

Annual Report 2002

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BOARD OF DIRECTORS AND EXECUTIVE BOARD OF NYKREDIT BANK	

This document is an English translation of (extracts of) the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.

Corporate identity

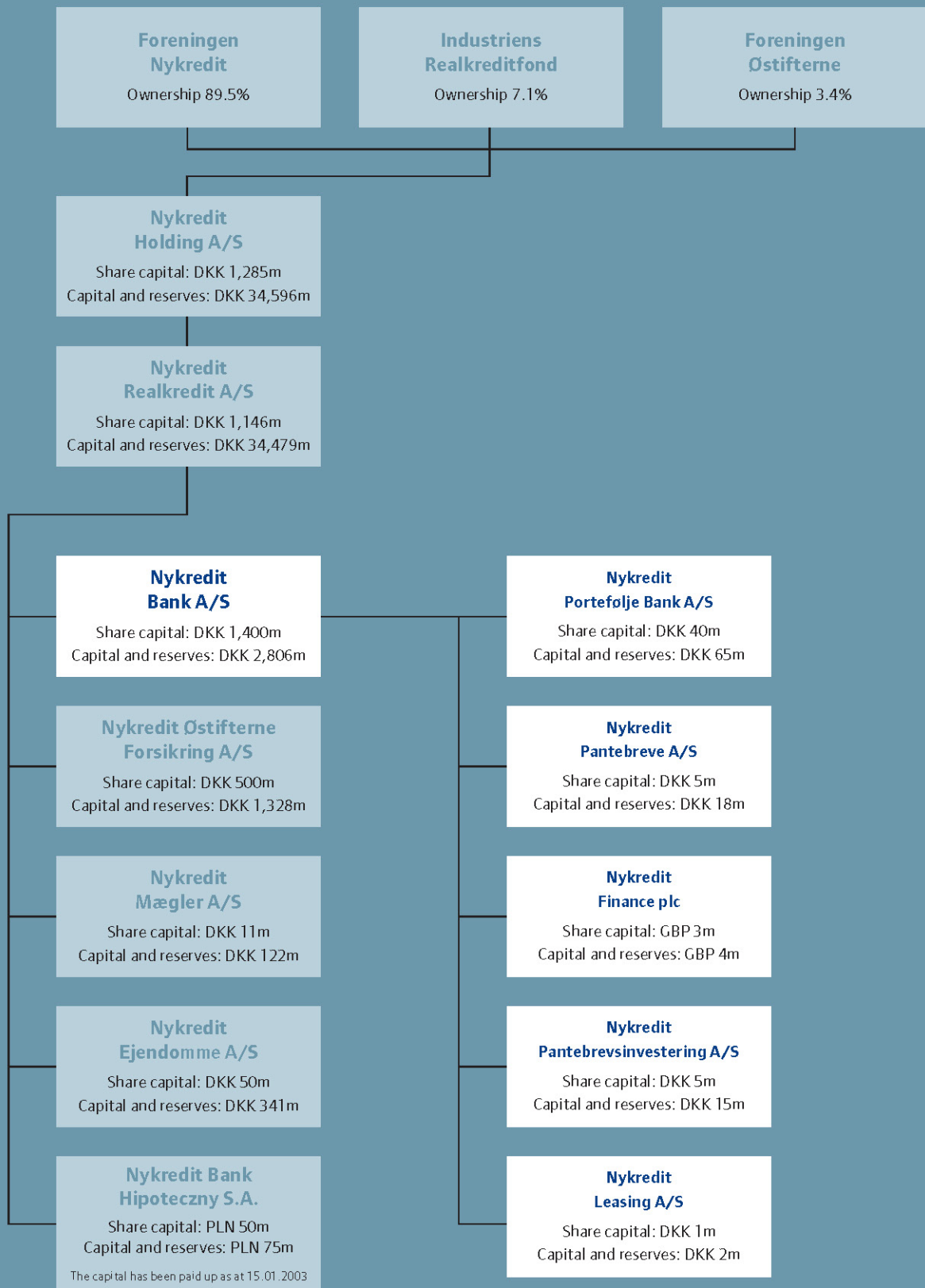
Nykredit Bank occupies a key position in the overall strategy of the Nykredit Group and co-operates closely with the other companies of the Group primarily Nykredit Realkredit A/S and Nykredit Østifterne Forsikring A/S.

When serving customers on a day-to-day basis the Nykredit Group acts as one entity made up of four business areas – Retail Customers, Commercial Customers, Agricultural Customers and Markets & Asset Management. Each business area generally offers customers all of the products available from the different companies of the Group.

The Bank plays different roles within each business area. Where Retail and Agricultural Customers are concerned, the Bank's role is mainly to supply products. For the purpose of Commercial Customers the Bank supplies products for small commercial customers and is account manager of corporate customers, whereas the Bank is responsible for all Markets & Asset Management activities.

The Bank's objective is to make a significant contribution to the Nykredit Group as a quality-conscious and competitive financial services provider. This also creates a platform for achieving a satisfactory level of profitability in Nykredit Bank.

The Nykredit Group structure at 31 December 2002



HIGHLIGHTS AND KEY RATIOS

THE NYKREDIT BANK GROUP

DKK MILLION	1998	1999	2000	2001	2002	2002 EUR MILLION
SUMMARY PROFIT AND LOSS ACCOUNT						
Net interest receivable	215	301	425	467	598	81
Fees and commissions receivable (net)	65	138	73	63	62	8
Net income from interest and fees	280	439	498	530	660	89
Value adjustments	53	54	(1)	66	(69)	(9)
Other operating income	2	5	53	26	18	2
Operating costs	(266)	(332)	(400)	(400)	(419)	(56)
Depreciation, amortisation and write-downs on tangible and intangible assets	(15)	(10)	(8)	(19)	(7)	(1)
Profit before provisions	54	156	142	203	183	25
Write-offs and provisions for bad and doubtful debts	(27)	(92)	(30)	(39)	(39)	(6)
Profit before tax	27	64	112	164	144	19
Tax	(4)	(17)	(42)	(44)	(46)	(6)
Net profit for the year	23	47	70	120	98	13
SUMMARY BALANCE SHEET AT 31 DECEMBER						
Assets						
Cash in hand and balances due from credit institutions	13,423	17,508	14,614	14,524	13,739	1,850
Loans and advances	10,162	16,018	17,138	22,320	24,452	3,294
Securities	8,931	15,962	20,350	22,845	20,081	2,705
Other assets	2,800	1,637	3,604	3,784	5,470	737
Total assets	35,316	51,125	55,706	63,473	63,742	8,586
Liabilities and equity						
Debt to credit institutions and central banks	22,525	32,133	36,267	42,233	37,044	4,990
Deposits	4,684	9,446	9,658	8,725	12,056	1,624
Other liabilities	5,934	6,825	6,993	9,007	11,036	1,486
Subordinated debt	-	500	500	800	800	108
Capital and reserves	2,173	2,221	2,288	2,708	2,806	378
Total liabilities and equity	35,316	51,125	55,706	63,473	63,742	8,586
Off-balance sheet items						
Guarantees	2,528	2,485	6,398	7,079	5,880	792
Other commitments	2,094	3,469	2,882	3,475	4,090	551
Total off-balance sheet items	4,622	5,954	9,280	10,554	9,970	1,343
KEY RATIOS						
Capital adequacy ratio	13.0	11.7	8.9	9.4	9.3	
Core capital ratio	13.0	9.5	7.3	7.2	7.2	
Return on equity after tax	1.0%	2.2%	3.1%	4.8%	3.5%	
Income/cost ratio	1.09	1.15	1.26	1.36	1.31	
Interest rate exposure	1.2%	1.8%	0.2%	2.6%	3.1%	
Number of full-time staff (average)	271	280	283	299	316	

EUR 1 = DKK 7.4243 end-2002



Management report

In 2002 the Nykredit Bank Group realised a profit before tax of DKK 144m compared with DKK 164m in 2001. Overall results were not satisfactory and fell short of the expectations set out in the annual report for 2001. However, the long-term platform for the Bank's earnings has developed according to plan.

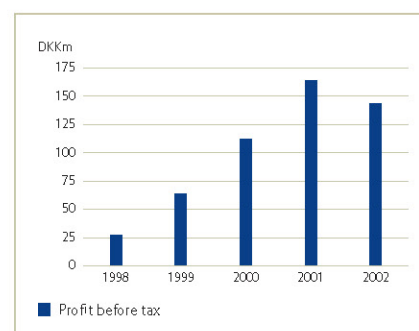
The global turmoil in financial markets resulted in negative value adjustments of approximately DKK 110m relating to structured credit products in the Corporate Banking area. Furthermore, the market climate weakened earnings in Nykredit Markets.

Compared with the first half of the year when results before tax amounted to a profit of DKK 25m, the second half showed growth in operating results of DKK 94m to DKK 119m. The improvement reflects more normalised business conditions, albeit the level in the second half of 2002 also underperformed expectations.

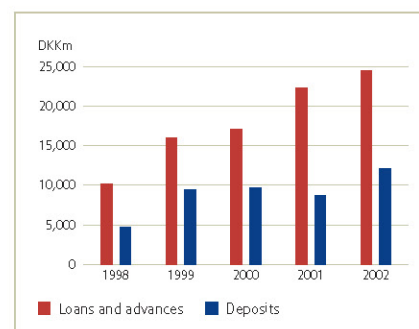
Return on equity before tax came to 5.2% against 6.6% in 2001. The Group's capital adequacy ratio was 9.3 at end-2002 against 9.4 at end-2001. The income/cost ratio amounted to 1.31 against 1.36 the year before.

Income from interest, dividend and fees posted DKK 660m in 2002 compared with DKK 530m in 2001 equal to an increase of 25%. Income from value adjustments netted a decrease of DKK 135m. All in all, the Group's income netted DKK 609m compared with DKK 622m in 2001.

Profit before tax



Loans, advances and deposits



Compared with 2001 operating costs went up by approximately 2% to DKK 426m. The rise largely complies with expectations and reflects the development in the Bank's activities. In consequence, expenses for staff and IT operations, etc rose, while expenses for IT development were somewhat lower than in 2001.

Write-offs and provisions amounted to DKK 39m, the same as in 2001. In line with previous years, this reflects a moderate level with a provisions ratio of 0.6.

After the reorganisation of the Nykredit Group in September 2002, the Bank's business areas consist of *Retail Banking*, *Corporate Banking*, *Agricultural Customers and Markets & Asset Management*.

In 2002 *Retail Banking* recorded growth in earnings and business volume, thereby meeting expectations. Especially deposits increased in 2002, but also lending grew compared with the year before. The number of retail customers increased from 155,000 to 175,000 of which 15,000 were customers who opened wage accounts.

Nykredit Pantebreve A/S, the subsidiary that offers mortgage finance (second mortgages) secured on real property arranged loans worth DKK 778m compared with DKK 650m in 2001. The company recorded a profit after tax of DKK 5m against DKK 3m in 2001.

In order to consolidate the Bank's position in the market for housing loans, the Bank set up the subsidiary Nykredit Pantebrevsinvestering A/S in 2002. The objective of the company is to invest in standard mortgages primarily acquired via Nykredit Pantebreve A/S.

Corporate Banking experienced yet another year with a positive development in business volume and earnings on a level with last year when disregarding the negative value adjustments on structured credit products. In this way the business area has consolidated the appreciable growth levels achieved in recent years.

To strengthen its business scope, the Bank set up the subsidiary Nykredit Leasing A/S in the second half of the year which offers a wide range of leasing solutions via the Nykredit Group's distribution network.

Agricultural Customers primarily complements the lending activities of the Mortgage Bank by offering bridge finance.

Markets & Asset Management recorded decline in the level of activity in 2002 and thus also in earnings. Especially credit bond trading was badly affected. In contrast, derivatives trading developed in a satisfactory direction, and the customer activity in this area is expected to increase.

In September 2002 Markets & Asset Management introduced Private Portfolio, a new concept that offers private investors advisory and asset management services covering all aspects of investment, pension and personal insurance. The concept development and set-up of Private Portfolio entailed a number of one-off costs.

