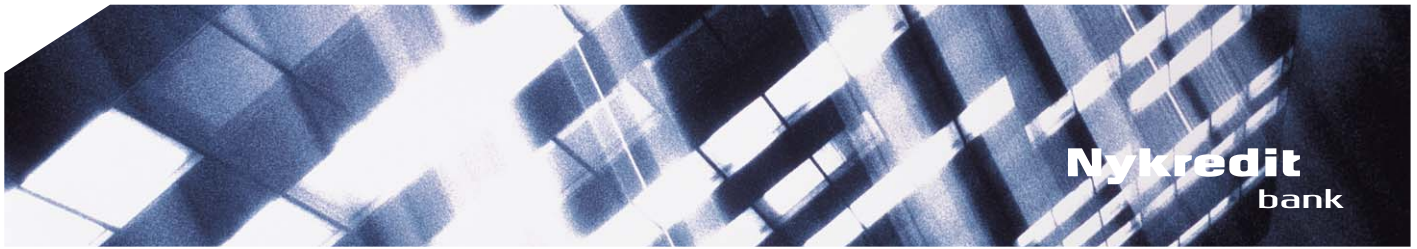


## Annual Report 2004

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## Corporate identity

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

When serving customers on a daily basis, the Nykredit Group acts as one entity comprising 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. As for 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.

DKK MILLION	2000	2001	2002	2003	2004	2004 EUR MILLION
<b>SUMMARY PROFIT AND LOSS ACCOUNT</b>						
Net interest receivable	425	467	598	819	761	102
Fees and commissions receivable (net)	73	63	62	72	114	15
<b>Net income from interest and fees</b>	<b>498</b>	<b>530</b>	<b>660</b>	<b>891</b>	<b>875</b>	<b>117</b>
Value adjustments	(1)	66	(69)	4	15	2
Other operating income	53	26	18	94	42	6
Operating costs	(400)	(400)	(419)	(436)	(499)	(67)
Depreciation, amortisation and write-downs on tangible and intangible assets	(8)	(19)	(7)	(6)	(6)	(1)
<b>Profit before provisions</b>	<b>142</b>	<b>203</b>	<b>183</b>	<b>547</b>	<b>427</b>	<b>57</b>
Write-offs and provisions for bad and doubtful debts	(30)	(39)	(39)	(129)	(6)	(1)
<b>Profit before tax</b>	<b>112</b>	<b>164</b>	<b>144</b>	<b>418</b>	<b>421</b>	<b>56</b>
Tax	(42)	(44)	(46)	(125)	(131)	(17)
<b>Net profit for the year</b>	<b>70</b>	<b>120</b>	<b>98</b>	<b>293</b>	<b>290</b>	<b>39</b>
<b>SUMMARY BALANCE SHEET AT 31 DECEMBER</b>						
<b>Assets</b>						
Cash in hand and balances due from other credit institutions	14,614	14,524	13,739	14,738	13,093	1,760
Loans and advances	17,138	22,320	24,452	22,276	22,763	3,060
Securities	20,350	22,845	20,081	29,536	31,440	4,227
Other assets	3,604	3,784	5,470	5,869	6,468	870
<b>Total assets</b>	<b>55,706</b>	<b>63,473</b>	<b>63,742</b>	<b>72,419</b>	<b>73,764</b>	<b>9,917</b>
<b>Liabilities and equity</b>						
Debt to credit institutions and central banks	36,267	42,233	37,044	41,149	39,695	5,337
Deposits	9,658	8,725	12,056	14,175	19,205	2,582
Issued bonds	-	-	-	325	325	44
Other liabilities	6,993	9,007	11,036	13,109	10,588	1,423
Subordinate loan capital	500	800	800	800	800	107
Capital and reserves	2,288	2,708	2,806	2,861	3,151	424
<b>Total liabilities and equity</b>	<b>55,706</b>	<b>63,473</b>	<b>63,742</b>	<b>72,419</b>	<b>73,764</b>	<b>9,917</b>
<b>Off-balance sheet items</b>						
Guarantees	6,398	7,079	5,880	6,751	7,917	1,064
Other commitments	2,882	3,475	4,090	3,050	2,280	307
<b>Total off-balance sheet items</b>	<b>9,280</b>	<b>10,554</b>	<b>9,970</b>	<b>9,801</b>	<b>10,197</b>	<b>1,371</b>
<b>KEY RATIOS</b>						
Capital adequacy ratio	8.9	9.4	9.3	9.8	10.4	
Core capital ratio	7.3	7.2	7.2	7.6	8.3	
Return on equity before tax	5.0%	6.6%	5.2%	14.7%	14.0%	
Return on equity after tax	3.1%	4.8%	3.5%	10.3%	9.6%	
Income/cost ratio	1.26	1.36	1.31	1.73	1.82	
Interest rate exposure	0.2%	2.6%	3.1%	2.4%	3.0%	
Provisions ratio	0.9	0.6	0.6	1.0	0.8	
Write-offs and provisions for the year as a %	0.1	0.1	0.1	0.4	0.0	
Number of full-time staff (average)	283	299	316	322	362	

EUR 1 = DKK 7.4381 end-2004

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**BOARD OF DIRECTORS AND  
EXECUTIVE BOARD**

**NYKREDIT BANK**

**Board of Directors**

Henning Kruse Petersen  
Chairman

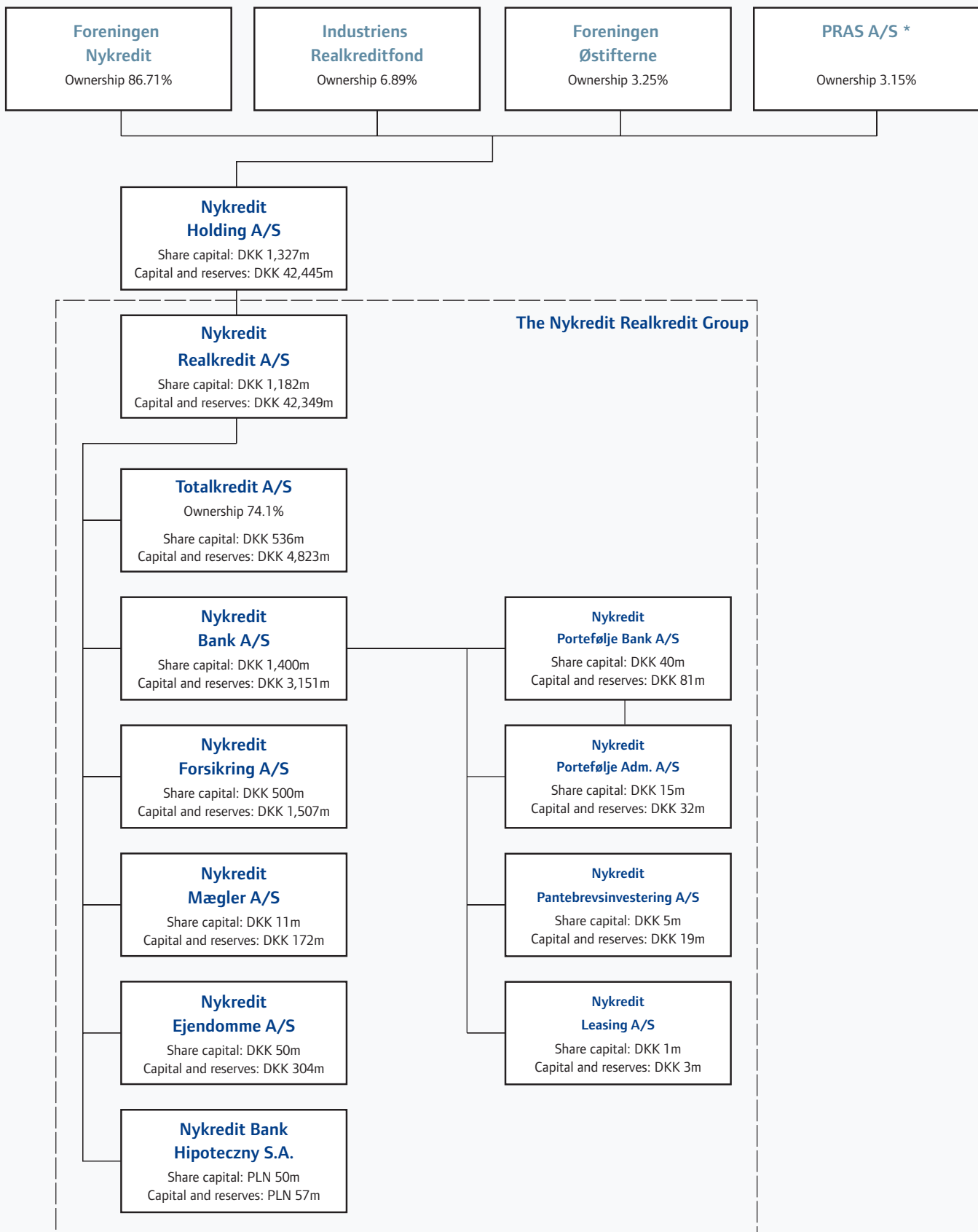
Peter Engberg Jensen  
Deputy Chairman

Per Ladegaard  
Søren Holm  
Søren Klitholm, staff-elected member  
Allan Kristiansen, staff-elected member

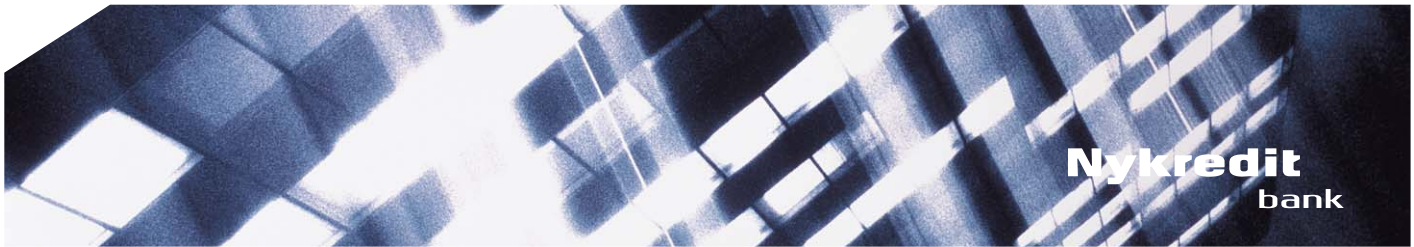
**Executive Board**

Kim Duus  
Jes Klausby  
Karsten Knudsen

# The Nykredit Group structure at 31 December 2004



\* The former owners of Totalkredit A/S



## Management Statement and Audit Reports

We have today presented the Annual Report for 2004 of Nykredit Bank A/S and the Nykredit Bank Group. The Annual Report has been prepared in compliance with statutory requirements and the Danish Financial Supervisory Authority's executive order on the presentation of bank accounts.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and equity, financial position, results and the Group's cash flows.

The Annual Report will be submitted to the General Meeting for approval.

Copenhagen, 24 February 2005

### **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

Copenhagen, 24 February 2005

#### **Internal Audit**

We have audited the Annual Report of Nykredit Bank A/S for the financial year 2004 which is presented in compliance with Danish statutory reporting and presentation requirements.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on 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 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 Annual Report gives a true and fair view of the assets, liabilities, equity and financial position at 31 December 2004 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 2004 in accordance with Danish statutory reporting and presentation requirements.

Claus Okholm  
Chief Internal Auditor

Kim Stormly Hansen  
Deputy Chief Internal Auditor

#### **Auditors' Report**

We have audited the Annual Report of Nykredit Bank A/S for the financial year 2004 which is presented in compliance with Danish statutory reporting and presentation requirements.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on the 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 Annual Report is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 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 Annual Report gives a true and fair view of the assets, liabilities, equity and financial position at 31 December 2004 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 2004 in accordance with Danish statutory reporting and presentation requirements.

#### **PricewaterhouseCoopers**

statsautoriseret revisionsinteressentskab

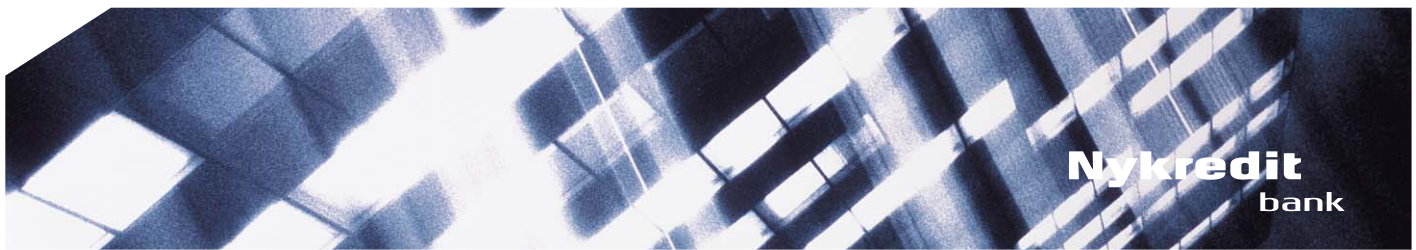
Otto Johnsen                      Mikael Sørensen  
State-Authorised Public Accountants

#### **Deloitte**

statsautoriseret revisionsaktieselskab

Erik Holst Jørgensen              Anders O. Gjelstrup  
State-Authorised Public Accountants





## Management review

- Profit before tax was DKK 421m against DKK 418m in 2003. The results are satisfactory.
- Profit before tax generated a return on equity of 14.0% compared with 14.7% in 2003.
- The balance sheet is largely unchanged at DKK 73.8bn against DKK 72.4bn in 2003.

