

Annual Report 2004





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Management and Administration

Board of Directors

Mogens Munk Rasmussen, Group Chief Executive, Nykredit Realkredit A/S, Chairman
Bent Naur, Managing Director, Ringkjøbing Landbobank A/S, Deputy Chairman
Peter Engberg Jensen, Group Managing Director, Nykredit Realkredit A/S
Ole Kamstrup, Managing Director, Sparekassen Hobro
Preben Lund Hansen, Managing Director, Sydbank A/S
Johnna Bechsøfft, staff-elected member
Steen Larsen, staff-elected member
Klaus Valentin, staff-elected member

Executive Board

Niels Tørslev, Managing Director*
Hans Henrik Andersen, Managing Director
Per Nykjær, Managing Director

* Executive positions and directorships
Managing Director of Nykredit Holding A/S
Group Managing Director of Nykredit Realkredit A/S
Director of:
Nykredit Mægler A/S
Nykredit Forsikring A/S
Dansk Pantebrevsbørs A/S
Nykredit Bank Hipoteczny S.A.
Terra Boligkreditt A/S

Administration

Troels Bülow-Olsen, Executive Vice President
Anders Heick-Poulsen, Executive Vice President
Jens Færgemann, Senior Vice President



Financial highlights

DKK MILLION

	2000	2001	2002	2003	2004
CORE EARNINGS AND NET PROFIT FOR THE YEAR					
Core income from:					
Lending	155	223	327	505	564
Securities	41	16	57	38	64
Total	196	239	384	543	628
Operating costs, depreciation and amortisation	80	97	116	165	189
Core earnings before write-offs	116	142	268	378	439
Write-offs and provisions for bad and doubtful debts	0	0	0	1	0
Core earnings after write-offs	116	142	268	377	439
Investment portfolio income	3	102	122	95	64
Profit on ordinary activities before tax	119	244	390	472	503
Tax	36	66	115	131	149
Net profit for the year	83	178	275	341	354

SUMMARY BALANCE SHEET

AT 31 DECEMBER

Mortgage loans	85,017	104,927	130,600	162,045	194,675
Bonds and shares	2,558	4,013	6,434	6,118	35,417
Issued bonds	85,653	114,288	138,315	168,042	230,310
Subordinate loan capital	500	1,364	2,593	2,601	2,600
Capital and reserves, year-end	2,175	2,604	3,128	3,469	4,823
Total assets	89,765	120,389	146,139	176,376	242,532

KEY RATIOS

Net profit for the year as a percentage of average capital and reserves	4.8	7.5	9.6	10.3	8.5
Core earnings after write-offs as a percentage of average capital and reserves	6.6	5.9	9.4	11.5	10.6
Costs as a percentage of core income	40.8	40.6	30.2	30.4	30.1
Capital adequacy ratio	9.0	10.2	11.3	9.4	9.4
Core capital ratio	7.1	6.7	6.2	5.4	6.1



Annual review by the Board of Directors

SUMMARY AND FINANCIAL HIGHLIGHTS

In 2004 Totalkredit recorded improvement and progress in a number of important areas.

The Totalkredit concept, which is based on the arrangement and guarantee of all loans by local and regional banks, strengthened.

The market share – in terms of loan portfolio – continued previous years' unabated growth.

Operations improved further as a result of continued high lending activity.

Totalkredit's strategic position

After being acquired by Nykredit, Totalkredit has found it strategically essential to ensure a continued reinforcement of the cooperation with local and regional banks.

The agreement to sell Totalkredit to Nykredit implied that Totalkredit is carried on as brand and business concept. In consequence, the banks will continue playing a key role as arrangers, producers and guarantors of private residential mortgage loans.

The partnership secures the banks a future-oriented position as providers of competitive mortgage banking products.

The partnership secures Nykredit/Totalkredit a position as the largest and leading mortgage bank in Denmark.

Business concept

Totalkredit's business concept built on local and regional banks being responsible for customer services and individual risk hedging remained unchanged in 2004 and will continue so in future.

The business concept makes for very low costs and losses and secures Totalkredit strong distribution powers.

The costs and losses incurred are borne by the banks which receive sales and guarantee fees on a current basis. In 2004 the fees totalled DKK 681m against DKK 576m in 2003.

The guarantee concept is based on the issue of individual guarantees by the arranger banks for the part of all loans exceeding 60% of the value of the mortgaged property.

In 2004 Totalkredit initiated cooperation with Nykredit Mægler for the supply of mortgage loans guaranteed by the local and regional banks.

Continued growth in market share and loan portfolio

In recent years Totalkredit has recorded continuous growth in lending.

