Annual Report 2011
The Nykredit Realkredit Group

Nykredit

CONTENTS

FOREWORD

2011 – a robust profit of DKK 1.3bn despite low activity and euro crisis

2011 was a year of strong turbulence in European financial markets. In Denmark the euro crisis caused low economic growth and record-low interest rates. Homeowners, for instance, benefited from the fact that the bonds funding their adjustable-rate mortgages (ARMs) were sold at lower rates than even French government bonds.

The European turmoil left its mark on Nykredit's financial statements in the form of low gross mortgage lending, declining income on customer-driven securities trading, a higher cost of capital and low investment portfolio income.

The year 2011 nevertheless offered brighter prospects for the future.

We continue to record growth in total lending. Nykredit's lending mounted by DKK 35bn to DKK 1,123bn in 2011. Both retail lending and commercial lending went up.

Having declined to DKK 1.4bn, loan impairment losses normalised, or maybe even fell below the normal level.

Housing prices fell by about 6% in 2011. This is not good news – or perhaps it is. Thanks to current housing prices, housing costs for new homebuyers are low as in the 1990s, even with a fixed-rate repayment mortgage. Therefore, market psychology rather than the economic climate prevents the housing market from normalising.

In the rental property market, financially strong foreign investors purchased a number of large property complexes in 2011. Properties which used to be a problem changed owners, and there are indications that prices are stabilising.

In late 2011, Nykredit announced that administration margins on mortgage loans would be raised. The reasons were a higher cost of capital and growing rating costs in the wake of sliding housing prices, which necessitated the provision of additional collateral for issued bonds.

The changes in administration margins were designed to better reflect the risk associated with the loans. Accordingly, the price of ARMs and interest-only loans will increase more than the price of fixed-rate repayment loans.

The slowdown in activity in 2011 caused our gross income to drop by about 4%, contrary to expectations, while costs grew by some 4%. Consequently, we decided to cut costs as early as in summer 2011. We introduced a so-called intelligent hiring freeze and a sharp cost containment focus. This helped reduce costs, but unfortunately not enough. As a result, total staff was reduced by 75 in January 2012. The changes in administration margins and cost reductions were necessary decisions in a year of low activity and growing cost of capital.

Further, we decided to make organisational adjustments and make the Danish mortgage system even safer, decisions that will actively improve Nykredit's business potential going forward.

In Nykredit we put customers first, and we continuously endeavour to provide our customers with better and more efficient services. Therefore, we simplified our organisation at the beginning of 2012 by amalgamating a number of customer-facing functions to improve customer services. A completely new banking concept has seen the light of day, Nykredit Direkte®. Through this concept, customers may have a personal call centre adviser. Nykredit's Internet bank continues to supplement our centres, and Nykredit Direkte® and was ranked no 1 in 2011 for the second year running by the consumer magazine "Tænk Penge" published by the Danish Consumer Council.

From mid-2012 we will also make technical changes to our mortgage model. Today retail mortgage lending is exclusively funded by SDOs. This has the disadvantage that supplementary collateral must be provided for loans with a current LTV ratio above 80%, which raises costs and entails liquidity risk when housing prices decline. In future, the part of a loan which exceeds an LTV of 60% will be funded by traditional ROs. This way we avoid the liquidity risk pertaining to SDOs through a new system ensuring long-term stability regardless of housing market trends.

Overall, 2011 was a year full of challenges stemming from the euro crisis. But 2011 was also a year which prepared the ground for a brighter earnings outlook.

Peter Engberg Jensen
Group Chief Executive

COMPANY INFORMATION

COMPANY INFORMATION

Nykredit Realkredit Group
Kalvebod Brygge 1-3
DK-1780 Copenhagen V
Denmark

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 Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Annual General Meeting
The Annual General Meeting of the Company will be held on 21 March 2012

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 142-144.

* Staff-elected member

NOMINATION BOARD
Steen E. Christensen, Chairman

Hans Bang-Hansen

Steffen Kragh

Nina Smith

AUDIT BOARD
Steffen Kragh, Chairman

Anders C. Obel

Nina Smith

REMUNERATION BOARD
Steen E. Christensen, Chairman

Hans Bang-Hansen

Steffen Kragh

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

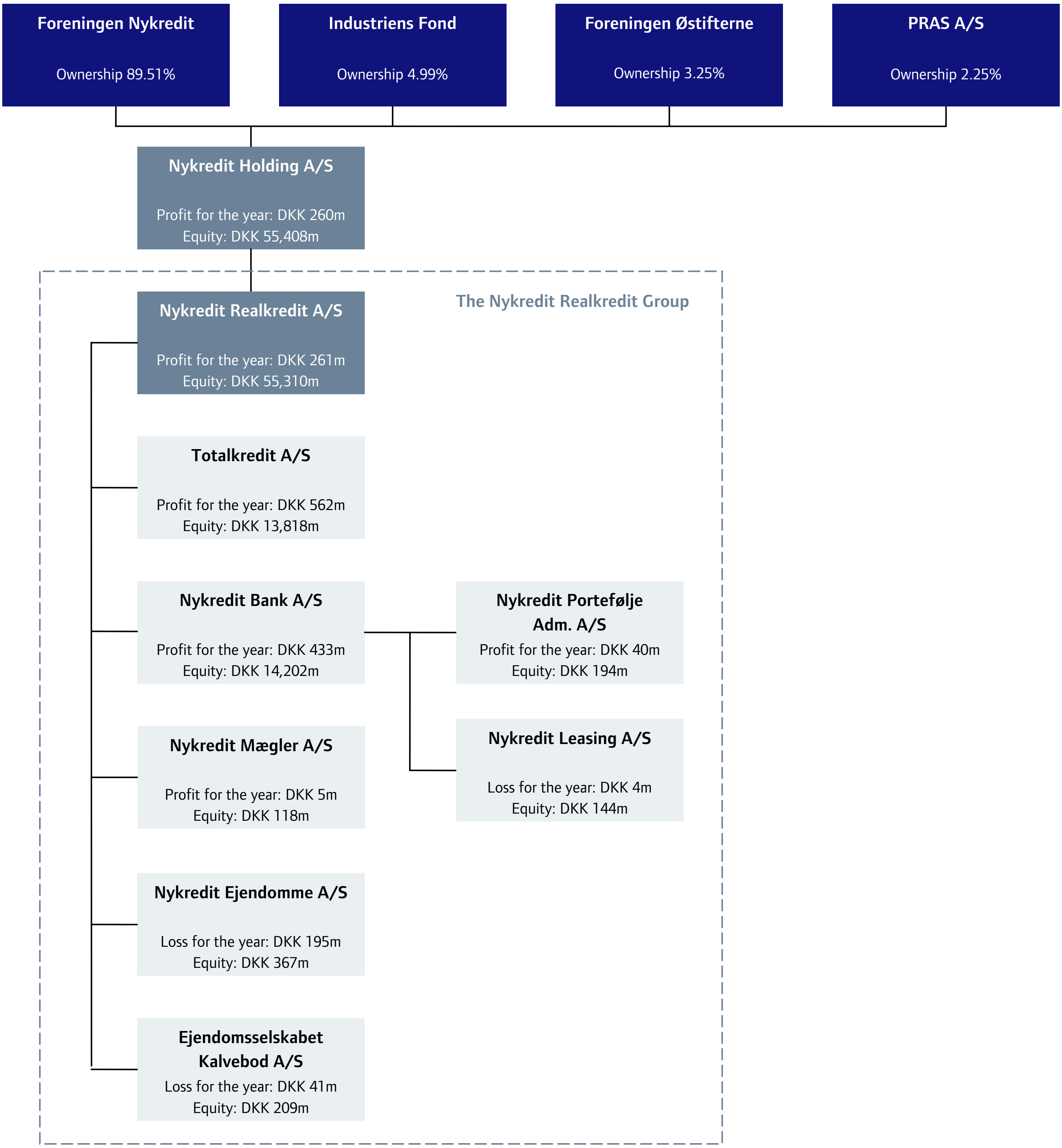
Bente Overgaard
Group Managing Director

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

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

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

GROUP CHART



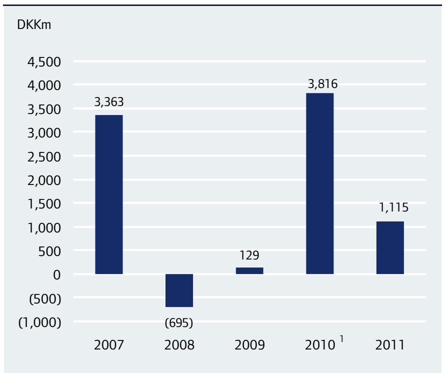
Reference is made to note 53 for the entire group structure.

FINANCIAL HIGHLIGHTS

DKKm	2011	2010	2009	2008 [3]	2007	EUR 2011
						The Nykredit Realkredit Group
CORE EARNINGS AND RESULTS FOR THE YEAR						Exchange rate 743.42
Core income from						
- business operations	9,188	9,569	8,816	7,053	5,970	1,236
- value adjustment of derivatives and corporate bonds	(632)	(47)	(176)	(133)	(29)	(85)
- junior covered bonds	(190)	(120)	(67)	(40)	-	(26)
- securities	644	470	829	2,212	2,040	87
Total	**9,010**	**9,872**	**9,402**	**9,092**	**7,981**	**1,212**
Operating costs, depreciation and amortisation, excl special value adjustments	5,709	5,499	5,395	4,678	4,031	768
Operating costs, depreciation and amortisation – special value adjustments [1]	166	129	396	225	(57)	22
Commission – Guarantee Fund for Depositors and Investors/ government guarantee scheme	100	371	500	112	-	14
Core earnings before impairment losses	**3,035**	**3,873**	**3,111**	**4,077**	**4,007**	**408**
Impairment losses on loans and advances – mortgage lending	1,026	888	1,755	416	(53)	138
Impairment losses on loans and advances – banking	388	1,215	5,847	964	(14)	52
Impairment losses on loans and advances – government guarantee scheme	-	279	318	63	-	-
Core earnings after impairment losses	**1,621**	**1,491**	**(4,809)**	**2,634**	**4,074**	**218**
Investment portfolio income [2]	179	2,060	4,759	(3,633)	137	24
Profit (loss) before cost of capital	**1,800**	**3,551**	**(50)**	**(999)**	**4,211**	**242**
Net interest on hybrid capital	(462)	(461)	(95)	(25)	(28)	(62)
Profit (loss) before tax	**1,338**	**3,090**	**(145)**	**(1,024)**	**4,183**	**180**
Tax	223	785	(29)	(222)	969	30
Profit from discontinued insurance operations	-	1,511	245	107	149	-
Profit (loss) for the year	**1,115**	**3,816**	**129**	**(695)**	**3,363**	**150**
Profit (loss) for the year excludes value adjustment and reclassification of strategic equities against equity totalling	**(854)**	**261**	**751**	**(2,847)**	**(465)**	**(115)**
SUMMARY BALANCE SHEET, YEAR-END						
Assets	2011	2010	2009	2008	2007	EUR 2011
Receivables from credit institutions and central banks	66,258	58,657	62,909	73,388	82,636	8,913
Mortgage loans at fair value	1,084,317	1,030,478	981,227	895,463	823,228	145,855
Bank loans – excluding reverse transactions	55,776	58,833	60,908	72,733	39,660	7,503
Bonds and equities	100,794	99,144	86,620	103,434	98,589	13,558
Remaining assets	85,760	64,028	55,521	73,037	30,854	11,536
Total assets	**1,392,905**	**1,311,140**	**1,247,185**	**1,218,055**	**1,074,967**	**187,365**
Liabilities and equity						
Payables to credit institutions and central banks	117,626	95,879	119,313	162,549	115,875	15,820
Deposits	57,404	55,467	64,483	61,177	31,581	7,722
Issued bonds at fair value	1,021,942	974,319	889,899	836,081	796,403	137,465
Subordinated debt – hybrid capital	11,204	11,055	10,805	4,119	3,622	1,507
Subordinated debt – supplementary capital	-	563	4,628	4,860	3,722	-
Remaining liabilities	129,419	118,537	106,816	98,892	69,317	17,409
Equity	55,310	55,320	51,241	50,377	54,447	7,440
Total liabilities and equity	**1,392,905**	**1,311,140**	**1,247,185**	**1,218,055**	**1,074,967**	**187,363**
FINANCIAL RATIOS	2011	2010	2009	2008	2007	
Profit (loss) for the year as % of average equity	2.0	7.2	0.3	(1.3)	6.3	
Core earnings before impairment losses as % of average equity	5.5	7.3	6.1	7.8	7.5	
Core earnings after impairment losses as % of average equity	2.9	2.8	(9.5)	5.0	7.7	
Costs as % of core income from business operations	62.1	57.5	61.2	66.3	67.5	
Total provisions for loan impairment – mortgage lending	2,485	2,226	1,942	465	254	
Total provisions for loan impairment and guarantees – banking	4,407	6,888	8,422	2,482	95	
Impairment losses for the year, % – mortgage lending	0.10	0.09	0.18	0.05	(0.01)	
Impairment losses for the year, % – banking [4]	0.42	1.31	6.07	1.80	(0.03)	
Total capital ratio, %	17.1	18.5	17.8	14.7	10.3	
Core Tier 1 capital ratio, %	13.9	15.1	13.5	13.5	9.0	
Average number of full-time staff [5]	4,139	4,026	4,135	4,037	3,217	

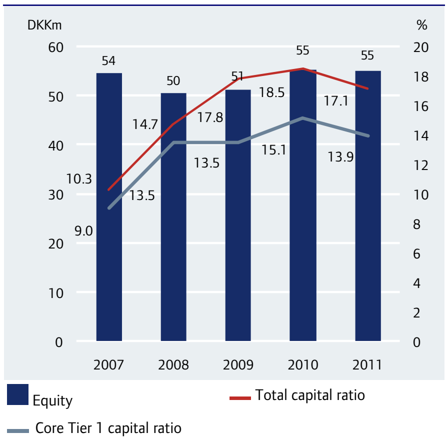
[1] Special value adjustments include value adjustment of certain staff benefits and owner-occupied properties, refund of VAT and payroll tax from previous years as well as costs of winding up Dansk Pantebrevsbørs under konkurs A/S (in bankruptcy).
[2] Value adjustment of the portfolio of subordinated debt instruments in Danish banks (Kalvebod issues) is included from 1 January 2011. Comparative figures have been restated.
[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.

Results for the year



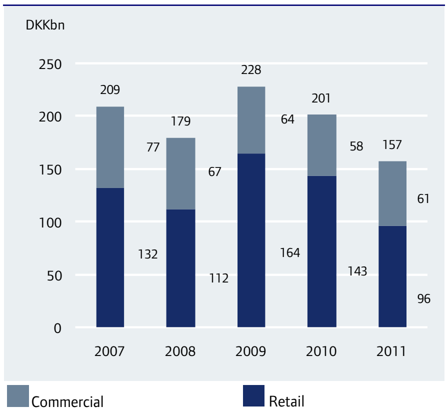
[1] Including a gain from the divestment of Nykredit Forsikring A/S. Excluding value adjustment of strategic equities against equity. Nykredit Forsikring A/S is included until 29 April 2010.

Equity and capital adequacy

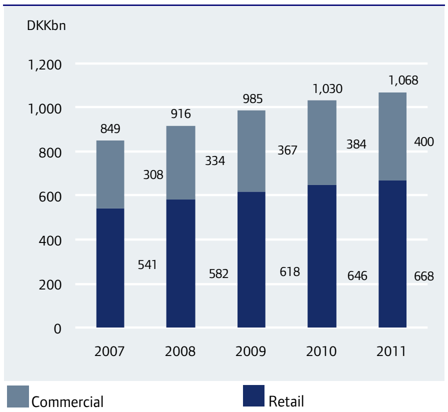


Core income from business operations and securities

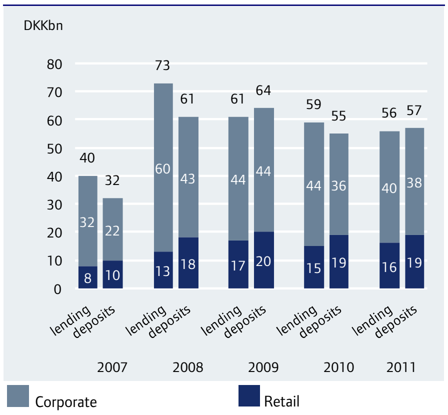
Gross new mortgage lending



Mortgage lending, year-end, nominal value



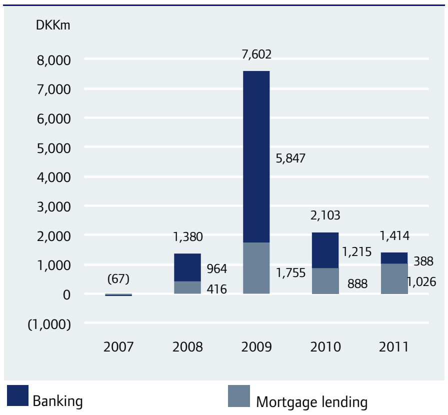
Bank lending and deposits, year-end



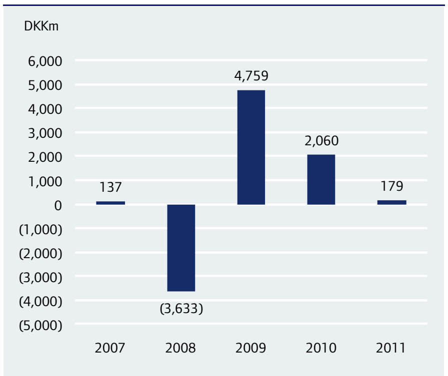
Forstædernes Bank is included in the Consolidated Financial Statements as from 17 October 2008.

Costs as % of core income from business operations

Impairment losses on loans and advances excluding government guarantee scheme



Investment portfolio income



Excluding value adjustment of strategic equities against equity.

2011 – IN BRIEF

Results – the Nykredit Realkredit Group

- The Nykredit Realkredit Group recorded a profit before tax of DKK 1,338m against DKK 3,090m in 2010
  - Group core earnings after impairment losses rose by DKK 130m (8.7%) to DKK 1,621m compared with 2010
    Investment portfolio income was affected by the financial market turmoil. Compared with 2010, income was markedly lower, down DKK 1,881m
- Core income from customer-oriented mortgage and bank lending was largely unchanged at DKK 7,940m in 2011
  - Nominal mortgage lending and bank lending went up by DKK 35bn to DKK 1,123bn in 2011
  - Gross new mortgage lending declined by 22% to DKK 157bn compared with 2010
- Core income from Markets & Asset Management was DKK 1,248m against DKK 1,639m in 2010
- Operating costs, depreciation and amortisation excluding special value adjustments rose by 3.8% to DKK 5,709m
- Impairment losses on loans and advances decreased by 33% to DKK 1,414m in 2011
  - Impairment losses on mortgage lending stood at DKK 1,026m, equal to 0.10% of loans and advances, against DKK 888m in 2010
  - Impairment losses on bank lending were DKK 388m, equal to 0.42% of loans and advances, against DKK 1,215m in 2010
- Core income from securities amounted to DKK 644m against DKK 470m in 2010
- Investment portfolio income was DKK 179m against DKK 2,060m in 2010
  - Investment portfolio income was adversely affected by rising risk premiums on the portfolios of AAA rated European covered bonds and high-rated corporate bonds. To this should be added a DKK 375m negative value adjustment of subordinated debt instruments, primarily in Amagerbanken, Fjordbank Mors and Max Bank
  - The Group has hardly any exposure to the GIISP countries
- Cost of capital in the form of net interest on hybrid capital was DKK 462m, which was unchanged on 2010
- Amagerbanken, Fjordbank Mors and Max Bank generated expenses of DKK 411m in 2011, which were included in investment portfolio income and impairment losses on loans and advances. In addition, DKK 100m was paid to the Danish Guarantee Fund for Depositors and Investors.

Capital

- The total capital ratio was 17.1% against an internal capital adequacy requirement of 9.6%
- The core Tier 1 capital ratio amounted to 13.9%
- A dividend distribution of DKK 200m is proposed
- Group equity amounted to DKK 55.1bn after proposed dividend.

OUTLOOK FOR 2012

In 2011 the euro crisis was decisive to activity levels in Denmark, customer-oriented securities trading and investment portfolio income.

The euro crisis will continue to have a decisive impact on these financial items in 2012. Nykredit expects that the euro crisis will be reduced or perhaps resolved in 2012, which together with continued lending growth and higher administration margins on mortgages will improve core income from customers.

Nykredit forecasts that group costs in 2012 will be on a level with 2011.

The trend in loan impairment losses in 2012 is expected to be unchanged compared with 2011. Property market trends are difficult to forecast, as property prices primarily hinge on behavioural factors rather than economic trends. Loan impairment losses are expected to be concentrated in the retail customer and SME segments as in 2011.

The euro crisis will affect investment portfolio income also in 2012, as high-rated Danish and European covered bonds and corporate bonds account for the majority of Nykredit's market risk.

Total results will depend on the above circumstances.

NYKREDIT REALKREDIT GROUP RESULTS
The Group recorded a profit before tax of DKK 1,338m against DKK 3,090m in 2010.

Profit after tax came to DKK 1,115m and included a tax income of DKK 133m following judgment in a tax case. In 2010, profit after tax amounted to DKK 2,305m excluding a profit of DKK 1,511m from the divestment of Nykredit Forsikring.

A decline in investment portfolio income, markedly lower earnings on customer-oriented securities trading and subdued mortgage lending activity had an adverse impact on the Group's results. By contrast, a rise in earnings on other banking activities and mortgage loan balances as well as markedly lower loan impairment losses had a positive effect on the Group's results.

Core income from business operations excluding Markets & Asset Management was unchanged at DKK 7,940m against DKK 7,930m in 2010. Lending-related core income included a 22% reduction in gross new mortgage lending to DKK 157bn, whereas the Group's nominal mortgage lending and bank lending improved by DKK 35bn net, or 3.1%, to DKK 1,123bn compared with the beginning of 2011. Retail customers accounted for DKK 22bn and commercial customers DKK 13bn.

Markets & Asset Management saw earnings drop 24% to DKK 1,248m against DKK 1,639m in 2010 partly due to lower activity and earnings levels for customer-oriented securities trading. Earnings related to asset management improved by 2% to DKK 471m in 2011.

The Group's impairment losses on loans and advances were DKK 1,414m against DKK 2,103m in 2010. Impairment losses equalled 0.12% of total mortgage and bank lending. Of impairment losses for the year, 60% was attributable to retail lending and 40% to commercial lending.

Impairment losses on retail mortgages grew by DKK 391m to DKK 751m, which notably stemmed from a higher level in Totalkredit.

Impairment losses on commercial mortgages shed 48% to DKK 275m, which was mainly related to small and medium-sized enterprises (SMEs). A number of large exposures developed favourably, resulting in reversal of impairment provisions previously made.

Impairment losses on bank lending improved by DKK 827m, down to DKK 388m. The decline was notably prompted by a markedly lower provisioning need for Other Activities, which included terminated exposures.

Impairment losses on Corporate Banking went up from DKK 231m in 2010 to DKK 373m, chiefly spurred by a large number of exposures relating to SMEs. Impairment losses on Retail Banking remained moderate at DKK 98m.

The Group's investment portfolio income slumped to DKK 179m against DKK 2,060m in 2010. The income reflected the unrest in financial markets with increasing risk premiums on Nykredit's portfolio of AAA rated European covered bonds and high-rated corporate bonds.

Net income on bonds and interest rate instruments amounted to DKK 130m. To this should be added income from equities of DKK 264m, whereas market value adjustment of subordinated debt instruments and shares in Danish banks affected investment portfolio income adversely by DKK 215m.

The Group's profit after tax and adjustments against equity resulted in an unchanged equity of DKK 55.3bn at end-2011. Equity was DKK 55.1bn after proposed dividend of DKK 200m.

The bankruptcies of Amagerbanken, Fjordbank Mors and Max Bank affected results adversely by DKK 511m, of which DKK 393m was charged to investment portfolio income. Payment to the Guarantee Fund for Depositors and Investors totalled DKK 100m, while loan impairment losses increased by DKK 18m.

Core earnings
Core income from business operations
The Group's core income from business operations was DKK 9,188m against DKK 9,569m in 2010 – down DKK 381m or 4.0%.

Core income from mortgage operations came to DKK 5,533m against DKK 5,569m in 2010, down 0.6%. Mortgage lending activity was exceptionally subdued in 2011; gross new lending amounted to DKK 157bn relative to DKK 201bn in 2010. The activity reflected a low refinancing level and a low turnover in the housing market.

The Group's nominal mortgage lending improved by DKK 38bn to DKK 1,068bn at end-2011.

Core income from banking operations totalled DKK 3,506m against DKK 3,830m in 2010 due to a dive in the Bank's earnings on customer-oriented securities trading.

The Group's bank lending declined by DKK 3.0bn to DKK 55.8bn on the back of a decrease in lending to commercial and corporate customers. Bank deposits gained DKK 1.9bn to DKK 57.4bn at end-2011.

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

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

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

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

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

Junior covered bonds
At end-2011, the Group had issued junior covered bonds totalling a nominal value of DKK 31.4bn as supplementary collateral for covered bonds. Net interest expenses for junior covered bonds came to DKK 190m against DKK 120m in 2010.

Core income from securities
Core income from securities improved to DKK 644m from DKK 470m in 2010. The increase was the result of a rise in the securities portfolio and the lending rate of the Danish central bank.

Operating costs, depreciation and amortisation, excl special value adjustments
The Group's costs excluding special value adjustments and commission payable to the Guarantee Fund for Depositors and Investors came to DKK 5,709m, or 3.8% on 2010. Costs as a percentage of core income from business operations came to 62.1% against 57.5% in 2010.

Operating costs, depreciation and amortisation – special value adjustments
Special value adjustments amounted to DKK 166m against DKK 129m in 2010.

Value adjustment of assets and liabilities relating to Nykredit's pension fund in run-off and certain staff schemes as well as owner-occupied properties came to a net amount of DKK 237m, which was partly offset by a credit of DKK 71m for the period 2004-2010 following judgment in a case concerning VAT and payroll tax.

Commission – the Guarantee Fund for Depositors and Investors
The Group charged DKK 100m against income in 2011, equal to Nykredit Bank's expected payment to the Guarantee Fund for Depositors and Investors caused by the bankruptcies of Amagerbanken, Fjordbank Mors and Max Bank.

Impairment losses on loans and advances
The Group's impairment losses on loans and advances were DKK 1,414m compared with DKK 2,103m in 2010.

The Group's impairment losses on mortgage lending amounted to DKK 1,026m, corresponding to 0.10% of lending, against DKK 888m in 2010. Of impairment losses for the year, DKK 736m, or 0.11% of retail lending, was attributed to the retail segment against DKK 340m in 2010. The commercial segment accounted for DKK 275m of impairment losses, equal to 0.07% of lending, against DKK 528m in 2010. The Group's impairment losses on Other Activities stood at DKK 15m against DKK 20m in 2010.

The Group's impairment losses on bank lending trended in a positive direction and came to DKK 388m, equal to 0.42% of lending, against DKK 1,215m in 2010. Of impairment losses for the year, DKK 98m, or 0.48% of lending, was attributed to the retail segment. Impairment losses relating to the corporate segment amounted to DKK 373m, or 0.55% of lending. Further, impairment losses were affected by a net reversal of provisions for terminated exposures of DKK 83m.

Investment portfolio income
The Group recorded investment portfolio income of DKK 179m against DKK 2,060m in 2010.

Investment portfolio income from bonds, liquidity and interest rate instruments stood at DKK 130m in 2011. Investment portfolio income from equities and equity instruments value adjusted through profit or loss came to DKK 264m.

To this should be added a negative net value adjustment of subordinated debt instruments and shares in Danish banks of DKK 215m before tax. Further, the value adjustment included a gain from the sale of strategic equities of DKK 205m, capital losses on Nykredit's strategic shareholding in Amagerbanken of DKK 45m, and a charge of DKK 375m from value adjustment of Kalvebod issues, which chiefly stemmed from Nykredit's subordinated debt instruments in Amagerbanken, Fjordbank Mors and Max Bank.

Investment portfolio income saw a distinct reduction in the second half of 2011 due to the strong turbulence in financial markets caused by the European debt crisis. The risk premiums on even highly secure assets surged, resulting in falling prices. Risk premiums on a number of bonds were higher at end-2011 than during the financial crisis in 2008-2009. For example, the yield spread between 10-year French and German government bonds expanded from 0.4% in Q2/2011 to 1.4% in Q4/2011, compared with a peak of 0.6% in 2008-2009. This trend has also affected the market for European AAA rated covered bonds.

Similarly, risk premiums on corporate bonds have increased. The risk premium on the leading index of corporate bonds issued by major European banks had risen to 2.8% at end-Q4/2011, compared with 1.5% at end-Q2/2011 and the peak of 2.0% in 2008-2009.

Viewed separately, the increasing risk premiums on Nykredit's portfolios of AAA rated European covered bonds and high-rated corporate bonds had an adverse effect of DKK 320m on investment portfolio income in H2/2011.

Nykredit's securities portfolio consists mainly of Danish and European covered bonds and high-rated corporate bonds, the interest rate risk of which is largely eliminated through offsetting sales of government bonds or interest rate derivatives. Exposure to bond markets in southern Europe was a negligible part of the total bond portfolio.

Net interest on hybrid capital
The Group raised hybrid capital of a total amount of DKK 11.2bn, which was unchanged on 2010. Results included net interest expenses of DKK 462m in 2011.

Tax
Tax calculated on profit for the year was DKK 223m, corresponding to an effective tax rate of 16.6%.

Judgment has been delivered in a tax case against Nykredit Realkredit. The Danish High Court found for Nykredit, which therefore recognised as income deferred tax of DKK 133m previously provided for and expensed. Adjusted for this, the Group's effective tax rate was 26.6%.

Strategic equities adjusted against equity
Strategic equities, chiefly in banks, resulted in a total negative value adjustment of DKK 854m after tax. Of this figure, DKK 683m was a negative value adjustment of strategic equities against equity, while another DKK 171m concerned reclassification from equity to the income statement of profit from the sale of strategic equities and a capital loss on Nykredit's shareholding in Amagerbanken.

Results for Q4/2011
The consolidated profit before tax was DKK 52m against a loss of DKK 103m in Q3/2011. This was an improvement of DKK 155m compared with Q3/2011.

Results for Q4/2011 reflected investment portfolio income of DKK 126m against a charge of DKK 716m in the preceding quarter.

Impairment losses on loans and advances were DKK 516m against DKK 153m in Q3/2011. Retail customers and SMEs accounted for most of the upturn, while loan impairment losses on large commercial customers and customers in the business area Other Activities remained relatively low.

Costs, excluding commission payable under the government guarantee scheme, totalled DKK 1,699m in Q4/2011, partly due to a negative value adjustment of owner-occupied properties of DKK 181m.

Dividend
It will be recommended for approval by the General Meeting that a dividend of DKK 200m be distributed for 2011.

RESULTS RELATIVE TO FORECASTS
When the Group's Q1-Q3 Interim Report 2011 was presented, core earnings after impairment losses were forecast to be in the region of DKK 2bn.

Core earnings after impairment losses for 2011 amounted to DKK 1,621m. The change in core earnings relative to the forecast derived from negative market value adjustment of derivatives and corporate bonds of DKK 300m and higher impairment losses on owner-occupied properties.

OUTLOOK FOR 2012
In 2011 the euro crisis was decisive to activity levels in Denmark, customer-oriented securities trading and investment portfolio income.

The euro crisis will continue to have a decisive impact on these financial items in 2012. Nykredit expects that the euro crisis will be reduced or perhaps resolved in 2012, which together with continued lending growth and higher administration margins on mortgages will improve core income from customers.

Nykredit forecasts that group costs in 2012 will be on a level with 2011.

The trend in loan impairment losses in 2012 is expected to be unchanged compared with 2011. Property market trends are difficult to forecast, as property prices primarily hinge on behavioural factors rather than economic trends. Loan impairment losses are expected to be concentrated in the retail customer and SME segments as in 2011.

The euro crisis will affect investment portfolio income also in 2012, as high-rated Danish and European covered bonds and corporate bonds account for the majority of Nykredit's market risk.

Total results will depend on the above circumstances.

EQUITY AND CAPITAL ADEQUACY OF THE NYKREDIT REALKREDIT GROUP

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.

The Nykredit Realkredit Group
Changes in equity and capital base

DKK million	2011	2010
Equity, beginning of year	55,320	51,241
Profit for the year	1,115	3,816
Fair value adjustment of equities – available for sale	(683)	161
Unrealised capital loss on equities available for sale reclassified to the income statement	34	100
Realised net value adjustment of equities available for sale	(205)	-
Dividend paid	(300)	-
Other adjustments	28	2
Equity, year-end	**55,310**	**55,320**
Revaluation reserves transferred to supplementary capital	(151)	(132)
Proposed dividend	(200)	(300)
Intangible assets, including goodwill	(4,199)	(4,545)
Capitalised tax assets	(214)	(126)
Hybrid capital	11,204	11,055
Other statutory deductions from Tier 1 capital [1]	(2,263)	(776)
Tier 1 capital after statutory deductions	**59,487**	**60,496**
Total supplementary capital	**200**	**780**
Statutory deductions from capital base	(200)	(776)
Total capital base after statutory deductions	**59,487**	**60,500**

[1] Pursuant to the Danish Executive Order on Capital Adequacy, 50% of certain investments in credit and financial institutions must be deducted from Tier 1 capital and supplementary capital, respectively.

Note: Capital base and capital adequacy are specified further on page 66.

The Nykredit Realkredit Group
Capital adequacy

DKK million	2011	2010
Credit risk	23,293	23,269
Market risk	3,086	1,672
Operational risk	1,474	1,272
Total capital requirement [1]	**27,852**	**26,213**
Capital base	**59,487**	**60,500**
Core Tier 1 capital ratio, %	13.9	15.1
Tier 1 capital ratio, % [2]	17.1	18.5
Total capital ratio, %	17.1	18.5
Capital adequacy requirement (SREP), %	8.0	8.0
Internal capital adequacy requirement (Pillar I and Pillar II)	9.6	9.4
Total risk-weighted items	**348,155**	**327,665**

[1] The capital requirement has been determined in accordance with the transitional provisions of the Danish Executive Order on Capital Adequacy. The capital requirement must constitute at least 80% of the capital requirement determined under Basel I. The capital requirement subject to the transitional rule was DKK 48,077m at end-2011.

[2] The Tier 1 capital ratio has been determined relative to risk-weighted items without applying the transitional rule.

So far, Nykredit has distributed dividend of DKK 1,300m under this dividend plan.

As part of the dividend plan, an ordinary dividend of DKK 200m for 2011 is recommended for approval by Nykredit Realkredit A/S's General Meeting.

Group equity including recognition of profit for the year was unchanged at DKK 55.3bn compared with the beginning of the year. After payment of proposed dividend, equity will amount to DKK 55.1bn.

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

Strategic equity investments include shares in a number of Danish local and regional banks. The continuous value adjustment of these equities is recognised in equity. Value adjustment against equity in the Consolidated Financial Statements came to a charge of DKK 683m in 2011. The value of equities classified as available for sale totalled DKK 2,064m at end-2011.

In compliance with the international financial reporting standards, realised capital gains from the sale of strategic equities and capital losses on Nykredit's shareholding in Amagerbanken have been reclassified from equity to the income statement. The reclassification increased profit after tax for the period by a net amount of DKK 171m.

Capital base and capital adequacy

The Group's capital base stood at DKK 59.5bn at end-2011, corresponding to a total capital ratio of 17.1%. The Group's capital requirement totalled DKK 27.9bn at end-2011. The Tier 1 capital ratio stood at 17.1% and the core Tier 1 capital ratio at 13.9% at end-2011 compared with a statutory requirement of 2% and an EBA requirement of 9%.

The Group's internal capital adequacy requirement (ICAAP) was 9.6% at year-end.

The IRB advanced approaches are used to determine the capital requirement for credit risk for 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 2011, which is available at nykredit.com/reports.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Nykredit implements operational and organisational adjustments
The Nykredit Group announced in January 2012 that it would take additional steps to adapt to future financial markets. These steps include organisational and operational changes aimed at providing customers with new opportunities, growing earnings, strengthening the capital structure and future-proofing the Danish mortgage model.

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

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

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

In the period up to the presentation of the Annual Report 2011, no other material events have occurred.

BUSINESS AREAS

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

As from Q1/2011 income related to Kalvebod issues have been transferred from Markets & Asset Management's trading activities to investment portfolio income. Comparative figures have been restated.

