Risk and Capital Management 2008

The Nykredit Bank Group

Nykredit
bank

Contents

Foreword

2008 became a very turbulent year in financial markets. The international financial crisis had a much deeper impact in Denmark than expected, leaving its mark on the Danish financial markets.

The Nykredit Group is alert to the gloomier prospects for the Danish economy and is ready to tackle any changes resulting from the changed economic climate. Owing to the Nykredit Group's long-term credit policy of granting loans against a high degree of security, the Group is prepared for altered economic conditions.

The financial crisis resulted in losses on and negative value adjustments of Nykredit Bank's loans to Danish banks. Moreover, negative value adjustments were recorded for part of the Bank's own portfolios due to yield spread widening.

Nykredit Bank's credit quality remains high, and considering the market conditions, the Bank's impairment losses are relatively low.

Nykredit pursues a long-term and balanced capital policy to ensure the presence of adequate capital to offer our customers financial solutions at competitive prices, during both favourable and adverse economic trends.

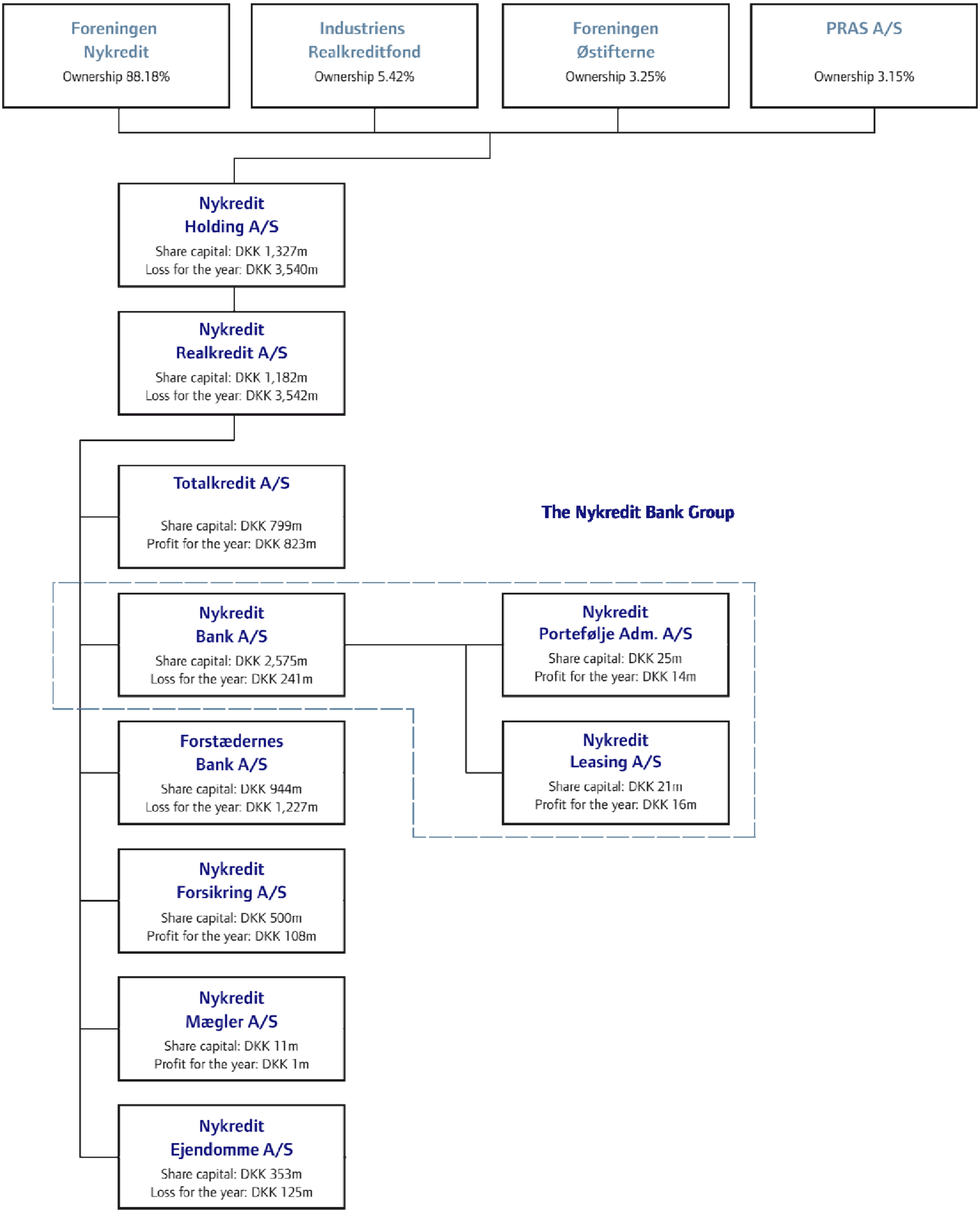
Basel II has now been implemented in Danish legislation for two years. Nykredit Bank has applied the most advanced approach to determine credit risk since the beginning of 2008.

The application of advanced approaches has contributed to the strong foundation of risk management, and it is a central element in the determination of our capital policy.

Nykredit Bank has a policy of openness about the Group's risk exposures. This report contributes to providing a detailed picture of the risks.

Kim Duus

Group chart


Foreningen Nykredit
Ownership 88.18%
Industriens Realkreditfond
Ownership 5.42%
Foreningen Østifterne
Ownership 3.25%
PRAS A/S
Ownership 3.15%
Nykredit Holding A/S
Share capital: DKK 1,327m
Loss for the year: DKK 3,540m
Nykredit Realkredit A/S
Share capital: DKK 1,182m
Loss for the year: DKK 3,542m
Totalkredit A/S
Share capital: DKK 799m
Profit for the year: DKK 823m
The Nykredit Bank Group
Nykredit Bank A/S
Share capital: DKK 2,575m
Loss for the year: DKK 241m
Nykredit Portefølje Adm. A/S
Share capital: DKK 25m
Profit for the year: DKK 14m
Nykredit Leasing A/S
Share capital: DKK 21m
Profit for the year: DKK 16m
Forstædernes Bank A/S
Share capital: DKK 944m
Loss for the year: DKK 1,227m
Nykredit Forsikring A/S
Share capital: DKK 500m
Profit for the year: DKK 108m
Nykredit Mægler A/S
Share capital: DKK 11m
Profit for the year: DKK 1m
Nykredit Ejendomme A/S
Share capital: DKK 353m
Loss for the year: DKK 125m

Risk Management

Nykredit Bank forms part of the Nykredit Realkredit Group. Risk management is a key element of Nykredit's day-to-day operations. Through its risk management, Nykredit seeks to ensure financially sustainable solutions in the short and long term. Nykredit focuses on balanced risk management and a strong capital structure.

Nykredit strives always to meet the best international standards for risk management. Nykredit's advanced models for quantifying group risks are central elements of risk and capital management.

TYPES OF RISK

The Nykredit Bank Group is exposed to different types of risk. Each type of risk has its own special features, and risk management is structured accordingly.

Nykredit Bank distinguishes between the following general types of risk:

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

SPECIAL EVENTS IN 2008

Standard & Poor's rating to Nykredit Bank

In November 2008, the Bank was assigned an external credit rating by the international rating agency Standard & Poor's. The rating attracts deposits from new customer segments which require counterparties to have two external ratings.

ECP programme launched

In October 2008, the Bank established a Euro Commercial Paper (ECP) programme to secure wider access to funding in international capital markets. At 31 December 2008, the Bank had issued commercial paper of DKK 4.7bn (EUR 0.6bn) under the ECP programme.

Issues under the EMTN programme

After the launch of the EMTN programme at end-2007, notes of DKK 12.8bn (EUR 1.7bn) were issued in 2008.

Nykredit Bank and the financial crisis

The crisis in the financial markets, which limited business opportunities and caused funding costs for financial institutions in general to rise during 2008, also affected Nykredit Bank's business and funding opportunities.

However, the market confidence in Nykredit Bank generally remained intact in 2008. This was evidenced by the fact that there was an open market for the Bank's own bond issues and raising of funding, although prices reflected the financial crisis. Correspondingly, the rating assigned by Standard & Poor's is satisfactory.

Government guarantee scheme

Nykredit Bank has adopted the Danish guarantee scheme covering deposits with and unsecured claims against Danish banks. The Bank expects its participation in the scheme to imply increased commission expenses of approximately DKK 340m annually up to October 2010. In 2008 expenses came to just over DKK 80m.The scheme is described in further detail in Note 43 of the Annual Report, which is available at nykredit.com.

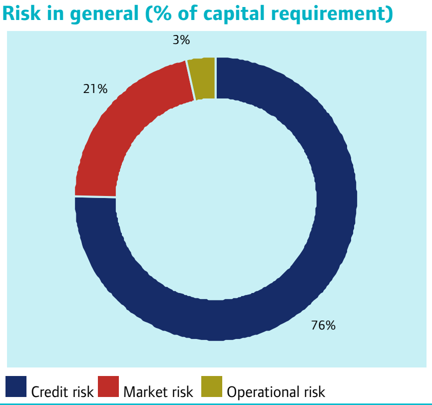
The guarantee scheme guarantees all deposits in Danish banks made by depositors and other unsecured creditors as the Danish government guarantees the deposits of the banks participating in the scheme.

Exposures covered by the guarantee scheme have a risk weighting of 0% in the capital requirement determination.

The Danish parliament adopted a number of measures extending the government guarantee scheme in January 2009. The extended scheme offers the possibility of opting for a government guarantee for senior debt and junior covered bonds issued by commercial or mortgage banks for up to three years.

Commercial and mortgage banks may also apply for a government contribution of hybrid core capital.

The Nykredit Bank Group
Risk in general (% of capital requirement)



Note: Liquidity risk is not determined but only managed.

ORGANISATION, DELINEATION OF RESPONSIBILITIES AND REPORTING

The Board of Directors of the Bank is responsible for defining limits to and monitoring the risks incurred by the Bank as well as for delegating responsibilities and approving overall instructions. The Board of Directors has laid down guidelines for and specific limits to the risks the Bank may assume. Such risk limits have been delegated to each of the departments or subsidiaries. To ensure tight management of the Bank Group's risks, these are monitored from headquarters by Risk Management and Group Credits. The Executive Board is informed about the Group's market risks on a day-to-day basis, while the Bank's overall credit risks are assessed on a weekly basis. The Board of Directors is briefed on a monthly basis.

The Board of Directors is responsible for the general approach to risk and capital management and has knowledge of the capital requirement rules and internal models.

The Nykredit Realkredit Group coordinates risk management on an intercompany basis. Risk management at group level has been delegated to a number of committees monitoring and assessing the Group's business development and risk. The principal committees are the Risk Committee, the Asset/Liability Committee, the Credits Committee and the Treasury Committee. All committees are chaired by a member of the Group Executive Board and include representatives from the Bank where relevant.

