Annual Report 2010
The Nykredit Realkredit Group

Nykredit

CONTENTS

NYKREDIT'S BUSINESS CONCEPT AND STRATEGY

FINANCIAL SUSTAINABILITY

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

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

This means

that we

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

that you

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

STRATEGY TO STRENGTHEN GROWTH IN BANKING

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

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

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

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

Fundamental business principles

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

- Meeting customer needs
  Our services are motivated by customer needs and requirements – we are market-driven and customer-oriented.

- Transparency
  It is evident and clear how we organise our activities, what and how we prioritise, and therefore how we create value for our customers and Nykredit.

- New thinking
  We prioritise and encourage new thinking as part of the most optimal and flexible use of Nykredit's resources.

- A balanced and profitable business
  We aim at profitable business based on long-term and sustainable relations while taking into consideration Nykredit's and our customers' risk.

- Resource mobility
  We focus on efficient and cost-conscious use of resources to the utmost benefit of the Group.

The Group's strategic ambitions

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

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

NYKREDIT'S BUSINESS CONCEPT AND STRATEGY

2010 – robust business growth and markedly lower loan impairment losses
2010 was rather a good year for Nykredit. We recorded broad-based business growth of more than 10%, and lending increased by DKK 42bn to DKK 1,088bn.

Growth in business volumes and lending continued the trend recorded in recent years. As a leading lender in Denmark, Nykredit granted almost 30% of Danish bank and mortgage lending.

Loan impairment losses fell heavily to DKK 2.1bn in 2010, exclusive of expenditure under the government guarantee scheme. In 2011 we expect loan impairments to normalise to about DKK 1.5bn.

We do not envisage that annual loan impairment losses will ever be completely eliminated. One of the implications of balanced credit and risk policies is loan impairment losses of a limited amount relative to Nykredit Realkredit's capital. It is a natural aspect of financial business that cyclical impairment losses on retail and commercial lending arise – and are absorbed.

Financial sustainability and new regulation
Nykredit's core business concept is financial sustainability.

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

Therefore, we generally welcome legislative initiatives in the EU and Denmark.

Stricter equity requirements may be necessary for banks to safely absorb cyclical losses.

Stress testing of capital structures in probable and less probable business scenarios is also indispensable to the assessment of the sustainability of the financial system. This has been a priority of Nykredit since the implementation of Basel II. Already before stress testing became mandatory, we carried out our own stress tests and published the results on a current basis when describing our capital structure.

Obviously, liquidity management requirements are necessary. However, the proposals presented by the Basel Committee in December 2010, which are to found the basis of European legislation, seem to be motivated by requirements in the US and UK, which do not have efficient mortgage systems like those in several European countries.

The Danish financial sector and the Danish authorities are working intently to ensure that future EU legislation allows for the fact that Danish mortgage bonds have proved to be very secure and liquid for two centuries.

Inexpensive mortgage loans, with a fixed or variable interest rate, are a vital social good, which we should protect. This also applies to adjustable-rate mortgages (ARMs) with annual interest rate resets.

Under the existing refinancing model, a large volume of bonds is sold within a very few days, and we agree that this is not optimal and exposes borrowers to unnecessary potential risk. ARMs are a good type of loan, but refinancing should be spread over most of the year. This will protect consumers against random interest rate fluctuations in connection with potential currency crises. Developments in recent years have shown that the financial sector must be well prepared for even fairly unlikely events – such as a currency crisis.

Strategy 2013 – and outlook for 2011
Nykredit has set a clear strategic course – banking and mortgage operations are today closely intertwined. It is therefore our ambition to expand our banking business so that we can fulfil our objective of offering sustainable financial solutions.

In 2011 we expect continued business growth in banking as well as mortgage operations – both in respect of retail and commercial customers. We will underpin this development by being even more attentive to customer needs and wishes in all corners of Nykredit.

The most important risk to the otherwise positive prospects is future EU liquidity regulation. Another important risk is the economic development in countries with unbalanced government budgets that may challenge economic trends in general.

Peter Engberg Jensen
Group Chief Executive

COMPANY INFORMATION

COMPANY INFORMATION

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

Website: nykredit.com
Tel: +45 44 55 10 00

CVR no: 12 71 92 80
Financial period: 1 January – 31 December
Municipality of registered office: Copenhagen

Auditors
Deloitte
Statsautoriseret Revisionsaktieselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Annual General Meeting
The Annual General Meeting of the Company will be held on 23 March 2011

BOARD OF DIRECTORS

Steen E. Christensen, Attorney
Chairman

Hans Bang-Hansen, Farmer
Deputy Chairman

Steffen Kragh, CEO
Deputy Chairman

Kristian Bengaard, Senior Consultant *
Michael Demsitz, CEO
Merete Eldrup, CEO
Lisbeth Grimm, Professional Consultant*
Allan Kristiansen, Senior Relationship Manager *
Susanne Møller Nielsen, Support *
Anders C. Obel, CEO
Erling Bech Poulsen, Farmer
Nina Smith, Professor
Jens Erik Udsen, Managing Director
Leif Vinther, Chairman of Staff Association *

For directorships and executive positions of the members of the Board of Directors and the Executive Board, see pages 143-145.

* Staff-elected member

AUDIT BOARD
Steffen Kragh, CEO
Chairman

Anders C. Obel, CEO
Nina Smith, Professor

REMUNERATION BOARD
Steen E. Christensen, Attorney
Chairman

Steffen Kragh, CEO
Hans Bang-Hansen, Farmer

EXECUTIVE BOARD

Peter Engberg Jensen
Group Chief Executive

Kim Duus
Group Managing Director

Søren Holm
Group Managing Director

Karsten Knudsen
Group Managing Director

Per Ladegaard
Group Managing Director

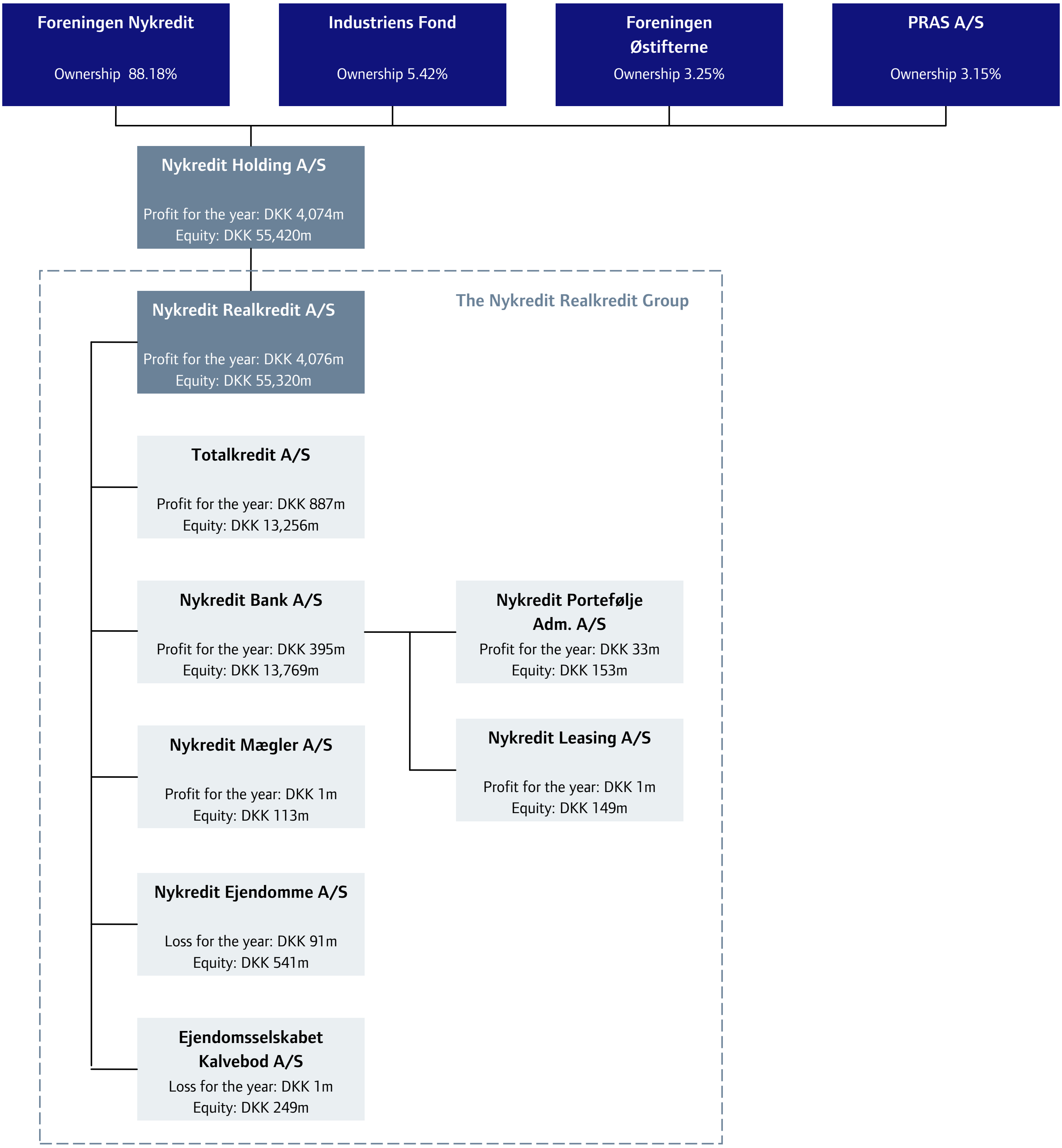
Bente Overgaard
Group Managing Director

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

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

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

COMPANY INFORMATION



Reference is made to page 136 for the entire group structure.

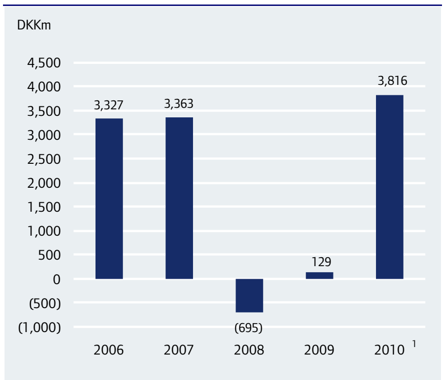
FINANCIAL HIGHLIGHTS

DKK million	2010	2009	2008 [3]	2007	2006	The Nykredit Realkredit Group EUR 2010
CORE EARNINGS AND RESULTS FOR THE YEAR						Exchange rate
Core income from						745.44
- Business operations	9,522	8,640	6,920	5,941	5,488	1,277
- Junior covered bonds	(120)	(67)	(40)	-	-	(16)
- Kalvebod issues [1]	57	139	(402)	(19)	-	8
- Securities	470	829	2,212	2,040	1,328	63
Total	**9,929**	**9,541**	**8,690**	**7,962**	**6,816**	**1,332**
Operating costs, depreciation and amortisation, excluding special value adjustments	5,499	5,395	4,678	4,031	3,883	738
Operating costs, depreciation and amortisation – special value adjustments [2]	129	396	225	(57)	(84)	17
Commission – government guarantee scheme	371	500	112	-	-	50
Core earnings before impairment losses	**3,930**	**3,250**	**3,675**	**3,988**	**3,017**	**527**
Impairment losses on loans and advances – mortgage lending	888	1,755	416	(53)	(325)	119
Impairment losses on loans and advances – banking	1,215	5,847	964	(14)	(44)	163
Impairment losses on loans and advances – government guarantee scheme	279	318	63	-	-	37
Core earnings after impairment losses	**1,548**	**(4,670)**	**2,232**	**4,055**	**3,386**	**208**
Investment portfolio income	2,003	4,620	(3,231)	156	851	268
Profit (loss) before cost of capital	**3,551**	**(50)**	**(999)**	**4,211**	**4,237**	**476**
Net interest on hybrid core capital	(461)	(95)	(25)	(28)	(25)	(61)
Profit (loss) before tax from continued operations	**3,090**	**(145)**	**(1,024)**	**4,183**	**4,212**	**415**
Tax	785	(29)	(222)	969	1,055	106
Profit from discontinued insurance operations	1,511	245	107	149	170	203
Profit (loss) for the year	**3,816**	**129**	**(695)**	**3,363**	**3,327**	**512**
Profit (loss) for the year excludes value adjustment and reclassification of strategic equities against equity totalling	**261**	**751**	**(2,847)**	**(465)**	**1,419**	**22**
SUMMARY BALANCE SHEET, YEAR-END						
Assets	**2010**	**2009**	**2008**	**2007**	**2006**	**EUR 2010**
Receivables from credit institutions and central banks	58,657	62,909	73,388	82,636	57,516	7,869
Mortgage loans at fair value	1,030,674	981,227	895,463	823,228	758,132	138,264
Bank loans – excluding reverse transactions	58,833	60,908	72,733	39,660	28,983	7,892
Bonds and equities	99,144	86,620	103,434	98,589	89,005	13,300
Remaining assets	63,832	55,521	73,037	30,854	23,528	8,563
Total assets	**1,311,140**	**1,247,185**	**1,218,055**	**1,074,967**	**957,164**	**175,888**
Liabilities and equity						
Payables to credit institutions and central banks	95,879	119,313	162,549	115,875	84,512	12,862
Deposits	55,467	64,483	61,177	31,581	22,165	7,441
Issued bonds at fair value	974,319	889,899	836,081	796,403	751,560	130,704
Subordinated debt – hybrid core capital	11,055	10,805	4,119	3,622	3,730	1,483
Subordinated debt – supplementary capital	563	4,628	4,860	3,722	4,985	76
Remaining liabilities	118,537	106,816	98,892	69,317	38,225	15,901
Equity	55,320	51,241	50,377	54,447	51,987	7,421
Total liabilities and equity	**1,311,140**	**1,247,185**	**1,218,055**	**1,074,967**	**957,164**	**175,888**
FINANCIAL HIGHLIGHTS	**2010**	**2009**	**2008**	**2007**	**2006**	
Profit (loss) for the year as % of average equity	7.2	0.3	(1.3)	6.3	6.6	
Core earnings before impairment losses as % of average equity	7.4	6.4	7.0	7.5	6.0	
Core earnings after impairment losses as % of average equity	2.9	(9.2)	4.3	7.6	6.7	
Costs as % of core income from business operations	57.8	62.4	67.6	67.9	70.8	
Provisions for loan impairment – mortgage lending	2,226	1,942	465	254	319	
Provisions for loan impairment and guarantees – banking	6,888	8,422	2,482	95	87	
Impairment losses for the year, % – mortgage lending	0.09	0.18	0.05	(0.01)	(0.04)	
Impairment losses for the year, % – banking [4]	1.31	6.07	1.80	(0.03)	(0.11)	
Capital adequacy ratio, %	18.5	17.8	14.7	10.3	11.8	
Core capital ratio, %	18.5	16.7	13.5	9.7	11.0	
Average number of full-time staff [5]	4,026	4,135	4,037	3,217	3,129	

[1] Includes value adjustment of the portfolio of subordinated debt in Danish banks.
[2] Special value adjustments include value adjustment of certain staff benefits and owner-occupied properties as well as costs of winding up Dansk Pantebrevsbørs under konkurs A/S (in bankruptcy).
[3] Forstædernes Bank was included in the Consolidated Financial Statements as from 17 October 2008.
[4] Excluding provisions under the government guarantee scheme.
[5] Excluding Nykredit Forsikring A/S and JN Data A/S.

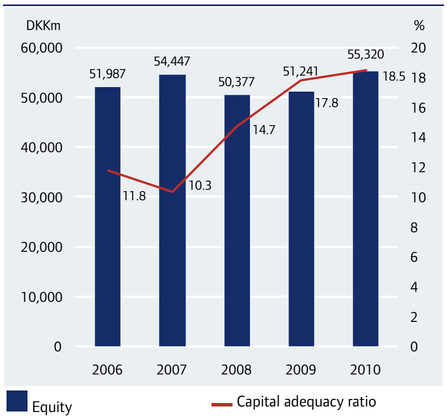
FINANCIAL HIGHLIGHTS

Results for the year



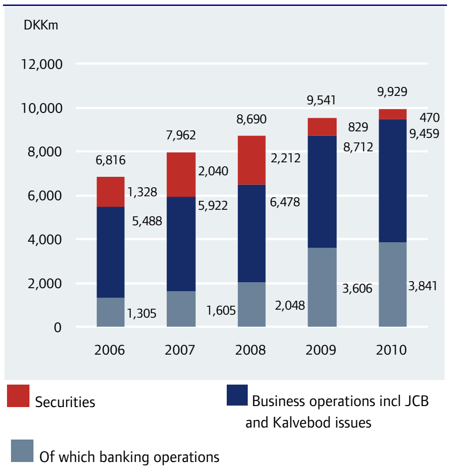
Excluding value adjustment of strategic equities against equity.
Nykredit Forsikring A/S is included up to 29 April 2010.
[1] Inclusive of profit from the divestment of Nykredit Forsikring.

Equity and capital adequacy ratio

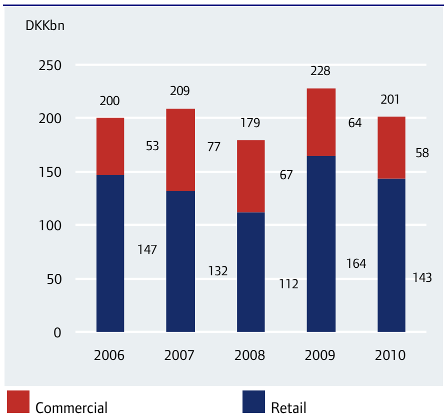


As from 2008, the capital adequacy ratio is determined according to the Basel II rules.

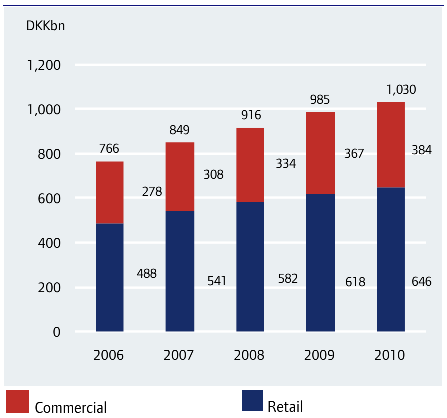
Core income from business operations and securities



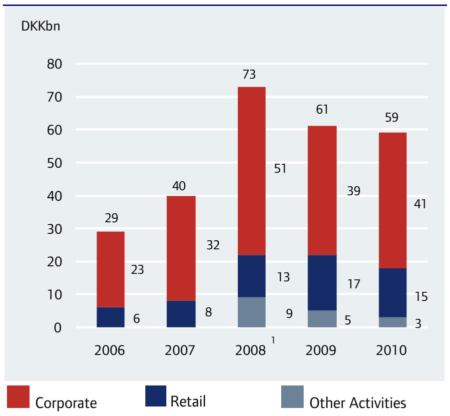
Gross new mortgage lending



Mortgage lending, year-end nominal value

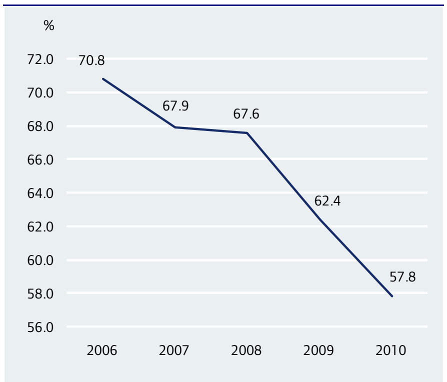


Bank lending, year-end

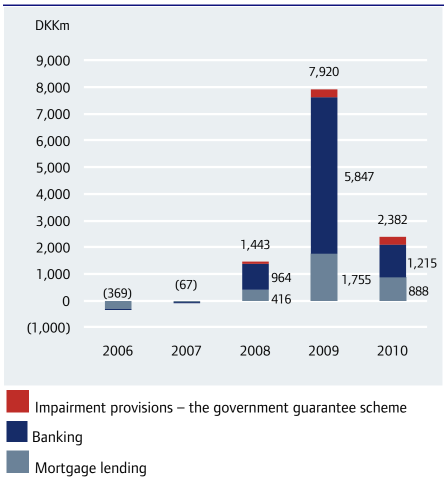


[1] Inclusive of bank lending by the former Forstædernes Bank.

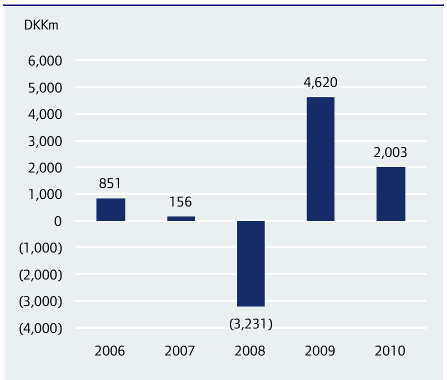
Costs as % of core income from business operations



Impairment losses on loans and advances through profit or loss



Investment portfolio income



Excluding value adjustment of strategic equities against equity.

2010 – IN BRIEF

Results – the Nykredit Realkredit Group

- The Nykredit Realkredit Group recorded a profit before tax of DKK 3,090m against a loss of DKK 145m in 2009. In addition, the divestment of Nykredit Forsikring generated a profit of DKK 1,511m
- Profit after tax was DKK 3,816m, including profit from the divestment of Nykredit Forsikring, against DKK 129m in 2009
- Customer-oriented business was up by 10.2%
  - Core income from customer-oriented business increased by DKK 882m to DKK 9,522m in 2010
  - Mortgage lending in nominal terms and bank lending went up by DKK 42bn to DKK 1,088bn in 2010
- Operating costs, depreciation and amortisation excluding special value adjustments rose by DKK 104m or 1.9%
  - Costs as a percentage of core income from business operations were trimmed from 62.4% in 2009 to 57.8%
  - Special value adjustments etc produced a charge of DKK 129m
  - Nykredit Bank's commission payable under the government guarantee scheme amounted to DKK 371m against DKK 500m in 2009
- Loan impairment losses declined by DKK 5,499m to DKK 2,103m
  - Impairment losses on mortgage lending were DKK 888m, equal to 0.09% of loans and advances
  - Impairment losses on bank lending came to DKK 1,215m, excluding the government guarantee scheme, equal to 1.31% of loans and advances
  - Impairment losses under the government guarantee scheme were DKK 279m
- Core income from securities amounted to DKK 470m against DKK 829m in 2009
  - Money market rates averaged 1.05% against 1.83% in 2009
- Investment portfolio income was DKK 2,003m against DKK 4,620m in 2009
  - In 2010 investment portfolio income mainly derived from earnings from short-term bonds and tighter yield spreads between mortgage bonds and government bonds
- Cost of capital in the form of net interest on hybrid core capital amounted to DKK 461m against DKK 95m in 2009
- The Group's costs relating to Bank Rescue Package I totalled DKK 1,643m from 2008 up to the expiry of the scheme on 30 September 2010. No further payments are expected to be made under the scheme.

Capital

- The core capital and capital adequacy ratios were 18.5% and 18.5%, respectively
- The internal capital adequacy requirement (ICAAP) stood at 9.4%
- A dividend distribution of DKK 300m is proposed
- Group equity increased by DKK 4.1bn to DKK 55.0bn after proposed dividend.

OUTLOOK FOR 2011

- Nykredit expects growth in both retail and commercial lending leading to higher core income. Further, Markets & Asset Management is set to continue growth in earnings. Core earnings before impairment losses are projected to range between DKK 4.3bn and DKK 4.8bn.

- Impairment losses on loans and advances are likely to be in the region of DKK 1.5bn, with an uncertainty margin of DKK 0.5bn. As in 2010, the highest impairment losses are expected for small and medium-sized enterprises (SMEs).

- Results before tax will hinge on trends in financial markets and the Danish economy. Profit before tax is forecast at DKK 3.0bn-3.5bn.

Peter Engberg Jensen, Group Chief Executive, says:
Nykredit improved its market position markedly in 2010 as business operations grew by more than 10%. This trend, coupled with only 2% growth in costs, tentative normalisation of impairment loss levels and high investment portfolio income produced a rather good profit of DKK 3.1bn before tax and exclusive of a DKK 1.5bn profit from the divestment of Nykredit Forsikring.

Nykredit has set its strategic course – we have merged Nykredit Bank and Forstædernes Bank. Banking operations contribute 44% of core income today, and our total lending in Denmark represents just below 30% of aggregate lending by the Danish financial sector.

NYKREDIT REALKREDIT GROUP RESULTS
The Group recorded a profit before tax of DKK 3,090m, excluding profit from the divestment of Nykredit Forsikring, against a loss of DKK 145m in 2009.

Profit from the divestment of Nykredit Forsikring was DKK 1,511m.

Results reflected continued growth in core income from customer-oriented business, low growth in costs, markedly falling loan impairment losses and high investment portfolio income.

Core income from customer-oriented business increased by DKK 882m, or 10.2%, relative to 2009. Group mortgage lending at nominal value and bank lending rose by a total of DKK 42bn, or 4.0%, to DKK 1,088bn compared with the beginning of the year. Retail lending was up by DKK 26bn and commercial lending by DKK 16bn.

Costs rose by 1.9% to DKK 5,499m in 2010. The cost level mirrored a reduction in headcount, synergies from the merger between Nykredit Bank and Forstædernes Bank and the result of tighter cost control. Costs as a percentage of core income from business operations were down from 62.4% to 57.8% in 2010.

The Group's impairment losses on loans and advances were DKK 2,103m against DKK 7,602m in 2009. Impairment losses equalled 0.19% of total mortgage and bank lending. Of impairment losses for the year, 27% was attributable to retail lending and 73% to commercial lending.

Impairment losses on retail mortgage lending amounted to DKK 342m, reflecting positive trends in the Danish economy in the form of low interest rates and low unemployment. The arrears ratio for retail customers declined from the December settlement date in 2009 to the September settlement date in 2010 when it stood at 0.42%.

Impairment losses on commercial mortgage lending amounted to DKK 528m, chiefly generated by exposures relating to SMEs. A number of large exposures have developed favourably, resulting in reversal of impairment provisions previously made.

Impairment losses on bank lending declined by DKK 4,632m to DKK 1,215m. The decline was notably prompted by a markedly lower provisioning need for Other Activities, which includes terminated exposures. This expenditure went down from DKK 3,494m in 2009 to DKK 777m.

Impairment losses on corporate bank lending were reduced significantly from DKK 2,123m in 2009 to DKK 231m, mirroring an improvement in the creditworthiness of especially large corporate customers. Impairment losses on retail bank lending remained at a moderate level, ie DKK 207m.

The group expense under the government guarantee scheme totalled DKK 650m against DKK 818m in 2009.

The Group posted investment portfolio income of DKK 2,003m against DKK 4,620m in 2009.

Cost of capital in the form of net interest on hybrid core capital amounted to DKK 461m against DKK 95m in 2009.

In March Nykredit entered into a strategic insurance alliance with Gjensidige Forsikring, which acquired Nykredit Forsikring A/S at a price of DKK 2.5bn, of which goodwill amounted to about DKK 1.5bn.

The transfer was completed at end-April 2010. In the Annual Report 2010, the results after tax from the insurance business are presented as profit on discontinued insurance operations. Comparative figures have been restated.

Nykredit recorded a loss after tax of DKK 80m on the discontinued insurance activities against a profit of DKK 245m in 2009. Profit from the divestment of Nykredit Forsikring amounted to DKK 1,591m. The divestment of Nykredit Forsikring had a total earnings impact on the 2010 group results of DKK 1,511m.

The Group recorded a profit after tax of DKK 3,816m, including profit from the divestment of Nykredit Forsikring, against DKK 129m in 2009.

Strategic equities, chiefly in banks, which are value-adjusted against equity, caused an adjustment of DKK 261m against DKK 751m the year before.

The Group's profit after tax and value adjustments against equity improved equity by DKK 4.1bn. After dividend distribution, equity was DKK 55.0bn at end-2010.

Core earnings
Core income from business operations
The Group's core income from customer-oriented business was DKK 9,522m against DKK 8,640m in the same period the year before – up DKK 882m or 10.2%.

Core income from mortgage operations continued to improve, up DKK 452m, or 9.0%, to DKK 5,449m.

Group mortgage lending at nominal value rose by DKK 44bn to DKK 1,030bn at end-2010. Gross new lending was DKK 201bn compared with DKK 228bn in 2009. The decline in gross new lending resulted from lower refinancing activity.

Core income from banking operations rose by DKK 317m, or 9.2%, to DKK 3,783m. The earnings trend in the Bank's customer-oriented business remained positive in 2010 due to progress in Markets & Asset Management and Corporate Banking. Banking operations represented 44% of total core income from business operations.

The Group's bank lending totalled DKK 58.8bn against DKK 60.9bn at the beginning of the year. Deposits decreased by DKK 9.0bn to DKK 55.5bn in the same period.

Junior covered bonds
The Group has issued junior covered bonds totalling DKK 29.9bn at nominal value as supplementary collateral for covered bonds. Net interest expenses for junior covered bonds came to DKK 120m against DKK 67m in 2009.

Core income from Kalvebod issues
Group income from the portfolio of Kalvebod issues in the form of subordinated debt in Danish banks amounted to DKK 57m against DKK 139m the year before.

Core income from securities
Core income from securities was DKK 470m against DKK 829m the year before. The downturn was due to lower average money market rates of 1.05% compared with 1.83% in 2009.

Core income from securities equals the return which the Group could have obtained by placing its investment portfolios at risk-free interest. In addition, core income from securities includes net interest expenses relating to supplementary capital and the acquisition of Totalkredit.

Operating costs, depreciation and amortisation, excl special value adjustments
The Group's costs excluding special value adjustments and commission payable under the government guarantee scheme came to DKK 5,499m, corresponding to 1.9% growth on 2009. Costs as a percentage of core income from business operations were trimmed to 57.8% from 62.4% in 2009.

The trend in costs mirrored a reduction in headcount equal to 109 full-time staff, synergies from the merger between Nykredit Bank and Forstædernes Bank and the result of sharper cost control.

Operating costs, depreciation and amortisation – special value adjustments
Special value adjustments, which comprise net adjustment of assets and liabilities relating to Nykredit's pension schemes in run-off and certain staff schemes produced an expense of DKK 44m. Value adjustment of owner-occupied property generated an expense of DKK 115m.

The winding up of Dansk Pantebrevsbørs produced an income of DKK 30m against an expense of DKK 183m in 2009. The income related to an adjustment of estimated winding-up costs.

Special value adjustments netted operating expenses of DKK 129m in 2010.

Commission – government guarantee scheme
Nykredit Bank paid DKK 371m in commission under the government guarantee scheme in 2010, covering the period up to the expiry of the scheme on 30 September, against DKK 500m in 2009.

Impairment losses on loans and advances
The Group's impairment losses on loans and advances were DKK 2,103m against DKK 7,602m in 2009. Further, provisions under the government guarantee scheme amounted to DKK 279m.

Of impairment losses for the year, DKK 932m stemmed from an increase in individual impairment provisions and DKK 577m from a rise in collective impairment provisions.

The Group's impairment losses on mortgage lending stood at DKK 870m against DKK 1,731m in 2009, equal to 0.09% of lending. Of impairment losses for the year, DKK 342m, or 0.05% of lending, was attributable to the retail segment against DKK 764m in 2009. The commercial segment accounted for DKK 528m of impairments, corresponding to 0.14% of lending.

The Group's impairment losses on bank lending came to DKK 1,215m, equal to 1.31% of lending. Of impairment losses for the year, DKK 207m, or 1.31% of lending, was attributed to the retail segment. The commercial segment accounted for DKK 231m of impairment losses, equal to 0.48% of lending in 2010. Further, Nykredit recorded impairment losses on loans and advances of DKK 777m relating to Other Activities, which chiefly includes terminated exposures.

Impairment losses in respect of Nykredit Mægler (estate agency business) amounted to DKK 18m.

Investment portfolio income
The Group's investment portfolio income came to DKK 2,003m against DKK 4,620m in 2009.

Value adjustment of strategic equities against equity netted DKK 161m after tax compared with DKK 751m in 2009.

The investment portfolio income stemmed from investments in short-term bonds in particular and tighter yield spreads between mortgage and corporate bonds on the one hand and government bonds on the other.

Investment portfolio income is the excess income obtained from investing in equities, bonds and derivative financial instruments in addition to risk-free interest. Price spreads and interest margins relating to the mortgage operations of Nykredit Realkredit and Totalkredit as well as the trading activities of Nykredit Markets have been included not as investment portfolio income, but as core income from business operations.

Nykredit's securities portfolio consists mainly of Danish and European mortgage bonds.

The interest rate risk of the portfolio has been widely reduced by offsetting sales of government bonds or through interest rate derivatives. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 2,083m. Investment portfolio income from equities and equity instruments value adjusted through profit or loss was DKK 20m. Further, reclassification of strategic equities resulted in a loss of DKK 100m.

Net interest on hybrid core capital
The Group has raised hybrid core capital for a total of DKK 11.1bn, of which DKK 6.6bn was raised in November 2009.

Profit for the year was affected by net interest expenses of DKK 461m against DKK 95m in 2009.

Tax
Tax calculated on profit for the year was DKK 785m, corresponding to an effective tax rate of 25.4%.

Dividend
It will be recommended for adoption by the Annual General Meeting that dividend in the amount of DKK 300m be distributed for 2010.

BUSINESS AREAS

The segment financial statements were in 2010 affected by the merger between Nykredit Bank and Forstædernes Bank and a general reorganisation at end-2009 relating to Strategy 2013. Comparative figures have been restated to the widest extent possible. Some income statement and balance sheet items have been allocated to the business areas based on estimates.

The Nykredit Realkredit Group is organised into the business areas Retail Customers, Totalkredit, Commercial Customers, Markets & Asset Management and Other Activities.

Group core income from business operations totalled DKK 9,402m against DKK 8,573m in 2009.

In 2010 mortgage lending rose from DKK 985bn to DKK 1,030bn in nominal terms. The Nykredit Group recorded gross new lending of DKK 201bn against DKK 228bn in 2009.

In the year under review, the Group's share of the Danish mortgage market was 42.0% for total lending and 44.3% for gross new lending against 41.4% and 45.7%, respectively, in 2009.

Gross new residential mortgage lending came to DKK 143bn against DKK 164bn the year before. The market share of Danish residential mortgage lending amounted to 45.9% in 2010 compared with 45.3% in 2009.

Gross new lending to commercial customers came to DKK 58bn against DKK 64bn the year before. The market share of Danish mortgage lending to commercial customers was 36.6% in 2010 compared with 35.9% in 2009.

Bank lending decreased from DKK 60.9bn at the beginning of the year to DKK 58.8bn. Deposits declined from DKK 64.5bn at the beginning of 2010 to DKK 55.5bn.

Bank lending to the commercial segment saw growth of DKK 1.4bn, whereas the retail segment recorded a downturn of DKK 1.2bn. Bank lending under Other Activities, covering terminated exposures, declined by DKK 2.3bn.

Bank deposits in Retail Customers, Commercial Customers and Markets & Asset Management decreased by DKK 0.7bn, DKK 1.3bn and DKK 6.5bn, respectively.

Nykredit Mægler saw a 14.2% improvement in turnover from 12,450 properties sold in 2009 to 14,215.

Results by business area [1]

DKK million	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Management	Other Activities	Group items and eliminations	Total
2010							
Core income from							
- Business operations	2,366	1,460	3,719	1,577	298	(18)	9,402
- Kalvebod issues				57			57
Core income from securities						470	470
Total	**2,366**	**1,460**	**3,719**	**1,634**	**298**	**452**	**9,929**
Operating costs	1,644	419	1,061	801	238	654	4,817
Commission under the government guarantee scheme	55	-	187	92	37	-	371
Depreciation of property, plant and equipment and amortisation of intangible assets	-	467	2	11	165	166	811
Core earnings before impairment losses	**667**	**574**	**2,469**	**730**	**(142)**	**(368)**	**3,930**
Impairment losses on loans and advances	389	158	755	4	797	279 [4]	2,382
Core earnings after impairment losses	**278**	**416**	**1,714**	**726**	**(939)**	**(647)**	**1,548**
Investment portfolio income [2]	-	-	-	-	-	2,003	2,003
Profit (loss) before cost of capital	**278**	**416**	**1,714**	**726**	**(939)**	**1,356**	**3,551**
Net interest on hybrid core capital	-	-	-	-	-	(461)	(461)
Profit (loss) before tax from continued operations	**278**	**416**	**1,714**	**726**	**(939)**	**895**	**3,090**
Return							
Average business capital, DKKm [3]	3,984	7,035	11,283	2,262	1,610	4,082	30,256
Core earnings after impairment losses as % of average business capital [3]	7.0	5.9	15.2	32.1	(58.3)	-	5.1
2009							
Profit (loss) before tax from continued operations	**130**	**99**	**(1,452)**	**705**	**(3,681)**	**4,054**	**(145)**
Return							
Average business capital, DKKm [3]	4,016	7,421	13,255	2,296	616	3,539	31,143
Core earnings after impairment losses as % of average business capital [3]	3.2	1.3	(11.0)	30.7	(597.6)	-	(15.0)

[1] Reference is made to note 2 in the Financial Statements for complete segment financial statements with comparative figures.
[2] Investment portfolio income includes a profit of DKK 6m from investments in associates (a loss of DKK 141m in 2009).
[3] Business capital has been calculated as the required capital base (ICAAP), equal to Pillar I and Pillar II.
[4] Provisions for guarantees relating to the government guarantee scheme.

Results – Retail Customers

DKK million	2010	2009
Core income from business operations	2,366	2,411
Operating costs	1,644	1,719
Commission under the government guarantee scheme	55	60
Depreciation of property, plant and equipment and amortisation of intangible assets	-	24
Core earnings before impairment losses	**667**	**608**
Impairment losses on loans and advances – mortgage lending	182	249
Impairment losses on loans and advances – banking	207	229
Core earnings after impairment losses	**278**	**130**

Activity

DKK million	2010	2009
Mortgage lending		
Gross new lending	33,083	39,614
Net new lending	6,775	10,102
Portfolio at nominal value, year-end	188,969	185,669
Impairment losses as % of loans and advances	0.10	0.13
Total impairment provisions, year-end		
- Individual impairment provisions	118	151
- Collective impairment provisions	111	56
Total impairment provisions as % of loans and advances	0.12	0.11
Portfolio of properties repossessed, year-end (properties)	137	94
Banking		
Loans and advances, year-end	15,476	16,647
Deposits, year-end	18,758	19,465
Impairment losses as % of loans and advances	1.31	1.30
Total impairment provisions, year-end		
- Individual impairment provisions	406	438
- Collective impairment provisions	91	29
Total impairment provisions as % of loans and advances	3.11	2.73
Guarantees, year-end [1]	6,301	8,801
Provisions for guarantees, year-end [1]	4	7

[1] Excluding the government guarantee scheme.

Retail Customers

Retail Customers covers activities aimed at the retail segment through Nykredit's own distribution channels. Retail Customers also serves the Group's customers with part-time farming businesses and retail customers owning properties in France, Spain and Germany financed by Danish mortgage loans.

Under the Nykredit brand, retail customers are offered bank, mortgage, insurance, investment and pension products through Nykredit's distribution channels, including 57 centres, 2 call centres, nykredit.dk, and a central customer services centre. Two asset management centres and the estate agencies of the Nybolig and Estate chains constitute other distribution channels.

Activity

Total mortgage lending in nominal terms increased by DKK 3.3bn to DKK 189bn at year-end. Gross new lending declined by DKK 6.5bn to DKK 33.1bn in 2010 due to lower loan refinancing activity.

Bank lending declined from DKK 16.6bn at the beginning of the year to DKK 15.5bn at year-end. Bank deposits descended from DKK 19.5bn to DKK 18.8bn in the same period.

Results

Core earnings before impairment losses were DKK 667m against DKK 608m in 2009.

Core income from business operations was DKK 2,366m against DKK 2,411m in 2009.

Operating costs fell by DKK 75m to DKK 1,644m in 2010. Commission under the government guarantee scheme came to DKK 55m against DKK 60m in 2009.

Impairment losses stood at DKK 182m and DKK 207m for mortgage and bank lending, respectively, against a total of DKK 478m in 2009. Impairment losses represented 0.10% of mortgage lending and 1.31% of bank lending.

Impairment provisions totalled DKK 726m at end-2010 against DKK 674m at the beginning of the year. Total impairment provisions for mortgage loans and bank loans came to DKK 229m and DKK 497m, respectively. The change in total impairment provisions of DKK 52m stemmed from a DKK 117m rise in collective impairment provisions and a DKK 65m decline in individual impairment provisions.

At the September settlement date, 75-day mortgage loan arrears as a percentage of total mortgage payments due came to 0.63% against 0.82% at the settlement date in September 2009. The arrears ratio saw a downward trend and returned to the level of 2003.

In the year under review, the Group repossessed 222 properties and sold 179. At end-2010, the portfolio of repossessed properties stood at 137 against 94 at the beginning of the year.

The security behind mortgage lending to retail customers remains substantial. The LTV ratios of mortgage loans are shown below with individual loans relative to the estimated values of the individual properties at end-2010.

1.2% of mortgage lending to retail customers has a current LTV ratio in excess of 80% against 1.8% at end-2009.

International lending
Nykredit offers Danish private residential mortgages for properties in France, Spain and Germany directly to customers and through business partners.

Core income from international retail activities totalled DKK 56m against DKK 45.8m in 2009.

Nykredit's international gross new lending to retail customers was DKK 1.4bn. The retail loan portfolio was DKK 6.2bn at end-2010 against DKK 5.1bn at end-2009.

International retail lending gave rise to impairment losses of DKK 2.6m against DKK 25m in 2009. In 2010 a number of previous loan impairment losses totalling DKK 12m were reversed.

Arrears ratio, mortgage lending – 75 days after September settlement date

Mortgage debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value)								
	0-40	40-60	60-80	80-90	90-100	Over 100	Total	LTV, median [1]	LTV, avg [2]
2010	124,934	36,364	15,687	1,538	539	23	179,085	27%	60%
2009	120,911	35,161	16,028	2,283	877	30	175,290	27%	61%

[1] Determined as the mid part of the debt outstanding relative to estimated property values.
[2] Determined as the top part of the debt outstanding relative to estimated property values.

Results – Totalkredit

DKK million	2010	2009
Core income from business operations	1,460	1,439
Operating costs	419	376
Depreciation of property, plant and equipment and amortisation of intangible assets	467	449
Core earnings before impairment losses	**574**	**614**
Impairment losses on loans and advances	158	515
Core earnings after impairment losses	**416**	**99**

Activity

DKK million	2010	2009
Mortgage lending		
Gross new lending	110,079	124,715
Net new lending	29,970	39,614
Portfolio at nominal value, year-end	455,105	431,303
Impairment losses as % of loans and advances	0.03	0.12
Total impairment provisions, year-end		
- Individual impairment provisions	278	336
- Collective impairment provisions	245	199
Total impairment provisions as % of loans and advances	0.11	0.12
Portfolio of properties repossessed (properties)	53	22

Totalkredit

Totalkredit is responsible for the distribution of mortgage loans to retail customers under the Totalkredit brand through nearly 100 Danish local and regional banks having more than 1,000 branches.

Activity

Mortgage lending in nominal terms rose by DKK 23.8bn to DKK 455bn at end-2010. Gross new lending fell by DKK 14.6bn to DKK 110.1bn in 2010. The downturn in gross new lending can be ascribed to lower refinancing activity.

Results

Core earnings before impairment losses stood at DKK 574m against DKK 614m in 2009.

Core income from business operations was DKK 1,460m against DKK 1,439m in 2009.

Operating costs increased to DKK 419m from DKK 376m in 2009. The main reason for the rise was intensified marketing and higher IT investment costs in support of Totalkredit's distribution concept.

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to DKK 467m, which mainly related to distribution rights obtained in connection with Nykredit's acquisition of Totalkredit.

Totalkredit's business concept is lending through its partner banks – Danish local and regional banks. The partner banks are responsible for serving customers and hedging loan portfolio risk.

Risk is hedged by agreement with the partner banks. Under the agreement, recognised losses corresponding to the part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments from Totalkredit to the partner banks.

Loan impairment losses netted DKK 158m after set-off against commission payable to partner banks totalling DKK 107m compared with DKK 515m in 2009. Impairment losses equalled 0.03% of lending.

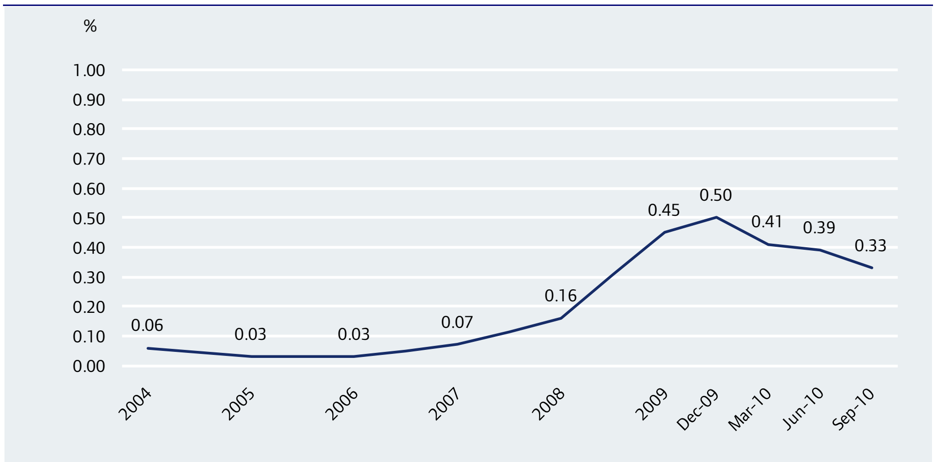
At end-2010, loan impairment provisions totalled DKK 523m against DKK 535m at the beginning of the year. The DKK 12m decline in total impairment provisions stemmed from a DKK 46m rise in collective impairment provisions and a DKK 58m drop in individual impairment provisions.

