Risk and Capital Management 2013, available at [nykredit.com/reports](http://nykredit.com/reports).



## Notes

DKK million

The Nykredit Bank Group

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

## Loans and advances carrying a reduced interest rate

Group	2013	2012
Gross lending	2,091	1,852
Provisions for loan impairment	1,432	1,024
<b>Carrying amount</b>	<b>659</b>	<b>828</b>
Of which non-accrual	656	827
Of which carrying a reduced interest rate	3	1

Provisioning rate, %	Q4/ 2013	Q3/ 2013	Q2/ 2013	Q1/ 2013	Q4/ 2012	Q3/ 2012	Q2/ 2012	Q1/ 2012
<b>Group</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
Total loans and advances	103,838	99,345	99,221	93,368	85,208	88,564	87,424	88,880
Total guarantees	11,620	10,709	10,706	10,084	12,169	11,552	12,366	11,040
Provisions for loan impairment	3,975	4,099	3,999	4,067	4,057	4,328	4,304	4,315
Provisions for guarantees	103	143	114	142	82	88	82	69
<b>Total loans, advances, guarantees and provisions</b>	<b>119,536</b>	<b>114,296</b>	<b>114,040</b>	<b>107,661</b>	<b>101,516</b>	<b>104,532</b>	<b>104,176</b>	<b>104,304</b>
Provisioning rate, %	3.4	3.7	3.6	3.9	4.1	4.2	4.2	4.2
Provisioning rate excluding guarantees, %	3.7	4.0	3.9	4.2	4.5	4.7	4.7	4.6

Secured lending before impairment provisions Group	2013			2012		
	Public	Personal	Commercial	Public	Personal	Commercial
Unsecured lending	164	7,063	27,480	307	13,777	18,535
Lending secured by way of legal charge or other collateral security:						
Fully secured	61	2,735	60,178	75	3,077	39,528
Partially secured	43	3,627	6,463	124	5,001	8,841
<b>Total lending before impairment provisions</b>	<b>268</b>	<b>13,425</b>	<b>94,120</b>	<b>506</b>	<b>21,855</b>	<b>66,904</b>

"Secured lending before impairment provisions" 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 sector codes and is therefore not a reflection of Nykredit Bank's business segments.

