



## Annual Report 2003

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<b>CORPORATE IDENTITY</b>	<b>1</b>
<b>THE NYKREDIT GROUP STRUCTURE AT 31 DECEMBER 2003</b>	<b>2</b>
<b>FINANCIAL HIGHLIGHTS</b>	<b>3</b>
<b>MANAGEMENT REVIEW</b>	<b>4</b>
<b>BUSINESS AREAS</b>	<b>6</b>
Retail Banking	6
Corporate Banking	7
Agricultural Customers	8
Markets & Asset Management	9
<b>RISK AND BALANCE SHEET MANAGEMENT</b>	<b>11</b>
Credit risks	11
Market risks	11
Liquidity policy	12
Funding	12
Capital management	12
<b>RESOURCES</b>	<b>13</b>
<b>FINANCIAL REVIEW</b>	<b>14</b>
Accounting policies	17
Profit and loss accounts	21
Balance sheets	22
Cash flow statement	23
Notes	24
<b>BOARD OF DIRECTORS AND EXECUTIVE BOARD OF NYKREDIT BANK</b>	<b>44</b>

## Corporate identity

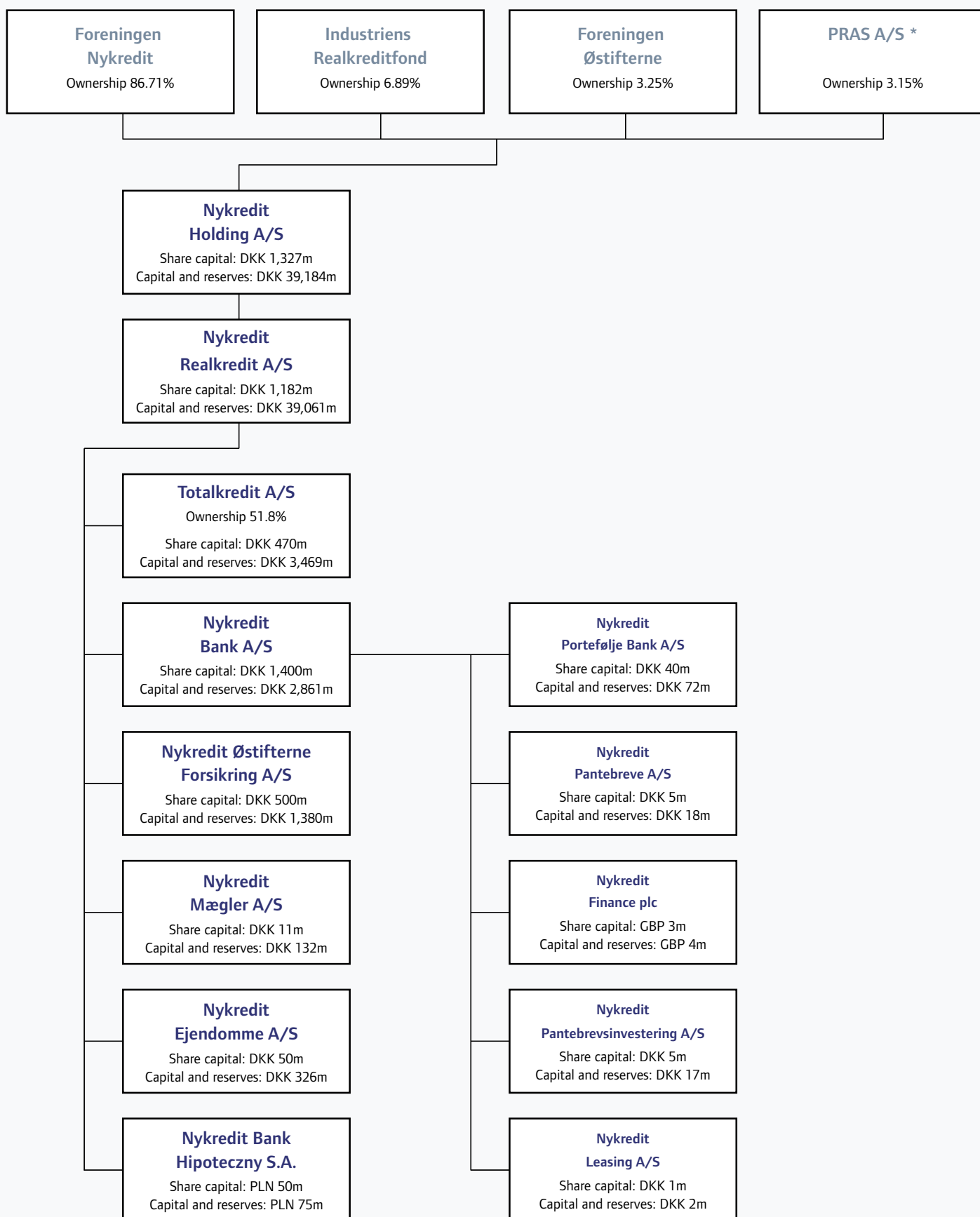
Nykredit Bank occupies a key position in the overall strategy of the Nykredit Group and co-operates closely with the other companies of the Group.

When serving customers on a daily 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 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 for 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 2003



\* The former owners of Totalkredit A/S

DKK million	1999	2000	2001	2002	2003	2003 EUR MILLION
<b>SUMMARY PROFIT AND LOSS ACCOUNT</b>						
Net interest receivable	301	425	467	598	819	110
Fees and commissions receivable (net)	138	73	63	62	72	10
<b>Net income from interest and fees</b>	<b>439</b>	<b>498</b>	<b>530</b>	<b>660</b>	<b>891</b>	<b>120</b>
Value adjustments	54	(1)	66	(69)	4	1
Other operating income	5	53	26	18	94	13
Operating costs	(332)	(400)	(400)	(419)	(436)	(59)
Depreciation, amortisation and write-downs on tangible and intangible assets	(10)	(8)	(19)	(7)	(6)	(1)
<b>Profit before provisions</b>	<b>156</b>	<b>142</b>	<b>203</b>	<b>183</b>	<b>547</b>	<b>73</b>
Write-offs and provisions for bad and doubtful debts	(92)	(30)	(39)	(39)	(129)	(17)
<b>Profit before tax</b>	<b>64</b>	<b>112</b>	<b>164</b>	<b>144</b>	<b>418</b>	<b>56</b>
Tax	(17)	(42)	(44)	(46)	(125)	(17)
<b>Net profit for the year</b>	<b>47</b>	<b>70</b>	<b>120</b>	<b>98</b>	<b>293</b>	<b>39</b>
<b>SUMMARY BALANCE SHEET AT 31 DECEMBER</b>						
<b>Assets</b>						
Cash in hand and balances due from credit institutions	17,508	14,614	14,524	13,739	14,738	1,980
Loans and advances	16,018	17,138	22,320	24,452	22,276	2,992
Securities	15,962	20,350	22,845	20,081	29,536	3,967
Other assets	1,637	3,604	3,784	5,470	5,869	788
<b>Total assets</b>	<b>51,125</b>	<b>55,706</b>	<b>63,473</b>	<b>63,742</b>	<b>72,419</b>	<b>9,727</b>
<b>Liabilities and equity</b>						
Debt to credit institutions and central banks	32,133	36,267	42,233	37,044	41,149	5,527
Deposits	9,446	9,658	8,725	12,056	14,175	1,904
Issued bonds	-	-	-	-	325	44
Other liabilities	6,825	6,993	9,007	11,036	13,109	1,761
Subordinate loan capital	500	500	800	800	800	107
Capital and reserves	2,221	2,288	2,708	2,806	2,861	384
<b>Total liabilities and equity</b>	<b>51,125</b>	<b>55,706</b>	<b>63,473</b>	<b>63,742</b>	<b>72,419</b>	<b>9,727</b>
<b>Off-balance sheet items</b>						
Guarantees	2,485	6,398	7,079	5,880	6,751	907
Other commitments	3,469	2,882	3,475	4,090	3,050	410
<b>Total off-balance sheet items</b>	<b>5,954</b>	<b>9,280</b>	<b>10,554</b>	<b>9,970</b>	<b>9,801</b>	<b>1,317</b>
<b>KEY RATIOS</b>						
Capital adequacy ratio	11.7%	8.9%	9.4%	9.3%	9.8%	
Core capital ratio	9.5%	7.3%	7.2%	7.2%	7.6%	
Return on equity before tax	2.9%	5.0%	6.6%	5.2%	14.7%	
Return on equity after tax	2.2%	3.1%	4.8%	3.5%	10.3%	
Income/cost ratio	1.15	1.26	1.36	1.31	1.73	
Interest rate exposure	1.8%	0.2%	2.6%	3.1%	2.4%	
Number of full-time staff (average)	280	283	299	316	322	

EUR 1 = DKK 7.4446 end-2003

## Management review

In 2003 the Nykredit Bank Group realised a profit before tax of DKK 418m compared with DKK 144m in 2002. Profit after tax amounted to DKK 293m. The results are satisfactory.

The Board of Directors of the Bank proposes that a dividend of DKK 250m be distributed.

The positive trend can be credited to the earnings rise in all business areas and largely unchanged costs.

Group core earnings amounted to DKK 372m against DKK 116m in 2002, and investment portfolio income came to DKK 46m compared with DKK 28m in 2002.

The return on equity before tax came to 14.7% against 5.2% in 2002. The Group's capital adequacy ratio was 9.8 at end-2003 against 9.3 at end-2002. The income/cost ratio went up from 1.31 to 1.73.

Net income from interest, fees and value adjustments posted DKK 895m, up DKK 304m on 2002.

The development is mainly a result of a significantly increased level of activity in the Markets & Asset Management area and satisfactory earnings from credit bonds in the Corporate Banking division. Furthermore, 2003 was generally characterised by a higher degree of stability in financial markets.

Other operating income went up from DKK 18m to DKK 94m. Behind the rise was mainly income from advisory services rendered on investments in unlisted equities.

Operating costs increased by 4% from DKK 426m to DKK 442m. The moderate development reflects the Bank's current focus on tight cost control. In 2003 costs were somewhat below forecasts made at the beginning of the year especially because of fewer new appointments.

Write-offs and provisions came to DKK 129m corresponding to a rise of DKK 90m relative to 2002. As stated in the interim report, the rise can be ascribed to

a conservative assessment of some isolated credit exposures. The Bank's loan portfolio is generally of a high quality. The provisions ratio was 1.0 (2002: 0.6).

*Retail Banking* recorded growth in earnings in 2003 in line with expectations. Commission earnings from guarantees remained handsome on the back of continued high refinancing activity. Deposits increased considerably, and 13,000 new customers were added to the customer base.

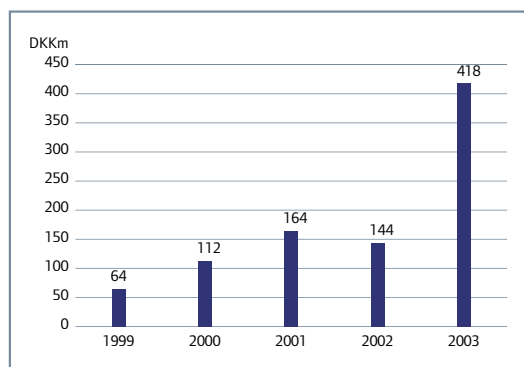
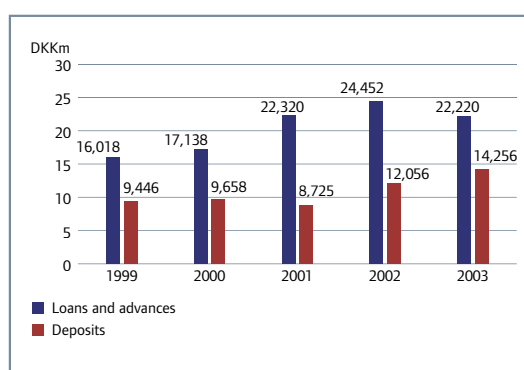
In order to strengthen Nykredit Bank's position in the market for housing finance, it was decided to set up a new mortgage trading company, Dansk Pantebrevsbørs A/S, in autumn 2003. The company will trade in second mortgages across Denmark. Dansk Pantebrevsbørs is equally owned by Nykredit Bank A/S and Egnsbank Han Herred A/S and will handle the future mortgage trading activities of the two banks. The establishment of Dansk Pantebrevsbørs was approved by the Danish authorities at end-January 2004, and the activities of Nykredit Pantebreve A/S are expected to be transferred to the new company in the first half of 2004.

Nykredit Pantebreve recorded a profit after tax of DKK 4m compared with DKK 5m in 2002. The decline in results can be ascribed to costs in connection with the set-up of Dansk Pantebrevsbørs A/S.