At the September settlement date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.33% against 0.45% at the same date in 2009.

The portfolio of repossessed properties stood at 53 at year-end against 22 at the beginning of 2010. In the year under review, 117 properties were repossessed and 86 sold.

The LTV ratios of mortgage loans granted are shown below. 2.1% of mortgage lending to retail customers has a current LTV ratio in excess of 80% against 3.5% at end-2009.

Arrears ratio, mortgage lending
– 75 days after September settlement date



Mortgage debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value)							
	0-40	40-60	60-80	80-90	90-100	Over 100	Total	LTV, median [1]	LTV, avg [2]
2010	280,432	105,886	60,307	6,448	2,103	813	455,989	32%	68%
2009	259,524	97,682	58,147	9,816	3,781	1,678	430,628	33%	70%

[1] Determined as the mid part of the debt outstanding relative to estimated property values.
[2] Determined as the top part of the debt outstanding relative to estimated property values.

Results – Commercial Customers

DKK million	2010	2009
Core income from business operations	3,719	3,131
Operating costs	1,061	1,252
Commission under the government guarantee scheme	187	223
Depreciation of property, plant and equipment and amortisation of intangible assets	2	22
Core earnings before impairment losses	**2,469**	**1,634**
Impairment losses on loans and advances – mortgage lending	528	967
Impairment losses on loans and advances – banking	227	2,119
Core earnings after impairment losses	**1,714**	**(1,452)**

Activity

DKK million	2010	2009
Mortgage lending		
Gross new lending	57,987	63,848
Net new lending	26,308	39,126
Portfolio at nominal value, year-end	384,026	366,700
Impairment losses as % of loans and advances	0.14	0.26
Total impairment provisions, year-end		
- Individual impairment provisions	860	902
- Collective impairment provisions	611	298
Total impairment provisions as % of loans and advances	0.38	0.33
Portfolio of repossessed properties, year-end (properties)	83	47
Banking		
Loans and advances, year-end	40,599	39,181
Deposits, year-end	32,320	33,619
Impairment losses as % of loans and advances	0.48	5.03
Total impairment provisions, year-end		
- Individual impairment provisions	2,335	2,476
- Collective impairment provisions	265	225
Total impairment provisions as % of loans and advances	6.02	6.45
Guarantees, year-end [1]	6,547	11,281
Provisions for guarantees, year-end [1]	44	12

[1] Excluding the government guarantee scheme.

Commercial Customers

Commercial Customers comprises activities with all types of businesses including the agricultural and residential rental segments. The residential rental segment includes non-profit housing, cooperative housing and private rental housing. Products are distributed through 34 commercial centres offering all of the Group's products within banking, mortgage lending, investment and debt management. Insurance services are provided in cooperation with Gjensidige Forsikring.

Activity

In nominal terms, total mortgage lending increased by DKK 17.3bn to DKK 384bn at year-end. Gross new lending deteriorated by DKK 5.9bn to DKK 58.0bn.

Bank lending gained DKK 1.4bn to DKK 40.6bn at end-2010.

The development in lending mainly reflected a flat market where many SMEs remained reluctant to make new investments. By contrast, investments by large enterprises gained new momentum in 2010.

Bank deposits declined from DKK 33.6bn at the beginning of the year to DKK 32.3bn at year-end. The trend should be seen in the context of keener competition and the fact that a number of major customers converted their deposits to securities.

Results

Core earnings before impairment losses were DKK 2,469m against DKK 1,634m in 2009.

Core income from business operations was DKK 3,719m against DKK 3,131m in 2009. Of the rise, DKK 413m was attributed to mortgage lending.

Operating costs declined to DKK 1,061m from DKK 1,252m in 2009. Operating costs were affected by a reversal of expenses relating to Dansk Pantebrevsbørs under konkurs (in bankruptcy) of DKK 30m against an expense of DKK 183m in 2009. Further, commission under the government guarantee scheme came to DKK 187m against DKK 223m in 2009.

Impairment losses amounted to DKK 528m and DKK 227m on mortgage and bank lending, respectively, against a total of DKK 3,086m in 2009. Impairment losses represented 0.14% of mortgage lending and 0.48% of bank lending.

Impairment provisions totalled DKK 4,071m at end-2010 against DKK 3,901m at the beginning of the year. The change in impairment provisions of DKK 170m stemmed from a DKK 353m rise in collective impairment provisions and a DKK 183m decline in individual impairment provisions.

At the September settlement date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 1.18% for Commercial Customers less the agricultural segment against 1.93% at the same date in 2009. The percentage for the agricultural segment was 0.64% at the September settlement date against 0.78% at the June settlement date.

At end-2010, the portfolio of repossessed properties contained 83 against 47 at the beginning of the year. In 2010, the Group repossessed 134 properties and sold 98.
The LTV ratios of mortgage loans are shown below. As the table contains property types subject to different LTV limits, reference is made to the report Risk and Capital Management 2010, available at nykredit.com/reports, for a more detailed description of the LTV levels of Nykredit's mortgage lending.

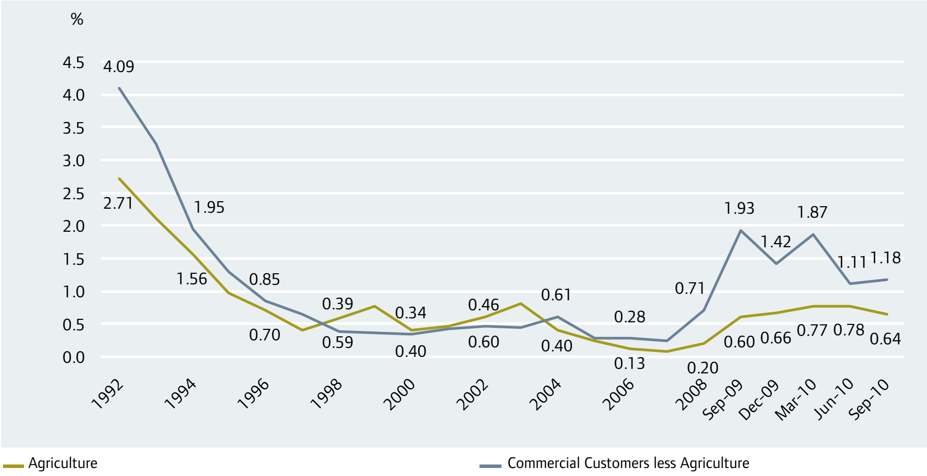
International lending
Nykredit offers Danish and selected international commercial customers mortgages subject to Danish legislation for properties abroad. The activities comprise properties in the UK, Finland, Norway, Sweden and Germany.

Core income from international commercial customers totalled DKK 145.4m against DKK 113.7m in 2009.

International commercial lending amounted to DKK 30.2bn at end-2010 against DKK 30.3bn at end-2009.

International mortgage lending did not give rise to any impairment losses in 2010 or 2009.

Arrears ratio, mortgage lending
– 75 days after September settlement date, Agriculture and Commercial Customers less Agriculture



Mortgage debt outstanding relative to estimated property values [1]

DKK million	LTV (loan-to-value)								
	0-40	40-60	60-80	80-90	90-100	Over 100	Total	LTV, median [3]	LTV, avg [4]
2010									
Commercial Customers [2]	166,459	45,533	16,527	1,330	804	0	230,654	25%	53%
Agriculture [5]	74,932	17,829	6,078	1,022	1,034	1	100,895	24%	55%
2009									
Commercial Customers [2]	155,422	41,346	14,532	754	418	0	212,472	23%	52%
Agriculture	79,983	13,827	2,985	463	445	0	97,704	20%	47%

[1] Excl loans and advances to non-profit housing.
[2] Commercial customers less agricultural segment.
[3] Determined as the mid part of the debt outstanding relative to estimated property values.
[4] Determined as the top part of the debt outstanding relative to estimated property values.
[5] The 2010 figures for agriculture are based on Nykredit's conservative mortgageable values, for which a price per hectare of DKK 150,000 has been applied.

Results – Markets & Asset Management

DKK million	2010	2009
Core income from		
- Business operations	1,577	1,403
- Kalvebod issues	57	139
Total	**1,634**	**1,542**
Operating costs	801	715
Commission under the government guarantee scheme	92	118
Depreciation of property, plant and equipment and amortisation of intangible assets	11	-
Core earnings before impairment losses	**730**	**709**
Impairment losses on loans and advances	4	4
Core earnings after impairment losses	**726**	**705**

Activity

DKK million	2010	2009
Assets		
Receivables from credit institutions	29,480	45,357
Other loans and advances at fair value	12,920	11,962
Bonds and equities	33,967	64,099
Liabilities and equity		
Payables to credit institutions and central banks	48,351	56,842
Deposits and other payables	3,881	10,450
Issued bonds	32,374	44,059
Assets under management		
- Institutional market	76,671	54,975
- Retail market	18,549	10,729
Total	**95,220**	**65,704**
Assets under administration		
Nykredit Portefølje Administration A/S	**305,001**	**228,385**
- of which the Nykredit Group's investment funds	34,475	23,944
Total assets under management and administration	**400,221**	**294,089**

Markets & Asset Management

This business area handles the activities of the Group within trading in securities and derivative financial instruments, asset management and pension products.

Activity

Nykredit Markets

Nykredit Markets recorded satisfactory earnings and activity levels in 2010, including growth in the customer base.

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

Fixed Income is Nykredit Markets's largest business area. In 2010 Fixed Income posted earnings which were somewhat lower than the year before. Earnings from customer-related business remained high, while earnings from trading were slightly lower.

Activity trended higher within both domestic and international equities. In 2010 the business area was further strengthened, as an equity research function was set up.

Nykredit Asset Management

Nykredit Asset Management's assets under management and administration totalled DKK 400.2bn at end-2010 against DKK 294.1bn at end-2009. Assets under management grew by DKK 29.5bn to DKK 95.2bn during the year.

Nykredit Portefølje Administration administered assets of DKK 305bn at end-2010, up DKK 76.6bn on the beginning of the year.

The Nykredit Group's investment funds increased members' capital by 44% to DKK 34.5bn at end-2010.

Results
Core earnings before impairment losses totalled DKK 730m against DKK 709m in 2009.

Core income from business operations was DKK 1,577m against DKK 1,403m in 2009. Progress was broad-based across the business areas of Nykredit Markets and Nykredit Asset Management.

Core income from the portfolio of subordinated debt in Danish banks (Kalvebod issues) equalled value adjustment of DKK 57m against DKK 139m in 2009.

Operating costs were DKK 801m against DKK 715m in 2009. This development matched expectations and reflected the higher activity level. Commission under the government guarantee scheme came to DKK 92m against DKK 118m in 2009.

Results – Other Activities

DKK million	2010	2009
Core income from business operations	298	227
Operating costs	238	167
Commission under the government guarantee scheme	37	99
Depreciation of property, plant and equipment and amortisation of intangible assets	165	124
Core earnings before impairment losses	**(142)**	**(163)**
Impairment losses on loans and advances – mortgage lending	20	24
Impairment losses on loans and advances – banking	777	3,494
Core earnings after impairment losses	**(939)**	**(3,681)**

Activity

DKK million	2010	2009
Mortgage lending		
Portfolio at nominal value, year-end	1,536	1,544
Total impairment provisions, year-end		
- Individual impairment provisions	2	1
Banking		
Loans and advances, year-end	2,757	5,081
Deposits, year-end	507	948
Impairment losses as % of loans and advances	16.36	38.66
Total impairment provisions, year-end		
- Individual impairment provisions	2,923	4,576
- Collective impairment provisions	52	-
Total impairment provisions as % of loans and advances	51.90	47.39
Guarantees, year-end [1]	577	876
Provisions for guarantees, year-end [1]	38	208

[1] Excluding the government guarantee scheme.

Other Activities

Other Activities mainly comprises a portfolio of terminated exposures relating to corporate customers of the former Forstædernes Bank and mortgage loans granted via a branch in Poland. The area also includes the activities of Nykredit Mægler A/S, Nykredit Ejendomme A/S and Ejendomsselskabet Kalvebod A/S.

Results

Core earnings before impairment losses were a loss of DKK 142m against a loss of DKK 163m in 2009.

Core income from business operations amounted to DKK 298m against DKK 227m in 2009.

Operating costs were DKK 238m against DKK 167m in 2009. Commission under the government guarantee scheme came to DKK 37m against DKK 99m the year before.

Impairment losses on bank lending and provisions for guarantees amounted to DKK 777m and DKK 20m, respectively, for Other Activities compared with a total of DKK 3,518m in 2009.

Total impairment provisions for bank lending stood at DKK 2,975m against DKK 4,576m at the beginning of the year. The decline reflected that a number of non-performing loans were recognised as lost in the year.

Mortgage lending in Poland gave rise to individual impairment provisions of DKK 2m.

The property company Ejendomsselskabet Kalvebod A/S was set up in 2009 for the purpose of limiting losses on non-performing property exposures through temporary, but active ownership of properties.

In H2/2010, Ejendomsselskabet Kalvebod A/S acquired the shares of two property companies with a total property portfolio of DKK 776m. The company expects to hold the properties for 1 to 2 years until they can be sold under more favourable market conditions. By gathering such property portfolios, Nykredit expects to obtain a higher price than if the individual properties were disposed of separately by forced sale.

Results – Group items

DKK million	2010	2009
Core income from		
- Business operations	(18)	(38)
- Securities	470	829
Total	**452**	**791**
Operating costs	654	819
Depreciation of property, plant and equipment and amortisation of intangible assets	166	125
Core earnings before impairment losses	**(368)**	**(153)**
Impairment losses on loans and advances – the government guarantee scheme	279	318
Core earnings after impairment losses	**(647)**	**(471)**
Investment portfolio income	2,003	4,620
Profit before cost of capital	**1,356**	**4,149**
Net interest on hybrid core capital	(461)	(95)
Profit before tax from continued operations	**895**	**4,054**

Group items

The segment financial statements contain a number of income statement and balance sheet items that cannot be allocated to the business areas. Such items are carried under "Group items" and include costs of staff functions and provisions for guarantees under the government guarantee scheme.

Group items also includes the Group's total return on the securities portfolio, which is the sum of "Core income from securities" and "Investment portfolio income".

Core income from securities

The Group recorded core income from securities of DKK 470m against DKK 829m in 2009, chiefly due to lower average money market rates of 1.05% against 1.83% in 2009.

Impairment losses on loans and advances – government guarantee scheme

The Group made further provisions of DKK 279m in 2010, equal to the Bank's expected loss on Bank Rescue Package I. The entire provision came to DKK 659m at end-2010. No further payments are expected to be made under the scheme.

Investment portfolio income

The Group's investment portfolio income stood at DKK 2,003m against DKK 4,620m in 2009. The change in investment portfolio income stemmed from investments in short-term bonds in particular and tighter yield spreads between mortgage and corporate bonds on the one hand and government bonds on the other.

STAFF

The average number of staff in the Group went down from 4,135 in 2009 to 4,026 at end-2010.

Staff benefits

Nykredit offers a number of staff benefits. The most important benefits are group life insurance, full-time accident insurance, critical illness insurance, health insurance and flexible pay packages.

Nykredit also has incentive programmes with performance-related pay, etc.

The report About Nykredit 2010 – Financial Sustainability, available at nykredit.com/reports, contains more information about staff and staff matters in the Nykredit Group.

Incentive and bonus programmes

Nykredit offers its staff incentive as well as bonus programmes.

There is a general bonus programme at group level, which covers the vast majority of the Group's staff – the remaining staff are covered by special bonus programmes, see below.

The bonus allotment criteria applying to the general bonus programme are group results and the business return in each business area. Bonus is linked to the overall earnings of the business area rather than to the individual staff member's sales performance.

Under the general bonus programme, DKK 45m will be paid for 2010 (2.7% of the payroll of the staff involved) against DKK 18m for 2009 (0.9% of payroll).

No bonus programme has been set up for the Board of Directors or the Group Executive Board.

The Group's executive staff reporting to the Group Executive Board are covered by an individual bonus programme with a potential bonus of up to three months' salary. The bonus level was 1.6 months' salary in 2010 against 1.5 months' salary in 2009.

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

Bonus to staff in Markets, Asset Management and Group Treasury amounted to DKK 119m for 2010 compared with DKK 114m the year before.

There are also bonus programmes in respect of specific customer functions. Bonus under these programmes totalled DKK 21m in 2010 against DKK 8m in 2009.

The above bonus programmes will also apply to 2011. The most recent amendments to the Danish Financial Business Act, which contains a wide range of requirements for incentive and bonus programmes for selected managing directors and risk-takers, have imposed restrictions on about 50 executives and non-executives from 1 January 2011. Some of these restrictions are deferral of disbursement, disbursement through bonds and the possibility that Nykredit may retain the deferred amount under special circumstances.

SOCIAL RESPONSIBILITY

Nykredit's business concept is financial sustainability. Nykredit's social commitment and our relations with customers, partners, investors, society and staff – are described in the report About Nykredit 2010 – Financial Sustainability, available at nykredit.com/reports.

THE NYKREDIT REALKREDIT GROUP EQUITY AND CAPITAL ADEQUACY

Equity

In 2007 the Nykredit Group launched a dividend plan involving an expected total dividend distribution of DKK 1,500m for a limited number of years to the four shareholders of Nykredit Holding A/S: Foreningen Nykredit, Industriens Fond, Foreningen Østifterne and PRAS A/S.

So far, Nykredit has distributed dividend of DKK 1,000m under this dividend plan.

As part of the dividend plan, an ordinary dividend of DKK 300m for 2010 is recommended for approval by Nykredit Realkredit A/S's General Meeting.

Group equity stood at DKK 55.3bn before ordinary dividend at end-2010 against DKK 51.2bn at the beginning of the year. After payment of proposed dividend, equity will amount to DKK 55.0bn.

In accordance with IAS 39, Nykredit has classified the Group's strategic equity investments as "available for sale" in its Consolidated Financial Statements.

The strategic equity investments include equities in a number of Danish local and regional banks and are value adjusted against equity on a current basis. The value adjustment against equity in the Consolidated Financial Statements was DKK 161m after tax in 2010.

In compliance with international reporting standards, Nykredit reclassified unrealised capital losses relating to its strategic shareholding in Amagerbanken. The reclassification had a negative earnings impact of DKK 100m, but had no impact on the Group's equity at end-2010.

Equity and capital base

DKK million	2010	2009
Equity, beginning of year	51,241	50,377
Profit for the year	3,816	129
Fair value adjustment of equities – available for sale	161	751
Reclassification to the income statement of unrealised capital losses on equities available for sale	100	-
Other adjustments	2	(16)
Equity, year-end	**55,320**	**51,241**
Revaluation reserves transferred to supplementary capital	(132)	(132)
Proposed dividend	(300)	-
Intangible assets, including goodwill	(4,545)	(4,944)
Capitalised tax assets	(126)	(220)
Hybrid core capital	11,055	10,805
Other statutory deductions from core capital [1]	(776)	(1,274)
Core capital, incl hybrid core capital, after statutory deductions	**60,496**	**55,476**
Total supplementary capital	**780**	**4,756**
Statutory deductions from the capital base	(776)	(1,274)
Total capital base after statutory deductions	**60,500**	**58,958**

Note: Capital base and capital adequacy are further specified on page 67.

[1] Pursuant to section 139 of the Danish Financial Business Act, 50% of certain investments in credit and finance institutions must be deducted from core capital and supplementary capital, respectively.

Capital base and capital adequacy
The Group's capital base stood at DKK 60.5bn at end-2010, corresponding to a capital adequacy ratio of 18.5%. The Group's capital requirement was DKK 26.2bn at end-2010. The core capital ratio stood at 18.5%.

The Group's internal capital adequacy requirement (ICAAP) at year-end was 9.4%.

The IRB advanced approaches are used to determine the credit risk relating to the greater part of the loan portfolio. The capital requirement for market risk is chiefly determined using a Value-at-Risk model, and the capital requirement for operational risk is determined using the basic indicator approach.

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

Under a transitional rule applicable to 2010, the capital requirement may not decrease by more than 20% compared with the Basel I rules. The transitional rule has been extended a number of times and is expected to be extended until the new EU capital adequacy rules take effect.

The capital requirement under the transitional rule was DKK 45.0bn, corresponding to a capital adequacy ratio of at least 13.7%.

The Nykredit Realkredit Group
Capital adequacy

DKK million	2010	2009
Credit risk	**23,269**	23,728
Market risk	**1,672**	1,846
Operational risk	**1,272**	978
Capital requirement before transitional rule	**26,213**	**26,551**
Capital requirement after transitional rule [1]	**45,016**	**42,408**
Capital base	**60,500**	**58,958**
Core capital ratio [2]	18.5	16.7
Capital adequacy ratio	18.5	17.8
Capital adequacy requirement (SREP)	8.0	8.0
Required capital adequacy ratio after transitional rule [3]	13.7	12.7
Internal capital adequacy requirement (Pillar I and Pillar II)	9.4	9.8
Total weighted items	**327,665**	**331,891**

[1] The capital requirement after the transitional rule has been determined in accordance with the transitional provisions of the Danish Executive Order on Capital Adequacy. The capital requirements in 2009-2011 must constitute at least 80% of the capital requirement determined under Basel I.
[2] The core capital ratio has been determined relative to risk-weighted items without application of the transitional rule.
[3] The required capital adequacy ratio after transitional rule has been determined as the capital requirement after transitional rule as a percentage of risk-weighted items under Basel II, thereby expressing the capital adequacy requirement in consequence of the transitional rule.

CAPITAL POLICY AND STRUCTURE

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

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

With the application of the IRB approaches, the capital requirement will change as losses and arrears are observed since such changes will affect the estimated risk parameters.

In estimating risk parameters, Nykredit applies historical loss data dating back to 1991.

Nykredit's internal business capital corresponds to the statutory required capital base. It expresses the amount of capital required to cover the Group's risks in the medium term.

The determination of the required capital base factors in lending involving an elevated risk of loss. It also incorporates a general capital charge for uncertainties. The determination of the required capital base and capital requirement (ICAAP) is described in more detail overleaf.

The determination of the long-term capital requirement is based on the ability to cover increased losses and capital requirements during a severe recession with high unemployment and high interest rates.

Group equity after dividend distribution was DKK 55.0bn at end-2010.

Nykredit divides its equity into four elements:

- *Business capital* of DKK 30.7bn equal to the statutory required capital base. Nykredit's assessment of the required capital base is partly based on the consequences of a deterioration of the current economic climate.
- *Cyclical buffer* of DKK 15.3bn covering the expected rise in the statutory required capital base should the economic climate change from a weaker economic climate to a severe recession with unemployment rates rising to the high levels seen in the early 1990s. The cyclical buffer is determined by means of stress tests.
- *Statutory capital deductions (goodwill etc)* relating to intangible assets of DKK 4.7bn.
- *Strategic capital* of DKK 4.3bn, the long-term capital maintained for strategic initiatives.

In addition to equity, the Group has raised hybrid core capital of DKK 11.1bn.

The Nykredit Realkredit Group
Capital structure, end-2010

REQUIRED CAPITAL BASE AND CAPITAL REQUIREMENT

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

Capital adequacy is calculated as the required capital base (ICAAP) as a percentage of risk-weighted items.

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

The report Risk and Capital Management 2010, available at nykredit.com/reports, contains a detailed description of the determination of the required capital base and the capital requirement of the Nykredit Group as well as all group companies.

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

Pillar I

Pillar I capital covers credit, market and operational risks as well as risk relating to own properties.

Pillar II

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

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

Under Pillar II, a charge is included that reflects the uncertainty of the models used. Generally, the charge applied corresponds to 10% of the risks calculated.

CYCLICAL BUFFER

Nykredit aims to maintain a competitive rating of the issued bonds and to remain active as a lender also in periods of low business activity.

In addition to the required capital base, Nykredit reserves capital to cover the expected rise in the required capital base if the economic climate changes into a severe recession, corresponding to an increase in unemployment to around 10% along with high interest rates.

The cyclical buffer amounted to DKK 15.3bn at end-2010.

STRESS TESTS AND CAPITAL PROJECTIONS

Nykredit uses stress tests in connection with the determination by the boards of directors of the required capital base and long-term capital requirement.

Nykredit operates with three scenarios of the economic development: a base case scenario, a weaker economic climate and a severe recession.

The scenarios are assessed at least once a year.

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

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

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

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

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

The Nykredit Realkredit Group
Required capital base and internal capital adequacy requirement (ICAAP result)

DKK million	2010	2009
Credit risk	19,254	20,780
Market risk	3,149	3,226
Operational risk	1,209	989
Insurance risk [2]	-	574
Risk relating to own properties	137	154
Total Pillar I	**23,750**	**25,723**
Weaker economic climate (stress tests, etc)	2,781	2,840
Other [1]	1,441	1,191
Model and calculation uncertainties	2,797	2,856
Total Pillar II	**7,020**	**6,888**
Total required capital base	**30,770**	**32,611**
Total risk-weighted items	**327,665**	**321,891**
Internal capital adequacy requirement, %	**9.4**	**9.8**

[1] Other includes assessment of control risk, strategic risk, external risk, concentration risk, liquidity risk, etc.
[2] Insurance risk is not included in 2010 after the sale of Nykredit Forsikring A/S.

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

Scenario: weaker economic climate in 2011
The scenario is designed to illustrate a weaker economic climate relative to the base case scenario.

The Pillar II charge is the capital requirement in this scenario and is calculated as the capital requirement (Pillar I) in a weaker economic climate less the base case capital requirement. The charge for a weaker economic climate is subdivided into a charge for credit risk, market risk, reputation risk and operational risk, and the capital requirement for own properties.

The main assumptions behind the calculations are shown in the table overleaf.

Scenario: severe recession (cyclical buffer)
Nykredit designs the severe recession scenario so that it reflects an extreme, but not unlikely, situation. The development determines the size of the cyclical buffer.

The cyclical buffer equals the capital requirement in this scenario and is calculated as the capital requirement (Pillar I) during a severe recession less the base case capital requirement and Pillar II charge. Any negative earnings impact is also added covering the accumulated loss calculated in the scenario, which in the model shows the total development in equity.

FSA stress tests
As part of the Group's capital policy, in addition to assessing the calculation of its own scenarios, Nykredit also assesses the stress scenarios prepared by the Danish FSA. The scenarios of the FSA and Nykredit are generally similar, but differ in terms of model set-up. Since the FSA published the scenario analyses in 2010, Nykredit has regularly assessed the results in relation to the results based on its own models. The FSA's stress scenarios, which now cover mortgage banks as well, have not given rise to adjustments of Nykredit's own stress calculations, nor of its capital policy.

NEW REGULATION
A new set of rules for the regulation of financial markets is underway. The purpose of the new rules is to create a more stable financial sector through higher capital requirements and new liquidity standards.

In December 2010, the Basel Committee issued a proposal for new regulation of capital and liquidity – Basel III. The Basel Committee is an influential forum in the regulation process, but has no legislative powers. The European Commission is expected to present a draft directive during summer 2011 for subsequent adoption by the European Parliament and the Council. The draft directive is expected to be relatively similar to the Basel Committee's proposal.

Nykredit is positive towards the legislative initiatives. Stricter equity requirements are necessary to enable banks to absorb cyclical losses. The Basel Committee proposes an increase in the capital requirement from 8% of risk-weighted assets to 13% (including buffers). Stress testing of capital resources is also necessary to ensure sustainable long-term operations. For this reason, Nykredit has been conducting stress tests and has published the results in the description of our capital structure already before it became mandatory.

Liquidity management requirements are also necessary. However, the proposals submitted by the Basel Committee in December 2010, which are to form the basis of European legislation, seem to be motivated by the requirements in the US and UK, which do not have efficient mortgage systems such as the Danish system. The US and UK have deposit-based lending systems supplemented with non-transparent bond issues, typically of poor credit quality. Against that background, the Basel Committee has proposed that sovereign debt must make up at least 60% of credit institutions' total liquidity. Covered bonds qualify as high-quality liquid assets only to a limited extent.

The Basel Committee's proposals inadvertently pose major challenges for Denmark. Firstly, because Danish covered bonds are as liquid as sovereign debt. Secondly, Danish covered bonds are highly secure due to the lending terms and balance principle applying in Denmark. Thirdly, Denmark has a relatively small volume of sovereign debt. This means that Denmark does not have enough sovereign debt to meet the liquidity requirements imposed on banks and mortgage lenders in future. If covered bonds do not qualify as liquid assets based on objective quality criteria, financial stability may be jeopardised.

The Basel Committee's proposal will also mean the elimination of Danish adjustable-rate mortgages funded by 1-year bonds. Nykredit agrees that the existing refinancing model with large bond sales taking place in a matter of a few days is not optimal. In consequence, Nykredit's refinancing auctions in 2010 were distributed more evenly over the year compared with previously, and the work towards expanding this model continues.

Paradoxically, the Basel Committee's proposal could potentially increase the risks in the Danish financial system rather then reduce them. This is the reason why Nykredit, the financial sector in general and the Danish authorities are working actively to ensure that the EU legislation take into account the secure and stable mortgage systems known from eg Denmark, Germany and Sweden. The dialogue with the EU is positive and constructive. We therefore expect the draft directive to have regard for the characteristic features of the Danish mortgage system.

Stress scenarios for determination of capital requirement at end-2010

%	2010	- 2013
Weaker economic climate (scenario applied under Pillar II)		
GDP growth	(1.9)	; 1.0
Interest rates [1]	1.9	; 5.3
Property prices, growth	(7.5)	; 3.4
Unemployment	4.2	; 6.0
Severe recession (scenario applied under cyclical buffer)		
GDP growth	(2.0)	; 0.0
Interest rates [1]	1.9	; 8.5
Property prices, growth	(15.0)	; 3.4
Unemployment	4.2	; 9.5

Note: For example, -1.9;1.0 denotes that growth in GDP in the periods 2010-2013 ranges from -1.9% to 1.0%.
[1] Average of 3-month money market rates and 10-year government bond yields.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

The Nykredit Group's exposure to Amagerbanken

The takeover of Amagerbanken by the Financial Stability Company (Finansiel Stabilitet A/S) will affect the Nykredit Group as follows:

The market value of Nykredit's shareholding and subordinated debt in Amagerbanken totalling about DKK 180m is expected to be lost.

Further, Nykredit expects a negative earnings impact of DKK 0-80m for 2011 from ordinary net receivables from Amagerbanken. The amount will depend on the possibility of set-off and the liquidation dividend.

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

Tax case

The Danish High Court delivered judgment in the pending tax case against Nykredit Realkredit on 1 February 2011. The High Court found for Nykredit Realkredit on all counts. The period allowed for appeal expires in March 2011. If the Danish tax authorities do not appeal the judgment to the Danish Supreme Court, Nykredit Realkredit will be able to recognise deferred tax in the region of DKK 125m.

Apart from this, no material events have occurred in the period up to the presentation of the Annual Report 2010.

RESULTS AND EXPECTATIONS

When the Group's Q1-Q3 Interim Report 2010 was presented, core earnings before impairment losses were forecast to be in the region of DKK 3.5bn-4.0bn. Expectations of profit before tax for the full year were in the region of DKK 2.7bn-3.2bn excluding profit from the divestment of Nykredit Forsikring.

Core earnings before impairment losses for 2010 were DKK 3.9bn, and profit before tax amounted to DKK 3.1bn excluding profit from the divestment of Nykredit Forsikring.

OUTLOOK FOR 2011

Nykredit expects growth in both retail and commercial lending leading to higher core income. Further, Markets & Asset Management will continue to record an improvement in earnings. Core earnings before impairment losses are projected to range between DKK 4.3bn and DKK 4.8bn.

Impairment losses on loans and advances are likely to be in the region of DKK 1.5bn, with an uncertainty margin of about DKK 0.5bn. As in 2010, the highest impairment losses are expected on SMEs.

Investment portfolio income seems set to normalise provided that the interest rate development remains stable in 2011.

Profit before tax will hinge on trends in financial markets and the Danish economy. Profit before tax is estimated to be DKK 3.0bn-3.5bn.

OTHER

Higher administration margins and new mortgage price structure

In February 2010, Nykredit announced that it would increase margins on both new and existing mortgage loans to retail customers.

In June, the Danish Competition Council announced that Nykredit could not raise administration margins as intended stating that the adjustments conflicted with Nykredit's undertaking to lower administration margins. This undertaking was made when Nykredit acquired Totalkredit in autumn 2003.

As Nykredit disagreed with this assessment, it brought the matter before the Competition Appeals Tribunal, which in December upheld the decision of the Danish Competition Council.

Nykredit is still of the opinion that the announced administration margin increases do not conflict with the undertaking from 2003, because it was never agreed to be indefinite or to be of a duration stretching beyond the undertakings made in the partnership agreements with the former owners of Totalkredit. These undertakings all expired on 1 April 2010.

The decision of the Competition Appeals Tribunal implies that Nykredit must seek the Danish Competition Authority's approval of any adjustment of administration margins on retail mortgages unlike all other Danish mortgage banks.

Case brought before the courts

The right to raise administration margins without prior approval by the Danish Competition Authority is of such fundamental importance to the future business development of the Nykredit Group that Nykredit has brought the case before the courts.

Although Nykredit has appealed the case, it continues a dialogue with the Danish Competition Authority about whether market and regulatory conditions have changed to an extent that warrants adjustment or discontinuation of the ceiling on Nykredit's administration margins since its acquisition of Totalkredit.

Strategic alliance with Gjensidige Forsikring

In March Nykredit divested its insurance business and entered into a strategic insurance alliance with Gjensidige Forsikring. The latter acquired Nykredit Forsikring A/S at a price of DKK 2.5bn, of which goodwill amounted to about DKK 1.5bn.

A core element of the alliance is a distribution agreement according to which Nykredit continues to supply and sell insurance products to its customers with Gjensidige Forsikring as supplier. Retail customers will continue to be served under the Nykredit brand, whereas commercial – including agricultural – customers will be served under the Gjensidige brand.

The transaction was completed on 29 April 2010.

Capital increase – Nykredit Bank A/S

As a result of continued growth in Nykredit Bank, the Bank's share capital was strengthened by DKK 1.0bn measured at market value in September. The capital increase was fully subscribed for by Nykredit Realkredit.

Early redemption of subordinated debt

In September Nykredit Realkredit A/S redeemed supplementary capital of a nominal amount of EUR 500m.

In August, September and October, Nykredit Bank A/S redeemed supplementary capital of DKK 150m, DKK 100m and EUR 10m, respectively.

Bank rescue packages

The Danish Bank Rescue Package I expired on 30 September 2010. Since 2008 the Nykredit Group has incurred costs in the form of commission and provisions totalling DKK 1,643m.

The Nykredit Group has raised neither government hybrid core capital nor any other loans with an individual government guarantee.

FSA inspections

The FSA performs regular inspections of Danish banks and mortgage lenders.

In 2010 the FSA conducted inspections of the Nykredit Group: The published inspection reports can be accessed at nykredit.dk.

EXTERNAL FINANCIAL REPORTING PROCESS

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

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

☐

Over the past few years, Nykredit has expanded and improved its current monitoring and control of risk in areas where internal models are the core of the Group's day-to-day risk management and in areas where processes depend on IT systems. Risk is reported on a continuous basis in material areas such as credit risk, market risk, liquidity risk, operational risk and IT risk.

External financial reporting process

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

Group Finance is responsible for the Group's total financial control and reporting, including presentation of the financial statements. Group Finance is also responsible for ensuring that the Group's financial reporting complies with principles laid down and current legislation.

The finance areas of subsidiaries contribute to the Group's financial control and reporting. They are responsible for the external financial reporting of the subsidiaries, which includes compliance with current legislation and the Group's accounting policies.

A number of committees have been set up to help ensure compliance with current legislation. They review and comment on new and amended accounting rules and policies for the purpose of adapting the internal and external financial reporting processes.

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

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

Control environment

Business procedures are laid down and controls are implemented for all material risk areas, including areas of significance to the external financial reporting process.

The Executive Board is responsible for risk delineation, management and monitoring, which have been reassigned to a number of committees.

Other important participants in connection with external financial reporting are Group Treasury, Risk Management, 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 external financial reporting process may generally be summarised as follows:

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

Controls

The purpose of the Group's controls is to ensure that policies, manuals and procedures, etc laid down by the Executive Board are observed and to ensure timely prevention, detection and correction of any errors, deviations or omissions. The controls comprise manual and physical controls as well as general IT controls and automatic application controls in IT systems etc applied.

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

- *Business units* – the management of each unit is responsible for identifying, assessing and handling the risks arising in connection with the performance of their duties and for implementing permanent satisfactory internal controls for the handling of business operations.
- *Risk functions* – comprise a number of intercompany areas, such as Group Credits, Group Finance, decentralised finance areas, Risk Management, Compliance and IT Security. These areas are in charge of providing procedures and policies on behalf of Management. Further, they are responsible for testing whether procedures and policies are observed and whether internal controls performed by the business units are satisfactory.
- *Audit* – comprises internal and external audit. On the basis of an audit plan approved by the Board of Directors, Internal Audit is responsible for carrying out an independent audit of internal controls in the Nykredit Group and to perform the statutory audit of the annual report in cooperation with the external auditors. The internal and external auditors endorse the annual report and in this connection issue a long-form audit report to the Board of Directors on any matters of which the Board of Directors should be informed.

The three functional levels are to ensure:

- Efficient and profitable business conduct
- Reliable internal and external reporting
- Compliance with legislation, other external rules and internal guidelines
- The value of the Group's assets, including efficient management of related risks. In connection with the preparation of financial statements, a number of fixed procedures and internal controls are performed to ensure a fair presentation of the financial statements in accordance with current legislation.

Information and communication
The Board of Directors has adopted an information and communications policy, which lays down the general requirements for external financial reporting in accordance with legislation and relevant rules and regulations. Nykredit is committed to a transparent and credible business conduct – in compliance with legislation and the Stock Exchange Code of Ethics.

Internal and external financial reporting is submitted to the Group's Board of Directors and Executive Board on an ongoing basis. Internal reporting contains analyses of material matters in for instance the Group's business areas and subsidiaries.

Risk reporting is submitted to the Board of Directors, the Executive Board, relevant management levels and the individual business areas. It forms the basis for Management's accounting estimates. For further information on the Group's risk and capital management, please refer to the publication Risk and Capital Management 2010 available at nykredit.com/reports.

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

BOARD COMMITTEES
The Board of Directors has set up an Audit Board and a Remuneration Board, which on behalf of the Board of Directors monitor selected areas which are subsequently reviewed by the Board of Directors.

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

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

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

The Audit Board held four meetings in 2010.

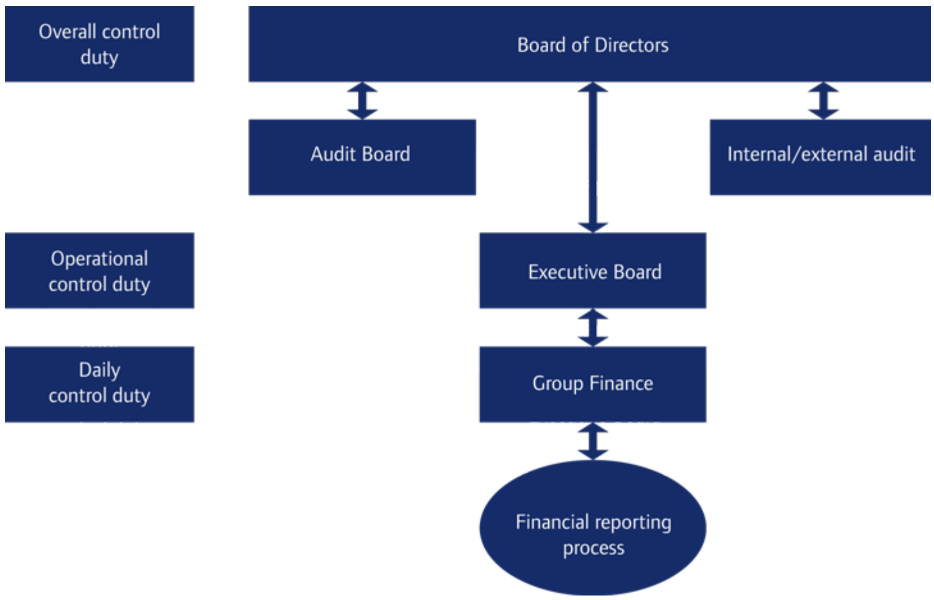
Remuneration Board
Nykredit Realkredit A/S set up a remuneration board in autumn 2010. The board was set up as a joint remuneration board for all companies in the Nykredit Group.

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

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

The Remuneration Board held three meetings in 2010.

Stakeholder model



GROUP RISK MANAGEMENT

GROUP CHARACTERISTICS

Nykredit's activities comprise mortgage and bank lending, trading in securities and financial instruments, debt capital, asset management, pension products and insurance mediation. The business activities combined with the investment portfolio involve credit, market, liquidity and operational risks.

Nykredit strives to meet best international practice for risk management and to maintain openness about the Group's risk exposures at any time. Nykredit's advanced models for quantifying group risks are central elements of the Group's risk and capital management.

Balance principle

By far the greater part of group lending consists of mortgage lending and is governed by the balance principle. The legislative framework behind the balance principle is the Danish Financial Business Act, the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, and the Danish Executive Order on bonds.

Mortgage banks may apply either the specific balance principle or the general balance principle. Nykredit has opted to apply the general balance principle, but operates internally according to a set of rules that is considerably stricter than the specific balance principle.

The balance principle is further described at nykredit.com/ir.

Connection between Nykredit's compliance with the balance principle and match funding

The Group's market and liquidity risks in connection with the issuance of bonds for the funding of mortgage loans are much lower than the limits provided by legislation. Loans funded by Danish covered bonds ("særligt dækkede obligationer" – SDOs and "realkreditobligationer" – ROs) are granted according to uniform principles of market and liquidity risk.

More than 99% of the Group's mortgage loans are match-funded and have the following characteristics:

- On granting loans, Nykredit issues the bonds that fund loans on a daily basis.
- Each loan is match-funded through bonds sold in the market.
- Loans are denominated in the same currency as that of the bonds sold.
- The loan rate equals the yield-to-maturity of the bonds sold.
- The funding of the majority of loans is fixed throughout the loan term. The funding of adjustable-rate mortgage loans is not fixed, but has maturities between 1 and 11 years. On refinancing, the loan rate is adjusted to the yield-to-maturity of the new bonds funding the loan.
- When loans are prepaid, the matching proportion of the outstanding funding is reduced. Borrowers cover Nykredit's costs incidental to prepayments.
- The due dates of payment of interest and principal are fixed so that Nykredit receives the funds on or before the dates when the payments to bondholders fall due, provided borrowers make timely payments.
- Nykredit's earnings margin consists of a separate administration margin which is calculated on the basis of the debt outstanding and may be changed if market conditions change, for instance in loss-making periods. In addition, various fees may be charged.

In practice, these characteristics mean that Nykredit incurs neither interest rate risk, foreign exchange risk, liquidity risk nor refinancing risk from its mortgage lending and its underlying funding.

Insignificant interest rate exposures may arise, however, because of prepayments by customers as well as minor practical differences between the granting/prepayment of loans and the associated sale/buyback of the underlying bonds.

Strengths of Danish mortgage lending

- The statutory balance principle lays down strict limits to the liquidity and market risks allowed in connection with mortgage lending and the underlying funding.
- Mortgage loans are issued against security in the form of mortgages on real property. Legislation specifies LTV limits of between 60% and 80% depending on the type of property. Losses on mortgage loans are therefore very limited.
- Pursuant to statutory requirements, 60% of the regulatory capital must be placed in listed bonds. Mortgage bond issuers are therefore characterised by a high degree of liquidity under normal market conditions.

RISK AND CAPITAL MANAGEMENT

Risk management is the responsibility of the Board of Directors and the Executive Board and is a key element of the Group's business operations. Through risk management, Nykredit seeks to ensure financially sustainable solutions in the short and long term.

Due to the match-funding of mortgage loans as described above, group lending primarily involves credit risk. Mortgage lending measured at fair value totalled DKK 1,031bn, while bank lending, excluding reverse transactions, totalled DKK 59bn.

Another important risk factor is the market risk relating to the Group's investment portfolio and customer transactions. Liquidity risk plays only a minor part in the Group because of the match funding principle and mainly concerns the activities of Nykredit Bank.

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

Nykredit publishes detailed quarterly reports on its loan portfolio by capital centre under "Cover pool disclosure" at nykredit.com.

Organisation and delineation of responsibilities

The Board of Directors of Nykredit Realkredit A/S is responsible for defining limits to and monitoring group risks as well as approving overall instructions. Risk exposures and activities are reported to the Board of Directors on a current basis.

