



To the Copenhagen Stock Exchange  
and the press

17 August 2006

H1 Interim Report  
The Nykredit Realkredit Group  
(1 January 2006 - 30 June 2006)

#### **H1 - IN BRIEF**

- Profit before tax of DKK 1,346m
- Profit after tax incl adjustment of strategic equities against equity was DKK 1,620m
- Core earnings of DKK 1,390m as expected
- Investment portfolio income lower than expected at a negative DKK 44m
- Group gross new mortgage lending was DKK 91bn against DKK 170bn in 2005
- Market share of mortgage lending accounts for 39.2% of gross new lending
- Nominal mortgage lending went up by DKK 32bn to DKK 728bn
- Bank lending went up by just over DKK 5bn to DKK 25bn
- Nykredit Bank adjusts expectations upwards by DKK 100m to around DKK 575-625m
- Group equity stood at DKK 50.3bn
- Group core capital was 11.2% including profit for the period
- Forecast of Group annual results is maintained around DKK 3,000-3,300m.

#### **OTHER**

- Nykredit acquires the remaining Totalkredit shares at 2 October 2006
  - As expected, the acquisition will reduce the core capital ratio by 0.5 percentage point
- Totalkredit launches a capital increase of DKK 2bn subscribed for by Nykredit Realkredit
- Nykredit Realkredit contributes DKK 500m of subordinate loan capital to Nykredit Bank.

Contacts:  
Mogens Munk-Rasmussen, Group Chief Executive  
Nels Petersen, Head of Corporate Communications  
Tel +45 33 42 14 70 or +45 20 22 22 72.

Nykredit Realkredit A/S  
Kalvebod Brygge 1-3  
DK-1780 Copenhagen V  
Tel +45 33 42 10 00  
CVR no 12 71 92 80

DKK million	H1/2006	H1/2005	FY2005
<b>CORE EARNINGS AND PROFIT FOR THE PERIOD</b>			
<b>Core income from</b>			
- Business operations	2,830	2,817	5,826
- Securities	497	385	825
<b>Total</b>	<b>3,327</b>	<b>3,202</b>	<b>6,651</b>
Operating costs, depreciation and amortisation	2,020	1,785	3,758
<b>Core earnings before provisions</b>	<b>1,307</b>	<b>1,417</b>	<b>2,893</b>
Provisions for loan impairment	(83)	(74)	(245)
<b>Core earnings after provisions</b>	<b>1,390</b>	<b>1,491</b>	<b>3,138</b>
Investment portfolio income	(44)	823	1,203
<b>Profit before tax</b>	<b>1,346</b>	<b>2,314</b>	<b>4,341</b>
Tax	327	656	1,161
<b>Profit for the period</b>	<b>1,019</b>	<b>1,658</b>	<b>3,180</b>
<b>Profit for the period excludes value adjustment of strategic equities against equity</b>	<b>601</b>	<b>778</b>	<b>1,217</b>
<b>Summary balance sheet, end of period</b>	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>31.12.2005</b>
<b>Assets</b>			
Receivables from credit institutions and central banks	36,771	75,198	67,606
Mortgage loans	709,854	674,342	699,116
Bank loans – excluding reverse transactions	25,020	18,354	19,870
Bonds and equities	58,303	56,916	79,788
Other assets	30,556	27,665	23,634
<b>Total assets</b>	<b>860,504</b>	<b>852,475</b>	<b>890,014</b>
<b>Liabilities and equity</b>			
Payables to credit institutions and central banks	80,846	60,005	55,322
Deposits	21,730	21,813	21,808
Issued bonds	662,955	679,338	718,041
Hybrid core capital	3,705	4,007	3,940
Supplementary capital	4,986	2,378	6,104
Other liabilities	35,974	38,246	36,107
Equity	50,308	46,688	48,692
<b>Total liabilities and equity</b>	<b>860,504</b>	<b>852,475</b>	<b>890,014</b>
<b>FINANCIAL RATIOS</b>	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>31.12.2005</b>
Profit for the period as a % of average equity (pa)	4.1	7.3	6.8
Core earnings before provisions as a % of average equity (pa)	5.3	6.2	6.2
Core earnings after provisions as a % of average equity (pa)	5.6	6.6	6.8
Costs as a % of core income	60.7	55.7	56.5
Total impairment provisions, DKKm	703	1,077	798
Impairment provisions for the period, %	0.0	0.0	0.0
Capital adequacy ratio, %	11.7	11.0	12.4
Core capital ratio incl hybrid core capital, %	10.8	10.6	11.3
Core capital ratio excl hybrid core capital, %	10.0	9.7	10.4
Average number of full-time staff	3,390	3,227	3,287

# H1/2006

For H1/2006 the Nykredit Realkredit Group recorded a profit before tax of DKK 1,346m compared with DKK 2,314m in the same period the year before.

Core earnings matched expectations and reflect a normalised level of activity in the mortgage lending market. Relative to the same period the year before, mortgage bank earnings went down as expected, while bank and insurance earnings increased. Investment portfolio income was lower than expected as a result of higher interest rates and declining equity prices.

Profit after tax was DKK 1,019m in H1/2006 against DKK 1,658m in H1/2005. Including the value adjustment of strategic equities against equity, profit after tax came to DKK 1,620m against DKK 2,436m in H1/2005.

## Core earnings

Group core earnings after provisions were DKK 1,390m compared with DKK 1,491m in the same period the year before.

Group core income from business operations was DKK 2,830m against DKK 2,817m in H1/2005.

Gross new mortgage lending amounted to DKK 91bn in H1/2006 against DKK 170bn in the same period the year before. Lending activity has normalised following several years of exceptionally high activity partly attributable to the low interest rates and the introduction of new loan types such as loans with interest rate caps and interest-only periods.

In terms of gross new lending, the Nykredit Group held a market share of 39.2% in the first six months of 2006. Measured at nominal value, Group mortgage lending rose to nearly DKK 728bn against DKK 695bn at the beginning of the year. Combined with the lower gross new lending, the increased lending volume reflects a significant reduction in borrowers' refinancing activity.

Continued rising banking and insurance activity counters the normalised level of mortgage lending in terms of earnings.

Core income from business operations in the Bank was DKK 650m in H1/2006 against DKK 555m in the same period the year before. The increase was related in particular to Markets & Asset Management which recorded an increase in core income from business operations to

DKK 382m against DKK 302m in the same period the year before.

Core income from insurance operations included in total core income from business operations was DKK 137m in H1/2006 compared with DKK 28m in the same period the year before. The lift in results can be ascribed to improved technical results. The combined ratio landed at 94.9 against 110.6 in the same period the year before.

Core income from securities increased by DKK 112m to DKK 497m against DKK 385m in the same period the year before. Core income from securities has been determined based on a short-term money market rate at 2.5% in H1/2006 against 2.1% in the same period the year before.

Operating costs, depreciation and amortisation charged DKK 2,020m against DKK 1,785m in H1/2005. The increase stems from higher IT and staff costs. Just over one third of the cost rise relates to increased IT costs. The rise in staff costs is a consequence of collective agreements and growth within the Commercial Customers and the Markets & Asset Management areas.

Group provisions for loan impairment equalled an income of DKK 83m. The reversal of provisions should be seen in the light of an exceptionally low level of loans in arrears.

## Investment portfolio income

Nykredit recorded a loss on its investment portfolio of DKK 44m in H1/2006 against an income of DKK 823m in H1/2005.

Investment portfolio income of bonds, liquidity and interest rate instruments came to a negative DKK 173m against income of DKK 453m in H1/2005. Equities and equity instruments correspondingly amounted to DKK 129m against DKK 370m in H1/2005. To this, an income of DKK 634m should be added relating to strategic equities which have been adjusted against equity in the Consolidated Financial Statements.

## Financial risks

At 30 June 2006 Group Value-at-Risk stood at DKK 122m in terms of a 99% confidence interval over one day.

The Group interest rate exposure was DKK 702m in case of a general interest rate change of 1 percentage point. The interest rate exposure will be reduced by DKK 97m on the acquisition of the remaining shares in Totalkredit. The equity exposure in case of a general price decline of 10% was DKK 709m.

