Annual Report 2005

Nykredit bank

CONSOLIDATED FINANCIAL STATEMENTS 2005, CONTINUED

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

Corporate identity

The Nykredit Group is one of Denmark's leading financial groups with activities ranging from mortgage banking and banking to insurance and estate agency services.

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, Nykredit is organised in three intercompany business areas: Retail Customers, Markets & Asset Management and Commercial Customers. The business areas offer customers all products available from the different companies of the Group produced through intercompany cooperation.

The Bank plays different roles within each business area. Where Retail Customers are concerned, the Bank's role is mainly to supply products. As for Commercial Customers, the Bank is responsible for serving the Group's corporate customers, including agricultural customers and for supplying products to other customers, whereas the Bank is responsible for all Markets & Asset Management activities.

The Bank's objective is to provide satisfactory profitability and make a significant contribution to the Nykredit Group's image as a quality-conscious and competitive financial services provider.

The Nykredit Group's position will be maintained and developed through organic growth in the banking, mortgage banking and insurance areas with focus on further developing a stable and valuable customer base as well as through close relations with local and regional banks.

DKK million/EUR million	2005/EUR	2005	2004 (**)	2003 (**)	2002 (**)	2001 (**)
SUMMARY INCOME STATEMENT						
Net interest and fee income	135	1,007	875	891	660	530
Value adjustments	24	177	12	2	(69)	66
Other operating income	3	20	42	94	18	26
Staff and administrative expenses	79	590	498	436	419	398
Other operating costs, depreciation and amortisation	1	6	4	4	7	21
Provisions for loan and receivable impairment	1	7	6	129	39	39
Profit before tax	**81**	**601**	**421**	**418**	**144**	**164**
Tax	22	162	131	125	46	44
Profit for the year	**59**	**439**	**290**	**293**	**98**	**120**
BALANCE SHEET, YEAR-END (*)						
Assets						
Cash balance and receivables from credit institutions	2,015	15,031	13,094	14,738	13,739	14,524
Loans, advances and other receivables at fair value	896	6,688	5,242	3,012	3,872	2,967
Loans, advances and other receivables at amortised cost	2,645	19,731	17,408	19,017	20,292	18,879
Bonds and shares	4,846	36,152	31,586	29,783	20,369	23,319
Other asset items	919	6,860	6,629	5,869	5,470	3,784
Total assets	**11,321**	**84,462**	**73,959**	**72,419**	**63,742**	**63,473**
Liabilities and equity						
Payables to credit institutions and central banks	5,985	44,654	39,695	41,149	37,044	42,233
Deposits and other payables	2,963	22,103	19,094	13,351	11,310	7,982
Other non-derivative financial liabilities at fair value	869	6,484	5,110	8,304	5,966	6,386
Other liability items	905	6,748	6,044	5,930	5,794	3,342
Total payables	**10,722**	**79,989**	**69,943**	**68,734**	**60,114**	**59,943**
Provisions	8	59	41	24	22	22
Subordinate loan capital	107	800	800	800	800	800
Equity	484	3,614	3,175	2,861	2,806	2,708
Total liabilities and equity	**11,321**	**84,462**	**73,959**	**72,419**	**63,742**	**63,473**

(*) 2004: Equal to new accounting policies, cf opening balance sheet at 1 January 2005

(**) Incl reclassifications as a result of new accounting policies

DKK million/EUR million	2005/EUR	2005	2004 (**)	2003 (**)	2002 (**)	2001 (**)
OFF-BALANCE SHEET ITEMS						
Guarantees	1,394	10,399	7,919	6,751	5,880	7,079
Other commitments	410	3,058	2,280	3,050	4,090	3,475
Total off-balance sheet items	**1,804**	**13,457**	**10,199**	**9,801**	**9,970**	**10,554**
KEY RATIOS						
Capital adequacy ratio, %		10.3	10.4	9.8	9.3	9.4
Core capital ratio, %		8.8	8.3	7.6	7.2	7.2
Return on equity before tax (p.a.) (1), %		17.8	14.0	14.7	5.2	6.6
Return on equity after tax (p.a.) (1), %		13.0	9.6	10.3	3.5	4.8
Income/cost ratio (1)		2.00	1.83	1.73	1.31	1.36
Interest rate exposure, %		3.3	3.0	2.4	3.1	2.6
Foreign exchange position, %		4.2	3.2	6.4	14.2	17.0
Foreign exchange exposure, %		0.1	0.0	0.1	0.2	0.1
Loans and advances relative to deposits		1.2	1.2	1.6	2.0	2.6
Loans and advances relative to equity		7.3	7.2	7.8	8.7	8.2
Growth in loans and advances for the year, %		16.1	2.2	(8.9)	9.6	30.2
Excess cover relative to statutory requirements for liquidity, %		207.1	195.3	93.7	176.3	226.2
Total major exposures, %		349.5	351.3	329.7	352.3	459.1
Losses and impairment provisions for the year, %		0.0	0.0	0.4	0.1	0.1

(1) Incl effect of new accounting policies in 2004 and 2005
EUR 1 = DKK 7.4605 end-2005

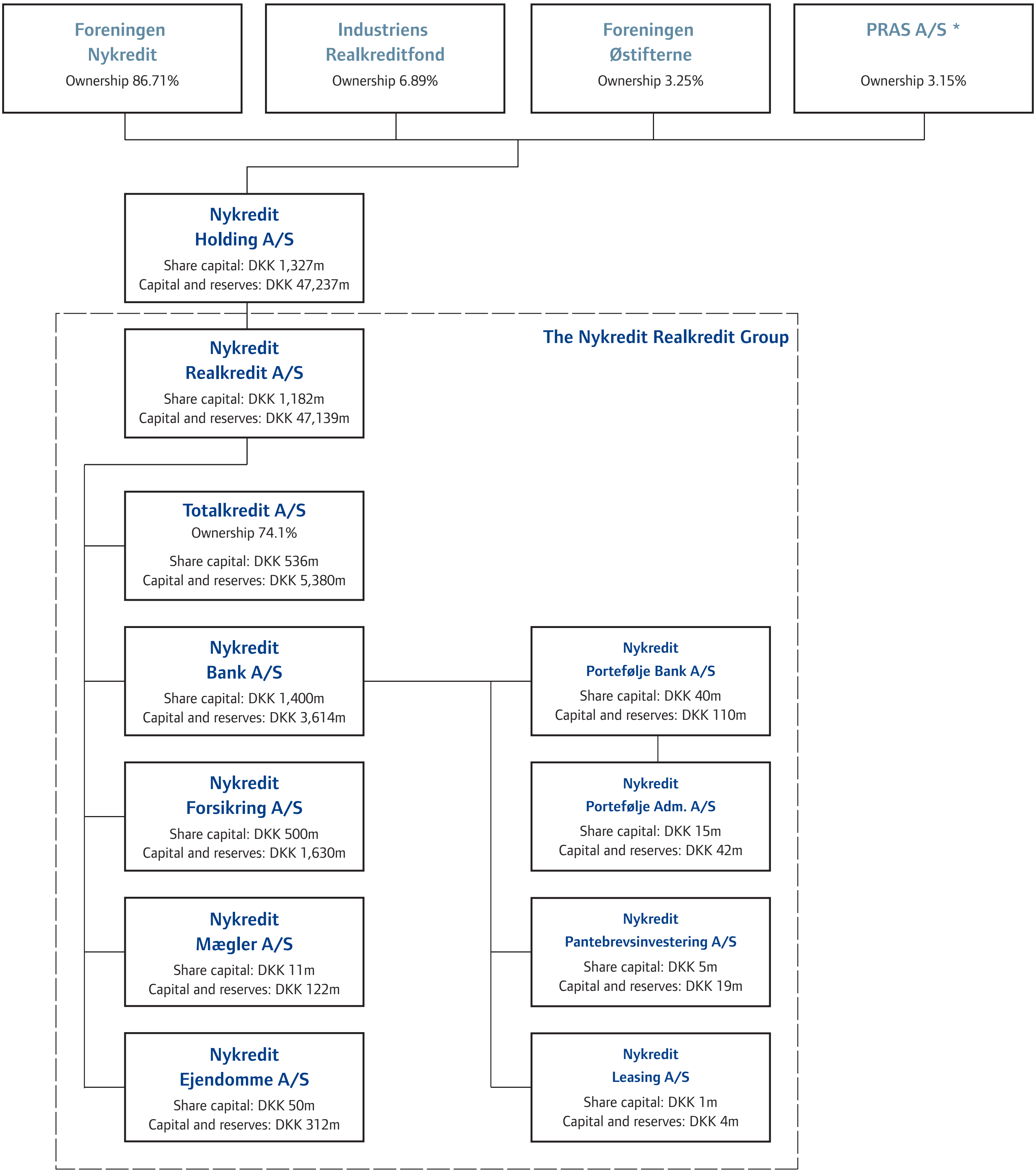
BOARD OF DIRECTORS

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

The Nykredit Group chart at 31 December 2005



* The former owners of Totalkredit A/S

STATEMENT BY THE EXECUTIVE BOARD AND BOARD OF DIRECTORS ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2005 of Nykredit Bank A/S and the Nykredit Bank Group.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act.

The Annual Report has furthermore been prepared in accordance with the Danish disclosure requirements for annual reports of issuers of listed bonds. In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2005 and the results of the Group's and the Parent Company's operations as well as the Group's cash flows for the financial year 2005.

The Annual Report is recommended for approval at the Annual General Meeting.

Copenhagen, 9 February 2006

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

Copenhagen, 9 February 2006

Executive Board

Kim Duus

Jes Klausby

Karsten Knudsen

INTERNAL AUDIT

We have audited the Annual Report of Nykredit Bank A/S for the financial year 2005. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

The Annual Report is the responsibility of the Company's Executive Board and Board of Directors. 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 and International Standards on Auditing (ISA). Based on materiality and risk, we have evaluated the business procedures, the accounting policies applied 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 Group's and the Parent's assets, liabilities, equity and financial position at 31 December 2005 and of the results of their operations and the consolidated cash flows for the financial year 2005 in accordance with International Financial Reporting Standards as adopted by the EU as regards the Consolidated Financial Statements, in accordance with the Danish Financial Business Act as regards the Parent Financial Statements and otherwise in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Copenhagen, 9 February 2006

Claus Okholm	Kim Stormly Hansen
Chief Audit Executive	Deputy Chief Audit Executive

REPORT BY THE AUDITORS APPOINTED BY THE GENERAL MEETING

We have audited the Annual Report of Nykredit Bank A/S for the financial year 2005. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

The Annual Report is the responsibility of the Company's Executive Board and Board of Directors. 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 and International Standards on Auditing (ISA). Those Standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. 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 Executive Board and Board of Directors, as well as evaluating the overall annual report presentation. 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 Group's and the Parent's assets, liabilities, equity and financial position at 31 December 2005 and of the results of their operations and the consolidated cash flows for the financial year 2005 in accordance with International Financial Reporting Standards as adopted by the EU as regards the Consolidated Financial Statements, in accordance with the Danish Financial Business Act as regards the Parent Financial Statements and otherwise in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Copenhagen, 9 February 2006

Deloitte
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen	Anders O. Gjelstrup

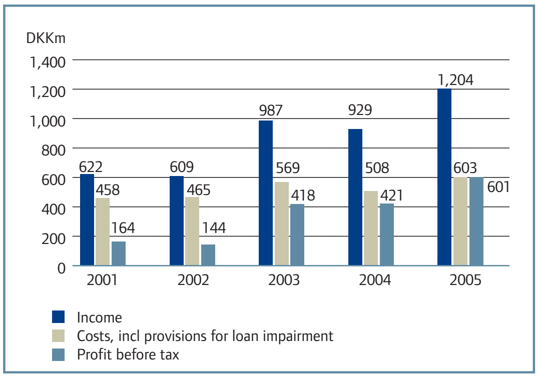
State-Authorised Public Accountants

Management review

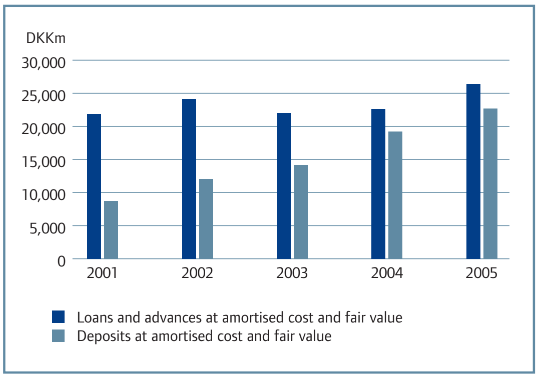
2005 – IN BRIEF

- The Financial Statements for 2005 show a profit of DKK 601m before tax. Compared with 2004, profit before tax went up by DKK 180m or 43%.
- Profit before tax equalled a return on equity of 18% against 14% in 2004.
- Significant growth in earnings from Markets & Asset Management activities and positive development in Retail Banking.
- High growth in deposits in part as a result of a satisfactory addition of new retail customers opening wage accounts.
- The balance sheet stood at DKK 84bn against DKK 74bn at end-2004.

The Nykredit Bank Group
Profit before tax



The Nykredit Bank Group
Lending and deposits



The Nykredit Bank Group recorded satisfactory results in 2005, slightly exceeding the forecast of around DKK 550-600m made in connection with the Interim Report for Q1-Q3/2005.

Compared with the profit for the year of DKK 325-350m forecast in the Annual Report for 2004, quarterly results as well as results for the full year showed a very positive development. The background for the results was in particular a rising level of activity in Markets & Asset Management and relatively high income from guarantees related to mortgage refinancing activities. Furthermore, results were positively affected by the very low level of provisions for loan and receivable impairment.

The capital adequacy ratio of the Bank Group stood at 10.3% at end-2005 against 10.4% at end-2004.

Retail Banking continued previous years' positive development, and income went up following increased net interest as well as increasing income from guarantees. Similarly, Retail Banking saw an addition of 30% of customers opening wage accounts which also contributed to the rise in retail deposits of DKK 2.7bn to DKK 9.1bn at end-2005.

Corporate Banking was still affected by fierce competition and moderate credit demand with ensuing pressure on credit margins. In 2005 the nationwide financial adviser function was fully integrated into the Group's sales channels strengthening the advisory services offered to customers by the Bank and the Nykredit Group on solutions with a holistic approach, including interest rate and currency management.

Markets & Asset Management recorded a highly satisfactory development, and Nykredit Markets was very successful in selling individualised interest rate and currency products. Debt Capital Markets gained a position as one of the leading arrangers of Danish issues sold to Danish investors, and the Bank's own trading activities generated high earnings in 2005.

Investment & Pension enjoyed strong growth in assets under management and started offering asset management services to Danish customers in France and Spain through the business area Private Portfolio.

Also the asset management activities of the Nykredit Portefølje Bank Group developed positively. Total assets under management and administration increased from DKK 158bn at end-2004 to DKK 183bn at end-2005.

2006 – OUTLOOK

In 2006 the Bank expects slightly rising but still relatively low interest rate levels and a stable economic climate in Denmark.

Nykredit Bank is still in a stage of development which will inherently lead to increased expenses for staff as well as IT operations and development. Impairment provisions for 2006 are expected to be low, albeit higher than in 2004 and 2005. As the Bank's core income is expected to be largely unchanged relative to the high level in 2005, profit before tax for 2006 is expected to land around DKK 475-525m.

THE NYKREDIT BANK GROUP RESULTS

The Bank Group recorded profit of DKK 601m before tax and DKK 439m after tax, up DKK 180m and DKK 149m on 2004.

In 2005 net interest and fee income and value adjustments amounted to DKK 1,184m against DKK 887m in 2004. The nearly 33% increase reflects a positive development within most of the Bank's core activities.

In 2005 the Retail Banking area developed positively, and core income increased from DKK 250m to DKK 276m. The lift is based on an addition of new customers opening wage accounts.

Core income recorded in the Corporate Banking area went up from DKK 230m to DKK 239m. Income from interest and fees improved by DKK 59m, while income from value adjustments decreased by DKK 50m compared with 2004. Income from operating leases remained unchanged at DKK 18m.

Markets & Asset Management recorded significant growth in income from trading in interest rate products and derivative financial instruments. The asset management activities of the Nykredit Portefølje Bank Group and Investment & Pension showed highly satisfactory growth, and the Bank's own trading activities produced a very satisfactory return. In total, core income from Markets & Asset Management activities went up from DKK 346m in 2004 to DKK 600m in 2005.

The Bank's core income subsequently totalled DKK 1,185m equal to a rise of DKK 296m relative to 2004. DKK 289m of the rise was attributable to the business areas, while the remainder could be ascribed to the part of the Bank's own portfolio not allocated to the individual business areas.

Investment portfolio income, ie the return from the Bank's own portfolios exceeding risk-free interest, totalled DKK 19m against DKK 40m in 2004.

Staff and administrative expenses showed a rise of DKK 94m from DKK 502m in 2004 to DKK 596m in 2005.

Approximately DKK 80m of the rise derived from increased staff expenses following the increase in the average number of staff from 362 in 2004 to 426 in 2005 and the annualised effect of appointments in 2004. The number of new appointments was an effect of the increased business volume in the Bank and growth in the Retail Banking area. In 2005 the charge was also impacted by a rise in performance-related bonuses.

Other costs went up by DKK 14m. Besides ordinary price rises, the increase was mainly an effect of the higher business volume leading to an increase in expenses for IT operations of approximately DKK 19m. Other expenses were largely unchanged compared with 2004.

Provisions for loan and receivable impairment amounted to DKK 7m against DKK 6m in 2004. In line with recent years, provisioning levels were very low as a result of the continued favourable economic climate in Denmark. The transition to new accounting policies also led to a somewhat lower provisioning level compared with the previous policies. Impairment provisions relative to loans and advances came to 0.5% at end-2005 against 0.8 at end-2004.

Tax on profit for the year was DKK 162m equal to 27% of profit before tax for the year.

Profit after tax totalled DKK 439m against DKK 290m in 2004.

The Nykredit Bank Group Results

DKKm	2005	2004
Net interest and fee income	1,007	875
Value adjustments	177	12
Other operating income	20	42
Total income from interest, fees and value adjustments [1]	**1,204**	**929**
Staff and administrative expenses	596	502
Provisions for loan and receivable impairment	7	6
Profit before tax	**601**	**421**
Tax	162	131
Profit for the year	**439**	**290**
[1] Of which		
– Core income	1,185	889
– Investment portfolio income	19	40

THE GROUP'S BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

The Nykredit Bank Group balance sheet went up from DKK 74bn at end-2004 to DKK 84bn at end-2005.

Loans and advances increased by DKK 3.8bn to DKK 26.4bn as a result of increased retail lending, up DKK 0.4bn, corporate lending, up DKK 2.0bn and increased reverse transactions in Markets & Asset Management, up DKK 1.4bn.

Bonds and equities went up by DKK 4.6bn to DKK 36.2bn. The size of the portfolio as well as the increase for the year were particularly affected by Nykredit Markets's trading operations and the Bank's activities in the repo market.

Payables to credit institutions went up by nearly DKK 5bn to DKK 44.7bn. Repo transactions accounted for DKK 8.7bn of total payables against DKK 9.9bn at end-2004.

Deposits increased by DKK 3.0bn to DKK 22.1bn, particularly as a consequence of an increased addition of retail customers opening wage accounts, etc. Consequently, retail deposits went up by DKK 2.7bn.

Issued bonds grew from DKK 315m to DKK 654m. Compared with end-2004, the Bank issued bonds of a nominal value of DKK 462m, and issues, consequently, totalled a nominal value of DKK 787m.

At end-2005 the Bank held own bonds worth DKK 133m, and the carrying amount subsequently came to DKK 654m.

Equity

The Nykredit Bank Group and Nykredit Bank A/S's equity stood at DKK 3,614m at end-2005 against DKK 3,175m at 1 January 2005. As described in "Accounting policies", new accounting rules were implemented from 1 January 2005 which alone led to a rise in equity of DKK 24m. The change has been described in note 41. Furthermore, equity increased by DKK 439m in 2005 equal to profit for the year after tax.