The Board of Directors has set up an Audit Board. The Audit Board is charged with reviewing accounting and audit matters relating to internal control and risk management, see the description under "Audit Board".

The Board of Directors has assigned the day-to-day responsibility to the Group Executive Board, which is in charge of operationalising overall instructions. The continuous monitoring and managing of risk are the responsibility of committees, all chaired by a member of the Group Executive Board.

The most important committees of the Nykredit Group are the Risk Committee, the Asset/Liability Committee (ALCO), the Credits Committee, the Treasury Committee and the Remuneration Committee.

The Risk Committee is charged with assessing all group risks and internal capital adequacy requirements as well as implementing the capital policy. Furthermore, the Risk Committee approves measurement methods and models for all types of risk and reports risk to the boards of directors of the group companies.

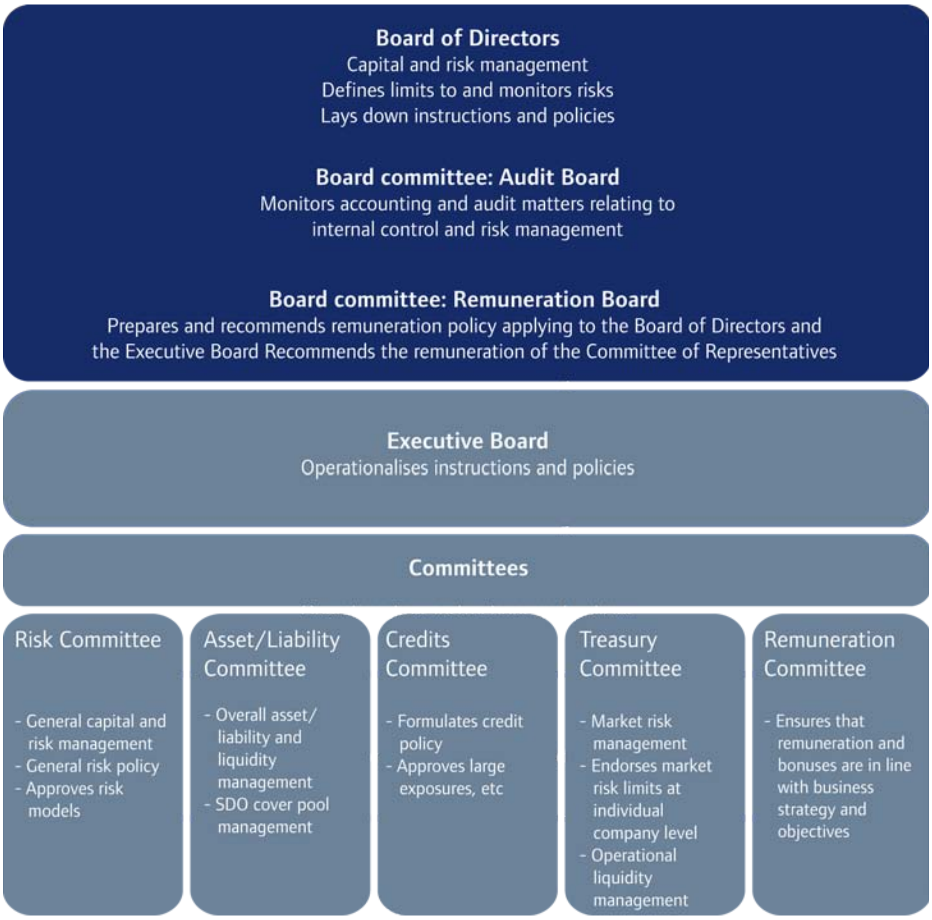
The Asset/Liability Committee is responsible for the overall asset/liability and liquidity management.

The Credits Committee and the Treasury Committee are responsible for managing group credit, market and liquidity risks. Both committees approve or endorse all major risk exposures within the limits provided by the Board of Directors of Nykredit Realkredit A/S to the Executive Board.

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

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

Organisation and delineation of responsibilites



Risk types

Nykredit distinguishes between the following general types of risk:
Credit risk reflects the risk of loss following the non-performance of counterparties.
Market risk reflects the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price and volatility risks, etc).
Liquidity risk reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations.
Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

CREDIT RISK

The Board of Directors lays down the overall framework of credit granting and is presented with the Group's largest credit applications for approval or briefing on a current basis.

Within the framework laid down by the Board of Directors, the Group Executive Board is responsible for the policies governing the individual business areas and Treasury. On behalf of the Group Executive Board, the Credits Committee considers large credit applications on a current basis.

Group Credits is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and the Group Executive Board. The Credits Committee reports on individual credit exposures. The Risk Committee is responsible for approving credit risk models and reporting credit risk at portfolio level.

Nykredit's local centres are authorised to decide on most credit applications in line with the Group's aim to process most credit applications locally.

Credit applications exceeding the authority assigned to the centres are processed centrally by Group Credits. The granting of exposures over a specified amount for both the Group and its subsidiaries is subject to approval by either the Group's Credits Committee or the Board of Directors of Nykredit Realkredit A/S.

When processing credit applications, the centres conduct an assessment of the individual customer. The assessment is based on a customer rating computed by Nykredit's credit models. The customer rating is supplemented by an assessment of the customer's financial position and other relevant matters. In connection with mortgage loan applications, statutory property valuations are also performed. The overall guidelines on customer assessment and property valuation are prescribed by Group Credits.

When the credit lines relating to derivative financial instruments are granted, Nykredit will often require that a contractual basis be established providing group companies with a netting option. The contractual framework will typically be based on market standards such as ISDA or ISMA agreements.

All exposures of a certain size are reviewed at least once a year as part of the monitoring of credit exposures and on the basis of updated financial and customer information. In addition, all exposures showing signs of risk are reviewed.

Nykredit has obtained FSA permission to apply a statistical model in the valuation of certain properties with no physical inspection.

Furthermore, Nykredit uses a statistical model for the ongoing monitoring of the market values of certain residential properties. The statistical valuations are performed centrally and supplemented with local valuations.

A substantial part of the Group's residential mortgage lending is arranged by Danish local and regional banks. In these cases, the bank performs the initial assessment of the customer and valuation of the property.

As a main rule, mortgage loans to retail customers arranged by banks are covered by a set-off agreement for recognised losses.

The right of set-off applies to the part of the loan that exceeds 60% of the property value at the time of loan disbursement, and it applies for the entire loan term.

In respect of losses on loans subject to set-off, Totalkredit is entitled subsequently to offset the part of the losses specified above against the commission paid to the banks for arranging the loans.

Credit risk elements

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

Credit risk models

Nykredit uses internal models in the determination of credit risk. The determination of credit risk is based on three key parameters: Probability of Default (PD), Loss Given Default (LGD) and the exposure value.

The models used to determine PD and LGD are built on historical data allowing for periods with low as well as high business activity. PD is therefore estimated by weighting current data against data dating back to the early 1990s. Current data carry a 40% weighting, while data from the early 1990s carry a 60% weighting. The LGD level for mortgage products reflects the level of losses during the recession in 1991-1993.

Nykredit Bank A/S and Forstædernes Bank A/S merged at 1 April 2010, and exposures stemming from Forstædernes Bank are treated in the same way as Nykredit Bank's exposures using the IRB methods.

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

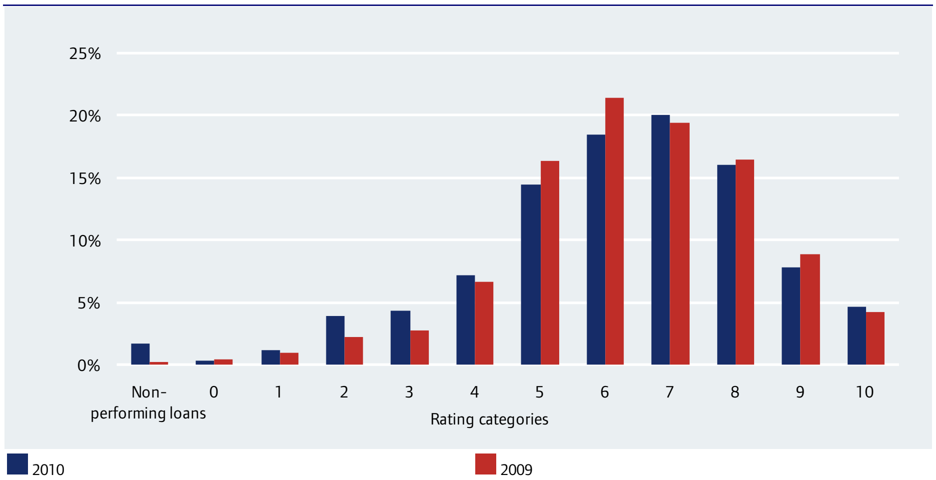
With respect to other customer segments, statistical models have been developed based on conditional probabilities estimating PDs that factor in business-specific circumstances such as financial data, arrears and loan impairment as well as industry-specific conditions and the macroeconomic climate.

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

The PDs of individual customers are converted into ratings from 0 to 10, 10 being the highest rating. Non-performing loans fall outside the rating scale and thus constitute a separate category. Customer ratings are an important element of the credit policy and customer assessment.

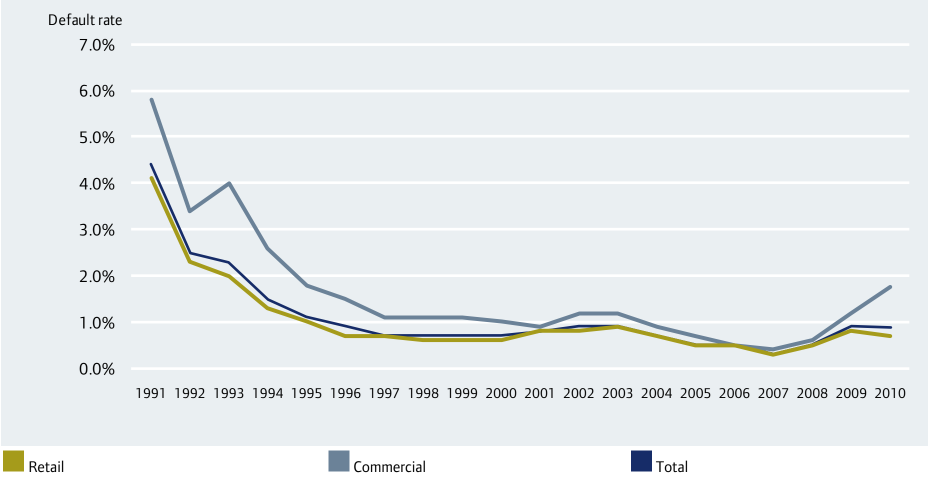
The PD models were improved in 2010. The changes to the models imply an increase in the number of customers with low ratings (rating categories 0-2) and customers with high ratings (rating categories 7-10), but fewer customers with medium ratings. Overall, the changes result in a lower capital requirement.

The Nykredit Realkredit Group
Debt outstanding by rating category



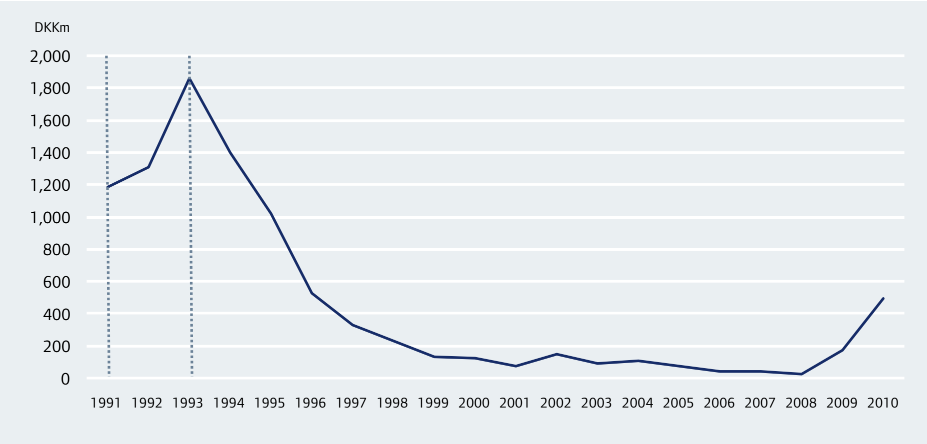
Note: The distribution shows the total debt outstanding by rating category, reflecting customers' probability of defaulting on their loans with Nykredit. 10 is the highest rating.

The Nykredit Realkredit Group
Data behind PDs



Data to PD with 60% weighting: 1991-2002
Data to PD with 40% weighting: Current data

The Nykredit Realkredit Group
Data behind LGDs – recognised losses



Data behind applied LGD: 1991-1993. Losses for 2008 are exclusive of losses relating to Roskilde Bank.

LGD is calculated for each customer exposure. The LGDs of the majority of the Group's exposures are determined using internal approaches based on loss and default data. The calculations factor in any security such as mortgages on real property, including the type of security, its quality and ranking in the order of priority.

Mortgage banking is characterised by low LGDs as the security provided by way of mortgages on real property offers good protection against losses.

Market development
From an arrears and loss perspective, labour market conditions and interest rate levels are of particular importance.

At the beginning of 2010, the unemployment rate was 4.3%, and the level at year-end was largely the same.

This development was far more positive than indicated by economic forecasts at the start of the year. According to Nykredit's own unemployment forecast, the estimated unemployment rate would be in excess of 5.5%, which was largely the same level forecast by Danmarks Nationalbank.

The development in interest rates was also positive in relation to the development in arrears and losses.

The interest rate level of ARMs (adjustable-rate mortgages) funded by 1-year bonds was around 1.3% throughout 2010 and thus stabilised at a historically low level after the massive rise triggered by the financial crisis in late 2008.

Because of the favourable development in both unemployment and interest rates, the development in the number of forced sales in 2010 was better than forecast. Although the number of forced sales increased by some 25% in 2010 relative to 2009 and landed at 5,200, the increase was much smaller than expected at the beginning of the year.

The positive development in unemployment, interest rates and forced sales is reflected in Nykredit's arrears and losses.

Further information on Nykredit's risk management is available in the report Risk and Capital Management 2010 at nykredit.com/reports.

Maximum statutory LTV ratios by property category

Owner-occupied properties for all-year habitation	80% [1]
Private housing cooperative units	
Private residential rental properties	
Non-profit housing	
Youth housing	
Senior housing	
Properties used for social, cultural or educational purposes	60%
Holiday homes	
Agricultural and forestry properties, market gardens, etc [2]	
Office and retail properties [2]	
Industry and trades properties [2]	
Utilities	
Other properties – including undeveloped land	40%

[1] Some loan types offered for residential housing are subject to a lower LTV limit than 80%, but no supplementary security is required unless the LTV ratio subsequently exceeds 80%.
[2] The LTV limit may be extended up to 70% against supplementary security of above 60%.

The Nykredit Realkredit Group
Mortgage debt outstanding relative to estimated property values

2010 DKK billion	LTV (loan-to-value) 0-40	40-60	60-80	80-90	90-100	> 100	Total	LTV median[1] %	LTV avg %
Owner-occupied dwellings	405	142	76	8	3	1	635	30	66
Private residential rental	64	20	11	1	0	0	95	28	61
Industry and trades	21	4	0	0	0	0	25	21	47
Office and retail	70	20	5	0	0	0	95	25	55
Agriculture	75	18	6	1	1	0	101	24	55
Non-profit housing	-	-	-	-	-	-	65	-	-
Other	12	2	1	0	0	0	15	20	47
Total 2010	**647**	**206**	**99**	**10**	**4**	**1**	**1,031**	**27**	**61**
Total 2009	615	188	92	13	6	2	981	27	61

Note: The figures are actual LTV ratios including any financed costs.
[1] Determined as the mid-part of the debt outstanding relative to estimated property values.

The Nykredit Realkredit Group
Mortgage debt outstanding relative to estimated property values

2010 %	LTV (loan-to-value) 0-40	40-60	60-80	80-90	90-100	> 100
Owner-occupied housing	64	22	12	1	0	0
Private residential rental	67	21	11	1	1	0
Industry and trades	82	16	2	0	0	0
Office and retail	74	21	5	0	0	0
Agriculture	74	18	6	1	1	0
Non-profit housing	-	-	-	-	-	-
Other	81	14	4	0	0	0
Total 2010 [1]	**67**	**21**	**10**	**1**	**0**	**0**

[1] Calculated on the basis of debt outstanding including non-profit housing for which reason the totals do not add up to 100%.

Loan-to-value ratios (LTVs)

At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property pursuant to Danish legislation. Subsequently, the relationship between the mortgage debt outstanding and the value of the property will change with the amortisation of the loan and/or as a result of changes in the market value of the property or the mortgage loan.

Mortgage banks must provide supplementary security if the LTV ratios determined on an ongoing basis of the individual loans secured by mortgages on real property and funded by way of issuance of SDOs exceed the statutory LTV limits. The majority of mortgage loans have an initial loan term of 20-30 years.

The share of the total loan portfolio with LTVs in excess of 60% and 80%, respectively, was 2.7% in Q4/2010, corresponding to DKK 27.7bn.

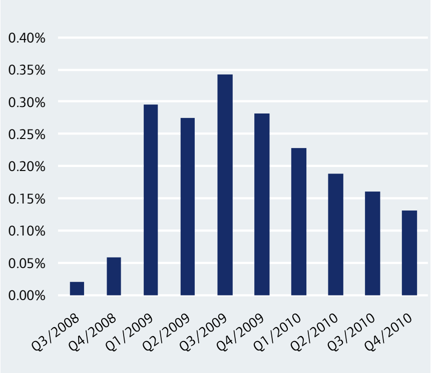
The corresponding amount was DKK 28.5bn, equal to 2.9% of the total loan portfolio in Q4/2009.

Nykredit monitors the development in the loan portfolio relative to property values (LTVs) very closely. To ensure sustainable credit and capital policies in the long term, scenario analyses and stress tests are used to assess the effects of marked price decreases in the housing market. In the scenarios, the development in future LTVs for different property types is analysed as well as the consequences thereof.

The table "Mortgage debt outstanding relative to estimated property values" shows the LTVs of group mortgage lending. The proportion of lending covered by guarantees provided by public authorities has been deducted. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the non-profit housing segment. For this reason, LTVs of non-profit housing offer no relevant risk data.

In the tables, debt outstanding is distributed continuously by LTV category. In the table, loans with security covering for example between 0% and 30% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-20% and one third in the LTV range 20-40%. The table shows that where owner-occupied housing is concerned, 64% of mortgage lending falls within 40% of the property values.

The Nykredit Realkredit Group
Private residential mortgage debt with LTVs > 100%



Note: All loans have been placed below the maximum LTV limit.

In 2010 the share of residential properties with LTVs above 100% in the Nykredit Group continued the fall that began in late 2009. In Q4/2010, 1% of residential properties in the Nykredit Group had LTVs above 100%. This share was 2% in the same quarter in 2009.

It should be noted that homeowners with LTVs above 100% rarely result in losses for Nykredit, the typical loss trigger being loss of job or divorce.

Further detailed information on the Group's mortgage loan portfolio is available under "Cover pool disclosure" at nykredit.com/ir.

The Nykredit Realkredit Group
Change in debt outstanding relative to property values in 2010

2009-2010	LTV (loan-to-value)					
%	0-40	40-60	60-80	80-90	90-100	> 100
Owner-occupied dwellings	1	0	0	-1	0	0
Private residential rental	-2	0	1	1	0	0
Industry and trades	5	-2	-3	0	0	0
Office and retail	-2	1	1	0	0	0
Agriculture	-8	4	3	1	1	0
Non-profit housing	-	-	-	-	-	-
Other	-1	0	0	0	0	0
Total	**0**	**1**	**0**	**0**	**0**	**0**

MARKET RISK

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

The Nykredit Group's business activities involve a number of different market risks.

By far the greater part of group lending is mortgage lending. The statutory balance principle limits the interest rate, volatility, foreign exchange and liquidity risks relating to mortgage lending and the associated funding. However, Nykredit's risk in connection with mortgage lending is much lower than the limits provided by legislation. Nykredit funds its mortgage lending according to the match-funding principle. For this reason, Nykredit's mortgage banking activities involve insignificant liquidity, interest rate and refinancing risks.

Nykredit's market risk relates mainly to the investment portfolios. Furthermore, the banking activities involve market risk.

The limits relating to market risk in the Nykredit Realkredit Group are subject to approval by the Board of Directors. Through the Treasury Committee and within the limits provided by the Board of Directors, the Executive Board assigns and approves market risk limits for the group companies.

The Nykredit Realkredit Group
Investment portfolio credit risk

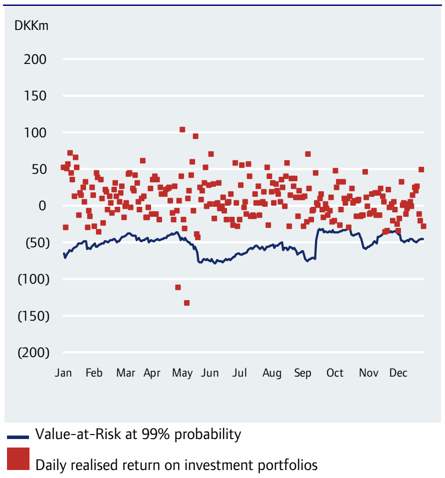
DKK million	2010	2009
Government bonds		
Exposure to GISP countries[1]	(496)	(70)
Total government bonds	**2,883**	**12,183**
Mortgage bonds/ROs, SDOs and other covered bonds		
Rating of or above Aa3/AA-	78,018	52,264
Rating: A1+/A+ – Baa3/BBB-	1,368	2,709
Rating: Ba1/BB+ or below	0	-
Not rated	2	3
Total mortgage bonds/ROs, SDOs and other covered bonds	**79,388**	**54,976**
Corporate bonds		
Rating of or above Aa3/AA-	1,417	3,695
Rating: A1+/A – Baa3/BBB-	5,685	5,550
Rating: Ba1/BB+ or below	2,293	975
Not rated	1,090	3,177
Total corporate bonds	**10,485**	**13,397**
Of which:		
Subordinate loan capital and hybrid core capital in Danish banks[2]	1,355	*1,794*
Subordinate loan capital and hybrid core capital in other banks[2]	1,126	*1,132*
Kalvebod and Scandinotes	720	*1,180*
Structured bonds	-	*197*
Hedge funds	-	*4*
Collateralised Loan Obligations (CLO)	-	45
Total credit exposures	**89,873**	**68,373**

Note: Kalvebod and Scandinotes are structured bonds with cover assets in the form of hybrid core capital and subordinate loan capital in Scandinavian banks.
[1] Greece, Ireland, Spain and Portugal.
[2] Excl Kalvebod and Scandinotes.

The Nykredit Realkredit Group
Credit derivative portfolio

Nominal value in 2010 DKK million	Risk disposed of	Risk received	Total
Financial institutions	-	608	608
Corporates	-	-	-
Sovereigns	84	-	(84)
Index	-	708	708
Total 2010	**84**	**1,316**	**1,232**
Total 2009	-	1,360	1,360

Nykredit Realkredit A/S
Back test of total VaR – market risk



Key figures on market risk

Market risk cannot be assessed adequately on the basis of a single risk key figure. To obtain a full overview of group market risk, Nykredit combines various key figures that express sensitivity to the development in the financial markets. The Group's 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

Nykredit applies a Value-at-Risk (VaR) model for day-to-day internal management and determination of business capital. Value-at-Risk is a statistical measure of the maximum loss on a portfolio at a given probability within a given time horizon.

The choice of time horizon and confidence level in the model depends on the purpose of the calculations. For the day-to-day internal management, a time horizon of one day and a confidence level of 99% are applied, while a time horizon of approximately one year and a confidence level of 99.97% are applied for the determination of business capital. VaR is calculated for both the trading book and the banking book.

The model results are back tested on a day-to-day basis against actual realised returns on the investment portfolios to ensure that the model results are reliable and correct at any time.

Nykredit Realkredit A/S and Nykredit Bank A/S have the approval of the Danish FSA to apply VaR in determining the capital charge for market risk.

The Group's internal VaR totalled DKK 110m at end-2010 against DKK 118m at end-2009. This means that, according to Nykredit's model, the Group would, at a 99% probability, lose a maximum of DKK 110m in one day in consequence of market fluctuations.

Interest rate risk

The Group'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 Group's interest rate exposure was DKK 364m at end-2010.

Equity price risk

The exposure to strategic equities categorised as available for sale under IAS 39 ranged between DKK 2.8bn and DKK 3.4bn in 2010. At end-2010 the portfolio of strategic equities amounted to DKK 3.3bn, of which DKK 2.3bn in Danish banks.

Equity price risk is measured as the Group's loss at a decrease in equity markets of 10%.

Volatility risk

The market value of options and financial instruments with embedded options such as callable mortgage bonds partly depends on the expected market volatility.

Positions involving volatility risk are used as a risk hedging tool and for active position-taking. The risk is determined and managed on a continuous basis with respect to all financial instruments with embedded options.

Volatility risk is measured as the Group's loss resulting from an increase in volatility of 1 percentage point.

Foreign exchange risk

Nykredit hedges most of the foreign exchange risk of its investments and therefore had only minor foreign exchange positions in currencies other than EUR in 2010.

The Nykredit Realkredit Group
Market risk

2010 DKK million	Interest rate risk (100bp change)	Interest rate volatility risk (Vega)	Equity price risk (10% change)
Money market instruments	(369)	-	-
Government bonds	48	-	-
Mortgage bonds	1,687	(4)	-
SDOs	787	(4)	-
Other bonds, loans and advances	(148)	-	-
Equities	-	-	510
Derivative financial instruments	(1,570)	(35)	(6)
Total	**434**	**(42)**	**503**

The Nykredit Realkredit Group
Market risk

DKK million	2010			2009		
	Min	Max	Closing	Min	Max	Closing
Value-at-Risk (99%, time horizon of 1day)	107	232	110	118	393	118
Interest rate risk (change of 100bp)	205	940	364	749	1,259	906
- of which outside the trading book	*(32)*	*214*	*137*	*(21)*	*217*	*170*
- of which mortgage activities	*(17)*	*175*	*62*			
Equity price risk (general decline of 10%)	*387*	*533*	*503*	*294*	*463*	*440*
- of which adjusted against equity	*284*	*341*	*331*	*185*	*319*	*293*
Foreign exchange risk:						
Foreign exchange positions, EUR	35	825	547	20	1,660	1,660
Foreign exchange positions, other currencies	60	773	120	42	797	328
Interest rate volatility risk (Vega)	(51)	(10)	(42)	(48)	(8)	(16)

Note: Calculation of market risk covers both the trading and banking books. As some of the mortgage activities have been classified as belonging to the banking book, interest rate risk outside the banking book and interest rate risk from mortgage activities overlap.

The foreign exchange exposure is calculated on the basis of positions in the individual currencies.

Refinancing risk

Refinancing risk is the risk of having to refinance debt in a period with high interest rates or with unfavourable loan terms.

With a view to reducing customers' refinancing risk, Nykredit has distributed its refinancing auctions more evenly over the year.

The mortgage loan types Tilpasningslån, BoligXlån (ARMs) and RenteMax (floating-rate with an interest rate cap shorter than the loan term) are refinanced by way of issuance of new bonds. At refinancing, borrowers obtain a loan rate that mirrors the yield-to-maturity of the bonds sold. Consequently, the Nykredit Realkredit Group incurs no interest rate risk in connection with refinancing. Furthermore, the bond sale is organised so that the Group does not incur any liquidity risk in connection with refinancing.

INSURANCE RISK

In March 2010, Nykredit entered into a strategic alliance with Gjensidige Forsikring, which acquired Nykredit Forsikring A/S. In consequence, Nykredit was no longer exposed to insurance risk at end-2010.

OPERATIONAL RISK

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

Nykredit's capital charge for operational risk is determined using the basic indicator approach. This means that the capital charge is stated as 15% of average gross earnings. The capital charge for operational risk was DKK 1.0bn at end-2009 and the same figure applied to 2010.

The business areas are responsible for the day-to-day management of operational risk. Operational risk management activities are coordinated centrally to ensure consistency and optimisation across the Group. The Group strives to always limit operational risk taking into consideration the related costs.

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

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

Operational risk factors associated with the Group's core activities – mortgage activities – are limited by nature as they are based on a high degree of standardisation.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

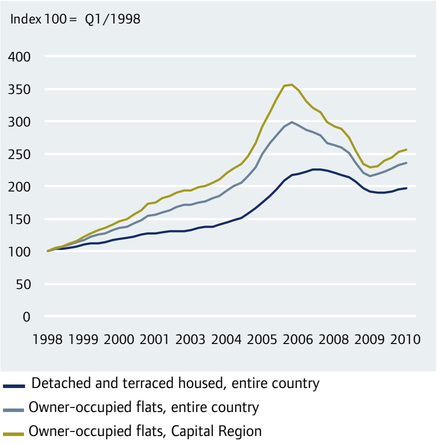
The preparation of the Annual Report involves the use of informed accounting estimates. These estimates are made by Group Management in accordance with the accounting policies and based on previous experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and underlying assumptions are tested and assessed regularly. Areas in which assumptions and estimates are material to the financial statements are:

- Unlisted financial instruments involving significant estimates in connection with the measurement of fair values. Notes 41 and 42 further specify the methods used to determine the carrying amounts and the related specific uncertainties.
- Provisions for loan impairment involving material estimates in connection with the quantification of the risk of not receiving all future payments. If it is ascertained that not all future payments will be received, the determination of the time and amount of the expected payments is subject to material estimates. Furthermore, assessment of the realisable values of security and expected dividend payments from estates in bankruptcy are subject to a number of estimates.
- Goodwill on consolidation, as the assessment of the future earning capacity of the companies is based on significant estimates.
- After initial recognition, investment and owner-occupied properties are measured at fair value or at reassessed value if the elements forming part of the fair value measurement are subject to significant estimates.
- Provisions for losses under guarantees are subject to material estimates where the quantification of the extent that a guarantee will become effective upon the financial breakdown of the guarantee holder is surrounded by uncertainty.

LENDING

The Nykredit Realkredit Group
Property prices in Denmark



Source: The Association of Danish Mortgage Banks

The Group reported total lending at DKK 1,088bn at end-2010 against DKK 1,046bn at the beginning of the year.

Total lending includes mortgage lending in nominal terms and bank lending excluding reverse transactions and guarantees.

Group mortgage lending at fair value came to DKK 1,031bn against DKK 981bn at the beginning of the year. Group mortgage lending in nominal terms excluding arrears went up by DKK 44bn to DKK 1,030bn at year-end.

Group bank lending amounted to DKK 58.8bn against DKK 60.9bn at the beginning of the year, down DKK 2.1bn.

The Group's reverse transactions amounted to DKK 12.9bn against DKK 12.0bn at the beginning of the year.

Total impairment provisions for bank and mortgage lending came to DKK 8,369m against DKK 9,574m at the beginning of the year. The Group made no impairment provisions for receivables from credit institutions and central banks or reverse transactions in 2010.

The Group's guarantees totalled DKK 15.2bn against DKK 23.4bn at the beginning of the year. At end-2010, provisions for guarantees amounted to DKK 745m. Provisions under the government guarantee scheme accounted for DKK 659m of this figure against DKK 380m at the beginning of the year.

The Nykredit Realkredit Group
Loans, advances and guarantees and impairment losses on loans and advances

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment losses on loans and advances	
	2010	2009	2010	2009	2010	2009
Mortgage lending [1]						
Nykredit Realkredit	574,947 [2]	554,471	1,703	1,407	730	1,240
Totalkredit	455,260	431,511	523	535	158	515
Total	**1,030,207**	**985,982**	**2,226**	**1,942**	**888**	**1,755**
Of which arrears	571	766	-	-	-	-
Bank lending [3]						
Nykredit Bank	56,076 [4]	55,827	3,168	3,236	423	2,374
Terminated exposures [5]	2,757	5,081	2,975	4,576	937	3,287
Total	**58,833**	**60,908**	**6,143**	**7,812**	**1,360**	**5,661**
Reverse transactions	12,920	11,962	-	-	-	-
Guarantees	15,225	23,386	745	610	134	504
Of which government guarantee scheme	659	938	659	380	279	318
Impairment losses for the year, % [6]						
Nykredit Realkredit	-	-	0.30	0.25	0.13	0.22
Totalkredit	-	-	0.11	0.12	0.03	0.12
Total			**0.22**	**0.20**	**0.09**	**0.18**
Nykredit Bank	-	-	5.35	5.47	0.71	4.02
Terminated exposures [5]	-	-	51.90	47.39	16.36	38.24 [7]
Total			**9.45**	**11.37**	**2.09**	**8.83 [7]**

[1] Mortgage lending in nominal terms, including arrears.
[2] Excluding intercompany lending (DKK 581m).
[3] Bank lending after total loan impairment provisions.
[4] Excluding intercompany lending (DKK 240m).
[5] From the former Forstædernes Bank.
[6] Impairment losses for the year are excluding reverse transactions and guarantees.
[7] Before adjustment for impairment provisions in the opening balance sheet (2009: DKK 406m).

MORTGAGE LENDING

Loan portfolio

The Group's credit exposure to mortgage lending in nominal terms, including arrears, was DKK 1,030bn at end-2010 against DKK 986bn at the beginning of the year, a rise of DKK 44bn. Lending for owner-occupied housing represented DKK 27bn of the upturn.

The security behind the mortgage loan portfolio remains substantial. Also, mortgage loans granted via Totalkredit are covered by set-off agreements, which means that Totalkredit may offset part of recognised mortgage loan losses against future commission payments to the partner banks.

The Group's mortgage loan portfolio is broken down by property and loan type on page 42. The breakdown includes mortgage loans funded by ROs and by SDOs.

The portfolio is highly diversified in terms of loan type, geography, maturity and size of debt outstanding. At year-end 61% of total mortgage loans were granted for owner-occupied housing in Denmark.

Geographically, around half was related to Jutland and almost 27% to the capital area. The share of international lending was unchanged at 3.7% at end-2010.

In terms of loan type, the loan portfolio changed slightly in 2010. The share of interest-only loans went up from 51% to 53%. The share of floating-rate loans to retail customers amounted to 69% against 63% the year before. Floating-rate loans accounted for 77% of commercial lending against 73% in 2009. However, for commercial customers, the interest terms of their mortgage loans cannot be viewed separately from their total financial transactions, including swap agreements.

Security

Nykredit mainly receives guarantees from public authorities and banks.

Guarantees issued by public authorities contribute to reducing the credit risk of mortgage loans mainly for non-profit housing. Public authority guarantees are guarantees whereby the guarantor assumes primary liability. This means that Nykredit may enforce the guarantee if a loan falls into arrears.

The bank guarantees comprise guarantees for the registration of mortgages without endorsements, guarantees for interim loans in connection with new building and loss guarantees.

Mortgage lending covered by loss guarantees issued by the partner banks amounted to DKK 18bn.

Lending subject to a right of set-off totalled DKK 365bn at end-2010.

The Nykredit Realkredit Group
Mortgage lending by property category [1]

Nominal value, end-2010 DKK million/number	Owner-occupied housing	Private residential rental	Industry and trades	Office and retail	Agriculture	Non-profit housing	Other	Total
Mortgage loans								
- Bond debt outstanding	634,526	102,135	25,630	88,871	101,484	62,342	14,648	1,029,636
- Number of loans	675,980	29,483	3,378	15,726	44,807	20,978	3,067	793,419
Bond debt outstanding by loans involving								
- Public guarantees	1	282	0	49	300	47,244	130	48,005
- Bank guarantees	18,481	1	-	-	67	-	1	18,549
- Set-off agreement with banks	365,353	-	-	-	-	-	-	365,353
- No guarantee	250,692	101,853	25,630	88,822	101,117	15,099	14,517	597,730
Total	**634,526**	**102,135**	**25,630**	**88,871**	**101,484**	**62,342**	**14,648**	**1,029,636**
Bond debt outstanding by loan type								
Fixed-rate loans								
- Repayment loans	143,036	14,198	2,929	8,271	9,730	13,515	3,598	195,278
- Interest-only loans	55,510	4,459	44	1,911	2,021	18	58	64,020
Adjustable-rate mortgages								
- Repayment loans	80,495	9,110	2,782	11,680	14,561	19,799	1,358	139,785
- Interest-only loans	188,580	30,588	4,818	29,666	28,119	419	820	283,010
Money market-linked loans								
Capped								
- Repayment loans	71,580	2,513	330	1,623	3,880	105	999	81,031
- Interest-only loans	91,335	1,651	14	389	3,810	25	67	97,291
Uncapped								
- Repayment loans	380	5,563	6,394	12,619	7,915	309	5,102	38,283
- Interest-only loans	3,589	33,887	8,319	22,648	31,117	241	2,348	102,149
Index-linked loans	20	166	-	62	330	27,912	298	28,789
Total	**634,526**	**102,135**	**25,630**	**88,871**	**101,484**	**62,342**	**14,648**	**1,029,636**
Bond debt outstanding by geographic area								
- Capital area	173,649	38,140	2,185	25,863	3,793	25,283	4,036	272,948
- Other Eastern Denmark	67,310	6,284	2,075	3,871	14,054	4,956	1,413	99,962
- Funen	56,398	7,112	1,030	5,033	9,437	5,932	1,286	86,228
- Jutland	327,434	40,032	15,842	38,708	73,740	26,172	7,910	529,837
- Faroe Islands and Greenland	2,000	271	1	95	-	-	3	2,370
- International	7,735	10,297	4,498	15,300	461	-	-	38,291
Total	**634,526**	**102,135**	**25,630**	**88,871**	**101,484**	**62,342**	**14,648**	**1,029,636**
Bond debt outstanding by loan ranges, DKKm								
0-2	497,291	17,309	1,634	8,210	23,500	7,178	1,178	556,300
2-5	126,165	17,601	2,259	10,546	30,888	9,148	1,858	198,466
5-20	10,178	30,905	5,335	21,602	39,565	26,813	5,596	139,995
20-50	840	14,643	3,522	12,439	5,907	14,361	3,745	55,458
50-100	51	5,086	2,289	8,823	1,226	3,206	1,052	21,733
100-	-	16,590	10,592	27,251	397	1,636	1,219	57,684
Total	**634,526**	**102,135**	**25,630**	**88,871**	**101,484**	**62,342**	**14,648**	**1,029,636**
Bond debt outstanding by remaining loan term, years								
0-10	12,702	5,057	3,603	16,513	2,418	3,292	884	44,469
10-15	28,350	5,752	5,743	17,635	3,517	7,783	1,813	70,592
15-20	30,389	15,996	10,305	33,628	7,735	8,838	2,735	109,625
20-25	212,737	27,814	301	4,287	27,558	12,173	3,858	288,727
25-30	350,349	47,459	5,679	16,807	60,256	7,771	5,352	493,672
30-35	-	34	-	-	-	13,111	7	13,152
35-	-	24	-	1	-	9,374	-	9,399
Total	**634,526**	**102,135**	**25,630**	**88,871**	**101,484**	**62,342**	**14,648**	**1,029,636**

[1] The breakdown by property category is not directly comparable to the Group's business areas.

Provisions for mortgage loan impairment
Continuous individual reviews and risk assessments of all mortgage exposures exceeding DKK 300m are performed to uncover any objective evidence of impairment and an expected adverse effect on future cash flows from loans. On this basis, individual provisions are made for relevant loans. Exposures below DKK 300m are reviewed for the purpose of uncovering a need for individual provisioning when objective evidence of impairment is observed.

Exposures not subject to individual provisioning are subject to collective assessment. Collective impairment provisions are made for groups of customers involving uniform credit risk.

Collective impairment provisions are calculated using a rating model based on adjusted Basel parameters for the loss calculation. Having been adjusted to the accounting rules, the Basel parameters are based on events occurred, cash flows until expiry of loan terms and a discounting of loss flows to present value.

In addition to the rating model, collective provisions are also calculated on the basis of a segmentation model adjusting the Basel parameters of the rating model for events occurred which, due to economic developments, have not yet been included in the model.

The Group's impaired mortgage loans declined by DKK 628m to DKK 5,999m at end-2010. The downturn was mainly attributable to lending for owner-occupied housing.

Impaired loans include loans and advances for which objective evidence of impairment has been observed and which have been individually provided for.

Mortgage loans with low customer ratings accounted for DKK 32.6bn at year-end.

Loans with low customer ratings are non-performing loans and loans in rating categories 0 and 1 for which Nykredit's internal credit models show a probability of default of more than 7%, but which have not yet been provided for. In other words, these loans are associated with an elevated risk of default, but not necessarily a high risk of losses, as the loss risk also depends on any security behind the loan.

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

The Group's total provisions for mortgage loan impairment increased by DKK 284m in 2010, landing at DKK 2,226m at year-end.

The Nykredit Realkredit Group
Credit exposure to mortgage lending by property category [1]

DKK million	2010			2009		
	Lending year-end	Impaired loans – individual provisioning	Loans to low-rated customers – no provisioning	Lending year-end	Impaired loans – individual provisioning	Loans to low-rated customers – no provisioning
Owner-occupied housing	634,814	2,217	18,694	607,671	3,020	6,889
Private residential renting	102,232	2,833	5,709	93,284	3,113	6,146
Industry and trades	25,671	397	572	26,665	176	699
Office and retail	88,955	267	3,842	81,836	216	3,766
Agriculture	101,527	230	3,054	99,186	57	2,154
Non-profit housing	62,353	20	553	64,404	10	755
Other	14,655	35	175	12,936	35	218
Total	**1,030,207**	**5,999**	**32,599**	**985,982**	**6,627**	**20,627**

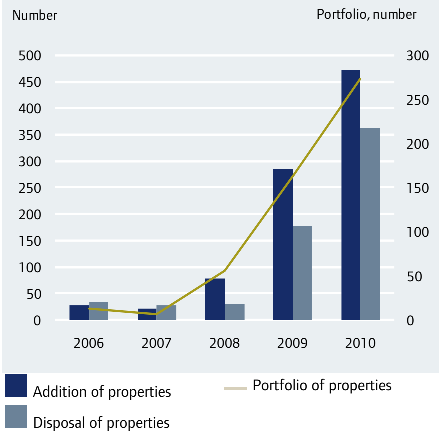
[1] The breakdown by property category is not directly comparable to the Group's business areas.
For a complete breakdown of mortgage lending into rating categories, see note 46.

The Nykredit Realkredit Group
Provisions for mortgage loan impairment by property type [1]

Mio. kr.	2010				2009			
	Individual impairment provisions	Collective impairment provisions	Total	Total earnings impact	Individual impairment provisions	Collective impairment provisions	Total	Total earnings impact
Owner-occupied housing	413	357	770	367	512	256	768	814
Private residential renting	519	181	700	(25)	687	110	797	776
Industry and trades	157	45	202	139	72	36	108	70
Office and retail	95	163	258	207	81	67	148	123
Agriculture	56	161	217	182	20	38	58	(48)
Non-profit housing	3	19	22	1	1	21	22	11
Other	16	41	57	17	15	26	41	9
Total	**1,259**	**967**	**2,226**	**888**	**1,388**	**554**	**1,942**	**1,755**

[1] The breakdown by property category is not directly comparable to the Group's business areas.

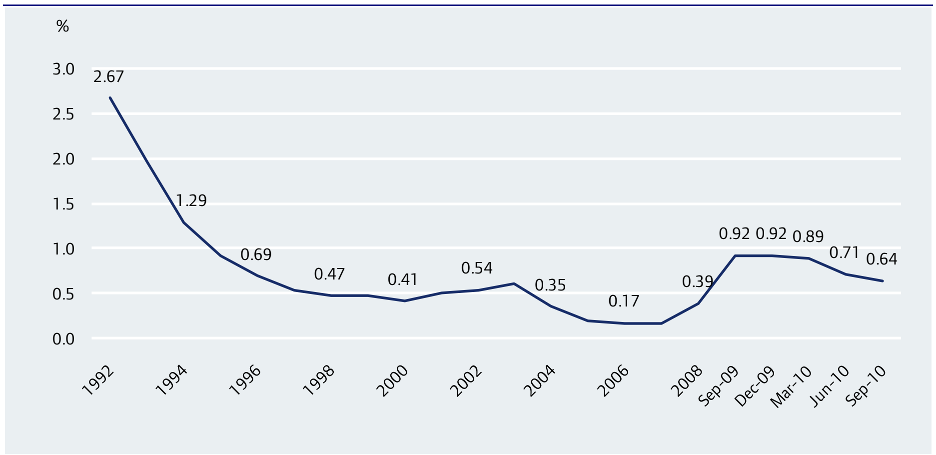
The Nykredit Realkredit Group
Properties repossessed/sold



The Nykredit Realkredit Group
Arrears ratio 75 days after settlement date

%	Arrears relative to total mortgage payments	Bond debt outst. affected by arrears relative to total bond debt outst.
Settlement months		
2010		
- September	0.64	0.77
- June	0.71	1.06
- March	0.89	1.19
2009		
- December	0.92	1.18
- September	0.92	1.13

The Nykredit Realkredit Group
Arrears ratio, mortgage lending – 75 days after September settlement date



Private residential property accounted for DKK 770m of impairment provisions at year-end, while other commercial property accounted for DKK 1,456m.

The Group's impairment provisions totalled 0.22% of total mortgage lending.