#### **Subsidiaries**

Totalkredit recorded a profit before tax of DKK 319m in H1/2006 against DKK 376m in the same period the year before. For further information, please refer to Totalkredit's H1 Interim Report 2006.

Totalkredit's lending activities increased by a nominal DKK 27bn to DKK 287bn. The rise in Totalkredit's lending mirrors the position in the Danish financial market of the local and regional banks.

In the light of the growth in lending, the company's share capital will be increased by DKK 2bn measured at market value.

For H1/2006 the Nykredit Bank Group realised a profit before tax of DKK 361m compared with DKK 327m in the same period the year before. For further information, please refer to Nykredit Bank's H1 Interim Report 2006.

To underpin the Bank's strong development, not least within Markets & Asset Management and Corporate Banking, the Bank's subordinate loan capital will be increased by DKK 500m.

Nykredit Forsikring (the insurance company) recorded a profit before tax of DKK 84m in H1/2006 against DKK 12m in the same period the year before.

#### **Q2/2006 results**

Profit before tax was DKK 611m in Q2/2006 against DKK 735m in Q1/2006.

The results development was affected in particular by a negative investment portfolio income of DKK 162m in Q2 against a positive DKK 118m in Q1. This was a consequence of rising interest rate levels and falling equity prices.

In Q2 core earnings landed at DKK 773m against DKK 617m in Q1. The improvement mainly came from the banking area. To this, rising core income from securities as a result of a rise in risk-free interest rates should be added.

**BUSINESS AREAS**

Nykredit is a broad-based financial services provider organised into three intercompany business areas: Retail Customers, Commercial Customers and Markets & Asset Management.

Retail Customers comprises Nykredit's own distribution and Totalkredit mortgage lending arranged by Danish local and regional banks. Retail Customers realised core earnings before provisions of DKK 509m in H1/2006 against DKK 650m in 2005. The earnings decrease is mainly a result of lower mortgage lending, while insurance earnings increased. Results include amortisation of DKK 200m relating to intangible assets derived from the acquisition of Totalkredit. Gross new mortgage lending to retail customers amounted to DKK 69bn compared with DKK 114bn in the same period the year before.

Commercial Customers comprises business activities aimed at commercial and agricultural customers, etc.

For H1/2006 the Commercial Customers area realised core earnings before provisions of DKK 650m against DKK 668m in the same period the year before. The slightly decreasing results are a consequence of lower mortgage lending which has, nonetheless, largely been offset by rising bank and insurance earnings. Gross mortgage lending amounted to DKK 21bn compared with DKK 56bn in the same period the year before. Bank lending rose by DKK 5bn in H1/2006 to DKK 19bn.

For H1/2006 Markets & Asset Management realised core earnings of DKK 176m against DKK 140m in 2005. The significant lift in core income of DKK 80m reflects a positive development in the trading, debt capital market and asset management activities of this business area.

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

**Results by business area - H1/2006**

DKKm	Retail Customers		Commercial Customers		Markets & Asset Management		Group items and eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Core income from business operations	1,435	1,540	952	956	382	302	61	19	2,830	2,817
Core income from securities	-	-	-	-	-	-	497	385	497	385
Direct operating costs	716	684	302	287	206	162	543	407	1,767	1,540
Depreciation on property, plant and equipment and amortisation of intangible assets	210	206	-	1	-	-	43	38	253	245
<b>Core earnings before provisions</b>	<b>509</b>	<b>650</b>	<b>650</b>	<b>668</b>	<b>176</b>	<b>140</b>	<b>(28)</b>	<b>(41)</b>	<b>1,307</b>	<b>1,417</b>
Provisions for loan impairment	(58)	(2)	(25)	(73)	-	-	-	1	(83)	(74)
<b>Core earnings after provisions</b>	<b>567</b>	<b>652</b>	<b>675</b>	<b>741</b>	<b>176</b>	<b>140</b>	<b>(28)</b>	<b>(42)</b>	<b>1,390</b>	<b>1,491</b>
Investment portfolio income	-	-	-	-	-	-	(44)	823	(44)	823
<b>Profit before tax</b>	<b>567</b>	<b>652</b>	<b>675</b>	<b>741</b>	<b>176</b>	<b>140</b>	<b>(72)</b>	<b>781</b>	<b>1,346</b>	<b>2,314</b>
<b>Return</b>										
Average business capital, DKKm <sup>1</sup>	15,803	14,618	16,215	15,932	786	656	-	-	34,643	32,982
Core earnings after provisions as a % of average business capital (pa)	7.2	8.9	8.3	9.3	44.8	42.7	-	-	8.0	9.0
1) Statutory capital requirement										

## GROUP BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

At end-H1/2006 the Group's balance sheet totalled DKK 861bn against DKK 890bn at the beginning of the year.

Group mortgage lending measured at fair value increased by nearly DKK 11bn to DKK 710bn. Measured at nominal value, mortgage lending rose by DKK 32bn to DKK 728bn at end-H1.

Bank lending amounted to DKK 25bn at end-H1/2006, up over DKK 5bn on the beginning of the year.

Group equity including profit for the period was DKK 50,308m against DKK 48,692m at the beginning of the year.

In accordance with IAS 39, Nykredit has classified the Group's strategic equity investments as "available for sale" in its 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. Equities available for sale are value-adjusted at fair value directly against equity up to a

potential divestment. In case of a divestment, the accumulative value adjustment will be included in the operating results. The value adjustment against equity in the Consolidated Financial Statements was DKK 601m after tax in H1/2006. The total value of equities classified as available for sale amounted to DKK 4,602m at end-H1/2006.

At end-H1/2006 the Group's capital base stood at DKK 52,814m excluding profit for the period and value adjustment of equities against equity.

The Group's core capital ratio incl hybrid core capital was 10.8% at end-H1/2006 against 11.3% at the beginning of the year. Including earnings for the period, the core capital ratio was 11.2% at end-H1/2006. The decision to buy the remaining shares in Totalkredit A/S will lead to a reduction in the core capital ratio of 0.5 percentage point.

### The Nykredit Realkredit Group Development in equity

DKKm	30 June 2006	30 June 2005	31 December 2005
<b>Equity, beginning of period</b>	<b>48,692</b>	<b>44,235</b>	<b>44,235</b>
Profit for the period	1,019	1,658	3,180
Fair value adjustment of equities - available for sale	601	778	1,271
Other adjustments	(4)	17	6
<b>Equity, end of period</b>	<b>50,308</b>	<b>46,688</b>	<b>48,692</b>

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

DKKm	30 June 2006	30 June 2005	31 December 2005
Core capital incl hybrid core capital	48,715	44,777	48,674
Core capital excl hybrid core capital	45,054	42,505	44,734
Capital base	52,814	46,512	53,707
Weighted assets	449,787	421,916	432,212
Capital requirement	35,983	33,753	34,577
<b>Capital adequacy stated on the basis of</b>			
- Capital base	11.7	11.0	12.4
- Core capital incl hybrid core capital	10.8	10.6	11.3
- Core capital excl hybrid core capital	10.0	9.7	10.4

**NYKREDIT'S CAPITAL STRUCTURE**

The Nykredit Group must always maintain a capital structure enabling the offering of mortgage loans and other financial solutions during periods with high as well as low business activity. Nykredit's capital resources should also secure the highest possible rating for newly issued mortgage bonds, enabling Nykredit to offer customers the lowest possible mortgage rates.

As expected, the Group's capital structure will be affected by the decision to buy the remaining shares in Totalkredit.

The purchase price is DKK 2.1bn. The acquisition will reduce the Group's equity by DKK 1.5bn equal to minority interests' share of the equity value. To this, an increase in purchased goodwill of DKK 0.6bn should be added.

Equity of DKK 50.3bn at 30 June 2006 will be reduced by the minority interests of DKK 1.5bn to DKK 48.8bn in connection with the decision to buy the remaining shares in Totalkredit.

Nykredit divides its equity into three elements.

*Business capital* of DKK 40.3bn equal to the statutory capital requirement. The capital requirement constitutes 8% of weighted items equal to DKK 36.0bn and the statutory capital deductions relating to intangible assets of DKK 4.1bn and insurance business of DKK 0.2bn. The amounts allow for the decision to acquire the remaining shares in Totalkredit.

