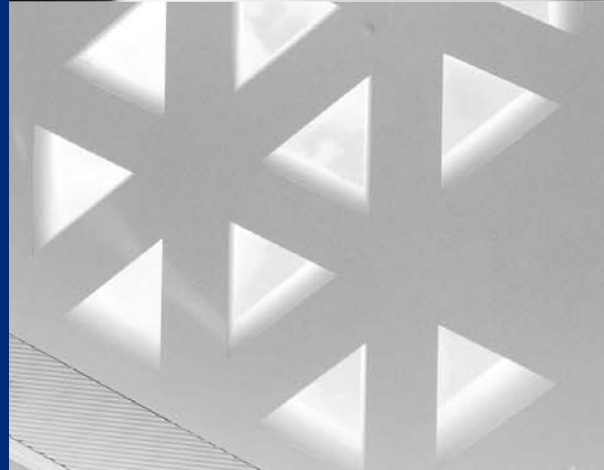




Annual Report 2013
The Nykredit Realkredit Group



Nykredit

CONTENTS

ABOUT NYKREDIT

Foreword	1
Company information	2
Group chart	3
Financial highlights	4
2013 – in brief	6

MANAGEMENT'S REVIEW

Nykredit Realkredit Group results	7
Results relative to forecasts	9
Outlook for 2014	9
Equity and capital adequacy	10
Other	10
Nykredit 2015	11
Uncertainty as to recognition and measurement	11
Events occurred after the end of the financial year	11
Business areas	12
Capital management	19
Required capital base and internal capital adequacy requirement	19
Stress tests and countercyclical buffer	19
Capital targets towards 2019	20
Risk management	22
Nykredit's characteristics	22
Credit risk	23
Market risk	27
Operational risk	30
Lending	31
Mortgage lending	32
Bank lending	36
Funding and liquidity	38
Funding	38
Credit ratings	41
Liquidity	42
Organisation, management and corporate responsibility	44
Financial sustainability and corporate responsibility	44
Organisation and delegation of responsibilities	44
Corporate governance	46
Remuneration	46
Internal control and risk management systems	48
Group entities	49
Nykredit Holding A/S	49
Nykredit Realkredit A/S	49
Totalkredit A/S	51
The Nykredit Bank Group	52
Nykredit Mægler A/S	53
Nykredit Ejendomme A/S	53
The Ejendomsselskabet Kalvebod Group	53

MANAGEMENT STATEMENT AND AUDIT REPORTS

Management Statement	54
Internal Auditors' Report	55
Independent Auditors' Report	56

FINANCIAL STATEMENTS 2013

Income statements	57
Statements of comprehensive income	58
Balance sheets	59
Statement of changes in equity	61
Cash flow statement	63
Notes	64

FIVE-QUARTER FINANCIAL HIGHLIGHTS 134

SERIES FINANCIAL STATEMENTS 135

OTHER INFORMATION

Financial calendar for 2014	138
Nykredit's Management	139
Board of Directors	139
Executive Board	141

FOREWORD

2013 – new challenges and new solutions

The Danish economy is generally recovering – we are seeing improving confidence indicators, slightly higher housing prices and declining arrears.

We are also witnessing a divided housing market. Recent years have seen massive urban migration due to better education and job opportunities in the cities. This has led to growth in housing prices in the cities and relatively low loan losses. At the same time, people are moving away from other parts of Denmark, which increases housing vacancies, depresses housing prices and causes higher loan losses in some areas.

In the past five years, Nykredit has grown its lending by DKK 181bn, whereas the rest of the Danish financial sector has reduced its lending by DKK 242bn. Nykredit has increased its lending in largely all Danish municipalities. We have active lending throughout Denmark, based on a specific assessment of customers' finances and the value and marketability of their properties. This credit assessment also forms the basis of good customer advice.

Nykredit also has close and steadily growing business relationships with commercial customers throughout the country, which has led to higher business volumes – especially deposits have risen significantly.

Since the financial crisis, financial market participants have been focusing on bolstering their financial strength through higher earnings and a stronger capital position. Stricter regulatory capital requirements imposed on financial market participants and more conservative provisioning policies have amplified this trend.

Nykredit already has a strong capital position and one of Europe's highest core Tier 1 capital ratios, and the Group aims to retain and enhance this position in coming years. In 2019 our capital position is expected to exceed regulatory requirements by a certain margin. A robust capital position is a precondition for high bond ratings, which benefit borrowers, as high ratings and attractive prices for Nykredit's covered bonds make for low loan rates.

With the regulatory framework in place, we can look inwards. We have started a strategy process, "Nykredit 2015", which is to strengthen Nykredit's competitiveness and provide solutions to the challenges we foresee in coming years.

We must grow our income and reduce our costs. Our objective is to increase income by DKK 1bn and cut costs by DKK 0.5bn – with full effect from 2016. This will allow us to build the required capital reserves, secure competitiveness and provide leeway to reinvest DKK 100m in new customer-centric activities.

Another focal point is Totalkredit. The Totalkredit business, which expands every year in terms of market share, has developed into a major success for our many business partners among local and regional banks and for us. Together, we will develop new strong product and IT solutions.

Our customers of course lie at the heart of our strategy process. We do business with 1.1 million Danes. The conditions of our customers differ significantly not least with respect to phase of life, income and wealth, but their homes are the natural pivot of the dialogue we have with them.

We are a financial mutual governed by our customers. "Nykredit 2015" puts Nykredit's customers and customer care first. Our ambition is to become a lifelong partner to our customers – in good as well as in more challenging times.

Michael Rasmussen
Group Chief Executive

COMPANY INFORMATION

COMPANY INFORMATION AT 31 DECEMBER 2013

Nykredit Realkredit A/S
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 year: 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 19 March 2014.

BOARD OF DIRECTORS

Steen E. Christensen, Attorney
Chairman

Hans Bang-Hansen, Farmer, Deputy Chairman

Steffen Kragh, Chief Executive Officer, Deputy Chairman

Kristian Bengaard, Senior Consultant*
Michael Demsitz, Managing Director
Merete Eldrup, Chief Executive Officer
Marlene Holm, Political Secretary*
Allan Kristiansen, Chief Relationship Manager*
Bent Naur, former Chief Executive Officer
Anders C. Obel, Chief Executive Officer
Erling Bech Poulsen, Farmer
Lars Peter Skaarup, Personal Adviser*
Nina Smith, Professor
Jens Erik Udsen, Managing Director
Leif Vinther, Chairman of Staff Association*

* Staff-elected member

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

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

Information on corporate governance is available at nykredit.com/corporategovernanceuk

See pages 139-142 for directorships and executive positions of the members of the Board of Directors and the Executive Board.

NOMINATION BOARD

Steen E. Christensen, Chairman
Hans Bang-Hansen
Steffen Kragh
Nina Smith

AUDIT BOARD

Steffen Kragh, Chairman
Anders C. Obel
Nina Smith
Jens Erik Udsen (from 1 January 2014)

REMUNERATION BOARD

Steen E. Christensen, Chairman
Hans Bang-Hansen
Steffen Kragh
Leif Vinther (from 1 January 2014)

RISK BOARD – FROM 1 APRIL 2014

Nina Smith, Chairman
Steffen Kragh
Merete Eldrup
Bent Naur

EXECUTIVE BOARD

Michael Rasmussen, Group Chief Executive

Kim Duus, Group Managing Director

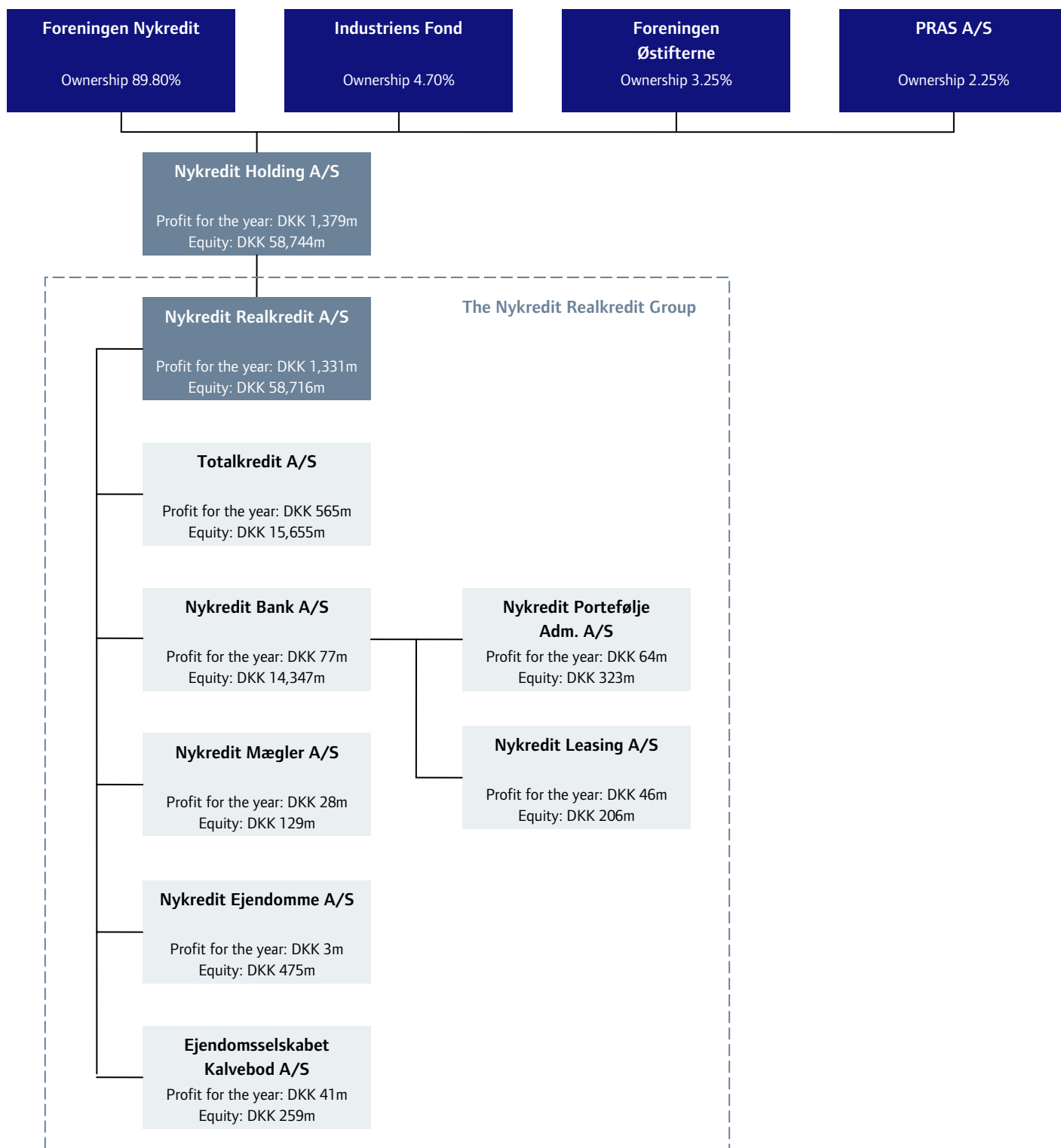
Søren Holm, Group Managing Director

Karsten Knudsen, Group Managing Director

Per Ladegaard, Group Managing Director

Bente Overgaard, Group Managing Director

GROUP CHART



Reference is made to note 53 for a full group structure.

FINANCIAL HIGHLIGHTS

	The Nykredit Realkredit Group					
DKK million	2013	2012	2011	2010	2009	EUR 2013
CORE EARNINGS AND RESULTS FOR THE YEAR						
						Exchange rate: 746.03
Core income from						
- business operations	10,430	10,200	9,188	9,569	8,816	1,398
- value adjustment of derivatives and corporate bonds	(766)	(1,067)	(632)	(47)	(176)	(103)
- junior covered bonds	(484)	(436)	(190)	(120)	(67)	(65)
- securities	118	212	644	470	829	16
Total	9,298	8,909	9,010	9,872	9,402	1,246
Operating costs, depreciation and amortisation, excl special value adjustments	5,758	5,776	5,709	5,499	5,395	771
Operating costs, depreciation and amortisation – special value adjustments ¹	218	(205)	158	88	363	29
Payment to Guarantee Fund for Depositors and Investors/ commission, government guarantee scheme	71	23	100	371	500	10
Core earnings before impairment losses	3,251	3,315	3,043	3,914	3,144	436
Impairment losses on loans and advances – mortgage lending	2,415	1,592	1,026	888	1,755	324
Impairment losses on loans and advances – banking	349	557	388	1,215	5,847	47
Impairment losses on loans and advances – government guarantee scheme	-	-	-	279	318	-
Core earnings after impairment losses	487	1,166	1,629	1,532	(4,776)	65
Investment portfolio income ²	1,887	2,444	179	2,060	4,759	253
Profit (loss) before cost of capital	2,374	3,610	1,808	3,592	(17)	318
Net interest on hybrid capital	(460)	(465)	(462)	(461)	(95)	(62)
Profit (loss) before tax	1,914	3,145	1,346	3,131	(112)	256
Tax	240	575	223	785	(29)	32
Profit from discontinued insurance operations	-	-	-	1,511	245	-
Profit for the year	1,674	2,569	1,123	3,857	162	224
Total value adjustment and reclassification of strategic equities against equity	(343)	(237)	(854)	261	751	(46)
SUMMARY BALANCE SHEET, YEAR-END						
Assets	2013	2012	2011	2010	2009	Euro 2013
Receivables from credit institutions and central banks	35,758	60,174	66,258	58,657	62,909	4,793
Mortgage loans at fair value	1,136,644	1,136,445	1,083,991	1,030,478	981,227	152,359
Bank loans – excluding reverse transactions	46,963	49,728	55,776	58,833	60,908	6,295
Bonds and equities	92,961	82,413	100,794	99,144	86,620	12,461
Remaining assets	105,088	104,645	86,086	64,028	55,521	14,086
Total assets	1,417,414	1,433,405	1,392,905	1,311,140	1,247,185	189,994
Liabilities and equity						
Payables to credit institutions and central banks	44,393	67,539	117,626	95,879	119,313	5,951
Deposits	65,172	54,509	57,404	55,467	64,483	8,736
Issued bonds at fair value	1,130,020	1,103,818	1,021,942	974,319	889,899	151,471
Subordinated debt – hybrid capital	10,964	11,281	11,204	11,618	15,372	1,470
Remaining liabilities	108,149	138,702	129,419	118,537	106,877	14,496
Equity	58,716	57,556	55,310	55,320	51,241	7,870
Total liabilities and equity	1,417,414	1,433,405	1,392,905	1,311,140	1,247,185	189,994
FINANCIAL RATIOS	2013	2012	2011	2010	2009	
Profit for the year as % of average equity	2.9	4.6	2.0	7.2	0.3	
Core earnings before impairment losses as % of average equity	5.6	5.9	5.5	7.3	6.2	
Core earnings after impairment losses as % of average equity	0.8	2.1	2.9	2.9	(9.4)	
Costs as % of core income from business operations (cost:income ratio)	55.2	56.6	62.1	57.5	61.2	
Total provisions for loan impairment – mortgage lending	4,378	2,954	2,485	2,226	1,942	
Total provisions for loan impairment and guarantees – banking	4,078	4,139	4,407	6,888	8,422	
Impairment losses for the year, % – mortgage lending	0.22	0.14	0.10	0.09	0.18	
Impairment losses for the year, % – banking ³	0.31	0.59	0.42	1.31	6.07	
Total capital ratio, %	18.9	19.1	17.1	18.5	17.8	
Core Tier 1 capital ratio, %	15.8	15.8	13.9	15.1	13.5	
Average number of full-time staff ⁴	4,052	4,115	4,139	4,026	4,135	

¹ Special value adjustments include value adjustment of certain staff benefits and owner-occupied properties, refund of VAT and payroll tax in previous years, adjustment of a provision/winding-up costs relating to Dansk Pantebrevsbørs under konkurs (in bankruptcy) and the impact of "Nykredit 2015".

² Value adjustment of the portfolio of subordinated debt instruments in Danish banks (Kalvebod issues) is included in investment portfolio income from 1 January 2011. Comparative figures have been restated.

³ Excluding provisions relating to the government guarantee scheme.

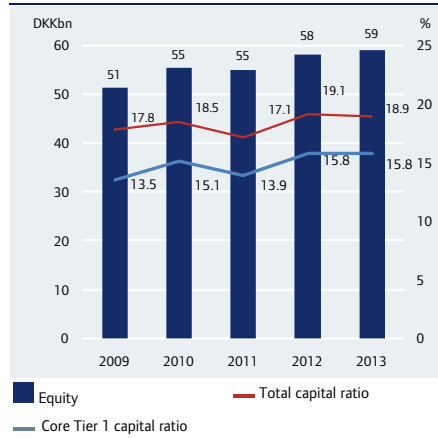
⁴ Excluding Nykredit Forsikring A/S and JN Data A/S.

Results for the year

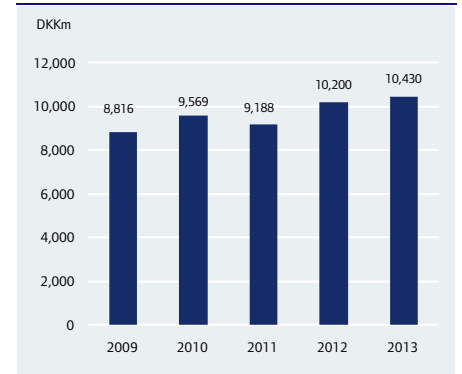


¹ Including profit from the divestment of Nykredit Forsikring A/S. Excluding value adjustment of strategic equities against equity. Nykredit Forsikring A/S is included up to 29 April 2010.

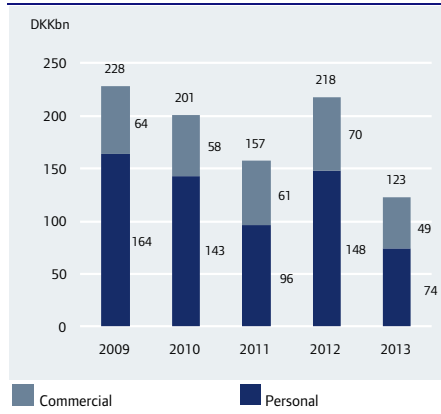
Equity and capital adequacy



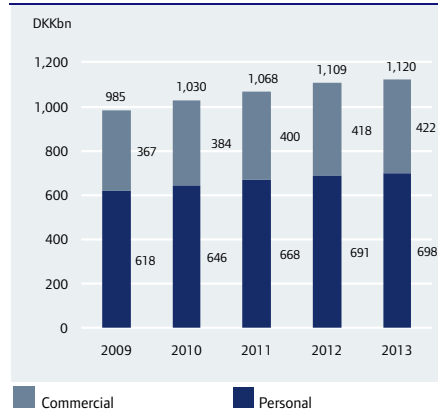
Core income from business operations



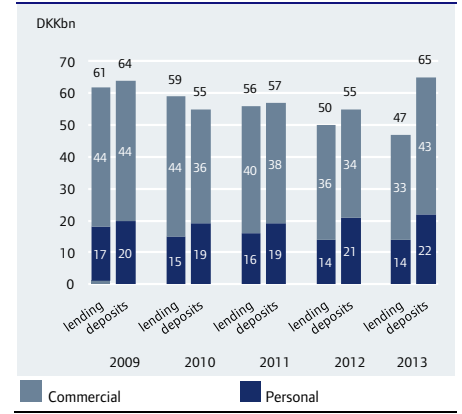
Gross new mortgage lending



Mortgage portfolio, year-end, nominal value



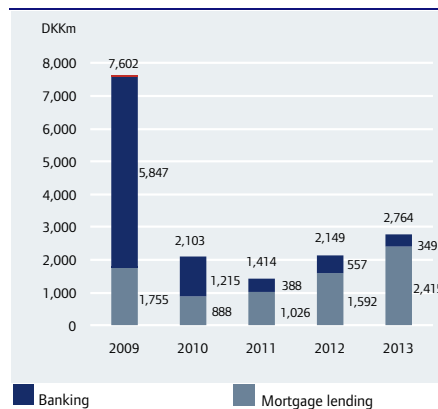
Bank lending and deposits, year-end



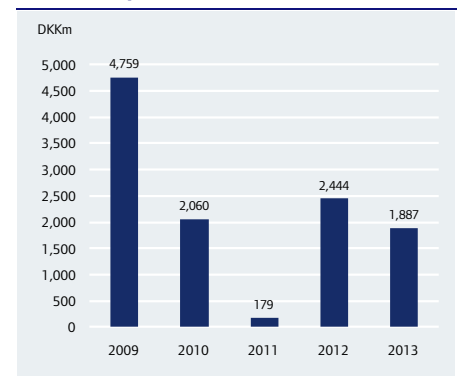
Costs as % of core income from business operations (cost:income ratio)



Impairment losses on loans and advances excluding government guarantee scheme



Investment portfolio income



Excluding value adjustment of strategic equities against equity.

Results – the Nykredit Realkredit Group

- Nykredit recorded a profit before tax of DKK 1,914m against DKK 3,145m in 2012
 - Results reflected a continued high investment portfolio income and declining bank loan impairments, but also rising impairment of mortgage lending to personal customers and small commercial customers
- Total core income grew by 4.4% to DKK 9,298m
 - Core income from business operations was up by 2.3% to DKK 10,430m against DKK 10,200m in 2012
 - Value adjustment of derivatives was a charge of DKK 766m against a charge of DKK 1,067m in 2012
- Nominal mortgage lending and bank lending went up by DKK 8bn to DKK 1,167bn in 2013
 - Gross new mortgage lending came to DKK 123bn compared with an exceptionally high level of DKK 218bn in 2012
- Operating costs, depreciation and amortisation excluding special value adjustments declined by 0.3% to DKK 5,758m
 - Costs as a percentage of core income from business operations reduced to 55.2% from 56.6% in 2012
- Impairment losses on loans and advances were DKK 2,764m, equal to 0.22%
 - Impairment losses on mortgage lending were DKK 2,415m, equal to 0.22%, against DKK 1,592m in 2012
 - This development mirrored a conservative assessment of loans and advances to personal customers and small commercial customers, especially in south and east Denmark excluding the capital region
 - 75-day mortgage arrears after the September due date were 0.47% compared with 0.52% at the same time in 2012
 - Impairment losses on bank lending were DKK 349m, equal to 0.31%, against DKK 557m in 2012
- Investment portfolio income amounted to DKK 1,887m against exceptionally high income of DKK 2,444m in 2012
 - Investment portfolio income should be seen in the context of value adjustment and reclassification of strategic equities against equity, which totalled a charge of DKK 343m after tax.

Capital

- Group equity totalled DKK 58.7bn
- The core Tier 1 capital ratio amounted to 15.8%
- The total capital ratio was 18.9%.

Credit ratings

Standard & Poor's

- Nykredit Realkredit and Nykredit Bank both have a long-term unsecured rating of A+ and a short-term unsecured rating of A-1
 - Negative outlooks have been assigned to Nykredit's ratings. The negative outlooks are a consequence of Standard & Poor's changed view, for the industry in general, on the refinancing risk relating to adjustable-rate mortgages (ARMs) with short-term funding
- Nykredit Realkredit and Totalkredit's recent mortgage covered bond issues are rated AAA, while their junior covered bonds are rated A+.

Fitch Ratings

- Nykredit Realkredit and Nykredit Bank both have a long-term unsecured rating of A and a short-term unsecured rating of F1 with stable outlooks.

MANAGEMENT'S REVIEW

NYKREDIT REALKREDIT GROUP RESULTS

Nykredit recorded a profit before tax of DKK 1,914m against DKK 3,145m in 2012.

Nykredit's results included 2.3% growth in core income from business operations. Costs declined by 0.3%, which together with higher core income from business operations contributed to reducing the cost:income ratio from 56.6% to 55.2%.

Investment portfolio income was at a high level of DKK 1,887m in 2013, albeit DKK 557m lower than in 2012.

Impairment losses on loans and advances and value adjustment of interest rate swaps amounted to DKK 3,530m against DKK 3,216m in 2012. The development reflected a downturn in bank loan impairments, but also an upturn in mortgage loan impairments in respect of personal customers and small commercial customers – notably in south and east Denmark excluding the capital region. Further, these customer groups as well as financially weak housing cooperatives were more conservatively assessed in 2013.

"Nykredit 2015" includes a number of organisational initiatives, adjustment of the Group's use of IT as well as a reduction of staff in non-customer facing functions. These initiatives had an adverse impact of DKK 250m on profit for 2013.

Nykredit recorded a profit after tax of DKK 1,674m. Equity was DKK 58,716m at end-2013 after value adjustment and reclassification of strategic equities.

Core earnings

Core income from business operations

Core income from business operations improved by DKK 230m to DKK 10,430m relative to the year before.

Core income from mortgage lending came to DKK 6,994m against DKK 6,596m in 2012, up 6.0%. This development was spurred by higher lending volumes as well as administration margin increases. Nykredit's total administration margin income was up by DKK 949m to DKK 7,440m compared with the year before.

Gross new mortgage lending stood at DKK 123bn, of which lending to personal customers and SMEs accounted for DKK 74bn and DKK 22bn, respectively. In 2012 gross new lending of DKK 218bn was affected by exceptionally high lending activity in response to a declining interest rate level, which prompted many homeowners to remortgage.

Nykredit's nominal mortgage lending went up by 1.0%, or DKK 11bn, to DKK 1,120bn compared with the beginning of the year. 65% of the uplift derived from the business areas Retail and Totalkredit Partners, while 35% resulted from the business area Wholesale.

Core income from banking was down by DKK 195m, or 5.7%, to DKK 3,243m relative to 2012. The decline derived from lower earnings from Retail, partly due to generally subdued demand for finance and low

property market activity. Another factor was the adverse impact which the subdued activity levels in Denmark and abroad had on Nykredit Markets's earnings.

Nykredit's bank lending decreased by DKK 2.8bn to DKK 47.0bn compared with the beginning of the year. Deposits rose by DKK 10.7bn to DKK 65.2bn compared with the beginning of the year. Nykredit Bank recorded a deposit surplus of DKK 18.2bn at end-2013 compared with a deposit surplus of DKK 4.8bn at the beginning of the year.

Value adjustment of derivatives and corporate bonds

Nykredit's credit exposure to interest rate hedging contracts resulted in a negative value adjustment of DKK 775m against a negative value adjustment of DKK 1,095m in 2012.

Of the charge for the year, DKK 148m stemmed from losses on terminated interest rate swaps, while the rest derived from value adjustment of active swaps. A general rise in interest rates will thus cause a significant positive value adjustment of active contracts.

The development in 2013 was particularly affected by a changed valuation of interest rate swaps for housing cooperatives following inspection by the Danish FSA within this area. To this should be added further value adjustment, representing about 50% of the total value adjustment, which resulted from a more conservative valuation.

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

Junior covered bonds

Nykredit's junior covered bond issues totalled DKK 44.3bn at end-2013 against DKK 43.3bn at the beginning of the year, leading to net interest expenses of DKK 484m. Net interest expenses came to DKK 436m in 2012. Junior covered bonds are used to fund supplementary collateral for covered bonds (SDOs).

Core income from securities

The risk-free interest rate, which corresponds to the Danish central bank's average lending rate, fell from 0.43% to 0.23% in 2013. Consequently, core income from securities dropped to DKK 118m from DKK 212m in 2012.

Operating costs, depreciation and amortisation, excl special value adjustments

Nykredit's costs, excluding special value adjustments, dropped by 0.3% to DKK 5,758m year-on-year. Costs as a percentage of core income from business operations were trimmed from 56.6% in 2012 to 55.2%.

Operating costs, depreciation and amortisation – special value adjustments

Under special value adjustments, a net credit of DKK 32m was reported, exclusive of the effect of "Nykredit 2015", compared with a net credit of DKK 205m in 2012.

In 2013 "Nykredit 2015" resulted in total expenses of DKK 250m, of which DKK 150m was provided for a planned staff reduction in non-customer facing functions in 2014. Further, DKK 100m was expensed in connection with a discontinued IT project.

Payment to Guarantee Fund for Depositors and Investors

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

Impairment losses on loans and advances

Nykredit's impairment losses on loans and advances were DKK 2,764m compared with DKK 2,149m in 2012. Impairment losses equalled 0.22% of total mortgage and bank lending.

Within mortgage lending, further polarisation with respect to customers' finances was seen in 2013. Customers' finances generally improved, which was evidenced by a drop in the arrears ratio from 0.52% to 0.47% (75-day arrears).

Conversely, the current economic trends exacerbated the financial difficulties of a relatively moderate number of customers. These customers are living in geographical areas where the marketability of real estate is low, especially south and east Denmark excluding the capital region. This prompted Nykredit to make additional impairment provisions of approximately DKK 0.6bn for potential losses.

Nykredit's impairment losses on mortgage lending amounted to DKK 2,415m, or 0.22%, against DKK 1,592m in 2012. Of impairment losses for the year, DKK 1,192m, or 0.17% of loans and advances, was related to personal customers against DKK 1,095m in 2012.

Impairment losses on mortgage lending to commercial customers came to DKK 1,223m, of which the proportion relating to SMEs remained relatively high at DKK 962m. Impairment losses on commercial lending corresponded to 0.29% of loans and advances.

Impairment losses on bank lending remained low at DKK 349m, equal to 0.31%, against DKK 557m in 2012. Of impairment losses for the year, DKK 98m, or 0.61% of loans and advances, was related to personal customers, compared with DKK 130m in 2012.

Impairment losses on bank lending to commercial customers came to DKK 251m against DKK 427m in 2012. In 2013 impairment losses were favourably affected by a higher level of recoveries of DKK 190m from loans and advances previously written off, which mirrored normalisation of the rental housing market.

The normalised market facilitated Nykredit's sale of properties for a total carrying amount of DKK 1.1bn in 2013. At end-2013, the portfolio of commercial properties repossessed chiefly consisted of a few logistics and warehousing properties.

Nykredit's impairment provisions for potential losses on mortgage and bank lending totalled DKK 8,456m at end-2013 against DKK 7,093m at the beginning of the year. Total provisions for credit risk associated with interest rate swaps amounted to DKK 2,229m in 2013 against DKK 1,496m the year before.

Write-offs on mortgage and bank loans for the year came to DKK 1,632m in 2013 against DKK 1,899m in 2012. Write-offs included both the charge for the year of DKK 584m and impairment provisions of DKK 1,048m made in previous years which have been written off. Realised losses on interest rate swaps came to DKK 148m against DKK 63m in 2012.

Investment portfolio income

Nykredit's investment portfolio generated income of DKK 1,887m against DKK 2,444m in 2012.

Investment portfolio income from bonds, liquidity and interest rate instruments stood at DKK 858m. Investment portfolio income from equities and equity instruments value adjusted through profit or loss came to DKK 332m.

Profit on the sale of strategic equities contributed DKK 697m to investment portfolio income in 2013, which must be recognised relative to cost in the income statement pursuant to current accounting rules. Half the profit derived from the sale of Nykredit's shares in Jeudan A/S.

Value adjustment of strategic equities against equity was DKK 395m.

Nykredit's securities portfolio mainly consists of short-term, high-rated Danish and other European covered bonds and credit bonds.

The interest rate risk associated with the bond portfolio was largely eliminated through offsetting government bond sales or the use of interest rate derivatives.

Net interest on hybrid capital

Nykredit's hybrid capital totalled DKK 11.0bn, which was unchanged from 2012. Net interest expenses totalled DKK 460m in 2013.

Tax

Tax calculated on profit for the year was DKK 240m.

Nykredit's tax rate was influenced by a tax-free profit on equities. Adjusted for this profit, the tax rate was 24.7% for 2013.

Results for Q4/2013

Nykredit posted a loss before tax of DKK 144m against a profit of DKK 52m in Q3/2013.

The loss for Q4 included a DKK 239m rise in core income from business operations and a DKK 412m fall in negative value adjustment of interest rate swaps.

Some of the elements of "Nykredit 2015" are adjustment of Nykredit's use of IT and a staff reduction, which led to a one-off expense of DKK 250m in Q4/2013.

Loan impairment losses amounted to DKK 1,160m. A rise in collective impairment provisions, chiefly for mortgage lending, accounted for just below DKK 500m of this amount, which was due to a more conservative assessment of the provisioning need principally to personal customers and small commercial customers in south and east Denmark excluding the capital region. Loan impairment losses totalled DKK 675m in Q3/2013.

The level of investment portfolio income was high at DKK 493m in Q4/2013 compared with DKK 395m in Q3/2013.

Dividend

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

RESULTS RELATIVE TO FORECASTS

When the Annual Report for 2012 was announced, Nykredit expected growth in core earnings after impairment losses and normalised, but significantly lower, investment portfolio income.

Profit for 2013 was slightly higher than forecast, but the size of the various components differed markedly from expectations.

Core earnings after impairment losses were at a somewhat lower level, which was mainly due to higher loan impairment losses and one-off expenses associated with the staff reduction forming part of "Nykredit 2015". Further, value adjustment of interest rate swaps exceeded our original expectations.

The level of costs matched expectations.

Investment portfolio income, including profit from the sale of strategic equities, totalled DKK 1,887m, which was significantly higher than forecast.

OUTLOOK FOR 2014

Nykredit expects growth in the Danish economy in 2014. Housing market trends are expected to show regional variation, but housing prices will generally trend higher.

Nykredit's core income is expected to rise in 2014 despite continued low interest rates.

Operating costs, depreciation and amortisation are likely to be lower than in 2013.

Loan impairments are expected to be below the level of 2013, when impairments were affected by a change in the assessment of loans and advances to personal customers and small commercial customers in particular areas of Denmark.

Overall, core earnings after impairment losses are expected to be in the region of DKK 2.5bn-3.0bn in 2014. Further, investment portfolio income is expected to fall markedly short of the level in 2013.

EQUITY AND CAPITAL ADEQUACY OF THE NYKREDIT REALKREDIT GROUP

Equity

Nykredit's equity went up by DKK 1.2bn to DKK 58.7bn at end-2013. The rise consisted of profit for the year of DKK 1.7bn and positive value adjustment of strategic equities of DKK 0.4bn and reclassification of negative value adjustment of DKK 0.7bn on the sale of strategic equities. Further, Nykredit distributed dividend of DKK 150m for 2012.

In accordance with IAS 39, Nykredit has classified the Group's strategic equity investments as "available for sale" in its Consolidated Financial Statements. Current value adjustment of these equities is recognised in equity, whereas value adjustments following a sale will be

The Nykredit Realkredit Group Equity

DKK million	2013	2012
Equity, beginning of year	57,556	55,310
Profit for the year	1,674	2,569
Fair value adjustment of equities available for sale	366	236
Realised value adjustment of equities available for sale reclassified to the income statement	(709)	(473)
Distributed dividend (for 2012 and 2011)	(150)	(200)
Other adjustments	(21)	114
Equity, year-end	58,716	57,556

The Nykredit Realkredit Group Capital and capital adequacy

DKK million	01.01.2014	2013	2012
Credit risk	300,931	298,574	275,639 ¹
Market risk	28,571	28,571	29,606
Operational risk	18,818	18,818	21,530
Total risk-weighted assets¹	348,320	345,963	326,775
Core/Common Equity Tier 1 capital before deductions	58,511	58,511	57,354
Deductions	(3,283)	(3,845)	(5,634)
Core/Common Equity Tier 1 capital after deductions	55,228	54,666	51,720
Hybrid/Additional Tier 1 capital	8,542	10,678	10,690
Total Tier 1 capital	63,770	65,344	62,410
Tier 2 capital	237	237	241
Deductions from capital base	(98)	(237)	(241)
Total capital base	63,909	65,344	62,410

Core/Common Equity Tier 1 capital ratio, %	15.9	15.8	15.8
Tier 1 capital ratio, %	18.3	18.9	19.1
Total capital ratio, %	18.3	18.9	19.1

Internal capital adequacy requirement (Pillar I and Pillar II), %

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

¹ The determination of credit risk includes the loss guarantee issued by Nykredit Holding.

² Capital adequacy is determined in accordance with the transitional rules of the Danish Executive Order on Capital Adequacy. RWA must constitute at least 80% of the capital requirement determined under Basel I. At end-2013, RWA subject to transitional rules amounted to DKK 632bn.

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

reclassified from equity to the income statement. The value of equities classified as available for sale totalled DKK 1,460m at end-2013.

Capital and capital adequacy

Nykredit's capital base stood at DKK 65.3bn, and risk-weighted assets (RWA) totalled DKK 346.0bn, corresponding to a total capital ratio of 18.9%. Nykredit's internal capital adequacy requirement (ICAAP) was calculated at 10.4%. The determination of the ICAAP takes into account approximately DKK 25bn resulting from the changed calculation method for RWA following the statutory implementation of advanced IRB models for the lending of Nykredit Bank. The core Tier 1 capital ratio amounted to 15.8% at end-2013.

The increase in RWA for credit risk was to a high degree the result of the termination in November of the loss guarantee issued by Nykredit Holding, as the guarantee implied a reduction of RWA for credit risk.

Under the transitional rules, RWA amounted to DKK 632.3bn, equal to a total capital ratio of at least 14.6%. The Basel I transitional rules have been extended to 2015 inclusive. They are expected to be extended to 2019, at which time the new capital requirements will be fully implemented. Nykredit's use of models to determine capital requirements is described under "Risk management" in this report.

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

The future capital requirement is specified further under "Capital management".

OTHER

New secured homeowner loans

Totalkredit will expand its business with the banks forming part of the Totalkredit partnership with a new type of secured homeowner loan funded by covered bonds (SDOs).

The secured homeowner loan has been developed together with the local banks of the Totalkredit partnership.

New Group Chief Executive

The Board of Directors appointed Michael Rasmussen Group Chief Executive and CEO of Nykredit Holding A/S, Nykredit Realkredit A/S and Foreningen Nykredit as at 1 September 2013. Michael Rasmussen was CEO of Nordea Danmark A/S until his appointment.

Tax

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

In December 2013 the Danish tax authorities informed Nykredit Bank that they waived their claim, and the case is now closed without any implications for the Bank's tax or financial positions.

Administration margin case

On 6 December 2012, the Danish Maritime and Commercial Court found for Nykredit in a case relating to administration margin adjustment.

The Danish Maritime and Commercial Court established in its decision that Nykredit had fully met its obligations under the agreement made between Nykredit and the Danish Competition Council in connection with Nykredit's acquisition of Totalkredit in 2003 and that Nykredit may adjust prices if warranted by market or capital conditions like any other mortgage lender, including Totalkredit.

In Nykredit's opinion, the decision was unequivocal, but the Danish Competition Council nevertheless appealed to the Danish Supreme Court. In the proceedings before the Danish Supreme Court, Nykredit claimed that the appeal be dismissed. It is expected that a decision in the appeal case will be made in Q2/2014.

NYKREDIT 2015

The market, our surroundings and the conditions for running a financial business such as Nykredit have changed significantly over the past year. In continuation of the fact that the recent months have brought more clarity about the entire area of regulation, Nykredit has performed a number of analyses and assessments to develop the Group with an unequivocal customer focus and to allow for the new regulatory and market conditions.

All these elements form part of "Nykredit 2015", which was announced on 9 December 2013.

The main elements of "Nykredit 2015" are stronger focus on:

- Customers and customer care
- Profitability and efficiencies
- IT
- Totalkredit's business partners
- Capital.

As the first part of the plan, decisions have been made with respect to the following business issues:

Improved customer focus

- Nykredit must ensure maximum customer focus, and all processes will be optimised on the basis of customer needs. This means both faster and more efficient customer servicing.
- Nykredit's business activities will chiefly be aimed at Danish personal and commercial customers. In the personal customers segment, focus will be on the customer's home and wealth clients/private banking, and in the commercial customers area Nykredit will have a broad-based presence.

