

Annual Report 2008
The Nykredit Bank Group

Nykredit
bank

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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.

The economic situation in Denmark is expected to deteriorate in 2009. The Bank will therefore focus on its capital needs and a tight credit policy. The Bank will maintain a long-term financial sustainability perspective while striving to create new opportunities and services for customers, business partners, staff and investors.

More information about Nykredit Bank is available at nykredit.com.

Company information

COMPANY INFORMATION

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

Website: 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 2009

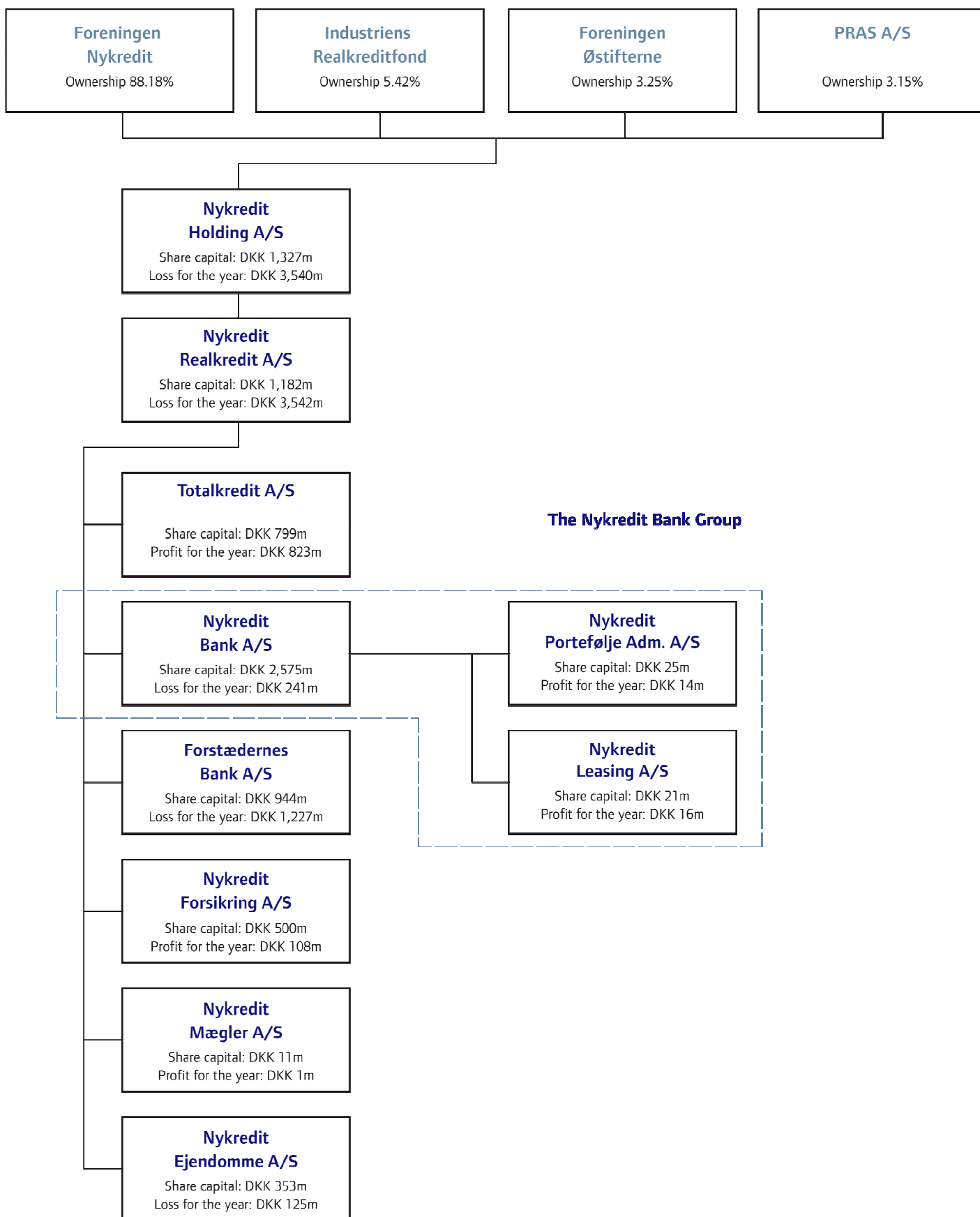
BOARD OF DIRECTORS

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

Group chart



The Nykredit Bank Group 2004-2008

DKK million/EUR million	The Nykredit Bank Group					
	2008/EUR	2008	2007	2006	2005 ¹	2004 ¹
SUMMARY INCOME STATEMENT						
Net interest and fee income	234	1,748	1,323	1,032	1,007	875
Value adjustments	(12)	(91)	542	522	177	12
Other operating income	4	28	17	21	20	42
Staff and administrative expenses	150	1,118	871	739	590	498
Other operating costs, depreciation and amortisation	13	99	12	3	6	4
Impairment losses on loans, advances and receivables	103	763	(14)	(44)	7	6
Profit/loss before tax	(40)	(295)	1,013	877	601	421
Tax	(7)	(54)	255	250	162	131
Profit/loss for the year	(32)	(241)	758	627	439	290
BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	4,348	32,395	21,123	18,438	15,031	13,094
Loans, advances and other receivables at fair value	3,287	24,490	5,550	3,432	6,688	5,242
Loans, advances and other receivables at amortised cost	6,831	50,897	39,659	28,983	19,731	17,408
Bonds at fair value and equities	7,189	53,561	55,483	47,955	36,152	31,586
Other asset items	4,356	32,457	13,584	8,237	6,860	6,629
Total assets	26,011	193,800	135,399	107,045	84,462	73,959
Liabilities and equity						
Payables to credit institutions and central banks	11,522	85,850	76,825	63,107	44,654	39,695
Deposits and other payables	6,246	46,536	31,717	22,667	22,103	19,094
Other non-derivative financial liabilities at fair value	489	3,641	5,403	7,032	6,484	5,110
Other payables	6,471	48,211	12,953	8,680	6,748	6,044
Total payables	24,728	184,238	126,898	101,486	79,989	69,943
Provisions	8	58	2	18	59	41
Subordinate loan capital	322	2,400	2,400	1,300	800	800
Equity	953	7,104	6,099	4,241	3,614	3,175
Total liabilities and equity	26,011	193,800	135,399	107,045	84,462	73,959
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	1,390	10,354	14,435	9,343	10,399	7,919
Other commitments	1,096	8,163	8,041	6,374	3,058	2,280
FINANCIAL RATIOS						
Capital adequacy ratio, %		10.2	11.7	10.6	10.3	10.4
Core capital ratio, %		7.7	8.4	8.2	8.8	8.3
Return on equity before tax (pa), % ¹		(4.5)	19.6	22.3	17.8	14.0
Return on equity after tax (pa), % ¹		(3.6)	14.7	16.0	13.0	9.6
Income:cost ratio, DKK ¹		0.85	2.17	2.26	2.00	1.83
Interest rate exposure, %		(0.3)	3.3	4.3	3.3	3.0
Foreign exchange position, %		3.5	5.7	5.7	4.2	3.2
Foreign exchange exposure, %		0.0	0.1	0.2	0.1	0.0
Loans and advances:deposits		1.6	1.4	1.4	1.2	1.2
Loans and advances:equity		10.6	7.4	7.6	7.3	7.2
Growth in loans and advances for the year, %		66.8	39.5	22.7	16.1	2.2
Excess cover:statutory liquidity requirements, %		146.1	150.7	122.7	207.1	195.3
Total large exposures, %		93.6	134.9	336.4	349.5	351.3
Impairment losses for the year, %		0.9	0.0	(0.1)	0.0	0.0
Average number of staff, full-time equivalents		713	588	492	426	362

Key figures have been calculated in accordance with the definitions of the Executive Order on the presentation of financial statements.

¹ Including effect of new accounting policies in 2004 and 2005

EUR 1 = DKK 7.4506 at end-2008

Management's Review



2008 – IN BRIEF

- The Group recorded a loss before tax of DKK 295m compared with a profit of DKK 1,013m in 2007
- Core income from business operations developed favourably, rising by DKK 568m to DKK 2,192m, while earnings from own trading and value adjustment of subordinate loan capital in Danish banks were negative
- Commission expenses, impairment losses and provisions for guarantees resulting in part from participation in the government guarantee scheme totalled DKK 137m
- Impairment losses on loans and advances amounted to DKK 763m against an income of DKK 14m in 2007. EBH-fonden and Dansk Pantebrevsbørs A/S (of which the Bank owns 50%) contributed DKK 312m to the increase in impairment losses
- The balance sheet stood at DKK 194bn against DKK 135bn at end-2007
- Liquidity was satisfactory in 2008 and strengthened through the issuance of a nominal amount of DKK 12.8bn under the Bank's EMTN programme and DKK 4.7bn under the ECP programme
- The Bank received new equity capital of

DKK 1,250m in 2008

- The Bank Group's capital adequacy ratio was 10.2% at end-2008 against 11.7% at end-2007
- Standard & Poor's has assigned Nykredit Bank A/S a short-term deposit rating of A-1 and a long-term deposit rating of A+.

NYKREDIT BANK AND THE FINANCIAL CRISIS

The crisis in financial markets reduced business opportunities and increased the funding costs of financial institutions in general, which also affected Nykredit Bank's business and funding. The effect of the financial crisis was stronger than expected and left a significant mark on Danish financial markets, which saw a negative spiral of liquidity shortages, considerable capital losses on securities and higher impairment losses on loans and advances, especially in Q4.

However, market confidence in Nykredit Bank generally remained intact in 2008. This was evidenced by the fact that there was an open market for the Bank's own bond issues and the raising of funds, although prices reflected the

financial crisis. Also, the Bank was assigned a satisfactory rating by Standard & Poor's in 2008.

NYKREDIT BANK GROUP RESULTS

The Group recorded a loss before tax of DKK 295m compared with a profit of DKK 1,013m in 2007, equal to a decrease of DKK 1,308m.

Performance was unsatisfactory and considerably below the DKK 0.8bn-0.9bn forecast at end-H1/2008. The development was a consequence of the financial crisis, which prompted negative value adjustments and increased impairment losses on loans and advances relative to the Bank's expectations.

Core income from customer-oriented activities in general showed a positive trend.

Core income from business operations rose from DKK 1,624m in 2007 to DKK 2,192m in 2008, up 35%, and in general, all business areas showed a stable development in core income from business operations, considering market conditions.

By contrast, own positions generated a loss of DKK 753m against an income of DKK 86m in 2007. The financial turmoil caused negative net value adjustment of bonds and derivatives. At the same time, the reduced demand for subordinate loan capital by Danish banks caused considerable impairment losses on these portfolios. In addition, Nykredit Bank had to make negative credit-related value adjustments of approximately DKK 90m in relation to Roskilde Bank.

Income from group items including non-allocated income from securities rose by DKK 74m to DKK 246m. The increase was attributable to higher average interest rates (4.3%

The Nykredit Bank Group

Principal income statement items

DKK million	2008	2007
Net interest and fee income	1,748	1,323
Value adjustments	(91)	542
Other operating income	28	17
Total interest, fees and value adjustments¹	1,685	1,882
Staff and administrative expenses	1,217	883
Impairment losses on loans, advances and receivables	763	(14)
Profit/loss before tax	(295)	1,013
Tax	(54)	255
Profit/loss for the year	(241)	758
¹ Of which		
- Core income	1,704	1,896
- Investment portfolio income	(19)	(14)

against 4.0% in 2007) as well as increased capital.

Operating costs, depreciation and amortisation went up by DKK 334m to DKK 1,217m, equal to a cost increase of 38%. Of this amount, DKK 81m was the Bank's commission expenses relating to the Private Contingency Association (Det Private Beredskab til Afvikling af Nødlidende Banker, Sparekasser og Andelskasser).

Moreover, the cost rise was mainly a result of a 24% staff increase to 780, full recognition of costs relating to Nykredit Leasing A/S, IT costs and higher Parent Company (Nykredit Realkredit) settlements.

Impairment losses on loans and advances amounted to DKK 763m against an income of DKK 14m in 2007. The item includes impairment losses and provisions for guarantees relating to the Private Contingency Association and the Winding-Up Company (Afviklingselskabet til sikring af finansiel stabilitet A/S) totalling DKK 56m. Especially in Q4, the Bank had to record impairment losses of DKK 312m on exposures to Dansk Pantebrevsbørs and EBH-fonden. Moreover, there were large impairment losses on a few corporate exposures, while impairment losses on retail exposures were still relatively low.

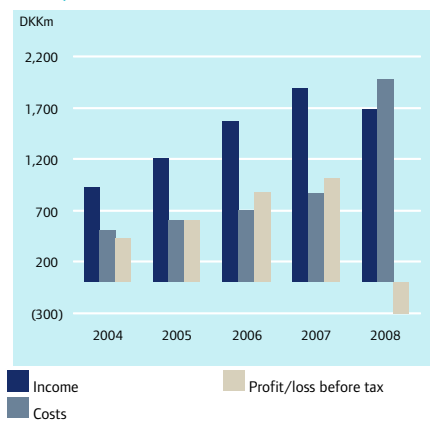
Tax for the period has been estimated at an income of DKK 54m, corresponding to 18% of loss before tax.

Nykredit Bank recorded a total loss for the year of DKK 241m against a profit of DKK 758m in 2007.

It will be recommended for adoption by the Annual General Meeting that no dividend be distributed for 2008.

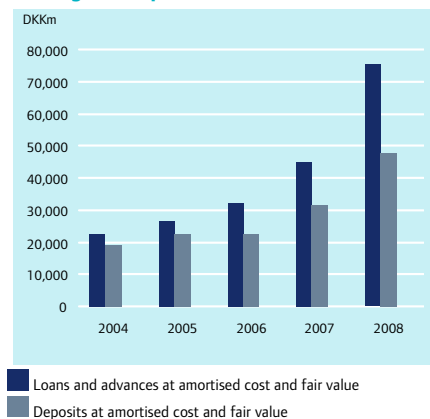
The Nykredit Bank Group

Profit/loss 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.

Dansk Pantebrevsbørs A/S was previously part of the business area Retail Banking, but is now part of Corporate Banking. Comparative figures have been restated accordingly.

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/loss before tax by business area

DKK million	Retail Banking		Corporate Banking		Markets & Asset Management		Group items ¹		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Core income from business operations	307	257	549	489	1,336	878	-	-	2,192	1,624
Income from own trading positions ⁴	-	-	-	-	(753)	86	-	-	(753)	86
Core income from group items	-	-	-	-	-	-	265	186	265	186
Total core income *)	307	257	549	489	583	964	265	186	1,704	1,896
Operating costs	181	144	335	192	696	537	-	-	1,212	873
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	0	0	3	8	2	2	0	0	5	10
Core earnings before impairment losses	126	113	211	289	(115)	425	265	186	487	1,013
Impairment losses on loans and advances	20	(16)	702	2	41	0	-	-	763	(14)
Core earnings after impairment losses	106	129	(491)	287	(156)	425	265	186	(276)	1,027
Investment portfolio income ²	-	-	-	-	-	-	(19)	(14)	(19)	(14)
Profit/loss before tax for the period	106	129	(491)	287	(156)	425	246	172	(295)	1,013
*) Of which transactions between the business areas	51	107	(326)	(147)	275	40	-	-	-	-
Income:costs	1.5	2.0	0.5	2.4	0.8	1.8	-	-	0.9	2.2
Average allocated business capital ³	373	1,066	4,708	3,075	1,569	906	83	69	6,733	5,116
Core earnings after losses as % of allocated business capital (pa)	28.4	12.1	(10.4)	9.3	(9.9)	46.9	-	-	(4.1)	20.1

¹ 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.

² Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest.

³ The business capital has been determined according to the Basel II principles based on the method applied to determine the "required capital base".

⁴ Comprises net income from Proprietary Trading and value adjustment of the portfolio of subordinate loan capital in Danish banks.

The Nykredit Bank Group

Principal balance sheet items by business area

DKK million	Retail Banking		Corporate Banking		Markets & Asset Management		Group items		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Assets										
Receivables from credit institutions and central banks					32,391	20,197	4	926	32,395	21,123
Loans and advances at fair value					24,490	5,550			24,490	5,550
Loans and advances at amortised cost	10,361	7,829	40,536	31,830					50,897	39,659
Bonds, mortgages and equities			1,618	1,812	51,061	51,746	882	1,925	53,561	55,483
Properties and equipment	4	5	77	84			11	6	92	95
Other assets	9		11		22,202	8,021	10,143	5,468	32,365	13,488
Total	10,374	7,834	42,242	33,726	130,144	85,514	11,040	8,325	193,800	135,399
Payables, liabilities and loan capital										
Payables to credit institutions and central banks					85,072	74,702	778	2,123	85,850	76,825
Deposits and other payables	10,512	10,036	24,569	15,601	11,455	6,080			46,536	31,717
Non-derivative financial liabilities at fair value					3,641	5,403			3,641	5,403
Issued bonds					17,330	1,562			17,330	1,562
Other payables and provisions	5		43		21,174	5,574	9,717	5,819	30,939	11,393
Subordinate loan capital							2,400	2,400	2,400	2,400
Equity							7,104	6,099	7,104	6,099
Total	10,517	10,036	24,612	15,601	138,672	93,321	19,999	16,441	193,800	135,399
Associates and group enterprises ¹										
Associates and group enterprises have been included in the business areas as follows:										
Profit/loss before tax	2	(1)	(25)	(36)	18	23	(39)	5	(44)	(9)
Investment (equity value)	39	38	147	161	103	89	78	118	367	406
Off-balance sheet items										
Guarantees	4,375	6,795	9,976	14,600	4,166	1,081	0	0	18,517	22,476
Investments in property, plant and equipment	10	5	0	0	0	0	(6)	5	4	10

¹ The Corporate Banking area includes the Bank's leasing and mortgage trading activities, while the Bank's investment management company Nykredit Portefølje Administration A/S is included under Markets & Asset Management. The subsidiary Nykredit Sirius Limited is included under group items.

