

Annual Report 2014

Nykredit Bank Group

Subsidiary of the Nykredit Realkredit Group



Nykredit

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COMPANY INFORMATION

COMPANY INFORMATION

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

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

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

Nykredit Bank is wholly owned by Nykredit Realkredit A/S and has been included in the consolidated financial statements of this company and 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 17 March 2015.

BOARD OF DIRECTORS

Michael Rasmussen, Chairman
Søren Holm, Deputy Chairman
Henrik K. Asmussen*
Olav Brusen Barsøe*
Kim Duus
Anders Jensen
Allan Kristiansen*
Bente Overgaard

* Elected by the staff of Nykredit Bank

EXECUTIVE BOARD

Bjørn Mortensen
Jesper Berg (joined on 19 March 2014)
Georg Andersen
Lars Bo Bertram (resigned on 10 October 2014)

For directorships and executive positions of the members of the Board of Directors and the Executive Board, see pages 102 and 103.

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 (joined on 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 (joined on 1 January 2014)

RISK BOARD – FROM 1 APRIL 2014

The Risk Board serves the entire Nykredit Group.

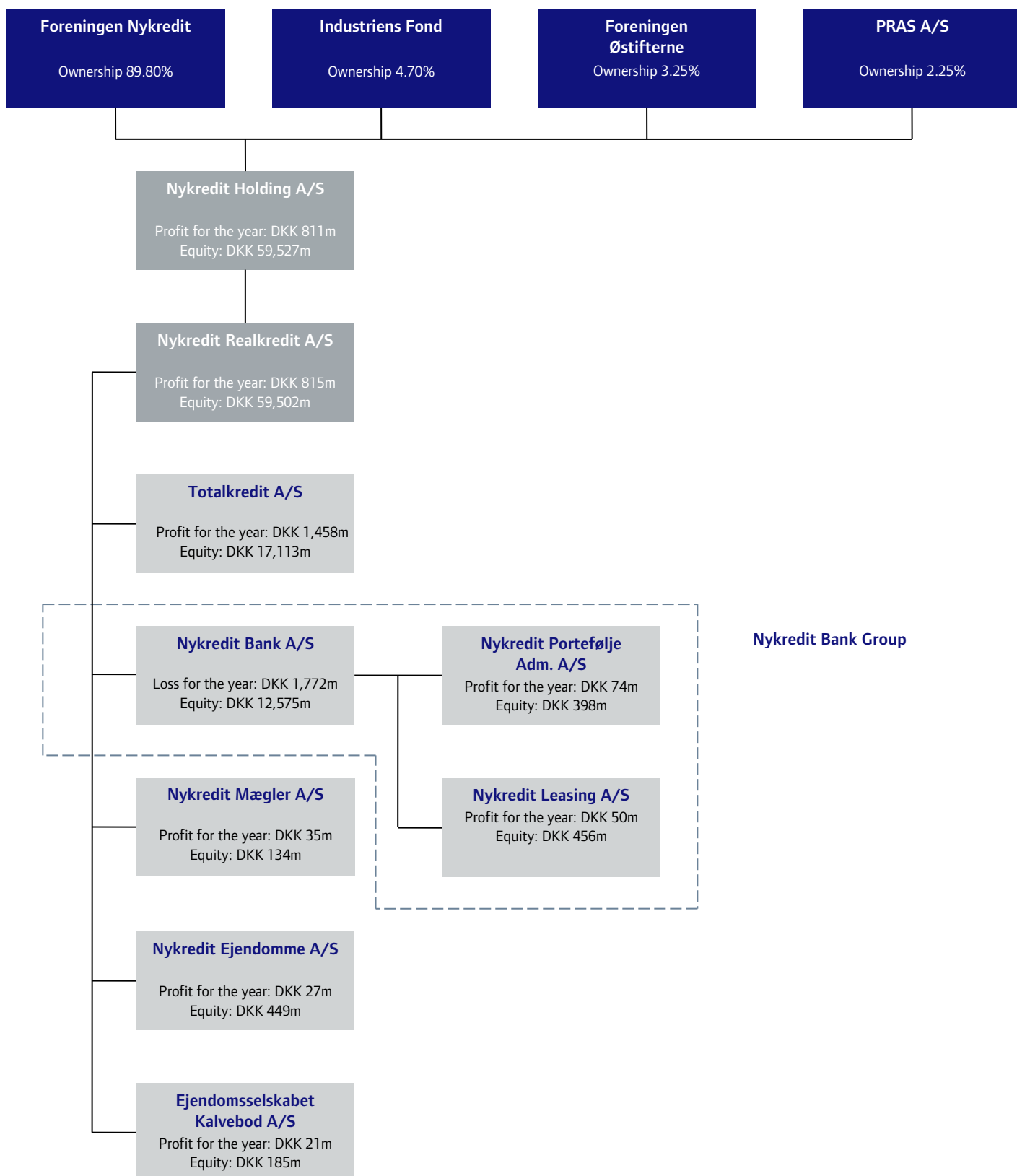
Nina Smith, Professor, Chairman
Steffen Kragh, Chief Executive Officer
Merete Eldrup, Chief Executive Officer
Bent Naur, former Chief Executive Officer
Michael Demsitz, Chief Executive Officer

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

- Annual Report 2014
- CSR Report 2014 – Nykredit Engaging with Society
- Risk and Capital Management 2014

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

GROUP CHART



For more information on the Nykredit Bank Group, please refer to note 45.

NYKREDIT BANK GROUP 2010-2014

Nykredit Bank Group

DKK million/EUR million	2014/EUR	2014	2013	2012	2011	2010
CORE EARNINGS AND RESULTS FOR THE YEAR						
Core income from						
- business operations	426	3,173	3,261	3,475	3,516	3,904
- value adjustment of derivatives due to interest rate changes	(165)	(1,229)	467	46	-	-
- other value adjustment of derivatives	(286)	(2,133)	(1,242)	(1,141)	(642)	(121)
- securities	4	29	33	61	175	126
Total	(21)	(160)	2,519	2,441	3,049	3,909
Operating costs and depreciation of equipment	270	2,007	2,073	1,847	1,914	1,781
Commission payable under the government guarantee scheme (Bank Rescue Package I)	4	-	-	-	-	370
Provisions for costs relating to reorganisation	0	28	50	-	-	-
Value adjustment of associate	0	-	78	-	-	30
Core earnings before impairment losses	(295)	(2,195)	474	594	1,135	1,788
Impairment losses on loans and advances and provisions for guarantees	29	219	349	557	388	1,215
Provisions for guarantees relating to the government guarantee scheme (Bank Rescue Package I)	-	-	-	-	-	279
Core earnings after impairment losses	(324)	(2,414)	125	37	747	294
Investment portfolio income	6	43	(40)	30	(154)	223
Profit (loss) before tax	(319)	(2,371)	85	67	593	517
Tax	(80)	(599)	8	(1)	160	122
Profit (loss) for the year	(238)	(1,772)	77	68	433	395
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	4,552	33,885	23,173	44,812	50,244	29,480
Loans, advances and other receivables at fair value	4,733	35,228	56,814	35,401	22,007	12,920
Loans, advances and other receivables at amortised cost	6,784	50,494	47,024	49,807	55,901	59,072
Bonds at fair value and equities	8,775	65,314	64,219	58,399	61,063	75,266
Remaining assets	6,040	44,962	32,904	52,099	43,153	33,684
Total assets	30,883	229,883	224,134	240,518	232,368	210,422
Liabilities and equity						
Payables to credit institutions and central banks	8,581	63,876	57,732	55,355	63,093	48,351
Deposits and other payables	8,779	65,350	65,405	54,701	57,551	55,699
Bonds in issue at amortised cost	3,477	25,881	26,689	28,498	26,137	32,848
Other non-derivative financial liabilities at fair value	2,679	19,943	29,248	33,741	27,308	25,679
Remaining payables	5,632	41,913	30,216	53,468	43,594	32,416
Provisions	33	245	247	235	233	847
Subordinated debt	13	100	250	250	250	813
Equity	1,689	12,575	14,347	14,270	14,202	13,769
Total liabilities and equity	30,883	229,883	224,134	240,518	232,368	210,422
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	1,557	20,893	11,620	12,169	10,142	15,225
Other commitments	145	4,839	6,906	7,858	6,842	7,012
FINANCIAL RATIOS						
Profit (loss) for the year as % of average equity pa		(13.2)	0.5	0.5	3.1	3.0
Profit (loss) before tax for the year as % of average equity pa		(17.6)	0.6	0.5	4.2	4.0
Core earnings before impairment losses as % of average equity pa		(16.3)	3.3	4.2	8.1	13.7
Core earnings after impairment losses as % of average equity pa		(17.9)	0.9	0.3	5.3	2.2
Costs excl impairment losses as % of core income from business operations		63.3	63.6	53.6	54.6	56.2
Impairment losses on loans and advances		3,560	3,974	4,057	4,294	6,143
Impairment losses for the year, %		0.2	0.3	0.5	0.4	1.6
Total capital ratio, %		13.1	16.8	21.3	19.3	15.9
Tier 1 capital ratio, %		12.8	16.4	21.3	19.3	15.2
CET1 capital ratio, %		12.8	16.1	21.0	19.0	15.0
Average number of full-time staff		820	859	850	817	847

For financial highlights based on the Group's presentation of income statement and balance sheet etc, please see notes 46 and 47.

2014 – IN BRIEF

2014 – IN BRIEF

- The Nykredit Bank Group recorded a loss before tax of DKK 2,371m against a profit of DKK 85m in 2013.
- Core income from business operations totalled DKK 3,173m, which represented a 3% decline from DKK 3,261m in 2013.

This development was a result of increased earnings in Retail and Group Items, while Wholesale saw a decline due to lower earnings from Corporate and Institutional Banking clients and fixed income trading, which was marked by low trading activity throughout 2014.

- Operating costs were DKK 2,007m against DKK 2,073m in 2013.

Operating costs as a percentage of core income from business operations totalled 63.3% against 63.6% in 2013.

- Value adjustment of interest rate swaps totalled a charge of DKK 3,362m, of which DKK 1,229m was an effect of interest rate falls. Other value adjustment of DKK 2,133m was attributable to a continued conservative assessment of our customers' financial outlook combined with uncertainty about the legal set-up of cooperative housing. This provision should further be seen in the context of expectations of continued low European growth, inflation and interest rates.
- Impairment losses reduced by DKK 130m to DKK 219m. The reduction was attributable to Retail, while Wholesale was somewhat above the level in 2013. Impairment losses for the year were 0.2% of loans and advances against 0.3% in 2013.
- Core earnings after impairment losses came to a loss of DKK 2,414m against income of DKK 125m in 2013.
- The investment portfolio produced an income of DKK 43m against a loss of DKK 40m in 2013.
- The balance sheet stood at DKK 229.9bn compared with DKK 224.1bn at end-2013.
- Results before tax generated a return on equity of negative 17.6% against 0.6% in 2013.

LIQUIDITY

- Excess coverage relative to statutory liquidity requirements was a satisfactory 281.7%, and the Bank had a deposit surplus of DKK 14.9bn.
- The Bank's liquidity coverage ratio (LCR) came to 107% according to the LCR rules.

CAPITAL

- Equity stood at DKK 12.6bn.
- The Common Equity Tier 1 (CET1) capital ratio was 12.8 % against 16.1% at end-2013.
- The total capital ratio was 13.1% against 16.8% at end-2013 and the internal capital adequacy requirement came to 11.7% compared with 12.0% at end-2013.
- To support Nykredit Bank's business development and strengthen its capital position, the Bank received additional equity of DKK 2bn from its Parent Company, Nykredit Realkredit A/S, at an extraordinary general meeting convened and held on 5 February 2015. The equity increase strengthened the Bank's total capital ratio by about 2 percentage points. The share capital consequently stood at DKK 8,045m.

Nykredit Bank Group results

The Nykredit Bank Group recorded a loss before tax of DKK 2,371m notably as a result of value adjustment of interest rate swaps. The value adjustments were attributable to a drop in interest rates and a conservative assessment of the financial outlook for our customers, particularly housing cooperatives.

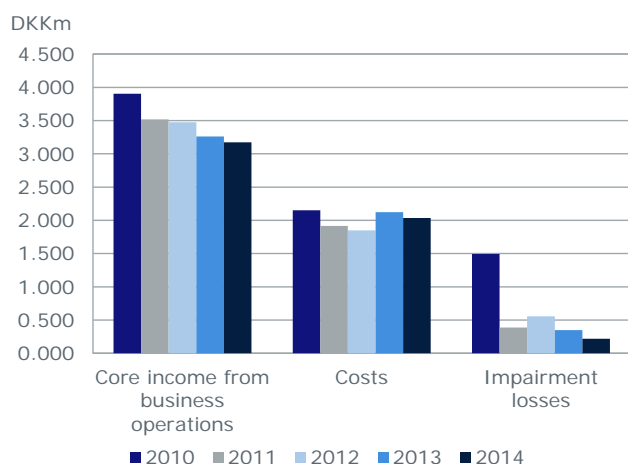
Negative value adjustment for the year of DKK 3,362m contained a significant element of provisioning for potential losses. By comparison, incurred losses alone amounted to DKK 100m.

Excluding value adjustment of interest rate swaps, results before tax for the year went up by DKK 131m compared with 2013. This improvement was notably driven by reduced impairment losses on loans and advances and a decline in operating costs.

Core income from business operations dropped by DKK 88m to DKK 3,173m. This development was the result of an earnings decline of DKK 264m in Wholesale due to lower fixed income trading activity, while Retail and Group Items saw growth of DKK 176m from 2013. Results were affected by negative value adjustment of interest rate swaps of DKK 3,362m compared with a charge of DKK 775m in 2013.

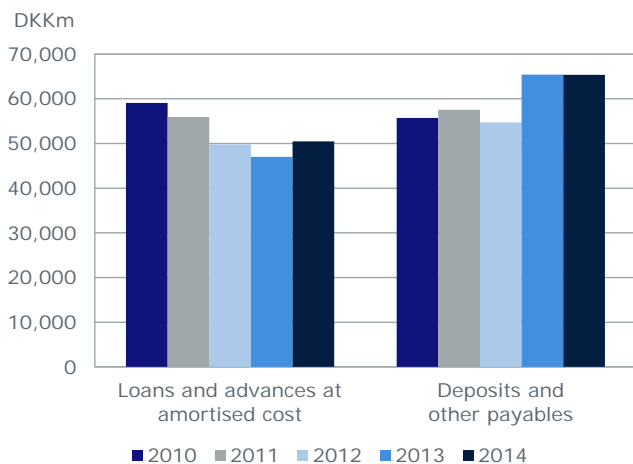
Nykredit Bank Group

Core income, costs and impairment losses



Nykredit Bank Group

Lending and deposits



The development was due to a continued conservative valuation of interest rate swaps and a drop in interest rates.

Impairment losses on loans and advances developed satisfactorily and reduced by DKK 130m compared with 2013 to DKK 219m. Impairment losses were 0.2% of loans and advances for the year under review compared with 0.3% in 2013.

Core earnings

Core earnings after impairment losses were a loss of DKK 2,414m against an income of DKK 125m in 2013, corresponding to a decline of DKK 2,539m.

Core income from business operations

Core income was DKK 3,173m in 2014, which corresponded to a decline of DKK 88m from DKK 3,261m in 2013.

Core income from Retail grew modestly by DKK 38m compared with 2013. This area was affected by generally subdued demand for finance and low property market activity.

Nykredit Markets's core income dropped by DKK 175m to DKK 250m. 2014 earnings in this area should be seen in the light that fixed income trading was affected by low national and international activity levels.

Earnings from Nykredit Asset Management were DKK 17m below the 2013 level, while Corporate & Institutional Banking was DKK 72m below.

Value adjustment of derivatives

Value adjustment of interest rate swaps resulted in a charge of DKK 3,362m, which was DKK 2,587m higher than in 2013. DKK 1,229m of this charge was attributable to a decline in interest rates, while new provisions added DKK 2,133m to the charge.

Value adjustments are based on a conservative valuation. Thus, the total market values of swap contracts with customers having the lowest ratings have been adjusted to DKK 0. The valuation of the market values of other swaps with weak customers, especially housing cooperatives, has also been made according to a conservative approach.

In December 2014, the Maritime and Commercial Court in Copenhagen granted a housing cooperative's petition for bankruptcy. Nykredit has appealed this decision. It should be noted that the Danish High Court has previously found for Nykredit in a similar case.

The decision did not affect the value adjustment of interest rate swaps in the case in question or similar cases in Q4/2014 but generally gave rise to a more conservative assessment and valuation of receivables relating to cooperative housing.

The market values of interest rate swaps with housing cooperatives came to about DKK 7.9bn, equal to 40% of the market values of customer swaps totalling DKK 19.6bn. The negative value adjustment of swaps with housing cooperatives totalled DKK 4.1bn, or 50% of the market values. Negative value adjustments of about DKK 1.4bn for contracts with other customers are not concentrated within individual sectors.

Incurred losses on interest rate swaps since 2012 amounted to just below DKK 300m and are expected to remain at a moderate level compared with total provisions of about DKK 5.5bn. The relatively large provisions are in part due to the fact that the market values of

swap contracts with customers having the lowest ratings have been valued at DKK 0.

Value adjustments due to interest rate changes had an adverse effect on results of DKK 1,229m, of which DKK 1,021m resulted from individually valued interest rate swaps, while the remainder stemmed from a general assessment of provisions for weak customers. The value adjustment was positive of DKK 467m in 2013.

Value adjustment of interest rate swaps was particularly affected by the development in 30-year swap rates, which amounted to about 1.7% at year-end, but it was also influenced by customers' financial outlook and legal set-up of cooperative housing. Value adjustments will change by DKK 1.4bn-2.1bn upon a 1 percentage point change in interest rate levels. The interest rate sensitivity of DKK 1.4bn was attributable to contracts where the individual market value is DKK 0. Additional interest rate sensitivity relates to other contracts where value adjustments also significantly reflect the development in the cooperative housing area, including the legal set-up.

Core income from securities

Core income fell back from DKK 33m in 2013 to DKK 29m in 2014, which mirrored the decline in the short-term risk-free interest rate from an average of 0.23% in 2013 to 0.20% in 2014. The risk-free interest rate is based on the Danish central bank's lending rate.

Operating costs, depreciation and amortisation

Staff and administrative expenses generally developed as expected and reduced DKK 64m, or 3%, to DKK 1,928m.

Payroll costs declined DKK 51m, or 6%, as a result of staff reduction and lower performance-related pay, while other administrative expenses were more or less unchanged at DKK 1,157m compared with DKK 1,170m in 2013. Compared with 2013, IT development expenses fell, while IT costs and settlement of balances with the Parent Company relating to administrative tasks increased.

The average number of full-time staff totalled 820 compared with 859 in 2013.

Other operating expenses dropped from DKK 122m to DKK 96m in 2014. This amount mainly comprised expenses of DKK 65m for the Guarantee Fund for Depositors and Investors and reorganisation costs of DKK 28m. In 2013 these costs were DKK 71m and DKK 50m, respectively. Additional provisions of DKK 28m were made in 2014 in connection with the decision to make 20 jobs redundant in Fixed Income Copenhagen. Moreover, Nykredit expects to close its Stockholm branch.

In the financial year 2013 in connection with the Group's plan "Nykredit 2015" comprising a number of initiatives such as reorganisation, adjustment of the Group's use of IT and staff resizing, DKK 50m was provided. Of this amount, about DKK 10m was used in the financial year 2014, while the remaining part will be used in 2015.

Investments in associates

No special adjustments for associates have been made for 2014. Results for 2013 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 company is still in the process of being wound up.

Impairment losses and provisions

Impairment losses and provisions fell from DKK 349m in 2013 to DKK 219m in 2014.

Recoveries on claims previously written off totalled DKK 33m, down DKK 191m relative to 2013, when income was significantly affected by reversals concerning a number of property exposures, including proceeds from the disposal of residential rental properties held by Ejendomselskabet Kalvebod III.

Individual impairment provisions saw a net reduction of DKK 295m from DKK 333m to DKK 38m, while collective impairment provisions were DKK 139m, up DKK 5m from DKK 134m in 2013.

Provisions for guarantees amounted to DKK 4m, down DKK 17m from 2013.

The reduction of DKK 130m in impairment losses and provisions for guarantees compared with 2013 was composed of a decline of DKK 319m in Retail, a rise of DKK 158m in Wholesale and a decline of DKK 31m in Group Items.

Impairment losses for the year were 0.2% of loans and advances against 0.3% in 2013.

Investment portfolio income

The investment portfolio produced an income of DKK 43m against a loss of DKK 40m in 2013.

Investment portfolio income equals excess income obtained from portfolios not allocated to the business areas in addition to risk-free interest.

The development since 2013 should partly be viewed in light of the fact that 2014 was affected by positive value adjustment of unlisted equities in the portfolio, including the sale of shares in Nets, which generated an income of DKK 9m. In 2013 investment portfolio income also included commission to Nykredit Holding A/S for a loss guarantee provided to strengthen the Bank's total capital ratio and Tier 1 capital ratio. The loss guarantee was terminated by the Bank's Management at end-2013 and has thus not resulted in any expenses in 2014.

Tax

Tax calculated was an income of DKK 599m, corresponding to 25.3% of the loss before tax compared with 9.4% in 2013.

Compared with the current corporation tax rate of 24.5%, calculated tax was partly affected by adjustment of previous years' tax and non-taxable profit on sector equities.

In 2013 the Danish parliament adopted a change to the corporation tax rate. The tax rate was 24.5% for 2014 and will be gradually reduced to 22% by 2016.

Compared with the current tax rate, the lowering of tax rates until 2016 affects the Nykredit Bank Group's deferred tax payments, corresponding to an estimated income of DKK 2.7m, which has been recognised in the income statement.

Results after tax

The Group recorded a loss after tax of DKK 1,772m, equivalent to a return on equity of negative 13.2%. For 2013 the Group reported a profit of DKK 77m 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 2014.

RESULTS FOR Q4/2014

Q4/2014 saw a loss before tax of DKK 1,274m, an improvement of DKK 17m from a loss of DKK 1,291m in Q3/2014. Core earnings from business operations were DKK 136m below the Q3/2014 level, while expenses for value adjustment of interest rate swaps were DKK 189m lower in Q4.

Capacity costs were DKK 38m below the level in Q3 partly due to a reduction in payroll costs, while impairment losses increased by DKK 20m.

Finally, investment portfolio income reduced by DKK 27m compared with Q3/2014, which partly reflected the yield spread widening between covered bonds and government bonds.

Results before tax dropped from a profit of DKK 0m in Q4/2013 to a loss of 1,274m in Q4/2014. The change in results was chiefly driven by a rise in value adjustment of interest rate swaps of DKK 1,164m from a charge of DKK 205m in Q4/2013 to a charge of DKK 1,369m in Q4/2014. Core income from business operations was DKK 123m lower.

Operating costs were down DKK 87m to DKK 456m, while impairment losses on loans and advances were DKK 80m higher than the level in Q4/2013.

The investment portfolio produced a loss of DKK 15m compared with an income of DKK 2m in Q4/2013.

RESULTS FOR 2014 RELATIVE TO FORECASTS

On the announcement of the Q1-Q3/2014 Interim Report, we expected profit before tax for the full year, excluding value adjustment of interest rate swaps, to be DKK 250m-300m above the level in 2013. Profit came to DKK 991m in 2014, or DKK 131m above the 2013 level.

When the Annual Report for 2013 was published, the Bank expected a rise in core earnings after impairment losses to about DKK 400m. Results for the year were a loss of DKK 2,414m and were thus significantly below expectations.

The development was particularly driven by a rise in value adjustment of interest rate swaps, which had a negative impact of DKK 3,362m, due to continued interest rate declines and value adjustment of an increasing number of swap transactions. Our financial performance, exclusive of value adjustment of interest rate swaps, showed that core earnings after impairment losses were DKK 948m in 2014.

Operating costs and impairment losses fell short of expectations.

OUTLOOK FOR 2015

In 2015 Nykredit Bank expects both bank lending and deposits to grow moderately but also interest margins to fall back slightly.

The Bank's business income, excluding value adjustment of interest rate swaps, is expected to see modest growth, which combined with an anticipated decline in capacity costs will have a favourable effect on the Bank's structural earnings.

Impairments are expected to rise from the very low level in 2014, but will remain relatively subdued.

Based on the above, Nykredit Bank expects profit before tax, excluding value adjustment of derivatives, to range between DKK 800m and DKK 900m in 2015.

It should be noted that negative market rates may impact earnings in 2015 if market standards lead to changed earnings margins. Full-year results will moreover be affected by the general development in interest rate levels, investment portfolio income and the impact from interest rate swaps, including the development in the legal set-up of cooperative housing.

OTHER

Nykredit designated a systemically important financial institution

In line with expectations, the Danish FSA designated Nykredit Realkredit as a systemically important financial institution (SIFI) in June. As a SIFI, Nykredit will be more closely monitored by the Danish FSA and will be subject to a higher capital requirement (SIFI buffer) of 2%.