Group core earnings after impairment losses totalled DKK 1,621m against DKK 1,491m in 2010.

In 2011 mortgage lending rose from DKK 1,030bn to DKK 1,068bn in nominal terms. The Nykredit Group recorded gross new lending of DKK 157bn against DKK 201bn in 2010.

In the year under review, the Group's share of the Danish mortgage market was 42.6% for total lending and 48.4% for gross new lending against 42.0% and 44.3%, respectively, in 2010.

Gross new residential mortgages totalled DKK 96bn against DKK 143bn the year before. The market share of Danish residential mortgage lending amounted to 46.6% in 2011 compared with 45.9% in 2010. Gross new lending to commercial customers came to DKK 61bn against DKK 58bn the year before. The market share of Danish mortgage lending to commercial customers was 36.9% in 2011 compared with 36.6% in 2010.

Bank lending was down from DKK 58.8bn at the beginning of the year to DKK 55.8bn. Deposits rose from DKK 55.5bn at the beginning of 2011 to DKK 57.4bn, resulting in a deposit surplus of DKK 1.6bn.

The setback in bank lending stemmed from Corporate Banking, down by DKK 2.9bn compared with the beginning of the year. Growth in bank deposits was attributed to the business areas Markets & Asset Management and Retail Banking, which recorded a DKK 2.6bn rise, whereas Corporate Banking deposits dropped by DKK 0.5bn.

Nykredit Mægler saw a 10% decrease in turnover from 14,215 properties sold in 2010 to 12,852.

Results by business area [1]

DKK million	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Management	Other Activities	Group items and eliminations	Total
2011							
Core income from							
- business operations [2]	2,309	1,304	3,965	1,248	176	(4)	8,998
- value adjustment of derivatives and corporate bonds	-	-	(312)	(320)	-	-	(632)
- securities	-	-	-	-	-	644	644
Total	**2,309**	**1,304**	**3,653**	**928**	**176**	**640**	**9,010**
Operating costs	1,656	372	1,260	847	208	602	4,945
Payment to the Guarantee Fund for Depositors and Investors	-	-	-	-	-	100	100
Depreciation of property, plant and equipment and amortisation of intangible assets	-	492	2	2	262	172	930
Core earnings before impairment losses	**653**	**440**	**2,391**	**79**	**(294)**	**(234)**	**3,035**
Impairment losses on loans and advances	387	447	629	19	(68)	-	1,414
Core earnings after impairment losses	**266**	**(7)**	**1,762**	**60**	**(226)**	**(234)**	**1,621**
Investment portfolio income [3]	-	-	-	-	-	179	179
Profit (loss) before cost of capital	**266**	**(7)**	**1,762**	**60**	**(226)**	**(55)**	**1,800**
Net interest on hybrid capital	-	-	-	-	-	(462)	(462)
Profit (loss) before tax	**266**	**(7)**	**1,762**	**60**	**(226)**	**(517)**	**1,338**
Return							
Average business capital, DKKm [4]	3,786	7,489	10,984	2,166	968	4,984	30,378
Core earnings after impairment losses as % of average business capital [4]	7.0	(0.1)	16.0	2.8	(23.3)	-	5.3
2010							
Core earnings after impairment losses	**278**	**416**	**1,714**	**669**	**(939)**	**(647)**	**1,491**
Return							
Average business capital, DKKm [4]	3,984	7,035	11,283	2,262	1,610	4,082	30,256
Core earnings after impairment losses as % of average business capital [4]	7.0	5.9	15.2	29.6	(58.3)	-	4.9

[1] Please refer to note 2 in this report for complete segment financial statements with comparative figures.
[2] Inclusive of core income from junior covered bonds.
[3] Investment portfolio income includes a profit of DKK 10m from investments in associates. (2010: DKK 6m).
[4] Business capital has been determined as Nykredit's ICAAP result.

Results – Retail Customers

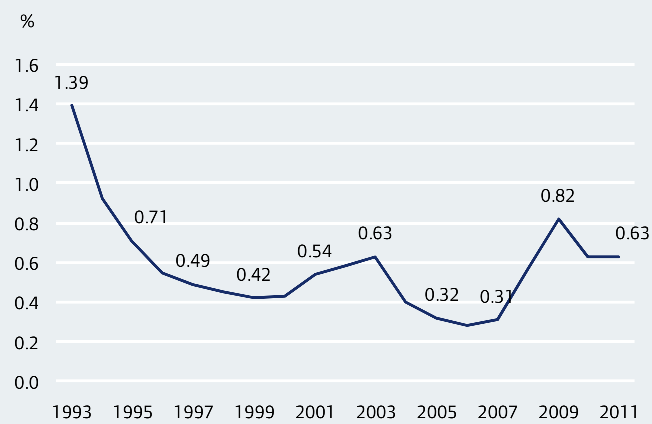
DKK million	2011	2010
Core income from business operations	2,309	2,366
Operating costs	1,656	1,644
Commission, government guarantee scheme	-	55
Depreciation of property, plant and equipment and amortisation of intangible assets	-	-
Core earnings before impairment losses	**653**	**667**
Impairment losses on loans and advances – mortgage lending	289	182
Impairment losses on loans and advances – banking	98	207
Core earnings after impairment losses	**266**	**278**

Activity

DKK million	2011	2010
Mortgage lending		
Gross new lending	25,909	33,083
Portfolio at nominal value, year-end	192,511	188,969
Impairment losses as % of loans and advances	0.15	0.10
Total impairment provisions, year-end		
- Individual impairment provisions	238	118
- Collective impairment provisions	122	111
Total impairment provisions as % of loans and advances	0.19	0.12
Portfolio of repossessed properties, year-end (properties)	160	137
Banking		
Loans and advances, year-end	15,773	15,476
Deposits, year-end	19,190	18,758
Impairment losses as % of loans and advances	0.62	1.31
Total impairment provisions, year-end		
- Individual impairment provisions	378	406
- Collective impairment provisions	70	91
Total impairment provisions as % of loans and advances	2.76	3.11
Guarantees, year-end [1]	4,125	6,301
Provisions for guarantees, year-end [1]	2	4

[1] Excluding the government guarantee scheme.

Arrears ratio, mortgage lending
75 days past the September due date



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 who have part-time farming businesses and retail customers who have properties in France, Spain or 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, two call centres, nykredit.dk, and a central customer services centre. Two asset management centres and the estate agencies of the Nybolig and Estate chains constitute other distribution channels.

Activity

Total nominal mortgage lending increased by DKK 3.5bn to DKK 193bn at year-end. Gross new lending fell by DKK 7.2bn to DKK 25.9bn in 2011. The downturn reflected a housing market characterised by low activity and economic uncertainty, which caused a decline in the rate of turnover and refinancing levels.

Bank lending of DKK 15.8bn and bank deposits of DKK 19.2bn were largely unchanged relative to the beginning of the year.

Results

Core earnings after impairment losses were DKK 266m against DKK 278m in 2010.

Core income from business operations was DKK 2,309m against DKK 2,366m in 2010.

Operating costs rose by 0.7% to DKK 1,656m in 2011.

Impairment losses were DKK 289m and DKK 98m for mortgage and bank lending, respectively, against a total of DKK 389m in 2010. Impairment losses as a percentage of loans and advances amounted to 0.15% and 0.62% of mortgage and bank lending, respectively.

Impairment provisions totalled DKK 808m at end-2011 against DKK 726m at the beginning of the year. Total impairment provisions for mortgage and bank lending came to DKK 360m and DKK 448m, respectively. The change in impairment provisions of DKK 82m stemmed from a DKK 92m rise in individual impairment provisions, while collective impairment provisions descended by DKK 10m.

At the September due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due came to 0.63%, which was unchanged on the same date in 2010.

Since the beginning of the year, 213 properties have been repossessed and 190 have been sold. At end-2011, the portfolio of repossessed properties stood at 160 against 137 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-2011.

2.8% of retail mortgages had a current LTV ratio in excess of 80% against 1.2% at end-2010.

International operations
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 69.8m against DKK 56.0m in 2010.

The retail loan portfolio amounted to DKK 7.4bn against DKK 6.2bn at end-2010.

Impairment losses on international retail loans came to DKK 12.8m compared with DKK 2.6m the year before. In 2011 impairment provisions of DKK 2.2m for a number of loans were reversed against DKK 12m in 2010.

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]
2011	118,245	39,489	22,100	3,589	1,064	462	184,950	30	66
2010	124,934	36,364	15,687	1,538	539	23	179,085	27	60

[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	2011	2010
Core income from business operations	1,304	1,460
Operating costs	372	419
Depreciation of property, plant and equipment and amortisation of intangible assets	492	467
Core earnings before impairment losses	**440**	**574**
Impairment losses on loans and advances	447	158
Core earnings after impairment losses	**(7)**	**416**

Activity

DKK million	2011	2010
Mortgage lending		
Gross new lending	69,952	110,079
Portfolio at nominal value, year-end	473,566	455,105
Impairment losses as % of loans and advances	0.09	0.03
Total impairment provisions, year-end		
- Individual impairment provisions	393	278
- Collective impairment provisions	311	245
Total impairment provisions as % of loans and advances	0.15	0.11
Portfolio of repossessed properties, year-end (properties)	85	53

Arrears ratio, mortgage lending
75 days past the September due date

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

Nominal mortgage lending rose by DKK 18.5bn to DKK 474bn at end-2011. Gross new lending fell by DKK 40.1bn to DKK 70bn in 2011. The reason was low activity in the private residential property market and a low demand for refinancing.

Results

Core earnings after impairment losses were a loss of DKK 7m against earnings of DKK 416m in 2010.

Core income from business operations was DKK 1,304m against DKK 1,460m in 2010.

Operating costs decreased to DKK 372m from DKK 419m in 2010, mainly reflecting lower IT development costs.

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to DKK 492m, which mainly related to amortisation of 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, realised losses corresponding to the cash 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 came to DKK 447m after set-off against commission payable to partner banks totalling DKK 177m compared with DKK 158m after a set-off of DKK 107m in 2010. Impairment losses equalled 0.09% of loans and advances.

At end-2011, loan impairment provisions totalled DKK 704m against DKK 523m at the beginning of the year. Growth in individual and collective impairment provisions of DKK 115m and DKK 66m, respectively, resulted in a total rise of DKK 181m.

At the September due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.31% against 0.33% at the same date in 2010.

Since the beginning of the year, 130 properties have been repossessed and 98 have been sold. At end-2011, the portfolio of repossessed properties stood at 85 against 53 at the beginning of the year.

The LTV ratios of mortgage loans are shown below. 5.1% of mortgage lending to retail customers has a current LTV ratio in excess of 80% against 2.1% at end-2010.

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]
2011	268,108	110,370	78,260	17,192	5,146	2,130	481,206	36	76
2010	280,432	105,886	60,307	6,448	2,103	813	455,989	32	68

[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

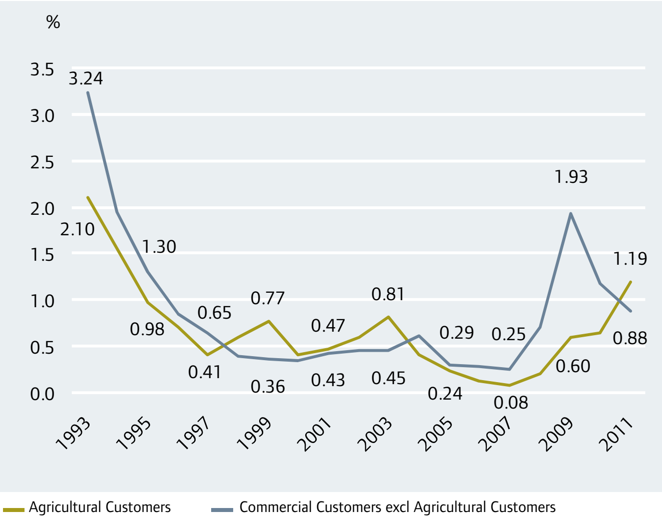
DKK million	2011	2010
Core income from business operations	3,965	3,704
Value adjustment of derivatives and corporate bonds	(312)	15
Operating costs	1,260	1,061
Commission, government guarantee scheme	-	187
Depreciation of property, plant and equipment and amortisation of intangible assets	2	2
Core earnings before impairment losses	**2,391**	**2,469**
Impairment losses on loans and advances – mortgage lending	275	528
Impairment losses on loans and advances – banking	354	227
Core earnings after impairment losses	**1,762**	**1,714**

Activity

DKK million	2011	2010
Mortgage lending		
Gross new lending	60,810	57,987
Portfolio at nominal value, year-end	400,289	384,026
Impairment losses as % of loans and advances	0.07	0.14
Total impairment provisions, year-end		
- Individual impairment provisions	724	860
- Collective impairment provisions	692	611
Total impairment provisions as % of loans and advances	0.35	0.38
Portfolio of repossessed properties, year-end (properties)	102	83
Banking		
Loans and advances, year-end	37,721	40,599
Deposits, year-end	31,818	32,320
Impairment losses as % of loans and advances	0.83	0.48
Total impairment provisions, year-end		
- Individual impairment provisions	2,134	2,335
- Collective impairment provisions	204	265
Total impairment provisions as % of loans and advances	5.83	6.02
Guarantees, year-end [1]	4,742	6,547
Provisions for guarantees, year-end [1]	61	44

[1] Excluding the government guarantee scheme.

Arrears ratio, mortgage lending
75 days past the September due date – Agricultural Customers and Commercial Customers (excl Agricultural Customers)



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

Total nominal mortgage lending increased by DKK 16.3bn to DKK 400bn at year-end. Gross new lending was up by DKK 2.8bn to DKK 60.8bn in 2011.

Bank lending saw a decline of DKK 2.9bn to DKK 37.7bn at end-2011. This should be seen on the back of the economic downturn in Denmark in 2011, which left demand for finance weak especially among SMEs, while activity with large companies remained satisfactory.

Bank deposits declined from DKK 32.3bn at the beginning of the year to DKK 31.8bn at end-2011. The decline should be seen in the context of fiercer competition and the fact that a number of corporate customers converted their deposits into securities.

Results

Core earnings after impairment losses came to DKK 1,762m against DKK 1,714m in 2010.

Core income from business operations was DKK 3,965m against DKK 3,704m in 2010. Of the increase, DKK 166m stemmed from banking business and DKK 95m from mortgage business.

Value adjustment of financial derivatives and corporate bonds was a charge of DKK 312m in 2011 against a credit of DKK 15m in 2010.

Operating costs totalled DKK 1,260m compared with DKK 1,061m in 2010.

Impairment losses were DKK 275m and DKK 354m on mortgage and bank lending, respectively, against a total of DKK 755m in 2010. Impairment losses as a percentage of loans and advances amounted to 0.07% and 0.83% of mortgage and bank lending, respectively.

Impairment provisions totalled DKK 3,754m at end-2011 against DKK 4,071m at the beginning of the year. The drop in impairment provisions of DKK 317m stemmed from a DKK 20m rise in collective impairment provisions and a DKK 337m decline in individual impairment provisions.

At the September due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.88% for Commercial Customers less Agricultural Customers against 1.18% at the same date in 2010. The percentage for Agricultural Customers was 1.19% at the September due date against 0.64% at the same date in 2010. The arrears ratio for Commercial Customers totalled 0.95% against 1.06% at the September due date in 2010.

Nykredit expects impairment losses on Agricultural Customers to remain low as LTVs range between 50% and 60% based on current land prices.

Since the beginning of the year, 186 properties have been repossessed and 167 sold. At end-2011, the portfolio of repossessed properties stood at 102 against 83 at the beginning of the year.

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 2011, available at nykredit.com/reports, for a more detailed description of the LTV levels of Nykredit's mortgage lending.

International operations
For properties abroad, Nykredit offers Danish and selected international commercial customers mortgages subject to Danish legislation. Mortgages have been granted for properties in Finland, Germany, Norway, Sweden and the UK.

Core income from international commercial customers totalled DKK 192.1m against DKK 145.4m in 2010.

International commercial lending amounted to DKK 36.6bn at end-2011 against DKK 30.2bn at end-2010.

International mortgage lending did not give rise to any impairment losses in 2011 or 2010.

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]
2011									
Commercial Customers [2]	179,631	49,449	17,333	1,704	800	1,352	250,269	25	53
Agricultural Customers [5]	73,991	19,159	6,723	961	436	391	101,661	25	57
2010									
Commercial Customers [2]	166,459	45,533	16,527	1,330	804	0	230,654	25	53
Agricultural Customers [5]	74,932	17,829	6,078	1,022	1,034	1	100,895	24	55

[1] Excl loans and advances to non-profit housing.
[2] Commercial Customers less Agricultural Customers.
[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 2011 figures for agriculture are based on Nykredit's mortgageable values, for which a maximum price per hectare of DKK 150,000 has been applied.

Results – Markets & Asset Management

DKK million	2011	2010
Core income from business operations	1,248	1,639
Value adjustment of derivatives and corporate bonds	(320)	(62)
Total	**928**	**1,577**
Operating costs	847	801
Commission, government guarantee scheme	-	92
Depreciation of property, plant and equipment and amortisation of intangible assets	2	11
Core earnings before impairment losses	**79**	**673**
Impairment losses on loans and advances	19	4
Core earnings after impairment losses	**60**	**669**

Activity

DKK million	2011	2010
Assets		
Receivables from credit institutions	50,244	29,480
Other loans and advances at fair value	20,007	12,920
Bonds and equities	23,437	33,967
Liabilities and equity		
Payables to credit institutions and central banks	63,093	48,351
Deposits and other payables	6,082	3,881
Issued bonds	25,668	32,374
Total assets under management	**101,331**	**92,800**
Assets under administration		
Nykredit Portefølje Administration A/S	**334,796**	**305,001**
- of which the Nykredit Group's investment funds	35,417	34,475
Total assets under management and administration	**436,127**	**397,801**

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. The area also includes the Bank's Treasury activities.

Activity

Nykredit Markets

Earnings in Nykredit Markets were somewhat lower in 2011 than in 2010. The euro crisis in particular left its mark in the form of generally higher risk aversion and lower activity within client-based securities trading. Despite the deteriorating market conditions, Nykredit Markets gained a higher market share of basic fixed income products during 2011.

On 1 December 2011 Nykredit Markets opened a branch in Stockholm focusing on fixed income. The branch strengthens Nykredit Markets's Nordic profile and distribution capacity.

Nykredit Asset Management

Nykredit Asset Management's assets under management and administration totalled DKK 436.1bn against DKK 397.8bn at end-2010.

Assets under management grew by DKK 8.5bn to DKK 101.3bn on the beginning of the year. Most of the improvement derived from new clients.

Nykredit Portefølje Administration administered DKK 334.8bn at end-2011, up DKK 29.8bn on the beginning of the year.

The Nykredit Group's investment funds increased members' capital by DKK 0.9bn to DKK 35.4bn at end-2011.

Results

Core earnings after impairment losses came to DKK 60m against DKK 669m in 2010.

Core income from business operations was DKK 1,248m against DKK 1,639m in 2010. The decline was due to lower earnings on Nykredit Markets's customer-oriented securities trading, whereas Nykredit Asset Management's earnings exceeded those of the same period in 2010.

Value adjustment of financial derivatives and corporate bonds was a charge of DKK 320m in 2011 against a charge of DKK 62m in 2010.

Operating costs including depreciation and amortisation rose by DKK 37m to DKK 849m.

Impairment losses on loans and advances totalled DKK 19m, of which Fjordbank Mors represented DKK 18m.

Results – Other Activities

DKK million	2011	2010
Core income from business operations	176	298
Operating costs	208	238
Commission, government guarantee scheme	-	37
Depreciation of property, plant and equipment and amortisation of intangible assets	262	165
Core earnings before impairment losses	**(294)**	**(142)**
Impairment losses on loans and advances – mortgage lending	15	20
Impairment losses on loans and advances – banking	(83)	777
Core earnings after impairment losses	**(226)**	**(939)**

Activity

DKK million	2011	2010
Mortgage lending		
Portfolio at nominal value, year-end	1,240	1,536
Total impairment provisions, year-end		
- Individual impairment provisions	4	2
- Collective impairment provisions	-	-
Banking		
Loans and advances, year-end	2,282	2,757
Deposits, year-end	315	507
Impairment losses as % of loans and advances	(2.54)	16.36
Total impairment provisions, year-end		
- Individual impairment provisions	1,382	2,923
- Collective impairment provisions	27	52
Total impairment provisions as % of loans and advances	38.17	51.90
Guarantees, year-end [1]	476	577
Provisions for guarantees, year-end [1]	51	38

[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 after impairment losses came to a loss of DKK 266m against a loss of DKK 939m in 2010.

Core income from business operations amounted to DKK 176m against DKK 298m in 2010.

Operating costs were recorded at DKK 208m against DKK 238m in 2010.

A credit of DKK 83m was recognised in impairment losses on bank lending and provisions for guarantees compared with a charge of DKK 777m in 2010.

Total impairment provisions for bank lending stood at DKK 1,409m against DKK 2,975m at the beginning of the year. The decline was the result of reversals as well as recognised losses.

At end-2011, total individual impairment provisions for mortgage lending in Poland came to DKK 4m compared with DKK 2m at the beginning of the year.

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 the properties.

In H2/2010 Ejendomsselskabet Kalvebod A/S acquired the shares in two property companies. The company did not settle or acquire any additional property exposures in 2011. The total property portfolio amounted to DKK 753m against DKK 776m at the beginning of the year.

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, provisions for guarantees under the government guarantee scheme in 2010 and payment to the Guarantee Fund for Depositors and Investors.

Group items also include 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

Core income from securities was DKK 644m against DKK 470m in 2010. The improvement related to a larger securities portfolio coupled with a modest upturn in the Danish central bank's average lending rate from 1.05% in 2010 to 1.27%.

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

Operating costs

Operating costs declined to DKK 602m from DKK 654m in 2010.

In Q3/2011 a tax case concerning VAT and payroll tax for the period 2004-2010 was decided. The Group received a total refund of DKK 90m, of which DKK 71m was a refund of overpaid VAT and payroll tax. The amount has been offset against operating costs. The remaining DKK 19m concerned interest booked as income and has been included in core income from business operations.

Investment portfolio income

The Group's investment portfolio generated income of DKK 179m against DKK 2,060m in 2010.

Investment portfolio income from bonds, liquidity and interest rate instruments came to DKK 130m in 2011. Investment portfolio income from equities and equity instruments value adjusted through profit or loss was DKK 264m.

To this should be added a charge of DKK 215m before tax from value adjustment of subordinated debt instruments and shares in Danish banks. The value adjustment included a profit of DKK 205m from the sale of strategic equities, capital losses of DKK 45m on Nykredit's strategic shareholding in Amagerbanken, and a charge of DKK 375m from value adjustment of Kalvebod issues, which chiefly stemmed from Nykredit's subordinated debt instruments in Amagerbanken, Fjordbank Mors and Max Bank.

Investment portfolio income is the excess income from investing in equities, bonds and derivative financial instruments in addition to risk-free interest as well as realisation of equities classified as available for sale and value adjustment of Kalvebod issues. Price spread and interest margin income relating to the mortgage lending of Nykredit Realkredit and Totalkredit and the trading activities of Nykredit Markets are included not as investment portfolio income, but as core income from business operations.

Results – Group items

DKK million	2011	2010
Core income from		
- business operations	(4)	(18)
- securities	644	470
Total	**640**	**452**
Operating costs	602	654
Payment to the Guarantee Fund for Depositors and Investors	100	-
Depreciation of property, plant and equipment and amortisation of intangible assets	172	166
Core earnings before impairment losses	**(234)**	**(368)**
Impairment losses on loans and advances – government guarantee scheme	-	279
Core earnings after impairment losses	**(234)**	**(647)**
Investment portfolio income	179	2,060
Profit (loss) before cost of capital	**(55)**	**1,413**
Net interest on hybrid capital	(462)	(461)
Profit (loss) before tax	**(517)**	**952**

NEW REGULATION

In July 2011, the European Commission published a proposal for new regulation of capital and liquidity of credit institutions. The Danish EU Presidency tabled an updated proposal in early 2012.

The proposal is very extensive and is to a great extent based on the recommendations of the Basel Committee of late 2010. The negotiations on the proposal in the European Council of Ministers and the European Parliament are expected to be completed in 2012. This implies that a large part of the new rules may enter into force as early as in 2013.

Nykredit is able to meet coming requirements today, both for the temporary core Tier 1 capital and the capital base.

The European Commission's proposal also contains extensive liquidity rules applying to the credit institutions. The wording of the rules is of great importance to the credit institutions. The rules are based on two liquidity ratios: The Liquidity Coverage Ratio (LCR), which regulates short-term liquidity, and the Net Stable Funding Ratio (NSFR), which regulates long-term liquidity.

The LCR will be introduced in the course of 2015 after an observation period. In this period the European Banking Authority, EBA, will among other things assess whether Danish covered bonds are to be recognised as liquid securities in line with government bonds. It is of importance to the Danish financial system that covered bonds can be fully included in the short-term liquidity of credit institutions. We anticipate that Danish covered bonds will be recognised as liquid assets, partly due to the high liquidity of Danish covered bonds during the financial crisis compared with other asset classes.

For a long observation period, credit institutions must report the NSFR to the authorities. As it has not yet been decided whether the NSFR will be introduced, there is no final date for the implementation of the NSFR.

As part of the Danish Bank Rescue Package IV, an expert committee was set up under the then Ministry of Economic and Business Affairs charged with examining systemically important financial institutions in Denmark, including mortgage banks.

The expert committee is to issue its recommendations in 2012 on the criteria for being systemically important, the requirements of systemically important institutions (higher capital requirements, increased regulatory supervision, etc) and on what can be done if a systemically important institution is in distress.

Nykredit expects to be classified as systemically important in Denmark considering its market share of some 30% of total lending and the fact that Nykredit issues more than half of all Danish covered bonds. As one of few institutions in Denmark, Nykredit was able to maintain its lending activity throughout the financial crisis.

OTHER

Nykredit adapts operations to future conditions

The conditions for financial institutions are undergoing significant changes. In order to adapt Nykredit's business to the new conditions and continue its financial sustainability course, Nykredit's Management decided in June to prepare the following initiatives:

- To fund ARMs out of a special capital centre.
- To secure the Group's ratings and long-term lending capacity by raising the price of existing and new loans granted by Totalkredit and Nykredit as at 1 April 2012. The price increase mirrors the higher costs of mortgage operations and the risk relating to the various types of loan.
- To provide retail mortgages through Totalkredit from H1/2012 in line with Totalkredit's current partner banks.
- To introduce combined mortgages also for retail customers in H1/2012 so that part of a mortgage – probably up to 60% – will still be subject to the SDO rules, while the top part up to 80% will be subject to the rules governing traditional mortgage bonds. This will mitigate the supplementary collateral requirements in case of declining property prices.

New Capital Centre H for loans subject to refinancing

Nykredit opened a new SDO capital centre (H) in August 2011 for the issuance of bonds funding loans subject to refinancing. Existing loans in Capital Centre E as well as private residential mortgage loans in Capital Centre D were refinanced out of Capital Centre H in October and December.

New prices for retail mortgages

In November 2011 Totalkredit and Nykredit announced that the price of mortgages offered to retail customers will be raised on 1 April 2012. At the same time, the price structure will change so that prices will mirror the costs and risks related to the various loan types. Our objective is to ensure sufficiently robust earnings at a time characterised by stricter capital requirements and a significantly higher cost of such capital.

Higher margins before the Maritime and Commercial Court

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

In June 2010, the Danish Competition Council announced that Nykredit Realkredit A/S could not raise administration margins as intended with reference to Nykredit's undertaking that it would not increase margins when Nykredit acquired Totalkredit in autumn 2003, which decision was upheld by the Danish Competition Appeals Tribunal on 2 December 2010.

On 30 November 2011, the Danish Competition Council made a new decision in the case. The Danish Competition Council held that from 1 April 2012 to 31 March 2017 Nykredit Realkredit A/S may raise the administration margin on retail mortgages by up to 0.55% for fixed-rate repayment mortgages and 0.60% for all other mortgages with maximum LTVs. Following that period, Nykredit Realkredit A/S must observe its original undertaking, unless the Danish Competition Council decides differently based on Nykredit Realkredit A/S's request.

Totalkredit is not subject to the undertaking concerning administration margin adjustment.

The implication of the decision of the Danish Competition Council is that Nykredit Realkredit A/S must continue to seek the Danish Competition Council's approval of any price increases unlike all other Danish mortgage banks. Freedom of pricing is of such fundamental importance to Nykredit Realkredit A/S that Nykredit Realkredit A/S has brought the case before the Danish Competition Appeals Tribunal despite the Danish Competition Council's approval of higher administration margins.

Further, Nykredit Realkredit A/S will continue the pending legal proceedings before the Danish Maritime and Commercial Court, in which case Nykredit Realkredit A/S has claimed that the undertaking in dispute from 2003 has expired and is therefore no longer binding on Nykredit. The case is expected to be heard in autumn 2012.

Capitalisation of Nykredit Bank A/S
Nykredit Realkredit A/S has issued a letter of comfort for the provision of capital as required to Nykredit Bank A/S in order that the Bank may maintain a Tier 1 capital ratio of at least 12-13%.

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

The guarantee was established in Q4/2011.

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

Bankruptcies of Amagerbanken, Fjordbank Mors and Max Bank
In 2011 Nykredit charged DKK 250m, DKK 134m and DKK 127m to the income statement which related to the bankruptcies of Amagerbanken, Fjordbank Mors and Max Bank, respectively.

DKK 100m of the total charge of DKK 511m was payment to the Guarantee Fund for Depositors and Investors.

With respect to Amagerbanken, uncertainty remains as regards the final dividend percentage and acceptance of the Group's general conditions, including in respect of netting.

Nykredit one of the best capitalised credit institutions in the EU
The European Banking Authority (EBA) has conducted a stress test of 71 major European credit institutions.

The stress test assessed the capital levels of the individual institutions as at 30 September 2011 based on common rules for the measurement of sovereign exposures etc. The EBA has furthermore harmonised the determination of capital across member states.

According to the stress test, Nykredit's core Tier 1 capital ratio amounts to 14.04% of risk-weighted items subject to the CRD 3 rules relative to a benchmark of 9%.

The stress test therefore confirms Nykredit's very solid capital structure.

GROUP CAPITAL MANAGEMENT

CAPITAL POLICY AND STRUCTURE

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

Nykredit 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 long-term historical data, with loss data dating back to 1991.

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 internal capital adequacy requirement is described in more detail below.

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 combined with high interest rates and further property price falls.

Group equity after proposed dividend was DKK 55.1bn at end-2011.

Nykredit divides its equity into four elements:

- *Required capital base* of DKK 33.4bn. Nykredit's assessment of the required capital base is partly based on the consequences of deterioration of the current economic climate.
- *Countercyclical buffer* of DKK 12.5bn covering the expected rise in the required capital base and potential operating losses should the economic climate change from an economic downturn to a severe recession with unemployment rates rising to the high levels of the early 1990s. The countercyclical buffer is determined by means of stress tests.
- *Statutory capital deductions (goodwill, etc)* relating to intangible assets of DKK 4.4bn.
- *Strategic capital* of DKK 4.8bn, the long-term capital maintained for strategic initiatives.

In addition to equity, the Group has raised DKK 11.2bn of hybrid capital.

REQUIRED CAPITAL BASE AND INTERNAL CAPITAL ADEQUACY 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 judgement to cover all significant risks as determined in the Internal Capital Adequacy Assessment Process (ICAAP).

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

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

The report Risk and Capital Management 2011, available at nykredit.com/reports, contains a detailed description of the determination of the required capital base and internal capital adequacy requirement 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.

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

The Nykredit Realkredit Group
Capital structure, end-2011

STRESS TESTS AND COUNTERCYCLICAL BUFFER

Nykredit has developed a capital projection model to calculate a large number of stress tests and determine the required capital base and long-term capital requirement. The results are applied at both group and company level and are included in the annual assessment by the individual boards of directors of the internal capital adequacy requirement. In the determination of the capital requirements, the stress tests are not the only element, but are included in the overall assessment along with the company's business model, risk profile and capital structure.

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

Nykredit operates with three scenarios of the economic development: a base case scenario, a weaker economic climate and a severe recession. Both in a weaker economic climate and during a severe recession, the capital requirement for credit risk builds on correlations between customer default rates (PD) and the size of the loss in case of customer default (LGD).

The Nykredit Realkredit Group
Required capital base and internal capital adequacy requirement

DKK million	2011	2010
Credit risk	17,962	19,254
Market risk	5,821	3,149
- of which stressed VaR	2,797	-
Operational risk	1,373	1,209
Risk relating to own properties	128	137
Pillar I, total	**25,284**	**23,750**
Weaker economic climate (stress test, etc)	2,463	2,781
Other [1]	2,743	1,441
Model and calculation uncertainties	2,916	2,797
Pillar II, total	**8,122**	**7,020**
Total required capital base	**33,405**	**30,770**
Total risk-weighted items	**348,155**	**327,665**
Internal capital adequacy requirement, %	**9.6**	**9.4**

[1] Other includes assessment of control risk, strategic risk, external risk, concentration risk, liquidity risk, etc.

Stress scenarios for determination of capital requirement

%	2012	2013	2014
Weaker economic climate (scenario applied under Pillar II)			
GDP growth	0.5	0.5	0.5
Interest rates [1]	2.5	3.0	4.0
Property prices, growth	(5.0)	(5.0)	0.0
Unemployment	4.5	4.5	4.5
Danish equity index	(5.0)	(5.0)	0.0
Severe recession (scenario applied under countercyclical buffer)			
GDP growth	(4.5)	(1.0)	0.0
Interest rates [1]	6.5	8.0	8.0
Property prices, growth	(15.0)	(10.0)	(5.0)
Unemployment	6.5	9.0	10.5
Danish equity index	(10.0)	(7.5)	(5.0)

[1] Average of 3-month money market rates and 10-year government bond yields.

The most important macroeconomic factors identified are:
- Interest rates
- Property prices
- GDP growth
- Equity prices
- Unemployment.

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

Scenario: weaker economic climate in 2012-2014
The scenario is designed to illustrate a weaker economic climate relative to the base case scenario. The capital charge for a weaker economic climate reflects how much the Group's capital requirement would increase if this scenario occurred.

The calculations factor in any negative earnings impact due to higher impairment losses etc. By including the charge under Pillar II, which is a central element of the internal capital adequacy requirement, any potential increase in the capital requirement is taken into account.

Scenario: severe recession (countercyclical buffer)
A central element of Nykredit's capital policy is to have sufficient capital resources, also in the long term. Capital is as far as possible concentrated in the Parent Company, Nykredit Realkredit A/S, to ensure flexibility and leeway.

To this end, Nykredit reserves capital to cover the expected rise in the capital requirement if the economic climate changes into a severe recession. When determining the size of the countercyclical buffer, it is assumed that the current lending volume is maintained regardless of the economic downturn.

Nykredit designs the severe recession scenario so that it reflects an extreme, but not unlikely, situation.

The countercyclical buffer depends on the development in the scenario, and a negative earnings impact reflecting the accumulated loss calculated for the scenario may be added, whereby the development in equity is also factored in.

The charge for a severe recession amounted to DKK 12.5bn at end-2011, expressing the expected additional capital required if the economic climate changes into a severe recession.

ORGANISATION, MANAGEMENT AND CORPORATE RESPONSIBILITY

FINANCIAL SUSTAINABILITY AND CORPORATE RESPONSIBILITY

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.

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

STRATEGY TO STRENGTHEN GROWTH IN BANKING

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

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

The strategy supports the Totalkredit concept as a strategically important part of our mortgage operations.

Denmark is our main geographic focus area for business growth.

Fundamental business principles

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

- Customers first
  Our services are motivated by customer needs and requirements – we are market-driven and customer-oriented.
- Transparency
  It is evident and clear how we organise our activities, what and how we prioritise, and therefore how we create value for our customers and Nykredit.
- New thinking
  We prioritise and encourage new thinking as part of the most optimal and flexible use of Nykredit's resources.
- A balanced and profitable business
  We aim at profitable business based on long-term and sustainable relations while taking into consideration Nykredit's and our customers' risk.
- Resource mobility
  We focus on efficient and cost-conscious use of resources to the utmost benefit of the Group.

The Group's strategic ambitions

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

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

ORGANISATION AND DELEGATION OF RESPONSIBILITIES

The Board of Directors of Nykredit Realkredit A/S counts 14 members, of which nine are elected by the General Meeting for a term of one year and five are elected by and among the staff for a term of four years.