Of total individual impairment provisions for commercial lending of approximately DKK 2.9bn (2012: around DKK 3.0bn), approximately DKK 0.8bn, or 26%, (2012: around 28%) 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		The Nykredit Bank Group	
2012	2013	2013	2012
<b>43. IFRS DISCLOSURE REQUIREMENTS (REFERENCE TO MANAGEMENT'S REVIEW)</b>			
The Nykredit Bank Group's credit risk, market risk and risk management policies are described in detail in the sections on the Group's risk management on pages 18-25 of the Management's Review, which form an integral part of note 42.			
For information on subsequent events, see page 10 of the Management's Review.			
Information referred to in the Management's Review has been audited.			
<b>44. HEDGING INTEREST RATE RISK</b>			
Market risk is the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price risk, etc).			
The market risk and risk management policies of the Nykredit Bank 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 accounting regulation, 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).			
<b>HEDGED FIXED-RATE ASSETS</b>			
1,071	2,704		
		2,704	1,071
<b>1,071</b>	<b>2,704</b>	<b>2,704</b>	<b>1,071</b>
<b>Market value of hedged fixed-rate assets</b>			
1,127	2,731		
		2,731	1,127
<b>1,127</b>	<b>2,731</b>	<b>2,731</b>	<b>1,127</b>
<b>Fair value adjustment</b>			
56	27		
		27	56
<b>56</b>	<b>27</b>	<b>27</b>	<b>56</b>
<b>HEDGED FIXED-RATE LIABILITIES</b>			
1,600	3,476		
		3,476	1,600
<b>1,600</b>	<b>3,476</b>	<b>3,476</b>	<b>1,600</b>
<b>Market value of hedged fixed-rate liabilities</b>			
1,660	3,649		
		3,649	1,660
<b>1,660</b>	<b>3,649</b>	<b>3,649</b>	<b>1,660</b>
<b>Fair value adjustment</b>			
(59)	(173)		
		(173)	(59)
<b>(59)</b>	<b>(173)</b>	<b>(173)</b>	<b>(59)</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2012	2013	2013	2012
<b>44. HEDGING INTEREST RATE RISK (continued)</b>			
<b>ISSUED BONDS</b>			
6,557	7,402	Issued bonds at amortised cost	7,402 6,557
<b>6,557</b>	<b>7,402</b>	<b>Total nominal value</b>	<b>7,402 6,557</b>
<b>Market value of hedged fixed-rate financial liabilities</b>			
6,779	7,506	Issued bonds at amortised cost	7,506 6,779
<b>6,779</b>	<b>7,506</b>	<b>Total carrying amount, year-end</b>	<b>7,506 6,779</b>
<b>Fair value adjustment</b>			
(222)	(104)	Issued bonds at amortised cost	(104) (222)
<b>(222)</b>	<b>(104)</b>	<b>Total fair value adjustment</b>	<b>(104) (222)</b>
<b>HEDGING DERIVATIVE FINANCIAL INSTRUMENTS</b>			
8,650	11,084	Nominal value (synthetic principal)	11,084 8,650
225	235	Market value adjustment (negative market value)	235 225
<b>FAIR VALUE ADJUSTMENT DIFFERENCE</b>			
<b>0</b>	<b>(15)</b>	<b>Total</b>	<b>(15) 0</b>
Hedged and hedging financial instruments have been fair value adjusted through profit or loss.			
<b>Amounts recognised through profit or loss for the financial year</b>			
(189)	(25)	Hedged transactions	(25) (189)
190	10	Hedging transactions	10 190
<b>45. REVERSE LENDING AND REPO TRANSACTIONS</b>			
<b>Of the asset items below, reverse lending represents</b>			
17,559	10,437	Receivables from credit institutions and central banks	10,437 17,559
36,862	56,872	Loans, advances and other receivables at fair value, gross	56,872 36,862
1,461	58	Set-off against "Other non-derivative financial liabilities at fair value"	58 1,461
<b>35,401</b>	<b>56,814</b>	<b>Loans, advances and other receivables at fair value, net</b>	<b>56,814 35,401</b>
<b>Of the liability items below, repo transactions represent</b>			
13,273	20,447	Payables to credit institutions and central banks	20,447 13,273
19,179	18,571	Other non-derivative financial liabilities at fair value, gross	18,571 19,179
1,461	58	Set-off against "Loans, advances and other receivables at fair value"	58 1,461
<b>17,718</b>	<b>18,513</b>	<b>Other non-derivative financial liabilities at fair value, net</b>	<b>18,513 17,718</b>
<b>Assets sold as part of repo transactions</b>			
32,361	38,659	Bonds at fair value	38,659 32,361
The Bank's activities take place exclusively through an exchange of listed bonds on an arm's length basis.			

## Notes

DKK million

## 46. GROUP STRUCTURE

	Revenue*	Assets	Liabilities excl equity	Share capital 31.12.2013	Equity 31.12.2012	Ownership interest, % 31.12.2013	Profit for the year	Nykredit Bank's share of profit for the year	Equity 31.12.2013	Carrying amount
Nykredit Bank A/S (Parent Company) a)	2,137	223,134	208,787	6,045	14,270	-	77	-	14,347	-
<b>Consolidated subsidiaries</b>										
Nykredit Portefølje Administration A/S, Copenhagen e)	236	353	30	25	259	100	64	64	323	323
Nykredit Pantebrevsinvestering A/S, Copenhagen b)	0	12	0	5	12	100	0	0	12	12
Nykredit Leasing A/S, Gladsaxe c)	115	3,470	3,264	46	160	100	46	46	206	206
FB Ejendomme A/S, Copenhagen d)	0	4	0	1	4	100	0	0	4	4
<b>Associates</b>										
Dansk Pantebrevsbørs A/S, Copenhagen b)	-	-	-	-	-	50	0	-	0	-

The company is subject to insolvency proceedings.