To manage the Group's risk in general, Nykredit Bank's market, liquidity and credit risk is subject to approval by the Treasury, Asset/Liability and Credits Committees within the limits laid down by the Board of Directors of Nykredit Realkredit.

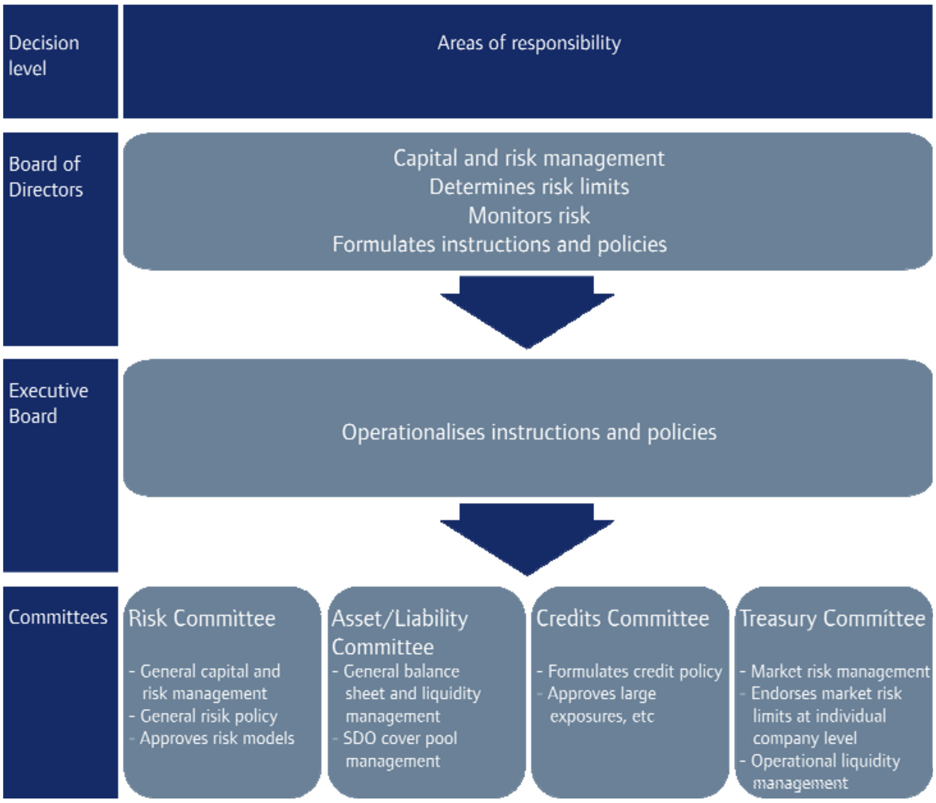
Risk monitoring and management activities are independent of the day-to-day business management.

The Nykredit Realkredit Group's internal models constitute the core of Nykredit Bank's day-to-day risk management. The models are checked on a continuous basis and validated at least once a year. The results are reported to the Risk Committee for approval once a year.

Internal Audit reviews the Group's internal models and their application annually. The review includes an assessment of the organisational structure, the estimation of risk parameters and verification that the Group complies with the requirements of the Danish Executive Order on Capital Adequacy.

Over the past few years, Nykredit has expanded and improved the ongoing risk reporting process.

Risk organisation of the Nykredit Realkredit Group



Risk areas reviewed by the Board of Directors of the Bank

Annually	
Capital and risk policy	Review and decision on Nykredit Bank's required capital base, capital need and risk policy
Risk models	General review of ongoing model development and consequences thereof
Stress tests	Review of results of Nykredit's stress tests and scenario analyses
Ongoing	
Risk reporting	Quarterly reporting on key risk areas: ■ Liquidity risk ■ Credit risk - Exposures by size - Loan impairment and arrears ■ Market risk - Interest rate, foreign exchange and equity price risk (conventional measures and Value-at-Risk) - Back tests - Stress tests Monthly reporting on key risk areas: ■ Market risk - Interest rate, foreign exchange and equity price risk (conventional measures and Value-at-Risk)
Exposure review	Review and assessment of exposures of a certain amount

Risk areas reviewed by committees in the Nykredit Realkredit Group

Risk Committee

Capital policy and need	Assessment of Nykredit's required capital base and future capital need
Models and methods	Review of analyses and model-related initiatives and changes, including
	▪ New models and risk assessment methods
	▪ Sensitivity analyses and stress tests
	▪ Validation and back tests
Risk reporting	Review and analysis of credit, market, operational and other risks
Legislative measures	Assessment of amendments to existing rules from the Danish FSA and the EU

Asset/Liability Committee

Liquidity	Liquidity position of group entities
	Current funding levels (money market and senior capital)
	Current funding activity (mortgage bonds and other funding)
	Stress tests of free liquidity
Capital structure	Capital structure in group entities
and balance sheet	Current funding levels and funding capacity
SDOs	Assessment of development in prices of mortgaged properties
	Assessment of the extent of registration guarantees
	Need for supplementary security and issuance of junior covered bonds
Business capital	Capital allocation and return

Credits Committee

Credit policy	Maintenance and development of credit policies
Approval of selected	Approval based on an assessment of factors such as:
exposures	▪ Customer (financial circumstances, payment history, etc)
	▪ Exposure
	▪ Security
Board approval	Recommendation to the Board of Directors concerning approval of special
	exposures beyond the authority of the Credits Committee
Credit institutions	Review of credit lines granted to credit institutions

Treasury Committee

General themes	Macroeconomics
	Market themes
Risk and return	Overview of exposures and risk of the individual companies
	Equities: Risk and portfolios
	Interest rates: Risk and portfolios
	Investment portfolio income and return relative to benchmarks
	Value-at-Risk, stress tests and back tests
	Corporate bonds: Risk and portfolios
	Limits and utilisation of market risk limits in subsidiaries
Strategy and	
recommendations	Equity price, interest rate, foreign exchange and credit risk
Market risk limit	Limits and utilisation of market risk limits in Bank Treasury

Capital Requirements

DETERMINATION METHODS

Credit risk

Nykredit Bank A/S has been authorised by the Danish Financial Supervisory Authority (FSA) to use the advanced internal ratings-based (IRB) approaches to determine the capital requirement for credit risk in relation to retail lending.

The foundation IRB approaches are used to determine the capital requirement for credit risk in relation to Nykredit Bank's commercial lending.

Nykredit is developing models in order that the part of the portfolio subject to the foundation IRB approach may also be determined using the advanced IRB approach in the long term.

Furthermore, the Bank has been granted permanent approval to apply the standardised approach in relation to sovereign and credit institution exposures as well as in subsidiaries with limited risk.

Market risk

For the determination of the capital requirement for market risk, Nykredit Bank A/S has obtained FSA approval to apply a Value-at-Risk model with own correlations to estimate the general position risk for instruments of debt and foreign exchange.

For the parts of the portfolio for which the capital requirement is not determined using Value-at-Risk models, the standardised approach is applied.

Operational risk

Nykredit Bank uses the basic indicator approach to determine the capital requirement to cover operational risk.

The Nykredit Bank Group

Share of exposure value covered by different approaches to credit risk determination

2008	Advanced IRB approach %	Foundation IRB approach %	Standardised approach %	Total %	Total exposures DKKm
Retail exposures	100.0	-	-	100.0	16,386
- Mortgages on real property	100.0	-	-	100.0	11,777
- Revolving exposures, etc	100.0	-	-	100.0	3,432
- Other retail exposures	100.0	-	-	100.0	1,177
Commercial exposures	-	98.6	1.4	100.0	76,773
Credit institution exposures	-	-	100.0	100.0	27,960
Sovereign exposures	-	-	100.0	100.0	534
Equity exposures [1]	100.0	-	-	100.0	88
Assets with no counterparty	100.0	-	-	100.0	293
Total 2008	**13.7**	**62.0**	**24.2**	**100.0**	**122,033**
Total 2007	15.6	65.9	18.5	100,0	112,328

[1] Capital charges for equity exposures have been determined using the simple risk weight approach.

The Nykredit Bank Group
Subordinate loan capital

Contributor	Step-up	Maturity	DKK million
Nykredit Realkredit A/S	22 April 2010	22 April 2013	300
Nykredit Realkredit A/S	30 September 2011	30 September 2014	500
Nykredit Realkredit A/S	30 June 2012	30 June 2015	600
Nykredit Realkredit A/S	18 March 2013	18 March 2016	500
Nykredit Realkredit A/S	30 November 2013	30 November 2016	500
Total			**2,400**

The Nykredit Bank Group
Capital base

DKK million	31.12.2008 Basel II	01.01.2008 Basel II
Core capital		
Share capital, year-end	2,575	1,950
Retained earnings	4,770	4,149
Current loss for the year	(241)	
Total core capital	**7,104**	**6,099**
Statutory deductions from core capital		
Intangible assets	(11)	(2)
Tax assets	(73)	(41)
Equity investments, etc >10%	(33)	(58)
Deduction for half the difference between IRB-calculated losses and impairments	(53)	(233)
Core capital after statutory deductions	**6,933**	**5,764**
Subordinate loan capital	2,400	2,400
Statutory deductions from capital base		
Equity investments, etc >10%	(33)	(58)
Deduction for half the difference between IRB-calculated losses and impairments	(53)	(233)
Total statutory deductions from capital base	**(86)**	**(291)**
Total capital base after statutory deductions	**9,247**	**7,872**

The Nykredit Bank Group
Capital requirement and capital adequacy ratio

DKK million	31.12.2008	01.01.2008
Credit risk		
Retail exposures	323	371
Of which		
- Mortgages on real property	250	220
- Revolving exposures, etc	34	39
- Other retail exposures	40	112
Commercial exposures	4,785	4,682
Credit institution exposures	318	297
Sovereign exposures	0	0
Equity exposures	6	7
Assets with no counterparty	23	8
Settlement risk	0	0
Total credit risk	**5,456**	**5,365**
Market risk	**1,550**	**831**
Operational risk	**233**	**185**
Total capital requirement	**7,239**	**6,381**
Risk-weighted items	90,488	79,767
Capital base	9,247	7,872
Capital adequacy ratio, %	10.2	9.9

Note: For 2008 and 2009 transitional rules limit the decrease in the capital requirement on the transition from Basel I to Basel II. The transitional rules are not relevant to Nykredit Bank as its capital requirement will increase on the transition to using the IRB approaches.

CAPITAL BASE AND CAPITAL REQUIREMENTS

In 2008 Nykredit Bank determined its capital base and risk-weighted items in accordance with the new capital requirement rules (Basel II). At 31 December 2008, the Group's capital requirement was DKK 7.2bn and risk-weighted items DKK 90.5bn. With the capital base of DKK 9.25bn, this corresponds to a capital adequacy ratio of 10.2%.