*Corporate Banking* continued recent years' growth trend. 2003 saw increased income from up-front fees, satisfactory earnings from credit bonds and fee income of approximately DKK 70m from Nykredit Realkredit A/S for advisory services rendered in relation to unlisted equities.

*Agricultural Customers'* primary role is to support the mortgage finance activities by offering bridge finance.

*Markets & Asset Management* recorded significant growth in earnings from customer trades as well as own trading. Furthermore, Debt Capital Markets was lead- and co-arranger of a line of issues of 2% bonds for the Danish market.

**Profit before tax****Loans, advances and deposits****Nykredit Bank A/S**

DKKm	2002	2003
Net profit for the year	98	293
Balance sheet total	63,718	72,436
Capital and reserves	2,806	2,862
Full time staff (average)	260	259

**Nykredit Pantebreve A/S**

DKKm	2002	2003
Net profit for the year	5	4
Balance sheet total	226	109
Capital and reserves	18	18
Full time staff (average)	19	23

**Nykredit Portefølje Bank A/S**

DKKm	2002	2003
Net profit for the year	8	7
Balance sheet total	72	79
Capital and reserves	65	72
Full time staff (average)	30	35

The results of Private Portfolio, a concept launched in 2002, lived up to expectations. However, as the business area has not reached its final form yet, it still generates negative results.

In 2003 the Nykredit Portefølje Bank Group recorded a profit before tax of DKK 9m compared with DKK 12m in 2002. As part of the Group's expansion strategy, Nykredit Portefølje Administration acquired the share capital of Schroder Administration A/S in 2003. The acquisition consolidated Nykredit Portefølje Bank's position as one of the leading players in the market for investment fund management.

Nykredit Portefølje also concluded an agreement to manage ATP Invest from 2004.

In December 2003 the Nykredit Bank Group issued a bond loan of nominally DKK 325m. The loan, which has been admitted for listing on the Copenhagen Stock Exchange, had been covered in advance by a group of institutional investors at the time of issuance. The proceeds received are applied to fund the Bank's general activities.

**Outlook for 2004**

The Bank expects to consolidate its market position and to record moderate growth in business volume.

However, total income and value adjustments are expected to decrease as 2003 was positively affected by relatively high income from own trading, fees and commissions from activities such as refinancing and fees relating to unlisted equities. Furthermore, investment portfolio income is expected to be lower than in 2003.

Operating costs are expected to rise moderately as a result of ordinary price and wage adjustments and activity-oriented initiatives.

Write-offs and provisions are forecast to be lower in 2004 than in 2003.

The Nykredit Bank Group expects a profit before tax of some DKK 300m. Following the uncertainty surrounding the international economic outlook for 2004, especially price-dependent income as well as write-offs and provisions should be assessed with prudence.

**Events occurring after the closing of the accounts**

After the closing of the accounts, no events have occurred which may have a material effect on the financial position of the Group.

## Business areas

### RETAIL BANKING

The Retail Banking area of Nykredit Bank supplies products to the sales entities of the Nykredit Group. The positive development in 2002 in the Bank's Retail Banking area continued in 2003. Focus particularly centred on attracting new wage account customers – a commitment which created good results. A flexible wage account with attractive deposit rates has attracted many homeowners.

With an increase of 13,000 customers, the development in the number of retail customers proceeded satisfactorily.

Deposits grew by DKK 1.2bn to DKK 4.6bn at end-2003. The majority of this increase is attributable to the influx of new customers with wage accounts.

Lending increased by DKK 0.5bn to DKK 4.2bn. By end-2003 the Bank recorded a surplus in retail deposits for the first time.

### Nykredit Pantebreve A/S

The subsidiary Nykredit Pantebreve offers mortgage finance (second mortgages) secured on real property in Denmark except for large industrial properties and agricultural establishments. Customers are primarily introduced to Nykredit Pantebreve via the Group's related estate agencies and Nykredit's sales entities. All mortgages are resold.

As expected Nykredit Pantebreve achieved a small increase in turnover from DKK 778m in 2002 to DKK 828m in 2003, equal to a rise of just over 6%.

In the first quarter of 2004, the activities of Nykredit Pantebreve will be transferred to the newly established company Dansk Pantebrevsbørs A/S equally owned by Nykredit Bank and Egnsbank Han Herred.

### Initiatives in 2003

In future the sale of banking products to Nykredit's customers will play a greater role in the sales centres.

Training programmes on pension and investment products have been introduced in the second half of 2003 to strengthen sales out of Nykredit's sales centres.

Late in the year Nykredit launched Visa Electron – a debit card with real-time balance control. The card addresses teenagers aged 15-17 whose families have one or more wage accounts with Nykredit Bank.

### Retail Banking in 2004

In 2004 Nykredit will continue to develop a broader product sale based on the wage accounts. Nykredit's banking concept primarily addresses homeowners who are interested in handling their day-to-day banking transactions via the Internet or the telephone with the possibility of personal advice from one of Nykredit's sales centres.

2004 will focus on competence refinement and solutions aimed at consolidating Nykredit's profile as the bank of choice of today's homeowners.



## CORPORATE BANKING

In recent years Nykredit Bank has achieved a position as a competitive, specialised corporate bank, and 2003 saw a satisfactory development in the corporate banking activities.

Despite a subdued business climate, corporate customers continued to demand individually tailored financial solutions. Also in 2003 the market was characterised by fierce competition, and business results are considered satisfactory.

### Activities and initiatives in 2003

The product range comprises an array of deposit and loan products, financial instruments, securities transactions, asset management and other services. As a subsidiary in the Nykredit Group, a number of other products such as mortgage finance and insurance also play a natural role in the product range.

The Corporate Banking area 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 balance between short- and long-term funding via money market facilities combined with revolving 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.

*Swaps* in connection with mortgage finance which provide customers with flexibility to take advantage of shifts in the yield curve.

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

Combined with 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.

Furthermore, Corporate Banking joins forces with Nykredit Markets in providing funding to companies through the issue of corporate bonds.

In 2003 corporate customers gained fast access to information about their transactions with the Bank, Mortgage Bank and Insurance Company via the Internet Bank. Corporate customers may now choose to use the Internet Bank to make calculations and prepare loan refinancing applications, trade in securities and make fixed-term deposits.

### Mortgage finance

Nykredit Bank undertakes the sale of mortgage finance to the largest corporate customers.

The historically low interest rates have been particularly attractive and have opened up prospects of favourable, long-term financing opportunities which have resulted in a significant rise in new lending.

The international activities of the Corporate Banking area within mortgage finance have expanded, and the importance of these activities grew in 2003. Besides commercial properties in the UK, Sweden and Germany, lending to Danish and international customers now also comprises Poland.

### 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. With commercial centres located all over Denmark, Nykredit's commercial customers area is well represented in the regional and local business communities.

In 2004 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 and project sales

In 2003 Nykredit Bank expanded its position as one of the main suppliers of finance for subsidised housing construction and as supplier of financing solutions for the purpose of large as well as small projects.

2003 brought continued significant growth in the activities within the housing society area – primarily within construction loans for new housing society dwellings and mortgage equity withdrawal credits for existing housing society associations.

### Leasing activities

Activities in the wholly-owned subsidiary Nykredit Leasing A/S and LeasIT A/S, of which the Bank owns 25%, were satisfactory in 2003. The two companies provide the Bank with a good basis for offering a wide supply of lease solutions that meet customers' requirements in the leasing market.

#### **Corporate Banking in 2004**

Together Nykredit Bank A/S and Nykredit Realkredit A/S represent substantial strength as loan providers to Danish trade and industry with commercial and corporate lending totalling DKK 257bn at end-2003. This market position forms a solid foundation for further developing the Bank's business cooperation with corporate customers. 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 largely concerned bridge finance and leasing activities.

#### **Agricultural Customers in 2004**

In recent years the Agricultural Customers area has been very stable, and 2004 is expected to remain unchanged compared with 2003.

## MARKETS & ASSET MANAGEMENT

2003 was characterised by a very positive development in fixed income and credit markets. The year therefore saw historically low interest rate levels and credit spreads. After three years of downturn, 2003 saw a turnaround in equity markets which experienced broad-based recovery. All in all, 2003 was a good year for Nykredit Markets & Asset Management.

The business area comprises the three primary customer-oriented entities: Nykredit Markets, the Investment Centre and Nykredit Portefølje.

### Nykredit Markets

Nykredit Markets is one of the key players in the Danish bond market and obtained status as Primary Dealer in 2003. Primary Dealers market government securities to investors and contribute towards building liquidity in the bond market by quoting bid-and-ask prices on government securities.

2003 also became the year when electronic trading systems conquered the wholesale market for Danish government securities. Electronic trading platforms increase competition in the financial market place. The result is continuous pressure on earnings from basis products. It will take a strong commitment to value-added products to maintain a sound level of profitability in the business area. The focus on value-added products is a key element of Nykredit Markets's strategy.

Nykredit Markets is dedicated to the needs and requirements of institutional customers. The expertise built in this area forms the foundation for the activities addressing other customer segments. In 2003 Nykredit Markets actively took part in providing solutions to the asset/liability management problems of Danish pension funds.

The Commercial Customers Department offers corporate and agricultural customers all products from the Markets & Asset Management area. Large and medium-sized customers are served directly, while the Commercial Customers Department assists the line organisation in serving small commercial and agricultural customers. The investment advice offered to customers includes asset management, equities and research material targeted specifically at this customer segment. Nykredit has always held a strong position where customers' liabilities are concerned. The Commercial Customers Department underpins this area through its sale of financial solutions combined with mortgage finance and traditional banking products which enhances the Bank's competitiveness.

Investor interest in credit bonds mounted in 2003. The favourable market conditions were supported by issuer companies' continued focus on improving earnings, cash flows and credit quality coupled with satisfactory financial statements. Interest in this area is expected to grow further in coming years.

In step with declining credit spreads it became more attractive to corporates and financial institutions to raise funding through bond issues. Debt Capital Markets has been lead- or co-arranger on a number of new bond issues in 2003. Debt Capital Markets also arranged a 5-year bond loan for the Bank.

### Investment Centre

Nykredit's Investment Centre creates long-term savings concepts for the purpose of supporting the Nykredit Group's sale of investment, pension and personal insurance products. The Equity Department which is part of the Investment Centre offers customers trading and advice within Danish and foreign equities as well as investment funds. The Equity Department has noted an increase in customer interest, one reason being the rising equity markets.

In 2002 the Investment Centre launched the Private Portfolio concept by setting up asset management centres in Copenhagen and Århus. The centres employ 15 asset management consultants who are specialists in long-term savings concepts for personal customers. The two asset management centres made a good start and have experienced good demand for the concept. With the Private Portfolio concept Nykredit offers customers with investable funds of more than DKK 0.5m an overview of their finances including investment, pension, housing and personal insurance. In addition, customers are offered an investment concept with an open-ended product platform which comprises a choice of the best investment funds in the Danish market place.

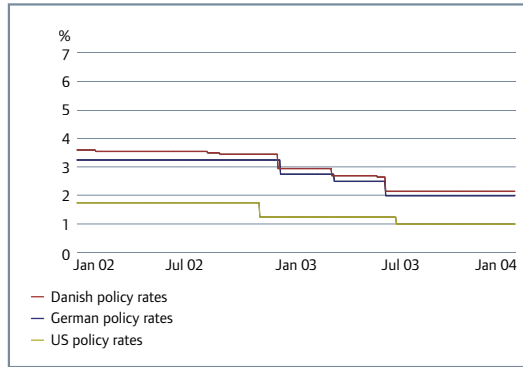
The Investment Centre continued to develop long-term savings concepts by creating advisory tools and training a selection of staff members from Nykredit's 51 centres.

### Nykredit Portefølje

The Asset Management activities of the Nykredit Group are undertaken by two of Nykredit Bank's subsidiaries Nykredit Portefølje Bank and Nykredit Portefølje Administration.

In 2003 Nykredit Portefølje continued its strategy with focus on institutional investors not only in the form of direct asset management but also by offering

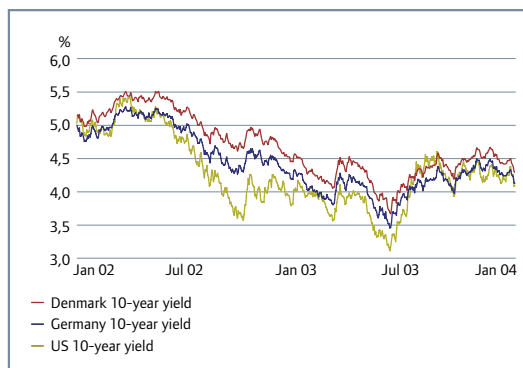
**2003 – record low official interest rates**



administrative solutions such as investment funds. In the administration area, Nykredit Portefølje's position consolidated further in 2003 after the acquisition of Schroder Administration and the conclusion of an agreement to manage ATP Invest from 2004.

