

Annual Report 2015

Nykredit Bank Group

Subsidiary of the Nykredit Realkredit Group



Nykredit

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NYKREDIT BANK GROUP – EIGHT QUARTERS

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COMPANY DETAILS

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 year: 1 January – 31 December
Municipality of registered office: Copenhagen

Nykredit Bank is wholly owned by Nykredit Realkredit A/S and has been included in the consolidated financial statements of this company and of Foreningen Nykredit, Copenhagen.

External auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S

Annual General Meeting

The Annual General Meeting of the Company will be held on 15 March 2016.

BOARD OF DIRECTORS

Michael Rasmussen, Chairman
Søren Holm, Deputy Chairman
Kent Ankersen*
Kim Duus
Flemming Ellegaard*
Anders Jensen
Allan Kristiansen*
Bente Overgaard

* Elected by the staff of Nykredit Bank

EXECUTIVE BOARD

Henrik Rasmussen (joined on 1 December 2015)
Dan Sørensen (joined on 1 December 2015)

For directorships and executive positions of the members of the Board of Directors and the Executive Board, see pages 107 and 108.

NOMINATION BOARD

The Nomination Board serves the entire Nykredit Group.

Steen E. Christensen, Chairman, Attorney
Hans Bang-Hansen, Farmer
Steffen Kragh, Chief Executive Officer
Nina Smith, Professor

AUDIT BOARD

The Audit Board serves the entire Nykredit Group.

Steffen Kragh, Chairman, Chief Executive Officer
Anders C. Obel, Chief Executive Officer
Nina Smith, Professor
Jens Erik Udsen, Managing Director

REMUNERATION BOARD

The Remuneration Board serves the entire Nykredit Group.

Steen E. Christensen, Chairman, Attorney
Hans Bang-Hansen, Farmer
Steffen Kragh, Chief Executive Officer
Leif Vinther, Chairman of Staff Association

RISK BOARD

The Risk Board serves the entire Nykredit Group.

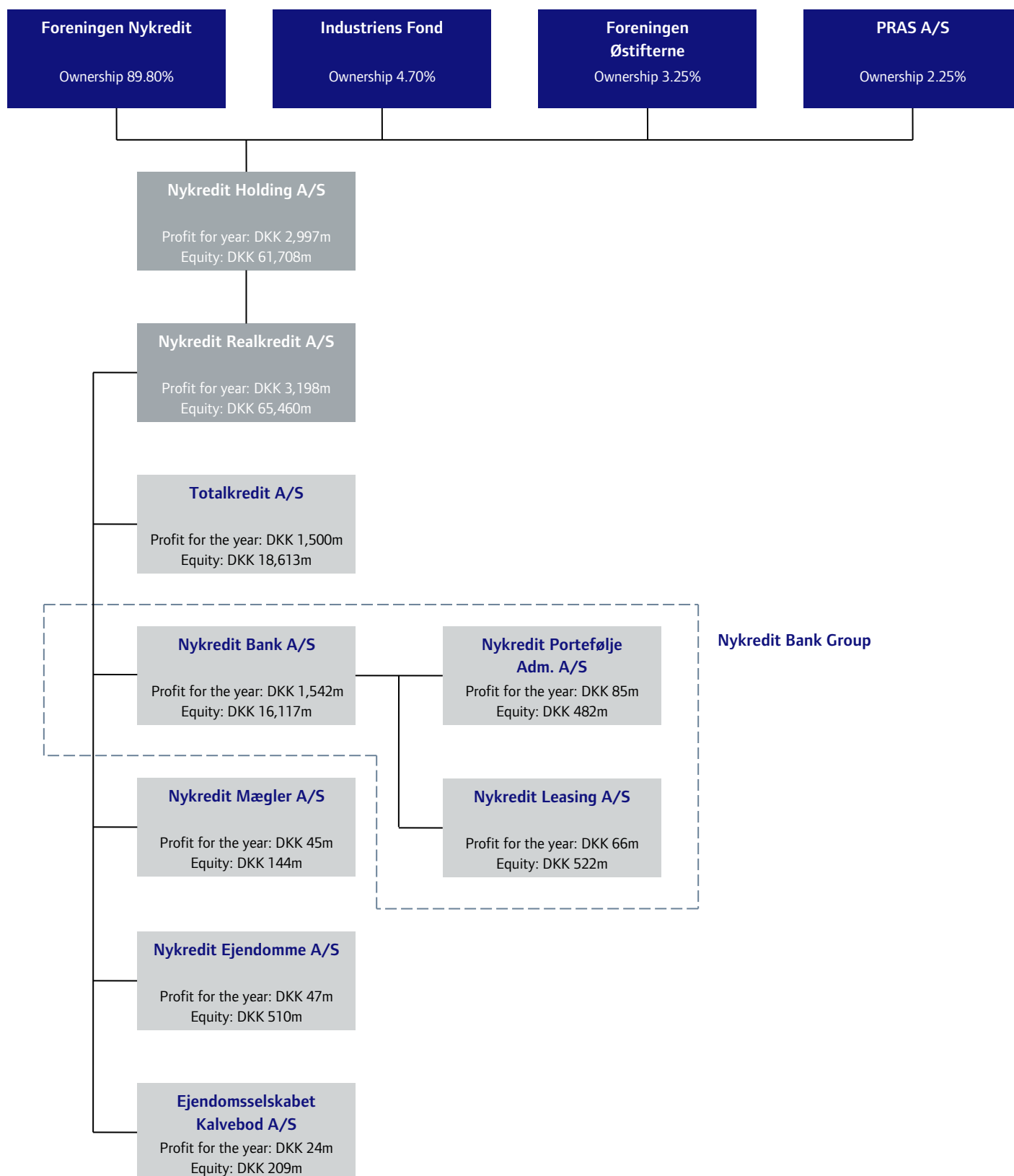
Nina Smith, Chairman, Professor
Steffen Kragh, Chief Executive Officer
Merete Eldrup, Chief Executive Officer
Bent Naur, former Chief Executive Officer
Michael Demsitz, Chief Executive Officer

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

- Annual Report 2015
- CSR Report 2015 – Nykredit Engaging with Society
- CR Fact Book 2015
- Risk and Capital Management 2015

Information on Nykredit's corporate governance policy is available at nykredit.com/corporategovernanceuk.

GROUP CHART



For more information on the Nykredit Bank Group, please refer to note 45.

FINANCIAL HIGHLIGHTS

Nykredit Bank Group

DKK million/EUR million	2015/EUR Exchange rate: 746.25	2015	2014	2013	2012	2011
CORE EARNINGS AND RESULTS FOR THE YEAR						
Core income from						
- business operations	450	3,360	3,173	3,261	3,475	3,516
- value adjustment of interest rate swaps due to interest rate changes	92	685	(1,229)	467	46	
- other value adjustment of interest rate swaps	(37)	(275)	(2,133)	(1,242)	(1,141)	(642)
- securities	1	8	29	33	61	175
Total	506	3,778	(160)	2,519	2,441	3,049
Operating costs and depreciation of equipment	248	1,852	1,970	2,052	1,824	1,914
Expenses for guarantee and resolution schemes	8	63	65	71	23	-
Goodwill impairment	1	9	-	-	-	-
Value adjustment of associate	-	-	-	78	-	-
Core earnings before impairment losses	248	1,854	(2,195)	474	594	1,135
Impairment losses on loans and advances and provisions for guarantees	(16)	(121)	219	349	557	388
Core earnings after impairment losses	265	1,975	(2,414)	125	37	747
Investment portfolio income	5	35	43	(40)	30	(154)
Profit (loss) before tax	269	2,010	(2,371)	85	67	593
Tax	63	468	(599)	8	(1)	160
Profit (loss) for the year	207	1,542	(1,772)	77	68	433
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balances and receivables from central banks and credit institutions	1,799	13,425	33,885	23,173	44,812	50,244
Loans, advances and other receivables at fair value	5,289	39,467	35,228	56,814	35,401	22,007
Loans, advances and other receivables at amortised cost	6,264	46,747	50,494	47,024	49,807	55,901
Bonds at fair value and equities	5,415	40,412	65,314	64,219	58,399	61,063
Remaining assets	4,595	34,288	44,962	32,904	52,099	43,153
Total assets	23,362	174,339	229,883	224,134	240,518	232,368
Liabilities and equity						
Payables to credit institutions and central banks	4,684	34,957	63,876	57,732	55,355	63,093
Deposits and other payables	8,410	62,758	65,350	65,405	54,701	57,551
Bonds in issue at amortised cost	2,700	20,150	25,881	26,689	28,498	26,137
Other non-derivative financial liabilities at fair value	1,578	11,776	19,943	29,248	33,741	27,308
Remaining payables	3,788	28,267	41,913	30,216	53,468	43,594
Provisions	29	214	245	247	235	233
Subordinated debt	13	100	100	250	250	250
Equity	2,160	16,117	12,575	14,347	14,270	14,202
Total liabilities	23,362	174,339	229,883	224,134	240,518	232,368
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	2,034	15,180	20,893	11,620	12,169	10,142
Other commitments	746	5,566	4,839	6,906	7,858	6,842
FINANCIAL RATIOS						
Profit (loss) for the year as % of average equity		10.7	(13.2)	0.5	0.5	3.1
Profit (loss) before tax as % of average equity		14.0	(17.6)	0.6	0.5	4.2
Core earnings before impairment losses as % of average equity		12.9	(16.3)	3.3	4.2	8.1
Core earnings after impairment losses as % of average equity		13.8	(17.9)	0.9	0.3	5.3
Operating costs and depreciation of equipment as % of core income from business operations		55.1	62.1	62.9	52.5	54.4
Total provisions for loan impairment	382	2,852	3,560	3,974	4,057	4,294
Impairment losses for the year, %		(0.1)	0.2	0.3	0.5	0.4
Total capital ratio, %		21.1	13.1	16.8	21.3	19.3
Tier 1 capital ratio, %		20.7	12.8	16.4	21.3	19.3
CET1 capital ratio, %		20.6	12.8	16.1	21.0	19.0
Average number of full-time staff		761	820	859	850	817

For financial highlights based on the Group's regulatory presentation of income statement and balance sheets etc, please see note 46.

2015 – IN BRIEF

RESULTS RELATIVE TO 2014

- Profit before tax, excluding value adjustment of interest rate swaps, increased by DKK 608m from DKK 992m in 2014 to DKK 1,600m.
- Core income from business operations totalled DKK 3,360m, up 6% from DKK 3,173m in 2014.

Core income from business operations was affected by an earnings rise in Wholesale, where especially Nykredit Markets performed positively. Earnings from Retail and Group Items dropped compared with 2014.

- Operating costs and depreciation of equipment totalled DKK 1,852m against DKK 1,970m in 2014. This should be seen in light of Nykredit's objective to reduce the Group's costs. Operating costs and depreciation of equipment as a percentage of core income from business operations were trimmed to 55.1% from 62.1% in 2014.
- Impairment losses on loans and advances reduced by DKK 340m from DKK 219m in 2014 to a gain of DKK 121m in 2015. Impairment losses were negative 0.1% of loans and advances against 0.2% in 2014.
- Value adjustment of interest rate swaps produced a gain of DKK 410m against a loss of DKK 3,362m in 2014. The improvement was partly driven by a rise in swap rates. Incurred losses amounted to DKK 106m in 2015 in line with the 2014 level.
- Core earnings after impairment losses came to DKK 1,975m against a loss of DKK 2,414m in 2014.
- Investment portfolio income was DKK 35m against DKK 43m in 2014.
- Profit before tax generated a return on equity of 14.0% against negative 17.6% in 2014.
- The balance sheet stood at DKK 174.3bn compared with DKK 229.9bn at end-2014.

LIQUIDITY

- Excess liquidity coverage relative to statutory liquidity requirements was a satisfactory 347.2%, and the Bank's deposits exceeded lending by DKK 16.0bn compared with 281.7% and DKK 14.9bn, respectively, at end-2014.
- The Bank's liquidity coverage ratio (LCR) came to 120% against 107% at end-2014 according to the LCR rules.

CAPITAL

- Equity stood at DKK 16.1bn compared with DKK 12.6bn at end-2014.
- The Common Equity Tier 1 (CET1) capital ratio was 20.6% against 12.8% at end-2014.
- The total capital ratio was 21.1% against 13.1% at end-2014, and the internal capital adequacy requirement came to 12.0% compared with 11.7% at end-2014.
- To support Nykredit Bank's business development and strengthen its capital position, the Bank received additional equity of DKK 2bn from its Parent Company, Nykredit Realkredit A/S, in February 2015.

NYKREDIT BANK GROUP RESULTS

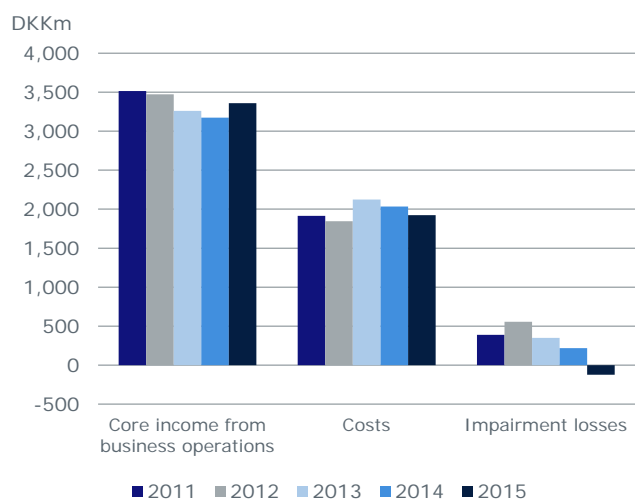
The Nykredit Bank Group recorded a profit before tax of DKK 2,010m against a loss of DKK 2,371m in 2014. Excluding value adjustment of interest rate swaps, profit before tax for the year went up by DKK 608m from DKK 992m in 2014 to DKK 1,600m.

The underlying performance improved, with core income from business operations up by 6% to DKK 3,360m. Operating costs fell by DKK 118m, and impairment losses on loans and advances improved by DKK 340m. Together, these items grew by DKK 645m on 2014.

Core income from business operations was affected by an earnings rise in Wholesale, where especially Nykredit Markets's activities developed favourably. By contrast, earnings from Retail and Group Items dropped compared with 2014.

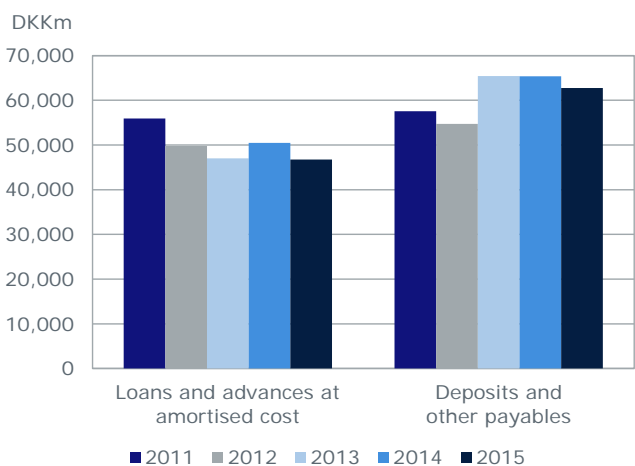
Nykredit Bank Group

Loans, advances, guarantees and impairment



Nykredit Bank Group

Lending and deposits



Value adjustment of interest rate swaps had a positive earnings impact of DKK 410m in 2015 compared with a negative impact of DKK 3,362m in 2014. The positive earnings impact in 2015 partly derived from a rise in swap rates.

Impairment losses on loans and advances developed satisfactorily and contributed a gain of DKK 121m against a loss of DKK 219m in 2014. Impairment losses for the year were negative 0.1% of loans and advances against 0.2% in 2014.

Core earnings

Core income from business operations

Core income totalled DKK 3,360m. This represented a rise of DKK 187m, or 6%, compared with core income of DKK 3,173m in 2014.

The rise was notably attributable to Wholesale income, which grew to DKK 1,731m from DKK 1,356m in 2014, of which Nykredit Markets's activities accounted for an increase of DKK 233m to DKK 483m. Corporate & Institutional Banking and Nykredit Asset Management recorded growth in core income of DKK 120m and DKK 22m, respectively.

Group Items declined by DKK 4m to DKK 11m, while Retail reduced by DKK 184m to DKK 1,618m.

Lending at amortised cost went down by DKK 3.7bn on end-2014 to DKK 46.7bn at end-2015 due to continued subdued demand in both the Retail and Wholesale business.

Deposits fell back by DKK 2.6bn from DKK 65.4bn at end-2014 to DKK 62.8bn. Wholesale accounted for DKK 1.8bn of the decrease and Group Items DKK 1.0bn.

Value adjustment of interest rate swaps

Value adjustment for the year equalled a gain of DKK 410m against a charge of DKK 3,362m in 2014. Losses incurred on terminated contracts totalled DKK 106m in 2015 compared with DKK 100m the year before.

Long-term swap rates rose in 2015, which together with credit spread changes resulted in a gain of DKK 685m. In total, other provisions increased by DKK 275m.

Nykredit Bank and the Nykredit Group have no direct interest rate exposure from its portfolios of interest rate swaps due to interest rate hedging arrangements with major domestic and foreign banks. Therefore, value adjustments should in part be seen in the context of the uncertainty about the legal set-up of cooperative housing and customers' financial outlook. Valuations are based on a conservative assessment. Thus, the entire market value of swap contracts with customers having the lowest ratings has been adjusted to DKK 0.

Losses incurred on interest rate swaps from 2012 to end-2015 amounted to DKK 417m and are expected to remain at a low level compared with the total provisions of DKK 5.0bn. One reason for the relatively large provisions is the fact that swap contracts with customers having the lowest ratings are always valued at DKK 0.

Long-term swap rates were 1.9% at end-2015. If the interest rate level changes by 1 percentage point, the value adjustment will increase or decrease, as the case may be, by about DKK 1.9bn.

Core income from securities

Core income dropped from DKK 29m in 2014 to DKK 8m in 2015, which mirrored the decline in the short-term risk-free interest rate from an average of 0.20% in 2014 to 0.06% in 2015. The risk-free interest rate is based on the Danish central bank's lending rate.

Operating costs, depreciation and amortisation

Staff and administrative expenses generally developed as expected, reducing by DKK 96m, or 5.0%, to DKK 1,832m.

Payroll costs accounted for a decline of DKK 37m, or 4.9%, comprising a decline as a result of staff reductions and higher performance-related pay resulting from positive growth in earnings and results.

The average number of full-time staff totalled 761 compared with 820 in 2014. Compared with end-2014, the number of staff members decreased by 59, or 7.2%.

Other administrative expenses dropped 5.1% from DKK 1,157m in 2014 to DKK 1,098m in 2015.

Other operating expenses declined from DKK 96m to DKK 65m. The item includes the Bank's contribution to Danish guarantee and resolution schemes of DKK 63m as well as provisions for organisational adjustments which were close to DKK 0 net in 2015.

Impairment losses on loans and advances and provisions for guarantees

Impairment losses and provisions were a gain of DKK 121m against a loss of DKK 219m in 2014, equivalent to a positive earnings impact of DKK 340m.

Individual impairment provisions rose by DKK 181m to DKK 219m, particularly due to increased new impairment provisions combined with fewer reversals compared with 2014. Incurred losses and recoveries on claims previously written off were a net charge of DKK 35m compared with DKK 38m in 2014.

Provisions for guarantees came to an income of DKK 7m against a loss of DKK 4m in 2014.

Collective impairment provisions were a gain of DKK 368m compared with a loss of DKK 139m in 2014, which mainly mirrored the transfer of a single exposure from collective to individual impairment provisioning in 2015.

The DKK 340m reduction in impairment losses and provisions compared with 2014 was mainly attributable to a gain of DKK 313m in Wholesale and a gain of DKK 23m in Retail.

Impairment losses for the year were negative 0.1% of loans and advances against 0.2% in 2014.

Investment portfolio income

Investment portfolio income was DKK 35m against DKK 43m in 2014.

Investment portfolio income equals excess income obtained from portfolios not allocated to the business areas in addition to risk-free interest.

Tax

The tax charge was DKK 468m, corresponding to 23.3% of profit before tax compared with 25.3% in 2014.

Compared with the current corporation tax rate of 23.5%, calculated tax was affected by adjustment of previous years' tax.

In 2013 the Danish parliament adopted a change to the corporation tax rate. The tax rate was 23.5% for 2015 and will be reduced to 22% for the reporting period 2016.

Compared with the current tax rate, the lowering of tax rates from 2016 affects the Nykredit Bank Group's deferred tax payments, corresponding to an estimated income of DKK 4m, which has been recognised in the income statement.

Results after tax

The Group recorded a profit after tax of DKK 1,542m, equivalent to a return on equity of 10.7%, compared with a loss of DKK 1,772m and a return on equity of negative 13.2% in 2014.

Dividend

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for the financial year 2015.

RESULTS FOR Q4/2015

Q4/2015 saw a profit before tax of DKK 600m, an improvement of DKK 650m from a loss of DKK 50m in Q3/2015. Core income from business operations exceeded the Q3/2015 level by DKK 105m, while value adjustment of interest rate swaps came to DKK 198m, up DKK 440m on Q3/2015.

Capacity costs were DKK 30m below the level in Q3, while impairment losses developed favourably by DKK 36m.

Finally, investment portfolio income performed DKK 32m above the level in Q3/2015.

Compared with Q4/2014 which saw a loss of DKK 1,274m, results in Q4/2015 picked up by DKK 1,874m to DKK 600m. The change in results was chiefly driven by a rise in value adjustment of interest rate swaps of DKK 1,567m from a loss of DKK 1,369m in Q4/2014 to a gain of DKK 198m in Q4/2015. Core income from business operations grew by DKK 126m.

Operating costs and depreciation of equipment decreased by DKK 30m to DKK 442m, while impairment losses had a positive earnings impact of DKK 134m.

The investment portfolio produced an income of DKK 11m in Q4/2015 against a loss of DKK 15m in Q4/2014.

RESULTS RELATIVE TO FORECASTS

In the Annual Report 2014, the Bank forecast profit before tax, excluding value adjustment of interest rate swaps, of DKK 0.8bn-0.9bn for 2015.

Subsequently, in the financial statements for H1/2015 and Q1-Q3/2015, this guidance was raised by DKK 0.3bn and DKK 0.2bn, respectively, to DKK 1.3bn-1.4bn.

Reported profit before tax, excluding value adjustment of interest rate swaps, came to DKK 1.6bn, exceeding the high end of our guidance by DKK 0.2bn. This primary reflected the positive trend in interest rate swaps and lower impairment losses.

OUTLOOK FOR 2016

In 2016 Nykredit Bank expects both bank lending and deposits to grow moderately, but interest margins are also expected to fall back slightly.

The Bank's business income, excluding value adjustment of interest rate swaps, is broadly expected to be in line with 2015, while capacity costs will see a minor rise, partly resulting from the increase in staff numbers as part of the ongoing business development. Finally, impairments are expected to rise from the low level in 2015.

Based on the above, Nykredit Bank expects core earnings after impairment losses, excluding value adjustment of interest rate swaps between DKK 0.8bn and DKK 1.0bn in 2016.

In its full-year guidance, Management has allowed for the general uncertainty about interest rate markets and loan impairment losses.

Full-year results for 2016 will moreover particularly be affected by interest rate levels and the impact from interest rate swaps as well as the development in the legal set-up of cooperative housing.

OTHER

Capital increase

To support Nykredit Bank's business development and strengthen its capital position, the Bank received additional equity of DKK 2.0bn from its Parent Company, Nykredit Realkredit A/S, in February 2015.

Housing cooperatives

In July 2015, the Danish High Court found for Nykredit, ruling that a housing cooperative's petition for bankruptcy could not be granted under the specific circumstances. The ruling, which has been appealed to the Danish Supreme Court, did not cause any changes to the valuation of interest rate swaps or other cooperative housing exposures.

Closing of Stockholm branch

As part of the reorganisation of the Fixed Income unit of Nykredit Markets, the Bank's branch in Stockholm was closed down at end-January 2015.

Management change

In March 2015, Jeannette Kiirdal Madsen was named new Head of Nykredit Markets. In this connection, Georg Andersen withdrew from his position as Managing Director of Nykredit Bank A/S. Nykredit Markets is adapting to the new market conditions and will be working more closely with the rest of the Wholesale division. Focus is to a higher extent on meeting the requirements of the business and retail segments as a supplement to the existing institutional client base.

As at 30 September 2015, Jesper Berg, Managing Director, resigned to take up the position of Director General of the Danish Financial Supervisory Authority (FSA).

As at 1 December 2015 Henrik Rasmussen and Dan Sørensen, both Managing Directors, joined the Bank's Executive Board, and Bjørn

Mortensen, Managing Director, resigned as at 16 December 2015. The Executive Board now consists of Henrik Rasmussen and Dan Sørensen.

EU rules on the recovery and resolution of banks

The implementation of new EU rules implies that a resolution fund must be built up at sector level the purpose of which is to issue guarantees and provide loans etc to credit institutions in connection with restructuring and resolution measures.

The resolution fund, which will be based on contributions from the participating businesses, must not be less than 1% of the covered deposits of the businesses. The fund is scheduled to be in place by end-2024.

The Bank's contribution on account to the scheme was calculated at DKK 10m, as payments for H2/2015 alone were due.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

The measurement of certain assets and liabilities is based on accounting estimates made by Group Management.

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment, unlisted financial instruments and other provisions.

Uncertainty as to recognition and measurement is described in detail in accounting policies (note 1), to which reference is made.

MATERIAL RISKS

The Group's most material risks are described in detail in note 42, to which reference is made.

EVENTS SINCE THE BALANCE SHEET DATE

Change in Board of Directors

The staff-elected member of the Board of Directors, Olav Brusen Barsøe, resigned from the Board as at 1 January 2016 and was replaced by Flemming Ellegaard.

Portfolio of deposits acquired from FIH Erhvervsbank A/S

After the end of the financial year, FIH Erhvervsbank A/S and Nykredit Bank A/S have agreed that, in connection with a demerger, FIH Erhvervsbank A/S will transfer its portfolio of internet-based deposits of about DKK 1.75bn held by about 5,400 customers, notably personal customers, to Nykredit Bank A/S. The agreement is subject to approval by the Danish FSA and registration with the Danish Business Authority.

Nykredit Group plans stock exchange listing

Nykredit has for some time been exploring the long-term strategic scope for future-proofing the Nykredit Group.

Against this backdrop, the Board of Directors has recommended to the Committee of Representatives that Nykredit Holding A/S be listed on Nasdaq Copenhagen, which the Committee of Representatives approved on 10 February 2016. Reference is made to Nykredit's press release dated 4 February 2016.

Other

No other significant events have occurred in the period up to the presentation of the Annual Report 2015 which affect the financial position of the Nykredit Bank Group.

CREDIT RATINGS

Nykredit Realkredit A/S and Nykredit Bank A/S have a rating relationship with the international credit rating agencies Standard & Poor's and Fitch Ratings regarding the rating of the companies and their funding.

Standard & Poor's

Nykredit Realkredit A/S and Nykredit Bank A/S both have a long-term unsecured rating of A and a short-term unsecured rating of A-1 with Standard & Poor's. The rating outlooks are negative.

On 13 July 2015, Standard & Poor's published its rating actions after its review of the implementation of the EU Bank Recovery and Resolution Directive (BRRD) in Denmark. Standard & Poor's took the position that its ratings on Danish banks will no longer include an uplift for expected government support during a crisis.

Standard & Poor's noted at the same time that Nykredit Realkredit A/S expects to have a capital buffer of 5% according to the criteria of Standard & Poor's ALAC (Additional Loss-Absorbing Capacity) concept by mid-2017.

This made Standard & Poor's change its long-term credit ratings on Nykredit Realkredit A/S and Nykredit Bank A/S from A+ to A, whereas the short-term credit ratings were affirmed at A-1.

The negative outlooks reflect Standard & Poor's changed view on the refinancing risk relating to adjustable-rate mortgages (ARMs) with short-term funding and the fact that they await Nykredit's build-up of ALAC.

Fitch Ratings

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

Moody's Investors Service

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

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

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

Nykredit Bank A/S Credit ratings

	Fitch	Standard & Poor's
Short-term ratings	F1	A-1
Long-term ratings	A	A

Nykredit Bank Group
Summary balance sheet

DKK million	2015	2014
Assets		
Receivables from credit institutions	13,425	33,885
Loans and advances at fair value (reverse repurchase lending)	39,467	35,228
Loans and advances at amortised cost	46,747	50,494
of which Retail	27,054	28,006
- Personal customers	12,077	13,229
- SMEs	14,977	14,777
of which Wholesale	19,684	22,456
of which other loans and advances	8	32
Bonds and equities	40,412	65,314
Remaining assets	34,288	44,962
Liabilities and equity		
Payables to credit institutions and central banks	34,957	63,876
Deposits and other payables	62,758	65,350
of which Retail	40,799	40,637
- Personal customers	23,781	23,332
- SMEs	17,018	17,305
of which Wholesale	21,528	23,287
of which other deposits	432	1,426
Bonds in issue	20,150	25,881
Other non-derivative financial liabilities at fair value	11,776	19,943
of which deposits at fair value (repo transactions)	7,438	13,855
Remaining payables and provisions	28,480	42,158
Subordinated debt	100	100
Equity	16,117	12,575
Balance sheet total	174,339	229,883

Nykredit Bank Group
Equity

DKK million	2015	2014
Equity, beginning of year	12,575	14,347
Paid-up capital	2,000	-
Profit (loss) after tax for the year	1,542	(1,772)
Total equity	16,117	12,575

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY
Balance sheet

The balance sheet stood at DKK 174.3bn compared with DKK 229.9bn at end-2014. This represented a decline for the year of DKK 55.6bn, or 24.2%.

