

# Annual Report 2007



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# Nykredit Bank's business profile



## Financial sustainability

Nykredit Bank takes up a central position in the overall strategy of the Nykredit Group and cooperates closely with the other group companies.

For the purpose of customer services, Nykredit is organised into four intercompany business areas: Retail Customers, Business Partners, Commercial Customers and Markets & Asset Management.

The individual business areas offer their customers the full range of group products and

services provided through intercompany cooperation.

The Bank plays different roles within the business areas. In the Retail Customers area, the Bank is mainly a supplier of products; in the Commercial Customers area, the Bank is responsible for the Group's corporate accounts, including agricultural customers, and supplies products to the other group customers; and in the Markets & Asset Management area, the Bank is responsible for all activities.

The business concept of the Nykredit Group is financial sustainability. Nykredit Bank therefore values balanced risk management and a strong capital structure. To customers, business partners, staff and investors, financial sustainability implies that the Bank maintains a long-term perspective while creating new and dynamic opportunities.

More information about Nykredit Bank is available at [nykredit.com](http://nykredit.com).

# Company information

## **COMPANY INFORMATION**

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

Website: [nykredit.com](http://nykredit.com)  
Tel: +45 44 55 18 00

CVR no: 10 51 96 08  
Financial period: 1 January – 31 December  
Municipality of registered office: Copenhagen

## **Auditors**

Deloitte  
Statsautoriseret Revisionsaktieselskab  
Weidekampsgade 6  
DK-2300 Copenhagen S

## **Annual general meeting**

The annual general meeting of the Company  
will be held on 11 March 2008

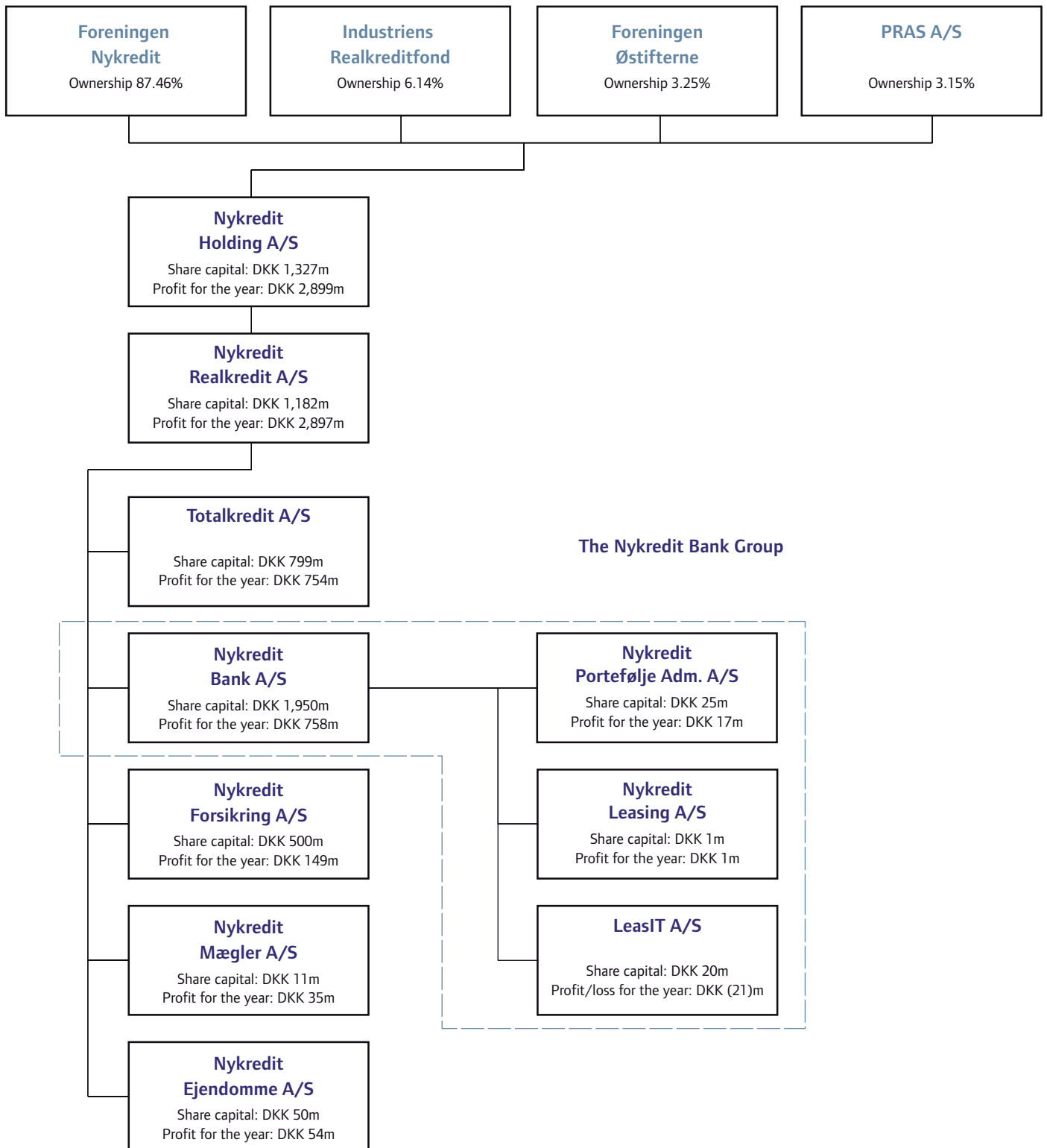
## **BOARD OF DIRECTORS**

Karsten Knudsen, Chairman  
Søren Holm, Deputy Chairman  
Per Ladegaard  
Henrik K. Asmussen, staff-elected  
Allan Kristiansen, staff-elected

## **EXECUTIVE BOARD**

Kim Duus  
Bjørn Damgaard Mortensen  
Karsten Knudsen (until 30 September 2007)

# Group chart



# The Nykredit Bank Group 2003–2007

DKK million/EUR million	The Nykredit Bank Group					
	2007/EUR	2007	2006	2005 <sup>1</sup>	2004 <sup>1</sup>	2003
<b>SUMMARY INCOME STATEMENT</b>						
Net interest and fee income	177	1,323	1,032	1,007	875	891
Value adjustments	73	542	522	177	12	2
Other operating income	2	17	21	20	42	94
Staff and administrative expenses	117	871	739	590	498	436
Other operating costs, depreciation and amortisation	2	12	3	6	4	4
Impairment losses on loans and receivables	(2)	(14)	(44)	7	6	129
<b>Profit before tax</b>	<b>136</b>	<b>1,013</b>	<b>877</b>	<b>601</b>	<b>421</b>	<b>418</b>
Tax	34	255	250	162	131	125
<b>Profit for the year</b>	<b>102</b>	<b>758</b>	<b>627</b>	<b>439</b>	<b>290</b>	<b>293</b>
<b>BALANCE SHEET, YEAR-END</b>						
<b>Assets</b>						
Cash balance and receivables from central banks and credit institutions	2,832	21,123	18,438	15,031	13,094	14,738
Loans, advances and other receivables at fair value	744	5,550	3,432	6,688	5,242	3,012
Loans, advances and other receivables at amortised cost	5,319	39,659	28,983	19,731	17,408	19,017
Bonds at fair value and equities	7,441	55,483	47,955	36,152	31,586	29,783
Other asset items	1,822	13,584	8,237	6,860	6,629	5,869
<b>Total assets</b>	<b>18,158</b>	<b>135,399</b>	<b>107,045</b>	<b>84,462</b>	<b>73,959</b>	<b>72,419</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	10,303	76,825	63,107	44,654	39,695	41,149
Deposits and other payables	4,253	31,717	22,667	22,103	19,094	13,351
Other non-derivative financial liabilities at fair value	725	5,403	7,032	6,484	5,110	8,304
Other payables	1,737	12,953	8,680	6,748	6,044	5,930
<b>Total payables</b>	<b>17,018</b>	<b>126,898</b>	<b>101,486</b>	<b>79,989</b>	<b>69,943</b>	<b>68,734</b>
Provisions	0	2	18	59	41	24
Subordinate loan capital	322	2,400	1,300	800	800	800
Equity	818	6,099	4,241	3,614	3,175	2,861
<b>Total liabilities and equity</b>	<b>18,158</b>	<b>135,399</b>	<b>107,045</b>	<b>84,462</b>	<b>73,959</b>	<b>72,419</b>
<b>OFF-BALANCE SHEET ITEMS</b>						
Guarantees	1,936	14,435	9,343	10,399	7,919	6,751
Other contingent liabilities	1,078	8,041	6,374	3,058	2,280	3,050
<b>FINANCIAL RATIOS</b>						
Capital adequacy ratio, %		11.7	10.6	10.3	10.4	9.8
Core capital ratio, %		8.4	8.2	8.8	8.3	7.6
Return on equity before tax (pa) <sup>1</sup> , %		19.6	22.3	17.8	14.0	14.7
Return on equity after tax (pa) <sup>1</sup> , %		14.7	16.0	13.0	9.6	10.3
Income:cost ratio, DKK <sup>1</sup>		2.17	2.26	2.00	1.83	1.73
Interest rate exposure, %		3.3	4.3	3.3	3.0	2.4
Foreign exchange position, %		5.7	5.7	4.2	3.2	6.4
Foreign exchange exposure, %		0.1	0.2	0.1	0.0	0.1
Loans and advances:deposits		1.4	1.4	1.2	1.2	1.6
Loans and advances:equity		7.4	7.6	7.3	7.2	7.8
Growth in loans and advances for the year, %		39.5	22.7	16.1	2.2	(8.9)
Excess cover:statutory requirements for liquidity, %		150.7	122.7	207.1	195.3	93.7
Total large exposures, %		134.9	336.4	349.5	351.3	329.7
Impairment losses for the year, %		0.0	(0.1)	0.0	0.0	0.4
Average number of staff (full-time equivalents)		588	492	426	362	322

<sup>1</sup> Including effect of new accounting policies in 2004 and 2005

EUR 1 = DKK 7.4566 at end-2007

# Management's Review



## 2007 – IN BRIEF

- Group profit before tax was DKK 1,013m against DKK 877m in 2006
- Profit before tax generated a return on equity of 19.6% against 22.3% in 2006
- Marked earnings growth in Corporate Banking and a satisfactory development in Retail Banking and Markets & Asset Management
- The balance sheet stood at DKK 135bn against DKK 107bn at end-2006
- The Bank received new capital in 2007 in the form of equity and subordinate loan capital totalling DKK 2.2bn
- The Bank Group's capital adequacy ratio was 11.7% at end-2007 against 10.6% at end-2006.

## NYKREDIT BANK GROUP RESULTS

The Group recorded a profit before tax of DKK 1,013m against DKK 877m in 2006, up 15.5%.

Performance was satisfactory and exceeded the DKK 700m-800m forecast at the beginning of the year. The improvement derived mainly from higher earnings in the areas of

Corporate Banking and Markets & Asset Management.

Earnings from securities not allocated to the business areas also exceeded expectations, while Retail Banking, excluding impairment losses, matched expectations. Profit before tax was in line with the Bank's upgraded forecast of DKK 0.9bn-1.0bn announced at 30 June 2007.

Profit equalled a return on equity of 19.6% compared with 22.3% in 2006.

Relative to 2006, the Bank's core income (net interest and fee income, value adjustments and other operating income) increased by DKK 318m to DKK 1,896m, while investment portfolio income was DKK 11m down on 2006.

The increased core income was delivered by Corporate Banking and Markets & Asset Management, up by DKK 175m and DKK 82m, respectively. Retail Banking was DKK 12m below the level of 2006, while income from group items (non-allocated securities) rose by DKK

73m to DKK 186m. The rise in core income from securities was partly due to the equity increase of DKK 1.1bn in 2007 and higher interest rates.

Net interest income was up from DKK 776m to DKK 1,018m. The rise reflected growing activities in the three business areas of the Bank, of which Corporate Banking in particular saw considerable growth. Earnings from non-allocated securities also exceeded the level of 2006.

Dividends and fees netted an increase from DKK 256m to DKK 305m. The rise derived in particular from increased activity levels in both Corporate Banking and Markets & Asset Management.

Value adjustments increased from DKK 522m to DKK 542m, mainly because of a negative value adjustment of bonds of DKK 453m and a positive value adjustment of derivatives of DKK 845m. Net interest income and value adjustments should be considered in context as the Bank to a large extent uses combinations of interest-bearing financial assets, liabilities and derivatives as part of its day-to-day operations, including swaps for interest rate hedges.

Other operating income came to DKK 17m against DKK 21m in 2006. The amount related partly to the Bank's leasing activities.

Staff, administrative and other operating costs grew by DKK 141m to DKK 883m – up 19% on 2006.

Staff expenses rose 16% from DKK 444m in 2006 to DKK 514m in 2007. The rise is attributable to increased recruitment resulting from the generally enhanced business volume, including nearly 30 staff transferred from

## The Nykredit Bank Group

### Principal income statement items

DKKm	2007	2006
Net interest and fee income	1,323	1,032
Value adjustments	542	522
Other operating income	17	21
<b>Total income from interest, fees and value adjustments<sup>1</sup></b>	<b>1,882</b>	<b>1,575</b>
Staff and administrative expenses	883	742
Impairment losses on loans, advances and receivables	(14)	(44)
<b>Profit before tax</b>	<b>1,013</b>	<b>877</b>
Tax	255	250
<b>Profit for the year</b>	<b>758</b>	<b>627</b>
<sup>1</sup> Of which		
- Core income	1,896	1,578
- Investment portfolio income	(14)	(3)

Nykredit Realkredit A/S to Corporate Banking in Q1/2007 to cover the growing activity level. Furthermore, the development reflected a rise in performance-related pay. The number of staff grew by 20% from an average of 492 in 2006 to 588 in 2007.

Administrative expenses rose by 21% from DKK 295m in 2006 to DKK 357m. The rise stemmed from a wide range of the Bank's cost items in general and IT and transaction-dependent expenses in particular.

Amortisation, depreciation and impairment losses for intangible assets and property, plant and equipment amounted to DKK 10m compared with DKK 2m in 2006. The increase of DKK 8m was mainly attributable to goodwill impairment associated with LeasIT A/S, in which Nykredit Bank acquired all shares at 1 October 2007.

Impairments equalled an income of DKK 14m against an income of DKK 44m in 2006. The amount derived from an income of DKK 16m in the Retail Banking area and an expense of DKK 2m in Corporate Banking. In the course of 2007, the Bank conducted a series of tests and adjustments of the models behind the Bank's group-based impairment provisions. As a result, the prerequisites for "impairment" were changed, and fewer customers/types of accounts therefore fall within the impairment criteria than previously. Consequently, the Bank's group-based impairment provisions changed from DKK 61m at end-2006 to DKK 11m at end-2007. Apart from impairments of DKK 30m in the subsidiary LeasIT A/S, individual impairment provisions remained low because of continued favourable economic trends.

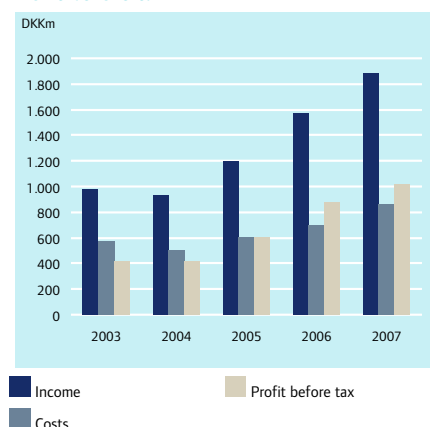
Tax for the period has been calculated at DKK 255m, or 25.3% of profit before tax. Tax for the year includes income of DKK 10m relating to the reduction of the tax rate in Denmark from 28% to 25% and deferred tax concerning previous years. In 2006 the tax charge came to DKK 250m, or 28.5% of profit before tax.

Profit for the year was DKK 758m against DKK 627m in 2006.

It will be recommended for approval by the annual general meeting that no dividend be distributed for 2007.

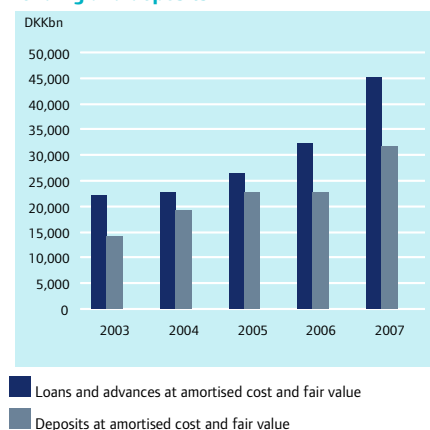
## The Nykredit Bank Group

### Profit before tax



## The Nykredit Bank Group

### Lending and deposits





## Business areas

The Nykredit Bank Group is organised into three intercompany business areas: Retail Banking, Corporate Banking and Markets & Asset Management.

*Retail Banking* serves households and small agricultural customers who typically require the same product range as retail customers.

*Corporate Banking* serves business, agricultural and rental housing customers, including housing society and non-profit housing customers.

*Markets & Asset Management* handles the activities of the Nykredit Group within trading in securities and derivatives, debt capital, asset management and pension products. In addition, the business area conducts own trading activities.

### The Nykredit Bank Group

#### Profit before tax by business area

	Retail Banking		Corporate Banking		Markets & Asset Management		Group items <sup>1</sup>		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
DKK m										
Core income *	276	288	470	295	964	882	186	113	1,896	1,578
Operating costs	165	165	171	120	534	454	3	3	873	742
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	2	-	7	-	1	-	-	-	10	-
<b>Core earnings before impairment losses</b>	<b>109</b>	<b>123</b>	<b>292</b>	<b>175</b>	<b>429</b>	<b>428</b>	<b>183</b>	<b>110</b>	<b>1,013</b>	<b>836</b>
Impairment losses on loans and advances	(16)	(62)	2	18	-	-	-	-	(14)	(44)
<b>Core earnings after impairment losses</b>	<b>125</b>	<b>185</b>	<b>290</b>	<b>157</b>	<b>429</b>	<b>428</b>	<b>183</b>	<b>110</b>	<b>1,027</b>	<b>880</b>
Investment portfolio income							(14)	(3)	(14)	3
<b>Profit before tax</b>	<b>125</b>	<b>185</b>	<b>290</b>	<b>157</b>	<b>429</b>	<b>428</b>	<b>169</b>	<b>107</b>	<b>1,013</b>	<b>877</b>
* Of which transactions between the business areas	107	111	(148)	(77)	41	(34)	-	-	0	0
Income:costs	1.8	2.8	2.6	2.1	1.8	1.9	-	-	2.2	2.3
Average allocated business capital <sup>2</sup>	966	802	2,537	1,766	934	805	29	21	4,466	3,394
Core earnings as % of allocated business capital	12.9	23.0	11.4	8.9	45.9	53.0	-	-	23.0	25.9

<sup>1</sup> Include income from securities not allocated to the individual business areas, but included in the Bank's own portfolio, as well as non-allocated expenses.

<sup>2</sup> 8% of average risk-weighted assets allocated to the business areas.

## The Nykredit Bank Group

### Principal balance sheet items by business area

	Retail Banking		Corporate Banking		Markets & Asset Management		Group items <sup>1</sup>		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
DKKm										
<b>Assets</b>										
Receivables from credit institutions and central banks					20,197	18,246	926	192	21,123	18,438
Loans and advances at fair value					5,550	3,432			5,550	3,432
Loans and advances at amortised cost	7,829	6,348	31,830	22,635					39,659	28,983
Bonds, mortgages and equities	183	235	1,629	1,641	51,746	45,653	1,925	426	55,483	47,955
Properties and equipment	5		84	73			6	6	95	79
Other assets					8,021	4,467	5,468	3,691	13,488	8,158
<b>Total</b>	<b>8,017</b>	<b>6,583</b>	<b>33,543</b>	<b>24,349</b>	<b>85,514</b>	<b>71,798</b>	<b>8,325</b>	<b>4,315</b>	<b>135,399</b>	<b>107,045</b>
<b>Payables, liabilities and loan capital</b>										
Payables to credit institutions and central banks					74,702	63,107	2,123		76,825	63,107
Deposits and other payables	10,036	9,670	21,440	12,816	241	181			31,717	22,667
Non-derivative financial liabilities at fair value					5,403	7,032			5,403	7,032
Issued bonds					1,562	1,741			1,562	1,741
Other payables and liabilities					5,574	3,245	5,819	3,712	11,393	6,957
Subordinate loan capital							2,400	1,300	2,400	1,300
Equity							6,099	4,241	6,099	4,241
<b>Total</b>	<b>10,036</b>	<b>9,670</b>	<b>21,440</b>	<b>12,816</b>	<b>87,482</b>	<b>75,306</b>	<b>10,342</b>	<b>5,012</b>	<b>135,399</b>	<b>107,045</b>
<b>Associates and group enterprises<sup>3</sup></b>										
Associates and group enterprises have been included in the business areas as follows:										
Profit before tax	(1)	20	(36)	0	23	52	5	1	(9)	73
Investment (equity value)	60	61	139	51	89	147	118	113	406	372
<b>Off-balance sheet items</b>										
Guarantees	6,795	6,702	14,600	8,885	1,081	130	0	0	22,476	15,717
Investments in property, plant and equipment	5	-	-	-	-	-	5	2	10	2

<sup>3</sup> The Retail Banking area includes the Bank's mortgage trading activities, the Corporate Banking area includes the Bank's leasing activities, while the Bank's investment management company Nykredit Portefølje Administration A/S is included under Markets & Asset Management. The subsidiary Nykredit Fixed Income Opportunities Fund Limited is included under group items.

## Retail Banking

The Retail Banking area supplies Nykredit Bank products through the distribution channels of the Nykredit Group, including 48 retail centres, the website nykredit.dk and the centralised sales centre.

Retail Banking recorded a profit before tax of DKK 125m against DKK 185m in 2006. This development was mainly due to changes in loan impairment from an income of DKK 62m in 2006 to an income of DKK 16m in 2007. Excluding this change, results decreased from DKK 123m to DKK 109m.

Core income fell by DKK 12m, of which interest income came to DKK 11m, fees netted DKK 2m, while value adjustments and other operating income decreased by around DKK 25m particularly as a result of decreased income from mortgage trading activities.

Operating costs of DKK 167m were on a level with 2006. A lower staff number reduced expenses for wages and salaries, while other expenses rose moderately. The staff number decreased from 116 at end-2006 to 103 at end-2007 as a consequence of a reorganisation of the Nykredit Group leading to the transfer of a number of staff members to Nykredit Realkredit.

Loan impairments were closer to the normal level compared with 2006, when especially re-

versal of individual impairment provisions delivered a significant income. The provisioning need remained low, reflecting the sound Danish economy and not least the favourable financial position of homeowners, as a consequence of the fact that loans are, to a wide extent, secured by owner's mortgages.

In total, profit for the year equalled an average return on the business capital before tax of 12.9% against 23% in 2006. The income:cost ratio decreased from DKK 2.8 to DKK 1.8.

### Balance sheet

Lending increased by 23% from DKK 6,348m in 2006 to DKK 7,829m in 2007, primarily as a result of equity release accounts (Friværdikonto®). Deposits were up from DKK 9,670m to DKK 10,036m as a result of continued growth in the number of customers opening wage accounts, which rose by 13,000 net to some 95,000 customers.

### Activities in 2007

The positive development continued in 2007 with focus on offering wage accounts to new customers and to the Nykredit Group's homeowner customers. In February, the Bank introduced a high-interest savings account (Formuekonto).

In 2007 the loan-to-value (LTV) limit on equity release accounts was raised to 100% against 80% previously.

Furthermore, the Bank launched a no-fee alternative to the wage account (Frikonto).

To satisfy customers' demand for insurance cover abroad following the reduced cover of the national health insurance, the insurance cover under Nykredit's international credit cards, Nykredit Gold and Nykredit Blue, has been extended.

Customers increasingly demand flexibility in the relationship with their financial services providers. In response to this demand and as the first provider in Denmark, Nykredit introduced WebDesk in 2007 – a tool for personal online meetings with Nykredit advisers.

Furthermore, in 2007 the competencies of the retail centres were supplemented with specialist advisers within asset management and pension services. In future, the business area will increase its focus on customers' asset side, and Nykredit will launch a new advisory tool (Formueoverblik), which offers customers asset/liability management and which is expected to become an important tool for customer-facing staff.

### Second mortgages

Dansk Pantebrevsbørs, of which the Bank holds 50%, underperformed expectations as the activity level within commercial mortgages was lower compared with 2006.

### Retail Banking in 2008

Also in 2008, the Retail Banking area will focus on attracting more wage account and full-service customers and strengthening the investment and asset management services, including pension services. Asset management advisers receive special training for this purpose. The area will also continue to further develop and improve self-service solutions.

## Results – Retail Banking

DKKm	2007	2006
Core income	276	288
Operating costs	167	165
<b>Core earnings before impairment losses</b>	<b>109</b>	<b>123</b>
Impairment losses on loans and advances	(16)	(62)
<b>Core earnings after impairment losses</b>	<b>125</b>	<b>185</b>
<b>Profit before tax</b>	<b>125</b>	<b>185</b>
Income:costs	1.8	2.8
Average allocated business capital <sup>1</sup>	966	802
Core earnings as % of allocated business capital	12.9	23.0

<sup>1</sup> 8% of average risk-weighted assets allocated to the business area.

