

Annual Report 2002

NYKREDIT HOLDING A/S

Board of Directors

Steen E. Christensen, Attorney,
Chairman

Hans Bang-Hansen, Farmer,
Deputy Chairman

K. E. Borup, General Manager,
Deputy Chairman

Kristian Bengaard, Senior Consultant *
Peter Bramsen, Farmer
Winnie Dohn, Recruitment Consultant *
Birgit Grodal, Professor
Jørgen S. Iversen, Manufacturer
Allan Kristiansen, Vice President *
Ole Maltesen, Manager
Susanne Møller Nielsen, Housing Adviser *
Kirsten Petersen, Commercial Adviser *
Ole Steffensen, former Mayor, Farmer
Ole Trolle, Managing Director
Jens Erik Udsen, General Manager
Leif Vinther, Chairman of Staff Association *
F. Weye-Hansen, former General Manager

EXECUTIVE BOARD

Mogens Munk Rasmussen,
Group Chief Executive

Peter Engberg Jensen,
Group Managing Director

Per Ladegaard,
Group Managing Director

Henning Kruse Petersen,
Group Managing Director

NYKREDIT REALKREDIT A/S

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Deputy Chairman

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

	1998	1999	2000	2001	2002
CORE EARNINGS AND NET PROFIT FOR THE YEAR					
Core income from:					
- Lending	2,313	2,388	2,844	3,247	3,448
- Securities	1,572	1,309	1,277	1,370	1,046
Total	3,885	3,697	4,121	4,617	4,494
Operating costs, depreciation and amortisation	1,940	2,216	2,202	2,286	2,462
Core earnings before write-offs	1,945	1,481	1,919	2,331	2,032
Write-offs and provisions for bad and doubtful debts	(18)	132	(118)	84	169
Profit/loss from insurance activities before tax	-	(6)	30	(62)	(121)
Core earnings after write-offs and insurance operations	1,963	1,343	2,067	2,185	1,742
Investment portfolio income	609	607	506	330	727
Profit on ordinary activities before tax	2,572	1,950	2,573	2,515	2,469
Tax	806	598	819	688	751
Net profit for the year	1,766	1,352	1,754	1,827	1,718

SUMMARY BALANCE SHEET AT 31 DECEMBER

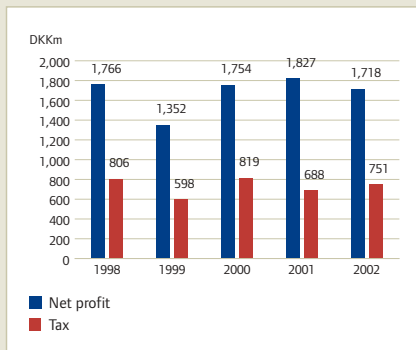
Loans and advances:					
- Mortgage Bank	363,777	371,245	380,053	394,403	411,534
- Bank	10,161	16,018	17,139	22,234	24,452
Bonds and shares	46,833	50,229	74,735	107,220	119,853
Deposits – Bank	4,366	9,323	9,483	8,651	12,018
Issued bonds	389,974	388,898	412,869	467,459	499,460
Capital and reserves	27,366	28,554	30,975	32,823	34,596
Total assets	457,422	472,419	509,365	579,512	615,157

KEY RATIOS

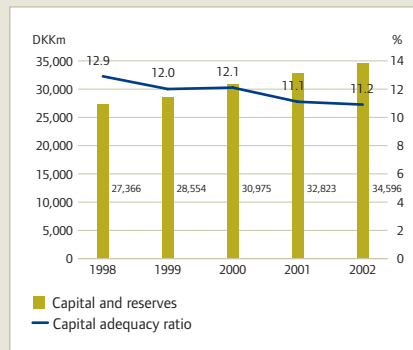
Profit for the year as a percentage of average capital and reserves	6.7	4.8	5.9	5.7	5.1
Core earnings before write-offs as a percentage of average capital and reserves	7.3	5.3	6.4	7.3	6.0
Core earnings after write-offs as a percentage of average capital and reserves	7.4	4.8	6.9	6.8	5.2
Costs as a percentage of core income	49.9	59.9	53.4	49.5	54.8
Total provisions	2,211	2,235	2,012	1,983	2,038
Write-offs and provisions as a percentage for the year	0.0	0.0	0.0	0.0	0.0
Capital adequacy ratio	12.9	12.0	12.1	11.1	11.2
Core capital ratio	11.5	11.3	12.0	11.4	11.4
Average number of full-time staff:					
- Nykredit Holding and consolidated subsidiaries	2,182	2,514	2,528	2,564	2,668
- Insurance (non-consolidated)	-	4	316	353	387

Note: Investment portfolio income is stated less costs related to the investment function, cf page 62.

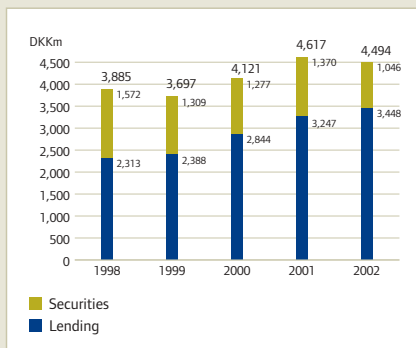
Net profit and tax for the year



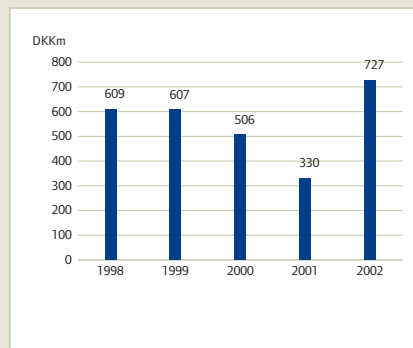
Equity and capital adequacy ratio



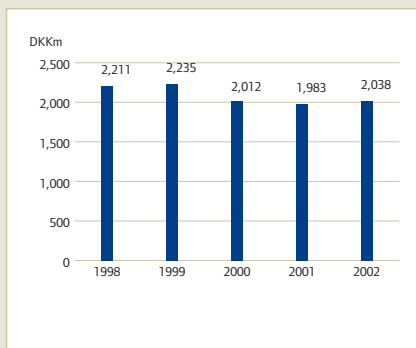
Core income from lending and securities



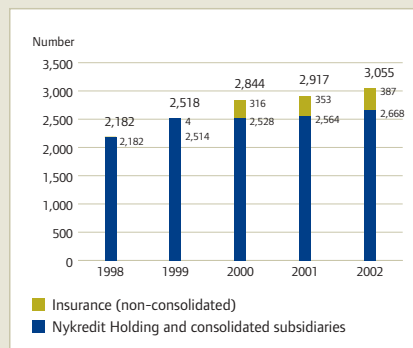
Investment portfolio income



Total provisions



Average number of full-time staff





Group management report

2002 – IN BRIEF

- The Nykredit Group realised a profit before tax of DKK 2,469m compared with DKK 2,515m in 2001. Profit after tax came to DKK 1,718m against DKK 1,827m in 2001.
- Results for the year were affected by:
 - increased core income from lending which rose by DKK 201m.
 - a rise in investment portfolio income of DKK 397m to DKK 727m.
 - a decline in core income from securities of DKK 324m.
 - a cost rise of DKK 176m of which about DKK 100m was one-off costs.
 - write-offs and provisions for bad and doubtful debts came to DKK 169m which, despite a rise of DKK 85m, still represent a low level.
- Group lending was up by DKK 19bn to DKK 436bn in 2002:
 - Mortgage Bank lending increased by DKK 17bn to DKK 412bn.
 - Bank lending increased by DKK 2bn to DKK 24bn.
- Group results reflect a rise in mortgage banking activities. As expected activities in the mortgage banking market in the first six months of the year were more subdued compared with the preceding year's refinancing surge. The second half of the year was much busier, and lending for the year showed the highest growth rates since 1993.
- Activities within banking and insurance business continued the positive trend, and both business areas recorded growth in their customer bases. The share of retail customers who have made use of two or more of the Group's product areas rose to 36.1% from 31.0% last year.
- The Bank recorded good growth in its long-term earnings base. Despite higher earnings in the Retail Banking area, the Bank's profit only came to DKK 144m before tax – in particular an effect of negative value adjustments of DKK 110m related to structured credit products in the Corporate Banking area.
- The insurance business continued growing its business volume – not least within the retail and commercial areas. The results for the year, a loss of DKK 121m before tax, can primarily be ascribed to higher claims payments.
- Compared with 2001 the turnover of real property in 2002 was marked by fewer transactions, whereas transaction prices rose. The estate agency business recorded a profit of DKK 4m.
- After inclusion of the net profit for the year, Group capital and reserves amounted to DKK 34.6bn at end-2002 against 32.8bn at end-2001. The Group's capital base after deduction came to DKK 33.5bn equal to a capital adequacy ratio of 11.2.

The Nykredit Group will release its Interim Report on 20 August 2003.

KEY BUSINESS EVENTS

NYKREDIT – MAJOR FINANCIAL MARKETS PLAYER

2002 was a prosperous year for Nykredit. The Group recorded the highest growth rates in mortgage lending since 1993, continuous growth in the influx of customers in the Bank and the Insurance Company and a consistently rising cross sales ratio.

In the first half of the year, mortgage banking activities were somewhat subdued compared with the remortgaging surges in 2001. However, the change of series on 1 September and the declining interest rates resulted in a markedly higher level of activity in the second half of the year. In August Nykredit's staff experienced some of the busiest days in the history of the Group.

In a very competitive market indeed, Nykredit managed to increase mortgage lending to retail, commercial and agricultural customers by DKK 17bn in 2002. Nykredit also accounted for nearly one third of all Danish mortgage lending.

Nykredit's core business mortgage banking has in recent years been supplemented with banking and insurance activities. Nykredit Østifterne Forsikring, the Group's Insurance Company, has not taken its final form yet, but had 123,000 retail customers at end-2002. Nykredit Bank has attracted 175,000 retail customers in less than four years. In 2002 alone the Bank recorded an influx of more than 15,000 new wage account customers. Within a few years, the Bank has established itself as a strong business partner to the Group's agricultural, corporate and institutional customers.

CROSS SALES RATIO CONTINUES TO RISE

As a result of the constantly increasing sales and business volumes in the banking and insurance areas, the share of customers who make use of products from two or more of the Group's business areas – the cross sales ratio – continues to rise.

At end-2002 the cross sales ratio came to 32.7 against 27.8 at the beginning of the year. With respect to retail customers the cross sales ratio was 36.1. The growing customer bases of the two business areas mentioned above contribute to enhancing customer loyalty.

STRONGER SALES ORGANISATION

Within a few years Nykredit has undergone a significant transition from a traditional mortgage bank to a modern financial services provider with a market presence, products and customers largely within all areas of financial business.

The changeover involved a focused process of adding new activities to Nykredit's business range – including banking and insurance – and of further developing the product range, sales channels and staff competencies in recent years.

As the latest step in Nykredit's changeover, the Group's organisation and structure were changed in the autumn of 2002 with a view to strengthening customer focus, optimising decision processes and simplifying management structures.

A key element of the reorganisation was the set-up of Nykredit's four intra-group business areas: Retail Customers, Agricultural Customers, Commercial Customers and Markets & Asset Management. The business areas have unequivocal decision-making powers and customer focus and cut across former geographical and legal boundaries in order to serve customers as directly and efficiently as possible.

The sales entities, which Nykredit has established in recent years as part of the multi-channel strategy, were maintained with an unchanged number of staff and responsibilities, but were renamed. All customer serving entities are now referred to as "centres". The centre staff sells and grants all of the Group's products across the boundaries of the different legal entities.

After the reorganisation, the role of the seven regional head offices as regional entities with sales, budget and staff responsibilities ceased. At the same time a number of administrative tasks and functions were centralised, thereby increasing the efficiency of the business processes.

The legal entities now take a lower priority, while the Group's common brand Nykredit takes a front position. This means that customers and the general public will first and foremost be met with the Nykredit brand regardless of which legal entities are supplying the services concerned.

In the same breath, Nykredit A/S, which undertakes the Group's mortgage banking activities, changed its name to Nykredit Realkredit A/S. The core business of the company is now reflected in its name ("realkredit" is Danish for mortgage credit) as is the case with Nykredit Bank, Nykredit Østifterne Forsikring (insurance) and Nykredit Mægler (estate agencies).

On 2 January 2003 Nykredit launched a new marketing platform: Nykredit – All you can own. This was a consequence of Nykredit's development in recent years from a traditional mortgage bank to a broad-based financial services group and of the reorganisation in 2002.

The new marketing strategy, which unites all the business areas in one creative universe under the slogan "All you can own", emphasises the Group's diversity within financial services.

NYKREDIT'S CO-OPERATION WITH JYSKE BANK

In February Nykredit initiated strategic co-operation with Jyske Bank comprising joint IT operations and sale of mortgages, etc.

Nykredit and Jyske Bank set up an equally owned IT operations and technology company JN Data A/S located in Silkeborg. The company supplies services within IT operations and technology to its owners and started operations in August according to schedule. The joint synergy potential after the running-in period is estimated to come to DKK 50m annually.

The co-operation with Jyske Bank also involves an agreement about the origination of mortgages from Jyske Bank to Nykredit, and in consequence, Nykredit receives an appreciable share of Jyske Bank's overall sale of retail, agricultural and commercial mortgages.

The agreement has also strengthened the local co-operation between Jyske Bank's branches and Nykredit's estate agency chains, just as the agreement has given Nykredit's bank customers access to the cash dispensers and cashiers services of Jyske Bank's branch network.

With a view to emphasising a more permanent connection between Nykredit and Jyske Bank, Nykredit acquired 9.67% of the total share capital of Jyske Bank.

Other co-operation agreements

In March Nykredit and Jyske Bank agreed to inject DKK 1.5bn and DKK 0.3bn, respectively, of subordinated loan capital into PFA, and in April together with Jyske Bank, Amtssparekassen Fyn and Spar Nord, Nykredit took over more than 80% of the shares in the corporate finance house Capitalis A/S.

REFINANCING VIA THE INTERNET

As the first mortgage supplier in Denmark, Nykredit gave customers access to refinance their fixed-rate mortgage loans via the Internet in May.

Both retail customers and companies are encouraged to use this facility and refinance fixed-rate mortgage loans of up to DKK 3m either to a new fixed-rate mortgage or a DKK-denominated adjustable-rate mortgage.

The refinancing procedure takes place on a personal web page which customers create themselves. The refinancing

facilities comprise loan offers, fixed-price and prepayment agreements as well as registration. Once a customer has accepted an agreement to refinance a mortgage, prices will be fixed, and the customer will receive a letter with the documents requiring signatures two days later.

On-line refinancing is interesting not least in combination with Nykredit's mortgage monitoring system, an advanced and detailed system that monitors mortgages.

Every night Nykredit's monitoring system re-evaluates all existing mortgages, and the following day Nykredit will notify customers if the system has come up with favourable refinancing opportunities. At www.nykredit.dk customers can view the specific calculations made by the system on a day-to-day basis.

In 2002 the monitoring system was implemented to cover all Nykredit's customers. Borrowers with loans in other mortgage banks may also avail themselves of the mortgage monitoring system.

PROFESSIONAL ASSET MANAGEMENT TO A NEW SEGMENT

On 1 September 2002 Nykredit launched Private Portfolio, a new concept that offers personal customers with investable funds in excess of DKK 0.5m professional asset management services.

More private individuals will therefore gain access to professional asset management which has previously been an area reserved for institutional and the largest private investors.

The advisory services are based on an in-depth review of customers' financial position, clarification of their risk-taking approach, financial targets, time horizon, etc.

Four business areas

	Retail Customers	Agricultural Customers	Commercial Customers	Markets & Asset Management
Mortgage Bank				
Bank				
Insurance				
Estate Agencies				



New products and a wider focus represent a great challenge for management and staff. We do our utmost to adjust the Group so that the staff always have the best conditions for offering customers optimal solutions that transcend the traditional borders between banking, insurance and mortgage banking. This is where our strength lies.

The successive changes made in Nykredit over the last few years, the latest being the reorganisation in autumn 2002, have geared Nykredit for the future challenges which new market areas and a wider product range entail. Mogens Munk Rasmussen sums up the new and more differentiated picture of the Group.

How does Nykredit as a Group adjust from a traditional mortgage bank to a more broadly spectred financial group?

“We are very aware of our roots. Nykredit originates from mortgage banking where we have concentrated on making it possible for our customers to realise the dream of owning their own home or business by providing an attractive mortgage. More than half of the homes in Denmark are privately owned, and we cover a large share of that market.”

“Mortgage banking is still our core business, but at the same time we must make room for Nykredit as a modern, competitive, financial group with a broad product range. Today we have more products on offer because our mortgage customers also expect us to advise them on banking and insurance on a par with other banks. This is a development that we have been working on for some years. It is not a move away from mortgage banking, but a necessary expansion of our business.”

Nykredit has a strong image, and its customers know the Group well, but that knowledge is based on mortgage banking. The challenge in the years to come is, therefore, to make customers know that Nykredit is much more than just mortgage banking.

“So far, I believe we have been rather successful. In 2003 we have started a completely new marketing approach aimed at increasing

customer awareness of Nykredit as a bank and insurance company. Today one third of our mortgage banking customers also have their banking or insurance business with us. This increases customer loyalty and spreads the word of the new business areas. We attract about 1,600 new cross sales customers every month and have great expectations for the future development.”

The organisational transition from a traditional to a modern group has resulted in a flatter, more decentralised structure. Two management levels have been removed, and four business areas have been created, each with their own unequivocal responsibility for decisions and customer focus. The key words are now a more streamlined company and greater customer focus in all areas. But despite the aim for a simple, well-defined and more flexible organisation, the transition has not been easy.

Mogens Munk Rasmussen
Group Chief Executive, directly responsible for the Legal Department, Corporate Communications, the Group Secretariat, Management and Organisational Development, Staff Training and Internal Audit.



“One thing is to launch the products, another is to get the organisation into gear. We have made a great effort to get the product offer, IT expertise, customer contact centres and staff training in place. We got an insurance company on board with one culture and a bank with another, and last year we moved into the new headquarters at Kalvebod Brygge, which is so transparent that we cannot go and hide from each other. We have made staff groupings which have nothing to do with whether they originate from the Bank, the Mortgage Bank or the Insurance Company. They now serve the customer groups together, something that was strengthened with the reorganisation in autumn 2002.”

New products and a wider focus represent a great challenge for the staff. We do our utmost to adjust the Group so that the staff always have the best conditions for offering customers optimal solutions that transcend the traditional borders between banking, insurance and mortgage banking. This is where our strength lies.”

Nykredit has changed considerably in recent years, which makes it necessary for the staff to adopt a much more holistic view on the Group’s activities while still being able to think in complex details. First and foremost, their professional competencies must be up to date, and they must be able to work independently and have the courage to take initiatives and make decisions.

“Nykredit has many values which potential staff members demand. We treat each other respectfully, also during the conflicts which inevitably arise. In fact, I believe that we are renowned for decency.”

Mogens Munk Rasmussen can also transfer this perception of Nykredit to the large perspective where Nykredit is known as a respected and straight player in the Danish capital market.

“Being decent is, I believe, such a good expression, and it makes demands in a wider perspective. We are not listed on the stock exchange, but we act as if we were.

We could in fact be unfair and dump the market to get rid of a competitor if we wanted to, or otherwise use our capital irresponsibly in relation to the economic development. But we also have a joint responsibility for the development in capital markets, and we have other objectives that focus on other things than purely profit making. Our size alone means that we do indeed have a responsibility to live up to, and we must also support the rules and regulations of society.”

“Nykredit is an association, and its members have very different interests which we have to take into consideration. This is a balancing act between running a profitable business as one of the leading financial groups in Denmark on the one hand and then on the other hand living up to customers’ demands for attractive products at low prices. We must think historically and act with decency – so that our customers can get an attractive mortgage also in ten years time.”



Nykredit has many values that potential staff members demand. We treat each other respectfully, also during conflicts which inevitably arise. In fact, I believe that we are renowned for decency.

NYKREDIT'S BUSINESS AREAS

The Nykredit Group is organised in four intra-group business areas: Retail Customers, Agricultural Customers, Commercial Customers and Markets & Asset Management.

RETAIL CUSTOMERS

40,000 customers served in one day

Competition for retail customers in the mortgage market intensifies constantly, and throughout 2002 Nykredit worked intensely to maintain and strengthen the Group's prominent position in the retail customers market.

Nykredit focuses on creating high accessibility for its customers via a broad range of integrated sales channels. On several extraordinarily busy days in August following the change of series and falling interest rates, Nykredit served an average of 22,000 customers a day. On 15 August activities peaked with more than 40,000 customer inquiries.

The Group's multi-channel strategy was seriously put to the test in that period, and the results confirmed that Nykredit can meet customers' demands at all times.

Retail distribution network strengthened

As a consequence of the strategic co-operation with Jyske Bank, Nykredit supplies mortgages to Jyske Bank's retail customers.

With Jyske Bank's 120 branches and focus on housing advice, this co-operation clearly enhances Nykredit's distribution powers. In 2002 the co-operation generated good results which are expected to be even better in 2003.

Nykredit's retail distribution powers were further consolidated when Nykredit's estate agents in 2002 were given the opportunity to sell supplementary loans.

Breakthrough for Nykredit's wage account

In 2002 Nykredit's wage account, which offers features such as very competitive rates and a charge card (Visa/Dankort) free of charge, had an important breakthrough. During the year Nykredit attracted more than 15,000 new customers who opted to let Nykredit manage their daily finances via a Nykredit wage account.

Nykredit Bank offers customers a large number of self-service facilities via the Internet Bank. At end-October the Bank launched several new facilities and a new layout which have made the Bank even more accessible. One of the new features is "My Nykredit", a personal web page, where Nykredit customers can get an overview of all their accounts – not only those with

Nykredit Bank, but also those with the Mortgage Bank and the Insurance Company.

Nykredit develops new, relevant products for the Group's customers on a current basis, and among the new products in 2002 was asset management for personal customers.

Combined with competitive banking offers and the wide range of insurance products, this is one of the main contributory causes behind the fact that today more than one third of Nykredit's retail customers make use of products or services from two or more of the Group's product areas. At end-2002 the cross retail sales ratio came to 36.1.

The Group's activities addressing retail customers were fortified in connection with the reorganisation. With the significantly improved decision-making powers and customer focus, customers will experience a coherent Nykredit, regardless of where and in which context Nykredit acts as the financial business partner.

AGRICULTURAL CUSTOMERS

Competition intensifies

After several years with favourable economic trends, 2002 was characterised by a slowdown in the economy of the agricultural sector. However, the setback in earnings did not have any major impact on the demand for operating properties and equipment which generally remained high.

Competition for agricultural customers grew fiercer, and prices not least became an ever decisive competitive parameter. In this market, Nykredit focused on offering customers value-added services by continuously refining its advisory competencies and by maintaining a high level of quality in its daily servicing of agricultural customers.

The number of forced sales continued to be very low, but the development in write-offs and arrears was weakly rising.

Low interest rates generated a high level of activity

In 2002 the trends in interest rates provided agricultural customers with attractive refinancing opportunities. Refinancing activities peaked up to the change of series in the autumn when a massive number of both fixed-rate and adjustable-rate loans were refinanced primarily into 5% fixed-rate loans.

In periods the sale of mortgage loans exceeded forecasts considerably, and even though Nykredit, being market



leader, is traditionally under pressure during refinancing surges, these periods did not result in any customer defection.

Insurance sales showed a fairly high level of growth during the year, and Nykredit is now reaping the business synergies from the close, daily co-operation between the finance and insurance legs.

Nykredit also offers agricultural customers bridge finance, construction loans and lease financing.

Wide array of products

The overall objectives in 2002 were to maintain a solid market position and continue to further develop the wide array of finance and insurance services to Danish farmers.

The integration between the finance and insurance divisions was a key focus area. All insurance agents are now situated in the centres, ensuring valuable co-operation between the insurance agents and the finance staff.

The co-operation with Jyske Bank opened up many new business opportunities both in the form of mutual referrals and specific joint projects where Nykredit primarily handled the needs for fixed asset finance and Jyske Bank supplied the operating finance.

Our size alone means that we have a responsibility to live up to, and we must also support the rules and regulations of society.

The staff – the cornerstone of customer services

In the Agricultural Customers area the reorganisation involving the establishment of a unified organisation opened up prospects of a broader focus across the areas of bank, mortgage bank and insurance.

The structural trends in agriculture challenge the way in which Nykredit serves its customers. A continued strong presence in the agricultural market presupposes customer focus both on the part-time oriented and the more professional customer segments. The personal networks of Nykredit staff members together with their specialised agricultural competencies make up the cornerstone of customer services.

COMMERCIAL CUSTOMERS

Fierce competition

When establishing the business area in 2002 Nykredit united its sales and development capabilities within the broad Commercial Customer area. The business area now consists of the key areas of office and retail, trades and industry as well as the rental housing segments: private rental, subsidised housing construction and private housing societies. In future the above-mentioned customer segments will be served by Nykredit's commercial centres.

A newly established competence centre addressing subsidised housing construction and project sales will direct special focus on large subsidised housing customers and the construction of multi-dwelling properties in general. The Corporate Banking area still serves the largest corporate customers.

The commercial customers market is characterised by two types of players: large players with a wide product range within finance and investment and a number of new players which have made a targeted effort and thereby gained a footing primarily in the mortgage finance market.

Again in 2002 Nykredit proved itself as a competitive company evidenced by the massive lending activities and a net influx of customers.

Targeted sales efforts combined with low international interest rate levels generated a level of mortgage lending considerably higher than expected.

In the banking area, deposits – chiefly from large corporate customers – increased, and lending levels were maintained despite the economic outlook.

In 2002 the Insurance Company enjoyed a major influx of commercial customers. Behind the improvement was mainly the fact that existing commercial customers expanded their business co-operation with Nykredit to include insurance products.

The subdued economic outlook resulted in growth in arrears. Nykredit monitored the development in the risk indicators on a current basis and carefully adjusted provisions accordingly.

Individually tailored advisory services and electronic self-service

The personal contact with customers and the individually tailored advisory services are key to Nykredit's commercial customers services.



On top Nykredit offers customers a number of web-based electronic self-service solutions that have become very popular among commercial customers. Half of all calculations made with respect to commercial customers in 2002 were made by the customers themselves at www.nykredit.dk.

Housing societies

In the housing society area the Internet portal andelsbolig.dk has consolidated its role as a display window for most contractors and estate agency chains in Denmark. andelsbolig.dk has obtained the position as the best known housing society portal and housing search engine among housing society members and buyers.

Since summer 2001 Nykredit has offered banking-based mortgage equity withdrawal credits to housing societies, and there has been a strong demand for this product. In 2002 Nykredit expanded the concept to include mortgage equity withdrawal credits in the form of mortgage loans, and customers may therefore choose between the flexible banking-based loan or the more inexpensive mortgage-based equity withdrawal loan.