In 2004 Nykredit Bank and the Nykredit Bank Group recorded a profit before tax of DKK 421m against DKK 418m in 2003. Profit after tax amounted to DKK 290m compared with DKK 293m in 2003.

Profit before tax was higher than expected. Compared with the Bank's forecast of DKK 350m in connection with the presentation of the Interim Report, especially value adjustments and other operating income exceeded expectations. In addition, write-offs and provisions were considerably lower than expected.

At end-2004 capital and reserves amounted to DKK 3.2bn against DKK 2.9bn at end-2003. The capital adequacy ratio came to 10.4 against 9.8 at end-2003.

Group core earnings totalled DKK 382m against DKK 372m in 2003, and investment portfolio income was DKK 39m compared with DKK 46m in 2003.

Net income from interest, fees, value adjustments and dividends amounted to DKK 890m against DKK 895m in 2003.

2004 saw a positive development in the retail and corporate banking activities, and the development in asset management earnings generated by Markets & Asset Management was satisfactory. Customer trading volumes in Markets & Asset Management were somewhat lower than in 2003 – especially in the last part of the year. Finally, the low interest rates resulted in decreasing earnings from the Bank's own portfolio.

Other operating income went down from DKK 94m in 2003 to DKK 42m.

In 2004 the Bank continued to develop its activities within all business areas. The focus on especially

Markets & Asset Management and Corporate Banking meant an increase in the number of staff from 330 at end-2003 to 402 at end-2004. More staff members and the development in the overall business volume combined led to a cost rise from DKK 442m to DKK 505m.

The income/cost ratio was 1.82 against 1.73 in 2003.

Write-offs and provisions amounted to DKK 6m in 2004 against DKK 129m in 2003. The development should be seen in the light of a high provisioning level in 2003 and a continued favourable economic climate in Denmark. The provisions ratio was 0.8 against 1.0 in 2003.

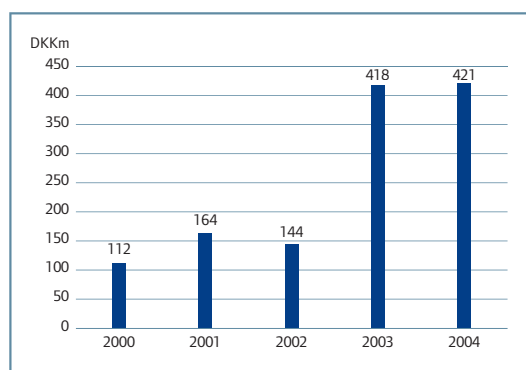
*Retail Banking* continued the positive development seen in recent years, and income rose as a result of both higher net income from interest and income from guarantees issued mainly in relation to refinancing activities. Deposits went up by DKK 1.9bn to DKK 6.5bn, particularly on account of new wage account customers. At year-end the number of retail customers totalled almost 200,000.

The Bank still holds a strong position in the market for housing finance on the strength of both the 50% owned company Dansk Pantebrevsbørs A/S and the development of new products. Towards year-end the Bank offered a new housing credit product (Bolikredit) which provides retail customers with homeowners' equity access to a flexible and competitive credit facility.

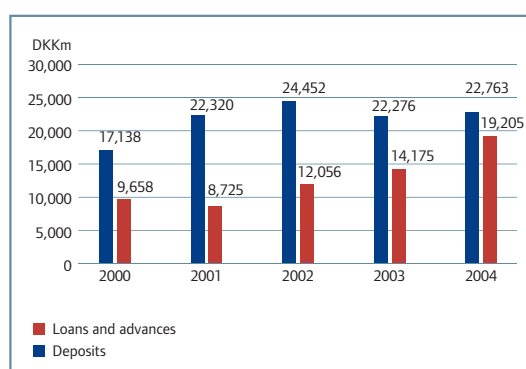
*Corporate Banking* was subject to strong competition and moderate credit demand in 2004. Considering market conditions, business results were satisfactory as earnings went up owing to increased income from interest and fees as well as positive value adjustments of credit bonds.

In order to strengthen the market position of the Bank as well as the Nykredit Group, the Corporate Banking area established a nation-wide financial adviser function in 2004. The function covers a wide spectrum of

### Profit before tax



### Loans, advances and deposits



#### Nykredit Bank A/S

DKKm	2003	2004
Net profit for the year	293	290
Balance sheet total	72,426	73,724
Capital and reserves	2,861	3,151
Full-time staff (average)	259	290

#### Nykredit Portefølje Bank A/S

DKKm	2003	2004
Net profit for the year	7	9
Balance sheet total	79	91
Capital and reserves	72	81
Full-time staff (average)	35	47

(Consolidated figures)

#### Nykredit Pantebrevsinvestering A/S

DKKm	2003	2004
Net profit for the year	2	2
Balance sheet total	187	168
Capital and reserves	17	19
Full-time staff (average)	0	0

financial services aimed at commercial and corporate customers.

*Markets & Asset Management* continued its close cooperation with the Nykredit Group's distribution channels in 2004 but also experienced a year where earnings were subject to tough market conditions and fierce competition. The Bank's own trading, however, generated highly satisfactory results.

Nykredit Markets saw a receding volume in customer trades. Particularly the continued low interest rate and volatility levels were behind the lower activity. Credit product sales generated satisfactory results.

Likewise, Debt Capital Markets experienced a positive trend in the number of corporate bond issues arranged including the issue of supplementary and hybrid core capital for Danish banks.

Investment & Pension, which provides advisory services within long-term savings, achieved highly satisfactory results within the sale of investment, pension and insurance products which lived up to expectations.

In a number of business areas, the Nykredit Portefølje Bank Group, which undertakes Nykredit's asset management activities, experienced marked growth and was appointed administrator of ATP Invest, a Danish investment fund, in 2004. At the same time, the sale of asset management agreements went up considerably, particularly to institutional investors.

### Outlook for 2005

In 2005 the Bank expects continued low interest rate levels, a stable economic climate in Denmark and moderate growth in business volumes.

Income from interest, fees and value adjustments is expected to be more or less unchanged compared with 2004. Costs are expected to go up, especially as a consequence of the set-up of the financial adviser function and an increased level of activity within investment and pension products.

The level of write-offs and provisions provided for in the 2005 budget will be somewhat higher than the very low levels in 2004.

Consequently, Nykredit Bank expects a Group profit before tax of around DKK 325-350m. Following the uncertainty in fixed income and foreign exchange markets, particularly expectations for market-dependent income must be assessed with prudence. The same applies to write-offs and provisions for bad and doubt-

ful debts and balances due.

#### **New accounting rules for 2005**

As an issuer of listed bonds, Nykredit Bank will be required to present its Annual Report in accordance with the international accounting standards IAS/IFRS as at 1 January 2005. Furthermore, the Danish Financial Supervisory Authority has issued a new executive order governing the financial reports of credit institutions and investment companies in Denmark.

From the financial year 2005, Nykredit Bank's and the Nykredit Bank Group's annual report will be prepared in accordance with these accounting rules.

#### **Expected changes to the Nykredit Bank Group's capital and reserves**

In a number of areas, the new accounting rules will imply changed measurement principles which will affect the Bank's and the Bank Group's capital and reserves. In consequence, the Bank has to prepare a new opening balance sheet as at 1 January 2005 reflecting any material changes compared with current accounting policies.

At present it is not possible to determine the exact effect on capital and reserves of the changes from 1 January 2005 due to possible changes being made to the rules. However, the net effect of the adjustments is expected to be insignificant relative to capital and reserves of almost DKK 3.2bn. The effect on capital and reserves is therefore estimated to land between a positive DKK 20m and DKK 30m net, primarily attributable to the adjustment of write-downs and the recognition in the balance sheet of certain commissions and transaction costs which must be amortised in future.

The balance sheet total of approximately DKK 73.8bn as at 31 December 2004 is expected to go up by around DKK 200-220m.

#### **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 seen in previous years continued in 2004 with focus on attracting new wage account customers. A flexible wage account with attractive deposit rates still attracts many customers.

Deposits grew by DKK 1.9bn to DKK 6.5bn at end-2004. The main part of the increase is attributable to new wage account customers, the influx of which exceeded 18,000.

Lending only rose moderately by DKK 0.4bn to DKK 4.6bn. The surplus in retail deposits grew further in 2004. The development in lending is influenced by a rise in the repayment of bank loans which borrowers are able to prepay by raising mortgage loans due to continued rises in property values in many parts of the country.

#### Activities and initiatives in 2004

In Nykredit's sales entities, the sale of banking products to Nykredit's customers showed handsome growth.

In 2004 12 new cash dispensers were mounted at Nykredit's retail customers centres where Nykredit's bank customers may withdraw up to DKK 9,000.

Towards year-end, Nykredit Bank launched a home credit facility providing customers who put up real property as security access to a flexible and competitive credit facility. The home credit facility competes with the new secured bank credits in the market but does neither, contrary to the latter, require first mortgages on real property nor the prepayment of mortgage loans.

The target group is especially homeowners with equity, but the facility is also attractive for the purpose of re-financing existing debt secured on owner's mortgages within 80% of the property value.

Dansk Pantebrevsbørs, of which the Bank owns 50%, was established on 1 April 2004. On behalf of the Nykredit Group, the company continues the mortgage trading activities previously carried out by the wholly owned Pantebrevsselskabet af 8/8 1995. Dansk Pantebrevsbørs has developed in line with expectations and is anticipated to become a major player in a very changeable market.

#### Retail Banking in 2005

In 2005 Nykredit will continue to provide useful product information, clear terms and conditions and attractive services.

More cash dispensers are expected to be made available in 2005 to meet the requirements of the wage account customers who occasionally need to withdraw cash.

The new Danish legislation on housing societies in 2005 provides new opportunities for offering attractive secured banking products to housing society homeowners.

In 2005 Nykredit expects to attract many housing society homeowners who already have wage accounts with Nykredit Bank which will offer these customers both attractive deposit terms and credit opportunities.

## CORPORATE BANKING

In recent years Nykredit Bank has achieved a position as a competitive, specialised corporate bank. 2004 saw a satisfactory development in the corporate banking activities.

In the light of fierce competition combined with moderate demand in consequence of the market conditions, business results are considered to be satisfactory.

### Activities and initiatives in 2004

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. As part of the intensification of a broader sale, the organisation has been adjusted to ensure a stronger integration of the entire product portfolio.

The Corporate Banking area has opted not to offer certain products and services such as cash management and foreign payments.

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

*All-in* solutions with the required balance between short- and long-term funding using 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 providing 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.

As part of the reorganisation in 2004, a nation-wide financial adviser function was set up strengthening Nykredit's position as adviser within package solutions including interest rate and currency management.

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

Combined with the participation in international loan transactions, the Corporate Banking area 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, the Corporate Banking area joins forces with Nykredit Markets in providing funding to companies through capital market products including the issue of bonds and subordinate loan capital.

In 2004 the Bank's corporate customers increasingly made use of the Internet Bank to obtain an overview of their transactions with the Bank, the Mortgage Bank and the Insurance Company as well as 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 resulting in a significant rise in new lending. Competition has been fierce, but the launch of the new capped floating-rate loan type Nykredit RenteMax<sup>®</sup> has been successful and has fostered renewed customer focus on individual financial solutions.

The international activities of the Corporate Banking area within mortgage finance saw fairly high growth in 2004. Lending to Danish and international customers now comprises the UK, Sweden, Germany and 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. In 2004 the commercial centres' competencies were strengthened through the establishment of the nationwide financial adviser function. With commercial centres located all over Denmark, Nykredit's Commercial Customers area is well represented in the regional and local business communities.

### Rental housing and project sales

In 2004 Nykredit Bank maintained its position as one of the main suppliers of finance for subsidised housing and as supplier of financing solutions in connection with large as well as small housing projects both within housing society dwellings and ordinary owner-occupied dwellings.

### Leasing

Activities in the wholly-owned subsidiary Nykredit Leasing A/S and LeasIT A/S, of which the Bank owns

22%, were satisfactory. The two companies provide the Bank with a solid basis for offering a wide supply of lease solutions that meet customers' requirements in the leasing market.