Higher profitability and efficiency

- Nykredit must grow its earnings. Initiatives will be launched to increase earnings from Nykredit's core business by DKK 1.0bn with full effect in 2016.
- Nykredit must also reduce costs. Initiatives will be launched to reduce Nykredit's cost base by DKK 0.5bn, or nearly 10%, with full effect in 2016. DKK 0.1bn of this amount will be reinvested in new customer-facing activities.
- As part of the cost reductions and to raise the efficiency of decision-making processes, it will also be necessary to reduce the number of management and staff positions by up to 300 mainly in non-customer facing functions.
- The target will be an isolated improvement in the business return of 1 percentage point and a reduction of the cost:income ratio of 5 percentage points.

IT area to be reassessed

- The Group's IT area will be adapted to the future business strategy giving a higher priority to customer needs.
- Nykredit will intensify the development of digital communication with customers.

Increased focus on the Totalkredit concept

- Over the years the Totalkredit concept has been a great success for Nykredit as well as for the Danish local and regional banks. This alliance will be intensified and further developed in coming years.

Stronger focus on capital

- Nykredit expects to fulfil prevailing capital requirements in 2019, including a countercyclical buffer, based on a platform of unchanged business volumes and business mix as well as normal earnings expectations.
- Furthermore, Nykredit will build a capital structure that enables the Group to meet the borrowing requirements of Danish customers and to build a strategic capital buffer through earnings growth, cost cuts and active asset-liability management. Any opportunities for raising capital will also be considered.

"Nykredit 2015" is expected to be completed in its entirety by end-Q1/2014, and its implementation will take place successively. The plan may thus take full financial effect from 2016.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

The preparation of the Annual Report involves the use of informed accounting estimates. These estimates are made by Nykredit's Management in accordance with the accounting policies and based on previous experience and, in Management's judgement, reasonable and realistic assumptions. The points of uncertainty as to recognition and measurement are described in more detail in note 1 "Accounting policies" under "Significant accounting estimates and assessments".

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

No significant events have occurred in the period up to the presentation of the Annual Report 2013 which affect Nykredit's financial position.

BUSINESS AREAS

Nykredit is organised into the following business areas:

- Retail, which comprises Nykredit's personal customers and small and medium-sized enterprises (SMEs). The business area includes mortgage lending to Nykredit's personal customers arranged via Totalkredit
- Totalkredit Partners, which arranges the Group's mortgage loans to personal customers via local and regional banks
- Wholesale, which comprises Corporate & Institutional Banking and the business units Nykredit Markets and Nykredit Asset Management.

Further, Group Items comprises income and costs not allocated to the business areas, including core income from securities and investment portfolio income.

Gross income from customer business is allocated to the business areas which have supplied the underlying products (Nykredit Markets and Nykredit Asset Management). Income attributable to the sales activities of Retail and Corporate & Institutional Banking is subsequently reallocated in full. Correspondingly, the related costs are reallocated from Nykredit Markets and Nykredit Asset Management to Retail and Corporate & Institutional Banking.

Nykredit's core earnings after impairment losses totalled DKK 487m against DKK 1,166m in 2012. The development reflected growth in core earnings from the business areas Retail and Totalkredit Partners, whereas higher negative value adjustment of interest rate swaps and lower activity levels in Nykredit Markets reduced earnings in the business area Wholesale. Core earnings from Group Items declined chiefly due to special value adjustments, which totalled a charge of DKK 218m in 2013 against a credit of DKK 205m in 2012.

Nominal mortgage lending rose by DKK 11bn from the beginning of 2013 to DKK 1,120bn at year-end. In 2013 Nykredit recorded gross new lending of DKK 123bn, of which DKK 74bn to personal customers.

Nykredit's share of total Danish mortgage lending was 43.0% at end-2013, which was the same as in the previous year. Nykredit's market share in the private residential segment was 47.2% and in the commercial segment 37.2%, which was unchanged from end-2012.

Bank lending decreased by DKK 2.8bn to DKK 47.0bn at end-2013. Bank deposits were up by DKK 10.7bn to DKK 65.2bn at end-2013, mainly driven by higher deposit levels in Wholesale.

Results by business area¹

DKK million	Retail	Totalkredit Partners	Wholesale	Group Items	Total
2013					
Core income from					
- customer activities, gross	5,558	1,875	3,057	(60)	10,430
- payment for distribution	645	-	(645)	-	0
Total business operations	6,203	1,875	2,412	(60)	10,430
- value adjustment of derivatives and corporate bonds	(179)	-	(587)	-	(766)
- junior covered bonds	(165)	(293)	(26)	-	(484)
- securities	-	-	-	118	118
Total	5,859	1,582	1,799	58	9,298
Operating costs	3,184	409	823	641	5,057
Depreciation of property, plant and equipment and amortisation of intangible assets	10	521	6	235	772
Operating costs, depreciation and amortisation – special value adjustments	-	-	-	218	218
Core earnings before impairment losses	2,665	652	970	(1,036)	3,251
Impairment losses on loans and advances	2,005	554	222	(17)	2,764
Core earnings after impairment losses	660	98	748	(1,019)	487
Investment portfolio income ²	-	-	-	1,887	1,887
Profit before cost of capital	660	98	748	868	2,374
Net interest on hybrid capital	-	-	-	(460)	(460)
Profit before tax	660	98	748	408	1,914
Return					
Average business capital, DKK ³	12,114	7,845	5,301	7,380	32,639
Core earnings after impairment losses as % of average business capital ³	5.4	1.2	14.1	-	1.5
2012					
Core earnings after impairment losses	418	41	1,288	(581)	1,166
Return					
Average business capital, DKK ³	11,741	7,830	6,198	7,159	32,929
Core earnings after impairment losses as % of average business capital ³	3.6	0.5	20.8	-	3.5

¹ Please refer to note 4 of this report for complete segment financial statements with comparative figures.

² Investment portfolio income includes profit for the year relating to investments in associates and profit from their sale of DKK 32m (2012: DKK 47m).

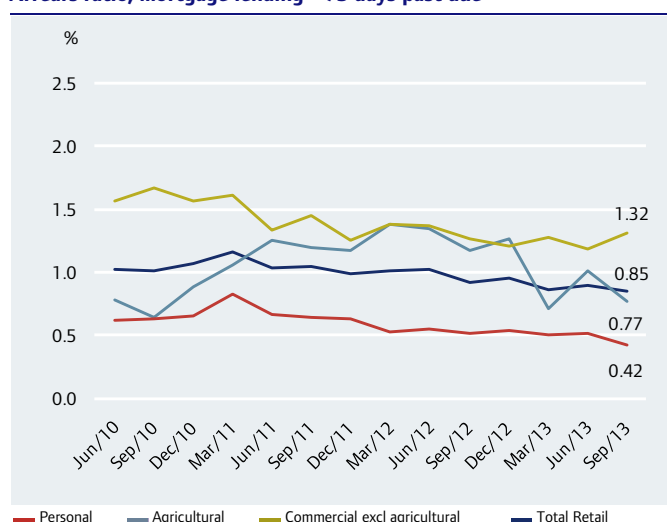
³ Business capital has been determined as Nykredit's ICAAP result.

Results – Retail

DKK million	2013	2012
Core income from		
- business operations	6,203	6,191
- value adjustment of derivatives	(179)	(927)
- junior covered bonds	(165)	(147)
Total	5,859	5,117
Operating costs	3,138	3,116
Payment to Guarantee Fund for Depositors and Investors	46	11
Depreciation of property, plant and equipment and amortisation of intangible assets	10	13
Core earnings before impairment losses	2,665	1,977
Impairment losses on loans and advances		
- mortgage lending	1,599	1,048
Impairment losses on loans and advances - banking	406	511
Core earnings after impairment losses	660	418

Activities

DKK million	2013	2012
Mortgage lending		
Gross new lending	40,657	66,717
Portfolio at nominal value, year-end	447,736	450,218
Impairment losses for the year as % of loans and advances	0.36	0.23
Total impairment provisions, year-end		
- Individual impairment provisions	1,791	1,307
- Collective impairment provisions	1,045	611
Total impairment provisions as % of loans and advances	0.63	0.43
Portfolio of repossessed properties, year-end (properties)	273	276
Banking		
Loans and advances, year-end	26,067	27,105
Deposits, year-end	39,506	36,174
Impairment losses for the year as % of loans and advances	1.52	1.71
Total impairment provisions, year-end		
- Individual impairment provisions	2,126	2,002
- Collective impairment provisions	196	140
Total impairment provisions as % of loans and advances	8.18	7.33
Guarantees, year-end	3,313	3,668
Provisions for guarantees, year-end	48	74

Arrears ratio, mortgage lending – 75 days past due**RETAIL**

The business area Retail comprises personal customers and SMEs, including agricultural customers and private residential rental customers. The business area Retail includes mortgage lending to Nykredit's personal customers arranged via Totalkredit as well as the activities of Nykredit Mægler A/S and Nykredit Leasing A/S.

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

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

Activities

Nominal mortgage lending went down by DKK 2.5bn to DKK 448bn at end-2013. The decline stemmed from personal customers. Nominal lending to personal customers and commercial customers amounted to DKK 203bn and DKK 245bn, respectively.

Gross new mortgage lending fell by DKK 26.1bn to DKK 40.7bn in 2013. This fall should be seen in the context of exceptionally high lending activity in 2012 in response to low interest rates, which caused many homeowners to remortgage. Gross new lending was DKK 18.3bn to personal customers and DKK 22.4bn to commercial customers.

Bank lending was down from DKK 27.1bn at the beginning of the year to DKK 26.1bn due to personal customers. Bank deposits amounted to DKK 39.5bn, up from DKK 36.2bn at the beginning of the year. The rise was due to higher deposits from commercial customers.

Results

Core earnings after impairment losses rose to DKK 660m from DKK 418m in 2012.

The most important factor underlying the positive development was lower negative value adjustment of interest rate swaps. Further, results reflected a continued low level of lending to personal customers and higher impairment losses on mortgage lending to SMEs, whereas impairment losses on bank lending decreased.

Core income from business operations amounted to DKK 6,203m in 2013, which was unchanged on 2012. Core income from mortgage lending to commercial customers improved by DKK 228m, while core income from other activities was unchanged or lower. Core income from mortgage operations went up by 3.5%, whereas core income from banking operations dropped by 6.4%.

Value adjustment of interest rate swaps was a charge of DKK 179m in 2013 against a charge of DKK 927m in 2012.

Operating costs climbed by DKK 22m to DKK 3,138m in 2013.

Mortgage impairment losses rose by DKK 551m to DKK 1,599m, whereas impairment losses on bank lending dropped by DKK 105m to DKK 406m. Total impairment losses rose by DKK 446m compared with 2012. Impairment losses represented 0.36% of mortgage lending and 1.52% of bank lending.

At end-2013, impairment provisions totalled DKK 5,158m against DKK 4,060m at the beginning of the year. Total impairment provisions for mortgage and bank lending were DKK 2,836m and DKK 2,322m, respectively. More than half the increase in total impairment provisions stemmed from a rise in collective and individual impairment provisions for mortgage lending to commercial customers.

At the September due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due came to 0.85% for Retail against 0.92% at the same time in 2012.

At end-2013, the number of repossessed properties was 273. In the period under review, 351 properties were repossessed and 354 sold.

The security underlying mortgage lending to the Retail segment remains substantial. The LTV ratios of mortgage loans are shown below with individual loans relative to the estimated values of the individual properties at year-end. 4% of mortgage lending to personal customers had a current LTV ratio in excess of 80%, which was unchanged from end-2012, and 8% of lending to SMEs had a current LTV ratio in excess of 60%.

International operations

Nykredit offers Danish private residential mortgage loans for properties chiefly in France and Spain directly to customers or through business partners.

Core income from international mortgage lending totalled DKK 103m in 2013, up DKK 8m.

Nominal mortgage lending came to DKK 10.4bn against DKK 9.5bn at end-2012. Lending in France represented DKK 4.5bn and lending in Spain DKK 4.6bn.

Impairment losses on international mortgage lending came to DKK 41m in 2013, up DKK 2m.

Mortgage debt outstanding relative to estimated property values

%	Personal		Commercial ²		Agricultural ³		Private residential rental ⁴	
	2013	2012	2013	2012	2013	2012	2013	2012
LTV								
0-40	63	63	73	75	70	69	61	63
40-60	21	21	20	19	20	20	23	22
60-80	12	12	6	5	7	8	13	12
80-90	2	2	1	1	1	1	2	1
90-100	1	1	0	0	1	1	1	1
> 100	1	1	1	0	1	1	0	1
LTV average¹	68	69	58	55	60	61	69	66

¹ Determined as the top part of the debt outstanding relative to estimated property values.

² Commercial segment excluding agriculture and private residential rental.

³ The 2013 figures for agriculture are based on Nykredit's mortgageable values, for which a maximum price per hectare of DKK 175,000 has been applied.

⁴ The LTV limit for private residential rental property is 80%.

Results – Totalkredit Partners

DKK million	2013	2012
Core income from		
- business operations	1,875	1,744
- junior covered bonds	(293)	(263)
Total	1,582	1,481
Operating costs	409	411
Depreciation of property, plant and equipment and amortisation of intangible assets	521	521
Core earnings before impairment losses	652	549
Impairment losses on loans and advances	554	508
Core earnings after impairment losses	98	41

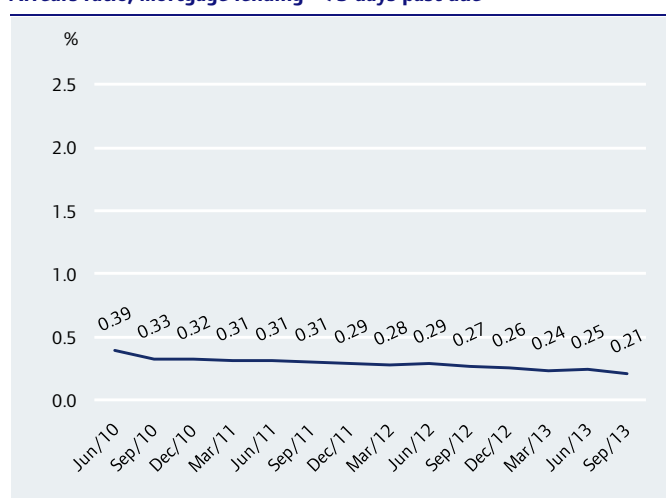
Activities

DKK million	2013	2012
Mortgage lending		
Gross new lending	56,238	115,392
Portfolio at nominal value, year-end	494,677	484,980
Impairment losses for the year as % of loans and advances	0.11	0.10
Total impairment provisions, year-end		
- Individual impairment provisions	458	441
- Collective impairment provisions	681	429
Total impairment provisions as % of loans and advances	0.23	0.18
Portfolio of repossessed properties, year-end (properties)	46	77

Mortgage debt outstanding relative to estimated property values

LTV/%	2013	2012
0-40	55	54
40-60	23	23
60-80	16	17
80-90	3	4
90-100	2	1
> 100	1	1
LTV average¹	78	78

¹ Determined as the top part of the debt outstanding relative to estimated property values.

Arrears ratio, mortgage lending – 75 days past due**TOTALKREDIT PARTNERS**

The business area Totalkredit Partners comprises mortgage loans distributed to personal customers under the Totalkredit brand through nearly 70 Danish local and regional banks.

Activities

Nominal mortgage lending improved by DKK 9.7bn to DKK 495bn at end-2013. Gross new lending halved to DKK 56bn in 2013 year-on-year.

Results

Core earnings after impairment losses came to DKK 98m against DKK 41m in 2012.

Results mirrored growth in core income from business operations, but also higher interest expenses for supplementary collateral and an upturn in loan impairment losses.

Core income from business operations rose by 7.5% to DKK 1,875m in 2013. This was the result of higher administration margin income prompted by larger lending volumes and price increases as well as a drop in activity-specific income owing to lower lending activity.

Net expenses for junior covered bonds were DKK 293m against DKK 263m in 2012. The increase stemmed from a higher need for supplementary collateral due to a decline in property prices in specific areas.

Operating costs of DKK 409m in 2013 were on a level with 2012. Depreciation of property, plant and equipment and amortisation of intangible assets remained unchanged at DKK 521m, which mainly related to amortisation of distribution rights obtained in connection with Nykredit's acquisition of Totalkredit. The distribution rights had been fully amortised at end-2013.

Loan impairment losses were up by 9% to DKK 554m year-on-year, after set-off against commission payable to partner banks. The amount offset grew by DKK 79m to DKK 333m in 2013. Impairment losses represented 0.11% of loans and advances in 2013.

Impairment provisions totalled DKK 1,139m against DKK 870m at the beginning of the year. The DKK 269m change in total impairment provisions stemmed from a DKK 252m rise in collective impairment provisions and a DKK 17m rise in individual impairment provisions.

The LTV ratios of the mortgage loan portfolio are determined based on the estimated values of the properties at year-end. Of mortgage lending to personal customers, 6% had a current LTV ratio in excess of 80%, the same level as at end-2012.

At the September due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.21% against 0.27% at the same time in 2012.

Since the beginning of the year, 125 properties have been repossessed and 156 sold. The number of repossessed properties was 46 at end-2013.

Results – Wholesale

DKK million	2013	2012
Core income from		
- business operations	2,412	2,369
- value adjustment of derivatives and corporate bonds	(587)	(140)
- junior covered bonds	(26)	(26)
Total	1,799	2,203
Operating costs	813	837
Payment to the Guarantee Fund for Depositors and Investors	10	3
Depreciation of property, plant and equipment and amortisation of intangible assets	6	5
Core earnings before impairment losses	970	1,358
Impairment losses on loans and advances		
- mortgage lending	251	36
Impairment losses on loans and advances - banking	(29)	34
Core earnings after impairment losses	748	1,288

Income from customer activities

DKK million	2013	2012
Gross income before payment for distribution		
- Nykredit Markets	680	914
- Nykredit Asset Management	788	782
- Corporate & Institutional Banking	1,589	1,417
Total	3,057	3,113
Payment for distribution		
- Nykredit Markets	(255)	(398)
- Nykredit Asset Management	(448)	(452)
- Corporate & Institutional Banking	58	106
Total	(645)	(744)
Gross income after payment for distribution		
- Nykredit Markets	425	516
- Nykredit Asset Management	340	330
- Corporate & Institutional Banking	1,647	1,523
Total	2,412	2,369

WHOLESALE

The business area Wholesale comprises activities with Nykredit's corporate and institutional clients, the non-profit housing segment, cooperative housing and mortgage lending to corporates for properties abroad. Wholesale also handles Nykredit's activities within securities and financial derivatives trading, and wealth and asset management. Wholesale consists of Corporate & Institutional Banking, Nykredit Markets and Nykredit Asset Management.

Results

Core earnings after impairment losses came to DKK 748m against DKK 1,288m in 2012.

Results mirrored higher negative value adjustment of interest rate swaps and a rise in impairment losses on mortgage lending. Corporate & Institutional Banking recorded growth in business volumes, while activity levels were lower in Nykredit Markets.

Gross income from customer activities was DKK 3,057m compared with DKK 3,113m in 2012.

Gross income from Nykredit Markets represented DKK 680m, which was a decline of DKK 234m on 2012, while gross income from Nykredit Asset Management went up by DKK 6m to DKK 788m. Corporate & Institutional Banking recorded a DKK 172m increase to DKK 1,589m.

Nykredit Markets's income after payment for distribution dropped by DKK 91m to DKK 425m in 2013, whereas Nykredit Asset Management's income grew by DKK 10m to DKK 340m after payment for distribution. Corporate & Institutional Banking posted a DKK 124m upturn to DKK 1,647m.

Negative value adjustment of interest rate swaps and corporate bonds rose by DKK 447m to DKK 587m in 2013. This development should chiefly be seen in the context of the Danish FSA's review of the credits area, which caused Nykredit Bank to make a more conservative assessment of exposures, including interest rate swaps, to housing cooperatives. This prompted a rise in exposures with objective evidence of impairment (OEI) and a higher need for adjustment of the market value of interest rate swaps.

Operating costs declined by 3% to DKK 813m in 2013.

Impairment losses on mortgage lending came to DKK 215m, up DKK 251m. The increase resulted from higher individual impairment provisions in respect of corporate clients.

Impairment of bank lending was a net credit of DKK 29m against a loss of DKK 34m in 2012. Of the credit DKK 267m was attributable to terminated exposures, while Corporate & Institutional Banking recorded a loss of DKK 238m. Terminated exposures were favourably affected by recoveries on loans and advances previously written off, of which DKK 180m derived from property-related lending.

Total impairment provisions amounted to DKK 1,996m at end-2013 against DKK 1,977m at the beginning of the year. Individual impairment provisions for bank lending were down by DKK 310m, whereas collective impairment provisions and individual impairment provisions for mortgage lending trended higher.

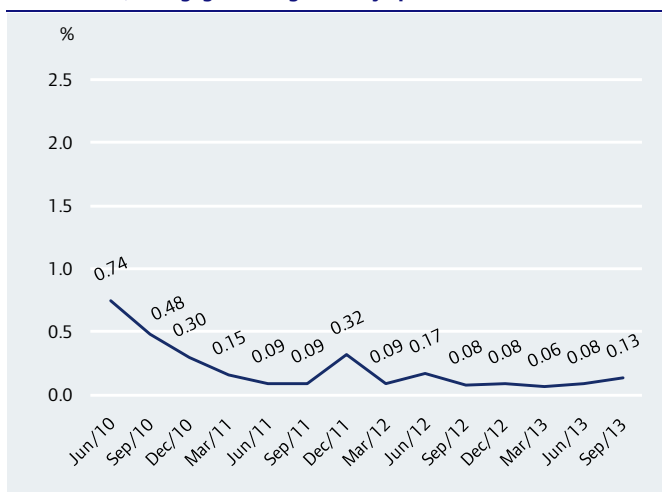
Activities – Wholesale

DKK million	2013	2012
Mortgage lending		
Gross new lending	26,270	35,460
Portfolio at nominal value, year-end	177,557	173,599
Impairment losses for the year as % of loans and advances	0.14	0.02
Total impairment provisions, year-end		
- Individual impairment provisions	262	104
- Collective impairment provisions	141	63
Total impairment provisions as % of loans and advances	0.23	0.10
Portfolio of repossessed properties, year-end (properties)	3	3
Banking		
Loans and advances, year-end	18,498	19,655
Deposits, year-end	24,527	16,286
Impairment losses for the year as % of loans and advances	(0.38)	0.35
Total impairment provisions, year-end		
- Individual impairment provisions	1,419	1,729
- Collective impairment provisions	174	81
Total impairment provisions as % of loans and advances	7.93	8.43
Guarantees, year-end	1,738	936
Provisions for guarantees, year-end	55	8
Assets under management	116,269	103,698
Assets under administration		
Nykredit Portefølje Administration A/S	598,434	513,675
- of which the investment funds of the Nykredit Group	51,808	46,518

Mortgage debt outstanding relative to estimated property values

LTV/%	2013	2012
0-40	71	72
40-60	21	21
60-80	6	6
80-90	1	1
90-100	1	0
> 100	0	0
LTV average¹	59	57

¹ Determined as the top part of the debt outstanding relative to estimated property values.

Arrears ratio, mortgage lending – 75 days past due**Activities**

Total nominal mortgage lending increased by DKK 3.9bn to DKK 178bn at end-2013. Gross new mortgage lending contracted by DKK 9.2bn to DKK 26.3bn.

Bank lending fell by DKK 1.2bn to DKK 18.5bn compared with the beginning of the year. The fall derived from higher bank lending to corporate clients, but also from a decline in the other activities.

Bank deposits increased by DKK 8.2bn to DKK 24.5bn at end-2013. The improvement in deposits stemmed from Nykredit Asset Management and corporate customers.

At end-2013, Nykredit Asset Management had assets under management totalling DKK 116bn, up DKK 12.6bn. Total assets under administration grew by DKK 84.8bn to DKK 598bn at end-2013.

The LTV ratios of the mortgage loan portfolio are determined based on the estimated value of the properties at year-end. 8% of mortgage lending had a current LTV ratio in excess of 60% against 7% at end-2012.

At the September due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.13% against 0.08% at the same time in 2012.

At end-2013, the portfolio of repossessed properties contained 3 properties. In the year under review, 1 property was sold and 1 property was repossessed.

International operations

For properties abroad, Nykredit offers Danish and certain international corporate clients mortgage loans subject to Danish legislation. Mortgage loans have been granted for properties in Finland, Germany, Norway, Sweden and the UK.

Core income from international mortgage lending rose by DKK 61m to DKK 337m in 2013.

Nominal mortgage lending amounted to DKK 45.4bn at end-2013 against DKK 46.7bn at the beginning of the year. Lending in Sweden represented DKK 21.7bn, lending in Germany DKK 14.9bn and lending in the UK DKK 5.2bn compared with DKK 21.6bn, DKK 14.7bn and DKK 6.2bn in 2012, respectively.

Impairment losses on international mortgage lending came to DKK 2m in 2013, down DKK 7m.

GROUP ITEMS

A number of income statement and balance sheet items are not allocated to the business areas. Such items are carried under Group Items and include costs of some staff functions and IT development costs. Group Items also includes Nykredit's total return on the securities portfolio, which is the sum of "Core income from securities" and "Investment portfolio income". The activities of the companies Nykredit Ejendomme A/S and Ejendomsselskabet Kalvebod A/S are also part of Group Items.

Results

Profit before tax was DKK 408m against DKK 1,398m in 2012.

Core income from securities

Nykredit's core income from securities was DKK 118m against DKK 212m in 2012. The change resulted from a decrease in the Danish central bank's average lending rate from 0.43% in 2012 to 0.23%.

Core income from securities equals the return which the Group could have obtained by placing its investment portfolios at risk-free interest rates.

Core income from securities also includes net interest expenses relating to Tier 2 capital and the acquisition of Totalkredit.

Results – Group Items

DKK million	2013	2012
Core income from		
- business operations	(60)	(104)
- securities	118	212
Total	58	108
Operating costs	627	646
Depreciation of property, plant and equipment amortisation of intangible assets	235	227
Operating costs, depreciation and amortisation – special value adjustments	218	(205)
Payment to the Guarantee Fund for Depositors and Investors	14	9
Core earnings before impairment losses	(1,036)	(569)
Impairment losses on loans and advances – mortgage lending	10	-
Impairment losses on loans and advances – banking	(27)	12
Core earnings after impairment losses	(1,019)	(581)
Investment portfolio income	1,887	2,444
Profit before cost of capital	868	1,863
Net interest on hybrid capital	(460)	(465)
Profit before tax	408	1,398

Activities

DKK million	2013	2012
Banking		
Loans and advances, year-end	2,398	2,968
Deposits, year-end	1,139	2,049
Total impairment provisions, year-end		
- Individual impairment provisions	60	91
- Collective impairment provisions	-	15
Total impairment provisions as % of loans and advances	2.42	3.43
Guarantees, year-end	1,260	202

Operating costs

Operating costs were DKK 627m against DKK 646m in 2012.

Special value adjustments came to a net charge of DKK 218m, principally due to provisions for restructuring costs of DKK 150m, but also to a partial reversal of provisions of DKK 78m made previously for Dansk Pantebrevsbørs A/S under konkurs (in bankruptcy). To this should be added value adjustment of some staff benefits and owner-occupied properties, impairment losses on capitalised software and refund of VAT and payroll costs from previous years. The net credit of DKK 205m in 2012 concerned termination of the Group's senior benefit scheme.

Investment portfolio income

Investment portfolio income amounted to DKK 1,887m against DKK 2,444m in 2012.

Of income in 2013, DKK 697m was attributable to profit from the sale of strategic equities, which under current accounting rules must be recognised as income relative to the initial acquisition cost.

Investment portfolio income from bonds, liquidity and interest rate instruments came to DKK 858m. Investment portfolio income from equities and equity instruments value adjusted through profit or loss was DKK 332m.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in equities, bonds and derivative financial instruments. To this should be added the realisation of equities classified as available for sale and value adjustment of holdings of subordinated debt instruments with Danish banks. Price spreads and interest margins 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.

CAPITAL MANAGEMENT

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 the Executive Board to ensure that Nykredit has the required capital base. The required capital base is the minimum capital required, in Management's judgement, to cover all significant risks.

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

The Nykredit Realkredit Group

Required capital base and internal capital adequacy requirement

DKK million	2013	2012
Credit risk	20,014	18,285
Market risk	3,996	3,812
- of which stressed VaR	2,543	2,372
Operational risk	1,461	1,662
Risk relating to own properties	130	133
Total Pillar I	25,601	23,893
Slightly weaker economic climate (stress test, etc)	2,854	2,506
Other factors ¹	4,331	2,104
Model and calculation uncertainties	3,158	2,776
Total Pillar II	10,343	7,385
Total required capital base	35,944	31,278
Total RWA	345,963	326,775
Internal capital adequacy requirement, %	10.4	9.6

¹ Other factors include assessment of control risk, strategic risk, external risk, concentration risk and liquidity risk.

Stress scenarios for determination of capital requirement

%	2014	2015	2016
Base case scenario			
GDP, growth	0.2	1.5	1.6
Interest rates ¹	0.9	1.1	1.5
Property prices, growth	2.2	1.8	2.9
Unemployment	2.0	2.0	2.0
Danish equity index, growth	4.4	4.3	4.2
Slightly weaker economic climate (scenario applied under Pillar II)			
GDP, growth	0.5	0.0	0.4
Interest rates ¹	2.3	2.8	3.7
Property prices, growth	(3.0)	(3.0)	0.0
Unemployment	5.2	6.0	6.2
Danish equity index, growth	(5.0)	(5.0)	0.0
Severe recession (scenario applied under countercyclical buffer)			
GDP, growth	(3.0)	(2.0)	0.0
Interest rates ¹	5.5	6.5	7.0
Property prices, growth	(12.0)	(10.0)	(5.0)
Unemployment	6.5	9.0	10.0
Danish equity index, growth	(10.0)	(10.0)	(5.0)

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

The determination of the required capital base takes into account the business targets by allocating capital for all relevant risks, including any model uncertainties. The determination of the internal capital adequacy requirement of both the Group and the group companies involves a comparison of Nykredit's own assessment of the required capital base and the results obtained using the 8+ method of the Danish FSA. This ensures that Nykredit uses the most conservative approach to determine the internal capital adequacy requirement. Nykredit's required capital base was DKK 35.9bn at end-2013, equal to an internal capital adequacy requirement of 10.4%.

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

Pillar I

Pillar I capital, covering credit, market and operational risks as well as risk relating to own properties, was determined at DKK 25.6bn at end-2013.

Pillar II

Pillar II comprises capital to cover other risks as well as an increased capital requirement during an economic downturn. The Pillar II capital requirement was determined at DKK 10.3bn at end-2013. The capital requirement during a slight economic downturn is determined by means of stress tests.

Under Pillar II, a capital charge is added to reflect the uncertainty of the models used. Generally, the charge applied corresponds to 10% of the amounts calculated.

STRESS TESTS AND COUNTERCYCLICAL BUFFER

Nykredit conducts model-based stress tests and capital projections to determine the required capital base in the current economic climate and in a severe recession scenario. The results are applied at both group and company level and are included in the annual assessment of the internal capital adequacy requirement by the individual boards.

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

The most important macroeconomic factors identified are:

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

Nykredit operates with three scenarios of the macroeconomic development: a base case scenario, a slightly weaker economic climate and a severe recession. Both in a slightly weaker economic climate and during a severe recession, the capital requirement for credit risk builds

on correlations between the macroeconomic factors, customer default rates (PD) and the size of the loss in case of customer default (LGD).

Scenario: Base case

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

Scenario: Slightly weaker economic climate in 2014-2016

The scenario is designed to illustrate a slightly weaker economic climate relative to the base case scenario. The capital charge reflects how much Nykredit's capital requirement would increase if this scenario occurred.

The capital charge for a slightly weaker economic climate came to DKK 2.9bn at end-2013.

Scenario: Severe recession (countercyclical buffer)

A central element of Nykredit's capital policy is to have sufficient capital resources, also in the long term. The assessments are also factored into the current assessment of equity targets going forward.

Nykredit continually calculates the impact of severe recession combined with a relatively high interest rate level. 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.

At end-2013, the countercyclical buffer came to DKK 11.9bn. In case of a severe recession, RWA will increase by about DKK 100bn.

The report Risk and Capital Management 2013, available at nykredit.com/reports, contains a detailed description of the determination of the required capital base and internal capital adequacy requirement of Nykredit as well as all group companies.

NYKREDIT'S CAPITAL TARGETS TOWARDS 2019

Regulatory framework

The future capital adequacy rules are nearly in place. In the European Union, the CRR/CRD IV have been adopted. In Denmark, a political agreement has been reached on systemically important financial institutions (SIFIs) and a bill has been introduced to amend the Danish Financial Business Act.

Nykredit has developed new IRB models, and a statutory application for approval to introduce advanced IRB models in respect of Nykredit Bank's commercial lending will be submitted in February 2014. The application has awaited the collection of sufficient loss data to develop statistical models. The approval process is expected to take about a year.

Nykredit's future capital targets are based on the statutory capital requirements – supplemented with credit rating agencies' and bond investors' expectations for the capitalisation of Nykredit as one of the largest private bond issuers in Europe.

The capital requirements may be met using different types of capital. Both applicable legislation and financial markets require that the

majority of own funds is equity. Going forward, the most important capital instruments will be:

- Equity generated through retained earnings is the most important element in the capital structure. Equity is to contribute to safeguarding a strong Nykredit that is able to issue covered bonds with high credit ratings and attractive prices. The return on equity should be market-consistent and form the financial foundation for continuing business growth.
- As a result of the "SIFI agreement", the future rules are expected to enable issuance of non-voting preference shares. Such shares may ensure that new shareholders receive dividends despite Foreningen Nykredit's position as majority shareholder in terms of votes. However, a proposal has been submitted for new dividend regulation in the EU, and any use of the new capital instrument will await the outcome thereof. Preference shares are deemed to be a relatively expensive type of capital and are thus expected to be applied mainly in periods of extraordinarily high business growth.
- A moderate part of the capital requirement may presumably be met by Additional Tier 1 capital. As a result of the SIFI agreement, the so-called triggers for coupon skip and write-down/conversion to shares are expected to be adapted to European market standards, thereby rendering issuance possible. Additional Tier 1 capital is expected to be a somewhat cheaper capital instrument than preference shares.
- A smaller part of the capital requirement (Pillar II capital requirement) and capital for rating purposes may be met by a special form of subordinate loan capital with a so-called write-down trigger which is activated if equity falls below 7% of RWA.
- Lastly, a small part of the formal capital requirements may be met by conventional subordinated capital. This type of capital cannot be used to fulfil the capital requirements set out by credit rating agencies.

The proposed rules imply that the minimum equity requirement will amount to at least 9-11.5% of RWA (11.5% in a favourable economic climate; 9% during other economic trends), to which should be added a requirement of 5-6% of RWA to be met by either equity or certain other types of capital instruments, cf above.

In addition, capital is required to cover statutory deductions from equity carried for accounting purposes.

However, credit rating agencies and bond investors are expected to require a somewhat higher capital level from a financial services provider such as Nykredit, probably equity to the tune of 15% of RWA and a total capital ratio of 18-20% of RWA. On top of that comes equity to cover statutory deductions.

A strong capital position combined with a market-consistent return on equity will form a good basis for maintaining active lending as well as competitive credit ratings and attractive covered bond prices.

Basis for capital targets

The capital requirement depends on business activity, the economic climate and decisions by regulators and supervisors. Unlike previous requirements, the future capital requirements are not fixed and they will depend on several factors:

- During an economic boom, an extra requirement for equity at 2.5% of RWA (countercyclical buffer) will take effect.

- During a severe recession, losses and arrears will increase, causing a calculated rise in RWA of approximately DKK 100bn given the current business volumes.
- The EBA may regularly prepare technical standards for the determination of RWA, including minimum risk weighting levels. As a new feature, new legislation also authorises the Danish FSA to change calculation rules and risk weights in the capital determination. In respect of Nykredit's capital targets, it implies that Nykredit has to operate with a buffer for regulatory changes.

Nykredit's capital targets are based on the current business volume of DKK 346bn of RWA and an additional amount of approximately DKK 25bn resulting from the changed calculation method for RWA following the statutory implementation of advanced IRB models for Nykredit Bank's lending, equal to total RWA of DKK 370bn.

Capital targets 2015-2019

Nykredit expects to implement the new capital policy in the course of 2014 and 2015, with full effect from the end of 2015.

- Nykredit's target is equity to the tune of 15% of RWA, to which should be added the statutory deductions from equity carried for accounting purposes of approximately DKK 5bn. An equity level of 15% is significantly higher than the formal statutory requirement, but is assumed to be a market-consistent level in relation to credit ratings and bond markets.
- Nykredit's target is a total capital ratio of 18-20% of RWA. Also this level is markedly above the statutory requirements, but is deemed to be a market-consistent level.
- Nykredit aims to build a buffer of DKK 5bn-10bn for business growth and regulatory changes. Such a buffer will help sustain a stable and active lending policy in relation to our customers.

The capital requirement varies according to economic trends. It is deemed that the equity requirement will rise in periods of high unemployment and high interest rates, cf above. This is offset to some extent by the fact that the financial market's requirement for equity measured as a percentage of RWA is likely to decrease to 13-14% in such a scenario.

Nykredit's equity requirement is estimated as follows:

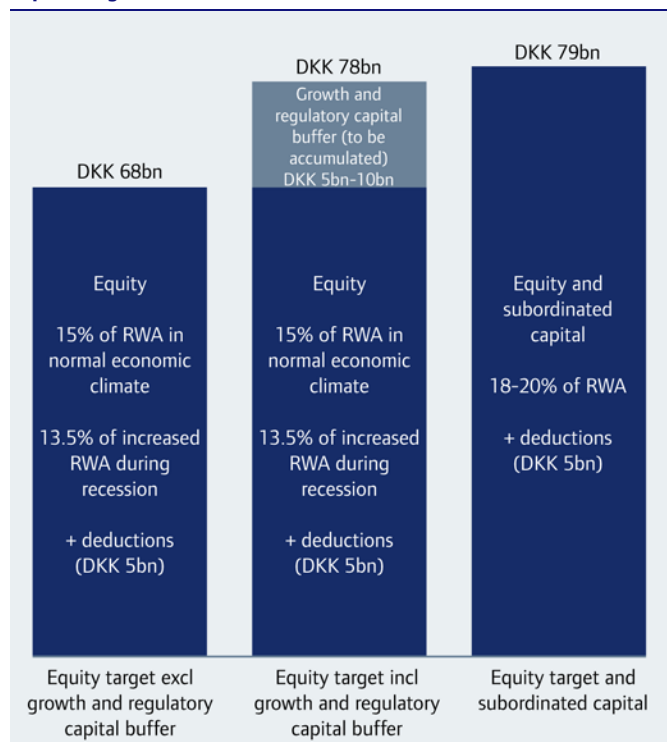
- In a normal economic climate and during an economic boom: equity of DKK 61bn (15% of DKK 370bn plus DKK 5bn).
- During a recession: equity of DKK 68bn (about 13.5% of approximately DKK 470bn plus DKK 5bn).
- Growth and regulatory capital buffer (to be accumulated) of DKK 5bn-10bn.

All in all, an equity level of DKK 68bn plus a buffer in the range of DKK 5bn-10bn in the long term.

In addition to the said equity level, Nykredit has a capital adequacy target of up to 20% of RWA in a normal economic climate. This corresponds to total own funds of about DKK 79bn including subordinated capital.

The Nykredit Realkredit Group

Capital targets at current business volumes



RISK MANAGEMENT

NYKREDIT'S CHARACTERISTICS

Nykredit's activities consist mainly of match-funded mortgage lending secured on real estate. Danish legislation stipulates limits to the mortgaging of properties, and losses on mortgage loans are therefore moderate. Mortgage lending and the matching funding are regulated by the balance principle. Liquidity and market risks are therefore modest and are expected to be restricted further by the coming legislation on the refinancing of mortgage loans.

Nykredit's activities also include 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.