The reduced balance sheet was partly attributable to a reduced securities portfolio, lower market values of derivatives and increased focus on asset/liability management to optimise the Group's capital resources.

Balances with credit institutions and cash balances dropped by DKK 20.5bn to DKK 13.4bn, whereas loans and advances at fair value (reverse repurchase lending) grew by DKK 4.2bn to DKK 39.5bn. The development in balances with credit institutions widely reflected the Bank's need to raise and place liquidity, including the development in the Bank's deposit, lending and securities activities.

Loans and advances at amortised cost were DKK 46.7bn, a decline of DKK 3.7bn on end-2014, of which Wholesale and Retail lending saw a decline of DKK 2.8bn and DKK 0.9bn, respectively. The change mirrored the macroeconomic climate with continued household and business deleveraging.

The bond portfolio decreased from DKK 65.0bn at end-2014 to DKK 40.1bn. The portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management. The portfolio mainly consisted of high-rated government and covered bonds.

Assets in temporary possession were DKK 31m against DKK 47m at end-2014. The item comprised properties and a property company taken over by the Bank in connection with the settlement of non-performing exposures. The properties of Ejendomselskabet Kalvebod III have all been sold.

Other assets totalled DKK 34.2bn against DKK 44.2bn at end-2014. As at 31 December 2015, DKK 29.3bn derived from positive market values of derivatives compared with DKK 39.1bn at end-2014. The positive market values related to the Bank's customer activities in derivatives and own positions for hedge accounting purposes. The interest rate risk was widely hedged through offsetting interest rate swaps, and the market value should therefore be viewed in relation to "Other liabilities", which included negative market values of DKK 24.7bn.

Moreover, "Other assets" included interest and commission receivable.

Payables to credit institutions and central banks were down by DKK 28.9bn to DKK 35.0bn partly due to a reduced securities portfolio.

Deposits and other payables were DKK 62.8bn, which represented a decline on end-2014. Retail deposits grew by DKK 0.2bn, whereas Wholesale deposits dropped by DKK 1.8bn. Group Items and other deposits decreased by DKK 1.0bn.

As at 31 December 2015, the Bank's deposits exceeded lending by DKK 16.0bn measured as the difference between deposits and lending

Nykredit Bank Group Capital and capital adequacy

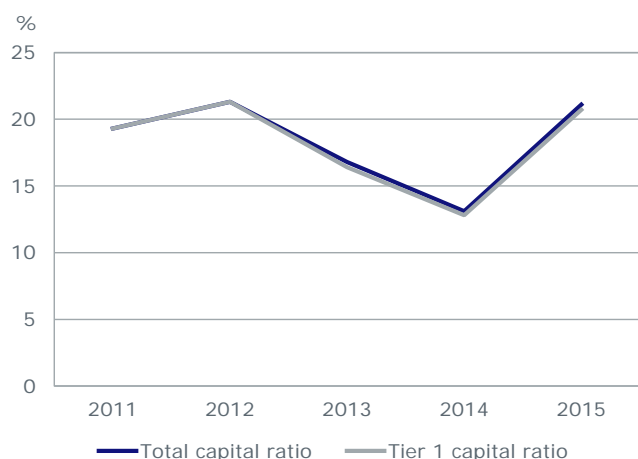
DKK million	31.12.2015	31.12.2014
Credit risk	61,961	75,689
Market risk	8,666	12,417
Operational risk	4,641	4,904
Credit value adjustments (CVA)	1,043	1,041
Total risk exposure amount	76,311	94,051
Share capital	8,045	6,045
Retained earnings	8,072	6,530
Equity, year-end	16,117	12,575
Prudent valuation adjustment	(300)	(434)
Intangible assets and deferred tax assets	(34)	(55)
Deduction for difference between IRB losses and impairments	(40)	(41)
Common Equity Tier 1 capital	15,743	12,044
Hybrid capital	100	100
Other deductions	(13)	(85)
Tier 1 capital	15,830	12,059
Add-on for difference between IRB losses and impairments	327	390
Transitional Tier 2 capital adjustment	(13)	(85)
Own funds	16,144	12,365
Total capital ratio, %	21.1	13.1
Tier 1 capital ratio, %	20.7	12.8
CET1 capital ratio, %	20.6	12.8

Capital and capital adequacy are specified further in note 2.

Nykredit Bank Group Required own funds and internal capital adequacy requirement

DKK million	31.12.2015	31.12.2014
Credit risk (incl CVA)	5,040	6,138
Market risk	693	993
Operational risk	371	392
Total Pillar I	6,105	7,524
Slightly weaker economic climate (stress tests, etc)	820	524
Other risks	1,800	1,987
Model and calculation uncertainties	436	1,004
Total Pillar II	3,056	3,515
Total required own funds	9,161	11,039
Internal capital adequacy requirement (Pillar I and Pillar II),%	12.0	11.7

Nykredit Bank Group Total capital ratio and Tier 1 capital ratio



at amortised cost. At end-2014, deposits exceeded lending by DKK 14.9bn.

Bonds in issue totalled DKK 20.2bn against DKK 25.9bn at end-2014. The Bank's issues under the ECP and EMTN programmes continued to obtain satisfactory pricing and interest rate levels. The level is continuously adapted to the Bank's liquidity needs.

Other non-derivative financial liabilities at fair value, which include deposits relating to repo transactions, came to DKK 11.8bn against DKK 19.9bn at end-2014.

Other payables and deferred income totalled DKK 28.3bn against DKK 41.9bn at end-2014. The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The decline of DKK 13.7bn on end-2014 partly reflected a decrease in negative market values of derivative financial instruments from DKK 37.5bn at end-2014 to DKK 24.7bn.

The Bank's hybrid capital was unchanged at DKK 100m at end-2015.

Capital and capital adequacy

Equity stood at DKK 16.1bn at end-2015. Equity increased by DKK 2.0bn in 2015 as a result of a share capital increase and by profit for the year of DKK 1.5bn. Equity is identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

At end-2015, Nykredit Bank's own funds totalled DKK 16.1bn. The CET1 capital is the most important capital concept in the determination of capital, as this is the type of capital required to comply with most of the regulatory capital requirements in future. The Bank's CET1 capital was DKK 15.7bn at end-2015, which represented a rise of DKK 3.7bn on end-2014. The rise mainly resulted from the capital increase in early 2015 as well as profit for the year.

The risk exposure amount (REA) totalled DKK 76.3bn at end-2015, down by DKK 17.7bn on end-2014.

The decline in REA was attributable to declining market risk due to reduced bond portfolios. Moreover, credit risk dropped following subdued bank lending as a consequence of the general macroeconomic climate in Denmark with continued household deleveraging.

Following a rise in own funds combined with the decline in REA, the Nykredit Bank Group's total capital ratio grew by 8 percentage points over the past year. At end-2015, the total capital ratio was 21.1%, while the CET1 capital ratio was 20.6%. Nykredit Bank aims to have a CET1 capital ratio of at least 13%.

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit Bank has the required own funds. Required own funds are the minimum capital required, in Management's judgement, to cover all significant risks.

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks, including any model uncertainties. Nykredit Bank's required own funds totalled DKK 9.2bn at end-2015.

Nykredit Bank's internal capital adequacy requirement is calculated as the required own funds as a percentage of REA. The internal capital adequacy requirement was 12.0% at end-2015. To this must be added the SIFI requirement of 0.4 percentage point. At end-2014, the requirement was 11.7%.

Further information on Nykredit Bank's capital and risk management is provided in notes 2 a. and 42.

BUSINESS AREAS

The Nykredit Bank Group's business areas are:

- Retail, which serves personal customers and SMEs and also comprises Nykredit Leasing.
- Wholesale, which comprises the business units Corporate & Institutional Banking, Private Banking, Nykredit Markets and Nykredit Asset Management.
- Group Items, which comprises the Treasury area and other income and costs not allocated to the business areas as well as core income from securities and investment portfolio income.

Adjustment of business areas in 2015

Compared with the presentation in 2014, a number of expenses, including IT-related costs, have been allocated to Retail and Wholesale in 2015. These expenses were stated under Group Items in previous financial years.

Further, the activities of the company Nykredit Leasing A/S have been transferred from Wholesale to Retail, which should be seen in the light of organisational adjustments in 2015.

- Comparative figures have been restated accordingly.

Earnings

Gross income from customer business is generally allocated to the business areas which have supplied the individual products, including Corporate & Institutional Banking, Nykredit Leasing A/S, Nykredit Markets and Nykredit Asset Management. Gross income attributable to the sales activities of Retail is subsequently reallocated in full. Correspondingly, Retail pays a proportion of the capacity costs of Nykredit Markets and Nykredit Asset Management attributable to the sales activities.

Nykredit Bank Group Results by business area

DKK million	Retail		Wholesale		Group Items		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Core income from								
- customer activities, gross	1,071	1,266	2,278	1,892	11	15	3,360	3,173
- payment for distribution	547	536	(547)	(536)	-	-	-	-
Core income from business operations	1,618	1,802	1,731	1,356	11	15	3,360	3,173
Value adjustment of interest rate swaps	250	(1,857)	160	(1,505)	-	-	410	(3,362)
Core income from securities	-	-	-	-	8	29	8	29
Total core income	1,867	(55)	1,891	(149)	19	44	3,778	(160)
Operating costs and depreciation of equipment	1,028	1,082	775	844	49	44	1,852	1,970
Expenses for guarantee and resolution schemes	74	49	4	11	(15)	5	63	65
Goodwill impairment	9	-	-	-	-	-	9	-
Core earnings before impairment losses	756	(1,186)	1,112	(1,004)	(15)	(5)	1,854	(2,195)
Impairment losses on loans and advances	55	78	(176)	137	0	4	(121)	219
Core earnings after impairment losses	701	(1,264)	1,289	(1,141)	(15)	(9)	1,975	(2,414)
Investment portfolio income	-	-	-	-	35	43	35	43
Profit (loss) before tax	701	(1,264)	1,289	(1,141)	20	34	2,010	(2,371)
Profit (loss) excl value adjustment of interest rate swaps	451	593	1,129	364	20	34	1,600	992
Operating costs and depreciation of equipment as % of core income from business operations	63.6	60.0	44.7	62.2	-	-	55.1	62.1

Results – Retail

DKK million	2015	2014
Core income:		
Customer activities, gross	1,071	1,266
Payment for distribution	547	536
Core income from business operations	1,618	1,802
Value adjustment of interest rate swaps	250	(1,857)
Total core income	1,867	(55)
Operating costs and depreciation of equipment	1,028	1,082
Expenses for guarantee and resolution schemes	74	49
Goodwill impairment	9	-
Impairment losses on loans and advances	55	78
Profit (loss) before tax	701	(1,264)
Profit excl value adjustment of interest rate swaps	451	593

Following the reorganisation, the results for 2014 have declined by DKK 90m, stemming from a DKK 88m rise in income offset by DKK 178m in higher costs and impairments.

Principal balance sheet items

DKK million	2015	2014
Assets		
Loans and advances at amortised cost	27,054	28,006
of which personal customers	12,077	13,229
of which SMEs	14,977	14,777
Impairment losses on loans and advances	1,784	1,978
Impairment provisions as % of loans and advances	6.2	6.6
Payables		
Deposits and other payables	40,799	40,637
of which personal customers	23,781	23,332
of which SMEs	17,018	17,305
Off-balance sheet items		
Guarantees	12,997	18,443

RETAIL

The business area provides banking services to personal customers and SMEs, including agricultural customers, residential rental customers and personal wealth clients. Further, the subsidiary Nykredit Leasing A/S has formed part of Retail since end-November 2015.

Nykredit serves its customers through 54 local customer centres and the sales and advisory centre Nykredit Direkte®. Nykredit offers insurance in partnership with Gjensidige Forsikring.

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

Strategy

Nykredit has reorganised its regional structure to create fewer, but stronger regions with greater empowerment and focus on full-service customers. Therefore, we are in the process of developing and customising our products, strengthening our advisory services and improving processes as part of our Winning the Double strategy.

We aim to offer our customers an enduring relationship based on trust. Thus, we want higher satisfaction among full-service homeowner customers and SMEs as well as to grow the number and proportion of full-service customers.

2015 in brief

Under the name of Nykredit BoligBank, Nykredit launched a new concept in 2015, which has been favourably received by new and existing customers. The business area has recorded growth in new full-service homeowner customers, who are expected to lead to higher business volumes.

Towards end-2015, we also launched a new private banking concept for clients with assets under management of DKK 2m-7m. These clients are supported by ten private banking centres.

The SME unit registered a satisfactory increase in customers taking their daily banking to Nykredit, and it focused on raising profitability and reducing the risk exposure amount in line with Nykredit's capital targets.

In 2015, both the personal and SME segments recorded generally low activity, which reduced lending.

Results

Retail posted a profit before tax of DKK 701m compared with a loss of DKK 1,264m in 2014. Excluding value adjustment of interest rate swaps, pre-tax profit was DKK 451m against DKK 593m in 2014.

Core income from business operations decreased from DKK 1,802m in 2014 to DKK 1,618m in 2015.

Value adjustment of interest rate swaps improved by DKK 2,107m from a loss of DKK 1,857m in 2014 to a gain of DKK 250m. In both years, the value adjustment mainly resulted from SMEs, including housing cooperatives.

Operating costs and depreciation of equipment decreased by DKK 54m to DKK 1,028m.

Impairment losses were DKK 55m in 2015 against DKK 78m in 2014. SME impairments rose by DKK 8m to a gain of DKK 13m in 2015, while impairments relating to personal customers were DKK 68m, down DKK 31m.

Impairment losses equalled 0.2% of loans and advances against 0.3% in 2014.

Costs as a percentage of core income from business operations totalled 63.6% against 60.0% in 2014.

Lending and deposits

Retail's lending activities declined from DKK 28.0bn at end-2014 to DKK 27.1bn, whereas deposits increased by DKK 0.2bn from DKK 40.6bn at end-2014 to DKK 40.8bn.

Subsidiaries

Nykredit Leasing A/S

The company handles the leasing activities of the Nykredit Group.

Nykredit Leasing recorded a profit of DKK 66m compared with DKK 50m in 2014.

The higher profit mainly reflected growth in net financial income, up DKK 21m to DKK 104m, driven by a higher activity level with financial asset growth of more than DKK 0.6bn (15%) to DKK 4.7bn. The loan portfolio was expanded to include finance leases on properties totalling DKK 221m at year-end.

Staff costs were trimmed by 8% to DKK 33m, while impairment losses were down DKK 2m to DKK 15m.

Equity stood at DKK 522m at end-2015.

Results – Wholesale

DKK million	2015	2014
Core income:		
Customer activities, gross	2,278	1,892
Payment for distribution	(547)	(536)
Core income from business operations	1,731	1,356
Value adjustment of interest rate swaps	160	(1,505)
Total core income	1,891	(149)
Operating costs and depreciation of equipment	775	844
Expenses for guarantee and resolution schemes	4	11
Impairment losses on loans and advances	(176)	137
Profit (loss) before tax	1,289	(1,141)
Profit excl value adjustment of interest rate swaps	1,129	364

Following the organisational adjustments, the results for 2014 have decreased by DKK 181m due to a DKK 88m fall in income and a DKK 93m rise in costs and impairments.

Principal balance sheet items

DKK million	2015	2014
Assets		
Loans and advances at amortised cost	19,684	22,456
Impairment losses on loans and advances	1,015	1,526
Impairment provisions as % of loans and advances	4.9	6.4
Reverse repurchase lending	39,467	35,228
Payables		
Deposits and other payables	21,528	23,287
Off-balance sheet items		
Guarantees	6,943	5,921

Wholesale: Income from customer activities and income allocation

DKK million	2015	2014
Customer activities, gross		
Nykredit Markets	782	506
Nykredit Asset Management	805	784
Corporate & Institutional Banking	691	602
Total	2,278	1,892
Payment for distribution		
Nykredit Markets	(298)	(256)
Nykredit Asset Management	(460)	(461)
Corporate & Institutional Banking	211	181
Total allocation to Retail	(547)	(536)
Core income		
Nykredit Markets	483	250
Nykredit Asset Management	345	323
Corporate & Institutional Banking	903	783
Total	1,731	1,356

Assets under management and administration and investment funds

DKK million	2015	2014
Managed by Nykredit	125,014	114,713
Insourced mandates	18,798	18,771
Total assets under management	143,812	133,484
Assets under administration, Nykredit Portefølje Administration A/S	700,372	669,112
Of which Nykredit Group investment funds	66,394	60,165

WHOLESALE

The business area Wholesale comprises activities with the Group's corporate and institutional clients as well as the public housing segment.

Wholesale also handles the Group's activities within securities and financial derivatives trading, and wealth and asset management.

Wholesale consists of the business units Corporate & Institutional Banking (CIB), Nykredit Markets and Nykredit Asset Management. Also, Wholesale includes Other Activities, a CIB unit, which comprises a portfolio of large non-continuing exposures.

Strategy

Nykredit's business strategy for this area aims to provide clients with added value in the form of broad financial advisory services and deep client insight.

Based on our strong competency profile, we are working to ensure a better and more holistic experience whenever our clients are in contact with us.

The private banking activities of CIB were strengthened throughout 2015 as a new office was opened in Aarhus.

2015 in brief

Corporate & Institutional Banking continued to focus on growing profitability and adapting the Group's capital consumption in 2015. Nykredit Asset Management and Nykredit Portefølje Administration A/S realised good growth rates again in 2015. Total assets under management and administration thus increased from DKK 803bn to DKK 844bn, up 5%. The increase stemmed from growth in the client base and satisfactory capital gains.

Corporate & Institutional Banking

Corporate & Institutional Banking participated in a number of large transactions in 2015. In addition, the business unit focused on offering its largest clients tailored advisory services and financing solutions within banking, mortgage lending, Nykredit Asset Management and Nykredit Markets activities.

Nykredit Markets

2015 was generally an eventful year marked by heightened volatility. Despite difficult market conditions, Nykredit Markets succeeded in growing its activities and improving earnings compared with 2014. Growth was broad-based, and the bond volumes traded on Nasdaq Copenhagen increased relative to 2014.

A new head of Nykredit Markets was appointed in 2015, and a new course was set with intensified customer focus. Nykredit Markets will now be working more closely with the rest of the Wholesale division and will be focusing more on meeting the requirements of business and personal customers as a supplement to the existing institutional client base.

Nykredit Asset Management

Nykredit's competences within asset management and fund administration are gathered in this unit.

Nykredit Asset Management's products and solutions range from Nykredit Invest, Private Portfolio, Savings Invest and Pension Invest to

discretionary management and administration agreements with institutional clients, funds, businesses, public institutions and personal wealth clients.

Nykredit Asset Management strengthened and expanded equity business in the course of 2015, as it launched alternative investment funds aimed at private investors as the first in Denmark.

Asset management

Nykredit Asset Management showed good performance in 2015. Total assets under management rose from DKK 133bn to DKK 144bn, driven by growth in the client base and capital gains.

79% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2015. Over the past three years, 89% of Nykredit Asset Management's investment strategies (GIPS composites) have generated above-benchmark returns.

Citywire ranked the credit team among the 7.5% top fund managers globally, while the European corporate bonds fund was awarded first place by Morningstar over both one- and three-year periods. The Danish financial weekly Økonomisk Ugebrev ranked two of Nykredit's global equity funds as top performers over a three-year period. The Danish equity team's focused equity fund also performed well and was awarded Investment Fund of the Year in Denmark by the Danish research company Dansk Aktie Analyse.

Nykredit Asset Management's broader international outlook resulted in new DKK 3.5bn German fixed income mandates, and Nykredit's equity funds were in demand by international customers.

Towards the end of 2015, Nykredit Asset Management obtained approval of its first investment fund, Investin SICAV, in Luxembourg. The purpose of the fund is to extend the use of investment funds among international investors.

Results

The business area posted a profit of DKK 1,289m against a loss of DKK 1,141m in 2014, corresponding to DKK 2,431m growth attributable to an upturn in core income from business operations combined with a higher positive value adjustment of interest rate swaps. Excluding value adjustment of interest rate swaps, pre-tax profit was DKK 1,129m against DKK 364m in 2014.

Gross income

Wholesale's gross income totalled DKK 2,278m against DKK 1,892m in 2014.

Of this amount, gross income from Nykredit Markets was DKK 782m, up DKK 276m compared with 2014. Income from Nykredit Asset Management was DKK 21m above the 2014 level, and income from Corporate & Institutional Banking rose by DKK 89m from DKK 602m to DKK 691m.

Core income from business operations

Wholesale's core income from business operations totalled DKK 1,731m, up DKK 376m on 2014, which was mainly a result of DKK 233m income increase in Nykredit Markets. Aggregate income from Corporate & Institutional Banking and Nykredit Asset Management was DKK 142m above the level in 2014.

Value adjustment of interest rate swaps improved by DKK 1,665m to a gain of DKK 160m in 2015 from a loss of DKK 1,505m in 2014.

Operating costs excluding expenses for guarantee and resolution schemes were DKK 775m, down DKK 70m relative to 2014.

Payments to guarantee and resolution schemes amounted to DKK 4m compared with DKK 11m in 2014.

The development in costs was partly due to the reorganisation in Nykredit Markets, including the closing of the Stockholm branch by end-January 2015.

Impairment losses on loans and advances equalled a gain of DKK 176m against losses of DKK 137m in 2014. The gain in 2015 comprised DKK 51m relating to Corporate & Institutional Banking and DKK 125m relating to non-continuing exposures in the business unit Other Activities.

Impairment losses, exclusive of reverse repurchase lending, were negative 0.8% of loans and advances in 2015 compared with 0.5% in 2014.

Operating costs and depreciation of equipment as a percentage of core income from business operations were 44.7% compared with 62.2% in 2014. The decline in the cost:income ratio was prompted by higher income combined with lower costs.

Lending and deposits

Lending amounted to DKK 19.7bn compared with DKK 22.5bn at end-2014. This included the portfolio of non-continuing exposures totalling DKK 0.5bn.

Deposits came to DKK 21.5bn against DKK 23.3bn at end-2014.

Subsidiaries

Nykredit Portefølje Administration A/S

Nykredit Portefølje Administration A/S handles the Nykredit Group's fund management activities. The company is a licensed investment management company and alternative investment fund manager.

Business areas comprise administration of Danish UCITS fund and management of alternative investment funds. Moreover, the company may perform discretionary portfolio management or related tasks in Denmark and offer services as management company in Luxembourg.

High activity in 2015

Major IT investments and continued efforts to improve services to the managed investment funds resulted in a continued high activity level in 2015. These measures are also expected to contribute positively to the company's fee income and results for the coming years.

Income statement

Net interest and fee income for the year was DKK 289.6m against DKK 262.1m in 2014.

Total expenses amounted to DKK 172.3m in 2015 compared with DKK 158.4m in 2014.

Profit before tax was DKK 111.3m in 2015 against DKK 98.5m in 2014. Net profit after tax in 2015 grew to DKK 85.1m from DKK 74.3m in 2014.

In 2015 the company's net interest and fee income was up 10% on 2014. Growth in fee income exceeded expectations, delivered by rising assets under administration and new services. Net interest and capital gains were affected by the low interest rate level in 2015. Costs were affected by continued growth in expenses for staff, consultants and IT development in connection with adjustments to the company's Dimension system.

Profit for the year was in line with expectations at the beginning of 2015.

Balance sheet, capital adequacy and capital base

The company's balance sheet totalled DKK 518.2m against DKK 435.3m at end-2014. Equity rose from DKK 397.3m at the beginning of the year to DKK 482.4m at 31 December 2015. The rise corresponded to profit for the year less provisions for tax.

In 2015 the majority of the company's assets were placed in short-dated Danish covered bonds and as bank deposits in accordance with the company's policy to limit credit and interest rate exposures. At end-2015, investments in Danish covered bonds and receivables from credit institutions were DKK 474.2m, equal to 91.5% of the company's assets. At end-2015, the company had no interest-bearing debt.

Required own funds were DKK 297.6m at end-2015.

Results – Group Items

DKK million	2015	2014
Core income:		
Customer activities, gross	11	15
Payment for distribution	-	-
Core income from business operations	11	15
Core income from securities	8	29
Total core income	19	44
Operating costs and depreciation of equipment	49	44
Expenses for guarantee and resolution schemes	(15)	5
Impairment losses on loans and advances	0	4
Core earnings after impairment losses	(15)	(9)
Investment portfolio income	35	43
Profit before tax	20	34

Principal balance sheet items

DKK million	2015	2014
Assets		
Loans, advances and receivables at amortised cost	8	32
Impairment provisions (excl credit institutions)	53	55
Impairment provisions as % of loans and advances	86.9	62.5
Payables		
Deposits and other payables	432	1,426
Off-balance sheet items		
Guarantees	805	1,369

GROUP ITEMS

Group Items includes the results of the Bank's treasury area, which forms part of Nykredit's Group Treasury, core income from securities and investment portfolio income as well as other income and expenses not allocated to the business areas.

The allocation of IT costs was changed in 2015, which means that they are now allocated between Retail and Wholesale. Accordingly, the comparative figures for 2014 have been restated, leading to a rise of DKK 271m from a loss before tax of DKK 237m to a profit before tax of DKK 34m due to the reduced operating costs.

Profit before tax was DKK 20m against DKK 34m in 2014. Treasury activities contributed a profit of DKK 10m compared with a loss of DKK 7m in 2014.

Core income was DKK 11m in 2015, while operating costs and depreciation of equipment amounted to DKK 49m compared with DKK 44m in 2014.

Core income from securities and investment portfolio income totalled a profit of DKK 43m against DKK 72m in 2014.

In 2013 Group Items was affected by provisions of DKK 50m for costs relating to reorganisation. Of this amount, about DKK 10m was used in 2014, while the remaining part was used in 2015. In 2015 additional provisions of DKK 10m were made for reorganisation costs.

IMPAIRMENT AND LENDING

Earnings impact for the year

In response to events in the cooperative housing market as well as the Danish FSA's guidelines in this area, Nykredit Bank uses a conservative assessment of cooperative housing exposures. In some cases, this results in negative value adjustment of interest rate swaps and impairment of loans and advances. Individual value adjustment of interest rate swaps generally follows the principles applying to impairment of loans and advances in respect of the same customer and an exposure is written down to nil if the unsecured part of a loan is written off.

Impairments reduced by DKK 340m from DKK 219m in 2014 to a gain of DKK 121m in 2015.

Of the total gain of DKK 121m, an amount of DKK 211m related to individual impairment provisions, while collective impairment provisions were a gain of DKK 368m. Recoveries on loans and advances previously written off totalled DKK 56m, while write-offs for the year of loans and advances not previously impaired came to DKK 92m.

The shift between individual and collective impairment provisions was attributable to the transfer of a single large exposure from collective to individual impairment provisioning.

Provisions for guarantees came to a gain of DKK 7m in 2015 against a charge of DKK 4m in 2014.

Retail impairment losses reduced by DKK 23m to DKK 55m. Of this improvement, impairment losses on lending to SMEs accounted for an increase of DKK 8m and lending to personal customers for a decrease of DKK 31m.

Wholesale impairments were a gain of DKK 176m against a loss of DKK 137m in 2014. The impairment charge for Corporate & Institutional Banking decreased by DKK 215m to a gain of DKK 51m, and the business unit Other Activities contributed a gain of DKK 125m, while impairments in the other units of Wholesale were nil compared with an income of DKK 24m and DKK 3m, respectively, in 2014.

Impairments in Group Items were DKK nil for the year compared with DKK 4m in 2014.

Please see notes 13 and 42 of this Annual Report for further specification of the Bank's loan impairments and credit risk.

Impairments at 31 December 2015

Total impairment provisions decreased by 20% from DKK 3,581m at end-2014 to DKK 2,875m at 31 December 2015. Individual impairment provisions reduced by DKK 338m and collective impairment provisions by DKK 368m.

Of the DKK 338m decline in individual impairment provisions, DKK 559m was write-offs, while new impairment provisions for the year amounted to DKK 221m net.

Impairment provisions for Retail fell back from DKK 1,978m at end-2014 to DKK 1,784m due to an increase of DKK 46m in impairment provisions for personal customers and a decline of DKK 241m in impairment provisions for SMEs.

Wholesale impairment provisions dropped by DKK 511m from DKK 1,526m at end-2014 to DKK 1,015m, of which the portfolio of non-continuing exposures accounted for a decline of DKK 248m from DKK 580m to DKK 332m. Other business units fell by DKK 263m on end-2014.

Total non-continuing exposures were fairly unchanged at DKK 0.5bn at 31 December 2015 (carrying amounts after impairments).

Provisions for guarantees amounted to DKK 99m against DKK 106m at end-2014.

Relative to total loans, advances and guarantees, provisions were 2.8% against 3.3% at end-2014. Excluding guarantees, the percentage was 3.2% against 4.0% at end-2014. The carrying amount of non-accrual loans was DKK 0.6bn against DKK 0.8bn in 2014.

The amounts overdrawn/in arrears for which no impairment provisions had been made were very limited, equal to 0.4% of total lending at amortised cost against 0.7% at end-2014. These amounts generally concerned a large number of accounts with fairly small overdrafts for which provisioning was not deemed necessary.

