

To the Copenhagen Stock Exchange  
and the press

20 August 2003

## Interim Report The Nykredit Group (1 January – 30 June 2003)

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*Nykredit's Interim Report 2003 can be downloaded in PDF format at Nykredit's website, [www.nykredit.dk](http://www.nykredit.dk).*

*Today, 20 August at 14:00, a press conference will be held at Nykredit's headquarters, Kalvebod Brygge 1-3,  
DK-1780 Copenhagen V, at which the Interim Report will be presented.*

# THE NYKREDIT GROUP – FINANCIAL HIGHLIGHTS

DKK million	1 <sup>st</sup> half 2003	1 <sup>st</sup> half 2002	FY2002
<b>CORE EARNINGS AND PROFIT</b>			
<b>Core income from:</b>			
- Lending	2,092	1,599	3,448
- Securities	434	549	1,046
<b>Total</b>	<b>2,526</b>	<b>2,148</b>	<b>4,494</b>
Operating costs, depreciation and amortisation	1,280	1,192	2,462
<b>Core earnings before write-offs</b>	<b>1,246</b>	<b>956</b>	<b>2,032</b>
Write-offs and provisions for bad and doubtful debts	77	15	169
Profit/loss from insurance activities before tax	28	(69)	(121)
<b>Core earnings after write-offs and insurance activities</b>	<b>1,197</b>	<b>872</b>	<b>1,742</b>
Investment portfolio income <sup>1)</sup>	1,239	160	727
<b>Profit on ordinary activities before tax</b>	<b>2,436</b>	<b>1,032</b>	<b>2,469</b>
Tax	731	294	751
<b>Interim profit</b>	<b>1,705</b>	<b>738</b>	<b>1,718</b>

<b>SUMMARY BALANCE SHEET</b>	<b>30.06.2003</b>	<b>30.06.2002</b>	<b>31.12.2002</b>
Loans and advances:			
- Mortgage Bank	421,045	401,391	411,534
- Bank	23,168	26,443	24,452
Bonds and shares	74,040	57,491	119,853
Deposits – Bank	15,906	12,908	12,018
Issued bonds	460,133	415,509	499,460
Capital and reserves	36,419	33,561	34,596
Total assets	587,995	528,266	615,157

<b>KEY RATIOS</b>	<b>30.06.2003</b>	<b>30.06.2002</b>	<b>31.12.2002</b>
Interim profit as a percentage of average capital and reserves <sup>2)</sup>	9.7	4.5	5.1
Core earnings before write-offs as a percentage of average capital and reserves <sup>2)</sup>	7.1	5.8	6.0
Core earnings after write-offs as a percentage of average capital and reserves <sup>2)</sup>	6.8	5.3	5.2
Costs as a percentage of core income	50.7	55.5	54.8
Provisions	2,074	1,971	2,038
Write-offs and provisions as a % for the period	0.02	0.00	0.04
Capital adequacy ratio	10.9	10.8	11.2
Core capital ratio	11.2	11.1	11.4
Average number of full-time staff:			
- Nykredit Holding and consolidated subsidiaries	2,681	2,658	2,668
- Insurance (non-consolidated)	399	375	387

1) Investment portfolio income has been stated less costs related to the investment function, cf page 15.

2) The percentage has been recalculated into per annum rates.

## INTERIM REPORT

- The Nykredit Group's profit before tax came to DKK 2,436m in first half 2003 against DKK 1,032m in first half 2002. The profit after tax was DKK 1,705m against DKK 738m in the same period of 2002.
- Interim results were affected by
  - increased core income from lending - up DKK 493m to DKK 2,092m
  - a rise in investment portfolio income of DKK 1,079m to DKK 1,239m
  - a fall in core income from securities of DKK 115m
  - a rise in costs of DKK 88m as budgeted
  - write-offs and provisions for bad and doubtful debts came to DKK 77m
- In first half 2003 Group lending rose by DKK 9bn
  - Mortgage Bank lending increased by nearly DKK 10bn
  - Bank lending fell by DKK 1bn
- In mortgage finance markets first half 2003 was characterised by high refinancing activity compared with the more normalised conditions in the same period the year before. Competition remained fierce, but Nykredit nonetheless succeeded in stepping up lending in all business areas.
- Nykredit Bank met expectations and recorded growth in all product areas.
- In first half 2003 Nykredit Insurance continued to increase its business volume. Interim results were a profit before tax of DKK 28m.
- The turnover of Nykredit Estate Agencies for first half 2003 complied with expectations.
- After Nykredit had announced its acquisition of Totalkredit, the credit rating agencies Standard & Poor's and Moody's Investors Service both confirmed all existing ratings. Moody's also placed the rating of Nykredit's bonds on review for possible upgrade.
- Excluding the interim results, the Nykredit Group's capital and reserves stood at DKK 34,714m at 30 June 2003 and the capital base at DKK 33,634m equal to a capital adequacy ratio of 10.9.
- Expectations for the profit before tax for 2003 have been revised upwards from the previously announced DKK 2.3-2.5bn to about DKK 3.2-3.4bn.

## **Core earnings**

Group core earnings after write-offs and insurance activities amounted to DKK 1,197m in first half 2003 against DKK 872m in the same period last year.

Group core income from lending in the Mortgage Bank and Bank went up by DKK 493m to DKK 2,092m. The decline in average money market rates led to a lower risk-free return on the securities portfolio of DKK 115m relative to the same period last year.

Operating costs, depreciation and amortisation were on the whole on a level with Group budgets and amounted to DKK 1,280m in first half 2003 against DKK 1,192m in first half 2002.

Group write-offs and provisions remained low. Total write-offs and provisions in the Mortgage Bank posted an income of DKK 7m. In the Bank write-offs and provisions were a charge of DKK 83m.

## **Investment portfolio income**

Nykredit's investment portfolio income was DKK 1,239m in first half 2003 as against DKK 160m in first half 2002. The Jyske Bank shares have been entered at cost. If this shareholding were stated at market value, investment portfolio income would be DKK 241m higher at 30 June 2003. On top comes a revaluation of unlisted shares of DKK 128m taken to capital and reserves at the beginning of 2003.