#### **Corporate Banking in 2005**

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 approximately DKK 275bn at end-2004. 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, and Nykredit will therefore be the natural choice for customers as a total supplier of financing solutions.

In response to an expected sharpening of competition resulting in declining margins, earnings expectations for 2005 have been lowered.

#### **AGRICULTURAL CUSTOMERS**

The activities within lending to agricultural customers were concentrated within bridge finance, swaps and leasing activities.

#### **Agricultural Customers in 2005**

In recent years the Agricultural Customers area has been very stable, and 2005 is expected to remain unchanged.

## MARKETS & ASSET MANAGEMENT

In certain areas 2004 became a turning point for Markets & Asset Management. However, it was also a year where earnings were subject to tough market conditions and intensified competition from several international investment banks.

The business area primarily comprises the three customer-oriented entities: Nykredit Markets, Investment & Pension and Nykredit Portefølje.

### Nykredit Markets

In 2004 Nykredit Markets's earnings were generally subject to tough conditions. From the outset of the year there were widespread expectations of rising interest rates among market players, but reality turned out differently. The interest rate rises never appeared, and the record-low interest rate levels were maintained together with low volatility.

As a result, core product sales declined in 2004. The decline was most pronounced in the callable mortgage bonds market – a trend further strengthened by the introduction of capped floating-rate mortgage loans.

2004 illustrated the vulnerability in earnings resulting from the historical dependence on the professional customer segment and the necessity of a more diversified mix of products and customers. The year also marked a turning point in the cooperation with the different distribution channels of the Nykredit Group. Instrumental to this was the establishment of a nationwide financial adviser function in the Corporate Banking area and the advisory services provided to local Nykredit centres by Nykredit Markets.

Furthermore, Nykredit Markets gradually developed its cooperation with banks behind Totalkredit. The experiences gained in 2004 are good, and in 2005 the cooperation is expected to expand to more banks and product areas.

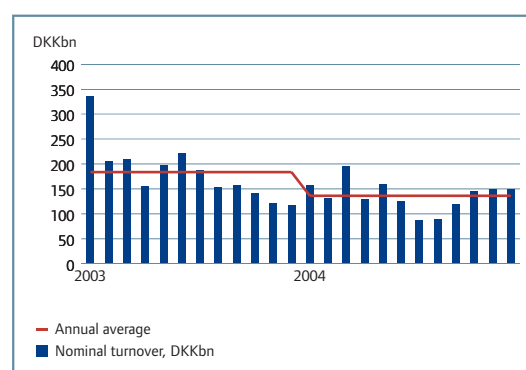
2004 turned out to be a good year in terms of credit product trading. The backdrop was generally favourable market conditions and not least a strengthened market profile within targeted sectors and regions. On top, the distribution capacity is continuously improving with respect to new issues within finance and industry.

Nykredit Markets continued its focus on advising on and arranging bond issues for Danish corporates. Debt Capital Markets arranged a number of issues for Danish banks ranging from short-term senior funding to perpetual hybrid core (Tier 1) capital.

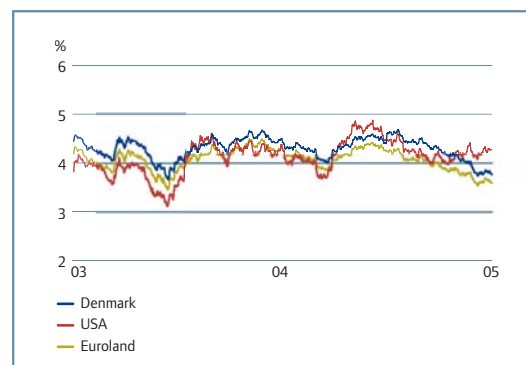
## Investment & Pension

The Investment & Pension area creates long-term savings concepts aimed at strengthening Nykredit's profile on the customers' asset side. Investment & Pension provides customers with holistic advice on investment, pension, personal insurance and housing. Advisers use advanced advisory tools that provide customers with an overview of their financial situation and enable them to make the right decisions.

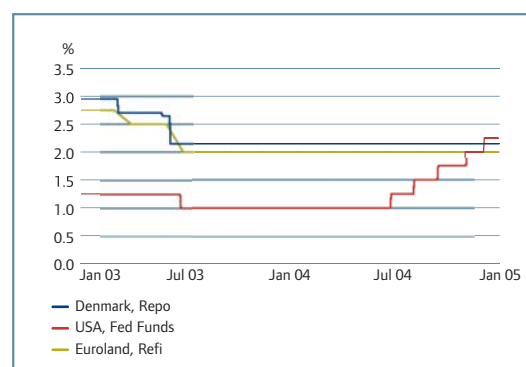
### Turnover of Danish mortgage bonds on the Copenhagen Stock Exchange



### 10-year yields in the US, Euroland and Denmark



### Official rates in the US, Euroland and Denmark



Customers with investable funds of more than DKK 500,000 are served through Private Portfolio. This concept has been so popular that Private Portfolio staff was significantly expanded during 2004 - a trend expected to continue in 2005.

#### **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.

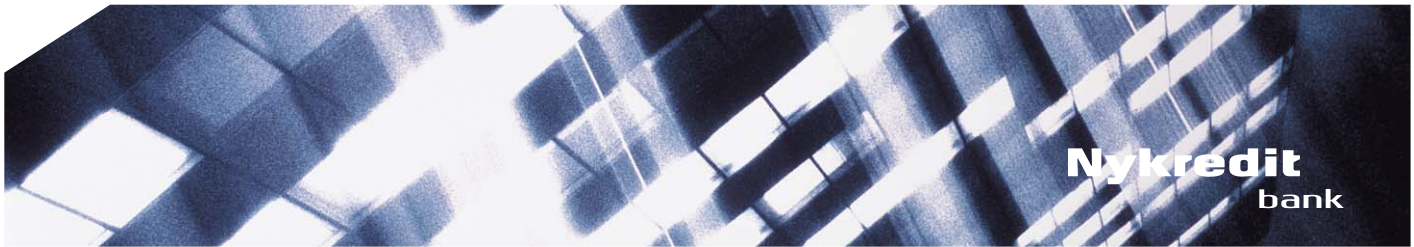
*Nykredit Portefølje Bank* generally achieved high investment returns in 2004. The good investment results combined with enhanced efforts to make Nykredit Portefølje's profile more visible in selected core competence areas have resulted in a considerable increase in the sale of asset management agreements, especially to institutional investors.

*Nykredit Portefølje Administration*, which offers tailored investment fund solutions primarily to institutional investors, has experienced marked growth in recent years. One example of the favourable development is the Company's appointment as administrator of ATP Invest, a Danish investment fund. In 2004 the activity level was exceptionally high. Many resources have been allocated to establish efficient administration procedures and to create a unique IT infrastructure which will position the company as a leading player in the market for institutional administration solutions.

#### **Markets & Asset Management in 2005**

From a business point of view, Markets & Asset Management has good reasons to be optimistic about 2005. 2004 showed that closer interaction between Markets & Asset Management and the Group's different distribution channels holds significant potential. The realisation of this potential started in 2004 and will be further expanded in coming years.





## 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**

The Bank manages credit risks through credit policies, business procedures and credit granting instructions, etc specific to the individual business areas.

In connection with all credit applications, the Bank performs individual credit assessments. The scope and character of the assessment depend on the size of the exposure and on whether the customer concerned is a retail, corporate or agricultural customer.

As an important element of the internal rating, the Bank today applies several different credit models for the assessment of customer types within Retail Customers, Corporate Customers and Agricultural Customers. In the coming year, the Bank expects to implement additional models to enable credit assessments of all relevant customer types by means of credit models.

Total write-offs and provisions amounted to DKK 241m at end-2004 against DKK 293m in 2003. Relative to the Group's total loans, advances and guarantees at end-2004, total write-offs and provisions came to 0.8% against 1.0% at end-2003. Write-offs and provisions made in relation to retail customers went up by DKK 0.5m to DKK 132.0m, whereas write-offs and provisions made in relation to corporate customers went down by DKK 53m to DKK 109m at end-2004.

The effect of write-offs and provisions on operating income was DKK 6m in 2004 compared with DKK 129m in 2003.

In Management's opinion, write-offs and provisions made at end-2004 are necessary and adequate. The adequacy of write-offs and provisions is estimated by the extent to which losses ascertained individually during the financial year have been covered by the write-offs and provisions made no later than at the beginning of the financial year in question. In 2004 this key ratio came to 93.1 against 87.0 in 2003.

### **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 reliability in relation to 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 system is under continuous development and is subject to ongoing quality assurance and adaptation to new products. The Bank has implemented an internal model for the determination of capital adequacy in connection with market risk and expects to make use of all aspects of the model in 2005. Management reporting is performed on a daily basis.

### **Interest rate risks**

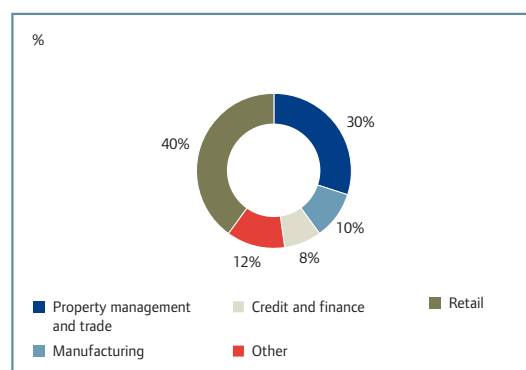
The most significant interest rate risks relate to the Bank's securities trading and money market transactions. To a substantial extent, long-term loans and deposits are hedged against interest rate movements.

Key risk ratios on Danish mortgage bonds are computed on a daily basis allowing for the embedded option element. The interest rate risk is computed subject to yield curves to enable daily assessment of credit spread risks.

The interest rate exposure amounted to DKK 96m at end-2004 against DKK 69m at end-2003 computed as the gain or loss given a parallel shift in the yield curves of 1 percentage point. Computed as the maximum loss which the Bank may incur at a 99% probability within a 1-day period, the interest rate exposure came to DKK 13.2m at end-2004.

<b>Group write-offs and provisions</b>		
<i>DKKm</i>	2003	2004
Provisions, beginning of year	195	293
New provisions for the year, net	129	5
Previously provided for - now lost	(20)	(57)
Other additions	(11)	0
<b>Provisions, year-end</b>	<b>293</b>	<b>241</b>
New provisions for the year, net	129	5
Write-offs - not previously provided for	3	4
Received on claims previously written off	(3)	(3)
<b>Write-offs and provisions, net</b>	<b>129</b>	<b>6</b>
<b>Write-offs and provisions - key ratios</b>		
Provisions balance as a percentage of loans, advances and guarantees at 31 December	1.0	0.8
Write-offs and provisions as a percentage of loans, advances and guarantees at year-end	0.4	0.0
Balances due at reduced interest rates as a percentage of loans, advances and guarantees at 31 December	0.2	0.4

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



### Exchange rate risks

The exchange rate exposure computed as the largest numeric sum of positive and negative currency positions amounted to DKK 102m at end-2004 against DKK 182m at end-2003.

The exchange rate exposure computed as the maximum loss which the Bank can incur at a 99% probability within a 1-day period was DKK 0.7m which was largely unchanged from 2003.

### Option risks

Besides the option element embedded in Danish mortgage bonds, the Bank is exposed to risks through trading in swaptions, caps/floors, etc. However, the risk of losses on these options is very limited.

### Equity risk

At year-end the equity exposure in terms of the total gross equity portfolio amounted to DKK 74m at end-2004 compared with DKK 49m at end-2003.

## 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 Treasury.

Balance sheet management is based on a liquidity model developed in-house 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 statutory liquidity requirements and the recommendations of the Bank for International Settlements (BIS) relating to liquidity policy and management. 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.

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 this area.

### FUNDING

The Bank's liquidity improved in 2004 as a result of increased wage account and fixed-term deposits from customers.

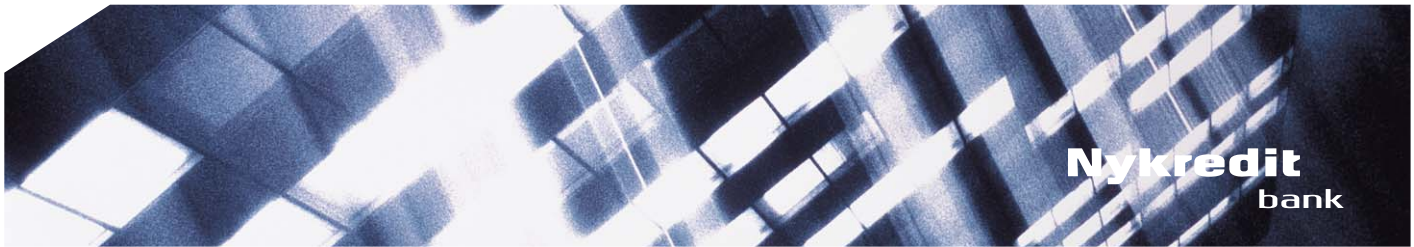
In 2004 the Bank continued to negotiate bilateral agreements with international banks on long-term funding primarily in euros. In April 2004 the Bank refinanced an existing back-up facility of EUR 250m. At the same time, the facility was increased by EUR 50m to a total of EUR 300m which will fall due in April 2009.