The Board of Directors is the supreme management body of the Company, which makes decisions of a strategic and fundamental nature and lays down guidelines for the day-to-day management of the Group Executive Board.

Nykredit is committed to a board of directors of a suitable size, composition and diversity, which possesses the competences required to meet the management tasks and the responsibility resting at all times with the Board of Directors as the supreme management body of the Company.

As late as in autumn 2011, the Board of Directors reviewed its competence profile and decided that the Board should have special competences as regards:

- Strategy
- Knowledge of the business sector and property
- Economics, finance and accounting
- Capital markets and funding
- Politics, management and associations
- Legal matters
- Management of large companies
- Market conditions, customer relations and sales
- Organisation/HR, IT and processes
- Credit matters.

Further details on the competence profile of the Board of Directors, the special competences of each board member and the composition, size and diversity of the Board of Directors are available at nykredit.com/organisationuk.

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

Audit Board
The audit board serves the companies in the Nykredit Group that are obliged to appoint 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 the independent, proficient member of the Audit Board.

Organisation and delegation of responsibilities

Board of Directors
Capital and risk management
Defines limits to and monitors risks
Lays down instructions and policies

Board committee: Audit Board
Monitors accounting and audit matters relating to internal control and risk management

Board committee: Remuneration Board
Prepares and recommends remuneration policy applying to the Board of Directors and the Executive Board Recommends the remuneration of the Committee of Representatives

Board committee: Nomination Board
Nominates candidates for the Committee of Representatives, Board of Directors and Executive Board
Overall responsibility for determining the competence profile of the Board of Directors and Executive Board

Executive Board
Operationalises instructions and policies

Committees

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

Asset/Liability Committee
- Overall asset/liability and liquidity management
- SDO cover pool management

Credits Committee
- Formulates credit policy
- Approves large exposures, etc

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

Remuneration Committee
- Ensures that remuneration and bonuses are in line with business strategy and objectives

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

The Audit Board held four meetings in 2011.

Remuneration Board
In autumn 2010, Nykredit Realkredit A/S appointed a joint remuneration board serving all the companies of the Nykredit Group.

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

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

The Remuneration Board held three meetings in 2011.

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

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

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

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

Executive Board committees
Nykredit's most important committees are the Risk Committee, the Asset/Liability Committee, the Credits Committee, the Treasury Committee and the Remuneration Committee.

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

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

The Credits Committee and the Treasury Committee are responsible for managing group credit, market and liquidity risks. Both committees approve or endorse all major risk exposures within the authority of the Executive Board.

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

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

CORPORATE GOVERNANCE

The Board of Directors 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 the revised Recommendations on Corporate Governance of the Committee on Corporate Governance, but with the adjustments that follow from its special ownership and management structure. The recommendations form part of the rules of NASDAQ OMX Copenhagen A/S.

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 ordinary listed companies, as the company has only one shareholder, Nykredit Holding A/S, which 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 89.51% 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/corporategovernanceuk.

STAFF

The average number of staff in the Group climbed from 4,026 in 2010 to 4,139 at end-2011.

Staff benefits

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

Bonus programmes

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

No variable remuneration – including bonus programmes – applies to the Board of Directors and the Group Executive Board.

Thirty risk-takers in the Nykredit Group were designated in 2011, and nine subsidiary managing directors receive variable remuneration. Pursuant to the Danish Financial Business Act, they are subject to special restrictions, chiefly in relation to disbursement of bonus. Some of these restrictions are deferral of disbursement over a several-year period, partial disbursement through bonds subject to selling restrictions instead of cash payment and Nykredit's ability to retain the deferred amount under special circumstances.

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

The bonus earned in 2011 by all subsidiary managing directors and risk-takers amounted to DKK 12m compared with DKK 20m in 2010.

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

Executives reporting directly to the Group Executive Board participate in an individual bonus programme with a potential bonus of up to three months' salary. For 2011 the executives who were not also risk-takers were awarded bonuses of DKK 3m compared with DKK 5m in 2010.

Special individual bonus programmes apply to some of the staff of Markets, Asset Management and Group Treasury in line with market standards for such positions. The remuneration of these staff members is based on their job performance, and the bonus component is generally high relative to the rest of the Group's staff. Similar individual programmes apply to selected staff in core functions with responsibility for the largest customers. For 2011 the management and staff members of these areas who were not also risk-takers were awarded bonuses of about DKK 80m compared with DKK 130m in 2010.

Other management and staff members have participated in a general bonus programme until 2011. The programme will be discontinued from 2012, and the number of staff participating in special programmes has been reduced. Bonuses awarded to other staff totalled DKK 15m in 2011 compared with DKK 45m in 2010.

The total bonuses awarded for 2011 came to about DKK 110m, which was close to half the amount for 2010.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

The Nykredit Group continuously expands and improves its current monitoring and control of risk. Risk is reported on a continuous basis in material areas such as credit risk, market risk, liquidity risk, operational risk and IT risk.

Financial reporting process

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

Group Finance handles the Group's total financial control and reporting as well as the presentation of the financial statements. Group Finance is responsible for ensuring that the Group's financial reporting complies with policies laid down and current legislation.

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

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

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

The Executive Board is responsible for risk delineation, management and monitoring, which have been reassigned to a number of committees each chaired by a member of the Group Executive Board.

Other important participants in connection with 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 financial reporting process may generally be summarised as follows:

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

Controls

The purpose of the Group's controls is to ensure that policies, manuals and procedures laid down by the Executive Board are observed and to ensure timely prevention, detection and correction of any errors, deviations or omissions.

The controls comprise manual and physical controls as well as general IT controls and automatic application controls in IT systems applied.

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

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

nual Report in cooperation with the external auditors. The internal and external auditors endorse the Annual Report and in this connection issue a long-form audit report to the Board of Directors on any matters of which the Board of Directors should be informed.

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

Information and communication
The Board of Directors has adopted an information and communications policy, which lays down the general requirements for external financial reporting in accordance with legislation and relevant rules and regulations. Nykredit 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 is reported to the Board of Directors, the Executive Board, relevant management levels and the individual business areas and forms the basis of Management's accounting estimates. For further information on the Group's risk and capital management, please refer to the publication Risk and Capital Management 2011 available at nykredit.com/reports.

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

GROUP RISK MANAGEMENT

GROUP CHARACTERISTICS

Nykredit's activities comprise match-funded mortgage lending, bank deposits and 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 including disclosure of the Group's risk exposures. Nykredit's advanced models for quantifying group risks are central elements of the Group's 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.

Largely all the Group's investment activities are marked to market, for which reason group earnings exhibit a certain degree of volatility.

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

Nykredit publishes detailed quarterly reports on the loan portfolio by capital centre. The reports are available under "Cover pool disclosure reports" at nykredit.com/coverpool.

Balance principle

By far the greater part of group lending is mortgage lending 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 applies 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 described further at nykredit.com/documentation.

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 (SDOs and 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
- Fixed-rate loans have fixed funding for the entire loan term. The funding of adjustable-rate mortgage loans is not fixed; they are funded by bonds with 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 for 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, chiefly calculated on the basis of the debt outstanding, which may be changed if market conditions change, for instance if losses increase. In addition, various fees may be charged.

In practice, these characteristics mean that Nykredit incurs neither interest rate risk, foreign exchange risk nor liquidity risk on 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 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. Bond issuers are therefore characterised by a high degree of liquidity under normal market conditions.

Types of risk

Credit risk reflects the risk of loss following the non-performance of counterparties.

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

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

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

CREDIT RISK

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

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 undertakes all reporting on individual exposures. The Risk Committee is responsible for approving credit 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. At both Group and subsidiary level, exposures over a specified amount are subject to approval by the Credits Committee or the Board of Directors of Nykredit Realkredit.

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 own credit models. The customer rating is supplemented with an assessment of the customer's financial position and any other relevant matters. In connection with mortgage loan applications, the statutory property valuations are also performed.

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 basis is typically based on current market standards such as ISDA or ISMA agreements.

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

Nykredit has the approval of the Danish Financial Supervisory Authority (FSA) to apply a statistical model in the valuation of certain owner-occupied dwellings 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.

Parameters used to determine credit risk

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.
LTV	Loan-To-Value is the debt outstanding on a mortgage loan relative to the estimated property value.

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 EV.

Credit risk models

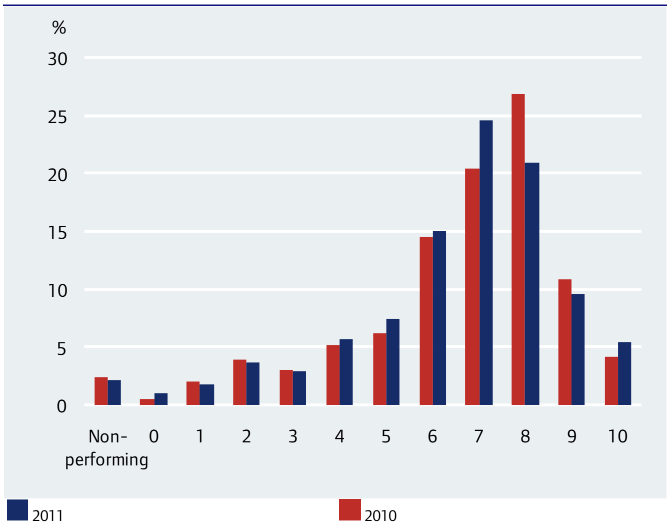
Nykredit uses internal models in the determination of credit risk. Credit risk is determined using three key parameters: Probability of Default (PD), Loss Given Default (LGD) and Exposure Value (EV).

The models used to determine PD and LGD build 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.

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

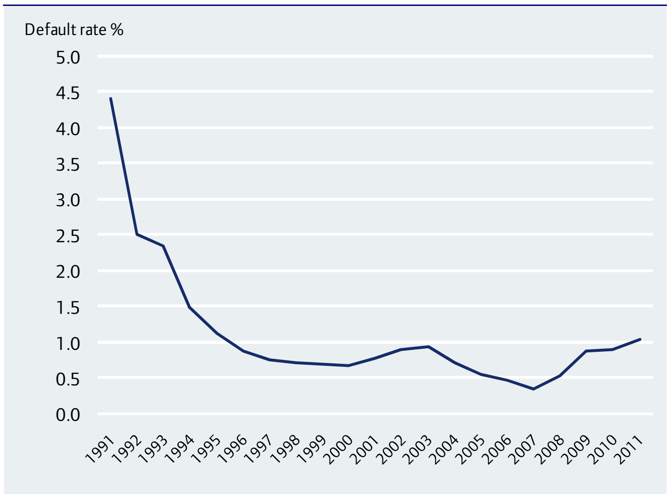
With respect to other customer segments, statistical models have been developed based on conditional probabilities estimating PDs that factor in business-specific circumstances such as financial data, arrears and loan impairment as well as industry-specific conditions and the macroeconomic climate.

The Nykredit Realkredit Group
Debt outstanding by rating category



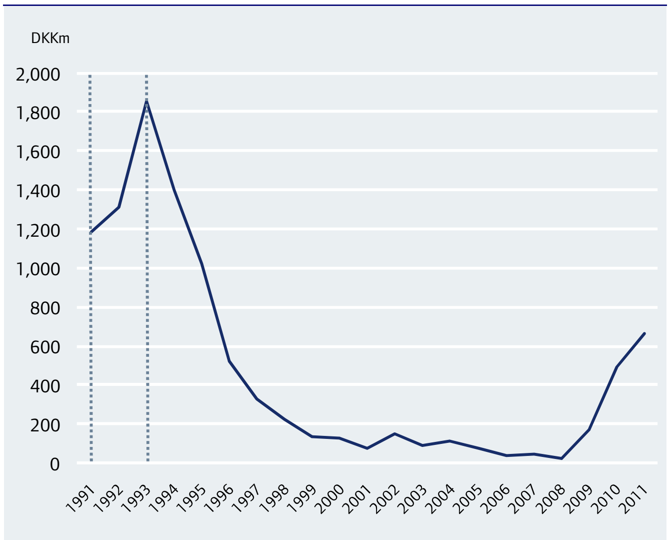
Note: The distribution shows the total debt outstanding by rating category, reflecting customers' probability of defaulting on their loans with Nykredit. 10 is the highest rating.

Nykredit Realkredit A/S
Data behind PDs



Note: Determined as the number of customers.

The Nykredit Realkredit Group – mortgage activities
Data behind LGDs – recognised losses



Note: Data behind LGD level: 1991-1993.

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

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 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 property offers good protection against losses.

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

The unemployment rate was 6.2% at end-2011, which was largely the same as at the beginning of the year. According to the official forecasts of the Danish economy, unemployment is expected to increase slightly in 2012. The unemployment level will remain low, however, given overall growth figures, which has contributed to the relatively low level of arrears and forced sales.

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

The number of forced sales in 2011 fell by around 5% compared with 2010. However, this reduction followed a 25% increase from 2009 to 2010. The reduction is due to the favourable development in unemployment and interest rates although the economic outlook remains uncertain. This uncertainty combined with growing unemployment may push up the number of forced sales in the course of 2012, but the continued low interest rate level will have the opposite effect.

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.

LTV limits 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 for the part in excess of 60%.

If the LTV ratio determined on an ongoing basis exceeds the statutory LTV limits, mortgage banks must provide supplementary security for the individual loans secured by mortgages on property and funded by way of issuance of covered bonds. The bulk of the mortgage loans have original maturities of 20-30 years.

Since December 2007, the Group has raised supplementary security through the issuance of junior covered bonds. At end-2011, the Group had issued DKK 31bn worth of junior covered bonds.

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 significant 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.

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

DKKm/%	LTV (loan-to-value)							LTV-median, % [2]	LTV, average, % [1]
	0-40	40-60	60-80	80-90	90-100	>100	Total		
Private residential property	386,354	149,860	100,360	20,781	6,210	2,592	666,157	34	73
Private residential rental	68,473	21,348	11,912	1,157	487	840	104,216	28	64
Industry and trades	19,817	3,993	526	61	46	53	24,496	21	48
Office and retail	77,732	21,733	4,417	418	221	403	104,924	25	55
Agriculture	73,991	19,159	6,723	961	436	391	101,661	25	57
Non-profit housing	-	-	-	-	-	-	67,803	-	-
Other	13,609	2,376	478	69	45	57	16,633	20	47
Total 2011	**639,976**	**218,468**	**124,416**	**23,446**	**7,446**	**4,335**	**1,085,890**	**30**	**66**
Total 2010	646,756	205,613	98,599	10,339	4,480	836	1,031,266	27	61

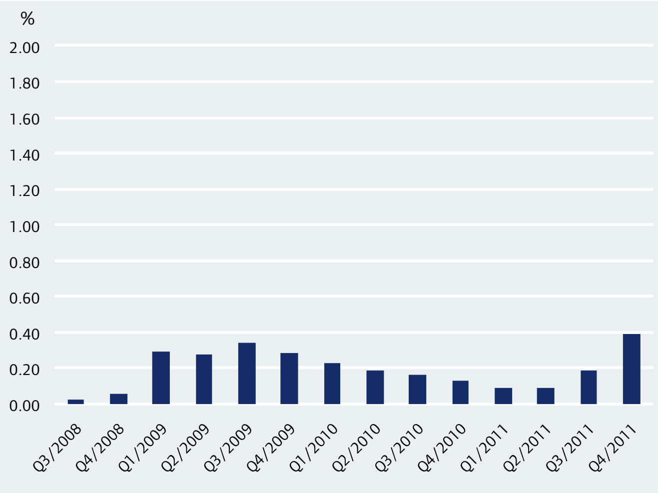
[1] Determined as the top part of the debt outstanding relative to estimated property values.
[2] Determined as the mid part of the debt outstanding relative to estimated property values.
Note: The figures are actual LTV ratios including any financed costs. Public authority guarantees reduce the credit 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 table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV category 0-40% and one third in the LTV category 40-60%.

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

%	LTV (loan-to-value)					
	0-40	40-60	60-80	80-90	90-100	>100
Private residential property	58	22	15	3	1	0
Private residential rental	66	20	11	1	0	1
Industry and trades	81	16	2	0	0	0
Office and retail	74	21	4	0	0	0
Agriculture	73	19	7	1	0	0
Non-profit housing	-	-	-	-	-	-
Other	82	14	3	0	0	0
Total 2011 [1]	**63**	**21**	**12**	**2**	**1**	**0**

[1] Calculated on the basis of debt outstanding including non-profit housing for which reason the totals do not add up to 100%.
Note: In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%. The table shows that where owner-occupied housing is concerned, 58% of mortgage lending falls within 40% of the property values.

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



Note: Only including the part of the loan with an LTV over 100%.

The Nykredit Realkredit Group
Investment portfolio credit risk

DKK million	2011	2010
Government bonds		
Denmark	*18,216*	*3,491*
Exposure to GIISP countries [1]	*57*	*231*
Total government bonds	**17,558**	**2,701**
Covered bonds including ROs and SDOs		
Rating Aaa/AAA	63,089	59,130
Rating Aa1/AA+ – Aa3/AA-	33,800	18,888
Rating A1/A+ – Baa3/BBB-	1,356	1,368
Rating Ba1/BB+ or lower	-	-
Not rated	7	2
Total covered bonds including ROs and SDOs	**98,252**	**79,388**
Corporate bonds		
Rating Aaa/AAA	(329)	332
Rating Aa1/AA+ – Aa3/AA-	1,506	1,085
Rating A1/A+ – Baa3/BBB-	4,560	5,685
Rating Ba1/BB+ or lower	772	2,293
Not rated	1,672	1,090
Total corporate bonds	**8,181**	**10,485**
Of which:		
Subordinate loan capital and hybrid capital in Danish banks [2]	*1,684*	*1,355*
Subordinate loan capital and hybrid capital in other banks [2]	*1,294*	*1,126*
Kalvebod issues and Scandinotes	*91*	*1,236*
Structured bonds	*53*	*-*
Hedge funds	*-*	*-*
Collateralised Loan Obligations (CLO)	*-*	*-*
Total credit exposures	**106,433**	**89,873**

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

The share of residential properties with LTVs above 100% rose in the last two quarters of 2011, primarily due to declining housing prices.

It should be noted that home loans with LTVs over 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.

MARKET RISK

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

The Nykredit Group assumes various market risks in the course of its business activities.

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.

Key figures on market risk

To obtain a full overview of group market risk, Nykredit calculates various key figures that express sensitivity to the development in 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 has the approval of the Danish FSA to apply Value-at-Risk in determining the capital requirement for the market risk of Nykredit Realkredit A/S and Nykredit Bank A/S. VaR is also applied in the day-to-day internal management and determination of the required capital base. VaR is a statistical measure of the maximum loss on a portfolio at a given probability within a given time horizon.

The confidence level of the VaR model is 99%, but the choice of time horizon depends on the specific purpose of the calculations. For the day-to-day internal management, a time horizon of one day is applied, while a time horizon of 10 business days is applied for the determination of the capital requirement and the required capital base.

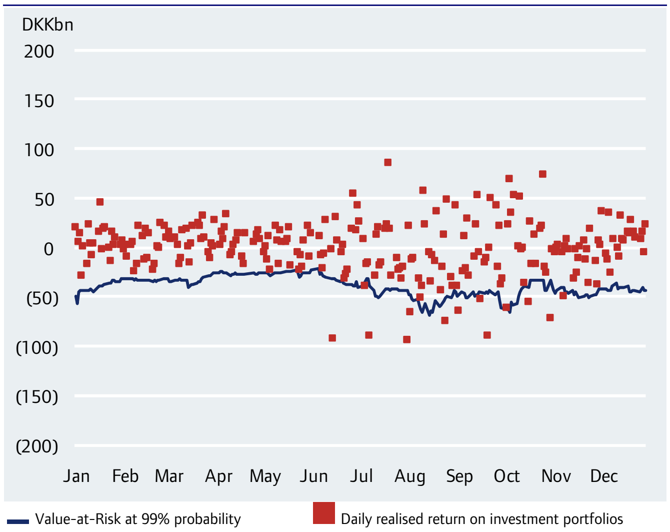
The Nykredit Realkredit Group
Credit derivatives in the trading book

Nominal value 2011 DKK million	Risk disposed of	Risk received	Total
Financial institutions	-	546	546
Corporates	-	-	-
Sovereigns	558	287	845
Index	483	595	1,078
Total credit derivatives, 2011	**1,041**	**1,428**	**2,469**
Total credit derivatives, 2010	84	1,316	1,232

The Nykredit Realkredit Group
Market risk

2011 DKK million	Interest rate exposure (100 bp change)	Interest rate volatility exposure (Vega)	Equity price exposure (10% change)
Money market instruments	(414)	-	-
Government bonds	(141)	-	-
ROs	1,790	1	-
SDOs	717	2	-
Other bonds, loans and advances, etc	(197)	-	-
Equities	-	-	384
Derivative financial instruments	(1,389)	26	-15
Securitisations	-	-	-
Total	**367**	**30**	**369**

Nykredit Realkredit A/S
Back test for total VaR - market risk



VaR is calculated for both the trading book and the banking book. The model factors in the risk relating to the spread between bond yields and swap rates.

As a consequence of the new Executive Order on Capital Adequacy, Nykredit Realkredit and Nykredit Bank are required to calculate a stressed VaR in addition to the current VaR for determining the capital adequacy requirement. Stressed VaR is also determined using a confidence level of 99% and a time horizon of 10 days. Stressed VaR was first calculated as at 31 December 2011.

Stressed VaR must be calculated for the current portfolio, but using volatilities and correlations (market data) from a period of significant stress. The measurement period for market fluctuations is from September 2008 to September 2009 for Nykredit Bank and from March 2008 to March 2009 for Nykredit Realkredit. This period will be determined annually on the basis of the current portfolios of Nykredit Realkredit and Nykredit Bank, respectively.

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 requirement for market risk.

As a consequence of the number of lower exceedings of the internal model back test, Nykredit Realkredit has added risk factors in order to capture the overall risk more accurately.

The Group's internal VaR totalled DKK 120m at end-2011 against DKK 110m at end-2010. According to Nykredit's model, the Group would, at a 99% probability, lose a maximum of DKK 120m in one day in consequence of market fluctuations.

The Group's total VaR for determination of the capital requirement amounted to DKK 2,036m at end-2011 against DKK 573m at end-2010. Stressed VaR was first calculated as at 31 December 2011. The Group's total VaR for capital requirement determination therefore increased considerably relative to 2010 when stressed VaR was not calculated.

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 367m at end-2011.

Counterparty risk on derivatives
Nykredit applies financial instruments, such as derivatives and repurchase agreements, for serving customers and for managing liquidity and market risk.

The market value of a financial instrument changes according to the underlying market parameters, such as interest rates and exchange rates, which may yield high market values in favour of both Nykredit and its counterparties.

Counterparty risk is mitigated through financial netting agreements as well as agreements on financial collateral. The contractual framework is mainly based on market standards such as ISDA or ISMA agreements.

The use of derivative instruments is governed by the ordinary credit granting rules and credit policies, supplemented by a number of restrictions and policy rules designed to mitigate Nykredit's counterparty risk. Examples are assessment of customer creditworthiness and limits to amounts and terms.

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

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

Foreign exchange risk

Foreign exchange risk is measured as the gain/loss in a given currency resulting from DKK strengthening by 10%. Generally, all foreign exchange exposures are hedged, but the Group has some minor tactical foreign exchange positions to achieve a gain.

Volatility risk

The market value of options and financial instruments with embedded options such as callable covered 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.

Equity price risk

The exposure to strategic equities classified as available for sale under IAS 39 ranged between DKK 2.0bn and DKK 3.4bn in 2011. At end-2011 the portfolio of strategic equities amounted to DKK 2.0bn, of which DKK 1.1bn in Danish banks.

Equity price risk is measured as the Group's loss at a 10% decrease in equity markets and amounted to DKK 369m at end-2011.

Refinancing risk

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

With a view to reducing customers' refinancing risk, Nykredit has spread 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. Following refinancing, borrowers' loan rate mirrors the yield-to-maturity of the bonds sold. Consequently, interest expenses are fully passed on to customers.

The Nykredit Realkredit Group
Equity portfolio

DKK million	Equity portfolio 2011	Equity portfolio 2010	Change	Equity price risk 2011
Outside the trading book	3,015	4,142	(1,127)	302
- of which strategic equities	2,064	3,309	(1,245)	206
Trading book	79	374	(295)	8
Private equity	595	518	77	60
Total	**3,689**	**5,034**	**(1,345)**	**369**

Note: In addition to the portfolio described in note 19, the equity portfolio for determination of equity price risk includes derivative financial instruments and associates.

The Nykredit Realkredit Group
Market risk

DKK million	2011			2010		
	Min	Max	Closing	Min	Max	Closing
Value-at-Risk (99%, time horizon of 1 day)	89	321	120	107	232	110
Interest rate risk (change of 100bp)	(261)	455	367	205	940	434
- of which outside the trading book	(43)	134	134	(32)	214	137
- of which from mortgage activities	(7)	108	50	(17)	175	62
Equity price risk (general decline of 10%)	320	514	369	387	533	503
- of which adjusted against equity	203	336	255	284	341	331
Foreign exchange risk:						
Foreign exchange positions, EUR	11	1,222	187	35	825	547
Foreign exchange positions, other currencies	8	377	271	60	773	120
Interest rate volatility risk (Vega)	28	48	30	51	10	42

Note: Calculation of market risk covers both the trading book and the banking book. 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.

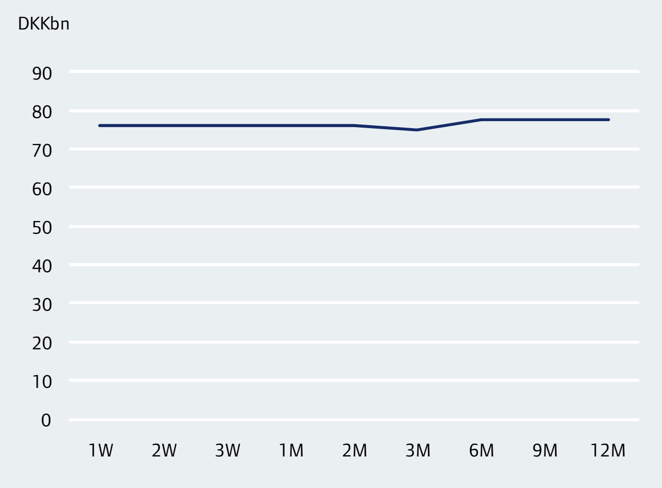
LIQUIDITY RISK

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

Nykredit has structured its lending in a manner that ensures a high level of liquidity. The greater part of group lending is mortgage loans funded by covered bonds in the form of ROs and SDOs according to the match-funding principle. Nykredit's mortgage borrowers make their payments on or before the date on which Nykredit pays the bondholders. Accordingly, mortgage lending and the funding thereof produce positive liquidity. Furthermore, lending by Nykredit Bank is generally funded by deposits.

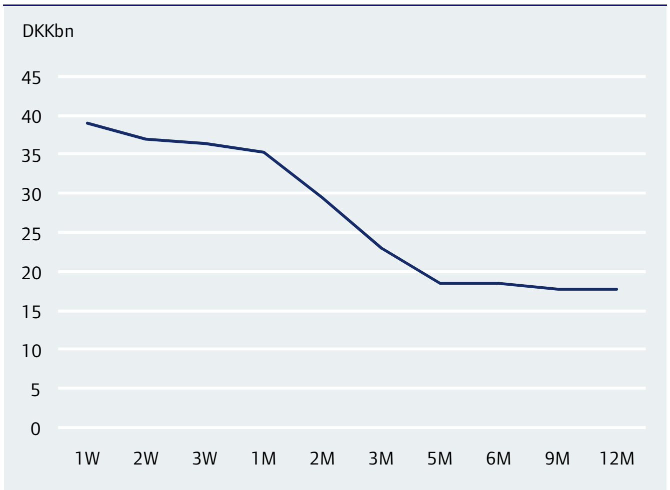
The Group's equity and capital market funding, excluding ROs/SDOs, are placed in liquid Danish and European government and covered bonds. These securities are eligible as collateral with Danmarks Nationalbank or other European central banks and thus directly exchangeable into cash. To this should be added a small portfolio of money market deposits, equities, corporate bonds and similar assets.

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



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

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



Nykredit's stock of liquid assets constitutes a sizeable buffer against liquidity movements driven by customer flows, arrears, current costs and maturing capital market funding.

In addition, the Group applies its stock of liquid assets to ensure compliance with statutory liquidity requirements, the requirement of supplementary security on falling property prices through issuance of SDOs and the credit rating agencies' requirements to maintain the current high ratings. Nykredit aims to comply with all the above-mentioned requirements with a comfortable margin.

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 and monitors the development on an ongoing basis. The individual companies manage the day-to-day liquidity risk on that basis.

The graphs below show the development in liquidity reserves for the mortgage banks and Nykredit Bank determined in a stress scenario as defined by Moody's Investors Services in "Bank Financial Strength Ratings: Global Methodology". The figures show that the group companies are highly liquid for at least 12 months ahead.

Nykredit Bank has adjusted its liquidity risk management according to its business development and the Danish Executive Order on the governance and management of credit institutions. The legislation lays down detailed liquidity policy requirements, including requirements for liquidity stress testing and a liquidity buffer.

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 requirement for operational risk is determined using the basic indicator approach. This means that the capital charge is calculated as 15% of average gross earnings. The capital charge for operational risk was DKK 1.5bn at end-2011.

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

Nykredit systematically records and classifies operational loss events to create an overview of loss sources and gain experience for sharing across the organisation.

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

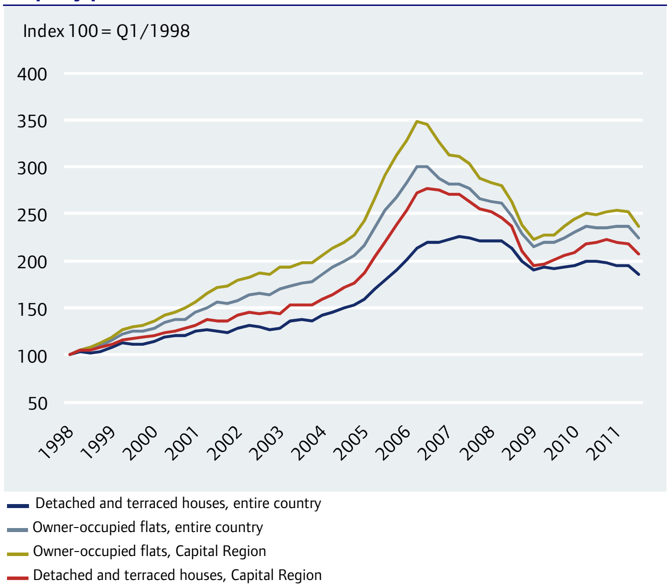
The operational risk relating to the Group's primary activities, mortgage banking, is inherently limited as mortgage products are highly standardised.

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 judgement, reasonable and realistic assumptions. The points of uncertainty as to recognition and measurement are described in more detail in note 1 "Accounting policies" under "Significant accounting estimates and assessments".

LENDING

The Nykredit Realkredit Group
Property prices in Denmark



Source: Association of Danish Mortgage Banks

The Group reported total lending at DKK 1,123bn at end-2011 against DKK 1,088bn 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 increased to DKK 1,084bn from DKK 1,031bn at the beginning of the year. Group mortgage lending in nominal terms excluding arrears went up by DKK 38bn to DKK 1,068bn at year-end.

Group bank lending stood at DKK 55.8bn against DKK 58.8bn at the beginning of the year, down DKK 3.0bn. The Group's reverse transactions amounted to DKK 22.0bn against DKK 12.9bn at the beginning of the year.

Total impairment provisions for mortgage and bank lending declined to DKK 6,779m from DKK 8,369m at the beginning of the year.

The Group's guarantees totalled DKK 10.1bn against DKK 15.2bn at the beginning of the year. The decline was attributable to lower mortgage activity and extraordinarily high guarantees at end-2010 due to start-up problems in the official electronic land registration system.

The Nykredit Realkredit Group
Loans, advances, 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, earnings impact	
	2011	2010	2011	2010	2011	2010
Mortgage lending [1]						
Nykredit Realkredit [2]	594,471	574,947	1,781	1,703	579	730
Totalkredit	473,704	455,260	704	523	447	158
Total	**1,068,175**	**1,030,207**	**2,485**	**2,226**	**1,026**	**888**
Of which arrears	569	571	-	-	-	-
Bank lending [3]						
Nykredit Bank [4]	53,494	56,076	2,885	3,168	453	423
Terminated exposures [5]	2,282	2,757	1,409	2,975	(93)	937
Total	**55,776**	**58,833**	**4,294**	**6,143**	**360**	**1,360**
Reverse transactions	22,007	12,920	-	-	-	-
Guarantees	10,142	15,225	114	745	28	134
Of which government guarantee scheme	-	659	-	659	(1)	279
Loan impairment for the year, % [6]						
Nykredit Realkredit	-	-	0.30	0.30	0.10	0.13
Totalkredit	-	-	0.15	0.11	0.09	0.03
Total	**-**	**-**	**0.23**	**0.22**	**0.10**	**0.09**
Nykredit Bank	-	-	5.12	5.35	0.80	0.71
Terminated exposures [5]	-	-	38.17	51.90	(2.52)	16.36
Total	**-**	**-**	**7.15**	**9.45**	**0.60**	**2.09**

[1] Nominal mortgage lending, including arrears.
[2] Excluding intercompany lending of DKK 1,233m (2010: DKK 581m).
[3] Bank lending after total loan impairment provisions.
[4] Excluding intercompany lending of DKK 125m (2010: DKK 240m).
[5] From the former Forstædernes Bank.
[6] Loan impairment excludes reverse transactions and guarantees.

MORTGAGE LENDING

Loan portfolio

The Group's credit exposure to mortgage lending in nominal terms, including arrears, was DKK 1,068bn at end-2011 against DKK 1,030bn at the beginning of the year, equal to a rise of DKK 38bn. Lending for private residential property accounted for DKK 22bn 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 the recognised mortgage loan losses against future commission payments to the partner banks.

For a breakdown of the Group's mortgage loan portfolio by property and loan type, see page 42. The breakdown includes mortgage loans funded by ROs and by SDOs.

The portfolio is well diversified in terms of loan type and geography. At year-end 61% of total mortgage loans were granted for private residential property in Denmark.

Geographically, around half of lending was in Jutland and almost 27% in the capital area. The share of international lending was unchanged at 4.3% at end-2011.

The distribution of lending by loan type changed slightly in 2011. The proportion of interest-only loans was up from 53% to 55%. The share of variable-rate loans to retail customers amounted to 71% against 69% the year before, of which 34% with an interest rate cap. Variable-rate loans accounted for 80% of commercial lending against 77% in 2010.

Security

A cornerstone of Nykredit's credit policy is to reduce the risk relating to the loan portfolio by accepting security. The main type of security provided for loans is mortgages on property. The security provided is valued on an ongoing basis relative to the current market value of a property.

In addition to mortgages on property, Nykredit accepts security in the form of guarantees issued by public authorities and banks. Guarantees issued by public authorities mitigate 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 invoke a guarantee as soon as a loan falls into arrears.

The bank guarantees comprise guarantees for the registration of mortgages free from any adverse endorsements, guarantees for interim loans in connection with new building and loss guarantees.

Mortgage lending covered by loss guarantees issued by partner banks amounted to DKK 19bn.

Lending subject to a right of set-off totalled DKK 377bn at end-2011.