Compared with 2007, there has been a transfer of deposits from Corporate Banking to Markets & Asset Management, as these deposits are managed by Markets & Asset Management. Total deposits are unchanged.

Retail Banking

The Retail Banking area supplies Nykredit Bank products through the distribution channels of the Nykredit Group, including 49 retail centres, the website nykredit.dk, two call centres and one central customer service centre.

Retail Banking recorded a profit before tax of DKK 106m against DKK 129m in 2007.

Core income went up from DKK 257m in 2007 to DKK 307m. The increase derived mainly from a rise in net interest income from DKK 244m in 2007 to DKK 304m as a result of increasing deposits and loans and a decline in net fees to DKK 2m from DKK 13m in 2007.

Capacity costs rose from DKK 144m in 2007 to DKK 181m. Staff expenses fell from DKK 36m to DKK 34m, as the staff number was reduced from 103 at end-2007 to 80 at end-2008. In addition, costs were affected by higher IT-related expenses and higher payments to Nykredit Realkredit A/S as a result of increasing joint activities and new settlement agreements.

Impairment losses amounted to DKK 20m against an income of DKK 16m in 2007. This figure is still low relative to loans, advances and guarantees totalling approximately DKK 15bn. The Bank has not yet recorded a significant increase in impairment losses as a result of the weaker property market. The low impairment level is an effect of low unem-

ployment rates and the generally sound financial position of retail customers – not least homeowners whose loans are for a large part granted against mortgages on their properties.

The income:cost ratio decreased from DKK 2.0 to DKK 1.5.

Balance sheet

Lending increased by 33% from DKK 7.8bn in 2007 to DKK 10.4bn in 2008, primarily as a result of equity release credits. Deposits were largely unchanged at DKK 10.5bn compared with 2007. The number of customers opening wage accounts increased by almost 20,000 to approximately 115,000.

Activities in 2008

The positive development in Retail Banking continued, with focus on offering wage accounts to new customers and to the Nykredit Group's homeowner customers.

In May 2008, Nykredit signed an agreement with SEB for the acquisition of SEB's branch in Hellerup, increasing the number of centres to 49. The acquisition included some 1,000 attractive customers with loans and deposits totalling around DKK 230m and DKK 350m, respectively.

In 2008, new high-interest savings accounts with different notice periods and interest rates were introduced, offering customers an attractive fixed-rate deposit product. In order to increase advisory capacity, the

number of certified asset management advisers was increased in 2008. Nykredit's centres now employ just under 100 specialist asset management and pension advisers.

Customers increasingly demand flexibility from their financial services providers. In 2008 Nykredit therefore expanded its digital communication with customers, providing for instance a New Thinking forum and the opportunity to blog online with eg Nykredit's chief analysts as blog hosts. The interactive Web-Desk, which enables customers to have person-to-person meetings with Nykredit advisers online, has become more accessible and was elected most innovative European financial service of the year by the European Financial Management & Marketing Association, EFMA. September saw the opening of Nykredit's TV channel, nykredit.tv, which provides the opportunity of online advice and communication by video.

Retail Banking in 2009

Also in 2009, Retail Banking will seek to retain and attract wage account and full-service customers. In addition, focus will be on investment and asset management services, including pension services. Bank competencies will be strengthened continuously through the training and certification of new asset management advisers.

Focus will be on customers' assets, and in spring Nykredit will launch a new advisory tool (Formueoverblik), which offers customers asset/liability management and is expected to become a very important tool in the cooperation between the Bank's advisers and customers.

Finally, the Bank's self-service solutions will be further developed and improved.

Results – Retail Banking

DKK million	2008	2007
Core income	307	257
Operating costs	181	144
Core earnings before impairment losses	126	113
Impairment losses on loans and advances	20	(16)
Core earnings after impairment losses	106	129
Profit before tax	106	129
Income:costs	1.5	2.0
Average allocated business capital	373	1,066
Core earnings as % of allocated business capital	28.4	12.1

Principal balance sheet items

DKK million	2008	2007
Assets		
Loans and advances at amortised cost	10,361	7,829
Payables		
Deposits and other payables	10,512	10,036
Off-balance sheet items		
Guarantees	4,375	6,795

Corporate Banking

Corporate Banking serves business, agricultural, public sector 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 lending, insurance, investment and debt management.

As from 2008, the Bank's activities in Dansk Pantebrevsbørs A/S (of which the Bank owns 50%) are included in Corporate Banking. Nykredit Leasing A/S (previously LeasIT A/S) has been 100% consolidated against a 2007 share of 23% for Q1-Q3 and 100% for Q4.

Corporate Banking posted a loss of DKK 491m in 2008 compared with a profit of DKK 287m in 2007. The fall derived mainly from a rise in impairment losses on loans and advances from DKK 2m in 2007 to DKK 702m in 2008.

Core income went up from DKK 489m in 2007 to DKK 549m, an increase of about 12%.

Customer-oriented activities delivered a satisfactory performance with growth in core income, excluding value adjustment of corporate bonds, from DKK 517m in 2007 to DKK 682m in 2008. The increase was mainly attributable to higher earnings from Danish corporate customers and sales through the Nykredit Group's commercial centres, which generated

growth in deposits, loans and advances as well as fee income from the distribution of derivatives and mortgage loans. In addition, core income from Nykredit Leasing A/S contributed DKK 53m against DKK 11m in 2007.

Core income from corporate bonds was a loss of DKK 133m against a loss of DKK 28m in 2007.

Operating costs rose from DKK 200m in 2007 to DKK 338m in 2008. Of the DKK 138m rise, Nykredit Leasing A/S accounted for DKK 24m, while commission expenses under the government guarantee scheme were DKK 53m.

Expenses for wages and salaries grew by 40% from DKK 118m to DKK 165m in 2008. The staff number increased from 185 at end-2007 to 270 at end-2008 (+46%).

Other operating costs rose from DKK 82m in 2007 to DKK 173m, which was mainly due to the changed ownership interest in Nykredit Leasing, but also to commission expenses under the government guarantee scheme, higher settlement expenses to Nykredit Realkredit A/S and increasing IT costs.

Impairment losses on loans and advances amounted to DKK 702m in 2008 compared with DKK 2m in 2007. DKK 312m of the impairment losses for the year was attributable to EBH-fonden and Dansk Pantebrevsbørs A/S, while the rest derived from a few com-

mercial exposures.

Impairment losses on loans and advances and provisions for guarantees relating to the Private Contingency Association and the government guarantee scheme accounted for a total expense of DKK 38m.

The income:cost ratio was DKK 0.5 compared with DKK 2.4 in 2007.

Balance sheet

Lending rose from DKK 31.8bn at end-2007 to DKK 40.5bn at end-2008, while deposits rose from DKK 15,6bn in 2007 to DKK 24.6bn.

Activities in 2008

Nykredit Bank's corporate product range includes several deposit and loan products, financial instruments, securities trading services and asset management.

2008 saw satisfactory development in activities with growing business volumes as a result of continued product development and not least increased focus on deposits.

Due to the financial crisis, funding costs went up, and deposit growth has been, and still remains, a key strategic focus area for Corporate Banking. Focus on the sale of deposit products was increased in H2/2008 in particular.

Nykredit Bank is still one of the main suppliers of construction loans for the non-profit housing sector where expectations for activity levels in 2008 were fully met. The Bank saw fair growth in deposits from that area.

Corporate Banking also joins forces with Nykredit Markets to provide corporate finance via capital market products, including the issuance of bonds and subordinate loan capital.

Corporate Banking in 2009

2009 will bring new challenges. The market situation and high funding costs ahead mean that efforts will be concentrated on the credit quality of customers and further deposit growth and holistic solutions in order to strengthen the Bank's funding.

Results – Corporate Banking

DKK million	2008	2007
Core income	549	489
Operating costs	338	200
Core earnings before impairment losses	211	289
Impairment losses on loans and advances	702	2
Core earnings after impairment losses	(491)	287
Profit/loss before tax	(491)	287
Income:costs	0.5	2.4
Average allocated business capital	4,708	3,075
Core earnings as % of allocated business capital	(10.4)	9.3

Principal balance sheet items

DKK million	2008	2007
Assets		
Loans and advances at amortised cost	40,536	31,830
Bonds, mortgages and equities	1,618	1,812
Properties	77	84
Payables		
Deposits and other payables	24,569	15,601
Off-balance sheet items		
Guarantees	9,976	14,600

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 the responsibility of Nykredit Asset Management and Nykredit Portefølje Administration A/S. Own trading activities are performed by Proprietary Trading.

The business area recorded a loss of DKK 156m in 2008 against a profit of DKK 425m in 2007.

The DKK 581m decline was the outcome of the dislocation in financial markets, which gave rise to considerable negative value adjustment of the Bank's own position-taking. Furthermore, bond issues relating to subordinate loan capital in Danish banks were adversely affected by both market conditions in general and Roskilde Bank, which caused negative value adjustments in the range of DKK 400m. In total, these items generated a loss of DKK 753m against an income of DKK 86m in 2007.

Other core income in the business area went up by DKK 458m from DKK 878m in 2007 to DKK 1,336m in 2008.

Nykredit Markets made a highly satisfactory earnings contribution, as earnings from customer-oriented activities grew by DKK 437m from DKK 538m in 2007 to DKK 975m in 2008.

Core income from Nykredit Asset Management and Nykredit Portefølje Administration outperformed 2007 levels, while the Bank's Treasury activities underperformed 2007 levels on the back of the financial turmoil.

Costs grew by DKK 159m (+29%) to DKK 698m, of which commission expenses under the government guarantee scheme amounted to DKK 20m. Wages and salaries increased by DKK 52m (+20%) as a result of a staff increase from 349 at end-2007 to 418 at end-2008 (+20%).

Other costs rose by DKK 89m to DKK 368m. As was also the case in Retail and Corporate Banking, the increase was a consequence of higher IT expenses and higher payments to Nykredit Realkredit A/S due to increasing joint activities and new settlement agreements.

Impairment losses amounted to DKK 41m, consisting of provisions of DKK 13m relating to the government guarantee scheme and the

Private Contingency Association, losses on an exposure to Lehman Brothers of approximately DKK 18m and finally customer-related losses of approximately DKK 10m.

The income:cost ratio was DKK 0.8 in 2008 compared with DKK 1.8 in 2007.

Balance sheet

The development in balance sheet items should be seen in the context of increasing activity levels, including in particular the repo transaction volume.

Activities in 2008

Nykredit Markets

Despite the financial crisis, Nykredit Markets generated considerable growth in earnings in 2008. This was largely due to the fact that Nykredit Markets is a customer-driven business striving to keep interest rate and credit risk of the trading book at a minimum to allow for risk-taking that supports customer trades.

2008 saw a fair increase in the number of customers. The institutional customer base was expanded, and the area managed to attract new commercial and retail customers on both the liability and the asset side. This was not least due to very close cooperation with the business area Commercial Customers in the Nykredit Group. In particular, the cooperation contributed to a considerable rise on the liability side, underpinned by Nykredit Markets's product sophistication strategy. In addition, Nykredit Markets continuously focuses on optimising distribution systems that provide the basis for a wider product range and increase scalability to allow for a broader customer segment.

The earnings pattern across Nykredit Markets reflects growth in most business areas. Fixed Income, Credit Trading and Derivatives markedly surpassed the 2007 earnings level. Foreign exchange was another high-growth area with a considerable activity boost in the commercial customers segment. Equities maintained a robust level of activity throughout the year, partly due to an increase in customer growth.

Results – Markets & Asset Management

DKK million	2008	2007
Core income	583	964
Operating costs	698	539
Core earnings before impairment losses	(115)	425
Impairment losses on loans and advances	(41)	0
Core earnings after impairment losses	(156)	425
Profit/loss before tax	(156)	425
Income:costs	0.8	1.8
Average allocated business capital	1,569	906
Core earnings as % of allocated business capital	(9.9)	46.9

Principal balance sheet items

DKK million	2008	2007
Assets		
Receivables from credit institutions and central banks	32,391	20,197
Loans and advances at fair value	24,490	5,550
Bonds, mortgages and equities	51,061	51,746
Payables		
Payables to credit institutions and central banks	85,072	74,702
Deposits and other payables	11,455	6,080
Liabilities at fair value	3,641	5,403
Off-balance sheet items		
Guarantees	4,166	1,081

Debt Capital Markets

Despite the financial crisis and the consequent extremely difficult market conditions, 2008 was fairly satisfactory. Debt Capital Markets maintained its position as one of the leading Danish arrangers of capital, in particular funding for Danish issuers.

This position was maintained despite a significant shift in the investor base in H2/2008 in particular. From consisting mainly of European investors, it now comprises a majority of Scandinavian investors.

In total, funding and capital for Danish issuers arranged by Debt Capital Markets tripled to just under DKK 25bn against 2007.

2008 was nonetheless also a very difficult year as regards subordinate loan capital, which was evidenced by the extremely low issuance activity.

Nykredit Asset Management

Nykredit Asset Management comprises the business areas Nykredit Asset Management, Private Portfolio and Investment & Pension. Total assets under discretionary and non-discretionary management amounted to DKK 58.3bn at end-2008.

In 2008 the business area strengthened its services offered to institutional and retail customers, expanded international customer-oriented activities and introduced new product concepts adapted to the difficult financial market conditions.

Nykredit Asset Management offers discretionary asset management primarily aimed at institutional and professional investors. Assets under management increased to DKK 51.0bn at end-2008. In view of the significant capital losses on the portfolio in 2008 due to the market turmoil, the DKK 1bn rise is considered satisfactory.

In 2008, the Mira concept was introduced through the set-up of a number of restricted funds and hedge funds catering for the commercial and retail markets. The Mira concept is a leveraged product generating current interest income through spreads between mortgage yields and market rates. Investors' returns thus depend on the development in these spreads. At end-2008 a total of DKK 2.0bn had been invested in the funds.

Private Portfolio and PensionsInvest saw a decline of total assets from DKK 8.2bn at end-2007 to DKK 7.3bn at end-2008. The fall was attributable mainly to negative returns on

portfolios, but also to subdued customer base growth – despite a rise of 6% in pension contributions to DKK 1.1bn – as a result of the difficult market conditions in 2008.

The Nykredit Group's investment funds, including Nykredit Invest, which are primarily managed by Nykredit Asset Management, maintained total assets of DKK 19.7bn in 2008 despite price declines in the subfunds, which was evidence of satisfactory growth in the retail market share.

Nykredit Portefølje Administration A/S

Administration 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.

Nykredit Portefølje Administration is the largest Danish provider of administration services for retail and wholesale-based investment funds. The turmoil in the financial markets had an adverse effect on total assets under administration, which came to DKK 214bn at end-2008 against DKK 257bn at end-2007.

For further information, see page 24.

Markets & Asset Management in 2009

In Nykredit Markets, growth is expected to continue across the board in 2009. A wider product range and higher business volumes in all business areas of the Nykredit Group continue to be fundamental to Nykredit Markets's further development. Moreover, focus on optimising distribution systems will be increased in 2009. The strategy requires considerable IT investments to facilitate the handling of a wider product range. Efficient processes provide the basis for higher profitability and scalability.

For Asset Management, the outlook is characterised by uncertain market conditions. However, continued cooperation with the Group's sales channels through the retail and commercial centres and the introduction of new market-tailored products are expected to increase total assets under management and generate higher earnings.

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 risk-free interest. Risk-free interest rates averaged 4.29% in 2008 against 4.03% in 2007. 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 246m in 2008 against DKK 172m in 2007. The rise was attributable to the increase in the Bank's equity following a capital increase by the Parent Company, retained earnings and, finally, marginally higher interest rates.

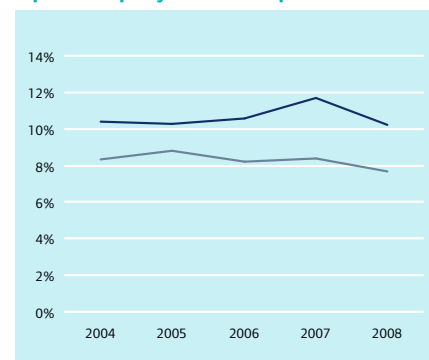
BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY OF THE NYKREDIT BANK GROUP

Balance sheet

The Group's balance sheet totalled DKK 193.8bn at end-2008 against DKK 135.4bn at end-2007, up DKK 58.4bn.

The Nykredit Bank Group

Capital adequacy and core capital ratios



— Capital adequacy ratio
— Core capital ratio

The Nykredit Bank Group Summary balance sheet

DKK million	2008	2007
Receivables from credit institutions	32,222	21,020
Loans and advances at amortised cost and fair value	75,387	45,209
Bonds and equities	53,561	55,483
Payables to credit institutions	85,850	76,825
Deposits and other payables at amortised cost	46,536	31,717
Issued bonds	17,330	1,562
Subordinate loan capital	2,400	2,400
Equity	7,104	6,099
Total balance sheet	193,800	135,399

The Nykredit Bank Group Equity

DKK million	2008	2007
Equity, beginning of financial year	6,099	4,241
Profit/loss after tax for the year	(241)	758
Other additions and disposals	(4)	-
Capital increase and share premium	1,250	1,100
Equity, end of financial year	7,104	6,099

The Nykredit Bank Group Capital base and capital adequacy

DKK million	2008	2007
Share capital	2,575	1,950
Retained earnings	4,529	4,149
Core capital	7,104	6,099
Primary and other statutory deductions from core capital	171	107
Supplementary capital	2,400	2,400
Statutory deductions from capital base	86	54
Capital base after statutory deductions	9,247	8,338
Weighted items	90,488	71,418
Capital adequacy ratio, %	10.2	11.7
Core capital after statutory deductions as % of weighted items	7.7	8.4

Receivables from credit institutions rose by DKK 11.2bn to DKK 32.2bn, while loans and advances rose from DKK 45.2bn to DKK 75.4bn. Of the increase, repo transactions accounted for DKK 18.9bn, retail lending DKK 2.5bn and corporate lending DKK 8.7bn.