### CAPITAL MANAGEMENT

At end-2004 the Bank's capital adequacy ratio stood at 10.4, while the core capital ratio was 8.3.

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.

It is the intention of the Nykredit Group to seek approval for applying advanced intra-group methods to calculate credit and market risks. This means that the Bank aims at implementing RAROC and financial capital as management tools. Furthermore, the Bank is involved in intra-group projects for the purpose of making the Group and the Bank capable of meeting the requirements laid down in the new capital adequacy rules.



## Resources

### **Staff**

Converted into full-time equivalents, the Nykredit Bank Group employed 402 staff members at end-2004 compared with 330 at end-2003.

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**

In 2004 the Bank focused on improving the IT support behind the Bank's business processes. The continuously increasing number of retail customers and the growing securities trading volumes have emphasised the need for further sophistication of the Bank's IT processes.

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



## Financial review

In 2004 Nykredit Bank A/S and the Nykredit Bank Group realised a profit before tax of DKK 421m against DKK 418m in 2003.

Net income from interest, fees and dividend amounted to DKK 875m against DKK 891m in 2003. However, the Bank's income from interest and fees should be seen in the context of value adjustments which went up by approximately DKK 11m from DKK 4m in 2003 to DKK 15m in 2004. Subsequently, income totalled DKK 890m and was largely unchanged compared with 2003.

The shift in income levels can primarily be ascribed to a satisfactory development in earnings from Retail and Corporate Banking, but own trading and asset management activities also showed improvement. By contrast, customer trading volumes in Nykredit Markets were lower, especially in the last six months of the year. Combined with a lower return on the Bank's own portfolio in consequence of the low interest rate levels, this led to lower income compared with 2003.

Value adjustments posted DKK 15m of which bonds accounted for DKK 213m against DKK 149m in 2003. Derivative financial instruments resulted in a negative adjustment of DKK 275m against a negative adjustment of DKK 189m in 2003. Other adjustments totalled DKK 77m compared with DKK 44m in 2003.

Other operating income totalled DKK 42m. The item primarily consisted of income from operating leases and reversal of provisions previously made for legal actions related to so-called asset stripping cases. It is the Bank's opinion that the financial implications related to the mentioned cases have been settled by end-2004 and that no new claims will be made in relation to these cases that may affect the Bank's results. The reason for the decrease in income relative to last year is that the Bank received advisory fees of around DKK 70m from the Parent Company in 2003.

Staff costs, administrative expenses, depreciation and amortisation came to DKK 505m against DKK 442m in 2003. The increase of DKK 63m can primarily be attributed to wages at DKK 29m and IT operations and

development at DKK 29m.

In 2004 the Bank continued to build and develop its activities within Investment & Pension resulting in increased expenses for wages and administration. The Bank also reorganised the business area Corporate Banking through initiatives such as the establishment of a nation-wide financial adviser function. In the start-up phase, the new initiatives in the Corporate Banking area will have a moderately negative effect on the Bank's results.

Combined, the above initiatives entailed an increase in the number of staff from 330 at end-2003 to 402 at end-2004 in terms of full-time staff.

Write-offs and provisions amounted to DKK 6m. Compared with DKK 129m in 2003, when levels were relatively high, they were equally low in 2004. The level reflects continued stability in the Danish economy limiting the need for provisions. Relative to the Group's loans, advances and guarantees, provisions totalled 0.8% (2003: 1.0%), and write-offs and provisions for the year were 0.0% (2003: 0.4%).

Tax on profit for the year came to DKK 131m equal to 31.2% of profit for the year before tax, and net profit for the year subsequently came to DKK 290m. In 2003 net profit for the year was DKK 293m.

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

At end-2004 the balance sheet stood at DKK 73.8bn compared with DKK 72.4bn at end-2003.

Balances due from credit institutions and central banks were unchanged at just over DKK 13bn. Reverse transactions accounted for DKK 4.8bn of the item (2003: DKK 10bn).

Loans and advances came to DKK 22.8bn equal to a 0.5bn rise. Except for a small improvement in retail lending, levels in the individual business areas were generally unchanged. Of total loans and advances, reverse transactions came to DKK 5.2bn against DKK 3.0bn at end-2003.

The portfolio of bonds and shares was DKK 31.4bn compared with DKK 29.5bn in 2003. The considerable size of the portfolio should be seen in the context of Nykredit Markets's trading operations including activities in the repo market.

Tangible assets stood unchanged at just over DKK 260m. The vast majority of the item consisted of leased properties (operating leases).

Other assets amounted to DKK 6.2bn against DKK 5.6bn at end-2003. The item primarily consisted of positive market values of financial instruments of DKK 3.3bn (2003: DKK 3.0bn) and interest and commissions due of DKK 2.8bn (2003: DKK 2.4bn).

Debt to credit institutions was DKK 39.7bn, down DKK 1.5bn on end-2003. Repo transactions came to DKK 9.9bn at end-2004 (2003: DKK 8.8bn).

Deposits went up by DKK 5bn to DKK 19.2bn. The rise reflects an increase in retail deposits of DKK 1.9bn to DKK 6.5bn and a net increase in fixed-term deposits of DKK 3.0bn. The item includes repo transactions of DKK 0.1bn (2003: DKK 0.8bn).

Issued bonds again totalled DKK 325m consisting of floating-rate (CIBOR) bullet bonds maturing in 2008 listed on the Copenhagen Stock Exchange.

Other liabilities amounted to DKK 10.5bn against DKK 13.1bn at end-2003. The item primarily consisted of a negative securities portfolio of DKK 5.0bn (2003: DKK 7.5bn), negative values of financial instruments of DKK 3.2bn (2003: DKK 3.0bn) and interest and commissions payable of DKK 2.3bn (2003: DKK 2.1bn).

Assets and liabilities in foreign currencies came to DKK 19.0bn (2003: DKK 18.0bn) and DKK 16.7bn (2003: DKK 17.4bn), respectively.

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

Off-balance sheet items aggregated DKK 10.2bn compared with DKK 9.8bn at 31 December 2003.

#### **Capital and reserves**

Capital and reserves grew from DKK 2,861m at end-2003 to DKK 3,151m at end-2004. The increase equals profit for the year after tax. At year-end, share premium was transferred to distributable reserves. The amount came to DKK 1,040m.

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

After statutory deductions, the capital base amounted to DKK 3,951m (2003: DKK 3,659m). The capital base

includes supplementary capital of DKK 800m, the same as in 2003. The supplementary capital was provided by the Parent Company Nykredit Realkredit A/S.

The Group's weighted items came to DKK 37.9bn (2003: DKK 37.3bn) after which the capital adequacy ratio has been estimated at 10.4 (2003: 9.8). The capital adequacy ratio of Nykredit Bank, the Parent Company, was 10.4 (2003: 9.7).

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

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

Profit before tax was just over DKK 13m against DKK 9m in 2003. Profit after tax came to DKK 9m compared with DKK 7m in 2003.

Net income from interest, fees and value adjustments aggregated DKK 65m against DKK 47m in 2003. The development can be ascribed to increased income from administration and portfolio fees owing to a high level of activity in 2004.

Total assets under management and administration amounted to DKK 158bn relative to DKK 60bn in 2003. The increase in assets should be seen in the light of Nykredit Portefølje Administration A/S's appointment as administrator of ATP Invest, a Danish investment fund.

Costs went up by just under DKK 14m to DKK 51m where wages accounted for DKK 11m. This is one of the effects of the increased level of activity which led to a lift in the number of staff from 38 at end-2003 to 52 at end-2004. Furthermore, the year incurred increased expenses for the further development of the IT infrastructure.

The Group balance sheet stood at DKK 91m against DKK 79m at end-2003. Assets primarily consisted of balances due from credit institutions of DKK 25m (2003: DKK 14m) and securities portfolios of DKK 46m (2003: DKK 50m). In accordance with Group policy, surplus liquidity was placed in short-term government papers.

Capital and reserves amounted to DKK 81m against DKK 72m in 2003. The company is wholly owned by Nykredit Bank A/S.

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

2004 was the company's second full operating year. Profit before tax was DKK 0.9m (2003: DKK 0.2m). After tax, profit was DKK 0.6m (2003: DKK 0.2m).

Income came to DKK 1m against DKK 0.4m in 2003.

The balance sheet amounted to DKK 142m against DKK 115m at end-2003. The rise is primarily related to the fact that the lease portfolio went up from DKK 110m to DKK 136m. The portfolio was financed by Nykredit Bank A/S, and liabilities primarily consisted of debt to the Bank of DKK 131m compared with DKK 103m at end-2003.

Capital and reserves stood at DKK 2.7m against DKK 2.1m at end-2003. The company is wholly owned by Nykredit Bank A/S.

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

Profit before tax came to DKK 3.3m against DKK 2.5m in 2003. Profit after tax amounted to DKK 2.3m compared with DKK 1.7m in 2003.

Income from investments in mortgages amounted to DKK 3.7m against DKK 4.1m in 2003. The lower income can primarily be ascribed to the low interest rate levels and a decline in the portfolio of second mortgages from DKK 151m at end-2003 to DKK 119m at end-2004.

Write-offs and provisions posted an income of DKK 0.1m against a charge of DKK 1.2m in 2003.

The balance sheet came to DKK 168m against DKK 187m at end-2003. Capital and reserves amounted to DKK 19m compared with DKK 17m at end-2003. The company is wholly owned by Nykredit Bank A/S.

#### **Pantebrevsselskabet af 8/8 1995 A/S**

Profit before tax was DKK 11m against DKK 6m in 2003. Profit after tax was DKK 8m compared with DKK 4m in 2003.

The company's activities are being gradually wound up as Nykredit Bank's trading activities in the market for second mortgages from 2004 are being undertaken by the 50% owned company Dansk Pantebrevsbørs A/S. In 2004 the company reduced its loans and advances and portfolio of second mortgages from DKK 96m at end-2003 to DKK 16m.

The company's net income of DKK 14m (2003: DKK 27m) is primarily made up of interest income, value adjustments of the mortgage portfolio and the sale of activities to Dansk Pantebrevsbørs. Costs totalled DKK 4m (2003: DKK 17m).

Write-offs and provisions posted an expense of DKK 3m against DKK 4m in 2003.

In 2004 the balance sheet was reduced from DKK 109m at end-2003 to DKK 29m primarily through the sale of part of the mortgage portfolio. Capital and reserves stood at DKK 25m at end-2004 against DKK 18m at end-2003. The company is wholly owned by Nykredit Bank A/S.

#### **Dansk Pantebrevsbørs A/S**

The company is 50% owned by Nykredit Bank A/S. 50% of the company's results, balance sheet and equity have been recognised in the Nykredit Banks A/S's accounts. 2004 was the first real operating year of the company.

Profit for the year amounted to almost DKK 2m before tax and just over DKK 1m after tax of which DKK 0.5m has been recognised in the Nykredit Bank Group profit and loss account.

Income came to DKK 26m, primarily derived from value adjustments netting just under DKK 20m.

Costs totalled DKK 24m of which wages accounted for DKK 14m.

The balance sheet amounted to DKK 106m of which the mortgage portfolio accounted for DKK 85m. Debt to credit institutions totalled DKK 81m, and capital and reserves came to DKK 21m at year-end.

## ACCOUNTING POLICIES

### General

The Annual Report for 2004 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.

The accounting policies applied are unchanged relative to 2003.

### 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 Annual 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 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 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 balance 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 balances will be capitalised and amortised over their economic lives, however, not exceeding 20 years.

Subsidiaries have been included in the consolidated results from the time of acquisition. Divested undertak-

ings have been included up to the time of divestment.

## PROFIT AND LOSS ACCOUNT

### Core earnings and investment portfolio income

Core earnings comprise core earnings from lending and 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 own 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 review 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. Losses ascertained and provisions for bad and doubtful debts have been charged to the profit and loss account under the item “Write-offs and provisions for bad and doubtful debts”.

### Tax

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

The 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 the end of the financial year. 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 times-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 the end of the financial year, 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 their expected useful lives, however, not exceeding 20 years.

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

Goodwill has been capitalised and amortised over its expected economic 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 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.

Machinery and equipment have been entered at cost less straight-line depreciation over their expected useful lives being:

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

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

## LIABILITIES AND EQUITY

### Issued bonds

Issued bonds have been recorded at nominal value.