The subsidiary Nykredit Portefølje Bank A/S (formerly Dansk Portefølje Bank A/S) that handles the Group's asset management activities recorded strong growth in 2002, and total assets under management increased from DKK 34bn at the beginning of the year to DKK 52bn. Profit before tax amounted to DKK 8m against DKK 6m in 2001.

Outlook for 2003

2002 was a challenging year when financial markets were marked by very high volatility. Assuming that markets and business activities stabilise, the Bank expects earnings in 2003 to considerably outperform 2002.

Growth in activities will lead to a moderate rise in staff and operating costs. This includes costs relating to the implementation of the new capital adequacy rules (Basel II).

Given a largely unchanged economic outlook, write-offs and provisions are expected to display a moderate rise compared with 2002.

All in all, Nykredit Bank's profit before tax is expected to show appreciable growth relative to both 2001 and 2002.

Nykredit Bank A/S

<i>DKKm</i>	2001	2002
Net profit for the year	120	98
Balance sheet total	63,430	63,718
Capital and reserves	2,708	2,806
Full-time staff (average)	252	260

Nykredit Pantebreve A/S

<i>DKKm</i>	2001	2002
Net profit for the year	3	5
Balance sheet total	478	226
Capital and reserves	41	18
Full-time staff (average)	15	19

Nykredit Portefølje Bank A/S

<i>DKKm</i>	2001	2002
Net profit for the year	6	8
Balance sheet total	63	72
Capital and reserves	57	65
Full-time staff (average)	27	30

(at Group level)

Business areas

RETAIL BANKING

The Retail Banking area of Nykredit Bank supplies products to the Nykredit Group's sales entities. The area recorded high growth rates in 2002.

As a result of a campaign focusing on offering customers attractive deposit rates, deposits grew by about 50% in 2002. At year-end deposits had increased by DKK 1.2bn to DKK 3.4bn. Half of the increase stemmed from customers who opened new wage accounts.

In 2002 lending was up by DKK 0.5bn to DKK 3.7bn at year-end. Thus the Retail Banking area largely balanced its deposit and lending activities in 2002, primarily as a consequence of high growth in deposits.

The number of retail customers developed satisfactorily in 2002 with a rise of 20,000 customers to a total of 175,000 customers at year-end. 15,000 of the new customers opened wage accounts.

Nykredit Pantebreve

The subsidiary Nykredit Pantebreve offers mortgage finance (second mortgages) secured on owner-occupied dwellings as well as rental housing and commercial properties. Customers are primarily introduced to Nykredit Pantebreve via the intra-group estate agencies and Nykredit's sales entities. Nykredit Pantebreve resells all its mortgages.

Nykredit Pantebreve recorded a turnover of DKK 778m in 2002 compared with DKK 650m in 2001 – a rise of nearly 20%. In 2003 growth in turnover is expected to be moderate.

New initiatives in 2002

In the autumn Nykredit launched new facilities on the Internet under the name of "My Nykredit". The new facilities enable customers to get an overview of all their accounts with the Nykredit Group and present a completely new Internet Bank design and layout.

The organisational changes made to the Nykredit Group in September 2002 strengthened the business areas across the legal entities of the Group. The reorganisation also enhanced the decision-making powers of the sales responsible staff members. The banking business is therefore expected to continue to grow, and focus will centre on housing products in combination with wage accounts.

Retail Banking in 2003

Nykredit will continue to focus on a broad product sale. This will be based on the sale of wage accounts to homeowners who are attracted by the favourable rates and wish to carry out their daily banking transactions via the Internet or the telephone.

In 2003 Nykredit will step up the activities that focus on selling pension and asset management products to retail customers.



CORPORATE BANKING

2002 became yet another year with a positive development in the business volume. The business area therefore consolidated the strong growth levels recorded in recent years.

The general trend towards higher margins in international lending markets contributed to a lift in earnings. However, results for the year were significantly affected by capital markets lending, and in consequence the Bank had to make DKK 110m of negative value adjustments.

Lending to domestic and foreign corporate customers totalled DKK 17bn at end-2002, the same as in 2001.

Activities and initiatives in 2002

The product range comprises an array of deposit and loan products, financial instruments, securities transactions, asset management and other services. As part of the Nykredit Group, the Bank has access to a number of other products such as mortgage finance and insurance.

Nykredit Bank has opted not to offer certain products such as cash management and foreign payments.

The products offered by the Bank form part of broad-based financing solutions such as:

All-in financing solutions with an appropriate match between short and long-term funding via money market facilities combined with credit facilities or long-term, permanent solutions.

Combined mortgage finance and banking products including guarantees and a selection of fixed income products that provide borrowers with very flexible financing solutions.

Short-term credit facilities such as the swing-line concept in relation to mortgage finance, flexible enough to exploit shifts in the yield curve.

Over a number of years Corporate Banking has achieved considerable expertise within the financing of corporate acquisitions. These competencies are used to serve large corporates and equity funds.

Combined with the participation in international loan transactions, Corporate Banking offers a line of products to corporates in other Nordic countries. The Bank's expertise in the fixed income area is key to these activities.

In a joint effort, Corporate Banking and Nykredit Markets continued their activities within the origination of different kinds of corporate bonds. However, the progress in these activities was moderate in 2002 due to the high volatility in equity and credit markets.

Mortgage finance

Nykredit Bank undertakes the sale of mortgage finance products to the largest corporate customers. The year saw a high level of activity – one reason being the attractive interest rate levels which made many companies rethink their debt structure – especially their long-term debt.

The Nykredit Group's position within mortgage lending secured on commercial properties situated in the UK, Germany and especially Sweden strengthened markedly in 2002.

Nykredit's commercial centres

Nykredit's commercial centres offer small and medium-sized companies advice on financing solutions comprising both banking and mortgage finance products. The location of the commercial centres and their staff has proved expedient to the sale of the Bank's products to trade and industry. The reorganisation of the Nykredit Group implemented in September 2002 enhanced the exposure and increased the importance of the commercial centres.

In 2003 Nykredit Bank will continue to focus on its supply of broad-based financial solutions and especially financial instruments to small and medium-sized customers.

Rental housing

In 2002 Nykredit Bank consolidated its position as a main provider of construction loans to the subsidised housing sector and as a provider of financing solutions for small as well as large projects.

2002 saw a sharp rise in the activities addressing housing society dwellings – mainly in the form of construction loans for new housing society dwellings and Mortgage Equity Withdrawal Credits for existing housing societies.

Leasing

In the second half of the year the Bank established the subsidiary Nykredit Leasing A/S. The company offers a wide array of leasing solutions enabling Nykredit to meet the growing demand in the leasing market.

Corporate Banking in 2003

Together Nykredit Bank A/S and Nykredit Realkredit A/S represent substantial strength as loan providers to Danish trade and industry with total commercial and corporate lending of DKK 251bn at end-2002. This market position forms a solid foundation for further developing the Bank's business co-operation with corporate customers in general. In the years ahead the Group will continue to be a major lender to Danish trade and industry, thereby making Nykredit a natural choice as a total supplier of financing solutions.

AGRICULTURAL CUSTOMERS

The activities within lending to agricultural customers primarily focused on bridge finance and leasing products.

Agricultural Customers in 2003

In gross terms, lending was slightly down in 2002 as against 2001. In 2003 activities are expected to remain largely unchanged compared with 2002.

MARKETS & ASSET MANAGEMENT

In 2002 the financial markets experienced the most difficult and challenging conditions in many years. Global equity markets more or less collapsed over the summer and were for the greater part of the year marked by very high volatility. For long periods both fixed income and credit markets were completely dominated by the developments in equity markets.

The turmoil took its toll on trading demand in all product areas, and the level of trading activity was therefore generally lower – especially in the first half of the year.

Bonds

In 2002 Nykredit Markets maintained its position as one of the leading players in the Danish bond market. The customer portfolio was expanded – especially after the approach to customers who do not fall into the Bank's traditional customer segments was enhanced. In close co-operation with Nykredit's local commercial centres, the commercial and corporate customer segment developed into being a key business area.

In step with the general prevalence of adjustable-rate mortgages among homeowners, the bonds used to fund this type of loan – non-callable bullet bonds – have become an important part of the product range, and today Nykredit Markets enjoys a strong position in this market.

In 2002 Nykredit Markets launched its new Internet solution Bond focus. The purpose of Bond focus is to provide professional investors with an up-to-date Internet solution that meets their requirements for access to portfolio management tools and strategy calculations. Furthermore, Nykredit Markets introduced a new mortgage bond model for the pricing of callable mortgage bonds.

Credit products

Insolvencies, accounting scandals and resultant turmoil in equity markets left its mark on credit bonds in 2002 and put a damper on investors' interest in credit bonds.

However, the structural interest in credit products both from borrowers and investors remains intact, and it is still part of Nykredit Markets's strategy to be one of the leading players in the market for credit products.

Debt Capital Markets

The dramatic development in the market for credit bonds in 2002 and the widened credit spreads implied growing risk aversion among investors. This generally

made it more difficult for companies to issue bonds – particularly in the immature Danish market.

Nykredit expects interest in credit products to grow in coming years fostered in part by the very low interest rates making credit products attractive both to issuers and investors. Debt Capital Markets has created a good platform to meet the expected increase in activity.

Liquidity, foreign exchange and derivatives

Apart from its position in fixed income and credit trading, Nykredit Markets is a major player in foreign exchange and money markets – an area characterised by a sound business development also in 2002. This is in part a consequence of a stronger commitment towards corporate customers who are particularly active within these products.

The product area of derivatives recorded a satisfactory development in 2002 with growing customer activity across the area's product spectre. In 2003 derivatives will take up a key position in Nykredit Markets's product development activities.

The Investment Centre

Nykredit Bank's Investment Centre develops concepts within long-term saving products and complements the Nykredit Group's sale of investment and pension products.

On 1 September 2002 the Investment Centre launched a new concept, Private Portfolio, thereby expanding Nykredit's target group within professional asset management. Personal customers with more than DKK 0.5m of investable funds are now offered a holistic approach to their investments, pensions and personal insurance as well as a personal portfolio agreement and an impartially selected range of the most attractive investment funds.

Private Portfolio gathers the advisory roles within investment, pension and personal insurance in one person, the asset manager, who ensures holistic and long-term management of customers' assets. This service is extended on the basis of an in-depth review of customers' financial position and an analysis of their risk-taking approach, financial targets, time horizon, etc. The first months after the launch showed a large demand for holistic asset management addressing personal customers. In addition to the asset management centre in Copenhagen, a new centre will be opened in Århus in January 2003.

The Equities Department, which is part of the Investment Centre, offers customers close market relations and a long experience in advising customers on equity transactions. Competitive prices and focus on attractive business areas ensure customers a constructive outcome of their co-operation with the Equities Department.

Asset Management

The Asset Management activities are undertaken by the subsidiaries Nykredit Portefølje Bank and Nykredit Portefølje Administration. Despite falling equity prices, the asset management area increased total assets under management to approximately DKK 52bn at end-2002 equal to a growth rate of more than 54% since the beginning of the year.

Asset Management is a key business area in Nykredit. In spite of fierce competition Nykredit Portefølje Bank has increased its market share for a number of years and is today one of the most frequently used suppliers of asset management products where Danish securities to the pension fund sector are concerned.

Nykredit Portefølje Administration offers investment fund products and co-operates with a line of international asset managers in a number of niche areas, whereby customers gain access to international financial markets via wholesale-based investment funds. The sale of especially these products grew in 2002.

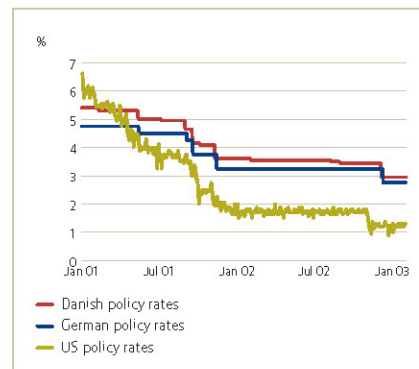
Markets & Asset Management in 2003

In the light of the extremely troublesome 2002, expectations for 2003 can at best be described as moderately optimistic. Optimistic, as it is unlikely that 2003 will become a repetition of 2002, and moderately, because there is still major uncertainty about financial markets and the economic outlook.