At end-2008, the Group's required capital base stood at DKK 7.2bn equal to a capital need of 7.97%. The determination of the required capital based is described in further detail under "Capital management".

In accordance with section 139 of the Financial Business Act, the core capital and capital base are adjusted for the difference between the IRB-calculated loss and impairments on exposures subject to IRB approaches. In line with FSA guidelines, the IRB-calculated loss is based on the Basel parameter Loss Given Default (LGD) for the period 1991-1993, cf "IRB-calculated losses". IRB-calculated losses totalled DKK 862m and impairments for accounting purposes totalled DKK 756m. Accordingly, total statutory deductions amounted to DKK 106m at end-2008. The IRB-calculated loss is a concept applied for regulatory purposes and does not correspond to Nykredit's own loss expectations.

The tables below and overleaf show the capital base, capital requirement and capital adequacy as at 31 December 2008 and 1 January 2008 according to Basel II.

The Bank's capital base comprises equity and subordinate loan capital. All capital contributions have been made by Nykredit Realkredit A/S.

CONSOLIDATION METHODS

The capital requirement is determined according to the rules of the Financial Business Act and the Executive Order on Capital Adequacy. The determination comprises Nykredit Bank A/S (the Parent Company) and the enterprises in which Nykredit Bank A/S exercises direct or indirect control of the enterprises' financial and operational management. Nykredit Bank A/S and its subsidiaries are collectively referred to as the Nykredit Bank Group.

The consolidated risk exposures include:

- Nykredit Bank A/S
- Nykredit Porteføljeadministration A/S
- Nykredit Leasing A/S
- Nykredit Sirius ltd.

Enterprises in which the Nykredit Bank Group has joint control with other enterprises which do not form part of the Group are considered joint ventures. Group investments in joint ventures are recognised by proportionate consolidation for the purpose of both the financial statements and the determination of capital requirements.

DIFFERENCES COMPARED WITH FINANCIAL STATEMENTS

Unlike the financial statements, the calculation of the capital requirement includes exposures such as unexercised loan offers, loan commitments, etc.

Capital Management

The Nykredit Realkredit Group has an objective of being able to maintain its lending activities at an unchanged level regardless of economic trends, while keeping a high rating. This means that Nykredit's equity must be sufficiently large to cover any increase in the statutory capital requirement and the required capital base in periods of severe recession.

In Nykredit, excess capital is as far as possible consolidated in the Parent Company Nykredit Realkredit A/S. Nykredit Bank A/S aims always to maintain a capital adequacy ratio that is at least 1 percentage point higher than the higher of the statutory capital adequacy requirement and the capital need. The capital need reflects the relationship between the required capital base and the risk-weighted items.

The Nykredit Realkredit Group's capital policy is described in detail in its report Risk and Capital Management 2008 available at nykredit.com/reports.

REQUIRED CAPITAL BASE

The Financial Business Act applies the terms capital requirement and required capital base (capital adequacy).

The capital requirement is the absolute minimum capital required by law.

The required capital base is the minimum capital required in Management's opinion to cover all significant risk.

The level of the required capital base is determined by the Board of Directors on an annual basis.

Nykredit Bank's calculation of the required capital base is based on the model calculations used in the determination of the capital requirement. However, a statistical confidence level of 99.93% is applied, equal to a Aa2-Aa3 rating. When calculating the capital requirement and capital adequacy ratio, a 99.9% confidence level is used.

The required capital base consists of Pillar I and Pillar II capital.

Pillar I capital covers credit risk, market risk and operational risk.

Pillar II capital covers other risk as well as an elevated capital requirement for credit and market risk during a mild recession. Pillar II allows for the effect of an elevated capital requirement where rising losses and arrears have been observed as well as any operating losses following a rise in impairment losses, etc.

No deductions are made for any diversification effect between the individual types of risk in the determination of the required capital base.

At 31 December 2008, the required capital base came to DKK 7.2bn of which DKK 4.8bn concerned Pillar I and DKK 2.4bn Pillar II.

NYKREDIT BANK'S RATINGS

Nykredit Bank A/S has been assigned external credit ratings by the international rating agencies Moody's Investors Service and Standard & Poor's (S&P).

Moody's has assigned Nykredit Bank a Bank Financial Strength Rating (BFSR) of C+ equal to a stand-alone rating of A2. Relative to the BFSR, the Bank's long-term deposit rating has been raised by two notches to Aa3, which Moody's in its latest rating report motivated by the Bank's integration into the Nykredit Realkredit Group and the extent of systemic support.

S&P has assigned Nykredit Bank a long-term deposit rating of A+ and a short-term deposit rating of A-1 both with a stable outlook. Relative to a stand-alone rating of the Bank, both ratings have been raised by two notches. S&P motivated the upgrade with the Bank's integration into the Nykredit Realkredit Group and the expected support that the Bank enjoys in the form of capital contributions.

The most recent analyses of Nykredit Bank by Moody's and S&P are available at nykredit.com/downloads.

Nykredit Bank A/S
Ratings

	Moody's Investors Service	Standard & Poor's
Short-term deposit rating	P-1	A-1
Long-term deposit rating	Aa3	A+
Bank Financial Strength Rating	C+	

Credit Risk

By virtue of the Nykredit Realkredit Group's size, the credit policy has been formulated to take into consideration the aim of a suitable market share and an objective of limited losses.

The Board of Directors lays down the overall framework of credit granting and is presented, on a current basis, with the Group's largest credit applications for approval or briefing. The Bank's credit risk is managed in accordance with credit policies, business procedures and credit granting instructions, etc specific to the three business areas Retail Banking, Corporate Banking and Markets & Asset Management.

Group Credits is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and the Executive Board and for reporting credit risk internally as well as externally. Group Credits serves all entities of the Nykredit Realkredit Group and is, accordingly, responsible at group level.

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

Nykredit's local centres have been authorised to process a considerable part of the customer applications for bank facilities independently.

Credit applications exceeding the authority assigned to the centres are processed centrally by Group Credits. Applications involving large amounts must be presented to the Executive Board or the Board of Directors. Applications that bring the Bank's total exposure to any one customer over DKK 100m are subject to Board approval initially as well as subsequently every time an exposure increases by multiples of DKK 50m.

When a customer applies for a bank facility, the customer and the customer's financial circumstances are assessed. Overall guidelines on credit assessment have been laid down centrally and depend for example on the customer's relationship with the Bank's business areas.

Internal credit models continuously form an important part of the assessment of the majority of retail and commercial customers. A thorough assessment of customers is a prerequisite for avoiding future losses. The same applies to security provided in the form of a number of tangible assets, primarily real property, but also securities, moveable property and guarantees. Any security provided is included in subsequent assessments based on conservative valuation.

All bank exposures exceeding DKK 3m are reviewed at least once a year as part of the monitoring of credit exposures based on updated financial and customer information. In addition, all exposures showing signs of risk are reviewed, and minor loans are also reviewed for the purpose of uncovering any need for individual impairment. Loans not subject to individual impairment provisioning are included in the calculation of the Bank's collective impairment provisions.

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

When establishing the limits relating to financial products, the Bank will often require that a contractual basis be established providing it with a netting option. The basis of agreement is typically based on standards such as ISDA or GMRA agreements.

DETERMINATION OF CREDIT RISK

Despite the international credit crisis in 2008, the Danish economy remains healthy and the credit quality of the Group's customers high. Impairment losses are still very low.

Nykredit is alert to the gloomier prospects for the Danish economy and is prepared to tackle any changes resulting from the changed economic climate. Owing to Nykredit's long-term credit policy of granting loans against a high degree of security, the Group is prepared for altered economic conditions. Coupled with a sturdy capital structure, this enables Nykredit to offer customers financial solutions also in the future.

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

Total credit exposures came to DKK 122bn at end-2008 against DKK 112.3bn at end-2007 of which undrawn credit commitments came to 17.5%.

The Nykredit Bank Group
Credit exposures

DKK million	2008	2007
Retail exposures	16,386	17,339
Of which		
- Mortgages on real property [1]	11,777	9,570
- Revolving exposures, etc	3,432	3,090
- Other retail exposures	1,177	4,678
Commercial exposures	76,773	76,003
Credit institution exposures	27,960	18,530
Sovereign exposures	534	332
Equity exposures	88	24
Assets with no counterparty	293	99
Total	**122,033**	**112,328**

[1] Incl exposures covered by the set-off principle, cf the agreement with partnership banks.

The Nykredit Bank Group
Credit exposures and capital requirement

2008 DKK million	Loans and advances	Guarantees issued	Other	Total exposures	Of which undrawn commitments	Exposure-weighted average risk weight %	Basel II capital charge for credit risk
Retail exposures	15,702	684	0	16,386	5,100	24.7	323
Of which							
- Mortgages on real property	11,093	684	0	11,777	3,258	26.5	250
- Revolving exposures, etc	3,432	0	0	3,432	1,509	12.4	34
- Other retail exposures	1,177	0	0	1,177	332	42.2	40
Commercial exposures	67,454	9,319	0	76,773	13,837	77.9	4,785
Credit institution exposures	0	346	27,614	27,960	2,421	14.2	318
Sovereign exposures	0	180	354	534	24	0.0	0
Equity exposures	0	0	88	88	0	89.5	6
Assets with no counterparty	0	0	293	293	0	100.0	23
Total 2008	**83,156**	**10,529**	**28,349**	**122,033**	**21,382**	**55.9**	**5,456**
Total 2007	79,141	14,584	18,602	112,328	34,693	59.7	5,365

The Nykredit Bank Group
Credit exposures by time-to-maturity

2008 DKK million	Up to 1 year	1 year and up to 5 years	Over 5 years	Total exposure
Retail exposures	16,386	-	-	16,386
Of which				
- Mortgages on real property	11,777	-	-	11,777
- Revolving exposures, etc	3,432	-	-	3,432
- Other retail exposures	1,177	-	-	1,177
Commercial exposures	22,884	20,871	33,018	76,773
Credit institution exposures	27,960	-	-	27,960
Sovereign exposures	534	-	-	534
Equity exposures	-	-	88	88
Assets with no counterparty	293	-	-	293
Total 2008	**68,057**	**20,871**	**33,105**	**122,033**
Total 2007	58,318	17,923	36,087	112,328

The Nykredit Bank Group
Credit exposures by type of counterparty

2008 DKK million	Retail	Non-profit housing	Private rental housing	Office and retail properties	Agriculture	Trades and industry	Other	Total exposure
Retail exposures	16,228	-	44	15	95	3	-	16,386
Of which								
- Mortgages on real property	11,652	-	29	7	86	3	-	11,777
- Revolving exposures, etc	3,407	-	14	3	7	1	-	3,432
- Other retail exposures	1,169	-	1	5	1	-	-	1,177
Commercial exposures		3,100	18,747	33,493	2,762	18,672	-	76,773
Credit institution exposures	-	-	-	-	-	-	27,960	27,960
Sovereign exposures	-	-	-	-	-	-	534	534
Equity exposures	-	-	-	-	-	-	88	88
Assets with no counterparty	-	-	-	-	-	-	293	293
Total 2008	**16,226**	**3,100**	**18,792**	**33,508**	**2,856**	**18,675**	**28,875**	**122,033**
Total 2007	17,161	1,694	27,615	29,583	5,912	11,106	18,986	112,328

LARGE EXPOSURES

Monitoring of large exposures is an integral part of the Group's risk management.