## Principal balance sheet items

DKKm	2007	2006
<b>Assets</b>		
Loans and advances at amortised cost	7,829	6,348
Bonds, mortgages and equities	183	235
<b>Payables</b>		
Deposits and other payables	10,036	9,670
<b>Off-balance sheet items</b>		
Guarantees	6,795	6,702

## Corporate Banking

Corporate Banking serves agricultural, public sector, business and rental housing customers, including housing society and non-profit housing customers. Products are distributed through 26 commercial centres offering all of the Group's products within banking, mortgage banking, insurance, investment and debt management.

Corporate Banking generated a profit of DKK 290m in 2007 – up DKK 133m (85%) on 2006.

Core income increased from DKK 295m in 2006 to DKK 470m in 2007, and the business area continued its positive development with increased lending and a generally high activity level. Growth in earnings from domestic and international corporate customers was substantial, just as sales through the commercial centres of the Nykredit Group increased.

Corporate Banking generally saw a remarkable development and succeeded in using the Group's distribution powers to create a wider sales platform. The success proved most notable within products for managing interest rate risk such as interest rate swaps. By contrast, the business area's leasing activities generated a loss of approx DKK 36m in 2007.

Operating costs including impairment of intangible assets rose by DKK 58m to DKK 178m

in 2007, partly due to higher expenses for wages and salaries, which increased from DKK 65m to over DKK 105m because of a rise in the staff number from 103 at end-2006 to 165 at end-2007. Furthermore, costs were affected by impairment in the amount of approximately DKK 6m resulting from an impairment test of goodwill in relation to LeasIT A/S.

Loan impairment amounted to DKK 2m in 2007 against DKK 18m in 2006. Special events included impairments in the amount of around DKK 30m in Q4 in the subsidiary LeasIT A/S. On balance, loan impairment remained extremely low, reflecting the continued stability of the Danish economy.

Profit for the year equalled an average return on the business capital of 11.4% before tax against 8.9% in 2006. The income:cost ratio increased from DKK 2.1 to DKK 2.6.

### Balance sheet

Lending saw a highly satisfactory lift from DKK 22.6bn at end-2006 to DKK 31.8bn at end-2007. Deposits went up from DKK 12.8bn in 2006 to DKK 21.4bn in 2007.

### Activities in 2007

2007 saw a satisfactory development in activities with growing business volumes as a result of extensive product development. In total, the area recorded handsome financial results that will pave the way for further growth in the coming years.

Nykredit Bank's product range includes several deposit and loan products, financial instruments, securities trading services, asset management, etc. 2007 saw the launch of a number of new credit facilities that better satisfy commercial customers' demand for liquidity management. The products are provided on a secured or unsecured basis. This has enabled Nykredit to offer many commercial customers a complete financing package, in which the fairly rigid mortgage-based financing is supplemented with more flexible bank financing, which customers may combine with various services such as payroll and payments administration.

The product range was further expanded to include Cibor and Euribor-linked bank loans, which are based on Danish and European money market rates. In this way, commercial customers may raise bank and mortgage loans based on the same rates of interest. Accordingly, they are offered an all-in-one financing package comprising both bank and mortgage loans, which can be hedged with one financial instrument.

The larger supply of financial instruments and financing solutions for commercial customers in 2007 generated marked growth in Corporate Banking's sale of derivatives such as swap and option products.

Within the investment area, focus has centred on asset management products. A range of structured products was launched on a current basis, and Corporate Banking played an active part in the offering of SPEAS shares.

Nykredit Bank is still one of the main suppliers of construction loans for the non-profit housing sector and provides financing solutions for large and small housing projects involving housing society as well as owner-occupied dwellings.

Over the years, Corporate Banking has acquired special expertise within acquisition finance. This area saw significant growth in 2007 by virtue of the growing number of transactions completed by private equity funds.

## Results – Corporate Banking

DKKm	2007	2006
Core income	470	295
Operating costs	178	120
<b>Core earnings before impairment losses</b>	<b>292</b>	<b>175</b>
Impairment losses on loans and advances	2	18
<b>Core earnings after impairment losses</b>	<b>290</b>	<b>157</b>
<b>Profit before tax</b>	<b>290</b>	<b>157</b>
Income:costs	2.6	2.1
Average allocated business capital <sup>1</sup>	2,537	1,766
Core earnings as % of allocated business capital	11.4	8.9

<sup>1</sup> 8% of average risk-weighted assets allocated to the business area.

## Principal balance sheet items

DKKm	2007	2006
<b>Assets</b>		
Loans and advances at amortised cost	31,830	22,635
Bonds, mortgages and equities	1,629	1,641
Properties	84	73
<b>Payables</b>		
Deposits and other payables	21,440	12,816
<b>Off-balance sheet items</b>		
Guarantees	14,600	8,885

The area also joins forces with Nykredit Markets to provide corporate finance through capital market products, including the issuance of bonds and subordinate loan capital.

#### *Leases*

The Bank believes lease financing will be a growing market in Denmark and that the new legislation on covered bonds ("særligt dækkede obligationer" – SDOs) will enhance the business potential. To strengthen its position in the lease finance market, the Bank acquired 77.35% of the shares in LeasIT A/S as of 1 October 2007, after which date the company is a wholly-owned subsidiary. For further details on the company, please refer to page 25 of the management's review and note 44.

Nykredit Leasing A/S and four leased properties are also included in this business area. Earnings from these activities matched expectations.

#### *Corporate Banking in 2008*

In 2007 Corporate Banking used the mortgage platform to widen its business activities with bank, investment and insurance products and thereby established a new earnings platform and a firmer market position. In 2008 the Bank will further expand its business relations with trade and industry and extend the holistic advisory platform that embraces both the assets and liabilities of customers. The Bank will offer a larger group of customers a tailor-made financing structure combining commercial and mortgage bank products with various interest-hedging financial instruments.

## Markets & Asset Management

This business area handles the activities of the Nykredit Group within securities and financial instruments trading, asset management and pension advice.

The trading and capital market activities of the business area are handled by Nykredit Markets and Debt Capital Markets, while asset management, portfolio administration and long-term savings are handled through Nykredit Asset Management and Nykredit Portefølje Administration A/S. Own trading activities are handled by Proprietary Trading.

To reinforce the structure and distribution power of the business area, Nykredit Portefølje Bank A/S was merged with Nykredit Bank A/S in 2007, and all asset management activities were gathered in the Nykredit Asset Management area. Portfolio administration is undertaken by the investment management company Nykredit Portefølje Administration A/S.

The business area recorded a profit of DKK 429m for 2007 against a profit of DKK 428m in 2006. It equalled an average return on the business capital of 46% against 53% in 2006. The profit is considered highly satisfactory in the light of the considerable turmoil in finan-

cial markets in the last six months of the year.

Core income was DKK 964m equal to a rise of DKK 82m compared with 2006. 2007 saw satisfactory growth in the customer-oriented activities of Nykredit Markets, Debt Capital Markets and the asset management areas, which all made a positive earnings contribution compared with 2006. By contrast, core income from Proprietary Trading fell from DKK 160m in 2006 to DKK 105m, partly because of the international financial crisis in H2/2007. Considering the market climate, earnings were satisfactory.

Costs increased by DKK 81m to DKK 535m as a result of increased business volumes, which led to higher expenses for staff, including performance-related pay, and for IT. The number of staff increased from 293 at end-2006 to 349 at end-2007.

### Balance sheet

The development in the balance sheet items of the business area should be seen in the context of the increasing activity level in general and in repo transactions in particular.

### Activities in 2007

#### Nykredit Markets

2007 was characterised by substantial earnings

growth in Nykredit Markets, driven by customer-oriented activities, targeting especially commercial customers, and supported by the continued product sophistication strategy of Nykredit Markets. The considerable business growth was achieved in spite of the credit crisis that set in around mid-2007.

The earnings pattern across Nykredit Markets in 2007 reflected growth in derivatives, foreign exchange and equities, while the other areas maintained their handsome earnings levels from 2006.

Derivatives were mainly driven by a lift in the sale of financial contracts to businesses and banks, and the products now make a significant contribution to the Bank's earnings. The sale of derivatives to institutional investors, for example, has furthermore been underpinned by the fact that Nykredit Bank was assigned a separate rating in 2007. Foreign exchange was another high-growth area, notably in the commercial customers segment. Equities represented the third major growth area in 2007.

Fixed Income and Credit Trading were marginally below the high earnings levels achieved in 2006; this is considered satisfactory in the light of the global credit crisis where subprime, swap spread widening and the covered bond meltdown have otherwise hit hard.

### Debt Capital Markets

Despite the challenging market conditions in the second half of the year, 2007 was yet another successful year. In total, Debt Capital Markets arranged funding and capital for Danish issuers in the amount of DKK 8.4bn, corresponding to an increase of 35% relative to 2006.

New initiatives on the liability side included the introduction of club loans, structured products for banks and structured funding.

Debt Capital Markets also launched a new product on the asset side for banks in H2/2007 in the form of structured deposit accounts with principal guarantees based on currency products in particular. Together with the bank, these products are structured and tailored to the profile and investor base of the individual bank.

## Results – Markets & Asset Management

DKKm	2007	2006
Core income	964	882
Operating costs	535	454
<b>Core earnings before impairment losses</b>	<b>429</b>	<b>428</b>
Impairment losses on loans and advances	0	0
<b>Core earnings after impairment losses</b>	<b>429</b>	<b>428</b>
<b>Profit before tax</b>	<b>429</b>	<b>428</b>
Income:costs	1.8	1.9
Avg allocated business capital <sup>1</sup>	934	805
Core earnings as % of allocated business capital	45.9	53.0

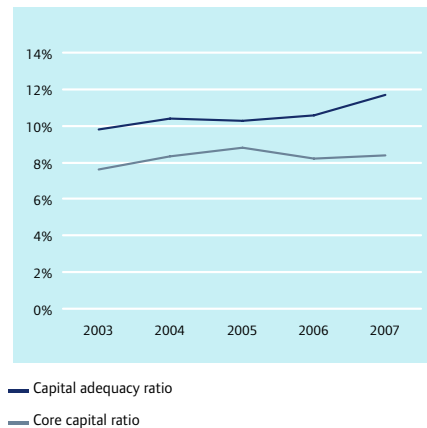
<sup>1</sup> 8% of average risk-weighted assets allocated to the business area.

## Principal balance sheet items

DKKm	2007	2006
<b>Assets</b>		
Receivables from credit institutions and central banks	20,197	18,246
Loans and advances at fair value	5,550	3,432
Bonds, mortgages and equities	51,746	45,653
<b>Payables</b>		
Payables to credit institutions and central banks	74,702	63,107
Deposits and other payables	241	181
Liabilities at fair value (cf note 28)	5,403	7,032
<b>Off-balance sheet items</b>		
Guarantees	1,081	130

## The Nykredit Bank Group

### Capital adequacy and core capital ratios



#### Nykredit Asset Management

The asset management activities of the Nykredit Group are handled by the business entity Nykredit Asset Management.

Nykredit Portefølje Bank and Nykredit Bank merged in mid-2007 with the latter as the continuing company. This enabled the creation of a large and effective asset management entity by joining the asset management activities of Nykredit Portefølje Bank and the Financial Products area of Nykredit Bank. At end-2007, Nykredit Asset Management employed around 120 staff members.

Nykredit Asset Management comprises the business areas Nykredit Portefølje, Privat Portefølje and Investering & Pension. Total assets under administration and advisory services amounted to approximately DKK 68bn at end-2007.

Nykredit Portefølje carries on discretionary asset management primarily aimed at institutional and professional investors. Nykredit Portefølje is identical with the former Nykredit Portefølje Bank in terms of activities and people.

Following high growth in activities in 2006, 2007 saw a reduction in assets under management by Nykredit Portefølje and less satisfactory investment results for its customers.

Assets under management decreased from DKK 71.5bn at end-2006 to around DKK 60bn at end-2007. The decrease was mainly a result of the largest mandate being terminated because of insourcing of the management with the customer concerned. Asset management activities and the scope of new mandates were generally subdued by market developments, however, which caused negative bond returns as a result of the general increase in interest

rates and very modest equity returns following several market setbacks during the year.

Against this backdrop, it is considered satisfactory that Nykredit Portefølje's management activities, as reflected by the performance of the subfunds of Nykredit Invest, caused Nykredit Invest to remain No 1 on Morningstar®'s list of the best rated investment funds in Denmark for 11 months of 2007 – a position held by Nykredit Invest for 25 consecutive months.

Private Portfolio addresses the mid-segment of wealthy private investors with investable assets of a minimum amount of DKK 1m. This area generated growth in private assets under management from DKK 5bn at the beginning of the year to around DKK 7bn at end-2007.

#### Nykredit Portefølje Administration A/S

Management of investment funds in the Nykredit Group is handled through Nykredit Portefølje Administration, a subsidiary of Nykredit Bank, which is a licensed investment management company.

Today, Nykredit Portefølje Administration is the largest provider in Denmark of administration services for retail and wholesale-based investment funds. Its growth continued in 2007 when total assets under administration increased by DKK 41.3bn to approximately DKK 257bn at end-2007.

In 2007 Nykredit Portefølje Administration was authorised to manage hedge funds and other professional funds, and participated in the formation and start-up of such funds.

#### Markets & Asset Management in 2008

Growth is expected to continue across the board. A wider product range and scope of activities across the business areas of the Nykredit Group and optimised distribution systems are expected to generate higher earnings in all customer segments.

Nykredit Markets will in 2008 continue its strategy of sophisticating the product range while intensifying sales efforts in relation to Nykredit's commercial customers. The strategy is supported by major IT investments which make it easier to handle a wider product range and increase scalability in relation to a broader customer segment.

The merger of asset management activities in the entity Nykredit Asset Management, which combines a strong customer and sales focus with professional investment competencies, is

expected to demonstrate its full potential in 2008.

The area's extensive investment expertise will enable development and sophistication of investment products and concepts targeting the different customer segments.

#### Group items

The segment financial statements contain a number of income statement and balance sheet items that cannot be allocated directly to the business areas. Such items are included under group items. Group items include the Group's total return on the securities portfolio which is the sum of "Core income from securities" and "Investment portfolio income", the latter comprising the part of the return that differs negatively or positively from the risk-free interest. The risk-free interest was 4.03% in 2007 against 2.88% in 2006. Core income from securities includes the risk-free return on the part of the Bank's net financial assets not allocated to the business areas.

Profit came to DKK 169m in 2007 against DKK 107m in 2006. The rise was attributable to the increase in the Bank's equity following a capital injection of DKK 1,100m from the Parent Company in 2007, retention of current earnings and, finally, higher interest rates.

## BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY OF THE NYKREDIT BANK GROUP

### Balance sheet

The Group's balance sheet at end-2007 totalled DKK 135.0bn against DKK 107.0bn at end-2006, up DKK 28bn.

Receivables from credit institutions rose by DKK 2.6bn to DKK 21.0bn, while loans and advances increased from DKK 32.4bn to DKK 45.2bn. Of the increase, repo transactions accounted for DKK 2.1bn, retail lending DKK 1.5bn and corporate lending DKK 9.2bn.

Bonds and equities totalled DKK 55.5bn, or 15.7% above the level at end-2006. The size of the portfolio should be seen in the context of the Bank's substantial repo activities.

Other assets and prepayments totalled DKK 13.5bn against DKK 8.2bn at end-2006. The item mainly consisted of interest and commis-

sions receivable, including "positive market value of derivative financial instruments".

Payables to credit institutions rose from DKK 63.1bn at end-2006 to DKK 76.8bn at end-2007.

Deposits went up by DKK 9.0bn to DKK 31.7bn, primarily driven by corporate banking deposits.

Issued bonds totalled DKK 1.6bn against DKK 1.7bn at end-2006. Two new bond issues were made in 2007, while bonds worth around DKK 179m matured or were redeemed. The majority of the bonds are listed on the OMX Nordic Exchange Copenhagen.

Other non-derivative financial liabilities at fair value came to DKK 5.4bn against DKK 7.0bn at end-2006. The item consists mainly of liabilities relating to repo activities, including "negative securities portfolios". Other payables and deferred income

amounted to DKK 11.4bn against DKK 6.9bn at end-2006. The item mainly consists of interest and commissions payable, including "negative market value of derivative financial instruments".

Subordinate loan capital increased by DKK 1.1bn to DKK 2.4bn in 2007. The capital was contributed by Nykredit Realkredit A/S to further the favourable development in the Bank's business areas.

### Equity

Equity stood at DKK 6,099m at 31 December 2007 equal to an increase of DKK 1,858m. The increase covers profit for the period of DKK 758m and new paid-up capital of DKK 1,100m. DKK 550m of the paid-up capital represented a premium.

### Capital adequacy

The capital adequacy ratio of the Nykredit Bank Group landed at 11.7% against 10.6% at end-2006, and the core capital ratio was 8.4% against 8.2% at end-2006.

### The Nykredit Bank Group

#### Summary balance sheet

DKKm	2007	2006
Receivables from credit institutions	21,020	18,405
Loans and advances at amortised cost and fair value	45,209	32,415
Bonds and equities	55,483	47,955
Payables to credit institutions	76,825	63,107
Deposits and other payables at amortised cost	31,717	22,667
Issued bonds	1,562	1,741
Subordinate loan capital	2,400	1,300
Equity	6,099	4,241
<b>Total balance sheet</b>	<b>135,399</b>	<b>107,045</b>

### The Nykredit Bank Group

#### Equity

DKKm	2007	2006
Equity, beginning of financial year	4,241	3,614
Profit after tax for the year	758	627
Capital increase and premium	1,100	-
<b>Equity, end of financial year</b>	<b>6,099</b>	<b>4,241</b>

### The Nykredit Bank Group

#### Capital base and capital adequacy

DKKm	2007	2006
Equity	6,099	4,241
Supplementary capital	2,400	1,300
Statutory deductions from core capital and supplementary capital	161	113
<b>Total</b>	<b>8,338</b>	<b>5,428</b>
Weighted items incurring credit, counterparty and delivery risk	61,029	40,502
Weighted items incurring market risk	10,389	10,631
<b>Total weighted items</b>	<b>71,418</b>	<b>51,133</b>
Capital adequacy ratio, %	11.7	10.6
Core capital after statutory deductions as % of weighted items	8.4	8.2

### Nykredit Bank and the financial crisis

Like the financial sector in general, Nykredit Bank incurred increasing funding costs as a result of the financial crisis in H2/2007. The Bank has had no positions in financial instruments based on US subprime loans.

### EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

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

### OUTLOOK FOR 2008

The business areas of the Nykredit Bank Group are generally expected to generate growth compared with 2007, albeit at more moderate rates.

Income is expected to rise in 2008, but increasing expenses are also expected – not merely because of the growing activities, but also as a result of substantial expenses for IT projects implemented to support future earnings and Bank risk management.

Against this backdrop, the Nykredit Bank Group expects a profit before tax in the range of DKK 1,050m-1,150m.



**OTHER****Management and organisational changes**

The Nykredit Group implemented a number of management and organisational changes on 1 October 2007 in connection with the planned retirement of Henning Kruse Petersen as Group Managing Director. Karsten Knudsen, Group Managing Director, succeeded Henning Kruse Petersen as Chairman of Nykredit Bank A/S and resigned from the Executive Board of the Bank. Bjørn Damgaard Mortensen, Senior Vice President, joined the Executive Board, which now consists of Kim Duus and Bjørn Damgaard Mortensen, both Managing Directors.

**Merger of Nykredit Bank and Nykredit Portefølje Bank**

Nykredit Bank A/S and its wholly-owned subsidiary Nykredit Portefølje Bank A/S merged with effect from 1 January 2007 with Nykredit Bank A/S as the surviving company. For further information on the merger, please refer to the Bank's H1 Interim Report 2007. Nykredit Portefølje Bank A/S's subsidiary, Nykredit Portefølje Administration A/S, is now a wholly-owned subsidiary of Nykredit Bank A/S.

**LeasIT A/S**

As at 1 October 2007, Nykredit Bank A/S acquired 77.35% of the shares in LeasIT A/S, which is now a wholly-owned subsidiary. Nykredit Bank acquired the company as the Management expects lease financing to be a growing market in Denmark, just as it sees increased business potential as a result of the new legislation on Danish covered bonds. LeasIT A/S has around 40 staff, and total assets amounted to approximately DKK 2.1bn at the acquisition date, of which the lease portfolio was approximately DKK 1.9bn.

**Capital injection**

The Bank received additional capital in 2007 from the Parent Company Nykredit Realkredit A/S in the amount of DKK 2.2bn. Of this amount, DKK 1.1bn was subordinate loan capital.

**MiFID**

On 1 November 2007, a new set of rules and executive orders entered into force in the field of securities trading. The new rules are based on EU directives and go by the popular title MiFID – short for the Markets in Financial Instruments Directive.

In relation to customers of the Nykredit Bank Group, the most important new provisions are laid down in the Executive Order on investor protection in connection with securities trading. The purpose of the executive order is to improve the protection of customers trading in a number of financial instruments.

**Basel II**

In December 2007, Nykredit Bank obtained the approval of the Danish FSA to apply the internal ratings-based approach under Basel II for the determination of capital requirements for credit risk from 1 January 2008. For further details, please refer to the section on risk and capital management.

**Rating**

In Q2/2007 Nykredit Bank was assigned a Aa3 rating by Moody's Investors Service. The rating has facilitated an expansion of the Bank's business and customer volumes, and the Bank will furthermore use it to establish funding programmes in the international capital market.

**STAFF**

The number of staff in the Nykredit Bank Group increased from 492 in 2006 to 588, up 20%.

The average age of the staff is 40 years – around 3 years lower than the average age of the Danish financial sector as such. The average length of service was 5.1 years against 13.3 years in the sector as a whole.

At end-2007, 38% of the staff was female and 62% was male. At management level 14.5% was female, while the share of women among new managers in 2007 was 15.8%.

The non-financial reporting, "About Nykredit 2007", available at nykredit.com, contains more information about staff and employment-related matters in the Nykredit Group.

**Staff benefits**

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

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

**Key IT projects in 2007**

Development of functionality to accommodate the new EU rules on securities trading, MiFID, was one of the major projects of the Group in 2007.

The Group also implemented a number of new functionalities in the trading and risk management systems of Markets & Asset Management in 2007.

In January, the Group launched a new interactive online adviser and a new customer dialogue concept, the WebDesk, where customers and an advisor may hold web-based meetings. Nykredit was nominated at the European Banking Technology Awards 2007 for its WebDesk in the category "Most innovative use of IT in Europe", and in November Nykredit was selected as one of the three best financial enterprises within this field in Europe.

**Nykredit Bank ratings**

Moody's Investors  
Service

Short-term deposit rating	Aa3
Long-term deposit rating	Prime-1
Bank Financial Strength	C+

# Risk and capital management

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

In recent years, the Group has spent considerable resources developing advanced models for quantifying group credit and market risk. These models are central elements of the Group's risk and capital management.

As from 2007, Nykredit will publish a detailed report annually entitled "Risk and Capital Management". The report contains a wide selection of risk key figures in accordance with the disclosure requirements of the Danish Executive Order on Capital Adequacy. The report is available at [nykredit.com/reports](http://nykredit.com/reports).

## Organisation and delineation of responsibilities

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

In Nykredit, risk management is coordinated on an intercompany basis. Overall risk management has been delegated to a number of committees monitoring and assessing the Bank Group's business development and risk.

The principal committees in Nykredit are the Risk Committee, the Asset/Liability Committee (ALCO), the Credits Committee and the Treasury Committee.

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

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

## New Danish Executive Order on Capital Adequacy (CRD/Basel II)

The EU's Capital Requirements Directives containing the new capital adequacy requirements based on the Basel II rules have been enacted into Danish legislation with effect from 1 January 2007. In 2007 capital requirements could still be determined in accordance with the former capital requirement rules (Basel I), which Nykredit Bank did.

Nykredit Bank has been granted FSA approval to use a Value-at-Risk model to determine its capital requirement for market risk.

In November 2007, Nykredit obtained FSA approval to apply the internal ratings-based approaches using own parameter estimates (the advanced IRB approach) under Basel II for the determination of the capital requirement for credit risk from 1 January 2008.

For the commercial loan portfolios, the Bank

has obtained approval to apply the IRB approaches and internal estimates of the probability of default (the foundation IRB approach) for the determination of credit risk from 1 January 2008. Models are being developed so that this part of the portfolio may also be determined by means of the advanced IRB approach.

Furthermore, Nykredit Bank has been granted approval to apply the standardised approach in relation to sovereign and credit institution exposures as well as minor portfolios.

Following FSA approval, the capital requirement for market risk is determined using a Value-at-Risk model with a time horizon of 10 days and a confidence level of 99%. Value-at-Risk is described further in the section about market risk.

Nykredit Bank will continue to use a Value-at-Risk model to determine the capital requirement for market risk.

From 1 January 2008, the capital requirement for operational risk will be determined using the basic indicator approach.

## Capital adequacy

Management's assessment of capital adequacy and the capital need is based on internal credit and market risk models.

Capital adequacy in the form of a required capital base is defined as the capital necessary to cover (at a given probability) statistically maximum unexpected losses within a time horizon of one year.

At Nykredit Bank, capital adequacy consists of two components, Pillar I and Pillar II. Pillar I consists of the capital requirements for credit, market and operational risk, while Pillar II consists of capital to counter other types of risk and stress testing.

