

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

18 November 2004

**Interim Report  
The Nykredit Realkredit Group  
(1 January 2004 – 30 September 2004)**

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From today the Interim Report for Q1-Q3/2004 of the Nykredit Realkredit Group can be downloaded as a pdf file from Nykredit's website [www.nykredit.com](http://www.nykredit.com).

DKKm	Q1-Q3/2004	Q1-Q3/2003	FY2003
<b>CORE EARNINGS AND PROFIT</b>			
<b>Core income from:</b>			
- Lending	3,400	3,014	4,118
- Securities	564	613	798
<b>Total</b>	<b>3,964</b>	<b>3,627</b>	<b>4,916</b>
Operating costs, depreciation and amortisation	2,066	1,884	2,666
Goodwill – Totalkredit	146	-	28
<b>Core earnings before write-offs</b>	<b>1,752</b>	<b>1,743</b>	<b>2,222</b>
Write-offs and provisions for bad and doubtful debts	-144	78	184
Profit from insurance activities before tax	102	54	101
<b>Core earnings after write-offs and insurance operations</b>	<b>1,998</b>	<b>1,719</b>	<b>2,139</b>
Investment portfolio income	957	1,467	2,282
<b>Profit on ordinary activities before tax</b>	<b>2,955</b>	<b>3,186</b>	<b>4,421</b>
Tax	827	916	1,146
<b>Net profit for the period</b>	<b>2,128</b>	<b>2,270</b>	<b>3,275</b>
<b>SUMMARY BALANCE SHEET - END OF PERIOD</b>			
Loans and advances:			
- Mortgage Bank	618,890	423,927	586,664
- Bank	26,009	24,036	22,276
Bonds and shares	97,844	72,705	142,381
Deposits – Bank	21,207	19,457	14,139
Issued bonds	642,655	454,155	698,067
Hybrid core capital – Nykredit Realkredit	3,695	-	-
Subordinate loan capital – Totalkredit	2,598	-	2,601
Capital and reserves	41,218	36,874	39,061
Total assets	808,434	580,950	828,819
<b>KEY RATIOS</b>			
Net profit for the period as a percentage of average capital and reserves <sup>1</sup>	7.1	8.5	8.9
Core earnings before write-offs as a percentage of average capital and reserves <sup>1</sup>	5.8	6.5	6.0
Core earnings after write-offs as a percentage of average capital and reserves <sup>1</sup>	6.6	6.4	5.8
Costs as a percentage of core income	55.8	51.9	54.8
Total provisions	1,875	2,064	2,139
Write-offs and provisions as a percentage for the period	0.0	0.0	0.0
Capital adequacy ratio	11.0	10.7	10.5
Core capital ratio	10.6	11.0	10.1
Average number of full-time staff:			
- Nykredit Realkredit and consolidated subsidiaries	2,858	2,738	2,808
- Insurance (non-consolidated)	378	399	400

Note: The percentages have been restated as per annum figures.

## Interim Report – Q1–Q3/2004

- Profit before tax of DKK 2,955m.
- Core earnings were DKK 1,998m and investment portfolio income DKK 957m.
- Write-offs and provisions showed an income of DKK 144m.
- Capital and reserves including net profit for the period subsequently stood at DKK 41.2bn.
- The capital adequacy ratio amounted to 11.0 and 11.5 excluding and including net profit for the period.
- Bank and mortgage lending went up by DKK 36bn to DKK 645bn.
- Strong market position is maintained.
- The Group is adjusting upwards its forecast of the pre-tax profit for the year from some DKK 2.7–3.0bn to DKK 3.5–3.8bn.

Q1–Q3 was a good and active period for the Nykredit Realkredit Group. As in previous years, Q3 was affected by the summer holidays. The Group's profit before tax was DKK 2,955m (DKK 3,186m in 2003) of which core earnings were DKK 1,998m equal to an increase of DKK 279m on the year before. The acquisition of Totalkredit contributed a net amount of DKK 150m. The profit after tax was DKK 2,128m (DKK 2,270m in 2003).

The rise in core earnings was especially a result of earnings growth in Totalkredit and Nykredit Forsikring (insurance). Furthermore, results were positively affected by a substantial reversal of provisions for bad and doubtful debts which can be ascribed to the favourable development in the Danish economy.