Pursuant to section 145 of the Financial Business Act, an exposure with any one customer or group of interconnected customers after statutory deductions must not exceed 25% of the capital base.

Furthermore, the sum of the exposures which, after statutory deductions, constitute at least 10% of the capital base must not exceed 800% of the capital base.

As at 31 December 2008, Nykredit Bank A/S had seven exposures which individually, after statutory deductions, represented between 10% and 25% of the capital base. The seven exposures made up an aggregate exposure after statutory deductions of DKK 8.8bn. Accordingly, the large exposures of the Bank accounted for 93.6% of the Company's capital base.

COUNTERPARTY RISK

Nykredit uses various financial products such as derivative instruments and repurchase contracts to manage risks. In addition, financial products are traded with customers. The value of many financial products changes over time, which may lead to the accumulation of large potential claims or obligations of either party to a contract. When entering into financial contracts, the Group incurs a risk that a counterparty defaults on its obligations. Moreover, financial contracts with customers involve the risk that customers are unable to meet the obligations accumulated under the contracts.

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

Credit limits and security are applied for the purpose of limiting counterparty risk. The contractual framework is mainly based on market standards such as ISDA or GMRA agreements.

Capital charges for counterparty risk are calculated according to the same approach as that applied to other types of credit risk.

Nykredit incurs risk on financial counterparties and customers. The largest counterparties and customers are required to provide additional security as their obligations increase.

For the purpose of calculating the capital charge, the exposure value of counterparty risk is calculated according to the market value method, ie as any positive market value of the transaction plus the potential future credit exposure. The exposure value of counterparty risk was DKK 15.8bn at 31 December 2008 and the capital charge DKK 705m.

The Nykredit Bank Group
Credit derivatives (nominal value)

2008 DKK million	Risk disposed of	Risk received	Total
Business enterprises		111.0	111.0
Total credit derivatives 2008		111.0	111.0
Total credit derivatives 2007		0	0

The Nykredit Bank Group
Exposures involving counterparty risk

2008 DKK million	Market value after netting	Exposure value calculated according to market value method	Capital charge for counterparty risk
Interest rate contracts	(81)	11,826	584
Foreign exchange contracts	326	3,927	121
Equities	-	-	-
Total	**245**	**15,755**	**705**

Note: The determination of exposure value does not allow for any government guarantees.
The determination of the capital charge allows for any government guarantees.

NON-PERFORMING EXPOSURES

Continuous individual reviews and risk assessments of exposures exceeding a certain limit are conducted with a view to uncovering any objective evidence of impairment and an expected adverse effect on future cash flows from loans. If necessary, impairment provisions are subsequently made for individual exposures. Exposures not subject to individual provisioning are subject to collective assessment. Collective impairment provisions are made for groups of customers involving uniform credit risk.

Impairment provisions totalled DKK 770m including provisions for guarantee commitments of DKK 56m. Compared with 2007 when the item totalled DKK 95m, the provisioning need has increased by DKK 675m. In Management's opinion, these provisions are necessary and adequate.

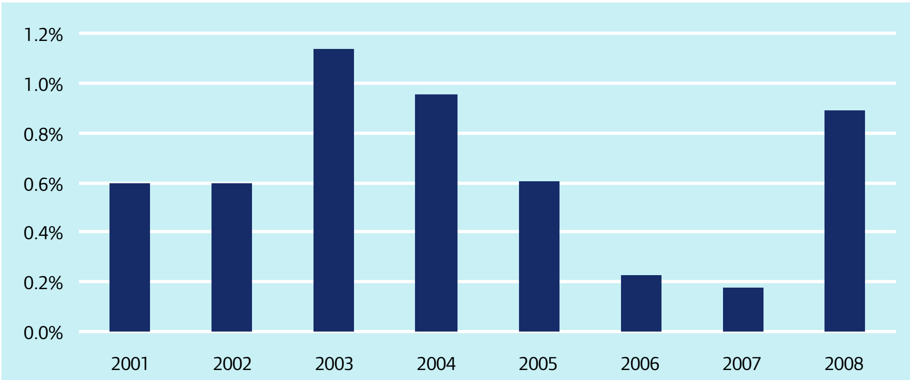
Relative to the Bank's total loans, advances and guarantees, impairment provisions totalled 0.9% at end-2008 and thus remained fairly low considering the market conditions. At end-2007 impairment provisions as a percentage came to 0.2.

The provisioning growth chiefly concerns DKK 312m that can be attributed directly or indirectly to the Bank's mortgage trading activities, including EBH-fonden and Dansk Pantebrevs Børs, to which should be added DKK 60m as impairment losses on loans and advances to customers that operate in the financial markets (excluding commercial and mortgage banks).

As the economic trends changed in 2008, the Bank's collective impairment provisions increased moderately predominantly due to Management's assessment of the loss risk of rental properties with a discount rate exceeding 25.

Other new provisions, in net terms, concern a few corporate customers. Retail provisions increased from DKK 22m at end-2007 to DKK 30m. Relative to end-2008, impairment provisions in the subsidiary Nykredit Leasing were

The Nykredit Bank Group
Impairment provisions for loans, advances and guarantees, %



Note: Year-end

The Nykredit Bank Group
Individual and collective impairment provisions

	2008			2007
DKK million	Individual impairment provisions	Collective impairment provisions	Total impairment provisions	Total impairment provisions
Impairment provisions, beginning of year	84	11	95	88
Impairment provisions for the year and reversals	547	112	659	(12)
Other additions and disposals			-	28
Impairment provisions recognised as lost	(40)	-	(40)	(9)
Impairment provisions, year-end	**591**	**123**	**714**	**95**
Lending subject to impairment	**1,157**	**49,301**	**50,458**	**223**
Impairments	591	123	714	95
Lending after impairment	**566**	**49,178**	**49,744**	**128**

The Nykredit Bank Group
Impairment provisions for loans and advances

2008 DKK million	Individual impairment provisions	Collective impairment provisions	Total impairment provisions	Total exposures in default
Retail exposures	23	3	26	23
Of which				
- Mortgages on real property	2	2	4	2
- Revolving exposures, etc	1	1	2	1
- Other retail exposures	20	0	20	20
Commercial exposures	569	120	689	569
Credit institution exposures	-	-	-	-
Sovereign exposures	-	-	-	-
Total	**591**	**123**	**714**	**591**

reduced from DKK 66m at end-2007 to approximately DKK 14m at end-2008.

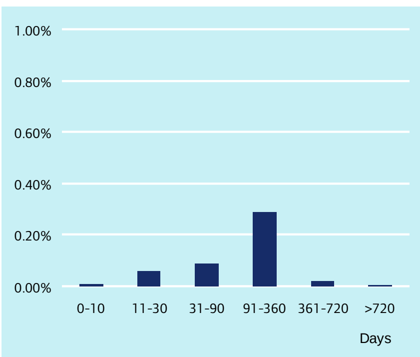
The Bank's loan impairments for 2008 generally remained unaffected by the declining property prices, and there was by and large no evidence of a significant deterioration of customers' payment behaviour.

Of total impairment provisions DKK 129m can be ascribed to exposures to customers in the property and business services segments. Compared with 2007, the development constitutes a rise, but considering the situation in the property market in general, loan impairments are still considered to be low.

The amounts of accounts overdrawn/in arrears for which no impairment provisions have been made in 2008 were fairly limited.

Earnings impact
Impairment provisions equalled a charge of DKK 763m, including provisions under guarantees of DKK 56m, against an income of DKK 14m in 2007. Individual impairment provisions went up by DKK 507m, collective impairment provisions by DKK 112m, while losses not previously provided for and payments received for claims previously written down totalled DKK 48m.

Arrears as % of lending



CREDIT RISK MODELS
The determination of credit risk is based on three key parameters:

- PD: Probability of Default, the probability of a customer defaulting on an obligation to the Nykredit Realkredit Group.
- LGD: Loss Given Default, the loss rate of an exposure given a customer's default.
- EV: Exposure Value, the total exposure to a customer in DKK at the time of default, including any drawn part of a credit commitment.

The PD is customer-specific, while the other parameters are product-specific. A PD is therefore assigned to each customer, while each of the customer exposures has separate LGDs and EVs.

Modelling principles
According to the Executive Order on Capital Adequacy, PDs must be estimated on the basis of long-term averages of one-year default rates, while the LGD estimates must reflect an economic downturn.

In the early 1990s, the Danish economy suffered a general crisis, and the financial sector saw a relatively large number of borrower defaults and increased losses. Nykredit stores mortgage lending data from this period and may thereby benefit from the experiences gained during a recession when developing models.

PDs are calibrated by weighting current data against data from the early 1990s at a ratio of 40%/60%. PDs will therefore be higher during an economic boom than if based exclusively on current data, and vice versa during a recession.

LGDs are calibrated so that the parameters reflect an economic downturn equal to the period 1991-1993.

The modelling principles are of great importance when comparing PD and LGD estimates with current, observed values of default and loss rates. During an economic boom, the PD and LGD estimates applied to calculate capital charges will be higher than the observed values. This is due to the fact that, contrary to the risk parameters, the observed values mirror only the current economic climate.

The principles applied to estimate the risk parameters ensure that Nykredit's capital requirement remains more stable during an economic cycle than if the estimation were based exclusively on current data.

Probability of default (PD)
Nykredit calculates a PD for each individual customer of the Group. This method is called direct estimation. PD expresses the probability of a customer defaulting on its payment obligations.

An exposure is in default where it is deemed improbable that the customer should repay all debt in full, or where a significant amount has been in arrears for 90 days. Nykredit Bank considers this to be a clear sign of a customer's inability to repay its debt in full, while banking products are considered in default on the forwarding of the second or third reminder depending on the customer category.

The PD of retail customers and small businesses is determined on the basis of a customer's credit score and payment behaviour. Credit scoring is a statistical calculation of a customer's creditworthiness based on the customer's financial circumstances and other factors. Credit scoring models have been applied at Nykredit Bank since 1998 and at Nykredit Realkredit since 2000.

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 accounting figures, arrears and impairments as well as industry-specific conditions and the macroeconomic climate.

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

PDs are updated as Nykredit receives new information about general economic conditions or the customer. Updates are made at least once a year.

The accuracy of the estimated PDs can be assessed by comparing the estimates at the beginning of the year with the PDs observed at year-end. Observed PD is the observed default rate of Nykredit's exposures and thus reflects the current economic climate. To obtain a meaningful comparison, it is therefore necessary to recalculate the estimated PDs at the beginning of the year into estimates which reflect only the current economic trends (point-in-time estimates).