**Subsidiaries in temporary possession**

The property group Kalvebod III has been included in the balance sheet items "Assets in temporary possession" and "Liabilities temporarily assumed".

At 31 December 2013, the property group held one property, which is expected to be sold in February 2014. 13 properties were sold in 2103.

Income from sale of the properties has been recognised in "Net income from subsidiary in temporary possession" in the income statement.

Nykredit Pantebrevsinvestering A/S had only few activities.

- a) Banking
- b) Mortgage trading
- c) Leasing
- d) Property management
- e) Investment management, including asset management and investment advisory services

\* 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.

## Notes

DKK/EUR million

47. THE NYKREDIT BANK GROUP 2009-2013	2013/EUR	2013	2012	2011	2010	2009
<b>SUMMARY INCOME STATEMENT</b>						
Net interest and fee income	438	3,265	2,979	3,257	3,624	3,675
Value adjustments	(109)	(815)	(555)	(395)	473	313
Other operating income	4	29	47	34	35	33
Staff and administrative expenses	267	1,992	1,809	1,800	1,759	1,911
Other operating costs, depreciation and amortisation	18	131	38	115	392	605
Impairment losses on loans, advances and receivables	47	349	557	388	1,494	6,571
Profit (loss) from investments in associates and group enterprises	10	78	-	-	30	(136)
<b>Profit (loss) before tax</b>	<b>11</b>	<b>85</b>	<b>67</b>	<b>593</b>	<b>517</b>	<b>(5,202)</b>
Tax	1	8	(1)	160	122	(1,264)
<b>Profit (loss) for the year</b>	<b>10</b>	<b>77</b>	<b>68</b>	<b>433</b>	<b>395</b>	<b>(3,938)</b>
<b>Comprehensive income</b>						
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income</b>	<b>10</b>	<b>77</b>	<b>68</b>	<b>433</b>	<b>395</b>	<b>(3,938)</b>
<b>SUMMARY BALANCE SHEET, YEAR-END</b>						
<b>Assets</b>						
Cash balances and receivables from central banks and credit institutions	3,106	23,173	44,812	50,244	29,480	46,361
Loans, advances and other receivables at fair value	7,616	56,814	35,401	22,007	12,920	11,963
Loans, advances and other receivables at amortised cost	6,303	47,024	49,807	55,901	59,072	60,921
Bonds at fair value and equities	8,608	64,219	58,399	61,063	75,266	65,670
Remaining assets	4,411	32,904	52,099	43,153	33,684	30,294
<b>Total assets</b>	<b>30,044</b>	<b>224,134</b>	<b>240,518</b>	<b>232,368</b>	<b>210,422</b>	<b>215,209</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	7,739	57,732	55,355	63,093	48,351	56,843
Deposits and other payables	8,767	65,405	54,701	57,551	55,699	65,117
Issued bonds at amortised cost	3,577	26,689	28,498	26,137	32,848	44,059
Other non-derivative financial liabilities at fair value	3,920	29,248	33,741	27,308	25,679	6,798
Remaining payables	4,050	30,216	53,468	43,594	32,416	28,084
<b>Total payables</b>	<b>28,054</b>	<b>209,290</b>	<b>225,763</b>	<b>217,683</b>	<b>194,993</b>	<b>200,901</b>
Provisions	33	247	235	233	847	765
Subordinated debt	34	250	250	250	813	1,169
Equity	1,923	14,347	14,270	14,202	13,769	12,374
<b>Total liabilities and equity</b>	<b>30,044</b>	<b>224,134</b>	<b>240,518</b>	<b>232,368</b>	<b>210,422</b>	<b>215,209</b>