Bonds and equities totalled DKK 53.6bn on a par with end-2007. The size of the portfolio should be seen in the context of the Bank's substantial repo activities. The item mainly includes high-rated government and mortgage bonds. The securities portfolio includes issues with cover assets consisting of subordinate loan capital in Danish banks. The Bank closely monitors the development in credit risk in relation to such borrowers. At end-2008, the item amounted to about DKK 1.1bn, on which the Bank made negative value adjustments of approximately DKK 400m in 2008.

Other assets and prepayments totalled DKK 32.4bn at end-2008 against DKK 13.5bn at end-2007. The item mainly consisted of inter-

est and commission receivable and "Positive market value of derivative financial instruments". Compared with end-2007, the rise is mainly due to higher positive market values.

Payables to credit institutions rose from DKK 76.8bn at end-2007 to DKK 85.9bn at end-2008 of which repo transactions accounted for DKK 7.2bn against DKK 13.9bn in 2007. Deposits went up by DKK 14.8bn to DKK 46.5bn, primarily driven by corporate deposits.

Issued bonds totalled DKK 17.3bn against DKK 1.6bn at end-2007. In 2008 the Bank issued bonds of a nominal amount of DKK 17.7bn through international capital markets. New bonds totalling DKK 12.8bn were issued under the Bank's EMTN programme.

Notes issued under the EMTN programme are listed on the Luxembourg Stock Exchange, Société Anonyme de la Bourse de Luxembourg. The Bank also issued commercial paper totalling DKK 4.7bn under the ECP programme launched in Q4/2008. Bonds of a nominal amount of DKK 1.5bn matured in 2008.

Other non-derivative financial liabilities at fair value came to DKK 3.6bn against DKK 5.4bn at end-2007. The item mainly consisted of liabilities relating to repo activities, including "Negative securities portfolios".

Other payables and deferred income were DKK 30.9bn against DKK 11.4bn at end-2007. The item mainly consisted of interest and commission payable and "Negative market value of derivative financial instruments".

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

Equity

Equity stood at DKK 7,104m at 31 December 2008, equal to an increase of DKK 1,005m. The increase essentially covers results for the period and new paid-up capital of DKK 1,250m. DKK 625m of the paid-up capital represented a share premium.

Capital adequacy

The capital adequacy ratio of the Nykredit Bank Group landed at 10.2% against 11.7% at end-2007, and the core capital ratio was 7.7% against 8.4% at end-2007.

The Nykredit Bank Group's individual capital adequacy need is calculated at 7.97%. The capital adequacy ratio may not fall below 8%.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Bank rescue package II

In January 2009 the Danish parliament adopted a number of measures extending the government guarantee scheme.

The extended scheme offers the possibility of opting for a government guarantee for up to three years for senior debt and junior covered bonds issued by commercial or mortgage banks. The guarantee scheme may remain in force until end-2013.

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

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

OUTLOOK FOR 2009

The Nykredit Bank Group's business areas are generally expected to deliver growth in core income from customer-oriented business activities relative to 2008.

The market trend will in part depend on international economic trends, interest rates and the fiscal policy measures in Denmark. The risk of higher credit losses may also affect the Bank's earnings significantly in 2009, although precise forecasts are not possible.

The financial crisis expanded interest rate spreads and cut prices of equities and bank bonds in 2008. The trends in 2009, which are of great importance to the assessment of Markets & Asset Management's core income and investment portfolio income, are very difficult to forecast.

On balance, the uncertainty surrounding results for 2009 is substantial. We expect results to be positive, substantially exceeding the 2008 results, which were characterised by negative value adjustment of some parts of own portfolios as well as large impairment losses on loans and advances. Results are expected to be lower than the level preceding the financial crisis.

OTHER

Nykredit Leasing A/S and LeasIT A/S

In 2008 the subsidiaries Nykredit Leasing A/S and LeasIT A/S merged with LeasIT as the surviving company.

The merger received final approval in Q3/2008 and was described in more detail in the H1 Interim Report 2008 to which reference is made.

In connection with the merger, the name LeasIT A/S was changed to Nykredit Leasing A/S.

Capital increase

In 2008, the Bank received additional capital from the Parent Company, Nykredit Realkredit A/S, in the amount of DKK 1,250m.

Enlargement of Forstædernes Bank's

Executive Board

Bjørn Damgaard Mortensen, Managing Director, joined the Executive Board of Forstædernes Bank in 2008.

ECP programme

The Bank established a EUR 3bn ECP programme in October 2008.

RATING

In November 2008, rating agency Standard & Poor's assigned the Bank a short-term deposit rating of A-1 and a long-term deposit rating of A+.

Government guarantee scheme

Nykredit Bank has joined the government guarantee scheme covering deposits with and unsecured claims against Danish banks. The Bank expects its participation in the scheme to imply increased expenses of approximately DKK 340m annually up to October 2010. In 2008 these expenses amounted to DKK 81m. The scheme is described in further detail in note 43 to the financial statements.

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

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

Banks covered by the scheme are subject to legal requirements as to risk profile and behaviour throughout the guarantee term to prevent any misuse of the scheme. One of the requirements is a bank lending growth limit of 16% over two years (exclusive of reverse repos).

It may be necessary to adjust activities in Nykredit Bank to ensure compliance with such limits.

STAFF

The number of staff in the Nykredit Bank Group increased from an average 588 in 2007 to 713, up 21%.

Nykredit's business development in recent years and the rising number of staff are reflected in the age composition. Nykredit Bank has a relatively younger staff than the financial sector on average.

At end-2008 36% of Nykredit Bank's staff was female. At management level, 13.5% was female, while the share of women among new managers in 2008 was 12.5%.

In 2008, 47% of the staff had a short-term or medium-term higher education, while 26% of the staff had a long-term higher education.

The report "About Nykredit 2008", 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.

Nykredit Bank A/S

Ratings

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

Nykredit uses advanced models to quantify the Group's credit and market risk.

Nykredit publishes a detailed report entitled Risk and Capital Management once a year. 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.

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 are the Credits Committee, the Treasury Committee, the Risk Committee and the Asset/Liability Committee.

The Credits Committee and the Treasury Committee are responsible for managing group credit risk and market risk, respectively. Both committees lay down guidelines on the risk exposures allowed in the group companies and assign management responsibilities to the companies.

The Asset/Liability Committee is responsible for the Group's overall asset/liability and liquidity management. The Risk Committee has been commissioned to assess and determine all group risks, approve methods of measurement of all types of risk and report risk to the boards of directors of the group companies.

Capital adequacy

Since 1 January 2008, the capital base and capital adequacy have been determined according to the capital adequacy rules of Basel II. The annual development in the determination of risk and capital is therefore presented as comparative figures from 1 January and 31 December 2008 in accordance with Basel II.

Nykredit Bank's use of Basel II is described in "Credit risk models" of Risk and Capital Management 2008, available at nykredit.com/reports.

Determination methods

Nykredit Bank has obtained approval by the Danish Financial Supervisory Authority (FSA) to determine the capital charge for credit risk in relation to retail lending in Nykredit Bank using the advanced internal ratings-based (IRB) approaches.

The foundation IRB approaches with internal estimates of the probabilities of default are used to determine the capital charge for credit risk in relation to Nykredit Bank's commercial lending.

The standardised approach is applied to de-

termine the capital charge for credit risk in relation to sovereign and credit institution exposures and a few minor portfolios.

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

For the determination of the capital requirement for market risk, Nykredit Bank has obtained FSA approval to apply a VaR model with a time horizon of 10 days and a confidence level of 99%. VaR is described further under "Market risk".

The market risk relating to the remainder of the portfolio is subject to the standardised approach.

The capital charge for operational risk is determined according to the basic indicator approach.

Capital base and capital adequacy

On transition to Basel II at the beginning of 2008, Nykredit Bank was required to reduce the capital base by the difference between model-based expected losses and actual impairment losses. This affected the capital base by a negative figure of DKK 466m as at 1 January 2008.

Nykredit Bank's capital base after statutory deductions totalled DKK 9.2bn at end-2008.

The transition to the Basel II rules also gave rise to a change in the capital requirement and weighted items. This led to a decrease in the capital adequacy ratio from 11.7% at end-2007 to 9.9% at the beginning of 2008.

Nykredit Bank's capital requirement and weighted items at end-2008 stood at DKK 7.2bn and DKK 90.5bn, respectively.

Under the transitional rules, the weighted items and capital requirement may not decrease by more than 10% and 20% in 2008 and 2009, respectively, compared with the rules applied so far.

Required capital base

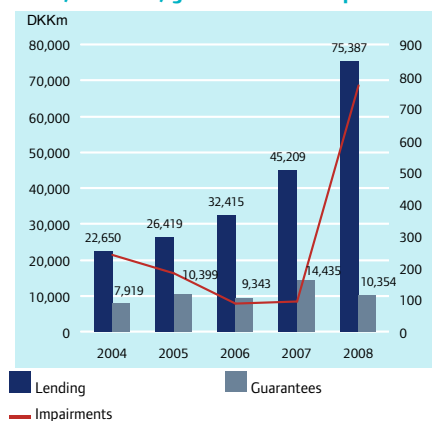
The required capital base is the minimum capital required in Management's opinion to cover all significant risks.

Types of risk

Nykredit Bank distinguishes between the following general types of risk:

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

Loans, advances, guarantees and impairments



Nykredit Bank's calculation of the required capital base is based on the model calculations used in the determination of the capital requirement. However, a statistical confidence level of 99.93% is applied in line with the rating assigned by the rating agencies. When calculating the capital requirement and the capital adequacy ratio, a 99.9% confidence level is used.

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

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

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

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

The Nykredit Bank Group

DKK million	Corporate		Retail		Markets & Asset Management		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Impairment provisions, beginning of year	73	40	22	48	-	-	95	88
Provisions and reversals for the year	636	7	13	(19)	10	-	659	(12)
Claims previously provided for, now lost	35	2	5	7	-	-	40	9
Other additions and disposals	-	28	-	0	-	-	-	28
Impairment provisions, year-end	674	73	30	22	10	-	714	95
Of which individual	554	71	27	13	10	-	591	84
Of which collective	120	2	3	9	-	-	123	11
Provisions for guarantees	41	-	5	-	10	-	56	-
Of which relating to the "government guarantee scheme, etc"	33	-	5	-	10	-	48	-
Earnings impact								
New impairment provisions for the year, net	636	7	13	(19)	10	-	659	(12)
Received on loans and advances previously provided for	0	6	3	3	-	-	3	9
Impairment losses not provided for	25	1	5	6	21	-	51	7
Total	661	2	15	(16)	31	-	707	(14)
Provisions for guarantees	41	-	5	-	10	-	56	-
Total earnings impact	702	2	20	(16)	41	-	763	(14)

Loans, advances and guarantees by sector

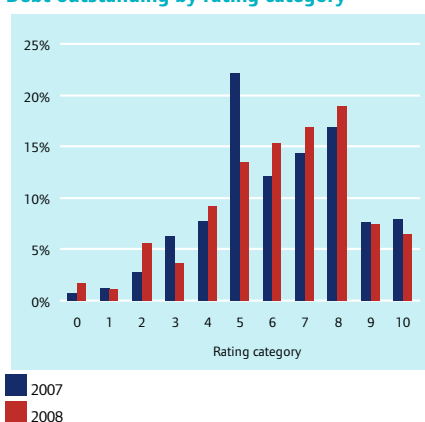
DKK million	Loans, advances and guarantees		Impairment losses and provisions	
	2008	2007	2008	2007
Public sector	349	181	0	0
Agriculture, hunting and forestry	2,928	2,817	7	1
Fisheries	4	6	0	0
Manufacturing, extraction of raw materials, utilities	8,486	6,528	148	0
Building and construction	1,034	839	6	2
Trade, restaurants and hotels	2,921	2,862	11	61
Transport, mail and telephone	2,602	1,628	5	4
Credit, finance and insurance	28,484	6,243	371	0
Property management and trade, business services	18,382	15,319	129	4
Of which				
- residential property	7,627	4,175	46	1
- letting of commercial property	4,694	5,964	72	1
- business services, etc	6,062	5,368	11	2
Other corporate	5,143	5,133	25	3
Total corporate	69,984	41,375	702	75
Retail	15,408	18,088	68	20
Total	85,741	59,644	770	95

The distribution is based on public sector statistics and is therefore not directly comparable to the Bank's business areas.

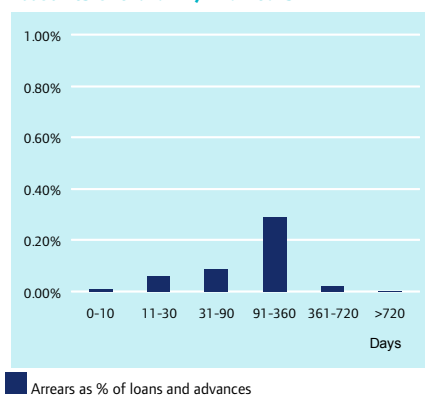
Rating scale and marginal Probability of Default (PD)

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



Accounts overdrawn/in arrears



Elements of credit risk determination

The parameters used to determine credit risk are:

PD:	Probability of Default, the probability of a customer defaulting on a credit exposure with the Nykredit Bank Group.
LGD:	Loss Given Default, the loss ratio of the exposure given the customer's default.
EV:	The total exposure to a customer in DKK at the time of default. The exposure value is adjusted for the unutilised part of a credit facility granted.

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

CREDIT RISK

By virtue of the Nykredit Group's size, the credit policy takes into consideration the aim of a suitable market share and an objective of limited losses.

The Board of Directors lays down the overall framework of credit granting and is presented 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.

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 will bring the Bank's total exposure to any one customer over DKK 100m are subject to Board approval initially as well as subsequently whenever an exposure increases by a multiple of DKK 50m.

When a customer applies for a bank facility, the customer and its financial circumstances

are assessed. Overall guidelines of credit assessment have been laid down centrally and depend for example on the customer's other business relationships with the Bank.

Internal credit models continuously form an important part of the assessment of the majority of retail and commercial customers. A thorough assessment of customers is a key 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.

All bank exposures exceeding DKK 3m are reviewed at least once a year as part of the monitoring of credit exposures based on updated financial and customer information. In addition, all exposures showing signs of risk are reviewed, including minor exposures, to identify any need for individual provisioning. Exposures not provided for individually are provided for in the Bank's collective impairment provisions.

Collective impairment provisions are calculated using a so-called rating model based on adjusted Basel parameters for loss calculations. The Basel parameters are adapted to the accounting rules so that they are based on events occurred, cash flows from loans until maturity and discounting of negative cash flows to present value.

When opening credit lines for financial products, the Bank often requires that a contractual basis be established providing it with a netting option. The contractual framework is typically based on standards such as ISDA or GMRA agreements. No set-off has been made for collateral security or netting agreements in the accounting figures presented.

Impairment losses and provisions 2008

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

The increased impairment provisions can chiefly be ascribed to DKK 312m relating to EBH-fonden and the 50% stake in Dansk Pantebrevsbørs. On top of this come impairment losses on customers operating in finan-

cial markets (excluding commercial and mortgage banks) of DKK 60m.

Relative to the Bank's total loans, advances and guarantees, impairment provisions totalled 0.9% at end-2008. Excluding impairment losses on EBH-fonden and Dansk Pantebrevsbørs, the ratio was 0.5%. Considering the market conditions, loan impairment remained low. At end-2007 the impairment rate was 0.2%.

As a result of the change in economic trends in 2008, the Bank's collective impairment provisions saw a moderate increase, mainly attributable to Management's assessment of the risk of losses on rental properties with a discount factor over 25.

Other new provisions, in net terms, concern a few corporate customers, while retail provisions rose from DKK 22m at end-2007 to DKK 30m. Impairment provisions in the subsidiary Nykredit Leasing were reduced from DKK 66m at end-2007 to approximately DKK 14m.

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

The distribution of loans, advances and guarantees by sector and industry was largely unchanged compared with previous years, with the exception of lending to the credit and finance sector which increased from DKK 6.2bn to DKK 28.4bn. The increase partly related to balances with pension funds, investment funds and investment companies, a number of which were based on reverse transactions.

The Bank monitors property market trends and its own exposures closely, and Management considers the current exposures to be appropriate. Part of the exposures consists of land registration guarantees relating to mortgage loans and bridge financing preceding mortgage financing. Historically, such exposures involve only limited credit risk.

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

Guarantees

The Bank issues a number of guarantees on a current basis, including guarantees to mort-

gage banks. According to the accounting rules, guarantees must be reviewed on a current basis and losses under guarantees provided for if deemed necessary.

At end-2008, provisions for guarantees amounted to DKK 56m against DKK 0m at end-2007. Of this amount, DKK 48m concerned provisions for obligations under the government guarantee scheme.

Earnings impact

Impairment provisions totalled an expense of DKK 763m including provisions for guarantees of DKK 56m. In 2007 this item was an income of DKK 14m. Individual impairment provisions went up by DKK 507m, collective impairment provisions rose by DKK 112m, while losses not previously provided for and payments received for claims previously written down for impairment totalled DKK 48m.

Credit risk models

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

The models used to determine PD and LGD ratios are built on historical data allowing for periods with low as well as high business activity. PDs are therefore estimated by weighting current data against data from the early 1990s. Current data carry a 40% weighting, while data from the early 1990s carry a 60% weighting. In the determination of impairments for accounting purposes, however, current data carry a 100% weighting.

The PD of retail customers and small enterprises is determined on the basis of a customer's credit score and payment behaviour. Credit scoring is a statistical calculation of a customer's creditworthiness 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 impairments as well as industry-specific conditions and the macroeconomic climate.

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

The PD of individual customers is converted into a rating from 0 to 10, 10 being the top rating. Customer ratings are an important element of the credit policy and customer assessment.