*Buffer capital* of DKK 4.5bn equal to 1% of weighted items. The buffer capital is maintained to ensure that Nykredit – even after unexpected loan losses or losses on securities portfolios – continues to have adequate capital resources to retain lending activities and obtain a high rating of the mortgage bonds issued.

*Strategic capital* of DKK 4.0bn being Nykredit's reserve for periods with high business growth or strategic initiatives and acquisitions.

**OUTLOOK FOR 2006**

In H1 the Nykredit Group's core earnings overall matched expectations. Investment portfolio income will still involve significant uncertainty in line with the development in equity and bond markets.

The forecast profit before tax is maintained around DKK 3,000-3,300m.

**OTHER****Nykredit acquires remaining shares in Totalkredit**

Today the Board of Directors of Nykredit Realkredit A/S authorised the Executive Board to exercise Nykredit's option to buy the remaining shares in Totalkredit at 2 October 2006 following which Totalkredit will be wholly-owned by Nykredit Realkredit A/S.

**Continued success and increased capital requirement**

The dual-brand strategy in the market for private residential mortgages continues to prove successful, and the level of activity and Totalkredit's lending continue to grow. Against this backdrop, the company's share capital will be increased by DKK 2bn measured at market value.

At 31 August 2006 Totalkredit will launch a capital increase of a nominal value of DKK 131,479,400 at a price of DKK 1,521.15 per share of a nominal DKK 100. The share capital will subsequently amount to DKK 667,259,500.

The capital increase will be subscribed for in its entirety by Nykredit Realkredit A/S.

**Subordinate loan capital for Nykredit Bank**

Also Nykredit Bank continues the positive development in all business areas, especially Markets & Asset Management and Corporate Banking. To sustain the sound development and enhance the Bank's possibilities of serving more and larger corporate customers, Nykredit Realkredit A/S will contribute further subordinate loan capital of a nominal value of DKK 500,000,000. The subordinate loan capital will be fully included in the Bank's capital base.

**Industriens Realkreditfond**

In 2005 Industriens Realkreditfond (the Industrial Mortgage Fund of Denmark) commenced legal proceedings against Nykredit. The status of the proceedings is unchanged relative to the mention in the Annual Report for 2005.

The case is expected to be resolved within one or two years. Nykredit expects the Danish courts to find for Nykredit.

**Tax case**

The Danish National Tax Tribunal found for Nykredit Realkredit in a tax case concerning tax on profits from the disposal of shares held for trading purposes, cf the mention in the Annual Report for 2005. The Danish tax authorities have appealed against the decision to the Danish High Court. If every aspect of the case goes

against Nykredit Realkredit, an additional expense of DKK 394m relative to the tax charge can be expected. Nykredit expects the High Court to find for Nykredit.

**EVENTS OCCURRED AFTER THE CLOSING OF THE FINANCIAL PERIOD**

No material events have occurred in the period up to the presentation of the H1 Interim Report.

**ACCOUNTING POLICIES**

The Consolidated Financial Statements for H1/2006 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and further Danish disclosure requirements for interim reports. Compliance with IAS 34 implies compliance with the principles of recognition and measurement of the international financial reporting standards (IFRS) and a more limited presentation relative to a complete annual report.

The financial statements of the Parent Company for H1/2006 have been prepared in accordance with the Executive Order on the presentation of financial reports of credit institutions and investment companies, etc issued by the Danish Financial Supervisory Authority, including the Executive Order on the application of IFRS of financial companies.

The accounting policies are unchanged relative to the Annual Report for 2005. A description of the Group's and the Parent Company's accounting policies applied in the Annual Report for 2005 is available at [www.nykredit.com](http://www.nykredit.com).

The H1 Interim Report has not been audited.



DKK million	Q2/2006	Q1/2006	Q4/2005	Q3/2005	Q2/2005	Q1/2005
<b>CORE EARNINGS AND PROFIT FOR THE PERIOD</b>						
<b>Core income from:</b>						
- Business operations	1,464	1,366	1,534	1,475	1,449	1,368
- Securities	274	223	220	213	232	153
<b>Total</b>	<b>1,738</b>	<b>1,589</b>	<b>1,754</b>	<b>1,688</b>	<b>1,681</b>	<b>1,521</b>
Operating costs, depreciation and amortisation	1,011	1,009	1,103	870	928	857
<b>Core earnings before provisions</b>	<b>727</b>	<b>580</b>	<b>651</b>	<b>818</b>	<b>753</b>	<b>664</b>
Provisions for loan impairment	(46)	(37)	(42)	(129)	(98)	24
<b>Core earnings after provisions</b>	<b>773</b>	<b>617</b>	<b>693</b>	<b>947</b>	<b>851</b>	<b>640</b>
Investment portfolio income	(162)	118	50	337	301	522
<b>Profit before tax</b>	<b>611</b>	<b>735</b>	<b>743</b>	<b>1,284</b>	<b>1,152</b>	<b>1,162</b>
Tax	133	194	182	323	289	367
<b>Profit for the period</b>	<b>478</b>	<b>541</b>	<b>561</b>	<b>961</b>	<b>863</b>	<b>795</b>
<b>Profit for the period excludes value adjustment of strategic equities against equity</b>	<b>(303)</b>	<b>904</b>	<b>111</b>	<b>328</b>	<b>630</b>	<b>148</b>
<b>Summary balance sheet, end of period</b>						
<b>Assets</b>						
Receivables from credit institutions and central banks	36,771	46,312	67,606	61,997	75,198	72,022
Mortgage loans	709,854	701,399	699,116	690,601	674,342	649,312
Bank loans – excluding reverse transactions	25,020	21,950	19,870	18,028	18,354	18,495
Bonds and equities	58,303	58,425	79,788	55,060	56,916	44,569
Other assets	30,556	23,535	23,634	29,567	27,665	23,442
<b>Total assets</b>	<b>860,504</b>	<b>851,621</b>	<b>890,014</b>	<b>855,253</b>	<b>852,475</b>	<b>807,840</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	80,846	74,281	55,322	46,796	60,005	51,742
Deposits	21,730	23,992	21,808	24,984	21,813	19,845
Issued bonds	662,955	656,340	718,041	686,275	679,338	657,045
Hybrid core capital	3,705	3,788	3,940	4,007	4,007	3,858
Supplementary capital	4,986	6,107	6,104	6,065	2,378	2,378
Other liabilities	35,974	36,982	36,107	39,150	38,246	27,794
Equity	50,308	50,131	48,692	47,976	46,688	45,178
<b>Total liabilities and equity</b>	<b>860,504</b>	<b>851,621</b>	<b>890,014</b>	<b>855,253</b>	<b>852,475</b>	<b>807,840</b>
<b>FINANCIAL RATIOS</b>						
Profit for the period as a % of average equity (pa)	3.8	4.4	4.6	8.1	7.5	7.1
Core earnings before provisions as a % of average equity (pa)	5.8	4.7	5.4	7.0	6.6	5.9
Core earnings after provisions as a % of average equity (pa)	6.2	5.0	5.7	8.1	7.4	5.7
Costs as a % of core income	58.2	63.5	62.9	51.3	55.2	56.3
Total impairment provisions, DKKm	703	739	798	900	1,061	1,165
Impairment provisions for the period, %	0.0	0.0	0.0	0.0	0.0	0.0
Capital adequacy ratio, %	11.7	12.3	12.4	11.7	11.0	11.2
Core capital ratio incl hybrid core capital, %	10.8	11.2	11.3	10.4	10.6	10.8
Core capital ratio excl hybrid core capital, %	10.0	10.3	10.4	9.5	9.7	9.9
Average number of full-time staff	3,390	3,385	3,287	3,264	3,227	3,266