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

Nominal value, end-2011 DKK million/number	Private residential property	Private residential rental	Industry and trades	Office and retail	Agriculture	Non-profit housing	Other	Total
Mortgage lending								
- Bond debt outstanding	656,131	107,953	24,489	98,346	101,885	62,302	16,499	1,067,606
- Number of loans	685,594	30,782	3,367	16,768	44,144	20,419	3,105	804,179
Bond debt outstanding by loans involving								
- Public guarantees	1	173	-	34	314	47,108	128	47,757
- Bank guarantees	19,227	4	-	-	50	-	1	19,281
- Set-off agreement with partner banks	377,423	-	-	-	-	-	-	377,423
- No guarantee	259,481	107,777	24,489	98,312	101,522	15,194	16,371	623,145
Total	**656,131**	**107,953**	**24,489**	**98,346**	**101,885**	**62,302**	**16,499**	**1,067,606**
Bond debt outstanding by loan type								
Fixed-rate loans								
- Repayment loans	133,907	13,650	2,165	7,175	8,728	13,976	3,403	183,003
- Interest-only loans	53,754	3,758	49	2,327	1,922	24	81	61,913
Adjustable-rate mortgages (ARMs)								
- Repayment loans	36,944	3,206	846	3,576	2,276	11,311	313	58,472
- Repayment loans funded by 1-year bullets	49,909	7,231	2,395	9,634	13,426	9,361	1,145	93,100
- Interest-only loans	100,375	12,736	4,246	6,198	3,628	356	232	127,770
- Interest-only loans funded by 1-year bullets	115,769	21,950	2,571	26,888	26,236	126	561	194,100
Money market-linked loans								
Capped								
- Repayment loans	68,021	2,347	300	1,393	3,534	92	900	76,587
- Interest-only loans	92,263	1,599	17	398	3,765	25	67	98,134
Uncapped								
- Repayment loans	410	5,684	6,316	14,028	8,394	301	5,357	40,490
- Interest-only loans	4,763	35,636	5,585	26,688	29,684	293	4,187	106,836
Index-linked loans	17	158	-	42	293	26,437	254	27,201
Total	**656,131**	**107,953**	**24,489**	**98,346**	**101,885**	**62,302**	**16,499**	**1,067,606**
Bond debt outstanding by region								
- Capital area	178,532	39,184	2,164	27,503	3,853	25,065	5,723	282,023
- Other Eastern Denmark	68,044	6,469	2,103	4,217	14,009	4,919	1,513	101,274
- Funen	57,575	7,294	1,048	5,173	9,316	5,833	1,288	87,527
- Jutland	341,304	42,074	14,778	41,845	74,395	26,485	7,973	548,855
- Faroe Islands and Greenland	2,069	305	1	99	-	-	2	2,476
- International	8,608	12,627	4,395	19,508	312	-	-	45,450
Total	**656,131**	**107,953**	**24,489**	**98,346**	**101,885**	**62,302**	**16,499**	**1,067,606**
Bond debt by debt outstanding, DKKm								
0-2	508,576	18,172	1,654	8,841	23,527	6,912	1,181	568,863
2-5	134,820	18,386	2,357	11,552	31,400	8,701	1,911	209,128
5-20	11,697	32,422	5,086	22,696	39,774	26,562	5,887	144,124
20-50	986	15,138	3,211	13,355	5,677	14,622	3,819	56,807
50-100	51	5,485	2,072	9,170	1,097	3,803	1,112	22,790
100-	-	18,350	10,109	32,733	411	1,702	2,589	65,893
Total	**656,131**	**107,953**	**24,489**	**98,346**	**101,885**	**62,302**	**16,499**	**1,067,606**
Bond debt outstanding by remaining loan term, years								
0-10	12,454	6,850	3,550	20,157	2,305	3,093	720	49,129
10-15	27,343	8,567	7,646	22,254	3,419	7,200	2,064	78,493
15-20	36,227	13,796	7,495	33,499	8,990	10,837	2,847	113,691
20-25	247,728	37,792	798	7,097	44,284	10,452	4,473	352,623
25-30	332,379	40,895	5,001	15,340	42,887	11,575	6,388	454,464
30-35	-	45	-	-	-	12,894	6	12,945
35-	-	9	-	-	-	6,251	-	6,260
Total	**656,131**	**107,953**	**24,489**	**98,346**	**101,885**	**62,302**	**16,499**	**1,067,606**

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

Provisions for mortgage loan impairment

Continuous individual reviews and risk assessments of all mortgage exposures exceeding DKK 300m (significant exposures) are performed to uncover any objective evidence of impairment and an expected adverse effect on future cash flows from loans. On this basis, individual impairment 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.

Loans and advances with low customer ratings that are 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 the sum of input from rating migration models and management judgement.

The rating migration models determine impairment based on credit quality migration, including macroeconomic events such as cyclical fluctuations not yet reflected in the registered ratings for the individual loans. Management judgement supplements the models by including current expert opinions and expectations for the credit risk development of specific segments.

The Group's total impaired mortgage loans increased by DKK 2,127m to DKK 8,126m at end-2011, mainly due to lending for private residential property and private residential rental property.

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 71.5bn at end-2011. These loans have an elevated risk of default, but not necessarily a high risk of future losses, as the loss risk also depends on any security behind the loan.

In 2011 the collective impairment models were adjusted according to a new principle-based approach to measuring the fair value of mortgage loans. The adjustment had no significant impact on results for 2011.

The Group's total provisions for mortgage loan impairment increased by DKK 259m in 2011, landing at DKK 2,485m at year-end.

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

DKK million	2011			2010		
	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
Private residential property	656,402	3,559	40,622	634,814	2,217	32,197
Private residential rental	108,029	3,425	12,120	102,232	2,833	15,756
Industry and trades	24,529	281	986	25,671	397	1,192
Office and retail	98,434	372	8,477	88,955	267	8,317
Agriculture	101,948	620	7,471	101,527	230	6,156
Non-profit housing	62,324	86	1,510	62,353	20	1,600
Other	16,509	54	337	14,655	35	367
Total	**1,068,175**	**8,397**	**71,523**	**1,030,207**	**5,999**	**65,585**

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

Note: Loans with low customer ratings are non-performing loans and loans in rating categories 0-2 for which Nykredit's internal credit models show a probability of default of more than 3%, but which have not yet been provided for.

For a complete breakdown of mortgage lending by rating category, see note 46.

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

DKK million	2011				2010			
	Individual impairment provisions	Collective impairment provisions	Total impairment provisions	Total earnings impact	Individual impairment provisions	Collective impairment provisions	Total impairment provisions	Total earnings impact
Private residential property	643	417	1,060	735	413	357	770	367
Private residential rental	336	126	462	(163)	519	181	700	(25)
Industry and trades	96	71	167	78	157	45	202	139
Office and retail	131	98	229	70	95	163	258	207
Agriculture	114	366	480	288	56	161	217	182
Non-profit housing	7	3	10	(10)	3	19	22	1
Other	33	44	77	28	16	41	57	17
Total	**1,360**	**1,125**	**2,485**	**1,026**	**1,259**	**967**	**2,226**	**888**

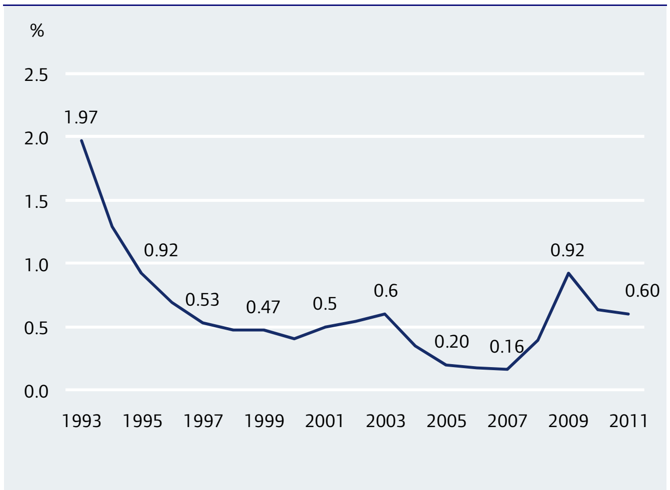
[1] The breakdown by property type is not directly comparable with the Group's business areas.

The Nykredit Realkredit Group
Properties repossessed/sold

The Nykredit Realkredit Group
Arrears ratio 75 days past due

Due dates	Arrears relative to total mortgage payments %	Bond debt outstanding affected by arrears of total bond debt outstanding %	Bond debt outstanding affected by arrears DKKbn
2011			
- September	0.60	0.67	7.1
- June	0.56	0.66	7.0
- March	0.66	0.66	6.9
2010			
- December	0.62	0.74	7.7
- September	0.64	0.75	7.8

The Nykredit Realkredit Group
Arrears ratio, mortgage lending – 75 days past the September due date



Private residential property accounted for DKK 1,060m of impairment provisions at year-end, while the category other commercial property accounted for DKK 1,425m.

The Group's impairment provisions totalled 0.23% of total mortgage lending.

Individual impairment provisions
Individual provisions for mortgage loan impairment totalled DKK 1,360m against DKK 1,259m at the beginning of the year.

Growth of DKK 101m in individual impairment provisions included new provisions of DKK 878m, reversals of DKK 392m and recognised losses of DKK 385m.

Collective impairment provisions
At end-2011 the Group's collective provisions for mortgage loan impairment totalled DKK 1,125m against DKK 967m at the beginning of the year – a rise of DKK 158m. Of the collective impairment provisions at end-2011, private residential property and agricultural customers accounted for 37% and 33%, respectively.

Earnings impact
The total earnings impact of impairment losses on mortgage loans and advances was DKK 1,026m against DKK 888m in 2010. Of total impairment losses on loans and advances for the year, DKK 735m or 72% was attributable to private residential property.

Repossessed properties
The Group acquired 529 properties by forced sale and sold 455 in 2011. The property portfolio stood at 347 at end-2011 against 273 at the beginning of the year. Of these properties, 245 were private residential property.

Arrears
At end-2011 the arrears ratio had decreased year-on-year. At the September due date, the Group's 75-day mortgage loan arrears made up 0.60% of total mortgage payments due compared with 0.64% at the same time in 2010.

BANK LENDING

The Group's credit exposure to bank lending amounted to DKK 87.9bn at end-2011 compared with DKK 87.0bn at the beginning of the year.

Bank lending accounted for DKK 55.8bn of the total credit exposure at end-2011 against DKK 58.8bn at the beginning of the year, a decline of DKK 3.0bn. Bank loans and advances before impairment losses were DKK 60.0bn at end-2011 against DKK 65.0bn at the beginning of 2011.

Total impairment provisions

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

The Nykredit Realkredit Group
Bank loans, advances and guarantees

DKK million	2011	2010
Bank lending	53,494	56,076
Terminated exposures [1]	2,282	2,757
Reverse transactions	22,007	12,920
Guarantees	10,142	15,225
Total	**87,925**	**86,978**

[1] From the former Forstædernes Bank.

The Nykredit Realkredit Group
Provisions for guarantees

DKK million	2011	2010
Retail	1	4
Commercial [1]	61	44
Terminated exposures [2]	52	38
Total before provisions for Bank Rescue Package I	**114**	**86**
Bank Rescue Package I	-	659
Total	**114**	**745**

[1] Including Markets & Asset Management.
[2] From the former Forstædernes Bank.

Bank exposures exceeding DKK 2m are reviewed at least once a year based on updated financial and customer information as part of the monitoring of credit exposures. In addition, all exposures showing signs of risk are reviewed, including minor exposures, to identify any need for changing a rating or for individual impairment provisions.

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

The collective impairment provisions include model-based provisions, which are supplemented by management judgement.

The model-based provisions include provisions resulting from changes in Basel II credit risk parameters registered by Nykredit during the year. In addition, provisions that are expected to arise due to known economic trends which have not yet been captured by registered Basel II credit risk parameters are computed.

In the calculation of provisions, the Basel parameters are calibrated to the requirements of Danish accounting rules.

The Group's impaired bank loans totalled DKK 6,298m at end-2011.

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 3.2bn at end-2011. These loans have 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.

Total provisions for loan impairment amounted to DKK 4,293m against DKK 6,143m at end-2010.

Bank loans, advances and guarantees by industry

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees	
	2011	2010	2011	2010
Public sector	**542**	**806**	**0**	**0**
Agriculture, hunting, forestry and fishing	2,448	2,556	120	82
Manufacturing, mining and quarrying	5,652	6,627	105	256
Energy supply	1,306	2,418	33	18
Construction	1,687	1,482	254	285
Trade	2,472	2,235	287	375
Transport, accommodation and food service activities	2,308	1,634	138	61
Information and communication	964	1,443	65	54
Financial and insurance activities	28,656	18,616	935	1,705
Property	14,488	16,500	1,264	1,664
Other trade and industry	7,766	10,350	530	1,481
Total trade and industry	**67,747**	**63,861**	**3,731**	**5,981**
Retail	**19,636**	**22,311**	**676**	**907**
Total	**87,925**	**86,978**	**4,407**	**6,888**

As the breakdown is based on public sector statistics, it is not directly comparable with the Bank's business areas. The breakdown for 2011 is based on the official Danish standard DB07, which means that the presentation has been changed compared with the Annual Report 2010. The comparative figures as at 31 December 2010 have been restated.

Individual impairment provisions
The Group's individual impairment provisions for bank lending totalled DKK 3,985m against DKK 5,721m at the beginning of 2011.

The decline in individual impairment provisions of DKK 1,736m covers new provisions of DKK 867m, reversal of DKK 493m and recognised losses of DKK 2,110m.

The most important change resulted from terminated exposures; provisions were down from DKK 2,975m to DKK 1,409m at end-2011.

Collective impairment provisions
Group collective impairment provisions amounted to DKK 308m against DKK 422m at the beginning of the year. The drop in collective impairment provisions was broad-based across sectors.

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

Guarantees totalled DKK 10.1bn at end-2011 against DKK 15.2bn at the beginning of the year.

At end-2011, provisions for guarantees amounted to DKK 114m against DKK 745m at the beginning of the year. DKK 659m of the provisions related to Bank Rescue Package I, which amount was paid to the Financial Stability Company in Q1/2011.

Earnings impact
Impairment losses on loans and advances showed a positive trend relative to 2010, as they declined by DKK 827m to DKK 388m against DKK 1,215m in 2010 excluding expenses of DKK 279m for Bank Rescue Package I.

The drop of DKK 827m chiefly stemmed from terminated exposures the credit quality of which had improved, leading to a reversal of provisions made previously. Impairment losses on loans and advances thus netted a credit of DKK 93m against a charge of DKK 937m in 2010.

Provisions for guarantees came to DKK 28m in 2011, down from DKK 134m in 2010. This development was in part the result of the discontinuation of Bank Rescue Package I, which accounted for a charge of DKK 279m in 2010.

The Nykredit Realkredit Group
Credit exposure to bank lending before impairment provisions

DKK million	2011			2010		
	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	16,134	754	1,277	17,003	928	1,374
Other commercial	44,061	5,544	1,908	47,973	7,228	3,866
Total	**60,195**	**6,298**	**3,185**	**64,976**	**8,156**	**5,240**

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

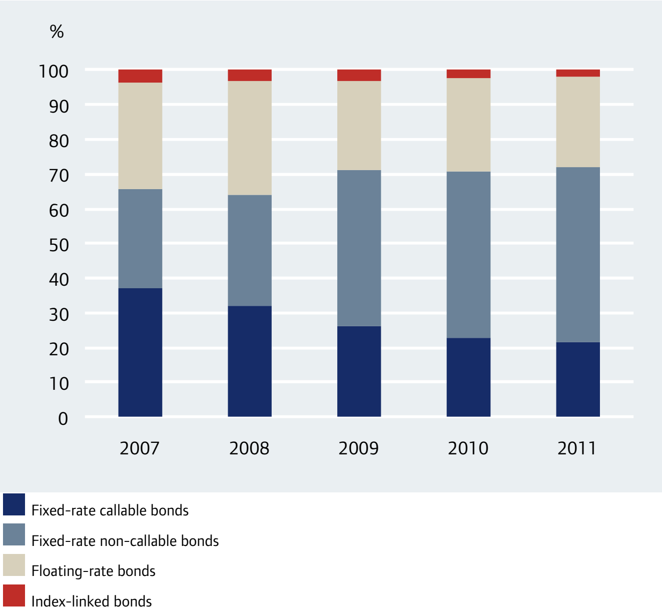
The Nykredit Realkredit Group
Provisions for bank loan impairment by business area [1]

DKK million	2011				2010			
	Individual impairment provisions	Collective impairment provisions	Total impairment provisions	Total earnings impact	Individual impairment provisions	Collective impairment provisions	Total impairment provisions	Total earnings impact
Retail	379	70	449	100	406	91	497	209
Commercial [1]	2,224	211	2,435	353	2,392	279	2,671	214
Terminated exposures [2]	1,382	27	1,409	(93)	2,923	52	2,975	937
Total	**3,985**	**308**	**4,293**	**360**	**5,721**	**422**	**6,143**	**1,360**

[1] Including Markets & Asset Management.
[2] From the former Forstædernes Bank.

FUNDING

Issuance of SDOs and ROs by type



The Nykredit Realkredit Group Ratings

	Bonds [2] DKKbn	Moody's Investors Service	Standard & Poor's
SDOs, ROs and JCBs			
Nykredit Realkredit A/S			
- Capital Centre C (covered bonds (ROs))	5	Aa1	AAA
- Capital Centre D (covered bonds (ROs))	278	Aa1	AAA
- Capital Centre E (covered bonds (SDOs))	435	Aaa	AAA
- Capital Centre E (junior covered bonds (JCBs))	26	A2[1]	-
- Capital Centre G (covered bonds (ROs))	16	Aa3	-
- Capital Centre H (covered bonds (SDOs))	240	Aa1	AAA
- Capital Centre H (junior covered bonds (JCBs))	5	A2[1]	-
- Nykredit Realkredit In General (covered bonds (ROs))	3	Aa1	AAA
Totalkredit A/S			
- Capital Centre C (covered bonds (ROs))	75	Aaa	AAA
Other ratings			
Nykredit Realkredit A/S			
- Short-term unsecured rating		P-1	A-1
- Long-term unsecured rating		A2[1]	A+
- Hybrid capital (Tier 1)		Baa2[1]	BBB
Nykredit Bank A/S			
- Short-term deposit rating		P-1	A-1
- Long-term deposit rating		A2[1]	A+
- Bank Financial Strength Rating (BFSR)		C-[1]	-
Euro MTN Programme			
- Short-term senior debt		P-1	A-1
- Long-term senior debt		A2[1]	A+
Euro Commercial Paper programme and Certificate of Deposit Programme			
- Short-term senior debt		P-1	A-1

[1] Negative outlook

[2] Issued bonds at nominal value as at 2 January 2012.

BOND ISSUANCE

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 capital and bonds to finance supplementary collateral 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.

In February 2011, Nykredit Realkredit launched a Global Covered Securities (GCS) programme as part of its funding programme. The purpose of the programme is to fund SDOs and junior covered bonds in Capital Centres E and H in currencies other than DKK, EUR and SEK.

The Nykredit Realkredit Group set up a new SDO capital centre (H) in August 2011 for the issuance of bonds funding loans subject to refinancing. Capital Centre H was first in use on 1 October 2011 when existing mortgage loans in Capital Centre E and private residential mortgage loans in Capital Centre D were refinanced out of Capital Centre H.

The joint funding of loans granted by Nykredit Realkredit and Totalkredit through the issuance of SDOs by Nykredit Realkredit is expanded to include Capital Centre H according to the same principle as applies to the joint funding of Capital Centre E.

On 2 January 2012, the outstanding amount of SDOs in Capital Centre H totalled DKK 240bn.

The Nykredit Realkredit Group's total bond issuance breaks down as follows: 60% SDOs, 35% ROs, 2% junior covered bonds, 1% hybrid capital and 2% other bonds.

RATINGS

Nykredit Realkredit A/S, Nykredit Bank A/S and most of the Group's funding are rated by the international rating agencies Moody's Investors Service (Moody's) and Standard & Poor's.

The bonds issued by Nykredit Realkredit A/S are primarily covered bonds (SDOs and ROs). In addition, bonds have been issued for the funding of supplementary collateral pursuant to section 33 e of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (junior covered bonds) as well as hybrid capital.

Nykredit Bank A/S has issued senior debt as part of the Bank's funding programme.

Only ROs used for the funding of index-linked loans and loans disbursed prior to September 1993 are not rated.

In September 2011, Standard & Poor's assigned the top rating AAA to SDOs issued out of Nykredit Realkredit A/S's new Capital Centre H.

In connection with a change of rating criteria in December 2011, Standard & Poor's affirmed the unsecured ratings of Nykredit Realkredit A/S and Nykredit Bank A/S at the current levels. As a consequence of the changed criteria, the rating of hybrid capital issued by Nykredit Realkredit A/S was also lowered by one notch to BBB.

In February 2011, Moody's assigned the rating Aa3 to ROs issued out of Capital Centre G.

Moody's lowered the rating of ROs issued out of Capital Centre D by one notch to Aa1 in July 2011.

In September 2011, Moody's assigned the rating Aa1 to SDOs issued out of the new Capital Centre H.

Moody's lowered the rating of junior covered bonds issued out of Capital Centre E by two notches to A2 in 2011 and assigned a negative outlook.

In October 2011, Moody's assigned the rating A2 and a negative outlook to junior covered bonds issued out of Capital Centre H.

In July 2011 Moody's downgraded the long-term unsecured ratings of Nykredit Realkredit A/S and Nykredit Bank A/S by one notch to A2 and assigned a negative outlook.

Moody's also downgraded the rating of subordinated debt issues by one notch.

A number of Danish market participants decided to discontinue their cooperation with Moody's Investors Service in 2011.

The most recent research on Nykredit by Standard & Poor's and Moody's is available at nykredit.com/ir.

ISSUED SDOS AND ROS

The Nykredit Realkredit Group's bonds are issued by tap on a day-to-day basis and at refinancing auctions for ARMs, Cibor-linked loans and RenteMax loans (capped floating-rate) held three times a year in March, September and December. Furthermore, Nykredit Realkredit has issued bonds maturing on 1 July 2013, and refinancing auctions will consequently be held four times a year in future.

In addition, the Nykredit Realkredit Group has decided to extend the period of notice of borrower prepayment to two months prior to maturity of the bonds. The longer notice period is part of the Group's adaptation to the LCR requirement of having sufficient liquidity to meet all payments for the next 30 days. The extended notice period ensures that a refinancing auction may be finalised more than one month before the bonds mature. The new period of notice will apply as from the refinancing date of 1 April 2012.

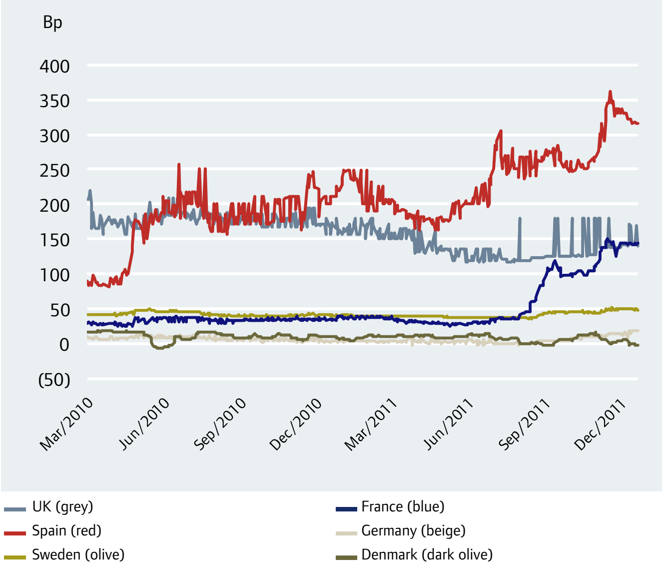
In connection with the refinancing of floating-rate loans in 2011, bonds of DKK 298bn were issued. The day-to-day tap issuance of bonds amounted to DKK 167bn in 2011.

The market for Nykredit's covered bonds showed positive trends in 2011 – resulting in record-low yields.

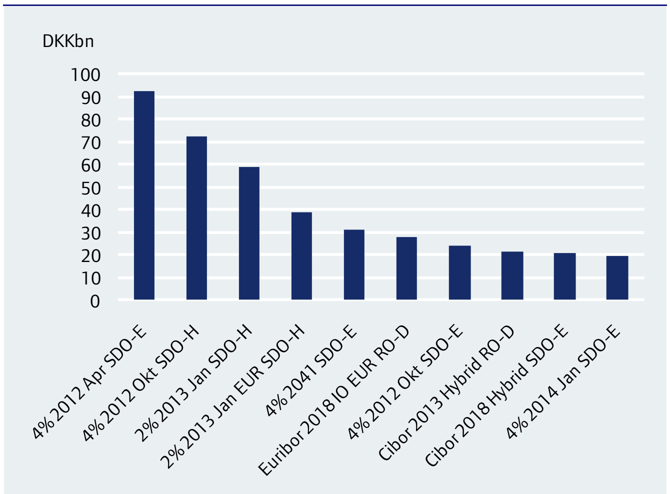
Gross issuance of ROs and SDOs

DKKbn/%	Gross issuance		Outstanding amount	
	2011	2010	2011	2010
Nominal gross issuance	**465**	**464**	-	-
- of which refinancing	298	253	-	-
Total nominal amount issued	-	-	**1,243**	**1,236**
- bonds maturing on 1 January 2012 due to refinancing, drawing, etc	-	-	165	199
Bond types, %				
Fixed-rate callable bonds	8	12	21	23
Fixed-rate bullets	77	76	51	48
Uncapped floating-rate bonds	13	6	13	14
Capped floating-rate bonds	3	5	13	13
Index-linked bonds	0	0	2	2
Total	**100**	**100**	**100**	**100**
Currency, %				
DKK	82	82	86	85
EUR	16	17	14	14
SEK	2	2	1	1
Total	**100**	**100**	**100**	**100**
Time-to-maturity, %				
Under 10 years	91	82	60	57
10-19 years	2	6	13	14
20-29 years	1	1	7	8
30 years and above	6	10	20	22
Total	**100**	**100**	**100**	**100**

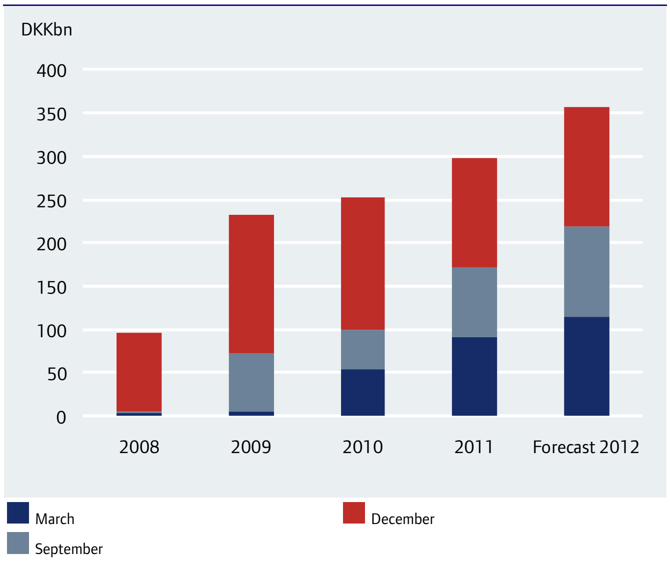
Yield spreads



Nykredit's largest series on NASDAQ OMX Copenhagen A/S at 4 January 2012



The Nykredit Realkredit Group's refinancing auctions of SDOs and ROs



On 21 June 2011, the Nykredit Realkredit Group announced plans to introduce combined mortgages for Retail Customers in H1/2012. The Group launched combined mortgages for Commercial Customers in 2009. Combined mortgaging means that the lower part of a loan will be subject to the rules governing SDOs, while the top part will be subject to the rules governing ROs. Combined mortgages are expected to reduce the supplementary collateral requirement in case of declining property prices.

Expectations are that combined mortgages in the Nykredit Realkredit Group will step up new RO issuance, but the majority of the Group's issues will still be SDOs.

At end-2011, a nominal amount of DKK 1,078bn of ROs and SDOs had been issued, excluding bonds maturing on 1 January 2012.

BOND LIQUIDITY

The Nykredit Realkredit Group strives to build large, liquid benchmark bond series to obtain an effective pricing of the Group's bonds. At the same time, the Nykredit Realkredit Group 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 large 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 the trading systems of NASDAQ OMX Copenhagen A/S for the retail market for the Group's benchmark bond series.

At 2 January 2012, 58% of the Group's issued bonds fell within 28 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 405bn, equal to 37% of the total amount of issued bonds.

At 2 January 2012, the Nykredit Realkredit Group's largest bond series was a 1-year fixed-rate non-callable bullet bond (RTL) maturing in April 2012. The bond had an outstanding amount of DKK 92bn.

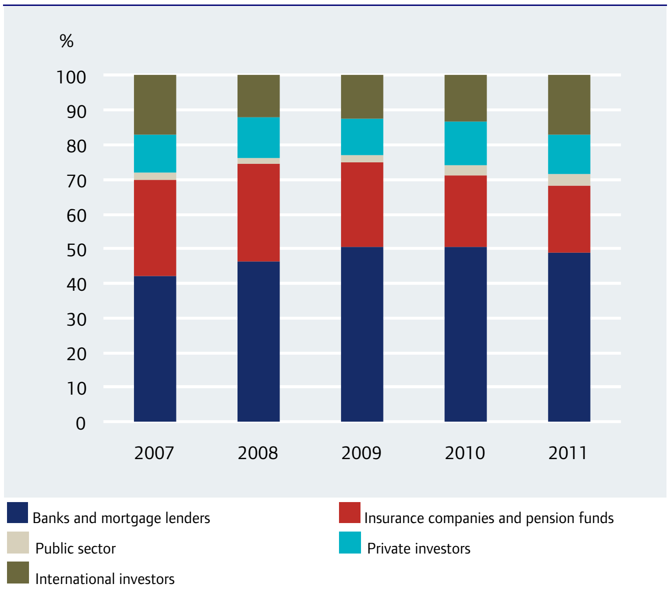
Bond portfolio

The Group's portfolio of bonds totalled DKK 370bn at end-2011, of which self-issued bonds accounted for DKK 272bn. The portfolio amounted to DKK 390bn at end-2010, of which DKK 289bn of self-issued bonds.

Nykredit's portfolio of self-issued bonds mainly includes very short-dated bonds maturing at the next payment date. These bonds are applied to ensure payments in connection with the drawing of bonds, etc.

Of the bond portfolio at end-2011, DKK 144bn represented a temporary holding from mortgage operations, ie from the refinancing of Nykredit's RTLs as well as from the placement of prepaid funds from borrowers. The remaining portfolio of DKK 226bn is used for collateral and market making in mortgage and banking operations as well as investment of reserves.

Investor base
Nykredit Realkredit Group SDOs and ROs



Outstanding bonds excl ROs and SDOs

End-2011	Nom DKK million	Call	Maturity
Nykredit Realkredit			
Hybrid capital	10,408	2014-2015	Perpetual
Junior covered bonds	31,375		2012-2016
Nykredit Bank			
Hybrid capital	250	2014-2016	Perpetual
Issued bonds	14,917		2012-2021
Commercial paper	11,914		2012

Nykredit provides bonds as collateral for loans with Danmarks Nationalbank as part of the Group's ordinary liquidity management and bond settlement. The Group had placed bonds worth DKK 9bn as collateral with Danmarks Nationalbank at end-2011, but also still held certificates of deposit of DKK 19bn.

Nykredit does not provide bonds as collateral for loans with Danmarks Nationalbank as part of the business model for refinancing ARMs.

BOND INVESTORS

The Nykredit Realkredit Group sells its covered bonds (ROs and SDOs) to both Danish and international investors. At end-November 2011, the Group's covered bonds accounted for 53% of international investors' portfolios of Danish covered bonds.

International investors held 17% of the Group's covered bonds at end-November 2011 compared with 13% at end-November 2010.

Domestic financial institutions held 49% of the Nykredit Realkredit Group's outstanding amount of covered bonds at end-November 2011, while insurance companies and pension funds held 19%.

ROs issued before 1 January 2008 are eligible 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. The risk-weighting of SDOs is 10%.

The Danish Executive Order on large exposures was amended on 1 December 2011 to the effect that the risk weighting of SDOs was reduced to 0% in the determination of large exposures. Also, the risk weighting of ROs issued on or after 1 January 2008 backed by commercial mortgages was reduced to 75%. The risk weighting of ROs issued on or after 1 January 2008 backed by retail mortgages is still 50%.

Nykredit Realkredit will publish the current risk weighting of the Group's ROs of between 50% and 75% in 2012. The amended rules are expected to further the sale of the Nykredit Realkredit Group's bonds.

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 27bn as part of its ordinary funding activities. Largely all bonds are listed on NASDAQ OMX Copenhagen A/S.

SUPPLEMENTARY COLLATERAL

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

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

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.

If the LTV ratio determined on an ongoing basis exceeds the statutory LTV limits, mortgage banks must provide supplementary collateral for the individual loans secured by mortgages on property and funded by issuance of covered bonds.

Nykredit Realkredit A/S and Totalkredit A/S may raise supplementary collateral by investing part of their own portfolios or any borrowed funds in government bonds, SDOs, etc, which are placed as cover assets in the SDO capital centres E and H.

It is Nykredit's policy to maintain a sizeable cover pool buffer against declining property prices. Nykredit therefore monitors the need for supplementary collateral closely. In this connection, various stress tests are conducted at least quarterly to assess the sensitivity of such need to refinancing surges, declining property prices, etc.

In order to reduce the collateral requirement in case of declining property prices, Nykredit will introduce combined mortgaging for

Retail Customers in H1/2012. Combined mortgaging means that the lower part of a loan will be subject to the rules governing SDOs, while the top part will be subject to the rules governing ROs.

At end-2011 the need for supplementary collateral was DKK 34bn. If housing prices were to decline by an additional 10%, the need for supplementary collateral would rise to a total of DKK 68.6bn. The need for supplementary collateral should be seen in relation to Nykredit's capital base of just over DKK 59bn and issued junior covered bonds of DKK 31.4bn. To this should be added the option to apply guarantees, including intercompany guarantees, under Danish legislation. Nykredit has not opted for this option.

Funds meeting the supplementary collateral requirement are generally placed in government bonds and SDOs that are directly eligible as cover assets.

Junior covered bonds worth DKK 5bn net are expected to be issued in 2012.

Under Danish law, junior covered bonds constitute secondary secured claims, whereas covered bonds constitute primary secured claims, see nykredit.com/danishcoveredbonds.

For more details on supplementary collateral in relation to price declines in the property market etc, please refer to the report Risk and Capital Management 2011 at nykredit.com/reports.

The Nykredit Realkredit Group
Supplementary collateral requirement (Capital Centres E and H)

DKK billion	
Present supplementary collateral requirement	34.0
Supplementary collateral requirement if housing prices decline by an additional 10%	68.6
Capital provided as supplementary collateral	51.6
- of which funded by junior covered bonds	*31.4*

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.

Nykredit Holding has issued a maximum loss guarantee. Furthermore, the Company issued a loss guarantee in favour of Nykredit Bank A/S in Q4/2011, covering the part of the Bank's impairment losses and provisions (earnings impact for the year) that exceeds 2% of loans, advances and guarantees. The maximum guarantee amount is DKK 2bn for the guarantee period.

The Parent Company recorded a loss of DKK 1m excluding the profit of 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 2011 of Nykredit Holding A/S.

NYKREDIT REALKREDIT A/S

Nykredit Realkredit posted a loss before tax of DKK 83m against a profit of DKK 4,538m in 2010. Profit after tax was DKK 261m against DKK 4,076m the year before. Of results for 2010, DKK 1,591m was attributable to the divestment of Nykredit Forsikring.

Results for 2011 were affected by a modest rise in core income from business operations and securities as well as lower impairment losses on loans and advances. Results were also affected by reduced income from subsidiaries and an investment portfolio loss of DKK 857m.

Core income from mortgage operations gained DKK 72m to DKK 4,118m. Gross new lending slid to DKK 87bn from DKK 91bn in 2010,

Nykredit Realkredit A/S
Core earnings and investment portfolio income

DKK million	2011	2010
Core income from		
- business operations	4,118	4,046
- securities	311	221
Total	**4,429**	**4,267**
Operating costs, depreciation and amortisation, excl special value adjustments	3,424	3,250
Operating costs, depreciation and amortisation – special value adjustments	(37)	44
Core earnings before impairment losses	**1,042**	**973**
Impairment losses on loans and advances	570	712
Profit from equity investments	764	1,111
Profit from the divestment of Nykredit Forsikring	-	1,591
Core earnings after impairment losses	**1,236**	**2,963**
Investment portfolio income	(857)	2,035
Net interest on hybrid capital	(462)	(461)
Profit (loss) before tax	**(83)**	**4,538**
Tax	(344)	461
Profit for the year	**261**	**4,076**

whereas the loan portfolio rose by DKK 20bn to DKK 595bn in nominal terms.

Core income from securities amounted to DKK 311m against DKK 221m in 2010. The improvement reflected a larger securities portfolio coupled with a modest upturn in Danmarks Nationalbank's average lending rate from 1.05% in 2010 to 1.27% in 2011.

Operating costs, depreciation and amortisation, excluding value adjustment of special staff benefits, went up by DKK 174m to DKK 3,424m, equal to an increase of 5.4%. The rise was chiefly due to higher staff costs.

Impairment losses on loans and advances were DKK 570m against DKK 712m in 2010. The retail segment represented DKK 295m of impairment losses for the year, equal to 0.15% of lending. The commercial segment accounted for DKK 275m, corresponding to 0.07% of lending.

Mortgage loan impairment losses represented 0.1% of total loans and advances at fair value of DKK 605bn.