### Core earnings

The Group's core income from mortgage and bank lending for the period was DKK 3,400m of which Totalkredit contributed DKK 414m. For the same period of 2003 core income from lending was DKK 3,014m.

Core income from lending varies from quarter to quarter as a result of the refinancing activity in the mortgage finance market and the economic climate in general. In the mortgage finance market, Group gross lending totalled DKK 134bn for Q1–Q3/2004 against DKK 165bn in the same period the year before.

Core income from securities amounted to DKK 564m for Q1–Q3/2004 against DKK 613m in the same period the year before. The change is a consequence of a decline in money market rates.

Operating costs, depreciation and amortisation were on a level with forecasts for the Group as a whole amounting to DKK 2,066m against DKK 1,884m in the same period the year before. The acquisition of Totalkredit led to an increase in operating costs, depreciation and amortisation of DKK 142m.

Goodwill amortisation for Q1–Q3/2004 amounted to DKK 146m.

Total write-offs and provisions from mortgage banking showed an income of DKK 179m as a result of reversed provisions. Bank write-offs and provisions posted an expense of DKK 33m.

The takeover of Totalkredit in 2003 provided Nykredit with a new position in the market as Denmark's leading mortgage lender.

By end-Q3 the Nykredit Group accounted for 41.9% of total gross lending and 42.1% of total net new lending in Denmark, thereby consolidating its solid market position. In the extremely competitive retail customers area, the same market shares were 43.2% and 50.8%.

### Investment portfolio income

In Q1–Q3/2004 Nykredit recorded investment portfolio income of DKK 957m against DKK 1,467m in the same period the year before.

The Group's total investment portfolio income including Nykredit Forsikring and excluding transactions relating to the acquisition of Totalkredit was DKK 1,120m for Q1–Q3/2004.

At 30 September 2004 the Group's interest rate exposure came to DKK 261m given an overall change in interest rates of 1 percentage point. The interest rate exposure will be reduced by DKK 155m if the acquisition of Totalkredit is completed. Given an overall price decline of 10%, the equity exposure was DKK 506m. Value-at-Risk amounted to DKK 48m measured on a 99% confidence interval over one day.

### Subsidiaries

Totalkredit recorded a profit before tax of DKK 370m against DKK 365m in the same period the year before. Core earnings showed a rise of DKK 25m to DKK 320m mirroring a high level of activity and ensuing growth in mortgage lending to DKK 188m. For further informa-

tion, please refer to Totalkredit's Interim Report for Q1-Q3/2004.

For Q1-Q3/2004 the Nykredit Bank Group realised a profit before tax of DKK 294m against DKK 319m in the same period the year before. Results reflect a positive development in the retail customers area but also a lower level of activity in the Markets area especially in Q3. For further information, please refer to the Nykredit Bank Group's Interim Report for Q1-Q3/2004.

Nykredit Forsikring recorded a profit before tax for the period of DKK 101m against DKK 54m in the same period the year before reflecting a continuously increasing business volume and a favourable development in claims. Profit before tax of Nykredit Forsikring has been included as a separate item under core earnings.

For Q1-Q3/2004 Nykredit Mægler (estate agencies) realised a profit of DKK 52m against DKK 16m in the same period last year.

## BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

The Group balance sheet stood at DKK 808bn at end-Q3/2004 against DKK 829bn at the beginning of the year.

The refinancing of adjustable-rate mortgages at end-2003 created a temporary increase in the balance sheet of around DKK 70bn. Adjusted for this, the Group balance sheet showed a rise of DKK 49bn at 30 September 2004 relative to the beginning of the year.

Group mortgage lending went up by just over DKK 32bn to DKK 619bn in the period. At the end of the quarter Bank lending amounted to DKK 26bn equal to a rise of DKK 4bn relative to the beginning of the year.

Group capital and reserves including adjustments and net profit for the period stood at DKK 41,218m against DKK 39,061m at the beginning of the year.

In the period up to the presentation of the Interim Report for Q1-Q3/2004, no events have occurred which may change the assessment hereof.

At end-Q3/2004 the Group's capital base amounted to DKK 44,122m and DKK 46,250m excluding and including net profit for the period against DKK 40,068m at the beginning of the year.

