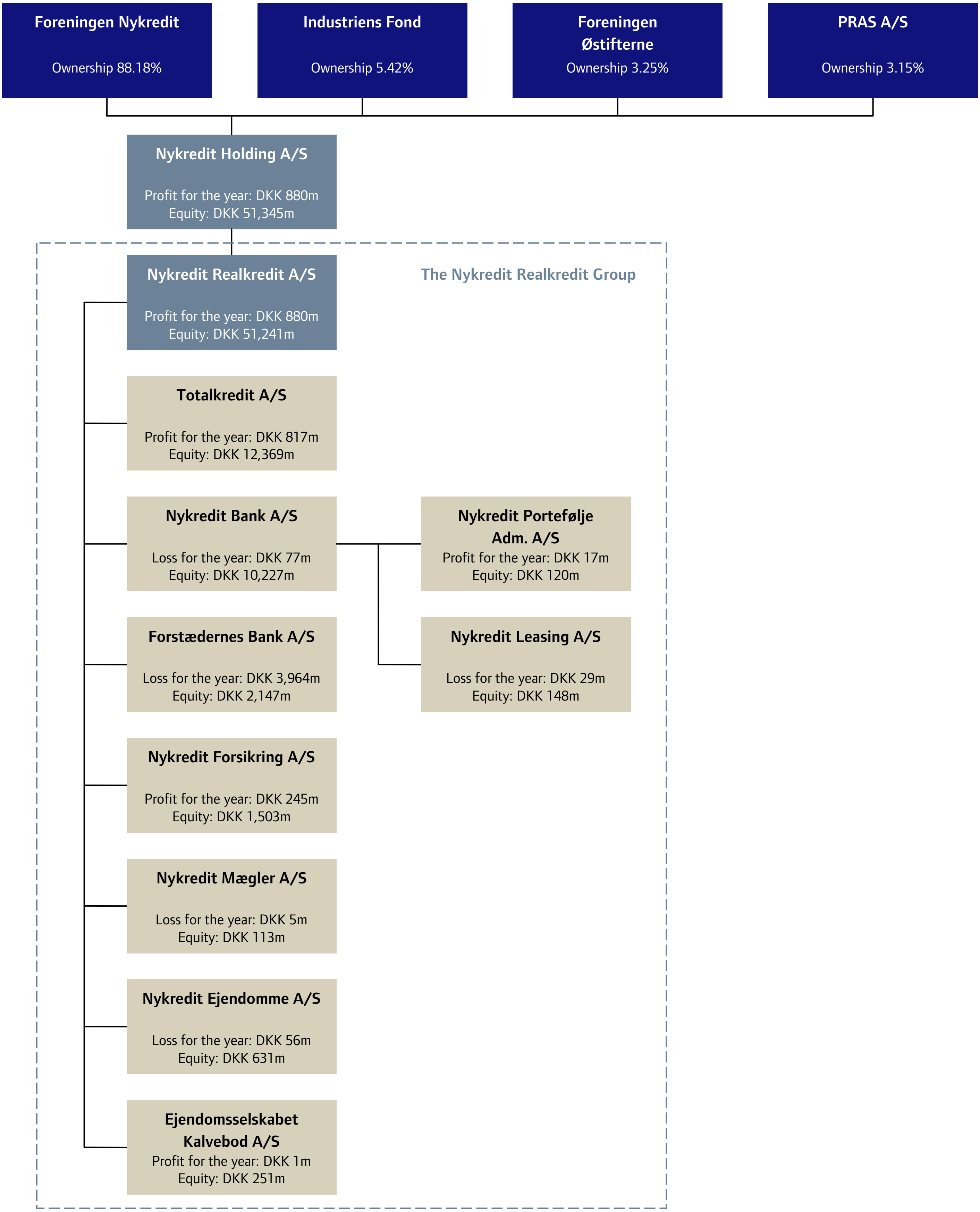
Risk and Capital Management 2009

The Nykredit Realkredit Group

Nykredit

Contents

Group chart


Foreningen Nykredit
Ownership 88.18%
Industriens Fond
Ownership 5.42%
Foreningen Østifterne
Ownership 3.25%
PRAS A/S
Ownership 3.15%
Nykredit Holding A/S
Profit for the year: DKK 880m
Equity: DKK 51,345m
The Nykredit Realkredit Group
Nykredit Realkredit A/S
Profit for the year: DKK 880m
Equity: DKK 51,241m
Totalkredit A/S
Profit for the year: DKK 817m
Equity: DKK 12,369m
Nykredit Bank A/S
Loss for the year: DKK 77m
Equity: DKK 10,227m
Nykredit Portefølje Adm. A/S
Profit for the year: DKK 17m
Equity: DKK 120m
Forstædernes Bank A/S
Loss for the year: DKK 3,964m
Equity: DKK 2,147m
Nykredit Leasing A/S
Loss for the year: DKK 29m
Equity: DKK 148m
Nykredit Forsikring A/S
Profit for the year: DKK 245m
Equity: DKK 1,503m
Nykredit Mægler A/S
Loss for the year: DKK 5m
Equity: DKK 113m
Nykredit Ejendomme A/S
Loss for the year: DKK 56m
Equity: DKK 631m
Ejendomsselskabet Kalvebod A/S
Profit for the year: DKK 1m
Equity: DKK 251m

Special events in 2009

The Nykredit Realkredit group
Results
The Group, excluding Forstædernes Bank, recorded a profit before tax of DKK 4,923m against a loss of DKK 522m in 2008. Profit before tax including Forstædernes Bank was DKK 179m in 2009.

Group mortgage lending measured at fair value and bank lending rose by a total of DKK 74bn to DKK 1,042bn compared with the beginning of the year.

Credit losses and provisions
Group impairment losses on loans and advances, excluding Forstædernes Bank, came to DKK 2,757m in 2009. Further, provisions relating to the government guarantee scheme were recorded at DKK 223m. Impairment losses on retail and commercial lending amounted to DKK 938m and DKK 1,821m, respectively.

Group impairment losses on loans and advances included DKK 4,845m relating to Forstædernes Bank after adjustment for provisions recognised in the opening balance sheet of DKK 406m. Further, provisions under the government guarantee scheme came to DKK 95m.

The impairment losses recorded for H1 relating to Forstædernes Bank were a consequence of the financial crisis in the wake of the collapse of Lehman Brothers in September 2008. This was followed by an incipient decline in commercial property prices, sliding equity prices and rises in CHF and other funding currencies.

In H2 impairment losses were affected by a marked decline in Danish GDP in Q2/2009 as well as a substantial price decrease in certain types of commercial property. The price decrease was particularly noticeable within rental properties with vacancies. Against this backdrop, Nykredit decided to review and reassess all exposures of Forstædernes Bank.

In Q3/2009 all large exposures as well as material medium-size exposures of Forstædernes Bank were reviewed. In Q4 the remaining medium-size and small exposures were reviewed. The provisions for the year are the outcome of this process.

Investment portfolio income
The Group's investment portfolio inclusive of Forstædernes Bank came to DKK 4,718m against a loss of DKK 3,277m in 2008. To this should be added a value adjustment of strategic equities against equity of DKK 751m after tax compared with a negative value adjustment of DKK 2,847m in 2008.

Capital policy
Nykredit's objective is to be able to maintain its lending activities at an unchanged level regardless of economic trends while retaining a competitive rating. For this reason Nykredit requires capital resources adequate to meet statutory capital requirements during a severe recession equal to a situation with massive unemployment like in the early 1990s.

As a financial institution, Nykredit is subject to a capital requirement of 8% of risk-weighted items. Nykredit has estimated the Group's individual capital need to amount to 9.8% in case of a weakened economic climate in 2010. In comparison, the actual capital adequacy ratio was 17.8% in 2009 and the core capital ratio 16.7%.

In autumn Nykredit issued hybrid core capital of EUR 900m in the open market and therefore withdrew its application for a government contribution of hybrid core capital under bank rescue package II.

Situation in financial markets
The normalisation in financial markets in 2009 caused yield spreads between mortgage and corporate bonds on the one hand and government bonds on the other to contract significantly.

In the second half of 2009, Nykredit reduced its exposure markedly to the above spreads.

Nykredit pursues new strategy
In mid-May Nykredit presented a new strategy and organisation. Strategy 2013 will pave the way for significant business development and growth over the next 4-5 years.

The mortgage lending activities based on Nykredit and Totalkredit as the Group's two strong brands will be further developed, but growth will chiefly be generated in the commercial banking area. Sound commercial banking activities are a prerequisite for sound mortgage lending activities and for growing overall group earnings.

As part of Strategy 2013, it has been decided to merge Forstædernes Bank with Nykredit Bank. As a consequence, Forstædernes Bank as an independent name and brand will be phased out over the next year. The Group's other brands, Totalkredit, Nybolig, Estate and Nykredit Forsikring, will continue unchanged.

The Nykredit Realkredit Group
Loans and advances

DKK million	2009
Lending governed by the balance principle (mortgage loans)	981,227
Other lending (bank loans) – excl reverse transactions	60,908
Total lending	**1,042,135**

Risk management

GROUP CHARACTERISTICS

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

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

TYPES OF RISK

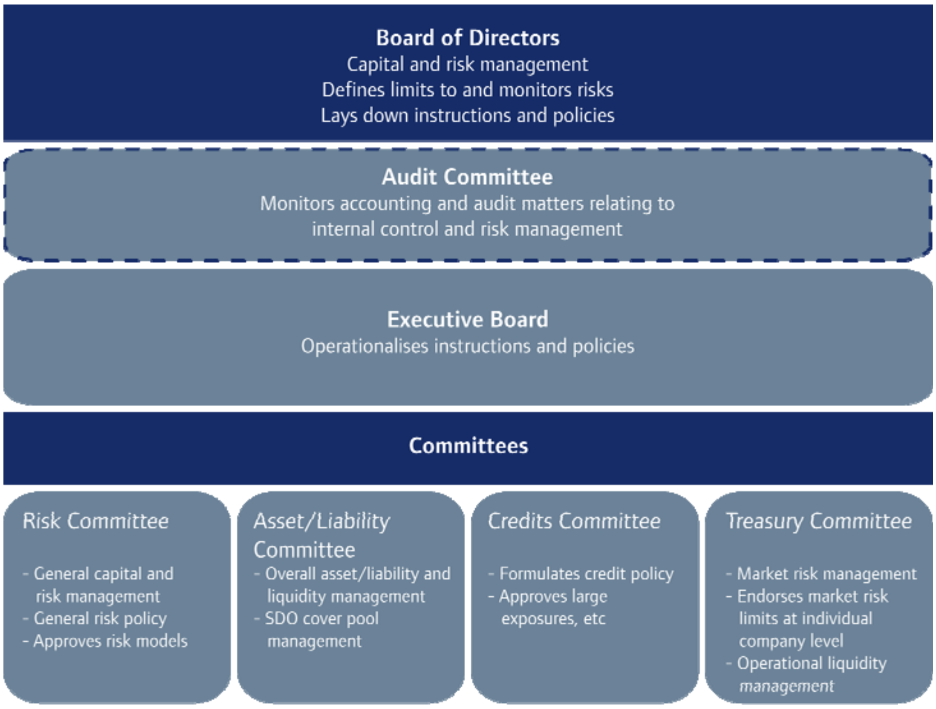
Risk management is the responsibility of the Board of Directors and the Executive Board and is a key element of the Nykredit Group's day-to-day operations. Through risk management, the Group seeks to ensure financially sustainable solutions in the short and long term. Nykredit focuses on balanced risk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

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

Nykredit distinguishes between the following general types of risk:

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

Risk organisation in the Nykredit Realkredit Group



Risk areas reviewed by the Board of Directors

Annually	
Capital and risk policy	Review and decision on Nykredit's required capital base, capital need as well as the long-term capital requirement and risk policy
Return	Review and decision on current return targets
Risk models	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/semi-annual reporting on key risk areas: ■ Capital structure, required capital base and capital need ■ Liquidity risk and SDO risk - Balance principle and investment rules - Liquidity position ■ Credit risk - Development in credit risk and parameters, and allocation of ratings - Concentration risk and exposures by size - Development in housing prices and LTV ratios - Loan impairment, arrears and recognised losses ■ Market risk - Interest rate, foreign exchange and equity price risk (conventional measures and Value-at-Risk) - Credit risk of investment portfolios - Back tests and stress tests ■ Operational risk ■ Insurance risk ■ Legislative risk Monthly reporting on key risk areas: ■ Market risk - Interest rate, foreign exchange and equity price risk (conventional measures and Value-at-Risk) - Investment portfolio income and return relative to benchmark
Exposure review	Review and assessment of exposures of a certain size

ORGANISATION, DELINEATION OF RESPONSIBILITIES AND REPORTING

The Board of Directors of Nykredit Realkredit A/S is the highest authority of the Nykredit Realkredit Group. In relation to risk limits, management and monitoring, the Board of Directors delegates certain tasks to the Group Executive Board and a number of committees.

The Board of Directors of Nykredit Realkredit A/S is responsible for defining limits to and monitoring group risks as well as approving overall instructions. The Board is responsible for the overall approach to capital and risk management and knows of the capital requirement rules and the internal models. Risk exposures and activities are reported to the Board of Directors on a current basis.

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

The principal committees of the Nykredit Group are the Risk Committee, the Asset/Liability Committee, the Credits Committee and the Treasury Committee.

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

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

The Credits Committee and the Treasury Committee are responsible for managing group credit risk and market and liquidity risk, respectively. Both committees approve or endorse risk exposures within the limits provided by the Board of Directors to the Executive Board.

In 2009 an Audit Committee was set up for all group companies. The Committee is composed of all members of the Board of Directors of Nykredit Realkredit A/S, and committee meetings are attended by the Executive Board of Nykredit Realkredit A/S as well as the internal chief audit executive and the external auditors. The Audit Committee is charged with reviewing accounting and auditing matters relating to internal control and risk management.

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

The internal models are the core of the day-to-day risk management of the Group. 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 and the Danish Financial Business Act.

Over the past few years, Nykredit has expanded and improved the ongoing risk reporting process. Risk is reported to the Board of Directors, the Executive Board, the relevant management levels and the business areas. The tables on this page and the preceding page show a selection of the most important risk reporting elements.

Risk areas reviewed by committees

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 risk, including LTVs
	▪ Market risk
	▪ Liquidity risk
	▪ Operational risk
	▪ Other risk
Legislative measures	Assessment of amendments to financial 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 available liquidity
Capital structure and balance sheet	Capital structure of group entities
	Current funding levels and funding capacity
SDOs (Danish covered bonds)	Assessment of development in prices of mortgaged properties
	Assessment of volume of interim loan guarantees
	Requirement of 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 exposures	Approval based on assessment of factors such as:
	▪ Customer (finances, 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
	Scope for action
Market risk limits	Market risk limits and their utilisation within the Group

INCENTIVE AND BONUS PROGRAMMES

Nykredit offers its staff incentive as well as bonus programmes.

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

The bonus allotment criterion applying to the general bonus programme is the development in the business return in each business area. Bonus is linked to the overall earnings of the business area rather than to the individual staff member's sales.

Under the general bonus programme, DKK 17m will be paid for 2009 (0.9% of the payroll of the staff involved) against DKK 30m for 2008 (1.8% of payroll). No employee bonds will be allotted in 2009 as was the case in 2008. No bonus programme has been set up for the Group Executive Board.

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

Bonus to staff in Markets, Asset Management and Group Treasury amounted to DKK 114m for 2009 compared with DKK 79m the year before.

There are also bonus programmes in respect of special customer functions totalling DKK 7m for 2009 against DKK 10m for 2008.

Capital requirement

CAPITAL BASE
The capital base of the Nykredit Realkredit Group stood at DKK 59.0bn at end-2009 against DKK 52.0bn at end-2008.

In the autumn of 2009, Nykredit Realkredit A/S issued Tier 1 hybrid core capital in the open market in the amount of EUR 900m. The issue carried a fixed rate of 9% until 1 April 2015 when the bonds may be redeemed prematurely.

Nykredit's core capital consists mainly of equity. As shown in the table below, the core capital after statutory deductions amounted to DKK 55.5bn, of which hybrid core capital accounted for DKK 10.8bn.

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 determined based on the Basel parameter Loss Given Default (LGD) for the period 1991-1993, cf "IRB-calculated losses". IRB-calculated losses totalled DKK 5,282m and impairments for accounting purposes relating to IRB exposures totalled DKK 3,794m. Accordingly, total statutory deductions amounted to DKK 1,488m at end-2009. The IRB-calculated loss is a concept applied for regulatory purposes and does not correspond to Nykredit's own loss expectations.

The Nykredit Realkredit Group
Capital base

DKK million	2009	2008
Core capital	**51,109**	**50,931**
Statutory deductions from core capital		
Intangible assets, including goodwill, and deferred capitalised tax assets	(5,164)	(5,621)
Current loss for the year	-	(695)
Core capital after primary deductions	**45,945**	**44,616**
Hybrid core capital	10,805	4,119
Core capital incl hybrid core capital after primary deductions	**56,750**	**48,734**
Other deductions from core capital		
Deduction for insurance business	(384)	(175)
Equity investments >10%	(106)	(118)
Sum of equity investments >10%	-	-
Deduction for half the difference between IRB-calculated losses and impairments	(744)	(582)
Deduction for half the expected losses on equity investments	(39)	(42)
Core capital incl hybrid core capital after statutory deductions	**55,476**	**47,819**
Supplementary capital		
Subordinate loan capital	4,567	4,859
Revaluation reserves	132	141
Reserves in series	57	61
Total supplementary capital	**4,756**	**5,060**
Statutory deductions from capital base		
Deduction for insurance business	(384)	(175)
Equity investments >10%	(106)	(118)
Sum of equity investments >10%	-	-
Deduction for half the difference between IRB-calculated losses and impairments	(744)	(582)
Deduction for half the expected losses on equity investments	(39)	(42)
Total statutory deductions from capital base	**(1,274)**	**(916)**
Total capital base after statutory deductions	**58,958**	**51,963**

The Nykredit Realkredit Group
Loan capital

	Interest rate	Maturity	Amount, EURm
Nykredit Realkredit A/S			
Hybrid core capital	4.9% until 22.09.2014, then floating	Perpetual	500
Hybrid core capital	9.0% until 01.04.2015, then floating	Perpetual	900
Subordinate loan capital	Floating	20.09.2013	500
Total			**1,900**
Totalkredit A/S			
Subordinate loan capital	Floating	24.06.2018	2,600
Total			**2,600**
Forstædernes Bank A/S			
Hybrid core capital	6.3% until 22.10.2014, then floating	Perpetual	
Hybrid core capital	3M CIBOR + 1.7% until 01.05.2016, then floating	Perpetual	
Subordinate loan capital	Floating	06.05.2013	150
Subordinate loan capital	Floating	24.09.2013	100
Subordinate loan capital	Floating	29.03.2014	150
Subordinate loan capital	Floating	29.09.2014	100
Subordinate loan capital	Floating	30.09.2014	75
Subordinate loan capital	Floating	01.11.2014	125
Subordinate loan capital	Floating	31.10.2015	200
Total			**1,110**

CAPITAL REQUIREMENT – DETERMINATION METHODS

Credit risk

The Nykredit Realkredit Group 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:

- Mortgage lending by Nykredit Realkredit A/S and Totalkredit A/S
- Retail lending by Nykredit Bank A/S.

The foundation IRB approach is applied to determine the capital requirement for credit risk in relation to:

- Commercial lending by Nykredit Bank A/S.

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

The standardised approach is applied to determine the capital requirement for credit risk in relation to:

- Lending by Forstædernes Bank A/S
- Sovereign and credit institution exposures
- Individual minor portfolios.

Forstædernes Bank A/S will merge with Nykredit Bank A/S as at 1 April 2010. From that date, the credit risk relating to the portfolio of Forstædernes Bank will be determined according to the IRB approaches in line with lending in general by Nykredit Bank.

Market Risk

For the determination of the capital requirement for market risk, Nykredit Realkredit A/S has obtained FSA approval to apply a Value-at-Risk model to estimate the general risk for equities and the general risk for instruments of debt and foreign exchange. Only assets in the trading book are included. Empirical correlations are applied across risk groups.

Nykredit Bank A/S has obtained FSA approval to apply a Value-at-Risk model to estimate the general risk for instruments of debt and foreign exchange. The Bank is authorised to apply its own correlations across risk groups.

