

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

19 May 2005

**Q1 Interim Report  
The Nykredit Realkredit Group  
(1 January 2005 – 31 March 2005)**

**Q1 – IN BRIEF**

- Profit before tax of DKK 1,162m
- Core earnings amounted to DKK 647m and investment portfolio income DKK 515m
- Particularly high mortgage lending in Q1 of DKK 89bn, gross
- Bank and mortgage lending up DKK 18bn to DKK 668bn
- The Nykredit Group accounted for 47% of total gross lending in the mortgage finance market and 52% of net new lending
- The Group's forecast profit before tax for the year has been adjusted upwards to DKK 2.9–3.2bn
- Group equity came to DKK 45.2bn
- Group capital adequacy incl profit for the period, etc stood at 11.5%

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From today the Q1 Interim Report of the Nykredit Realkredit Group can be downloaded as a pdf file from Nykredit's website [www.nykredit.dk](http://www.nykredit.dk).

DKK MILLION	Q1/2005	Q1/2004 *)	FY2004 *)
<b>CORE EARNINGS AND PROFIT FOR THE PERIOD</b>			
<b>Core income from:</b>			
- Business operations	1,356	1,242	4,811
- Securities	172	184	814
<b>Total</b>	<b>1,528</b>	<b>1,426</b>	<b>5,625</b>
Operating costs, depreciation and amortisation	857	844	3,504
<b>Core earnings before impairment losses</b>	<b>671</b>	<b>582</b>	<b>2,121</b>
Provisions for loan impairment	24	7	(400)
<b>Core earnings after impairment losses</b>	<b>647</b>	<b>575</b>	<b>2,521</b>
Investment portfolio income	515	549	1,732
<b>Profit before tax</b>	<b>1,162</b>	<b>1,124</b>	<b>4,253</b>
Tax	367	302	1,058
<b>Profit for the period</b>	<b>795</b>	<b>822</b>	<b>3,195</b>
<b>SUMMARY BALANCE SHEET</b>			
	31.03.2005	31.03.2004 *)	31.12.2004 *)
<b>Assets:</b>			
Mortgage loans	649,312	599,889	632,482
Bank loans – excl reverse transactions	18,495	18,639	17,408
Bonds and shares	44,569	77,580	80,559
Other assets	95,464	84,142	75,024
<b>Total assets</b>	<b>807,840</b>	<b>780,250</b>	<b>805,473</b>
<b>Liabilities and equity:</b>			
Deposits	19,845	15,406	19,008
Issued mortgage bonds	657,045	636,599	670,853
Subordinate loan capital:			
- Hybrid core capital	3,858	-	3,696
- Supplementary capital	2,378	2,602	2,600
Other liabilities	79,506	83,195	65,051
<b>Equity</b>	<b>45,208</b>	<b>42,448</b>	<b>44,265</b>
<b>Total liabilities and equity</b>	<b>807,840</b>	<b>780,250</b>	<b>805,473</b>
<b>KEY RATIOS</b>			
	31.03.2005	31.03.2004 *)	FY2004 *)
Profit for the period as a % of average equity (pa)	7.1	8.0	7.4
Core earnings before impairment losses as a % of average equity (pa)	6.0	5.6	4.9
Core earnings after impairment losses as a % of average equity (pa)	5.6	5.6	5.8
Costs as a % of core income	56.1	59.2	62.3
Total provisions	1,165	2,136	1,610
Provisions as a % for the period	0.0	0.0	(0.1)
Capital adequacy ratio	11.2	10.4	11.5
Core capital ratio	10.8	10.0	11.1
Average number of full-time staff	3,266	3,208	3,234

\*) Adjusted in accordance with the new accounting policies, cf the opening balance sheet at 1 January 2005.

## Q1 Interim Report

The Nykredit Realkredit Group's results reflect a quarter with very high lending activity, and profit before tax came to DKK 1,162m compared with DKK 1,124m in the same period the year before. Profit for the period amounted to DKK 795m against DKK 822m in 2004.

### CORE EARNINGS

Group core earnings after impairment losses were DKK 647m in Q1/2005 compared with DKK 575m in the same period the year before.

Group core income from business operations increased by DKK 114m to DKK 1,356m reflecting particularly high lending and refinancing activity. Group gross mortgage lending came to DKK 89bn in Q1/2005 compared with DKK 51bn in the same period the year before.