Impairments – Nykredit Bank Group

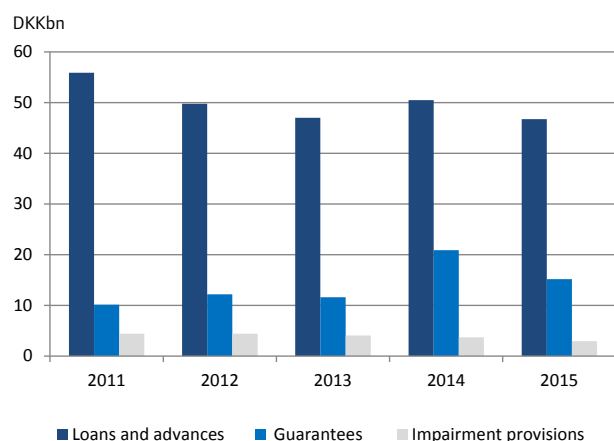
DKK million	Retail		Wholesale		Group Items		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Impairment provisions, beginning of year	1,978	2,277	1,526	1,634	77	83	3,581	3,994
Impairment provisions and reversals for the year	(194)	(299)	(511)	(108)	(1)	(6)	(706)	(413)
Impairment provisions, year-end	1,784	1,978	1,015	1,526	76	77	2,875	3,581
Of which individual	1,696	1,864	962	1,131	53	54	2,711	3,049
Of which individual, banks					23	23	23	23
Of which collective	88	114	53	395	0	-	141	509
Provisions for guarantees								
Provisions, beginning of year	51	48	55	55	-	-	106	103
Provisions, year-end	44	51	55	55	-	-	99	106
Total provisions for loan impairment and guarantees	1,828	2,029	1,070	1,581	76	77	2,974	3,687
Earnings impact								
New impairment provisions and losses for the year, net	84	97	(142)	147	0	4	(58)	248
Recoveries on loans and advances previously written off	25	23	31	10	0	0	56	33
Total	59	74	(173)	137	0	4	(114)	215
Provisions for guarantees	(4)	4	(3)	0	0	0	(7)	4
Total earnings impact	55	78	(176)	137	0	4	(121)	219

Loans, advances and guarantees by sector

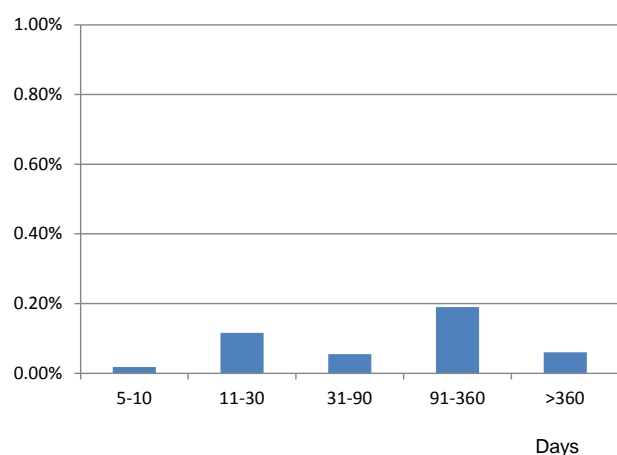
DKK million	Loans, advances and guarantees		Provisions	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Public sector	296	596	0	0
Agriculture, hunting, forestry and fishing	2,384	3,230	102	138
Manufacturing, mining and quarrying	4,733	5,526	225	269
Energy supply	936	1,055	3	9
Construction	2,234	2,087	232	236
Trade	2,946	3,309	88	119
Transport, accommodation and food service activities	3,444	2,930	104	91
Information and communication	999	1,027	17	62
Finance and insurance	45,416	40,420	224	305
Real estate	10,431	13,071	1,140	1,540
Other	7,481	9,643	231	305
Total business customers	81,004	82,298	2,366	3,074
Personal customers	20,094	23,721	586	592
Total	101,394	106,615	2,952	3,666
Total, incl impairment provisions for banks	-	-	2,975	3,687

As the breakdown is based on public sector statistics, it is not directly comparable with the Bank's business areas.

Loans, advances, guarantees and impairment



Accounts overdrawn/in arrears not subject to individual provisioning



FSA Supervisory Diamond

DKK million	2015	2014
Lending growth (limit value <20%)	(7.5)	6.8
Large exposures (limit value <125%)	11.1	34.5
Property exposure (limit value <25%)	11.4	13.6
Funding ratio (limit value <1.0%)	0.5	0.6
Excess liquidity coverage (limit value 50%)	346.5	281.6

Loans, advances and guarantees by sector

The carrying amount of loans, advances and guarantees totalled DKK 101.4bn against DKK 106.6bn at end-2014.

This figure comprised a rise in reverse repurchase lending of DKK 4.2bn and a fall in other loans, advances and guarantees of DKK 9.5bn, of which guarantees dropped by DKK 5.7bn partly owing to a downturn in refinancing activity. Reverse repurchase lending totalled DKK 39.5bn at 31 December 2015 compared with DKK 35.2bn at end-2014.

Finance and insurance still accounted for the largest single sector exposure at DKK 45.4bn against DKK 40.4bn at end-2014. The exposure widely comprised reverse repurchase lending with bonds serving as security, and the DKK 5.0bn rise should be seen in light of a general increase in reverse repurchase lending of DKK 4.2bn.

Finance and insurance accounted for 44.8% against 37.9% at end-2014, the real estate sector 10.3% against 12.3% at end-2014 and personal customers 19.8% against 22.2% at end-2014.

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

Inclusive of reverse repurchase lending, the Bank's lending increased by 0.7% relative to end-2014.

Lending to the real estate and construction sectors totalled DKK 12.7bn at end-2015 compared with DKK 15.2bn at end-2014. Of total loans, advances and guarantees, DKK 8.8bn derived from the category "Renting of real estate" compared with DKK 11.4bn at end-2014.

At end-2015, loan impairment provisions for the real estate sector totalled DKK 1.4bn compared with DKK 1.8bn at end-2014, or 9.8% of total loans and advances to the sector compared with 10.5% at end-2014.

Determined pursuant to the FSA Supervisory Diamond model, the Bank's real estate exposure was 11.4% compared with 13.6% at end-2014. In Management's opinion, this exposure is at an appropriate level.

The Bank's large exposures were 11.1% at end-2015. In 2015 the Bank had a single exposure that exceeded 10% of own funds (FSA key ratio Large exposures).

FSA Supervisory Diamond for banks

The Supervisory Diamond sets out benchmarks for five key ratios that indicate when a bank is operating at an elevated risk.

Nykredit Bank's key ratios were below the maximum limit values of the Danish FSA throughout 2015 and at 31 December 2015.

ORGANISATION, MANAGEMENT AND CORPORATE RESPONSIBILITY

NYKREDIT – ENGAGING WITH SOCIETY

A changing society needs sound financial enterprises to underpin growth and employment.

As Denmark's largest credit provider with contact to more than 1 million customers, our financial strength is of great importance to Danish society. This is a corporate social responsibility in itself.

Nykredit is a unique financial mutual, which has provided Denmark with stable financing since 1851. Nykredit's objective is the same today; to offer loans to Danish homeowners and companies across Denmark – now and in future.

Being a major financial services group, our ambition is to have a clear and conscientious voice in the public debate on issues affecting our business and our stakeholders. Further, being a major financial services group, we are committed to fulfilling the requirements and expectations of our external environment.

Nykredit has adopted the UN principles on sustainability (Global Compact) and responsible investment (UN PRI). Our financial reporting also complies with the Global Reporting Initiative (GRI).

Corporate social responsibility

Nykredit Bank follows the corporate social responsibility policy of the Nykredit Group. For information on the Nykredit Group's corporate social responsibility and Nykredit's statutory disclosure, please refer to our CR Fact Book 2015 at nykredit.com/CRfactbook.

For more information on Nykredit, please see our CSR publication 2015 "Nykredit – Engaging with Society" and our website. Information on corporate governance is available at nykredit.com/corporategovernanceuk.

ORGANISATION AND DELEGATION OF RESPONSIBILITIES

The Board of Directors of Nykredit Bank counts eight members, of which five are members of the Executive Board of Nykredit Realkredit A/S and three are elected by the staff.

The Board of Directors of Nykredit Bank A/S is responsible for defining limits to and monitoring the Bank's risks as well as laying down overall instructions. The Board of Directors has assigned the day-to-day responsibility to the Executive Board which is in charge of operationalising overall instructions. Risk exposures and activities are reported to the Board of Directors on a current basis.

Nykredit Realkredit Group Organisation and delegation of responsibilities

Board of Directors
- Overall governance and strategic management
- Lays down overall policies and guidelines

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

Remuneration Board
- Prepares and recommends remuneration policies

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

Risk Board
- Advises the Board of Directors on the Nykredit Group's risk profile and risk management

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

Group committees
- Governance and management within selected fields of business

Credits
- Manages and operationalises the credit policy
- Approves large exposures

Asset/Liability
- Overall capital, asset/liability and liquidity management
- SDO cover pool management

Risk
- Monitors risk profile and capital requirements
- General risk policy
- Approves risk models

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

Products
- Ensures development and maintenance of concepts and products

In Nykredit, risk management is coordinated on a Group-wide basis.

Overall risk management has been delegated to a number of committees monitoring and assessing the business development and risks of the Bank and other Group companies.

Board committees

The Board of Directors of Nykredit Realkredit A/S has appointed an Audit Board, a Remuneration Board, a Nomination Board and a Risk Board. Each of these board committees monitors selected areas and prepares cases for review by the entire Board of Directors, each within their field of responsibility.

Audit Board

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

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

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

The Audit Board held four meetings in 2015.

Remuneration Board

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

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

The Remuneration Board held three meetings in 2015.

Nomination Board

The Nomination Board is tasked with drawing up recommendations for the Board of Directors on the nomination of candidates for Nykredit Realkredit's Committee of Representatives, the Board of Directors and the Executive Board. The Nomination Board is further tasked with setting targets for the under-represented gender on the Board of Directors and laying down a diversity policy for the Board of Directors.

In addition, the Nomination Board, which is accountable to the Board of Directors, is overall responsible for the competency profiles and continuous evaluation of the work and results of the Board of Directors and the Executive Board.

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

The Nomination Board held three meetings in 2015.

Risk Board

The task of the Risk Board is to monitor Nykredit's overall risk profile and strategy, including to assess the long-term capital requirement and the capital policy. It also assesses products, business model, remuneration structure and incentives as well as risk models and basis of methodology, etc. The Risk Board assists the Board of Directors in overseeing that the risk appetite laid down by the Board of Directors is implemented correctly in the organisation.

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

The Risk Board consists of Nina Smith (Chairman), Professor, Steffen Kragh, CEO, Merete Eldrup, Managing Director, Bent Naur, former CEO, and Michael Demsitz, Managing Director, who are all members of the Board of Directors of Nykredit Realkredit A/S elected by the General Meeting.

The Risk Board held four meetings in 2015.

Committees

Nykredit has appointed five committees which are to perform specific tasks within selected fields. All the committees include at least one member of the Group Executive Board.

Each committee must report to the entire Group Executive Board, and the individual members may request the Group Executive Board to decide on a case.

The *Credits Committee* is charged with overseeing the management of risks in Nykredit's credits area. The Committee chiefly considers cases and manages portfolios in the credits area.

The *Asset/Liability Committee* is charged with monitoring and coordinating the use of resources in the form of capital and liquidity, monitoring profitability at the business level and laying down internal limits in relation to the Nykredit Group and the individual companies Nykredit Realkredit, Totalkredit and Nykredit Bank.

Female board representation

%	Actual 2015	Target 2017
Nykredit Holding	17	25
Nykredit Realkredit	20	25
Nykredit Bank	20	25
Totalkredit	22	25

The *Risk Committee* is charged with overseeing the overall risk profile and capital requirements of the Nykredit Group in order to assist the managements of Foreningen Nykredit (the Nykredit Association) and Nykredit Holding A/S in overseeing – and the managements of Nykredit Realkredit, Totalkredit and Nykredit Bank in ensuring – compliance with current legislation and practice in the area in question.

The *Risk Committee* must also oversee all the Nykredit Group's risk models in order to assist Management in monitoring and ensuring compliance with current legislation and practice in the area in question.

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

The *Products Committee's* overarching purpose is to ensure that the development and maintenance of concepts and products potentially involving material risks for the Group, counterparties and/or customers are undertaken in accordance with the Group's business model and the guidelines which the Group Executive Board has approved for development and approval of new concepts and products.

THE UNDER-REPRESENTED GENDER

Nykredit Bank complies with the Nykredit Group's gender equality policy and objectives.

Since 1995 Nykredit has worked actively to increase the proportion of women in management, with particular focus on recruiting female managers to top-level management. All of the Nykredit Group's financial companies have female representation on their Boards of Directors and have targets in this respect, which must be met before end-2017. The actual 2015 figures and the targets for 2017 are stated below.

Nykredit's Boards of Directors have also adopted a policy for board diversity and for increasing the number of women at other managerial levels.

Further information on gender objectives is available at nykredit.com/corporategovernanceuk.

REMUNERATION

Material risk takers

At end-2015, the Nykredit Bank Group had identified a total of 164 risk takers in addition to the members of the Bank's Executive Board and Board of Directors, who are risk takers exclusively by virtue of their directorships and executive positions. Of the 164 risk takers, 24 are on the payroll of Nykredit Bank, 10 are on the payroll of the Bank's subsidiaries, and 130 are on the payroll of Nykredit Realkredit A/S. The latter staff group performs Group-wide tasks.

Material risk takers are identified in compliance with EU regulation in this area.

Remuneration of material risk takers

Pursuant to the Danish Financial Business Act, material risk takers are subject to special restrictions, chiefly in relation to variable remuneration. Some of these restrictions are deferral of payout over a several-year period, partial payout through bonds subject to selling restric-

tions instead of cash payment and the possibility that Nykredit may retain the deferred amount under special circumstances.

The 2015 bonus provisions in respect of the Bank's Executive Board and other risk takers amounted to DKK 16m compared with bonus provisions of DKK 6m for 2014. The 2015 bonus provisions corresponded to 27% of the total salaries of these staff members.

Part of the reason for the significant increase in bonus awards for risk takers was that the number of risk takers rose by 300% (123 persons) from 2014 to 2015 as a result of new EU rules for identification in 2015.

Moreover, as appears from the financial statements, Nykredit Bank's results have improved markedly from 2014 to 2015, and as several bonus pools are linked to the financial performance of the business areas and/or attainment of strategic targets, the bonus award basis has increased accordingly.

The total remuneration of risk-takers subject to variable remuneration appears from note 11 of this report.

Details on bonuses to risk takers, remuneration policy and practices are available at nykredit.com/aboutnykredit.

Bonus programmes

Individual bonus programmes apply to Nykredit's top executives who report directly to the Group Executive Board and to specialists in key areas.

The Bank's Executive Board participates in Nykredit's general bonus programme for management executives. The programme is discretionary, which means that executives are not guaranteed a bonus. The bonus limit applying to a managing director is fixed individually, but is subject to a maximum of six months' salary. Of the bonus amount, the payout of at least 40% is deferred over four years, and a minimum of 50% of the bonus is paid out as remuneration bonds.

Special individual bonus programmes apply to some of the staff of Nykredit Markets, Nykredit Asset Management and Group Treasury who have major earnings responsibility, in line with market standards for such positions. The remuneration of these staff members is based on their job performance. The 2015 bonus provisions in respect of these staff members (excl risk takers) amounted to DKK 53m compared with bonus provisions of DKK 34m for 2014. The 2015 bonus provisions corresponded to 40% of the total salaries of these staff members.

In addition, a limited number of individual bonus programmes apply to selected staff with responsibility for corporate and institutional clients. The 2015 bonus provisions in respect of these staff members (excl risk takers) amounted to DKK 8m compared with bonus provisions of DKK 6m for 2014. The 2015 bonus provisions corresponded to 13% of the total salaries of these staff members.

Management executives and certain senior staff members participate in an individual bonus programme with a potential bonus of up to three months' salary. The 2015 bonus provisions in respect of these staff members amounted to DKK 2m compared with a bonus payout of DKK 1m for 2014.

The bonus programmes do not apply to other management or staff members, but they may receive an individual performance award. For 2015, provisions of DKK 2m were made for performance awards compared with performance awards of DKK 1m for 2014. The performance award provisions for 2015 corresponded to 0.6% of the total salaries of these staff members.

The allocation for bonuses and performance awards for 2015 amounted to DKK 78m compared with total provisions of DKK 58m for 2014. The total provisions for bonuses and performance awards for 2015 corresponded to 13% of total salaries.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Board of Directors and the Executive Board of Nykredit Bank are responsible for the Nykredit Bank Group's control and risk management systems. The delegation of the specific responsibilities has been prescribed by rules of procedure.

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

Nykredit Bank and the Nykredit Group regularly expand and improve their monitoring and control of risk. Risk exposure is reported on a continuous basis in all material areas such as credit risk, market risk, liquidity risk, operational risk and IT risk.

Financial reporting process

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

Group Finance, which include the finance functions of Nykredit Realcredit, Totalkredit and Nykredit Bank, undertakes the Group's total financial reporting and is responsible for ensuring that Group financial reporting complies with policies laid down and current legislation

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

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

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

Control environment

Business procedures have been laid down and controls implemented for all material risk areas. Overall principles and requirements for the preparation of business procedures and an annual process for the

approval of business procedures in material risk areas have been laid down at Group level.

In addition to this, the Audit Board oversees the effectiveness of Nykredit's internal financial reporting process, control systems, internal audit and risk management.

The Group Executive Board and the Bank's Executive Board are responsible for risk delineation, management and monitoring. The Committees perform the current management and monitoring on behalf of the Executive Board.

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

Risk assessment

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

- Periodical review of risk and financial reporting, including IT systems, general procedures and business procedures
- Review of the areas which include assumptions and estimates material to the financial statements
- Review of business and financial development
- Review and approval of budgets and forecasts
- Review of annual and interim reports and other financial data
- Review of reports from the Chief Risk Officer
- Annual assessment of the risk of fraud.

Controls

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

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

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

- *Business units* – the management of each unit is responsible for identifying, assessing and handling the risks arising in connection with the performance of the unit's duties and for implementing satisfactory permanent internal controls for the handling of business operations.
- *Risk functions* – comprise a number of cross-functional areas of the Nykredit Group, such as Group Credits, Group Finance, decentralised finance functions, Capital, Risk including the Chief Risk Officer, Compliance and IT Security. These areas may be in charge of providing policies and procedures on behalf of Management. Further, they are responsible for monitoring whether policies and procedures are observed and whether internal controls performed by the business units are satisfactory.
- *Audit* – comprises internal and external audit. On the basis of an audit plan approved by the Board of Directors, Internal Audit is responsible for carrying out an independent audit of internal controls in Nykredit and performing the statutory audit of the Financial Statements and the Consolidated Financial Statements in cooperation

with the external auditors. The internal and external auditors endorse the Financial Statements and the Consolidated Financial Statements and in this connection issue a long-form audit report to the Board of Directors on any matters of which the Board of Directors should be informed.

The three functional levels are to ensure:

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

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

Communication and information

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

Internal and external financial reports are submitted regularly to Nykredit's Boards of Directors and Executive Boards. Internal reports include analyses of material matters in, for instance, Nykredit's business areas and subsidiaries.

Risk reports are submitted to the Board of Directors, the Executive Board, relevant management levels and the individual business areas and form the basis of Management's accounting estimates in the financial statements. For further information on the Group's risk and capital management, please refer to the publication Risk and Capital Management 2015 available at nykredit.com/reports.

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

NYKREDIT BANK A/S

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S. Nykredit Bank is included in the consolidated financial statements of this company and the consolidated financial statements of Foreningen Nykredit, Copenhagen, which owns 89.80% of Nykredit Holding A/S.

Nykredit Bank A/S applies the same recognition and measurement principles as those applied in the Nykredit Bank Group's Financial Statements, and results for the year and equity are consequently identical in both entities' financial statements.

Since the vast majority 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.

Nykredit Bank A/S Summary income statement

DKK million	2015	2014
Net interest and fee income	2,452	3,026
Value adjustments	951	(3,511)
Other operating income	1	1
Operating expenses	1,716	1,837
Impairment losses on loans, advances and receivables	(136)	201
Profit from investments in associates and Group enterprises	151	125
Profit (loss) before tax	1,975	(2,397)
Tax	433	(625)
Profit (loss) for the year	1,542	(1,772)

Nykredit Bank A/S Summary balance sheet

DKK million	2015	2014
Receivables from credit institutions	13,425	33,884
Loans, advances and receivables	84,812	84,252
Bonds and equities	39,984	64,966
Remaining assets	35,311	45,818
Total assets	173,532	228,920
Payables to credit institutions	34,417	63,131
Deposits and other payables	62,834	65,440
Bonds in issue at amortised cost	20,150	25,881
Other non-derivative financial instruments at fair value	11,776	19,943
Remaining payables and provisions	28,138	41,850
Subordinated debt	100	100
Equity	16,117	12,575
Total liabilities and equity	173,532	228,920

Nykredit Bank A/S Financial ratios

%	2015	2014
Total capital ratio	20.1	13.0
Tier 1 capital ratio	19.7	12.7
Return on equity before tax	13.8	(17.8)
Return on equity after tax	10.7	(13.2)
Number of full-time staff (avg)	606	672

Income statement

Nykredit Bank A/S recorded a profit of DKK 1,542m for 2015, up DKK 3,314m from a loss of DKK 1,772m in 2014.

Income totalled DKK 3,404m, equal to an upturn of DKK 3,888m from a loss of DKK 484m in 2014. Net interest and fee income decreased by DKK 573m, while total value adjustments and other operating income rose by DKK 4,462m thanks to an uptrend in 2015 compared with significant negative value adjustment of interest rate swaps in 2014.

Costs were trimmed from DKK 1,837m in 2014 to DKK 1,716m partly owing to fewer IT development costs. Reorganisation costs dropped from DKK 28m in 2014 to DKK 0m in 2015 when additional provisions of DKK 10m were made, but were offset by a reversal of provisions made in previous years.

Impairment of loans and advances came to a gain of DKK 136m in 2015 against a loss of DKK 201m in 2014. Reference is made to the credit risk section of this report.

Profit from equity investments increased to DKK 151m in 2015 from DKK 125m in 2014, benefiting from Dansk Portefølje Administration's profit after tax of DKK 85m and Nykredit Leasing's profit after tax of DKK 66m.

Principal balance sheet items

The balance sheet total decreased from DKK 228.9bn at end-2014 to DKK 173.5bn.

Cash balances and receivables from credit institutions fell from DKK 33.9bn to DKK 13.4bn.

Loans and advances at fair value rose by DKK 4.2bn, whereas other loans and advances at amortised cost fell by DKK 3.7bn as a result of lower Retail and Wholesale lending.

Bonds and equities amounted to DKK 40.0bn at end-2015 against DKK 65.0bn at end-2014. As for the entire Group, the size of the portfolios reflects the Bank's markets and repo activities and surplus liquidity, of which a substantial part is placed in bonds.

Payables to credit institutions and central banks stood at DKK 34.4bn against DKK 63.1bn at end-2014. The development in balances with credit institutions and bonds in issue especially reflected the Bank's ordinary liquidity adjustments.

Deposits and other payables fell from DKK 65.4bn to DKK 62.8bn.

Equity

Following a capital increase of DKK 2.0bn and profit for the year of DKK 1.5bn, equity stood at DKK 16.1bn.

Total capital ratio

The total capital ratio increased from 13.0% in 2014 to 20.1%.

Dividend

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2015.

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 2015 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 and Danish disclosure requirements for issuers of listed bonds. The Financial Statements and the Management's Review have been prepared in accordance with the Danish Financial Business Act.

Copenhagen, 11 February 2016

Executive Board

Henrik Rasmussen

Dan Sørensen

We are of the opinion that the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2015 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 2015.

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

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

Board of Directors

Michael Rasmussen, Chairman

Søren Holm, Deputy Chairman

Kent Ankersen*

Kim Duus

Flemming Ellegaard*

Anders Jensen

Allan Kristiansen*

Bente Overgaard

* staff-elected member

INTERNAL AUDITORS' REPORT

Report on the Consolidated Financial Statements and the Financial Statements

We have audited the Consolidated Financial Statements and the Financial Statements of Nykredit Bank A/S for the financial year 1 January – 31 December 2015. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

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

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

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

Our audit has not resulted in any qualification.

Opinion

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

Furthermore, in our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2015 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2015 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Financial Statements.

Statement on the Management's Review

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

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

Copenhagen, 11 February 2016

Claus Okholm
Chief Audit Executive

Kim Stormly Hansen
Deputy Chief Audit Executive

INDEPENDENT AUDITORS' REPORT

To the shareholder of Nykredit Bank A/S

Report on the Consolidated Financial Statements and the Financial Statements

We have audited the Consolidated Financial Statements and the Financial Statements of Nykredit Bank A/S for the financial year 1 January – 31 December 2015, comprising income statements, statements of comprehensive income, balance sheets, statement of changes in equity and notes, including the Group's and the Company's accounting policies as well as the Group's cash flow statement. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

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

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

Auditors' responsibilities

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Financial Statements give a fair presentation of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2015 and of the results of the Group's and the Company's operations as well as the Group's cash flows for the financial year 1 January – 31 December 2015 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Financial Statements.

Statement on the Management's Review

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

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

Copenhagen, 11 February 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no 33963556

Anders O. Gjelstrup
State-Authorised
Public Accountant

Thomas Hjortkjær Petersen
State-Authorised
Public Accountant

Statements of income and comprehensive income for 1 January – 31 December

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2014	2015		Note	2015	2014
3,251	2,259	Interest income	5	2,386	3,363
-	5	Negative interest	5a	5	-
892	502	Interest expenses	6	503	895
2,359	1,762	NET INTEREST INCOME		1,888	2,468
26	4	Dividend on equities	7	4	26
1,098	1,171	Fee and commission income	8	1,455	1,349
457	485	Fee and commission expenses	9	505	470
3,026	2,452	NET INTEREST AND FEE INCOME		2,842	3,373
(3,511)	951	Value adjustments	10	945	(3,516)
1	1	Other operating income		25	26
1,733	1,629	Staff and administrative expenses	11	1,832	1,928
11	26	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	12	26	11
93	61	Other operating expenses		65	96
201	(136)	Impairment losses on loans, advances and receivables	13	(121)	219
0	-	Net income from subsidiary in temporary possession	13,45	-	0
201	(136)	TOTAL IMPAIRMENT LOSSES		(121)	219
125	151	Profit from investments in associates and Group enterprises	14	-	-
(2,397)	1,975	PROFIT (LOSS) BEFORE TAX		2,010	(2,371)
(625)	433	Tax	15	468	(599)
(1,772)	1,542	PROFIT (LOSS) FOR THE YEAR		1,542	(1,772)
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT (LOSS)			
125	151	Statutory reserves		-	-
(1,897)	1,391	Retained earnings		-	-
(1,772)	1,542	TOTAL		-	-
		STATEMENTS OF COMPREHENSIVE INCOME			
(1,772)	1,542	PROFIT (LOSS) FOR THE YEAR		1,542	(1,772)
-	-	Other additions and disposals		-	-
-	-	OTHER COMPREHENSIVE INCOME		-	-
(1,772)	1,542	COMPREHENSIVE INCOME FOR THE YEAR		1,542	(1,772)

Balance sheets, year-end

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2014	2015		Note	2015	2014
ASSETS					
4,417	2,744	Cash balances and demand deposits with central banks	17	2,744	4,417
29,467	10,681	Receivables from credit institutions and central banks	18	10,681	29,468
35,228	39,467	Loans, advances and other receivables at fair value	19	39,467	35,228
49,024	45,345	Loans, advances and other receivables at amortised cost	20,13	46,747	50,494
64,625	39,624	Bonds at fair value	21	40,051	64,972
341	360	Equities	22	361	342
869	1,004	Investments in Group enterprises	23	-	-
55	34	Intangible assets	24	34	55
14	7	Other property, plant and equipment	25	7	14
614	-	Current tax assets	32	-	618
36	70	Deferred tax assets	32	-	-
47	31	Assets in temporary possession	26	31	47
44,169	34,159	Other assets	27	34,198	44,206
14	6	Prepayments		18	22
228,920	173,532	TOTAL ASSETS		174,339	229,883

Balance sheets, year-end

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2014	2015		Note	2015	2014
LIABILITIES AND EQUITY					
63,131	34,417	Payables to credit institutions and central banks	28	34,957	63,876
65,440	62,834	Deposits and other payables	29	62,758	65,350
25,881	20,150	Bonds in issue at amortised cost	30	20,150	25,881
19,943	11,776	Other non-derivative financial liabilities at fair value	31	11,776	19,943
-	98	Current tax liabilities	32	98	-
29	29	Liabilities temporarily assumed		29	29
41,631	27,825	Other liabilities	33	28,133	41,880
1	4	Deferred income		7	4
216,056	157,133	TOTAL PAYABLES		157,908	216,963
Provisions					
-	-	Provisions for deferred tax	32	32	56
106	100	Provisions for losses under guarantees	34	100	106
83	82	Other provisions	34	82	83
189	182	TOTAL PROVISIONS		214	245
100	100	Subordinated debt	35	100	100
Equity					
6,045	8,045	Share capital		8,045	6,045
Other reserves					
385	536	Statutory reserves		-	-
6,145	7,536	Retained earnings		8,072	6,530
12,575	16,117	TOTAL EQUITY		16,117	12,575
228,920	173,532	TOTAL LIABILITIES AND EQUITY		174,339	229,883
OFF-BALANCE SHEET ITEMS					
20,993	15,279	Contingent liabilities	36	15,180	20,893
4,685	5,480	Other commitments	37	5,566	4,839
		Accounting policies	1		
		Capital and capital adequacy	2		
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Statement of changes in equity

DKK million

Nykredit Bank A/S

	Share capital*	Statutory reserves	Retained earnings	Total
EQUITY, 31 DECEMBER 2015				
End of previous financial year	6,045	385	6,145	12,575
Total	6,045	385	6,145	12,575
Comprehensive income				
Profit for the year		151	1,391	1,542
Total comprehensive income	-	151	1,391	1,542
Capital increase	2,000			2,000
Total changes in equity	2,000	151	1,391	3,542
Equity, 31 December 2015	8,045	536	7,536	16,117
EQUITY, 31 DECEMBER 2014				
End of previous financial year	6,045	260	8,042	14,347
Total	6,045	260	8,042	14,347
Comprehensive income				
Profit (loss) for the year		125	(1,897)	(1,772)
Total comprehensive income	-	125	(1,897)	(1,772)
Total changes in equity	-	125	(1,897)	(1,772)
Equity, 31 December 2014	6,045	385	6,145	12,575

* The share capital breaks down into 19 shares in multiples of DKK 1m. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the consolidated financial statements of this company and the consolidated financial statements of Foreningen Nykredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 89.80% of Nykredit Realkredit A/S. The financial statements [in Danish] of Foreningen Nykredit may be obtained from the company.