LGD is calculated for each customer exposure.

For retail customers, LGDs are 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.

Further information on Nykredit Bank's risk management is available in the publication "Risk and Capital Management 2008" at nykredit.com/reports.

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 as well as swap and money market transactions. Market risk in the Bank's other subsidiaries is either hedged with the Bank as counterparty or negligible.

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

For the purpose of satisfactory market risk management, Nykredit Bank's Board of Directors lays down specified limits to Value-at-Risk, interest rate, equity price, foreign exchange and volatility risk. The limits are assigned to the Executive Board of the Bank and further delegated to Markets & Asset Management and the Bank's subsidiaries. Risk Management, which acts independently of the acting entities of the Group, monitors market risk on a current basis and reports to Management on a day-to-day basis. Acting and reporting entities have been segregated.

The management of market risk is based on the risk measures fixed by the Board of Directors such as Value-at-Risk and more traditional risk measures such as interest rate risk and

interest rate vega. The Bank has also defined a number of stress and scenario tests that form part of the management of market risk.

Value-at-Risk

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

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. Following FSA approval, the Bank implemented a change to the VaR model in August, which contributes to a higher VaR figure. The increase reflects both higher OAS volatility and a larger portfolio.

The calculation of VaR includes yield curves based on closing market prices as well as historical correlations and volatilities. These are calculated using an EWMA model and a

decay factor of 0.94 weighting the observations exponentially which means that the model quickly adapts to new volatilities, but also has a shorter memory span. Hence, the latest market observations will have the highest weighting.

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

In 2008 VaR averaged DKK 44m (2007: DKK 12.5m). This meant that Nykredit Bank would at a 99% probability lose less than DKK 44m in one day in consequence of market fluctuations (2007: DKK 12.5m). During 2008 VaR ranged between DKK 22m and DKK 140m (2007: DKK 7.5m-20.8m).

VaR rose significantly during Q4/2008. This was for some part an effect of the severe OAS fluctuations within particularly non-callable and floating-rate mortgage bonds.

The fluctuations set in as the global financial crisis started escalating. Especially the Lehman Brothers failure in the US and the absence of investor demand for mortgage bonds caused significant OAS expansion within mortgage bonds.

This effect was further fuelled by the uncertainty related to the fixed bullets auctions in December caused by the financial turmoil.

Conversely, the Danish and international bank rescue packages later prompted OAS tightening, but as VaR calculations are based on historical observations, this only had a limited effect on VaR.

Elements of VaR calculations

VaR provides no indication of the distribution of losses under unusual market conditions.

In consequence, a number of scenarios depicting unusual market conditions have been drawn up. The scenarios are calculated on a daily basis and reported to the Board of Directors on a monthly basis.

The Bank is authorised by the FSA to calculate VaR for the purpose of market risk and capital adequacy.

Interest rate risk

The Bank's interest rate exposure as measured at a general rise in rates of 1 percentage point ranged between a loss of DKK 89m and a gain of DKK 244m in 2008 (2007: a gain of DKK 62m-209m) and represented a loss of DKK 21m at end-2008 (2007: a gain of DKK 197m).

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

Equity price risk

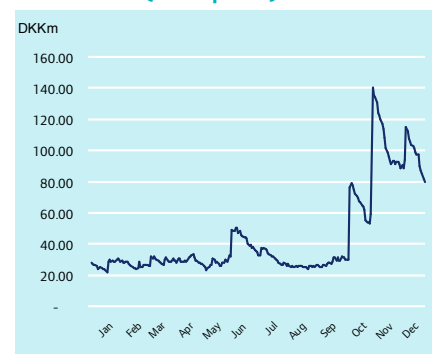
At end-2008 the determination of market risk included an equity position of DKK 184m (2007: DKK 282m).

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

Foreign exchange risk

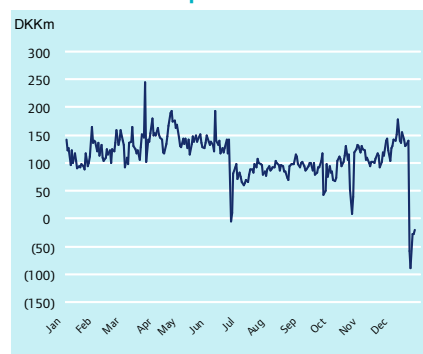
At end-2008 the Bank's most significant foreign exchange exposures were in EUR, NOK and SEK. The Bank's foreign exchange exposure in terms of the largest numeric sum of positive and negative foreign exchange positions (Exchange Rate Indicator 1) ranged between DKK 13m and DKK 781m in 2008

Value-at-Risk (excl equities)



— Value-at-Risk at 99%

Net interest rate exposure



Elements of the calculation of Value-at-Risk

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 based on a 99% confidence level and a one-day time horizon.

The parameters used to determine Value-at-Risk are:

Risk factors:	All exposures are transformed into a number of risk factors for interest rate and foreign exchange risk.
Volatilities and correlations:	Daily volatilities and correlations of the above-mentioned risk factors. The volatilities are determined to the effect that the newest observations have the highest weighting.
Time horizon:	Value-at-Risk is determined on the basis of a time horizon of one day, but the figure may be scaled to other time horizons.
Confidence level:	Value-at-Risk is determined at a 99% confidence level.

(2007: DKK 72m-843m) and was DKK 245m at end-2008 (2007: DKK 339m).

Option risk

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

The Bank's interest rate volatility exposure measured as the change in market value following a change in volatility of 1 percentage point represented a loss of DKK 1m at end-2008 (2007: a loss of DKK 12.6m).

LIQUIDITY RISK

Liquidity risk is the risk of loss as a result of insufficient liquidity to cover current payment obligations. The loss may result from a disproportionate increase in Nykredit's funding costs, or Nykredit becoming unable to fulfil its payment obligations due to a lack of funding.

The 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 Danmarks 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.

The liquidity buffer in 2008 averaged DKK 13.0bn. At end-2008 the liquidity buffer was DKK 31.2bn (2007: average: DKK 11bn; year-end: DKK 20.2bn).

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. Deposits plus structured funding increased to 144% at end-2008 from 118% at end-2007.

To strengthen the access to funding through international capital markets, the Bank established a EUR 5bn European Medium Term Note (EMTN) programme in Q4/2007. At

end-2008 the Bank had issued notes of EUR 1.7bn under the EMTN programme. Despite difficult market conditions, the notes were issued at satisfactory spreads relative to swaps, reflecting the low-risk profile and sound capital structure of Nykredit Bank and the Nykredit Group.

To further strengthen the Bank's access to funding through international capital markets, the Bank launched a EUR 3bn Euro Commercial Paper programme in October 2008. At end-2008 the Bank had issued commercial paper of EUR 0.6bn under this programme.

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

The model assumptions are stress tested daily. This includes the effect of a liquidity crisis in the market, which would increase the Bank's funding costs and reduce the liquidity of its assets.

Stress tests conducted according to "Moody's Bank Financial Strength Ratings: Global Methodology" show that the Bank can withstand a 12-month long lack of access to the funding market. One of the assumptions applied in the test is the lack of access to capital markets.

The Nykredit Bank Group

Funding sources – banking book

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

Nykredit Bank A/S

Limits fixed by the Board of Directors on the Bank's maximum liquidity deficit

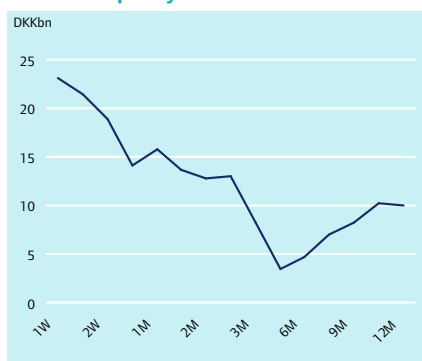
2008 DKK million	Internal target for maximum liquidity deficit	Absolute minimum point of the period	Average of minimum points for the period
0 – 20 days	0	621	9,480
21 days – 3 months	(3,000)	(2,264)	3,189
3 months – 5 years	(4,500)	(2,939)	108
5 years – 10 years	(1,000)	461	2,276
Over 10 years	0	3,102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

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

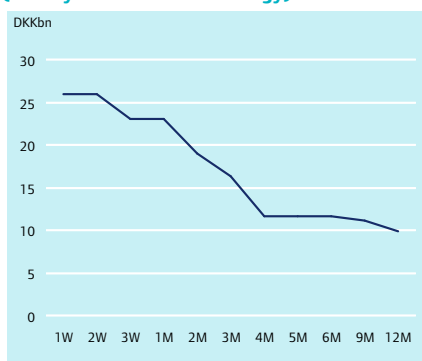
The Board of Directors of the Bank formulates the liquidity policy, liquidity model principles and requirements, and targets for the Bank's structural liquidity risk.

The structural liquidity risk limits appear from the table. For example, the Bank may not have

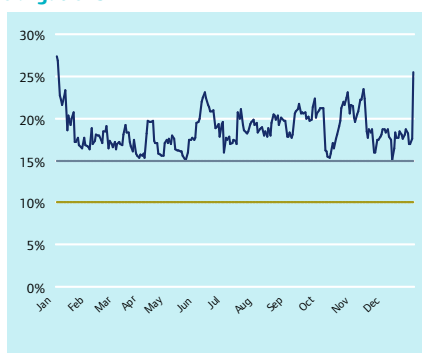
Nykredit Bank A/S
12-month liquidity



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



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



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

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

a negative liquidity position within the coming 20 banking days.

According to the Danish Financial Business Act, a bank's liquidity must total at least 10% of total reduced debt and guarantee obligations. Nykredit Bank uses an internal liquidity requirement of at least 15%. At end-2008 the financial ratio "Excess cover:statutory liquidity requirements" was 155%, corresponding to a cash ratio of 25.5%.

Capital management

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

In compliance with the statutory capital requirement, 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

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

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

The day-to-day management of operational risk in Nykredit 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 Nykredit Group. The Group strives always to limit operational risk taking into consideration the related costs.

In order to create an overview of loss experience, loss-making operational events are recorded and classified systematically.

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 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.

Listed financial instruments, which have been priced in low-turnover markets due to the financial turmoil in 2008, may to a higher degree than previously involve some uncertainty in connection with the measurement of fair values.

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 2004-2008

DKK million/EUR million	2008/EUR	2008	2007	2006	2005 ¹	2004 ¹
SUMMARY INCOME STATEMENT						
Net interest and fee income	217	1,620	1,231	956	946	825
Value adjustments	(4)	(29)	526	486	152	(9)
Other operating income	1	5	8	19	19	36
Staff and administrative expenses	133	991	779	668	539	451
Other operating costs, depreciation and amortisation	11	84	9	3	3	2
Impairment losses on loans, advances and receivables	104	772	(45)	(52)	5	2
Profit/loss from investments in associates and group enterprises	(8)	(58)	(5)	14	16	14
Profit/loss before tax	(42)	(309)	1,017	856	586	411
Tax	(9)	(68)	259	229	147	121
Profit/loss for the year	(33)	(241)	758	627	439	290
BALANCE SHEET, YEAR-END						
Assets						
Cash balance and receivables from central banks and credit institutions	4,343	32,361	20,187	18,271	15,035	13,097
Loans, advances and other receivables at fair value	3,302	24,599	5,737	3,432	6,688	5,242
Loans, advances and other receivables at amortised cost	6,740	50,218	38,314	28,758	19,484	17,418
Bonds at fair value and equities	7,059	52,597	53,310	47,238	35,943	31,414
Investments in associates and group enterprises	49	368	405	297	174	148
Other asset items	4,341	32,339	13,430	8,183	6,840	6,597
Total assets	25,834	192,482	131,383	106,179	84,164	73,916
Liabilities and equity						
Payables to credit institutions and central banks	11,317	84,321	73,296	62,548	44,317	39,594
Deposits and other payables	6,303	46,964	32,034	22,764	22,192	19,190
Other non-derivative financial liabilities at fair value	489	3,641	4,776	7,032	6,484	5,110
Other payables	6,442	47,995	12,777	8,280	6,704	6,014
Total payables	24,551	182,921	122,883	100,624	79,697	69,908
Provisions	8	57	1	14	53	33
Subordinate loan capital	322	2,400	2,400	1,300	800	800
Equity	953	7,104	6,099	4,241	3,614	3,175
Total liabilities and equity	25,834	192,482	131,383	106,179	84,164	73,916
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	1,390	10,353	14,435	9,343	10,399	7,919
Other commitments	1,091	8,129	8,011	6,346	3,030	2,278
FINANCIAL RATIOS						
Capital adequacy ratio, %		10.2	12.0	10.6	10.4	10.4
Core capital ratio, %		7.6	8.6	8.3	8.9	8.3
Return on equity before tax (pa), % ¹		(4.7)	19.7	21.0	17.3	13.6
Return on equity after tax (pa), % ¹		(3.6)	14.7	16.0	13.0	9.6
Income:cost ratio, DKK ¹		0.83	2.37	2.42	2.10	1.93
Interest rate exposure, %		(0.3)	3.2	4.2	3.3	3.0
Foreign exchange position, %		3.8	5.7	5.4	4.2	3.2
Foreign exchange exposure, %		0.0	0.1	0.2	0.1	0.0
Loans and advances:deposits		1.6	1.4	1.4	1.2	1.2
Loans and advances:equity		10.5	7.2	7.6	7.2	7.2
Growth in loans and advances for the year, %		69.8	36.8	23.0	15.7	1.8
Excess cover:statutory liquidity requirements, %		155.0	147.7	117.2	207.8	195.2
Total large exposures		93.7	134.7	336.4	349.5	351.3
Impairment losses for the year, %		0.9	(0.1)	(0.1)	0.0	0.0
Average number of staff (full-time equivalents)		595	507	433	372	312

Key figures have been calculated in accordance with the definitions of the Executive Order on the presentation of financial statements.

¹ Including effect of new accounting policies in 2004 and 2005

EUR 1 = DKK 7.4506 at end-2008

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 88.18% 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 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 conducted 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 2008 Nykredit Bank A/S recorded a loss of DKK 241m, down DKK 999m on profit for 2007 of DKK 758m.

In 2008 interest and fees netted DKK 1,620m compared with DKK 1,231m in 2007, while value adjustments went down from DKK 526m to a negative amount of DKK 29m.

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 chiefly reflects the financial turmoil and the consequent lower securities prices as well as the increased business volumes within interest rate products, currency and derivatives.

Other operating income came to DKK 5m in 2008 against DKK 8m in 2007.

Costs rose from DKK 788m in 2007 to DKK 1,075m in 2008, up 36%. The increase was related to the higher level of activity leading to a rise in the number of staff, IT expenses and settlements with Nykredit Realkredit. The average number of staff increased by 17% in 2008 to 595 against 507 in 2007.

Impairment losses on loans and advances came to DKK 772m in 2008 against an income of DKK 45m in 2007. The background for this development is described in more detail in the credit risk section on pages 17-18.

Equity investments generated a loss of DKK 58m against a loss of DKK 5m in 2007. The negative development in 2008 is attributable to Dansk Pantebrevsbørs A/S and Nykredit Sirius Limited (formerly Nykredit Fixed Income Opportunities Fund Limited).

Principal balance sheet items

The balance sheet total grew from DKK 131.4bn at end-2007 to DKK 192.5bn at end-2008.

The cash balance and receivables from credit institutions and central banks increased from DKK 20.2bn in 2007 to DKK 32.4bn in 2008.

Loans, advances and receivables increased by DKK 30.8bn to DKK 74.8bn of which DKK 18.9bn was attributable to increased repo activities.

Bonds and equities totalled DKK 52.6bn at end-2008 against DKK 53.3bn at end-2007.

Nykredit Bank A/S

Summary income statement

DKK million	2008	2007
Net interest and fee income	1,620	1,231
Value adjustments	(29)	526
Other operating income	5	8
Capacity costs	1,075	788
Impairment losses on loans, advances and receivables	772	(45)
Profit from investments in associates and group enterprises	(58)	(5)
Profit/loss before tax	(309)	1,017
Tax	(68)	259
Profit/loss for the year	(241)	758

Nykredit Bank A/S

Summary balance sheet

DKK million	2008	2007
Receivables from credit institutions	32,361	20,187
Loans, advances and receivables	74,817	44,051
Bonds and equities	52,597	53,310
Other asset items	32,707	13,835
Total assets	192,482	131,383
Payables to credit institutions	84,321	73,296
Deposits and other payables	46,964	32,034
Issued bonds at amortised cost	17,330	1,562
Other liability items and provisions	34,363	15,992
Subordinate loan capital	2,400	2,400
Equity	7,104	6,099

Nykredit Bank A/S

Financial ratios

	2008	2007
Capital adequacy ratio, %	10.2	12.0
Core capital ratio, %	7.6	8.60
Return on equity before tax, %	(4.7)	19.7
Return on equity after tax, %	(3.6)	14.7
Income:cost ratio, DKK	0.83	2.37
Number of full-time staff (avg)	595	507

The size of the securities portfolio should in particular be seen in the context of Nykredit Markets's trading operations and the Bank's activities in repo markets.

Payables to credit institutions and central banks were DKK 84.3bn at end-2008 against DKK 73.3bn at end-2007, while deposits and other payables went up by DKK 14.9bn to DKK 47bn, primarily driven by corporate banking business.

Equity stood at DKK 7,104m at end-2008 against DKK 6,099m at end-2007. The increase covers retained earnings for the year and paid-up capital of DKK 1,250m.

The capital adequacy ratio was 10.2% at end-2008 against 12.0% at end-2007.

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. Nykredit Portefølje Administration is authorised to manage hedge funds and professional associations and contributes to setting up and launching such funds and associations.

Adverse bond and equity markets characterised 2008 and created difficult market conditions for part of the activities of the company and affected its earnings, notably in H2.

The activity level was nevertheless high in 2008, and the company launched 7 funds and 41 subfunds, while 13 subfunds were wound up.