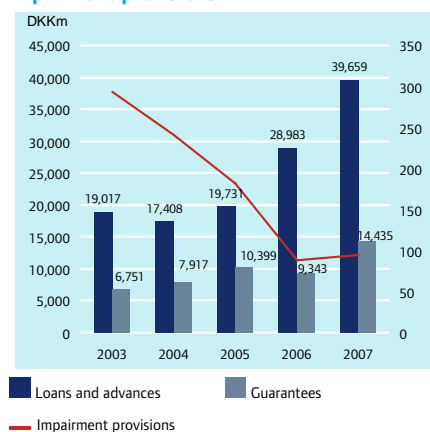
Nykredit Bank's capital adequacy was DKK 6,253m at 31 December 2007.

## Risk types

Nykredit Bank distinguishes between the following general types of risk:

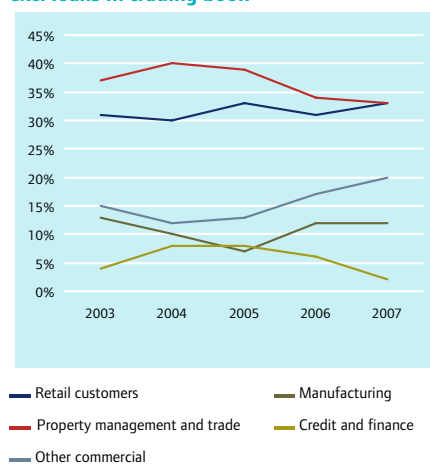
- *Credit risk* reflects the risk of loss following the non-performance of counterparties.
- *Market risk* reflects the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price, volatility risk, etc).
- *Liquidity risk* reflects the risk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

## Loans, advances, guarantees and impairment provisions



Note. Excl loans, advances and other receivables at fair value

## Loans, advances and guarantees by sector, excl loans in trading book



## CREDIT RISK

Because of Nykredit's size, the credit policy allows for the aim of a suitable market presence and the objective of limited losses.

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. The Bank's credit risk is managed in accordance with credit policies, business procedures and credit granting instructions, etc specific to the three business areas Retail Banking, Corporate Banking and Markets & Asset Management.

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

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

Nykredit's local centres have been authorised to process a considerable part of customer applications for bank facilities independently. As a result of the expansion of the Group's product range and the combination of certain business areas, the authority of the local centres was expanded in 2007.

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

When a customer applies for a bank facility, the customer and the customer's financial circumstances are assessed. Overall guidelines of credit assessment have been laid down centrally and depend for example on the customer's relationship with the Bank's business areas. Internal credit models continuously form an important part of the assessment of the majority of retail and commercial customers.

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

When establishing limits to financial products, Nykredit will often require that contracts provide the Group with a netting option. The contractual framework is typically based on standards such as ISDA or ISMA agreements. No set-off has been made for collateral or netting agreements in the accounting figures presented.

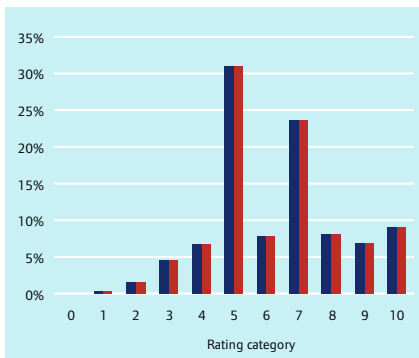
## The Nykredit Bank Group

DKKm	Commercial		Retail		Total	
	2007	2006	2007	2006	2007	2006
Impairment provisions, beginning of year	40	61	48	121	88	182
Impairments and reversals for the year	7	19	(19)	(61)	(12)	(42)
Claims previously provided for, now lost	2	40	7	12	9	52
Other additions and disposals	28	0	0	0	28	0
<b>Impairment provisions, year end</b>	<b>73</b>	<b>40</b>	<b>22</b>	<b>48</b>	<b>95</b>	<b>88</b>
Of which individual	71	12	13	15	84	27
Of which group-based	2	28	9	33	11	61
Effect on profit/loss						
New provisions for the year, net	7	19	(19)	(61)	(12)	(42)
Received on loans and advances previously provided for	6	2	3	3	9	5
Impairment losses not provided for	1	1	6	2	7	3
<b>Total effect on profit/loss</b>	<b>2</b>	<b>18</b>	<b>(16)</b>	<b>(62)</b>	<b>(14)</b>	<b>(44)</b>
Impairment losses as % of loans, advances and guarantees, year-end	0.2	0.1	0.1	0.4	0.2	0.5
Operating expenses as % of loans, advances and guarantees for the year	0.0	0.0	neg	neg	neg	neg

### Rating scale and marginal Probabilities of Default (PD)

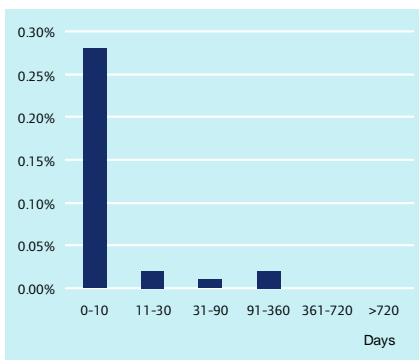
Rating category	PD floor	PD ceiling
10	0.00%	0.15%
9	0.15%	0.25%
8	0.25%	0.40%
7	0.40%	0.60%
6	0.60%	0.90%
5	0.90%	1.30%
4	1.30%	2.00%
3	2.00%	3.00%
2	3.00%	7.00%
1	7.00%	25.00%
0	25.00%	100.00%

### The Nykredit Bank Group Debt outstanding by rating category



■ 2006  
■ 2007

### Accounts overdrawn/in arrears



■ Arrears as % of loans and advances

### Elements of credit risk determination

The parameters behind credit risk determination are :

PD	Probability of Default – the probability of a customer defaulting on an obligation to the Nykredit Bank 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. The exposure value is adjusted for any undrawn part of a credit commitment.

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

### Loan impairment provisions 2007

The favourable economic climate implied few arrears, forced sales and recognised losses and also a low level of loan impairment provisioning in 2007.

Impairment provisions totalled DKK 95m at end-2007 compared with DKK 88m the year before.

The rise is an effect of the Bank's acquisition of LeasIT A/S on 1 October 2007, which led to a rise of DKK 28m equal to the impairment which could be ascribed to the ownership shares of the other shareholders before the acquisition. Furthermore, LeasIT A/S had booked impairment of some DKK 30m in Q4. Conversely, the Bank has reversed group-based impairment provisions of just over DKK 50m.

In Management's opinion, impairment provisions at end-2007 are necessary and adequate.

The effect on profit/loss in 2007 was positive at DKK 14m compared with an equally positive figure in 2006 of DKK 44m. Both years saw the reversal of impairment provisions. The Bank's testing and adjustment of the models behind the calculation of group-based impairment provisions were part of the reason for the reversal in 2007. In H2/2007, the criteria for determining "impairment" were changed considerably, which means that far fewer customers/types of accounts fall under the impairment criteria than previously. Similarly, individual impairment provisions were very low in 2007, notwithstanding a few individual cases in LeasIT A/S.

### Accounts overdrawn/in arrears

The amounts involved in accounts overdrawn/in arrears for which no impairment provisions have been made were fairly limited, and the majority involved ongoing transactions not finally settled. This was illustrated by the fact that the majority fell within the range of

0–10 days. These amounted to approximately 0.30% of total loans and advances.

### Guarantees

The Bank issues a number of guarantees on a current basis, including guarantees to mortgage banks. According to the accounting rules, guarantees must be reviewed and losses under guarantees provided for if deemed necessary. The financial year saw no provisions for guarantees.

### Credit risk models

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

A PD is estimated for each customer in the Group. The PD of retail customers is determined on the basis of a customer's credit score and payment behaviour. Credit scoring is a statistical calculation of a customer's creditworthiness based on the customer's financial circumstances and other factors. Credit scoring models have been applied at Nykredit Bank since 1998.

With respect to other customer groups, statistical models have been developed based on conditional probabilities estimating PDs that factor in business-specific circumstances such as accounting figures, arrears and 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 a lack of default data. External ratings are translated into PDs.

In special cases, Group Credits may allow the substitution of a calculated PD for a PD determined by credit experts.

The PD of the individual customer is translated into a rating from 0 to 10, 10 being the highest rating. The individual rating categories are defined as fixed PD ranges. A customer rating is 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.

For retail customers, LGD is calculated using internal methods based on loss and default data. The calculation takes into account any

security such as mortgages on real property, including the type of security, its quality and ranking in the order of priority.

As the models are used both in the determination of the future capital requirement and for many internal business purposes, it is decisive that the models work as intended and provide consistent results. To ensure consistent results and forecasting ability, all credit models are validated at the development stage and furthermore subject to ongoing validation. One annual validation report covering all group credit models is prepared. The report is subject to approval by the Risk Committee.

**MARKET RISK**

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

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

Nykredit Bank's Board of Directors fixes the limits to market risk - including Value-at-Risk, interest rate, equity price, foreign exchange and volatility risk.

The Executive Board fixes the market risk limits of Markets & Asset Management and subsidiaries. Risk Management monitors and reports market risk on a current basis and reports to Management on a day-to-day basis. Acting and reporting entities have been segregated.

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

**Value-at-Risk**

Value-at-Risk is computed on a day-to-day

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

In general, the Bank calculates risk factors relating to foreign exchange and interest rate risk, OAS (option-adjusted spread) risk, vega risk (risk of fluctuations in interest rate volatility) and risk on index-linked bonds.

The calculation of Value-at-Risk includes yield curves based on closing prices in the market as well as historical correlations and volatilities. These are calculated using an EWMA model with a decay factor of 0.94. Hence, the latest market observations will have the highest weighting.

The model results are subject to a daily back test which is presented to the Executive Board on a weekly basis.

In 2007 Value-at-Risk averaged DKK 12.5m (2006: DKK 10.6m). This meant that at a 99% probability Nykredit Bank would lose less than DKK 12.5m, in one day, as a consequence of market fluctuations. During 2007 Value-at-Risk ranged between DKK 7.5m and DKK 20.8m (2006: DKK 5.7m and DKK 17.6m, respectively).

*Elements in Value-at-Risk calculation*

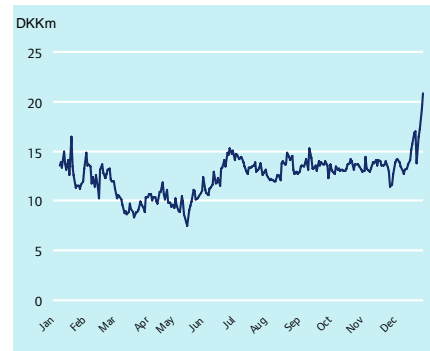
Value-at-Risk provides no indication of the distribution of losses under unusual market conditions. In consequence, a number of scenarios depicting unusual market conditions have been created. The scenarios are calculated on a daily basis and reported to the Board of Directors on a monthly basis.

The Bank is authorised by the FSA to calculate Value-at-Risk for the purpose of market risk and capital adequacy.

**Interest rate risk**

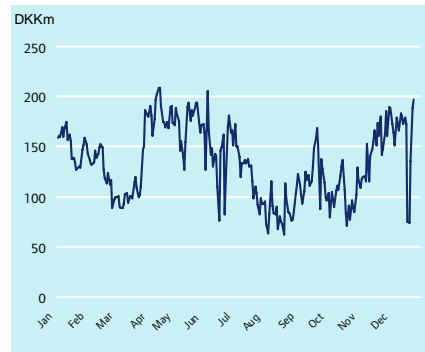
The Bank's interest rate exposure in terms of a general rise in rates of 1 percentage point ranged between DKK 62m (2006: DKK 7m) and DKK 209m (2006: DKK 182m) and amounted to DKK 197m at end-2007 (2006: DKK 182m).

**Value-at-Risk (excl equities)**



Value-at-Risk at a 99% probability

**Net interest rate exposure**



**Elements of Value-at-Risk calculations**

Value-at-Risk is a statistical measure of the maximum loss on an investment portfolio at a given probability within a given time horizon. The Nykredit Bank Group calculates Value-at-Risk at a 99% confidence level and a horizon of one day.

The parameters of Value-at-Risk calculations are:

Risk factors:	All positions are transformed into a number of risk factors relating to interest rate and foreign exchange risk.
Volatilities and correlations:	Daily volatilities and correlations of the factors above. In calculating the volatilities, lastdated observations carry the largest weights.
Time horizon:	Value-at-Risk is calculated based on a time horizon of one day, but the number may be scaled to other time horizons.
Confidence level;	Value-at-Risk is calculated at a confidence level of 99%.

## Nykredit Bank A/S

### Liquidity as % of debt and guarantee obligations



— Liquidity relative to statutory requirement  
— Nykredit Bank's internal requirement  
— Statutory requirement

Note: The graph shows Nykredit Bank's liquidity as % of total debt and guarantee obligations after statutory deductions, cf section 152 of the Financial Business Act

The Bank's interest rate exposures are mainly in DKK and EUR but also in SEK, NOK and USD. Long-term loans and deposits are substantially hedged against interest rate movements using interest rate swaps.

#### Equity price risk

At end-2007 the determination of market risk included an equity position of DKK 282m.

Equity price risk does not form an integral part of the Value-at-Risk model. Therefore, the loss distribution of the equity portfolio is de-

termined on a continuous basis as a supplement to the Value-at-Risk model in the daily determination of market risk.

#### Foreign exchange risk

At end-2007 the most significant foreign exchange exposures were in EUR, NOK and SEK. The Bank's foreign exchange exposure in terms of the largest numeric sum of positive and negative foreign exchange positions (Exchange Rate Indicator 1) ranged between DKK 72m (2006: DKK 66m) and DKK 843m (2006: DKK 619m) in 2007 and amounted to DKK 339m at end-2007 (2006: DKK 229m).

#### Option risk

The Bank's most significant option risk derives from the embedded options in Danish mortgage bonds, but the Bank's trading in swaptions also implies option risk. The risk is hedged to a significant extent through the purchase of caps.

The Bank's interest rate volatility risk measured as the change in market value following a change in volatility of one percentage point amounted to a negative figure of DKK 12.6m at end-2007 (2006: DKK 5.8m).

#### LIQUIDITY RISK

Liquidity risk is the risk of loss as a result of insufficient cash to cover current payment obligations. This could be losses resulting from a

disproportionate increase in Nykredit Bank's funding costs, or Nykredit Bank becoming unable to fulfil its payment obligations due to a lack of funding.

Nykredit's overall liquidity risk is assessed by the Asset/Liability Committee and the Bank's Treasury Committee.

Nykredit Bank monitors its balance sheet and liquidity on a day-to-day basis. The Bank manages the balance sheet based on the liquidity of assets and liabilities and operates with a trading book and a banking book. The trading book consists mainly of liquid Danish and European government and mortgage bonds (covered bonds) eligible as collateral with Denmark's Nationalbank or other European central banks. The trading book also includes a portfolio of corporate bonds and the Bank's repo/reverse transactions. Securities not serving as collateral in the trading book constitute a short-term liquidity buffer that may be applied in the case of unforeseen claims on the Bank's liquidity. In 2007 the liquidity buffer averaged DKK 11bn. At end-2007, the liquidity buffer was DKK 20.2bn against DKK 12.9bn at end-2006. The liquidity instructions laid down by the Board of Directors specify minimum requirements for the size of the Bank's liquidity buffer.

The banking book includes the Bank's structural liquidity risk. The banking book consists of loans and advances and is funded through deposits and structured funding defined as issued bonds, long-term deposits from financial counterparties, subordinate loan capital, equity and credit commitments. The ratio of loans and advances to deposits plus structured funding was 118% at end-2007 against 123% at end-2006. The Bank aims to maintain this level.

To strengthen the access to funding through international capital markets, the Bank established a European Medium Term Note (EMTN) programme in Q4 in the amount of EUR 5bn. The intention is that issues under the EMTN programme should gradually replace the Bank's long-term deposits from financial counterparties as the EMTN programme offers faster and easier access to long-term funding.

The management of the Bank's structural liquidity risk is based on an internal liquidity model quantifying Nykredit Bank's expected liquidity position at any future time, in other words, the most likely development in liquidity if no steps are taken to raise new liquidity. The liquidity model shows the sum of deterministic

## The Nykredit Bank Group

### Funding sources – banking book

DKK million	2007	2006
Retail deposits	10,036	9,670
Commercial deposits from SMEs	6,037	2,807
Commercial deposits from municipalities and other	15,962	10,219
Long-term deposits from financial counterparties	2,052	3,043
Issued bonds	1,562	1,741
Equity and subordinated loan capital	8,499	5,541
Undrawn back-up facilities	2,722	2,721
<b>Total banking book funding sources</b>	<b>46,870</b>	<b>35,742</b>
<b>Banking book lending</b>	<b>39,659</b>	<b>28,983</b>
<b>Banking book funding sources relative to banking book lending</b>	<b>118%</b>	<b>123%</b>

## Nykredit Bank A/S

### Targets fixed by the Board of Directors for the Bank's maximum liquidity deficit

1 January – 31 December 2007	Maximum liquidity deficit	Absolute minimum point of the period	Average of minimum points for the period
DKK million			
0 – 20 days	0	(192)	4,977
21 days – 3 months	(3,000)	(482)	3,989
3 months – 5 years	(4,500)	(250)	1,441
5 years – 10 years	(1,000)	1,376	2,575
Over 10 years	0	2,769	3,743

payments for each point over time plus the expected value of market-related and random payments.

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

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

The Board of Directors of the Bank formulates the liquidity policy, liquidity model principles and requirements and minimum limits to the Bank's structural liquidity risk.

The structural liquidity risk targets appear from the table. For example, the Bank's liquidity position must not be negative within the coming 20 banking days.

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

According to the Financial Business Act, the Bank's liquidity must total at least 10% of the reduced debt and guarantee obligations. Nykredit Bank has an internal limit of 15%. At end-2007 liquidity relative to reduced debt and guarantee obligations of the Nykredit Bank Group was 25.1%.

### Capital management

In Nykredit, excess capital is consolidated in the Parent Company Nykredit Realkredit A/S. Nykredit Bank A/S aims to maintain a capital adequacy ratio that is at least 1 percentage point higher than the statutory capital requirement.

In the light of the statutory capital requirements, the Bank has allocated capital lines to its business areas. The line utilisation, which is monitored and reported daily to the entities responsible, serves as a good illustration of the activity levels in the business areas.

### OPERATIONAL RISK

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

Nykredit Bank systematically records and classifies loss-making operational events to create an overview of the loss experience in all significant parts of the Group. The Bank's loss relating to operational events in 2007 was DKK 10m. The loss has been determined taking into consideration any insurance cover and recovered amounts.

The Group continuously develops tools and techniques to identify, analyse and report operational risk. The tools are gradually implemented into the business areas and management support functions to ensure ongoing monitoring of the Group's operational risk exposures. Risk maps are being developed to create an overview of potential risk concentrations.

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

### UNCERTAINTY ABOUT RECOGNITION AND MEASUREMENT

The day-to-day operations of the Bank imply a number of rights and obligations the recognition and subsequent measurement of which lead to the use of qualified estimates and where the measurement may be uncertain.

In accordance with IFRS, the Annual Report has been prepared on the basis of assumptions that require the use of accounting estimates in some respects. These estimates are made by Management in accordance with the accounting policies and are based on past experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and underlying assumptions are tested and assessed regularly.

Areas in which assumptions and estimates are material to the financial statements are in particular:

*Provisions for loan and receivable impairment* involving significant estimates in connection with the quantification of the risk of not receiving all future payments. Furthermore, group-based impairment provisions still involve some uncertainty due to the continued incomplete historical data set underlying the Bank's computations. The supporting IT systems and applied models are being improved and developed on a continuous basis.

*Unlisted financial instruments* involving significant estimates in connection with the measurement of fair values.

*Provisions* involving certain estimates at the balance sheet date.

In Management's opinion, the uncertainty relating to the above-mentioned matters is insignificant to the Annual Report.

# Nykredit Bank A/S 2003-2007

DKK million/EUR million	2007/EUR	2007	2006	2005 <sup>1</sup>	2004 <sup>1</sup>	2003
<b>SUMMARY INCOME STATEMENT</b>						
Net interest and fee income	165	1,231	956	946	825	852
Value adjustments	70	526	486	152	(9)	(17)
Other operating income	1	8	19	19	36	94
Staff and administrative expenses	104	779	668	539	451	401
Other operating costs, depreciation and amortisation	1	9	3	3	2	3
Impairment losses on loans, advances and receivables	(6)	(45)	(52)	5	2	125
Profit from investments in associates and group enterprises	(1)	(9)	35	31	24	18
<b>Profit before tax</b>	<b>136</b>	<b>1,013</b>	<b>877</b>	<b>601</b>	<b>421</b>	<b>418</b>
Tax	34	255	250	162	131	125
<b>Profit for the year</b>	<b>102</b>	<b>758</b>	<b>627</b>	<b>439</b>	<b>290</b>	<b>293</b>
<b>BALANCE SHEET, YEAR-END</b>						
<b>Assets</b>						
Cash balance and receivables from central banks and credit institutions	2,707	20,187	18,271	15,035	13,097	14,731
Loans, advances and other receivables at fair value	769	5,737	3,432	6,688	5,242	3,012
Loans, advances and other receivables at amortised cost	5,138	38,314	28,758	19,484	17,418	19,192
Bonds at fair value and equities	7,150	53,310	47,238	35,943	31,414	29,536
Investments in associates and group enterprises	54	405	297	174	148	105
Other asset items	1,802	13,430	8,183	6,840	6,597	5,848
<b>Total assets</b>	<b>17,620</b>	<b>131,383</b>	<b>106,179</b>	<b>84,164</b>	<b>73,916</b>	<b>72,424</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	9,830	73,296	62,548	44,317	39,594	41,103
Deposits and other payables	4,296	32,034	22,764	22,192	19,190	13,432
Other non-derivative financial liabilities at fair value	640	4,776	7,032	6,484	5,110	8,304
Other payables	1,714	12,777	8,280	6,704	6,014	5,902
<b>Total payables</b>	<b>16,480</b>	<b>122,883</b>	<b>100,624</b>	<b>79,697</b>	<b>69,908</b>	<b>68,741</b>
Provisions	0	1	14	53	33	22
Subordinate loan capital	322	2,400	1,300	800	800	800
Equity	818	6,099	4,241	3,614	3,175	2,861
<b>Total liabilities and equity</b>	<b>17,620</b>	<b>131,383</b>	<b>106,179</b>	<b>84,164</b>	<b>73,916</b>	<b>72,424</b>
<b>OFF-BALANCE SHEET ITEMS</b>						
Guarantees	1,936	14,435	9,343	10,399	7,919	6,751
Other contingent liabilities	1,074	8,011	9,346	3,030	2,278	3,045
<b>FINANCIAL RATIOS</b>						
Capital adequacy ratio, %		12.0	10.6	10.4	10.4	9.7
Core capital ratio, %		8.6	8.3	8.9	8.3	7.6
Return on equity before tax (pa) <sup>1</sup>		19.6	22.3	17.8	14.0	14.7
Return on equity after tax (pa) <sup>1</sup>		14.7	16.0	13.0	9.6	10.3
Income:cost ratio, DKK <sup>1</sup>		2.37	2.42	2.10	1.93	1.79
Interest rate exposure, %		3.2	4.2	3.3	3.0	2.4
Foreign exchange position, %		5.7	5.4	4.2	3.2	6.4
Foreign exchange exposure, %		0.1	0.2	0.1	0.0	0.1
Loans and advances:deposits, %		1.4	1.4	1.2	1.2	1.6
Loans and advances:equity		7.2	7.6	7.2	7.2	7.8
Growth in loans and advances for the year, %		36.8	23.0	15.7	1.8	(8.7)
Excess cover:statutory requirements for liquidity, %		147.7	117.2	207.8	195.2	93.3
Total large exposures, %		134.7	336.4	349.5	351.3	329.7
Impairment losses for the year, %		(0.1)	(0.1)	0.0	0.0	0.4
Average number of staff (full-time equivalents)		507	433	372	312	277

<sup>1</sup> Incl effect of new accounting policies in 2004 and 2005

EUR 1 = DKK 7.4566 at end-2007



## Nykredit Bank group entities

### NYKREDIT BANK A/S

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S. Nykredit Bank has been included in this company's consolidated financial statements and in the consolidated financial statements of Foreningen Nykredit, which owns 87.5% of Nykredit Realkredit A/S.

The Nykredit Bank Group consists of the Parent Company, Nykredit Bank A/S, and its subsidiaries.

Nykredit Bank A/S applies the same recognition and measurement principles as those applied in the Nykredit Bank Group's financial

statements, and the profit for the year and equity are consequently identical in both financial statements.

Since a significant part of the activities of the Nykredit Bank Group are completed through the Parent Company, Nykredit Bank A/S, the financial development has been affected by the same factors as described in the management's review of the Nykredit Bank Group.

In 2007 Nykredit Bank A/S recorded a profit of DKK 758m, up DKK 131m on profit for 2006 of DKK 627m.

Net interest and fees came to DKK 1,231m

against DKK 956m in 2006, while value adjustments increased from DKK 486m to DKK 526m. Income from net interest and value adjustments should be considered in context, as the Bank to a large extent uses interest-bearing financial assets and liabilities combined with derivatives as part of its day-to-day operations, including swaps for interest rate hedges. The development in value adjustments also reflects the increased business volume within interest rate products and derivatives as well as value adjustment of the Bank's own securities portfolios.