## Income statements

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP			
2005 H1	2006 H1		Note	2006 H1	2005 H1
11,798	11,265	Interest income	1	16,608	17,621
10,060	9,690	Interest expense	2	13,887	14,750
1,738	1,575	NET INTEREST INCOME		2,721	2,871
183	206	Dividend on equities		216	190
560	418	Fee and commission income		679	904
98	97	Fee and commission expense		524	529
2,383	2,102	NET INTEREST AND FEE INCOME		3,092	3,436
-	-	Net premiums earned		589	549
1,211	450	Value adjustments	3	(43)	466
1	3	Other operating income		88	83
-	-	Claims incurred, net of reinsurance		445	509
1,050	1,209	Staff and administrative expenses	4	1,767	1,539
169	173	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		253	245
-	-	Other operating expenses		-	1
(73)	(70)	Provisions for loan and receivable impairment	5	(83)	(74)
666	737	Profit from investments in associates and group enterprises	6	2	-
3,115	1,980	PROFIT BEFORE TAX		1,346	2,314
679	360	Tax		327	656
2,436	1,620	PROFIT FOR THE PERIOD		1,019	1,658

## Balance sheets

DKK MILLION

NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP		
2005 31.12.	2006 30.06.		Note	2006 30.06.	2005 31.12.
		<b>ASSETS</b>			
21	9	Cash balance and demand deposits with central banks		40	47
54,008	23,943	Receivables from credit institutions and central banks	7	36,731	67,559
440,023	433,052	Loans, advances and other receivables at fair value	8	719,726	705,999
63,453	84,606	Totalkredit mortgage loan funding	9	-	-
1,031	1,302	Loans, advances and other receivables at amortised cost		27,005	21,583
57,875	28,427	Bonds at fair value	10	49,610	71,639
		<b>Equities</b>			
7,601	8,118	Fair value option		4,091	4,089
-	-	Available for sale		4,602	4,060
7,601	8,118	<b>Total</b>		8,693	8,149
80	112	Investments in associates		188	155
9,790	10,248	Investments in group enterprises		-	-
3,163	3,052	Intangible assets		3,519	3,680
		<b>Land and buildings</b>			
-	-	Investment properties		245	246
315	321	Owner-occupied properties		1,339	1,326
315	321	<b>Total</b>		1,584	1,572
134	128	Other property, plant and equipment		182	187
181	3	Current tax assets		3	213
151	159	Deferred tax assets		180	171
22	16	Assets temporarily acquired		16	22
4,503	7,451	Other assets	11	12,906	8,925
105	113	Prepayments		121	113
642,456	601,060	<b>TOTAL ASSETS</b>		860,504	890,014

## Balance sheets

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP		
2005 31.12.	2006 30.06.	Note	2006 30.06.	2005 31.12.
LIABILITIES AND EQUITY				
27,859	30,289		80,846	55,322
-	-		21,730	21,808
539,934	497,727	12	662,955	718,041
0	141		1,891	654
3,978	3,902		10,802	9,235
0	0		118	8
14,142	11,278	13	19,634	22,634
0	0		5	9
Provisions				
187	192		198	193
815	625		803	1,008
-	-		1,791	1,616
206	191		191	206
534	534		541	544
1,742	1,542		3,524	3,567
7,662	7,426	14	8,691	10,044
Equity				
1,182	1,182		1,182	1,182
Accumulated changes in value				
82	82		115	115
6	0		0	6
-	-		1,818	1,217
Other reserves				
1,004	946		-	-
22,597	22,597		22,597	22,597
3,632	3,632		3,632	3,632
18,636	20,316		19,411	18,390
-	-		1,553	1,553
47,139	48,755		50,308	48,692
642,456	601,060		860,504	890,014
OFF-BALANCE SHEET ITEMS				
-	-		3,602	4,263
1,426	1,048		4,638	4,077
1,426	1,048		8,240	8,340
Collateral security				
Related party transactions and balances				

## Statement of changes in equity

DKK MILLION

NYKREDIT REALKREDIT A/S

	Share capital	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Reserve for net revaluation according to the equity method	Value adjustment of equities available for sale	Reserves in series	Other reserves	Retained earnings	Minority interests	Total	H1/2005
<b>H1/2006</b>											
Balance, beginning of period	1,182	82	6	1,004	-	22,597	3,632	18,636	-	47,139	42,197
Effect of changed accounting policies – IFRS											500
Adjusted balance, beginning of period	1,182	82	6	1,004	-	22,597	3,632	18,636	-	47,139	42,697
Adjustment relating to owner-occupied properties										-	2
Dividend from Nykredit Mægler				(60)				60		-	-
Adjustment relating to foreign entities			(6)							(6)	-
Profit for the period								1,620		1,620	2,436
Adjustment relating to associates				2						2	-
<b>Balance, end of period</b>	<b>1,182</b>	<b>82</b>	<b>0</b>	<b>946</b>	<b>-</b>	<b>22,597</b>	<b>3,632</b>	<b>20,316</b>	<b>-</b>	<b>48,755</b>	<b>45,135</b>
The share capital breaks down into shares of DKK 100.00 and multiples hereof											
											THE NYKREDIT REALKREDIT GROUP
<b>H1/2006</b>											
Balance, beginning of period	1,182	115	6	-	1,217	22,597	3,632	18,390	1,553	48,692	43,735
Effect of changed accounting policies – IFRS											500
Adjusted balance, beginning of period	1,182	115	6	-	1,217	22,597	3,632	18,390	1,553	48,692	44,235
Adjustment relating to owner-occupied properties										-	2
Fair value adjustment of equities available for sale					692					692	778
Realised gain on equities available for sale					(91)					(91)	-
Adjustment relating to foreign entities			(6)							(6)	-
Profit for the period								1,019		1,019	1,658
Adjustment relating to associates								2		2	-
Adjustment relating to minority interests										-	15
<b>Balance, end of period</b>	<b>1,182</b>	<b>115</b>	<b>0</b>	<b>-</b>	<b>1,818</b>	<b>22,597</b>	<b>3,632</b>	<b>19,411</b>	<b>1,553</b>	<b>50,308</b>	<b>46,688</b>

## Core earnings and investment portfolio income

DKK MILLION

THE NYKREDIT REALKREDIT  
GROUP

	2006 H1			2005 H1		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	2,656	65	<b>2,721</b>	2,526	345	<b>2,871</b>
Dividend on equities	4	212	<b>216</b>	2	188	<b>190</b>
Fee and commission income, net	178	(23)	<b>155</b>	397	(22)	<b>375</b>
<b>Net interest and fee income</b>	<b>2,838</b>	<b>254</b>	<b>3,092</b>	<b>2,925</b>	<b>511</b>	<b>3,436</b>
Net premiums earned	589		<b>589</b>	549	0	<b>549</b>
Value adjustments	257	(300)	<b>(43)</b>	154	312	<b>466</b>
Other operating income	88	-	<b>88</b>	83	-	<b>83</b>
Claims incurred, net of reinsurance	445	-	<b>445</b>	509	-	<b>509</b>
Staff and administrative expenses	1,767	-	<b>1,767</b>	1,539	-	<b>1,539</b>
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	253	-	<b>253</b>	245	-	<b>245</b>
Other operating expenses	0	-		1	-	<b>1</b>
Provisions for loan impairment	(83)	-	<b>(83)</b>	(74)	-	<b>(74)</b>
Profit from equity investments	-	2	<b>2</b>	-	0	<b>0</b>
<b>Profit before tax</b>	<b>1,390</b>	<b>(44)</b>	<b>1,346</b>	<b>1,491</b>	<b>823</b>	<b>2,314</b>