At end-2008, the company had entered into management agreements with 39 funds comprising a total of 190 subfunds.

Assets under administration totalled DKK 214.1bn at end-2008 against DKK 257bn at end-2007. The decline mirrored the massive price declines in H2/2008.

Profit for the year came to DKK 14m against DKK 17m in 2007. The results included increased net fee income of DKK 10m, rising capacity costs of DKK 15m resulting from the

higher activity level and a rise in the average number of staff from 45 in 2007 to 57 in 2008.

The balance sheet total was up from DKK 109m in 2007 to DKK 133m in 2008, predominantly reflecting increased receivables in the Parent Company, Nykredit Bank A/S.

Equity rose from DKK 89m at end-2007 to DKK 103m at end-2008.

Nykredit Portefølje Administration A/S

Summary income statement

DKK million	2008	2007
Net interest and fee income	86	76
Value adjustments	0	0
Capacity costs	68	53
Profit before tax	18	23
Tax	4	6
Profit for the year	14	17

Nykredit Portefølje Administration A/S

Summary balance sheet

DKK million	2008	2007
Receivables from credit institutions	102	4
Bonds	0	76
Other asset items	31	29
Total assets	133	109
Other liability items and provisions	30	20
Equity	103	89

Nykredit Portefølje Administration A/S

Financial ratios

	2008	2007
Capital adequacy ratio, %	62.8	312.8
Return on equity before tax, %	19.1	28.8
Return on equity after tax, %	14.3	21.4
Income:cost ratio, DKK	1.26	1.44
Number of full-time staff (avg)	57	45

NYKREDIT LEASING 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 has been fully consolidated in the Nykredit Bank Group's financial statements for the full year 2008. Prior to that date, Nykredit Bank held a 22.65% stake in the company.

Profit before tax came in at DKK 22m against a loss of DKK 28m in 2007.

Net income rose by DKK 8m to DKK 53m as a result of increased activities. Loans and advances went up from DKK 1.9bn at end-2007 to DKK 2.1bn at end-2008.

Due to an elevated activity level, capacity costs rose by DKK 3m to DKK 41m. The number of staff grew from an average of 38 in 2007 to 41.

Compared with Q4/2007 when the company had to recognise considerable impairment losses, 2008 saw satisfactory progress. Impairment losses equalled an income of DKK 10m against a loss of DKK 35m in 2007.

The company's balance sheet was DKK 2.4bn at end-2008 against DKK 2.1bn at end-2007, with the rise in loans and advances contributing DKK 0.2bn.

Equity went up by DKK 21m to DKK 126m.

The company only publishes parent company financial statements. The table below exclusively shows group figures included in the Nykredit Bank Group's financial statements.

Nykredit Leasing A/S**Principal income statement and balance sheet items**

DKK million	2008	2007	Recognised in Nykredit Bank
			2007
Net interest and fee income	34	28	3
Other operating income	19	17	8
Capacity costs	41	38	17
Impairment losses on loans and advances	(10)	35	32
Profit/loss before tax	22	(28)	(38)
Tax on profit/loss for the year	6	(7)	10
Profit/loss for the year	16	(21)	(28)
Loans, advances and receivables	2,103	1,879	1,879
Total assets	2,431	2,117	2,117
Payables to credit institutions	2,169	1,898	1,898
Equity	126	105	105
Return on equity, %	13.9	(21)	(21)
Number of full-time staff (avg)	41	38	15

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.

Due to market trends, Nykredit Bank and EBH Bank, which both have a 50% stake in the company, have decided to phase out the activities of the company.

The company, which carries on mortgage trading and related activities, recorded a loss before tax of DKK 104m for 2008 against a loss before tax of DKK 4m for 2007.

The mortgage market developed adversely in 2008. Turnover dropped dramatically, principally as a significant number of mortgage investors withdrew from the market due to the financial crisis.

The company was also affected by negative value adjustments as well as losses on and impairment provisions for the trading portfolio of notably mortgages on commercial properties. This development was due to a combination of bankrupt debtors and falling property prices.

Overall, this led to a loss after tax of DKK 109m.

The balance sheet was reduced from DKK 406m at end-2007 to DKK 241m at end-2008, as the greater part of the mortgage portfolio was realised.

Equity was negative at DKK 65m.

Dansk Pantebrevsbørs A/S**Summary income statement**

DKK million	2008	2007
Net interest and fee income	8	21
Value adjustments	(41)	19
Capacity costs	71	44
Loss before tax	(104)	(4)
Tax	5	1
Loss for the year	(109)	(3)

Dansk Pantebrevsbørs A/S**Summary balance sheet**

DKK million	2008	2007
Receivables from credit institutions	1	1
Mortgage portfolio	195	367
Other asset items	45	38
Total assets	241	406
Payables to credit institutions	297	356
Other liability items and provisions	9	6
Equity	(65)	44
Number of full-time staff (avg)	41	42

**NYKREDIT SIRIUS LIMITED
(FORMERLY NYKREDIT FIXED INCOME
OPPORTUNITIES FUND LIMITED)**

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

The company recorded a loss of DKK 39m for 2008, particularly prompted by negative value adjustment of the company's portfolio of mortgage bonds.

At end-2007, the company's assets amounted to DKK 2,932m, which were reduced to DKK 929m in 2008. The activities of the company are to be discontinued in 2009.

Equity stood at DKK 78m at end-2008 against DKK 118m at end-2007.

OTHER COMPANIES

Nykredit Bank also owns a number of small companies some of which have been completely or partly without activity in 2008. The companies have been consolidated in the Nykredit Bank Group's financial statements and appear from the group structure, cf note 44.

These companies include:

Nykredit Pantebrevsinvestering A/S, the mortgage portfolio of which 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, which had no activities in 2008.

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

Nykredit Sirius Limited (Formerly Nykredit Fixed Income Opportunities Fund Limited)

Summary income statement

DKK million	2008	2007
Net interest and fee income	7	8
Value adjustments	(42)	1
Capacity costs	4	4
Profit/loss before tax	(39)	5
Tax	0	0
Profit/loss for the year	(39)	5

Nykredit Sirius Limited (Formerly Nykredit Fixed Income Opportunities Fund Limited)

Summary balance sheet

DKK million	2008	2007
Receivables from credit institutions	4	926
Securities	867	1,914
Other asset items	58	92
Total assets	929	2,932
Payables to credit institutions	778	2,123
Other liabilities and provisions	73	691
Equity	78	118

Management Statement and Audit Reports



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

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2008 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. Further, the Annual Report has 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 fair review of the development in the activities and financial circumstances of the Group and the Parent Company as well as a satisfactory description of the material risk and uncertainty factors affecting the Group and the Parent Company.

We are furthermore of the opinion that the Annual Report gives a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2008 and of the results of the Group's and the Parent Company's activities as well as the Group's cash flows for the financial year 2008.

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

Copenhagen, 5 February 2009

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 2008. 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 fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2008 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 2008 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, 5 February 2009

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 2008. 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 fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2008 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 2008 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, 5 February 2009

Deloitte
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen
State-Authorised Public Accountant

Henrik Wellejus
State-Authorised Public Accountant

Income statements for the period 1 January – 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2007	2008		Note	2008	2007
4,893	6,751	Interest income	2	6,906	5,006
3,906	5,346	Interest expenses	3	5,448	3,988
987	1,405	NET INTEREST INCOME		1,458	1,018
6	6	Dividend on equities	4	6	6
586	608	Fee and commission income	5	736	673
348	399	Fee and commission expenses	6	452	374
1,231	1,620	NET INTEREST AND FEE INCOME		1,748	1,323
526	(29)	Value adjustments	7	(91)	542
8	5	Other operating income		28	17
779	991	Staff and administrative expenses	8	1,118	871
8	3	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	5	10
1	81	Other operating expenses		94	2
(45)	772	Impairment losses on loans, advances and receivables	10	763	(14)
(5)	(58)	Loss from investments in associates and group enterprises	11, 13	-	-
1,017	(309)	PROFIT/LOSS BEFORE TAX		(295)	1,013
259	(68)	Tax	12	(54)	255
758	(241)	PROFIT/LOSS FOR THE YEAR		(241)	758
		DISTRIBUTION OF PROFIT/LOSS FOR THE YEAR			
758	(241)	Profit/loss for the year			
758	(241)	TOTAL			
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT/LOSS			
758	(241)	Retained earnings			
758	(241)	TOTAL			

Balance sheets at 31 December

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
2007	2008		Note	2008	2007
		LIABILITIES AND EQUITY			
73,296	84,321	Payables to credit institutions and central banks	26	85,850	76,825
32,034	46,964	Deposits and other payables	27	46,536	31,717
1,562	17,330	Issued bonds at amortised cost	28	17,330	1,562
4,776	3,641	Other non-derivative financial liabilities at fair value	29	3,641	5,403
11,213	30,663	Other liabilities	30	30,871	11,379
2	2	Deferred income		10	12
122,883	182,921	TOTAL PAYABLES		184,238	126,898
		Provisions			
0	0	Provisions for deferred tax	31	0	0
-	56	Provisions for losses under guarantees	32	56	-
1	1	Other provisions	32	2	2
1	57	TOTAL PROVISIONS		58	2
2,400	2,400	Subordinate loan capital	33	2,400	2,400
		Equity			
1,950	2,575	Share capital		2,575	1,950
-	-	Revaluation reserves		0	4
		Other reserves			
69	7	Statutory reserves		-	-
4,080	4,522	Retained earnings		4,529	4,145
6,099	7,104	TOTAL EQUITY		7,104	6,099
131,383	192,482	TOTAL LIABILITIES AND EQUITY		193,800	135,399
		Off-balance sheet items			
14,435	10,353	Contingent liabilities	34	10,354	14,435
8,011	8,129	Other commitments	35	8,163	8,041
22,446	18,482	TOTAL OFF-BALANCE SHEET ITEMS		18,517	22,476
		Accounting policies	1		
		Related parties	36		
		Financial instruments	37		
		Derivative financial instruments	38		
		Unsettled spot transactions	39		
		Credit, foreign exchange, equity price and interest rate exposures	40		
		Hedging of interest rate risk	41		
		Genuine sale (purchase) and repurchase/resale transactions	42		
		Contingent liabilities	43		
		Group structure	44		
		Acquisition of group enterprises	45		

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
Equity 2008				
Equity, 1 January 2008, cf the table below	1,950	69	4,080	6,099
Loss for the year	-	(58)	(183)	(241)
Other disposals/additions	-	(4)	0	(4)
Total comprehensive income	-	(62)	(183)	(245)
New paid-up capital	625	0	625	1,250
Total changes in equity	625	(62)	442	1,005
Equity, 31 December 2008	2,575	7	4,522	7,104
Equity, 2007				
Equity, 1 January 2007	1,400	147	2,694	4,241
Profit/loss for the year	-	(5)	763	758
Additions related to merger	-	35	(35)	-
Other disposals/additions (Nykredit Portefølje Bank A/S and LeaseIT A/S)	-	(108)	108	-
Total comprehensive income	-	(78)	836	758
New paid-up capital	550	-	550	1,100
Total changes in equity	550	(78)	1,386	1,858
Equity, 31 December 2007	1,950	69	4,080	6,099
* 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 88.18% of Nykredit Realkredit A/S.				
Capital adequacy and core capital		2008	2007	
Share capital		2,575	1,950	
Reserves		7	69	
Retained earnings		4,522	4,080	
Total core capital		7,104	6,099	
Primary and other statutory deductions from core capital		187	92	
Supplementary capital		2,400	2,400	
Total		9,317	8,407	
Statutory deductions from capital base		91	58	
Capital base after statutory deductions		9,226	8,349	
Weighted items involving credit, counterparty and delivery risk		68,826	59,902	
Weighted items involving market risk		19,096	9,724	
Weighted items involving operational risk		2,625	-	
Total weighted items		90,547	69,626	
Capital adequacy ratio, %		10.2	12.0	
Core capital ratio, %		7.6	8.6	

Statement of changes in equity and capital adequacy

DKK million

The Nykredit Bank Group

	Share capital *	Revaluation reserve: Revaluation of property	Retained earnings	Total
Equity 2008				
Equity, 1 January 2008, cf the table below	1,950	4	4,145	6,099
Loss for the year	-	-	(241)	(241)
Other disposals/additions	-	(4)	-	(4)
Total comprehensive income	-	(4)	(241)	(245)
New paid-up capital	625	-	625	1,250
Total changes in equity	625	(4)	384	1,005
Equity, 31 December 2008	2,575	0	4,529	7,104
Equity 2007				
Equity, 1 January 2007	1,400	-	2,841	4,241
Profit for the year	-	-	758	758
Revaluation of property	-	4	(4)	0
Total comprehensive income	-	4	754	758
New paid-up capital	550	-	550	1,100
Total changes in equity	550	4	1,304	1,858
Equity, 31 December 2007	1,950	4	4,145	6,099
Capital adequacy and core capital				
		2008	2007	
Share capital		2,575	1,950	
Retained earnings		4,529	4,149	
Total core capital		7,104	6,099	
Primary and other statutory deductions from core capital		171	107	
Supplementary capital		2,400	2,400	
Total		9,333	8,392	
Statutory deductions from capital base		86	54	
Capital base after statutory deductions		9,247	8,338	
Weighted items involving credit, counterparty and delivery risk		68,202	61,029	
Weighted items involving market risk		19,372	10,389	
Weighted items involving operational risk		2,914	-	
Total weighted items		90,488	71,418	
Capital adequacy ratio, %		10.2	11.7	
Core capital ratio, %		7.7	8.4	

Cash flow statement 1 January – 31 December

DKK million

	The Nykredit Bank Group	
	2008	2007
Profit/loss after tax for the year	(241)	758
Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions		
Depreciation and impairment losses for property, plant and equipment	5	10
Other non-cash changes	(39)	38
Impairment losses on loans, advances and receivables	760	(5)
Tax calculated on profit/loss for the year	(54)	255
Total	672	298
Profit/loss for the year adjusted for non-cash operating items	431	1,056
Change in working capital		
Loans, advances and other receivables	(30,874)	(11,389)
Deposits and other payables	14,781	9,068
Payables to credit institutions and central banks	9,747	12,479
Bonds at fair value	2,092	(7,720)
Equities	98	(24)
Other working capital	(1,027)	(2,498)
Total	(5,183)	(84)
Corporation tax paid, net	(66)	(410)
Cash flows from operating activities	(4,818)	562
Cash flows from investing activities		
Purchase of shares in LeasIT A/S	-	(73)
Property, plant and equipment	(4)	(10)
Total	(4)	(83)
Cash flows from financing activities		
Capital contribution	1,250	1,100
Subordinate loan capital	0	1,100
Issued bonds	15,579	(216)
Total	16,829	1,984
Total cash flows	12,007	2,463
Cash and cash equivalents, beginning of year	21,123	18,438
Foreign currency translation adjustment of cash	(735)	222
Cash and cash equivalents, year-end	32,395	21,123
Cash and cash equivalents, year-end		
Specification of cash and cash equivalents, year-end:		
Cash balance and demand deposits with central banks	173	103
Receivables from credit institutions and central banks	32,222	21,020
Cash and cash equivalents, year-end	32,395	21,123

Core earnings and investment portfolio income

DKK million

The Nykredit Bank Group

1 January – 31 December	2008			2007		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	1,448	10	1,458	996	22	1,018
Dividend on equities	5	1	6	3	3	6
Fee and commission income, net	284	0	284	301	(2)	299
Net interest and fee income	1,737	11	1,748	1,300	23	1,323
Value adjustments	(61)	(30)	(91)	576	(34)	542
Other operating income	28	0	28	17	0	17
Staff and administrative expenses	1,118	0	1,118	868	3	871
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	5	0	5	10	0	10
Other operating expenses	94	0	94	2	0	2
Impairment losses on loans and advances	763	0	763	(14)	0	(14)
Profit/loss before tax	(276)	(19)	(295)	1,027	(14)	1,013

Notes

1. 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 NASDAQ OMX Copenhagen and the Executive Order on the application of international financial reporting standards for companies subject to the Danish Financial Business Act.

Changes to accounting policies

The business capital included in the business area reporting has been calculated according to new principles. As from 1 January 2008, the business capital has been determined according to the Basel II principles based on the method applied to determine capital adequacy, ie the required capital base. The required capital base reflects the statutory capital requirement with the addition of a projected capital charge for periods of mild recession. The business return has been calculated as the business area profit/loss relative to the business capital. In addition, the profit/loss of Dansk Pantebrevsbørs A/S has been recognised under the business area Corporate Banking. The company used to be part of the activities of Retail Banking. Comparative figures have been restated.

Profit/loss of group enterprises and associates has been recognised in Nykredit Bank's income statement under the item "Profit/loss from investments in associates and group enterprises" at profit/loss after tax. Previously, the tax of these companies was recognised together with the tax of the Parent Company. The change does not affect profit/loss after tax, the balance sheet or equity. The Consolidated Financial Statements are unchanged. Comparative figures have been restated.

In all other respects, the accounting policies are unchanged compared with the Annual Report for 2007.

Changed accounting estimates

As announced in stock exchange announcement of 23 January 2009, the Bank has

changed its model used to determine collective impairment provisions. Now the Bank uses a so-called rating model for the future determination, and some impairment provisions for uniform small loans are reclassified from collective to individual impairment provisions. This caused impairment provisions to increase by DKK 52m in H1/2008. As a result, impairment provisions are estimated to have increased by DKK 88m for FY 2008 compared with the model used so far.

New standards and interpretations

Implementation of new and amended standards and interpretations

IAS 39 "Financial instruments: Recognition and measurement" and IFRS 7 "Financial instruments: Disclosures". Following the change of the standards, financial instruments may under certain circumstances be reclassified and retroactively from 1 July 2008. The reclassification option has not been exercised in the Annual Report for 2008.

Interpretation:

IFRIC 11 "Group and Treasury Share Transactions".

IFRIC 12 "Service Concession Arrangements" (not yet approved for use in the EU).