Corporate loan portfolio from FIH Erhvervsbank A/S strengthens Nykredit Bank's position

Nykredit Bank and FIH Erhvervsbank agreed in June that Nykredit Bank would take over 22 large corporate accounts with credit exposures totalling approximately DKK 3.5bn, comprising lending of around DKK 1.7bn, guarantees and credit commitments of around DKK 1.3bn and derivative financial instruments of DKK 0.1bn, net.

The agreement adds a number of large corporate clients to Nykredit Bank's customer base.

Stronger customer focus after reorganisation

We changed our management and organisational structure in spring. The purpose was to sharpen our business strategic focus and raise profitability through a strong customer focus with new customer concepts, increased earnings, efficiencies and a less complex organisation. Another focus area is to strengthen and reinvigorate the Talkkredit partnership with the 62 Danish local and regional banks.

We aim to grow income by DKK 1bn and reduce costs by DKK 0.5bn with full effect from 2016. As part of cost reduction and to raise the efficiency of decision-making processes, it was necessary to reduce the number of management and staff positions by up to 300, mainly in non-customer facing functions. The new organisation was implemented on 1 May 2014.

Management change

As at 1 April 2014, Michael Rasmussen, Group Chief Executive, joined the Board of Directors of Nykredit Bank as Chairman.

As at 19 March 2014, the Bank's Executive Board was expanded to include Jesper Berg, Managing Director and the head of Regulatory Affairs & Rating of the Nykredit Group. Lars Bo Bertram, Managing Director, resigned from Nykredit Bank in October 2014 and withdrew from the Bank's Executive Board on 10 October. The Bank's Executive Board now consists of three members.

Karsten Knudsen and Per Ladegaard, Group Managing Directors, retired from the Bank's Board of Directors as at 1 April 2014.

As at 1 October 2014, Anders Jensen joined Nykredit as Group Managing Director in charge of Retail, and he also became a member of the Board of Directors of Nykredit Bank. Anders Jensen was formerly CEO of Nordea Bank Danmark. As at 31 December 2014, the Board of

Directors of the Bank consists of eight members, of which three are staff-elected.

Participation in EU-wide AQR and stress test

In 2014, the Nykredit Group participated in the EU-wide Asset Quality Review and stress test. The outcome of this review was stated in a report from the Danish FSA and Nykredit's press release dated 26 October 2014. The review prompted increased impairment losses of about DKK 15m in the Financial Statements of Nykredit Bank. The FSA's report and Nykredit's press release are available at nykredit.dk/AQR.

Reorganisation

Nykredit has decided to reorganise the Fixed Income unit of Nykredit Markets. The area was downsized to reflect the lower fixed income earnings potential and 20 jobs were made redundant. In addition, Nykredit expects to close its Stockholm branch. Reference is made to our press release of 22 January 2015.

Nykredit a member of BEC

Nykredit Bank became a member of BEC, a bank-owned technology provider, in October. Nykredit Bank will increasingly use BEC's banking platform to offer core banking services to personal and commercial customers, which will reduce Nykredit's development costs.

BEC membership enables Nykredit to focus more on IT development within mortgage lending and housing advisory services. Therefore, the membership is a natural extension of Nykredit's strategic objective of strengthening and developing the alliance with the partner banks.

Sale of shares in Nets A/S

Like other banks, Nykredit divested its shares in Nets in 2014. The profit affected group results by DKK 9m.

Nykredit Asset Management reorganisation

Nykredit Asset Management has been reorganised into two internal units under a new management team. The reorganisation is a natural consequence of Nykredit's strategic objective of increased focus and firm customer orientation.

Nykredit Asset Management will have a new management team consisting of Peter Kjærgaard, current Head of Investments, and Morten Therkildsen, newly appointed Head of Client Management, from Carnegie Asset Management.

Nykredit Portefølje Administration becomes an independent business area of Nykredit Wholesale.

Housing cooperatives

In December 2014, the Maritime and Commercial Court in Copenhagen granted a housing cooperative's petition for bankruptcy. Nykredit has appealed this decision. It should be noted that the Danish High Court has previously found for Nykredit in a similar case.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

The measurement of certain assets and liabilities is based on accounting estimates made by Group Management.

The areas in which assumptions and estimates significant to the financial statements have been made include determination of the fair value and credit risk of certain financial instruments, measurement of loans and advances and provisions.

Uncertainty as to recognition and measurement is described in detail in accounting policies (note 1), to which reference is made.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL PERIOD

The Bank has received additional equity of DKK 2bn from its Parent Company, Nykredit Realkredit A/S. The equity increase took effect as at 5 February 2015.

No other significant events have occurred in the period up to the presentation of the Annual Report 2014 which affect the financial position of the Nykredit Bank Group.

CREDIT RATINGS

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

Standard & Poor's has assigned Nykredit Bank a short-term unsecured rating of A-1 and a long-term rating of A+. The long-term rating has been assigned a negative outlook.

Fitch Ratings has assigned Nykredit a long-term unsecured rating of A with stable outlook and a short-term unsecured rating of F1.

Nykredit Bank's ratings are unchanged compared with end-2013.

Nykredit Bank A/S Credit ratings

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

Nykredit Bank Group
Summary balance sheet

DKK million	2014	2013
Receivables from credit institutions	33,885	23,173
Loans and advances at fair value	35,228	56,814
Loans and advances at amortised cost	50,494	47,024
of which Retail	25,533	23,348
of which Wholesale	24,929	23,612
of which other loans and advances	32	64
Bonds and equities	65,314	64,219
Remaining assets	44,962	32,904
Payables to credit institutions and central banks	63,876	57,732
Deposits and other payables	65,350	65,405
of which Retail	40,637	36,427
of which Wholesale	23,287	27,256
of which other loans and advances	1,425	1,722
Bonds in issue	25,881	26,689
Other non-derivative financial liabilities at fair value	19,943	29,248
Remaining payables and provisions	42,158	30,463
Subordinated debt	100	250
Equity	12,575	14,347
Balance sheet total	229,883	224,134

Nykredit Bank Group
Equity

DKK million	2014	2013
Equity, beginning of year	14,347	14,270
Profit after tax for the year	(1,772)	77
Total equity	12,575	14,347

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY
Balance sheet

The balance sheet stood at DKK 229.9bn compared with DKK 224.1bn at end-2013.

Balances with credit institutions and cash balances increased by DKK 10.7bn to DKK 33.9bn, while loans and advances at fair value (reverse repurchase lending) decreased by DKK 21.6bn to DKK 35.2bn. 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 were DKK 50.5bn, a rise of DKK 3.5bn from end-2013. The level reflected the takeover of a portfolio from FIH as well as modest loan demand. Relative to end-2013, Wholesale lending saw a rise of DKK 1.3bn, while Retail lending rose by DKK 2.2bn.

The bond portfolio expanded from DKK 63.9bn at end-2013 to DKK 65.0bn. The portfolio may fluctuate significantly from one reporting period to another, which should be seen in continuation of the Bank's repo activities, trading positions and general liquidity management. The portfolio mainly consisted of high-rated government and covered bonds.

Assets in temporary possession were DKK 47m against DKK 212m at end-2013. The item comprised properties and a property company taken over by the Bank in connection with the settlement of non-performing exposures. The properties of Ejendomsselskabet Kalvebod III have all been sold, and the sale in 2014 has had no impact on results for the year.

Other assets totalled DKK 44.2bn against DKK 32.6bn at end-2013. At 31 December 2014, DKK 39.1bn was attributable to positive market values of derivatives compared with DKK 25.9bn at end-2013. The positive market values related to the Bank's customer activities in derivatives and own positions for hedge accounting purposes. The interest rate risk was widely hedged through offsetting interest rate swaps, and the market value should therefore be viewed in the context of "Other liabilities", which included negative market values of DKK 37.5bn.

Moreover, "Other assets" included interest and commission receivable.

Payables to credit institutions and central banks rose by DKK 6.1bn to DKK 63.9bn.

Deposits and other payables remained unchanged at DKK 65.4bn compared with end-2013. Retail deposits grew by DKK 4.2bn, whereas Wholesale deposits dropped by DKK 4.0bn. Group Items and other deposits decreased by DKK 0.3bn.

As at 31 December 2014, the Bank's deposit surplus was DKK 14.9bn measured as the balance between deposits and lending at amortised cost. At end-2013, the deposit surplus came to DKK 18.4bn.

Bonds in issue totalled DKK 25.9bn against DKK 26.7bn at end-2013. The Bank's issues under the ECP and EMTN programmes continued to obtain satisfactory pricing and interest rate levels. The level is continuously adapted to the Bank's liquidity needs.

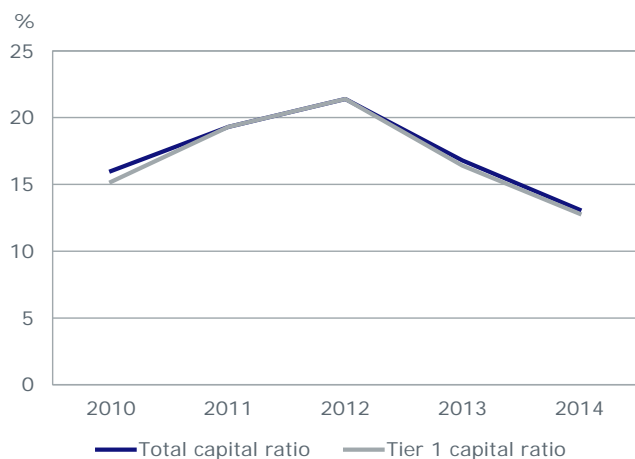
Other non-derivative financial liabilities at fair value, which include deposits relating to repo transactions, came to DKK 19.9bn against DKK 29.2bn at end-2013.

Nykredit Bank Group Capital and capital adequacy

DKK million	31.12.2014	01.01.2014	31.12.2013
Credit risk	75,689	70,461	69,481
Market risk	12,417	13,291	13,291
Operational risk	4,904	5,937	5,937
Credit value adjustments (CVA)	1,041	-	-
Total REA	94,051	89,689	88,709
Equity	12,575	14,347	14,347
Prudent valuation adjustment	(435)	-	-
Intangible assets	(55)	(23)	(23)
Deduction for the difference between IRB losses and impairments	(42)	-	-
Common Equity Tier 1 capital	12,044	14,324	14,324
Additional Tier 1 capital	100	200	250
Other deductions	(85)	-	(17)
Tier 1 capital	12,059	14,524	14,557
Provisions relative to expected losses in accordance with IRB approach	390	374	374
Transitional adjustment of Tier 2 capital	(85)	(18)	(18)
Own funds	12,365	14,880	14,914
Total capital ratio, %	13.1	16.6	16.8
Tier 1 capital ratio, %	12.8	16.2	16.4
CET1 capital ratio, %	12.8	16.0	16.1
Internal capital adequacy requirement (Pillar I and Pillar II), %	11.7	-	12.0

Capital and capital adequacy are specified further in note 2.
Note: "01.01.2014" shows pro forma capital and capital adequacy determined in accordance with new regulations in force from 2014.

Nykredit Bank Group Total capital ratio and Tier 1 capital ratio



Other payables and deferred income totalled DKK 41.9bn against DKK 30.1bn at end-2013. The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The development of DKK 11.8bn relative to end-2013 partly reflected an increase in negative market values of derivative financial instruments from DKK 23.4bn at end-2013 to DKK 37.5bn

The Bank's Additional Tier 1 capital was DKK 100m against DKK 250m at end-2013.

Capital and capital adequacy

Equity stood at DKK 12,575m at end-2014. Equity has decreased by DKK 1,772m in 2014, which equalled loss 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 own funds totalled DKK 12.4bn at end-2014 compared with DKK 14.9bn at end-2013, and the risk exposure amount (REA) was DKK 94.1bn at end-2014 compared with DKK 88.7bn in 2013.

REA went up by DKK 5.3bn compared with the level at end-2013. This development comprised a rise of DKK 7.2bn in items involving credit risk, a drop of DKK 1.0bn in items involving operational risk and a decline of DKK 0.9bn in items involving market risk.

The total capital ratio of the Nykredit Bank Group was 13.1% at end-2014 against 16.8% at end-2013, and the Tier 1 capital ratio totalled 12.8% against 16.4% at end-2013.

Nykredit Bank aims to have a Tier 1 capital ratio of at least 13%. To support the Bank's business development and strengthen its capital position, Nykredit Realkredit A/S consequently contributed additional equity of DKK 2bn to Nykredit Bank on 5 February 2015. The capital increase has a positive effect on the Tier 1 capital ratio of about 2 percentage points.

The Nykredit Bank Group's internal capital adequacy requirement was 11.7% at end-2014 against 12.0% at end-2013. The internal capital adequacy requirement is determined on a conservative basis as the higher result using either the Bank's internal method or the 8+ method of the Danish FSA. This method is based on the minimum requirement of 8% of REA (Pillar 1) with the addition of a charge for risks and other factors that are not fully reflected in the determination of REA. In other words, ordinary risks are assumed to be covered by the 8% requirement, and it should be determined to what extent an institution has additional risks requiring an add-on to the internal capital adequacy requirement (Pillar II).

The internal capital adequacy requirement is calculated as required own funds as a percentage of REA. The determination involves a comparison of Nykredit Bank's own assessment of required own funds and the results of using the 8+ method of the Danish FSA.

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks, including any model uncertainties. Nykredit Bank's required own funds stood at DKK 11bn at end-2014, equal to an internal capital adequacy requirement of 11.7%.

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, it has been decided to set a minimum internal capital adequacy requirement of 10% of REA even if the model calculations indicate a lower ratio.

The table "Capital and capital adequacy" includes a column with the heading "01.01.2014", which shows fully loaded 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 deductions from Tier 2 capital must be deducted from CET1 capital in future. As Nykredit Bank has not issued any Tier 2 capital, largely all deductions are already made from CET1 capital, so in practice it is of little consequence. Furthermore, only 80% of the value of issued Additional Tier 1 capital may count towards regulatory capital.

Nykredit Bank's use of models to determine risk exposure amounts is described below under "Credit risk" and "Market risk" and in the report Risk and Capital Management 2014, which is available at nykredit.com/reports.

Further information on Nykredit Bank's capital and risk management is provided in note 2 and note 42.

BUSINESS AREAS

The Nykredit Bank Group's business areas are:

- Retail, which serves 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, as well as the subsidiaries Nykredit Portefølje A/S and Nykredit Leasing A/S
- Group Items, which comprises the Bank's treasury area, which forms part of Group Treasury, and other income and costs not allocated to the business areas, including core income from securities and investment portfolio income.

The business areas were adjusted to reflect Nykredit's new organisation that was implemented in H1/2014. Compared with the presentation in 2013, the most significant changes are that Private Banking and the subsidiary Nykredit Leasing A/S are now included in Wholesale instead of Retail (SMEs). The Bank's results, equity and balance sheet have not been affected by the change. Comparative figures for 2013 have been restated to reflect this change.

Gross income from customer business is generally allocated to the business areas which have supplied the individual products, which include Corporate & Institutional Banking, Nykredit Leasing A/S, Nykredit Markets and Nykredit Asset Management. Gross income attributable to the sales activities of Retail is subsequently reallocated in full. Correspondingly, Retail pays a proportion of the capacity costs of Nykredit Markets and Nykredit Asset Management attributable to the sales activities.

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

DKK million	Retail		Wholesale		Group Items		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Core income from								
- customer activities, gross	1,178	1,120	1,980	2,264	15	(123)	3,173	3,261
- payment for distribution	536	556	(536)	(556)	0	0	0	0
Core income from business operations	1,714	1,676	1,444	1,708	15	(123)	3,173	3,261
Value adjustment of derivatives	(1,857)	(179)	(1,505)	(596)	-	-	(3,362)	(775)
Core income from securities	-	-	-	-	29	33	29	33
Total core income	(143)	1,497	(61)	1,112	44	(90)	(160)	2,519
Operating costs	963	851	752	849	292	373	2,007	2,073
Provisions for costs relating to reorganisation	-	-	-	-	28	50	28	50
Profit from investment in associate	-	78	-	-	-	-	-	78
Core earnings before impairment losses	(1,106)	724	(813)	263	(275)	(513)	(2,195)	474
Impairment losses on loans and advances	68	387	147	(11)	4	(27)	219	349
Core earnings after impairment losses	(1,174)	337	(960)	274	(279)	(486)	(2,414)	125
Investment portfolio income	-	-	-	-	43	(40)	43	(40)
Profit (loss) before tax for the year	(1,174)	337	(960)	274	(236)	(526)	(2,371)	85
Profit (loss) excl value adjustment of derivatives	683	516	545	870	(236)	(526)	992	860
Costs excl impairment losses/core income from business operations, %	56.2	50.8	52.1	49.7	-	-	63.3	63.6

Results – Retail

DKK million	2014	2013
Core income:		
Customer activities, gross	1,178	1,120
Payment for distribution	536	556
Core income from business operations	1,714	1,676
Value adjustment of derivatives	(1,857)	(179)
Total core income	(143)	1,497
Operating costs	963	851
Income from investments in associate		78
Impairment losses on loans and advances	68	387
Profit (loss) before tax	(1,174)	337
Profit excl value adjustment of derivatives	683	516

Principal balance sheet items

DKK million	2014	2013
Assets		
Loans and advances at amortised cost	25,533	23,348
of which personal customers	13,229	13,802
of which commercial customers	12,304	9,546
Impairment provisions for loans and advances	1,978	2,277
Impairment provisions as % of loans and advances	7.2	8.9
Payables		
Deposits and other payables	40,637	36,427
of which personal customers	23,332	21,588
of which commercial customers	17,305	14,839
Off-balance sheet items		
Guarantees	18,289	10,051

Retail

The business area provides banking services to personal customers and SMEs, including agricultural customers, residential rental customers and personal wealth clients. As from 2014, the subsidiary Nykredit Leasing A/S is part of Wholesale.

Nykredit serves its customers through 54 local customer centres and the sales and advisory centre Nykredit Direkte®. 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.

Retail's strategy

Nykredit will focus on attracting full-service customers. Therefore, we are in the process of developing and customising our products, strengthening our advisory services and improving internal processes.

We aim to offer our customers an enduring relationship based on trust. Thus, we want higher satisfaction among full-service homeowner customers and commercial customers as well as to grow the number of full-service customers.

Results

Retail posted a loss before tax of DKK 1,174m compared with a profit of DKK 337m in 2013. Excluding value adjustment of interest rate swaps, results were a profit of DKK 683m against a profit of DKK 516m in 2013.

The pre-tax 2014 results were mainly attributable to personal customers, which produced a profit of DKK 212m compared with DKK 373m in 2013, whereas SMEs generated a loss of DKK 1,386m against a loss of DKK 36m in 2013 due to significant negative value adjustment of interest rate swaps.

Core income from business operations increased from DKK 1,676m in 2013 to DKK 1,714m in 2014.

Value adjustment of derivatives caused an increased charge of DKK 1,678m, up from DKK 179m to DKK 1,857m. In both years the charge mainly resulted from SMEs, including housing cooperatives.

Operating costs rose by DKK 112m to DKK 963m.

Impairment losses fell to DKK 68m in 2014 from DKK 387m in 2013. SME impairments were down DKK 322m, contributing an income of DKK 32m in 2014, while the charge relating to personal customers was DKK 100m, up DKK 3m.

Impairment losses were 0.2% of loans and advances against 1.1% in 2013.

Costs as a percentage of core income from business operations totalled 56.2% against 50.8% in 2013.

Lending and deposits

The business area's lending went up from DKK 23.3bn to DKK 25.5bn, while deposits increased by DKK 4.2bn from DKK 36.4bn at end-2013 to DKK 40.6bn.

Activities in 2014

As part of Nykredit's "Winning the Double" strategy, the Bank has devoted many resources to raising its share of everyday bank customers, and the increased focus has boosted the numbers of personal customers and SMEs taking their daily banking to Nykredit Bank. The

Private Portfolio concept showed decent sales growth, and several wealthy clients are now also Private Banking clients.

As in 2013, the personal banking market was weak and affected by low demand, which led to a fall in lending and a decline in income from homeowner banking. Conversely, deposits rose as a result of greater appetite for savings among personal customers. In connection with mortgage refinancing activity, the volume of banking business with existing mortgage customers has grown considerably.

Like the personal banking area, the SME market was characterised by subdued activity. The economic climate took its toll on particularly small and domestically-oriented companies, whereas large companies generally fared well.

Part of the 2013 reduction in commercial lending was recovered. The increase reflected growth across products and customer segments. Also, a rising number of everyday banking customers increased their proportion of stable deposits.

A focus on cash management solutions has meant that the Bank is better suited to meet its customers' special needs in these areas.

Results – Wholesale

DKK million	2014	2013
Core income:		
Customer activities, gross	1,980	2,264
Payment for distribution	(536)	(556)
Core income from business operations	1,444	1,708
Value adjustment of derivatives	(1,505)	(596)
Total core income	(61)	1,112
Operating costs	752	849
Impairment losses on loans and advances	147	(11)
Profit (loss) before tax	(960)	274
Profit excl value adjustment of derivatives	545	870

Principal balance sheet items

DKK million	2014	2013
Assets		
Loans and advances at amortised cost	24,929	23,612
Impairment provisions for loans and advances	1,526	1,634
Impairment provisions as % of loans and advances	5.8	6.5
Reverse repurchase lending	35,228	56,814
Payables		
Deposits and other payables	23,287	27,256
Off-balance sheet items		
Guarantees	6,075	7,021

Assets under management and administration and investment funds

DKK million	2014	2013
Managed by Nykredit	114,713	97,767
Insourced mandates	18,771	18,502
Total assets under management	133,484	116,269
Assets under administration, Nykredit Portefølje Administration A/S	669,112	598,434
Of which Nykredit Group investment funds	60,165	51,808

Wholesale: Income from customer activities and income allocation

DKK million	2014	2013
Customer activities, gross		
Nykredit Markets	506	680
Nykredit Asset Management	784	788
Corporate & Institutional Banking	690	796
Total	1,980	2,264
Income allocation		
Nykredit Markets	(256)	(255)
Nykredit Asset Management	(461)	(448)
Corporate & Institutional Banking	181	147
Total allocation to Retail	(536)	(556)
Core income		
Nykredit Markets	250	425
Nykredit Asset Management	323	340
Corporate & Institutional Banking	871	943
Total	1,444	1,708

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, Nykredit Asset Management and, since 2014, the subsidiary Nykredit Leasing A/S. Also, Wholesale includes the unit Other Activities, which comprises a portfolio of large non-continuing exposures.

Wholesale's strategy

Nykredit's business strategy for this area aims to provide clients with added value in the form of broad financial advisory services and deep client insight.

Based on our strong competency profile, we are working to ensure a better and more holistic experience whenever our clients are in contact with us.

Results

The business area posted a loss of DKK 960m against a profit of DKK 274m in 2013, corresponding to a decline of DKK 1,234m attributable to reduced core income from business operations combined with increased negative value adjustment of interest rate swaps. Excluding value adjustment of interest rate swaps, pre-tax profit was DKK 545m against DKK 870m in 2013.

The area's gross income totalled DKK 1,980m against DKK 2,264m in 2013.

Of this amount, gross income from Nykredit Markets was DKK 506m, down DKK 174m compared with 2013, while income from Nykredit Asset Management remained at the level from 2013, and income from Corporate & Institutional Banking fell by DKK 106m to DKK 690m.

Earnings in Nykredit Markets, which includes securities trading for institutional clients, were adversely affected in 2014 by the low activity levels in fixed income trading, which accounts for a significant proportion of Nykredit Markets's business activities and earnings.

Nykredit Markets's market share of fixed income products grew in 2014, but due to the generally lower market activity, this has not fed fully through to earnings.

Gross income from Nykredit Asset Management was DKK 784m, the same level as in 2013. Assets under management amounted to DKK 134bn, corresponding to a rise of DKK 17bn compared with end-2013. Assets under administration totalled DKK 669bn against DKK 598bn at end-2013.

The business area's core income from business operations totalled DKK 1,444m, down DKK 264m from 2013. This was mainly a result of the lower activity levels in financial markets, which reduced Nykredit Markets's earnings by DKK 175m. Aggregate income from Corporate & Institutional Banking and Nykredit Asset Management was DKK 89m below the 2013 level.

2014 saw negative value adjustment of derivatives of DKK 1,505m, equal to an adverse effect of DKK 909m compared with 2013. Value adjustment was mainly affected by the development in interest rates and the financial and legal situation of housing cooperatives.

Compared with 2013, operating costs were down by DKK 97m to DKK 752m.

Impairment losses on loans and advances were DKK 147m against an income of DKK 11m in 2013. Part of this development was due to the fact that 2013 was affected by relatively large recoveries of about DKK 181m from claims previously written off, compared with an income of DKK 10m in 2014.

2014 impairments comprised a loss of DKK 174m relating to Corporate & Institutional Banking and an income of DKK 27m relating to the business unit Other Activities and Nykredit Markets.

Impairment losses exclusive of reverse repurchase lending amounted to 0.5% in 2014.

Operating costs as a percentage of core income from business operations were 52.1% compared with 49.7% in 2013.

Lending and deposits

Lending amounted to DKK 24.9bn against DKK 23.6bn at end-2013. This included the portfolio of non-continuing exposures, totalling DKK 0.7bn.

