

# **Nykredit Bank**

To the Copenhagen Stock Exchange  
and the press

15 August 2001

## **Interim Report 2001** (1 January to 30 June 2001)

### **Nykredit Bank A/S and the Nykredit Bank Group**

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In first half 2001 the Nykredit Bank Group recorded significant growth in business activities, and results before tax were up from DKK 41m in first half 2000 to DKK 116m in 2001. In 2000 results for the financial year came to DKK 112m.

Consequently, the Bank's return on equity grew from 3.7% pa to 9.3% pa. The Bank has thus recorded pronounced growth in results although the current level is still not satisfactory.

- Net interest, fees and market value adjustments were up by DKK 102m on first half 2000 to DKK 319m
- The income/cost ratio came to 1.55 as against 1.18 in first half 2000
- All core business areas are developing in a sound direction

## **PROFIT AND LOSS ACCOUNT**

In first half 2001 the Group recorded a positive trend in business volume within all core areas; Corporate Banking, Markets and Retail Banking. Combined with a market-related increase in interest margins and focus on return on capital, the advance generated a 47% rise in net income from interest, fees and market value adjustments to DKK 319m.

Debt Capital Markets, a newly established business area of the Bank, acted as lead manager in relation to the issuance of subordinated loans to two listed Danish banks.

The asset management activities of the subsidiary, Dansk Portefølje Bank, also developed favourably, and total assets under management amounted to DKK 33bn at the end of first half 2001 compared with DKK 25bn at end-2000.

Relative to first half 2000 staff costs and administrative expenses rose by DKK 30m to DKK 192m. Excluding non-recurring expenses this represents a forecasted rise in costs which has been more than countered by the increase in earnings. The rise in costs relates primarily to IT development.

Write-offs and provisions for bad and doubtful debts went down from DKK 33m in first half 2000 to DKK 14m. The reduction was mainly a result of a relatively substantial provision made for a specific part of the portfolio in first half 2000 and the fact that the Bank was able to book provisions previously made as income this year. The provision ratio came to 0.6 against 1.1 as at 30 June 2000.

## **BALANCE SHEET**

Since end-2000 the balance sheet has increased by DKK 13.6bn to DKK 69.3bn.

Loans and advances were up by DKK 6.2bn of which DKK 2.1bn was repo trades, whereupon loans and advances totalled DKK 23.4bn. Corporate as well as retail lending showed a positive development, and growth was distributed evenly on a number of products.

The bond portfolio increased to DKK 25.9bn compared to DKK 20.3bn at end-2000 which mirrors growth in activities including trades in the repo markets.

Since 31 December 2000 debt to credit institutions rose by DKK 8.2bn to DKK 44.4bn, while deposits largely remained unchanged at DKK 9.4bn.

In order to strengthen the Bank's capital base, subordinated capital was injected totalling DKK 600m in first half 2001 after which capital and reserves stood at DKK 2,669m, and subordinated debt at DKK 800m as at 30 June 2001.

As at 30 June 2001 the Group's capital adequacy ratio was 9.8 relative to 8.9 as at 31 December 2000. The capital adequacy ratio of the parent company (Nykredit Bank) also came to 9.8 compared to 8.8 at end-2000.

No events have occurred in the period from 30 June 2001 to the presentation of the interim report which may affect the assessment of the interim report.

### **OUTLOOK FOR 2001**

As announced in the annual report for 2000 the Bank expected growth in all business areas and a rise in overheads including sizeable investments in IT development. Activities in first half 2001 met the Bank's expectations within all aspects, while the results for the period surpassed expectations.

For the full 2001 the Bank continues to expect strong growth in results compared to those recorded in 2000.

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## ACCOUNTING POLICIES

The Group accounts and the accounts of Nykredit Bank A/S comply with the Danish Commercial Banks and Savings Banks Act and the Danish Financial Supervisory Authorities' instructions and executive order on the presentation of bank accounts.

The accounting policies applied are consistent with those applied in 2000.

## PROFIT AND LOSS ACCOUNT FOR FIRST HALF 2001

		DKK million			
THE NYKREDIT BANK GROUP			NYKREDIT BANK A/S		
2000	2001		note	2001	2000
1,287	1,772	Interest receivable	1	1,764	1,220
1,117	1,564	Interest payable	2	1,563	1,085
170	<b>208</b>	<b>NET INTEREST RECEIVABLE</b>		<b>201</b>	135
2	2	Dividend from participating interests	3	2	2
55	71	Fees and commissions receivable		52	47
38	48	Fees and commissions payable		48	37
		<b>NET INCOME FROM INTEREST AND FEES</b>		<b>207</b>	147
189	<b>233</b>	Market value adjustments	4	86	25
28	86	Other operating income		6	-
50	6	Staff costs and administrative expenses	5	175	134
162	192	Depreciation, amortisation and write-downs on tangible and intangible assets		3	3
4	3	Other operating expenses		0	0
27	-	Write-offs and provisions for bad and doubtful debts		13	35
33	14	Results from participating interests in associated and subsidiary undertakings	6	8	41
0	0				
		<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		<b>116</b>	41
41	<b>116</b>	Tax of interim results		35	20
20	35				
21	<b>81</b>	<b>INTERIM RESULTS</b>		<b>81</b>	21