IFRIC 14 "The limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction" (not yet approved for use in the EU).

These interpretations have not caused any changes to accounting policies.

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 and interpretations have not yet entered into force and/or have not been approved for use in the EU.

Amended and new standards and interpretations:

- IFRS 2 "Share-based Payment"
- IFRS 3 "Business Combinations"
- IFRS 8 "Operating Segments"

- IAS 1 "Presentation of Financial Statements"
- IAS 23 "Borrowing Costs"
- IAS 27 "Consolidated and Separate Financial Statements"
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27
- IAS 32 "Financial Instruments: Presentation"
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 : Hedges of a Net Investment in a Foreign Operation"

In Management's view, the implementation of the amended and new standards will have only a modest effect on the Annual Report.

Accounting estimates, recognition and measurement in general

Accounting estimates

In accordance with IFRS, the Annual Report has been prepared on the basis of certain special assumptions that require the use of accounting estimates. These estimates have been made by Nykredit Bank's Management in accordance with the accounting policies 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
- Listed financial instruments priced in illiquid markets due to the financial turmoil in 2008 may to a higher degree than previously involve some uncertainty in connection with the measurement of fair values
- 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 is 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 is 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 for 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 losses. 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 as-

sets/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 it forms 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 (the 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 using 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 from changes in fair values 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 presentation of the fair values 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 hedging 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 (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" in case of mergers with subsidiaries and 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. 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 balance has 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 at the level of 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 business areas. No risk-free interest is calculated on capital allocated to the business areas.

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

Income and expenses included in the profit/loss before tax of the individual segments comprise 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.

The financial assets and liabilities underlying 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 included in the segment reporting has been determined according to the Basel II principles based on the method applied to determine capital adequacy (the required capital base).

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 were translated at the rate prevailing on the balance sheet date. Foreign currency translation adjustment was recognised in the income statement.

Currency translation differences arise 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.

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 recover-

able 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 receivables have 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". Principal payments 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 interest accrued up to the balance sheet date.

Interest income includes interest and interest-like income, including interest-like commission received and other income that forms an integral part of the effective interest 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 the 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 rendered 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 formed 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 comprise foreign currency translation adjustment and value adjustment

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

Recognised losses and changes for the year in impairment losses on and provisions for loans, receivables and guarantees have been charged to the income statement under the item "Impairment losses on loans, advances and receivables".

Profit/loss from investments in associates

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

Tax

Tax on taxable income for the year calculated at the current tax rate, adjustment of tax assessed for prior years and adjustment of the proportion of deferred tax relating to tax assets and tax 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 incomes (full distribution subject to refund for tax losses).

The domestic corporation tax of the jointly taxed companies is payable in accordance with the scheme for payment of tax on account. Interest payable or deductible relating to 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 is based on fair value, while subsequent measurement takes place at amortised cost.

This item also includes securities acquired as part of purchase and resale 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, 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 impairment losses.

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, individual 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 generally 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.

Where OEI is identified on an individual basis and it is not possible to determine the deterioration of payments on individual loans reliably, the individual provisioning need is determined on the basis of a joint assessment of the loan and equivalent loans. Subsequently, collective provisions are made based on the most probable outcome for the deterioration of forecast cash flows. This approach is typically used in the case of very small loans and advances when the Bank's information on the customer's financial position is not up to date.

At each balance sheet date, collective assessments are made of loans and advances for which no individual provisions have been made and, where objective evidence of impairment is identified in one or more groups, collective provisions for loan impairment are made. Calculations are made according to a so-called rating model using adjusted Basel parameters for the loss flow calculation. Having been adjusted to the accounting rules, the Basel parameters are based on events occurred, cash flows until expiry of loan terms and a discounting of loss flows to present value.

In addition to the rating model, collective provisions are also calculated on the basis of a segmentation model adjusting the rating model for events occurred which, due to sudden economic developments, have not yet been included in the rating model.

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 individ-

ual or collective 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 equities are available, these equities 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 less/plus the proportionate share of unrealised intercompany profits or losses and plus 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 recoverable amount and the carrying amount through profit or loss. 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 measured at cost and subsequently at cost less 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 active market prices of traded properties of similar locations and state of repair or similar valuations. 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 costs have been recognised in the carrying amount of the asset concerned or recognised as a separate asset where it has been probable that costs incurred will lead to future economic benefits for the Group, and the costs can be measured reliably. The costs of ordinary repair and maintenance 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 statement. 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 recognised at fair value, and value adjustments have been taken through profit or loss.

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. Fair value changes 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 up to 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 taken to the income statement under "Other operating income" and "Other operating expenses".

Assets in temporary possession

The item includes properties repossessed in connection with non-performing loans, where the properties are expected to be sold within a short time horizon of generally 12 months. The properties have been measured at the lower of carrying value and fair value, net.

These assets have not been depreciated.

Prepayments

Prepayments 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. 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 incidental to the settlement of the obligation have been discounted where this has a significant effect on the measurement of the obligation. A discount rate has been applied reflecting general interest rates

plus the specific risks which the provision concerned is estimated to involve. The present values changes for the financial year have been recognised under interest expenses/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 tax bases 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 base according to different tax rules, deferred tax has been measured on the basis of management's planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax base 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.

Prepayments

Deferred income comprises 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 less 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 are adjusted for the distribution of dividend to the Parent Company and for other movements in equity in subsidiaries and associates.

Retained earnings/other reserves

Comprise 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 does not allow use of the "equity method" in the separate financial statements of the Parent Company.

The proportionate ownership interest of the enterprises' carried equity values less/plus unrealised intercompany profits or losses and plus 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 less 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.

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
		2. INTEREST INCOME		
748	629	Receivables from credit institutions and central banks	632	781
2,146	3,397	Loans, advances and other receivables	3,471	2,178
1,830	2,406	Bonds	2,482	1,878
169	319	Total derivative financial instruments	319	169
		Of which		
(122)	156	- Foreign exchange contracts	156	(122)
291	163	- Interest rate contracts	163	291
0	0	Other interest income	2	0
4,893	6,751	Total	6,906	5,006
		Of which interest income from genuine purchase and resale transactions entered as:		
523	386	Receivables from credit institutions and central banks	391	555
224	522	Loans, advances and other receivables at fair value	511	217
		Of total interest income		
2,147	3,118	Interest income accrued on financial assets measured at amortised cost	3,201	2,187
		Interest income accrued on loans and advances for which individual impairment provisions have been made amounts to DKK 30m (2007: DKK 0.2m). The Bank to a significant extent suspends addition of interest on individually impaired loans and advances. Interest income attributable to impaired loans and advances will be offset against subsequent impairments.		
234	248	Interest income accrued on fixed-rate loans and advances	248	234
5	6	Interest income from finance leases	169	61
		3. INTEREST EXPENSES		
2,659	3,128	Credit institutions and central banks	3,251	2,750
1,154	1,743	Deposits and other payables	1,722	1,141
10	334	Issued bonds	334	10
79	141	Subordinate loan capital	141	79
4	0	Other interest expenses	0	8
3,906	5,346	Total	5,448	3,988
		Of which interest expenses for genuine sale and repurchase transactions entered as:		
613	418	Payables to credit institutions and central banks	468	659
61	56	Deposits and other payables (non-derivative financial liabilities at fair value)	54	56
		Issued bonds		
12	27	Offset interest from the Bank's own portfolio of own bonds	27	12
		Of total interest expenses		
3,232	4,872	Interest expenses accrued on financial liabilities measured at amortised cost	4,926	3,273
		4. DIVIDEND ON EQUITIES		
6	6	Dividend on equities	6	6
6	6	Total	6	6

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
		5. FEE AND COMMISSION INCOME		
192	59	Securities trading and custody accounts	203	292
22	23	Payment services	23	22
7	13	Loan fees	16	7
79	76	Guarantee commissions	76	79
286	437	Other fees and commissions	418	273
586	608	Total	736	673
		Of which:		
98	104	Fees relating to financial instruments not measured at fair value	111	98
244	263	Fees relating to asset management activities and other fiduciary activities	386	331
		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".		
		6. FEE AND COMMISSION EXPENSES		
348	399	Total	452	374
		Of which:		
108	131	Fees relating to financial instruments not measured at fair value	141	111
63	61	Fees relating to asset management activities and other fiduciary activities	41	52
		7. VALUE ADJUSTMENTS		
1	(5)	Other loans, advances and receivables at fair value	(4)	-
(443)	54	Bonds	13	(453)
64	19	Equities	19	64
(1)	(1)	Investment properties	(1)	(1)
86	(67)	Foreign exchange	(67)	87
820	(29)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(51)	845
526	(29)	Total	(91)	542
		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.		
		Of which value adjustment relating to fair value hedging for accounting purposes:		
0	1	Fair value hedging (cf note 41)	1	0

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
8. STAFF AND ADMINISTRATIVE EXPENSES				
5	7	Remuneration of Board of Directors/Executive Board	7	5
454	544	Staff expenses	620	509
320	440	Administrative expenses	491	357
779	991	Total	1,118	871
Remuneration of Board of Directors and Executive Board				
Board of Directors				
Remuneration				
Each staff-elected board representative receives annual remuneration of DKK 60,000.				
Executive Board				
5	7	Salaries	7	5
5	7	Total	7	5
Remuneration of Executive Board				
As Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S, Management finds specifying the 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 1.9m constitutes bonus payments (2007: DKK 0.8m). The Bank's Executive Board is further remunerated in the form of a company car. The taxable value thereof was DKK 0.1m in 2008 (2007: DKK 0.2m).				
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.				
Loans, charges or guarantees granted to the members of				
0	0	Executive Board	0	0
0	0	Board of Directors	0	0
246	1,069	Management of the Bank's Parent Company ¹	1,069	246
Deposits from the members of				
0	0	Executive Board	0	0
1	1	Board of Directors	1	1
91	75	Management of the Bank's Parent Company ¹	75	91
Balances with the above members of the Bank's Management and their related parties carry interest at usual market rates.				
¹ Including balances with related parties and companies.				

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
8. STAFF AND ADMINISTRATIVE EXPENSES (continued)				
Staff expenses				
380	458	Wages and salaries	524	427
33	41	Pensions (defined contribution plans)	47	37
41	45	Social security expenses	49	45
454	544	Total	620	509
507	595	Average number of staff, full-time equivalents	713	588
Aggregate fees to the auditors appointed by the General Meeting that perform the statutory audit				
1	1	Statutory audit	1	1
2	2	Other services	3	4
3	3	Total	4	5
In addition, expenses relating to the activities of the Group's Internal Audit have been defrayed.				
9. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS				
2	3	Property, plant and equipment	5	4
6	0	Intangible assets	0	6
8	3	Total	5	10
10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES				
Specification of impairment provisions				
18	577	Total individual impairment provisions	591	84
11	123	Total collective impairment provisions	123	11
29	700	Total impairment provisions, year-end	714	95
Individual impairment provisions				
17	18	Impairment provisions, beginning of year	84	27
12	567	Impairment provisions for the year	577	43
4	3	Reversed impairment provisions	30	5
-	-	Other additions/disposals (2007: relating to the acquisition of LeasIT A/S)	-	28
7	5	Impairment provisions recognised as lost	40	9
18	577	Impairment provisions, year-end	591	84
Collective impairment provisions				
61	11	Impairment provisions, beginning of year	11	61
(50)	112	Impairment provisions for the year, net	112	(50)
11	123	Impairment provisions, year-end	123	11
Effect on profit/loss				
(41)	676	Change in provisions for loan and receivable impairment	659	(11)
(1)	0	Offset interest income from impaired loans and advances	0	(1)
6	43	Losses recognised for the year, net	51	7
(9)	(3)	Received on claims previously written off	(3)	(9)
-	56	Provisions for losses under guarantees, cf note 32	56	-
(45)	772	Total	763	(14)
Specification of loans and advances with objective evidence of impairment				
21	1,118	Loans and advances subject to individual provisioning	1,157	121
18	577	Impairments	591	84
3	541	Carrying amount of non-performing loans	566	37
102	49,301	Loans and advances subject to collective provisioning	49,301	102
11	123	Impairments	123	11
91	49,178	Loans and advances after impairment	49,178	91

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
		11. PROFIT/LOSS FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
(2)	(54)	Loss from investments in associates	-	-
(3)	(4)	Loss from investments in group enterprises	-	-
(5)	(58)	Total	-	-
		12. TAX		
		Tax for the year can be specified as follows:		
259	(68)	Tax on profit/loss for the year	(54)	255
259	(68)	Total	(54)	255
		Tax on profit/loss for the year has been calculated as follows:		
311	(15)	Current tax	(29)	307
(51)	(53)	Deferred tax	(28)	(51)
9	0	Adjustment of current tax relating to previous years	0	9
(9)	0	Adjustment of deferred tax relating to previous years	3	(9)
(1)	0	Adjustment of deferred tax as a result of reduced tax rate	0	(1)
259	(68)	Total	(54)	255
		Tax on profit/loss for the year can be specified as follows:		
254	(77)	Calculated 25% tax on profit/loss before tax	(74)	253
1	5	Recognised under loss from equity investments	-	-
		Tax effect of		
(1)	(1)	Non-taxable income	(1)	(2)
6	5	Other non-deductible costs	18	5
(1)	-	Adjustment of tax assessed for previous years	3	(1)
259	(68)	Total	(54)	255
25.5	22.0	Effective tax rate, %	18.3	25.3
		13. INCOME FROM FOREIGN ENTITIES		
		Foreign entities' contributions to profit/loss for the year in the form of interest income, fees, value adjustments and other operating income		
-	-	England and the Cayman Islands	(35)	11
-	-	Revenue of foreign entities	(35)	11
		Contributions from foreign entities are regarded as the Group's secondary segment. Note information about the business areas regarded as the Group's primary segment is presented and described on page 7 of the Management's Review.		
		Foreign entities' revenues, results, etc, are also shown under "Group Structure", note 44.		
		14. CASH BALANCE AND DEMAND DEPOSITS WITH CENTRAL BANKS		
103	173	Cash balance	173	103
103	173	Total	173	103

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
		15. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
1,396	8,438	Receivables at call from central banks	8,438	1,396
18,688	23,750	Receivables from credit institutions	23,784	19,624
20,084	32,188	Total	32,222	21,020
		By time-to-maturity		
9,675	7,343	Demand deposits	7,347	10,610
10,075	17,653	Up to 3 months	17,683	10,075
150	4,332	Over 3 months and up to 1 year	4,332	150
18	5	Over 1 year and up to 5 years	5	18
166	2,855	Over 5 years	2,855	167
20,084	32,188	Total	32,222	21,020
9,610	4,380	Of which genuine purchase and resale transactions	4,380	10,251
		16. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
5,737	24,599	Loans and advances at fair value	24,490	5,550
5,737	24,599	Total	24,490	5,550
5,737	24,599	Of which genuine purchase and resale transactions	24,490	5,550
		By time-to-maturity		
1,243	19,347	Up to 3 months	19,238	1,056
4,494	5,252	Over 3 months and up to 1 year	5,252	4,494
5,737	24,599	Total	24,490	5,550

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
38,314	50,218	Loans and advances	50,897	39,659
38,314	50,218	Total	50,897	39,659
By time-to-maturity				
9,238	19,853	On demand	18,800	8,660
10,150	11,027	Up to 3 months	11,198	10,238
6,342	4,854	Over 3 months and up to 1 year	5,196	6,751
5,127	6,688	Over 1 year and up to 5 years	7,818	6,526
7,457	7,796	Over 5 years	7,885	7,484
38,314	50,218	Total	50,897	39,659
Non-accrual loans or loans carrying a reduced interest rate				
19	146	Non-accrual loans	175	37
2	7	Loans carrying a reduced interest rate	7	2
Impairment provisions made, year-end, cf note 10				
18	577	Individual impairment provisions	591	84
11	123	Collective impairment provisions	123	11
Fixed-rate loans				
3,132	2,537	Of total loans and advances, fixed-rate loans represent	2,537	3,132
3,112	2,581	Market value of fixed-rate loans	2,581	3,112
Finance leases				
121	118	Of total loans and advances at amortised cost, finance leases represent	1,849	1,747
122	121	Carrying amount, beginning of year	1,747	643
3	0	Additions (2007 Group: of which DKK 1,476m relates to the acquisition of LeasIT A/S)	983	1,551
4	3	Disposals	881	447
121	118	Carrying amount, year-end	1,849	1,747
By time-to-maturity				
1	1	Up to 3 months	171	88
2	3	Over 3 months and up to 1 year	345	343
74	74	Over 1 year and up to 5 years	1,204	1,253
44	40	Over 5 years	129	63
121	118	Total	1,849	1,747
Gross investments in finance leases				
By time-to-maturity				
11	11	Up to 1 year	580	576
94	89	Over 1 year and up to 5 years	1,381	1,407
48	58	Over 5 years	147	67
153	158	Total	2,108	2,050
32	40	Non-earned income	259	303

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
		17. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)		
		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 terms of between 3 and 6 years.		
-	-	Impairment provisions for finance leases	14	66
		Non-guaranteed residual values upon expiry of the leases amount to DKK 0.		
		Loans, advances and guarantee debtors by sector and industry as %, year-end		
0%	0%	Public sector	0%	0%
		Corporate customers		
4%	3%	Agriculture, hunting and forestry	3%	5%
0%	0%	Fisheries	0%	0%
11%	10%	Manufacturing industries, extraction of raw materials, utilities	10%	11%
1%	1%	Building and construction	1%	1%
5%	3%	Trade, restaurants and hotels	3%	5%
2%	3%	Transport, mail and telephone	3%	3%
12%	35%	Credit, finance and insurance	34%	10%
26%	21%	Property management and trade, business services	21%	26%
8%	6%	Other trade and industry	7%	9%
69%	82%	Total corporate customers	82%	70%
31%	18%	Retail customers	18%	30%
100%	100%	Total	100%	100%
		The sector distribution is based on the official Danish activity codes.		
		18. BONDS AT FAIR VALUE		
47,796	44,027	Mortgage bonds	44,260	49,447
1,457	1,389	Government bonds	1,389	1,796
4,115	7,654	Other bonds	8,385	4,298
53,368	53,070	Total	54,034	55,541
340	657	Own bonds offset against issued bonds, cf note 28	657	340
53,028	52,413	Total	53,377	55,201
		The effect of fair value adjustment has been recognised in the income statement.		
246	650	Of which drawn bonds	650	246
12,759	6,401	Assets sold as part of genuine sale and repurchase transactions	6,401	12,759
27,361	49,639	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	49,639	27,361
		The collateral was provided on an arm's length basis.		