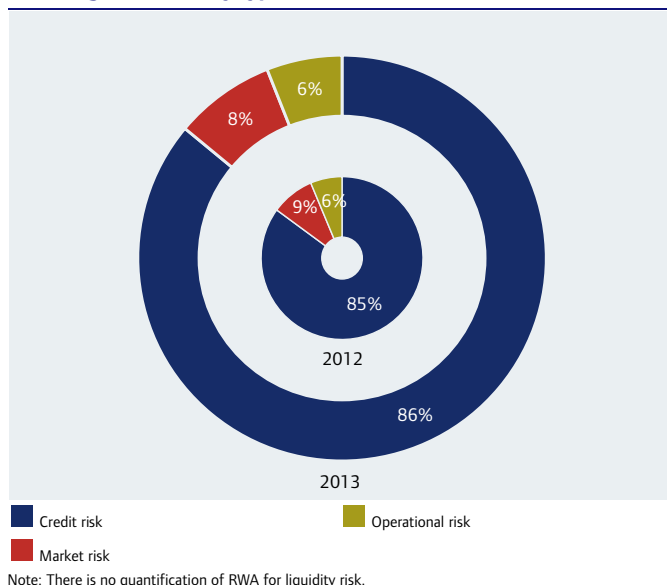
Nykredit strives to meet best international practice for risk management, including disclosure of risk exposures, and seeks to ensure financially sustainable solutions in the short and long term. Nykredit's advanced models for quantifying risks are central elements of the Group's risk and capital management.

Nykredit's investment assets are marked to market for which reason 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.

The Nykredit Realkredit Group Risk-weighted assets by type of risk



Types of risk

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

- *Credit risk* reflects the risk of loss following the non-performance of parties with whom Nykredit has contracted.
- *Market risk* reflects the risk of loss as a result of movements in financial markets (interest rate, foreign exchange, equity price, volatility risks, etc).
- *Operational risk* reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- *Liquidity risk* reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations.

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

The determination of RWA is to ensure that credit institutions hold adequate capital to withstand potential losses. This is described in more detail in the following sections. New liquidity measures are to ensure that credit institutions hold sufficient stocks of liquid assets to fulfil the claims of their creditors. This is described in more detail under "Funding and Liquidity".

Balance principle

Nykredit's mortgage lending is regulated by the balance principle as laid down in the Danish Financial Business Act, the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, and the Danish Executive Order on bonds.

Danish 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

Loans funded by Danish covered bonds (SDOs and ROs) are granted according to uniform principles of market and liquidity risks.

More than 99% of Nykredit'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 rates equal the yield 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, a matching proportion of the outstanding funding is redeemed. Borrowers cover Nykredit's costs incidental to prepayments.
- The due dates of payment of interest and principal are fixed so that Nykredit receives the funds on or before the dates when the payments to bondholders fall due, provided borrowers make timely payments.
- Nykredit's earnings margin consists of a separate administration margin, 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 negligible interest rate risk, foreign exchange risk and liquidity risk on its mortgage lending and its underlying funding.

The Nykredit Realkredit Group Risk-weighted assets – credit risk

DKK million	2013	2012
Standardised approach	15,173	16,872
Internal Ratings-Based (IRB) approach	283,388	274,822
Securitisation positions, IRB approach	14	1,380
Total credit risk	298,574	293,073

¹ Credit risk does not include the loss guarantee issued by Nykredit Holding.

Parameters used to determine credit risk

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

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

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 Nykredit's largest credit applications for approval or briefing on a current basis.

Within the framework laid down by the Board of Directors, the Executive Board sets out the policies governing the individual business areas and Treasury. On behalf of the Executive Board, the Group 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 Executive Board. The Group Credits Committee undertakes the reporting on individual credit exposures. The Group Risk Committee is responsible for approving credit risk models and reporting credit risk at portfolio level.

Nykredit's local centres 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 Group Credits Committee or the board of directors of the group company concerned.

When processing credit applications, an assessment of the individual customer is conducted. The assessment is based on a customer rating computed by Nykredit's own credit models as well as the customer's financial position and any other relevant matters. In connection with mortgage loan applications, the statutory property valuations are also performed.

At least once a year, exposures of a certain size are reviewed, as are exposures showing signs of risk. This forms part of the monitoring of credit exposures and is based on updated financial and customer information.

Nykredit has the approval of the Danish FSA to apply a statistical model in the valuation of certain owner-occupied properties with no physical inspection. Furthermore, Nykredit uses a statistical model for the ongoing monitoring of the market values of certain residential properties. The statistical valuations are performed centrally and supplemented with local valuations.

For mortgage loans provided through local and regional banks, the bank performs the initial assessment of the customer and valuation of the property. As a main rule, these loans are covered by a set-off agreement for incurred 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. Totalkredit is entitled subsequently to offset

the losses against the commission paid to the banks for arranging the loans.

Credit risk models

Nykredit uses internal ratings-based (IRB) models in the determination of credit risk for the greater part of the loan portfolio. Credit risk is determined using three key parameters: Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The models used to determine the PD and the LGD are built on historical data allowing for periods of low as well as high business activity. The PD is calibrated by weighting current data against data dating back to the early 1990s at a 40:60 ratio. LGD ratios are calibrated so that the parameters reflect an economic downturn equal to the beginning of the 1990s. However, for Nykredit Bank's personal lending,

some models use a gross unemployment rate of 10% to indicate an economic downturn, which is almost twice as high as the current level.

Nykredit calculates the PD for each individual customer. For personal customers and SMEs, a statistical calculation of the customer's credit-worthiness is applied for credit scoring. The PD is determined on the basis of a customer's credit score and payment behaviour.

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.

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 constitute a separate category. Customer ratings are an important element of the credit policy and customer assessment.

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

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

Risk-weighted assets for credit risk

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

Risk-weighted assets (RWA) for credit risk are mainly calculated using the Internal Ratings-Based (IRB) approach. RWA calculated using the IRB approach primarily include exposures to commercial and personal customers and make up 95% of total RWA. RWA calculated using the standardised approach are primarily credit institution and sovereign exposures and make up 5% of total RWA relating to credit risk.

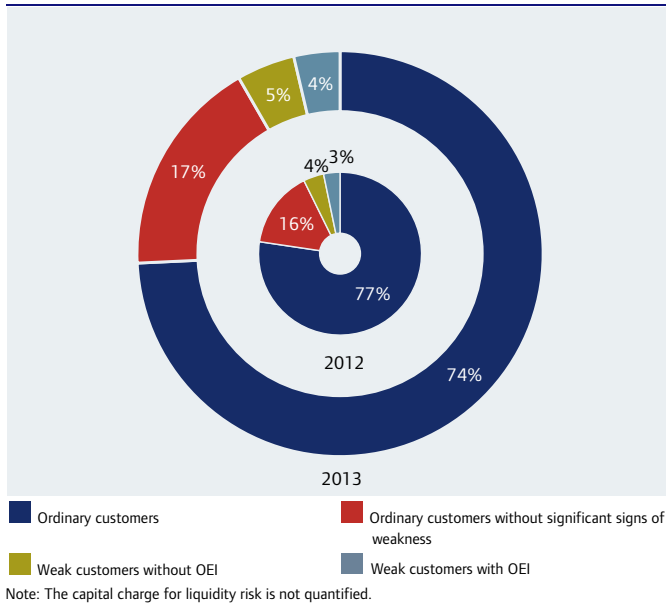
74% of Nykredit's customers make timely payments, while possessing solid financial strength. Nykredit describes these customers as "ordinary customers".

Of the remaining 26% of Nykredit's customers, 17% are considered "ordinary customers without significant signs of weakness". These customers also make timely payments, but their financial strength is lower than that of "ordinary customers".

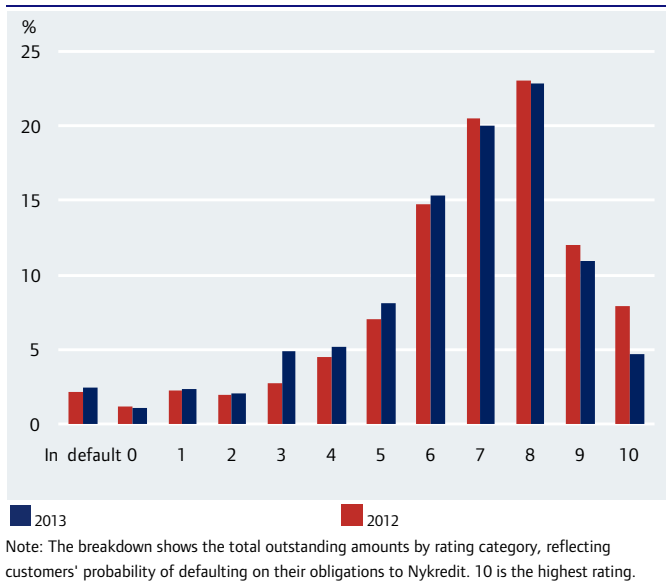
The remaining share of the Group's customers are considered weak customers with and without objective evidence of impairment (OEI). 5% of Nykredit's customers are without OEI.

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

**The Nykredit Realkredit Group
Breakdown of customers**



**The Nykredit Realkredit Group
Outstanding amount by rating category**



Statutory LTV limits by property category

Owner-occupied properties for all-year habitation	80% ¹
Private cooperative housing	
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 properties are subject to a lower LTV limit than 80%, but no supplementary collateral is required unless the LTV ratio subsequently exceeds 80%.

² The LTV limit may be extended up to 70% against supplementary collateral for the part in excess of 60%.

Pursuant to the Danish Financial Business Act, individual exposures after deduction of particularly secure assets must not exceed 25% of the capital base. Nykredit had no exposures exceeding this limit in 2013. Nykredit had no large exposures that exceeded 10% of the capital base. Nykredit's largest approved exposure to non-financial counterparties amounted to DKK 6.1bn, equivalent to 9.3% of the capital base. Nykredit's 20 largest approved exposures to non-financial counterparties amounted to an aggregate DKK 75.2bn, equivalent to 114% of the capital base against 103% at end-2012. The vast majority of these exposures are mortgage loans with underlying security. Nykredit had 46 non-financial counterparties to which the approved exposure represented over 2% of the capital base.

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.

Nykredit monitors the development in the loan portfolio relative to property values (LTVs) very closely. To ensure sustainable credit and

The Nykredit Realkredit Group**Debt outstanding relative to estimated property values**

DKK million/%	LTV						Total	LTV average, % ¹
	0-40	40-60	60-80	80-90	90-100	>100		
Private residential property	396,728	157,449	103,749	20,548	9,279	8,621	696,373	75
Private residential rental	72,973	26,234	13,865	2,012	843	626	116,552	67
Industry and trades	16,555	5,258	2,145	594	368	241	25,160	66
Office and retail	85,373	22,917	3,609	541	245	258	112,944	54
Agriculture	71,527	19,766	7,544	1,283	632	704	101,456	60
Non-profit housing	-	-	-	-	-	-	67,562	-
Other	13,238	3,095	1,242	84	50	86	17,796	55
Total 2013	656,393	234,719	132,155	25,063	11,416	10,536	1,137,843	68
Total 2012	654,182	231,850	135,812	26,864	10,781	8,456	1,137,797	68

¹ Determined as the top 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**Debt outstanding relative to estimated property values**

%	LTV					
	0-40	40-60	60-80	80-90	90-100	>100
Private residential property	57	23	15	3	1	1
Private residential rental	63	23	12	2	1	1
Industry and trades	66	21	9	2	1	1
Office and retail	76	20	3	0	0	0
Agriculture	71	19	7	1	1	1
Non-profit housing	-	-	-	-	-	-
Other	74	17	7	0	0	0
Total 2013	57	23	15	3	1	1
Total 2012	61	22	13	2	1	1

¹ Calculated on the basis of debt outstanding excluding 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 category 0-40% and one third in the LTV category 40-60%. For example, the table shows that where private residential property is concerned, 80% of mortgage lending falls within 60% of the property values.

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 "Debt outstanding relative to estimated property values" shows the LTVs of Nykredit's 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.

It should be noted that homeowners with negative equity (LTV >100%) do not as such result in losses for Nykredit. The typical loss triggers are socioeconomic events such as unemployment, divorce or illness.

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

Counterparty risk

Nykredit applies financial instruments, such as derivatives and repurchase agreements, for serving customers and for managing liquidity and market risks. In addition, repos are applied in the day-to-day liquidity management.

Counterparty risk is a measure of the size of the loss which Nykredit may sustain in case of non-payment by a counterparty. For the purpose of calculating the capital requirement, the counterparty risk exposure is calculated according to the market value method, ie as any positive market value of the transaction plus a potential future credit exposure.

The counterparty risk exposure was DKK 95.4bn at end-2013, and RWA came to DKK 12.3bn, broken down into DKK 1.3bn in repo transactions and DKK 11.0bn in derivatives.

Nykredit mitigates its counterparty risk through financial netting agreements as well as agreements on financial collateral. The contractual framework is based on market standards such as ISDA or GRMA agreements.

The use of derivative instruments is governed by the ordinary credit approval rules and credit policies, supplemented with a number of restrictions and policy rules. In addition to limits to amounts and

terms, examples are requirements related to the type, size and credit-worthiness of customers.

Nykredit uses central counterparties for professional derivatives clearing. Interest rate swaps, FRAs and repo transactions are cleared through direct membership of NASDAQ OMX Stockholm, and interest rate swaps are also cleared through indirect member membership of the London Clearing House.

Value adjustment of derivatives

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

Nykredit's interest rate risk on this portfolio is very limited. The risk is hedged by entering into offsetting financial contracts with major European and US banks under netting and financial collateral agreements.

Nykredit makes fair value adjustments of financial instruments in accordance with the International Financial Reporting Standards (IFRS).

A number of commercial customers with floating-rate mortgage loans have hedged their interest rate risk through swaps with Nykredit Bank.

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

Credit value adjustment (CVA) and individual value adjustment are calculated on an ongoing basis for derivatives entered into with customers based on the customer's current credit quality. The same approach is used for current value adjustment and loan impairment in respect of customers with OEI.

The Nykredit Realkredit Group Counterparty risk

2013 DKK million	Derivatives	Repo transactions	Total
Exposure before netting	41,342	75,308	116,650
Netting	21,296	3	21,299
Exposure after netting	20,046	75,305	95,351
Collateral received	2,573	71,823	74,396
Exposure after netting and collateral	17,473	3,482	20,955
Total 2012	25,468	2,611	28,079

Note: The figures in the table are not directly comparable with the notes on the financial statements, as a different determination method is applied.

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, volatility risks, etc).

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

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

Risk-weighted assets for market risk

Nykredit's total Value-at-Risk (VaR) for determination of RWA came to DKK 19.5bn. Of this amount, stressed VaR amounted to DKK 15.5bn. The market risk exposure calculated using the standardised approach came to DKK 9.1bn. The calculation of market risk using the standardised approach comprises debt instruments, equities, foreign exchange exposures and collective investment schemes.

Market risk measures

To obtain a full overview of market risk, Nykredit calculates various key figures that express sensitivity to the development in financial markets. Nykredit's determination, management and reporting of market risk take place by combining statistical models, stress tests and key ratios with subjective assessments.

The traditional risk measures, such as interest rate, equity price, volatility and foreign exchange risks, are so-called portfolio sensitivity tests. They are used to calculate the effect on the value of a portfolio in case of changing market conditions, such as increasing/decreasing interest rates, equity prices or volatility. Calculations are only made for one type of risk at a time. The traditional risk measures do not indicate how likely a particular event is to occur, but rather how much it would affect the value of a portfolio.

Value-at-Risk (VaR) models can be applied to calculate the maximum value decrease of a portfolio over a given period and at a given probability. VaR models measure the effect and probability of several risks occurring at the same time.

Value-at-Risk

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

VaR is applied in the determination of RWA, the day-to-day internal management and the determination of the required capital base.

The confidence level of the VaR model is 99%, but the choice of time horizon depends on the specific purpose of the calculations. For VaR applied to determine RWA, a time horizon of 10 days is used. Stressed VaR must be calculated for the current portfolio, but using volatilities and correlations (market data) from a period of significant stress.

For the day-to-day internal management, a time horizon of one day is applied, while a time horizon of 10 days is applied for the determina-

The Nykredit Realkredit Group Risk-weighted assets for market risk

DKK million	2013			2012	
	Specific risk	General risk	Total RWA	Total RWA	
Internal models (VaR):	-	19,472	19,472	18,976	
Value-at-Risk (99%, 10 days)	-	3,967	3,967	4,714	
Stressed Value-at-Risk (99%, 10 days)	-	15,505	15,505	14,263	
Standardised approach:	7,650	1,450	9,099	10,629	
Instruments of debt	6,601	1,238	7,839	9,419	
Equities	361	212	573	662	
Collective investment schemes	688	-	688	546	
Foreign exchange risk	0	0	0	4	
Total RWA for market risk	7,650	20,922	28,571	29,606	

The Nykredit Realkredit Group Market risk – key figures for day-to-day management

DKK million	2013			2012		
	Min	Max	Year-end	Min	Max	Year-end
Internal Value-at-Risk (99%, time horizon of 1 day)	55	122	70	66	155	78
Interest rate risk (100bp change)	106	549	450	(83)	579	193
- of which outside the trading book	(59)	139	121	(27)	155	86
- of which from mortgage activities	(51)	135	65	(31)	131	69
Equity price risk (general 10% decrease)	222	383	287	318	437	345
- of which adjusted against equity				173	248	177
Foreign exchange risk:						
Foreign exchange positions, EUR	27	651	651	8	768	294
Foreign exchange positions, other currencies	(26)	335	336	(246)	120	9
Interest rate volatility risk (Vega)	2	19	11	3	35	7

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 trading book and interest rate risk from mortgage activities overlap.

tion of the required capital base. 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.

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.

As a consequence of any lower breaches of the internal model back test, Nykredit adds risk factors in order to capture the overall risk more accurately.

Nykredit's total internal VaR was DKK 70m at end-2013 against DKK 78m at end-2012. This means that, according to Nykredit's model, Nykredit would, at a 99% probability, lose a maximum of DKK 70m in one day in consequence of market fluctuations.

Interest rate risk

Interest rate risk is the risk of loss as a result of interest rate changes, and Nykredit'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 Nykredit Realkredit Group
Interest rate-related market risk**

DKK million	Interest rate exposure (100bp change)	Interest rate volatility exposure (Vega)
Money market instruments	(114)	-
Government bonds	(59)	-
Danish covered bonds	1,618	9
Other covered bonds	557	-
Self-issued bonds	(892)	-
Other bonds	82	-
Equities	-	-
Derivative financial instruments	(743)	3
Securitisations	-	-
Total	450	11

**The Nykredit Realkredit Group
Development in VaR and stressed VaR**



Nykredit's interest rate exposure was DKK 450m at end-2013.

Following refinancing, borrowers' loan rate mirrors the yield-to-maturity of the bonds sold.

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

Foreign exchange risk

Foreign exchange risk is measured as the gain/loss in a given currency resulting from DKK strengthening by 10%.

Nykredit hedges its foreign exchange exposures except for some minor tactical foreign exchange positions held to achieve a gain. Therefore, the Group had only minor foreign exchange positions in currencies other than EUR in 2013.

Volatility risk

Volatility is a measure of variation in the price of an asset, such as the movement in the price of a bond. The market value of options and financial instruments with embedded options such as callable covered bonds partly depends on the expected market volatility. Volatility risk is the risk of loss of market value as a result of changes in market expectations for future volatility.

Volatility risk is measured as the change in market value resulting from an increase in volatility of 1 percentage point, increased volatility implying a loss on Nykredit's part.

This risk is determined on a continuous basis for all financial instruments with embedded options and is managed by means of limits.

Equity price risk

Equity price risk is the risk of loss as a result of changes in equity prices, and it is calculated as the loss in case of a general equity market decrease of 10%. Nykredit's equity price risk amounted to DKK 287m at end-2013.

During 2013 the strategic equity investment exposure ranged between DKK 0.7bn and DKK 1.8bn. At end-2013, the portfolio stood at DKK 1.5bn of which DKK 1.3bn in financial institutions and DKK 0.2bn in the property industry.

Bonds in the trading book

In line with Nykredit's investment strategy, the securities portfolio consists mainly of high-rated Danish as well as North and Central European covered bonds. The portfolio also includes high-rated bank bonds, whereas investments in CDOs, CLOs, US subprime, etc are minimal.

At end-2013, Nykredit had a net short government bond position of DKK 0.4bn. Nykredit had no exposures to capital markets in Southern Europe.

Of Nykredit's total exposure in Danish and other covered bonds and credit bonds of an aggregate DKK 96.1bn, the exposure to securities rated Aa3/AA- or higher amounted to DKK 91.1bn.

The Nykredit Realkredit Group Equity portfolio by type

DKK million	2013 Equity portfolio	2012 Equity portfolio	Change	2013 Equity price risk
Outside trading book	2,040	2,459	-419	204
- of which strategic equities	1,460	1,766	-305	146
Trading book	408	408	0	41
Private equity	418	585	167	42
Total	2,866	3,452	-586	287

Note: In addition to the portfolio described in note 20, the equity portfolio for determination of equity price risk includes derivative financial instruments and associates.

The Nykredit Realkredit Group Bond portfolio by type and country

DKK million	Government bonds	Covered bonds	Junior covered bonds	Credit bonds ¹ (excl subordinated capital)	Subordinated capital	Total
Denmark	2,409	71,619	892	195	1,139	76,255
Sweden	(1,760)	9,103	-	121	56	7,520
Norway	-	2,159	-	11	-	2,170
France	-	4,059	-	77	139	4,275
Other EEA countries	(1,031)	5,278	-	-	607	4,855
Other	-	641	-	272	99	1,011
Total 2013	(382)	92,860	892	677	2,040	96,086

Note: The figures in the table are not directly comparable with the notes on the financial statements, as they include derivative financial instruments. Also, a different determination method is applied.

¹ In addition, Nykredit has hedged exposures through credit derivatives of a net amount of DKK 74m.

The Nykredit Realkredit Group Bond portfolio by type and external credit rating

DKK million	Government bonds	Covered bonds	Junior covered bonds	Credit bonds ¹ (excl subordinated capital)	Subordinated capital	Total
Aaa/AAA	(382)	90,566	-	11	-	90,195
Aa1/AA+ - Aa3/AA-	-	789	-	121	-	911
A1/A+ - Baa3/BBB-	-	1,497	818	535	1,008	3,858
Ba1/BB+ or below	-	-	-	2	444	446
Not rated	-	8	74	7	588	677
Total 2013	(382)	92,860	892	677	2,040	96,086

Note: The figures in the table are not directly comparable with the notes on the financial statements, as they include derivative financial instruments. Also, a different determination method is applied.

¹ In addition, Nykredit has hedged exposures through credit derivatives of a net amount of DKK 74m.

OPERATIONAL RISK

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

Nykredit determines RWA for operational risk using the basic indicator approach. This means that the capital requirement is calculated as 15% of average gross earnings for the past three years. To calculate RWA, the capital requirement is divided by 8%.

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

The responsibility for the day-to-day management of own operational risk is decentralised and lies with the individual business areas. Operational risk management activities are coordinated centrally to ensure consistency and optimisation.

As part of operational risk management, operational loss events are systematically recorded, categorised and reported with a view to creating an overview of loss sources and gaining experience for sharing across the organisation.

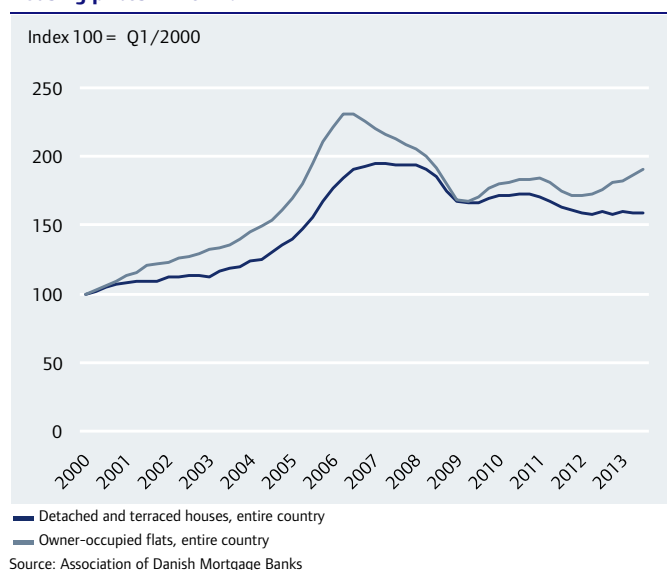
In addition to the collection of data on operational loss events, Nykredit is continuously working on identifying significant operational risks. Operational risks are mapped on the basis of input supplied by each business area about its own significant risks to Nykredit's centralised operational risk function. Operational risk mapping provides a valuable overview of particularly risky processes and systems at Nykredit and therefore constitutes an excellent management tool.

Lastly, efforts are made centrally in Nykredit to identify highly improbable operational events with far-reaching consequences, known as black swans. One of the main purposes of this work is to create an overview of the business contingency plans to be applied if Nykredit experiences such an event.

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

LENDING

The Nykredit Realkredit Group Housing prices in Denmark



Nykredit reported total lending of DKK 1,167bn at end-2013 against DKK 1,159bn at the beginning of the year. Total lending included nominal mortgage lending and bank lending excluding reverse lending.

Nykredit's mortgage lending at fair value was DKK 1,136bn, which was unchanged from the beginning of the year. The Group's nominal mortgage lending improved by DKK 11bn to DKK 1,120bn.

Nykredit's bank lending declined by DKK 2.8bn to DKK 47.0bn at end-2013. Nykredit's reverse lending amounted to DKK 56.8bn against DKK 35.4bn at the beginning of the year.

Impairment provisions for mortgage and bank lending totalled DKK 8.4bn compared with DKK 7.0bn at the beginning of the year. At end-2013, Nykredit had made impairment provisions for receivables from credit institutions of DKK 29m.

Nykredit's issued guarantees came to DKK 6.3bn against DKK 4.8bn at the beginning of the year.

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	
	2013	2012	2013	2012	2013	2012
Mortgage lending¹						
Nykredit Realkredit ²	587,483	598,882	3,204	2,051	1,826	1,052
Totalkredit ³	532,487	509,915	1,174	903	578	540
Total	1,119,970	1,108,797	4,378	2,954	2,404	1,592
Bank lending⁴						
Nykredit Bank ⁵	46,121	48,116	3,160	2,838	597	480
Terminated exposures ⁶	842	1,611	814	1,220	(288)	109
Total	46,963	49,727	3,974	4,058	309	589
Impairment of credit institutions						
Total	-	-	29	-	29	-
Reverse lending	56,814	35,401	-	-	-	-
Guarantees	6,311	4,806	103	82	21	(32)
Loan impairment, %⁷						
Nykredit Realkredit	-	-	0.55	0.34	0.31	0.18
Totalkredit	-	-	0.22	0.18	0.11	0.11
Total	-	-	0.39	0.27	0.21	0.14
Nykredit Bank	-	-	6.41	5.57	1.21	0.94
Terminated exposures ⁶	-	-	49.15	43.09	(17.40)	3.85
Total	-	-	7.80	7.55	0.61	1.10

¹ Nominal mortgage lending.

² Excluding intercompany lending of DKK 1,187m (2012: DKK 1,161m).

³ The earnings impact was adjusted for an intercompany set-off of DKK 11m in 2013 (2012: DKK 13m).

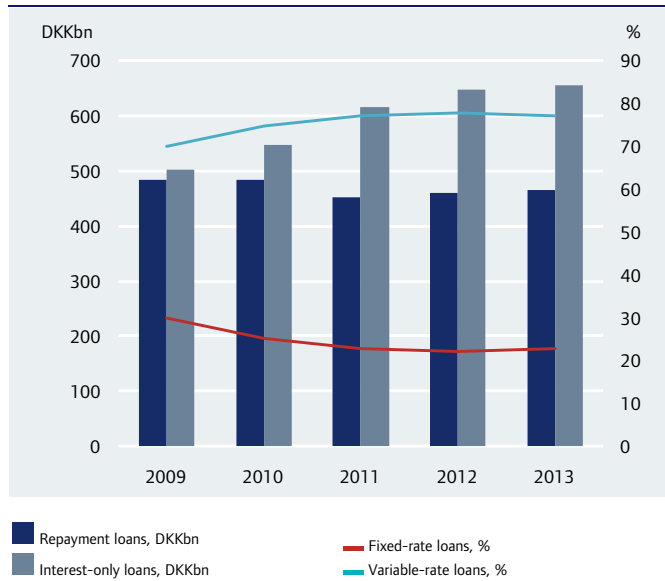
⁴ Bank lending after total impairment provisions.

⁵ Excluding intercompany lending of DKK 61m (2012: DKK 80m).

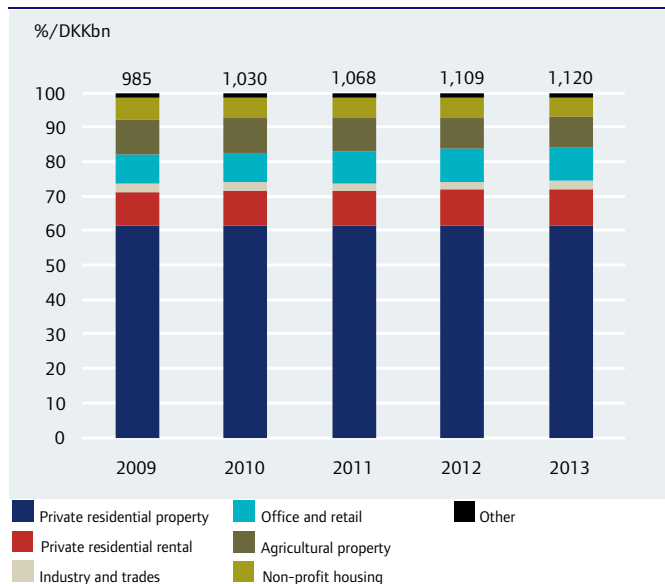
⁶ From the former Forstædernes Bank.

⁷ Loan impairment excluding reverse lending and guarantees.

The Nykredit Realkredit Group
Mortgage lending by loan type



The Nykredit Realkredit Group
Mortgage lending by property type



MORTGAGE LENDING

Loan portfolio

Nykredit's credit exposures in terms of nominal mortgage lending increased by DKK 11bn to DKK 1,120bn at end-2013 from DKK 1,109bn at the beginning of the year. Lending for private residential property accounted for DKK 6bn of the increase.

For a breakdown of Nykredit's mortgage loan portfolio by property and loan type, see page 33. The portfolio is highly diversified geographically.

The share of interest-only loans remained unchanged at 56.3% compared with 2012. The share of variable-rate loans to personal customers fell to 71.1% from 71.7% the year before. Of these loans, 27.5% had interest rate caps. The share of variable-rate loans to commercial customers amounted to 81.0% against 81.5% the year before.

Geographically, around half of lending was in Jutland and 26.4% in the capital region. The share of international lending was unchanged at 5.0% at end-2013.

Loans granted for private residential property in Denmark accounted for 61.5% of the total loan portfolio compared with 61.6% in 2012. Private residential rental property and agricultural property represented 7.1% and 8.7%, respectively, while cooperative housing made up 3.5%.

Security

The main type of security provided for loans is mortgages over real estate. The security provided is valued regularly relative to the current market value of a property.

In addition to mortgages over real estate, Nykredit accepts security in the form of guarantees issued by public authorities or banks. Guarantees issued by public authorities contribute to reducing the credit risk of mortgage loans mainly for subsidised housing. The guarantor assumes primary liability in respect of such guarantees. Mortgage lending guaranteed by public authorities amounted to DKK 27bn at end-2013.

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 guaranteed by banks amounted to DKK 8bn.

Furthermore, mortgage loans granted via Totalkredit are covered by set-off agreements with partner banks arranging Totalkredit loans. Under these agreements, Totalkredit may set off part of write-offs on mortgage lending against future commission payments to these partner banks. Lending covered by set-off agreements totalled DKK 118bn at end-2013.

The Nykredit Realkredit Group

Mortgage lending by property type¹

Nominal value at end-2013 DKK million/number	Private residential property	Private residential rental	Industry and trades	Office and retail	Agricul- tural property	Non- profit housing ²	Coope- rative housing	Other	Total
Mortgage lending									
- Bond debt outstanding	689,057	79,692	25,119	111,215	97,217	61,385	38,649	17,636	1,119,970
- Number of loans	744,357	25,077	3,480	22,618	37,433	18,114	6,121	2,834	860,034
Bond debt outstanding by loans involving									
- public guarantees	0	10	-	16	285	26,094	510	110	27,025
- bank guarantees	7,942	-	-	-	-	-	-	0	7,942
- set-off agreements with partner banks	117,820	5	-	-	-	-	-	-	117,825
- no guarantee	563,295	79,676	25,119	111,199	96,932	35,291	38,139	17,526	967,178
Total	689,057	79,692	25,119	111,215	97,217	61,385	38,649	17,636	1,119,970
Bond debt outstanding by loan type									
Fixed-rate loans									
- repayment loans	128,056	4,227	1,404	7,306	6,249	19,645	7,569	3,043	177,499
- interest-only loans	71,225	2,243	20	2,392	2,291	14	1,607	162	79,954
Adjustable-rate mortgages (ARMs)									
- repayment loans, 1-year funding	49,149	8,019	2,854	12,599	14,669	822	463	1,201	89,776
- other repayment loans	52,438	3,873	3,189	6,675	3,250	19,206	1,044	678	90,353
- interest-only loans, 1-year funding	123,420	22,262	2,079	25,602	23,927	62	649	724	198,725
- other interest-only loans	122,310	13,246	2,856	11,129	4,919	86	6,297	224	161,067
Money market-linked loans									
Capped									
- repayment loans	55,165	870	215	1,138	2,528	80	526	718	61,240
- interest-only loans	79,337	793	13	566	2,796	7	463	41	84,016
Uncapped									
- repayment loans	1,085	5,202	7,230	17,413	8,502	271	1,196	5,999	46,898
- interest-only loans	6,864	18,838	5,258	26,374	27,843	186	16,585	4,653	106,601
Index-linked loans	8	119	1	21	243	21,006	2,250	193	23,841
Total	689,057	79,692	25,119	111,215	97,217	61,385	38,649	17,636	1,119,970
Bond debt outstanding by region									
- Capital region	187,292	20,956	1,812	30,075	3,272	24,912	21,566	6,261	296,146
- Other east Denmark	68,851	3,503	2,567	5,267	13,107	4,418	2,716	1,475	101,904
- Funen	58,530	5,223	902	4,552	8,844	5,094	2,380	1,170	86,695
- Jutland	361,899	33,511	15,293	46,598	71,825	26,961	11,795	8,728	576,610
- Faroe Islands and Greenland	2,119	146	-	177	-	-	192	2	2,636
- International	10,366	16,353	4,545	24,546	169	-	-	-	55,979
Total	689,057	79,692	25,119	111,215	97,217	61,385	38,649	17,636	1,119,970
Bond debt by debt outstanding, DKKm									
0-2	538,459	15,571	1,785	12,972	19,823	6,019	1,779	1,068	597,476
2-5	136,551	13,288	2,354	13,847	30,204	7,424	5,839	1,923	211,430
5-20	12,956	19,028	4,957	24,426	39,959	24,426	17,904	6,164	149,820
20-50	1,041	9,321	2,727	13,936	5,808	15,950	7,713	3,759	60,255
50-100	50	5,368	1,609	9,612	1,014	4,947	1,768	1,313	25,681
100-	-	17,116	11,687	36,422	409	2,619	3,646	3,409	75,308
Total	689,057	79,692	25,119	111,215	97,217	61,385	38,649	17,636	1,119,970
Bond debt outstanding by remaining loan term, years									
0-10	22,592	11,370	3,050	28,994	2,210	2,666	436	677	71,995
10-15	26,047	11,620	11,971	29,293	3,352	7,089	903	2,285	92,560
15-20	57,966	7,967	4,654	29,765	10,326	11,700	2,702	3,165	128,245
20-25	270,463	25,312	2,747	14,765	55,693	7,849	17,497	4,727	399,053
25-30	311,989	23,393	2,697	8,398	25,636	19,769	16,261	6,782	414,925
30-35	-	29	-	-	-	11,301	753	-	12,083
35-	-	1	-	-	-	1,011	97	-	1,109
Total	689,057	79,692	25,119	111,215	97,217	61,385	38,649	17,636	1,119,970

¹ The breakdown by property type is not directly comparable with Nykredit's business areas.

² Non-profit housing includes mortgage lending for subsidised urban renewal.

Provisions for mortgage loan impairment

Nykredit's mortgage credit exposure rose by DKK 11bn to DKK 1,120bn.

Nykredit's total impaired loans increased by DKK 3,902m to DKK 12,506m at end-2013. The rise was attributable to lending for private residential property, office and retail, agricultural property and private residential rental property.

Mortgage loans to weak customers (loans subject to individual impairment provisioning) include loans with evidence of impairment (OEI) for which individual impairment provisions have been made.

Nykredit's mortgage loans to weak customers for which no individual impairment provisions have been made came to DKK 74.1bn at end-2013. 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.

Total impairment provisions

Nykredit's total provisions for mortgage loan impairment increased by DKK 1,424m in 2013, landing at DKK 4,378m at year-end. Total impairment provisions came to 0.39% of total mortgage lending. Private residential property accounted for DKK 2,166m of impairment provisions at end-2013 while commercial property accounted for DKK 2,212m.

Individual impairment provisions represented 57.4% and collective impairment provisions 42.6% of the Group's total impairment provisions.

Individual impairment provisions grew by DKK 660m to DKK 2,511m at end-2013. Growth in individual impairment provisions comprised new provisions of DKK 1,653m, reversals of DKK 328m and write-offs of DKK 665m.

Nykredit's collective impairment provisions increased by DKK 764m to DKK 1,867m at end-2013. Of the collective impairment provisions at end-2013, private residential property and agricultural property accounted for 64.2% and 8.3%, respectively.

Earnings impact

The total earnings impact of impairment losses on mortgage loans increased by DKK 812m in 2013 to DKK 2,404m. Of total impairment losses for the year, DKK 1,210m was attributable to private residential property against DKK 1,093m in 2012.

The Nykredit Realkredit Group

Credit exposure to mortgage lending by property type¹

DKK million	2013			2012		
	Lending, year-end	Weak customers (impaired loans, individual provisioning)	Loans to weak customers, no individual provisioning	Lending, year-end	Weak customers (impaired loans, individual provisioning)	Loans to weak customers, no individual provisioning
Private residential property	689,057	4,841	42,914	682,859	3,700	37,321
Private residential rental	115,598	3,315	9,722	115,777	1,922	11,512
Industry and trades	25,119	452	884	23,578	299	819
Office and retail	111,215	1,396	9,789	108,103	807	6,751
Agricultural property	97,217	2,114	9,263	97,688	1,663	8,212
Non-profit housing ²	64,129	174	742	63,237	118	616
Other	17,636	215	735	17,555	95	307
Total	1,119,970	12,506	74,050	1,108,797	8,604	65,539

¹ The breakdown by property type is not directly comparable with Nykredit's business areas.

² Non-profit housing includes subsidised cooperative housing and subsidised urban renewal.

Note: For a complete breakdown of mortgage lending by rating category, see note 47.

The Nykredit Realkredit Group

Provisions for mortgage loan impairment by property type¹

DKK million	2013				2012			
	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	968	1,198	2,166	1,210	807	737	1,544	1,093
Private residential rental	539	229	768	440	333	95	428	148
Industry and trades	189	29	218	114	123	20	143	43
Office and retail	329	227	556	399	219	84	303	207
Agricultural property	339	155	494	150	311	129	440	61
Non-profit housing	35	9	44	16	14	13	27	20
Other	112	20	132	75	44	25	69	20
Total	2,511	1,867	4,378	2,404	1,851	1,103	2,954	1,592

¹ The breakdown by property type is not directly comparable with Nykredit's business areas.

The Nykredit Realkredit Group Properties repossessed/sold



Repossessed properties

Nykredit acquired 477 properties and sold 511 in 2013. The portfolio totalled 322 properties against 356 at the beginning of the year. Private residential property accounted for 190 of the repossessed properties at year-end.