Core income from insurance operations included in total core income from business operations was negatively affected by the storm in January and came to a negative DKK 9m against a positive DKK 51m in Q1/2004.

Core income from securities has been reduced by DKK 12m to DKK 172m in Q1/2005. Results reflect a decline in money market rates.

As expected, operating costs, depreciation and amortisation were DKK 857m in Q1/2005 against DKK 844m in 2004.

Group provisions for loan impairment of DKK 24m were still low.

### INVESTMENT PORTFOLIO INCOME

Nykredit's investment portfolio income posted DKK 515m in Q1/2005 against DKK 549m in the same period the year before.

At 31 March 2005 the Group's interest rate exposure was DKK 346m in case of an overall change in interest rates of 1 percentage point. The interest rate exposure will be reduced by DKK 145m if the acquisition of Totalkredit is completed.

The equity exposure in case of an overall price decrease of 10% was DKK 525m. Value-at-Risk amounted to DKK 82m subject to a 99% confidence interval over 1 day.

### SUBSIDIARIES

Totalkredit recorded a profit before tax of DKK 180m against DKK 148m in the same period the year before. Core earnings showed a rise of DKK 65m to DKK 169m reflecting a very high level of activity and derived growth in mortgage lending to DKK 213bn. For further information, please refer to Totalkredit's Q1 Interim Report.

For Q1/2005 the Nykredit Bank Group realised a profit before tax of DKK 158m against DKK 151m in the same period the year before. Results generally bear witness to a positive development in all business areas. For further information, please refer to Nykredit Bank's Q1 Interim Report.

Nykredit Forsikring (insurance company) recorded a loss before tax of DKK 16m for Q1/2005 against a profit before tax of DKK 38m in the same period the year before.

The storm that hit Denmark on 8 January caused considerable damage. Nykredit Forsikring estimates total claims incurred to come to approximately DKK 300m of which the reinsurance programme taken out covers approximately DKK 240m. Total expenses, net of reinsurance, are therefore expected to come to some DKK 60m which had a negative impact on results for Q1.

**BUSINESS AREAS**

The retail customers area comprises financial services offered through Nykredit's own centres, including mortgage loans through Totalkredit sold by local and regional banks. The retail customers area realised core earnings before impairment losses of DKK 295m. Results comprise amortisation of DKK 99m relating to intangible assets deriving from the acquisition of Totalkredit. Results reflect a high level of activity in the mortgage banking and banking areas.

The commercial customers area embraces all business activities aimed at commercial and agricultural customers. The area realised core earnings before impairment losses of DKK 326m in Q1/2005. Results reflect a high level of activity in the banking and mortgage banking areas, whereas the storm in January had a negative impact on insurance operations.

In Q1/2005 markets and asset management realised core earnings of DKK 81m. Results reflect a high level of activity and earnings related to trading in interest rate products and derivative financial instruments.

Group items comprise income and costs not directly attributable to the business areas.

<b>The Nykredit Realkredit Group</b>					
<b>Business areas – Q1/2005 Financial Statements</b>					
DKKm	Retail	Commercial	Markets and asset management	Group items	Group, total
Core income from business operations	728	458	149	21	1,356
Core income from securities				172	172
Operating costs	331	132	68	205	736
Depreciation of property, plant and equipment and amortisation of intangible assets	102	-	-	19	121
<b>Core earnings before impairment losses</b>	<b>295</b>	<b>326</b>	<b>81</b>	<b>(31)</b>	<b>671</b>
Provisions for loan impairment	19	5	-	-	24
<b>Core earnings after impairment losses</b>	<b>276</b>	<b>321</b>	<b>81</b>	<b>(31)</b>	<b>647</b>
Investment portfolio income	-	-	-	515	515
<b>Profit before tax</b>	<b>276</b>	<b>321</b>	<b>81</b>	<b>484</b>	<b>1,162</b>
<b>Business areas – Q1/2004 Financial Statements</b>					
DKKm					
<b>Core earnings before impairment losses</b>	<b>213</b>	<b>348</b>	<b>59</b>	<b>(38)</b>	<b>582</b>
<b>Profit before tax</b>	<b>208</b>	<b>346</b>	<b>59</b>	<b>511</b>	<b>1,124</b>

## GROUP BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

At end-Q1/2005 the Group's balance sheet stood at DKK 808bn against an adjusted opening balance sheet at 1 January 2005 of DKK 805bn.