For market risk in Totalkredit A/S, Forstædernes Bank A/S and the parts of the portfolio for which the capital charge is not determined using Value-at-Risk models, the standardised approach is applied.

Operational Risk

All group companies apply the basic indicator approach to determine the capital charge to cover operational risk.

Transitional rules

Under the transitional rules, the capital requirement was not permitted to decrease by more than 20% in 2009 compared with the former rules (Basel I). On applying the 20% limit, the Group's capital requirement amounted to DKK 42.0bn at 31 December 2009. As a result of the transitional rule, the capital adequacy ratio must be at least 12.7%.

The current transitional rule applied will be extended until 2011.

The Nykredit Realkredit Group

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

2009	Avanced IRB approach %	Foundation IRB approach %	Standardised approach %	Total %	Total exposures DKKm
Retail exposures	98.7	-	1.3	100.0	621,118
Of which					
- Mortgages on real property	*99.3*	-	*0.7*	*100.0*	*605,014*
- Revolving exposures, etc	*100.0*	-	-	*100.0*	*3,712*
- Other retail exposures	*66.2*	-	*33.8*	*100.0*	*12,392*
Commercial exposures	80.4	17.0	2.6	100.0	404,295
Credit institution exposures [1]	-	-	100.0	100.0	111,443
Sovereign exposures [2]	-	-	100.0	100.0	42,493
Equity exposures [3]	98.7	-	1.3	100.0	5,220
Assets with no counterparty	100.0	-	-	100.0	3,222
Total 2009	**79.7**	**5.8**	**14.5**	**100.0**	**1,187,791**
Total 2008	79.1	6.9	14.0	100.0	1,095,591

[1] Credit institution exposures include guarantees issued by banks of a total of DKK 57.3bn.

[2] Sovereign exposures include government guarantees of a total of DKK 24.6bn.

[3] Capital charges for equity exposures have been determined using the simple risk weight approach. Of the total exposure of DKK 5.2bn, 46.8% are unlisted and are assigned a risk weight of 370%.

CAPITAL REQUIREMENT

At 31 December 2009, the Group's capital requirement was DKK 26.6bn and risk-weighted items DKK 331.9bn. With the capital base at DKK 59.0bn, this corresponded to a capital adequacy ratio of 17.8%.

The Group's required capital base stood at DKK 32.6bn at end-2009, equal to a capital need of 9.8%. The required capital base expresses the amount of capital required to cover the Group's risks in the medium term. The determination is described further under "Capital management".

The advanced IRB approaches are used to determine the credit risk relating to the greater part of the Group's portfolios, cf "Capital requirement – determination methods". According to Nykredit's rating structure, customers with an elevated credit risk are placed in the lowest rating categories with the highest capital requirement. The higher capital requirement for these exposures is included in the statutory capital requirements of the group companies and the Group.

This does not apply to Forstædernes Bank, where the capital charge for credit risk is determined by means of the standardised approach. Regardless of customers' credit quality, the fixed weights prescribed by the authorities are applied to calculate the statutory capital requirement. To ensure an adequate cover of potential risks, an additional charge is included for customers with an elevated credit risk in the required capital base under Pillar II. The charge for weak exposures is based on an estimate of the additional credit risk relating to the bank's lending as long as the standardised approach is applied.

Following the merger with Nykredit Bank on 1 April 2010, Forstædernes Bank's portfolio will be determined using the IRB approach. In consequence, customers will be assigned a rating according to the principles applied by the rest of the Group.

The Nykredit Realkredit Group
Capital requirement and capital adequacy

DKK million	2009	2008
Credit risk		
Standardised approach		
Exposures to central governments or central banks	0	0
Exposures to regional government or local authorities	-	-
Exposures to administrative bodies and non-commercial undertakings	-	-
Exposures to multilateral development banks	-	-
Exposures to international organisations	-	-
Exposures to institutions	1,628	1,003
Exposures to corporates, etc	704	1,512
Retail exposures	262	404
Exposures secured by mortgages on real property	62	65
Exposures in arrears or overdrawn	277	78
Covered bonds	-	-
Short-term exposures to corporates, etc	-	-
Exposures in the form of collective investment undertakings	-	-
Exposures in the form of other items, including assets with no counterparty	-	64
Total credit risk, standardised approach	**2,932**	**3,125**
Internal Ratings-Based (IRB) approach		
Retail exposures	6,959	5,754
Of which		
– Mortgages on real property	*6,692*	*5,680*
- Revolving exposures, etc	*37*	*34*
- Other retail exposures	*229*	*40*
Commercial exposures	12,271	11,942
Equity exposures	1,307	1,411
Assets with no counterparty	258	244
Settlement risk	0	0
Total credit risk, IRB approach	**20,795**	**19,350**
Total credit risk	**23,728**	**22,475**
Market Risk	**1,846**	**4,592**
Operational risk	**978**	**1,283**
Total capital requirement	**26,551**	**28,351**
Risk-weighted items	331,891	354,385
Capital base	58,958	51,963
Capital adequacy ratio, %	17.8	14.7
Basel II transitional rule		
Capital requirement under transitional rule [1]	**42,000**	**47,700**
Required capital adequacy ratio (under transitional rule), % [2]	**12.7**	**13.5**

[1] The capital requirement under the transitional rules has been determined in accordance with the transitional rules of the Danish Executive Order on Capital Adequacy.
The capital requirement in 2009 must as a minimum constitute 80% of the capital requirement determined under Basel I and in 2008 minimum 80%.
[2] The required capital adequacy ratio has been determined as the capital requirement under the transitional rule as a % of risk-weighted items under Basel II.
The required capital adequacy ratio thus expresses the requirement for the ratio under the transitional rule.

CAPITAL BASE AND CAPITAL REQUIREMENTS OF GROUP COMPANIES

The table below shows the capital base and capital requirements of the companies of the Nykredit Realkredit Group. All group companies have capital adequacy ratios at a satisfactory level above the statutory 8%.

Nykredit Realkredit A/S, Totalkredit A/S and the Nykredit Bank Group are subject to the transitional rule relating to the application of the IRB approaches to determine credit risk. For Nykredit Bank, however, the requirement under the transitional rule is lower than 8%, whereby the 8% requirement applies. For Nykredit Realkredit A/S, Totalkredit A/S and the Nykredit Realkredit Group, the requirement under the transitional rule is higher than 8%, whereby the requirement under the transitional rule applies. The minimum capital adequacy ratio under the transitional rule expresses the required capital adequacy ratio in consequence of the transitional rule.

Capital base and capital requirements of group companies

2009 DKK million and %	Nykredit Realkredit A/S	Totalkredit A/S	The Nykredit Bank Group	Forstædernes Bank A/S	The Nykredit Realkredit Group
Credit risk	24,251	5,457	5,295	1,256	23,728
Market risk	1,201	243	644	131	1,846
Operational risk	787	195	257	138	978
Total capital requirement without transitional rule	**26,238**	**5,895**	**6,196**	**1,525**	**26,551**
Total capital requirement under transitional rule [1]	**29,561**	**13,131**	**-**	**-**	**42,000**
Capital base	**58,127**	**14,905**	**9,552**	**2,989**	**58,958**
Core capital ratio [2]	17.0	16.7	12.3	11.2	16.7
Capital adequacy ratio[2]	17.7	20.2	12.3	15.7	17.8
Minimum capital adequacy ratio without transitional rule	8.0	8.0	8.0	8.0	8.0
Minimum capital adequacy ratio under transitional rule [3]	9.0	17.8	-	-	12.7
Total weighted items	**327,980**	**73,683**	**77,451**	**19,067**	**331,891**

[1] The capital requirement under the transitional rule has been determined in accordance with the transitional rules of the Danish Executive Order on Capital Adequacy. The capital requirement for 2009 must as a minimum constitute 80% of the capital requirement determined under Basel I.

[2] The core capital and capital adequacy ratios have been determined relative to risk-weighted items without applying the transitional rule.

[3] The minimum capital adequacy ratio has been determined as the capital requirement under the transitional rule as a % of risk-weighted items under Basel II. The minimum capital adequacy ratio thus expresses the required ratio under the transitional rule.

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 Realkredit A/S (the Parent Company) and the enterprises in which Nykredit Realkredit A/S exercises direct or indirect control of the enterprises' financial and operational management. Nykredit Realkredit A/S and its subsidiaries are collectively referred to as the Nykredit Realkredit Group.

The consolidated risk exposures include:

- Nykredit Realkredit A/S
- Totalkredit A/S
- The Nykredit Bank Group
- Forstædernes Bank A/S

Enterprises in which the Nykredit Realkredit Group has joint control with other enterprises which do not form part of the Group are considered joint ventures. One example is JN Data. Group investments in joint ventures are recognised by proportionate consolidation for the purpose of both the financial statements and the determination of the capital requirement.

DIFFERENCES COMPARED WITH FINANCIAL STATEMENTS

Nykredit Forsikring A/S is included in the consolidated financial statements, but not in the determination of consolidated risk. Rather, the capital charge for Nykredit Forsikring A/S is deducted from the capital base.

Unexercised loan offers, credit and loan commitments, etc are included in exposures in the capital requirement determination. The same applies to guarantees.

Capital charges in relation to securities are calculated at ISIN level.

Capital management

CAPITAL POLICY AND STRUCTURE

Nykredit has an objective of being able to maintain its lending activities at an unchanged level regardless of economic trends, while keeping a competitive rating. This means that Nykredit must have sufficient capital to cover the statutory capital requirement during a severe recession.

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

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

In estimating the risk parameters, Nykredit applies long-term historical data, with loss data dating back to 1991.

Nykredit's internal business capital corresponds to the statutory required capital base excluding a charge owing to the transitional rule. It expresses the amount of capital required to cover the Group's risks in the medium term. Nykredit's required capital base is determined so that it may cover increased losses and increased capital charges in a weaker economic climate corresponding to expectations for 2010.

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

Nykredit's overall capital assessment is based on a long-term approach since the Group mainly provides long-term loans with terms of up to 30 years and has a business objective of maintaining an unchanged lending volume during periods of severe recession. To this end, the determination of the long-term capital need is based on the ability to cover increased losses and higher capital requirements during a severe recession.

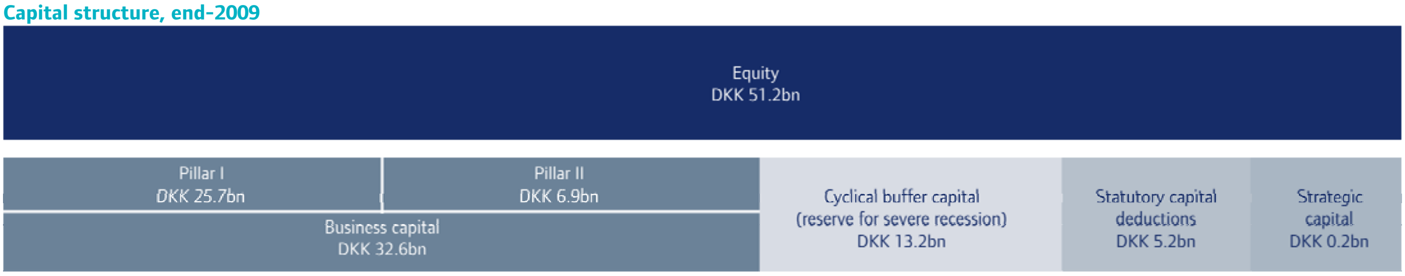
Group equity stood at DKK 51.2bn at end-2009.

Nykredit divides its equity into four elements.

- *Business capital* of DKK 32.6bn equal to the statutory required capital base. Nykredit's estimate of the required capital base is partly based on the consequences of a further deteriorating economy corresponding to the expected weakening in the economic climate in 2010.
- *Cyclical buffer* of DKK 13.2bn covering the expected rise in the required capital base should the economic climate change from the current recession to a severe recession with employment rates rising to the high levels of the early 1990s. The buffer is determined by means of stress tests.
- *Statutory capital deductions* (goodwill, etc) relating to intangible assets of DKK 5.2bn.
- *Strategic capital* of DKK 0.2bn, the long-term capital maintained for strategic initiatives.

In addition to equity, Nykredit Realkredit A/S has raised hybrid core capital of a total amount of DKK 10.7bn, of which DKK 4.0bn was raised in 2004 at a fixed rate until 2014. In October 2009, additional capital in the amount of DKK 6.7bn was raised at a fixed rate until 2015 in the open market, ie without raising government hybrid core capital.

The Nykredit Realkredit Group
Capital structure, end-2009



REQUIRED CAPITAL BASE

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

Nykredit aims to maintain a competitive rating of the issued bonds and to remain active as lender also in periods with low business activity. The determination of the required capital base takes into account these business targets by allocating capital for all relevant risks, including any model uncertainties.

In determining the required capital base, Nykredit applies statistical confidence levels higher than the 99.9% required by law. The Group's required capital base is determined using a confidence level of 99.97% for all exposures out of consideration for Nykredit's commitment to maintain a competitive rating of the issued bonds.

The Group wants to concentrate its capital resources in the Parent Company, Nykredit Realkredit A/S. Against this background, the required capital base of Nykredit Bank (99.93%) and Forstædernes Bank is calculated on the basis of a lower confidence level, when calculating the capital requirement of the individual company, than applied when calculating the capital requirement of the Group (99.97%).

In Nykredit Realkredit A/S, Totalkredit A/S and Nykredit Bank A/S, the capital charge for exposures with an elevated risk of loss is increased through the internal models, in which such exposures are assigned a rating of 0, 1 or

Required capital base

2009 DKK million	Nykredit Realkredit A/S	Totalkredit A/S	The Nykredit Bank Group	Nykredit Bank A/S	Forstædernes Bank A/S	The Nykredit Realkredit Group
Calculation assumptions						
Statistical confidence level applied at group level	99.97%	99.97%	99.97%	99.97%	99.97%	99.97%
Statistical confidence level applied at company level	99.97%	99.97%	99.93%	99.93%	-	-
Time horizon[1]	1 year	1 year	1 year	1 year	1 year	1 year
Determination						
Credit risk (internal credit risk model)	24,251[2]	6,283	4,099	4,099	1,256	20,780
Market risk (internal Value-at-Risk model)	2,108	212	698	698	131	3,226
Operational risk (standardised approach)	472	160	216	216	138	989
Insurance risk (internal model)	-	-	-	-	-	574
Risk relating to own properties	112	-	-	-	-	154
Pillar I, total	**26,943**	**6,655**	**5,012**	**5,012**	**1,525**	**25,723**
Weaker economic climate (stress test, etc)	1,101	752	703	703	-	2,840
Weak exposures with no ratings	-	-	-	-	1,163	-
Other factors[3]	331	-	755	755	-	1,191
Model and calculation uncertainty	1,183	741	323	323	-	2,856[4]
Pillar II, total	**2,615**	**1,492**	**1,781**	**1,781**	**1,163**	**6,888**
Total required capital base	**29,558**	**8,147**	**6,793**	**6,793**	**2,688**	**32,611**

[1] Risks are calculated for a term of one year, while charges for a weakened economic climate under Pillar II are based on 3-year scenarios.

[2] The credit risk of Nykredit Realkredit A/S includes the capital charge of intercompany exposures, including investments in subsidiaries and joint funding with Totalkredit A/S. Intercompany exposures are eliminated in the determination for the Nykredit Realkredit Group, for which reason the credit risk is higher for Nykredit Realkredit A/S than for the Nykredit Realkredit Group.

[3] Other factors include assessment of control risk, strategic risk, external risk, concentration risk, liquidity risk, etc.

[4] The determination of the charge for a weaker economic climate of the Nykredit Realkredit Group takes account of the exposures of Forstædernes Bank A/S, but without applying the advanced IRB approaches. The charge for model and calculation uncertainties of the Nykredit Realkredit Group factors in the calculation uncertainty relating to such determination. After the merger with Nykredit Bank in spring 2010, the portfolio from Forstædernes Bank will become subject to the IRB approaches, which will reduce the calculation uncertainty.

Capital requirement

2009 % of risk-weighted items	Nykredit Realkredit A/S	Totalkredit A/S	The Nykredit Bank Group	Nykredit Bank A/S	Forstædernes Bank A/S	The Nykredit Realkredit Group
Determination						
Credit risk (internal credit risk model)	7.4	8.5	5.3	5.3	6.6	6.3
Market risk (internal Value-at-Risk model)	0.6	0.3	0.9	0.9	0.7	1.0
Operational risk (standardised approach)	0.1	0.2	0.3	0.3	0.7	0.3
Insurance risk (internal model)	-	-	-	-	-	0.2
Risk relating to own properties	0.0	-	-	-	-	0.0
Pillar I, total	**8.2**	**9.0**	**6.5**	**6.4**	**8.0**	**7.8**
Weaker economic climate (stress test, etc)	0.3	1.0	0.9	0.9	-	0.9
Weak exposures with no ratings	-	-	-	-	6.1	-
Other factors[1]	0.1	-	1.0	1.0	-	0.4
Model and calculation uncertainty	0.4	1.0	0.4	0.4	-	0.9
Pillar II, total	**0.8**	**2.0**	**2.3**	**2.3**	**6.1**	**2.1**
Total capital requirement	**9.0**	**11.1**	**8.8**	**8.7**	**14.1**	**9.8**

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

2, cf "Credit risk models". In Forstædernes Bank A/S, such models are not applied yet, and exposures with an elevated risk of loss have therefore been assessed individually to determine any need for additional capital. In the course of 2010, the Group's internal credit models will also be applied to exposures from Forstædernes Bank A/S.

Nykredit applies the following methods to determine the required capital base, see also the table below (excl Forstædernes Bank A/S):

- Credit risk is determined using Nykredit's internal model with the same parameters as the IRB models, but without the statutory requirements for minimum levels. The underlying loss data cover 1991 and onwards.
- Market risk is determined using Nykredit's internal Value-at-Risk model, which is described under "Market risk".
- The required capital base is determined in relation to the statutory requirement for large exposures, cf section 145 of the Danish Financial Business Act.
- The required capital base may not be lower than the statutory capital requirement, cf section 124(2) of the Danish Financial Business Act.
- No deductions are made for any diversification effects between risk types, business areas and countries.
- A number of stress tests are applied to determine the capital need for increasing impairment losses and capital requirements in a weaker economic climate.
- Operating losses in stress tests increase the capital requirement, while no set-off is made for operating profits.

Owing to these calculation methods, Nykredit's required capital base will only be affected to a minor extent by the Danish economy's moving from a boom such as in 2007 to a recessionary period such as in 2009-2010.

At Nykredit, the required capital base consists of Pillar I and Pillar II capital.

Pillar I

Pillar I capital covers credit, market, operational and insurance risk as well as risk relating to own properties. In the determination of credit risk, weak exposures are assigned a higher risk weight as calculated by the credit models.

In Forstædernes Bank, the statutory capital requirement is applied as Pillar I capital, however, as these exposures are not currently covered by the internal credit models.

Pillar II

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

Weaker economic climate

In its Pillar II assessment, Nykredit assumes that a weaker economic climate will set in, which is in line with the economic forecasts of various recognised sources.

In a weaker economic climate, the need for capital will grow concurrently with increasing arrears and falling property prices. The calculations also factor in any operating losses due to higher impairment losses, etc.

Weak exposures with no ratings

In Forstædernes Bank A/S, internal credit models are not applied yet, and therefore individual assessments have been made of the need for additional capital for exposures with an elevated risk of loss. In the course of 2010, the Group's internal credit models will also be applied to exposures from Forstædernes Bank A/S.

The assessment covers extraordinary market conditions for certain types of properties and exposures.

The calculations also factor in the effect of joint taxation within the Group and any internal capitalisation plans in group subsidiaries.