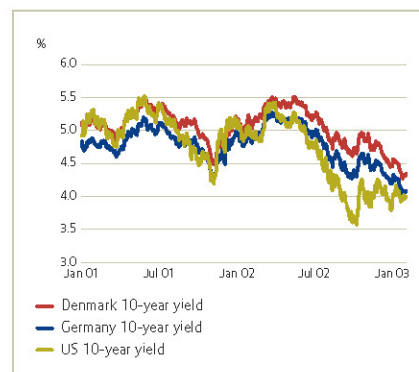
In 2003 derivatives will be an important part of the product development, and the approach to corporate customers will be further streamlined in close interaction with the other entities of the Nykredit Group.

One of the most important strategic objectives of Markets & Asset Management in the years ahead is to strengthen the Nykredit Group's profile in the asset management area with a view to enhancing customer relations and earnings.

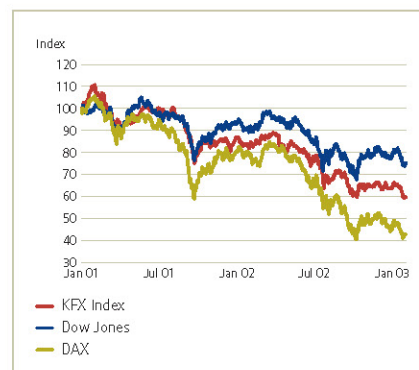
Low official interest rates



2002 – a good year in bonds



2002 – another year with sharply falling equities



Risk and balance sheet management

RISK MANAGEMENT

The Board of Directors of the Bank has set out guidelines for the types of risk the Bank may be exposed to. These risk limits have been delegated to each of the acting departments and subsidiaries.

With a view to ensuring tight management of the Bank Group's risks, the Risk Management Department monitors risks from central quarters. The Executive Board is informed about the Group's overall risks on a day-to-day basis, and the Board of Directors on a monthly basis.

CREDIT RISKS

The Bank applies a credit scoring system to assess retail customers, while lending to other segments is made on the basis of individually tailored credit analyses. As part of the credit analysis, corporate customers are assigned a rating in the Bank's internal rating systems.

Relative to the loan portfolio the level of provisions made for retail loans rose by DKK 24m to DKK 97m, while provisions made for corporate loans rose by DKK 5m to DKK 98m at year-end.

Total provisions came to DKK 195m at end-2002 against DKK 166m in 2001. Compared with the Group's total loans, advances and guarantees at end-2002 total provisions amounted to 0.6%, the same as at end-2001.

The effect of write-offs and provisions on operating income remained unchanged at DKK 39m in 2002.

The management estimates that provisions made at end-2002 are necessary and adequate. The adequacy of provisions is estimated by the extent to which losses ascertained individually during the financial year were covered by the provisions made no later than at the beginning of the financial year in question. In 2002 this key ratio came to 82.7 against 89.6 in 2001.

MARKET RISKS

Computation of market risks is made by a trading and risk management system that handles all types of financial instruments and provides the Bank with a high degree of consistent monitoring and computation of market risks. Computation of gains and losses is balanced against the Bank's accounts system on a day-to-day basis. The system is subject to ongoing quality assurance

and adaptation to new products. Management reporting is made on a day-to-day basis.

Interest rate risks

The most significant interest rate risks relate to the Bank's securities trading and money market transactions. To a substantial extent, long-term loans and deposits are hedged in respect of interest rate movements.

Risk key ratios on Danish mortgage bonds are computed on a daily basis allowing for the embedded option element. Interest rate and credit spread risks are computed on a daily basis.

At end-2002 the interest rate exposure computed as the gain or loss resulting from a parallel shift in the yield curves of 1 percentage point amounted to DKK 88m compared with DKK 70m at end-2001.

Exchange rate risks

Exchange rate risks are computed subject to Exchange Rate Indicators 1 and 2, the authorised reporting measures for the Danish Financial Supervisory Authority.

The exchange rate exposure in terms of Exchange Rate Indicator 1 is computed as the sum of all net positions. Exchange Rate Indicator 1 came to DKK 399m at end-2002 against DKK 459m at end-2001.

Foreign Exchange Rate Indicator 2 indicates the maximum loss which the Bank may incur at a 99% probability within a 10-day period in terms of the aggregate foreign exchange positions. Foreign Exchange Rate Indicator 2 takes into account the co-variance of foreign exchange positions. Foreign Exchange Rate Indicator 2 amounted to DKK 8m at end-2002 compared with DKK 5m at end-2001.

For positions in foreign exchange not quoted by the Danish central bank, a much more conservative risk measure is applied.

Option risks

Apart from the option element embedded in Danish mortgage bonds, the Bank incurs option risks through transactions in swaptions, caps/floors, etc. The loss risk inherent in these options is, however, very limited.

Equity risks

At year-end the equity risks measured as the total equity exposure amounted to DKK 38m, the same as at end-2001.

BALANCE SHEET MANAGEMENT

LIQUIDITY POLICY

The Bank's liquidity policy sets out the principles and requirements of liquidity and balance sheet planning. The policy describes the intra-group prerequisites and requirements for management reporting, balance sheet and funding. Overall balance sheet management including liquidity management and funding is handled by the Treasury.

Balance sheet management is based on an intra-group developed liquidity model which generates a liquidity graph that quantifies the Bank's liquidity risks on the basis of the Bank's overall cash flow. The liquidity model is subject to intra-group guidelines supplementing the liquidity requirements of the Danish Commercial Banks and Savings Banks Act and the recommendations of the Bank for International Settlements (BIS) relating to liquidity policy and management.

Today, best practice for measuring and managing liquidity risks in the banking sector is a mix of computations of the maturity mismatch in the balance sheet, projection of funding needs, construction of a liquidity graph and monitoring of funding key ratios. In the management's opinion, Nykredit Bank fully complies with best practice in the area.

FUNDING

The Bank carries out more advanced computations of various risk scenarios and their impact on the Bank's short and long-term liquidity flow and funding need on an ad hoc basis. In 2003 the Bank will continue to negotiate bilateral agreements with international banks concerning long-term funding primarily in euros.

The Treasury monitors money and capital markets on a current basis including the factors which may affect the Bank's funding strategy. In case of major changes the Bank will adjust its funding strategy accordingly.

CAPITAL MANAGEMENT

At end-2002 the Bank's core capital ratio stood at 7.2, while the capital adequacy ratio was 9.3. The Bank's outflow of funds is allocated to the business areas of Retail Banking, Corporate Banking, Agricultural Customers and

Markets & Asset Management with a view to evaluating the profitability of the business areas on a current basis.

In the light of the new capital adequacy rules (Basel II) governing financial institutions expected to be implemented in 2007, the professional markets within corporate finance and sale of fixed income and credit products are adapting to the new principles of pricing and risk management. In consequence, the Nykredit Group has started a development programme in 2002 for the purpose of adapting Nykredit's processes and systems to the new rules and standards.

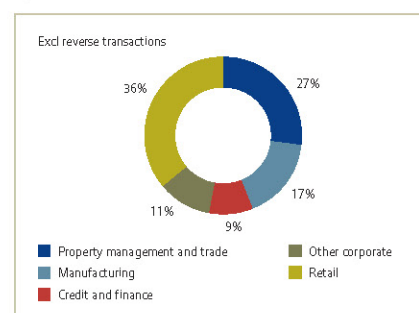
INVESTMENT PORTFOLIO INCOME

The Bank's investment portfolio income was satisfactory in 2002. The Bank's own portfolio has been invested according to a conservative risk assessment.

Group write-offs and provisions

DKKm	2001	2002
Provisions, beginning of year	210	166
New provisions for the year, net	32	37
Previously provided for – now lost	(76)	(17)
Other disposals	0	9
Provisions, year-end	166	195
New provisions for the year, net	32	37
Write-offs – not previously provided for	9	4
Received on claims previously written off	(2)	(2)
Write-offs and provisions, net	39	39
Write-offs and provisions – key ratios		
Provisions balance as a percentage of loans, advances and guarantees at 31 December	0.6	0.6
Write-offs and provisions as a percentage of loans, advances and guarantees at 31 December	0.1	0.1
Balances due at reduced interest rates as a percentage of loans, advances and guarantees at 31 December	0.1	0.2

Exposures (loans, advances and guarantees) by business area



Resources

Staff

At end-2002 the Nykredit Bank Group employed 323 staff members converted into full-time staff compared with 305 at end-2001.

A specialised bank places great demands on the competencies, commitment and flexibility of its staff. The Bank therefore focuses on attracting and retaining the required number and type of staff.

Information technology

In 2002 Nykredit Bank benefited greatly from implementing the risk management system Summit. Supplemented with the Bank's own development efforts and the BEC as bookkeeping centre, Summit enables Nykredit Bank in coming years to focus on Straight-Through-Processing in all areas of the Bank. This is expected to result in major efficiency gains in the management of trading transactions, reduce operational risks and, above all, improve the quality of customer services.

In 2002 a new Internet bank for retail customers was launched on the basis of a completely new security structure that covers the entire Nykredit Group. The new Internet bank facilities enable customers to view and download statements showing all their accounts with the Nykredit Group.

The Bank's professional customers and investors were offered a web-based bond research tool – Bond focus – which enables investors to analyse bond portfolios, etc.

A stable and secure infra-structure and continued optimisation of the facilities offered by the Internet will be the effective manner in which Nykredit Bank will serve customers in the years ahead.

Financial report

In 2002 Nykredit Bank A/S and the Nykredit Bank Group realised a net profit of DKK 98m compared with DKK 120m the year before.

The Group's net income from interest and fees was up by 25% to DKK 660m. This development reflects growth in the earnings of all business areas where Retail Banking was particularly successful as a result of strong growth in deposits and the influx of new wage account customers. In contrast, Nykredit Markets was negatively affected by the global turmoil in financial markets.

Fees and commissions netted DKK 59m against DKK 50m in 2001. The rise was an effect of the generally increasing level of activity.

Value adjustments posted a negative DKK 69m compared with a positive DKK 66m the year before. This development was primarily a result of the heavy turmoil in the market for credit bonds which led to negative value adjustments of approximately DKK 110m related to structured credit products in the Corporate Banking area.

The Bank applies financial instruments for the hedging of interest rate and foreign exchange rate risks on a current basis, and the item "Value adjustments" should therefore be viewed in relation to the item "Net income from interest".

Other operating income mainly relating to property leases amounted to DKK 18m against DKK 26m in 2001.

Although income in 2002 was marked by a lower level of activity in Nykredit Markets as well as substantial negative value adjustments, total income from interest, fees and value adjustments was only slightly lower than in 2001. The item therefore amounted to DKK 609m in 2002 against DKK 622m the year before.

Staff costs, administrative expenses, depreciation and amortisation were DKK 426m up DKK 7m on 2001. This development matches forecasts made early in the year.

Wage costs increased by 7% (DKK 14m) from DKK 193m in 2001 to DKK 207m. Behind the rise was mainly an increase of 6% in the number of staff members from 305 at end-2001 to 323, one reason being the set-up of Private Portfolio.

Other operating costs, depreciation and amortisation were DKK 219m equal to a largely unchanged level compared with 2001 when the expense amounted to DKK 226m. Relative to the year before, 2002 was particularly affected by costs incurred in connection with the set-up of Private Portfolio.

The income/cost ratio was 1.31 against 1.36 the year before.

Write-offs and provisions were DKK 39m – the same as in 2001. Due to the stability of the Danish economy, provisions continue to be low. Relative to the Group's loans, advances and guarantees, provisions totalled 0.6% (2001: 0.6%) and write-offs for the year 0.1% (2001: 0.1%).

The tax charge on the results for the year came to DKK 46m equal to 32% of the profit before tax. The net profit came to DKK 98m against DKK 120m the year before.

Group balance sheet, equity and capital adequacy

At year-end the Group balance sheet stood at DKK 63.7bn against DKK 63.5bn at end-2001.