In Q1/2005 Group mortgage lending went up by nearly DKK 17bn to DKK 649bn. At end-Q1, bank lending amounted to DKK 18bn up DKK 1bn relative to the beginning of the year.

In connection with the transition to IFRS, the Group balance sheet of DKK 939bn at the beginning of the year was reduced by DKK 134bn to some DKK 805bn. The main reason for the reduction is two-stringed. In future, the portfolio of own bonds must be deducted from issued mortgage bonds reducing total assets and issued bonds at 31 December 2004 by DKK 147bn. The value adjustment of mortgage loans and issued bonds to fair value increases the balance sheet by nearly DKK 11bn.

Group equity including profit for the period came to DKK 45,208m against adjusted equity of DKK 44,265m at the beginning of the year.

At the beginning of the year, the transition to IFRS increased equity by a net DKK 378m. In addition, minority interests of DKK 1,538m have been recognised as

equity in accordance with the IFRS. Minority interests were previously recognised as a liability.

In accordance with IAS 39 Nykredit has decided to classify the Group's strategic equity investments as "available-for-sale" in the Consolidated Financial Statements. The strategic equity investments comprise shares in Jyske Bank A/S, Sydbank A/S, Spar Nord Bank A/S, Amagerbanken A/S, Jeudan A/S, DADES A/S and Værdipapircentralen A/S. Shares available-for-sale are value adjusted directly against equity until their potential sale at fair value. In connection with a sale, the accumulated value adjustment will be included in results from operating activities. The value adjustment against equity in the Consolidated Financial Statements amounted to DKK 148m after tax in Q1/2005. The total value of shares classified as available-for-sale amounted to DKK 3,240m at end-Q1/2005.

At end-Q1, the Group capital base was DKK 46,201m exclusive of profit for the period and value adjustment of shares against equity. Including profit for the period, the capital base was DKK 47,144m against DKK 46,152m at the beginning of the year. Comparative figures for weighted assets and capital adequacy ratios have not been adjusted for the effect of the new accounting policies.

## OUTLOOK FOR 2005

In Q1/2005 the Nykredit Group's gross mortgage lending significantly surpassed expectations. Also investment portfolio income outperformed.

Nykredit has therefore decided to adjust its forecast of core earnings after impairment losses upwards from DKK 1,800–2,000m to DKK 2,100–2,300m for 2005.

The forecast profit before tax has been marked up to DKK 2,900–3,200m from DKK 2,400–2,700m.

The forecast profit for the year is particularly sensitive to investment portfolio income and loan impairment provisioning levels.

## EVENTS OCCURRING AFTER

### 31 MARCH 2005

In the period up to the publication of the Q1 Interim Report, no events have occurred that may change the assessment hereof.

The Q1 Interim Report has not been audited.

### The Nykredit Realkredit Group Development in equity

DKKm	31 March 2005	31 March 2004	31 December 2004
<b>Equity</b>	<b>44,265</b>	<b>39,918</b>	<b>42,349</b>
Adjustment, beginning of period	-	28	-
Effect of changed accounting policies – IFRS	-	(11)	378
Effect of reclassification – minority interests	-	2,513	1,538
<b>Adjusted equity, beginning of period</b>	<b>44,265</b>	<b>42,448</b>	<b>44,265</b>
Profit for the period	795	-	-
Fair value adjustment of shares – available-for-sale	148	-	-
<b>Equity, end of period</b>	<b>45,208</b>	<b>42,448</b>	<b>44,265</b>

### The Nykredit Realkredit Group Capital base (excl profit for the period)

DKKm	31 March 2005	31 March 2004	31 December 2004
Core capital	44,586	38,765	44,482
Capital base	46,201	40,289	46,152
Weighted assets	411,333	385,788	401,335
Capital requirement	32,907	30,863	32,107
Excess cover	13,294	9,426	14,045
<b>Capital adequacy stated on the basis of</b>			
- Capital base	<b>11.2</b>	<b>10.4</b>	<b>11.5</b>
- Core capital	<b>10.8</b>	<b>10.0</b>	<b>11.1</b>

## OTHER

### **Hectic activity and new borrower preferences**

In Q1 mortgage banking activity was hectic in part as a result of very attractive interest rate levels and not least following customer demand for the new capped mortgage loans which the Nykredit Group developed and marketed from end-2004.