Other factors

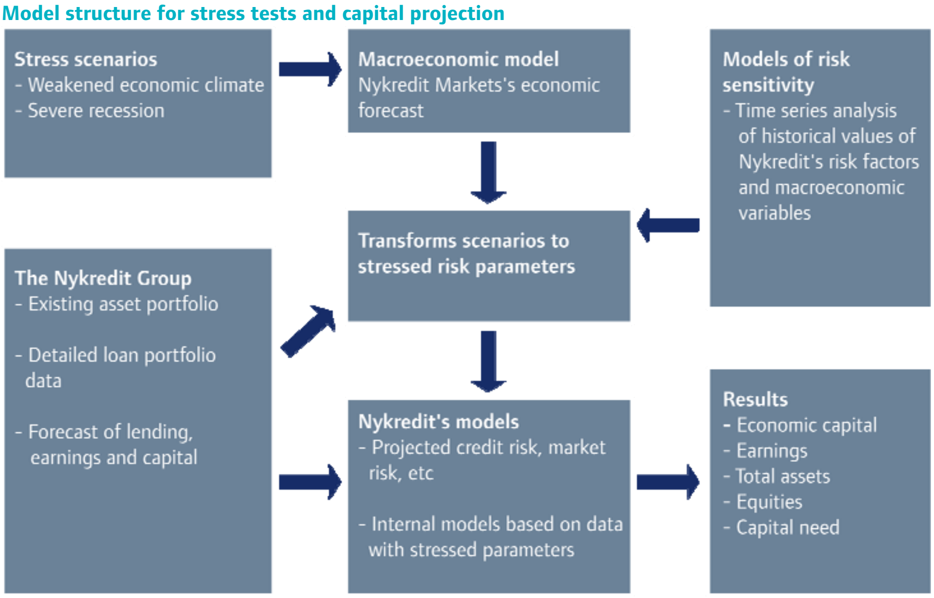
The determination of other factors includes any additional risk relating to own properties and reputation risk, which are determined using internal estimates as well as assessments of control risks, strategic risks, external risks and concentration risks, etc.

Model and calculation uncertainties

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

The calculated capital requirement depends on the choice of model, model design, level of detail, etc. Under Pillar II, a charge is included that reflects the uncertainty of the models used. Generally, the charge applied corresponds to 10% of the risks calculated.

Model structure for stress tests and capital projection



CYCLICAL BUFFER

In addition to the required capital base, Nykredit reserves capital to cover the expected rise in the required capital base if the economic climate changes into a severe recession, corresponding to an increase in unemployment to around 10%, cf "Stress tests and capital projection".

The calculations are based on the assumption that the existing lending volume is maintained in spite of a weaker economic climate.
The cyclical buffer amounted to DKK 13.2bn at end-2009.

STRESS TESTS AND CAPITAL PROJECTION

Nykredit uses a broad range of stress tests in connection with the determination by the Board of Directors of the required capital base and long-term capital requirements.

A special model has been developed for that purpose which calculates the expected development in selected balance-sheet items, earnings, capital need, etc, in various potential macroeconomic scenarios.

The capital requirement is calculated on the basis of the development in LTV (the loan-to-value ratio for properties), PD (the probability of default on loans) and LGD (the loss given default on loans).

Generally, bank lending is more affected by macroeconomic trends than mortgage lending. Similarly, commercial customers are more affected than retail customers by changed macroeconomic conditions.

The most important macroeconomic variables in relation to Nykredit's lending are interest rates, unemployment, GDP growth and property prices.

Scenario: weaker economic climate in 2010

The calculation of Pillar II capital and the required capital base is based on Nykredit's expectations for 2010, corresponding to Nykredit Bank's official forecasts as well as the macroeconomic forecasts by other leading economists in Denmark.

The calculations take account of the fact that customers' ability to pay is only slowly affected by the overall economy. For example, many wage earners will have sufficient financial strength to keep paying their mortgages for a period after having lost their jobs.

Such calculations are subject to considerable uncertainty, and the charge for credit risk in a weaker economic climate is therefore estimated at DKK 1.7bn-2.8bn. In its capital requirement determination, Nykredit has resolved to set the charge for credit risk at DKK 2.8bn.

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

Scenario: severe recession (cyclical buffer)

The macroeconomic scenario behind the cyclical buffer is much more severe than the one applied for Pillar II capital/the required capital base.

The purpose of the cyclical buffer is to secure Nykredit's capital resources, and thereby its lending capacity, during a very severe recession such as in the early 1990s. The calculations also include relatively high interest rates in order to be able to withstand a situation with several coinciding macroeconomic problems.

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

INTERNAL PROCESS

At least once a year, the boards of directors of the individual group companies determine the required capital base and capital requirement of their respective company during a mild recession. The Board of Directors of the Nykredit Realkredit Group determines the cyclical buffer.

The boards of directors will reassess the capital needs if any major unexpected events occur.

The determination of the capital needs by the individual board of directors is based on a number of stress tests as well as an assessment of the company's business model, risk profile and capital structure.

Furthermore, Nykredit's Risk Committee monitors the development in the capital needs of the individual companies closely through reports that are updated at least quarterly.

Stress scenarios for determination of capital requirement at end-2009

		Stress value 2009-2011	
Weaker economic climate (scenario applied under Pillar II)			
GDP, growth in %	2009: -4.5	2010: 0.9	2011: 1.2
Interest rates, %[1]			3.6
Property prices, growth in %			-10.2
Unemployment, %			6.1
Severe recession (scenario applied under cyclical buffer)			
GDP, growth in %	2009: -4.5	2010:-1.0	2011: -0.5
Interests rates, %[1]			4.6
Property prices, growth in %			-15.0
Unemployment, %			9.5

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

NYKREDIT'S RATING

Nykredit Realkredit A/S, Nykredit Bank A/S as well as the majority of the Group's bond issues are rated by the international rating agencies Moody's Investors Service and Standard & Poor's.

The Group's bond issuance primarily concerns SDOs and mortgage bonds (ROs). Furthermore, the Group has issued hybrid core capital and supplementary capital, bonds for the financing of supplementary security issued in pursuance of section 33 e of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (junior covered bonds), and bonds as part of the funding programme of Nykredit Bank. Only mortgage bonds used for the funding of index-linked loans and loans disbursed prior to September 1993 are not rated.

In September 2009, Moody's downgraded the following ratings of Nykredit Realkredit A/S by one notch: Short-term unsecured rating to A1, supplementary capital rating to A2 and hybrid core capital rating to A3, all with stable outlooks.

At the same time, Moody's downgraded the Bank Financial Strength Rating (BFSR) of Nykredit Bank A/S by two notches to C- with a negative outlook. In addition, the following ratings of the bank were downgraded by one notch: Long-term deposit and long-term unsecured ratings to A1, supplementary capital to A2 and hybrid core capital to A3, all with stable outlooks.

In December 2009, Moody's announced that the rating of junior covered bonds issued by Nykredit Realkredit A/S out of Capital Centre E had been lowered by one notch from Aa2 to Aa3.

In December 2009, Standard & Poor's revised the outlook of the long-term unsecured rating of Nykredit Realkredit A/S and the long-term deposit rating of Nykredit Bank A/S to negative.

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

The Nykredit Realkredit Group
Ratings

	Moody's Investors Service	Standard & Poor's
SDOs, ROs and JCB		
Nykredit Realkredit A/S		
Capital Centre E (covered bonds, SDOs)	Aaa	AAA[3]
Capital Centre E (junior covered bonds, JCBs)	Aa3	-
Capital Centre D (covered bonds, ROs)	Aaa	AAA[3]
Capital Centre C (covered bonds, ROs)	Aa1	AAA[3]
Nykredit Realkredit In General (covered bonds, ROs)	Aa1	AAA[3]
Totalkredit A/S		
Capital Centre C (covered bonds, ROs)	Aaa	AAA[3]
Other ratings		
Nykredit Realkredit A/S		
Short-term unsecured rating	P-1	A-1
Long-term unsecured rating	A1	A+[2]
Supplementary capital (Tier 2)	A2	-
Hybrid core capital (Tier 1)	A3[1]	BBB+
Nykredit Bank A/S		
Short-term deposit rating	P-1	A-1
Long-term deposit rating	A1	A+[2]
Bank Financial Strength Rating (BFSR)	C-[2]	-
Euro MTN Programme		
- Short-term senior debt maturing on or before 30 September 2010	P-1	A-1+
- Short-term senior debt maturing after 30 September 2010	P-1	A-1
- Long-term senior debt maturing on or before 30 September 2010	Aaa	AAA
- Long-term senior debt maturing after 30 September 2010	A1	A+[2]
- Supplementary capital (Tier 2)	A2	A-
- Hybrid core capital (Tier 1)	A3[1]	A-
Euro Commercial Paper programme and Certificate of Deposit Programme		
- Short-term senior debt maturing on or before 30 September 2010	P-1	A-1+
- Short-term senior debt maturing after 30 September 2010	P-1	A-1

[1] Under review for possible downgrade
[2] Negative outlook
[3] On credit watch

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.

By virtue of Nykredit's size, the credit policy has been formulated to take into consideration the objective of a suitable market presence and limited losses. The credit policy has been prepared with a view to uncovering the risks which are affected by changes in economic trends occurring in the period between the granting of exposures and their settlement.

The Board of Directors lays down the overall framework of credit granting and is presented with the Group's largest credit applications for approval or briefing on a current basis. Within the framework laid down by the Board of Directors, the Group Executive Board is responsible for the policies governing the individual business areas and Treasury. On behalf of the Group Executive Board, the Credits Committee considers large credit applications on a current basis.

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

The granting of exposures over a specified amount is subject to approval by either the Group's Credits Committee or the Board of Directors of Nykredit Realkredit A/S.

At Nykredit Bank A/S and Forstædernes Bank A/S, exposures over DKK 50m are subject to approval by the Group's Credits Committee, and exposures over DKK 200m by the Board of Directors of Nykredit Realkredit A/S.

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

Credit applications exceeding the authority assigned to the centres are processed centrally by Group Credits. The applications submitted are decided by Group Credits unless they involve exposures requiring the approval of the Credits Committee or the Board of Directors. The Board of Directors grants or approves loans and/or facilities that, if granted, will bring Nykredit's total exposure to any one customer over DKK 200m and, subsequently, when the exposure increases by multiples of DKK 100m.

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

For all major customers, a specific unit is charged with the overall responsibility for the credit quality of the exposure, including the valuation of security.

All exposures of a certain size 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.

In the course of 2009, Nykredit's staff furthermore reviewed a large number of exposures to ensure correct and fair credit ratings in the wake of the changed economic climate. This is described under "Required capital base".

As a main rule, mortgage loans to retail customers arranged by banks are covered by a set-off agreement for recognised losses. The right of set-off applies to the part of a loan that exceeds 60% of the property value when the loan is issued and applies for the entire loan term. In case of loan losses, the Group is entitled subsequently to offset any recognised losses against the commission paid to the banks for arranging the loan. Expectations are that the greater part of impairment losses in Totalkredit A/S may subsequently be compensated for by a set-off against commission payments to the banks under the set-off agreement.

As a consequence of the set-off agreement, Totalkredit A/S bears the full capital charge as well as the impairment losses on the loans. The capital charge for credit risk calculated for mortgage lending in Totalkredit A/S came to DKK 5.5bn at 31 December 2009.

Nykredit set up the property company Ejendomsselskabet Kalvebod A/S in 2009 as a wholly-owned subsidiary with equity in the amount of DKK 500m for the purpose of ensuring the best possible management of non-performing property exposures.

Even property investors with available funds have for a while been hesitant to buy properties, and the current market prices may in many cases deviate substantially from realistic going concern values. With the establishment of Ejendomsselskabet Kalvebod A/S, Nykredit intends to acquire properties relating to non-performing property exposures if no satisfactory offer is made by third parties.

Ejendomsselskabet Kalvebod A/S will generally only acquire large, well-situated commercial properties with a view to ownership for a sufficiently long period for the property market to normalise and a sale to be completed at realistic going concern values. During the ownership period, Ejendomsselskabet Kalvebod A/S will manage and develop the properties acquired with a view to increasing their value.

At end-2009, no properties had been acquired by Ejendomsselskabet Kalvebod A/S.

DETERMINATION OF CREDIT RISK

As a result of the economic downturn, all group companies reported an increase in impairment losses. The impairment losses relate mainly to large commercial accounts and exposures in Forstædernes Bank A/S in particular. Impairment losses on retail customers also increased.

A decisive factor for the number of arrears or defaults in the coming period will be unemployment rates, as the loss of wage income is obviously the most critical factor for homeowners.

In the determination of credit risk, exposures are calculated as the sum of the carrying value 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 the credit commitments made and outstanding credit offers. The determination of credit risk also includes counterparty risk.

Total credit exposures came to DKK 1,188bn at end-2009 against DKK 1,096bn at end-2008. The figures for 2008 also include credit exposures of Forstædernes Bank A/S.
As mentioned, the capital charge for the credit exposures of Forstædernes Bank A/S is determined according to the standardised approach. In the tables on the pages below, these exposures appear under the relevant IRB exposure categories.

Guarantees issued by banks are recognised as credit institution exposures under mortgage lending. At 31 December 2009, such guarantees amounted to DKK 57.3bn.

Similarly, guarantees issued by the government are recognised as sovereign exposures under mortgage lending. They amounted to DKK 24.6bn at end-2009.

Exposures to Danish banks that participate in the government guarantee scheme introduced in October 2008 to ensure financial stability have a risk weighting of 0% in the capital requirement determination.

Retail exposures in Forstædernes Bank A/S are primarily entered under other retail exposures.

The Nykredit Group has no lending activities outside Europe. Nykredit Realkredit A/S's activities in Poland are being wound up, and activities in the rest of Europe focus on mortgaging properties in the Nordic countries, England, France, Spain and Germany. All in all, foreign credit exposures represent less than 5% of the total portfolio.

The Nykredit Realkredit Group
Credit exposures

DKK million	2009	2008
Retail exposures	621,118	583,051
Of which		
- Mortgages on real property [1]	*605,014*	*572,562*
- Revolving exposures, etc	*3,712*	*3,432*
- Other retail exposures	*12,392*	*7,056*
Commercial exposures	*404,295*	*380,193*
Credit institution exposures	111,443	81,430
Sovereign exposures	42,493	41,651
Equity exposures	5,220	5,419
Assets with no counterparty	3,222	3,848
Total	**1,187,791**	**1,095,591**

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

The Nykredit Realkredit Group
Credit exposures and capital charge

2009 DKK million	Mortgage lending	Bank lending	Guarantees issued	Other	Total exposures	*Of which undrawn commitments*	Exposure-weighted average risk weight %	Capital charge for credit risk
Retail exposures	588,721	23,859	8,538	-	621,118	*10,154*	14.9	7,398
Of which							-	
- Mortgages on real property	*588,721*	*15,294*	*1,000*	-	*605,014*	*5,649*	*14.1*	*6,846*
- Revolving exposures, etc	-	*3,712*	-	-	*3,712*	*1,650*	*12.6*	*37*
- Other retail exposures	-	*4,854*	*7,538*	-	*12,392*	*2,855*	*51.9*	*515*
Commercial exposures	326,989	64,202	13,104	-	404,295	*15,887*	40.6	13,137
Credit institution exposures	57,254	-	592	53,597	111,443	*1,749*	18.3	1,628
Sovereign exposures	24,632	-	1,121	16,740	42,493	*24*	-	-
Equity exposures	-	-	-	5,220	5,220	-	313.1	1,307
Assets with no counterparty	-	-	-	3,222	3,222	-	100.0	258
Total 2009	**997,596**	**88,061**	**23,355**	**78,779**	**1,187,791**	*27,814*	**25.0**	**23,728**
Total 2008	905,738	104,327	15,126	70,400	1,095,591	32,416	25.6	22,475

The Nykredit Realkredit Group
Credit exposures by maturity

2009 DKK million	Up to 1 year	1 year and up to 5 years	Over 5 years	Total exposure
Retail exposures	34,174	7,779	579,166	621,118
Of which				
- Mortgages on real property	*18,070*	*7,779*	*579,166*	*605,014*
- Revolving exposures, etc	*3,712*	-	-	*3,712*
- Other retail exposures	*12,392*	-	-	*12,392*
Commercial exposures	19,841	32,020	352,433	404,294
Credit institution exposures	53,597	592	57,254	111,443
Sovereign exposures	16,740	1,121	24,632	42,493
Equity exposures	-	-	5,220	5,220
Assets with no counterparty	3,222	-	-	3,222
Total 2009	**127,574**	**41,512**	**1,018,704**	**1,187,789**
Total 2008	125,533	45,524	924,534	1,095,591

The Nykredit Realkredit Group
Credit exposures by type of counterparty

2009 DKK million	Retail	Non-profit housing	Private rental housing	Office and retail	Agriculture	Industry and trades	Other	Total exposure
Retail exposures	577,996	231	9,739	6,244	10,347	16,561	-	621,118
Of which								
- Mortgages on real property	*562,488*	*231*	*9,607*	*6,171*	*10,111*	*16,405*	-	*605,014*
- Revolving exposures, etc	*3,649*	-	*12*	*8*	*9*	*34*	-	*3,712*
- Other retail exposures	*11,858*	-	*121*	*65*	*226*	*122*	-	*12,392*
Commercial exposures	-	35,620	152,003	63,154	78,739	74,779	-	404,295
Credit institution exposures	-	-	-	-	-	-	111,443	111,443
Sovereign exposures	-	-	-	-	-	-	42,493	42,493
Equity exposures	-	-	-	-	-	-	5,220	5,220
Assets with no counterparty	-	-	-	-	-	-	3,222	3,222
Total 2009	**577,996**	**35,851**	**161,741**	**69,398**	**89,086**	**91,340**	**162,378**	**1,187,791**
Total 2008	545,554	23,291	125,596	69,095	65,828	133,880	132,347	1,095,591

LARGE EXPOSURES

Monitoring of large exposures forms 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.

COUNTERPARTY RISK

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

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

Counterparty risk is a measure of the size of the loss which Nykredit can sustain if a counterparty defaults on its obligations, ie the market value that can potentially be accumulated on the basis of the existing volume of business with a counterparty.

Nykredit seeks to limit its counterparty risk through financial netting agreements with counterparties and customers as well as agreements on financial collateral with the majority of its customers and counterparties. This way, claims are netted in case of counterparty default, and net market values are covered where possible by financial collateral as exposures increase. The contractual framework is mainly based on market standards such as ISDA or ISMA agreements.

The use of derivative instruments is governed by the ordinary credit granting rules and credit policies, supplemented 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.

The capital charge for counterparty risk is calculated according to the same approach as that applied to other types of credit risk.

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 a potential future credit exposure.

The exposure value of counterparty risk was DKK 18.5bn at 31 December 2009 and the capital requirement DKK 0.8bn for the Group.