Other operating income came to DKK 8m against DKK 19m in 2006.

Costs rose from DKK 671m in 2006 to DKK 788m, up 17%. The increase was related to the higher level of activity leading to a rise in the number of staff, IT expenses, etc. The average number of staff increased by 17% in 2007 to 507 against 433 in 2006.

Impairment of loans and advances amounted to an income of DKK 45m in 2007 against an income of DKK 52m in 2006. The background for this development is described in more detail in the credit risk section on pages 17-18 of this Annual Report.

Equity investments generated a loss of DKK 9m against a profit of DKK 35m in 2006. The negative development derived from losses in LeasIT A/S and the 50% stake of Dansk Pantebrevsbørs A/S.

### Principal balance sheet items

The balance sheet total grew from DKK 106.2bn at end-2006 to DKK 131.4bn at end-2007.

The cash balance and receivables from credit institutions and central banks increased from DKK 18.3bn in 2006 to DKK 20.2bn in 2007.

Loans, advances and receivables increased by DKK 11.9bn to DKK 44.1bn.

Bonds and equities totalled DKK 53.3bn at end-2007 against DKK 47.2bn at end-2006. The size of the securities portfolio should in particular be seen in the context of the trading operations of Nykredit Markets and the Bank's activities in repo markets.

Payables to credit institutions and central banks were DKK 73.3bn at end-2007 against

### Nykredit Bank A/S

#### Summary income statement

DKKm	2007	2006 <sup>1</sup>
Net interest and fee income	1,231	956
Value adjustments	526	486
Other operating income	8	19
Capacity costs	788	671
Impairment losses on loans, advances and receivables	(45)	(52)
Profit from investments in associates and group enterprises	(9)	35
<b>Profit before tax</b>	<b>1,013</b>	<b>877</b>
Tax	255	250
<b>Profit for the year</b>	<b>758</b>	<b>627</b>

### Nykredit Bank A/S

#### Summary balance sheet

DKKm	2007	2006 <sup>1</sup>
Receivables from credit institutions	20,187	18,271
Loans, advances and receivables	44,051	32,190
Bonds and equities	53,310	47,238
Other asset items	13,835	8,480
<b>Total assets</b>	<b>131,383</b>	<b>106,179</b>
Payables to credit institutions	73,296	62,548
Deposits and other payables	32,034	22,764
Other liability items and provisions	17,554	15,326
Subordinate loan capital	2,400	1,300
Equity	6,099	4,241

<sup>1</sup> Amounts are adjusted to the effect of the merger with Nykredit Portefølje

Bank A/S

### Nykredit Bank A/S

#### Financial ratios

	2007	2006
Capital adequacy ratio, %	12.0	10.6
Core capital ratio, %	8.6	8.3
Return on equity before tax, %	19.6	22.3
Return on equity after tax, %	14.7	16.0
Income:cost ratio, DKK	2.37	2.42
Number of full-time staff (avg)	507	433

DKK 62.5bn at end-2006, while deposits and other payables went up DKK 9.3bn to DKK 32.0bn, primarily driven by corporate banking business.

Equity stood at DKK 6,099m at end-2007 against DKK 4,241m at end-2006. The increase covers retained earnings for the year of DKK 758m and paid-up capital of DKK 1,100m.

The capital adequacy ratio was 12.0% at end-2007 against 10.6% at end-2006.

## NYKREDIT PORTEFØLJE ADMINISTRATION A/S

The company is wholly owned by Nykredit Bank A/S.

Nykredit Portefølje Administration A/S is a licensed investment management company, which handles the activities of the Nykredit Group within investment fund administration.

The activity level was high in 2007, and the company launched or took over 11 funds and 43 subfunds, while 6 subfunds were discontinued.

Total assets under administration were DKK 257bn at end-2007 against DKK 216bn at end-2006.

Net profit for the year came to DKK 17m against DKK 11m in 2006. The improvement derived from a substantial lift in net fee income as a result of increased assets under administration.

The balance sheet total was up from DKK 88m in 2006 to DKK 109m in 2007, mainly as a result of an increase in the bond portfolio.

Equity rose from DKK 72m at end-2006 to DKK 89m at end-2007.

### Nykredit Portefølje Administration A/S

#### Summary income statement

DKKm	2007	2006
Net interest and fee income	76	60
Value adjustments	0	0
Capacity costs	53	45
<b>Profit before tax</b>	<b>23</b>	<b>15</b>
Tax	6	4
<b>Profit for the year</b>	<b>17</b>	<b>11</b>

### Nykredit Portefølje Administration A/S

#### Summary balance sheet

DKKm	2007	2006
Receivables from credit institutions	4	4
Bonds	76	64
Other asset items	29	20
<b>Total assets</b>	<b>109</b>	<b>88</b>
Other liability items and provisions	20	16
Equity	89	72

### Nykredit Portefølje Administration A/S

#### Financial ratios

	2007	2006
Capital adequacy ratio, %	312.8	342.6
Return on equity before tax, %	28.8	26.0
Return on equity after tax, %	21.4	18.6
Income:cost ratio, DKK	1.44	1.33
Number of full-time staff (avg)	45	32

**LEASIT A/S**

The company offers lease financing for Danish trade and industry and the public sector.

Nykredit Bank acquired all shares in the company at 1 October 2007, and the company is now a wholly-owned subsidiary of Nykredit Bank. The company was acquired with a view to continuing its activities on an unchanged basis. Prior to the date of acquisition, Nykredit Bank held a 22.65% stake in the company. The acquisition is described further in note 44.

As from the date of acquisition, the company's profit/loss and balance sheet total have been consolidated in the financial statements of Nykredit Bank, and by the former ownership share prior to that date. The difference between consolidation of the full profit/loss, etc, and consolidation of the actual profit/loss is shown in the table below.

The company generated a loss before tax of DKK 28m compared with a profit of around DKK 14m at the acquisition date, which was unsatisfactory.

Q4 results reflect impairment losses on loans and advances and an extraordinary interest rate correction. In continuation of the change in the ownership structure, the company has adapted its accounting procedures to those of the Nykredit Bank Group.

The company received capital in the amount of DKK 50m from Nykredit Bank in December 2007, and equity stood at DKK 105m at end-2007 against DKK 71m at end-2006.

In addition to the increased equity, the company capital consists of subordinate loan capital of DKK 24m at 31 December 2007.

Much improved and positive results are expected for 2008.

**LeasIT A/S****Principal income statement and balance sheet items**

DKKm	Recognised in Nykredit Bank			
	2007	2006	2007	2006
Net interest and fee income	28	48	3	11
Other operating income	17	12	8	3
Capacity costs	38	33	17	7
Impairment losses on loans and advances	35	38	32	9
<b>Loss before tax</b>	<b>(28)</b>	<b>(11)</b>	<b>(38)</b>	<b>(2)</b>
Tax on profit for the year	(7)	(3)	(10)	(1)
<b>Loss for the year</b>	<b>(21)</b>	<b>(8)</b>	<b>(28)</b>	<b>(2)</b>
Loans, advances and receivables	1,879	1,805	1,879	409
Total assets	2,117	1,973	2,117	447
Payables to credit institutions	1,898	1,748	1,898	396
Equity	105	71	105	16
Return on equity, %	(21)	(11)	(21)	(11)
Number of full-time staff (avg)	38	29	15	7

## DANSK PANTEBREVSØRS A/S

Nykredit Bank owns 50% of the company. The company's accounting figures have been consolidated proportionately in the Nykredit Bank Group's Financial Statements.

The company, which carries on mortgage trading and related activities, recorded a loss before tax of DKK 4m for 2007 against a profit of DKK 37m in 2006.

The activity level was lower than expected, and the demand for second mortgages decreased in H2/2007. The company's mortgage portfolio was adjusted to the activity level in the course of 2007 and amounted to DKK 367m at year-end. As a result of rising interest rates and waning demand, part of sales from the mortgage trading portfolio were concluded at a low profit or at a loss.

Furthermore, the company incurred losses on a few large mortgages in 2007, which was also a contributory factor to the decrease in value adjustments from DKK 58m in 2006 to DKK 19m in 2007.

At end-2007 equity amounted to DKK 44m, down DKK 4m compared with 2006.

### Dansk Pantebrevsørs A/S

#### Summary income statement

DKKm	2007	2006
Net interest and fee income	21	16
Value adjustments	19	58
Capacity costs	44	37
<b>Profit/loss before tax</b>	<b>(4)</b>	<b>37</b>
Tax	1	11
<b>Profit/loss for the year</b>	<b>(3)</b>	<b>26</b>

### Dansk Pantebrevsørs A/S

#### Summary balance sheet

DKKm	2007	2006
Receivables from credit institutions	1	2
Mortgage portfolio	367	469
Other asset items	38	25
<b>Total assets</b>	<b>406</b>	<b>496</b>
Payables to credit institutions	356	429
Other liability items and provisions	6	19
Equity	44	48
Number of full-time staff (avg)	42	40

### NYKREDIT FIXED INCOME OPPORTUNITIES FUND LIMITED

The company is wholly owned by Nykredit Bank A/S and has been in operation since 1 December 2006 when Nykredit Bank contributed capital of EUR 15m. The company is registered in the Cayman Islands as a mutual fund and in principle operates as a Danish investment fund. The company has no staff.

Intentions are to gradually reduce the Bank's interest in the company through a sale of units or the contribution of new capital by new stakeholders.

The company recorded a profit for the year of DKK 5m, which is satisfactory considering the market conditions.

The company's activities increased, and the portfolio of securities grew by DKK 1.5bn to DKK 1.9bn. Equity increased by profit for the year, from DKK 113m to DKK 118m.

### OTHER COMPANIES

Nykredit Bank also owns a number of small companies some of which have been completely or partly without activity in 2007. The companies have been consolidated in the Nykredit Bank Group's Financial Statements and appear from the group structure, cf note 43.

*Nykredit Leasing A/S* carries on leasing activities addressing Danish agricultural and commercial customers. The company has no staff.

The company posted a profit after tax of DKK 0.9m in 2007, which was unchanged relative to 2006.

The activity level in the company was lower than expected, and the company's loans, advances and receivables decreased to DKK 78m at end-2007 compared with DKK 112m at end-2006.

Equity amounted to DKK 6m – the same as in 2006.

*Nykredit Pantebrevsinvestering A/S*'s mortgage portfolio was sold in 2005, and since then the company has not carried on activities other than the management of two exposures.

*Pantebrevsselskabet af 8/8 1995 A/S* had no activities in 2007 and is expected to be dissolved in 2008.

Also included is a UK subsidiary, which has had no activities in recent years and is in liquidation.

#### Nykredit Fixed Income Opportunities Fund Limited

##### Summary income statement

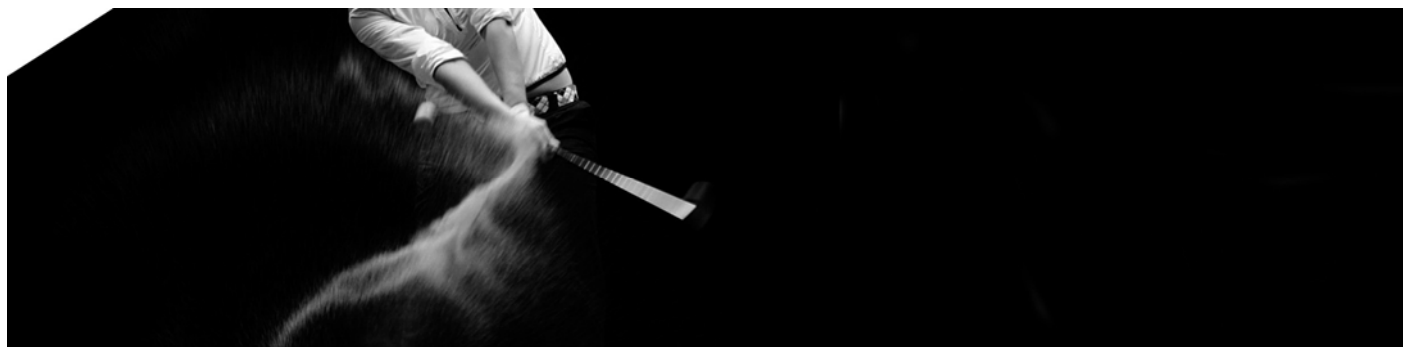
DKKm	2007	2006
Net interest and fee income	8	0
Value adjustments	1	1
Capacity costs	4	0
<b>Profit before tax</b>	<b>5</b>	<b>1</b>
Tax	0	0
<b>Profit for the year</b>	<b>5</b>	<b>1</b>

#### Nykredit Fixed Income Opportunities Fund Limited

##### Summary balance sheet

DKKm	2007	2006
Receivables from credit institutions	926	165
Securities	1,914	418
Other asset items	92	20
<b>Total assets</b>	<b>2,932</b>	<b>603</b>
Payables to credit institutions	2,123	325
Other liability items and provisions	691	165
Equity	118	113

# Management Statement and Audit Reports



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

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2007 of Nykredit Bank A/S and the Nykredit Bank Group.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. The Annual Report has furthermore been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

In our opinion, the management's review gives a true and fair review of the development in the activities and financial circumstances of the Parent Company and the Group as well as an adequate description of the material risks and uncertainty factors affecting the Parent Company and the Group.

We are furthermore of the opinion that the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2007 and the results of the Group's and the Parent Company's activities as well as the Group's cash flows for the financial year 2007.

The Annual Report is recommended for approval by the general meeting.

Copenhagen, 7 February 2008

### Executive Board

Kim Duus

Bjørn Damgaard Mortensen

### Board of Directors

Karsten Knudsen, Chairman

Søren Holm, Deputy Chairman

Per Ladegaard

Henrik K. Asmussen, staff-elected

Allan Kristiansen, staff-elected

**INTERNAL AUDITORS' REPORT**

We have audited the Annual Report of Nykredit Bank A/S for the financial year 1 January – 31 December 2007. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. In addition, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

**Basis of opinion**

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and the Danish and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement.

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

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

Our audit has not resulted in any qualification.

**Opinion**

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

Furthermore, in our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2007 as well as of the Group's and the Parent Company's activities and the Group's cash flows for the financial year 1 January – 31 December 2007 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Copenhagen, 7 February 2008

Claus Okholm  
Chief Audit Executive

Kim Stormly Hansen  
Deputy Chief Audit Executive

## INDEPENDENT AUDITORS' REPORT

### To the shareholder of Nykredit Bank A/S

We have audited the Annual Report of Nykredit Bank A/S for the financial year 1 January – 31 December 2007. The Annual Report comprises the statement by Management on the Annual Report, the Management's review, the accounting policies, the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the Financial Statements. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. In addition, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

### Management's responsibility for the Annual Report

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

### Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the Annual Report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Annual

Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

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

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2007 as well as of the Group's and the Parent Company's activities and the Group's cash flows for the financial year 1 January – 31 December 2007 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, in accordance with the Danish Financial Business Act in respect of the Parent Financial Statements, and otherwise in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Copenhagen, 7 February 2008

Deloitte  
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen  
State-Authorised Public Accountant

Henrik Wellejus  
State-Authorised Public Accountant



# Financial Statements



## ACCOUNTING POLICIES

### General

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements have furthermore been prepared in accordance with Danish disclosure requirements relating to the presentation of financial statements by issuers of listed bonds, of the disclosure requirements of the OMX Nordic Exchange Copenhagen and the Executive Order on the application of international financial reporting standards for companies subject to the Danish Financial Business Act.

The accounting policies are unchanged relative to the Annual Report for 2006.

### Implementation of new and amended standards and interpretations

The Annual Report for 2007 has been presented in accordance with the new and amended standards (IFRS/IAS) as well as the new international financial reporting interpretations (IFRIC) applicable to financial years beginning on 1 January 2007.

IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures. The amendments introduce disclosure requirements as to the capital relating to targets, practices and processes of capital management. Nykredit has opted to implement the amendments prematurely at 1 January 2006.

IFRS 7 Financial instruments: Disclosure. The standard introduces new disclosure requirements in relation to financial instruments. The Nykredit Bank Group has opted to implement the standard prematurely at 1 January 2005.

On 1 November 2006 IFRIC 10 Interim Financial Reporting and Impairment entered into force (adopted by the EU on 1 June 2007). The interpretation stipulates that certain impairment losses recognised in a previous interim period may not be reversed in the Annual Report. The interpretation has been implemented but has not affected the presentation of financial statements of the Nykredit Bank Group.

### Reporting standards and interpretations that have not yet entered into force

At the time of presentation of this Annual Report, a number of new or amended standards – IFRS 8 Operating Segments and amendments to IAS 23 Borrowing Costs – and interpretations IFRIC 11 to 14 have not yet entered into force and have therefore not been implemented into this Annual Report. In Management's opinion, the Group's future implementation of these standards and interpretations will have only a minor effect on the Annual Report.

IFRS 8 Operating Segments specifies a number of conditions of the breakdown of amounts by business area and of the required disclosures for each area. The standard enters into force for financial years beginning on or after 1 January 2009.

As a consequence of amendments to IAS 23, borrowing costs must be included in the cost of qualifying assets. IAS 23 enters into force for financial years beginning on or after 1 January 2009.

### Special disclosure relating to the Annual Report for 2007

Effective for accounting purposes from 1 January 2007, Nykredit Bank merged with its subsidiary Nykredit Portefølje Bank A/S which was a wholly-owned subsidiary for a number

of years. The merger was effected using the uniting-of-interests method of accounting. For a detailed statement, including the merger balance sheet, please refer to Nykredit Bank A/S's H1 Interim Report 2007 available at [nykredit.com](http://nykredit.com). The merger has not affected Nykredit Bank's nor the Nykredit Bank Group's profit or equity. Nykredit Bank A/S's comparative figures for 2006 and before have been restated.

At 1 October 2007, Nykredit Bank A/S acquired 77.35% of the shares and voting rights of LeasIT A/S. The company is subsequently a wholly-owned subsidiary of Nykredit Bank. The acquisition was realised using the purchase method, cf IFRS 3. In relation to the acquisition, the assets and liabilities of the enterprise acquired have been recognised and measured at fair value at the date of acquisition. The company's profit/loss has been fully recognised in the Nykredit Bank Group's profit/loss from the date of acquisition. Note 44 and the management's review contain further details on the effect of the acquisition.

### Accounting estimates, recognition and measurement in general

#### Accounting estimates

In accordance with IFRS, the Annual Report has been prepared on the basis of certain specific assumptions that require the use of accounting estimates. These estimates have been made by Nykredit Bank's Management in accordance with the accounting policies and are based on past experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and underlying assumptions are tested and assessed regularly.

Areas implying a higher degree of assessment or complexity or areas in which assumptions

and estimates are material to the financial statements are:

- Provisions for loan and receivable impairment involving significant estimates in connection with the quantification of the risk of not receiving all future payments
- Unlisted financial instruments involving significant estimates in connection with the measurement of fair values
- Provisions involving certain estimates.

#### *Recognition*

Assets have been recognised in the balance sheet if it has been probable that future economic benefits will flow to the Company, and if the value of the asset can be measured reliably.

Liabilities have been recognised in the balance sheet if it has been probable that future economic benefits will flow from the Company/Group, and if the value of the liability can be measured reliably.

Income has been recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost have been recognised in the income statement in the period in which they arose.

Also, all costs incurred in connection with this year's earnings have been recognised in the income statement, including depreciation and amortisation, impairment losses and provisions as well as reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

Financial assets and liabilities have initially been recognised on the date of transaction and have been derecognised when the right to receive/pay cash flows from the financial asset or liability has lapsed or been transferred, and the Group in all material respects has transferred all risks and returns related to ownership.

#### *Measurement*

The financial statements have been prepared based on the historical cost convention except as modified by the recognition of financial assets and liabilities, including properties.

On initial recognition, financial assets and liabilities have been measured at fair value. Financial assets and liabilities have subsequently been measured at either fair value or amortised cost according to their classification.

The categories "Loans, advances and receivables" and "Other financial liabilities" have in general been measured at amortised cost, including a constant effective interest rate over the maturity. Amortised cost has been determined as the original cost with the deduction of principal payments and the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal value with the deduction of impairment provisions. Capital losses and gains have been distributed over the maturity accordingly.

The category "Financial assets and liabilities at fair value through profit or loss" consists of the two subcategories: financial assets/liabilities held for trading and assets/liabilities classified at fair value (the fair value option) on initial recognition.

Financial assets/liabilities have been classified as "held for trading", if acquired principally to obtain a gain in the short term, if they form part of a portfolio where evidence of a short-term realisation of gains exists or if classified as such by Management. Derivative financial instruments have also been classified as financial assets held for trading unless classified as hedges.

On initial recognition, a financial asset/liability has been classified at fair value (fair value option) if a group of financial assets/liabilities is managed and the earnings are determined by Nykredit Bank's Management based on their fair values in accordance with a documented risk management or investment strategy, or if such classification eliminates or in material respects reduces any accounting mismatch that might arise on application of the ordinary measurement provisions of IAS 39.

"Financial assets and liabilities at fair value through profit or loss" have been measured at fair value, and realised and unrealised gains and losses arising as a result of changes in the fair value have been recognised in the income statement in the period in which they arose.

If the market for a financial asset or liability is illiquid, or if no publicly recognised pricing exists, Nykredit Bank has determined the fair value using recognised measurement techniques. These techniques include corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option and other models based on observable market data.

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

#### **Derivative financial instruments**

On initial recognition, derivative financial instruments have been recognised in the balance sheet at fair value and, subsequently, measured at fair value. Value adjustments have been recognised in the income statement under "Value adjustments" in the period in which they arose. Positive and negative fair values of derivative financial instruments have been recognised under other assets or other liabilities, as appropriate. The fair values of derivative financial instruments have been determined on the basis of available market data and recognised measurement methods.

#### **Hedge accounting**

Changes in the fair values of derivative financial instruments classified as and meeting the criteria of fair value hedges of a recognised asset or liability have been recognised in the income statement, including changes in the value of the hedged asset or the hedged liability to the extent of the hedged part.

The Nykredit Bank Group uses derivatives (interest rate swaps) to hedge the interest rate risk of certain fixed-rate financial assets and liabilities.

The hedges may be established for individual assets and liabilities and at portfolio level. The hedge accounting effectiveness has been measured and assessed on a current basis.

#### **Consolidation**

Nykredit Bank A/S (the Parent Company) and the enterprises in which Nykredit Bank A/S exercises direct or indirect control over the enterprises' financial and operational management have been included in the Consolidated Financial Statements. Collectively, Nykredit Bank A/S and its subsidiaries are referred to as the Nykredit Bank Group.

Joint ventures are enterprises in which Nykredit Bank exercises joint control with other enterprises not forming part of the Group. The Group's investments in joint ventures have been recognised by proportionate consolidation.

The Consolidated Financial Statements have been prepared based on the financial statements of the individual enterprises combining items of a uniform nature. All intercompany income and costs, dividends, intercompany

shareholdings and balances as well as realised and unrealised intercompany gains and losses have been eliminated.

#### **Business combinations and acquisitions**

Acquisitions have been effected using the uniting-of-interests method of accounting in case of mergers with subsidiaries or the purchase method in case of the acquisition of other enterprises.

Enterprises acquired under the purchase method have been recognised in the Financial Statements at the date of acquisition, and enterprises sold have been recognised up to the transfer date.

On the date of acquisition, the net assets of the enterprise acquired have been recognised in Nykredit Bank's Financial Statements, ie assets, any identifiable intangible assets, excluding the liabilities and contingent liabilities of the enterprise acquired. The recognition and measurement take place at fair value. Any value adjustments relative to the book values of the enterprise acquired have been recognised in the pre-acquisition balance sheet.

Where the net assets acquired can only be measured at a provisional fair value at the date of acquisition, Nykredit Bank may, in accordance with the accounting provisions, adjust such values within a period of 12 months from the date of acquisition.

Where the cost with the addition of transaction costs exceeds the value of the net assets of the enterprise acquired, the excess balances have been recognised as goodwill in Nykredit Bank. If negative, the balance is recognised as an income in the income statement on acquisition.

#### **Segment information**

Information has been provided on business segments and geographic markets. The presentation of the business areas has been based on the current reporting made to the Group Management and, consequently, also the principles applied in connection with management control. The business segments reflect the Group's returns and risks and are considered to be the Group's main segments.

The segments include the concepts core earnings and investment portfolio income. Core earnings include earnings from lending, ie customer-oriented activities, and core earnings from securities. Core earnings from securities include the risk-free return on the part of the securities portfolio not allocated to the busi-

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

Investment portfolio income includes the part of the return exceeding risk-free interest.

Income and expenses included in the profit/loss before tax of the individual segments include directly as well as indirectly attributable items. Such allocation has been based on internally fixed allocation keys as well as intercompany agreements between the individual business segments. Items not directly or indirectly attributable have not been subject to allocation.

The underlying financial assets and liabilities of the financial income and expenses forming part of the segment profit/loss have been allocated to each business segment. Non-current assets in the segment include the non-current assets used directly as part of the segment operations, including intangible assets, property, plant, equipment and investments in associates.

The business capital of the individual segments equals 8% of the segments' average weighted items (the minimum requirement), whereas the business return has been estimated as the profit/loss relative to the business capital.