Loans and advances were up by DKK 2.1bn (9%) relative to end-2001. The rise stemmed primarily from retail customers (DKK 0.5bn) as well as Corporate Banking and Markets (DKK 1.6bn). Of total loans and advances, reverse transactions accounted for DKK 3.9bn against DKK 3.0bn at end-2001.

Nykredit Markets maintained its level of activity in repo and bond markets, and the Bank's bond portfolio amounted to DKK 20.0bn, down DKK 2.8bn on end-2001.

Tangible assets amounted to DKK 268m – the same as in 2001. Of total fixed assets, leased properties (operating leases) came to DKK 253m (2001: DKK 254m).

Other assets were DKK 5.2bn against DKK 3.5bn at end-2001. The most important elements of this item were "positive market values of financial instruments" of DKK 3.0bn (2001: DKK 1.4bn) and "interest and commissions due" of DKK 2.2bn (2001: DKK 1.4bn).

Debt to credit institutions and central banks fell by DKK 5.2bn from DKK 42.2bn to DKK 37.0bn. Of total debts, repo transactions amounted to DKK 7.2bn against DKK 11.5bn the year before.

Deposits were up by DKK 3.3bn to DKK 12.1bn at end-2002. Retail deposits rose by approximately DKK 1.2bn especially following the positive development in wage accounts. Corporate deposits increased by approximately DKK 2.0bn which was mainly an effect of a rise in money market deposits. Of total deposits, repo transactions accounted for DKK 0.7bn, the same as at end-2001.

Other liabilities were DKK 11.0bn (2001: DKK 9.0bn). The item consisted mainly of a "negative securities portfolio" of DKK 5.2bn (2001: DKK 5.6bn), "negative market values on financial instruments" of DKK 3.1bn (2001: DKK 1.5bn), while "interest and commissions owing" amounted to DKK 1.9bn (2001: DKK 1.6bn).

At year-end assets and liabilities in foreign exchange came to DKK 13.3bn (2001: DKK 22.2bn) and DKK 14.6bn (2001: DKK 18.6bn), respectively.

Off-balance sheet items

Off-balance sheet items aggregated DKK 10.0bn at end-2002 against DKK 10.6bn at end-2001.

Capital and reserves

After transfer of the net profit for the year of DKK 98m, capital and reserves stood at DKK 2,806m at year-end. At 31 December 2001 capital and reserves amounted to DKK 2,708m.

Capital base and capital adequacy

After deductions, the capital base stood at DKK 3,588m against DKK 3,494m at end-2001. The Group's weighted items came to DKK 38.5bn (2001: DKK 37.1bn) after which the capital adequacy ratio has been estimated at 9.3 (2001: 9.4). The capital adequacy ratio of the Parent Company Nykredit Bank stood at 9.3 against 9.4 at end-2001.

Events occurred after 31 December 2002

In the period up to the presentation of the annual accounts, no events have occurred which may affect the assessment of the accounts for 2002.

SUBSIDIARIES OF THE NYKREDIT BANK GROUP

Nykredit Portefølje Bank A/S

(formerly Dansk Portefølje Bank A/S)

The profit before tax amounted to DKK 12m against DKK 8m the year before. The profit after tax amounted to DKK 8m against DKK 6m in 2001.

Income from interest and fees totalled DKK 42m against DKK 32m the year before. This development is based on the surging level of activity, and 2002 saw a good inflow of funds to bond portfolios under management and wholesale-based investment funds. In contrast, the falling equity prices had a markedly negative effect on income. Falling equity prices also led to a lower invoicing base for the equity portfolios where earnings margins are higher than those of the bond portfolios.

Total assets under management increased from DKK 34bn in 2001 to DKK 52bn in 2002, a lift of 54%.

Total costs rose by 25% from DKK 24m to DKK 30m. The rise can be attributed to the high level of activity.

The Group's balance sheet stood at DKK 72m against DKK 63m at end-2001. Assets mainly consisted of cash in hand and balances due from credit institutions of DKK 24m (2001: DKK 8m), while the securities portfolio amounted to DKK 37m (2001: DKK 44m). In accordance with Group policy, the surplus liquidity has been invested in short-term government bonds.

Capital and reserves amounted to DKK 65m against DKK 57m at end-2001. The share capital is wholly owned by Nykredit Bank A/S.

Nykredit Pantebreve A/S

Profit before tax came to DKK 7m against DKK 5m in 2001. After tax the net profit came to DKK 5m against DKK 3m in 2001.

The company continued its expansion course in 2002, and the turnover of mortgages rose by nearly 20% compared with 2001. In 2002 the company sold mortgages worth DKK 778m against DKK 650m in 2001. In consequence of the activity expansion, the company's total income increased by DKK 3m to DKK 23m.

The rise in the level of activity led to an increase in wage costs and administrative expenses from DKK 11m in 2001 to DKK 12m. The number of full-time staff came to 22 at end-2002 corresponding to a rise of 6 persons.

Write-offs and provisions were reduced from DKK 3.5m to DKK 2.8m. Provisions subsequently totalled DKK 3m at end-2002 down DKK 0.4m on the year before.

The balance sheet stood at DKK 226m against DKK 478m at end-2001. The change is primarily due to a reduction in the loans and advances guaranteed by

Nykredit Bank A/S. At 31 December 2002 assets consisted chiefly of mortgages.

In 2002 the company's capital was lowered by DKK 10m which was paid out at a price of 250. For the financial year of 2002 dividends of nearly DKK 4m will be distributed. Capital and reserves amounted to DKK 18m against DKK 41m at end-2001.

The share capital is wholly-owned by Nykredit Bank A/S.

Nykredit Pantebrevsinvestering A/S

2002 was the first operating year of the company. The company has only had actual business related activities in the second half of the year. Results for the year were a profit of DKK 0.2m.

The company's balance sheet totalled DKK 80m of which assets consisted mainly of a mortgage portfolio of nearly DKK 66m. Debt to credit institutions (Nykredit Bank A/S) came to DKK 65m.

Capital and reserves amounted to DKK 15m at end-2002.

The share capital is wholly-owned by Nykredit Bank A/S.

Nykredit Leasing A/S

2002 was the first operating year of the company. The company has only had actual business related activities in the second half of the year. Results for the year were a loss of DKK 25,000.

The company's balance sheet totalled DKK 17m at end-2002. DKK 15m of assets stemmed from loans and advances. Debt to Nykredit Bank A/S amounted to some DKK 14m. At year-end capital and reserves were just below DKK 2m.

The share capital is wholly-owned by Nykredit Bank A/S.

Accounting policies

General

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

The accounting policies are consistent with those applied in 2001.

Consolidation

The Parent Company and subsidiaries in which Nykredit Bank, directly or indirectly, holds more than 50% of the voting rights or otherwise holds a controlling interest have been included in the Group Accounts.

Subsidiaries' "Profit/loss from ordinary activities before tax" have been booked under "Profit from participating interests in associated and subsidiary undertakings", whereas tax for the year has been entered under "Tax" in the accounts of the Parent Company.

The Group Accounts have been prepared on the basis of the audited accounts of each undertaking combining items of a uniform nature. Intra-group income and expenses have been eliminated as have other intra-group transactions and balances.

All accounts included in the Group Accounts comply with uniform accounting policies.

The book value of participating interests in subsidiary undertakings has been set off against the proportionate share of the capital and reserves of the undertakings at the time of acquisition. Balances have been taken directly to capital and reserves. Newly acquired subsidiaries have been included in Group results from the time of acquisition. Divested undertakings have been included up to the time of divestment. Comparative figures have not been adjusted for undertakings newly acquired or divested.

PROFIT AND LOSS ACCOUNT

Interest

Interest includes interest due and interest 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.

Write-offs and provisions for bad and doubtful debts

Lending activities are subject to periodic assessment in order to identify potential loss risks. Provisions have been made on this basis. Write-offs have also been made for classes of similar loans on the basis of statistical calculations.

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

Taxation

Tax assessed at 30% of taxable income together with adjustment of deferred tax and tax assessed for previous years have been charged to the profit and loss account.

The undertakings of the Group are not jointly taxed.

Danish corporation tax is paid under the scheme for payment of tax on account. In so far as the tax paid on account does not correspond to the assessed tax charged on the profit for the year, the interest receivable or payable on the difference has been entered under "Other interest receivable" or "Other interest payable", as appropriate.

Deferred tax has been provided for on the basis of timing 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 official exchange rates quoted at year-end by Danmarks Nationalbank, the Danish central bank. For foreign exchange not quoted by the Nationalbank, estimated exchange rates have been applied.

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 booked under "Value adjustments". The forward premium has been accrued over the term of the contract and entered under "Interest receivable".

Interest rate and currency swaps have been entered at market value at year-end.

Swaps concluded to hedge interest rate risks on certain fixed-rate assets or liabilities have not been value adjusted.

Forward Rate Agreements, options and futures have been marked to market on the balance sheet date.

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

Repo/Reverse transactions

Bonds sold as part of sales and repurchase transactions have been retained in the balance sheet under "Bonds". Proceeds received have been entered under "Debt to credit institutions and central banks" or "Deposits" depending on the counterparty.

Bonds acquired as part of purchase and resale transactions have been entered under "Balances due from credit institutions and central banks" or "Loans and advances" depending on the counterparty.

The balance between purchase and sales prices has been accrued over the term of the contract and entered under "Interest receivable" or "Interest payable".

ASSETS

Loans, advances and guarantees

Loans and advances have been entered at the lower of cost or market value. Loans and advances where the interest rate risk has been hedged via fixed-rate liabilities or derivative financial instruments have not been value adjusted.

Losses ascertained during the year have been written off, while appropriate provisions have been made for losses on exposures deemed at risk.

Leased assets

Assets held under finance leases have been included in the balance sheet under "Loans and advances" and valued at cost of acquisition after deduction of depreciation. Assets held under operating leases have been booked in the balance sheet under "Tangible assets".

Income from assets held under finance leases consisting of lease rental less depreciation has been booked under "Interest receivable", whereas income from assets held under operating leases, ie the annual lease rental, has been credited to "Other operating income". Depreciation relating to assets held under operating leases has been charged under the item "Depreciation, amortisation and write-downs on tangible and intangible assets".

Depreciation has been computed using the actuarial method and in consideration of the useful life of the individual asset so that the cost of acquisition after deduction of any estimated residual value has been depreciated over the lease term.

Profit or loss on the sale of the leased assets at expiry of contract has been booked under "Other operating income" or "Other operating expenses".

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 stated at prices based on the remaining terms to maturity.

Unquoted bonds have been stated at the lower of cost and fair value.

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

Shares

Quoted shares have been stated at the official prices quoted at year-end, whereas unquoted shares have been stated at the lower of cost and fair value.

Shares characterised as fixed assets have been entered at cost. If the estimated value of such shares is lower than the original cost for reasons not deemed temporary, such shares have been written down to the lower value.

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

Participating interests in associated undertakings

Participating interests in associated undertakings have been valued in accordance with the equity method. A proportionate share of the results of the associated undertakings has been booked as income, and the participating interests have been included at the proportionate share of the equity value. Participating interests in credit and finance institutions have been consolidated on a pro rata basis.

Participating interests in subsidiary undertakings

Participating interests in subsidiary undertakings have been valued in accordance with the equity method. The proportionate share of the results of the subsidiaries has been booked as income in the profit and loss account of the Parent Company.

On the acquisition of additional participating interests, the difference has been calculated between the acquisition price and the proportionate share of the equity value of the subsidiaries at the time of acquisition. In the Parent Company the differences have been adjusted over capital and reserves.

Intangible and tangible assets

Intangible assets including payment in connection with the acquisition of leases and software have been fully expensed in the year of acquisition.

In contrast, intangible assets in the form of leasehold improvements have been entered at cost less accumulated amortisation under the straight-line method over the expected useful life being five years.

Goodwill has been written off directly against capital and reserves on acquisition.

Properties have been entered at cost with addition of any costs of improvement and less depreciation and write-downs made.

Where the market value is below the book value and not expected to be temporary, the properties have been written down to the lower value. Write-downs have been entered in the profit and loss account.

Where the market value is considerably above the book value, the properties have been revalued to the higher value if the increase in value is expected to be permanent. The revaluation has been entered under "Revaluation reserves" under capital and reserves.