In 2004 Totalkredit's gross lending went up to DKK 79bn against DKK 76bn in 2003.

Net new lending went up to DKK 37bn from DKK 35bn.

Following the level of activity, the loan portfolio stood at DKK 195bn at year-end against DKK 162bn at end-2003.

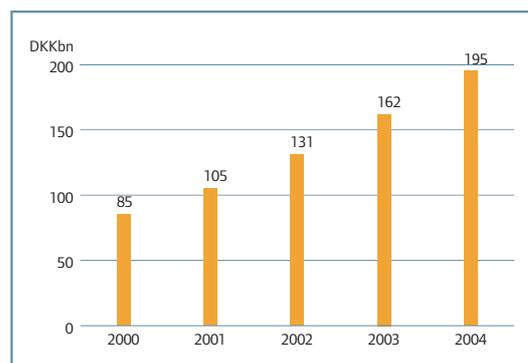
This development is expected to continue in coming years.

Broader product range

Towards year-end Totalkredit broadened its product range and, at the entry to 2005, offers the most attractive product range within home financing.

Besides the well-known capped short-rate product BoligXLån and the traditional ARM products,

Loans and advances, year-end





a new product type based on floating-rate bonds with 30-year maturities was added to the product range. The product has an embedded interest rate cap of 6% pa. All the product types are offered with interest-only periods of up to 10 years.

Massive customer interest in the new products was observed already at year-end, and Totalkredit expects the new product types to replace traditional fixed-rate bond loans to a large extent.

Improved operations

The combination of a higher lending activity and a larger portfolio led to improvement in operations – also in spite of Totalkredit's increased costs in 2004 related to steps taken to strengthen the cooperation with the local and regional banks and thereby Totalkredit's market position.

Totalkredit realised a profit before tax of DKK 503m against DKK 472m in 2003. Profit after tax was DKK 354m against DKK 341m in 2003.

Core income from lending went up to DKK 564m from DKK 505m in 2003.

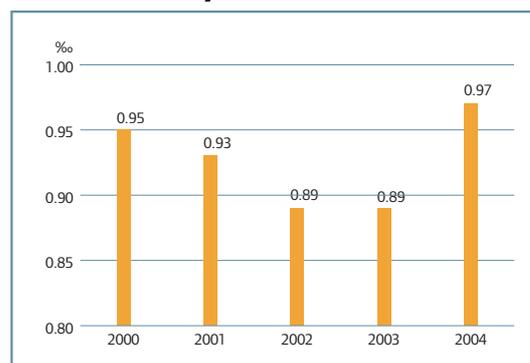
Core income from securities was DKK 64m in 2004 against DKK 38m in 2003. The increase mainly stems from the capital increase of DKK 1,000m in April.

Operating costs amounted to DKK 189m against DKK 144m in 2003.

Core earnings after write-offs totalled DKK 439m against DKK 377m in 2003.

Investment portfolio income amounted to DKK 64m in 2004 against DKK 95m in 2003.

Costs as a % of loans and advances, year-end



At year-end the balance sheet stood at DKK 243bn against DKK 176bn at end-2003.

In 2004 capital and reserves increased by DKK 1,000m after which they stood at DKK 4,823m at year-end against DKK 3,469m at the beginning of the year. The capital adequacy ratio was 9.4 at year-end, the same as at end-2003.

Highest rating

Totalkredit's bonds are issued out of Capital Centre C which maintained a Aaa rating from Moody's - the highest possible rating - throughout 2004.

Shareholders

At end-2004 Nykredit Realkredit A/S held a total of 74.1% of the shares in Totalkredit A/S and holds an option exercisable in 2006 to buy the remaining shares. These shares are held by Danish local and regional banks of which none of the shareholders hold more than 5% of the share capital.

NEW ACCOUNTING RULES FROM 2005

From 2005 Totalkredit A/S will be required to prepare annual reports in accordance with the new accounting rules issued by the Danish Financial Supervisory Authority. As a result, a number of assets and liabilities must be measured and recognised differently than previously. The most important changes in Totalkredit A/S relate to the measurement of loans and issued bonds as well as the classification of securities portfolios.

In general, the changes are not expected to affect the capital and reserves of the Company at 1 January 2005.

Value adjustment of mortgage loans to fair value

According to previous accounting policies, mortgage loans and issued bonds have been measured at nominal value. In future, the measurement will change from nominal value to fair value. At 1 January 2005 the change will increase the balance sheet by around DKK 2bn.