The table below shows applied PD stated as point-in-time PD (current value), observed PD (current value) as well as applied PD used to calculate the capital requirement at year-end.

The PD estimates applied for calculating the capital requirement are based on data covering economic upturns as well as downturns and are therefore not directly comparable with the observed default rates or point-in-time PDs. The table shows that the applied PDs are higher than the observed PDs.

From PD to rating
The PDs of individual customers are converted into a rating from 0 to 10, 10 being the highest rating. The individual rating categories are defined as fixed PD ranges. This means that, in a favourable economic climate, high ratings will be assigned to a relatively large number of customers, while the opposite will apply during an economic downturn.

Customer ratings are an important element of the credit policy and customer assessment. Ratings are also applied to increase the efficiency of credit granting procedures and to monitor exposures of low credit quality.

Group Credits may, if so recommended, allow that a calculated rating be replaced by a rating assigned by a credit specialist.

The Nykredit Bank Group
Probability of Default, PD

%	Point-in-time PD Beginning of 2007	Observed PD End-2007	Applied PD End-2007	Point-in-time PD Beginning of 2008	Observed PD End-2008	Applied PD End-2008
Retail exposures	0.45	0.39	1.25	0.40	0.39	1.10
Of which						
- Mortgages on real property	*0.45*	*0.12*	*1.33*	0.55	0.31	1.18
- Revolving exposures, etc	*0.14*	*0.15*	*1.12*	0.20	0.51	0.80
- Other retail exposures	*0.27*	*0.85*	*1.18*	1.02	0.86	1.21
Commercial exposures	0.73	0.12	1.20	1.07	1.35	1.47
Total	**0.56**	**0.17**	**1.21**	**0.94**	**1.12**	**1.41**

Note: Exposure-weighted. Includes exposures subject to the advanced as well as the foundation IRB approaches using internal PD estimates.

The Nykredit Bank Group
Rating scale and marginal Probabilities of Default (PD)

2008 Rating category	PD floor %	PD ceiling %	Average applied PD %
10	> 0.00	≤ 0.15	0.12
9	> 0.15	≤ 0.25	0.20
8	> 0.25	≤ 0.40	0.33
7	> 0.40	≤ 0.60	0.50
6	> 0.60	≤ 0.90	0.77
5	> 0.90	≤ 1.30	1.15
4	> 1.30	≤ 2.00	1.61
3	> 2.00	≤ 3.00	2.41
2	> 3.00	≤ 7.00	4.06
1	> 7.00	≤ 25.00	13.40
0	> 25.00	< 100.00	44.66
Exposures in default	100.00		100.00

Note: Average applied PD has been weighted by exposure. Includes exposures subject to the advanced as well as the foundation IRB approaches using internal PD estimates.

The Nykredit Bank Group

Retail exposures covered by IRB

2008 Rating catetory	Total exposure DKKm	Of which undrawn commitments DKKm	Exposure-weighted average LGD [1] %	Exposure-weighted average risk weight %	Basel II capital charge for credit risk DKKm
10	990	473	30.3	5.2	4
9	1,340	638	29.9	7.7	8
8	1,500	590	31.0	12.0	14
7	1,489	488	27.0	16.7	20
6	3,016	869	21.5	18.4	44
5	3,134	901	21.1	23.2	58
4	3,274	810	22.7	32.5	85
3	1,055	253	25.5	50.0	42
2	425	63	30.6	76.9	26
1	71	10	28.6	109.6	6
0	14	2	23.8	124.2	1
Exposures in default [2]	77	3	31.2	208.5	13
Total	**16,386**	**5,100**	**24.8**	**24.7**	**323**

Note: Includes exposures subject to the advanced as well as the foundation IRB approaches using internal PD estimates are applied.

[1] Pursuant to section 11 of the Executive Order on Capital Adequacy, the exposure-weighted average LGD for retail exposures secured by mortgages on real property must be at least 10% in the calculation of the capital requirement. Exposure-weighted average LGD has been determined after adjustment to ensure compliance with the 10% requirement, cf section 11 of the Executive Order.

[2] The determination of the capital charge for exposures in default is based on the difference between LGDs and individual impairment provisions.

The Nykredit Bank Group

Commercial exposures covered by IRB

2008 Rating category	Total exposure DKKm	Of which undrawn commitments DKKm	Exposure-weighted average LGD %	Exposure-weighted average risk weight %	Basel II capital charge for credit risk DKKm
10	4,463	1,521	43.6	32.6	116
9	5,612	1,928	44.3	42.9	193
8	16,465	3,196	44.1	55.2	727
7	15,188	2,425	42.2	63.4	771
6	10,728	1,283	44.0	79.3	680
5	7,805	727	45.0	98.7	616
4	4,836	453	44.5	105.7	409
3	3,346	467	44.6	113.5	304
2	4,833	1,566	42.4	126.2	488
1	1,074	182	44.8	180.7	155
0	625	84	43.3	203.5	102
Exposures in default [1]	704	4	44.7	240.9	136
Total	**75,681**	**13,837**	**43.7**	**77.6**	**4,697**

Note: Includes exposures subject to the advanced as well as the foundation IRB approaches using internal PD estimates.

[1] The determination of the capital charge for exposures in default is based on the difference between LGDs and individual impairment provisions.

Loss given default (LGD)
The LGD, which is calculated for each customer exposure, reflects the percentage share of the exposure which is expected to be lost if a customer defaults on a loan.

The capital charge for commercial lending is calculated using the foundation IRB approach which implies using LGDs as stipulated in the Executive Order on Capital Adequacy.

For retail lending, LGDs are calculated using internal methods based on loss and default data. The determination of LGDs factors in any security such as mortgages on real property or financial collateral.

Nykredit Bank calculates losses as claims at the time of realisation. Furthermore, costs incidental to debt collection, proceeds from the realisation of collateral, payments from customers, etc are included.

The loss on a defaulting borrower cannot be determined until the case has been finally settled. This often takes several years. In cases involving security in the form of a mortgage on real property, for example, the loss cannot be finally determined until the property has been sold. The determination of losses includes an estimate of the final loss in cases not finally settled at the time of determination.

LGDs vary with economic trends. In a favourable economic climate, default will often not lead to any loss as the value of the security will typically exceed the value of the loan. This applies in particular to loans secured by mortgages on real property. Conversely, the Group would expect more and greater losses during an economic downturn.

The accuracy of the estimated LGDs can be assessed by comparing the estimates at the beginning of the year with the LGDs observed at the end of the year. Observed LGD is determined on the basis of actual losses for the year plus individual impairment provisions at year-end. Observed LGDs reflect the current economic climate. To obtain a meaningful comparison, it is therefore necessary to recalculate the estimated LGDs at the beginning of the year into point-in-time estimates.

The table below shows applied LGD stated as point-in-time LGD, observed LGD as well as applied LGD used to calculate the capital requirement at year-end.

Applied LGD reflects an economic downturn and corresponds to the loss during a recession. Applied LGD is therefore not directly comparable with the observed losses or point-in-time estimates, which both reflect the current economic climate.

Exposure value (EV) and conversion factors (CF)
EV is estimated for all exposures of a customer and reflects the total expected exposure to a customer at the time of default, including the utilisation of any credit commitment granted through conversion factors (CF).

CF is estimated for products subject to flexible utilisation, eg revolving exposures, equity withdrawal credits, credit lines, loan offers, etc. In respect of non-performing exposures subject to flexible utilisation, the credit maximum has often been reached or exceeded at the time of default. This applies to revolving exposures and similar credit facilities, for which reason Nykredit applies a conversion factor above 1.

The table below shows observed and applied CFs for exposures where customers have undrawn credit lines. Observed CF is the average utilisation rate of Nykredit's exposures and other credit commitments at the time of default. Applied CF at year-end is the parameter for the utilisation rates applied to calculate capital charges.

The Nykredit Bank Group
Loss Given Default, LGD

%	Point-in-time LGD Beginning of 2007	Observed LGD End-2007	Applied LGD End-2007	Point-in-time LGD Beginning of 2008	Observed LGD End-2008	Applied LGD End-2008
Retail exposures	2.49	1.62	26.34	10.76	12.19	24.78
Of which						
- Mortgages on real property	*1.89*	*1.20*	*18.59*	6.75	7.27	19.48
- Revolving exposures, etc	*15.75*	*11.15*	*39.97*	15.77	8.30	39.92
- Other retail exposures	*15.82*	*13.48*	*33.25*	15.65	26.83	33.95
Commercial exposures	**2.49**	**1.62**	**26.34**	**29.06**	**12.19**	**40.35**
Total	2.49	1.62	26.34	25.46	12.19	24.78

Note: Exposure-weighted. Includes only exposures subject to the advanced IRB approach using internal LGD estimates. LGD for retail exposures has been determined after adjustment to ensure compliance with the 10% requirement, cf section 11 of the Executive Order on Capital Adequacy.

The Nykredit Bank Group
Utilisation of commitments and credit lines at default, conversion factor (CF)

Factor	Observed CF End-2007	Applied CF End-2007	Observed CF End-2008	Applied CF End-2008
Retail exposures	1.04	1.09	1.01	1.11
Of which				
- Mortgages on real property [1]	*1.06*	*1.13*	*1.01*	*1.14*
- Revolving exposures, etc	*1.03*	*1.07*	*1.03*	*1.07*
- Other retail exposures	*1.13*	*1.00*	*1.01*	*1.01*
Total	**1.04**	**1.09**	**1.01**	**1.11**

Note: Exposure-weighted. Includes only exposures subject to the advanced IRB approach using internal CF estimates for products with credit facilities.
[1] Including exposures such as equity release and equity withdrawal credits.

Expected losses
The model-based, IRB-calculated losses and the observed losses are shown in the table below. The IRB-calculated loss is a concept applied for regulatory purposes and does not correspond to Nykredit's own loss expectations. The IRB-calculated loss on an exposure is calculated as the product of the PD, LGD and EV estimates.

The calculation of IRB losses is based on LGDs calibrated to the period 1991-1993. During economic booms as well as mild recessions, calculated IRB losses will therefore typically be higher than observed losses.

Internally, Nykredit applies the Basel models to estimate future losses in different economic scenarios or in case of a marked change in the economic climate. Nykredit's expected loss is a measure of the earnings impact to be expected if such scenarios occur. Based on the current condition of the Danish economy and expectations for the future, the Group's estimated loss in the short term will amount to DKK 862m.

Accordingly, such internal estimates cannot be compared with the IRB-calculated losses, which are based on regulatory requirements and which are partially included in the statutory deductions from the capital base and in the table below.

Validation and control of models
Nykredit develops and improves its credit risk models on an ongoing basis. As the parameter estimates are used both in the determination of the capital requirement and for many internal business purposes, it is decisive that the models work as intended and provide consistent results.