Individual impairment provisions
Individual provisions for mortgage loan impairment totalled DKK 1,259m against DKK 1,388m at the beginning of the year.

The DKK 129m drop in individual impairment provisions included new provisions of DKK 897m, reversals of DKK 619m and recognised losses of DKK 407m.

Collective impairment provisions
At end-2010 the Group's collective provisions for mortgage loan impairment totalled DKK 967m against DKK 554m at the beginning of the year – a rise of DKK 413m.

Collective impairment provisions grew most in respect of SMEs. Further, an extraordinary adjustment of the market value of weak exposures has been made where it cannot be expected that knowledgeable market participants will grant a similar loan on the same loan terms to the customer in question. Value adjustment of weak exposures amounted to DKK 150m.

Earnings impact
The total earnings impact of impairment losses on mortgage lending was DKK 888m against DKK 1,755m in 2009. DKK 521m, or 59%, of total impairment losses on loans and advances for the year was attributable to commercial customers.

Arrears
At end-2010 the arrears ratio had decreased year-on-year. At the September settlement date, the Group's 75-day mortgage loan arrears made up 0.64% of total mortgage payments due compared with 0.92% at the same time in 2009.

Repossessed properties
The Group acquired 473 properties and sold 363 in 2010. The property portfolio stood at 273 at end-2010 against 163 at the beginning of the year. Of these properties, 190 were owner-occupied dwellings.

BANK LENDING

The Group's credit exposure to bank lending amounted to DKK 87.0bn at end-2010 compared with DKK 96.3bn at the beginning of the year.

Bank lending accounted for DKK 58.8bn of the total credit exposure at end-2010 against DKK 60.9bn at the beginning of the year, a decline of DKK 2.1bn. Bank loans and advances before impairment losses were DKK 65.0bn at end-2010 against DKK 68.7bn at the beginning of the year.

Total impairment provisions

Individual and collective impairment provisions are made for bank loans as for mortgage loans. Bank exposures in excess of DKK 150m are subject to continuous individual review and risk assessment to uncover any objective evidence of impairment.

At least once a year, Nykredit Bank's exposures over DKK 2m and exposures involving operating finance over DKK 0.5m are reviewed. This is part of the monitoring of credit exposures based on updated financial and customer information. In addition, all exposures showing signs of risk are reviewed, including minor exposures, to identify any need for changing a rating or an individual provisioning.

Exposures not provided for individually are covered by the Bank's collective impairment provisions.

Collective impairment provisions are calculated using a rating model based on adjusted Basel parameters for the loss calculation. Having been adjusted to the accounting rules, the Basel parameters are based on events occurred, cash flows until expiry of loan terms and a discounting of loss flows to present value.

In addition to the rating model, collective provisions are also calculated on the basis of a segmentation model adjusting the Basel parameters of the rating model for events occurred which, due to economic developments, have not yet been included in the model.

The Group's impaired bank loans totalled DKK 8,156m at end-2010.

Impaired loans include loans and advances for which objective evidence of impairment has been observed and which have been individually provided for.

Bank loans to customers with low ratings amounted to DKK 5.2bn at end-2010.

Bank loans with low customer ratings include loans in rating categories 0 and 1 for which Nykredit's internal credit models show a probability of default of more than 7%, but which have not yet been provided for. In other words, these loans are associated with an elevated risk of default, but not necessarily a high risk of losses, as the loss risk also depends on any security behind the loan.

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

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

As Forstædernes Bank did not apply comparable rating categories, it has not been possible to prepare comparative figures for 2009 for this area including Forstædernes Bank.

Total provisions for loan impairment amounted to DKK 6,143m against DKK 7,812m at end-2009.

The Nykredit Realkredit Group
Bank loans, advances and guarantees

DKK million	2010	2009
Bank loans and advances	56,076	55,827
Terminated exposures [1]	2,757	5,081
Reverse transactions	12,920	11,962
Guarantees	15,225	23,386
Total	**86,978**	**96,256**

[1] From the former Forstædernes Bank

The Nykredit Realkredit Group
Total provisions for bank loan impairment and guarantees

DKK million	Provisions for guarantees	Individual impairment provisions	Collective impairment provisions	2010 Total provisions	2009 Total provisions
Retail	4	786	117	907	762
Other commercial	703	2,012	253	2,968	2,891
Terminated exposures[1]	38	2,923	52	3,013	4,769
Total	**745**	**5,721**	**422**	**6,888**	**8,422**

[1] From the former Forstædernes bank

The Nykredit Realkredit Group
Bank credit exposure before loan impairment provisions by industry

DKK million	2010			2009 [1]		
	Lending year-end	Impaired loans – individual provisioning	Loans to customers with low ratings, no provisioning	Lending year-end	Impaired loans – individual provisioning	Loans to customers with low ratings, no provisioning
Retail	17,003	928	1,374	12,303	96	158
Other commercial	47,973	7,228	3,866	34,705	1,931	489
Total	**64,976**	**8,156**	**5,240**	**47,008**	**2,027**	**647**

For a complete breakdown of bank loans and advances by rating category, please refer to note 46.

[1] The comparative figures for 2009 do not include Forstædernes Bank, as loans and advances granted by Forstædernes Bank were not classified and calculated according to the same principles as applied in Nykredit Bank A/S.

Individual impairment provisions
Group individual impairment provisions for bank lending totalled DKK 5,721m against DKK 7,554m in early 2010.

The decline in individual impairment provisions of DKK 1,833m covers new provisions of DKK 1,380m, reversal of DKK 726m and recognised losses of DKK 2,487m.

The most important change resulted from terminated exposures; provisions were down from DKK 4,576m to DKK 2,975m at end-2010.

Collective impairment provisions
Group collective impairment provisions amounted to DKK 422m against DKK 258m at the beginning of the year. The rise in collective impairment provisions was broad-based across the sectors.

Guarantees
The Group issues guarantees on a current basis, including guarantees to mortgage banks.

Guarantees totalled DKK 15.2bn at end-2010 against DKK 23.4bn at the beginning of the year.

At end-2010, provisions for guarantees amounted to DKK 745m against DKK 610m at the beginning of the year. Of this amount, provisions under Bank Rescue Package I made up DKK 659m against DKK 380m at the beginning of the year.

Earnings impact
Impairment losses on loans and advances came to DKK 1,494m in 2010 against DKK 6,165m in 2009.

DKK 279m of this amount stemmed from provisions under the government guarantee scheme.

The Nykredit Realkredit Group
Loans, advances and guarantees by industry

DKK million	2010					2009				
	Loans and advances[1]	Guarantees	Individual provisions and other	Collective impairment provisions	Total provisions	Loans and advances	Guarantees	Individual provisions and other	Collective impairment provisions	Total provisions
Public sector	**253**	**553**	**-**	**-**	**-**	**133**	**365**	**113**	**-**	**113**
Corporate										
Agriculture, hunting, forestry and fishing	2,019	537	77	5	82	1,580	1,005	85	3	88
Manufacturing, mining and quarrying	5,908	719	221	35	256	5,896	343	245	6	251
Energy supply	2,339	79	7	11	18	2,062	67	90	31	121
Construction	1,121	361	279	6	285	1,262	513	199	13	212
Trade	1,785	450	368	7	375	1,922	426	149	6	155
Transport, accommodation and food service activities	1,309	325	55	6	61	1,332	516	125	5	130
Information and communication	1,360	83	49	5	54	1,983	198	138	6	144
Financial and insurance activities	17,812	804	1,675	30	1,705	18,898	1,800	1,950	39	1,989
Real property	12,778	3,721	1,589	75	1,664	14,400	6,444	3,057	71	3,128
Other trade and industry	8,940	1,410	1,356	125	1,481	6,562	2,532	1,300	27	1,328
Total corporate	**55,371**	**8,489**	**5,676**	**305**	**5,981**	**55,897**	**13,844**	**7,338**	**207**	**7,546**
Retail	16,128	6,183	790	117	907	16,840	9,177	711	51	762
Total	**71,752**	**15,225**	**6,466**	**422**	**6,888**	**72,870**	**23,386**	**8,162**	**258**	**8,421**

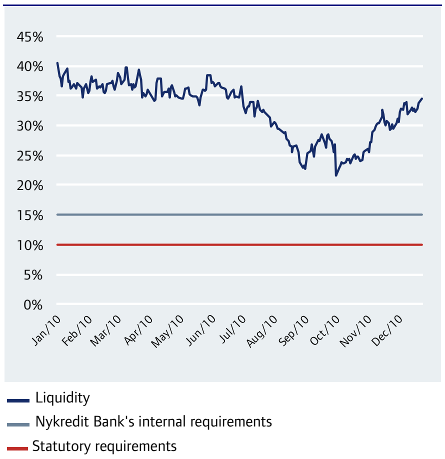
[1] Lending after total impairment provisions.

LIQUIDITY AND FUNDING

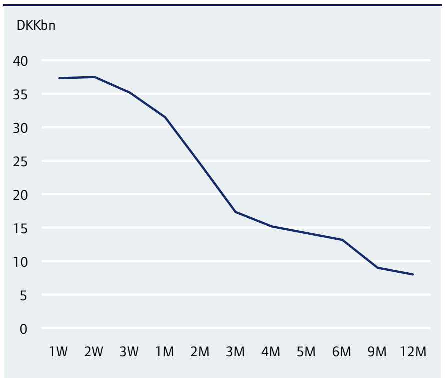
Mortgage operations
Moody's liquidity curve

Note: Liquidity raised through issuance of junior covered bonds is included up to their maturity.

Banking operations
Liquidity relative to statutory requirement



Banking operations
Liquidity stress testing (Moody's Global Methodology)



LIQUIDITY RISK

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

The Group's total liquidity risk is monitored closely and assessed by the Asset/Liability Committee. The Committee lays down liquidity policies for the group companies. The day-to-day management of liquidity risk is handled by the individual companies based on these policies.

Nykredit has not issued any government-guaranteed bonds under Bank Rescue Package II.

Mortgage lending

The greater part of group lending consists of mortgage loans funded by "realkreditobligationer" and "særligt dækkede obligationer" (collectively referred to as covered bonds) according to the match-funding principle.

Mortgage lending and the funding thereof are therefore by and large liquidity neutral. Nykredit's capital resources are placed mainly in a portfolio of listed bonds in addition to portfolio equities, strategic equities and subsidiary equities. By virtue of their large bond portfolios, the mortgage banks have ample liquidity.

In its "Bank Financial Strength Ratings: Global Methodology" from February 2007, Moody's Investors Service has laid down a number of principles for requirements relating to the liquidity management of banks. In order to obtain the rating "Very Good Liquidity Management", the liquidity curve must be positive 12 months ahead. The liquidity of Nykredit Realkredit and Totalkredit is always positive, in part due to match funding and the investment rules applying to the statutory capital requirement.

The liquidity curves for mortgage lending and banking illustrate that the Nykredit Group is extremely liquid.

In H2/2009 the Danish central bank (Danmarks Nationalbank) expanded the range of assets eligible as permanent collateral for the loans of commercial and mortgage banks with the Danish central bank (monetary policy loans and intraday credits) to include junior covered bonds issued by mortgage banks.

In Q3/2010 the European Central Bank (ECB) followed suit and included junior covered bonds issued through VP Lux as eligible collateral.

Immediately following the ECB's approval, Nykredit Realkredit launched its first junior covered bond benchmark issue, which was targeted at international investors.

Nykredit Realkredit expects to launch a Global Medium Term Note (GMTN) programme in 2011 in order to
- increase the sale of bonds to international investors
- raise awareness of Danish mortgage lending
- facilitate funding of loans in currencies other than DKK and EUR.

Banking

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

Securities not serving as collateral in the trading book consist mainly of liquid Danish and European government and covered bonds eligible as collateral with the Danish central bank or other European central banks. The trading book also includes a portfolio of corporate bonds and repo and reverse transactions.

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

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

At 31 December 2010, the excess cover was 250% against 324% at end-2009. At 31 December 2010, the liquidity buffer corresponding to the above excess cover amounted to DKK 54.7bn compared with DKK 66.8bn at end-2009. In 2010 the liquidity buffer averaged DKK 49.8bn compared with DKK 43.0bn for 2009.

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

The Bank's long-term funding activities progressed according to plan, with EMTN issues of DKK 15.4bn at 31 December 2010.

Further, the Bank has continued its current refinancing of short-term ECP issues, which totalled DKK 16.9bn at 31 December 2010.

The aggregate amount issued under the ECP and EMTN programmes was DKK 32.2bn at 31 December 2010 against DKK 41.2bn at end-2009.

BOND ISSUES
The Nykredit Realkredit Group is one of the largest private bond issuers in Europe.

The Nykredit Realkredit Group's bond issuance mainly consists of covered bonds (SDOs and ROs).

In addition, the Group has issued hybrid core capital, supplementary capital and bonds used to finance supplementary security issued in pursuance of section 33 e of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (junior covered bonds) in Nykredit Realkredit.

Nykredit Bank has launched issues under the ECP and EMTN programmes as part of its funding programme.

The Nykredit Realkredit Group's total bond issuance breaks down as follows: 54% is SDOs, 41% ROs, 2% junior covered bonds, 1% hybrid core capital and 3% other bonds.

Ratings
Nykredit Realkredit, Nykredit Bank and the majority of the Group's bond issues have been rated by international rating agencies.

Issued SDOs and ROs
The Nykredit Realkredit Group's bonds are issued by tap on a day-to-day basis and at ARMs refinancing auctions held three times a year in March, September and December.

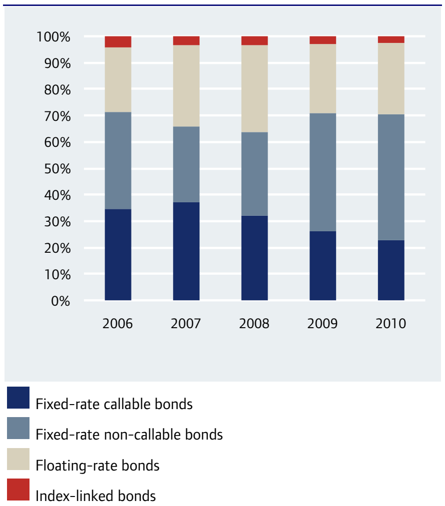
Financial market conditions left their mark on European covered bond issuers' possibility of issuing and selling covered bonds in 2010. The Nykredit Realkredit Group nonetheless managed to sell its bonds both through tap issues and refinancing auctions. On top of that, Nykredit's bonds traded at more attractive levels than most other European covered bonds, and both trends benefited Danish borrowers.

The Nykredit Realkredit Group
Overview of ratings

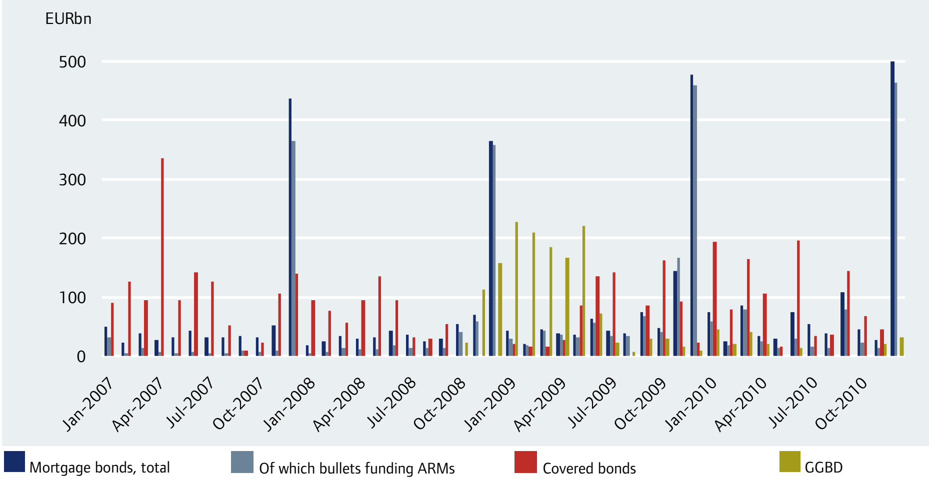
	Moody's Investors Service	Standard & Poor's
SDOs, ROs and JCBs		
Nykredit Realkredit A/S		
- Capital Centre C (covered bonds (ROs))	Aa1	AAA
- Capital Centre D (covered bonds (ROs))	Aaa	AAA
- Capital Centre E (covered bonds (SDOs))	Aaa	AAA
- Capital Centre E (junior covered bonds (JCBs))	Aa3	-
- Capital Centre G (covered bonds (ROs))	Aa3	-
- Nykredit Realkredit In General (covered bonds (ROs))	Aa1	AAA
Totalkredit A/S		
- Capital Centre C (covered bonds (ROs))	Aaa	AAA
Other ratings		
Nykredit Realkredit A/S		
- Short-term unsecured rating	P-1	A-1
- Long-term unsecured rating	A1	A+
- Hybrid core capital (Tier 1)	Baa1	BBB+
Nykredit Bank A/S		
- Short-term deposit rating	P-1	A-1
- Long-term deposit rating	A1	A+
- Bank Financial Strength Rating	C- [1]	-
EMTN Programme		
- Short-term senior debt	P-1	A-1
- Long-term senior debt	A1	A+
Euro Commercial Paper Programme and Certificate of Deposit Programme		
- Short-term senior debt	P-1	A-1

[1] Negative outlook

Issued amount of ROs and SDOs by type



The Nykredit Realkredit Group
Issues



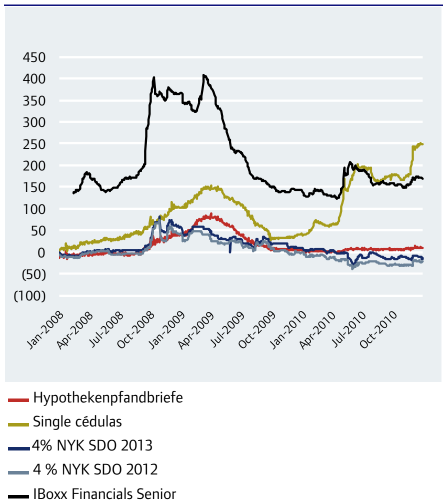
At the ARMs refinancing auctions in 2010, bonds of DKK 253bn were issued. The day-to-day tap issuance of bonds amounted to DKK 211bn in 2010.

At end-2010, a nominal amount of DKK 1,037bn of ROs and SDOs had been issued, excluding bonds maturing on 1 January 2011.

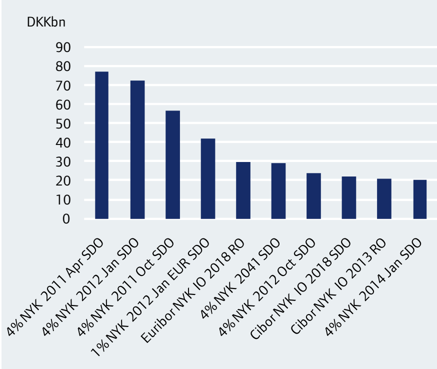
Gross issuance of ROs and SDOs by type, coupon and time-to-maturity

DKK billion	Gross issuance		Outstanding amount	
	2010	2009	2010	2009
Nominal gross issuance	**464**	**423**	**-**	**-**
- of which refinancing	253	174	-	-
Total nominal outstanding amount	**-**	**-**	**1,236**	**1,193**
- of which bonds maturing on 1 January 2011	-	-	199	197
Bond types, %				
Fixed-rate callable bonds	12	7	23	26
Fixed-rate bullets	76	89	48	45
Floating-rate uncapped bonds	6	3	14	11
Floating-rate capped bonds	5	1	13	15
Index-linked bonds	0	0	2	3
Total	**100**	**100**	**100**	**100**
Currency, %				
DKK	82	80	85	87
EUR	17	18	14	13
SEK	2	1	1	0
Total	**100**	**100**	**100**	**100**
Coupon, %				
1%	11	10	8	4
2%	8	6	5	3
3%	4	2	2	1
4%	58	66	42	42
5%	1	10	10	16
6%	0	1	2	5
Other fixed-rate bonds	0	0	0	1
Floating-rate bonds	18	4	29	26
Index-linked bonds	0	0	2	3
Total	**100**	**100**	**100**	**100**
Time-to-maturity, %				
Under 10 years	82	92	57	53
10-19 years	6	1	14	13
20-29 years	1	1	8	9
30 years and above	10	6	22	25
Total	**100**	**100**	**100**	**100**

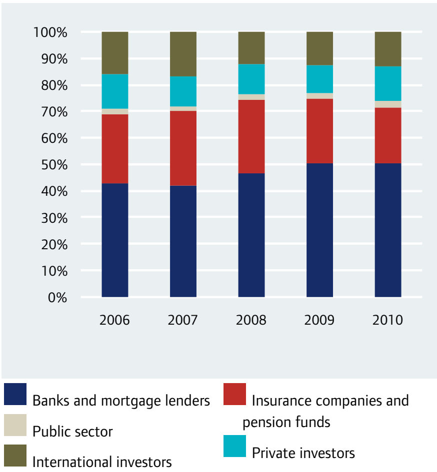
Yield spreads



Nykredit's largest series on NASDAQ OMX Copenhagen A/S at 4 January 2011



Investor base
– Nykredit Realkredit Group SDOs and ROs



Bond liquidity

The Nykredit Realkredit Group strives to build large, liquid bond series to obtain an effective pricing of the Group's bonds. At the same time, Nykredit must satisfy borrowers' demands for a variety of different mortgage products, resulting in bond issues with different interest rate caps, coupon fixing methods, maturities, etc.

Nykredit Realkredit and Totalkredit's joint bond issuance fosters large volumes and deep liquidity of the Group's key bond series. Liquidity is also furthered through the Group's high market share and the market making agreements between a number of the members of NASDAQ OMX Copenhagen A/S. In addition, the Nykredit Realkredit Group quotes prices in NASDAQ OMX Copenhagen A/S's trading systems for the retail market for the Group's benchmark bond series.

At 4 January 2011, 63% of the Group's issued bonds fell within 30 series, each with an outstanding amount of more than DKK 10bn. The ten largest bond series combined had an outstanding amount of more than DKK 393bn, equal to 38% of the total amount of issued bonds.

At 4 January 2011, the Nykredit Realkredit Group's largest bond series was a 1-year fixed-rate non-callable bullet bond (RTL) maturing in April 2011. The outstanding amount of the bond was DKK 77bn.

Bond investors

Nykredit sells its ROs and SDOs to both Danish and international investors. At end-December 2010, the Group's ROs and SDOs accounted for 49% of international investors' portfolios of Danish ROs and SDOs.

International investors held 13% of the Nykredit Group's ROs and SDOs at end-November 2010 compared with 13% at end-November 2009.

Domestic financial institutions held 51% of the Nykredit Realkredit Group's outstanding amount of ROs and SDOs at end-November 2010, while insurance companies and pension funds held 21%.

Information about the Group's funding and the Danish mortgage system is available at nykredit.com/ir.

Other bonds

Nykredit Bank issued bonds of DKK 35.9bn as part of its ordinary funding activities. Largely all bonds are listed on NASDAQ OMX Copenhagen A/S.

SDO management

Mortgage bonds issued before 1 January 2008 are approved as covered bonds pursuant to the EU's Capital Requirements Directives (CRD) and the Danish capital adequacy rules, etc. Consequently, when held by credit institutions, such bonds are assigned a 10% risk-weighting under the standardised approach for determination of capital requirements for credit risk, as opposed to 20% otherwise.

ROs issued from 1 January 2008 carry a 20% risk-weighting in credit institutions. The risk-weighting of SDOs is 10%.

SDO cover pools must consist of one or more of the following three types of cover assets:

- Mortgages on real property
- Claims against credit institutions, including guarantees for registration of mortgages without endorsements and guarantees for interim loans in connection with new building
- Government bonds or other claims against EU/EEA member states, etc.

A decline in property prices or a rise in the carrying amounts of the loans as a result of increasing bond prices may trigger a need for supplementary security, cf the section about LTV limits.

Outstanding bonds excl ROs and SDOs

End-2010	Nom DKK million	Call	Maturity
Nykredit Realkredit			
Hybrid core capital	10,436	2014-2015	
Junior covered bonds	29,872		2011-2016
Nykredit Bank			
Hybrid core capital	250	2014-2016	
Supplementary capital	594	2011	2014
Issued bonds	18,234		2011-2018
Commercial paper	16,814		2011

Nykredit Realkredit and Totalkredit may procure supplementary security by placing part of their capital bases or borrowed funds in government or covered bonds or as deposits serving as security for SDOs.

It is Nykredit's policy to maintain a sizeable buffer against declining property prices or for periods with refinancing surges. Since December 2007, Nykredit has provided supplementary security financed by the issuance of junior covered bonds. At end-2010 Nykredit had issued DKK 29.9bn-worth of junior covered bonds.

Under Danish law, holders of junior covered bonds are secondary secured creditors, whereas holders of covered bonds are primary secured creditors, see nykredit.com/ir.

For more details on supplementary security in relation to price declines in the property market etc, please refer to the report Risk and Capital Management 2010 at nykredit.com/reports.

GROUP ENTITIES

NYKREDIT HOLDING A/S

Nykredit Holding is the Parent Company of Nykredit Realkredit A/S.

The company's main activity is the ownership of Nykredit Realkredit A/S. Furthermore, Nykredit Holding has issued guarantees covering pre-fixed loss amounts.

The Parent Company recorded a loss of DKK 2m excluding profit from the subsidiary Nykredit Realkredit A/S.

The Annual Report of Nykredit Holding has not been included in the Annual Report of the Nykredit Realkredit Group.

Reference is made to the Annual Report 2010 of Nykredit Holding A/S.

NYKREDIT REALKREDIT A/S

Nykredit Realkredit posted a profit before tax of DKK 4,538m against DKK 1,731m in 2009. After tax, profit was DKK 4,076m against DKK 880m the year before.

Profit for 2010 in part resulted from positive earnings from subsidiaries, including a profit of DKK 1.5bn from the divestment of Nykredit Forsikring, higher earnings from customer-oriented business, lower impairment losses on loans and advances and a high investment portfolio income. By contrast, core income from securities and higher interest payable on hybrid core capital had an adverse effect on results.

Core income from mortgage operations gained DKK 426m to DKK 4,046m. The figure reflected gross new lending of DKK 91bn against DKK 103bn in 2009 and a DKK 21bn rise in the loan portfolio to DKK 575bn in nominal terms.

Core income from securities amounted to DKK 221m against DKK 502m in 2009, which mirrored a decline in average money market rates to 1.05% from 1.83% in 2009.

Operating costs, depreciation and amortisation, excluding value adjustment of special staff benefits, went up by DKK 183m to DKK 3,250m, equal to an increase of 6.0%.

Impairment losses on loans and advances were DKK 712m against DKK 1,216m in 2009. The retail segment represented DKK 182m of impairment losses for the year, equal to 0.10% of lending. The commercial segment accounted for DKK 528m, corresponding to 0.14% of loans and advances.

Mortgage loan impairment represented 0.12% of total loans and advances of DKK 575bn.

Impairment provisions totalled DKK 1,703m at end-2010, up DKK 296m. Individual impairment provisions came to DKK 981m and collective impairment provisions DKK 722m.

Nykredit Realkredit A/S
Core earnings and investment portfolio income

DKK million	2010	2009
Core income from		
- Business operations	4,046	3,620
- Securities	221	502
Total	**4,267**	**4,122**
Operating costs, depreciation and amortisation excl special value adjustments	3,250	3,067
Operating costs, depreciation and amortisation, special value adjustments	44	144
Core earnings before impairment losses	**973**	**911**
Impairment losses on loans and advances	712	1,216
Profit (loss) from investments	1,111	(2,627)
Profit on the sale of Nykredit Forsikring	1,591	-
Core earnings after impairment losses	**2,963**	**(2,932)**
Investment portfolio income	2,035	4,758
Net interest on hybrid core capital	(461)	(95)
Profit before tax	**4,538**	**1,731**
Tax	461	851
Profit for the year	**4,076**	**880**

Equity investments generated a profit of DKK 1,111m compared with a loss of DKK 2,627m in 2009. Results were positively affected by a DKK 1.6bn profit from the divestment of Nykredit Forsikring A/S.

Investment portfolio income stood at DKK 2,035m against DKK 4,758m the year before. Unlike in the Consolidated Financial Statements, value adjustment of strategic equities was recognised as investment portfolio income at DKK 232m before tax against DKK 749m the year before.

Nykredit Realkredit A/S is jointly taxed with the Danish subsidiaries and Foreningen Nykredit (the Nykredit Association). Total tax payable is distributed among profit- and loss-making jointly taxed companies in proportion to their taxable income. The Group's tax charge totalled DKK 786m in 2010.

Profit distribution

Profit for the year has been taken to equity in accordance with the Articles of Association and the guidelines laid down by the Board of Directors.

Profit distribution and allocation of assets and liabilities to series reserves and Nykredit Realkredit In General.

The distribution of profit for 2010 allocates the entire profit for the year to Nykredit Realkredit In General, as no series reserve funds receive a direct share of profit for the year. This is an adjustment relative to 2009 when Capital Centres D and E received a direct share of profit for the year.

Following distribution of profit, capital resources will be allocated to the individual series and Nykredit Realkredit In General. Capital resources are allocated to the individual series in compliance with statutory capital requirements and the requirements of rating agencies for a given rating (generally triple A). The remaining part of capital resources is allocated to Nykredit Realkredit In General.

In 2009 the series financial statements were presented in accordance with the Danish Executive Order on series financial statements, with special exemptions granted in 2003 and 2007 according to which assets were allocated to Capital Centres D and E, chiefly in the form of bonds and receivables to credit institutions.

Nykredit's business development has eliminated the need for exemptions. Accordingly, Nykredit has presented series financial statements for 2010 in accordance with the Danish Executive Order on series financial statements. The most important difference concerns the allocation of shares in subsidiaries, mainly Nykredit Bank and Totalkredit. The shares are now allocated pro rata to all series reserves and Nykredit Realkredit In General relative to the capital resources of the individual series and Nykredit Realkredit In General.

Series reserves increased by DKK 8.7bn to DKK 35.5bn at end-2010. This was chiefly due to a higher capital requirement mainly in respect of subsidiary equities in the series, which led to a lower capital requirement in Nykredit Realkredit In General.

In accordance with the articles of association of a number of pre-1972 series, the reserve fund shares will be distributed when a loan is partially or fully repaid. In case of losses or a need to provide for a non-performing mortgage of a pre-1972 series, the series in question will be reduced by an equivalent amount. The reserve funds of pre-1972 series will therefore chiefly be affected by distributed reserve fund shares for the year and any loan impairment. Any contributed capital consequent to the capital requirements is not distributable.

After inclusion of profit for the year, equity stood at DKK 55.3bn at end-2010 against DKK 51.2bn at the beginning of the year.

It will be recommended for adoption by the Annual General Meeting that a dividend of DKK 300m be distributed for 2010. Equity will be DKK 55.0bn after distribution of dividend.

Capital base and capital adequacy

The capital adequacy requirements governing Danish mortgage banks are laid down in Part 10 of the Danish Financial Business Act. The capital base must at any time make up at least 8% of the risk-weighted items of a mortgage bank.

The capital base was DKK 59.2bn, corresponding to a capital adequacy ratio of 17.1%.

The Group's internal capital adequacy requirement (ICAAP) was 8.9% at year-end.

Hybrid core capital – distributable reserves

Pursuant to the Danish Financial Business Act, a company may not pay interest on hybrid core capital to creditors unless the company has distributable reserves. Interest governed by this provision equals is the interest accrued in the period in which the company has no distributable reserves. Interest payments may not be resumed until the company has distributable reserves again, and only interest accrued from this point in time may be paid.

Distributable reserves include retained earnings for previous years and for 2010 as well as reserves distributable as dividend.

Determined pursuant to the Danish Financial Business Act, Nykredit Realkredit's distributable reserves excluding series reserve funds amounted to DKK 16.3bn.

Nykredit Realkredit A/S
Capital base

DKK million	2010	2009
Core capital		
- Equity, year-end	55,320	51,241
- Revaluation reserves transferred to supplementary capital	(4)	(5)
- Proposed dividend	(300)	0
- Intangible assets, including goodwill	(4,499)	(4,882)
- Capitalised tax assets	(123)	(9)
- Hybrid core capital	10,805	10,547
- Other statutory deductions from core capital [1]	(1,979)	(1,242)
Core capital, incl hybrid core capital, after statutory deductions	**59,220**	**55,650**
Supplementary capital	**57**	**3,718**
Statutory deductions from the capital base	**(57)**	**(1,242)**
Total capital base after statutory deductions	**59,220**	**58,126**

[1] Pursuant to section 139 of the Danish Financial Business Act, 50% of some investments in credit and finance institutions must be deducted from core capital and supplementary capital, respectively.

Capital requirement and capital adequacy ratio

DKK million	2010	2009
Credit risk	25,574	24,251
Market risk	1,093	1,201
Operational risk	970	787
Total capital requirement before transitional rule	**27,637**	**26,238**
Total capital requirement after transitional rule [1]	**31,029**	**28,980**
Capital base	**59,220**	**58,126**
Core capital ratio [2]	17.1	17.0
Capital adequacy ratio	17.1	17.7
Capital adequacy requirement (SREP), %	8.0	8.0
Required capital adequacy ratio after transitional rule [3]	9.0	9.0
Internal capital adequacy requirement (ICAAP), (Pillar I and Pillar II)	8.9	9.0
Weighted items	**345,467**	**327,980**

[1] The capital requirement after transitional rule has been determined pursuant to the transitional rule of the Executive Order on Capital Adequacy. As a minimum, the capital requirement for 2009-2011 must amount to 80% of the capital requirement determined under Basel I.

[2] The core capital ratio has been determined relative to risk-weighted items without application of the transitional rule.

[3] The required capital adequacy ratio after transitional rule has been determined as the capital requirement after transitional rule as % of risk-weighted items under Basel II. Accordingly, the required capital adequacy ratio reflects the capital adequacy requirement as a result of the transitional rule.

TOTALKREDIT A/S

Totalkredit recorded a profit before tax of DKK 1,185m against DKK 1,090m in 2009. Profit after tax was DKK 887m against DKK 817m the year before.

Profit for 2010 mirrored growth in earnings from customer-oriented business and a decline in loan impairment losses, core income from securities and investment portfolio income.

Core income from business operations rose by DKK 25m to DKK 1,403m in 2010. The figure reflected gross new lending of DKK 110bn against DKK 125bn in 2009 and a rise in the loan portfolio of DKK 24bn to DKK 455bn in nominal terms.

Core income from securities amounted to DKK 123m compared with DKK 181m in 2009. The decline was notably due to lower average money market rates at 1.05% compared with 1.83% in 2009.

Operating costs, depreciation and amortisation rose by DKK 46m to DKK 420m compared with 2009. The main reason for the rise was intensified marketing and higher IT investment expenditure in support of Totalkredit's distribution concept.

Loan impairment losses came to DKK 158m compared with DKK 515m the year before. They equalled 0.03% of nominal lending at end-2010 against 0.12% in 2009.

Totalkredit's business concept is mortgage lending through its partner banks – Danish local and regional banks. The partner banks are responsible for serving customers and hedging the loan portfolio risk.

Risk is hedged by agreement with the partner banks. Under the agreement, recognised losses corresponding to the part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments from Totalkredit to the partner banks.

Accordingly, the company has offset DKK 107m against commission for the year payable to the partner banks. The amount is recognised under the item "Impairment losses on loans and advances".

After recognition of profit for the year, equity stood at DKK 13,256m at year-end.

The capital base was DKK 15,681m at end-2010, corresponding to a capital adequacy ratio of 22.9% against 20.2% at end-2009.

The internal capital adequacy requirement (ICAAP) was 12.1% at year-end.

Reference is made to the Annual Report for 2010 of Totalkredit A/S.

Totalkredit A/S
Core earnings and investment portfolio income

DKK million	2010	2009
Core income from		
- Business operations	1,403	1,378
- Securities	123	181
Total	**1,526**	**1,559**
Operating costs, depreciation and amortisation	420	374
Core earnings before impairment losses	**1,106**	**1,185**
Impairment losses on loans and advances	158	515
Core earnings after impairment losses	**948**	**670**
Investment portfolio income	237	420
Profit before tax	**1,185**	**1,090**
Tax	298	273
Profit for the year	**887**	**817**

Totalkredit A/S
Summary balance sheet, year-end

DKK million	2010	2009
Mortgage loans at fair value	455,957	430,483
Bonds and equities	81,540	87,311
Issued bonds, Totalkredit	90,193	104,789
Issued bonds, Nykredit Realkredit	433,586	399,389
Subordinated debt	2,600	2,600
Equity	13,256	12,369
Total assets	560,391	537,895

THE NYKREDIT BANK GROUP

The Nykredit Bank Group recorded a profit before tax of DKK 517m against a loss of DKK 5,202m in 2009. After tax, the group posted a profit of DKK 395m against a loss of DKK 3,938m in 2009.

Results for 2010 were favoured by a marked fall in impairment losses, growth in earnings from customer-oriented business and lower operating costs. Conversely, results were adversely affected by a drop in core income from securities and investment portfolio income.

Core income from business operations rose by DKK 318m to DKK 3,783m, corresponding to 9.2% growth. The improvement was chiefly prompted by higher earnings in Markets & Asset Management and Corporate Banking.

Core income from securities went down by DKK 17m to DKK 126m. The decline was mainly due to lower average money market rates.

Operating costs, depreciation and amortisation decreased by DKK 188m to DKK 1,781m, a fall of 9.5% on 2009. Further, guarantee commission under the government guarantee scheme dropped by DKK 130m to DKK 370m. The group paid commission under the government guarantee scheme until it ceased to exist on 30 September 2010. The scheme is not expected to require additional payments.

Impairment losses on loans and advances declined by DKK 5,038m to DKK 1,215m. The decrease was chiefly spurred by a considerably lower provisioning level in the business area Other Activities comprising terminated loans. Impairment losses fell from DKK 3,123m to DKK 777m in 2010. Impairment losses in the corporate segment went down by DKK 2,123m to DKK 231m in the year under review.

Nykredit Bank strengthened its core capital in 2010 through a capital contribution of DKK 1,000m by Nykredit Realkredit, and supplementary capital of DKK 250m and EUR 10m was redeemed prematurely.

Equity climbed to DKK 13,769m at end-2010 from DKK 12,374m at the beginning of the year.

The Bank's capital base was DKK 14,533m at end-2010, equivalent to a capital adequacy ratio of 15.9% against 12.3% at end-2009.

The internal capital adequacy requirement (ICAAP) was 8.9% at year-end against 8.8% at end-2009.

Reference is made to the Annual Report for 2010 of the Nykredit Bank Group.

The Nykredit Bank Group
Core earnings and investment portfolio income

DKK million	2010	2009
Core income from		
- Business operations	3,783	3,465
- Kalvebod issues	57	186[1]
- Securities	126	143
Total	**3,966**	**3,794**
Operating costs, depreciation and amortisation	1,781	1,969
Dansk Pantebrevsbørs under konkurs (in bankruptcy)	(30)	183
Commission – government guarantee scheme	370	500
Core earnings before impairment losses	**1,845**	**1,142**
Impairment losses on loans and advances	1,215	6,253
Impairment losses on loans and advances – government guarantee scheme	279	318
Core earnings after impairment losses	**351**	**(5,429)**
Investment portfolio income	166	227
Profit (loss) before tax	**517**	**(5,202)**
Tax	122	(1,264)
Profit (loss) for the year	**395**	**(3,938)**

[1] Includes core income from Kalvebod issues and income from own trading activities, which totalled DKK 47m in 2009.

The Nykredit Bank Group
Summary balance sheet, year-end

DKK million	2010	2009
Loans and advances	71,992	72,884
Bonds and equities	75,266	65,670
Payables to credit institutions and central banks	48,351	56,843
Deposits	55,699	65,117
Equity	13,769	12,374
Total assets	210,422	215,209

NYKREDIT MÆGLER A/S

Nykredit Mægler's core business is being the franchiser of the estate agency chain Nybolig and business partner to the estate agency chain Estate.

At end-2010, the agency network comprised 319 estate agencies, of which 226 Nybolig agencies and 93 Estate agencies.

Activity in the property market saw an upturn relative to 2009. Nykredit Mægler franchisees sold 14,215 properties in 2010, 14.2% more than the year before.

Nykredit Mægler recorded a profit of DKK 2m before tax and DKK 1m after tax against a loss of DKK 6m and DKK 5m, respectively, in 2009.

The company recognised impairment losses of DKK 18m in respect of a few franchisees in 2010 compared with DKK 24m in 2009.

NYKREDIT EJENDOMME A/S

Nykredit Ejendomme's main activity is the leasing of a number of the Nykredit Realkredit Group's owner-occupied properties.

Nykredit Ejendomme posted a loss of DKK 99m before tax and DKK 91m after tax for 2010 against a loss of DKK 50m and DKK 56m, respectively, the year before. Results for 2010 were affected by a profit of DKK 27m from the divestment of a property and total impairment losses on the company's properties of DKK 115m compared with DKK 70m in 2009.

The company's equity was DKK 541m at end-2010.

EJENDOMSSELSKABET KALVEBOD A/S

The principal activity of the company is to temporarily own and manage non-performing exposures, directly or indirectly through subsidiaries, on behalf of companies in the Nykredit Group.

The company recorded a loss of DKK 1m after tax in 2010. The property company acquired shares in two property companies in H2/2010 with a property portfolio of DKK 776m.

The company's equity was DKK 249m at year-end.

Nykredit Mægler A/S

DKK million	2010	2009
Profit (loss) for the year	1	(5)
Balance sheet total	133	150
Equity	113	113

Nykredit Ejendomme A/S

DKK million	2010	2009
Loss for the year	(91)	(56)
Land and buildings	1,691	1,740
Balance sheet total	1,725	1,771
Equity	541	631

Ejendomsselskabet Kalvebod A/S

DKK million	2010	2009 [1]
Profit (loss) for the year	(1)	1
Investment properties	776	-
Balance sheet total	1,025	251
Equity	249	251

[1] Includes the financial period 1 July 2008 – 31 December 2009.

MANAGEMENT STATEMENT AND AUDIT REPORTS

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD ON THE ANNUAL REPORT
The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2010 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The Parent Financial Statements and the Management's Review have been prepared in accordance with the Danish Financial Business Act.

Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

In our opinion, the Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2010 and of the results of the Group's and the Parent Company's operations as well as the Group's cash flows for the financial year 2010.

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

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

Copenhagen, 10 February 2011

Executive Board

Peter Engberg Jensen
Group Chief Executive

Kim Duus
Group Managing Director

Søren Holm
Group Managing Director

Karsten Knudsen
Group Managing Director

Per Ladegaard
Group Managing Director

Bente Overgaard
Group Managing Director

Board of Directors

Steen E. Christensen
Chairman

Hans Bang-Hansen
Deputy Chairman

Steffen Kragh
Deputy Chairman

Kristian Bengaard

Michael Demsitz

Merete Eldrup

Lisbeth Grimm

Allan Kristiansen

Susanne Møller Nielsen

Anders C. Obel

Erling Bech Poulsen

Nina Smith

Jens Erik Udsen

Leif Vinther

INTERNAL AUDITORS' REPORT

We have audited the Consolidated Financial Statements, the Financial Statements and the Management's Review of Nykredit Realkredit A/S for the financial year 1 January – 31 December 2010. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the Consolidated Financial Statements and the Financial Statements have been prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds. The Management's Review has been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and the Danish and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Consolidated Financial Statements, the Financial Statements and the Management's Review are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion

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

Furthermore, in our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2010 and of the results of the Group's and the Parent Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2010 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for issuers of listed bonds, and the Management's Review gives a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 10 February 2011

Claus Okholm
Chief Audit Executive

Kim Stormly Hansen
Deputy Chief Audit Executive

INDEPENDENT AUDITORS' REPORT

To the shareholder of Nykredit Realkredit A/S

We have audited the Consolidated Financial Statements, the Financial Statements and the Management's Review of Nykredit Realkredit A/S for the financial year 1 January – 31 December 2010, comprising income statements, statements of comprehensive income, balance sheets, statement of changes in equity, cash flow statements and notes to the Financial Statements, including accounting policies. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. In addition, the Consolidated Financial Statements and the Financial Statements have been prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds. The Management's Review has been prepared in accordance with the Danish Financial Business Act.

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

Management is responsible for the preparation and fair presentation of Consolidated Financial Statements and Financial Statements in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with Danish disclosure requirements for issuers of listed bonds. Management is also responsible for the preparation of a Management's Review that gives a fair review in accordance with the Danish Financial Business Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Consolidated Financial Statements, Financial Statements and a Management's Review that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the Consolidated Financial Statements, the Financial Statements and the Management's Review based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Consolidated Financial Statements, the Financial Statements and the Management's Review are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2010 and of the results of the Group's and the Parent Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2010 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for issuers of listed bonds, and the Management's Review gives a fair review in accordance with the Danish Financial Business Act.