The continued expansion of the position in the institutional area was supplemented with a stronger focus on the distribution of asset management products such as Nykredit Invest via Nykredit's other distribution channels. These efforts created handsome growth in the investment fund Nykredit Invest in 2003.

**2003 – record low bond yields**

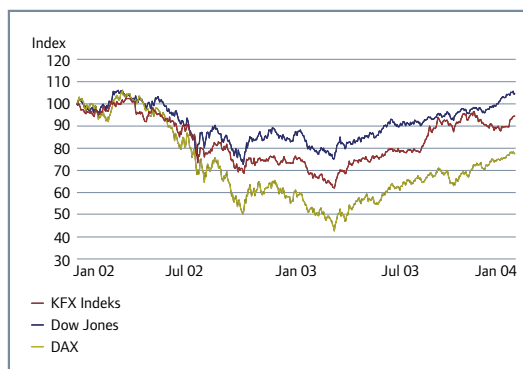


**Markets & Asset Management in 2004**

The prospects for 2004 in the Markets & Asset Management area are on the whole considered to be quite positive. The business area is currently undergoing a sound development process in part as a result of the fact that number of previously implemented initiatives have started to bear fruit. This development is expected to continue in 2004.

The Nykredit Group's profile on customers' asset side will sharpen in coming years. As a result, Markets & Asset Management will become a more integrated part of the Nykredit Group's business development, and the business area and the products will play a broader role in relation to the Group's customers than previously. In cooperation with the centres of the Nykredit Group, the competencies of Markets & Asset Management will increasingly be made available to other customer segments both via direct consulting services and via Nykredit's other distribution channels.

**2003 – a turnaround in equity markets**



## Risk and balance sheet management

### RISK MANAGEMENT

The Board of Directors of the Bank has set out guidelines for the Bank's various types of risk. These risk limits have been delegated to each of the acting departments or subsidiaries.

To ensure 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

For a number of years, the Bank has applied credit scoring with respect to 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 ratings in the Bank's internal rating systems. The Bank expects to implement models for the rating of agricultural customers in 2004.

Provisions made in relation to retail customers went up by DKK 34m to DKK 131m, while provisions made in relation to corporate customers went up by DKK 64m to DKK 162m at end-2003.

Total provisions came to DKK 293m at end-2003 compared with DKK 195m in 2002. Relative to the Group's total loans, advances and guarantees at end-2003, total provisions were 1.0% against 0.6% at end-2002.

The effect of write-offs and provisions on operating income was DKK 129m in 2003.

In Management's opinion, provisions made at end-2003 are necessary and adequate. The adequacy of provisions is estimated by the extent to which losses ascertained individually during the financial year have been covered by the provisions made no later than at the beginning of the financial year in question. In 2003 this key ratio came to 87% against 83% in 2002.

### MARKET RISKS

The Bank applies a trading and risk management system, which handles all types of financial instruments,

to compute market risks. The system provides the Bank with a high degree of consistent monitoring and computation of market risks. Gain and loss computations are balanced against the Bank's accounts system on a day-to-day basis. The Bank has developed an advanced system for the determination of capital adequacy in connection with market risk and expects the system to be completely implemented no later than in 2005. Management reports are 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 against interest rate movements.

Key risk 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 and assessed on a daily basis.

Interest rate exposure amounted to DKK 69m at end-2003 against DKK 88m at end-2002 computed as the gain or loss given a parallel shift in the yield curves of 1 percentage point.

### Exchange rate risks

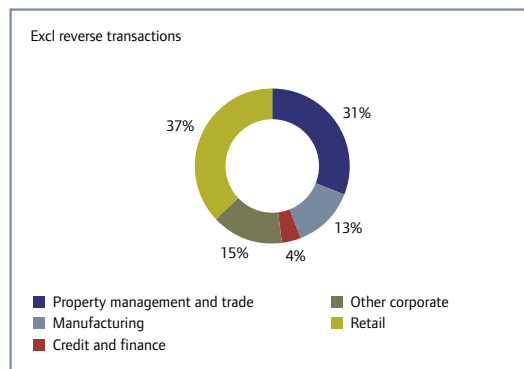
Exchange rate risks are estimated in terms of Exchange Rate Indicators 1 and 2, the authorised reporting measures for the Danish Financial Supervisory Authority. However, the computation also includes PLN, HUF, CZK and SKK.

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 182m at end-2003 against DKK 399m at end-2002.

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. Exchange Rate Indicator 2 takes into account the co-variance of foreign exchange positions. Exchange Rate Indicator 2 amounted to DKK 2m at end-2003 against DKK 8m at end-2002.

<b>Group write-offs and provisions</b>		
<i>DKKm</i>	2002	2003
Provisions, beginning of year	166	195
New provisions for the year, net	37	129
Previously provided for – now lost	(17)	(20)
Other additions	9	(11)
Provisions, year-end	195	293
New provisions for the year, net	37	129
Write-offs – not previously provided for	4	3
Received on claims previously written off	(2)	(3)
Write-offs and provisions, net	39	129
Write-offs and provisions – key ratios		
Provisions balance as a percentage of loans, advances and guarantees at 31 December	0.6%	1.0%
Write-offs and provisions as a percentage of loans, advances and guarantees at year-end	0.1%	0.4%
Balances due at reduced interest rates as a percentage of loans, advances and guarantees at 31 December	0.2%	0.2%

### Exposures (loans, advances and guarantees) by business area



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

#### Equity risk

At year-end the equity risk in terms of the total equity exposure came to DKK 49m compared with DKK 38m at end-2002.

### 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 inhouse 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 maturity mismatches in the balance sheet, projection of funding needs, construction of liquidity graphs and monitoring of funding key ratios. In Management's opinion, Nykredit Bank complies with best practice in the area.

#### FUNDING

The Bank carries out 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 continued to negotiate bilateral agreements with international banks concerning long-term funding primarily in euros. In December 2003 the Bank issued a 5-year bond denominated in DKK.

In the first half of 2004 the Bank plans to refinance the existing back-up facility of EUR 250m which falls due for full repayment in late June 2004. The back-up facility is arranged by an international banking syndicate.

The Treasury monitors money and capital markets on a current basis including factors which may affect the Bank's funding strategy. The strategy for 2005-2007 will be revised in the second half of 2004.

#### CAPITAL MANAGEMENT

The Bank's capital adequacy ratio stood at 9.7 at end-2003, and the core capital ratio was 7.6.

The Bank has allocated credit lines to the business areas of Retail Banking, Corporate Banking, Agricultural Customers and Markets & Asset Management which are used as part of the day-to-day management of the Group's business areas.

On 1 December 2003 the Bank prepaid a subordinate loan of DKK 500m due at end-2006 and at the same time raised a subordinate loan of DKK 500m which will fall due at end-2011. Like the previous subordinate loan capital, the new has been granted by Nykredit Realkredit A/S.

The Nykredit Group has decided to apply the advanced method under Basel II. The Bank is involved in intra-group projects aimed at enabling the Group to meet the requirements for IRB when the new capital adequacy rules take effect. As a result, RAROC and economic capital are currently being implemented as decision tools.

## Resources

### **Staff**

At year-end the Nykredit Bank Group employed 330 staff members converted into full-time equivalents compared with 323 at end-2002.

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

### **Information technology**

The Bank has made radical changes to its trading infrastructure towards external market places with a view to securing an effective expansion of the Bank's e-trading platform in the future.

In 2003 the Bank's corporate customers gained access to Nykredit's Internet Bank providing them with an easy and effective overview of their business transactions with the Bank, Mortgage Bank and Insurance Company. The online access also enables corporate customers to perform loan calculations, complete and submit applications for refinancing, make fixed-term deposits and trade in securities.

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 review

In 2003 Nykredit Bank A/S and the Nykredit Bank Group realised a profit before tax of DKK 418m against DKK 144m in 2002.

The Group's net income from interest, fees and dividend went up by 35% to DKK 891m following growth in deposit and lending activities, a continued high refinancing level and increased market activity including own trading.

Value adjustments posted a positive DKK 4m against a negative DKK 69m in 2002. Value adjustments of bonds were a positive DKK 149m against a negative DKK 27m in 2002. The development was in part due to satisfactory income from credit bonds in the Corporate Banking area.

Value adjustments of financial instruments developed in the opposite direction posting a negative DKK 189m in 2003 - down DKK 113m compared with 2002. However, value adjustments should be seen in the light of the development in net interest receivable which went up by DKK 221m from DKK 598m in 2002 to DKK 819m.

Other operating income rose from DKK 18m to DKK 94m as a result of fees of approximately DKK 70m received in 2003 from the Parent Company for advisory services rendered on investments in unlisted equities. The item otherwise primarily consisted of income from property leases.

Staff costs, administrative expenses, depreciation and amortisation came to DKK 442m against DKK 426m in 2002, equal to a rise of nearly 4%.

Expenses for wages rose by 11% to DKK 230m. Relative to expectations set out at the beginning of the year, a number of rationalisation measures had a curbing effect on the development in costs. However, combined, the increased level of activity in the Markets & Asset Management area, the set-up of the Investment Centre and increased charges for bonus and severance pay led to a higher cost level compared with 2002.

Other operating costs showed a decline of DKK 6m reflecting decreased expenses for IT development and operations.

The income/cost ratio stood at 1.73 compared with 1.31 in 2002.

Write-offs and provisions amounted to DKK 129m against DKK 39m in 2002. As mentioned in the Management Review the rise was due to a conservative assessment of some isolated credit exposures. Otherwise, the stability in the Danish economy led to a continuously low provisioning level. Relative to Group loans, advances and guarantees, provisions totalled 1.0% (2002: 0.6%), and write-offs and provisions for the year 0.4% (2002: 0.1%).

Tax on profit for the year was DKK 125m or 29.9% of the profit before tax for the year. Profit after tax totalled DKK 293m compared with DKK 98m the year before.

### **Group balance sheet, equity and capital adequacy**

At year-end the Group balance sheet stood at DKK 72.4bn compared with DKK 63.7bn at end-2002.

Loans and advances were down by 9% to DKK 22.3bn. Retail customers accounted for a rise of DKK 0.5bn to DKK 4.2bn, while Corporate Banking and Markets accounted for a decline of DKK 2.6bn. Of total loans and advances, reverse transactions amounted to DKK 3.0bn against DKK 3.9bn at end-2002.

The securities portfolio totalled DKK 29bn compared with DKK 20bn at end-2002. The size of the portfolio should be seen in the context of Nykredit Markets's trading operations including activities in the repo market.

Tangible fixed assets amounted to DKK 265m and were largely unchanged compared with end-2002. Of total assets, leased properties (operating leases) accounted for DKK 251m (2002: DKK 253m).



Other assets were DKK 5.6bn (2002: DKK 5.2bn). This item primarily consists of positive market values of financial instruments of DKK 3.0bn (2002: DKK 3.0bn) as well as interest and commissions due of DKK 2.4bn (2002: DKK 2.2bn).

Debt to credit institutions was DKK 41.2bn against DKK 37bn at end-2002. Of total debt, repo transactions accounted for DKK 8.8bn (2002: DKK 7.2bn).

Deposits went up by DKK 2.1bn to DKK 14.2bn. Particularly retail deposits recorded a satisfactory lift of DKK 1.2bn, primarily as a result of new wage accounts. Total retail deposits were DKK 4.6bn, and the Bank attained a retail deposit surplus. Of total deposits repo transactions were DKK 0.8bn (2002: DKK 0.7bn).

Other liabilities amounted to DKK 13.0bn (2002: DKK 11.0bn). This item consists primarily of a negative securities portfolio of DKK 7.5bn (2002: DKK 5.2bn), negative market values of financial instruments of DKK 3.0bn (2002: DKK 3.1bn), while interest and commissions payable were DKK 2.2bn (2002: DKK 1.9bn).

At year-end, assets and liabilities in foreign exchange came to DKK 18.0bn (2002: DKK 13.3bn) and DKK 17.4bn (2002: DKK 14.6bn), respectively.

#### **Off-balance sheet items**

Off-balance sheet items aggregated DKK 9.8bn at end-2003 against DKK 10.0bn at end-2002.

#### **Capital and reserves**

Capital and reserves grew by DKK 55m to DKK 2,861m at end-2003. Relative to the beginning of 2003, capital and reserves increased by DKK 43m from the profit for the year after deduction of proposed dividend of DKK 250m and DKK 12m resulting from changed accounting policies regarding the measurement of unlisted securities.