Information has been provided exclusively at group level.

#### **Currency**

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

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

At the balance sheet date, monetary assets and liabilities in foreign currencies have been translated at the rate prevailing on the balance sheet date. Foreign currency translation adjustment has been recognised in the income statement.

Currency translation differences arisen on translation of non-monetary items such as equities at fair value recognised in the income

statement have been recognised as part of the fair value gain or loss.

Currency translation differences arisen on translation of non-monetary items such as equities classified as financial assets available for sale have been recognised in the fair value reserve under equity.

The financial statements of integrated foreign entities have been translated into Danish kroner at the exchange rates prevailing on the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items. The currency change in foreign subsidiaries has been recognised directly in equity.

#### **Impairment**

The carrying amounts of intangible assets, property, plant and equipment are reviewed annually to determine whether there is any evidence of impairment apart from what has been recognised as depreciation and amortisation. If this is the case, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset concerned will be written down to the lower recoverable amount.

The recoverable amount of the asset has been determined as the higher value of the net sales price and the value in use. Where no recoverable amount can be determined for the individual asset, the assets have been measured in the lowest aggregation of assets where overall measurement may provide a reliable recoverable amount.

#### **Repo/reverse**

Securities sold as part of sale and repurchase transactions have been retained in the balance sheet under the appropriate principal item, eg "Bonds". The amount received has been recognised as payables to the counterparty or under the item "Non-derivative financial liabilities at fair value". The liability has been fair value adjusted over the maturity of the agreement through profit or loss.

Securities acquired as part of sale and repurchase transactions have been stated as receivables from the counterparty or under the item "Loans, advances and receivables at fair value". The receivable has been fair value adjusted over the maturity of the agreement through profit or loss.

## Leases

The Nykredit Bank Group has entered into a number of leases with the Nykredit Bank Group as lessor.

Receivables from the lessee under finance leases have been included under "Loans, advances and other receivables at amortised cost". The leases have been measured so the carrying amount equals the net investment in the lease. Interest receivable under finance leases has been recognised as income under the item "Interest income". Repayments made have been deducted from the carrying amount concurrently with the amortisation of the receivable.

Direct costs on establishment of leases have been recognised in the net investment.

Properties leased under operating leases have been classified as "Investment properties". The properties have been measured at fair value in accordance with IAS 40 "Investment Property". Fair value adjustments have been recognised on a current basis through profit or loss under the item "Value adjustments".

Lease payments received have been recognised as income under "Other operating income".

## INCOME STATEMENT

### Interest income and expenses

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

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

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

Interest expenses include all interest-like expenses including adjustment over the maturity of financial liabilities measured at amortised

cost and where the cost differs from the redemption price.

### Dividend

Dividend from equity investments has been recognised as income in the income statement in the financial year in which the dividend was declared.

### Fees and commissions

Fees and commissions include income and expenses relating to services, including management fees. Fee income relating to services delivered on a current basis has been accrued over their terms.

For accounting purposes, fees, commissions and transaction costs have been treated as interest if they form part of the effective interest of a financial instrument.

Other fees have been recognised in the income statement at the date of transaction.

### Value adjustments

Value adjustments include foreign currency translation adjustment and value adjustments of assets and liabilities measured at fair value. However, value adjustments relating to the credit risk on loans, advances and receivables measured at fair value have been carried under "Impairment losses on loans and receivables".

### Staff and administrative expenses

Staff expenses include wages and salaries as well as social expenses and pensions.

### Impairment losses on loans and receivables

Losses ascertained and impairment changes for the year have been charged to the income statement under the item "Impairment losses on loans and receivables".

### Profit/loss from investments in associates

The proportionate share of the profit/loss before tax of associates after elimination of the proportional share of intercompany profit/loss has been recognised in the Consolidated Income Statement.

### Tax

Tax calculated at the current tax rate of taxable income for the year, adjustment of tax assessed for prior years and adjustment of the proportion of deferred tax relating to tax assets and liabilities attributable to the profit for the year have been charged to the income statement. The adjustments relating to deferred tax attributable to direct equity entries have been recognised directly in equity.

Nykredit Bank and the Bank Group's Danish companies are jointly taxed with Foreningen Nykredit. The Parent Company settles the total tax payable by the Group on the taxable income assessed for the year. Current Danish corporation tax payable has been distributed between the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

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

## ASSETS

### Receivables from credit institutions and central banks

Receivables from credit institutions and central banks include receivables from other credit institutions and time deposits with central banks. Initial recognition takes place at fair value, while subsequent measurement takes place at amortised cost.

This item also includes securities acquired as part of sales and repurchase transactions (repo/reverse) which have subsequently been measured at fair value.

### Loans, advances and other receivables at fair value (the fair value option)

The item includes loans and advances and other receivables relating to genuine purchase and resale transactions included in the trading book.

### Loans, advances and other receivables at amortised cost

On initial recognition, other loans and advances and other receivables at amortised cost have been measured at fair value with the deduction/addition of the costs and income relating to the acquisition. Subsequent measurement takes place at the lower of amortised cost and net realisable value with the deduction of loan loss provisions.

### Provisions for loan and receivable impairment

The Nykredit Bank Group performs continuous individual reviews and risk assessments of all significant loans, advances and receivables with a view to uncovering objective evidence of impairment. Where objective evidence of

impairment is present, and such event(s) has(have) an effect on the size of expected future payments from a loan that can be measured reliably, the loan has been written down for impairment at the difference between the carrying amount before impairment and the present value of expected future payments from the loan.

Objective evidence is deemed present where for example a borrower has serious financial difficulties, where borrowers do not fulfil the payment obligations under their contracts, and where it is probable that a borrower will go into bankruptcy or become subject to other financial restructuring.

Similarly, provisions have been made for non-significant loans, advances and receivables in case of objective evidence of impairment where the event(s) concerned is(are) believed to have a reliably measurable effect on the size of expected future payments from the exposure/loan.

The Bank's loans and advances are initially always placed in groups of uniform credit risks. Where impairment or a provisioning need is identified relating to individual loans and advances, they will be transferred from their respective groups and treated separately. Individual provisions for loan impairment are made based on a discounting of the most probable cash flows from the individual loan or exposure. For all loans subject to individual impairment provisioning, a strategy and action plan is prepared, and the loans/exposures are reviewed on a quarterly basis.

At each balance sheet date, group-based assessments are made and, where objective evidence of impairment (OEI) is identified in one or more groups, group-based provisions for loan impairment are made. Customers in arrears are considered to display OII and have been subject to impairment according to a segmentation model using adjusted Basel parameters for the loss flow calculation.

The model developed factors in "early events" when calculating extraordinary group-based impairment provisions for loans in special groups where internal credit experts deem it necessary and the required documentation exists.

If the present value of the loss flow calculations exceeds the loss calculated on the granting of the loan, impairment is calculated as the difference between the present value of the

loss flow calculation and the expected loss on the granting of the loan.

Where events occur showing a partial or complete impairment reduction following individual or group-based provisioning, impairment provisions have been reversed accordingly.

Impairment provisions have been deducted from the asset items concerned.

#### **Equities and bonds**

Equities and bonds have been recognised at fair value at the transaction date and subsequently measured at fair value equal to fair value determined on the basis of market data and recognised measurement methods.

If no objective prices from recent trades in unlisted assets are available, these assets are measured at fair value using EVCA's measurement rules for unlisted equities. Changes in the fair value have been recognised on a current basis in the income statement under value adjustments.

The Group's own portfolio of own issued bonds has been offset against issued bonds (the liability), and interest receivable relating to own bonds has been offset against interest payable.

#### **Investments in associates**

Associates are enterprises in which the Nykredit Bank Group exercises significant influence but not control.

Investments in associates have been recognised and measured according to the equity method and have therefore been measured at the proportionate ownership share of the enterprises' equity value carried with the deduction or addition of the proportionate share of unrealised intercompany profits or losses and with the addition of residual goodwill.

Total net revaluation of investments in associates has been transferred through the profit distribution to "Reserve for net revaluation according to the equity method" under equity.

#### **Intangible assets**

##### *Goodwill*

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises. In the segment accounts, goodwill has been recognised under the business area from/to which the cash flows relating to the enterprise acquired flow. Goodwill is tested for impairment at least once a year, and the carrying amount is written down to the lower of the re-

coverable amount through profit or loss and the carrying amount. The recoverable amount means "the higher of an entity's value in use" and "fair value after costs of sale".

##### *Software*

On initial recognition, acquired software has been recognised at cost and subsequently at cost with the deduction of accumulated amortisation. Acquired software is expected to have a useful life of 3-5 years.

#### **Land and buildings**

##### *Owner-occupied properties*

Owner-occupied properties are properties which the Nykredit Bank Group uses for administration and as sales and customer contact centres or for other service activities. Owner-occupied properties have been revalued in the balance sheet equal to the fair value at the revaluation date less subsequent accumulated depreciation and impairment losses. Reassessments have been made on a continuous basis to ensure that the carrying amount does not differ significantly from the fair value at the balance sheet date.

Fair value is based on open market prices of traded properties of similar locations and state of repair or similar valuation. In the note on owner-occupied properties, the valuation is described in detail.

Depreciation has been made on a straight-line basis based on the annually revalued scrap values and estimated useful lives of the properties of 50 years.

Increases in the carrying amounts arising on revaluation of owner-occupied properties have been added to the revaluation reserves under equity. Impairment losses offsetting former revaluations of the same asset have been deducted from revaluation reserves directly in equity, while other impairment losses have been recognised in the income statement.

Subsequent expenses have been recognised in the carrying amount of the asset concerned or recognised as a separate asset where it has been probable that expenses incurred will lead to future economic benefits for the Group, and the expenses can be measured reliably. Expenses for ordinary repair and maintenance have been recognised in the income statement as incurred.

Gains and losses on divested assets have been determined by comparing the sales proceeds with the carrying amount. Gains and losses have been recognised in the income state-

ment. On divestment of revalued assets, revaluations contained in the revaluation reserves have been transferred to the income statement.

#### *Investment properties*

Properties held for renting purposes and not occupied by the Group have been classified as investment properties. Investment properties have been stated at fair value.

The fair value has been based on open market prices, adjusted, if necessary, for differences in the nature, location or state of repair of the asset concerned. If such information has not been available, the Group has applied alternative measurement methods such as the return method or expectations for discounted cash flows. Changes in the fair value have been recognised in the income statement. The valuation has been made by a valuer attached to the Parent Company Nykredit Realkredit A/S who specialises in the valuation of commercial property.

#### **Other property, plant and equipment**

##### *Equipment*

Equipment has been measured at historical cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation has been made on a straight-line basis over the expected useful lives of:

- Computer equipment and machinery 4 years
- Equipment and motor vehicles 5 years

The residual value and useful lives of the assets have been assessed and adjusted, if necessary, at each balance sheet date. The carrying amount of an asset has been written down to the recoverable value immediately if the carrying amount of the asset exceeds the estimated recoverable value.

Gains and losses on the current replacement of property, plant and equipment have been charged to the income statement under "Other operating income" and "Other operating expenses".

#### **Prepayments**

Prepayments carried as assets include prepaid costs.

## **LIABILITIES AND EQUITY**

### **Payables**

Payables to credit institutions and central banks, deposits and other payables have been recognised at the proceeds received less transaction costs incurred. In subsequent periods, payables have been measured at amortised cost equal to the capitalised value using the effective interest rate so that the difference between the proceeds and the nominal value has been recognised in the income statement as interest expenses over the term of the loan. Other payables have been measured at amortised cost which in all material respects equals the nominal value.

Payables to credit institutions and central banks arisen as part of "genuine sales and repurchase transactions" have been measured at fair value on a current basis. Fair value adjustments have been recognised continuously through profit or loss.

### **Issued bonds at amortised cost**

Issued corporate bonds have been recognised at cost equal to consideration received less costs incurred. Issued bonds have subsequently been measured at amortised cost. Where the bonds have embedded derivative financial hedge instruments measured at fair value, the bonds will be value adjusted on a current basis to ensure accounting symmetry of the value adjustment of the hedged instrument and the hedging derivative financial instrument.

### **Other non-derivative financial liabilities at fair value**

Other non-derivative financial liabilities at fair value include deposits and negative securities portfolios which relate to "genuine sales and repurchase transactions" and which are held for trading.

### **Provisions**

Provisions have been recognised where, as a result of an event occurred on or before the balance sheet date, the Group has a legal or constructive obligation, and where it has been probable that economic benefits must be provided to settle the obligation.

In connection with the measurement of provisions, the costs necessary to settle the obligation have been discounted where this has a significant effect on the measurement of the obligation. A discount rate has been applied as discount factor reflecting general market rates with the addition of the specific risks which the provision concerned is estimated to involve. The changes in present values for the

financial year have been recognised under interest expense/income. Provisions have been measured at Management's best estimate based on the amounts considered to be adequate to redeem the obligation.

### **Corporation and deferred tax**

Current tax liabilities and current tax receivable have been recognised in the balance sheet as tax calculated on taxable income adjusted for tax paid on account.

Deferred tax has been measured in accordance with the balance sheet liability method based on all temporary differences between the carrying amounts and taxable value of assets and liabilities. No recognition has been made of deferred tax on temporary differences relating to the amortisation of goodwill disallowed for tax purposes and owner-occupied properties as well as other items where temporary differences – except in case of acquisitions – have arisen at the time of acquisition without having any effect on the profit/loss or the taxable income. In cases where it has been possible to determine the tax value according to different tax rules, deferred tax has been measured on the basis of the planned use of the asset or settlement of the liability, as planned by Management.

Deferred tax assets, including the tax value of tax loss carryforwards, have been recognised at the value at which they are expected to be utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax has been measured on the basis of the tax rules and tax rates effective under current legislation on the balance sheet date when deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates have been recognised in the income statement.

### **Deferred income**

Deferred income recognised under liabilities includes payments received concerning income recorded in subsequent years.

### **Subordinate loan capital**

Subordinate loan capital has initially been recognised at fair value less transaction costs incurred. Subordinate loan capital has subsequently been carried at amortised cost, and any differences between the proceeds (less transaction costs) and the redemption value have been recognised in the income statement over the loan term using the effective interest method.

**Equity***Share capital*

Equities have been classified as equity where no obligation exists to transfer cash or other assets.

*Revaluation reserves*

Revaluation reserves include positive value adjustments of owner-occupied properties with the deduction of any deferred tax. Increases in the reassessed values of properties have been recognised directly under this item unless the increase cancels out a decrease previously recognised in the income statement. The item is adjusted for any impairment fully or partially cancelling out previously recognised value increases. The item is also reduced on divestment of properties.

*Statutory reserves*

The reserves include value adjustments of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves have been adjusted for the distribution of dividend to the Parent Company and for other movements in equity in subsidiaries and associates.

*Retained earnings/other reserves*

Include distributable reserves which may be distributed to the Company's shareholders without limitation.

**Cash flow statement**

The consolidated cash flow statement has been prepared according to the indirect method based on profit/loss for the year. The consolidated cash flow statement shows cash flows from the operating, investing and financing activities for the year, the changes in cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of the items "Cash in hand and demand deposits with central banks" and "Receivables from credit institutions and central banks".

**Intercompany transactions**

The Nykredit Group consists of a number of independent legal entities. Intercompany trade and services have been settled at market terms or, where no real market exists, on an arm's length basis. Alternatively, settlements have been made on a cost reimbursement basis.

**Financial ratios**

Financial highlights have been presented in accordance with the FSA Executive Order on

the Presentation of Financial Reports of Credit Institutions and Investment Companies, etc.

**Special policies for the Parent Company, Nykredit Bank A/S**

The Annual Report of Nykredit Bank A/S has been prepared in accordance with the Danish Financial Business Act, including the FSA Executive Order on the presentation of financial reports of credit institutions and investment companies, etc.

These rules comply with the International Financial Reporting Standards (IFRS) in all material respects and the Nykredit Bank Group's accounting policies. Exceptions to this practice and special circumstances relating to the Parent Company are described below.

**Investments in group enterprises and associates**

The FSA Executive Order prescribes that equity investments in group enterprises and associates be recognised and measured according to the equity method. IFRS do not allow use of the equity method in the separate annual financial statements of the Parent Company.

The proportionate ownership interest of the enterprises' carried equity values with the deduction or addition of unrealised intercompany profits or losses and with the addition of the residual value of goodwill has been recognised under "Investments in group enterprises" and "Investments in associates" in the balance sheet.

Nykredit Bank's share of the enterprises' profit/loss after elimination of unrealised intercompany profits and losses with the deduction of depreciation, amortisation and impairment losses has been recognised in the income statement.

Total net revaluation of equity investments in group enterprises has been transferred through the profit distribution to "Reserve for net revaluation according to the equity method" under equity.

The recognition and measurement principles applied by Nykredit Bank are the same in the Parent Company and in the Group and accordingly results and equity will be identical in both reports.

# Income statements for the period 1 January - 31 December

DKK million

Nykredit Bank A/S		Note	The Nykredit Bank Group	
2006	2007		2007	2006
2,996	4,893	2	5,006	3,029
2,243	3,906	3	3,988	2,253
<b>753</b>	<b>987</b>		<b>1,018</b>	<b>776</b>
6	6	4	6	6
483	586	5	673	556
286	348	6	374	306
<b>956</b>	<b>1,231</b>		<b>1,323</b>	<b>1,032</b>
486	526	7	542	522
19	8		17	21
668	779	8	871	739
2	8	9	10	2
1	1		2	1
(52)	(45)	10	(14)	(44)
35	(9)	11,13	-	-
<b>877</b>	<b>1,013</b>		<b>1,013</b>	<b>877</b>
250	255	12	255	250
<b>627</b>	<b>758</b>		<b>758</b>	<b>627</b>
627	758			
<b>627</b>	<b>758</b>			
627	758			
<b>627</b>	<b>758</b>			



## Balance sheets at 31 December

DKK million

Nykredit Bank A/S		Note	The Nykredit Bank Group		
2006	2007		2007	2006	
<b>ASSETS</b>					
33	103	Cash balance and demand deposits with central banks	14	103	33
18,238	20,084	Receivables from credit institutions and central banks	15	21,020	18,405
3,432	5,737	Loans, advances and other receivables at fair value	16	5,550	3,432
28,758	38,314	Loans, advances and other receivables at amortised cost	17, 10	39,659	28,983
46,980	53,028	Bonds at fair value	18	55,201	47,697
258	282	Equities	19	282	258
40	22	Investments in associates	20	-	-
257	383	Investments in group enterprises	20	-	-
0	0	Intangible assets	21	2	0
<b>72</b>	<b>71</b>	<b>Total land and buildings</b>	<b>22, 7</b>	<b>82</b>	<b>73</b>
72	71	- Investment properties		71	72
-	-	- Owner-occupied properties		11	1
4	6	Other property, plant and equipment	23	10	6
0	15	Current tax assets	30	11	0
0	34	Deferred tax assets	30	42	0
8,105	13,302	Other assets	24	13,429	8,153
2	2	Prepayments		8	5
<b>106,179</b>	<b>131,383</b>	<b>TOTAL ASSETS</b>		<b>135,399</b>	<b>107,045</b>

## Balance sheets at 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2006	2007		Note	2007	2006
<b>LIABILITIES AND EQUITY</b>					
62,548	73,296	Payables to credit institutions and central banks	25	76,825	63,107
22,764	32,034	Deposits and other payables	26	31,717	22,667
1,741	1,562	Issued bonds at amortised cost	27	1,562	1,741
7,032	4,776	Other non-derivative financial liabilities at fair value	28	5,403	7,032
75	0	Current tax liabilities	30	0	83
6,461	11,213	Other liabilities	29	11,379	6,852
3	2	Deferred income		12	4
<b>100,624</b>	<b>122,883</b>	<b>TOTAL PAYABLES</b>		<b>126,898</b>	<b>101,486</b>
<b>Provisions</b>					
9	0	Provisions for deferred tax	30	0	13
5	1	Other provisions	31	2	5
<b>14</b>	<b>1</b>	<b>TOTAL PROVISIONS</b>		<b>2</b>	<b>18</b>
1,300	2,400	Subordinate loan capital	32	2,400	1,300
<b>Equity</b>					
1,400	1,950	Share capital		1,950	1,400
-	-	Revaluation reserves		4	-
		Other reserves			
147	69	Statutory reserves		-	-
2,694	4,080	Retained earnings		4,145	2,841
<b>4,241</b>	<b>6,099</b>	<b>TOTAL EQUITY</b>		<b>6,099</b>	<b>4,241</b>
<b>106,179</b>	<b>131,383</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>135,399</b>	<b>107,045</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
9,343	14,435	Guarantees	33	14,435	9,343
6,346	8,011	Other contingent liabilities	34	8,041	6,374
<b>15,689</b>	<b>22,446</b>	<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>22,476</b>	<b>15,717</b>
		Related parties	35		
		Financial instruments	36		
		Derivative financial instruments	37		
		Unsettled spot transactions	38		
		Credit, foreign exchange, equity price and interest rate exposures	39		
		Hedging of interest rate risk	40		
		Genuine sale (purchase) and repurchase/resale transactions	41		
		Contingent liabilities	42		
		Group structure	43		
		Acquisition of group enterprises	44		

# Statement of changes in equity and capital adequacy

DKK million

## Nykredit Bank A/S

	Share capital*	Statutory reserve: Reserve for net revaluation according to the equity method	Retained earnings	Total
<b>Equity, 2007</b>				
Equity, 1 January 2007, cf the table below	1,400	147	2,694	4,241
Profit for the year	-	(5)	763	758
Additions relating to merger	-	35	(35)	-
Other disposals/additions (Nykredit Portefølje Bank A/S and LeasIT A/S)	-	(108)	(108)	-
<b>Total comprehensive income</b>	<b>-</b>	<b>(78)</b>	<b>836</b>	<b>758</b>
New paid-up capital	550	0	550	1,100
<b>Total changes in equity</b>	<b>550</b>	<b>(78)</b>	<b>1,386</b>	<b>1,858</b>
<b>Equity, 31 December 2007</b>	<b>1,950</b>	<b>69</b>	<b>4,080</b>	<b>6,099</b>
<b>Equity, 2006</b>				
Equity, 1 January 2006	1,400	131	2,083	3,614
Profit for the year	-	51	576	627
Other disposals/additions	-	(35)	35	-
<b>Total comprehensive income</b>	<b>-</b>	<b>16</b>	<b>611</b>	<b>627</b>
<b>Total changes in equity</b>	<b>-</b>	<b>16</b>	<b>611</b>	<b>627</b>
<b>Equity, 31 December 2006</b>	<b>1,400</b>	<b>147</b>	<b>2,694</b>	<b>4,241</b>
* The share capital breaks down into 13 shares in multiples of DKK 1m. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen. Nykredit Bank is included in the consolidated financial statements of this company and the consolidated financial statements of Foreningen Nykredit, Copenhagen, which owns 87.5% of Nykredit Realkredit A/S.				
<b>Capital adequacy and core capital</b>			<b>2007</b>	<b>2006</b>
Share capital			1,950	1,400
Reserves			69	147
Retained earnings			4,080	2,694
<b>Total core capital</b>			<b>6,099</b>	<b>4,241</b>
Primary and other statutory deductions from core capital			(92)	-
Supplementary capital			2,400	1,300
<b>Total</b>			<b>8,407</b>	<b>1,300</b>
Statutory deductions, net			58	113
<b>Capital base after statutory deductions</b>			<b>8,349</b>	<b>5,428</b>
Weighted items involving credit, counterparty and delivery risk			59,902	40,262
Weighted items involving market risk			9,724	10,530
<b>Total weighted items</b>			<b>69,626</b>	<b>50,792</b>
Capital adequacy ratio, %			12.0	10.6
Core capital ratio, %			8.6	8.3

# Statement of changes in equity and capital adequacy

DKK million

The Nykredit Bank Group

	Share capital*	Revaluation reserve: Revaluation of property	Retained earnings	Total
<b>Equity, 2007</b>				
Equity, 1 January 2007, cf the table below	1,400	-	2,841	4,241
Profit for the year	-	-	758	758
Revaluation of property	-	4	(4)	0
<b>Total comprehensive income</b>	-	<b>4</b>	<b>754</b>	<b>758</b>
New paid-up capital	550	-	550	1,100
<b>Total changes in equity</b>	<b>550</b>	<b>4</b>	<b>1,304</b>	<b>1,858</b>
<b>Equity, 31 December 2007</b>	<b>1,950</b>	<b>4</b>	<b>4,145</b>	<b>6,099</b>
<b>Equity, 2006</b>				
Equity, 1 January 2006	1,400	-	2,214	3,614
Profit for the year	-	-	627	627
<b>Total comprehensive income</b>	-	-	<b>627</b>	<b>627</b>
<b>Total changes in equity</b>	-	-	<b>627</b>	<b>627</b>
<b>Equity, 31 December 2006</b>	<b>1,400</b>	-	<b>2,841</b>	<b>4,241</b>
<b>Capital adequacy and core capital</b>				
			<b>2007</b>	<b>2006</b>
Share capital			1,950	1,400
Retained earnings			4,149	2,841
<b>Total core capital</b>			<b>6,099</b>	<b>4,241</b>
Primary and other statutory deductions from core capital			(107)	-
Supplementary capital			2,400	1,300
<b>Total</b>			<b>8,392</b>	<b>5,541</b>
Statutory deductions, net			54	113
<b>Capital base after statutory deductions</b>			<b>8,338</b>	<b>5,428</b>
Weighted items involving credit, counterparty and delivery risk			61,029	40,502
Weighted items involving market risk			10,389	10,631
<b>Total weighted items</b>			<b>71,418</b>	<b>51,133</b>
Capital adequacy ratio, %			11.7	10.6
Core capital ratio, %			8.4	8.2