Copenhagen, 10 February 2011

Deloitte
Statsautoriseret Revisionsaktieselskab

Anders O. Gjelstrup
State-Authorised Public Accountant

Henrik Wellejus
State-Authorised Public Accountant

Income statements for 1 January – 31 December

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Note	The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
40,357	36,082	Interest income	3	44,496	52,237
34,845	30,750	Interest expenses	4	33,286	41,115
5,512	5,332	NET INTEREST INCOME		11,210	11,122
46	49	Dividend on equities	5	52	64
872	949	Fee and commission income	6	2,149	2,003
236	253	Fee and commission expenses	7	1,595	1,474
6,193	6,077	NET INTEREST AND FEE INCOME		11,816	11,715
2,508	(333)	Value adjustments	8	(559)	2,186
87	92	Other operating income		209	165
2,619	2,642	Staff and administrative expenses	9	4,837	4,857
592	649	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	10	811	744
0	2	Other operating expenses		382	551
1,216	712	Impairment losses on loans, advances and receivables	11	2,382	7,919
(2,630)	2,708	Profit (loss) from investments in associates and group enterprises	12	36	(141)
1,731	4,538	PROFIT (LOSS) BEFORE TAX		3,090	(145)
851	461	Tax	13	786	(29)
880	4,076	PROFIT (LOSS) FROM CONTINUED OPERATIONS FOR THE YEAR		2,304	(117)
-	-	Profit from discontinued insurance operations	14	1,511	245
880	4,076	PROFIT FOR THE YEAR		3,816	129
		DISTRIBUTION OF PROFIT FOR THE YEAR			
-	-	Shareholders of Nykredit Realkredit A/S		3,816	129
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT			
(2,795)	1,361	Statutory reserves			
3,675	2,415	Retained earnings			
-	300	Proposed dividend			

Statements of comprehensive income for 1 January – 31 December

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Note	The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
880	4,076	PROFIT FOR THE YEAR		3,816	129
(15)	-	Foreign currency translation adjustment of foreign entities		-	(15)
-	(1)	Fair value adjustment of owner-occupied properties		1	(12)
-	0	Tax on fair value adjustment of owner-occupied properties		(0)	3
-	-	Fair value adjustment of equities available for sale		232	748
-	-	Tax on fair value adjustment of equities available for sale		(71)	3
-	-	Unrealised capital loss on equities available for sale has been reclassified to the income statement due to objective evidence of impairment		100	-
(13)	2	Share of comprehensive income in associates and group enterprises		-	(1)
3	(1)	Tax on share of comprehensive income in associates and group enterprises		-	-
(25)	1	OTHER COMPREHENSIVE INCOME		261	726
855	4,077	COMPREHENSIVE INCOME FOR THE YEAR		4,077	855
		DISTRIBUTION OF COMPREHENSIVE INCOME			
-	-	Shareholders of Nykredit Realkredit A/S		4,077	855

Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Note	The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
		ASSETS			
1,691	**394**	**Cash balance and demand deposits with central banks**		**507**	**1,828**
36,301	**45,510**	**Receivables from credit institutions and central banks**	15	**58,149**	**61,081**
957,350	**1,019,032**	**Loans, advances and other receivables at fair value**	16	**1,043,763**	**992,992**
1,103	**944**	**Loans, advances and other receivables at amortised cost**	17	**59,777**	**62,011**
51,070	**58,697**	**Bonds at fair value**	18	**94,139**	**81,871**
		Equities			
4,025	4,673	Equities measured at fair value through profit or loss		1,696	1,809
-	-	Equities available for sale		3,309	2,941
4,025	**4,673**	**Total**	19	**5,005**	**4,750**
151	**149**	**Investments in associates**	20	**151**	**175**
27,240	**27,930**	**Investments in group enterprises**	21	**-**	**-**
4,882	**4,499**	**Intangible assets**	22	**4,545**	**4,933**
		Land and buildings			
-	-	Investment properties		845	69
25	23	Owner-occupied property		1,715	1,767
25	**23**	**Total**	23	**2,560**	**1,836**
239	**306**	**Other property, plant and equipment**	24	**342**	**334**
-	**-**	**Current tax assets**	34	**188**	**1,327**
790	**703**	**Deferred tax assets**	33	**747**	**1,065**
159	**274**	**Assets in temporary possession**	25	**404**	**191**
16,306	**17,052**	**Other assets**	26	**40,646**	**32,605**
112	**199**	**Prepayments**		**218**	**186**
1,101,443	**1,180,384**	**TOTAL ASSETS**		**1,311,140**	**1,247,185**

Balance sheets at 31 December

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Note	The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
		LIABILITIES AND EQUITY			
97,339	**79,456**	**Payables to credit institutions and central banks**	27	**95,879**	**119,313**
-	**-**	**Deposits and other payables**	28	**55,467**	**64,483**
907,439	**1,002,524**	**Issued bonds at fair value**	29	**974,319**	**889,899**
194	**195**	**Issued bonds at amortised cost**	30	**32,569**	**44,253**
3,812	**4,394**	**Other non-derivative financial liabilities at fair value**	31	**28,160**	**8,902**
720	**129**	**Current tax liabilities**	34	**160**	**1,008**
25,304	**26,532**	**Other liabilities**	32	**55,721**	**49,224**
-	**-**	**Deferred income**		**6**	**14**
1,034,809	**1,113,230**	**Total payables**		**1,242,281**	**1,177,096**
		Provisions			
276	322	Provisions for pensions and similar obligations	35	326	280
781	580	Provisions for deferred tax	33	621	849
-	-	Insurance liabilities		-	1,448
107	100	Repayable reserves funded by pre-1972 series	36	100	107
-	-	Provisions for losses under guarantees	37	745	610
25	27	Other provisions	38	129	182
1,190	**1,029**	**Total provisions**		**1,921**	**3,476**
14,203	**10,805**	**Subordinated debt**	39	**11,618**	**15,372**
		Equity			
1,182	1,182	Share capital		1,182	1,182
		Accumulated changes in value			
5	4	- Revaluation reserves		132	132
-	-	- Value adjustment of equities available for sale		1,836	1,575
		Other reserves			
-	1,357	- Statutory reserves		-	-
26,760	35,490	- Series reserves		35,490	26,760
23,294	16,987	Retained earnings		16,380	21,592
-	300	Proposed dividend		300	-
51,241	**55,320**	**Total equity**		**55,320**	**51,241**
1,101,443	**1,180,384**	**TOTAL LIABILITIES AND EQUITY**		**1,311,140**	**1,247,185**
		OFF-BALANCE SHEET ITEMS	40		
-	-	Contingent liabilities		6,286	8,336
1,468	1,273	Other commitments		8,013	10,852
1,468	**1,273**	**TOTAL**		**14,298**	**19,189**

Statement of changes in equity

DKK million

Nykredit Realkredit A/S

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Statutory reserves*	Series reserves	Retained earnings	Proposed dividend	Total
2010								
Equity, 1 January	1,182	5	-	-	26,760	23,294	-	51,241
Profit for the year	-	-	-	1,361	-	2,415	300	4,076
Other comprehensive income								
Share of comprehensive income in associates and group enterprises	-	-	-	2	-	-	-	2
Fair value adjustment of owner-occupied property	-	(1)	-	-	-	-	-	(1)
Total other comprehensive income	-	(1)	-	2	-	-	-	1
Total comprehensive income for the year	-	(1)	-	1,363	-	2,415	300	4,077
Dividend from associates	-	-	-	(6)	-	6	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	8,730	(8,730)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	3	-	3
Equity, 31 December	1,182	4	-	1,357	35,490	16,987	300	55,320
2009								
Equity, 1 January	1,182	5	(3)	2,844	25,778	20,572	-	50,377
Profit (loss) for the year	-	-	-	(2,795)	-	3,675	-	880
Other comprehensive income								
Foreign currency translation adjustment of foreign entities	-	-	(15)	-	-	-	-	(15)
Share of comprehensive income in associates and group enterprises	-	-	-	(10)	-	-	-	(10)
Total other comprehensive income	-	-	(15)	(10)	-	-	-	(25)
Total comprehensive income for the year	-	-	(15)	(2,805)	-	3,675	-	855
Dividend from associates	-	-	-	(13)	-	13	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	982	(982)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	(0)	9	-	9
Adjustment relating to foreign entities	-	-	18	-	-	(18)	-	-
Adjustment relating to subsidiaries	-	-	-	(25)	-	25	-	-
Equity, 31 December	1,182	5	-	-	26,760	23,294	-	51,241

* The item relates to transfer to reserves for net revaluation according to the equity method. The reserves are non-distributable.

The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

Statement of changes in equity

DKK million

The Nykredit Realkredit Group

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Accumulated value adjustment of equities available for sale	Series reserves	Retained earnings	Proposed dividend	Total
2010								
Equity, 1 January	**1,182**	**132**	**-**	**1,575**	**26,760**	**21,592**	**-**	**51,241**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**3,516**	**300**	**3,816**
Other comprehensive income								
Fair value adjustment of owner-occupied property	-	1	-	-	-	-	-	1
Fair value adjustment of equities available for sale	-	-	-	161	-	-	-	161
Unrealised capital loss on equities available for sale has been reclassified to the income statement due to objective evidence of impairment	-	-	-	100	-	-	-	100
Total other comprehensive income	**-**	**1**	**-**	**261**	**-**	**-**	**-**	**261**
Total comprehensive income for the year	**-**	**1**	**-**	**261**	**-**	**3,516**	**300**	**4,077**
Adjustment pursuant to capital adequacy rules	-	-	-	-	8,730	(8,730)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	3	-	3
Equity, 31 December	**1,182**	**132**	**-**	**1,836**	**35,490**	**16,380**	**300**	**55,320**
2009								
Equity, 1 January	**1,182**	**141**	**(3)**	**(674)**	**25,778**	**23,954**	**-**	**50,377**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**129**	**-**	**129**
Other comprehensive income								
Foreign currency translation adjustment of foreign entities	-	-	(15)	-	-	-	-	(15)
Fair value adjustment of owner-occupied property	-	(9)	-	-	-	-	-	(9)
Fair value adjustment of equities available for sale	-	-	-	751	-	-	-	751
Share of comprehensive income in associates	-	-	-	-	-	(1)	-	(1)
Total other comprehensive income	**-**	**(9)**	**(15)**	**751**	**-**	**(1)**	**-**	**726**
Total comprehensive income for the year	**-**	**(9)**	**(15)**	**751**	**-**	**128**	**-**	**855**
Reclassification of value adjustment of equities available for sale[1]	-	-	-	1,498	-	(1,498)	-	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	982	(982)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	(0)	9	-	9
Adjustment relating to foreign entities	-	-	18	-	-	(18)	-	-
Equity, 31 December	**1,182**	**132**	**-**	**1,575**	**26,760**	**21,592**	**-**	**51,241**

[1]Reclassification includes accumulated value adjustment of strategic equities prior to 1 January 2005.

Capital base and capital adequacy at 31 December

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		Capital base and capital adequacy		
51,241	55,320	Equity, year-end	55,320	51,241
(5)	(4)	Revaluation reserves transferred to supplementary capital	(132)	(132)
51,236	**55,316**	**Core capital**	**55,188**	**51,109**
-	(300)	Proposed dividend	(300)	-
(4,882)	(4,499)	Intangible assets	(4,545)	(4,944)
(9)	(123)	Capitalised tax assets	(126)	(220)
46,345	**50,395**	**Core capital after statutory deductions excl hybrid core capital**	**50,217**	**45,945**
10,547	10,805	Hybrid core capital included	11,055	10,805
(444)	(587)	Difference between expected losses and impairments for accounting purposes	(599)	(744)
(384)	-	Statutory deduction for insurance business	-	(384)
(414)	(1,393)	Other statutory deductions	(177)	(145)
55,651	**59,221**	**Core capital, incl hybrid core capital, after statutory deductions**	**60,497**	**55,476**
3,656	-	Subordinate loan capital included	594	4,567
62	57	Revaluation reserves and series reserves	185	189
59,369	**59,278**	**Capital base before statutory deductions**	**61,276**	**60,232**
(444)	-	Difference between expected losses and impairments for accounting purposes	(599)	(744)
(384)	-	Statutory deduction for insurance business	-	(384)
(414)	(57)	Other statutory deductions	(177)	(145)
58,127	**59,221**	**Capital base after statutory deductions**	**60,500**	**58,960**
24,250	25,574	Credit risk (incl settlement risk, statutory deduction for collective impairment provisions under the standardised approach and a charge for exceeding large exposure limits)	23,269	23,728
1,201	1,093	Market risk	1,672	1,846
787	970	Operational risk	1,272	978
26,238	**27,637**	**Total capital requirement before transitional rule**	**26,213**	**26,551**
29,561	**31,029**	**Total capital requirement after transitional rule**	**45,016**	**42,000**
327,980	**345,467**	**Total risk-weighted assets**	**327,665**	**331,891**
13.8	14.6	Core capital ratio excl hybrid core capital	15.3	13.5
17.0	17.1	Core capital ratio incl hybrid core capital	18.5	16.7
17.7	17.1	Capital adequacy ratio	18.5	17.8
9.0	9.0	Minimum capital adequacy ratio (capital adequacy ratio after transitional rule)	13.7	12.7
9.0	8.9	Internal capital adequacy requirement (ICAAP), %	9.4	9.8

Core earnings and investment portfolio income 1 January – 31 December

DKK million

The Nykredit Realkredit Group

	2010				2009			
	Core earnings	Investment portfolio income	Costs of capital	Total	Core earnings	Investment portfolio income	Costs of capital	Total
Net interest income	8,631	3,039	(459)	11,210	8,237	2,985	(101)	11,122
Dividend on equities	2	50	-	52	3	61	-	64
Net fee and commission income	606	(51)	-	554	559	(30)	-	529
Net interest and fee income	**9,238**	**3,037**	**(459)**	**11,816**	**8,800**	**3,016**	**(101)**	**11,715**
Value adjustments	489	(1,047)	(2)	(559)	582	1,598	6	2,186
Other operating income	202	7	-	209	157	9	-	165
Staff and administrative expenses	4,837	-	-	4,837	4,995	(138)	-	4,857
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	811	-	-	811	744	-	-	744
Other operating expenses	382	-	-	382	551	-	-	551
Impairment losses on loans, advances and other receivables	2,382	-	-	2,382	7,919	-	-	7,919
Profit (loss) from investments in associates	30	6	-	36	-	(141)	-	(141)
Profit (loss) before tax	**1,548**	**2,003**	**(461)**	**3,090**	**(4,670)**	**4,620**	**(95)**	**(145)**

Cash flow statement 1 January – 31 December

DKK million

	Note	The Nykredit Realkredit Group 2010	2009
Profit after tax for the year		**3,816**	**129**
Amortisation and impairment losses for intangible assets		573	550
Depreciation and impairment losses for property, plant and equipment		239	194
Profit/loss from investments in associates		(36)	141
Profit from discontinued insurance operations		(1,511)	(245)
Impairment losses on loans, advances and receivables		2,382	7,919
Prepayments/deferred income, net		(41)	(16)
Tax calculated on profit for the year		786	(29)
Other adjustments		300	584
Total		**2,691**	**9,098**
Profit for the year adjusted for non-cash operating items		**6,506**	**9,227**
Change in working capital			
Loans, advances and other receivables		(51,176)	(69,038)
Deposits and payables to credit institutions		(32,900)	(39,930)
Issued bonds		71,881	77,477
Other working capital		17,864	(11,312)
Total		**5,668**	**(42,804)**
Corporation tax paid, net		**(427)**	**48**
Cash flows from operating activities		**11,748**	**(33,529)**
Cash flows from investing activities			
Purchase of group enterprises	51	(38)	-
Sale of Nykredit Forsikring A/S		2,514	-
Purchase of associates		(2)	(2)
Sale of associates		11	12
Dividends received		506	13
Purchase and sale of bonds and equities		(14,250)	16,883
Purchase of intangible assets		(184)	(166)
Sale of intangible assets		-	2
Purchase of property, plant and equipment		(409)	(369)
Sale of property, plant and equipment		242	47
Total		**(11,610)**	**16,420**
Cash flows from financing activities			
Raising of subordinated debt		-	6,617
Redemption of subordinated debt and buyback of self-issued bonds		(4,019)	(310)
Total		**(4,019)**	**6,307**
Cash flows from continued operations		**(3,882)**	**(10,803)**
Cash flows from discontinued insurance operations	14	(371)	324
Total cash flows		**(4,253)**	**(10,478)**
Cash and cash equivalents, beginning of period			
Cash balance and demand deposits with central banks		1,828	323
Receivables from credit institutions and central banks		61,081	73,065
Total		**62,909**	**73,388**
Cash and cash equivalents, end of period			
Cash balance and demand deposits with central banks		507	1,828
Receivables from credit institutions and central banks		58,149	61,081
Total		**58,657**	**62,909**

Notes

LIST OF NOTES

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 relating to annual reports of issuers of listed bonds.

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

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

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

Changes to accounting policies
Investments in joint ventures are recognised and measured according to the equity method. Previously, they were recognised and measured by proportionate consolidation. Comparative figures have been restated. The change has no impact on earnings or equity, but it has a marginal impact on some of the Group's financial ratios.

The change was made to comply with expected new financial reporting legislation and to give a fairer presentation of the new business model of JN Data A/S, which was previously recognised by proportionate consolidation.

Changes to accounting presentation
Nykredit Forsikring A/S is recognised in the income statement as discontinued operations under "Profit from discontinued insurance operations". Profit from the sale of Nykredit Forsikring A/S is also recognised under "Profit from discontinued insurance operations". Pursuant to IFRS 5, comparative income and cash flow statement figures have been restated in contrast to comparative balance sheet figures. The restatement has no impact on earnings or equity, but on a few of the Group's financial ratios.

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 9 "Financial Instruments: Classification and Measurement" (financial assets (November 2009) and financial liabilities (October 2010)) (new standard) (not approved for use in the EU). Expected to be effective for financial years beginning on or after 1 January 2013.

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

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

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

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

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

Fair value of financial instruments
Measurement of the fair value of unlisted financial instruments is based on significant estimates. Notes 42 and 43 further specify the methods applied to determine the carrying amounts and the related specific uncertainties. Financial instruments the measurement of which is not based on listed prices represent about 5.9% of assets and 6.0% of liabilities.

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

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

Lending made up some 84% of the Group's assets at end-2010.

Goodwill
Purchased goodwill, as the assessment of the future earning capacity of the companies is based on significant estimates. Goodwill constitutes about 0.2% of the Group's assets.

Investment and owner-occupied properties
After initial recognition, investment and owner-occupied properties are measured at fair value or at a reassessed value when measurement is subject to significant estimates as regards the elements forming part of the fair value calculation. Investment and owner-occupied properties make up some 0.2% of the Group's assets.

Provisions for losses under guarantees
Provisions for losses under guarantees are subject to significant estimates where the determination of the extent to which a guarantee may become effective upon the financial collapse of the guarantee applicant is subject to uncertainty. Part of the provisions are attributable to the government guarantee scheme where estimates and uncertainty are primarily based on a general expectation of losses inflicted on the scheme by the distressed banks. Provisions for losses under guarantees and off-balance sheet contingent liabilities totalled DKK 7,031m at end-2010.

Material accounting assessments
Financial instruments
Financial instruments represent more than 95% of the Group's assets as well as liabilities.

Financial instruments are recognised on the settlement date, and changes in the fair value of instruments purchased or sold in the period between the trade date and the settlement date are recognised as financial assets or liabilities.

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

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

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

Measurement principles and classification of financial instruments are described below as well as in notes 42 and 43.

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

Classification
Financial instruments are classified as follows:
- Loans, advances and receivables/Other financial liabilities at amortised cost
- Financial assets and liabilities at fair value through profit or loss:
  - held for trading,
  - initially recognised at fair value (the fair value option),
- Financial assets available for sale

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

Amortised cost is determined as initial cost less principal payments and adjustment for the cumulative difference between cost and the nominal value and any transaction costs. Capital gains and losses as well as transaction cost are distributed over the life of the asset or liability. In addition, provisions for loan impairment are deducted.

Financial assets and liabilities at fair value through profit or loss
The category consists of the two following categories:

Category 1
A financial asset/liability is classified as "held for trading" if:
- chiefly acquired with a view to a short-term gain,
- it forms part of a portfolio where there is evidence of realisation of short-term gains, or
- Management classifies it as such.

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

Category 2
On initial recognition, a financial asset/liability is classified at fair value (the fair value option) if:
- a group of financial assets/liabilities is under management, and earnings are assessed by Nykredit's Management in accordance with a documented risk management strategy or investment strategy based on fair value,
- this classification eliminates or materially reduces measurement inconsistency that would arise on using the general measurement provisions of IAS 39.

Mortgage loans and issued mortgage bonds/covered bonds/junior covered bonds are included in this category. Reference is made to accounting policies below.

Realised and unrealised gains and losses arising from changes in the fair value of "Financial assets and liabilities at fair value through profit or loss" are recognised through profit or loss for the period in which they arose.

Financial assets available for sale
Financial assets available for sale include equities traded in an active market and unlisted equities.

RECOGNITION AND MEASUREMENT IN GENERAL

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

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

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

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

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

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

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

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

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

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

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

Enterprises in which the Nykredit Realkredit Group has joint control with other enterprises which do not form part of the Group are considered joint ventures. The Group's investments in joint ventures are recognised and measured according to the equity method.

The Consolidated Financial Statements are prepared on the basis of the financial statements of the individual enterprises by combining items of a uniform nature. All intercompany income and costs, dividends, intercompany shareholdings and balances as well as realised and unrealised intercompany gains and losses are eliminated.

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

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

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

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

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

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

Divested enterprises are included up to the time of divestment.

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

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

Core income from securities includes the return which the Group would have obtained by placing its investment portfolios at a risk-free interest rate – Danmarks Nationalbank's repo rate. Core income from securities also includes net interest expenses relating to supplementary capital and the acquisition of Totalkredit determined relative to risk-free interest.

Investment portfolio income is the excess income obtained from investing in equities, bonds and derivative financial instruments in addition to risk-free interest. Price spreads and interest margins relating to the mortgage lending of Nykredit Realkredit and Totalkredit as well as the trading activities of Nykredit Markets are included not as investment portfolio income, but as core income from business operations.

Segment information
Information is provided on business segments and geographic markets. Business areas are defined on the basis of differences in customer segments, services and group items. The presentation of the business areas is based on internal management reporting. The

business areas reflect the Group's risk and return and are considered the Group's core segments. Segment information is in accordance with the Group's accounting policies.

Income and expenses included in the profit (loss) before tax of the individual business areas comprise directly as well as indirectly attributable items. Such allocation is based on internal allocation keys as well as agreements between the individual business areas. Items not directly or indirectly attributable are included under group items.

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

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

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

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

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

Information is provided exclusively at group level.

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

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

At the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency translation adjustment is recognised in the income statement.

Currency translation differences arisen on translation of non-monetary items such as equities at fair value recognised in the income statement are recognised as part of the fair value gain or loss.

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

Repo/reverse
Securities sold as part of sale and repurchase transactions are retained in the balance sheet under the appropriate principal item, eg "Bonds". Repo/reverse transactions are recognised and measured at fair value.

The amount received is recognised as payables to the counterparty or under "Non- financial liabilities at fair value". The liability is fair value adjusted over the life of the agreement through profit or loss.

Securities acquired as part of purchase and resale transactions are stated as receivables from the counterparty or under the item "Loans, advances and other receivables at fair value". The receivables are fair value adjusted over the life of the agreement through profit or loss.

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

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

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

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

Other leases are classified as operating leases. Properties leased under operating leases are classified as "Investment properties".

INCOME STATEMENT

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

Interest income includes interest and interest-like income, including interest-like commission received and other income that forms an integral part of the effective interest rate of the underlying instruments. The item also includes index premium on assets, forward premium on securities and foreign exchange trades as well as adjustments over the life of financial assets measured at amortised cost and where cost differs from the redemption price.

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

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

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

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

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

Other fees and commissions are fully recognised in the income statement at the date of transaction.

Value adjustments
Value adjustments include foreign currency translation adjustment and value adjustment of assets and liabilities measured at fair value. Value adjustments relating to the credit risk of loans, advances and receivables measured at fair value are recognised under the item "Impairment losses on loans, advances and receivables".

Profit (loss) from investments in associates
The proportionate share of the profit (loss) of associates and joint ventures after tax and after elimination of the proportionate share of intercompany profit (loss) is recognised in the Consolidated Income Statement.

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

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-/underpayment of tax are recognised under "Other interest income" or "Other interest expenses", as appropriate.

Deferred tax on all temporary differences between the carrying amounts and the tax values of assets and liabilities is recognised using the balance sheet liability method 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 and the settlement of each liability, respectively. Deferred tax is measured using the tax rates expected to apply to temporary differences upon reversal and the tax rules prevailing on the balance sheet date or existing tax rules.

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

The Nykredit Group's Danish companies are jointly taxed with Foreningen Nykredit (the Nykredit Association). Current Danish corporation tax payable is distributed between the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

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

ASSETS

Receivables from credit institutions and central banks
Receivables from credit institutions and central banks include receivables from other credit institutions and time deposits with central banks. Initial recognition is made at fair value. Subsequent measurement is made at amortised cost.

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

Loans, advances and other receivables at fair value (the fair value option)
The item includes loans and advances included in the trading book and mortgage loans classified at fair value (the fair value option) as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions of IAS 39.

Mortgage loans granted in accordance with Danish mortgage legislation have been funded by issued listed mortgage bonds or covered bonds of uniform terms. Such mortgage loans may be prepaid by way of a delivery of the underlying bonds. The Nykredit Realkredit Group buys and sells its self-issued mortgage bonds and covered bonds on a continuing basis as they constitute a key part of the Danish money market.

If mortgage loans and issued mortgage bonds/covered bonds were measured at amortised cost, the purchase and sale of self-issued mortgage bonds/covered bonds would lead to a time lag between the recognition of gains and losses in the financial statements. The purchase price of the holding would not equal the amortised cost of the issued bonds, and the elimination would lead to the recognition of a random earnings impact. If the holding of self-issued mortgage bonds/covered bonds is subsequently sold, the new amortised cost of the "new issue" would not equal the amortised cost of the matching mortgage loans, and the difference would be amortised over the time-to-maturity.

Mortgage loans are therefore measured at fair value and include an adjustment for the market risk based on the value of the underlying bonds and an adjustment for credit risk based on the provisioning need.

Totalkredit mortgage loan funding
Nykredit Realkredit A/S issues mortgage bonds/covered bonds for the funding of loans granted by Nykredit Realkredit A/S as well as Totalkredit A/S. Totalkredit A/S is therefore under an obligation to pay interest, drawing and prepayment amounts to Nykredit Realkredit A/S, which will transfer such payments to bond investors.

Mortgage loans are measured at fair value with adjustment for market risk based on the value of the underlying bonds and any impairment provisions for credit risk. Nykredit's Management has resolved to apply the fair value option as such classification eliminates the accounting mismatch that would arise on using amortised cost as defined by IAS 39, cf above.

Loans, advances and other receivables at amortised cost
On initial recognition, other loans, advances and other receivables at amortised cost are measured at fair value less/plus the costs and income relating to the acquisition. Subsequent

measurement takes place at the lower of amortised cost and net realisable value less provisions for loan and receivable impairment.

Provisions for loan and receivable impairment

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

Individual impairment provisions

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

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

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

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

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

Similar individual impairment provisions are made for non-significant loans, advances and receivables if there is OEI and the event(s) concerned is(are) believed to have a reliably measurable effect on the size of expected future payments from the exposure/loan.

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

Where OEI is identified on an individual basis and it is not possible to determine the deterioration of cash flows on individual loans reliably, the individual provisioning need is determined on the basis of a joint assessment of the loan and equivalent loans. Subsequently, collective provisions are made based on the most probable outcome for the deterioration of expected cash flows. This approach is generally used for very small loans and advances where the Group's information on the customer's financial position is not up to date.

Collective impairment provisions

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

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

Calculations are made according to a so-called rating model using adjusted Basel parameters for the loss flow calculation. Having been adjusted to the accounting rules, the Basel parameters are based on events occurred, cash flows until expiry of loan terms and a discounting of loss flows to present value.

In addition to the rating model, collective impairment provisions are also calculated on the basis of a segmentation model adjusting the Basel parameters of the rating model for events occurred which, due to sudden economic developments, have not yet been included in the rating model.
The outcome of the two above models is subjected to a quarterly informed estimate. For relevant groups, the provisioning need is supplemented with an adjustment if there are events which the model does not take into account.

Impairment provisions in general

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

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

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

Equities and bonds

Equities and bonds are initially recognised at fair value and are subsequently measured at fair value based on listed prices or recognised measurement methods.

If no objective prices from recent trades in unlisted equities are available, these equities are measured at fair value using the IPEV Board's principles of valuation of unlisted equities.

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

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

Equities classified as "available for sale" are initially recognised at fair value and are subsequently measured at fair value based on listed prices or recognised measurement methods. Unrealised value adjustments are recognised in "Other comprehensive income" except for losses resulting from material or permanent impairment. Such losses are charged under "Value adjustments" in the income statement.

On realisation, the accumulated value adjustment recognised in "Other comprehensive income" is transferred to "Value adjustments" in the income statement.

Investments in associates

Investments in associates include enterprises that are not group enterprises, but in which the Nykredit Realkredit Group exercises significant influence but not control and joint ventures. Enterprises in which the Group holds between 20% and 50% of the voting rights are generally considered associates.

Investments in associates are recognised and measured according to the equity method and are therefore measured at the proportionate ownership share of the enterprises' equity value carried less/plus the proportionate share of unrealised intercompany profits or losses and plus goodwill.

Total net revaluation of investments in associates is transferred through the profit distribution to "Statutory reserves" under equity.

Intangible assets

Goodwill

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises. Goodwill is tested for impairment at least once a year, and the carrying amount is written down to the lower of the recoverable amount and the carrying amount through profit or loss.

Impairment losses are recognised in the income statement and are not reversed.

Other intangible assets

Costs relating to development projects are recognised as intangible assets provided that there is sufficient certainty that the value in use of future earnings will cover actual development costs.

Capitalised development costs comprise salaries and other costs directly and indirectly attributable to the Group's development activities.

Development costs not meeting the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation. Capitalised development costs are amortised on completion of the development project on a straight-line basis over the period in which it is expected to generate economic benefits. The amortisation period is 3-5 years.

Fixed-term rights are recognised at cost less accumulated amortisation. Fixed-term rights are amortised on a straight-line basis over their remaining terms. Fixed-term rights lapse after a period of 5 to 10 years.

Customer relationships are recognised at cost less accumulated amortisation. Customer relationships are amortised on a straight-line basis over the estimated useful lives of the assets. The amortisation period is 13 years.

Other intangible assets are written down to the recoverable amount where EOI is identified.

Impairment losses recognised in the income statement are not reversed.

Land and buildings

Owner-occupied properties

Owner-occupied properties are properties which the Group uses for administration, sales and customer contact centres or for other service activities.

On acquisition, owner-occupied properties are recognised at cost and are subsequently measured at a reassessed value, equal to the fair value at the revaluation date less subsequent accumulated depreciation and impairment losses. Revaluations are made annually to prevent the carrying amounts from differing significantly from the values determined using the fair value on the balance sheet date.

Subsequent costs are recognised in the carrying amount of the asset concerned or are recognised as a separate asset where it is probable that costs incurred will lead to future economic benefits for the Group, and the costs can be measured reliably. The costs of ordinary repair and maintenance are recognised in the income statement as incurred.

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

Positive value adjustments less deferred tax are added to revaluation reserves under equity. Impairment losses offsetting former revaluations of the same property are deducted from revaluation reserves directly in equity, while other impairment losses are recognised through profit or loss.

Depreciation is made on a straight-line basis over the estimated useful life of 20–50 years, allowing for the expected scrap value at the expiry of the useful life. Land is not depreciated.

Profits and losses on divested assets are determined by comparing sales proceeds with carrying amounts. Gains and losses are recognised in the income statement. On divestment of revalued assets, revaluations contained in the revaluation reserves are transferred to retained earnings.

Investment properties

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

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

Fair value is determined on the basis of open market prices or the return method. Where open market prices are applied, adjustment is made for any differences in the nature, location or state of repair of the asset concerned.

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

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

Plant under construction

Plant under construction is measured at cost and includes costs directly attributable to construction. Interest on capital borrowed to finance plant under construction is capitalised as part of the acquisition cost of construction started after 1 January 2009.

Plant under construction is written down for impairment, if deemed necessary, as a result of ongoing impairment tests to ensure that the assets are written down by the difference between the carrying amount and the recoverable amount.

Other property, plant and equipment

Equipment

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

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

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

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

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

Assets in temporary possession

Assets in temporary possession includes property, plant and equipment or groups thereof (mainly properties repossessed), and subsidiaries and associates in respect of which:

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

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

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

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

LIABILITIES AND EQUITY

Payables

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

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

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

Issued bonds at fair value

Issued mortgage bonds, covered bonds and junior covered bonds are classified at fair value on initial recognition (the fair value option) as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions of IAS 39.

The fair value of the issued mortgage bonds, covered bonds and junior covered bonds is generally prevailing market prices. Bonds drawn at future payment dates are measured at a discounted value. Bonds not traded actively are recognised at calculated market prices.

Issued bonds at amortised cost

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

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.

Repayable reserves

Repayable reserves include reserves in pre-1972 series repayable after full or partial redemption of loans in compliance with the articles of association of the series concerned.

Pensions and similar obligations

The Group has entered into pension agreements with the majority of its staff. The agreements may be divided into two main types of plans:

- Defined contribution plans according to which the Group makes fixed contributions to staff members' pension plans on a current basis. The Group is under no obligation to make further contributions. The contributions to defined contribution plans are recognised in the income statement at the due date, and any contributions payable are recognised in the balance sheet under "Other payables".

- Defined benefit plans according to which the Group is obliged to make certain contributions in connection with retirement. Defined benefit plans are subject to an annual actuarial calculation (the Projected Unit Credit method) of the value in use of future benefits payable under the plans.

The value in use is calculated based on assumptions of the future development in eg wages, interest rates, inflation and mortality. The value in use is only calculated for benefits to which staff members have become entitled through their employment in the Group.

The actuarially calculated value in use less the fair value of plan assets is recognised in the balance sheet under "Other liabilities" or "Other assets", as appropriate. Actuarial gains and losses are recognised in the income statement in the year in which they arose. The Danish Financial Supervisory Authority's maturity-adjusted discount rate is applied for discounting purposes.

Part of the Group's staff are entitled to receive a fixed amount on attaining their retirement age (senior benefit and retirement benefit plans) and when having been employed by the Group for 25 and 40 years (jubilee benefits).

The obligations are recognised successively up to the date when the staff member is entitled to receive the benefit. The measurement of the size of the obligation allows for actuarial conditions, including the probability of staff members retiring before the time of benefit and therefore losing entitlement to the benefit. The obligations are recognised at present value using a zero-coupon yield curve plus a risk margin.

The present value changes within the financial year prompted by an altered discount rate are recognised under "Other interest income" or "Other interest expenses".

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

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

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

Proposed dividend
Proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration). Dividend expected to be distributed for the year is carried as a separate item under equity.

Revaluation reserves
Revaluation reserves include positive value adjustment of owner-occupied properties less deferred tax on the value adjustment. Increases in the reassessed value of properties are recognised directly under this item unless the increase cancels out a decrease previously recognised in the income statement. The item is adjusted for impairment fully or partially cancelling out previously recognised value increases. The item is also reduced on divestment of properties.

Accumulated value adjustment of equities available for sale
The reserve includes unrealised value adjustment of equities available for sale. The value adjustment is recognised in "Other comprehensive income". If there is OEI, the accumulated unrealised loss is reclassified from the reserve to the income statement.

Series reserves
Series reserves include series reserves in mortgage banks where there is no obligation to repay the borrowers.

Retained earnings
Retained earnings comprise distributable reserves which may be distributed to the Company's shareholders.

CASH FLOW STATEMENT
The consolidated cash flow statement is prepared according to the indirect method based on profit (loss) for the year. The Group's cash flow statement shows cash flows for the year stemming from:
- Operating activities
- Investing activities
- Financing activities
- Discontinued operations

Furthermore, the consolidated cash flow statement shows the changes in cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of the items "Cash balance and demand deposits with central banks" and "Receivables from credit institutions and central banks".

SPECIAL POLICIES FOR THE PARENT COMPANY NYKREDIT REALKREDIT A/S
The Annual Report of Nykredit Realkredit A/S is prepared in accordance with the Danish Financial Business Act and the FSA Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

In all material respects, these rules comply with the International Financial Reporting Standards (IFRS) and the Nykredit Group's accounting policies. Exceptions to this practice and special circumstances relating to the Parent Company are described below.

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

The proportionate ownership share of the equity value of the enterprise less/plus unrealised intercompany profits or losses is recognised under "Investments in group enterprises" in the balance sheet. Any positive difference between the total cost of investments in group enterprises and the fair value of the net assets at the time of acquisition is recognised in the balance sheet as an asset under the item "Intangible assets".

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

Total net revaluation of investments in group enterprises is transferred through the profit distribution to "Statutory reserves" under equity. The reserves are adjusted for the distribution of dividend to the Parent Company and for other changes in the equity of group enterprises.

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

Financial assets available for sale
Unlike IFRS, the FSA Executive Order does not allow the classification of financial assets as "available for sale" with fair value adjustment through "Other comprehensive income". In the Parent Company, "Equities available for sale" are classified as equities measured at fair value through profit or loss.

Statutory reserves
The statutory reserves include value adjustments of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves are adjusted for the distribution of dividend to the Parent Company and for other movements in equity in subsidiaries and associates.

SPECIAL POLICIES FOR INSURANCE BUSINESS

The profit (loss) of insurance business is classified as discontinued operations in the income statement.

Net premiums earned

Premiums

Net premiums earned include the directly and indirectly written policies for the year in which the risk period commenced before the end of the financial period less reinsurers' share and changes in the provisions for unearned premiums. Premiums are recognised according to policy risk exposure, however, to an extent at least equal to the coverage period.

Technical interest

Technical interest attributed from the investment business to the insurance business is determined as an estimated interest yield on the average insurance provisions for the year. Such interest is estimated based on the interest rate prescribed by the Danish Financial Supervisory Authority.

The item includes the discounting effect attributable to maturity changes in insurance provisions.

Claims incurred, net of reinsurance

Claims incurred consist of claims paid for the year, the run-off profit (loss) relating to previous years and adjustments for changes in claims provisions less reinsurers' share. Furthermore, the item includes expenses incurred in connection with the inspection and assessment of damage as well as direct and indirect claims administration expenses.

The item does not include the share of changes in claims provisions attributable to changes in the discount rate and maturity reductions which are recognised under "Value adjustments" or "Technical interest", as appropriate.

Insurance obligations

Provisions for unearned premiums

Provisions for unearned premiums total the exposure relating to future gross premiums from policies at risk at the balance sheet date. They must at least equal unearned premiums for the post-balance sheet coverage period.

Claims provisions

Claims provisions include amounts, determined on a best estimate basis, which have not been disbursed yet relating to insurance events occurring up to the balance sheet date whether reported or not. Claims provisions also include direct and indirect administrative expenses which are believed, on a best estimate basis, to cover the settlement of open claims.

Notes

DKK million

2. RESULTS BY BUSINESS AREA [1]

2010	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Management	Other Activities	Group items and eliminations	Total
Core income from							
- Business operations	2,366	1,460	3,719	1,577	298	(17)	9,403
- Kalvebod issues	-	-	-	57	-	-	57
Total	**2,366**	**1,460**	**3,719**	**1,634**	**298**	**(17)**	**9,460**
Transactions between business areas represent	57	(57)	119	-152	33	-	-
Core income from securities	-	-	-	-	-	470	470
Operating costs	1,699	419	1,248	894	274	654	5,188
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	-	467	2	11	165	166	811
Core earnings before impairment losses	**667**	**574**	**2,468**	**730**	**(142)**	**(368)**	**3,930**
Impairment losses on loans and advances	390	158	755	3	798	279	2,382
Core earnings after impairment losses	**278**	**416**	**1,713**	**727**	**(939)**	**(647)**	**1,548**
Investment portfolio income [2]	-	-	-	-	-	2,003	2,003
Profit (loss) before cost of capital	**278**	**416**	**1,713**	**727**	**(939)**	**1,357**	**3,551**
Net interest on hybrid core capital	-	-	-	-	-	(461)	(461)
Profit (loss) before tax from continued operations	**278**	**416**	**1,713**	**727**	**(939)**	**896**	**3,090**

2009	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Management	Other Activities	Group items and eliminations	Total
Core income from							
- Business operations	2,411	1,439	3,131	1,403	227	(38)	8,573
- Kalvebod issues	-	-	-	139	-	-	139
Total	**2,411**	**1,439**	**3,131**	**1,542**	**227**	**(38)**	**8,712**
Transactions between business areas represent	65	(65)	84	(107)	23	-	-
Core income from securities	-	-	-	-	-	829	829
Operating costs	1,779	376	1,475	833	266	819	5,548
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	24	449	22	-	124	125	744
Core earnings before impairment losses	**608**	**614**	**1,634**	**709**	**(163)**	**(153)**	**3,249**
Impairment losses on loans and advances	478	515	3,086	4	3,518	318	7,919
Core earnings after impairment losses	**130**	**99**	**(1,452)**	**705**	**(3,681)**	**(471)**	**(4,670)**
Investment portfolio income [2]	-	-	-	-	-	4,620	4,620
Profit (loss) before costs of capital	**130**	**99**	**(1,452)**	**705**	**(3,681)**	**4,149**	**(50)**
Net interest on hybrid core capital	-	-	-	-	-	(95)	(95)
Profit (loss) before tax from continued operations	**130**	**99**	**(1,452)**	**705**	**(3,681)**	**4,054**	**(145)**

Group segment information is provided by business area and geographical markets as primary and secondary segments, respectively.

Geographical markets

Core income from international lending came to DKK 221m in 2010 against DKK 179m in 2009.
The international loan portfolio totalled DKK 38bn at end-2010 against DKK 37bn at end-2009.

[1] In 2010 the segment financial statements were affected by the merger between Nykredit Bank and Forstædernes Bank and general reorganisation. Comparative figures have been restated to the widest extent possible, and certain income statement and balance sheet items have been allocated among the business areas based on estimates.

[2] Investment portfolio income includes a profit of DKK 6m (2009: a loss of DKK 141m).

Notes

DKK million

2. RESULTS BY BUSINESS AREA (continued)

Summary balance sheet items, year-end

2010	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Management	Other Activities	Group items and eliminations	Total
Assets							
Receivables from credit institutions	-	-	-	29,480	-	29,177	58,657
Mortgage loans at fair value	188,935	454,739	383,046	-	1,536	2,586	1,030,841
Other loans and advances at fair value	-	-	-	12,920	-	2	12,922
Bank loans at amortised cost	15,476	54	40,599	-	2,757	890	59,777
Bonds and equities	-	-	1,425	33,967	-	63,752	99,144
Investments in associates	-	-	-	-	-	151	151
Property, plant and equipment as well as intangible assets	9	3,305	72	2	2,627	1,432	7,447
Other assets	-	-	32	30,662	69	11,438	42,202
Total assets	**204,420**	**458,099**	**425,174**	**107,032**	**6,990**	**109,427**	**1,311,140**
Liabilities and equity							
Payables to credit institutions	-	-	-	48,351	1,837	45,691	95,879
Deposits and other payables	18,758	-	32,320	3,881	507	-	55,467
Issued bonds [1]	234,115	524,194	475,771	32,374	1,903	(261,469)	1,006,888
Other liabilities	-	2,871	-	49,865	-	44,850	97,586
Equity	-	-	-	-	-	55,320	55,320
Total liabilities and equity	**252,873**	**527,065**	**508,092**	**134,471**	**4,247**	**(115,608)**	**1,311,140**
Off-balance sheet items	7,639	-	12,048	1,842	707	(7,938)	14,298
Investments in property, plant and equipment as well as intangible assets	-	73	-	-	-	524	597

2009	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Management	Other Activities	Group items and eliminations	Total
Assets							
Receivables from credit institutions	-	-	-	46,357	-	16,552	62,909
Mortgage loans at fair value	186,113	430,483	366,055	-	1,544	(3,204)	980,991
Other loans and advances at fair value	-	-	-	11,962	-	39	12,001
Bank loans at amortised cost	16,647	82	39,179	-	5,081	1,022	62,011
Bonds and equities	-	-	1,542	64,099	-	20,980	86,621
Investments in associates	-	-	-	-	-	175	175
Property, plant and equipment as well as intangible assets	19	3,699	82	1	1,965	1,337	7,103
Other assets	-	-	-	20,557	-	14,817	35,374
Total assets	**202,779**	**434,264**	**406,858**	**142,976**	**8,590**	**51,718**	**1,247,185**
Liabilities and equity							
Payables to credit institutions	-	-	-	56,842	-	62,471	119,313
Deposits and other payables	19,618	-	33,434	10,450	981	-	64,483
Issued bonds [1]	228,690	426,773	453,235	44,059	1,544	(220,150)	934,151
Insurance liabilities	1,003	-	445	-	-	-	1,448
Other liabilities	-	3,208	-	26,160	-	47,181	76,549
Equity	-	-	-	-	-	51,241	51,241
Total liabilities and equity	**249,311**	**429,981**	**487,114**	**137,511**	**2,525**	**(59,257)**	**1,247,185**
Off-balance sheet items	9,040	-	16,076	3,897	-	(9,726)	19,287
Investments in property, plant and equipment as well as intangible assets	2	69	1	-	-	521	593

[1] Self-issued bonds have been offset under "Group items and eliminations", which also includes adjustment for market risk on mortgage lending and issued bonds.