Impairment provisions totalled DKK 1,781m at end-2011, up DKK 78m. Individual impairment provisions stood at DKK 967m and collective impairment provisions DKK 814m.

Profit from equity investments came to DKK 764m compared with DKK 1,111m in 2010.

The investment portfolio generated a loss of DKK 857m against income of DKK 2,035m in 2010.

The investment portfolio of bonds, liquidity and interest rate instruments generated a loss of DKK 60m in 2011, while earnings from portfolio equities and equity instruments came to DKK 312m.

To this should be added negative value adjustment of subordinated debt instruments and equities in Danish banks of DKK 1,109m. Unlike in the Consolidated Financial Statements, strategic equities were not value adjusted against equity but against investment portfolio income. The value adjustment consisted of negative value adjustment of strategic equities (DKK 926m) and Kalvebod issues (DKK 183m), which chiefly stemmed from Nykredit's subordinated debt instruments in Amagerbanken, Fjordbank Mors and Max Bank.

Investment portfolio income saw a distinct reduction in H2/2011 due to the strong turbulence in financial markets in connection with the European debt crisis. The risk premiums on even highly secure assets surged, resulting in falling prices. At end-2011 risk premiums on a number of bonds were higher than during the financial crisis in 2008-2009.

Nykredit's securities portfolio consists mainly of Danish and European covered bonds and high-rated corporate bonds, the interest rate risk of which has been largely eliminated by offsetting sales of government bonds or through interest rate derivatives.

The impact on investment portfolio income of fluctuations in bond markets in southern Europe was negligible.

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.

For the financial year 2011, Nykredit Realkredit continued the distribution practice applied the year before as adopted by the Board of Directors. Consequently, no series reserve funds receive any share of results for the year directly.

Equity is allocated to the individual series in compliance with statutory capital requirements and the requirements of rating agencies for a given rating (generally AAA). The remaining part of equity is allocated to Nykredit Realkredit In General.

Nykredit Realkredit A/S
Capital base

DKK million	2011	2010
Tier 1 capital		
- Equity, end of period	55,310	55,320
- Revaluation reserves transferred to supplementary capital	(2)	(4)
- Proposed dividend	(200)	(300)
- Intangible assets, including goodwill	(4,137)	(4,499)
- Capitalised tax assets	(170)	(123)
- Hybrid capital	10,965	10,805
- Other deductions from Tier 1 capital[1]	(2,389)	(1,978)
Tier 1 capital after statutory deductions	**59,376**	**59,220**
Supplementary capital	**51**	**57**
Statutory deductions from capital base	**(51)**	**(57)**
Total capital base after statutory deductions	**59,376**	**59,221**

[1] Pursuant to s 28 of the Danish Executive Order on capital base determination, certain investments in credit and financial institutions must be deducted by 50% from Tier 1 capital and supplementary capital, respectively.

Capital requirement and total capital ratio

DKK million	2011	2010
Credit risk	27,419	25,574
Market risk	2,276	1,093
Operational risk	1,097	970
Total capital requirement [1]	**30,792**	**27,637**
Capital base	**59,376**	**59,221**
Tier 1 capital ratio, %[2]	15.4	17.1
Total capital ratio, %	15.4	17.1
Capital adequacy requirement (SREP), %	8.0	8.0
Internal capital adequacy requirement (Pillar I and Pillar II)	9.2	8.9
Weighted items	**384,897**	**345,467**

[1] The capital requirement is determined subject to a transitional rule in accordance with the transitional provisions of the Danish Executive Order on Capital Adequacy. The capital requirement must constitute at least 80% of the capital requirement determined under Basel I. At end-2011, the total capital requirement subject to transitional rules was DKK 33,853m.
[2] The Tier 1 capital ratio has been determined relative to risk-weighted items without applying the transitional rule.

Series reserves increased by DKK 12.2bn to DKK 47.7bn at end-2011, primarily as a result of increased supplementary collateral in rated capital centres containing SDO issues etc.

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 redeemed. 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 distribution of profit for the year, equity remained unchanged at DKK 55.3bn at year-end.

It will be recommended for approval by the Annual General Meeting that a dividend of DKK 200m be distributed for 2011. Equity will be DKK 55.1bn 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.

At end-2011, the capital base was DKK 59.4bn, corresponding to a total capital ratio of 15.4%.

The Group's internal capital adequacy requirement (ICAAP) was 9.2% at year-end.

Hybrid capital – distributable reserves
Pursuant to the Danish Financial Business Act, a company may not pay interest on hybrid capital to creditors unless the company has distributable reserves. Interest governed by this provision equals 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 from previous years and for 2011 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 4.1bn.

TOTALKREDIT A/S

Totalkredit recorded a profit before tax of DKK 749m against DKK 1,185m in 2010. Profit after tax was DKK 562m against DKK 887m the year before.

Results for 2011 were adversely affected by low lending activity, a higher requirement for impairment losses on loans and advances and increased interest expenses for supplementary collateral for SDO-funded loans and advances.

Core income from business operations declined by DKK 178m to DKK 1,225m in 2011, which should be viewed in the light of lower mortgage activity. The figure reflected gross new lending of DKK 70bn against DKK 110bn in 2010 and a rise in the loan portfolio of DKK 18.5bn to DKK 474bn in nominal terms.

Core income from securities amounted to DKK 156m against DKK 123m in 2010. The improvement reflected a modest upturn in Danmarks Nationalbank's average lending rate from 1.05% in 2010 to 1.27% in 2011.

Operating costs, depreciation and amortisation dropped by DKK 53m to DKK 367m compared with 2010. The dive mainly derived from the completion of the IT development of Totalkredit's distribution concept in Q1/2011.

Loan impairment losses came to DKK 447m compared with DKK 158m the year before. They equalled 0.09% of nominal lending at end-2011 against 0.03% in 2010.

Totalkredit A/S
Core earnings and investment portfolio income

DKK million	2011	2010
Core income from		
- business operations	1,225	1,403
- securities	156	123
Total	**1,381**	**1,526**
Operating costs, depreciation and amortisation	367	420
Core earnings before impairment losses	**1,014**	**1,106**
Impairment losses on loans and advances	447	158
Core earnings after impairment losses	**567**	**948**
Investment portfolio income	182	237
Profit before tax	**749**	**1,185**
Tax	187	298
Profit for the year	**562**	**887**

Totalkredit A/S
Summary balance sheet, year-end

DKK million	2011	2010
Mortgage loans at fair value	481,046	455,957
Bonds and equities	86,512	81,540
Issued bonds, Totalkredit	78,328	90,193
Issued bonds, Nykredit Realkredit	461,893	433,586
Subordinated debt	3,100	2,600
Equity	13,818	13,256
Total assets	586,397	560,391

Totalkredit's business concept is based on partner banks being responsible for customer services and for managing the credit risk relating to the loan portfolio.
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 177m against commission for the year payable to the partner banks. The amount has been recognised in "Impairment losses on loans and advances".

After recognition of profit for the year, equity stood at DKK 13,818m at year-end.

The capital base was DKK 16,358m at end-2011, corresponding to a total capital ratio of 18.8% against 22.9% at end-2010.

The internal capital adequacy requirement (ICAAP) was 10.3% at year-end.

Reference is made to the Annual Report for 2011 of Totalkredit A/S.

THE NYKREDIT BANK GROUP

The Nykredit Bank Group recorded a profit before tax of DKK 593m against DKK 517m in 2010. Profit after tax was DKK 433m against DKK 395m the year before.

Results for 2011 mirrored a positive development in impairment losses on loans and advances. Corporate Banking recorded growth in core income, while the Bank's Markets activities and market value adjustment of interest rate swaps had an adverse income effect. Add to this a loss on the investment portfolio of DKK 153m against income of DKK 223m in 2010.

Core income from business operations fell by DKK 324m, or 8.5%, to DKK 3,506m, mainly attributable to subdued Markets activity and lower Treasury income.

Core income from securities amounted to DKK 175m against DKK 126m in 2010. The improvement reflected a modest upturn in Danmarks Nationalbank's average lending rate.

The Nykredit Bank Group
Core earnings and investment portfolio income

DKK million	2011	2010
Core income from		
- business operations	3,506	3,830
- value adjustment of derivatives and corporate bonds	(632)	(47)
- securities	175	126
Total	**3,049**	**3,909**
Operating costs, depreciation and amortisation	1,815	1,781
Payment to the Guarantee Fund for Depositors and Investors	100	-
Danske Pantebrevsbørs under konkurs (in bankruptcy) – income	-	(30)
Commission – government guarantee scheme	-	370
Core earnings before impairment losses	**1,134**	**1,788**
Impairment losses on loans and advances	388	1,215
Impairment losses on loans and advances – government guarantee scheme	-	279
Core earnings after impairment losses	**746**	**294**
Investment portfolio income [1]	(153)	223
Profit before tax	**593**	**517**
Tax	160	122
Profit for the year	**433**	**395**

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

The Nykredit Bank Group
Summary balance sheet, year-end

DKK million	2011	2010
Loans and advances	77,908	71,992
Bonds and equities	61,063	75,266
Payables to credit institutions and central banks	63,093	48,351
Deposits	57,551	55,699
Equity	14,202	13,769
Total assets	232,368	210,422

Operating costs, depreciation and amortisation rose by DKK 34m from DKK 1,781m to DKK 1,815m. To this should be added payment to the Guarantee Fund for Depositors and Investors of DKK 100m.

Impairment losses on loans and advances declined by DKK 827m to DKK 388m in 2011.

The decrease was mainly attributable to "Other Activities", comprising terminated loans, for which impairment losses came to a credit of DKK 82m against a charge of DKK 777m in 2010.

Impairment losses on retail bank lending came to DKK 97m against DKK 207m in 2010 and impairment losses on corporate bank lending were DKK 373m against DKK 231m.

The investment portfolio produced a charge of DKK 153m in 2011 against an income of DKK 223m in 2010. Investment portfolio income for 2011 included negative value adjustment of Kalvebod issues of DKK 190m against an income of DKK 57m in 2010. Further, value adjustment of sector equities adversely affected investment portfolio income by DKK 44m.

In 2011 the Bank prematurely redeemed supplementary capital totalling DKK 594m.

Equity climbed to DKK 14,202m at end-2011 from DKK 13,769m at the beginning of the year.

The Bank's capital base was DKK 14,259m at end-2011, corresponding to a total capital ratio of 19.3% against 15.9% at end-2010.

The internal capital adequacy requirement (ICAAP) was 10.2% at year-end.

Reference is made to the Annual Report for 2011 of the Nykredit Bank Group.

NYKREDIT MÆGLER A/S
Nykredit Mægler's core business is being the franchiser of the estate agency chain Nybolig and business partner of the estate agency chain Estate.

At end-2011, the agency network comprised 314 estate agencies, of which 229 Nybolig agencies and 85 Estate agencies.

Nykredit Mægler franchisees sold 12,852 properties in 2011, 10% less than the year before. The continued housing market slowdown has influenced the activity as well as earnings levels of the franchisees and Nykredit Mægler.

Nykredit Mægler realised a profit of DKK 6m before tax and DKK 5m after tax for 2011 relative to a profit of DKK 2m and DKK 1m, respectively, the year before.

The company recognised impairment losses of DKK 9m in respect of a few franchisees in 2011 compared with DKK 18m in 2010.

NYKREDIT EJENDOMME A/S
Nykredit Ejendomme's main activity is the leasing of the commercial properties from which the Nykredit Realkredit Group operates.

Nykredit Ejendomme posted a loss of DKK 196m before tax and DKK 195m after tax for 2011 against a loss of DKK 99m and DKK 91m, respectively, the year before. Results for 2011 were reduced by impairment losses on the company's properties of DKK 224m compared with DKK 115m the year before.

The company's equity was DKK 367m at year-end.

Nykredit Mægler A/S

DKK million	2011	2010
Profit for the year	5	1
Balance sheet total	137	139
Equity	118	113

Nykredit Ejendomme A/S

DKK million	2011	2010
Loss for the year	(195)	(91)
Land and buildings	1,577	1,691
Balance sheet total	1,601	1,725
Equity	367	541

The Ejendomsselskabet Kalvebod Group

DKK million	2011	2010
Loss for the year	(41)	(1)
Investment properties	753	776
Balance sheet total	900	1,025
Equity	209	249

THE EJENDOMSSELSKABET KALVEBOD GROUP
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 posted a loss after tax of DKK 41m in 2011 against a loss of DKK 1m in 2010. Results for 2011 were affected by negative value adjustment of investment properties and interest rate swaps of DKK 20m and DKK 45m, respectively.

At end-2011, the property portfolio of Ejendomsselskabet Kalvebod A/S totalled DKK 753m.

The company's equity was DKK 209m at year-end.

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

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2011 of Nykredit 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 and Danish disclosure requirements for issuers of listed bonds. The Financial Statements and the Management's Review have been prepared in accordance with the Danish Financial Business Act.

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

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

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

Copenhagen, 9 February 2012

Executive Board	**Board of Directors**	
Peter Engberg Jensen Group Chief Executive	Steen E. Christensen Chairman	Allan Kristiansen
Kim Duus Group Managing Director	Hans Bang-Hansen Deputy Chairman	Susanne Møller Nielsen
Søren Holm Group Managing Director	Steffen Kragh Deputy Chairman	Anders C. Obel
Karsten Knudsen Group Managing Director	Kristian Bengaard	Erling Bech Poulsen
	Michael Demsitz	Nina Smith
Per Ladegaard Group Managing Director		
	Merete Eldrup	Jens Erik Udsen
Bente Overgaard Group Managing Director	Lisbeth Grimm	Leif Vinther

INTERNAL AUDITORS' REPORT

Report on the Consolidated Financial Statements and the Financial Statements

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

Basis of opinion

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

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

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

Our audit has not resulted in any qualification.

Opinion

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

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

Statement on the Management's Review

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

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

Copenhagen, 9 February 2012

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

INDEPENDENT AUDITORS' REPORT

To the shareholder of Nykredit Realkredit A/S

Report on the Consolidated Financial Statements and the Financial Statements

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

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

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

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

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

Our audit has not resulted in any qualification.

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

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

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

Copenhagen, 9 February 2012

Deloitte
Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup
State-Authorised Public Accountant

Henrik Wellejus
State-Authorised Public Accountant

Income statements for 1 January – 31 December

DKK million

Nykredit Realkredit A/S 2010	Nykredit Realkredit A/S 2011		Note	The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
36,082	36,446	Interest income	3	44,237	44,496
30,750	31,682	Interest expenses	4	34,134	33,286
5,332	4,764	NET INTEREST INCOME		10,103	11,210
49	61	Dividend on equities	5	65	52
949	897	Fee and commission income	6	1,904	2,149
253	250	Fee and commission expenses	7	1,647	1,595
6,077	5,472	NET INTEREST AND FEE INCOME		10,425	11,816
(333)	(2,399)	Value adjustments	8	(1,935)	(559)
92	26	Other operating income		226	209
2,642	2,711	Staff and administrative expenses	9	4,931	4,837
649	672	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	10	930	811
2	3	Other operating expenses		114	382
712	570	Impairment losses on loans, advances and receivables	11	1,414	2,382
2,708	774	Profit from investments in associates and group enterprises	12	10	36
4,538	(83)	PROFIT (LOSS) BEFORE TAX		1,338	3,090
461	(345)	Tax	13	223	786
4,076	261	PROFIT FROM CONTINUED OPERATIONS FOR THE YEAR		1,115	2,304
-	-	Profit from discontinued insurance operations	14	-	1,511
4,076	261	PROFIT FOR THE YEAR		1,115	3,816
		DISTRIBUTION OF PROFIT FOR THE YEAR			
-	-	Shareholders of Nykredit Realkredit A/S		1,115	3,816
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT			
1,361	786	Statutory reserves			
2,415	(724)	Retained earnings			
300	200	Proposed dividend			

Statements of comprehensive income for 1 January – 31 December

DKK million

Nykredit Realkredit A/S 2010	2011		Note	The Nykredit Realkredit Group 2011	2010
4,076	261	PROFIT FOR THE YEAR		1,115	3,816
		OTHER COMPREHENSIVE INCOME			
-	-	Fair value adjustment of equities available for sale		(927)	232
-	-	Tax on fair value adjustment of equities available for sale		245	(71)
-	-	Realised value adjustment of equities available for sale reclassified to the income statement		(205)	-
-	-	Tax on realised value adjustment of equities available for sale reclassified to the income statement		(0)	-
-	-	Unrealised capital loss on equities available for sale reclassified to the income statement due to objective evidence of impairment		45	117
-	-	Tax on unrealised capital loss on equities available for sale reclassified to the income statement due to objective evidence of impairment		(11)	(17)
(1)	-	Fair value adjustment of owner-occupied properties		27	1
0	-	Tax on fair value adjustment of owner-occupied properties		(7)	(0)
2	21	Share of comprehensive income in associates and group enterprises		-	-
1	21	OTHER COMPREHENSIVE INCOME		(833)	261
4,077	282	COMPREHENSIVE INCOME FOR THE YEAR		282	4,077
		DISTRIBUTION OF COMPREHENSIVE INCOME			
-	-	Shareholders of Nykredit Realkredit A/S		282	4,077

Balance sheets, end of year

DKK million

Nykredit Realkredit A/S 2010	Nykredit Realkredit A/S 2011		Note	The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		ASSETS			
394	4,540	**Cash balance and demand deposits with central banks**		7,084	507
45,510	34,631	**Receivables from credit institutions and central banks**	15	59,175	58,149
1,019,032	1,085,179	**Loans, advances and other receivables at fair value**	16	1,106,516	1,043,763
944	940	**Loans, advances and other receivables at amortised cost**	17	56,716	59,777
58,697	68,621	**Bonds at fair value**	18	97,115	94,139
		Equities			
4,673	3,264	Equities measured at fair value through profit or loss		1,615	1,696
-	-	Equities available for sale		2,064	3,309
4,673	3,264	**Total**	19	3,679	5,005
149	149	**Investments in associates**	20	151	151
27,930	28,714	**Investments in group enterprises**	21	-	-
4,499	4,137	**Intangible assets**	22	4,199	4,545
		Land and buildings			
-	-	Investment properties		753	845
23	20	Owner-occupied properties		1,598	1,715
23	20	**Total**	23	2,351	2,560
306	309	**Other property, plant and equipment**	24	356	342
-	344	**Current tax assets**	34	344	188
703	662	**Deferred tax assets**	33	741	747
274	451	**Assets in temporary possession**	25	621	404
17,052	18,913	**Other assets**	26	53,619	40,646
199	201	**Prepayments**		239	218
1,180,384	1,251,073	**TOTAL ASSETS**		1,392,905	1,311,140

Balance sheets, end of year

DKK million

Nykredit Realkredit A/S 2010	2011		Note	The Nykredit Realkredit Group 2011	2010
		LIABILITIES AND EQUITY			
79,456	89,065	**Payables to credit institutions and central banks**	27	117,626	95,879
-	-	**Deposits and other payables**	28	57,404	55,467
1,002,524	1,060,979	**Issued bonds at fair value**	29	1,021,942	974,319
195	195	**Issued bonds at amortised cost**	30	25,864	32,569
4,394	4,421	**Other non-derivative financial liabilities at fair value**	31	30,908	28,160
129	-	**Current tax liabilities**	34	201	160
-	-	**Liabilities temporarily assumed**		22	-
26,532	29,172	**Other liabilities**	32	71,180	55,721
-	-	**Deferred income**		4	6
1,113,230	1,183,832	**Total payables**		1,325,152	1,242,281
		Provisions			
322	351	Provisions for pensions and similar obligations	35	356	326
580	492	Provisions for deferred tax	33	526	621
100	94	Repayable reserves in pre-1972 series	36	94	100
-	-	Provisions for losses under guarantees	37	114	745
27	30	Other provisions	38	149	129
1,029	967	**Total provisions**		1,239	1,921
10,805	10,965	**Subordinated debt**	39	11,204	11,618
		Equity			
1,182	1,182	Share capital		1,182	1,182
		Accumulated changes in value			
4	2	- Revaluation reserves		151	132
-	-	- Value adjustment of equities available for sale		982	1,836
		Other reserves			
1,357	2,155	- Statutory reserves		-	-
35,490	47,720	- Series reserves		47,720	35,490
16,987	4,051	Retained earnings		5,075	16,380
300	200	Proposed dividend		200	300
55,320	55,310	**Total equity**		55,310	55,320
1,180,384	1,251,073	**TOTAL LIABILITIES AND EQUITY**		1,392,905	1,311,140
		OFF-BALANCE SHEET ITEMS	40		
-	-	Contingent liabilities		10,142	15,225
1,273	1,981	Other commitments		8,389	8,342
1,273	1,981	**TOTAL**		18,531	23,567

Statement of changes in equity

DKK million

Nykredit Realkredit A/S

2011	Share capital	Revaluation reserves	Statutory reserves*	Series reserves	Retained earnings	Proposed dividend	Total
Equity, 1 January	**1,182**	**4**	**1,357**	**35,490**	**16,987**	**300**	**55,320**
Profit (loss) for the year	**-**	**-**	**786**	**-**	**(724)**	**200**	**261**
Other comprehensive income							
Share of comprehensive income in associates and group enterprises	-	-	21	-	-	-	21
Total other comprehensive income	**-**	**-**	**21**	**-**	**-**	**-**	**21**
Total comprehensive income for the year	**-**	**-**	**806**	**-**	**(724)**	**200**	**282**
Dividend from associates	-	-	(8)	-	8	-	-
Dividend paid	-	-	-	-	-	(300)	(300)
Adjustment pursuant to capital adequacy rules	-	-	-	12,230	(12,230)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	8	-	8
Other adjustments	-	(2)	-	0	2	-	0
Equity, 31 December	**1,182**	**2**	**2,155**	**47,720**	**4,051**	**200**	**55,310**

2010	Share capital	Revaluation reserves	Statutory reserves*	Series reserves	Retained earnings	Proposed dividend	Total
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 properties	-	(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	-	-	-	8,731	(8,731)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	3	-	3
Equity, 31 December	**1,182**	**4**	**1,357**	**35,490**	**16,987**	**300**	**55,320**

* 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 value adjustment of equities available for sale	Series reserves	Retained earnings	Proposed dividend	Total
2011							
Equity, 1 January	**1,182**	**132**	**1,836**	**35,490**	**16,380**	**300**	**55,320**
Profit for the year	**-**	**-**	**-**	**-**	**915**	**200**	**1,115**
Other comprehensive income							
Fair value adjustment of equities available for sale	-	-	(682)	-	-	-	(682)
Unrealised capital loss on equities available for sale reclassified to the income statement due to objective evidence of impairment	-	-	34	-	-	-	34
Realised value adjustment of equities available for sale reclassified to the income statement	-	-	(205)	-	-	-	(205)
Fair value adjustment of owner-occupied properties	-	21	-	-	-	-	21
Total other comprehensive income	**-**	**21**	**(854)**	**-**	**-**	**-**	**(833)**
Total comprehensive income for the year	**-**	**21**	**(854)**	**-**	**915**	**200**	**282**
Dividend paid	-	-	-	-	-	(300)	(300)
Adjustment pursuant to capital adequacy rules	-	-	-	12,230	(12,230)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	8	-	8
Other adjustments	-	(2)	1	0	1	-	0
Equity, 31 December	**1,182**	**151**	**982**	**47,720**	**5,075**	**200**	**55,310**
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 equities available for sale	-	-	161	-	-	-	161
Unrealised capital loss on equities available for sale reclassified to the income statement due to objective evidence of impairment	-	-	100	-	-	-	100
Fair value adjustment of owner-occupied properties	-	1	-	-	-	-	1
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	-	-	-	8,731	(8,731)	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	3	-	3
Equity, 31 December	**1,182**	**132**	**1,836**	**35,490**	**16,380**	**300**	**55,320**

Capital base and capital adequacy, end of year

DKK million

Nykredit Realkredit A/S 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		Capital base and capital adequacy		
55,320	55,310	Equity, year-end	55,310	55,320
(4)	(2)	Revaluation reserves transferred to supplementary capital	(151)	(132)
55,317	**55,308**	**Tier 1 capital**	**55,159**	**55,188**
(300)	(200)	Proposed dividend	(200)	(300)
(4,499)	(4,137)	Intangible assets	(4,199)	(4,545)
(123)	(170)	Capitalised tax assets	(214)	(126)
50,395	**50,801**	**Core Tier 1 capital after primary statutory deductions**	**50,546**	**50,217**
10,805	10,965	Hybrid capital included	11,204	11,055
(587)	(773)	Difference between expected losses and impairments for accounting purposes	(1,050)	(599)
(1,393)	(1,616)	Other statutory deductions	(1,212)	(177)
59,221	**59,376**	**Tier 1 capital after statutory deductions**	**59,487**	**60,497**
-	-	Subordinate loan capital included	-	594
57	51	Revaluation reserves and series reserves	200	185
59,278	**59,428**	**Capital base before statutory deductions**	**59,687**	**61,275**
(587)	(773)	Difference between expected losses and impairments for accounting purposes	(1,050)	(599)
(431)	(447)	Other statutory deductions	(181)	(177)
961	1,169	Set-off of excess capital deduction	1,031	-
59,221	**59,376**	**Capital base after statutory deductions**	**59,487**	**60,500**
		Capital requirement		
25,574	27,419	Credit risk (incl settlement risk, statutory deduction for collective impairment provisions under the standardised approach and a charge for exceeding large exposure limits)	23,293	23,269
1,093	2,276	Market risk	3,086	1,672
970	1,097	Operational risk	1,474	1,272
27,637	**30,792**	**Total capital requirement**	**27,852**	**26,213**
		Risk-weighted assets		
345,467	**384,897**	**Total risk-weighted assets**	**348,155**	**327,665**
		Financial ratios		
14.0	12.6	Core Tier 1 capital ratio, %	13.9	15.1
17.1	15.4	Tier 1 capital ratio, %	17.1	18.5
17.1	15.4	Total capital ratio, %	17.1	18.5

Cash flow statement for 1 January – 31 December

DKK million

		The Nykredit Realkredit Group	
	Note	2011	2010
Profit after tax for the year		**1,115**	**3,816**
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		930	811
Profit from investments in associates		(10)	(36)
Profit from discontinued insurance operations		-	(1,511)
Impairment losses on loans, advances and receivables		1,414	2,382
Prepayments/deferred income, net		(22)	(41)
Tax calculated on profit (loss) for the year		223	786
Other adjustments		(832)	300
Total		**1,703**	**2,691**
Profit for the year adjusted for non-cash operating items		**2,818**	**6,506**
Change in working capital			
Loans, advances and other receivables		(61,106)	(51,176)
Deposits and payables to credit institutions		23,684	(32,900)
Issued bonds		40,917	71,881
Other working capital		4,383	17,864
Total		**7,878**	**5,668**
Corporation tax paid, net		**(200)**	**(427)**
Cash flows from operating activities		**10,497**	**11,748**
Cash flows from investing activities			
Purchase of group enterprises		(28)	(38)
Divestment of Nykredit Forsikring A/S		-	2,514
Purchase of associates		(2)	(2)
Divestment of associates		9	11
Dividend received		8	506
Purchase and sale of bonds and equities		(1,639)	(14,250)
Purchase of intangible assets		(217)	(184)
Purchase of property, plant and equipment		(224)	(409)
Sale of property, plant and equipment		72	242
Total		**(2,021)**	**(11,610)**
Cash flows from financing activities			
Redemption of subordinated debt as well as buyback and sale of self-issued bonds		(574)	(4,019)
Dividend paid		(300)	-
Total		**(874)**	**(4,019)**
Cash flows from continued operations		**7,602**	**(3,882)**
Cash flows from discontinued insurance operations	14	-	(371)
Total cash flows		**7,602**	**(4,253)**
Cash and cash equivalents, beginning of year			
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**
Cash and cash equivalents, year-end			
Cash balance and demand deposits with central banks		7,084	507
Receivables from credit institutions and central banks		59,175	58,149
Total		**66,258**	**58,657**

Core earnings and investment portfolio income for 1 January – 31 December

The Nykredit Realkredit Group | **DKK million**

	2011				2010			
	Core earnings	Investment portfolio income	Cost of capital	Total	Core earnings	Investment portfolio income	Cost of capital	Total
Net interest income	8,444	2,116	(457)	10,103	8,631	3,039	(459)	11,210
Dividend on equities	3	62	-	65	2	50	-	52
Fee and commission income, net	290	(33)	-	257	606	(51)	-	554
Net interest and fee income	**8,738**	**2,145**	**(457)**	**10,425**	**9,238**	**3,037**	**(459)**	**11,816**
Value adjustments	50	(1,980)	(5)	(1,935)	432	(990)	(2)	(559)
Other operating income	221	5	-	226	202	7	-	209
Staff and administrative expenses	4,932	-	-	4,932	4,837	-	-	4,837
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	930	-	-	930	811	-	-	811
Other operating expenses	114	-	-	114	382	-	-	382
Impairment losses on loans, advances and other receivables	1,414	-	-	1,414	2,382	-	-	2,382
Profit from investments in associates	-	10	-	10	30	6	-	36
Profit (loss) before tax	**1,620**	**179**	**(462)**	**1,338**	**1,491**	**2,060**	**(461)**	**3,090**

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.

Changes to accounting presentation

The presentation of the segment financial statements and the statement of core earnings and investment portfolio income has been modified due to a change made to internal management reporting. In the segment financial statements, earnings related to the portfolio of Kalvebod issues have been transferred from the business area Markets & Asset Management to Group items. In the statement of core earnings and investment portfolio income, earnings related to the portfolio of Kalvebod issues have been transferred from "Core income from business operations" to "Investment portfolio income". In 2011a loss on the investment portfolio of DKK 375m was recognised against income of DKK 57m in 2010. Comparative figures have been restated. The modification does not affect the Nykredit Group's results, comprehensive income, balance sheet or equity.

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

New and amended standards and interpretations

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

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

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

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

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

IFRIC 19 "Extinguishing Financial Liabilities with Equity".

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

Reporting standards and interpretations that have not yet entered into force

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 9 "Financial Instruments: Classification and Measurement" (financial assets (November 2009) and financial liabilities (October 2010)) (new standard) (not approved for use in the EU). Expected to be effective for financial years beginning on or after 1 January 2015.

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

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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

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

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

Fair value of financial instruments
The fair value measurement 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 represented about 6.5% of assets and 11.4% of liabilities at end-2011.

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

Furthermore, realisable values of security and expected dividend payments from bankrupt estates are subject to a number of estimates. Reference is made to ASSETS under "Provisions for loan and receivable impairment" below for a detailed description. Lending made up some 83.5% of the Group's assets at end-2011.

Valuation of goodwill
Purchased goodwill is subject to an ongoing impairment test in which the assessment of the future earning capacity of the companies is based on significant estimates. Goodwill made up some 0.2% of the Group's assets at end-2011.

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 measurement. Investment properties and owner-occupied properties made up some 0.2% of the Group's assets at end-2011.

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 (2010) and the Danish Guarantee Fund for Depositors and Investors (2011) where estimates and uncertainty are primarily based on a general expectation of losses inflicted on the schemes by the distressed banks. Provisions for losses under guarantees and off-balance sheet contingent liabilities totalled DKK 10,256m at end-2011.

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

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

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

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

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

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

Financial instruments are classified as follows:
- Loans, advances and receivables/Other financial liabilities at amortised cost
- Financial assets and liabilities at fair value through profit or loss (held for trading)
- Financial assets and liabilities at fair value through profit or loss (the fair value option)
- 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, provisions for loan impairment and other accounting adjustments, including any transaction costs. Capital gains and losses as well as transaction costs are distributed over the life of the asset or liability.

Financial assets and liabilities at fair value through profit or loss (held for trading)
A financial asset/liability is classified as "held for trading" if:
- it was chiefly acquired with a view to a short-term gain,
- it forms part of a portfolio where there is evidence of realisation of short-term gains, or
- Management classifies it as such.

Derivative financial instruments are classified as financial assets held for trading unless classified as hedges for hedge accounting purposes.

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

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

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

Financial assets available for sale
Financial assets available for sale include equities traded in an active market and unlisted equities. Up to a potential sale, unrealised value adjustments of equities available for sale are recognised in "Other comprehensive income" except for losses resulting from material or permanent impairment. Such impairment losses are charged to "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.

RECOGNITION AND MEASUREMENT IN GENERAL

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

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

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

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

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

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

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

Changes in the fair values of derivative financial instruments that are classified and qualify as fair value hedges of a recognised asset or liability are recorded in the income statement together with changes in the value of the hedged asset or liability that are attributable to the hedged risk.

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

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

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

Consolidation
Nykredit 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 together 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. The financial statements applied for the consolidation have been prepared in accordance with the Group's accounting policies. All intercompany income and costs, dividends, intercompany shareholdings and balances as well as realised and unrealised intercompany gains and losses are eliminated.

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

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

Where recognition is based on the purchase method, acquired enterprises are included from the time of acquisition, which is when the acquiring party obtains control over the acquired enterprises' financial and operational decisions.

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

Positive balances (goodwill) between the cost of the enterprise and the fair value of the identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill in "Intangible assets". Subsequent measurement of goodwill is described under Intangible assets below. Any negative balances (badwill) are recognised in "Other operating income" through profit or loss.

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

Divested enterprises are included up to the time of divestment.

Core earnings and investment portfolio income
The financial key figures in the Management's Review of the 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. The value adjustment of derivatives and corporate bonds is recognised as a separate item showing the effect of a fair value adjustment.

Core income from securities includes the return 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. Indirect allocation is based on internal allocation keys as well as agreements between the individual business areas. Items not directly or indirectly attributable are included in group items.

The financial assets and liabilities underlying the financial income and expenses forming part of the business 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 in the business area which receives or pays the cash flows relating to the enterprise acquired.

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

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

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

Information is provided exclusively at group level.

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

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

At the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency translation adjustment is recognised in the income statement.

Currency translation differences arisen on translation of non-monetary assets and liabilities are recognised in the income statement as part of the fair value gain or loss.

The financial statements of independent foreign entities are translated into Danish kroner at the exchange rates prevailing on the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items.

Repo/reverse
Securities sold as part of sale and repurchase transactions are retained in the appropriate principal balance sheet item, eg "Bonds".

The amount received is recognised as payables to the counterparty or in "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 in "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 "Other non-derivative financial liabilities at fair value".

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

Leases
Leases are classified as finance leases when all material risk and returns associated with the title to an asset have been transferred to the lessee.

Receivables from the lessee under finance leases are included in "Loans, advances and other receivables at amortised cost". The leases are measured so that the carrying amount equals the net investment in the lease.

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

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

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

INCOME STATEMENT

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

Interest income includes interest and interest-like income, including interest-like commission received and other income that forms an integral part of the effective interest rate of the underlying instruments. The item also includes index premium on assets, forward premium on securities and foreign exchange trades as well as adjustments over the life of financial assets measured at amortised cost and where the cost differs from the redemption price.

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

Interest expenses include all interest-like expenses including adjustment over the life of financial liabilities measured at amortised cost and where cost differs from the redemption price.

Dividend
Dividend from equity investments and equities is recognised as income in the income statement in the financial year in which the dividend is declared.

Fees and commissions
Fees and commissions include income and costs relating to services, including management fees. Fee income relating to services provided on a current basis is accrued over their terms.

For accounting purposes, fees, commissions and transaction costs are treated as interest if they form an integral part of the effective interest rate of a financial instrument.

Other fees and commissions are fully recognised in the income statement at the date of transaction.

Value adjustments
Value adjustments include foreign currency translation adjustment and value adjustment of assets and liabilities measured at fair value. Value adjustments relating to the credit risk of loans, advances and receivables measured at fair value are recognised in "Impairment losses on loans, advances and receivables".

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

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

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

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

Current tax liabilities and current tax assets are recognised in the balance sheet as tax calculated on taxable income for the year adjusted for tax paid on account. The current tax for the year is calculated on the basis of the tax rates and rules prevailing on the balance sheet date.

The domestic corporation tax of the jointly taxed companies is payable in accordance with the scheme for payment of tax on account. Interest payable or deductible relating to voluntary payment of tax on account and interest payable or receivable on over-/underpayment of tax are recognised in "Other interest income" or "Other interest expenses", as appropriate.

Deferred tax on all temporary differences between the carrying amounts and the tax bases of assets and liabilities is recognised using the balance sheet liability method except for deferred tax on temporary differences arisen on initial recognition of goodwill.

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at the value at which they are expected to be realised, either by set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. On each balance sheet date, it is assessed whether it is probable that future taxable income will allow for the use of the deferred tax asset.

