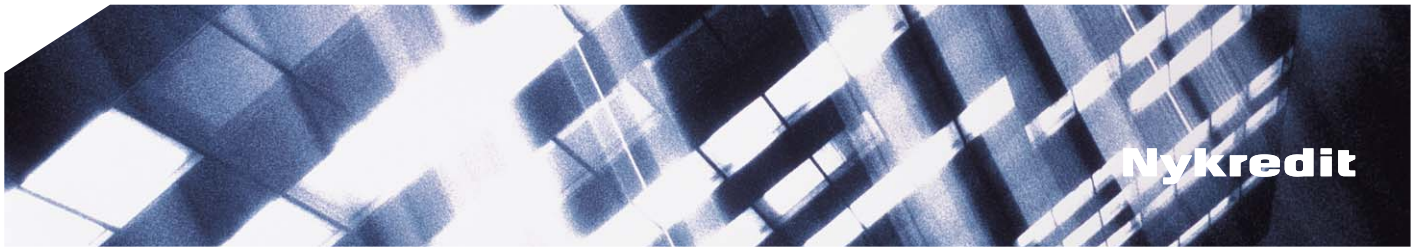


## Annual Report 2004

**Nykredit**

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## Nykredit's fundamentals

### **Nykredit**

Nykredit is one of Denmark's leading financial groups with activities ranging from mortgage banking and banking to insurance and estate agency services.

Mortgage banking is the Group's core business area. Nykredit is Denmark's largest mortgage provider and one of the largest private bond issuers in Europe.

### **Business concept**

On the foundation of real property financing, Nykredit plays an important role in the process of ensuring and further developing an efficient capital market for the benefit of the individual and society.

### **Vision**

Nykredit aims to be the preferred financial partner to all decision-makers in relation to financing solutions.

Nykredit will further develop its unique foundation with the aim always to master strategically important competence areas in the financial sector.

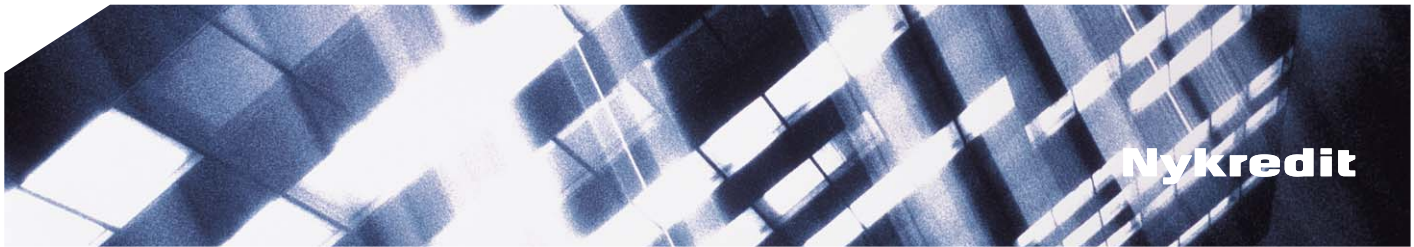
Nykredit will be the preferred place of work for financial sector staff.

### **Business mission and strategy**

Nykredit will be an internationally competitive Danish financial services provider drawing on competent staff and up-to-date services, products and distribution channels.

The aim is to maintain and develop this position through organic growth in the mortgage banking, banking and insurance activities, while focusing on creating a stable and valuable customer base without compromising the prudent credit policy of the Group and through close relations with local and regional banks. The international activities will be developed within targeted areas and carefully defined customer segments in step with arising business opportunities.

*This Annual Report comprises Nykredit Realkredit A/S and the Nykredit Realkredit Group.*



## Foreword

### **A GOOD AND BUSY YEAR**

2004 was a good and busy year for the Nykredit Realkredit Group. Profit for the year of DKK 4,393m before tax outperformed budgets considerably, and results are among the best recorded in the history of the Group.

Nykredit's acquisition of Totalkredit dominated a large part of the Group's efforts in 2004. Totalkredit is today a well-integrated and solid part of the Group.

Immediate synergies have been realised, and the partnership with local and regional Danish banks has gradually been expanded to comprise still more areas.

After the acquisition of Totalkredit in 2003, the scene was set for a year of consolidation. Nevertheless, Nykredit was a strong player in the retail, agricultural and commercial areas, while also developing and introducing new attractive products to customers such as BoligXlån, RenteMax and Boligkredit.