Statement of changes in equity

DKK million

Nykredit Bank Group

	Share capital	Retained earnings	Total
EQUITY, 31 DECEMBER 2015			
End of previous financial year	6,045	6,530	12,575
Total	6,045	6,530	12,575
Comprehensive income			
Profit for the year		1,542	1,542
Total comprehensive income	-	1,542	1,542
Capital increase	2,000		2,000
Total changes in equity	2,000	1,542	3,542
Equity, 31 December 2015	8,045	8,072	16,117
EQUITY, 31 DECEMBER 2014			
End of previous financial year	6,045	8,302	14,347
Total	6,045	8,302	14,347
Comprehensive income			
Loss for the year		(1,772)	(1,772)
Total comprehensive income	-	(1,772)	(1,772)
Total changes in equity	-	(1,772)	(1,772)
Equity, 31 December 2014	6,045	6,530	12,575

Cash flow statement

DKK million

	Nykredit Bank Group	
	2015	2014
Profit (loss) after tax for the year	1,542	(1,772)
Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions		
Depreciation and impairment losses for property, plant and equipment	26	11
Other non-cash changes	(5)	2
Impairment losses on loans, advances and receivables	(65)	252
Tax calculated on profit (loss) for the year	465	(599)
Total	421	(334)
Profit (loss) for the year adjusted for non-cash operating items	1,963	(2,106)
Change in working capital		
Loans, advances and other receivables	(197)	17,790
Deposits and other payables	(3,295)	(671)
Payables to credit institutions and central banks	(28,697)	10,688
Bonds at fair value	26,031	(2,422)
Equities	(19)	14
Other working capital	(11,429)	(9,075)
Total	(17,606)	16,324
Corporation tax paid, net	(226)	27
Cash flows from operating activities	(15,869)	14,245
Cash flows from investing activities		
Property, plant and equipment as well as intangible assets	2	(36)
Total	2	(36)
Cash flows from financing activities		
Capital increase	2,000	-
Subordinated debt	-	(150)
Bonds in issue	(6,709)	(1,205)
Total	(4,709)	(1,355)
Total cash flows	(20,576)	12,854
Cash and cash equivalents, beginning of year	33,885	23,173
Foreign currency translation adjustment of cash	116	(2,142)
Cash and cash equivalents, year-end	13,425	33,885
Cash and cash equivalents, year-end		
Specification of cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	2,744	4,417
Receivables from credit institutions and central banks	10,681	29,468
Cash and cash equivalents, year-end	13,425	33,885

Notes

1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements are furthermore prepared in accordance with additional Danish disclosure requirements for annual reports as stated in the IFRS Executive Order governing financial companies issued pursuant to the Danish Financial Business Act and formulated by Nasdaq Copenhagen for issuers of listed bonds.

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

Change in the presentation of business areas

The presentation of the Group's business areas has been changed as Nykredit Leasing A/S was transferred from Wholesale Clients to Retail in Q4/2015. The income and costs of Nykredit Leasing A/S which stem from activities performed in Wholesale are allocated to Wholesale. For 2015, this change resulted in the allocation of pre-tax profit of DKK 74m (2014: DKK 42m) from Wholesale to Retail.

Also, IT costs were allocated to the individual business segments in 2015 as opposed to previously when the expense was allocated to Group Items. The expense was DKK 233m (2014: DKK 271 m).

The changes did not affect Nykredit Bank's or the Nykredit Bank Group's profit, comprehensive income, balance sheet or equity.

Comparative figures have been restated. Reference is made to note 4 of the Financial Statements.

The accounting policies are unchanged compared with the Annual Report 2014.

For a better overview and to reduce the amount of note disclosures where figures and qualitative disclosures are considered of insignificant importance to the financial statements, certain disclosures have been excluded, including information on goodwill.

New and amended standards and interpretations

Implementation of new or amended standards and interpretations in force and effective for financial years beginning on 1 January 2015:

IAS 19 "Employee Benefits" (specification of standard) (effective from 1 July 2014).

Annual improvements to IFRS 2010-2012 (minor amendments to a number of standards as a result of the IASB's annual improvements) (effective from 1 July 2014).

Annual improvements to IFRS 2011-2013 (minor amendments to a number of standards as a result of the IASB's annual improvements) (effective from 1 January 2015).

Reporting standards and interpretations not yet in force

At the time of presentation of the Annual Report, a number of new or amended standards and interpretations had not yet entered into force and/or had not been approved for use in the EU or were not effective for the financial year beginning on 1 January 2015.

IFRS 14 "Regulatory Deferral Accounts" (new standard) (not approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (amendment to standard) (approved for use in the EU, expected to be effective from 1 January 2016).

IAS 27 "Equity Method in Separate Financial Statements" (amendment to standard) (approved for use in the EU, expected to be effective from 1 January 2016).

Annual improvements to IFRS 2012-2014 (minor amendments to a number of standards as a result of the IASB's annual improvements) (not approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (amendment to standards) (approved for use in the EU, expected to be effective from 1 January 2016).

IAS 1 "Presentation of Financial Statements" (amendment to standard) (approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 10, IFRS 12 and IAS 28 "Consolidated Financial Statements", "Disclosure of Interest in Other Entities" and "Investments in Associates and Joint Ventures" (amendment to standards) (not approved for use in the EU, expected to be effective from 1 January 2016).

IFRS 15 "Revenue from Contracts with Customers" (new standard) (not approved for use in the EU, expected to be effective for financial years beginning on 1 January 2018 or later).

IFRS 9 "Financial Instruments" (financial assets (November 2009) and financial liabilities (October 2010) (new standard) (not approved for use in the EU, expected to be effective for financial years beginning on 1 January 2018 or later).

In July 2014, the IASB issued the final IFRS 9 "Financial Instruments". Among other things, the standard includes new provisions governing "classification and measurement of financial assets", "impairment of financial assets" and "hedge accounting".

For Nykredit Bank, an important feature of IFRS 9 is the new principles for calculation of impairment of loans, advances and receivables measured at amortised cost. According to IFRS 9, measurement must be based on an expected loss principle whereas the method of the current IAS 39 is based on actual objective evidence of impairment (OEI).

Compared with the current standard, IFRS 9 implies earlier recognition of impairment of loans and advances at amortised cost as impairment must be recognised for 12 months' expected losses already at the time of initial recognition.

In the event of later significant changes to loan loss probability, recognition of full-life expected losses may be required in certain circumstances. The standard thus implies earlier recognition of impairment and consequently higher total impairment provisions at the time of implementation. The effect on total impairment provisions is recognised directly in equity at the time of implementation.

A number of analyses, calculations and assessments of the effect on Nykredit's impairments still need to be performed. Due to significant uncertainty about the interpretation itself and the choice of model, etc, we do not consider it possible to estimate the effect on a sufficiently qualified basis.

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

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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

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

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

Determination of the fair value of certain financial instruments

Note 39 specifies the methods applied to determine the carrying amounts and the specific uncertainties related to the measurement of financial instruments at fair value.

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

The fair value determination of financial instruments for which no listed prices in an active market or observable data are available implies the use of significant estimates and assessments in connection

with the choice of credit spread, maturity and extrapolation of each instrument.

Based on level 2 or level 3 of the fair value hierarchy, the fair value of financial assets was 41.1% and 0.4%, respectively, and the fair value of financial liabilities was 21.4% and 0.0%, respectively, at end-2015.

Measurement of loans and advances – impairments

Impairment of loans and advances involves significant estimates in the quantification of the risk of not receiving all future payments. If it can be established that not all future payments will be received, the determination of the time and amount of the expected payments is subject to significant estimates and assessments.

Furthermore, the determination of realisable values of security received and expected dividend payments from bankrupt estates is subject to a number of estimates. Reference is made to "Provisions for loan and receivable impairment" below for a detailed description. Loans and advances made up some 49% of the Group's assets at end-2015.

Provisions

"Provisions for losses under guarantees" and "Other provisions" are recognised in "Provisions". Provisions for losses under guarantees are subject to significant estimates where the determination of the extent to which a guarantee will become effective upon the financial collapse of the guarantee applicant is subject to uncertainty. Conversely, other provisions are based on a legal or constructive obligation involving a significant estimate of the determination of amounts considered necessary to honour the obligation. Provisions for losses under guarantees and other provisions totalled DKK 182m at end-2015.

FINANCIAL INSTRUMENTS

Recognition, classification and measurement of financial instruments

Financial instruments, including derivative financial instruments, represented more than 94% of the Group's assets as well as liabilities.

Recognition

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

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

Financial assets or liabilities are derecognised when the right to receive or pay related cash flows has lapsed or been transferred, and the Group has transferred all risks and returns related to ownership in all material respects.

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

Valuation and classification

Valuation principles and classification of financial instruments are described below as well as in note 39.

Financial instruments are classified as follows:

- Loans, advances and receivables and other financial liabilities at amortised cost
- Financial assets and liabilities at fair value through profit or loss (held for trading).

Loans, advances and receivables and other financial liabilities at amortised cost

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

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

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

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

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

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

- it is chiefly acquired with a view to a short-term gain
- it forms part of a portfolio where there is evidence of realisation of short-term gains
- it is a derivative financial instrument that is not a hedge accounting instrument.

The Group's equity and bond portfolios, derivative financial instruments, repo and reverse repurchase transactions and negative securities portfolios are included in this category.

After initial recognition, equities and bonds are measured at fair value based on listed prices in an active market, generally accepted valuation methods based on market information or other generally accepted valuation methods.

It is assessed on an ongoing basis whether a market is considered active or inactive.

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

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

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

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

Provisions for loan and receivable impairment

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

Individual impairment provisions

Individual reviews and risk assessments of all significant loans, advances and receivables are performed on a continuous basis to determine whether there is any OEI.

There is OEI in respect of a loan if one or more of the following events have occurred:

- The borrower has serious financial difficulties
- The borrower fails to honour its contractual payment obligations
- It is probable that the borrower will go bankrupt or be subject to other financial restructuring
- Nykredit has eased the borrower's loan terms, which would not have been relevant had the borrower not suffered financial difficulties.

The loan is impaired by the difference between the carrying amount before impairment and the present value of the expected future cash flows from the individual loan or exposure. With respect to asset-backed financing, impairment is recognised for the difference between the carrying amount before impairment and the fair value of the security less all costs.

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

Similar individual impairment provisions are made for non-significant loans, advances and receivables if there is OEI and the event/s concerned is/are believed to have a reliably measurable effect on the size of expected future cash flows from the exposure/loan.

Collective impairment provisions

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

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

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

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

Impairment provisions in general

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

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

Impairment losses deemed to be conclusive are recorded as written off.

RECOGNITION, MEASUREMENT AND PRESENTATION IN GENERAL

Recognition and measurement

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

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

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

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

Hedge accounting

The Group applies derivatives to hedge interest rate risk on loans and advances, subordinated debt and bonds in issue measured at amor-

tised cost as well as equity price risk on deposits where the return tracks an equity index.

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

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

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

Offsetting

Financial assets and liabilities are offset and the net amount reported when the Group has a legally enforceable right of set-off and intends either to settle by way of netting or to realise the asset and settle the liability simultaneously. Offsetting mostly takes place in connection with repo transactions and derivative financial instruments cleared through recognised clearing centres.

Consolidation

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

The Consolidated Financial Statements are prepared on the basis of the financial statements of the individual enterprises by combining items of a uniform nature. The financial statements applied for the consolidation are prepared in accordance with the Group's accounting policies. All intercompany income and costs, dividends, intercompany shareholdings, intercompany derivatives and balances as well as realised and unrealised intercompany gains and losses are eliminated.

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

Divested enterprises are included up to the time of divestment.

Core earnings and investment portfolio income

The Group's key figures in the Management's Review as well as its segment financial statements are presented in the statement of core earnings and investment portfolio income, as Management finds that this presentation best reflects the activities and earnings of the Group.

Core earnings mirror income from business with customers and core income from securities less operating costs, depreciation, amortisation and impairment losses including loan impairment. The value adjustment of interest rate swaps and corporate bonds is recognised as a separate item showing the effect of management adjustments, including CVA adjustment, of the fair value of particularly interest rate

swaps. Also goodwill impairment is stated as a separate item in the income statement.

Core income from securities includes the return the Group would have obtained by placing its investment portfolios at a risk-free interest rate corresponding to the Danish central bank's average lending rate.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in equities, bonds and derivative financial instruments.

Segment information

Information is provided on business segments and geographical markets. Business areas are defined on the basis of differences in customer segments and services. Items that are not allocated to the business areas are included in Group Items. The presentation of the business areas is based on internal management reporting. The business areas reflect the Group's return and risk and are considered the Group's core segments. Segment information is in accordance with the Group's accounting policies.

Income and expenses included in the profit or loss before tax of the individual business areas comprise directly as well as indirectly attributable items. Indirect allocation is based on internal allocation keys and agreements between the individual business areas.

Financial assets and liabilities are allocated to the relevant business area in accordance with internal reporting.

Goodwill is recognised in the business area which receives or pays the cash flows relating to the enterprise acquired.

The average business capital of the individual business areas is determined according to Nykredit's internal capital determination model, calculated as 17.5% of the risk exposure amount.

The business return is calculated as the business area's core earnings after impairment losses relative to the average allocated business capital.

The financial assets and liabilities underlying the financial income and expenses forming part of the business areas' profit or loss are allocated to the relevant business area. Non-current assets in the segment include the non-current assets used directly in segment operations, including intangible assets as well as property, plant and equipment.

The business capital of the individual business areas is determined according to an internal capital determination model used for internal reporting.

No risk-free interest is calculated on capital allocated to the business areas. Risk-free interest is presented in Group Items.

Segment information is provided exclusively at Group level.

Currency

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

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

At the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency translation adjustments are recognised in the income statement.

Currency translation differences arising on translation of non-monetary assets and liabilities are recognised in the income statement as part of the fair value gain or loss.

The financial statements of independent foreign entities (branch in Sweden) are translated into Danish kroner at the exchange rates prevailing on the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items.

Reverse repurchase lending and repo transactions

Securities sold as part of repo transactions are retained in the appropriate principal balance sheet item, eg "Bonds". Repo transactions are measured at fair value as they are considered an integral component of the trading book.

Reverse repurchase lending is recognised in "Receivables from credit institutions and central banks" or "Loans, advances and receivables at fair value", depending on the counterparty.

Deposits relating to repo transactions are recognised in "Payables to credit institutions and central banks" or "Other non-derivative financial liabilities at fair value", depending on the counterparty.

Where the Group resells assets received in connection with repo transactions, and where the Group is obliged to return the instruments, the value thereof is included in "Other non-derivative financial liabilities at fair value".

Repo transactions and reverse repurchase lending are recognised and stated at fair value, and the return is recognised as interest income and interest expenses in the income statement.

Leases

Leases are classified as finance leases when all material risk and returns associated with the title to an asset have been transferred to the lessee.

Receivables from the lessee under finance leases are included in "Loans, advances and other receivables at amortised cost". The leases are valued so that the carrying amount equals the net investment in the lease. Interest income from finance leases is recognised in "Interest income". Principal payments made are deducted from the carrying amount as the receivable is amortised.

Direct costs of establishment of leases are recognised in the net investment.

INCOME STATEMENT

Interest income and expenses

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

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

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

Interest expenses comprise interest and similar expenses including adjustment over the life of financial liabilities measured at amortised cost and where the cost differs from the redemption price.

Negative interest

Negative interest income and expenses are recognised separately in the income statement and specified in a note.

Dividend

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

Fees and commissions

Fees and commissions comprise income and costs relating to services, including management fees. Fee income relating to services provided on a current basis is accrued over their terms.

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

Other fees and commissions are fully recognised in the income statement at the date of transaction.

Other operating income

"Other operating income" comprises operating income not attributable to other income statement items.

Value adjustments

Value adjustments include foreign currency translation adjustment and value adjustment of assets and liabilities measured at fair value. Value adjustments relating to the credit risk of loans, advances and receivables measured at fair value are recognised in "Impairment losses on loans, advances and receivables".

Staff and administrative expenses

Staff expenses comprise wages and salaries as well as social security costs, pensions etc. Anniversary bonus, termination benefits as well as holiday pay/allowance obligations are recognised successively.

Other operating expenses

"Other operating expenses" comprises operating expenses not attributable to other income statement items, including contributions to guarantee and resolution schemes for mortgage banks.

Tax

Tax for the year, consisting of current tax for the year and changes to deferred tax, is recognised in the income statement, unless the tax effect concerns items recognised in "Other comprehensive income". Adjustments relating to entries recognised directly in "Other comprehensive income" are recognised accordingly.

Current tax liabilities and current tax assets are recognised in the balance sheet as tax calculated on taxable income for the year adjusted for tax paid on account. The current tax for the year is calculated on the basis of the tax rates and rules prevailing on the balance sheet date.

The Danish tax of the jointly taxed companies is payable in accordance with the scheme for payment of tax on account. Interest payable or deductible relating to voluntary payment of tax on account and interest payable or receivable on over-/underpaid tax is recognised in "Other interest income" or "Other interest expenses", as appropriate.

Based on the balance sheet liability method, deferred tax on all temporary differences between the carrying amounts and the tax base of an asset or liability is recognised except for deferred tax on temporary differences arising on initial recognition of goodwill.

Deferred tax is determined on the basis of the intended use of each asset or the settlement of each liability. Deferred tax is measured using the tax rates expected to apply to temporary differences upon reversal and the tax rules prevailing on the balance sheet date.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at the value at which they are expected to be realised, either by set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable income. On each balance sheet date, it is assessed whether it is probable that future taxable income will allow for the use of the deferred tax asset.

Nykredit Bank's and the Nykredit Bank Group's Danish companies are jointly taxed with Foreningen Nykredit (the Nykredit Association). The Parent Company settles the total current tax of the Nykredit Group's taxable income assessed for the year.

Current Danish corporation tax payable is distributed among the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to do so. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to do so.

ASSETS

Loans, advances and other financial assets

Reference is made to the above description in "Significant accounting estimates and assessments" for these items.

Intangible assets

Goodwill

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises at the time of acquisition. Goodwill is tested for impairment at least once a year, and the carrying amount is written down to the lower of the recoverable amount and the carrying amount in the income statement.

Impairment losses are recognised in the income statement and are not reversed.

Other intangible assets

Other intangible assets comprise the agreed acquisition price on customer relationships in connection with the acquisition of accounts in 2014. Customer relationships are recognised at cost less accumulated amortisation. The amortisation period is 3 years.

Property, plant and equipment

Equipment

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

Depreciation of an asset starts when it is ready for entry into service and is made on a straight-line basis over the expected useful lives of:

- Computer equipment and machinery up to 5 years
- Equipment and motor vehicles up to 5 years
- Leasehold improvements; maximum term of the lease is 15 years.

The residual values and useful lives of the assets are revalued at each balance sheet date. The carrying amount of an asset is written down to the recoverable amount if the carrying amount of the asset exceeds the estimated recoverable amount.

Gains and losses on the divestment of property, plant and equipment are recognised in "Other operating income" or "Other operating expenses".

Assets in temporary possession

Assets in temporary possession include acquired properties and property companies in respect of which:

- the Group's possession is temporary only
- a sale is intended in the short term, and
- a sale is highly likely.

Properties acquired in connection with the termination of an exposure are recognised in "Assets in temporary possession".

Liabilities directly attributable to the assets concerned are presented as liabilities relating to assets in temporary possession in the balance sheet.

Assets in temporary possession are measured at the lower of the carrying amount at the time of classification as assets in temporary possession and the fair value less selling costs. Assets are not depreciated or amortised once classified as assets in temporary possession.

Impairment losses arising on initial classification as assets in temporary possession and gains and losses on subsequent measurement at the lower of the carrying amount and the fair value less selling costs are

recognised in "Impairment losses on loans, advances and receivables" in the income statement.

Other assets

Other assets include interest receivable and positive fair values of derivative financial instruments.

LIABILITIES AND EQUITY

Provisions

Provisions are recognised where, as a result of an event occurred on or before the balance sheet date, the Group has a legal or constructive obligation which can be measured reliably and where it is probable that economic benefits must be given up to settle the obligation. Provisions are measured at Management's best estimate of the amount considered necessary to honour the obligation.

Provisions for losses under guarantees

Provisions for losses under guarantees and loss-making contracts are recognised if it is probable that the guarantee or the contract will become effective and if the liability can be measured reliably.

Bonds in issue at amortised cost

Bonds in issue are initially recognised at fair value equal to consideration received less costs incurred. Bonds in issue are subsequently measured at amortised cost. Where the bonds have embedded derivative financial hedge instruments measured at fair value, the bonds will be value adjusted as regards the part hedged using derivative financial instruments 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 held for trading, which are measured at fair value after initial recognition.

Negative securities portfolios include securities which the Bank has received in connection with reverse repurchase transactions and subsequently resold, but which the Bank is obliged to return.

Subordinated debt

Subordinated debt consists of financial liabilities in the form of hybrid capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.

Subordinated debt is initially recognised at fair value less transaction costs incurred. Subordinated debt is subsequently measured at amortised cost, and any differences between the proceeds less transaction costs and the redemption value are recognised in the income statement over the loan term using the effective interest method.

If the interest rate risk of fixed-rate subordinated debt is hedged effectively using derivatives, the fair value of the hedged interest rate risk is added to the amortised cost of the liability.

Equity

Share capital

Shares are classified as equity where there is no obligation to transfer cash or other assets.

Retained earnings

Retained earnings comprise reserves which are in principle distributable to the Company's shareholders. However, under the Danish Financial Business Act, distribution must in certain circumstances ensure the company's compliance with the so-called combined capital buffer requirement in respect of the Parent Company and the Group.

Proposed dividend

Dividend expected to be distributed for the year is carried as a separate item in equity. Proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration).

CASH FLOW STATEMENT

The consolidated cash flow statement is prepared according to the indirect method based on profit or loss for the year. The consolidated cash flow statement shows cash flows for the year stemming from:

- Operating activities
- Investing activities
- Financing activities.

Operating activities include the Group's principal and other activities which are not part of its investing or financing activities.

Investing activities comprise the purchase and sale of non-current assets and financial investments not included in cash and cash equivalents.

Financing activities comprise subordinated debt raised as well as redeemed, including the sale and purchase of self-issued subordinated debt, and payments to or from shareholders.

Furthermore, the consolidated cash flow statement shows the changes in cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of "Cash balances and demand deposits with central banks" and "Receivables from credit institutions and central banks".

SPECIAL ACCOUNTING POLICIES FOR THE PARENT COMPANY NYKREDIT BANK A/S

The Financial Statements of the Parent Company Nykredit Bank A/S are prepared in accordance with the Danish Financial Business Act and the FSA Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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

Investments in Group enterprises

Investments in Group enterprises are recognised and measured according to the equity method. The IFRS do not allow the equity method in the separate financial statements of parent companies until the expected amendment to IAS 27 has entered into force as at 1 January 2016. The IFRS currently prescribe measurement either at cost or at fair value.

The proportional ownership interest of the equity value of the enterprises less/plus unrealised intercompany gains and losses is recognised in "Investments in Group enterprises" in the Parent Company's balance sheet.

Nykredit's share of the enterprises' profit or loss after tax and elimination of unrealised intercompany gains and losses less depreciation, amortisation and impairment losses is recognised in the Parent Company's income statement.

Total net revaluation of investments in Group enterprises is transferred to equity in "Statutory reserves" through the profit distribution of profit for the year (net revaluation according to the equity method). The reserves are reduced by dividend distribution to the Parent Company and are adjusted for other changes in the equity of subsidiaries.

STATUTORY RESERVES

The Parent Company's statutory reserves include value adjustment of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves are reduced by dividend distribution to the Parent Company and are adjusted for other changes in the equity of subsidiaries and associates. The reserves are non-distributable.

Changes to the Executive Order on the presentation of financial reports

The Danish FSA did not make any amendments to the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc for 2015.

Notes

DKK million

	31.12.2015	31.12.2014
2. CAPITAL AND CAPITAL ADEQUACY		
Nykredit Bank A/S		
Equity	16,117	12,575
Prudent valuation adjustment	(300)	(435)
Intangible assets, including goodwill and deferred tax assets	(34)	(54)
Deduction for difference between IRB losses and impairments	(34)	(41)
Common Equity Tier 1 capital deductions	(368)	(530)
Common Equity Tier 1 capital	15,749	12,045
Hybrid capital	100	100
Transitional hybrid capital adjustment	(26)	(85)
Hybrid capital	74	15
Tier 1 capital	15,823	12,060
Charge for difference between IRB losses and impairments	349	409
Transitional Tier 2 capital adjustment	(26)	(85)
Own funds	16,146	12,384
Credit risk	66,366	77,086
Market risk	8,666	12,417
Operational risk	4,046	4,361
Credit value adjustments (CVA)	1,043	1,041
Total risk exposure amount	80,121	94,905
Common Equity Tier 1 capital ratio, %	19.6	12.6
Tier 1 capital ratio, %	19.7	12.7
Total capital ratio, %	20.1	13.0

Notes

DKK million

	31.12.2015	31.12.2014
2. CAPITAL AND CAPITAL ADEQUACY (continued)		
Nykredit Bank Group		
Equity	16,117	12,575
Prudent valuation adjustment	(300)	(435)
Intangible assets, including goodwill and deferred tax assets	(34)	(54)
Deduction for difference between IRB losses and impairments	(40)	(41)
Common Equity Tier 1 capital deductions	(374)	(530)
Common Equity Tier 1 capital	15,743	12,045
Hybrid capital	100	100
Transitional hybrid capital adjustment	(13)	(85)
Hybrid capital	87	15
Tier 1 capital	15,830	12,060
Charge for difference between IRB losses and impairments	327	390
Transitional Tier 2 capital adjustment	(13)	(85)
Own funds	16,144	12,365
Credit risk	61,961	75,689
Market risk	8,666	12,417
Operational risk	4,641	4,904
Credit value adjustments (CVA)	1,043	1,041
Total risk exposure amount	76,311	94,051
Common Equity Tier 1 capital ratio, %	20.6	12.8
Tier 1 capital ratio, %	20.7	12.8
Total capital ratio, %	21.1	13.1

Capital and capital adequacy have been determined in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the Capital Requirements Regulation) as well as the Danish transitional rules laid down by the Danish FSA.

Notes

2a. CAPITAL POLICY AND MANAGEMENT

As a subsidiary of Nykredit Realkredit A/S, Nykredit Bank is subject to the Nykredit Group's capital policy and management. Nykredit's objective is to maintain active lending activities regardless of economic trends, while retaining a competitive credit rating.

To ensure flexibility and leeway, an element of the capital policy is to concentrate capital to the widest extent possible in the Parent Company, Nykredit Realkredit A/S. Capital is contributed to subsidiaries as required, including Nykredit Bank.

To support Nykredit Bank's business development and strengthen its capital position, the Bank received additional equity of DKK 2bn in early 2015. Nykredit Bank aims to have a CET1 capital ratio of at least 13%.

Required own funds

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit Bank has the required own funds. The required own funds are the minimum capital required, in Management's judgement, to cover all significant risks.

The determination takes into account the business objectives and capital policy targets by allocating capital for all relevant risks, including any model uncertainties.

Required own funds consist of two components: Pillar I and Pillar II capital.

Pillar I

Pillar I capital covers credit, market and operational risks. The Pillar I requirement is identical to the statutory capital requirement.

Pillar II

Pillar II capital covers other risks as well as an increased capital requirement during an economic downturn.

The capital requirement during an economic downturn is determined by means of stress tests, cf "Stress tests and capital projections" below.

The determination of other risks includes assessments of reputation risk, control risk, strategic risk, external risk, concentration risk, validation and backtest results, interest rate risk on swaps, CVA etc.

Under Pillar II, a capital charge has been added to reflect the uncertainty of the internal models used by Nykredit Bank to determine the capital requirement.

Nykredit Bank has updated its models over a long period. As a result, the uncertainty buffer in 2015 was reduced from 10% to 5% of other risks included in the determination of required own funds.

At end-2015 required own funds stood at DKK 9.2bn, of which Pillar I made up DKK 6.1bn and Pillar II made up DKK 3.1bn.

The report Risk and Capital Management 2015, available at nykredit.com/reports, contains further details of the Nykredit Group's capital and risk policy as well as a detailed description of the determination of required own funds and the internal capital adequacy requirement.

Stress tests and capital projections

Nykredit Bank conducts a large number of stress tests and capital projections. The tests are applied to determine required own funds, and the test results are included in the Board of Directors' annual assessment of the internal capital adequacy requirement.

The stress test calculations include the macroeconomic factors of greatest importance historically to the Bank's customers. The most important macroeconomic factors identified are:

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

Nykredit Bank operates with two scenarios of the economic development: A base case and a slightly weaker economic climate.

In a slightly weaker economic climate, the capital requirement for credit risk builds on correlations between the macroeconomic factors, customer default rates (PD) and the size of the loss in case of customer default (LGD). These correlations are an essential element of the capital projection model.

Scenario: Base case

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

Scenario: Slightly weaker economic climate in 2016-2018

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

The capital charge for a slightly weaker economic climate came to DKK 0.8bn at end-2015.