Deposits came to DKK 23.3bn against DKK 27.3bn at end-2013.

Activities in 2014

Corporate & Institutional Banking

2014 generally saw robust loan demand among corporate and institutional clients, and Corporate & Institutional Banking participated in a number of large transactions.

Further, the business unit focused on raising the number of clients that take their daily banking to Nykredit Bank and are advised by Nykredit Asset Management and Nykredit Markets.

The area's lending and deposit activities were affected by increased competition and expanded in 2014 following the acquisition of a loan portfolio from FIH Erhvervsbank.

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 continued to strengthen in 2014.

Fixed income earnings were adversely affected by the historically low national and global interest rate levels in 2014, and a growing number of institutional investors invested in equities and credit bonds rather than government and covered bonds. However, 2014 also saw growth in new business areas, including a higher level of capital market transactions, as a number of banks and businesses continued to have restricted access to capital. The remaining product areas of Nykredit Markets performed satisfactorily in 2014.

Despite difficult and volatile market conditions, the client base continued to grow in 2014. The bond volumes traded on Nasdaq Copenhagen increased marginally in 2014 compared with the very low activity in 2013. However, Nykredit maintained its market position, with a market share in 2014 largely unchanged from 2013.

2014 was a year of new record-low interest rate levels. The most significant event in 2014 was the decline in oil prices affecting the

global economy. The lower oil prices also impacted inflation expectations, depressing interest rate levels further. The ECB continued its historic easing path in 2014, while the Federal Reserve moved towards monetary policy normalisation towards the end of the year. In Denmark, the central bank's certificates of deposits were trading at negative interest rates again in September.

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 again in 2014.

Total assets under management and administration grew from DKK 715bn to DKK 803bn, an increase of 12% 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 116bn to DKK 133bn. The rise resulted from a combination of growth in the client base and capital gains.

74% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2014. Over the past three years, 86% of Nykredit Asset Management's investment strategies (GIPS composites) have generated above-benchmark returns.

2014 was a good year for Nykredit Asset Management as regards its management of government and covered bonds. In November 2014 LD appointed Nykredit Asset Management its investment fund manager of Danish high grade bonds. Also, the hedge fund strategies of Nykredit Asset Management received recognition when Nykredit Alpha MIRA and Nykredit Alpha KOBRA were awarded first and second place, respectively, in the Best Nordic Fixed Income category at the 2013 Nordic Hedge Award.

Nykredit Asset Management manages the investment funds of Nykredit Invest. In 2014 Nykredit Invest was awarded Investment Fund of the Year for the second year in a row 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.

Once again, Nykredit Invest Globale Aktier SRI (Nykredit Invest Global Equities SRI) had a good year. On a 3-year as well as a 5-year horizon, the investment fund was among the top 5% compared with similar European products, according to Morningstar.

As part of its strategy, Nykredit Asset Management appoints external asset managers for certain investment areas. At end-2014 the in-sourced mandates totalled DKK 19bn, which was largely unchanged on 2013. In 2014 a new mandate was granted to Sands Capital for investments in new equity markets.

In 2014 Nykredit was the first bank in Denmark to launch the asset class Nykredit Alternatives for retail client concepts. The first investment was made together with Copenhagen Infrastructure Partners.

Retail market

The market share of asset management products aimed at the retail segment rose slightly from 7.7% at end-2013 to 8.1%.

Total assets managed under the wealth management concepts Private Portfolio, Savings Invest and Pension Invest totalled DKK 30.3bn at end-2014, up DKK 4.4bn on 2013. The rise reflected satisfactory growth in the client base as well as favourable financial market trends. However, also in 2014 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 0.7bn.

Assets under administration by the investment funds of Nykredit Invest increased by 16.1% from DKK 51.8bn in 2013 to DKK 60.2bn in 2014.

Subsidiaries*Nykredit Portefølje Administration A/S*

In the Nykredit Group, Nykredit Portefølje Administration undertakes the administration of various investment funds on behalf of both retail customers and professional investors. Nykredit Portefølje Administration is a licensed investment management company and alternative investment fund manager. The company is Denmark's largest investment management company, commanding a market share of more than 30%.

Profit after tax for the year came to DKK 74m against DKK 64m in 2013.

Net interest and fee income was up DKK 22m (9%) from DKK 240m in 2013 to DKK 262m. The rise reflected significant growth in assets under administration, which grew by 12% from DKK 598bn at end-2013 to DKK 670bn at end-2014.

Staff and administrative expenses rose by DKK 7m as a result of higher staff costs and IT costs.

In 2014 Nykredit Portefølje Administration expanded its business relationships with several leading pension and insurance companies in Denmark. Considerable financial and human resources were invested in the implementation of the company's new IT platform in 2014. The implementation progressed according to plan, and all investment funds and mandates under administration have now migrated to the new IT platform.

Equity stood at DKK 398m at end-2014.

Nykredit Leasing A/S

The company handles the leasing activities of the Nykredit Group.

The subsidiary Nykredit Leasing recorded a profit of DKK 50m compared with DKK 45m in 2013.

The higher profit mainly reflected a rise in net financial income and expenses, which were up DKK 19m to DKK 83m, driven by a higher activity level with financial asset growth of more than DKK 0.6bn (18%) to DKK 4.1bn. In 2014 the loan portfolio was expanded to include finance leases on properties totalling DKK 232m at year-end.

Staff costs were up 2% to DKK 36m, while impairment losses were down DKK 4m to DKK 17m.

Equity stood at DKK 456bn.

Results – Group Items

DKK million	2014	2013
Core income:		
Customer activities, gross	15	(123)
Payment for distribution	-	-
Core income from business operations	15	(123)
Core income from securities	29	33
Total core income	44	(90)
Operating costs	292	373
Provisions for costs relating to reorganisation	28	50
Impairment losses on loans and advances	4	(27)
Core earnings after impairment losses	(279)	(486)
Investment portfolio income	43	(40)
Loss before tax	(236)	(526)

Principal balance sheet items

DKK million	2014	2013
Assets		
Loans, advances and receivables at amortised cost	32	64
Impairment provisions (excl credit institutions)	55	60
Impairment provisions as % of loans and advances	62.5	48.4
Payables		
Deposits and other payables	1,425	1,722
Off-balance sheet items		
Guarantees	1,369	1,454

Group Items

Group Items includes the results of the Bank's treasury area, which forms part of Nykredit's Group Treasury, 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.

The business area recorded a loss of DKK 236m against a loss of DKK 526m in 2013. Treasury activities accounted for DKK 7m of the loss incurred in 2014.

Core income was DKK 15m compared with a loss of DKK 123m in 2013, while operating costs dropped by DKK 81m to DKK 292m.

Core earnings and investment portfolio income from securities produced a profit of DKK 72m against a loss of DKK 7m in 2013. This development mainly reflected the fact that investment portfolio income in 2014 was no longer affected by commission payable to Nykredit Holding for a loss guarantee, which was terminated in Q4/2013, and positive value adjustment of unlisted equities in the portfolio in 2014.

Unallocated costs amounted to DKK 277m against DKK 371m in 2013. In 2014 the item consisted of IT development expenses of DKK 277m. In 2013 these expenses chiefly resulted from unallocated IT expenses of DKK 340m and payment of DKK 19m to the Guarantee Fund for Depositors and Investors.

In 2013 Group Items was affected by provisions of DKK 50m for costs relating to reorganisation. Of this amount, about DKK 10m was used in 2014, while the remaining part will be used in 2015. In 2014 additional provisions of DKK 28m were made for the reorganisation in Nykredit Markets.

IMPAIRMENT LOSSES AND LENDING

Earnings impact for the year

Following the development in the housing cooperatives market, including the Danish FSA's guidelines in this area, Nykredit Bank uses a more conservative assessment of cooperative housing exposures. There is objective evidence of impairment (OEI) when assessed rent and other operating 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 the value is adjusted to zero if the unsecured part of the loan is written off.

Loan impairment losses and provisions dropped from DKK 349m in 2013 to DKK 219m in 2014.

Individual impairment and other provisions were DKK 109m in 2014 compared with DKK 420m in 2013, while collective impairment provisions amounted to DKK 139m compared with DKK 134m in 2013. Impairment provisions for lending to credit institutions were DKK 4m against DKK 19m in 2013. Recoveries on claims previously written off totalled DKK 33m against DKK 224m in 2013 that was affected by substantial income from previous property exposures.

Impairment losses in Retail declined by DKK 319m from DKK 387m in 2013 to DKK 68m. Of this decline, SME impairments reduced from a loss of DKK 290m to an income of DKK 32m, while impairment losses on lending to personal customers rose from DKK 97m to DKK 100m.

Wholesale impairments were a loss of DKK 147m compared with an income of DKK 11m in 2013. Of the impairment charge for 2014, Other Activities contributed income of DKK 24m compared with income of DKK 267m in 2013, whereas Corporate & Institutional Banking recorded a loss of DKK 171m against a loss of DKK 255m in 2013.

Impairments in Group Items were a loss of DKK 4m in 2014 compared with an income of DKK 27m in 2013.

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

Provisions at 31 December 2014

Total impairment provisions decreased by 10% from DKK 3,994m at end-2013 to DKK 3,581m at 31 December 2014. Individual impairment provisions reduced DKK 552m, whereas collective impairment provisions rose by DKK 139m.

Of the DKK 552m decline in individual impairment provisions, DKK 588m was write-offs, while new impairment provisions for the year amounted to DKK 36m net.

Impairment provisions for Retail fell back from DKK 2,277m at end-2013 to DKK 1,978m due to a rise of DKK 37m in impairment provisions for personal customers and a decline of DKK 336m in impairment provisions for SMEs.

Wholesale impairment provisions dropped by DKK 108m from DKK 1,634m at end-2013 to DKK 1,526m, of which the portfolio of non-continuing exposures accounted for a decline of DKK 234m from DKK

814m to DKK 580m. Other business units increased by DKK 126m compared with end-2013.

Total non-continuing exposures were unchanged at DKK 0.7bn at end-2014 (carrying amounts after impairments). The carrying amount is estimated to be covered by security and customers' ability to pay, and the exposures are still being settled according to plan.

Provisions for guarantees were largely unchanged at DKK 106m.

Relative to total loans, advances and guarantees, provisions were 3.3% against 3.4% at end-2013. Excluding guarantees, the percentage was 4.0% against 3.7% at end-2013. The carrying amount of non-accrual loans was DKK 0.8bn against DKK 0.6bn in 2013.

Provisions – Nykredit Bank Group

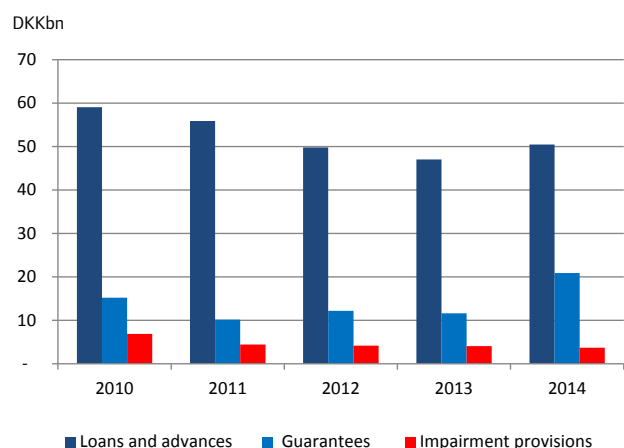
DKK million	Retail		Wholesale		Group Items		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Impairment provisions, beginning of year	2,277	2,094	1,634	1,857	83	106	3,994	4,057
Impairment provisions and reversals for the year	(299)	183	(108)	(223)	(6)	(23)	(413)	(63)
Impairment provisions, year-end	1,978	2,277	1,526	1,634	77	83	3,581	3,994
Of which individual	1,864	2,081	1,131	1,460	77	83	3,072	3,624
Of which collective	114	196	395	174	-	-	509	370
Provisions for guarantees								
Provisions, beginning of year	48	74	55	8	-	-	103	82
Provisions, year-end	51	48	55	55	-	-	106	103
Total provisions	2,029	2,325	1,581	1,689	77	83	3,687	4,097
Earnings impact								
New impairment provisions and losses for the year, net	87	455	157	124	4	(27)	248	552
Recoveries on loans and advances previously written off	23	43	10	181	0	0	33	224
Total	64	412	147	(57)	4	(27)	215	328
Provisions for guarantees	4	(25)	0	46	0	-	4	21
Total earnings impact	68	387	147	(11)	4	(27)	219	349

Loans, advances and guarantees by sector

DKK million	Loans, advances and guarantees		Provisions	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Public sector	596	493	0	8
Agriculture, hunting, forestry and fishing	3,230	2,026	138	177
Manufacturing, mining and quarrying	5,526	5,026	269	261
Energy supply	1,055	1,743	9	8
Construction	2,087	1,796	236	262
Trade	3,309	2,557	119	195
Transport, accommodation and food service activities	2,930	3,025	91	126
Information and communication	1,027	948	62	68
Finance and insurance	40,420	61,568	305	445
Real estate	13,071	10,676	1,540	1,465
Other	9,643	7,811	305	422
Total commercial customers	82,298	97,176	3,074	3,429
Personal customers	23,721	17,789	592	641
Total	106,615	115,458	3,666	4,078
Total, incl impairment provisions for banks	-	-	3,687	4,097

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



The amounts overdrawn/in arrears for which no impairment provisions had been made were very limited, equal to 0.7% of total lending at amortised cost against 0.8% at end-2013. 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 106.6bn against DKK 115.5bn at end-2013.

This development comprised a decline in reverse repurchase lending of DKK 21.6m and a rise in other loans, advances and guarantees of DKK 12.7bn, of which guarantees grew by DKK 9.3bn partly owing to an upturn in refinancing activity. Reverse repurchase lending totalled DKK 35.2bn at 31 December 2014 against DKK 56.8bn at end-2013.

Finance and insurance still accounted for the largest single sector exposure at DKK 40.4bn against DKK 61.6bn at end-2013. The exposure widely comprised reverse repurchase lending with bonds serving as security, and the DKK 21.2bn fall should partly be seen in light of a general decrease in reverse repurchase lending of DKK 21.6bn.

Finance and insurance accounted for 37.9% against 53.3% at end-2013, the real estate sector 12.3% against 9.2% at end-2013 and personal customers 22.9% against 15.4% at end-2013.

Nykredit Bank recorded lending growth of 6.8%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

Inclusive of reverse repurchase lending, the Bank's lending decreased by 18.0% relative to end-2013.

Lending to the real estate and construction sectors totalled DKK 15.2bn at end-2014 compared with DKK 12.5bn at end-2013. Of total loans, advances and guarantees, DKK 11.4bn derived from the category "Renting of real estate" compared with DKK 8.5bn at end-2013.

Determined pursuant to the FSA Supervisory Diamond model, the Bank's real estate exposure was 13.6% compared with 10.4% at end-2013. In Management's opinion, this exposure is at an appropriate level.

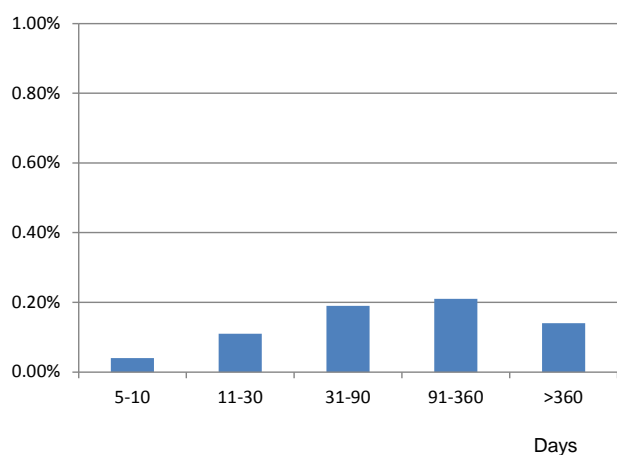
The Bank's large exposures were 34.5% at end-2014. In 2014 the Bank had two exposures that exceeded 10% of own funds (FSA key ratio Large exposures).

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 2014 and at 31 December 2014.

Accounts overdrawn/in arrears not subject to individual provisioning



Supervisory Diamond

DKK million	2014	2013
Lending growth (limit value <20%)*	6.8	-7.6
Large exposures (limit value <125%)	34.5	0.0
Property exposure (limit value <25%)	13.6	10.4
Funding ratio (limit value <1.0%)	0.6	0.5
Excess liquidity coverage (limit value 50%)	281.6	276.0

ORGANISATION, MANAGEMENT AND CONTROL SYSTEMS

FINANCIAL SUSTAINABILITY

A changing society needs sound financial enterprises to foster changes and secure financial solutions that are sustainable in the short and long term.

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 CSR Report 2014 – Nykredit Engaging with Society, available at 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.

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

- Advises the Board of Directors on the Nykredit Group's risk profile and risk management

Group Executive Board

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

Committees

- Governance and management within selected fields of business

Credit

- Manages and formulates the credit policy
- Approves large exposures

Asset/Liabilities

- Overall asset/liability and liquidity management
- SDO cover pool management

Risk

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

Contingency

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

Products

- Ensures development and maintenance of concepts and products

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 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, each within their field of responsibility.

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 as well as 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 2014.

Remuneration Board

One of the principal tasks 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. Moreover, 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 2014.

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. The Nomination Board is further tasked with setting targets for the under-represented gender on the Board of Directors and laying down a diversity policy for the Board of Directors. 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 2014.

Risk Board

With effect from 1 April 2014, Nykredit Realkredit A/S set up a Risk Board, which is tasked with providing advice to the Board of Directors on the Nykredit Group's risk profile and current risk management.

The Risk Board consists of Nina Smith, Professor (Chairman), Steffen Kragh, CEO, Merete Eldrup, Managing Director, Bent Naur, former CEO, and Michael Demnitz, Chief Executive Officer, who are all members of the board of directors of Nykredit Realkredit A/S elected by the general meeting.

The Risk Board held four meetings in 2014.

Committees

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

As at 1 April 2014, Nykredit reduced the number of group committees from ten to five. This simplification should be seen in the context of the increasing number of group level decisions which is being made by the Group Executive Board and the strengthening of base level decision-making powers. Committees have decision-making powers at group executive board level and the committee chairmen are members of the Group Executive Board. Each committee must report to the entire Group Executive Board.

The *Credits Committee* is charged with overseeing the management of risks in Nykredit's credits area. The Committee chiefly considers cases and manages portfolios in the credits area.

In relation to the Nykredit Group and the individual companies Nykredit Realkredit, Totalkredit and Nykredit Bank, the *Asset/Liability Committee* is charged with monitoring and coordinating the use of the limited resources in the form of capital and liquidity, monitoring profitability at the business level and laying down internal limits.

The *Risk Committee* is charged with overseeing the overall risk profile and capital requirements of the Nykredit Group in order to assist (i) the managements of Foreningen Nykredit (the Nykredit Association) and Nykredit Holding A/S in overseeing – and (ii) the managements of Nykredit Realkredit, Totalkredit and Nykredit Bank in ensuring – compliance with current legislation and practice in the area in question.

The Risk Committee must also oversee all the Nykredit Group's risk models in order to assist Management in monitoring and ensuring compliance with current legislation and practice in the area in question.

Female board representation

%	Actual 2014	Target 2016
Nykredit Holding	17	20
Nykredit Realkredit	20	25
Nykredit Bank	20	20
Totalkredit	14	20

The *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 covering IT as well as business aspects.

The *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 and/or customers are undertaken in accordance with the Group's business model and the guidelines which the Group Executive Board has approved for development and approval of new concepts and products.

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 women for the highest management levels. All of the Nykredit Group's financial companies have female representation on their boards of directors and have targets in this respect, which must be met before end-2016. The actual 2014 figures and the targets for 2016 are stated below.

Nykredit's boards of directors have also adopted a policy for board diversity and for increasing the number of women at other managerial levels.

Further information on Nykredit's gender equality policy and objectives is available in Nykredit's CR Fact Book 2014, available at nykredit.com/CRfactbook.

REMUNERATION

Risk-takers

At end-2014, the Nykredit Bank Group had 41 risk-takers in addition to its members of the Bank's Executive Board and Board of Directors who are solely risk-takers by virtue of their directorships. Of the 41 risk-takers, three are on the payroll of Nykredit Bank, five are on the payroll of the Bank's subsidiaries, and 33 are on the payroll of Nykredit Realkredit A/S and Totalkredit 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 potential ability to inflict credit losses on Nykredit.

As a result of new EU regulation concerning the designation of risk-takers, risk-takers will for 2015 be designated in accordance with these rules supplemented with Nykredit's current model.

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 2014 bonus provisions in respect of Nykredit Bank's Executive Board and other risk-takers amounted to DKK 6m compared with a bonus of DKK 9m awarded for 2013. The 2014 bonus provisions corresponded to 24% of their 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.

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

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 2014 bonus provisions in respect of these staff members (excl risk-takers) amounted to DKK 34m compared with the awarded bonus of DKK 44m for 2013. The 2014 bonus provisions corresponded to 23% of the total salaries of these staff members.

Management staff and certain senior staff members participate in an individual programme with a potential bonus of up to three months' salary. The 2014 bonus provisions in respect of these staff members amounted to DKK 12m compared with the bonus of DKK 25m awarded for 2013. Part of the decline from 2013 to 2014 was attributable to the discontinuation of bonus programmes in some of the units in 2014.

The bonus programmes do not apply to other management or staff members, but they may receive an individual performance award. For 2014, provisions of DKK 6m were made for performance awards compared with performance awards of DKK 1m for 2013. The performance award provisions for 2014 corresponded to 0.5% of their total salaries. The change relative to 2013 should among other things be seen in light of the discontinuation of bonus programmes in some of the units in 2014.

Total provisions for bonuses and performance awards for 2014 came to DKK 58m against total bonuses and performance awards of DKK 79m for 2013. Total bonus and performance award provisions for 2014 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 CSR Report 2014 – Nykredit Engaging with Society, available at nykredit.com/reports.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Board of Directors and the Executive Board of Nykredit Bank are responsible for the 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 on a continuous basis in material areas such as credit risk, market risk, liquidity risk, operational risk and IT risk.

Financial reporting process

The financial reporting process is based on internal control and risk management systems, which together ensure that all relevant financial transactions are correctly reflected for accounting purposes and in financial statements. Nykredit Bank's Management regularly reviews items in respect of which estimates may have a material impact on the value of assets and liabilities.

Group Finance undertakes the Group's total financial reporting and is responsible for ensuring that group 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 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 and performs budget control, which includes an explanation of the monthly, quarterly and annual development. Group Finance 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. Overall principles and requirements for the preparation of business procedures and the annual process for the approval of business procedures in significant risk areas have been laid down at group level.

The Group Executive Board and the Bank's Executive Board are responsible for risk delineation, management and monitoring. The Group Committees perform the continuous management and monitoring on behalf of the Executive Boards.

Other important units in connection with financial reporting are Group Treasury, Capital & Risk, Group Credits and Administration Services, which are responsible for the current risk and capital management, including reporting, bookkeeping 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 the unit's duties and for implementing satisfactory permanent internal controls for the handling of business operations.
 - *Risk functions* – comprise a number of cross-functional areas of the Nykredit Group, such as Group Credits, Group Finance, decentralised finance functions, Capital & Risk including the Chief Risk Officer, Compliance and IT Security. These areas may be in charge of providing policies and procedures 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 performing the statutory audit of the Annual Report together 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 includes 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 2014 available at nykredit.com/reports.

Monitoring

Nykredit's Audit Board and Risk Board regularly receive 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.

Nykredit Bank A/S Summary income statement

DKK million	2014	2013
Net interest and fee income	3,026	2,949
Value adjustments	(3,511)	(812)
Other operating income	1	0
Operating expenses	1,837	1,926
Impairment losses on loans, advances and receivables	201	327
Profit from investments in associates and group enterprises	125	188
Profit (loss) before tax	(2,397)	72
Tax	(625)	(5)
Profit (loss) for the year	(1,772)	77

Nykredit Bank A/S Summary balance sheet

DKK million	2014	2013
Receivables from credit institutions	33,884	23,172
Loans, advances and receivables	84,252	102,720
Bonds and equities	64,966	64,004
Remaining assets	45,818	33,238
Total assets	228,920	223,134
Payables to credit institutions	63,131	56,987
Deposits and other payables	65,440	65,543
Bonds in issue at amortised cost	25,881	26,689
Other non-derivative financial instruments at fair value	19,943	29,248
Remaining payables and provisions	41,850	30,070
Subordinated debt	100	250
Equity	12,575	14,347

Nykredit Bank A/S Financial ratios

%	2014	2013
Total capital ratio	13.0	16.8
Tier 1 capital ratio	12.7	16.4
Return on equity before tax	(17.8)	0.5
Return on equity after tax	(13.2)	0.5
Number of full-time staff (avg)	672	714

Income statement

Nykredit Bank A/S's results were a loss of DKK 1,772m for 2014, down DKK 1,849m from a profit of DKK 77m in 2013.

Income was negative at DKK 484m, equal to a decline of DKK 2,621m from income of DKK 2,137 in 2013. Net interest and fee income saw an upturn of DKK 77m, while total value adjustments and other operating income dropped by DKK 2,698m due to significant value adjustment of interest rate swaps.