The Nykredit Group's Danish companies are jointly taxed with Foreningen Nykredit (the Nykredit Association). Current Danish corporation tax payable is distributed among the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

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

ASSETS

Receivables from credit institutions and central banks
Receivables from credit institutions and central banks include receivables from other credit institutions and time deposits with central banks. Initial recognition is made at fair value. Subsequent measurement is made at amortised cost.

This item also includes receivables acquired as part of purchase and resale transactions (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 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 was 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 "realkreditobligationer" and "særligt dækkede obligationer" (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 adjusted 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.

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

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

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

Impairment provisions in general
Total provisions for loan impairment are deducted from the relevant loans under asset items. Recognised losses, changes in loan impairment provisions for the year and provisions for guarantees are charged to the income statement in "Impairment losses on loans, advances and receivables".

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

Loans and advances not expected to be collected are written off.

Equities and bonds
Equities and bonds are initially recognised at fair value and are subsequently measured at fair value based on listed prices or generally accepted measurement methods.

If no objective prices from recent trades in unlisted equities are available, these equities are measured at fair value using the IPEV Board's principles of valuation of unlisted equities.

The Group's portfolio of self-issued bonds is offset against issued bonds (the liability), and interest receivable relating to self-issued bonds is offset against interest payable.

Changes in the fair value are recognised on a current basis in "Value adjustments" in the income statement.

Equities classified as "available for sale" are initially recognised at fair value and are subsequently measured at fair value based on listed prices or generally accepted measurement methods. Unrealised value adjustments are recognised in "Other comprehensive income" except for losses resulting from material or permanent impairment. Such losses are charged to "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 plus goodwill.

Total net revaluation of investments in associates is transferred through the profit distribution to equity and recognised in "Statutory reserves".

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 5-10 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 OEI 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 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 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 in 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.

The asset is depreciated 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 when ready for entry into service. 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, revaluation amounts 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 in "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.

Plant under construction is transferred to assets available for use when the asset is ready for entry into service.

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 in "Other operating income" or "Other operating expenses".

Assets in temporary possession

Assets in temporary possession include property, plant and equipment or groups thereof (mainly repossessed properties), 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 "Impairment losses on loans, advances and receivables" in the income statement.

Other assets

Other assets include interest receivable, net assets of defined benefit plans and positive fair values of derivative financial instruments.

Prepayments

Prepayments include prepaid costs.

LIABILITIES AND EQUITY

Payables

Payables to credit institutions and central banks as well as deposits and other payables are initially recognised at fair value equal to the proceeds received less transaction costs incurred. Subsequently, payables are measured at amortised cost equal to the capitalised value using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement as interest expenses over the loan term.

Payables to credit institutions and central banks arisen as part of genuine sale and repurchase transactions are measured at fair value. Fair value adjustments are recognised through profit or loss.

Other liabilities include derivative financial instruments, which are measured at fair value, and other payables, which are measured at amortised cost.

Issued bonds at 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 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 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 "Other payables" in the balance sheet.

- 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 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 "Other assets" in the balance sheet. 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.

A number of the Group's staff members are entitled to receive a fixed amount on attaining 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 benefit vests 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 prompted by an altered discount rate within the financial year are recognised in "Other interest income" or "Other interest expenses".

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

Subordinated debt
Subordinated debt is initially recognised at fair value less transaction costs incurred. Subordinated debt is subsequently measured at amortised cost, and any differences between the proceeds less transaction costs and the redemption value are recognised in the income statement over the loan term using the effective interest method.

The measurement of subordinated debt is adjusted for the fair value of the hedged interest rate risk if effective hedge accounting has been established.

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

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 in 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 in 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 consolidated 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 "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 in "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 as an asset in "Intangible assets" in the balance sheet.

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 equity and recorded as "Statutory reserves". The reserves are adjusted for the distribution of dividend to the Parent Company and for other changes in the equity of group enterprises.

The IFRS do not allow the equity method in the separate financial statements of parent companies. The IFRS prescribe measurement either at cost or at fair value.

Financial assets available for sale
Unlike the IFRS, the FSA Executive Order does not allow the classification of financial assets as "available for sale" with fair value adjustment in "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 changes 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 in "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 relating to insurance events which, on a best estimate basis, have not yet been disbursed at 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

2011	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Man-agement	Other Activities	Group items and elimina-tions	Total
Core income from							
- business operations	2,309	1,304	3,653	928	176	(5)	8,366
- securities	-	-	-	-	-	644	644
Total	**2,309**	**1,304**	**3,653**	**928**	**176**	**639**	**9,010**
Transactions between business areas represent	61	(37)	107	(160)	29	-	-
Operating costs	1,656	372	1,260	847	208	702	5,045
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	-	492	2	2	262	172	930
Core earnings before impairment losses	**653**	**440**	**2,391**	**79**	**(294)**	**(235)**	**3,034**
Impairment losses on loans and advances	387	447	629	19	(68)	-	1,414
Core earnings after impairment losses	**266**	**(7)**	**1,762**	**60**	**(226)**	**(235)**	**1,620**
Investment portfolio income[1]	-	-	-	-	-	179	179
Profit (loss) before cost of capital	**266**	**(7)**	**1,762**	**60**	**(226)**	**(55)**	**1,800**
Net interest on hybrid capital	-	-	-	-	-	(462)	(462)
Profit (loss) before tax	**266**	**(7)**	**1,762**	**60**	**(226)**	**(517)**	**1,338**

2010	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Man-agement	Other Activities	Group items and elimina-tions	Total
Core income from							
- business operations	2,366	1,460	3,719	1,577	298	(17)	9,403
- securities	-	-	-	-	-	470	470
Total	**2,366**	**1,460**	**3,719**	**1,577**	**298**	**452**	**9,873**
Transactions between business areas represent	195	(57)	163	(308)	8	-	-
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**	**673**	**(142)**	**(368)**	**3,873**
Impairment losses on loans and advances	390	158	755	3	798	279	2,382
Core earnings after impairment losses	**278**	**416**	**1,713**	**670**	**(939)**	**(647)**	**1,491**
Investment portfolio income[1]	-	-	-	-	-	2,060	2,060
Profit (loss) before cost of capital	**278**	**416**	**1,713**	**670**	**(939)**	**1,413**	**3,551**
Net interest on hybrid capital	-	-	-	-	-	(461)	(461)
Profit (loss) before tax	**278**	**416**	**1,713**	**670**	**(939)**	**953**	**3,090**

[1] Investment portfolio income includes profit from investments in associates of DKK 10m against DKK 6m in 2010.

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 659m in 2011 against DKK 566m in 2010.
The international loan portfolio totalled DKK 45bn at end-2011 against DKK 38bn at end-2010.

Notes

DKK million

2. RESULTS BY BUSINESS AREA (continued)

Summary balance sheet items, year-end

2011	Retail Customers	Totalkredit	Commercial Customers	Markets & Asset Management	Other Activities	Group items and eliminations	Total
Assets							
Receivables from credit institutions	-	-	-	50,244	-	16,014	66,258
Mortgage loans at fair value	192,298	472,961	399,148	-	1,237	18,865	1,084,508
Other loans and advances at fair value	-	-	-	22,007	-	-	22,007
Bank loans at amortised cost	15,773	47	37,721	-	2,282	893	56,716
Bonds and equities	-	-	1,259	23,437	87	76,011	100,794
Investments in associates	-	-	-	-	-	151	151
Property, plant and equipment as well as intangible assets	9	2,891	6	31	2,475	1,493	6,905
Other assets	3	-	21	37,480	32	18,029	55,564
Total assets	**208,083**	**475,899**	**438,154**	**133,200**	**6,113**	**131,456**	**1,392,905**
Liabilities and equity							
Payables to credit institutions	-	-	-	63,093	1,785	52,748	117,626
Deposits and other payables	19,190	-	31,818	6,082	315	-	57,404
Issued bonds	228,269	540,174	474,641	25,668	1,471	(222,418)	1,047,806
Other liabilities	-	2,532	-	64,104	-	48,123	114,759
Equity	-	-	-	-	-	55,310	55,310
Total liabilities and equity	**247,459**	**542,706**	**506,459**	**158,947**	**3,570**	**(66,236)**	**1,392,905**
Off-balance sheet items	4,943	12	10,351	1,214	476	1,535	18,531
Investments in property, plant and equipment as well as intangible assets	-	77	-	-	-	365	442

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	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	1,331	23,567
Investments in property, plant and equipment as well as intangible assets	-	73	-	-	-	520	593

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		3. INTEREST INCOME		
13,615	14,098	Receivables from credit institutions and central banks	183	203
17,323	16,939	Loans, advances and other receivables	36,010	36,439
3,053	3,312	Administration margin (income)	5,561	5,197
		Bonds		
1,255	616	- Self-issued SDOs (særligt dækkede obligationer)	1,905	2,972
672	647	- Self-issued ROs (realkreditobligationer)	1,111	1,002
1,408	1,579	- Other ROs	1,997	2,017
360	99	- Government bonds	129	486
222	217	- Other bonds	369	407
		Derivative financial instruments		
111	(14)	- Foreign exchange contracts	(99)	55
(62)	162	- Interest rate contracts	67	(305)
-	-	- Equity contracts	(7)	0
74	58	Other interest income	66	100
38,031	**37,712**	**Total**	**47,293**	**48,573**
(1,255)	(616)	Interest from self-issued SDOs has been offset against interest expenses – note 4	(1,905)	(2,972)
(672)	(647)	Interest from self-issued ROs has been offset against interest expenses – note 4	(1,111)	(1,002)
(22)	(3)	Interest from other self-issued securities and bonds has been offset against interest expenses – note 4	(40)	(104)
36,082	**36,446**	**Total**	**44,237**	**44,496**
		Of which interest income from genuine purchase and resale transactions entered as:		
47	62	Receivables from credit institutions and central banks	105	110
-	-	Loans, advances and other receivables	176	88
		Of total interest income:		
13,631	14,090	Interest income accrued on financial assets measured at amortised cost	2,800	2,723
		Interest income accrued on impaired financial assets measured at amortised cost	136	155
		Interest income accrued on fixed-rate bank loans	136	150
		Interest income from finance leases	123	106

Interest income accrued on individually impaired bank loans totals DKK 136m (2010: DKK 155m). Nykredit Bank A/S generally does not charge interest on individually impaired 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 2010	2011		The Nykredit Realkredit Group 2011	2010
		4. INTEREST EXPENSES		
655	876	Credit institutions and central banks	991	774
-	-	Deposits and other payables	947	795
31,121	31,177	Issued bonds	34,348	34,847
834	802	Subordinated debt	846	870
89	93	Other interest expenses	58	78
32,699	**32,948**	**Total**	**37,190**	**37,363**
(1,255)	(616)	Set-off of interest from self-issued SDOs – note 3	(1,905)	(2,972)
(672)	(647)	Set-off of interest from self-issued ROs – note 3	(1,111)	(1,002)
(22)	(3)	Set-off of interest from self-issued other securities and bonds – note 3	(40)	(104)
30,750	**31,682**	**Total**	**34,134**	**33,286**
		Of which interest expenses from genuine sale and repurchase transactions entered as:		
613	856	Credit institutions and central banks	948	662
-	-	Deposits and other payables	162	73
		Of total interest expenses:		
974	924	Interest expenses accrued on financial liabilities measured at amortised cost	2,338	2,283
		5. DIVIDEND ON EQUITIES		
49	61	Dividend	29	22
-	-	Dividend on equities available for sale	36	30
49	**61**	**Total**	**65**	**52**
		6. FEE AND COMMISSION INCOME		
-	-	Fees relating to financial instruments measured at amortised cost	134	142
11	11	Fees from asset management activities and other fiduciary activities	947	835
938	886	Other fees	822	1,172
949	**897**	**Total**	**1,904**	**2,149**
		7. FEE AND COMMISSION EXPENSES		
-	-	Fees relating to financial instruments measured at amortised cost	238	221
-	-	Fees from asset management activities and other fiduciary activities	194	190
253	250	Other fees	1,214	1,183
253	**250**	**Total**	**1,647**	**1,595**

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		8. VALUE ADJUSTMENTS		
		Financial assets measured at fair value through profit or loss		
4,331	9,566	Mortgage loans	16,630	6,966
1,059	5,560	Totalkredit mortgage loan funding	-	-
(40)	178	Other loans, advances and receivables at fair value	12	(2)
(169)	(55)	Bonds	(86)	(841)
324	(717)	Equities	285	210
-	-	Investment properties	(21)	(1)
(49)	120	Foreign exchange	146	33
(295)	(1,822)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(2.322)	263
		Financial assets measured at fair value and recognised in "Other comprehensive income"		
-	-	Unrealised capital loss on equities available for sale reclassified to the income statement due to objective evidence of impairment	(45)	(117)
-	-	Realised value adjustment of equities available for sale reclassified to the income statement	205	-
		Financial liabilities measured at fair value through profit or loss		
(4,437)	(9,669)	Issued bonds	(16,736)	(7,067)
(1,059)	(5,560)	Totalkredit mortgage loan funding	-	-
-	-	Other liabilities	(3)	(4)
(333)	**(2,399)**	**Total**	**(1,935)**	**(559)**
		Of which value adjustment relating to fair value hedging for accounting purposes		
(0)	-	Fair value hedge	(1)	(1)
		9. STAFF AND ADMINISTRATIVE EXPENSES		
46	47	Remuneration of Board of Directors and Executive Board	47	46
1,995	2,048	Staff expenses	2,936	2,928
601	616	Other administrative expenses	1,948	1,864
2,642	**2,711**	**Total**	**4,931**	**4,837**
		Remuneration of Board of Directors and Executive Board		
		Board of Directors		
2	3	Remuneration	3	2
		Executive Board		
34	35	Fixed salaries	35	34
10	9	Provisions for pension plans	9	10
46	**47**	**Total**	**47**	**46**

Terms and conditions applying to 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-2011 (DKK)

	Chairman	Deputy Chairman	Director
Nykredit Realkredit A/S	390,000	315,000	120,000
Nykredit Holding A/S	555,000	370,000	185,000
Foreningen Nykredit	195,000	130,000	75,000

In addition, Allan Kristiansen has received remuneration of DKK 60,000 as staff-elected board member of Nykredit Bank A/S.

The chairmen of the Audit Board and the Remuneration Board receive remuneration of DKK 150,000 and DKK 75,000, respectively. Other members of the Audit Board and the Remuneration Board receive remuneration of DKK 100,000 and DKK 50,000, respectively. The members of the Nomination Board do not receive separate remuneration.

Notes

DKK million

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

9. STAFF AND ADMINISTRATIVE EXPENSES (continued)

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.

Terms and conditions applying to 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 0.7m in 2011. 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. Car contributions of DKK 0.8m were disbursed in 2011.

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

Fixed annual salary, end-2011 (DKK)

Peter Engberg Jensen	8,230,000
Kim Duus	5,410,000
Søren Holm	5,410,000
Karsten Knudsen	5,410,000
Per Ladegaard	5,410,000
Bente Overgaard	5,410,000

In accordance with the Group's general staff policies, Søren Holm received a jubilee benefit of DKK 150,000 in connection with his 25th employment anniversary.

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 for this liability 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 before the age of 60, an Executive Board member is entitled to a termination benefit equal to 24 months' gross salary.

Neither bonus nor other variable remuneration plans have been established for the members of the Executive Board.

Notes

DKK million

Nykredit Realkredit A/S 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		9. STAFF AND ADMINISTRATIVE EXPENSES (continued)		
		Staff expenses		
1,640	1,682	Wages and salaries	2,426	2,429
178	190	Pensions	261	247
178	176	Other social security expenses	248	252
1,995	**2,048**	**Total**	**2,936**	**2,928**
	24	In addition to the Executive Board, Nykredit has designated the following number of staff whose activities significantly affect Nykredit's risk profile (referred to as "significant risk-takers").	39	
		Details of Nykredit's remuneration policy appear from pages 28-29.		
		Remuneration of significant risk-takers is included in "Staff expenses" and breaks down into:		
	36	Fixed salaries	62	
	9	Variable remuneration	19	
	45	**Total**	**81**	
		Significant risk-takers are only covered by defined contribution pension plans.		
		As the statutory basis for designating significant risk-takers entered into force in 2011, no significant risk-takers were designated in the financial year 2010 and therefore no comparative figures have been stated.		
		Number of staff		
2,995	3,143	Average number of staff for the financial year, full-time equivalents	4,139	4,026
		Fee to auditor appointed by the General Meeting		
4	7	Deloitte	11	13
		The total fee includes:		
2	2	Statutory audit of the Financial Statements	5	5
1	0	Other assurance engagements	0	1
0	1	Tax advice	1	0
1	4	Other services	5	7
4	**7**	**Total**	**11**	**13**
		10. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS		
		Intangible assets		
565	577	- Amortisation	582	573
		Property, plant and equipment		
83	94	- Depreciation	124	123
-	-	- Impairment losses	224	117
-	-	- Reversal of impairment losses	-	(1)
649	**672**	**Total**	**930**	**811**

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		11. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
		11 a. Earnings impact		
115	211	Change in individual impairment provisions for loans and advances	861	827
368	92	Change in collective impairment provisions for loans and advances	44	577
151	216	Losses recognised for the year, net	552	844
(26)	(26)	Received on claims previously written off as impairment losses	(40)	(34)
-	-	Provisions for guarantees	28	135
608	**493**	**Total impairment losses on loans, advances and guarantees**	**1,444**	**2,350**
108	87	Value adjustment of assets in temporary possession	156	143
(4)	(10)	Value adjustment of claims previously written off as impairment losses	(10)	(4)
-	-	Losses offset against commission payments to banks	(177)	(107)
712	**570**	**Total**	**1,414**	**2,382**
		11 b. Specification of provisions for loan impairment		
981	967	Individual impairment provisions	5,345	6,980
722	815	Collective impairment provisions	1,434	1,389
1,703	**1,781**	**Total impairment provisions**	**6,778**	**8,369**
		Impairment provisions have been offset against the following items:		
1,294	1,287	Mortgage loans – note 16	1,923	1,735
409	494	Arrears and outlays – note 16	562	491
-	-	Bank loans and advances – note 17	4,293	6,143
1,703	**1,781**	**Total impairment provisions**	**6,778**	**8,369**
		11 c. Individual impairment provisions		
1,053	**981**	**Impairment provisions, beginning of year**	**6,980**	**8,943**
412	540	Impairment provisions for the year	1,746	1,993
(297)	(329)	Impairment provisions reversed	(885)	(1,166)
(79)	(93)	Value adjustment of repossessed properties	(105)	(95)
(109)	(132)	Impairment provisions recognised as lost	(2,391)	(2,695)
981	**967**	**Impairment provisions, year-end**	**5,345**	**6,980**

Of total impairment provisions for bank lending to commercial customers, equal to about DKK 3.4bn, around 23% 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 22% can be attributed to customers who are bankrupt or subject to bankruptcy proceedings. Further, around 28% of total individual impairment provisions for mortgage lending can be attributed to customers in arrears.

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		11. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)		
		11 d. Collective impairment provisions		
354	**722**	**Impairment provisions, beginning of year**	**1,389**	**812**
368	92	Impairment provisions for the year	158	588
-	-	Impairment provisions reversed	(114)	(10)
722	**815**	**Impairment provisions, year-end**	**1,434**	**1,389**
		11 e. Specification of loans and advances subject to objective evidence of impairment		
4,531	6,225	Loans and advances before individual impairment provisions	14,695	14,155
981	967	Impairment provisions	5,345	6,980
3,551	**5,258**	**Loans and advances after impairment provisions**	**9,350**	**7,175**
45,944	45,051	Loans and advances before collective impairment provisions	81,391	79,612
722	815	Impairment provisions	1,434	1,389
45,222	**44,236**	**Loans and advances after impairment provisions**	**79,958**	**78,223**

Loans and advances subject to collective provisioning include loans and advances in the rating categories 0, 1 and 2 as well as non-performing loans not individually provided for. This constitutes a change compared with 2010 when collective impairment provisions were made for all rating categories. The change has had no effect on collective impairment provisions, but "Loans and advances before collective impairment provisions" has been restated based on an estimate. The breakdown of loans and advances by rating category appears from note 46.

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		11 f. Impairment losses on repossessed properties		
85	**173**	**Impairment losses, beginning of year**	**233**	**110**
79	93	Transfer from non-repossessed properties	105	95
110	89	Impairments for the year	160	151
(2)	(3)	Impairments reversed	(4)	(8)
(98)	(140)	Impairments recognised as lost	(185)	(114)
173	**213**	**Impairment losses, year-end**	**309**	**233**

Impairment losses on repossessed properties have been offset against "Assets in temporary possession".

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		12. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
5	10	Profit from investments in associates	10	36
1,111	764	Profit from investments in group enterprises	-	-
1,591	-	Profit from the divestment of a group enterprise	-	-
2,708	**774**	**Total**	**10**	**36**
		13. TAX		
		Tax on profit (loss) for the year has been calculated as follows		
575	(225)	Current tax	366	913
(111)	12	Deferred tax	(22)	(150)
(0)	(72)	Adjustment of tax relating to previous years	(75)	(217)
(3)	(59)	Adjustment of deferred tax relating to previous years	(47)	239
461	**(345)**	**Total**	**223**	**786**

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		13. TAX (continued)		
		Tax on profit (loss) for the year can be specified as follows:		
1,134	(21)	Calculated 25% tax on profit (loss) before tax	334	772
		Tax effect of:		
(802)	(336)	Non-taxable income	(189)	(177)
132	143	Non-deductible expenses and other adjustments	200	168
(3)	(132)	Adjustment of tax relating to previous years	(122)	23
461	**(345)**	**Total**	**223**	**786**
10,2	414,5	Effective tax rate, %	16,6	25,4

In 2011 the effective tax rate was influenced by the recognition of income of approximately DKK 133m relating to tax provided for in previous years. Nykredit Realkredit was able to recognise the amount as income after the courts found for Nykredit in a tax case.

Adjusted for tax relating to previous years recognised as income, the effective tax rate was 26.6% for the Nykredit Realkredit Group.

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		14. PROFIT FROM DISCONTINUED INSURANCE OPERATIONS		
-	-	Loss from discontinued insurance operations for the year	-	(80)
-	-	Profit from the divestment of Nykredit Forsikring A/S	-	1,591
-	**-**	**Profit from discontinued insurance operations**	**-**	**1,511**
		14 a. Loss from discontinued insurance operations for the year		
-	-	Net interest and fee income	-	13
-	-	Value adjustments and other operating income	-	9
-	-	Premium income	-	341
-	-	Claims incurred, net of reinsurance	-	383
-	-	Staff and administrative expenses as well as depreciation of property, plant and equipment	-	87
-	**-**	**Loss before tax**	**-**	**(107)**
-	-	Tax	-	(27)
-	**-**	**Loss from discontinued insurance operations for the year**	**-**	**(80)**

Nykredit Forsikring A/S was sold to Gjensidige Forsikring AB subject to closing on 29 April 2010. The loss from discontinued insurance operations for the year was recorded for four months' operations in 2010.

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		14 b. Profit from the divestment of Nykredit Forsikring A/S		
-	-	Sales price	-	2,546
-	-	Selling costs	-	31
-	-	Net assets	-	923
-	**-**	**Profit from the divestment of Nykredit Forsikring A/S**	**-**	**1,591**
		14 c. Cash flows from discontinued insurance operations		
-	-	Cash flows from operating activities	-	353
-	-	Cash flows from investing activities	-	(142)
-	-	Cash flows from financing activities	-	(500)
-	-	Cash surrendered	-	(82)
-	**-**	**Cash flows from discontinued insurance operations**	**-**	**(371)**

Notes

DKK million

Nykredit Realkredit A/S 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		15. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
12,788	3,000	Receivables from central banks	19,788	13,578
32,723	31,631	Receivables from credit institutions	39,387	44,571
45,510	**34,631**	**Total**	**59,175**	**58,149**
7,799	5,877	Of which genuine purchase and resale transactions	19,121	9,528
		Receivables from credit institutions and central banks by time-to-maturity		
12,474	3,823	On demand	23,454	26,434
26,436	24,327	Up to 3 months	35,132	30,940
4,000	2,794	Over 3 months and up to 1 year	560	110
-	558	Over 1 year and up to 5 years	-	666
2,600	3,129	Over 5 years	29	-
45,510	**34,631**	**Total**	**59,175**	**58,149**
		16. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
575,278	604,684	Mortgage loans	1,084,317	1,030,478
199	26	Arrears and outlays	191	363
-	-	Other loans and advances	22,007	12,922
10,024	18,623	Loans to Totalkredit serving as collateral in capital centres	-	-
433,531	461,846	Totalkredit mortgage loan funding	-	-
1,019,032	**1,085,179**	**Total**	**1,106,516**	**1,043,763**
-	-	Of which genuine purchase and resale transactions	22,007	12,922
		Mortgage loans		
553,913	**575,112**	**Balance, beginning of year, nominal value**	**1,029,636**	**985,216**
90,955	87,062	New loans	156,583	201,300
624	571	Indexation	571	624
1,962	(320)	Foreign currency translation adjustment	(320)	1,962
(11,770)	(11,608)	Ordinary principal payments	(15,342)	(16,187)
(60,571)	(55,544)	Prepayments and extraordinary principal payments	(103,522)	(143,280)
575,112	**595,273**	**Balance, year-end, nominal value**	**1,067,606**	**1,029,636**
(198)	(366)	Loans transferred relating to properties in temporary possession	(500)	(287)
279	271	Loans assumed by the Danish Agency for Governmental Management	271	279
575,193	**595,177**	**Total nominal value**	**1,067,376**	**1,029,628**
1,378	**10,794**	**Adjustment for interest rate risk**	**18,865**	**2,586**
		Adjustment for credit risk		
(572)	(473)	Individual impairment provisions	(798)	(768)
(722)	(815)	Collective impairment provisions	(1,125)	(967)
575,278	**604,684**	**Balance, year-end, fair value**	**1,084,317**	**1,030,478**

In 2011 the fair value measurement of mortgage lending was specified. The specification related to the estimated value of the credit risk of the performing part of the loan portfolio. The specification has had no significant impact on reported amounts.

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		16. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)		
		For total loans and advances, Nykredit has received mortgages on property and:		
22,768	23,581	Supplementary guarantees totalling	31,673	30,496
1,686	1,346	Interim loan guarantees totalling	9,739	12,469
13,702	6,333	Registration guarantees totalling	17,634	40,319
		Mortgage loans at nominal value by property category		
		Loans and advances as %, year-end		
30	29	Private residential properties	58	59
2	2	Holiday homes	3	3
17	17	Non-profit housing	9	9
11	12	Private residential rental properties	7	6
4	4	Industry and trades properties	2	2
16	17	Office and retail properties	9	9
17	16	Agricultural properties	9	9
3	3	Properties for social, cultural and educational purposes	2	2
100	**100**	**Total**	**100**	**100**
		For further specification of mortgage loans by loan type and property category, please refer to page 42 of the Management's Review.		
		Arrears and outlays		
416	431	Arrears before impairment provisions	569	571
192	89	Outlays before impairment provisions	184	283
(409)	(494)	Individual impairment provisions for arrears and outlays	(562)	(491)
199	**26**	**Total**	**191**	**363**
		Mortgage arrears up to and including the September 2011 due date, for which no provisions have been made, amounted to DKK 19m (2010: DKK 15m).		
		Mortgage loans, arrears and outlays as well as other loans and advances by time-to-maturity		
1,851	2,577	Up to 3 months	24,586	14,181
9,839	9,617	Over 3 months and up to 1 year	9,637	9,847
10,201	10,348	Over 1 year and up to 5 years	11,342	11,355
553,586	582,167	Over 5 years	1,060,951	1,008,379
575,477	**604,709**	**Total**	**1,106,516**	**1,043,763**
		Time-to-maturity for mortgage loans recognised at fair value, arrears and outlays as well as other loans and advances is stated after impairment provisions.		
		Loans to Totalkredit serving as collateral in capital centres		
		Loans to Totalkredit serving as collateral in capital centres by time-to-maturity		
7,500	-	Up to 3 months	-	-
-	1,738	Over 3 months and up to 1 year	-	-
2,524	12,748	Over 1 year and up to 5 years	-	-
-	4,137	Over 5 years	-	-
10,024	**18,623**	**Total**	**-**	**-**

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		16. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)		
		Totalkredit mortgage loan funding		
397,876	**432,038**	**Balance, beginning of year, nominal value**	**-**	**-**
212,372	187,927	New loans	-	-
(2,164)	(6,934)	Ordinary principal payments	-	-
(176,046)	(157,979)	Prepayments and extraordinary principal payments	-	-
432,038	**455,052**	**Balance, year-end, nominal value**	**-**	**-**
1,493	6,794	Adjustment for interest rate risk	-	-
433,531	**461,846**	**Balance, year-end, fair value**	**-**	**-**
		Totalkredit mortgage loan funding by time-to-maturity		
48,466	42,387	Up to 3 months	-	-
87,133	118,812	Over 3 months and up to 1 year	-	-
142,639	135,055	Over 1 year and up to 5 years	-	-
155,293	165,593	Over 5 years	-	-
433,531	**461,846**	**Total**	**-**	**-**
		Time-to-maturity for Totalkredit mortgage loan funding is stated at fair value.		
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
-	-	Bank loans and advances	60,070	64,976
54	47	Totalkredit mortgage loan funding	-	-
-	-	Mortgage loans	47	54
939	933	Other loans and advances	933	939
993	**980**	**Balance, year-end**	**61,050**	**65,969**
		Adjustment for credit risk		
-	-	Individual impairment provisions	(3,985)	(5,721)
-	-	Collective impairment provisions	(308)	(422)
993	**980**	**Balance after impairment, year-end**	**56,756**	**59,826**
(49)	(40)	Set-off of self-issued "Other loans and advances" against "Issued bonds at amortised cost" – note 30	(40)	(49)
944	**940**	**Total**	**56,716**	**59,777**
		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 in "Other assets" or "Other liabilities".		
-	-	Of total loans and advances, fixed-rate bank loans and advances represent	1,181	1,899
-	-	The fair value of fixed-rate loans and advances represents	1,242	1,950

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)		
		Loans, advances and other receivables at amortised cost by time-to-maturity		
-	-	On demand	16,384	22,060
1	1	Up to 3 months	15,146	15,677
14	5	Over 3 months and up to 1 year	5,969	6,516
791	790	Over 1 year and up to 5 years	10,860	7,777
188	185	Over 5 years	8,398	7,795
993	**980**	**Total**	**56,756**	**59,826**
		Time-to-maturity for loans and advances is stated after impairment, but before set-off of self-issued securities.		
		Non-accrual loans or loans carrying a reduced interest rate		
-	-	Non-accrual loans	2,464	4,501
-	-	Loans carrying a reduced interest rate	2	1
		Bank lending and guarantee debtors by sector and industry		
		Loans and advances as %, year-end		
-	-	**Public sector**	0	0
		Corporate		
-	-	Agriculture, hunting, forestry and fishing	3	3
-	-	Manufacturing, mining and quarrying	9	10
-	-	Energy supply	2	3
-	-	Construction	2	2
-	-	Trade	4	3
-	-	Transport, accommodation and food service activities	3	2
-	-	Information and communication	2	2
-	-	Financial and insurance activities	12	10
-	-	Property	22	22
-	-	Other trade and industry	13	15
-	**-**	**Total corporate**	**72**	**73**
-	-	**Retail**	28	27
-	**-**	**Total**	**100**	**100**
		The sector distribution is based on the official Danish activity codes.		
		Finance leases		
		Of total loans and advances at amortised cost, finance leases represent		
-	**-**	**Balance, beginning of year**	**1,834**	1,849
-	-	Additions	1,411	884
-	-	Disposals	(934)	(899)
-	**-**	**Balance, year-end**	**2,311**	**1,834**
-	-	Impairment provisions for finance leases represent	28	28
		Non-guaranteed residual values on expiry of the leases represent DKK 0		

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)		
		Finance leases by time-to-maturity		
-	-	Up to 3 months	238	194
-	-	Over 3 months and up to 1 year	385	344
-	-	Over 1 year and up to 5 years	1,470	1,127
-	-	Over 5 years	218	169
-	**-**	**Total**	**2,311**	**1,834**
		Where loans and advances under finance leases are concerned, amortised cost represents the fair value. The leases comprise equipment as well as 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		
		Gross investments in finance leases by time-to-maturity		
-	-	Up to 1 year	671	560
-	-	Over 1 year and up to 5 years	1,731	1,326
-	-	Over 5 years	239	195
-	**-**	**Total**	**2,641**	**2,081**
-	-	Non-earned income	330	247
		18. BONDS AT FAIR VALUE		
54,611	39,683	Self-issued SDOs	132,855	159,188
116,106	114,725	Self-issued ROs	138,736	129,316
47,710	58,225	Other ROs	76,921	76,489
5,557	4,414	Government bonds	9,768	8,285
10,373	5,981	Other bonds	11,850	16,535
234,358	**223,029**	**Total**	**370,129**	**389,814**
(116,106)	(114,725)	Set-off of self-issued ROs against "Issued bonds at fair value" – note 29	(138,736)	(129,316)
(54,610)	(39,682)	Set-off of self-issued SDOs against "Issued bonds at fair value" – note 29	(132,854)	(159,187)
(4,944)	-	Set-off of self-issued junior covered bonds against "Issued bonds at fair value" – note 29	(273)	(5,748)
(1)	(1)	Set-off of self-issued SDOs against "Issued bonds at amortised cost" – note 30	(1)	(1)
-	-	Set-off of self-issued other bonds against "Issued bonds at amortised cost" – note 30	(1,150)	(1,423)
58,697	**68,621**	**Total**	**97,115**	**94,139**
4,832	12,312	Of bonds at fair value before set-off of self-issued bonds, drawn bonds total	14,589	15,275
9,471	6,631	As collateral security for the Danish central bank (Danmarks Nationalbank) and foreign clearing centres, bonds have been deposited of a total market value of	25,001	25,532
		Collateral security was provided on an arm's length basis.		
		As the majority – around DKK 96bn – of the Group's bond portfolio is included in the Group's trading activities, the actual maturities of these bonds are expected to be less than one year. Of the Group's bond portfolio, bonds of approximately DKK 0.8bn are expected to have a maturity of up to five years.		

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		19. EQUITIES		
4,673	3,264	Equities measured at fair value through profit or loss	1,615	1,696
-	-	Equities available for sale	2,064	3,309
4,673	**3,264**	**Total**	**3,679**	**5,005**
		Equities measured at fair value through profit or loss		
3,298	1,885	Listed on NASDAQ OMX Copenhagen A/S	264	297
190	82	Listed on other stock exchanges	99	194
1,185	1,296	Unlisted equities carried at fair value	1,252	1,205
4,673	**3,264**	**Total**	**1,615**	**1,696**
		Equities available for sale		
-	**-**	**Balance, beginning of year**	**3,309**	**2,941**
-	-	Additions	-	136
-	-	Disposals	(318)	-
-	-	Fair value adjustment	(927)	232
-	**-**	**Balance, year-end**	**2,064**	**3,309**
		Shares 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.		
-	-	Listed on NASDAQ OMX Copenhagen A/S	1,803	3,040
-	-	Unlisted fair value adjusted equities	261	269
-	**-**	**Total**	**2,064**	**3,309**
		20. INVESTMENTS IN ASSOCIATES		
158	**156**	**Acquisition cost, beginning of year**	**157**	**164**
2	2	Additions	2	2
(4)	(16)	Disposals	(16)	(9)
156	**142**	**Acquisition cost, year-end**	**143**	**157**
(6)	**(7)**	**Revaluations and impairment losses, beginning of year**	**(6)**	**11**
5	10	Profit	10	36
(6)	(8)	Dividend	(8)	(6)
-	12	Reversal of revaluations and impairment losses	12	(47)
(7)	**7**	**Revaluations and impairment losses, year-end**	**8**	**(6)**
149	**149**	**Balance, year-end**	**151**	**151**

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		21. INVESTMENTS IN GROUP ENTERPRISES		
25,981	**25,188**	**Acquisition cost, beginning of year**	**-**	**-**
1,000	-	Additions	-	-
(1,792)	-	Disposals	-	-
25,188	**25,188**	**Acquisition cost, year-end**	**-**	**-**
1,259	**2,741**	**Revaluations and impairment losses, beginning of year**	**-**	**-**
1,111	764	Profit	-	-
(500)	-	Dividend	-	-
869	-	Reversal of revaluations and impairment losses	-	-
2	21	Other movements in capital	-	-
2,741	**3,525**	**Revaluations and impairment losses, year-end**	**-**	**-**
27,930	**28,714**	**Balance, year-end**	**-**	**-**
27,025	28,020	Of which credit institutions	-	-
		Subordinate receivables		
2,600	3,100	Group enterprises	-	-
2,481	3,071	Other enterprises	3,619	3,301
5,081	**6,171**	**Total**	**3,619**	**3,301**
		22. INTANGIBLE ASSETS		
2,759	2,759	Goodwill	2,787	2,769
1,398	983	Fixed-term rights	1,017	1,435
99	112	Software	112	99
152	200	Development projects in progress	200	152
91	83	Customer relationships	83	91
4,499	**4,137**	**Total**	**4,199**	**4,545**
		Goodwill		
2,759	**2,759**	**Acquisition cost, beginning of year**	**2,769**	**2,769**
-	-	Additions	18	-
2,759	**2,759**	**Acquisition cost, year-end**	**2,787**	**2,769**
2,759	**2,759**	**Balance, year-end**	**2,787**	**2,769**

Goodwill of DKK 1,907m (2010: DKK 1,907m) relates to the business area Totalkredit.