Own bonds

According to the new accounting rules, the portfolio of own issued bonds must be set off against the issued bonds. At 1 January 2005 the change will reduce the balance sheet by around DKK 25bn. The portfolio of own issued bonds varies significantly during the financial year, and the effect on the balance sheet is expected to vary between DKK 0 and DKK 50bn in 2005.



NEW CAPITAL ADEQUACY RULES IN 2005

At 1 January 2005 Totalkredit will not have a capital adequacy requirement exceeding that of ordinary capital adequacy rules.

OUTLOOK FOR 2005

Totalkredit aims to consolidate its position as a major and active supplier of competitive housing finance solutions in 2005 in close cooperation with Nykredit and a wide group of independent local and regional Danish banks.

Budgets for 2005 forecast gross and net new lending of DKK 65bn and DKK 33bn, respectively, but keen customer interest in the new housing finance products may lead to a significant rise in these figures.

Costs relative to the loan portfolio are expected to be stable. Only modest losses are expected.

Profit before tax is expected to be on a level with 2004.

Accounting policies

GENERAL

The Annual Report for 2004 of Totalkredit A/S has been prepared in compliance with the Danish Mortgage Credit Act as well as the Danish Financial Supervisory Authority's executive order on the presentation of mortgage bank accounts.

PROFIT AND LOSS ACCOUNT

Core earnings and investment portfolio income

Core earnings comprise core earnings from lending and securities.

Core earnings from lending comprise the results of the customer-oriented activities. Core earnings from securities comprise the return on Totalkredit's own portfolio at risk-free money market rates.

Investment portfolio income comprises the results from Totalkredit's own portfolio of securities that exceed risk-free money market rates. The results exclude trading costs and administrative expenses relating to own portfolio management.

Interest and administration margin

Interest includes interest due and computed as well as arbitrage premium from securities and foreign exchange transactions. Interest has been computed from the last due date to the balance sheet date.

Front-end fees and other fees have been recognised as income upon receipt. Administration margin income has been accrued, and the amount relating to the financial year has been included in the profit and loss account.

Write-offs and provisions for bad and doubtful debts

Major exposures are subject to periodic review and risk assessment in order to identify potential loss risks. Provisions for bad and doubtful debts have been made on this basis.

Provisions have been set off against the assets concerned. Losses ascertained and provisions for bad and doubtful debts have been charged to the profit and loss account under "Write-offs and provisions for bad and doubtful debts".

Tax

Tax assessed at the current tax rate of taxable income together with adjustment of deferred tax and tax assessed for previous years have been charged to the profit and loss account.

Deferred tax has been provided for on the basis of differences between the accounting and tax values in accordance with the liability method. Deferred tax has been posted in the balance sheet under the items "Provisions for liabilities" or "Other assets". Changes in deferred tax for the year have been charged or credited to the profit and loss account.

Foreign exchange translation

Income and expenses in foreign exchange have been translated into Danish kroner at the exchange rates ruling at the dates of entry.

Assets and liabilities including off-balance sheet items in foreign exchange have been entered at the exchange rates quoted by the Danish central bank at year-end.

Derivative financial instruments

Foreign exchange and forward contracts have been entered at the forward rates prevailing at year-end. Value adjustments resulting from changes in interest or exchange rates have been recognised under "Value adjustments". Forward premiums have been accrued over the term of the contract and entered under "Interest receivable" or "Interest payable".

Interest rate and currency swaps have been marked to market at year-end.

All realised and unrealised capital gains and losses have been taken to the profit and loss account. Unrealised capital gains and losses have been set off against "Other assets" or "Other liabilities".

ASSETS

Mortgage loans

Mortgage loans including amortisation accounts issued against mortgage bonds have been stated in the balance sheet at nominal values. The item has



been reduced by provisions for bad and doubtful debts and by transfers to foreclosed properties.

Other loans and advances

Other loans and advances have been entered at the lower of cost or market value.

Payments outstanding in non-foreclosed properties

Payments outstanding include mortgage payments due less provisions for bad and doubtful debts.

Bonds

Quoted bonds have been stated at the official prices quoted at year-end. Bonds drawn for redemption at the beginning of January the following year have been recorded at par, whereas bonds drawn for redemption at a later date have been recorded at prices based on their times-to-maturity.

All realised or unrealised capital gains and losses have been taken to the profit and loss account.

Shares

Quoted shares have been entered at the official prices quoted at year-end, whereas unquoted shares have been entered at fair value based on generally accepted measurement methods.

All realised or unrealised capital gains and losses have been taken to the profit and loss account.

Intangible assets

Intangible assets have been capitalised at cost and amortised over their expected useful lives, however, not exceeding 20 years.