Nykredit's lending to private customers with property in France and Spain got well under way in 2004, and also in this area Nykredit joined forces with a number of local and regional banks.

Nykredit has been – and will continue to be - committed to electronic communications in which customers show increasing interest. [www.nykredit.dk](http://www.nykredit.dk) now has over 90,000 hits a week, and the use of the interactive functions increases continuously. Since Nykredit introduced an Internet self-service discount, interest has sharpened further. Nykredit Online will become an increasingly important sales channel in future.

2004 was also a good year for the Insurance Company and the Bank; customer bases and activities expanded and earnings increased in both companies. The estate agency business also made good progress and recorded good results.

Nykredit has allocated many resources to satisfying the Basel II requirements which will provide the Group with an essential competitive edge in the long term.

During the year the Group raised hybrid core capital at very attractive prices and is therefore adequately capitalised to take up any new strategic challenges that may arise.

Results for the year combined with the Group's latest strategic steps and initiatives have strengthened Nykredit's already strong position and potential in the market place.

Mogens Munk Rasmussen  
Group Chief Executive

|  | 2000         | 2001         | 2002         | 2003         | 2004         | 2004<br>EUR |
|--|--------------|--------------|--------------|--------------|--------------|-------------|
| <b>CORE EARNINGS AND NET PROFIT FOR THE YEAR</b>               |              |              |              |              |              |             |
| <b>Core income from:</b>                                       |              |              |              |              |              |             |
| Lending  | 2,842        | 3,244        | 3,445        | 4,118        | 4,622        | 621         |
| Securities   | 1,272        | 1,362        | 1,041        | 798          | 788          | 106         |
| <b>Total</b>   | <b>4,114</b> | <b>4,606</b> | <b>4,486</b> | <b>4,916</b> | <b>5,410</b> | <b>727</b>  |
| Operating costs, depreciation and amortisation                 | 2,195        | 2,280        | 2,455        | 2,666        | 2,914        | 392         |
| Goodwill amortisation  | -            | -            | -            | 28           | 212          | 28          |
| <b>Core earnings before write-offs</b>                         | <b>1,919</b> | <b>2,326</b> | <b>2,031</b> | <b>2,222</b> | <b>2,284</b> | <b>307</b>  |
| Write-offs and provisions for bad and doubtful debts           | (118)        | 84           | 169          | 184          | (400)        | (54)        |
| Profit/loss from insurance activities before tax               | 30           | (62)         | (121)        | 101          | 163          | 22          |
| <b>Core earnings after write-offs and insurance operations</b> | <b>2,067</b> | <b>2,180</b> | <b>1,741</b> | <b>2,139</b> | <b>2,847</b> | <b>383</b>  |
| Investment portfolio income                                    | 506          | 330          | 727          | 2,282        | 1,546        | 207         |
| <b>Profit on ordinary activities before tax</b>                | <b>2,573</b> | <b>2,510</b> | <b>2,468</b> | <b>4,421</b> | <b>4,393</b> | <b>590</b>  |
| Tax  | 819          | 687          | 751          | 1,146        | 1,184        | 159         |
| Minority interests   | -            | -            | -            | 0            | 0            | 0           |
| <b>Net profit for the year</b>                                 | <b>1,754</b> | <b>1,823</b> | <b>1,717</b> | <b>3,275</b> | <b>3,209</b> | <b>431</b>  |

**SUMMARY BALANCE SHEET AT 31 DECEMBER**

## Loans and advances:

|   |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
| Mortgage loans                            | 380,053 | 394,403 | 411,534 | 586,664 | 621,897 | 83,610  |
| Bank loans                                | 17,139  | 22,234  | 24,452  | 22,276  | 22,763  | 3,060   |
| Bonds and shares                          | 74,628  | 107,112 | 119,745 | 142,605 | 225,610 | 30,332  |
| Bank deposits                             | 9,488   | 8,660   | 12,024  | 14,139  | 19,119  | 2,570   |
| Issued bonds                              | 412,869 | 467,459 | 499,460 | 698,067 | 795,555 | 106,957 |
| Hybrid core capital – Nykredit Realkredit | -       | -       | -       | -       | 3,696   | 497     |
| Subordinate loan capital – Totalkredit    | -       | -       | -       | 2,601   | 2,600   | 350     |
| Capital and reserves                      | 30,863  | 32,707  | 34,479  | 39,061  | 42,349  | 5,694   |
| Total assets                              | 509,257 | 579,405 | 615,046 | 829,043 | 938,967 | 126,237 |