Relative to the year before when approximately 50% of lending in DKK was adjustable-rate mortgages, this loan type accounted for merely 21% in Q1. The remaining 79% was capped or fixed-rate mortgage loans.

### **New products for commercial customers**

Nykredit continuously develops and markets new products and services.

Among the product launches aimed at commercial customers was Nykredit CIBOR<sub>6</sub>, an uncapped floating-rate bond loan where the loan rate is fixed semi-annually. The loan may be combined with interest rate swaps through which customers are able to adjust the interest rate and currency terms of the loan in a cost-effective manner.

### **Nykredit Bank issues bond loans**

In the period Nykredit Bank A/S issued a bond loan of a nominal of DKK 220m. The bonds had been sold in advance to a group of institutional and professional investors.

### **Subordinate loan capital**

In April 2005 Nykredit's Board of Directors authorised the Executive Board to raise subordinate loan capital (Tier 2) of up to EUR 500m for the purpose of both the refinancing of subordinate loan capital in Totalkredit of EUR 350m maturing in 2006 and 2007 and securing capital resources for continued growth in the loan portfolio.

### **Estate agency partnership with Sparekassen Sjælland**

Since the acquisition of Totalkredit, Nykredit has entered into several partnerships with local and regional banks. Another saw the light of day when Nybolig and Sparekassen Sjælland initiated a long-term partnership in Q1 in connection with Nykredit Mægler's takeover of eight estate agencies from Sparekassen Sjælland.

### **Lending in Costa Blanca**

After only nine months in Costa del Sol, Spain, Nykredit expanded its geographic lending area in March to include Costa Blanca near Alicante.