Where a connection exists between the costs incurred and future earnings, development costs have been entered under assets.

Tangible assets

Properties temporarily foreclosed have been marked to market based on a conservative estimate. The item comprises Totalkredit's outstanding mortgages on properties transferred from the item "Mortgage loans" as well as repayments due, expenses defrayed at the time of sale by the order of the court and income and expenses incurred after the time of foreclosure. The item has been reduced by necessary provisions for bad and doubtful debts in these properties.

Machinery and equipment have been entered at cost less straight-line depreciation against their ex-

pected useful lives being:

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

Small assets and assets with short useful lives have been expensed in the year of acquisition.

LIABILITIES

Issued bonds

Issued bonds have been recorded at nominal value.

CASH FLOW STATEMENT

The statement is computed according to the direct method and shows cash flows for the year divided into cash flows from operating, investing and financing activities and the effects of the cash flows on cash and cash equivalents at year-end.

Cash and cash equivalents at year-end include the items "Cash in hand and demand deposits with central banks" and "Balances due from credit institutions and central banks".

INTRA-GROUP TRANSACTIONS

Totalkredit is part of the Nykredit Group. Intra-group trade and services have been settled at market terms or, where no real market exists, on an arm's length basis. Alternatively, settlements have been made on a cost reimbursement basis.

Profit and loss account for 2004

DKK MILLION

	Note	2004	2003
Interest receivable	1	9,385	8,510
Interest payable	2	8,305	7,614
Net interest receivable		1,080	896
Dividend from equity investments		2	2
Fees and commissions receivable	3	304	265
Fees and commissions payable	4	744	590
Net income from interest and fees		642	573
Value adjustments	5	49	64
Other operating income		1	0
Staff costs and administrative expenses	6-9	186	139
Depreciation and write-downs on tangible assets	21	3	4
Write-offs and provisions for bad and doubtful debts		0	1
Profit on ordinary activities before tax		503	493
Extraordinary expenses	10	0	21
Profit before tax		503	472
Tax	11	149	131
Net profit for the year		354	341
DISTRIBUTION OF PROFITS			
Net profit for the year		354	341
Total amount available for distribution		354	341
Transfer to capital and reserves		354	341
Total distribution		354	341



Balance sheet at 31 December 2004

DKK MILLION

	Note	2004	2003
ASSETS			
Cash in hand and demand deposits with central banks		0	0
Balances due from credit institutions and central banks	12	11,315	8,073
Loans and advances			
	13-18		
Mortgage loans		194,675	162,045
Other loans and advances		30	39
Total loans and advances		194,705	162,084
Bonds	19	35,403	6,088
Shares	20	15	30
Tangible assets	21	3	4
Other assets	22	1,089	96
Prepayments		2	1
Total assets		242,532	176,376
LIABILITIES AND EQUITY			
Issued bonds	23	230,310	168,042
Other liabilities	24	4,795	2,264
Subordinate loan capital	25	2,600	2,601
Provisions for liabilities		4	0
Capital and reserves			
	26		
Share capital		536	470
Share premium account		0	779
Reserves:			
Reserves in series		1,450	1,420
Other reserves		2,837	800
Total capital and reserves		4,823	3,469
Total liabilities and equity		242,532	176,376
Off-balance sheet items			
	27		
Guarantees		0	0
Other commitments		34	28
Total off-balance sheet items		34	28

	2004	2003
1. INTEREST RECEIVABLE		
Balances due from credit institutions	101	122
Loans and advances	8,143	7,462
Administration margin (interest margin on lending)	873	727
Bonds		
– government bonds	14	0
– own mortgage bonds	190	167
– other mortgage bonds	39	28
Derivative financial instruments		
– interest rate contracts	24	3
– other interest receivable	1	1
Total	9,385	8,510
2. INTEREST PAYABLE		
Credit institutions	0	0
Issued bonds	8,221	7,521
Subordinate loan capital	84	92
Other interest payable	0	1
Total	8,305	7,614
3. FEES AND COMMISSIONS RECEIVABLE		
Origination fees, new lending	173	171
Brokerage and other fees	131	94
Total	304	265
4. FEES AND COMMISSIONS PAYABLE		
Loan arrangement fees	183	170
Commissions for loan arrangers	423	365
Brokerage and other fees	138	55
Total	744	590