Costs fell from DKK 1,926m in 2013 to DKK 1,837m partly owing to fewer IT development costs. Reorganisation costs fell from DKK 50m in 2013 to DKK 28m.

Impairment losses on loans and advances came to DKK 201m in 2014 against DKK 327m in 2013. Reference is made to the credit risk section of this report.

Profit from equity investments came to DKK 125m in 2014 compared with DKK 188m in 2013 as a result of Dansk Portefølje Administration's profit after tax of DKK 74m and Nykredit Leasing's profit after tax of DKK 50m.

Principal balance sheet items

The balance sheet total increased from DKK 223.1bn at end-2013 to DKK 228.9bn.

Cash balances and receivables from credit institutions rose from DKK 23.2bn to DKK 33.9bn.

Loans and advances at fair value dropped by DKK 21.6bn, whereas other loans and advances at amortised cost went up by DKK 3.1bn as a result of growing Retail and Wholesale lending.

Bonds and equities amounted to DKK 65.0bn at end-2014 against DKK 64.0bn at end-2013. As for the entire Group, the size of the portfolio reflects the Bank's markets and repo activities and surplus liquidity, of which a substantial part is placed in bonds.

Payables to credit institutions and central banks stood at DKK 63.1bn against DKK 57.0bn at end-2013. The development in balances with credit institutions and bonds in issue especially reflected the Bank's ordinary liquidity adjustments.

Deposits and other payables were broadly unchanged at DKK 65.4bn.

Equity

Equity stood at DKK 12.6bn compared with DKK 14.3bn at end-2013. Equity decreased by loss for the year of DKK 1.8bn.

Total capital ratio

The total capital ratio decreased from 16.8% in 2013 to 13.0%.

Dividend

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2014.

MANAGEMENT STATEMENT AND AUDIT REPORTS

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

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report 2014 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, 5 February 2015

Executive Board

Bjørn Mortensen

Georg Andersen

Jesper Berg

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 2014 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 2014.

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

Michael Rasmussen, Chairman

Søren Holm, Deputy Chairman

Henrik K. Asmussen*

Olav Brusen Barsøe*

Kim Duus

Anders Jensen

Allan Kristiansen*

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 2014. 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 2014 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 2014 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, 5 February 2015

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 2014, 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 2014 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 2014 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, 5 February 2015

Deloitte
Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup
State-Authorised Public Accountant

Per Rolf Larssen
State-Authorised Public Accountant

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

DKK million

Nykredit Bank A/S			Note	Nykredit Bank Group	
2013	2014			2014	2013
3,463	3,251	Interest income	5	3,363	3,556
1,075	892	Interest expenses	6	895	1,075
2,388	2,359	NET INTEREST INCOME		2,468	2,481
26	26	Dividend on equities	7	26	26
1,202	1,098	Fee and commission income	8	1,349	1,433
667	457	Fee and commission expenses	9	470	675
2,949	3,026	NET INTEREST AND FEE INCOME		3,373	3,265
(812)	(3,511)	Value adjustments	10	(3,516)	(815)
0	1	Other operating income		26	29
1,800	1,733	Staff and administrative expenses	11	1,928	1,992
9	11	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	12	11	9
117	93	Other operating expenses		96	122
448	201	Impairment losses on loans, advances and receivables	13	219	470
(121)	0	Net income from subsidiary in temporary possession	13, 45	0	(121)
327	201	TOTAL IMPAIRMENT LOSSES		219	349
188	125	Profit from investments in associates and group enterprises	14	-	78
72	(2,397)	PROFIT (LOSS) BEFORE TAX		(2,371)	85
(5)	(625)	Tax	15	(599)	8
77	(1,772)	PROFIT (LOSS) FOR THE YEAR		(1,772)	77
DISTRIBUTION OF PROFIT (LOSS) FOR THE YEAR					
77	(1,772)	Profit (loss) for the year		(1,772)	77
77	(1,772)	TOTAL		(1,772)	77
PROPOSAL FOR THE DISTRIBUTION OF PROFIT (LOSS)					
109	125	Statutory reserves		-	-
(32)	(1,897)	Retained earnings		(1,772)	77
77	(1,772)	TOTAL		(1,772)	77
STATEMENTS OF COMPREHENSIVE INCOME					
77	(1,772)	PROFIT (LOSS) FOR THE YEAR		(1,772)	77
-	-	Other additions and disposals		-	-
-	-	OTHER COMPREHENSIVE INCOME		-	-
77	(1,772)	COMPREHENSIVE INCOME FOR THE YEAR		(1,772)	77

Balance sheets, year-end

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2013	2014		Note	2014	2013
ASSETS					
3,049	4,417	Cash balances and demand deposits with central banks	17	4,417	3,049
20,123	29,467	Receivables from credit institutions and central banks	18	29,468	20,124
56,814	35,228	Loans, advances and other receivables at fair value	19	35,228	56,814
45,906	49,024	Loans, advances and other receivables at amortised cost	20, 13	50,494	47,024
63,648	64,625	Bonds at fair value	21	64,972	63,863
356	341	Equities	22	342	356
545	869	Investments in group enterprises	23	-	-
23	55	Intangible assets	24	55	23
21	14	Other property, plant and equipment	25	14	21
47	614	Current tax assets	32	618	65
9	36	Deferred tax assets	32	0	0
79	47	Assets in temporary possession	26	47	212
32,493	44,169	Other assets	27	44,206	32,555
21	14	Prepayments		22	28
223,134	228,920	TOTAL ASSETS		229,883	224,134

Balance sheets, year-end

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2013	2014		Note	2014	2013
LIABILITIES AND EQUITY					
56,987	63,131	Payables to credit institutions and central banks	28	63,876	57,732
65,543	65,440	Deposits and other payables	29	65,350	65,405
26,689	25,881	Bonds in issue at amortised cost	30	25,881	26,689
29,248	19,943	Other non-derivative financial liabilities at fair value	31	19,943	29,248
29	29	Liabilities temporarily assumed		29	136
29,868	41,631	Other liabilities	33	41,880	30,075
1	1	Deferred income		4	5
208,365	216,056	TOTAL PAYABLES		216,963	209,290
Provisions					
0	0	Provisions for deferred tax	32	56	75
103	106	Provisions for losses under guarantees	34	106	103
69	83	Other provisions	34	83	69
172	189	TOTAL PROVISIONS		245	247
250	100	Subordinated debt	35	100	250
Equity					
6,045	6,045	Share capital		6,045	6,045
Other reserves					
260	385	Statutory reserves		-	-
8,042	6,145	Retained earnings		6,530	8,302
14,347	12,575	TOTAL EQUITY		12,575	14,347
223,134	228,920	TOTAL LIABILITIES AND EQUITY		229,883	224,134
OFF-BALANCE SHEET ITEMS					
11,719	20,993	Contingent liabilities	36	20,893	11,620
6,707	4,685	Other commitments	37	4,839	6,906
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Statement of changes in equity

DKK million

Nykredit Bank A/S

	Share capital*	Statutory reserves	Retained earnings	Total
EQUITY, 31 DECEMBER 2014				
End of previous financial year	6,045	260	8,042	14,347
Total	6,045	260	8,042	14,347
Comprehensive income				
Comprehensive income for the year	-	125	(1,897)	(1,772)
Total comprehensive income	-	125	(1,897)	(1,772)
Total changes in equity	-	125	(1,897)	(1,772)
Equity, 31 December 2014	6,045	385	6,145	12,575
EQUITY, 31 DECEMBER 2013				
End of previous financial year	6,045	151	8,074	14,270
Total	6,045	151	8,074	14,270
Comprehensive income				
Comprehensive income for the year	-	109	(32)	77
Total comprehensive income	-	109	(32)	77
Total changes in equity	-	109	(32)	77
Equity, 31 December 2013	6,045	260	8,042	14,347

* The share capital breaks down into 18 shares in multiples of DKK 1m. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the consolidated financial statements of this company and the consolidated financial statements of Foreningen Nykredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 89.80% of Nykredit Realkredit A/S. The financial statements [in Danish] of Foreningen Nykredit may be obtained from the company.

Statement of changes in equity

DKK million

Nykredit Bank Group

	Share capital	Retained earnings	Total
EQUITY, 31 DECEMBER 2014			
End of previous financial year	6,045	8,302	14,347
Total	6,045	8,302	14,347
Comprehensive income			
Comprehensive income for the year		(1,772)	(1,772)
Total comprehensive income	-	(1,772)	(1,772)
Total changes in equity	-	(1,772)	(1,772)
Equity, 31 December 2014	6,045	6,530	12,575
EQUITY, 31 DECEMBER 2013			
End of previous financial year	6,045	8,225	14,270
Total	6,045	8,225	14,270
Comprehensive income			
Comprehensive income for the year	-	77	77
Total comprehensive income	-	77	77
Total changes in equity	-	77	77
Equity, 31 December 2013	6,045	8,302	14,347

Cash flow statement

DKK million

	Nykredit Bank Group	
	2014	2013
Profit (loss) after tax for the year	(1,772)	77
Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions		
Depreciation and impairment losses for property, plant and equipment	11	9
Other non-cash changes	2	9
Impairment losses on loans, advances and receivables	252	573
Tax calculated on profit (loss) for the year	(599)	8
Total	(334)	599
Profit (loss) for the year adjusted for non-cash operating items	(2,106)	676
Change in working capital		
Loans, advances and other receivables	17,790	(19,270)
Deposits and other payables	(671)	10,659
Payables to credit institutions and central banks	10,688	2,966
Bonds at fair value	(2,422)	(6,815)
Equities	14	20
Other working capital	(9,075)	(8,762)
Total	16,324	(21,202)
Corporation tax paid, net	27	186
Cash flows from operating activities	14,245	(20,340)
Cash flows from investing activities		
Property, plant and equipment as well as intangible assets	(36)	(1)
Total	(36)	(1)
Cash flows from financing activities		
Capital increase	-	-
Subordinated debt	(150)	-
Bonds in issue	(1,205)	(1,371)
Total	(1,355)	(1,371)
Total cash flows	12,854	(21,712)
Cash and cash equivalents, beginning of year	23,173	44,812
Foreign currency translation adjustment of cash	(2,142)	73
Cash and cash equivalents, year-end	33,885	23,173
Cash and cash equivalents, year-end		
Specification of cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	4,417	3,049
Receivables from credit institutions and central banks	29,468	20,124
Cash and cash equivalents, year-end	33,885	23,173

Notes

1. ACCOUNTING POLICIES

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 as stated in the IFRS Executive Order governing financial companies issued pursuant to the Danish Financial Business Act and formulated by Nasdaq Copenhagen for issuers of listed bonds.

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.

Change in the presentation of business areas

The presentation of the Bank's business areas has been adjusted to reflect the organisational changes implemented in H1/2014.

The primary change was the transfer of the subsidiary Nykredit Leasing A/S and the business unit Private Banking from Retail to Wholesale. Also, business activities with partner banks carried out by the business unit Bank Distribution have been transferred from Group Items, Treasury, to Wholesale.

Going forward, the Bank's Treasury function will be undertaken by Nykredit's Group Treasury. Costs related to the function will subsequently be allocated to Nykredit Bank based on an intercompany agreement.

Income and costs relating to Nykredit Leasing A/S that can be attributed to Retail activities are allocated to Retail.

In 2014 the most significant effect of the organisational changes was the allocation of profit before tax of around DKK 73m from Retail to Wholesale.

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

Comparative figures have been restated. Please refer to note 4 of this report.

The accounting policies are unchanged compared with the Annual Report 2013.

For a better overview and to reduce the amount of note disclosures where figures and qualitative disclosures are considered of insignificant importance to the financial statements, certain disclosures have been excluded, including information on goodwill impairment.

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 2014:

IFRS 10 "Consolidated Financial Statements" (new standard). The standard replaces the section on consolidated financial statements in the current IAS 27 and establishes the principles for the presentation

and preparation of consolidated financial statements when an entity controls one or more other entities. The standard has resulted in a specification of the guidelines for determination of when an entity is considered to control another entity.

IFRS 11 "Joint Arrangements" (new standard). The standard replaces IAS 31 and has resulted in changes to the rules for the accounting treatment of investments in joint arrangements.

IFRS 12 "Disclosure of Interests in Other Entities" (new standard) is a consolidated disclosure standard for subsidiaries, joint ventures, associates and unconsolidated structured entities. The standard has further resulted in new disclosure requirements for consolidated entities as well as unconsolidated entities in which the reporting entity has an interest.

IFRS 10-12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance" (amendment to standards). The amendment specifies and eases the transition guidance for the new standards.

IFRS 10, IFRS 12 and IAS 27 "Consolidated Financial Statements, Disclosure of Interest in Other Entities and Separate Financial Statements: Investment Entities" (amendment to standards). As a result of the amendment, entities satisfying the definition of an investment entity are exempt from the consolidation requirements of subsidiaries.

IAS 27 "Separate Financial Statements" (amendment to standard). Parts of the standard have been replaced by IFRS 10.

IAS 28 "Investments in Associates" (amendment to standard). The standard has been consequentially amended following the release of IFRS 10-12.

IAS 32 "Financial Instruments: Presentation" (specification of standard). The amendments have resulted in a specification of the provisions on set-off.

IAS 36 "Impairment of Assets" (amendment to standard). The amendment specifies the disclosure requirements concerning the recoverable amount of assets and cash-generating units.

IAS 39 "Financial Instruments: Recognition and Measurement (novation of derivatives and continuation of hedge accounting)" (amendment to standard). As a result of the amendment, in certain circumstances, replacement of counterparties to hedging instruments is not considered as expiry of the instrument, which would otherwise also result in the discontinuation of accounting treatment as a hedge.

The implementation of the above has had no impact on profit/loss for the year, other comprehensive income, balance sheet or equity, but has solely resulted in amendments to the presentation of and an increase in the amount of notes.

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 or were not effective for the financial year beginning on 1 January 2014.

IAS 19 "Employee Benefits" (specification of standard).

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 14 "Regulatory Deferral Accounts" (new standard) (not approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (amendment to standard) (not approved for use in the EU, expected to be effective from 1 January 2016).

IAS 27 "Equity Method in Separate Financial Statements" (amendment to standard) (not approved for use in the EU, expected to be effective from 1 January 2016).

Annual improvements to IFRS 2012–2014 (minor amendments to a number of standards as a result of the IASB's annual improvements) (not approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (amendment to standards) (not approved for use in the EU, expected to be effective from 1 January 2016).

IAS 1 "Presentation of Financial Statements" (amendment to standard) (not approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 10, IFRS 12 and IAS 28 "Consolidated Financial Statements, Disclosure of Interest in Other Entities" and "Investments in Associates and Joint Ventures" (amendment to standards) (not approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 15 "Revenue from Contracts with Customers" (new standard) (not approved for use in the EU, expected to be effective for financial years beginning on 1 January 2017 or later).

IFRS 9 "Financial Instruments" (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 1 January 2018 or later).

In July 2014, the IASB issued the final IFRS 9 "Financial Instruments". Among other things, the standard includes new provisions governing "classification and measurement of financial assets", "impairment of financial assets" and "hedge accounting".

For Nykredit Bank, an important feature of IFRS 9 is the new principles for calculation of impairment of loans, advances and receivables measured at amortised cost. According to IFRS 9, measurement must be based on an expected loss principle whereas the method of the current IAS 39 is based on actual objective evidence of impairment (OEI).

Compared with the current standard, IFRS 9 implies earlier recognition of impairment of loans and advances at amortised cost as impairment must be recognised for 12 months' expected losses already at the time of initial recognition.

In the event of later significant changes to loan loss probability, recognition of full-life expected losses may be required in certain circumstances. The standard thus implies earlier recognition of im-

pairment and consequently higher total impairment at the time of implementation. The effect on the impairment charge is recognised directly in equity at the time of implementation.

A number of analyses, calculations and assessments of the effect on Nykredit's impairment charges still need to be performed. Due to significant uncertainty about the interpretation itself and the choice of model, etc, we do not consider it possible to estimate the effect on a sufficiently qualified basis.

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 finally quantified 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 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 inherently uncertain and unpredictable.

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

Determination of the fair value of certain financial instruments

Note 39 further specifies 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 85,138m and DKK 61,952m, respectively, at end-2014.

Measurement of loans and advances – impairments

Impairment of loans and advances involves significant estimates in the quantification of the risk of not receiving all future payments. If it can be established 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, the determination of realisable values of security received and expected dividend payments from bankrupt estates is 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 37% of the Group's assets at end-2014.

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 189m at end-2014.

FINANCIAL INSTRUMENTS

Recognition, classification and measurement of financial instruments

Financial instruments, including derivative financial instruments, represented more than 94% 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 set off against "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.

Valuation and classification

Valuation principles and classification of financial instruments are described below as well as in note 39.

Financial instruments are classified as follows:

- Loans, advances and receivables and other financial liabilities at amortised cost
- Financial assets and liabilities at fair value through profit or loss (held for trading).

Loans, advances and receivables and other financial liabilities at amortised cost

Receivables from and payables to credit institutions and central banks not acquired as part of repo and reverse repurchase 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 losses and other accounting adjustments, including any fees and transaction costs that form part of the effective interest rate of the instruments. For liabilities, amortised cost equals the capitalised value using the effective interest method. Transaction costs are distributed over the life of the asset or liability.

If fixed-rate financial instruments are effectively hedged 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
- it is a derivative financial instrument that is not a hedge accounting instrument.

The Group's equity and bond portfolios, derivative financial instruments, repo and reverse repurchase 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 valuation methods based on market information or other generally accepted valuation 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 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 bonds in issue (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 valuation methods based on market information and other generally accepted valuation 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. In asset-backed financing, impairment is recognised for the difference between the carrying amount before impairment and the fair value of the security less all costs.

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 sum 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 up-to-date expert opinions and expectations for the credit risk development of specific segments.

Impairment provisions in general

Provisions for loan impairment are taken to an allowance account and deducted from the relevant 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.

Impairment losses deemed to be conclusive 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 incurred by the Group 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 as well as equity price risk on deposits where the return tracks an equity index.

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 regular 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.

Offset

Financial assets and liabilities are offset and the net amount reported when the Group has a legally enforceable right of set-off and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Offset mostly takes place in connection with repo transactions and derivative financial instruments cleared through recognised clearing centres.

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, intercompany derivatives 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 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 management adjustments, including CVA adjustment, of the fair value of interest rate derivatives.

Core income from securities includes the return the Group would have obtained by placing its investment portfolios at a risk-free interest rate corresponding to 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.

Reverse repurchase lending and repo transactions

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 repurchase 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 repurchase 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 valued 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 as the receivable is amortised.

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

INCOME STATEMENT

Interest income and expenses

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

Interest income comprises 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 comprise 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 comprise 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 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 comprise 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".

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

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.

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.

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 at the time of acquisition. 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 intangible assets

Other intangible assets comprises the agreed acquisition price on customer relationships in connection with the acquisition of accounts in 2014. Customer relationships are recognised at cost less accumulated amortisation. The amortisation period is 3 years.

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.

Bonds in issue at amortised cost

Bonds in issue are initially recognised at fair value equal to consideration received less costs incurred. Bonds in issue 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 repurchase transactions and subsequently resold, but which the Bank is obliged to return.

Subordinated debt

Subordinated debt consists of financial liabilities in the form of Additional Tier 1 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 distributable 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 these accounting policies and special circumstances relating to the Parent Company are described below.

Changes to the Executive Order on the presentation of financial reports

In 2014 the Danish FSA issued a new Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The changes result in new note disclosures on revenue, staff numbers and profit/loss in the countries in which Nykredit Bank has operations abroad as well as requirements for disclosure of return on capital employed.

Otherwise, the implementation of the amended Executive Order on Financial Reports has not had any impact on the Parent Company's results, other 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 until the expected amendment to IAS 27 has entered into force as at 1 January 2016. The IFRS currently prescribe measurement either at cost or at fair value.

The proportionate ownership share of the equity value of the enterprise less/plus unrealised intercompany profit or loss 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

	31.12.2014	31.12.2013
2. CAPITAL AND CAPITAL ADEQUACY		
Nykredit Bank A/S		
Equity	12,575	14,347
Prudent valuation adjustment	(435)	-
Intangible assets, including goodwill and deferred tax assets	(54)	(23)
Deduction for difference between IRB losses and impairments	(41)	
Common Equity Tier 1 capital deductions	(530)	(23)
Common Equity Tier 1 capital	12,045	14,324
Additional Tier 1 capital	100	250
Transitional adjustment of Additional Tier 1 capital	(85)	(17)
Additional Tier 1 capital	15	233
Tier 1 capital	12,060	14,557
Charge for difference between IRB losses and impairments	409	385
Transitional adjustment of Tier 2 capital	(85)	(27)
Own funds	12,384	14,915
Credit risk	77,086	70,098
Market risk	12,417	13,291
Operational risk	4,361	5,483
Credit value adjustments (CVA)	1,041	
Total risk exposure amount	94,905	88,872
Tier 1 capital ratio, %	12.7	16.4
Total capital ratio, %	13.0	16.8

Notes

DKK million

	31.12.2014	31.12.2013
2. CAPITAL AND CAPITAL ADEQUACY (continued)		
Nykredit Bank Group		
Equity	12,575	14,347
Prudent valuation adjustment	435	-
Intangible assets, including goodwill and deferred tax assets	(54)	(23)
Deduction for difference between IRB losses and impairments	(41)	
Common Equity Tier 1 capital deductions	(530)	(23)
Common Equity Tier 1 capital	12,045	14,324
Additional Tier 1 capital	100	250
Transitional adjustment of Additional Tier 1 capital	(85)	(17)
Additional Tier 1 capital	15	233
Tier 1 capital	12,060	14,557
Charge for difference between IRB losses and impairments	390	374
Transitional adjustment of Tier 2 capital	(85)	(18)
Own funds	12,365	14,913
Credit risk	75,689	69,481
Market risk	12,417	13,291
Operational risk	4,904	5,937
Credit value adjustments (CVA)	1,041	
Total risk exposure amount	94,051	88,709
Tier 1 capital ratio, %	12.8	16.4
Total capital ratio, %	13.1	16.8

Capital and capital adequacy have been determined in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the Capital Requirements Regulation) as well as the Danish transitional rules laid down by the Danish FSA.

The statements as at 31 December 2013 are based on the then applicable rules of the Danish Financial Business Act. The layout has been adjusted to reflect the new presentation format.

Notes

2a. 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 own funds

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 own funds. Required own funds are the minimum capital required, in Management's judgement, to cover all significant risks.

The determination of required own funds and the internal capital adequacy requirement is detailed in the report Risk and Capital Management 2014, available at nykredit.com/reports.

Nykredit's required own funds consist of Pillar I and Pillar II capital.

Pillar I

Pillar I capital covers credit, market and operational risks.

Pillar II

Pillar II capital 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 included to reflect the uncertainty of the models used. This charge equals 10% of the calculated risk.

Nykredit Bank aims to have a Common Equity Tier 1 (CET1) capital ratio of at least 13.0%. In order to strengthen Nykredit Bank's capital structure in relation to future business growth and future regulation, the Bank will receive new equity in the amount of DKK 2bn as at 5 February 2015.

Stress tests and capital projections

Nykredit conducts a large number of model-based stress tests. The tests are applied to determine required own funds, 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 should occur.

Notes

DKK million

Nykredit Bank Group

3. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME	2014			2013		
	Core earnings	Investment portfolio earnings	Total	Core earnings	Investment portfolio earnings	Total
1 January – 31 December						
Net interest income	2,366	102	2,468	2,376	105	2,481
Dividend on equities	19	7	26	14	12	26
Fee and commission income, net	882	(3)	879	830	(72)	758
Net interest and fee income	3,267	106	3,373	3,220	45	3,265
Value adjustments	(3,453)	(63)	(3,516)	(730)	(85)	(815)
Other operating income	26	-	26	29	-	29
Staff and administrative expenses	1,928	-	1,928	1,992	-	1,992
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	11	-	11	9	-	9
Other operating expenses	96	-	96	122	-	122
Impairment losses on loans and advances	219	-	219	349	-	349
Profit from investments in associates and group enterprises	0	-	0	78	-	78
Profit (loss) before tax	(2,414)	43	(2,371)	125	(40)	85

Notes

DKK million

Nykredit Bank Group

4. BUSINESS AREAS

The business areas reflect the Bank's structure and internal reporting. Retail serves personal customers as well as small and medium-sized enterprises (SMEs). Wholesale comprises activities with corporate and institutional clients, securities trading, derivatives transactions, wealth and asset management. Group Items comprises the Bank's treasury area as well as unallocated costs.