#### **Capital base and capital adequacy**

After deductions, the capital base stood at DKK 3,659m at end-2003 compared with DKK 3,588m at end-2002. The Group's weighted items came to DKK 37.3bn (2002: DKK 38.5bn) after which the capital adequacy ratio has been estimated at 9.8 (2002: 9.3). The capital adequacy ratio of the Parent Company Nykredit Bank was 9.7 against 9.3 at end-2002.

## **SUBSIDIARIES OF THE NYKREDIT BANK GROUP**

### **The Nykredit Portefølje Bank Group**

Profit before tax amounted to just over DKK 9m against DKK 12m in 2002. Profit after tax was DKK 7m against DKK 8m in 2002.

Income from interest and fees totalled DKK 47m against DKK 42m in 2002 as a result of increased income, especially from management and portfolio fees.

Total assets under management amounted to DKK 60bn against DKK 52bn in 2002.

Costs rose by DKK 8m from DKK 30m to DKK 38m in part as a result of a higher level of activity and costs related to the acquisition of Schroder Administration A/S. The number of staff went up from 30 at end-2002 to 38.

The Group balance sheet stood at nearly DKK 79m against DKK 72m at end-2002. Assets consisted primarily of balances due from credit institutions of DKK 14m (2002: DKK 24m) and securities portfolios of DKK 50m (2002: DKK 37m). In accordance with Group policy, the surplus funds have been placed in short-term government bonds.

Capital and reserves amounted to DKK 72m against DKK 65m at end-2002. The company is wholly owned by Nykredit Bank A/S.

### **Nykredit Pantebreve A/S**

Profit before tax was DKK 6m against DKK 7m in 2002. After tax profit was DKK 4m against DKK 5m in 2002.

As expected the company recorded a minor increase in turnover from DKK 778m in 2002 to DKK 828m in 2003, and the company's income aggregated DKK 27m against DKK 23m in 2002.

Wages and other operating costs went up from DKK 12m to DKK 17m. The increase relates to a rise in the level of activity, expenses regarding leasehold improvements and expenses relating to the set-up of the company Dansk Pantebrevsbørs A/S.

Write-offs and provisions amounted to DKK 3.7m against DKK 2.8 in 2002. Total provisions subsequently amounted to DKK 2.7m compared with DKK 3.0m in 2002.

The company's balance sheet stood at DKK 109m against DKK 226m at end-2002. The considerable

reduction is a consequence of the disposal of the company's trade portfolio of mortgages at end-2003, as the decision to establish Dansk Pantebrevsbørs A/S implies a phasing-out of Nykredit Pantebrev's own activities. Loans and advances subsequently amounted to DKK 96m against DKK 222m at end-2002.

The company's capital and reserves were DKK 18m at end-2003 against DKK 18m at end-2002. The company is wholly owned by Nykredit Bank A/S.

#### **Nykredit Pantebrevsinvestering A/S**

2003 was the full first operating year of the company. Profit before tax was DKK 2.5m and after tax DKK 1.7m.

Throughout 2003 the company continued the targeted structuring of the portfolio. The balance sheet grew from DKK 80m at end-2002 to DKK 187m at end-2003. Assets chiefly consisted of a mortgage portfolio of just over DKK 151m. Debt to credit institutions (Nykredit Bank A/S) came to DKK 170m.

Capital and reserves totalled nearly DKK 17m against DKK 15m at end-2002. The company is wholly owned by Nykredit Bank A/S.

#### **Nykredit Leasing A/S**

2003 was the first full operating year of the company. Results before and after tax were a profit of DKK 0.2m compared with a minor loss in 2002.

The company's balance sheet grew from DKK 17m at end-2002 to DKK 115m at end-2003 as the portfolio of lease agreements expanded from DKK 15m in 2002 to DKK 110m in 2003. The portfolio has been financed by Nykredit Bank A/S, and liabilities mainly concerned debt to credit institutions of DKK 103m against DKK 14m at end-2002.

The company's capital and reserves stood at DKK 2m – largely the same as at end-2002. The company is wholly owned by Nykredit Bank A/S.

## **TRANSITION TO INTERNATIONAL ACCOUNTING STANDARDS**

In 2003 the Nykredit Group reviewed all material items in the accounts. The review comprised an analysis and comparison of current and expected future accounting practices including special issues regarding the opening balance sheet, reclassifications and potential requirements for IT development.

The Group's business and balance sheet consist mainly of financial instruments covered by IAS 39 and IAS 32. Primarily the Group's undertakings will be affected by the transition to new accounting standards as a result of changed measuring principles (marking to market and amortised cost, etc) with respect to loans and advances, deposits and related hedging transactions. Furthermore, goodwill and goodwill amortisation will be affected by the new rules.

The majority of the IAS 32 and 39 standards were laid down in mid-December 2003. The Danish Financial Supervisory Authority is subsequently expected to provide guidelines for the presentation of financial parent company accounts during 2004. These guidelines are currently unknown.

Based on existing standards, the Group's current preparations are expected to create sufficient basis for the scheduled processes in 2004 and also the final implementation in 2005.

## ACCOUNTING POLICIES

### General

The Annual Report for 2003 of Nykredit Bank A/S has been prepared in accordance with the Danish Commercial Banks and Savings Banks Act and the executive order of the Danish Financial Supervisory Authority on the presentation of bank accounts.

### Effect of changed accounting policies

At the time of the presentation of the accounts, unlisted securities have been recognised at fair value and not as previously at the lower of cost and estimated market value. The change resulted in an increase in assets and equity of DKK 12m. Comparative figures for previous years have not been restated as the change has only a marginal effect on results and equity. The changed accounting policies have impacted results for the period by DKK 6m before and after tax.

From and including 2003, intangible assets, except goodwill, have been entered at cost and amortised over the expected useful lives, however, not exceeding 20 years. Intangible assets, except goodwill acquired, were previously expensed in the year of acquisition. Acquisitions made in previous years have not been restated.

From and including 2003, goodwill has been capitalised and subsequently amortised over the expected economic life. Goodwill was previously written off directly against capital and reserves at the time of acquisition. Acquisitions made in previous years have not been restated.

The accounting policies applied are otherwise consistent with those applied for 2002.

### Consolidation

The Parent Company and the subsidiaries in which Nykredit Bank directly or indirectly holds more than 50% of the voting rights or has any other form of controlling interest have been included in the Consolidated Annual Accounts. Furthermore, the Consolidated Accounts comprise associated undertakings which have been consolidated on a pro rata basis.

“Profit on ordinary activities before tax” of the undertakings has been recognised under “Profit/loss from investments in associated and subsidiary undertakings”, whereas tax for the year has been entered under “Tax” in the accounts of the Parent Company.

The Consolidated Annual 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 Consolidated Annual Accounts comply with uniform accounting policies.

The book value of investments in associated and subsidiary undertakings has been set off against a proportionate share of the capital and reserves of the undertakings at the time of acquisition.

From and including 2003, investments in subsidiaries will be treated in accordance with the acquisition method. In connection with the acquisition of new undertakings, the equity value will be computed in accordance with the Group’s accounting policies at the time of acquisition. Where the cost exceeds the equity value computed, the difference will be distributed on the assets and liabilities of the acquired undertakings on the basis of the fair value of such assets and liabilities. Any remaining differences will be capitalised and amortised over the economic lives, however, not exceeding 20 years.

Subsidiaries have been included in the consolidated results from the time of acquisition. Divested undertakings have been included up to the time of divestment.

Comparative figures have not been restated for undertakings acquired or divested.

## PROFIT AND LOSS ACCOUNT

### Core earnings and investment portfolio income

Core earnings comprise core earnings from lending and core earnings from securities.

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

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

### Interest

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

### **Write-offs and provisions for bad and doubtful debts**

Major exposures are subject to periodic reviews and risk assessment in order to identify potential loss risks. Provisions for losses have been made on this basis. Provisions for other exposures 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 recognised 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".

### **Tax**

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

The Group's undertakings are not jointly taxed except Nykredit Bank A/S and Nykredit Leasing A/S.

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 charge 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 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 recognised at the exchange rates quoted by the Danish central bank at year-end. For foreign exchange not quoted by the Danish central bank, 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 recognised 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 marked to market at year-end.

Swaps concluded to hedge interest rate and foreign exchange risks on certain fixed-rate assets or liabilities issued have not been marked to market.

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

All realised and unrealised capital gains and losses have been taken 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. Some loans, 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 after deduction of depreciation. Assets held under operating leases have been recognised in the balance sheet under "Tangible assets".

Income from finance leases consisting of lease rental less depreciation has been recognised under "Interest receivable", whereas income from 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 economic 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 from the sale of the leased assets at expiry of contract has been recognised 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 recorded at prices based on the terms-to-maturity.

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

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

#### **Shares**

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

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

#### **Investments in associated undertakings**

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

#### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings have been valued in accordance with the equity method. The proportionate share of the results of the subsidiaries has been

recognised as income in the profit and loss account of the Parent Company.

#### **Intangible assets**

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

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

Goodwill has been capitalised and amortised over the expected useful life, however, not exceeding 20 years.

#### **Tangible assets**

Properties have been entered at cost with the 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 book value, the properties have been revalued at the higher value if the value increase is expected to be permanent. Revaluations have 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 economic lives.

Operating equipment has been entered at cost less straight-line depreciation against the expected useful life 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.

### **LIABILITIES AND EQUITY**

#### **Issued bonds**

Issued bonds have been recorded at nominal value.

#### **Cash flow statement**

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

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

**Intra-group transactions**

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.

## Profit and loss accounts for 2003

DKK MILLION

THE NYKREDIT BANK GROUP				NYKREDIT BANK A/S	
2002	2003		Note	2003	2002
2,744	2,345	Interest receivable	1	2,324	2,723
2,146	1,526	Interest payable	2	1,526	2,145
<b>598</b>	<b>819</b>	<b>NET INTEREST RECEIVABLE</b>		<b>798</b>	<b>578</b>
3	7	Dividend from equity investments	3	7	3
178	206	Fees and commissions receivable		151	129
119	141	Fees and commissions payable		131	111
<b>660</b>	<b>891</b>	<b>NET INCOME FROM INTEREST AND FEES</b>		<b>825</b>	<b>599</b>
(69)	4	Value adjustments	4	(15)	(85)
18	94	Other operating income	5	94	17
419	436	Staff costs and administrative expenses	7,8,9	380	370
7	6	Depreciation, amortisation and write-downs on tangible and intangible assets	18	5	5
39	129	Write-offs and provisions for bad and doubtful debts	34	125	33
-	-	Profit from investments in associated and subsidiary undertakings	10,17	24	21
<b>144</b>	<b>418</b>	<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		<b>418</b>	<b>144</b>
46	125	Tax	11	125	46
<b>98</b>	<b>293</b>	<b>NET PROFIT FOR THE YEAR</b>		<b>293</b>	<b>98</b>
		<b>DISTRIBUTION OF PROFITS</b>			
		Net profit for the year		293	98
		Brought forward from previous years		-	-
		<b>TOTAL AMOUNT AVAILABLE FOR DISTRIBUTION</b>		<b>293</b>	<b>98</b>
		Dividend distributed		250	-
		Appropriated to capital and reserves		43	98
		<b>TOTAL DISTRIBUTION</b>		<b>293</b>	<b>98</b>

## Balance sheets at 31 December 2003

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		Note	2003	2002
<b>ASSETS</b>					
99	1,252	Cash in hand and demand deposits with central banks		1,249	98
13,640	13,486	Balances due from credit institutions and central banks	12,29,30,31	13,482	13,652
24,452	22,276	Loans and advances	13,29,30,31,34,35	22,204	24,322
20,043	29,487	Bonds	14,16,29	29,437	20,006
38	49	Shares	15,16,17	49	38
-	-	Investments in associated undertakings	17,39	12	10
-	-	Investments in subsidiary undertakings	17,39	151	146
268	265	Tangible assets	18	258	261
5,200	5,602	Other assets	11	5,583	5,184
2	2	Prepayments		1	1
<b>63,742</b>	<b>72,419</b>	<b>TOTAL ASSETS</b>	32	<b>72,426</b>	<b>63,718</b>
<b>LIABILITIES AND EQUITY</b>					
37,044	41,149	Debt to credit institutions and central banks	19,29,30	41,108	36,971
12,056	14,175	Deposits	20,29,30	14,256	12,133
-	325	Issued bonds	21	325	-
11,000	13,067	Other liabilities		13,039	10,974
14	18	Deferred income		15	12
22	24	Provisions for liabilities	22	22	22
800	800	Subordinate loan capital	23	800	800
<b>Capital and reserves</b>					
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		69	53
-	-	Revaluation reserves		0	0
268	378	Brought forward from previous years		326	230
98	43	Brought forward from the profit for the year		26	83
<b>2,806</b>	<b>2,861</b>	<b>TOTAL</b>		<b>2,861</b>	<b>2,806</b>
<b>63,742</b>	<b>72,419</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	32	<b>72,426</b>	<b>63,718</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
5,880	6,751	Guarantees	26	6,611	5,896
4,090	3,050	Other commitments	27	3,045	4,078
<b>9,970</b>	<b>9,801</b>	<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>9,656</b>	<b>9,974</b>