Capital adequacy

At year-end Group capital amounted to DKK 4,220m, including profit for the year of DKK 439m, supplementary capital of DKK 800m and statutory deductions for the Group's portfolio of investment units of DKK 194m.

The Nykredit Bank Group
Balance sheet

DKKm	2005	2004
Receivables from credit institutions	15,005	13,068
Loans and advances at amortised cost and fair value	26,419	22,650
Bonds and equities	36,152	31,586
Payables to credit institutions	44,654	39,695
Deposits and other payables at amortised cost	22,103	19,094
Issued bonds	654	315
Subordinate loan capital	800	800
Equity	3,614	3,175
Balance sheet total	**84,462**	**73,959**

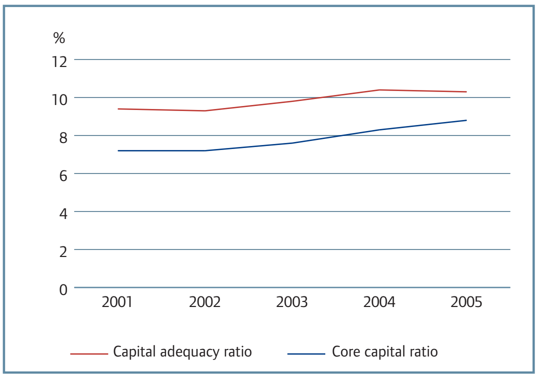
The Nykredit Bank Group
Equity

DKKm	2005	2004
Equity, beginning of financial year	**3,175**	**2,861**
Profit after tax for the year	439	290
Equity, end of financial year	**3,614**	**3,151**
Effect on transition to IFRS	-	24
Equity, cf new accounting policies	**-**	**3,175**

The Nykredit Bank Group
Capital base and capital adequacy

DKKm/%	2005	2004
Total core capital	3,614	3,151
Supplementary capital	800	800
Statutory deductions from core capital and supplementary capital	194	0
Total	**4,220**	**3,951**
Weighted items not included in the trading portfolio	30,932	26,476
Weighted items incurring market risk	9,829	11,457
Total weighted items	**40,761**	**37,933**
Core capital after statutory deductions as % of weighted items	**8.8**	**8.3**
Capital adequacy ratio, %	**10.3**	**10.4**

The Nykredit Bank Group
Capital adequacy and core capital ratio



At year-end weighted items accounted for DKK 40.8bn or a rise of approximately DKK 2.8bn relative to end-2004.

The capital adequacy ratio stood at 10.3% – largely unchanged relative to 2004. Besides movements in capital and weighted items, the 2005 capital adequacy ratio was affected by the Danish Financial Supervisory Authority's (DFSA) approval at 30 June 2005 to use an internal Value-at-Risk model for the determination of general position risk of debt instruments and currency.

Nykredit Bank Group results by business area

DKKm	Retail Banking		Corporate Banking		Markets & Asset Management		Group items [1]		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Core income	276	250	239	230	600	346	70	63	1,185	889
Operating costs	(133)	(123)	(110)	(87)	(350)	(289)	(3)	(3)	(596)	(502)
Core earnings before losses	**143**	**127**	**129**	**143**	**250**	**57**	**67**	**60**	**589**	**387**
Provisions for loan impairment	(13)	(29)	6	23	0	0	0	0	(7)	(6)
Core earnings after losses	**130**	**98**	**135**	**166**	**250**	**57**	**67**	**60**	**582**	**381**
Investment portfolio income	0	0	0	0	0	0	19	40	19	40
Profit before tax	**130**	**98**	**135**	**166**	**250**	**57**	**86**	**100**	**601**	**421**
Income/costs	1.9	1.6	2.3	3.6	1.7	1.2	-	-	2.0	1.8
Avg allocated business capital [2]	847	665	1,519	1,519	625	602	20	22	3,010	2,808
Core earnings as a % of allocated business capital	15.3	14.7	8.9	10.9	40.0	9.5	-	-	19.3	13.6

[1] Includes income from securities not allocated to the individual business areas but included in the Bank's own portfolios as well as non-allocated expenses.
[2] 8% of risk-weighted average assets allocated to the business areas.

Balance sheet (principal items) by business area

DKKm	Retail Banking		Corporate Banking		Markets & Asset Management		Group items [1]		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Loans, advances and receivables, incl receivables from credit institutions	5,027	4,668	14,704	12,740	21,357	17,504	362	832	41,450	35,744
Securities	181	-	2,084	2,907	31,062	26,806	2,825	1,873	36,152	31,586
Properties and equipment	-	-	248	251	-	-	8	9	256	260
Deposits and payables, incl payables to credit institutions	9,134	6,444	11,181	11,667	46,442	40,678	-	-	66,757	58,789
Balance sheet total	-	-	-	-	-	-	-	-	84,462	73,959
Off-balance sheet items: Guarantees, etc	6,827	4,618	6,139	5,161	491	420	-	-	13,457	10,199

BUSINESS AREAS

The Nykredit Group is organised in three intercompany business areas: Retail Customers, Commercial Customers and Markets & Asset Management.

Total core earnings after losses amounted to DKK 582m in 2005 against DKK 381m in 2004, while profit for the year was DKK 601m against DKK 421m in 2004 equalling a total return on allocated risk-weighted assets of 19.3% relative to 13.6% in 2004

Retail Banking

The Retail Banking area of Nykredit Bank supplies products to the Group's own entities. The development, initial processing and administration of the products are undertaken by Nykredit Bank, while sales and advisory services are handled by Nykredit Realkredit where 48 retail centres, 11 agricultural centres and the sales and customer contact centres serve the banking area.

In 2005 the business area recorded a profit of DKK 130m, up DKK 32m on 2004. Income showed a positive development with a rise in net interest as well as fee income. Guarantee commissions in part from the refinancing of mortgage loans remained at the same high level as recorded in 2004.

Costs went up by DKK 10m as a result of the rising activity level from both new sales and servicing the growing customer base. The number of staff was 105 at end-2005 against 94 at end-2004.

Provisions for loan and credits impairment showed a decrease of DKK 16m relative to 2004 as a result of the continued favourable domestic economy not least for Danish homeowners. A large part of the Bank's lending has been secured by mortgages on customers' real property. DKK 4m has been offset against provisions for the year equal to the share of interest income for the year attributable to provisions. Corresponding amounts have not been offset against provisions for 2004.

In total, profit for the year equalled an average return on the business capital of 15.3% against 14.7% in 2004. The income/cost ratio developed positively from 1.6 in 2004 to 1.9 in 2005.

Balance sheet development

Deposits grew by DKK 2.7bn to DKK 9.1bn. The rise can especially be ascribed to the growing number of customers, but also to bridge finance in connection with mortgage finance, etc. The high deposit rate also attracted savings from customers who otherwise do not bank with Nykredit Bank.

Lending only showed a moderate increase of DKK 0.4bn to DKK 5.0bn. Lending continued to be marked by massive housing loan prepayments through mortgage loans enabled by the rise in property values in many parts of Denmark. The decrease in the overall housing loan portfolio was, however, more than outweighed by lending granted as mortgage equity withdrawal (MEW) facilities.

Particularly in H1/2005 the massive mortgage refinancing activity following the low interest rates and the launch of new mortgage loan types with interest rate caps led to significant issuance of guarantees in the Bank. At end-2005 guarantees totalled DKK 6.8bn against DKK 4.6bn at end-2004.

Activities and initiatives in 2005

The positive trends continued in 2005 where focus centred on selling wage accounts to the Nykredit Group's housing finance customers. The number of customers opening wage accounts continued to develop in 2005 showing growth of 30%.

The sale of mortgage equity withdrawal facilities seriously gained impetus in H2, and committed facilities topped DKK 1bn within a few months. The MEW facility is a flexible credit facility secured on the customer's real property within a maximum LTV of 80%. The facility is offered at one of the lowest rates in the market.

Mortgages

Dansk Pantebrevsbørs A/S of which the Bank owns 50% provides second mortgages. The company outperformed expectations. The trading activity within traditional residential mortgages fell, whereas the activity within the sale of commercial mortgages increased significantly.

Outlook for 2006

The number of customers opening wage accounts or MEW facilities is expected to continue to develop in 2006. The Bank is constantly working on improving the facilities offered to customers using Nykredit as their main banker – both through improved self-service solutions and add-on services.

Results – Retail Banking

DKKm	2005	2004
Core income [1]	276	250
Expenses for wages and administration	(133)	(123)
Core earnings before losses	**143**	**127**
Provisions for loan impairment	(13)	(29)
Core earnings after losses	**130**	**98**
Investment portfolio income	0	0
Profit before tax	**130**	**98**
Income/costs	1.9	1.6
Number of full-time staff, year-end	105	94
Allocated business capital (avg) [2]	847	665
Core earnings after losses as a % of business capital	**15.3**	**14.7**

[1] Net interest and fee income and value adjustments as well as other operating income
[2] 8% of average risk-weighted assets allocated to business areas

Balance sheet (principal items)

DKKm	2005	2004
Loans, advances and receivables at amortised cost	5,027	4,668
Deposits and other payables at amortised cost	9,134	6,444
Off-balance sheet items		
Guarantees and other commitments	6,827	4,618

Balance sheet items, etc reflect the most significant loans and deposits, etc forming the basis of the activities, income and expenses of the business area.

Corporate Banking

Corporate Banking encompasses business activities within commercial, agricultural, rental housing and non-profit housing customers. The sale of the Bank's products takes place through 26 commercial centres and 11 agricultural centres offering all of the Nykredit Group's products.

In 2005 the business area recorded a profit of DKK 135m against DKK 166m in 2004. Core income amounted to DKK 239m, largely the same as in 2004. Net income from interest and fees increased by DKK 59m in 2005, while value adjustments were approximately DKK 50m lower as credit bonds contributed a large positive adjustment in 2004.

Costs went up by DKK 23m to DKK 110m, in part an effect of the sharpened focus on the Nykredit Group's commercial and corporate customers, including the set-up of a nationwide financial adviser function in 2004 leading to a transfer of staff from Nykredit Realkredit A/S to Nykredit Bank. The number of staff was 79 at end-2005 compared with 71 at end-2004.

Impairment provisions posted an income of DKK 6m as the continued stability in the Danish economy combined with a high loan portfolio credit quality enabled the Bank to reverse a number of impairment provisions, while the need for new provisions was limited.

Results – Corporate Banking

DKKm	2005	2004
Core income [1]	239	230
Expenses for wages and administration	(110)	(87)
Core earnings before losses	**129**	**143**
Provisions for loan impairment	6	23
Core earnings after losses	**135**	**166**
Investment portfolio income	0	0
Profit before tax	**135**	**166**
Income/costs	2.3	3.6
Number of full-time staff, year-end	79	71
Allocated business capital (avg) [2]	1,519	1,519
Core earnings after losses as a % of business capital	**8.9**	**10.9**

[1] Net interest and fee income and value adjustments as well as other operating income
[2] 8% of average risk-weighted assets allocated to the business area

Balance sheet (principal items)

DKKm	2005	2004
Loans, advances and receivables at amortised cost	14,704	12,740
Bonds and other securities	2,084	2,907
Property, plant and equipment (investment properties)	248	251
Deposits and other payables at amortised cost	11,181	11,667
Off-balance sheet items		
Guarantees and other commitments	6,139	5,161

Balance sheet items, etc reflect the most significant loans and deposits, etc forming the basis of the activities, income and expenses of the business area.

All in all, profit for the year equalled an average return on the business capital of 8.9% before tax against 10.9% in 2004. The income/cost ratio was 2.3 against 3.6 in 2004.

In recent years, Nykredit Bank has built a position as a competitive specialised bank catering for corporate customers. 2005 saw a satisfactory development in the Corporate Banking activities.

Business results were largely satisfactory considering the fierce competition in the financial sector and the moderate demand.

Activity

Nykredit Bank's product range includes a number of deposit and loan products, financial instruments, securities trading services, asset management, etc. As a subsidiary of 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 increased focus on more diversified sales, the organisation has been adjusted to ensure a more effective integration of the entire product range. A nationwide financial adviser function was fully integrated reinforcing Nykredit's position within all-in solutions, including interest rate and currency management.

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

Nykredit Bank holds a strong position within long-term finance, and the Bank's products serve as elements in the optimisation of customers' finance structures.

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 a key element in this respect.

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.

Nykredit's commercial centres

Denmark's industrial structure is undergoing changes in these years, and structural adjustments are continuously made which also imply geographical shifts.

Nykredit constantly adjusts its local profile by strengthening its commercial centre structure and set up two new commercial centres in Holbæk and Lyngby in 2005.

Agricultural Customers
The sale of banking products to the Group's agricultural customers developed positively in 2005.

On the strength of the high activity in the mortgage finance area, the Agricultural Customers area also landed new banking business. Apart from bridge finance, guarantees, etc, focus was on the sale of the Group's asset management products within investment and pensions.

The Agricultural Customers area also saw significant growth in the sale of financial instruments – swaps and option products – used to adjust the interest rate risk related to mortgage loans.

Rental housing and project sales
Nykredit Bank is still one of the main suppliers of construction loans for non-profit housing associations and supplies financing solutions for large and small housing projects involving housing society as well as owner-occupied dwellings.

Leasing
Activities in the wholly-owned subsidiary Nykredit Leasing A/S and LeasIT A/S, of which the Bank owns 26%, were satisfactory in 2005. The two companies provide the Bank with a solid basis for offering a wide supply of lease solutions meeting customer requirements in the leasing market.

Corporate Banking in 2006
The Nykredit Group had a total commercial loan portfolio of approximately DKK 285bn at end-2005 and a strong position in the market for long-term finance and advisory services on the management of interest rate risk. The market position constitutes a sound foundation for continuously expanding the Bank's business cooperation with Danish trade and industry. In the years ahead the Group will continue to be a major lender and financial adviser to Danish trade and industry making Nykredit the natural choice for customers as a total supplier of financing solutions.

In 2006 the corporate banking market is expected to show high activity but continued fierce competition, and results have therefore been budgeted with prudence involving unchanged business returns.

Markets & Asset Management

The business area Markets & Asset Management undertakes the Nykredit Group's activities within securities trading, asset management and pension advisory services. Markets & Asset Management is grouped in four customer-oriented entities: Nykredit Markets, Debt Capital Markets, Investment & Pension and Nykredit Portefølje.

Core income went up by DKK 254m (73%) to DKK 600m as an effect of very high customer-driven activity and earnings levels within trading in interest rate products and derivative financial instruments, just as the Bank's own trading activities maintained a high earnings level. Lastly, the asset management activities of the Nykredit Portefølje Bank Group and the activities of Investment & Pension developed in a very positive direction.

Expenses for wages and administration increased by DKK 61m to DKK 350m, mainly as a consequence of the staff increase from 224 at end-2004 to 251 at end-2005 and increased expenses for performance-related bonuses. Furthermore, capacity costs were affected by the increased activity levels.

Results – Markets & Asset Management

DKKm	2005	2004
Core income [1]	600	346
Expenses for wages and administration	(350)	(289)
Core earnings before losses	**250**	**57**
Provisions for loan impairment	0	0
Core earnings after losses	**250**	**57**
Investment portfolio income	0	0
Profit before tax	**250**	**57**
Income/costs	1.7	1.2
Number of full-time staff, year-end	251	224
Allocated business capital (avg) [2]	625	602
Core earnings after losses as a % of business capital	**40.0**	**9.5**

[1] Net interest and fee income and value adjustments as well as other operating income
[2] 8% of average risk-weighted assets allocated to the business area

Balance sheet (principal items)

DKKm	2005	2004
Loans and advances at fair value	6,688	5,242
Receivables from credit institutions	14,669	12,262
Securities	31,062	26,806
Payables to credit institutions	46,442	40,678
Non-derivative financial liabilities at fair value	6,484	5,110
Off-balance sheet items		
Guarantees	491	420

Balance sheet items reflect the most significant loans and deposits forming the basis of the activities, income and expenses of the business area.

All in all, profit for the year equalled an average return on the business capital of 40.0% against 9.5% in 2004. The income/cost ratio stood at 1.7 against 1.2 in 2004.

Nykredit Markets

Nykredit Markets undertakes the Nykredit Group's activities within securities trading and tailored financial solutions. Nykredit Markets serves a wide section of the customer base, including institutional customers as well as commercial, corporate and agricultural customers.

2005 was a highly satisfactory year in Nykredit Markets. The overall market position and earnings relative to institutional customers as well as banks were consolidated in terms of traditional securities trading.

The year marked a breakthrough in the cooperation with the Group's other distribution channels. Nykredit Markets achieved significant success in selling derivative financial solutions enabling customers to tailor the interest rate risk profile of existing loans. The swap transaction volume particularly within commercial/corporate and agricultural customers areas therefore developed positively in 2005. The backdrop was a close and reinforced cooperation between Nykredit Markets and the Group's commercial and agricultural centres on the sale of financial solutions. Commercial and agricultural customers increasingly sought individualised solutions such as interest rate caps and currency swaps.

2005 was a good year for credit trading underpinned by solid earnings from the sale and distribution of new issues.

In addition to the high customer-driven activity and earnings level within fixed income trading, profit for the year was also positively affected by high earnings from the Bank's own trading activities.

Debt Capital Markets

2005 was a good year when Debt Capital Markets established a position among the leading arrangers of Danish issues offered to Danish investors. Among the most important activities was the issue of subordinate loan capital and hybrid core (Tier 1) capital mainly for financial institutions as well as the establishment of Kalvebod Plc, a funding vehicle for Danish local and regional banks.

Debt Capital Markets also developed products with underlying assets ranging from exchange and swap rates to equities. These products were mainly sold to professional investors – another area in which the year developed satisfactorily.

Investment & Pension
The Investment & Pension area creates long-term savings concepts aimed at strengthening Nykredit's holistic approach to retail customers' asset management. Investment & Pension aims to provide customers with holistic advice on investment, pension, personal insurance and housing. Assets under management grew significantly in 2005, and the satisfactory development is expected to continue. Nykredit plans to introduce several new products and concepts in the investment and pension area in 2006.

The Private Portfolio area offering advisory services to customers with investable assets over DKK 500,000 also recorded a satisfactory development in 2005. Assets under management topped DKK 3bn.

In 2005 Private Portfolio started offering asset management services to Danish customers residing in France and Spain.

Nykredit Portefølje
The asset management activities of the Nykredit Group are undertaken by Nykredit Bank's subsidiary Nykredit Portefølje Bank.

Growth in assets under management and administration in Nykredit Portefølje continued in 2005. Total assets grew from DKK 158bn at end-2004 to approximately DKK 183bn at end-2005. The advance can be ascribed to a good number of new customers, increased sales within Nykredit Invest and rising securities prices.

In 2005 all Nykredit Portefølje's core areas achieved satisfactory investment results. As a result, Nykredit Invest was No 1 on the list of Denmark's top investment funds throughout most of 2005.

Nykredit Portefølje continued its broad-based focus on all customer types. Within institutionals, this focus generated increased business volumes, one reason being the set-up of a Danish-based hedge fund investing according to the fund-of-funds principle. This development was supplemented with a stronger focus on the distribution of asset management products in cooperation with the various distribution channels of the Group. The renewed focus generated growth in Nykredit Invest in 2005, and the influx of corporate customers, funds, housing associations and public institutions increased steadily throughout 2005.

Nykredit Portefølje's position within administration services was strengthened. Nykredit Portefølje is today the largest provider of administrative investment fund solutions in Denmark and has consequently achieved a position as one of the suppliers most in demand as regards asset management services for the pension fund sector.

Markets & Asset Management in 2006
Growth in the market for asset management products is expected to continue. In addition, the investment results create a solid foundation for further broad-based distribution of Nykredit Portefølje's products to the various customer segments.