The Commercial Customers area was consolidated by Nykredit's reorganisation. Efforts now focus more on strengthening the sales-oriented entities so that more decisions can be made locally.

Major challenges in 2003

The coming year will bring about major challenges. The general economic outlook and the public regulation of construction projects are two factors that will play a decisive role in the wide-ranging Commercial Customers area.

In 2002 lending activities in the Commercial Customers area were high, one reason being the low interest rates which made it attractive for companies to take out inexpensive long-term funding. Activities are expected to be lower in 2003. However, further decline in international interest rates may entail certain refinancing activity.

New trends in tenures and developer roles in the housing area will intensify competition and sharpen demands on financial services providers. In the light of the Danish Government's announced initiatives in the housing area, not least subsidised housing will undergo major structural changes.

MARKETS & ASSET MANAGEMENT

Turmoil in equities resulted in lower activity

The year was marked by the turmoil in international equity markets which took its toll on the trading demand in all product areas - especially in the first half of the year.

Bonds

In 2002 Nykredit Markets maintained its position as one of the leading players in the Danish bond market. The customer portfolio was expanded and not least the commercial and corporate customers segment became one of the key business areas by virtue of a fruitful co-operation with the commercial centres.

In step with the general prevalence of adjustable-rate mortgages among homeowners, the bonds used to fund this type of loan - non-callable bullet bonds - have become an important part of the product range in Nykredit Markets which has positioned itself as a dominant player in the market.

In 2003 focus will centre on improving the basis operations addressing institutional investors where products such as derivatives will play an increasingly greater role.

Credit products

Insolvencies, accounting scandals and turmoil in equity markets put a damper on investors' appetite for credit products in 2002. The dramatic development in the market for credit bonds in 2002 also made it more difficult for companies to issue bonds - particularly in the immature Danish market. Despite a difficult market Debt Capital Markets successfully managed to position itself as one of the major players in Danish capital markets.

The difficult market terms in 2002 will, however, not change the fact that the interest in credit products is here to stay. Companies are demanding broader-based and more flexible financing solutions, and investors demand products with expected yield pick-ups that do not involve the high volatility seen in equity markets. This speaks well for credit bonds.

Investment Centre

Nykredit's Investment Centre develops concepts within long-term savings products and complements the Nykredit Group's sale of products within investments and pensions. The Equities Department which forms part of the Investment Centre offers customers trading and advice within Danish and foreign equities.

On 1 September the Investment Centre launched Private Portfolio, a concept that offers personal customers professional asset management services.

Nykredit considers Private Portfolio to be an important step towards also offering advantageous and competitive products within active asset management to personal customers with more than DKK 0.5m to invest. In Nykredit alone this concerns 45–50,000 personal customers.

Private asset management services and mortgage finance form a good product combination as customers will need advice about pensions and investments in step with the repayment of their loans.

The results of the first months after the launch uncovered a large demand for holistic asset management services to personal customers. In January 2003 Nykredit opened a new asset management centre in Århus as a supplement to the centre in Copenhagen.

Asset Management

The Asset Management activities are undertaken via the subsidiaries Nykredit Portefølje Bank and Nykredit Portefølje Administration. Despite falling equity prices, total assets under management increased to approximately DKK 52bn at end-2002 equal to a growth rate of 54% since the beginning of the year.

Nykredit Portefølje operates with a business model that involves co-operation with a number of international asset managers in certain niche areas. The products are offered via wholesale-based investment funds. Especially these products were in great demand in 2002.

Despite increasing competition, Asset Management, a key business area of Nykredit, increased its market share and is today one of the most frequently used suppliers of asset management products to the pension fund sector.

NYKREDIT'S INTERNATIONAL ACTIVITIES

Internationalisation is still a top priority in the financial sector, and the Nykredit Group analyses the international business potential on a current basis with a view to meeting competition at home and exploiting business opportunities in the North European markets.

Nykredit enters the Polish market

In recent years Nykredit has kept a close watch on the developments primarily in Poland and the Baltic states and has examined the potential for setting up mortgage banking activities in these countries. In 2001 it was decided to initiate the establishment of a mortgage bank in Poland.

In November 2002 Nykredit received a licence from the Commission for Banking Supervision under the National Bank of Poland to establish the mortgage bank Nykredit Bank Hipoteczny S.A. in Poland. Nykredit laid the foundations for the mortgage bank in January 2003 and expects to receive the operational licence required this summer after which the Group will be ready to launch lending activities in the Polish market.

Nykredit Bank Hipoteczny S.A. will be established as a wholly-owned subsidiary of Nykredit Realkredit and will carry on mortgage banking under the Polish laws governing mortgage and commercial banks.

The long-term strategic aim is to become one of the major lenders for real property purposes in Poland. The target group encompasses both private residential customers as well as customers within the construction of commercial property. The sale of mortgage loans is expected to be undertaken via co-operation agreements with banks and estate agents as well as directly from Nykredit. In 2003 an office will be set up in Warsaw.

Cross-border lending

In recent years Nykredit has mortgaged a number of properties situated in the UK, Sweden and Germany of large Danish corporates via Danish mortgage loans. In 2002 the concept was further developed to comprise good, creditworthy international corporate customers – primarily involving lending secured on properties in Sweden.

Commercial and corporate customers looking to mortgage properties situated abroad are served directly by the commercial centres.

Total cross-border lending amounted to DKK 4.3bn in 2002.

New department for international activities

In the autumn Nykredit established an International Department for the purpose of centralising and strengthening the development of mortgage banking activities outside Denmark.

Apart from the entry into Poland, the International Department also plays a supporting and co-ordinating role in relation to the commercial lending activities in the countries above. The department will also look into the needs of Nykredit's customers for the financing of property in other countries just as it will monitor the possibilities of setting up mortgage banking activities in future EU countries.



Nykredit has become even more customer focused and can quickly make decisions and implement them. The reorganisation made in 2002 has made it easier to act upon decisions.

Peter Engberg Jensen
Group Managing Director,
responsible for Administration
and Support, Treasury, Human
Resources, Group Finance as
well as the business area
Markets & Asset Management.

The new organisational structure implemented in September 2002 not only enables Nykredit to achieve

its primary goal – increased customer focus – it also means several advantages for the staff and a reduction in administrative work.

One of the most revolutionary changes is that the seven regional head offices situated around the country have been closed down and replaced by regions. Another is that a number of administrative tasks of the former regional head offices have been centralised and standardised. Consequently, a well-defined and, at the same time, customer-focused organisation has been created in each area.

“Nykredit has become even more customer focused and can quickly make decisions and implement them. This, I’m sure, is to our great advantage. The decision-making process has been optimised and so

has the implementation of decisions”, says Peter Engberg Jensen.

“Significantly, the administration, the so-called back-office, is now considerably more effective, whereas the staff who are in contact with the customers have experienced only minimal changes.”

In the new organisation the responsibility for staff has been concentrated in one entity, whereas the managers of the centres now have more influence locally on daily staff management. This gives a number of advantages.

“We are more professional in that the staff in the new central entity are working full time with HR issues. Locally this system results in simplified and more homogenous staff policies and workflow.”

“The changes we make should enable us to do things better and quicker. This means we will be better

at meeting our customers’ demands and expectations – and this is clearly an advantage for both our customers and staff.”

“The division into four, clearly defined business areas has sharpened focus on the market and on customers, and this will benefit more specialised departments and products. An area such as Markets & Asset Management will be presented more clearly to both present and future customers which will contribute to increasing the business volume in this area.”

“Selling new products is a steady learning process. In 1997 when we seriously entered the retail market with banking products, we knew beforehand that we would be criticised for not being quick enough. In the first year in operation many customers opened our so-called Core Accounts with credit facilities, and thereafter, sure enough, sales flattened. If we had

offered wage accounts from day one, it would have been disastrous. Today we have 175,000 customers and sell around 1,500 wage accounts a month.”

“The point is that you must have covered a fair share of the learning curve before you are successful at selling. The competence to sell more complex products such as pensions, wage accounts and investments lies further out on the learning curve, and that is where we are now.”

Private Portfolio, a product aimed at wealthy personal customers, is an example of a specialised product which has got off to a good start.

“Private Portfolio can contribute to strengthening the awareness that there is more to Nykredit than mortgages. And that we are good at these things”, concludes Peter Engberg Jensen.





You must have covered a fair share of the learning curve before you are successful at selling. The competence to sell more complex products such as pensions, wage accounts and investments lies further out on the learning curve, and that is where we are now.

RATING UPGRADE

From 1 September 2002 Nykredit's mortgage lending will predominantly be based on bonds issued out of the newly opened Capital Centre D. In April the credit rating agency Moody's Investors Service assigned a rating of Aa1 to the bonds of Capital Centre D.

MULTI-CHANNEL DISTRIBUTION

In step with the increasing number and diversity of the Nykredit Group's business areas, Nykredit has established a modern distribution system that meets the needs and requirements of today's financial customers.

Today Nykredit bases its product sale on a multi-channel distribution network consisting of a number of national complementary and fully integrated channels:

49 regional retail centres, the sales and customer contact centres, the Investment Centre, which serves asset management customers via its centres in Copenhagen and Århus, 262 estate agencies associated with Nybolig, Scheel & Orloff or EjendomsRingens as well as Nykredit Østifterne Forsikring's retail centres and insurance agents. On top come 32 commercial and agricultural centres. Lastly, there is the Internet where the Group's website, www.nykredit.dk, together with several housing and estate agency Internet portals, considerably increases customers' accessibility to the Nykredit Group.

In June the Customer Contact Centre, which is the primary entry for customers' telephone or Internet inquiries, was elected the best call centre in the country. Teleperformance International, the organisation behind the Customer Service Grand Prix 2002, stressed in particular the ability to service new customers and offer quality services.

E-STRATEGY AND PORTALS

Customer-oriented Internet development

Nykredit's e-business vision is based on customers' needs and uses the electronic channels for marketing, sales, production and customer service purposes.

Nykredit's multi-channel strategy involves allowing customers a free choice between the highest possible number of advisory and self-service facilities on the Internet.

Nykredit has created two broadly-based Internet portals addressing customers' needs in the housing area. Bolig-Guiden.dk has become one of the key portals when it comes to information about and searches for new owner-occupied dwellings. At BoligGuiden.dk visitors can browse through all the dwellings for sale under the auspices of the Nykredit Group as well as Home, an estate agency chain.

andelsbolig.dk, which Nykredit operates in co-operation with an association of Danish housing societies (Andelsboligforeningernes Fællesrepræsentation), consolidated its position in 2002 as the primary Internet portal for customers who are looking to exchange or search for new housing society dwellings.

In order to be present where the customers are on the Internet, Nykredit has made agreements with the most popular websites on the uploading of information and calculations regarding personal and housing finances. MSN, SOL, TDC Online, TV2 and Berlingske Officin are among the websites which co-operate with Nykredit.

In the years ahead Nykredit will continue to expand its Internet activities. Customers frequently use Nykredit's Internet entries. In 2002 these facilities had an average of 65–70,000 hits a week.

E-LEARNING

In order to stay competitive, Nykredit and its staff always have to be able to match customers' needs. This requires ready and efficient adaptability and constant competence development.

In 2002 Nykredit took some big steps towards implementing e-learning in intra-group training and compe-

tence development. A number of pilot projects were carried out, while the Group also scanned the market and tested some of the latest tools and methods within e-learning.

The Group successfully implemented a training programme via e-learning for some 150 staff members from the insurance area. The training programme involved self-instructional CD-ROMs as preparation for traditional courses and instruction in virtual classrooms.

In co-operation with the training centre of the Danish Employers' Association for the Financial Sector, Nykredit also introduced a line of standard e-learning courses addressing staff within banking, mortgage banking and pension.

E-learning ensures effective and targeted competence development

E-learning-based courses play a natural role in the everyday life of Nykredit where most case administration, customer services and distribution are electronically-based. E-learning used in combination with other training programmes enables the staff to develop and keep up their competencies easily and effectively. E-learning also opens up prospects for course instructors to tailor training programmes by pre-testing course participants and thus determine their current knowledge level.

The experiences made with e-learning so far are good, and e-learning has become a permanent part of Nykredit's intra-group range of training programmes.

KEY IT PROJECTS

In 2002 Nykredit focused on developing and implementing sales, self-service and process supporting programmes. An outcome of this was a newly developed Internet Bank with a joint security concept covering the entire Group. On the same occasion, the design and layout of www.nykredit.dk were renewed and harmonised.

Within sales and marketing the Customer Relationship Management system was expanded with a separate marketing campaign system ensuring effective and targeted marketing efforts aimed at both small and large customer groups.

The Work Flow Management development continued in 2002 involving electronic filing and systems support of the claims administration of the Insurance Company.

Lastly, a process support system was developed in 2002 in connection with Jyske Bank's origination of loans.



REQUIRED RATE OF RETURN

For the purpose of fixing the required intra-group rate of return, the Nykredit Group has divided Group capital and reserves into the following three elements:

Business capital, determined by the statutory capital adequacy requirements, *buffer capital*, to secure lending capacity in connection with downturns in the economic outlook and *strategic capital*, for strategic acquisitions and investments.

Nykredit's long-term rate of return target has been fixed in consideration of the above division of capital and reserves. The total amount of capital and reserves must yield an investment return conforming to the market. This is defined as the return on Nykredit's benchmark portfolio and varies in line with the developments in bond and equity markets.

The business capital is required to yield an excess return compensating for the risks incurred by Nykredit's business activities. The requirement for this return is a pre-tax level of 5% recorded in 2003 at the latest. The pre-tax excess return of the Nykredit Group came to 5.3% in 2002.

BONUS

By introducing a bonus scheme in 2000 Nykredit took the first steps towards performance-related pay. A tighter coupling between performance and pay is expected to increase staff motivation for the benefit of the customers, the Group and the staff.

The experiences made in relation to the bonus scheme were positive and have created a basis for further developing performance-related pay in coming years as the use of Balanced ScoreCard and new measuring systems is further integrated into the organisation.

In the light of the results achieved in 2002, the bonus has been fixed at 2.25%.

CORPORATE GOVERNANCE

In 2002 Nykredit's Board of Directors discussed the Nørby Committee's report and recommendations with respect to corporate governance.

The recommendations of the Nørby report primarily address listed companies.

Nykredit, which is not a listed company, differs from traditional, listed companies by having a limited group of owners consisting of three shareholders – the Nykredit Association, the Industrial Mortgage Fund of Denmark and the Østifterne Association – all represented in the Board of Directors.

The recruitment for the Board of Directors of the Nykredit Association, which owns 89% of the share capital, is determined by a statutory rank-and-file participation system involving members and bondholders where the elected Steering Committee forms the basis for recruitment. The Directors of the Nykredit Association are also Directors of Nykredit Holding and Nykredit Realkredit.

The Board of Directors has decided that Nykredit – with the adjustments that follow from its special ownership and management structure – should act as a listed company. This includes running the company on the basis of sound business-oriented terms.

Therefore, the Nykredit Group complies to a wide extent with the recommendations of the Nørby Committee which have been schematically outlined along with Nykredit's practices in the specific areas on the backcover.

RESULTS COMPARED WITH FORECASTS

In connection with the presentation of the Annual Report for 2001, the Group forecasted a profit on ordinary activities before tax for 2002 of some DKK 2.3-2.6bn. In connection with the Interim Report for 2002 this forecast was revised down to DKK 2.2-2.4bn.



The recorded profit before tax was DKK 2,469m equalling the expectations set out at the beginning of the year and higher than expectations announced in the Interim Report due to an increased level of activities in the second half of the year.

OUTLOOK FOR 2003

The mortgage finance market is expected to show a weak down-trend following several years with extraordinarily high levels of refinancing. Within the banking and insurance areas, activities are expected to continue to grow, but the Mortgage Bank will still account for the majority of the Group's overall results in 2003.

Core income from lending for the Group as a whole is expected to display a small rise from 2002 to 2003. In contrast, the low interest rate levels are expected to lead to a decline in core income from securities. Total core income is expected to increase in 2003.

Group operating costs are expected to go up in 2003 as a result of the increased business volume, the continued expansion of Nykredit's investment centres and the set-up of Nykredit Bank Hipoteczny in Poland as well as the preparations for the new capital adequacy rules (Basel II).

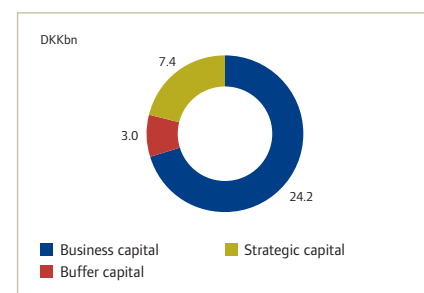
Write-offs and provisions for bad and doubtful debts are expected to remain low at around DKK 200m.

For 2003 the Nykredit Group expects a profit on ordinary activities before tax of some DKK 2.3–2.5bn based on the above-mentioned assumptions relating to income, costs and write-offs. In line with previous years core income from securities and investment portfolio income will depend on price levels prevailing at end-2003.

EVENTS OCCURRED AFTER 31 DECEMBER 2002

In the period up to the closing of the Annual Accounts, no events have occurred which may affect the financial position of the Group.

The Nykredit Group's business, buffer and strategic capital



Summary of forecasted results for 2003

DKKm	Results 2002	Forecasts 2003
Core income from lending	3,448	3,500 to 3,700
Core income from securities	1,046	850 to 950
Operating costs, depreciation and amortisation	2,462	2,600 to 2,700
Write-offs and provisions for bad and doubtful debts	169	150 to 250
Investment portfolio income	727	600 to 700
Profit on ordinary activities before tax	2,469	2,300 to 2,500

Group risk management

CREDIT RISKS

The overall responsibility for the management of the Group's credit risks rests with the Credits Department.

The credit policy and related business procedures form the basis for the Group's lending activities. The credit policy is reviewed on a current basis and revised if necessary to reflect prevailing market conditions at all times.

Nykredit's lending is made out of local centres. All major customers have been assigned to an account managing centre which holds the overall responsibility for Nykredit's exposure including the credit analysis of customers, valuation of mortgaged properties, servicing, etc.

Most loan applications may be granted locally at the individual centres. If a loan application exceeds the loan granting authorisation of a centre, the application should always be referred to the Credits Department. Depending on the size of the loan, the Credits Department will either approve or reject the application itself or submit it to the central Credits Committee or the Board of Directors. In principle, a loan application must be submitted to the Credits Committee if a customer's aggregate accounts with Nykredit exceed DKK 25m.

Credit analysis, valuation and fixing of lending limits, etc are made in compliance with the rules set out in centrally drafted business procedures which apply to all centres within the individual business areas.

The proposal for the new capital adequacy rules governing financial institutions (Basel II) contains major changes to the way in which financial institutions rate their customers for credit purposes. In line with the clarification and concretisation of the new rules, Nykredit has allocated resources to develop the required new credit rating tools including systems for the rating of the Group's customers.

Mortgage lending continues to account for the majority of the Group's lending. The granting of a mortgage loan requires a valuation of a customer's property. The guidelines for such valuations ensure a comprehensive inspection of the properties concerned.

The staff member responsible for the valuation of a property must always take into consideration its marketability, location, layout and price stability.

All exposures exceeding DKK 10m are generally reviewed at least once a year on the basis of updated financial statements and customer data. In addition, all exposures with risk signals are reviewed. Such reviews help ensure that the provisions made for future write-offs are always necessary and adequate.

MARKET RISKS

Nykredit's securities portfolio and other funds have been invested in different assets whose value depends on the developments in bond, money, equity and foreign exchange markets, etc. Nykredit therefore fixes benchmarks for the Group's predetermined business exposure to the price development in these markets as a supplement to the statutory limitations to which Nykredit is subject.

The Board of Directors provides the framework for the Group's market risks. The overall Group benchmark for financial risks is divided into interest rate risk and equity risk.

The interest rate risk usually comes to 3% of capital and reserves equal to an interest rate exposure of DKK 1,007m. At end-2002 this benchmark was temporarily reduced to 1.5% due to the relation between return and risk in bond markets.

The benchmark for the Group's equity risk comes to 10% of the capital base equal to an equity portfolio of DKK 3,460m.

For the purpose of fixed-income investments Nykredit applies Danish government bonds as benchmark. The benchmark for equities is an even portfolio allocation between Danish and European equities. Exchange rate risks and other financial risks are kept at a minimum.

The Treasury Committee of Nykredit Realkredit sets out the overall limits of Group undertakings' risk exposures including limits in relation to the securities portfolio. The distribution of the overall limits of risk exposures in Group undertakings has been determined in consideration of the financial profile of the individual undertaking.

The Mortgage Bank holds the majority of the securities portfolio as it has the highest level of capital and reserves and, from time to time, substantial liquidity surpluses relating to the time lag between payment flows in respect of customers on the one hand and bond markets on the other hand.



A number of statutory requirements govern the placing of the capital base and the short-term funds of the Mortgage Bank. The most important requirement stipulates that at least 60% of the capital base must at any time be invested in listed bonds. Furthermore, the rules stipulate that an approximate maturity match must exist with respect to the placing of surplus liquidity arising from the time lags on payments related to customers and bond markets.

The Bank's risks primarily relate to its trading activities and consist of interest rate and counterparty risks and to a small extent exchange rate and equity risks. The financial market risk profile of the Insurer equals the profile of the Mortgage Bank.

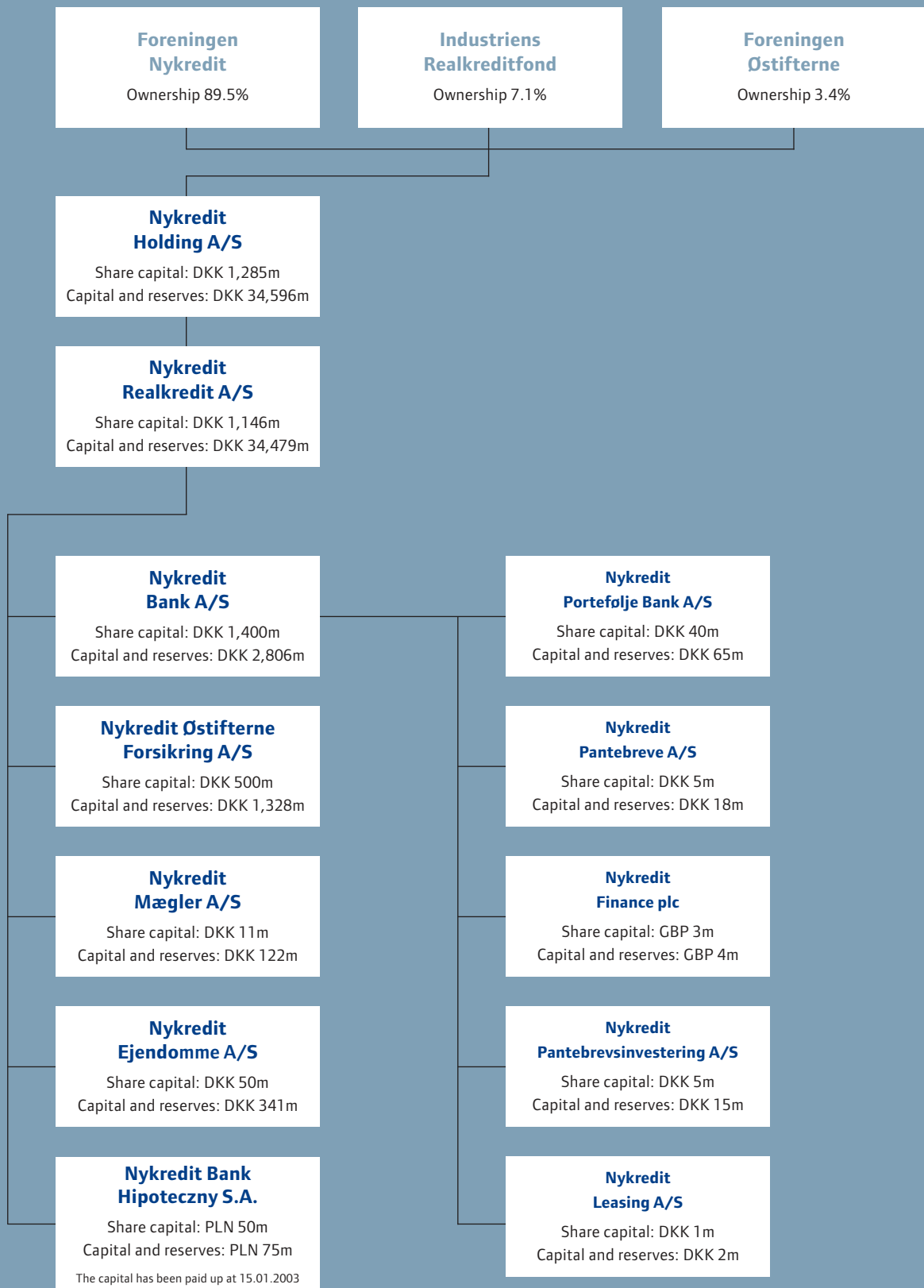
INSURANCE RISKS

Insurance risks involve the amount of claims payments payable every year.

The Group only operates activities within non-life insurance. Every year the size of claims payments including the risks related to these activities will be subject to uncertainty. On top come events of a special nature like the hurricane in December 1999 and unusual claims events in 2002.

The Group follows an acceptance policy and uses reinsurance to manage insurance risks.

The Nykredit Group structure at 31 December 2002



Financial report

RESULTS OF THE NYKREDIT GROUP

The Nykredit Group recorded a pre-tax profit of DKK 2,469m against DKK 2,515m in 2001. The net profit was DKK 1,718m against DKK 1,827m in 2001.

CORE EARNINGS

Group core earnings after write-offs and insurance operations came to DKK 1,742m in 2002 against DKK 2,185m in 2001.

Core earnings were chiefly affected by higher core income from lending, decreased core income from securities, a continuously low level of write-offs and provisions for bad and doubtful debts, the negative insurance results and as expected growth in Group operating costs, depreciation and amortisation.

Core income from lending rose by DKK 201m, one reason being increased earnings from lending. The decline in average money market rates from 4.7% to 3.4% led to a lower risk-free return on the securities portfolio of DKK 324m compared with last year.

As expected operating costs, depreciation and amortisation rose by DKK 176m (7.7%) to DKK 2,462m in 2002. About DKK 100m of the rise stemmed from one-off costs in connection with the reorganisation including severance pay and the establishment of JN Data, the set-up of lending activities in Poland and rating. Excluding these one-off costs, operating costs rose by 3.3% against a rise in core income from lending of 6.2%.

Group write-offs and provisions remained low. Write-offs and provisions related to the Mortgage Bank totalled a charge of DKK 128m against DKK 44m in 2001. Bank write-offs and provisions remained on a level with last year at DKK 39m. The estate agency business reported write-offs and provisions of DKK 2m.