## Cash flow statement

DKK MILLION

THE NYKREDIT BANK GROUP

	2003	2002
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Interest and fees received	2,353	2,701
Interest and fees paid	(1,378)	(2,067)
Other ordinary payments received	104	21
Costs paid in respect of staff and suppliers	(424)	(423)
Taxes paid, net	(218)	(51)
<b>TOTAL</b>	<b>437</b>	<b>181</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Loans and advances, net	2,009	(2,179)
Net investment in bonds	(7,182)	2,449
Net payments received from shares and other equity investments	2	4
Net investment in tangible assets	(3)	(2)
<b>TOTAL</b>	<b>(5,174)</b>	<b>272</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Debt to credit institutions and central banks	4,357	(4,815)
Deposits, net	2,121	3,330
Issued bonds	325	-
Short-term debt raised/settled, net	(926)	680
<b>TOTAL</b>	<b>5,877</b>	<b>(805)</b>
<b>Total cash flow</b>	<b>1,140</b>	<b>(352)</b>
Cash and cash equivalents, beginning of year	13,739	14,524
Currency translation adjustment of cash at bank and in hand	(141)	(433)
<b>CASH AND CASH EQUIVALENTS, YEAR-END</b>	<b>14,738</b>	<b>13,739</b>
Cash and cash equivalents, year-end, consist of:		
Cash in hand and demand deposits with central banks	1,252	99
Balances due from credit institutions and central banks	13,486	13,640
<b>CASH AND CASH EQUIVALENTS, YEAR-END</b>	<b>14,738</b>	<b>13,739</b>

## Notes

DKK MILLION

## THE NYKREDIT BANK GROUP

## NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>1. INTEREST RECEIVABLE</b>		
638	526	Balances due from credit institutions and central banks	526	637
1,240	1,036	Loans and advances	1,017	1,222
1,082	853	Bonds	851	1,080
(216)	(70)	Total derivative financial instruments	(70)	(216)
		of which		
2	15	Foreign exchange contracts	15	2
(218)	(85)	Interest rate contracts	(85)	(218)
0	0	Other	0	0
<b>2,744</b>	<b>2,345</b>	<b>Total interest receivable</b>	<b>2,324</b>	<b>2,723</b>
		Of which interest receivable from genuine purchase and resale transactions entered as:		
480	411	Balances due from credit institutions and central banks	411	480
141	67	Loans and advances	67	141
		<b>2. INTEREST PAYABLE</b>		
1,567	1,092	Credit institutions and central banks	1,090	1,564
546	409	Deposits	411	548
33	24	Subordinate loan capital	24	33
-	1	Issued bonds	1	-
0	0	Other	0	0
<b>2,146</b>	<b>1,526</b>	<b>Total interest payable</b>	<b>1,526</b>	<b>2,145</b>
		Of which interest payable on genuine sale and repurchase transactions entered as:		
724	393	Credit institutions and central banks	393	724
85	30	Deposits	30	85
		<b>3. DIVIDEND</b>		
3	7	Shares	7	3
<b>3</b>	<b>7</b>	<b>Total dividend on shares and other equity investments</b>	<b>7</b>	<b>3</b>
		<b>4. VALUE ADJUSTMENTS</b>		
(27)	149	Bonds	149	(27)
4	12	Shares	12	4
16	19	Fixed-rate loans and advances	0	0
14	13	Foreign exchange	13	14
(76)	(189)	Total derivative financial instruments	(189)	(76)
		of which		
5	19	Foreign exchange contracts	19	5
(78)	(206)	Interest rate contracts	(206)	(78)
0	(2)	Equity contracts	(2)	0
(3)	0	Other contracts	0	(3)
<b>(69)</b>	<b>4</b>	<b>Total value adjustments</b>	<b>(15)</b>	<b>(85)</b>
-	-	of which pooled schemes	-	-

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>5. OTHER OPERATING INCOME</b>		
-	70	Advisory services relating to unlisted shares	70	-
18	24	Other operating income	24	17
<b>18</b>	<b>94</b>	<b>Total other operating income</b>	<b>94</b>	<b>17</b>
		<b>6. INCOME FROM FOREIGN ENTITIES</b>		
		Foreign entities' share of the results for the year generated by interest receivable, fees, value adjustments and other operating income:		
2	1	Nykredit Finance plc, UK	-	-
<b>2</b>	<b>1</b>	<b>Total income from foreign entities</b>	<b>-</b>	<b>-</b>
		<b>7. STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>		
5	5	Executive Board	5	5
0	0	Board of Directors	0	0
<b>5</b>	<b>5</b>	<b>Total</b>	<b>5</b>	<b>5</b>
164	188	Staff costs		
20	20	Wages	155	134
18	17	Pensions	17	17
		Social security costs	14	15
<b>202</b>	<b>225</b>	<b>Total</b>	<b>186</b>	<b>166</b>
212	206	Other administrative expenses	189	199
<b>419</b>	<b>436</b>	<b>Total staff costs and administrative expenses</b>	<b>380</b>	<b>370</b>
		<b>8. NUMBER OF STAFF</b>		
316	322	Average number of staff for the financial year, full-time equivalents	259	260
7	5	of which staff in undertakings consolidated on a pro rata basis	-	-
		<b>9. AUDIT FEE</b>		
3	1	Total fees to the auditors appointed by the General Meeting carrying out statutory audit	1	1
2	0	of which services other than audit	0	0
		<b>10. PROFIT/LOSS FROM INVESTMENTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS</b>		
-	-	Profit from investments in associated undertakings	2	0
-	-	Profit from investments in subsidiary undertakings	22	21
<b>-</b>	<b>-</b>	<b>Total profit from investments in associated and subsidiary undertakings</b>	<b>24</b>	<b>21</b>

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>11. TAX</b>		
40	115	Tax assessed on income for the year	115	40
4	8	Deferred tax	8	4
1	1	Adjustment of tax assessed for previous years	1	1
1	1	Tax on provisions	1	1
<b>46</b>	<b>125</b>	<b>Total tax</b>	<b>125</b>	<b>46</b>
		<b>Effective tax rate:</b>		
30.0%	30.0%	Current tax rate	30.0%	30.0%
(0.2%)	(0.4%)	Other non-tax liable income and non-deductible expenses	(0.4%)	(0.2%)
(0.3%)	(0.1%)	Difference in tax rates of foreign entities from Danish tax rate	(0.1%)	(0.3%)
0.4%	0.2%	Adjustment of tax assessed for previous years	0.2%	0.4%
1.1%	0.0%	Adjustment of deferred tax for previous years	0.0%	1.1%
1.0%	0.2%	Other adjustments	0.2%	1.0%
<b>32.0%</b>	<b>29.9%</b>	<b>Total effective tax rate</b>	<b>29.9%</b>	<b>32.0%</b>
		DKK 3m (2002: DKK 10m) 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.		
		<b>12. BALANCES DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>		
1,140	2	Balances at call due from central banks	2	1,140
12,500	13,484	Balances due from credit institutions	13,480	12,512
<b>13,640</b>	<b>13,486</b>	<b>Total balances due from credit institutions and central banks</b>	<b>13,482</b>	<b>13,652</b>
		<b>Distribution by term to maturity:</b>		
5,267	4,874	Demand deposits	4,870	5,279
8,373	8,612	Up to 3 months	8,612	8,373
0	0	3 months and up to 1 year	0	0
0	0	1 year and up to 5 years	0	0
0	0	Over 5 years	0	0
<b>13,640</b>	<b>13,486</b>	<b>Total</b>	<b>13,482</b>	<b>13,652</b>
		<b>13. LOANS AND ADVANCES</b>		
4,879	3,097	At call	3,272	5,176
7,239	8,044	Up to 3 months	8,044	7,220
4,877	4,122	3 months and up to 1 year	4,123	4,979
4,202	3,853	1 year and up to 5 years	3,852	3,983
3,255	3,160	Over 5 years	2,913	2,964
<b>24,452</b>	<b>22,276</b>	<b>Total</b>	<b>22,204</b>	<b>24,322</b>

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>14. BONDS</b>		
20,043	29,487	Quoted	29,437	20,006
-	0	Other	0	-
<b>20,043</b>	<b>29,487</b>	<b>Total bonds</b>	<b>29,437</b>	<b>20,006</b>
-	10	Of which own bonds	10	-
		In relation to the Danish central bank and international clearing centres, bonds of a market value of DKK 12,786m have been deposited as security. At 31 December 2002 this amount came to DKK 6,390m.		
		<b>15. SHARES</b>		
7	16	Shares/units quoted on the Copenhagen Stock Exchange	16	5
0	1	Shares/units quoted on other stock exchanges	1	2
5	25	Other shares	25	5
26	7	Other equity investments	7	26
<b>38</b>	<b>49</b>	<b>Total shares</b>	<b>49</b>	<b>38</b>
2	22	Of which fixed asset investments	22	2
		<b>16. CURRENT ASSET INVESTMENTS</b>		
20,081	29,513	a. Current asset investments marked to market	29,463	20,044
(82)	(23)	b. The market value of current asset investments under (a) exceeds the cost of these assets at balance sheet date by	(23)	(82)
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
		<b>17. FIXED ASSET INVESTMENTS</b>		
		<b>Investments in associated undertakings:</b>		
-	-	<b>Total cost, beginning of year</b>	<b>11</b>	<b>11</b>
-	-	Currency translation adjustment	-	-
-	-	Additions	0	0
-	-	Disposals	-	-
-	-	<b>Total cost, year-end</b>	<b>11</b>	<b>11</b>
-	-	<b>Revaluations and write-downs, year-end</b>	<b>(1)</b>	<b>(1)</b>
-	-	Currency translation adjustment	-	-
-	-	Profit	1	0
-	-	Disposals	-	-
-	-	Other movements in capital	1	-
-	-	<b>Revaluations and write-downs, year-end</b>	<b>1</b>	<b>(1)</b>
-	-	<b>Investments in Parent Company</b>	<b>-</b>	<b>-</b>
-	-	<b>Book value of fixed asset investments, year-end</b>	<b>12</b>	<b>10</b>
-	-	of which credit institutions	-	-
-	-	<b>Book value of fixed asset investments, beginning of year</b>	<b>10</b>	<b>10</b>
-	-	of which credit institutions	-	-

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>17. FIXED ASSET INVESTMENTS (CONTINUED)</b>		
		<b>Investments in subsidiary undertakings:</b>		
-	-	<b>Total cost, beginning of year</b>	<b>82</b>	<b>92</b>
-	-	Currency translation adjustment	(1)	(2)
-	-	Additions	-	15
-	-	Disposals	-	(23)
-	-	<b>Total cost, year-end</b>	<b>81</b>	<b>82</b>
-	-	<b>Revaluations and write-downs, beginning of year</b>	<b>64</b>	<b>51</b>
-	-	Currency translation adjustment	(2)	(2)
-	-	Profit	16	15
-	-	Dividend	(4)	-
-	-	Disposals	-	-
-	-	Other movements in capital	(4)	-
-	-	<b>Revaluations and write-downs, year-end</b>	<b>70</b>	<b>64</b>
-	-	<b>Investments in Parent Company</b>	<b>-</b>	<b>-</b>
-	-	<b>Total fixed asset investments, year-end</b>	<b>151</b>	<b>146</b>
-	-	of which credit institutions	72	65
-	-	<b>Total fixed asset investments, beginning of year</b>	<b>146</b>	<b>143</b>
-	-	of which credit institutions	65	57
		<b>Other equity investments:</b>		
2	2	<b>Total cost, beginning of year</b>	<b>2</b>	<b>2</b>
-	13	Additions	13	-
2	15	<b>Total cost, year-end</b>	<b>15</b>	<b>2</b>
0	0	<b>Revaluations and write-downs, beginning of year</b>	<b>0</b>	<b>0</b>
-	7	Revaluations for the year	7	-
0	7	<b>Revaluations and write-downs, year-end</b>	<b>7</b>	<b>0</b>
2	22	<b>Total fixed asset investments, year-end</b>	<b>22</b>	<b>2</b>
2	2	<b>Book value, beginning of year</b>	<b>2</b>	<b>2</b>

