



Nykredit
bank

To the Copenhagen Stock Exchange
and the press

11 May 2006

Q1 Interim Report
The Nykredit Bank Group
1 January 2006 – 31 March 2006

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From today the Q1 Interim Report of the Nykredit Bank Group
can be downloaded as a pdf file from www.nykredit.com.

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DKK million	Q1/2006	Q1/2005	FY2005
SUMMARY INCOME STATEMENT			
Net interest income	117	236	794
Dividends, fees and commissions, net	66	47	213
Total net interest and fee income	183	283	1,007
Value adjustments	120	5	177
Other operating income	8	5	20
Staff, administrative and other operating expenses	154	132	593
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	1	0	3
Provisions for loan and receivable impairment	(6)	3	7
Profit before tax	162	158	601
Tax	45	47	162
Profit for the period	117	111	439
Balance sheet, end of period			
Assets			
Cash balance and receivables from central banks and credit institutions	15,365	15,106	15,031
Loans, advances and other receivables at fair value	5,014	6,709	6,688
Loans, advances and other receivables at amortised cost	21,950	18,495	19,731
Bonds at fair value	45,946	34,412	35,885
Equities	280	246	267
Investment and domicile properties	247	250	248
Other assets and prepayments	7,384	5,924	6,612
Total assets	96,186	81,142	84,462
Liabilities and equity			
Payables to credit institutions and central banks	49,402	46,647	44,654
Deposits and other payables	24,329	20,240	22,103
Issued bonds at amortised cost	1,741	576	654
Other non-derivative financial liabilities at fair value	9,954	3,580	6,484
Other liabilities and deferred income	6,173	5,981	6,094
Total payables	91,599	77,024	79,989
Provisions	56	32	59
Subordinate loan capital	800	800	800
Equity	3,731	3,286	3,614
Total liabilities and equity	96,186	81,142	84,462
Off-balance sheet items			
Guarantees	8,493	11,320	10,399
Other contingent liabilities	3,600	2,307	3,058
Total off-balance sheet items	12,093	13,627	13,457
KEY RATIOS			
Capital adequacy ratio, %	9.8	9.4	10.3
Core capital ratio, %	8.4	7.9	8.8
Return on equity before tax (pa), %	17.7	19.6	17.8
Return on equity after tax (pa), %	12.7	13.7	13.0
Income/cost ratio, DKK	2.09	2.17	2.00
Interest rate exposure, %	3	2.6	3.3
Impairment provisions for the period, %	0.0	0.0	0.0
Average number of full-time staff	467	407	426

Q1 Interim Report 2006

- Profit before tax of DKK 162m against DKK 158m in Q1/2005
- Profit before tax equalled a return on equity of 17.7% compared with 19.6% for Q1/2005 and 17.8% for FY2005
- Provisions for loan impairment posted an income of DKK 6m against an expense of DKK 3m in Q1/2005
- Both lending and deposits increased by approximately DKK 2bn relative to end-2005.

The Nykredit Bank Group recorded a satisfactory profit of DKK 162m before tax - largely the same as in Q1/2005.

Income from interest, fees and value adjustments increased by DKK 15m to DKK 303m relative to Q1/2005. Core income developed favourably in all business areas totalling DKK 17m.

Costs for wages, salaries and administration increased from DKK 132m to DKK 154m. Of the DKK 22m increase, wages and salaries accounted for DKK 14m and totalled DKK 86m, costs for IT operations rose by DKK 4m, while other costs went up by DKK 4m. The development in the Group's costs reflects the general development in activity which led to a staff increase from 407 on average in Q1/2005 to 467 in 2006.

The stable Danish economy meant that the credit quality of the Bank's loan portfolio remained very high. Q1/2006 saw the reversal of a number of provisions affecting results by a positive DKK 6m against a negative DKK 3m in Q1/2005.

At 31 March 2006 equity came to DKK 3,731m. Relative to equity at 31 December 2005 of DKK 3,614m, capital increased by DKK 117m equal to profit after tax for the period. The capital adequacy ratio was 9.8% against 10.3% at end-2005.

Business areas

The Nykredit Bank Group is organised in three inter-company business areas: Retail Banking, Corporate Banking and Markets & Asset Management. The presentation of the business areas has been based on the current reporting made to the Bank Management and consequently also the principles applied in connection with management control.

In Q1, *Retail Banking* increased profit before tax by DKK 11m to a total of DKK 41m. Behind the development were increased income of DKK 6m, increased capacity costs of DKK 5m and, finally, an income from provisions of DKK 6m.

The business area's interest and fee income was largely unchanged compared with 2005, while income from mortgage trading increased by approximately DKK 6m. Operating costs rose by DKK 5m to DKK 37m, particularly due to increased transaction costs and an increase in the number of staff.

Both lending and deposits were largely unchanged compared with end-2005.

Corporate Banking recorded a profit of DKK 37m equal to a DKK 6m increase relative to Q1/2005.

Core income rose by DKK 9m to DKK 64m in part as a result of increased value adjustments from corporate bonds and higher net interest income from increased deposits and lending. Costs rose by DKK 2m, mainly as a consequence of increased wages and salaries, etc.