## Cash flow statement

DKK MILLION

THE NYKREDIT REALKREDIT  
GROUP

	2006 30.06.	2005 30.06.
Profit after tax for the period	1,019	1,658
<b>Adjustment for non-cash operating items, depreciation, amortisation and impairment losses</b>		
Amortisation and impairment losses for intangible assets	216	204
Depreciation and impairment losses for property, plant and equipment	37	41
Value adjustment of investments	(2)	-
Provisions for loan and receivable impairment	(83)	(74)
Prepayments/deferred income, net	(12)	2
Tax calculated on profit for the period	327	656
Other adjustments	597	795
<b>Total</b>	<b>1,080</b>	<b>1,624</b>
<b>Profit for the period adjusted for non-cash operating items</b>	<b>2,099</b>	<b>3,282</b>
<b>Change in working capital</b>		
Loans and advances	(19,066)	(45,698)
Deposits and payables to credit institutions	25,446	19,047
Issued mortgage bonds	(53,849)	28,086
Other working capital	(5,231)	965
<b>Total</b>	<b>(52,700)</b>	<b>2,400</b>
<b>Corporation tax paid, net</b>	<b>(236)</b>	<b>(221)</b>
<b>Cash flows from operating activities</b>	<b>(50,837)</b>	<b>5,461</b>
<b>Cash flows from investing activities</b>		
Investments	21,454	17,013
Intangible assets	(55)	(10)
Property, plant and equipment	(44)	(16)
<b>Total</b>	<b>21,355</b>	<b>16,987</b>
<b>Cash flows from financing activities</b>		
Subordinate loan capital	(1,353)	(59)
<b>Total</b>	<b>(1,353)</b>	<b>(59)</b>
<b>Total cash flows</b>	<b>(30,835)</b>	<b>22,389</b>
<b>Cash and cash equivalents, beginning of period</b>		
Cash balance and demand deposits with central banks	47	31
Receivables from credit institutions and central banks	67,559	52,778
<b>Total</b>	<b>67,606</b>	<b>52,809</b>
<b>Cash and cash equivalents, end of period</b>		
Cash balance and demand deposits with central banks	40	3,458
Receivables from credit institutions and central banks	36,731	71,740
<b>Total</b>	<b>36,771</b>	<b>75,198</b>

## Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP		
2005 H1	2006 H1		2006 H1	2005 H1
<b>1. INTEREST INCOME</b>				
377	1,465	Receivables from credit institutions and central banks	341	468
9,860	8,290	Loans, advances and other receivables	13,746	14,807
1,055	1,039	Administration margin (income)	1,692	1,570
<b>Bonds</b>				
183	421	– Own mortgage bonds	805	537
239	286	– Other mortgage bonds	726	416
49	23	– Government bonds	(15)	144
31	66	– Other bonds	150	100
<b>Derivative financial instruments</b>				
35	43	– Foreign exchange contracts	22	15
103	(2)	– Interest rate contracts	(99)	62
49	55	Other interest income	45	39
<b>11,981</b>	<b>11,686</b>	<b>Total</b>	<b>17,413</b>	<b>18,158</b>
(183)	(421)	Interest from own mortgage bonds has been offset against interest expense – note 2	(805)	(537)
<b>11,798</b>	<b>11,265</b>	<b>Total</b>	<b>16,608</b>	<b>17,621</b>
<b>Of which interest income from genuine purchase and resale transactions entered as:</b>				
89	73	Receivables from credit institutions and central banks	164	144
0	0	Loans, advances and other receivables	69	57
<b>2. INTEREST EXPENSE</b>				
205	391	Credit institutions and central banks	953	535
-	-	Deposits and other payables	288	236
9,851	9,519	Issued bonds	13,204	14,289
92	146	Subordinate loan capital	184	130
95	55	Other interest expense	63	97
<b>10,243</b>	<b>10,111</b>	<b>Total</b>	<b>14,692</b>	<b>15,287</b>
(183)	(421)	Set-off of interest from own mortgage bonds – note 1	(805)	(537)
<b>10,060</b>	<b>9,690</b>	<b>Total</b>	<b>13,887</b>	<b>14,750</b>
<b>Of which interest expense for genuine sale and repurchase transactions entered as:</b>				
118	82	Payables to credit institutions and central banks	229	220
-	-	Deposits and other payables	12	0



## Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP		
2005 H1	2006 H1		2006 H1	2005 H1
		3. VALUE ADJUSTMENTS		
		Financial assets measured at fair value through profit or loss		
13,250	(11,840)	Mortgage loans	(20,998)	16,153
–	(2,351)	Totalkredit mortgage loan funding	–	–
2	0	Other loans, advances and receivables at fair value	20	13
486	(939)	Bonds	(1,721)	644
1,064	647	Equities	(40)	276
(13)	41	Foreign exchange	270	(257)
(328)	507	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	1,144	(243)
0	0	Other assets	(1)	33
		Financial assets measured at fair value against equity		
	0	Realised capital gain transferred from equity	91	–
		Financial liabilities measured at fair value through profit or loss		
(13,250)	12,034	Issued bonds	21,192	(16,153)
–	2,351	Funding of mortgage loans for Totalkredit	–	–
1,211	450	Total	(43)	466

## Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP		
2005 H1	2006 H1		2006 H1	2005 H1
<b>4. STAFF AND ADMINISTRATIVE EXPENSES</b>				
13	17	Remuneration of Board of Directors and Executive Board	17	13
577	662	Staff expenses	1,058	912
460	530	Administrative expenses	771	696
<b>1,050</b>	<b>1,209</b>	<b>Total</b>	<b>1,846</b>	<b>1,621</b>
–	–	Costs transferred to “Claims incurred”	(79)	(82)
<b>1,050</b>	<b>1,209</b>	<b>Total</b>	<b>1,767</b>	<b>1,539</b>
<b>Remuneration of Board of Directors and Executive Board</b>				
<b>Board of Directors</b>				
1	1	Fees	1	1
<b>Executive Board</b>				
11	15	Salaries	15	11
–	–	Pensions	–	–
1	1	Other social security expenses and charges	1	1
<b>13</b>	<b>17</b>	<b>Total</b>	<b>17</b>	<b>13</b>
<b>Terms and conditions governing the Executive Board</b>				
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. Executive Board members may resign when attaining the age of 60 and are, as a principal rule, entitled to receive early retirement benefits equal to 65% of the gross salary until attaining the age of 65.				
There is a mutual term of notice of six months. Upon resignation at Nykredit Realkredit's request, Executive Board members are, as a principal rule, entitled to receive termination benefits equal to 18 months' gross salary, however, 24 months' gross salary if the Managing Director is discharged after having attained the age of 55.				
<b>Staff expenses</b>				
466	547	Wages and salaries	885	749
59	61	Pensions	90	84
52	54	Other social security expenses and charges	83	79
<b>577</b>	<b>662</b>	<b>TOTAL</b>	<b>1,058</b>	<b>912</b>
<b>Number of staff</b>				
2,303	2,384	Average number of staff for the period, full-time equivalents	3,390	3,227

## Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP		
2005 H1	2006 H1		2006 H1	2005 H1
<b>5. PROVISIONS FOR LOAN AND RECEIVABLE IMPAIRMENT</b>				
<b>5.a. Effect on profit/loss</b>				
(89)	(65)	Change in individual provisions for loan impairment and guarantees	(103)	(108)
8	(1)	Change in group-based provisions for loan impairment and guarantees	8	9
25	28	Losses ascertained for the period, net	50	44
(17)	(23)	Received on claims previously written off as impairment losses	(27)	(19)
<b>(73)</b>	<b>(61)</b>	<b>Total provisions for loan impairment and guarantees</b>	<b>(72)</b>	<b>(74)</b>
2	(8)	Value adjustment of assets temporarily acquired	(10)	2
(2)	(1)	Value adjustment of claims previously written off as impairment losses	(1)	(2)
<b>(73)</b>	<b>(70)</b>	<b>TOTAL</b>	<b>(83)</b>	<b>(74)</b>
<b>5.b. Specification of provisions for loan impairment and guarantees</b>				
712	428	Individual provisions	522	872
104	122	Group-based provisions	181	136
<b>816</b>	<b>550</b>	<b>Total provisions</b>	<b>703</b>	<b>1,008</b>
<b>5.c. Individual provisions</b>				
1,124		Provisions, beginning of period		1,365
(323)		Effect of new accounting policies, beginning of period		(385)
<b>801</b>	<b>493</b>	<b>Adjusted balance, beginning of period</b>	<b>625</b>	<b>980</b>
70	83	Provisions for the period	97	95
(135)	(135)	Reversal of provisions	(166)	(162)
(24)	(13)	Provisions recognised as lost	(34)	(41)
<b>712</b>	<b>428</b>	<b>Provisions, end of period</b>	<b>522</b>	<b>872</b>
<b>5.d. Group-based provisions</b>				
229		Provisions, beginning of period		229
(133)		Effect of new accounting policies, beginning of period		(102)
<b>96</b>	<b>123</b>	<b>Adjusted balance, beginning of period</b>	<b>173</b>	<b>127</b>
-	-	Foreign currency translation adjustment	-	-
8		Provisions for the period	9	9
-	(1)	Reversal of provisions	(1)	-
<b>104</b>	<b>122</b>	<b>Provisions, end of period</b>	<b>181</b>	<b>136</b>
<b>6. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>				
0	2	Profit before tax from investments in associates	2	0
666	735	Profit before tax from investments in group enterprises	-	-
<b>666</b>	<b>737</b>	<b>Total</b>	<b>2</b>	<b>0</b>