Notes

DKK million

Nykredit Bank Group

3. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME	2015			2014		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
1 January – 31 December						
Net interest income	1,770	118	1,888	2,366	102	2,468
Dividend on equities	4	-	4	19	7	26
Fee and commission income, net	950	-	950	882	(3)	879
Net interest and fee income	2,724	118	2,842	3,267	106	3,373
Value adjustments	1,028	(83)	945	(3,453)	(63)	(3,516)
Other operating income	25	-	25	26	-	26
Staff and administrative expenses	1,832	-	1,832	1,928	-	1,928
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	26	-	26	11	-	11
Other operating expenses	65	-	65	96	-	96
Impairment losses on loans and advances	(121)	-	(121)	219	-	219
Profit (loss) before tax	1,975	35	2,010	(2,414)	43	(2,371)

Notes

DKK million

Nycredit Bank Group

4. BUSINESS AREAS

The business areas reflect the Bank's structure and internal reporting. Retail serves personal customers as well as small and medium-sized enterprises (SMEs). Wholesale comprises activities with corporate and institutional clients, securities trading, derivatives trading, wealth and asset management. Group Items comprises the Bank's treasury area as well as unallocated costs.

RESULTS 2015	Retail			Wholesale			Group Items	Total	
	Personal	SMEs	Total Retail	CIB	Markets	Asset Manage- ment			Total Wholesale
Core income from									
customer activities, gross	583	488	1,071	691	782	805	2,278	11	3,360
payment for distribution	330	217	547	211	(298)	(460)	(547)	-	-
Total business operations	913	705	1,618	903	483	345	1,731	11	3,360
- value adjustment of interest rate swaps	1	249	250	166	(6)	-	160	-	410
- core income from securities	-	-	-	-	-	-	-	8	8
Total*	914	954	1,867	1,069	477	345	1,891	19	3,778
Operating costs and depreciation of equipment ¹	-	-	1,028	276	308	191	775	49	1,852
Expenses for guarantee and resolution schemes ¹	-	-	74	2	1	1	4	(15)	63
Goodwill impairment	9	-	9	-	-	-	-	-	9
Core earnings before impairment losses	-	-	756	791	169	153	1,112	(15)	1,854
Impairment losses on loans and advances	68	(13)	55	(176)	-	-	(176)	-	(121)
Core earnings after impairment losses	-	-	701	967	169	153	1,289	(15)	1,975
Investment portfolio income	-	-	-	-	-	-	-	35	35
Profit before tax	-	-	701	967	169	153	1,289	20	2,010
* Of which transactions between business areas.	304	55	359	78	(109)	(453)	(484)	125	0
Operating costs and depreciation of equipment as % of core income from business operations	-	-	63.6	30.6	63.8	55.4	44.7	-	55.1
Average allocated business capital	3,065	3,803	6,868	4,800	2,018	152	6,970	918	14,756
Core earnings after impairment losses as % of allocated capital (pa)	-	-	10.2	20.1	8.4	100.7	18.5	-	13.4

In 2015 the effect of the organisational changes was the allocation of profit before tax of around DKK 74m from Wholesale to Retail as well as allocation of IT costs of about DKK 233m from Group Items to the business areas.

The financial highlights for the business areas and the income statement items have been further specified in note 3.

¹ Operating costs and depreciation of equipment of personal customers and SMEs are presented and assessed jointly in the internal reporting.

Notes

DKK million

Nykkredit Bank Group

4. BUSINESS AREAS (continued)

2014	Retail			Wholesale				Group Items	Total
	Personal	SMEs	Total Retail	CIB	Markets	Asset Management	Total Wholesale		
Core income from									
customer activities, gross	776	490	1,266	602	506	784	1,892	15	3,173
payment for distribution	310	226	536	181	(256)	(461)	(536)	-	-
Total business operations	1,086	716	1,802	783	250	323	1,356	15	3,173
- value adjustment of interest rate swaps	(6)	(1,851)	(1,857)	(1,505)	-	-	(1,505)	-	(3,362)
- core income from securities	-	-	-	-	-	-	-	29	29
Total*	1,079	(1,135)	(55)	(722)	250	323	(149)	44	(160)
Operating costs and depreciation of equipment	-	-	1,082	258	349	237	844	44	1,970
Expenses for guarantee and resolution schemes	-	-	49	5	5	1	11	5	65
Goodwill impairment	-	-	-	-	-	-	-	-	-
Core earnings before impairment losses	-	-	(1,186)	(985)	(104)	84	(1,004)	(5)	(2,195)
Impairment losses on loans and advances	100	(21)	78	139	(2)	(1)	137	4	219
Core earnings after impairment losses	-	-	(1,264)	(1,124)	(102)	85	(1,141)	(9)	(2,414)
Investment portfolio income	-	-	-	-	-	-	-	43	43
Profit (loss) before tax	-	-	(1,264)	(1,124)	(102)	85	(1,141)	34	(2,371)
* Of which transactions between business areas.	346	214	560	42	(491)	(434)	(883)	323	0
Operating costs and depreciation of equipment as % of core income from business operations	-	-	60.0	33.0	139.9	73.5	62.2	-	62.1
Average allocated business capital ¹	3,103	3,953	7,056	5,180	2,759	109	8,048	1,959	17,063
Core earnings after impairment losses as % of allocated capital (pa)	-	-	(17.9)	(21.7)	(3.7)	78.2	(14.2)	-	(14.1)

As a result of the reorganisation, comparative figures have been restated, thus increasing Retail results by DKK 42m and reducing Wholesale results correspondingly by DKK 42m.

Core income was affected by a transfer of about DKK 88m from Wholesale to Retail.

Operating costs relating to Wholesale were down by about DKK 36m.

Impairment losses in Wholesale dropped by about DKK 10m, which was allocated to Retail.

IT costs, previously allocated to Group Items, are now allocated to the individual entities. As a result, Retail's operating costs and profit before tax were negatively affected by DKK 132m and Wholesale's by DKK 139m.

¹ Comparative figures have been restated, reflecting that the basis of calculation for the average allocated business capital has been changed from 15% to 17.5% of the risk exposure amount.

Notes

DKK million

Nycredit Bank Group

4. BUSINESS AREAS (continued)

BALANCE SHEET

2015	Retail			Wholesale			Group Items	Total	
	Personal	SMEs	Total Retail	CIB	Markets	Asset Manage- ment			Total Wholesale
ASSETS									
Loans and advances at fair value					39,467		39,467		39,467
Loans and advances at amortised cost	12,077	14,977	27,054	19,213	467	5	19,684	8	46,747
Assets by business area	12,077	14,977	27,054	19,213	39,934	5	59,152	8	86,214
Unallocated assets									88,125
Total assets									174,339
LIABILITIES AND EQUITY									
Deposits and other payables	23,781	17,018	40,799	15,908	1,481	4,139	21,528	432	62,758
Liabilities by business area	23,781	17,018	40,799	15,908	1,481	4,139	21,528	432	62,758
Unallocated liabilities									95,463
Equity									16,117
Total liabilities and equity									174,339
Off-balance sheet items (guarantees)	9,909	3,088	12,997	6,943			6,943	805	20,746

Notes

DKK million

Nykredit Bank Group

4. BUSINESS AREAS (continued)

BALANCE SHEET

2014	Retail			Wholesale			Group Items	Total	
	Personal	SMEs	Total Retail ¹	CIB	Markets	Asset Management			Total Wholesale
ASSETS									
Loans and advances at fair value					35,228		35,228		35,228
Loans and advances at amortised cost	13,229	14,777	28,006	21,759	689	8	22,456	32	50,494
Assets by business area	13,229	14,777	28,006	21,759	35,917	8	57,684	32	85,722
Unallocated assets									144,161
Total assets									229,883
LIABILITIES AND EQUITY									
Deposits and other payables	23,333	17,304	40,637	18,852	574	3,862	23,287	1,426	65,350
Liabilities by business area	23,333	17,304	40,637	18,852	574	3,862	23,287	1,426	65,350
Unallocated liabilities									151,958
Equity									12,575
Total liabilities and equity									229,883
Off-balance sheet items (guarantees)	12,888	5,560	18,448	5,920			5,920	1,369	25,737

¹ Nykredit Leasing A/S is included in Retail, and the investment management company Nykredit Portefølje Administration A/S is included in Wholesale. Comparative figures have been restated in accordance with the reorganisation.

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
5. INTEREST INCOME			
28	7	7	28
2,307	2,006	2,126	2,411
1,164	514	520	1,170
(256)	(276)	(276)	(256)
Of which			
16	187	187	16
(240)	(432)	(432)	(240)
(54)	(40)	(40)	(54)
22	9	9	22
8	8	9	10
3,251	2,259	2,386	3,363
Of which interest income from genuine purchase and resale transactions entered as			
18	0	0	18
139	9	9	139
Of total interest income			
2,178	2,004	2,124	2,282
Interest income accrued on financial assets measured at amortised cost			
Interest income accrued on individually impaired loans and advances totalled DKK 107m (2014: DKK 90m). Interest generally does not accrue on individually impaired loans and advances. Interest income attributable to the impaired part of loans and advances after initial impairment is offset against subsequent impairment.			
65	71	106	90
1	-	128	124
5A NEGATIVE INTEREST			
Interest income			
-	(29)	(29)	-
-	(103)	(103)	-
-	(132)	(132)	-
Interest expenses			
-	(91)	(91)	-
-	(46)	(46)	-
-	(137)	(137)	-
-	5	5	-
5 Negative interest, net			

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
6. INTEREST EXPENSES			
188	48	49	191
	Credit institutions and central banks		
353	139	139	353
	Deposits and other payables		
340	298	298	340
	Bonds in issue		
9	2	2	9
	Subordinated debt		
2	15	15	2
	Other interest expenses		
892	502	503	895
	Total		
Of which interest expenses for genuine sale and repurchase transactions entered as			
104	11	11	104
	Payables to credit institutions and central banks		
39	0	0	39
	Deposits and other payables (non-derivative financial liabilities at fair value)		
Bonds in issue			
51	53	53	51
	Offset interest on the Bank's portfolio of self-issued bonds		
Of total interest expenses			
749	491	492	752
	Interest expenses accrued on financial liabilities measured at amortised cost		
7. DIVIDEND ON EQUITIES			
26	4	4	26
	Dividend on equities		
26	4	4	26
	Total		

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
8. FEE AND COMMISSION INCOME			
143	151	419	405
90	108	108	90
19	13	13	19
99	81	77	95
747	818	838	740
1,098	1,171	1,455	1,349
Of which:			
113	111	150	153
583	595	861	818
Certain fees that form an integral part of the effective interest rate of an underlying loan measured at amortised cost have been presented in "Interest income".			
9. FEE AND COMMISSION EXPENSES			
457	485	505	470
Of which			
219	192	212	239
121	131	140	115
10. VALUE ADJUSTMENTS			
2	(4)	(4)	2
(475)	(24)	(30)	(480)
83	106	106	83
(31)	77	77	(31)
(3,090)	796	796	(3,090)
(3,511)	951	945	(3,516)
1,312	(1,110)	(1,110)	1,312
(3,362)	410	410	(3,362)
9	(5)	(5)	9
Value adjustments mainly relate to financial assets, financial liabilities and derivative financial instruments included in the Bank's/Group's trading activities. No value adjustments have been made for own credit risk on bonds in issue or other financial liabilities.			
11. STAFF AND ADMINISTRATIVE EXPENSES			
13	21	21	13
651	598	713	758
1,069	1,010	1,098	1,157
1,733	1,629	1,832	1,928

Notes

11. STAFF AND ADMINISTRATIVE EXPENSES (continued)

Remuneration of Board of Directors and Executive Board:

Fees for the Board of Directors

The three staff-elected board representatives each receive an annual fee of DKK 60,000. No additional fees are paid to the Board of Directors except for the refund of any costs relating to board meetings. As Group Chief Executive and Group Managing Directors, the members of the Board of Directors employed with Nykredit Realkredit A/S receive salaries from Nykredit Realkredit A/S.

As member of the Board of Directors or the Executive Board of other companies of the Nykredit Realkredit Group, the members of the Executive Board received remuneration as follows:

2015	Michael Rasmussen	Kim Duus	Søren Holm	Anders Jensen	Bente Overgaard	Total
Remuneration (DKK 1,000)						
Contractual salary	9,805	6,070	6,070	6,070	6,070	34,085
Pension contributions ¹	2,270	-	-	1,396	1,396	5,062
Anniversary bonus	-	-	-	-	150	150
Compensation for waiving defined benefit pension plan	-	-	-	-	4,000	4,000
Total	12,075	6,070	6,070	7,466	11,616	43,297
Defined benefit plans	-	2,447	2,443	-	(8,705)	(3,815)
Total expenses, carrying amount /earned income	12,075	8,517	8,513	7,466	2,911	39,482
2014: Total expenses, carrying amount /earned income	11,837	8,153	8,192	1,830	7,256	37,268

¹ In addition to their contractual salaries, Michael Rasmussen, Anders Jensen and Bente Overgaard receive a pension contribution of 23% for a pension plan of their own choice. Kim Duus and Søren Holm will be covered by defined benefit pension plans from the age of 60.

With the exception of Michael Rasmussen, Executive Board members receive the same contractual salary, but are covered by different pension plans. The pension plans impact the carrying amounts of the expenses at varying degrees. Members of the Executive Board entitled to pension contributions receive 23% of their contractual salary, whereas the carrying amount of expenses for defined pension plans are provisions for expected pension contributions for the persons concerned. Defined benefit pension plans are determined based on, among other factors, a calculated retirement age of 60.

Members of the Executive Board receive fixed salaries covering all directorships and executive positions in Foreningen Nykredit as well as group enterprises and associates. Neither bonus schemes nor other variable remuneration plans have been established for the members of the Executive Board.

In accordance with the Group's HR policy, Bente Overgaard has received anniversary bonus of DKK 150,000. Bente Overgaard further received DKK 4,000,000 as compensation for waiving a defined benefit pension plan and for a reduction of her termination benefits period from 22 to 12 months. Further, the provisions made for Bente Overgaard's defined benefit pension plan have been reversed.

Notes

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2014	2015			2015	2014
11. STAFF AND ADMINISTRATIVE EXPENSES (continued)					
Executive Board					
13	21	Salaries		21	13
13	21	Total		21	13
Of which:					
2	2	Bonus provisions for the financial year		2	2
Remuneration of Executive Board					
(DKK 1,000)	(DKK 1,000)	Fixed and variable remuneration recognised in the income statement for the financial year		(DKK 1,000)	(DKK 1,000)
Bjørn Mortensen (resigned from the Executive Board on 16 December 2015)					
3,595	3,581	Base salary		3,581	3,595
-	6,720	Accrued holiday allowance on resignation		6,720	-
400	1,500	Bonus		1,500	400
3,995	11,801	Total		11,801	3,995
Lars Bo Bertram (resigned from the Executive Board on 10 October 2014)					
3,193	-	Base salary		-	3,193
448	-	Accrued holiday allowance on resignation		-	448
800	-	Bonus		-	800
4,441	-	Total		-	4,441
Georg Andersen (resigned from the Executive Board on 23 March 2015)					
3,053	761	Base salary		761	3,053
-	5,866	Accrued holiday allowance on resignation		5,866	-
-	600	Bonus		600	-
3,053	7,227	Total		7,227	3,053
Jesper Berg (resigned from the Executive Board on 30 September 2015)					
1,324	1,342	Base salary		1,342	1,324
-	280	Accrued holiday allowance on resignation		280	-
400	212	Bonus		212	400
1,724	1,834	Total		1,834	1,724
Henrik Rasmussen (joined the Executive Board on 1 December 2015)					
-	220	Base salary		220	-
-	220	Total		220	-
Dan Sørensen (joined the Executive Board on 1 December 2015)					
-	151	Base salary		151	-
-	151	Total		151	-
13,213	21,233	Earned in the financial year		21,233	13,213
20	-	Adjustment of bonus relating to previous financial years		-	20

Members of the Executive Board receive a fixed salary covering all directorships and executive positions in the Nykredit Bank Group.

Variable remuneration

The Bank's Executive Board participates in Nykredit's general bonus programme for management executives. The programme is discretionary, which means that bonuses are not guaranteed. Henrik Rasmussen and Dan Sørensen, Managing Directors, receive bonuses for 2015 from Nykredit Realkredit A/S, their employer in the period 1 January to 30 November 2015. The bonus provisions amount to DKK 575,000 and 460,000, respectively.

The bonus awarded to management executives is based on a bonus potential, currently six months' salary, determined on a year-by-year basis.

For details on the Nykredit Group's remuneration policy, reference is made to nykredit.com/aboutnykredit and to page 24 of the Management's Review.

Other information

The period of notice is 12 months. If their contracts are terminated by Nykredit Bank A/S, Executive Board members are entitled to termination benefits equal to nine months' gross salary.

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
11. STAFF AND ADMINISTRATIVE EXPENSES (continued)			
Loans, charges or guarantees issued or created in respect of the members of			
0	0	0	0
0	5	5	0
0	0	0	0
Deposits from the members of			
2	2	2	2
10	16	16	10
0	2	2	0
Balances with the above members of the Bank's Management and their related parties are subject to standard business terms and market-based interest terms. The lending rate for members of the Bank's Executive Board or Board of Directors and their related parties ranged between 2.75-10.75% (2014: 2.75-10.75%), and the deposit rate ranged between 0.0% and 2.0% (2014: 0.125-1.00%).			
Staff expenses			
522	483	579	611
55	48	58	64
63	58	66	71
11	9	10	12
651	598	713	758
Payroll tax also includes payroll tax relating to the Executive Board.			
Of which remuneration of staff members whose activities have a significant influence on the Bank's risk profile (material risk takers):			
5	38	50	12
2	12	15	4
0	(1)	(1)	0
7	49	64	16

Staff members whose activities have a significant influence on Nykredit Bank's and the Nykredit Bank Group's risk profile include the Executive Board and 164 other staff members. 24 of these are on the payroll of Nykredit Bank, 10 are on the payroll of the Bank's subsidiaries, and 130 are on the payroll of Nykredit Realkredit. The latter staff group performs Group-wide tasks, settled through intercompany agreements.

These staff members are subject to special salary programmes.

A maximum of 60% of the variable remuneration is paid out when awarded, while the payout of at least 40% is deferred over the following four years.

For details on the remuneration policy, see the Management's Review and nykredit.com/aboutnykredit.

Notes

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2014	2015			2015	2014
11. STAFF AND ADMINISTRATIVE EXPENSES (continued)					
672	606	Average number of staff, full-time equivalents		761	820
Total fees to Deloitte, auditors appointed by the General Meeting, who perform the statutory audit:					
2	2	- Statutory audit of the Financial Statements		2	2
0	0	- Other assurance engagements		0	0
0	0	- Tax advice		0	0
1	0	- Other services		0	1
3	2	Total		2	3
12. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS					
8	5	Property, plant and equipment		5	8
3	21	Intangible assets		21	3
11	26	Total		26	11
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES					
Specification of impairment provisions					
3,006	2,660	Individual impairment provisions for loans, advances and receivables		2,711	3,051
23	23	Individual impairment provisions for receivables from credit institutions		23	23
507	136	Total collective impairment provisions		141	509
3,536	2,819	Total impairment provisions, year-end		2,875	3,583
Individual impairment provisions for loans, advances and receivables					
3,563	3,006	Impairment provisions, beginning of year		3,051	3,605
608	701	Impairment provisions for the year		729	634
581	489	Impairment provisions reversed		510	600
584	558	Impairment provisions written off		559	588
3,006	2,660	Impairment provisions, year-end		2,711	3,051
Individual impairment provisions for credit institutions					
19	23	Impairment provisions, beginning of year		23	19
4	-	- Impairment provisions for the year		-	4
23	23	Impairment provisions, year-end		23	23
Collective impairment provisions					
369	507	Impairment provisions, beginning of year		509	370
138	(371)	Impairment provisions for the year, net		(368)	139
507	136	Impairment provisions, year-end		141	509

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
13. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)			
Earnings impact			
165	(159)	Change in provisions for loan and receivable impairment	(149) 173
4	0	Change in impairment provisions for lending to credit institutions	0 4
52	87	Write-offs for the year, not previously written down for impairment	92 63
32	56	Recoveries on claims previously written off	56 33
0	0	Net income from subsidiary in temporary possession	0 0
8	(1)	Assets in temporary possession (direct losses)	(1) 8
197	(129)	Total impairment losses	(114) 215
4	(7)	Provisions for guarantees, net	(7) 4
201	(136)	Total	(121) 219
63	235	Of which individual impairment provisions	247 80
138	(371)	Of which collective impairment provisions	(368) 139
4	0	Of which credit institutions	0 4
Receivables from credit institutions with objective evidence of impairment			
25	25	Receivables subject to individual impairment provisioning	25 25
23	23	Impairment provisions	23 23
2	2	Carrying amount	2 2
Specification of loans and advances subject to objective evidence of impairment			
4,584	3,947	Loans and advances at amortised cost subject to individual impairment provisioning	4,092 4,708
1,926	2,081	Of which fully impaired	2,086 1,929
2,658	1,866	Total	2,006 2,779
3,006	2,660	Individual impairment provisions for loans, advances and receivables, year-end	2,711 3,051
1,926	2,081	Of which relating to loans and advances fully impaired	2,086 1,929
1,080	579	Total	625 1,122
1,578	1,287	Carrying amount of loans and advances at amortised cost with individual impairment provisioning	1,381 1,657
47,953	44,194	Loans and advances at amortised cost subject to collective impairment provisioning	45,507 49,346
507	136	Impairment provisions	141 509
47,446	44,058	Carrying amount of loans and advances at amortised cost with collective impairment provisioning	45,366 48,837
14. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
-	-	Profit from investments in associates	- -
125	151	Profit from investments in Group enterprises	- -
125	151	Total	- -

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
15. TAX			
Tax for the year can be specified as follows:			
(625)	433	468	(599)
(625)	433	468	(599)
Tax on profit (loss) for the year has been calculated as follows:			
(616)	466	491	(598)
(17)	(32)	(18)	(7)
2	0	(4)	0
18	1	1	18
(12)	(2)	(2)	(12)
(625)	433	468	(599)
Tax on profit (loss) for the year can be specified as follows:			
(587)	464	472	(581)
(30)	(35)	-	-
Tax effect of			
(19)	(5)	(14)	(28)
9	9	14	10
2	0	(4)	0
(625)	433	468	(599)
(26.1)	21.9	23.3	(25.3)
16. SECONDARY BUSINESS AREA			
Foreign entities' contributions to profit (loss) for the year in the form of interest income, fee income and other operating income			
2	0	0	2
2	0	0	2
6	(26)	(26)	6
Balance sheet			
21	6	6	21
12	14	14	12
The branch balance sheet essentially consists of balances with Nykredit Markets, costs due for salaries and social security as well as minor balances with suppliers.			
The branch ceased its activities at end-January 2015 and is being wound-up entirely.			

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
17. CASH BALANCES AND DEMAND DEPOSITS WITH CENTRAL BANKS				
4,417	2,744	Cash balances and demand deposits with central banks	2,744	4,417
4,417	2,744	Total	2,744	4,417
18. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
8,746	-	Receivables at call from central banks	-	8,746
20,721	10,681	Receivables from credit institutions	10,681	20,722
29,467	10,681	Total	10,681	29,468
By time-to-maturity				
20,167	7,912	Demand deposits	7,912	20,168
8,940	2,769	Up to 3 months	2,769	8,940
360	-	- Over 3 months and up to 1 year	-	360
0	-	- Over 1 year and up to 5 years	-	0
0	-	- Over 5 years	-	0
29,467	10,681	Total	10,681	29,468
6,663	669	Of which reverse repurchase lending (purchase and resale transactions)	669	6,663
19. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
35,228	39,467	Loans and advances at fair value	39,467	35,228
35,228	39,467	Total	39,467	35,228
35,228	39,467	Of which reverse repurchase lending (purchase and resale transactions)	39,467	35,228
By time-to-maturity				
35,228	39,467	Up to 3 months	39,467	35,228
-	-	- Over 3 months and up to 1 year	-	-
35,228	39,467	Total	39,467	35,228

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
49,024	45,345	Loans and advances	46,747	50,494
49,024	45,345	Total	46,747	50,494
By time-to-maturity				
12,828	13,056	On demand	9,868	10,340
11,995	10,262	Up to 3 months	10,510	12,176
5,216	4,525	Over 3 months and up to 1 year	5,378	5,960
8,455	7,509	Over 1 year and up to 5 years	10,538	11,090
10,530	9,993	Over 5 years	10,453	10,928
49,024	45,345	Total	46,747	50,494
Fixed-rate loans				
1,519	1,918	Of total loans and advances, fixed-rate loans represent	1,918	1,519
1,547	1,929	Market value of fixed-rate loans	1,929	1,547
Finance leases				
-	-	Of total loans and advances at amortised cost, finance leases represent	4,031	3,457
42	-	Carrying amount, beginning of year	3,457	2,963
-	-	Additions	1,957	1,780
42	-	Disposals	1,383	1,286
-	-	Carrying amount, year-end	4,031	3,457
By time-to-maturity				
-	-	Up to 3 months	321	255
-	-	Over 3 months and up to 1 year	709	617
-	-	Over 1 year and up to 5 years	2,589	2,217
-	-	Over 5 years	412	368
-	-	Total	4,031	3,457
Gross investments in finance leases				
By time-to-maturity				
-	-	Up to 1 year	1,150	996
-	-	Over 1 year and up to 5 years	2,862	2,495
-	-	Over 5 years	427	384
-	-	Total	4,439	3,875
-	-	Non-earned income	408	418
Where loans and advances under finance leases are concerned, amortised cost represents their fair value. The leases comprise equipment as well as real estate. The leases have been concluded on an arm's length basis. The term of the leases is up to 14 years.				
-	-	Impairment provisions for finance leases amount to Non-guaranteed residual values upon expiry of the leases amount to DKK 0.	41	34

Notes

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2014	2015			2015	2014
20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (continued)					
%	%	Loans, advances and guarantee debtors by sector as %, year-end		%	%
Includes loans, advances and receivables at fair value					
1	0	Public sector		0	1
		Business customers			
2	2	Agriculture, hunting, forestry and fishing		2	3
4	4	Manufacturing, mining and quarrying		5	5
1	1	Energy supply		1	1
2	2	Construction		2	2
3	3	Trade		3	3
2	2	Transport, accommodation and food service activities		3	3
1	1	Information and communication		1	1
41	49	Finance and insurance		45	38
12	10	Real estate		10	12
8	6	Other		8	9
76	80	Total business customers		80	77
23	20	Personal customers		20	22
100	100	Total		100	100
The sector distribution is based on the official Danish activity codes.					
21. BONDS AT FAIR VALUE					
49,300	35,571	Covered bonds		35,998	49,647
8,079	572	Government bonds		572	8,079
9,337	5,509	Other bonds		5,509	9,337
66,716	41,652	Total		42,079	67,063
2,091	2,028	Self-issued bonds offset against bonds in issue		2,028	2,091
64,625	39,624	Total		40,051	64,972
The effect of fair value adjustment is recognised in the income statement.					
3,123	430	Of which redeemed bonds		430	3,123
25,558	13,855	Assets sold as part of repo transactions (sale and repurchase transactions)		13,855	25,558
16,462	4,871	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of		4,871	16,462
The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment period of very few value dates.					
Maturities based on the nominal maturities of the securities					
29,060	10,578	Up to 1 year		10,965	29,350
29,160	24,873	Over 1 year and up to 5 years		24,913	29,217
6,405	4,173	Over 5 years		4,173	6,405
64,625	39,624	Total		40,051	64,972
The actual holding period may be considerably shorter than the nominal maturity because a significant part of the portfolio is included in the Bank's trading activities.					

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
		22. EQUITIES		
341	360	Equities measured at fair value through profit or loss	361	342
341	360	Total	361	342
		Specification of equity portfolios		
122	177	Listed on Nasdaq Copenhagen	178	123
9	6	Listed on other stock exchanges	6	9
210	177	Unlisted equities carried at fair value	177	210
341	360	Total	361	342
		23. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
10	10	Cost, beginning of year	10	10
10	10	Cost, year-end	10	10
(10)	(10)	Revaluations and impairment losses, beginning of year	(10)	(10)
(10)	(10)	Total revaluations and impairment losses, year-end	(10)	(10)
-	-	Balance, year-end	-	-
		Investments in Group enterprises		
241	441	Cost, beginning of year	-	-
200	-	Additions	-	-
-	16	Disposals	-	-
441	425	Cost, year-end	-	-
304	428	Revaluations and impairment losses, beginning of year	-	-
150	185	Profit before tax	-	-
26	34	Tax	-	-
428	579	Total revaluations and impairment losses, year-end	-	-
869	1,004	Balance, year-end	-	-
		Subordinated receivables		
-	-	Group enterprises	-	-
-	-	Associates	-	-
324	25	Other enterprises	25	324
324	25	Total	25	324

Notes

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2014	2015			2015	2014
23. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (continued)					
Balances with associates and Group enterprises					
Associates					
Asset items					
12	12	Loans, advances and other receivables at amortised cost		12	12
5	6	Other assets		6	5
17	18	Total		18	17
Liability items					
36	36	Deposits and other payables		36	36
36	36	Total		36	36
Group enterprises					
Asset items					
2,599	3,300	Loans, advances and other receivables at amortised cost		-	-
1	2	Other assets		-	-
2,600	3,302	Total		-	-
Liability items					
91	76	Deposits and other payables		-	-
1	2	Other liabilities		-	-
92	78	Total		-	-
24. INTANGIBLE ASSETS					
Customer relationships					
-	35	Acquisition cost, beginning of year		35	-
35	-	Additions for the year		-	35
35	35	Total, year-end		35	35
-	3	Amortisation, beginning of year		3	-
3	12	Amortisation for the year		12	3
3	15	Amortisation, year-end		15	3
32	20	Total customer relationships, year-end		20	32

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
24. INTANGIBLE ASSETS (continued)			
Goodwill			
29	29	29	29
	Acquisition cost, beginning of year		
29	29	29	29
	Total, year-end		
6	6	6	6
	Impairment losses, beginning of year		
-	9	9	-
	Impairment losses for the year		
6	15	15	6
	Impairment losses, year-end		
23	14	14	23
	Total goodwill, year-end		
9	-	-	9
	Acquisition of SEB branch in 2008		
14	14	14	14
	Acquisition of Amber Fondsmæglerselskab A/S in 2011		
23	14	14	23
	Total goodwill, year-end		
Acquisition of SEB branch: Goodwill was allocated to the business area Retail			
On the basis of the annual impairment test, goodwill was impaired by DKK 9m. The reason for the impairment was a change of the budget period from 10 to 5 years and increased rate of return.			
Acquisition of Amber Fondsmæglerselskab A/S in 2011: Goodwill was allocated to the business area Wholesale			
25. OTHER PROPERTY, PLANT AND EQUIPMENT			
14	7	7	14
	Equipment		
14	7	7	14
	Total		
Equipment			
49	49	52	58
	Cost, beginning of year		
1	1	2	1
	Additions		
1	10	11	7
	Disposals		
49	40	43	52
	Cost, year-end		
28	35	38	37
	Depreciation and impairment losses, beginning of year		
8	5	5	8
	Depreciation for the year		
1	7	7	7
	Reversal of depreciation and impairment losses		
35	33	36	38
	Depreciation and impairment losses, year-end		
14	7	7	14
	Balance, year-end		
Equipment is depreciated over 3-5 years and had an average residual depreciation period of 2 years at 31 December 2015 (end-2014: 2 years).			
26. ASSETS IN TEMPORARY POSSESSION			
79	47	47	212
	Assets, beginning of year		
6	2	2	6
	Additions		
38	18	18	171
	Disposals		
47	31	31	47
	Balance, year-end		
Assets in temporary possession comprised acquired properties.			
Nykredit Bank accepts mortgages over real estate as security for loans. In a number of instances the Bank acquires the properties at forced sales by public auction in the event of borrowers' non-performance of loan agreements etc.			
Property valuation is based on the expected sales values in case of disposal within a period of 12 months.			