The models are developed by a separate staff function that is independent of group credit granting and operations in general. To ensure a good forecasting ability and consistent estimates, all credit models are validated at their development stage and are subject to ongoing validation – at least once a year. Model development and model validation are separate functions. The results are reported to the Risk Committee.

The ongoing validation includes:
- *Back tests*: Comparison of the expected and the actual number of defaults, as well as the losses within and across rating categories. Analysis of changes in ratings during the year.
- *Expert teams*: Nykredit's experienced credits and case officers and analysts compile and analyse any discrepancies between model estimates and internal assessments of risk related to the business activities.
- *Ongoing monitoring*: Ongoing monitoring of model ranking of customers, payment patterns, etc.
- *Quality assurance and data input checks*: Data used for calculating the risk parameters are subject to a number of automatic controls. This applies to both internal data and data from external suppliers.
- *Data representativity:* The composition of customers may change over time. Assessment of whether the models work as intended if the composition of customers has changed since the model was developed.
- *Data entry control:* At least once a year, Nykredit's controllers review the case processing at all centres, including data entry.

Internal estimates
For a number of years, Nykredit has applied credit models for risk management, capital management, customer assessment and pricing. The credit models have become an integral part of business and are applied in several areas.

Capital management
Nykredit's risk and capital management is based on a required capital base, which is also applied in connection with the internal performance measurement.

Granting of loans
A uniform approach to credit assessment is taken across the Nykredit Group which, however, allows for the special characteristics of the individual business units. Credit assessment comprises a customer's creditworthiness, an assessment of the security provided and the nature of the transaction concerned.

The credit assessment of customers and granting of loans are typically based on an overall assessment of the risk elements of the individual case and take into consideration the size of the total exposure to the customer concerned. Creditworthiness is determined on the basis of financial strength, stability in relation to external factors, managerial strength (businesses), etc.

When granting loans to retail customers, customer ratings are applied. The rating is supplemented with policy rules based on key ratios on customers' finances and behaviour. For selected exposures, customer ratings are also used as input for granting advance approval of credit extensions. Furthermore, the quality of the security provided is included in the assessment.

This loan granting approach is used for retail exposures secured on real property, revolving exposures, etc, and other retail exposures.

The assessment of commercial customers includes an assessment of a customer's financial position, payment history and rating as well as the stability of value and transferability of the security provided, etc. The lower the customer rating, the greater the importance of the security to the overall assessment.

The granting of financial products is based on a customer's creditworthiness, delimitation of the life of each product, contractual basis and assessment of the quality of the security.

The Nykredit Bank Group
Expected and observed losses

DKK million	Point-in-time expected loss End-2008	Observed loss End-2008	Expected loss [1] End-2008
Retail exposures	2	26	68
Of which			
- Mortgages on real property	2	2	33
- Revolving exposures, etc	0	2	13
- Other retail exposures	0	23	21
Commercial exposures	220	569	794
Total	**222**	**596**	**862**

Note: Includes exposures subject to both the advanced IRB methods as well as the foundation IRB methods. Expected losses of retail exposures have been determined based on LGD after adjustment ensuring compliance with the 10% requirement, section 11 of the Executive Order on Capital Adequacy.
[1] Expected loss using LGDs for 1991-1993.

SECURITY

The decision to grant a loan is usually based on a customer's creditworthiness and an assessment of the assets provided as security. Other types of security are guarantees, financial collateral and mortgages on equipment, machinery, plant, vehicles, etc.

In the determination of the capital requirement and required capital base, currently only the effect of mortgages on real property, guarantees received and financial collateral is included.

Real property

Mortgages on real property reduce credit risk substantially. Typically, no losses are incurred on loans secured on properties with low LTVs.

The mortgageable value of a property is assessed at the time when a loan is granted. Valuations are based on the marketability, stability of value, alternative use, letting potential, etc of a property.

Nykredit has obtained the approval of the Danish FSA to apply a statistical model as part of the valuation of properties. The model-based valuation is applied to detached and terraced houses that meet the specific requirements for mortgageable value and risk classification. Valuations must always be approved by the relevant local centre and are supervised centrally.

Following the initial valuation, the market value of the properties is monitored regularly. In respect of detached and terraced houses and owner-occupied flats that satisfy specific requirements for mortgageable value, risk classification and time since last valuation, Nykredit uses a statistical model. The statistical valuations are performed centrally and supplemented by local valuations as required. The valuations are included in the LGD estimate.

Nykredit has set up a special monitoring team comprising experienced staff with in-depth knowledge of the housing market and solid valuation competencies. This team monitors market conditions and may identify areas and properties which should be checked separately and propose adjustments of the statistical models and policies.

Guarantees

The Bank issues a number of guarantees on a current basis, including guarantees to mortgage banks. According to the accounting rules, guarantees must be reviewed on a current basis and losses under guarantees provided for, if deemed necessary.

At end-2008 DKK 56m had been provided for guarantees (end-2007: DKK 0m) of which DKK 48m was attributable to obligations under the government guarantee scheme.

Financial collateral

Financial collateral includes deposits denominated in DKK or other currencies, listed Danish government bonds, Danish covered bonds (SDOs and "realkreditobligationer" – "ROs") other liquid Danish and foreign bonds with high ratings, listed and liquid equities, etc.

Nykredit assigns an internal collateral value to the different types of financial collateral depending on the risk involved. The lower the market and credit risk, the higher the collateral value.

Nykredit incurs risk on financial counterparties and customers. The largest counterparties and customers are required to provide additional collateral as exposures increase.

When establishing limits to financial products, Nykredit will also often require that a contractual basis be established providing group companies with a netting option. The contractual framework will typically be based on market standards such as ISDA or GMRA agreements. In the determination of the need for collateral from the individual counterparty or customer, all the financial contracts of a customer governed by the contractual basis are netted. Netting means that the potential obligations of each customer are determined as the sum of potential obligations under all the contracts of a customer less the sum of potential gains.

Financial collateral is offset in the determination of Nykredit's capital requirement and required capital base, where netting is applied as well.

The Nykredit Bank Group
Types of security and credit exposures

2008 DKK million	Real property [1]	Guarantees	Financial collateral	Total collateral value	Total exposure
Retail exposures	3,134	-	-	41,075	16,386
Of which					
- Mortgages on real property	3,134	-	-	41,075	11,777
- Revolving exposures, etc	-	-	-	-	3,432
- Other retail exposures	-	-	-	-	1,177
Commercial exposures	503	-	3,297	3,800	76,773
Credit institution exposures	-	-	-	-	27,960
Sovereign exposures	-	-	-	-	534
Equity exposures	-	-	-	-	88
Assets with no counterparty	-	-	-	-	293
Total 2008	**3,637**	**-**	**3,297**	**6,634**	**122,033**
Total 2007	2,687	**-**	**2,424**	**5,111**	**112,328**

Market Risk

Nykredit Bank assumes market risk in connection with its trading activities with customers and the optimisation of the return on the Bank's equity. The most significant market risk relates to the Bank's Markets & Asset Management activities within securities trading, swap and money market transactions. Market risk in the Bank's other subsidiaries is either hedged with the Bank as counterparty or negligible.

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

Nykredit Bank's Board of Directors fixes the limits to market risk - including Value-at-Risk, interest rate, equity price, foreign exchange and volatility risk. The limits are assigned to the Executive Board of the Bank and are further delegated to Markets & Asset Management and the Bank's subsidiaries. Risk Management, which is independent of the acting entities, monitors market risk on a current basis and reports to Management on a day-to-day basis. Acting and reporting entities have been segregated.

The management of market risk is based on the risk measures fixed by the Board of Directors such as Value-at-Risk and more traditional risk measures such as interest rate risk and interest rate vega. The Bank has also defined a number of stress and scenario tests that form part of the management of market risk.

The Bank has FSA approval to determine Value-at-Risk for the purpose of the capital requirement to cover the Bank's market risk. All related validation requirements have been satisfied, including a documented annual validation of all pricing models.

The Nykredit Bank Group
Basel II capital charges for items involving market risk

2008 DKK million	Specific risk	General risk	Capital charge 2008	Capital charge 2007
Debt instruments	512	0	512	603
Equities	1	1	2	5
Collective investment schemes [1]	26	-	26	33
Foreign exchange risk	-	0	0	0
Value-at-Risk (99%, 10 days)	-	1,010	1,010	190
Total market risk	**538**	**1,012**	**1,550**	**831**

[1] Total position risk classified under specific risk.

Parameters included in Value-at-Risk calculations

Risk factors:	All positions are transformed into a number of risk factors for equity price, interest rate and foreign exchange risk, OAS and volatility risk by foreign exchange and maturity.
Volatilities and correlations:	Daily volatilities and correlations for the above-mentioned risk factors. The volatilities are determined to the effect that the last-dated observations have the highest weighting. Volatilities and correlations are calculated on the basis of data for the last 250 banking days.
Time horizon:	Value-at-Risk is determined on the basis of a time horizon of one day, but the figure may be scaled to other time horizons. The following horizons are applied: ▪ Capital charge for market risk: 10 days ▪ Day-to-day business management: 1 day ▪ Required capital base: 1 year
Confidence level:	Value-at-Risk is calculated with the following confidence levels: ▪ Capital charge for market risk: 99% ▪ Day-to-day business management: 99% ▪ Required capital base (capital adequacy): 99.93%

The Nykredit Bank Group
Value-at-Risk (99%, 1 day)

DKK million	Average	Minimum	Maximum	End of period
Interest rate VaR	13.6	2.8	33.9	15.1
FX VaR	1.0	0.1	3.2	0.7
Vega VaR	2.1	1.2	3.5	2.0
OAS VaR	37.1	15.0	136.0	74.6
Index-linked bonds	1.0	0.2	2.6	0.9
Nykredit Sirius ltd.	1.2	0.8	2.0	0.9
Total VaR 2008	**43.9**	**21.7**	**140.5**	**79.5**
Total VaR 2007	13.67	0.41	22.09	22.09

VALUE-AT-RISK

Value-at-Risk (VaR) is a statistical measure of market risk based on historical market data. VaR measures the maximum loss on an investment portfolio at a given probability within a given time horizon.

VaR is computed on a day-to-day basis as part of the determination of market risk and the capital requirement. Both computations are reported on a day-to-day basis and form part of the market risk framework. The risk calculations relating to the embedded option of callable mortgage bonds and capped floating-rate mortgage bonds form part of the overall model for the calculation of VaR.

The Bank's VaR model is a parametric model implying a classification of the different risks incurred by the Bank into a large number of risk factors. In general, the Bank uses risk factors for foreign exchange and interest rate risk, vega risk (risk of fluctuations in interest rate volatility) and OAS risk (risk of fluctuations in option-adjusted spreads). OAS is calculated with respect to the Bank's entire portfolio of Danish mortgage bonds including euro-denominated issues and Swedish Bostäd issues.