The Insurer's loss before tax of DKK 121m was mainly attributable to a higher level of claims payments compared with last year.

Core earnings and investment portfolio income of the Nykredit Group

DKKm	2001	2002
Core income from:		
- Lending	3,247	3,448
- Securities	1,370	1,046
Total	4,617	4,494
Operating costs, depreciation and amortisation	2,286	2,462
Core earnings before write-offs	2,331	2,032
Write-offs and provisions for bad and doubtful debts	84	169
Loss from insurance activities before tax ¹⁾	(62)	(121)
Core earnings after write-offs and insurance operations	2,185	1,742
Investment portfolio income	330	727
Profit on ordinary activities before tax	2,515	2,469
Tax	688	751
Net profit for the year	1,827	1,718

¹⁾ Including investment portfolio income



Since 1997 Nykredit has focused on creating a sales oriented organisation that serves the Group's customers via several channels.

"The implementation of the multi-channel strategy is three-pronged. The first phase was the establishment of the multi-channel platform, in other words, the communication links customers can use to reach us. They can go into one of the 49 retail centres or into one of the 262 estate agencies, which constitute our physical platform. They can call our customer contact centre, or they can access our different Internet solutions. The second phase was to get the products into the individual channels. The third phase is to get the channels to co-operate across the organisation, and this is where the new organisation comes in", says Per Ladegaard.

Per Ladegaard

Group Managing Director, responsible for Group Development, Group IT as well as the business areas of Agriculture and Retail Customers. Also responsible for the customer contact and sales centres.

"Every phase has its challenges, and it is paramount that both customers and staff see and understand the opportunities available. The multi-channel strategy is about the freedom to choose. And in fact, customers use that freedom because they do not always choose the same channel when they want to contact us."

"We are all creatures of habit, and most people see the prospects of changing bank, mortgage bank or insurance company as difficult and time-consuming. But in future we shall see much more competition and a higher degree of customer rotation."

"This is where our new products – banking, insurance and asset management – will be to our advantage. The more products and accounts a customer has, the greater the customer loyalty. The initial reason for going into banking and insurance was to have more tools to increase customer loyalty. But it is also about

having a certain product range to maintain profitability. Purely selling mortgages would be insufficient."

"Our staff must sell financial products to our customers, and at the same time also provide high-quality advice. The flexibility of the product choice does not make it easier for our staff – on the contrary."

Nykredit's strategy continues to have homeowners as prime customers. Does this contribute to reinforcing the impression that Nykredit is fundamentally a mortgage bank?

"Yes, it takes a while before the message comes through. When customers look at their finances, the largest expenditure is typically their homes. Initially, it represents a debt that also has to be insured, but within a short time properties often represent considerable equity. As soon as this sum is released, it is all a question of managing the assets as profitably as possible. Asset management and pension products are



The initial reason for going into estate agency, banking and insurance business and most recently also asset management and pensions was to have more tools to increase customer loyalty. But it is also about having a certain product range to maintain profitability. Purely selling mortgages would be insufficient.

the latest offshoots of the product tree and hereby the circle of home-owner finances is complete.”

The new slogan “All you can own” is central to the purchase and ownership of one’s own home.

““All you can own” has both something to do with the actual possibility of becoming an owner and the

possibility of maintaining what you already own. But it also refers to the *feelings* connected with ownership. It is a family picture we are referring to here. The target market is, of course, the whole family in all age groups. For both children and adults know the feelings associated with owning your own home. We embrace customers who are planning at some point to own their own

home, customers who already own a home and customers who plan to exchange their home for example into something smaller in the future. We provide assistance with the purchase and financing – also through our chain of estate agencies – and with mortgage equity withdrawal loans.”



With a market share of approximately 50%, a large share of Nykredit's turnover traditionally lies in the agricultural sector.

“The new organisation has made us even more customer-oriented and provides good opportunities for transcending organisational boundaries with euro products, bridge loans, banking, insurance and asset management for the benefit of our customers.”

“Nykredit holds a strong position in the agricultural sector because of

our long experience. We focus on customers, and the staff who are in contact with the agricultural customers have a thorough knowledge of the sector. Being in the business of agriculture is extremely capital intensive. And that is why the mortgage product plays such a central role. We are talking about a close interplay between Nykredit and the strong, culturally determined feelings of ownership within the agricultural community.”

“Our consultants are competent, and our customers give us credit for it. On the one hand the agricultural sector is becoming increasingly specialised with larger entities, and on the other hand there is the interplay between people, animals and land which have to be looked after 24 hours a day, seven days a week. The emotional aspects of the industry are still there. So being involved in agriculture takes both commitment and professionalism. Our consultants therefore visit the farms and know how things are going – also technically, politically and environmentally.”

INVESTMENT PORTFOLIO INCOME

The investment portfolio consists of long-term investments of the Nykredit Group's capital base and short-term liquidity deposits relating to time lags in connection with mortgage lending.

Nykredit's investment portfolio income totalled DKK 727m in 2002 against DKK 330m in 2001. Investment portfolio income is the income from Nykredit's investment portfolio that exceeds risk-free money market rates. Investment portfolio income is stated exclusive of price and interest margins deriving from the mortgage business and the trading activities of Nykredit Markets. Furthermore, investment portfolio income is stated less costs related to the investment function.

Nykredit's investment portfolio consisting of the Group's capital base averaged DKK 32.5bn and yielded a rate of return of 5.9% in 2002 compared with risk-free money market rates at 3.4%. 2001 yielded a rate of return of

5.8% compared with risk-free money market rates at 4.7%.

Income from the investment portfolio of liquidity, bonds and interest rate instruments displayed a gain of DKK 1,401m. The portfolio averaging DKK 28.8bn yielded a rate of return of 8.7%. In 2001 investment portfolio income from fixed income and money market transactions posted DKK 503m equal to a rate of return of 6.7%.

Investment portfolio results from equities and equity instruments were a loss of DKK 674m. The net portfolio generated a negative rate of return of 15.0%. In 2001 investment portfolio results from equities and equity instruments totalled a loss of DKK 173m equal to a negative rate of return of 1.4%.

Investment portfolio income of Nykredit Østifterne Forsikring of DKK 3m has not been included in the figures above.

The type of housing may vary – owner-occupied, housing society, senior dwellings – but we will always keep homeowners in mind when engaging in products other than mortgage finance.

At 31 December 2002 Group interest rate exposure amounted to DKK 711m given an overall change in interest rates of 1 percentage point. Given an overall price decline of 10%, the equity exposure equalled DKK 441m. Value-at-Risk amounted to DKK 98m measured on a 95% confidence interval over ten days.

Yields generally declined by some 0.75 percentage point in 2002. Short-term yields declined by 0.6 percentage point, whereas long-term yields decreased by 0.8 percentage point.

European equity markets dived by an average of 31.2%, while the Danish KFX Index dropped by 26.3%. Nykredit's benchmark for placing its equity portfolio is 50% in Denmark and 50% in Europe.

The drop in yields affected investment portfolio income from bonds positively, while investment portfolio income from equities was influenced by the negative trend in equity markets.

GROUP BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

The Group balance sheet stood at DKK 615bn at end-2002 against DKK 580bn at end-2001.

Group lending rose by DKK 19bn during 2002. Mortgage Bank lending was up by DKK 17bn, and Bank lending by DKK 2bn.

The refinancing of adjustable-rate mortgages at year-end created a temporary increase in the bond portfolio. The majority of the remortgaging activities of DKK 55bn – against DKK 33bn the year before – was carried out via fixed-price agreements which due to the balance principle resulted in an increase in the bond portfolio.

Group capital and reserves came to DKK 34,596m at year-end against DKK 32,823m at the beginning of the year. Capital and reserves were up by DKK 1,773m.

Development in key ratios

	2001	2002
Investment portfolio income, DKKm	330	727
- Bonds, liquidity and interest rate instruments	503	1,401
- Equities and equity instruments	(173)	(674)
Return on the investment portfolio, %	5.8	5.9
- Bonds, liquidity and interest rate instruments	6.7	8.7
- Equities and equity instruments	(1.4)	(15.0)
- Risk-free money market rates	4.7	3.4

Equity and capital adequacy of the Nykredit Group

DKKm	2001	2002
Equity:		
Capital and reserves, beginning of financial year	30,975	32,823
Profit for the year brought forward	1,827	1,718
Transferred from provisions for pre-1972 series in Nykredit Realkredit A/S	20	31
Other adjustments	1	24
Capital and reserves, end of financial year	32,823	34,596
Capital adequacy		
Weighted assets	286,323	299,817
Capital requirement involving		
- credit risk	20,893	22,117
- market risk	2,013	1,868
Total	22,906	23,985
Capital base, year-end	31,833	33,473
Excess cover	8,927	9,488
Capital adequacy ratio stated as:		
- Capital base	11.1	11.2
- Core capital	11.4	11.4

At end-2002 the Group's capital base after deduction amounted to DKK 33,473m. The requirement for the capital base is DKK 23,985m, and the excess capital then came to DKK 9,488m. Consequently, at year-end the Group's capital base equalled 11.2% of weighted assets against the statutory requirement of 8%.

Nykredit has not taken advantage of its possibilities for raising subordinated capital.



Group entities

NYKREDIT HOLDING A/S

The Holding Company holds the shares of Nykredit Realkredit A/S and has no direct business activities. After the reorganisation and with effect from 2003, the staff of the Holding Company has been transferred to other Group entities.

The Parent Company netted a profit of DKK 1m in 2002 excluding the results from the subsidiary Nykredit Realkredit A/S.

NYKREDIT REALKREDIT A/S

Results

The Mortgage Bank reported a profit before tax of DKK 2,468m in 2002 against DKK 2,510m in 2001. Net profit after tax came to DKK 1,717m against DKK 1,823m in 2001.

Results for 2002 were positively affected by a lift in core income from lending and in investment portfolio income. Results were negatively affected by declining core income from securities and increasing operating costs, depreciation and amortisation. Write-offs and provisions for bad and doubtful debts remained low.

Distribution of profits

In accordance with the Articles of Association and the guidelines laid down by the Board of Directors, the net profit for the year is taken to capital and reserves.

In 2002 Nykredit continues the profit distribution practice previously applied. Consequently, no series reserves except Capital Centre D receive any direct share of the net profit for the year. Where Capital Centre D is concerned the distribution of profit reflects the special investment rules governing this capital centre. The capital adequacy requirements of the individual series may, however, necessitate the transfer of capital to series reserve funds.

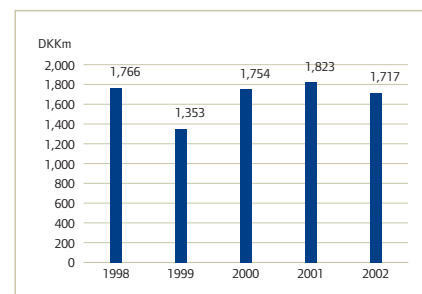
In accordance with the Articles of Association of pre-1972 series, the reserve fund shares will be distributed when a loan is partly or fully redeemed. In case of write-offs or the need to provide for a non-performing mortgage of a pre-1972 series, the series in question will be reduced by an equal amount. Thus the reserves of pre-1972 series will only be affected by distributed reserve fund shares and write-offs and provisions for bad and doubtful debts, if any. Injected capital consequent to the capital adequacy requirement must not be distributed.

Core earnings and investment portfolio income of the Mortgage Bank

DKKm	2001	2002
Core income from:		
- Lending	2,666	2,874
- Securities	1,238	943
Total	3,904	3,817
Operating costs, depreciation and amortisation	1,734	1,967
Core earnings before write-offs	2,170	1,850
Write-offs and provisions for bad and doubtful debts	44	128
Profit from participating interests	32	43
Core earnings after write-offs	2,158	1,765
Investment portfolio income	352	703
Profit on ordinary activities before tax	2,510	2,468
Tax	687	751
Net profit for the year	1,823	1,717



Net profit for the year



After distribution of the net profit for the year capital and reserves stood at DKK 34,479m at year-end against DKK 32,707m at the beginning of the year. Consequently, capital and reserves have increased by DKK 1,772m.

Capital adequacy

The capital adequacy requirements governing mortgage banks are laid down in the Mortgage Credit Act, Section 53. The Act requires that the capital base always make up 8% of the risk-weighted assets and off-balance sheet items of a mortgage bank.

The capital base is calculated as the sum of core capital and supplementary capital. Core capital equals share capital, reserves in series, whether these are repayable or not, and other reserves.

The capital requirement is calculated on the basis of a weighting of assets and off-balance sheet items, taking into account the risk degree of each asset. As the loan portfolio weights between 50% and 100%, depending on property type, this is the most significant item.

Capital base of the Mortgage Bank

At the end of the financial year the Mortgage Bank's capital base after deduction stood at DKK 33,373m against the statutory reserve requirement of DKK 21,710m equal to a capital adequacy ratio of 12.3. Accordingly, the capital adequacy exceeded the statutory reserve requirement by DKK 11,663m.

The capital base of the Mortgage Bank came to DKK 33,357m at the end of the financial year against the statutory reserve requirement of DKK 23,966m equal to a capital adequacy ratio and an excess cover of 11.1 and DKK 9,391m, respectively.

Capital and reserves from beginning to end of the year

DKKm	Distribution of profit	Capital and reserves
Capital and reserves, beginning of financial year		32,707
Amount available for distribution	1,717	
Transferred from provisions related to pre-1972 series	31	
Adjustments relating to domicile properties	27	
Other adjustments	(3)	
Transferred to capital and reserves		1,772
Capital and reserves, end of financial year		34,479

Capital base of the Mortgage Bank

DKKm	2001	2002
Capital base	31,736	33,373
Weighted assets	264,282	271,376
Capital adequacy ratio	12.0	12.3
Core capital		
Share capital	3,664	3,664
Reserves in series	11,847	14,455
Other reserves	17,168	16,343
Total	32,679	34,462
Deduction from core capital		
Tax assets capitalised	(146)	(320)
Intangible assets	-	(35)
Total core capital after deduction	32,533	34,107
Supplementary capital		
Revaluation reserves	28	17
Reserves in series	199	182
Total	227	199
Deduction		
Investment in participating interests > 10%	(873)	(723)
Deduction of insurance activities	(151)	(210)
Total	(1,024)	(933)
Capital base	31,736	33,373
Capital requirement involving		
- credit risk	19,532	20,552
- market risk	1,611	1,158
Total	21,143	21,710
Excess cover	10,593	11,663



PROFIT AND LOSS ACCOUNT

Core income from lending and securities

The Mortgage Bank's core income from lending and securities came to DKK 3,817m, down DKK 87m on 2001.

Core income from lending

Core income from lending rose by DKK 208m mainly due to an increase in lending activities. The increased level of activity has resulted in a rise in activity-related income such as front-end fees and other fees.

Administration margin income accounted for DKK 2,000m of total core income. Administration margin income increased by DKK 117m in 2002 despite fierce competition in the market. The rise in net new lending of DKK 29,783m was partly contributory to this development.

Core income from securities

Core income from securities dropped by DKK 295m to DKK 943m. The decline in the return on the investment portfolio was due to changes in average money market rates from 4.7% in 2001 to 3.4% in 2002.

Operating costs, depreciation and amortisation

The Mortgage Bank's total costs including costs related to the investment function and its share of other operating income totalled DKK 1,987m in 2002, up DKK 235m.

Staff costs came to DKK 1,151m in 2002. The increase of DKK 88m on the year before is mainly due to a combination of collective agreements previously concluded and a small rise in the number of full-time staff. DKK 41m of the rise in costs related to the reorganisation including severance pay.

Other administrative expenses amounted to DKK 766m in 2002 against DKK 610m the year before. In 2001 costs were positively affected by non-recurring income of nearly DKK 60m comprising the sale of an IT system to Nykredit Mægler and the profit on the sale of a domicile property. Adjusted for the above, the cost rise is mainly a result of a number of strategy-related one-off costs, cf page 27.

Depreciation and amortisation on tangible and intangible assets decreased by DKK 9m to DKK 70m.

Write-offs and provisions for bad and doubtful debts

Write-offs and provisions for bad and doubtful debts of the Mortgage Bank netted a charge of DKK 128m in 2002. Losses ascertained for the year in relation to loans and advances netted DKK 156m of which the majority had been provided for in previous years.

Owner-occupied dwellings accounted for a minor increase in losses ascertained in 2002. For other property types write-offs related to a few specific exposures.

Both children and adults know the feelings associated with owning one's own home. Nykredit helps transform these feelings and desires into reality.

Tax in Nykredit Realkredit A/S			
DKKm	Profit and loss account	Deferred tax – asset	Deferred tax – liability
Balance, beginning of financial year		146	0
Tax assessed on income for the year	870		
Deferred tax	(174)	174	0
Adjustment of tax assessed in previous years	(2)		
Tax on provisions	13		
Total	707	320	0

Total provisions at year-end equalled DKK 1,827m against DKK 1,807m at the beginning of the year. Of total provisions, owner-occupied dwellings accounted for 21%, commercial properties 65% and agricultural properties 14%.

Total provisions at year-end equalled 0.44% of loans and advances, almost the same as in 2001.

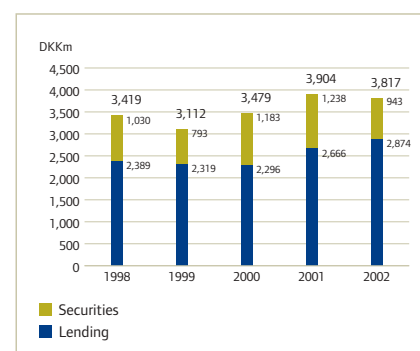
Tax

Nykredit Realkredit is jointly taxed with several of the wholly-owned subsidiaries and Nykredit Holding, the Parent Company. Total tax payable is distributed among profit and loss making, jointly taxed undertakings relative to their taxable income.

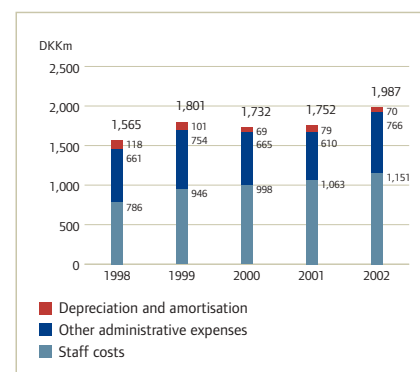
Tax charged in respect of Nykredit Realkredit and associated and subsidiary undertakings were DKK 707m and DKK 44m, respectively. DKK 320m of deferred tax relating to Nykredit Realkredit has been booked as an asset against DKK 146m in 2001. The difference of DKK 174m has been taken to the profit and loss account.

Deferred tax assets materially relate to realised and un-realised losses in respect of equities as well as differences in the tax and accounting depreciation on fixtures, fittings, machinery and equipment.

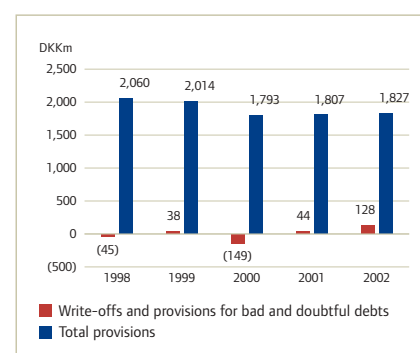
Core income from lending and securities



Total operating costs, depreciation and amortisation



Write-offs and provisions for bad and doubtful debts and total provisions



In the development and launch of new financial products and services, it is vital that we do not compromise our credibility. Our customers must have confidence in us.

Henning Kruse Petersen
Group Managing Director,
responsible for Credits, the
International Department
as well as the business area
Commercial Customers.

How does the reorganisation of the Nykredit Group affect the Commercial Customers area?

“The aim of the reorganisation was to shorten decision-making processes and create broadly-based commercial centres with a more prominent role. A strong physical presence in the locality, coupled with personal contact and advisory services for the individual customer, is very important to the companies we serve. Therefore, we should be accessible locally with the range of products which customers are interested in and need. Our commercial centres around the country have, consequently, been given a greater say and have in numerous ways become the mainstay of the Group. I see the combination of shortened decision-making processes and the

regional placing as the greatest benefit of the reorganisation”, says Henning Kruse Petersen.

Is Nykredit moving away from mortgage credit as its core product to Danish companies?

“Traditionally, mortgage credit has been the cornerstone of Nykredit, and it will continue to be so. We have been dealing with commercial loans for generations and have established a somewhat conservative, but extremely efficient lending procedure. To Nykredit a firm credit policy is essential in maintaining the trust and the confidence of the business community. Our commercial customers must be able to depend on us – in good as well as in less good times.”

“For a number of years we have focused on extending the range of products offered to our commercial customers to include a range of deposit and loan products, financial instruments, securities trading, asset management and insurance products, etc. We have chosen to exclude some products – for example, we do not offer cash management and foreign payments services. In return, we have established a range of financial solutions such as all-in solutions with a suitable balance between short- and long-term funding, using money market facilities combined with revolving credit facilities or long-term permanent credits.”

“We combine mortgage banking and banking products with guarantees and selected interest rate products which give the individual borrower a



financial package with a good deal of flexibility. Over the years we have also established a special competence in acquisition funding for companies and equity funds.”

“We thus continue to focus on our starting point – mortgage banking – but in recent years we have also put focus on the present trends in financial markets and the opportunities these provide. We have chosen some products, excluded others and combined mortgage credit with the holistic financial solutions companies demand, and which we can confidently go in for. In the development and launch of new financial products and services, it is vital that we do not compromise our credibility. Our customers must have confidence in us.”

Nykredit is in the process of setting up a mortgage bank in Poland. Is the traditionally very Danish Nykredit about to become international?

“Nykredit is first and foremost Danish, but it stands to reason to keep an eye on the possibilities that internationalisation offers. We have established the International Department which on the one hand helps our commercial customers with the financing of assets outside Denmark and on the other hand – as something new – undertakes the establishment of our own mortgage banking activities abroad.”

“In the last couple of years we have been able to offer our assistance to Danish companies in connection with the financing of commercial properties in Sweden, Germany and the UK. Here we have been able to

offer our customers long-term funding in Danish kroner, euros and other currencies with an interest structure tailored to the needs of the individual customer.

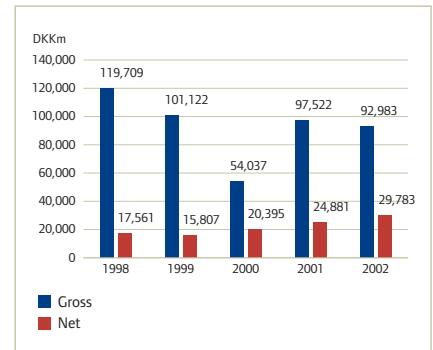
In step with market demand new countries will be included.”

“The other part of our international activity is, indeed, Poland where, after thorough research, we are in the process of establishing an actual mortgage bank which we expect to be operational by the middle of 2003. *But why Poland?* We found that Poland has a large market with an increasing need for long-term financing, and we therefore decided to offer retail customers and selected companies exactly that via a local presence in the country.”

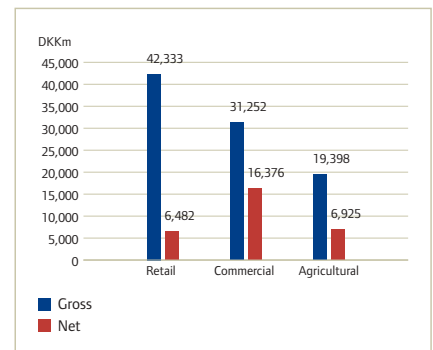


Loan portfolio 2002			
DKKbn	Gross lending	Net new lending	Mortgage loans year-end
Retail	42.3	6.5	176.7
Commercial	31.3	16.4	167.0
Agricultural	19.4	6.9	69.2
Total	93.0	29.8	412.9

Gross and net new lending (cash)



Gross and net new lending (cash) for the year by business area



LENDING

Lending activities during the year

The Mortgage Bank's gross lending (cash) came to DKK 92,983m in 2002 against DKK 97,522m in 2001.

Thus gross lending equals the levels attained in previous years.

Net new lending expressed as gross lending less loans repaid amounted to DKK 29,783m in 2002 against DKK 24,881m in 2001. The rise was primarily generated by increased commercial lending.

Net new lending accounts for a total market share of 21.3% in 2002 against 22.5% in 2001.

Loan portfolio

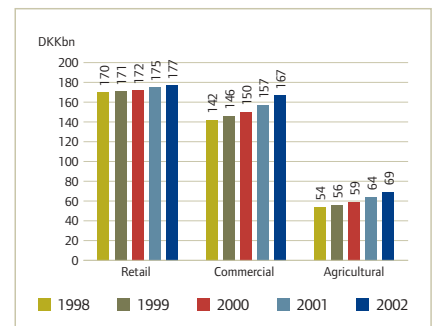
Total nominal mortgage lending excluding provisions stood at DKK 413bn at end-2002 against DKK 396bn at end-2001. Total lending at end-2002 breaks down as follows: owner-occupied dwellings 43%, commercial properties 40% and agricultural properties 17%.

The majority of mortgage loans consists of exposures below DKK 2m. Exposures of DKK 0–2m accounted for 57% of total lending at end-2002, thus indicating a considerable spread in lending.

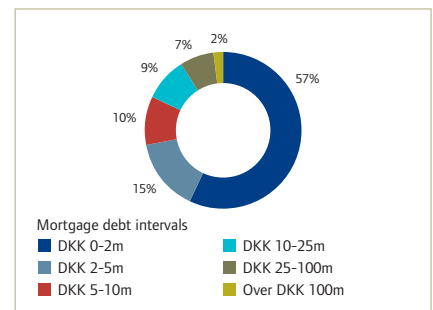
Mortgage debt compared with property values

At the time of granting, a mortgage loan will at a maximum constitute the proportion of the value of the mortgaged property equal to the statutory loan-to-value limits. Subsequently, the relation between the value of the loan and the property will change upon the repayment of the loan or changes in the property value.

Mortgage loan portfolio by business area



Mortgage loans by mortgage debt intervals





The combination of shortened decision-making processes and the regional placing is, I believe, the greatest benefit of the reorganisation.

In 2002 Nykredit continued to develop models which estimate the value of mortgaged properties on an on-going basis within the areas of retail, agricultural and commercial customers. The models are based on the general development in property prices and the latest public land assessments.

The estimated property values can be compared with the mortgage debt in the properties. The figure "Mortgage debt relative to estimated property values" indicates the scope of the underlying security for the mortgage debt in the three business areas. Consequently, approximately 70% of the mortgage debt in owner-occupied dwellings falls within approximately 40% of the estimated property values.

Arrears

The trend in mortgage loan arrears indicates the scale of future losses. At end-2002 arrears remained on a level with last year at DKK 353m.

The arrears ratio for the September settlement period calculated three months after the last timely payments showed an increase in almost all business areas. Despite the rise the arrears ratio is still low. From 2001 to 2002 retail arrears rose from 0.55 to 0.57, commercial arrears dropped from 0.56 to 0.55 and agricultural arrears rose from 0.47 to 0.60. The overall arrears ratio rose from 0.50 in 2001 to 0.54 in 2002.