2014	Retail	Wholesale	Group Items	Total
Core income from				
customer activities, gross	1,178	1,980	15	3,173
payment for distribution	536	(536)	0	0
Total business operations	1,714	1,444	15	3,173
- value adjustment of derivatives	(1,857)	(1,505)	-	(3,362)
- core income from securities	-	-	29	29
Total*	(143)	(61)	44	(160)
Operating costs	962	743	291	1,996
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	1	9	1	11
Provisions for costs relating to reorganisation	-	-	28	28
Core earnings before impairment losses	(1,106)	(813)	(276)	(2,195)
Impairment losses on loans and advances	68	147	4	219
Core earnings after impairment losses	(1,174)	(960)	(280)	(2,414)
Investment portfolio income ¹			43	43
Profit (loss) before tax	(1,174)	(960)	(237)	(2,371)
* Of which transactions between business areas.	560	(883)	323	0
Operating costs as well as depreciation of property, plant and equipment and amortisation of intangible assets as % of core income from business operations	56.2	52.1	-	63.3
Average allocated business capital	5,581	7,872	1,079	14,532
Core earnings after impairment losses as % of allocated capital (pa)	(21.0)	(12.2)	-	(16.6)
2013	Retail	Wholesale	Group Items	Total
Core income from				
customer activities, gross	1,120	2,264	(123)	3,261
payment for distribution	556	(556)	0	0
Total business operations	1,676	1,708	(123)	3,261
- value adjustment of derivatives	(179)	(596)	-	(775)
- core income from securities	-	-	33	33
Total*	1,497	1,112	(90)	2,519
Operating costs	850	842	373	2,065
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	1	7		8
Provisions for costs relating to reorganisation	-	-	50	50
Profit from investments in associates and group enterprises	78			78
Core earnings before impairment losses	724	263	(513)	474
Impairment losses on loans and advances	387	(11)	(27)	349
Core earnings after impairment losses	337	274	(486)	125
Investment portfolio income ¹			(40)	(40)
Profit (loss) before tax	337	274	(526)	85
* Of which transactions between business areas.	414	(848)	434	0
Operating costs as well as depreciation of property, plant and equipment and amortisation of intangible assets as % of core income from business operations	50.8	49.7	-	63.6
Average allocated business capital	5,478	6,797	964	13,329
Core earnings after impairment losses as % of allocated capital (pa)	6.2	4.0	-	0.9

As a result of the reorganisation, comparative figures have been restated, thus reducing Retail results by DKK 98m and increasing Wholesale and Group Items results by DKK 89m and DKK 9m, respectively. Core income was particularly affected by a transfer of about DKK 221m from Retail to Wholesale. Operating costs relating to Retail were down DKK 104m, whereas Wholesale saw an increase of DKK 117m.

Impairment losses in Retail dropped DKK 19m, which was allocated to Wholesale.

¹ Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest. In Q1/2013, investment portfolio income also included expenses in connection with an intercompany guarantee.

The loss guarantee was terminated by the Bank's Management at end-2013.

Notes

DKK million

Nykredit Bank Group

4. BUSINESS AREAS (continued)

2014	Retail	Wholesale	Group Items	Total
ASSETS				
Receivables from credit institutions and central banks		33,643	242	33,885
Loans and advances at fair value		35,228		35,228
Loans and advances at amortised cost	25,533	24,929	32	50,494
Bonds, mortgages and equities		52,813	12,501	65,314
Property, plant, equipment and intangible assets	9	91	16	116
Other assets	14,801	28,581	1,464	44,846
Total assets	40,343	175,285	14,255	229,883
LIABILITIES AND EQUITY				
Payables to credit institutions and central banks		63,876		63,876
Deposits and other payables	40,637	23,287	1,426	65,350
Non-derivative financial liabilities at fair value		19,943		19,943
Bonds in issue			25,881	25,881
Other payables and provisions	410	41,174	574	42,158
Subordinated debt			100	100
Equity			12,575	12,575
Total liabilities and equity	41,047	148,280	40,556	229,883
Associates and group enterprises have been included in the business areas as follows: ¹				
- Profit	0	151	0	151
- Investment (equity value)	12	853	4	869
Off-balance sheet items (guarantees)	18,289	6,074	1,369	25,732
Investments in property, plant and equipment as well as intangible assets	-	35	-	35

2013	Retail	Wholesale	Group Items	Total
ASSETS				
Receivables from credit institutions and central banks		22,713	460	23,173
Loans and advances at fair value		56,814	0	56,814
Loans and advances at amortised cost	23,348	23,612	64	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	19	31,695	934	32,648
Total assets	23,438	171,106	29,590	224,134
LIABILITIES AND EQUITY				
Payables to credit institutions and central banks		54,987	2,745	57,732
Deposits and other payables	36,427	27,256	1,722	65,405
Non-derivative financial liabilities at fair value		29,248		29,248
Bonds in issue			26,689	26,689
Other payables and provisions	624	29,511	328	30,463
Subordinated debt			250	250
Equity			14,347	14,347
Total liabilities and equity	37,051	141,002	46,081	224,134
Associates and group enterprises have been included in the business areas as follows: ¹				
- Profit	0	122	0	122
- Investment (equity value)	12	529	4	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	-	-	-	-

¹ Retail includes mortgage trading activities. The investment management company Nykredit Portefølje Administration A/S and Nykredit Leasing A/S are included under Wholesale.

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
5. INTEREST INCOME				
40	28	Receivables from credit institutions and central banks	28	40
2,489	2,307	Loans, advances and other receivables	2,411	2,575
1,019	1,164	Bonds	1,170	1,023
(110)	(256)	Total derivative financial instruments	(256)	(109)
Of which				
(19)	16	- Foreign exchange contracts	16	(19)
(40)	(240)	- Interest rate contracts	(240)	(40)
(46)	(54)	- Equity contracts	(54)	(46)
(5)	22	- Other contracts	22	(4)
25	8	Other interest income	10	27
3,463	3,251	Total	3,363	3,556
Of which interest income from genuine purchase and resale transactions entered as				
28	18	Receivables from credit institutions and central banks	18	28
164	139	Loans, advances and other receivables at fair value	139	164
Of total interest income				
2,337	2,178	Interest income accrued on financial assets measured at amortised cost	2,282	2,423
Interest income accrued on individually impaired loans and advances totalled DKK 90m (2013: DKK 106m). 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.				
82	65	Interest income accrued on fixed-rate loans and advances	90	101
3	1	Interest income from finance leases	124	118
6. INTEREST EXPENSES				
162	188	Credit institutions and central banks	191	163
457	353	Deposits and other payables	353	456
443	340	Bonds in issue	340	443
12	9	Subordinated debt	9	12
1	2	Other interest expenses	2	1
1,075	892	Total	895	1,075
Of which interest expenses for genuine sale and repurchase transactions entered as				
49	104	Payables to credit institutions and central banks	104	49
70	39	Deposits and other payables (non-derivative financial liabilities at fair value)	39	70
Bonds in issue				
27	51	Offset interest on the Bank's portfolio of self-issued bonds	51	27
Of total interest expenses				
956	749	Interest expenses accrued on financial liabilities measured at amortised cost	752	956
7. DIVIDEND ON EQUITIES				
26	26	Dividend on equities	26	26
26	26	Total	26	26

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
8. FEE AND COMMISSION INCOME				
140	143	Securities trading and custody accounts	405	385
79	90	Payment services	90	79
36	19	Loan fees	19	36
88	99	Guarantee commission	95	87
859	747	Other fees and commissions	740	846
1,202	1,098	Total	1,349	1,433
Of which				
152	113	Fees relating to financial instruments not measured at fair value	153	190
538	583	Fees relating to asset management activities and other fiduciary activities	818	749
Certain fees that form an integral part of the effective interest rate of an underlying loan measured at amortised cost have been presented in "Interest income".				
9. FEE AND COMMISSION EXPENSES				
667	457	Total	470	675
Of which				
252	219	Fees relating to financial instruments not measured at fair value	239	273
113	121	Fees relating to asset management activities and other fiduciary activities	115	103
10. VALUE ADJUSTMENTS				
15	2	Other loans, advances and receivables at fair value	2	15
(137)	(475)	Bonds	(480)	(140)
72	83	Equities	83	72
58	(31)	Foreign exchange	(31)	58
(820)	(3,090)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments ¹	(3,090)	(820)
(812)	(3,511)	Total	(3,516)	(815)
(775)	(3,362)	¹ Of which value adjustment of interest rate swaps	(3,362)	(775)
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 financial liabilities.				
Of which value adjustment relating to fair value hedging for accounting purposes				
(15)	9	Fair value hedging	9	(15)
11. STAFF AND ADMINISTRATIVE EXPENSES				
13	13	Remuneration of Board of Directors and Executive Board	13	13
707	651	Staff expenses	758	809
1,080	1,069	Administrative expenses	1,157	1,170
1,800	1,733	Total	1,928	1,992
Remuneration of Board of Directors and Executive Board				
Board of Directors				
The three staff-elected board representatives each receive annual remuneration of DKK 60,000. No additional remuneration is paid to the Board of Directors except for a refund of any costs relating to board meetings. As group chief executive and group managing directors, members of the Board of Directors employed with Nykredit Realkredit A/S receive salaries from Nykredit Realkredit A/S. Reference is made to the Annual Report 2014 of Nykredit Realkredit A/S for the terms and conditions applying to its Executive Board.				

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
11. STAFF AND ADMINISTRATIVE EXPENSES (continued)				
Board of Directors and Executive Board				
13	13	Salaries and remuneration	13	13
13	13	Total	13	13
Of which				
0	0	Bonus relating to previous years/adjustment relating to bonus provisions in previous years	0	0
3	2	Bonus provisions for the financial year	2	3
Remuneration of Executive Board				
Fixed and variable remuneration recognised in the income statement for the financial year				
(DKK 1,000)	(DKK 1,000)		(DKK 1,000)	(DKK 1,000)
Bjørn Mortensen				
3,568	3,595	Fixed remuneration	3,595	3,568
860	400	Bonus	400	860
4,428	3,995	Total	3,995	4,428
Lars Bo Bertram (resigned from the Executive Board on 10 October 2014)				
3,063	3,193	Fixed remuneration	3,193	3,063
-	448	Accrued holiday allowance on resignation	448	-
860	800	Bonus	800	860
3,923	4,441	Total	4,441	3,923
Georg Andersen				
3,010	3,053	Fixed remuneration	3,053	3,010
860	0	Bonus	0	860
3,870	3,053	Total	3,053	3,870
Jesper Berg (joined the Executive Board on 19 March 2014)				
0	1,324	Fixed remuneration	1,324	0
0	400	Bonus	400	0
0	1,724	Total	1,724	0
12,221	13,213	Earned in the financial year	13,213	12,221
200	20	Adjustment of bonus relating to previous financial years	20	200
<p>In the financial year 2014, DKK 20,000 was charged to the income statement for adjustment of bonus relating to the financial year 2013. The amount comprised a bonus reduction of DKK 60,000 for Bjørn Mortensen, a bonus increase of DKK 340,000 for Lars Bo Bertram and a bonus reduction of DKK 260,000 for Georg Andersen.</p> <p>Members of the Executive Board receive a fixed salary covering all directorships and executive positions in the Nykredit Bank Group.</p> <p>Variable remuneration</p> <p>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 24 of the Management's Review.</p> <p>Other information</p> <p>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		Nykredit Bank Group	
2013	2014	2014	2013
11. STAFF AND ADMINISTRATIVE EXPENSES (continued)			
Loans, charges or guarantees granted to the members of			
0	0	0	0
0	0	0	0
0	0	0	0
Deposits from the members of			
0	2	2	0
4	10	10	4
0	0	0	0
Balances with the above members of the Bank's Management and their related parties are subject to standard 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% (2013: 2.75%), and the deposit rate ranged between 0.125% and 1.00% (2013: 0.125% and 0.75%).			
Staff expenses			
564	522	611	649
57	55	64	66
71	63	71	78
15	11	12	16
707	651	758	809
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):			
13	5	12	20
5	2	4	6
0	0	0	0
18	7	16	26
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 41 other staff members. 3 of these are on the payroll of Nykredit Bank, 5 are on the payroll of the Bank's subsidiaries, and 33 are on the payroll of Nykredit Realkredit A/S and Totalkredit A/S. The latter staff group performs intercompany tasks.			
These staff members are subject to special salary programmes.			
A maximum of 60% of the variable remuneration is disbursed when granted, while the disbursement of at least 40% is deferred over the following four years.			
For details on the remuneration policy, see the Management's Review and nykredit.com.			

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
11. STAFF AND ADMINISTRATIVE EXPENSES (continued)				
714	672	Average number of staff, full-time equivalents	820	859
Total fees to the auditors appointed by the General Meeting, Deloitte, who perform the statutory audit:				
1	1	- Statutory audit of the financial statements	2	1
0	0	- Other assurance engagements	0	0
0	0	- Tax advice	0	0
1	1	- Other services	1	1
2	2	Total	3	2
12. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS				
9	8	Property, plant and equipment	8	9
-	3	Intangible assets	3	-
9	11	Total	11	9
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES				
Specification of impairment provisions				
3,582	3,029	Total individual impairment provisions	3,074	3,624
369	507	Total collective impairment provisions	509	370
3,951	3,536	Total impairment provisions, year-end	3,583	3,994
Individual impairment provisions for loans, advances and receivables				
3,775	3,563	Impairment provisions, beginning of year	3,605	3,821
951	608	Impairment provisions for the year	634	976
643	581	Impairment provisions reversed	600	662
520	584	Impairment provisions written off	588	530
3,563	3,006	Impairment provisions, year-end	3,051	3,605
Individual impairment provisions for credit institutions				
-	19	Impairment provisions, beginning of year	19	-
19	4	Impairment provisions for the year	4	19
19	23	Impairment provisions, year-end	23	19
Collective impairment provisions				
235	369	Impairment provisions, beginning of year	370	236
134	138	Impairment provisions for the year, net	139	134
369	507	Impairment provisions, year-end	509	370
Earnings impact				
442	165	Change in provisions for loan and receivable impairment	173	448
19	4	Change in impairment provisions for lending to credit institutions	4	19
68	52	Write-offs for the year, not previously written off	63	83
104	32	Recoveries on claims previously written off	33	103
121	0	Net income from subsidiary in temporary possession	0	121
2	8	Assets in temporary possession (direct losses)	8	2
306	197	Total impairment losses	215	328
21	4	Provisions for guarantees, net	4	21
327	201	Total	219	349

Income from subsidiary in temporary possession relates to sale of properties acquired in connection with settlement of exposures.

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)				
Specification of loans and advances subject to objective evidence of impairment				
5,582	4,584	Loans and advances at amortised cost subject to individual impairment provisioning	4,708	5,697
2,348	1,926	Of which fully impaired	1,929	2,352
3,234	2,658	Total	2,779	3,345
3,563	3,006	Individual impairment provisions for loans, advances and receivables, year-end	3,051	3,605
2,348	1,926	Of which relating to loans and advances fully impaired	1,929	2,352
1,215	1,080	Total	1,122	1,253
2,019	1,578	Carrying amount of loans and advances at amortised cost with individual impairment provisioning	1,657	2,092
44,256	47,953	Loans and advances at amortised cost subject to collective impairment provisioning	49,346	45,302
369	507	Impairment provisions	509	370
43,887	47,446	Carrying amount of loans and advances at amortised cost with collective impairment provisioning	48,837	44,932
14. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES				
78	-	Profit from investments in associates	-	78
110	125	Profit from investments in group enterprises	-	-
188	125	Total	-	78
15. TAX				
Tax for the year can be specified as follows:				
(5)	(625)	Tax on profit (loss) for the year	(599)	8
(5)	(625)	Total	(599)	8
Tax on profit (loss) for the year has been calculated as follows:				
(41)	(616)	Current tax	(598)	(39)
34	(17)	Deferred tax	(7)	51
2	2	Adjustment of deferred tax due to reduction in corporation tax rate	0	(4)
1	18	Adjustment of current tax relating to previous years	18	1
(1)	(12)	Adjustment of deferred tax relating to previous years	(12)	(1)
(5)	(625)	Total	(599)	8
Tax on profit (loss) for the year can be specified as follows:				
18	(587)	Calculated 24.5% tax on profit (loss) before tax (2013: 25%)	(581)	21
(27)	(30)	Of which recognised as profit from equity investments	-	-
Tax effect of				
0	(19)	Non-taxable income	(28)	(11)
2	9	Other non-deductible costs	10	2
2	2	Adjustment of deferred tax due to reduction in corporation tax rate	0	(4)
(5)	(625)	Total	(599)	8
(6.9)	(26.1)	Effective tax rate, %	(25.3)	9.4

Notes

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2013	2014			2014	2013
		16. SECONDARY BUSINESS AREA			
		Foreign entities' contributions to profit (loss) for the year in the form of interest income, fee income and other operating income			
4	2	Stockholm branch		2	4
4	2	Revenue from foreign entities		2	4
7	6	Branch profit after tax		6	7
		Contributions from foreign entities are regarded as the Group's secondary segment. Note information about the business areas regarded as the Group's primary segment is presented and described on pages 12-18 of the Management's Review and in note 4.			
		Nykredit Bank's foreign revenue in 2014 was exclusively generated by the Stockholm branch, which started trading in December 2011.			
		The branch's revenue from external customers in 2014 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 61m in 2014 (2013: DKK 60m). Other income came to DKK 2m in 2014 (2013: DKK 4m).			
		Balance sheet			
25	21	Branch assets		21	25
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			Nykredit Bank Group	
2013	2014		2014	2013
17. CASH BALANCES AND DEMAND DEPOSITS WITH CENTRAL BANKS				
3,049	4,417	Cash balances and demand deposits with central banks	4,417	3,049
3,049	4,417	Total	4,417	3,049
18. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
2,069	8,746	Receivables at call from central banks	8,746	2,069
18,054	20,721	Receivables from credit institutions	20,722	18,055
20,123	29,467	Total	29,468	20,124
By time-to-maturity				
10,426	20,167	Demand deposits	20,168	10,427
9,247	8,940	Up to 3 months	8,940	9,247
450	360	Over 3 months and up to 1 year	360	450
0	0	Over 1 year and up to 5 years	0	0
0	0	Over 5 years	0	0
20,123	29,467	Total	29,468	20,124
10,437	6,663	Of which reverse repurchase lending (purchase and resale transactions)	6,663	10,437
19. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
56,814	35,228	Loans and advances at fair value	35,228	56,814
56,814	35,228	Total	35,228	56,814
56,814	35,228	Of which reverse repurchase lending (purchase and resale transactions)	35,228	56,814
By time-to-maturity				
56,814	35,228	Up to 3 months	35,228	56,814
-	-	Over 3 months and up to 1 year	-	-
56,814	35,228	Total	35,228	56,814

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
45,906	49,024	Loans and advances	50,494	47,024
45,906	49,024	Total	50,494	47,024
By time-to-maturity				
13,184	12,828	On demand	10,340	10,972
10,218	11,995	Up to 3 months	12,176	10,401
4,670	5,216	Over 3 months and up to 1 year	5,960	5,321
8,307	8,455	Over 1 year and up to 5 years	11,090	10,547
9,527	10,530	Over 5 years	10,928	9,783
45,906	49,024	Total	50,494	47,024
Fixed-rate loans				
2,704	2,831	Of total loans and advances, fixed-rate loans represent	2,831	2,704
2,731	2,839	Market value of fixed-rate loans	2,839	2,731
Finance leases				
42	0	Of total loans and advances at amortised cost, finance leases represent	3,457	2,963
43	42	Carrying amount, beginning of year	2,963	2,669
-	-	Additions	1,780	1,369
1	42	Disposals	1,286	1,075
42	0	Carrying amount, year-end	3,457	2,963
By time-to-maturity				
42	-	Up to 3 months	255	294
-	-	Over 3 months and up to 1 year	617	536
-	-	Over 1 year and up to 5 years	2,217	1,906
-	-	Over 5 years	368	227
42	0	Total	3,457	2,963
Gross investments in finance leases				
By time-to-maturity				
42	-	Up to 1 year	996	903
-	-	Over 1 year and up to 5 years	2,495	2,155
-	-	Over 5 years	384	236
42	0	Total	3,875	3,294
0	0	Non-earned income	418	331
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 8 years.				
-	-	Impairment provisions for finance leases	34	43
Non-guaranteed residual values upon expiry of the leases amount to DKK 0.				

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)				
Loans, advances and guarantee debtors by sector as %, year-end				
Includes loans, advances and receivables at fair value				
1	1	Public sector	1	1
Commercial customers				
1	2	Agriculture, hunting, forestry and fishing	3	2
4	4	Manufacturing, mining and quarrying	5	4
1	1	Energy supply	1	1
1	2	Construction	2	2
2	3	Trade	3	2
2	2	Transport, accommodation and food service activities	3	3
1	1	Information and communication	1	1
56	41	Finance and insurance	38	53
9	12	Real estate	12	9
6	8	Other	9	7
83	76	Total commercial customers	77	84
16	23	Personal customers	22	15
100	100	Total	100	100
The sector distribution is based on the official Danish activity codes.				
21. BONDS AT FAIR VALUE				
56,225	49,300	Covered bonds (realkreditobligationer, ROs)	49,647	56,440
4,505	8,079	Government bonds	8,079	4,505
5,560	9,337	Other bonds	9,337	5,560
66,290	66,716	Total	67,063	66,505
2,642	2,091	Self-issued bonds offset against bonds in issue	2,091	2,642
63,648	64,625	Total	64,972	63,863
The effect of fair value adjustment was recognised in the income statement.				
12,065	3,123	Of which redeemed bonds	3,123	12,065
38,659	25,558	Assets sold as part of repo transactions (sale and repurchase transactions)	25,558	38,659
14,917	16,462	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of The collateral was provided on an arm's length basis.	16,462	14,917
Maturities based on the nominal maturities of the securities				
28,005	29,060	Up to 1 year	29,350	28,100
26,732	29,160	Over 1 year and up to 5 years	29,217	26,822
8,911	6,405	Over 5 years	6,405	8,941
63,648	64,625	Total	64,972	63,863
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			Nykredit Bank Group	
2013	2014		2014	2013
		22. EQUITIES		
356	341	Equities measured at fair value through profit or loss	342	356
356	341	Total	342	356
		Specification of equity portfolios		
192	122	Listed on Nasdaq Copenhagen	123	192
15	9	Listed on other stock exchanges	9	15
149	210	Unlisted equities carried at fair value	210	149
356	341	Total	342	356
		23. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
10	10	Cost, beginning of year	10	10
10	10	Cost, year-end	10	10
(10)	(10)	Revaluations and impairment losses, beginning of year	(10)	(10)
(10)	(10)	Total revaluations and impairment losses, year-end	(10)	(10)
-	-	Balance, year-end	-	-
		Investments in group enterprises		
241	241	Cost, beginning of year	-	-
-	200	Additions	-	-
241	441	Cost, year-end	-	-
194	304	Revaluations and impairment losses, beginning of year	-	-
123	150	Profit before tax	-	-
13	26	Tax	-	-
304	428	Total revaluations and impairment losses, year-end	-	-
545	869	Balance, year-end	-	-
		Subordinate receivables		
-	-	- Group enterprises	-	-
-	-	- Associates	-	-
323	324	Other enterprises	324	323
323	324	Total	324	323

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
23. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (continued)				
Balances with associates and group enterprises				
Associates				
Asset items				
9	12	Loans, advances and other receivables at amortised cost	12	9
6	5	Other assets	5	6
15	17	Total	17	15
Liability items				
15	36	Deposits and other payables	36	15
15	36	Total	36	15
Group enterprises				
Asset items				
2,284	2,599	Loans, advances and other receivables at amortised cost	-	-
1	1	Other assets	-	-
2,285	2,600	Total	-	-
Liability items				
97	91	Deposits and other payables	-	-
2	1	Other liabilities	-	-
99	92	Total	-	-
24. INTANGIBLE ASSETS				
Customer relationships				
-	-	Acquisition cost, beginning of year	-	-
-	35	Additions for the year	35	-
-	3	Depreciation for the year	3	-
-	32	Customer relationships, year-end	32	-
Goodwill				
29	29	Acquisition cost, beginning of year	29	29
29	29	Total, year-end	29	29
6	6	Impairment losses, beginning of year	6	6
6	6	Impairment losses, year-end	6	6
23	23	Total goodwill, year-end	23	23
9	9	Acquisition of SEB branch in 2008	9	9
14	14	Acquisition of Amber Fondsmæglerselskab A/S in 2011	14	14
23	23	Total goodwill, year-end	23	23
Goodwill allocated to business areas				
Acquisition of SEB branch: Goodwill was allocated to the business area Retail.				
Acquisition of Amber Fondsmæglerselskab A/S in 2011: Goodwill was allocated to the business area Wholesale.				

Notes

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2013	2014			2014	2013
25. OTHER PROPERTY, PLANT AND EQUIPMENT					
21	14	Equipment		14	21
21	14	Total		14	21
Equipment					
48	49	Cost, beginning of year		58	57
1	1	Additions		1	2
0	1	Disposals		7	1
49	49	Cost, year-end		52	58
19	28	Depreciation and impairment losses, beginning of year		37	28
9	8	Depreciation for the year		8	9
0	1	Reversal of depreciation and impairment losses		7	0
28	35	Depreciation and impairment losses, year-end		38	37
21	14	Balance, year-end		14	21
Equipment is depreciated over 3-5 years and had an average residual depreciation period of 2 years at 31 December 2014 (end-2013: 2 years).					
26. ASSETS IN TEMPORARY POSSESSION					
49	79	Assets, beginning of year		212	904
45	6	Additions		6	45
15	38	Disposals		171	737
79	47	Balance, year-end		47	212

Assets in temporary possession comprised properties taken over and shares in a property company, Kalvebod III.