**KEY RATIOS**

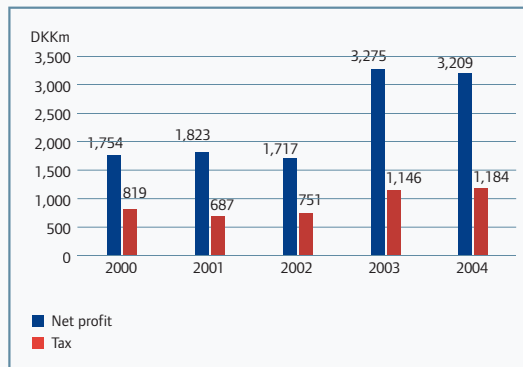
|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Net profit for the year as a % of average capital and reserves         | 5.9   | 5.7   | 5.1   | 8.9   | 7.9   |
| Core earnings before write-offs as a % of average capital and reserves | 6.5   | 7.3   | 6.0   | 6.0   | 5.6   |
| Core earnings after write-offs as a % of average capital and reserves  | 7.0   | 6.9   | 5.2   | 5.8   | 7.0   |
| Costs as a % of core income  | 53.4  | 49.5  | 54.7  | 54.8  | 57.8  |
| Total provisions   | 2,012 | 1,983 | 2,038 | 2,139 | 1,610 |
| Write-offs and provisions as a % for the year                          | 0.0   | 0.0   | 0.0   | 0.0   | (0.1) |
| Capital adequacy ratio   | 12.1  | 11.1  | 11.1  | 10.5  | 11.5  |
| Core capital ratio   | 12.0  | 11.4  | 11.4  | 10.1  | 11.1  |
| Average number of full-time staff:                                     |       |       |       |       |       |
| - Nykredit Realkredit and consolidated subsidiaries                    | 2,521 | 2,557 | 2,662 | 2,808 | 2,858 |
| - Insurance (non-consolidated)   | 316   | 353   | 387   | 400   | 376   |

Note: Totalkredit has been consolidated with Nykredit Realkredit from 10 November 2003.

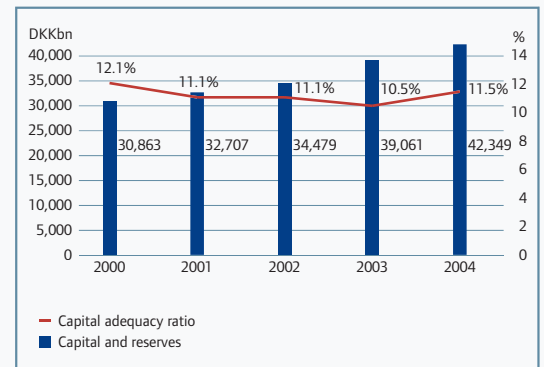
Investment portfolio income has been stated less costs related to the investment function.

EUR 1 = DKK 7.4381 at end-2004.