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>18. TANGIBLE ASSETS - LAND AND BUILDINGS</b>		
263	260	<b>Total cost, beginning of year</b>	255	255
-	0	Currency translation adjustment	0	-
1	0	Additions	0	-
4	2	Disposals	0	-
<b>260</b>	<b>258</b>	<b>Total cost, year-end</b>	<b>255</b>	<b>255</b>
<b>0</b>	<b>0</b>	<b>Property revaluations, beginning of year</b>	<b>0</b>	<b>0</b>
-	0	Currency translation adjustment	0	-
-	0	Reversed revaluations	0	-
<b>0</b>	<b>0</b>	<b>Property revaluations, year-end</b>	<b>0</b>	<b>0</b>
<b>1</b>	<b>2</b>	<b>Depreciation and write-downs, beginning of year</b>	<b>2</b>	<b>1</b>
-	0	Currency translation adjustment	0	-
1	2	Depreciation for the year	2	1
-	0	Reversal of depreciation and write-downs	0	-
<b>2</b>	<b>4</b>	<b>Depreciation and write-downs, year-end</b>	<b>4</b>	<b>2</b>
<b>258</b>	<b>254</b>	<b>Land and buildings, year-end</b>	<b>251</b>	<b>253</b>
262	258	<b>Book value, beginning of year</b>	253	254
165	211	<b>Latest public land assessment</b>	210	165
		Of the book value at year-end assets held under operating leases came to DKK 251m (end-2002: DKK 253m)		
		<b>18. TANGIBLE ASSETS - MACHINERY AND EQUIPMENT</b>		
13	18	<b>Total cost, beginning of year</b>	14	10
-	0	Currency translation adjustment	0	-
6	6	Additions	1	5
1	2	Disposals	0	1
<b>18</b>	<b>22</b>	<b>Total costs, year-end</b>	<b>15</b>	<b>14</b>
<b>6</b>	<b>8</b>	<b>Depreciation and write-downs, beginning of year</b>	<b>6</b>	<b>5</b>
-	0	Currency translation adjustment	0	-
3	3	Depreciation for the year	2	2
1	0	Reversal of depreciation and write-downs	0	1
<b>8</b>	<b>11</b>	<b>Depreciation and write-downs, year-end</b>	<b>8</b>	<b>6</b>
<b>10</b>	<b>11</b>	<b>Machinery and equipment, year-end</b>	<b>7</b>	<b>8</b>
7	10	<b>Book value, beginning of year</b>	8	5
3	1	<b>Write-off on machinery and equipment for the year</b>	1	2

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>19. DEBT TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>		
6,256	12,323	Debt to central banks	12,323	6,256
30,788	28,826	Debt to credit institutions	28,785	30,715
<b>37,044</b>	<b>41,149</b>	<b>Total debt to credit institutions and central banks</b>	<b>41,108</b>	<b>36,971</b>
		<b>Distribution by term-to-maturity</b>		
13,360	16,116	On demand	16,268	13,571
18,399	20,727	Up to 3 months	20,534	18,116
2,027	684	3 months and up to 1 year	684	2,027
2,413	2,956	1 year and up to 5 years	2,956	2,413
845	666	Over 5 years	666	844
<b>37,044</b>	<b>41,149</b>	<b>Total</b>	<b>41,108</b>	<b>36,971</b>
		<b>20. DEPOSITS</b>		
4,123	6,016	Demand deposits	6,096	4,200
4	5	Deposits at notice	5	4
7,698	7,750	Time deposits	7,751	7,698
231	404	Special deposit categories	404	231
<b>12,056</b>	<b>14,175</b>	<b>Total deposits</b>	<b>14,256</b>	<b>12,133</b>
		<b>Distribution by term-to-maturity</b>		
4,263	6,080	Demand deposits	6,161	4,340
		<b>Deposits at notice:</b>		
7,541	7,281	Up to 3 months	7,281	7,541
81	487	3 months and up to 1 year	487	81
38	76	1 year and up to 5 years	76	38
133	251	Over 5 years	251	133
<b>12,056</b>	<b>14,175</b>	<b>Total</b>	<b>14,256</b>	<b>12,133</b>
		<b>21. ISSUED BONDS</b>		
-	-	<b>Up to 3 months</b>	-	-
-	-	3 months and up to 1 year	-	-
-	325	1 year and up to 5 years	325	-
-	-	Over 5 years	-	-
<b>-</b>	<b>325</b>	<b>Total</b>	<b>325</b>	<b>-</b>
		<b>22. PROVISIONS FOR LIABILITIES</b>		
-	2	Provisions for pensions and similar liabilities	-	-
22	22	Provisions for losses in connection with legal actions	22	22
<b>22</b>	<b>24</b>	<b>Total provisions for liabilities</b>	<b>22</b>	<b>22</b>



## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>23. SUBORDINATE LOAN CAPITAL</b>		
<b>800</b>	<b>800</b>	<b>Subordinate loan capital</b>	<b>800</b>	<b>800</b>
500	-	1999 to 31.12.2006, variable rate (prepaid in 2003)	-	500
-	500	2003 to 01.12.2011, variable rate	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.		
		Subordinate loan capital 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 subordinate loan capital has been granted by Nykredit Realkredit A/S.		
		The subordinate loan capital forms part of the supplementary capital and has been fully recognised in the capital base.		
		<b>24. MOVEMENTS IN CAPITAL</b>		
-	-	<b>Share capital, beginning of year</b>	<b>1,400</b>	<b>1,400</b>
-	-	<b>Share capital, year-end</b>	<b>1,400</b>	<b>1,400</b>
-	-	<b>Share premium account, beginning of year</b>	<b>1,040</b>	<b>1,040</b>
-	-	<b>Share premium account, year-end</b>	<b>1,040</b>	<b>1,040</b>
-	-	<b>Net revaluation reserve according to the equity method, beginning of year</b>	<b>53</b>	<b>38</b>
-	-	Other additions	16	15
-	-	<b>Net revaluation reserve according to the equity method, year-end</b>	<b>69</b>	<b>53</b>
-	-	<b>Revaluation reserves, beginning of year</b>	<b>0</b>	<b>0</b>
-	-	<b>Revaluation reserves, year-end</b>	<b>0</b>	<b>0</b>
-	-	<b>Profit brought forward, beginning of year</b>	<b>313</b>	<b>230</b>
-	-	Changed accounting policies	12	-
-	-	Other additions	27	83
-	-	<b>Profit brought forward, year-end</b>	<b>352</b>	<b>313</b>
-	-	<b>Total capital and reserves, year-end</b>	<b>2,861</b>	<b>2,806</b>
-	-	<b>Total capital and reserves, beginning of year</b>	<b>2,818</b>	<b>2,708</b>
		<b>Share capital</b>		
		The share capital consists of 11 shares in multiples of DKK 1m.		
		The share capital is wholly owned by Nykredit Realkredit A/S.		

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>25. CAPITAL ADEQUACY</b>		
		Calculated pursuant to the Danish Financial Supervisory Authority's executive order on capital adequacy rules governing banks and certain credit institutions:		
<b>2,796</b>	<b>2,859</b>	<b>Core capital (incl debt instruments, cf the Danish Commercial Banks and Savings Banks Act Section 22 (1)) less deduction</b>	<b>2,853</b>	<b>2,796</b>
800	800	<b>Supplementary capital consists of:</b>	800	800
0	0	Eligible subordinate loan capital	0	0
		Revaluation reserves		
<b>800</b>	<b>800</b>	<b>Total</b>	<b>800</b>	<b>800</b>
<b>3,588</b>	<b>3,659</b>	<b>Capital base less deduction</b>	<b>3,653</b>	<b>3,589</b>
28,463	27,585	Weighted items not included in the trading book	27,608	28,461
10,005	9,724	Weighted items involving market risk	9,717	10,005
<b>38,468</b>	<b>37,309</b>	<b>Total weighted items</b>	<b>37,325</b>	<b>38,466</b>
7.2%	7.6%	Core capital less deduction as a percentage of weighted items	7.6%	7.2%
9.3%	9.8%	Capital adequacy ratio pursuant to the Danish Commercial Banks and Savings Banks Act, Section 21 (1)	9.7%	9.3%
		<b>26. GUARANTEES</b>		
5,253	5,634	Financial guarantees	5,634	5,269
627	1,117	Other guarantees	977	627
<b>5,880</b>	<b>6,751</b>	<b>Total guarantees</b>	<b>6,611</b>	<b>5,896</b>
		<b>27. OTHER COMMITMENTS</b>		
3,866	2,964	Irrevocable loan commitments	2,964	3,865
224	86	Other commitments	81	213
<b>4,090</b>	<b>3,050</b>	<b>Total other commitments</b>	<b>3,045</b>	<b>4,078</b>
		<b>28. CONTINGENT LIABILITIES</b>		
		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.		
		<b>29. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS</b>		
		<b>Of the assets below genuine purchase and resale transactions represent:</b>		
7,000	9,977	Balances due from credit institutions and central banks	9,977	7,000
3,872	3,012	Loans and advances	3,012	3,872
		<b>Of the liabilities below genuine sale and repurchase transactions represent:</b>		
7,250	8,795	Debt to credit institutions and central banks	8,795	7,250
746	824	Deposits	824	746
		<b>Assets sold as part of genuine sale and repurchase transactions:</b>		
		Recorded as assets:		
7,996	9,485	Bonds	9,485	7,996

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>30. AMOUNTS DUE FROM AND DUE TO SUBSIDIARY AND ASSOCIATED UNDERTAKINGS</b>		
		<b>Subsidiary undertakings:</b>		
-	-	Loans and advances	357	250
-	-	<b>Total recorded as assets</b>	<b>357</b>	<b>250</b>
-	-	Debt to credit institutions	11	15
-	-	Deposits	80	77
-	-	<b>Total recorded as liabilities</b>	<b>91</b>	<b>92</b>
		<b>Associated undertakings:</b>		
-	-	Loans and advances	580	227
-	-	<b>Total recorded as assets</b>	<b>580</b>	<b>227</b>
		<b>31. FIXED RATE BALANCES</b>		
		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.		
		<b>Fixed-rate balances with underlying financial instruments</b>		
		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 2003 the net value adjustment omitted netted a negative DKK 170m (2002: a negative DKK 242m) for the Nykredit Bank Group and a negative DKK 170m for Nykredit Bank A/S (2002: a negative DKK 241m).		
		<b>Book value - hedged fixed-rate assets</b>		
-	-	Balances due from credit institutions	-	-
4,959	4,452	Loans and advances	4,406	4,882
<b>4,959</b>	<b>4,452</b>	<b>Total book value</b>	<b>4,406</b>	<b>4,882</b>
		<b>Market value - hedged fixed-rate assets</b>		
-	-	Balances due from credit institutions	-	-
5,204	4,619	Loans and advances	4,571	5,126
<b>5,204</b>	<b>4,619</b>	<b>Total market value</b>	<b>4,571</b>	<b>5,126</b>
		<b>Underlying financial instruments</b>		
4,873	4,910	Nominal value	4,880	4,794
(242)	(170)	Market value	(170)	(241)
		<b>32. FOREIGN EXCHANGE RISK</b>		
13,346	18,032	Total foreign exchange assets	18,032	13,346
14,613	17,387	Total foreign exchange liabilities	17,387	14,613
399	182	Foreign Exchange Indicator 1	182	399
14.2%	6.4%	Foreign Exchange Indicator 1 as a percentage of core capital less deduction	6.4%	14.2%
8	2	Foreign Exchange Indicator 2	2	8
0.2%	0.1%	Foreign Exchange Indicator 2 as a percentage of core capital less deduction	0.1%	0.2%