Investment portfolio income reflects the additional income Nykredit gained on investments in shares and bonds relative to risk-free money market rates. Investment portfolio income has been stated less the price and interest margins related to all types of banking and mortgage banking transactions.

The total portfolio averaging DKK 34.3bn returned 4.9% (10.1% pa) in first half 2003 compared with risk-free money market rates at 1.3% (2.7% pa). In comparison the portfolio returned 2.2% in first half 2002 relative to risk-free money market rates at 1.7%.

The above has been stated less Nykredit Insurance's investment portfolio income of DKK 35m.

At 30 June 2003 the Group's interest rate exposure came to DKK 578m given a general change in interest rates of 1 percentage point. The equity exposure given a general price fall of 10% amounted to DKK 492m.

## GROUP BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

The Group balance sheet amounted to DKK 588bn at the end of first half 2003 compared with DKK 615bn at the beginning of the year.

At end-2002 the Group balance sheet had temporarily increased by about DKK 55bn due to refinancing activities including the refinancing of adjustable-rate mortgages.

Where assets are concerned, Group loans and advances grew by DKK 9bn in first half 2003. Mortgage lending increased by nearly DKK 10bn. Bank lending was down by DKK 1bn.

Group capital and reserves including interim results and adjustments stood at DKK 36.4bn compared with 34.6bn at the beginning of the year.

### Development in capital and reserves

DKK million	30 June 2003	30 June 2002	FY2002
<b>Capital and reserves, beginning of year</b>	<b>34,596</b>	<b>32,823</b>	<b>32,823</b>
Adjustment of unlisted securities to fair value	128		
<b>Adjusted capital and reserves, beginning of year</b>	<b>34,724</b>	<b>32,823</b>	<b>32,823</b>
Interim profit	1,705	738	1,718
Other adjustments	(10)	-	55
<b>Capital and reserves, end of period</b>	<b>36,419</b>	<b>33,561</b>	<b>34,596</b>

At the end of first half 2003 the Group's capital base was DKK 33,634m excluding interim results and DKK 35,339m including interim results compared with DKK 33,473m at the beginning of the year.

### The Nykredit Group's capital base (excl interim results)

DKK million	30 June 2003	30 June 2002	FY2002
Weighted assets	308,781	292,540	299,817
Capital adequacy requirement	24,702	23,403	23,985
Core capital after deductions	34,593	32,559	34,234
Supplementary capital	170	192	182
Deduction for participating interests	(1,129)	(1,044)	(943)
<b>Capital base</b>	<b>33,634</b>	<b>31,707</b>	<b>33,473</b>
Excess cover	8,932	8,304	9,488
Capital adequacy ratio stated as			
- Capital base	10.9	10.8	11.2
- Core capital	11.2	11.1	11.4

## **KEY EVENTS IN FIRST HALF 2003**

### **Another strategic bank partner**

Nykredit has previously concluded strategic partnership agreements with both Amagerbanken and Jyske Bank. The agreements include the sale of Nykredit mortgages via the branches of the banks just as Nykredit has acquired shares in the banks as part of the agreements.

In April 2003 Nykredit concluded yet another strategic agreement – this time with Spar Nord Bank. One outcome of this co-operation is that Spar Nord Bank sells Nykredit mortgages, while Nykredit refers its agricultural customers that require operating finance to Spar Nord Bank's markets area.

As another element of the agreement, a joint investment company has been established in continuation of Spar Nord Bank's activities in Erhvervsinvest Nord.

### **Nykredit buys Totalkredit**

On 20 June this year Nykredit announced the conclusion of a long-term and binding strategic agreement with 106 local and regional banks and that Nykredit would buy Totalkredit as part of this agreement.

The transaction will be realised via an offer to the banks behind Totalkredit to sell Totalkredit shares to Nykredit. The total amount payable to the banks is so far expected to come to DKK 7.15bn provided that the transaction involves all the shares in Totalkredit.

After the acquisition the Nykredit Group will be the largest mortgage lender in the Danish market. Today, Nykredit and Totalkredit combined account for 40% of the market for mortgage lending in the retail customer area and will thus become the largest player in this market. In the commercial and agricultural areas Nykredit is already the leading mortgage lender.

Totalkredit will continue as company, brand and business concept, and Nykredit will therefore in future be able to offer both existing and new customers Denmark's strongest distribution network and most varied product range.

With the 106 banks' about 1,100 branches, Nykredit's multi-channel distribution network is significantly strengthened, thus providing the Group with a strong local competence and rooting.

The local and regional banks, which undertake the sale, advisory services and credit analysis of their customers in the owner-occupied dwellings area, may recommend mortgages from either Totalkredit or Nykredit to their customers at their own discretion.

Another outcome of the agreement is that Nykredit will become Denmark's largest issuer of mortgage bonds. At end-Q2/2003 Nykredit and Totalkredit's total outstanding amount of bonds came to DKK 620bn.

Nykredit's acquisition of Totalkredit awaits the approvals of the relevant authorities.

## International activities

In January Nykredit set up Nykredit Bank Hipoteczny and expects to receive an operational licence in the late summer and subsequently launch lending activities in Poland.

In the South of France Nykredit is now offering Danish mortgages to Danes who want to buy or already own property located at the French Riviera. Nykredit has noted great interest and demand in this area and disbursed the first loans in July. In September Nykredit will open a representation office in Cannes with Danish staff.

## Rating

In connection with the publication of Nykredit's acquisition of Totalkredit, Standard & Poor's said about the transactions that it "...makes strategic sense for both parties". Moody's said "... this acquisition should enable the enlarged Nykredit group to cement its already large market position in Denmark and enhance its share in the retail mortgage market". Both rating agencies have confirmed all existing ratings. Moody's has also placed the rating of Nykredit's bonds on review for possible upgrade. The bonds currently applied for new lending have been rated Aa1 by Moody's.