Arrears

The arrears ratio declined in 2013. At the September 2013 due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.47% against 0.52% at the same time in 2012.

Mortgage impairment provisions rose despite decreasing arrears ratios. This was in particular the result of low marketability and declining prices of some property types.

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
2013			
- September	0.47	0.46	5.2
- June	0.46	0.50	5.6
- March	0.47	0.46	5.1
2012			
- December	0.49	0.53	5.9
- September	0.52	0.51	5.6

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



BANK LENDING

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

Bank lending amounted to DKK 47.0bn at end-2013 against DKK 49.7bn at the beginning of the year. Bank lending before impairment provisions was DKK 50.9bn at end-2013 against DKK 53.8bn at the beginning of the year.

Finance and insurance at DKK 61.6bn still accounted for the largest single sector exposure against DKK 39.7bn at end-2012. The exposure widely comprised reverse lending with bonds serving as security.

The industry distribution generally showed no significant changes compared with 2012.

Finance and insurance accounted for 53.4%, real estate 9.2% and personal customers 15.4% compared with 40.8%, 13.5% and 20.6%, respectively, at end-2012.

Nykredit Bank recorded negative lending growth of 7.5%, excluding reverse lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

Lending to the real estate and construction sectors declined to DKK 12.4bn from DKK 14.9bn at end-2012. Of total loans and advances at end-2013, DKK 8.5bn derived from the category "Renting of real estate" compared with DKK 11.6bn at end-2012. At end-2013, impairment provisions for lending to the real estate sector totalled DKK 1.7bn compared with DKK 1.6bn at end-2012, corresponding to 12.2% of loans and advances against 9.9% at end-2012.

Provisions for bank loan impairment and guarantees

Nykredit's loans to weak customers (loans subject to individual impairment provisioning) dropped by DKK 419m to DKK 5,839m at end-2013.

**The Nykredit Realkredit Group
Bank lending and guarantees**

DKK million	2013	2012
Bank lending	46,121	48,116
Bank lending, terminated exposures	842	1,611
Reverse lending	56,814	35,401
Guarantees	6,311	4,806
Total	110,088	89,934

**The Nykredit Realkredit Group
Credit exposure to bank lending, reverse lending and guarantees by sector**

DKK million	2013		2012	
	Lending, year-end	Weak customers (impaired loans, individual provisioning)	Lending, year-end	Weak customers (impaired loans, individual provisioning)
Public sector	493	0	513	4
Agriculture, hunting, forestry and fishing	2,026	241	1,957	262
Manufacturing, mining and quarrying	5,026	270	6,377	170
Energy supply	1,743	25	523	35
Construction	1,796	371	1,816	413
Trade	2,557	295	2,217	385
Transport, accommodation and food service activities	3,025	198	2,135	194
Information and communication	948	90	879	102
Finance and insurance	61,568	893	39,703	1,247
Real estate	10,615	2,202	13,056	2,222
Other	7,811	557	8,109	555
Total commercial customers	97,115	5,142	76,772	5,585
Personal customers	17,789	697	20,012	669
Total	115,397	5,839	97,297	6,258
- of which intercompany guarantees	5,309	-	7,363	-

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

Note: For a complete breakdown of bank loans, advances and guarantees by rating category, see note 47.

Provisions

Nykredit's total provisions for bank loan impairment declined by DKK 84m in 2013 to DKK 3,974m at year-end. Total impairment provisions came to 7.8% of total bank lending. Provisions for guarantees amounted to DKK 103m against DKK 82m at the beginning of the year.

Nykredit's individual impairment provisions for bank lending totalled DKK 3,605m against DKK 3,821m at the beginning of 2013. Nykredit's collective impairment provisions for bank lending amounted to DKK 370m against DKK 236m at the beginning of the year.

The decline in individual impairment provisions of DKK 216m consisted of new impairment provisions of DKK 976m, reversals of DKK 661m, and write-offs of DKK 531m.

The most important change resulted from terminated exposures; total impairment provisions were down from DKK 1,220m to DKK 814m at end-2013. The decline was mainly due to a reversal of DKK 399m.

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

Earnings impact

Impairment losses on bank lending for the year decreased by DKK 208m to DKK 349m against DKK 557m in 2012. Provisions for guarantees were a charge of DKK 21m against a credit of DKK 32m in 2012.

Impairment of terminated exposures resulted in a credit of DKK 288m compared with a charge of DKK 109m in 2012. Impairments were positively affected by recoveries on claims provided for as a result of satisfactory disposal of properties acquired in connection with the settlement of non-performing exposures.

In the course of 2013, the portfolio of repossessed properties reduced by DKK 692m to DKK 212m at 31 December 2013.

The Nykredit Realkredit Group

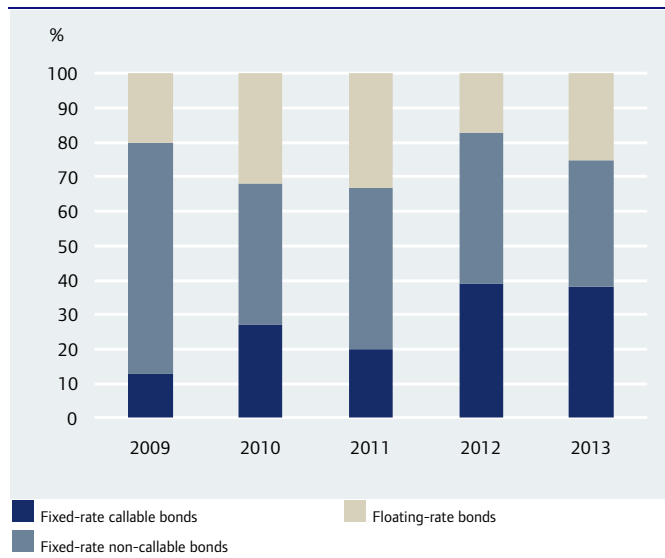
Bank lending and guarantees by sector

DKK million	2013			Total earnings impact	2012			Total earnings impact
	Individual impairment provisions	Collective impairment provisions	Total impairment provisions		Individual impairment provisions	Collective impairment provisions	Total impairment provisions	
Public sector	0	8	8	8	4	0	4	4
Agriculture, hunting, forestry and fishing	168	9	177	28	162	5	167	116
Manufacturing, mining and quarrying	219	42	261	129	146	9	155	77
Energy supply	6	2	8	3	9	0	9	(16)
Construction	258	4	262	47	273	6	279	32
Trade	189	6	195	(27)	232	5	237	4
Transport, accommodation and food service activities	120	6	126	16	97	4	101	30
Information and communication	65	3	68	4	71	2	73	30
Finance and insurance	435	10	445	(207)	705	37	742	(39)
Real estate	1,317	148	1,465	98	1,292	75	1,367	191
Other	393	29	422	143	380	17	397	47
Total commercial customers	3,170	259	3,429	234	3,367	160	3,527	472
Personal customers	538	103	641	88	532	76	608	81
Total	3,708	370	4,078	330	3,903	236	4,139	557
- Of which provisions for losses on guarantees	103	-	103	21	82	-	82	(32)
Total incl impairment provisions for credit institutions	3,727	370	4,097	349	3,903	236	4,139	557

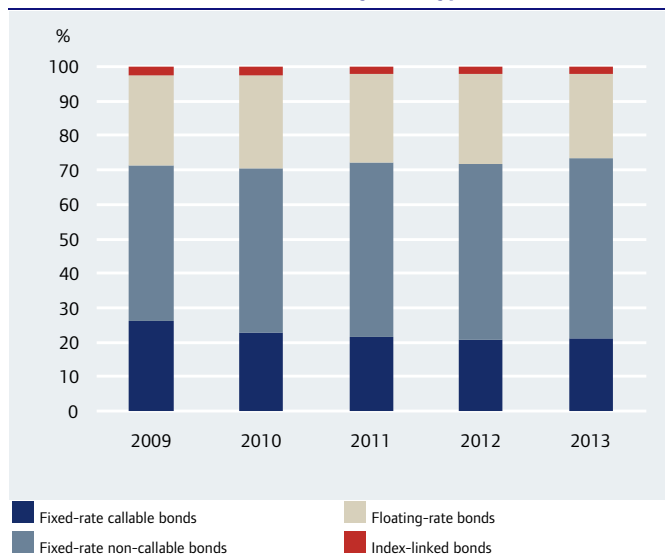
The breakdown is based on public sector statistics and is therefore not directly comparable with Nykredit Bank's business areas.

FUNDING AND LIQUIDITY

Gross issuance in DKK excl refinancing



Accumulated covered bond issuance by bond type



FUNDING AND LIQUIDITY

Nykredit's mortgage lending is funded through the issuance of mortgage covered bonds (SDOs and ROs). Bank lending is chiefly funded by deposits.

Again in 2013 Nykredit benefited from the general perception that Danish covered bonds are secure assets, and Nykredit was able to employ all relevant funding programmes.

Nykredit's liquidity is determined as the portfolios of highly liquid bonds and cash and is funded by deposits, junior covered bonds, senior debt (EMTN and ECP), subordinated debt and equity.

FUNDING

Mortgage funding through covered bonds

Most of Nykredit's assets consist of lending granted against mortgages over real estate. These loans are mainly funded through issuance of mortgage covered bonds (SDOs and ROs). Mortgage covered bonds are issued by way of day-to-day tap issuance coupled with refinancing auctions for adjustable-rate mortgages (ARMs), floating-rate loans and capped floating-rate loans.

Funding of loans by covered bonds is subject to the following legal requirements:

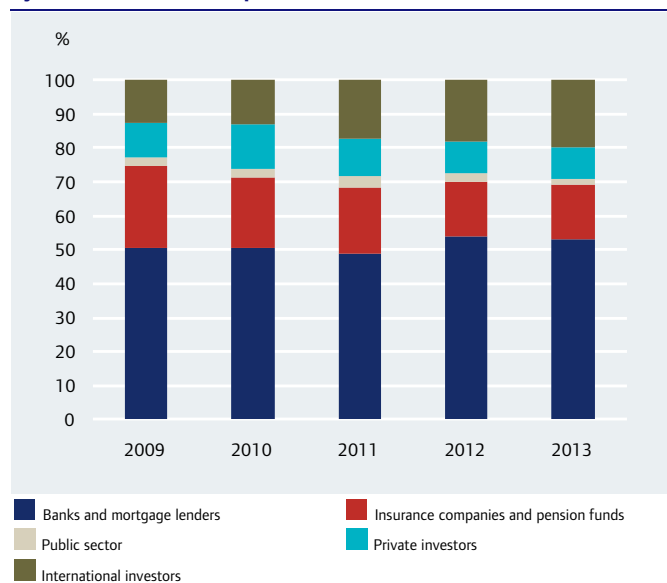
- At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property (LTV). Subsequently, the loan-to-value (LTV) ratio will change with the amortisation of the loan and/or as a result of changes in the market value of the property or the underlying covered bonds.
- If current LTV ratios exceed the statutory LTV limits, mortgage lenders must provide supplementary collateral for each loan secured by mortgage over real estate and funded by SDOs. Nykredit funds part of the supplementary collateral by issuing junior covered bonds.

Nykredit introduced two-tier mortgaging for all mortgage lending after Q2/2012 in order to reduce the supplementary collateral required in case of a decline in property prices. Two-tier mortgaging means that Nykredit funds mortgage loans to commercial and personal customers with SDOs up to 45% or 60% of the property values, respectively. The remaining part up to the LTV limits set out in Danish legislation is funded by ROs.

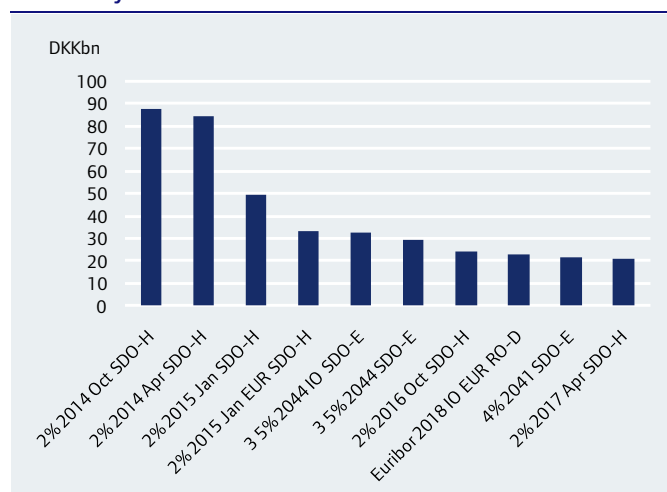
After a number of years with keen demand for ARMs with short-term funding, borrowers are now reverting to traditional fixed-rate callable bonds which do not require refinancing. In the spring of 2014, Nykredit will therefore launch a repayment mortgage loan (Realkredit Classic), which is funded by 30-year fixed-rate callable bonds. These mortgage loans will be exempted from two-tier mortgaging.

Investor base

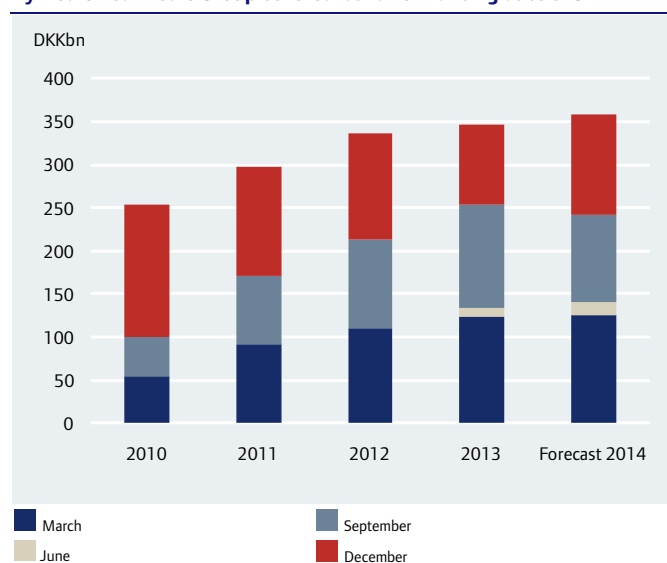
Nykredit Realkredit Group covered bonds



Nykredit's largest series on NASDAQ OMX Copenhagen A/S at 2 January 2014



Nykredit Realkredit Group covered bond refinancing auctions



Covered bond market

Nykredit is one of the largest private bond issuers in Europe, and the Group's issues chiefly consist of covered bonds.

Nykredit's investor base mainly comprises Danish banks and mortgage lenders, which hold 53%, and insurance companies and pension funds, which hold 16%. Foreign ownership amounts to 20%. The high savings ratio in Denmark means that secure assets are in keen demand from domestic investors. This demand has a stabilising effect on the covered bond market in times of turmoil in international financial markets.

At end-2013, a nominal amount of DKK 915bn of SDOs and DKK 333bn of ROs had been issued, of which DKK 49bn funded top loans.

Day-to-day tap issuance of bonds amounted to DKK 142bn in 2013. Bonds worth DKK 346bn were issued in connection with the refinancing of variable-rate loans in 2013.

Nykredit strives to build large, liquid benchmark bond series to obtain effective pricing of its bonds. Nykredit Realkredit and Totalkredit's joint bond issuance contributes to creating large volumes and deep liquidity in the Group's key bond series. Liquidity is also supported by Nykredit's high market share and market making agreements between members of NASDAQ OMX Copenhagen A/S.

At 2 January 2014, 24 series accounted for 48% of Nykredit's issued bonds. Each series had an outstanding amount of more than DKK 10bn. The ten largest bond series combined had an outstanding amount of more than DKK 407bn, equal to 32% of the total amount of issued bonds.

For a number of years, Nykredit has focused on deconcentrating its refinancing volumes over three annual auction rounds. In coming years, efforts will be made to increase refinancing levels at the July auctions as the fourth annual auction round. Accordingly, as from 2014 there will be four annual refinancing auction rounds – also for ARMs.

Covered bond refinancing risk

The EU is contemplating the introduction of a Net Stable Funding Ratio (NSFR). The NSFR is a measure indicating whether an institution can meet its payment obligations one year ahead in a stressed scenario where funding cannot be raised through issuance of bonds etc. In the EU, the NSFR is so far a reporting requirement intended to enable the EU Commission and the European Banking Authority (EBA) to consider how to introduce a hard requirement in 2018.

In Q3/2013, S&P introduced two additional liquidity and funding measures, which largely correspond to the NSFR requirements:

- Broad liquid assets to short-term wholesale funding (BLAST)
- Stable funding ratio.

Aiming to reach a final solution to the refinancing issue, the Danish government introduced a bill in November 2013. The bill will eliminate the refinancing risk of the mortgage industry. Should a refinancing auction fail, the maturity of the bonds which would otherwise have matured will be extended automatically, which will eliminate refinancing risk.

Supplementary collateral – junior covered bonds

Nykredit Realkredit A/S and Totalkredit A/S may provide supplementary collateral by issuing junior covered bonds and placing the proceeds in liquid assets in SDO Capital Centres E and H. In addition, the companies may apply their other liquid assets to fulfil the supplementary collateral requirement.

It is Nykredit's policy to have ample excess collateral in case of declining property prices. Accordingly, Nykredit monitors the need for supplementary collateral closely, and a number of stress tests are conducted to assess the sensitivity of the need to declining property prices etc.

At end-2013, the supplementary collateral requirement was DKK 44.3bn. If property prices were to decline by an additional 5%, the need would rise to a total of DKK 58.3bn. The need for supplementary collateral should be seen in the context of the DKK 98bn liquidity holding of the Group's mortgage banks.

In 2013 Nykredit started issuing junior covered bonds through its RO capital centres. At the same time the legal basis for issuing junior covered bonds was amended to include requirements relating to supplementary collateral and requirements of credit rating agencies. No supplementary collateral requirement applies to Nykredit's RO capital centres, and accordingly issuance exclusively serves to fulfil the requirements of credit rating agencies. Nykredit has subsequently issued junior covered bonds worth DKK 5.7bn through its RO capital centres. The main purpose was to secure a uniform funding structure across RO and SDO capital centres.

Junior covered bond market

The market for junior covered bonds performed well in 2013. Nykredit experienced marked spread narrowing for issues launched in 2013 in line with the general credit market.

Nykredit Realkredit A/S issued DKK 9.4bn of junior covered bonds in 2013. Of this figure, DKK 5.7bn was issued through RO Capital Centre D.

Funding of bank lending

At 31 December 2013, Nykredit Bank had a deposit surplus of DKK 18.2bn measured as the difference between deposits and lending at amortised cost. At end-2012, the deposit surplus came to DKK 4.8bn.

Nykredit Bank senior debt

As part of its liquidity management, Nykredit Bank regularly issues senior debt under its EMTN and ECP programmes.

The Bank's medium-term EMTN issues totalled DKK 20.6bn, and its short-term ECP issues amounted to DKK 8.7bn at 31 December 2013.

The ECP and EMTN issues totalled DKK 29.3bn at 31 December 2013 against DKK 29.7bn at end-2012.

Central bank funding

Nykredit may provide bonds as collateral for loans with the Danish central bank as part of Nykredit's ordinary liquidity management and bond settlement, but not as part of its business model for the refinancing of ARMs.

At end-2013, Nykredit had not made use of this option and therefore it had not provided bonds or credit claims as collateral for loans with the Danish central bank.

The Nykredit Realkredit Group

Supplementary collateral requirement (Capital Centres E and H)

DKK billion	
Present requirement for supplementary collateral	44.3
Stress test of supplementary collateral requirement in 12 months	58.3
Assets serving as supplementary collateral in SDO capital centres	70.1
- of which funded by junior covered bonds ¹	37.9

¹ Exclusive of Nykredit Realkredit A/S's own portfolio of junior covered bonds.

Yield spreads vs swaps on 5-year covered bonds



Issuance in 2014

Nykredit Realkredit will continue to issue covered bonds on tap and at refinancing auctions. Recent years have seen issuance of between DKK 488bn and DKK 580bn, and issuance around the same levels is expected for 2014.

Nykredit Realkredit also expects to issue junior covered bonds in 2014, albeit on a smaller scale than in 2013. Issuance of up to DKK 6bn is expected, which should be seen in the context of an estimated maturity of DKK 9bn in 2014. The issuance need depends on property prices and the requirements of credit rating agencies.

Total run-off under Nykredit Bank's EMTN programme in 2014 is DKK 6.4bn. Refinancing of the maturing amount started in the autumn of 2013.

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

Nykredit expects that the existing hybrid capital will be replaced in part or in full by subordinated debt within a few years. Nykredit expects to start issuance in 2014.

CREDIT RATINGS**Standard & Poor's**

Nykredit's SDOs and ROs issued through rated capital centres are all rated AAA by Standard & Poor's, which is the highest possible rating, and have a stable rating outlook.

All issued junior covered bonds are rated A+ by Standard & Poor's.

Nykredit Realkredit A/S and Nykredit Bank A/S both have a long-term unsecured rating of A+ and a short-term unsecured rating of A-1.

The outlooks for the unsecured ratings of Nykredit Realkredit A/S and Nykredit Bank A/S were revised from stable to negative on 19 July 2013. Similarly, the outlook for the rating of Nykredit's junior covered bonds was revised from stable to negative on 23 July 2013.

The negative outlooks are a consequence of Standard & Poor's changed view of the refinancing risk relating to ARMs with short-term funding for the industry in general.

Fitch Ratings

Nykredit Realkredit A/S and Nykredit Bank A/S both have a long-term unsecured rating of A and a short-term unsecured rating of F1 with stable outlooks.

Moody's Investors Service

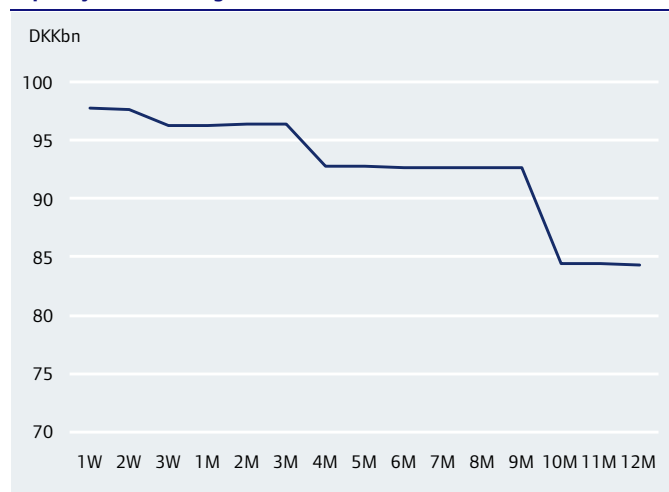
Nykredit terminated its rating relationship with Moody's Investors Service in April 2012.

In this connection, Nykredit has ceased supplying information for the purpose of Moody's rating process.

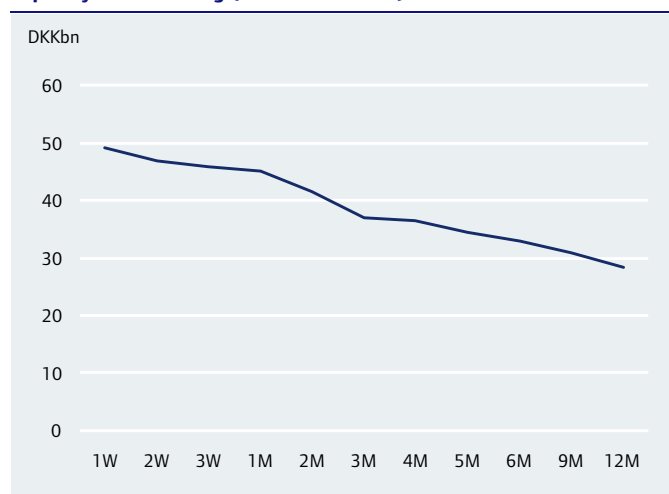
Moody's has opted to publish unsolicited ratings for some group companies.

Listing of ratings

A table listing Nykredit's credit ratings with Standard & Poor's and Fitch Ratings is available in the publication Risk and Capital Management 2013 at nykredit.com/reports as well as at nykredit.com/ir.

Mortgage lending**Liquidity stress testing (internal methods)**

Note: Liquidity raised by issuing junior covered bonds is included up to their maturity.

Banking**Liquidity stress testing (internal methods)****The Nykredit Realkredit Group****Difference between mortgage lending and issued bonds at year-end**

DKK billion	2013	2012
Mortgage loans – nominal value, cf note 17 a	1,120	1,109
Issued bonds – nominal value, cf notes 30 a and 30 b	1,248	1,283
Difference	128	174
The difference comprises:		
- Bonds sold in connection with refinancing of ARMs ¹	94	121
- Ordinary principal payments and prepayments ²	33	50
- Pre-issued bonds in respect of which the underlying loans have not been disbursed	1	3
Total	128	174

¹ Nykredit issues and auctions new bonds one month prior to the maturity of the existing bonds. The proceeds are used to buy back/redeem the bonds maturing on 2 January. For a period there is a double set of bonds of which Nykredit generally owns up to half.

² The loan portfolio will be reduced by ordinary principal payments and prepayments, while the outstanding amount of bonds will be reduced on the next payment date, 2 January, and on subsequent payment dates in accordance with the terms of termination. Nykredit will generally place the proceeds in bonds maturing on one of the next payment dates.

LIQUIDITY

The balance sheet structure of the mortgage banks ensures a high level of liquidity as mortgage borrowers make their payments on or before the date on which Nykredit pays bondholders. Accordingly, mortgage lending and the funding thereof produce positive liquidity.

Further, mortgage loans are funded by bonds which match the loan term or by bonds which are refinanced one or more times during the loan term. For loans subject to refinancing, the structure of the loan agreements eliminates funding-related market risk.

The liquidity position ensures that Nykredit has a sizeable buffer for cash flows driven by customer flows, loan arrears, current costs and maturing capital market funding. In addition, the liquidity position ensures the Group's compliance with statutory liquidity requirements, including the requirement of Danish mortgage legislation for supplementary collateral in case of falling property prices in connection with SDO issuance, the liquidity requirement of the Danish Financial Business Act and credit rating agencies' requirements for maintaining the current high ratings.

The Board of Directors has laid down requirements for Nykredit's liquidity limits in both an expected scenario and stressed scenarios for an appropriate time horizon. The Group Asset/Liability Committee oversees the liquidity of group companies. The individual group companies manage day-to-day liquidity risk.

Nykredit's liquid assets are mainly liquid Danish and other European government and covered bonds. In a liquid repo market, these securities are eligible as collateral with other banks and with the Danish or other European central banks and are directly exchangeable into liquidity. To this should be added a small portfolio of money market deposits, equities, credit bonds and similar assets.

The unencumbered proportion of the liquid assets of the Group's mortgage banks, including proceeds from issued junior covered bonds, totalled DKK 98bn at end-2013 against DKK 92bn at end-2012.

At end-2013, Nykredit Bank's liquid assets totalled DKK 85.3bn against DKK 69.3bn at end-2012, determined in accordance with section 152 of the Danish Financial Business Act.

Bond portfolio

The gross bond portfolio of DKK 274bn comprises mortgage bank reserves, Nykredit Bank's liquid assets, portfolios relating to market making in the mortgage lending and banking areas, proceeds from the issuance of junior covered bonds as well as DKK 9bn assets pledged as security.

In compliance with the balance principle, Nykredit's mortgage banks hold a temporary portfolio of DKK 97bn relating to the refinancing of the covered bonds used to fund Nykredit's ARMs and placement of funds prepaid such as ordinary principal payments, prepayments and funds from fixed-price agreements not yet settled. The portfolio of self-issued bonds held in accordance with the balance principle chiefly comprises short-term bonds maturing on the next payment date. The portfolio is used to secure payment in connection with bond redemption.

Self-issued bonds accounted for DKK 79bn of the liquidity position and DKK 96bn of liquid assets held under the balance principle. The portfolio of self-issued bonds held for liquidity purposes has been reduced in anticipation of the future LCR rules.

In the period preceding a payment date, the value of bonds issued exceeds the value of the mortgage loan portfolio. The main reason is refinancing, as the new bonds are issued immediately after the refinancing auctions, which are conducted approximately one month prior to the relevant payment date, whereas the existing bonds do not mature until the same payment date.

Liquidity Coverage Ratio

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

It is Nykredit's expectation that covered bonds, except for self-issued bonds, will be eligible for inclusion in the stock of liquid assets. Nykredit also expects that some payment obligations relating to match-funded mortgage lending will be exempted from the LCR rules.

In Q4/2013 Nykredit replaced part of its holding of self-issued bonds in anticipation of the upcoming LCR rules. Thus Nykredit observed the LCR rules in their expected form as early as at end-2013, as the minimum requirement is an LCR of 100%.

Under the expected rules, the LCRs of the Group's companies, excluding self-issued bonds held as liquid assets, were as follows at end-2013:

The Nykredit Realkredit Group	199%
Nykredit Realkredit A/S	242%
Totalkredit A/S	396%
Nykredit Bank A/S	128%

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 participant, Nykredit has financial sustainability as its business concept. This means

that we

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

that you

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

Nykredit's relationship with customers, investors, society and staff are described in About Nykredit 2013 – CSR Report, available at nykredit.com/reports.

ORGANISATION AND DELEGATION OF RESPONSIBILITIES

The Board of Directors of Nykredit Realkredit A/S counts 15 members, of which ten 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 by the Group Executive Board.

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

The Board of Directors reviews its competency profile on an ongoing basis. It has been decided that the Board of Directors should have special skills and knowledge as regards:

- Strategy
- The mortgage and banking industry and the real estate area
- Economics, finance and accounting
- Capital markets, securities and funding
- Politics, management and associations

- Legal and regulatory matters of importance to financial business
- Corporate governance
- Financial business management, including IT
- Management of large companies
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Credit matters.

Further details on the competency profile of the Board of Directors, the special skills and experience 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, a Nomination Board and, with effect from 1 April 2014, a Risk Board. Each of these board committees monitors selected areas and prepares cases for review by the entire Board of Directors.

Audit Board

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

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

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

The Audit Board held four meetings in 2013.

Remuneration Board

One of the principal tasks of the Remuneration Board is to make recommendations in respect of Nykredit's remuneration policy, including guidelines on incentive pay, for the approval of the Board of Directors. Moreover, the Remuneration Board makes proposals for remuneration of the Committee of Representatives, the Board of Directors and the Executive Board. It also reviews and considers draft resolutions concerning staff bonus budgets and ensures that the information in the Annual Report about remuneration of the Board of Directors and the Executive Board is correct, fair and satisfactory.

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

Association and staff-elected member of the Board of Directors of Nykredit Realkredit A/S.

The Remuneration Board held three meetings in 2013.

Nomination Board

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

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

Organisation and delegation of responsibilities

Board of Directors

- Overall governance and strategic management
- Lays down overall policies and guidelines

Audit Board

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

Remuneration Board

- Prepares and recommends the remuneration policy

Nomination Board

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

Risk Board

Group Executive Board

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

Group committees

- Governance and management within selected fields of business

Group Credits Committee

- Manages and formulates the credit policy
- Approves large exposures

Group Treasury Committee

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

Group Asset/Liability Committee

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

Group Risk Committee

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

Group Audit Committee

- Reviews audit-related issues

Group Contingency Committee

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

Group Advisory Committee

- Lays down guidelines for Nykredit's advisory services

Group Products Committee

- Ensures development and maintenance of concepts and products

Group Pricing Committee

- Reviews recommended prices for group products

Group IT Portfolio Committee

- Determines and approves all aspects of IT operations

The Nomination Board held three meetings in 2013.

Risk Board

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

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

Group committees

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

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

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

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

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

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

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

The Group Advisory Committee lays down the overall guidelines for Nykredit's advisory services, including coordination of advisory statements and recommendations across lending and investments and across tactical and strategic asset allocation.

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

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

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

The under-represented gender

Since 1995, Nykredit has pursued an active strategy to increase the number of women in management with particular focus on recruiting female managers for the highest management levels. All of Nykredit's financial companies have female representation on their boards of directors, and gender representation targets have been set for end-2016. The actual 2013 figures and the targets for 2016 are stated below.

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

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

Female board representation

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

CORPORATE GOVERNANCE

The Board of Directors of Nykredit Realkredit A/S has decided that Nykredit should act as a listed company for external purposes, operating on sound business terms.

In consequence, Nykredit regularly considers the revised Recommendations on Corporate Governance of the Danish Committee on Corporate Governance subject to the adjustments that follow from Nykredit's special ownership and management structure and complies with the recommendations where appropriate. 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, are meant for ordinary listed companies 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 of Directors does therefore not consider this part of the recommendations relevant to Nykredit.

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 object of which is to carry on Nykredit's activities. Foreningen Nykredit is the largest shareholder of Nykredit Holding A/S, owning 89.80% of the shares. Its objects are to be a shareholder of Nykredit and through that carry on mortgage banking and other financial business.

It is standard practice in Nykredit that the eight members of the Board of Directors of Foreningen Nykredit elected by the Committee of Representatives are also elected for the Boards of Directors of Nykredit Holding A/S and Nykredit Realkredit A/S and that the last two members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting are also members of the Board of Directors of Nykredit Holding A/S. Formally speaking, the directors elected by the General Meeting represent the interests of a majority shareholder and they are often borrowers of Nykredit Realkredit A/S. This is a natural consequence of Nykredit being a financial mutual and the shared objectives and interests of the companies. As the Board of Directors of Nykredit Realkredit A/S is considered to act independently of special interests, all members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting are generally considered independent.

Where appropriate, Nykredit also complies with the November 2013 managerial code of conduct of the Danish Bankers Association, which supplements the corporate governance recommendations.

Further information on organisation and corporate governance is available at nykredit.com/corporategovernanceuk.

REMUNERATION

Risk-takers

The Group has identified a total of 86 risk-takers:

- Members of the Board of Directors: 31
- Group managing directors: 6
- Subsidiary managing directors: 9
- Other risk-takers: 40.

The group of other risk-takers is designated by the Board of Directors primarily based on the size of the loss that the individual risk-taker may inflict on Nykredit in terms of credit or market risk.

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

Remuneration of risk-takers

Pursuant to the Danish Financial Business Act, risk-takers are subject to special restrictions, chiefly in relation to variable remuneration. Some of these restrictions are deferral of payout over a several-year period, partial payout through bonds subject to selling restrictions instead of cash payment and the possibility that Nykredit may retain the deferred amount under special circumstances.

Members of the Board of Directors and group managing directors do not receive variable remuneration, nor bonus awards. The total remuneration is disclosed in the Remuneration Report.

neration of the Board of Directors and the Group Executive Board appears from note 11 of this report.

The 2013 bonus provisions in respect of subsidiary managing directors and other risk-takers amounted to DKK 18m, which was on a level with the bonus for 2012. The 2013 bonus provisions corresponded to 24% of the Group's fixed salaries.

The total remuneration of risk-takers subject to variable remuneration appears from note 11 of this report. Details on bonuses for risk-takers, remuneration policy and practices are available at nykredit.com/aboutnykredit.

Bonus programmes

Individual bonus programmes apply to Nykredit's senior executives and specialists in key areas.

Special individual bonus programmes apply to some of the staff of Nykredit Markets, Nykredit Asset Management and Group Treasury who have major earnings responsibility, in line with market standards for such positions. The remuneration of these staff members is chiefly based on their job performance. The 2013 bonus provisions in respect of these staff members (excl risk-takers) amounted to DKK 64m compared with the awarded bonus of DKK 77m for 2012. The 2013 bonus provisions corresponded to 35% of the Group's total salaries.

In addition, a limited number of individual bonus programmes apply to staff with responsibility for corporate and institutional clients. The 2013 bonus provisions in respect of these staff members (excl risk-takers) amounted to DKK 18m compared with the bonus of DKK 15m for 2012. The 2013 bonus provisions corresponded to 11% of the Group's total salaries.

Management staff and certain senior staff members participate in an individual programme with a potential bonus of up to three months' salary. The 2013 bonus provisions in respect of these staff members (excl risk-takers) amounted to DKK 11m, which is on a level with the bonus for 2012. The 2013 bonus provisions corresponded to just over 4% of the Group's total salaries.

The bonus programmes do not apply to other management or staff members, but they may receive an individual performance award. For 2013, provisions of DKK 11m were made for performance awards compared with performance awards of DKK 9m for 2012. The performance award provisions for 2013 corresponded to 0.6% of the Group's total salaries.

Total provisions for bonuses and performance awards for 2013 came to DKK 122m against total bonuses and performance awards of DKK 130m for 2012. Total bonus and performance award provisions for 2013 corresponded to just under 5% of total salaries.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

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

Financial reporting process

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

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

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

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

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

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

Control environment

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

The Executive Board and a number of group committees, each chaired by a member of the group executive board, are responsible for risk delineation, management and monitoring.

Other important units in connection with financial reporting are Group Treasury, Risk Management, Group Credits and Administration Services, which are responsible for the current risk and capital management, including reporting, bookkeeping and monitoring of group activities.

Risk assessment

The risk management of the Board of Directors and the Executive Board relating to the financial reporting process may generally be summarised as follows:

- Periodical review of risk and financial reporting, including IT systems, general procedures and business procedures
- Review of the areas which include assumptions and estimates material to the financial statements

- Review of the business and financial development
- Review and approval of budgets and forecasts
- Review of annual and interim reports and other financial data
- Review of reports from the Chief Risk Officer
- Annual assessment of the risk of fraud.

Controls

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

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

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

- *Business units* – the management of each unit is responsible for identifying, assessing and handling the risks arising in connection with the performance of the unit's duties and for implementing satisfactory permanent internal controls for the handling of business operations.
- *Risk functions* – comprise a number of intercompany areas, such as Group Credits, Group Finance, decentralised finance functions, Risk Management including the Chief Risk Officer, 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 Nykredit and to perform the statutory audit of the Annual Report in liaison with the external auditors. The internal and external auditors endorse the Annual Report and in this connection issue a long-form audit report to the Board of Directors on any matters of which the Board of Directors should be informed.

The three functional levels are to ensure:

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

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

Information and communication

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

Internal and external financial reports are regularly submitted to the Group's Board of Directors and Executive Board. Internal reporting contains analyses of material matters in, for instance, Nykredit's business areas and subsidiaries.

Risk reports are submitted to the Board of Directors, the Executive Board, relevant management levels and the individual business areas and form the basis of Management's accounting estimates in the financial statements. For further information on the Group's risk and capital management, please refer to the publication Risk and Capital Management 2013 available at nykredit.com/reports.

Monitoring

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

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.

The loss guarantee issued by Nykredit Holding in favour of Nykredit Bank A/S covering losses on loans, advances and guarantees of up to DKK 2bn was terminated by Nykredit Bank in November 2013.

The Parent Company recorded a profit of DKK 48m excluding the profit of the subsidiary Nykredit Realkredit A/S.

Reference is made to the Annual Report 2013 of Nykredit Holding A/S.

NYKREDIT REALKREDIT A/S

Nykredit Realkredit posted a profit before tax of DKK 1,389m against a profit of DKK 2,786m in 2012. Profit after tax was DKK 1,331m against DKK 2,332m the year before.

Results for 2013 were adversely affected by higher mortgage impairment losses and lower investment portfolio income than in 2012.

Core income from mortgage operations increased by DKK 207m to DKK 4,973m. Gross new lending declined by DKK 35bn to DKK 52bn at end-2013, while the loan portfolio decreased by DKK 11bn to DKK 587bn in nominal terms.

Core income from securities amounted to DKK 87m against DKK 130m in 2012.

Operating costs, depreciation and amortisation, excluding value adjustment of special staff benefits, were down by 5.8% to DKK 3,306m.