DKK MILLION	Q1/ 2005	Opening bal. sheet 1 Jan. 05	FY2004	Q4/ 2004	Q3/ 2004	Q2/ 2004	Q1/ 2004
<b>CORE EARNINGS AND PROFIT FOR THE PERIOD</b>							
<b>Core income from:</b>							
- Business operations	1,356	-	4,811	1,254	1,083	1,232	1,242
- Securities	172	-	814	230	198	202	184
<b>Total</b>	<b>1,528</b>	<b>-</b>	<b>5,625</b>	<b>1,484</b>	<b>1,281</b>	<b>1,434</b>	<b>1,426</b>
Operating costs, depreciation and amortisation	857	-	3,504	982	811	867	844
<b>Core earnings before impairment losses</b>	<b>671</b>	<b>-</b>	<b>2,121</b>	<b>502</b>	<b>470</b>	<b>567</b>	<b>582</b>
Provisions for loan impairment	24	-	(400)	(256)	(36)	(115)	7
<b>Core earnings after impairment losses</b>	<b>647</b>	<b>-</b>	<b>2,521</b>	<b>758</b>	<b>506</b>	<b>682</b>	<b>575</b>
Investment portfolio income	515	-	1,732	654	396	133	549
<b>Profit before tax</b>	<b>1,162</b>	<b>-</b>	<b>4,253</b>	<b>1,412</b>	<b>902</b>	<b>815</b>	<b>1,124</b>
Tax	367	-	1,058	324	225	207	302
<b>Profit for the period</b>	<b>795</b>	<b>-</b>	<b>3,195</b>	<b>1,088</b>	<b>677</b>	<b>608</b>	<b>822</b>
<b>SUMMARY BALANCE SHEET</b>							
<b>Assets</b>							
Mortgage loans	649,312	632,482	621,897	621,897	618,890	610,584	599,889
Bank loans - excl reverse transactions	18,495	17,408	17,360	17,360	18,041	18,784	18,639
Bonds and shares	44,569	80,559	227,906	227,906	100,125	89,044	77,580
Other assets	95,464	75,023	74,719	74,719	74,650	82,206	84,142
<b>Total assets</b>	<b>807,840</b>	<b>805,472</b>	<b>941,882</b>	<b>941,882</b>	<b>811,706</b>	<b>800,618</b>	<b>780,250</b>
<b>Liabilities and equity</b>							
Deposits	19,845	19,008	19,008	19,008	20,554	20,715	15,406
Issued mortgage bonds	657,045	670,853	795,555	795,555	642,655	651,488	636,599
Subordinate loan capital:							
- Hybrid core capital	3,858	3,696	3,696	3,696	3,696	-	-
- Supplementary capital	2,378	2,600	2,600	2,600	2,600	2,598	2,602
Other liabilities	79,506	65,050	77,122	77,122	98,462	82,756	83,195
<b>Equity</b>							
Previous policies	-	42,349	42,349	42,349	41,218	40,546	39,918
Adjustment, beginning of period	-	-	28	28	28	28	28
Effect of changed policies	-	378	(14)	(14)	(20)	(26)	(11)
Effect of reclassification - minority interests	-	1,538	1,538	1,538	2,513	2,513	2,513
<b>Total equity</b>	<b>45,208</b>	<b>44,265</b>	<b>43,901</b>	<b>43,901</b>	<b>43,739</b>	<b>43,061</b>	<b>42,448</b>
<b>Total liabilities and equity</b>	<b>807,840</b>	<b>805,472</b>	<b>941,882</b>	<b>941,882</b>	<b>811,706</b>	<b>800,618</b>	<b>780,250</b>
The opening balance sheet at 1 January 2005 has been stated including value adjustments as a result of the implementation of new accounting policies. Balance sheet figures for previous periods have been adjusted except balance sheet items governed by IAS 32 and 39.							
<b>KEY FIGURES</b>							
Profit for the period as a % of average equity (pa)	7.1	-	7.4	7.4	6.4	5.8	8.0
Core earnings before impairment losses as a % of avg equity (pa)	6.0	-	4.9	4.9	4.4	5.4	5.6
Core earnings after impairment losses as a % of avg equity (pa)	5.8	-	5.8	5.8	4.7	6.5	5.6
Costs as a % of core income	56.1	-	62.3	66.2	63.3	60.5	59.2
Total provisions	1,165	-	1,610	1,610	1,875	1,930	2,136
Provisioning ratio for the period	0.0	-	(0.1)	(0.1)	0.0	0.0	0.0
Capital adequacy ratio	11.2	-	11.5	11.5	11.0	10.2	10.4
Core capital ratio	10.8	-	11.1	11.1	10.6	9.8	10.0
Average number of full-time staff:	3,266	-	3,234	3,234	3,236	3,232	3,208

## ACCOUNTING POLICIES

### Changes to accounting policies

#### General

From 1 January 2005, the Annual Report of the Nykredit Realkredit Group will be prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU Commission.

The Consolidated Financial Statements will derogate from the EU regulation in one single area. This concerns the measurement of mortgage loans, issued bonds and the portfolio of own bonds where the Danish Financial Business Council has approved a derogation in the Danish interpretation of the EU's accounting rules.

The derogation in the interpretation has been implemented with reference to Article 2 (5) of Directive 78/660/EEC according to which it is possible to derogate from a specific provision of the Directive if compliance herewith in special cases appears to conflict with the obligation to present an annual report giving a true and fair view of a company's assets, liabilities, financial position and results. As a consequence of the derogation in the interpretation, the above-mentioned items will be measured at fair value.

The Danish accounting rules on the measurement of mortgage loans and issued mortgage bonds comply with the draft rules on the new fair value option of IAS 39 published by the IASB.

From 1 January 2005, the Parent Company, Nykredit Realkredit A/S, will prepare its Annual Report in accordance with the Danish Financial Business Act including the executive order governing the financial reports of credit institutions and investment companies, etc issued by the Danish Financial Supervisory Authority.

But for a few derogations, the above-mentioned executive order has been drafted to the effect that the accounting rules governing financial companies essentially comply with the IFRS. Investments in group enterprises and associates are recognised in the financial statements of the Parent Company in accordance with the "equity method" contrary to the IFRS which exclusively allow recognition at "fair value" or "cost". Furthermore, the executive order does not allow the recognition of financial instruments as "financial assets available-for-sale".

With two exceptions, the accounting policies on recognition and measurement in both the Group and the Parent Company are identical.