## OTHER

### Hybrid core capital

In early September Nykredit Realkredit raised a bond loan of EUR 500m (DKK 3,718bn) through an issue targeted at European institutional investors. The bonds have been issued as Hybrid Tier I capital, are perpetual and have been included in the core capital. The bonds are listed on the Luxembourg Stock Exchange.

### Purchase of further Totalkredit shares

Effective from 1 October, Nykredit Realkredit has decided to exercise the Company's option to buy another 16.4% of the shares in Totalkredit A/S.

Nykredit Realkredit subsequently holds 74.1% of the shares and has an option to buy the remaining 25.9% of the shares exercisable on 1 October 2006.

### New board member

At an extraordinary general meeting of Nykredit Realkredit on 23 September, Ms Nina Smith, Professor at the Department of Economics of the Aarhus School of Business, was elected to the Board of Directors as

#### The Nykredit Realkredit Group Development in capital and reserves

DKKm	30 Sept 2004	30 Sept 2003	2003
<b>Capital and reserves, beginning of period</b>	<b>39,061</b>	<b>34,479</b>	<b>34,479</b>
Adjustments to changed accounting policies	19	115	154
<b>Adjusted capital and reserves, beginning of period</b>	<b>39,080</b>	<b>34,594</b>	<b>34,633</b>
Capital increase	-	-	1,150
Net profit for the period	2,128	2,270	3,275
Other adjustments	10	10	3
<b>Capital and reserves, end of period</b>	<b>41,218</b>	<b>36,874</b>	<b>39,061</b>

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

DKKm	30 Sept 2004	30 Sept 2003	2003
Weighted assets	402,743	312,548	382,541
- of which with market risk	34,099	25,143	33,330
Capital requirement	32,219	25,003	30,603
Core capital incl hybrid core capital after deductions	42,540	34,470	38,727
Supplementary capital	2,581	188	2,588
Deduction for equity investments	(999)	(1,303)	(1,247)
<b>Capital base</b>	<b>44,122</b>	<b>33,355</b>	<b>40,068</b>
Excess cover	11,902	8,332	9,465
Capital adequacy ratio stated as			
- Capital base	11.0	10.7	10.5
- Core capital	10.6	11.0	10.1

successor to Ms Birgit Grodal, Professor, who passed away in May this year.

#### **OUTLOOK FOR 2004**

In connection with the Interim Report for H1, Nykredit forecast a profit before tax of around DKK 2,700–3,000m. Write-offs and provisions as well as investment portfolio income outperformed budgets in Q1-Q3. The forecast profit before tax has therefore been adjusted upwards to around DKK 3,500–3,800m.

Nykredit's results forecast relies on an absence of major price movements in equity and bond markets in Q4/2004.

#### **TRANSITION TO INTERNATIONAL ACCOUNTING STANDARDS**

From 2005 the Group's annual reports have to be prepared in accordance with the IFRS (International Financial Reporting Standards).

In 2002 the EU adopted a regulation according to which listed groups have to comply with the IFRS from 1 January 2005. However, the Danish Financial Supervisory Authority may postpone the commencement date to 1 January 2007 for bond issuers whose share capital is not listed. The standards are issued by the London-based IASB (International Accounting Standards Board) but will not take legal effect in the EU before they have been approved by the Commission.

The rules governing the measurement of issued bonds are still under preparation. In April 2004 the IASB presented a draft which is expected to be revised and reintroduced within the next few months.

The balance principle ensures accounting symmetry

between mortgage loans and issued mortgage bonds regardless of whether the future measurement principle is amortised cost or fair value.

The future measurement principle will mainly impact the Group's portfolio of own bonds as these must always be offset against "issued bonds" according to IAS 39.

The Nykredit Group aims to be able to apply fair value measurement to both mortgage loans, issued mortgage bonds and portfolios of own bonds. Nykredit expects fair value measurement to be an option with respect to the 2005 annual accounts.

#### **ACCOUNTING POLICIES**

The Interim Report for Q1-Q3/2004 of Nykredit Realkredit A/S and the Nykredit Realkredit Group has been prepared in compliance with the Danish Financial Business Act and the executive order of the Danish Financial Supervisory Authority on the presentation of mortgage bank and mortgage bank group accounts.