## Notes

DKK MILLION

NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2005 31.12.	2006 30.06.		2006 30.06.	2005 31.12.
		<b>7. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>		
16,762	6,156	Receivables at call with central banks	7,734	19,867
37,246	17,787	Receivables from credit institutions	28,997	47,692
<b>54,008</b>	<b>23,943</b>	<b>TOTAL</b>	<b>36,731</b>	<b>67,559</b>
444	2,371	Of which prepaid funds including prepayments at par and proceeds from the issuance of fixed-price agreements	8,592	12,469
		<b>8. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE</b>		
439,866	432,918	Mortgage loans	709,854	699,116
157	134	Arrears and execution	172	192
0	0	Other loans and advances	9,700	6,691
<b>440,023</b>	<b>433,052</b>	<b>TOTAL</b>	<b>719,726</b>	<b>705,999</b>
		<b>Mortgage loans</b>		
<b>428,128</b>	<b>434,942</b>	<b>Balance, beginning of period – nominal value</b>	<b>695,171</b>	<b>622,803</b>
174,347	42,630	New loans	93,218	323,545
501	707	Indexation	707	501
(66)	(84)	Foreign currency translation adjustment	(85)	(66)
(12,412)	(6,416)	Ordinary principal payments	(8,934)	(16,251)
(155,557)	(31,342)	Prepayments and extraordinary principal payments	(52,566)	(235,361)
<b>434,941</b>	<b>440,437</b>	<b>Balance, end of period – nominal value</b>	<b>727,511</b>	<b>695,171</b>
(6)	(1)	Loans transferred relating to properties temporarily in possession	(1)	(6)
271	273	Loans assumed by the Danish Agency for Governmental Management	273	271
<b>435,206</b>	<b>440,709</b>	<b>Total nominal value</b>	<b>727,783</b>	<b>695,436</b>
<b>5,166</b>	<b>(7,335)</b>	<b>Adjustment for interest rate risk</b>	<b>(17,473)</b>	<b>4,186</b>
		<b>Adjustment for credit risk</b>		
(420)	(351)	Individual provisions	(351)	(420)
(86)	(105)	Group-based provisions	(105)	(86)
<b>439,866</b>	<b>432,918</b>	<b>Balance, end of period – fair value</b>	<b>709,854</b>	<b>699,116</b>
21,983	22,056	Other than mortgages on real property, supplementary guarantees for loans have been received of	72,272	68,430
2,363	2,184	Total advance loan guarantees received	27,257	24,836

## Notes

DKK MILLION

NYKREDIT REALKREDIT A/S

THE NYKREDIT REALKREDIT  
GROUP

2005 31.12.	2006 30.06.		2006 30.06.	2005 31.12.
<b>8. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE, CONTINUED</b>				
<b>Arrears and execution</b>				
250	226	Arrears before provisions	264	285
17	2	Execution before provisions	2	17
(110)	(94)	Provisions for arrears and execution	(94)	(110)
<b>157</b>	<b>134</b>	<b>Total</b>	<b>172</b>	<b>192</b>
<b>9. TOTALKREDIT MORTGAGE LOAN FUNDING</b>				
<b>0</b>	<b>63,453</b>	<b>Balance, beginning of period – nominal value</b>		
64,781	30,449	New loans		
0	(155)	Ordinary principal payments		
(338)	(6,790)	Prepayments and extraordinary principal payments		
<b>64,443</b>	<b>86,957</b>	<b>Balance, end of period – nominal value</b>		
(990)	(2,351)	Adjustment for interest rate risk		
<b>63,453</b>	<b>84,606</b>	<b>Balance, end of period – fair value</b>		
<b>10. BONDS AT FAIR VALUE</b>				
116,059	33,239	Own mortgage bonds	63,779	190,529
49,975	18,368	Other mortgage bonds	21,506	59,232
5,739	7,112	Government bonds	14,731	6,983
2,161	2,947	Other bonds	13,373	5,424
<b>173,934</b>	<b>61,666</b>	<b>TOTAL</b>	<b>113,389</b>	<b>262,168</b>
(116,059)	(33,239)	Own mortgage bonds offset against "Issued bonds" – note 12	(63,779)	(190,529)
<b>57,875</b>	<b>28,427</b>	<b>TOTAL</b>	<b>49,610</b>	<b>71,639</b>
<b>11. OTHER ASSETS</b>				
2,578	4,159	Interest and commission receivable	5,801	4,466
926	963	Receivables from group enterprises	-	-
886	2,188	Positive market value of derivative financial instruments	6,612	4,066
13	13	Defined benefit plans	13	13
100	128	Other assets	480	380
<b>4,503</b>	<b>7,451</b>	<b>Total</b>	<b>12,906</b>	<b>8,925</b>

## Notes

DKK MILLION

NYKREDIT REALKREDIT A/S

THE NYKREDIT REALKREDIT  
GROUP

2005 31.12.	30.06.2006 30.06.		2006 30.06.	2005 31.12.
<b>12. ISSUED BONDS AT FAIR VALUE</b>				
<b>541,590</b>	<b>629,545</b>	<b>Balance, beginning of period – nominal value</b>	<b>882,111</b>	<b>771,900</b>
337,730	78,219	Additions	99,042	462,627
222	13	Foreign currency translation adjustment	13	222
(229,442)	(163,067)	Bonds drawn and cancelled	(222,760)	(311,837)
(20,555)	(25,013)	Prepayments and extraordinary principal payments	(36,145)	(40,801)
<b>629,545</b>	<b>519,697</b>	<b>Total</b>	<b>722,261</b>	<b>882,111</b>
22,167	22,050	Indexation	22,050	22,167
<b>651,712</b>	<b>541,747</b>	<b>Balance, end of period – nominal value</b>	<b>744,311</b>	<b>904,278</b>
<b>8,139</b>	<b>4,281</b>	<b>Fair value adjustment, beginning of period</b>	<b>4,292</b>	<b>10,320</b>
(3,858)	(15,062)	Fair value adjustment	(21,869)	(6,028)
<b>655,993</b>	<b>530,966</b>	<b>Balance, end of period – fair value</b>	<b>726,734</b>	<b>908,570</b>
116,059	33,239	Own mortgage bonds transferred from “Bonds” – note 10	63,779	190,529
<b>539,934</b>	<b>497,727</b>	<b>Total</b>	<b>662,955</b>	<b>718,041</b>
1,622	3,196	Of which pre-issuance	3,434	1,721
150,676	6,512	Drawn for redemption at next creditor settling date	8,704	160,212
<b>13. OTHER LIABILITIES</b>				
10,676	6,556	Interest and commission payable	11,106	15,872
1,277	258	Negative market value of derivative financial instruments	3,387	4,137
1,768	1,797	Payables relating to the purchase of Totalkredit shares	1,797	1,768
421	2,667	Other payables	3,344	857
<b>14,142</b>	<b>11,278</b>	<b>Total</b>	<b>19,634</b>	<b>22,634</b>

## Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP		
2005 31.12.	2006 30.06.		2006 30.06.	2005 31.12.
<b>14. SUBORDINATE LOAN CAPITAL</b>				
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.				
3,940	3,705	EUR 500m (nominal) of hybrid core capital in accordance with s 137 of the Danish Financial Business Act. The loan is perpetual, but may be repaid at par (100) from 22 September 2014. The loan carries a fixed interest rate of 4.9% up to 22 September 2014, after which it will carry a floating interest rate.	3,705	3,940
3,722	3,721	EUR 500m (nominal) of subordinate loan capital in accordance with s 136 of the Danish Financial Business Act. The loan falls due at par (100) on 20 September 2013 and carries a floating interest rate.	3,721	3,722
-	-	EUR 200m (nominal) of subordinate loan capital in accordance with s 136 of the Danish Financial Business Act. The loan falls due at par (100) on 17 December 2010 and carries a floating interest rate.	1,265	1,264
-	-	EUR 150m (nominal) of subordinate loan capital in accordance with s 136 of the Danish Financial Business Act. The loan falls due at par (100) on 18 May 2009 and carries a floating interest rate.	-	1,118
<b>7,662</b>	<b>7,426</b>	<b>Total</b>	<b>8,691</b>	<b>10,044</b>
10	0	Costs of raising and repaying subordinate loan capital	0	9
-	-	Extraordinary principal payments and repayment of subordinate loan capital in the accounting period	1,118	-
<b>15. OFF-BALANCE SHEET ITEMS</b>				
-	-	Guarantees	3,602	4,263
1,426	1,048	Other contingent liabilities	4,638	4,077
<b>1,426</b>	<b>1,048</b>	<b>Total</b>	<b>8,240</b>	<b>8,340</b>
<b>Guarantees</b>				
-	-	Financial guarantees	1,364	1,575
-	-	Other guarantees	2,238	2,688
-	-	<b>Total</b>	<b>3,602</b>	<b>4,263</b>
<b>Other contingent liabilities</b>				
60	32	Irrevocable credit commitments	4,046	3,069
1,366	1,016	Other liabilities	592	1,008
<b>1,426</b>	<b>1,048</b>	<b>Total</b>	<b>4,638</b>	<b>4,077</b>
<b>16. COLLATERAL SECURITY</b>				
27,193	25,967	As collateral security for Danmarks Nationalbank, the Danish FUTOP Clearing Centre and foreign clearing centres, bonds have been deposited at a total market value of	48,615	46,610

**17. RELATED PARTY TRANSACTIONS AND BALANCES**

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

No unusual related party transactions occurred in H1/2006.

The companies have entered into several 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 trading in goods and services took place on an arm's length basis.

Important related party transactions prevailing/entered into in H1/2006 include:

**Agreements between Nykredit Realkredit A/S and Totalkredit A/S**

Master agreement on the terms applicable to transactions in the securities area.

Agreement on the joint funding of mortgage loans.

**Agreements between Nykredit Realkredit A/S and Nykredit Mægler A/S**

Agreements on commission payable in connection with the referral of lending business.

**Agreements between Nykredit Realkredit A/S and Nykredit Forsikring A/S**

Agreement on the employment of insurance agents at Nykredit Realkredit A/S's centres, sales commission to Nykredit centres and agreement on the management of certain investments.

**Agreements between Nykredit Realkredit A/S and JN Data A/S**

Agreements on joint IT support, etc.

**Agreements between Nykredit Holding A/S and Nykredit Bank 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.

**Agreements between Totalkredit A/S and Nykredit Mægler A/S**

Agreements on commission in connection with the referral of lending business.



# Group structure

DKK MILLION

Name and registered office	Share capital at 31.12.05	Equity at 31.12.05	Ownership as a % at 31.12.05	Profit/loss at 30.06.06	Equity at 30.06.06
<b>The Nykredit Realkredit Group</b>					
Nykredit Realkredit A/S, Copenhagen a)					
<b>Consolidated subsidiaries</b>					
Totalkredit A/S, Taastrup a)	536	5,380	74.10	231	5,612
Nykredit Bank A/S, Copenhagen b)	1,400	3,614	100	254	3,868
Nykredit Finance plc, Plymouth i)	GBP 3	44	100	1	29
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen e)	5	26	100	–	26
Nykredit Pantebrevsinvestering A/S, Copenhagen e)	5	19	100	–	19
Nykredit Portefølje Bank A/S, Copenhagen b)	40	110	100	19	129
Nykredit Portefølje Adm. A/S, Copenhagen d)					
Nykredit Leasing A/S, Copenhagen h)	1	4	100	1	5
Norswood Properties Limited, Plymouth i)	GBP 0	3	100	–	–
Nykredit Forsikring A/S, Copenhagen c)	500	1,630	100	61	1,692
Nykredit Mægler A/S, Århus f)	11	122	100	27	88
Nykredit Ejendomme A/S, Copenhagen g)	50	312	100	11	323
Nykredit Adm. V A/S, Copenhagen i)	1	1	100	0	1
Nykredit Bank Hipoteczny S.A., Warsaw b)	97	124	100	(1)	118
<b>Associates subject to proportionate consolidation</b>					
Dansk Pantebrevsbørs A/S, Copenhagen e)	5	38	50	18	39
LeasIT A/S, Lyngby-Taarbæk h)	14	68	26	(6)	73
The consolidated financial statements of Nykredit Holding A/S and Foreningen Nykredit include Nykredit Realkredit A/S.					
The financial statements [in Danish only] of Foreningen Nykredit and Nykredit Holding A/S are available at Nykredit Realkredit A/S Kalvebod Brygge 1-3 DK-1780 Copenhagen V					
a) Mortgage bank b) Bank c) Insurance company d) Financial enterprise e) Mortgage trading company f) Estate agency business g) Property company h) Leasing business i) No activity					

## Financial highlights

DKK MILLION

THE NYKREDIT REALKREDIT GROUP

	2006 30.06.	2005 30.06.	2004 30.06.	2003 30.06.	2002 30.06.
Net interest income	2,721	2,871	2,509	2,319	2,160
Net fee income	371	565	284	521	312
<b>Net interest and fee income</b>	<b>3,092</b>	<b>3,436</b>	<b>2,793</b>	<b>2,840</b>	<b>2,472</b>
Net premiums earned	589	549	600	-	-
Value adjustments	(43)	466	514	751	(258)
Other operating income	88	83	86	74	69
Claims incurred, net of reinsurance	445	509	490	-	-
Staff and administrative expenses	1,767	1,539	1,461	1,254	1,153
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	253	245	249	31	46
Other operating expenses	-	1	1	4	0
Provisions for loan and receivable impairment	(83)	(74)	(108)	77	15
Profit from investments in associates and group enterprises	2	0	39	133	(39)
<b>Profit before tax</b>	<b>1,346</b>	<b>2,314</b>	<b>1,939</b>	<b>2,432</b>	<b>1,030</b>
Tax	327	656	509	730	293
<b>Profit for the period</b>	<b>1,019</b>	<b>1,658</b>	<b>1,430</b>	<b>1,702</b>	<b>737</b>
<b>SUMMARY BALANCE SHEET</b>					
<b>Assets</b>					
Receivables from credit institutions and central banks	36,771	75,198	59,787	54,082	30,725
Mortgage loans	709,854	674,342	610,584	421,045	401,391
Bank loans - excluding reverse transactions	25,020	18,354	18,784	19,655	19,792
Bonds and equities	58,303	56,916	89,044	73,926	57,382
Other assets	30,556	27,665	22,419	19,171	18,866
<b>Total assets</b>	<b>860,504</b>	<b>852,475</b>	<b>800,618</b>	<b>587,879</b>	<b>528,156</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	80,846	60,005	47,620	49,896	41,031
Issued mortgage bonds	662,955	679,338	651,488	460,133	415,509
Deposits	21,730	21,813	20,715	15,910	12,914
Subordinate loan capital					
– Hybrid core capital	3,705	4,007	-	-	-
– Supplementary capital	4,986	2,378	2,598	-	-
Other liabilities	35,974	38,246	35,136	25,641	25,258
Equity	50,308	46,688	43,061	36,299	33,444
<b>Total liabilities and equity</b>	<b>860,504</b>	<b>852,475</b>	<b>800,618</b>	<b>587,879</b>	<b>528,156</b>
<b>FINANCIAL RATIOS</b>					
Capital adequacy ratio, %	11.7	11.0	10.2	10.9	10.8
Core capital ratio, %	10.8	10.6	9.8	11.2	11.1
Return on equity before tax, %	2.7	5.1	4.6	6.9	3.1
Return on equity after tax, %	2.1	3.6	3.4	4.8	2.2
Income/cost ratio, DKK	1.69	2.35	2.28	2.78	1.85
Foreign exchange position, %	1.2	1.6	0.7	1.5	1.2
Loans and advances/equity (gearing)	14.8	15.0	14.8	12.3	12.8
Growth in loans and advances for the period, %	2.6	7.1	4.3	1.9	2.9
Accumulated impairment provisions, %	0.1	0.1	0.3	0.4	0.4
Impairment provisions for the period, %	(0.0)	(0.0)	(0.0)	0.0	0.0

Comparative figures for H1/2002 and H1/2003 have not been restated in connection with the transition to IFRS at 1 January 2005.