- In the Consolidated Financial Statements, strategic equity investments have been recognised as "available-for-sale". Up to a potential sale, the shareholding will be recognised at fair value, and changes will be recognised directly against equity. As a consequence, the results of the Parent Company and the Consolidated Financial Statements will differ by DKK 148m after tax.

- Minority interests' proportionate share of results and equity in the Consolidated Financial Statements will be presented as an integral part of profit for the year and equity, and equity of the Parent Company and the Consolidated Financial Statements will therefore differ by DKK 1,538m.

### Significant changes to accounting policies

The transition to IFRS and the above-mentioned executive order issued by the Danish Financial Supervisory Authority has led to a number of changes to the accounting policies and the presentation of items in financial statements. The changes have been included in the opening balance sheets of the Parent Company and the Consolidated Financial Statements at 1 January 2005.

Nykredit has decided not to adjust the 2004 figures for changes to the accounting policies related to IAS 32 "Financial instruments: Disclosure and presentation" and IAS 39 "Financial instruments: Recognition and measurement". These standards will be applied from 1 January 2005 in accordance with the commencement provisions.

### Effect of changed accounting policies

The transition to IFRS has the following effect on Nykredit's comparative figures for 2004.

- Profit for 2004 has been reduced by DKK 14m to DKK 3,195m.
- At 31 December 2004 equity increased by DKK 378m to DKK 42,727m before reclassification of minority interests. At 1 January 2004 equity increased by DKK 2,541m to DKK 41,602m.
- After reclassification of minority interests of DKK 1,538m, equity stood at DKK 44,265m at 1 January 2005.
- At 31 December 2004 the balance sheet total was reduced by DKK 133,494m to DKK 805,473m.

### Description of significant changes

#### 1. Mortgage loans and issued bonds

According to previous accounting policies, mortgage loans and issued bonds were measured at nominal value. Provisions for mortgage loans were made on the



basis of subjective assessments of expected losses.

### Mortgage loans

The measurement of mortgage loans at fair value involves an adjustment for market risk based on the value of issued bonds and an adjustment for credit risk based on the need for provisions.

Individual and portfolio provisions for lending will be made if one or more objective, loss-making events have occurred at the balance sheet date and have been estimated to lead to impairment.

### Issued mortgage bonds

Following the transition to IFRS, issued mortgage bonds will be measured at fair value. The fair value of issued mortgage bonds will, in principle, be prevailing market prices. Published prepaid, but still undrawn, bonds will be measured at discounted value. Bonds not traded actively will be recognised at estimated market prices.

### 2. Associates

Following the transition to IFRS, a change has been made to a share investment that was recognised as an associate at equity value under the previous accounting policies. In future the share will be measured at fair value.

### 3. Employee benefits

A liability for anniversary bonuses and senior compensation upon retirement, etc will be included successively. The measurement of the size of the obligation allows for the time of payment and the probability of staff members retiring before the time of benefit and therefore losing the benefit. So far, the benefits have been charged to the income statement at the time of payment.

### 4. Repayable reserves

According to the new accounting policies, provisions for repayable reserves are recognised at the present value of expected future cash flows. Under previous accounting policies, the item was recognised at par.

### 5. Acquisition

With retroactive effect from 10 November 2003, Nykredit has recognised fixed-term intangible assets and goodwill acquired as part of a business combination as separate items.

In future fixed-term rights will be recognised as intangible assets and amortised over their lives. In this connection, deferred tax has been determined and recognised as income in step with amortisation being charged to the income statement.