## Outlook for 2003

At the presentation of the Annual Report for 2002 Nykredit forecasted a profit on ordinary activities before tax in 2003 of about DKK 2.3bn to DKK 2.5bn. Part of this forecast was investment portfolio income of DKK 600m to DKK 700m.

Investment portfolio income for first half amounted to DKK 1,239m.

In the period core income exceeded original forecasts for first half 2003. Write-offs and provisions are expected to continue their favourable trend. Cost levels follow budgets and are expected to continue this pattern for the rest of the year.

<b>Summary of forecasted results for 2003</b>		
<b>DKK million</b>	<b>Interim results 2003</b>	<b>Forecast of 2003</b>
Core income from lending	2,092	3,800 to 4,100
Core income from securities	434	800 to 900
Operating costs, depreciation and amortisation	1,280	2,600 to 2,700
Write-offs and provisions for bad and doubtful debts	77	150 to 250
Investment portfolio income	1,239	1,100 to 1,400
<b>Profit on ordinary activities before tax</b>	<b>2,436</b>	<b>3,200 to 3,400</b>

All in all, before inclusion of Totalkredit, the Nykredit Group expects a profit before tax for the full year of about DKK 3.2bn to DKK 3.4bn.

For the full year, core income from securities and investment portfolio income will be affected by the price levels prevailing at end-2003.

After the purchase of the Totalkredit shares and inclusion of the company's results for 2003 in the Nykredit Group, Nykredit expects to have a capital adequacy ratio of about 9.4-9.8.

## SUBSIDIARIES

### The Mortgage Bank

Nykredit Realkredit recorded a profit before tax of DKK 2,432m against DKK 1,030m in first half 2002.

Core income from lending increased by DKK 262m primarily due to increased lending and massive refinancing activities in Q1, whereas the return on the securities portfolio was DKK 112m lower than in the same period the year before. As expected, operating costs, depreciation and amortisation rose by DKK 94m to DKK 1,036m.

Interim results were also positively affected by income of DKK 7m from write-offs and provisions for bad and doubtful debts.

Investment portfolio income amounted to DKK 1,177m in first half 2003 against DKK 160m in first half 2002. Investment portfolio income was affected by a charge of DKK 52m in the form of fees payable to Nykredit Bank for advisory services rendered in connection with investments in unlisted shares. Furthermore, a revaluation of unlisted shares of DKK 115m has been taken to capital and reserves at the beginning of 2003.

Investment portfolio income from liquidity, bonds and interest rate instruments amounted to DKK 612m, while investment portfolio income from equities and equity instruments amounted to DKK 565m.

### Core earnings and investment portfolio income of Nykredit Realkredit

DKK million	1 <sup>st</sup> half 2003	1 <sup>st</sup> half 2002	FY2002
<b>Core income from</b>			
- Lending	1,606	1,344	2,874
- Securities	387	499	943
<b>Total</b>	<b>1,993</b>	<b>1,843</b>	<b>3,817</b>
Operating costs, depreciation and amortisation	1,036	942	1,967
<b>Core earnings before write-offs</b>	<b>957</b>	<b>901</b>	<b>1,850</b>
Write-offs and provisions for bad and doubtful debts	(7)	(12)	128
Profit/loss from participating interests	291	(43)	43
<b>Core earnings after write-offs</b>	<b>1,255</b>	<b>870</b>	<b>1,765</b>
Investment portfolio income	1,177	160	703
<b>Profit on ordinary activities before tax</b>	<b>2,432</b>	<b>1,030</b>	<b>2,468</b>
Tax	730	293	751
<b>Interim profit</b>	<b>1,702</b>	<b>737</b>	<b>1,717</b>

### The Bank

In first half 2003 Nykredit Bank recorded a profit before tax of DKK 247m against DKK 25m in first half 2002.

Some of the reasons behind the positive development are more stable market and business levels that provided Nykredit Markets & Asset Management with a major lift in activities and in consequence enhanced earnings in all key product areas.



Bank earnings in other business areas all fulfilled expectations. The Retail Banking area recorded satisfactory growth, and the Corporate Banking area consolidated earnings especially from business transactions with major corporates.

Interim results were also affected by income of DKK 52m in the form of a fee from the parent company as payment for advisory services rendered in connection with the investment in unlisted shares.

### Core earnings and investment portfolio income of the Nykredit Bank Group

DKK million	1 <sup>st</sup> half 2003	1 <sup>st</sup> half 2002	FY2002
<b>Core income from</b>			
- Lending	487	207	485
- Securities	40	48	95
<b>Total</b>	<b>527</b>	<b>255</b>	<b>580</b>
Operating costs, depreciation and amortisation	210	210	425
<b>Core earnings before write-offs</b>	<b>317</b>	<b>45</b>	<b>155</b>
Write-offs and provisions for bad and doubtful debts	83	27	39
<b>Core earnings after write-offs</b>	<b>234</b>	<b>18</b>	<b>116</b>
Investment portfolio income	13	7	28
<b>Profit on ordinary activities before tax</b>	<b>247</b>	<b>25</b>	<b>144</b>
Tax	74	8	46
<b>Interim profit</b>	<b>173</b>	<b>17</b>	<b>98</b>

### Insurance activities

In first half Nykredit Insurance continued to increase its business volume compared with the same period last year. The insurance business turned in a profit before tax of DKK 28m mainly attributable to the higher business volume and positive investment results. Interim results were negatively affected by higher claims payments.