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
27. OTHER ASSETS				
3,509	2,339	Interest and commission receivable	2,369	3,539
39,078	29,250	Positive market value of derivative financial instruments, net	29,250	39,078
1,582	2,570	Other	2,579	1,589
44,169	34,159	Total	34,198	44,206
Positive market value of derivative financial instruments				
By time-to-maturity				
1,806	1,356	Up to 1 year	1,356	1,806
12,064	6,006	Over 1 year and up to 5 years	6,006	12,064
25,208	21,888	Over 5 years	21,888	25,208
39,078	29,250	Total	29,250	39,078
Accounting netting				
48,185	39,579	Positive market value of derivative financial instruments, gross	39,579	48,185
9,154	12,058	Other receivables relating to derivative financial instruments included in netting	12,058	9,154
(18,261)	(22,387)	Netting of positive and negative market values, cf note 33	(22,387)	(18,261)
39,078	29,250	Total carrying amount of derivative financial instruments, net	29,250	39,078
1,185	2,823	In connection with derivatives transactions, the Bank has received security not included in netting of	2,823	1,185
37,893	26,427	Carrying amount less security received	26,427	37,893
<p>The items "Interest and commission receivable" and "Other" fall due within 1 year.</p> <p>Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.</p> <p>Apart from netting, security is provided on a daily basis by way of a variation margin corresponding to the market value changes of the contracts entered into.</p> <p>Offsetting takes place for derivatives that have been cleared through a central clearing house (CCP).</p>				
Minimum margin				
<p>Upon entering into and in connection with the following valuation of derivatives contracts, provisions are made in the form of a so-called minimum margin for liquidity risk, credit risk and return on capital. The minimum margin is amortised over the time-to-maturity of the derivatives.</p>				
507	470	The unamortised minimum margin at the beginning of the year amounted to	470	507
(50)	(49)	Amortised through profit or loss over the year	(49)	(50)
22	19	Minimum margin on new contracts	19	22
(9)	(10)	Terminated contracts	(10)	(9)
470	430	Total unamortised minimum margin at year-end	430	470

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
28. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
3,441	1,762	Payables to central banks	1,762	3,441
59,690	32,655	Payables to credit institutions	33,195	60,435
63,131	34,417	Total	34,957	63,876
11,723	5,294	Of which repo transactions (sale and repurchase transactions)	5,294	11,723
By time-to-maturity				
16,944	7,451	Payables on demand	7,451	16,944
41,687	21,117	Up to 3 months	21,117	41,687
4,054	5,625	Over 3 months and up to 1 year	5,625	4,054
409	224	Over 1 year and up to 5 years	764	1,154
37	0	Over 5 years	0	37
63,131	34,417	Total	34,957	63,876
29. DEPOSITS AND OTHER PAYABLES				
45,969	50,197	On demand	50,121	45,879
5,306	2,334	At notice	2,334	5,306
11,142	7,536	Time deposits	7,536	11,142
3,023	2,767	Special deposits	2,767	3,023
65,440	62,834	Total	62,758	65,350
By time-to-maturity				
47,229	50,591	On demand	50,515	47,139
7,445	7,407	Up to 3 months	7,407	7,445
5,901	1,535	Over 3 months and up to 1 year	1,535	5,901
2,944	1,547	Over 1 year and up to 5 years	1,547	2,944
1,921	1,754	Over 5 years	1,754	1,921
65,440	62,834	Total	62,758	65,350
30. BONDS IN ISSUE AT AMORTISED COST				
27,972	22,178	Bonds in issue	22,178	27,972
(2,091)	(2,028)	Own portfolio	(2,028)	(2,091)
25,881	20,150	Total	20,150	25,881
By time-to-maturity				
9,517	5,053	Up to 3 months	5,053	9,517
7,263	7,598	Over 3 months and up to 1 year	7,598	7,263
8,654	7,180	Over 1 year and up to 5 years	7,180	8,654
447	319	Over 5 years	319	447
25,881	20,150	Total	20,150	25,881
Issues				
15,767	12,344	EMTN issues*	12,344	15,767
10,107	7,564	ECP issues*	7,564	10,107
-	242	Other issues	242	-
7	-	Employee bonds (former Forstædernes Bank)	-	7
25,881	20,150	Total	20,150	25,881

* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
31. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
13,855	7,438	Deposits at fair value	7,438	13,855
6,088	4,338	Negative securities portfolios	4,338	6,088
19,943	11,776	Total	11,776	19,943
	-		-	
By time-to-maturity				
19,943	11,776	Up to 3 months	11,776	19,943
13,855	7,438	Of which repo transactions (sale and repurchase transactions)	7,438	13,855
32. DEFERRED AND CURRENT TAX				
Deferred tax				
(9)	(36)	Deferred tax, beginning of year (asset)	56	75
(17)	(32)	Deferred tax for the year recognised in profit (loss) for the year	(18)	(7)
(12)	(2)	Adjustment of deferred tax assessed for previous years	(2)	(12)
2	0	Adjustment of deferred tax due to changed tax rates	(4)	0
(36)	(70)	Balance, year-end	32	56
Deferred tax recognised in the balance sheet:				
(36)	(70)	Deferred tax (asset)	-	-
-	-	Deferred tax (liability)	32	56
(36)	(70)	Net balance, year-end	32	56
Deferred tax relates to				
(22)	(26)	Loans and advances	108	102
2	(1)	Intangible assets	(1)	2
(2)	(2)	Property, plant and equipment	(2)	(3)
2	0	Other assets and prepayments	(31)	(29)
62	37	Bonds in issue	37	62
(78)	(78)	Other liabilities and deferred income	(79)	(78)
(36)	(70)	Total	32	56
Recognised in profit (loss) for the year				
(4)	(4)	Loans and advances	5	23
1	(3)	Intangible assets	(3)	1
0	0	Property, plant and equipment	1	0
(2)	(2)	Other assets and prepayments	(2)	(21)
(15)	(25)	Other liabilities and deferred income	(25)	(15)
(7)	0	Bonds in issue	0	(7)
(27)	(34)	Total	(24)	(19)
Current tax assets/liabilities				
47	(614)	Corporation tax receivable, beginning of year	(618)	65
616	467	Current tax for the year	491	598
(31)	246	Corporation tax paid for the year, net	226	(27)
(18)	(1)	Adjustment relating to previous years	(1)	(18)
614	98	Balance, year-end	98	618

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
33. OTHER LIABILITIES				
3,663	2,483	Interest and commission payable	2,483	3,663
37,474	24,732	Negative market value of derivative financial instruments, net	24,732	37,474
494	610	Other payables	918	743
41,631	27,825	Total	28,133	41,880
No adjustment has been made for own credit risk on valuation of derivative financial instruments.				
Negative market value of derivative financial instruments				
By time-to-maturity				
1,589	1,146	Up to 1 year	1,146	1,589
13,089	5,228	Over 1 year and up to 5 years	5,228	13,089
22,796	18,358	Over 5 years	18,358	22,796
37,474	24,732	Total	24,732	37,474
Netting				
52,881	43,722	Negative market value of derivative financial instruments, gross	43,722	52,881
2,854	3,397	Other debt included in netting	3,397	2,854
(18,261)	(22,387)	Netting of positive and negative market values, cf note 27	(22,387)	(18,261)
37,474	24,732	Net market value	24,732	37,474
12,936	10,194	In connection with derivatives transactions, the Bank has provided security not included in netting.	10,194	12,936
Netting of market values was attributable to clearing of derivatives through a central clearing house (CCP clearing).				
The items "Interest and commission payable" and "Other payables" fall due within one year.				
34. PROVISIONS				
Provisions for losses under guarantees				
103	106	Balance, beginning of year	106	103
32	17	Additions	17	32
28	23	Reversal of unutilised amounts	23	28
1	0	Disposals	0	1
106	100	Balance, year-end	100	106
Other provisions				
69	83	Balance, beginning of year	83	69
28	88	Additions	88	28
-	43	Reversal of unutilised amounts	43	-
14	46	Disposals	46	14
83	82	Balance, year-end	82	83
Total provisions for losses under guarantees and other provisions				
172	189	Balance, beginning of year	189	172
60	105	Additions	105	60
28	66	Reversal of unutilised amounts	66	28
15	46	Disposals	46	15
189	182	Balance, year-end	182	189

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.

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

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
35. SUBORDINATED DEBT				
Subordinated debt consists of financial liabilities in the form of hybrid capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.				
Hybrid capital				
100	100	Nom DKK 100m. The loan is perpetual and carries a floating interest rate of 1.7% pa above 3M Cibur.	100	100
100	100	Total subordinated debt	100	100
Included in the determination of own funds				
-	-	Subordinate loan capital	-	-
100	100	Hybrid capital	100	100
-	-	Costs related to raising and redeeming subordinated debt	-	-
36. CONTINGENT LIABILITIES				
15,206	8,804	Financial guarantees	8,804	15,206
1,279	1,423	Registration and refinancing guarantees	1,424	1,279
4,508	5,052	Other contingent liabilities	4,952	4,408
20,993	15,279	Total	15,180	20,893
By time-to-expiry				
15,096	10,502	Up to 1 year	10,434	15,024
3,701	2,977	Over 1 year and up to 5 years	2,957	3,683
2,196	1,800	Over 5 years	1,789	2,186
20,993	15,279	Total	15,180	20,893
The breakdown of times-to-expiry of guarantees is based on the expiry of the individual agreements. Where a guarantee does not have a fixed expiry date, expiry is based on an estimate.				
OTHER CONTINGENT LIABILITIES				
Legal proceedings				
The Bank's operations involve the Bank in legal proceedings and litigation, including tax disputes. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Bank Group's financial position.				
Bankernes EDB Central (BEC)				
BEC is one of Nykredit Bank's IT providers. According to BEC's articles of association, Nykredit Bank may terminate its membership of BEC giving five years' notice to expire at the end of a financial year. Should the membership terminate for other reasons related to Nykredit Bank, compensation will be payable to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice but a transitional scheme may apply.				

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
36. CONTINGENT LIABILITIES (continued)				
OTHER CONTINGENT LIABILITIES (continued)				
Guarantee and resolution schemes				
<p>Nykredit Bank A/S participates in the mandatory Danish depositor guarantee scheme. A new scheme has been introduced in 2015, as the Danish Guarantee Fund took over the activities and assets of the Danish Guarantee Fund for Depositors and Investors on 1 June 2015. The purpose of the Danish Guarantee Fund is to provide cover for depositors and investors of distressed institutions included in the Fund's scheme. The scheme includes both natural and legal persons, and deposits are covered by an amount equivalent to EUR 100,000 per depositor and EUR 20,000 per investor.</p> <p>The Resolution Fund, which is a finance scheme, was also established on 1 June 2015.</p> <p>The Resolution Fund is financed by annual contributions from participating banks, mortgage lenders and investment companies and, as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits.</p> <p>Participating institutions pay an annual amount to cover any losses incurred by the Resolution Fund in connection with the resolution of distressed institutions.</p>				
Joint taxation				
<p>The Company is jointly taxed in Denmark with Foreningen Nykredit as the administration company. Pursuant to the Danish Corporation Tax Act, the Company is liable for income taxes etc payable by the jointly taxed companies as of the financial year 2014 and for any obligations to withhold tax at source on interest, royalties and dividends of these companies as of 1 July 2012. Foreningen Nykredit's corporation tax under the joint taxation scheme came to DKK 127m net as at 31 December 2015.</p>				
37. OTHER COMMITMENTS				
4,508	5,298	Irrevocable credit commitments	5,298	4,508
177	182	Other	268	331
4,685	5,480	Total	5,566	4,839

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
<p>38. RELATED PARTY TRANSACTIONS AND BALANCES</p> <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, its Executive Board and related parties thereof. Transactions with the Board of Directors, the Executive Board and related parties thereof appear from note 11.</p> <p>No unusual related party transactions occurred in 2014 or 2015.</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 trading in goods and services took place on an arm's length, cost reimbursement or profit split basis.</p> <p>Significant related party transactions prevailing/entered into in 2014 or 2015 include:</p> <p>Nykredit Bank received additional equity of DKK 2bn from Nykredit Realkredit A/S in February 2015.</p> <p>Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas.</p>			

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
38. RELATED PARTY TRANSACTIONS AND BALANCES (continued)			
Associates			
Income statement			
-	0	-	-
Asset items			
12	12	12	12
5	6	6	5
Liability items			
36	36	36	36
Transactions with the Parent Company, Nykredit Realkredit A/S, and its Group enterprises and associates			
Income statement			
345	310	312	348
27	3	3	27
98	105	105	98
275	258	258	275
(14)	37	36	(17)
639	576	626	671
Asset items			
3,033	15	15	3,033
0	0	0	0
7,237	7,070	7,269	7,423
437	388	388	439
Liability items			
38,068	21,747	21,747	38,068
157	184	184	157
1,970	1,954	1,954	1,970
17	16	16	17
Transactions with other Group enterprises			
Income statement			
40	30	-	-
0	0	-	-
12	10	-	-
12	9	-	-
11	16	-	-
Asset items			
2,599	3,300	-	-
1	2	-	-
Liability items			
91	76	-	-
1	2	-	-

Notes

39. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheets. The tables in notes 39 a and 39 b show the values of all instruments compared with the carrying amounts at which the instruments are recognised in the balance sheets.

The fair value is the amount at which a financial asset may be traded, or the amount at which a financial liability may be settled, between independent and willing parties.

The Group's fair value assets and liabilities are generally recognised based on publicly listed prices or market terms on active markets at the balance sheet date. If the market for a financial asset or liability is illiquid, or if there are no publicly recognised prices, Nykredit Bank determines the fair value using generally accepted valuation 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.

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

Unlisted equities are recognised at fair value using valuation methods according to which the fair value is estimated as the price of an asset traded between independent parties or based on the company's equity value, if the equity value is assumed equal to the fair value of the instrument.

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:

- For loans, advances and receivables as well as deposits and other payables measured at amortised cost, carrying a variable interest rate and entered into on standard credit terms, the carrying amounts are estimated to correspond to the fair values.
- The fair value of certain financial instruments recognised at amortised cost has been hedged using derivatives, cf note 43. The measurement of these financial instruments in the Financial Statements includes value changes deriving from changes in the hedged fair value, cf the provisions on hedge accounting. Their recognition is assumed to be a reasonable approximation to the fair value of these financial instruments.
- The fair value of fixed-rate assets and financial liabilities measured at amortised cost has been determined using generally accepted valuation methods, where the credit risk is assessed in connection with the credit assessment of loans and advances, while the interest rate risk is assessed using observable yield curves.
- The fair value of assets and liabilities without a fixed term has been assumed to be the value disburseable on the balance sheet date.
- The fair value of bonds in issue is measured based on valuation techniques, taking into account comparable transactions and observable inputs such as yield curves, at which Nykredit might launch issues.

Note 39 a shows the fair value of the financial instruments recognised at amortised cost and the instances where the fair value does not correspond to the carrying amount.

Listed prices

The Group's assets and liabilities at fair value are to the widest extent possible recognised at listed prices or prices quoted in an active market or authorised market place.

Observable inputs

When an instrument is not traded in an active market, measurement is based on observable inputs and generally accepted calculation methods, valuation and estimation techniques such as discounted cash flows and option models.

Observable inputs are typically yield curves, volatilities and market prices of similar instruments which are usually obtained through ordinary providers such as Reuters, Bloomberg and market makers. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length. Reverse repurchase lending and repo transactions as well as unlisted derivatives generally belong in this category.

Valuation techniques are generally applied to measure derivatives and unlisted assets and liabilities.

Further, the valuation of derivatives implies the use of so-called Credit Value Adjustment (CVA), thus including counterparty credit risk in the valuation. The CVA of derivatives with a positive market value is primarily based on external credit curves such as Itraxx Main, but also on own data as regards customers without OEI in the lowest rating categories, as there are no available external curves suitable for calculation of credit risk on these customers. Finally, calculations are made to simulate future exposures to interest rate swaps. Calculations involving increased CVA are included in the value adjustment.

The valuation of derivatives further includes so-called Debt Value Adjustment (DVA) of transactions with customers with negative market values. The determination of DVA resembles that of CVA, but DVA is based on a curve of A ratings, which corresponds to Nykredit's rating. Net value adjustment due to DVA and CVA comprised DKK 182m at 31 December 2015.

Notes

Nykredit Bank Group

39. FAIR VALUE DISCLOSURES (continued)

Observable inputs (continued)

Upon entering into financial derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity, credit risk and return on capital. The minimum margin is amortised at valuation of derivatives over their times-to maturity. At 31 December 2015, the non-amortised minimum margin amounted to DKK 430m compared with DKK 470m at end-2014. Finally, in some instances further value adjustment based on management judgement is made if the models do not take into account all known risks, including eg legal risks.

In some cases, markets, eg the bond market, become inactive and illiquid. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discounting techniques.

Unobservable inputs

When it is not possible to measure financial instruments at fair value based on prices in active markets or observable inputs, measurement is based on own assumptions and extrapolations etc. Where possible and appropriate, measurement is based on actual transactions adjusted for differences in eg the liquidity, credit spreads and maturities of the instruments. The Group's unlisted equities are generally classified under this heading although valuation is based on the IPEV Valuation Guidelines.

The positive market values of a number of interest rate swaps with customers in the Bank's lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by the Bank to calculate collective impairment provisions for loans and advances at amortised cost. Interest rate swaps which have been fair value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty are also included in the category Unobservable inputs. These counterparties are all rated 0, and OEI has thus been identified for these customers. Following value adjustment, the fair value came to DKK 621m at 31 December 2015. Credit value adjustments came to DKK 4,964m at 31 December 2015 (end-2014: DKK 4,832m).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by around +/- DKK 185m.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 31 December 2015, the proportion was 0.7% against 1.0% at end-2014. The proportion of financial liabilities was 0.0% against 0.4% at end-2014.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 0.8bn (2014: DKK 1.5bn and DKK 0.3bn, respectively) was attributable to this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be DKK 76m in 2015 (0.5% of equity at 31 December 2015). The earnings impact for 2014 was estimated at DKK 178m (1.41% of equity at 31 December 2014).

Transfers between categories

Transfers between the categories Listed prices, Observable inputs and Unobservable inputs are made when an instrument is classified differently on the balance sheet date than at the beginning of the financial year. The value transferred to another category corresponds to the fair value at the beginning of the year. With respect to interest rate swaps that have been fair value adjusted to DKK 0 due to credit risk adjustment, separate calculations are made each month.

In 2015 and 2014, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the rating categories (credit risk) of counterparties and in all material respects concerned interest rate swaps, as regards financial instruments with positive market value. In addition to these interest rate swaps, derivative contracts were transferred from Unobservable inputs to Observable inputs in 2015 as these contracts are now determined via accepted calculation methods and consequently not included in the category Unobservable inputs.

Transfers between the categories Listed prices and Observable inputs in all material respects resulted from redeemed bonds that were reclassified on redemption. Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 31 December 2015, the amount was DKK 0.5bn against DKK 3.1bn at end-2014. Further, in 2015 derivative contracts were transferred from the category Listed prices to Observable inputs as the fair value of the contracts are calculated using accepted calculation methods. In 2015 DKK 0.2bn relating to instruments with positive market value and DKK 0.2bn relating to instruments with negative market value were consequently transferred.

No transfers were made between the categories Listed prices and Unobservable inputs.

Notes

DKK million

Nykkredit Bank Group

39 a. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES RECOGNISED AT AMORTISED COST

2015	Carrying amount	Fair value	Balance	Fair value calculated on the basis of		
				listed prices	observable inputs	unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	46,747	46,870	123	-	-	46,870
Total	46,747	46,870	123	-	-	46,870
Liabilities						
Bonds in issue at amortised cost	20,150	20,317	(167)	-	20,317	-
Total	20,150	20,317	(167)	-	20,317	-
2014	Carrying amount	Fair value	Balance	Fair value calculated on the basis of		
				listed prices	observable inputs	unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	50,494	50,600	106	-	-	50,600
Total	50,494	50,600	106	-	-	50,600
Liabilities						
Bonds in issue at amortised cost	25,881	26,159	(278)	-	16,045	10,114
Total	25,881	26,159	(278)	-	16,045	10,114

Notes

DKK million

Nykredit Bank Group

39 b. FAIR VALUE OF ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE

Assets and liabilities recognised at fair value by valuation category (IFRS hierarchy)

31 December 2015

Assets:**Recognised as trading book:**

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- reverse repurchase lending to credit institutions and central banks		669		669
- other reverse repurchase lending		39,467		39,467
- bonds at fair value	37,135	2,916		40,051
- equities measured at fair value through profit or loss	223		138	361
- positive fair value of derivative financial instruments	41	28,588	621	29,250
Total	37,399	71,640	759	109,798
Percentage	34.1	65.2	0.7	100

Liabilities:**Recognised as trading book:**

- repo transactions with credit institutions and central banks		5,294		5,294
- other non-derivative financial liabilities at fair value	4,338	7,438		11,776
- negative fair value of derivative financial instruments	69	24,663		24,732
Total	4,407	37,395	-	41,802
Percentage	10.5	89.5	-	100

Assets and liabilities measured on the basis of unobservable inputs**Fair value, beginning of year, assets**

	Bonds	Equities	Derivatives	Total
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement		169	1,312	1,481
Realised capital gains and losses recognised in "Value adjustments" in the income statement		7	(409)	(402)
Purchases for the year		7		7
Sales for the year		(45)		(45)
Redemptions for the year				-
Transferred to Listed prices and Observable inputs			(465)	(465)
Transferred from Listed prices and Observable inputs			183	183
Fair value, year-end, assets		138	621	759

Fair value, beginning of year, liabilities

Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			297	297
Realised capital gains and losses recognised in "Value adjustments" in the income statement			-	-
Purchases for the year				-
Sales for the year				-
Redemptions for the year				-
Transferred to Listed prices and Observable inputs			(297)	(297)
Transferred from Listed prices and Observable inputs				-
Fair value, year-end, liabilities			-	-

For 2015 unrealised negative value adjustments of DKK 515m relating to the portfolio of financial instruments measured on the basis of unobservable inputs was recognised in the income statement at 31 December 2015.

Notes

DKK million

Nycredit Bank Group

39 b. FAIR VALUE OF ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE (continued)

Assets and liabilities recognised at fair value by valuation category (IFRS hierarchy)

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
31 December 2014				
Assets:				
Recognised as trading book:				
- reverse repurchase lending to credit institutions and central banks	-	6,663	-	6,663
- other reverse repurchase lending	-	35,228	-	35,228
- bonds at fair value	59,802	5,170	-	64,972
- equities measured at fair value through profit or loss	173	-	169	342
- positive fair value of derivative financial instruments	1,170	36,596	1,312	39,078
Total	61,145	83,657	1,481	146,283
Percentage	41.8	57.2	1.0	100.0
Liabilities:				
Recognised as trading book:				
- repo transactions with credit institutions and central banks	-	11,723	-	11,723
- other non-derivative financial liabilities at fair value	6,088	13,855	-	19,943
- negative fair value of derivative financial instruments	1,100	36,077	297	37,474
Total	7,188	61,655	297	69,140
Percentage	10.4	89.2	0.4	100.0
Assets and liabilities measured on the basis of unobservable inputs				
	Bonds	Equities	Derivatives	Total
Fair value, beginning of year, assets		118	1,294	1,412
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement		24	(2,275)	(2,251)
Realised capital gains and losses recognised in "Value adjustments" in the income statement		17	-	17
Purchases for the year		61	-	61
Sales for the year		(51)	-	(51)
Redemptions for the year		-	(2)	(2)
Transferred to Listed prices and Observable inputs		-	(1,147)	(1,147)
Transferred from Listed prices and Observable inputs		-	3,442	3,442
Fair value, year-end, assets		169	1,312	1,481
Fair value, beginning of year, liabilities			242	242
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement			148	148
Realised capital gains and losses recognised in "Value adjustments" in the income statement			-	-
Purchases for the year			-	-
Sales for the year			-	-
Redemptions for the year			(93)	(93)
Transferred to Listed prices and Observable inputs			-	-
Transferred from Listed prices and Observable inputs			-	-
Fair value, year-end, liabilities			297	297

For 2014 unrealised negative value adjustments of DKK 2,557m relating to the portfolio of financial instruments measured on the basis of unobservable inputs was recognised in the income statement at 31 December 2014.

Notes

DKK million

Nykredit Bank Group

40. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity

	Net market value				Gross market value			
	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
2015								
Foreign exchange contracts								
Forward contracts/futures, purchased	235	69	(19)	0	436	150	286	35,143
Forward contracts/futures, sold	(32)	(49)	7	0	100	175	(75)	35,997
Swaps	0	153	211	222	972	385	587	15,866
Options, purchased	0	0	0	0	0	0	0	47
Options, written	0	0	0	0	0	0	0	47
Interest rate contracts								
Forward contracts/futures, purchased	19	0	0	0	48	29	19	25,962
Forward contracts/futures, sold	(23)	(3)	0	0	25	52	(27)	37,112
Forward Rate Agreements, purchased	(117)	(134)	(6)	0	6	263	(257)	111,303
Forward Rate Agreements, sold	140	82	6	0	234	6	228	91,939
Swaps	15	(137)	595	3,328	26,538	22,738	3,800	1,056,624
Options, purchased	4	44	461	206	733	17	716	39,298
Options, written	0	(37)	(450)	(226)	0	713	(713)	28,029
Equity contracts								
Forward contracts/futures, purchased	0	0	0	0	0	0	0	0
Forward contracts/futures, sold	0	0	0	0	0	0	0	47
Equity swaps	0	(1)	(23)	0	126	150	(24)	2,321
Options, purchased	0	0	0	0	0	0	0	0
Options, written	0	0	0	0	0	0	0	0
Credit contracts								
Credit swaps	0	0	(3)	0	0	3	(3)	143
Total							4,537	
2014								
Foreign exchange contracts								
Forward contracts/futures, purchased	133	103	(11)	0	334	109	225	46,097
Forward contracts/futures, sold	(34)	(69)	(10)	0	183	295	(112)	38,452
Swaps	9	71	209	184	706	234	472	19,182
Options, purchased	19	1	0	0	20	0	20	3,553
Options, written	(18)	(1)	0	0	0	19	(19)	3,590
Interest rate contracts								
Forward contracts/futures, purchased	29	(3)	(1)	0	53	28	25	80,148
Forward contracts/futures, sold	(51)	1	3	0	19	66	(47)	84,525
Forward Rate Agreements, purchased	(90)	(319)	(167)	0	0	576	(576)	339,329
Forward Rate Agreements, sold	87	304	175	0	565	0	565	332,308
Swaps	(28)	98	(1,226)	2,241	35,982	34,897	1,085	1,237,097
Options, purchased	0	0	77	1,112	1,204	15	1,189	51,643
Options, written	0	0	(75)	(1,125)	0	1,201	(1,201)	38,659
Equity contracts								
Forward contracts/futures, purchased	0	0	0	0	0	0	0	0
Forward contracts/futures, sold	0	0	0	0	0	0	0	14
Options, purchased	0	0	0	0	0	0	0	0
Options, written	0	0	0	0	0	0	0	0
Total							1,626	

Notes

DKK million

Nycredit Bank Group

41. UNSETTLED SPOT TRANSACTIONS

NYKREDIT BANK GROUP

	2015				2014
	Nominal value	Market value		Net market value	Net market value
		Positive	Negative		
Foreign exchange contracts, purchased	17,370	27	26	1	(16)
Foreign exchange contracts, sold	4,116	0	7	(7)	(6)
Interest rate contracts, purchased	7,320	1	2	(1)	1
Interest rate contracts, sold	8,065	2	15	(13)	(3)
Equity contracts, purchased	72	1	0	1	(1)
Equity contracts, sold	83	0	1	(1)	1
Total	37,026	31	51	(20)	(24)
Total, the year before	47,507	10	34	(24)	15

NYKREDIT BANK A/S

	2015				2014
	Nominal value	Market value		Net market value	Net market value
		Positive	Negative		
Foreign exchange contracts, purchased	17,370	27	26	1	(16)
Foreign exchange contracts, sold	4,116	0	7	(7)	(6)
Interest rate contracts, purchased	7,320	1	2	(1)	1
Interest rate contracts, sold	8,065	2	15	(13)	(3)
Equity contracts, purchased	72	1	0	1	(1)
Equity contracts, sold	83	0	1	(1)	1
Total	37,026	31	51	(20)	(24)
Total, the year before	47,507	10	34	(24)	15

Notes

DKK million

Nykredit Bank Group

42. RISK MANAGEMENT

Nykredit Bank strives to meet best international practice for risk management including disclosure of risk exposures. Risk management is the responsibility of the Board of Directors and the Executive Board and is a key element of day-to-day operations. Through its risk management, Nykredit Bank seeks to ensure financially sustainable solutions in the short and long term. Focus is on risk management balanced according to risk type and a strong capital structure.