The Bank's portfolio of equities and index-linked bonds forms part of the day-to-day VaR model as an add-on based on the size of the portfolio.

The calculation of VaR includes yield curves based on closing prices in the market as well as historical correlations and volatilities. These are calculated using an EWMA model and a decay factor of 0.94 weighting the observations exponentially, which means that the model quickly adapts to new volatilities but also has a shorter memory span. Hence, the latest market observations will have the highest weighting.

As illustrated by the figure below, the VaR model results are subject to a daily back test which is presented to the Executive Board of the Bank on a weekly basis and to the Board of Directors on a monthly basis. VaR provides no indication of the distribution of losses under unusual market conditions. In consequence, a number of scenarios depicting usual and unusual market conditions have been drawn up. The scenarios are calculated on a daily basis and reported to the Board of Directors on a monthly basis.

VaR rose significantly in Q4/2008, prompted by significant OAS fluctuations in notably non-callable and floating-rate mortgage bonds.

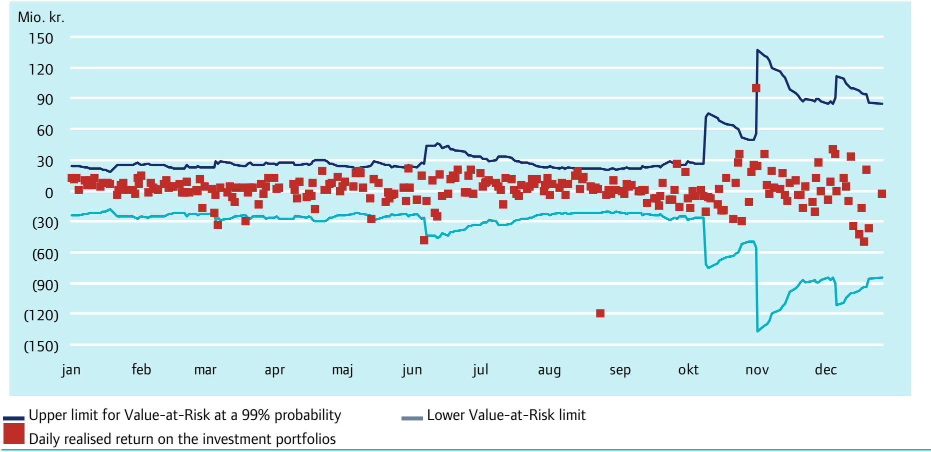
The fluctuations were due to the escalating global financial crisis, and especially the collapse of Lehman Brothers in the US and a decreasing subsequent investor appetite for mortgage bonds resulted in a marked OAS widening of mortgage bonds.

This effect was further aggravated as the financial turmoil raised uncertainty about the refi-

Nykredit Bank A/S
Stress- og scenarietest

Scenario	Definition	Frequency	End-2008 DKK million	End-2007 DKK million
Interest rate exposure 1bp	Change in the market value on a rise in market rates of 1bp	Daily	(0.15)	2.06
Interest rate exposure 1bp excl DKK and EUR	Change in the market value on a rise in market rates of 1bp excl DKK and EUR	Daily	0.07	(0.08)
Interest rate exposure 1bp at single currency level excl DKK and EUR	Maximum change in the market value at single currency level on rise in market rates of 1bp excl DKK and EUR	Daily	0.11	(0.13)
Gross interest rate exposure 1bp	Numerical sum of a change in the market value of long and short-term positions on a rise in market rates of 1bp	Daily	2.67	6.01
Interest rate vega 1%	Change in the market value on a rise in implied volatility of 1 percentage point	Daily	(1.07)	(14.61)
Gross interest rate vega 1%	Numerical sum of a change in the market value of long and short-term positions on a rise in the implied volatility of 1 percentage point	Daily	8.90	59.26
Gross interest rate vega 1% excl DKK and EUR	Numerical sum of a change in the market value of long and short-term positions on a rise in the implied volatility of 1 percentage point excl DKK and EUR	Daily	0.04	0.01
Interest rate gamma 100bp	The maximum difference between the market value on a change in market rates of 100bp and a change in market rates of 1bp multiplied by 100	Daily	(8.74)	(27.28)
FX indicator 1	The greater of the sum of long-term positions and the sum of short-term positions	Daily	262.5	364.20
Gross FX vega 1%	The numerical sum of vega at single currency level computed as the change in the market value on a rise in implied volatility of 1 percentage point	Daily	0.00	0.03
FX gamma 10% per currency	Largest loss at single currency level computed as the difference between the change in the market value on a change in the exchange rate of 10% and 10% of the current foreign exchange position	Daily	0.00	0.00
Govt/swap spread	Change in the market value on a rise in all market rates of 20bp save yields on sovereign risk exposures	Monthly	(6.73)	49.57
Currency crisis 1	Change in the market value on a rise in Danish rates of: 1 week 500bp, 1 month 300bp and 3 months 100bp	Monthly	55.66	84.39
Currency crisis 2	Change in the market value on a rise in all Danish rates of 20bp and a DKK weakening of 5%	Monthly	12.01	65.36

The Nykredit Bank Group
Back test of overall market risk (99%, 1 day)



nancing auctions in December.

By contrast, both the Danish and international bank rescue packages added to OAS tightening, but this had only a limited effect as the VaR determination is only based on historical observations.

EQUITY PRICE RISK
Equity price risk does not form an integral part of the VaR model. Therefore, the loss distribution of the equity portfolio is assessed on a continuous basis as a supplement to the VaR model in the daily determination of market risk.

The equities exposure is calculated as the sum total (gross positions) of own positions and non-settled positions which the Bank holds on behalf of customers.

At 30 December 2008, equity price risk was calculated as 2.5% of the Bank's gross exposure to equities and investment units. However, positions in equity-based investment funds may be hedged at 85% of the value of equities index futures reflecting equity positions in the investment funds.

INTEREST RATE, VOLATILITY AND FOREIGN EXCHANGE RISK
The Bank's market risk management includes computing a number of more traditional risk key figures in addition to the overall VaR and performing scenario and stress tests. These appear from the tables on pages 22 and 23, which include definitions of the respective scenarios. The Bank's sensitivity to changes in interest rate levels is computed as a change in the market value upon a rise in market rates of 1 basis point.

The scenarios for ordinary key figure computations are broken down by currency, maturity and type of product.

TRADING BOOK AND BANKING BOOK
Nykredit Bank classifies the trading and banking books at portfolio level on the basis of the application of the portfolio concerned.

Portfolios with positions held for trading are placed in the trading book. Positions forming part of the lending business and strategic positions are placed in the banking book. Furthermore, portfolios not unambiguously classified under the trading book are placed in the banking book.

Interest rate and foreign exchange risk in the banking book is fairly limited as any risk is generally hedged with financial instruments.

At end-2008 the banking book equity price risk derived from ownership interests in VP Securities Services of DKK 11m and in minor ownership interests in private equity funds of a total of DKK 10m.

The Nykredit Bank Group
Equity portfolio

End-2008 DKK million	Market value
Danish equities	152
Foreign equities	11
Equities on the banking book [1]	21
Total 2008	**184**
Total 2007	282

[1] Exclusively unlisted equities

Liquidity Risk

Liquidity risk reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations. The loss may result from a disproportionate increase in Nykredit's funding costs, or Nykredit becoming unable to fulfil its payment obligations due to a lack of funding or an inability to divest its assets at an adequate price.

The Asset/Liability Committee is responsible for the Group's overall asset/liability and liquidity management. The committee lays down liquidity policies for the group companies.

Nykredit Bank monitors its balance sheet and liquidity on a day-to-day basis. The Bank manages its balance sheet based on the liquidity of assets and liabilities and operates with a trading book and a banking book. The trading book includes a portfolio of corporate bonds and the Bank's repo/reverse transactions. Securities not serving as collateral in the trading book constitute a short-term liquidity buffer for unforeseen drains on the Bank's liquidity. The Bank's liquidity instructions as formulated by the Board of Directors specify minimum requirements for the size of its liquidity buffer.

The liquidity buffer averaged DKK 13.0bn in 2008. At end-2008, the liquidity buffer amounted to DKK 31.2bn compared with DKK 20.2bn at end-2007.

The banking book comprises the Bank's structural liquidity risk. The banking book consists of loans and advances and is funded through deposits and structured finance defined as issued bonds, long-term deposits from financial counterparties, subordinate loan capital, equity and credit commitments. The ratio of deposits plus structured funding to loans and advances was 144% at end-2008 against 118% at end-2007. The Bank aims to retain the current relationship between lending and deposits including structured finance.

At end-2008, the Bank had issued notes of DKK 12.8bn (EUR 1.7bn) under its EUR 5bn EMTN programme. The notes were issued at satisfactory spreads against swaps, reflecting the Nykredit Bank Group's low-risk profile and strong capital structure.

To further strengthen the Bank's access to funding through international capital markets, the Bank established a EUR 3bn Euro Commercial Paper (ECP) programme in October 2008. At end-2008, commercial paper of DKK 4.7bn (EUR 0.6bn) had been issued.

Nykredit Bank has had access to funding throughout the financial crisis.

In Nykredit Bank, the management of liquidity risk is based on an internal liquidity model which quantifies the Bank's expected liquidity position at any future time, in other words, the most likely development in liquidity if no steps are taken to raise new liquidity. The liquidity model shows the sum of deterministic payments and the expected value of market-related and random payments for each point over time.

The model assumptions are subjected to daily stress tests, which also calculate the effect of a liquidity crisis in the market preventing the bank from settling its liabilities or raising new liquidity.

In its "Bank Financial Strength Ratings: Global Methodology" from February 2007, Moody's Investors Service has laid down a number of principles and requirements relating to the liquidity management of banks. In order to achieve the rating "Very Good Liquidity Management", the liquidity curve must be positive for a projected time span of 12 months. Stress tests conducted on this basis show that the Bank can withstand a 12-month long lack of access to the funding market, also presuming that capital markets are inaccessible.

The liquidity model is a management tool which serves to determine the level of liquidity Nykredit Bank needs to raise or place.