## BALANCE SHEET AT 30 JUNE 2001

DKK million

THE NYKREDIT BANK

NYKREDIT BANK A/S

GROUP

2000	2001		note	2001	2000
<b>ASSETS</b>					
107	23	Cash in hand and demand deposits with central banks		13	105
29,614	16,000	Assets with credit institutions and central banks		15,997	35,139
18,885	23,376	Loans and advances		23,226	12,321
26,490	25,909	Bonds		25,875	26,388
108	64	Shares		64	108
0	0	Participating interests in associated undertakings		3	0
0	0	Participating interests in subsidiary undertakings		136	462
0	0	Intangible assets		0	0
17	257	Tangible assets		253	11
3,328	3,698	Other assets		3,648	3,315
12	3	Prepayments and accrued income		2	2
<b>78,561</b>	<b>69,330</b>	<b>TOTAL ASSETS</b>		<b>69,217</b>	<b>77,851</b>
<b>LIABILITIES</b>					
48,502	44,443	Debt to credit institutions and central banks		44,306	48,728
10,549	9,370	Deposits		9,428	9,649
16,660	11,983	Other liabilities		11,949	16,707
60	11	Accruals and deferred income		11	11
51	54	Provisions for commitments		54	17
500	800	Subordinated debt		800	500
<b>Capital and reserves</b>					
1,300	1,400	Share capital	7	1,400	1,300
840	1,040	Share premium account		1,040	840
0	0	Reserves		25	98
-	-	Revaluation reserves		-	-
78	148	Brought forward from previous years		123	-20
21	81	Interim results after tax		81	21
<b>2,239</b>	<b>2,669</b>	<b>Total capital and reserves</b>		<b>2,669</b>	<b>2,239</b>
<b>78,561</b>	<b>69,330</b>	<b>TOTAL LIABILITIES</b>		<b>69,217</b>	<b>77,851</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
2000	2001		note	2001	2000
<b>Guarantees</b>					
3,249	6,161	Financial guarantees		6,665	8,639
48	167	Other guarantees		166	48
<b>3,297</b>	<b>6,328</b>	<b>Total guarantees</b>		<b>6,831</b>	<b>8,687</b>
<b>Other commitments</b>					
3,864	3,313	Irrevocable credit commitments		3,313	3,864
332	401	Other commitments		401	332
<b>4,196</b>	<b>3,714</b>	<b>Total other commitments</b>		<b>3,714</b>	<b>4,196</b>
<b>7,493</b>	<b>10,042</b>	<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>10,545</b>	<b>12,883</b>





**KEY RATIOS – NYKREDIT BANK A/S**

	1 <sup>st</sup> half 2001	1 <sup>st</sup> half 2000	1 <sup>st</sup> half 1999	1 <sup>st</sup> half 1998	1 <sup>st</sup> half 1997
<b>Capital adequacy and capital</b>					
Capital adequacy ratio	9.8%	9.7%	9.6%	15.2%	14.8%
Core capital ratio	7.4%	8.1%	9.6%	15.2%	14.8%
<b>Earnings</b>					
Return on equity before tax	4.7%	1.9%	1.3%	1.2%	3.5%
Return on equity after tax	3.3%	0.9%	1.0%	0.8%	2.2%
Income/cost ratio	1.60	1.24	1.18	1.22	1.74
<b>Market risk</b>					
Interest rate risk	2.1%	0.4%	1.0%	1.3%	1.7%
Foreign exchange position	13.9%	9.6%	7.5%	3.4%	2.1%
Foreign exchange risk	0.2%	0.0%	0.0%	0.1%	0.0%
<b>Liquidity</b>					
Loans and advances and provisions made in respect hereof relative to deposits	248.1%	128.1%	135.8%	243.1%	85.2%
Excess cover relative to statutory requirement on liquidity	171.6%	46.3%	168.6%	300.8%	251.2%
<b>Credit risk</b>					
Total major exposures	438.1%	593.6%	618.0%	472.1%	654.8%
Provision ratio	0.6%	0.7%	0.2%	0.0%	0.0%
Interim write-offs and provisions, %	0.0%	0.2%	0.1%	0.0%	0.0%
Interim growth in loans and advances	36.3%	40.0%	75.3%	72.3%	11.2%
Loans and advances relative to capital and reserves	8.7	5.5	3.7	2.4	2.0

**KEY RATIOS – THE NYKREDIT BANK GROUP**

	1 <sup>st</sup> half 2001	1 <sup>st</sup> half 2000	1 <sup>st</sup> half 1999	1 <sup>st</sup> half 1998	1 <sup>st</sup> half 1997
<b>Capital adequacy and capital</b>					
Capital adequacy ratio	9.8%	9.4%	9.8%	15.0%	13.2%
Core capital ratio	7.4%	7.9%	9.8%	15.0%	13.2%
<b>Earnings</b>					
Return on equity before tax	4.7%	1.9%	1.3%	1.2%	3.5%
Return on equity after tax	3.3%	0.9%	1.0%	0.8%	2.2%
Income/cost ratio	1.55	1.18	1.16	1.20	1.57
<b>Market risk</b>					
Interest rate risk	2.1%	0.4%	1.0%	1.2%	2.0%
Foreign exchange position	13.9%	9.6%	7.5%	3.4%	2.0%
Foreign exchange risk	0.2%	0.0%	0.0%	0.1%	0.0%
<b>Liquidity</b>					
Excess cover relative to statutory requirements on liquidity	173.2%	55.9%	191.8%	324.5%	259.6%
<b>Credit risk</b>					
Total major exposures	438.1%	599.2%	633.9%	472.1%	683.4%
Provision ratio	0.6%	1.1%	0.8%	1.0%	1.8%
Interim write-offs and provisions, %	0.0%	0.1%	0.1%	0.0%	0.0%
Interim growth in loans and advances	36.4%	17.9%	44.0%	42.4%	3.8%
Loans and advances relative to capital and reserves	8.8	8.4	6.8	4.7	5.2