	2004	2003
5. VALUE ADJUSTMENTS		
Bonds		
– Government bonds	(2)	0
– Own mortgage bonds	46	25
– Other mortgage bonds	(6)	(4)
– Shares	6	40
Derivative financial instruments		
– Foreign exchange contracts	4	4
– Interest rate contracts	1	(1)
Total	49	64
6. STAFF COSTS AND ADMINISTRATIVE EXPENSES		
Salaries and remuneration to the Board of Directors and Executive Board		
Executive Board	6	10
Board of Directors	1	1
Total	7	11
Staff costs		
Wages	30	36
Pensions	7	3
Social security costs	4	5
Total	41	44
Other administrative expenses	138	98
Total	186	153
Of total costs of DKK 153m in 2003, DKK 14m has been charged to the profit and loss account under extraordinary expenses.		
7. LOANS TO THE EXECUTIVE BOARD AND BOARD OF DIRECTORS		
Mortgage loans, debt outstanding, end of financial year		
Executive Board	3	3
Board of Directors	0	2
Total	3	5

	2004	2003
8. AUDIT FEE		
Aggregate fees to the audit firms appointed by the General Meeting which perform the statutory audit	1	7
Of which in respect of services other than auditing	0	6
9. NUMBER OF STAFF		
Average number of staff for the financial year, full-time equivalents	74	64
10. EXTRAORDINARY EXPENSES		
In connection with Nykredit Realkredit A/S's acquisition of shares, the following amounts have been charged to the profit and loss account:		
Legal and audit fees	0	8
Bonuses for Executive Board incl staff and payroll tax	0	13
Total	0	21
11. TAX		
Tax assessed on income for the year	149	131
Change in deferred tax	0	0
Adjustment of tax assessed for previous years	0	0
Total	149	131
Of which relates to extraordinary items		(4)
In the financial year 2004 DKK 146.6m of tax has been paid under the scheme for payment of tax on account. The difference between tax paid on account and assessed tax of income for the year has been recognised in the balance sheet under "Other liabilities". At end-2004 deferred tax represented a tax asset of a total of DKK 0.3m which has been recognised in the balance sheet under "Other assets".		
Current tax rate	30.0	30.0
Non-taxable value adjustment relating to shares	(0.4)	(2.5)
Non-deductible costs	0	0.4
Effective tax rate	29.6	27.9
12. BALANCES DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
Balances due from credit institutions	11,315	8,073
Total	11,315	8,073

	2004	2003
13. LOANS AND ADVANCES		
Mortgage loans	194,675	162,045
Amounts outstanding in non-foreclosed properties	28	37
Other loans and advances	2	2
Total	194,705	162,084
14. MORTGAGE LOANS		
Balance, beginning of year	162,047	130,600
New loans	78,931	76,379
Ordinary principal payments	3,509	3,387
Prepayments and extraordinary principal payments	42,794	41,545
Balance, year-end	194,675	162,047
Loans transferred relating to properties temporarily foreclosed	0	1
Provisions for bad and doubtful debts	0	1
Total	194,675	162,045
15. OUTSTANDING PAYMENTS IN NON-FORECLOSED PROPERTIES		
Arrears	28	37
Execution	0	0
Provisions for bad and doubtful debts	0	0
Total	28	37
16. MORTGAGE LOANS BY PROPERTY CATEGORY		
Loans and advances as a percentage, year-end		
– Owner-occupied dwellings	96	96
– Recreational dwellings	4	4
Total	100	100
17. NUMBER OF LOANS, END OF FINANCIAL YEAR	268,526	238,645
18. MORTGAGE LOAN GUARANTEES PROVIDED BY BANKS		
Supplementary guarantees in addition to mortgages on real property	45,117	42,331
Statutory guarantees for advance loans	12,303	8,677
Guarantees for loans disbursed before obtaining a registered mortgage	14,980	14,149
Total	72,400	65,157

Notes

DKK MILLION

	2004	2003
19. BONDS		
Government bonds	193	0
Own mortgage bonds	31,428	5,743
Other mortgage bonds	3,782	345
Total bonds	35,403	6,088
Of which drawn	76	122
20. SHARES		
Listed	4	23
Of which listed on the Copenhagen Stock Exchange	4	23
Other shares	11	7
Total shares	15	30
At the balance sheet date, the market value of shares exceeded the cost of these by	10	19
21. TANGIBLE ASSETS		
Properties temporarily foreclosed	0	1
Machinery and equipment	3	3
Total	3	4
Properties temporarily foreclosed		
Debt outstanding, year-end	0	1
Execution	0	0
Provisions, year-end	0	0
Total	0	1
Machinery and equipment		
Total cost	9	7
Additions	2	2
Disposals	3	0
Total cost, year-end	8	9
Depreciation, beginning of year	6	5
Depreciation for the year	2	1
Reversal of depreciation	3	0
Depreciation, year-end	5	6
Book value, year-end	3	3
Write-off on machinery and equipment for the year	1	3