Arrears ratios, end-December			
	2000	2001	2002
Settlement period			
March	0.04	0.06	0.05
June	0.08	0.11	0.10
September	0.26	0.34	0.37
December	1.45	1.51	1.53
Total arrears – DKKm	335	356	353

Provisions of the Mortgage Bank

Nykredit provides for bad and doubtful debts if a customer's ability to repay a loan is uncertain and if the adequacy of the underlying security is questionable. In addition, statistical provisions based on Nykredit's experiences in losses within each property category are computed.

Provisions are divided into "A" and "B" provisions, respectively. A provisions indicate that there is a probability of loss on an exposure, whereas B provisions indicate a loss that is inevitable, but has not been finally settled yet.

A and B provisions amounted to DKK 1,697m and DKK 130m, respectively, at end-2002.

Loss control of non-performing loans

In order to strengthen measures towards weak and non-performing commercial and agricultural loans Nykredit has in 2002 established a central function responsible for controlling losses related to all major non-performing loans.

Properties foreclosed

In 2002 Nykredit foreclosed a total of 243 properties and sold 222 properties. Nykredit's property portfolio contained 83 properties at end-2002 against 62 properties at end-2001 of which the majority is owner-occupied dwellings. This remains a very low level despite the rise in the portfolio and reflects the continued positive trend in the marketability of real property, but also that slowdowns have been detected in some areas.

SECURITIES AND FUNDING

Securities portfolio of the Mortgage Bank

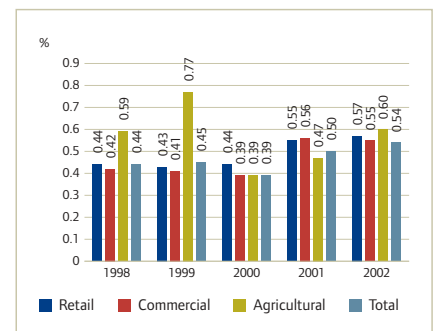
The majority of the Group's market risks are incurred in the Mortgage Bank. The long-term benchmark is an interest rate exposure of 3% of capital and reserves and an equity portfolio of 10% of capital and reserves. In the near term actual risks incurred may vary considerably from the predetermined long-term benchmark. At end-2002 the benchmark for interest rate exposure had thus been temporarily reduced to 1.5% of capital and reserves.

The return on the investment portfolio is divided into a core return, consisting of the level of risk-free money market rates and investment portfolio income that represents the excess return less interest and price margins inherent in customer trades and all costs related to the investment function.

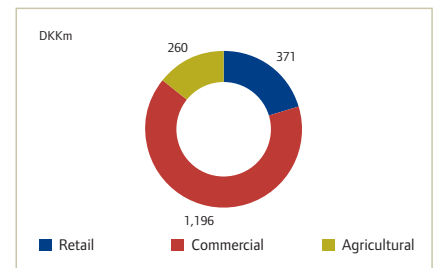
Mortgage debt relative to estimated property values



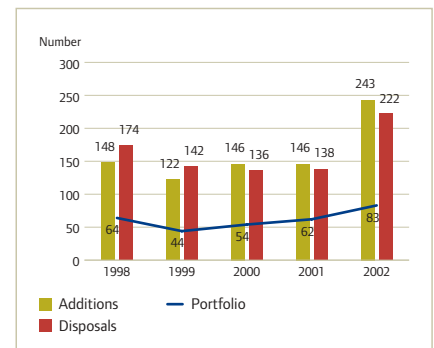
Arrears ratio for the September settlement period



Total provisions by property category



Properties foreclosed/sold





In 2002 investment portfolio income totalled DKK 703m of which bonds accounted for DKK 1,377m and equities a negative DKK 674m. In comparison, the average investment portfolio income for the last three years totalled DKK 525m.

Investment portfolio income is an expression of the financially accurate "market value adjustment". Investment portfolio income expresses the excess income gained by Nykredit on investments in equities and bonds relative to risk-free money market rates. Value adjustments made for accounting purposes of DKK 63m do not allow for risk-free core earnings nor the maturity reduction of bonds.

As a consequence of prepayments at par, the refinancing of adjustable-rate mortgages, fixed-price agreements and loan repayments due for payment before payments to investors, the provisional securities portfolio relating to the balance principle averaged DKK 12bn in 2002. Excluding the interest margin from customer trades, the return on the provisional securities portfolio equalled a corresponding difference between interest receivable from mortgages and interest payable on outstanding bonds.

At year-end this portfolio was extraordinarily large because of the refinancing of adjustable-rate mortgages. The majority of the refinancing volume of DKK 55bn was concluded by the sale of bonds over a 10-day period from 6 to 19 December 2002. Nykredit issues bonds when the prices have been fixed. The proceeds received are invested in short-term bonds or deposited in the money markets until 2 January 2003 when the proceeds will be disbursed to bondholders.

The return on the investment portfolio, ie the securities portfolio excluding the provisional portfolio resulting from prepayments and prepaid ordinary repayments excluding liquidity from issues relating to fixed-price agreements, totalled 6.1% pa in 2002 against 6.0% pa in 2001.

The funding of the Mortgage Bank

The lending of the Mortgage Bank is exclusively funded by the issuance of mortgage bonds. Nykredit aims to build large, liquid bond series within the framework of borrowers' product preferences in order to obtain a better pricing of the bonds for the benefit of Nykredit's customers.

In April 2002 Nykredit opened new bonds for one reason to replace the bonds that closed for new lending on 31 August 2002. The new bonds will be issued with a joint series reserve fund out of the newly opened Capital Centre D.

The new Capital Centre D differs from the previous capital centres by the fact that the bonds are issued on a so-called structured basis. This structure implies that the security behind the bonds is strengthened by virtue of a set of rules governing capital injections, placement policies, liquidity contingency and lending policies.

Following the new structure Nykredit received a rating of Aa1 from Moody's Investors Service with respect to the bonds that fund new lending advanced after 1 September 2002. The structure behind Capital Centre D is flexible and includes possibilities of enhancing the security of the bonds.

Capital Centre D comprises issues both in Danish kroner and euros for the funding of callable and adjustable-rate mortgages. The refinancing of adjustable-rate mortgages at end-2002 was made on the basis of the bonds issued out of the new capital centre.

The series which do not fall under Capital Centres C and D and the General Capital Centre are not rated.

Nykredit sells its mortgage bonds to all types of Danish and international investors. At end-2002 the share of foreign ownership in Nykredit's ten largest series came to 17% equal to some DKK 37bn. International investors held mortgage bonds of a total of some DKK 157bn of which 43% equal to DKK 67bn has been issued by Nykredit.

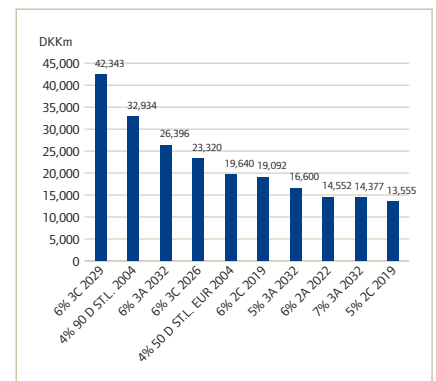


Nykredit's large share of international investors helps ensure an effective pricing of Nykredit's benchmark bonds. In 2003 Nykredit plans to intensify its investor relations services in order to attract even more international investors to the Danish mortgage bond market which offers an attractive return and at the same time a very high degree of security.

In 2000 Nykredit started providing information for investors at www.nykredit.dk. This service has since been further developed. The site will be expanded in 2003 with a view to meeting the growing investor demand for detailed information.

In 2002 Nykredit Markets launched Bond focus which offers professional investors a dynamic access to portfolio management and strategy computations. Nykredit Markets also introduced a new mortgage bond model for the pricing of callable mortgage bonds.

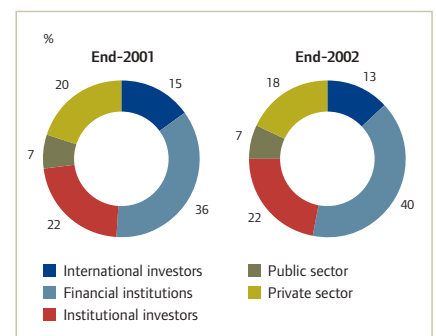
Nykredit's largest series on the Copenhagen Stock Exchange



Nykredit's ratings

	Moody's	Standard & Poor's
Capital Centre D	Aa1	-
Capital Centre C	Aa2	-
General Capital Centre	Aa2	AA-
Short, unsecured rating	P-1	A-1

Nykredit's investor composition





Lending and issuance

The balance principle of the Mortgage Credit Act implies a precise correlation between the characteristics of the loans granted and the bonds issued. Thus borrowers' preferences determine the series in which Nykredit will issue bonds.

Borrowers' choice of loan type depends primarily on their risk profile, the interest rate outlook and the level of income and assets.

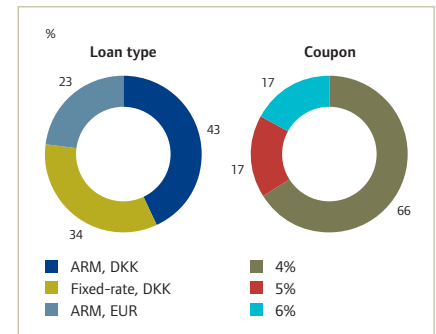
In 2002 Nykredit issued new bonds worth a nominal DKK 151bn. 34% of the new issuance was made in traditional fixed-rate bonds, whereas the remainder was made in non-callable bullet bonds denominated in Danish kroner and euros.

European central banks including Danmarks Nationalbank lowered leading monetary policy rates in 2002 in order to stimulate the economy.

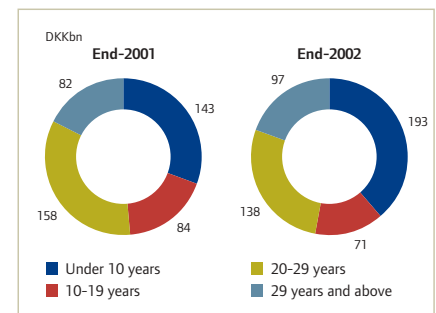
Due to falling interest rates, the repayments payable on adjustable-rate mortgages are historically low and therefore attractive to many homeowners. However, the low interest rates have also made many borrowers take out fixed-rate loans which involve higher repayments, but also a higher degree of security and a long-term potential for reducing the market value of the debt in case stronger growth again affects interest rates in an upward direction.

The sound Danish economy and high currency reserves strengthened the Danish krone against the euro, and the interest rate spread between the two currencies has narrowed. As a result, fewer of Nykredit's private borrowers raised euro-denominated adjustable-rate mortgages, whereas these loans are still in demand among commercial and agricultural customers.

Nykredit's gross issuance by loan type and coupon



Outstanding amount of mortgage bonds by term to maturity, end-2001 and end-2002



The issue of euro-denominated bonds accounted for about 35% of non-callable bullet bonds issued equal to DKK 35bn. This brings the total outstanding amount of euro-denominated bonds up to DKK 41bn and made Nykredit the largest issuer of euro-denominated mortgage bonds in 2002.

The annual refinancing of adjustable-rate mortgages in December amounted to DKK 55bn in 2002 of which DKK 22bn in euro-denominated bonds. In comparison, DKK 33bn of adjustable-rate mortgages was refinanced in 2001 of which DKK 11bn in euros.

At year-end the outstanding amount of mortgage bonds issued by Nykredit came to DKK 499bn. There was an extraordinarily large outstanding amount of short-term bonds at year-end. This was a result of the refinancing of adjustable-rate mortgages where new bonds were issued in December in replacement of the old bonds which mature on 1 January 2003.



The implementation of the new business areas in the Nykredit Group gives rise to look afresh at Nykredit as a brand. For Markets & Asset Management, the main challenge is to alter customers' perception of Nykredit to also include products on the asset side.

"Nykredit is a strong brand with a number of sound fundamental values. We are perceived as a solid financial group and a trustworthy partner. We will continue to build on these values when strengthening the Group's profile in terms of customers' asset-side needs", says Kim Duus.

"As a mortgage bank Nykredit has always focused on customers' liabilities, and from that we have

established a strong brand which at times can be almost too strong because it is so tightly associated with mortgage banking. So the task is to differentiate the content of our brand, give it diversity by making a connection between some of the basic values and the product areas which have been added in recent years. In that way we become a holistic financial group with a balanced product range."

And how will you do that? You operate in a market where it can be difficult to differentiate your products from those of your competitors?

"The starting point is a brand characterised by values from mortgage banking, but if we look closely at these values they actually fit the

asset side as well. The main impression of Nykredit is that of a company which is trustworthy, stable and sound. If you look at these qualities together with our new slogan "All you can own", you can maintain that product areas such as investment and pension are at the heart of this image."

How can the asset side positively affect the classic perception of Nykredit?

"We want to give customers an image of a more comprehensive and broadly-based Group which signals that we can handle their finances both on the asset side and the liability side. Regardless of how you look at it, mortgage finance is a narrow product. With the new business

Nykredit is a strong brand with a number of sound fundamental values. We are perceived as a solid financial group and a trustworthy partner. We will continue to build on these values when strengthening the Group's profile in terms of customers' asset-side needs.

areas we can establish a profile of Nykredit which to a much higher degree signals a holistic approach to customers' finances. Nykredit's new organisation is structured so that our advisory services cover housing, insurance, pension and investment which are the long-term elements of most personal finances. It is this profile which we are creating – a more holistic Nykredit."

The product areas you represent are traditionally perceived as banking. But you do not emphasise the term bank?

"No, that is correct. We believe that we can further develop Nykredit's brand on the basis of our business areas. We began by not using the term "bank", and we shall continue

without saying "bank". The way to do that is to create various sub-brands."

"Nykredit Markets was launched in 1998, and there is no doubt that it is now a well-established brand. The market knows it, our customers in our target market know it, the press knows it, and we shall continue to use it in the future. We call our asset management activities Nykredit Portfolio, and we have recently launched Private Portfolio which is a business concept for personal customers."

"We want our customers to associate Nykredit with a broad product choice. Sub-brands give the business area its own identity, and at the same time we help to reinforce

our customers' impression of a broader Nykredit. We strengthen our main brand and give it diversity by incorporating sub-brands."

You represent an area in which Nykredit has a short track record. Is this positive or negative?

"I believe it is positive. To develop a new business area with another background and place it centrally in the Group's strategy is an important signal. It provides new opportunities and new angles throughout the Group and contributes to the staff's view of a flexible Nykredit."

Kim Duus
Chief Executive Officer of Nykredit Bank, responsible for the business activities of Markets & Asset Management.

THE NYKREDIT BANK GROUP

The Nykredit Bank Group includes Nykredit Bank A/S (Parent Company), Nykredit Portefølje Bank A/S, Nykredit Pantebreve A/S, Nykredit Finance plc, Nykredit Pantebrevsinvestering A/S and Nykredit Leasing A/S.

In 2002 the Nykredit Bank Group brought in a profit of DKK 144m before tax and DKK 98m after tax against DKK 164m and DKK 120m, respectively, in 2001.

Overall results were not satisfactory and fell short of expectations set out in the annual report for 2001. However, the long-term platform for the Bank's earnings developed according to plan.

The global turmoil in financial markets resulted in negative value adjustments of approximately DKK 110m relating to structured credit products in the Corporate Banking area. The adjustments have been included in core income from lending. Furthermore, the market climate weakened earnings in Nykredit Markets.

Profit and loss account

Net income from interest and fees was up by 25% to DKK 660m. The development reflects growth in the earnings of all business areas where especially Retail Banking was particularly successful as a result of strong growth in deposits and the influx of new wage account customers. In contrast, Nykredit Markets was negatively affected by the global turmoil in financial markets.

Core income from lending and securities was DKK 580m in 2002 against DKK 617m in 2001, and investment portfolio income amounted to DKK 28m against a negative DKK 8m last year.

Operating costs, depreciation and amortisation were DKK 425m against DKK 406m in 2001.

Write-offs and provisions for bad and doubtful debts amounted to DKK 39m, the same as in 2001. Provisions remained low, and write-offs and provisions as a percentage for the year came to 0.1, the same as in 2001.

Tax on profit for the year was DKK 46m equal to 32% of the profit before tax.

Bank Group balance sheet

At year-end the balance sheet stood at DKK 63.7bn against DKK 63.5bn at end-2001.

Loans and advances were up by DKK 2.1bn or 9%. The rise stemmed primarily from Retail Banking (DKK 0.5bn) and Corporate Banking including Markets (DKK 1.6bn).

Nykredit Markets maintained its level of activity in repo and bond markets, and the Bank's bond portfolio amounted to DKK 20.0bn, down DKK 2.8bn compared with end-2001.

Deposits were up by DKK 3.3bn to DKK 12.1bn at-end 2002. Particularly retail deposits in wage accounts increased satisfactorily.

Equity and capital adequacy

After inclusion of the net profit for the year of DKK 98m, capital and reserves were DKK 2,806m at year-end.

The Bank Group capital adequacy ratio came to 9.3.



Outlook for 2003

2002 was a challenging year when financial markets were marked by very high volatility. Assuming that markets and business activities stabilise, the Bank expects earnings in 2003 considerably above those of 2002.

Growth in activities will lead to a moderate rise in staff and operating costs including costs relating to the implementation of the new capital adequacy rules (Basel II). Write-offs and provisions are expected to display a modest rise compared with 2002, and all in all the Bank's profit before tax is expected to show appreciable growth relative to both 2001 and 2002.

Core earnings and investment portfolio income of the Nykredit Bank Group

DKKm	2001	2002
Core income from:		
- Lending	499	485
- Securities	118	95
Total	617	580
Operating costs, depreciation and amortisation	406	425
Core earnings before write-offs	211	155
Write-offs and provisions for bad and doubtful debts	39	39
Core earnings after write-offs	172	116
Investment portfolio income	(8)	28
Profit on ordinary activities before tax	164	144
Tax	44	46
Net profit for the year	120	98

The Nykredit Bank Group

DKKm	2001	2002
Summary balance sheet at 31 December		
Loans and advances	22,320	24,452
Bonds and shares	22,845	20,081
Debt to credit institutions and central banks	42,233	37,044
Deposits	8,725	12,056
Capital and reserves	2,708	2,806
Total assets	63,473	63,742
Key ratios		
Profit for the year as a percentage of average capital and reserves	4.8	3.5
Write-offs and provisions as a percentage for the year	0.1	0.1
Capital adequacy ratio	9.4	9.3
Core capital ratio	7.2	7.2
Average number of full-time staff	299	316



NYKREDIT ØSTIFTERNE FORSIKRING A/S

In 2002 the results of the Insurer were unsatisfactory due to a combination of poor results from non-life insurance activities including increasing reinsurance expenses and lower-than-expected results from investments.

2002 was characterised by a high level of activities. In terms of sales activities the strategy seriously proved successful, and the integration of the insurance agents in Nykredit's centres throughout Denmark enhanced the sales organisation as a whole. The total number of new insurance policies surpassed budgets and was 34% up on last year. Total insurance policies reached DKK 1bn in September and amount to almost DKK 1.1bn today distributed on approximately 145,000 customers.

The poor results of the non-life insurance activities in 2002 were affected by a general rise in the number of claims which rose by some 20% compared with 2001. Apart from the growth-related rise in the number of claims, the rise can also be ascribed to the fact that the number of storm claims was five times higher than in 2001 as well as to a line of consecutive periods over the summer with many claims caused by cloudbursts.

Annual accounts

In 2002 the insurance business returned a loss after tax of DKK 103m.

Premiums rose by 16% from DKK 840m in 2001 to DKK 971m in 2002. The increase is primarily attributable to the commercial area, but also the retail and agricultural areas displayed growth. In addition, implemented

premium rises in connection with the new act governing liabilities for damages have contributed to growth in premiums.

Premium income (net of reinsurance) posted DKK 900m against DKK 792m in 2001, up 14%. The rise in premium income (net of reinsurance) was curbed by the increase in reinsurance expenses, up DKK 48m to DKK 70m. Nykredit Østifterne Forsikring paid a bonus of DKK 28m to its customers with Core Customer status.

The loss ratio (net of reinsurance) came to 87.3 against 76.2 in 2001. The loss ratio is affected by the fact that the Insurer – on a par with the industry in general – had an unusually bad year where non-life insurance activities are concerned with many frequency claims which had a broad-based effect in terms of products as well as rises in the average claims of a number of industries. On the positive side, the loss ratio in the automobile sector declined.

Total insurance operating costs demonstrated an increase from DKK 273m to DKK 304m, but the expense ratio dropped from 37.0 to 36.2. The high level of expenses was mainly related to the marked growth in premiums leading to increased acquisition costs. Secondly, the Insurer had a relatively high level of IT expenses due to investments in technology to support the multi-channel strategy and to improve productivity in the administration of insurance policies and claims. Finally, 2002 was characterised by a number of one-off charges including charges relating to the relocation to new headquarters situated close to the other Nykredit entities.



The combined ratio (sum of the loss and expense ratios) was 123.5 in 2002 against 113.2 in 2001. Core earnings came to a negative DKK 124m in 2002 against a negative DKK 19m in 2001.

The Insurer received a capital injection of a nominal DKK 200m at a price of 300, in total DKK 600m. After transfer of the net loss for the year, capital and reserves stood at DKK 1,328m. Thus Nykredit Østifterne Forsikring is a well-consolidated company. Compared with the statutory requirement relating to the capital base, computed as the so-called capital adequacy ratio, Nykredit Østifterne Forsikring fulfils this capital requirement approximately six-fold.

Outlook for 2003

The poor results of the non-life insurance activities in 2002 did not only affect Nykredit Østifterne Forsikring, but the entire Danish insurance sector.

Against that backdrop, it has been decided to initiate a line of activities with a view to restoring the profitability of the company within the retail, agricultural and commercial areas. These activities aim to create a basis for covering the rising claims payments and reinsurance expenses.

Nykredit's sales organisation was strengthened by the reorganisation implemented in October 2002 which linked the insurance agents closer to the local centres with a view to expanding co-operation and cross sales activities.

Core earnings and investment portfolio income of Nykredit Østifterne Forsikring A/S		
DKKm	2001	2002
Core income from:		
- Operations	799	901
- Securities	40	41
Total	839	942
Operating costs, depreciation and amortisation	273	304
Claims payments	585	762
Core earnings	(19)	(124)
Investment portfolio income	(43)	3
Loss on ordinary activities before tax	(62)	(121)
Tax	17	18
Net loss for the year	(45)	(103)

DKKm	2001	2002
Gross premiums	917	1,068
Premiums, net of reinsurance	792	900
Core earnings	(19)	(124)
Key ratios, net of reinsurance		
Loss ratio	76.2	87.3
Expense ratio	37.0	36.2
Combined ratio	113.2	123.5

As a result of the combination of further sales growth and premium rises the insurance stock will continue to grow in 2003. The effect of the profitability-enhancing activities is also expected to lead to a decline in the Insurer's loss and expense ratios in 2003.

All in all, Nykredit Østifterne Forsikring expects to record positive results in 2003.

Nykredit's new organisation has been structured so that our advisory services cover housing, insurance, pension and investment which are the long-term elements of most personal finances. It is this profile which we are creating – a more holistic Nykredit.



NYKREDIT MÆGLER A/S

Main activities

Nykredit Mægler's core business is to be franchisor of the estate agency chains Nybolig and Scheel & Orloff. The subsidiary EjendomsRingen Danmark A/S is the franchisor of the estate agencies of EjendomsRingen.

The agency network consisted of 215 agencies at year-end with 182 agencies under the Nybolig brand, 33 agencies under Scheel & Orloff as well as the agencies related to EjendomsRingen.

Compared with last year the market for real property saw fewer transactions but higher prices. As a result, the franchisees of Nykredit Mægler traded fewer properties than forecasted, whereas turnover in terms of DKK exceeded budgets.

Net profit for the year surpassed expectations and came to DKK 4m. Results were affected by a higher level of income from the estate agencies as well as increased expenses.

Outlook for 2003

The structure of a new concept, Estate Mæglerne, was developed in 2002. At 1 February 2003 EjendomsRingen will discontinue as an independent estate agency chain, and the majority of its agencies will join the newly established chain. Moreover, the new chain will co-operate with a number of new estate agencies and will have a total of 62 estate agencies as at 1 February 2003.

At end-2003 the agency network is expected to represent approximately 280 estate agencies, and with expectations of an increasing number of properties sold Nykredit Mægler will record results in 2003 above those of 2002.

NYKREDIT EJENDOMME A/S

Main activities

The undertaking's activities involve the leasing of a number of properties to Nykredit as well as the operation of a car park.

Moreover, via an associated undertaking, Nykredit Ejendomme is co-owner of the five-star Copenhagen Marriott Hotel located in the centre of Copenhagen.

In 2002 the undertaking acquired two office properties in Jutland. Nykredit Ejendomme completed the renovation of one office building, initiated the renovation of another office building and commenced the construction of a new office building.

In addition, Nykredit Ejendomme acquired office properties from Nykredit Realkredit in Aalborg, Odense, Haderslev, Ringkøbing and Viborg in 2002.

Results for 2002 were a profit of DKK 5m against a loss of DKK 16m in 2001.

Outlook for 2003

For 2003 Nykredit Ejendomme expects to record positive results.

Nykredit Mægler A/S

DKKm	2001	2002
Net profit/loss for the year	(41)	4
Balance sheet total	219	144
Capital and reserves	118	122

Nykredit Ejendomme A/S

DKKm	2001	2002
Net profit/loss for the year	(16)	5
Balance sheet total	1,105	1,238
Capital and reserves	335	341

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ACCOUNTING POLICIES

General

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

EFFECT OF CHANGES TO THE ACCOUNTING POLICIES

At the time of the presentation of the accounts "Rebuilding of leased premises" has been capitalised and depreciated over five years. The change had a positive effect of DKK 24m on the net profit for the year.

Comparative figures for previous years have not been adjusted as the change only has a marginal effect on the results and equity of these years.

The accounting policies applied are otherwise consistent with those applied in 2001.

CONSOLIDATION

The parent companies and their subsidiaries in which Nykredit directly or indirectly holds more than 50% of the voting rights or has any other form of controlling interest have been included in the Consolidated Accounts.

Undertakings taken over exclusively in connection with loss controlling measures have not been consolidated.

"Profit/loss before tax" of the subsidiaries has been booked under "Profit/loss from participating interests in associated and subsidiary undertakings", whereas tax for the year has been entered under "Tax".

The Consolidated Accounts have been prepared on the basis of the audited accounts of each undertaking combining items of a uniform nature. Intra-group income and expenses have been eliminated as have other intra-group transactions and balances.

"Profit/loss before tax" of the Insurance Group has been booked under "Profit/loss from participating interests in associated and subsidiary undertakings", whereas tax for the year has been entered under "Tax".