In 2006 Nykredit Markets will sharpen its focus even further on offering advisory services with a holistic approach to customers' assets as well as liabilities. Further efforts will be made to create an even closer cooperation between Markets & Asset Management and the Group's distribution channels. The outcome of these efforts is expected to be continued satisfactory earnings growth.

HUMAN RESOURCES AND IT

Staff

A prerequisite of Nykredit's success is competent and dedicated staff.

The professional and personal development of staff and managers as well as the constant development of the organisation are key elements in the Nykredit Group when it comes to realising the ambition of being the preferred place of work for financial-sector staff.

In terms of staff development, focus in 2005 centred on holistic advisory services within the different business areas. The activities were mainly aimed at developing personal sales skills and strengthening customer advisory services related to all types of financial products – both in terms of customers' investments and borrowing.

Nykredit has an objective of developing competent managers that master all the different elements of management. This is reflected both through the Group's management training and through the targeted initiatives and projects realised in the individual business areas and entities.

Core values and staff satisfaction

In continuation of the introduction in 2004 of Nykredit's core values - committed effort, empathy and insight - the quarterly satisfaction measurement programmes were revised in 2005 in order to comprise relevant benchmarks relative to the core values in future.

The new satisfaction measurement programme that forms part of Nykredit's Balanced Scorecard is used as a reviewing tool to strengthen the teamwork and job satisfaction in the individual entities.

Incentive programmes

The Group's general bonus scheme covers all staff members not comprised by special bonus schemes.

For the first time the general bonus scheme includes both corporate bonds and an individual cash bonus. The corporate bonds will have a compulsory minimum holding period of 5 years and be allotted in equal amounts to all staff members of the Group that meet certain employment criteria. For 2005 total bonus payments came to DKK 3m.

Special bonus schemes have been established for all managers and senior specialists in the Group. Furthermore, special bonus schemes covering special areas such as Markets & Asset Management have been established.

IT

Part of the Nykredit Group's business vision is that the Group should work as one company focused on customers' needs and that the Group should take advantage of the possibilities of electronically-based business conduct.

Nykredit's IT strategy supports the integration of Group sales, marketing, production and customer services for the purpose of providing customers with individualised and coordinated services whatever the contact channel.

Nykredit Bank applies the Group's systems to strengthen the sale of the Bank's products.

OTHER

In 2005 Nykredit Bank issued five bond series of which one matured in the financial year. At 31 December 2005 the nominal value totalled DKK 462m of which DKK 439m is listed on the Copenhagen Stock Exchange.

In April the subsidiary Nykredit Portefølje Bank launched fund of hedge funds products for Danish pension funds. The concept consists of six wholesale-based restricted funds by the name of Nykredit Alpha. The funds are administered by Nykredit Portefølje Bank.

At 1 June, Karsten Knudsen, Managing Director, was appointed Group Managing Director and joined the Nykredit Group's Executive Board responsible for the Group's commercial customers activities. Karsten Knudsen continues to maintain his responsibilities in Nykredit Bank.

EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

In the period up to the presentation of the Annual Report, no significant events have occurred.

Group risk management

Risk management is a key element of the Nykredit Realkredit Group and the Nykredit Bank Group's daily operations. The Group takes a prudent approach to different types of risk.

In recent years the Bank has developed models on an ongoing basis that form part of the daily risk and capital management. In 2005 the Bank obtained permission from the Danish Financial Supervisory Authority (DFSA) to apply an internal Value-at-Risk model for the determination of general position risk with respect to debt instruments and currency.

The Board of Directors of the Bank is responsible for defining limits to and monitoring the risk incurred by the Bank as well as for delegating responsibilities and approving overall instructions. The Board of Directors has laid down guidelines and specific limits as to the risk types the Bank may assume. Such risk limits have been delegated in the organisation to each of the acting departments or subsidiaries.

To ensure tight management of the Bank Group's risks, these are monitored by Risk Management and Group Credits from central quarters. The Executive Board is informed about the Group's overall risk levels on a day-to-day basis, and the Board of Directors on a monthly basis.

The Bank has appointed a number of committees to monitor and evaluate the Bank Group's business development and risk. The most important are the Treasury Committee and the Credits Committee which are responsible for managing the Bank's market and credit risk.

The Bank has special focus on the following risk types:

Credit risk – losses following the non-performance of counterparties.

Market risk – the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange and equities risk, etc) and liquidity risk.

Operational risk – the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

THE EU'S CAPITAL REQUIREMENTS DIRECTIVE (CRD/BASEL II)

At end-2005 the EU adopted the new Capital Requirements Directive based on the Basel II rules. The Directive is now being implemented into Danish legislation.

The new capital adequacy rules open up wider possibilities for credit institutions to apply internal models to determine capital adequacy requirements. The rules also imply a new capital requirement for operational risk. Furthermore, the rules imply stricter requirements for the daily management of risk and capital. In Nykredit the main tasks in connection with the new capital adequacy rules are the responsibility of an intercompany project serving the interests of Nykredit Realkredit A/S and its subsidiaries, including Nykredit Bank.

In line with the Nykredit Group in general, Nykredit Bank intends to apply for permission to use advanced internal approaches for the determination of the capital requirement for credit risk. Operational risk is expected to be determined based on the standard method. At present, the Bank uses an internal Value-at-Risk model to determine the capital requirement related to market risk.

In the past years Nykredit Bank has taken part in the Group's efforts to develop models, processes and systems that satisfy the future statutory requirements. These elements are being implemented into the Bank's risk management activities on a current basis.

The Bank expects to submit its application for permission to use advanced internal methods for the determination of credit risk in Q3/2006 in accordance with the DFSA time schedule to allow application from 1 January 2008. The application is being prepared in cooperation with Nykredit Realkredit A/S as the Nykredit Group is required to submit one overall application to the DFSA.

ECONOMIC CAPITAL AND RAROC

The internally developed credit and market risk models are being integrated into the determination of the Bank's economic capital and RAROC (risk-adjusted return on capital). The economic capital is defined as the capital necessary to cover (at a given probability) statistically maximum unexpected losses within a time horizon of one year. The models applied to determine credit risk are comparable with the advanced models of the new Capital Requirements Directive.

The economic capital forms part of the internal assessment of the Bank's capital requirement as well as management estimates of the capital requirement in relation to a number of risk factors.

Credit risk

The Bank's Board of Directors determines the overall framework for credit granting and is presented with the Group's largest credit applications for consideration or briefing on a current basis. The Bank's credit risk is managed in accordance with credit policies, business procedures and credit granting instructions, etc specific to the individual business areas: Retail Banking, Corporate Banking and Markets & Asset Management.

In connection with all credit applications, the Bank performs an assessment of the customer and his or her financial position. The scope and character of the assessment depend on the size of the exposure and the customer's affiliation with the Bank's business areas.

Group Credits is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and the Executive Board and for reporting credit risk internally as well as externally. Group Credits serves all entities of the Nykredit Group and has, accordingly, a responsibility at Group level. As almost all customers have consented to Nykredit monitoring their accounts at Group level, the centralisation of the credits function enables overall review and assessment of customers across Group entities.

Nykredit's local centres have been authorised to process a considerable part of customer applications for bank facilities independently, while applications exceeding the scope of such authorisation are processed at central level by Group Credits. Applications for large loans must be presented to the Executive Board or the Board of Directors. The Bank's guidelines prescribe that applications which, if granted, would bring the Bank's total exposure to a customer over DKK 50m are subject to Board approval initially and, subsequently, when the exposure increases by a multiple of DKK 50m.

In connection with the processing of credit applications, the centres perform an assessment of the individual customers and their financial position. The overall guidelines on customer assessments and property valuations in the individual business areas have been prescribed centrally. Internally developed credit models form an important part of the assessment of the majority of retail, corporate and agricultural customers. Customers are subject to continuous credit reviews based on internal credit models.

Besides prudent credit assessment of the individual customers, the Bank protects itself from future losses by requiring adequate security in a line of tangible assets, primarily commercial and private properties but also securities, personal property and guarantees are involved. These types of security form part of subsequent assessments based on conservative valuations.

The establishment of lines for trading in financial products often requires a contractual basis giving Nykredit

Transition to new accounting policies – changes

DKKm	Corporate	Retail	Total
According to the Annual Report for 2004	109	132	241
Change as a result of new accounting policies	(24)	(4)	(28)
Opening balance sheet at 1 January 2005	**85**	**128**	**213**
Of which			
- Individual provisions	85	97	182
- Group-based provisions	-	31	31

Impairment provisions

DKKm	Corporate		Retail		Total	
	2005	2004	2005	2004	2005	2004
Provisions, beginning of year	85	162	128	131	213	293
Provisions and reversals for the year, net	(6)	(23)	15	28	9	5
Previously provided for, now lost	17	30	21	27	38	57
Other additions and disposals	(1)	0	(1)	0	(2)	0
Effect of new accounting policies		(24)		(4)		(28)
Provisions, year-end	**61**	**85**	**121**	**128**	**182**	**213**
Of which individual	48	85	84	97	132	182
Of which group-based	13	0	37	31	50	31
Effect on profit or loss						
New provisions for the year, net	(6)	(23)	15	28	9	5
Received on claims previously written off	(1)	(2)	(4)	(1)	(5)	(3)
Losses not provided for	1	2	6	2	7	4
Interest attributable to provisions	0	0	(4)	0	(4)	0
Operating expense for the year	**(6)**	**(23)**	**13**	**29**	**7**	**6**
Provisions as a % of loans and guarantees, year-end	0.3	0.5	1.1	1.4	0.5	0.8
Operating expense as a % of loans, advances and guarantees for the year	-	-	0.1	0.3	0.0	0.0

Bank access to netting. The contractual basis is typically based on current market standards such as ISDA or ISMA agreements. No set-off has been made for collateral security or netting agreements in the accounting figures presented.

New accounting policies

As a result of the transition to the International Financial Reporting Standards, the Bank has prepared a new opening balance sheet at 1 January 2005 in which corrections have been made to items such as impairment provisions compared with previous policies.

According to the new accounting rules, the Bank is no longer required to make provisions for loan impairment based on a probable risk of future losses. Provisions are now only required if loans and advances have been impaired as a result of objectively demonstrable events occurred on the balance sheet date.

According to the new accounting rules, all insignificant loans and advances must be reviewed and, if necessary, impairment provisions must be made individually, while other loans and advances must be classified and assessed as credit risk groups. In relation to the opening balance sheet, all commercial and corporate lending was reviewed individually, while retail lending was assessed individually as well as at group level.

All in all, the transition to new accounting policies resulted in a reduction of the Bank's impairment provisions of DKK 28m at the beginning of 2005. The amount has been recorded directly in equity in the opening balance sheet.

Impairment provisions 2005

Impairment provisions for 2004 have not been restated to the new accounting rules for which reason amounts for 2004 and 2005 are not fully comparable, cf the comments in Accounting policies below.

Provisions for 2005 reflect the continued stability in the Danish economy which contributed to realising a reversal of provisions made previously of DKK 56m as well as the fact that the new provisions for the year were moderate. At end-2005 provisions amounted to DKK 182m against DKK 213m at end-2004. Relative to total loans, advances and guarantees, impairment provisions were 0.5% (2004: 0.8%). As in the past few years, provisions for impairment loans were at a very low level both for commercial/corporate and retail customers.

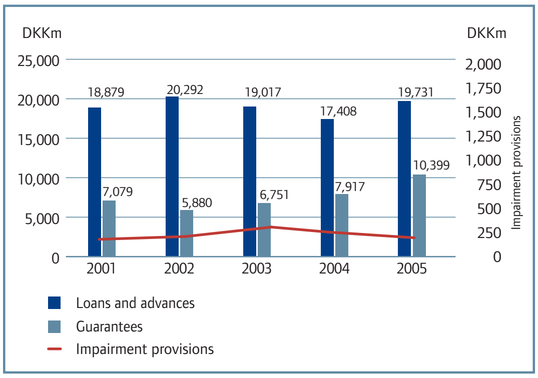
As a result of the new accounting rules, impairment provisions for 2005 have been reduced by DKK 4m equal to the part of the overall interest income of the loans attributable to related provisions. Interest income from for example loans and advances fully written off has, consequently, been set off against provisions. Interest from lending was previously recognised under "Interest income". Comparative figures for 2004 have not been adjusted for this effect, but the amount for 2004 is estimated to have been at largely the same level.

In Management's opinion, provisions at end-2005 are necessary and adequate. A test of the adequacy of provisions is the extent to which losses ascertained individually in the financial statements were covered by provisions made not later than at the beginning of the year. This ratio stood at 84.4% against 93.1% in 2004.

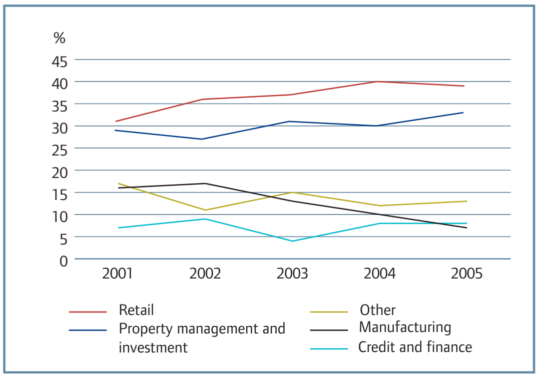
The effect on profit or loss subsequently amounted to DKK 7m, the same as in 2004.

Lending by sector illustrates the Nykredit Group's and thus the Bank's close ties as loan providers in the real property market which accounted for 27-30% of the Bank's lending in the past five years. In the same period retail lending showed a steady increase from 31% in 2001 to 39% in 2005.

Loans, advances, guarantees and impairment provisions



Loans, advances and guarantees by sector excl loans on trading portfolio



Guarantees
The Bank issues a number of guarantees on a current basis, including guarantees to mortgage banks. According to the accounting rules, the guarantees must be reviewed individually on a current basis. However, guarantees of a uniform nature may be reviewed on a group basis. Provisions for losses on guarantees must be made if deemed necessary. Such provisions are presented under the item "Provisions".

An individual review of the Bank's guarantees has neither given rise to making provisions for the guarantee commitment nor has historical data given rise to provisions on a group basis. The same applied on 1 January 2005.

Credit models
The process of developing and implementing advanced credit models continued in 2005.

The three key parameters behind the calculation of credit risk are

PD – Probability of Default – the probability of a customer defaulting on a credit exposure.

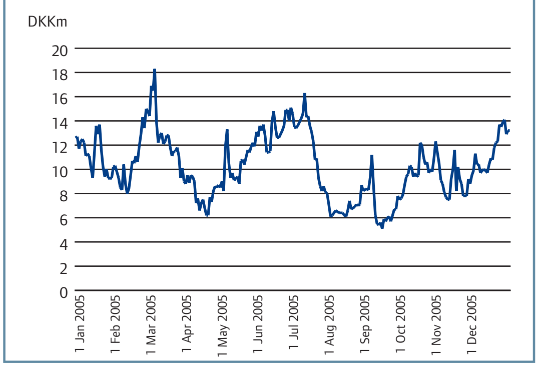
LGD – Loss Given Default – the loss rate of the product given the customer's default.

EV - Exposure Value – a customer's overall balance outstanding at the time of default. The exposure value is adjusted for any undrawn part of the credit maximum granted using a conversion factor.

PD is customer-specific, while LGD and EV are product-specific.

A PD is estimated for each customer, one purpose being to assign a rating to the customer. The PD of retail customers is determined based on customers' credit score and payment behaviour. Credit scoring has been in use in Nykredit for several years and reflects a statistical computation of customers' creditworthiness based on customers' financial positions.

Value-at-Risk (excl equities)



With respect to other customer groups, models have been developed estimating the PD in consideration of business-specific conditions such as financial statements, arrears and provisions as well as industry-specific conditions and the development in the economic climate. The PDs are updated when Nykredit receives new information about structural conditions or the customer.

A customer's rating plays an important role in the customer assessment. A rating scale from 0 to 10 is used, 10 being the top rating. In coming years customer ratings will also form part of credit granting and price fixing processes. The operational use of ratings will intensify.

Market risk
The Bank assumes market risk in connection with customer trading activities and the optimisation of the return on the Bank's equity. Market risk in the Bank's subsidiaries is either hedged against the Bank or negligible. The most significant market risk relates to the Bank's securities trading, swap and money market transactions.

The management of market risk is based on the calculation of Value-at-Risk and traditional risk measures. The Bank has also defined a number of stress and scenario tests that form part of the Bank's risk management activities. Risk Management, an independent department reporting directly to the Executive Board, is responsible for reporting to the Executive Board and Board of Directors.

The Bank applies a trading and risk management system, which handles all types of financial instruments, to compute market risk. The system provides the Bank with a high degree of reliability in relation to consistent monitoring and computation of market risk. The validity of the price and risk models is tested on a current basis.

On 30 June 2005 the Bank obtained DFSA approval to use the risk calculations from the Bank's internal Value-at-Risk model in connection with the calculation of capital adequacy in the fixed income and foreign exchange areas.

Value-at-Risk
Value-at-Risk is a statistical measure of the maximum loss the Bank may risk subject to a given probability and time horizon. The Bank calculates Value-at-Risk

subject to a one-tailed confidence level of 99% and a time horizon of one day.

The risk calculations related to the embedded option of callable mortgage bonds and mortgage bonds of the RenteMax type (capped floating rate) form part of the overall analytical model for the calculation of Value-at-Risk. Risk factors are generally calculated for foreign exchange, interest rate and volatility risk. The Bank uses historical correlations and volatilities from RiskMetrics weighted so the latest observations carry the highest weights. The data set from RiskMetrics is based on daily observations of rates/prices for more than two years. The model results are tested against actual realised returns on a daily basis through back testing.

The Bank's daily risk exposure to interest rate and currency products measured as Value-at-Risk ranged between DKK 5m and DKK 18m throughout 2005 and amounted to DKK 13m at end-2005.

Interest rate risk
The Bank's most significant interest rate exposures are incurred in the currencies DKK, EUR, SEK and NOK. To a substantial extent, long-term loans and deposits are hedged against interest rate movements using interest rate swaps. The Bank's interest rate exposure in terms of a general rise in rates of one percentage point ranged between DKK 135m and a negative DKK 6m in 2005 and stood at DKK 118m at end-2005.

Foreign exchange risk
The Bank's most significant foreign exchange exposures appear in the currencies EUR, CHF, SEK and USD. In 2005 the Bank's foreign exchange exposure in terms of the largest numeric sum of positive and negative currency positions (Exchange Rate Indicator 1) ranged between DKK 23m and DKK 822m and amounted to DKK 151m at end-2005.

Option risk
The Bank's most significant option risk derives from the option embedded in Danish mortgage bonds. The risk is hedged to a significant extent through the purchase of caps. Apart from the option embedded in Danish mortgage bonds, the Bank's trading in swaptions, currency options, etc incurs modest option risk. The Bank's interest rate volatility risk measured as the change in market value following a change in volatility of one percentage point amounted to a negative DKK 7m at end-2005.

Equities risk
The Bank's investment in equities totalled DKK 267m at end-2005 of which DKK 228m constitutes investments in investment funds.

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

Nykredit Bank defines liquidity risk as the risk of the Bank failing to meet its payment obligations when due as a result of the inability to obtain adequate funding (funding liquidity risk). Furthermore, liquidity risk is defined as the risk of losses as a result of the Group's difficulty in disposing of or realising certain exposures/assets within a limited time horizon and without any impairment to the market value due to inadequate market depth or other market interruptions (market liquidity risk).

Balance sheet management is based on an internally developed liquidity model which generates a liquidity graph that quantifies the Bank's liquidity risk on the basis of the Bank's overall cash flow. The liquidity model is subject to intercompany guidelines supplementing the liquidity requirements of the Danish Financial Business Act and the recommendations of the Bank for International Settlements (BIS) relating to liquidity policy and management. The instructions laid down by the Board of Directors on liquidity risk contain the Bank's liquidity policy and principles of and requirements for the liquidity model.