Nykredit Realkredit A/S

Core earnings and investment portfolio income

DKK million	2013	2012
Core income from		
- business operations	4,973	4,766
- junior covered bonds	(171)	(202)
- securities	87	130
Total	4,889	4,694
Operating costs, depreciation and amortisation, excl special value adjustments	3,306	3,510
Operating costs, depreciation and amortisation – special value adjustments	211	(210)
Core earnings before impairment losses	1,372	1,394
Impairment losses on loans and advances	1,837	1,057
Profit from equity investments	714	672
Core earnings after impairment losses	249	1,009
Investment portfolio income	1,600	2,242
Net interest on hybrid capital	(460)	(465)
Profit before tax	1,389	2,786
Tax	58	454
Profit for the year	1,331	2,332

Impairment losses on loans and advances rose by DKK 780m to DKK 1,837m. Personal customers accounted for DKK 613m of impairment losses for the year, equal to 0.37% of loans and advances. Commercial customers accounted for DKK 1,224m, corresponding to 0.29% of loans and advances.

Mortgage loan impairment losses represented 0.31% of total loans and advances at fair value of DKK 597bn.

Impairment provisions totalled DKK 3,204m at end-2013, up DKK 1,153m. Individual impairment provisions stood at DKK 2,039m and collective impairment provisions at DKK 1,165m.

Profit from equity investments came to DKK 714m compared with DKK 672m in 2012.

Investment portfolio income amounted to DKK 1,600m against DKK 2,242m in 2012.

Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 880m in 2013, while income from portfolio equities and equity instruments came to DKK 325m. To this should be added value adjustment of strategic equities of DKK 395m. Unlike in the Consolidated Financial Statements, strategic equities are not value adjusted against equity but against investment portfolio income.

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 2013, 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 credit rating agencies for a given rating (generally AAA). The remaining part of equity is allocated to Nykredit Realkredit In General.

In accordance with the articles of association of a number of pre-1972 series, the reserve fund shares will be distributed when a loan is partially or fully 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 landed at DKK 58.7bn at year-end. It will be recommended for approval by the Annual General Meeting that no dividend be distributed for the financial year 2013.

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 assets (RWA) of a mortgage bank.

At end-2013, the capital base was DKK 62.7bn, corresponding to a total capital ratio of 17.0%.

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

Hybrid capital

Pursuant to the Danish Financial Business Act, Nykredit may include hybrid capital for capital requirement purposes. Interest on the issued capital will not be paid if Nykredit no longer meets the capital requirement. Interest payments may not be resumed until Nykredit complies with statutory capital requirements again, and only interest accrued from this point in time may be paid.

At end-2013, the Company's capital requirement was DKK 29.4bn relative to a capital base of DKK 62.7bn.

Nykredit Realkredit A/S

Capital base

DKK million	2013	2012
Tier 1 capital		
- Equity, year-end	58,716	57,556
- Revaluation reserves transferred to Tier 2 capital	(2)	(2)
- Proposed dividend	-	(150)
- Intangible assets, including goodwill	(3,005)	(3,654)
- Capitalised tax assets	(4)	0
- Hybrid capital	10,444	10,445
- Other deductions from Tier 1 capital ¹	(3,440)	(2,599)
Tier 1 capital after deductions	62,710	61,596
Tier 2 capital	34	40
Deductions from capital base	(34)	(40)
Total capital base after deductions	62,710	61,596

¹ Pursuant to s 28 of the Danish Executive Order on capital base determination, 50% of certain investments in credit and financial institutions must be deducted from Tier 1 capital and Tier 2 capital, respectively.

Capital requirement and capital adequacy

DKK million	2013	2012
Credit risk	27,405	27,751
Market risk	1,260	1,346
Operational risk	768	886
Total capital requirement¹	29,432	29,983
Capital base	62,710	61,596
Tier 1 capital ratio, % ²	17.0	16.4
Total capital ratio, %	17.0	16.4
Capital adequacy requirement (SREP), %	8.0	8.0
Internal capital adequacy requirement (Pillar I and Pillar II)	9.2	9.0
Risk-weighted assets	367,905	374,788

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-2013, the total capital requirement subject to transitional rules was DKK 32,891m.

² The Tier 1 capital ratio has been determined relative to RWA without applying the transitional rule.

TOTALKREDIT A/S

Totalkredit recorded a profit before tax of DKK 754m against DKK 697m in 2012. Profit after tax was DKK 565m against DKK 522m the year before.

Results for 2013 were positively affected by higher administration margin income prompted by larger lending volumes and price increases. Conversely, results were negatively affected by a higher loan provisioning requirement and increased interest expenses for supplementary collateral for SDO-funded loans and advances.

Core income from business operations went up by DKK 204m to DKK 1,957m in 2013, reflecting gross new lending of DKK 71bn against DKK 131bn in 2012 and a rise in the loan portfolio of DKK 23bn to DKK 532bn in nominal terms.

Core income from securities was a charge of DKK 2m compared with income of DKK 21m in 2012.

Operating costs, depreciation and amortisation rose by DKK 25m to DKK 397m compared with 2012.

Loan impairment losses rose by DKK 40m to DKK 567m in 2013. They equalled 0.11% of lending, which was unchanged relative to the year before.

Totalkredit's business concept is based on partner banks being responsible for customer services and for hedging the credit risk relating to the loan portfolio.

Risk is hedged by agreement with the partner banks. Under the agreement, write-offs corresponding to the cash proportion 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 333m against commission for the year payable to the partner banks. The amount has been recognised in "Impairment losses on loans and advances".

After inclusion of profit for the year, equity stood at DKK 15.7bn at year-end.

The capital base was DKK 18,689m at end-2013, corresponding to a total capital ratio of 21.3% against 22.2% at end-2012.

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

Reference is made to the Annual Report 2013 of Totalkredit A/S.

Totalkredit A/S**Core earnings and investment portfolio income**

DKK million	2013	2012
Core income from		
- business operations	1,957	1,753
- junior covered bonds	(313)	(234)
- securities	(2)	21
Total	1,642	1,540
Operating costs, depreciation and amortisation	397	372
Core earnings before impairment losses	1,245	1,168
Impairment losses on loans and advances	567	527
Core earnings after impairment losses	678	641
Investment portfolio income	76	56
Profit before tax	754	697
Tax	(189)	175
Profit for the year	565	522

Totalkredit A/S**Summary balance sheet, year-end**

DKK million	2013	2012
Mortgage loans at fair value	540,751	523,069
Bonds and equities	79,357	85,235
Issued bonds, Totalkredit	46,568	58,516
Issued bonds, Nykredit Realkredit	538,567	520,688
Subordinated debt	3,100	3,100
Equity	15,655	15,090
Total assets	639,824	632,397

THE NYKREDIT BANK GROUP

The Nykredit Bank Group recorded a profit before tax of DKK 85m against DKK 67m in 2012. Profit after tax was DKK 77m against DKK 68m in 2012.

Results for 2013 reflected a decline in business volumes and a loss on the investment portfolio, but also a fall in value adjustment of interest rate swaps and lower impairment losses on loans and advances.

Core income from business operations was DKK 3,252m in 2013, equal to a 5.7% decline on 2012 when income came to DKK 3,447m.

Core income from securities amounted to DKK 33m against DKK 61m in 2012.

Operating costs, depreciation and amortisation rose by DKK 228m to DKK 2,052m. To this should be added payments to the Guarantee Fund for Depositors and Investors of DKK 71m against DKK 23m in 2012.

Impairment losses on loans and advances declined by DKK 208m to DKK 349m in 2013. This was attributable to a decline of DKK 105m in Retail, of DKK 63m in Wholesale and of DKK 40m in Group Items.

The investment portfolio produced a loss of DKK 40m in 2013 against income of DKK 30m in 2012.

Equity was DKK 14,347m at end-2013 against DKK 14,270m at the beginning of the year.

The Bank's capital base was DKK 14,912m at end-2013, corresponding to a total capital ratio of 16.8% against 21.3% at end-2012. The decline in the total capital ratio should in particular be seen in the context of the termination in November of the loss guarantee issued by Nykredit Holding, as the guarantee had a positive impact of 4.0-4.5 percentage points on the total capital ratio.

The internal capital adequacy requirement (ICAAP) was 12.0% at year-end against 10.5% at end-2012.

Reference is made to the Annual Report 2013 of the Nykredit Bank Group.

The Nykredit Bank Group**Core earnings and investment portfolio income**

DKK million	2013	2012
Core income from		
- business operations	3,252	3,447
- value adjustment of derivatives and corporate bonds	(766)	(1,067)
- securities	33	61
Total	2,519	2,441
Operating costs, depreciation and amortisation	2,052	1,824
Payment to Guarantee Fund for Depositors and Investors	71	23
Value adjustment of associate	78	-
Core earnings before impairment losses	474	594
Impairment losses on loans and advances	349	557
Core earnings after impairment losses	125	37
Investment portfolio income	(40)	30
Profit before tax	85	67
Tax	8	(1)
Profit for the year	77	68

The Nykredit Bank Group**Summary balance sheet, year-end**

DKK million	2013	2012
Loans and advances	103,838	85,208
Bonds and equities	64,219	58,399
Payables to credit institutions and central banks	57,732	55,355
Deposits	65,405	54,701
Equity	14,347	14,270
Total assets	224,134	240,518

NYKREDIT MÆGLER A/S

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

At end-2013, the agency network comprised 308 estate agencies, of which 229 Nybolig agencies and 79 Estate agencies.

The Nykredit Mægler franchisees recorded 14,265 property transactions in 2013, 5.5% more than the year before. The continued housing market downturn has influenced the activity as well as earnings levels of the franchisees and Nykredit Mægler. However, 2013 saw improvement on 2012.

Nykredit Mægler realised a profit of DKK 28m after tax for 2013 relative to a profit of DKK 23m the year before.

The Company's equity was DKK 129m at year-end.

NYKREDIT EJENDOMME A/S

Nykredit Ejendomme's main activity is the letting of some of the commercial properties from which Nykredit operates.

The Company posted a profit after tax of DKK 3m in 2013 against DKK 49m in 2012. Results for 2013 were affected by impairment losses on the Company's properties of DKK 26m. In 2012 no impairment losses were recorded for the Company's properties.

The Company's equity was DKK 475m at year-end.

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 the companies of Nykredit.

The Company posted a profit after tax of DKK 41m in 2013 against DKK 9m in 2012. Results for 2013 were positively affected by an increase in profit from investments in group enterprises, partly attributable to satisfactory profits from divestment of 12 properties.

At end-2013, the property portfolio of Ejendomsselskabet Kalvebod A/S totalled DKK 554m.

The Company's equity was DKK 259m at year-end.

Nykredit Mægler A/S

DKK million	2013	2012
Profit for the year	28	23
Balance sheet total	154	174
Equity	129	141

Nykredit Ejendomme A/S

DKK million	2013	2012
Profit for the year	3	49
Land and buildings	1,606	1,647
Balance sheet total	1,633	1,677
Equity	475	469

The Ejendomsselskabet Kalvebod Group

DKK million	2013	2012
Profit for the year	41	9
Investment properties	554	652
Balance sheet total	734	820
Equity	259	218

MANAGEMENT STATEMENT AND AUDIT REPORTS

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

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report 2013 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.

We are of the opinion that the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2013 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 2013.

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

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

Copenhagen, 6 February 2014

Executive Board

Michael Rasmussen
Group Chief Executive

Kim Duus
Group Managing Director

Søren Holm
Group Managing Director

Karsten Knudsen
Group Managing Director

Per Ladegaard
Group Managing Director

Bente Overgaard
Group Managing Director

Board of Directors

Steen E. Christensen
Chairman

Hans Bang-Hansen
Deputy Chairman

Steffen Kragh
Deputy Chairman

Kristian Bengaard

Michael Demsitz

Merete Eldrup

Marlene Holm

Allan Kristiansen

Bent Naur

Anders C. Obel

Erling Bech Poulsen

Lars Peter Skaarup

Nina Smith

Jens Erik Udsen

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 2013. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

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

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

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

Our audit has not resulted in any qualification.

Opinion

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

Furthermore, in our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2013 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2013 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Financial Statements.

Statement on the Management's Review

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

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

Copenhagen, 6 February 2014

Claus Okholm
Chief Audit Executive

Kim Stormly Hansen
Deputy Chief Audit Executive

INDEPENDENT AUDITORS' REPORT**To the shareholder of Nykredit 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 2013, comprising income statements, statements of comprehensive income, balance sheets, statement of changes in equity and notes, including the Group's and the Company's accounting policies as well as the Group's cash flow statement. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

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

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

Auditors' responsibilities

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2013 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2013 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Financial Statements.

Statement on the Management's Review

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

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

Copenhagen, 6 February 2014

Deloitte
Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup
State-Authorised Public Accountant

Henrik Wellejus
State-Authorised Public Accountant

Income statements for 1 January – 31 December

DKK million

Nykredit Realkredit A/S			The Nykredit Realkredit Group		
2012	2013		Note	2013	2012
33,544	29,195	Interest income	5	36,383	40,905
28,189	24,780	Interest expenses	6	26,058	30,067
5,355	4,415	NET INTEREST INCOME		10,325	10,838
97	228	Dividend on equities	7	254	100
1,042	854	Fee and commission income	8	1,872	2,305
276	289	Fee and commission expenses	9	2,111	2,084
6,218	5,208	NET INTEREST AND FEE INCOME		10,340	11,159
196	779	Value adjustments	10	150	(547)
11	17	Other operating income		210	230
2,570	2,580	Staff and administrative expenses	11	5,004	4,799
730	835	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	12	896	766
0	103	Other operating expenses		225	30
1,057	1,837	Impairment losses on loans, advances and receivables	13	2,764	2,149
719	738	Profit from investments in associates and group enterprises	14	103	47
2,786	1,389	PROFIT BEFORE TAX		1,914	3,144
454	58	Tax	15	240	575
2,332	1,331	PROFIT FOR THE YEAR		1,674	2,569
-	-	DISTRIBUTION OF PROFIT FOR THE YEAR			
-	-	Shareholders of Nykredit Realkredit A/S		1,674	2,569
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT			
689	703	Statutory reserves			
1,492	629	Retained earnings			
150	-	Proposed dividend			

Statements of comprehensive income for 1 January – 31 December

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2012	2013		2013	2012
2,332	1,331	PROFIT FOR THE YEAR	1,674	2,569
		OTHER COMPREHENSIVE INCOME		
		ITEMS NOT ELIGIBLE FOR RECLASSIFICATION TO THE INCOME STATEMENT:		
60	(24)	Actuarial gains/losses on defined benefit plans	(24)	60
-	-	Fair value adjustment of owner-occupied properties	(5)	71
-	-	Tax on fair value adjustment of owner-occupied properties	1	(18)
-	-	Change in deferred tax on fair value adjustment of owner-occupied properties due to a reduction in the corporation tax rate	6	-
53	2	Share of comprehensive income in associates and group enterprises	-	-
114	(22)	Total items not eligible for reclassification to the income statement	(22)	114
		ITEMS ELIGIBLE FOR RECLASSIFICATION TO THE INCOME STATEMENT:		
-	-	Fair value adjustment of equities available for sale	395	279
-	-	Tax on fair value adjustment of equities available for sale	(29)	(43)
-	-	Realised value adjustment of equities available for sale reclassified to the income statement	(697)	(455)
-	-	Tax on realised value adjustment of equities available for sale reclassified to the income statement	(13)	(18)
-	-	Total items eligible for reclassification to the income statement	(343)	(237)
114	(22)	OTHER COMPREHENSIVE INCOME	(364)	(124)
2,445	1,310	COMPREHENSIVE INCOME FOR THE YEAR	1,310	2,445
		DISTRIBUTION OF COMPREHENSIVE INCOME		
-	-	Shareholders of Nykredit Realkredit A/S	1,310	2,445

Balance sheets, end of year

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group			
2012	2013		Note	2013	2012
		ASSETS			
2,465	1,761	Cash balances and demand deposits with central banks		4,810	9,497
31,526	23,736	Receivables from credit institutions and central banks	16	30,948	50,677
1,162,099	1,163,115	Loans, advances and other receivables at fair value	17	1,193,813	1,172,253
378	420	Loans, advances and other receivables at amortised cost	18	47,393	50,111
38,379	26,925	Bonds at fair value	19	90,091	79,055
		Equities			
2,982	2,514	Equities measured at fair value through profit or loss		1,410	1,592
-	-	Equities available for sale		1,460	1,766
2,982	2,514	Total	20	2,870	3,358
155	117	Investments in associates	21	120	158
30,189	30,866	Investments in group enterprises	22	-	-
3,654	3,005	Intangible assets	23	3,054	3,705
		Land and buildings			
-	-	Investment properties		554	652
18	18	Owner-occupied properties		1,626	1,668
18	18	Total	24	2,180	2,319
324	310	Other property, plant and equipment	25	355	377
141	46	Current tax assets	35	152	353
171	154	Deferred tax assets	34	159	184
465	436	Assets in temporary possession	26	676	1,412
16,083	14,105	Other assets	27	40,559	59,724
190	190	Prepayments		234	221
1,289,219	1,267,720	TOTAL ASSETS		1,417,414	1,433,405

Balance sheets, end of year

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group			
2012	2013		Note	2013	2012
LIABILITIES AND EQUITY					
48,597	12,668	Payables to credit institutions and central banks	28	44,393	67,539
-	-	Deposits and other payables	29	65,172	54,509
1,145,585	1,160,447	Issued bonds at fair value	30	1,130,020	1,103,818
182	3,772	Issued bonds at amortised cost	31	30,273	27,595
2,025	862	Other non-derivative financial liabilities at fair value	32	27,258	34,557
-	-	Current tax liabilities	35	-	17
-	-	Liabilities temporarily assumed		136	478
23,570	19,963	Other liabilities	33	49,629	75,099
-	-	Deferred income		4	4
1,219,960	1,197,713	Total payables		1,346,886	1,363,616
Provisions					
161	201	Provisions for pensions and similar obligations	36	207	167
393	151	Provisions for deferred tax	34	263	465
87	80	Repayable reserves in pre-1972 series	37	80	87
-	-	Provisions for losses under guarantees	38	103	82
26	126	Other provisions	39	194	150
668	557	Total provisions		847	951
11,035	10,734	Subordinated debt	40	10,964	11,281
Equity					
1,182	1,182	Share capital		1,182	1,182
Accumulated changes in value					
2	2	- revaluation reserves		205	202
-	-	- value adjustment of equities available for sale		403	745
Other reserves					
2,896	3,554	- statutory reserves		-	-
44,054	32,402	- series reserves		32,402	44,054
9,272	21,576	Retained earnings		24,525	11,223
150	-	Proposed dividend		-	150
57,556	58,716	Total equity		58,716	57,556
1,289,219	1,267,720	TOTAL LIABILITIES AND EQUITY		1,417,414	1,433,405
OFF-BALANCE SHEET ITEMS					
-	-	Contingent liabilities	41	6,311	4,806
1,620	1,356	Other commitments		8,073	9,213
1,620	1,356	TOTAL		14,384	14,019

Statement of changes in equity for 1 January – 31 December

DKK million

Nykredit Realkredit A/S

	Share capital	Revaluation reserves	Statutory reserves*	Series reserves	Retained earnings	Proposed dividend	Total
2013							
Equity, 1 January	1,182	2	2,896	44,054	9,272	150	57,556
Profit for the year	-	-	703	-	629	-	1,331
Total other comprehensive income	-	-	2	-	(24)	-	(22)
Total comprehensive income for the year	-	-	705	-	605	-	1,310
Dividend from associates	-	-	(7)	-	7	-	-
Dividend from group enterprises	-	-	(40)	-	40	-	-
Distributed dividend	-	-	-	-	-	(150)	(150)
Adjustment pursuant to capital adequacy rules	-	-	-	(11,652)	11,652	-	-
Transferred from provisions – pre-1972 series	-	-	-	(0)	1	-	0
Equity, 31 December	1,182	2	3,554	32,402	21,576	-	58,716
2012							
Equity, 1 January	1,182	2	2,155	47,720	4,051	200	55,310
Profit for the year	-	-	689	-	1,492	150	2,332
Total other comprehensive income	-	-	53	-	60	-	114
Total comprehensive income for the year	-	-	743	-	1,553	150	2,445
Dividend from associates	-	-	(2)	-	2	-	-
Distributed dividend	-	-	-	-	-	(200)	(200)
Adjustment pursuant to capital adequacy rules	-	-	-	(3,666)	3,666	-	-
Transferred from provisions – pre-1972 series	-	-	-	(0)	1	-	1
Equity, 31 December	1,182	2	2,896	44,054	9,272	150	57,556

* 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 for 1 January – 31 December

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
2013							
Equity, 1 January	1,182	202	745	44,054	11,223	150	57,556
Profit for the year	-	-	-	-	1,674	-	1,674
Total other comprehensive income	-	2	(343)	-	(24)	-	(364)
Total comprehensive income for the year	-	2	(343)	-	1,650	-	1,310
Distributed dividend	-	-	-	-	-	(150)	(150)
Adjustment pursuant to capital adequacy rules	-	-	-	(11,652)	11,652	-	-
Transferred from provisions – pre-1972 series	-	-	-	(0)	1	-	0
Equity, 31 December	1,182	205	403	32,402	24,525	-	58,716
2012							
Equity, 1 January	1,182	151	982	47,720	5,075	200	55,310
Profit for the year	-	-	-	-	2,419	150	2,569
Total other comprehensive income	-	53	(237)	-	60	-	(124)
Total comprehensive income for the year	-	53	(237)	-	2,479	150	2,445
Distributed dividend	-	-	-	-	-	(200)	(200)
Adjustment pursuant to capital adequacy rules	-	-	-	(3,666)	3,666	-	-
Transferred from provisions – pre-1972 series	-	-	-	(0)	1	-	1
Other adjustments	-	(2)	-	-	2	-	-
Equity, 31 December	1,182	202	745	44,054	11,223	150	57,556

Cash flow statement for 1 January – 31 December

DKK million

	The Nykredit Realkredit Group	
	2013	2012
Profit for the year	1,674	2,569
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	896	766
Profit from investments in associates	(103)	(47)
Impairment losses on loans, advances and receivables	2,764	2,149
Prepayments/deferred income, net	(14)	17
Tax calculated on profit for the year	240	575
Other adjustments	(295)	(150)
Total	3,488	3,311
Profit for the year adjusted for non-cash operating items	5,162	5,880
Change in working capital		
Loans, advances and other receivables	(21,605)	(61,217)
Deposits and payables to credit institutions	(12,483)	(52,982)
Issued bonds	28,880	83,608
Other working capital	(13,397)	931
Total	(18,606)	(29,660)
Corporation tax paid, net	(265)	(352)
Cash flows from operating activities	(13,709)	(24,132)
Cash flows from investing activities		
Divestment of associates	63	39
Dividend received	7	2
Purchase and sale of bonds and equities, net	(10,548)	18,381
Purchase of intangible assets	(83)	(139)
Purchase of property, plant and equipment	(120)	(166)
Sale of property, plant and equipment	139	125
Total	(10,542)	18,241
Cash flows from financing activities		
Purchase and sale of self-issued subordinated debt instruments	(15)	6
Distributed dividend	(150)	(200)
Total	(165)	(194)
Total cash flows	(24,416)	(6,085)
Cash and cash equivalents, beginning of year		
Cash balances and demand deposits with central banks	9,497	7,084
Receivables from credit institutions and central banks	50,677	59,175
Total	60,174	66,258
Cash and cash equivalents, year-end		
Cash balances and demand deposits with central banks	4,810	9,497
Receivables from credit institutions and central banks	30,948	50,677
Total	35,758	60,174

Notes

LIST OF NOTES

No	Note	Page	No	Note	Page
1.	Accounting policies	65	41.	Off-balance sheet items	108
2.	Capital base and capital adequacy	75	42.	Related party transactions and balances	110
3.	Core earnings and investment portfolio income	76	43.	Fair value measurement of financial instruments	113
4.	Results by business area	77	44.	Fair value hierarchy for financial instruments	116
5.	Interest income	79	45.	Derivative financial instruments	119
6.	Interest expenses	80	46.	Repo transactions and reverse lending	121
7.	Dividend on equities	80	47.	Risk management	122
8.	Fee and commission income	80	48.	Hedge accounting	125
9.	Fee and commission expenses	80	49.	Currency exposure	126
10.	Value adjustments	81	50.	Other information	127
11.	Staff and administrative expenses	82	51.	Financial ratios, definitions	128
12.	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	84	52.	Five-year financial highlights	129
13.	Impairment losses on loans, advances and receivables	85	53.	Group structure	131
14.	Profit from investments in associates and group enterprises	86			
15.	Tax	87			
16.	Receivables from credit institutions and central banks	88			
17.	Loans, advances and other receivables at fair value	88			
18.	Loans, advances and other receivables at amortised cost	90			
19.	Bonds at fair value	92			
20.	Equities	93			
21.	Investments in associates	93			
22.	Investments in group enterprises	94			
23.	Intangible assets	94			
24.	Land and buildings	97			
25.	Other property, plant and equipment	99			
26.	Assets in temporary possession	99			
27.	Other assets	99			
28.	Payables to credit institutions and central banks	102			
29.	Deposits and other payables	102			
30.	Issued bonds at fair value	102			
31.	Issued bonds at amortised cost	104			
32.	Other non-derivative financial liabilities at fair value	104			
33.	Other liabilities	105			
34.	Provisions for deferred tax/deferred tax assets	105			
35.	Current tax assets and liabilities	106			
36.	Provisions for pensions and similar obligations	106			
37.	Repayable reserves in pre-1972 series	106			
38.	Provisions for losses under guarantees	106			
39.	Other provisions	107			
40.	Subordinated debt	107			

Notes

1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements are furthermore prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

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

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

The accounting policies are unchanged compared with the Annual Report 2012, except for the implementation of the amendment to IAS 19 as described below.

New and amended standards and interpretations

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

IAS 19 "Employee Benefits". As a result of amendments to IAS 19, actuarial gains and losses on defined benefit plans are now recognised in "Other comprehensive income" and not in "Staff and administrative expenses". The elimination of the corridor approach has had no impact on the Financial Statements as the Nykredit Group has not applied this approach.

Due to the implementation of the amendments to IAS 19, comparative figures have been restated. As regards 2012, the restatement has had a negative effect on profit after tax for the period of DKK 60m and a positive effect on "Other comprehensive income" of DKK 60m. The restatement has had no impact on equity. Had the amendment to IAS 19 not been implemented, profit after tax for 2013 would have been DKK 24m lower and, correspondingly, "Other comprehensive income" would have been DKK 24m higher.

IAS 1 "Presentation of Financial Statements" (specification of standard). The specification of IAS 1 means that the presentation of "Other comprehensive income" has been changed. Items that may be subject to reclassification to the income statement are thus separated from items not subject to reclassification.

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

IFRS 13 "Fair Value Measurement" (new standard). This standard has resulted in more information in connection with fair value determina-

tion, especially fair values categorised within level 3 of the fair value hierarchy.

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

Aside from this, the implementation of the above amendment to IAS 19 has had no impact on the results for the year, other comprehensive income, balance sheet or equity.

Reporting standards and interpretations not yet in force

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The EU has opted not to approve IFRS 9 until the results of all three phases are available. A final effective date of the standard has not yet been announced. The impact of the implementation of IFRS 9 on the Consolidated Financial Statements has not yet been analysed, as the standard is not currently available in a form that allows for an overall assessment of the effect.

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

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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

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

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

Determination of the fair value of certain financial instruments

Notes 43 and 44 further specify the methods applied to determine the carrying amounts and the specific uncertainties related to the measurement of financial instruments at fair value.

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

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

The fair value of financial assets and liabilities measured at fair value based on level 2 or level 3 of the fair value hierarchy came to DKK 1,244bn and DKK 3.6bn, respectively, for assets, and DKK 98bn and DKK 242m, respectively, at end-2013.

Measurement of loans and advances – impairments

Provisions for loan impairment involve significant estimates and assessments 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 and assessments.

Furthermore, realisable values of security received and expected dividend payments from bankrupt estates are subject to a number of estimates. Reference is made to "Provisions for loan and receivable impairment" below for a detailed description. Loans and advances made up some 87.6% of the Group's assets at end-2013.

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. Reference is made to note 23 for a detailed description of the parameters of the impairment test and sensitivity to changes in relevant parameters. Goodwill made up DKK 2,782m, or 0.2%, of the Group's assets at end-2013.

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 determination of the discount rate and market rent, which are some of the elements forming part of the fair value measurement. Investment properties and owner-occupied properties made up DKK 2,180m, or 0.2%, of the Group's assets at end-2013.

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 will become effective upon the financial collapse of the guarantee applicant is subject to uncertainty. Provisions for losses under guarantees and off-balance sheet contingent liabilities totalled DKK 6,414m at end-2013.

Pensions and similar obligations

The present value of pension obligations under defined benefit plans depends on the assumptions underlying the actuarial calculations. The determination of the future development in eg wages, interest rates, inflation and mortality as well as return on plan assets is based on significant estimates. Reference is made to note 27 b. for a detailed description. Defined benefit plans recognised in "Other assets" came to DKK 188m. Provisions for pensions and similar obligations made up DKK 207m at end-2013.

FINANCIAL INSTRUMENTS

Recognition and classification of financial instruments

Financial instruments, including derivative financial instruments, represented more than 95% of the Group's assets as well as liabilities.

Recognition

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

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

Financial assets or liabilities are derecognised when the right to receive or pay related cash flows has lapsed or been transferred, and the Group

has transferred all risks and returns related to ownership in all material respects.

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

Measurement and classification

Measurement principles and classification of financial instruments are described below as well as in notes 43 and 44.

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
 - that are held for trading
 - under the fair value option
- Financial assets available for sale.

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

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

Loans, advances and receivables are measured at amortised cost after initial recognition. For loans, advances and receivables, amortised cost equals cost less principal payments, provisions for loan impairment and other accounting adjustments, including any fees and transaction costs that form part of the effective interest rate of the instruments. For liabilities, amortised cost equals the capitalised value using the effective interest method. Transaction costs are distributed over the life of the asset or liability.

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

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

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

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

- it is chiefly acquired with a view to a short-term gain
- it forms part of a portfolio where there is evidence of realisation of short-term gains, or
- Management classifies it as such.

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

After initial recognition, equities and bonds in the trading book are measured at fair value based on listed prices in an active market, generally accepted measurement methods based on market information or other generally accepted measurement methods. It is assessed on an ongoing basis whether a market is considered active or inactive.

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

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

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

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

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. The majority of the Group's issued junior covered bonds are consequently recognised at 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 covered bonds (ROs and SDOs) are consequently recognised at fair value.

Mortgage loans granted in accordance with Danish mortgage legislation are funded by issuing listed covered bonds of uniform terms. Such mortgage loans may be prepaid by delivery of the underlying bonds.

The Nykredit Realkredit Group buys and sells its self-issued covered bonds on a continuing basis as they constitute a key part of the Danish money market.

If mortgage loans and issued covered bonds were measured at amortised cost, the purchase and sale of self-issued covered bonds would lead to a timing difference 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 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 remaining term-to-maturity.

Mortgage loans are therefore measured at fair value involving 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.

After initial recognition, issued covered bonds and the majority of junior covered bonds are measured at fair value based on listed prices or other generally accepted measurement methods based on observable inputs.

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 in "Value adjustments" through profit or loss for the period in which they arose. Value adjustments due to credit risk are recognised in "Impairment losses on loans, advances and receivables".

Financial assets available for sale

The Group's strategic equity investments are classified as financial assets available for sale. The item includes 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 impairment 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.

Provisions for loan and receivable impairment

Provisions for loan and receivable impairment are divided into individual and collective provisions. The Group's loans and advances are generally placed in groups of uniform credit risk. If there is objective evidence of impairment (OEI) and the event/s concerned is/are believed to have a reliably measurable effect on the size of expected future payments from the loan, individual impairment provisions are made for the loan, which is removed from the relevant group and treated separately.

Individual impairment provisions

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 bankrupt or be subject to other financial restructuring
- Nykredit has eased the borrower's loan terms, which would not have been relevant had the borrower not suffered financial difficulties.

The loan is impaired by the difference between the carrying amount before impairment and the present value of the expected future cash flows from the individual loan or exposure.

Strategy and action plans are prepared for all loans subject to individual impairment. The loans/exposures are reviewed quarterly.

Similar individual impairment provisions are made for non-significant loans, advances and receivables if there is OEI and the event/s con-

cerned is/are believed to have a reliably measurable effect on the size of expected future cash flows 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.

For portfolios of small uniform loans, typically loans to personal customers where OEI is identified for each loan, individual impairment provisions are calculated using a statistical model. The statistical model is partly based on experience of losses on similar loans.

Collective impairment provisions

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

The provisioning need is calculated based on the change in expected losses relative to the time the loans were granted. For each loan in a group of loans, the contribution to the impairment of that group is calculated as the difference between the present value of the loss flow at the balance sheet date and the present value of the expected loss when the loan was granted.

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

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

Impairment provisions in general

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

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

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

RECOGNITION, MEASUREMENT AND PRESENTATION IN GENERAL

Recognition and measurement

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

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

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

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

Hedge accounting

The Group applies derivatives to hedge interest rate risk on loans and advances, subordinated debt and issued bonds measured at amortised cost.

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

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

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

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. Netting mostly takes place in connection with repo transactions and derivative financial instruments.

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 are prepared in accordance with the Group's accounting policies. All intercompany income and costs, dividends, intercompany shareholdings and balances as well as realised and unrealised intercompany gains and losses are eliminated.

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

Divested enterprises are included up to the time of divestment.

Core earnings and investment portfolio income

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

Core earnings mirror income from customer-oriented business and core income from securities less operating costs, depreciation, amortisation and impairment losses on loans and advances. The value adjustment of derivatives and corporate bonds is recognised as a separate item showing the effect of a fair value adjustment. Net costs relating to junior covered bonds are also recognised as a separate item. Net costs relating to junior covered bonds consist of the yield spread between the issued junior covered bonds and the assets in which the proceeds are invested at the time of issuance. Value adjustment of issued junior covered bonds and the assets in which proceeds are invested is included in investment portfolio income.

Core income from securities includes the return the Group would have obtained by placing its investment portfolios at a risk-free interest rate – the Danish central bank's average lending rate. Core income from securities also includes net interest expenses relating to Tier 2 capital and interest expenses on payables relating to the purchase of To-talkredit shares determined relative to risk-free interest.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in equities, bonds and derivative financial instruments. 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 geographical markets. Business areas are defined on the basis of differences in customer segments and services. Items that cannot be allocated to the business areas are included in Group Items. The presentation of the business areas is based on internal management reporting. The business areas reflect the Group's return and risk and are considered the Group's core segments. Segment information is in accordance with the Group's accounting policies.

Income and expenses included in the profit or loss before tax of the individual business areas comprise directly as well as indirectly attributable items. Indirect allocation is based on internal allocation keys and agreements between the individual business areas.

The financial assets and liabilities underlying the financial income and expenses forming part of the business areas' profit or loss are allocated to the relevant business area. Assets in the segment include the assets used directly in segment operations, including intangible assets, property, plant, equipment and investments in associates.

Intangible assets recognised in connection with Nykredit's acquisition of Totalkredit A/S are included in the business area Totalkredit Partners.

The business capital of the individual business areas is determined according to Nykredit's internal capital determination model, and is based on the capital requirement subject to transitional rule, corresponding to 80% of the Basel I requirement.

The business return is calculated as the business area's core earnings after impairment losses relative to average business capital.

No risk-free interest is calculated on capital allocated to the business areas. Risk-free interest is presented in Group Items.

Information is provided exclusively at group level.

Currency

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

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

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

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

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

Repo transactions/reverse lending

Securities sold as part of repo transactions are retained in the appropriate principal balance sheet item, eg "Bonds". Repo transactions are measured at fair value as they are considered an integral component of the trading book.

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 reverse lending 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 reverse lending, 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 transactions and reverse lending are recognised and measured at fair value, and the return is recognised as interest income and interest expenses in the income statement.

Leases

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

Receivables from the lessee under finance leases are included in "Loans, advances and other receivables at amortised cost". The leases are measured so that the carrying amount equals the net investment in the lease. Interest income from finance leases is recognised in "Interest income". Principal payments made are deducted from the carrying amount concurrently with amortisation of the receivable.

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

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

Business combinations

On acquisition of new enterprises where control is obtained over the acquired enterprise, the purchase method is applied. Acquisitions are effected using the uniting-of-interests method of accounting in case of mergers between enterprises with the same management.

INCOME STATEMENT

Interest income and expenses

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

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

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

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

Dividend

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

Fees and commissions

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

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

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

Other operating income

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

Staff and administrative expenses

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

Tax

Tax for the year, consisting of current tax for the year and changes to deferred tax, is recognised in the income statement, unless the tax effect concerns items recognised in "Other comprehensive income". Adjustments relating to entries recognised directly in "Other comprehensive income" are recognised accordingly.

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

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

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

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at the value at which they are expected to be realised, either by set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. On each

balance sheet date, it is assessed whether it is probable that future taxable income will allow for the use of the deferred tax asset.

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 do so. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to do so.

ASSETS**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.

The proportionate share of associates' and joint ventures' profit or loss after tax, after elimination of the proportionate share of intercompany profit or loss, is recognised in the consolidated income statement.

Intangible assets*Goodwill*

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises. Goodwill is tested for impairment at least once a year, and the carrying amount is written down to the lower of the recoverable amount and the carrying amount in the income statement. Reference is made to note 23 for a detailed description of the parameters of the impairment test and sensitivity to changes in relevant parameters.

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 costs 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 as well as sales efforts within a reasonable period. 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 10–50 years, allowing for the expected scrap value at the expiry of the useful life expected when the asset is 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 as well as sales efforts within a reasonable period. The measurement is performed by an internal valuer.

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 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 as well as 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.

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

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

Assets in temporary possession are measured at the lower of the carrying amount at the time of classification as assets in temporary possession.

sion 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. Income and expenses relating to subsidiaries in temporary possession are recognised separately in the income statement if the effect is significant.

LIABILITIES AND EQUITY

Provisions

Provisions are recognised where, as a result of an event occurred on or before the balance sheet date, the Group has a legal or constructive obligation which can be measured reliably and where it is probable that economic benefits must be given up to settle the obligation. Provisions are measured at Management's best estimate of the amount considered necessary to honour the obligation.

Provisions for losses under guarantees

Provisions for losses under guarantees and loss-making contracts are recognised if it is probable that the guarantee or the contract will become effective and if the liability can be measured reliably.

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"/"Other liabilities" in the balance sheet. Actuarial gains and losses are recognised in the income statement in the year in which they arose. The discount curve for company pension funds is applied for discounting purposes.

A number of the Group's staff members are entitled to receive a fixed amount on attaining retirement age 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".

Subordinated debt

Subordinated debt consists of financial liabilities in the form of hybrid capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.

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. If there is impairment of a significant or permanent nature, the accumulated unrealised loss is reclassified from the reserve to the income statement.

Series reserves

Series reserves include series reserves where there is no obligation to repay the borrowers.

Retained earnings

Retained earnings comprise reserves which may be distributed to the Company's shareholders.

CASH FLOW STATEMENT

The consolidated cash flow statement is prepared according to the indirect method based on profit or loss for the year. The consolidated cash flow statement shows cash flows for the year stemming from:

- Operating activities
- Investing activities

- Financing activities.

Furthermore, the consolidated cash flow statement shows the changes in cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of "Cash balances and demand deposits with central banks" and "Receivables from credit institutions and central banks".

SPECIAL ACCOUNTING POLICIES FOR THE PARENT COMPANY NYKREDIT 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 Firms, etc. In all material respects, these rules comply with the International Financial Reporting Standards (IFRS) and the Nykredit Group's accounting policies. Exceptions to these accounting policies include recognition of "Equities available for sale" and recognition of equity investments. These exceptions and other special circumstances relating to the Parent Company are described below.

Changes to the Executive Order on the presentation of financial reports

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

The amendments mainly concern specifications for new or amended international financial reporting standards coming into effect, including an amendment to the recognition of defined benefit plans, which has been implemented in the Parent Company.