Provisions were on a par with Q1/2005.

Corporate lending increased from DKK 14.7bn at end-2005 to DKK 16.8bn, while deposits rose from DKK 13.1bn to DKK 15.3bn.

Markets & Asset Management recorded a profit of DKK 62m for Q1/2006 compared with DKK 75m for Q1/2005. Core income was largely unchanged relative to Q1/2005, reflecting a positive development in the business area's trading, debt capital markets and asset management activities, while income from own trading was below 2005 levels.

Operating costs amounted to DKK 90m, up DKK 15m on Q1/2005 of which increased staff expenses accounted for approximately DKK 10m.

Results by business area

DKKm	Retail Banking		Corporate Banking		Markets & Asset Management		Group items ¹		Total	
	Q1/2006	Q1/2005	Q1/2006	Q1/2005	Q1/2006	Q1/2005	Q1/2006	Q1/2005	Q1/2006	Q1/2005
Core income	72	66	64	55	152	150	21	17	309	288
Operating costs	37	32	27	25	90	75	1	-	155	132
Core earnings before losses	35	34	37	30	62	75	20	17	154	156
Provisions for loan impairment	(6)	4	0	(1)	0	0	-	-	(6)	3
Core earnings after losses	41	30	37	31	62	75	20	17	160	153
Investment portfolio income ²	-	-	-	-	-	-	2	5	2	5
Profit before tax	41	30	37	31	62	75	22	22	162	158
Income/cost ratio, DKK	2.29	1.83	2.36	2.29	1.69	2.00	-	-	2.08	2.17
Average allocated business capital ³	757	694	1,566	1,506	755	669	19	35	3,097	2,902
Core earnings after losses as a % of allocated business capital	21.5	17.3	9.4	8.2	32.8	44.6	-	-	20.7	21.1

1) Comprises income from securities not allocated to the individual business areas but included in the Bank's own portfolio as well as non-allocated expenses.
2) Investment portfolio income equals the return on own portfolio exceeding risk-free interest.
3) 8% of risk-weighted average assets allocated to the business areas.

Balance sheet, equity and capital adequacy

The Nykredit Bank Group's balance sheet was DKK 96.2bn, up DKK 11.7bn on end-2005.

On the asset side, "bonds at fair value" increased by DKK 10.1bn to DKK 45.9bn, while "loans, advances and other receivables at amortised cost" went up by DKK 2.2bn to DKK 21.9bn. By contrast, "loans, advances and other receivables at fair value" (reverse transactions) was reduced by DKK 1.7bn to DKK 5bn.

"Total payables" increased from DKK 80bn at end-2005 to DKK 91.6bn at 31 March 2006. "Payables to credit institutions and central banks" accounted for DKK 4.7bn of the increase, while repo transactions ("non-derivative financial liabilities at fair value") rose by DKK 3.5bn. "Deposits and other payables" increased by DKK 2.2bn to DKK 24.3bn.

"Issued bonds at amortised cost" posted DKK 1.7bn at 31 March 2006 against DKK 654m at end-2005.

In Q1 the Bank made two new issues, Nykredit High-Yield I and Nykredit High-Yield II, totalling EUR 164m (DKK 1.2bn). The issues generate a variable return based on a specific exchange rate development. Of the issues, EUR 77m matures for redemption on 31 January 2008, while EUR 86m matures on 28 March 2008. Both issues are listed on the Copenhagen Stock Exchange.

Equity was DKK 3,731m at 31 March 2006, up DKK 117m on equity at end-2005 of DKK 3,614m equal to profit after tax for the period. The equity of the Parent Company Nykredit Bank A/S equals Group equity as

the Parent Company's accounting policies are based on the same principles of recognition and measurement as the Nykredit Bank Group's.

Group capital was DKK 4,207m at 31 March 2006 including supplementary capital of DKK 800m and less the Group's portfolio of investment certificates of DKK 207m, etc. The capital has been determined exclusive of profit for the period and is largely unchanged relative to end-2005.

The Group's capital adequacy and core capital ratios were 9.8% and 8.4% against 10.3% and 8.8% at end-2005.

The Parent Company Nykredit Bank A/S's capital adequacy and core capital ratios were 9.9% and 8.5% against 10.4% and 8.9% at end-2005.

Outlook for 2006

Q1/2006 was generally characterised by a positive development. A considerable part of Bank earnings still consists of market-dependent income which calls for a prudent assessment of the development and earnings. At present the Bank therefore maintains its forecast of a profit before tax of DKK 475-525m as indicated in the Annual Report for 2005.

Events occurring after 31 March 2006

In the period up to the presentation of the Q1 Interim Report 2006, no significant events have occurred.

Other

At the Bank's general meeting on 14 March 2006, Peter Engberg Jensen, Group Managing Director, was not re-elected to the Bank's Board of Directors at his own request.

The change in the composition of the Board of Directors should be seen in continuation of Peter Engberg

Jensen's appointment as Group Chief Executive of the Nykredit Group when Mogens Munk Rasmussen, Group Chief Executive, retires at end-September 2006.