All accounts included in the Consolidated Accounts comply with uniform accounting policies.

The book value of participating interests in associated and subsidiary undertakings has been set off against a proportionate share of the capital and reserves of the undertakings at the time of acquisition. Excess values have been taken directly to capital and reserves. Newly acquired subsidiaries have been included in consolidated results from the time of acquisition. Divested undertakings have been included up to the time of divestment. Comparative figures have not been adjusted for undertakings newly acquired or divested.



PROFIT AND LOSS ACCOUNT

Core earnings and investment portfolio income

Core earnings comprise core earnings from lending and core earnings from securities.

Core earnings from lending comprise the results of the customer-oriented activities. Core earnings from securities comprise the return on Nykredit's own portfolio at risk-free money market rates.

Investment portfolio income comprises the results from Nykredit's portfolio of securities that exceed risk-free money market rates. The results exclude trading and administration costs relating to portfolio management.

Interest and administration margin

Interest includes interest due and computed as well as arbitrage premium from securities and foreign exchange transactions. Interest has been computed from the last due date to the balance sheet date.

Front-end fees and other fees have been booked as income upon receipt. Administration margin income has been accrued, and the amount relating to this financial year has been included in the profit and loss account.

Write-offs and provisions for bad and doubtful debts

Major exposures are subject to periodic assessment and risk evaluation in order to identify potential loss risks. Provisions have been made on this basis. Provisions have also been made for classes of similar loans on the basis of statistical calculations.

Provisions have been set off against the assets concerned. Write-offs ascertained and provisions for bad and doubtful debts have been charged to the profit and loss account under the item "Write-offs and provisions for bad and doubtful debts".

Taxation

Tax assessed at 30% of taxable income together with adjustment of deferred tax and tax assessed for previous years have been charged to the profit and loss account.

A number of the Group's undertakings are jointly taxed. The Parent Company pays the total tax payable by the Group on the taxable income assessed for the year. The tax payable of profit- and loss-making, jointly taxed undertakings relative to their taxable income has been distributed between the undertakings concerned.

The jointly taxed undertakings pay Danish corporation tax under the scheme for payment of tax on account. In so far as the tax paid on account does not correspond to the assessed tax charged on the profit for the year, the interest receivable or payable on the difference has been entered under "Other interest receivable" or "Other interest payable", as appropriate.

Deferred tax has been provided for on the basis of differences between the accounting and tax values in accordance with the liability method. Deferred tax has been posted in the balance sheet under the items "Provisions for liabilities" or "Other assets". Changes in deferred tax for the year have been charged or credited to the profit and loss account.



Foreign exchange translation

Income and expenses in foreign exchange have been translated into Danish kroner at the exchange rates ruling at the dates of entry.

Assets and liabilities including off-balance sheet items in foreign exchange have been entered at the exchange rates quoted by the Danish central bank at year-end.

Derivative financial instruments

Foreign exchange and forward contracts have been entered at the forward rates prevailing at year-end. Value adjustments resulting from changes in interest or exchange rates have been booked under "Value adjustments". The forward premium has been accrued over the term of the contract and entered under "Interest receivable" or "Interest payable".

Interest rate and currency swaps have been entered at market value at year-end.

Swaps concluded to hedge interest rate risks on certain fixed-rate loans and advances or bonds issued have not been value adjusted.

Forward Rate Agreements, options and futures have been marked to market on the balance sheet date.

All unrealised and realised capital gains and losses have been taken to the profit and loss account and set off against "Other assets" or "Other liabilities".

Repo/reverse transactions

Bonds sold as part of sales and repurchase transactions have been retained in the balance sheet under "Bonds". Proceeds received have been entered under "Debt to credit institutions and central banks" or "Deposits" depending on the counterparty.

Bonds acquired as part of purchase and resale transactions have been entered under "Balances due from credit institutions and central banks" or "Loans and advances" depending on the counterparty.

The balance between purchase and sales prices has been accrued over the term of the contract and entered under "Interest receivable" or "Interest payable".

ASSETS

Mortgage loans

Mortgage loans including amortisation accounts issued against mortgage bonds have been stated in the balance sheet at nominal values. Indexation of index-linked loans has been effected using the index values at year-end. The item has been reduced by provisions for bad and doubtful debts and by transfers to foreclosed properties.

Other loans and advances

Other loans and advances have been entered at the lower of cost or market value. Some bank loans, where the interest rate risk has been hedged via fixed-rate liabilities or derivative financial instruments, have not been value adjusted.

Losses ascertained during the year have been written off, while appropriate provisions have been made for losses on exposures deemed at risk.

Payments outstanding in non-foreclosed properties

Payments outstanding include mortgage payments due reduced by provisions for bad and doubtful debts.

Leased assets

Assets held under finance leases have been included in the balance sheet under "Loans and advances" and valued at cost after deduction of depreciation. Assets held under operating leases have been booked in the balance sheet under "Tangible assets".

Income from finance leases consisting of lease rental less depreciation has been booked under "Interest receivable", whereas income from operating leases, ie the annual lease rental, has been credited to "Other operating income". Depreciation relating to assets held under operating leases has been charged under the item "Depreciation, amortisation and write-downs on tangible and intangible assets".

Depreciation has been computed using the actuarial method and in consideration of the economic life of the individual asset so that the cost of acquisition after deduction of any estimated residual value has been depreciated over the lease term.

Profit or loss from the sale of the leased assets at expiry of contract has been booked under "Other operating income" or "Other operating expenses".

Bonds

Quoted bonds have been stated at the official prices quoted at year-end. Bonds drawn for redemption at the beginning of January the following year have been recorded at par, whereas bonds drawn for redemption at a later date have been recorded at prices based on the remaining maturities.

All realised and unrealised capital gains and losses have been taken to the profit and loss account.

Shares

Quoted shares have been stated at the official prices quoted at year-end, whereas unquoted shares have been stated at the lower of cost and estimated market value.

All realised and unrealised capital gains and losses have been taken to the profit and loss account.

Shares characterised as fixed assets have been entered at cost. If the estimated value of such shares is lower than the original cost for reasons not deemed temporary, such shares have been written down to the lower value.

Participating interests in associated undertakings

Participating interests in associated undertakings have been valued in accordance with the equity method.

A proportionate share of the results of the associated undertakings is booked as income, and the participating interests have been included at the proportionate share of the equity value. Participating interests in credit and finance institutions have been consolidated on a pro rata basis.

Participating interests in subsidiary undertakings

Participating interests in subsidiary undertakings have been valued in accordance with the equity method. The proportionate share of the results of the subsidiaries has been booked as income in the profit and loss account of the Parent Company.

On acquisition of additional participating interests, the difference has been calculated between the acquisition price and the proportionate share of the equity value of the subsidiaries at the time of acquisition. In the Parent Company the differences have been adjusted over capital and reserves.

Intangible and tangible assets

Intangible assets including payment in connection with the acquisition of leases and software have been fully charged in the year of acquisition.

In contrast, intangible assets in the form of leasehold improvements have been entered at cost less accumulated amortisation under the straight-line method over the expected useful life being five years.

Goodwill has been written-off directly against capital and reserves on acquisition.

Own properties have been entered at cost with addition of any costs of improvement and less depreciation and write-downs made.

Where the market value is below the book value and not expected to be temporary, the properties have been written down to the lower value. Write-downs have been entered in the profit and loss account.

Where the market value is considerably above book value, the properties have been revalued to the higher value if the value increase is expected to be permanent. Revaluations have been entered under "Revaluation reserves" under capital and reserves.

Depreciation has been calculated on a straight-line basis over 20-50 years on the basis of the expected residual value and the estimated useful life of the properties.



Properties temporarily foreclosed have been marked to market based on a conservative estimate. The item comprises outstanding mortgages on properties transferred from the item "Mortgage loans" as well as repayments due, expenses defrayed at the time of sale by the order of the court and income and expenses incurred after the time of foreclosure. The item has been reduced by provisions made for bad and doubtful debts in these properties.

Operating equipment has been entered at cost less straight-line depreciation against the expected useful lives being:

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

Small assets and assets with short useful lives have been expensed in the year of acquisition.

Assets in course of construction have been valued at cost.

LIABILITIES AND EQUITY

Issued bonds

Issued bonds have been recorded at nominal value. Index-linked bonds have been entered at the index value at year-end.

Repayable reserves

Repayable reserves comprise reserves in pre-1972 series repayable after full or partial redemption of loans in compliance with the Articles of Association of the series concerned.

CASH FLOW STATEMENT

The statement is computed according to the direct method and shows the cash flows for the year divided into cash flows from operating, investing and financing activities and the effects of the cash flows on cash and cash equivalents at year-end.

Cash and cash equivalents at year-end include the items "Cash in hand and demand deposits with central banks" and "Balances due from credit institutions and central banks".

INTRA-GROUP TRANSACTIONS

The Nykredit Group consists of a number of independent legal entities. Intra-group trade and services are settled at market terms or, where no real market exists, on an arm's length basis. Alternatively, settlement is made on a cost reimbursement basis.

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The Nykredit Group

	Note	2002	2001
Interest receivable	1	28,638	30,464
Interest payable	2	24,186	26,223
NET INTEREST RECEIVABLE		4,452	4,241
Dividend from participating interests		83	77
Fees and commissions receivable		691	607
Fees and commissions payable		138	98
NET INCOME FROM INTEREST AND FEES		5,088	4,827
Value adjustments	3	5	(23)
Other operating income		136	143
Staff costs and administrative expenses	4	2,390	2,206
Depreciation, amortisation and write-downs on tangible and intangible assets	15, 16	98	114
Other operating expenses		8	3
Write-offs and provisions for bad and doubtful debts	5	169	84
Loss from participating interests in associated and subsidiary undertakings	6	(95)	(25)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		2,469	2,515
Tax	7	751	688
NET PROFIT FOR THE YEAR		1,718	1,827

	Note	2002	2001
ASSETS			
Cash in hand and demand deposits with central banks	8	119	164
Balances due from credit institutions and central banks	9, 22	46,973	46,914
Loans and advances			
Mortgage loans		411,534	394,403
Other loans and advances		25,857	22,821
Total	10, 22	437,391	417,224
Bonds	11, 13, 22	116,315	103,820
Shares	12, 13	3,538	3,400
Participating interests in associated undertakings	14	333	277
Participating interests in subsidiary undertakings	14	1,331	834
Intangible assets	15	35	0
Tangible assets	16	1,682	1,669
Other assets	17	7,349	5,104
Prepayments		91	106
TOTAL ASSETS		615,157	579,512
LIABILITIES AND EQUITY			
Debt to credit institutions and central banks	18, 22	45,241	47,944
Deposits	22	12,018	8,651
Issued bonds	19	499,460	467,459
Other liabilities	20	23,402	22,144
Deferred income		14	12
Provisions for liabilities	21	426	479
Capital and reserves			
Share capital		1,285	1,285
Share premium account		949	949
Other reserves		32,362	30,589
Total		34,596	32,823
TOTAL LIABILITIES AND EQUITY		615,157	579,512
OFF-BALANCE SHEET ITEMS	25		
Guarantees		2,171	2,237
Other commitments		4,457	3,677
TOTAL		6,628	5,914

	2002			2001		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest receivable	3,739	713	4,452	3,779	462	4,241
Dividend on participating interests	3	80	83	14	63	77
Fees and commissions receivable, net	589	(36)	553	540	(31)	509
Net income from interest and fees	4,331	757	5,088	4,333	494	4,827
Value adjustments	40	(35)	5	159	(182)	(23)
Other operating income	136	0	136	143	0	143
Staff costs and administrative expenses	2,369	21	2,390	2,187	19	2,206
Depreciation, amortisation and write-downs on tangible and intangible assets	98	0	98	114	0	114
Other operating expenses	8	0	8	3	0	3
Write-offs and provisions for bad and doubtful debts	169	0	169	84	0	84
Profit/loss from participating interests	(121)	26	(95)	(62)	37	(25)
Profit on ordinary activities before tax	1,742	727	2,469	2,185	330	2,515

	2002	2001
Cash flow from operating activities		
Interest and fees received	27,777	28,586
Interest and fees paid	(24,171)	(24,212)
Other operating payments received	136	126
Costs paid for staff and suppliers	(2,229)	(1,571)
Payments received for debts previously written off	51	50
Tax paid, net	(1,078)	(698)
Total	486	2,281
Cash flow from investing activities		
Loans and advances disbursed	(97,507)	(104,934)
Repayments on loans and advances	78,216	86,804
Net investment in bonds	(13,300)	(29,683)
Net investment in shares and participating interests	(651)	(236)
Dividend received	83	77
Net investment in tangible and intangible assets	(146)	(315)
Net investment in foreclosed properties	2	3
Net investment in undertakings	(600)	(2)
Total	(33,903)	(48,286)
Cash flow from financing activities		
Issue of bond loans	150,788	132,284
Drawing of bond loans	(117,860)	(77,368)
Adjustment in short-term borrowing	484	8,231
Total	33,412	63,147
Total cash flow	(5)	17,142
Cash and cash equivalents, beginning of year	47,078	29,911
Currency translation adjustment of cash	19	25
Cash and cash equivalents, year-end	47,092	47,078
Cash and cash equivalents, year-end, consist of:		
Cash in hand	119	164
Balances due from credit institutions	46,973	46,914
Cash and cash equivalents, year-end	47,092	47,078

Annual Accounts 2002

Nykredit Holding A/S

	Note	2002	2001
Interest receivable	1	5	7
Interest payable		0	0
NET INTEREST RECEIVABLE		5	7
Fees and commissions receivable		3	3
NET INCOME FROM INTEREST AND FEES		8	10
Market value adjustments	2	0	1
Staff costs and administrative expenses	3	7	6
Profit from participating interests in associated and subsidiary undertakings		2,468	2,510
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		2,469	2,515
Tax	4	751	688
NET PROFIT FOR THE YEAR		1,718	1,827
DISTRIBUTION OF PROFITS			
Net profit for the year		1,718	1,827
Total profit for distribution		1,718	1,827
Appropriation to capital and reserves		1,718	1,827
Total distribution		1,718	1,827

	Note	2002	2001
ASSETS			
Balances due from credit institutions and central banks	5	6	9
Bonds	6	108	108
Participating interests in subsidiary undertakings	7	34,479	32,707
Other assets	8	5	2
TOTAL ASSETS		34,598	32,826
LIABILITIES AND EQUITY			
Debt to credit institutions and central banks	9	1	3
Other liabilities	10	1	0
Capital and reserves	11		
Share capital		1,285	1,285
Share premium account		949	949
Reserve for net revaluation according to the equity method		17,408	15,636
Other reserves		14,954	14,953
Total		34,596	32,823
TOTAL LIABILITIES AND EQUITY		34,598	32,826
OFF-BALANCE SHEET ITEMS			
Guarantees	13	1,500	1,500
TOTAL		1,500	1,500

	2002	2001
1. INTEREST RECEIVABLE		
Interest on balances due from credit institutions and central banks	0	1
Interest from bonds	5	6
Total	5	7
DKK 0m originates from subsidiary undertakings against DKK 1m last year.		
2. MARKET VALUE ADJUSTMENTS		
Bonds		
- Other mortgage bonds	0	1
Total	0	1
3. STAFF COSTS AND ADMINISTRATIVE EXPENSES		
Remuneration to the Board of Directors	1	1
Staff costs	4	3
Other administrative expenses	2	2
Total	7	6
Average number of full-time staff for the financial year	6	7
4. TAX		
Tax assessed on income for the year	907	763
Deferred tax	(172)	(114)
Adjustment of tax assessed for previous years	2	22
Tax on provisions	14	17
Total	751	688
Tax payable in Nykredit Holding A/S of total tax charge:		
Tax assessed on income for the year	0	1
Total	0	1
The undertaking is jointly taxed with several of the wholly-owned undertakings of the Group and is thus jointly and severally liable with the other jointly taxed undertakings for payment of taxes.		
Effective tax rate		
Current tax rate	30.0	30.0
Difference related to subsidiary undertakings	0.4	(2.6)
Effective tax rate	30.4	27.4

	2002	2001
5. BALANCES DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
Balances due from credit institutions	6	9
Total	6	9
Distributed by term to maturity:		
Demand deposits	5	5
Up to 3 months	1	4
Total	6	9
6. BONDS		
Other mortgage bonds	108	108
Total	108	108
7. PARTICIPATING INTERESTS IN SUBSIDIARY UNDERTAKINGS		
Cost of acquisition, year-end	17,031	17,031
Revaluations and write-downs, beginning of year	15,676	13,832
Profit	1,717	1,823
Revaluations and write-downs for the year	55	21
Revaluations and write-downs, year-end	17,448	15,676
Balance, year-end	34,479	32,707
8. OTHER ASSETS		
Interest and commissions due	5	2
Total	5	2
9. DEBT TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
Debt to credit institutions	1	3
Total	1	3
Distributed by term to maturity:		
On demand	1	3
Total	1	3
10. OTHER LIABILITIES		
Other liabilities	1	0
Total	1	0

	2002	2001
11. CAPITAL AND RESERVES		
Share capital:		
Balance, year-end	1,285	1,285
Share premium account:		
Balance, year-end	949	949
Reserve for net revaluation according to the equity method:		
Balance, beginning of year	15,636	13,792
Net profit for the year	1,717	1,823
Revaluations and write-downs for the year	55	21
Balance, year-end	17,408	15,636
Other reserves:		
Balance, beginning of year	14,953	14,949
Transferred from net profit for the year	1	4
Balance, year-end	14,954	14,953
Balance, year-end	34,596	32,823

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

12. CAPITAL ADEQUACY STATEMENT

Core capital after deduction	34,596	32,823
Capital base after deduction	34,596	32,823
Weighted items not included in the trading book of which off-balance sheet items	34,781	33,009
Weighted items involving market risk	0	0
Total weighted items	34,781	33,046
Core capital ratio	99.5	99.3
Capital adequacy ratio	99.5	99.3

13. OFF-BALANCE SHEET ITEMS

Guarantees		
Other guarantees	1,500	1,500
Total	1,500	1,500

On specific occasions, Nykredit Holding A/S has provided third parties with letters of support regarding Nykredit Bank A/S.

14. INTRA-GROUP TRANSACTIONS

Important or extraordinary intra-group transactions prevailing in or extending into 2002 or just after the closing of the accounts between the Group's undertakings include:

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

On specific occasions, Nykredit Holding A/S has provided third parties with guarantees or letters of support

Nykredit Holding A/S has guaranteed a limited amount of Nykredit Bank A/S's loan commitments.

	1998	1999	2000	2001	2002
Net income from interest and fees incl market value adjustments	5	4	7	11	8
Staff costs and administrative expenses	6	6	7	6	7
Profit from participating interests	2,573	1,952	2,573	2,510	2,468
Profit on ordinary activities before tax	2,572	1,950	2,573	2,515	2,469
Tax	806	598	819	688	751
Net profit for the year	1,766	1,352	1,754	1,827	1,718

SUMMARY BALANCE SHEET AT 31 DECEMBER

Bonds	0	0	107	108	108
Participating interests in subsidiary undertaking	27,252	28,242	30,863	32,707	34,479
Capital and reserves	27,366	28,554	30,975	32,823	34,596
Total assets	27,367	28,705	30,979	32,826	34,598

THE DANISH FINANCIAL SUPERVISORY AUTHORITY RATIO SYSTEM

Capital adequacy ratio	100.6	100.2	99.5	99.3	99.5
Core capital ratio	100.5	100.1	99.4	99.3	99.5
Return on equity before tax, %	9.7	7.0	8.6	7.9	7.3
Return on equity after tax, %	6.7	4.8	5.9	5.7	5.1
Income/cost ratio	458.54	323.41	381.08	386.69	349.61
Foreign exchange position, %	0.0	0.0	0.0	0.0	0.0
Accumulated provisions ratio	0.0	0.0	0.0	0.0	0.0
Write-offs and provisions for the year, %	0.0	0.0	0.0	0.0	0.0
Growth in loans and advances for the year, %	0.0	0.0	0.0	0.0	0.0
Gearing of loans and advances	0.0	0.0	0.0	0.0	0.0

Copenhagen, 19 February 2003

Management Statement

Today we have presented the Annual Report for 2002 of Nykredit Holding A/S and the Nykredit Group.

The Annual Report has been prepared in compliance with the Danish Mortgage Credit Act as well as the Danish Financial Supervisory Authority's executive order on the presentation of mortgage bank ac-

counts. We consider the accounting policies to be appropriate, and the Annual Report therefore gives a true and fair view of the Group's and the Parent Company's assets, liabilities and equity, financial position and results as well as the consolidated cash flows.

The Annual Report will be submitted to the General Meeting for approval.

EXECUTIVE BOARD

Mogens Munk Rasmussen,
Group Chief Executive

Peter Engberg Jensen,
Group Managing Director

Per Ladegaard,
Group Managing Director

Henning Kruse Petersen,
Group Managing Director

/Søren Holm,
Executive Vice President &
Group Chief Financial Officer

BOARD OF DIRECTORS

Steen E. Christensen,
Chairman

Hans Bang-Hansen,
Deputy Chairman

K.E. Borup,
Deputy Chairman

Kristian Benggaard
Peter Bramsen
Winnie Dohn
Birgit Grodal
Jørgen S. Iversen
Allan Kristiansen
Ole Maltesen
Susanne Møller Nielsen
Kirsten Petersen
Ole Steffensen
Ole Trolle
Jens Erik Udsen
Leif Vinther
F. Weye-Hansen

Internal Audit

We have audited the Consolidated Annual Report and the Annual Report of Nykredit Holding A/S for the financial year 2002.

The Consolidated Annual Report and the Annual Report are the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on the Consolidated Annual Report and the Annual Report based on our audit.

Basis of Opinion

We conducted our audit on the basis of the Executive Order from the Danish Financial Supervisory Authority on Auditing Financial Enterprises and Financial Groups and in accordance with Danish Auditing Standards. Based on materiality and risk we have evaluated the business procedures, the accounting policies used and the significant estimates made and verified the basis for amounts and disclosures in the Consolidated Annual Report and the Annual Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Annual Report and Annual Report give a true and fair view of the assets, liabilities, equity and financial position at 31 December 2002 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2002 in accordance with the requirements of Danish legislation in respect of the preparation of financial statements.

Claus Okholm
Chief Internal Auditor

Auditors' Report

We have audited the Consolidated Annual Report and Annual Report of Nykredit Holding A/S for the financial year 2002.

The Consolidated Annual Report and Annual Report are the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on the Consolidated Annual Report and Annual Report based on our audit.

Basis of Opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Consolidated Annual Report and Annual Report are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Annual Report and Annual Report. An audit also includes assessing the accounting policies applied and significant estimates made by the Board of Directors and Executive Board, as well as evaluating the overall presentation of the Consolidated Annual Report and Annual Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Annual Report and Annual Report give a true and fair view of the assets, liabilities, equity and financial position at 31 December 2002 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2002 in accordance with the requirements of Danish legislation in respect of the preparation of financial statements.

PricewaterhouseCoopers

Otto Johnsen
State Authorised
Public Accountant

Gert R.L. Andersen
State Authorised
Public Accountant

DELOITTE & TOUCHE Statsautoriseret Revisionsaktieselskab

Bent Hansen
State Authorised
Public Accountant

Anders O. Gjelstrup
State Authorised
Public Accountant

Annual Accounts 2002

The Nykredit Realkredit Group and Nykredit Realkredit A/S

2001	2002		Note	2002	2001
27,714	26,487	Interest receivable	1	28,633	30,458
23,937	22,617	Interest payable	2	24,186	26,223
3,777	3,870	NET INTEREST RECEIVABLE		4,447	4,235
63	80	Dividend from participating interests		83	77
545	626	Fees and commissions receivable		691	607
95	146	Fees and commissions payable		141	101
4,290	4,430	NET INCOME FROM INTEREST AND FEES		5,080	4,818
(83)	63	Value adjustments	3	5	(25)
35	30	Other operating income		136	143
1,690	1,923	Staff costs and administrative expenses	4	2,383	2,200
79	70	Depreciation, amortisation and write-downs on tangible and intangible assets	15, 16	98	114
2	7	Other operating expenses		8	3
44	128	Write-offs and provisions for bad and doubtful debts	5	169	84
83	73	Profit/loss from participating interests in associated and subsidiary undertakings	6	(95)	(25)
2,510	2,468	PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		2,468	2,510
687	751	Tax	7	751	687
1,823	1,717	NET PROFIT FOR THE YEAR		1,717	1,823
		DISTRIBUTION OF PROFITS			
1,823	1,717	Net profit for the year			
1,823	1,717	Total profit for distribution			
1,823	1,717	Appropriation to capital and reserves			
1,823	1,717	Total distribution			

2001	2002		Note	2002	2001
ASSETS					
81	20	Cash in hand and demand deposits with central banks	8	119	164
54,346	45,388	Balances due from credit institutions and central banks	9, 22, 23	46,973	46,914
Loans and advances					
394,403	411,534	Mortgage loans		411,534	394,403
504	1,322	Other loans and advances		25,857	22,821
394,907	412,856	Total	10, 22, 23	437,391	417,224
83,473	97,611	Bonds	11, 13, 22	116,207	103,712
3,363	3,500	Shares	12, 13	3,538	3,400
181	238	Participating interests in associated undertakings	14	333	277
4,206	4,597	Participating interests in subsidiary undertakings	14	1,331	834
0	35	Intangible assets	15	35	0
459	343	Tangible assets	16	1,682	1,669
2,362	3,041	Other assets	17, 23	7,346	5,105
101	86	Prepayments		91	106
543,479	567,715	TOTAL ASSETS		615,046	579,405
LIABILITIES AND EQUITY					
26,774	19,456	Debt to credit institutions and central banks	18, 22, 23	45,241	47,944
0	0	Deposits	22	12,024	8,660
467,459	499,460	Issued bonds	19, 23	499,460	467,459
16,082	13,916	Other liabilities	20, 23	23,401	22,144
0	0	Deferred income		15	12
457	404	Provisions for liabilities	21	426	479
Capital and reserves					
1,146	1,146	Share capital		1,146	1,146
2,518	2,518	Share premium account		2,518	2,518
Other reserves					
11,847	14,455	Reserves in series		14,455	11,847
17,168	16,343	Other reserves		16,305	17,168
28	17	Revaluation reserves		55	28
32,707	34,479	Total		34,479	32,707
543,479	567,715	TOTAL LIABILITIES AND EQUITY		615,046	579,405
OFF-BALANCE SHEET ITEMS					
0	0	Guarantees	25	971	1,037
1,286	1,225	Other commitments		4,457	3,677
1,286	1,225	TOTAL		5,428	4,714

	Share capital	Share premium account	Reserves in series	Other reserves	Revalu- ation reserves	2002 Total	2001 Total
Balance, beginning of year	1,146	2,518	11,847	17,168	28	32,707	30,863
Net profit for the year				1,717		1,717	1,823
Adjustment pursuant to capital adequacy requirements			2,608	(2,608)		0	0
Brought forward from provisions concerning pre-1972 series				31		31	20
Adjustment relating to associated undertakings				(1)		(1)	0
Adjustment relating to subsidiary undertakings				(2)		(2)	1
Adjustments relating to domicile properties				38	(11)	27	0
Balance, year-end	1,146	2,518	14,455	16,343	17	34,479	32,707

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

Copenhagen, 19 February 2003

Management Statement

We have today presented the Annual Report for 2002 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

The Annual Report has been prepared in compliance with the Danish Mortgage Credit Act as well as the Danish Financial Supervisory Authority's executive order on the

presentation of mortgage bank accounts. We consider the accounting policies to be appropriate, and the Annual Report therefore gives a true and fair view of the Group's and the Parent Company's assets, liabilities and equity, financial position and results.