The internal controls and risk management are designed to ensure efficient management of relevant exposures.

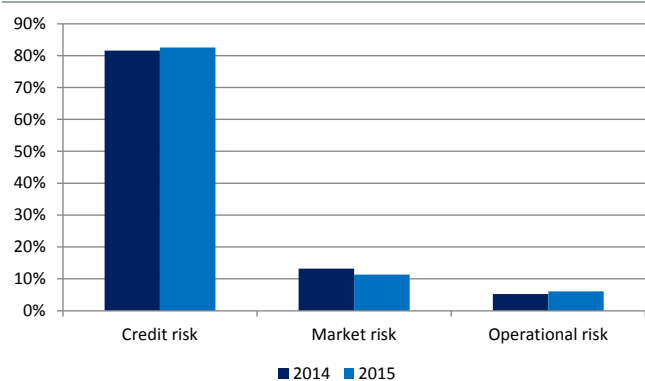
A detailed description of the risk and capital management of the

Elements of credit risk determination

PD	Probability of Default is the probability of a customer defaulting on an obligation to Nykredit Bank.
LGD	Loss Given Default is the loss rate of an exposure in case of a customer's default.
EAD	Exposure At Default is the total estimated exposure to a customer in DKK at the time of default, including any drawn part of a credit commitment.
REA	Risk Exposure Amount is credit exposures factoring in the risk relating to the individual customer. It is calculated by risk-weighting credit exposures. The risk weighting is calculated on the basis of PD and LGD levels.
Default	An exposure is considered to be in default when a third reminder is sent (typically 25 days past due). Exposures for which individual impairment provisions have been made or a direct loss has been incurred are also considered in default.

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

Nykredit Bank Group REA by risk type



Nykredit Group, including also Nykredit Bank, as well as a wide selection of risk key figures are available in the report Risk and Capital Management 2015 at nykredit.com/reports.

TYPES OF RISK

Nykredit Bank generally distinguishes between four types of risk, each with its own features, and risk management is structured accordingly.

- Credit risk reflects the risk of loss following the non-performance of parties with whom Nykredit has contracted. Counterparty risk, which is the risk of loss that Nykredit may sustain if a counterparty defaults on its obligations under financial instruments, is an element of credit risk.
- Market risk reflects the risk of loss as a result of movements in financial markets (interest rate, foreign exchange, equity price, volatility risks, etc).
- Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk also includes legal and model risks.
- Liquidity risk reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations.

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

CREDIT RISK

Credit risk denotes the risk of loss following the non-performance of payment obligations by counterparties. This applies to counterparties in the form of borrowers and counterparties under financial contracts.

The Board of Directors lays down the overall framework of credit approval 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, credit approval instructions, etc.

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. Group Credits also serves as the credits function for all entities of the Nykredit Group.

The Credits Committee undertakes all reporting on individual credit exposures and the portfolio targets set out in the credit policy. The Risk Committee is responsible for approving credit risk models and reporting credit risk at portfolio level.

Nykredit's local customer centres have been authorised to process most customer applications for bank facilities independently. This is in line with Nykredit's aim to process most credit applications locally. To this end, decentralised credit entities have been set up which up to a certain limit process credit applications that exceed the authority assigned to the customer centres.

Credit applications exceeding the authority assigned to the decentralised credit entities are processed centrally by Group Credits.

At Nykredit Bank, all exposures in excess of DKK 50m are subject to approval by the Credits Committee. Applications involving larger 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 approval by the Board of Directors 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 on credit assessment have been laid down centrally and depend for example on the customer's relationship with the Bank's business areas. Internal credit models form an important part of the assessment of the majority of personal and business customers.

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

At least once a year, the Bank's exposures exceeding DKK 2m are reviewed. This forms part of the monitoring of credit exposures and is 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 changing a rating or for individual impairment provisions. Exposures not provided for individually are covered by the Bank's collective impairment provisions.

When opening credit lines for financial products, the Bank requires that a contractual basis be established providing it with a netting option. The contractual framework is based on standards such as ISDA or GMRA agreements. In addition to a netting agreement, an agreement on financial collateral is typically concluded. Generally, no set-off has been made for collateral security or netting agreements in the financial statements. Set-off has been made, however, for repo transactions/reverse repurchase lending with a few counterparties and for the market value of derivatives cleared through a central clearing house.

Rating scale and marginal Probabilities of Default (PD)

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

Credit risk models

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

The PD is customer-specific, while the other parameters are product-specific. One PD is therefore assigned to each customer, while each of the customer's products has a separate LGD and EAD.

The models used to determine PD and LGD are built on historical data allowing for periods of low as well as high business activity.

PDs are calibrated by weighting current data against data dating back to the early 1990s at a 40:60 ratio.

The PDs of personal customers and SMEs are determined using credit scoring models. Credit scoring is a statistical calculation of the creditworthiness of a customer, and the calculation includes data on the customer's financial position and payment behaviour as well as any loan impairment.

Statistical models have been developed for Corporate & Institutional Banking clients and production farming businesses based on conditional probabilities estimating PDs on the basis of financial data for the business and information on payment behaviour and any loan impairment.

External credit ratings are used to a very limited extent for a few types of counterparty. External credit ratings are translated into PDs. PDs are updated as Nykredit receives new information about the customer or the customer's financial circumstances. Updates are made at least once every three months.

The PDs of individual customers are converted into ratings from 0 to 10, 10 being the highest rating. Exposures in default fall outside the rating scale and constitute a separate category. Customer ratings are an important element of the credit policy and customer assessment.

LGDs are calculated for each of a customer's exposures and are calibrated so that the parameters reflect an economic downturn period. For personal customers, LGDs are calculated using internal models based on loss and default data. The economic downturn scenario is characterised by a gross unemployment rate of 10%, which is more than twice as high as the current level.

Nykredit Bank calculates EAD for all exposures to a customer. EAD is the total estimated exposure to a customer at the time of default, including any drawn part of a credit commitment. The latter is factored in using conversion factors (CF).

Nykredit Bank is currently using the foundation IRB approach, with LGD estimates fixed by the Danish FSA, for the determination of credit risk relating to business exposures. In 2014 Nykredit applied to the Danish FSA for approval to apply the advanced IRB approach and internal LGD and CF estimates to business exposures. The application also concerned new CF models to be applied to personal customer exposures and an adjustment of the method of calculating the risk exposure amount for exposures in default. In 2015 Nykredit also applied for FSA approval of new PD models for business and agricul-

tural customers. The models are expected to be approved and implemented in 2016.

Risk exposure amount for credit risk

Nykredit Bank's total risk exposure amount (REA) for credit risk (incl CVA) was DKK 63.0bn at end-2015 against 76.7bn at end-2014. The decline in REA for credit risk resulted mainly from subdued bank lending as a consequence of the general macroeconomic climate in Denmark with continued household deleveraging.

REA for credit risk is mainly calculated using the IRB approach.

REA calculated using the IRB approach primarily includes exposures to business and personal customers.

REA calculated using the standardised approach primarily includes credit institution and sovereign exposures.

Concentration risk

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

Pursuant to the CRR, individual exposures may not exceed 25% of eligible capital after credit risk mitigation. The Bank had no exposures exceeding this limit in 2015.

The Bank's largest individual exposure to a non-financial counterparty totalled DKK 1.6bn at end-2015, equal to 9.6% of eligible capital. Thus, Nykredit Bank has no large exposures exceeding 10% of eligible capital.

The Bank's 20 largest exposures to non-financial counterparties amounted to an aggregate DKK 15.3bn, equivalent to 94.6% of eligible capital at end-2015, compared with DKK 15.9bn, or 128.9% of eligible capital, in 2014.

MARKET RISK

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

Nykredit Bank assumes market risk in connection with its trading activities with customers and its role as market maker. The bulk of the Bank's market risk relates to Nykredit Markets's activities within securities trading as well as swap and money market transactions. Market risks in the Bank's subsidiaries are either negligible or hedged with the Bank as counterparty.

Nykredit Bank determines the market risk relating to its portfolio for the purpose of the day-to-day internal management of all positions involving market risk and for the purpose of calculating REA for market risk to determine the statutory capital requirement.

The day-to-day internal management of market risk is based on the guidelines setting the limits to the Bank's market risk appetite as adopted by the Board of Directors. The guidelines include limits to Value-at-Risk as well as interest rate, spread, equity price, foreign exchange and volatility risks. The Group's risk function, which acts independently of the acting entities, monitors market risk and reports to Management on a daily basis. Acting and reporting entities are thus segregated. Market risk control and monitoring take place by combining a range of different key ratios, an internal Value-at-Risk model and various stress and scenario tests.

REA for market risk for determination of the statutory capital requirement is calculated using a Value-at-Risk model, which is approved by the Danish FSA, combined with the standardised approach. This results in one figure for total REA for market risk.

Risk exposure amount for market risk

Nykredit has the approval of the Danish FSA to apply a Value-at-Risk (VaR) model in determining REA for market risk in respect of both the trading book and the banking book, but excluding equities.

The confidence level of the VaR model is 99%, and the time horizon for calculating REA is 10 days. The model results are backtested on a day-to-day basis against actual realised returns on the investment portfolios to ensure that the model results are reliable and correct at any time.

The VaR model is based on historical financial market data. As the current conditions in financial markets do not always correspond to

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

DKK million	2015			2014		
	Min	Max	Year-end	Min	Max	Year-end
Value-at-Risk (99%, time horizon of 1 day)	8	35	16	6	20	20
Interest rate risk (100bp change)	(85)	161	78	(81)	199	70
Equity price risk (general 10% decrease)	16	28	22	8	31	25
Foreign exchange risk:						
Foreign exchange positions, EUR	(595)	325	164	(682)	697	45
Foreign exchange positions, other currencies	(634)	38	2	(75)	157	(40)
Interest rate volatility risk (Vega)	(1,6)	1,3	(0,4)	(3,6)	0,2	(1,7)

the historical conditions (for instance during a financial crisis), a stressed VaR is added to REA resulting from the current VaR calculation.

Stressed VaR is calculated for the current portfolio by means of the VaR model, but using volatilities and correlations from a period of significant stress.

Nykredits total REA from VaR came to DKK 4.6bn at end-2015, of which stressed VaR accounted for DKK 3.3bn.

The standardised approach for market risk is applied to determine REA for debt instruments, equities, foreign exchange risk and collective investment schemes not covered by the VaR model. REA calculated using the standardised approach was DKK 4.1 bn at end-2015.

Internal market risk management

Nykredit Bank's internal determination, management and reporting of market risk take place by combining statistical models, stress tests and key figures with various subjective assessments.

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

VaR models are applied to calculate the maximum value decrease of a portfolio over a given period and at a given probability. VaR models measure the effect and probability of several risks occurring at the same time.

Interest rate risk

Interest rate risk is the risk of loss as a result of interest rate changes, and Nykredit Bank's interest rate risk is measured as the change in market value caused by a general interest rate increase of 1 percentage point in respect of bonds and financial instruments. The Bank's interest rate exposure ranged between a gain of DKK 85m and a loss of DKK 161m in 2015. At end-2015, the interest rate exposure totalled DKK 78m against DKK 70m at end-2014.

Furthermore, Nykredit Bank incurs interest rate risk on interest rate swaps with customers with the lowest ratings, typically customers showing objective evidence of impairment (OEI). If the interest rate level changes by 1 percentage point, the value adjustment will increase or decrease, as the case may be, by about DKK 1.9bn.

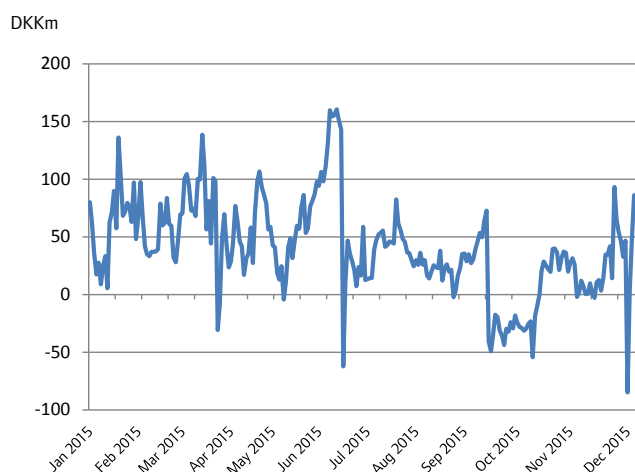
Spread risk

Spread risk is the risk of spread widening between covered bond yields and swap rates. The spread risk of Nykredit Bank's portfolio of covered bonds amounted to DKK 0.6bn at end-2015. This means that the Bank would lose DKK 0.6bn on its investments in covered bonds if the spread between covered bond yields and swap rates widened by 1 percentage point.

Equity price risk

Equity price risk is the risk of loss as a result of changes in equity prices, and it is calculated as the loss in case of a general equity market decrease of 10%. Nykredit Bank's equity price exposure totalled DKK 22m at end-2015 against DKK 25m at end-2014.

Nykredit Bank Group Net interest rate risk



Nykredit Bank Group Market risk

2015 DKK million	Interest rate risk (100bp change)	Interest rate volatility risk (Vega)	Equity price risk (10% change)
Money market instruments	15	-	-
Government bonds	(37)	-	-
Danish covered bonds (ROs)	264	(0.5)	-
Danish covered bonds (SDOs)	23	-	-
Other bonds, loans and advances	(108)	-	-
Equities	-	-	22
Derivative financial instruments	(79)	0.2	-
Total 2015	78	(0.4)	22
Total 2014	70	(1.7)	25

Parameters used to determine Value-at-Risk

Value-at-Risk is a statistical measure of the maximum loss that may be incurred on a portfolio at a given probability and within a given time horizon.

Parameters used to determine Value-at-Risk:

Risk factors	All exposures are transformed into a number of risk factors for interest rate, foreign exchange, volatility and interest rate spread risks.
Volatilities and correlations	Daily volatilities and correlations for the above-mentioned risk factors. In calculating the volatilities, last-dated observations have the highest weight.
Time horizon	Value-at-Risk is calculated at 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.

Foreign exchange risk

In 2015 the Bank's most significant foreign exchange positions were mainly in EUR. The exposure in EUR ranged between negative DKK 595m and positive DKK 325m in 2015. In 2014 it ranged between negative DKK 682m and positive DKK 697m. The Bank's other foreign exchange positions (excl DKK and EUR) in 2015 ranged between negative DKK 634m and positive DKK 38m compared with negative DKK 75m and positive DKK 157m in 2014.

Volatility risk

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

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

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

Internal Value-at-Risk

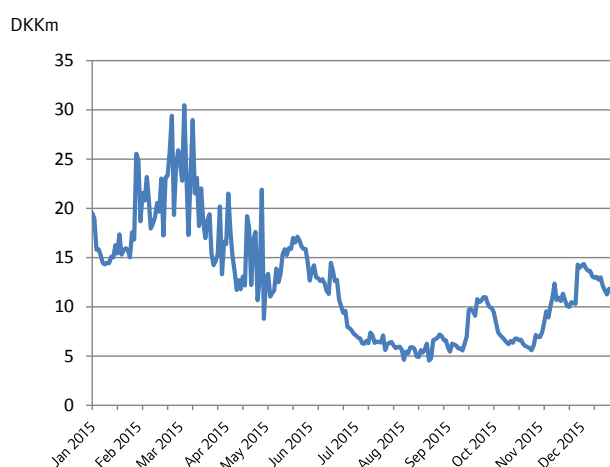
Nykredit's internal VaR model applied in the day-to-day risk management uses a confidence level of 99% and a time horizon of 1 day.

In general, the Bank calculates risk factors relating to interest rate, foreign exchange, volatility and spread risks. For the daily internal determination of VaR, an add-on for the Bank's position in equities is also calculated.

Nykredit Bank Group REA – market risk

DKK million	2015	2014
Internal models (Value-at-Risk)	4,598	7,202
Standardised approach	4,068	5,215
Total market risk	8,666	12,417

Nykredit Bank Group VaR for determination of REA



Nykredit Bank's internal VaR was DKK 16m at end-2015 against DKK 20m at end-2014. This means that, according to the internal VaR model, Nykredit Bank would, at a 99% probability, lose a maximum of DKK 16m in one day in consequence of market fluctuations.

Counterparty risk on derivatives

Nykredit Bank applies financial instruments, such as derivatives and repurchase agreements (repos), for serving customers and for managing liquidity and market risks.

Counterparty risk is a measure of the size of the loss which Nykredit may sustain in case of non-payment by a counterparty.

The counterparty risk exposure after netting and collateral was DKK 17.8bn at end-2015. Of this amount, derivatives represented DKK 15.5bn and repo transactions DKK 2.2bn. REA totalled DKK 9bn.

Nykredit Bank makes fair value adjustments of financial instruments in accordance with the International Financial Reporting Standards (IFRS). This includes credit value adjustments (CVA) based on the customer's current credit quality as well as individual value adjustments in respect of customers showing OEI. The value adjustments are generally made according to the same method as loan impairment.

At end-2015, total value adjustments (provisions) came to DKK 5.0bn. Management judgement accounted for DKK 1.4bn of total value adjustments.

For the purpose of calculating the capital requirement, counterparty risk exposures are calculated according to the mark-to-market method, ie as any positive market value of the transaction plus the potential future credit exposure.

In Nykredit's opinion, this method underestimates the potential future exposure to long-term interest rate contracts. As a result, an add-on of DKK 1.0bn for fixed-rate swaps has been applied in the determination of the Bank's internal capital adequacy requirement.

LIQUIDITY

Nykredit Bank monitors its balance sheet and liquidity position on a daily basis as part of its liquidity risk management.

Statutory liquidity rules and rating requirements require the Bank to hold a large liquidity buffer of unencumbered securities. The securities portfolio consists mainly of liquid Danish and European government and covered bonds that are transferable or eligible as collateral in the market and with central banks.

Stress testing is performed on a continuous basis using bank-specific, sector-specific and combination scenarios as prescribed by the Danish Executive Order on Management and Control of Banks, etc.

According to a stress test of the Bank's liquidity based on scenarios involving no access to funding markets, the Bank will have a positive liquidity position for at least 12 months.

The LCR (Liquidity Coverage Ratio) regulation entered into force on 1 October 2015. At 31 December 2015, LCR was 120% compared with a statutory requirement of 100%, corresponding to an excess liquidity coverage of DKK 6.7bn.

The excess liquidity coverage pursuant to section 152 of the Danish Financial Business Act was 347% at end-2015 against 282% at end-2014, corresponding to a liquidity reserve of DKK 61.6bn against DKK 68.1bn at end-2014. Section 152 will be phased out, and the LCR will become the EU-wide standard measure for short-term liquidity risk.

The aggregate amount issued under the ECP (Euro Commercial Paper) and EMTN (Euro Medium-Term Note) programmes was DKK 22.5bn at end-2015 against DKK 25.9bn at end-2014.

Total run-off under Nykredit Bank's EMTN programme in 2016 will be DKK 6.4bn.

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

The Bank's deposits exceeded lending by DKK 16.0bn at 31 December 2015.

OPERATIONAL RISK

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

Nykredit is continuously working to create a risk culture where the awareness of operational risk is a natural part of everyday work. The objective is to support and develop an organisation where mitigation and management of operational risks are an integral part of both the day-to-day business activities and the long-term planning. Operational risk must be limited continually taking into consideration the costs involved.

Given its nature and characteristics, operational risk is best mitigated and managed through the day-to-day business activities. The responsibility for the day-to-day management of operational risk is thus decentralised and lies with the individual business areas. Operational risk management activities are coordinated centrally to ensure coherence, consistency and optimisation across the Group.

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

In addition to the recording of actual operational risk events, Nykredit is continuously working on identifying significant operational risks. Operational risk mapping provides a valuable overview of particularly risky processes and systems at Nykredit and therefore constitutes an excellent management tool. The operational risks identified also form the basis of the Nykredit Group's overall operational risk appetite.

Nykredit Bank determines the capital requirement for operational risk using the basic indicator approach. This means that the capital requirement is calculated as 15% of average gross earnings for the past three years. To calculate REA, the capital requirement is divided by 8%. REA for operational risk was DKK 4.6bn throughout 2015.

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
42a. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES			
Credit risk			
The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.			
Total credit exposure			
Balance sheet items			
4,417	2,744	2,744	4,417
29,467	10,681	10,681	29,468
35,228	39,467	39,467	35,228
49,024	45,345	46,747	50,494
24,055	22,353	27,054	25,533
22,337	19,684	19,684	24,929
2,632	3,308	8	32
64,625	39,624	40,051	64,972
44,169	34,159	34,198	44,206
Off-balance sheet items			
20,993	15,279	15,180	20,893
4,685	5,480	5,566	4,839
Concentration risk			
Pursuant to the Capital Requirements Regulation, individual exposures may not exceed 25% of adjusted own funds after credit risk mitigation. The Bank had no exposures exceeding this limit in 2015. The Bank's largest individual exposure to a non-financial counterparty totalled DKK 1.6bn at end-2015, equal to 9.6% of adjusted own funds. Individual exposures (over 10%) to non-financial counterparties totalled 0.0% of adjusted own funds at end-2015. The Bank's 20 largest approved exposures to non-financial counterparties amounted to an aggregate DKK 15.3bn, equivalent to 94.6% of adjusted own funds at end-2015 (2014: DKK 15.9bn/128.9%).			
A considerable part of the Bank's credit exposure relates to business customers. The aggregate exposure to business customers accounted for 80% (2014: 77%) of total loans, advances and guarantees. Nykredit Bank was particularly exposed to the finance and insurance sector, representing a share of 45% (2014: 38%), of which the majority consists of reverse repurchase lending.			
Collateral security received			
Loans, advances and collateral security provided are subject to regular review and, where relevant, Nykredit Bank employs the options available to mitigate the risk relating to its lending activities. Collateral security is mainly obtained in the form of charges over securities and/or tangible assets such as real estate and equipment, but also moveable property and guarantees are included. At end-2015, collateral security excluding guarantees included:			
4,818	3,882	3,882	4,818
2,949	1,102	1,102	2,949
1,342	1,118	1,118	1,342
14	0	0	14
435	176	176	435
3,125	2,565	2,565	3,125
The opening of lines for trading in financial products often requires a contractual basis entitling Nykredit Bank to netting. The contractual basis typically reflects current market standards such as ISDA or GMRA agreements. Except for the netting of repo transactions with one single counterparty and netting of the market values of derivatives through a central clearing house, no set-off has been made of collateral security or netting agreements in the accounting figures presented.			
Nykredit Bank only used credit default swap transactions to a negligible extent.			

Notes

DKK million

Nycredit Bank Group

42a. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)

Loans, advances, guarantees and provisions by sector

31 December 2015

	Carrying amount			Provisions		Total
	Loans and advances	Guarantees	Total loans, advances and guarantees	Individual and other provisions	Collective impairment provisions	
Public sector	240	56	296	0	0	0
Business customers						
Agriculture, hunting, forestry and fishing	1,785	599	2,384	89	13	102
Manufacturing, mining and quarrying	4,459	274	4,733	222	3	225
Energy supply	919	17	936	3	0	3
Construction	1,631	603	2,234	230	2	232
Trade	2,561	385	2,946	85	3	88
Transport, accommodation and food service activities	2,920	524	3,444	102	2	104
Information and communication	885	114	999	16	1	17
Finance and insurance	43,734	1,682	45,416	223	1	224
Real estate	9,077	1,354	10,431	1,083	57	1,140
Other	6,379	1,102	7,481	225	6	231
Total business customers	74,350	6,654	81,004	2,278	88	2,366
Personal customers	11,624	8,470	20,094	533	53	586
Total	86,214	15,180	101,394	2,811	141	2,952
Of which reverse repurchase lending	39,467	-	39,467	-	-	-

31 December 2014

	Carrying amount			Provisions		Total
	Loans and advances	Guarantees	Total loans, advances and guarantees	Individual and other provisions	Collective impairment provisions	
Public sector	219	377	596	0	0	0
Business customers						
Agriculture, hunting, forestry and fishing	1,810	1,420	3,230	130	8	138
Manufacturing, mining and quarrying	5,246	280	5,526	241	28	269
Energy supply	970	85	1,055	9	0	9
Construction	1,376	711	2,087	234	2	236
Trade	2,909	400	3,309	116	3	119
Transport, accommodation and food service activities	2,500	430	2,930	89	2	91
Information and communication	842	185	1,027	60	2	62
Finance and insurance	38,609	1,811	40,420	298	7	305
Real estate	10,261	2,810	13,071	1,164	376	1,540
Other	8,257	1,386	9,643	296	9	305
Total business customers	72,780	9,518	82,298	2,637	437	3,074
Personal customers	12,723	10,998	23,721	520	72	592
Total	85,722	20,893	106,615	3,157	509	3,666
Of which reverse repurchase lending	35,228	-	35,228	-	-	-

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

Notes

DKK million

Nycredit Bank Group

42a. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)

Loans and advances at amortised cost by rating category

2015	Manufactur- ing and construction	Credit and finance	Property management and trade	Transport, trade and accommoda- tion	Other trade and public	Personal customers	Total
Rating category							
10	1,512	408	222	87	455	1,306	3,990
9	57	1,504	340	129	788	956	3,774
8	487	478	2,229	839	1,283	1,127	6,443
7	1,132	415	1,771	1,877	998	1,075	7,268
6	952	531	1,564	568	813	1,176	5,604
5	173	112	632	228	700	1,921	3,766
4	576	145	569	237	1,054	2,167	4,748
3	1,760	755	557	1,216	2,638	967	7,893
2	31	9	27	32	96	484	679
1	21	49	256	51	94	312	783
0	43	36	119	37	67	84	386
Exposures in default	665	308	1,731	347	524	690	4,265
Total	7,409	4,750	10,017	5,648	9,510	12,265	49,599
Individual and collective impairment provisions							2,852
Carrying amount							46,747
Total exposures in default*							4,265
Individual impairment provisions							2,711
Carrying amount after impairment provisions							1,554
* Of which loans and advances with individual impairment provisioning							4,092
Individual impairment provisions as % of loans and advances with individual impairment provisioning							66.3

Exposures in default: Includes exposures subject to individual impairment provisioning and exposures in arrears for more than 75 days for which individual impairment provisioning has not been deemed necessary.

Rating categories 0-2: Rating category 0 comprises customers with objective evidence of impairment (OEI) but without a need for individual impairment provisioning. Rating categories 1-2 comprises customers without OEI but of a low credit quality resulting from uncertainty about future earning, poor financial statements and a vulnerable financial situation.

The carrying amount of exposures in default, totalling DKK 1,554m (2014: DKK 1,913m), has been determined on the basis of the Bank's expectations regarding customers' ability to pay and the value of security received.

Rating categories include loans, advances and receivables at amortised cost determined before impairments.

The rating categories are described in detail in the report Risk and Capital Management 2015, available at nykredit.com/reports.

Notes

DKK million

Nycredit Bank Group

42a. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)

Loans and advances at amortised cost by rating category

2014	Manufactur- ing and construction	Credit and finance	Property management and trade	Transport, trade and accommoda- tion	Other trade and public	Personal customers	Total
Rating category							
10	2,152	147	131	64	770	1,134	4,398
9	249	195	524	205	1,675	960	3,808
8	838	862	2,825	1,386	1,670	1,096	8,677
7	1,107	1,051	1,629	1,272	1,174	1,120	7,353
6	174	451	1,416	670	740	1,414	4,865
5	500	157	916	317	798	2,032	4,720
4	328	169	905	215	520	2,191	4,328
3	1,798	379	465	917	2,707	1,370	7,636
2	52	146	75	83	240	798	1,394
1	115	20	552	66	334	295	1,382
0	82	24	105	32	153	133	529
Exposures in default	696	160	2,178	386	775	769	4,964
Total	8,091	3,761	11,721	5,613	11,556	13,312	54,054
Individual and collective impairment provisions							3,560
Carrying amount							50,494
Total exposures in default*							4,964
Individual impairment provisions							3,051
Carrying amount after impairment provisions							1,913
* Of which loans and advances with individual impairment provisioning							4,708
Individual impairment provisions as % of loans and advances with individual impairment provisioning							64.8%

Notes

DKK million

Nycredit Bank Group

42a. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)

Loans and advances carrying a reduced interest rate

Group	2015	2014
Gross lending	1,530	2,008
Impairment provisions	887	1,213
Carrying amount	643	795
- of which non-accrual	638	789
- of which carrying a reduced interest rate	5	6

Provisioning rate, %	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015	Q4/ 2014	Q3/ 2014	Q2/ 2014	Q1/ 2014
Group								
Total loans and advances	86,214	82,040	79,206	78,973	85,722	88,438	92,236	83,909
Total guarantees	15,180	15,182	21,156	20,320	20,893	13,801	12,028	12,306
Impairment provisions	2,852	3,118	3,297	3,482	3,560	3,706	3,742	3,820
Provisions for guarantees	100	110	106	106	106	116	110	113
Total loans, advances, guarantees and provisions	104,346	100,450	103,765	102,881	110,281	106,061	108,116	100,148
Provisioning rate, %	2.8	3.2	3.3	3.5	3.3	3.6	3.6	3.9
Provisioning rate excluding guarantees, %	3.2	3.7	4.0	4.2	4.0	4.0	3.9	4.4

Secured lending before impairment provisions

Group	2015			2014		
	Public	Personal	Business	Public	Personal	Business
Unsecured lending	19	6,016	22,755	100	6,623	28,729
Lending secured by way of legal charge or other collateral security:						
Fully secured	196	2,468	44,604	99	2,749	39,802
Partially secured	25	3,721	9,262	20	3,940	7,220
Total lending before impairment	240	12,205	76,621	219	13,312	75,751

Includes the Nycredit Bank Group's loans and advances at amortised cost as well as loans and advances at fair value. The determination is based on official Danish sector codes and is therefore not a reflection of Nycredit Bank's business segments.