In 2005 the Bank introduced formalised stress testing of liquidity risk, the purpose being to map out the Bank's liquidity risk based on different scenarios and to demonstrate whether the model assumptions are correct and whether there has been increased utilisation of the Bank's liquidity commitments. Furthermore, Treasury calculates a risk ratio of the maximum potential loss as a result of market liquidity risk. Stress tests of the liquidity risk are reported to Management four times a year.

Funding
The Bank's liquidity improved in 2005 mainly as a result of increased deposits.

In 2005 the Bank expanded its funding base through structured bond issues and issued senior bonds for DKK 462m. The total bond issuance had a nominal value of DKK 787m at end-2005.

Capital management
In accordance with statutory requirements, 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.

Operational risk
The daily management of operational risk in Nykredit Bank forms a natural and integral part of the business management. The business areas are responsible for the day-to-day management of operational risk. Operational risk management activities are coordinated centrally to ensure intercompany consistency and optimisation.

The Group pursues a policy of always limiting operational risk in consideration of the costs involved.

Nykredit Bank and the Nykredit Group develop tools and techniques to identify, analyse and report operational risk. The tools are gradually being implemented into the business areas and management support functions to ensure an ongoing monitoring of Group exposures.

Business contingency plans have been formulated to ensure constant and secure operations in case of a shutdown of the IT supply or other emergencies. The ongoing implementation and development of easily accessible business procedures help minimise errors in connection with the performance of the daily tasks.

Group entities

Nykredit Bank A/S
Summary income statement

DKKm	2005	2004
Net interest and fees	883	790
Value adjustments	153	(8)
Other operating income	19	36
Capacity costs	506	428
Provisions for loan and receivable impairment	5	2
Profit from investments in associates and group enterprises	57	33
Profit before tax	**601**	**421**
Tax	162	131
Profit for the year	**439**	**290**

Nykredit Bank A/S
Summary balance sheet

DKKm	2005	2004
Receivables from credit institutions	15,035	13,097
Loans, advances and receivables	26,172	22,660
Bonds and equities	35,893	31,379
Other asset items	7,062	6,784
Total assets	**84,162**	**73,920**
Payables to credit institutions	44,326	39,604
Deposits and other payables	22,192	19,190
Other liability items and provisions	13,230	11,151
Subordinate loan capital	800	800
Equity	3,614	3,175

Nykredit Bank A/S
Key ratios

	2005	2004
Capital adequacy ratio	10.4%	10.4%
Core capital ratio	8.9%	8.3%
Return on equity before tax	17.8%	14.0%
Return on equity after tax	13.0%	9.6%
Income/cost ratio	2.18	1.97
Number of full-time staff (avg)	346	290

NYKREDIT BANK A/S

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S, Copenhagen. Nykredit Bank has been included in this company's Consolidated Financial Statements and in the consolidated financial statements of Foreningen Nykredit, Copenhagen, which owns 86.71% of Nykredit Realkredit A/S.

The Nykredit Bank Group consists of the Parent Company Nykredit Bank A/S and its subsidiaries.

Nykredit Bank A/S applies the same recognition and measurement principles as those applied in the Nykredit Bank Group's financial statements, and the income statement and equity are consequently identical in both financial statements.

For 2005 Nykredit Bank A/S realised a profit of DKK 439m, up DKK 149m on 2004.

Net interest and fees rose by DKK 93m to DKK 883m, while value adjustments increased by DKK 161m. The rise in value adjustments was especially attributable to lower income from bonds at DKK 177m, while income from derivative financial instruments increased by DKK 352m.

Net income from interest and value adjustments should be assessed as one item as the Bank to a large extent uses combinations of interest-bearing financial assets and liabilities as well as derivatives in its day-to-day operations, including swaps for interest rate hedging purposes. The development in value adjustments also reflects the increased business volume relating to interest rate products and derivative financial instruments as well as income from the Bank's own trading.

Other operating income of DKK 19m stems mainly from operating leases. In 2004 the item was affected by a reversal of provisions previously made for exposures involving asset stripping.

Costs rose from DKK 428m to DKK 506m as a result of the increased activity levels which led to an increase in the number of staff as well as increased expenses mainly for IT operations.

At DKK 5m, provisions for loan impairment remained low. Compared with 2004, provisions for 2005 have been determined at DKK 4m, including interest income attributable to provisions for the underlying loans and advances. Excluding this recognition, provisions for the year amounted to DKK 9m.

Balance sheet - principal items
The balance sheet increased by DKK 10.2bn to DKK 84.2bn. Loans, advances and receivables rose by DKK 3.6bn of which DKK 1.5bn was attributable to increased reverse loans and advances. Bonds and equities increased by DKK 4.5bn to DKK 35.9bn. The size of the portfolio as well as the increase for the year should especially be seen in the context of Nykredit Markets's trading operations as well as the Bank's activities in repo markets.

Payables to credit institutions increased by DKK 4.7bn to DKK 44.3bn. Repo transactions accounted for DKK 8.7bn of total payables.

The Nykredit Portefølje Bank Group
Summary income statement

DKKm	2005	2004
Net interest and fees	107	65
Value adjustments	(1)	(1)
Capacity costs	66	51
Profit before tax	**40**	**13**
Tax	11	4
Profit for the year	**29**	**9**

The Nykredit Portefølje Bank Group
Summary balance sheet

DKKm	2005	2004
Receivables from credit institutions	20	25
Bonds and equities	78	45
Other asset items	33	21
Total assets	**131**	**91**
Other liability items and provisions	21	10
Equity	110	81

The Nykredit Portefølje Bank Group
Key ratios

	2005	2004
Capital adequacy ratio	180.5%	206.7%
Core capital ratio	180.5%	206.7%
Return on equity before tax	41.4%	17.6%
Return on equity after tax	30.7%	12.3%
Income/cost ratio	1.60	1.26
Number of full-time staff (avg)	54	47

Deposits increased by DKK 3.0bn to DKK 22.2bn, mainly as a result of growth in the number of new retail customers opening wage accounts. Retail deposits increased by DKK 2.7bn.

Equity stood at DKK 3,614m equal to a DKK 439m increase relative to the beginning of 2005. The increase equals profit for the year after tax.

THE NYKREDIT PORTEFØLJE BANK GROUP

Profit before tax was almost DKK 40m against DKK 13m in 2004. Profit after tax was DKK 29m against DKK 9m in 2004.

Net income from interest, fees and value adjustments posted DKK 106m against DKK 64m in 2004. The rise can be ascribed to increased income in all areas as a result of a significant increase in the level of activity in 2004 and 2005, but also reflects a shift towards products generating higher earnings.

Assets under management and administration totalled DKK 183bn against DKK 158bn in 2004. The increase in assets derives from continued growth in total assets administered on behalf of retail and wholesale investment funds by Nykredit Portefølje Administration A/S.

Costs rose by DKK 15m to DKK 66m. Wages accounted for DKK 11m of the increase. This was a consequence of the increased activity level which led to a rise in the average number of staff from 47 in 2004 to 54 in 2005. The company's continued focus on improving IT preparedness also implied cost increases in 2005.

The Group's balance sheet stood at DKK 131m against DKK 91m at end-2004. Assets consisted mainly of balances with credit institutions of DKK 20m (2004: DKK 25m) and securities portfolios of DKK 78m (2004: DKK 45m). In accordance with Group policy, excess liquidity has been invested in short-term debt instruments.

Equity was DKK 110m against DKK 81m at end-2004.

DANSK PANTEBREVSBØRS A/S

Nykredit Bank A/S owns 50% of the company. The company's accounting figures have been subject to proportionate consolidation at 50% in Nykredit Bank's Financial Statements.

Compared with 2004, the company's first operating year, profit increased by DKK 17m to DKK 18m. The development in the activities of the company surpassed expectations despite the decline in the turnover of traditional residential mortgages. In contrast, the turnover of commercial mortgages increased significantly. At end-2005 the mortgage portfolio was DKK 362m against DKK 84m at end-2004, and equity stood at DKK 39m against DKK 21m at end-2004.

NYKREDIT LEASING A/S

Nykredit Leasing, which offers lease finance to Danish agricultural and commercial customers, recorded profit before tax of almost DKK 2m in 2005 against DKK 1m in 2004. The level of activity in 2005 was lower than expected, resulting in a reduction in loans, advances and receivables from DKK 136m at end-2004 to DKK 119m. In 2006 a somewhat higher level of activity is expected.

The company's equity amounted to DKK 4m against DKK 3m at end-2004. The company has no staff.

Dansk Pantebrevsbørs A/S
Summary income statement

DKKm	2005	2004
Net interest and fees	14	6
Value adjustments	44	20
Capacity costs	33	24
Profit before tax	**25**	**2**
Tax	7	1
Profit for the year	**18**	**1**

Dansk Pantebrevsbørs A/S
Summary balance sheet

DKKm	2005	2004
Receivables from credit institutions	8	3
Bonds and equities	362	84
Other asset items	16	19
Total assets	**386**	**106**
Payables to credit institutions	343	81
Other liability items and provisions	4	4
Equity	39	21
Number of full-time staff (avg)	35	34

Nykredit Leasing A/S
Summary income statement and balance sheet

DKKm	2005	2004
Interest and fee income	2	1
Profit for the year	**2**	**1**
Loans, advances and receivables	119	136
Total assets	120	142
Equity	4	3

OTHER COMPANIES

Nykredit Bank also owns a number of small companies which have been completely or partly without activity in 2005. The companies appear from the Group structure.

Nykredit Pantebrevsinvestering A/S experienced massive prepayments in the mortgage portfolio and very limited growth in mortgages with the required credit quality in 2005. It was therefore decided to discontinue the company's mortgage activities for the time being, and the mortgage portfolio was sold in 2005. The loss after tax for the year of DKK 0.2m was affected by the low activity level and losses arising from the cancellation of contracts entered into for interest rate risk hedging purposes. Total assets were DKK 19m (2004: DKK 168m) of which DKK 12m was deposits with Nykredit Bank. Equity was DKK 19m which was unchanged relative to end-2004.

Pantebrevsselskabet af 8/8-1995 A/S had largely no activity in 2004. Results showed a loss after tax of DKK 0.3m compared with a profit of DKK 8m in 2004. Total assets amounted to DKK 26m (2004: DKK 29m) consisting of deposits with Nykredit Bank. Equity was DKK 26m, the same as in 2004.

LeasIT A/S, of which the Bank owns 25.72%, is subject to proportionate consolidation in the Bank's Consolidated Financial Statements. The company carries on leasing activities.

The company's profit after tax was DKK 7m against DKK 4m in 2004. Total assets amounted to DKK 1,716m against DKK 1,292m at end-2004. The increase of DKK 424m mainly relates to the increase in the lease portfolio from DKK 1,275m in 2004 to DKK 1,646m at end-2005. Equity was DKK 68m at end-2005 against DKK 61m at end-2004.

Furthermore, the Bank has two small *UK subsidiaries* which had no activity in 2005.

Consolidated Financial Statements 2005

ACCOUNTING POLICIES

General

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. However, IFRS 7 has been prematurely implemented and the disclosure requirements of IAS 30 and 32 have therefore not been fulfilled. The Financial Statements have also been presented in accordance with Danish disclosure requirements relating to the presentation of financial statements of issuers of listed bonds, cf the disclosure requirements of the Copenhagen Stock Exchange and the Executive Order on the application of international financial reporting standards for companies subject to the Danish Financial Business Act.

This Annual Report is the first annual report to be prepared in accordance with IFRS. In connection with the transition, IFRS 1 on first-time adoption of IFRS has been applied.

IFRS disclosure requirements have been fulfilled by the disclosures made in the notes or management review.

Changes to accounting policies

At 1 January 2005 the accounting policies have been changed to comply with IFRS.

At 1 January 2005 equity increased by DKK 24m as a result of the policy changes. Assets and liabilities increased by DKK 195m and DKK 171m, respectively. The effect of the policy changes has been recognised directly in equity at 1 January 2005. The effect of the changes to accounting policies has been described in detail in note 41.

Comparative figures have been restated to IFRS 1. However, the Nykredit Bank Group has decided to apply IAS 39 "Financial instruments: Recognition and Measurement" from 1 January 2005. As a result of the special transitional provisions, comparative figures at 31 December 2004 have not been restated to the new accounting policies as to the changed measurement and classification principles of financial instruments.

To increase comparability to the new accounting policies, the opening balance sheet at 1 January 2005 has been presented in the Annual Report, and the notes contain the most significant changes relative to the previous policies. The Management Review has generally been prepared accordingly but so that the development from the previous to the new accounting policies has been included to the extent it has been found appropriate.

In accordance with the transitional rules, the financial highlights for 2001-2003 have not been restated to the new policies.

General on recognition and measurement

Assets have been recognised in the balance sheet if it has been probable that future economic benefits will flow to the Company as a result of a previous event, and if the value of the asset can be measured reliably.

Liabilities have been recognised in the balance sheet when a legal or constructive obligation has arisen as a result of a previous event, and if it has been probable that future economic benefits will flow from the Company/Group, and if the value of the liability can be measured reliably.

Income has been recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost have been recognised in the income statement in the period in which they have arisen.

Also, all costs incurred in connection with this year's earnings have been recognised in the income statement, including depreciation and amortisation, impairment losses and provisions as well as reversals as a result of changed accounting estimates previously recognised in the income statement.

Financial assets and liabilities have initially been recognised on the date of transaction and have been derecognised when the right to receive/pay cash flows from the financial asset or liability has lapsed or where transferred, the Group has also in all material respects transferred all risks and returns related to ownership.

Measurement

The financial statements have been prepared based on the historical cost convention except as modified by the recognition of financial assets and liabilities, including properties.

On initial recognition, financial assets and liabilities have been measured at fair value. Financial assets and liabilities have subsequently been measured at either fair value or amortised cost according to their classification.

As a principal rule, financial assets have been measured at fair value. However, ″Loans, advances and receivables″ have been measured at amortised cost. Loans, advances and receivables included in the trading portfolio have, however, been measured at fair value.

As a principal rule, financial liabilities have been measured at amortised cost. Financial liabilities included in the trading portfolio have been measured at fair value.

Financial assets/liabilities have been classified as part of the trading portfolio if acquired principally to obtain a gain in the short term, if it forms part of a portfolio where evidence of a short-term realisation of gains exists or if classified as such by Management.

Realised and unrealised gains and losses related to the fair value adjustment of financial assets and liabilities have been recognised in the income statement in the period in which they have arisen.

The fair values of all categories of financial assets and liabilities have in principle been based on closing prices quoted at the balance sheet date.

If the market for a financial asset or liability is illiquid, or if no publicly recognised pricing exists, Nykredit Bank has determined the fair value using recognised measurement techniques. These techniques include corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option and other models based on observable market data.

In Management's opinion, the methods and estimates applied as part of the measurement techniques give a true and fair view of the fair value of the instruments.

Derivative financial instruments

On initial recognition, derivative financial instruments have been recognised in the balance sheet at fair value and, subsequently, measured at fair value. Value adjustments have been recognised through profit or loss under the item ″Value adjustments″ in the period in which they have arisen. Positive and negative fair values of derivative financial instruments have been recognised under other assets or other liabilities, as appropriate. The fair values of derivative financial instruments have been determined on the basis of available market data and recognised measurement methods.

Hedge accounting

The Nykredit Bank Group hedges the interest rate risk of fixed-rate financial assets and liabilities on a current basis using derivative financial instruments. This enables the Group to manage overall levels of interest rate sensitivity in the light of the expected interest rate development.

According to the accounting rules, derivative financial instruments must always be measured at fair value. By contrast, a line of the hedged financial instruments must be measured at amortised cost. The different measurement bases of the hedged and the hedge instrument will lead to value fluctuations in the Financial Statements, and the intended effect of the hedging transaction will not appear from the Financial Statements.

To neutralise the effect of fluctuations in the carrying amounts, the hedged financial asset or liability may be fair value-adjusted to the extent risk has been hedged by a derivative financial instrument in accordance with the accounting rules, whereby accounting symmetry is obtained with respect to the instruments.

In the Nykredit Bank Group, hedges have been established at portfolio level, and the hedge accounting effectiveness is measured and assessed on a current basis.

Accounting estimates

In accordance with IFRS, the Annual Report has been prepared on the basis of certain special conditions that require the use of accounting estimates. These estimates have been made by Management in accordance with the accounting policies and based on previous experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and their underlying assumptions are tested and assessed regularly.

The changes to the accounting estimates for the year as well as reversals resulting from changed accounting estimates of amounts previously recognised in the income statement have been recognised in the income statement as ascertained.

The most significant estimates relate to provisions for loan impairment where especially the determination of future payments involves a certain element of uncertainty. Furthermore, the new accounting rules necessitate IT support systems to a significant extent which have not been available in 2005 and are still under development. As a result, provisions for loan impairment have in part been determined on the basis of estimates. In Management's opinion, the uncertainty involved is, however, not of material importance to the assessment of the Annual Report.

Other significant accounting estimates have been disclosed separately in the Annual Report.

Consolidation

Nykredit Bank A/S (the Parent Company) and the enterprises in which Nykredit Bank A/S directly or indirectly has a controlling influence over the enterprises' financial and operational management have been included in the Consolidated Financial Statements. Together, Nykredit Bank A/S and its subsidiaries have been referred to as the Nykredit Bank Group.

Associates are enterprises in which the Nykredit Bank Group has a significant but not controlling influence.

Joint ventures are enterprises in which the Nykredit Bank Group has a joint controlling influence and controls the enterprise jointly with other enterprises not forming part of the Group. The Group's investments in joint ventures have been subject to proportionate consolidation.

The Consolidated Financial Statements have been prepared based on the audited financial statements of the individual enterprises combining items of a uniform nature. All intercompany income and expenses, dividends, intercompany shareholdings and balances as well as realised and unrealised intercompany gains and losses have been eliminated.

Newly acquired and divested enterprises have been recognised in the income statement in the period in which the Nykredit Bank Group owned the enterprise. Comparative figures have not been adjusted for divested or newly acquired enterprises.

Segment information

Information has been provided regarding business segments and income from foreign subsidiaries. The presentation of the business areas has been based on the current reporting made to the Group Management and consequently also the principles applied in connection with management control. The business segments reflect the Group's returns and risks and are considered to be the Group's main segments.

The segments include the concepts core earnings and investment portfolio income. Core earnings include earnings from lending, ie customer-oriented activities, and core earnings from securities. Core earnings presented under Group items include the risk-free return on the securities portfolio as well as cash and cash equivalents not allocated to the business areas.

The risk-free interest of capital allocated to the business areas has not been calculated.

Investment portfolio income includes the part of the return exceeding risk-free interest.

Income and expenses included in the profit/loss before tax of the individual segments include directly as well as indirectly attributable items. Such allocation has been based on internally fixed allocation keys as well as intercompany agreements between the individual business segments. Items not directly or indirectly attributable have not been subject to allocation.

The underlying financial assets and liabilities of the financial income and expenses forming part of the segment profit/loss have been allocated to each business segment. Non-current assets in the segment include the non-current assets used directly as part of the segment operations, including investment properties and investments in associates.

The business capital of the individual segments equals 8% of the segments' average weighted items (minimum requirement), while the business return has been estimated as profit/loss relative to the business capital.

Information has been provided exclusively at Group level.

Foreign currency

The Consolidated Financial Statements have been presented in Danish kroner which is the functional as well as the presentation currency of the Parent Company. All other currencies have been regarded as foreign currencies.

Transactions in foreign currencies have been translated into the functional currency at the exchange rates prevailing on the transaction date. Foreign currency gains and losses on the settlement of such transactions and on translation of monetary assets and liabilities in foreign currencies at the exchange rates prevailing at the balance sheet date have been recognised in the income statement.