### Subordinate loan capital

Subordinate loan capital has been recognised 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 2004

DKK MILLION

THE NYKREDIT BANK GROUP				NYKREDIT BANK A/S	
2003	2004		Note	2004	2003
2,345	2,095	Interest receivable	1	2,073	2,324
1,526	1,334	Interest payable	2	1,334	1,526
<b>819</b>	<b>761</b>	<b>NET INTEREST RECEIVABLE</b>		<b>739</b>	<b>798</b>
7	5	Dividend from equity investments	3	5	7
206	255	Fees and commissions receivable		197	151
141	146	Fees and commissions payable		151	131
<b>891</b>	<b>875</b>	<b>NET INCOME FROM INTEREST AND FEES</b>		<b>790</b>	<b>825</b>
4	15	Value adjustments	4	(5)	(15)
94	42	Other operating income	5	36	94
436	498	Staff costs and administrative expenses	7,8,9	426	380
6	6	Depreciation, amortisation and write-downs on tangible and intangible assets	18	5	5
0	1	Other operating expenses		0	0
129	6	Write-offs and provisions for bad and doubtful debts	34	2	125
-	-	Profit from investments in associated and subsidiary undertakings	10,17	33	24
<b>418</b>	<b>421</b>	<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		<b>421</b>	<b>418</b>
125	131	Tax	11	131	125
<b>293</b>	<b>290</b>	<b>NET PROFIT FOR THE YEAR</b>		<b>290</b>	<b>293</b>
		<b>DISTRIBUTION OF PROFITS</b>			
		Net profit for the year		290	293
		Brought forward from previous years		0	-
		<b>TOTAL AMOUNT AVAILABLE FOR DISTRIBUTION</b>		<b>290</b>	<b>293</b>
		Dividend distributed		0	250
		Transfer to capital and reserves		290	43
		<b>TOTAL DISTRIBUTION</b>		<b>290</b>	<b>293</b>

## Balance sheets at 31 December 2004

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		Note	2004	2003
<b>ASSETS</b>					
1,252	25	Cash in hand and demand deposits with central banks		25	1,249
13,486	13,068	Balances due from credit institutions and central banks	12,29,30,31	13,072	13,482
22,276	22,763	Loans and advances	13,29,30,31,34,35	22,612	22,204
29,487	31,366	Bonds	14,16,29	31,321	29,437
49	74	Shares	15,16,17	74	49
-	-	Investments in associated undertakings	17,39	24	12
-	-	Investments in subsidiary undertakings	17,39	173	151
265	262	Tangible assets	18	255	258
5,602	6,203	Other assets	11	6,168	5,583
2	3	Prepayments		0	1
<b>72,419</b>	<b>73,764</b>	<b>TOTAL ASSETS</b>	32	<b>73,724</b>	<b>72,426</b>
<b>LIABILITIES AND EQUITY</b>					
41,149	39,695	Debt to credit institutions and central banks	19,29,30	39,604	41,108
14,175	19,205	Deposits	20,29,30	19,301	14,256
325	325	Issued bonds	21	325	325
13,067	10,553	Other liabilities		10,519	13,039
18	15	Deferred income		12	15
24	20	Provisions for liabilities	22	12	22
800	800	Subordinate loan capital	23	800	800
		<b>Capital and reserves</b>	24,25		
1,400	1,400	Share capital		1,400	1,400
1,040	0	Share premium account		0	1,040
-	-	Other reserves		89	69
0	0	Revaluation reserves		0	0
378	1,461	Brought forward from previous years		1,396	326
43	290	Brought forward from the profit for the year		266	26
<b>2,861</b>	<b>3,151</b>	<b>TOTAL</b>		<b>3,151</b>	<b>2,861</b>
<b>72,419</b>	<b>73,764</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	32	<b>73,724</b>	<b>72,426</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
6,751	7,917	Guarantees	26	7,847	6,611
3,050	2,280	Other commitments	27	2,278	3,045
<b>9,801</b>	<b>10,197</b>	<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>10,125</b>	<b>9,656</b>

## Cash flow statement

DKK MILLION

THE NYKREDIT BANK GROUP

	2004	2003
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Interest and fees received	1,969	2,353
Interest and fees paid	(1,556)	(1,378)
Other ordinary payments received	35	104
Costs paid in respect of staff and suppliers	(501)	(424)
Taxes paid, net	(13)	(218)
<b>TOTAL</b>	<b>(66)</b>	<b>437</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Loans and advances, net	(529)	2,009
Net investment in bonds	(4,200)	(7,182)
Net payments received from shares and other equity investments	(21)	2
Net investment in tangible assets	(5)	(3)
<b>TOTAL</b>	<b>(4,755)</b>	<b>(5,174)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Debt to credit institutions and central banks	(1,335)	4,357
Deposits, net	5,027	2,121
Issued bonds	0	325
Other short-term debt raised/settled, net	(284)	(926)
<b>TOTAL</b>	<b>3,408</b>	<b>5,877</b>
<b>Total cash flow</b>	<b>(1,413)</b>	<b>1,140</b>
Cash and cash equivalents, beginning of year	14,738	13,739
Currency translation adjustment of cash at bank and in hand	(232)	(141)
<b>CASH AND CASH EQUIVALENTS, YEAR-END</b>	<b>13,093</b>	<b>14,738</b>
Cash and cash equivalents, year-end, consist of:		
Cash in hand and demand deposits with central banks	25	1,252
Balances due from credit institutions and central banks	13,068	13,486
<b>CASH AND CASH EQUIVALENTS, YEAR-END</b>	<b>13,093</b>	<b>14,738</b>

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>1. INTEREST RECEIVABLE</b>		
526	356	Balances due from credit institutions and central banks	345	526
1,036	922	Loans and advances	916	1,017
853	957	Bonds	955	851
(70)	(146)	Total derivative financial instruments	(146)	(70)
		of which		
15	12	Foreign exchange contracts	12	15
(85)	(158)	Interest rate contracts	(158)	(85)
0	6	Other	3	0
<b>2,345</b>	<b>2,095</b>	<b>Total interest receivable</b>	<b>2,073</b>	<b>2,324</b>
		Of which interest receivable from genuine purchase and resale transactions entered as:		
411	273	Balances due from credit institutions and central banks	273	411
67	90	Loans and advances	90	67
		<b>2. INTEREST PAYABLE</b>		
1,092	834	Credit institutions and central banks	832	1,090
409	468	Deposits	471	411
1	8	Issued bonds	8	1
24	23	Subordinate loan capital	23	24
0	1	Other	0	0
<b>1,526</b>	<b>1,334</b>	<b>Total interest payable</b>	<b>1,334</b>	<b>1,526</b>
		Of which interest payable on genuine sale and repurchase transactions entered as:		
393	322	Credit institutions and central banks	322	393
30	32	Deposits	32	30
		<b>3. DIVIDEND</b>		
7	5	Shares	5	7
<b>7</b>	<b>5</b>	<b>Total dividend on shares and other equity investments</b>	<b>5</b>	<b>7</b>
		<b>4. VALUE ADJUSTMENTS</b>		
149	213	Bonds	214	149
12	33	Shares	32	12
19	20	Fixed-rate loans and advances	0	0
13	24	Foreign exchange	24	13
(189)	(275)	Total derivative financial instruments	(275)	(189)
		of which		
19	3	Foreign exchange contracts	3	19
(206)	(278)	Interest rate contracts	(278)	(206)
(2)	-	Equity contracts	-	(2)
0	0	Other contracts	0	0
<b>4</b>	<b>15</b>	<b>Total value adjustments</b>	<b>(5)</b>	<b>(15)</b>
-	-	of which pooled schemes	-	-

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>5. OTHER OPERATING INCOME</b>		
70	0	Advisory services relating to unlisted shares	0	70
24	42	Other operating income	36	24
<b>94</b>	<b>42</b>	<b>Total other operating income</b>	<b>36</b>	<b>94</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:		
1	1	Nykredit Finance plc, UK	-	-
<b>1</b>	<b>1</b>	<b>Total income from foreign entities</b>	<b>-</b>	<b>-</b>
		<b>7. STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>		
5	8	Executive Board	8	5
0	0	Board of Directors	0	0
<b>5</b>	<b>8</b>	<b>Total</b>	<b>8</b>	<b>5</b>
188	208	Staff costs		
20	22	Wages	166	155
17	21	Pensions	19	17
		Social security costs	17	14
<b>225</b>	<b>251</b>	<b>Total</b>	<b>202</b>	<b>186</b>
206	239	Other administrative expenses	216	189
<b>436</b>	<b>498</b>	<b>Total staff costs and administrative expenses</b>	<b>426</b>	<b>380</b>
		<b>8. NUMBER OF STAFF</b>		
322	362	Average number of staff for the financial year, full-time equivalents	290	259
5	19	of which staff in undertakings consolidated on a pro rata basis	-	-
		<b>9. AUDIT FEE</b>		
1	2	Total fees to the auditors appointed by the General Meeting carrying out the statutory audit	1	1
-	1	of which services other than audit	0	0
		<b>10. PROFIT FROM INVESTMENTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS</b>		
-	-	Profit from investments in associated undertakings	2	2
-	-	Profit from investments in subsidiary undertakings	31	22
<b>-</b>	<b>-</b>	<b>Total profit from investments in associated and subsidiary undertakings</b>	<b>33</b>	<b>24</b>

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>11. TAX</b>		
115	109	Tax assessed on income for the year	109	115
8	21	Deferred tax	21	8
1	(1)	Adjustment of tax assessed for previous years	(1)	1
1	2	Tax on provisions	2	1
<b>125</b>	<b>131</b>	<b>Total tax</b>	<b>131</b>	<b>125</b>
		<b>Effective tax rate:</b>		
30.0%	30.0%	Current tax rate	30.0%	30.0%
(0.4%)	0.9%	Other non-taxable income and non-deductible expenses	0.9%	(0.4%)
(0.1%)	-	Difference in tax rates of foreign entities from Danish tax rate	-	(0.1%)
0.2%	(0.1%)	Adjustment of tax assessed for previous years	(0.1%)	0.2%
0.2%	0.4%	Other adjustments	0.4%	0.2%
<b>29.9%</b>	<b>31.2%</b>	<b>Total effective tax rate</b>	<b>31.2%</b>	<b>29.9%</b>
		DKK 14m (2003: DKK 3m as tax asset) of deferred tax has been recognised under liabilities as "Provisions for liabilities". The tax liability 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>		
2	3,245	Balances at call due from central banks	3,245	2
13,484	9,823	Balances due from credit institutions	9,827	13,480
<b>13,486</b>	<b>13,068</b>	<b>Total balances due from credit institutions and central banks</b>	<b>13,072</b>	<b>13,482</b>
		<b>Distribution by term-to-maturity:</b>		
4,874	6,838	Demand deposits	6,842	4,870
8,612	6,230	Up to 3 months	6,230	8,612
0	0	Over 3 months and up to 1 year	0	0
0	0	Over 1 year and up to 5 years	0	0
0	0	Over 5 years	0	0
<b>13,486</b>	<b>13,068</b>	<b>Total</b>	<b>13,072</b>	<b>13,482</b>
		<b>13. LOANS AND ADVANCES</b>		
3,097	2,269	At call	2,714	3,272
8,044	9,277	Up to 3 months	9,246	8,044
4,122	3,405	Over 3 months and up to 1 year	3,333	4,123
3,853	4,618	Over 1 year and up to 5 years	4,339	3,852
3,160	3,194	Over 5 years	2,980	2,913
<b>22,276</b>	<b>22,763</b>	<b>Total</b>	<b>22,612</b>	<b>22,204</b>



## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>14. BONDS</b>		
29,487	31,366	Quoted	31,321	29,437
0	0	Other	0	0
<b>29,487</b>	<b>31,366</b>	<b>Total bonds</b>	<b>31,321</b>	<b>29,437</b>
10	10	Of which own bonds	10	10
		In relation to the Danish central bank and international clearing centres, bonds of a total market value of DKK 11,318m have been deposited as collateral security. At 31 December 2004 this amount came to DKK 12,786m.		
		<b>15. SHARES</b>		
16	11	Shares/units quoted on the Copenhagen Stock Exchange	11	16
1	4	Shares/units quoted on other stock exchanges	4	1
25	45	Other shares	45	25
7	14	Other equity investments	14	7
<b>49</b>	<b>74</b>	<b>Total shares</b>	<b>74</b>	<b>49</b>
22	42	Of which fixed asset investments	42	22
		<b>16. CURRENT ASSET INVESTMENTS</b>		
29,513	31,398	a. Current asset investments marked to market	31,353	29,463
(23)	28	b. The market value of current asset investments under (a) exceeds the cost of these assets at balance sheet date by	28	(23)
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	0	-
-	-	Additions	10	0
-	-	Disposals	0	-
-	-	<b>Total cost, year-end</b>	<b>21</b>	<b>11</b>
-	-	<b>Revaluations and write-downs, year-end</b>	<b>1</b>	<b>(1)</b>
-	-	Currency translation adjustment	-	-
-	-	Profit	2	1
-	-	Disposals	-	-
-	-	Other movements in capital	0	1
-	-	<b>Revaluations and write-downs, year-end</b>	<b>3</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>24</b>	<b>12</b>
-	-	of which credit institutions	-	-
-	-	<b>Book value of fixed asset investments, beginning of year</b>	<b>12</b>	<b>10</b>
-	-	of which credit institutions	-	-