Of total individual impairment provisions for business lending of approximately DKK 2.0bn (2014: around DKK 2.3bn), approximately DKK 0.3bn, or 17%, (2014: around 24%) can be attributed to exposures to customers whose severe financial positions have led to bankruptcy, bankruptcy proceedings or compulsory dissolution.

Loans are impaired if a customer is deemed to be in serious financial difficulty, or forbearance has been granted as a result of financial difficulty. When assessing whether loans are impaired, factors such as non-performance of contractual obligations, personal circumstances such as divorce, unemployment or long-term illness are taken into consideration.

Arrears on non-impaired loans and advances at amortised cost (Nycredit Bank A/S)

	2015	As % of loans and advances	2014	As % of loans and advances
5-10 days	8	0.02%	18	0.04
11-30 days	52	0.11%	54	0.11
31-90 days	25	0.06%	93	0.19
91-360 days	86	0.19%	105	0.21
Over 360 days	27	0.06%	70	0.14
Total loans and advances in arrears	198	0.44%	340	0.69
Total loans and advances at amortised cost	45,345		49,024	

Arrears of 0-4 days have not been included as they are usually eliminated for accounting purposes in early January and do not represent a specific credit risk. They represented an amount of approximately DKK 4,419m.

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
2014	2015	2015	2014
42a. CREDIT, FOREIGN EXCHANGE, EQUITY PRICE AND INTEREST RATE EXPOSURES (continued)			
Foreign exchange risk			
59,437	37,148	37,148	59,437
Total foreign exchange assets			
Of which			
51,453	19,052	19,052	51,453
- Receivables from credit institutions, loans and advances and securities			
7,984	18,096	18,096	7,984
- Interest receivable and positive market value of financial instruments			
56,064	49,606	49,606	56,064
Total foreign exchange liabilities			
Of which			
32,619	31,343	31,343	32,619
- Payables to credit institutions, deposits and bonds in issue			
23,445	18,263	18,263	23,445
- Interest payable and negative market value of financial instruments			
51.8	171.1	171.1	51.8
Exchange rate indicator 1 (DKKm)			
0.4	1.1	1.1	0.4
Exchange rate indicator 1 as % of Tier 1 capital after deductions			
0.5	0.2	0.2	0.5
Exchange rate indicator 2 (DKKm)			
0.0	0.0	0.0	0.0
Exchange rate indicator 2 as % of Tier 1 capital after deductions			
Interest rate risk by the currency involving the highest interest rate exposure			
338	152	152	341
DKK			
(335)	(52)	(52)	(335)
EUR			
81	(9)	(9)	81
SEK			
(4)	(1)	(1)	(4)
CHF			
11	5	5	11
NOK			
(17)	(4)	(4)	(17)
USD			
0	(8)	(8)	0
GBP			
(4)	(5)	(5)	(4)
Other currencies			
70	78	78	73
Total interest rate exposure of debt instruments, year-end			
Interest rate exposure measured at a general rise in interest rates of 1 percentage point ranged between a gain of DKK 85m and a loss of DKK 161m in 2014 (2014: between a gain of DKK 81m and a loss of 199m).			
Value-at-Risk			
20	16	16	20
Year-end			
11	17	17	11
Average for the year			
Value-at-Risk ranged between DKK 8m and DKK 35m in 2015 (2014: DKK 6m-20m).			
Value-at-Risk is a statistical measure of the maximum loss the Bank may incur at a given probability and time horizon. The Bank calculates the key figure subject to a one-tailed confidence level of 99% and a time horizon of one day.			
(2)	(0.4)	(0.4)	(2)
Option risk			
The interest rate volatility risk is measured as the change in a market value following a change in volatility of 1 percentage point.			
934	556	556	934
OAS risk			
The OAS risk, which is included in the Bank's total Value-at-Risk, stood at DKK 556m at end-2015 (2014: DKK 934m). This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 556m.			
247	216	216	247
Equity price risk			
Equity price risk has been disclosed as the carrying amount of the Bank's investments in equities, etc. After recognition of derivative financial instruments, the effect of a 10% change amounted to DKK 22m (2014: DKK 25m).			
Liquidity risk			
The day-to-day operations of Nykredit Bank are affected by liquidity flows, including the risk that the Bank and the Bank Group are unable to meet their expected and unexpected payment obligations as they fall due.			
Furthermore, a risk of losses may arise as a result of Nykredit Bank's or the Nykredit Bank Group's difficulty in disposing of or realising certain assets within a limited time horizon and without any significant impairment of the market value due to inadequate market liquidity or other market interruptions.			

Notes

DKK million

Nykredit Bank Group

43. HEDGE ACCOUNTING

The risk of changes in the fair value of assets and liabilities has been hedged on a current basis.

The hedge comprises the following:

	Nominal/ amortised value	Carrying amount	Fair value adjustment for account- ing purposes
2015			
Assets			
Loans and advances	1,918	1,929	11
Liabilities			
Deposits and other payables	3,301	3,413	(112)
Bonds in issue	3,821	3,916	(95)
Derivative financial instruments			
Interest rate swaps, loans and advances as well as deposits and other payables (net)	2,095	(10)	(10)
Interest rate swaps, bonds in issue	3,924	95	95
Credit derivatives, deposits and other payables	143	(3)	(3)
Equity derivatives, deposits and other payables	1,647	104	104
Loss for the year on hedging instruments		(165)	
Gain for the year on hedged items		160	
Net loss		(5)	
2014			
Assets			
Loans and advances	1,519	1,547	28
Liabilities			
Deposits and other payables	4,428	4,655	(227)
Bonds in issue	7,360	7,517	(157)
Derivative financial instruments			
Interest rate swaps, loans and advances as well as deposits and other payables (net)	2,860	193	193
Interest rate swaps, bonds in issue	7,360	157	157
Gain for the year on hedging instruments		115	
Loss for the year on hedged items		(106)	
Net gain		9	

The figures comprise Nykredit Bank A/S and the Nykredit Bank Group as the values are identical.

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 continuously hedges the risk of changes in the fair value of 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 expected interest rate developments.

Hedging is made by defining a portfolio of loans, advances, deposits and other payables with a uniform risk level (in certain instances as net portfolios), which is subsequently hedged using derivative financial instruments.

According to reporting 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 accounting hedge has been allowed. The fair value adjustment exclusively concerns the hedged part.

Notes

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2014	2015		2015	2014
44. REVERSE REPURCHASE LENDING AND REPO TRANSACTIONS				
Of the asset items below, reverse repurchase lending represents				
6,663	669	Receivables from credit institutions and central banks, carrying amount	669	6,663
6,607	666	Bonds received as collateral but not offset against the balance	666	6,607
56	3	Total less collateral	3	56
35,351	40,971	Loans, advances and other receivables at fair value, gross	40,971	35,351
123	1,504	Set-off against "Other non-derivative financial liabilities at fair value"	1,504	123
35,228	39,467	Carrying amount after set-off	39,467	35,228
34,981	39,186	Bonds received as collateral but not offset against the balance	39,186	34,981
247	281	Total less collateral	281	247
Of the liability items below, repo transactions represent				
11,723	5,294	Payables to credit institutions and central banks, carrying amount	5,294	11,723
11,691	5,220	Bonds provided as collateral	5,220	11,691
13,978	8,942	Other non-derivative financial liabilities at fair value, gross	8,942	13,978
123	1,504	Set-off against "Loans, advances and other receivables at fair value"	1,504	123
13,855	7,438	Carrying amount after set-off	7,438	13,855
13,867	7,426	Bonds provided as collateral	7,426	13,867

The Bank's activities take place exclusively through an exchange of listed bonds on an arm's length basis.

Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.

Notes

DKK million

45. GROUP STRUCTURE

	Ownership interest as %, 31 December 2015	Profit for 2015	Equity, 31 December 2015	Profit (loss) for 2014	Equity, 31 December 2014	Number of staff
Name and registered office						
Nykredit Bank A/S (Parent Company), Copenhagen, a)	-	1,542	16,117	(1,772)	12,575	606
Consolidated subsidiaries						
Nykredit Portefølje Administration A/S, Copenhagen, d)	100	85	482	75	398	107
Nykredit Leasing A/S, Gladsaxe, c)	100	66	522	50	456	48
Associates						
Dansk Pantebrevsbørs A/S, Copenhagen, b) The company is subject to bankruptcy proceedings	50	-	-	-	-	-

Geographical distribution of activities

Denmark: Names and activities appear from the Group structure above
Sweden: Nykredit Bank A/S, branch*

	Number of staff	Revenue**	Profit (loss) before tax	Tax	Government aid received
Denmark	761	3,866	2,036	468	-
Sweden	-	0	(26)	0	-

* The branch in Sweden ceased its activities in January 2015 and is being wound-down entirely.

** For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as: Interest income, fee and commission income and other operating income.

- a) Banking
- b) Mortgage trading
- c) Leasing
- d) Investment management, including asset management and investment advisory services

Nykredit Pantebrevsinvestering A/S and FB Ejendomme A/S were both dissolved as at 30 June 2015.

Subsidiaries being wound up

The property group Kalvebod III is wholly owned by Nykredit Bank and consists of a number of subsidiaries without activities. The value of the company is recognised at DKK 1 in "Investments in Group enterprises".

Notes

DKK million

	2015/EUR	2015	2014	2013	2012	2011
46. NYKREDIT BANK GROUP 2011-2015						
SUMMARY INCOME STATEMENT						
Net interest and fee income	381	2,842	3,373	3,265	2,979	3,257
Value adjustments	127	945	(3,516)	(815)	(555)	(395)
Other operating income	3	25	26	29	47	34
Staff and administrative expenses	246	1,832	1,928	1,992	1,809	1,800
Other operating expenses, depreciation and amortisation	12	91	107	131	38	115
Impairment losses on loans, advances and receivables	(16)	(121)	219	349	557	388
Profit from investments in associates and Group enterprises	-	-	-	78	-	-
Profit (loss) before tax	269	2,010	(2,371)	85	67	593
Tax	63	468	(599)	8	(1)	160
Profit (loss) for the year	207	1,542	(1,772)	77	68	433
Comprehensive income						
Other comprehensive income		-	-	-	-	-
Total comprehensive income	207	1,542	(1,772)	77	68	433
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balances and receivables from central banks and credit institutions	1,799	13,425	33,885	23,173	44,812	50,244
Loans, advances and other receivables at fair value	5,289	39,467	35,228	56,814	35,401	22,007
Loans, advances and other receivables at amortised cost	6,264	46,747	50,494	47,024	49,807	55,901
Bonds at fair value and equities	5,415	40,412	65,314	64,219	58,399	61,063
Remaining assets	4,595	34,288	44,962	32,904	52,099	43,153
Total assets	23,362	174,339	229,883	224,134	240,518	232,368
Liabilities and equity						
Payables to credit institutions and central banks	4,684	34,957	63,876	57,732	55,355	63,093
Deposits and other payables	8,410	62,758	65,350	65,405	54,701	57,551
Bonds in issue at amortised cost	2,700	20,150	25,881	26,689	28,498	26,137
Other non-derivative financial liabilities at fair value	1,578	11,776	19,943	29,248	33,741	27,308
Remaining payables	3,788	28,267	41,913	30,216	53,468	43,594
Total payables	21,160	157,908	216,963	209,290	225,763	217,683
Provisions	29	214	245	247	235	233
Subordinated debt	13	100	100	250	250	250
Equity	2,160	16,117	12,575	14,347	14,270	14,202
Total liabilities and equity	23,362	174,339	229,883	224,134	240,518	232,368
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	2,780	20,746	25,732	18,526	20,027	16,986

EUR 1 = DKK 7.46 at end-2015

Notes

DKK million

	2015	2014	2013	2012	2011
46. NYKREDIT BANK GROUP 2011-2015 (continued)					
FINANCIAL RATIOS					
Total capital ratio, %	21.1	13.1	16.8	21.3	19.3
Tier 1 capital ratio, %	20.7	12.8	16.4	21.3	19.3
Return on equity before tax pa, %	14.0	(17.6)	0.6	0.5	4.2
Return on equity after tax pa, %	10.7	(13.2)	0.5	0.5	3.1
Income:cost ratio	2.12	(0.05)	1.03	1.03	1.26
Interest rate exposure, %	0.5	0.6	0.6	0.5	0.7
Foreign exchange position, %	1.1	0.4	2.7	0.0	0.6
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.4	1.3	1.6	1.6	1.5
Loans and advances:equity	5.3	6.8	7.2	6.0	5.5
Growth in loans and advances excl repo transactions for the year, %	(7.4)	7.4	(5.6)	(10.9)	(5.4)
Excess liquidity coverage:statutory liquidity requirements, %	347.2	281.7	275.5	183.2	176.4
Total large exposures, %	11.1	34.5	0.0	0.0	0.0
Impairment losses for the year, %	(0.1)	0.2	0.3	0.5	0.4
Return on capital employed, %	0.9	0.8	0.0	0.0	0.2
Average number of staff, full-time equivalents	761	820	859	850	817

Notes

DKK million

	2015/EUR	2015	2014	2013	2012	2011
47. NYKREDIT BANK A/S 2011-2015						
SUMMARY INCOME STATEMENT						
Net interest and fee income	329	2,452	3,026	2,949	2,707	3,047
Value adjustments	127	951	(3,511)	(812)	(553)	(393)
Other operating income	0	1	1	0	17	8
Staff and administrative expenses	218	1,629	1,733	1,800	1,653	1,664
Other operating expenses, depreciation and amortisation	12	87	104	126	30	107
Impairment losses on loans, advances and receivables	(18)	(136)	201	327	523	346
Profit from investments in associates and Group enterprises	20	151	125	188	81	36
Profit (loss) before tax	265	1,975	(2,397)	72	46	581
Tax	58	433	(625)	(5)	(22)	148
Profit (loss) for the year	207	1,542	(1,772)	77	68	433
Comprehensive income						
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	207	1,542	(1,772)	77	68	433
SUMMARY BALANCE SHEET, YEAR-END						
Assets						
Cash balances and receivables from central banks and credit institutions	1,799	13,425	33,884	23,172	44,812	50,244
Loans, advances and other receivables at fair value	5,289	39,467	35,228	56,814	35,401	22,007
Loans, advances and other receivables at amortised cost	6,076	45,345	49,024	45,906	49,659	55,606
Bonds at fair value and equities	5,358	39,984	64,966	64,004	58,202	60,915
Investments in associates and Group enterprises	135	1,004	869	545	435	354
Remaining assets	4,597	34,307	44,949	32,693	51,217	43,190
Total assets	23,254	173,532	228,920	223,134	239,726	232,316
Liabilities and equity						
Payables to credit institutions and central banks	4,612	34,417	63,131	56,987	55,355	63,093
Deposits and other payables	8,420	62,834	65,440	65,543	54,756	57,660
Bonds in issue at amortised cost	2,700	20,150	25,881	26,689	28,498	26,137
Other non-derivative financial liabilities at fair value	1,578	11,776	19,943	29,248	33,741	27,308
Remaining payables	3,746	27,956	41,661	29,898	52,650	43,433
Total payables	21,056	157,133	216,056	208,365	225,000	217,631
Provisions	24	182	189	172	206	233
Subordinated debt	13	100	100	250	250	250
Equity	2,161	16,117	12,575	14,347	14,270	14,202
Total liabilities and equity	23,254	173,532	228,920	223,134	239,726	232,316
OFF-BALANCE SHEET ITEMS						
Contingent liabilities and other commitments	2,785	20,759	25,678	18,426	19,672	16,814

EUR 1 = EUR 7.46 at end-2015

Notes

DKK million

	2015	2014	2013	2012	2011
47. NYKREDIT BANK A/S 2011-2015 (continued)					
FINANCIAL RATIOS					
Total capital ratio, %	20.1	13.0	16.8	21.3	19.1
Tier 1 capital ratio, %	19.7	12.7	16.4	21.3	19.1
Return on equity before tax pa, %	13.8	(17.8)	0.5	0.3	4.3
Return on equity after tax pa, %	10.7	(13.2)	0.5	0.5	3.1
Income:cost ratio	2.25	(0.18)	1.03	1.02	1.26
Interest rate exposure, %	0.5	0.6	0.6	0.5	0.7
Foreign exchange position, %	1.1	0.4	2.7	0.0	0.6
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.4	1.3	1.6	1.6	1.4
Loans and advances:equity	5.3	6.7	7.2	6.0	5.5
Growth in loans and advances excl repo transactions for the year, %	(7.5)	6.8	(7.6)	(10.7)	(5.4)
Excess liquidity coverage:statutory liquidity requirements, %	346.5	281.6	276.0	183.1	175.8
Total large exposures, %	11.1	34.5	0.0	0.0	0.0
Impairment losses for the year, %	(0.1)	0.2	0.3	0.5	0.4
Return on capital employed, %	0.9	(0.8)	0.0	0.0	0.2
Average number of staff, full-time equivalents	606	672	714	723	698

Notes

48. FINANCIAL RATIOS, DEFINITIONS

Total capital ratio, %	Own funds divided by the total risk exposure amount
Tier 1 capital ratio, %	Tier 1 capital divided by the total risk exposure amount
Common Equity Tier 1 capital ratio, %	Common Equity Tier 1 capital divided by total risk exposures
Return on equity before tax, %	Profit (loss) before tax as a percentage of average equity
Return on equity after tax, %	Profit (loss) after tax as a percentage of average equity
Income:cost ratio	Income including profit (loss) from associates and Group enterprises divided by costs excluding tax
Operating costs and depreciation of equipment as % of core income from business operations	Operating costs and depreciation of equipment divided by core income from business operations.
Interest rate exposure, %	Interest rate exposure divided by Tier 1 capital
Foreign exchange position, %	Exchange rate indicator 1 divided by Tier 1 capital
Foreign exchange exposure, %	Exchange rate indicator 2 divided by Tier 1 capital
Loans and advances:deposits	Loans and advances plus impairment provisions divided by deposits Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Loans and advances:equity	Loans and advances divided by equity (year-end) Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances excl repo transactions for the year, %	Growth in loans and advances from the beginning to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period) Loans and advances include loans and advances at amortised cost
Growth in loans and advances incl repo transactions for the year, %	Growth in loans and advances from the beginning to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period) Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Excess liquidity coverage:statutory liquidity requirements, %	Excess liquidity coverage relative to the 10% requirement of s 152 of the Danish Financial Business Act (Available excess liquidity relative to 10% of reduced payables) (Reduced payables: Balance sheet total plus guarantees less equity less subordinated debt)
Total large exposures, %	Total large exposures divided by adjusted own funds
Impairment losses for the year, %	Impairment losses for the year divided by loans and advances plus guarantees plus impairment provisions
Return on capital employed, %	Profit (loss) for the year divided by total assets

The financial ratios, exclusive of "Common Equity Tier 1 capital ratio, %" (cf note 2) and "Operating costs and depreciation of equipment as % of core income from business operations" and "Growth in loans and advances incl repo transactions for the year, %", have been calculated in accordance with the Danish FSA's guidelines for reporting purposes. The three financial ratios are thus not included in the reporting.

Notes

49. Other information

No significant events have occurred in the period up to the presentation of the Annual Report 2015 which affect the financial position of the Nykredit Bank Group.

Portfolio of deposits acquired from FIH Erhvervsbank A/S

After the end of the financial year, FIH Erhvervsbank A/S and Nykredit Bank A/S have agreed that, in connection with a demerger, FIH Erhvervsbank A/S will transfer its portfolio of internet-based deposits of about DKK 1.75bn held by about 5,400 customers, notably personal customers, to Nykredit Bank A/S. The agreement is subject to approval by the Danish Financial Supervisory Authority and registration with the Danish Business Authority.

NYKREDIT BANK GROUP – EIGHT QUARTERS

DKK million

	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015	Q4/ 2014	Q3/ 2014	Q2/ 2014	Q1/ 2014
SUMMARY INCOME STATEMENT								
Net interest income	418	605	413	452	593	614	631	630
Dividend on equities and fee and commission income, net	235	209	254	256	190	216	272	227
Net interest and fee income	653	814	667	708	783	830	903	857
Value adjustments	365	(374)	1,674	(720)	(1,475)	(1,558)	(185)	(298)
Other operating income	4	6	8	7	3	10	6	7
Staff and administrative expenses	426	474	453	479	438	471	511	508
Other operating expenses, depreciation and amortisation	30	20	18	23	47	22	19	19
Impairment losses on loans, advances and receivables	(34)	2	(70)	(19)	100	80	(1)	40
Profit from investments in associates and Group enterprises	-	-	-	-	-	-	-	-
Profit (loss) before tax	600	(50)	1,948	(488)	(1,274)	(1,291)	195	(1)
Tax	137	(11)	455	(113)	(328)	(313)	33	9
Profit (loss) for the period	463	(39)	1,493	(375)	(946)	(978)	162	(10)
Comprehensive income								
Other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	463	(39)	1,493	(375)	(946)	(978)	162	(10)
SUMMARY BALANCE SHEET, END OF PERIOD								
Assets								
Cash balances and receivables from central banks and credit institutions	13,425	25,280	31,954	42,699	33,885	22,292	27,790	29,389
Loans, advances and other receivables at fair value	39,467	34,534	29,765	29,569	35,228	40,137	45,328	35,831
Loans, advances and other receivables at amortised cost	46,747	47,506	49,441	49,404	50,494	48,301	46,908	48,078
Bonds at fair value	40,051	42,672	43,721	43,603	64,972	78,276	79,635	82,114
Equities	361	317	388	411	342	340	333	357
Remaining assets	34,288	37,316	37,688	53,365	44,962	41,151	36,906	33,102
Total assets	174,339	187,625	192,957	219,051	229,883	230,497	236,900	228,871
Liabilities and equity								
Payables to credit institutions and central banks	34,957	41,714	45,693	61,649	63,876	60,370	63,306	58,492
Deposits and other payables	62,758	61,725	66,056	67,832	65,350	60,478	61,918	68,694
Bonds in issue at amortised cost	20,150	24,662	25,763	24,427	25,881	24,423	22,565	23,849
Other non-derivative financial liabilities at fair value	11,776	12,205	8,171	4,930	19,943	33,451	40,857	33,108
Remaining payables	28,267	31,368	31,286	45,687	41,913	37,913	33,268	29,894
Total payables	157,908	171,674	176,969	204,525	216,963	216,635	221,914	214,037
Provisions	214	197	195	226	245	240	236	247
Subordinated debt	100	100	100	100	100	100	250	250
Equity	16,117	15,654	15,693	14,200	12,575	13,522	14,500	14,337
Total liabilities and equity	174,339	187,625	192,957	219,051	229,883	230,497	236,900	228,871

Quarterly financial highlights have not been audited

NYKREDIT BANK GROUP – EIGHT QUARTERS (continued)

DKK million

	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015	Q4/ 2014	Q3/ 2014	Q2/ 2014	Q1/ 2014
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	15,180	15,182	21,156	20,320	20,893	13,801	12,028	12,306
Other commitments	5,566	5,016	4,671	4,632	4,839	5,472	6,536	6,734
FINANCIAL RATIOS								
Total capital ratio, %	21.1	21.1	18.9	15.6	13.1	14.7	16.0	16.1
Tier 1 capital ratio, %	20.7	20.7	18.5	15.1	12.8	14.3	15.6	15.7
Return on equity before tax pa, %	14.0	(0.4)	52.1	(14.6)	(9.5)	(12.3)	2.7	0.0
Return on equity after tax pa, %	10.7	(0.3)	40.0	(11.2)	(7.0)	(9.3)	2.2	(0.3)
Summary core earnings and investment portfolio income								
Core income from business operations	812	707	837	1,004	686	822	885	780
Value adjustment of interest rate swaps	198	(242)	1,515	(1,061)	(1,369)	(1,558)	(205)	(230)
Core income from securities	2	2	1	3	8	7	7	7
Total core income	1,012	467	2,353	(54)	(675)	(729)	687	557
Operating costs and depreciation of equipment	442	471	454	485	471	475	513	511
Expenses for guarantee and resolution schemes	6	23	17	17	13	19	17	16
Goodwill impairment	9							
Profit from investments in associates and Group enterprises	-	-	-	-	-	-	-	-
Core earnings before impairment losses	556	(27)	1,882	(556)	(1,159)	(1,223)	157	30
Impairment losses on loans and advances	(34)	2	(70)	(19)	100	80	(1)	40
Core earnings after impairment losses	590	(29)	1,952	(537)	(1,259)	(1,303)	158	(10)
Investment portfolio income	11	(21)	(4)	49	(15)	12	37	9
Profit (loss) before tax	600	(50)	1,948	(488)	(1,274)	(1,291)	195	(1)
Tax	137	(11)	455	(113)	(328)	(313)	33	9
Profit (loss) for the period	464	(39)	1,493	(375)	(946)	(978)	162	(10)
Profit (loss) before tax, year-to-date	2,010	1,410	1,460	(488)	(2,371)	(1,097)	194	(1)

Quarterly financial highlights have not been audited

OTHER INFORMATION

Financial calendar for 2016

11 February	Annual report for 2015 and an announcement of financial statements of the Nykredit Bank Group.
15 March	Annual General Meeting of Nykredit Bank A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
12 May	Q1 Interim Report of the Nykredit Bank Group.
18 August	H1 Interim Report of the Nykredit Bank Group.
10 November	Q1-Q3 Interim Report of the Nykredit Bank Group.

DIRECTORSHIPS AND EXECUTIVE POSITIONS

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. Weekly board meetings are held when required for approval of exposures.

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 15 March 2015. Re-election is not subject to any restrictions. The next annual general meeting of the Company is scheduled for 15 March 2016.

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

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

Michael Rasmussen, Chairman

Group Chief Executive, Nykredit

Date of birth: 13 November 1964
Joined the Board on 1 April 2014

Chief Executive Officer of:
Foreningen Nykredit
Nykredit Holding A/S
Nykredit Realkredit A/S

Chairman of:
Investeringsfonden for Udviklingslande (IFU)
Association of Danish Mortgage Banks
Totalkredit A/S

Director of:
Nykredits Fond
Creditkassens Jubilæumsfond

Søren Holm, Deputy Chairman

Group Managing Director, Nykredit

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

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

Chairman of:
Ejendomsselskabet Kalvebod A/S

Director of:
JN Data A/S**
Association of Danish Mortgage Banks
Totalkredit A/S
VP Securities A/S

Kent Ankersen* ***

Chief Dealer

Date of birth: 17 February 1957
Joined the Board on 13 March 2015

Kim Duus

Group Managing Director, Nykredit

Date of birth: 8 December 1956
Joined the Board on 20 August 2009

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

Chairman of:
Nykredit Portefølje Administration A/S

Director of:
Totalkredit A/S

Flemming Ellegaard* ***

Chief Dealer

Date of birth: 1 January 1960
Joined the Board on 1 January 2016

Anders Jensen

Group Managing Director, Nykredit

Date of birth: 20 January 1965
Joined the Board on
1 October 2014

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

Chairman of:
Nykredit Leasing A/S*
Nykredit Mægler A/S*
Bolighed A/S*
Swipp ApS#
Swipp Holding A/S*

Director of:
DSEB (Danish Society for Education and Business)**
Niels Brock (Copenhagen Business College)
Totalkredit A/S
Finansrådet*
Grænsefonden*

Member of the committee of representatives of:
Det Private Beredskab*

Allan Kristiansen***

Chief Relationship Manager

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

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

Bente Overgaard

Group Managing Director, Nykredit

Date of birth: 21 June 1964
Joined the Board on 20 August 2009

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

Chairman of:
Nykredits Afviklingspensionskasse
Nykredit Ejendomme A/S

Deputy Chairman of:
JN Data A/S

Director of:
Totalkredit A/S
Bankernes EDB Central a.m.b.a.
Bolighed A/S*
Den Danske Naturfond*
E-nettet A/S
Finanssektorens Arbejdsgiverforening (FA)
Finanssektorens Uddannelsescenter
ØresundsInstitutet

Member of the committee of representatives of:
Ejendomsforeningen Danmark

Henrik K. Asmussen**

Resigned from the Board on 13 March 2015

Olav Brusén Barsøe**

Resigned from the Board on 1 January 2016

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.

Henrik Rasmussen*

Managing Director

Date of birth: 26 December 1961

Joined the Executive Board on
1 December 2015

Director of:

Nykredit Mægler A/S*

Nykredit Leasing A/S*

Horsens & Friends A/S

Dan Sørensen*

Managing Director

Date of birth: 15 December 1967

Joined the Executive Board on
1 December 2015

Director of:

Nykredit Portefølje Administration A/S*

Georg Andersen**

Resigned from the Executive Board on
23 March 2015

Jesper Berg**

Resigned from the Executive Board on
30 September 2015

Bjørn Mortensen**

Resigned from the Executive Board on
16 December 2015

* Joined in 2015

** Resigned in 2015

*** Staff-elected member

Note: 4T af 1. oktober 2012 Drift ApS has
changed its name to Swipp ApS

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.