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
		19. EQUITIES		
282	184	Equities measured at fair value through profit or loss	184	282
282	184	Total	184	282
		Specification of equity portfolios		
36	27	Listed on NASDAQ OMX Copenhagen A/S	27	36
11	6	Listed on other stock exchanges	6	11
235	151	Unlisted equities carried at fair value	151	235
282	184	Total equities	184	282
		20. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
23	10	Cost, beginning of year	-	-
13	0	Disposals (2007: transferred to "Investments in group enterprises" relating to LeasIT A/S)	-	-
10	10	Cost, year-end	-	-
17	12	Revaluations and impairment losses, beginning of year	-	-
(2)	(52)	Loss before tax	-	-
0	(3)	Tax	-	-
3	33	Reversal of revaluations and impairment losses	-	-
12	(10)	Total revaluations and impairment losses, year-end	-	-
22	0	Balance, year-end	-	-
		Investments in group enterprises		
195	361	Cost, beginning of year	-	-
(2)	(4)	Foreign currency translation adjustment	-	-
133	0	Additions (2007: acquisition of LeasIT A/S)	-	-
35	(32)	Other additions/disposals	-	-
361	325	Cost, year-end	-	-
62	22	Revaluations and impairment losses, beginning of year	-	-
(1)	(3)	Foreign currency translation adjustment	-	-
(7)	8	Profit/loss before tax	-	-
3	(12)	Tax	-	-
(35)	28	Other movements in capital	-	-
22	43	Total revaluations and impairment losses, year-end	-	-
383	368	Balance, year-end	-	-

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
20. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (continued)				
Subordinate receivables				
24	-	Group enterprises	-	-
-	-	Associates	-	0
705	581	Other enterprises	581	705
729	581	Total	581	705
Balances with associates and group enterprises				
Associates				
Asset items				
7	66	Loans, advances and other receivables at amortised cost	33	4
7	66	Total	33	4
Liability items				
1	1	Deposits and other payables	0	0
1	1	Total	0	0
Group enterprises				
Asset items				
587	1,383	Loans, advances and other receivables at amortised cost	-	-
587	1,383	Total	-	-
Liability items				
317	428	Deposits and other payables	-	-
317	428	Total	-	-
21. INTANGIBLE ASSETS				
Goodwill				
-	6	Acquisition cost, beginning of year	6	-
6	9	Additions for the year (2007: addition LeasIT A/S) (2008: SEB branch)	9	6
6	15	Acquisition cost, year-end	15	6
-	6	Impairment losses, beginning of year	6	-
6	0	Impairment losses for the year	0	6
6	6	Impairment losses, year-end	6	6
0	9	Total goodwill, year-end	9	0
Other intangible assets				
-	-	Acquisition price, beginning of year	2	-
-	-	Additions for the year	-	2
-	-	Acquisition price, year-end	2	2
-	-	Impairment losses, beginning of year	0	-
-	-	Impairment losses for the year	0	0
-	-	Amortisation and impairment losses, year-end	0	0
-	-	Total other intangible assets, year-end	2	2

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
		22. LAND AND BUILDINGS		
71	70	Investment properties	70	71
-	-	Owner-occupied properties	0	11
71	70	Total	70	82
		Investment properties		
72	71	Fair value, beginning of year	71	72
0	0	Disposals for the year	0	0
(1)	(1)	Fair value adjustment for the year, net	(1)	(1)
71	70	Fair value, year-end	70	71
73	73	Cost, beginning of year	73	73
0	0	Disposals for the year	0	0
73	73	Cost, year-end	73	73
(1)	(2)	Fair value adjustment, beginning of year	(2)	(1)
(1)	(1)	Fair value adjustment for the year through profit or loss, net	(1)	(1)
(2)	(3)	Fair value adjustment, year-end	(3)	(2)
71	70	Balance, year-end	70	71
71	70	Of which assets held under operating leases	70	71
58	58	Latest public land assessment	58	58
5	5	Lease payments received (included in "Other operating income")	5	5
		By time-to-maturity		
1	1	Up to 1 year	1	1
5	5	Over 1 year and up to 5 years	5	5
65	64	Over 5 years	64	65
71	70	Total	70	71
		Minimum lease payments		
5	5	Up to 1 year	5	5
21	22	Over 1 year and up to 5 years	22	21
95	89	Over 5 years	89	95
121	116	Total	116	121
		The lease expires in 2021 at the latest at which time the residual risk exposure has been calculated at DKK 19m (discounted value) (2007: DKK 18m).		
		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. For the valuation, the Parent Company Nykredit Realkredit's valuers have determined the market value.		
		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	
2007	2008		2008	2007
		22. LAND AND BUILDINGS (continued)		
		Owner-occupied properties		
-	-	Cost, beginning of year	8	2
-	-	Additions and disposals for the year	(8)	6
-	-	Cost, year-end	0	8
-	-	Revaluations, beginning of year	4	-
-	-	Revaluations for the year	-	4
-	-	Disposals for the year	4	-
-	-	Revaluations, year-end	0	4
-	-	Depreciation and impairment losses, beginning of year	1	1
-	-	Depreciation for the year	-	-
-	-	Disposals for the year	(1)	-
-	-	Depreciation and impairment losses, year-end	0	1
-	-	Balance, year-end	0	11
		23. OTHER PROPERTY, PLANT AND EQUIPMENT		
6	7	Equipment	11	10
6	7	Total	11	10
		Equipment		
7	11	Cost, beginning of year	24	12
5	4	Additions for the year	6	14
1	0	Disposals for the year	1	2
11	15	Cost, year-end	29	24
3	5	Depreciation and impairment losses, beginning of year	14	6
-	-	Disposals for the year	1	1
-	-	Additions	-	5
2	3	Depreciation for the year	5	4
0	0	Reversal of depreciation and impairment losses	-	0
5	8	Depreciation and impairment losses, year-end	18	14
6	7	Balance, year-end	11	10
		Equipment is depreciated over three to five years and had an average residual depreciation period of three years at 31 December 2008.		
		24. ASSETS IN TEMPORARY POSSESSION		
-	-	Assets, beginning of year	-	-
-	5	Additions for the year	16	-
-	5	Assets, year-end	16	-
		25. OTHER ASSETS		
5,058	8,914	Interest and commission receivable	8,958	5,114
8,184	22,981	Positive market value of derivative financial instruments	23,023	8,244
60	169	Other assets	188	71
13,302	32,064	Total	32,169	13,429

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
26. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
24,358	40,082	Payables to central banks	40,082	24,357
48,938	44,239	Payables to credit institutions	45,768	52,468
73,296	84,321	Total	85,850	76,825
11,929	6,510	Of which genuine sale and repurchase transactions	7,180	13,866
By time-to-maturity				
24,642	26,036	Payables on demand	27,565	28,171
44,076	53,255	Up to 3 months	53,255	44,076
3,050	2,415	Over 3 months and up to 1 year	2,415	3,050
1,528	2,615	Over 1 year and up to 5 years	2,615	1,528
73,296	84,321	Total	85,850	76,825
27. DEPOSITS AND OTHER PAYABLES				
13,649	15,904	On demand	15,536	13,332
1,211	3,140	At notice	3,140	1,211
16,214	26,663	Time deposits	26,603	16,214
960	1,257	Special deposits	1,257	960
32,034	46,964	Total	46,536	31,717
By time-to-maturity				
29,715	33,129	Up to 3 months	32,761	29,398
1,445	12,224	Over 3 months and up to 1 year	12,164	1,445
214	755	Over 1 year and up to 5 years	755	214
660	856	Over 5 years	856	660
32,034	46,964	Total	46,536	31,717
28. ISSUED BONDS AT AMORTISED COST				
1,911	18,008	Value of issues	18,008	1,911
(349)	(678)	Amortisation and own portfolio	(678)	(349)
1,562	17,330	Total	17,330	1,562
By time-to-maturity				
1,171	7,127	Up to 3 months	7,127	1,171
80	1,402	Over 3 months and up to 1 year	1,402	80
122	8,612	Over 1 year and up to 5 years	8,612	122
189	189	Over 5 years	189	189
1,562	17,330	Total	17,330	1,562

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
28. ISSUED BONDS AT AMORTISED COST (continued)				
Issues				
18	17	2007 to 2010 NB Trend (DKK) *	17	18
325	-	2003 to 2008 Bond loan (DKK) *	-	325
239	239	2005 to 2016 Curve steepener (DKK) *	239	239
100	100	2005 to 2010 Basket Barrier (DKK) *	100	100
574	-	2006 to 2008 Nykredit Højrente I (EUR 77m) *	-	574
649	-	2006 to 2008 Nykredit Højrente II (EUR 87m) *	-	649
6	6	2007 to 2009 NB Argentina (DKK)	6	6
-	14	2008 to 2010 NB Guld-Olie-Dollar (DKK) *	14	-
-	112	2008 to 2011 NB Aktier (DKK) *	112	-
-	12,801	EMTN issues *	12,801	-
-	4,719	ECP issues *	4,719	-
1,911	18,008	Total nominal value	18,008	1,911
(9)	(21)	Amortisation	(21)	(9)
340	657	Own portfolio	657	340
1,562	17,330	Total	17,330	1,562
1,905	18,002	* Listed on NASDAQ OMX Copenhagen A/S or Luxembourg Stock Exchange (nominal)	18,002	1,905
No value adjustments have been made that can be ascribed to credit risk changes. All issues carry floating interest rates.				
29. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
1,100	50	Deposits at fair value	50	1,100
3,676	3,591	Negative securities portfolios	3,591	4,303
4,776	3,641	Total liabilities at fair value	3,641	5,403
By time-to-maturity				
4,776	3,641	Up to 3 months	3,641	5,403
1,100	50	Of which genuine sale and repurchase transactions	50	1,100
30. OTHER LIABILITIES				
4,820	9,125	Interest and commission payable	9,130	4,845
6,201	21,166	Negative market value of derivative financial instruments	21,234	6,217
192	372	Other payables	507	317
11,213	30,663	Total	30,871	11,379
The items "Interest and commission payable" and "Other payables" fall due within one year.				

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
31. PROVISIONS FOR DEFERRED TAX				
Deferred tax				
9	(34)	Deferred tax, beginning of year	(42)	13
(33)	(53)	Deferred tax for the year recognised in profit/loss for the year	(34)	(51)
(10)	0	Adjustment of deferred tax assessed for previous years and effect of tax reduction	3	(11)
-	-	Effect of acquisition of LeasIT A/S	-	7
(34)	(87)	Deferred tax, year-end	(73)	(42)
Deferred tax recognised in the balance sheet as follows:				
(34)	(87)	Deferred tax (asset)	(73)	(42)
0	0	Deferred tax (liability)	0	-
(34)	(87)	Net deferred tax, year-end	(73)	(42)
Deferred tax relates to:				
(5)	(11)	Loans and advances	9	(14)
2	(10)	Equities	(10)	2
0	0	Intangible assets	-	1
4	5	Property, plant and equipment, including buildings	5	4
(43)	(81)	Other assets and prepayments	(87)	(43)
8	10	Other liabilities	10	8
(34)	(87)	Total	(73)	(42)
Recognised in profit/loss for the year				
(9)	(6)	Loans and advances	23	(18)
1	(11)	Equities	(12)	1
1	1	Property, plant and equipment, including buildings	0	1
(27)	(38)	Other assets and prepayments	(44)	(27)
0	1	Other liabilities	2	0
1	0	Provisions	0	1
(33)	(53)	Total	(31)	(42)
Current tax assets/liabilities				
(75)	15	Corporation tax receivable, 1 January	11	(83)
(292)	15	Current tax for the year	23	(307)
392	64	Corporation tax paid for the year, net	66	411
(10)	(1)	Adjustment relating to previous years	(1)	(10)
15	93	Current tax asset/liability, year-end	99	11
Negative amount = current tax liability				

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
		32. PROVISIONS		
		Provisions for losses under guarantees		
-	-	Balance, beginning of year	-	-
-	56	Additions for the year	56	-
-	56	Balance, year-end	56	-
		Other provisions		
5	1	Balance, beginning of year	2	5
4	-	Utilised for the year	-	3
1	1	Balance, year-end	2	2
		Total provisions for losses under guarantees and other provisions		
5	1	Balance, beginning of year	2	5
-	56	Additions for the year	56	-
4	0	Utilised for the year	0	3
1	57	Balance, year-end	58	2

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. The item also included the provisions found necessary in connection with the Bank's participation in the government guarantee scheme.

It is estimated that the majority of provisions will be settled within 1-2 years.

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
33. SUBORDINATE LOAN CAPITAL				
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). No costs were incurred when the loans were raised.				
500	0	The loan was granted in 2003 and was repaid on 1 December 2008. No principal payments were made on the loan during its term. The loan carried a floating interest rate.	0	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	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	600
500	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	500
-	250	The loan was granted in 2008 and falls due on 30 November 2016. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.	250	-
-	250	The loan was granted in 2008 and falls due on 30 November 2016. No principal payments will be made on the loan during its term. The loan carries a floating interest rate.	250	-
2,400	2,400	Total	2,400	2,400
34. CONTINGENT LIABILITIES				
12,739	8,172	Financial guarantees	8,172	12,739
105	4	Registration and refinancing guarantees	4	105
1,591	2,177	Other contingent liabilities	2,178	1,591
14,435	10,353	Total	10,354	14,435
35. OTHER COMMITMENTS				
7,903	8,021	Irrevocable credit commitments	8,021	7,903
108	108	Other	142	138
8,011	8,129	Total	8,163	8,041

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
36. RELATED PARTY TRANSACTIONS AND BALANCES				
<p>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.</p>				
<p>No unusual related party transactions occurred in 2008.</p>				
<p>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.</p>				
<p>Intercompany trade and services took place on an arm's length basis.</p>				
<p>Important related party transactions prevailing/entered into in 2008 include:</p>				
Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S				
<p>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.</p>				
Agreements between Nykredit Holding A/S and Nykredit Bank A/S				
<p>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. The guarantees expired on 30 June 2008.</p>				
Associates				
Income statement				
6	4	Interest income	2	3
0	0	Interest expenses	0	0
Asset items				
7	66	Loans, advances and other receivables at amortised cost	33	4
Liability items				
1	1	Deposits and other payables	0	0
Transactions with the Parent Company Nykredit Realkredit A/S and its group enterprises and associates				
Income statement				
849	1,101	Interest income	1,118	871
560	491	Interest expenses	491	560
62	118	Fee and commission income	118	62
251	327	Fee and commission expenses	327	251
(428)	(1,746)	Value adjustments	(1,757)	(428)
142	232	Costs	232	142

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
36. RELATED PARTY TRANSACTIONS AND BALANCES (continued)				
Asset items				
2,368	2,442	Receivables from credit institutions and central banks	2,442	2,368
117	0	Loans, advances and other receivables at amortised cost	0	117
22,030	20,799	Bonds at fair value	20,867	22,429
444	1,202	Other assets	1,203	453
Liability items				
18,383	25,979	Payables to credit institutions and central banks	25,979	18,383
146	414	Deposits and other payables	414	146
374	2,887	Other liabilities	2,887	374
2,400	2,400	Subordinate loan capital	2,400	2,400
Transactions with other group enterprises				
Income statement				
16	70	Interest income	-	-
13	21	Interest expenses	-	-
14	23	Fee and commission income	-	-
0	0	Fee and commission expenses	-	-
Asset items				
587	1,383	Loans, advances and other receivables at amortised cost	-	-
24	-	Subordinate claims	-	-
Liability items				
317	428	Deposits and other payables	-	-

Notes

37. FAIR VALUE OF 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 41. 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 floating interest rates 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

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2008	IAS 39 category	Carrying amount	Fair value	Balance	Fair value computed using	
					Method 1	Method 2
Assets						
Cash balance and demand deposits with central banks	a)	173	173	0	173	0
Receivables at call from central banks	a)	8,438	8,438	0	8,438	0
Receivables from credit institutions	a+c)	23,784	23,784	0	23,784	0
Loans, advances and other receivables at fair value	b)	24,490	24,490	0	24,490	0
Loans, advances and other receivables at amortised cost	a)	50,897	50,920	(23)	0	50,920
Bonds at fair value	c)	53,377	53,377	0	39,914	13,463
Equities	c)	184	184	0	33	151
Interest and commission receivable	a)	8,958	8,958	0	0	8,958
Derivative financial instruments	c)	23,023	23,023	0	23,023	0
Total		193,324	193,347	(23)	119,855	73,492
Liabilities						
Payables to credit institutions and central banks		85,850	85,864	(14)	85,864	0
Deposits and other payables		46,536	46,607	(71)	0	46,607
Issued bonds at amortised cost		17,330	17,324	6	17,324	0
Other non-derivative financial liabilities at fair value	c)	3,641	3,641	0	3,641	0
Interest and commission payable		9,130	9,130	0	0	9,130
Derivative financial instruments		21,234	21,234	0	21,234	0
Subordinate loan capital		2,400	2,400	0	0	2,400
Total		186,121	186,200	(79)	128,063	58,137

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) Other financial liabilities