	2004	2003
22. OTHER ASSETS		
Positive market value of derivative financial instruments	2	0
Interest and commissions due on loans and advances	13	18
Interest receivable from bonds and credit institutions	1,070	73
Other assets	4	5
Total	1,089	96
23. ISSUED BONDS		
Mortgage bonds issued against mortgages on real property		
Balance, beginning of year	168,042	138,315
Additions	105,007	76,409
Bonds drawn and cancelled	24,571	36,390
Prepayments and extraordinary principal payments	18,168	10,292
Balance, year-end	230,310	168,042
Pre-issuance	26,152	78
Bonds drawn for redemption at next settling period	6,821	4,974
24. OTHER LIABILITIES		
Negative market value of derivative financial instruments	11	13
Interest payable on issued mortgage bonds	4,652	2,169
Other liabilities	132	82
Total	4,795	2,264
25. SUBORDINATE LOAN CAPITAL		
Subordinate loan capital consists of liabilities other than provisions which, in case of the Company's voluntary or compulsory liquidation, will not be repaid until after the claims of ordinary creditors have been met.		
Subordinate loan capital comprises two loans; one raised in May 2001 of a total of EUR 150m and one raised in December 2002 of a total of EUR 200m. Both loans carry floating interest rates and have loan terms of a maximum of 8 years. The exchange rate risk has been hedged through currency swaps.		

26. CAPITAL AND RESERVES

	Share-capital	Share premium account	Reserves in series	Other reserves	Total
Balance, beginning of year	470	779	1,420	800	3,469
Retained earnings 2004			30	324	354
Capital increase	66	934			1,000
Transfer to other reserves		(1,713)		1,713	0
Capital and reserves, year-end	536	0	1,450	2,837	4,823

Reserves in series consist of an undistributable reserve fund established in connection with the Company's conversion into a limited company.

The share capital consists of 5,357,801 shares of DKK 100. There is only one class of shares.

27. OFF-BALANCE SHEET ITEMS

Guarantees

Financial guarantees

Total guarantees

Other commitments

Other commitments

Total other commitments

Total off-balance sheet items

	2004	2003
Financial guarantees	0	0
Total guarantees	0	0
Other commitments	34	28
Total other commitments	34	28
Total off-balance sheet items	34	28

Series Accounts

DKK MILLION

SUMMARY

	Loan series with joint and several liability	Series with loans issued by PRL	Series with loans issued by Totalkredit In General	Total
Profit and loss account				
Income from lending	870	0	3	873
Interest payable on subordinate loan capital	(84)	0	0	(84)
Interest, net	304	0	1	305
Administrative expenses	(589)	0	(3)	(592)
Write-offs and provisions for bad and doubtful debts	0	0	0	0
Tax	(148)	0	0	(148)
Net profit for the year	353	0	1	354
Balance sheet – assets				
Mortgage loans	194,292	8	452	194,752
Other assets	47,670	1	109	47,780
Total assets	241,962	9	561	242,532
Balance sheet – liabilities and equity				
Issued bonds	229,771	8	531	230,310
Other liabilities	4,790	0	9	4,799
Subordinate loan capital	2,600	0	0	2,600
Capital and reserves	4,801	1	21	4,823
Total liabilities and equity	241,962	9	561	242,532
Complete Series Accounts of the individual series may be obtained from Totalkredit.				

Cash flow statement

DKK MILLION

	2004	2003
Cash flow from operating activities		
Interest and fees received	8,702	8,827
Interest and fees paid	(6,557)	(7,972)
Other ordinary payments received	1	0
Costs paid for staff and suppliers	(184)	(156)
Payments received for debts previously written off	0	0
Taxes paid, net	(147)	(132)
Total	1,815	567
Cash flow from investing activities		
Loans and advances disbursed	(78,931)	(76,379)
Principal payments on loans and advances	46,310	44,924
Net investment in bonds	(29,277)	305
Net investment in shares and other equity investments	21	72
Dividend received	2	2
Net investment in tangible assets	(3)	(5)
Other payments	36	(66)
Total	(61,842)	(31,147)
Cash flow from financing activities		
Share issue	1,000	-
Issue of bond loans	105,007	76,409
Drawing of bond loans	(42,738)	(46,682)
Total	63,269	29,727
Total cash flow	3,242	(853)
Cash and cash equivalents, beginning of year	8,073	8,926
Cash and cash equivalents, year-end	11,315	8,073
Cash and cash equivalents, year-end, consist of:		
Cash in hand and demand deposits with central banks	0	0
Balances due from credit institutions and central banks	11,315	8,073
Cash and cash equivalents, year-end	11,315	8,073