The Nykredit Realkredit Group
Large exposures by company

2009	Number of large exposures (exposures >10% of capital base)	Sum of large exposures relative to capital base %
Nykredit Realkredit A/S	0	0
Totalkredit A/S	2	30
Nykredit Bank A/S	5	66
Forstædernes Bank A/S	13	198

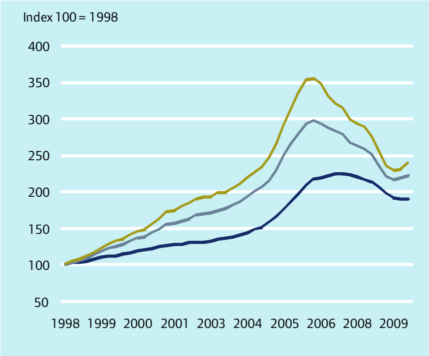
The Nykredit Realkredit Group
Exposures with counterparty risk

2009 DKK million	Market value after netting	Exposure value determined according to market value method	Capital charge for counterparty risk
Interest rate contracts	(317)	14,805	615
Foreign exchange contracts	1,329	3,324	142
Equities	7	125	2
Credit derivatives	(118)	273	4
Total	**901**	**18,527**	**763**

The Nykredit Realkredit Group
Mortgage lending

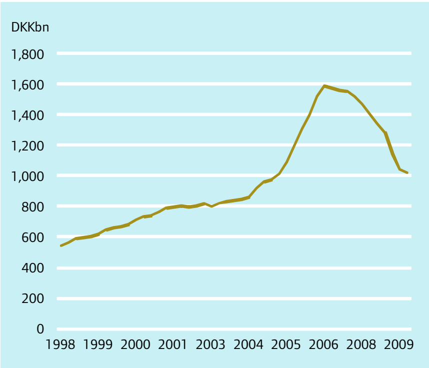
Fair value at 31 December 2009 DKK million	Owner-occupied dwellings	Non-profit housing	Private rental housing	Office and retail	Agriculture	Industry and trades	Other	Total
Mortgage lending								
- Bond debt outstanding	605,918	65,133	87,129	86,498	97,704	26,034	12,811	981,227
- Number of loans	665,267	22,238	22,514	19,312	45,327	3,392	2,989	781,039
Bond debt outstanding by loans involving								
- Public authority guarantees	1	50,181	217	63	310	-	138	50,909
- Bank guarantees	10,778	-	-	-	-	-	-	10,778
- Set-off agreement with banks	419,850	-	-	-	-	-	-	419,850
- No guarantee	175,289	14,952	86,912	86,435	97,394	26,034	12,673	499,689
Total	**605,918**	**65,133**	**87,129**	**86,498**	**97,704**	**26,034**	**12,811**	**981,227**
Bond debt outstanding by loan type								
Fixed-rate loans								
- repayment loans	154,650	13,569	13,224	11,759	11,734	3,864	4,083	212,883
- interest-only loans	68,755	33	4,049	5,050	2,632	52	62	80,633
Adjustable-rate mortgage loans								
- repayment loans	66,871	19,629	6,421	11,340	14,441	2,791	1,234	122,728
- interest-only loans	159,279	512	25,108	29,258	26,540	4,773	545	246,016
Money market-linked loans								
Capped								
- repayment loans	69,001	125	2,022	2,209	4,024	354	1,020	78,754
- interest-only loans	84,713	25	1,714	592	3,617	15	111	90,785
Uncapped								
- repayment loans	292	224	4,569	9,850	6,881	5,008	3,838	30,661
- interest-only loans	2,325	202	29,842	16,352	27,478	9,176	1,574	86,949
Index-linked loans	33	30,813	180	87	358	0	346	31,817
Total	**605,918**	**65,133**	**87,129**	**86,498**	**97,704**	**26,034**	**12,811**	**981,227**
Bond debt outstanding by geographic area								
- Metropolitan area	169,769	26,119	33,151	25,577	3,695	2,370	3,675	264,358
- Other Eastern Denmark	65,326	5,379	4,732	4,274	13,608	2,003	1,163	96,485
- Funen	54,182	6,179	6,223	5,512	9,129	884	1,200	83,309
- Jutland	308,106	27,455	33,000	36,891	70,739	16,442	6,770	499,403
- Faroe Islands and Greenland	1,864	-	235	110	-	2	4	2,215
- International	6,671	-	9,787	14,134	531	4,333	-	35,456
Total	**605,918**	**65,133**	**87,129**	**86,498**	**97,704**	**26,034**	**12,811**	**981,227**
Bond debt outstanding by loan ranges, DKKm								
0–2	479,916	7,565	12,647	10,994	23,880	1,621	1,203	537,827
2–5	116,213	9,504	13,933	11,470	30,272	2,370	1,843	185,604
5–20	9,034	28,164	26,828	20,512	36,867	5,387	4,799	131,590
20–50	755	14,920	12,786	11,603	5,222	3,634	2,948	51,868
50–100	-	3,589	5,018	7,643	1,168	2,176	985	20,579
100–…	-	1,391	15,916	24,276	295	10,847	1,034	53,759
Total	**605,918**	**65,133**	**87,129**	**86,498**	**97,704**	**26,034**	**12,811**	**981,227**
Bond debt outstanding by remaining loan term, years								
0–10	13,390	3,520	3,113	16,507	2,603	3,921	821	43,875
10–15	27,330	7,590	4,642	16,048	3,651	5,718	1,992	66,971
15–20	28,195	8,374	12,935	33,013	6,303	10,718	2,973	102,511
20–25	169,400	13,014	18,224	4,059	23,796	66	3,335	231,894
25–30	367,603	7,028	48,109	16,871	61,351	5,612	3,657	510,230
30–35	-	13,057	76	-	-	-	33	13,166
35–…	-	12,550	29	1	-	-	-	12,579
Total	**605,918**	**65,133**	**87,129**	**86,498**	**97,704**	**26,034**	**12,811**	**981,227**

Housing prices in Denmark



Source: Association of Danish Mortgage Banks

Development in equity in Denmark



MORTGAGE LENDING

The composition of the Group's mortgage loan portfolio can be described by breaking down the bond debt outstanding by property type, loan type, etc. Group mortgage lending at fair value increased from DKK 895bn at end-2008 to DKK 981bn at end-2009.

The portfolio is highly diversified in terms of loan type, geography, loan term and size of debt outstanding. The greater part of the portfolio is residential mortgages in Denmark, which accounted for 61% of total mortgage lending at 31 December 2009.

Geographically, around half of the loan portfolio relates to Jutland and one third to the metropolitan area. The share of foreign lending came to 3.6% at 31 December 2009. Foreign lending comprises Nykredit's activities in England, France, Norway, Poland, Sweden, Germany and Spain. Around one fifth of foreign lending is residential mortgages. Nykredit is in the process of winding up its activities in Poland.

The share of loans with interest-only periods was 51.4% of total mortgage lending in 2009, while the share of adjustable-rate mortgage (ARM) loans was 37.6%. For commercial customers, mortgage lending cannot be viewed separately from the total financial contracts, including swap agreements.

Housing prices

The latest price statistics published by the Association of Danish Mortgage Banks show a decrease in prices at national level of detached and terraced houses of 7.5% from Q4/2008 to Q4/2009. Prices of owner-occupied flats decreased by 6.4% in the capital and by 5.7% at national level. This indicates that price levels are stabilising in the Copenhagen area.

Similarly, following a long period of rising home equity levels in Denmark, home equity decreased by 24% from Q3/2008 to Q3/2009 throughout Denmark.

Loan-to-value ratios (LTVs)

Nykredit follows the development in LTVs very closely. In practice, customers' debt outstanding relative to property values is monitored on an ongoing basis. For that purpose, statistical models approved by the Danish FSA are applied. The models are applied to residential properties that satisfy specific requirements for LTV ratios, risk classification and time since the last valuation. The statistical valuations are performed centrally and supplemented with local valuations.

To ensure sustainable credit and capital policies in the long term, scenario analyses are used to assess the effects of marked price decreases in the housing market. In the scenarios, the development in future LTVs for different property types is analysed as well as the consequences thereof.

LTVs are an important factor in the credit models for determining a customer's credit quality. Customers with low LTVs thus have higher ratings than customers with high LTVs.

The tables overleaf break down the Group's lending by LTV range and type of property. 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 is included in the lending for non-profit housing. For this reason, LTVs of non-profit housing offer no relevant risk data.

The debt outstanding is distributed continuously by LTV category. In the table, loans with security covering for example between 0 and 30% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-20% and one third in the LTV range 20-40%. The table shows that where owner-occupied dwellings are concerned, 62% of mortgage lending falls within 40% of the property values.

The so-called year-specific LTV reflects the current LTV ratio of a loan disbursed in a specified year. The table below shows residential mortgage loans disbursed in the period 2006-2008 when prices at national level peaked. The table compares the original LTV ratios at the time of disbursement and the current LTV ratios at 31 December 2009.

Private residential mortgage debt outstanding relative to estimated property values and customer credit quality

Fair value 2009	LTV (loan-to-value)					
Percentage point	0-20	20-40	40-60	60-80	Over 80	Total
Good ratings (rating categories 7-10)	17	13	8	4	1	42
Medium ratings (rating categories 4-6)	15	14	13	8	2	53
Weak ratings (rating categories 0-3)	2	2	1	1	0	6
Total	**33**	**29**	**22**	**12**	**3**	**100**

Further detailed information on the Group's mortgage loan portfolio is available under "Cover pool statistics" at nykredit.com/coverpool. The statistics are updated on a quarterly basis.

The Nykredit Realkredit Group
Debt outstanding relative to estimated property values

Fair value 2009	LTV (loan-to-value)								
	0-20	20-40	40-60	60-80	80-100	Over 100	Total	LTV median[1] %	LTV average[2] %
DKK million									
Owner-occupied dwellings	202,977	177,458	132,842	74,174	16,757	1,708	605,918	31	68
Private rental housing	34,832	24,700	18,047	9,138	411	-	87,129	27	59
Industry and trades	11,583	8,379	4,681	1,182	210	-	26,034	23	52
Office and retail	37,555	27,826	16,800	3,791	525	-	86,498	24	53
Agriculture	48,605	31,379	13,827	2,985	909	-	97,704	20	47
Non-profit housing	-	-	-	-	-	-	65,133	-	-
Other	6,562	3,985	1,818	421	26	-	12,811	20	46
Total 2009	**342,114**	**273,727**	**188,015**	**91,692**	**18,838**	**1,708**	**981,227**	**27**	**61**
Total 2008	316,085	263,564	186,410	59,723	4,815	360	895,463	27	58

Note: The tables allow for any financed costs. For example, a fully financed owner-occupied dwelling with financed costs of 2% will be placed in the LTV range > 80%.

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

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

The Nykredit Realkredit Group
Debt outstanding relative to estimated property values

Fair value 2009	LTV (loan-to-value)					
%	0-20	20-40	40-60	60-80	80-100	Over 100
Owner-occupied dwellings	33	29	22	12	3	0
Private rental housing	40	28	21	10	0	0
Industry and trades	44	32	18	5	1	0
Office and retail	43	32	19	4	1	0
Agriculture	50	32	14	3	1	0
Non-profit housing	-	-	-	-	-	-
Other	51	31	14	3	0	0
Total 2009 [1]	**37**	**30**	**21**	**10**	**2**	**0**

[1] Based on debt outstanding incl non-profit housing, whereby the sum total does not constitute 100%.

The Nykredit Realkredit Group
Change in debt outstanding relative to property values in 2009

Fair value	LTV (loan-to-value)					
Percentage point	0-20	20-40	40-60	60-80	80-100	Over 100
Owner-occupied dwellings	-4	-2	0	4	2	0
Private rental housing	-1	1	-1	2	0	0
Industry and trades	-8	1	3	3	1	0
Office and retail	-6	0	3	3	1	0
Agriculture	-6	1	3	2	1	0
Non-profit housing	-	-	-	-	-	-
Other	2	1	-2	-1	0	0
Total change	**-4**	**-1**	**0**	**4**	**2**	**0**

Nykredit Realkredit A/S
Mortgage debt outstanding relative to original and estimated property values for loans disbursed in selected years
Private residential property

Fair value 2009			LTV (loan-to-value)			
DKK million	0-20	20-40	40-60	60-80	Over 80	Total
Loans disbursed in 2006						
- balance at 31.12.2006 [1]	17,525	16,368	13,020	6,848	49	53,809
- balance at 31.12.2009 [2]	12,137	11,181	8,350	3,771	953	36,392
Loans disbursed in 2007						
- balance at 31.12.2007 [1]	13,845	12,953	10,280	5,208	59	42,344
- balance at 31.12.2009 [2]	9,457	8,908	7,194	3,879	1,072	30,510
Loans disbursed in 2008						
- balance at 31.12.2008 [1]	10,743	10,069	8,088	4,305	45	33,250
- balance at 31.12.2009 [2]	7,101	6,666	5,485	3,102	733	23,087

[1] LTV has been calculated on the basis of the original property value when the loan was disbursed and the nominal value of the debt outstanding on the property at the balance date.

[2] LTV has been calculated on the basis of the estimated property value and the fair value of the debt outstanding on the property at the balance date.

Totalkredit A/S
Mortgage debt outstanding relative to original and estimated property values for loans disbursed in selected years
Private residential property

Fair value 2009			LTV (loan-to-value)			
DKK million	0-20	20-40	40-60	60-80	Over 80	Total
Loans disbursed in 2006	32,835	31,789	28,903	23,264	891	117,682
- balance at 31.12.2006 [1]	22,191	21,301	18,385	11,677	2,584	76,137
- balance at 31.12.2009 [2]						
Loans disbursed in 2007	32,884	31,753	28,764	22,919	927	117,247
- balance at 31.12.2007 [1]	21,744	21,009	18,909	14,450	3,174	79,286
- balance at 31.12.2009 [2]						
Loans disbursed in 2008						
- balance at 31.12.2008[1]	29,539	28,537	25,945	20,517	652	105,189
- balance at 31.12.2009[2]	19,582	18,902	17,135	13,946	2,024	71,590

[1] LTV has been calculated on the basis of the original property value when the loan was disbursed and the nominal value of the debt outstanding on the property at the balance date.

[2] LTV has been calculated on the basis of the estimated property value and the fair value of the debt outstanding on the property at the balance date.

The Nykredit Realkredit Group
Geographic distribution of mortgage lending
Private residential property

2009	Exposure at fair value DKKbn	Credit risk distribution in %	Average risk weighting %	Loans, LTV>70% DKKbn	Loans, LTV>100% DKKbn	LTV, average %
Copenhagen City	41.7	4.3	8.2	5.7	0.5	76
Greater Copenhagen	42.7	3.0	5.5	4.9	0.3	73
Northern Sealand	57.5	4.7	6.3	6.4	0.5	72
Eastern Sealand	27.8	2.4	6.7	3.6	0.2	75
Western and southern Sealand	63.7	15.8	19.2	6.6	0.2	72
Funen	54.2	11.1	16.3	3.1	0.0	64
Northern Jutland	77.5	17.8	18.5	3.6	0.0	63
Eastern Jutland	100.5	10.3	8.2	6.8	0.0	66
Western Jutland	49.2	12.2	20.0	2.6	0.0	64
Southern Jutland	80.8	15.4	15.2	3.9	0.0	63
Bornholm	1.6	0.6	29.1	0.1	0.0	64
Greenland and Faroe Islands	1.9	0.3	15.8	0.1	0.0	65
Foreign	5.0	2.0	29.0	0.3	0.0	51
Total 2009	**604.1**	**100.0**	**13.1**	**47.6**	**1.7**	**68**
Total 2008	554.5	100.0	11.8	18.5	0.4	61

BANK LENDING

The credit exposures of the Nykredit Bank Group and Forstædernes Bank A/S totalled DKK 157bn at end-2009. Exposures of the Nykredit Bank Group came to DKK 141m, equal to 90% of the total exposure, while exposures of Forstædernes Bank A/S represented the remainder.

Guarantees issued amounted to DKK 23.3bn, or 15% of the total exposure, while undrawn commitments amounted to DKK 18bn, or 12% of the total exposure.

The Nykredit Realkredit Group – banking activities
Credit exposures and capital charage

2009 DKK million	Bank lending	Guarantees issued	Other	Total exposures	*Of which undrawn commitments*	Exposure-weighted average risk weight %	Capital charge for credit risk
Retail exposures	23,859	8,538	-	32,397	*6,185*	38.6	1,003
Of which							
- Mortgages on real property	*15,294*	*1,000*	-	*16,294*	*4,032*	*34.3*	*448*
- Revolving exposures, etc	*3,712*	-	-	*3,712*	*1,650*	*12.6*	*37*
- Other retail exposures	*4,854*	*7,538*	-	*12,392*	*503*	*51.9*	*518*
Commercial exposures	64,202	13,104	-	77,306	*10,422*	81.5	5,066
Credit institution exposures	-	592	43,524	44,116	*1,566*	11.4	449
Sovereign exposures	-	1,121	1,283	2,404	*24*	-	-
Equity exposures	-	-	98	98	-	93.1	7
Assets with no counterparty	-	-	200	200	-	100.0	25
Total 2009	**88,061**	**23,355**	**45,105**	**156,520**	**18,197**	**51.6**	**6,551**
Total 2008	104,327	15,126	29,164	148,617	*21,382*	61.6	7,320

The Nykredit Realkredit Group – banking activities
Credit exposures by maturity

2009 DKK million	Up to 1 year	1 year and up to 5 years	Over 5 years	Total exposure
Retail exposures	32,397	-	-	32,397
Of which				
- Mortgages on real property	16,294	-	-	16,294
- Revolving exposures, etc	3,712	-	-	3,712
- Other retail exposures	12,392	-	-	12,392
Commercial exposures	17,453	20,470	39,383	77,306
Credit institution exposures	37,924	6,191	-	44,116
Sovereign exposures	2,358	46	-	2,404
Equity exposures	-	-	98	98
Assets with no counterparty	200	-	-	200
Total 2009	**90,333**	**26,707**	**39,481**	**156,520**
Total 2008	69,684	30,571	48,362	148,617

CREDIT EXPOSURES OF INVESTMENT PORTFOLIOS

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

With the acquisition of Forstædernes Bank A/S, Nykredit acquired a portfolio of structured bonds, CLOs and hedge fund issues. The work to reduce this portfolio continues while minimising any losses incurred in the process. Based on expectations of future credit losses, the portfolio has been written down to DKK 311m. The remaining part of the portfolio was transferred to Nykredit Realkredit A/S's own portfolio at year-end.

Furthermore, the Nykredit Realkredit Group holds DKK 1,168m in Kalvebod series I, II, III and IV. The Kalvebod series are structured bank bonds, the cover assets of which are subordinate loan capital and hybrid core capital in Danish local and regional banks.

Nykredit Bank A/S is the arranging bank of the Kalvebod series and holds the greater part of Nykredit's portfolio of the notes. The value of the portfolio was adjusted upwards by DKK 139m at end-2009. The increase in value is due to the effects of the Danish bank rescue packages and the resulting improved outlook for banks.

The Group also invests in equities, of which strategic equities represent by far the greater part of the portfolio. Nykredit's portfolio of strategic equities amounted to DKK 2.9bn at end-2009.

The Nykredit Realkredit Group
Credit exposures of investment portfolios

DKK million	2009	2008
ROs, SDOs and other covered bonds		
Rating of Aa3/AA- or higher	52,264	64,556
Rating of A1/A+ – Ba1/BB+	2,709	377
Rating of Ba2/BB or lower	-	-
Not rated	3	3
Total ROs, SDOs and other covered bonds	**54,976**	**64,936**
Corporate bonds		
Rating of Aa3/AA- or higher	3,695	7,428
Rating of A1/A+ – Ba1/BB+	5,550	2,778
Rating of Ba2/BB or lower	975	206
Not rated	3,177	2,371
Total corporate bonds	**13,397**	**12,783**
Of which:		
Subordinate loan capital and hybrid core capital in Danish banks[1]	1,794	*201*
Subordinate loan capital and hybrid core capital in other banks[1]	1,132	*1,540*
Kalvebod and Scandinotes	*1,180*	*1,224*
Structured bonds	*197*	*270*
Hedge funds	*4*	*905*
Collateralised Loan Obligations (CLO)	*45*	*111*
Total credit exposure	**68,374**	**77,719**

Note: Kalvebod and Scandinotes are structured bonds based on assets in the form of hybrid core capital and subordinate loan capital in Scandinavian banks.

[1] Excl Kalvebod and Scandinotes.

The Nykredit Realkredit Group
Credit derivatives in the trading book

Nominal value 2009 DKK million	Risk disposed of	Risk received	Total
Financial institutions			
Rating of Aa3/AA- or higher	-	208	208
Rating of A1/A+ – Ba1/BB+	-	360	360
Rating of Ba2/BB or lower	-	-	-
Not rated	-	-	-
Financial institutions, total	**-**	**568**	**568**
Corporates			
Rating of Aa3/AA- or higher	-	-	-
Rating of A1/A+ – Ba1/BB+	-	-	-
Rating of Ba2/BB or lower	-	-	-
Not rated	-	-	-
Corporates, total	**-**	**-**	**-**
Index	-	792	792
Total credit derivatives, 2009	**-**	**1.360**	**1.360**
Total credit derivatives, 2008	-	1.304	1.304

NON-PERFORMING EXPOSURES

Continuous individual reviews and risk assessments are conducted of all mortgage and bank exposures of a certain size 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. Minor exposures are reviewed to identify any need for individual provisioning in case of objective evidence of impairment.