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EXECUTIVE BOARD

Mogens Munk Rasmussen,
Group Chief Executive

Peter Engberg Jensen,
Group Managing Director

Per Ladegaard,
Group Managing Director

Henning Kruse Petersen,
Group Managing Director

/Søren Holm,
Executive Vice President &
Group Chief Financial Officer

BOARD OF DIRECTORS

Steen E. Christensen,
Chairman

Hans Bang-Hansen,
Deputy Chairman

K.E. Borup,
Deputy Chairman

Kristian Bengaard
Peter Bramsen
Winnie Dohn
Birgit Grodal
Jørgen S. Iversen
Allan Kristiansen
Ole Maltesen
Susanne Møller Nielsen
Kirsten Petersen
Ole Steffensen
Ole Trolle
Jens Erik Udsen
Leif Vinther
F. Weye-Hansen

Copenhagen, 19 February 2003

Internal Audit

We have audited the Consolidated Annual Report and the Annual Report of Nykredit Realkredit A/S for the financial year 2002.

The Consolidated Annual Report and the Annual Report are the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on the Consolidated Annual Report and the Annual Report based on our audit.

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In our opinion, the Consolidated Annual Report and Annual Report give a true and fair view of the assets, liabilities, equity and financial position at 31 December 2002 of the Group and the Parent Company and of the results of the Group's and the Parent Company's operations for the financial year 2002 in accordance with the requirements of Danish legislation in respect of the preparation of financial statements.

Claus Okholm
Chief Internal Auditor

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PricewaterhouseCoopers

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Bent Hansen
State Authorised
Public Accountant

Anders O. Gjelstrup
State Authorised
Public Accountant

Annual Accounts 2002 notes

The Nykredit Group, the Nykredit Realkredit Group and Nykredit Realkredit A/S

THE NYKREDIT GROUP

NYKREDIT
REALKREDIT A/STHE NYKREDIT
REALKREDIT GROUP

2001	2002		2002	2001	2002	2001
1. INTEREST RECEIVABLE						
952	631	Balances due from credit institutions and central banks	539	566	631	952
24,576	23,426	Loans and advances	22,215	23,336	23,426	24,576
1,883	2,000	Administration margin (interest margin on lending)	2,000	1,883	2,000	1,883
Bonds						
668	684	- Own mortgage bonds	573	504	679	662
1,011	1,106	- Other mortgage bonds	334	304	1,106	1,011
1,159	679	- Government bonds	601	861	679	1,159
220	151	- Other bonds	24	64	151	220
Derivative financial instruments						
(5)	17	- Foreign exchange contracts	(9)	5	17	(5)
(91)	(154)	- Interest rate contracts	89	71	(154)	(91)
91	98	Other interest receivable	121	120	98	91
30,464	28,638	Total	26,487	27,714	28,633	30,458
Of which interest receivable from genuine purchase and resale transactions entered as:						
543	384	Balances due from credit institutions and central banks	85	120	384	543
213	141	Loans and advances	0	2	141	213
2. INTEREST PAYABLE						
2,093	1,478	Credit institutions and central banks	424	436	1,478	2,093
641	541	Deposits	0	0	541	641
23,290	21,983	Issued bonds	21,983	23,290	21,983	23,290
1	0	Subordinated debt	0	0	0	1
198	184	Other interest payable	210	211	184	198
26,223	24,186	Total	22,617	23,937	24,186	26,223
Of which interest payable from genuine sale and repurchase transactions entered as:						
1,035	875	Debt to credit institutions and central banks	332	238	875	1,035
109	85	Deposits	0	0	85	109
3. VALUE ADJUSTMENTS						
Bonds						
268	323	- Own mortgage bonds	349	257	323	266
21	291	- Other mortgage bonds	141	10	291	21
(159)	199	- Government bonds	267	(120)	199	(159)
24	(76)	- Other bonds	4	13	(76)	24
(153)	(475)	Shares	(478)	(151)	(475)	(153)
6	29	Fixed-rate loans and advances	6	5	29	6
25	19	Foreign exchange	5	1	19	25
Derivative financial instruments						
10	5	- Foreign exchange contracts	0	0	5	10
(71)	(108)	- Interest rate contracts	(32)	(104)	(108)	(71)
6	(199)	- Share contracts	(199)	6	(199)	6
0	(3)	- Other contracts	0	0	(3)	0
(23)	5	Total	63	(83)	5	(25)

THE NYKREDIT GROUP

NYKREDIT
REALKREDIT A/STHE NYKREDIT
REALKREDIT GROUP

2001	2002		2002	2001	2002	2001
4. STAFF COSTS AND ADMINISTRATIVE EXPENSES						
		Salaries and remuneration to the Board of Directors and Executive Board				
13	14	Executive Board	32	25	32	25
3	3	Board of Directors	3	2	3	2
16	17	Total	35	27	35	27
		Salaries and remuneration to the Executive Board comprise salaries to retired Executive Board Members of Nykredit Realkredit A/S up to 30 September 2002 as well as severance pay.				
		Staff costs				
1,062	1,129	Wages	908	858	1,107	1,047
121	146	Pensions	122	100	145	120
94	105	Social security costs	86	78	105	94
1,277	1,380	Total	1,116	1,036	1,357	1,261
913	993	Other administrative expenses	772	627	991	912
2,206	2,390	Total	1,923	1,690	2,383	2,200
		Executive Board and Board of Directors				
		Loans, charges, suretyships or guarantees granted to the members of the				
9	9	Executive Board	9	16	9	16
81	47	Board of Directors	47	81	47	81
		Audit fees				
		Aggregate fees to the accountancy firms appointed by the Annual General Meeting which perform the statutory audit				
8	11		7	5	11	8
2	6	Of which in respect of services other than auditing	4	2	6	2
		Number of staff				
		Average number of staff for the financial year, full-time equivalent				
2,564	2,668	In undertakings included in the Consolidated Accounts	2,273	2,187	2,662	2,557
353	387	In subsidiaries excluded from the Consolidated Accounts	0	0	387	353
2,917	3,055	Total	2,273	2,187	3,049	2,910

THE NYKREDIT GROUP

NYKREDIT
REALKREDIT A/STHE NYKREDIT
REALKREDIT GROUP

2001	2002		2002	2001	2002	2001
5. WRITE-OFFS AND PROVISIONS FOR BAD AND DOUBTFUL DEBTS						
		Write-offs and provisions for loans, advances and guarantees				
		Itemisation of provisions for loans, advances and guarantees				
		Provisions for loans, advances and guarantees, beginning of year	1,807	1,793	1,973	2,002
2,002	1,973	- Provisions for the year	412	351	494	470
470	494	- Reversal of provisions	(258)	(285)	(303)	(371)
(371)	(303)	- Other additions/disposals	0	0	9	0
0	9	- Provisions recorded as lost	(134)	(52)	(151)	(128)
(128)	(151)					
1,973	2,022	Provisions, year-end	1,827	1,807	2,022	1,973
(29)	49	Movement in provisions for loans, advances and guarantees	20	14	49	(29)
162	178	Write-offs for the year, net	156	78	178	162
(50)	(51)	Received on claims previously written off	(48)	(48)	(51)	(50)
		Write-offs and provisions for loans, advances and guarantees	128	44	167	83
83	167					
1	2	Write-offs and provisions for other items	0	0	2	1
84	169	Total write-offs and provisions	128	44	169	84
6. PROFIT/LOSS FROM PARTICIPATING INTERESTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS						
37	26	Profit from participating interests in associated undertakings	29	51	26	37
(62)	(121)	Profit/loss from participating interests in subsidiary undertakings	44	32	(121)	(62)
(25)	(95)	Total	73	83	(95)	(25)
7. TAX						
763	907	Tax assessed on income for the year	907	762	907	762
(114)	(172)	Deferred tax	(172)	(114)	(172)	(114)
22	2	Adjustment of tax assessed for previous years	2	22	2	22
17	14	Tax on provisions	14	17	14	17
688	751	Total	751	687	751	687
Tax payable in Nykredit Realkredit A/S of total tax charge:						
		Tax assessed on income for the year	870	741		
		Deferred tax	(174)	(100)		
		Adjustment of tax assessed for previous years	(2)	10		
		Tax on provisions	13	15		
		Total	707	666		
Effective tax rate						
30.0	30.0	Current tax rate	30.0	30.0	30.0	30.0
0.0	0.6	Difference in tax rates of associated and subsidiary undertakings	0.9	(0.1)	0.6	0.0
(4.1)	(1.4)	Non-tax liable income	(1.4)	(3.9)	(1.4)	(4.1)
0.5	0.6	Non-deductible expenses	0.5	0.4	0.6	0.5
0.9	0.1	Adjustment of tax assessed for previous years	(0.1)	0.4	0.1	0.9
(0.6)	0.0	Adjustment of deferred tax for previous years	0.0	0.0	0.0	(0.6)
0.7	0.5	Tax on provisions	0.5	0.6	0.5	0.7
27.4	30.4	Effective tax rate	30.4	27.4	30.4	27.4

The effective tax rate of the Group in the Interim Accounts for 2002 came to 28.4% compared with 30.4% at year-end. The change relates to a change in non-tax liable income.

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2001	2002		2002	2001	2002	2001
8. CASH IN HAND AND DEMAND DEPOSITS WITH CENTRAL BANKS						
133	212	Of which deposits with the Danish central bank	19	53	212	133
9. BALANCES DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS						
18,527	21,745	Balances due at call with central banks	20,605	17,525	21,745	18,527
28,387	25,228	Balances due with credit institutions	24,783	36,821	25,228	28,387
46,914	46,973	Total	45,388	54,346	46,973	46,914
18,438	19,018	Of which prepaid funds including prepayments at par and proceeds from the issuance of fixed-price agreements	19,018	18,438	19,018	18,438
10. LOANS AND ADVANCES						
394,403	411,534	Mortgage loans	411,534	394,403	411,534	394,403
203	185	Amounts outstanding in non-foreclosed properties	185	203	185	203
22,618	25,672	Other loans and advances	1,137	301	25,672	22,618
417,224	437,391	Total	412,856	394,907	437,391	417,224
Mortgage loans						
381,299	395,697	Balance, beginning of year	395,697	381,299	395,697	381,299
99,947	95,454	New loans	95,454	99,947	95,454	99,947
1,417	847	Indexation	847	1,417	847	1,417
(54)	(41)	Currency translation adjustment	(41)	(54)	(41)	(54)
(14,338)	(14,677)	Ordinary payments	(14,677)	(14,338)	(14,677)	(14,338)
(72,574)	(64,357)	Redemptions and extraordinary payments	(64,357)	(72,574)	(64,357)	(72,574)
395,697	412,923	Balance, year-end	412,923	395,697	412,923	395,697
(39)	(56)	Loans transferred relating to properties temporarily foreclosed	(56)	(39)	(56)	(39)
(1,550)	(1,607)	Provisions for loans and advances	(1,607)	(1,550)	(1,607)	(1,550)
295	274	Loans assumed by the Financial Administration Agency	274	295	274	295
394,403	411,534	Total	411,534	394,403	411,534	394,403
Mortgage loans, year-end:						
246,891	199,630	- Loans with joint and several liability	199,630	246,891	199,630	246,891
148,806	213,293	- Loans without joint and several liability	213,293	148,806	213,293	148,806
395,697	412,923	Total	412,923	395,697	412,923	395,697
453,886	467,600	Principal on mortgages, year-end	467,600	453,886	467,600	453,886
614,578	571,285	Number of mortgages, year-end	571,285	614,578	571,285	614,578
20,678	21,197	In addition to mortgages on real property, supplementary guarantees for loans have been received in the amount of	21,197	20,678	21,197	20,678
1,741	2,361	Total advance loan guarantees received	3,025	2,861	2,361	1,741

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2001	2002		2002	2001	2002	2001
10. LOANS AND ADVANCES (CONTINUED)						
Outstanding payments in non-foreclosed properties						
356	353	Arrears	353	356	353	356
36	21	Outlays	21	36	21	36
(189)	(189)	Provisions	(189)	(189)	(189)	(189)
203	185	Total	185	203	185	203
Other loans and advances						
22,234	24,452	Bank loans and advances	0	0	24,452	22,234
384	1,220	Other loans and advances	1,137	301	1,220	384
22,618	25,672	Total	1,137	301	25,672	22,618
11. BONDS						
46,652	76,595	Own mortgage bonds	73,854	43,577	76,487	46,544
29,885	28,932	Other mortgage bonds	17,570	22,178	28,932	29,885
24,885	8,231	Government bonds	6,026	17,000	8,231	24,885
2,398	2,557	Other bonds	161	718	2,557	2,398
103,820	116,315	Total	97,611	83,473	116,207	103,712
7,654	1,989	Of which bonds drawn	1,869	7,308	1,989	7,648
37,357	59,762	Bond portfolios deriving from prepaid funds including prepayments at par and proceeds relating to the issuance of fixed-price agreements	59,762	37,357	59,762	37,357
20,195	20,812	As security in the Danish central bank, the Danish FUTOP Clearing Centre and foreign clearing centres, bonds have been deposited with a total market value of	14,422	18,108	20,812	20,195
12. SHARES						
1,818	1,739	Shares/units listed on the Copenhagen Stock Exchange	1,734	1,815	1,739	1,818
726	280	Shares/units listed on other stock exchanges	278	726	280	726
825	866	Other shares	861	822	866	825
31	653	Other participating interests	627	0	653	31
3,400	3,538	Total	3,500	3,363	3,538	3,400
2	629	Of which fixed asset investments	627	0	629	2
13. CURRENT ASSET INVESTMENTS						
106,063	118,209	Current asset investments marked to market	99,469	85,681	118,101	105,955
79	382	The market value of current asset investments marked to market exceeds the cost of these assets on the balance sheet day by	463	97	382	78
1,155	1,015	Current asset investments not marked to market	1,015	1,155	1,015	1,155
(113)	(121)	The market value of current asset investments not marked to market exceeds the cost of these assets on the balance sheet day by	(121)	(113)	(121)	(113)

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2001	2002		2002	2001	2002	2001
14. FIXED ASSET INVESTMENTS						
Participating interests in associated undertakings						
244	244	Cost, beginning of year	137	137	244	244
0	43	Additions	43	0	43	0
244	287	Cost, year-end	180	137	287	244
12	33	Revaluations and write-downs, beginning of year	44	14	33	12
37	26	Profit before tax	29	51	26	37
(9)	(7)	Tax	(8)	(13)	(7)	(9)
(8)	(5)	Dividend	(6)	(8)	(5)	(8)
1	(1)	Other movements in capital	(1)	0	(1)	1
33	46	Revaluations and write-downs, year-end	58	44	46	33
277	333	Balance, year-end	238	181	333	277
Participating interests in subsidiary undertakings						
1,192	1,194	Cost, beginning of year	4,691	4,389	1,194	1,192
2	600	Additions	600	302	600	2
0	0	Disposals	(228)	0	0	0
1,194	1,794	Cost, year-end	5,063	4,691	1,794	1,194
Accumulative effects on profit/loss:						
(315)	(360)	Revaluations and write-downs, beginning of year	(485)	(511)	(360)	(315)
(62)	(121)	Profit/loss before tax	44	32	(121)	(62)
17	18	Tax	(36)	(7)	18	17
0	0	Disposals	13	0	0	0
0	0	Other movements in capital	(2)	1	0	0
(360)	(463)	Revaluations and write-downs, year-end	(466)	(485)	(463)	(360)
834	1,331	Balance, year-end	4,597	4,206	1,331	834
0	0	Of which credit institutions	2,806	2,708	0	0
Other participating interests						
2	2	Cost, beginning of year	0	0	2	2
0	627	Additions	627	0	627	0
2	629	Cost, year-end	627	0	629	2
2	629	Balance, year-end	627	0	629	2
0	627	Of which credit institutions	627	0	627	0
15. INTANGIBLE ASSETS						
0	0	Cost, beginning of year	0	0	0	0
0	40	Additions	40	0	40	0
0	40	Cost, year-end	40	0	40	0
0	0	Amortisations and write-downs, beginning of year	0	0	0	0
0	(5)	Amortisations for the year	(5)	0	(5)	0
0	(5)	Amortisations and write-downs, year-end	(5)	0	(5)	0
0	35	Balance, year-end	35	0	35	0
7	8	Expensed in the year of acquisition	8	7	8	7

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16. TANGIBLE ASSETS						
1,470	1,494	Own properties	205	294	1,494	1,470
49	47	Properties temporarily foreclosed	47	49	47	49
149	131	Machinery and equipment	91	116	131	149
1	10	Assets in course of construction	0	0	10	1
1,669	1,682	Total	343	459	1,682	1,669
Own properties						
948	1,602	Cost, beginning of year	348	352	1,602	948
234	20	Additions	8	22	20	234
446	1	Transferred from assets in course of construction	0	0	1	446
(26)	(5)	Disposals	(100)	(26)	(5)	(26)
1,602	1,618	Cost, year-end	256	348	1,618	1,602
28	28	Revaluations, beginning of year	28	28	28	28
0	30	Revaluations for the year	30	0	30	0
0	(3)	Reversal of revaluations	(41)	0	(3)	0
28	55	Revaluations, year-end	17	28	55	28
(154)	(160)	Depreciation and write-downs, beginning of year	(82)	(86)	(160)	(154)
(13)	(19)	Depreciation for the year	(3)	(3)	(19)	(13)
7	0	Reversal of depreciation and write-downs	17	7	0	7
(160)	(179)	Depreciation and write-downs, year-end	(68)	(82)	(179)	(160)
1,470	1,494	Balance, year-end	205	294	1,494	1,470
958	1,237	Latest public land assessment	247	303	1,237	958
158	3	Book value of new building and improvement incurred after the latest public land assessment	0	0	3	158
Machinery and equipment						
510	567	Cost, beginning of year	436	366	565	508
102	71	Additions	54	88	71	102
(45)	(172)	Disposals	(167)	(18)	(172)	(45)
567	466	Cost, year-end	323	436	464	565
(399)	(418)	Depreciation and write-downs, beginning of year	(320)	(284)	(416)	(397)
(63)	(59)	Depreciation for the year	(48)	(51)	(59)	(63)
44	142	Reversal of depreciation and write-downs	136	15	142	44
(418)	(335)	Depreciation and write-downs, year-end	(232)	(320)	(333)	(416)
149	131	Balance, year-end	91	116	131	149
31	7	Machinery and equipment written off immediately during the year	6	18	7	31
Assets in course of construction						
530	1	Cost, beginning of year	0	0	1	530
1	10	Additions	0	0	10	1
(1)	0	Disposals	0	0	0	(1)
(446)	(1)	Transferred to own properties	0	0	(1)	(446)
(83)	0	Transferred to other loans and advances	0	0	0	(83)
1	10	Balance, year-end	0	0	10	1

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17. OTHER ASSETS						
1,427	3,101	Positive market value of derivative financial instruments	241	60	3,101	1,427
3,063	3,464	Interest and commissions due	1,266	1,113	3,460	3,061
71	284	Tax due	284	71	284	71
159	326	Deferred tax assets	320	146	326	159
384	174	Other assets	930	972	175	387
5,104	7,349	Total	3,041	2,362	7,346	5,105
18. DEBT TO CREDIT INSTITUTIONS AND CENTRAL BANKS						
17,000	20,242	Debt to central banks	13,986	17,000	20,242	17,000
30,944	24,999	Debt to credit institutions	5,470	9,774	24,999	30,944
47,944	45,241	Total	19,456	26,774	45,241	47,944
19. ISSUED BONDS						
Mortgage bonds						
387,238	442,099	Balance, beginning of year	442,099	387,238	442,099	387,238
132,284	150,788	Additions	150,788	132,284	150,788	132,284
(55)	(67)	Currency translation adjustment	(67)	(55)	(67)	(55)
(52,801)	(92,890)	Bonds drawn and cancelled	(92,890)	(52,801)	(92,890)	(52,801)
(24,567)	(24,970)	Redemptions and extraordinary payments	(24,970)	(24,567)	(24,970)	(24,567)
442,099	474,960	Total	474,960	442,099	474,960	442,099
25,360	24,500	Indexation	24,500	25,360	24,500	25,360
467,459	499,460	Balance, year-end	499,460	467,459	499,460	467,459
1,612	4,051	Pre-issuance	4,051	1,612	4,051	1,612
67,166	81,261	Drawn for redemption at next settling period	81,261	67,166	81,261	67,166
20. OTHER LIABILITIES						
1,590	3,084	Negative market value of derivative financial instruments	94	179	3,084	1,590
7,433	6,205	Negative trading book relating to purchase and resale transactions	2,483	4,624	6,205	7,433
10,640	11,674	Interest and commissions owing	9,793	8,987	11,674	10,640
2,481	2,439	Other liabilities	1,546	2,292	2,438	2,481
22,144	23,402	Total	13,916	16,082	23,401	22,144
21. PROVISIONS FOR LIABILITIES						
7	6	Pensions and similar liabilities	6	7	6	7
450	398	Repayable reserves funded by pre-1972 series	398	450	398	450
22	22	Loss risk relating to legal actions	0	0	22	22
479	426	Total	404	457	426	479

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2001	2002		2002	2001	2002	2001
22. GENUINE SALES AND REPURCHASE TRANSACTIONS AS WELL AS GENUINE PURCHASE AND RESALE TRANSACTIONS						
Of the assets below genuine purchase and resale transactions represent:						
9,187	9,821	Balances due from credit institutions and central banks	4,125	4,675	9,821	9,187
2,881	3,872	Loans and advances	0	0	3,872	2,881
Of the liabilities below genuine sale and repurchase transactions represent:						
18,390	11,414	Debt to credit institutions and central banks	5,468	8,423	11,414	18,390
743	746	Deposits	0	0	746	743
Assets sold as part of genuine sale and repurchase transactions:						
19,133	12,161	Bonds	5,468	8,423	12,161	19,133
23. BALANCES WITH ASSOCIATED AND SUBSIDIARY UNDERTAKINGS						
Associated undertakings						
Recorded as assets						
		Loans and advances	581	775		
		Other assets	0	0		
		Total	581	775		
Subsidiary undertakings						
Recorded as assets						
		Balances due from credit institutions	10,754	20,097		
		Loans and advances	0	0		
		Other assets	907	750		
		Total	11,661	20,847		
Recorded as liabilities						
		Debt to credit institutions	1,156	1,788		
		Issued bonds	4,286	4,074		
		Other liabilities	83	92		
		Total	5,525	5,954		

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2001	2002		2002	2001	2002	2001
24. CAPITAL ADEQUACY						
32,633	34,234	Core capital after deduction	34,106	32,533	34,062	32,518
31,833	33,473	Capital base after deduction	33,373	31,736	33,357	31,717
261,160	276,467	Weighted items not included in the trading book including off-balance sheet items	256,904	244,149	276,227	260,923
25,163	23,350	Weighted items involving market risk	14,472	20,133	23,350	25,127
286,323	299,817	Total weighted items	271,376	264,282	299,577	286,050
11.4	11.4	Core capital ratio	12.6	12.3	11.4	11.4
11.1	11.2	Capital adequacy ratio	12.3	12.0	11.1	11.1
25. OFF-BALANCE SHEET ITEMS						
Guarantees						
970	344	Financial guarantees	0	0	344	970
1,267	1,827	Other guarantees	0	0	627	67
2,237	2,171	Total	0	0	971	1,037
Other commitments						
3,141	3,865	Irrevocable credit commitments	0	0	3,865	3,141
536	592	Other commitments	1,225	1,286	592	536
3,677	4,457	Total	1,225	1,286	4,457	3,677

26. INTRA-GROUP TRANSACTIONS

Important or extraordinary intra-group transactions prevailing or entered into in 2002 or immediately after the closing of the accounts between the Group's undertakings include:

Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S

Nykredit Realkredit A/S has made one injection of subordinated capital into Nykredit Bank A/S.

Nykredit Bank A/S has provided Nykredit Realkredit A/S with registration guarantees and advance loan guarantees.

Nykredit Bank A/S advises Nykredit Realkredit A/S on private equity investments.

Other agreements between Nykredit Realkredit A/S and Nykredit Bank A/S involve primarily securities and money market transactions, commissions in connection with the inflow of loans, administration of deposits, support for IT operations and development projects, joint sales to retail customers as well as other joint activities.

Agreement between Nykredit Realkredit A/S and Nykredit Pantebreve A/S

Agreement on the introduction of mortgage customers.

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

Agreements between Nykredit Realkredit A/S and Nykredit Mægler A/S involve commissions in connection with the inflow of loans and IT development and support.

Agreements between Nykredit Realkredit A/S and Nykredit Ejendomme A/S

Nykredit Ejendomme A/S leases properties to Nykredit Realkredit A/S.

Nykredit Ejendomme A/S has acquired office properties from Nykredit Realkredit A/S at a total purchase price of DKK 120m.

Nykredit Realkredit A/S has made a credit line available to Nykredit Ejendomme A/S.

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

Agreements on co-operation with respect to insurance, IT development and support and other joint tasks including agreements on securities and money market transactions.

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

Agreements relating to co-operation about IT support.

Agreements between Nykredit Realkredit A/S/Nykredit Bank A/S and Hotelinvest Kalvebod A/S

Nykredit Realkredit A/S and Nykredit Bank A/S provide financing for Hotelinvest Kalvebod A/S.

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

In specific cases Nykredit Holding A/S has issued guarantees or letters of support to third parties.

Nykredit Holding A/S has guaranteed some of Nykredit Bank A/S's loan commitments in respect of losses up to a limited amount.

Agreements between Nykredit Østifterne Forsikring A/S and Nykredit Mægler A/S

Agreements on co-operation with respect to insurance business and other joint tasks.

Agreement between Nykredit Østifterne Forsikring A/S and Nykredit Portefølje Bank A/S

Nykredit Portefølje Bank A/S manages assets on behalf of Nykredit Østifterne Forsikring A/S.

Agreements between Nykredit Bank A/S and LeasIT A/S

Nykredit Bank A/S supplies loans to and trade in financial instruments with LeasIT A/S.