### Core earnings and investment portfolio income of Nykredit Insurance

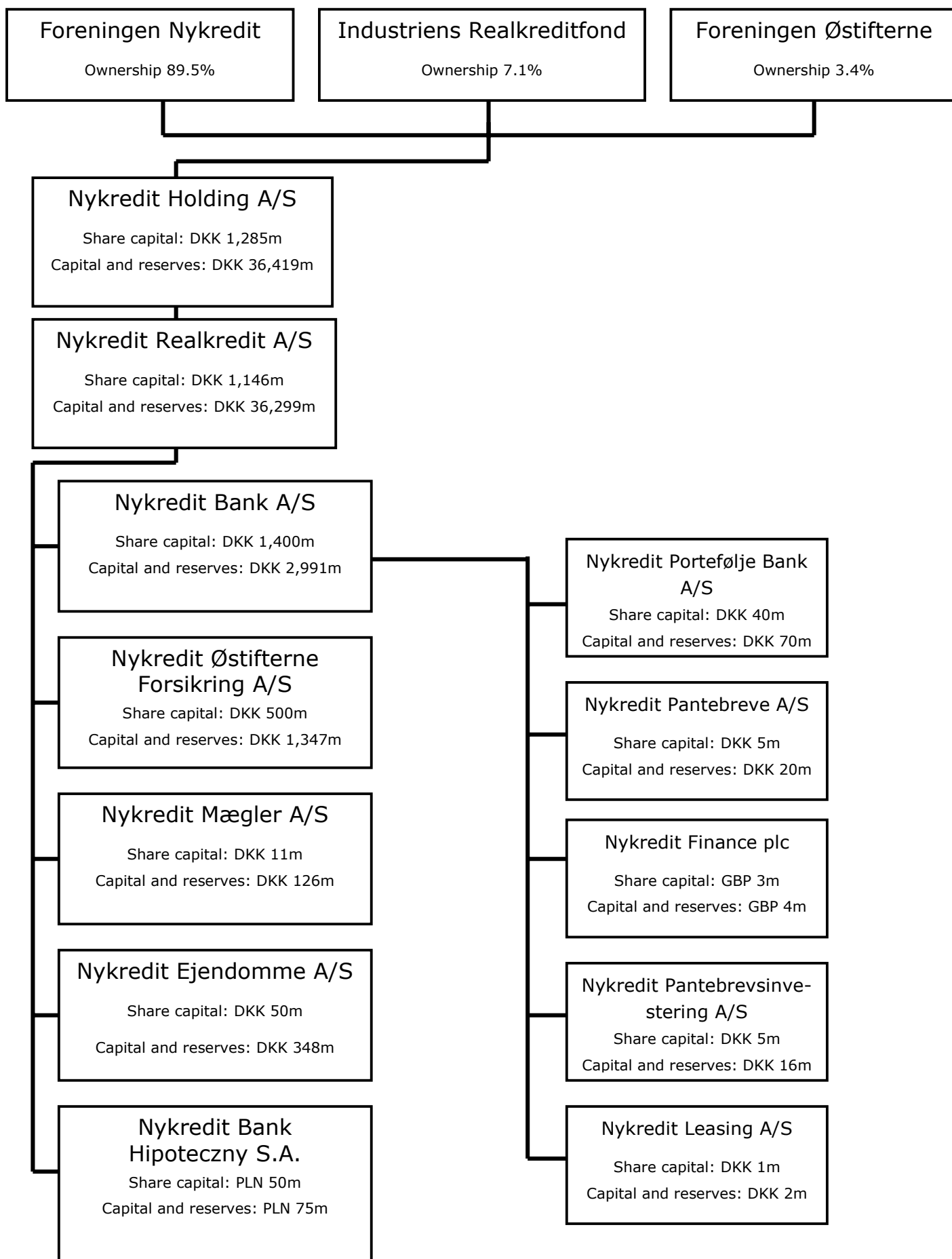
DKK million	1 <sup>st</sup> half 2003	1 <sup>st</sup> half 2002	FY2002
<b>Core income from</b>			
- Operations	530	428	901
- Securities	17	17	41
<b>Total</b>	<b>547</b>	<b>445</b>	<b>942</b>
Operating costs, depreciation and amortisation	129	148	304
Claims payments	425	354	762
<b>Core earnings from operations</b>	<b>(7)</b>	<b>(57)</b>	<b>(124)</b>
Investment portfolio earnings	35	(12)	3
<b>Profit/loss on ordinary activities before tax</b>	<b>28</b>	<b>(69)</b>	<b>(121)</b>
Tax	10	(14)	18
<b>Interim profit/loss</b>	<b>18</b>	<b>(55)</b>	<b>(103)</b>

## **The Estate Agencies**

In first half 2003 Nykredit Mægler posted a profit before tax of DKK 6m compared with breakeven in first half 2002.

In the second quarter the estate agency activities were reorganised so that they will in future be concentrated under two national brands: Nybolig as a national franchise concept and the "Estate" agents as a national partnership concept. The 32 Scheel & Orloff agencies in the Greater Copenhagen area have therefore changed their name to either Nybolig or Estate.

# THE NYKREDIT GROUP STRUCTURE 2003



## **ACCOUNTING POLICIES**

The Consolidated Accounts and Accounts of Nykredit Holding A/S (the Nykredit Group) and Nykredit Realkredit A/S (The Nykredit Realkredit Group) have been prepared pursuant to the Danish Mortgage Credit Act and the executive order of the Danish Financial Supervisory Authority on the presentation of mortgage bank accounts.

The accounting policies applied are consistent with those applied in the Annual Report for 2002 except for the consequences of changed accounting rules.

From and including 1 January 2003 unlisted securities have been entered at fair value and not as previously at cost. For the Group the change implies an increase in assets and equity at 1 January 2003 of DKK 128m. Seeing that the effect of such an amount is not considered material, comparative figures have been left unadjusted, and the value adjustment has been taken directly to capital and reserves at the beginning of 2003. The change in the accounting policies has affected interim results by DKK 30m after tax and DKK 43m before tax.

Effective from 1 January 2003 intangible assets will be entered at cost and amortised over the expected useful life, but no more than 20 years. Except from goodwill acquired, intangible assets were previously expensed in the year of acquisition. Comparative figures have not been adjusted as the change has a marginal effect on the results and capital and reserves.

Furthermore, leasehold improvements made after 1 January 2003 have been capitalised under tangible assets and will be depreciated over the expected useful life. The change affects neither results nor capital and reserves.

The Interim Report has not been audited.