Properties included in operating leases have been depreciated according to the actuarial method and in consideration of the useful lives.

Operating equipment has been entered at cost less straight-line depreciation over the expected useful lives being:

Computer equipment and machinery	4 years
Equipment and motor vehicles	5 years

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

Cash flow statement

The statement has been computed according to the direct method and shows the cash flow for the year divided into cash flow from operating, investing and financing activities and the effects of the cash flow 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

The Nykredit Group consists of a number of independent legal entities. Intra-group trade and services are settled at market terms or, where no real market exists, on an arm's length basis. Alternatively, settlement is made on a cost reimbursement basis.

2001	2002		Note	2002	2001
3,285	2,744	Interest receivable	1	2,723	3,264
2,818	2,146	Interest payable	2	2,145	2,815
467	598	NET INTEREST RECEIVABLE		578	449
13	3	Dividend from participating interests	3	3	13
139	178	Fees and commissions receivable		129	98
89	119	Fees and commissions payable		111	88
530	660	NET INCOME FROM INTEREST AND FEES		599	472
66	(69)	Value adjustments	4	(85)	65
26	18	Other operating income	5	17	26
398	419	Staff costs and administrative expenses	7,8,9	370	358
19	7	Depreciation, amortisation and write-downs on tangible and intangible assets	19	5	19
2	0	Other operating expenses	10	0	1
39	39	Write-offs and provisions for bad and doubtful debts	34	33	39
-	-	Profit from participating interests in associated and subsidiary undertakings	11,18	21	18
164	144	PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		144	164
44	46	Tax	12	46	44
120	98	NET PROFIT FOR THE YEAR		98	120
		DISTRIBUTION OF PROFITS			
		Net profit for the year		98	120
		Brought forward from previous years		-	-
		TOTAL AMOUNT AVAILABLE FOR DISTRIBUTION		98	120
		Appropriated to capital and reserves		98	120
		TOTAL DISTRIBUTION		98	120

2001	2002		Note	2002	2001
ASSETS					
82	99	Cash in hand and demand deposits with central banks		98	82
14,442	13,640	Balances due from credit institutions and central banks	13,29,30,31	13,652	14,429
22,320	24,452	Loans and advances	14,29,30,31,34,35	24,322	22,221
22,807	20,043	Bonds	15,17,29	20,006	22,763
38	38	Shares	16,17,18	38	38
-	-	Participating interests in associated undertakings	18,39	10	10
-	-	Participating interests in subsidiary undertakings	18,39	146	143
269	268	Tangible assets	19	261	260
3,513	5,200	Other assets	12	5,184	3,484
2	2	Prepayments		1	0
63,473	63,742	TOTAL ASSETS	32	63,718	63,430
LIABILITIES AND EQUITY					
42,233	37,044	Debt to credit institutions and central banks	20,29,30	36,971	42,175
8,725	12,056	Deposits	21,29,30	12,133	8,771
8,974	11,000	Other liabilities		10,974	8,943
11	14	Deferred income		12	11
22	22	Provisions for liabilities	22	22	22
800	800	Subordinated debt	23	800	800
CAPITAL AND RESERVES					
1,400	1,400	Share capital	24,25	1,400	1,400
1,040	1,040	Share premium account		1,040	1,040
-	-	Other reserves		53	38
0	0	Revaluation reserves		0	0
148	268	Brought forward from previous years		230	123
120	98	Brought forward from the profit for the year		83	107
2,708	2,806	TOTAL		2,806	2,708
63,473	63,742	TOTAL LIABILITIES AND EQUITY	32	63,718	63,430
OFF-BALANCE SHEET ITEMS					
7,079	5,880	Guarantees	26	5,896	7,401
3,475	4,090	Other commitments	27	4,078	3,452
10,554	9,970	TOTAL OFF-BALANCE SHEET ITEMS		9,974	10,853

	2002	2001
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and fees received	2,701	2,885
Interest and fees paid	(2,067)	(2,349)
Other ordinary payments received	21	26
Costs paid in respect of staff and suppliers	(423)	(413)
Taxes paid, net	(51)	(85)
TOTAL	181	64
CASH FLOW FROM INVESTING ACTIVITIES		
Loans and advances, net	(2,179)	(5,205)
Net investment in bonds	2,449	(935)
Net payments received from shares and participating interests	4	86
Net investment in tangible assets	(2)	(55)
TOTAL	272	(6,109)
CASH FLOW FROM FINANCING ACTIVITIES		
Debt to credit institutions and central banks	(4,815)	6,845
Deposits, net	3,330	(950)
Short-term debt raised/settled, net	680	(166)
Capital injection	-	300
Subordinated debt	-	300
TOTAL	(805)	6,329
Total cash flow	(352)	284
Cash and cash equivalents, beginning of year	14,524	14,614
Currency translation adjustment of cash at bank and in hand	(433)	(374)
CASH AND CASH EQUIVALENTS, YEAR-END	13,739	14,524
Cash and cash equivalents, year-end, consist of:		
Cash in hand and demand deposits with central banks	99	82
Balances due from credit institutions and central banks	13,640	14,442
CASH AND CASH EQUIVALENTS, YEAR-END	13,739	14,524

2001	2002		2002	2001
1. INTEREST RECEIVABLE				
902	638	Balances due from credit institutions and central banks	637	901
1,256	1,240	Loans and advances	1,222	1,238
1,304	1,082	Bonds	1,080	1,302
(178)	(216)	Total derivative financial instruments	(216)	(178)
		of which		
(6)	2	Foreign exchange contracts	2	(6)
(172)	(218)	Interest rate contracts	(218)	(172)
1	0	Other	0	1
3,285	2,744	Total interest receivable	2,723	3,264
		Of which interest receivable from genuine purchase and resale transactions entered as:		
583	480	Balances due from credit institutions and central banks	480	583
211	141	Loans and advances	141	211
2. INTEREST PAYABLE				
2,132	1,567	Credit institutions and central banks	1,564	2,127
644	546	Deposits	548	647
41	33	Subordinated debt	33	41
1	0	Other	0	0
2,818	2,146	Total interest payable	2,145	2,815
		Of which interest payable on genuine sale and repurchase transactions entered as:		
957	724	Credit institutions and central banks	724	957
109	85	Deposits	85	109
3. DIVIDEND				
13	3	Shares	3	13
13	3	Total dividend on shares and other participating interests	3	13
4. VALUE ADJUSTMENTS				
(6)	(27)	Bonds	(27)	(6)
(2)	4	Shares	4	(2)
1	16	Fixed-rate loans and advances	0	0
16	14	Foreign exchange	14	16
57	(76)	Total derivative financial instruments	(76)	57
		of which		
11	5	Foreign exchange contracts	5	11
46	(78)	Interest rate contracts	(78)	46
0	0	Equity contracts	0	0
-	(3)	Other contracts	(3)	-
66	(69)	Total value adjustments	(85)	65
-	-	of which pooled schemes	-	-
5. OTHER OPERATING INCOME				
26	18	Other operating income	17	26
26	18	Total other operating income	17	26

2001	2002		2002	2001
6. INCOME FROM FOREIGN ENTITIES				
		Foreign entities' share of the results for the year generated by interest receivable, fees, value adjustments and other operating income:		
3	2	Nykredit Finance plc, UK	-	-
3	2	Total income from foreign entities	-	-
7. STAFF COSTS AND ADMINISTRATIVE EXPENSES				
5	5	Executive Board	5	5
0	0	Board of Directors	0	0
5	5	Total Staff costs	5	5
156	164	Wages	134	131
17	20	Pensions	17	15
15	18	Social security costs	15	13
188	202	Total	166	159
205	212	Other administrative expenses	199	194
398	419	Total staff costs and administrative expenses	370	358
8. NUMBER OF STAFF				
299	316	Average number of staff for the financial year (full-time equivalents)	260	252
9. AUDIT FEES				
2	3	Total fees to the auditors appointed by the Annual General Meeting, carrying out the statutory audit	1	1
0	2	of which services other than audit	0	0
10. OTHER OPERATING EXPENSES				
2	0	Other operating expenses	0	1
2	0	Total other operating expenses	0	1
11. PROFIT/LOSS FROM PARTICIPATING INTERESTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS				
-	-	Profit/loss from participating interests in associated undertakings	0	(1)
-	-	Profit/loss from participating interests in subsidiary undertakings	21	19
-	-	Total profit/loss from participating interests in associated and subsidiary undertakings	21	18

2001	2002		2002	2001
12. TAX				
40	40	Tax assessed on income for the year	40	40
2	4	Deferred tax	4	2
0	1	Adjustment of tax assessed for previous years	1	0
2	1	Tax on provisions	1	2
44	46	Total tax	46	44
Effective tax rate:				
30.0%	30.0%	Current tax rate	30.0%	30.0%
(0.8%)	(0.2%)	Other non-tax liable income and non-deductible expenses	(0.2%)	(0.8%)
0.1%	(0.3%)	Difference in tax rates of foreign entities from Danish tax rate	(0.3%)	0.1%
0.0%	0.4%	Adjustment of tax assessed for previous years	0.4%	0.0%
(2.8%)	1.1%	Adjustment of deferred tax for previous years	1.1%	(2.8%)
0.5%	1.0%	Other adjustments	1.0%	0.5%
27.0%	32.0%	Total effective tax rate	32.0%	27.0%
DKK 10m (2001: DKK 14m) of capitalised deferred tax has been entered as "Other assets". The tax asset has been recorded in the balance sheet at 30% of the underlying difference between accounting and tax values. The amount has not been discounted.				
13. BALANCES DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
1,002	1,140	Balances at call due from central banks	1,140	1,002
13,440	12,500	Balances due from credit institutions	12,512	13,427
14,442	13,640	Total balances due from credit institutions and central banks	13,652	14,429
Distribution by term to maturity:				
9,217	5,267	Demand deposits	5,279	9,204
4,934	8,373	Up to 3 months	8,373	4,934
291	0	3 months and up to 1 year	0	291
0	0	1 year and up to 5 years	0	0
0	0	Over 5 years	0	0
14,442	13,640	Total	13,652	14,429
14. LOANS AND ADVANCES				
4,541	4,879	At call	5,176	5,119
7,872	7,239	Up to 3 months	7,220	7,853
3,123	4,877	3 months and up to 1 year	4,979	3,047
3,990	4,202	1 year and up to 5 years	3,983	3,753
2,794	3,255	Over 5 years	2,964	2,449
22,320	24,452	Total	24,322	22,221
15. BONDS				
22,807	20,043	Quoted	20,006	22,763
-	-	Other	-	-
22,807	20,043	Total bonds	20,006	22,763
-	-	Of which own bonds	-	-
In relation to Danmarks Nationalbank and international clearing centres, bonds for a market value of DKK 6,390m have been deposited as security. At 31 December 2001 this amount came to DKK 2,087m.				