## Notes

DKK/EUR million

47. THE NYKREDIT BANK GROUP 2009-2013 (continued)	2013/EUR	2013	2012	2011	2010	2009
<b>OFF-BALANCE SHEET ITEMS</b>						
Contingent liabilities	2,483	18,526	20,027	16,984	22,237	32,773
<b>FINANCIAL RATIOS</b>						
Total capital ratio, %		16.8	21.3	19.3	15.9	12.3
Tier 1 capital ratio, %		16.4	21.3	19.3	15.2	12.3
Return on equity before tax (pa), %		0.6	0.5	4.2	4.0	(46.2)
Return on equity after tax (pa), %		0.5	0.5	3.1	3.0	(35.0)
Income:cost ratio		1.03	1.03	1.26	1.14	0.43
Interest rate exposure, %		0.6	0.5	0.7	0.5	0.1
Foreign exchange position, %		2.7	0.0	0.6	1.5	0.7
Foreign exchange exposure, %		0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits		1.6	1.6	1.5	1.4	1.2
Loans and advances:equity		7.2	6.0	5.5	5.2	5.9
Growth in loans and advances for the year, %		(5.6)	(10.9)	(5.4)	(3.0)	(16.7)
Excess coverage:statutory liquidity requirements, %		275.5	183.2	176.4	251.1	323.9
Total large exposures, %		0.0	0.0	0.0	41.7	62.1
Impairment losses for the year, %		0.3	0.5	0.4	1.6	6.3
Average number of staff, full-time equivalents		859	850	817	847	1,228
EUR 1 = DKK 7.46 at end-2013						

## Notes

DKK/EUR million

48. NYKREDIT BANK A/S 2009-2013	2013/EUR	2013	2012	2011	2010	2009
<b>SUMMARY INCOME STATEMENT</b>						
Net interest and fee income	395	2,949	2,707	3,047	3,453	3,523
Value adjustments	(109)	(812)	(553)	(393)	474	322
Other operating income	0	0	17	8	10	10
Staff and administrative expenses	241	1,800	1,653	1,664	1,648	1,798
Other operating costs, depreciation and amortisation	17	126	30	107	388	601
Impairment losses on loans, advances and receivables	44	327	523	346	1,460	6,501
Profit (loss) from investments in associates and group enterprises	25	188	81	36	65	(156)
<b>Profit (loss) before tax</b>	<b>10</b>	<b>72</b>	<b>46</b>	<b>581</b>	<b>506</b>	<b>(5,201)</b>
Tax	0	(5)	(22)	148	111	(1,263)
<b>Profit (loss) for the year</b>	<b>10</b>	<b>77</b>	<b>68</b>	<b>433</b>	<b>395</b>	<b>(3,938)</b>
<b>Comprehensive income</b>						
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>10</b>	<b>77</b>	<b>68</b>	<b>433</b>	<b>395</b>	<b>(3,938)</b>
<b>SUMMARY BALANCE SHEET, YEAR-END</b>						
<b>Assets</b>						
Cash balances and receivables from central banks and credit institutions	3,106	23,172	44,812	50,244	29,480	46,357
Loans, advances and other receivables at fair value	7,616	56,814	35,401	22,007	12,920	11,963
Loans, advances and other receivables at amortised cost	6,153	45,906	49,659	55,606	58,808	60,722
Bonds at fair value and equities	8,579	64,004	58,202	60,915	75,157	65,668
Investments in associates and group enterprises	73	545	435	354	346	339
Remaining assets	4,382	32,693	51,217	43,190	33,702	30,218
<b>Total assets</b>	<b>29,910</b>	<b>223,134</b>	<b>239,726</b>	<b>232,316</b>	<b>210,413</b>	<b>215,267</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	7,639	56,987	55,355	63,093	48,351	56,843
Deposits and other payables	8,786	65,543	54,756	57,660	55,822	65,334
Issued bonds at amortised cost	3,577	26,689	28,498	26,137	32,848	44,059
Other non-derivative financial liabilities at fair value	3,920	29,248	33,741	27,308	25,679	6,798
Remaining payables	4,008	29,898	52,650	43,433	32,284	27,925
<b>Total payables</b>	<b>27,930</b>	<b>208,365</b>	<b>225,000</b>	<b>217,631</b>	<b>194,984</b>	<b>200,959</b>
Provisions	23	172	206	233	847	765
Subordinated debt	34	250	250	250	813	1,169
Equity	1,923	14,347	14,270	14,202	13,769	12,374
<b>Total liabilities and equity</b>	<b>29,910</b>	<b>223,134</b>	<b>239,726</b>	<b>232,316</b>	<b>210,413</b>	<b>215,267</b>
<b>OFF-BALANCE SHEET ITEMS</b>						
Contingent liabilities and other commitments	2,472	18,426	19,672	16,814	22,161	32,728
<b>FINANCIAL RATIOS</b>						
Total capital ratio, %		16.8	21.3	19.1	15.7	12.2
Tier 1 capital ratio, %		16.4	21.3	19.1	15.0	12.2
Return on equity before tax (pa), %		0.5	0.3	4.3	3.9	(46.2)
Return on equity after tax (pa), %		0.5	0.5	3.1	3.0	(35.0)
Income:cost ratio		1.03	1.02	1.26	1.14	0.42
Interest rate exposure, %		0.6	0.5	0.7	0.5	0.1
Foreign exchange position, %		2.7	0.0	0.6	1.5	0.7
Foreign exchange exposure, %		0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits		1.6	1.6	1.4	1.4	1.2
Loans and advances:equity		7.2	6.0	5.5	5.2	5.9
Growth in loans and advances for the year, %		(7.6)	(10.7)	(5.4)	(3.2)	(16.2)
Excess coverage:statutory liquidity requirements, %		276.0	183.1	175.8	251.1	324.0
Total large exposures, %		0.0	0.0	0.0	41.8	62.2
Impairment losses for the year, %		0.3	0.5	0.4	1.6	6.2
Average number of staff, full-time equivalents		714	723	698	744	1,124
EUR 1 = DKK 7.46 at end-2013						