## Cash flow statement 1 January - 31 December

DKK million

	The Nykredit Bank Group	
	2007	2006
Profit after tax for the year	758	627
<b>Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions</b>		
Depreciation and impairment losses for property, plant and equipment	10	0
Other non-cash changes	38	(5)
Impairment losses on loans, advances and receivables	(5)	(39)
Tax calculated on profit for the year	255	250
<b>Total</b>	<b>298</b>	<b>206</b>
<b>Profit for the year adjusted for non-cash operating items</b>	<b>1,056</b>	<b>833</b>
<b>Change in working capital</b>		
Loans, advances and other receivables	(11,389)	(5,800)
Deposits and other payables	9,068	613
Payables to credit institutions and central banks	12,479	18,272
Bonds at fair value	(7,720)	(11,886)
Equities	(24)	9
Other working capital	(2,498)	(275)
<b>Total</b>	<b>(84)</b>	<b>933</b>
Corporation tax paid, net	(410)	(172)
<b>Cash flows from operating activities</b>	<b>562</b>	<b>1,594</b>
Purchase of shares in LeasIT A/S, cf note 44	(73)	-
Property, plant and equipment	(10)	177
<b>Total</b>	<b>(83)</b>	<b>177</b>
<b>Cash flows from financing activities</b>		
Capital contribution	1,100	-
Subordinate loan capital	1,100	500
Issued bonds	(216)	1,087
<b>Total</b>	<b>1,984</b>	<b>1,587</b>
<b>Total cash flows</b>	<b>2,463</b>	<b>3,358</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>18,438</b>	<b>15,031</b>
Foreign currency translation adjustment of cash	222	49
<b>Cash and cash equivalents, year-end</b>	<b>21,123</b>	<b>18,438</b>
<b>Cash and cash equivalents, year-end</b>		
Specification of cash and cash equivalents, year-end:		
Cash balance and demand deposits with central banks	103	33
Receivables from credit institutions and central banks	21,020	18,405
<b>Cash and cash equivalents, year-end</b>	<b>21,123</b>	<b>18,438</b>

## Notes

DKK million

The Nykredit Bank Group

1. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME 1 JANUARY - 31 DECEMBER	2007			2006		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	996	22	1,018	768	8	776
Dividend on equities	3	3	6	6	0	6
Fee and commission income, net	301	(2)	299	250	0	250
<b>Net interest and fee income</b>	<b>1,300</b>	<b>23</b>	<b>1,323</b>	<b>1,024</b>	<b>8</b>	<b>1,032</b>
Value adjustments	576	(34)	542	533	(11)	522
Other operating income	17	0	17	21	0	21
Staff and administrative expenses	868	3	871	739	0	739
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	10	0	10	2	0	2
Other operating expenses	2	0	2	1	0	1
Impairment losses on loans and advances	(14)	0	(14)	(44)	0	(44)
<b>Profit/loss before tax</b>	<b>1,027</b>	<b>(14)</b>	<b>1,013</b>	<b>880</b>	<b>(3)</b>	<b>877</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>2. INTEREST INCOME</b>				
421	748	Receivables from credit institutions and central banks	781	421
1,264	2,146	Loans, advances and other receivables	2,178	1,282
1,421	1,830	Bonds	1,878	1,435
(110)	169	Total derivative financial instruments	169	(110)
		Of which		
40	(122)	- Foreign exchange contracts	(122)	40
(150)	291	- Interest rate contracts	291	(150)
0	0	Other interest income	0	1
<b>2,996</b>	<b>4,893</b>	<b>Total</b>	<b>5,006</b>	<b>3,029</b>
2	-	Of which adjustment as a result of merger with Nykredit Portefølje Bank	-	-
<b>Of which interest income from genuine purchase and resale transactions entered as:</b>				
263	523	Receivables from credit institutions and central banks	555	263
140	224	Loans, advances and other receivables at fair value	217	140
<b>Of total interest income</b>				
1,282	2,147	Interest income accrued on financial assets measured at amortised cost	2,187	1,300
Interest income accrued on loans and advances for which individual impairment provisions have been made amounts to DKK 0.2m (2006: DKK 0.2m). The Bank suspends addition of interest on loans and advances individually impaired to a significant extent. Interest income from impaired loans and advances has been offset against impairments.				
219	234	Interest income accrued on fixed-rate loans and advances	234	219
8	5	Interest income from finance leases	61	29
<b>3. INTEREST EXPENSES</b>				
1,523	2,659	Credit institutions and central banks	2,750	1,536
666	1,154	Deposits and other payables	1,141	662
21	10	Issued bonds	10	21
33	79	Subordinate loan capital	79	33
0	4	Other interest expenses	8	1
<b>2,243</b>	<b>3,906</b>	<b>Total</b>	<b>3,988</b>	<b>2,253</b>
<b>Of which interest expenses for genuine sale and repurchase transactions entered as</b>				
368	613	Payables to credit institutions and central banks	659	368
23	61	Deposits and other payables (non-derivative financial liabilities at fair value)	56	23
<b>Issued bonds</b>				
6	12	Offset interest from the Bank's own portfolio of own bonds	12	6
<b>Of total interest expenses</b>				
1,852	3,232	Interest expenses accrued on financial liabilities measured at amortised cost	3,273	1,862
<b>4. DIVIDEND ON EQUITIES</b>				
6	6	Dividend on equities	6	6
<b>6</b>	<b>6</b>	<b>Total</b>	<b>6</b>	<b>6</b>

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2006	2007	2007	2006
<b>5. FEE AND COMMISSION INCOME</b>			
219	192	292	288
18	22	22	18
11	7	7	12
67	79	79	67
168	286	273	171
<b>483</b>	<b>586</b>	<b>673</b>	<b>556</b>
61	-	-	-
Of which adjustment as a result of merger with Nykredit Portefølje Bank			
<b>Of which:</b>			
67	98	98	69
163	244	331	237
Fees relating to financial instruments not measured at fair value			
Fees relating to asset management activities and other fiduciary activities			
Certain fees that form an integral part of the effective interest rate of an underlying loan measured at amortised cost have been presented under the item "Interest income".			
<b>6. FEE AND COMMISSION EXPENSES</b>			
<b>286</b>	<b>348</b>	<b>374</b>	<b>306</b>
(16)	-	-	-
Of which adjustment as a result of merger with Nykredit Portefølje Bank			
<b>Of which:</b>			
105	108	111	105
5	63	52	17
Fees relating to financial instruments not measured at fair value			
Fees relating to asset management activities and other fiduciary activities			
<b>7. VALUE ADJUSTMENTS</b>			
-	1	-	35
(206)	(443)	(453)	(207)
61	64	64	61
6	(1)	(1)	6
35	86	87	35
590	820	845	592
<b>486</b>	<b>526</b>	<b>542</b>	<b>522</b>
Value adjustments mainly relate to financial assets, financial liabilities and derivative financial instruments included in the Bank's/Group's trading activities as well as value adjustments of investment properties.			
<b>Of which value adjustment relating to fair value hedging for accounting purposes:</b>			
(2)	0	0	(2)
Fair value hedging (cf note 40)			



## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2006	2007	2007	2006
<b>8. STAFF AND ADMINISTRATIVE EXPENSES</b>			
6	5	5	6
393	454	509	438
269	320	357	295
<b>668</b>	<b>779</b>	<b>871</b>	<b>739</b>
41	-	-	-
Of which adjustment as a result of merger with Nykredit Portefølje Bank			
<b>Remuneration of Board of Directors and Executive Board</b>			
<b>Board of Directors</b>			
Remuneration			
Each staff-elected Board representative receives annual remuneration of DKK 60,000.			
<b>Executive Board</b>			
6	5	5	6
<b>6</b>	<b>5</b>	<b>5</b>	<b>6</b>
<b>Remuneration of Executive Board</b>			
As Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S, Management finds the stating of individual salaries of the Executive Board members immaterial to the assessment of the Annual Report. Consequently, the Company has elected to derogate from the recommendation to disclose individual salaries.			
Of the above remuneration, DKK 0.8m constitutes bonus payments (2006: DKK 0.4m).			
The Bank's Executive Board is further remunerated in the form of a company car. The taxable value thereof was DKK 0.2m in 2007 (2006: DKK 0.2m).			
Karsten Knudsen, Managing Director of Nykredit Bank until 30 September 2007, is a member of the Group Executive Board of the Parent Company and is remunerated by the Parent Company.			
Members of the Executive Board receive a fixed salary. No permanent bonus plans have been established.			
Executive Board members do not receive remuneration as directors of group enterprises and associates.			
The pensionable age for members of the Executive Board is 70 years. No agreements have been made on pension benefits for Executive Board members.			
The term of notice is 12 months. Upon resignation at Nykredit Bank A/S's request, Executive Board members are entitled to termination benefits equal to either 9 or 6 months' gross salary.			
<b>Loans, charges or guarantees granted to the members of</b>			
0	0	0	0
1	0	0	1
170	246	246	170
<b>Deposits from the members of</b>			
0	0	0	0
1	1	1	1
92	91	91	92
Balances with the above members of the Bank's Management and their related parties carry interest at usual market rates.			

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2006	2007	2007	2006
<b>8. STAFF AND ADMINISTRATIVE EXPENSES (continued)</b>			
<b>Staff expenses</b>			
336	380	427	374
28	33	37	31
29	41	45	33
<b>393</b>	<b>454</b>	<b>509</b>	<b>438</b>
<b>Total</b>			
<b>433</b>	<b>507</b>	<b>588</b>	<b>492</b>
31	-	-	-
Of which adjustment as a result of merger with Nykredit Portefølje Bank			
<b>Aggregate fees to the auditors appointed by the general meeting that perform the statutory audit</b>			
1	1	1	1
0	2	4	4
<b>1</b>	<b>3</b>	<b>5</b>	<b>5</b>
<b>Total</b>			
In addition to the fees mentioned above, expenses relating to the activities of Group Internal Audit have been defrayed.			
<b>9. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS</b>			
2	2	4	2
-	6	6	-
<b>2</b>	<b>8</b>	<b>10</b>	<b>2</b>
<b>Total</b>			
<b>10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES</b>			
<b>Specification of impairment provisions</b>			
17	18	84	27
61	11	11	61
<b>78</b>	<b>29</b>	<b>95</b>	<b>88</b>
<b>Total impairment provisions, year-end</b>			
<b>Individual impairment provisions</b>			
130	17	27	132
3	12	43	11
64	4	5	64
-	-	28	-
52	7	9	52
<b>17</b>	<b>18</b>	<b>84</b>	<b>27</b>
<b>Impairment provisions, year-end</b>			
<b>Group-based impairment provisions</b>			
50	61	61	50
11	(50)	(50)	11
<b>61</b>	<b>11</b>	<b>11</b>	<b>61</b>
<b>Impairment provisions, year-end</b>			
<b>Effect on profit</b>			
(47)	(41)	(11)	(39)
(3)	(1)	(1)	(3)
2	6	7	3
(4)	(9)	(9)	(5)
<b>(52)</b>	<b>(45)</b>	<b>(14)</b>	<b>(44)</b>
<b>Total impairment losses on loans and advances</b>			
<b>(52)</b>	<b>(45)</b>	<b>(14)</b>	<b>(44)</b>
<b>Total</b>			
<b>Specification of loans and advances with objective indications of impairment</b>			
25	21	121	48
17	18	84	27
<b>8</b>	<b>3</b>	<b>37</b>	<b>21</b>
<b>Carrying amount of non-performing loans</b>			
5,906	102	102	5,906
61	11	11	61
<b>5,845</b>	<b>91</b>	<b>91</b>	<b>5,845</b>
<b>Loans and advances after impairment provisions</b>			

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>11. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>				
73	-	According to the Annual Report for 2006	-	-
(38)	-	Adjustment as a result of merger with Nykredit Portefølje Bank	-	-
<b>35</b>	<b>-</b>	<b>Total</b>	<b>-</b>	<b>-</b>
16	(2)	Profit from investments in associates	-	-
19	(7)	Profit from investments in group enterprises	-	-
<b>35</b>	<b>(9)</b>	<b>Total</b>	<b>-</b>	<b>-</b>
<b>12. TAX</b>				
<b>Tax for the year can be specified as follows:</b>				
250	255	Tax on profit for the year	255	250
<b>250</b>	<b>255</b>	<b>Total</b>	<b>255</b>	<b>250</b>
<b>Tax on profit for the year has been calculated as follows:</b>				
280	307	Current tax	307	280
(35)	(51)	Deferred tax	(51)	(35)
5	9	Adjustment of current tax relating to previous years	9	5
0	(9)	Adjustment of deferred tax relating to previous years	(9)	0
0	(1)	Adjustment of deferred tax as a result of reduced tax rate	(1)	0
<b>250</b>	<b>255</b>	<b>Total</b>	<b>255</b>	<b>250</b>
<b>Tax on profit for the year can be specified as follows:</b>				
246	253	Calculated 25% tax on profit before tax (2006: 28%)	253	246
Tax effect of:				
(4)	(2)	Non-taxable income	(2)	(4)
2	5	Other non-deductible costs	5	2
6	(1)	Adjustment of tax assessed for previous years	(1)	6
<b>250</b>	<b>255</b>	<b>Total</b>	<b>255</b>	<b>250</b>
28.5%	25.3%	Effective tax rate	25.3%	28.5%
<b>13. INCOME FROM FOREIGN ENTITIES</b>				
<b>Foreign entities' contributions to profit for the year in the form of interest income, fees, value adjustments and other operating income</b>				
-	-	England and the Cayman Islands	11	2
<b>-</b>	<b>-</b>	<b>Revenue of foreign entities</b>	<b>11</b>	<b>2</b>
Contributions from foreign entities are regarded as the Group's secondary segment. The business areas regarded as the Group's primary segment are described in the management's review.				
Foreign entities' revenues, results, etc, are also shown under "Group Structure", note 43.				
<b>14. CASH BALANCE AND DEMAND DEPOSITS WITH CENTRAL BANKS</b>				
33	103	Cash balance	103	33
<b>33</b>	<b>103</b>	<b>Total</b>	<b>103</b>	<b>33</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>15. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
2,973	1,396	Receivables at call from central banks	1,396	2,973
15,265	18,688	Receivables from credit institutions	19,624	15,432
<b>18,238</b>	<b>20,084</b>	<b>Total</b>	<b>21,020</b>	<b>18,405</b>
<b>By time-to-maturity</b>				
7,014	9,675	Demand deposits	10,610	7,181
10,698	10,075	Up to 3 months	10,075	10,698
400	150	Over 3 months and up to 1 year	150	400
38	18	Over 1 year and up to 5 years	18	38
88	166	Over 5 years	167	88
<b>18,238</b>	<b>20,084</b>	<b>Total</b>	<b>21,020</b>	<b>18,405</b>
8,734	9,610	Of which genuine purchase and resale transactions	10,251	8,887
<b>16. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE</b>				
3,432	5,737	Loans and advances at fair value	5,550	3,432
<b>3,432</b>	<b>5,737</b>	<b>Total</b>	<b>5,550</b>	<b>3,432</b>
3,432	5,737	Of which genuine purchase and resale transactions	5,550	3,432
<b>By time-to-maturity</b>				
3,001	1,243	Up to 3 months	1,056	3,001
431	4,494	Over 3 months and up to 1 year	4,494	431
<b>3,432</b>	<b>5,737</b>	<b>Total</b>	<b>5,550</b>	<b>3,432</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST</b>				
28,758	38,314	Loans and advances	39,659	28,983
<b>28,758</b>	<b>38,314</b>	<b>Total</b>	<b>39,659</b>	<b>28,983</b>
<b>By time-to-maturity</b>				
4,705	9,238	On demand	8,660	4,409
5,381	10,150	Up to 3 months	10,238	5,434
5,930	6,342	Over 3 months and up to 1 year	6,751	6,028
6,238	5,127	Over 1 year and up to 5 years	6,526	6,583
6,504	7,457	Over 5 years	7,484	6,529
<b>28,758</b>	<b>38,314</b>	<b>Total</b>	<b>39,659</b>	<b>28,983</b>
<b>Non-performing loans or loans carrying a reduced interest rate</b>				
16	19	Non-performing loans	37	16
2	2	Loans carrying a reduced interest rate	2	2
<b>Impairment provisions made, year-end, cf note 10</b>				
17	18	Individual impairment provisions	84	27
61	11	Group-based impairment provisions	11	61
<b>Fixed-rate loans</b>				
3,404	3,132	Of total loans and advances, fixed-rate loans represent	3,132	3,404
3,419	3,112	Market value of fixed-rate loans	3,112	3,419
<b>Finance leases</b>				
122	121	Of total loans and advances at amortised cost, finance leases represent	1,747	643
128	122	Carrying amount, beginning of year	643	671
-	3	Additions (Group: of which DKK 1,476m relates to the acquisition of LeasIT A/S)	1,551	304
6	4	Disposals	447	332
<b>122</b>	<b>121</b>	<b>Carrying amount, year-end</b>	<b>1,747</b>	<b>643</b>
<b>By time-to-maturity</b>				
1	1	Up to 3 months	88	54
2	2	Over 3 months and up to 1 year	343	100
74	74	Over 1 year and up to 5 years	1,253	418
45	44	Over 5 years	63	71
<b>122</b>	<b>121</b>	<b>Total</b>	<b>1,747</b>	<b>643</b>
<b>Gross investments in finance leases</b>				
<b>By time-to-maturity</b>				
11	11	Up to 1 year	576	185
93	94	Over 1 year and up to 5 years	1,407	475
71	48	Over 5 years	67	99
<b>175</b>	<b>153</b>	<b>Total</b>	<b>2,050</b>	<b>759</b>
<b>53</b>	<b>32</b>	<b>Non-earned income</b>	<b>303</b>	<b>116</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)</b>				
Where loans and advances under finance leases are concerned, amortised cost represents the fair value thereof. The leases comprise equipment as well as real property. The leases have been concluded on an arm's length basis and have maturities of between 3 and 6 years.				
0	0	Impairment provisions for finance leases	66	9
Non-guaranteed residual values upon expiry of the leases amount to DKK 0.				
<b>Loans, advances and guarantee debtors by sector and industry as %, year-end</b>				
0%	0%	<b>Public sector</b>	0%	1%
<b>Corporate customers</b>				
3%	4%	Agriculture, hunting and forestry	5%	3%
0%	0%	Fisheries	0%	0%
14%	11%	Manufacturing industries, extraction of raw materials, utilities	11%	14%
1%	1%	Building and construction	1%	1%
6%	5%	Trade, restaurants and hotels	5%	6%
4%	2%	Transport, mail and telephone	3%	4%
9%	12%	Credit, finance and insurance	10%	8%
25%	26%	Property management and trade, business services	26%	25%
7%	8%	Other trade and industry	9%	7%
69%	69%	<b>Total corporate customers</b>	70%	68%
31%	31%	<b>Retail customers</b>	30%	31%
100%	100%	<b>Total</b>	100%	100%
The sector distribution has been based on the official Danish activity codes.				
<b>18. BONDS AT FAIR VALUE</b>				
46,919	-	According to Nykredit Bank's Annual Report for 2006	-	47,697
61	-	Additions as a result of merger with Nykredit Portefølje Bank	-	-
46,980	-	<b>Total</b>	-	47,697
32,485	47,796	Mortgage bonds	49,447	32,903
6,855	1,457	Government bonds	1,796	6,919
7,919	4,115	Other bonds	4,298	8,154
47,259	53,368	<b>Total</b>	55,541	47,976
279	340	Own bonds offset against issued bonds, cf note 27	340	279
46,980	53,028	<b>Total</b>	55,201	47,697
The effect of fair value adjustment has been recognised in the income statement.				
588	246	Of which drawn bonds	246	588
13,148	12,759	Assets sold as part of genuine sale and repurchase transactions	12,759	13,564
25,698	27,361	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	27,361	25,698
The collateral was provided at standard industry terms and on an arm's length basis.				

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
		<b>19. EQUITIES</b>		
258	282	Equities measured at fair value through profit or loss	282	258
<b>258</b>	<b>282</b>	<b>Total</b>	<b>282</b>	<b>258</b>
		<b>Specification of equity portfolios</b>		
53	36	Listed on the OMX Nordic Exchange Copenhagen	36	53
13	11	Listed on other stock exchanges	11	13
192	235	Unlisted equities carried at fair value	235	192
<b>258</b>	<b>282</b>	<b>Total equities</b>	<b>282</b>	<b>258</b>
		<b>20. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>		
		<b>Investments in associates</b>		
23	23	Cost, beginning of year	-	-
0	13	Disposals (transferred to "Investments in group enterprises" relating to LeasIT A/S)	-	-
<b>23</b>	<b>10</b>	<b>Cost, year-end</b>	<b>-</b>	<b>-</b>
14	17	Revaluations and impairment losses, beginning of year	-	-
16	(2)	Profit before tax	-	-
9	0	Dividends	-	-
(4)	0	Tax	-	-
0	0	Other movements in capital	-	-
0	3	Reversal of revaluations and impairment losses	-	-
<b>17</b>	<b>12</b>	<b>Total revaluations and impairment losses, year-end</b>	<b>-</b>	<b>-</b>
<b>40</b>	<b>22</b>	<b>Balance, year-end</b>	<b>-</b>	<b>-</b>
		<b>Investments in group enterprises</b>		
82	195	Cost, beginning of year	-	-
(35)	-	Disposals as a result of merger with Nykredit Portefølje Bank	-	-
37	-	Additions as a result of merger with Nykredit Portefølje Bank	-	-
<b>84</b>	<b>195</b>	<b>Adjusted cost, beginning of year</b>	<b>-</b>	<b>-</b>
(1)	(2)	Foreign currency translation adjustment	-	-
112	133	Additions (2007: Acquisition of LeasIT A/S)	-	-
0	35	Other additions/disposals	-	-
<b>195</b>	<b>361</b>	<b>Cost, year-end</b>	<b>-</b>	<b>-</b>
124	62	Revaluations and impairment losses, beginning of year	-	-
(51)	-	Adjustment, Nykredit Portefølje Bank/Nykredit Portefølje Administration	-	-
<b>73</b>	<b>62</b>	<b>Adjusted revaluations and impairment losses, beginning of year</b>	<b>-</b>	<b>-</b>
0	(1)	Foreign currency translation adjustment	-	-
31	(7)	Profit before tax	-	-
26	0	Dividends	-	-
(16)	3	Tax	-	-
0	(35)	Other movements in capital	-	-
<b>62</b>	<b>22</b>	<b>Total revaluations and impairment losses, year-end</b>	<b>-</b>	<b>-</b>
<b>257</b>	<b>383</b>	<b>Balance, year-end</b>	<b>-</b>	<b>-</b>

## Notes

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2006	2007			2007	2006
<b>20. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (continued)</b>					
<b>Subordinate receivables</b>					
-	24	Group enterprises		-	-
24	-	Associates		0	19
349	705	Other enterprises		705	349
<b>373</b>	<b>729</b>	<b>Total</b>		<b>705</b>	<b>368</b>
<b>Balances with associates and group enterprises</b>					
<b>Associates</b>					
<b>Asset items</b>					
523	7	Loans, advances and other receivables at amortised cost		4	339
<b>523</b>	<b>7</b>	<b>Total</b>		<b>4</b>	<b>339</b>
<b>Liability items</b>					
153	1	Deposits and other payables		0	118
<b>153</b>	<b>1</b>	<b>Total</b>		<b>0</b>	<b>118</b>
<b>Group enterprises</b>					
<b>Asset items</b>					
109	587	Loans, advances and other receivables at amortised cost		-	-
<b>109</b>	<b>587</b>	<b>Total</b>		<b>-</b>	<b>-</b>
<b>Liability items</b>					
92	317	Deposits and other payables		-	-
<b>92</b>	<b>317</b>	<b>Total</b>		<b>-</b>	<b>-</b>
(5)	-	Change as a result of merger with Nykredit Portefølje Bank		-	-
<b>21. INTANGIBLE ASSETS</b>					
<b>Goodwill and other intangible assets</b>					
-	-	Acquisition cost, beginning of year		-	-
-	6	Additions for the year, goodwill		6	-
-	-	Additions for the year, other intangible assets		2	-
-	<b>6</b>	<b>Acquisition cost, year-end</b>		<b>8</b>	<b>-</b>
-	6	Impairment losses on goodwill for the year		6	-
-	<b>6</b>	<b>Amortisation and impairment losses, year-end</b>		<b>6</b>	<b>-</b>
-	<b>0</b>	<b>Total, year-end</b>		<b>2</b>	<b>-</b>
-	-	Of which other intangible assets		2	-
<p>Goodwill of DKK 6m relates to the acquisition of the subsidiary LeasIT A/S as at 1 October 2007, cf note 44. LeasIT A/S is part of the business area Corporate Banking. Goodwill has not been amortised but based on an impairment test conducted at end-2007, Management finds that the goodwill value cannot be maintained, partly due to the adverse development in the company in Q4/2007.</p> <p>Goodwill equals the value of the expected earnings capacity of the company, including synergies with Nykredit Bank that cannot be reliably attributed to individual assets and/or liabilities, plus the value of staff.</p> <p>In addition, DKK 2m-worth of software licences were added in 2007.</p>					



## Notes

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2006	2007			2007	2006
<b>22. LAND AND BUILDINGS</b>					
72	71	Investment properties		71	72
-	-	Owner-occupied properties		11	1
<b>72</b>	<b>71</b>	<b>Total</b>		<b>82</b>	<b>73</b>
<b>Investment properties</b>					
246	72	Fair value, beginning of year		72	246
182	0	Disposals for the year		0	182
8	(1)	Fair value adjustment for the year, net		(1)	8
<b>72</b>	<b>71</b>	<b>Fair value, year-end</b>		<b>71</b>	<b>72</b>
255	73	Cost, beginning of year		73	255
182	0	Disposals for the year		0	182
<b>73</b>	<b>73</b>	<b>Cost, year-end</b>		<b>73</b>	<b>73</b>
(9)	(1)	Fair value adjustment, beginning of year		(1)	(9)
8	(1)	Fair value adjustment for the year through profit or loss, net		(1)	8
<b>(1)</b>	<b>(2)</b>	<b>Fair value adjustment, year-end</b>		<b>(2)</b>	<b>(1)</b>
<b>72</b>	<b>71</b>	<b>Balance, year-end</b>		<b>71</b>	<b>72</b>
72	71	Of which assets held under operating leases		71	72
47	58	Latest public land assessment		58	47
13	5	Lease payments received (included in "Other operating income")		5	13
<b>By time-to-maturity</b>					
1	1	Up to 1 year		1	1
4	5	Over 1 year and up to 5 years		5	4
67	65	Over 5 years		65	67
<b>72</b>	<b>71</b>	<b>Total</b>		<b>71</b>	<b>72</b>
<b>Minimum lease payments</b>					
5	5	Up to 1 year		5	5
21	21	Over 1 year and up to 5 years		21	21
101	95	Over 5 years		95	101
<b>127</b>	<b>121</b>	<b>Total</b>		<b>121</b>	<b>127</b>

The lease expires in 2021 at the latest at which time the residual risk exposure has been calculated at DKK 18m (discounted value) (2006: DKK 17m).