2001	2002		2002	2001
16. SHARES				
6	7	Shares/units quoted on the Copenhagen Stock Exchange	5	6
0	0	Shares/units quoted on other stock exchanges	2	0
4	5	Other shares	5	4
28	26	Other participating interests	26	28
38	38	Total shares	38	38
2	2	Of which fixed asset investments	2	2
17. CURRENT ASSET INVESTMENTS				
22,845	20,081	a. Current asset investments marked to market	20,044	22,801
(19)	(82)	b. The market value of current asset investments under (a) exceeds the cost of these assets at balance sheet date by	(82)	(19)
0	0	c. Current asset investments not marked to market	0	0
0	0	d. The market value of current asset investments under (c) exceeds the cost of these assets at balance sheet date by	0	0
18. FIXED ASSET INVESTMENTS				
Participating interests in associated undertakings:				
-	-	Total cost, beginning of year	11	4
-	-	Currency translation adjustment	-	-
-	-	Additions	0	7
-	-	Disposals	-	-
-	-	Total cost, year-end	11	11
-	-	Revaluations and write-downs, beginning of year	(1)	-
-	-	Currency translation adjustment	-	-
-	-	Profit/loss	0	(1)
-	-	Disposals	-	-
-	-	Other movements in capital	-	-
-	-	Revaluations and write-downs, year-end	(1)	(1)
-	-	Participating interests in Parent Company	-	-
-	-	Book value of fixed asset investments, year-end	10	10
-	-	of which credit institutions	-	-
-	-	Book value of fixed asset investments, beginning of year	10	4
-	-	of which credit institutions	-	-
Participating interests in subsidiary undertakings:				
-	-	Total cost, beginning of year	92	91
-	-	Currency translation adjustment	(2)	1
-	-	Additions	15	-
-	-	Disposals	(23)	-
-	-	Total cost, year-end	82	92
-	-	Revaluations and write-downs, beginning of year	51	37
-	-	Currency translation adjustment	(2)	1
-	-	Profit	15	13
-	-	Dividend	-	-
-	-	Disposals	-	-
-	-	Other movements in capital	-	-
-	-	Revaluations and write-downs, year-end	64	51
-	-	Participating interests in Parent Company	-	-

2001	2002		2002	2001
18. FIXED ASSET INVESTMENTS (CONTINUED)				
-	-	Total fixed asset investments, year-end	146	143
-	-	of which credit institutions	65	57
-	-	Total fixed asset investments, beginning of year	143	129
-	-	of which credit institutions	57	51
Other participating interests:				
2	2	Total cost, beginning of year	2	2
0	-	Additions	-	0
2	2	Total cost, year-end	2	2
0	0	Revaluations and write-downs, beginning of year	0	0
-	-	Revaluations for the year	-	-
0	0	Revaluations and write-downs, year-end	0	0
2	2	Total fixed asset investments, year-end	2	2
2	2	Book value, beginning of year	2	2
19. TANGIBLE ASSETS - LAND AND BUILDINGS				
208	263	Total cost, beginning of year	255	204
-	-	Currency translation adjustment	-	-
55	1	Additions	-	51
-	4	Disposals	-	-
263	260	Total cost, year-end	255	255
0	0	Property revaluations, beginning of year	0	0
-	-	Currency translation adjustment	-	-
-	-	Reversed revaluations	-	-
0	0	Property revaluations, year-end	0	0
0	1	Depreciation and write-downs, beginning of year	1	0
-	-	Currency translation adjustment	-	-
1	1	Depreciation for the year	1	1
-	-	Reversal of depreciation and write-downs	-	-
1	2	Depreciation and write-downs, year-end	2	1
262	258	Land and buildings, year-end	253	254
208	262	Book value, beginning of year	254	204
157	165	Latest public land assessment	165	157

Public land assessments have not been carried out in respect of all Danish properties. Unassessed properties have been entered at cost. Of the book value at year-end assets held under operating leases came to DKK 253m (end-2001: DKK 254m).

2001	2002		2002	2001
19. TANGIBLE ASSETS - MACHINERY AND EQUIPMENT				
31	13	Total cost, beginning of year	10	29
-	-	Currency translation adjustment	-	-
4	6	Additions	5	3
22	1	Disposals	1	22
13	18	Total cost, year-end	14	10
21	6	Depreciation and write-downs, beginning of year	5	20
-	-	Currency translation adjustment	-	-
4	3	Depreciation for the year	2	4
19	1	Reversal of depreciation and write-downs	1	19
6	8	Depreciation and write-downs, year-end	6	5
7	10	Machinery and equipment, year-end	8	5
10	7	Machinery and equipment, beginning of year	5	9
14	3	Amount fully written off at the time of acquisition	2	14
20. DEBT TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
2,000	6,256	Debt to central banks	6,256	2,000
40,233	30,788	Debt to credit institutions	30,715	40,175
42,233	37,044	Total debt to credit institutions and central banks	36,971	42,175
Distribution by term to maturity:				
19,970	13,360	On demand	13,571	20,020
18,544	18,399	Up to 3 months	18,116	18,461
3,713	2,027	3 months and up to 1 year	2,027	3,694
4	2,413	1 year and up to 5 years	2,413	0
2	845	Over 5 years	844	0
42,233	37,044	Total	36,971	42,175
21. DEPOSITS				
2,788	4,123	Demand deposits	4,200	2,834
1	4	Deposits at notice	4	1
5,786	7,698	Time deposits	7,698	5,786
150	231	Special deposit categories	231	150
8,725	12,056	Total deposits	12,133	8,771
Distribution by term to maturity:				
2,788	4,263	Demand deposits	4,340	2,834
Deposits at notice:				
5,772	7,541	Up to 3 months	7,541	5,772
20	81	3 months and up to 1 year	81	20
20	38	1 year and up to 5 years	38	20
125	133	Over 5 years	133	125
8,725	12,056	Total	12,133	8,771

2001	2002		2002	2001
22. PROVISIONS FOR LIABILITIES				
22	22	Provisions for losses in connection with legal actions	22	22
22	22	Total provisions for liabilities	22	22
23. SUBORDINATED DEBT				
800	800	Subordinated debt	800	800
500	500	1999 to 31.12.2006, variable rate	500	500
300	300	2001 to 22.02.2008, variable rate	300	300
The loans are instalment-free during the terms of the loans and fall due for repayment in full on the dates of maturity. The loans will be settled at par.				
Subordinated debt is debt which in case of the Bank's voluntary or compulsory winding-up, in compliance with the terms of the loan, will not be repaid until after the claims of ordinary creditors have been met.				
The subordinated loans have been granted by Nykredit Realkredit A/S.				
The subordinated loans form part of the supplementary capital in compliance with the Commercial Banks and Savings Banks Act, section 22, and are included in full in the capital base.				
24. MOVEMENTS IN CAPITAL				
-	-	Share capital, beginning of year	1,400	1,300
-	-	Capital increase	-	100
-	-	Share capital, year-end	1,400	1,400
-	-	Share premium account, beginning of year	1,040	840
-	-	Capital increase	-	200
-	-	Share premium account, year-end	1,040	1,040
-	-	Net revaluation reserve according to the equity method, beginning of year	38	25
-	-	Other additions	15	13
-	-	Capital reduction	-	-
-	-	Net revaluation reserve according to the equity method, year-end	53	38
-	-	Revaluation reserves, beginning of year	0	0
-	-	Other additions	-	-
-	-	Revaluation reserves, year-end	0	0
-	-	Profit brought forward, beginning of year	230	123
-	-	Other additions	83	107
-	-	Profit brought forward, year-end	313	230
-	-	Total capital and reserves, year-end	2,806	2,708
-	-	Total capital and reserves, beginning of year	2,708	2,288

Share capital

The share capital consists of 11 shares in multiples of DKK 1m.
The share capital is wholly owned by Nykredit Realkredit A/S.

2001	2002		2002	2001
25. CAPITAL ADEQUACY				
Calculated pursuant to the Danish Financial Supervisory Authority's executive order on capital adequacy rules governing banks and certain credit institutions:				
2,694	2,796	Core capital less deduction	2,796	2,694
Supplementary capital consists of:				
800	800	Eligible subordinated debt	800	800
0	0	Revaluation reserves	0	0
800	800	Total	800	800
3,494	3,588	Capital base less deduction	3,589	3,494
29,274	28,463	Weighted items not included in the trading book	28,461	29,281
7,797	10,005	Weighted items involving market risk	10,005	7,795
37,071	38,468	Total weighted items	38,466	37,076
7.2	7.2	Core capital less deduction as a percentage of weighted items	7.2	7.2
9.4	9.3	Capital adequacy ratio pursuant to the Danish Commercial Banks and Savings Banks Act, section 21 (1)	9.3	9.4
26. GUARANTEES				
6,851	5,253	Financial guarantees	5,269	7,173
228	627	Other guarantees	627	228
7,079	5,880	Total guarantees	5,896	7,401
27. OTHER COMMITMENTS				
3,142	3,866	Irrevocable loan commitments	3,865	3,119
333	224	Other commitments	213	333
3,475	4,090	Total other commitments	4,078	3,452
28. CONTINGENT LIABILITIES				
The operating activities involve the Bank 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.				
29. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS				
Of the assets below genuine purchase and resale transactions represent:				
6,092	7,000	Balances due from credit institutions and central banks	7,000	6,092
2,967	3,872	Loans and advances	3,872	2,967
Of the liabilities below genuine sale and repurchase transactions represent:				
11,547	7,250	Debt to credit institutions and central banks	7,250	11,547
743	746	Deposits	746	743
Assets sold as part of genuine sale and repurchase transactions:				
Recorded as assets:				
12,290	7,996	Bonds	7,996	12,290

2001	2002		2002	2001
30. AMOUNTS DUE FROM AND DUE TO SUBSIDIARY AND ASSOCIATED UNDERTAKINGS				
-	-	Subsidiary undertakings:		
-	-	Loans and advances	250	382
-	-	Total recorded as assets	250	382
-	-	Debt to credit institutions	15	1
-	-	Deposits	77	44
-	-	Total recorded as liabilities	92	45
-	-	Associated undertakings:		
-	-	Loans and advances	227	209
-	-	Total recorded as assets	227	209

31. FIXED-RATE BALANCES

The Nykredit Bank Group 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.

Fixed-rate balances with underlying financial instruments

Under the accounting standards 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.

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 2002 the net value adjustment omitted came to a negative DKK 242m (2001: DKK (82)) for the Nykredit Bank Group and a negative DKK 241m for Nykredit Bank A/S (2001: DKK (82)).

Book value - hedged fixed-rate assets				
3,022	0	Balances due from credit institutions	0	3,022
2,020	4,959	Loans and advances	4,882	2,078
5,042	4,959	Total book value	4,882	5,100
Market value - hedged fixed-rate assets				
3,052	0	Balances due from credit institutions	0	3,052
2,076	5,204	Loans and advances	5,126	2,134
5,128	5,204	Total market value	5,126	5,186
Underlying financial instruments				
4,227	4,873	Nominal value	4,794	4,285
(82)	(242)	Market value	(241)	(82)

32. FOREIGN EXCHANGE RISK

22,219	13,346	Total foreign exchange assets	13,346	22,219
18,611	14,613	Total foreign exchange liabilities	14,613	18,611
459	399	Foreign Exchange Indicator 1	399	459
17.0%	14.2%	Foreign Exchange Indicator 1 as a percentage of core capital less deduction	14.2%	17.0%
5	8	Foreign Exchange Indicator 2	8	5
0.1%	0.2%	Foreign Exchange Indicator 2 as a percentage of core capital less deduction	0.2%	0.1%

2001	2002		2002	2001
33. INTEREST RATE RISK				
Interest rate risk by the Bank's currencies with the highest exposure:				
(10)	135	DKK	135	(10)
59	31	SEK	31	59
21	(81)	EUR	(81)	21
11	1	USD	1	11
(10)	(9)	NOK	(9)	(10)
1	10	GBP	10	1
(2)	1	Other currencies	1	(2)
70	88	Total interest rate risk on debt instruments	88	70
34. CREDIT RISKS				
Provisions:				
210	166	Provisions for loans, advances and guarantee debtors, beginning of year	162	203
0	0	Currency translation adjustment of provisions, beginning of year	0	0
118	83	New provisions for the year	77	115
(86)	(46)	Reversal of provisions previously made	(44)	(82)
(76)	(17)	Provisions previously made, lost during the year	(15)	(74)
0	9	Other additions/disposals	0	0
166	195	Total provisions for loans, advances and guarantee debtors, year-end	180	162
166	195	of which loans, advances and guarantee debtors	180	162
0	0	of which credit institutions and other items incurring credit risk	0	0
113	130	A provisions, year-end	116	111
53	65	B provisions, year-end	64	51
0.6	0.6	Provisions ratio	0.6	0.5
27	48	Non-accrual balances due, year-end	48	27
Effect on operations:				
32	37	Additional provisions and reversals for the year, net	33	33
9	4	Losses ascertained, not previously provided for	2	8
(2)	(2)	Received on claims previously written off	(2)	(2)
39	39	Total write-offs and provisions for bad and doubtful debts	33	39
Loans, advances and guarantee debtors by sectors and industries as a percentage, year-end				
0%	0%	Public sector	0%	0%
Trade and industry:				
4%	3%	Agriculture, hunting and forestry	3%	4%
0%	0%	Fisheries	0%	0%
14%	14%	Manufacturing industries, extraction of raw materials, utilities	14%	14%
3%	2%	Building and construction	2%	3%
4%	4%	Trade, hotels and restaurants	4%	4%
2%	2%	Transport, mail and telephone	1%	2%
16%	20%	Credit, finance and insurance	22%	18%
26%	20%	Property administration, purchase and sale, business services	20%	26%
3%	3%	Other trade and industry	3%	3%
72%	68%	Total trade and industry	69%	74%
28%	32%	Retail customers	31%	26%
100%	100%	TOTAL	100%	100%
Credit risk on derivative financial instruments:				
Positive market value after netting:				
0	43	Counterparty with a risk weight of 0%	43	0
1,004	2,186	Counterparty with a risk weight of 20%	2,186	1,004
167	356	Counterparty with a risk weight of 100%	356	167
Subordinated assets:				
-	6	Associated undertakings	10	-
193	45	Other undertakings	45	193

2001	2002		2002	2001
35. EXECUTIVE BOARD AND BOARD OF DIRECTORS				
		Loans, charges, suretyships or guarantees and related securities granted to members of:		
		Loans:		
0	0	Executive Board	0	0
0	0	Board of Directors	0	0
		Provision of security:		
0	0	Executive Board	0	0
0	0	Board of Directors	0	0

36. INTRA-GROUP TRANSACTIONS

Important or extraordinary intra-group transactions prevailing in or extending into 2002 or just after the closing of the accounts between the Group's undertakings include:

Agreements between Nykredit Bank A/S and Nykredit Holding A/S

On specific occasions Nykredit Holding A/S has provided third parties with guarantees or letters of support. Furthermore, Nykredit Holding A/S has guaranteed some of Nykredit Bank A/S's loan commitments in respect of losses up to a predefined amount.