Exposures not subject to individual provisioning are subject to collective assessment. Collective impairment provisions are made for groups of customers involving uniform credit risk. Collective impairment provisions are calculated on the basis of a rating model that uses adjusted key parameters from the advanced credit models for loss calculations. The parameters are adapted to the accounting rules so that they are based on events occurred, cash flows from loans until maturity and discounting of losses to present value. Until the final merger with Nykredit Bank A/S, collective impairment provisions in Forstædernes Bank A/S will be calculated according to the method applied by other local banks. Lending is grouped into 13

The Nykredit Realkredit Group
Individual and collective impairment provisions excl provisions for guarantees

DKK million	Individual impairment provisions	Collective impairment provisions	2009 Total impairment provisions	2008 Total impairment provisions
Impairment provisions, beginning of year	2,798	449	3,247	349
Additions relating to acquisitions	-	-	-	1,865
Impairment provisions for the year	7,214	497	7,711	1,184
Impairment provisions reversed	(492)	(134)	(626)	(99)
Impairment provisions recognised as lost	(577)	-	(577)	(52)
Impairment provisions, year-end	**8,943**	**812**	**9,755**	**3,247**
Loans and advances subject to impairment	**16,088**	**975,327**	**991,415**	**847,095**
Impairment	8,943	812	9,755	3,247
Loans and advances after impairment	**7,145**	**974,515**	**981,660**	**843,848**

The Nykredit Realkredit Group
Individual and collective impairment provisions incl provisions for guarantees

2009 DKK million	Individual impairment provisions	Collective impairment provisions	Total impairment provisions	Total claims in default
Retail exposures	1,068	303	1,372	1,117
Of which				
- Mortgages on real property	*537*	*279*	*816*	*579*
- Revolving exposures, etc	*1*	*0*	*1*	*2*
- Other retail exposures	*531*	*24*	*555*	*536*
Commercial exposures	8,485	508	8,993	8,327
Credit institution exposures	-	-	-	-
Sovereign exposures	-	-	-	-
Total	**9,553**	**812**	**10,365**	**9,444**

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

DKK million	Loans, advances and guarantees [1]		Provisions for loan impairment and guarantees		Impairment losses, earnings impact	
Mortgage lending						
Nykredit Realkredit	554,471	516,311	1,407	410	1,240	361
Totalkredit	431,511	400,802	535	55	515	55
Total	**985,982**	**917,113**	**1,942**	**465**	**1,755**	**416**
Of which arrears	*766*	*531*	-	-	-	-
Bank lending						
Nykredit Bank	45,428	50,897	1,580	714	1,008	706
Forstædernes Bank	15,493	22,260	6,232	1,662	4,653[2]	228[2]
Total	**60,920**	**73,157**	**7,812**	**2,376**	**5,661**	**934**
Repo lending	11,962	24,544	-	-	-	-
Guarantees	23,036	15,834	610	106	504	93
Of which government guarantee scheme	*938*	*1,256*	*381*	*63*	*318*	*63*

[1] Mortgage lending determined at nominal value including arrears.
[2] Excluding adjustment for provisions recognised in the opening balance sheet (2009: DKK 406m, 2008: DKK 1,094m)

credit risk groups by segment and customer classification with pertaining loss ratios. The customers' movements between the groups determine the size of the impairment provisions. In all group companies, the model-based collective impairment provisions are assessed by management.

The Group's impairment losses on loans and advances totalled DKK 2,757m at end-2009 exclusive of Forstædernes Bank A/S.

Impairment losses in Forstædernes Bank A/S came to DKK 5,251m, of which DKK 406m related to impairment provisions for which adjustments were made in the opening balance sheet. In Q3 and Q4 2009, a critical review and reassessment were made of all the bank's exposures. Forstædernes Bank A/S has provided DKK 95m for bank rescue package I.

Impairment losses on group lending are described in detail in the Annual Report 2009 of the Nykredit Realkredit Group.

The arrears ratio for group mortgage lending has increased for the past few years.

The Group's portfolio of properties increased following several years at record low levels. Since the beginning of the year, the Group repossessed 284 properties and sold 178 properties. The property portfolio counted 163 properties at end-2009. In comparison, Nykredit had a portfolio in the region of 1,500 properties in the early 1990s. The properties repossessed will be sold at the highest possible price, ensuring the best possible satisfaction of Nykredit's claim. The Group's mortgages on properties resulted in a limited amount of impairment losses.

The Group's recognised losses of a net amount of DKK 855m basically break down into DKK 145m in Nykredit Bank A/S, DKK 166m in Nykredit Realkredit A/S and DKK 492m in Forstædernes Bank A/S.

The Nykredit Realkredit Group
Arrears ratio for mortgage loans 75 days overdue

%	Arrears of total mortgage payments	Bond debt outstanding affected by arrears of total bond debt outstanding
Settlement period		
2009		
- September	0.92	1.15
- June	0.88	1.07
- March	0.84	0.92
2008		
- December	0.57	0.73
- September	0.39	0.58

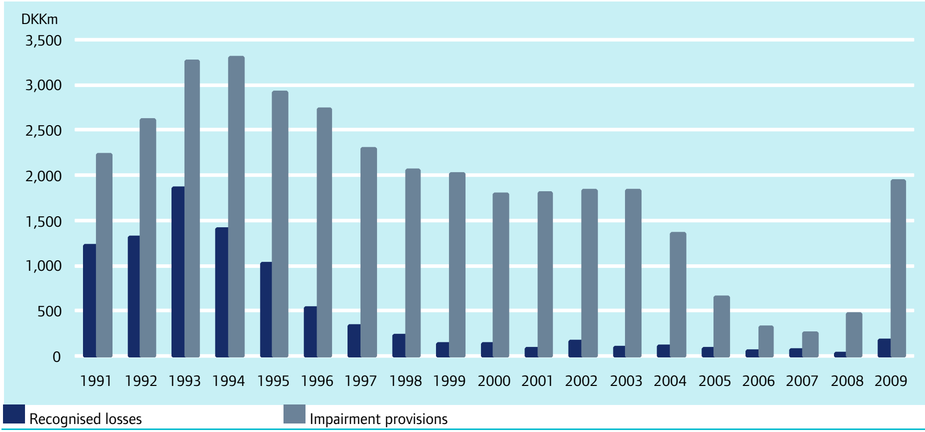
The Nykredit Realkredit Group
Arrears by settlement month and days overdue

		2009		2008	
DKK million	September	June	March	December	September
Up to 45 days	151	173	150	129	74
45 - 75 days	123	144	124	105	57
75 - 195 days			82	57	33
Over 345 days				25	12

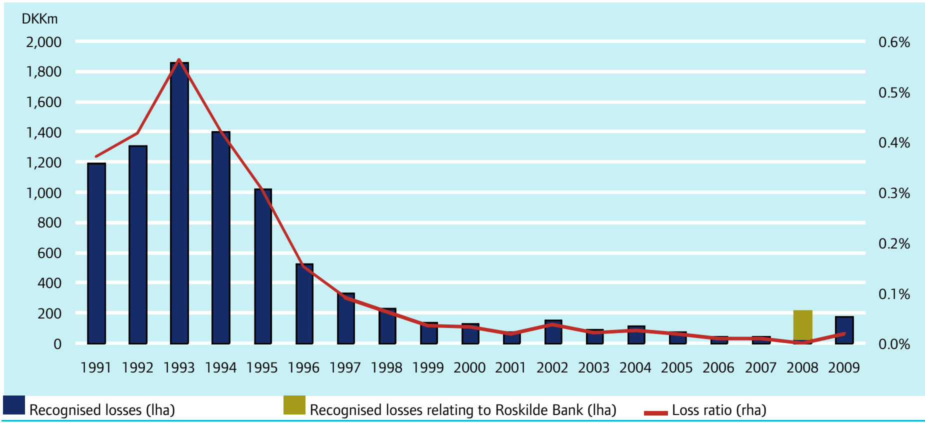
The Nykredit Realkredit Group
Properties repossessed/sold

Number	2009	2008	2007	2006	2005
Addition of properties	284	79	21	28	71
Of which owner-occupied dwellings	*223*	*70*	*17*	*25*	*59*
Disposal of properties	178	29	27	34	101
Of which owner-occupied dwellings	*154*	*22*	*21*	*29*	*86*
Portfolio of properties, year-end	163	57	7	13	19
Of which owner-occupied dwellings	*120*	*51*	*3*	*7*	*12*

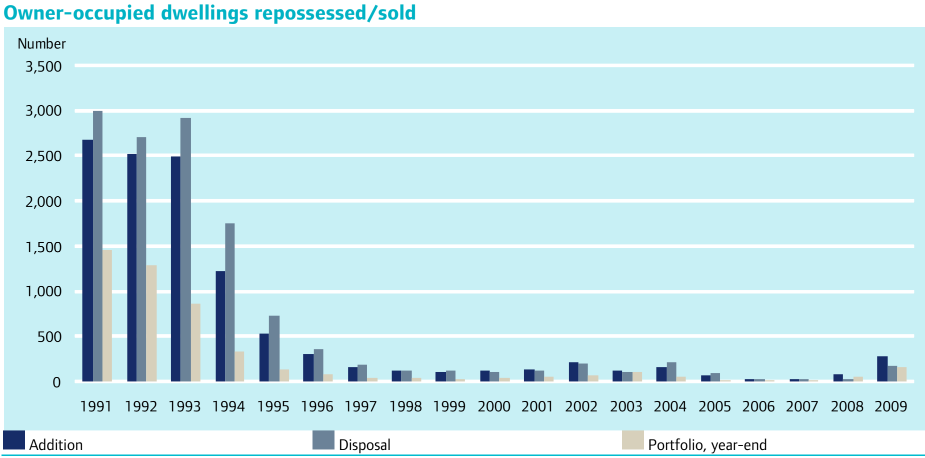
Nykredit Realkredit A/S
Recognised losses and impairment provisions



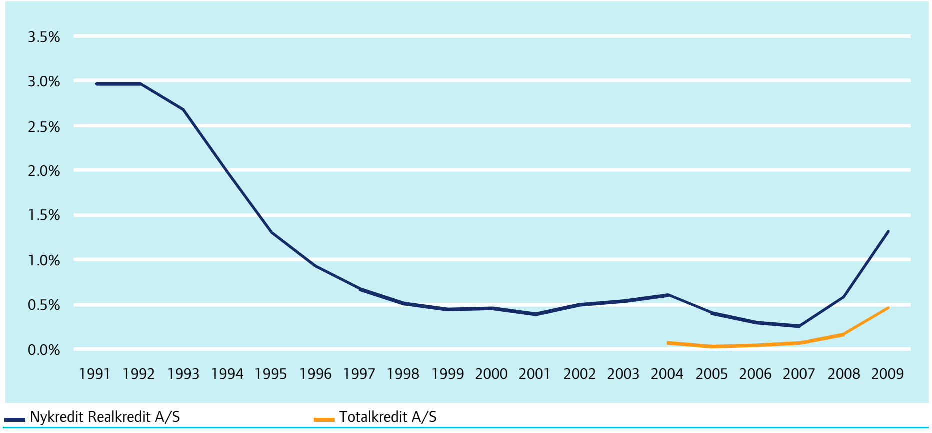
Nykredit Realkredit A/S
Recognised losses and loss ratios



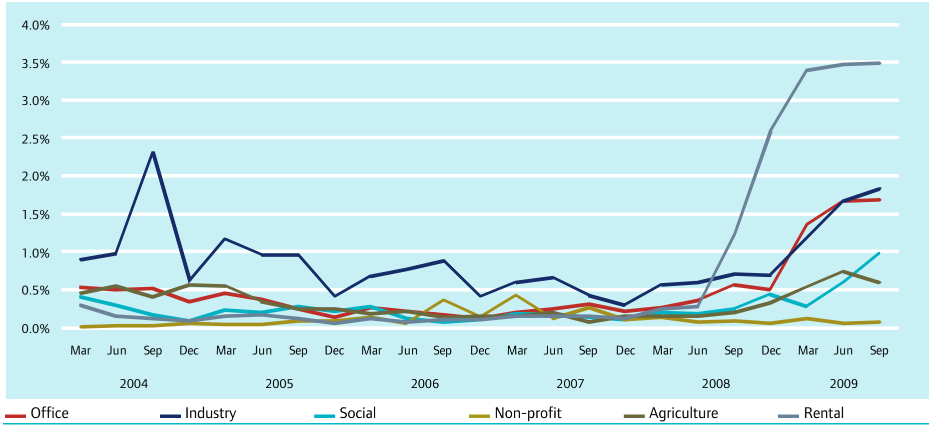
Nykredit Realkredit A/S
Owner-occupied dwellings repossessed/sold



The Nykredit Realkredit Group
Arrears ratio – 75 days in arrears



Nykredit Realkredit A/S
Arrears ratio by sector – 75 days in arrears



The Nykredit Bank Group
Loans, advances and guarantees by sector

	Loans, advances and guarantees		Impairment losses and provisions	
DKK million	2009	2008	2009	2008
Public sector	**173**	**349**	**0**	**0**
Agriculture, hunting and forestry, and fisheries	2,927	2,932	26	7
Manufacturing, extraction of raw materials, utilities	8,004	8,486	277	148
Building and construction	1,074	1,034	9	6
Trade, restaurants and hotels	2,757	2,921	187	11
Transport, mail and telephone	2,407	2,602	13	5
Credit, finance and insurance	12,478	28,484	707	371
Property management and trade, business services	17,362	18,382	248	129
Of which				
- residential property	*6,952*	*7,627*	*43*	*46*
- letting of commercial property	*6,878*	*4,694*	*81*	*72*
- business services	*3,532*	*6,061*	*124*	*11*
Other corporate	8,902	5,143	289	25
Total corporate	**55,911**	**69,984**	**1,756**	**702**
Retail	20,853	15,408	97	68
Total	**76,937**	**85,741**	**1,853**	**770**

Note: The distribution is based on public sector statistics and is therefore not directly comparable to the Bank's business areas. It should be noted that sector codes were changed in 2009. Not all comparative figures have been restated accordingly. In the opinion of the Bank, any impact thereof is of minor importance to the assessment of the composition and development of loans, advances and guarantees.

Forstædernes Bank A/S
Loans, advances and guarantees by sector

	Loans, advances and guarantees		Impairment losses and provisions	
DKK million	2009	2008	2009	2008
Public sector	**325**	**2**	**113**	**0**
Agriculture, hunting and forestry, and fisheries	162	303	61	8
Manufacturing, extraction of raw materials, utilities	498	677	88	11
Building and construction	945	1,122	210	48
Trade, restaurants and hotels	1,397	1,784	223	46
Transport, mail and telephone	248	312	8	5
Credit, finance and insurance	1,627	2,607	956	150
Property management and trade, business services	6,152	10,561	2,881	1,073
Other corporate	3,234	5,278	1,365	231
Total corporate	**14,264**	**22,644**	**5,791**	**1,572**
Retail	**4,744**	**5,689**	**665**	**140**
Total	**19,333**	**28,334**	**6,569**	**1,712**

Note: The distribution is based on public sector statistics and is therefore not directly comparable to the Bank's business areas. It should be noted that sector codes were changed in 2009. Not all comparative figures have been restated accordingly. In the opinion of the Bank, any impact thereof is of minor importance to the assessment of the composition and development of loans, advances and guarantees.

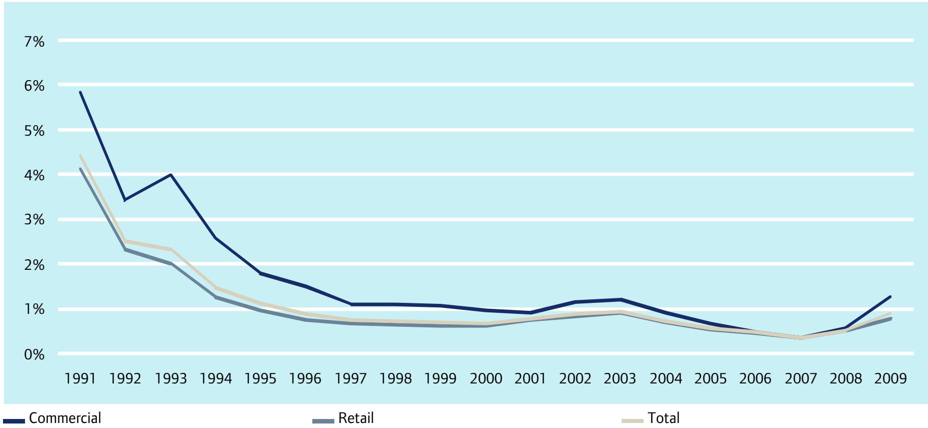
CREDIT RISK MODELS

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 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.

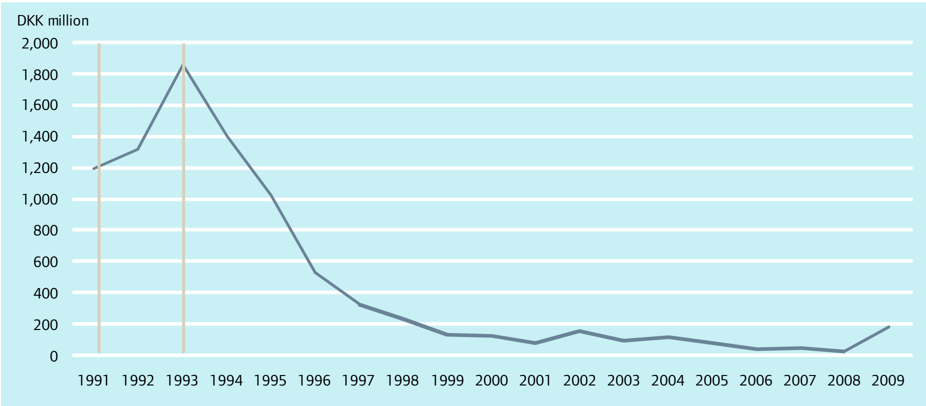
The PD is customer-specific, while the other parameters are product-specific. Therefore, each customer has an overall PD, while each of the customer exposures has separate LGDs and EVs.

Nykredit Realkredit A/S
Default rate and calibration of PD



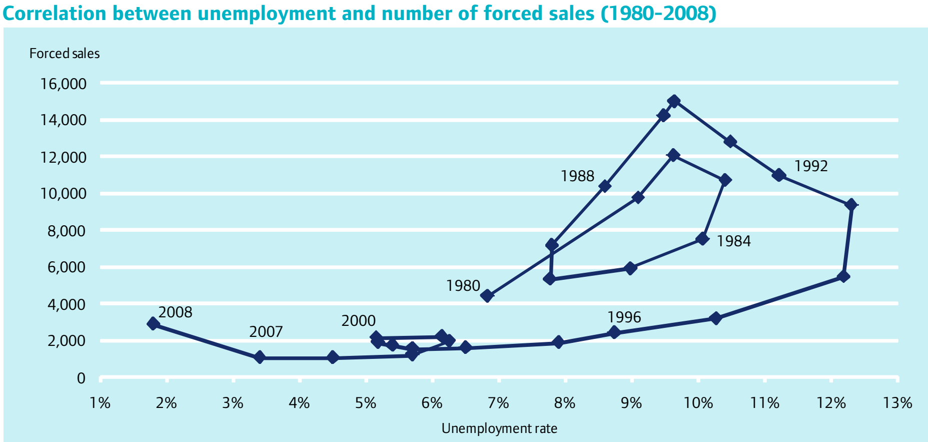
Note: Stated as number of customers

Nykredit Realkredit A/S
Recognised losses and calibration of LGD



Data for LGD level in relation to capital adequacy: 1991-1993. Losses in 2008 are excl losses relating to Roskilde Bank.

The Danish economy
Correlation between unemployment and number of forced sales (1980-2008)



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 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 data from that period and may thereby benefit from the experiences gained during a recession when developing models. For example, in 1993 Nykredit Realkredit A/S recorded losses of DKK 1.9bn and a borrower default rate of 2.34%. In comparison, recognised losses in 2009 amounted to DKK 176m, while the share of borrower defaults on mortgage payments represented 0.9%.

PD ratios 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.

LGD ratios 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 the PD for each individual customer of the Group. This method is called direct estimation. PD expresses the probability of a customer defaulting on his/her 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. Where mortgage products are concerned, Nykredit considers 75 days of arrears 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 PDs of retail customers and small enterprises are determined on the basis of a customer's credit score and payment behaviour. Credit scoring is a statistical calculation of a customer's creditworthiness 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 financial data, arrears and loan impairment as well as industry-specific conditions and the macroeconomic climate.

External ratings are used to a very limited extent in respect of a few types of counterparties for which no meaningful statistical models can be developed due to the absence 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 situation. 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), and applied PD, the latter being used to calculate the capital requirement at year-end.