The accounting policies applied are consistent with those applied in the Annual Report for 2003.

The Interim Report for Q1-Q3/2004 has not been audited.

#### **ANNUAL REPORT 2004**

The Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group will publish their preliminary announcements and annual reports for 2004 on 24 February 2005.

DKK MILLION	Q3/2004	Q2/2004	Q1/2004	Q4/2003	Q3/2003	Q2/2003	Q1/2003
<b>CORE EARNINGS AND NET PROFIT FOR THE YEAR</b>							
<b>Core income from:</b>							
Lending	1,027	1,182	1,191	1,104	923	1,045	1,046
Securities	191	195	178	185	182	212	219
<b>Total</b>	<b>1,218</b>	<b>1,377</b>	<b>1,369</b>	<b>1,289</b>	<b>1,105</b>	<b>1,257</b>	<b>1,265</b>
Operating costs, depreciation and amortisation	658	718	690	782	604	662	618
Goodwill relating to Totalkredit	50	48	48	28	-	-	-
<b>Core earnings before write-offs</b>	<b>510</b>	<b>611</b>	<b>631</b>	<b>479</b>	<b>501</b>	<b>595</b>	<b>647</b>
Write-offs and provisions for bad and doubtful debts	(36)	(115)	7	106	1	78	(1)
Profit/loss from insurance activities before tax	38	26	38	47	26	33	(5)
<b>Core earnings after write-offs and insurance operations</b>	<b>584</b>	<b>752</b>	<b>662</b>	<b>420</b>	<b>526</b>	<b>550</b>	<b>643</b>
Investment portfolio income	343	110	504	815	228	1,008	231
<b>Profit on ordinary activities before tax</b>	<b>927</b>	<b>862</b>	<b>1,166</b>	<b>1,235</b>	<b>754</b>	<b>1,558</b>	<b>874</b>
Tax	256	238	333	230	186	479	251
Minority interests	0	0	0	0	0	0	0
<b>Net profit for the period</b>	<b>671</b>	<b>624</b>	<b>833</b>	<b>1,005</b>	<b>568</b>	<b>1,079</b>	<b>623</b>
<b>SUMMARY BALANCE SHEET - END OF PERIOD</b>							
Mortgage loans							
- Nykredit Realkredit	430,609	430,206	429,244	424,619	423,927	421,045	418,134
- Totalkredit	188,281	180,378	170,645	162,045	0	0	0
Total	618,890	610,584	599,889	586,664	423,927	421,045	418,134
Loans and advances – Nykredit Bank	26,009	24,719	23,432	22,276	24,036	23,168	21,820
Bonds and shares	97,844	85,673	75,799	142,381	72,705	73,926	75,527
Deposits – Nykredit Bank	21,207	22,573	16,493	14,139	19,457	15,910	12,672
Issued bonds	642,655	651,488	636,599	698,067	454,155	460,133	467,649
Capital and reserves	41,218	40,546	39,918	39,061	36,874	36,299	35,225
Total assets	808,434	797,348	776,925	829,044	580,950	587,879	589,533
<b>KEY RATIOS</b>							
Net profit for the period as a percentage of average capital and reserves	1.6	1.6	2.1	2.6	1.6	3.0	1.8
Core earnings before write-offs as a percentage of average capital and reserves	1.2	1.5	1.6	1.3	1.4	1.7	1.9
Core earnings after write-offs as a percentage of average capital and reserves	1.4	1.9	1.7	1.1	1.4	1.5	1.8
Costs as a percentage of core income	54.0	55.6	53.9	62.8	54.7	52.7	48.9
Total provisions	1,875	1,930	2,136	2,139	2,064	2,074	2,018
Write-offs and provisions as a percentage for the period	(0.006)	0.0	0.0	0.0	0.0	0.0	0.0
Capital adequacy ratio	11.0	10.2	10.4	10.5	10.7	10.9	10.7
Core capital ratio	10.6	9.8	10.0	10.1	11.0	11.2	10.9
Average number of full-time staff:							
- Nykredit Realkredit and consolidated subsidiaries	2,858	2,848	2,814	2,808	2,738	2,693	2,659
- Insurance (non-consolidated)	378	384	394	400	399	399	398