Goodwill of DKK 852m (2010: DKK 852m) relates to the business area Other Activities in Nykredit Bank A/S.

Goodwill has not been amortised, and an impairment test has provided no evidence of goodwill impairment.

The impairment test compared the discounted value of estimated future cash flows with the carrying amount.

Notes

DKK million

Nykredit Realkredit A/S 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		22. INTANGIBLE ASSETS (continued)		
		Goodwill (continued)		
		The impairment test for Nykredit Bank A/S is based on the following assumptions: Future cash flows are based on the realised results for 2011 and projections for the following 14 years. It is assumed that the terminal value at end-2025 will equal the equity 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%		
		Annual business growth 2012: 3.5%		
		Average annual business growth from 2013 to 2025: 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 2011 and projections for the following 14 years. It is assumed that the terminal value at end-2025 will equal the equity 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%		
		Annual business growth 2012: 4.2%		
		Average annual business growth from 2013 to 2025: 3.0%		
		The required rate of return for Totalkredit A/S is lower than that for Nykredit of 10% before tax. This is due to Totalkredit's set-off agreement with the partner banks. The set-off agreement reduces Totalkredit's credit risk as loan-arranging banks primarily incur credit risk.		
		Fixed-term rights		
4,299	**4,372**	**Acquisition cost, beginning of year**	**4,448**	**4,369**
73	77	Additions	78	79
4,372	**4,448**	**Acquisition cost, year-end**	**4,526**	**4,448**
2,508	**2,974**	**Amortisation and impairment losses, beginning of year**	**3,013**	**2,537**
466	491	Amortisation for the year	496	476
2,974	**3,465**	**Amortisation and impairment losses, year-end**	**3,509**	**3,013**
1,398	**983**	**Balance, year-end**	**1,017**	**1,435**
		Fixed-term rights are amortised over a period of nine years.		
3	2	Residual amortisation period at 31 December (avg number of years)	2	3

Notes

DKK million

Nykredit Realkredit A/S 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		22. INTANGIBLE ASSETS (continued)		
		Software		
341	**458**	**Acquisition cost, beginning of year**	**458**	**365**
0	0	Additions	0	0
-	-	Disposals	-	(24)
117	90	Transferred from development projects in progress	90	117
458	**548**	**Acquisition cost, year-end**	**548**	**458**
276	**359**	**Amortisation and impairment losses, beginning of year**	**359**	**299**
83	78	Amortisation for the year	78	84
-	-	Reversal of amortisation and impairment losses	-	(24)
359	**436**	**Amortisation and impairment losses, year-end**	**436**	**359**
99	**112**	**Balance, year-end**	**112**	**99**
		Software is amortised over a period of four years.		
1	1	Residual amortisation period at 31 December (avg number of years)	1	1
		Development projects in progress		
159	**152**	**Acquisition cost, beginning of year**	**152**	**159**
110	139	Additions	139	110
(117)	(90)	Transferred to software	(90)	(117)
152	**200**	**Acquisition cost, year-end**	**200**	**152**
152	**200**	**Balance, year-end**	**200**	**152**
		Customer relationships		
130	130	**Acquisition cost, beginning of year**	130	130
-	-	Additions	-	-
130	**130**	**Acquisition cost, year-end**	**130**	**130**
22	39	**Amortisation and impairment losses, beginning of year**	39	22
16	8	Amortisation for the year	8	16
39	**47**	**Amortisation and impairment losses, year-end**	**47**	**39**
91	**83**	**Balance, year-end**	**83**	**91**
		Customer relationships are amortised over a period of 13 years.		
11	10	Residual amortisation period at 31 December (avg number of years)	10	11

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		23. LAND AND BUILDINGS		
-	-	Investment properties	753	845
23	20	Owner-occupied properties	1,598	1,289
-	-	Plant under construction	-	426
23	**20**	**Total**	**2,351**	**2,560**
		Investment properties		
-	**-**	**Fair value, beginning of year**	**845**	**69**
-	-	Additions, purchase of subsidiaries	-	776
-	-	Additions for the year, including improvements	1	-
-	-	Disposals for the year	(68)	-
-	-	Fair value adjustment for the year	(25)	(1)
-	**-**	**Fair value, year-end**	**753**	**845**
-	-	Of which land and buildings leased under operating leases	719	803
-	-	Lease income from investment properties	67	11
-	-	Direct costs relating to investment properties generating rental income	21	2
-	-	Direct costs relating to investment properties not generating rental income	1	0
		The valuation was carried out by an internal valuer based on the return method. In 2011 the required rate of return ranged between 5% and 9% for commercial property and between 4% 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	719	495
		Rental income under non-cancellable operating leases		
-	-	Up to 1 year	32	38
-	-	Over 1 year and up to 5 years	44	23
-	-	Over 5 years	6	78
-	**-**	**Total**	**82**	**138**

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		23. LAND AND BUILDINGS (continued)		
		Owner-occupied properties		
20	**20**	**Acquisition cost, beginning of year**	**1,340**	**1,489**
-	-	Transferred from property, plant and equipment under construction	817	0
0	0	Additions, including improvements	26	14
-	(1)	Disposals	(1)	(164)
20	**19**	**Acquisition cost, year-end**	**2,181**	**1,340**
6	**5**	**Revaluations, beginning of year**	**279**	**278**
-	-	Additions for the year recognised in "Other comprehensive income"	38	10
(1)	-	Disposals for the year recognised in "Other comprehensive income"	(11)	(10)
-	(2)	Reversal of revaluations	(2)	-
5	**3**	**Revaluations, year-end**	**304**	**279**
2	**2**	**Depreciation and impairment losses, beginning of year**	**329**	**288**
-	-	Transferred from property, plant and equipment under construction	539	-
0	0	Depreciation for the year	18	18
-	-	Impairment losses for the year	1	26
-	(0)	Reversal of depreciation and impairment losses	(0)	(3)
2	**2**	**Depreciation and impairment losses, year-end**	**887**	**329**
23	**20**	**Balance, year-end**	**1,598**	**1,289**
		Owner-occupied properties are depreciated over a period of 20-50 years.		
6	5	Residual depreciation period at 31 December (avg number of years)	17	12
		The latest revaluation of owner-occupied properties was made at end-2011.		
		The valuations were carried out by an internal valuer based on the return method. In 2011 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	17	If no revaluations had been made, the carrying amount of owner-occupied properties would be:	1,294	1,010
		Plant under construction		
-	**-**	**Acquisition cost, beginning of year**	**743**	**513**
-	-	Additions	74	230
-	-	Disposals	(817)	(0)
-	**-**	**Acquisition cost, year-end**	**-**	**743**
-	**-**	**Impairment losses, beginning of year**	**(316)**	**(226)**
-	-	Impairment losses for the year	(223)	(91)
-	-	Impairment losses transferred to owner-occupied properties	539	-
-	**-**	**Impairment losses, year-end**	**-**	**(316)**
-	**-**	**Balance, year-end**	**-**	**426**

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		24. OTHER PROPERTY, PLANT AND EQUIPMENT		
691	**824**	**Acquisition cost, beginning of year**	**974**	**1,060**
163	104	Additions	128	164
(30)	(23)	Disposals	(35)	(250)
824	**904**	**Acquisition cost, year-end**	**1,066**	**974**
453	**518**	**Depreciation and impairment losses, beginning of year**	**632**	**726**
83	94	Depreciation for the year	106	101
(17)	(17)	Reversal of depreciation and impairment losses	(27)	(195)
518	**595**	**Depreciation and impairment losses, year-end**	**710**	**632**
306	**309**	**Balance, year-end**	**356**	**342**
		Other assets are depreciated over four to five years.		
4	3	Residual depreciation period at 31 December (avg number of years)	3	3
		25. ASSETS IN TEMPORARY POSSESSION		
274	451	Repossessed properties for sale	621	404
274	**451**	**Total**	**621**	**404**

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 in Group items in the segment financial statements.

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		26. OTHER ASSETS		
13,328	14,189	Interest and commission receivable	13,086	12,816
533	414	Receivables from group enterprises	-	-
2,834	3,996	Positive market value of derivative financial instruments	39,752	27,156
115	123	Defined benefit plans	123	115
242	192	Other assets	658	559
17,052	**18,913**	**Total**	**53,619**	**40,646**

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 are charged against income on a current basis, cf note 9.

The Group's defined benefit plans are funded through contributions from Nykredit Realkredit A/S and from staff into a pension fund acting in the members' interest by investing the contributions made to cover the pension liability. The pension fund is subject to Danish legislation on company pension funds. The plans are closed to new members and concern staff employed before 1972.

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		26. OTHER ASSETS (continued)		
(643)	(657)	Present value of defined benefit plans	(657)	(643)
757	780	Fair value of plan assets	780	757
115	**123**	**Net assets, year-end**	**123**	**115**
(558)	**(643)**	**Obligation, beginning of year**	**(643)**	**(558)**
(22)	(22)	Calculated interest expenses relating to the obligation	(22)	(22)
(110)	(36)	Actuarial gains/losses	(36)	(110)
4	2	Past service costs	2	4
43	42	Pension benefits paid	42	43
(643)	**(657)**	**Obligation, year-end**	**(657)**	**(643)**
700	**757**	**Plan assets, beginning of year**	**757**	**700**
31	36	Expected return on plan assets	36	31
69	27	Actuarial gains/losses	27	69
-	-	Contributions	-	-
(43)	(42)	Pension benefits paid	(42)	(43)
757	**780**	**Plan assets, year-end**	**780**	**757**
		Pension costs/income relating to defined benefit plans recognised in "Staff and administrative expenses" in the income statement		
(22)	(22)	Calculated interest expenses relating to the benefits	(22)	(22)
31	36	Expected return on plan assets	36	31
4	2	Past service costs	2	4
(41)	(7)	Actuarial gains/losses for the year	(7)	(41)
(28)	**8**	**Total**	**8**	**(28)**
		Plan assets break down as follows:		
825	857	Bonds	857	825
22	11	Cash and other receivables	11	22
(89)	(88)	Tax	(88)	(89)
757	**780**	**Total assets**	**780**	**757**
		Return on plan assets before tax		
100	63	Actual return on plan assets	63	100
31	36	Expected return on plan assets	36	31
69	**27**	**Actuarial gains/losses on plan assets**	**27**	**69**

Actuarial calculation assumptions	**2011**	**2010**	**2009**	**2008**	**2007**
Expected return on plan assets, %	4.6	3.9	6.0	6.0	5.2
Discount rate, %	3.5	3.9	5.0	4.8	4.1
Wage rate, %	2.0	2.3	2.0	2.0	3.0

The expected return on plan assets is based on long-term return expectations for low-risk bonds.

Net asset changes and experience adjustments

The Nykredit Realkredit Group's pension obligations for this year and the preceding four years are as follows:

	2011	**2010**	**2009**	**2008**	**2007**
Plan liabilities	(657)	(643)	(558)	(530)	(542)
Plan assets	780	757	700	652	712
Over-/underfunding	**123**	**115**	**142**	**122**	**170**
Experience adjustments to plan liabilities	(36)	(110)	(54)	(7)	142
Experience adjustments to plan assets	27	69	21	(61)	(87)

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		27. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
75,456	86,065	Payables to credit institutions	109,481	90,708
4,000	3,000	Payables to central banks	8,144	5,171
79,456	**89,065**	**Total**	**117,626**	**95,879**
72,667	82,632	Of which genuine sale and repurchase transactions	96,263	75,662
		Payables to credit institutions and central banks by time-to-maturity		
789	2,283	On demand	9,132	1,787
78,667	86,782	Up to 3 months	106,765	91,713
-	-	Over 3 months and up to 1 year	499	1,380
-	-	Over 1 year and up to 5 years	1,227	490
-	-	Over 5 years	4	509
79,456	**89,065**	**Total**	**117,626**	**95,879**
		28. DEPOSITS AND OTHER PAYABLES		
-	-	On demand	30,343	31,739
-	-	At notice	5,498	4,977
-	-	Time deposits	18,709	15,991
-	-	Special deposits	2,854	2,760
-	**-**	**Total**	**57,404**	**55,467**
		Deposits and other payables by time-to-maturity		
-	-	On demand	30,464	31,641
-	-	Up to 3 months	15,369	12,611
-	-	Over 3 months and up to 1 year	5,640	6,932
-	-	Over 1 year and up to 5 years	4,220	2,614
-	-	Over 5 years	1,712	1,669
-	**-**	**Total**	**57,404**	**55,467**
		29. ISSUED BONDS AT FAIR VALUE		
444,112	383,423	ROs	461,842	534,499
704,143	800,522	SDOs	800,522	704,143
29,930	31,441	Junior covered bonds	31,441	29,930
1,178,184	**1,215,387**	**Total**	**1,293,805**	**1,268,571**
(175,660)	(154,407)	Self-issued bonds transferred from "Bonds at fair value" – note 18	(271,863)	(294,252)
1,002,524	**1,060,979**	**Total**	**1,021,942**	**974,319**

Changes in the fair values of ROs and SDOs attributable to the Nykredit Group's own credit risk can be determined relative to changes in option-adjusted spreads (OAS) against government bonds or relative to changes in spreads against equivalent mortgage bonds from other Danish issuers.

Determined relative to other Danish issuers, the fair value has not been subject to changes attributable to the Nykredit Group's own credit risk in 2011 or since the issue, as there are no measurable price differences between bonds with identical characteristics from different issuers.

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		29. ISSUED BONDS AT FAIR VALUE (continued)		
		The yield spread between government bonds and ROs/SDOs widened in 2011 causing a drop in the fair value of issued bonds of about DKK 9bn attributable to the Nykredit Group's own credit risk. Since 2008 spread widenings between government bonds and ROs/SDOs have resulted in a fair value decline of approx DKK 20bn attributable to the Nykredit Group's own credit risk. Equity and results have, however, not been affected by the changes in fair value, as the value of mortgage loans has changed accordingly.		
		The determination allows for both maturity and nominal holding, but is to some extent based on estimates.		
		29 a. ROs		
443,321	375,075	ROs at nominal value	452,202	533,984
791	8,348	Fair value adjustment	9,640	515
444,112	**383,423**	**ROs at fair value**	**461,842**	**534,499**
(116,106)	(114,725)	Self-issued ROs transferred from "Bonds at fair value" – note 18	(138,736)	(129,316)
328,006	**268,698**	**Total**	**323,106**	**405,183**
108	1	Of which pre-issuance	1	108
63,624	44,574	ROs drawn for redemption at next creditor payment date	46,982	68,176
		29 b. SDOs		
702,000	791,152	SDOs at nominal value	791,152	702,000
2,143	9,370	Fair value adjustment	9,370	2,143
704,143	**800,522**	**SDOs at fair value**	**800,522**	**704,143**
(54,610)	(39,682)	Self-issued SDOs transferred from "Bonds at fair value" – note 18	(132,854)	(159,187)
649,532	**760,840**	**Total**	**667,668**	**544,955**
487	497	Of which pre-issuance	497	487
130,425	118,443	SDOs drawn for redemption at next creditor payment date	118,443	130,425
		29 c. Junior covered bonds		
29,872	31,354	Junior covered bonds at nominal value	31,354	29,872
58	87	Fair value adjustment	87	58
29,930	**31,441**	**Junior covered bonds at fair value**	**31,441**	**29,930**
(4,944)	-	Self-issued junior covered bonds transferred from "Bonds at fair value" – note 18	(273)	(5,748)
24,986	**31,441**	**Total**	**31,168**	**24,181**
8,045	-	Junior covered bonds drawn for redemption at next creditor payment date	-	8,045
		Issued bonds at fair value by time-to-maturity		
201,963	164,533	Up to 3 months	167,039	206,614
212,810	245,718	Over 3 months and up to 1 year	247,355	214,536
356,406	403,572	Over 1 year and up to 5 years	433,004	375,889
407,006	401,564	Over 5 years	446,408	471,533
1,178,184	**1,215,387**	**Total**	**1,293,805**	**1,268,571**
		Time-to-maturity for issued bonds is stated at fair value before set-off against self-issued bonds.		

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		30. ISSUED BONDS AT AMORTISED COST		
-	-	Corporate bonds	26,789	33,768
61	61	SDOs	61	61
135	135	Employee bonds	164	164
49	40	Other securities	40	49
245	**237**	**Total**	**27,055**	**34,042**
-	-	Self-issued corporate bonds transferred from "Bonds at fair value" – note 18	(1,150)	(1,423)
(1)	(1)	Self-issued SDOs transferred from "Bonds at fair value" – note 18	(1)	(1)
(49)	(40)	Other self-issued securities transferred from "Loans, advances and other receivables at amortised cost" – note 17	(40)	(49)
195	**195**	**Total**	**25,864**	**32,569**
		Issued bonds at amortised cost by time-to-maturity		
0	0	Up to 3 months	13,051	17,113
10	-	Over 3 months and up to 1 year	2,896	8,318
174	176	Over 1 year and up to 5 years	9,850	7,745
61	61	Over 5 years	1,258	866
245	**237**	**Total**	**27,055**	**34,042**

Time-to-maturity for issued bonds is stated at amortised cost before set-off against self-issued bonds.

30 a. Corporate bonds

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		Issues		
-	-	EMTN issues*	14,545	15,351
-	-	ECP issues*	11,900	16,840
-	-	Other issues*	344	1,577
-	**-**	**Total**	**26,789**	**33,768**

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

No value adjustments relate to changes in own credit risk.

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		31. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
-	-	Deposits at fair value	15,872	20,967
4,394	4,421	Negative securities portfolios	15,036	7,193
4,394	**4,421**	**Total**	**30,908**	**28,160**
-	-	Of which genuine sale and repurchase transactions	15,872	20,967
		Other non-derivative financial liabilities at fair value by time-to-maturity		
4,394	4,421	Up to 3 months	30,908	28,160
4,394	**4,421**	**Total**	**30,908**	**28,160**

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		32. OTHER LIABILITIES		
18,422	18,459	Interest and commission payable	23,113	23,121
3,323	5,825	Negative market value of derivative financial instruments	40,967	25,955
2,936	2,591	Payables relating to the purchase of Totalkredit shares	2,532	2,871
1,851	2,296	Other liabilities	4,569	3,774
26,532	**29,172**	**Total**	**71,180**	**55,721**
		33. PROVISIONS FOR DEFERRED TAX		
		Deferred tax		
9	123	Deferred tax, beginning of year	126	216
-	-	Disposals	-	(3)
111	(12)	Deferred tax for the year recognised in profit for the year	22	150
3	59	Adjustment of deferred tax assessed for previous years	47	(237)
0	-	Deferred tax for the year recognised in "Other comprehensive income"	20	(0)
123	**170**	**Deferred tax, year-end**	**214**	**126**
		Deferred tax is recognised in the balance sheets as follows:		
703	662	Deferred tax assets	741	747
(580)	(492)	Provisions for deferred tax	(526)	(621)
123	**170**	**Deferred tax, year-end, net**	**214**	**126**
		Deferred tax relates to:		
4	4	Loans and advances	(34)	(26)
(2)	5	Equities	5	0
51	23	Derivative financial instruments	23	51
(436)	(311)	Intangible assets	(312)	(431)
(2)	(13)	Property, plant and equipment	(26)	(19)
-	(2)	Other assets and prepayments	(5)	87
-	-	Issued bonds	24	-
563	541	Other liabilities	616	520
77	86	Provisions	87	77
(134)	(163)	Subordinated debt	(163)	(134)
123	**170**	**Total**	**214**	**126**
		Deferred tax assets not recognised in the balance sheet:		
0	0	Deferred tax relating to land and buildings	134	102
0	**0**	**Total**	**134**	**102**

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 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		34. CURRENT TAX ASSETS AND LIABILITIES		
		Current tax assets		
-	**-**	**Current tax assets, beginning of year**	**188**	**1,327**
-	(129)	Transferred to/from tax liabilities	(317)	-
-	225	Current tax for the year	18	(100)
-	175	Corporation tax paid for the year, net	164	(1,253)
-	72	Adjustment relating to previous years	86	213
-	-	Current tax for the year recognised in "Other comprehensive income"	206	-
-	**344**	**Current tax assets, year-end**	**344**	**188**
		Current tax liabilities		
720	**129**	**Current tax liabilities, beginning of year**	**160**	**1,008**
-	(129)	Transferred to/from tax assets	(317)	-
575	-	Current tax for the year	384	901
(1,166)	-	Corporation tax paid for the year, net	(36)	(1,748)
-0	-	Adjustment relating to previous years	11	(1)
129	**-**	**Current tax liabilities, year-end**	**201**	**160**
		35. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS		
276	**322**	**Balance, beginning of year**	**326**	**280**
(24)	(30)	Utilised for the year	(30)	(24)
99	64	Provision for the year	65	99
11	15	Adjustment for the year as a result of changes to the discount rate and discount period	15	11
(41)	(19)	Reversal of unutilised amounts	(19)	(41)
322	**351**	**Balance, year-end**	**356**	**326**
		36. REPAYABLE RESERVES IN PRE-1972 SERIES		
107	**100**	**Balance, beginning of year**	**100**	**107**
(7)	(12)	Utilised for the year	(12)	(7)
(0)	6	Adjustment for the year as a result of changes to the discount rate and discount period	6	(0)
100	**94**	**Balance, year-end**	**94**	**100**
		Repayable reserves in pre-1972 series stem from loan agreements under which the lenders on full or partial repayment of their outstanding amounts are paid their shares 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.		
		37. PROVISIONS FOR LOSSES UNDER GUARANTEES		
-	**-**	**Balance, beginning of year**	**745**	**610**
-	-	Disposals for the year	(659)	-
-	-	Provision for the year	92	317
-	-	Reversal of unutilised amounts	(64)	(182)
-	**-**	**Balance, year-end**	**114**	**745**

Notes

DKK million

Nykredit Realkredit A/S 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		38. OTHER PROVISIONS		
25	**27**	**Balance, beginning of year**	**129**	**182**
(6)	(3)	Utilised for the year	(73)	(30)
7	8	Provision for the year	95	8
0	0	Adjustment for the year as a result of changes to the discount rate and discount period	0	0
(0)	(2)	Reversal of unutilised amounts	(2)	(30)
27	**30**	**Balance, year-end**	**149**	**129**
		39. SUBORDINATED DEBT		
		Subordinated debt consists of financial liabilities in the form of subordinate loan capital and hybrid 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 the Danish Executive Order on capital base determination.		
		Subordinate loan capital		
-	-	Nom DKK 75m. The loan carried an interest rate of 2.5% pa above 6M Cibor The loan was prematurely redeemed on 29 March 2011	-	75
-	-	Nom NOK 125m. The loan carried an interest rate of 0.75% pa above 3M Nibor The loan was prematurely redeemed on 29 September 2011	-	119
-	-	Nom DKK 200m. The loan carried an interest rate of 1.0% pa above 6M Cibor The loan was prematurely redeemed on 16 November 2011	-	200
-	-	Nom DKK 200m. The loan carried an interest rate of 1.0% pa above 3M Cibor The loan was prematurely redeemed on 1 November 2011	-	200
-	**-**	**Total subordinate loan capital**	**-**	**594**
		Hybrid 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 a fixed interest rate of 6.3% pa	150	150
3,991	3,989	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.	3,989	3,991
6,814	6,975	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% pa up to 1 April 2015, after which date the interest rate will be fixed every five years.	6,975	6,814
10,805	**10,965**	**Total hybrid capital**	**11,215**	**11,055**
-	-	Portfolio of self-issued bonds	(11)	(31)
10,805	**10,965**	**Total subordinated debt**	**11,204**	**11,618**
10,805	10,965	Subordinated debt that may be included in the capital base	11,204	11,618
3	-	Costs related to raising and redeeming subordinated debt	-	3
3,723	-	Extraordinary principal payments and redemption of subordinated debt in the financial period	594	4,048

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		39. SUBORDINATED DEBT (continued)		
		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).		
272	278	Market value of interest rate swap of EUR 500m (nominal)	278	272
172	336	Market value of interest rate swap of EUR 900m (nominal)	336	172
3,498	3,478	Market value of hybrid capital of EUR 500m (nominal)	3,478	3,498
7,210	7,081	Market value of hybrid capital of EUR 900m (nominal)	7,081	7,210
		40. OFF-BALANCE SHEET ITEMS		
		Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.		
-	-	Contingent liabilities	10,142	15,225
1,273	1,981	Other commitments	8,389	8,342
1,273	**1,981**	**Total**	**18,531**	**23,567**
		Contingent liabilities		
-	-	Financial guarantees	6,860	11,740
-	-	Registration and refinancing guarantees	501	568
-	-	Other contingent liabilities	2,780	2,917
-	**-**	**Total**	**10,142**	**15,225**
		"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.		
		Contingent liabilities by time-to-maturity		
-	-	Up to 1 year	7,493	13,367
-	-	Over 1 year and up to 5 years	2,190	1,572
-	-	Over 5 years	459	286
-	**-**	**Total**	**10,142**	**15,225**
		Time-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 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		40. OFF-BALANCE SHEET ITEMS (continued)		
		Other commitments		
34	23	Irrevocable credit commitments	6,517	6,814
1,239	1,958	Other liabilities	1,873	1,528
1,273	**1,981**	**Total**	**8,389**	**8,342**
		"Other liabilities" comprises obligations and liabilities to securities depositories, investment commitments to private equity funds and non-callable lease payments relating to properties leased under operating leases.		
		The following non-cancellable lease payments are recognised in "Other liabilities":		
143	200	Up to 1 year	103	86
485	655	Over 1 year and up to 5 years	304	298
108	260	Over 5 years	224	269
737	**1,116**	**Total**	**632**	**652**

Other contingent liabilities

Owing to the size and business scope of the Nykredit Realkredit Group, the Group is continuously involved in legal proceedings. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Realkredit Group's financial position.

Nykredit Bank A/S is liable for roughly 3% of any losses incurred by the Guarantee Fund in the event of bankruptcy or winding-up of a bank.

Nykredit Realkredit A/S has issued a letter of comfort stating that Nykredit Realkredit A/S will contribute capital to Nykredit Bank A/S to ensure that Nykredit Bank A/S's Tier 1 capital calculated according to the Basel II rules does not fall below 12-13%. However, Nykredit Realkredit A/S will not contribute capital to Nykredit Bank A/S if that will bring Nykredit Realkredit's total capital ratio below the statutory capital requirement plus 0.5% or the internal capital adequacy requirement (ICAAP) plus 0.5%.

Nykredit Realkredit A/S is liable for the obligations of the pension fund in run-off Nykredits Afviklingspensionskasse (CVR no 24256219).

Notes

41. RELATED PARTY TRANSACTIONS AND BALANCES

Foreningen Nykredit, the Parent Company Nykredit Holding A/S, group enterprises and associates of Nykredit Realkredit as stated in 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 2011.

The companies have entered into various 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 2011 include:

Agreements between Nykredit Realkredit A/S and Totalkredit A/S
Nykredit Realkredit A/S has granted loans to Totalkredit A/S serving as collateral in Totalkredit's capital centres. At 31 December 2011, the loan amounted to DKK 18.5bn against DKK 10bn at 31 December 2010.
Nykredit Realkredit A/S has granted loans of DKK 500m to Totalkredit A/S in the form of subordinated debt.

Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S
Nykredit Realkredit A/S has acquired Nykredit Bank A/S's portfolio of Kalvebod issues, consisting of subordinated debt instruments in Danish banks, for DKK 1.1bn. The purchase price corresponded to the market value at the time of acquisition.

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

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 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)		
		41 a. Transactions with subsidiaries		
		Income statement		
13,715	14,086	Interest income	-	-
2,015	1,751	Interest expenses	-	-
406	411	Fee and commission income	-	-
154	169	Fee and commission expenses	-	-
59	5,540	Value adjustments	-	-
75	1	Other operating income	-	-
(630)	(652)	Staff and administrative expenses	-	-
		Asset items		
20,465	21,860	Receivables from credit institutions and central banks	-	-
10,616	19,871	Loans, advances and other receivables at fair value	-	-
433,531	461,846	Totalkredit mortgage loan funding	-	-
54	47	Loans, advances and other receivables at amortised cost	-	-
2,815	2,178	Bonds at fair value	-	-
10,019	9,207	Other assets	-	-
		Liability items		
3,863	3,036	Payables to credit institutions and central banks	-	-
118,070	116,117	Issued bonds	-	-
4,385	3,171	Other liabilities	-	-
		41 b. Transactions with parent companies		
		Income statement		
-	-	Interest expenses	1	1
		Liability items		
-	-	Deposits and other payables	121	119
83	18	Issued bonds at fair value	26	121
		41 c. Transactions with joint ventures		
		Income statement		
246	382	Staff and administrative expenses	394	256
		Asset items		
3	6	Other assets	6	3

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)		
		41 d. Transactions with associates		
		Income statement		
-	-	Interest expenses	0	0
		Liability items		
-	-	Deposits and other payables	11	9
		41 e. Transactions with the Board of Directors and Executive Board		
		Loans, charges or guarantees granted to the members of:		
17	18	Executive Board	21	21
47	49	Board of Directors	57	55
48	47	Related parties of the Executive Board and Board of Directors	57	54
		Deposits from the members of:		
-	-	Executive Board	5	5
-	-	Board of Directors	4	3
-	-	Related parties of the Executive Board and Board of Directors	22	53

Exposures with related parties have been granted on standard business terms. Rates applying to ordinary loans range between 3.4% and 10.0% (2010: 2.5%-7.5%), while deposits carry interest ranging between 0.25% and 1.0% (2010: 0.5%-1.0%).

No impairment provisions were made nor were any impairment losses recognised in relation to exposures with the Executive Board, the Board of Directors or related parties of these boards.

Notes

The 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 a financial asset may be traded, or the amount at which a financial liability may be settled, between independent and willing 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 there are no publicly recognised prices, Nykredit determines the fair value using generally accepted 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 have been applied:

- The interest rate risk of certain financial instruments recognised at amortised cost has been hedged by means of derivatives, cf note 47. These financial instruments have been measured at fair value in the financial statements, cf the provisions on hedge accounting of interest rate risk.

- The carrying amounts of loans, advances and receivables as well as other financial liabilities due within 12 months are also regarded as their fair values.

- For loans, advances and receivables as well as other financial liabilities measured at amortised cost, carrying a floating interest rate and entered into on standard credit terms, the carrying amounts are estimated to correspond to the fair values.

- The fair value of fixed-rate loans measured at amortised cost is determined based on generally accepted measurement methods. The credit risk on fixed-rate loans and advances is assessed in relation to the measurement of other loans, advances and receivables.

- The fair value of deposits and other payables without a fixed term is assumed to be the value payable 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 in "Other comprehensive income".

Notes

DKK million

The Nykredit Realkredit Group

42. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

2011	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)	7,084	7,084	-	7,084	-
Receivables at call from central banks	a)	19,788	19,788	-	19,788	-
Receivables from credit institutions	a+c)	39,387	39,372	(15)	39,358	14
Loans, advances and other receivables at fair value	b)	1,106,516	1,106,516	-	1,106,516	-
Loans, advances and other receivables at amortised cost	a)	56,716	56,797	81	47	56,750
Bonds at fair value	c)	97,115	97,115	-	96,249	866
Equities measured at fair value through profit or loss	c)	1,615	1,615	-	363	1,252
Equities available for sale	d)	2,064	2,064	-	1,803	261
Interest and commission receivable	a)	13,086	13,086	-	-	13,086
Derivative financial instruments	c)	39,752	39,752	-	39,752	-
Other assets	a)	891	891	-	-	891
Total		**1,384,013**	**1,384,079**	**66**	**1,310,960**	**73,119**
Liabilities and equity						
Payables to credit institutions	e)	109,481	109,476	6	109,476	-
Payables to central banks	e)	8,144	8,144	-	8,144	-
Deposits and other payables	e)	57,404	57,483	(78)	-	57,483
Issued bonds at fair value	b)	1,021,942	1,021,942	-	1,021,942	-
Issued bonds at amortised cost	e)	25,864	26,049	(186)	25,914	135
Other non-derivative financial liabilities at fair value	c)	30,908	30,908	-	30,908	-
Interest and commission payable	e)	23,113	23,113	-	-	23,113
Derivative financial instruments	c)	40,967	40,967	-	40,967	-
Other payables	e)	7,120	7,120	-	-	7,120
Subordinated debt	e)	11,204	11,412	(208)	11,162	250
Total		**1,336,147**	**1,336,613**	**(466)**	**1,248,513**	**88,101**
Transfer from assets				66		
Total balance				**(401)**		
Unrealised gains and losses recognised in "Other comprehensive income":						
Equities available for sale				(682)		
Balances not recognised in the income statement				**(1,083)**		

Measurement methods

Method 1: Generally accepted measurement methods based on market data

Method 2: Other generally accepted measurement methods

IAS 39 category

a) Loans, advances and receivables

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

c) Financial assets/liabilities held for trading

d) Financial assets available for sale

e) Other financial liabilities

Notes

DKK million

The 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	-	92,500	1,639
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**	**1,225,529**	**76,606**
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 "Other comprehensive income":						
Equities available for sale				161		
Balances not recognised in the income statement				**174**		

Measurement methods
Method 1: Generally accepted measurement methods based on market data
Method 2: Other generally accepted measurement methods

IAS 39 category
a) Loans, advances and receivables
b) Assets/liabilities classified at fair value on initial recognition (the fair value option)
c) Financial assets/liabilities held for trading
d) Financial assets available for sale
e) Other financial liabilities

Notes

DKK million

The Nykredit Realkredit Group

43. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS

Financial instruments at fair value by measurement category (the IFRS hierarchy)

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
2011				
Financial instruments in the form of assets:				
Recognised as trading book:				
- Receivables from credit institutions and central banks [1]	-	19,121	-	19,121
- Other loans and advances	-	22,007	-	22,007
- Bonds at fair value	88,121	8,116	878	97,115
- Equities measured at fair value through profit or loss	355	-	1,260	1,615
- Positive fair value of derivative financial instruments	378	37,733	1,641	39,752
Recognised through the fair value option:				
- Mortgage loans, arrears and outlays	1,084,508	-	-	1,084,508
Recognised as available for sale:				
- Equities available for sale	1,803	-	261	2,064
Total	**1,175,165**	**86,978**	**4,040**	**1,266,183**
Financial instruments in the form of liabilities:				
Recognised as trading book:				
- Payables to credit institutions and central banks [1]	-	96,263	-	96,263
- Other non-derivative financial liabilities at fair value	15,036	15,872	-	30,908
- Negative fair value of derivative financial instruments	1,227	39,607	133	40,967
Recognised through the fair value option:				
- Issued bonds at fair value	1,021,942	-	-	1,021,942
Total	**1,038,205**	**151,741**	**133**	**1,190,080**
Financial instruments measured on the basis of unobservable inputs:				
Fair value, beginning of year, financial assets			3,243	
Capital gains and losses recognised in the income statement			(613)	
Capital gains and losses recognised in "Other comprehensive income"			(8)	
Purchases for the year			68	
Sales and prepayments for the year			(173)	
Transferred from "Listed prices" and "Observable inputs"			1,523	
Fair value, year-end, financial assets			**4,040**	
Fair value, beginning of year, financial liabilities			231	
Capital gains and losses recognised in the income statement			(81)	
Sales and prepayments for the year			(17)	
Fair value, year-end, financial liabilities			**133**	

[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.

In 2011 no significant reclassifications were made between the categories "Listed prices" and "Observable inputs".