Currency translation differences arisen on translation of non-monetary items such as equities at fair value recognised in the income statement have been recognised as part of the fair value gain or loss.

The financial statements of foreign entities have been translated into Danish kroner at the exchange rates prevailing at the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items. The currency change in foreign subsidiaries has been recognised directly in equity.

Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed annually to determine whether there are any indications of impairment apart from what has been recognised as depreciation. If this is the case, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset concerned will be written down to the lower recoverable amount.

The recoverable amount of the asset has been determined as the higher value of the net sales price and the value in use.

Where no recoverable amount can be determined for the individual asset, the assets have been measured in the lowest aggregation of assets where overall measurement may provide a reliable recoverable amount.

Repo/reverse

Securities sold as part of sale and repurchase transactions have been retained on the balance sheet under the appropriate principal item, eg ″Bonds″. The amount received has been recognised as payables to the counterparty or under the item ″Non-derivative financial liabilities at fair value″. The liability has been fair value-adjusted over the maturity of the agreement through profit or loss.

Securities acquired as part of sale and repurchase transactions have been stated as receivables from the counterparty or under the item ″Loans, advances and receivables at fair value″. The receivable has been fair value-adjusted over the maturity of the agreement through profit or loss.

Leases

As lessor, the Nykredit Bank Group has entered into a number of finance and operating leases.

Receivables under finance leases have been included in the item ″Loans, advances and other receivables at amortised cost″. The leases have been measured so the carrying amount equals the net investment in the lease. Interest receivable under finance leases has been recognised as income under the item ″Interest income″. Repayments made have been deducted from the carrying amount in step with the amortisation of the receivable.

Direct costs upon establishment of leases have been recognised in the net investment.

Properties leased under operating leases have been classified as ″Investment properties″. The properties have been measured at fair value in accordance with IAS 40 ″Investment properties″. Fair value adjustments have been recognised on a current basis through profit or loss under the item ″Value adjustments″.

Lease payments received from operating leases have been recognised as income under the item ″Other operating income″.

CASH FLOW STATEMENT

The consolidated cash flow statement has been prepared according to the indirect method based on profit/loss for the year. The consolidated cash flow statement shows cash flows for the year, the changes for the year in cash and cash equivalents and the Group's cash and cash equivalents at the beginning and end of the year. Cash and cash equivalents consist of the items ″Cash balance and demand deposits with central banks″ and ″Receivables from credit institutions and central banks″.

Intercompany transactions

The Nykredit Group consists of a number of independent legal entities. Intercompany trade and services have been settled at market terms or, where no real market exists, on an arm's length basis. Alternatively, settlements have been made on a cost reimbursement basis.

Key ratios

Financial highlights have been presented in accordance with the DFSA Executive Order on the presentation of financial reports of credit institutions and investment companies, etc.

INCOME STATEMENT

Interest income and expense

Interest includes interest due and accrued up to the balance sheet date.

Interest income includes interest and interest-like income, including interest-like commission received and other income that form an integral part of the effective interest of the underlying instruments. The item also includes the index premium on assets, forward premiums of securities and foreign exchange trades as well as adjustments over the maturity of financial assets measured at amortised cost and where cost varies from the redemption price.

Interest income from impaired loans and advances has been set off in full or in part against related provisions recognised under ″Provisions for loan and receivable impairment″.

Interest expense includes all interest-like expenses including adjustment over the maturity of financial liabilities measured at amortised cost and where cost differs from the redemption price.

Dividend

Dividend from equity investments has been recognised as income in the income statement for the financial year in which the dividend was declared.

Fees and commissions

Fees and commissions include income and expenses relating to services including management fees. Fee income relating to services delivered on a current basis has been accrued over their terms.

Significant fees forming part of the effective interest of a financial instrument have been amortised with the financial instrument and included under the item ″Interest income″.

Other fees have been recognised in the income statement at the date of transaction.

Value adjustments

Value adjustments include foreign currency translation adjustments and value adjustments of assets and liabilities measured at fair value. Value adjustments related to the credit risk of loans and advances and receivables measured at fair value have, however, been recognised under the item ″Provisions for loan and receivable impairment″.

Staff and administrative expenses

Staff expenses include wages and salaries as well as social costs and pensions.

Provisions for loan and receivable impairment

Loan losses ascertained and changes for the year in loan loss provisions have been charged to the income statement under the item ″Provisions for loan and receivable impairment″.

Profit/loss from investments in associates

The proportionate share of associates' profit/loss before tax after elimination of the proportional share of intercompany profit/loss has been recognised in the Consolidated Income Statement.

Tax

Tax calculated at the current tax rate of taxable income for the year, adjustment of tax assessed for prior years and adjustment of the proportion of deferred tax relating to tax assets and liabilities attributable to the profit for the year have been charged to the income statement. The adjustments relating to deferred tax attributable to direct equity entries have been recognised directly in equity. The Danish companies of the Nykredit Bank Group are jointly taxed. The Parent Company settles total tax payable by the Group on the taxable income assessed for the year. Current Danish corporation tax payable has been distributed between the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

Domestic corporation tax payable by the jointly taxed companies is payable in accordance with the scheme for payment of tax on account.

Interest payable or receivable relating to the voluntary payment of tax on account and interest payable or receivable on the over-/underpayment of tax have been recognised in the items ″Other interest income″ or ″Other interest expense″, respectively.

ASSETS

Loans, advances and other receivables at fair value

The item includes loans and advances included in the trading portfolio.

Loans, advances and other receivables at amortised cost

Other loans, advances and other receivables have been measured in the balance sheet at the lower of amortised cost or net recoverable value less loan loss provisions.

Provisions for loan and receivable impairment
The Nykredit Bank Group performs continuous individual reviews and risk assessments of all significant loans and advances with a view to uncovering objective indications of impairment. Where objective indications of impairment are present, and such event(s) has(ve) an effect on the size of expected future payments from loans and advances that can be measured reliably, impairment provisions have been made for loans and advances at the difference between the carrying amount before impairment and the present value of expected future payments.

Similarly, provisions have been made for non-significant loans and advances in case of objective indications of impairment where the event(s) concerned is(are) believed to have a reliable measurable effect on the size of expected future payments.

Cash flows have not been discounted if the effect hereof is insignificant.

Loans and advances, which have not been subject to individual provisioning, have been included in the group-based assessment of loans and advances of uniform characteristics of credit risk. On assessment of the groups, an objective indication of impairment is considered to be present when observable data indicate that a decrease has occurred in the expected future payments from the relevant group of loans and advances which can be measured reliably and not attributed to single loans and advances. In case of an objective indication of impairment of a group of loans and advances, provisions will be made for the overall value of the group at the difference between the carrying amount before the impairment and the present value of expected future payments from the group.

Where events have occurred showing a partial or complete reduction of an impairment loss following individual or group-based provisioning, impairment provisions have been reversed accordingly.

Impairment provisions have been deducted from the asset items concerned.

Equities and bonds
Equities and bonds have been measured at fair value. The Group's portfolio of own issued bonds has been offset against issued bonds (the liability), and interest receivable relating to own bonds has been offset against interest payable.

Investments in associates
Investments in associates have been recognised and measured according to the equity method where investments have been measured at the proportional ownership share of the equity value of the enterprises.

Land and buildings
Owner-occupied properties have been recognised in the balance sheet at a reassessed value equal to the fair value at the revaluation date less subsequent accumulated depreciation and impairment losses. Revaluations are made on a continuous basis to prevent the carrying amounts from differing significantly from the values determined using the fair value on the balance sheet date.

Depreciation has been made on a straight-line basis over 20-50 years based on expected scrap values and the estimated useful lives of the properties.

Increases in the carrying amounts arising on revaluation of owner-occupied properties have been added to the revaluation reserve under equity. Impairment losses offsetting former revaluations of the same asset have been deducted from revaluation reserves directly in equity, while other impairment losses have been recognised in the income statement.

Investment properties – Properties leased under operating leases have been classified as investment properties.

Investment properties have been measured at fair value. The fair value has been determined on the basis of either active-market prices, if necessary adjusted for potential differences in the nature, location or state of repair of the asset concerned. If such information is unavailable, the Group applies alternative valuation methods. Changes in the fair value have been recognised in the income statement.

Equipment
Equipment has been measured at historical cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation has been made on a straight-line basis over the expected useful lives being:

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

The residual value and useful lives of the assets have been assessed and adjusted, if necessary, at each balance sheet date. The carrying amount of an asset has been written down to the recoverable value immediately if the carrying amount of the asset exceeds the estimated recoverable value.

Gains and losses on the current replacement of property, plant and equipment have been charged to the income statement under ″Other operating income″ and ″Other operating expenses″.

Prepayments
Prepayments carried as assets include prepaid costs.

LIABILITIES AND EQUITY

Payables
Payables to credit institutions and central banks, deposits and other payables have been recognised at the proceeds received less transaction costs incurred. Subsequent measurement has been made at amortised cost.

Issued bonds at amortised cost
Issued bonds have been recognised with the deduction of significant costs incurred and, subsequently, measured at amortised cost. Where the bonds have embedded derivative financial instruments measured at fair value, the bonds will be value-adjusted on a current basis to ensure accounting symmetry of the value adjustment of the hedged instrument and the hedging derivative financial instrument.

Provisions
The item shows legal or constructive obligations which are uncertain in terms of amount or time of settlement. The item includes pensions and provisions for deferred tax.

Corporation and deferred tax
Current tax liabilities and current tax receivable have been recognised in the balance sheet as tax calculated on taxable income adjusted for tax paid on account.

Deferred tax has been measured in accordance with the balance sheet liability method based on all temporary differences between the carrying amounts and tax bases of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, have been recognised at the value at which they are expected to be utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax has been measured on the basis of the tax rules and tax rates effective under current legislation on the balance sheet date when deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates have been recognised in the income statement.

Deferred income
Deferred income recognised under liabilities includes payments received concerning income recorded in subsequent years.

Subordinate loan capital
The item includes liabilities which, in case of voluntary or compulsory winding-up, in compliance with the terms of the loan, will not be settled until after the claims of the other creditors have been met. Subordinate loan capital has been measured at amortised cost.

Equity
Share capital - Equities have been classified as equity where no obligation exists to transfer cash or other assets.

Statutory reserves include value adjustments of investments in subsidiaries and associates (net revaluation according to the equity method). The reserve has been adjusted for the distribution of dividend to the Parent Company and for other movements in equity in subsidiaries and associates.

Other reserves include distributable reserves which may be distributed to the Company's shareholders without limitation.

Special policy for the Parent Company
The Annual Report for 2005 of Nykredit Bank A/S has been prepared in accordance with the Danish Financial Business Act including the Executive Order on the presentation of financial reports of credit institutions and investment companies, etc issued by the DFSA.

These rules comply with the International Financial Reporting Standards (IFRS) in all material respects but the following:

The above-mentioned Danish Executive Order prescribes that subsidiaries, etc be recognised in the financial statements of the Parent Company in accordance with the ″equity method″ contrary to the IFRS which exclusively allows recognition at ″fair value″ or ″cost″.

The recognition and measurement principles applied by Nykredit Bank are the same in the Parent Company and in the Group after which results and equity will be identical in both reports.

Income statements for the financial year 2005

DKK MILLION

NYKREDIT BANK A/S				THE NYKREDIT BANK GROUP	
2004	2005		Note	2005	2004
2,073	2,178	Interest income	2	2,204	2,095
1,334	1,409	Interest expense	3	1,410	1,334
739	**769**	**NET INTEREST INCOME**		**794**	**761**
5	4	Dividend on equities	4	4	5
197	329	Fee and commission income		419	255
151	219	Fee and commission expense		210	146
790	**883**	**NET INTEREST AND FEE INCOME**		**1,007**	**875**
(8)	153	Value adjustments	5	177	12
36	19	Other operating income		20	42
426	503	Staff and administrative expenses	6	590	498
2	2	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	7	3	3
0	1	Other operating expenses		3	1
2	5	Provisions for loan and receivable impairment	8	7	6
33	57	Profit from investments in associates and group enterprises	9	-	-
421	**601**	**PROFIT BEFORE TAX**		**601**	**421**
131	162	Tax	10	162	131
290	**439**	**PROFIT FOR THE YEAR**	11	**439**	**290**
		DISTRIBUTION OF PROFIT FOR THE YEAR			
290	439	Profit for the year			
0	0	Amounts brought forward			
290	**439**	**TOTAL**			
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT			
0	0	Proposed dividend			
290	439	Retained earnings			
290	**439**	**TOTAL**			

Balance sheets at 31 December 2005

DKK MILLION

NYKREDIT BANK A/S					THE NYKREDIT BANK GROUP		
31.12.2004	1.1.2005	31.12.2005		Note	31.12.2005	1.1.2005	31.12.2004
			ASSETS				
25	25	26	Cash balance and demand deposits with central banks	12	26	25	25
13,072	13,072	15,009	Receivables from credit institutions and central banks	13	15,005	13,068	13,068
-	5,242	6,688	Loans, advances and other receivables at fair value	14	6,688	5,242	-
22,612	17,418	19,484	Loans, advances and other receivables at amortised cost (31.12.2004: Loans and advances)	15	19,731	17,408	22,763
31,321	31,305	35,626	Bonds at fair value (31.12.2004: Bonds)	16	35,885	31,512	31,366
			Equities				
-	74	44	– Trading portfolio		44	74	-
-	-	223	– Equities at fair value		223	-	-
74	**74**	**267**	**Total equities**	17	**267**	**74**	**74**
24	24	37	Investments in associates	18, 19	-	-	-
173	173	206	Investments in group enterprises	18, 19	-	-	-
			Land and buildings				
249	249	246	– Investment properties		246	249	249
-	-	-	– Owner-occupied properties		2	2	2
249	**249**	**246**	**Total land and buildings**	20	**248**	**251**	**251**
6	6	5	Other property, plant and equipment	21	8	9	9
0	3	33	Current tax assets	28	32	3	0
0	0	0	Deferred tax assets	28	0	0	0
-	-	-	Assets temporarily acquired		-	2	2
6,168	6,328	6,534	Other assets	22	6,569	6,363	6,203
0	1	1	Prepayments		3	2	3
73,724	**73,920**	**84,162**	**TOTAL ASSETS**		**84,462**	**73,959**	**73,764**

Balance sheets at 31 December 2005

DKK MILLION

NYKREDIT BANK A/S					THE NYKREDIT BANK GROUP		
31.12.2004	1.1.2005	31.12.2005		Note	31.12.2005	1.1.2005	31.12.2004
			LIABILITIES AND EQUITY				
39,604	39,604	44,326	Payables to credit institutions and central banks	23	44,654	39,695	39,695
19,301	19,190	22,192	Deposits and other payables (31.12.2004: Deposits)	24	22,103	19,094	19,205
325	315	654	Issued bonds at amortised costs (31.12.2004: Issued bonds)	25	654	315	325
-	5,110	6,484	Other non-derivative financial liabilities at fair value	26	6,484	5,110	-
10,519	5,681	6,033	Other liabilities	27	6,085	5,714	10,553
12	12	6	Deferred income		9	15	15
69,761	**69,912**	**79,695**	**Total payables**		**79,989**	**69,943**	**69,793**
			Provisions				
8	18	43	– Provisions for deferred tax	28	49	24	14
3	3	0	– Provisions for pensions and similar obligations	29	0	3	5
4	12	10	– Other provisions	29	10	14	4
15	**33**	**53**	**Total provisions**		**59**	**41**	**23**
800	800	800	Subordinate loan capital	30	800	800	800
			Equity				
1,400	1,400	1,400	Share capital		1,400	1,400	1,400
			Other reserves				
89	89	131	– Statutory reserves		-	-	-
1,659	1,686	2,083	Retained earnings		2,214	1,775	1,748
3,148	**3,175**	**3,614**	**Total equity**		**3,614**	**3,175**	**3,148**
73,724	**73,920**	**84,162**	**TOTAL LIABILITIES AND EQUITY**		**84,462**	**73,959**	**73,764**
			OFF-BALANCE SHEET ITEMS				
7,847	7,849	10,269	Guarantees	31	10,399	7,919	7,917
2,278	2,278	3,030	Other contingent liabilities	32	3,058	2,280	2,280
10,125	**10,127**	**13,299**	**Total off-balance sheet items**		**13,457**	**10,199**	**10,197**
			Related parties	33			
			Financial instruments	34			
			Derivative financial instruments	35			
			Unsettled spot transactions	36			
			Foreign exchange and interest rate exposures	37			
			Repo/reverse transactions	38			
			Contingent liabilities	39			
			Market risk	40			
			Changed accounting policies	41			

Equity

DKK MILLION

NYKREDIT BANK A/S

2005	Share capital*)	Share premium	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity, 1 January 2005, cf the table below	**1,400**	**0**	**89**	**1,659**	**3,148**
Changed accounting policies, cf note 41					
– Provisions for loan impairment and guarantees				27	27
– Fees and transaction costs				23	23
– Fair value adjustment of fixed-rate loans and advances on a hedged basis				159	159
– Fair value adjustment of hedging derivatives				(162)	(162)
– Other adjustments, net				(10)	(10)
– Assessed tax effect				(10)	(10)
Adjusted equity, 1 January 2005	**1,400**	**0**	**89**	**1,686**	**3,175**
Transfers			42		42
Profit for the year				397	397
Total comprehensive income	**0**	**0**	**42**	**397**	**439**
Total changes in equity	**0**	**0**	**42**	**397**	**439**
Equity, 31 December 2005	**1,400**	**0**	**131**	**2,083**	**3,614**

2004	Share capital*)	Share premium	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity, 1 January 2004	**1,400**	**1,040**	**69**	**352**	**2,861**
Changed accounting policies				(3)	(3)
Adjusted equity, 1 January 2004	**1,400**	**1,040**	**69**	**349**	**2,858**
Transfers		(1,040)		1,040	0
Profit for the year			20	270	290
Total comprehensive income	**0**	**(1,040)**	**20**	**1,310**	**290**
Total changes in equity	**0**	**(1,040)**	**20**	**1,310**	**290**
Equity, 31 December 2004	**1,400**	**0**	**89**	**1,659**	**3,148**

*) The share capital breaks down into 11 shares in multiples of DKK 1m.
The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen.