Of the DKK 171m carried under "Disposals", DKK 133m related to the sale of one property held by Kalvebod III, a property group. All the group's properties have now been sold.

Nykredit Bank accepts mortgages over real estate as security for loans. In a number of instances the Bank acquires the properties at forced sales by public auction 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			Nykredit Bank Group	
2013	2014		2014	2013
27. OTHER ASSETS				
5,160	3,509	Interest and commission receivable	3,539	5,206
25,896	39,078	Positive market value of derivative financial instruments, net	39,078	25,896
1,437	1,582	Other	1,589	1,453
32,493	44,169	Total	44,206	32,555
Positive market value of derivative financial instruments				
By time-to-maturity				
962	1,806	Up to 1 year	1,806	962
5,926	12,064	Over 1 year and up to 5 years	12,064	5,926
19,008	25,208	Over 5 years	25,208	19,008
25,896	39,078	Total	39,078	25,896
Accounting netting				
27,575	48,185	Positive market value of derivative financial instruments, gross	48,185	27,575
4,795	9,154	Other receivables relating to derivative financial instruments included in netting	9,154	4,795
(6,474)	(18,261)	Netting of positive and negative market values	(18,261)	(6,474)
25,896	39,078	Total carrying amount of derivative financial instruments, net	39,078	25,896
1,274	1,185	In connection with derivatives transactions, the Bank has received security not included in netting of	1,185	1,274
24,622	37,893	Carrying amount less security received	37,893	24,622
Netting was solely attributable to clearing of derivatives through a central clearing house (CCP clearing).				
The items "Interest and commission receivable" and "Other" fall due within 1 year.				
Minimum margin				
Upon entering into and in connection with the following valuation of derivatives contracts, provisions are made in the form of a so-called minimum margin for liquidity risk, credit risk and return on capital. The minimum margin is amortised over the time-to-maturity of the derivatives.				
507	470	Total unamortised minimum margin at year-end	470	507

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
28. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
407	3,441	Payables to central banks	3,441	407
56,580	59,690	Payables to credit institutions	60,435	57,325
56,987	63,131	Total	63,876	57,732
20,447	11,723	Of which repo transactions (sale and repurchase transactions)	11,723	20,447
By time-to-maturity				
7,546	16,944	Payables on demand	16,944	7,546
42,809	41,687	Up to 3 months	41,687	42,809
5,923	4,054	Over 3 months and up to 1 year	4,054	5,923
709	409	Over 1 year and up to 5 years	1,154	1,454
0	37	Over 5 years	37	0
56,987	63,131	Total	63,876	57,732
29. DEPOSITS AND OTHER PAYABLES				
43,012	45,969	On demand	45,879	42,924
6,271	5,306	At notice	5,306	6,271
13,179	11,142	Time deposits	11,142	13,129
3,081	3,023	Special deposits	3,023	3,081
65,543	65,440	Total	65,350	65,405
By time-to-maturity				
43,936	47,229	On demand	47,139	43,848
7,884	7,445	Up to 3 months	7,445	7,834
7,873	5,901	Over 3 months and up to 1 year	5,901	7,873
3,946	2,944	Over 1 year and up to 5 years	2,944	3,946
1,904	1,921	Over 5 years	1,921	1,904
65,543	65,440	Total	65,350	65,405
30. BONDS IN ISSUE AT AMORTISED COST				
29,331	27,972	Bonds in issue	27,972	29,331
(2,642)	(2,091)	Own portfolio	(2,091)	(2,642)
26,689	25,881	Total	25,881	26,689
By time-to-maturity				
9,475	9,517	Up to 3 months	9,517	9,475
5,495	7,263	Over 3 months and up to 1 year	7,263	5,495
11,062	8,654	Over 1 year and up to 5 years	8,654	11,062
657	447	Over 5 years	447	657
26,689	25,881	Total	25,881	26,689
Issues				
18,262	15,767	EMTN issues*	15,767	18,262
8,406	10,107	ECP issues*	10,107	8,406
21	7	Employee bonds (former Forstædernes Bank)	7	21
26,689	25,881	Total	25,881	26,689

* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
31. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
18,513	13,855	Deposits at fair value	13,855	18,513
10,735	6,088	Negative securities portfolios	6,088	10,735
29,248	19,943	Total	19,943	29,248
By time-to-maturity				
29,248	19,943	Up to 3 months	19,943	29,248
18,513	13,855	Of which repo transactions (sale and repurchase transactions)	13,855	18,513
32. DEFERRED AND CURRENT TAX				
Deferred tax				
(44)	(9)	Deferred tax, beginning of year (asset)	75	29
34	(17)	Deferred tax for the year recognised in profit (loss) for the year	(7)	51
(1)	(12)	Adjustment of deferred tax assessed for previous years	(12)	(1)
2	2	Adjustment of deferred tax due to a change in the corporation tax rate	0	(4)
(9)	(36)	Balance, year-end	56	75
Deferred tax recognised in the balance sheet as follows				
(9)	(36)	Deferred tax (asset)	-	-
-	-	Deferred tax (liability)	56	75
(9)	(36)	Net balance, year-end	56	75
Deferred tax relates to				
(18)	(22)	Loans and advances	102	78
2	2	Intangible assets	2	2
(3)	(2)	Property, plant and equipment	(3)	(3)
3	2	Other assets and prepayments	(29)	(9)
70	62	Bonds in issue	62	70
(63)	(78)	Other liabilities and deferred income	(78)	(63)
(9)	(36)	Total	56	75
Recognised in profit (loss) for the year				
2	(4)	Loans and advances	23	27
1	0	Property, plant and equipment	0	1
1	1	Intangible assets	1	1
(2)	(2)	Other assets and prepayments	(21)	(14)
9	(15)	Other liabilities and deferred income	(15)	15
24	(7)	Bonds in issue	(7)	16
35	(27)	Total	(19)	46
Current tax assets/liabilities				
193	47	Corporation tax receivable, beginning of year	65	212
41	616	Current tax for the year	598	39
(186)	(31)	Corporation tax paid for the year, net	(27)	(185)
(1)	(18)	Adjustment relating to previous years	(18)	(1)
47	614	Balance, year-end	618	65

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
33. OTHER LIABILITIES				
5,760	3,663	Interest and commission payable	3,663	5,759
23,444	37,474	Negative market value of derivative financial instruments, net	37,474	23,444
664	494	Other	743	872
29,868	41,631	Total	41,880	30,075
No value adjustment has been made for own credit risk on valuation of derivative financial instruments.				
Negative market value of derivative financial instruments				
By time-to-maturity				
897	1,589	Up to 1 year	1,589	897
3,463	13,089	Over 1 year and up to 5 years	13,089	3,463
19,084	22,796	Over 5 years	22,796	19,084
23,444	37,474	Total	37,474	23,444
Netting				
28,573	52,881	Negative market value of derivative financial instruments, gross	52,881	28,573
1,345	2,854	Other debt included in netting	2,854	1,345
(6,474)	(18,261)	Netting of positive and negative market values	(18,261)	(6,474)
23,444	37,474	Net market value	37,474	23,444
13,719	12,936	In connection with derivatives transactions, the Bank has provided security not included in netting.	12,936	13,719
Netting of market values was attributable to clearing of derivatives through a central clearing house (CCP clearing).				
The items "Interest and commission payable" and "Other payables" fall due within one year.				
34. PROVISIONS				
Provisions for losses under guarantees				
82	103	Balance, beginning of year	103	82
77	32	Additions	32	77
56	28	Reversal of unutilised amounts	28	56
0	1	Disposals	1	-
103	106	Balance, year-end	106	103
Other provisions				
124	69	Balance, beginning of year	69	124
54	28	Additions	28	54
109	14	Disposals	14	109
69	83	Balance, year-end	83	69
Total provisions for losses under guarantees and other provisions				
206	172	Balance, beginning of year	172	206
131	60	Additions	60	131
56	28	Reversal of unutilised amounts	28	56
109	15	Disposals	15	109
172	189	Balance, year-end	189	172
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			Nykredit Bank Group	
2013	2014		2014	2013
35. SUBORDINATED DEBT				
Subordinated debt consists of financial liabilities in the form of Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.				
Additional Tier 1 capital				
100	100	Nom DKK 100m. The loan is perpetual and carries a floating interest rate of 1.7% pa above 3M Cibur.	100	100
150	0	Nom DKK 150m. The loan was repaid in Q3/2014.	0	150
250	100	Total subordinated debt	100	250
Included in the determination of own funds				
-	-	- Subordinate loan capital	-	-
250	100	Additional Tier 1 capital	100	250
-	-	- Costs related to raising and redeeming subordinated debt	-	-
36. CONTINGENT LIABILITIES				
7,972	15,206	Financial guarantees	15,206	7,972
846	1,279	Registration and refinancing guarantees	1,279	846
2,901	4,508	Other contingent liabilities	4,408	2,802
11,719	20,993	Total	20,893	11,620
By time-to-maturity				
8,086	15,096	Up to 1 year	15,024	7,987
2,930	3,701	Over 1 year and up to 5 years	3,683	2,930
703	2,196	Over 5 years	2,186	703
11,719	20,993	Total	20,893	11,620
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.				
OTHER CONTINGENT LIABILITIES				
Legal proceedings				
The Bank's operations involve the Bank in legal proceedings and litigation, including tax disputes. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Bank Group's financial position.				

Notes

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2013	2014			2014	2013
36. CONTINGENT LIABILITIES (continued)					
OTHER CONTINGENT LIABILITIES (continued)					
Bankernes EDB Central (BEC)					
Nykredit Bank's IT solutions are provided by BEC. According to BEC's articles of association, Nykredit Bank may terminate its membership of BEC giving 5 years' notice to expire at the end of a financial year. Should the membership terminate for other reasons related to Nykredit Bank, withdrawal compensation must be paid to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice but with a possible transition scheme.					
Guarantee Fund for Depositors and Investors					
Nykredit Bank participates in the mandatory Danish 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, which is expected at end-2015. The bank department bears any direct losses on the winding-up of Danish banks 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%.					
Joint taxation					
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 the interest, royalties or dividends of these companies as of 1 July 2012. Receivable corporation tax determined by Foreningen Nykredit netted DKK 490m, as at 31 December 2014 as account tax paid in 2014 exceeded the calculated tax charge on the income of the companies jointly taxed.					
37. OTHER COMMITMENTS					
6,527	4,508	Irrevocable credit commitments		4,508	6,527
180	177	Other		331	379
6,707	4,685	Total		4,839	6,906
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 2013 or 2014.					
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 trading in goods and services took place on an arm's length, on a cost reimbursement basis or according to the profit split method.					
Significant related party transactions prevailing/entered into in 2013 or 2014 include:					
Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S					
Framework 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				Nykredit Bank Group	
2013	2014			2014	2013
38. RELATED PARTY TRANSACTIONS AND BALANCES (continued)					
Associates					
Income statement					
-	-	Interest income		-	-
Asset items					
9	12	Loans, advances and other receivables at amortised cost		12	9
6	5	Other assets		5	6
Liability items					
15	36	Deposits and other payables		36	15
Transactions with the Parent Company, Nykredit Realkredit A/S, and its group enterprises and associates					
Income statement					
518	345	Interest income		348	520
59	27	Interest expenses		27	59
228	98	Fee and commission income		98	228
473	275	Fee and commission expenses		275	473
(423)	(14)	Value adjustments		(17)	(425)
641	639	Costs		671	670
Asset items					
22	3,033	Receivables from credit institutions and central banks		3,033	22
61	0	Loans, advances and other receivables at amortised cost		0	61
14,424	7,237	Bonds at fair value		7,423	14,534
368	437	Other assets		439	370
Liability items					
25,097	38,068	Payables to credit institutions and central banks		38,068	25,097
275	157	Deposits and other payables		157	275
2,739	1,970	Other non-derivative financial liabilities at fair value		1,970	2,739
51	17	Other liabilities		17	51
Transactions with other group enterprises					
Income statement					
48	40	Interest income		-	-
1	0	Interest expenses		-	-
9	12	Fee and commission income		-	-
20	12	Fee and commission expenses		-	-
3	11	Staff and administrative expenses		-	-
Asset items					
2,284	2,599	Loans, advances and other receivables at amortised cost		-	-
1	1	Other assets		-	-
Liability items					
97	91	Deposits and other payables		-	-
2	1	Other liabilities		-	-

Notes

 Nykredit Bank

39. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheets. The tables in notes 39 a and 39 b show the values of all instruments compared with the carrying amounts at which the instruments are recognised in the balance sheets.

The fair value is the amount at which a financial asset may be traded, or the amount at which a financial liability may be settled, between independent and willing parties.

The Group's assets and liabilities are generally recognised based on publicly listed prices or market terms in active markets at the balance sheet date. If the market for a financial asset or liability is illiquid, or if there are no publicly recognised prices, Nykredit Bank determines the fair value using generally accepted valuation techniques. These techniques include using corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option or other models based on observable market data.

Valuation techniques are generally applied to OTC derivatives and unlisted equities and liabilities.

Unlisted equities are recognised at fair value using valuation 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, if the equity value is assumed equal to the fair value of the instrument.

In connection with the determination of the fair value of the financial instruments measured at amortised cost in the financial statements, the following methods and significant assumptions have been applied:

- The interest rate risk of certain financial instruments recognised at amortised cost has been hedged by means of derivatives, cf note 43. 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 variable interest rate and entered into on standard credit terms, the carrying amounts are estimated to correspond to the fair values.
- The fair value of fixed-rate assets and financial liabilities measured at amortised cost has been determined using generally accepted valuation methods.
- The credit risk of fixed-rate financial assets (loans and advances) has been assessed in relation to other loans, advances and receivables.
- The fair value of deposits and other payables without a fixed term has been assumed to be the value disburseable at the balance sheet date.

Notes

39. FAIR VALUE DISCLOSURES (continued)

Listed prices

The Group'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, volatilities and market prices of similar instruments which are usually obtained through ordinary providers such as Reuters, Bloomberg and market makers. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length. Reverse repurchase lending and repo transactions as well as unlisted derivatives generally belong in this category.

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

Further, the valuation of derivatives implies the use of so-called Credit Value Adjustment (CVA), thus including counterparty credit risk in the valuation. The CVA adjustment, comprising DKK 0.4bn of the positive market value of the derivatives, is primarily based on external credit curves such as Itraxx Main, but also on intercompany data as regards customers without OEI in the lowest rating categories, as there are no available external curves suitable for calculation of credit risk on these customers. Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity, credit risk and return on capital. The minimum margin is amortised at valuation of derivatives over the time-to maturity. At 31 December 2014, the unamortised minimum margin amounted to DKK 470m compared with DKK 507m at end-2013. Finally, in some instances further value adjustment based on management judgement is made if the models do not take into account all known risks, including eg legal risks.

In some cases, markets, eg the bond market, become inactive and illiquid. 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 discounting 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. The Group's unlisted equities are generally classified under this heading.

Positive market values of individual product types/customer groups, including housing cooperatives, have been adjusted for increased credit risk by means of management judgement. Interest rate swaps which have been fair value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty are also included in the category Unobservable inputs. Following value adjustment, the fair value came to DKK 1,067m at 31 December 2014 and thus represented the majority of derivatives with positive market values in this category. Credit value adjustments came to DKK 4,832m at 31 December 2014.

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 200m.

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 2014, the proportion was 1.0% against 0.9% at end-2013. The share of financial liabilities was 0.4% against 0.3% at 31 December 2013.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 1.5bn (2013: DKK 1.4bn) and DKK 0.3bn (2013: DKK 0.2bn), respectively, derived from this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be approximately DKK 178m in 2014 (1.41% of equity at 31 December 2014). The earnings impact for 2013 has been estimated at DKK 165m (1.15% of equity at 31 December 2013).

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 2014 and 2013, reclassifications between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the rating categories of counterparties (credit risk) and in all material respects derived from interest rate swaps. Reclassifications between the categories Listed prices and Observable inputs in all material respects resulted from redeemed bonds that were categorised differently on redemption and came to DKK 3.1bn at 31 December 2014.

Notes

DKK million

Nykredit Bank Group

39 a. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES
RECOGNISED AT AMORTISED COST

2014	Carrying amount	Fair value	Balance	Fair value listed prices	Fair value computed using observable inputs	using unobservable inputs
Assets						
Cash balances and demand deposits with central banks	4,417	4,417	-	136	-	4,281
Receivables from credit institutions and central banks	22,805	22,805	-	8,000	-	14,805
Loans, advances and other receivables at amortised cost	50,494	50,600	106	-	-	50,600
Remaining assets	3,539	3,539	-	-	-	3,539
Total	81,255	81,361	106	8,136	-	73,225
Liabilities						
Payables to credit institutions and central banks	52,153	52,154	(1)	-	-	52,154
Deposits and other payables	65,350	65,326	24	-	-	65,326
Bonds in issue at amortised cost	25,881	26,159	(278)	-	16,045	10,114
Other payables	3,663	3,663	-	-	-	3,663
Subordinated debt	100	100	-	-	-	100
Total	147,147	147,402	(255)	-	16,045	131,357
2013						
Assets						
Cash balances and demand deposits with central banks	3,049	3,049	-	122	-	2,927
Receivables from credit institutions and central banks	9,687	9,687	-	-	-	9,687
Loans, advances and other receivables at amortised cost	47,024	47,094	70	-	-	47,094
Remaining assets	5,206	5,206	-	-	-	5,206
Total	64,966	65,036	70	122	-	64,914
Liabilities						
Payables to credit institutions and central banks	37,285	37,283	2	-	-	37,283
Deposits and other payables	65,405	65,347	58	-	-	65,347
Bonds in issue at amortised cost	26,689	26,998	(309)	-	18,570	8,428
Other payables	5,759	5,759	-	-	-	5,759
Subordinated debt	250	251	(1)	-	-	251
Total	135,388	135,638	(250)	-	18,570	117,068

Notes

DKK million

Nycredit Bank

39 b. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE

Assets and liabilities recognised at fair value by measurement category (IFRS hierarchy)

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
31 December 2014				
Assets:				
Recognised as trading book				
- Reverse repurchase lending to credit institutions and central banks	-	6,663	-	6,663
- Other reverse repurchase lending	-	35,228	-	35,228
- Bonds at fair value	59,802	5,170	-	64,972
- Equities measured at fair value through profit or loss	173	-	169	342
- Positive fair value of derivative financial instruments	1,170	36,596	1,312	39,078
Total	61,145	83,657	1,481	146,283
Percentage	41.8	57.2	1.0	100
Liabilities:				
Recognised as trading book				
- Repo transactions with credit institutions and central banks	-	11,723	-	11,723
- Other non-derivative financial liabilities at fair value	6,088	13,855	-	19,943
- Negative fair value of derivative financial instruments	1,100	36,077	297	37,474
Total	7,188	61,655	297	69,140
Percentage	10.4	89.2	0.4	100
Assets and liabilities measured on the basis of unobservable inputs				
Fair value, beginning of year, assets			1,412	
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			(2,252)	
Realised capital gains and losses recognised in "Value adjustments" in the income statement			18	
Purchases for the year			61	
Sales for the year			(51)	
Redemptions for the year			(2)	
Transferred to Listed prices and Observable inputs			(1,147)	
Transferred from Listed prices and Observable inputs			3,442	
Fair value, year-end, assets			1,481	
Fair value, beginning of year, liabilities			242	
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			148	
Realised capital gains and losses recognised in "Value adjustments" in the income statement			0	
Redemptions for the year			(93)	
Fair value, year-end, liabilities			297	

Reclassifications from Observable inputs to Unobservable inputs principally consist of interest rate swaps individually adjusted for increased credit risk.

For 2014 unrealised negative value adjustments of DKK 2,257m relating to the portfolio of financial instruments measured on the basis of unobservable inputs were recognised in the income statement at 31 December 2014.

Notes

DKK million

Nykredit Bank Group

39 b. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE (continued)

Assets and liabilities recognised at fair value by measurement category (IFRS hierarchy)

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
31 December 2013				
Assets:				
Recognised as trading book				
- Reverse repurchase lending to credit institutions and central banks		10,437		10,437
- Other reverse repurchase lending		56,814		56,814
- Bonds at fair value	53,384	10,479	-	63,863
- Equities measured at fair value through profit or loss	238		118	356
- Positive fair value of derivative financial instruments	491	24,111	1,294	25,896
Total	54,113	101,841	1,412	157,366
Percentage	34.4	64.7	0.9	100.0
Liabilities:				
Recognised as trading book				
- Repo transactions with credit institutions and central banks		20,447		20,447
- Other non-derivative financial liabilities at fair value	10,735	18,513		29,248
- Negative fair value of derivative financial instruments	540	22,662	242	23,444
Total	11,275	61,622	242	73,139
Percentage	15.4	84.3	0.3	100.0
Assets and liabilities measured on the basis of unobservable inputs				
Fair value, beginning of year, assets			813	
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			(1,042)	
Realised capital gains and losses recognised in "Value adjustments" in the income statement			(35)	
Purchases for the year			2	
Sales for the year			(36)	
Transferred to Listed prices and Observable inputs			(113)	
Transferred from Listed prices and Observable inputs			1,823	
Fair value, year-end, assets			1,412	
Fair value, beginning of year, liabilities			166	
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			113	
Realised capital gains and losses recognised in "Value adjustments" in the income statement			(37)	
Fair value, year-end, liabilities			242	

Reclassifications from Observable inputs to Unobservable inputs principally consist of interest rate swaps individually adjusted for increased credit risk.

For 2013 unrealised negative value adjustments of DKK 1,085m 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

Nycredit Bank Group

40. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity

2014	Net market value				Positive market value	Gross market value			Nominal 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		
Foreign exchange contracts									
Forward contracts/futures, purchased	133	103	(11)	0	334	109	225	46,097	
Forward contracts/futures, sold	(34)	(69)	(10)	0	183	295	(112)	38,452	
Swaps	9	71	209	184	706	234	472	19,182	
Options, purchased	19	1	0	0	20	0	20	3,553	
Options, written	(18)	(1)	0	0	0	19	(19)	3,590	
Interest rate contracts									
Forward contracts/futures, purchased	29	(3)	(1)	0	53	28	25	80,148	
Forward contracts/futures, sold	(51)	1	3	0	19	66	(47)	84,525	
Forward rate agreements, purchased	(90)	(319)	(167)	0	0	576	(576)	339,329	
Forward rate agreements, sold	87	304	175	0	565	0	565	332,308	
Swaps	(28)	98	(1,226)	2,241	35,982	34,897	1,085	1,237,097	
Options, purchased	0	0	77	1,112	1,204	15	1,189	51,643	
Options, written	0	0	(75)	(1,125)	0	1,201	(1,201)	38,659	
Equity contracts									
Forward contracts/futures, purchased	0	0	0	0	0	0	0	0	
Forward contracts/futures, sold	0	0	0	0	0	0	0	14	
Options, purchased	0	0	0	0	0	0	0	0	
Options, written	0	0	0	0	0	0	0	0	
Total							1,626		
2013									
Foreign exchange contracts									
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	
Interest rate contracts									
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	
Equity contracts									
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	
Total							2,452		

Notes

DKK million

Nykredit Bank Group

41. UNSETTLED SPOT TRANSACTIONS

NYKREDIT BANK GROUP

	2014			2013	
	Nominal value	Positive market value	Negative market value	Net market value	Net market value
Foreign exchange contracts, purchased	16,549	5	21	(16)	0
Foreign exchange contracts, sold	13,433	1	7	(6)	1
Interest rate contracts, purchased	8,655	2	1	1	0
Interest rate contracts, sold	8,708	1	4	(3)	14
Equity contracts, purchased	79	0	1	(1)	0
Equity contracts, sold	83	1	0	1	0
Total	47,507	10	34	(24)	15
Total, the year before	47,367	35	20	15	(8)

NYKREDIT BANK A/S

	2014			2013	
	Nominal value	Positive market value	Negative market value	Net market value	Net market value
Foreign exchange contracts, purchased	16,549	5	21	(16)	0
Foreign exchange contracts, sold	13,433	1	7	(6)	1
Interest rate contracts, purchased	8,655	2	1	1	0
Interest rate contracts, sold	8,708	1	4	(3)	14
Equity contracts, purchased	79	0	1	(1)	0
Equity contracts, sold	83	1	0	1	0
Total	47,507	10	34	(24)	15
Total, the year before	47,367	35	20	15	(8)

Notes

42. 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 statutory disclosure requirements (CRR). The report describes Nykredit's risk and capital management and is available at nykredit.com/reports.