Notes

DKK million

The Nykredit Bank Group

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2007	IAS 39 category	Carrying amount	Fair value	Balance	Fair value computed using	
					Method 1	Method 2
Assets						
	a)	103	103	0	103	0
	a)	1,396	1,396	0	1,396	0
	a+c)	19,624	19,624	0	19,624	0
	b)	5,550	5,550	0	5,550	0
	a)	39,659	39,660	(1)	0	39,660
	c)	55,201	55,201	0	47,215	7,986
	c)	282	282	0	47	235
	a)	5,114	5,114	0	0	5,114
	c)	8,244	8,244	0	8,244	0
Total		135,173	135,174	(1)	82,179	52,995
Liabilities						
		76,825	76,825	0	76,825	0
		31,717	31,715	2	0	31,715
		1,562	1,558	4	1,558	0
	c)	5,403	5,403	0	5,403	0
		4,845	4,845	0	0	4,845
	c)	6,217	6,217	0	6,217	0
		2,400	2,400	0	0	2,400
Total		128,969	128,963	6	90,003	38,960
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) Other financial liabilities						

Notes

DKK million

The Nykredit Bank Group

38. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity

	Net market value				Gross market value			
	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	Nega- tive market value	Net market value	Nominal value
2008								
Foreign exchange contracts								
Forward contracts/futures, purchased	83	(30)	(3)	0	1,045	995	50	46,641
Forward contracts/futures, sold	404	36	0	0	505	65	440	39,619
Swaps	(7)	8	137	(80)	3,604	3,546	58	77,094
Options, purchased	25	4	0	0	29	0	29	2,561
Options, written	(25)	(4)	0	0	0	29	(29)	2,561
Interest rate contracts								
Forward contracts/futures, purchased	445	0	0	0	448	3	445	75,317
Forward contracts/futures, sold	(468)	(87)	0	0	1	556	(555)	70,258
Forward Rate Agreements, purchased	(41)	(37)	(4)	0	0	82	(82)	31,702
Forward Rate Agreements, sold	27	17	4	0	48	0	48	11,152
Swaps	9	22	62	1,109	16,247	15,045	1,202	590,642
Options, purchased	0	8	3	1,034	1,083	38	1,045	32,241
Options, written	0	(3)	(41)	(810)	3	857	(854)	27,515
Equity contracts								
Forward contracts/futures, purchased	1	0	0	0	1	0	1	12
Forward contracts/futures, sold	(2)	0	0	0	0	2	(2)	63
Options, purchased	0	0	0	0	0	0	0	3
Options, written	0	0	0	0	0	0	0	11
Total, Nykredit Bank Group							1,796	
2007								
Foreign exchange contracts								
Forward contracts/futures, purchased	(184)	4	0	0	191	371	(180)	46,766
Forward contracts/futures, sold	208	0	0	0	220	12	208	33,400
Swaps	(5)	31	26	(6)	592	546	46	59,054
Options, purchased	28	0	2	0	30	0	30	1,348
Options, written	(10)	0	0	0	0	10	(10)	1,336
Interest rate contracts								
Forward contracts/futures, purchased	(65)	0	0	0	0	65	(65)	61,291
Forward contracts/futures, sold	67	0	0	0	68	1	67	54,931
Forward Rate Agreements, purchased	23	20	(2)	0	44	3	41	61,298
Forward Rate Agreements, sold	(27)	(11)	0	0	1	39	(38)	49,301
Swaps	(6)	27	34	1,131	4,589	3,403	1,186	349,655
Options, purchased	53	13	8	1,462	1,536	0	1,536	48,305
Options, written	(16)	(10)	(10)	(774)	2	812	(810)	38,621
Equity contracts								
Forward contracts/futures, purchased	0	0	0	0	0	0	0	10
Forward contracts/futures, sold	(1)	0	0	0	0	1	(1)	35
Options, purchased	0	0	1	0	1	0	1	15
Options, written	0	0	(1)	0	0	1	(1)	14
Total, Nykredit Bank Group							2,010	

Notes

DKK million

39. UNSETTLED SPOT TRANSACTIONS					
THE NYKREDIT BANK GROUP					
	2008				2007
	Market value			Net	Net
	Nominal	Positive	Negative	market	market
	value			value	value
Foreign exchange contracts, purchased	10,082	0	8	(8)	(48)
Foreign exchange contracts, sold	7,164	0	0	0	63
Interest rate contracts, purchased	2,706	4	1	3	(885)
Interest rate contracts, sold	3,045	3	4	(1)	886
Equity contracts, purchased	86	1	1	0	0
Equity contracts, sold	83	0	1	(1)	1
Total	23,166	8	15	(7)	17
Total the year before	54,286	971	954	17	(5)
NYKREDIT BANK A/S					
	2008				2007
	Market value			Net	Net
	Nominal	Positive	Negative	market	market
	value			value	value
Foreign exchange contracts, purchased	10,082	0	8	(8)	(48)
Foreign exchange contracts, sold	7,164	0	0	0	63
Interest rate contracts, purchased	2,706	4	1	3	(885)
Interest rate contracts, sold	3,045	3	4	(1)	886
Equity contracts, purchased	86	1	1	0	0
Equity contracts, sold	83	0	1	(1)	1
Total	23,166	8	15	(7)	17
Total the year before	54,286	971	954	17	(5)

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
40. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES				
Credit risk				
The Group's maximum credit exposure is made up of selected balance sheet items and off-balance sheet items.				
Total credit exposure				
On-balance sheet items				
103	173	Cash balance and demand deposits with central banks	173	103
20,084	32,188	Receivables from credit institutions and central banks	32,222	21,020
5,737	24,599	Loans, advances and other receivables at fair value	24,490	5,550
38,314	50,218	Loans, advances and other receivables at amortised cost	50,897	39,659
53,028	52,413	Bonds	53,377	55,201
282	184	Equities	184	282
13,302	32,064	Other assets	32,169	13,429
Off-balance sheet items				
14,435	10,353	Contingent liabilities	10,354	14,435
7,903	8,021	Irrevocable credit commitments	8,021	7,903
Concentration risk				
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 2008 or the year before.				
Collateral received				
Loans, advances and collateral security provided are subject to ongoing review and, where relevant, Nykredit Bank 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 framework 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.				
Foreign exchange risk				
34,922	51,038	Total foreign exchange assets	50,897	36,197
38,100	54,560	Total foreign exchange liabilities	54,393	39,648
340	263	Exchange Rate Indicator 1 (DKKm)	245	339
6	3.8	Exchange Rate Indicator 1 as % of core capital after statutory deductions	3.5	6
5	1	Exchange Rate Indicator 2 (DKKm)	1	5
0	0	Exchange Rate Indicator 2 as % of core capital after statutory deductions	0	0
Interest rate risk by the currency involving the highest interest rate exposure				
365	(151)	DKK	(144)	387
(164)	112	EUR	108	(181)
6	0	SEK	0	8
-	12	CHF	12	-
(4)	5	JPY	5	(4)
(16)	0	NOK	0	(16)
5	(4)	USD	(4)	5
-	2	GBP	2	-
(2)	1	Other currencies	0	(2)
190	(23)	Total interest rate exposure of debt instruments	(21)	197

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
		41. HEDGING INTEREST RATE RISK		
		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).		
		HEDGED FIXED-RATE ASSETS		
3,132	2,537	Loans, advances and other receivables at amortised cost	2,537	3,132
3,132	2,537	Total nominal value	2,537	3,132
		Market value of hedged fixed-rate assets		
3,112	2,581	Loans, advances and other receivables at amortised cost	2,581	3,112
3,112	2,581	Total carrying amount, year-end	2,581	3,112
		Fair value adjustment		
(20)	44	Loans, advances and other receivables at amortised cost	44	(20)
(20)	44	Total fair value adjustment	44	(20)
		HEDGING DERIVATIVE FINANCIAL INSTRUMENTS		
2,637	2,251	Nominal value (synthetic principal)	2,251	2,637
19	(44)	Market value adjustment (negative market value)	(44)	19
		FAIR VALUE ADJUSTMENT DIFFERENCE		
(1)	0	Total	0	(1)
		Hedged and hedging financial instruments have been fair value adjusted through profit or loss.		
		Amounts recognised through profit or loss for the financial year		
(35)	64	Hedged transactions	64	(35)
35	(63)	Hedging transactions	(63)	35

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
2007	2008		2008	2007
42. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS				
Of the asset items below, genuine purchase and resale transactions represent:				
9,610	4,380	Receivables from credit institutions and central banks	4,380	10,250
5,737	24,599	Loans, advances and other receivables at fair value	24,490	5,550
Of the liability items below, genuine sale and repurchase transactions represent:				
11,929	6,510	Payables to credit institutions and central banks	7,180	13,866
1,100	50	Other non-derivative financial liabilities at fair value	50	1,100
Assets sold as part of genuine sale and repurchase transactions				
12,759	6,401	Bonds at fair value	6,401	12,759
The Bank's activities take place exclusively through an exchange of listed bonds and on an arm's length basis.				
43. CONTINGENT LIABILITIES				
Legal proceedings and litigation				
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.				
"Government guarantee scheme"				
The Bank participates in the "government guarantee scheme" implying that the Danish government has issued a two-year guarantee that covers the Danish banks participating in the scheme.				
Nykredit Bank's share of the total guarantee commission is an estimated DKK 340m pa until 30 September 2010. For the financial year 2008, DKK 81m has been charged to the income statement (under the item "Other operating expenses").				
Nykredit Bank also participates in a sector guarantee totalling DKK 20bn with a share estimated at DKK 912m which has been recognised under "Financial Guarantees" (off-balance sheet items). Under the guarantee obligation, Nykredit Bank is liable for up to DKK 912m in case of the collapse of one or more Danish banks for reasons covered by the scheme.				

Notes

DKK million

44. GROUP STRUCTURE

Name and registered office	Revenue *)	Assets	Liabilities	Share capital 31.12.08	Equity 31.12.07	Ownership interest, % 31.12.08	Profit/loss for the year	Nykredit Bank's share of profit/loss for the year	Equity 31.12.08	Carrying amount
Nykredit Bank A/S (Parent Company) a)	1,596	192,482	185,378	2,575	6,099	-	(241)	-	7,104	-
Consolidated subsidiaries										
Nykredit Portefølje Administration A/S, Copenhagen f)	86	133	30	25	89	100	14	14	103	103
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen d)	1	28	1	5	27	100	1	1	28	28
Nykredit Pantebrevsinvestering A/S, Copenhagen b)	1	11	0	5	11	100	0	0	11	11
Nykredit Sirius Ltd., the Cayman Islands e)	(35)	929	851	111	118	100	(39)	(39)	78	78
Nykredit Finance plc, Plymouth d)	1	23	2	21	28	100	1	1	21	21
Nykredit Leasing A/S (formerly LeasIT A/S), Gladsaxe c) 1) (Group figures)	53	2,431	2,305	21	105	100	16	16	126	126
Nykredit Leasing A/S (discontinued in 2008) 1)	-	-	-	-	6	-	-	-	-	-
Associates subject to proportionate consolidation										
Dansk Pantebrevsbørs A/S, Copenhagen b) 2)	(33)	241	305	5	44	50	(109)	(55)	(65)	(32)

* 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 From 1 October 2007, Nykredit Bank's ownership interest was increased from 22.65% to 100%, and LeasIT A/S subsequently merged with Nykredit Leasing A/S in 2008 with LeasIT A/S as the surviving company. After the merger, the company continued under the name of Nykredit Leasing A/S.

2 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 2008.

a) Bank

b) Mortgage trading company

c) Leasing company

d) No activity.

e) Finance institution

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

Notes

DKK million

45. ACQUISITION OF GROUP ENTERPRISES

In 2008 Nykredit Bank acquired various loan, deposit and custody account customers from SEB where Nykredit Bank was the acquiring company. As appears below, the acquisition concerns isolated activities and not a full, legal entity such as a company.

The agreement was entered into in mid-2008 after which customers were gradually transferred to Nykredit Bank at the carrying amount as at the date of transfer, which for practical reasons was not completed until Q4/2008.

The following balance sheet items have been included in the Bank's financial statements at the end of the financial year:

	Loans	Deposits
	229	349

Loans and deposits have been transferred from SEB to Nykredit Bank at the carrying amount, equal to the fair value at the time of transfer. In addition, Nykredit Bank must pay goodwill in the amount of approx DKK 9m, based on Nykredit Bank's expectations for future income from the affected customers.

In accordance with IFRS 3, certain disclosures must be made concerning the effect of the acquisition on the acquiring entity's income statement and balance sheet. As the acquisition does not concern an entire legal entity but merely a gradual takeover of activities, it is not practically possible to determine precisely the effect of the individual lending, deposit and custody activities on Nykredit Bank's income statement, also due to the fact that customers to some extent have been allocated to Nykredit's existing centres and that existing Nykredit customers have been transferred to the Hellerup centre.

Nykredit Bank estimates that the acquisition will increase the Bank's net interest and fee income by about DKK 20m in 2009.

The Nykredit Bank Group – eight quarters

DKK
million

	Q4/ 2008	Q3/ 2008	Q2/ 2008	Q1/ 2008	Q4/ 2007	Q3/ 2007	Q2/ 2007	Q1/ 2007
SUMMARY INCOME STATEMENT								
Net interest income	459	344	336	319	297	274	215	232
Dividends, fees and commission income (net)	69	68	85	68	74	75	81	75
Net interest and fee income	528	412	421	387	371	349	296	307
Value adjustments	(21)	(69)	19	(20)	133	49	163	197
Net interest, fees and value adjustments	507	343	440	367	504	398	459	504
Other operating income	7	6	9	6	7	2	6	2
Staff and administrative expenses	308	291	275	244	253	196	224	198
Depreciation, amortisation and other operating expenses	93	3	1	2	10	1	0	1
Impairment losses on loans, advances and receivables	658	20	83	2	27	(44)	16	(13)
Profit/loss before tax	(545)	35	90	125	221	247	225	320
Tax	(117)	8	24	31	56	62	48	89
Profit/loss	(428)	27	66	94	165	185	177	231
SUMMARY BALANCE SHEET, YEAR-END								
Assets								
Cash balance and receivables from central banks and credit institutions	32,395	16,542	15,326	22,327	21,123	26,654	26,151	19,052
Loans, advances and other receivables at fair value	24,490	13,444	11,515	8,171	5,550	10,128	4,006	3,295
Loans, advances and other receivables at amortised cost	50,897	50,449	49,039	43,538	39,659	35,617	34,826	34,084
Bonds at fair value	53,377	47,650	52,253	59,662	55,201	49,210	52,828	52,269
Equities	184	265	254	290	282	287	301	281
Land and buildings	70	70	71	82	82	73	73	73
Other asset items	32,387	18,330	19,567	13,460	13,502	13,126	11,940	8,846
Total assets	193,800	146,750	148,025	147,530	135,399	135,095	130,125	117,900
Liabilities and equity								
Payables to credit institutions and central banks	85,850	69,680	75,760	84,330	76,825	73,619	77,269	72,670
Deposits and other payables	46,536	34,126	32,595	31,700	31,717	29,067	23,312	21,903
Issued bonds	17,330	10,357	6,802	4,541	1,562	1,544	1,612	1,630
Other non-derivative financial liabilities at fair value	3,641	6,773	6,932	7,041	5,403	10,717	10,252	8,020
Other payables	30,881	17,090	17,279	11,323	11,391	12,812	10,526	7,888
Total payables	184,238	138,026	139,368	138,935	126,898	127,759	122,971	112,111
Provisions	58	42	2	2	2	2	5	17
Subordinate loan capital	2,400	2,400	2,400	2,400	2,400	1,900	1,900	1,300
Equity	7,104	6,282	6,255	6,193	6,099	5,434	5,249	4,472
Total liabilities and equity	193,800	146,750	148,025	147,530	135,399	135,095	130,125	117,900
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	10,354	9,887	12,513	11,277	14,435	13,002	11,573	9,247
Other commitments	8,163	8,059	8,761	8,365	8,041	7,482	7,702	6,163
FINANCIAL RATIOS								
Capital adequacy ratio, %	10.2	10.3	9.3	9.8	11.7	11.5	11.7	9.8
Core capital ratio, %	7.7	7.6	6.9	7.2	8.4	8.6	8.6	7.7
Return on equity before tax (pa), %	(32.6)	2.2	5.8	8.1	15.4	18.5	18.5	29.3
Return on equity after tax (pa), %	(25.6)	1.7	4.2	6.1	11.4	13.9	14.6	21.2
Income:cost ratio, DKK	0.48	1.11	1.25	1.50	1.76	2.61	1.94	2.72
Interest rate exposure, %	(0.3)	1.2	1.3	2.4	3.3	2.1	3.0	4.3

Q2 and Q3/2008 figures have been adjusted, cf the Bank's stock exchange announcement of 23 January 2009.

Other Information



FINANCIAL CALENDAR FOR 2009

5 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.

7 May

Q1 Interim Report of the Nykredit Bank Group.

20 August

H1 Interim Report of the Nykredit Bank Group.

5 November

Q1-Q3 Interim Report of the Nykredit Bank Group.

Published announcements are available on Nykredit's website at www.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 in July.

The members of Nykredit Bank's Board of Directors appointed by the General Meeting are elected for a term of one year. The latest ordinary election took place on 11 March 2008. 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:
Nykredit Leasing A/S (Chairman) *
Nykredit Forsikring A/S
Dansk Pantebrevsbørs A/S
Dampskibsselskabet "Norden" A/S
Forstædernes 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
Forstædernes Bank 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

Director 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), Observer
Finanssektorens Uddannelsescenter
IT-Universitetet
Owner of Bræmkærgård
Forstædernes Bank A/S *

EXECUTIVE BOARD

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

Kim Duus

Managing Director

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

Director of:
Nykredit Portefølje Administration A/S
Finansrådet

Bjørn Damgaard Mortensen

Managing Director

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

Director of:
Nykredit Leasing A/S
Erhvervsinvest Management A/S
Komplementarselskabet Advizer ApS

Managing Director of:
Forstædernes Bank A/S

* Joined in 2008

** Resigned in 2008

*** 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 the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.