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>33. INTEREST RATE RISK</b>		
		<b>Interest rate risk by the Bank's currencies with the highest exposure:</b>		
135	157	DKK	157	135
(81)	(90)	EUR	(90)	(81)
31	16	SEK	16	31
1	(9)	USD	(9)	1
(9)	-	NOK	-	(9)
-	(5)	CZK	(5)	-
10	(1)	GBP	(1)	10
1	1	Other currencies	1	1
<b>88</b>	<b>69</b>	<b>Total interest rate risk on debt instruments</b>	<b>69</b>	<b>88</b>
		<b>34. CREDIT RISKS</b>		
		<b>Provisions:</b>		
166	195	Provisions for loans, advances and guarantee debtors, beginning of year	180	162
0	0	Currency translation adjustment of provisions, beginning of year	0	0
83	177	New provisions for the year	170	77
(46)	(48)	Reversal of provisions previously made	(44)	(44)
(17)	(20)	Provisions previously made, lost during the year	(17)	(15)
9	(11)	Other additions/disposals	0	0
<b>195</b>	<b>293</b>	<b>Total provisions for loans, advances and guarantee debtors, year-end</b>	<b>289</b>	<b>180</b>
195	293	- of which loans, advances and guarantee debtors	289	180
0	0	- of which credit institutions and other items incurring credit risk	0	0
130	210	A provisions, year-end	207	116
65	83	B provisions, year-end	82	64
0.6%	1.0%	Provisions ratio	1.0%	0.6%
48	72	Non-accrual balances due, year-end	72	48
		<b>Effect on operations:</b>		
37	129	New provisions and reversals for the year, net	126	33
4	3	Write-offs recognised, not previously provided for	1	2
(2)	(3)	Received on claims previously written off	(2)	(2)
<b>39</b>	<b>129</b>	<b>Total write-offs and provisions for bad and doubtful debts</b>	<b>125</b>	<b>33</b>
		<b>Loans, advances and guarantee debtors by sectors and industries as a percentage, year-end</b>		
<b>0%</b>	<b>1%</b>	<b>Public sector</b>	<b>1%</b>	<b>0%</b>
		<b>Trade and industry:</b>		
3%	3%	Agriculture, hunting and forestry	3%	3%
0%	0%	Fisheries	0%	0%
14%	12%	Manufacturing industries, extraction of raw materials, utilities	11%	14%
2%	3%	Building and construction	3%	2%
4%	8%	Trade, hotels and restaurants	8%	4%
2%	1%	Transport, mail and telephone	1%	1%
20%	9%	Credit, finance and insurance	11%	22%
20%	25%	Property administration, purchase and sale, business services	25%	20%
3%	6%	Other trade and industry	6%	3%
<b>68%</b>	<b>67%</b>	<b>Total trade and industry</b>	<b>68%</b>	<b>69%</b>
<b>32%</b>	<b>32%</b>	<b>Retail customers</b>	<b>31%</b>	<b>31%</b>
<b>100%</b>	<b>100%</b>	<b>TOTAL</b>	<b>100%</b>	<b>100%</b>
		<b>Credit risk on derivative financial instruments:</b>		
		<b>Positive market value after netting:</b>		
43	0	Counterparty with a risk weight of 0%	0	43
2,186	2,008	Counterparty with a risk weight of 20%	2,008	2,186
356	133	Counterparty with a risk weight of 100%	133	356
		<b>Subordinate assets:</b>		
6	10	Associated undertakings	14	10
45	17	Other undertakings	17	45

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2002	2003		2003	2002
		<b>35. EXECUTIVE BOARD AND BOARD OF DIRECTORS</b>		
		Loans, charges, suretyships or guarantees and related securities granted to members of:		
		<b>Loans:</b>		
0	0	Executive Board	0	0
0	0	Board of Directors	0	0
		<b>Provisions of security:</b>		
0	0	Executive Board	0	0
0	0	Board of Directors	0	0
		<b>36. INTRA-GROUP TRANSACTIONS</b>		
		The Parent Company Nykredit Realkredit A/S, its subsidiary and associated undertakings as well as the Nykredit Bank Group's subsidiary and associated undertakings are regarded as related parties.		
		No unusual related-party transactions occurred in 2003.		
		The companies have entered into several agreements as a natural part of the Group's day-to-day operations. The agreements typically comprise finance, insurance, sales commissions, tasks relating to IT operations and support and IT development projects as well other joint tasks.		
		Important related-party transactions prevailing/entered into in 2003 or just after the closing of the accounts between the Group's undertakings include:		
		<b>Agreements between Nykredit Bank A/S and Nykredit Realkredit A/S</b>		
		Nykredit Bank A/S advises Nykredit Realkredit A/S on private equity investments.		
		<b>Agreements between Nykredit Bank A/S and Nykredit Holding A/S</b>		
		On specific occasions, Nykredit Holding A/S has issued guarantees or letters of comfort to third parties.		
		Nykredit Holding A/S has issued guarantees to Nykredit Bank A/S covering pre-fixed loss amounts with respect to some of the Bank's exposures.		

## Notes

DKK MILLION

## 37. DERIVATIVE FINANCIAL INSTRUMENTS - THE NYKREDIT BANK GROUP

2003	Market value		Average market value *		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
<b>Foreign exchange contracts</b>						
Forward contracts/futures, purchased	111	688	111	405	111	688
Forward contracts/futures, sold	596	189	426	163	596	189
Swaps	90	292	96	212	90	292
Options, purchased	9	0	16	0	9	0
Options, written	0	9	0	13	0	9
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	21	1	13	7	21	1
Forward contracts/futures, sold	2	21	12	15	2	21
Forward Rate Agreements, purchased	3	17	10	63	3	17
Forward Rate Agreements, sold	14	4	59	6	14	4
Swaps	2,108	1,871	2,099	2,095	2,108	1,871
Options, purchased	123	2	127	0	123	2
Options, written	1	122	1	101	1	122
<b>Equity contracts</b>						
Forward contracts/futures, sold	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
<b>Total</b>	<b>3,078</b>	<b>3,216</b>	<b>2,970</b>	<b>3,080</b>	<b>3,078</b>	<b>3,216</b>
<b>2002</b>						
2002	Market value		Average market value *		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
<b>Foreign exchange contracts</b>						
Forward contracts/futures, purchased	140	444	73	296	140	444
Forward contracts/futures, sold	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
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	35	1	16	4	35	1
Forward contracts/futures, sold	1	38	3	23	1	38
Forward Rate Agreements, purchased	0	112	14	85	0	112
Forward Rate Agreements, sold	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
<b>Equity contracts</b>						
Forward contracts/futures, sold	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
<b>Total</b>	<b>2,479</b>	<b>2,610</b>	<b>1,652</b>	<b>1,716</b>	<b>2,479</b>	<b>2,610</b>

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

## Notes

DKK MILLION

## 37. DERIVATIVE FINANCIAL INSTRUMENTS - THE NYKREDIT BANK GROUP (CONTINUED)

By term-to-maturity	2003					
	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
<b>Foreign exchange contracts</b>						
Forward contracts/futures, purchased	24,543	(534)	2,114	(50)	205	6
Forward contracts/futures, sold	27,859	362	1,646	52	205	(6)
Swaps	837	(107)	49	(1)	6,614	(45)
Options, purchased	185	3	40	7	0	0
Options, written	19	(2)	40	(7)	0	0
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	18,197	20	484	0	0	0
Forward contracts/futures, sold	14,462	(20)	3,194	0	849	0
Forward Rate Agreements, purchased	8,303	(7)	14,905	(6)	2,500	0
Forward Rate Agreements, sold	6,611	5	11,200	4	2,500	0
Swaps	26,453	41	45,837	(26)	73,620	341
Options, purchased	20,439	2	8,304	2	7,118	92
Options, written	4,979	(2)	16,387	(1)	4,312	(114)
<b>Equity contracts</b>						
Forward contracts/futures, purchased	0	0	0	0	0	0
Forward contracts/futures, sold	0	0	0	0	0	0
Options, written	0	0	0	0	0	0

By term-to-maturity	2003				2002	
	Over 5 years		Total		Total	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
<b>Foreign exchange contracts</b>						
Forward contracts/futures, purchased	0	0	26,862	(578)	17,651	(304)
Forward contracts/futures, sold	0	0	29,710	408	13,885	260
Swaps	9,412	(50)	16,912	(203)	9,935	(84)
Options, purchased	0	0	225	10	390	21
Options, written	0	0	59	(9)	91	(20)
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	0	0	18,681	20	33,404	34
Forward contracts/futures, sold	0	0	18,505	(20)	43,197	(37)
Forward Rate Agreements, purchased	0	0	25,708	(13)	43,202	(112)
Forward Rate Agreements, sold	0	0	20,311	9	31,112	102
Swaps	36,820	(118)	182,730	238	131,258	(33)
Options, purchased	1,235	25	37,096	121	17,971	67
Options, written	270	(4)	25,948	(121)	12,508	(25)
<b>Equity contracts</b>						
Forward contracts/futures, purchased	0	0	0	0	0	0
Forward contracts/futures, sold	0	0	0	0	0	0
Options, written	0	0	0	0	1	0
<b>Total net market value</b>				(138)		(131)

## Notes

DKK MILLION

## 37. DERIVATIVE FINANCIAL INSTRUMENTS – NYKREDIT BANK A/S

2003	Market value		Average market value *		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
<b>Foreign exchange contracts</b>						
Forward contracts/futures, purchased	111	688	111	405	111	688
Forward contracts/futures, sold	596	189	426	163	596	189
Swaps	90	292	96	212	90	292
Options, purchased	9	0	16	0	9	0
Options, written	0	9	0	13	0	9
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	21	1	13	7	21	1
Forward contracts/futures, sold	2	21	12	15	2	21
Forward Rate Agreements, purchased	3	17	10	62	3	17
Forward Rate Agreements, sold	14	4	59	6	14	4
Swaps	2,109	1,871	2,100	2,095	2,109	1,871
Options, purchased	123	2	127	0	123	2
Options, written	1	122	1	101	1	122
<b>Equity contracts</b>						
Forward contracts/futures, sold	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
<b>Total</b>	<b>3,079</b>	<b>3,216</b>	<b>2,971</b>	<b>3,079</b>	<b>3,079</b>	<b>3,216</b>
<b>2002</b>						
	Market value		Average market value *		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
<b>Foreign exchange contracts</b>						
Forward contracts/futures, purchased	140	444	73	296	140	444
Forward contracts/futures, sold	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
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	35	1	16	4	35	1
Forward contracts/futures, sold	1	38	3	22	1	38
Forward Rate Agreements, purchased	0	112	14	85	0	112
Forward Rate Agreements, sold	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
<b>Equity contracts</b>						
Forward contracts/futures, sold	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
<b>Total</b>	<b>2,484</b>	<b>2,613</b>	<b>1,657</b>	<b>1,718</b>	<b>2,484</b>	<b>2,613</b>

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



## Notes

DKK MILLION

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

By term-to-maturity	2003					
	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
<b>Foreign exchange contracts</b>						
Forward contracts/futures, purchased	24,543	(533)	2,114	(50)	205	6
Forward contracts/futures, sold	27,859	362	1,646	52	205	(6)
Swaps	837	(108)	49	(1)	6,614	(45)
Options, purchased	185	3	40	7	0	0
Options, written	19	(2)	40	(7)	0	0
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	18,197	20	483	0	0	0
Forward contracts/futures, sold	14,462	(19)	3,194	(1)	849	0
Forward Rate Agreements, purchased	8,303	(7)	14,905	(6)	2,500	0
Forward Rate Agreements, sold	6,611	5	11,200	4	2,500	0
Swaps	26,454	41	45,845	(26)	73,642	341
Options, purchased	20,439	2	8,304	2	7,118	91
Options, written	4,979	(2)	16,387	(1)	4,312	(114)
<b>Equity contracts</b>						
Forward contracts/futures, purchased	0	0	0	0	0	0
Forward contracts/futures, sold	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
<b>Total net market value</b>						
				<b>(137)</b>	<b>(129)</b>	

By term-to-maturity	2003				2002	
	Over 5 years		Total		Total	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
<b>Foreign exchange contracts</b>						
Forward contracts/futures, purchased						
Forward contracts/futures, sold	0	0	26,862	(577)	17,651	(304)
Swaps	0	0	29,710	408	13,885	260
Options, purchased	9,412	(50)	16,912	(203)	9,935	(84)
Options, written	0	0	225	10	390	21
	0	0	59	(9)	91	(20)
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased						
Forward contracts/futures, sold	0	0	18,680	20	33,404	34
Forward Rate Agreements, purchased	0	0	18,505	(20)	43,197	(37)
Forward Rate Agreements, sold	0	0	25,708	(13)	43,202	(112)
Swaps	0	0	20,311	9	31,120	102
Options, purchased	36,820	(118)	182,761	238	131,279	(31)
Options, written	1,235	26	37,096	121	18,011	67
	270	(4)	25,948	(121)	12,548	(25)
<b>Equity contracts</b>						
Forward contracts/futures, purchased	0	0	0	0	0	0
Forward contracts/futures, sold	0	0	0	0	0	0
Options, written	0	0	0	0	1	0
<b>Total net market value</b>						
				<b>(137)</b>	<b>(129)</b>	