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
<b>17. FIXED ASSET INVESTMENTS (CONTINUED)</b>				
<b>Investments in subsidiary undertakings:</b>				
-	-	<b>Total cost, beginning of year</b>	<b>81</b>	<b>82</b>
-	-	Currency translation adjustment	0	(1)
-	-	Additions	0	-
-	-	Disposals	-	-
-	-	<b>Total cost, year-end</b>	<b>81</b>	<b>81</b>
-	-	<b>Revaluations and write-downs, beginning of year</b>	<b>70</b>	<b>64</b>
-	-	Currency translation adjustment	0	(2)
-	-	Profit	22	16
-	-	Dividend	-	(4)
-	-	Disposals	-	-
-	-	Other movements in capital	-	(4)
-	-	<b>Revaluations and write-downs, year-end</b>	<b>92</b>	<b>70</b>
-	-	<b>Investments in Parent Company</b>	<b>-</b>	<b>-</b>
-	-	<b>Total fixed asset investments, year-end</b>	<b>173</b>	<b>151</b>
-	-	of which credit institutions	81	72
-	-	<b>Total fixed asset investments, beginning of year</b>	<b>151</b>	<b>146</b>
-	-	of which credit institutions	72	65
<b>Other equity investments:</b>				
2	15	<b>Total cost, beginning of year</b>	<b>15</b>	<b>2</b>
13	-	Additions	-	13
15	15	<b>Total cost, year-end</b>	<b>15</b>	<b>15</b>
0	7	<b>Revaluations and write-downs, beginning of year</b>	<b>7</b>	<b>0</b>
7	20	Revaluations for the year	20	7
7	27	<b>Revaluations and write-downs, year-end</b>	<b>27</b>	<b>7</b>
22	42	<b>Total fixed asset investments, year-end</b>	<b>42</b>	<b>22</b>
2	22	<b>Book value, beginning of year</b>	<b>22</b>	<b>2</b>

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
<b>18. TANGIBLE ASSETS - LAND AND BUILDINGS</b>				
260	258	<b>Total cost, beginning of year</b>	255	255
0	0	Currency translation adjustment	0	0
0	1	Additions	0	0
2	0	Disposals	0	0
<b>258</b>	<b>259</b>	<b>Total cost, year-end</b>	<b>255</b>	<b>255</b>
0	0	<b>Property revaluations, beginning of year</b>	0	0
0	0	Currency translation adjustment	0	0
0	0	Reversal of revaluations	0	0
<b>0</b>	<b>0</b>	<b>Property revaluations, year-end</b>	<b>0</b>	<b>0</b>
2	4	<b>Depreciation and write-downs, beginning of year</b>	4	2
0	0	Currency translation adjustment	0	0
2	2	Depreciation for the year	2	2
0	0	Reversal of depreciation and write-downs	0	0
<b>4</b>	<b>6</b>	<b>Depreciation and write-downs, year-end</b>	<b>6</b>	<b>4</b>
<b>254</b>	<b>253</b>	<b>Land and buildings, year-end</b>	<b>249</b>	<b>251</b>
258	254	<b>Book value, beginning of year</b>	251	253
211	221	<b>Latest public land assessment</b>	219	210
Of the book value at year-end, assets held under operating leases came to DKK 249m (end-2003: DKK 251m)				
<b>18. TANGIBLE ASSETS - MACHINERY AND EQUIPMENT</b>				
18	22	<b>Total cost, beginning of year</b>	15	14
0	0	Currency translation adjustment	0	0
6	4	Additions	1	1
2	6	Disposals	1	0
<b>22</b>	<b>20</b>	<b>Total cost, year-end</b>	<b>15</b>	<b>15</b>
8	11	<b>Depreciation and write-downs, beginning of year</b>	8	6
0	0	Currency translation adjustment	0	0
3	3	Depreciation for the year	2	2
0	3	Reversal of depreciation and write-downs	1	0
<b>11</b>	<b>11</b>	<b>Depreciation and write-downs, year-end</b>	<b>9</b>	<b>8</b>
<b>11</b>	<b>9</b>	<b>Machinery and equipment, year-end</b>	<b>6</b>	<b>7</b>
10	11	<b>Machinery and equipment, beginning of year</b>	7	8
1	1	<b>Write-off on machinery and equipment for the year</b>	1	1

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>19. DEBT TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>		
12,323	11,458	Debt to central banks	11,457	12,323
28,826	28,237	Debt to credit institutions	28,147	28,785
<b>41,149</b>	<b>39,695</b>	<b>Total debt to credit institutions and central banks</b>	<b>39,604</b>	<b>41,108</b>
		<b>Distribution by term-to-maturity</b>		
16,116	9,090	On demand	8,999	16,268
20,727	27,307	Up to 3 months	27,307	20,534
684	820	Over 3 months and up to 1 year	820	684
2,956	1,957	Over 1 year and up to 5 years	1,957	2,956
666	521	Over 5 years	521	666
<b>41,149</b>	<b>39,695</b>	<b>Total</b>	<b>39,604</b>	<b>41,108</b>
		<b>20. DEPOSITS</b>		
6,016	8,575	Demand deposits	8,671	6,096
5	4	Deposits at notice	4	5
7,750	10,040	Time deposits	10,041	7,751
404	586	Special deposit categories	585	404
<b>14,175</b>	<b>19,205</b>	<b>Total deposits</b>	<b>19,301</b>	<b>14,256</b>
		<b>Distribution by term-to-maturity</b>		
6,080	8,575	Demand deposits	8,671	6,161
		<b>Deposits at notice:</b>		
7,281	9,574	Up to 3 months	9,574	7,281
487	543	Over 3 months and up to 1 year	543	487
76	107	Over 1 year and up to 5 years	107	76
251	406	Over 5 years	406	251
<b>14,175</b>	<b>19,205</b>	<b>Total</b>	<b>19,301</b>	<b>14,256</b>
		<b>21. ISSUED BONDS</b>		
-	-	Up to 3 months	-	-
-	-	Over 3 months and up to 1 year	-	-
325	325	Over 1 year and up to 5 years	325	325
-	-	Over 5 years	-	-
<b>325</b>	<b>325</b>	<b>Total</b>	<b>325</b>	<b>325</b>
		<b>22. PROVISIONS FOR LIABILITIES</b>		
2	2	Provisions for pensions and similar liabilities	-	-
-	14	Provisions for deferred tax	8	-
22	4	Provisions for losses in connection with legal actions	4	22
<b>24</b>	<b>20</b>	<b>Total provisions for liabilities</b>	<b>12</b>	<b>22</b>

## Notes

DKK MILLION

THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>23. SUBORDINATE LOAN CAPITAL</b>		
<b>800</b>	<b>800</b>	<b>Subordinate loan capital</b>	<b>800</b>	<b>800</b>
500	500	2003 to 01.12.2011, variable rate	500	500
300	300	2001 to 22.02.2008, variable rate	300	300
		The loans are instalment-free during the terms of the loans and fall due for repayment in full on the dates of maturity. The loans will be settled at par.		
		Subordinate loan capital consists of liabilities which, in case of the Bank's voluntary or compulsory liquidation, 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>
-	-	Other disposals (transferred to net profit for the year)	(1,040)	-
-	-	<b>Share premium account, year-end</b>	<b>0</b>	<b>1,040</b>
-	-	<b>Net revaluation reserve according to the equity method, beginning of year</b>	<b>69</b>	<b>53</b>
-	-	Net profit for the year	24	16
-	-	Other disposals (transferred to net profit for the year)	(4)	0
-	-	<b>Net revaluation reserve according to the equity method, year-end</b>	<b>89</b>	<b>69</b>
-	-	Other additions	-	-
-	-	<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>352</b>	<b>313</b>
-	-	Changed accounting policies	0	12
-	-	Other additions	1,044	-
-	-	Additions for the year	266	27
-	-	<b>Profit brought forward, year-end</b>	<b>1,662</b>	<b>352</b>
-	-	<b>Total capital and reserves, year-end</b>	<b>3,151</b>	<b>2,861</b>
-	-	<b>Total capital and reserves, beginning of year</b>	<b>2,861</b>	<b>2,818</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

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THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>25. CAPITAL ADEQUACY</b>		
		Calculated pursuant to the Danish Financial Supervisory Authority's executive order on capital adequacy		
<b>2,859</b>	<b>3,151</b>	<b>Core capital after statutory deductions (incl debt instruments, cf Section 129 (1)) of the Danish Financial Business Act</b>	<b>3,151</b>	<b>2,853</b>
		<b>Supplementary capital consists of:</b>		
800	800	Eligible subordinate loan capital	800	800
0	0	Revaluation reserves	0	0
<b>800</b>	<b>800</b>	<b>Total</b>	<b>800</b>	<b>800</b>
<b>3,659</b>	<b>3,951</b>	<b>Capital base after statutory deductions</b>	<b>3,951</b>	<b>3,653</b>
27,585	26,476	Weighted items not included in the trading book	26,404	27,608
9,724	11,457	Weighted items incurring market risk	11,452	9,717
<b>37,309</b>	<b>37,933</b>	<b>Total weighted items</b>	<b>37,856</b>	<b>37,325</b>
7.6	8.3	Core capital after statutory deductions as a percentage of weighted items	8.3	7.6
9.8	10.4	Capital adequacy ratio pursuant to Section 124 (1) of the Danish Financial Business Act	10.4	9.7
		<b>26. GUARANTEES</b>		
5,634	6,249	Financial guarantees	6,249	5,634
1,117	1,668	Other guarantees	1,598	977
<b>6,751</b>	<b>7,917</b>	<b>Total guarantees</b>	<b>7,847</b>	<b>6,611</b>
		<b>27. OTHER COMMITMENTS</b>		
2,964	2,245	Irrevocable loan commitments	2,245	2,964
86	35	Other commitments	33	81
<b>3,050</b>	<b>2,280</b>	<b>Total other commitments</b>	<b>2,278</b>	<b>3,045</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>		
9,977	4,826	Balances due from credit institutions and central banks	4,826	9,977
3,012	5,242	Loans and advances	5,242	3,012
		<b>Of the liabilities below, genuine sale and repurchase transactions represent:</b>		
8,795	9,905	Debt to credit institutions and central banks	9,905	8,795
824	111	Deposits	111	824
		<b>Assets sold as part of genuine sale and repurchase transactions:</b>		
		Recorded as assets:		
9,485	9,786	Bonds	9,786	9,485

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THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>30. AMOUNTS DUE FROM AND TO SUBSIDIARY AND ASSOCIATED UNDERTAKINGS</b>		
		<b>Subsidiary undertakings:</b>		
-	-	Loans and advances	283	357
-	-	<b>Total recorded as assets</b>	<b>283</b>	<b>357</b>
-	-	Debt to credit institutions	24	11
-	-	Deposits	103	80
-	-	<b>Total recorded as liabilities</b>	<b>127</b>	<b>91</b>
		<b>Associated undertakings:</b>		
-	-	Loans and advances	671	580
-	-	<b>Total recorded as assets</b>	<b>671</b>	<b>580</b>
-	-	Deposits	3	-
-	-	<b>Total recorded as liabilities</b>	<b>3</b>	<b>-</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 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 2004 the net value adjustment omitted netted a negative DKK 162m (2003: a negative DKK 170m) for the Nykredit Bank Group and a negative DKK 162m for Nykredit Bank A/S (2003: a negative 170m).		
		<b>Book value - hedged fixed-rate assets</b>		
-	-	Balances due from credit institutions	-	-
4,452	3,370	Loans and advances	3,370	4,406
<b>4,452</b>	<b>3,370</b>	<b>Total book value</b>	<b>3,370</b>	<b>4,406</b>
		<b>Market value - hedged fixed-rate assets</b>		
-	-	Balances due from credit institutions	-	-
4,619	3,529	Loans and advances	3,529	4,571
<b>4,619</b>	<b>3,529</b>	<b>Total market value</b>	<b>3,529</b>	<b>4,571</b>
		<b>Underlying financial instruments</b>		
4,910	4,342	Nominal value	4,321	4,880
(170)	(162)	Market value	(162)	(170)
		<b>32. FOREIGN EXCHANGE RISK</b>		
18,032	19,007	Total foreign exchange assets	19,007	18,032
17,387	16,700	Total foreign exchange liabilities	16,700	17,387
182	102	Foreign Exchange Indicator 1	102	182
6.4	3.2	Foreign Exchange Indicator 1 as a percentage of core capital after statutory deductions	3.2	6.4
2	0	Foreign Exchange Indicator 2	0	2
0.1	0.0	Foreign Exchange Indicator 2 as a percentage of core capital after statutory deductions	0.0	0.1