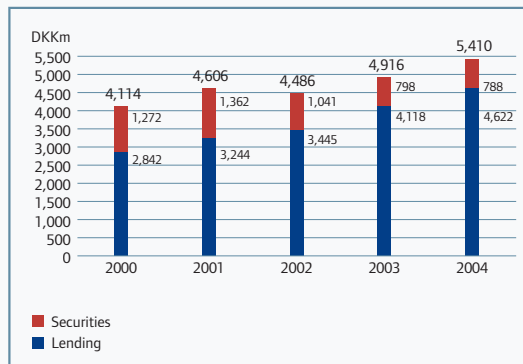
### Net profit and tax for the year



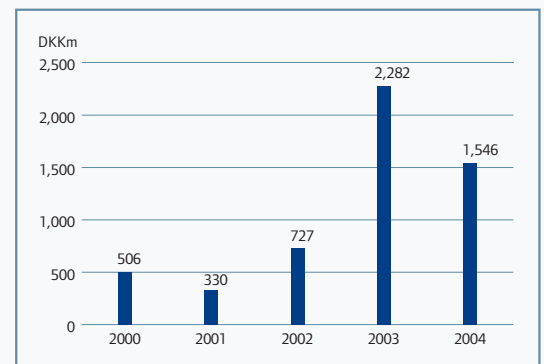
### Equity and capital adequacy ratio



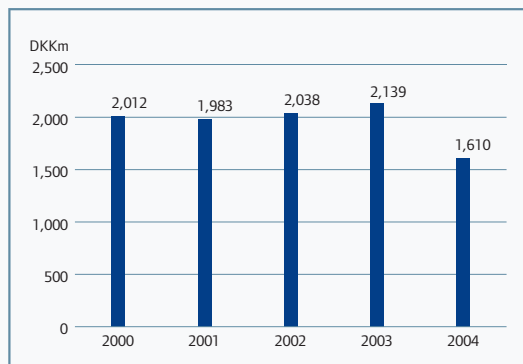
### Core income from lending and securities



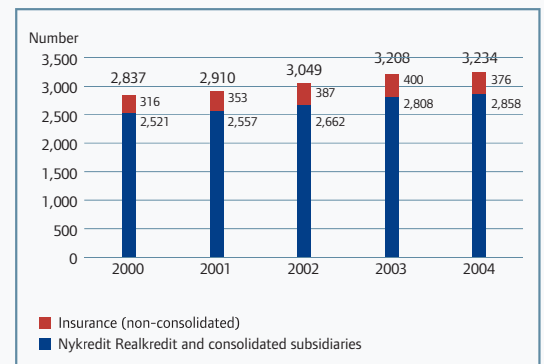
### Investment portfolio income



### Total provisions



### Average number of full-time staff



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## **BOARD OF DIRECTORS AND EXECUTIVE BOARD**

### **NYKREDIT REALKREDIT A/S**

#### **Board of Directors**

Steen E. Christensen, Attorney,  
Chairman

Hans Bang-Hansen, Farmer,  
Deputy Chairman

K. E. Borup, Managing Director,  
Deputy Chairman

Kristian Bengaard, Senior Consultant \*  
Peter Bramsen, Farmer  
Michael Demsitz, Managing Director  
Anette R. Fischer, Secretary \*  
Jørgen S. Iversen, Manufacturer  
Allan Kristiansen, Vice President \*  
Henrik Laustsen, Housing Consultant \*  
Ole Maltesen, Manager  
Susanne Møller Nielsen, Housing Adviser \*  
Nina Smith, Professor  
Ole Steffensen, former Mayor, Farmer  
Ole Trolle, Managing Director  
Jens Erik Udsen, General Manager  
Leif Vinther, Chairman of Staff Association \*