## Financial ratios, definitions

<b>Total capital ratio, %</b>	Capital base divided by risk-weighted assets
<b>Tier 1 capital ratio, %</b>	Tier 1 capital after deductions divided by risk-weighted assets
<b>Return on equity before tax, %</b>	Profit (loss) before tax as a percentage of average equity
<b>Return on equity after tax, %</b>	Profit (loss) after tax as a percentage of average equity
<b>Income:cost ratio</b>	Income incl profit (loss) from associates and group enterprises divided by costs less tax
<b>Interest rate exposure, %</b>	Interest rate exposure divided by Tier 1 capital after deductions
<b>Foreign exchange position, %</b>	Foreign exchange indicator 1 divided by Tier 1 capital after deductions
<b>Foreign exchange exposure, %</b>	Foreign exchange indicator 2 divided by Tier 1 capital after deductions
<b>Loans and advances:deposits</b>	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
<b>Loans and advances:equity</b>	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
<b>Growth in loans and advances for the year, %</b>	Growth in loans and advances from the beginning of the year to year-end Loans and advances include loans and advances at fair value and loans and advances at amortised cost
<b>Excess coverage:statutory liquidity requirements, %</b>	Excess coverage 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)
<b>Total large exposures, %</b>	Total large exposures divided by the capital base
<b>Impairment losses for the year, %</b>	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.