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

The Nykredit Realkredit Group
Probability of default, PD

%	Point-in-time PD Beginning of 2008	Observed PD End-2008	Applied PD End-2008	Point-in-time PD Beginning of 2009	Observed PD End-2009	Applied PD End-2009
Mortgage exposures						
Retail exposures	0.58	0.41	1.46	0.69	0.89	1.75
Of which						
- Mortgages on real property	*0.58*	*0.41*	*1.46*	*0.69*	*0.89*	*1.75*
- Revolving exposures, etc	-	-	-	-	-	-
- Other retail exposures	-	-	-	-	-	-
Commercial exposures	0.78	0.23	1.74	1.10	1.23	3.96
Total mortgage exposures	**0.64**	**0.35**	**1.56**	**0.82**	**1.00**	**2.54**
Bank exposures [1]						
Retail exposures	1.10	0.39	1.57	1.15	0.53	1.74
Of which						
- Mortgages on real property	*0.91*	*0.31*	*1.39*	*0.94*	*0.63*	*1.58*
- Revolving exposures, etc	*0.82*	*0.51*	*0.99*	*0.68*	*0.78*	*1.16*
- Other retail exposures	*1.67*	*0.86*	*5.02*	*4.58*	*0.23*	*2.26*
Commercial exposures	1.09	1.35	2.39	2.27	6.33	6.85
Total bank exposures	**1.10**	**1.12**	**2.24**	**2.05**	**4.32**	**5.46**
Total exposures						
Retail exposures	0.60	0.41	1.46	0.70	0.88	1.75
Of which						
- Mortgages on real property	*0.59*	*0.41*	*1.46*	*0.70*	*0.88*	*1.74*
- Revolving exposures, etc	*0.82*	*0.51*	*0.99*	*0.68*	*0.78*	*1.16*
- Other retail exposures	*1.67*	*0.86*	*5.02*	*4.58*	*0.23*	*2.26*
Commercial exposures	0.85	0.40	1.88	1.32	1.90	4.47
Total exposures	**0.69**	**0.41**	**1.63**	**0.93**	**1.24**	**2.81**

Note: Exposure-weighted and including non-performing exposures. Includes exposures subject to the advanced as well as the foundation IRB approaches using internal PD estimates.
[1] Covers only exposures of Nykredit Bank subject to the IRB approach.

From PD to rating

The PDs of individual customers are converted into ratings 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, a high rating 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 Realkredit Group

Rating scale and marginal Probabilities of Default (PD)

2009 Rating category	PD floor %	PD ceiling %	Average applied PD %
10	> 0.00	≤ 0.15	0.1
9	> 0.15	≤ 0.25	0.2
8	> 0.25	≤ 0.40	0.3
7	> 0.40	≤ 0.60	0.5
6	> 0.60	≤ 0.90	0.7
5	> 0.90	≤ 1.30	1.1
4	> 1.30	≤ 2.00	1.6
3	> 2.00	≤ 3.00	2.5
2	> 3.00	≤ 7.00	4.3
1	> 7.00	≤ 25.00	11.8
0	> 25.00	< 100.00	48.8
Non-performing exposures	100.00		100.0

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 Realkredit Group – mortgage exposures
Retail exposures covered by IRB

2009 Rating category	Total exposure DKKm	Of which undrawn commitments DKKm	Exposure-weighted average LGD [1] %	Exposure-weighted average risk weight %	Capital charge for credit risk DKKm
10	30,609	90	9.4	1.9	46
9	41,015	121	7.0	3.0	100
8	76,741	212	7.7	4.8	292
7	100,757	259	8.7	7.3	585
6	139,775	347	10.2	11.4	1,275
5	111,622	288	12.6	18.1	1,617
4	47,408	139	14.5	25.9	983
3	18,184	66	14.0	31.2	454
2	10,028	53	13.5	43.9	352
1	5,575	24	13.7	67.6	301
0	712	5	13.8	77.6	44
Non-performing exposures[2]	4,608	14	11.0	81.1	299
Total	**587,033**	**1,618**	**10.4**	**13.5**	**6,349**

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

[1] Pursuant to section 70(7) 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 charge. Exposure-weighted average LGD has been determined after adjustment to ensure compliance with the 10% requirement, cf section 70(7) of the Executive Order.

[2] The calculation of the capital charge for non-performing exposures is based on the difference between LGDs and individual impairment provisions.

The Nykredit Realkredit Group – mortgage exposures
Commercial exposures covered by IRB

2009 Rating category	Total exposure DKKm	Of which undrawn commitments DKKm	Exposure-weighted average LGD [1] %	Exposure-weighted average risk weight %	Capital charge for credit risk DKKm
10	10,575	136	10.3	12.2	103
9	31,420	441	12.3	18.4	462
8	69,591	799	9.2	16.9	940
7	83,252	1,177	12.7	27.2	1,812
6	37,101	530	13.7	32.4	963
5	23,580	305	13.3	36.3	686
4	17,246	290	16.0	47.9	661
3	12,273	201	15.8	53.0	521
2	24,685	444	14.5	52.9	1,044
1	4,748	70	13.7	65.7	249
0	1,972	34	13.2	66.1	104
Non-performing exposures[1]	8,551	119	12.8	74.0	506
Total	**324,994**	**4,546**	**12.4**	**31.0**	**8,051**

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

[1] The calculation of the capital charge for non-performing exposures is based on the difference between LGDs and individual impairment provisions.

The Nykredit Realkredit Group – bank exposures
Retail exposures covered by IRB

2009 Rating category	Total exposure DKKm	Of which undrawn commitments DKKm	Exposure-weighted average LGD [1] %	Exposure-weighted average risk weight %	Capital charge for credit risk DKKm
10	1,854	562	31.5	6.5	10
9	2,299	809	31.3	10.0	18
8	2,315	671	32.1	14.8	27
7	2,245	612	30.1	19.9	36
6	4,205	1,118	25.3	22.4	75
5	4,620	1,099	25.0	28.7	106
4	5,392	876	27.4	38.2	165
3	1,735	317	28.4	52.4	73
2	807	91	32.5	75.6	49
1	154	16	32.2	102.1	13
0	30	4	28.4	108.0	3
Non-performing exposures[2]	152	9	31.9	298.0	36
Total	**25,806**	**6,185**	**28.2**	**29.6**	**610**

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

[1] Pursuant to section 70(7) 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 charge. Exposure-weighted average LGD has been determined after adjustment to ensure compliance with the 10% requirement, cf section 70(7) of the Executive Order.

[2] The calculation of the capital charge for non-performing exposures is based on the difference between LGDs and individual impairment provisions.

The Nykredit Realkredit Group – bank exposures
Commercial exposures covered by IRB

2009 Rating category	Total exposure DKKm	Of which undrawn commitments DKKm	Exposure-weighted average LGD [1] %	Exposure-weighted average risk weight %	Capital charge for credit risk DKKm
10	4,113	1,657	44.3	34.4	113
9	3,507	624	43.7	40.4	113
8	12,106	1,708	41.7	52.4	507
7	15,171	2,543	43.2	64.1	778
6	5,547	671	44.8	78.1	347
5	5,921	1,845	44.8	93.4	442
4	2,655	316	44.2	98.6	209
3	10,690	651	44.5	121.4	1,039
2	4,038	236	44.6	135.6	438
1	1,108	36	44.8	182.0	161
0	651	6	45.0	137.4	72
Non-performing exposures[1]	3,412	129	49.1	0.0	0
Total	**68,917**	**10,422**	**43.9**	**76.5**	**4,220**

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

[1] No capital requirement is calculated for non-performing exposures, cf the Executive Order on Capital Adequacy.

The Nykredit Realkredit Group – total exposures

Retail exposures covered by IRB

2009	Total exposure	Of which undrawn commitments	Exposure-weighted average LGD [1]	Exposure-weighted average risk weight	Capital charge for credit risk
Rating category	DKKm	DKKm	%	%	DKKm
10	32,462	652	10.7	2.1	56
9	43,314	929	8.3	3.4	118
8	79,056	883	8.5	5.1	320
7	103,002	872	9.2	7.5	621
6	143,980	1,465	10.7	11.7	1,350
5	116,242	1,386	13.1	18.5	1,724
4	52,800	1,015	15.8	27.2	1,147
3	19,918	383	15.2	33.1	527
2	10,835	144	15.0	46.2	401
1	5,729	40	14.2	68.5	314
0	742	10	14.4	78.8	47
Non-performing exposures[2]	4,760	23	11.7	88.0	335
Total	**612,839**	**7,802**	**11.1**	**14.2**	**6,959**

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

[1] Pursuant to section 70(7) 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 charge. Exposure-weighted average LGD has been determined after adjustment to ensure compliance with the 10% requirement, cf section 70(7) of the Executive Order.

[2] The calculation of the capital charge for non-performing exposures is based on the difference between LGDs and individual impairment provisions.

The Nykredit Realkredit Group – total exposures

Commercial exposures covered by IRB

2009	Total exposure	Of which undrawn commitments	Exposure-weighted average LGD [1]	Exposure-weighted average risk weight	Capital charge for credit risk
Rating category	DKKm	DKKm	%	%	DKKm
10	14,688	1,793	19.8	18.4	216
9	34,927	1,065	15.4	20.6	576
8	81,697	2,507	14.0	22.1	1,447
7	98,423	3,720	17.4	32.9	2,590
6	42,648	1,201	17.8	38.4	1,309
5	29,500	2,150	19.6	47.8	1,128
4	19,900	606	19.8	54.7	870
3	22,963	852	29.2	84.9	1,559
2	28,723	680	18.7	64.5	1,482
1	5,856	105	19.6	87.7	411
0	2,623	40	21.1	83.8	176
Non-performing exposures[1]	11,963	249	23.2	52.9	506
Total	**393,911**	**14,968**	**18.0**	**38.9**	**12,271**

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

[1] The calculation of the capital charge for non-performing exposures 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 an exposure which is expected to be lost if a customer defaults on a loan.

The LGDs of the majority of the Group's exposures are calculated using internal approaches based on loss and default data. The calculation of LGD factors in any security such as mortgages on real property, including the type of security, its quality and ranking in the order of priority.

Nykredit calculates losses as the Group's claims at the time of realisation. Furthermore, costs incidental to debt collection, proceeds from the realisation of security, 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 determined until Nykredit has sold the repossessed property. The determination of losses includes an estimate of the final loss in cases not finally settled.

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 year-end. Observed LGDs are determined on the basis of the 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 (current value), observed LGD (current value) as well as applied LGD which is used to calculate the capital requirement at year-end.

Applied LGD reflects the economic downturn in 1991-1993 and corresponds to the loss rate during a recession. Applied LGD is therefore not comparable with the observed losses or point-in-time estimates, which both reflect the current economic climate.

Mortgage banking is characterised by low LGDs as the security provided by way of mortgages on real property offers good protection against losses. Nykredit's use of security is described in more detail under "Security".

The Nykredit Realkredit Group
Loss Given Default, LGD

%	Point-in-time LGD Beginning of 2008	Observed LGD End-2008	Applied LGD End-2008	Point-in-time LGD Beginning of 2009	Observed LGD End-2009	Applied LGD End-2009
Mortgage exposures						
Retail exposures	0.93	0.91	11.35	1.57	4.00	10.37
Of which						
- Mortgages on real property	*0.93*	*0.91*	*11.35*	*1.57*	*4.00*	*10.37*
- Revolving exposures, etc	-	-	-	-	-	-
- Other retail exposures	-	-	-	-	-	-
Commercial exposures	2.66	8.97	12.42	2.54	2.07	12.44
Total mortgage exposures	**1.47**	**2.69**	**11.74**	**1.88**	**3.21**	**11.11**
Bank exposures						
Retail exposures	11.17	11.54	24.81	9.41	15.87	28.21
Of which						
- Mortgages on real property	*7.49*	*6.72*	*19.49*	*6.94*	*12.89*	*22.03*
- Revolving exposures, etc	*15.77*	*8.44*	*39.92*	*15.77*	*5.48*	*40.12*
- Other retail exposures	*15.64*	*23.62*	*34.02*	*15.67*	*30.80*	*33.30*
Commercial exposures[1]	29.07	6.81	43.75	26.37	8.65	43.95
Total bank exposures	**25.54**	**11.54**	**40.38**	**23.04**	**15.87**	**39.66**
Total exposures						
Retail exposures	1.23	2.89	11.79	1.78	3.41	11.12
Of which						
- Mortgages on real property	*1.04*	*0.99*	*11.54*	*1.67*	*4.12*	*10.64*
- Revolving exposures, etc	*15.77*	*8.44*	*39.92*	*15.77*	*5.48*	*40.12*
- Other retail exposures	*15.64*	*23.62*	*34.02*	*15.67*	*30.80*	*33.30*
Commercial exposures	2.66	8.92	18.99	2.54	2.13	17.95
Total exposures	**3.83**	**2.89**	**14.78**	**3.72**	**3.41**	**13.79**

Note: Exposure-weighted. LGD for retail exposures has been determined after adjustment to ensure compliance with the 10% requirement, cf section 70(7) of the Executive Order on Capital Adequacy.
[1] LGD after credit risk hedging. Commercial lending in Nykredit Bank is determined using the foundation IRB approach.

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 only estimated for products subject to flexible utilisation, such as revolving exposures, equity withdrawal credits, credit lines and loan offers, ie for bank products only. 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. Observed CF is the average utilisation rate for 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 Realkredit Group
Utilisation of credit commitments and lines at default, conversion factor (CF)

Factor	Observed CF End-2008	Applied CF End-2008	Observed CF End-2009	Applied CF End-2009
Bank exposures[1]				
Retail exposures	1.03	1.13	1.01	1.13
Of which				
- Mortgages on real property [2]	*1.05*	*1.17*	*1.02*	*1.17*
- Revolving exposures, etc	*1.03*	*1.07*	*1.01*	*1.07*
- Other retail exposures	*1.00*	*1.00*	*1.01*	*1.01*
Total bank exposures	**1.03**	**1.13**	**1.01**	**1.13**

Note: Exposure-weighted. Includes only exposures subject to the advanced IRB approach using internal CF estimates for products with undrawn credit.
[1] Covers only exposures of Nykredit Bank subject to the IRB approach.
[2] Including exposures in the form of equity release and equity withdrawal credits.

IRB-calculated losses
The model-based, IRB-calculated losses and recognised 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 expectations for future losses. 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. Therefore, IRB-calculated losses will typically be higher than recognised losses both in periods with high business activity and during a mild recession.

The level of recognised losses remained low in 2009 in Nykredit Realkredit A/S, Totalkredit A/S and Nykredit Bank A/S. Nykredit's lending is for the most part secured on real property. This results in low observed LGDs and low observed losses.

On the basis of Nykredit's internal models and stress tests, a probable scenario for future impairments is calculated. Against this background, impairments in the range of DKK 1.6bn-2.6bn are expected in 2010, excluding impairment losses of Forstædernes Bank A/S and impairment provisions for bank rescue package I.

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 Nykredit Realkredit Group
IRB-calculated and recognised losses

DKK million	Recognised losses 2009	IRB-calculated losses[1] 2010	Nykredit's expected impairments in 2010
Mortgage exposures			
Retail exposures	91	1,204	-
Of which			
- Mortgages on real property	*91*	*1,204*	-
- Revolving exposures, etc	-	-	-
- Other retail exposures	-	-	-
Commercial exposures	71	1,688	-
Total mortgage exposures	**162**	**2,892**	**-**
Bank exposures			
Retail exposures	4	132	-
Of which			
- Mortgages on real property	*1*	*51*	-
- Revolving exposures, etc	*0*	*17*	-
- Other retail exposures	*3*	*63*	-
Commercial exposures	103	2,258	-
Total bank exposures	**107**	**2,390**	**-**
Total exposures			
Retail exposures	95	1,336	-
Of which			
- Mortgages on real property	*92*	*1,255*	-
- Revolving exposures, etc	*0*	*17*	-
- Other retail exposures	*3*	*63*	-
Commercial exposures	174	3,946	-
Total exposures, total	**269**	**5,282**	**1,600-2,600**[2]

Note: Includes exposures determined subject to the advanced as well as the foundation IRB approaches. The IRB-calculated loss on retail exposures secured on real property has been determined on the basis of LGD after adjustment to ensure compliance with the 10% requirement, cf section 70(7) of the Executive Order on Capital Adequacy.

[1] IRB-calculated losses are stated at end-2009 and express the model-based expected loss for the coming year. IRB-calculated losses have been determined using LGDs for 1991-1993 in accordance with the rules of the Executive Order on Capital Adequacy.

[2] Expected impairments for 2010 exclude impairment losses of Forstædernes Bank A/S and impairment provisions for bank rescue package I.

The models are developed by Risk Management which 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 in the business.
- *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. It is assessed 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, collective impairment provisions 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, albeit with due regard for the characteristics of the individual business units. Credit assessment comprises the customer's

creditworthiness and an assessment of the security provided and the nature of the transaction concerned.

The credit assessment of customers and the 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 may be 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 assessment includes the quality of the security provided.

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 the 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, an assessment of the quality of the security, etc.

SECURITY

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

In the determination of the capital requirement and required capital base, 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 initially 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 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. Nykredit uses a statistical model in respect of detached and terraced houses, owner-occupied flats and holiday homes that satisfy specific requirements for mortgageable value, risk classification and time since last valuation. The statistical valuations are performed centrally and supplemented by local valuations as required. The valuations are included in the LGD estimate.

Nykredit has 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

Nykredit mainly receives guarantees from public authorities and banks.

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

Credit institution guarantees include guarantees for registration of mortgages

The Nykredit Realkredit Group
Types of security and credit exposures

2009 DKK million	Real property[1]	Guarantees received	Financial collateral[2]	Total collateral value	Total exposure
Retail exposures	751,424	57,254	-	808,679	621,118
Of which					
- Mortgages on real property	*751,424*	*57,254*	-	*808,679*	*605,014*
- Revolving exposures, etc	-	-	-	-	*3,712*
- Other retail exposures	-	-	-	-	*12,392*
Commercial exposures	372,826	24,632	3,675	401,133	404,295
Credit institution exposures	-	-	-	-	111,443
Sovereign exposures	-	-	-	-	42,493
Equity exposures	-	-	-	-	5,220
Assets with no counterparty	-	-	-	-	3,222
Total 2009	**1,124,250**	**81,886**	**3,675**	**1,209,811**	**1,187,791**
Total 2008	942,637	61,421	3,297	1,007,356	1,095,591

Note: Exposures also include guarantees issued by banks (DKK 57.3bn), which are recognised under credit institution exposures, and government guarantees (DKK 24.6bn), which are recognised under sovereign exposures.

[1] The collateral value of real property is measured at nominal value.

[2] Collateral relating to repo and reverse transactions not included.

without endorsements, guarantees for interim loans in connection with new building and loss guarantees.

Under Nykredit's partnership agreement with the local and regional banks behind Totalkredit, mortgage loans to retail customers granted by the banks are covered by a set-off agreement for recognised losses. Under this agreement, any losses incurred are offset against the current commission paid by Nykredit.

Exposures to Danish banks that participate in the government guarantee scheme introduced in October 2008 to ensure financial stability have a risk weighting of 0% in the capital requirement determination.

In the determination of the capital requirement and the required capital base, Nykredit's internal models divide each individual loan into a guaranteed and a non-guaranteed part, and the credit risk is subsequently calculated separately for each part.

Financial collateral

Financial collateral includes deposits denominated in DKK or other currencies, listed Danish government bonds, 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 security as their obligations increase.

When establishing the 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 ISMA 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.

Market risk

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

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

By far the greater part of group lending is mortgage lending. In practice, Nykredit incurs only negligible market and liquidity risk from these loans – regardless of the development in financial markets. This is because mortgage lending is governed by the statutory balance principle and complies with the match-funding principle, cf the description under "Liquidity and funding".

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

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

The limits provided by the boards of directors restrict the scope for assuming interest rate, equity price, foreign exchange, volatility and credit risk. Other risks, such as commodity exposures, are not allowed.

The limits permit the use of financial instruments if the risk involved can be determined and managed. Financial instruments are included in the limit for the underlying asset.

Compliance with risk limits is monitored daily and independently of the acting entities of the Group, and any non-compliance is reported to the Treasury Committee or Nykredit's Board of Directors depending on the nature of such non-compliance.

Determination, management and reporting of market risk require a range of different tools in the form of statistical models, key ratios and limits. In addition to the Value-at-Risk model approved by the Danish FSA for the determination of capital requirements, Nykredit applies an internal Value-at-Risk model covering the entire Group.

The Nykredit Realkredit Group
Capital requirement for items involving market risk

2009 DKK million	Specific risk	General risk	Total capital requirement	Total capital requirement 2008
Value-at-Risk (99%, 10 days)	-	881	881	3,362
Outside Value-at-Risk model:				
Instruments of debt	697	173	870	1,148
Equities	33	15	48	38
Foreign exchange risk	-	8	8	14
Collective investment schemes	38	-	38	30
Total market risk	**769**	**1,077**	**1,846**	**4,592**

Note: Specific risk denotes losses resulting from changes in the market value of a specific position due to the issuer or the individual security. General risk denotes losses resulting from general changes in market prices.