Agreements between Nykredit Bank A/S and Nykredit Realkredit A/S

Nykredit Realkredit A/S has granted subordinated debt to Nykredit Bank A/S.

Nykredit Bank A/S has granted title registration guarantees and advance loan guarantees to Nykredit Realkredit A/S.

Nykredit Bank A/S advises Nykredit Realkredit A/S on private equity investments.

Nykredit Bank A/S and Nykredit Realkredit A/S have agreements primarily concerning securities and money market transactions, etc, commission in respect of inflow of loans granted, administration of deposits, support related to IT operations and IT development projects, joint retail sales as well as other joint activities.

Agreements between Nykredit Bank A/S/Nykredit Realkredit A/S and Hotelinvest Kalvebod A/S

Nykredit Bank A/S and Nykredit Realkredit A/S have supplied financing to Hotelinvest Kalvebod A/S.

Agreements between Nykredit Bank A/S and LeasIT A/S

Nykredit Bank A/S grants loans to and trade in financial instruments with LeasIT A/S.

Agreements between Nykredit Realkredit A/S/Nykredit Bank A/S and Jeudan A/S

Nykredit Realkredit A/S and Nykredit Bank A/S grant loans to Jeudan A/S.

37. DERIVATIVE FINANCIAL INSTRUMENTS - THE NYKREDIT BANK GROUP

2002	Market value		Average market value*		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
Foreign exchange contracts						
Forward contracts/futures, purchase	140	444	73	296	140	444
Forward contracts/futures, sale	493	233	319	126	493	233
Swaps	57	140	83	89	57	140
Options, purchased	21	0	6	0	21	0
Options, written	0	19	0	9	0	19
Interest rate contracts						
Forward contracts/futures, purchase	35	1	16	4	35	1
Forward contracts/futures, sale	1	38	3	23	1	38
Forward Rate Agreements, purchase	0	112	14	85	0	112
Forward Rate Agreements, sale	112	11	82	16	112	11
Swaps	1,553	1,586	1,008	1,051	1,553	1,586
Options, purchased	67	0	31	3	67	0
Options, written	0	26	17	14	0	26
Equity contracts						
Forward contracts/futures, sale	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Total	2,479	2,610	1,652	1,716	2,479	2,610
2001						
	Market value		Average market value*		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
Foreign exchange contracts						
Forward contracts/futures, purchase	211	54	216	233	211	54
Forward contracts/futures, sale	46	190	356	194	46	190
Swaps	39	24	132	157	39	24
Options, purchased	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Interest rate contracts						
Forward contracts/futures, purchase	44	14	147	8	44	14
Forward contracts/futures, sale	22	54	12	183	22	54
Forward Rate Agreements, purchase	10	233	8	232	10	233
Forward Rate Agreements, sale	214	12	205	8	214	12
Swaps	805	845	561	576	805	845
Options, purchased	6	4	3	2	6	4
Options, written	4	8	2	4	4	8
Equity contracts						
Forward contracts/futures, sale	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Total	1,401	1,438	1,642	1,597	1,401	1,438

* The average market value has been computed on the basis of quarterly statements

37. DERIVATIVE FINANCIAL INSTRUMENTS - THE NYKREDIT BANK GROUP (CONTINUED)	2002					
	Up to 3 months		Over 3 months and up to 1 year		Over 1 year and up to 5 years	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
By term to maturity						
Foreign exchange contracts						
Forward contracts/futures, purchase	14,067	(179)	3,584	(125)	0	0
Forward contracts/futures, sale	10,327	126	3,558	134	0	0
Swaps	253	(4)	4,690	(20)	4,219	(53)
Options, purchased	318	2	72	19	0	0
Options, written	19	(1)	72	(19)	0	0
Interest rate contracts						
Forward contracts/futures, purchase	33,404	34	0	0	0	0
Forward contracts/futures, sale	32,669	(32)	9,414	(4)	1,114	(1)
Forward Rate Agreements, purchase	20,950	(56)	20,252	(54)	2,000	(2)
Forward Rate Agreements, sale	14,892	53	15,120	47	1,100	2
Swaps	29,578	0	26,377	(19)	48,269	52
Options, purchased	1,303	21	12,352	27	3,978	10
Options, written	9,161	0	679	(12)	2,402	(11)
Equity contracts						
Forward contracts/futures, purchase	0	0	0	0	0	0
Forward contracts/futures, sale	0	0	0	0	0	0
Options, written	1	0	0	0	0	0
	2002			2001		
	Over 5 years		Total		Total	
By term to maturity	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts						
Forward contracts/futures, purchase	0	0	17,651	(304)	24,033	157
Forward contracts/futures, sale	0	0	13,885	260	19,039	(144)
Swaps	773	(7)	9,935	(84)	3,534	15
Options, purchased	0	0	390	21	421	0
Options, written	0	0	91	(20)	188	0
Interest rate contracts						
Forward contracts/futures, purchase	0	0	33,404	34	54,695	30
Forward contracts/futures, sale	0	0	43,197	(37)	52,103	(32)
Forward Rate Agreements, purchase	0	0	43,202	(112)	109,548	(223)
Forward Rate Agreements, sale	0	0	31,112	102	96,041	202
Swaps	27,034	(66)	131,258	(33)	132,787	(39)
Options, purchased	338	9	17,971	67	1,210	1
Options, written	266	(2)	12,508	(25)	2,087	(4)
Equity contracts						
Forward contracts/futures, purchase	0	0	0	0	0	0
Forward contracts/futures, sale	0	0	0	0	0	0
Options, written	0	0	1	0	0	0
Total net market value				(131)		(37)

37. DERIVATIVE FINANCIAL INSTRUMENTS - NYKREDIT BANK A/S

2002	Market value		Average market value*		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
Foreign exchange contracts						
Forward contracts/futures, purchase	140	444	73	296	140	444
Forward contracts/futures, sale	493	233	319	126	493	233
Swaps	57	140	83	89	57	140
Options, purchased	21	0	6	0	21	0
Options, written	0	19	0	9	0	19
Interest rate contracts						
Forward contracts/futures, purchase	35	1	16	4	35	1
Forward contracts/futures, sale	1	38	3	22	1	38
Forward Rate Agreements, purchase	0	112	14	85	0	112
Forward Rate Agreements, sale	112	11	82	16	112	11
Swaps	1,558	1,589	1,012	1,054	1,558	1,589
Options, purchased	67	0	32	3	67	0
Options, written	0	26	17	14	0	26
Equity contracts						
Forward contracts/futures, sale	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Total	2,484	2,613	1,657	1,718	2,484	2,613
2001						
	Market value		Average market value*		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
Foreign exchange contracts						
Forward contracts/futures, purchase	211	54	216	233	211	54
Forward contracts/futures, sale	46	190	356	194	46	190
Swaps	39	24	132	157	39	24
Options, purchased	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Interest rate contracts						
Forward contracts/futures, purchase	44	14	147	8	44	14
Forward contracts/futures, sale	22	54	12	183	22	54
Forward Rate Agreements, purchase	10	233	8	232	10	233
Forward Rate Agreements, sale	214	12	205	8	214	12
Swaps	805	845	561	576	805	845
Options, purchased	6	4	3	2	6	4
Options, written	4	8	2	4	4	8
Equity contracts						
Forward contracts/futures, sale	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Total	1,401	1,438	1,642	1,597	1,401	1,438

* The average market value has been computed on the basis of quarterly statements

NYKREDIT BANK A/S

2002

37. DERIVATIVE FINANCIAL INSTRUMENTS - NYKREDIT BANK A/S (CONTINUED)

By term to maturity	Up to 3 months		Over 3 months and up to 1 year		Over 1 year and up to 5 years	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts						
Forward contracts/futures, purchase	14,067	(179)	3,584	(125)	0	0
Forward contracts/futures, sale	10,327	126	3,558	134	0	0
Swaps	253	(4)	4,690	(20)	4,219	(53)
Options, purchased	318	2	72	19	0	0
Options, written	19	(1)	72	(19)	0	0
Interest rate contracts						
Forward contracts/futures, purchase	33,404	34	0	0	0	0
Forward contracts/futures, sale	32,669	(32)	9,414	(4)	1,114	(1)
Forward Rate Agreements, purchase	20,950	(56)	20,252	(54)	2,000	(2)
Forward Rate Agreements, sale	14,900	53	15,120	47	1,100	2
Swaps	29,578	0	26,407	(19)	48,339	54
Options, purchased	1,303	21	12,392	27	3,978	10
Options, written	9,161	0	719	(12)	2,402	(11)
Equity contracts						
Forward contracts/futures, purchase	0	0	0	0	0	0
Forward contracts/futures, sale	0	0	0	0	0	0
Options, written	1	0	0	0	0	0

2002

2001

By term to maturity	Over 5 years		Total		Total	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts						
Forward contracts/futures, purchase	0	0	17,651	(304)	24,033	157
Forward contracts/futures, sale	0	0	13,885	260	19,039	(144)
Swaps	773	(7)	9,935	(84)	3,534	15
Options, purchased	0	0	390	21	421	0
Options, written	0	0	91	(20)	188	0
Interest rate contracts						
Forward contracts/futures, purchase	0	0	33,404	34	54,695	30
Forward contracts/futures, sale	0	0	43,197	(37)	52,103	(32)
Forward Rate Agreements, purchase	0	0	43,202	(112)	109,548	(223)
Forward Rate Agreements, sale	0	0	31,120	102	96,041	202
Swaps	26,955	(66)	131,279	(31)	132,787	(39)
Options, purchased	338	9	18,011	67	1,210	1
Options, written	266	(2)	12,548	(25)	2,087	(4)
Equity contracts						
Forward contracts/futures, purchase	0	0	0	0	0	0
Forward contracts/futures, sale	0	0	0	0	0	0
Options, written	0	0	1	0	0	0
Total net market value				(129)		(37)

	2002			2001	
38. UNSETTLED SPOT TRANSACTIONS					
The Nykredit Bank Group	Nominal value	Market value		Net market value	Net market value
		Positive	Negative		
Foreign exchange contracts, purchase	1,671	0	14	(14)	(18)
Foreign exchange contracts, sale	1,603	10	0	10	9
Interest rate contracts, purchase	5,564	1	2	(1)	13
Interest rate contracts, sale	4,523	1	1	0	(9)
Equity contracts, purchase	9	0	0	0	0
Equity contracts, sale	10	1	0	1	0
Total	13,380	13	17	(4)	(5)
Total the year before	31,640	38	43	(5)	(5)
Nykredit Bank A/S	Nominal value	Market value		Net market value	Net market value
		Positive	Negative		
Foreign exchange contracts, purchase	1,671	0	14	(14)	(18)
Foreign exchange contracts, sale	1,603	10	0	10	9
Interest rate contracts, purchase	5,564	1	2	(1)	13
Interest rate contracts, sale	4,523	1	1	0	(9)
Equity contracts, purchase	9	0	0	0	0
Equity contracts, sale	10	1	0	1	0
Total	13,380	13	17	(4)	(5)
Total the year before	31,640	38	43	(5)	(5)