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
		3. INTEREST INCOME		
14,232	13,615	Receivables from credit institutions and central banks	203	420
21,260	17,323	Loans, advances and other receivables	36,439	43,569
2,643	3,053	Administration margin (income)	5,197	4,633
		Bonds		
1,984	1,255	- Self-issued SDOs (særligt dækkede obligationer)	2,972	2,904
603	672	- Self-issued ROs (realkreditobligationer)	1,002	1,501
1,491	1,408	- Other ROs	2,017	2,687
(4)	360	- Government bonds	486	175
266	222	- Other bonds	407	467
		Derivative financial instruments		
320	111	- Foreign exchange contracts	55	139
84	(62)	- Interest rate contracts	(305)	184
-	-	- Equity contracts	0	(1)
126	74	Other interest income	100	94
43,005	**38,031**	**Total**	**48,573**	**56,771**
(1,984)	(1,255)	Interest from self-issued SDOs has been offset against interest expenses – note 4	(2,972)	(2,904)
(603)	(672)	Interest from self-issued ROs has been offset against interest expenses – note 4	(1,002)	(1,501)
(60)	(22)	Interest from other self-issued securities and bonds has been offset against interest expenses – note 4	(104)	(129)
40,357	**36,082**	**Total**	**44,496**	**52,237**
		Of which interest income from genuine purchase and resale transactions entered as:		
116	47	Receivables from credit institutions and central banks	110	181
40	-	Loans, advances and other receivables	88	478
		Of total interest income:		
14,207	13,631	Interest income accrued on financial assets measured at amortised cost	2,705	2,406
-	-	Interest income accrued on impaired financial assets measured at amortised cost	155	36
-	-	Interest income accrued on fixed-rate bank loans	150	225
-	-	Interest income under finance leases	106	133

Interest income accrued on individually impaired bank loans totals DKK 155m (2009: DKK 94m).
With respect to Nykredit Bank A/S, individually impaired loans are extensively carried as non-accrual loans. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairment.

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
		4. INTEREST EXPENSES		
1,203	655	Credit institutions and central banks	774	1,709
1	-	Deposits and other payables	795	1,920
35,827	31,121	Issued bonds	34,847	41,511
352	834	Subordinated debt	870	417
109	89	Other interest expenses	78	91
37,493	**32,699**	**Total**	**37,363**	**45,649**
(1,984)	(1,255)	Set-off of interest from self-issued SDOs – note 3	(2,972)	(2,904)
(603)	(672)	Set-off of interest from self-issued ROs – note 3	(1,002)	(1,501)
(60)	(22)	Set-off of interest from self-issued other securities and bonds – note 3	(104)	(129)
34,845	**30,750**	**Total**	**33,286**	**41,115**
		Of which interest expenses from genuine sale and repurchase transactions entered under:		
401	613	Credit institutions and central banks	662	491
1	-	Deposits and other payables	73	28
		Of total interest expenses:		
1,180	899	Interest expenses accrued on financial liabilities measured at amortised cost	2,211	4,372
		5. DIVIDEND ON EQUITIES		
46	49	Dividend	22	30
-	-	Dividend on equities available for sale	30	35
46	**49**	**Other fees**	**52**	**64**
		6. FEE AND COMMISSION INCOME		
-	-	Fees relating to financial instruments measured at amortised cost	142	158
2	11	Fees from asset management activities and other fiduciary activities	835	492
869	938	Other fees	1,172	1,353
872	**949**	**Total**	**2,149**	**2,003**
		7. FEE AND COMMISSION EXPENSES		
-	-	Fees relating to financial instruments measured at amortised cost	221	180
-	-	Fees from asset management activities and other fiduciary activities	190	125
236	253	Other fees	1,183	1,169
236	**253**	**Total**	**1,595**	**1,474**

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		8. VALUE ADJUSTMENTS		
		Financial assets measured at fair value through profit or loss		
6,746	4,331	Mortgage loans	6,966	15,271
6,549	1,059	Totalkredit mortgage loan funding	-	-
6	(40)	Other loans, advances and receivables at fair value	(2)	14
1,664	(169)	Bonds	(841)	1,768
813	324	Equities	94	181
-	-	Investment properties	(1)	(1)
(40)	(49)	Foreign exchange	33	194
409	(295)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	263	380
-	-	Other assets	0	1
		Financial liabilities measured at fair value through profit or loss		
(7,090)	(4,437)	Issued bonds	(7,067)	(15,615)
(6,549)	(1,059)	Totalkredit mortgage loan funding	-	-
-	-	Other liabilities	(4)	(8)
2,508	**(333)**	**Total**	**(559)**	**2,186**
		Of which value adjustment of hedge accounting instruments		
(0)	(0)	Fair value hedge	(1)	0
		9. STAFF AND ADMINISTRATIVE EXPENSES		
49	49	Remuneration of Board of Directors and Executive Board	49	49
1,767	1,992	Staff expenses	2,925	2,944
803	601	Other administrative expenses	1,864	1,865
2,619	**2,642**	**Total**	**4,837**	**4,857**
		Remuneration of Board of Directors and Executive Board		
		Board of Directors		
2	2	Remuneration	2	2
		Executive Board		
35	34	Fixed salaries	34	35
9	10	Provisions for pension plans	10	9
3	3	Other social security expenses	3	3
49	**49**	**Total**	**49**	**49**

Terms and conditions governing the Board of Directors

The 14 members of the Board of Directors receive a fixed remuneration and a refund of any costs relating to board meetings.

Annual remuneration, end-2010 (DKK)

	Chairman	Deputy Chairman	Director
Nykredit Realkredit A/S	360,000	290,000	110,000
Nykredit Holding A/S	510,000	340,000	170,000
Foreningen Nykredit	180,000	120,000	70,000

No agreements have been made for pension plans, bonus plans or special termination benefits for members of the Board of Directors elected by the General Meeting.

Notes

DKK million

9. STAFF AND ADMINISTRATIVE EXPENSES (continued)

Terms and conditions governing the Executive Board

Members of the Executive Board receive a fixed salary covering all directorships and executive positions in Foreningen Nykredit and its group enterprises and associates. In addition to their fixed salaries, Executive Board members may opt for a company car in a price range of up to 25% of their gross salaries. The taxable value thereof came to DKK 0.9m in 2010. Alternatively, Executive Board members may make their own suitable car available. This entitles the members to annual contributions of 8% of their gross salaries to cover all car-related costs.

No changes were made to the composition of the Executive Board in 2010.

Fixed annual salary, end-2010 (DKK)

Peter Engberg Jensen	8,060,000
Kim Duus	5,300,000
Søren Holm	5,300,000
Karsten Knudsen	5,300,000
Per Ladegaard	5,300,000
Bente Overgaard	5,300,000

No agreements have been made on pension plans for Executive Board members, but they may resign on attaining the age of 60 and are entitled to pension for up to five years equal to 65% of their gross salaries until attaining the age of 70. Similarly, Nykredit may request a member of the Executive Board to accept pension in this period. Provisions are made on a current basis.

Members of the Executive Board are subject to a mutual term of notice of six months. Upon resignation at Nykredit's request, an Executive Board member is entitled to termination benefits equal to 24 months' gross salary.

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
		Staff expenses		
1,484	1,640	Salaries	2,429	2,485
151	178	Pensions	247	220
132	175	Other social security expenses	248	239
1,767	**1,992**	**Total**	**2,925**	**2,944**
		Number of staff		
2,650	2,995	Average number of staff for the financial year, full-time equivalents	4,026	4,135
		Fee to auditor appointed by the General Meeting		
6	4	Deloitte	13	19
		The total fee includes:		
3	2	Statutory audit of the Financial Statements	5	6
2	1	Other assurance engagements	1	2
0	0	Tax advice	0	0
1	1	Other services	7	11
6	**4**	**Total**	**13**	**19**

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		10. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS		
		Intangible assets		
531	565	- Amortisation	568	537
-	-	- Impairment losses	4	14
		Property, plant and equipment		
61	83	- Depreciation	123	124
-	-	- Impairment losses	117	70
-	-	- Reversal of impairment losses	(1)	-
592	**649**	**Total**	**811**	**744**
		11. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
		11 a. Earnings impact		
967	115	Change in individual impairment provisions for loans and advances	932	6,754
125	368	Change in collective impairment provisions for loans and advances	577	362
92	151	Losses recognised for the year, net	724	266
(27)	(26)	Received on claims previously written off as impairment losses	(34)	(33)
-	-	Provisions for guarantees, cf note 37	135	504
1,156	**608**	**Total impairment losses on loans, advances and guarantees**	**2,334**	**7,853**
50	108	Value adjustment of assets in temporary possession	159	73
11	(4)	Value adjustment of claims previously written off as impairment losses	(4)	11
-	-	Losses offset, cf partnership agreement	(107)	(17)
1,216	**712**	**Total**	**2,382**	**7,919**
		11 b. Specification of provisions for loan impairment		
1,053	981	Individual impairment provisions	6,980	8,943
354	722	Collective impairment provisions	1,389	812
1,407	**1,703**	**Total impairment provisions**	**8,369**	**9,755**
		Impairment provisions have been offset against the following items:		
732	1,294	Mortgage loans – note 16	1,539	931
676	409	Arrears and outlays – note 16	687	1,011
-	-	Bank loans and advances – note 17	6,143	7,812
1,407	**1,703**	**Total impairment provisions**	**8,369**	**9,755**
		11 c. Individual impairment provisions		
181	**1,053**	**Impairment provisions, beginning of year**	**8,943**	**2,798**
991	412	Impairment provisions for the year	2,277	7,103
(24)	(297)	Impairment provisions reversed	(1,345)	(350)
(31)	(79)	Value adjustment of repossessed properties	(95)	(32)
(63)	(109)	Impairment provisions recognised as lost	(2,800)	(577)
1,053	**981**	**Impairment provisions, year-end**	**6,980**	**8,943**

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

Of total individual impairment provisions for mortgage lending, around 8% can be attributed to customers who are bankrupt or subject to bankruptcy proceedings. Further, around 25% and around 16% of total individual impairment provisions for mortgage lending can be attributed to debt collection and arrears, respectively.

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		11. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)		
		11 d. Collective impairment provisions		
230	**354**	**Impairment provisions, beginning of year**	**812**	**449**
210	368	Impairment provisions for the year	588	497
(86)	-	Impairment provisions reversed	(10)	(135)
354	**722**	**Impairment provisions, year-end**	**1,389**	**812**
		11 e. Specification of loans and advances subject to objective evidence of impairment		
4,636	4,531	Loans and advances before individual impairment provisions	14,155	16,088
1,053	981	Impairment provisions	6,980	8,943
3,584	**3,551**	**Loans and advances after impairment provisions**	**7,175**	**7,146**
549,277	570,581	Loans and advances before collective impairment provisions	1,093,432	1,049,893
354	722	Impairment provisions	1,389	812
548,923	**569,859**	**Loans and advances after impairment provisions**	**1,092,043**	**1,049,081**
		11 f. Impairment losses on repossessed properties		
15	**85**	**Impairment provisions, beginning of year**	**110**	**16**
31	79	Transferred from non-repossessed properties	95	32
51	110	Impairment provisions for the year	191	78
(1)	(2)	Impairment provisions reversed	(32)	(5)
(11)	(98)	Impairment provisions recognised as lost	(130)	(11)
85	**173**	**Impairment provisions, year-end**	**233**	**110**
		Impairment losses on repossessed properties have been offset against "Assets in temporary possession".		
		12. PROFIT (LOSS) FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
(3)	5	Profit (loss) from investments in associates	36	(141)
(2,627)	1,111	Profit (loss) from investments in group enterprises	-	-
-	1,591	Profit from the sale of a group enterprise	-	-
(2,630)	**2,708**	**Total**	**36**	**(141)**
		13. TAX		
		Tax on profit for the year has been calculated as follows:		
915	575	Current tax	913	(68)
(50)	(111)	Deferred tax	(150)	50
(21)	(0)	Adjustment of tax relating to previous years	(217)	(19)
8	(3)	Adjustment of deferred tax relating to previous years	239	8
851	**461**	**Total**	**786**	**(29)**

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DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		13. TAX (continued)		
		Tax on profit for the year can be specified as follows:		
433	1,134	Calculated 25% tax on profit before tax	772	32
		Tax effect of:		
(525)	(802)	Non-taxable income	(177)	(530)
956	132	Non-deductible expenses and other adjustments	168	480
(13)	(3)	Adjustment of tax relating to previous years	23	(11)
851	**461**	**Total**	**786**	**(29)**
49.2	10.2	Effective tax rate, %	25.4	19.8
		14. PROFIT FROM DISCONTINUED INSURANCE OPERATIONS		
-	-	Profit (loss) from discontinued insurance operations for the year	(80)	245
-	-	Profit from the sale of Nykredit Forsikring A/S	1,591	-
-	**-**	**Profit from discontinued insurance operations**	**1,511**	**245**
		14 a. Profit (loss) from discontinued insurance operations for the year		
-	-	Net interest and fee income	13	86
-	-	Value adjustments and other operating income	9	9
-	-	Premium income	341	1,333
-	-	Claims incurred, net of reinsurance	383	875
-	-	Staff and administrative expenses as well as depreciation of property, plant and equipment	87	245
-	-	Profit from investments in associates	-	17
-	**-**	**Profit (loss) before tax**	**(107)**	**324**
-	-	Tax	(27)	79
-	**-**	**Profit (loss) from discontinued insurance operations for the year**	**(80)**	**245**
		Nykredit Forsikring A/S was sold to Gjensidige Forsikring AB subject to closing on 29 April 2010. Loss from discontinued insurance operations for the year was recorded for four months' operations in 2010.		
		14 b. Profit from the sale of Nykredit Forsikring A/S		
-	-	Sales price	2,546	-
-	-	Selling costs	31	-
-	-	Net assets	923	-
-	**-**	**Profit from the sale of Nykredit Forsikring A/S**	**1,591**	**-**
		14 c. Cash flows from discontinued insurance operations		
-	-	Cash flows from operating activities	353	399
-	-	Cash flows from investing activities	(142)	(75)
-	-	Cash flows from financing activities	(500)	-
-	-	Cash surrendered	(82)	-
-	**-**	**Cash flows from discontinued insurance operations**	**(371)**	**324**

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DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		15. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
11,636	12,788	Receivables at call from central banks	13,578	12,529
24,665	32,723	Receivables from credit institutions	44,571	48,552
36,301	**45,510**	**Total**	**58,149**	**61,081**
2,414	6,850	Of which prepaid funds, including immediate prepayments at par and proceeds from the issue of fixed-price agreements	10,303	5,414
		By time-to-maturity		
12,286	12,474	Demand deposits	26,434	31,718
21,414	26,436	Up to 3 months	30,940	28,913
-	4,000	Over 3 months and up to 1 year	110	450
-	-	Over 1 year and up to 5 years	666	-
2,600	2,600	Over 5 years	-	-
36,301	**45,510**	**Total**	**58,149**	**61,081**
		16. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
550,598	575,278	Mortgage loans	1,030,675	981,227
(91)	199	Arrears and outlays	167	(236)
39	-	Other loans and advances	12,922	12,001
7,496	10,024	Loans to Totalkredit serving as security in capital centres	-	-
399,307	433,531	Totalkredit mortgage loan funding	-	-
957,350	**1,019,032**	**Total**	**1,043,763**	**992,992**
		Mortgage loans		
515,906	**553,913**	**Balance, beginning of year, nominal value**	**985,216**	**916,582**
102,790	90,955	New loans	201,300	227,000
926	624	Indexation	624	926
822	1,962	Foreign currency translation adjustment	1,962	822
(12,226)	(11,770)	Ordinary principal payments	(16,187)	(18,005)
(54,306)	(60,571)	Prepayments and extraordinary principal payments	(143,280)	(142,110)
553,913	**575,112**	**Balance, year-end, nominal value**	**1,029,636**	**985,216**
(129)	(198)	Loans transferred relating to properties in temporary possession	(287)	(129)
273	279	Loans assumed by the Danish Agency for Governmental Management	279	273
554,058	**575,193**	**Total nominal value**	**1,029,628**	**985,361**
(2,728)	**1,378**	**Adjustment for interest rate risk**	**2,586**	**(3,204)**
		Adjustment for credit risk		
(377)	(572)	Individual impairment provisions	(572)	(377)
(354)	(722)	Collective impairment provisions	(967)	(554)
550,598	**575,278**	**Balance, year-end, fair value**	**1,030,675**	**981,227**
		For total loans and advances, Nykredit has received mortgages on real property and:		
22,687	22,768	Supplementary guarantees	30,496	28,049
2,694	1,686	Interim loan guarantees	12,469	13,281
20,433	13,702	Registration guarantees	40,319	49,404

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		16. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)		
		Mortgage loans at nominal value by property category		
		Loans and advances as %, year-end		
34	30	Owner-occupied properties	59	61
2	2	Holiday homes	3	3
20	17	Non-profit housing	9	11
8	11	Private residential rental properties	6	4
5	4	Industry and trades properties	2	3
12	16	Office and retail properties	9	7
17	17	Agricultural properties	9	10
2	3	Properties for social, cultural and educational purposes	2	1
100	**100**	**Total**	**100**	**100**
		Arrears and outlays		
558	416	Arrears before impairment provisions	571	766
27	192	Outlays before impairment provisions	283	9
(676)	(409)	Individual impairment provisions for arrears and outlays	(687)	(1,011)
(91)	**199**	**Total**	**167**	**(236)**
		Mortgage arrears up to and including the September 2010 payment date, for which no provisions have been made, amounted to DKK 15m.		
		By time-to-maturity		
		Mortgage loans and arrears and other loans		
2,439	1,851	Up to 3 months	14,181	14,402
12,092	9,839	Over 3 months and up to 1 year	9,847	12,095
11,174	10,201	Over 1 year and up to 5 years	11,355	12,143
524,841	553,586	Over 5 years	1,008,379	954,352
550,546	**575,477**	**Total**	**1,043,763**	**992,992**
		Time-to-maturity for loans and other receivables is based on fair value.		
		Lending to Totalkredit serving as security in capital centres		
		By time-to-maturity		
-	7,500	Up to 3 months	-	-
-	-	Over 3 months and up to 1 year	-	-
7,496	2,524	Over 1 year and up to 5 years	-	-
7,496	**10,024**	**Total**	-	-
		Totalkredit mortgage loan funding		
321,411	**397,876**	**Balance, beginning of year, nominal value**	-	-
200,218	212,372	New loans	-	-
(2,213)	(2,164)	Ordinary principal payments	-	-
(121,540)	(176,046)	Prepayments and extraordinary principal payments	-	-
397,876	**432,038**	**Balance, year-end, nominal value**	-	-
1,431	1,493	Adjustment for interest rate risk	-	-
399,307	**433,531**	**Balance, year-end, fair value**	-	-

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		16. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)		
		By time-to-maturity		
		Totalkredit mortgage loan funding		
64,513	48,466	Up to 3 months	-	-
114,178	87,133	Over 3 months and up to 1 year	-	-
72,234	142,639	Over 1 year and up to 5 years	-	-
148,383	155,293	Over 5 years	-	-
399,307	**433,531**	**Total**	**-**	**-**
		Time-to-maturity for Totalkredit mortgage loan funding is based on fair value.		
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
-	-	Bank loans and advances	64,976	68,721
82	54	Totalkredit mortgage loan funding	-	-
-	-	Mortgage loans	54	82
1,077	939	Other loans and advances	939	1,077
1,159	**993**	**Balance, year-end**	**65,969**	**69,879**
		Adjustment for credit risk		
-	-	Individual impairment provisions	(5,721)	(7,554)
-	-	Collective impairment provisions	(422)	(258)
1,159	**993**	**Balance after impairment, year-end**	**59,826**	**62,067**
(55)	(49)	Set-off of self-issued securities against "Issued bonds at amortised cost" – note 30	(49)	(55)
1,103	**944**	**Total**	**59,777**	**62,011**
		The Nykredit Realkredit Group hedges the interest rate risk of fixed-rate bank loans and advances on a current basis using derivatives. This enables the Group to manage its overall interest rate sensitivity taking into consideration the expected interest rate development.		
		The fair value measurement of the bank loan portfolio as a result of the use of hedge accounting has been recognised under "Other assets" or "Other liabilities".		
-	-	Of total loans and advances, fixed-rate bank loans and advances represent	1,899	2,641
-	-	The fair value of fixed-rate loans and advances represent	1,950	2,700
		By time-to-maturity		
		Loans and advances		
-	-	On demand	22,060	20,745
1	1	Up to 3 months	15,677	12,342
3	14	Over 3 months and up to 1 year	6,516	6,668
14	791	Over 1 year and up to 5 years	7,777	11,488
1,140	188	Over 5 years	7,795	10,824
1,159	**993**	**Total**	**59,826**	**62,067**
		Time-to-maturity for loans and advances has been recognised after impairment but before set-off of self-issued securities.		
		Non-accrual loans or loans carrying a reduced interest rate		
-	-	Non-accrual loans	4,501	5,208
-	-	Loans carrying a reduced interest rate	1	672

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)		
		Finance leases		
		Of total loans and advances at amortised cost, finance leases represent		
-	**-**	**Balance, beginning of year**	**1,849**	1,849
-	-	Additions	884	952
-	-	Disposals	(899)	(952)
-	**-**	**Balance, year-end**	**1,834**	**1,849**
-	-	Impairment provisions for finance leases represent	28	46
		Non-guaranteed residual values on expiry of the leases represent DKK 0		
		By time-to-maturity		
-	-	Up to 3 months	194	208
-	-	Over 3 months and up to 1 year	344	407
-	-	Over 1 year and up to 5 years	1,127	1,090
-	-	Over 5 years	169	144
-	**-**	**Total**	**1,834**	**1,849**
		Where loans and advances under finance leases are concerned, amortised cost represents the fair value thereof. The leases comprise equipment as well as real property. The leases have been concluded on an arm's length basis. The term of the leases is generally 3 to 6 years, but may be up to 20 years for leased properties.		
		Gross investments in finance leases		
		By time-to-maturity		
-	-	Over 3 months and up to 1 year	538	631
-	-	Over 1 year and up to 5 years	1,326	1,283
-	-	Over 5 years	195	167
-	**-**	**Total**	**2,059**	**2,081**
-	-	Non-earned income	247	232
		Bank lending and guarantee debtors by sector and industry		
		Loans and advances as %, year-end		
-	-	**Public sector**	0	1
		Corporate		
-	-	Agriculture, hunting, forestry and fishing	3	3
-	-	Manufacturing, mining and quarrying	10	7
-	-	Energy supply	3	3
-	-	Construction	2	2
-	-	Trade	3	3
-	-	Transport, accommodation and food service activities	2	2
-	-	Information and communication	2	3
-	-	Financial and insurance activities	10	12
-	-	Real property	22	25
-	-	Other trade and industry	15	11
-	**-**	**Total corporate**	**73**	**69**
-	-	**Retail**	27	31
-	**-**	**Total**	**100**	**100**
		The sector distribution is based on the official Danish activity codes.		

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DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
		18. BONDS AT FAIR VALUE		
99,401	54,611	Self-issued SDOs	159,188	195,665
91,320	116,106	Self-issued ROs	129,316	117,784
35,418	47,710	Other ROs	76,489	56,427
11,181	5,557	Government bonds	8,285	17,050
4,515	10,373	Other bonds	16,535	10,301
241,835	**234,358**	**Total**	**389,814**	**397,227**
(91,320)	(116,106)	Set-off of self-issued ROs against "Issued bonds at fair value" – note 29	(129,316)	(117,784)
(99,373)	(54,610)	Set-off of self-issued SDOs against "Issued bonds at fair value" – note 29	(159,187)	(195,638)
(45)	(4,944)	Set-off of self-issued junior covered bonds against "Issued bonds at fair value" – note 29	(5,748)	(1,658)
(28)	(1)	Set-off of self-issued SDOs against "Issued bonds at amortised cost" – note 30	(1)	(28)
-	-	Set-off of self-issued other bonds against "Issued bonds at amortised cost" – note 30	(1,423)	(248)
51,070	**58,697**	**Total**	**94,139**	**81,871**
		Of bonds at fair value before set-off of self-issued bonds:		
935	4,832	Drawn bonds	15,275	7,201
62,109	49,954	Bond holdings stemming from prepaid funds, including immediate prepayments at par, and proceeds from the issue of fixed-price agreements	62,094	70,364
37,609	9,471	As collateral security for the Danish central bank (Danmarks Nationalbank), the Danish FUTOP clearing centre and foreign clearing centres, bonds have been deposited of a total market value of	25,532	62,636

Collateral security was provided on an arm's length basis.

Of the Group's bond portfolio, bonds of approximately DKK 74bn have a maturity below one year, and bonds of around DKK 20bn have a maturity of up to five years. Because a significant part of the portfolio is included in the Group's trading activities, the actual maturities may be shorter.

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DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
		19. EQUITIES		
4,025	4,673	Equities fair value adjusted through profit or loss	1,696	1,809
-	-	Equities available for sale	3,309	2,941
4,025	**4,673**	**Total**	**5,005**	**4,750**
		Equities fair value adjusted through profit or loss		
2,772	3,298	Listed on NASDAQ OMX Copenhagen A/S	297	193
338	190	Listed on other stock exchanges	194	343
915	1,185	Unlisted equities carried at fair value	1,205	1,272
4,025	**4,673**	**Total**	**1,696**	**1,809**
		Specification of equities fair value adjusted through "Other comprehensive income"		
-	**-**	**Portfolio, beginning of year**	**2,941**	**2,118**
-	-	Additions	136	75
-	-	Fair value adjustment	232	748
-	**-**	**Portfolio, year-end**	**3,309**	**2,941**
		Equities in Jyske Bank A/S, Sydbank A/S, Spar Nord Bank A/S, Amagerbanken A/S, Jeudan A/S, DADES A/S and VP Securities A/S have been classified as equities available for sale. Equities available for sale are fair value adjusted through "Other comprehensive income" until a potential sale.		
		Equities available for sale, fair value adjusted against "Other comprehensive income"		
-	-	Listed on NASDAQ OMX Copenhagen A/S	3,040	2,628
-	-	Unlisted equities fair value adjusted	269	313
-	**-**	**Total**	**3,309**	**2,941**
		20. INVESTMENTS IN ASSOCIATES		
158	**158**	**Acquisition cost, beginning of year**	**164**	**160**
2	2	Additions	2	7
(3)	(4)	Disposals	(9)	(3)
158	**156**	**Acquisition cost, year-end**	**157**	**164**
10	**(6)**	**Revaluations and impairment losses, beginning of year**	**11**	**10**
(3)	5	Profit (loss)	36	14
(13)	(6)	Dividend	(6)	(13)
-	-	Reversal of revaluations and impairment losses	(47)	-
(6)	**(7)**	**Revaluations and impairment losses, year-end**	**(6)**	**11**
151	**149**	**Balance, year-end**	**151**	**175**

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		21. INVESTMENTS IN GROUP ENTERPRISES		
19,712	**25,981**	**Acquisition cost, beginning of year**	**-**	**-**
1	-	Foreign currency translation adjustment	-	-
6,404	1,000	Additions	-	-
(135)	(1,792)	Disposals	-	-
25,981	**25,188**	**Acquisition cost, year-end**	**-**	**-**
3,891	**1,259**	**Revaluations and impairment losses, beginning of year**	**-**	**-**
(0)	-	Foreign currency translation adjustment	-	-
(2,627)	1,111	Profit (loss)	-	-
-	(500)	Dividend	-	-
5	869	Reversal of revaluations and impairment losses	-	-
(10)	2	Other movements in capital	-	-
1,259	**2,741**	**Revaluations and impairment losses, year-end**	**-**	**-**
27,240	**27,930**	**Balance, year-end**	**-**	**-**
24,742	27,025	Of which credit institutions	-	-
		Subordinate receivables		
2,600	2,600	Group enterprises	-	-
1,527	1,432	Other enterprises	2,253	2,284
4,127	**4,032**	**Total**	**2,253**	**2,284**
		22. INTANGIBLE ASSETS		
2,759	2,759	Goodwill	2,769	2,769
1,791	1,398	Fixed-term rights	1,435	1,832
65	99	Software	99	66
159	152	Development projects in progress	152	159
108	91	Customer relationships	91	108
4,882	**4,499**	**Total**	**4,545**	**4,933**
		Goodwill		
2,759	**2,759**	**Acquisition cost, beginning of year**	**2,769**	**2,769**
-	-	Additions	-	-
2,759	**2,759**	**Acquisition cost, year-end**	**2,769**	**2,769**
2,759	**2,759**	**Balance, year-end**	**2,769**	**2,769**

Goodwill of DKK 1,907m (2009: DKK 1,907m) relates to the business area Totalkredit.

Goodwill of DKK 852m (2009: DKK 852m) relates to the business area Other Activities.

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		22. INTANGIBLE ASSETS (continued)		
		Goodwill (continued)		

Goodwill has not been amortised, as an impairment test provided no evidence of goodwill impairment relating to the acquisition of Totalkredit A/S and Forstædernes Bank A/S. With effect from 1 January 2010, Forstædernes Bank A/S merged with Nykredit Bank A/S, with Nykredit Bank A/S as the surviving company. The goodwill impairment test relating to the acquisition of Forstædernes Bank A/S was therefore carried out in relation to Nykredit Bank A/S.

The impairment test compared the discounted value of estimated future cash flows with the carrying amount.

The impairment test for Nykredit Bank A/S is based on the following assumptions:
Future cash flows are based on the realised results for 2010 and projections for the following 14 years. It is assumed that the terminal value at end-2024 will equal the book value at that time. Furthermore, the following assumptions apply to the impairment test of Nykredit Bank:

Purchased goodwill	852
Required rate of return before tax	10%
Estimated avg annual business growth from 2011 to 2013	8.9%
Estimated avg annual business growth from 2014 to 2024	4.6%

The impairment test for Totalkredit A/S is based on the following assumptions:
Future cash flows are based on the realised results for 2010 and projections for the following 14 years. It is assumed that the terminal value at end-2024 will equal the book value at that time. Furthermore, the following assumptions apply to the impairment test of Totalkredit:

Purchased goodwill	1,907
Required rate of return before tax	7.5%
Estimated avg annual business growth from 2011 to 2024	5.0%

Totalkredit A/S's return requirement is lower than Nykredit's general return requirement of 10% before tax. The return requirement is lower due to Totalkredit's set-off agreement with the partner banks. The set-off agreement reduces Totalkredit's credit risk as it primarily lies with the loan-arranging banks.

Fixed-term rights

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
4,229	**4,299**	**Acquisition cost, beginning of year**	**4,369**	**4,298**
70	73	Additions	79	71
4,299	**4,372**	**Acquisition cost, year-end**	**4,448**	**4,369**
2,060	**2,508**	**Amortisation and impairment losses, beginning of year**	**2,537**	**2,084**
448	466	Amortisation for the year	476	453
2,508	**2,974**	**Amortisation and impairment losses, year-end**	**3,013**	**2,537**
1,791	**1,398**	**Balance, year-end**	**1,435**	**1,832**
		Fixed-term rights are amortised over a period of up to nine years.		
4	3	Residual amortisation period at 31 December (number of years)	3	4

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
		22. INTANGIBLE ASSETS (continued)		
		Software		
321	**341**	**Acquisition cost, beginning of year**	**365**	**344**
0	0	Additions	0	4
-	-	Disposals	(24)	(3)
20	117	Transferred from development projects in progress	117	20
341	**458**	**Acquisition cost, year-end**	**458**	**365**
211	**276**	**Amortisation and impairment losses, beginning of year**	**299**	**220**
65	83	Amortisation for the year	84	79
-	-	Reversal of amortisation and impairment losses	(24)	(1)
276	**359**	**Amortisation and impairment losses, year-end**	**359**	**299**
65	**99**	**Balance, year-end**	**99**	**66**
		Software is amortised over a period of up to four years.		
1	1	Residual amortisation period at 31 December (avg number of years)	1	1
		Development projects in progress		
88	**159**	**Acquisition cost, beginning of year**	**159**	**88**
91	110	Additions	110	91
(20)	(117)	Transferred to software	(117)	(20)
159	**152**	**Acquisition cost, year-end**	**152**	**159**
159	**152**	**Balance, year-end**	**152**	**159**
		Customer relationships		
130	130	**Acquisition cost, beginning of year**	130	130
-	-	Additions	-	-
130	**130**	**Acquisition cost, year-end**	**130**	**130**
4	22	**Amortisation and impairment losses, beginning of year**	22	4
18	16	Amortisation for the year	16	18
22	**39**	**Amortisation and impairment losses, year-end**	**39**	**22**
108	**91**	**Balance, year-end**	**91**	**108**
		Customer relationships are amortised over a period of up to 13 years.		
12	11	Residual amortisation period at 31 December (number of years)	11	12

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		23. LAND AND BUILDINGS		
-	-	Investment properties	845	69
25	23	Owner-occupied properties	1,289	1,479
-	-	Plant under construction	426	287
25	**23**	**Total**	**2,560**	**1,836**
		Investment properties		
-	**-**	**Fair value, beginning of year**	**69**	**70**
-	-	Additions, purchase of subsidiaries	776	-
-	-	Fair value adjustment for the year	(1)	(1)
-	**-**	**Fair value, year-end**	**845**	**69**
-	-	Of which land and buildings leased under operating leases	803	69
-	-	Lease income from investment properties	11	5
-	-	Direct costs relating to investment properties generating rental income	2	-
-	-	Direct costs relating to investment properties not generating rental income	0	-
		The valuation was carried out by an internal valuer based on the return method. In 2010 the required rate of return ranged between 5% and 10% for commercial property and between 4.25% and 5% for residential property depending on the nature, location and state of repair of the property.		
-	-	The carrying amount of mortgaged investment properties represents	495	-
		Rental income under non-cancellable operating leases		
-	-	Up to 1 year	30	5
-	-	Over 1 year and up to 5 years	23	22
-	-	Over 5 years	78	84
-	**-**	**Total**	**131**	**111**
		Owner-occupied properties		
20	**20**	**Acquisition cost, beginning of year**	**1,489**	**1,493**
0	0	Additions, including improvements	14	13
-	-	Transferred from property, plant and equipment under construction	0	2
-	-	Disposals	(164)	(19)
20	**20**	**Acquisition cost, year-end**	**1,340**	**1,489**
6	**6**	**Revaluations, beginning of year**	**278**	**291**
-	-	Additions for the year recognised in equity	10	3
-	(1)	Disposals for the year recognised in equity	(10)	(16)
6	**5**	**Revaluations, year-end**	**279**	**278**
1	**2**	**Depreciation and impairment losses, beginning of year**	**288**	**273**
0	0	Depreciation for the year	18	19
-	-	Impairment losses for the year	26	1
-	-	Reversal of depreciation and impairment losses	(3)	(5)
2	**2**	**Depreciation and impairment losses, year-end**	**329**	**288**
25	**23**	**Balance, year-end**	**1,289**	**1,479**

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		23. LAND AND BUILDINGS (continued)		
		Owner-occupied properties are depreciated over a period of 20-50 years.		
8	6	Residual depreciation period at 31 December (avg number of years)	12	15
		The latest revaluation of owner-occupied properties was made at end-2010.		
		The valuations were carried out by an internal valuer based on the return method. In 2010 the required rate of return ranged between 5.0% and 7.5% depending on the nature, location and state of repair of the owner-occupied property.		
18	18	If no revaluations had been made, the carrying amount of owner-occupied properties would represent:	1,157	1,347
		Plant under construction		
0	**-**	**Acquisition cost, beginning of year**	**513**	**291**
-	-	Additions	230	225
(0)	-	Disposals	(0)	(3)
-	**-**	**Acquisition cost, year-end**	**743**	**513**
-	**-**	**Impairment losses, beginning of year**	**(226)**	**(157)**
-	-	Impairment losses for the year	(91)	(69)
-	**-**	**Impairment losses, year-end**	**(316)**	**(226)**
-	**-**	**Balance, year-end**	**426**	**287**
		24. OTHER PROPERTY, PLANT AND EQUIPMENT		
597	**691**	**Acquisition cost, beginning of year**	**1,060**	**983**
113	163	Additions	164	131
(18)	(30)	Disposals	(250)	(55)
691	**824**	**Acquisition cost, year-end**	**974**	**1,060**
409	**453**	**Depreciation and impairment losses, beginning of year**	**726**	**662**
60	83	Depreciation for the year	101	103
-	-	Impairment losses for the year	-	0
(16)	(17)	Reversal of depreciation and impairment losses	(195)	(39)
453	**518**	**Depreciation and impairment losses, year-end**	**632**	**726**
239	**306**	**Balance, year-end**	**342**	**334**
		Other assets are depreciated over four to five years.		
4	4	Residual depreciation period at 31 December (avg number of years)	3	3

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		The Nykredit Realkredit Group 2010	The Nykredit Realkredit Group 2009
		25. ASSETS IN TEMPORARY POSSESSION		
159	274	Repossessed properties for sale	404	191
159	**274**	**Total**	**404**	**191**
		The Nykredit Group receives mortgages on real property as security for loans. If the Group repossesses a mortgaged property to reduce its loss on the non-performing exposure, the Group will seek to realise the mortgaged property at the highest obtainable price within 12 months. The assets are recognised under Group items in the segment financial statements.		
		26. OTHER ASSETS		
11,808	13,328	Interest and commission receivable	12,816	10,522
1,068	533	Receivables from group enterprises	-	-
2,981	2,834	Positive market value of derivative financial instruments	27,156	21,310
142	115	Defined benefit plans	115	142
-	-	Receivable relating to reinsurance	-	22
306	242	Other assets	559	608
16,306	**17,052**	**Total**	**40,646**	**32,605**
		Defined benefit plans		
		The majority of the Group's pension plans are defined contribution plans under which contributions are paid to insurance companies. These contributions have been charged against income on a current basis, cf note 9.		
		The Group's defined benefit plans are funded through payments from Nykredit Realkredit A/S and from staff into pension funds acting in the members' interest by investing the payments made to cover the pension obligations. The pension funds are subject to the legislation on company pension funds. The plans are closed to new members and concern staff employed before 1972.		
(558)	(643)	Present value of defined benefit plans	(643)	(558)
700	757	Fair value of plan assets	757	700
142	**115**	**Net assets, year-end**	**115**	**142**
(530)	**(558)**	**Obligation, beginning of year**	**(558)**	**(530)**
(31)	(22)	Calculated interest expenses relating to the obligation	(22)	(31)
(54)	(110)	Actuarial gains/losses	(110)	(54)
5	4	Past service costs	4	5
52	43	Pension benefits paid	43	52
(558)	**(643)**	**Obligation, year-end**	**(643)**	**(558)**
652	**700**	**Plan assets, beginning of year**	**700**	**652**
57	31	Expected return on plan assets	31	57
21	69	Actuarial gains/losses	69	21
22	-	Contributions	-	22
(52)	(43)	Pension benefits paid	(43)	(52)
700	**757**	**Plan assets, year-end**	**757**	**700**

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		The Nykredit Realkredit Group 2010	2009
		26. OTHER ASSETS (continued)		
		Pension costs/income relating to defined benefit plans recognised in the income statement		
(31)	(22)	Calculated interest expenses relating to the benefits	(22)	(31)
57	31	Expected return on plan assets	31	57
5	4	Past service costs	4	5
(33)	(41)	Actuarial gains (losses) for the year	(41)	(33)
(2)	**(28)**	**Total**	**(28)**	**(2)**
		Expenses/income have/has been recognised under "Staff and administrative expenses".		
		Plan assets break down as follows:		
758	825	Bonds	825	758
45	22	Cash and other receivables	22	45
(103)	(89)	Tax	(89)	(103)
700	**757**	**Total plan assets**	**757**	**700**
		Return on plan assets before tax		
49	87	Actual return on plan assets	87	49
57	31	Expected return on plan assets	31	57
(9)	**55**	**Actuarial gains/losses on plan assets**	**55**	**(9)**

Actuarial calculation assumptions

	2010	2009	2008	2007	2006
Expected return on plan assets, %	3.9	6.0	6.0	5.2	5.6
Discount rate (average), %	3.9	5.0	4.8	4.1	4.1
Wage rate, %	2.3	2.0	2.0	3.0	2.0

The expected return on plan assets is based on long-term return expectations for low-risk bonds.

Net asset and experience changes
The Nykredit Realkredit Group's pension obligations for this year and the preceding four years are as follows:

	2010	2009	2008	2007	2006
Plan liabilities	(643)	(558)	(530)	(542)	(702)
Plan assets	757	700	652	712	772
Over-/underfunding	**115**	**142**	**122**	**170**	**70**
Experience adjustments to plan liabilities	(110)	(54)	(7)	142	98
Experience adjustments to plan assets	69	21	(61)	(87)	(43)

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Nykredit Realkredit Group 2010	Nykredit Realkredit Group 2009
		27. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
59,813	75,456	Payables to credit institutions	90,978	81,724
37,526	4,000	Payables to central banks	4,901	37,589
97,339	**79,456**	**Total**	**95,879**	**119,313**
		By time-to-maturity		
605	789	On demand	1,787	6,068
95,574	78,667	Up to 3 months	91,713	108,810
1,161	-	Over 3 months and up to 1 year	1,380	2,422
-	-	Over 1 year and up to 5 years	490	1,901
-	-	Over 5 years	509	112
97,339	**79,456**	**Total**	**95,879**	**119,313**
		28. DEPOSITS AND OTHER PAYABLES		
-	-	On demand	31,739	35,495
-	-	At notice	4,977	4,705
-	-	Time deposits	15,991	21,035
-	-	Special deposits	2,760	3,249
-	**-**	**Total**	**55,467**	**64,483**
		By time-to-maturity		
-	-	On demand	31,641	35,739
-	-	Up to 3 months	12,611	20,899
-	-	Over 3 months and up to 1 year	6,932	4,022
-	-	Over 1 year and up to 5 years	2,614	1,742
-	-	Over 5 years	1,669	2,080
-	**-**	**Total**	**55,467**	**64,483**
		29. ISSUED BONDS AT FAIR VALUE		
484,020	444,112	ROs (realkreditobligationer)	534,499	590,822
598,715	704,143	SDOs (særligt dækkede obligationer)	704,143	598,715
15,443	29,930	Junior covered bonds	29,930	15,443
1,098,178	**1,178,184**	**Total**	**1,268,571**	**1,204,979**
(190,738)	(175,660)	Self-issued bonds transferred from "Bonds at fair value" – note 18	(294,252)	(315,080)
907,439	**1,002,524**	**Total**	**974,319**	**889,899**

In 2010 yield spreads of Danish ROs and SDOs widened, which caused the fair value of issued mortgage bonds to drop by about DKK 4bn. In 2009 spread tightening lead to an increase in fair value of about DKK 22bn. The amount outstanding at end-2010 has been subject to spread widening since the beginning of 2008, which has reduced the fair value by DKK 9bn. Equity and results have, however, not been affected by the changes in fair value, as the value of mortgage loans has changed accordingly.

Changes in the fair value of issued ROs and SDOs attributable to changes in credit risk can be determined on the basis of changes in option-adjusted spreads (OAS) against government bonds. Both maturity and nominal holding are allowed for in the determination. The determination is to some extent based on estimates.

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Nykredit Realkredit Group 2010	Nykredit Realkredit Group 2009
		29. ISSUED BONDS AT FAIR VALUE (continued)		
		Changes in the fair value of ROs and SDOs attributable to changes in credit risk can also be determined relative to equivalent mortgage bonds from other Danish issuers. These bonds are traded in a market where there are no measurable price differences between bonds with identical characteristics from different issuers. Based on this determination, the fair value has not been subject to changes attributable to Totalkredit's own credit risk during the year or since the issue.		
		29 a. ROs		
488,785	443,321	ROs at nominal value	533,984	597,493
(4,764)	791	Fair value adjustment	515	(6,672)
484,020	**444,112**	**ROs at fair value**	**534,499**	**590,822**
(91,320)	(116,106)	Self-issued ROs transferred from "Bonds at fair value" – note 18	(129,316)	(117,784)
392,700	**328,006**	**Total**	**405,183**	**473,038**
308	108	Of which pre-issuance	108	308
29,620	63,624	ROs drawn for redemption at next creditor settlement date	68,176	31,049
		29 b. SDOs		
595,149	702,000	SDOs at nominal value	702,000	595,149
3,566	2,143	Fair value adjustment	2,143	3,566
598,715	**704,143**	**SDOs at fair value**	**704,143**	**598,715**
(99,373)	(54,610)	Self-issued SDOs transferred from "Bonds at fair value" – note 18	(159,187)	(195,638)
499,341	**649,532**	**Total**	**544,955**	**403,077**
850	487	Of which pre-issuance	487	850
166,028	130,425	SDOs drawn for redemption at next creditor settlement date	130,425	166,028
		29 c. Junior covered bonds		
15,384	29,872	Junior covered bonds at nominal value	29,872	15,384
59	58	Fair value adjustment	58	59
15,443	**29,930**	**Junior covered bonds at fair value**	**29,930**	**15,443**
(45)	(4,944)	Self-issued junior covered bonds transferred from "Bonds at fair value" – note 18	(5,748)	(1,658)
15,397	**24,986**	**Total**	**24,181**	**13,784**
-	8,045	Junior covered bonds drawn for redemption at next creditor settlement date	8,045	-
		By time-to-maturity		
198,737	201,963	Up to 3 months	206,614	203,134
253,420	212,810	Over 3 months and up to 1 year	214,536	255,316
271,150	356,406	Over 1 year and up to 5 years	375,889	282,485
374,870	407,006	Over 5 years	471,533	464,044
1,098,178	**1,178,184**	**Total**	**1,268,571**	**1,204,979**
		The determination of times-to-maturity is based on issued bonds at fair value before set-off against self-issued bonds.		