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THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>33. INTEREST RATE RISK</b>		
		<b>Interest rate risk by the Bank's highest currency exposure:</b>		
157	203	DKK	203	157
(90)	(88)	EUR	(88)	(90)
16	(24)	SEK	(24)	16
(9)	0	USD	0	(9)
-	0	NOK	0	-
(5)	0	CZK	0	(5)
(1)	0	GBP	0	(1)
1	5	Other currencies	4	1
<b>69</b>	<b>96</b>	<b>Total interest rate risk on debt instruments</b>	<b>95</b>	<b>69</b>
		<b>34. CREDIT RISKS</b>		
		<b>Provisions:</b>		
195	293	Provisions for loans, advances and guarantee debtors, beginning of year	289	180
0	0	Currency translation adjustment of provisions, beginning of year	0	0
177	106	New provisions for the year	102	170
(48)	(101)	Reversal of provisions previously made	(99)	(44)
(20)	(57)	Provisions previously made, lost during the year	(56)	(17)
(11)	0	Other additions/disposals	0	0
<b>293</b>	<b>241</b>	<b>Total provisions for loans, advances and guarantee debtors, year-end</b>	<b>236</b>	<b>289</b>
293	241	- of which loans, advances and guarantee debtors	236	289
0	0	- of which credit institutions and other items incurring credit risk	0	0
210	117	A provisions, year-end	113	207
83	124	B provisions, year-end	123	82
1.0	0.8	Provisions ratio	0.8	1.0
72	111	Non-accrual balances due, year-end	111	72
		<b>Effect on operations:</b>		
129	5	New provisions and reversals for the year, net	3	126
3	4	Losses ascertained, not previously provided for	2	1
(3)	(3)	Received on claims previously written off	(3)	(2)
<b>129</b>	<b>6</b>	<b>Total write-offs and provisions for bad and doubtful debts</b>	<b>2</b>	<b>125</b>
		<b>Loans, advances and guarantee debtors by sectors and industries as a percentage, year-end</b>		
<b>1%</b>	<b>0%</b>	<b>Public sector</b>	<b>0%</b>	<b>1%</b>
		<b>Trade and industry:</b>		
3%	3%	Agriculture, hunting and forestry	3%	3%
0%	0%	Fisheries	0%	0%
12%	8%	Manufacturing industries, extraction of raw materials, utilities	8%	11%
3%	1%	Building and construction	1%	3%
8%	3%	Trade, hotels and restaurants	2%	8%
1%	2%	Transport, mail and telephone	1%	1%
9%	23%	Credit, finance and insurance	25%	11%
25%	23%	Property management and trade, purchase and sale, business services	23%	25%
6%	4%	Other trade and industry	4%	6%
<b>67%</b>	<b>67%</b>	<b>Total trade and industry</b>	<b>67%</b>	<b>68%</b>
<b>32%</b>	<b>33%</b>	<b>Retail customers</b>	<b>33%</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>		
0	0	Counterparty with a risk weight of 0%	0	0
2,008	1,789	Counterparty with a risk weight of 20%	1,789	2,008
133	184	Counterparty with a risk weight of 100%	184	133
		<b>Subordinate claims:</b>		
10	15	Associated undertakings	20	14
17	34	Other undertakings	34	17



## Notes

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THE NYKREDIT BANK GROUP

NYKREDIT BANK A/S

2003	2004		2004	2003
		<b>35. EXECUTIVE BOARD AND BOARD OF DIRECTORS</b>		
		Loans, charges, suretyships or guarantees and related security related to members of:		
		<b>Loans:</b>		
0	0	Executive Board	0	0
0	0	Board of Directors	0	0
		<b>Provision 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 2004.		
		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 2004 or just after the closing of the accounts between the Group's undertakings include:		
		<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

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

2004	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	129	361	125	225	129	361
Forward contracts/futures, sold	301	102	226	164	301	102
Swaps	187	324	156	302	187	324
Options, purchased	2	0	7	0	2	0
Options, written	0	0	0	6	0	0
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	1	32	17	10	1	32
Forward contracts/futures, sold	25	1	11	24	25	1
Forward Rate Agreements, purchased	1	15	1	20	1	15
Forward Rate Agreements, sold	10	0	18	1	10	0
Swaps	2,529	2,476	2,277	2,115	2,529	2,476
Options, purchased	123	0	127	1	123	0
Options, written	0	115	0	122	0	115
<b>Equity contracts</b>						
Forward contracts/futures, sold	0	0	0	0	0	0
Options, purchased	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
<b>Total</b>	<b>3,308</b>	<b>3,426</b>	<b>2,965</b>	<b>2,990</b>	<b>3,308</b>	<b>3,426</b>
<b>2003</b>						
The Nykredit Bank Group	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>

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

## Notes

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

By term-to-maturity	2004					
	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	18,422	(169)	2,391	(71)	2,475	8
Forward contracts/futures, sold	16,101	144	2,809	62	2,475	(8)
Swaps	547	0	2,370	(4)	16,521	(190)
Options, purchased	75	1	28	1	0	0
Options, written	13	0	0	0	0	0
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	30,118	(30)	0	0	462	0
Forward contracts/futures, sold	25,226	22	10,972	1	418	0
Forward Rate Agreements, purchased	12,000	(8)	8,650	(5)	1,500	(1)
Forward Rate Agreements, sold	3,000	6	2,650	3	750	1
Swaps	15,419	2	21,117	11	105,140	168
Options, purchased	437	2	4,728	42	3,510	18
Options, written	435	(3)	2,659	(37)	2,951	(48)
<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, purchased	33	0	0	0	0	0
Options, written	34	0	0	0	0	0

By term-to-maturity	2004				2003	
	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	23,288	(232)	26,862	(578)
Forward contracts/futures, sold	0	0	21,385	198	29,710	408
Swaps	733	57	20,171	(137)	16,912	(203)
Options, purchased	0	0	103	2	225	10
Options, written	0	0	13	0	59	(9)
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	0	0	30,580	(30)	18,681	20
Forward contracts/futures, sold	0	0	36,616	23	18,505	(20)
Forward Rate Agreements, purchased	0	0	22,150	(14)	25,708	(13)
Forward Rate Agreements, sold	0	0	6,400	10	20,311	9
Swaps	32,052	(128)	173,728	53	182,730	238
Options, purchased	1,269	61	9,944	123	37,096	121
Options, written	1,180	(26)	7,225	(114)	25,948	(121)
<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, purchased	0	0	33	0	0	0
Options, written	0	0	34	0	0	0

**Total net market value****(118)****(138)**

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

2004	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	129	361	125	225	129	361
Forward contracts/futures, sold	301	102	225	164	301	102
Swaps	187	324	156	302	187	324
Options, purchased	2	0	7	0	2	0
Options, written	0	0	0	6	0	0
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	2	32	17	10	2	32
Forward contracts/futures, sold	25	1	11	24	25	1
Forward Rate Agreements, purchased	1	15	1	20	1	15
Forward Rate Agreements, sold	10	0	18	1	10	0
Swaps	2,529	2,476	2,278	2,115	2,529	2,476
Options, purchased	123	0	127	1	123	0
Options, written	0	115	0	122	0	115
<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, purchased	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
<b>Total</b>	<b>3,309</b>	<b>3,426</b>	<b>2,965</b>	<b>2,990</b>	<b>3,309</b>	<b>3,426</b>
<b>2003</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	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>

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

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

By term-to-maturity	2004					
	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	18,422	(169)	2,391	(71)	2,475	8
Forward contracts/futures, sold	16,101	145	2,809	61	2,475	(8)
Swaps	547	0	2,370	(4)	16,521	(190)
Options, purchased	75	1	28	1	0	0
Options, written	13	0	0	0	0	0
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	30,118	(30)	0	0	462	0
Forward contracts/futures, sold	25,226	22	10,972	1	418	0
Forward Rate Agreements, purchased	12,000	(8)	8,650	(5)	1,500	(1)
Forward Rate Agreements, sold	3,000	6	2,650	3	750	1
Swaps	15,421	2	21,121	11	105,154	169
Options, purchased	437	2	4,728	42	3,510	18
Options, written	435	(3)	2,659	(37)	2,951	(48)
<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, purchased	33	0	0	0	0	0
Options, written	34	0	0	0	0	0

By term-to-maturity	2004				2003	
	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	23,288	(232)	26,862	(577)
Forward contracts/futures, sold	0	0	21,385	198	29,710	408
Swaps	0	0	20,171	(137)	16,912	(203)
Options, purchased	733	57	103	2	225	10
Options, written	0	0	13	0	59	(9)
<b>Interest rate contracts</b>						
Forward contracts/futures, purchased	0	0	30,580	(30)	18,680	20
Forward contracts/futures, sold	0	0	36,616	23	18,505	(20)
Forward Rate Agreements, purchased	0	0	22,150	(14)	25,708	(13)
Forward Rate Agreements, sold	0	0	6,400	10	20,311	9
Swaps	0	0	173,748	54	182,761	238
Options, purchased	32,052	(128)	9,944	123	37,096	121
Options, written	1,269	61	7,225	(114)	25,948	(121)
<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, purchased	0	0	33	0	0	0
Options, written	0	0	34	0	0	0
<b>Total net market value</b>				<b>(117)</b>		<b>(137)</b>

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**38. UNSETTLED SPOT TRANSACTIONS**

The Nykredit Bank Group	2004			2003	
	Nominal value	Market value Positive	Market value Negative	Net market value	Net market value
Foreign exchange contracts, purchased	4,423	5	1	4	0
Foreign exchange contracts, sold	4,351	3	7	(4)	(1)
Interest rate contracts, purchased	14,026	0	5	(5)	5
Interest rate contracts, sold	13,504	6	0	6	0
Equity contracts, purchased	139	0	0	0	0
Equity contracts, sold	85	0	0	0	0
<b>Total</b>	<b>36,527</b>	<b>14</b>	<b>13</b>	<b>1</b>	<b>4</b>
<b>Total the year before</b>	<b>20,389</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>(4)</b>

Nykredit Bank A/S	2004			2003	
	Nominal value	Market value Positive	Market value Negative	Net market value	Net market value
Foreign exchange contracts, purchased	4,423	5	1	4	0
Foreign exchange contracts, sold	4,351	3	7	(4)	(1)
Interest rate contracts, purchased	14,026	0	5	(5)	5
Interest rate contracts, sold	13,504	6	0	6	0
Equity contracts, purchased	139	0	0	0	0
Equity contracts, sold	85	0	0	0	0
<b>Total</b>	<b>36,527</b>	<b>14</b>	<b>13</b>	<b>1</b>	<b>4</b>
<b>Total the year before</b>	<b>20,389</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>(4)</b>

**39. GROUP STRUCTURE**

Name and registered office	Share capital, year-end	Capital and reserves, year-end	Ownership	Profit	Group balances due from the undertaking	Group debt to the undertaking	Group other off-balance sheet liabilities to the undertaking
Consolidated subsidiaries:	2004 Million	2004 DKKm	%	2004 DKKm	2004 DKKm	2004 DKKm	2004 DKKm
Nykredit Finance plc, Plymouth	GBP 3	41	100	1	-	42	-
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen	DKK 5	25	100	8	3	8	-
Nykredit Pantebrevsinvestering A/S, Copenhagen	DKK 5	19	100	2	149	49	-
Nykredit Portefølje Bank A/S, Copenhagen	DKK 40	81	100	9	-	24	-
Nykredit Leasing A/S, Copenhagen	DKK 1	3	100	1	131	-	-
Norswood Properties Limited, Plymouth	GBP 0	2	100	0	-	2	-
<b>Associated undertakings:</b>							
Dansk Pantebrevsbørs A/S, Copenhagen*)	DKK 5	21	50	1	40	2	-
LeasIT A/S, Lyngby-Taarbæk*)	DKK 14	61	22	4	129	-	-

\*) Consolidated on a pro rata basis as a result of shareholders' agreements entitling the Bank to appoint a director in the companies.