The Nykredit Realkredit Group
The Board of Directors' principal market risk limits at group level, end-2009

Financial ratios	Definition	Limit
Value-at-Risk	Maximum loss in one day at a 99% confidence level	DKK 300
Interest rate risk	Loss on general rise in interest rates of 1 percentage point	DKK (200)m to 1,600m
Equities	Measured at book value	DKK (3,000)m to 8,250m
Corporate bonds	Measured at book value	DKK (2,000)m to 11,000m
- Up to A1/A+	Measured at book value	*DKK (2,000)m to 6,000m*
- Up to Ba1/BB+ and not rated	Measured at book value	*DKK (1,000)m to 2,000m*
Volatility risk	Measured as losses on a general rise in interest rate volatility of 1 percentage point	DKK (200)m to 200m

DEVELOPMENT IN MARKET RISK

The Group pursues a long-term investment policy that implies very low credit risk on the investment portfolio. The primary investments are Danish and European covered bonds. In addition, Nykredit has invested in high-rated bank bonds. The interest rate risk involved is reduced by way of offsetting sales of government bonds or interest rate derivatives. This creates an exposure to yield spreads between the covered bonds and the government bonds/interest rate swaps. This exposure is not hedged.

The normalisation of financial markets in 2009 has caused substantial tightening of yield spreads between mortgage bonds and government bonds to around 0.5 percentage point in 2009, down by around 50% since the beginning of the year. In the same period, the prices of bank bonds rose considerably.

The Group also invests in equities. Equity investments mainly consist of strategic equities. Nykredit's portfolio of strategic equities amounted to DKK 2.9bn at end-2009, of which equities in Danish banks represented DKK 2.0bn.

The portfolio of strategic equities has seen large price increases since spring 2009. The Group's total value adjustment of strategic equities in 2009 amounted to DKK 751m. The value adjustment is made against equity. In comparison, value adjustment of strategic equities against equity came to a capital loss of DKK 2,847m for 2008.

KEY FIGURES ON MARKET RISK

Market risk cannot be assessed adequately on the basis of a single risk key figure. To obtain a full overview of market risk, Nykredit combines various key figures that express sensitivity to the development in the financial markets. The Group's determination, management and reporting of market risk take place by combining a range of different tools in the form of statistical models, stress tests and key ratios with subjective assessments.

The traditional risk measures, such as interest rate, equity price, volatility and foreign exchange risk, are so-called sensitivity tests of the portfolio. They are used to calculate the effect on the value of the 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 the portfolio.

Value-at-Risk models (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.

As in the case of credit risk, the calculations are "mechanical" and based on past experience of the development in financial markets. During a financial crisis the current conditions in the financial markets will not invariably correspond to the historical conditions. The maximum expected loss calculated by means of a VaR model may therefore in the early stages of a crisis convey an overly optimistic view of the loss risk.

Parameters used to determine Value-at-Risk

Value-at-Risk is a statistical measure of the maximum loss on a portfolio at a given probability within a given time horizon. The Nykredit Realkredit Group calculates Value-at-Risk subject to a 99% confidence level and a time horizon of one day. Risk is determined using a Value-at-Risk model that includes the risk relating to spreads between mortgage bond and swap rates. The model used by Nykredit Bank also includes vega.

Parameters of Value-at-Risk determination:

Risk factors:	All exposures are transformed into a number of risk factors for equity, interest rate and foreign exchange risk.
Volatilities and correlations:	Daily volatilities and correlations for the above-mentioned risk factors. In calculating the volatilities, last-dated observations carry the highest weight. Volatilities and correlations are calculated on the basis of data for the last 250 banking days.
Time horizon:	Value-at-Risk is calculated at a time horizon of 1 day, but may be scaled to other time horizons. The following horizons are applied: ▪ Capital requirement for market risk: 10 days ▪ Day-to-day business management: 1 day ▪ Required capital base/capital need: 1 year
Confidence level:	Value-at-Risk is calculated with the following confidence levels: ▪ Capital requirement for market risk: 99% ▪ Day-to-day business management: 99% ▪ Required capital base/capital need: 99.97%

Back tests:
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

Stress testing:
Daily stress testing is performed to determine the risk of losses under extreme market conditions The tests are based on simulated market movements and events. More comprehensive stress testing is performed periodically. Stress testing is an attempt to determine the sensitivity of portfolios to probable events and enable an identification of any risk assessment errors.

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

DKK million	Average	Min	Max	Year-end
2009[1]	187	118	393	118
2008	280	168	597	331

[1] Forstædernes Bank A/S included in VaR figures from 1 February 2009.

The Nykredit Realkredit Group
Value-at-Risk

2009 DKK million	1 day	10 days	1 year
Internal Value-at-Risk (99.00%)	118	373	1,863
Internal Value-at-Risk (99.97% - Pillar I of required capital base)	204	645	3,226
Value-at-Risk for capital requirement (99.00%)[1]	86	271	1,353

Note: Contrary to Value-at-Risk for capital requirements, internal Value-at-Risk includes strategic equities, unlisted equities and assets in subsidiaries of Nykredit Realkredit A/S.

[1] Capital requirements for VaR is determined as VaR (99%, 10 days) x statutory FSA spread, the latter depending on the number of back test exceedings within the past year. Forstædernes Bank A/S is not included as the company does not apply VaR for capital requirement determination, cf "Capital requirement".

Value-at-Risk

Nykredit applies a VaR model for the day-to-day internal management and determination of business capital. The choice of time horizon and confidence level in the model depends on the purpose of the calculations. For the day-to-day internal management, a time horizon of one day and a confidence level of 99% are applied, while a time horizon of one year and a confidence level of 99.97% are applied for the determination 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 mortgage bonds and swap rates.

VaR is calculated and reported on a daily basis, and the model is incorporated in Nykredit's securities systems. VaR limits exist at group, company and organisational entity levels.

The Group's total VaR according to the model for the day-to-day internal management was DKK 118m at end-2009, against DKK 331m at end-2008. This means that, according to Nykredit's model, the Group would, at a 99% probability, lose a maximum of DKK 118m in one day at end-2009 in consequence of market fluctuations.

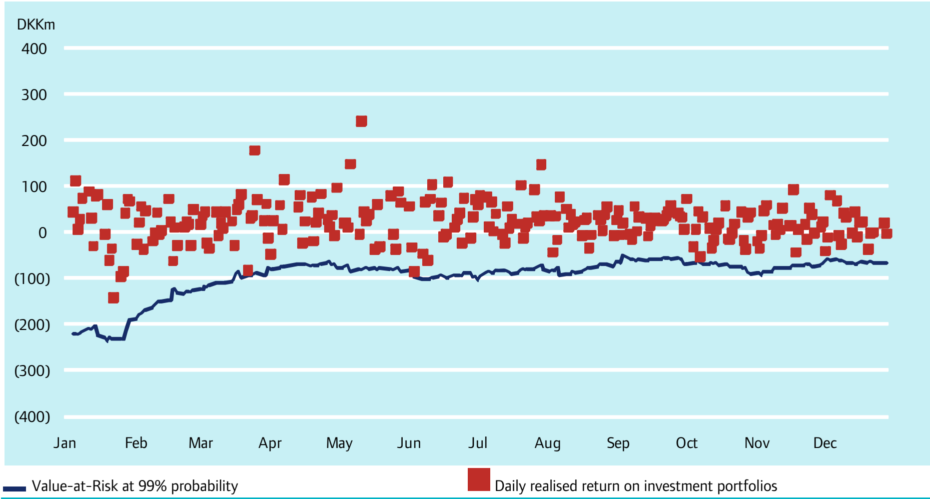
The normalisation of the financial markets has resulted in a markedly lower VaR in 2009 than in 2008, and thereby a smaller risk that the VaR ratio miscalculates the risk.

Nykredit has the approval of the Danish FSA to apply Value-at-Risk in determining the capital charge for market risk in Nykredit Realkredit A/S and Nykredit Bank A/S. The VaR model for determining the capital requirement applies a statutory confidence level of 99% and a time horizon of 10 days. For the purpose of determining the capital requirement, Nykredit Realkredit A/S only calculates VaR in respect of the trading book, whereas Nykredit Bank A/S makes calculations for the trading book as well as the banking book excluding equities.

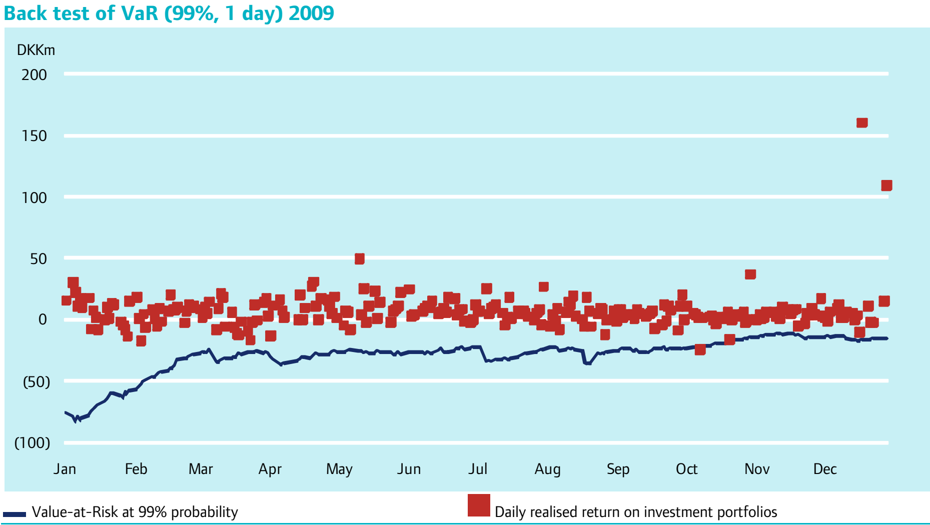
It is essential that the VaR model is reliable. The model results are therefore tested on a daily basis against actual realised returns on the investment portfolios through back tests. The daily earnings (gain/loss) are compared with the model's estimate of the maximum loss. The actual losses are expected to exceed the maximum loss predicted by the VaR model two or three times a year because of the statistical properties of the model. The purpose of the tests is to ensure that the model estimates are reliable and correct at any time.

If the actual losses exceed the maximum loss estimate of the model five or more times within one year, the capital requirement will be adjusted upwards. Back tests of VaR for Nykredit Realkredit A/S and Nykredit Bank A/S are shown in the figures below.

Nykredit Realkredit A/S
Back test of VaR (99%, 1 day) 2009



Nykredit Bank A/
Back test of VaR (99%, 1 day) 2009



There were zero exceedings in the VaR model of Nykredit Realkredit A/S in 2009 and one in that of Nykredit Bank A/S. In 2008 when financial markets saw substantial volatility, the corresponding figures were eight and five exceedings, respectively

Daily stress tests

As a supplement to VaR, systematic stress tests are performed daily to measure the risk of loss during turbulent market conditions. The tests are based on simulated market movements and events. More comprehensive stress testing is performed periodically. Stress testing is an attempt to assess the sensitivity of the portfolios to probable events.

The main focus of the stress tests is the market risks to which the individual companies are exposed. The scenarios applied in the individual companies are therefore different and reflect their respective risk profiles. The tests are adjusted in line with business developments.

In connection with the determination of the required capital base, further stress tests are applied, cf "Capital management". The stress tests applied to determine the required capital base also contain elements relating to market risk, but they are less detailed than the daily stress tests of the VaR model.

Stress test scenarios

Nykredit Realkredit A/S	Nykredit Bank A/S
▪ EUR rates rise by 0.25 percentage point ▪ Other rates rise by 0.50 percentage point ▪ Yield spreads between government bonds and swaps widen by 0.25 percentage point ▪ Equities decrease by 5% in general ▪ Danish bank equities decrease by 10%	▪ Yield spreads between government bonds and swaps widen by 0.20 percentage point ▪ Rise in Danish rates: 1 week (5 percentage points), 1 month (3 percentage points) and 3 months (1 percentage point) ▪ Interest rate spreads between Danish and foreign rates widen by 0.20 percentage point ▪ 5% devaluation of DKK vs all other currencies

Interest rate risk
Interest rate risk is the risk of loss as a result of interest rate changes, and it is calculated on a daily basis as the loss in case of a general interest rate change of 1 percentage point.

Spread risk
The risk of yield spread widening between mortgage bonds and government bonds/swap rates is the spread risk. The spread risk of the Group's portfolio of mortgage bonds amounted to DKK 3.0bn at end-2009. This means that Nykredit would lose DKK 3.0bn on its investments in mortgage bonds if the yield spread between mortgage bonds and government bonds widened by 1 percentage point.

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 an equity market decrease of 10%.

Foreign exchange risk
Foreign exchange risk is the risk of loss as a result of changes in exchange rates.

The Nykredit Group hedges the foreign exchange risk of its investments and therefore had only minor foreign exchange positions in currencies other than EUR in 2009.

The foreign exchange risk is measured by Exchange Rate Indicator 1 excluding EUR and individual limits at currency level.

Volatility risk
Volatility is the size of fluctuations in the price of an asset, eg, the movement in the price of a bond. The market value of options and financial instruments with embedded options such as callable mortgage bonds partly depends on the expected market volatility. Volatility risk is the risk of a 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 by 1 percentage point.

Volatility trading is used in connection with position-taking. Risk is determined and managed on a continuous basis with respect to all financial instruments with embedded options by means of limits.

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

The refinancing risk in relation to mortgage banking is very limited as a result of the balance principle and match-funding of loans.

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

The Nykredit Realkredit Group
Market exposures (conventional calculation)

2009 DKK million	Interest rate exposure (100 bp change)	Interest rate volatility exposure (Vega)	Equity price exposure (10% change)
Money market instruments	(91)	-	-
Government bonds	555	-	-
ROs	935	(5)	-
SDOs	2,128	(1)	-
Other bonds, loans and advances, etc	(544)	-	-
Equities	-	-	473
Derivative financial instruments	(2,077)	2	(33)
Total	**906**	**(3)**	**440**

Note: Repo and reverse transactions are included in money market instruments.

The Nykredit Realkredit Group
Market exposures (conventional calculation)

	2009				2008			
DKK million	Average	Max	Min	Year-end	Average	Max	Min	Year-end
Interest rate exposure (1 percentage point change)	1,011	1,259	749	906	619	1,160	389	908
– of which outside trading book	*(95)*	*225*	*(270)*	*(201)*	*28*	*142*	*(115)*	*102*
– of which from mortgage activities	*38*	*217*	*(21)*	*170*	*17*	*96*	*(66)*	*22*
Spread risk (OAS)	2,677	3,524	1,787	3,020				
Equity price exposure (10% change)	393	463	294	440	532	698	368	368
Foreign exchange exposure:								
- Exchange Rate Indicator 1	(27)	(5)	(50)	(5)				
- Exchange Rate Indicator 2	892	1,108	710	841	10	14	6	8
Interest rate volatility exposure (Vega)	(95)	225	(270)	(201)	(47)	(16)	(75)	(49)

Note: Calculation of market risk covers both the trading and banking books. As some of the mortgage activities have been classified as belonging to the banking book, interest rate risk outside the trading book and interest rate risk from mortgage activities overlap. Forstædernes Bank A/S included as from 17 October 2008.

TRADING BOOK AND BANKING BOOK

Nykredit 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 Nykredit's 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 risk on the banking book

Interest rate risk on the banking book is limited and derives mainly from the following sources:

- Balance sheet funds from borrowers with fixed-price agreements and borrowers prepaying their loans. Other balance sheet funds are refinancing of the loan types Tilpasningslån, BoligXlån and RenteMax as well as accumulated interest and principal payments on certain types of ARMs.
- Subordinate capital hedged with interest rate swaps
- Strategic bonds carrying mainly floating rates.

Equity price risk on the banking book

Equities in the banking book comprise Nykredit's strategic equities and private equity. Exposures in the form of strategic equities available for sale in 2009 ranged between DKK 1.9bn and DKK 3.2bn, while private equity exposures ranged between DKK 0.3bn and DKK 1.5bn.

Strategic equities comprise equities in a number of regional banks with which Nykredit cooperates, equities in the property companies Jeudan A/S and Dades A/S and equities in Værdipapircentralen A/S. They are classified as available for sale in accordance with IAS 39 and are therefore value-adjusted directly against equity.

Private equity is priced at fair value according to the EVCA (European Venture Capital Association) or BVCA (British Venture Capital Association) principles. The individual EVCA/BVCA estimates are adjusted in a relevant share index or benchmark/peer group.

The Nykredit Realkredit Group

Listed and unlisted equities in the banking book

Market value DKK million	2009	2008
Listed equities	2,629	1,796
Unlisted equities	909	1,525
Total	**3,539**	**3,320**

Liquidity and funding

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

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

The liquidity curves of Nykredit Realkredit A/S and Totalkredit A/S, and Nykredit Bank A/S and Forstædernes Bank A/S, respectively illustrate the Nykredit Group's very strong position in terms of liquidity.

MORTGAGE BANKING

The greater part of group lending consists of mortgage loans funded by "realkreditobligationer" and SDOs (collectively referred to as covered bonds) according to the match-funding principle. As a result, group liquidity levels are high.

Nykredit's debtors pay their mortgage payments at least one day before the coupon date of the bonds. For this reason, liquidity risk in relation to mortgage payments only concerns non-timely payment by borrowers. Nykredit places the payments from borrowers in accounts with major banks immediately on receipt.

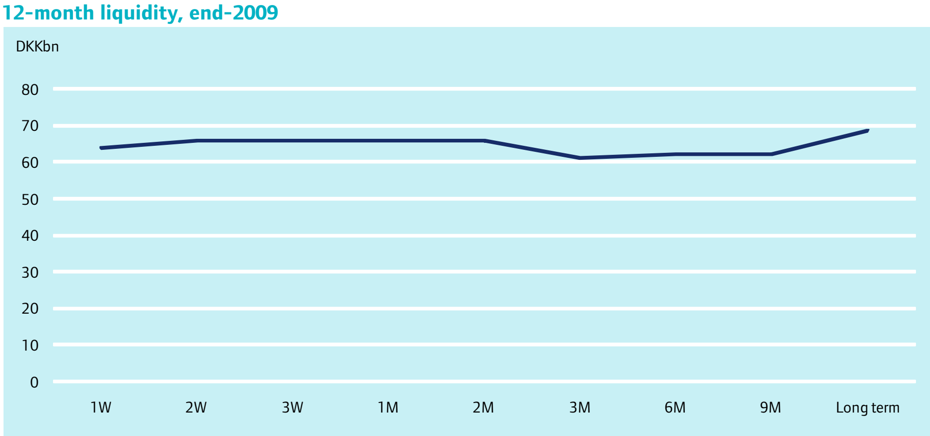
Despite the repercussions of the financial crisis, Nykredit was able to issue bonds on a daily basis throughout 2009. The order-based market worked satisfactorily throughout the year.

At the refinancing auctions in December, Nykredit issued bonds worth DKK 159.7bn.

Nykredit adheres to Moody's principles and requirements for liquidity management by banks. In order to achieve the rating "Very Good Liquidity Management", the liquidity curve must be positive 12 months ahead. The liquidity of Nykredit Realkredit A/S and Totalkredit A/S is always positive, in part due to match-funding and the investment rules governing the capital reserved to meet capital requirements.

In the autumn of 2009, junior covered bonds became eligible as collateral for credit with Danmarks Nationalbank on a permanent basis. The change is effective from 15 February 2010.

Nykredit Realkredit A/S and Totalkredit A/S
12-month liquidity, end-2009



SDOs (covered bonds)
SDOs owned by credit institutions and mortgage bonds issued before 1 January 2008 are subject to a more lenient risk weighting in the determination of capital requirements pursuant to the EU's Capital Requirements Directive (CRD) and the Danish capital adequacy rules, etc.

Mortgage bonds issued after 1 January 2008 involve a higher capital charge.

SDOs must satisfy certain requirements under the special SDO legislation. Among other requirements, SDOs may only be issued against security by way of one or more of the following three types of assets:

- Loans secured by mortgages on real property within 80% of the value of owner-occupied dwellings or 60% of the value of commercial properties
- Government bonds or other claims on EU/EEA states
- Claims on credit institutions, including guarantees for registration of mortgages without endorsements and guarantees for interim loans in connection with new building.

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

Mortgage banks must provide supplementary security if the LTV ratios determined on an ongoing basis of the individual loans secured by mortgages on real property and funded by way of issuance of SDOs exceed the statutory LTV limits.