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**PROFIT AND LOSS ACCOUNT FOR FIRST HALF 2003**  
DKK million

The Nykredit Group			Nykredit Realkredit A/S	The Nykredit Realkredit Group			
2002 1st half	2003 1st half		Note	2003 1st half	2002 1st half	2003 1st half	2002 1st half
14,744	15,046	Interest receivable	1	14,032	13,581	15,045	14,742
12,581	12,725	Interest payable	2	12,115	11,691	12,726	12,582
<b>2,163</b>	<b>2,321</b>	<b>NET INTEREST RECEIVABLE</b>		<b>1,917</b>	<b>1,890</b>	<b>2,319</b>	<b>2,160</b>
63	97	Dividend from participating interests		90	60	97	63
310	493	Fees and commissions receivable		457	284	493	310
59	67	Fees and commissions payable		131	69	69	61
<b>2,477</b>	<b>2,844</b>	<b>NET INCOME FROM INTEREST AND FEES</b>		<b>2,333</b>	<b>2,165</b>	<b>2,840</b>	<b>2,472</b>
(258)	752	Value adjustments	3	730	(200)	751	(258)
69	74	Other operating income		9	12	74	69
1,156	1,255	Staff costs and administrative expenses	4	1,022	921	1,254	1,153
46	31	Depreciation, amortisation and write-downs on tangible and intangible assets		24	31	31	46
0	4	Other operating expenses		0	0	4	0
15	77	Write-offs and provisions for bad and doubtful debts	5	(7)	(12)	77	15
(39)	133	Profit/loss from participating interests in associated and subsidiary undertakings	6	399	(7)	133	(39)
<b>1,032</b>	<b>2,436</b>	<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		<b>2,432</b>	<b>1,030</b>	<b>2,432</b>	<b>1,030</b>
294	731	Tax	7	730	293	730	293
<b>738</b>	<b>1,705</b>	<b>INTERIM PROFIT</b>		<b>1,702</b>	<b>737</b>	<b>1,702</b>	<b>737</b>

**BALANCE SHEET AT 30 JUNE 2003**  
DKK million

The Nykredit Group			Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2002	2003		2003	2002	2003	2002
30.06	30.06		Note	30.06	30.06	30.06
<b>ASSETS</b>						
52	1,925	Cash in hand and demand deposits with central banks		99	12	1,925
30,673	52,157	Balances due from credit institutions and central banks	8	44,966	24,511	52,157
401,391	421,045	<b>Loans and advances</b>	9	421,045	401,391	421,045
27,906	24,534	Mortgage loans		1,283	1,463	24,534
429,297	445,579	Other loans and advances		422,328	402,854	445,579
53,949	69,872	<b>Total</b>		44,180	28,768	69,758
3,542	4,168	Bonds		4,093	3,492	4,168
308	400	Shares		308	215	400
1,379	1,349	Participating interests in associated undertakings		4,935	4,768	1,349
0	1	Participating interests in subsidiary undertakings		0	0	1
1,841	1,764	Intangible assets		411	534	1,764
7,125	10,674	Tangible assets	10	5,071	3,764	10,672
100	106	Other assets		99	93	106
528,266	587,995	Prepayments		526,490	469,011	587,879
		<b>TOTAL ASSETS</b>				528,156
<b>LIABILITIES</b>						
41,031	49,897	Debt to credit institutions and central banks		15,417	5,329	49,897
12,908	15,906	Deposits		0	0	15,910
415,509	460,133	Issued bonds	11	460,133	415,509	460,133
24,776	25,219	Other liabilities	12	14,252	14,282	25,219
12	12	Deferred income		0	0	12
469	409	Provisions for liabilities	13	389	447	409
1,285	1,285	<b>Capital and reserves</b>		1,146	1,146	1,146
949	949	Share capital		2,518	2,518	2,518
0	0	Share premium account		14,455	11,847	14,455
30,589	32,480	Other reserves		16,461	17,168	16,461
0	0	Reserves in series		17	28	17
738	1,705	Other reserves		1,702	737	1,702
33,561	36,419	Revaluation reserves		36,299	33,444	36,299
		Profit after tax year-to-date		526,490	469,011	587,879
528,266	587,995	<b>Total</b>				528,156
<b>OFF-BALANCE SHEET ITEMS</b>						
1,879	2,658	Guarantees	14	0	0	1,458
4,391	4,269	Other liabilities		1,183	1,332	4,269
6,270	6,927	<b>Total</b>		1,183	1,332	5,727

**CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME**  
DKK million

**The Nykredit Group**

	<b>Core earnings</b>	<b>2003 1st half Investment portfolio income</b>	<b>Total</b>	<b>Core earnings</b>	<b>2002 1st half Investment portfolio income</b>	<b>Total</b>
Net interest receivable	1,914	407	<b>2,321</b>	1,829	334	<b>2,163</b>
Dividend from participating interests	7	90	<b>97</b>	3	60	<b>63</b>
Fees and commissions receivable, net	441	(15)	<b>426</b>	270	(19)	<b>251</b>
<b>Net interest and fees receivable</b>	<b>2,362</b>	<b>482</b>	<b>2,844</b>	<b>2,102</b>	<b>375</b>	<b>2,477</b>
Value adjustments	91	661	<b>752</b>	(23)	(235)	<b>(258)</b>
Other operating income	74	0	<b>74</b>	69	0	<b>69</b>
Staff costs and administrative expenses	1,246	9	<b>1,255</b>	1,146	10	<b>1,156</b>
Depreciation, amortisation and write-downs on tangible and intangible assets	31	0	<b>31</b>	46	0	<b>46</b>
Other operating expenses	4	0	<b>4</b>	0	0	<b>0</b>
Write-offs and provisions for bad and doubtful debts	77	0	<b>77</b>	15	0	<b>15</b>
Profit/loss from participating interests	28	105	<b>133</b>	(69)	30	<b>(39)</b>
<b>Profit on ordinary activities before tax</b>	<b>1,197</b>	<b>1,239</b>	<b>2,436</b>	<b>872</b>	<b>160</b>	<b>1,032</b>
<b>Tax</b>			<b>731</b>			<b>294</b>
<b>Interim profit</b>			<b>1,705</b>			<b>738</b>