Nykredit Bank's Board of Directors will subsequently consist of five members.

Accounting policies

The Q1 Interim Report 2006 has been presented in accordance with the principles of recognition and measurement of the International Financial Reporting Standards (IFRS) and the Executive Order on the presentation of financial reports of credit institutions and investment companies, etc issued by the Danish Financial Supervisory Authority.

The methods of recognition and measurement applied are unchanged compared with the Annual Report for 2005. A description of the Group's and the Bank's accounting policies can be found in the Annual Report for 2005 available at www.nykredit.com.

The Q1 Interim Report has not been audited.

**The Nykredit Bank Group
Issued bonds**

DKKm	31 March	31 December
	2006	2005
Issued bonds	2,010	787
Amortisation (Nykredit High-Yield I and II)	(71)	-
Own portfolio	(198)	(133)
Total	1,741	654

**The Nykredit Bank Group
Equity**

DKKm	31 March	31 March	31 December
	2006	2005	2005
Equity, 1 January	3,614	3,148	3,148
Effects of changed accounting policies	-	27	27
Adjusted equity, 1 January	3,614	3,175	3,175
Profit for the period	117	111	439
Equity, end of period	3,731	3,286	3,614

**The Nykredit Bank Group
Capital adequacy and core capital**

DKKm	31 March	31 March	31 December
	2006	2005	2005
Core capital	3,614	3,175	3,614
Supplementary capital	800	800	800
Statutory deductions from core capital and supplementary capital	207	186	194
Total, end of period	4,207	3,789	4,220
Weighted items not included in the trading portfolio	32,219	30,058	30,932
Weighted items incurring market risk	10,317	9,938	9,829
Total weighted items	42,536	39,996	40,761
Core capital ratio, %	8.4	7.9	8.8
Capital adequacy ratio, %	9.8	9.4	10.3

DKK million	Q1/2006	FY2005	Q4/2005	Q3/2005	Q2/2005	Q1/2005
INCOME STATEMENT						
Net interest income	117	794	162	184	212	236
Dividends, fees and commissions, net	66	213	54	63	49	47
Net interest and fee income	183	1,007	216	247	261	283
Value adjustments	120	177	46	79	47	5
Other operating income	8	20	5	5	5	5
Staff, administrative and other operating expenses	154	590	172	138	148	132
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	1	6	2	2	2	0
Provisions for loan and receivable impairment	(6)	7	10	0	(6)	3
Profit before tax	162	601	83	191	169	158
Tax	45	162	16	55	44	47
Profit for the period	117	439	67	136	125	111
BALANCE SHEET, END OF PERIOD						
Assets						
Cash balance and receivables from central banks and credit institutions	15,365	15,031	15,031	16,495	15,493	15,106
Loans, advances and other receivables at fair value	5,014	6,688	6,688	8,652	7,807	6,709
Loans, advances and other receivables at amortised cost	21,950	19,731	19,731	18,028	18,353	18,495
Bonds at fair value	45,946	35,885	35,885	36,591	36,364	34,412
Equities	280	267	267	241	232	246
Investment and domicile properties	247	248	248	249	250	250
Other assets and prepayments	7,384	6,612	6,612	6,982	7,292	5,924
Total assets	96,186	84,462	84,462	87,238	85,791	81,142
Liabilities and equity						
Payables to credit institutions and central banks	49,402	44,654	44,654	43,339	43,977	46,647
Deposits and other payables	24,329	22,103	22,103	25,288	22,326	20,240
Issued bonds at amortised cost	1,741	654	654	629	669	576
Other non-derivative financial liabilities at fair value	9,954	6,484	6,484	6,724	7,386	3,580
Other liabilities and deferred income	6,173	6,094	6,094	6,879	7,183	5,981
Total payables	91,599	79,989	79,989	82,859	81,541	77,024
Provisions	56	59	59	32	39	32
Subordinate loan capital	800	800	800	800	800	800
Equity	3,731	3,614	3,614	3,547	3,411	3,286
Total liabilities and equity	96,186	84,462	84,462	87,238	85,791	81,142
Off-balance sheet items						
Guarantees	8,493	10,399	10,399	11,048	11,917	11,320
Other contingent liabilities	3,600	3,058	3,058	2,995	2,377	2,307
Total off-balance sheet items	12,093	13,457	13,457	14,043	14,294	13,627
KEY RATIOS						
Capital adequacy ratio, %	9.8	10.3	10.3	9.8	9.7	9.4
Core capital ratio, %	8.4	8.8	8.8	8.3	8.1	7.9
Return on equity before tax (pa), %	17.7	17.8	9.3	22.0	20.2	19.6
Return on equity after tax (pa), %	12.7	13.0	7.5	15.7	15.0	13.7
Income/cost ratio, DKK	2.1	2.00	1.45	2.36	2.18	2.17
Interest rate exposure, %	3.2	3.3	3.3	2.9	3.4	2.6
Impairment losses for the period, %	0.0	0.0	0.0	0.0	0.0	0.0