According to previous accounting policies, goodwill was

DKKm	Note	1 January 2004			2004	31 December 2004		
		Assets	Liabilities	Equity	Profit before tax	Assets	Liabilities	Equity
<b>Previous policy 1)</b>		<b>829,043</b>	<b>789,982</b>	<b>39,061</b>	<b>3,209</b>	<b>938,967</b>	<b>896,618</b>	<b>42,349</b>
Mortgage loans and issued mortgage bonds	1	-	-	-	-	8,559	8,139	419
Associates	2	63	-	63	82	142	(3)	145
Employee benefits	3	-	110	(110)	(14)	-	124	(124)
Repayable reserves	4	-	(85)	85	(17)	-	(68)	68
Acquisition of Totalkredit	5	1,603	1,615	(12)	(69)	1,079	1,160	(80)
Group enterprises	6	-	5	(5)	1	(40,781)	(40,805)	24
Elimination of own bonds and interest	7	-	-	-	-	(102,811)	(102,811)	-
Hedge accounting	8	-	-	-	-	168	168	-
Other adjustments	9	-	(0)	0	(4)	56	-	56
Tax effect of adjustments excl subsidiaries	10	-	(7)	7	7	-	130	(130)
<b>Effect of changed accounting policies</b>		<b>1,666</b>	<b>1,638</b>	<b>28</b>	<b>(14)</b>	<b>(133,588)</b>	<b>(133,966)</b>	<b>378</b>
Reclassification of minority interests	11	-	(2,513)	2,513	-	-	(1,538)	1,538
Reclassification – other	12	-	-	-	-	94	94	-
<b>Total adjustments</b>		<b>1,666</b>	<b>(875)</b>	<b>2,541</b>	<b>(14)</b>	<b>(133,494)</b>	<b>(135,410)</b>	<b>1,916</b>
<b>Accounting policies under IAS/IFRS</b>		<b>830,709</b>	<b>789,107</b>	<b>41,602</b>	<b>3,195</b>	<b>805,473</b>	<b>761,208</b>	<b>44,265</b>

1) In addition to profit for the year, equity at end-2004 increased by DKK 79m as a result of equity adjustments.

capitalised and amortised over its expected useful life. According to the new accounting policies, no goodwill amortisation will be made but an impairment test.

#### **6. Group enterprises**

Group enterprises have adjusted their accounting policies to comply with Group accounting policies. Nykredit Forsikring (the Insurance Company) is consolidated item by item relative to the previous recognition as an equity investment.

#### **7. Elimination of own bonds and interest**

Under the previous accounting policies, the portfolio of own issued bonds and interest receivable have been recognised as an asset in the financial statements. Under the new accounting policies, the Group's own portfolio (the asset) must be set off against bonds issued (the liability). Furthermore, interest receivable will be set off against interest payable.

#### **8. Hedge accounting**

Nykredit continues to hedge the interest rate risk of certain fixed-rate assets and liabilities. Value adjustments as a result of changes in rate levels of both the amounts hedged and the hedge derivative trades have been recognised in the income statement. Such value adjustments have not been recognised previously.

#### **9. Other adjustments**

According to previous accounting policies, income received on claims previously written off has been recognised in the income statement on a current basis in step with payments received. According to the new accounting policies, claims which are expected to lead to future economic benefits will be recognised in the balance sheet and value adjusted through profit or loss.

Nykredit's pension settlement funds have been presented in accordance with IAS 19 "Employee Benefits" and recognised in Nykredit's balance sheet. The obligation has been stated exclusive of the value of the pension fund assets measured at fair value.

#### **10. Tax effect of adjustments excl subsidiaries**

The tax effect of the above-mentioned changes to the accounting policies has been estimated at 30%. The tax effect of the change to the accounting policies in group enterprises has been recognised under the item "changed accounting policies for group enterprises".

#### **Reclassifications**

##### **11. Minority interests**

Minority interests' share of the results and equity of subsidiaries have been included as an integral part of

profit for the year and equity. So far, minority interests' share of equity has been presented as a separate liability item.

##### **12. Other**

Following the implementation of new accounting policies, a number of items have furthermore been reclassified. The reclassification does not lead to changed measurements, nor do they affect results or equity.

## Income statements

DKK MILLION

NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2004 Q1	2005 Q1		2005 Q1	2004 Q1
6,407	5,935	Interest income	8,862	8,991
5,605	5,111	Interest expense	7,468	7,797
802	824	<b>NET INTEREST INCOME</b>	1,394	1,194
31	41	Dividend income	43	33
201	258	Fee and commission income	459	299
49	39	Fee and commission expense	289	225
985	1,084	<b>NET INTEREST AND FEE INCOME</b>	1,607	1,301
-	-	Premium income, net of reinsurance	261	304
374	549	Value adjustments	396	531
6	1	Other operating income	42	44
-	-	Claims incurred, net of reinsurance	255	240
499	502	Staff costs and administrative expenses	736	721
66	84	Depreciation, amortisation and write-downs on property, plant and equipment and intangible assets	121	123
0	0	Other operating expenses	0	1
(10)	20	Provisions for loan impairment	24	7
314	285	Profit/loss from investments in associates and group enterprises	(8)	36
1,124	1,313	<b>PROFIT BEFORE TAX</b>	1,162	1,124
302	370	Tax	367	302
822	943	<b>PROFIT FOR THE PERIOD</b>	795	822
-	-	Minority interests	-	-
822	943	<b>PROFIT FOR THE PERIOD EXCL MINORITY INTERESTS</b>	795	822