## THE NYKREDIT BANK GROUP – EIGHT QUARTERS

DKK million

	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
<b>SUMMARY INCOME STATEMENT</b>								
Net interest income	629	679	595	578	620	544	559	603
Dividend on equities and fee and commission income, net	225	172	206	181	205	137	155	156
<b>Net interest and fee income</b>	<b>854</b>	<b>851</b>	<b>801</b>	<b>759</b>	<b>825</b>	<b>681</b>	<b>714</b>	<b>759</b>
Value adjustments	(247)	(724)	110	46	(521)	(18)	36	(52)
Other operating income	6	7	9	7	23	10	7	7
Staff and administrative expenses	522	492	509	469	446	452	454	457
Other operating costs, depreciation and amortisation	71	19	14	27	9	19	(2)	12
Impairment losses on loans, advances and receivables	20	163	(51)	217	142	167	155	93
Profit from investments in associates and group enterprises	0	48	30	-	-	-	-	-
<b>Profit (loss) before tax</b>	<b>0</b>	<b>(492)</b>	<b>478</b>	<b>99</b>	<b>(270)</b>	<b>35</b>	<b>150</b>	<b>152</b>
Tax	5	(143)	121	25	(83)	10	31	41
<b>Profit (loss) for the period</b>	<b>(5)</b>	<b>(349)</b>	<b>357</b>	<b>74</b>	<b>(187)</b>	<b>25</b>	<b>119</b>	<b>111</b>
<b>Comprehensive income</b>								
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>(5)</b>	<b>(349)</b>	<b>357</b>	<b>74</b>	<b>(187)</b>	<b>25</b>	<b>119</b>	<b>111</b>
<b>SUMMARY BALANCE SHEET, YEAR-END</b>								
<b>Assets</b>								
Cash balances and receivables from central banks and credit institutions	23,173	21,471	27,853	29,287	44,812	33,000	44,545	43,008
Loans, advances and other receivables at fair value	56,814	50,149	48,797	43,097	35,401	34,470	32,106	32,830
Loans, advances and other receivables at amortised cost	47,024	49,196	50,424	50,271	49,807	54,094	55,318	56,050
Bonds at fair value	63,863	85,896	79,997	63,823	58,023	77,328	72,499	71,787
Equities	356	347	316	427	376	374	340	392
Remaining assets	32,904	41,347	44,638	52,427	52,099	56,593	48,531	43,161
<b>Total assets</b>	<b>224,134</b>	<b>248,406</b>	<b>252,025</b>	<b>239,332</b>	<b>240,518</b>	<b>255,859</b>	<b>253,339</b>	<b>247,228</b>
<b>Liabilities and equity</b>								
Payables to credit institutions and central banks	57,732	72,378	61,393	56,264	55,355	65,018	66,191	67,967
Deposits and other payables	65,405	59,356	63,407	65,183	54,701	53,684	55,446	56,828
Issued bonds at amortised cost	26,689	26,188	26,754	27,362	28,498	31,278	27,385	31,576
Other non-derivative financial liabilities at fair value	29,248	37,466	43,258	26,702	33,741	33,112	39,656	32,179
Remaining payables	30,216	38,103	41,987	48,910	53,468	57,850	49,778	43,917
<b>Total payables</b>	<b>209,290</b>	<b>233,491</b>	<b>236,799</b>	<b>224,421</b>	<b>225,763</b>	<b>240,942</b>	<b>238,456</b>	<b>232,467</b>
Provisions	247	313	275	317	235	210	201	198
Subordinated debt	250	250	250	250	250	250	250	250
Equity	14,347	14,352	14,701	14,344	14,270	14,457	14,432	14,313
<b>Total liabilities and equity</b>	<b>224,134</b>	<b>248,406</b>	<b>252,025</b>	<b>239,332</b>	<b>240,518</b>	<b>255,859</b>	<b>253,339</b>	<b>247,228</b>
<b>OFF-BALANCE SHEET ITEMS</b>								
Contingent liabilities	11,620	10,709	10,706	10,084	12,169	11,552	12,366	11,040
Other commitments	6,906	6,655	6,990	8,591	7,858	7,740	7,766	6,601
<b>FINANCIAL RATIOS</b>								
Total capital ratio, %	16.8	21.0	21.9	20.6	21.3	20.4	19.8	21.2
Tier 1 capital ratio, %	16.4	21.0	21.9	20.6	21.3	20.4	19.8	21.2
Return on equity before tax (pa), %	0.0	(13.5)	13.2	2.8	(7.5)	1.0	4.2	4.2
Return on equity after tax (pa), %	(0.1)	(9.6)	9.8	2.1	(5.2)	0.7	3.3	3.1

Quarterly financial highlights have not been audited.