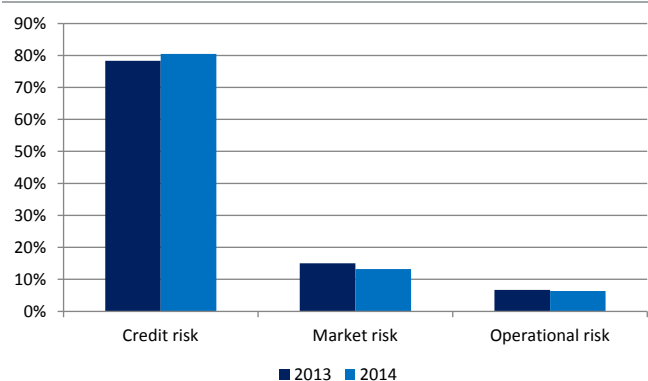
Elements of credit risk determination

PD	Probability of Default is the probability of a customer defaulting on an obligation to Nykredit.
LGD	Loss Given Default is the loss rate of an exposure in case of a customer's default.
EAD	Exposure At Default is the total estimated exposure to a customer in DKK at the time of default, including any drawn part of a credit commitment.
REA	Risk exposure amount.
Default	An exposure is in default where it is deemed improbable that the customer will repay all debt in full, or where a significant amount has been in arrears for 90 days. For mortgage products, Nykredit considers 75 days past due to be a clear sign that a customer is unable to repay its debt in full, while for bank products the third reminder will constitute such a sign. Exposures for which individual impairment provisions have been made or a direct loss has been incurred are also considered in default.

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

Nykredit Bank Group

REA by risk type



TYPES OF RISK

Nykredit Bank generally distinguishes between four types of risk, each with its own 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 as a result of inadequate or failed internal processes, people and systems or 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

Credit risk denotes the risk of loss following the non-performance of payment obligations by counterparties. This applies to counterparties in the form of borrowers and counterparties under financial contracts.

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

Nykredit's local customer 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 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 approval by the Board of Directors 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 forms part of the monitoring of credit exposures and is 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.

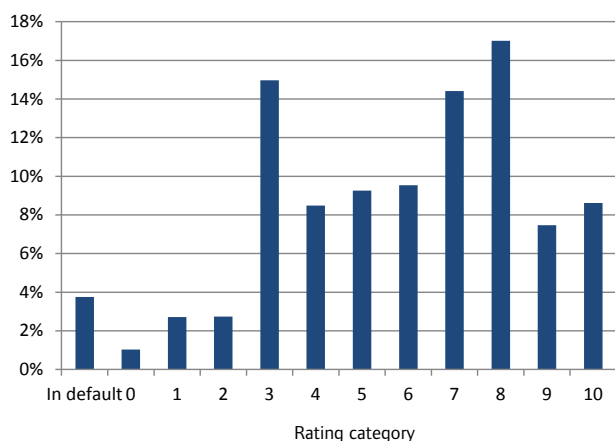
When opening credit lines for financial products, the Bank requires that a contractual basis be established providing it with a netting option. The contractual framework is based on standards such as ISDA or GMRA agreements. In addition to a netting agreement, an agreement on financial collateral is typically concluded. Generally, no set-off has been made for collateral security or netting agreements in the

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%
0	7.00%	<100.00%
Exposures in default	25.00%	100.00%

Nykredit Bank

Lending at amortised cost by rating category



financial statements. Set-off has been made, however, for re-po/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. PDs are calibrated by weighting current data against data dating back to the early 1990s. The weighting of current observations is 40%, and the weighting of historical observations is 60%.

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.

Risk exposure amount 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.

The risk exposure amount (REA) for credit risk is mainly calculated using the Internal Ratings-Based (IRB) approach. REA calculated using the IRB approach primarily includes exposures to commercial and personal customers and make up 90% of total REA for credit risk. REA calculated using the standardised approach primarily includes credit institution and sovereign exposures and make up 10% of total REA for credit risk.

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

Pursuant to the CRR, individual exposures may not exceed 25% of adjusted own funds after credit risk mitigation. The Bank had no exposures exceeding this limit in 2014. The Bank's largest individual exposure to a non-financial counterparty totalled DKK 1.5bn at end-2014, equal to 12.4% of adjusted own funds. Individual exposures (over 10%) to non-financial counterparties totalled 23.5% of adjusted own funds at end-2014. The Bank's 20 largest approved exposures to non-financial counterparties amounted to an aggregate DKK 15.9bn, equivalent to 128.9% of adjusted own funds at end-2014 (2013: DKK 15.9bn/106%).

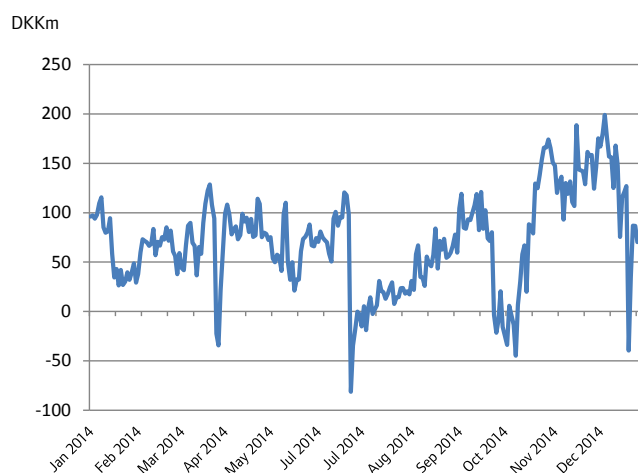
Further information on Nykredit Bank's risk management is available in the report Risk and Capital Management 2014 at nykredit.com/reports.

Nykredit Bank Group REA for credit risk

DKK million	2014	2013
Standardised approach	10,444	7,156
IRB approach	64,932	62,325
Default fund contribution	313	-
Credit value adjustment (CVA)	1,041	-
Total credit risk	76,730	69,481

Nykredit Bank Group Market risk

DKK million	2014			2013		
	Min	Max	Year-end	Min	Max	Year-end
Value-at-Risk (99%, time horizon of 1 day)	6	20	20	16	23	17
Interest rate risk (100bp change)	(81)	199	70	3	228	86
Equity price risk (general 10% decrease)	8	31	24	18	34	27
Foreign exchange risk:						
Foreign exchange positions, EUR	(682)	697	45	125	465	2
Foreign exchange positions, other currencies	(75)	157	(40)	5	(26)	25
Interest rate volatility risk (Vega)	(4)	0	(2)	(4)	1	(3)

Net interest rate risk**Nykredit Bank Group
Market risk**

2014 DKK million	Interest rate risk (100bp change)	Interest rate volatility risk (Vega)	Equity price risk (10% change)
Money market instruments	(54)	-	-
Government bonds	(96)	(2)	-
Danish covered bonds (ROs)	468	-	-
Danish covered bonds (SDOs)	28	-	-
Other bonds, loans and advances	(160)	-	-
Equities	-	-	25
Derivative financial instruments	(117)	0	-
Total 2014	70	(2)	25
Total 2013	89	(3)	25

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 within a given 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 for the above-mentioned risk factors. 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. Capital & Risk, which acts independently of the acting entities, monitors market risk and reports to Management on a daily 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 exposure amount for market risk

Nykredit Bank's total Value-at-Risk for determination of REA came to DKK 7,202m. Of this amount, stressed VaR amounted to DKK 5,607m. Market risk exposure calculated using the standardised approach came to DKK 5,215m. 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 computes 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 daily basis as part of the determination of market risk. The determination is reported on a daily 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 daily 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 daily back tests which are presented to the Executive Board on a weekly basis.

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

In 2014 VaR averaged DKK 11m against DKK 17m in 2013. This meant that Nykredit Bank would at a 99% probability lose less than DKK 11m in 1 day as a consequence of market fluctuations. During 2014 VaR ranged between DKK 6m and DKK 20m.

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 daily basis as part of the determination of REA. The results are reported on a daily basis and form part of the market risk limits.

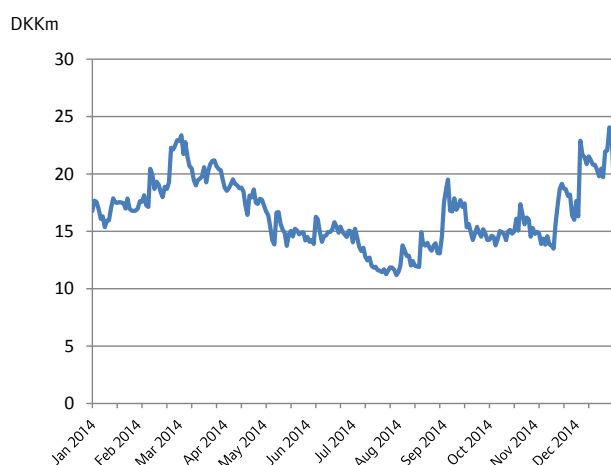
Stressed VaR is added to the current VaR calculation and forms the basis of the calculation of total REA for market risk.

Stressed VaR is 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.

Nykredit Bank Group REA for market risk

DKK million	2014	2013
Internal models (Value-at-Risk)	7,202	7,756
Standardised approach	5,215	5,535
Total market risk	12,417	13,291

Value-at-Risk (excluding equities)



Total VaR amounted to DKK 73m at end-2014 (2013: DKK 65m), of which stressed VaR represented DKK 53m (2013: DKK 47m). The level was relatively stable during 2014. During 2014 total VaR ranged between DKK 50m and DKK 76m (2013: between DKK 65m and DKK 105m).

Up to the refinancing auctions in December 2014, 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-2014, the Bank's OAS risk, which is also included in the Bank's total VaR, was DKK 939m against DKK 761m at end-2013. This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 939m.

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 interest rates of 1 percentage point ranged between negative DKK 81m and positive DKK 199m in 2014. In 2013 the exposure ranged between DKK 3m and DKK 228m.

At end-2014, the interest rate exposure was DKK 73m against DKK 86m at end-2013.

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 a general equity market decrease of 10%. At end-2014, the determination of market risk included an equity position of DKK 247m against DKK 245m at end-2013.

Foreign exchange risk

In 2014 the Bank's foreign exchange exposure in terms of the larger of the sums of positive and negative foreign exchange positions (excl DKK and EUR) ranged between a loss of DKK 75m and a gain of DKK 157m. In 2013 it ranged between a loss of DKK 26m and a gain of DKK 25m. At end-2014, the foreign exchange exposure amounted to a loss of DKK 40m against a gain of DKK 7m at end-2013.

The most significant foreign exchange positions in 2014 were in EUR, the exposure ranging between a loss of DKK 682m and a gain of DKK 696m. In 2013 it ranged between a loss of DKK 195m and a gain of DKK 465m.

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 19.7bn against 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.

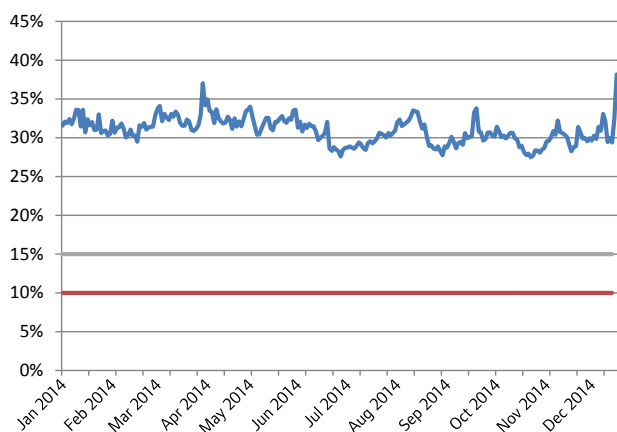
The decline in interest rates in recent years has resulted in increasing market values of interest rate swaps and other instruments and has also increased the credit risk exposure in respect of customers that have not pledged collateral on an ongoing basis. Consequently, a number of fair value adjustments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

CVA is calculated on an ongoing basis for derivatives entered into with customers based on the customer's current credit quality. External credit curves are used to determine CVA for customers in rating categories 3 to 10. Internal data are used to determine CVA for customers in lower rating categories, as external data will not provide a more accurate result.

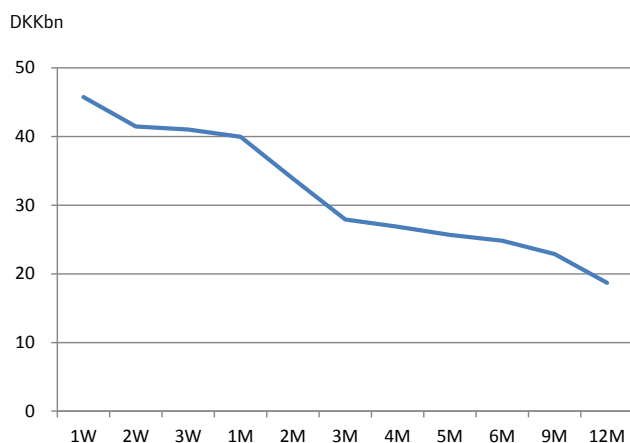
At end-2014, the total market value adjustment came to DKK 5.5bn against DKK 2.2bn at end-2013. The earnings impact was DKK 3.4bn in 2014 against DKK 0.7bn in 2013.

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 1.2bn for fixed-rate swaps has been added in the determination of the

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



Nykredit Bank A/S Liquidity stress testing



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 2m at end-2014 compared with a loss of DKK 3m in 2013.

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 position on a daily basis as part of its liquidity risk management. The Bank's liquidity risk management is based on external requirements, both statutory and 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 other 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 Management and Control of Banks etc.

According to a stress test of the Bank's liquidity based on scenarios involving no access to funding markets, the Bank will have positive liquidity for at least 12 months.

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

At 31 December 2014, the excess coverage was 282% against 276% at 31 December 2013, corresponding to a liquidity buffer of DKK 68.1bn compared with DKK 62.3bn at 31 December 2013. In 2014 the liquidity reserve averaged DKK 47.3bn compared with DKK 44.4bn for 2013.

At 31 December 2014, the Bank had issued DKK 17.9bn of medium-term bonds under the EMTN programme and DKK 10.1bn of short-term ECP issues.

The aggregate amount of bonds issued under the ECP and EMTN programmes was DKK 28.0bn at 31 December 2014 against DKK 29.3bn at end-2013.

Total run-off under Nykredit Bank's EMTN programme in 2015 will be DKK 7.1bn.

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.

Liquidity Coverage Ratio

On 10 October 2014, the European Commission published the final regulation on LCR, which must be met as at 1 October 2015. A requirement of 100% is expected for Danish SIFIs as at 1 October 2015. The LCR denotes the amount of high quality liquid assets (HQLAs) to be held by a credit institution to be able to cover net cash outflows over a short-term stress period.

The quality of a significant amount of Danish covered bonds is very high, ie LCR Level 1b assets.

One of the implications is that Danish covered bonds from series of minimum EUR 500m may account for up to 70% of banks' liquidity buffer, however with a haircut of 7%. Bonds from series between EUR 250m and 500m may account for 40% of banks' liquidity buffer (Level 2a liquidity, with a haircut of 15%). Government bonds are the only instruments of which banks may have unlimited use, and they should as a minimum account for 30% of the liquidity buffer.

At end-2014, the Nykredit Realkredit Group's LCR was 254%. The aggregate LCR for Nykredit's mortgage banks was markedly above 1,000% due to a net cash inflow. The LCR of Nykredit Bank A/S was 107%. Depending on the final rules and any resulting change of procedures, the management of LCR across companies will be changed, and thus also the LCR levels of the individual companies.

LCR is exclusive of self-issued bonds.

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 REA 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 REA, the capital requirement is divided by 8%. At end-2014, REA for operational risk came to DKK 4,904m against DKK 5,937m in 2013.

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.

As part of operational risk management, operational loss events are systematically recorded, categorised and reported with a view to creating an overview of loss sources and gaining experience for sharing across Nykredit. In addition to the collection of data on operational loss events, Nykredit is continuously working on identifying significant operational risks. Operational risks are mapped on the basis of input supplied by each business area about its own significant risks to Nykredit's centralised operational risk function. Operational risk mapping provides a valuable overview of particularly risky processes and systems at Nykredit and therefore constitutes an excellent management tool. Based on the implications and probability of each risk, the Risk Committee sets priorities in this area.

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

Notes

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2013	2014			2014	2013
42 a. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES					
Credit risk					
The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.					
Total credit exposure					
Balance sheet items					
3,049	4,417	Cash balances and demand deposits with central banks		4,417	3,049
20,123	29,467	Receivables from credit institutions and central banks		29,468	20,124
56,814	35,228	Loans, advances and other receivables at fair value (reverse repurchase lending)		35,228	56,814
45,906	49,024	Loans, advances and other receivables at amortised cost		50,494	47,024
25,097	24,055	of which lending in Retail		25,533	26,067
18,350	22,337	of which lending in Wholesale		24,929	18,498
2,459	2,632	of which lending in Group Items		32	2,459
63,648	64,625	Bonds		64,972	63,863
32,493	44,169	Other assets		44,206	32,555
Off-balance sheet items					
11,719	20,993	Contingent liabilities		20,893	11,620
6,707	4,685	Other commitments		4,839	6,906
Concentration risk					
Pursuant to the the Capital Requirements Regulation, individual exposures may not exceed 25% of adjusted own funds after credit risk mitigation. The Bank had no exposures exceeding this limit in 2014. The Bank's largest individual exposure to a non-financial counterparty totalled DKK 1.5bn at end-2014, equal to 12.4% of adjusted own funds. Individual exposures (over 10%) to non-financial counterparties totalled 23.5% of adjusted own funds at end-2014. The Bank's 20 largest approved exposures to non-financial counterparties amounted to an aggregate DKK 15.9bn, equivalent to 128.9% of adjusted own funds at end-2014 (2013: DKK 15.9bn/106%).					
A considerable part of the Bank's credit exposure relates to commercial customers. The aggregate exposure to commercial customers accounted for 77% (2013: 84%) of total loans, advances and guarantees. Nykredit Bank was particularly exposed to the finance and insurance sector, representing a share of 38% (2013: 53%).					
Collateral security received					
Loans, advances and collateral security provided are subject to regular review and, where relevant, Nykredit Bank employs the options available to mitigate the risk relating to its lending activities. Collateral security is mainly obtained in the form of charges over securities and/or tangible assets such as real estate and equipment, but also moveable property and guarantees are included. At end-2014, collateral security excluding non-bank and personal guarantees included:					
DKK million					
		Mortgage over residential property	4,818		
		Securities	2,949		
		Mortgage over real estate	1,342		
		Guarantees received	14		
		Deposits	435		
		Chattel mortgage and other	3,125		
The opening of lines for trading in financial products often requires a contractual basis entitling Nykredit Bank to netting. The contractual basis is typically based on current market standards such as ISDA or GMRA agreements. Except for the netting of repo transactions with one single counterparty and netting of the market values of derivatives through a central clearing house, no set-off has been made of collateral security or netting agreements in the accounting figures presented.					
Nykredit Bank only used credit default swap transactions to a negligible extent.					

Notes

DKK million

Nycredit Bank Group

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

Loans, advances, guarantees and provisions by sector

31 December 2014

	Carrying amount			Provisions		Total
	Loans and advances	Guarantees	Total loans, advances and guarantees	Individual and other provisions	Collective impairment provisions	
Public sector	219	377	596	0	0	0
Commercial customers						
Agriculture, hunting, forestry and fishing	1,810	1,420	3,230	130	8	138
Manufacturing, mining and quarrying	5,246	280	5,526	241	28	269
Energy supply	970	85	1,055	9	0	9
Construction	1,376	711	2,087	234	2	236
Trade	2,909	400	3,309	116	3	119
Transport, accommodation and food service activities	2,500	430	2,930	89	2	91
Information and communication	842	185	1,027	60	2	62
Finance and insurance	38,609	1,811	40,420	298	7	305
Real estate	10,261	2,810	13,071	1,164	376	1,540
Other	8,257	1,386	9,643	296	9	305
Total commercial customers	72,780	9,518	82,298	2,637	437	3,074
Personal customers	12,723	10,998	23,721	520	72	592
Total	85,722	20,893	106,615	3,157	509	3,666
Of which reverse repurchase lending	35,228	-	35,228	-	-	-

31 December 2013

	Carrying amount			Provisions		Total
	Loans and advances	Guarantees	Total loans, advances and guarantees	Individual and other provisions	Collective impairment provisions	
Public sector	259	234	493	0	8	8
Commercial customers						
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
Total commercial customers	90,793	6,383	97,176	3,170	259	3,429
Personal customers	12,786	5,003	17,789	538	103	641
Total	103,838	11,620	115,458	3,708	370	4,078
Of which reverse repurchase lending	56,814	-	56,814	-	-	-

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

Notes

DKK million

Nykredit Bank Group

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

Loans and advances at amortised cost by rating category

2014 Rating category	Manufactur- ing and construction	Credit and finance	Property management and trade	Transport, trade and accommoda- tion	Other trade and public	Personal	Total
10	2,152	147	131	64	770	1,134	4,398
9	249	195	524	205	1,675	960	3,808
8	838	862	2,825	1,386	1,670	1,096	8,677
7	1,107	1,051	1,629	1,272	1,174	1,120	7,353
6	174	451	1,416	670	740	1,414	4,865
5	500	157	916	317	798	2,032	4,720
4	328	169	905	215	520	2,191	4,328
3	1,798	379	465	917	2,707	1,370	7,636
2	52	146	75	83	240	798	1,394
1	115	20	552	66	334	295	1,382
0	82	24	105	32	153	133	529
Exposures in default	696	160	2,178	386	775	769	4,964
Total	8,091	3,761	11,721	5,613	11,556	13,312	54,054
Individual and collective impairment provisions							3,560
Carrying amount							50,494
Total exposures in default*							4,964
Individual impairment provisions							3,051
Carrying amount after impairment provisions							1,913
* Of which loans and advances with individual impairment provisioning							4,708
Individual impairment provisions as % of loans and advances with individual impairment provisioning							64.8%

The carrying amount of exposures in default, totalling DKK 1,913m (2013: DKK 2,780m), 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 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 2014, available at nykredit.com/reports.

Notes

DKK million

Nycredit Bank Group

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

Loans and advances at amortised cost by rating category

2013 Rating category	Manufactur- ing and construction	Credit and finance	Property management and trade	Transport, trade and accommoda- tion	Other trade and public	Personal	Total
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	1,563	417	411	1,095	1,972	1,478	6,936
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
Total	7,985	4,771	9,842	5,185	9,790	13,426	50,999
Individual and collective impairment provisions							3,975
Carrying amount							47,024
Total exposures in default*							6,385
Individual impairment provisions							3,605
Carrying amount after impairment provisions							2,780
* Of which loans and advances with individual impairment provisioning							5,697
Individual impairment provisions as % of loans and advances with individual impairment provisioning							63.3%

The carrying amount of exposures in default, totalling DKK 2,780m, 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 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 2014, available at nykredit.com/reports.

Notes

DKK million

Nykredit Bank Group

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

Loans and advances carrying a reduced interest rate

Group	2014	2013
Gross lending	2,008	2,091
Impairment provisions	1,213	1,432
Carrying amount	795	659
Of which non-accrual	789	656
Of which carrying a reduced interest rate	6	3

Provisioning rate, %

Group	Q4/ 2014	Q3/ 2014	Q2/ 2014	Q1/ 2014	Q4/ 2013	Q3/ 2013	Q2/ 2013	Q1/ 2013
Total loans and advances	85,722	88,438	92,236	83,909	103,838	99,345	99,221	93,368
Total guarantees	20,893	13,801	12,028	12,306	11,620	10,709	10,706	10,084
Impairment provisions	3,560	3,706	3,742	3,820	3,975	4,099	3,999	4,067
Provisions for guarantees	106	116	110	113	103	143	114	142
Total loans, advances, guarantees and provisions	110,281	106,061	108,116	100,148	119,536	114,296	114,040	107,661
Provisioning rate, %	3.3	3.6	3.6	3.9	3.4	3.7	3.6	3.9
Provisioning rate excluding guarantees, %	4.0	4.0	3.9	4.4	3.7	4.0	3.9	4.2

Secured lending before impairment provisions

Group	2014			2013		
	Public	Personal	Commercial	Public	Personal	Commercial
Unsecured lending	100	6,623	28,729	164	7,063	27,480
Lending secured by way of legal charge or other collateral security:						
Fully secured	99	2,749	39,802	61	2,735	60,178
Partially secured	20	3,940	7,220	43	3,627	6,462
Total lending before impairment	219	13,312	75,751	268	13,425	94,120

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 Nykredit Bank A/S's commercial lending of approximately DKK 2.3bn (2013: around DKK 2.9bn), approximately DKK 0.6bn, or 24% (2013: around 26%), can be attributed to exposures to customers whose severe financial positions have led to bankruptcy, bankruptcy proceedings or compulsory dissolution.

Arrears on non-impaired loans and advances at amortised cost (Nykredit Bank A/S)

	2014	As % of loans and advances	2013	As % of loans and advances
5-10 days	18	0.04	7	0.02
11-30 days	54	0.11	38	0.08
31-90 days	93	0.19	54	0.12
91-360 days	105	0.21	213	0.46
Over 360 days	70	0.14	35	0.08
Total loans and advances in arrears	340	0.69	347	0.76
Total loans and advances at amortised cost	49,024		45,906	

Arrears of 0-4 days have not been included as they are usually settled in early January. They represented an amount of approximately DKK 230m.