**Directorships adopted by the Board of Directors pursuant to the Danish Financial Business Act**

Kim Duus, Managing Director	Chairman of Nykredit Portefølje Bank A/S Chairman of Nykredit Portefølje Administration A/S
Jes Klausby, Managing Director	Chairman of Pantebrevsselskabet af 8/8 1995 A/S Chairman of Nykredit Pantebrevsinvestering A/S Deputy Chairman of Dansk Pantebrevsbørs A/S
Karsten Knudsen, Managing Director	Director of Nykredit Portefølje Bank A/S

## Notes

DKK MILLION

## THE NYKREDIT BANK GROUP

	Q4/2004	Q3/2004	Q2/2004	Q1/2004	Q4/2003	Q3/2003	Q2/2003	Q1/2003
<b>40. FINANCIAL HIGHLIGHTS</b>								
<b>SUMMARY PROFIT AND LOSS ACCOUNT</b>								
Net interest receivable	244	195	184	138	196	209	213	201
Fees and commissions receivable (net)	21	41	31	21	13	15	26	18
<b>Net income from interest and fees</b>	<b>265</b>	<b>236</b>	<b>215</b>	<b>159</b>	<b>209</b>	<b>224</b>	<b>239</b>	<b>219</b>
Value adjustments	(52)	(42)	(7)	116	22	(35)	7	10
<b>Net income from interest, fees and value adjustments</b>	<b>213</b>	<b>194</b>	<b>208</b>	<b>275</b>	<b>231</b>	<b>189</b>	<b>246</b>	<b>229</b>
Other operating income	22	4	5	11	24	5	61	4
Operating costs	(134)	(124)	(124)	(117)	(125)	(104)	(104)	(103)
Depreciation, amortisation and write-downs on tangible and intangible assets	(1)	(2)	(1)	(2)	(2)	(1)	(2)	(1)
<b>Profit before provisions</b>	<b>100</b>	<b>72</b>	<b>88</b>	<b>167</b>	<b>128</b>	<b>89</b>	<b>201</b>	<b>129</b>
Write-offs and provisions for bad and doubtful debts	27	(7)	(10)	(16)	(29)	(17)	(71)	(12)
<b>Profit before tax</b>	<b>127</b>	<b>65</b>	<b>78</b>	<b>151</b>	<b>99</b>	<b>72</b>	<b>130</b>	<b>117</b>
Tax	(42)	(21)	(23)	(45)	(28)	(23)	(39)	(35)
<b>Net profit for the period</b>	<b>85</b>	<b>44</b>	<b>55</b>	<b>106</b>	<b>71</b>	<b>49</b>	<b>91</b>	<b>82</b>
As a consequence of the Bank's corporate mission as well as the emphasis on Markets's activities and own trading, the quarterly accounts of the Bank may vary significantly.								
<b>BALANCE SHEET, YEAR-END</b>								
<b>Assets</b>								
Cash in hand and balances due from other credit institutions	13,093	19,485	20,508	23,462	14,738	20,159	20,052	21,328
Loans and advances	22,763	26,009	24,719	23,432	22,276	24,036	23,168	21,820
Securities	31,440	37,007	30,654	30,549	29,536	27,326	27,421	24,997
Other assets	6,468	6,030	5,413	6,171	5,869	7,992	6,782	6,070
<b>Total assets</b>	<b>73,764</b>	<b>88,531</b>	<b>81,294</b>	<b>83,614</b>	<b>72,419</b>	<b>79,513</b>	<b>77,423</b>	<b>74,215</b>
<b>Liabilities and equity</b>								
Debt to credit institutions and central banks	39,695	51,771	41,210	47,309	41,149	42,297	44,843	46,125
Deposits	19,205	21,250	22,620	16,524	14,175	19,492	15,937	12,698
Issued bonds	325	325	325	325	325	-	-	-
Other liabilities	10,588	11,318	13,317	15,688	13,109	13,883	12,852	11,691
Subordinate loan capital	800	800	800	800	800	800	800	800
Capital and reserves (including quarterly profit)	3,151	3,067	3,022	2,968	2,861	3,041	2,991	2,901
<b>Total liabilities and equity</b>	<b>73,764</b>	<b>88,531</b>	<b>81,294</b>	<b>83,614</b>	<b>72,419</b>	<b>79,513</b>	<b>77,423</b>	<b>74,215</b>
<b>Off-balance sheet items</b>								
Guarantees	7,917	6,585	7,788	6,919	6,751	6,831	7,887	7,176
Other commitments	2,280	1,933	3,051	2,697	3,050	3,874	3,927	3,904
<b>Total off-balance sheet items</b>	<b>10,197</b>	<b>8,518</b>	<b>10,839</b>	<b>9,616</b>	<b>9,801</b>	<b>10,705</b>	<b>11,814</b>	<b>11,080</b>
<b>KEY RATIOS</b>								
Capital adequacy ratio	10.4	10.4	9.6	10.4	9.8	10.2	9.1	9.1
Core capital ratio	8.3	8.1	7.4	8.1	7.6	7.9	7.1	7.1
Return on equity before tax (pa)	16.3%	8.5%	10.4%	20.7%	13.4%	9.5%	17.7%	16.3%
Return on equity after tax (pa)	11.7%	5.7%	7.3%	14.5%	9.6%	6.5%	12.4%	11.4%
Income/cost ratio	2.18	1.49	1.57	2.12	1.63	1.59	1.74	2.01
Interest rate exposure	3.0%	1.3%	1.9%	2.6%	2.4%	0.9%	2.5%	2.2%
Provisions ratio	0.8	0.7	0.7	1.0	1.0	0.9	0.8	0.7
Write-offs and provisions as a % for the period	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.0

## Notes

DKK MILLION

NYKREDIT BANK A/S

	2000	2001	2002	2003	2004	2004 EUR
<b>41. FINANCIAL HIGHLIGHTS</b>						
<b>SUMMARY PROFIT AND LOSS ACCOUNT</b>						
Net interest receivable	380	449	578	798	739	99
Fees and commissions receivable (net)	51	23	21	27	51	7
<b>Net income from interest and fees</b>	<b>431</b>	<b>472</b>	<b>599</b>	<b>825</b>	<b>790</b>	<b>106</b>
Value adjustments	(9)	65	(85)	(15)	(5)	(1)
Other operating income	2	26	17	94	36	5
Operating costs	(347)	(359)	(370)	(380)	(426)	(57)
Depreciation, amortisation and write-downs on tangible and intangible assets	(7)	(19)	(5)	(5)	(5)	(1)
Profit from investments in associated and subsidiary undertakings	83	18	21	24	33	4
<b>Profit before provisions</b>	<b>153</b>	<b>203</b>	<b>177</b>	<b>543</b>	<b>423</b>	<b>56</b>
Write-offs and provisions for bad and doubtful debts	(41)	(39)	(33)	(125)	(2)	0
<b>Profit before tax</b>	<b>112</b>	<b>164</b>	<b>144</b>	<b>418</b>	<b>421</b>	<b>56</b>
Tax	(42)	(44)	(46)	(125)	(131)	(17)
<b>Net profit for the year</b>	<b>70</b>	<b>120</b>	<b>98</b>	<b>293</b>	<b>290</b>	<b>39</b>
<b>SUMMARY BALANCE SHEET AT 31 DECEMBER</b>						
<b>Assets</b>						
Cash in hand and balances due from credit institutions	14,608	14,511	13,750	14,731	13,097	1,761
Loans and advances	17,038	22,221	24,322	22,204	22,612	3,040
Securities	20,325	22,801	20,044	29,486	31,395	4,221
Investments in associated and subsidiary undertakings	133	153	156	163	197	26
Other assets	3,588	3,744	5,446	5,842	6,423	864
<b>Total assets</b>	<b>55,692</b>	<b>63,430</b>	<b>63,718</b>	<b>72,426</b>	<b>73,724</b>	<b>9,912</b>
<b>Liabilities and equity</b>						
Debt to credit institutions and central banks	36,205	42,175	36,971	41,108	39,604	5,324
Deposits	9,738	8,771	12,133	14,256	19,301	2,595
Issued bonds	-	-	-	325	325	44
Other liabilities	6,961	8,976	11,008	13,076	10,543	1,417
Subordinate loan capital	500	800	800	800	800	108
Capital and reserves	2,288	2,708	2,806	2,861	3,151	424
<b>Total liabilities and equity</b>	<b>55,692</b>	<b>63,430</b>	<b>63,718</b>	<b>72,426</b>	<b>73,724</b>	<b>9,912</b>
<b>Off-balance sheet items</b>						
Guarantees	6,851	7,401	5,896	6,611	7,847	1,055
Other commitments	2,882	3,452	4,078	3,045	2,278	306
<b>Total off-balance sheet items</b>	<b>9,733</b>	<b>10,853</b>	<b>9,974</b>	<b>9,656</b>	<b>10,125</b>	<b>1,361</b>
<b>KEY RATIOS</b>						
Capital adequacy ratio	8.8	9.4	9.3	9.7	10.4	
Core capital ratio	7.2	7.2	7.2	7.6	8.3	
Return on equity after tax	3.1%	4.8%	3.5%	10.3%	14.0%	
Income/cost ratio	1.28	1.39	1.35	1.82	9.6	
Interest rate exposure	0.2%	2.6%	3.1%	2.4%	1.97%	
Provisions ratio	0.8	0.5	0.6	1.0	0.8	
Write-offs and provisions as a % for the year	0.2	0.1	0.1	0.4	0.0	
Number of full-time staff (average)	237	252	260	259	290	

EUR 1 = DKK 7.4381 end-2004



# Notes

	2000	2001	2002	2003	2004
<b>42. KEY RATIOS</b>					
<b>The Nykredit Bank Group</b>					
<b>Capital adequacy and capital</b>					
Capital adequacy ratio	8.9	9.4	9.3	9.8	10.4
Core capital ratio	7.3	7.2	7.2	7.6	8.3
<b>Earnings</b>					
Return on equity before tax	5.0%	6.6%	5.2%	14.7%	14.0%
Return on equity after tax	3.1%	4.8%	3.5%	10.3%	9.6%
Income/cost ratio	1.26	1.36	1.31	1.73	1.82
<b>Market risk</b>					
Interest rate risk	0.2%	2.6%	3.1%	2.4%	3.0%
Foreign exchange position	12.9%	17.0%	14.2%	6.4%	3.2%
Exchange rate risk	0.1%	0.1%	0.2%	0.1%	0.0%
<b>Liquidity</b>					
Excess cover relative to statutory requirements for liquidity	10.6%	226.2%	176.3%	93.7%	195.3%
<b>Credit risk</b>					
Total major exposures	596.4%	459.1%	352.3%	329.7%	351.3%
Provisions ratio	0.9	0.6	0.6	1.0	0.8
Write-offs and provisions as a % for the year	0.1	0.1	0.1	0.4	0.0
Growth in loans and advances for the year	7.0%	30.2%	9.6%	(8.9%)	2.2%
Loans and advances relative to capital and reserves	7.5	8.2	8.7	7.8	7.2
<b>Nykredit Bank A/S</b>					
	2000	2001	2002	2003	2004
<b>Capital adequacy and capital</b>					
Capital adequacy ratio	8.8	9.4	9.3	9.7	10.4
Core capital ratio	7.2	7.2	7.2	7.6	8.3
<b>Earnings</b>					
Return on equity before tax	5.0%	6.6%	5.2%	14.7%	14.0%
Return on equity after tax	3.1%	4.8%	3.5%	10.3%	9.6%
Income/cost ratio	1.28	1.39	1.35	1.82	1.97
<b>Market risk</b>					
Interest rate risk	0.2%	2.6%	3.1%	2.4%	3.0%
Foreign exchange position	12.9%	17.0%	14.2%	6.4%	3.2%
Exchange rate risk	0.1%	0.1%	0.2%	0.1%	0.0
<b>Liquidity</b>					
Loans, advances and provisions made in respect hereof relative to deposits	175.9%	255.1%	201.9%	157.8%	118.4%
Excess cover relative to statutory requirements for liquidity	9.4%	224.2%	175.9%	93.3%	195.2%
<b>Credit risk</b>					
Total major exposures	596.4%	459.1%	352.2%	329.7%	351.3%
Share of non-accrual claims	0.1%	0.1%	0.2%	0.2%	0.4%
Provisions ratio	0.8	0.5	0.6	1.0	0.8
Write-offs and provisions as a % for the year	0.2	0.1	0.1	0.4	0.0
Growth in loans and advances for the year	93.6%	30.4%	9.5%	(8.7%)	1.8%
Loans and advances relative to capital and reserves	7.4	8.2	8.7	7.8	7.2

## DIRECTORSHIPS AND EXECUTIVE POSITIONS 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 and executive positions 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 Capitalis A/S, Erhvervsinvest Management A/S and Sund & Bælt Holding A/S and its three subsidiaries

### Peter Engberg Jensen

Managing Director of Nykredit Holding A/S  
Group Managing Director of Nykredit Realkredit A/S  
Director of Nykredit 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, Nykredit Forsikring A/S and JN Data A/S

### Søren Holm

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

### Allan Kristiansen

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

### Jes Klausby

Deputy Chairman of Dansk Pantebrevsbørs 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 & Pension	Lars Bo Bertram, Senior Vice President
Retail Banking	Inge Bender Koch, Senior 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

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