The implementation of the amended Executive Order on Financial Reports has had an impact on comparative figures in the Parent Company's results and other comprehensive income. If the amendment had not been implemented, the Parent Company's profit after tax for 2013 and other comprehensive income would also have been affected. The effect of the restatement is the same for the Parent Company and the Group. For further details, reference is made to IAS 19 "Employee Benefits" on page 65.

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

Financial assets available for sale

Unlike the IFRS, the FSA Executive Order on Financial Reports does not allow the classification of financial assets as available for sale with fair value adjustment recognised in "Other comprehensive income". In the Parent Company, equities available for sale are classified as equities measured at fair value through profit or loss.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. The IFRS do not allow the equity method in the separate financial statements of parent companies. The IFRS prescribe measurement either at cost or at fair value.

The proportionate ownership share of the equity value of the enterprises 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 in "Intangible assets" in the balance sheet.

Nykredit's share of the enterprises' profits or losses after tax and elimination of unrealised intercompany profits and losses less depreciation, amortisation and impairment losses is recognised in the income statement.

Total net revaluation of investments in group enterprises is transferred through the profit distribution to equity and recorded in "Statutory reserves". The reserves are reduced by dividend distribution to the Parent Company and are adjusted for other changes in the equity of group enterprises.

Statutory reserves

The statutory reserves include value adjustment of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves are reduced by dividend distribution to the Parent Company and are adjusted for other changes in the equity of subsidiaries and associates.

Loans, advances and other receivables at fair value

Totalkredit mortgage loan funding

Nykredit Realkredit A/S issues covered bonds (ROs and SDOs) for the funding of loans granted by Totalkredit A/S. Totalkredit A/S is therefore under an obligation to pay interest, redemption and prepayment amounts to Nykredit Realkredit A/S, which transfers 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 for credit risk.

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
2. CAPITAL BASE AND CAPITAL ADEQUACY			
Capital base and capital adequacy			
57,556	58,716	58,716	57,556
(2)	(2)	(205)	(202)
57,554	58,714	58,511	57,354
Tier 1 capital			
(150)	-	-	(150)
(3,654)	(3,005)	(3,054)	(3,705)
-	(4)	-	-
53,751	55,706	55,458	53,499
Core Tier 1 capital after primary deductions			
10,445	10,444	10,678	10,690
(882)	(960)	(90)	(917)
(1,717)	(2,480)	(702)	(863)
61,596	62,710	65,344	62,410
Tier 1 capital after deductions			
40	34	237	241
61,636	62,744	65,581	62,650
Capital base before deductions			
(882)	(960)	(90)	(917)
(438)	(777)	(425)	(93)
1,279	1,703	277	769
61,596	62,710	65,344	62,410
Capital base after deductions			
346,889	342,562	298,574	275,639
16,823	15,744	28,571	29,606
11,076	9,599	18,818	21,530
374,788	367,905	345,963	326,775
Total risk-weighted assets			
Financial ratios			
13.6	14.2	15.8	15.8
16.4	17.0	18.9	19.1
16.4	17.0	18.9	19.1

Notes

DKK million

The Nykredit Realkredit Group

3. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME	2013				2012			
	Core earnings	Investment portfolio income	Cost of capital	Total	Core earnings	Investment portfolio income	Cost of capital	Total
Net interest income	9,471	1,313	(458)	10,325	8,627	2,674	(463)	10,838
Dividend on equities	14	240	-	254	3	97	-	100
Fee and commission income, net	(143)	(96)	-	(239)	333	(112)	-	221
Net interest and fee income	9,342	1,457	(458)	10,340	8,964	2,659	(463)	11,159
Value adjustments	(246)	398	(2)	150	(284)	(262)	(1)	(547)
Other operating income	202	8	-	210	230	-	-	230
Staff and administrative expenses	5,005	-	-	5,005	4,800	-	-	4,800
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	896	-	-	896	766	-	-	766
Other operating expenses	225	-	-	225	30	-	-	30
Impairment losses on loans and advances	2,764	-	-	2,764	2,149	-	-	2,149
Profit from investments in associates	78	24	-	103	-	47	-	47
Profit (loss) before tax	486	1,887	(460)	1,914	1,165	2,444	(465)	3,144

Notes

DKK million

The Nykredit Realkredit Group

4. RESULTS BY BUSINESS AREA

2013	Retail	Totalkredit Partners	Wholesale	Group Items	Total
Core income from					
- customer activities, gross	5,558	1,875	3,057	(60)	10,430
- allocation of income for distribution	645	-	(645)	-	-
Total business operations	6,203	1,875	2,412	(60)	10,430
- value adjustment of derivatives and corporate bonds	(179)	-	(587)	-	(766)
- junior covered bonds	(165)	(293)	(26)	-	(484)
- securities	-	-	-	118	118
Total core income	5,859	1,582	1,799	58	9,297
Transactions between business areas represent	501	(22)	(906)	427	-
Operating costs	3,184	409	823	734	5,151
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	10	521	6	360	896
Core earnings before impairment losses	2,665	652	970	(1,036)	3,250
Impairment losses on loans and advances	2,005	554	222	(17)	2,764
Core earnings after impairment losses	660	98	748	(1,019)	486
Investment portfolio income ¹	-	-	-	1,887	1,887
Profit before cost of capital	660	98	748	868	2,373
Net interest on hybrid capital	-	-	-	(460)	(460)
Profit before tax	660	98	748	408	1,914
2012	Retail	Totalkredit Partners	Wholesale	Group Items	Total
Core income from					
- customer activities, gross	5,448	1,744	3,112	(104)	10,201
- allocation of income for distribution	744	-	(744)	-	-
Total business operations	6,192	1,744	2,368	(104)	10,201
- value adjustment of derivatives and corporate bonds	(928)	-	(140)	-	(1,067)
- junior covered bonds	(147)	(263)	(26)	-	(436)
- securities	-	-	-	212	212
Total core income	5,117	1,481	2,203	109	8,909
Transactions between business areas represent	631	(21)	(654)	44	-
Operating costs	3,128	411	840	451	4,830
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	13	521	5	227	766
Core earnings before impairment losses	1,977	549	1,358	(569)	3,314
Impairment losses on loans and advances	1,559	508	70	12	2,149
Core earnings after impairment losses	418	41	1,287	(581)	1,165
Investment portfolio income ¹	-	-	-	2,444	2,444
Profit before cost of capital	418	41	1,287	1,863	3,609
Net interest on hybrid capital	-	-	-	(465)	(465)
Profit before tax	418	41	1,287	1,398	3,144

¹ Investment portfolio income includes a profit from investments in associates of DKK 32m in 2013 against DKK 47m in 2012.

Group segment information is provided by business area.

Geographical markets

Core income from international lending came to DKK 441m in 2013 against DKK 371m in 2012.

The international loan portfolio totalled DKK 56bn at end-2013 against DKK 56bn at end-2012.

Notes

DKK million

The Nykredit Realkredit Group

4. RESULTS BY BUSINESS AREA (continued)

Summary balance sheet, year-end

2013	Retail	Totalkredit Partners	Wholesale	Group Items	Total
Assets					
Receivables from credit institutions	-	-	22,708	13,050	35,758
Mortgage loans at fair value	445,205	493,676	177,158	20,959	1,136,999
Other loans and advances at fair value	-	-	56,814	-	56,814
Bank loans at amortised cost	26,067	36	18,411	2,879	47,393
Bonds and equities	31	-	21,537	71,393	92,961
Investments in associates	-	-	-	120	120
Property, plant and equipment as well as intangible assets	63	1,907	14	3,604	5,589
Remaining assets	78	-	31,854	9,848	41,780
Total assets	471,445	495,619	328,495	121,854	1,417,414
Liabilities and equity					
Payables to credit institutions	-	-	29,440	14,953	44,393
Deposits and other payables	39,506	-	24,294	1,373	65,172
Issued bonds	470,075	519,745	194,195	(23,722)	1,160,293
Remaining liabilities	624	-	58,759	29,455	88,839
Equity	-	-	-	58,716	58,716
Total liabilities and equity	510,206	519,745	306,688	80,775	1,417,414
Off-balance sheet items	4,792	10	6,970	2,611	14,384
Investments in property, plant and equipment as well as intangible assets	-	1	-	202	203
2012					
	Retail	Totalkredit Partners	Wholesale	Group Items	Total
Assets					
Receivables from credit institutions	-	-	44,189	15,985	60,174
Mortgage loans at fair value	447,325	485,513	173,297	30,719	1,136,853
Other loans and advances at fair value	-	-	35,401	-	35,401
Bank loans at amortised cost	24,191	35	22,184	3,700	50,111
Bonds and equities	20	-	6,424	75,969	82,413
Investments in associates	-	-	-	158	158
Property, plant and equipment as well as intangible assets	105	2,427	11	3,858	6,401
Remaining assets	1,881	-	45,011	15,003	61,894
Total assets	473,520	487,976	326,517	145,392	1,433,405
Liabilities and equity					
Payables to credit institutions	-	-	55,355	12,184	67,539
Deposits and other payables	36,606	-	13,103	4,801	54,509
Issued bonds	547,502	533,739	176,231	(126,058)	1,131,413
Remaining liabilities	923	361	78,707	42,395	122,387
Equity	-	-	-	57,556	57,556
Total liabilities and equity	585,030	534,100	323,397	(9,122)	1,433,405
Off-balance sheet items	4,694	11	7,274	2,040	14,019
Investments in property, plant and equipment as well as intangible assets	-	58	-	247	305

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
5. INTEREST INCOME			
13,298	12,278	62	237
14,875	11,995	27,260	32,100
3,741	4,106	7,440	6,491
Bonds			
742	400	844	1,662
696	243	613	1,155
1,345	354	1,092	1,760
9	(21)	(3)	(29)
182	128	294	470
Derivative financial instruments			
(89)	(41)	(60)	(147)
110	339	337	30
-	-	(46)	(30)
-	-	(4)	(7)
77	59	81	79
34,985	29,842	37,910	43,772
(742)	(400)	(844)	(1,662)
(696)	(243)	(613)	(1,155)
(4)	(3)	(69)	(51)
33,544	29,195	36,383	40,905
Of which interest income from reverse lending entered as:			
7	11	33	125
-	-	164	283
Of total interest income:			
826	769	2,407	2,733
-	-	106	88
-	-	101	101
-	-	118	130
Interest income accrued on individually impaired bank loans totalled DKK 106m (2012: DKK 88m). 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		The Nykredit Realkredit Group		
2012	2013	2013	2012	
6. INTEREST EXPENSES				
395	50	Credit institutions and central banks	145	592
-	-	Deposits and other payables	456	717
28,300	24,506	Issued bonds	26,152	30,740
807	805	Subordinated debt	816	818
128	66	Other interest expenses	15	67
29,630	25,426	Total	27,585	32,935
(742)	(400)	Set-off of interest from self-issued SDOs – note 5	(844)	(1,662)
(696)	(243)	Set-off of interest from self-issued ROs – note 5	(613)	(1,155)
(4)	(3)	Set-off of interest from self-issued other bonds – note 5	(69)	(51)
28,189	24,780	Total	26,058	30,067
Of which interest expenses from repo transactions entered as:				
379	44	Credit institutions and central banks	88	554
-	-	Deposits and other payables	70	171
Of total interest expenses:				
958	862	Interest expenses accrued on financial liabilities measured at amortised cost	1,824	2,159
7. DIVIDEND ON EQUITIES				
97	228	Dividend	245	70
-	-	Dividend on equities available for sale	9	30
97	228	Total	254	100
8. FEE AND COMMISSION INCOME				
-	-	Fees relating to financial instruments measured at amortised cost	190	135
10	7	Fees from asset management activities and other fiduciary activities	749	935
1,032	847	Other fees	933	1,235
1,042	854	Total	1,872	2,305
9. FEE AND COMMISSION EXPENSES				
-	-	Fees relating to financial instruments measured at amortised cost	21	271
-	-	Fees from asset management activities and other fiduciary activities	60	76
276	289	Other fees	2,031	1,737
276	289	Total	2,111	2,084

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
10. VALUE ADJUSTMENTS			
Financial assets measured at fair value through profit or loss			
5,915	(4,631)		
4,881	(3,774)	(8,726)	11,890
		-	-
387	288	16	2
935	(109)	(502)	885
281	453	130	90
-	-	27	8
(65)	22	79	(21)
(336)	(110)	(529)	(961)
Financial assets measured at fair value and recognised in "Other comprehensive income"			
-	-	697	455
Financial liabilities measured at fair value through profit or loss			
(6,921)	4,865	8,960	(12,895)
(4,881)	3,774	-	-
-	-	(1)	(0)
196	779	150	(547)
Of which value adjustment relating to fair value hedging for accounting purposes			
-	-	(15)	1

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
11. STAFF AND ADMINISTRATIVE EXPENSES			
40	72	72	40
12	26	26	12
1,860	2,062	3,014	2,775
659	420	1,892	1,973
2,570	2,580	5,004	4,799

Remuneration of Board of Directors and current Executive Board			
Board of Directors			
3	3	3	3
Executive Board, current			
28	39	39	28
-	1	1	-
9	29	29	9
40	72	72	40

In 2013 provisions for pension benefits were affected by a change in the calculated retirement age from 65 years to 60 years. The change resulted in a DKK 20m increase in provisions.

Terms and conditions applying to the Board of Directors

The 15 members of the Board of Directors receive fixed remuneration and a refund of any costs relating to board meetings. The remuneration is unchanged relative to end-2012.

Annual remuneration (DKK 1,000), end-2013

	Chairman	Deputy Chairman	Director
Nykredit Realkredit A/S	390	315	120
Nykredit Holding A/S	555	370	185
Foreningen Nykredit	195	130	75

In addition, Allan Kristiansen 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. The remuneration of other members of the Audit Board and the Remuneration Board is DKK 100,000 and DKK 50,000, respectively.

The members of the Nomination Board do not receive separate remuneration.

No agreements have been made for pension plans, bonus schemes or special termination benefits for members of the Board of Directors elected by the General Meeting.

Notes

11. STAFF AND ADMINISTRATIVE EXPENSES (continued)

Terms and conditions governing the current Executive Board

	Group Chief Executive	Group Managing Directors
Fixed annual salary (DKK 1,000), year-end	9,612	5,951
Pension scheme	Defined contribution	Defined benefit
Pension terms	Nykredit contributes 23% of fixed salary	60% of fixed salary for up to 5 years after attaining the age of 60

Members of the Executive Board receive fixed salaries covering all directorships and executive positions in Foreningen Nykredit and its group enterprises and associates. Neither bonus nor other variable remuneration plans have been established for the members of the Executive Board. As at 1 November 2013, executive board members are no longer offered a company car.

The Group Chief Executive is subject to a mutual term of notice of 6 months. If his contract is terminated by Nykredit, the Group Chief Executive is entitled to termination benefits equal to 22 months' fixed salary and pension contributions. The Group Chief Executive will resign in the month he attains the age of 70 at the latest.

Group Managing Directors are subject to a mutual term of notice of 6 months until they attain the age of 60. If their contracts are terminated by Nykredit before the age of 60, a Group Managing Director is entitled to termination benefits equal to 22 months' fixed salary. Group Managing Directors resign in the month they attain the age of 70 at the latest. Group Managing Directors may resign by giving 12 months' notice from the age of 60 until the age of 70 and are entitled to pension benefits equal to 60% of their fixed salaries for up to 5 years, with the month in which they attain the age of 70 being the latest period. Similarly, Nykredit may request a Group Managing Director to retire in this period subject to 6 months' notice.

On 1 September 2013, Michael Rasmussen succeeded Peter Engberg Jensen as Group Chief Executive. No additional changes have been made to the composition of the Executive Board.

Fixed salary (DKK 1,000)	End-2013	End-2012
Michael Rasmussen (for the period 1 September – 31 December 2013)	3,204	-
Kim Duus	5,951	5,867
Søren Holm	5,951	5,867
Karsten Knudsen	5,951	5,867
Per Ladegaard	5,951	5,867
Bente Overgaard	5,951	5,867
Total	32,959	29,335

Special circumstances

Upon assuming his office on 1 September 2013, Michael Rasmussen received compensation in the amount of DKK 5.97m covering the value of the forfeit share-based incentive programme with his former employer. The amount was charged to the income statement in 2013.

Former Group Chief Executive

Peter Engberg Jensen retired as Group Chief Executive at end-August 2013. At the time of retirement, Peter Engberg Jensen received a fixed salary of DKK 6.04m. In accordance with his contractual term of notice, Peter Engberg Jensen will receive salary until end-February 2014. The salary of DKK 4.53m for the notice period was charged to the income statement in 2013.

Peter Engberg Jensen is contractually entitled to a 5-year pension of 65% of his gross salary at the time of retirement. This obligation has been currently provided for, based on a calculated retirement age of 65 years. Peter Engberg Jensen retired at the age of 60. The part of the pension obligation not already provided for was charged to the income statement in 2013, equivalent to DKK 15.41m.

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
11. STAFF AND ADMINISTRATIVE EXPENSES (continued)			
Remuneration of former Group Chief Executive			
9	10	10	9
3	16	16	3
12	26	26	12
Staff expenses			
1,461	1,634	2,404	2,214
190	191	268	268
188	216	303	265
21	21	38	28
1,860	2,062	3,014	2,775
24	29	49	39
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 risk-takers)			
Details of Nykredit's remuneration policy appear from pages 46-47 of the Management's Review under Remuneration and at nykredit.com.			
Remuneration of risk-takers is included in "Staff expenses" and breaks down into:			
38	42	75	64
8	9	18	16
(5)	0	1	(8)
40	51	94	72
Risk-takers are only covered by defined contribution pension plans.			
Variable remuneration comprises variable remuneration components in the financial year as well as bonus provided for at the end of the financial year. The final bonus is determined during the first quarter of the following financial year. The difference between the bonus provided for and the final bonus is recognised in "Adjustment of variable remuneration provided for in previous years".			
Number of staff			
3,084	3,008	4,052	4,115
Fee to auditor appointed by the General Meeting			
4	7	11	8
The total fee includes:			
2	2	6	6
1	0	0	1
0	1	1	0
1	4	4	1
4	7	11	8
12. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
Intangible assets			
629	633	636	633
-	98	98	-
Property, plant and equipment			
100	103	137	133
-	-	29	-
-	-	(4)	-
730	835	896	766

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2012	2013	2013	2012	
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES				
13 a. Earnings impact				
758	1,014	Change in individual impairment provisions for loans and advances	1,640	1,564
-	10	Change in individual impairment provisions for receivables from credit institutions	29	-
(157)	507	Change in collective impairment provisions for loans and advances	898	(95)
343	208	Write-offs for the year, net	584	807
(30)	(31)	Recoveries on claims previously written off	(243)	(55)
-	-	Provisions for guarantees	22	(32)
914	1,708	Total impairment losses on loans, advances and receivables, and provisions for guarantees	2,928	2,190
147	136	Value adjustment of assets in temporary possession	186	210
(5)	(8)	Value adjustment of claims previously written off	(28)	(9)
-	-	Losses offset against commission payments to banks	(322)	(242)
1,057	1,837	Total	2,764	2,149
13 b. Specification of impairment provisions for loans, advances and receivables				
1,394	2,049	Individual impairment provisions	6,144	5,673
657	1,165	Collective impairment provisions	2,237	1,339
2,051	3,214	Total impairment provisions	8,381	7,012
Impairment provisions have been offset against the following items:				
1,934	3,077	Mortgage loans – note 17	4,157	2,721
117	127	Arrears and outlays – note 17	221	234
-	-	Bank loans and advances – note 18	3,974	4,058
-	10	Receivables from credit institutions – note 16	29	-
2,051	3,214	Total impairment provisions	8,381	7,012
13 c. Individual impairment provisions for loans and advances				
967	1,394	Impairment provisions, beginning of year	5,673	5,345
933	1,246	Impairment provisions for the year	2,630	2,323
(174)	(232)	Impairment provisions reversed	(990)	(758)
(100)	(113)	Transferred to repossessed properties	(150)	(144)
(231)	(256)	Impairment provisions written off	(1,048)	(1,092)
1,394	2,039	Impairment provisions, year-end	6,116	5,673
Of total individual impairment provisions for bank lending to commercial customers, equal to about DKK 2.9bn, around 26% can be attributed to exposures to customers whose financial circumstances have led to bankruptcy, bankruptcy proceedings or compulsory dissolution.				
Of total individual impairment provisions for mortgage lending, around 15% or DKK 388m can be attributed to customers subject to bankruptcy, bankruptcy proceedings or compulsory dissolution. Further, around 25% or DKK 629m of total individual impairment provisions for mortgage lending can be attributed to customers in arrears.				

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)			
13 d. Collective impairment provisions for loans and advances			
815	657	1,339	1,434
(157)	507	898	(95)
657	1,165	2,237	1,339
13 e. Individual impairment provisions for receivables from credit institutions			
-	-	-	-
-	10	29	-
-	10	29	-
13 f. Specification of loans, advances and receivables from credit institutions subject to objective evidence of impairment			
6,943	10,463	18,108	15,192
1,394	2,039	6,116	5,673
5,550	8,424	11,992	9,519
41,309	44,671	121,558	112,737
657	1,165	2,237	1,339
40,652	43,506	119,321	111,398
-	29	54	-
-	10	29	-
-	19	25	-
13 g. Impairment provisions on repossessed properties			
262	320	448	358
100	113	150	144
152	151	206	221
(4)	(15)	(20)	(11)
(190)	(204)	(315)	(264)
320	365	469	448
Impairment losses on repossessed properties have been offset against "Assets in temporary possession".			
14. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
47	24	103	47
672	714	-	-
719	738	103	47
Profit from investments in associates includes DKK 78m stemming from a partial reversal of provisions relating to Dansk Pantebrevsbørs A/S under konkurs (in bankruptcy).			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
15. TAX			
15 a. Tax on profit for the year			
Tax on profit for the year has been calculated as follows:			
28	258	380	64
421	(226)	(173)	518
33	27	29	31
(29)	(1)	7	(38)
-	0	(2)	-
454	58	240	575
Tax on profit for the year can be specified as follows:			
712	347	478	801
Tax effect of:			
(397)	(450)	(417)	(359)
135	134	144	140
4	26	36	(7)
-	0	(2)	-
454	58	240	575
16.3	4.2	12.5	18.3
Effective tax rate, %			
The Group's effective tax rate was affected by tax-exempt gains on equities. Adjusted for such gains, the Nykredit Group's effective tax rate was 24.7% (2012: 24.0%).			
15 b. Payroll tax			
In addition to corporation tax, the Nykredit Group paid payroll tax of DKK 303m (2012: DKK 265m). Payroll tax has been included in "Staff expenses", cf note 11.			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2012	2013		2013	2012
16. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
-	-	Receivables from central banks	-	1,500
28,162	21,627	Receivables from credit institutions	18,401	28,543
3,364	2,110	Reverse lending	12,547	20,633
31,526	23,736	Total	30,948	50,677
Receivables from credit institutions and central banks by time-to-maturity				
5,264	3,838	On demand	13,025	35,519
17,227	11,490	Up to 3 months	14,014	14,430
5,906	5,290	Over 3 months and up to 1 year	3,890	700
3,129	3,119	Over 5 years	19	29
31,526	23,736	Total	30,948	50,677
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
614,848	597,200	Mortgage loans	1,136,644	1,136,445
288	246	Arrears and outlays	354	408
-	-	Reverse lending	56,814	35,401
26,305	27,129	Loans to Totalkredit serving as collateral in capital centres	-	-
520,658	538,541	Totalkredit mortgage loan funding	-	-
1,162,099	1,163,115	Total	1,193,813	1,172,253
17 a. Mortgage loans				
595,273	600,042	Balance, beginning of year, nominal value	1,108,796	1,067,606
86,574	50,499	New loans	122,167	217,333
618	467	Indexation	467	618
1,264	(981)	Foreign currency translation adjustment	(981)	1,264
(11,925)	(11,939)	Ordinary principal payments	(18,051)	(16,617)
(71,762)	(49,418)	Prepayments and extraordinary principal payments	(92,427)	(161,408)
600,042	588,670	Balance, year-end, nominal value	1,119,970	1,108,796
(391)	(316)	Loans transferred relating to properties in temporary possession	(365)	(611)
262	255	Loans assumed by the Danish Agency for Governmental Management	255	262
599,914	588,609	Total	1,119,859	1,108,447
16,869	11,668	Adjustment for interest rate risk	20,942	30,719
Adjustment for credit risk				
(1,277)	(1,912)	Individual impairment provisions	(2,290)	(1,618)
(657)	(1,165)	Collective impairment provisions	(1,867)	(1,103)
614,848	597,200	Balance, year-end, fair value	1,136,644	1,136,445

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)			
For total loans and advances, Nykredit has received mortgages over real estate and:			
25,552	27,540	37,532	33,265
945	853	9,731	9,196
4,811	2,028	7,177	16,533
Mortgage loans at nominal value by property category			
Loans and advances as %, year-end			
27	25	58	58
2	2	3	3
16	17	9	9
13	13	7	7
4	4	2	2
19	19	10	10
16	17	9	9
3	3	2	2
100	100	100	100
For further specification of mortgage loans by loan type and property category, please refer to page 33 of the Management's Review.			
17 b. Arrears and outlays			
371	331	441	486
34	43	134	156
(117)	(127)	(221)	(234)
288	246	354	408
Mortgage arrears up to and including the September 2013 due date, for which no provisions have been made, amounted to DKK 17m (2012: DKK 17m).			
Mortgage loans, arrears and outlays as well as other loans and advances by time-to-maturity			
1,929	2,101	58,920	37,284
16,651	7,309	8,520	16,750
15,201	17,084	17,158	16,197
581,355	570,952	1,109,216	1,102,021
615,136	597,446	1,193,813	1,172,253
Mortgage loans recognised at fair value, arrears and outlays as well as other loans and advances by time-to-maturity are stated after impairment provisions.			
17 c. Loans to Totalkredit serving as collateral in capital centres			
Loans to Totalkredit serving as collateral in capital centres by time-to-maturity			
4,232	2,059	-	-
1,847	3,202	-	-
15,919	21,644	-	-
4,308	224	-	-
26,305	27,129	-	-

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)			
17 d. Totalkredit mortgage loan funding			
455,052	509,107		
Balance, beginning of year, nominal value		-	-
281,437	218,461		
New loans		-	-
(2,791)	(3,602)		
Ordinary principal payments		-	-
(224,590)	(192,760)		
Prepayments and extraordinary principal payments		-	-
509,107	531,206	-	-
Balance, year-end, nominal value			
11,550	7,335		
Adjustment for interest rate risk		-	-
520,658	538,541	-	-
Balance, year-end, fair value			
Totalkredit mortgage loan funding by time-to-maturity			
49,470	41,602		
Up to 3 months		-	-
117,464	127,150		
Over 3 months and up to 1 year		-	-
173,887	208,262		
Over 1 year and up to 5 years		-	-
179,837	161,526		
Over 5 years		-	-
520,658	538,541	-	-
Total			
Totalkredit mortgage loan funding by time-to-maturity is stated at fair value.			
18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-	50,938	53,785
Bank loans and advances			
30	26	-	-
Totalkredit mortgage loan funding			
-	-	27	31
Mortgage loans			
386	426	435	390
Other loans and advances			
416	452	51,400	54,207
Balance, year-end			
Adjustment for credit risk			
-	-	(3,605)	(3,822)
Individual impairment provisions			
-	-	(370)	(236)
Collective impairment provisions			
416	452	47,426	50,149
Balance after impairment, year-end			
(38)	(32)	(32)	(38)
Set-off of self-issued "Other loans and advances" against "Issued bonds at amortised cost" – note 31			
378	420	47,393	50,111
Total			
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 bank loan portfolio has been fair value adjusted through profit or loss as a result of the use of hedge accounting.			
-	-	3,721	1,071
Of total loans and advances, fixed-rate bank loans and advances represent			
-	-	3,736	1,127
The fair value of fixed-rate loans and advances represents			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)			
Loans, advances and other receivables at amortised cost by time-to-maturity			
-	-	10,911	17,035
0	1	10,385	6,818
8	5	5,325	7,972
238	235	10,783	8,760
170	212	10,021	9,563
416	452	47,426	50,149
Loans and advances by time-to-maturity are stated after impairment, but before set-off of self-issued securities.			
18 a. Bank loans and advances			
Non-accrual loans or loans carrying a reduced interest rate			
-	-	656	815
-	-	3	0
Bank loans, advances and guarantee debtors by sector			
Loans and advances as %, year-end			
-	-	0	1
Commercial customers			
-	-	3	3
-	-	10	11
-	-	4	1
-	-	3	3
-	-	5	4
-	-	5	4
-	-	2	2
-	-	7	8
-	-	19	22
-	-	15	14
-	-	73	71
-	-	27	28
-	-	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			
-	-	2,669	2,311
-	-	1,369	1,346
-	-	(1,075)	(988)
-	-	2,963	2,669
-	-	43	34
Non-guaranteed residual values on expiry of the leases represent DKK 0.			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
18. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)			
Finance leases by time-to-maturity			
-	-	294	218
-	-	536	472
-	-	1,905	1,703
-	-	227	276
-	-	2,963	2,669
Where loans and advances under finance leases are concerned, amortised cost represents the fair value. The leases comprise equipment as well as real estate. 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			
-	-	903	766
-	-	2,155	1,972
-	-	236	299
-	-	3,294	3,037
-	-	331	368
19. BONDS AT FAIR VALUE			
59,493	47,467	105,984	137,386
93,777	52,831	73,017	113,726
-	-	2,830	2,327
851	750	1,335	3,453
30,601	24,372	80,337	65,368
3,648	147	4,653	8,105
4,130	2,406	5,101	5,581
192,501	127,973	273,257	335,946
(59,492)	(47,440)	(105,958)	(137,385)
(1)	(26)	(26)	(1)
(93,777)	(52,831)	(73,017)	(113,726)
-	-	(2,830)	(2,327)
(851)	(750)	(1,335)	(3,453)
38,379	26,925	90,091	79,055
2,314	2,409	17,327	16,612
As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of			
Collateral security was provided on an arm's length basis.			
As the majority – around DKK 89.5bn – 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 1 year. Of the Group's bond portfolio, bonds of approximately DKK 0.6bn are expected to have a maturity of up to 5 years.			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2012	2013		2013	2012
20. EQUITIES				
2,982	2,514	Equities measured at fair value through profit or loss	1,410	1,592
-	-	Equities available for sale	1,460	1,766
2,982	2,514	Total	2,870	3,358
20 a. Equities measured at fair value through profit or loss				
1,591	730	Listed on NASDAQ OMX Copenhagen A/S	303	266
98	49	Listed on other stock exchanges	63	105
1,293	1,735	Unlisted equities carried at fair value	1,042	1,222
2,982	2,514	Total	1,410	1,592
20 b. Equities available for sale				
-	-	Listed on NASDAQ OMX Copenhagen A/S	618	1,507
-	-	Unlisted equities measured at fair value	842	259
-	-	Total	1,460	1,766
-	-	Balance, beginning of year	1,766	2,064
-	-	Additions	600	153
-	-	Disposals	(1,300)	(730)
-	-	Fair value adjustment	395	279
-	-	Balance, year-end	1,460	1,766
Equities in Spar Nord Bank A/S, DLR Kredit 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 in "Other comprehensive income" until a potential sale.				
21. INVESTMENTS IN ASSOCIATES				
142	132	Acquisition cost, beginning of year	134	143
(10)	(20)	Disposals	(20)	(10)
132	113	Acquisition cost, year-end	114	134
7	23	Revaluations and impairment losses, beginning of year	24	8
47	24	Profit	24	47
(2)	(7)	Dividend	(7)	(2)
(29)	(36)	Reversal of revaluations and impairment losses	(36)	(29)
23	5	Revaluations and impairment losses, year-end	6	24
155	117	Balance, year-end	120	158

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
22. INVESTMENTS IN GROUP ENTERPRISES			
25,188	25,938		
750	-	-	-
25,938	25,938	-	-
Acquisition cost, beginning of year			
Acquisition cost, year-end			
23. INTANGIBLE ASSETS			
3,525	4,250	-	-
672	714	-	-
-	(40)	-	-
53	2	-	-
4,250	4,927	-	-
Revaluations and impairment losses, beginning of year			
Revaluations and impairment losses, year-end			
30,189	30,866	-	-
Balance, year-end			
29,360	30,002	-	-
Of which credit institutions			
Subordinate receivables			
3,100	3,100	-	-
1,940	1,935	2,242	2,249
5,040	5,035	2,242	2,249
Total			
23. INTANGIBLE ASSETS			
2,759	2,759	2,782	2,782
521	-	26	549
280	113	113	280
20	66	66	20
74	66	66	74
3,654	3,005	3,054	3,705
Total			
23 a. Goodwill			
2,759	2,759	2,782	2,787
-	-	-	(4)
2,759	2,759	2,782	2,782
Acquisition cost, beginning of year			
Acquisition cost, year-end			
Balance, year-end			
Goodwill of DKK 1,907m (2012: DKK 1,907m) relates to the business area Totalkredit Partners.			
Goodwill of DKK 852m (2012: DKK 852m) relates to the business area Group Items.			
Goodwill has not been amortised, and an impairment test has provided no evidence of goodwill impairment.			
The impairment test compared the discounted value of expected future cash flows with the carrying amount. Future cash flows are estimated on the basis of a 10-year budget period and a subsequent terminal period with a fixed annual growth rate. The cash flows of the 10-year budget period are based on the budget for 2014 and projections for the following 9 years. The determination of cash flows takes into account business plans for the coming years as well as expected amendments to the capital requirement.			
The required rate of return before tax for 2013 comprises a long-term risk-free interest rate of 2.3% and a return requirement of 9%.			
In 2013 changes were made to the model assumptions, including the return requirement applied. The 2012 impairment test was based on the budget for the following year and projections for the coming 13 years. It was assumed that the value at the end of the projection period would equal the equity value at that time. No fixed growth factor was applied for the terminal period.			

Notes

DKK million

Nykredit Realkredit A/S
2012 2013The Nykredit Realkredit Group
2013 2012**23. INTANGIBLE ASSETS (continued)****23 a. Goodwill (continued)****The impairment test of Nykredit Bank A/S is based on the following assumptions:**

	2013	2012
Acquired goodwill	852	852
Required rate of return before tax, %	11.3	11.7
Average annual business growth in the budget period, %	2.5	1.8
Fixed annual business growth in the terminal period, %	2.0	-

The impairment test is resilient to changes in the growth assumption for the terminal period and to changes in the growth assumption for the budget period. Average annual growth in the budget period may decline by up to 1.2 percentage points without resulting in impairment losses. The impairment test is sensitive to changes in the return requirement as a 0.5 percentage point increase will result in impairment losses. A 1 percentage point increase will result in impairment losses of DKK 852m.

The impairment test of Totalkredit A/S is based on the following assumptions:

	2013	2012
Acquired goodwill	1,907	1,907
Required rate of return before tax, %	11.3	9.2
Average annual business growth in the budget period, %	3.5	3.5
Fixed annual business growth in the terminal period, %	2.0	-

The impairment test is resilient to changes in the growth assumption for the terminal period and to changes in the growth assumption for the budget period. Average annual growth in the budget period may decline by up to 1.8 percentage points without resulting in impairment losses. The impairment test is sensitive to changes in the return requirement as a 0.5 percentage point increase will result in impairment losses. A 1 percentage point increase will result in impairment losses of DKK 967m.

23 b. Fixed-term rights

4,448	4,506	Acquisition cost, beginning of year	4,579	4,526
58	-	- Additions	1	64
-	-	- Disposals	-	(11)
4,506	4,506	Acquisition cost, year-end	4,580	4,579
3,465	3,986	Amortisation and impairment losses, beginning of year	4,030	3,509
521	521	Amortisation for the year	523	523
-	-	- Reversed amortisation	-	(1)
3,986	4,506	Amortisation and impairment losses, year-end	4,554	4,030
521	-	Balance, year-end	26	549
1	-	Fixed-term rights are amortised over 9 years. - Residual amortisation period at 31 December (average number of years)	3	1

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
23. INTANGIBLE ASSETS (continued)			
23 c. Software			
548	817	817	548
269	36	36	269
817	853	853	817
23 d. Development projects in progress			
436	537	537	436
100	104	104	100
-	98	98	-
537	740	740	537
280	113	113	280
3	1	1	3
Software is amortised over 3-5 years. Residual amortisation period at 31 December (average number of years)			
23 e. Customer relationships			
200	20	20	200
88	82	82	88
(269)	(36)	(36)	(269)
20	66	66	20
20	66	66	20
130	130	130	130
-	(20)	(20)	-
130	110	110	130
47	56	56	47
8	8	8	8
-	(20)	(20)	-
56	44	44	56
74	66	66	74
9	8	8	9
Customer relationships are amortised over 13 years. Residual amortisation period at 31 December (average number of years)			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
24. LAND AND BUILDINGS			
-	-	554	652
18	18	1,626	1,667
18	18	2,180	2,319
24 a. Investment properties			
-	-	652	753
-	-	-	5
-	-	(125)	(115)
-	-	27	8
-	-	554	652
-	-	544	623
-	-	50	57
-	-	18	27
-	-	0	1
The valuation was carried out by an internal valuer based on the return method. In 2013 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		510	623
Rental income under non-cancellable operating leases			
-	-	29	31
-	-	26	31
-	-	0	2
-	-	55	64

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
	24. LAND AND BUILDINGS (continued)		
	24 b. Owner-occupied properties		
19	18 Acquisition cost, beginning of year	2,201	2,181
0	- Additions, including improvements	10	21
(1)	- Disposals	-	(1)
18	18 Acquisition cost, year-end	2,211	2,201
3	3 Revaluations, beginning of year	373	304
-	- Additions for the year recognised in "Other comprehensive income"	8	71
-	- Disposals for the year recognised in "Other comprehensive income"	(13)	-
-	- Reversal of revaluations	-	(2)
3	3 Revaluations, year-end	367	373
2	2 Depreciation and impairment losses, beginning of year	906	887
0	0 Depreciation for the year	20	19
-	- Impairment losses for the year	26	-
(0)	- Reversal of depreciation and impairment losses	-	(0)
2	2 Depreciation and impairment losses, year-end	952	906
18	18 Balance, year-end	1,626	1,668
5	5 Owner-occupied properties are depreciated over a period of 10-50 years. Residual depreciation period at 31 December (average number of years)	13	14
	The latest revaluation of owner-occupied properties was made at end-2013.		
	The valuations were carried out by an internal valuer based on the return method. In 2013 the required rate of return ranged between 5.0% and 8.0% depending on the nature, location and state of repair of the owner-occupied property.		
16	16 If no revaluations had been made, the carrying amount of owner-occupied properties would have been:	1,259	1,294

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
		25. OTHER PROPERTY, PLANT AND EQUIPMENT	
904	1,011		
		Acquisition cost, beginning of year	1,205 1,087
117	96	Additions	101 139
(10)	(366)	Disposals	(375) (21)
1,011	741	Acquisition cost, year-end	931 1,205
595	687	Depreciation and impairment losses, beginning of year	827 731
100	103	Depreciation for the year	116 114
(8)	(359)	Reversal of depreciation and impairment losses	(367) (18)
687	431	Depreciation and impairment losses, year-end	576 827
324	310	Balance, year-end	355 377
		Other assets are depreciated over 4-15 years.	
3	3	Residual depreciation period at 31 December (average number of years)	3 3
		26. ASSETS IN TEMPORARY POSSESSION	
465	436	Reposessed properties for sale	676 1,412
465	436	Total	676 1,412
		If the Nykredit Group acquires a mortgaged property through a forced sale by public auction to reduce its loss on exposures in default, 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.	
		27. OTHER ASSETS	
10,718	10,324	Interest and commission receivable	10,878 11,763
387	270	Receivables from group enterprises	- -
4,615	3,179	Positive market value of derivative financial instruments	27,796 46,832
204	188	Defined benefit plans	188 204
158	144	Other assets	1,698 925
16,083	14,105	Total	40,559 59,724
		27 a. Netting	
-	-	Positive market value of derivative financial instruments, gross	30,795 46,833
-	-	Other receivables included in netting	3,475 -
-	-	Netting of positive and negative market values	(6,474) (1)
-	-	Net market value	27,796 46,832
		In 2013 the netting of market values was exclusively attributable to clearing of derivatives through a central clearing house (CCP clearing). The activities were initiated at end-2012.	