**MOVEMENTS IN CAPITAL**  
DKK million

**Nykredit Realkredit A/S**

	<b>Share capital</b>	<b>Share premium account</b>	<b>Reserves in series</b>	<b>Other reserves</b>	<b>Revaluation reserves</b>	<b>Interim results</b>	<b>2003 30.06 Total</b>	<b>2002 30.06 Total</b>
<b>Balance, beginning of year</b>	<b>1,146</b>	<b>2,518</b>	<b>14,455</b>	<b>16,343</b>	<b>17</b>		<b>34,479</b>	<b>32,707</b>
Adjustment of unlisted securities to fair value				115			115	
<b>Adjusted balance, beginning of year</b>	<b>1,146</b>	<b>2,518</b>	<b>14,455</b>	<b>16,458</b>	<b>17</b>		<b>34,594</b>	<b>32,707</b>
Profit year-to-date						1,702	1,702	737
Adjustment relating to associated undertakings				(10)			(10)	0
Adjustment relating to subsidiary undertakings				13			13	0
<b>Balance, end of period</b>	<b>1,146</b>	<b>2,518</b>	<b>14,455</b>	<b>16,461</b>	<b>17</b>	<b>1,702</b>	<b>36,299</b>	<b>33,444</b>

The share capital breaks down in shares of DKK 100.00 and multiples hereof.

**NOTES TO THE PROFIT AND LOSS ACCOUNT**  
DKK million

The Nykredit Group			Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2002 1st half	2003 1st half		2003 1st half	2002 1st half	2003 1st half	2002 1st half
<b>1. INTEREST RECEIVABLE</b>						
307	438	Balances due from credit institutions and central banks	369	232	438	307
12,123	12,348	Loans and advances	11,814	11,509	12,348	12,123
979	1,047	Administration margin (interest margin on lending)	1,047	979	1,047	979
Bonds						
343	337	- Own mortgage bonds	249	283	336	341
601	570	- Other mortgage bonds	255	166	570	601
386	179	- Government bonds	183	325	179	386
83	80	- Other bonds	4	15	80	83
Derivative financial instruments						
(18)	13	- Foreign exchange contracts	(12)	(2)	13	(18)
(96)	(26)	- Interest rate contracts	48	21	(26)	(96)
36	60	Other interest receivable	75	53	60	36
<b>14,744</b>	<b>15,046</b>	<b>Total</b>	<b>14,032</b>	<b>13,581</b>	<b>15,045</b>	<b>14,742</b>
<b>Of which interest receivable of genuine purchase and resale transactions entered as:</b>						
197	229	Balances due from credit institutions and central banks	53	39	229	197
79	42	Loans and advances	0	0	42	79
<b>2. INTEREST PAYABLE</b>						
897	602	Credit institutions and central banks	192	269	602	897
274	216	Deposits	0	0	216	274
11,351	11,757	Issued bonds	11,757	11,351	11,757	11,351
0	0	Subordinated debt	0	0	0	0
59	150	Other interest payable	166	71	151	60
<b>12,581</b>	<b>12,725</b>	<b>Total</b>	<b>12,115</b>	<b>11,691</b>	<b>12,726</b>	<b>12,582</b>
<b>Of which interest payable of genuine sales and repurchase transactions entered as:</b>						
541	213	Debt to credit institutions and central banks	71	209	213	541
55	18	Deposits	0	0	18	55
<b>3. VALUE ADJUSTMENTS</b>						
Bonds						
36	331	- Own mortgage bonds	295	34	330	36
(12)	227	- Other mortgage bonds	89	28	227	(12)
(106)	86	- Government bonds	135	(100)	86	(106)
3	41	- Other bonds	1	0	41	3
(156)	452	Shares	453	(156)	452	(156)
10	14	Fixed-rate loans and advances	2	3	14	10
33	(21)	Foreign exchange	(7)	9	(21)	33
Derivative financial instruments						
5	34	- Foreign exchange contracts	1	0	34	5
17	(422)	- Interest rate contracts	(251)	66	(422)	17
(83)	11	- Share contracts	12	(84)	11	(83)
(5)	(1)	- Other contracts	0	0	(1)	(5)
<b>(258)</b>	<b>752</b>	<b>Total</b>	<b>730</b>	<b>(200)</b>	<b>751</b>	<b>(258)</b>



