

Nykredit Bank

**To the Copenhagen Stock Exchange
and the press**

21 August 2002

Interim report 2002
(1 January to 30 June)

Nykredit Bank A/S
and
the Nykredit Bank Group

Nykredit Bank A/S
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In first half 2002 Nykredit Bank recorded results before tax of DKK 25m compared with DKK 116m in first half 2001. Results are unsatisfactory and fall short of the expectations set out in the Annual Report for 2001.

The setback in results is an outcome of the global unrest in financial markets which has had the following effects in Nykredit Bank:

- nearly DKK 100m of negative value adjustments of the Bank's portfolio of credit bonds
- falling earnings in Nykredit Markets
- lower earnings from the Bank's own portfolio compared with first half 2001.

In contrast, the earnings generated in the Bank's other business areas generally satisfied expectations. Particularly Retail Banking recorded satisfactory growth, and Corporate Banking kept up earnings, thereby consolidating the high level of growth attained in recent years.

All in all, the above resulted in a return on equity before tax of 1.8% pa compared with 9.3% in first half 2001.

PROFIT AND LOSS ACCOUNT

The Group's income from interest, fees and value adjustments was down by DKK 66m to DKK 253m on the same period last year. Income from interest and fees increased by DKK 76m to DKK 309m, but the positive trend was more than offset by a fall in value adjustments of DKK 142m from a positive DKK 86m in first half 2001 to a negative 56m in first half 2002.

Expenses for staff and other overheads amounted to DKK 210m equal to a rise of approximately 7% on first half 2001. The development in costs largely conformed to expectations and should be seen in the light of a higher business volume as well as new business-oriented initiatives. The income/cost ratio stood at 1.11 against 1.55 in first half 2001.

Staff costs came to DKK 102m against DKK 92m in 2001. The rise can be attributed to wage adjustments prescribed by the collective agreements as well as the effect of new appointments made in 2001. As at 30 June 2002 the number of full-time staff came to 307 against 288 on 30 June 2001 (31 December 2001: 305).

Other administrative expenses grew by approximately 3% to DKK 106m. As expected expenses relating to IT development were down compared with first half 2001. However, the increased business volume has given rise to higher expenses for IT operations, and furthermore the Bank has incurred expenses for the purpose of expanding the business activities in targeted areas.

Write-offs and provisions for bad and doubtful debts came to DKK 27m against DKK 14m in first half 2001. The Bank's loan portfolio still has a high credit quality, and at 0.6 the provision ratio remained unchanged compared with first half 2001.

BALANCE SHEET, CAPITAL AND RESERVES AND CAPITAL ADEQUACY

The balance sheet stood at DKK 71.2bn, up DKK 7.7bn on end-2001.

Loans and advances totalled DKK 26.4bn against DKK 22.3bn at end-2001. The rise is primarily an effect of a higher level of repo trading activity which also contributed to an increase in the bond portfolio from DKK 22.8bn at end-2001 to DKK 26.8bn.

Deposits amounted to DKK 13.1bn, a rise of DKK 4.4bn compared with end-2001. This development is chiefly a consequence of a higher level of activity in the markets for repos and deposits, but also retail deposits displayed a positive trend.

After addition of interim results, capital and reserves increased by DKK 17m and stood at DKK 2,725m as at 30 June 2002 compared with DKK 2,708m at end-2001. The Group's capital adequacy ratio was 9.4, the same as at end-2001.

No events have occurred in the period from 30 June 2002 to the presentation of the interim report which may affect the assessment hereof.

OUTLOOK FOR 2002

In the Annual Report for 2001, the Bank expected results before tax to grow appreciably in 2002 compared with the year before. Due to the weak interim results, the Bank now expects the full-year results to be lower than the results recorded in 2001.

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ACCOUNTING POLICIES

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

The accounting policies applied are consistent with those applied in the annual accounts for 2001.

The interim accounts have not been audited.

PROFIT AND LOSS ACCOUNT FOR FIRST HALF 2002

		DKK million		
THE NYKREDIT BANK GROUP			NYKREDIT BANK A/S	
2001	2002		2002	2001
		note		
1,772	1,461		1,450	1,764
1,564	1,180		1,178	1,563
208	281		272	201
2	2		2	2
71	77		59	52
48	51		53	48
233	309		280	207
86	(56)		(63)	86
6	9		9	6
192	205		182	175
3	5		3	3
-	0		0	0
14	27		25	13
-	-		9	8
116	25		25	116
35	8		8	35
81	17		17	81