No impairment provisions for credit losses have been made.

Fair value has been determined based on an internal model which includes future cash flows as well as the pricing of similar properties. Fair value has been determined by the Parent Company Nykredit Realkredit's valuers.

The lessee has an option to buy the property according to specifically agreed guidelines. This factor has been included in the determination of fair value. In case of a potential disposal, the price will in all essentials reflect the book value at the time of disposal.

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
		<b>22. LAND AND BUILDINGS (continued)</b>		
		<b>Owner-occupied properties</b>		
-	-	Cost, beginning of year	2	2
-	-	Additions and disposals for the year as a result of the acquisition of LeasIT A/S	6	-
-	-	<b>Cost, year-end</b>	<b>8</b>	<b>2</b>
-	-	Revaluations, beginning of year	0	-
-	-	Revaluations for the year (as a result of the acquisition of LeasIT A/S)	4	-
-	-	<b>Revaluations, year-end</b>	<b>4</b>	<b>0</b>
-	-	Depreciation and impairment losses, beginning of year	1	0
-	-	Depreciation for the year	0	1
-	-	<b>Depreciation and impairment losses, year-end</b>	<b>1</b>	<b>1</b>
-	-	<b>Balance, year-end</b>	<b>11</b>	<b>1</b>
		Owner-occupied properties are depreciated over a period of 50 years and had a residual depreciation period of 44 years at 31 December 2007.		
		The owner-occupied property belongs to the subsidiary LeasIT A/S. The property has been measured at the fair value determined at the acquisition date (1 October 2007). The valuation was based on a specific purchase commitment.		
		<b>23. OTHER PROPERTY, PLANT AND EQUIPMENT</b>		
4	6	Equipment	10	6
<b>4</b>	<b>6</b>	<b>Total</b>	<b>10</b>	<b>6</b>
		<b>Equipment</b>		
7	7	Cost, beginning of year	12	13
1	5	Additions for the year (of which DKK 6m relating to LeasIT A/S)	14	2
1	1	Disposals for the year	2	3
<b>7</b>	<b>11</b>	<b>Cost, year-end</b>	<b>24</b>	<b>12</b>
2	3	Depreciation and impairment losses, beginning of year	6	5
-	-	Disposals for the year	1	0
-	-	Additions relating to the acquisition of LeasIT	5	0
2	2	Depreciation for the year	4	2
1	0	Reversal of depreciation and impairment losses	0	1
<b>3</b>	<b>5</b>	<b>Depreciation and impairment losses, year-end</b>	<b>14</b>	<b>6</b>
<b>4</b>	<b>6</b>	<b>Balance, year-end</b>	<b>10</b>	<b>6</b>
		Equipment is depreciated over five years and had an average residual depreciation period of three years at 31 December 2007.		
		<b>24. OTHER ASSETS</b>		
8,079	-	According to the Annual Report for 2006	-	8,153
26	-	Additions as a result of merger with Nykredit Portefølje Bank	-	-
<b>8,105</b>	-	<b>Total</b>	<b>-</b>	<b>8,153</b>
3,560	5,058	Interest and commission receivable	5,114	3,609
4,467	8,184	Positive market value of derivative financial instruments	8,244	4,467
78	60	Other assets	71	77
<b>8,105</b>	<b>13,302</b>	<b>Total</b>	<b>13,429</b>	<b>8,153</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>25. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
62,553	-	According to the Annual Report for 2006	-	63,107
(5)	-	Change as a result of merger with Nykredit Portefølje Bank	-	-
<b>62,548</b>	<b>-</b>	<b>Total</b>	<b>-</b>	<b>63,107</b>
20,863	24,358	Payables to central banks	24,357	20,868
41,685	48,938	Payables to credit institutions	52,468	42,239
<b>62,548</b>	<b>73,296</b>	<b>Total</b>	<b>76,825</b>	<b>63,107</b>
13,375	11,929	Of which genuine sale and repurchase transactions	13,866	13,701
<b>By time-to-maturity</b>				
13,606	24,642	Payables on demand	28,171	14,165
45,174	44,076	Up to 3 months	44,076	45,174
1,695	3,050	Over 3 months and up to 1 year	3,050	1,695
2,073	1,528	Over 1 year and up to 5 years	1,528	2,073
<b>62,548</b>	<b>73,296</b>	<b>Total</b>	<b>76,825</b>	<b>63,107</b>
<b>26. DEPOSITS AND OTHER PAYABLES</b>				
14,156	13,649	On demand	13,332	14,059
0	1,211	At notice	1,211	0
7,871	16,214	Time deposits	16,214	7,871
737	960	Special deposits	960	737
<b>22,764</b>	<b>32,034</b>	<b>Total</b>	<b>31,717</b>	<b>22,667</b>
<b>By time-to-maturity</b>				
20,281	29,715	Up to 3 months	29,398	20,184
754	1,445	Over 3 months and up to 1 year	1,445	754
1,212	214	Over 1 year and up to 5 years	214	1,212
517	660	Over 5 years	660	517
<b>22,764</b>	<b>32,034</b>	<b>Total</b>	<b>31,717</b>	<b>22,667</b>
<b>27. ISSUED BONDS AT AMORTISED COST</b>				
2,066	1,911	Value of issues	1,911	2,066
(325)	(349)	Amortisation and own portfolio	(349)	(325)
<b>1,741</b>	<b>1,562</b>	<b>Total</b>	<b>1,562</b>	<b>1,741</b>
<b>By time-to-maturity</b>				
100	1,171	Up to 3 months	1,171	100
-	80	Over 3 months and up to 1 year	80	-
1,402	122	Over 1 year and up to 5 years	122	1,402
239	189	Over 5 years	189	239
<b>1,741</b>	<b>1,562</b>	<b>Total</b>	<b>1,562</b>	<b>1,741</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>27. ISSUED BONDS AT AMORTISED COST (continued)</b>				
<b>Issues</b>				
-	18	2007 to 2010 NB Trend (DKK) *	18	-
325	325	2003 to 2008 Bond loan (DKK) *	325	325
239	239	2005 to 2016 Curve steepener (DKK) *	239	239
100	0	2005 to 2007 Range Accrual Note (DKK) *	0	100
100	100	2005 to 2010 Basket Barrier (DKK) *	100	100
23	0	2005 to 2010 Index-linked (DKK)	0	23
574	574	2006 to 2008 Nykredit Højrente I (EUR 77m) *	574	574
649	649	2006 to 2008 Nykredit Højrente II (EUR 87m) *	649	649
56	0	2006 to 2011 NB Credit Pick (EUR 7.5m)	0	56
-	6	2007 to 2009 NB Argentina (DKK)	6	-
<b>2,066</b>	<b>1,911</b>	<b>Total nominal value</b>	<b>1,911</b>	<b>2,066</b>
(46)	(9)	Amortisation	(9)	(46)
279	340	Own portfolio	340	279
<b>1,741</b>	<b>1,562</b>	<b>Total</b>	<b>1,562</b>	<b>1,741</b>
1,987	1,905	* Listed on the OMX Nordic Exchange Copenhagen (nominal)	1,905	1,987
No value adjustments have been made that can be ascribed to credit risk changes. All issues carry floating interest rates.				
<b>28. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE</b>				
28	1,100	Deposits at fair value	1,100	28
7,004	3,676	Negative securities portfolios	4,303	7,004
<b>7,032</b>	<b>4,776</b>	<b>Total liabilities at fair value</b>	<b>5,403</b>	<b>7,032</b>
<b>By time-to-maturity</b>				
7,032	4,776	Up to 3 months	5,403	7,032
28	1,100	Of which genuine sale and repurchase transactions	1,100	28
<b>29. OTHER LIABILITIES</b>				
6,443	-	- According to the Annual Report for 2006	-	6,852
18	-	- Change as a result of merger with Nykredit Portefølje Bank	-	-
<b>6,461</b>	<b>-</b>	<b>Total</b>	<b>-</b>	<b>6,852</b>
3,185	4,820	Interest and commission payable	4,845	3,158
3,096	6,201	Negative market value of derivative financial instruments	6,217	3,245
180	192	Other payables	317	449
<b>6,461</b>	<b>11,213</b>	<b>Total</b>	<b>11,379</b>	<b>6,852</b>
The items fall due within one year.				

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2006	2007	2007	2006
<b>30. PROVISIONS FOR DEFERRED TAX</b>			
<b>Deferred tax</b>			
43	9	13	49
(34)	(33)	(51)	(36)
-	(10)	(11)	-
-	0	7	-
<b>9</b>	<b>(34)</b>	<b>(42)</b>	<b>13</b>
<b>Deferred tax recognised in the balance sheet as follows:</b>			
0	(34)	(42)	0
9	0		13
<b>9</b>	<b>(34)</b>	<b>(42)</b>	<b>13</b>
<b>Deferred tax relates to:</b>			
4	(5)	(14)	8
0	2	2	0
0	0	1	0
4	4	4	4
(8)	(43)	(43)	(8)
10	8	8	10
(1)	0	0	(1)
<b>9</b>	<b>(34)</b>	<b>(42)</b>	<b>13</b>
<b>Recognised in profit for the year</b>			
(31)	(9)	(18)	(33)
0	1	1	0
0	1	1	0
(5)	(27)	(27)	(5)
1	0	0	1
1	1	1	1
<b>(34)</b>	<b>(33)</b>	<b>(42)</b>	<b>(36)</b>
<b>Current tax assets/liabilities</b>			
35	(75)	(83)	32
(269)	(292)	(307)	(280)
164	392	411	172
(5)	(10)	(10)	(7)
<b>(75)</b>	<b>15</b>	<b>11</b>	<b>(83)</b>

Negative amount = current tax liability

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
		<b>31. PROVISIONS FOR LIABILITIES</b>		
		<b>Other provisions</b>		
10	5	Balance, beginning of year	5	10
5	4	Utilised for the year	3	5
<b>5</b>	<b>1</b>	<b>Balance, year-end</b>	<b>2</b>	<b>5</b>
		<b>Total pensions and other provisions</b>		
10	5	Balance, beginning of year	5	10
5	4	Utilised for the year	3	5
<b>5</b>	<b>1</b>	<b>Balance, year-end</b>	<b>2</b>	<b>5</b>
		As a result of its operations, the Bank continuously enters into contracts where it is probable that the settlement of the liability will lead to an outflow of the Bank's financial resources, and where a reliable estimate may be made of the size of the liability.		
		The balance sheet items in the financial statements represent the Bank's best estimates of the expected costs relating to provisions.		
		The provisions typically concern contractual obligations relating to loans and advances and other banking activities, including loans and advances subject to collection procedures.		
		It is estimated that the majority of provisions will be settled within one year.		
		<b>32. SUBORDINATE LOAN CAPITAL</b>		
		Subordinate loan capital consists of financial liabilities which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
		The loan capital below was granted by Nykredit Realkredit A/S.		
		The loan capital forms part of the supplementary capital and has been included in full in the capital base. The loans are denominated in DKK and repayable at par (100).		
500	500	The loan was granted in 2003 and falls due on 1 December 2011. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.	500	500
300	300	The loan was granted in 2005 and falls due on 22 April 2013. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.	300	300
500	500	The loan was granted in 2006 and falls due on 30 September 2014. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.	500	500
-	600	The loan was granted in 2007 and falls due on 30 June 2015. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.	600	-
-	500	The loan was granted in 2007 and falls due on 18 March 2016. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.	500	-
<b>1,300</b>	<b>2,400</b>	<b>Total</b>	<b>2,400</b>	<b>1,300</b>
		No costs were incurred when the loans were raised, and no extraordinary repayments were made in 2007.		
		<b>33. GUARANTEES</b>		
7,182	12,739	Financial guarantees	12,739	7,182
120	105	Registration and refinancing guarantees	105	120
2,041	1,591	Other guarantees	1,591	2,041
<b>9,343</b>	<b>14,435</b>	<b>Total</b>	<b>14,435</b>	<b>9,343</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>34. OTHER CONTINGENT LIABILITIES</b>				
6,238	7,903	Irrevocable credit commitments	7,903	6,238
108	108	Other commitments	138	136
<b>6,346</b>	<b>8,011</b>	<b>Total</b>	<b>8,041</b>	<b>6,374</b>

**35. RELATED PARTY TRANSACTIONS AND BALANCES**

The Parent Company Nykredit Realkredit, its parent company as well as group enterprises and associates are regarded as related parties. In addition, Nykredit Bank's group enterprises and associates are included as stated in the group structure as well as the Bank's Board of Directors, the Executive Board and related parties thereof. Transactions with the Board of Directors, the Executive Board and related parties thereof appear from note 8.

No unusual related party transactions occurred in 2007.

The companies have entered into various agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, insurance, sales commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks.

Intercompany trade and services took place on an arm's length basis.

Important related party transactions prevailing/entered into in 2007 include:

**Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S**

Master agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas. In addition, Nykredit Realkredit has subordinate loan capital in Nykredit Bank A/S. In 2007 Nykredit subscribed for additional share capital.

**Agreements between Nykredit Holding A/S and Nykredit Bank A/S**

On specific occasions, Nykredit Holding A/S has issued guarantees or letters of comfort to third parties. Nykredit Holding has issued guarantees to Nykredit Bank A/S covering pre-fixed loss amounts with respect to some of the Bank's exposures.

## Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
2006	2007	2007	2006
<b>35. RELATED PARTY TRANSACTIONS AND BALANCES (continued)</b>			
<b>Associates</b>			
<b>Income statement</b>			
21	6	3	14
3	0	0	2
<b>Asset items</b>			
523	7	4	339
<b>Liability items</b>			
153	1	0	118
<b>Transactions with the Parent Company Nykredit Realkredit A/S and its group enterprises and associates</b>			
<b>Income statement</b>			
908	849	871	908
214	560	560	214
87	62	62	88
256	251	251	262
288	(428)	(428)	288
115	142	142	122
<b>Asset items</b>			
1,940	2,368	2,368	1,940
75	117	117	75
20,388	22,030	22,429	20,786
794	444	453	795
<b>Liability items</b>			
15,476	18,383	18,383	15,476
590	146	146	590
302	374	374	302
1,300	2,400	2,400	1,300
<b>Transactions with other group enterprises</b>			
<b>Income statement</b>			
3	16	-	-
4	13	-	-
0	14	-	-
29	0	-	-
<b>Asset items</b>			
109	587	-	-
	24	-	-
<b>Liability items</b>			
92	317	-	-



# Notes

The Nykredit Bank Group

## 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Measurement principles for financial instruments

Financial instruments have been measured at fair value or amortised cost in the balance sheet. The table overleaf shows the fair values of financial instruments compared with the carrying amounts at which the instruments have been recognised in the balance sheet.

The fair value is the amount at which financial assets may be traded, or the amount at which financial liabilities may be settled, between independent parties.

The majority of the Group's fair value assets and liabilities have been measured based on officially quoted prices or market prices at the balance sheet date. If the market for a financial asset or liability is illiquid, or if there is no publicly recognised price, Nykredit Bank has determined the fair value using recognised measurement techniques. These techniques include using corresponding recent transactions between independent parties, reference to other corresponding instruments, analyses of discounted cash flows as well as option and other models based on observable market data.

Measurement techniques are generally applied to OTC derivatives and unlisted assets and liabilities.

Unlisted equities are recognised at fair value using in part the EVCA (European Private Equity & Venture Capital Association) measurement guidelines to determine the fair value of unlisted equities, according to which the fair value is estimated as the price of an asset traded between independent parties.

In connection with the determination of the fair value of the financial instruments measured at amortised cost in the financial statements, the following methods and significant assumptions have been applied:

- The interest rate risk of certain financial instruments recognised at amortised cost has been hedged by means of derivatives, cf note 40. These financial instruments have been measured at fair value in the financial statements, cf the provisions on hedge accounting of interest rate risk.
- The carrying amounts of loans, advances and receivables as well as other financial liabilities due within 12 months are also regarded as their fair values.
- For loans, advances and receivables as well as other financial liabilities measured at amortised cost, carrying a floating interest rate and entered into on standard credit terms, carrying amounts have been estimated to correspond to the fair value.
- The fair value of fixed-rate assets and financial liabilities measured at amortised cost has been determined using recognised measurement methods.
- The credit risk of fixed-rate financial assets (loans and advances) has been assessed in relation to other loans, advances and receivables.
- The fair value of deposits and other payables without a fixed term has been assumed to be the value disburseable at the balance sheet date.

The table overleaf illustrates the difference between carrying amounts and fair values not recognised in the income statement and attributable to the difference between the amortised cost carried and the fair value computed.

## Notes

DKK million

The Nykredit Bank Group

## 36. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	IAS 39 category	Carrying amount	Fair value	Balance	Fair value computed using	
					Method 1	Method 2
<b>2007</b>						
<b>Assets</b>						
Cash balance and demand deposits with central banks	a)	103	103	0	103	0
Receivables at call from central banks	a)	1,396	1,396	0	1,396	0
Receivables from credit institutions	a+c)	19,624	19,624	0	19,624	0
Loans, advances and other receivables at fair value	b)	5,550	5,550	0	5,550	0
Loans, advances and other receivables at amortised cost	a)	39,659	39,660	(1)	0	39,660
Bonds at fair value	c)	55,201	55,201	0	55,018	183
Equities	c)	282	282	0	47	235
Interest and commission receivable	a)	5,114	5,114	0	0	5,114
Derivative financial instruments	c)	8,244	8,244	0	8,244	0
<b>Total</b>		<b>135,173</b>	<b>135,174</b>	<b>(1)</b>	<b>89,982</b>	<b>45,192</b>
<b>Liabilities</b>						
Payables to credit institutions and central banks	e)	76,825	76,825	0	76,825	0
Deposits and other payables	e)	31,717	31,715	2	0	31,715
Issued bonds at amortised cost	e)	1,562	1,558	4	1,558	0
Other non-derivative financial liabilities at fair value	c)	5,403	5,403	0	5,403	0
Interest and commission payable	e)	4,845	4,845	0	0	4,845
Derivative financial instruments	c)	6,217	6,217	0	6,217	0
Subordinate loan capital	e)	2,400	2,400	0	0	2,400
<b>Total</b>		<b>128,969</b>	<b>128,963</b>	<b>6</b>	<b>90,003</b>	<b>38,960</b>

**Measurement methods**

Method 1: Recognised measurement methods based on market data

Method 2: Other recognised measurement methods

**IAS 39 category**

- a) Loans, advances and receivables
- b) Assets/liabilities classified at fair value on initial recognition (fair value option)
- c) Financial assets/liabilities held for trading
- d) Financial assets available for sale
- e) Other financial liabilities

## Notes

DKK million

The Nykredit Bank Group

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)						
	IAS 39 category	Carrying amount	Fair value	Balance	Fair value computed using	
					Method 1	Method 2
<b>2006</b>						
<b>Assets</b>						
Cash balance and demand deposits with central banks	a)	33	33	0	33	0
Receivables at call from central banks	a)	2,973	2,973	0	2,973	0
Receivables from credit institutions	a+c)	15,432	15,432	0	15,432	0
Loans, advances and other receivables at fair value	b)	3,432	3,432	0	3,432	0
Loans, advances and other receivables at amortised cost	a)	28,983	28,983	0	0	28,983
Bonds at fair value	c)	47,697	47,697	0	47,462	235
Equities	c)	258	258	0	66	192
Interest and commission receivable	a)	3,609	3,609	0	0	3,609
Derivative financial instruments	c)	4,467	4,467	0	4,467	0
<b>Total</b>		<b>106,884</b>	<b>106,884</b>	<b>0</b>	<b>73,865</b>	<b>33,019</b>
<b>Liabilities</b>						
Payables to credit institutions and central banks	e)	63,107	63,107	0	63,107	0
Deposits and other payables	e)	22,667	22,664	3	0	22,664
Issued bonds at amortised cost	e)	1,741	1,728	13	1,728	0
Other non-derivative financial liabilities at fair value	c)	7,032	7,032	0	7,032	0
Interest and commission payable	e)	3,158	3,158	0	0	3,158
Derivative financial instruments	c)	3,245	3,245	0	3,245	0
Subordinate loan capital	e)	1,300	1,300	0	0	1,300
<b>Total</b>		<b>102,250</b>	<b>102,234</b>	<b>16</b>	<b>75,112</b>	<b>27,122</b>
<b>Measurement methods</b>						
Method 1: Recognised measurement methods based on market data						
Method 2: Other recognised measurement methods						
<b>IAS 39 category</b>						
a) Loans, advances and receivables						
b) Assets/liabilities classified at fair value on initial recognition (fair value option)						
c) Financial assets/liabilities held for trading						
d) Financial assets available for sale						
e) Other financial liabilities						

## Notes

DKK million

The Nykredit Bank Group

37. DERIVATIVE FINANCIAL INSTRUMENTS	Net market value				Gross market value				
	By time-to-maturity	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
<b>2007</b>									
<b>Foreign exchange contracts</b>									
Forward contracts/futures, purchased	(184)	4	0	0	0	191	371	(180)	46,766
Forward contracts/futures, sold	208	0	0	0	0	220	12	208	33,400
Swaps	(5)	31	26	(6)	0	592	546	46	59,054
Options, purchased	28	0	2	0	0	30	0	30	1,348
Options, written	(10)	0	0	0	0	0	10	(10)	1,336
<b>Interest rate contracts</b>									
Forward contracts/futures, purchased	(65)	0	0	0	0	0	65	(65)	61,291
Forward contracts/futures, sold	67	0	0	0	0	68	1	67	54,931
Forward Rate Agreements, purchased	23	20	(2)	0	0	44	3	41	61,298
Forward Rate Agreements, sold	(27)	(11)	0	0	0	1	39	(38)	49,301
Swaps	(6)	27	34	1,131	0	4,589	3,403	1,186	349,655
Options, purchased	53	13	8	1,462	0	1,536	0	1,536	48,305
Options, written	(16)	(10)	(10)	(774)	0	2	812	(810)	38,621
<b>Equity contracts</b>									
Forward contracts/futures, purchased	0	0	0	0	0	0	0	0	10
Forward contracts/futures, sold	(1)	0	0	0	0	0	1	(1)	35
Options, purchased	0	0	1	0	0	1	0	1	15
Options, written	0	0	(1)	0	0	0	1	(1)	14
<b>Total</b>								<b>2,010</b>	
<b>2006</b>									
<b>Foreign exchange contracts</b>									
Forward contracts/futures, purchased	(45)	2	0	0	0	150	193	(43)	44,170
Forward contracts/futures, sold	(19)	0	0	0	0	97	116	(19)	24,471
Swaps	0	(14)	205	138	0	624	295	329	40,703
Options, purchased	25	0	0	0	0	25	0	25	2,117
Options, written	(23)	0	0	0	0	0	23	(23)	2,108
<b>Interest rate contracts</b>									
Forward contracts/futures, purchased	(121)	0	0	0	0	0	121	(121)	53,463
Forward contracts/futures, sold	128	2	0	0	0	131	1	130	75,512
Forward Rate Agreements, purchased	5	16	0	0	0	21	0	21	34,669
Forward Rate Agreements, sold	(4)	(7)	0	0	0	0	11	(11)	15,370
Swaps	0	10	(22)	423	0	2,399	1,988	411	279,890
Options, purchased	0	15	50	938	0	1,003	0	1,003	43,302
Options, written	0	(5)	(32)	(439)	0	0	476	(476)	43,631
<b>Equity contracts</b>									
Forward contracts/futures, purchased	0	0	0	0	0	0	0	0	3
Forward contracts/futures, sold	0	0	0	0	0	0	0	0	30
Options, purchased	0	0	1	0	0	1	0	1	18
Options, written	0	0	(1)	0	0	0	1	(1)	18
<b>Total</b>								<b>1,226</b>	