**NOTES TO THE PROFIT AND LOSS ACCOUNT**  
DKK million

The Nykredit Group			Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2002 1st half	2003 1st half		2003 1st half	2002 1st half	2003 1st half	2002 1st half
<b>4. STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>						
<b>Salaries and remuneration to the Board of Directors and Executive Board</b>						
7	8	Executive Board	8	13	8	13
2	2	Board of Directors	1	1	1	1
<b>9</b>	<b>10</b>	<b>Total</b>	<b>9</b>	<b>14</b>	<b>9</b>	<b>14</b>
<b>Staff costs</b>						
543	578	Wages	472	435	578	535
66	67	Pensions	56	55	67	66
53	50	Social security costs	41	44	50	53
<b>662</b>	<b>695</b>	<b>Total</b>	<b>569</b>	<b>534</b>	<b>695</b>	<b>654</b>
<b>485</b>	<b>550</b>	<b>Other administrative expenses</b>	<b>444</b>	<b>373</b>	<b>550</b>	<b>485</b>
<b>1,156</b>	<b>1,255</b>	<b>Total</b>	<b>1,022</b>	<b>921</b>	<b>1,254</b>	<b>1,153</b>
<b>5. WRITE-OFFS AND PROVISIONS FOR BAD AND DOUBTFUL DEBTS</b>						
<b>Write-offs and provisions for loans, advances and guarantees</b>						
<b>Itemisation of provisions for loans, advances and guarantees</b>						
<b>1,973</b>	<b>2,022</b>	<b>Provisions for loans, advances and guarantees,</b>	<b>1,827</b>	<b>1,807</b>	<b>2,022</b>	<b>1,973</b>
175	271	- Provisions for the year	167	133	271	175
(137)	(179)	- Reversal of provisions	(154)	(121)	(179)	(137)
9	(10)	- Other disposals	0	0	(10)	9
(59)	(47)	- Provisions recorded as lost	(40)	(51)	(47)	(59)
<b>1,961</b>	<b>2,057</b>	<b>Provisions, end of period</b>	<b>1,800</b>	<b>1,768</b>	<b>2,057</b>	<b>1,961</b>
(12)	35	Movement in provisions for loans, advances and guarantees	(27)	(39)	35	(12)
62	52	Interim write-offs ascertained, net	42	53	52	62
(26)	(22)	Received on claims previously written off	(22)	(26)	(22)	(26)
<b>15</b>	<b>75</b>	<b>Write-offs and provisions for loans, advances and guarantees</b>	<b>(7)</b>	<b>(12)</b>	<b>75</b>	<b>15</b>
<b>0</b>	<b>2</b>	<b>Write-offs and provisions for other items</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>
<b>15</b>	<b>77</b>	<b>Total write-offs and provisions</b>	<b>(7)</b>	<b>(12)</b>	<b>77</b>	<b>15</b>
<b>6. PROFIT/LOSS FROM PARTICIPATING INTERESTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS</b>						
30	105	Profit/loss from participating interests in associated undertakings	108	36	105	30
(69)	28	Profit/loss from participating interests in subsidiary undertakings	291	(43)	28	(69)
<b>(39)</b>	<b>133</b>	<b>Total</b>	<b>399</b>	<b>(7)</b>	<b>133</b>	<b>(39)</b>
<b>7. TAX</b>						
<b>Effective tax rate</b>						
30.0	30.0	Current tax rate	30.0	30.0	30.0	30.0
0.0	0.0	Difference attributable to associated and subsidiary undertakings	0.0	1.3	0.0	0.0
(3.1)	(0.1)	Non-liable income	(0.1)	(4.0)	(0.1)	(3.1)
0.9	0.1	Non-deductible expenses	0.1	0.8	0.1	0.9
0.6	0.0	Adjustment of tax assessed for previous years	(0.1)	0.3	0.0	0.6
<b>28.4</b>	<b>30.0</b>	<b>Effective tax rate</b>	<b>29.9</b>	<b>28.4</b>	<b>30.0</b>	<b>28.4</b>

**NOTES TO THE BALANCE SHEET**  
DKK million

The Nykredit Group			Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2002 30.06	2003 30.06		2003 30.06	2002 30.06	2003 30.06	2002 30.06
<b>8. BALANCES DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>						
10	18,210	Balances due at call from central banks	18,209	0	18,210	10
30,663	33,947	Balances due from credit institutions	26,757	24,511	33,947	30,663
<b>30,673</b>	<b>52,157</b>	<b>Total</b>	<b>44,966</b>	<b>24,511</b>	<b>52,157</b>	<b>30,673</b>
9,069	14,567	Of which genuine sales and repurchase transactions with credit institutions	3,165	4,405	14,567	9,069
6,524	26,075	Of which prepaid funds including prepayments at par and proceeds from the issuance of fixed-price agreements	26,075	6,524	26,075	6,524
<b>9. LOANS AND ADVANCES</b>						
401,391	421,045	Mortgage loans	421,045	401,391	421,045	401,391
220	212	Amounts outstanding in non-foreclosed properties	212	220	212	220
27,686	24,322	Other loans and advances	1,071	1,243	24,322	27,686
<b>429,297</b>	<b>445,579</b>	<b>Total</b>	<b>422,328</b>	<b>402,854</b>	<b>445,579</b>	<b>429,297</b>
<b>Mortgage loans</b>						
<b>395,696</b>	<b>412,923</b>	<b>Balance, beginning of year</b>	<b>412,923</b>	<b>395,696</b>	<b>412,923</b>	<b>395,696</b>
37,976	82,471	New loans	82,471	37,976	82,471	37,976
892	1,051	Indexation	1,051	892	1,051	892
0	17	Currency translation adjustment	17	0	17	0
(7,079)	(7,408)	Ordinary repayments	(7,408)	(7,079)	(7,408)	(7,079)
(24,806)	(66,683)	Redemptions and extraordinary repayments	(66,683)	(24,806)	(66,683)	(24,806)
<b>402,679</b>	<b>422,371</b>	<b>Balance, end of period</b>	<b>422,371</b>	<b>402,679</b>	<b>422,371</b>	<b>402,679</b>
(52)	(68)	Loans transferred relating to properties temporarily foreclosed	(68)	(52)	(68)	(52)
(1,514)	(1,535)	Provisions for loans and advances	(1,535)	(1,514)	(1,535)	(1,514)
278	277	Loans assumed by the Financial Administration Agency	277	278	277	278
<b>401,391</b>	<b>421,045</b>	<b>Total</b>	<b>421,045</b>	<b>401,391</b>	<b>421,045</b>	<b>401,391</b>
<b>10. OTHER ASSETS</b>						
1,644	4,053	Positive market value of derivative financial instruments	147	46	4,053	1,644
4,896	5,618	Interest and commissions due	3,268	2,614	5,616	4,894
0	437	Tax due	437	0	437	0
226	120	Deferred tax assets	125	214	120	226
359	446	Other assets	1,094	890	446	360
<b>7,125</b>	<b>10,674</b>	<b>Total</b>	<b>5,071</b>	<b>3,764</b>	<b>10,672</b>	<b>7,124</b>