Liquidity risks

DKK MILLION

	2004	2003
By term-to-maturity		
Balances due from credit institutions		
On demand	8,635	6,388
Up to 3 months	2,680	1,685
Over 3 months and up to 1 year	0	0
Total	11,315	8,073
Loans and advances		
Up to 3 months	1,055	946
Over 3 months and up to 1 year	3,123	2,891
Over 1 year and up to 5 years	18,800	17,145
Over 5 years	171,727	141,102
Total	194,705	162,084
Issued bonds		
Up to 3 months	34,448	4,975
Over 3 months and up to 1 year	3,971	3,799
Over 1 year and up to 5 years	87,930	60,176
Over 5 years	103,961	99,092
Total	230,310	168,042

Derivative financial instruments

DKK MILLION

By term-to-maturity	Up to 3 months		Over 3 months and up to 1 year		Over 1 year and up to 5 years		Total 2004	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Interest rate contracts								
Forwards/futures, purchased	311	0	1	0			312	0
Forwards/futures, sold	2,342	0	1	0			2,343	0
Foreign exchange contracts								
Swaps					2,603	(11)	2,603	(11)
			Market value of non-guaranteed contracts		Market value		Average market value	
			Positive	Negative	Positive	Negative	Positive	Negative
Interest rate contracts								
Forwards/futures, purchased			0	0	0	0	1	0
Forwards/futures, sold			0	0	0	0	0	0
Foreign exchange contracts								
Swaps				11		11		12

Average market values have been computed on the basis of monthly statements.

Capital adequacy and key ratios

DKK MILLION

	2003	2004
Capital adequacy		
Core capital after statutory deductions	3,469	4,823
Capital base	6,070	7,423
Weighted items not included in the trading book including off-balance sheet items	64,044	78,551
Weighted items involving market risk	682	797
Total weighted items	64,726	79,348
Capital adequacy ratio	9.4	9.4
Core capital ratio	5.4	6.1
The statutory minimum capital adequacy ratio	8.0	8.0

	2000	2001	2002	2003	2004
Key ratios					
Capital adequacy ratio	9.0	10.2	11.3	9.4	9.4
Core capital ratio	7.1	6.7	6.2	5.4	6.1
Return on equity before tax (%)	6.8	10.3	13.6	14.3	12.1
Return on equity after tax (%)	4.8	7.5	9.6	10.3	8.5
Income/cost ratio	2.48	3.52	4.37	4.42	3.67
Accumulated provisions ratio	0.0	0.0	0.0	0.0	0.0
Write-offs and provisions for the year (%)	0.0	0.0	0.0	0.0	0.0
Growth in loans and advances for the year (%)	18.2	23.4	24.5	24.1	20.1
Loans and advances relative to capital and reserves (%)	39.1	40.3	41.7	46.7	40.4



Management Statement and Audit Reports

The Board of Directors and Executive Board have today reviewed and approved the Annual Report for 2004 of Totalkredit A/S.

The Annual Report has been prepared in compliance with the Danish Mortgage Credit Act, the Danish Financial Supervisory Authority's accounting provisions governing mortgage banks and the requirements provided by the Copenhagen Stock Exchange for the presentation of financial state-

ments by issuers of listed bonds. In our opinion, the accounting policies applied are appropriate and the Annual Report gives a true and fair view of the Company's assets, liabilities, equity and financial position at 31 December 2004 as well as the results of the Company's operations and cash flows for the financial year 2004.

The Annual Report will be submitted to the General Meeting for approval.

Taastrup, 24 February 2005

EXECUTIVE BOARD

Niels Tørslev

Hans Henrik Andersen

Per Nykjær

BOARD OF DIRECTORS

Mogens Munk Rasmussen
Chairman

Bent Naur
Deputy Chairman

Peter Engberg Jensen

Ole Kamstrup

Preben Lund Hansen

Johnna Bechsøfft

Steen Larsen

Klaus Valentin



Taastrup, 24 February 2005

Internal Audit

We have audited the Annual Report of Totalkredit A/S for the financial year 2004 which has been prepared in compliance with Danish statutory reporting and presentation requirements.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of Opinion

We conducted our audit on the basis of the Executive Order from the Danish Financial Supervisory Authority on Auditing Financial Enterprises and Financial Groups and in accordance with Danish Auditing Standards. Based on materiality and risk, we have evaluated the business procedures, the accounting policies used and the significant estimates made and verified the basis for amounts and disclosures in the Annual Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the assets, liabilities, equity and financial position of the Company at 31 December 2004 and of the results of the Company's operations and cash flows for the financial year 2004 in accordance with Danish statutory reporting and presentation requirements.