## Notes

DKK MILLION

	2003			2002			
	Nominal value	Market value Positive	Market value Negative	Net market value	Net market value		
<b>38. UNSETTLED SPOT TRANSACTIONS</b>							
<b>The Nykredit Bank Group</b>							
Foreign exchange contracts, purchased	6,858	1	1	0	(14)		
Foreign exchange contracts, sold	5,055	2	3	(1)	10		
Interest rate contracts, purchased	3,929	6	1	5	(1)		
Interest rate contracts, sold	4,541	1	1	0	0		
Equity contracts, purchased	1	0	0	0	0		
Equity contracts, sold	5	0	0	0	1		
<b>Total</b>	<b>20,389</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>(4)</b>		
<b>Total the year before</b>	<b>13,380</b>	<b>13</b>	<b>17</b>	<b>(4)</b>	<b>(5)</b>		
<b>Nykredit Bank A/S</b>							
Foreign exchange contracts, purchased	6,858	1	1	0	(14)		
Foreign exchange contracts, sold	5,055	2	3	(1)	10		
Interest rate contracts, purchased	3,929	6	1	5	(1)		
Interest rate contracts, sold	4,541	1	1	0	0		
Equity contracts, purchased	1	0	0	0	0		
Equity contracts, sold	5	0	0	0	1		
<b>Total</b>	<b>20,389</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>(4)</b>		
<b>Total the year before</b>	<b>13,380</b>	<b>13</b>	<b>17</b>	<b>(4)</b>	<b>(5)</b>		
<b>39. GROUP STRUCTURE</b>							
<b>Name and registered office</b>	<b>Share capital year-end</b>	<b>Capital and reserves, year-end</b>	<b>Ownership</b>	<b>Profit</b>	<b>Group balances due from the undertaking</b>	<b>Group debt to the undertaking</b>	<b>Group other off-balance sheet liabilities to the undertaking</b>
<b>Consolidated subsidiaries:</b>	<b>2003 Million</b>	<b>2003 DKKm</b>	<b>%</b>	<b>2003 DKKm</b>	<b>2003 DKKm</b>	<b>2003 DKKm</b>	<b>2003 DKKm</b>
Nykredit Finance plc, Plymouth	GBP 3	41	100	1	-	39	-
Nykredit Pantebreve A/S, Copenhagen	DKK 5	18	100	4	81	5	4
Nykredit Pantebrevsinvestering A/S, Copenhagen	DKK 5	17	100	2	170	34	-
Nykredit Portefølje Bank A/S, Copenhagen	DKK 40	72	100	7	-	11	-
Nykredit Leasing A/S, Copenhagen	DKK 1	2	100	0	102	-	-
Norswood Properties Limited, Plymouth	GBP 0	2	100	1	-	-	-
<b>Associated undertakings:</b>							
LeasIT A/S, Lyngby-Taarbæk	DKK 13	48	25	3	143	-	-
This company has been consolidated on a pro rata basis as a result of a shareholders' agreement entitling the Bank to appoint a director in the company.							
<b>Directorships adopted by the Board of Directors pursuant to the Danish Financial Business Act</b>							
Kim Duus, Chief Executive Officer:	Chairman of Nykredit Portefølje Bank A/S Chairman of Nykredit Portefølje Administration A/S Chairman of Schroder Administration A/S						
Jes Klausby, Managing Director:	Chairman of Nykredit Pantebreve A/S Chairman of Nykredit Pantebrevsinvestering A/S						

## Notes

DKK MILLION

NYKREDIT BANK A/S

	1999	2000	2001	2002	2003	2003 EUR
<b>40. FINANCIAL HIGHLIGHTS</b>						
<b>SUMMARY PROFIT AND LOSS ACCOUNT</b>						
Net interest receivable	231	380	449	578	798	107
Fees and commissions receivable (net)	132	51	23	21	27	4
<b>Net income from interest and fees</b>	<b>363</b>	<b>431</b>	<b>472</b>	<b>599</b>	<b>825</b>	<b>111</b>
Value adjustments	52	(9)	65	(85)	(15)	(2)
Other operating income	0	2	26	17	94	13
Operating costs	(272)	(347)	(359)	(370)	(380)	(51)
Depreciation, amortisation and write-downs on tangible and intangible assets	(8)	(7)	(19)	(5)	(5)	(1)
Profit from investments in associated and subsidiary undertakings	32	83	18	21	24	3
<b>Profit before provisions</b>	<b>167</b>	<b>153</b>	<b>203</b>	<b>177</b>	<b>543</b>	<b>73</b>
Write-offs and provisions for bad and doubtful debts	(103)	(41)	(39)	(33)	(125)	(17)
<b>Profit before tax</b>	<b>64</b>	<b>112</b>	<b>164</b>	<b>144</b>	<b>418</b>	<b>56</b>
Tax	(17)	(42)	(44)	(46)	(125)	(17)
<b>Net profit for the year</b>	<b>47</b>	<b>70</b>	<b>120</b>	<b>98</b>	<b>293</b>	<b>39</b>
<b>SUMMARY BALANCE SHEET AT 31 DECEMBER</b>						
<b>Assets</b>						
Cash in hand and balances due from credit institutions	23,644	14,608	14,511	13,750	14,731	1,979
Loans and advances	8,802	17,038	22,221	24,322	22,204	2,983
Securities	15,858	20,325	22,801	20,044	29,486	3,961
Investments in associated and subsidiary undertakings	444	133	153	156	163	22
Other assets	1,607	3,588	3,744	5,446	5,842	785
<b>Total assets</b>	<b>50,355</b>	<b>55,692</b>	<b>63,430</b>	<b>63,718</b>	<b>72,426</b>	<b>9,729</b>
<b>Liabilities and equity</b>						
Debt to credit institutions and central banks	32,351	36,205	42,175	36,971	41,108	5,522
Deposits	8,475	9,738	8,771	12,133	14,256	1,915
Issued bonds	-	-	-	-	325	44
Other liabilities	6,808	6,961	8,976	11,008	13,076	1,756
Subordinate loan capital	500	500	800	800	800	107
Capital and reserves	2,221	2,288	2,708	2,806	2,861	384
<b>Total liabilities and equity</b>	<b>50,355</b>	<b>55,692</b>	<b>63,430</b>	<b>63,718</b>	<b>72,426</b>	<b>9,729</b>
<b>Off-balance sheet items</b>						
Guarantees	8,576	6,851	7,401	5,896	6,611	888
Other commitments	3,469	2,882	3,452	4,078	3,045	409
<b>Total off-balance sheet items</b>	<b>12,045</b>	<b>9,733</b>	<b>10,853</b>	<b>9,974</b>	<b>9,656</b>	<b>1,297</b>
<b>KEY RATIOS</b>						
Capital adequacy ratio	11.4%	8.8%	9.4%	9.3%	9.7%	
Core capital ratio	9.3%	7.2%	7.2%	7.2%	7.6%	
Return on equity after tax	2.2%	3.1%	4.8%	3.5%	10.3%	
Income/cost ratio	1.17	1.28	1.39	1.35	1.82	
Interest rate exposure	1.8%	0.2%	2.6%	3.1%	2.4%	
Number of full-time staff (average)	230	237	252	260	259	

EUR 1 = DKK 7.4446 end-2003

# Notes

	1999	2000	2001	2002	2003
<b>41. KEY RATIOS</b>					
<b>The Nykredit Bank Group</b>					
<b>Capital adequacy and capital</b>					
Capital adequacy ratio	11.7	8.9	9.4	9.3	9.8
Core capital ratio	9.5	7.3	7.2	7.2	7.6
<b>Earnings</b>					
Return on equity before tax	2.9%	5.0%	6.6%	5.2%	14.7%
Return on equity after tax	2.2%	3.1%	4.8%	3.5%	10.3%
Income/cost ratio	1.15	1.26	1.36	1.31	1.73
<b>Market risk</b>					
Interest rate risk	1.8%	0.2%	2.6%	3.1%	2.4%
Foreign exchange position	3.8%	12.9%	17.0%	14.2%	6.4%
Exchange rate risk	0.0%	0.1%	0.1%	0.2%	0.1%
<b>Liquidity</b>					
Excess cover relative to statutory requirements for liquidity	34.5%	10.6%	226.2%	176.3%	93.7%
<b>Credit risk</b>					
Total major exposures	476.2%	596.4%	459.1%	352.3%	329.7%
Provisions ratio	1.1	0.9	0.6	0.6	1.0
Write-offs and provisions as a percentage for the year	0.5	0.1	0.1	0.1	0.4
Growth in loans and advances for the year	57.6%	7.0%	30.2%	9.6%	(8.9%)
Loans and advances relative to capital and reserves	7.2	7.5	8.2	8.7	7.8
<b>Nykredit Bank A/S</b>					
	1999	2000	2001	2002	2003
<b>Capital adequacy and capital</b>					
Capital adequacy ratio	11.4	8.8	9.4	9.3	9.7
Core capital ratio	9.3	7.2	7.2	7.2	7.6
<b>Earnings</b>					
Return on equity before tax	2.9%	5.0%	6.6%	5.2%	14.7%
Return on equity after tax	2.2%	3.1%	4.8%	3.5%	10.3%
Income/cost ratio	1.17	1.28	1.39	1.35	1.82
<b>Market risk</b>					
Interest rate risk	1.8%	0.2%	2.6%	3.1%	2.4%
Foreign exchange position	3.8%	12.9%	17.0%	14.2%	6.4%
Exchange rate risk	0.0%	0.1%	0.1%	0.2%	0.1%
<b>Liquidity</b>					
Loans, advances and provisions made in respect hereof relative to deposits	104.2%	175.9%	255.1%	201.9%	157.8%
Excess cover relative to statutory requirements for liquidity	19.4%	9.4%	224.2%	175.9%	93.3%
<b>Credit risk</b>					
Total major exposures	470.7%	596.4%	459.1%	352.2%	329.7%
Share of non-accrual claims	0.0%	0.1%	0.1%	0.2%	0.2%
Provisions ratio	0.7	0.8	0.5	0.6	1.0
Write-offs and provisions as a percentage for the year	0.6	0.2	0.1	0.1	0.4
Growth in loans and advances for the year	94.2%	93.6%	30.4%	9.5%	(8.7%)
Loans and advances relative to capital and reserves	4.0	7.4	8.2	8.7	7.8

Copenhagen, 18 February 2004

#### **BOARD OF DIRECTORS**

Henning Kruse Petersen, Chairman  
 Peter Engberg Jensen, Deputy Chairman  
 Per Ladegaard  
 Søren Holm  
 Søren Klitholm, Staff-elected member  
 Allan Kristiansen, Staff-elected member

#### **EXECUTIVE BOARD**

Kim Duus  
 Jes Klausby  
 Karsten Knudsen

#### **Internal audit**

We have audited the Consolidated Annual Report and the Annual Report of Nykredit Bank A/S for the financial year 2003.

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 2003 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 2003 in accordance with the requirements of Danish legislation in respect of the preparation of financial statements.

Claus Okholm                      Kim Stormly Hansen  
 Chief Internal Auditor      Deputy Chief Internal Auditor

#### **Auditors' report**

We have audited the Consolidated Annual Report and Annual Report of Nykredit Bank A/S for the financial year 2003.

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 2003 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 2003 in accordance with the requirements of Danish legislation in respect of the preparation of financial statements.

#### **PricewaterhouseCoopers**

statsautoriseret revisionsinteressentskab

Otto Johnsen                      Mikael Sørensen  
 State Authorised Public Accountants

#### **DELOITTE**

statsautoriseret revisionsaktieselskab

Erik Holst Jørgensen              Anders O. Cjelstrup  
 State Authorised Public Accountants

## BOARD OF DIRECTORS AND EXECUTIVE BOARD OF NYKREDIT BANK

### Board of Directors

Henning Kruse Petersen, Chairman  
Peter Engberg Jensen, Deputy Chairman  
Per Ladegaard  
Søren Holm  
Søren Klitholm, staff-elected member  
Allan Kristiansen, staff-elected member

### Executive Board

Kim Duus  
Jes Klausby  
Karsten Knudsen (from 1.1.2004)

## DIRECTORSHIPS IN COMPANIES HELD BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

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:

### 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, Capitalis A/S and Erhvervsinvest Management A/S

### Peter Engberg Jensen

Managing Director of Nykredit Holding A/S  
Group Managing Director of Nykredit Realkredit A/S  
Director of Nykredit Østifterne Forsikring A/S, Nykredit Administration V A/S, JN Data A/S, Nykredit Bank Hipoteczny S.A., Totalkredit A/S and VP Securities Services A/S

### Per Ladegaard

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

### Søren Holm

Director of Nykredit Mægler A/S, Nykredit Ejendomme A/S and Nykredit Bank Hipoteczny S.A.

### Allan Kristiansen

Director of Nykredit Holding A/S and Nykredit Realkredit A/S

### 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 and Accounts	Nils Peter Sørensen, First Vice President

*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.*

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