BALANCE SHEET AT 30 JUNE 2002

DKK million

THE NYKREDIT BANK GROUP		NYKREDIT BANK A/S			
2001	2002		note	2002	2001
ASSETS					
23	40	Cash in hand and demand deposits with central banks		38	13
16,000	13,395	Balances due from credit institutions and central banks	10	13,389	15,997
23,376	26,443	Loans and advances	11	26,348	23,226
25,909	26,850	Bonds	12	26,803	25,875
64	50	Shares		50	64
-	-	Participating interests in associated undertakings		10	3
-	-	Participating interests in subsidiary undertakings		161	136
-	-	Intangible assets		-	-
257	268	Tangible assets		260	253
3,698	4,130	Other assets		4,061	3,648
3	3	Prepayments		3	2
69,330	71,179	TOTAL ASSETS	13	71,123	69,217
LIABILITIES AND EQUITY					
44,443	42,140	Debt to credit institutions and central banks		42,063	44,306
9,370	13,144	Deposits	14	13,201	9,428
11,983	12,338	Other liabilities	15	12,302	11,949
11	11	Deferred income		11	11
54	21	Provisions for liabilities	16	21	54
800	800	Subordinated debt	17	800	800
Capital and reserves					
1,400	1,400	Share capital	18	1,400	1,400
1,040	1,040	Share premium account		1,040	1,040
0	0	Reserves		38	25
-	-	Revaluation reserves		-	-
148	268	Brought forward from previous years		230	123
81	17	Results year-to-date after tax		17	81
2,669	2,725	Total capital and reserves		2,725	2,669
69,330	71,179	TOTAL LIABILITIES AND EQUITY		71,123	69,217
OFF-BALANCE SHEET ITEMS					
6,328	5,208	Guarantees	19	5,208	6,831
3,714	3,946	Other liabilities	19	3,901	3,714
10,042	9,154	TOTAL OFF-BALANCE SHEET ITEMS		9,109	10,545

NOTES

THE NYKREDIT BANK GROUP		DKK million NYKREDIT BANK A/S	
2001	2002	2002	2001
1. Interest receivable			
Balances due from credit institutions and central banks			
501	348	348	498
605	627	616	600
731	622	621	731
(65)	(135)	(135)	(65)
Total derivative financial instruments of which:			
3	(3)	(3)	3
(68)	(132)	(132)	(68)
0	(1)	0	0
1,772	1,461	1,450	1,764
TOTAL INTEREST RECEIVABLE			
Of which interest receivable of genuine purchase and resale transactions entered as:			
Balances due from credit institutions and central banks			
322	269	269	322
116	79	79	116
2. Interest payable			
1,188	886	883	1,185
356	278	279	358
20	16	16	20
0	0	0	0
1,564	1,180	1,178	1,563
TOTAL INTEREST PAYABLE			
Of which interest payable of genuine sales and re-purchase transactions entered as:			
Credit institutions and central banks			
560	443	443	560
68	55	55	68
3. Dividends			
2	2	2	2
2	2	2	2
TOTAL DIVIDENDS			
4. Value adjustments			
(25)	(42)	(42)	(25)
6	0	0	6
-	7	-	0
25	4	4	25
80	(25)	(25)	80
Total derivative financial instruments of which:			
(8)	6	6	(8)
88	(26)	(26)	88
-	-	-	-
0	(5)	(5)	0
86	(56)	(63)	86
TOTAL VALUE ADJUSTMENTS			
0	0	0	0
Of which pooled schemes			

NOTES (continued)

THE NYKREDIT BANK			DKK million	
GROUP			NYKREDIT BANK A/S	
2001	2002		2002	2001
		5. Staff costs and administrative expenses		
2	2	Executive Board	2	2
0	0	Board of Directors	0	0
		Salaries and remuneration to the Executive Board and Board of Directors	2	2
78	85	Wages	69	65
7	9	Pensions	8	7
7	8	Social security costs	8	7
92	102	Total staff costs	85	79
98	101	Other administrative expenses	95	94
192	205	TOTAL STAFF AND ADMINISTRATION	182	175
		6. Write-offs and provisions for bad and doubtful debts		
		Provisions:		
210	166	Provisions at 31 December	162	203
14	27	Interim provisions (net new provisions)	25	13
42	8	Previously provided for, now lost	7	42
0	8	Other additions and disposals	0	0
182	193	PROVISIONS AT 30 JUNE	180	174
		Effect on results:		
14	27	Interim provisions (net new provisions)	25	13
1	1	Received on claims previously written off	0	1
1	1	Write-offs not previously provided for	0	1
14	27	EFFECT ON INTERIM RESULTS	25	13
		7. Results from participating interests in associated and subsidiary undertakings		
-	-	Participating interests in associated undertakings	0	(1)
-	-	Participating interests in subsidiary undertakings	9	9
-	-	TOTAL RESULTS FROM PARTICIPATING INTERESTS	9	8