The Nykredit Bank Group
Funding sources – banking book

DKK million	2008	2007
Retail deposits	10,512	10,036
Commercial deposits from SMEs	9,274	6,037
Commercial deposits from commercial customers, local authorities, etc	26,750	15,962
Long-term deposits from financial counterparties	2,086	2,052
Issued bonds (excl ECP issues)	12,610	1,562
Equity and subordinated loan capital	9,504	8,499
Undrawn back-up facilities	2,645	2,722
Total funding sources (banking book)	**73,381**	**46,870**
Lending (banking book)	50,897	39,659
Funding sources relative to lending (banking book)	**144%**	**118%**

Nykredit Bank A/S
Limits fixed by the Board of Directors to the Bank's maximum liquidity deficit

2008 DKK million	Target for maximum liquidity deficit	Absolute minimum point for the period	Average of minimum points for the period
0 – 20 days	0	621	9,480
21 days – 3 months	(3,000)	(2,264)	3,189
3 months – 5 years	(4,500)	(2,939)	108
5 years – 10 years	(1,000)	461	2,276
Over 10 years	0	3,102	4,488

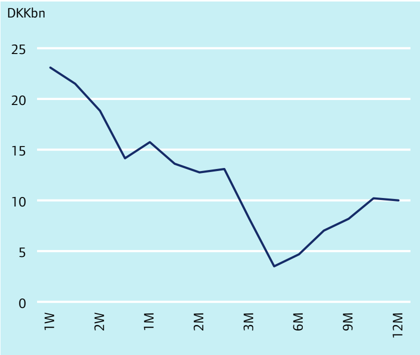
The Bank's Board of Directors formulates the liquidity policy, liquidity model principles, requirements and targets for the Bank's structural liquidity risk.

The structural liquidity risk limits appear from the table on the previous page. For example, the Bank must not have a negative liquidity position within the coming 20 banking days.

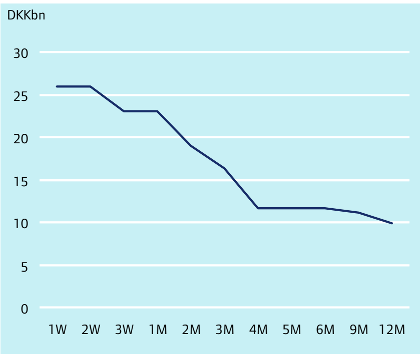
In terms of an average of the period's minimum points within the maturity categories, structural liquidity risk has generally been significantly lower than the limits laid down by the Board of Directors.

According to the Danish Financial Business Act, a bank's liquidity must total at least 10% of total reduced debt and guarantee obligations. Nykredit Bank uses an internal liquidity requirement of at least 15%. At end-2008 liquidity relative to reduced debt and guarantee obligations of the Nykredit Bank Group was 25.5%.

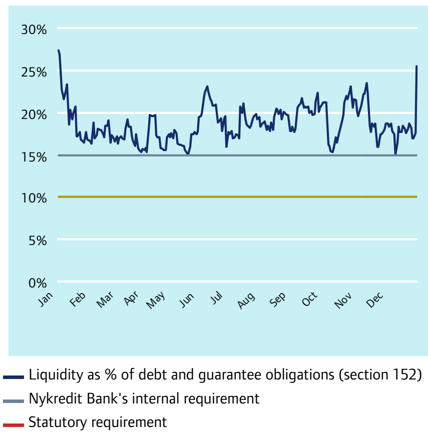
Nykredit Bank A/S
12-month liquidity



Nykredit Bank A/S
Stress test of liquidity -
(Moody's Global Methodology)



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



Operational Risk

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

Nykredit's capital requirement for operational risk, as determined on a pro forma basis using the basic indicator approach under Basel II, came to DKK 233m at end-2008. This means that the capital charge is determined as 15% of average gross earnings.

The day-to-day management of operational risk in Nykredit is a natural part of the business operations. The business areas are responsible for the day-to-day management of operational risk.

Operational risk management activities are coordinated centrally to ensure consistency and optimisation across the Group. The Group strives always to limit operational risk taking into consideration the related costs.

Nykredit develops tools and techniques to identify, analyse and report operational risk. The tools are gradually implemented into the business areas and management support functions.

Systematic registration and categorisation of loss-making operational events create an overview of the loss experience in all significant parts of the Group. In respect of all loss-making events over a certain amount depending on the business area, information is recorded about the event, product, process and risk type, as well as information on any insurance cover and time consumption relating to the event. This creates a basis for further analysis.

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

Appendix: Comparative Tables

The Nykredit Bank Group
Credit exposures and capital charge

2007 DKK million	Loans and advances	Guarantees issued	Other	Total exposures	Of which undrawn commitments	Exposure-weighted average risk weight, %	Basel II capital charge for credit risk
Retail exposures	12,603	4,736	-	17,339	*4,528*	26.7	371
Of which							
- Mortgages on real property	*7,962*	*1,608*	-	*9,570*	*2,592*	*28.7*	*220*
- Revolving exposures, etc	*3,090*	-	-	*3,090*	*1,376*	*15.9*	*39*
- Other retail exposures	*1,551*	*3,128*	-	*4,678*	*560*	*29.8*	*112*
Commercial exposures	66,537	9,466	-	76,003	*28,144*	77.0	4,682
Credit institution exposures	-	158	18,372	18,530	*1,997*	20.0	296
Sovereign exposures	-	225	107	332	*24*	0.0	0
Equity exposures	-	-	24	24	-	370.0	7
Assets with no counterparty	-	-	99	99	-	100.0	8
Total 2007	**79,141**	**14,584**	**18,602**	**112,328**	*34,693*	**59.7**	**5,365**
Total 2006	53,308	6,458	13,658	73,424	33,731	65.3	3,827

The Nykredit Bank Group
Credit exposures by time-to-maturity

2007 DKK million	Up to 1 year	1 year and up to 5 years	Over 5 years	Total exposure
Retail exposures	10,443	-	6,896	17,339
Of which				
- Mortgages on real property	*2,674*	-	*6,896*	*9,570*
- Revolving exposures, etc	*3,090*	-	-	*3,090*
- Other retail exposures	*4,678*	-	-	*4,678*
Commercial exposures	28,913	17,923	29,167	76,003
Credit institution exposures	18,530	-	-	18,530
Sovereign exposures	332	-	-	332
Equity exposures	-	-	24	24
Assets with no counterparty	99	-	-	99
Total 2007	**58,318**	**17,923**	**36,087**	**112,328**
Total 2006	46,563	11,120	15,740	73,424

The Nykredit Bank Group
Credit exposures by type of counterparty

2007 DKK million	Retail	Agriculture	Property companies, etc	Trade	Industry	Other	Total exposure
Retail exposures	17,157	102	51	11	18	-	17,339
Of which							
- Mortgages on real property	*9,485*	*50*	*28*	*5*	*2*	-	*9,570*
- Revolving exposures, etc	*3,068*	*6*	*13*	*3*	*1*	-	*3,090*
- Other retail exposures	*4,604*	*45*	*10*	*3*	*16*	-	*4,678*
Commercial exposures	17,803	4,579	19,217	23,822	8,738	1,844	76,003
Credit institution exposures	-	-	-	-	-	18,530	18,530
Sovereign exposures	-	-	-	-	-	332	332
Equity exposures	-	-	-	-	-	24	24
Assets with no counterparty	-	-	-	-	-	99	99
Total 2007	**34,960**	**4,681**	**19,268**	**23,833**	**8,756**	**20,829**	**112,328**
Total 2006	14,505	1,412	13,473	20,214	9,978	13,843	73,424

The Nykredit Bank Group

Retail exposures covered by IRB

2007 Rating category	Total exposure DKKm	Of which undrawn commitments DKKm	Exposure-weighted average LGD [1] %	Exposure-weighted average risk weight %	Basel II capital charge for credit risk DKKm
10	1,360	1,132	30.6	6.1	7
9	1,606	1,403	30.2	9.2	12
8	1,370	1,175	29.8	13.3	15
7	1,453	1,127	26.7	17.2	20
6	2,898	1,923	22.9	19.8	46
5	2,588	1,575	21.6	23.3	48
4	1,618	779	19.6	26.9	35
3	4,049	2,776	29.9	52.5	170
2	254	199	30.1	62.2	13
1	74	78	30.4	80.8	5
0	13	32	30.4	96.8	1
Exposures in default	56	5	34.3	421.6	19
Total	**17,339**	**12,205**	**26.4**	**28.1**	**390**

Note: Includes exposures subject to the advanced as well as the foundation IRB approaches using internal PD estimates.

[1] Pursuant to section 11 of the Executive Order on Capital Adequacy, the exposure-weighted average LGD for retail exposures secured by mortgages on real property must be at least 10% in the calculation of the capital requirement. Exposure-weighted average LGD has been determined after adjustment to ensure compliance with the 10% requirement, cf section 11 of the Executive Order.

The Nykredit Bank Group

Commercial exposures covered by IRB

2007 Rating category	Total exposure DKKm	Of which undrawn commitments DKKm	Exposure-weighted average LGD %	Exposure-weighted average risk weight %	Basel II capital charge for credit risk DKKm
10	6,302	3,934	51.1	32.7	165
9	5,413	3,614	51.2	42.7	185
8	15,385	8,126	48.6	57.8	712
7	12,475	8,045	48.1	66.8	667
6	8,663	5,574	50.7	79.2	549
5	15,354	7,061	55.1	96.2	1,182
4	5,226	2,080	49.7	113.3	474
3	1,446	1,185	48.2	110.4	128
2	2,176	1,207	47.8	133.6	233
1	1,072	780	41.8	173.4	149
0	477	466	50.3	245.0	94
Exposures in default	170	11	48.9	0	0 [1]
Total	**74,159**	**42,083**	**50.5**	**76.4**	**4,535**

Note: Includes exposures subject to the advanced as well as the foundation IRB approaches using internal PD estimates.

[1] Capital must only be maintained for exposures in default when using the advanced IRB approaches, cf schedule 8 of the Danish Executive Order on Capital Adequacy.

The Nykredit Bank Group

Utilisation of commitments and credit lines at default, conversion factor (CF)

Factor	Observed CF end-2007	Applied CF End-2007
Retail exposures	1.04	1.09
Of which		
- Mortgages on real property[1]	*1.06*	*1.13*
- Revolving exposures, etc	*1.03*	*1.07*
- Other retail exposures	*1.13*	*1.00*
Total alt	**1.04**	**1.09**

Note: Exposure-weighted. Includes only exposures subject to the advanced IRB approach using internal CF estimates for products with credit facilities.

[1] Including exposures such as equity release and equity withdrawal credits.

The Nykredit Bank Group

Types of security and credit exposures

2007 DKK million	Real property [1]	Financial collateral [2]	Total collateral value	Total exposure
Retail exposures	2,309	3	2,312	17,339
Of which				
- Mortgages on real property	*2,309*	*-*	*2,309*	*9,570*
- Revolving exposures, etc	*-*	*-*	*-*	*3,090*
- Other retail exposures	*-*	*3*	*3*	*4,678*
Commercial exposures	379	2,421	2,800	76,003
Credit institution exposures	-	-	-	18,530
Sovereign exposures	-	-	-	332
Equity exposures	-	-	-	24
Assets with no counterparty	-	-	-	99
Total 2007	**2,687**	**2,424**	**5,111**	**112,328**
Total 2006	1,835	-	1,835	73,424

[1] The collateral value of real property has been determined at the nominal value.

[2] The determination of financial collateral for calculating the capital requirement was introduced in 2007.