Cash flow statement 2005

DKK MILLION

THE NYKREDIT BANK GROUP

	2005	2004
Profit after tax for the year	439	290
Adjustment for non-cash operating items, depreciation, amortisation and provisions		
Depreciation and impairment losses for property, plant and equipment	4	4
Provisions for loan and receivable impairment	16	9
Tax calculated on profit for the year	162	131
Total	**182**	**144**
Profit for the year adjusted for non-cash operating items	**621**	**434**
Change in working capital		
Loans, advances and other receivables	(3,778)	(530)
Deposits and other payables	2,996	5,027
Payables to credit institutions and central banks	4,668	(1,335)
Bonds at fair value	(4,307)	(1,729)
Equities	(193)	(25)
Other working capital	1,526	(3,241)
Total	**912**	**(1,833)**
Corporation tax paid, net	(165)	(13)
Cash flows from operating activities	**1,368**	**(1,412)**
Cash flows from investing activities		
Property, plant and equipment	0	(1)
Total	**0**	**(1)**
Cash flows from financing activities		
Subordinate loan capital	-	-
Issued bonds	339	0
Total	**339**	**0**
Total cash flows	**1,707**	**(1,413)**
Cash and cash equivalents, beginning of year	13,093	14,738
Foreign currency translation adjustment of cash	231	(232)
Cash and cash equivalents, year-end	**15,031**	**13,093**
Cash and cash equivalents, year-end		
Cash and cash equivalents, year-end, specified as:		
Cash balance and demand deposits with central banks	26	25
Receivables from credit institutions and central banks	15,005	13,068
Cash and cash equivalents, year-end	**15,031**	**13,093**

Notes

DKK MILLION

THE NYKREDIT BANK GROUP

1. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME

	2005 Core earnings	2005 Investment portfolio income	2005 Total	2004 Core earnings	2004 Investment portfolio income	2004 Total
Net interest income	752	42	794	733	28	761
Dividend on equities	4	0	4	1	4	5
Fee and commission income, net	208	1	209	109	0	109
Net interest and fee income	**964**	**43**	**1,007**	**843**	**32**	**875**
Value adjustments	201	(24)	177	4	8	12
Other operating income	20	0	20	42	0	42
Staff and administrative expenses	590	0	590	498	0	498
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	3	0	3	3	0	3
Other operating expenses	3	0	3	1	0	1
Provisions for loan impairment	7	0	7	6	0	6
Profit before tax	**582**	**19**	**601**	**381**	**40**	**421**

Notes

DKK MILLION

NYKREDIT BANK A/S			THE NYKREDIT BANK GROUP	
2004	2005		2005	2004
		2. INTEREST INCOME		
345	268	Receivables from credit institutions and central banks	268	356
916	929	Loans, advances and other receivables	952	922
955	1,111	Bonds	1,113	957
(146)	(130)	Total derivative financial instruments	(130)	(146)
		Of which		
12	20	- Foreign exchange contracts	20	12
(158)	(150)	- Interest rate contracts	(150)	(158)
3	0	Other interest income	1	6
2,073	**2,178**	**Total**	**2,204**	**2,095**
		Of which interest income from genuine purchase and resale transactions entered as:		
273	144	Receivables from credit institutions and central banks	144	273
90	124	Loans, advances and other receivables at fair value	124	90
		Of total interest income:		
826	805	Interest income accrued on financial assets measured at amortised cost	828	832
8	9	Interest income from finance leases	35	26
		3. INTEREST EXPENSE		
832	831	Credit institutions and central banks	835	834
471	523	Deposits and other payables	520	468
8	33	Issued bonds	33	8
23	22	Subordinate loan capital	22	23
0	0	Other interest expense	0	1
1,334	**1,409**	**Total**	**1,410**	**1,334**
		Of which interest expense for genuine sale and repurchase transactions entered as:		
322	215	Payables to credit institutions and central banks	215	322
32	14	Deposits and other payables (non-derivative financial liabilities at fair value)	14	32
		Of total interest expense:		
1,302	1,395	Interest expense accrued on financial liabilities measured at amortised cost	1,396	1,302
		4. DIVIDEND ON EQUITIES		
5	4	Dividend on equities	4	5
5	**4**	**Total**	**4**	**5**

Notes

DKK MILLION

NYKREDIT BANK A/S 2004	2005		THE NYKREDIT BANK GROUP 2005	2004
		5. VALUE ADJUSTMENTS		
-	-	Other loans, advances and receivables at fair value	24	-
214	37	Bonds	37	233
32	39	Equities	39	33
24	3	Foreign exchange	3	24
(275)	77	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	77	(275)
(3)	(3)	Investment properties	(3)	(3)
(8)	**153**	**Total**	**177**	**12**
		Of which value adjustment of hedge accounting instruments		
-	4	Fair value hedge	4	-
		6. STAFF AND ADMINISTRATIVE EXPENSES		
8	7	Remuneration of Board of Directors/Executive Board	7	8
202	269	Staff expenses	331	251
216	227	Administrative expenses	252	239
426	**503**	**Total**	**590**	**498**
		Remuneration of Board of Directors and Executive Board:		
		Board of Directors		
-	-	Remuneration	-	-
		Executive Board		
8	7	Salaries	7	8
-	-	Pensions	-	-
8	**7**	**Total**	**7**	**8**
		Members of the Executive Board receive a fixed salary. No bonus plans have been established. Executive Board members do not receive remuneration as directors of group enterprises and associates. The pensionable age for members of the Executive Board is 65 years. No agreements have been made on pension benefits for Executive Board members. The term of notice is 12 months. Upon resignation at Nykredit Bank A/S's request, Executive Board members are entitled to receive termination benefits equal to 6 months' gross salary.		
		Loans, charges, suretyships or guarantees granted to the members of the:		
0	0	Executive Board	0	0
0	0	Board of Directors	0	0
11	10	Management of the Bank's Parent Company	10	11
		Deposits from the members of the:		
0	0	Executive Board	0	0
3	3	Board of Directors	3	3
1	8	Management of the Bank's Parent Company	8	1
		Staff expenses		
166	225	Wages	278	208
19	22	Pensions (defined contribution plans)	26	22
17	22	Social security expenses	27	21
202	**269**	**Total**	**331**	**251**

Notes

DKK MILLION

NYKREDIT BANK A/S			THE NYKREDIT BANK GROUP	
2004	2005		2005	2004
		6. STAFF AND ADMINISTRATIVE EXPENSES, CONTINUED		
290	**346**	**Average number of staff, full-time equivalents**	**426**	**362**
		Aggregate fees to the auditor appointed by the General Meeting that performs the statutory audit		
1	1	Statutory audit	1	1
0	0	Other services	1	1
1	**1**	**Total**	**2**	**2**
		In addition to the fees mentioned above, expenses relating to the activities of Group Internal Audit have been incurred.		
		7. DEPRECIATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT		
2	2	Property, plant and equipment	3	3
2	**2**	**Total**	**3**	**3**
		8. PROVISIONS FOR LOAN AND RECEIVABLE IMPAIRMENT		
236		Provisions, cf Annual Report for 2004 (31 December 2004)		241
28		Adjustment on transition to the new accounting policies		28
208		**Opening balance sheet at 1 January 2005**		**213**
178		- of which individual provisions		182
30		- of which group-based provisions		31
		Specification of provisions for loan impairment and guarantees		
		Comparative figures have not been restated. Provisions for 2004 have been presented under "Individual provisions".		
		Individual provisions		
289	**178**	**Provisions, beginning of year**	**182**	**293**
102	42	Provisions for the year	45	106
99	53	Reversal of provisions	56	101
0	0	Other additions/disposals	(1)	0
56	37	Provisions recognised as lost	38	57
236	**130**	**Provisions, year-end**	**132**	**241**
		Group-based provisions		
-	**30**	**Provisions, beginning of year**	**31**	**-**
-	20	Provisions for the year (net)	20	-
-	0	Other movements	(1)	-
-	**50**	**Provisions, year-end**	**50**	**-**

Notes

DKK MILLION

NYKREDIT BANK A/S			THE NYKREDIT BANK GROUP	
2004	**2005**		**2005**	**2004**
		8. PROVISIONS FOR LOAN AND RECEIVABLE IMPAIRMENT, CONTINUED		
		Effect on profit/loss		
3	9	Change in provisions for loan impairment and guarantees	9	5
0	(4)	Offset interest income from loans and advances written off as impairment losses	(4)	0
2	4	Losses ascertained for the year, net	7	4
(3)	(4)	Received on claims previously written off	(5)	(3)
2	**5**	**Total provisions for loan impairment and guarantees**	**7**	**6**
-	-	Provisions for other items	-	-
2	**5**	**Total**	**7**	**6**
		Specification of loans and advances with objective indications of impairment		
-	135	Loans and advances subject to individual provisioning	145	-
-	130	Provisions	132	-
-	**5**	**Total**	**13**	**-**
-	4,807	Loans and advances subject to group-based provisioning	4,807	-
-	50	Provisions	50	-
-	**4,757**	**Total loans and advances after provisions**	**4,757**	**-**
		9. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
2	15	Profit from investments in associates	-	-
31	42	Profit from investments in group enterprises	-	-
33	**57**	**Total**	**-**	**-**

Notes

DKK MILLION

NYKREDIT BANK A/S			THE NYKREDIT BANK GROUP	
2004	2005		2005	2004
		10. TAX		
		Tax for the year can be broken down as follows:		
131	162	Tax on profit for the year	162	131
131	**162**	**Total**	**162**	**131**
		Tax on profit for the year is assessed as follows:		
109	131	Current tax	131	109
21	27	Deferred tax	27	21
(1)	(1)	Adjustment of current tax relating to previous years	(1)	(1)
-	5	Adjustment of deferred tax relating to previous years	5	-
-	(1)	Adjustment of deferred tax as a result of a tax rate reduction	(1)	-
2	1	Tax on provisions	1	2
131	**162**	**Total**	**162**	**131**
		Tax on profit for the year specified as follows:		
126	168	Calculated 28% (30%) tax on profit before tax	168	126
		Tax effect of:		
(9)	(2)	Non-taxable income	(2)	(9)
15	2	Non-deductible other costs	2	15
(1)	(6)	Adjustment of tax assessed for previous years	(6)	(1)
131	**162**	**Total**	**162**	**131**
31.2%	26.9%	Effective tax rate	26.9%	31.2%
		11. INCOME FROM FOREIGN ENTITIES		
		Foreign entities' contribution to profit for the year in the form of interest income, fees, value adjustments and other operating income:		
-	-	Nykredit Finance plc, England	2	1
-	**-**	**Total income from foreign entities**	**2**	**1**
		12. CASH BALANCE AND DEMAND DEPOSITS WITH CENTRAL BANKS		
15	23	Cash balance	23	15
10	3	Demand deposits with central banks	3	10
25	**26**	**Total**	**26**	**25**

Notes

DKK MILLION

NYKREDIT BANK A/S			THE NYKREDIT BANK GROUP	
2004	2005		2005	2004
		13. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
3,245	3,105	Receivables at call with central banks	3,105	3,245
9,827	11,904	Receivables from credit institutions	11,900	9,823
13,072	**15,009**	**Total**	**15,005**	**13,068**
		By time-to-maturity		
6,842	8,534	Demand deposits	8,530	6,838
6,230	6,285	Up to 3 months	6,285	6,230
0	99	Over 3 months and up to 1 year	99	0
0	19	Over 1 year and up to 5 years	19	0
0	72	Over 5 years	72	0
13,072	**15,009**	**Total**	**15,005**	**13,068**
4,826	5,814	Of which genuine purchase and resale transactions	5,814	4,826
		14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
-		Loans and advances at fair value according to previous accounting policies		-
5,242		Reclassification from ”Loans and advances” (note 15)		5,242
5,242		**Total, 1 January 2005**		**5,242**
5,242	6,688	Loans and advances at fair value	6,688	5,242
5,242	**6,688**	**Total**	**6,688**	**5,242**
5,242	6,688	Of which genuine purchase and resale transactions	6,688	5,242
		By time-to-maturity		
5,242	6,540	Up to 3 months	6,540	5,242
-	148	Over 3 months and up to 1 year	148	-
5,242	**6,688**	**Total**	**6,688**	**5,242**

Notes

DKK MILLION

NYKREDIT BANK A/S 2004	2005		THE NYKREDIT BANK GROUP 2005	2004
		15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
22,612		Loans and advances according to previous accounting policies		22,763
(5,242)		Reclassified as loans and advances at fair value (note 14)		(5,242)
25		Changed accounting policies relating to provisions for loan impairment		25
23		Amortisation of fees and transaction costs		23
-		Debt instruments reclassified as "Bonds at fair value" (note 16)		(161)
17,418		**Total, 1 January 2005**		**17,408**
17,418	19,484	Loans and advances	19,731	17,408
17,418	**19,484**	**Total**	**19,731**	**17,408**
		By time-to-maturity		
2,762	5,779	On demand	5,493	2,294
4,004	1,041	Up to 3 months	1,086	4,035
3,333	4,114	Over 3 months and up to 1 year	4,215	3,405
4,339	4,844	Over 1 year and up to 5 years	5,204	4,618
2,980	3,706	Over 5 years	3,733	3,056
17,418	**19,484**	**Total**	**19,731**	**17,408**
3,370	3,110	Of total loans and advances, fixed-rate loans and advances represent	3,110	3,370
3,529	3,235	Market value of fixed-rate loans and advances	3,235	3,529
		The market value adjustment has been recognised under "Other assets" and as income in the income statement.		
		Finance leases:		
149	128	Of total loans and advances at amortised cost, finance leases represent	671	564
		By time-to-maturity		
8	7	Up to 3 months	65	47
20	17	Over 3 months and up to 1 year	118	91
78	67	Over 1 year and up to 5 years	427	358
43	37	Over 5 years	61	68
149	**128**	**Total**	**671**	**564**
		The amortised cost of loans and advances under finance leases represents their fair value. The leases comprise equipment as well as real property. The leases have been concluded on an arm's length basis.		
0	0	Non-guaranteed residual values upon expiry of the leases	0	0

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NYKREDIT BANK A/S 2004	NYKREDIT BANK A/S 2005		THE NYKREDIT BANK GROUP 2005	THE NYKREDIT BANK GROUP 2004
		15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST, CONTINUED		
		Loans, advances and guarantee debtors by sectors and industries as a %, year-end:		
0%	**0%**	**Public sector**	**0%**	**0%**
		Corporate Customers:		
3%	3%	Agriculture, hunting and forestry	4%	3%
0%	0%	Fisheries	0%	0%
8%	9%	Manufacturing industries, extraction of raw materials, utilities	9%	8%
1%	1%	Building and construction	1%	1%
2%	7%	Trade, restaurants and hotel	7%	3%
1%	1%	Transport, mail and telephone	1%	2%
25%	18%	Credit, finance and insurance	17%	23%
23%	25%	Property management and trade, purchase and sale, business services	24%	23%
4%	4%	Other trade and industry	5%	4%
67%	**68%**	**Total Corporate Customers**	**68%**	**67%**
33%	32%	Retail Customers	32%	33%
100%	**100%**	**Total**	**100%**	**100%**
		16. BONDS AT FAIR VALUE		
31,321		Bonds according to previous accounting policies		31,366
-		Reclassification of debt instruments traded in active markets (note 15)		161
(10)		Portfolio of own bonds offset against issued bonds		(10)
(6)		Market value adjustment as a result of new accounting policies		(5)
31,305		**Total, 1 January 2005**		**31,512**
10	133	Own bonds	133	10
25,493	23,168	Other mortgage bonds	23,168	25,493
2,677	3,705	Government bonds	3,964	2,723
3,135	8,753	Other bonds	8,753	3,296
31,315	**35,759**	**Total**	**36,018**	**31,522**
10	133	Own bonds offset against issued bonds, cf note 25	133	10
31,305	**35,626**	**Total**	**35,885**	**31,512**
310	837	Of which drawn bonds	837	310
9,786	9,093	Assets sold as part of genuine sale and repurchase transactions	9,093	9,786
11,318	19,417	As collateral security for the Danish central bank and foreign clearing centres, etc, bonds have been deposited of a total market value of	19,417	11,318

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NYKREDIT BANK A/S 2004	2005		THE NYKREDIT BANK GROUP 2005	2004
		17. EQUITIES		
74	267	Equities measured at fair value through profit or loss	267	74
74	**267**	**Total**	**267**	**74**
		Specification of shareholdings		
11	24	Listed on the Copenhagen Stock Exchange	24	11
4	7	Listed on other stock exchanges	7	4
59	236	Unlisted equities stated at fair value	236	59
74	**267**	**Total**	**267**	**74**
		18. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
11	21	Cost, beginning of year	-	-
10	2	Additions	-	-
0	0	Disposals	-	-
21	**23**	**Cost, year-end**	**-**	**-**
1	3	Revaluations and impairment losses, beginning of year	-	-
0	0	Foreign currency translation adjustment	-	-
3	15	Profit before tax	-	-
(1)	(4)	Tax	-	-
3	**14**	**Revaluations and impairment losses, year-end**	**-**	**-**
24	**37**	**Balance, year-end**	**-**	**-**
-	-	Of which credit institutions	-	-
		Investments in group enterprises		
81	81	Cost, beginning of year	-	-
0	1	Foreign currency translation adjustment	-	-
-	-	Additions	-	-
-	-	Disposals	-	-
81	**82**	**Cost, year-end**	**-**	**-**
70	92	Revaluations and impairment losses, beginning of year	-	-
0	1	Foreign currency translation adjustment	-	-
31	42	Profit before tax	-	-
(9)	(11)	Tax	-	-
92	**125**	**Revaluations and impairment losses, year-end**	**-**	**-**
173	**206**	**Balance, year-end**	**-**	**-**
81	110	Of which credit institutions	-	-

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NYKREDIT BANK A/S 2004	2005		THE NYKREDIT BANK GROUP 2005	2004
		19. SUBORDINATE RECEIVABLES AND BALANCES WITH ASSOCIATES AND GROUP ENTERPRISES		
		Subordinate receivables		
20	20	Associates	15	15
0	0	Group enterprises	0	0
34	392	Other enterprises	392	34
54	**412**	**Total**	**407**	**49**
		Balances with associates and group enterprises		
		Associates		
		Asset items		
651	534	Loans, advances and other receivables at amortised cost	352	486
651	**534**	**Total**	**352**	**486**
		Liability items		
4	67	Deposits and other payables	47	2
4	**67**	**Total**	**47**	**2**
		Group enterprises		
		Asset items		
283	111	Loans, advances and other receivables at amortised cost	-	-
283	**111**	**Total**	**-**	**-**
		Liability items		
9	9	Payables to credit institutions	-	-
101	99	Deposits and other payables	-	-
110	**108**	**Total**	**-**	**-**

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NYKREDIT BANK A/S 2004	NYKREDIT BANK A/S 2005		THE NYKREDIT BANK GROUP 2005	THE NYKREDIT BANK GROUP 2004
		20. LAND AND BUILDINGS		
249	246	Investment properties	246	249
-	-	Owner-occupied properties	2	2
249	**246**	**Total**	**248**	**251**
		Investment properties		
255	255	Cost, beginning of year	255	255
255	255	Cost, year-end	255	255
4	6	Fair value adjustment, beginning of year	6	4
2	3	Value adjustment for the year through profit or loss	3	2
6	**9**	**Fair value adjustments, year-end**	**9**	**6**
249	**246**	**Balance, year-end**	**246**	**249**
249	246	Of which assets held under operating leases	246	249
221	210	Latest public land assessment	210	221
18	18	Lease rental received (included in "Other operating income")	18	18

The leases expire in 2020 and 2021 at the latest at which time the residual risk exposure has been determined at DKK 58m (discounted value).

The fair value has been determined based on an internal model which includes future cash flows as well as the pricing of similar properties.

The lessees have purchase options on the properties according to specifically agreed guidelines. In case of a potential disposal, the price will essentially reflect the market value carried.

NYKREDIT BANK A/S 2004	NYKREDIT BANK A/S 2005		THE NYKREDIT BANK GROUP 2005	THE NYKREDIT BANK GROUP 2004
		Owner-occupied properties		
-	-	Cost, beginning of year	3	3
-	-	Additions and disposals for the year	(1)	-
-	**-**	**Cost, year-end**	**2**	**3**
-	-	Revaluations, beginning of year	-	-
-	-	Revaluations, year-end	-	-
-	-	Depreciation and impairment losses, beginning of year	0	0
-	-	Depreciation and impairment losses, year-end	0	0
-	**-**	**Balance, year-end**	**2**	**3**

Owner-occupied properties are depreciated over 50 years and had a residual depreciation period of 45 years at 31 December 2005.