Claus Okholm
Chief Internal Auditor

Kim Stormly Hansen
Deputy Chief Internal Auditor

Auditors' report

We have audited the Annual Report of Totalkredit A/S for the financial year 2004 which has been prepared in compliance with Danish statutory reporting and presentation requirements.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of Opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies applied and significant estimates made by the Board of Directors and Executive Board, as well as evaluating the overall presentation of the Annual Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the assets, liabilities, equity and financial position of the Company at 31 December 2004 and of the results of the Company's operations and cash flows for the financial year 2004 in accordance with Danish statutory reporting and presentation requirements.

Deloitte Statsautoriseret Revisionsaktieselskab

Anders O. Gjelstrup State-Authorised Public Accountant	Henrik Wellejus State-Authorised Public Accountant
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PricewaterhouseCoopers Statsautoriseret Revisionsinteressentskab

Otto Johnsen State-Authorised Public Accountant	Mikael Sørensen State-Authorised Public Accountant
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The banks behind Totalkredit

Amagerbanken Aktieselskab	Jerslev Sparekasse	Sparekassen Himmerland
A/S Arbejdernes Landsbank	Jyske Bank A/S	Sparekassen Hobro
Bjergby-Flade Sparekasse	Klim Sparekasse	Sparekassen Hvetbo
Bonusbanken A/S	Kreditbanken A/S	Sparekassen i Skals
Borbjerg Sparekasse	Langå Sparekasse	Sparekassen Kronjylland
Broager Sparekasse	Lokalbanken i Nordsjælland A/S	Sparekassen Lolland
Brovst Sparekasse	Lollands Bank A/S	Sparekassen Løgumkloster
Brørup Sparekasse	Løkken Sparekasse	Sparekassen Midt Vest
Danske Andelskassers Bank	Max Bank A/S	Sparekassen Midtdjurs
Den jyske Sparekasse	MERKUR, Den Almennyttige Andelskasse	Sparekassen Midtfjord
DiBa Bank Aktieselskab	Middelfart Sparekasse	Sparekassen Sjælland
Djurslands Bank A/S	A/S Morsø Bank	Sparekassen Sundsøre
Dragsholm Sparekasse	Morsø Sparekasse	Sparekassen Thy
Dronninglund Sparekasse	A/S Møns Bank	Sparekassen Vendsyssel
Durup Sparekasse	Mørke Sogns Sparekasse	Sparekassen Vestsalling
Egnsbank Han Herred	A/S Nordfyns Bank	Sparekassen Østjylland
Fanø Sparekasse	Nordjyske Bank	sparTrelleborg
Faster Andelskasse	A/S Nørresundby Bank	St. Brøndum Sparekasse
Finansbanken A/S	A/S Ringkjøbing Bank	Svendborg Sparekasse A/S
Fionia Bank A/S	Ringkjøbing Landbobank A/S	Sydbank A/S
Flemløse Sparekasse	Rise Spare- og Lånekasse	Søby-Skader-Halling Spare- og Laanekasse
Folkesparekassen	Roskilde Bank A/S	Sønderhå-Hørsted Sparekasse
Forstædernes Bank A/S	Roslev Sparekasse	Thyholm Sparekasse
Frørup Andelskasse	Ryslinge Andelskasse	Totalbanken A/S
Frøs Herreds Sparekasse	Rønde og Omegns Sparekasse	Tved Sparekasse
Frøslev-Møllerup Sparekasse	Salling Bank A/S	Tønder Bank A/S
Fuur Sparekasse	Aktieselskabet Skjern Bank	Ulsted Sparekasse
Galten Sparekasse	Skælskør Bank Aktieselskab	Vestfyns Bank A/S
Gjerlev-Enslev Sparekasse	Snedsted-Nørhå Sparekasse	Vestjysk Bank A/S
Hadsten Bank Aktieselskab	Spar Nord Bank A/S	A/S Vinderup Bank
Hals Sparekasse	Sparbank Vest A/S	Vivild og Omegns Sparekasse
Hellevad-Ørum Sparekasse	Sparekassen Balling	Vorbasse-Hejnsvig Sparekasse
Hvidbjerg Bank Aktieselskab	Sparekassen Bredebro	Vordingborg Bank A/S
Hvidbjerg-Ørum Sparekasse	Sparekassen Farsø	Ø. Brønderslev-Hallund Sparekasse
Jelling Sparekasse	Sparekassen Faaborg A/S	Østjydsk Bank A/S