39. GROUP STRUCTURE

Name and registered office	Share capital, year-end	Capital and reserves, year-end	Ownership	Profit/loss	Group balances due from the undertaking	Group debt to the undertaking	Group other off-balance sheet liabilities to the undertaking
	2002 Million	2002 DKKm	%	2002 DKKm	2002 DKKm	2002 DKKm	2002 DKKm
Consolidated subsidiaries:							
Nykredit Finance plc, Plymouth	GBP 3	42	100	3	-	42	-
Nykredit Pantebreve A/S, Copenhagen	DKK 5	18	100	5	171	21	16
Nykredit Pantebrevsinvestering A/S, Copenhagen	DKK 5	15	100	0	65	14	-
Nykredit Portefølje Bank A/S, Copenhagen	DKK 40	65	100	8	-	16	-
Nykredit Leasing A/S, Copenhagen	DKK 1	2	100	0	14	-	-
Norswood Properties Limited, Plymouth	GBP 0	1	100	(1)	-	-	-
Associated undertakings:							
LeasIT A/S, Lyngby-Taarbæk	DKK 9	26	40	1	227	-	-
This company has been consolidated on a pro rata basis							

Directorships adopted by the Board of Directors pursuant to the Danish Financial Business Act, section 30 (2)

Kim Duus, Chief Executive Officer:	Chairman of Nykredit Portefølje Bank A/S Chairman of Nykredit Portefølje Administration A/S
Jes Klausby, Managing Director:	Chairman of Nykredit Pantebreve A/S Chairman of Nykredit Pantebrevsinvestering A/S

	1998	1999	2000	2001	2002	2002
40. HIGHLIGHTS AND KEY RATIOS						
SUMMARY PROFIT AND LOSS ACCOUNT						
						EUR MILLION
Net interest receivable	145	231	380	449	578	78
Fees and commissions receivable (net)	65	132	51	23	21	3
Net income from interest and fees	210	363	431	472	599	81
Value adjustments	46	52	(9)	65	(85)	(11)
Other operating income	0	0	2	26	17	2
Operating costs	(221)	(272)	(347)	(359)	(370)	(50)
Depreciation, amortisation and write-downs on tangible and intangible assets	(13)	(8)	(7)	(19)	(5)	(1)
Profit from participating interests in associated and subsidiary undertakings	29	32	83	18	21	3
Profit before provisions	51	167	153	203	177	24
Write-offs and provisions for bad and doubtful debts	(24)	(103)	(41)	(39)	(33)	(4)
Profit before tax	27	64	112	164	144	19
Tax	(4)	(17)	(42)	(44)	(46)	(6)
Net profit for the year	23	47	70	120	98	13
SUMMARY BALANCE SHEET AT 31 DECEMBER						
Assets						
Cash in hand and balances due from credit institutions	17,735	23,644	14,608	14,511	13,750	1,852
Loans and advances	4,533	8,802	17,038	22,221	24,322	3,276
Securities	8,810	15,858	20,325	22,801	20,044	2,700
Participating interests in associated and subsidiary undertakings	383	444	133	153	156	21
Other assets	2,726	1,607	3,588	3,744	5,446	734
Total assets	34,187	50,355	55,692	63,430	63,718	8,582
Liabilities and equity						
Debt to credit institutions and central banks	22,608	32,351	36,205	42,175	36,971	4,980
Deposits	3,560	8,475	9,738	8,771	12,133	1,634
Other liabilities	5,846	6,808	6,961	8,976	11,008	1,483
Subordinated debt	0	500	500	800	800	108
Capital and reserves	2,173	2,221	2,288	2,708	2,806	378
Total liabilities and equity	34,187	50,355	55,692	63,430	63,718	8,582
Off-balance sheet items						
Guarantees	6,949	8,576	6,851	7,401	5,896	794
Other commitments	2,086	3,469	2,882	3,452	4,078	549
Total off-balance sheet items	9,035	12,045	9,733	10,853	9,974	1,343
KEY RATIOS						
Capital adequacy ratio	13.0	11.4	8.8	9.4	9.3	
Core capital ratio	13.0	9.3	7.2	7.2	7.2	
Return on equity after tax	1.0%	2.2%	3.1%	4.8%	3.5%	
Income/cost ratio	1.10	1.17	1.28	1.39	1.35	
Interest rate exposure	1.2%	1.8%	0.2%	2.6%	3.1%	
Number of full-time staff (average)	220	230	237	252	260	

EUR 1 = DKK 7.4243 end-2002

	1998	1999	2000	2001	2002
41. KEY RATIOS					
The Nykredit Bank Group					
Capital adequacy and capital					
Capital adequacy ratio	13.0	11.7	8.9	9.4	9.3
Core capital ratio	13.0	9.5	7.3	7.2	7.2
Earnings					
Return on equity before tax	1.2%	2.9%	5.0%	6.6%	5.2%
Return on equity after tax	1.0%	2.2%	3.1%	4.8%	3.5%
Income/cost ratio	1.09	1.15	1.26	1.36	1.31
Market risk					
Interest rate risk	1.2%	1.8%	0.2%	2.6%	3.1%
Foreign exchange position	6.3%	3.8%	12.9%	17.0%	14.2%
Exchange rate risk	0.0%	0.0%	0.1%	0.1%	0.2%
Liquidity					
Excess cover relative to statutory requirements for liquidity	195.7%	34.5%	10.6%	226.2%	176.3%
Credit risk					
Total major exposures	524.0%	476.2%	596.4%	459.1%	352.3%
Provisions ratio	1.0	1.1	0.9	0.6	0.6
Write-offs and provisions as a percentage for the year	0.2	0.5	0.1	0.1	0.1
Growth in loans and advances for the year	38.0%	57.6%	7.0%	30.2%	9.6%
Loans and advances relative to capital and reserves	4.7	7.2	7.5	8.2	8.7
Nykredit Bank A/S					
Capital adequacy and capital					
Capital adequacy ratio	13.0	11.4	8.8	9.4	9.3
Core capital ratio	13.0	9.3	7.2	7.2	7.2
Earnings					
Return on equity before tax	1.2%	2.9%	5.0%	6.6%	5.2%
Return on equity after tax	1.0%	2.2%	3.1%	4.8%	3.5%
Income/cost ratio	1.10	1.17	1.28	1.39	1.35
Market risk					
Interest rate risk	1.2%	1.8%	0.2%	2.6%	3.1%
Foreign exchange position	6.3%	3.8%	12.9%	17.0%	14.2%
Exchange rate risk	0.0%	0.0%	0.1%	0.1%	0.2%
Liquidity					
Loans, advances and provisions made in respect hereof relative to deposits	127.5%	104.2%	175.9%	255.1%	201.9%
Excess cover relative to statutory requirements for liquidity	166.3%	19.4%	9.4%	224.2%	175.9%
Credit risk					
Total major exposures	512.2%	470.7%	596.4%	459.1%	352.2%
Share of non-accrual claims	0.0%	0.0%	0.1%	0.1%	0.2%
Provisions ratio	0.2	0.7	0.8	0.5	0.6
Write-offs and provisions as a percentage for the year	0.2	0.6	0.2	0.1	0.1
Growth in loans and advances for the year	46.0%	94.2%	93.6%	30.4%	9.5%
Loans and advances relative to capital and reserves	2.1	4.0	7.4	8.2	8.7

Copenhagen, 18 February 2003

EXECUTIVE BOARD

Kim Duus
Jes Klausby

Internal audit

We have audited the Consolidated Annual Report and the Annual Report of Nykredit Bank A/S for the financial year 2002.

The Consolidated Annual Report and the Annual Report are the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on the Consolidated Annual Report and 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 Consolidated Annual Report and 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 Consolidated Annual Report and Annual Report give a true and fair view of the assets, liabilities, equity and financial position at 31 December 2002 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2002 in accordance with the requirements of Danish legislation in respect of the preparation of financial statements.

Claus Okholm
Chief Internal Auditor

BOARD OF DIRECTORS

Henning Kruse Petersen, Chairman
Peter Engberg Jensen, Deputy Chairman
Per Ladegaard
Søren Holm
Søren Klitholm
Charlotte Baarsøe Pedersen
Peter Torndal

Auditors' report

We have audited the Consolidated Annual Report and Annual Report of Nykredit Bank A/S for the financial year 2002.

The Consolidated Annual Report and Annual Report are the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on the Consolidated Annual Report and 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 Consolidated Annual Report and Annual Report are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Annual Report and 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 Consolidated Annual Report and 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 Consolidated Annual Report and Annual Report give a true and fair view of the assets, liabilities, equity and financial position at 31 December 2002 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2002 in accordance with the requirements of Danish legislation in respect of the preparation of financial statements.

PricewaterhouseCoopers

Otto Johnsen Gert R.L. Andersen
State Authorised Public Accountants

DELOITTE & TOUCHE

Statsautoriseret Revisionsaktieselskab

Bent Hansen Anders O. Gjelstrup
State Authorised Public Accountants

BOARD OF DIRECTORS AND EXECUTIVE BOARD OF NYKREDIT BANK

The members of the Board of Directors and Executive Board have disclosed the following directorships in other Danish limited companies excluding wholly-owned subsidiaries of Nykredit Bank.

Board of Directors

Henning Kruse Petersen, Chairman
Group Managing Director

Henning Kruse Petersen
Managing Director of Nykredit Holding A/S
Group Managing Director of Nykredit Realkredit A/S
Chairman of Nykredit Bank Hipoteczny S.A.
Director of Nykredit Østifterne Forsikring A/S

Peter Engberg Jensen, Deputy Chairman
Group Managing Director

Peter Engberg Jensen
Managing Director of Nykredit Holding A/S
Group Managing Director of Nykredit Realkredit A/S
Director of Nykredit Ejendomme A/S (until 1 October 2002)
Director of Nykredit Østifterne Forsikring A/S
Director of Nykredit Administration V A/S
Director of JN Data A/S
Director of Nykredit Bank Hipoteczny S.A.
Director of the Copenhagen Stock Exchange A/S
Director of the FUTOP Clearing Centre A/S

Per Ladegaard
Group Managing Director

Per Ladegaard
Managing Director of Nykredit Holding A/S
Group Managing Director of Nykredit Realkredit A/S
Chairman of Nykredit Mægler A/S
Chairman of Nykredit Østifterne Forsikring A/S
Deputy Chairman of JN Data A/S
Chairman of Realkreditnettet A/S

Søren Holm
Executive Vice President

Søren Holm
Director of Nykredit Mægler A/S
Director of Nykredit Ejendomme A/S
Director of Nykredit Bank Hipoteczny S.A.

Søren Klitholm
Chief Dealer, staff-elected member

Charlotte Baarsøe Pedersen
Head of Department, staff-elected member

Peter Torndal
Vice President, staff-elected member

Executive Board

Kim Duus, Chief Executive Officer
Jes Klausby, Managing Director

Executives of Nykredit Bank

Corporate Banking	Tom Ahrenst, Executive Vice President
Structured Finance	Jørn Christiansen, First Vice President
Markets	Georg Andersen, Senior Vice President
Research	John Madsen, Chief Economist
Debt Capital Markets	Claus Møller, First Vice President
Investment Centre	Lars Bo Bertram, Senior Vice President
Retail Banking	Inge Bender Koch, First Vice President
Treasury	Lars Eibeholm, First Vice President
Risk Management	René Baht-Hagen, First Vice President
Credits	Søren Møller Hansen, First Vice President
Legal Department	Elisabeth Stamer, Chief Legal Adviser
Finance & Accounts	Nils Peter Sørensen, First Vice President

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