## THE NYKREDIT BANK GROUP – EIGHT QUARTERS

DKK million

	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
<b>Summary core earnings and investment portfolio income</b>								
Core income from business operations	809	747	896	800	878	745	985	839
Value adjustment of derivatives and corporate bonds	(205)	(617)	41	15	(553)	(76)	(268)	(170)
Core income from securities	7	8	8	10	7	8	21	25
<b>Total core income</b>	<b>611</b>	<b>138</b>	<b>945</b>	<b>825</b>	<b>332</b>	<b>677</b>	<b>738</b>	<b>694</b>
Operating costs and depreciation of equipment	525	495	510	472	450	456	457	461
Payment to the Guarantee Fund for Depositors and Investors	18	16	13	24	5	15	(5)	8
Provisions for costs relating to reorganisation	50	-	-	-	-	-	-	-
Profit from investments in associates and group enterprises	-	48	30	-	-	-	-	-
<b>Core earnings before impairment losses</b>	<b>18</b>	<b>(325)</b>	<b>452</b>	<b>329</b>	<b>(123)</b>	<b>206</b>	<b>286</b>	<b>225</b>
Impairment losses on loans and advances	20	163	(51)	217	142	167	155	93
<b>Core earnings after impairment losses</b>	<b>(2)</b>	<b>(488)</b>	<b>503</b>	<b>112</b>	<b>(265)</b>	<b>39</b>	<b>131</b>	<b>132</b>
Investment portfolio income	2	(4)	(25)	(13)	(5)	(4)	19	20
<b>Profit (loss) before tax</b>	<b>0</b>	<b>(492)</b>	<b>478</b>	<b>99</b>	<b>(270)</b>	<b>35</b>	<b>150</b>	<b>152</b>
Tax	5	(143)	121	25	(83)	10	31	41
<b>Profit (loss) for the period</b>	<b>(5)</b>	<b>(349)</b>	<b>357</b>	<b>74</b>	<b>(187)</b>	<b>25</b>	<b>119</b>	<b>111</b>
<b>Profit before tax, year-to-date</b>	<b>85</b>	<b>85</b>	<b>577</b>	<b>99</b>	<b>67</b>	<b>337</b>	<b>302</b>	<b>152</b>

Quarterly financial highlights have not been audited.

# OTHER INFORMATION

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## FINANCIAL CALENDAR FOR 2014

### **6 February**

Annual report for 2013 and a preliminary announcement of the financial statements of the Nykredit Bank Group.

### **18 March**

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

### **14 May**

Q1 Interim Report of the Nykredit Bank Group.

### **19 August**

H1 Interim Report of the Nykredit Bank Group.

### **6 November**

Q1-Q3 Interim Report of the Nykredit Bank Group.

Published announcements are available at [nykredit.com](http://nykredit.com)

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

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

**BOARD OF DIRECTORS**

The Board meets monthly except in July.

The members of Nykredit Bank's Board of Directors appointed by the General Meeting are elected for a term of one year. An ordinary election took place on 12 March 2013. 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 and years of service on the Board as well as other directorships 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  
Nykredit Administration V A/S

Director of:  
Nykredit Mægler A/S  
JN Data A/S  
Ejendomsselskabet Kalvebod A/S  
Realkreditrådet  
VP Securities A/S\*

**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  
Gigtforeningen

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

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:  
Nykredits Afviklingspensionskasse  
Nykredit Ejendomme A/S

Director of:  
Nykredit Mægler A/S  
Finanssektorens Arbejdsgiverforening (FA)  
Finanssektorens Uddannelsescenter  
HOFOR A/S  
HOFOR Forsyning Holding P/S  
HOFOR Forsyning Komplementar A/S  
HOFOR Holding A/S  
Øresundsinstittet\*

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  
JSNA 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

Chairman of:

Børsmæglerforeningen

Director of:

MTS Associated Markets SA/NV, Brussels

Den Nordiske Børsmæglerforening

**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 2013

\*\* 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.*