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
27. OTHER ASSETS (continued)			
27 b. Defined benefit plans			
The majority of the Group's pension plans are defined contribution plans. The contributions are charged against income on a current basis, cf note 11.			
The Group's defined benefit plans are funded through contributions from Nykredit Realkredit A/S into a pension fund acting in the members' interest by investing the contributions made to cover the pension obligations. Due to the excess coverage of the pension fund, Nykredit Realkredit A/S has not made any contributions since 2009. 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.			
(588)	(548)	Present value of defined benefit plans	(548) (588)
792	736	Fair value of plan assets	736 792
204	188	Net assets, year-end	188 204
(657)	(588)	Obligation, beginning of year	(588) (657)
(19)	(11)	Calculated interest expenses relating to the obligation	(11) (19)
104	(9)	Actuarial adjustments relating to demographic assumptions	(9) 104
(61)	18	Actuarial adjustments relating to financial assumptions	18 (61)
3	0	Past service costs	0 3
41	41	Pension benefits paid	41 41
(588)	(548)	Obligation, year-end	(548) (588)
780	792	Plan assets, beginning of year	792 780
36	19	Calculated interest expenses relating to plan assets	19 36
17	(33)	Actuarial adjustments relating to financial assumptions	(33) 17
(41)	(41)	Pension benefits paid	(41) (41)
792	736	Plan assets, year-end	736 792
204	188	Net asset, year-end	188 204
Pension costs/income relating to defined benefit plans recognised in "Staff and administrative expenses" in the income statement			
18	8	Calculated interest expenses relating to net asset	8 18
3	0	Past service costs	0 3
21	8	Total	8 21
Pension costs/income relating to defined benefit plans recognised in "Other comprehensive income" in "Actuarial gains/losses on defined benefit plans"			
104	(9)	Actuarial adjustments relating to demographic assumptions	(9) 104
(44)	(15)	Actuarial adjustments relating to financial assumptions	(15) (44)
60	(24)	Total	(24) 60
Plan assets break down as follows:			
885	818	Bonds	818 885
12	10	Cash and other receivables	10 12
(105)	(92)	Tax	(92) (105)
792	736	Total assets	736 792
All pension fund assets are measured on the basis of listed prices (level 1 input).			
The pension fund extensively seeks to match the term of its assets with the expected term of its obligations. Further, expected pension benefit increases are matched with investments in index-linked bonds.			

Notes

DKK million

The Nykredit Realkredit Group

2013 2012

27. OTHER ASSETS (continued)**27 b. Defined benefit plans (continued)**

Average actuarial calculation assumptions	2013	2012	2011	2010	2009
Inflation, %	2.0	2.0	2.0	2.0	2.0
Discount rate, %	1.8	2.8	3.5	3.9	5.0
Wage rate, %	2.0	2.0	2.0	2.3	2.0

Net actuarial adjustments

The Nykredit Realkredit Group's pension obligations for this year and the preceding four years are as follows:

	2013	2012	2011	2010	2009
Plan liabilities	(548)	(588)	(657)	(643)	(558)
Plan assets	736	792	780	757	700
Net assets	188	204	123	115	142
Actuarial adjustments to plan liabilities	9	43	(36)	(110)	(54)
Actuarial adjustments to plan assets	(46)	35	27	55	(9)
Tax adjustments	13	(17)	1	14	30
Total actuarial adjustments	(24)	60	(7)	(41)	(33)

Expected expiry of the pension obligation	2013	2012
Within 1 year	(35)	(37)
1-5 years	(126)	(135)
5-10 years	(131)	(141)
Over 10 years	(256)	(275)
Total pension obligation	(548)	(588)

The expected expiry of the pension obligation is based on the discounted obligation.

Sensitivity information (end-2013)

Impact on pension obligation (in DKK million) on adjustment of:	+1%/+10%	-1%/-10%
Discount rate (+/- 1 percentage point)	44	(51)
Wage growth and pension increases (+/- 1 percentage point)	(57)	49
Life expectancy (+/- 10%)	(24)	24

Sensitivity information is computed subject to all things being equal, meaning that one parameter is adjusted while the remaining parameters are left unchanged. This will rarely be the case in practice, and assumption changes may also be correlated.

In accordance with the commencement provisions, no comparative figures have been stated.

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2012	2013		2013	2012
28. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
4,587	1,315	Payables to credit institutions	12,593	10,546
44,009	11,353	Repo transactions with credit institutions	31,392	56,746
-	-	Repo transactions with central banks	407	246
48,597	12,668	Total	44,393	67,539
Payables to credit institutions and central banks by time-to-maturity				
1,111	865	On demand	6,249	3,833
46,786	11,353	Up to 3 months	35,564	59,037
700	450	Over 3 months and up to 1 year	1,123	3,808
-	-	Over 1 year and up to 5 years	1,454	746
-	-	Over 5 years	3	115
48,597	12,668	Total	44,393	67,539
29. DEPOSITS AND OTHER PAYABLES				
-	-	On demand	23,087	37,994
-	-	At notice	12,012	5,851
-	-	Time deposits	16,209	10,639
-	-	Special deposits	13,865	26
-	-	Total	65,172	54,509
Deposits and other payables by time-to-maturity				
-	-	On demand	43,615	35,366
-	-	Up to 3 months	7,834	7,682
-	-	Over 3 months and up to 1 year	7,873	5,613
-	-	Over 1 year and up to 5 years	3,946	4,138
-	-	Over 5 years	1,904	1,711
-	-	Total	65,172	54,509
30. ISSUED BONDS AT FAIR VALUE				
330,648	294,560	ROs	343,421	389,323
924,598	925,324	SDOs	925,324	924,598
44,460	41,585	Junior covered bonds	41,585	44,460
1,299,706	1,261,469	Total	1,310,330	1,358,381
(154,121)	(101,022)	Self-issued bonds transferred from "Bonds at fair value" – note 19	(180,310)	(254,563)
1,145,585	1,160,447	Total	1,130,020	1,103,818
<p>Changes in the fair values of covered bonds (ROs and SDOs) attributable to the Nykredit Group's own credit risk can be determined relative to changes in option-adjusted yield spreads (OAS) against government bonds or relative to changes in yield spreads against equivalent covered bonds from other Danish mortgage lenders.</p> <p>Determined relative to other Danish mortgage lenders, the fair value has not been subject to changes attributable to the Nykredit Group's own credit risk in 2013 or since the issue, as there are no measurable price differences between bonds with identical properties issued by different lenders.</p>				

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
30. ISSUED BONDS AT FAIR VALUE (continued)			
<p>The yield spread between government bonds and junior covered bonds/ROs/SDOs tightened in 2013 causing a rise in the fair value of issued bonds of approx DKK 12bn attributable to Nykredit's own credit risk. Since 2008 spread widening between government bonds and junior covered bonds/ROs/SDOs has resulted in a fair value decline of approx DKK 3bn attributable to Nykredit'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.</p> <p>The determination allows for both maturity and nominal holding, but is to some extent based on estimates.</p>			
30 a. ROs			
318,609	285,706	ROs at nominal value	332,616 374,974
12,040	8,854	Fair value adjustment	10,806 14,349
330,648	294,560	ROs at fair value	343,421 389,323
(93,777)	(52,831)	Self-issued ROs transferred from "Bonds at fair value" – note 19	(73,017) (113,726)
236,871	241,728	Total	270,404 275,598
583	125	Of which pre-issuance	125 583
35,295	10,314	ROs redeemed at next creditor payment date	11,568 37,564
30 b. SDOs			
908,165	915,154	SDOs at nominal value	915,154 908,165
16,432	10,170	Fair value adjustment	10,170 16,432
924,598	925,324	SDOs at fair value	925,324 924,598
(59,492)	(47,440)	Self-issued SDOs transferred from "Bonds at fair value" – note 19	(105,958) (137,385)
865,106	877,884	Total	819,367 787,212
1,932	630	Of which pre-issuance	630 1,932
125,522	105,692	SDOs redeemed at next creditor payment date	105,692 125,522
30 c. Junior covered bonds			
43,320	40,652	Junior covered bonds at nominal value	40,652 43,320
1,140	933	Fair value adjustment	933 1,140
44,460	41,585	Junior covered bonds at fair value	41,585 44,460
(851)	(750)	Self-issued junior covered bonds transferred from "Bonds at fair value" – note 19	(1,335) (3,453)
43,609	40,835	Total	40,250 41,008
-	-	Junior covered bonds redeemed at next creditor payment date	- -
Issued bonds at fair value by time-to-maturity			
118,022	83,634	Up to 3 months	71,161 100,270
304,824	274,901	Over 3 months and up to 1 year	265,655 277,190
368,428	501,424	Over 1 year and up to 5 years	475,544 352,803
354,312	300,489	Over 5 years	317,659 373,556
1,145,585	1,160,447	Total	1,130,020 1,103,818
<p>Issued bonds by time-to-maturity are stated at fair value after set-off against self-issued bonds.</p>			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
31. ISSUED BONDS AT AMORTISED COST			
-	-	29,309	29,740
61	26	26	61
-	3,664	3,664	-
120	105	127	120
40	35	35	40
221	3,831	33,162	29,961
Issued bonds at amortised cost by time-to-maturity			
-	-	(2,830)	(2,327)
(1)	(26)	(26)	(1)
(38)	(32)	(32)	(38)
182	3,772	30,273	27,595
0	58	8,124	11,143
60	-	5,495	3,070
122	3,715	15,998	11,072
-	-	657	2,310
182	3,772	30,273	27,595
Issued bonds by time-to-maturity are stated at amortised cost after set-off against self-issued bonds.			
31 a. Corporate bonds			
Issues			
-	-	20,610	20,882
-	-	8,699	8,817
-	-	-	41
-	-	29,309	29,740
* Listed on NASDAQ OMX Copenhagen A/S or on the Luxembourg Stock Exchange.			
32. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
-	-	18,513	17,718
2,025	862	8,745	16,839
2,025	862	27,258	34,557
Other non-derivative financial liabilities at fair value by time-to-maturity			
2,025	862	27,258	34,557
2,025	862	27,258	34,557

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
33. OTHER LIABILITIES			
14,804	13,944	19,022	21,477
6,244	3,924	26,118	48,939
399	222	198	361
2,125	1,873	4,291	4,321
23,570	19,963	49,629	75,099
33 a. Netting			
-	-	32,592	48,940
-	-	(6,474)	(1)
-	-	26,118	48,939
The netting of market values is exclusively attributable to clearing of derivatives through a central clearing house (CCP clearing). The activities were initiated at end-2012.			
34. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS			
Deferred tax			
170	(223)	(281)	214
(421)	226	173	(518)
29	1	(7)	38
-	(0)	9	-
-	-	1	(15)
(223)	4	(104)	(281)
Deferred tax is recognised in the balance sheets as follows:			
171	154	159	184
(393)	(151)	(263)	(465)
(223)	4	(104)	(281)
Deferred tax relates to:			
4	4	(74)	(48)
0	-	-	0
16	9	9	16
(224)	(56)	(60)	(227)
3	5	(27)	(34)
(5)	(5)	3	(11)
-	-	63	(53)
100	53	(17)	179
44	71	73	46
(160)	(76)	(76)	(160)
-	-	3	11
(223)	4	(104)	(281)
Deferred tax assets not recognised in the balance sheet:			
26	21	140	156
26	21	140	156
The asset has not been recognised, as it is not likely to crystallise in the near future.			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
35. CURRENT TAX ASSETS AND LIABILITIES			
Current tax assets			
344	141	353	344
-	-	(17)	(71)
(28)	(258)	(380)	127
(141)	189	265	50
(33)	(27)	(29)	(34)
-	-	(41)	(63)
141	46	152	353
Current tax liabilities			
-	-	17	201
-	-	(17)	(71)
-	-	-	192
-	-	-	(302)
-	-	-	(3)
-	-	-	17
36. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS			
351	161	167	356
0	(17)	(17)	0
13	65	65	14
36	3	2	36
(239)	(11)	(11)	(239)
161	201	207	167
37. REPAYABLE RESERVES IN PRE-1972 SERIES			
94	87	87	94
(9)	(12)	(12)	(9)
2	5	5	2
87	80	80	87
Repayable reserves in pre-1972 series stem from loan agreements under which the borrowers on full or partial repayment of their outstanding amounts are paid their share of the series reserve fund in compliance with the terms of the series concerned. This obligation will be gradually reduced up until 2033 as the borrowers repay their loans.			
38. PROVISIONS FOR LOSSES UNDER GUARANTEES			
-	-	82	114
-	-	77	36
-	-	(56)	(68)
-	-	(0)	(0)
-	-	103	82

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group		
2012	2013	2013	2012	
		39. OTHER PROVISIONS		
30	26	Balance, beginning of year	150	149
(13)	(8)	Utilised for the year	(140)	(13)
9	108	Provisions for the year	184	15
(0)	0	Adjustment for the year as a result of changes to the discount rate and discount period	0	(0)
(0)	(1)	Reversal of unutilised amounts	(1)	(1)
26	126	Balance, year-end	194	150
		40. SUBORDINATED DEBT		
		Subordinated debt consists of financial liabilities in the form of hybrid capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
		Subordinated debt is included in the capital base in accordance with the Danish Executive Order on capital base determination.		
		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
3,971	3,831	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	3,831	3,971
7,064	6,903	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 5 years	6,903	7,064
11,035	10,734	Total hybrid capital	10,984	11,285
-	-	Portfolio of self-issued bonds	(19)	(5)
11,035	10,734	Total subordinated debt	10,964	11,281
10,445	10,444	Subordinated debt that may be included in the capital base	10,678	10,690
		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 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).		
245	102	Market value of interest rate swaps of EUR 500m (nominal)	102	245
385	208	Market value of interest rate swaps of EUR 900m (nominal)	208	385
3,721	3,730	Market value of hybrid capital of EUR 500m (nominal)	3,730	3,721
7,320	6,714	Market value of hybrid capital of EUR 900m (nominal)	6,714	7,320

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
41. OFF-BALANCE SHEET ITEMS			
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
-	-	6,311	4,806
1,620	1,356	8,073	9,213
1,620	1,356	14,384	14,019
41 a. Contingent liabilities			
-	-	3,173	1,739
-	-	336	596
-	-	2,801	2,471
-	-	6,311	4,806
"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.			
Contingent liabilities by time-to-maturity			
-	-	3,790	2,230
-	-	2,300	2,052
-	-	221	525
-	-	6,311	4,806
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 registration etc.			

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
41. OFF-BALANCE SHEET ITEMS (continued)			
41 b. Other commitments			
10	2		
		Irrevocable credit commitments	6,529 7,338
1,610	1,354	Other liabilities	1,544 1,875
1,620	1,356	Total	8,073 9,213
"Other liabilities" under "Other commitments" comprises obligations to and charges in favour of securities depositories, investment commitments to private equity funds and non-callable lease payments.			
The following non-cancellable lease payments are recognised in "Other liabilities":			
191	182	Up to 1 year	94 99
466	385	Over 1 year and up to 5 years	247 263
249	204	Over 5 years	190 224
906	771	Total	532 586
Other contingent liabilities			
Owing to the size and business scope of the Nykredit Realkredit Group, the Group is continuously involved in legal proceedings and litigation. 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 participates in the mandatory Danish deposit guarantee scheme, the Danish Guarantee Fund for Depositors and Investors. Participating banks must pay a fixed annual amount of 2.5% of the covered net deposits. Payment to the Fund's bank department is mandatory until the assets of the scheme exceed 1% of the covered net deposits. The bank department bears any direct losses on the winding-up of Danish banks, cf Bank Rescue Packages III and IV, to the extent the loss is attributable to the covered net deposits.			
Any losses arising from the final winding-up are covered by the Fund through its winding-up and restructuring department. Nykredit Bank's share of the expense will amount to about 3%.			
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 A/S's total capital ratio below the statutory capital requirement plus 0.5% or the internal capital adequacy requirement (ICAAP) plus 0.5%.			
The Company is jointly taxed in Denmark with Foreningen Nykredit as the administration company. Pursuant to the Danish Corporation Tax Act, the Company is liable for income taxes etc payable by the jointly taxed companies as from the financial year 2013 and for any obligations to withhold tax at source on interest, royalties and dividends of these companies as from 1 July 2012.			
Nykredit Realkredit A/S is liable for the obligations of the pension fund in run-off Nykredits Afviklingspensionskasse (CVR no 24 25 62 19).			

Notes

42. RELATED PARTY TRANSACTIONS AND BALANCES

Foreningen Nykredit, the Parent Company Nykredit Holding A/S, group enterprises and associates of Nykredit Realkredit A/S 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 2013.

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 reimbursement basis.

Significant related party transactions prevailing/entered into in 2013 include:

Agreements between Nykredit Realkredit A/S and Totalkredit A/S

Nykredit Realkredit A/S has granted a loan to Totalkredit A/S serving as collateral in Totalkredit's capital centres. At 31 December 2013, the loan amounted to DKK 27.1bn.

An agreement has been made to hedge market risk relating to collateral, including investments, in Totalkredit's capital centres. The hedged amount constituted a charge of DKK 380m for Nykredit Realkredit in 2013.

Agreement on the distribution of mortgage loans to personal customers via Totalkredit A/S (this agreement was concluded on the same terms as apply to other partners, including commission payments).

Nykredit Realkredit A/S has granted loans of DKK 3,100m to Totalkredit A/S in the form of subordinated debt.

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

Up until 6 November 2013, Nykredit Holding A/S provided a loss guarantee for the part of Nykredit Bank A/S's impairment losses and provisions (earnings impact for the year) that exceeded 2% of Nykredit Bank A/S's loans, advances and guarantees subject to a maximum of DKK 2bn for the term of the guarantee.

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)			
42 a. Transactions with subsidiaries			
Income statement			
13,161	12,314	-	-
1,433	839	-	-
504	533	-	-
194	214	-	-
5,060	(3,584)	-	-
(602)	(725)	-	-
Asset items			
21,162	14,186	-	-
27,476	28,327	-	-
520,658	538,541	-	-
30	26	-	-
2,054	946	-	-
7,711	7,456	-	-
Liability items			
2,140	495	-	-
100,161	80,069	-	-
2,625	2,012	-	-
42 b. Transactions with parent companies			
Income statement			
-	-	0	0
-	-	68	80
Liability items			
-	-	40	214
-	-	19	17
42 c. Transactions with joint ventures			
Income statement			
371	335	386	382
Asset items			
4	0	0	4

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)			
42 d. Transactions with associates			
Income statement			
-	-	0	0
-	-	0	0
Liability items			
-	-	1	18
42 e. Transactions with the Board of Directors and Executive Board			
Interest expenses of the members of:			
0	0	0	0
1	1	1	1
1	1	1	2
Loans, charges or guarantees granted to the members of:			
20	13	25	24
42	41	54	53
52	52	58	61
Deposits from the members of:			
-	-	6	4
-	-	25	7
-	-	20	15
<p>Related party facilities have been granted on standard business terms. Rates applying to ordinary loans range between 1.95% and 10.75% (2012: 1.95% and 9.25%), while deposits carry interest ranging between 0.0% and 1.3% (2012: 0.0% and 1.0%).</p> <p>Facilities granted to the Executive Board, the Board of Directors or related parties thereof have not given rise to impairment provisions or impairment losses.</p>			

Notes

43. 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 48. 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 variable interest rate and entered into on standard credit terms, the carrying amounts are estimated to correspond to the fair values.
- The fair value of fixed-rate 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 assessment 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

43. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)						
2013	IAS 39 category	Carrying amount	Fair value	Balance	Fair value calculated on the basis of	
					method 1	method 2
Assets						
Cash balances and demand deposits with central banks	a)	4,810	4,810	-	4,810	-
Receivables at call from central banks	a)	2,069	2,069	-	2,069	-
Receivables from credit institutions	a+c)	28,879	28,879	-	28,860	19
Loans, advances and other receivables at fair value	b+c)	1,193,813	1,193,813	-	1,193,813	-
Loans, advances and other receivables at amortised cost	a)	47,393	47,451	58	36	47,415
Bonds at fair value	c)	90,091	90,091	-	89,595	496
Equities measured at fair value through profit or loss	c)	1,410	1,410	-	368	1,042
Equities available for sale	d)	1,460	1,460	-	618	842
Interest and commission receivable	a)	10,878	10,878	-	-	10,878
Derivative financial instruments	c)	27,796	27,796	-	26,502	1,294
Other assets	a)	1,932	1,932	-	-	1,932
Total		1,410,531	1,410,588	58	1,346,670	63,918
Of which a) Loans, advances and receivables		83,415	83,472	58	23,229	60,243
Of which b) Assets classified at fair value on initial recognition (fair value option)		1,136,999	1,136,999	-	1,136,999	-
Of which c) Financial assets held for trading		188,657	188,657	-	185,824	2,833
Of which d) Financial assets available for sale		1,460	1,460	-	618	842
Liabilities and equity						
Payables to credit institutions	c+e)	43,986	43,983	2	43,983	-
Payables to central banks	e)	407	407	-	407	-
Deposits and other payables	e)	65,172	65,114	58	-	65,114
Issued bonds at fair value	b)	1,130,020	1,130,020	-	1,119,897	10,123
Issued bonds at amortised cost	e)	30,273	30,325	(51)	30,216	109
Other non-derivative financial liabilities at fair value	c)	27,258	27,258	-	27,258	-
Interest and commission payable	e)	19,022	19,022	-	-	19,022
Derivative financial instruments	c)	26,118	26,118	-	25,876	242
Other payables	e)	4,493	4,493	-	-	4,493
Subordinated debt	e)	10,964	10,987	(22)	10,736	251
Total		1,357,714	1,357,727	(13)	1,258,372	99,354
Of which b) Liabilities classified at fair value on initial recognition (fair value option)		1,130,020	1,130,020	-	1,119,897	10,123
Of which c) Financial liabilities held for trading		85,176	85,176	-	84,934	242
Of which e) Other financial liabilities		142,518	142,531	(13)	53,542	88,989
Transfer from assets				58		
Total balance				45		
Unrealised gains and losses recognised in "Other comprehensive income":						
Equities available for sale				366		
Balances not recognised in the income statement				411		
Measurement methods						
Method 1: Generally accepted measurement methods based on market data						
Method 2: Other generally accepted measurement methods						

Notes

DKK million

The Nykredit Realkredit Group

43. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)						
2012	IAS 39 category	Carrying amount	Fair value	Balance	Fair value calculated on the basis of	
					method 1	method 2
Assets						
Cash balances and demand deposits with central banks	a)	9,497	9,497	-	9,497	-
Receivables at call from central banks	a)	1,746	1,746	-	1,746	-
Receivables from credit institutions	a+c)	48,930	48,927	(3)	48,902	25
Loans, advances and other receivables at fair value	b+c)	1,172,254	1,172,254	-	1,172,254	-
Loans, advances and other receivables at amortised cost	a)	50,111	50,200	89	35	50,164
Bonds at fair value	c)	79,055	79,055	-	78,410	644
Equities measured at fair value through profit or loss	c)	1,592	1,592	-	396	1,196
Equities available for sale	d)	1,766	1,766	-	1,507	259
Interest and commission receivable	a)	11,763	11,763	-	-	11,763
Derivative financial instruments	c)	46,832	46,832	-	46,181	651
Other assets	a)	1,145	1,145	-	-	1,145
Total		1,424,692	1,424,778	86	1,358,929	65,849
Of which a) Loans, advances and receivables		102,559	102,645	86	39,547	63,098
Of which b) Assets classified at fair value on initial recognition (fair value option)		1,136,853	1,136,853	-	1,136,853	-
Of which c) Financial assets held for trading		183,513	183,513	-	181,022	2,492
Of which d) Financial assets available for sale		1,766	1,766	-	1,507	259
Liabilities and equity						
Payables to credit institutions	c+e)	67,293	67,276	17	67,276	-
Payables to central banks	e)	246	246	-	246	-
Deposits and other payables	e)	54,509	54,445	64	-	54,445
Issued bonds at fair value	b)	1,103,818	1,103,818	-	1,091,333	12,485
Issued bonds at amortised cost	e)	27,595	27,964	(369)	27,842	122
Other non-derivative financial liabilities at fair value	c)	34,557	34,557	-	34,557	-
Interest and commission payable	e)	21,477	21,477	-	-	21,477
Derivative financial instruments	c)	48,939	48,939	-	48,773	166
Other payables	e)	4,686	4,686	-	-	4,686
Subordinated debt	e)	11,281	11,920	(639)	11,670	250
Total		1,374,402	1,375,330	(928)	1,281,697	93,632
Of which b) Liabilities classified at fair value on initial recognition (fair value option)		1,103,818	1,103,818	-	1,091,333	12,485
Of which c) Financial liabilities held for trading		115,296	115,296	-	115,130	166
Of which e) Other financial liabilities		155,288	156,215	(928)	75,234	80,981
Transfer from assets				86		
Total balance				(842)		
Unrealised gains and losses recognised in "Other comprehensive income":						
Equities available for sale				236		
Balances not recognised in the income statement				(606)		
Measurement methods						
Method 1: Generally accepted measurement methods based on market data						
Method 2: Other generally accepted measurement methods						

Notes

DKK million

The Nykredit Realkredit Group

44. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS

Financial instruments at fair value by measurement category (the IFRS hierarchy)

2013	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial instruments in the form of assets:				
Recognised as trading book:				
- receivables from credit institutions and central banks ¹	-	12,547	-	12,547
- reverse lending	-	56,814	-	56,814
- bonds at fair value	78,059	11,535	496	90,091
- equities measured at fair value through profit or loss	399	-	1,011	1,410
- positive fair value of derivative financial instruments	509	25,993	1,294	27,796
Recognised through the fair value option:				
- mortgage loans, arrears and outlays	-	1,136,999	-	1,136,999
Recognised as available for sale:				
- equities available for sale	618	-	842	1,460
Total	79,586	1,243,887	3,643	1,327,116
Percentage	6.0	93.7	0.3	100
Financial instruments in the form of liabilities:				
Recognised as trading book:				
- payables to credit institutions and central banks ¹	-	31,800	-	31,800
- other non-derivative financial liabilities at fair value	8,745	18,513	-	27,258
- negative fair value of derivative financial instruments	545	25,331	242	26,118
Recognised through the fair value option:				
- issued bonds at fair value	1,107,501	22,519	-	1,130,020
Total	1,116,791	98,162	242	1,215,195
Percentage	91.9	8.1	0.0	100
Financial instruments measured on the basis of unobservable inputs:				
Fair value, beginning of year, financial assets			2,751	
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			(1,154)	
Realised capital gains and losses recognised in "Value adjustments" in the income statement			89	
Unrealised capital gains and losses recognised in "Fair value adjustment of equities available for sale" in "Other comprehensive income"			(6)	
Purchases for the year			828	
Sales for the year			(603)	
Redemptions for the year			(156)	
Transferred to Listed prices and Observable inputs			(113)	
Transferred from Listed prices and Observable inputs			2,006	
Fair value, year-end, financial assets			3,643	
Fair value, beginning of year, financial liabilities			166	
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			76	
Fair value, year-end, financial liabilities			242	

¹ "Receivables from credit institutions and central banks" and "Payables to credit institutions and central banks" consist of reverse lending and repo transactions recognised at fair value, cf note 46.

Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps adjusted for increased credit risk based on a credit value adjustment (CVA) model (DKK 1,823m) and of four untraded bonds (DKK 183m) for which measurement is subject to significant elements of unobservable inputs.

In connection with the implementation of IFRS 13, the Group reviewed its presentation of the fair value hierarchy and decided to reclassify loans and advances at fair value from level 1 to level 2, as loans and advances at fair value are measured not on the basis of listed prices but of the listed price of the underlying bond issued. These are observable inputs, and loans and advances at fair value consequently belong in the category Observable inputs. Comparative figures have been restated.

Notes

DKK million

The Nykredit Realkredit Group

44. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS, continued

Financial instruments at fair value by measurement category (the IFRS hierarchy)

2012	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial instruments in the form of assets:				
Recognised as trading book:				
- receivables from credit institutions and central banks ¹	-	20,633	-	20,633
- reverse lending	-	35,401	-	35,401
- bonds at fair value	70,722	7,688	644	79,055
- equities measured at fair value through profit or loss	396	-	1,196	1,592
- positive fair value of derivative financial instruments	744	45,437	651	46,832
Recognised through the fair value option:				
- mortgage loans, arrears and outlays	-	1,136,853	-	1,136,853
Recognised as available for sale:				
- equities available for sale	1,507	-	259	1,766
Total	73,369	1,246,013	2,751	1,322,133
Percentage	5.5	94.2	0.2	100
Financial instruments in the form of liabilities:				
Recognised as trading book:				
- payables to credit institutions and central banks ¹	-	56,993	-	56,993
- other non-derivative financial liabilities at fair value	16,839	17,718	-	34,557
- negative fair value of derivative financial instruments	758	48,015	166	48,939
Recognised through the fair value option:				
- issued bonds at fair value	1,091,333	12,485	-	1,103,818
Total	1,108,930	135,211	166	1,244,307
Percentage	89.1	10.9	0.0	100
Financial instruments measured on the basis of unobservable inputs:				
Fair value, beginning of year, financial assets			4,040	
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			(62)	
Unrealised capital gains and losses recognised in "Fair value adjustment of equities available for sale" in "Other comprehensive income"			(2)	
Purchases for the year			322	
Sales for the year			(543)	
Transferred to Listed prices and Observable inputs			(1,029)	
Transferred from Listed prices and Observable inputs			25	
Fair value, year-end, financial assets			2,751	
Fair value, beginning of year, financial liabilities			133	
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			25	
Purchases for the year			12	
Sales for the year			(4)	
Fair value, year-end, financial liabilities			166	

¹ "Receivables from credit institutions and central banks" and "Payables to credit institutions and central banks" consist of reverse lending and repo transactions recognised at fair value, cf note 46.

In connection with the implementation of IFRS 13, the Group reviewed its presentation of the fair value hierarchy and decided to reclassify loans and advances at fair value from level 1 to level 2, as loans and advances at fair value are measured not on the basis of listed prices but of the listed price of the underlying bond issued. These are observable inputs, and loans and advances at fair value consequently belong in the category Observable inputs. Comparative figures have been restated.

In 2012 no other significant reclassifications were made between the categories Listed prices and Observable inputs.

Notes

The Nykredit Realkredit Group

44. 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 the use of generally accepted calculation methods as well as valuation and estimation techniques such as discounted cash flows and option models.

Observable inputs are typically yield curves, volatilities and market prices of similar instruments which are usually obtained through ordinary providers such as Reuters, Bloomberg and market makers. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length. Reverse lending and repo transactions 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 discounting 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 Valuation Guidelines.

Positive market values of a number of interest rate swaps with customers in Nykredit Bank's lowest rating categories have been adjusted for increased credit risk based on a CVA model. The model uses the statistical data applied by Nykredit Bank to calculate collective impairment provisions for loans and advances at amortised cost.

Measurement, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 3,643m (2012: DKK 2,751m) and DKK 242m (2012: DKK 166m), respectively, can be ascribed to this category. Assuming that actual transaction prices will deviate by +/- 10% from the calculated fair value, the earnings impact will be approximately DKK 389m.

Notes

DKK million

The Nykredit Realkredit Group

45. DERIVATIVE FINANCIAL INSTRUMENTS								
By time-to-maturity	Net market value				Gross market value		Net market value	Nominal value
	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value		
2013								
Foreign exchange contracts								
Forward contracts/futures, purchased	(52)	(1)	(3)	-	80	136	(56)	30,974
Forward contracts/futures, sold	11	(11)	3	-	88	84	3	17,819
Swaps	(24)	(21)	211	88	640	386	253	26,348
Options, purchased	0	4	-	-	4	-	4	2,660
Options, written	(0)	(3)	-	-	-	3	(3)	2,605
Interest rate contracts								
Forward contracts/futures, purchased	(10)	7	(9)	-	1	13	(11)	109,395
Forward contracts/futures, sold	45	(0)	-	-	59	13	45	213,883
Forward rate agreements, purchased	(56)	(135)	(29)	-	12	231	(219)	290,192
Forward rate agreements, sold	74	127	17	-	232	13	218	300,620
Swaps	24	112	2,151	(391)	24,998	23,102	1,896	1,336,725
Options, purchased	111	-	441	1,070	1,630	9	1,622	62,831
Options, written	(102)	(476)	(470)	(1,028)	10	2,086	(2,076)	57,237
Equity contracts								
Forward contracts/futures, purchased	-	-	-	-	-	-	-	-
Forward contracts/futures, sold	(3)	-	-	-	0	3	(3)	0
Options, purchased	7	-	-	-	7	-	7	4
Options, written	(1)	-	-	-	-	1	(1)	-
Credit contracts								
Credit default swaps, purchased	-	-	(18)	-	-	18	(18)	187
Credit default swaps, sold	-	-	2	-	2	-	2	112
Unsettled spot transactions								
	15	-	-	-	35	20	15	50,968
Total	41	(397)	2,296	(262)	27,796	26,118	1,678	2,502,560

Notes

DKK million

The Nykredit Realkredit Group

45. DERIVATIVE FINANCIAL INSTRUMENTS (continued)								
By time-to-maturity	Net market value				Gross market value		Net market value	Nominal value
	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value		
2012								
Foreign exchange contracts								
Forward contracts/futures, purchased	(81)	(8)	(7)	-	112	208	(96)	43,099
Forward contracts/futures, sold	43	3	-	-	134	88	46	26,097
Swaps	(487)	(326)	338	95	1,354	1,734	(380)	41,829
Options, purchased	1	4	-	-	5	-	5	12,598
Options, written	(1)	(4)	-	-	-	5	(5)	4,196
Interest rate contracts								
Forward contracts/futures, purchased	86	0	(3)	-	92	9	83	101,837
Forward contracts/futures, sold	(114)	0	3	-	17	128	(111)	164,306
Forward rate agreements, purchased	(71)	(128)	(88)	-	1	288	(287)	318,017
Forward rate agreements, sold	82	160	87	-	330	1	329	315,284
Swaps	42	(101)	(1,261)	616	43,013	43,717	(704)	1,301,807
Options, purchased	-	-	666	1,031	1,738	41	1,697	63,115
Options, written	-	(416)	(1,212)	(1,044)	0	2,672	(2,672)	60,096
Equity contracts								
Forward contracts/futures, purchased	(0)	-	-	-	0	0	(0)	4
Forward contracts/futures, sold	(2)	-	-	-	0	3	(2)	64
Options, purchased	1	-	-	-	1	0	1	1
Options, written	-	(2)	-	-	-	2	(2)	1
Credit contracts								
Credit default swaps, purchased	-	-	2	0	2	-	2	560
Credit default swaps, sold	-	-	(3)	0	0	3	(3)	448
Unsettled spot transactions								
	(7)	-	-	-	33	40	(7)	95,471
Total	(509)	(817)	(1,479)	699	46,832	48,939	(2,106)	2,548,829

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
46. REPO TRANSACTIONS AND REVERSE LENDING			
The Nykredit Realkredit Group applies repo transactions and reverse lending in its day-to-day business operations. All transactions were entered into using bonds as the underlying asset.			
Of the asset items below, reverse lending represents:			
3,364	2,110	Receivables from credit institutions and central banks	12,547 20,633
-	-	Loans, advances and other receivables at fair value, gross	56,872 36,862
-	-	Set-off against "Other non-derivative financial liabilities at fair value"	(58) (1,461)
-	-	Loans, advances and other receivables at fair value, net	56,814 35,401
Of the liability items below, repo transactions represent:			
44,009	11,353	Payables to credit institutions and central banks	31,800 56,993
-	-	Other non-derivative financial liabilities at fair value, gross	18,571 19,179
-	-	Set-off against "Loans, advances and receivables at fair value"	(58) (1,461)
-	-	Other non-derivative financial liabilities at fair value, net	18,513 17,718
Assets sold as part of repo transactions:			
43,859	11,451	Bonds at fair value	50,110 76,219

Notes

DKK million

The Nykredit Realkredit Group
2013 2012**47. RISK MANAGEMENT**

The Nykredit Realkredit Group's risk and policies are described in the Management's Review under "Risk management".

The information below is a supplement to the Management's Review.

Credit risk

The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.

Total credit exposure**Balance sheet items**

Demand deposits with central banks	4,688	9,380
Receivables from credit institutions and central banks	30,948	50,677
Loans, advances and other receivables at fair value	1,193,813	1,172,253
Loans, advances and other receivables at amortised cost	47,393	50,111
Bonds at fair value	90,091	79,055
Equities	2,870	3,358
Other assets	40,606	59,741

Off-balance sheet items

Contingent liabilities	6,311	4,806
Irrevocable credit commitments	6,529	7,338

Total	1,423,249	1,436,719
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Concentration risk

Pursuant to the Danish Financial Business Act, an exposure with any one customer or group of interconnected customers must not, after subtracting highly secure claims, exceed 25% of the capital base. The Nykredit Realkredit Group had no exposures which exceeded this limit in 2013 or 2012.

Collateral security received

The Nykredit Realkredit Group mitigates the risk relating to individual transactions through loss guarantees and collateral security in the form of physical assets. Mortgage debt outstanding relative to estimated property values appears from page 25 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.

Bank lending	2013				2012			
	Public	Personal	Commercial	Total	Public	Personal	Commercial	Total
Unsecured lending	89	24,276	9,919	34,284	307	13,777	18,535	32,619
Lending secured by way of legal charge or other collateral security:								
Fully secured	61	3,726	2,735	6,522	75	3,077	4,048	7,200
Partially secured	43	6,462	3,627	10,132	124	5,001	8,841	13,966
Total lending before impairment provisions	193	34,464	16,281	50,938	506	21,855	31,424	53,785

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 GMRA agreements.

The Supervisory Diamond for banks

The Danish FSA has defined five limit values – the so-called Supervisory Diamond – that indicate when a bank is operating at an elevated risk. At 31 December 2013, Nykredit Bank operated below the limit values of the Danish FSA. Further, Nykredit Bank was either better or on a level with the other group 1 banks at 30 June 2013 when the Danish FSA published the latest comparative bank figures.

Supervisory Diamond limit value	Limit values	Nykredit Bank
Lending growth	< 20%	-7.6%
Large exposures	< 125%	0.0%
Property exposure	< 25%	10.4%
Funding ratio	< 1.00	0.5
Excess liquidity coverage	> 50%	276%

Notes

DKK million

The Nykredit Realkredit Group

47. 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. Substantial security is usually provided for mortgage loans, which mitigates or minimises the risk of loss – regardless of customer ratings.

2013	Private residential	Private rental	Industry and trades	Office and retail	Agricultural property	Non-profit housing	Other	Total
Rating category								
10	32,952	844	3,689	6,435	2,756	2,196	264	49,136
9	68,288	6,820	9,840	11,291	5,807	7,092	1,391	110,530
8	159,018	24,617	4,088	25,410	10,683	27,351	8,402	259,569
7	152,316	29,742	2,829	22,416	13,669	22,620	4,373	247,965
6	119,392	19,871	1,486	18,771	16,880	2,803	1,448	180,650
5	55,140	9,269	829	6,660	14,557	557	428	87,440
4	37,296	5,952	537	4,451	8,652	123	224	57,234
3	16,901	5,445	486	4,596	12,836	470	157	40,891
2	18,858	1,014	289	1,189	1,699	138	63	23,251
1	18,541	3,629	283	3,186	1,735	257	528	28,159
0	4,683	1,913	161	1,823	3,907	103	144	12,734
Exposures in default	5,672	6,480	604	4,987	4,036	418	215	22,412
Total	689,057	115,598	25,119	111,215	97,217	64,129	17,636	1,119,970
2012								
Rating category								
10	48,779	1,148	2,457	5,737	2,798	2,688	619	64,226
9	78,560	7,479	6,653	14,038	5,708	7,367	2,642	122,444
8	169,029	27,048	7,333	25,322	9,304	28,833	6,026	272,895
7	142,104	29,622	2,316	29,294	15,953	18,276	5,033	242,597
6	108,152	19,812	1,530	12,132	17,995	4,713	2,121	166,454
5	46,342	8,668	846	4,799	13,171	436	379	74,641
4	34,452	5,891	910	4,052	19,073	134	222	64,734
3	14,419	2,676	414	5,171	3,813	57	111	26,661
2	17,234	4,903	360	2,225	2,697	194	168	27,781
1	14,937	996	89	637	866	16	38	17,580
0	4,158	2,081	130	1,023	2,830	138	44	10,404
Exposures in default	4,692	5,453	539	3,674	3,481	386	152	18,377
Total	682,859	115,777	23,578	108,103	97,688	63,237	17,554	1,108,797

Group mortgage lending is stated in nominal terms and is disclosed by rating category that reflects the rating of individual customers defined as the probability of default. The rating categories range from 0 to 10, 10 being the highest rating.