Financial ratios are based on the definitions and guidelines of the Danish Financial Supervisory Authority.

## Financial highlights

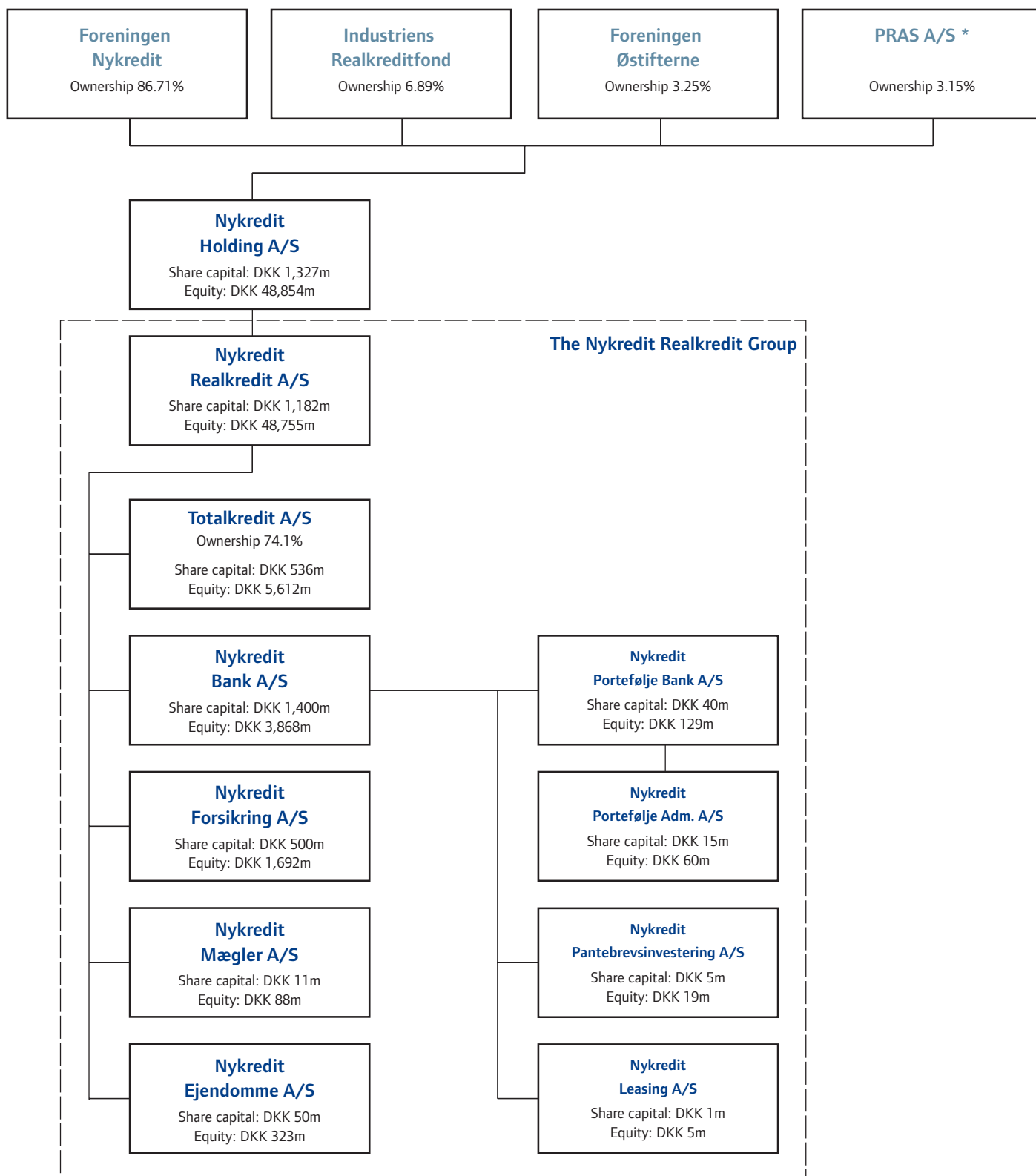
DKK MILLION

NYKREDIT REALKREDIT A/S

	2006 30.06.	2005 30.06.	2004 30.06.	2003 30.06.	2002 30.06.
Net interest income	1,575	1,738	1,645	1,917	1,890
Net fee income	527	645	422	416	275
<b>Net interest and fee income</b>	<b>2,102</b>	<b>2,383</b>	<b>2,067</b>	<b>2,333</b>	<b>2,165</b>
Net premiums earned	-	-	-	-	-
Value adjustments	450	1,211	470	730	(200)
Other operating income	3	1	9	9	12
Claims incurred, net of reinsurance	-	-	-	-	-
Staff and administrative expenses	1,209	1,050	1,008	1,022	921
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	173	169	228	24	31
Other operating expenses	-	-	-	-	-
Provisions for loan and receivable impairment	(70)	(73)	(134)	(7)	(12)
Profit from investments in associates and group enterprises	737	666	495	399	(7)
<b>Profit before tax</b>	<b>1,980</b>	<b>3,115</b>	<b>1,939</b>	<b>2,432</b>	<b>1,030</b>
Tax	360	679	509	730	293
<b>Profit for the period</b>	<b>1,620</b>	<b>2,436</b>	<b>1,430</b>	<b>1,702</b>	<b>737</b>
<b>SUMMARY BALANCE SHEET</b>	<b>2006 30.06.</b>	<b>2005 30.06.</b>	<b>2004 30.06.</b>	<b>2003 30.06.</b>	<b>2002 30.06.</b>
<b>Assets</b>					
Receivables from credit institutions and central banks	23,952	56,798	38,105	45,065	24,523
Mortgage loans	432,918	443,261	430,206	421,045	401,391
Totalkredit mortgage loan funding	84,606	-	-	-	-
Bank loans – excluding reverse transactions	-	-	-	-	-
Bonds and equities	36,545	41,395	51,385	48,273	32,260
Other assets	23,039	20,493	17,503	12,107	10,837
<b>Total assets</b>	<b>601,060</b>	<b>561,947</b>	<b>537,199</b>	<b>526,490</b>	<b>469,011</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	30,289	26,106	17,720	15,417	5,338
Issued mortgage bonds	497,727	465,030	461,147	460,133	415,509
Subordinate loan capital					
– Hybrid core capital	3,705	4,007	-	-	-
– Supplementary capital	3,721	-	-	-	-
Other liabilities	16,863	21,669	17,784	14,641	14,720
Equity	48,755	45,135	40,548	36,299	33,444
<b>Total liabilities and equity</b>	<b>601,060</b>	<b>561,947</b>	<b>537,199</b>	<b>526,490</b>	<b>469,011</b>
Capital adequacy ratio, %	15.5	13.9	12.1	11.9	12.0
Core capital ratio, %	14.6	14.1	12.4	12.2	12.3
Return on equity before tax, %	4.1	7.1	4.9	6.9	3.1
Return on equity after tax, %	3.4	5.5	3.6	4.8	2.2
Income/cost ratio, DKK	2.51	3.72	2.93	3.34	2.10
Foreign exchange position, %	0.9	0.6	0.9	0.9	0.4
Loans and advances/equity (gearing)	8.9	9.8	10.6	11.6	12.0
Growth in loans and advances for the period, %	(1.5)	1.8	1.3	2.3	2.0
Accumulated impairment provisions, %	0.1	0.2	0.4	0.4	0.4
Impairment provisions for the period, %	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)

Comparative figures for H1/2002 and H1/2003 have not been restated in connection with the transition to IFRS at 1 January 2005.

Financial ratios are based on the definitions and guidelines of the Danish Financial Supervisory Authority.



\* The former owners of Totalkredit A/S