Agreements between Nykredit Realkredit A/S/Nykredit Bank A/S and Jeudan A/S

Nykredit Realkredit A/S and Nykredit Bank A/S supply loans to Jeudan A/S.

**27. DISCLOSURES PURSUANT TO THE DANISH FINANCIAL BUSINESS ACT,
SECTION 30 (2)**

Pursuant to the Danish Financial Business Act, Sections 24-29 the Board of Directors has approved the following executive positions and directorships in 2002:

Mogens Munk Rasmussen

Managing Director of Nykredit Holding A/S and the Nykredit Association
Chairman of Nykredit Ejendomme A/S
Chairman of Nykredit Administration V A/S

Peter Engberg Jensen

Managing Director of Nykredit Holding A/S
Deputy Chairman of Nykredit Bank A/S
Director of Nykredit Ejendomme A/S (until 1 October 2002)
Director of Nykredit Østifterne Forsikring A/S
Director of Nykredit Administration V A/S
Director of Nykredit Portefølje Bank A/S
Director of JN Data A/S
Director of Nykredit Bank Hipoteczny S.A.
Director of the FUTOP Clearing Centre A/S
Director of the Copenhagen Stock Exchange A/S

Per Ladegaard

Managing Director of Nykredit Holding A/S
Director of Nykredit Bank A/S
Chairman of Nykredit Mægler A/S
Chairman of Nykredit Østifterne Forsikring A/S
Deputy Chairman of JN Data A/S
Chairman of Realkreditnettet A/S

Henning Kruse Petersen

Managing Director of Nykredit Holding A/S
Chairman of Nykredit Bank A/S
Chairman of Nykredit Bank Hipoteczny S.A.
Director of Nykredit Østifterne Forsikring A/S

By term to maturity	Up to 3 months		Over 3 months and up to 1 year		Over 1 year and up to 5 years	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts						
Forwards/futures, purchased	13,097	(179)	3,584	(125)	-	-
Forwards/futures, sold	14,665	132	3,558	134	-	-
Swaps	253	(4)	2,369	8	4,207	(54)
Options, purchased	318	2	72	19	-	-
Options, written	19	(1)	72	(19)	-	-
Interest rate contracts						
Forwards/futures, purchased	111,405	235	357	5	-	-
Forwards/futures, sold	43,308	(56)	9,414	(4)	1,114	(1)
Forward Rate Agreements, purchased	20,950	(56)	20,252	(54)	2,000	(2)
Forward Rate Agreements, sold	14,892	53	15,120	47	1,100	2
Swaps	29,528	0	37,744	(29)	50,002	12
Options, purchased	1,303	21	12,352	27	4,257	10
Options, written	9,161	0	679	(12)	1,862	(11)
Share contracts						
Forwards/futures, purchased	0	(5)	-	-	-	-
Forwards/futures, sold	-	-	-	-	-	-
Options, purchased	-	-	-	-	-	-
Options, written	1	0	-	-	-	-
By term to maturity	Over 5 years		Total 2002		Total 2001	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts						
Forwards/futures, purchased	-	-	16,681	(304)	20,558	154
Forwards/futures, sold	-	-	18,223	266	15,177	(147)
Swaps	424	(9)	7,253	(59)	2,617	(11)
Options, purchased	-	-	390	21	421	0
Options, written	-	-	91	(20)	188	0
Interest rate contracts						
Forwards/futures, purchased	-	-	111,762	240	86,477	(64)
Forwards/futures, sold	-	-	53,836	(61)	50,426	(26)
Forward Rate Agreements, purchased	-	-	43,202	(112)	109,548	(223)
Forward Rate Agreements, sold	-	-	31,112	102	98,040	203
Swaps	26,878	(70)	144,152	(87)	132,761	(52)
Options, purchased	338	9	18,250	67	1,210	1
Options, written	267	(2)	11,969	(25)	2,395	(4)
Share contracts						
Forwards/futures, purchased	-	-	0	(5)	0	17
Forwards/futures, sold	-	-	-	-	0	2
Options, purchased	-	-	-	-	-	-
Options, written	-	-	1	0	-	-
Total net market value				23		(150)

THE NYKREDIT GROUP

	Market value		Average market value		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
2002						
Foreign exchange contracts						
Forwards/futures, purchased	140	444	73	295	140	444
Forwards/futures, sold	499	234	320	126	499	233
Swaps	53	111	40	76	53	111
Options, purchased	21	-	6	-	21	-
Options, written	-	20	-	9	-	20
Interest rate contracts						
Forwards/futures, purchased	263	23	91	27	239	23
Forwards/futures, sold	(8)	53	5	43	(8)	41
Forward Rate Agreements, purchased	-	112	14	85	-	113
Forward Rate Agreements, sold	112	11	82	16	112	10
Swaps	1,542	1,629	1,011	1,062	1,542	1,630
Options, purchased	67	-	32	3	67	-
Options, written	-	24	17	13	-	24
Share contracts						
Forwards/futures, purchased	-	5	2	2	-	5
Forwards/futures, sold	-	-	-	-	-	-
Options, purchased	-	-	-	-	-	-
Options, written	-	-	-	-	-	-
Total	2,689	2,666	1,693	1,757	2,665	2,654
Total after netting					11	
	Market value		Average market value		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
2001						
Foreign exchange contracts						
Forwards/futures, purchased	205	51	213	231	205	51
Forwards/futures, sold	43	190	352	194	43	190
Swaps	8	19	117	150	8	19
Options, purchased	0	0	0	0	0	0
Options, written	-	-	-	-	-	-
Interest rate contracts						
Forwards/futures, purchased	69	133	173	41	69	116
Forwards/futures, sold	26	52	14	183	24	52
Forward Rate Agreements, purchased	10	234	8	232	10	234
Forward Rate Agreements, sold	214	12	205	8	214	12
Swaps	798	850	559	577	798	850
Options, purchased	6	4	3	2	6	4
Options, written	4	8	2	4	4	8
Share contracts						
Forwards/futures, purchased	17	-	6	1	17	-
Forwards/futures, sold	2	-	1	1	2	-
Options, purchased	-	-	-	-	2	1
Options, written	-	-	-	-	-	0
Total	1,402	1,553	1,653	1,624	1,402	1,537
Total after netting					(135)	

THE NYKREDIT GROUP

2002	Nominal value	Market value		Net market value
		Positive	Negative	
Foreign exchange transactions, purchased	1,671	-	14	(14)
Foreign exchange transactions, sold	1,603	10	-	10
Interest rate transactions, purchased	4,405	-	2	(2)
Interest rate transactions, sold	4,975	1	1	0
Share transactions, purchased	12	-	-	-
Share transactions, sold	10	-	-	-
Total	12,676	11	17	(6)
Total 2001	32,578	39	45	(6)

NYKREDIT REALKREDIT A/S

By term to maturity	Up to 3 months		Over 3 months and up to 1 year		Over 1 year and up to 5 years	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts						
Forwards/futures, purchased	215	(1)	-	-	-	-
Forwards/futures, sold	5,523	6	-	-	-	-
Swaps	-	-	2,321	28	12	0
Options, purchased	-	-	-	-	-	-
Options, written	-	-	-	-	-	-
Interest rate contracts						
Forwards/futures, purchased	87,433	199	357	5	-	-
Forwards/futures, sold	20,071	(22)	0	0	-	-
Forward Rate Agreements, purchased	-	-	-	-	-	-
Forward Rate Agreements, sold	-	-	-	-	-	-
Swaps	50	0	11,367	(9)	6,433	(41)
Options, purchased	-	-	-	-	820	1
Options, written	-	-	-	-	-	-
Share contracts						
Forwards/futures, purchased	0	(5)	-	-	-	-
Forwards/futures, sold	-	-	-	-	-	-
Options, purchased	-	-	-	-	-	-
Options, written	-	-	-	-	-	-
By term to maturity	Over 5 years		Total 2002		Total 2001	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts						
Forwards/futures, purchased	-	-	215	(1)	4,827	(4)
Forwards/futures, sold	-	-	5,523	6	4,440	(3)
Swaps	349	(2)	2,682	26	917	(25)
Options, purchased	-	-	-	-	-	-
Options, written	-	-	-	-	-	-
Interest rate contracts						
Forwards/futures, purchased	-	-	87,790	204	49,310	(100)
Forwards/futures, sold	-	-	20,071	(22)	15,851	11
Forward Rate Agreements, purchased	-	-	-	-	-	-
Forward Rate Agreements, sold	-	-	-	-	-	-
Swaps	483	(4)	18,333	(54)	9,904	(12)
Options, purchased	-	-	820	1	154	0
Options, written	-	-	-	-	154	0
Share contracts						
Forwards/futures, purchased	-	-	0	(5)	-	17
Forwards/futures, sold	-	-	-	-	0	2
Options, purchased	-	-	-	-	-	-
Options, written	-	-	-	-	-	-
Total net market value				155		(114)

NYKREDIT REALKREDIT A/S

	Market value		Average market value		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
2002						
Foreign exchange contracts						
Forwards/futures, purchased	-	1	0	1	-	1
Forwards/futures, sold	7	1	3	0	7	1
Swaps	30	4	13	43	30	4
Options, purchased	-	-	-	-	-	-
Options, written	-	-	-	-	-	-
Interest rate contracts						
Forwards/futures, purchased	235	31	78	26	212	31
Forwards/futures, sold	0	22	5	23	0	11
Forward Rate Agreements, purchased	-	-	-	-	-	-
Forward Rate Agreements, sold	-	-	-	-	-	-
Swaps	6	60	16	23	6	60
Options, purchased	1	-	2	-	1	-
Options, written	-	-	-	0	-	-
Share contracts						
Forwards/futures, purchased	0	5	2	2	0	5
Forwards/futures, sold	-	-	-	0	-	-
Options, purchased	-	-	-	-	-	-
Options, written	-	-	-	-	-	-
Total	279	124	119	118	256	113
Total after netting					143	
	Market value		Average market value		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative
2001						
Foreign exchange contracts						
Forwards/futures, purchased	0	4	1	5	0	4
Forwards/futures, sold	3	6	2	4	3	6
Swaps	5	31	7	15	5	31
Options, purchased	-	-	-	-	-	-
Options, written	-	-	-	-	-	-
Interest rate contracts						
Forwards/futures, purchased	28	128	29	35	28	111
Forwards/futures, sold	13	1	4	2	11	1
Forward Rate Agreements, purchased	-	-	-	-	-	-
Forward Rate Agreements, sold	-	-	-	-	-	-
Swaps	11	23	3	6	11	23
Options, purchased	0	-	0	-	0	-
Options, written	-	-	-	0	-	0
Share contracts						
Forwards/futures, purchased	17	-	6	1	17	-
Forwards/futures, sold	2	-	1	1	2	-
Options, purchased	-	-	-	-	-	-
Options, written	-	-	-	-	-	-
Total	79	193	53	69	77	176
Total after netting					(99)	

UNSETTLED SPOT TRANSACTIONS

DKK MILLION

NYKREDIT REALKREDIT A/S

	Nominal value	Market value		Net market value
		Positive	Negative	
2002				
Foreign exchange transactions, purchased	-	-	-	-
Foreign exchange transactions, sold	-	-	-	-
Interest rate transactions, purchased	1	0	-	0
Interest rate transactions, sold	1,611	0	2	(2)
Share transactions, purchased	3	0	0	0
Share transactions, sold	0	-	0	0
Total	1,615	0	2	(2)
Total 2001	4,178	2	4	(2)

2001	2002		2002	2001
		Mortgage loans by property category		
		Loans and advances as a percentage, year-end		
42	41	Owner-occupied dwellings	41	42
2	2	Recreational dwellings	2	2
18	17	Subsidised residential construction	17	18
6	7	Private tenanted properties	7	6
5	5	Industrial and trades properties	5	5
9	9	Office and commercial properties	9	9
16	17	Agricultural properties	17	16
2	2	Properties for social, cultural and educational purposes	2	2
0	0	Other properties	0	0
100	100	Total	100	100
		Subordinate claims		
6	6	Associated undertakings	6	6
0	0	Subsidiary undertakings	800	800
1,306	1,339	Other undertakings	1,295	1,113
1,312	1,345	Total	2,101	1,919
		Accumulated provisions		
1,973	2,022	Provisions for loans, advances and guarantees, year-end	1,827	1,807
10	16	Provisions for balances due from credit institutions and other items that may incur credit risk, year-end	0	0
1,983	2,038	Total provisions for claims, year-end	1,827	1,807
0.5	0.5	Provisions as a percentage of loans, advances and guarantees, year-end	0.4	0.5
356	353	Outstanding amounts in arrears, year-end	353	356

2001	2002		2002	2001
		By term to maturity		
		Balances due from credit institutions and central banks		
13,819	11,650	On demand	11,048	12,675
32,481	35,253	Up to 3 months	33,070	38,795
344	0	Over 3 months and up to 1 year	400	1,806
200	70	Over 1 year and up to 5 years	570	700
70	0	Over 5 years	300	370
46,914	46,973	Total	45,388	54,346
		Loans and advances		
4,540	4,879	On demand	0	0
10,055	9,459	Up to 3 months	2,221	2,268
12,382	83,055	Over 3 months and up to 1 year	78,178	9,259
135,362	99,573	Over 1 year and up to 5 years	95,370	131,372
254,885	240,425	Over 5 years	237,087	252,008
417,224	437,391	Total	412,856	394,907
		Debt to credit institutions and central banks		
11,915	8,691	On demand	0	3
34,064	31,664	Up to 3 months	19,456	26,771
1,960	1,627	Over 3 months and up to 1 year	0	0
4	2,413	Over 1 year and up to 5 years	0	0
1	846	Over 5 years	0	0
47,944	45,241	Total	19,456	26,774
		Deposits		
2,760	4,227	On demand	0	0
		Deposits at notice:		
5,726	7,539	Up to 3 months	0	0
20	81	Over 3 months and up to 1 year	0	0
20	38	Over 1 year and up to 5 years	0	0
125	133	Over 5 years	0	0
8,651	12,018	Total	0	0
		Issued bonds		
67,994	81,116	Up to 3 months	81,116	67,994
35,308	79,645	Over 3 months and up to 1 year	79,645	35,308
108,947	97,161	Over 1 year and up to 5 years	97,161	108,947
255,210	241,538	Over 5 years	241,538	255,210
467,459	499,460	Total	499,460	467,459

Name and registered office	Share capital, year-end	Capital and reserves, year-end	Ownership, %	Profit/loss
Shareholders of the Nykredit Group				
Foreningen Nykredit, Copenhagen				
Industriens Realkreditfond, Copenhagen				
Foreningen Østifterne, Copenhagen				
The Nykredit Group				
Nykredit Holding A/S, Copenhagen	1,285	34,596		1,718
Consolidated subsidiary:				
The Nykredit Realkredit Group				
Nykredit Realkredit A/S, Copenhagen	1,146	34,479	100	1,717
Consolidated subsidiaries:				
Nykredit Bank A/S, Copenhagen	1,400	2,806	100	98
Nykredit Finance plc, Plymouth				
Nykredit Pantebreve A/S, Copenhagen				
Nykredit Pantebrevsinvestering A/S, Copenhagen				
Nykredit Portefølje Bank A/S, Copenhagen				
Nykredit Leasing A/S, Copenhagen				
Norswood Properties Limited, Plymouth				
Nykredit Mægler A/S, Århus	11	122	100	4
EjendomsRing Denmark A/S, Århus				
Nykredit Ejendomme A/S, Copenhagen	50	341	100	5
Nykredit Administration V A/S, Copenhagen	1	1	100	0
Nykredit Polska Sp. z o.o., Warsaw	2	2	100	0
Consolidated (pro rata) associated undertakings:				
LeasIT A/S, Lyngby-Taarbæk	9	26	40	1
Non-consolidated subsidiaries:				
Insurance companies				
Nykredit Østifterne Forsikring A/S, Copenhagen	500	1,328	100	(103)
The Group's balances due from and debt to Nykredit Østifterne Forsikring A/S came to DKK 6m and DKK 182m, respectively.				
Other undertakings				
Nykredit GmbH, Frankfurt	0	0	100	0
Nordre Kobbelvej 17-19 ApS, Copenhagen	0	3	100	2
The Group has no outstanding balances with Nykredit GmbH. The Group's balances due from Nordre Kobbelvej 17-19 ApS came to DKK 2m. There is no debt.				

Name and registered office	Share capital, year-end*	Capital and reserves, year-end*	Ownership, %	Profit/loss*
Associated undertakings:				
JN Data A/S, Silkeborg	30	60	50	0
Jeudan A/S, Copenhagen	385	680	26	80
Hotelinvest Kalvebod A/S, Copenhagen	22	193	49	(6)
Realkreditnettet A/S, Copenhagen	10	17	25	(15)
Bisca Holding A/S, Hjørring	10	85	25	9
Capitalis A/S, Horsens ¹⁾	22	-	23	-
The Group's balances due from and debt to associated undertakings came to DKK 1,301m and DKK 255m, respectively.				
Other undertakings in which the Group holds at least 10% of the share capital:				
Sydbank A/S, Aabenraa	750	3,435	14	455
EQT Investors I A/S, Copenhagen	1	92	16	(3)
Nordic Info Group A/S, Silkeborg	3	281	13	10
Generationsskifte og Vækst A/S, Kolding	11	8	14	(1)
Supertræ A/S, Nørre Snede	11	68	12	0
Fredericia Erhvervs-Investering ApS, Fredericia	0	0	10	0
Horsens Grundfinansiering A/S, Horsens	8	12	12	0
Håndværkets Byfornyelsesselskab Smba., Copenhagen	14	11	18	0
Investeringsselskabet Energy Holding A/S, Copenhagen	9	150	19	23
ED Equity Holding B.V., Amsterdam	1	4	30	0
Nederman Holding AB, Helsingborg	1	189	15	(10)
Cross Atlantic Partners KS II, Copenhagen	93	37	30	(7)
Cross Atlantic Partners KS III, Copenhagen	179	110	12	(5)
Cross Atlantic Partners KS IV, Copenhagen	181	166	17	(6)
EQT Northern Europe UK No 3 LP, Guernsey	504	502	16	(1)
VP Securities A/S, Copenhagen	40	152	13	27
The Copenhagen Stock Exchange A/S, Copenhagen	40	143	11	52

In addition, the Nykredit Group holds at least 10% of the share capital in 1 undertaking where the shareholding is of no real book value.

* According to the latest published annual report.

¹⁾ No audited accounts were available.

	1998	1999	2000	2001	2002
The Nykredit Group					
Capital adequacy ratio	12.9	12.0	12.1	11.1	11.2
Core capital ratio	11.5	11.3	12.0	11.4	11.4
Return on equity before tax, %	9.7	7.0	8.6	7.9	7.3
Return on equity after tax, %	6.7	4.8	5.9	5.7	5.1
Income/cost ratio	2.33	1.82	2.22	2.04	1.93
Foreign exchange position, %	0.5	1.7	1.9	2.2	2.0
Accumulated provisions ratio	0.6	0.6	0.5	0.5	0.5
Write-offs and provisions for the year, %	0.0	0.0	0.0	0.0	0.0
Growth in loans and advances for the year, %	3.8	3.5	2.5	4.9	4.9
Gearing of loans and advances	13.7	13.6	12.8	12.7	12.6
The Nykredit Realkredit Group					
Capital adequacy ratio	12.8	11.9	12.1	11.1	11.1
Core capital ratio	11.5	11.2	12.0	11.4	11.4
Return on equity before tax, %	9.7	7.0	8.7	7.9	7.3
Return on equity after tax, %	6.7	4.9	5.9	5.7	5.1
Income/cost ratio	2.33	1.82	2.22	2.05	1.93
Foreign exchange position, %	0.5	1.7	1.9	2.2	2.0
Accumulated provisions ratio	0.6	0.6	0.5	0.5	0.5
Write-offs and provisions for the year, %	0.0	0.0	0.0	0.0	0.0
Growth in loans and advances for the year, %	3.8	3.6	2.5	4.9	4.9
Gearing of loans and advances	13.7	13.7	12.9	12.8	12.7
Nykredit Realkredit A/S					
Capital adequacy ratio	13.5	12.8	13.1	12.0	12.3
Core capital ratio	12.1	12.0	13.0	12.3	12.6
Return on equity before tax, %	9.7	7.0	8.7	7.9	7.3
Return on equity after tax, %	6.7	4.9	5.9	5.7	5.1
Income/cost ratio	2.69	2.05	2.63	2.38	2.16
Foreign exchange position, %	0.3	1.5	2.5	0.8	0.9
Accumulated provisions ratio	0.6	0.5	0.5	0.5	0.4
Write-offs and provisions for the year, %	0.0	0.0	0.0	0.0	0.0
Growth in loans and advances for the year, %	3.1	2.0	2.3	3.8	4.6
Gearing of loans and advances	13.4	13.2	12.3	12.1	12.0

DEFINITION OF KEY RATIOS

Capital adequacy ratio	$\frac{\text{Capital base} \times 100}{\text{Sum of weighted assets}}$
Core capital ratio	$\frac{\text{Core capital after deduction} \times 100}{\text{Sum of weighted assets}}$
Return on equity before tax, %	$\frac{\text{Pre-tax profit} \times 100}{\text{Average capital and reserves}}$
Return on equity after tax, %	$\frac{\text{Post-tax profit} \times 100}{\text{Average capital and reserves}}$
Income/cost ratio	$\frac{\text{Operating income}^*}{\text{Operating expenses}^{**}}$
Foreign exchange position, %	$\frac{\text{Exchange Rate Indicator 1} \times 100}{\text{Core capital after deduction}}$
Accumulated provisions ratio	$\frac{\text{Accumulated provisions} \times 100}{\text{Loans, advances, guarantees and provisions}}$
Write-offs and provisions for the year, %	$\frac{\text{Write-offs and provisions for loans, advances and guarantees for the year} \times 100}{\text{Loans, advances, guarantees and provisions}}$
Growth in loans and advances for the year, %	$\frac{(\text{Loans and advances, year-end} - \text{loans and advances, beginning of year}) \times 100}{\text{Loans and advances, beginning of year}}$
Gearing of loans and advances	$\frac{\text{Loans and advances, year-end}}{\text{Capital and reserves, year-end}}$

*Operating income defined as the sum of:

Net income from interest and fees
 Value adjustments
 Other operating income
 Profit/loss from participating interests in associated and subsidiary undertakings

**Operating expenses defined as the sum of:

Staff costs and administrative expenses
 Depreciation, amortisation and write-downs on tangible and intangible assets
 Other operating expenses
 Write-offs and provisions for bad and doubtful debts

	1998	1999	2000	2001	2002
NYKREDIT REALKREDIT A/S					
CORE EARNINGS AND NET PROFIT FOR THE YEAR					
Core income from lending	2,389	2,319	2,296	2,666	2,874
Core income from securities	1,030	793	1,183	1,238	943
Total	3,419	3,112	3,479	3,904	3,817
Operating costs, depreciation and amortisation	1,514	1,777	1,705	1,734	1,967
Core earnings before write-offs	1,905	1,335	1,774	2,170	1,850
Write-offs and provisions for bad and doubtful debts	(45)	38	(149)	44	128
Profit from participating interests	27	60	131	32	43
Core earnings after write-offs	1,977	1,357	2,054	2,158	1,765
Investment portfolio income	596	595	519	352	703
Profit on ordinary activities before tax	2,573	1,952	2,573	2,510	2,468
Tax	806	599	819	687	751
Net profit for the year	1,767	1,353	1,754	1,823	1,717

Summary balance sheet at 31 December

Mortgage lending	363,777	371,245	380,053	394,403	411,534
Bonds and shares	37,805	35,498	55,158	86,836	101,111
Issued bonds	389,974	388,898	412,869	467,459	499,460
Capital and reserves	27,252	28,242	30,863	32,707	34,479
Total assets	435,554	431,572	464,136	543,479	567,715

THE NYKREDIT REALKREDIT GROUP**CORE EARNINGS AND NET PROFIT FOR THE YEAR**

Core income from lending	2,313	2,388	2,842	3,244	3,445
Core income from securities	1,567	1,305	1,272	1,362	1,041
Total	3,880	3,693	4,114	4,606	4,486
Operating costs, depreciation and amortisation	1,934	2,210	2,195	2,280	2,455
Core earnings before write-offs	1,946	1,483	1,919	2,326	2,031
Write-offs and provisions for bad and doubtful debts	(18)	132	(118)	84	169
Profit/loss from insurance activities before tax	0	(6)	30	(62)	(121)
Core earnings after write-offs and insurance operations	1,964	1,345	2,067	2,180	1,741
Investment portfolio income	609	607	506	330	727
Profit on ordinary activities before tax	2,573	1,952	2,573	2,510	2,468
Tax	806	599	819	687	751
Net profit for the year	1,767	1,353	1,754	1,823	1,717

Summary balance sheet at 31 December

Loans and advances:					
- Mortgage Bank	363,777	371,245	380,053	394,403	411,534
- Bank	10,161	16,018	17,139	22,234	24,452
Bonds and shares	46,833	50,229	74,628	107,112	119,745
Deposits - Bank	4,480	9,435	9,488	8,660	12,024
Issued bonds	389,974	388,898	412,869	467,459	499,460
Capital and reserves	27,252	28,242	30,863	32,707	34,479
Total assets	457,422	472,419	509,257	579,405	615,046

Annual Accounts 2002

The Nykredit Group in euros

	2002	2001
Interest receivable	3,857	4,097
Interest payable	3,257	3,527
NET INTEREST RECEIVABLE	600	570
Dividend from participating interests	11	10
Fees and commissions receivable	93	82
Fees and commissions payable	19	13
NET INCOME FROM INTEREST AND FEES	685	649
Value adjustments	1	(3)
Other operating income	18	19
Staff costs and administrative expenses	322	297
Depreciation, amortisation and write-downs on tangible and intangible assets	13	15
Other operating expenses	1	1
Write-offs and provisions for bad and doubtful debts	23	11
Loss from participating interests in associated and subsidiary undertakings	(13)	(3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	332	338
Tax	101	92
NET PROFIT FOR THE YEAR	231	246

	2002	2001
ASSETS		
Cash in hand and demand deposits with central banks	16	22
Balances due from credit institutions and central banks	6,327	6,309
Loans and advances		
Mortgage loans	55,430	53,042
Other loans and advances	3,483	3,069
Total	58,913	56,111
Bonds	15,667	13,962
Shares	476	457
Participating interests in associated undertakings	45	37
Participating interests in subsidiary undertakings	179	112
Intangible assets	5	0
Tangible assets	227	225
Other assets	990	687
Prepayments	12	14
TOTAL ASSETS	82,857	77,936
LIABILITIES AND EQUITY		
Debt to credit institutions and central banks	6,094	6,448
Deposits	1,619	1,163
Issued bonds	67,273	62,867
Other liabilities	3,152	2,978
Deferred income	2	2
Provisions for liabilities	57	64
Capital and reserves		
Share capital	173	173
Share premium account	128	127
Other reserves	4,359	4,114
Total	4,660	4,414
TOTAL LIABILITIES AND EQUITY	82,857	77,936
OFF-BALANCE SHEET ITEMS		
Guarantees	292	301
Other commitments	600	494
TOTAL	892	795
Foreign exchange rates applied, year-end:	7.4243	7.4357