NOTES (continued)

		DKK million	
THE NYKREDIT BANK		NYKREDIT BANK A/S	
GROUP			
2001	2002	2002	2001
8. Tax of interim results			
35	8	8	35
30.0%	30.0%	30.0%	30.0%
-	0.2%	0.2%	-
-	1.8%	1.8%	-
30.0%	32.0%	32.0%	30.0%
ESTIMATED TAX RATE			
9. Foreign entities			
Foreign subsidiaries' share of interim results generated by interest receivable, dividends, fees, value adjustments and other operating income:			
2	1		
2	1		
TOTAL FOREIGN ENTITIES			
10. Balances due from credit institutions and central banks			
3	971	971	3
15,997	12,424	12,418	15,994
16,000	13,395	13,389	15,997
10,266	8,427	8,427	10,266
11. Loans and advances			
23,376	26,443	26,348	23,226
5,516	6,505	6,505	5,516
12. Security			
In relation to Danmarks Nationalbank and clearing centres, bonds for a market price of DKK 1.0bn (30.06.01: DKK 5.7bn) have been deposited as security.			

NOTES (continued)

THE NYKREDIT BANK		DKK million	
GROUP		NYKREDIT BANK A/S	
2001	2002	2002	2001
13. Fixed-rate balances			
<p>Nykredit Bank continuously hedges the interest rate risk on fixed-rate assets and liabilities using eg financial instruments. This enables the Group to control the level of its aggregate interest rate sensitivity in the light of the expected interest rate development.</p> <p>Under the accounting standards of annual accounts for banks, fixed-rate assets cannot be written up to a value exceeding the cost of acquisition, and fixed-rate liabilities cannot be marked to market.</p> <p>Financial instruments acquired to hedge the interest rate risk involved in these fixed-rate balances have not been marked to market pursuant to the rules of the Danish Financial Supervisory Authority in order to obtain accounting symmetry. For first half 2002 the net value adjustment omitted came to a negative DKK 81m for both Nykredit Bank A/S and the Nykredit Bank Group.</p>			
Book value, hedged fixed-rate assets			
1,053	0	0	1,053
3,951	5,159	5,159	3,951
5,004	5,159	5,159	5,004
Market value, hedged fixed-rate assets			
	0	0	
	5,243	5,243	
-	5,243	5,243	-
Underlying financial instruments			
5,703	4,789	4,789	5,703
12	(81)	(81)	12
14. Deposits			
2,439	3,618	3,675	2,497
0	1	1	0
6,815	9,348	9,348	6,815
116	177	177	116
9,370	13,144	13,201	9,428
1,775	2,673	2,673	1,775

NOTES (continued)

THE NYKREDIT BANK		DKK million	
GROUP		NYKREDIT BANK A/S	
2001	2002	2002	2001
15. Other liabilities			
8,170	7,506	7,506	8,170
1,607	1,744	1,744	1,607
2,206	3,088	3,052	2,172
11,983	12,338	12,302	11,949
16. Provisions for liabilities			
-	-	-	-
54	21	21	54
-	-	-	-
54	21	21	54
17. Subordinated debt			
800	800	800	800
500	500	500	500
300	300	300	300
<p>The loans are instalment-free during the loan term and fall due for full repayment upon expiry of the loan term. The loans will be settled at par.</p> <p>The subordinated loans form part of the supplementary capital in compliance with the Commercial Banks and Savings Banks Act, section 22 (1) and are included in full in the capital base. The loans were granted by Nykredit A/S.</p>			
18. Capital and reserves and capital adequacy			
Capital and reserves at 31 December		2,708	2,288
Share capital increase at 22 February 2001		-	100
Share premium from capital increase		-	200
Adjustment of "Revaluation reserve according to the equity method"		-	-
Results year-to-date after tax		17	81
CAPITAL AND RESERVES AT 30 JUNE		2,725	2,669
<p>The share capital is wholly owned by Nykredit A/S, Copenhagen. The share capital consists of 11 shares in multiples DKK 1m.</p>			
CAPITAL ADEQUACY:			
3,372	3,491	3,491	3,372
26,932	27,695	27,651	26,866
7,429	9,213	9,212	7,428
34,361	36,908	36,862	34,294
9.8	9.4	9.4	9.8

NOTES (continued)

THE NYKREDIT BANK GROUP		DKK million NYKREDIT BANK A/S	
2001	2002	2002	2001
19. Off-balance sheet items			
Guarantees			
6,161	4,702	4,702	6,665
167	506	506	166
6,328	5,208	5,208	6,831
Other liabilities			
3,313	3,593	3,548	3,313
401	353	353	401
3,714	3,946	3,901	3,714
10,042	9,154	9,109	10,545

20. Contingent liabilities

As part of the operations the Bank becomes involved in litigation and legal proceedings. The Bank is of the opinion that the outcome hereof will not have a material effect on its financial position.