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NYKREDIT BANK A/S			THE NYKREDIT BANK GROUP	
2004	2005		2005	2004
		21. OTHER PROPERTY, PLANT AND EQUIPMENT		
6	5	Equipment	8	9
6	**5**	**Total**	**8**	**9**
		Equipment:		
15	15	Cost, beginning of year	20	22
-	-	Adjustment of value at the beginning of the year	-	-
1	6	Additions for the year	7	4
1	14	Disposals for the year	14	6
-	0	Transferred to (from) other items	0	-
15	**7**	**Cost, year-end**	**13**	**20**
8	9	Depreciation and impairment losses, beginning of year	11	11
2	2	Depreciation for the year	3	3
1	9	Reversal of depreciation and impairment losses	9	3
9	**2**	**Depreciation and impairment losses, year-end**	**5**	**11**
6	**5**	**Balance, year-end**	**8**	**9**
		Equipment is depreciated over 5 years and had a residual depreciation period of 3 years at 31.12.2005.		
		22. OTHER ASSETS		
6,168		Other assets according to previous accounting policies		6,203
159		Market value adjustment relating to "Interest rate hedging"		159
1		Other adjustments		1
6,328		**Total, 1 January 2005**		**6,363**
2,794	2,557	Interest and commission receivable	2,582	2,810
3,456	3,939	Positive market value of derivative financial instruments	3,939	3,293
78	38	Other assets	48	260
6,328	**6,534**	**Total**	**6,569**	**6,363**
		23. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
11,457	12,696	Payables to credit institutions	12,696	28,237
28,147	31,630	Payables to central banks	31,958	11,458
39,604	**44,326**	**Total**	**44,654**	**39,695**
9,905	8,681	Of which genuine sale and repurchase transactions	8,681	9,905
		By time-to-maturity		
8,999	18,994	Payables on demand	19,322	9,090
27,307	22,377	Up to 3 months	22,377	27,307
820	606	Over 3 months and up to 1 year	606	820
1,957	2,200	Over 1 year and up to 5 years	2,200	1,957
521	149	Over 5 years	149	521
39,604	**44,326**	**Total**	**44,654**	**39,695**

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NYKREDIT BANK A/S 2004	NYKREDIT BANK A/S 2005		THE NYKREDIT BANK GROUP 2005	THE NYKREDIT BANK GROUP 2004
		24. DEPOSITS AND OTHER PAYABLES		
19,301		Deposits according to previous accounting policies		19,205
(111)		Reclassified as "Other non-derivative financial liabilities at fair value" (note 26)		(111)
19,190		**Total, 1 January 2005**		**19,094**
8,671	13,082	On demand	12,994	8,575
4	5	At notice	5	4
9,930	8,429	Time deposits	8,429	9,929
585	676	Special deposits	675	586
19,190	**22,192**	**Total**	**22,103**	**19,094**
		By time-to-maturity		
18,134	19,413	Up to 3 months	19,324	18,038
543	533	Over 3 months and up to 1 year	533	543
107	1,693	Over 1 year and up to 5 years	1,693	107
406	553	Over 5 years	553	406
19,190	**22,192**	**Total**	**22,103**	**19,094**
		25. ISSUED BONDS AT AMORTISED COST		
325		Issued bonds according to previous accounting policies		325
(10)		Set-off of the Bank's own portfolio		(10)
315		**Total, 1 January 2005**		**315**
325	787	Value of issues	787	325
10	133	Own portfolio transferred from "Bonds at fair value"	133	10
315	**654**	**Total**	**654**	**315**
		By time-to-maturity		
315	415	Over 1 year and up to 5 years	415	315
0	239	Over 5 years	239	0
315	**654**	**Total**	**654**	**315**
		Issues		
325	325	*2003 to 2008 Bond loan	325	325
-	239	*2005 to 2016 Curve steepener	239	-
-	100	*2005 to 2007 Range accrual note	100	-
-	100	*2005 to 2010 Basket barrier	100	-
-	23	2005 to 2010 Index-linked (unlisted)	23	-
325	**787**	**Total nominal value**	**787**	**325**
0	0	Value adjustments	0	0
10	133	Own portfolio	133	10
315	**654**	**Total**	**654**	**315**
325	764	* Listed on the Copenhagen Stock Exchange, nominal	764	325
		The issues carry floating interest rates.		

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NYKREDIT BANK A/S			THE NYKREDIT BANK GROUP	
2004	2005		2005	2004
		26. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
-		Non-derivative financial liabilities according to previous accounting policies		-
111		Reclassification of deposits at fair value (note 24)		111
4,999		Reclassification of negative securities portfolios (note 27)		4,999
5,110		**Total, 1 January 2005**		**5,110**
111	568	Deposits at fair value	568	111
4,999	5,916	Negative securities portfolios	5,916	4,999
5,110	**6,484**	**Total liabilities at fair value**	**6,484**	**5,110**
		By time-to-maturity		
5,110	6,484	Up to 3 months	6,484	5,110
111	568	Of which genuine sale and repurchase transactions	568	111
		27. OTHER LIABILITIES		
10,519		Other liabilities according to previous accounting policies		10,553
(4,999)		Reclassified as other non-derivative liabilities at fair value (note 26)		(4,999)
162		Market value adjustment relating to interest rate hedging		162
(1)		Other adjustments		(2)
5,681		**Total, 1 January 2005**		**5,714**
2,119	2,457	Interest and commission payable	2,457	2,119
3,212	3,405	Negative market value of derivative financial instruments	3,405	3,212
350	171	Other payables	223	383
5,681	**6,033**	**Total**	**6,085**	**5,714**
		28. PROVISIONS FOR DEFERRED TAX		
8		Deferred tax according to previous accounting policies		14
10		Adjustments relating to changed accounting policies		10
18		**Total, 1 January 2005**		**24**
		Deferred tax		
(10)	18	Deferred tax (asset), beginning of year	24	(3)
17	26	Deferred tax for the year recognised in profit for the year	31	17
1	(1)	Adjustment of deferred tax assessed for previous years	(6)	0
8	**43**	**Deferred tax, year-end**	**49**	**14**
10	-	Deferred tax adjusted in equity relating to changed accounting policies	-	10
18	**43**	**Adjusted deferred tax, year-end**	**49**	**24**
		Deferred tax recognised in the balance sheet as follows		
0	0	Deferred tax (asset)	0	0
18	43	Deferred tax (liability)	49	24
18	**43**	**Net deferred tax, year-end**	**49**	**24**

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NYKREDIT BANK A/S 2004	2005		THE NYKREDIT BANK GROUP 2005	2004
		28. PROVISIONS FOR DEFERRED TAX, CONTINUED		
		Deferred tax relates to		
7	35	Loans and advances	41	12
4	4	Property, plant and equipment, including buildings	4	4
9	(3)	Other assets and prepayments	(3)	9
(1)	9	Other liabilities	9	0
(1)	(2)	Provisions	(2)	(1)
18	**43**	**Total**	**49**	**24**
		Recognised in profit for the year		
0	29	Loans and advances	30	0
6	2	Property, plant and equipment, including buildings	2	6
11	(1)	Provisions	(1)	11
17	**30**	**Total**	**31**	**17**
		Current tax assets		
97	3	Corporation tax receivable, 1 January 2005	3	98
(103)	(116)	Current tax for the year	(131)	(113)
4	152	Corporation tax paid for the year, net	165	13
5	(6)	Adjustment relating to previous years	(5)	5
3	**33**	**Current tax assets, 31 December**	**32**	**3**
		29. PROVISIONS FOR LIABILITIES		
7		Provisions for liabilities according to previous accounting policies		9
8		Provisions for onerous contracts		8
15		**Total at 1 January 2005**		**17**
		Pensions and similar obligations		
3	3	Balance, beginning of year	3	3
-	-	Employed for the year	-	-
-	3	Reversal of unutilised amounts	3	-
3	**0**	**Balance, year-end**	**0**	**3**
		Other provisions		
12	12	Balance, beginning of year	14	14
-	2	Employed for the year	4	-
12	**10**	**Balance, year-end**	**10**	**14**
		Total pensions and other provisions		
15	15	Balance, beginning of year	17	17
-	2	Employed for the year	4	-
-	3	Reversal of unutilised amounts	3	-
15	**10**	**Balance, year-end**	**10**	**17**

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NYKREDIT BANK A/S			THE NYKREDIT BANK GROUP	
2004	2005		2005	2004
		30. SUBORDINATE LOAN CAPITAL		
		Subordinate loan capital consists of liabilities which, in case of voluntary or compulsory liquidation, will not be repaid until after the claims of ordinary creditors have been met.		
		The loan capital below has been granted by Nykredit Realkredit A/S.		
		The loan capital forms part of the supplementary capital and has been included in full in the capital base.		
500	500	The loan was granted in 2003 and falls due on 1 December 2011. No principal payments will be made on the loan during its maturity. The loan carries a floating interest rate.	500	500
300	300	The loan was granted in 2005 and falls due on 22 April 2013. No principal payments will be made on the loan during its maturity. The loan carries a floating interest rate.	300	300
800	**800**	**Total**	**800**	**800**
		31. GUARANTEES		
7,847		Guarantees according to previous accounting policies		7,917
2		Adjustment of provision according to new accounting policies		2
7,849		**Total at 1 January 2005**		**7,919**
6,251	7,344	Financial guarantees	7,344	6,251
0	367	Registration and refinancing guarantees	367	0
1,598	2,558	Other guarantees	2,688	1,668
7,849	**10,269**	**Total**	**10,399**	**7,919**
		32. OTHER CONTINGENT LIABILITIES		
2,245	3,007	Irrevocable credit commitments	3,007	2,245
33	23	Other commitments	51	35
2,278	**3,030**	**Total**	**3,058**	**2,280**

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NYKREDIT BANK A/S 2004	2005		THE NYKREDIT BANK GROUP 2005	2004
		33. RELATED PARTY TRANSACTIONS AND BALANCES		
		Associates		
20	23	Interest income	17	16
0	0	Interest expense	0	0
-	-	Fee and commission income	-	0
-	-	Fee and commission expense	-	-
651	534	Loans and advances	352	486
4	67	Deposits and other payables	47	2
		Group enterprises		
368	416	Interest income	406	357
209	210	Interest expense	206	207
59	47	Fee and commission income	58	68
113	177	Fee and commission expense	158	104
13	(77)	Value adjustments	(77)	13
102	105	Costs	111	107
1,707	2,128	Receivables from credit institutions and central banks	2,128	1,707
283	111	Loans and advances	-	-
11,761	17,243	Bonds at fair value	17,243	11,761
453	512	Other assets	512	453
11,948	17,312	Payables to credit institutions and central banks	17,312	11,948
362	391	Deposits	292	362
340	393	Other liabilities	393	340
800	800	Subordinate loan capital	800	800

The Parent Company Nykredit Realkredit A/S, its group enterprises and associates as well as group enterprises and associates of the Nykredit Bank Group are regarded as related parties.

No unusual related party transactions occurred in 2005. The companies have entered into different agreements as a natural part of the Group's day-to-day operations. The agreements typically involve finance, insurance, sales commission, tasks relating to IT support and IT development projects as well as other joint tasks. Intercompany trade and services took place on an arm's length or a cost recovery basis.

Important related party transactions prevailing/entered into in 2005 between consolidated companies include:

Agreement between Nykredit Bank A/S and Nykredit Holding A/S
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.

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THE NYKREDIT BANK GROUP

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Measurement principles for financial instruments
In connection with the determination of the fair values of financial instruments, the following methods and significant assumptions have been applied.

Equities and bonds in the Group's trading portfolio have been recognised at fair value on the basis of market data and recognised measurement methods.

The carrying amounts of the cash balance, demand deposits and other receivables falling due within 12 months have also been considered as the fair value hereof.

The fair value of deposits and other payables without a fixed term has been assumed to be the value payable at the balance sheet date.

The fair value of fixed-rate loans measured at amortised cost has been determined based on recognised measurement methods. The credit risk related to fixed-rate loans has been assessed in connection with the assessment of other loans, advances and receivables.

2005	Recognised measurement method based on market information	Other recognised measurement methods
Assets		
Demand deposits with central banks	3	
Receivables at call with central banks	3,105	
Receivables from credit institutions	11,900	
Loans, advances and other receivables at fair value	6,688	
Loans, advances and other receivables at amortised cost		19,731
Bonds	35,673	212
Equities	31	236
Interest and commission receivable		2,557
Derivative financial instruments (positive market values)	3,939	
Liabilities		
Payables to credit institutions	12,697	
Deposits and other payables		22,103
Issued bonds at amortised cost	654	
Non-derivative financial instruments at fair value	6,484	
Interest and commission payable		2,457
Derivative financial instruments (negative market values)	3,405	
Other payables		223
Subordinate loan capital		800

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NYKREDIT BANK A/S			THE NYKREDIT BANK GROUP	
2004	2005		2005	2004
		34. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED		
		Assets		
		The majority of financial assets have been measured at fair value, however, loans, advances and receivables have been measured at amortised cost. Fixed-rate loans, advances and receivables, which form part of hedge accounting, have been measured at fair value through profit or loss. In consideration of the fact that loans, advances and receivables measured at amortised cost carry floating interest rates and have been granted on normal credit terms, their carrying amounts have been estimated to correspond to their fair values. Consequently, the carrying amounts of financial instruments recognised as assets have been estimated to correspond to their fair values.		
		Liabilities		
		Financial instruments recognised as liabilities have initially been measured at amortised cost. As these are either relatively short-term and/or have been undertaken on a floating-rate basis, the carrying amounts have been estimated to correspond to the fair value of the financial liabilities. However, there is a difference between the carrying amounts and the fair value of the following liabilities:		
		Deposits and other payables		
-	2,478	Fixed-rate deposits, value according to the financial statements	2,478	-
-	2,479	Calculated fair value	2,479	-
-	**(1)**	**Balance**	**(1)**	**-**
		Derivative financial instruments		
		Assets as well as liabilities have been measured at fair value.		

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THE NYKREDIT BANK GROUP

35. DERIVATIVE FINANCIAL INSTRUMENTS – THE NYKREDIT BANK GROUP

	2005				2004			
	Market value		Market value of non-guaranteed contracts		Market value		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Foreign exchange contracts								
Forward contracts/futures, purchased	163	199	163	199	129	361	129	361
Forward contracts/futures, sold	200	171	200	171	301	102	301	102
Swaps	134	318	134	318	187	324	187	324
Options, purchased	0	0	0	0	2	0	2	0
Options, written	4	3	4	3	0	0	0	0
Interest rate contracts								
Forward contracts/futures, purchased	19	11	19	11	1	32	1	32
Forward contracts/futures, sold	6	27	6	27	25	1	25	1
Forward Rate Agreements, purchased	6	1	6	1	1	15	1	15
Forward Rate Agreements, sold	1	2	1	2	10	0	10	0
Swaps	2,484	2,255	2,484	2,255	2,529	2,476	2,529	2,476
Options, purchased	843	0	843	0	123	0	123	0
Options, written	0	438	0	438	0	115	0	115
Equity contracts								
Forward contracts/futures, purchased	0	1	0	1	0	0	0	0
Forward contracts/futures, sold	0	0	0	0	0	0	0	0
Options, purchased	2	0	2	0	0	0	0	0
Options, written	0	1	0	1	0	0	0	0
Total, Nykredit Bank Group	**3,862**	**3,427**	**3,862**	**3,427**	**3,308**	**3,426**	**3,308**	**3,426**
Total, Nykredit Bank A/S	**3,864**	**3,428**	**3,864**	**3,428**	**3,309**	**3,426**	**3,309**	**3,426**

Notes

DKK MILLION

THE NYKREDIT BANK GROUP

35. DERIVATIVE FINANCIAL INSTRUMENTS – THE NYKREDIT BANK GROUP, CONTINUED

By time-to-maturity 2005	Up to 3 months		Over 3 months and up to 1 year		Over 1 year and up to 5 years		Over 5 years	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts								
Forward contracts/futures, purchased	32,384	(52)	3,331	16	0	0	0	0
Forward contracts/futures, sold	28,207	36	3,532	(6)	0	0	0	0
Swaps	32	0	1,385	0	20,764	(202)	3,457	17
Options, purchased	0	0	0	0	0	0	0	0
Options, written	127	1	0	0	50	0	0	0
Interest rate contracts								
Forward contracts/futures, purchased	26,863	8	2	0	831	0	0	0
Forward contracts/futures, sold	18,118	(20)	9,759	(1)	173	0	0	0
Forward Rate Agreements, purchased	9,178	2	7,600	2	1,250	0	0	0
Forward Rate Agreements, sold	1,050	0	2,600	(1)	250	0	0	0
Swaps	27,123	(1)	56,646	(14)	86,613	160	56,033	84
Options, purchased	1,555	0	4,516	0	1,225	10	25,502	833
Options, written	540	0	7,971	0	1,853	(26)	15,601	(411)
Equity contracts								
Forward contracts/futures, purchased	82	0	65	0	0	0	0	0
Forward contracts/futures, sold	17	(1)	0	0	0	0	0	0
Options, purchased	16	1	0	0	4	1	0	0
Options, written	15	(1)	0	0	4	(1)	0	0

	2005 – total		2004 – total	
	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts				
Forward contracts/futures, purchased	35,715	(36)	23,288	(232)
Forward contracts/futures, sold	31,739	30	21,385	198
Swaps	25,638	(185)	20,171	(137)
Options, purchased	0	0	103	2
Options, written	177	1	13	0
Interest rate contracts				
Forward contracts/futures, purchased	27,696	8	30,580	(30)
Forward contracts/futures, sold	28,050	(21)	36,616	23
Forward Rate Agreements, purchased	18,028	4	22,150	(14)
Forward Rate Agreements, sold	3,900	(1)	6,400	10
Swaps	226,415	229	173,728	53
Options, purchased	32,798	843	9,944	123
Options, written	25,965	(437)	7,225	(114)
Equity contracts				
Forward contracts/futures, purchased	147	0	0	0
Forward contracts/futures, sold	17	(1)	0	0
Options, purchased	20	2	33	0
Options, written	19	(2)	34	0
Total net market value		**434**		**(118)**
Total Nykredit Bank A/S		**435**		**(117)**

Notes

DKK MILLION

36. UNSETTLED SPOT TRANSACTIONS

The Nykredit Bank Group	Nominal value	2005 Market value Positive	2005 Market value Negative	2005 Net market value	2004 Net market value
Foreign exchange contracts, purchased	1,174	3	0	3	4
Foreign exchange contracts, sold	1,464	1	(1)	0	(4)
Interest rate contracts, purchased	4,206	2	(1)	1	(5)
Interest rate contracts, sold	3,965	1	(2)	(1)	6
Equity contracts, purchased	164	1	0	1	0
Equity contracts, sold	191	6	(1)	5	0
Total	**11,164**	**14**	**(5)**	**9**	**1**
Total the year before	**36,527**	**14**	**13**	**1**	**4**

Nykredit Bank A/S	Nominal value	2005 Market value Positive	2005 Market value Negative	2005 Net market value	2004 Net market value
Foreign exchange contracts, purchased	1,174	3	0	3	4
Foreign exchange contracts, sold	1,464	1	(1)	0	(4)
Interest rate contracts, purchased	4,206	2	(1)	1	(5)
Interest rate contracts, sold	3,965	1	(2)	(1)	6
Equity contracts, purchased	164	1	0	1	0
Equity contracts, sold	191	6	(1)	5	0
Total	**11,164**	**14**	**(5)**	**9**	**1**
Total the year before	**36,527**	**14**	**13**	**1**	**4**

Notes

DKK MILLION

NYKREDIT BANK A/S 2004	2005		THE NYKREDIT BANK GROUP 2005	2004
		37. FOREIGN EXCHANGE AND INTEREST RATE RISK		
		Foreign exchange risk		
19,007	18,369	Total foreign exchange assets	18,320	19,007
16,700	16,971	Total foreign exchange liabilities	16,962	16,700
102	151	Exchange Rate Indicator 1	151	102
3.2	4.2	Exchange Rate Indicator 1 as a % of core capital after statutory deductions	4.2	3.2
0	2	Exchange Rate Indicator 2	2	0
0.0	0.1	Exchange Rate Indicator 2 as a % of core capital after statutory deductions	0.1	0.0
		Interest rate risk by the highest currency exposure		
203	331	DKK	331	203
(88)	(211)	EUR	(211)	(88)
(24)	(12)	SEK	(12)	(24)
0	6	PLN	6	0
0	2	USD	2	0
0	2	GBP	2	0
4	0	Other currencies	0	5
95	**118**	**Total interest rate risk on debt instruments**	**118**	**96**
		38. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS		
		Of the asset items below, genuine purchase and resale transactions represent:		
4,826	5,814	Receivables from credit institutions and central banks	5,814	4,826
5,242	6,688	Loans, advances and other receivables at fair value	6,688	5,242
		Of the liability items below, genuine sale and repurchase transactions represent:		
9,905	8,681	Payables to credit institutions and central banks	8,681	9,905
111	568	Other non-derivative financial liabilities at fair value	568	111
		Assets sold as part of genuine sale and repurchase transactions		
9,786	9,093	Bonds at fair value	9,093	9,786

The Bank's activities take place exclusively through an exchange of listed bonds.