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
42 a. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)				
Foreign exchange risk				
81,121	59,437	Total foreign exchange assets	59,437	81,121
Of which				
73,195	51,453	- Receivables from credit institutions, loans and advances and securities	51,453	73,195
7,926	7,984	- Interest receivable and positive market value of financial instruments	7,984	7,926
83,179	56,064	Total foreign exchange liabilities	56,064	83,179
Of which				
75,382	32,619	- Payables to credit institutions, deposits and bonds in issue	32,619	75,382
7,797	23,445	- Interest payable and negative market value of financial instruments	23,445	7,797
388.0	51.8	Exchange rate indicator 1 (DKKm)	51.8	388.0
2.7	0.4	Exchange rate indicator 1 as % of Tier 1 capital after deductions	0.4	2.7
0.0	0.5	Exchange rate indicator 2 (DKKm)	0.5	0.0
0.0	0.0	Exchange rate indicator 2 as % of Tier 1 capital after deductions	0.0	0.0
Interest rate risk by the currency involving the highest interest rate exposure				
296	338	DKK	341	296
(214)	(335)	EUR	(335)	(214)
14	81	SEK	81	14
0	(4)	CHF	(4)	0
6	11	NOK	11	6
(4)	(17)	USD	(17)	(4)
(8)	0	GBP	0	(8)
(3)	(4)	Other currencies	(4)	(4)
87	70	Total interest rate exposure of debt instruments, year-end	73	86
Interest rate exposure measured at a general rise in interest rates of 1 percentage point ranged between a loss of DKK 81m and a gain of DKK 199m in 2014 (2013: DKK 3m-228m).				
Value-at-Risk				
17	20	Year-end	20	17
17	11	Average for the year	11	17
Value-at-Risk ranged between DKK 6m and DKK 20m in 2014 (2013: DKK 16m-23m). Value-at-Risk is a statistical measure of the maximum loss the Bank may incur at a given probability and time horizon. The Bank calculates the key figure subject to a one-tailed confidence level of 99% and a time horizon of one day.				
Option risk				
(3)	(2)	The interest rate volatility risk is measured as the change in a market value following a change in volatility of 1 percentage point.	(2)	(3)
OAS risk				
761	939	The OAS risk, which is included in the Bank's total Value-at-Risk, stood at DKK 939m at end-2014 (2013: DKK 761m). This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 939m.	939	761
Equity price risk				
245	247	Equity price risk has been disclosed as the carrying amount of the Bank's investments in equities, etc. After recognition of derivative financial instruments, the effect of a 10% change amounted to DKK 24m (2013: DKK 27m).	247	245
Liquidity risk				
The day-to-day operations of Nykredit Bank are affected by liquidity flows, including the risk that the Bank and the Bank Group are unable to meet their expected and unexpected payment obligations as they fall due.				
Furthermore, a risk of losses may arise as a result of the Bank's or the Bank Group's difficulty in disposing of or realising certain assets within a limited time horizon and without any significant impairment of the market value due to inadequate market liquidity or other market interruptions.				

Notes

DKK million

Nykredit Bank Group and Nykredit Bank A/S

43. HEDGE ACCOUNTING

The interest rate risk relating to fixed-rate assets and liabilities has been hedged on a current basis.

The hedge comprises the following:

	Nominal/ amortised value	Carrying amount	Fair value adjustment for account- ing purposes
2014			
Assets			
Loans and advances	1,519	1,547	28
Liabilities			
Deposits and other payables	4,428	4,655	(227)
Bonds in issue	7,360	7,517	(157)
Derivative financial instruments			
Interest rate swaps, loans, advances, deposits and other payables (net)	2,860	193	193
Interest rate swaps, bonds in issue	7,360	157	157
Gain/loss for the year on hedging instruments		115	
Gain/loss for the year on hedged items		(106)	
Net gain/loss		9	
2013			
Assets			
Loans and advances	2,704	2,731	27
Liabilities			
Deposits and other payables	3,476	3,649	(173)
Bonds in issue	7,402	7,506	(104)
Derivative financial instruments			
Interest rate swaps, loans, advances, deposits and other payables (net)	205	163	163
Interest rate swaps, bonds in issue	7,402	72	72
Gain/loss for the year on hedging instruments		10	
Gain/loss for the year on hedged items		(25)	
Net gain/loss		(15)	

The figures comprise Nykredit Bank A/S and the Nykredit Bank Group as the values are identical.

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

The Nykredit Group 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 exposure taking into consideration the expected interest rate development.

According to reporting provisions, loans, advances and deposits must generally be measured at amortised cost, while derivative financial instruments are measured at fair value. To obtain accounting symmetry between hedging and hedged transactions, adjustment of the carrying amounts of the financial assets and liabilities that form part of the effective hedge accounting has been allowed. The fair value adjustment exclusively concerns the hedged part (the interest rate exposure).

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2013	2014		2014	2013
44. REVERSE REPURCHASE LENDING AND REPO TRANSACTIONS				
Of the asset items below, reverse repurchase lending represents				
10,437	6,663	Receivables from credit institutions and central banks, carrying amount	6,663	10,437
10,283	6,607	Bonds received as collateral but not offset against the balance	6,607	10,283
154	56	Total less collateral	56	154
56,872	35,351	Loans, advances and other receivables at fair value, gross	35,351	56,872
58	123	Set-off against "Other non-derivative financial liabilities at fair value"	123	58
56,814	35,228	Carrying amount after set-off	35,228	56,814
54,599	34,981	Bonds received as collateral but not offset against the balance	34,981	54,599
2,215	247	Total less collateral	247	2,215
Of the liability items below, repo transactions represent				
20,447	11,723	Payables to credit institutions and central banks, carrying amount	11,723	20,447
20,352	11,691	Bonds provided as collateral	11,691	20,352
18,571	13,978	Other non-derivative financial liabilities at fair value, gross	13,978	18,571
58	123	Set-off against "Loans, advances and other receivables at fair value"	123	58
18,513	13,855	Carrying amount after set-off	13,855	18,513
18,307	13,867	Bonds provided as collateral	13,867	18,307

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

Notes

DKK million

	2014/EUR	2014	2013	2012	2011	2010
46. NYKREDIT BANK GROUP 2010-2014						
SUMMARY INCOME STATEMENT						
Net interest and fee income	453	3,373	3,265	2,979	3,257	3,624
Value adjustments	(472)	(3,516)	(815)	(555)	(395)	473
Other operating income	3	26	29	47	34	35
Staff and administrative expenses	259	1,928	1,992	1,809	1,800	1,759
Other operating expenses, depreciation and amortisation	14	107	131	38	115	392
Impairment losses on loans, advances and receivables	29	219	349	557	388	1,494
Profit from investments in associates and group enterprises	-	-	78	-	-	30
Profit (loss) before tax	(319)	(2,371)	85	67	593	517
Tax	(80)	(599)	8	(1)	160	122
Profit (loss) for the year	(238)	(1,772)	77	68	433	395
Comprehensive income						
Other comprehensive income		-	-	-	-	-
Total comprehensive income	(238)	(1,772)	77	68	433	395
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	4,552	33,885	23,173	44,812	50,244	29,480
Loans, advances and other receivables at fair value	4,733	35,228	56,814	35,401	22,007	12,920
Loans, advances and other receivables at amortised cost	6,784	50,494	47,024	49,807	55,901	59,072
Bonds at fair value and equities	8,775	65,314	64,219	58,399	61,063	75,266
Remaining assets	6,040	44,962	32,904	52,099	43,153	33,684
Total assets	30,883	229,883	224,134	240,518	232,368	210,422
Liabilities and equity						
Payables to credit institutions and central banks	8,581	63,876	57,732	55,355	63,093	48,351
Deposits and other payables	8,779	65,350	65,405	54,701	57,551	55,699
Bonds in issue at amortised cost	3,477	25,881	26,689	28,498	26,137	32,848
Other non-derivative financial liabilities at fair value	2,679	19,943	29,248	33,741	27,308	25,679
Remaining payables	5,631	41,913	30,216	53,468	43,594	32,416
Total payables	29,148	216,963	209,290	225,763	217,683	194,993
Provisions	33	245	247	235	233	847
Subordinated debt	13	100	250	250	250	813
Equity	1,689	12,575	14,347	14,270	14,202	13,769
Total liabilities and equity	30,883	229,883	224,134	240,518	232,368	210,422
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	3,457	25,732	18,526	20,027	16,984	22,237
FINANCIAL RATIOS						
Total capital ratio, %		13.1	16.8	21.3	19.3	15.9
Tier 1 capital ratio, %		12.8	16.4	21.3	19.3	15.2
Return on equity before tax pa, %		(17.6)	0.6	0.5	4.2	4.0
Return on equity after tax pa, %		(13.2)	0.5	0.5	3.1	3.0
Income:cost ratio		(0.05)	1.03	1.03	1.26	1.14
Interest rate exposure, %		0.6	0.6	0.5	0.7	0.5
Foreign exchange position, %		0.4	2.7	0.0	0.6	1.5
Foreign exchange exposure, %		0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits		1.3	1.6	1.6	1.5	1.4
Loans and advances:equity		6.8	7.2	6.0	5.5	5.2
Growth in loans and advances for the year, %		7.4	(5.6)	(10.9)	(5.4)	(3.0)
Excess coverage:statutory liquidity requirements, %		281.7	275.5	183.2	176.4	251.1
Total large exposures, %		34.5	0.0	0.0	0.0	41.7
Impairment losses for the year, %		0.2	0.3	0.5	0.4	1.6
Return on capital employed, %		0.0	0.0	0.0	0.0	0.0
Average number of staff, full-time equivalents		820	859	850	817	847
EUR 1 = DKK 7.44 at end-2014						

Notes

DKK million

	2014/EUR	2014	2013	2012	2011	2010
47. NYKREDIT BANK A/S 2010-2014						
SUMMARY INCOME STATEMENT						
Net interest and fee income	407	3,026	2,949	2,707	3,047	3,453
Value adjustments	(472)	(3,511)	(812)	(553)	(393)	474
Other operating income	0	1	0	17	8	10
Staff and administrative expenses	233	1,733	1,800	1,653	1,664	1,648
Other operating expenses, depreciation and amortisation	14	104	126	30	107	388
Impairment losses on loans, advances and receivables	27	201	327	523	346	1,460
Profit from investments in associates and group enterprises	17	125	188	81	36	65
Profit (loss) before tax	(322)	(2,397)	72	46	581	506
Tax	(84)	(625)	(5)	(22)	148	111
Profit (loss) for the year	(238)	(1,772)	77	68	433	395
Comprehensive income						
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(238)	(1,772)	77	68	433	395
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	4,552	33,884	23,172	44,812	50,244	29,480
Loans, advances and other receivables at fair value	4,733	35,228	56,814	35,401	22,007	12,920
Loans, advances and other receivables at amortised cost	6,586	49,024	45,906	49,659	55,606	58,808
Bonds at fair value and equities	8,728	64,966	64,004	58,202	60,915	75,157
Investments in associates and group enterprises	117	869	545	435	354	346
Remaining assets	6,039	44,949	32,693	51,217	43,190	33,702
Total assets	30,754	228,920	223,134	239,726	232,316	210,413
Liabilities and equity						
Payables to credit institutions and central banks	8,481	63,131	56,987	55,355	63,093	48,351
Deposits and other payables	8,791	65,440	65,543	54,756	57,660	55,822
Bonds in issue at amortised cost	3,477	25,881	26,689	28,498	26,137	32,848
Other non-derivative financial liabilities at fair value	2,679	19,943	29,248	33,741	27,308	25,679
Remaining payables	5,597	41,661	29,898	52,650	43,433	32,284
Total payables	29,026	216,056	208,365	225,000	217,631	194,984
Provisions	25	189	172	206	233	847
Subordinated debt	13	100	250	250	250	813
Equity	1,689	12,575	14,347	14,270	14,202	13,769
Total liabilities and equity	30,754	228,920	223,134	239,726	232,316	210,413
OFF-BALANCE SHEET ITEMS						
Contingent liabilities and other commitments	3,445	25,678	18,426	19,672	16,814	22,161
FINANCIAL RATIOS						
Total capital ratio, %		13.0	16.8	21.3	19.1	15.7
Tier 1 capital ratio, %		12.7	16.4	21.3	19.1	15.0
Return on equity before tax pa, %		(17.8)	0.5	0.3	4.3	3.9
Return on equity after tax pa, %		(13.2)	0.5	0.5	3.1	3.0
Income:cost ratio		(0.18)	1.03	1.02	1.26	1.14
Interest rate exposure, %		0.6	0.6	0.5	0.7	0.5
Foreign exchange position, %		0.4	2.7	0.0	0.6	1.5
Foreign exchange exposure, %		0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits		1.3	1.6	1.6	1.4	1.4
Loans and advances:equity		6.7	7.2	6.0	5.5	5.2
Growth in loans and advances for the year, %		6.8	(7.6)	(10.7)	(5.4)	(3.2)
Excess coverage:statutory liquidity requirements, %		281.6	276.0	183.1	175.8	251.1
Total large exposures, %		34.5	0.0	0.0	0.0	41.8
Impairment losses for the year, %		0.2	0.3	0.5	0.4	1.6
Return on capital employed, %		0.0	0.0	0.0	0.0	0.0
Average number of staff, full-time equivalents		672	714	723	698	744
EUR 1 = DKK 7.44 at end-2014						

Notes

DKK million

48. CUSTOMER PORTFOLIO ACQUIRED FROM FIH ERHVERVS BANK A/S

In 2014 Nykredit Bank and FIH Erhvervsbank entered into an agreement on Nykredit's acquisition of 24 large accounts, comprising loans, advances, guarantees, credit commitments and derivative financial instruments.

The acquisition principally includes the following assets and liabilities:

	Amortised cost/cost	Fair value adjustment	Carrying amount
Assets			
Loans, advances and receivables (incl lease lending)	1,719	24	1,743
Positive market value of derivative financial instruments			527
Other assets	9		9
Total	1,728	24	2,279
Liabilities			
Deposits and other payables	184		184
Negative market value of derivative financial instruments			469
Other liabilities	1		1
Total	185	0	654
Total net assets	1,543	24	1,625
Payment for customer relationships			35
Acquisition price			1,660

Payment for customer relationships is recognised in the balance sheet under intangible assets amortised over three years.

Notes

49. FINANCIAL RATIOS, DEFINITIONS

Total capital ratio, %	Own funds divided by the total risk exposure amount
Tier 1 capital ratio, %	Tier 1 capital divided by the total risk exposure amount
Core Tier 1 capital ratio, %	Calculated as the financial ratio "Tier 1 capital ratio, %", but less Additional Tier 1 capital
Return on equity before tax, %	Profit (loss) before tax as a percentage of average equity
Return on equity after tax, %	Profit (loss) after tax as a percentage of average equity
Income:cost ratio	Income incl profit (loss) from associates and group enterprises divided by costs excl tax
Operating costs excl impairment losses as % of core income from business operations	Operating costs and depreciation of equipment/core income from business operations.
Interest rate exposure, %	Interest rate exposure divided by Tier 1 capital
Foreign exchange position, %	Exchange rate indicator 1 divided by Tier 1 capital
Foreign exchange exposure, %	Exchange rate indicator 2 divided by Tier 1 capital
Loans and advances:deposits	Loans and advances plus impairment provisions divided by deposits Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Loans and advances:equity	Loans and advances divided by equity (year-end) Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances excl repos for the period, %	Growth in loans and advances from the beginning to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period) Loans and advances include loans and advances at amortised cost
Growth in loans and advances incl repos for the period, %	Growth in loans and advances from the beginning to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period) Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Excess coverage:statutory liquidity requirements, %	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 plus guarantees less equity less subordinated debt)
Total large exposures, %	Total large exposures divided by adjusted own funds
Impairment losses for the year/period, %	Impairment losses for the year/period divided by loans and advances + guarantees + impairment provisions
Return on capital employed, %	Profit (loss) for the period divided by total assets

The financial ratios, excl the total capital ratio and the Tier 1 capital ratio (cf note 2), and operating costs, excl impairment losses as % of core income from business operations, have been calculated in accordance with the Danish FSA's guidelines for reporting purposes. The financial ratios "Core Tier 1 capital ratio" and "Growth in loans and advances incl repos for the period" are, however, not included in the guidelines.

Notes

50. IFRS DISCLOSURE REQUIREMENTS

For information on subsequent events, see page 8 of the Management's Review.

DKK million

	Q4/ 2014	Q3/ 2014	Q2/ 2014	Q1/ 2014	Q4/ 2013	Q3/ 2013	Q2/ 2013	Q1/ 2013
NYKREDIT BANK GROUP – EIGHT QUARTERS								
SUMMARY INCOME STATEMENT								
Net interest income	593	614	631	630	629	679	595	578
Dividend on equities and fee and commission income, net	190	216	272	227	225	172	206	181
Net interest and fee income	783	830	903	857	854	851	801	759
Value adjustments	(1,475)	(1,558)	(185)	(298)	(247)	(724)	110	46
Other operating income	3	10	6	7	6	7	9	7
Staff and administrative expenses	438	471	511	508	522	492	509	469
Other operating expenses, depreciation and amortisation	47	22	19	19	71	19	14	27
Impairment losses on loans, advances and receivables	100	80	(1)	40	20	163	(51)	217
Profit from investments in associates and group enterprises	-	-	-	-	-	48	30	-
Profit (loss) before tax	(1,274)	(1,291)	195	(1)	0	(492)	478	99
Tax	(328)	(313)	33	9	5	(143)	121	25
Profit (loss) for the period	(946)	(978)	162	(10)	(5)	(349)	357	74
Comprehensive income	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	(946)	(978)	162	(10)	(5)	(349)	357	74
SUMMARY BALANCE SHEET, END OF PERIOD								
Assets								
Cash balance and receivables from central banks and credit institutions	33,885	22,292	27,790	29,389	23,173	21,471	27,853	29,287
Loans, advances and other receivables at fair value	35,228	40,137	45,328	35,831	56,814	50,149	48,797	43,097
Loans, advances and other receivables at amortised cost	50,494	48,301	46,908	48,078	47,024	49,196	50,424	50,271
Bonds at fair value	64,972	78,276	79,635	82,114	63,863	85,896	79,997	63,823
Equities	342	340	333	357	356	347	316	427
Remaining assets	44,962	41,151	36,906	33,102	32,904	41,347	44,638	52,427
Total assets	229,883	230,497	236,900	228,871	224,134	248,406	252,025	239,332
Liabilities and equity								
Payables to credit institutions and central banks	63,876	60,370	63,306	58,492	57,732	72,378	61,393	56,264
Deposits and other payables	65,350	60,478	61,918	68,694	65,405	59,356	63,407	65,183
Bonds in issue at amortised cost	25,881	24,423	22,565	23,849	26,689	26,188	26,754	27,362
Other non-derivative financial liabilities at fair value	19,943	33,451	40,857	33,108	29,248	37,466	43,258	26,702
Remaining payables	41,913	37,913	33,268	29,894	30,216	38,103	41,987	48,910
Total payables	216,963	216,635	221,914	214,037	209,290	233,491	236,799	224,421
Provisions	245	240	236	247	247	313	275	317
Subordinated debt	100	100	250	250	250	250	250	250
Equity	12,575	13,522	14,500	14,337	14,347	14,352	14,701	14,344
Total liabilities and equity	229,883	230,497	236,900	228,871	224,134	248,406	252,025	239,332
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	20,893	13,801	12,028	12,306	11,620	10,709	10,706	10,084
Other commitments	4,839	5,472	6,536	6,734	6,906	6,655	6,990	8,591
FINANCIAL RATIOS								
Total capital ratio, %	13.1	14.7	16.0	16.1	16.8	21.0	21.9	20.6
Tier 1 capital ratio, %	12.8	14.3	15.6	15.7	16.4	21.0	21.9	20.6
Return on equity before tax pa, %	(9.5)	(12.3)	2.7	0.0	0.0	(13.5)	13.2	2.8
Return on equity after tax pa, %	(7.0)	(9.3)	2.2	(0.3)	(0.1)	(9.6)	9.8	2.1

Quarterly financial highlights have not been audited.

DKK million

	Q4/ 2014	Q3/ 2014	Q2/ 2014	Q1/ 2014	Q4/ 2013	Q3/ 2013	Q2/ 2013	Q1/ 2013
NYKREDIT BANK GROUP – EIGHT QUARTERS (continued)								
Summary core earnings and investment portfolio income								
Core income from business operations	686	822	885	780	809	750	901	801
Value adjustment of derivatives	(1,369)	(1,558)	(205)	(230)	(205)	(620)	36	14
Core income from securities	8	7	7	7	7	8	8	10
Total core income	(675)	(729)	687	557	611	138	945	825
Operating costs and depreciation of equipment	456	494	530	527	543	511	523	496
Provisions for costs relating to reorganisation	28				50			
Profit from investments in associates and group enterprises	-	-	-	-	-	48	30	-
Core earnings before impairment losses	(1,159)	(1,223)	157	30	18	(325)	452	329
Impairment losses on loans and advances	100	80	(1)	40	20	163	(51)	217
Core earnings after impairment losses	(1,259)	(1,303)	158	(10)	(2)	(488)	503	112
Investment portfolio income	(15)	12	37	9	2	(4)	(25)	(13)
Profit (loss) before tax	(1,274)	(1,291)	195	(1)	0	(492)	478	99
Tax	(328)	(313)	33	9	5	(143)	121	25
Profit (loss) for the period	(946)	(978)	162	(10)	(5)	(349)	357	74
Profit (loss) before tax, year-to-date	(2,371)	(1,097)	194	(1)	85	85	577	99

Quarterly financial highlights have not been audited.

Other information

FINANCIAL CALENDAR FOR 2015

5 February

Annual report for 2014 and an announcement of financial statements of the Nykredit Bank Group.

17 March

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

13 May

Q1 Interim Report of the Nykredit Bank Group.

20 August

H1 Interim Report of the Nykredit Bank Group.

5 November

Q1-Q3 Interim Report of the Nykredit Bank Group.

Published announcements are available at nykredit.com

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

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

BOARD OF DIRECTORS

The Board of Directors meets monthly except in July. Weekly board meetings are held when required for approval of exposures.

The members of Nykredit Bank's Board of Directors appointed by the General Meeting are elected for a term of one year. The latest ordinary election took place on 18 March 2014. Re-election is not subject to any restrictions. The next annual general meeting of the Company is scheduled for 17 March 2015.

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 directorships and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

Michael Rasmussen, Chairman*

Group Chief Executive, Nykredit

Date of birth: 13 November 1964
Joined the Board on 1 April 2014

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

Chairman of:
Investeringsfonden for Udviklingslande (IFU)
Realkreditrådet
Totalkredit A/S*

Director of:
Nykredits Fond
Creditkassens Jubilæumsfond

Henrik K. Asmussen***

Head of MTN Origination & Syndication
Debt Capital Markets

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

Olav Brusen Barsø***

Wealth Management Adviser

Date of birth: 8 May 1968
Joined the Board on 2 March 2011

Kim Duus

Group Managing Director, Nykredit

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

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

Chairman of:

Nykredit Portefølje Administration A/S

Director of:
Totalkredit A/S

Søren Holm, Deputy Chairman

Group Managing Director, Nykredit

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

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

Chairman of:
Ejendomsselskabet Kalvebod A/S
Nykredit Administration V A/S**

Director of:
Nykredit Mægler A/S**
JN Data A/S
Realkreditrådet
Totalkredit A/S
VP Securities A/S

Anders Jensen*

Group Managing Director, Nykredit*

Date of birth: 20 January 1965
Joined the Board on 1 October 2014

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

Director of:
DSEB (Danish Society for Education and Business)
Niels Brock (Copenhagen Business College)
Swipp Holding ApS*
Totalkredit A/S*
4T af 1. oktober 2012 Drift ApS*

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

Bente Overgaard

Group Managing Director, Nykredit

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

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

Chairman of:
Nykredits Afviklingspensionskasse
Nykredit Ejendomme A/S

Deputy Chairman of:
JN Data A/S*

Director of:
Nykredit Mægler A/S**
Totalkredit A/S*
Bankernes EDB Central a.m.b.a.*
E-nettet A/S*
Finanssektorens Arbejdsgiverforening (FA)
Finanssektorens Uddannelsescenter
HOFOR A/S**
HOFOR Forsyning Holding P/S**
HOFOR Forsyning Komplementar A/S**
HOFOR Holding A/S**
ØresundsInstitutet

Member of the committee of representatives of:
Ejendomsforeningen Danmark

Per Ladegaard**

Resigned from the Board on 1 April 2014

Karsten Knudsen**

Resigned from the Board on 1 April 2014

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:
Nykredit Leasing A/S
FB Ejendomme A/S
Komplementarselskabet Advizer ApS
JSNA Holding A/S

Director of:
Finansrådet
Det Private Beredskab til Afvikling af Nødlidende Banker, Sparekasser og Andelskasser

Member of the committee of representatives of:
Værdiansættelsesrådet (Alternate)

Georg Andersen

Managing Director

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

Chairman of:
Børsmæglerforeningen
Den Nordiske Børsmæglerforening

Director of:
MTS Associated Markets SA/NV, Brussels

Jesper Berg*

Managing Director

Date of birth: 6 April 1959
Joined the Executive Board on 19 March 2014

Director of:
Nykredit Portefølje Administration A/S

Lars Bo Bertram**

Resigned from the Executive Board on 10 October 2014

* Joined in 2014
** Resigned in 2014
*** 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.