## Balance sheets

DKK MILLION

NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2005 Beginning	2005 31.03.		2005 31.03.	2005 Beginning
		<b>ASSETS</b>		
6	6	<b>Cash in hand and demand deposits with central banks</b>	378	31
41,804	50,043	<b>Receivables from credit institutions and central banks</b>	71,644	53,085
435,817	436,711	<b>Loans, advances and other receivables at fair value</b>	656,233	637,945
1,038	1,037	<b>Loans, advances and other receivables at amortised cost</b>	20,316	19,213
		<b>Bonds</b>		
51,664	26,844	- Trading portfolio	38,194	74,224
		<b>Shares</b>		
6,051	5,911	- Fair value option	3,135	3,245
0	0	- Available-for-sale	3,240	3,090
6,051	5,911	<b>Total shares</b>	6,375	6,335
442	491	<b>Derivative financial instruments</b>	77	442
51	70	<b>Investments in associates</b>	142	124
8,836	8,941	<b>Investments in group enterprises</b>	0	0
2,920	2,857	<b>Intangible assets</b>	3,467	3,541
		<b>Land and buildings</b>		
0	0	- Investment properties	266	284
308	308	- Domicile properties	1,305	309
308	308	<b>Total land and buildings</b>	1,571	593
138	134	<b>Other property, plant and equipment</b>	178	1,186
220	5	<b>Current tax assets</b>	64	223
104	113	<b>Deferred tax assets</b>	139	132
37	35	<b>Assets temporarily acquired</b>	36	39
2,743	3,707	<b>Other assets</b>	8,914	8,255
95	98	<b>Prepayments</b>	112	105
552,274	537,311	<b>TOTAL ASSETS</b>	807,840	805,473

## Balance sheets

DKK MILLION

NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2005 Beginning	2005 31.03.		2005 31.03	2005 Beginning
		<b>LIABILITIES AND EQUITY</b>		
17,160	21,149	<b>Payables to credit institutions and central banks</b>	51,742	44,069
0	0	<b>Deposits and other payables</b>	19,845	19,008
469,563	453,021	<b>Issued bonds</b>	657,045	658,525
0	0	<b>Current tax liabilities</b>	32	0
0	0	<b>Liabilities temporarily acquired</b>	0	0
4,254	5,779	<b>Non-derivative financial liabilities at fair value</b>	7,796	5,110
259	261	<b>Derivative financial liabilities at fair value</b>	3,233	3,448
13,301	8,527	<b>Other liabilities</b>	13,498	21,654
0	0	<b>Deferred income</b>	20	15
		<b>Provisions</b>		
-	-	- Insurance liabilities	1,920	1,530
130	130	- Provisions for pensions and similar obligations	142	144
773	660	- Provisions for deferred tax	856	984
263	256	- Repayable reserves in pre-1972 series	256	263
0	0	- Guarantee loss provisions	0	0
0	0	- Other provisions	11	14
1,166	1,046	<b>Total provisions</b>	3,185	2,935
3,844	3,858	<b>Subordinate loan capital</b>	6,236	6,444
		<b>Equity</b>		
1,182	1,182	Share capital	1,182	1,182
		Accumulated changes in value		
70	70	- Revaluation reserves	108	108
0	0	- Accumulated foreign currency translation adjustment of foreign entities	0	0
		Other reserves		
319	219	- Statutory reserves	-	-
20,794	20,794	- Reserves in series	20,794	20,794
3,632	3,632	- Other reserves	3,632	3,632
16,730	16,830	Retained earnings	17,159	17,011
-	943	Profit for the period	795	-
0	0	Minority interests	1,538	1,538
42,727	43,670	<b>Total equity</b>	45,208	44,265
552,274	537,311	<b>TOTAL LIABILITIES AND EQUITY</b>	807,840	805,473