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		Nykredit Realkredit Group 2010	2009
		30. ISSUED BONDS AT AMORTISED COST		
-	-	Corporate bonds	33,768	44,278
88	61	SDOs	61	88
134	135	Employee bonds	164	163
55	49	Other securities	49	55
277	**245**	**Total**	**34,042**	**44,585**
-	-	Self-issued bonds transferred from "Bonds at fair value" – note 18	(1,423)	(248)
(28)	(1)	Self-issued SDOs transferred from "Bonds at fair value" – note 18	(1)	(28)
(55)	(49)	Other self-issued securities transferred from "Loans, advances and other receivables at amortised cost" – note 17	(49)	(55)
194	**195**	**Total**	**32,569**	**44,253**
		By time-to-maturity		
0	0	Up to 3 months	17,113	23,566
11	10	Over 3 months and up to 1 year	8,318	16,600
179	174	Over 1 year and up to 5 years	7,745	4,135
88	61	Over 5 years	866	284
277	**245**	**Total**	**34,042**	**44,585**
		The determination of times-to-maturity is based on issued bonds at amortised cost before set-off against self-issued bonds.		
		30 a. Corporate bonds		
		Issues		
-	-	EMTN issues*	15,351	22,319
-	-	ECP issues*	16,840	18,900
-	-	Other issues*	1,577	3,059
-	**-**	**Total**	**33,768**	**44,278**
		* Listed on NASDAQ OMX Copenhagen A/S or on the Luxembourg stock exchange.		
		No value adjustments relate to changes in own credit risk.		
		31. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
-	-	Deposits at fair value	20,967	451
3,812	4,394	Negative securities portfolios	7,193	8,451
3,812	**4,394**	**Total**	**28,160**	**8,902**
-	-	Of which genuine sale and repurchase transactions	20,967	451
		By time-to-maturity		
3,812	4,394	Up to 3 months	28,160	8,902
3,812	**4,394**	**Total**	**28,160**	**8,902**

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Nykredit Realkredit Group 2010	Nykredit Realkredit Group 2009
		32. OTHER LIABILITIES		
18,626	18,422	Interest and commission payable	23,121	24,081
2,107	3,323	Negative market value of derivative financial instruments	25,955	19,303
3,208	2,936	Payables relating to the purchase of Totalkredit shares	2,871	3,140
1,363	1,851	Other payables	3,774	2,700
25,304	**26,532**	**Total**	**55,721**	**49,224**
		33. PROVISIONS FOR DEFERRED TAX		
		Deferred tax		
33	(9)	Deferred tax, beginning of year	(216)	(284)
-	-	Disposals	3	-
(50)	(111)	Deferred tax for the year recognised in profit for the year	(150)	47
8	(3)	Adjustment of deferred tax assessed for previous years	237	24
-	0	Deferred tax for the year recognised under "Other comprehensive income"	0	(3)
(9)	**(123)**	**Deferred tax, year-end**	**(126)**	**(216)**
		Deferred tax is recognised in the balance sheets as follows:		
(790)	(703)	Deferred tax assets	(747)	(1,065)
781	580	Provisions for deferred tax	621	849
(9)	**(123)**	**Deferred tax, year-end, net**	**(126)**	**(216)**
		Deferred tax relates to:		
(4)	(4)	Loans and advances	26	12
(2)	2	Equities	(0)	(4)
(41)	(51)	Derivative financial instruments	(51)	(41)
531	436	Intangible assets	431	531
3	2	Property, plant and equipment, including buildings	19	64
2	-	Other assets and prepayments	(87)	(138)
-	-	Tax loss carryforwards	-	(151)
(526)	(563)	Other liabilities	(520)	(517)
(64)	(77)	Provisions	(77)	(64)
93	134	Subordinated debt	134	93
(9)	**(123)**	**Total**	**(126)**	**(216)**
		Deferred tax assets not recognised in the balance sheet:		
0	0	Deferred tax relating to land and buildings	102	72
0	**0**	**Total**	**102**	**72**

The asset has not been recognised, as the Group is examining whether it will crystallise. The asset is not likely to crystallise in the near future.

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		Nykredit Realkredit Group 2010	2009
		34. CURRENT TAX ASSETS AND LIABILITIES		
		Current tax assets		
116	**-**	**Current tax assets, beginning of year**	**1,327**	**414**
(116)	-	Transferred to/from tax liabilities	-	(116)
-	-	Current tax for the year	(99)	1,266
-	-	Corporation tax paid for the year, net	(1,253)	(250)
-	-	Adjustment relating to previous years	213	13
-	-	Current tax for the year recognised under "Other comprehensive income"	(1)	1
-	**-**	**Current tax assets, year-end**	**188**	**1,327**
		Current tax liabilities		
-	**720**	**Current tax liabilities, beginning of year**	**1,008**	**72**
(116)	-	Transferred to/from tax assets	-	(116)
915	575	Current tax for the year	814	1,277)
(58)	(1,166)	Corporation tax paid for the year, net	(1,748)	(203)
(21)	-0	Adjustment relating to previous years	(1)	(22)
-	-	Current tax for the year recognised under "Other comprehensive income"	87	-
720	**129**	**Current tax liabilities, year-end**	**160**	**1,008**
		35. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS		
209	**276**	**Balance, beginning of year**	**280**	**219**
(8)	(24)	Utilised for the year	(24)	(8)
101	99	Provision for the year	99	94
(4)	11	Adjustment for the year as a result of changes to the discount rate and discount period	11	(4)
(21)	(41)	Reversal of unutilised amounts	(41)	(21)
276	**322**	**Balance, year-end**	**326**	**280**
		36. REPAYABLE RESERVES IN PRE-1972 SERIES		
102	**107**	**Balance, beginning of year**	**107**	**102**
(5)	(7)	Utilised for the year	(7)	(5)
10	(0)	Adjustment for the year as a result of changes to the discount rate and discount period	(0)	10
107	**100**	**Balance, year-end**	**100**	**107**

Repayable reserves in pre-1972 series stem from loan agreements under which the lender on full or partial repayment of the outstanding amount is paid his share of the series reserve fund in compliance with the terms of the series concerned. This liability will be gradually reduced as the lenders repay up until 2033.

Nykredit Realkredit A/S 2009	2010		Nykredit Realkredit Group 2010	2009
		37. PROVISIONS FOR LOSSES UNDER GUARANTEES		
-	**-**	**Balance, beginning of year**	**610**	**106**
-	-	Provision for the year	317	603
-	-	Reversal of unutilised amounts	(182)	(99)
-	**-**	**Balance, year-end**	**745**	**610**

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Nykredit Realkredit Group 2010	Nykredit Realkredit Group 2009
		38. OTHER PROVISIONS		
19	**25**	**Balance, beginning of year**	**182**	**26**
(2)	(6)	Utilised for the year	(30)	(10)
11	7	Provision for the year	8	170
(2)	0	Adjustment for the year as a result of changes to the discount rate and discount period	0	(2)
(1)	(0)	Reversal of unutilised amounts	(31)	(3)
25	**27**	**Balance, year-end**	**129**	**182**
		39. SUBORDINATED DEBT		
		Subordinated debt consists of financial liabilities in the form of subordinate loan capital and hybrid core capital which, in case of voluntary or compulsory liquidation, will not be repaid until after the claims of ordinary creditors have been met.		
		Subordinated debt is included in the capital base in accordance with sections 129, 132 and 136 of the Danish Financial Business Act.		
		Subordinate loan capital		
-	-	Nom EUR 10m. The loan carried an interest rate of 1.0% pa over 6M Euribor and was prematurely redeemed on 31 October 2010	-	74
-	-	Nom DKK 75m. The loan falls due at par (100) on 29 March 2014 and carries an interest rate of 2.5% pa above 6M Cibor	75	75
-	-	Nom DKK 100m. The loan carried an interest rate of 2.5% pa over 6M Cibor and was prematurely redeemed on 24 September 2010	-	100
-	-	Nom NOK 125m. The loan falls due at par (100) on 29 September 2014 and carries an interest rate of 0.75% pa above 3M Nibor	119	111
-	-	Nom DKK 150m. The loan carried a fixed interest rate of 4.1% pa and was prematurely redeemed on 6 August 2010	-	151
-	-	Nom DKK 200m. The loan falls due at par (100) on 30 September 2014 and carries an interest rate of 1.0% pa above 6M Cibor	200	200
-	-	Nom DKK 200m. The loan falls due at par (100) on 1 November 2014 and carries an interest rate of 1.0% pa above 3M Cibor	200	200
3,716	-	Nom EUR 500m. The loan carried an interest rate of 0.23% pa above 3M Euribor and was prematurely redeemed on 20 September 2010	-	3,716
3,716	**-**	**Total subordinate loan capital**	**594**	**4,628**

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		Nykredit Realkredit Group 2010	2009
		39. SUBORDINATED DEBT (continued)		
		Hybrid core capital		
-	-	Nom DKK 100m. The loan is perpetual and carries an interest rate of 1.7% pa above 3M Cibor	100	100
-	-	Nom DKK 150m. The loan is perpetual and carries an interest rate of 6.3% pa	150	158
3,955	3,991	Nom EUR 500m. The loan is perpetual, but may be redeemed at par (100) from 22 September 2014. The loan carries a fixed interest rate of 4.9% pa up to 22 September 2014, after which date it will carry a floating interest rate.	3,991	3,955
6,592	6,814	Nom EUR 900m. The loan is perpetual, but may be redeemed at par (100) from 1 April 2015. The loan carries a fixed interest rate of 9.0% up to 1 April 2015, after which date the interest rate will be fixed every five years	6,814	6,592
10,547	**10,805**	**Total hybrid core capital**	**11,055**	**10,805**
(60)	-	Portfolio of self-issued bonds	(31)	(60)
14,203	**10,805**	**Total subordinated debt**	**11,618**	**15,372**
14,202	10,805	Subordinated debt that may be included in the capital base	11,618	15,370
82	3	Costs relating to raising and redemption of subordinated debt	3	82
-	3,723	Extraordinary principal payments and redemption of subordinated debt in the financial period	4,048	250
		Hedge accounting		
		The exposure to fair value changes in the price of the bonds as a result of changes in market rates is hedged. The Nykredit Realkredit Group has countered this risk by entering into the following interest rate swaps:		
		A 10-year interest rate swap with a notional principal of EUR 500m (nominal). Two 5-year interest rate swaps each with a notional principal of EUR 450m (nominal).		
246	272	Market value of interest rate swap of EUR 500m (nominal)	272	246
(26)	172	Market value of interest rate swap of EUR 900m (nominal)	172	(26)
3,247	3,498	Market value of hybrid core capital of EUR 500m (nominal)	3,498	3,247
7,113	7,210	Market value of hybrid core capital of EUR 900m (nominal)	7,210	7,113

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		Nykredit Realkredit Group 2010	2009
		40. OFF-BALANCE SHEET ITEMS		
		The size and business scope of the Nykredit Realkredit Group continuously involve the Group in legal proceedings. For a description of significant cases, please refer to the Management's Review. Other pending cases are not expected to have a significant effect on the Nykredit Realkredit Group's financial position.		
		Nykredit Realkredit A/S is jointly taxed with all the Danish group enterprises of the Foreningen Nykredit Group. Nykredit Realkredit A/S is solely liable for the part of tax which is attributable to Nykredit Realkredit A/S and which is not settled with Foreningen Nykredit via the scheme for payment of tax on account.		
		The companies Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Leasing A/S, Nykredit Portefølje Adm. A/S and Ejendomsselskabet Kalvebod A/S are registered jointly where payroll tax and VAT are concerned and are jointly and severally liable for the settlement thereof.		
		Nykredit Realkredit A/S is liable for the obligations of the pension funds in run-off Jyllands Kreditforenings Afviklingspensionskasse (CVR no 24256219) and Den Under Afvikling Værende Pensionskasse i Forenede Kreditforeninger (CVR no 71977714).		
		Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.		
-	-	Contingent liabilities	6,286	8,336
1,468	1,273	Other commitments	8,013	10,852
1,468	**1,273**	**Total**	**14,298**	**19,189**
		Contingent liabilities		
-	-	Financial guarantees	3,369	4,394
-	-	Registration and refinancing guarantees	-	7
-	-	Other contingent liabilities	2,917	3,935
-	**-**	**Total**	**6,286**	**8,336**
		By time-to-maturity		
-	-	Up to 1 year	4,660	3,384
-	-	Over 1 year and up to 5 years	1,340	2,991
-	-	Over 5 years	286	1,961
-	**-**	**Total**	**6,286**	**8,336**
		The determination of times-to-maturity is partly based on estimates as not all guarantees have a fixed expiry date and as the expiry date may also depend on pending registration etc.		

Notes

DKK million

Nykredit Realkredit A/S 2009	2010		Nykredit Realkredit Group 2010	2009
		40. OFF-BALANCE SHEET ITEMS (continued)		

Government guarantee scheme (Bank Rescue Package I)

Nykredit Bank A/S participated in a government guarantee scheme, which expired at the end of September 2010. The scheme included a two-year guarantee issued by the Danish government, covering the Danish banks enrolled in the scheme.

Nykredit Bank A/S's share of the total guarantee commission came to DKK 984m.
For 2010, DKK 371m was charged to the income statement under "Other operating expenses".

Nykredit Bank A/S also participated in a sector guarantee totalling DKK 20bn with a potential share of up to DKK 1,318m. At 31 December 2010, DKK 659m had been provided for the obligation.

In Management's opinion, the provision at 31 December 2010 reflected the Bank's share of the expected obligation.

Other commitments

Nykredit Realkredit A/S 2009	2010		Nykredit Realkredit Group 2010	2009
48	34	Irrevocable credit commitments	6,814	9,283
1,421	1,239	Other liabilities	1,199	1,570
1,468	**1,273**	**Total**	**8,013**	**10,852**

The Group leases properties under operating leases. The lease terms are typically between 2 and 12 years with an option for extension on expiry. No contingent lease payments are payable under the lease agreements.

The following non-cancellable lease payments are recognised under "Other commitments":

Nykredit Realkredit A/S 2009	2010		Nykredit Realkredit Group 2010	2009
135	143	Up to 1 year	62	104
516	485	Over 1 year and up to 5 years	182	297
110	108	Over 5 years	78	258
761	**737**	**Total**	**323**	**659**

Notes

41. RELATED PARTY TRANSACTIONS AND BALANCES

Foreningen Nykredit, the Parent Company Nykredit Holding A/S, group enterprises and associates of the Nykredit Realkredit Group as stated under Group structure as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in 2010.

The companies have entered into agreements as a natural part of the Group's day-to-day operations. The agreements typically involve finance, guarantees, 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 or cost covering basis.

Significant related party transactions prevailing/entered into in 2010 include:

Agreements between Nykredit Realkredit A/S and Totalkredit A/S
Master agreements on facility, credit and risk management, management and organisational development and allocation of staff-related costs.
Master agreement on the terms applicable to transactions in the securities area.
Agreement on joint funding of mortgage loans.
Nykredit Realkredit A/S has granted loans to Totalkredit A/S serving as security in Totalkredit's capital centres.
Nykredit Realkredit A/S has provided Totalkredit A/S with subordinated debt.

Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S
Master agreements on facility, credit and risk management, management and organisational development and allocation of staff-related costs.
Master agreement on the terms for financial transactions relating to the securities and money market areas.
Nykredit Realkredit A/S has subscribed for further share capital of DKK 1bn.

Agreements between Nykredit Realkredit A/S and Nykredit Mægler A/S
Master agreements on facility management, management and organisational development and allocation of staff-related costs.
Agreements on commission payable in connection with referral of lending business.

Agreements between Nykredit Realkredit A/S and Nykredit Forsikring A/S (terminated as of 29 April 2010)
Master agreements on facility and risk management, management and organisational development and allocation of staff-related costs.
Agreement on the employment of insurance agents at Nykredit Realkredit A/S centres, sales commission to Nykredit centres and agreement on the management of certain investments. Nykredit Forsikring A/S has distributed a dividend of DKK 500m to Nykredit Realkredit A/S.

Agreements between the companies of the Nykredit Realkredit Group and JN Data A/S
Agreements on joint IT support etc.

Agreements between Nykredit Realkredit A/S and Nykredit Ejendomme A/S
Nykredit Realkredit A/S has granted a credit line to Nykredit Ejendomme A/S.
Nykredit Realkredit A/S has granted a mortgage loan to Nykredit Ejendomme A/S.
Nykredit Ejendomme A/S leases office properties to Nykredit Realkredit A/S.

Agreements between Totalkredit A/S and Nykredit Bank A/S
Agreements on commission payable in connection with referral of lending business.

Agreements between Totalkredit A/S and Nykredit Mægler A/S
Agreements on commission payable in connection with referral of lending business.

Agreements between Nykredit Bank A/S and Ejendomsselskabet Kalvebod A/S
Nykredit Bank A/S has granted a bank loan to subsidiaries of Ejendomsselskabet Kalvebod A/S.

Agreements between Nykredit Holding A/S and Nykredit Bank A/S
On specific occasions, Nykredit Holding A/S has issued guarantees or letters of comfort to third parties.

Transactions with the Board of Directors and Executive Board
Transactions involving the Board of Directors and Executive Board are disclosed in note 41 e.

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Nykredit Realkredit Group 2010	Nykredit Realkredit Group 2009
		41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)		
		41. a. Transactions with subsidiaries		
		Income statement		
14,815	13,715	Interest income	-	-
1,434	2,015	Interest expenses	-	-
363	406	Fee and commission income	-	-
133	154	Fee and commission expenses	-	-
5,762	59	Value adjustments	-	-
75	75	Other operating income	-	-
(380)	(630)	Staff and administrative expenses	-	-
		Asset items		
12,903	20,465	Receivables from credit institutions and central banks	-	-
7,496	10,616	Loans, advances and receivables at fair value	-	-
399,307	433,531	Totalkredit mortgage loan funding	-	-
82	54	Loans, advances and receivables at amortised cost	-	-
8,027	2,815	Bonds at fair value	-	-
12,378	10,019	Other assets	-	-
		Liability items		
9,264	3,863	Payables to credit institutions and central banks	-	-
120,028	118,070	Issued bonds	-	-
3,834	4,385	Other liabilities	-	-
		41. b. Transactions with parent companies		
		Income statement		
-	-	Interest expenses	1	11
		Liability items		
-	-	Deposits and other payables	119	335
-	83	Issued bonds at fair value	121	-
		41. c. Transactions with joint ventures		
		Income statement		
409	246	Staff and administrative expenses	256	419
		Asset items		
1	3	Other assets	3	1
		Liability items		
24	-	Other liabilities	-	24

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Nykredit Realkredit Group 2010	Nykredit Realkredit Group 2009
		41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)		
		41. d. Transactions with associates		
		Income statement		
-	-	Interest expenses	0	1
		Liability items		
-	-	Deposits and other payables	9	59
		41. e. Transactions with the Board of Directors and Executive Board		
		Loans, charges or guarantees granted to the members of:		
16	17	Executive Board	21	20
23	47	Board of Directors	55	42
4,982	5,996	Related parties of the Executive Board and Board of Directors	6,795	5,621
		Deposits from the members of:		
-	-	Executive Board	5	3
-	-	Board of Directors	3	0
-	-	Related parties of the Executive Board and Board of Directors	102	147

Exposures with related parties have been granted on standard business terms. Rates applying to ordinary loans range between 2.5% and 7.5%, while deposits carry interest ranging between 0.5% and 1.0%.

Notes

DKK million

Nykredit Realkredit Group

42. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Measurement principles for financial instruments

Financial instruments are measured at fair value or amortised cost in the balance sheets. The table overleaf shows the fair 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 financial assets may be traded, or the amount at which financial liabilities may be settled, between independent parties.

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

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

Unlisted equities are measured at fair value using the IPEV (International Private Equity & Venture Capital Valuation Guidelines) measurement guidelines for the fair value of unlisted equities, according to which the fair value is estimated as the price of an asset traded between independent parties.

In connection with the determination of the fair value of the financial instruments measured at amortised cost in the Financial Statements, the following methods and significant assumptions are applied:

- The interest rate risk of certain financial instruments recognised at amortised cost is hedged by means of derivatives, cf note 47. These financial instruments are measured at fair value in the financial statements, cf the provisions on hedge accounting of interest rate risk.

- The carrying amounts of loans, advances and receivables as well as other financial liabilities due within 12 months are also regarded as their fair values.

- For loans, advances and receivables as well as other financial liabilities measured at amortised cost, carrying a floating interest rate and entered into on standard credit terms, the carrying amounts are estimated to correspond to the fair value.

- The fair value of fixed-rate loans measured at amortised cost is determined based on recognised measurement methods. The credit risk on fixed-rate loans and advances is assessed in relation to other loans, advances and receivables.

- The fair value of deposits and other payables without a fixed term is assumed to be the value disbursable at the balance sheet date.

The table overleaf also shows the value which has not been recognised in the income statement for the financial year due to differences between financial instruments measured at amortised cost or fair value and the (unrealised) value adjustment of "Financial assets available for sale" recognised directly in equity.

Notes

DKK million

Nykredit Realkredit Group

42. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

2010	IAS 39 category	Carrying amount	Fair value	Balance	Fair value calculated on the basis of method 1	method 2
Assets						
Cash balance and demand deposits with central banks	a)	507	507	-	507	-
Receivables at call from central banks	a)	13,578	13,578	-	13,578	-
Receivables from credit institutions	a+c)	44,571	44,571	-	44,571	-
Loans, advances and other receivables at fair value	b)	1,043,763	1,043,763	-	1,043,762	1
Loans, advances and other receivables at amortised cost	a)	59,777	59,829	53	54	59,775
Bonds at fair value	c)	94,139	94,139	-	92,615	1,524
Equities measured at fair value through profit or loss	c)	1,696	1,696	-	572	1,124
Equities available for sale	d)	3,309	3,309	-	3,040	269
Interest and commission receivable	a)	12,816	12,816	-	-	12,816
Derivative financial instruments	c)	27,156	27,156	-	26,945	211
Other assets	a)	770	770	-	-	770
Total		**1,302,082**	**1,302,135**	**53**	**1,225,644**	**76,491**
Liabilities and equity						
Payables to credit institutions	e)	90,978	90,978	-	90,978	-
Payables to central banks	e)	4,901	4,901	-	4,901	-
Deposits and other payables	e)	55,467	55,519	(52)	-	55,519
Issued bonds at fair value	b)	974,319	974,319	-	974,319	-
Issued bonds at amortised cost	e)	32,569	32,654	(85)	32,519	134
Other non-derivative financial liabilities at fair value	c)	28,160	28,160	-	28,160	-
Interest and commission payable	e)	23,121	23,121	-	-	23,121
Derivative financial instruments	c)	25,955	25,955	-	25,724	231
Other payables	e)	6,651	6,651	-	-	6,651
Subordinated debt	e)	11,618	11,520	98	10,707	813
Total		**1,253,739**	**1,253,779**	**(39)**	**1,167,309**	**86,469**
Transfer from assets				53		
Total balance				**13**		
Unrealised gains and losses recognised in equity:						
Equities (available for sale)				161		
Balances not recognised in the income statement				**174**		

Measurement methods
Method 1: Accepted measurement methods based on market data
Method 2: Other accepted measurement methods

IAS 39 category
a) Loans, advances and receivables
b) Assets/liabilities recognised at fair value on initial recognition (fair value option)
c) Financial assets/liabilities held for trading
d) Financial assets available for sale
e) Other financial liabilities

Notes

DKK million

Nykredit Realkredit Group

42. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

2009	IAS 39 category	Carrying amount	Fair value	Balance	Fair value calculated on the basis of method 1	method 2
Assets						
Cash balance and demand deposits with central banks	a)	1,828	1,828	-	1,828	-
Receivables at call from central banks	a)	12,529	12,529	-	12,529	-
Receivables from credit institutions	a+c)	48,578	48,578	-	48,578	-
Loans, advances and other receivables at fair value	b)	992,992	992,992	-	992,992	-
Loans, advances and other receivables at amortised cost	a)	62,011	61,987	(24)	-	61,987
Bonds at fair value	c)	81,871	81,871	-	80,402	1,469
Equities measured at fair value through profit or loss	c)	1,809	1,809	-	537	1,272
Equities available for sale	d)	2,941	2,941	-	2,628	313
Interest and commission receivable	a)	10,522	10,522	-	-	10,522
Derivative financial instruments	c)	21,310	21,310	-	20,908	403
Other assets	a)	869	869	-	-	869
Total		**1,237,261**	**1,237,237**	**(24)**	**1,160,401**	**76,836**
Liabilities and equity						
Payables to credit institutions	e)	81,724	81,745	(21)	81,745	-
Payables to central banks	e)	37,589	37,589	-	37,589	-
Deposits and other payables	e)	64,483	64,525	(42)	-	64,525
Issued bonds at fair value	b)	889,899	889,899	-	889,899	-
Issued bonds at amortised cost	e)	44,253	44,350	(97)	44,350	-
Other non-derivative financial liabilities at fair value	c)	8,902	8,902	-	8,902	-
Interest and commission payable	e)	24,081	24,081	-	-	24,081
Derivative financial instruments	c)	19,303	19,303	-	18,823	479
Other payables	e)	5,919	5,919	-	-	5,919
Subordinated debt	e)	15,372	15,081	291	11,529	3,552
Total		**1,191,525**	**1,191,394**	**131**	**1,092,837**	**98,557**
Transfer from assets				(24)		
Total balance				**107**		
Unrealised gains and losses recognised in equity:						
Equities (available for sale)				751		
Balances not recognised in the income statement				**858**		

Measurement methods

Method 1: Accepted measurement methods based on market data

Method 2: Other accepted measurement methods

IAS 39 category

a) Loans, advances and receivables

b) Assets/liabilities recognised at fair value on initial recognition (fair value option)

c) Financial assets/liabilities held for trading

d) Financial assets available for sale

e) Other financial liabilities

Notes

DKK million

Nykredit Realkredit Group

43. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS

Financial instruments at fair value by measurement categories (the IFRS hierarchy)

2010	Listed prices	Observable inputs	Unobserv-able inputs	Total fair value
Financial instruments in the form of assets:				
Recognised as trading book:				
- Receivables from credit institutions and central banks [1]	-	9,528	-	9,528
- Other loans and advances	-	12,920	-	12,920
- Bonds at fair value	68,223	24,392	1,524	94,139
- Equities measured at fair value through profit or loss	573	-	1,124	1,696
- Positive fair value of derivative financial instruments	71	26,874	211	27,156
Recognised through the fair value option:				
- Mortgage loans, arrears and outlays	1,030,842	-	-	1,030,842
Recognised as available for sale:				
- Equities available for sale	3,040	-	269	3,309
Total	**1,102,747**	**73,715**	**3,128**	**1,179,590**
Financial instruments in the form of liabilities:				
Recognised as trading book:				
- Payables to credit institutions and central banks [1]	-	75,662	-	75,662
- Other non-derivative financial liabilities at fair value	7,152	20,967	-	28,119
- Negative fair value of derivative financial instruments	70	25,654	231	25,955
Recognised through the fair value option:				
- Issued bonds at fair value	974,319	-	-	974,319
Total	**981,542**	**122,284**	**231**	**1,104,056**
Financial instruments measured on the basis of unobservable inputs:				
Fair value, beginning of year, financial assets			**3,286**	
Capital gains and losses recognised in the income statement			142	
Capital gains and losses recognised under "Other comprehensive income"			(41)	
Purchases for the year			128	
Sales and prepayments for the year			(118)	
Reclassified to "Other assets"			(105)	
Transferred to Listed prices and Observable inputs			(166)	
Fair value, year-end, financial assets			**3,128**	
Fair value, beginning of year, financial liabilities			**267**	
Capital gains and losses recognised in the income statement			(37)	
Fair value, year-end, financial liabilities			**231**	

[1] "Receivables from credit institutions and central banks" and "Payables to credit institutions and central banks" consist of genuine sale and repurchase transactions as well as genuine purchase and resale transactions recognised at fair value, cf note 45.

The financial year has seen no significant reclassifications between the categories "Listed prices" and "Observable inputs".

A portfolio of equities traded and priced on a current basis based on market listings has been transferred from the category "Unobservable inputs" to "Listed prices".

Notes

DKK million

Nykredit Realkredit Group

43. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments at fair value by measurement categories (the IFRS hierarchy)

2009	Listed prices	Observable inputs	Unobserv-able inputs	Total fair value
Financial instruments in the form of assets:				
Recognised as trading book:				
- Receivables from credit institutions and central banks [1]	-	12,074	-	12,074
- Other loans and advances	-	12,001	-	12,001
- Bonds at fair value	60,395	20,006	1,469	81,871
- Equities measured at fair value through profit or loss	537	-	1,272	1,809
- Positive fair value of derivative financial instruments	321	20,757	232	21,310
Recognised through the fair value option:				
- Mortgage loans, arrears and outlays	980,991	-	-	980,991
Recognised as available for sale:				
- Equities available for sale	2,628	-	313	2,941
Total	**1,044,871**	**64,839**	**3,286**	**1,112,997**
Financial instruments in the form of liabilities:				
Recognised as trading book:				
- Payables to credit institutions and central banks [1]	-	55,998	-	55,998
- Other non-derivative financial liabilities at fair value	8,451	451	-	8,902
- Negative fair value of derivative financial instruments	116	18,920	267	19,303
Recognised through the fair value option:				
- Issued bonds at fair value	889,899	-	-	889,899
Total	**898,465**	**75,369**	**267**	**974,101**

[1] "Receivables from credit institutions and central banks" and "Payables to credit institutions and central banks" consist of genuine sale and repurchase transactions as well as genuine purchase and resale transactions recognised at fair value, cf note 45.

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, using generally accepted calculation methods, valuation and estimation techniques such as discounted cash flows and option models.

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

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

Notes

DKK million

Nykredit Realkredit Group

43. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

In some cases, the markets, eg the bond market, became gradually inactive and illiquid in 2008 and 2009. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were compulsory. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discount techniques.

Unobservable inputs

When it is not possible to measure financial instruments at fair value, through active market prices or observable inputs, measurement is made on the basis of internal assumptions and extrapolation. Where possible and appropriate, measurement is based on actual transactions adjusted for differences in eg the liquidity, credit spreads and maturity of the instruments. The Group's unlisted equities are generally categorised under this heading although measurement is based on the IPEV measurement guidelines.

Measurement, notably of instruments categorised as unobservable inputs, is inherently subject to some uncertainty. Of the total assets and liabilities, DKK 3,128m and DKK 231m, respectively, can be ascribed to this category (2009: DKK 3,286m and DKK 267m, respectively).

Notes

DKK million

Nykredit Realkredit Group

44. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net fair value				Gross fair value			
	Up to 3 months	3 months and up to 1 year	1 year and up to 5 years	Over 5 years	Positive fair value	Negative fair value	Net fair value	Nominal value
2010								
Foreign exchange contracts								
Forwards/futures, purchased	(36)	24	(0)	-	225	238	(13)	33,168
Forwards/futures, sold	(53)	54	0	-	155	154	1	29,123
Swaps	246	285	19	367	2,988	2,072	916	73,053
Options, purchased	4	9	-	-	13	0	13	6,192
Options, written	(4)	(9)	-	-	0	13	(13)	6,335
Interest rate contracts								
Forwards/futures, purchased	70	(0)	-	-	82	13	70	104,928
Forwards/futures, sold	(64)	(3)	-	-	62	129	(67)	194,786
Forward Rate Agreements, purchased	(7)	(3)	1	-	9	19	(10)	24,890
Forward Rate Agreements, sold	10	8	(1)	-	18	1	17	23,597
Swaps	(6)	33	201	347	21,766	21,191	575	962,364
Options, purchased	2	-	(258)	1,002	1,777	1,032	745	84,099
Options, written	-	3	(102)	(919)	3	1,022	(1,018)	32,949
Equity contracts								
Forwards/futures, purchased	0	-	-	-	1	0	0	-
Forwards/futures, sold	(0)	-	-	-	1	1	(0)	13,320
Options, purchased	(0)	-	-	-	-	0	(0)	-
Options, written	-	-	-	-	-	-	-	-
Credit contracts								
Credit default swaps, purchased	-	-	(16)	31	31	16	16	271
Credit default swaps, sold	-	-	(25)	0	0	25	(25)	1,130
Unsettled spot transactions	**(7)**	**-**	**-**	**-**	**24**	**32**	**(7)**	**22,891**

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DKK million

Nykredit Realkredit Group

44. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net fair value				Gross fair value			
2009	Up to 3 months	3 months and up to 1 year	1 year and up to 5 years	Over 5 years	Positive fair value	Negative fair value	Net fair value	Nominal value
Foreign exchange contracts								
Forwards/futures, purchased	2	(5)	-	-	247	249	(2)	48,634
Forwards/futures, sold	(31)	7	-	-	48	72	(24)	58,989
Swaps	(71)	253	487	380	2,044	994	1,050	75,084
Options, purchased	10	0	-	-	10	-	10	14,867
Options, written	(6)	(0)	-	-	-	6	(6)	372
Interest rate contracts								
Forwards/futures, purchased	2	(2)	-	-	67	66	1	120,304
Forwards/futures, sold	168	1	-	-	201	32	169	200,833
Forward Rate Agreements, purchased	(21)	(11)	(1)	-	0	34	(34)	38,810
Forward Rate Agreements, sold	16	10	1	-	28	0	28	31,817
Swaps	(7)	(305)	232	757	16,693	16,017	676	812,843
Options, purchased	1	0	(283)	1,686	1,953	548	1,405	89,815
Options, written	0	(0)	(51)	(1,071)	3	1,125	(1,122)	38,499
Equity contracts								
Forwards/futures, purchased	(13)	-	-	-	2	14	(13)	21
Forwards/futures, sold	(2)	-	-	-	0	2	(2)	51
Options, purchased	0	0	(9)	-	9	18	(9)	84
Options, written	(0)	-	-	-	-	0	(0)	25
Credit contracts								
Credit default swaps, purchased	-	-	(20)	-	-	20	(20)	186
Credit default swaps, sold	-	-	(16)	(82)	1	99	(98)	1,174
Unsettled spot transactions	(2)	-	-	-	5	7	(2)	9,349

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Nykredit Realkredit Group 2010	Nykredit Realkredit Group 2009
		45. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS		
		The Nykredit Realkredit Group applies genuine purchase and resale transactions and genuine sale and repurchase transactions in the day-to-day business operations. All transactions were entered into using bonds as the underlying asset.		
		Of the asset items below, genuine purchase and resale transactions represent:		
6,869	7,799	Receivables from credit institutions and central banks	9,528	12,074
39	-	Loans, advances and other receivables at fair value	12,920	12,001
		Of the liability items below, genuine sale and repurchase transactions represent:		
54,210	72,667	Payables to credit institutions and central banks	75,662	55,998
-	-	Other non-derivative financial liabilities at fair value	20,967	451
143	-	Other liabilities	-	143
		Assets sold as part of genuine sale and repurchase transactions:		
54,353	72,667	Bonds at fair value	96,160	56,439

Notes

DKK million

	Nykredit Realkredit Group 2010	2009
46. RISK MANAGEMENT		

The Nykredit Realkredit Group's risk and policies are described in the Management's Review under "Group risk management".
The information below is a supplement to the Management's Review.

Credit risk

The Group's maximum credit exposure is composed of selected balance sheet and off-balance sheet items.

Total credit exposure

	2010	2009
On-balance sheet items		
Demand deposits with central banks	394	1,723
Receivables from credit institutions and central banks	58,149	61,081
Loans, advances and other receivables at fair value	1,043,763	992,992
Loans, advances and other receivables at amortised cost	59,777	62,011
Bonds at fair value	94,139	81,871
Equities	5,005	4,750
Other assets	40,749	32,648
Off-balance sheet items		
Contingent liabilities	6,286	8,336
Irrevocable credit commitments	6,814	9,283
Total	**1,315,076**	**1,254,695**

Concentration risk

Pursuant to the Danish Financial Business Act, an exposure with any one customer or group of mutually connected customers may not, after subtracting particularly secure claims, exceed 25% of the capital base. The Nykredit Realkredit Group had no exposures in 2009 or 2010 which exceeded this limit.

Collateral security received

The Nykredit Realkredit Group reduces the risk relating to individual transactions by entering into loss guarantees and receiving physical assets as security.
The establishment of lines for trading in financial products often requires a contractual basis giving the Group access to netting. The contractual basis is typically standards such as ISDA or ISMA agreements.

Notes

DKK million

Nykredit Realkredit Group

46. RISK MANAGEMENT (continued)

Mortgage lending by property and rating category

The rating illustrates the customer's ability to pay, but not the probability of loss. Significant security is usually provided for mortgage loans, which reduces or eliminates the risk of loss – regardless of customer ratings.

2010	Owner-occupied dwellings	Private residential rental	Industry and trades	Office and retail	Agriculture	Non-profit housing	Other	Total
Rating category								
10	29,605	1,138	1,654	4,160	2,871	460	362	40,251
9	81,858	4,206	2,139	8,632	9,911	5,557	2,406	114,709
8	200,042	21,231	7,474	10,923	19,811	27,753	4,336	291,570
7	116,064	26,929	8,703	20,657	21,443	14,982	4,245	213,024
6	101,214	13,414	1,381	14,690	17,498	3,983	1,385	153,566
5	35,996	6,893	1,220	8,007	9,594	2,763	471	64,943
4	24,763	5,122	946	5,299	12,032	3,602	842	52,607
3	9,320	4,709	564	8,003	1,980	1,634	205	26,416
2	13,502	10,047	620	4,475	3,103	1,047	192	32,985
1	16,603	1,393	212	1,589	1,470	382	85	21,734
0	377	1,339	147	631	701	32	25	3,253
Non-performing exposures	3,932	5,810	610	1,889	1,112	159	100	13,611
Total	**633,275**	**102,232**	**25,671**	**88,955**	**101,527**	**62,353**	**14,655**	**1,028,668**

2009	Owner-occupied dwellings	Private residential rental	Industry and trades	Office and retail	Agriculture	Non-profit housing	Other	Total
Rating category								
10	37,577	817	2,501	2,415	5,499	268	78	49,156
9	40,285	3,982	2,762	8,170	13,021	4,756	844	73,820
8	77,812	17,519	4,181	8,335	23,629	25,965	3,270	160,709
7	101,179	24,248	7,228	20,040	23,504	17,413	3,844	197,454
6	144,143	11,690	2,065	11,306	13,698	3,852	2,377	189,131
5	120,161	6,037	1,611	7,143	10,551	3,042	659	149,204
4	48,789	5,366	2,795	5,331	2,485	4,418	843	70,028
3	17,266	5,853	1,494	3,667	1,458	2,537	304	32,579
2	8,907	8,514	1,153	11,446	3,130	1,388	464	35,002
1	5,198	1,832	271	1,752	1,395	580	68	11,096
0	376	870	230	802	365	37	80	2,761
Non-performing exposures	4,335	6,556	374	1,428	451	148	105	13,398
Total	**606,027**	**93,284**	**26,665**	**81,835**	**99,186**	**64,404**	**12,936**	**984,338**

Group mortgage lending is stated in nominal terms including arrears and is disclosed by rating categories that reflect the rating of the individual customer defined as the probability of default. The rating categories range from 0 to10, 10 being the highest rating. Mortgage lending and arrears from the branch in Poland are not included in the rating categories (2010: DKK 1,539m, 2009: DKK 1,644m).

Mortgage loans with low customer ratings are loans in rating categories 0 and 1 (not including loans to public sector customers) for which Nykredit's internal credit models show a probability of default of more than 7%, but which have not yet been provided for. In other words, these are loans that are associated with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan.

The category "Non-performing exposures" includes loans provided for individually and loans to customers with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan. Nykredit's rating categories are further described in the report Risk and Capital Management 2010, available at nykredit.com/reports.

Notes

DKK million

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46. RISK MANAGEMENT (continued)

Bank lending by sector and rating category

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

Bank lending by sector and rating category[1]

2009	Manufacturing, building and construction	Credit and finance	Property management and trade etc	Transport, trade and hotels	Other trade and public	Retail	Total
Rating category							
10	745	13	83	13	219	423	1,496
9	176	11	392	59	741	510	1,889
8	1,326	572	2,611	918	1,494	776	7,697
7	733	189	3,201	557	2,196	1,173	8,049
6	615	1	1,073	189	1,031	2,386	5,295
5	612	8	1,330	85	800	2,783	5,618
4	228	19	433	128	342	2,452	3,602
3	1,764	2,527	645	902	425	1,232	7,495
2	579	410	720	99	186	513	2,507
1	18	3	142	9	138	148	458
0	20	33	105	6	15	10	189
Non-performing exposures	442	697	459	296	397	177	2,468
Total	**7,258**	**4,483**	**11,194**	**3,261**	**7,984**	**12,583**	**46,763**

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

Rating categories include Nykredit Bank A/S's loans, advances and receivables at amortised cost determined before impairments. Loans with low customer ratings are loans in rating categories 0 and 1 (not including loans to public sector customers) for which Nykredit's internal credit models show a probability of default of more than 7%, but which have not been provided for. In other words, these are loans that are associated with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan.

The category "Non-performing exposures" includes loans provided for individually and loans to customers with an elevated risk of future default, but not necessarily a high risk of future losses, ie the loss risk also depends on any security behind the loan. Nykredit's rating categories are further described in the report Risk and Capital Management 2010, available at nykredit.com/reports.

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DKK million

Nykredit Realkredit Group

47. 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 value/ amortised value	Carrying amount	Fair value adjustment for accounting purposes
2010			
Assets			
Loans and advances	1,899	1,950	51
Liabilities			
Subordinated debt	10,361	10,805	(444)
Issued bonds	4,301	4,213	88
Derivative financial instruments			
Interest rate swaps, subordinated debt	10,418	444	444
Interest rate swaps, fixed-rate bank loans and advances	1,372	(52)	(52)
Interest rate swaps, issued bonds	4,301	(88)	(88)
Total	**32,652**	**17,272**	**(1)**
Gain for the year on hedging instruments		85	
Loss for the year on hedged items		(86)	
Net gain		**(1)**	
2009			
Assets			
Loans and advances	2,642	2,706	64
Liabilities			
Subordinated debt	10,739	10,959	(220)
Issued bonds	1,078	1,028	50
Derivative financial instruments			
Interest rate swaps, subordinated debt	10,829	220	220
Interest rate swaps, fixed-rate bank loans and advances	1,490	(64)	(64)
Interest rate swaps, issued bonds	1,078	(50)	(50)
Total	**27,856**	**14,799**	**0**
Gain for the year on hedging instruments		229	
Loss for the year on hedged items		(229)	
Net gain		**0**	

Notes

DKK million

Nykredit Realkredit A/S 2009	Nykredit Realkredit A/S 2010		Nykredit Realkredit Group 2010	Nykredit Realkredit Group 2009
		48. CURRENCY EXPOSURE		
		By main currency (net)		
174	33	USD	31	174
(3)	(2)	GBP	(0)	(1)
76	38	SEK	40	81
75	42	NOK	44	71
1	1	CHF	0	1
-	-	CAD	(1)	1
(169)	(30)	JPY	(29)	(169)
1,597	(326)	EUR	(547)	1,673
(8)	0	Other	5	(8)
1,743	**(243)**	**Total**	**(457)**	**1,823**
1,922	357	**Exchange Rate Indicator 1**	577	2,001
		Exchange Rate Indicator 1 is determined as the sum of the higher numerical value of assets (long-term position) or net payables. Indicator 1 shows the overall foreign exchange risk.		
11	4	**Exchange Rate Indicator 2**	4	11
		Exchange Rate Indicator 2 is based on a statistical method where historical data have been compiled by the Danish authorities and reflect the overall loss risk.		

Notes

49. IFRS DISCLOSURE REQUIREMENTS INCLUDED IN THE MANAGEMENT'S REVIEW

Information on risk

The nature and scope of group risk are described in "Group risk management", which includes credit risk, market risk and insurance risk. Reference is made to pages 31-39.

Group liquidity and the management thereof are described in "Liquidity and funding". Reference is made to pages 47-52.

For qualitative information on group policies and risk management procedures, see "Group risk management" under "Group characteristics" and "Risk and capital management". Reference is made to pages 31 and 32.

Other information

For information on subsequent events, see the Management's Review under "Events occurred after the end of the financial year". Reference is made to page 27.