Series Accounts 2002

Nykredit Realkredit A/S

SUMMARY AT THE LEVEL OF THE ASSOCIATION AND THE GENERAL CAPITAL CENTRE

	1	2	3	4	5	6	7	8
	KØK	FSK	LCR	HUM	BHY	KØH	ØHYP	SKRF
Profit and loss account								
Income from lending	3.6	1.5	0.5	0.5	2.3	0.5	0.5	0.8
Interest, net	5.0	1.6	0.7	1.5	1.4	0.4	0.3	2.0
Administrative expenses	(3.9)	(1.3)	(0.6)	(1.2)	(1.1)	(0.3)	(0.2)	(1.5)
Write-offs and provisions for bad and doubtful debts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(1.4)	(0.5)	(0.2)	(0.2)	(0.8)	(0.2)	(0.2)	(0.4)
Net profit	3.3	1.3	0.4	0.6	1.8	0.4	0.4	0.9
Balance sheet								
Assets								
Mortgage loans	1,586.5	513.6	86.0	111.8	640.0	26.2	33.2	257.8
Other assets	276.2	52.8	29.0	57.3	86.3	13.0	10.4	83.0
Total assets	1,862.7	566.4	115.0	169.1	726.3	39.2	43.6	340.8
Liabilities and equity								
Issued bonds	1,704.2	518.1	98.1	135.9	673.2	31.1	37.2	294.3
Other liabilities	77.7	23.6	4.8	7.1	30.3	1.6	1.8	14.2
Capital and reserves	80.8	24.7	12.1	26.1	22.8	6.5	4.6	32.3
Total liabilities and equity	1,862.7	566.4	115.0	169.1	726.3	39.2	43.6	340.8
Movements in capital (net)	(4.8)	(3.3)	(1.0)	(0.5)	(0.5)	(0.4)	(0.4)	(2.3)

	9	10	11	12	13	14	15	16
	VESØ	ÅHYP	HUSM	NHYP	LHYP	KHYP	JHYP	JLKR
Profit and loss account								
Income from lending	0.4	0.1	0.7	0.1	0.7	1.2	0.6	0.8
Interest, net	1.3	1.1	2.2	0.1	1.3	2.3	2.1	2.8
Administrative expenses	(1.0)	(0.9)	(1.7)	(0.1)	(1.0)	(1.8)	(1.7)	(2.2)
Write-offs and provisions for bad and doubtful debts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.2)	(0.1)	(0.4)	0.0	(0.3)	(0.5)	(0.3)	(0.4)
Net profit	0.5	0.2	0.8	0.1	0.7	1.2	0.7	1.0
Balance sheet								
Assets								
Mortgage loans	107.3	0.0	121.0	6.8	126.1	221.2	31.2	182.1
Other assets	45.0	20.8	75.9	3.6	35.2	64.3	43.8	107.0
Total assets	152.3	20.8	196.9	10.4	161.3	285.5	75.0	289.1
Liabilities and equity								
Issued bonds	124.1	0.2	151.3	8.6	132.3	234.8	37.2	233.6
Other liabilities	6.4	0.9	8.2	0.4	6.7	11.9	3.1	12.1
Capital and reserves	21.8	19.7	37.4	1.4	22.3	38.8	34.7	43.4
Total liabilities and equity	152.3	20.8	196.9	10.4	161.3	285.5	75.0	289.1
Movements in capital (net)	(2.2)	0.0	(2.1)	0.0	0.0	(0.6)	(3.5)	(8.7)

SUMMARY AT THE LEVEL OF THE ASSOCIATION AND THE GENERAL CAPITAL CENTRE

	17 IK	18 total (1-17)	19 FK	20 JK	21 NYK	22 total (19-21)	23 INST	24 TOTAL (18,22,23)
Profit and loss account								
Income from lending	0.0	14.8	16.4	18.8	1,035.5	1,070.7	998.2	2,083.7
Interest, net	0.1	26.2	11.3	16.5	813.9	841.7	1,262.2	2,130.1
Administrative expenses	(0.1)	(20.6)	(8.8)	(12.9)	(590.3)	(612.0)	(985.6)	(1,618.2)
Write-offs and provisions for bad and doubtful debts	0.0	0.0	2.1	(4.7)	(15.4)	(18.0)	(110.0)	(128.0)
Tax	0.0	(6.1)	(6.3)	(5.3)	(373.1)	(384.7)	(359.9)	(750.7)
Net profit	0.0	14.3	14.7	12.4	870.6	897.7	804.9	1,716.9
Balance sheet								
Assets								
Mortgage loans	2.3	4,053.1	3,104.5	3,761.9	267,175.7	274,042.1	133,629.8	411,725.0
Other assets	4.7	1,008.3	916.1	1,095.6	51,515.6	53,527.3	101,454.7	155,990.3
Total assets	7.0	5,061.4	4,020.6	4,857.5	318,691.3	327,569.4	235,084.5	567,715.3
Liabilities and equity								
Issued bonds	4.5	4,418.7	3,715.0	4,452.2	291,326.7	299,493.9	205,243.7	509,156.3
Other liabilities	0.3	211.1	167.7	202.6	13,294.0	13,664.3	9,806.4	23,681.8
Capital and reserves	2.2	431.6	137.9	202.7	14,070.6	14,411.2	20,034.4	34,877.2 ¹⁾
Total liabilities and equity	7.0	5,061.4	4,020.6	4,857.5	318,691.3	327,569.4	235,084.5	567,715.3
Movements in capital (net)	(0.2)		(42.2)	(67.7)	(2,402.9)		(864.1)	
1 KØK	Københavns Kreditforening		13 LHYP	Landhypotekforeningen for Danmark				
2 FSK	Fyens Stifts Kreditforening		14 KHYP	Købstadshypotekforeningen				
3 LCR	Landkreditkassen		15 JHYP	Jydsk Hypotekforening				
4 HUM	Østifternes Husmandskreditforening		16 JLKR	Jydsk Landkreditforening				
5 BHY	Byernes Hypotekforening		17 IK	Kreditforening for industrielle Ejendomme				
6 KØH	Københavns Hypotekforening		18	Total (1-17) Associations before 1972				
7 ØHYP	Østifternes Hypotekforening		19 FK	Forenede Kreditforeninger				
8 SKRF	Sønderjyllands Kreditforening		20 JK	Jyllands Kreditforening				
9 VESØ	Den vest- og sønderjydske Kreditforening		21 NYK	Nykredit (incl Capital Centres C and D)				
10 ÅHYP	Ålborg Hypotekforening		22	Total (19-21) Associations after 1972				
11 HUSM	Jydsk Husmandskreditforening		23 INST	The General Capital Centre				
12 NHYP	Ny Jydsk Land-hypotekforening		24	Total (18, 22, 23) Nykredit Realkredit A/S				

NOTE

DKK MILLION

2002

1. CAPITAL AND RESERVES, SERIES ACCOUNTS

According to Series Accounts capital and reserves are reconciled to the Annual Accounts of Nykredit Realkredit A/S:

Capital and reserves, Annual Accounts	34,479.2
Provisions for repayable reserves in pre-1972 series	398.0
Capital and reserves, Series Accounts	34,877.2

Copenhagen, 19 February 2003

In compliance with Executive Order no 872 of 20 November 1995 on series accounts in mortgage banks by the Danish Financial Supervisory Authority all mortgage banks are required to prepare separate series accounts for series with reserves, cf the Danish Mortgage Credit Act, Section 57 (1).

The Series Accounts have been prepared on the basis of the approved Annual Report of Nykredit Realkredit A/S for 2002.

The distribution of profits for 2002 adopted by Nykredit Realkredit A/S's Board of Directors (cf the Annual Report page 32) has been included

in the Series Accounts. The series' calculated share of the 2002 net profit in Nykredit Realkredit A/S made up pursuant to the Executive Order has been taken to the general reserves of the Mortgage Bank. Where Capital Centre D is concerned, the Series Accounts have been adapted to the special placing rules governing the capital centre.

The prepared Series Accounts are printed at association level, cf the above Executive Order, Section 30 (3)

Complete Series Accounts may be obtained from Nykredit Realkredit A/S.

Auditors' report

We have examined the summarised Series Accounts at association level of Nykredit Realkredit A/S's Series Accounts for 2002 which have been audited by us.

We refer to the above-mentioned report of the Board of Directors.

In our opinion, the summary at association level is presented in conformity with Executive Order no 872 of 20 November 1995 issued by the Danish Financial Supervisory Authority.

Internal Audit
Claus Okholm
Chief Internal Auditor

EXECUTIVE BOARD

Mogens Munk Rasmussen,
Group Chief Executive

Peter Engberg Jensen,
Group Managing Director

Per Ladegaard,
Group Managing Director

Henning Kruse Petersen,
Group Managing Director

/Søren Holm,
Executive Vice President &
Group Chief Financial Officer

BOARD OF DIRECTORS

Steen E. Christensen,
Chairman

Hans Bang-Hansen,
Deputy Chairman

K.E. Borup,
Deputy Chairman

Kristian Benggaard
Peter Bramsen
Winnie Dohn
Birgit Grodal
Jørgen S. Iversen
Allan Kristiansen
Ole Maltesen
Susanne Møller Nielsen
Kirsten Petersen
Ole Steffensen
Ole Trolle
Jens Erik Udsen
Leif Vinther
F. Weye-Hansen

PricewaterhouseCoopers

Otto Johnsen
State Authorised
Public Accountant

Gert R.L. Andersen
State Authorised
Public Accountant

DELOITTE & TOUCHE Statsautoriseret Revisionsaktieselskab

Bent Hansen
State Authorised
Public Accountant

Anders O. Gjelstrup
State Authorised
Public Accountant

The Nykredit Foundation

The Foundation has been set up mainly to support Danish trade and business activities in the building and construction sector and other initiatives related to the activities of the Nykredit Group. The Foundation also offers financial support to initiatives relating to research and culture.

Nykredit Realkredit A/S manages the Foundation. The Foundation has a capital base of DKK 100m.

In 2002 the Nykredit Foundation approved applications of a total amount of DKK 7.7m. Of this amount DKK 1.7m was granted to research and support of initiatives within Danish trade and industry related to the building and construction sector and other purposes related to the activities of the Group. DKK 4.5m was granted for cultural purposes, and DKK 1.5m for social purposes.

Since 1998 the Nykredit Foundation has granted an appreciable amount enabling the Danish Royal Theatre to stage an opera every year in the Søndermarken Park including a similar event in the Skamlingsbanken Park.

DKK 400,000 was donated to the Danish Cancer Society for the purpose of a research project on the connection between radon radiation in residential property and the development of cancer in children.

DKK 300,000 was donated to Forældreforeningen børn & unge med kræft (a parents' association) for the establishment of a holiday home for families with children who have cancer.

DKK 830,000 was awarded to the Nykredit Foundation's Homeowner Prize. The price was awarded to seven projects which each received DKK 50,000 and to 48 projects which each received DKK 10,000.

Nykredit's Architecture Prize of DKK 300,000 is awarded each year to persons who have – either personally or through their work – made a special contribution to construction. In 2002 the prize was awarded to the drawing offices of Tegnestuen Plot and received by Bjarke Ingels and Julien De Smedt, Architects, in recognition of the ability to merge domestic architectural practices with new programmatic modes of thought which are at the same time inspiring, challenging and professionally well-founded.

Steering Committee

The objective of the Nykredit Association is to maintain and carry on Nykredit's mortgage banking business through Nykredit Realkredit A/S and to engage in other financial activities through Nykredit Holding A/S. The Association owns 89.5% of the capital of Nykredit Holding A/S. Nykredit Realkredit A/S is a wholly-owned subsidiary of Nykredit Holding A/S.

The members of the Steering Committee in the Association are elected by and among borrowers, bondholders, stakeholders and staff members of Nykredit Realkredit A/S.

Steen E. Christensen, Attorney, Chairman
Ole Maltesen, Manager, Deputy Chairman
Finn Junge Andersen, Managing Director
Hans Helge Andersen, Chairman
John Riis Andersen, Managing Director
Peter Andreassen, General Manager
Lars Axelsen, General Manager
Hans Bang-Hansen, Farmer
Kristian Bengaard, Senior Consultant*
Knud Bjørn, Engineer
Knud-Erik Bornhardt, General Manager
K.E. Borup, General Manager
Peter Bramsen, Farmer
J. Walbjørn Christensen, General Manager
Jørgen Christiansen, General Manager
Michael Demsitz, General Manager
Winnie Dohn, Recruitment Consultant*
Erik Fabrin, Mayor
Lise Friis, General Manager
Kaj Fuglsang, City Head Gardener
Frank Gad, General Manager
Gunnar Grangaard, General Manager

Bernhard Griese, General Manager
Birgit Grodal, Professor
Leif Gudsø, Chairman
Troels Gunnergaard, General Manager
Anders Buchwald Hansen, Managing Director
Finn Hansen, Senior Sergeant
Nanna Hørlück Hansen, Farmer
Conrad Harhoff, Associate Professor
Gert S. Haurum, General Manager
Henrik B. Heineke, General Manager
Anders Jørgen Hillerup, General Manager, LLM
Britta Schall Holberg, Landowner
Henrik Hougaard, Managing Director
Susanne Husted-Andersen, Attorney
Anders Hvidbæk-Andersen, Farmer
Mogens Høgsted, Engineer
Jørgen S. Iversen, Manufacturer
Kenneth Iversen, General Manager
Teddy Jacobsen, Managing Director
H.G. Jansen, General Manager
Alex Jensen, General Manager
Erik D. Jensen, Chief Financial Officer
Harry Jensen, Farmer
Kaj Brask Jensen, General Manager
Leif Dambo Jensen, Managing Director
Poul Arne Jensen, Managing Director
Laurids Jessen, Managing Director
Jens Ole Jørgensen, Manager
Lorenz Jørgensen, General Manager
Jens Kaptain, Chief Executive
Kurt Keilberg, General Manager
Jørgen Kirkegaard, Attorney
Elsebeth Due Kjeldsen, General Manager
H.O.A. Kjeldsen, Landowner
Hans Otto Kjær, General Manager
Ove Kloch, General Manager
Henning Krabbe, General Manager
Lise Krintel, Manager
Ole Mølgaard Kristensen, General Manager
Jørgen Larsen, General Manager
Lars Jakob Larsen, Farmer
Ole H. Larsen, Head of Department
Bent Claudi Lassen, Farmer

Hans Erik Lund, General Manager
Lone Lund-Rasmussen, Manager
Carsten Lønfeldt, Group Managing Director
Hans Mathiasen, Principal
Chr. Mejdahl, Farmer
Martin Merrild, Farmer
Erik Mouritzen, Chief Officer of Social Work
E. Holmgaard Nielsen, Contractor
Kaj Nielsen, Mayor
N.C. Leth Nielsen, General Manager
Susanne Møller Nielsen, Housing Adviser*
Vagn Ry Nielsen, Mayor
Eva Parum, General Manager
Torben Möger Pedersen, Managing Director
Jens Iwer Petersen, Managing Director
Kaj Petersen, Mayor
Kirsten Petersen, Commercial Adviser*
Johan Pohlmann, Authorised Plumber
Chr. Ramvad, Architect, m.a.a.
Bent Frigaard Rasmussen, Farmer
Lisbeth Scott Reinbacher, General Manager
Birgitte Raaschou-Nielsen, General Manager
Hans Wilhelm Schur, General Manager
Steen Skovmand, Architect
Lars Sylvest, Managing Director
Erik Søndergaard, Managing Director
Huuse Sørensen, Attorney
Allan Thomsen, Attorney
Kaj Thomsen, Associate Professor
Poul Thorup, Attorney
Jens Erik Udsen, General Manager
Mogens Ussing, General Manager
Hemming Van, Managing Director
Leif Vinther, Chairman of Nykredit's Staff Association*
F. Weye-Hansen, General Manager
John Winther, Former Mayor
Olav Winther, Farmer

* Elected staff representative

Directorships in companies held by members of the Board of Directors and the Executive Board

Members of the Board of Directors and the Executive Board have disclosed the following directorships and executive positions in other Danish limited companies. Wholly-owned subsidiaries of Nykredit Holding are not included:

BOARD OF DIRECTORS

Steen E. Christensen

Chairman of A/S Motortramp,
ECsoft Danmark A/S and Persolit Holding A/S.

Deputy Chairman of IMI Norgren A/S.

Director of Danish Nitrogen Import A/S,
Ny-Nitrogen A/S, Paludans Planteskole A/S, Persolit
Entreprenørfirma A/S and Rosendal Gods A/S.

Hans Bang-Hansen

Director of Funki A/S, Funki Tech A/S, Funki
Manura A/S, Horsens Folkeblad A/S, Horsens Havn A/S
and Horsens Stevedore Kompagni A/S.

K.E. Borup

Chairman of Bagger Sørensen & Co A/S,
Bryggerigruppen A/S, H+H International A/S,
Mekoprint A/S, Nordjyske Holding A/S, Sanistål A/S,
Aalborg Stiftstidende A/S and AaSF Holding A/S.

Deputy Chairman of Fertin Pharma A/S and
Gumlink A/S.

Director of Hydrema Ejendomme A/S, Skagerak Holding
A/S, Skagerak Fiskeeksport A/S, Skagerak Rederi A/S,
Skagerak Fiskeri A/S and Skagerak 2000 A/S.

Jørgen S. Iversen

General Manager of Elbina Ejendomsselskab A/S, Elbina
Holding A/S, JTS Profil A/S and Sejer Iversen Invest A/S.

Chairman of Elbina Ejendomsselskab A/S, Elbina Holding
A/S, JTS Profil A/S and Sejer Iversen Invest A/S.

Ole Trolle

Managing Director of Grønbech & Sønner Holding A/S
(from 1 April 2003).

Chairman of Combifragt Group A/S, Corral Line A/S,
Elite Rederi A/S (until 28 January 2003),
Elite-Overseas A/S (until 28 January 2003), Mirage
Shipping A/S (until 28 January 2003), Mistral Shipping
A/S (until 28 January 2003), RM Rich. Müller A/S and
Scania Danmark A/S.

Director of Aktieselskabet Ny Kalkbrænderi (from 27
March 2003), Demp A/S (from 1 April 2003 Chairman),
Grønbech Construction A/S (from 1 April 2003 Chair-
man), Grønbech & Sønner A/S (from 1 April 2003
Chairman), Pankas A/S (from 27 March 2003),
Post Danmark A/S, Unite2Help A/S and Unite2Help
Holding A/S.

Ole Steffensen

Director of I.C.S. A/S Copenhagen Hellerup.

Jens Erik Udsen

General Manager of Nesdu A/S and Nesdu 2 A/S.

Director of Jeudan A/S, Nesdu A/S and Nesdu 2 A/S.

EXECUTIVE BOARD

Peter Engberg Jensen

Director of the FUTOP Clearing Centre A/S, JN Data
A/S and the Copenhagen Stock Exchange A/S.

Per Ladegaard

Chairman of Realkreditnettet A/S.
Deputy Chairman of JN Data A/S.

Nykredit centres

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RETAIL CUSTOMERS, EAST REGION

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Ringsted

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Århus

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Nykredit Holding A/S

CVR no 12 71 92 48

Nykredit Realkredit A/S

CVR no 12 71 92 80

Executive Board

Mogens Munk Rasmussen,
Group Chief Executive

Peter Engberg Jensen,
Group Managing Director

Per Ladegaard,
Group Managing Director

Henning Kruse Petersen,
Group Managing Director

Group Secretariat

Birgitte Løj,
Head of Secretariat

Legal Department

Jørgen Wohnsen,
Executive Vice President

Group Finance

Søren Holm,
Executive Vice President &
Group Chief Financial Officer

Corporate Communications

Henrik Hougaard,
Executive Vice President

Human Resources

Erik Beckmann,
Executive Vice President

Management and Organisational Development

Anni Eberhard,
Head of Staff Development

Staff Training

Annette Schmidt,
Head of Staff Training

Treasury

Henrik Hjortshøj Nielsen,
Senior Vice President

Credits

Lars Holst,
Executive Vice President

Secretariat for Commercial Customers

Bente Overgaard,
Executive Vice President

Agricultural Customers

Poul Erik Jørgensen,
Executive Vice President

Retail Customers

Flemming H. Vesterbrandt,
Executive Vice President

Group Development

Lars Mathiesen,
Director

Internal Audit

Claus Okholm,
Chief Internal Auditor

International Department

Erik Urskov,
Executive Vice President

Corporate Banking

Tom Ahrenst,
Executive Vice President

Markets

Georg Andersen,
Senior Vice President

Investment Centre

Lars Bo Bertram,
Senior Vice President

Customer Services

Lars Bo Stenqvist,
Director

Support Centre

Birgitte Bruun,
Senior Vice President

Administration

Johnny Rasmussen,
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Board of Directors

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Jørgen Wohnsen
Søren Holm
John Engelund
Bent Paabøl Hansen
Gert Kryger

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Executive Board

Kim Duus
Jes Klausby

Board of Directors

Henning Kruse Petersen,
Chairman
Peter Engberg Jensen
Søren Holm
Søren Klitholm
Per Ladegaard
Charlotte Baarsøe Pedersen
Peter Torndal

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Erik G. Hansen
Peter Engberg Jensen
Elisabeth Stamer
Nils Peter Sørensen

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Management

Tage Fabrin-Brasted

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Tom Ahrenst, Chairman
Malcolm Jenvey

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Management

Allan Jacobsen

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Jes Klausby, Chairman
Lars Mathiesen
Frank Ryslev

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Management

Asger Hansen

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Mogens Munk Rasmussen,
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Søren Holm
Jørgen Wohnsen

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Management

Ole Bjarrum
Flemming Conrad

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John Finderup
Ole Hansen
Henning Onstrup
John Winther
Bjarne Dyrberg Olsen
Per H. Olsen
Inger Marie Thuesen
Johnny B. Hansen

Nykredit Bank Hipoteczny S.A.

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Management

Lech Gajewski
Bjarne Sander Hansen
Jadwiga Jasinska-Scislowska

Board of Directors

Henning Kruse Petersen
Erik Urskov
Peter Engberg Jensen
Jørgen Wohnsen
Søren Holm

Recommendations of the Nørby Committee	Nykredit practice
I. Shareholders' role and interaction with the company management	
Active ownership	All shareholders of Nykredit are represented in the Board of Directors, thereby creating an active dialogue between shareholders and management.
No voting or ownership restrictions	The Articles of Association impose restrictions on the voting rights that ensure the controlling influence of the Nykredit Association and thus rank-and-file participation.
The procedures related to the general meeting should be arranged in a way that provides shareholders with the required basis for decision	Seeing that all shareholders are represented in the Board of Directors they participate in practice in the preparations related to the Annual General Meeting. The procedure related to the calling of general meetings otherwise follows the requirements of the Danish Companies Act.
The board of directors should not prevent takeover attempts by raising the share capital or buying back own shares without the consent of the shareholders	This recommendation is not relevant considering Nykredit's ownership structure. Moreover, the Board of Directors is not authorised to make such decisions without the approval of the General Meeting.
II. The role and importance of stakeholders	
Companies should draft a company policy with respect to stakeholders	Guidelines have been laid down as to how Nykredit should act towards its stakeholders both internally and externally. The guidelines include information about Nykredit's views, mission, visions and business targets.
There should be an active dialogue between a company and its stakeholders	Borrowers, bondholders and staff members are represented in Nykredit's Board of Directors.
III. Openness and transparency	
Adoption of a communication plan with a view to providing the public with the best possible information about the company	Nykredit releases stock exchange announcements and press releases on matters of importance to the Group on a current basis. Moreover, Nykredit's communication policy has been formulated to support the Group's visions of being "the preferred financial partner to all decision-makers in relation to financing solutions" and to be "the preferred place of work for financial sector staff".
Ensure an ongoing dialogue between the company and its investors	The composition of the Board of Directors ensures an ongoing dialogue between the company's management and shareholders. Moreover, Nykredit focuses on maintaining an ongoing dialogue with bond investors.
The annual report should be drafted in compliance with Danish legislation, possibly with the use of IFRS and other relevant standards	The annual report is drafted in compliance with current legislation governing financial institutions. Nykredit is currently awaiting a specific proposal from the Danish Financial Supervisory Authority regarding the implementation of the new International Financial Reporting Standards (IFRS).
Use of supplementary non-financial information in the annual report	Disclosed as relevant.
Quarterly reports	Nykredit considers releasing quarterly reports from 2004.
IV. Tasks and responsibilities of the board of directors	
Specification of the overall tasks and responsibilities of the board of directors	Described in the Articles of Association and the Board's rules of procedure.
Use of the deputy chairman as substitute and sparring partner to the chairman of the board	Nykredit has two Deputy Chairmen.
Rules of procedure should be updated on a current basis	The rules of procedure are reviewed at least once a year with a view to making revisions.
Procedures for reporting from the management to the board of directors	Specific procedures have been laid down in the rules of procedure of the Executive Board.
V. The composition of the board of directors	
Ensure a relevant composition of the board of directors when recruiting and electing board members so that the tasks at hand will be solved in an optimal manner	The majority of the Board of Directors consists of the Directors of the Nykredit Association who are recruited among the members of the Association's Steering Committee.
Introduction to and training of new board members	New board members are introduced to the Board's tasks to such an extent as circumstances may require.
A maximum of six board members elected by the general meeting is recommended	Nykredit has 11 board members elected by the General Meeting with a view to ensuring that shareholders are appropriately represented in the Board of Directors.
The board should be independent and must not have special interests in the company	Borrowers and bondholders are directly represented in the Board of Directors. Apart from that the board members do not have special interests in the Nykredit Group.
There should be a minimum of five board meetings annually	The Board of Directors usually meets once a month.
Board members should retire when attaining the age of 70	When attaining the age of 70 board members will retire at the next Annual General Meeting.
Election period of a maximum of three years and re-election for a maximum of two more terms	Board members are elected for a four-year term. There are no restrictions with regard to re-election.
Only use of special-purpose board committees when required	Are not used. Decisions are made by the Board of Directors.
Self-evaluation of the work of the board and the management	Evaluation is made on a current basis, but does not follow a fixed framework. Procedures in relation hereto are currently being drafted.
Evaluation of the co-operation between the board and the management is recommended	The co-operation is discussed on a current basis.
VI. Remuneration of board of directors and management	
Openness about incentive programmes, etc	Neither the Executive Board nor the Board of Directors are remunerated according to an incentive pay system.
VII. Risk management	
Procedures for effective risk management should be drafted and evaluated once a year	Being a financial institution risk management is very important to Nykredit, and the area is subject to fixed procedures.