The category Exposures in default includes loans and advances provided for individually and loans and advances where it is not deemed probable that the customer will repay all debt in full, cf the report Risk and Capital Management 2013, available at nykredit.com/reports.

Notes

DKK million

The Nykredit Realkredit Group

47. RISK MANAGEMENT (continued)

Bank lending by sector and rating category

2013	Manufact., building, and construction	Credit and finance	Property management and trade etc	Transport, trade and hotels	Other trade and public	Personal	Total
Rating category							
10	1,249	255	85	500	681	1,072	3,842
9	684	239	367	242	411	906	2,849
8	1,147	1,749	1,829	967	1,583	1,064	8,339
7	445	363	2,168	699	1,494	1,014	6,183
6	703	262	1,054	385	1,250	1,233	4,887
5	464	81	358	144	405	2,082	3,534
4	807	123	587	197	413	2,273	4,400
3	342	2,701	446	436	372	1,478	5,775
2	171	24	65	114	305	1,058	1,737
1	61	38	605	96	187	318	1,305
0	84	25	195	42	75	181	602
Exposures in default	607	1,195	2,118	704	1,014	747	6,385
Total	6,764	7,055	9,877	4,526	8,190	13,426	49,838

Bank lending by sector and rating category

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

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

The category Exposures in default includes loans and advances provided for individually and loans and advances where it is not deemed probable that the customer will repay all debt in full, cf the report Risk and Capital Management 2013, available at nykredit.com/reports.

Notes

DKK million

The Nykredit Realkredit Group

48. HEDGE ACCOUNTING

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

The hedge comprises the following:

	Nominal/ amortised value	Carrying amount	Fair value adjustment for account- ing purposes
2013			
Assets			
Loans and advances	2,704	2,731	27
Liabilities			
Deposits and other payables	3,476	3,649	(173)
Issued bonds			
Subordinated debt	11,124	11,170	(46)
	10,423	10,734	(310)
Derivative financial instruments			
Interest rate swaps, loans and advances as well as deposits and other payables (net)	205	163	163
Interest rate swaps, issued bonds	11,132	14	14
Interest rate swaps, subordinated debt	10,444	310	310
Total	49,509	28,771	(15)
Gain/loss for the year on hedging instruments		(367)	
Gain/loss for the year on hedged items		352	
Net gain/loss		(15)	
2012			
Assets			
Loans and advances	1,071	1,127	56
Liabilities			
Deposits and other payables	1,600	1,660	(60)
Issued bonds	6,557	6,778	(222)
Subordinated debt	10,405	11,035	(630)
Derivative financial instruments			
Interest rate swaps, loans and advances as well as deposits and other payables (net)	493	(4)	4
Interest rate swaps, issued bonds	6,557	222	222
Interest rate swaps, subordinated debt	10,445	630	630
Total	37,127	21,447	1
Gain/loss for the year on hedging instruments		147	
Gain/loss for the year on hedged items		(146)	
Net gain/loss		1	

Notes

DKK million

Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2012	2013	2013	2012
49. CURRENCY EXPOSURE			
By main currency, net			
0	251	USD	249 (2)
(5)	1	GBP	2 (5)
(44)	168	SEK	165 (47)
54	(1)	NOK	1 57
3	2	CHF	0 0
-	-	CAD	0 1
(2)	(96)	JPY	(95) (2)
299	388	EUR	651 294
(1)	3	Other	7 7
305	714	Total	980 303
356	811	Exchange Rate Indicator 1	1,075 359
Exchange Rate Indicator 1 is determined as the sum of the highest numerical value of assets (long-term position) or net payables. Indicator 1 shows the overall foreign exchange risk.			

Notes

50. OTHER INFORMATION

IFRS DISCLOSURE REQUIREMENTS (REFERENCE TO MANAGEMENT'S REVIEW)

Information on risk

The nature and scope of Nykredit's risks are described in "Risk management", which includes credit risk, market risk and operational risk. Reference is made to pages 22-30.

Nykredit's liquidity risk is described in "Funding and liquidity". Reference is made to pages 39-40 and 42-43.

For qualitative information on Nykredit's policies and risk management procedures, reference is made to "Risk management" under "Nykredit's characteristics" and "Credit risk" as well as to "Organisation, management and corporate responsibility" under "Organisation and delegation of responsibilities", pages 22-23 and 44-46.

For a description of Nykredit's risk measurement methods, reference is made to "Risk management" under "Credit risk" and "Market risk", pages 24-29.

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.

Information referred to in the Management's Review has been audited.

PROFIT (LOSS) AND EQUITY RESTATED TO FSA REQUIREMENTS

The Nykredit Realkredit Group's financial statements are prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU. The Group's accounting policies comply with the provisions of the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. However, under the Executive Order financial assets are not classifiable as "available for sale" with fair value adjustment against "Other comprehensive income". In the Nykredit Realkredit Group's FSA reporting, "Equities available for sale" have been classified as equities measured at fair value through profit or loss.

The difference has no impact on "Equity", only on "Profit (loss)" and "Other comprehensive income", cf below:

	Profit (loss)		Other comprehensive income		Equity	
	2013	2012	2013	2012	2013	2012
Group reporting pursuant to the IFRS	1,674	2,569	(364)	(184)	58,716	57,556
Value adjustment of equities available for sale	(343)	(237)	343	237	-	-
Group reporting subject to FSA requirements	1,331	2,332	(22)	53	58,716	57,556

"Value adjustment of equities available for sale" comprises fair value adjustment, realised value adjustments and unrealised capital losses reclassified to the income statement as well as the tax effect of the fair value adjustment.

Notes

51. FINANCIAL RATIOS, DEFINITIONS

Financial ratios

Return on equity before tax

Return on equity after tax

Income:cost ratio

Foreign exchange position, %

Loans and advances:equity (loan gearing)

Growth in loans and advances for the year, %

Total impairment provisions, %

Impairment losses for the year, %

Financial ratios concerning capital adequacy and capital requirement

Total capital ratio, %

Tier 1 capital ratio, %

Financial ratios are based on the Danish FSA's definitions and guidelines.

Definitions

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.

The sum of profit (loss) after tax and value adjustment of strategic equities after tax divided by average equity.

Total income less profit (loss) from discontinued insurance operations plus value adjustment of strategic equities before tax divided by total costs less tax.

Exchange Rate Indicator 1 at year-end divided by Tier 1 capital less deductions at year-end.

The sum of loans and advances at fair value and loans and advances at amortised cost divided by equity at year-end.

Loans and advances at nominal value at year-end divided by loans and advances at nominal value at the beginning of the year.

Total provisions for loan impairment and guarantees at year-end divided by the sum of loans and advances at fair value, arrears and outlays, loans and advances at amortised cost, guarantees and total provisions for loan impairment and guarantees at year-end.

Provisions for loan impairment and guarantees for the year divided by the sum of loans and advances at fair value, arrears and outlays, loans and advances at amortised cost, guarantees and total provisions for loan impairment and guarantees at year-end.

Definitions

Capital base after deductions divided by risk-weighted assets.

Tier 1 capital after deductions divided by risk-weighted assets.

Notes

DKK million

Nycredit Realkredit A/S

	2013	2012	2011	2010	2009
52. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	4,415	5,355	4,764	5,332	5,512
Net fee income	793	863	708	745	681
Net interest and fee income	5,208	6,218	5,472	6,077	6,193
Value adjustments	779	196	(2,399)	(333)	2,508
Other operating income	17	11	26	92	87
Staff and administrative expenses	2,580	2,570	2,704	2,601	2,585
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	835	730	672	649	592
Other operating expenses	103	0	3	2	0
Impairment losses on loans, advances and receivables	1,837	1,057	570	712	1,216
Profit (loss) from investments in associates and group enterprises	738	719	774	2,708	(2,630)
Profit (loss) before tax	1,389	2,786	(76)	4,579	1,764
Tax	58	454	(345)	461	851
Profit for the year	1,331	2,332	269	4,117	913
SUMMARY BALANCE SHEET, YEAR-END					
	2013	2012	2011	2010	2009
Assets					
Cash balances and receivables from credit institutions and central banks	25,498	33,991	39,170	45,904	37,992
Mortgage loans at fair value	597,200	614,848	604,292	575,278	550,598
Totalkredit mortgage loan funding	538,541	520,658	461,846	433,531	399,307
Bonds and equities	29,439	41,361	71,885	63,369	55,094
Remaining assets	77,043	78,361	73,880	62,301	58,451
Total assets	1,267,720	1,289,219	1,251,073	1,180,384	1,101,443
Liabilities and equity					
Payables to credit institutions and central banks	12,668	48,597	89,065	79,456	97,339
Issued bonds	1,160,447	1,145,585	1,060,979	1,002,524	907,439
Subordinated debt	10,734	11,035	10,965	10,805	14,203
Remaining liabilities	25,155	26,446	34,754	32,278	31,220
Equity	58,716	57,556	55,310	55,320	51,241
Total liabilities and equity	1,267,720	1,289,219	1,251,073	1,180,384	1,101,443
OFF-BALANCE SHEET ITEMS					
Other commitments	1,356	1,620	1,981	1,273	1,468
FINANCIAL RATIOS¹					
Total capital ratio, %	17.0	16.4	15.4	17.1	17.7
Tier 1 capital ratio, %	17.0	16.4	15.4	17.1	17.0
Return on equity before tax	2.4	4.9	(0.1)	8.6	3.5
Return on equity after tax	2.3	4.1	0.5	7.7	1.8
Income:cost ratio	1.3	1.6	1.0	2.2	1.4
Foreign exchange position, %	1.3	0.6	0.9	0.6	1.8
Loans and advances:equity (loan gearing)	10.2	10.7	11.0	10.4	10.8
Growth in loans and advances for the year, %	(1.9)	0.7	3.5	3.8	7.3
Total impairment provisions, %	0.53	0.33	0.29	0.29	0.25
Impairment losses for the year, %	0.31	0.17	0.09	0.12	0.22

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 51.

Notes

DKK million

The Nykredit Realkredit Group

	2013	2012	2011	2010	2009
52. FIVE-YEAR FINANCIAL HIGHLIGHTS (continued)					
SUMMARY INCOME STATEMENT					
Net interest income	10,325	10,838	10,103	11,210	11,122
Net fee income	15	321	322	606	593
Net interest and fee income	10,340	11,159	10,425	11,816	11,715
Value adjustments	150	(547)	(1,935)	(559)	2,186
Other operating income	210	230	226	209	165
Staff and administrative expenses	5,004	4,799	4,924	4,796	4,824
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	896	766	930	811	744
Other operating expenses	225	30	114	382	551
Impairment losses on loans, advances and receivables	2,764	2,149	1,414	2,382	7,919
Profit (loss) from investments in associates	103	47	10	36	(141)
Profit (loss) before tax	1,914	3,144	1,345	3,131	(112)
Tax	240	575	223	786	(29)
Profit from discontinued insurance operations	-	-	-	1,511	245
Profit for the year	1,674	2,569	1,123	3,857	162
Total value adjustment and reclassification of strategic equities against equity	(343)	(237)	(854)	261	751
SUMMARY BALANCE SHEET, YEAR-END					
Assets					
Cash balances and receivables from credit institutions and central banks	35,758	60,174	66,258	58,657	62,909
Mortgage loans at fair value	1,136,644	1,136,445	1,083,991	1,030,478	981,227
Bank loans – excluding reverse transactions	46,963	49,728	55,776	58,833	60,908
Bonds and equities	92,961	82,413	100,794	99,144	86,620
Remaining assets	105,087	104,645	86,086	64,029	55,520
Total assets	1,417,414	1,433,405	1,392,905	1,311,140	1,247,185
Liabilities and equity					
Payables to credit institutions and central banks	44,393	67,539	117,626	95,879	119,313
Deposits and other payables	65,172	54,509	57,404	55,467	64,483
Issued bonds at fair value	1,130,020	1,103,818	1,021,942	974,319	889,899
Subordinated debt	10,964	11,281	11,204	11,618	15,372
Remaining liabilities	108,148	138,701	129,419	118,537	106,877
Equity	58,716	57,556	55,310	55,320	51,241
Total liabilities and equity	1,417,414	1,433,405	1,392,905	1,311,140	1,247,185
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,311	4,806	5,375	6,192	8,336
Other commitments	8,073	9,213	8,389	8,342	10,852
FINANCIAL RATIOS¹					
Total capital ratio, %	18.9	19.1	17.1	18.5	17.8
Tier 1 capital ratio, %	18.9	19.1	17.1	18.5	16.7
Return on equity before tax	2.8	5.3	0.5	9.4	1.7
Return on equity after tax	2.3	4.1	0.5	7.7	1.8
Income:cost ratio	1.18	1.38	1.03	1.42	1.05
Foreign exchange position, %	1.6	0.6	0.8	0.9	3.6
Loans and advances:equity (loan gearing)	21.1	21.2	21.0	19.9	20.6
Growth in loans and advances for the year, %	2.5	4.2	4.0	4.1	4.3
Total impairment provisions, %	0.67	0.57	0.59	0.81	0.97
Impairment losses for the year, %	0.22	0.17	0.12	0.21	0.74

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. As a result, the calculation of financial ratios is based on profit for the period including value and other adjustment of strategic equities. Definitions appear from note 51.

Notes

DKK million

Nykredit Realkredit A/S

53. GROUP STRUCTURE	Ownership interest as % at 31.12.2013	Revenue 2013*	Profit for 2013	Assets at 31.12.2013	Liabilities at 31.12.2013	Equity at 31.12.2013	Nykredit's share of profit for 2013	Nykredit's share of equity value at 31.12.2013	Profit for 2012	Equity at 31.12.2012
Name and registered office										
Totalkredit A/S, Taastrup, a)	100	1,718	565	642,117	626,463	15,655	565	15,655	522	15,090
Nykredit Bank A/S, Copenhagen, b)	100	2,479	77	224,134	209,786	14,347	77	14,347	69	14,271
Nykredit Pantebrevsinvestering A/S, Copenhagen, c)	100	0	0	12	0	12	0	12	0	12
Nykredit Portefølje Administration A/S, Copenhagen, h)	100	236	64	353	30	323	64	323	65	259
Nykredit Leasing A/S, Gladsaxe, f)	100	115	46	3,470	3,264	206	46	206	16	160
FB Ejendomme A/S, Copenhagen, e)	100	0	0	4	0	4	0	4	0	4
Nykredit Mægler A/S, Århus, d)	100	106	28	154	25	129	28	129	23	141
Nykredit Ejendomme A/S, Copenhagen, e)	100	121	3	1,633	1,158	475	3	475	49	469
Ejendomsselskabet Kalvebod A/S, Copenhagen, i)	100	50	41	734	475	259	41	259	9	218
Kalvebod Ejendomme I A/S, Copenhagen, e)	100	30	33	411	321	91	33	91	3	58
Kalvebod Ejendomme II A/S, Copenhagen, e)	100	20	8	223	154	69	8	69	6	61
Nykredit Adm. V A/S, Copenhagen, g)	100	0	0	1	0	1	0	1	0	1

The group structure only includes significant subsidiaries. Financial information is provided in such order as the companies are recognised in the Consolidated Financial Statements.

* 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.

- a) Mortgage bank
- b) Bank
- c) Mortgage trading company
- d) Estate agency business
- e) Property company
- f) Leasing business
- g) No activity
- h) Investment management company
- i) 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.

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

Notes

DKK million

The Nykredit Realkredit Group

53. GROUP STRUCTURE (continued)	Ownership interest as % at 31.12.2013	Revenue 2013	Profit for 2013	Assets at 31.12.2013	Liabilities at 31.12.2013	Equity at 31.12.2013	Nykredit's share of profit for 2013	Nykredit's share of equity value at 31.12.2013	Profit (loss) for 2012	Equity at 31.12.2012
Name and registered office										
Associates*										
Boligsiden A/S, Copenhagen, a)	23	14	1	14	2	12	0	3	0	12
Core Property Management A/S, Copenhagen, c)	20	19	7	28	5	23	1	5	7	22
E-nettet Holding A/S, Copenhagen, c)	18	0	8	169	10	69	1	9	8	61
Erhvervsinvest K/S, Copenhagen, c)	22	0	49	9	2	8	11	2	158	185
JN Data A/S, Silkeborg, b)	50	1,669	7	741	542	199	3	99	6	193
JSNA Holding A/S, Aalborg, c)	33	0	0	4	0	4	0	1	(0)	4
Scandinavian Private Equity Partners A/S, Copenhagen**, d)	-	-	-	-	-	-	-	-	6	18

* Recognised on the basis of the latest annual report or interim reports as at 30 September if annual reports are not available.

** The enterprise was divested in 2013.

Nykredit holds less than 20% of the shares in E-nettet Holding A/S, but still exercises significant influence over the financial and operational conditions of the company as it has a representative (chairman) on the board of directors. Consequently, for accounting purposes the shareholding is treated as an associate.

- a) Property company
- b) IT business
- c) Investment company
- d) Consultancy

Notes

DKK million

The Nykredit Realkredit Group

53. GROUP STRUCTURE (continued)	Ownership interest as % at 31.12.2013	Profit (loss) for the year	Equity at 31.12.2013
Name and registered office			
Other enterprises* in which the Group holds at least 10% of the share capital			
Bisca Holding A/S, Vedbæk	25	(3)	14
Cross Atlantic Partners KS IV, Copenhagen	17	(1)	67
Cross Atlantic Partners KS V, Copenhagen	13	(8)	97
ED Equity Holding B.V., Amsterdam	30	5	1
Ejendomsselskabet Nordtyskland I A/S, Copenhagen	13	8	63
Ejendomsselskabet Nordtyskland III A/S, Copenhagen	36	21	155
Ejendomsselskabet Nordtyskland IV A/S, Copenhagen	48	16	117
EQT III No 3 LP, Guernsey	16	18	193
Erhvervsinvest II K/S, Copenhagen	11	(26)	478
Erhvervsinvest Management A/S, Copenhagen	10	1	10
Kelsen Holding A/S, Nørre Snede	11	69	305
Spar Nord Bank A/S, Aalborg	10	234	5,975
VP Securities A/S, Copenhagen	13	60	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 boards of directors or the executive boards and therefore has no influence on the financial or operational conditions of the companies. Consequently, for accounting purposes the shareholdings are treated as an equity investment included in the trading book.			

Five-quarter financial highlights

DKK million

The Nykredit Realkredit Group	FY 2013	FY 2012	Q4/ 2013	Q3/ 2013	Q2/ 2013	Q1/ 2013	Q4/ 2012
Core income from							
Business operations	9,180	8,697	2,426	1,780	2,499	2,475	1,986
Securities	118	212	29	26	28	35	21
Total	9,297	8,909	2,455	1,806	2,527	2,510	2,007
Operating costs, depreciation and amortisation	6,048	5,595	1,816	1,356	1,422	1,454	1,507
Core earnings before impairment losses	3,250	3,314	639	449	1,105	1,056	500
Impairment losses on loans and advances	2,764	2,149	1,159	675	242	687	616
Core earnings after impairment losses	486	1,165	(520)	(226)	863	370	(115)
Investment portfolio income	1,887	2,444	493	394	331	669	155
Profit before cost of capital	2,373	3,609	(27)	168	1,194	1,039	40
Net interest on hybrid capital	(460)	(465)	(117)	(116)	(111)	(115)	(117)
Profit (loss) before tax	1,914	3,144	(144)	52	1,083	923	(77)
Tax	240	575	(29)	(48)	284	32	(106)
Profit (loss) for the year/period	1,674	2,569	(115)	99	798	891	29
Other comprehensive income							
Actuarial gains/losses on defined benefit plans	(24)	60	(14)	(8)	(3)	1	74
Value adjustment of strategic equities	366	236	65	66	89	146	(48)
Other adjustment of strategic equities	(709)	(473)	-	-	(89)	(620)	(122)
Fair value adjustment of owner-occupied properties	2	53	(4)	-	7	-	53
Total other comprehensive income	(364)	(124)	47	58	4	(472)	(42)
Comprehensive income for the year/period	1,310	2,445	(69)	157	802	419	(13)
SUMMARY BALANCE SHEET, END OF PERIOD							
	31.12.2013	31.12.2012	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012
Assets							
Cash balances and receivables from credit institutions and central banks	35,758	60,174	35,758	31,983	38,859	39,997	60,174
Mortgage loans at fair value	1,136,644	1,136,445	1,136,644	1,136,059	1,133,557	1,136,605	1,136,445
Bank loans – excluding reverse lending	46,963	49,728	46,963	49,130	50,354	50,192	49,728
Bonds and equities	92,961	82,413	92,961	75,521	70,579	73,391	82,413
Remaining assets	105,087	104,645	105,087	108,117	111,028	111,827	104,645
Total assets	1,417,414	1,433,405	1,417,414	1,400,811	1,404,378	1,412,012	1,433,405
Liabilities and equity							
Payables to credit institutions and central banks	44,393	67,539	44,393	55,974	49,319	49,486	67,539
Deposits and other payables	65,172	54,509	65,172	59,160	63,245	64,994	54,509
Issued bonds at fair value	1,130,020	1,103,818	1,130,020	1,088,084	1,086,408	1,101,262	1,103,818
Subordinated debt	10,964	11,281	10,964	11,028	11,085	11,184	11,281
Remaining liabilities	108,148	138,701	108,148	127,780	135,694	127,260	138,701
Equity	58,716	57,556	58,716	58,784	58,627	57,825	57,556
Total liabilities and equity	1,417,414	1,433,405	1,417,414	1,400,811	1,404,378	1,412,012	1,433,405
FINANCIAL RATIOS							
Profit (loss) for the year/period as % of average equity pa	2.9	4.6	(0.8)	0.7	5.5	6.2	0.2
Core earnings before impairment losses as % of average equity pa	5.6	5.9	4.4	3.1	7.6	7.3	3.5
Core earnings after impairment losses as % of average equity pa	0.8	2.1	(3.5)	(1.5)	5.9	2.6	(0.8)
Total provisions for loan impairment and guarantees	8,456	7,094	8,456	7,741	7,325	7,380	7,094
Impairment losses for the year/period, %	0.22	0.17	0.09	0.05	0.02	0.06	0.05
Total capital ratio, %	18.9	19.1	19.0	20.4	20.0	19.1	19.1
Tier 1 capital ratio, %	18.9	19.1	19.0	20.4	20.0	19.1	19.1
Average number of full-time staff	4,052	4,115	4,052	4,042	4,049	4,059	4,115
The financial highlights have not been audited.							

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 2013 of Nykredit Realkredit A/S.

The distribution of profit for 2013 adopted by Nykredit Realkredit A/S's Board of Directors (cf the Annual Report, page 49) 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 2013 of Nykredit Realkredit A/S

DKK million

Summary at the level of the Association and Nykredit Realkredit In General

	1	2	3	4	5	6	7
	KØK	FSK	LCR	HUM	BHY	ØHYP	SKRF
Income statement							
Income from lending	1.2	0.6	0.1	0.1	0.5	0.0	0.1
Interest, net	1.2	0.3	0.2	0.7	0.2	0.0	0.1
Administrative expenses	(1.7)	(0.4)	(0.3)	(0.9)	(0.3)	0.0	(0.2)
Impairment losses on loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.2)	(0.1)	0.0	0.0	(0.1)	0.0	0.0
Profit (loss)	0.5	0.4	0.0	(0.1)	0.3	0.0	0.0
Balance sheet							
Assets							
Mortgage loans	355.1	193.5	20.8	18.6	52.1	0.0	15.6
Remaining assets	68.7	18.2	10.1	21.8	16.6	1.1	6.8
Total assets	423.8	211.7	30.9	40.4	68.7	1.1	22.4
Liabilities and equity							
Issued bonds	381.9	196.1	24.7	21.3	62.8	0.4	18.0
Remaining liabilities	10.1	7.0	0.7	1.0	1.6	0.0	0.5
Equity	31.8	8.6	5.5	18.1	4.3	0.7	3.9
Total liabilities and equity	423.8	211.7	30.9	40.4	68.7	1.1	22.4
Movements in capital, net	(6.5)	(0.4)	(0.3)	(0.2)	(0.9)	(0.5)	(0.2)
	8	9	10	11	12	13	TOTAL
	VESØ	HUSM	LHYP	KHYP	JLKR	(1-12)	
Income statement							
Income from lending	0.1	0.1	0.2	0.2	0.1	3.3	
Interest, net	0.2	0.4	0.3	0.1	0.1	3.8	
Administrative expenses	(0.3)	(0.5)	(0.5)	(0.2)	(0.2)	(5.5)	
Impairment losses on loans and advances	0.1	0.0	0.0	0.0	0.0	0.1	
Tax	0.0	0.0	0.0	0.0	0.0	(0.4)	
Profit	0.1	0.0	0.0	0.1	0.0	1.3	
Balance sheet							
Assets							
Mortgage loans	18.2	14.3	12.7	8.0	15.8	724.7	
Remaining assets	10.2	12.0	11.4	6.3	8.7	191.9	
Total assets	28.4	26.3	24.1	14.3	24.5	916.6	
Liabilities and equity							
Issued bonds	21.6	15.6	15.0	10.3	20.3	788.0	
Remaining liabilities	0.7	0.6	0.5	0.3	0.6	23.6	
Equity	6.1	10.1	8.6	3.7	3.6	105.0	
Total liabilities and equity	28.4	26.3	24.1	14.3	24.5	916.6	
Movements in capital, net	(0.4)	(0.3)	(0.2)	(1.0)	(0.9)		

Series Financial Statements for 2013 of Nykredit Realkredit A/S

DKK million

Summary at the level of the Association and Nykredit Realkredit In General

	14 FK	15 JK	16 NYK	17 TOTAL (14-16)	18 INST	19 TOTAL (13,17,18)
Income statement						
Income from lending	0.1	0.2	4,153.9	4,154.2	0.0	4,157.5
Interest, net	0.0	0.0	1,598.9	1,598.9	451.4	2,054.1
Administrative expenses	(0.1)	0.0	(2,324.2)	(2,324.3)	(656.2)	(2,986.0)
Impairment losses on loans and advances	0.5	0.0	(1,862.7)	(1,862.2)	25.4	(1,836.7)
Tax	(0.1)	0.0	(391.6)	(391.7)	334.4	(57.7)
Profit	0.4	0.2	1,174.3	1,174.9	155.0	1,331.2
Balance sheet						
Assets						
Mortgage loans	7.7	10.3	598,548.1	598,566.1	0.7	599,291.5
Remaining assets	8.0	6.6	744,112.3	744,126.9	26,945.6	771,264.4
Total assets	15.7	16.9	1,342,660.4	1,342,693.0	26,946.3	1,370,555.9
Liabilities and equity						
Issued bonds	14.8	16.1	1,278,140.6	1,278,171.5	0.0	1,278,959.5
Remaining liabilities	0.6	0.4	32,130.6	32,131.6	644.8	32,800.0
Equity	0.3	0.4	32,389.2	32,389.9	26,301.5	58,796.4
Total liabilities and equity	15.7	16.9	1,342,660.4	1,342,693.0	26,946.3	1,370,555.9
Movements in capital, net	(0.5)	(0.6)	(11,650.6)		12,816.3	
1 Københavns Kreditforening		7 Sønderjyllands Kreditforening				13 Total (1-12) Associations before 1972
2 Fyens Stifts Kreditforening		8 Den vest- og sønderjydske Kreditforening				14 Forenede Kreditforeninger
3 Landkreditkassen		9 Jydsk Husmandskreditforening				15 Jyllands Kreditforening
4 Østifternes Husmandskreditforening		10 Landhypotekforeningen for Danmark				16 Nykredit (incl Capital Centres C, D, E, G, H and I)
5 Byernes Hypotekforening		11 Købstadshypotekforeningen				17 Total (14-16) Associations after 1972
6 Østifternes Hypotekforening		12 Jydsk Landkreditforening				18 Nykredit Realkredit In General
						19 Total (13, 17, 18) Nykredit Realkredit A/S
Notes						
						2013
1. Assets, Series Financial Statements						
Assets, Annual Report						1,267,719.7
Assets, Series Financial Statements						1,370,555.9
Difference						(102,836.2)
Specified as follows:						
Set-off of self-issued ROs, self-issued SDOs, self-issued junior covered bonds and self-issued other securities						(101,080.5)
Set-off of interest receivable from self-issued bonds						(1,755.7)
Total						(102,836.2)
2. Equity, Series Financial Statements						
Equity in the Series Financial Statements may be reconciled to the Financial Statements of Nykredit Realkredit A/S as follows:						
Equity, Financial Statements						58,716.2
Provisions for repayable reserves in pre-1972 series						80.2
Equity, Series Financial Statements						58,796.4

OTHER INFORMATION

FINANCIAL CALENDAR FOR 2014 – THE COMPANIES OF THE NYKREDIT GROUP

6 February

Annual reports for 2013 and a preliminary announcement of the financial statements of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

18 March

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

18 March

General Meeting of Totalkredit A/S, Helgeshøj Allé 53, DK-2630 Tåstrup.

19 March

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

14 May

Q1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

19 August

H1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

6 November

Q1-Q3 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

DIRECTORSHIPS AND EXECUTIVE POSITIONS

The Board of Directors and the Executive Board form the Nykredit Realkredit 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 20 March 2013. Re-election is not subject to any restrictions.

Below, an account is given of the individual director's position, age and years of service on the Board as well as directorships and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

All members of the Board of Directors are also directors of the Parent Company Nykredit Holding A/S.

It is standard practice at Nykredit that the eight members of the Board of Directors of Foreningen Nykredit elected by the Committee of Representatives are also elected for the Boards of Directors of Nykredit Holding A/S and Nykredit Realkredit A/S and that the last two members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting are also members of the Board of Directors of Nykredit Holding A/S. Formally speaking, the directors elected by the General Meeting represent the interests of controlling shareholders. This is a natural consequence of the shared objectives and interests of the companies, and the members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting are therefore considered to act independently of special interests. The majority of the members of the Board of Directors elected by the General Meeting are thus considered independent; however, three directors have been members of the Board of Directors for more than 12 years and are not considered independent for this reason.

Steen E. Christensen
Attorney

Date of birth: 2 April 1947
Joined the Board on 1 May 2000
Non-independent director in view of the length of tenure

Chairman of:
Foreningen Nykredit
A/S Mototramp
Aktieselskabet Dampskibsselskabet
Orients Fond
Aktieselskabet Det Dansk-Franske Dampskibsselskabs Understøttelsesfond af 1950
Bornholmstrafikken Holding A/S
Charlottenlund & Nedergaard Godser A/S
Danske Færger A/S
Det Arnstedske Familiefond
Ejendomsselskabet Amaliegade 49 A/S
Persolit Holding A/S
Rosendal og Margrethelund Godser A/S

Director of:
Danish Nitrogen Import A/S
Ny-Nitrogen A/S
Persolit Entreprenørfirma A/S
Skovselskabet Bjørslev ApS
Skovselskabet Dejbjerg ApS
Skovselskabet Djursland ApS
Skovselskabet Glumsø Østerskov ApS
Skovselskabet Guldborgland ApS
Skovselskabet Harreskov ApS
Skovselskabet Hesselvig ApS
Skovselskabet Morville ApS
Skovselskabet Rønhøj ApS
Skovselskabet Skov-Sam Holding ApS
Skovselskabet Skov-Sam II ApS
Skovselskabet Skåningshave ApS
Skovselskabet Skåstrup Frihed ApS
Skovselskabet Slauggaard ApS
Skovselskabet Ørbæk ApS
Soldaterlegatets Præsidium*

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
Non-independent director in view of the length of tenure

Chairman of:
Horsens Vand A/S*

Horsens Vand Holding A/S*
Håstrupgård ApS

Director of:
Foreningen Nykredit
Akademiet (BGI Akademiet)**
Bjerre Gymnastik- & Idrætsefterskole
Horsens Folkeblads Fond

Municipal posts:
First Deputy Mayor, Municipality of Horsens**
Chairman of Teknik og Miljøudvalget, Municipality of Horsens**
Director of Midttrafik
Member of Horsens Byråd*

Chairman and Managing Director of:
Arnen Holding ApS
Håstrupgård Ejendomme ApS
LNT Invest ApS

Chief Executive Officer of:
HGE Holding ApS*

Steffen Kragh
Chief Executive Officer

Date of birth: 6 April 1964
Joined the Board on 1 April 2006
Independent director

Managing Director of:
Egmont Fonden
Egmont International Holding A/S
Ejendomsselskabet Gothersgade 55 ApS
Ejendomsselskabet Vognmagergade 11 ApS

Chairman of:
Egmont Administration A/S
Egmont Finansiering A/S
Egmont Holding A/S
Lindhardt og Ringhof Forlag A/S
Nordisk Film A/S
AE-TV Holding A/S
Cappelen Damm Holding AS
Egmont AS
Egmont Holding AS
Egmont Holding Limited

Director of:
Foreningen Nykredit
Lundbeckfonden*
Lundbeckfond Invest A/S*
Egmont Book Publishing Ltd.
Egmont UK Ltd

Chief Executive Officer of:
NKB Invest 103 ApS

Kristian Bengaard***

Senior Consultant

Date of birth: 16 August 1958
Joined the Board on 1 March 1999Director of:
Foreningen Nykredit
Member of the Executive Council of
Finansforbundet**Michael Demsitz**

Managing Director

Date of birth: 1 February 1955
Joined the Board on 1 April 2004
Independent directorManaging Director of:
Boligkontoret DanmarkChairman of:
Alment Bestyrelsesakademi*Director of:
Foreningen Nykredit
Almen Bolignet
Boligselskabernes Landsforening**Merete Eldrup**

Chief Executive Officer

Date of birth: 4 August 1963
Joined the Board on 24 March 2010
Independent directorChief Executive Officer of:
TV2/DANMARK A/SChairman 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/SDeputy Chairman of:
Gyldendal A/SDirector of:
Foreningen Nykredit
Rambøll Gruppen A/S***Marlene Holm*****

Political Secretary

Date of birth: 2 December 1964
Joined the Board on 21 March 2012Director of:
Foreningen Nykredit**Allan Kristiansen*****

Chief Relationship Manager

Date of birth: 6 March 1958
Joined the Board on 1 May 2000Director of:
Nykredit Bank A/S**Bent Naur***

Former Chief Executive Officer

Date of birth: 24 April 1947
Joined the Board on 20 March 2013
Independent directorDeputy Chairman of:
Finansiel Stabilitet A/S
Fonden Nørre Vosborg**Anders C. Obel**

Chief Executive Officer

Date of birth: 19 October 1960
Joined the Board on 25 March 2009
Independent directorChief Executive Officer of:
C.W. Obel A/SChairman of:
Aktieselskabet Amaliegade 10
C. W. Obel Ejendomme A/S
C. W. Obel Projekt A/S
Ejendomsselskabet Stigsborgvej A/S
Obel-LFI Ejendomme A/S
Semco Maritime A/S
SGD-Bera A/SDeputy Chairman of:
Danfoss Semco A/SDirector of:
Foreningen Nykredit
Axzon A/S*
BlackCarbon A/S**
Dansk selskab for Virksomhedsledelse (VL-Grupperne)**
Erhvervsinvest Management A/S
Fonden Det Obelske Jubilæumskollegium
Fritz Hansen A/S
Scandinavian Tobacco Group A/S
Skandinavisk Holding A/S
Skandinavisk Holding II A/S
Slowmoney A/S**
Thomas Harttung A/S**
Woodmancott Fonden
Chief Executive Officer of:
NKB Invest 108 ApS**Erling Bech Poulsen**

Farmer

Date of birth: 14 June 1955
Joined the Board on 25 March 2009
Independent directorChairman of:
Foreningen Østifterne f.m.b.a.Director of:
Agrovakia A/S
Axzon A/S
Kølhede Invest A/S
Polen Invest A/S
Vandborg Karosserifabrik A/SManaging Director of:
Kølhede Holding ApS
Kølhede Invest A/S
Majbrit Poulsen Holding ApS
Malene Poulsen Holding ApS
Morten Poulsen Holding ApS**Lars Peter Skaarup*****

Personal Adviser

Date of birth: 16 March 1959
Joined the Board on 21 March 2012Director of:
Foreningen Nykredit
Oliefyrsmanden A/S**Nina Smith**

Professor

Date of birth: 17 October 1955
Joined the Board on 1 October 2004
Independent directorProfessor at Institut for Økonomi,
Aarhus UniversitetChairman of:
KORA (Det nationale Institut for Kommuners
og Regioners Analyse og Forsikring)Deputy Chairman of:
Foreningen Nykredit
Favrskov GymnasiumDirector of:
Aarhus Festuges Fond
A/S Høeghsminde Parkbebyggelse*
Carlsberg A/S*
Carlsbergfondet*
Carlsbergfondets Forskerboliger A/S*
Ejendomsaktieselskabet C.F. Richsvej 99-101*
Ejendomsaktieselskabet "Haraldsborg"*

Ejendomsaktieselskabet "Munken"*
 Ejendomsaktieselskabet "Ved Boldparken"*
 Ejendoms-Aktieselskabet Søborg Huse*
 Villum Fonden**

Jens Erik Udsen

Managing Director

Date of birth: 1 November 1946
 Joined the Board on 1 May 1998
 Non-independent director in view of the length of tenure

Managing Director of:
 Nesdu A/S

Director of:
 Foreningen Nykredit
 Fonden "Renholdningsselskabet af 1898"
 Jeudan A/S
 Nesdu A/S
 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.

Michael Rasmussen*

Group Chief Executive

Date of birth: 13 November 1964
 Joined the Group Executive Board on 1 September 2013

Chief Executive Officer of:
 Foreningen Nykredit
 Nykredit Holding A/S

Chairman of:
 Investeringsfonden for Udviklingslande (IFU)
 Realkreditrådet

Director of:
 Nykredits Fond
 Creditkassens Jubilæumsfond

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
 Nykredit Administration V A/S

Director of:
 Nykredit Bank A/S
 Nykredit Mægler A/S
 Ejendomselskabet Kalvebod A/S
 JN Data A/S
 Realkreditrådet
 VP Securities A/S*

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
 Ejendomselskabet 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 A/S
 e-nettet Holding A/S
 Gigtforeningen
 JN Data A/S

Director of:
 Nykredit Bank A/S
 Bankernes EDB Central (BEC)
 IT-Universitetet i København (ITU)

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:

Nykredits Afviklingspensionskasse
Nykredit Ejendomme A/S

Director of:

Nykredit Bank A/S
Nykredit Mægler A/S
Finanssektorens Arbejdsgiverforening (FA)
Finanssektorens Uddannelsescenter
HOFOR A/S
HOFOR Forsyning Holding P/S
HOFOR Forsyning Komplementar A/S
HOFOR Holding A/S
Øresundsinstituttet*

Member of the committee of
representatives of:
Ejendomsforeningen Danmark

Peter Engberg Jensen**

Group Chief Executive
Resigned on 31 August 2013

* Joined in 2013

** Resigned in 2013

*** Staff-elected member (non-independent
director)

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.