**NOTES TO THE BALANCE SHEET**  
DKK million

The Nykredit Group			Nykredit Realkredit A/S		The Nykredit Realkredit Group	
2002 30.06	2003 30.06		2003 30.06	2002 30.06	2003 30.06	2002 30.06
<b>11. ISSUED BONDS</b>						
<b>Mortgage bonds</b>						
<b>442,099</b>	<b>474,960</b>	<b>Balance, beginning of year</b>	<b>474,960</b>	<b>442,099</b>	<b>474,960</b>	<b>442,099</b>
37,828	84,199	Additions	84,199	37,828	84,199	37,828
0	18	Currency translation adjustment	18	0	18	0
(77,401)	(119,225)	Bonds drawn and cancelled	(119,225)	(77,401)	(119,225)	(77,401)
(12,409)	(4,515)	Redemptions and extraordinary payments	(4,515)	(12,409)	(4,515)	(12,409)
<b>390,117</b>	<b>435,437</b>	<b>Total</b>	<b>435,437</b>	<b>390,117</b>	<b>435,437</b>	<b>390,117</b>
25,392	24,696	Indexation	24,696	25,392	24,696	25,392
<b>415,509</b>	<b>460,133</b>	<b>Balance, end of period</b>	<b>460,133</b>	<b>415,509</b>	<b>460,133</b>	<b>415,509</b>
<b>12. OTHER LIABILITIES</b>						
1,746	4,254	Negative market value of derivative financial instruments	164	69	4,254	1,746
9,943	7,102	Negative trading book relating to purchase and resale transactions	2,861	4,245	7,102	9,943
9,220	9,755	Interest and commissions owing	7,399	6,880	9,756	9,221
83	76	Tax owed on income for the period	0	83	75	83
0	2	Dividends	0	0	2	0
3,784	4,030	Other liabilities	3,828	3,005	4,030	3,784
<b>24,776</b>	<b>25,219</b>	<b>Total</b>	<b>14,252</b>	<b>14,282</b>	<b>25,219</b>	<b>24,777</b>
<b>13. PROVISIONS FOR LIABILITIES</b>						
7	6	Pensions and similar liabilities	6	6	6	7
441	383	Repayable reserves in pre-1972 series	383	441	383	441
21	20	Loss risk relating to legal actions	0	0	20	21
<b>469</b>	<b>409</b>	<b>Total</b>	<b>389</b>	<b>447</b>	<b>409</b>	<b>469</b>
<b>14. OFF-BALANCE SHEET ITEMS</b>						
<b>Guarantees</b>						
173	478	Financial guarantees	0	0	478	173
1,706	2,180	Other guarantees	0	0	980	506
<b>1,879</b>	<b>2,658</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>1,458</b>	<b>679</b>
<b>Other commitments</b>						
3,946	3,731	Irrevocable credit commitments	0	0	3,731	3,946
445	538	Other commitments	1,183	1,332	538	445
<b>4,391</b>	<b>4,269</b>	<b>Total</b>	<b>1,183</b>	<b>1,332</b>	<b>4,269</b>	<b>4,391</b>
<b>15. SECURITY PROVIDED</b>						
4,091	26,951	As security in the Danish central bank, the Danish FUTOP Clearing Centre and foreign clearing centres, bonds have been deposited of a total market value of	15,455	3,091	26,951	4,091

## THE DANISH FINANCIAL SUPERVISORY AUTHORITY RATIO SYSTEM

<b>The Nykredit Group</b>	<b>1999 30.06</b>	<b>2000 30.06</b>	<b>2001 30.06</b>	<b>2002 30.06</b>	<b>2003 30.06</b>
Capital adequacy ratio	11.8	11.5	11.0	10.8	10.9
Core capital ratio	11.0	11.3	11.3	11.1	11.2
Interim return on equity before tax (%) <sup>1)</sup>	3.8	3.6	4.3	3.1	6.8
Interim return on equity after tax (%) <sup>1)</sup>	2.7	2.4	3.3	2.2	4.8
Income/cost ratio	1.97	2.12	2.27	1.85	2.78
Foreign exchange position (%)	0.6	3.3	1.4	1.2	1.5
Accumulated provision ratio	0.6	0.5	0.5	0.5	0.5
Write-offs and provisions for the period (%)	0.0	0.0	0.0	0.0	0.0
Growth in loans and advances for the period (%)	2.4	1.9	3.1	2.9	1.9
Gearing of loans and advances	13.7	13.2	12.8	12.8	12.2

<b>The Nykredit Realkredit Group</b>	<b>1999 30.06</b>	<b>2000 30.06</b>	<b>2001 30.06</b>	<b>2002 30.06</b>	<b>2003 30.06</b>
Capital adequacy ratio	11.8	11.4	10.9	10.8	10.9
Core capital ratio	11.0	11.3	11.3	11.1	11.2
Interim return on equity before tax (%) <sup>1)</sup>	3.8	3.6	4.3	3.1	6.9
Interim return on equity after tax (%) <sup>1)</sup>	2.7	2.4	3.3	2.2	4.8
Income/cost ratio	1.97	2.13	2.28	1.85	2.78
Foreign exchange position (%)	0.6	3.3	1.4	1.2	1.5
Accumulated provision ratio	0.6	0.5	0.5	0.5	0.5
Write-offs and provisions for the period (%)	0.0	0.0	0.0	0.0	0.0
Growth in loans and advances for the period (%)	2.4	1.8	3.1	2.9	1.9
Gearing of loans and advances	13.7	13.2	12.9	12.8	12.3

<sup>1)</sup> The return on equity has been computed of the basis of average capital and reserves.

<b>Nykredit Realkredit A/S</b>	<b>1999 30.06</b>	<b>2000 30.06</b>	<b>2001 30.06</b>	<b>2002 30.06</b>	<b>2003 30.06</b>
Capital adequacy ratio	12.7	12.5	12.0	12.0	11.9
Core capital ratio	11.8	12.3	12.3	12.3	12.2
Interim return on equity before tax (%) <sup>1)</sup>	3.8	3.6	4.3	3.1	6.8
Interim return on equity after tax (%) <sup>1)</sup>	2.7	2.4	3.3	2.2	5.1
Income/cost ratio	2.22	2.59	2.67	2.10	3.34
Foreign exchange position (%)	1.1	2.6	0.2	0.4	0.9
Accumulated provision ratio	0.5	0.5	0.4	0.4	0.4
Write-offs and provisions for the period (%)	0.0	0.0	0.0	0.0	0.0
Growth in loans and advances for the period (%)	1.2	1.2	1.6	2.0	2.3
Gearing of loans and advances	13.2	12.6	12.1	12.0	11.6

<sup>1)</sup> The return on equity has been computed of the basis of average capital and reserves.