GROUP STRUCTURE

Name and registered office	Share capital at 30 June 2002	Capital and reserves at 30 June 2002	Ownership	Interim results after tax	Group balances due from the undertaking	Group debt to the undertaking	Group off-balance sheet items relating to the undertaking
	million	DKK million	%	DKK million	DKK million	DKK million	DKK million
Consolidated subsidiaries:							
Nykredit Finance plc, Plymouth	GBP 3	43.8	100	1.6	0.0	41.1	0.0
Dansk Portefølje Bank A/S, Copenhagen	DKK 40	60.9	100	3.9	0.0	0.4	0.0
Norswood Properties Limited, Plymouth	GBP 0	0.4	100	(1.5)	3.7	0.0	0.0
Nykredit Pantebreve A/S, Copenhagen	DKK 15	43.4	100	1.9	120.1	1.4	19.2
Nykredit Pantebrevsinvestering A/S, Copenhagen (the company has not had any actual activities in the period)	DKK 5	15.0	100	0.0	0.0	15.2	0.0
Associated undertakings:							
LeasIT A/S, Lyngby-Taarbæk (consolidated on a pro rata basis)	DKK 9	25.5	40	(0.1)	222.6	0.0	0.0

KEY RATIOS – NYKREDIT BANK A/S

	1 st half 2002	1 st half 2001	1 st half 2000	1 st half 1999	1 st half 1998
Capital adequacy and capital					
Capital adequacy ratio	9.4%	9.8%	9.7%	9.6%	15.2%
Core capital ratio	7.3%	7.4%	8.1%	9.6%	15.2%
Earnings					
Return on equity before tax	0.9%	4.7%	1.9%	1.3%	1.2%
Return on equity after tax	0.6%	3.3%	0.9%	1.0%	0.8%
Income/cost ratio	1.12	1.60	1.24	1.18	1.22
Market risk					
Interest rate risk	1.4%	2.1%	0.4%	1.0%	1.3%
Foreign exchange position	10.6%	13.9%	9.6%	7.5%	3.4%
Foreign exchange risk	0.3%	0.2%	0.0%	0.0%	0.1%
Liquidity					
Loans and advances and provisions made in respect hereof relative to deposits	201.0%	248.1%	128.1%	135.8%	243.1%
Excess cover relative to statutory requirements for liquidity	189.5%	171.6%	46.3%	168.6%	300.8%
Credit risk					
Total major exposures	405.2%	438.1%	593.6%	618.0%	472.1%
Provision ratio	0.6%	0.6%	0.7%	0.2%	0.0%
Interim write-offs and provisions	0.1%	0.0%	0.2%	0.1%	0.0%
Interim growth in loans and advances	18.6%	36.3%	40.0%	75.3%	72.3%
Loans and advan. rel. to capital and reserves	9.7	8.7	5.5	3.7	2.4

KEY RATIOS – THE NYKREDIT BANK GROUP

	1 st half 2002	1 st half 2001	1 st half 2000	1 st half 1999	1 st half 1998
Capital adequacy and capital					
Capital adequacy ratio	9.4%	9.8%	9.4%	9.8%	15.0%
Core capital ratio	7.2%	7.4%	7.9%	9.8%	15.0%
Earnings					
Return on equity before tax	0.9%	4.7%	1.9%	1.3%	1.2%
Return on equity after tax	0.6%	3.3%	0.9%	1.0%	0.8%
Income/cost ratio	1.11	1.55	1.18	1.16	1.20
Market risk					
Interest rate risk	1.4%	2.1%	0.4%	1.0%	1.2%
Foreign exchange position	10.6%	13.9%	9.6%	7.5%	3.4%
Foreign exchange risk	0.3%	0.2%	0.0%	0.0%	0.1%
Liquidity					
Excess cover relative to statutory requirements for liquidity	190.1%	173.2%	55.9%	191.8%	324.5%
Credit risk					
Total major exposures	405.2%	438.1%	599.2%	633.9%	472.1%
Provision ratio	0.6%	0.6%	1.1%	0.8%	1.0%
Interim write-offs and provisions	0.1%	0.0%	0.1%	0.1%	0.0%
Interim growth in loans and advances	18.5%	36.4%	17.9%	44.0%	42.4%
Loans and advan. rel. to capital and reserves	9.7	8.8	8.4	6.8	4.7