39. CONTINGENT LIABILITIES

The operating activities involve the Bank in legal proceedings and litigation. The Bank is of the opinion that the outcome hereof will have no material effect on its financial position.

Notes

DKK MILLION

NYKREDIT BANK A/S 2004	NYKREDIT BANK A/S 2005		THE NYKREDIT BANK GROUP 2005	THE NYKREDIT BANK GROUP 2004
		40. MARKET RISK		
		Market risk is the risk of a value loss as a result of movements in financial markets (interest rate, foreign exchange and equities risk).		
		The Nykredit Bank Group's market risk and risk management policy have been described under "Market risk" in the Management Review.		
		The Nykredit Bank Group continuously hedges the interest rate risk on fixed-rate assets and liabilities using eg derivative financial instruments. This enables the Group to manage the level of its aggregate interest rate sensitivity in the light of the expected interest rate development.		
		According to the accounting provisions, loans and advances as well as deposits must, in principle, be measured at amortised cost, while derivative financial instruments have been measured at fair value. To obtain accounting symmetry between hedging and hedged transactions, adjustment of the carrying amounts of the financial assets and liabilities that form part of effective hedge accounting has been allowed. The fair value adjustment exclusively concerns the hedged part (the interest rate exposure).		
		Hedged fixed-rate assets		
-	-	Receivables from credit institutions and central banks	-	-
3,370	3,110	Loans, advances and other receivables at amortised cost	3,110	3,370
3,370	**3,110**	**Total nominal value**	**3,110**	**3,370**
		Market value of hedged fixed-rate assets		
-	-	Receivables from credit institutions and central banks	-	-
3,529	3,235	Loans, advances and other receivables at amortised cost	3,235	3,529
3,529	**3,235**	**Total carrying amount, year-end**	**3,235**	**3,529**
		Fair value adjustment		
0	0	Receivables from credit institutions and central banks	0	0
159	125	Loans, advances and other receivables at amortised cost	125	159
159	**125**	**Total fair value adjustment**	**125**	**159**
		Hedged derivative financial instruments		
4,342	3,885	Nominal value (synthetic principal)	3,885	4,342
(162)	(124)	Market value adjustment (negative market value)	(124)	(162)
(3)	**1**	**Total fair value adjustment difference**	**1**	**(3)**
		The hedged and the hedging financial instrument have been fair value-adjusted through profit or loss.		
		Amounts recognised in the income statement for the financial year		
-	(34)	Hedged transactions	(34)	-
-	38	Hedging transactions	38	-

Notes

DKK MILLION

41. THE ACCOUNTING EFFECT OF CHANGED ACCOUNTING POLICIES

As mentioned in the Management Review and Accounting Policies, the Nykredit Group will prepare its annual reports in accordance with the International Financial Reporting Standards from 2005.

In consequence, the Group's accounting policies have been changed in a number of areas. IFRS has been implemented to the effect that the Annual Report also observes the provisions laid down in accounting standards adopted by the European Union.

From 1 January 2005 Nykredit Bank A/S, the Parent Company, will prepare its annual reports in accordance with the Danish Financial Business Act, including the Executive Order issued by the Danish Financial Supervisory Authority (the DFSA) on the presentation of financial reports of credit institutions and investment companies, etc. The DFSA's Executive Order on the Presentation of Financial Statements has been drafted to the effect that the accounting rules governing financial companies essentially comply with IFRS. However, the latter Executive Order comprises a few derogations. Investments in group enterprises and associates have been recognised in the Parent Financial Statements in accordance with the "equity method" contrary to IFRS which exclusively allows recognition at "fair value" or "cost".

EFFECT OF THE TRANSITION TO IFRS – THE NYKREDIT BANK GROUP

DKK million	01.01. 2004 Assets	01.01 2004 Liabilities	01.01. 2004 Equity	2004 Profit after tax	31.12 2004 Assets	31.12. 2004 Liabilities	31.12. 2004 Equity
Previous accounting policies	**72,419**	**69,558**	**2,861**	**290**	**73,764**	**70,613**	**3,151**
Effect of changed accounting policies							
Employee benefits		3	(3)	-		3	(3)
Provisions for loan impairment and guarantees (1)					25	(2)	27
Fees and transaction costs (2)					23		23
Fair value adjustment of securities (3)					(6)		(6)
Portfolio of own bonds (4)					(10)	(10)	0
Fair value adjustment of fixed-rate loans (5)					159		159
Fair value adjustment of hedging derivatives (5)						162	(162)
Provisions for liabilities (6)						8	(8)
Other adjustments					4		4
Calculated tax effect (7)				-		10	(10)
Effect of changed accounting policies	**0**	**3**	**(3)**	**-**	**195**	**171**	**24**
New accounting policies	**72,419**	**69,561**	**2,858**	**290**	**73,959**	**70,784**	**3,175**

OUTLINE OF MOST SIGNIFICANT CHANGES

1. Provisions for loan impairment
Contrary to the previous mainly estimated assessments, IAS 39 contains a number of objective criteria for loan impairment provisioning. The application hereof means in particular that provisions are made later than under the previous accounting policies. All significant loans and advances have been reviewed, and in cases where objective indications of impairment have been established, provisions have been made for the exposure concerned. Furthermore, group-based provisions have been made. The overall effect on equity, including the reversal of provisions for guarantees, came to DKK 27m.

2. Fees and transaction costs
In accordance with the new accounting policies, fees, commissions and certain transaction costs forming an integral part of the effective interest of a financial instrument must be amortised with the financial instrument. These items have previously been carried through profit or loss when they have arisen. The amounts recognised in the opening balance sheet have been based on estimates as no systems have been available for the purpose of making direct calculations. Insignificant amounts and fees comparable to payment for work performed have not been amortised but recognised directly through profit or loss when incurred. The overall effect on equity amounted to DKK 23m.

3. Fair value adjustment of securities
According to previous accounting policies, listed securities were recognised at market prices prevailing at the end of the financial period. In accordance with the new accounting rules, measurement is based on closing prices or, if the market is not substantially active or in other cases where closing prices do not reflect fair values, synthetic prices. The overall effect on equity amounted to a negative DKK 6m.

Notes

41. THE ACCOUNTING EFFECT OF CHANGED ACCOUNTING POLICIES, CONTINUED

4. Portfolio of own bonds
Under the previous accounting policies, the portfolio of own (issued) bonds were recognised as an asset in the balance sheet. Under the new accounting rules, the Bank's portfolio (the asset) must be eliminated against the issued bonds (the liability). The change has no effect on equity.

5. Fair value adjustment of certain loans, advances and related hedging instruments (hedging of interest rate risk)
According to previous accounting provisions, fixed-rate assets could not be revalued at values exceeding cost and fixed-rate liabilities could not be value-adjusted. Furthermore, to obtain accounting symmetry, value adjustment of related derivative financial instruments (the hedging instruments) was omitted.

According to the new accounting rules, derivative financial instruments (the hedging instruments) must always be measured at fair value, while hedged financial assets or liabilities must in principle be measured at amortised cost. To obtain accounting symmetry, the new accounting rules allow the measurement of financial assets and liabilities forming part of a hedge at fair value. Derived value adjustments have been carried through profit or loss.

The overall effect on equity netted a negative DKK 3m.

6. Provisions for liabilities
Relative to previous accounting policies, the item ″Provisions for liabilities″ contains provisions for contractual costs related to the handling of non-performing exposures. In future, provisions will be set off against the item ″Other administrative expenses″. The effect on equity amounted to a negative DKK 8m.

7. Tax
Tax has been estimated at 30% of the changes in the accounting policies. The effect on equity amounted to a negative DKK 10m.

8. Investment properties
According to the new accounting rules, properties leased under operating leases have been measured at fair value. Previously, such properties were measured at cost exclusive of depreciation and impairment losses. The transition to new accounting policies has not resulted in any value adjustments in the opening balance sheet as the amount previously carried equals fair value.

Group structure

DKK MILLION

THE NYKREDIT BANK GROUP

	Revenue	Assets	Liabilities	Share capital 31.12.05	Equity 31.12.04	Ownership share, %, 31.12.05	Profit for the year	Nykredit Bank's share of profit for the year	Equity 31.12.05	Carrying amount
Consolidated subsidiaries										
Nykredit Portefølje Bank A/S, Copenhagen a)	106	131	131	40	81	100	29	29	110	110
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen b)	(1)	26	26	5	25	100	0	0	26	26
Nykredit Pantebrevsinvestering A/S, Copenhagen b)	0	19	19	5	19	100	0	0	19	19
Nykredit Leasing A/S, Copenhagen c)	2	120	120	1	3	100	2	2	4	4
Norswood Properties Limited, Plymouth d)	0	3	3	0	2	100	0	0	3	3
Nykredit Finance plc, Plymouth d)	2	44	44	28	41	100	1	1	44	44
Associates subject to proportionate consolidation										
Dansk Pantebrevsbørs A/S, Copenhagen b) [1]	58	386	386	5	21	50	18	9	38	19
LeasIT A/S, Lyngby-Taarbæk c) [1]	48	1,716	1,716	14	61	26	7	2	68	18

1) Subject to proportionate consolidation as a result of shareholders' agreements entitling the Bank to appoint a director in the companies.

Pantebrevsselskabet af 8/8-1995 A/S and Nykredit Pantebrevsinvestering A/S have been completely or partly without activity in 2005.

a) Bank
b) Mortgage trading company
c) Leasing company
d) No activity

The Nykredit Bank Group – eight quarters

DKK MILLION

	Q4/ 2005	Q3/ 2005	Q2/ 2005	Q1/ 2005	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004
SUMMARY INCOME STATEMENT								
Net interest income	162	184	212	236	244	195	184	138
Dividends, fee and commission income (net)	54	63	49	47	21	41	31	21
Net interest and fee income	**216**	**247**	**261**	**283**	**265**	**236**	**215**	**159**
Value adjustments	46	79	47	5	(53)	(44)	(7)	116
Net interest, fees and value adjustments	**262**	**326**	**308**	**288**	**212**	**192**	**208**	**275**
Other operating income	5	5	5	5	22	4	5	11
Staff and administrative expenses	(172)	(138)	(148)	(132)	(134)	(124)	(124)	(117)
Depreciation, amortisation and other operating expenses	(2)	(2)	(2)	0	0	0	(1)	(2)
Provisions for loan impairment	(10)	0	6	(3)	27	(7)	(10)	(16)
Profit before tax	**83**	**191**	**169**	**158**	**127**	**65**	**78**	**151**
Tax	(16)	(55)	(44)	(47)	(42)	(21)	(23)	(45)
Profit	**67**	**136**	**125**	**111**	**85**	**44**	**55**	**106**
SUMMARY BALANCE SHEET, YEAR-END								
Cash balance and receivables from credit institutions	15,031	16,495	15,493	15,106	13,094	19,485	20,508	23,462
Loans, advances and other receivables at fair value	6,688	8,652	7,807	6,709	5,242	7,753	5,724	4,546
Loans, advances and other receivables at amortised cost	19,731	18,028	18,353	18,495	17,408	18,041	18,784	18,639
Bonds at fair value	35,885	36,591	36,364	34,412	31,512	37,173	30,762	30,717
Equities	267	241	232	246	74	49	46	60
Land and buildings	248	249	250	250	251	252	252	253
Other assets	6,612	6,982	7,292	5,924	6,378	5,778	5,160	5,917
Total assets	**84,462**	**87,238**	**85,791**	**81,142**	**73,959**	**88,531**	**81,236**	**83,594**
Payables to credit institutions and central banks	44,654	43,339	43,977	46,647	39,695	51,771	41,210	47,309
Deposits and other payables	22,103	25,288	22,326	20,240	19,094	20,596	20,762	15,437
Issued bonds	654	629	669	576	315	325	267	305
Non-derivative financial liabilities at fair value	6,484	6,724	7,386	3,580	5,110	6,646	10,322	11,119
Other liabilities	6,094	6,879	7,183	5,981	5,728	5,302	4,829	5,634
Total payables	**79,989**	**82,859**	**81,541**	**77,024**	**69,942**	**84,640**	**77,390**	**79,804**
Provisions	59	32	39	32	42	27	27	25
Subordinate loan capital	800	800	800	800	800	800	800	800
Equity								
Previous accounting policies	-	-	-	-	3,151	3,067	3,022	2,968
Effect of changed accounting policies		-	-	-	24	(3)	(3)	(3)
Total	**3,547**	**3,411**	**3,286**	**3,175**	**3,175**	**3,064**	**3,019**	**2,965**
Profit	67	136	125	111	-	-	-	-
Total equity	**3,614**	**3,547**	**3,411**	**3,286**	**3,175**	**3,064**	**3,019**	**2,965**
Total liabilities and equity	**84,462**	**87,238**	**85,791**	**81,142**	**73,959**	**88,531**	**81,236**	**83,594**

The opening balance sheet at 1 January 2005 includes value adjustments as a result of the transition to new accounting policies. Balance sheet figures for previous periods exclude the effects of the new accounting policies relating to financial instruments. To increase comparability, however, reclassifications have been made to the effect that the content and format of the items comply with the new accounting policies and requirements for the presentation of financial statements.

The Nykredit Bank Group – eight quarters - key ratios

DKK MILLION

	Q4/ 2005	Q3/ 2005	Q2/ 2005	Q1/ 2005	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004
OFF-BALANCE SHEET ITEMS								
Guarantees	10,399	11,048	11,917	11,320	7,919	6,585	7,788	6,919
Other commitments	3,058	2,995	2,377	2,307	2,280	1,933	3,051	2,697
Total	**13,457**	**14,043**	**14,294**	**13,627**	**10,199**	**8,518**	**10,839**	**9,616**
KEY RATIOS								
Capital adequacy ratio, %	10.3	9.8	9.7	9.4	10.4	10.4	9.6	10.4
Core capital ratio, %	8.8	8.3	8.1	7.9	8.3	8.1	7.4	8.1
Return on equity before tax (pa), % [1]	9.3	22.0	20.2	19.6	16.4	8.5	10.4	20.7
Return on equity after tax (pa), % [1]	7.5	15.7	15.0	13.7	10.9	5.8	7.3	14.6
Income/cost ratio, DKK [1]	1.45	2.36	2.18	2.17	2.18	1.49	1.57	2.12
Interest rate exposure, %	3.3	2.9	3.4	2.6	3.0	1.3	1.9	2.6
Provisioning ratio for the year, %	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1

[1] Including the effect of new accounting policies in 2004 and 2005

Nykredit Bank A/S - financial highlights

DKK/EUR MILLION

	2005/EUR	2005	2004	2003	2002	2001
SUMMARY INCOME STATEMENT						
Net interest and fee income	118	883	790	825	599	472
Value adjustments	21	153	(8)	(17)	(85)	65
Other operating income	3	19	36	94	17	26
Staff and administrative expenses	67	503	426	380	370	358
Other operating expenses, depreciation and amortisation	0	3	2	3	5	20
Provisions for loan and receivable impairment	1	5	2	125	33	39
Profit from investments in associates and group enterprises	7	57	33	24	21	18
Profit before tax	**81**	**601**	**421**	**418**	**144**	**164**
Tax	22	162	131	125	46	44
Profit for the year	**59**	**439**	**290**	**293**	**98**	**120**
SUMMARY BALANCE SHEET AT 31 DECEMBER						
Assets						
Cash balance and receivables from credit institutions	2,015	15,035	13,097	14,731	13,750	14,511
Loans, advances and other receivables at fair value	896	6,688	5,242	3,012	3,872	2,967
Loans, advances and other receivables at amortised cost	2,612	19,484	17,418	19,192	20,450	19,254
Bonds and equities	4,811	35,893	31,379	29,486	20,044	22,801
Investments in associates and group enterprises	33	243	197	163	156	153
Other assets	914	6,819	6,587	5,842	5,446	3,744
Total assets	**11,281**	**84,162**	**73,920**	**72,426**	**63,718**	**63,430**
Liabilities and equity						
Payables to credit institutions and central banks	5,942	44,326	39,604	41,108	36,971	42,175
Deposits and other payables	2,975	22,192	19,190	13,432	11,387	8,028
Other non-derivative financial liabilities at fair value	869	6,484	5,110	8,304	5,966	6,386
Other liabilities	897	6,693	6,008	5,899	5,766	3,311
Total payables	**10,683**	**79,695**	**69,912**	**68,743**	**60,090**	**59,900**
Provisions	7	53	33	22	22	22
Subordinate loan capital	107	800	800	800	800	800
Equity	484	3,614	3,175	2,861	2,806	2,708
Total liabilities and equity	**11,281**	**84,162**	**73,920**	**72,426**	**63,718**	**63,430**
Off-balance sheet items						
Guarantees	1,376	10,269	7,849	6,611	5,896	7,401
Other commitments	406	3,030	2,278	3,045	4,078	3,452
Total off-balance sheet items	**1,782**	**13,299**	**10,127**	**9,656**	**9,974**	**10,853**

Nykredit Bank A/S – financial highlights (continued)

	2005	2004	2003	2002	2001
KEY RATIOS					
Capital adequacy ratio, %	10.4	10.4	9.7	9.3	9.4
Core capital ratio, %	8.9	8.3	7.6	7.2	7.2
Return on equity before tax (pa), % [1]	17.8	14.0	14.7	5.2	6.6
Return on equity after tax (pa), % [1]	13.0	9.6	10.3	3.5	4.8
Income/cost ratio, DKK [1]	2.18	1.97	1.82	1.35	1.39
Interest rate exposure, %	3.3	3.0	2.4	3.1	2.6
Foreign exchange position, %	4.2	3.2	6.4	14.2	17.0
Foreign exchange exposure, %	0.1	0.0	0.1	0.2	0.1
Loans and advances/deposits, %	118.7	118.4	157.8	201.9	255.1
Loans and advances/equity	7.2	7.2	7.8	8.7	8.2
Growth in loans and advances for the year, %	15.7	1.8	(8.7)	9.5	30.4
Excess cover relative to statutory liquidity requirement, %	207.8	195.2	93.3	175.9	224.2
Total major exposures, %	349.5	351.3	329.7	352.2	459.1
Provisioning ratio for the year, %	0.0	0.0	0.4	0.1	0.1

1) Including the effect of new accounting policies in 2004 and 2005
EUR 1 = DKK 7.4605 at end-2005

DIRECTORSHIPS AND EXECUTIVE POSITIONS 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. and LeasIT A/S
Deputy Chairman of Sund & Bælt Holding A/S and its two subsidiaries
Director of Erhvervsinvest Management and JNSFA Holding A/S

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,
Nykredit Bank Hipoteczny S.A., JN Data A/S, Totalkredit A/S and Værdipapircentralen A/S

Per Ladegaard
Managing Director of Nykredit Holding A/S
Group Managing Director of Nykredit Realkredit A/S
Chairman of JN Data A/S, Realkreditnettet Holding A/S and its subsidiaries,
Nykredit Mægler A/S and Nykredit Forsikring A/S

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

Karsten Knudsen
Managing Director of Nykredit Holding A/S
Group Managing Director of Nykredit Realkredit A/S

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

Jes Klausby
Deputy Chairman of Dansk Pantebrevsbørs A/S

EXECUTIVE BOARD

Kim Duus, Jes Klausby and Karsten Knudsen

EXECUTIVES

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, Executive 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, Senior Vice President
Legal Department	Elisabeth Stamer, Chief Legal Adviser
Finance & Accounts	Nils Peter Sørensen, First Vice President

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