## Notes

DKK million

38. UNSETTLED SPOT TRANSACTIONS	2007			2006	
	Nominal value	Market value		Net market value	Net market value
		Positive	Negative		
<b>The Nykredit Bank Group</b>					
Foreign exchange contracts, purchased	10,165	3	51	(48)	0
Foreign exchange contracts, sold	11,263	66	3	63	(6)
Interest rate contracts, purchased	20,735	8	893	(885)	(5)
Interest rate contracts, sold	11,976	891	5	886	6
Equity contracts, purchased	73	1	1	0	0
Equity contracts, sold	74	2	1	1	0
<b>Total</b>	<b>54,286</b>	<b>971</b>	<b>954</b>	<b>17</b>	<b>(5)</b>
<b>Total the year before</b>	<b>42,997</b>	<b>14</b>	<b>19</b>	<b>(5)</b>	<b>9</b>
<b>Nykredit Bank A/S</b>					
Foreign exchange contracts, purchased	10,165	3	51	(48)	0
Foreign exchange contracts, sold	11,263	66	3	63	(6)
Interest rate contracts, purchased	20,735	8	893	(885)	(5)
Interest rate contracts, sold	11,976	891	5	886	6
Equity contracts, purchased	73	1	1	0	0
Equity contracts, sold	74	2	1	1	0
<b>Total</b>	<b>54,286</b>	<b>971</b>	<b>954</b>	<b>17</b>	<b>(5)</b>
<b>Total the year before</b>	<b>42,997</b>	<b>14</b>	<b>19</b>	<b>(5)</b>	<b>9</b>

## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>39. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES</b>				
<b>Credit risk</b>				
The Group's maximum credit exposure is made up of selected balance sheet items and off-balance sheet items.				
<b>Total credit exposure</b>				
<b>On-balance sheet items</b>				
33	103	Cash balance and demand deposits with central banks	103	33
18,238	20,084	Receivables from credit institutions and central banks	21,020	18,405
3,432	5,737	Loans, advances and other receivables at fair value	5,550	3,432
28,758	38,314	Loans, advances and other receivables at amortised cost	39,659	28,983
46,980	53,028	Bonds	55,201	47,697
258	282	Equities	282	258
8,105	13,302	Other assets	13,429	8,153
<b>Off-balance sheet items</b>				
9,343	14,435	Guarantees	14,435	9,343
6,238	7,903	Irrevocable credit commitments	7,903	6,238
<b>Concentration risk</b>				
After deduction of particularly secure claims, the exposure to any one customer or group of interconnected customers must not exceed 25% of the capital base pursuant to the Danish Financial Business Act. Furthermore, the sum of exposures which represent 10% or more of the capital base after deduction of particularly secure claims must not exceed 800% of the capital base. None of the Bank Group's exposures exceeded these limits in 2007 nor the year before.				
<b>Collateral received</b>				
Loans, advances and collateral security provided are subject to ongoing review and, where relevant, the Nykredit Bank Group employs the options available to reduce the risk relating to its lending activities. Collateral security is mainly obtained in the form of charges on securities and/or real assets such as real property and equipment, but also moveable property and guarantees are included.				
The establishment of lines for trading in financial products often requires a contractual basis giving Nykredit Bank access to netting. The contractual basis is typically based on current market standards such as ISDA or ISMA agreements. No set-off has been made for collateral security or netting agreements in the accounting figures presented.				
<b>Foreign exchange risk</b>				
26,050	34,922	Total foreign exchange assets	36,197	25,965
25,192	38,100	Total foreign exchange liabilities	39,648	25,206
229	340	Exchange rate indicator 1 (DKKm)	339	242
5	6	Exchange rate indicator 1 as % of core capital after statutory deductions	6	6
6	5	Exchange rate indicator 2 (DKKm)	5	6
0	0	Exchange rate indicator 2 as % of core capital after statutory deductions	0	0
<b>Interest rate risk by the currency involving the highest interest rate exposure</b>				
397	365	DKK	387	412
(225)	(164)	EUR	(181)	(236)
5	6	SEK	8	5
6	-	PLN	-	6
(8)	(4)	JPY	(4)	(8)
2	(16)	NOK	(16)	2
0	5	USD	5	0
0	-	GBP	-	0
1	(2)	Other currencies	(2)	1
<b>178</b>	<b>190</b>	<b>Total interest rate exposure of debt instruments</b>	<b>197</b>	<b>182</b>



## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>40. HEDGING INTEREST RATE RISK</b>				
Market risk is the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price risk, etc).				
The Nykredit Group's market risk and risk management policy are described under "Market risk" in the management's review.				
The Nykredit Bank Group continuously hedges the interest rate risk of fixed-rate assets and liabilities using derivative financial instruments etc.				
This enables the Group to manage the level of its aggregate interest rate sensitivity taking into consideration the expected interest rate development.				
According to the accounting provisions, loans, advances and deposits must generally be measured at amortised cost, while derivative financial instruments are measured at fair value. To obtain accounting symmetry between hedging and hedged transactions, adjustment of the carrying amounts of the financial assets and liabilities that form part of the effective hedge accounting has been allowed. The fair value adjustment exclusively concerns the hedged part (the interest rate exposure).				
<b>HEDGED FIXED-RATE ASSETS</b>				
3,404	3,132	Loans, advances and other receivables at amortised cost	3,132	3,404
<b>3,404</b>	<b>3,132</b>	<b>Total nominal value</b>	<b>3,132</b>	<b>3,404</b>
<b>Market value of hedged fixed-rate assets</b>				
3,419	3,112	Loans, advances and other receivables at amortised cost	3,112	3,419
<b>3,419</b>	<b>3,112</b>	<b>Total carrying amount, year-end</b>	<b>3,112</b>	<b>3,419</b>
<b>Fair value adjustment</b>				
15	(20)	Loans, advances and other receivables at amortised cost	(20)	15
<b>15</b>	<b>(20)</b>	<b>Total fair value adjustment</b>	<b>(20)</b>	<b>15</b>
<b>HEDGING DERIVATIVE FINANCIAL INSTRUMENTS</b>				
4,056	2,637	Nominal value (synthetic principal)	2,637	4,056
(16)	19	Market value adjustment (negative market value)	19	(16)
<b>FAIR VALUE ADJUSTMENT DIFFERENCE</b>				
<b>(1)</b>	<b>(1)</b>	<b>Total</b>	<b>(1)</b>	<b>(1)</b>
Hedged and hedging financial instruments have been fair value adjusted through profit or loss.				
<b>Amounts recognised through profit or loss for the financial year</b>				
(110)	(35)	Hedged transactions	(35)	(110)
108	35	Hedging transactions	35	108



## Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2006	2007		2007	2006
<b>41. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS</b>				
<b>Of the asset items below, genuine purchase and resale transactions represent:</b>				
8,734	9,610	Receivables from credit institutions and central banks	10,250	8,887
3,432	5,737	Loans, advances and other receivables at fair value	5,550	3,432
<b>Of the liability items below, genuine sale and repurchase transactions represent:</b>				
13,375	11,929	Payables to credit institutions and central banks	13,866	13,701
28	1,100	Other non-derivative financial liabilities at fair value	1,100	28
<b>Assets sold as part of genuine sale and repurchase transactions:</b>				
13,148	12,759	Bonds at fair value	12,759	13,564
The Bank's activities take place exclusively through an exchange of listed bonds and on an arm's length basis				
<b>42. CONTINGENT LIABILITIES</b>				
The Bank's operations involve the Bank in legal proceedings and litigation. The Bank is of the opinion that the outcome thereof will have no material effect on its financial position.				

## Notes

DKK million

43. GROUP STRUCTURE	Revenue *	Assets	Liabilities	Share capital 31.12.07	Equity 31.12.06	Ownership share, % 31.12.07	Profit for the year	Nykredit Bank's share of profit/loss for the year	Equity 31.12.07	Carrying amount
Name and registered office										
Nykredit Bank A/S (Parent Company)	1,882	135,399	135,399	1,950	4,241	-	758	-	6,099	-
<b>Consolidated subsidiaries</b>										
Nykredit Portefølje Bank A/S, Copenhagen a) <sup>1</sup>	-	-	-	-	147	-	-	-	-	-
Nykredit Portefølje Administration A/S, Copenhagen f)	76	109	109	25	72	100	17	17	89	89
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen d)	1	27	27	5	26	100	0	0	27	27
Nykredit Pantebrevsinvestering A/S, Copenhagen b)	0	11	11	5	10	100	0	0	11	11
Nykredit Leasing A/S, Copenhagen c)	1	118	118	1	6	100	1	1	6	6
Nykredit Fixed Income Opportunities Fund Limited, the Cayman Islands e)	9	2,932	2,932	111	113	100	5	5	118	118
Nykredit Finance plc, Plymouth d)	2	31	31	29	30	100	0	0	28	28
LeasIT A/S, Lyngby-Taarbæk c) <sup>2</sup>	47	2,117	2,117	20	70	100	(21)	(28)	105	105
Associates subject to proportionate consolidation										
Dansk Pantebrevsbørs A/S, Copenhagen b) <sup>3)</sup>	40	406	406	5	48	50	(3)	(2)	44	22

\* For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as: Net interest and fee income, value adjustments and other operating income.

1) With effect for accounting purposes from 1 January 2007, Nykredit Portefølje Bank A/S merged with Nykredit Bank. Reference is made to Nykredit Bank's Interim Report, which also contains the merger balance sheet as at 1 January 2007, and accompanying notes.

2) As at 1 October 2007, Nykredit Bank's ownership share increased from 22.65% to 100% (cf note 44).

3) Subject to proportionate consolidation based on shareholders' agreements entitling the Bank to appoint a director.

Pantebrevsselskabet af 8/8 -1995 A/S and Nykredit Pantebrevsinvestering have been completely or partly without activity in 2007.

a) Bank

b) Mortgage trading company

c) Leasing company

d) No activity. Norswood Properties Limited was dissolved in 2007.

e) Finance institution

f) Investment management company. Nykredit Portefølje Administration was previously a subsidiary of Nykredit Portefølje Bank.

# Notes

DKK million

## 44. ACQUISITION OF GROUP ENTERPRISES

### LEASIT A/S

As at 1 October 2007, Nykredit Bank A/S acquired 77.35% of the shares in the company, and the Bank now owns 100% of the capital and voting rights. LeasIT's profit/loss and balance sheet for the period January – September 2007 have been recognised at 22.65% in Nykredit Bank's financial statements, which corresponds to the Bank's ownership share in the period concerned. For the period 1 October – 31 December 2007, profit/loss and the balance sheet have been fully recognised.

### LEASIT A/S'S BALANCE SHEET AT THE DATE OF ACQUISITION (principal items)

	LeasIT's balance sheet at 30 September	Ownership share prior to 1 October	Additions as at 1 October	Revaluation at fair value	Additions, including revaluation
Cash balance and receivables from credit institutions	193	44	149		149
Loans, advances and other receivables at amortised cost	1,908	432	1,476		1,476
Owner-occupied properties	7	2	5	4	9
Other property, plant and equipment	1	0	1		1
Other assets and prepayments	6	1	4		4
<b>Total assets</b>	<b>2,115</b>	<b>479</b>	<b>1,636</b>	<b>4</b>	<b>1,640</b>
Payables to credit institutions	1,893	429	1,464		1,464
Other liabilities and prepayments	65	15	51		51
Provisions	6	1	5		5
Subordinate loan capital	70	16	54		54
<b>Total payables and provisions</b>	<b>2,034</b>	<b>461</b>	<b>1,573</b>	<b>0</b>	<b>1,573</b>
<b>Net assets (equity)</b>	<b>81</b>	<b>18</b>	<b>63</b>	<b>4</b>	<b>67</b>
Purchase price including transaction costs					73
<b>Balance/goodwill</b>					<b>6</b>
<b>Statement of goodwill</b>					
Purchase price including transaction costs					73
Net assets acquired (77.35%)					63
Revaluation of owner-occupied property					4
<b>Total goodwill</b>					<b>6</b>

Relative to the Q1-Q3 report, the purchase price has been reduced by DKK 6m to DKK 73m.

According to IFRS 3, the purchase price (cost) must be broken down by the acquired identifiable assets, liabilities and contingent liabilities.

This is done by recognising these items in the acquisition balance sheet at fair value. A specific assessment resulted in a DKK 4m revaluation of the property. The company has been fully included in the Corporate Banking business area.

### INCOME STATEMENT (principal items)

	2007		2006	
	LeasIT's income statement	Recognised in Nykredit Bank's income statement	LeasIT's income statement	Recognised in Nykredit Bank's income statement
Net interest and fee income	28	3	48	11
Value adjustments	0	0	0	0
Other operating income	17	8	12	3
Staff and administrative expenses, depreciation and amortisation	38	17	33	7
Impairment losses on loans and advances	35	32	38	9
<b>Profit before tax</b>	<b>(28)</b>	<b>(38)</b>	<b>(11)</b>	<b>(2)</b>
Tax for the year	(7)	(10)	(3)	(1)
<b>Loss for the year</b>	<b>(21)</b>	<b>(28)</b>	<b>(8)</b>	<b>(2)</b>
Share of profit/loss for the year not recognised in Nykredit Bank's Financial Statements		7		(6)

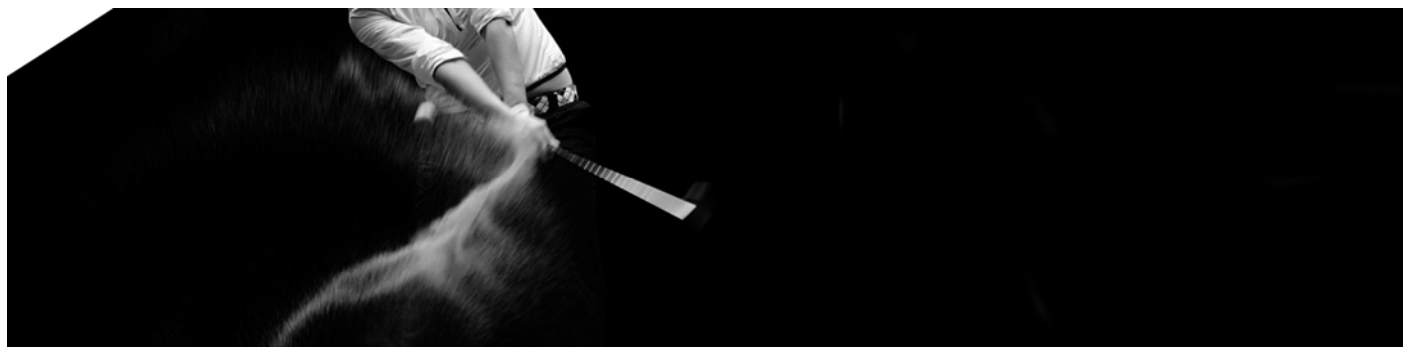
If LeasIT A/S had been consolidated for the entire financial year, pro forma recognition of profit/loss for the year would have affected profit/loss of the Nykredit Bank Group by a profit of DKK 7m (2006: a loss of DKK 6m). Net interest and fee income would have been DKK 25m and DKK 37m higher, respectively.

# The Nykredit Bank Group – eight quarters

DKK million

	Q4/ 2007	Q3/ 2007	Q2/ 2007	Q1/ 2007	Q4/ 2006	Q3/ 2006	Q2/ 2006	Q1/ 2006
<b>SUMMARY INCOME STATEMENT</b>								
Net interest income	297	274	215	232	194	235	229	117
Dividends, fees and commission income (net)	74	75	81	75	67	59	65	66
<b>Net interest and fee income</b>	<b>371</b>	<b>349</b>	<b>296</b>	<b>307</b>	<b>261</b>	<b>294</b>	<b>294</b>	<b>183</b>
Value adjustments	133	49	163	197	228	93	81	120
<b>Net interest, fees and value adjustments</b>	<b>504</b>	<b>398</b>	<b>459</b>	<b>504</b>	<b>489</b>	<b>387</b>	<b>375</b>	<b>303</b>
Other operating income	7	2	6	2	5	4	5	8
Staff and administrative expenses	253	196	224	198	230	168	187	154
Depreciation, amortisation and other operating expenses	10	1	0	1	2	1	0	1
Impairment losses on loans and advances	27	(44)	16	(13)	(24)	(8)	(6)	(6)
<b>Profit before tax</b>	<b>221</b>	<b>247</b>	<b>225</b>	<b>320</b>	<b>286</b>	<b>230</b>	<b>199</b>	<b>162</b>
Tax	56	62	48	89	79	64	62	45
<b>Profit</b>	<b>165</b>	<b>185</b>	<b>177</b>	<b>231</b>	<b>207</b>	<b>166</b>	<b>137</b>	<b>117</b>
<b>SUMMARY BALANCE SHEET, YEAR-END</b>								
<b>Assets</b>								
Cash balance and receivables from credit institutions	21,123	26,654	26,151	19,052	18,438	21,609	16,700	15,365
Loans, advances and other receivables at fair value	5,550	10,128	4,006	3,295	3,432	4,477	9,698	5,014
Loans, advances and other receivables at amortised cost	39,659	35,617	34,826	34,084	28,983	25,852	25,020	21,950
Bonds at fair value	55,201	49,210	52,828	52,269	47,697	45,794	43,340	45,946
Equities	282	287	301	281	258	278	330	280
Land and buildings	82	73	73	73	73	72	247	247
Other asset items	13,502	13,126	11,940	8,846	8,164	8,301	8,086	7,384
<b>Total assets</b>	<b>135,399</b>	<b>135,095</b>	<b>130,125</b>	<b>117,900</b>	<b>107,045</b>	<b>106,383</b>	<b>103,421</b>	<b>96,186</b>
<b>Liabilities and equity</b>								
Payables to credit institutions and central banks	76,825	73,619	77,269	72,670	63,107	59,869	59,271	49,402
Deposits and other payables	31,717	29,067	23,312	21,903	22,667	21,041	22,181	24,329
Issued bonds	1,562	1,544	1,612	1,630	1,741	1,702	1,750	1,741
Non-derivative financial liabilities at fair value	5,403	10,717	10,252	8,020	7,032	11,025	8,410	9,954
Other payables	11,391	12,812	10,526	7,888	6,939	7,356	7,085	6,173
<b>Total payables</b>	<b>126,898</b>	<b>127,759</b>	<b>122,971</b>	<b>112,111</b>	<b>101,486</b>	<b>100,993</b>	<b>98,697</b>	<b>91,599</b>
Provisions	2	2	5	17	18	56	56	56
Subordinate loan capital	2,400	1,900	1,900	1,300	1,300	1,300	800	800
<b>Equity</b>	<b>6,099</b>	<b>5,434</b>	<b>5,249</b>	<b>4,472</b>	<b>4,241</b>	<b>4,034</b>	<b>3,868</b>	<b>3,731</b>
<b>Total liabilities and equity</b>	<b>135,399</b>	<b>135,095</b>	<b>130,125</b>	<b>117,900</b>	<b>107,045</b>	<b>106,383</b>	<b>103,421</b>	<b>96,186</b>
<b>OFF-BALANCE SHEET ITEMS</b>								
Guarantees	14,435	13,002	11,573	9,247	9,343	7,492	7,963	8,493
Other commitments	8,041	7,482	7,702	6,163	6,374	5,086	4,131	3,600
<b>FINANCIAL RATIOS</b>								
Capital adequacy ratio, %	11.7	11.5	11.7	9.8	10.6	10.9	9.4	9.8
Core capital ratio, %	8.4	8.6	8.6	7.7	8.2	8.0	7.9	8.4
Return on equity before tax (pa), %	15.4	18.5	18.5	29.3	27.6	23.3	21.0	17.7
Return on equity after tax (pa), %	11.4	13.9	14.6	21.2	20.0	16.8	14.4	12.7
Income:cost ratio, DKK	1.76	2.61	1.94	2.72	2.38	2.43	2.09	2.09
Interest rate exposure, %	3.3	2.1	3.0	4.3	4.3	1.1	3.7	3.0

## Other information



### FINANCIAL CALENDER FOR 2008

#### **7 February**

Preliminary announcement of financial statements of the Nykredit Bank Group.

#### **11 March**

General meeting of Nykredit Bank A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

#### **15 May**

Q1 Interim Report of the Nykredit Bank Group.

#### **14 August**

H1 Interim Report of the Nykredit Bank Group.

#### **6 November**

Q1-Q3 Interim Report of the Nykredit Bank Group.

Published announcements are available on Nykredit's website at [nykredit.com](http://nykredit.com).

**NYKREDIT BANK'S MANAGEMENT****Board of Directors and Executive Board**

The Board of Directors and the Executive Board form the Nykredit Bank Group Management.

**BOARD OF DIRECTORS**

The Board of Directors meets monthly except for July.

The members of Nykredit Bank's Board of Directors appointed by the general meeting are elected for a term of one year. The last ordinary election took place on 13 March 2007 and the last extraordinary election on 28 September 2007 in connection with the retirement of Henning Kruse Petersen from the Board of Directors. Re-election is not subject to any restrictions.

Staff-elected board members are elected for a term of four years.

Below, an account is given of the individual Director's position, age, years of service on the Board and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

**Karsten Knudsen**

Managing Director of Nykredit Holding A/S  
Group Managing Director of Nykredit  
Realkredit A/S

Date of birth: 21 June 1953  
Joined the Board on 1 October 2007

Director of:  
LeasIT A/S (Chairman) \*  
Nykredit Forsikring A/S  
Dansk Pantebrevsbørs A/S  
Nykredit Portefølje Bank A/S \*\*

**Henrik K. Asmussen \*\*\***

Head of Frequent Issuer Desk

Date of birth: 10 March 1966  
Joined the Board on 1 January 2007

**Søren Holm**

Managing Director of Nykredit Holding A/S  
Group Managing Director of Nykredit  
Realkredit A/S

Date of birth: 15 November 1956  
Joined the Board on 26 September 2002

Director of:  
Dene Finanse S.A. under liquidation  
Nykredit Ejendomme A/S  
Nykredit Forsikring A/S  
Nykredit Mægler A/S  
Nykredit Administration V A/S  
Totalkredit A/S  
JN Data A/S

**Allan Kristiansen \*\*\***

Vice President

Date of birth: 6 March 1958  
Joined the Board on 13 March 2003

Director of:  
Nykredit Holding A/S  
Nykredit Realkredit A/S

**Per Ladegaard**

Managing Director of Nykredit Holding A/S  
Group Managing Director of Nykredit  
Realkredit A/S

Date of birth: 17 March 1953  
Joined the Board on 18 March 1998

Chairman of:  
Nykredit Mægler A/S (Chairman)  
Nykredit Forsikring A/S  
e-nettet Holding A/S (Chairman)  
e-nettet A/S (Chairman)  
JN Data A/S (Deputy Chairman)  
BEC (Bankernes EDB Central)  
Finanssektorens Uddannelsescenter  
IT-Universitetet  
Owner of Bræmkærgård

**EXECUTIVE BOARD**

Below, an account is given of the individual Executive Board Member's position, age, years of service on the Board and executive positions, including in other companies as permitted by the Board of Directors pursuant to section 80 of the Danish Financial Business Act.

**Kim Duus**

Managing Director

Date of birth: 8 December 1956  
Joined the Executive Board on 1 August 1997

Director of:  
Nykredit Portefølje Bank A/S (Chairman) \*\*  
Nykredit Portefølje Administration A/S  
(Chairman)  
Den Danske Børsmæglerforening (Chairman)  
Finansrådet

**Bjørn Damgaard Mortensen**

Managing Director

Date of birth: 12 December 1967  
Joined the Executive Board on 1 October 2007

Director of:  
LeasIT A/S  
Erhvervsinvest Management A/S  
JSN FA Holding A/S  
Komplementarselskabet Adviser ApS

\* Joined in 2007

\*\* Resigned in 2007

\*\*\* Staff-elected member

## EXECUTIVES

### **Retail Banking**

Mik Kristensen, Executive Vice President

### **Corporate Banking – Domestic**

Steen Munk, Senior Vice President

### **Corporate Banking – International**

Tom Ahrenst, Executive Vice President

### **Structured Finance**

Jørn Christiansen, Senior Vice President

### **Nykredit Markets**

Georg Andersen, Executive Vice President

### **Debt Capital Markets**

Claus Møller, First Vice President

### **Nykredit Asset Management**

Lars Bo Bertram, Executive Vice President

### **Risk Management**

René Baht-Hagen, First Vice President

### **Treasury**

Henrik Andersen, First Vice President

### **Research**

John Madsen, Chief Economist

### **Credits**

Søren Møller Hansen, Senior Vice President

### **Legal Department**

Elisabeth Stamer, Chief Legal Adviser

### **Finance & Accounts**

Nils Peter Sørensen, First Vice President

*This document is an English translation of (extracts of) the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.*