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

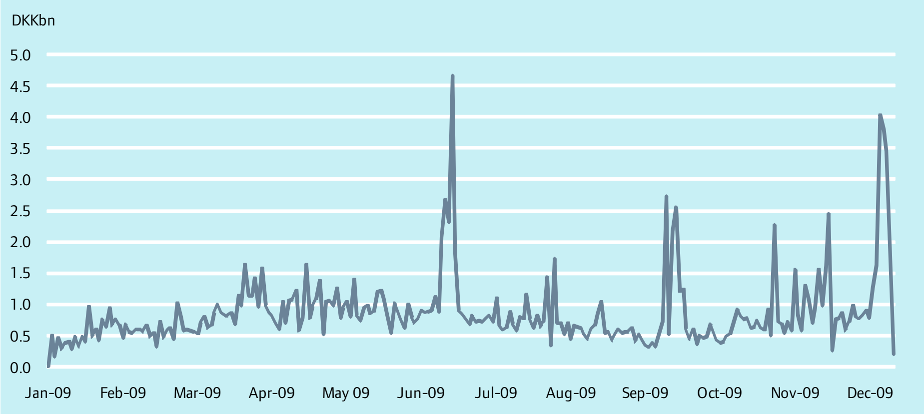
Nykredit monitors the need for supplementary security closely. In this connection, various stress tests are conducted at least quarterly which assess the sensitivity of such need to refinancing surges, declining property prices, etc.

Assuming the current lending level is maintained and property prices are unchanged for 12 months, the need for supplementary security amounted to around DKK 16bn at end-2009. The need for supplementary security should be seen in relation to Nykredit's capital base of DKK 59.0bn. This capital is generally placed in government bonds and SDOs that are directly eligible as cover assets.

It is Nykredit's policy to maintain a sizeable cover pool buffer against declining property prices or refinancing surges. Therefore, Nykredit has since 2007 raised loans in the form of junior covered bonds to fund supplementary security in accordance with Danish legislation.

Pursuant to section 33 e of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, holders of junior covered bonds have a secondary preferential right as secured creditors to the cover assets of Capital Centre E. In the event of insolvency, the cover assets of Capital Centre E will be applied first to pay the holders of SDOs and subsequently the holders of junior covered bonds.

The Nykredit Realkredit Group
Daily issuance of fixed-rate bonds



Note: To this must be added bond issuance of DKK 189bn at the refinancing auctions.

The Nykredit Realkredit Group
Need for supplementary security

DKKbn	2009
Present need for supplementary security	15.1
Stress test of need for supplementary security in 12 months' term - scenarios	
Normal lending activity – no property value projection	15.9
Normal lending activity – property values projected using NORAH	23.4
Capital provided as supplementary security in Capital Centre E	27.2
- of which funded by way of junior covered bonds	*15.6*

Note: NORAH stands for Nykredit's Official Regional Analytical model for Housing prices.

The Nykredit Realkredit Group
Issued junior covered bonds

DKK billion	Maturity date	Nominal outstanding amount
JCB 10	01.04.2010	5.0
JCB 11	01.01.2011	8.0
JCB 15	01.01.2015	2.3
Total		**15.3**

Note: Pursuant to the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, junior covered bonds may be applied for funding of supplementary security.

COMMERCIAL BANKING

Nykredit Bank and Forstædernes Bank monitor their balance sheets and liquidity on a day-to-day basis. The banks manage their balance sheets based on the liquidity of assets and liabilities. Securities not serving as collateral in the trading book constitute a short-term liquidity buffer that may be applied in the case of any unforeseen drains on the banks' liquidity.

In 2009 the liquidity buffer of Nykredit Bank averaged DKK 43bn. At end-2009, the liquidity buffer was DKK 66.7bn against DKK 31.2bn at end-2008.

At end-2009 Nykredit Bank A/S had issued notes of DKK 22.3bn (EUR 3.0bn) under its EUR 5bn EMTN programme. The notes were issued at satisfactory spreads against swaps, reflecting the Nykredit Group's low-risk profile and strong capital structure.

The management of Nykredit Bank's structural liquidity risk is based on an internal model.

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

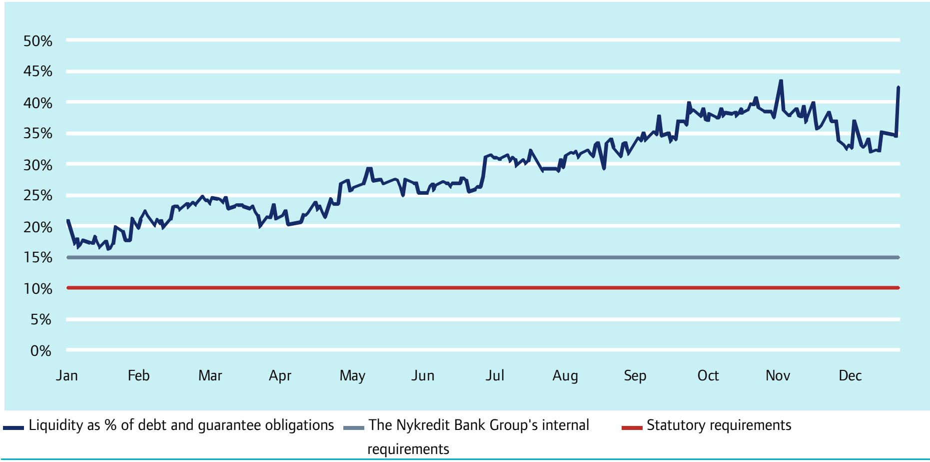
Stress tests conducted according to the principles laid down in Moody's Investors Service "Bank Financial Strength Ratings: Global Methodology" show that the Bank can withstand a 12-month long lack of access to the funding market.

According to the Danish Financial Business Act, a bank's liquidity must total at least 10% of total reduced debt and guarantee obligations.

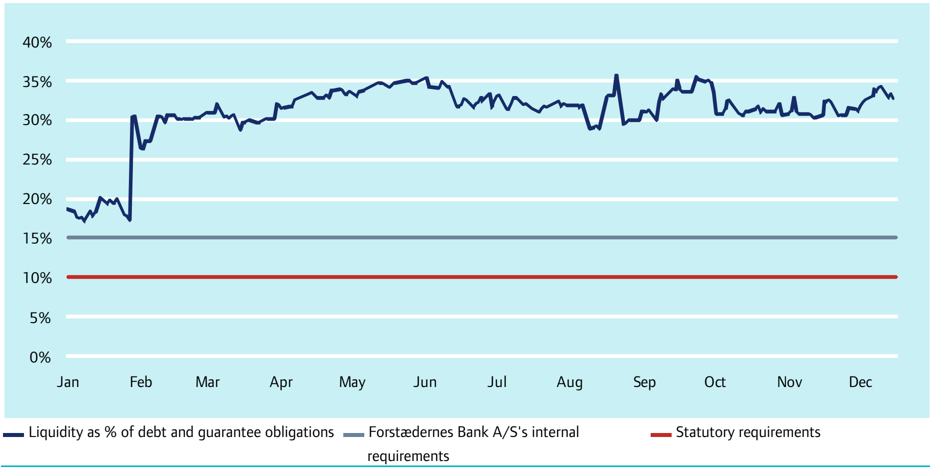
The Nykredit Bank Group uses an internal liquidity requirement of at least 15%. At end-2009, liquidity relative to reduced debt and guarantee obligations of the Nykredit Bank Group was 42.4%.

Forstædernes Bank A/S applies similar methods to determine liquidity, and the bank's liquidity buffer averaged DKK 7.0bn. At end-2009, the liquidity buffer was DKK 7.5bn against DKK 2.6bn at end-2008.

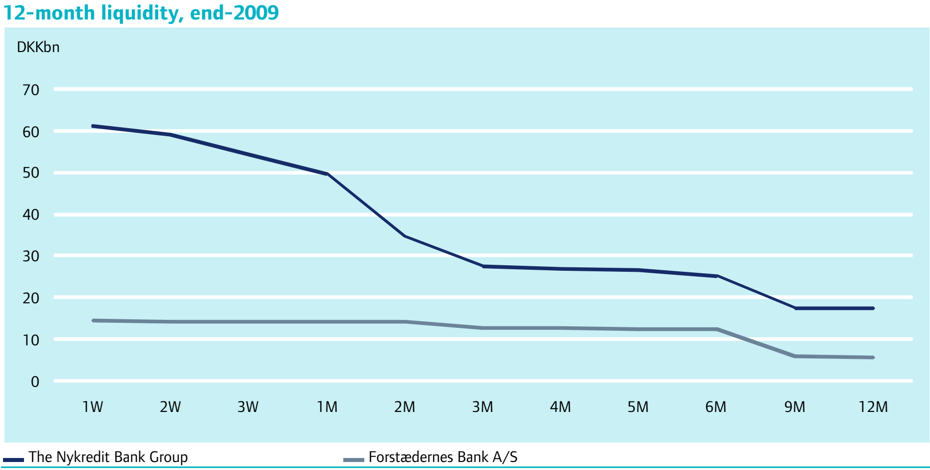
The Nykredit Bank Group
Liquidity relative to statutory requirements 2009



Forstædernes Bank A/S
Liquidity relative to statutory requirements 2009



The Nykredit Bank Group and Forstædernes Bank A/S
12-month liquidity, end-2009



Insurance risk

Insurance risk is the risk of fluctuations in claims under insurance contracts written. Insurance risk is divided into catastrophe risk and non-catastrophe risk.

Catastrophe risk is the risk of loss as a result of a catastrophe such as hurricanes, floods, terrorism, etc. The losses are characterised by occurring rarely, but resulting in major financial losses when they do occur. Catastrophe risk is the greatest risk by far and is hedged to a wide extent through reinsurance.

Non-catastrophe risk relates to ordinary business operations and includes uncertainty about the size and timing of claims. Non-catastrophe risk can be divided into reserve risk (provisioning risk) relating to preceding claims years, and premium risk relating to the future period for which premiums have been paid.

Reserve risk includes the risk of fluctuations in average customer claims and the risk of final realised losses exceeding estimated losses.

Premium risk includes the risk of premium income for the coming period being insufficient to cover future claims payments.

Nykredit's insurance activities are exclusively concentrated within retail, agricultural and commercial customers, the latter relating mainly to commercial buildings insurance. Nykredit Forsikring has a well-diversified portfolio with many different customers.

The board of directors of the Insurer, Nykredit Forsikring, holds the overall responsibility for managing insurance risk. The board lays down guidelines for the types of risk written and their size as well as the principles of risk assessment and reinsurance. In cooperation with the technical departments, the Risk Management department of the Insurer has the day-to-day responsibility for managing insurance risk.

In the Commercial Customers area, an insurance risk committee reviews and approves insurance offers of substantial amounts to commercial customers. Unusual or substantial risk exposures are subject to board approval.

It is a company objective to limit the risks through reinsurance.

As a result of the reinsurance cover, the part of catastrophe claims of up to DKK 1,700m which the Insurer has to cover was limited to DKK 30m. Should the claim exceed DKK 1,700m, the Insurer's expense will rise proportionally up to DKK 330m in case of a claim of DKK 2,000m. In connection with payments from the reinsurance programme, a reinstatement premium is payable in accordance with common reinsurance practice.

The reinsurance cover for 2010 equals the cover for 2009.

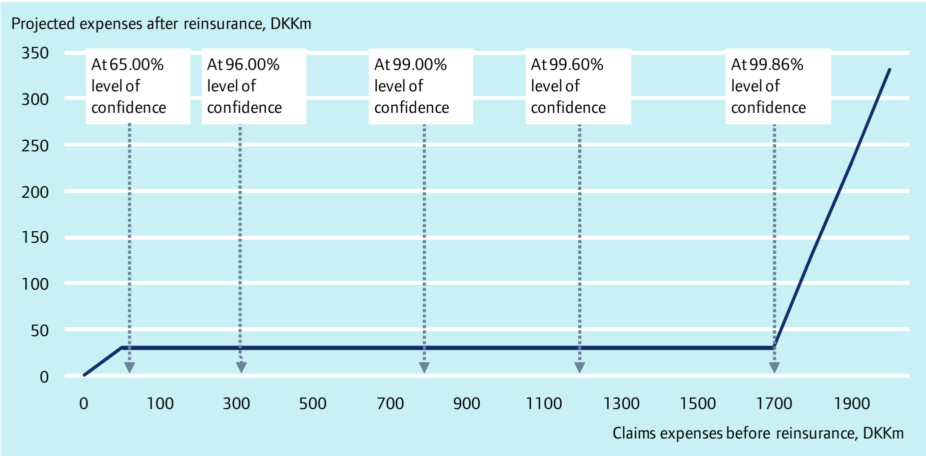
Reinsurance business ceded goes to other insurance companies in accordance with the overall guidelines laid down by the board of directors of Nykredit Forsikring A/S for rating requirements for reinsurance companies.

The ratings of the reinsurance companies applied by Nykredit are reviewed on a current basis. None of the ratings were downgraded to a level below the lower limit in the past year.

Nykredit Forsikring A/S has commenced its preparations for the Solvency II requirements scheduled for implementation in 2012. Solvency II requires insurance firms to have a quantitative model for calculating capital requirements, and to put in place policies and business processes and to develop tools to ensure adequate risk and capital management systems. Insurance firms must furthermore demonstrate that the models are fully integrated into the organisation.

One of the major changes introduced by Solvency II is the approach used to calculate technical provisions. Technical provisions must be divided into a best estimate and a separately specified risk margin.

Nykredit Forsikring A/S
Catastrophe claims expenses



Operational risk

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

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

The Nykredit Group is constantly working to create a risk culture where the awareness of operational risk is a natural part of everyday work.

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

Nykredit systematically records and categorises loss-making operational events to create an overview of loss sources and gain experience from which others in the organisation may learn. 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. Furthermore, the experience database with operational events is applied in the product development phase of new products.

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

As a consequence of the legislative framework for mortgage banking, which accounts for the majority of the Group's activities, and the highly standardised mortgage products, the operational risk relating to this area is inherently limited.

Appendix: Comparative tables

The Nykredit Realkredit Group
Credit exposures and capital charge

2008 DKK million	Mortgage lending	Bank lending	Guarantees issued	Other	Total exposures	*Of which undrawn commitments*	Exposure-weighted average risk weight %	Capital charge for credit risk
Retail exposures	558,580	21,189	3,282	-	583,051	*10,393*	13.4	6,246
Of which								
- Mortgages on real property	*558,580*	*12,429*	*1,554*	-	*572,562*	*5,920*	*12.7*	*5,810*
- Revolving exposures, etc	-	*3,432*	-	-	*3,432*	*1,509*	*12.4*	*34*
- Other retail exposures	-	*5,328*	*1,728*	-	*7,056*	*2,963*	*71.1*	*402*
Commercial exposures	285,737	83,138	11,318	-	380,193	*19,394*	44.4	13,508
Credit institution exposures	37,941	-	346	43,142	81,430	*2,604*	15.4	1,003
Sovereign exposures	23,480	-	180	17,992	41,651	*24*	-	-
Equity exposures	-	-	-	5,419	5,419	-	325.4	1,411
Assets with no counterparty	-	-	-	3,848	3,848	-	100.0	308
Total 2008	**905,738**	**104,327**	**15,126**	**70,400**	**1,095,591**	*32,416*	**25.6**	**22,475**
Total 2007	856,620	79,141	14,584	111,994	1,062,339	*41,220*	24.5	20,817

The Nykredit Realkredit Group
Credit exposures by maturity

2008 DKK million	Up to 1 year	1 year and up to 5 years	Over 5 years	Total exposure
Retail exposures	24,183	9,960	548,908	583,051
Of which				
- Mortgages on real property	*16,237*	*8,113*	*548,212*	*572,562*
- Revolving exposures, etc	*3,432*	-	-	*3,432*
- Other retail exposures	*4,513*	*1,847*	*696*	*7,056*
Commercial exposures	36,225	35,295	308,673	380,193
Credit institution exposures	43,316	19	38,094	81,430
Sovereign exposures	17,961	250	23,440	41,651
Equity exposures	-	-	5,419	5,419
Assets with no counterparty	3,848	-	-	3,848
Total 2008	**125,533**	**45,524**	**924,534**	**1,095,591**
Total 2007	165,021	31,338	865,980	1,062,339

The Nykredit Realkredit Group
Credit exposures by type of counterparty

2008 DKK million	Retail	Non-profit housing	Private rental housing	Office and retail	Agriculture	Industry and trades	Other	Total exposure
Retail exposures	545,554	408	6,100	5,218	7,357	18,415	-	583,051
Of which								
- Mortgages on real property	*535,201*	*407*	*6,068*	*5,207*	*7,272*	*18,408*	-	*572,562*
- Revolving exposures, etc	*3,407*	*1*	*14*	*3*	*7*	*1*	-	*3,432*
- Other retail exposures	*6,946*	*0*	*18*	*8*	*77*	*6*	-	*7,056*
Commercial exposures	-	22,884	119,496	63,877	58,471	115,464	-	380,193
Credit institution exposures	-	-	-	-	-	-	81,430	81,430
Sovereign exposures	-	-	-	-	-	-	41,651	41,651
Equity exposures	-	-	-	-	-	-	5,419	5,419
Assets with no counterparty	-	-	-	-	-	-	3,848	3,848
Total 2008	**545,554**	**23,291**	**125,596**	**69,095**	**65,828**	**133,880**	**132,347**	**1,095,591**
Total 2007	454,029	22,870	116,907	56,689	73,138	109,456	229,251	1,062,339

The Nykredit Realkredit Group
Retail exposures covered by IRB

2008 Rating category	Total exposure DKK million	Of which undrawn commitments DKKm	Exposure-weighted average LGD [1] %	Exposure-weighted average risk weight %	Capital charge for credit risk DKKm
10	16,232	557	7.2	1.6	21
9	44,075	841	6.6	2.7	95
8	81,111	961	7.7	4.5	293
7	107,766	974	8.9	7.2	621
6	135,097	1,471	10.6	11.1	1,195
5	104,645	1,368	12.6	16.8	1,408
4	50,099	1,055	15.0	26.0	1,043
3	17,563	347	14.1	30.9	435
2	9,534	125	13.6	42.8	326
1	4,208	38	14.6	70.3	237
0	760	10	14.7	80.9	49
Non-performing exposures[2]	1,945	12	10.9	19.8	31
Total	**573,035**	**7,760**	**10.4**	**12.6**	**5,754**

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

[1] Pursuant to section 70(7) 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 charge. Exposure-weighted average LGD has been determined after adjustment to ensure compliance with the 10% requirement, cf section 70(7) of the Executive Order.

[2] The calculation of the capital charge for non-performing exposures is based on the difference between LGDs and individual impairment provisions.

The Nykredit Realkredit Group
Commercial exposures covered by IRB

2008 Rating category	Total exposure DKK million	Of which undrawn commitments DKKm	Exposure-weighted average LGD [1]	Exposure-weighted average risk weight %	Capital charge for credit risk DKKm
10	14,623	1,657	19.6	17.2	201
9	30,546	2,269	15.6	19.4	474
8	77,661	3,978	17.3	26.1	1,623
7	80,519	3,343	18.1	33.4	2,152
6	44,111	1,788	20.7	42.6	1,503
5	32,741	1,040	20.1	49.4	1,295
4	25,418	727	21.2	60.9	1,238
3	22,566	736	20.3	65.1	1,176
2	22,252	1,846	22.0	75.6	1,345
1	6,268	255	21.2	97.5	489
0	2,456	113	21.1	103.3	203
Non-performing exposures[1]	1,604	20	26.5	189.6	243
Total	**360,765**	**17,772**	**19.0**	**41.4**	**11,942**

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

[1] The calculation of the capital chaarge for non-performing exposures is based on the difference between LGDs and individual impairment provisions.

The Nykredit Realkredit Group
Types of security and credit exposures

2008 DKK million	Real property[1]	Guarantees received	Financial collateral	Total collateral value	Total exposure
Retail exposures	624,929	37,941	-	662,870	583,051
Of which					
- Mortgages on real property	*624,929*	*37,941*	-	*662,870*	*572,562*
- Revolving exposures, etc	-	-	-	-	*3,432*
- Other retail exposures	-	-	-	-	*7,056*
Commercial exposures	317,708	23,480	3,297	344,485	380,193
Credit institution exposures	-	-	-	-	81,430
Sovereign exposures	-	-	-	-	41,651
Equity exposures	-	-	-	-	5,419
Assets with no counterparty	-	-	-	-	3,848
Total 2008	**942,637**	**61,421**	**3,297**	**1,007,356**	**1,095,591**
Total 2007	848,974	116,875	2,424	968,272	1,062,339

Note: Exposures include bank guarantees (DKK 38.0bn) included under credit institution exposures and government guarantees (DKK 23.4bn) included under sovereign exposures.

[1] The collateral value of real property is measured at nominal value.