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DKK million

Nykredit Realkredit Group

50. CHANGE IN COMPARATIVE FIGURES	Published 2009	Change in recognition of: Nykredit Forsikring A/S	JN Data A/S	Restated 2009
Net interest and fee income	11,802	(85)	(1)	11,715
Net premiums earned	1,333	(1,333)	-	-
Value adjustments	2,195	(9)	-	2,186
Other operating income	353	-	(187)	165
Claims incurred, net of reinsurance	875	(875)	-	-
Staff and administrative expenses	5,240	(245)	(138)	4,857
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	793	(0)	(49)	744
Other operating expenses	551	-	-	551
Impairment losses on loans, advances and receivables	7,919	-	-	7,919
Profit (loss) from investments in associates	(125)	(16)	1	(141)
Profit (loss) before tax	**179**	**(324)**	**(0)**	**(145)**
Tax	50	(79)	(0)	(29)
Profit (loss) from continued operations for the year	**129**	**(245)**	**-**	**(117)**
Profit from discontinued insurance operations	-	245	-	245
Profit for the year	**129**	**-**	**-**	**129**

SUMMARY BALANCE SHEET **Assets**	Opening balance 01.01.2009	Restatement amount 01.01.2009	Restated opening balance 01.01.2009	31.12.2009	31.12.2009	31.12.2009	31.12.2009
Cash balance and receivables from credit institutions and central banks	73,400	(12)	73,388	62,936	-	(26)	62,910
Mortgage loans at fair value	895,463	-	895,463	981,227	-	-	981,227
Bank loans – excluding reverse transactions	72,733	-	72,733	60,908	-	-	60,908
Bonds and equities	103,434	-	103,434	86,620	-	-	86,620
Investments in associates	81	90	170	84	-	91	175
Property, plant and equipment as well as intangible assets	7,450	(92)	7,358	7,184	-	(81)	7,103
Other assets	65,566	(57)	65,510	48,304	-	(62)	48,242
Total assets	**1,218,127**	**(72)**	**1,218,055**	**1,247,263**	**-**	**(78)**	**1,247,185**
Liabilities and equity							
Payables to credit institutions and central banks	162,549	-	162,549	119,313	-	-	119,313
Deposits and other payables	61,177	-	61,177	64,483	-	-	64,483
Issued bonds at fair value	836,081	-	836,081	889,899	-	-	889,899
Subordinated debt	8,979	-	8,979	15,372	-	-	15,372
Other liabilities	98,964	(72)	98,892	106,955	-	(78)	106,877
Equity	50,377	-	50,377	51,241	-	-	51,241
Total liabilities and equity	**1,218,127**	**(72)**	**1,218,055**	**1,247,263**	**-**	**(78)**	**1,247,185**
OFF-BALANCE SHEET ITEMS							
Contingent liabilities	8,905	-	8,905	8,336	-	-	8,336
Other commitments	10,601	(104)	10,497	10,951	-	(99)	10,852

The restatement of comparative figures concerning Nykredit Forsikring A/S is due to the sale of Nykredit Forsikring A/S to Gjensidige AB. Nykredit Forsikring A/S has been reclassified as "Profit from discontinued insurance operations". The restatement of comparative figures concerning JN Data A/S is due to the Group's change of accounting policies regarding recognition of investments in joint ventures. In future, investments in joint ventures will be recognised according to the equity method. Previously, investments in joint ventures were recognised by proportionate consolidation.

The restatement of comparative figures has no impact on earnings or equity. The restatement has a minor impact on the financial ratios "Return on equity before tax, %", "Core earnings before impairment losses as % of average equity pa" and "Core earnings after impairment losses as % of average equity pa".

Notes

DKK million

51. ACQUISITION OF GROUP ENTERPRISES

As of 30 September 2010, the Nykredit Realkredit Group acquired all shares in the Ryvang Invest group. The Ryvang Invest group includes the parent company Ryvang Invest A/S and 14 wholly-owned subsidiaries. As of 31 December 2010, the Nykredit Realkredit Group acquired all shares in the Drea Ejendomme group, which includes the parent company Drea Ejendomme A/S and 21 wholly-owned subsidiaries.

The purchase prices of Ryvang Invest A/S and Drea Ejendomme A/S have been paid in cash and correspond to the value of the companies' net assets at the acquisition dates.

Balance at the acquisition date (summary)

	Ryvang Invest group, balance at 30 September 2010	Drea Ejendomme group, balance at 31 December 2010	Fair value adjustment	Addition incl adjustment
Cash balance and receivables from credit institutions	11	34	-	45
Investment properties	426	350	-	776
Other assets and prepayments	1	5		6
Total assets	**438**	**389**	-	**827**
Payables to credit institutions	405	349	-	754
Other liabilities and prepayments	14	17	-	31
Provisions	2	2	-	4
Total liabilities incl provisions	**421**	**368**	-	**789**
Net assets (Equity)	**17**	**21**	**-**	**38**
Cash purchase price (of which transaction costs DKK 0m)	17	21	-	38
Goodwill at the acquisition date	**-**	**-**	**-**	**-**

Under IFRS 3, the purchase price (cost) must be distributed on the acquired identifiable assets, liabilities and contingent liabilities, to the extent possible, by recognition thereof at fair value in the acquisition balance sheet. In Nykredit Realkredit's view, the carrying amounts at the acquisition dates correspond to the fair value of the acquired assets, liabilities and contingent liabilities.

The share of Ryvang Invest A/S's results for the year, which was recognised in the income statement of the Nykredit Realkredit Group, came to a loss of DKK 2m. Had Ryvang Invest A/S and Drea Ejendomme A/S been acquired on 1 January 2010, the companies would have had an impact on the Group's results of a negative DKK 2m and a positive DKK 3m, respectively.

Ryvang Invest A/S and Drea Ejendomme A/S are both property investment companies with portfolios consisting of commercial as well as rental properties. Nykredit Realkredit Group acquired the companies in connection with settlement of commitments. The Nykredit Realkredit Group intends to develop the portfolios and divest the properties, either individually or together, over the next 1-2 years.

Notes

52. FINANCIAL RATIOS, DEFINITIONS

Financial ratios applied in note 53	**Definitions**
Profit (loss) for the year/period as % of average equity pa[1]	Profit (loss) for the year/period divided by average equity.
Core earnings before impairment losses as % of average equity pa[1]	Core earnings before impairment losses divided by average equity.
Core earnings after impairment losses as % of average equity pa[1]	Core earnings after impairment losses divided by average equity.
Provisions for loan impairment and guarantees	Total individual and collective impairment provisions as well as provisions for guarantees at year-end.
Impairment losses for the year/period, %	Impairment losses on loans and advances and provisions for guarantees for the year/period divided by total loans and advances at fair value, loans and advances at amortised cost, guarantees and total provisions for loan impairment and guarantees at the end of the year/period.
Average number of full-time staff	The average number of full-time staff determined on the basis of the Danish ATP method.
Financial ratios applied in note 54[2]	**Definitions**
Return on equity before tax	The sum of profit (loss) before tax, profit (loss) from discontinued insurance operations and value adjustment of strategic equities before tax divided by average equity.
Return on equity after tax	The sum of profit (loss) for the year and value adjustment of strategic equities after tax divided by average equity.
Income:cost ratio	Total income less profit (loss) from discontinued insurance operations plus value adjustment of strategic equities before tax divided by total costs less tax.
Foreign exchange position, %	Exchange Rate Indicator 1 at year-end divided by core capital less statutory deductions at year-end.
Loans and advances:equity (loan gearing)	Total loans and advances at fair value and loans at amortised cost divided by equity at year-end.
Growth in loans and advances for the year, %	Loans and advances at nominal value at year-end divided by loans and advances at nominal value at the beginning of the year.
Total impairment provisions, %	Total provisions for loan impairment and guarantees at year-end divided by the sum of loans and advances at fair value, loans and advances at amortised cost, guarantees and total provisions for loan impairment and guarantees at year-end.
Impairment losses for the year, %	Provisions for loan impairment and guarantees for the year divided by the sum of loans and advances at fair value, loans and advances at amortised cost, guarantees and total provisions for loan impairment and guarantees at year-end.
Financial ratios concerning capital adequacy and capital requirement	**Definitions**
Capital adequacy ratio, %	Capital base after statutory deductions divided by risk-weighted items.
Core capital ratio, %	Core capital including hybrid core capital after statutory deductions divided by risk-weighted items.

[1] Full-year equivalent based on quarterly financial ratios.
[2] Financial ratios are based on the Danish FSA's definitions and guidelines.

Notes

DKK million

Nykredit Realkredit Group	FY/ 2010	FY/ 2009	Q4/ 2010	Q3/ 2010	Q2/ 2010	Q1/ 2010	Q4/ 2009
53. FIVE-QUARTER FINANCIAL HIGHLIGHTS							
Core income from							
Business operations	9,460	8,712	2,443	2,410	2,235	2,371	2,488
Securities	470	829	123	121	117	109	150
Total	**9,929**	**9,541**	**2,566**	**2,531**	**2,352**	**2,480**	**2,637**
Operating costs, depreciation and amortisation	6,000	6,292	1,572	1,432	1,501	1,494	1,589
Core earnings before impairment losses	**3,930**	**3,249**	**994**	**1,099**	**851**	**986**	**1,049**
Impairment losses on loans and advances, including the government guarantee scheme	2,382	7,919	676	460	547	699	1,999
Core earnings after impairment losses	**1,548**	**(4,670)**	**318**	**639**	**303**	**288**	**(951)**
Investment portfolio income	2,003	4,620	166	526	354	958	626
Profit (loss) before costs of capital	**3,551**	**(50)**	**484**	**1,165**	**657**	**1,246**	**(325)**
Net interest on hybrid core capital	(461)	(95)	(117)	(121)	(108)	(115)	(77)
Profit (loss) before tax	**3,090**	**(145)**	**366**	**1,044**	**549**	**1,131**	**(402)**
Tax	786	(29)	85	262	108	331	(162)
Profit (loss) from discontinued insurance operations	1,511	245	-	(1)	1,570	(58)	83
Profit (loss) for the year/period	**3,816**	**129**	**281**	**781**	**2,011**	**742**	**(157)**
Profit (loss) for the year/period excludes value adjustment of strategic equities against equity of	161	751	219	75	(235)	103	(87)
SUMMARY BALANCE SHEET, END OF PERIOD	**31.12.2010**	**31.12.2009**	**31.12.2010**	**30.09.2010**	**30.06.2010**	**31.03.2010**	**31.12.2009**
Assets							
Cash balance and receivables from credit institutions and central banks	58,657	62,909	58,657	52,164	51,781	51,639	62,909
Mortgage loans at fair value	1,030,674	981,227	1,030,674	1,036,167	1,022,068	1,001,492	981,227
Bank loans – excluding reverse transactions	58,833	60,908	58,833	59,729	61,344	59,859	60,908
Bonds and equities	99,144	86,620	99,144	91,864	103,123	94,442	86,620
Other assets	63,833	55,520	63,833	84,058	77,407	67,691	55,520
Total assets	**1,311,140**	**1,247,185**	**1,311,140**	**1,323,984**	**1,315,723**	**1,275,123**	**1,247,185**
Liabilities and equity							
Payables to credit institutions and central banks	95,879	119,313	95,879	120,134	142,828	148,457	119,313
Deposits and other payables	55,467	64,483	55,467	54,483	57,225	59,450	64,483
Issued bonds at fair value	974,319	889,899	974,319	948,439	925,137	882,997	889,899
Hybrid core capital	11,055	10,805	11,055	11,239	11,224	11,076	10,805
Supplementary capital	563	4,568	563	647	4,556	4,572	4,568
Other liabilities	118,537	106,877	118,537	134,225	120,893	116,485	106,877
Equity	55,320	51,241	55,320	54,817	53,861	52,085	51,241
Total liabilities and equity	**1,311,140**	**1,247,185**	**1,311,140**	**1,323,984**	**1,315,723**	**1,275,123**	**1,247,185**
FINANCIAL RATIOS							
Profit (loss) for the year/period as % of average equity pa	7.2	0.3	2.0	5.8	15.2	5.7	(1.2)
Core earnings before impairment losses as % of average equity pa	7.4	6.4	7.2	8.1	6.4	7.6	8.2
Core earnings after impairment losses as % of average equity pa	2.9	(9.2)	2.3	4.7	2.3	2.2	(7.4)
Provisions for loan impairment and guarantees	9,114	10,364	9,114	10,308	10,038	10,930	10,364
Impairment losses for the period, %	0.2	0.7	0.1	0.0	0.0	0.1	0.2
Capital adequacy ratio, %	18.5	17.8	18.5	18.2	18.4	18.4	17.8
Core capital ratio, %	18.5	16.7	18.5	18.1	17.2	17.3	16.7
Average number of full-time staff	4,026	4,135	4,026	4,031	4,037	4,051	4,135

Notes

DKK million

Nykredit Realkredit A/S

	2010	2009	2008	2007	2006
54. FIVE-YEAR FINANCIAL HIGHLIGHTS					
Net interest income	5,332	5,512	3,730	3,484	3,169
Net fee income	745	681	669	791	771
Net interest and fee income	**6,077**	**6,193**	**4,399**	**4,276**	**3,940**
Value adjustments	(333)	2,508	(5,353)	(136)	2,387
Other operating income	92	87	78	5	16
Staff and administrative expenses	2,642	2,619	2,576	2,243	2,319
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	649	592	528	454	407
Other operating expenses	2	0	4	0	-
Impairment losses on loans, advances and receivables	712	1,216	344	(55)	(326)
Profit (loss) from investments in associates and group enterprises	2,708	(2,630)	414	1,789	1,407
Profit (loss) before tax	**4,538**	**1,731**	**(3,913)**	**3,291**	**5,350**
Tax	461	851	(371)	394	604
Profit (loss) for the year	**4,076**	**880**	**(3,542)**	**2,897**	**4,746**

SUMMARY BALANCE SHEET, YEAR-END	**2010**	**2009**	**2008**	**2007**	**2006**
Assets					
Cash balance and receivables from credit institutions and central banks	45,904	37,992	58,089	79,969	47,568
Mortgage lending at fair value	575,278	550,598	505,115	473,950	451,893
Totalkredit mortgage loan funding	433,531	399,307	315,229	242,622	166,063
Bonds and equities	63,369	55,094	68,563	69,892	59,604
Other assets	62,301	58,451	47,013	35,581	28,975
Total assets	**1,180,384**	**1,101,443**	**994,008**	**902,014**	**754,103**
Liabilities and equity					
Payables to credit institutions and central banks	79,456	97,339	100,911	63,210	38,101
Issued bonds	1,002,524	907,439	790,326	724,746	634,851
Subordinated debt	10,805	14,203	7,584	7,343	7,450
Other liabilities	32,278	31,220	44,810	52,268	21,714
Equity	55,320	51,241	50,377	54,447	51,987
Total liabilities and equity	**1,180,384**	**1,101,443**	**994,008**	**902,014**	**754,103**
OFF-BALANCE SHEET ITEMS					
Other commitments	1,273	1,468	1,577	1,641	1,965
FINANCIAL RATIOS					
Capital adequacy ratio, %*	17.1	17.7	15.7	13.8	15.4
Core capital ratio, %*	17.1	17.0	14.8	13.0	14.7
Return on equity before tax	8.5	3.4	(7.5)	6.2	10.8
Return on equity after tax	7.7	1.7	(6.8)	5.4	9.6
Income:cost ratio	2.1	1.39	(0.13)	2.25	3.23
Foreign exchange position, %	0.6	3.5	0.7	1.8	0.5
Loans and advances:equity (loan gearing)	10.4	10.8	10.0	8.7	8.7
Growth in loans and advances for the year, %	3.8	7.3	6.2	7.0	4.3
Total impairment provisions, %	0.3	0.3	0.1	0.1	0.1
Impairment losses for the year, %	0.1	0.2	0.1	(0.0)	(0.1)

* As from 1 January 2008, the capital adequacy and core capital ratios are determined in accordance with Basel II.

Notes

DKK million

Nykredit Realkredit Group

	2010	2009	2008	2007	2006
54. FIVE-YEAR FINANCIAL HIGHLIGHTS, continued					
Net interest and fee income	11,816	11,715	8,009	6,929	5,984
Value adjustments	(559)	2,186	(2,850)	922	1,464
Other operating income	209	165	154	154	171
Staff and administrative expenses	4,837	4,857	4,164	3,424	3,306
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	811	744	729	497	491
Other operating expenses	382	551	126	3	2
Impairment losses on loans, advances and receivables	2,382	7,919	1,443	(67)	(369)
Profit (loss) from investments in associates	36	(141)	124	34	24
Profit (loss) before tax	**3,090**	**(145)**	**(1,025)**	**4,182**	**4,213**
Tax	786	(29)	(223)	969	1,055
Profit (loss) from continued operations for the year	**2,304**	**(117)**	**(802)**	**3,213**	**3,158**
Profit from discontinued insurance operations	1,511	245	108	149	170
Profit (loss) for the year	**3,816**	**129**	**(695)**	**3,363**	**3,328**
Profit (loss) for the year excludes value adjustment of strategic equities against equity	161	751	(2,847)	(465)	1,442
SUMMARY BALANCE SHEET, YEAR-END	**2010**	**2009**	**2008**	**2007**	**2006**
Assets					
Cash balance and receivables from credit institutions and central banks	58,657	62,909	73,388	82,636	57,516
Mortgage lending at fair value	1,030,674	981,227	895,463	823,228	758,132
Bank loans – excluding reverse transactions	58,833	60,908	72,733	39,660	28,983
Bonds and equities	99,144	86,620	103,434	98,589	89,005
Other assets	63,833	55,520	73,037	30,855	23,528
Total assets	**1,311,140**	**1,247,185**	**1,218,055**	**1,074,967**	**957,164**
Liabilities and equity					
Payables to credit institutions and central banks	95,879	119,313	162,549	115,875	84,512
Deposits and other payables	55,467	64,483	61,177	31,581	22,165
Issued bonds at fair value	974,319	889,899	836,081	796,403	751,560
Subordinate loan capital	11,618	15,372	8,979	7,343	8,715
Other liabilities	118,537	106,877	98,892	69,317	38,225
Equity	55,320	51,241	50,377	54,447	51,987
Total liabilities and equity	**1,311,140**	**1,247,185**	**1,218,055**	**1,074,967**	**957,164**
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,286	8,336	8,905	4,242	2,987
Other commitments	8,013	10,852	10,497	9,327	8,001
FINANCIAL RATIOS	18.5	17.8	14.7	10.3	11.8
Capital adequacy ratio, %*	18.5	16.7	13.5	9.7	11.0
Core capital ratio, %*	9.4	9.8	9.8	-	-
Return on equity before tax	9.1	1.7	(7.2)	7.2	11.6
Return on equity after tax	7.5	1.7	(6.8)	5.4	9.4
Income:cost ratio	1.39	1.04	0.40	1.95	2.65
Foreign exchange position, %	0.9	3.6	0.8	2.3	1.1
Loans and advances:equity (loan gearing)	19.9	20.6	19.7	16.0	15.2
Growth in loans and advances for the year, %	4.1	4.3	13.4	11.9	10.6
Total impairment provisions, %	0.8	1.0	0.3	0.0	0.1
Impairment losses for the year, %	0.2	0.7	0.1	(0.0)	(0.0)

* As from 1 January 2008, the capital adequacy and core capital ratios are determined in accordance with Basel II.

Notes

DKK million

Nykredit Realkredit Group

55. GROUP STRUCTURE	Ownership as % at 31.12.2010	Revenue 2010	Profit (loss) for 2010	Assets at 31.12.2010	Liabilities at 31.12.2010	Equity at 31.12.2010	Nykredit's share of profit (loss) for 2010	Equity value at 31.12.2010	Profit (loss) for 2009	Equity at 31.12.2009
Name and registered office										
The Nykredit Realkredit Group										
Nykredit Realkredit A/S, Copenhagen a)										
Consolidated subsidiaries										
Totalkredit A/S, Taastrup, a)	100	2,022	887	560,391	547,135	13,256	887	13,256	817	12,369
Nykredit Bank A/S, Copenhagen, b)	100	3,453	395	210,413	196,644	13,769	395	13,769	(77)	10,227
Nykredit Finance plc, Plymouth, h)	100	-	-	-	-	-	-	-	2	25
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen, h)	100	-	-	28	-	28	-	28	-	28
Nykredit Pantebrevsinvestering A/S, Copenhagen, d)	100	-	-	12	-	12	-	12	-	11
Nykredit Portefølje Administration A/S, Copenhagen, i)	100	121	33	239	86	153	33	153	17	120
Nykredit Sirius Ltd., Cayman Island, k)	-	-	1	-	-	-	1	-	(10)	3
Nykredit Leasing A/S, Gladsaxe, g)	100	79	1	2,200	2,051	149	1	149	(29)	148
FB Ejendomme A/S, Copenhagen, h)	100	-	-	5	1	4	-	4	-	-
Forstædernes Bank A/S, Copenhagen, b)[1]	-	-	-	-	-	-	-	-	(3,861)	2,147
Nykredit Forsikring A/S, Copenhagen, c)[2]	-	341	(80)	-	-	-	(80)	-	245	1,503
Nykredit Mægler A/S, Århus, e)	100	106	1	133	20	113	1	113	(5)	113
Nykredit Ejendomme A/S, Copenhagen, f)	100	104	(91)	1,725	1,183	541	(91)	541	(56)	631
Ejendomsselskabet Kalvebod A/S, Copenhagen, j)	100	-	(1)	250	-	249	(1)	249	1	251
Ryvang Invest A/S, Copenhagen, f)[3]	100	40	(2)	473	408	65	(2)	65	-	-
Drea Ejendomme A/S, Copenhagen, f)[3]	100	7	(9)	389	368	21	-	21	-	-
Nykredit Adm. V A/S, Copenhagen, h)	100	-	-	1	-	1	-	1	-	1
Dene Finanse S.A., Warsaw, k)	-	-	-	-	-	-	-	-	2	-

[1] With effect from 1 January 2010, Forstædernes Bank A/S merged with Nykredit Bank A/S, with Nykredit Bank A/S as the surviving company.
[2] Nykredit Forsikring A/S was sold with closing on 29 April 2010. Profit (loss) for the year includes the share of results up to 29 April 2010.
[3] Ryvang Invest A/S was acquired at 30 September 2010, and Drea Ejendomme A/S was acquired at 31 December 2010.

a) Mortgage bank
b) Bank
c) Insurance company
d) Mortgage trading company
e) Estate agency business
f) Property company
g) Leasing business
h) No activity
i) Investment management company
j) Holding company, no independent activities
k) The company has been liquidated

Nykredit Realkredit A/S is consolidated with the Parent Company, Nykredit Holding A/S, which is consolidated with Foreningen Nykredit.

The financial statements of Foreningen Nykredit (in Danish) and Nykredit Holding A/S (in Danish) are available from:
Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V

Notes

DKK million

Nykredit Realkredit Group

55. GROUP STRUCTURE (continued) Name and registered office	Ownership as % at 31.12.2010	Revenue 2010	Profit (loss) for 2010	Assets at 31.12.2010	Liabilities at 31.12.2010	Equity at 31.12.2010	Nykredit's share of profit (loss) for 2010	Equity value at 31.12.2010	Profit (loss) for 2009	Equity at 31.12.2009
Associates *										
JN Data A/S, Silkeborg, c) [1]	50	1,006	3	498	314	184	1	92	2	181
Dansk Pantebrevsbørs A/S, Copenhagen, b)	-	-	30	-	-	-	-	-	(138)	-
Erhvervsinvest K/S, Aalborg, d)	22	-	7	174	-	174	1	36	(5)	188
E-nettet Holding A/S, Copenhagen, c)	25	18	(3)	200	141	59	(1)	6	(14)	62
JSNFA A/S, Horsens, d)	25	-	-	5	1	4	-	1	-	4
Erhvervsinvest Management A/S, Aalborg, e)	25	9	2	23	6	17	1	4	3	15
FDC A/S, Ballerup, c)[2]	-	-	-	-	-	-	-	-	26	65
FDC ApS, Ballerup, d)[2]	-	-	-	-	-	-	-	-	-	-
Boligsiden A/S, Copenhagen, c)	23	14	2	13	2	11	1	1	-	8
Core Property Management A/S, Copenhagen, b)	20	23	5	36	7	29	1	6	7	28
Scandinavian Private Equity Partners A/S, Copenhagen, e)	37	1	1	11	1	10	-	4	-	9

* Recognised based on accounting figures as at 30 September 2010 if annual reports for 2010 are not available.

[1] Accounting policies changed on 1 January 2010, and JN Data A/S is now recognised according to the equity method. Previously, JN Data A/S was recognised by proportionate consolidation.

[2] In connection with the sale of Nykredit Forsikring A/S, investments in FDC A/S and FDC ApS were sold.

a) Property company
b) In liquidation
c) IT business
d) Investment company
e) Investment company

Notes

DKK million

Nykredit Realkredit Group

55. GROUP STRUCTURE (continued)	Ownership as % at 31.12.2010	Profit (loss) for the year	Equity at 31.12
Name and registered office			
Other enterprises in which the Group holds at least 10% of the share capital			
Jeudan A/S, Copenhagen *	16.75	202	3,281
Fredericia Erhvervs-Investering ApS, Fredericia *	10.10	(0)	0
Håndværkets Byfornyelsesselskab S.m.b.a., Copenhagen *	18.49	0	9
ED Equity Holding B.V., Amsterdam *	30.43	(0)	8
Cross Atlantic Partners KS IV, Copenhagen *	16.63	4	141
Cross Atlantic Partners KS V, Copenhagen *	13.33	(3)	67
EQT III No 3 LP, Guernsey *	16.00	(8)	305
Nordic Private Equity Partners, Copenhagen *	11.27	1	-
Bisca Holding A/S, Hjørring *	25.00	7	64
EDL 2 Invest 3 ApS, Copenhagen *	28.30	(19)	94
Ejendomsselskabet Nordtyskland IV A/S, Copenhagen *	47.92	(2)	92
VP Securities A/S, Copenhagen *	12.57	80	159
Erhvervsinvest II K/S, Copenhagen *	12.23	(39)	141

* According to the latest published annual reports.

Nykredit Realkredit A/S holds more than 20% of the shares in the companies ED Equity Holding B.V, Bisca Holding A/S, EDL 2 Invest 3 Aps and Ejendomsselskabet Nordtyskland IV A/S, but exercises neither control nor significant influence in the companies. Nykredit Realkredit A/S has no representatives on the board of directors or the executive board and therefore has no influence on the financial position and operations of the companies. Consequently, the shareholding is treated as an equity investment included in the trading book for accounting purposes.

SERIES FINANCIAL STATEMENTS FOR 2010 OF NYKREDIT REALKREDIT A/S

Pursuant to the Danish Financial Supervisory Authority Executive Order no 872 of 20 November 1995 on series financial statements in mortgage banks, mortgage banks are required to prepare separate series financial statements for series with series reserve funds, cf section 25(1) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act.

The Series Financial Statements have been prepared on the basis of the Annual Report of Nykredit Realkredit A/S for 2010.

The distribution of profit for 2010 adopted by Nykredit Realkredit A/S's Board of Directors (cf the Annual Report, page 53) has been included in the Series Financial Statements. The series' calculated share of profit for the year of Nykredit Realkredit A/S determined in accordance with the Executive Order has been taken to the general reserves of the Mortgage Bank.

The Series Financial Statements have been printed at association level, cf section 30(3) of the Executive Order.

Complete Series Financial Statements may be obtained from Nykredit Realkredit A/S.

Series Financial Statements for 2010 of Nykredit Realkredit A/S

DKK million

Summary at the level of the Association and Nykredit Realkredit In General

	1 KØK	2 FSK	3 LCR	4 HUM	5 BHY	6 KØH	7 ØHYP	8 SKRF
Income statement								
Income from lending	1.9	0.7	0.1	0.2	0.6	0.0	0.1	0.2
Interest, net	3.8	0.9	0.6	1.7	0.5	0.0	0.1	0.5
Administrative expenses	(2.1)	(0.5)	(0.3)	(0.9)	(0.3)	0.0	(0.1)	(0.3)
Impairment losses on loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.9)	(0.3)	(0.1)	(0.2)	(0.2)	0.0	0.0	(0.1)
Profit	**2.7**	**0.8**	**0.3**	**0.8**	**0.6**	**0.0**	**0.1**	**0.3**
Balance sheet								
Assets								
Mortgage loans	666.8	228.2	28.0	29.6	121.0	0.2	2.3	25.4
Other assets	142.9	36.5	13.2	27.3	30.1	0.4	2.6	12.4
Total assets	**809.7**	**264.7**	**41.2**	**56.9**	**151.1**	**0.6**	**4.9**	**37.8**
Liabilities and equity								
Issued bonds	703.9	232.0	31.8	33.6	132.8	0.3	3.0	29.1
Other liabilities	63.3	20.7	3.2	4.5	11.8	0.1	0.4	3.0
Subordinate loan capital	42.5	12.0	6.2	18.8	6.5	0.2	1.5	5.7
Equity	**809.7**	**264.7**	**41.2**	**56.9**	**151.1**	**0.6**	**4.9**	**37.8**
Movements in capital, net	**(0.4)**	**1.9**	**(0.2)**	**(0.2)**	**1.5**	**0.0**	**(0.2)**	**(0.4)**

	9 VESØ	10 HUSM	11 NHYP	12 LHYP	13 KHYP	14 JHYP	15 JLKR	16 SUM (1-15)
Income statement								
Income from lending	0.1	0.2	0.0	0.2	0.2	0.0	0.1	4.6
Interest, net	0.7	1.4	0.0	0.8	0.5	0.3	0.7	12.5
Administrative expenses	(0.4)	(0.8)	0.0	(0.4)	(0.3)	(0.2)	(0.4)	(7.0)
Impairment losses on loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.1)	(0.2)	0.0	(0.1)	(0.1)	0.0	(0.1)	(2.4)
Profit	**0.3**	**0.6**	**0.0**	**0.5**	**0.3**	**0.1**	**0.3**	**7.7**
Balance sheet								
Assets								
Mortgage loans	26.3	22.0	0.4	22.5	17.3	0.0	27.5	1,217.5
Other assets	14.8	21.9	0.5	14.2	9.6	4.2	16.4	347.0
Total assets	**41.1**	**43.9**	**0.9**	**36.7**	**26.9**	**4.2**	**43.9**	**1,564.5**
Liabilities and equity								
Issued bonds	30.2	25.0	0.5	24.7	19.4	0.2	33.7	1,300.2
Other liabilities	3.2	3.4	0.1	2.9	2.1	0.3	3.4	122.4
Subordinate loan capital	7.7	15.5	0.3	9.1	5.4	3.7	6.8	141.9
Equity	**41.1**	**43.9**	**0.9**	**36.7**	**26.9**	**4.2**	**43.9**	**1,564.5**
Movements in capital, net	**(0.6)**	**(0.4)**	**(0.2)**	**0.0**	**0.0**	**(0.1)**	**(1.4)**	

Series Financial Statements for 2010 of Nykredit Realkredit A/S

DKK million

Summary at the level of the Association and Nykredit Realkredit In General

	17 FK	18 JK	19 NYK	20 SUM (17-19)	21 INST	22 SUM (16,20,21)
Income statement						
Income from lending	1.1	1.2	3,076.4	3,078.7	33.1	3,116.4
Interest, net	0.5	0.7	2,583.0	2,584.2	2,149.7	4,746.4
Administrative expenses	(0.3)	(0.4)	(1,422.2)	(1,422.9)	(1,183.7)	(2,613.6)
Impairment losses on loans and advances	0.0	0.0	(726.7)	(726.7)	15.0	(711.7)
Tax	(0.3)	(0.4)	(877.7)	(878.4)	419.6	(461.2)
Profit	**1.0**	**1.1**	**2,632.8**	**2,634.9**	**1,433.7**	**4,076.3**
Balance sheet						
Assets						
Mortgage loans	50.2	70.8	569,787.2	569,908.2	6,188.6	577,294.3
Other assets	23.7	38.3	757,932.4	757,994.4	23,086.0	781,427.4
Total assets	**73.9**	**109.1**	**1,327,719.6**	**1,327,902.6**	**29,254.6**	**1,358,721.7**
Liabilities and equity						
Issued bonds	64.5	93.5	1,188,451.8	1,188,609.8	7,162.4	1,197,072.4
Other liabilities	5.8	8.5	103,804.6	130,818.9	2,287.2	106,228.5
Subordinate loan capital	3.6	7.1	35,463.2	35,473.9	19,805.0	55,420.8
Equity	**73.9**	**109.1**	**1,327,719.6**	**1,327,902.6**	**29,254.6**	**1,358,721.7**
Movements in capital, net	**(1.7)**	**(0.6)**	**8,729.3**		**(4,653.4)**	

1 Københavns Kreditforening
2 Fyens Stifts Kreditforening
3 Landkreditkassen
4 Østifternes Husmandskreditforening
5 Byernes Hypotekforening
6 Københavns Hypotekforening
7 Østifternes Hypotekforening
8 Sønderjyllands Kreditforening
9 Den vest- og sønderjydske Kreditforening
10 Jydsk Husmandskreditforening
11 Ny Jydsk Landhypotekforening
12 Landhypotekforeningen for Danmark
13 Købstadshypotekforeningen
14 Jydsk Hypothekforening
15 Jydsk Landkreditforening
16 Total (1-15) Associations before 1972
17 Forenede Kreditforeninger
18 Jyllands Kreditforening
19 Nykredit (incl Capital Centres C, D, E and G)
20 Total (17-19) Associations after 1972
21 Nykredit Realkredit In General
22 Total (16, 20, 21) Nykredit Realkredit A/S

Notes	**DKK million**
	2010
1. Assets, Series Financial Statements	
Assets, Annual Report	1,180,383.8
Assets, Series Financial Statements	1,358,721.7
Difference	**(178,337.9)**
Specified as follows:	
Set-off of own issued mortgage bonds, own SDOs, own junior covered bonds and own other securities	(175,710.6)
Set-off of interest receivable from own issued bonds	(2,627.3)
Total	**(178,337.9)**

2. Equity, Series Financial Statements

According to the Series Financial Statements, equity may be reconciled to the Financial Statements of Nykredit Realkredit A/S as follows:

Equity, Financial Statements	55,320.4
Provisions for repayable reserves in pre-1972 series	100.4
Equity, Series Financial Statements	**55,420.8**

FINANCIAL CALENDAR FOR 2011

10 February 2011
Annual reports for 2010 and a preliminary announcement of financial statements of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

15 March 2011
General Meeting of Nykredit Bank A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

22 March 2011
General Meeting of Totalkredit A/S, Helgeshøj Allé 53, DK-2630 Tåstrup.

23 March 2011
General Meeting of Nykredit Realkredit A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

12 May 2011
Q1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

18 August 2011
H1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

10 November 2011
Q1-Q3 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

NYKREDIT'S MANAGEMENT

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

BOARD OF DIRECTORS

The Board of Directors meets monthly, except in July, and holds a strategy and theme seminar once a year.

The members of Nykredit's Board of Directors are elected for a term of one year. The latest election took place on 24 March 2010. Re-election is not subject to any restrictions.

Below, an account is given of the individual director's position, age, years of service on the Board and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

All members of the Board of Directors are also Directors of the Parent Company Nykredit Holding A/S.

Steen E. Christensen
Attorney

Date of birth: 2 April 1947
Joined the Board on 1 May 2000

Partner and Director of Plesner Advokatfirma

Director of:
Foreningen Nykredit (Chairman)
A/S Motortramp (Chairman)
Bornholmstrafikken Holding A/S (Chairman) *
Ejendomsselskabet Amaliegade 49 A/S (Chairman)
Persolit Holding A/S (Chairman)
Danske Færger A/S (Deputy Chairman) *
Norgren A/S (Deputy Chairman) **
Danish Nitrogen Import A/S
Ny-Nitrogen A/S
Persolit Entreprenørfirma A/S
Margrethelund Gods A/S
Rosendal Gods A/S
Skov-Sam Holding ApS and
Skov-Sam Holding II ApS and subsidiaries

Chief Executive Officer of Advokatanpartsselskabet Steen E. Christensen

Legal Secretary of Foreningen Danske Godser og Herregårde (Godsejerforeningen)

Hans Bang-Hansen
Farmer

Date of birth: 15 August 1955
Joined the Board on 1 May 2001

Director of:
Foreningen Nykredit
Bjerre Gymnastik- & Idrætsefterskole Akademiet (BGI Akademiet)
Horsens Folkeblad A/S

Municipal posts:
First Deputy Mayor, Municipality of Horsens
Chairman of the Technical and Environmental Committee, Municipality of Horsens
Director of Midttrafik

Chairman and Managing Director of Arnen Holding ApS
Chairman and Managing Director of LNT Invest ApS
Chairman of Håstrupgård ApS

Steffen Kragh
Chief Executive Officer

Date of birth: 6 April 1964
Joined the Board on 1 April 2006

Managing Director of Egmont Fonden and Egmont International Holding A/S

Director of:
Foreningen Nykredit
A number of subsidiaries of the Egmont Group (Chairman)

Kristian Bengaard
Senior Consultant ***

Date of birth: 16 August 1958
Joined the Board on 1 March 1999

Director of:
Foreningen Nykredit
Kobæk Strand Konferencecenter A/S
Member of the Executive Council of Finansforbundet

Michael Demsitz
Managing Director

Date of birth: 1 February 1955
Joined the Board on 1 April 2004

Managing Director of Boligkontoret Danmark

Director of:
Foreningen Nykredit
Almen Bolignet
Boligselskabernes Landsforening

Merete Eldrup
Managing Director

Date of birth: 4 August 1963
Joined the Board on 24 March 2010

Managing Director of TV2/DANMARK

Director of:
Foreningen Nykredit *
TV 2 BIB A/S (Chairman)
TV 2 DTT A/S (Chairman)
TV 2 Networks A/S (Chairman)
TV 2 News A/S (Chairman)
TV 2 Radio A/S (Chairman)
TV 2 World A/S (Chairman)
Copenhagen Business School **
East Production A/S
Gyldendal A/S*

Lisbeth Grimm
Professional Consultant ***

Date of birth: 8 September 1957
Joined the Board on 27 March 2008

Director of:
Foreningen Nykredit

Allan Kristiansen
Senior Relationship Manager ***

Date of birth: 6 March 1958
Joined the Board on 1 May 2000

Director of:
Nykredit Bank A/S

Susanne Møller Nielsen
Supporter ***

Date of birth: 21 May 1962
Joined the Board on 1 August 2009

Director of:
Foreningen Nykredit

Anders C. Obel
Chief Executive Officer

Date of birth: 19 October 1960
Joined the Board on 25 March 2009

Chief Executive Officer of C.W. Obel A/S

Director of:
Foreningen Nykredit
Danfoss-Semco A/S
Power-Flex ApS **
Ejendomsselskabet Stigsborgvej A/S (Chairman) *
C. W. Obel Ejendomme A/S (Chairman)
C. W. Obel Projekt A/S (Chairman)
Obel-LFI Ejendomme A/S (Chairman)
Skandinavisk Holding A/S
SGD-Bera A/S (Chairman)
Scandinavian Tobacco Group A/S *
Semco Maritime A/S (Chairman)
Skandinavisk Holding II A/S
Fonden Det Obelske Jubilæumskollegium
Thomas Harttung A/S
Fritz Hansen A/S
Slowmoney A/S
Erhvervsinvest Management A/S
Woodmancott Fonden
VL Grupperne *

Erling Bech Poulsen
Farmer

Date of birth: 14 June 1955
Joined the Board on 25 March 2009

Director of:
Foreningen Østifterne F.m.b.A. (Chairman)
Agrovakia A/S
Axzon A/S
Vandborg Karosserifabrik A/S
Kølhede Invest A/S
Polen Invest A/S

Chief Executive Officer of:
Kølhede Holdning ApS
Morten Poulsen Holding ApS
Malene Poulsen Holding ApS
Majbrit Poulsen Holding ApS

Nina Smith
Professor

Date of birth: 17 October 1955
Joined the Board on 1 October 2004

Professor at Institut for Økonomi, Aarhus Universitet

Director of:
Foreningen Nykredit (Deputy Chairman)
Niras Gruppen A/S (Chairman)
Niras Fonden
Favrskov Gymnasium (Deputy Chairman)
Århus Festuge

Jens Erik Udsen
Managing Director

Date of birth: 1 November 1946
Joined the Board on 1 May 1998

Managing Director of Nesdu A/S

Director of:
Foreningen Nykredit
Jeudan A/S
Nesdu A/S
Renhold A/S
Renholdningsselskabet af 1898
SBS byfornyelse

Leif Vinther
Chairman of Staff Association ***

Date of birth: 18 April 1959
Joined the Board on 1 May 2000

Director of:
Foreningen Nykredit

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.

Peter Engberg Jensen
Group Chief Executive

Date of birth: 6 April 1953
Joined the Group Executive Board on 1 March 1997

Managing Director of:
Nykredit Holding A/S
Foreningen Nykredit

Chairman of:
Nykredit Administration V A/S
Forstædernes Bank A/S **
Realkreditrådet

President of the European Mortgage Federation

Kim Duus
Group Managing Director

Date of birth: 8 December 1956
Joined the Group Executive Board on 15 May 2009

Managing Director of Nykredit Holding A/S

Director of:
Nykredit Bank A/S
Nykredit Forsikring A/S **
Totalkredit A/S
Nykredit Portefølje Administration A/S

Søren Holm
Group Managing Director

Date of birth: 15 November 1956
Joined the Group Executive Board on 1 March 2006

Managing Director of Nykredit Holding A/S

Director of:
Nykredit Administration V A/S
Nykredit Bank A/S
Nykredit Forsikring A/S **
Nykredit Mægler A/S
Totalkredit A/S
JN Data A/S
Forstædernes Bank A/S **

Ejendomsselskabet Kalvebod A/S
Realkreditrådet

Karsten Knudsen
Group Managing Director

Date of birth: 21 June 1953
Joined the Group Executive Board
on 1 June 2005

Managing Director of Nykredit Holding A/S

Chairman of:
Nykredit Bank A/S
Nykredit Leasing A/S **
Ejendomsselskabet Kalvebod A/S

Director of:
Forstædernes Bank A/S **
Dampskibsselskabet "Norden" A/S

Per Ladegaard
Group Managing Director

Date of birth: 17 March 1953
Joined the Group Executive Board on
1 May 1998

Managing Director of Nykredit Holding A/S

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

Deputy Chairman of JN Data A/S

Director of:
Nykredit Bank A/S
Forstædernes Bank A/S **
IT-Universitetet

Observer of BEC (Bankernes EDB Central)
Owner of Bræmkærgård

Bente Overgaard
Group Managing Director

Date of birth: 21 June 1964
Joined the Group Executive Board on 1 March
2008

Managing Director of Nykredit Holding A/S

Chairman of Nykredit Ejendomme A/S

Director of:
Nykredit Bank A/S
Nykredit Leasing A/S **
Nykredit Mægler A/S
Finanssektorens Uddannelsescenter

* Joined in 2010
** Resigned in 2010
*** Staff-elected member

CORPORATE GOVERNANCE

The Board of Nykredit Realkredit A/S has decided that the Nykredit Realkredit Group should act as a listed company for external purposes, operating on sound business terms.

In consequence, the Nykredit Realkredit Group complies with NASDAQ OMX Copenhagen A/S's revised Recommendations on Corporate Governance, but with the adjustments that follow from its special ownership and management structure.

The recommendations concerning the composition and organisation of the Board of Directors, and in particular the independence of the Board of Directors and shareholders' role and interaction with the company management address an ordinary listed company with many shareholders.

Nykredit Realkredit A/S differs from an ordinary listed company, as it has only one shareholder Nykredit Holding A/S which also has a limited number of shareholders: Foreningen Nykredit (the Nykredit Association), Foreningen Østifterne, Industriens Fond and PRAS A/S.

The purpose of the recommendations concerning shareholders' role and interaction with the company management is to create an appropriate setting encouraging shareholders to enter into a dialogue with the company management. The limited number of shareholders of Nykredit Realkredit A/S and Nykredit Holding A/S per se creates a good setting for a close dialogue with the company management. The Board does therefore not consider this part of the recommendations relevant to the Nykredit Realkredit Group.

In 1991 the mortgage association Nykredit was converted into a public limited company. Nykredit operates through Nykredit Realkredit A/S, the objects of which are to carry on mortgage banking and other financial business. The company is wholly owned by Nykredit Holding A/S, the objects of which are to carry on Nykredit's activities. Foreningen Nykredit is the largest shareholder of Nykredit Holding A/S, owning 88.18% of the shares. Its objects are to be a shareholder of the Nykredit Group and to carry on mortgage banking and other financial business.

The majority of the directors of Nykredit Holding A/S, who are also directors of Nykredit Realkredit A/S with a few exceptions, are elected by Foreningen Nykredit among the members of its Committee of Representatives that are directors of Foreningen Nykredit. They are elected by Foreningen Nykredit's members who are borrowers of Nykredit Realkredit A/S and the bondholders. This board structure is considered appropriate as Foreningen Nykredit, Nykredit Holding A/S and Nykredit Realkredit A/S share objects and interests.

Accordingly, the Board of Directors does not consider the recommendation that at least half the directors should be independent of controlling shareholder interests as relevant to the Nykredit Realkredit Group.

Further information on Nykredit's organisation and corporate governance policy is available at nykredit.com.

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.