Notes

DKK million

The Nykredit Realkredit Group

43. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS (continued)

Financial instruments at fair value by measurement category (the IFRS hierarchy)

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
2010				
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	68,108	24,392	1,639	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	**1,102,633**	**73,715**	**3,243**	**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	7,193	20,967	-	28,160
- 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	**981,583**	**122,284**	**231**	**1,104,097**
Financial instruments measured on the basis of unobservable inputs:				
Fair value, beginning of year, financial assets			3,381	
Capital gains and losses recognised in the income statement			163	
Capital gains and losses recognised in "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			**3,243**	
Fair value, beginning of year, financial liabilities			267	
Capital gains and losses recognised in the income statement			(36)	
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.

In 2010 no significant reclassifications were made between the categories "Listed prices" and "Observable inputs".

A portfolio of equities traded and priced on a current basis on the back of market listings has been transferred from the category "Unobservable inputs" to "Listed prices".

Notes

The Nykredit Realkredit Group

43. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS (continued)

Listed prices

The Group's assets and liabilities at fair value are to the widest extent possible recognised at listed prices or prices quoted in an active market or authorised market place.

Observable inputs

When an instrument is not traded in an active market, measurement is based on observable inputs and 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.

In some cases, the markets, eg the bond market, have become inactive and illiquid. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and 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 maturities of the instruments. The Group's unlisted equities are generally classified under this heading although measurement is based on the IPEV measurement guidelines.

Measurement, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 4,040m (2010: DKK 3,243m) and DKK 133m (2010: DKK 231m), respectively, can be ascribed to this category.

Notes

DKK million

The Nykredit Realkredit Group

44. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net market value				Gross market value			
2011	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
Foreign exchange contracts								
Forwards/futures, purchased	260	77	7	-	457	113	343	37,159
Forwards/futures, sold	(301)	(41)	(6)	-	201	548	(348)	42,352
Swaps	(24)	186	(506)	354	1,462	1,451	11	47,748
Options, purchased	2	16	-	-	18	0	18	5,304
Options, written	(2)	(16)	-	-	0	18	(18)	5,244
Interest rate contracts								
Forwards/futures, purchased	(189)	7	0	-	186	368	(182)	116,914
Forwards/futures, sold	(12)	(100)	-	-	306	418	(112)	171,739
Forward rate agreements, purchased	(21)	(11)	(1)	0	6	38	(33)	88,066
Forward rate agreements, sold	9	8	(1)	(2)	21	8	14	89,273
Swaps	17	(42)	(1,196)	1,265	35,314	35,269	44	1,010,734
Options, purchased	-	-	343	1,363	1,713	7	1,706	57,513
Options, written	-	-	(1,291)	(1,392)	0	2,683	(2,683)	66,290
Equity contracts								
Forwards/futures, sold	2	(2)	-	-	2	2	0	0
Options, purchased	-	0	-	-	0	-	0	22
Options, written	-	(2)	-	-	-	2	(2)	73
Credit contracts								
Credit default swaps, purchased	-	-	15	-	18	3	15	1,041
Credit default swaps, sold	-	(19)	-	-	-	19	(19)	1,428
Unsettled spot transactions	28	-	-	-	47	20	28	21,210
Total	**(230)**	**63**	**(2,636)**	**1,589**	**39,752**	**40,967**	**(1,214)**	**1,762,109**

Notes

DKK million

The Nykredit Realkredit Group

44. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

By time-to-maturity	Net market value				Gross market value			
2010	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
Foreign exchange contracts								
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)	-
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
Total	**153**	**401**	**(182)**	**828**	**27,156**	**25,955**	**1,201**	**1,613,095**

Notes

DKK million

Nykredit Realkredit A/S 2010	Nykredit Realkredit A/S 2011		The Nykredit Realkredit Group 2011	The Nykredit Realkredit Group 2010
		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:		
7,799	5,877	Receivables from credit institutions and central banks	19,121	9,258
-	-	Loans, advances and other receivables at fair value	22,007	12,922
		Of the liability items below, genuine sale and repurchase transactions represent:		
72,667	82,632	Payables to credit institutions and central banks	96,263	75,392
-	-	Other non-derivative financial liabilities at fair value	15,872	20,967
		Assets sold as part of genuine sale and repurchase transactions:		
72,667	82,632	Bonds at fair value	112,051	96,160

Notes

DKK million

	The Nykredit Realkredit Group 2011	2010
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 comprised of selected balance sheet items and off-balance sheet items.

Total credit exposure

	2011	2010
On-balance sheet items		
Demand deposits with central banks	6,969	394
Receivables from credit institutions and central banks	59,175	58,149
Loans, advances and other receivables at fair value	1,106,516	1,043,763
Loans, advances and other receivables at amortised cost	56,716	59,777
Bonds at fair value	97,115	94,139
Equities	3,679	5,005
Other assets	53,735	40,749
Off-balance sheet items		
Contingent liabilities	10,142	15,225
Irrevocable credit commitments	6,517	6,814
Total	**1,400,563**	**1,324,015**

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 2011 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. Mortgage debt outstanding relative to estimated property values appears from page 34 of the Management's Review. In the table below, bank lending is broken down by unsecured lending and lending secured in part or in full by way of legal charge or other collateral security.

	2011			2010		
Bank lending	**Public**	**Retail**	**Corporate**	**Public**	**Retail**	**Corporate**
Unsecured lending	347	12,537	15,301	17	9,037	30,717
Lending secured by way of legal charge or other collateral security:						
Fully secured	44	3,360	11,175	16	3,334	3,833
Partially secured	56	4,968	12,282	36	4,762	13,224
Total lending before impairment provisions	**447**	**20,865**	**38,758**	**69**	**17,133**	**47,774**

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 based on current market standards such as ISDA or ISMA agreements.

Notes

DKK million

The 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.

2011	Private residential properties	Private residential rental	Industry and trades	Office and retail	Agriculture	Non-profit housing	Other	Total
Rating category								
10	39,465	1,137	1,519	4,412	4,495	488	479	51,995
9	63,141	5,076	2,370	12,347	10,046	2,334	2,659	97,972
8	124,487	22,814	11,447	15,484	19,810	25,435	7,267	226,743
7	173,968	28,343	3,021	25,447	20,986	19,506	2,787	274,060
6	116,279	13,641	1,632	12,933	15,980	5,066	1,517	167,049
5	48,403	10,374	2,013	7,042	7,866	3,957	705	80,361
4	31,542	6,793	688	5,407	12,341	2,642	438	59,851
3	13,684	4,306	571	6,531	2,327	1,292	264	28,975
2	19,308	6,540	532	3,521	3,378	892	210	34,381
1	14,656	1,053	127	1,498	1,329	456	29	19,149
0	4,908	2,037	80	1,792	903	88	23	9,832
Non-performing exposures	5,309	5,915	529	2,037	2,481	159	128	16,558
Total	**655,151**	**108,028**	**24,528**	**98,451**	**101,943**	**62,315**	**16,507**	**1,066,924**

2010	Private residential properties	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	64,944
4	24,763	5,122	946	5,299	12,032	3,602	842	52,606
3	9,320	4,709	564	8,003	1,980	1,634	205	26,415
2	13,502	10,047	620	4,475	3,103	1,047	192	32,986
1	16,603	1,393	212	1,589	1,470	382	85	21,734
0	377	1,339	147	631	701	32	25	3,252
Non-performing exposures	3,932	5,810	610	1,889	1,112	159	100	13,612
Total	**633,275**	**102,232**	**25,671**	**88,955**	**101,527**	**62,354**	**14,655**	**1,028,688**

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 (2011: DKK 1,250m, 2010: DKK 1,539m).

Mortgage loans with low customer ratings are loans in rating categories 0 to 2 (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 2011, available at nykredit.com/reports.

Notes

DKK million

The Nykredit Realkredit Group

46. RISK MANAGEMENT (continued)

Bank lending by sector and rating category

2011	Manufact., building, and construction	Credit and finance	Property management and trade etc	Transport, trade and hotels	Other trade and public	Retail	Total
Rating category							
10	63	263	211	311	633	2,631	4,113
9	1,496	1,920	727	400	1,206	1,871	7,621
8	2,138	779	2,806	895	1,758	1,981	10,355
7	1,201	1,062	3,542	388	1,070	1,658	8,920
6	342	281	984	287	762	1,259	3,914
5	360	135	747	136	428	1,361	3,167
4	377	138	602	115	615	1,465	3,311
3	341	373	286	234	507	590	2,331
2	339	3,207	1,131	116	555	1,287	6,636
1	118	87	280	69	165	371	1,092
0	123	219	138	13	154	290	937
Non-performing exposures	634	1,445	2,176	806	1,026	1,369	7,456
Total	**7,533**	**9,911**	**13,630**	**3,770**	**8,877**	**16,134**	**59,855**

Bank lending by sector and rating category

2010	Manufact., 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**

The 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 to 2 (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 2011, available at nykredit.com/reports.

Notes

DKK million

The 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:

2011	Nominal value/ amortised value	Carrying amount	Fair value adjustment for accounting purposes
Assets			
Loans and advances	1,181	1,242	61
Liabilities			
Subordinated debt	10,351	10,965	(614)
Issued bonds	4,290	4,387	(97)
Derivative financial instruments			
Interest rate swaps, subordinated debt	10,408	614	614
Interest rate swaps, fixed-rate bank loans and advances	883	62	(62)
Interest rate swaps, issued bonds	4,290	(97)	97
Total	**31,403**	**17,172**	**(1)**
Gain for the year on hedging instruments		169	
Loss for the year on hedged items		(170)	
Net loss		**(1)**	
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 loss		**(1)**	

Notes

DKK million

Nykredit Realkredit A/S 2010	2011		The Nykredit Realkredit Group 2011	2010
		48. CURRENCY EXPOSURE		
		By main currency (net)		
33	(4)	USD	8	31
(2)	4	GBP	4	(0)
38	(264)	SEK	(266)	40
42	73	NOK	72	44
1	3	CHF	(2)	0
-	-	CAD	(0)	(1)
(30)	(2)	JPY	(2)	(29)
(326)	(280)	EUR	(188)	(547)
0	3	Other	6	5
(243)	**(467)**	**Total**	**(368)**	**(457)**
357	551	**Exchange Rate Indicator 1**	458	577
		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.		
4	9	**Exchange Rate Indicator 2**	9	4
		Exchange Rate Indicator 2 is based on a statistical method where historical data have been compiled by the Danish authorities and reflects the overall loss risk.		

Notes

49. IFRS DISCLOSURE REQUIREMENTS (REFERENCE TO 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 liquidity risk. Reference is made to pages 31-39.

For qualitative information on group policies and risk management procedures, reference is made to "Group risk management" under "Group characteristics" and "Organisation, management and corporate responsibility" under "Organisation and delegation of responsibilities", pages 31 and 26-28.

Other information

For information on subsequent events, reference is made to the Management's Review under "Events occurred after the end of the financial year", page 11.

Notes

50. FINANCIAL RATIOS, DEFINITIONS

Financial ratios applied in note 51	**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 52 [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) after tax 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 Tier 1 capital less statutory deductions at year-end.
Loans and advances:equity (loan gearing)	The sum of loans and advances at fair value and loans and advances 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**
Total capital ratio, %	Capital base after statutory deductions divided by risk-weighted items.
Tier 1 capital ratio, %	Tier 1 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

The Nykredit Realkredit Group	FY/ 2011	FY/ 2010	Q4/ 2011	Q3/ 2011	Q2/ 2011	Q1/ 2011	Q4/ 2010
51. FIVE-QUARTER FINANCIAL HIGHLIGHTS							
Core income from							
Business operations	8,366	9,403	2,098	1,936	2,151	2,181	2,440
Securities	644	470	159	192	162	131	123
Total	**9,010**	**9,873**	**2,257**	**2,128**	**2,313**	**2,312**	**2,563**
Operating costs, depreciation and amortisation	5,976	6,000	1,700	1,245	1,521	1,510	1,572
Core earnings before impairment losses	**3,034**	**3,873**	**558**	**883**	**792**	**802**	**991**
Impairment losses on loans and advances, including the government guarantee scheme	1,414	2,382	516	153	466	279	676
Core earnings after impairment losses	**1,620**	**1,491**	**41**	**730**	**325**	**524**	**314**
Investment portfolio income	179	2,060	126	(716)	175	594	169
Profit before cost of capital	**1,800**	**3,551**	**167**	**14**	**500**	**1,118**	**484**
Net interest on hybrid capital	(462)	(461)	(115)	(117)	(115)	(114)	(117)
Profit (loss) before tax	**1,338**	**3,090**	**52**	**(103)**	**385**	**1,004**	**366**
Tax	223	786	48	(19)	90	104	85
Profit from discontinued insurance operations	-	1,511	-	-	-	-	-
Profit (loss) for the year/period	**1,115**	**3,816**	**4**	**(84)**	**295**	**899**	**281**
Other comprehensive income							
Value adjustment of strategic equities	(682)	161	(82)	(272)	(213)	(115)	219
Other adjustment of strategic equities	(171)	100	-	-	(25)	(147)	-
Fair value adjustment of owner-occupied properties	21	1	21	-	-	-	1
Total other comprehensive income	**(833)**	**261**	**(62)**	**(272)**	**(238)**	**(261)**	**219**
Comprehensive income for the year/period	**282**	**4,077**	**(57)**	**(356)**	**57**	**638**	**501**
SUMMARY BALANCE SHEET, YEAR-END	31.12.2011	31.12.2010	31.12.2011	30.09.2011	30.06.2011	31.03.2011	31.12.2010
Assets							
Cash balance and receivables from credit institutions and central banks	66,258	58,657	66,258	33,619	36,779	37,624	58,657
Mortgage loans at fair value	1,084,317	1,030,478	1,084,317	1,070,144	1,040,134	1,030,243	1,030,478
Bank loans – excluding reverse transactions	55,776	58,833	55,776	55,621	57,281	60,250	58,833
Bonds and equities	100,794	99,144	100,794	84,456	79,005	103,974	99,144
Other assets	85,760	64,028	85,759	77,863	62,665	59,333	64,028
Total assets	**1,392,905**	**1,311,140**	**1,392,905**	**1,321,703**	**1,275,864**	**1,291,424**	**1,311,140**
Liabilities and equity							
Payables to credit institutions and central banks	117,626	95,879	117,626	85,897	79,120	94,266	95,879
Deposits and other payables	57,404	55,467	57,404	53,498	51,875	53,416	55,467
Issued bonds at fair value	1,021,942	974,319	1,021,942	993,566	971,772	960,768	974,319
Subordinated debt	11,204	11,618	11,204	11,581	11,444	11,286	11,618
Other liabilities	129,419	118,537	129,419	121,802	105,938	116,030	118,537
Equity	55,310	55,320	55,310	55,359	55,716	55,659	55,320
Total liabilities and equity	**1,392,905**	**1,311,140**	**1,392,905**	**1,321,703**	**1,275,864**	**1,291,424**	**1,311,140**
FINANCIAL RATIOS							
Profit (loss) for the year/period as % of average equity pa	2.0	7.2	0.0	(0.6)	2.1	6.5	2.1
Core earnings before impairment losses as % of average equity pa	5.5	7.3	4.0	6.4	5.7	5.8	7.4
Core earnings after impairment losses as % of average equity pa	2.9	2.8	0.3	5.3	2.3	3.8	2.4
Total provisions for loan impairment and guarantees	6,892	9,114	6,892	7,747	7,939	8,497	9,114
Impairment losses for the year/period, %	0.12	0.21	0.04	0.01	0.04	0.02	0.06
Total capital ratio, %	17.1	18.5	17.1	18.4	19.5	18.6	18.5
Tier 1 capital ratio, %	17.1	18.5	17.1	18.4	19.5	18.6	18.5
Average number of full-time staff	4,139	4,026	4,139	4,115	4,095	4,057	4,026

Notes

DKK million

Nykredit Realkredit A/S

	2011	2010	2009	2008	2007
52. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	4,764	5,332	5,512	3,730	3,484
Net fee income	708	745	681	669	791
Net interest and fee income	**5,472**	**6,077**	**6,193**	**4,399**	**4,276**
Value adjustments	(2,399)	(333)	2,508	(5,353)	(136)
Other operating income	26	92	87	78	5
Staff and administrative expenses	2,711	2,642	2,619	2,576	2,243
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	672	649	592	528	454
Other operating expenses	3	2	0	4	0
Impairment losses on loans, advances and receivables	570	712	1,216	344	(55)
Profit (loss) from investments in associates and group enterprises	774	2,708	(2,630)	414	1,789
Profit (loss) before tax	**(83)**	**4,538**	**1,731**	**(3,913)**	**3,291**
Tax	(345)	461	851	(371)	394
Profit (loss) for the year	**261**	**4,076**	**880**	**(3,542)**	**2,897**

SUMMARY BALANCE SHEET, YEAR-END	2011	2010	2009	2008	2007
Assets					
Cash balance and receivables from credit institutions and central banks	39,170	45,904	37,992	58,089	79,969
Mortgage loans at fair value	604,684	575,278	550,598	505,115	473,950
Totalkredit mortgage loan funding	461,846	433,531	399,307	315,229	242,622
Bonds and equities	71,885	63,369	55,094	68,563	69,892
Other assets	73,488	62,301	58,451	47,013	35,581
Total assets	**1,251,073**	**1,180,384**	**1,101,443**	**994,008**	**902,014**
Liabilities and equity					
Payables to credit institutions and central banks	89,065	79,456	97,339	100,911	63,210
Issued bonds	1,060,979	1,002,524	907,439	790,326	724,746
Subordinated debt	10,965	10,805	14,203	7,584	7,343
Other liabilities	34,754	32,278	31,220	44,810	52,268
Equity	55,310	55,320	51,241	50,377	54,447
Total liabilities and equity	**1,251,073**	**1,180,384**	**1,101,443**	**994,008**	**902,014**
OFF-BALANCE SHEET ITEMS					
Other commitments	1,981	1,273	1,468	1,577	1,641
FINANCIAL RATIOS					
Total capital ratio, % *	15.4	17.1	17.7	15.7	13.8
Tier 1 capital ratio, % *	15.4	17.1	17.0	14.8	13.0
Return on equity before tax	(0.2)	8.5	3.4	(7.5)	6.2
Return on equity after tax	0.5	7.7	1.7	(6.8)	5.4
Income:cost ratio	0.98	2.13	1.39	(0.13)	2.25
Foreign exchange position, %	0.9	0.6	1.8	0.7	3.5
Loans and advances:equity (loan gearing)	11.0	10.4	10.8	10.0	8.7
Growth in loans and advances for the year, %	3.4	3.8	7.3	6.2	7.0
Total impairment provisions, %	0.29	0.29	0.25	0.08	0.05
Impairment losses for the year, %	0.09	0.12	0.22	0.07	(0.01)

* As from 1 January 2008, the total capital and Tier 1 capital ratios are determined in accordance with Basel II.

Notes

DKK million

The Nykredit Realkredit Group

	2011	2010	2009	2008	2007
52. FIVE-YEAR FINANCIAL HIGHLIGHTS, continued					
SUMMARY INCOME STATEMENT					
Net interest and fee income	10,425	11,816	11,715	8,009	6,929
Value adjustments	(1,935)	(559)	2,186	(2,850)	922
Other operating income	226	209	165	154	154
Staff and administrative expenses	4,931	4,837	4,857	4,164	3,424
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	930	811	744	729	497
Other operating expenses	114	382	551	126	3
Impairment losses on loans, advances and receivables	1,414	2,382	7,919	1,443	(67)
Profit (loss) from investments in associates	10	36	(141)	124	34
Profit (loss) before tax	**1,338**	**3,090**	**(145)**	**(1,025)**	**4,182**
Tax	223	786	(29)	(223)	969
Profit from discontinued insurance operations	-	1,511	245	108	149
Profit (loss) for the year	**1,115**	**3,816**	**129**	**(695)**	**3,363**
Profit (loss) for the year excludes value adjustment of strategic equities recognised in "Other comprehensive income" totalling	(682)	161	751	(2,847)	(465)
SUMMARY BALANCE SHEET, YEAR-END	**2011**	**2010**	**2009**	**2008**	**2007**
Assets					
Cash balance and receivables from credit institutions and central banks	66,258	58,657	62,909	73,388	82,636
Mortgage loans at fair value	1,084,317	1,030,478	981,227	895,463	823,228
Bank loans – excluding reverse transactions	55,776	58,833	60,908	72,733	39,660
Bonds and equities	100,794	99,144	86,620	103,434	98,589
Other assets	85,760	64,028	55,520	73,037	30,855
Total assets	**1,392,905**	**1,311,140**	**1,247,185**	**1,218,055**	**1,074,967**
Liabilities and equity					
Payables to credit institutions and central banks	117,626	95,879	119,313	162,549	115,875
Deposits and other payables	57,404	55,467	64,483	61,177	31,581
Issued bonds at fair value	1,021,942	974,319	889,899	836,081	796,403
Subordinated debt	11,204	11,618	15,372	8,979	7,343
Other liabilities	129,419	118,537	106,877	98,892	69,317
Equity	55,310	55,320	51,241	50,377	54,447
Total liabilities and equity	**1,392,905**	**1,311,140**	**1,247,185**	**1,218,055**	**1,074,967**
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	10,142	15,225	8,336	8,905	4,242
Other commitments	8,389	8,342	10,852	10,497	9,327
FINANCIAL RATIOS					
Total capital ratio, % *	17.1	18.5	17.8	14.7	10.3
Tier 1 capital ratio, % *	17.1	18.5	16.7	13.5	9.7
Return on equity before tax	0.5	9.3	1.7	(7.2)	7.2
Return on equity after tax	0.5	7.7	1.7	(6.8)	5.4
Income:cost ratio	1.03	1.41	1.04	0.40	1.95
Foreign exchange position, %	0.8	0.9	3.6	0.8	2.3
Loans and advances:equity (loan gearing)	21.0	19.9	20.6	19.7	16.0
Growth in loans and advances for the year, %	4.0	4.1	4.3	13.4	11.9
Total impairment provisions, %	0.58	0.81	0.91	0.33	0.04
Impairment losses for the year, %	0.12	0.21	0.74	0.14	(0.01)

* As from 1 January 2008, the total capital and Tier 1 capital ratios are determined in accordance with Basel II.

Notes

DKK million

The Nykredit Realkredit Group

53. GROUP STRUCTURE

Name and registered office	Ownership interest as % at 31.12.2011	Revenue 2011 *	Profit (loss) for 2011	Assets at 31.12.2011	Liabilities at 31.12.2011	Equity at 31.12.2011	Nykredit's share of profit (loss) for 2011	Nykredit's share of equity value at 31.12.2011	Profit (loss) for 2010	Equity at 31.12.2010
The Nykredit Realkredit Group										
Nykredit Realkredit A/S, Copenhagen a)										
Consolidated subsidiaries										
Totalkredit A/S, Taastrup, a)	100	1,563	562	586,397	572,579	13,818	562	13,818	887	13,256
Nykredit Bank A/S, Copenhagen, b)	100	2,896	433	232,368	218,166	14,202	433	14,202	395	13,769
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen, h) [1]	100	-	-	-	-	-	-	-	-	28
Nykredit Pantebrevsinvestering A/S, Copenhagen, d)	100	0	0	12	0	12	0	12	0	12
Nykredit Portefølje Administration A/S, Copenhagen, i)	100	146	40	292	98	194	40	194	33	153
Nykredit Leasing A/S, Gladsaxe, g)	100	93	(4)	2,747	2,603	144	(4)	144	1	149
FB Ejendomme A/S, Copenhagen, h)	100	0	0	5	1	4	0	4	0	4
Nykredit Forsikring A/S, Copenhagen, c) [2]	-	-	-	-	-	-	-	-	(80)	-
Nykredit Mægler A/S, Århus, e)	100	129	5	137	19	118	5	118	1	113
Nykredit Ejendomme A/S, Copenhagen, f)	100	111	(195)	1,601	1,234	367	(195)	367	(91)	541
Ejendomsselskabet Kalvebod A/S, Copenhagen, j)	100	0	(41)	209	0	209	(41)	209	(1)	249
Kalvebod Ejendomme I A/S, Copenhagen, f)	100	32	(34)	448	393	55	(34)	55	(2)	65
Kalvebod Ejendomme II A/S, Copenhagen, f)	100	28	(8)	373	318	55	(8)	55	(9)	21
Nykredit Adm. V A/S, Copenhagen, h)	100	0	0	1	0	1	0	1	0	1

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

[1] The company was liquidated on 30 September 2011.
[2] Nykredit Forsikring A/S was divested with closing on 29 April 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

Nykredit Realkredit A/S is wholly owned by and consolidated with Nykredit Holding A/S, which is consolidated with Foreningen Nykredit.

The financial statements of Foreningen Nykredit and Nykredit Holding A/S (both in Danish) are available from:
Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V

Notes

DKK million

The Nykredit Realkredit Group

53. GROUP STRUCTURE (continued)

Name and registered office	Ownership interest as % at 31.12.2011	Revenue 2011	Profit (loss) for 2011	Assets at 31.12.2011	Liabilities at 31.12.2011	Equity at 31.12.2011	Nykredit's share of profit (loss) for 2011	Nykredit's share of equity value at 31.12.2011	Profit (loss) for 2010	Equity at 31.12.2010
Associates *										
Boligsiden A/S, Copenhagen, a)	23	5	0	13	2	11	0	3	2	11
Core Property Management A/S, Copenhagen, d)	20	25	5	32	2	30	1	4	5	29
Dansk Pantebrevsbørs A/S, Copenhagen, b)	-	-	-	-	-	-	-	-	30	-
E-nettet Holding A/S, Copenhagen, c)	20	16	(2)	190	134	56	(0)	6	(3)	59
Erhvervsinvest K/S, Aalborg, d)	22	-	1	183	0	183	0	39	7	174
JN Data A/S, Silkeborg, c)	50	1,447	4	700	512	188	2	94	3	184
JSNFA A/S, Horsens, d)	33	-	0	4	0	4	0	2	-	4
Scandinavian Private Equity Partners A/S, Copenhagen, e)	46	2	1	10	2	8	0	4	1	10

* Recognised on the basis of interim reports as at 30 September 2011 if annual reports for 2011 are not available.

a) Property company
b) In liquidation
c) IT business
d) Investment company
e) Consultancy

Notes

DKK million

The Nykredit Realkredit Group

53. GROUP STRUCTURE (continued) **Name and registered office**	**Ownership interest as % at 31.12.2011**	**Profit (loss) for the year**	**Equity at 31.12.2011**
Other enterprises in which the Group holds at least 10% of the share capital			
Bisca Holding A/S, Vedbæk *	25	11	78
Cross Atlantic Partners KS IV, Copenhagen *	17	10	115
Cross Atlantic Partners KS V, Copenhagen *	13	(4)	79
ED Equity Holding B.V., Amsterdam *	30	(0)	8
Ejendomsselskabet Nordtyskland I A/S, Copenhagen *	10	5	55
Ejendomsselskabet Nordtyskland III A/S, Copenhagen *	29	13	135
Ejendomsselskabet Nordtyskland IV A/S, Copenhagen *	48	10	102
EQT III No 3 LP, Guernsey *	16	177	286
Erhvervsinvest II K/S, Copenhagen *	11	56	358
Erhvervsinvest Management A/S, Copenhagen *	10	1	16
Fredericia Erhvervs-Investering ApS, Fredericia *	10	(0)	0
Jeudan A/S, Copenhagen *	17	229	4,383
Kelsen Holding A/S, Nørre Snede *	11	44	328
Sparinvest Holding A/S, Høje-Taastrup *	11	71	346
VP Securities A/S, Copenhagen *	13	67	144

* According to the latest published annual reports.

Nykredit Realkredit A/S holds more than 20% of the shares in the companies Bisca Holding A/S, ED Equity Holding B.V, Ejendomsselskabet Nordtyskland III A/S 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 shareholdings are treated as an equity investment included in the trading book for accounting purposes.

SERIES FINANCIAL STATEMENTS

Pursuant to the Danish Financial Supervisory Authority's 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 2011.

The distribution of profit for 2011 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 Nykredit Realkredit A/S.

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 2011 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	1.8	0.7	0.1	0.2	0.6	0.0	0.1	0.1
Interest, net	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative expenses	(2.0)	(0.6)	(0.3)	(1.0)	(0.3)	0.0	(0.1)	(0.2)
Impairment losses on loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit (loss)	**(0.3)**	**0.1**	**(0.2)**	**(0.8)**	**0.3**	**0.0**	**0.0**	**(0.1)**
Balance sheet								
Assets								
Mortgage loans	635.8	218.8	26.8	25.1	100.8	0.1	1.3	21.1
Other assets	147.2	32.6	12.8	26.4	27.5	0.3	2.1	11.4
Total assets	**783.0**	**251.4**	**39.6**	**51.5**	**128.3**	**0.4**	**3.4**	**32.5**
Liabilities and equity								
Issued bonds	675.0	222.5	30.1	28.5	112.2	0.2	1.8	24.6
Other liabilities	66.4	21.3	3.4	4.4	10.9	0.0	0.3	3.0
Equity	41.6	7.6	6.1	18.6	5.2	0.2	1.3	4.9
Total liabilities and equity	**783.0**	**251.4**	**39.6**	**51.5**	**128.3**	**0.4**	**3.4**	**32.5**
Movements in capital, net	**(1.1)**	**(4.3)**	**(0.1)**	**(0.2)**	**(1.2)**	**0.0**	**(0.2)**	**(0.8)**

	9 VESØ	10 HUSM	11 NHYP	12 LHYP	13 KHYP	14 JLKR	15 TOTAL (1-14)
Income statement							
Income from lending	0.1	0.2	0.0	0.2	0.2	0.1	4.4
Interest, net	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)
Administrative expenses	(0.4)	(0.6)	0.0	(0.4)	(0.3)	(0.3)	(6.5)
Impairment losses on loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit (loss)	**(0.3)**	**(0.4)**	**0.0**	**(0.2)**	**(0.1)**	**(0.2)**	**(2.2)**
Balance sheet							
Assets							
Mortgage loans	24.1	18.3	0.0	19.8	14.6	23.1	1,129.7
Other assets	14.1	16.7	0.2	14.2	9.6	14.6	329.7
Total assets	**38.2**	**35.0**	**0.2**	**34.0**	**24.2**	**37.7**	**1,459.4**
Liabilities and equity							
Issued bonds	27.8	20.7	0.2	22.0	16.8	28.7	1,211.1
Other liabilities	3.2	3.0	0.0	2.9	2.1	3.2	124.1
Equity	7.2	11.3	0.0	9.1	5.3	5.8	124.2
Total liabilities and equity	**38.2**	**35.0**	**0.2**	**34.0**	**24.2**	**37.7**	**1,459.4**
Movements in capital, net	**(0.5)**	**(0.3)**	**(0.3)**	**0.0**	**(0.1)**	**(1.0)**	

Series Financial Statements for 2011 of Nykredit Realkredit A/S

DKK million

Summary at the level of the Association and Nykredit Realkredit In General

	16 FK	17 JK	18 NYK	19 TOTAL (16-18)	20 INST	21 TOTAL (15,19,20)
Income statement						
Income from lending	0.2	0.5	3,356.1	3,356.8	0.4	3,361.6
Interest, net	0.0	0.0	(47.6)	(47.6)	(15.8)	(63.5)
Administrative expenses	(0.2)	(0.4)	(2,102.9)	(2,103,5)	(701,5)	(2,811.5)
Impairment losses on loans and advances	1.0	0.0	(601.7)	(600.7)	31.0	(569.7)
Tax	0.0	0.0	(15.1)	(15.1)	359.7	344.6
Profit (loss)	**1.0**	**0.1**	**588.8**	**589.9**	**(326.2)**	**261.5**
Balance sheet						
Assets						
Mortgage loans	35.0	44.9	605,566.8	605,646.7	20.3	606,796.7
Other assets	14.1	20.8	792,585.4	792,620.3	8,282.6	801,232.6
Total assets	**49.1**	**65.7**	**1,398,152.2**	**1,398,267.0**	**8,302.9**	**1,408,029.3**
Liabilities and equity						
Issued bonds	44.1	59.0	1,231,763.1	1,231,866.2	19.5	1,233,096.8
Other liabilities	4.3	5.6	118,681.9	118,691.8	712.3	119,528.2
Equity	0.7	1.1	47,707.2	47,709.0	7,571.1	55,404.3
Total liabilities and equity	**49.1**	**65.7**	**1,398,152.2**	**1,398,267.0**	**8,302.9**	**1,408,029.3**
Movements in capital, net	**(2.9)**	**(6.0)**	**12,243.9**		**(12,241.4)**	

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 Landkreditforening
15 Total (1-14) Associations before 1972
16 Forenede Kreditforeninger
17 Jyllands Kreditforening
18 Nykredit (incl Capital Centres C, D, E, G and H)
19 Total (16-18) Associations after 1972
20 Nykredit Realkredit In General
21 Total (15, 19, 20) Nykredit Realkredit A/S

Notes	**DKK million** 2011
1. Assets, Series Financial Statements	
Assets, Annual Report	1,251,073.1
Assets, Series Financial Statements	1,408,029.3
Difference	**(156,956.2)**
Specified as follows:	
Set-off of self-issued ROs, self-issued SDOs, self-issued junior covered bonds and self-issued other securities	(154,448.6)
Set-off of interest receivable from self-issued bonds	(2,507.6)
Total	**(156,956.2)**
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	55,310.0
Provisions for repayable reserves in pre-1972 series	94.3
Equity, Series Financial Statements	**55,404.3**

FINANCIAL CALENDAR FOR 2012 – THE COMPANIES OF THE NYKREDIT GROUP

9 February
Annual reports for 2011 and a preliminary announcement of financial statements of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

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

20 March
General Meeting of Totalkredit A/S, Helgeshøj Allé 53, DK-2630 Tåstrup.

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

10 May
Q1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

23 August
H1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

8 November
Q1-Q3 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

NYKREDIT'S MANAGEMENT

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 23 March 2011. 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

Chairman of:
Foreningen Nykredit
A/S Motortramp
Bornholmstrafikken Holding A/S
Aktieselskabet Dampskibsselskabet
Orients Fond *
Det Arnstedtske Familiefond
Ejendomsselskabet Amaliegade 49 A/S
Margrethelund Gods A/S
Persolit Holding A/S
Rosendal Gods A/S

Deputy Chairman of:
Danske Færger A/S

Director of:
Danish Nitrogen Import A/S
Ny-Nitrogen A/S
Persolit Entreprenørfirma 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 Folkeblads Fond

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

Chairman of:
Cappelen Damm AS
Nordisk Film A/S
Lindhardt og Ringhof Forlag A/S
Egmont Holding A/S
Egmont Administration A/S

Director of:
Foreningen Nykredit

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 A/S

Chairman of:
TV 2 BIB A/S
TV 2 DTT A/S
TV 2 Networks A/S
TV 2 News A/S
TV 2 Radio A/S
TV 2 World A/S

Director of:
Foreningen Nykredit
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

Chairman of:
Aktieselskabet Amaliegade 10 *
Ejendomsselskabet Stigsborgvej A/S
C. W. Obel Ejendomme A/S
C. W. Obel Projekt A/S
Obel-LFI Ejendomme A/S
SGD-Bera A/S
Semco Maritime A/S

Deputy Chairman of:
Danfoss-Semco A/S

Director of:
Foreningen Nykredit
Skandinavisk Holding A/S
Scandinavian Tobacco Group A/S
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
BlackCarbon A/S *

Erling Bech Poulsen
Farmer

Date of birth: 14 June 1955
Joined the Board on 25 March 2009

Chairman of:
Foreningen Østifterne F.m.b.A.

Director of:
Agrovakia A/S
Axzon A/S
Vandborg Karosserifabrik A/S
Kølhede Invest A/S
Polen Invest A/S

Managing Director of:
Kølhede Holding ApS
Kølhede Invest A/S
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

Chairman of:
Niras Gruppen A/S

Deputy Chairman of:
Favrskov Gymnasium
Foreningen Nykredit

Director of:
Niras Fonden
Århus Festuge
Villum Fonden *

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 s.m.b.a.

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
Realkreditrådet
Fonden Business LF *

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
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

Chairman of:
Totalkredit A/S

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

Director of:
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
e-nettet Holding A/S
e-nettet A/S

Deputy Chairman of:
JN Data A/S

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

Member of the Committee of
Representatives of:
Gigtforeningen *

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
Nykredits Afviklingspensionskasse

Deputy Chairman of:
CfL Center for ledelse *
Director of:
Nykredit Bank A/S
Nykredit Mægler A/S
Finanssektorens Uddannelsescenter
Finanssektorens Arbejdsgiverforening (FA)

Member of the Committee of
Representatives of:
Ejendomsforeningen Danmark

* Joined in 2011
** Resigned in 2011
*** Staff-elected member

This document is an English translation of the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.