#### **Executive Board**

Mogens Munk Rasmussen  
Group Chief Executive

Peter Engberg Jensen  
Group Managing Director

Per Ladegaard  
Group Managing Director

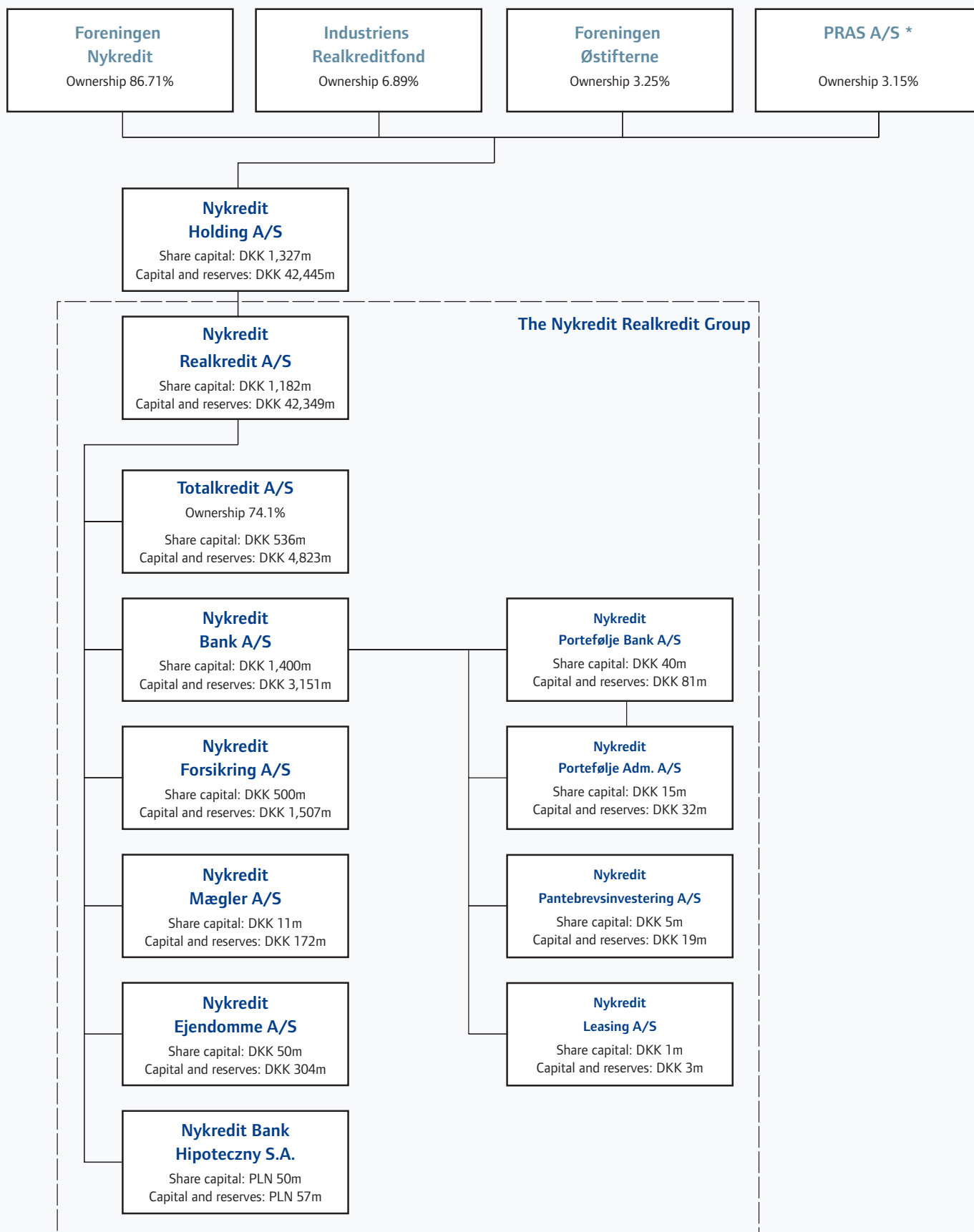
Henning Kruse Petersen  
Group Managing Director

Niels Tørslev  
Group Managing Director

Nykredit Realkredit A/S will hold its Annual General Meeting on 14 April 2005

\* Staff-elected member

# The Nykredit Group structure at 31 December 2004



\* The former owners of Totalkredit A/S

For a complete Group structure, please refer to page 78



## Management Statement and Audit Reports

We have today presented the Annual Report for 2004 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 orders on the presentation of financial statements.

Copenhagen, 24 February 2005

We believe that the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity, financial position, results and the Group's 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

Niels Tørslev  
Group Managing Director

### BOARD OF DIRECTORS

Steen E. Christensen  
Chairman

Hans Bang-Hansen  
Deputy Chairman

K. E. Borup  
Deputy Chairman

Kristian Bengaard

Peter Bramsen

Michael Demsitz

Anette R. Fischer

Jørgen S. Iversen

Allan Kristiansen

Henrik Laustsen

Ole Maltesen

Susanne Møller Nielsen

Nina Smith

Ole Steffensen

Ole Trolle

Jens Erik Udsen

Leif Vinther

Copenhagen, 24 February 2005

#### **Internal Audit**

We have audited the Annual Report of Nykredit Realkredit A/S for the financial year 2004 which is presented according to Danish statutory reporting and presentation requirements.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on 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 applied and the significant estimates made and verified the basis for amounts and disclosures in 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 Annual Report gives a true and fair view of the assets, liabilities, equity and financial position at 31 December 2004 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 2004 in accordance with the requirements of Danish legislation in respect of the preparation of financial statements.

Claus Okholm  
Chief Internal Auditor

Kim Stormly Hansen  
Deputy Chief Internal Auditor

#### **Auditors' Report**

We have audited the Annual Report of Nykredit Realkredit A/S for the financial year 2004 which is presented according to Danish statutory reporting and presentation requirements.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Board. Our responsibility is to express an opinion on the 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 Annual Report is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 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 Annual Report gives a true and fair view of the assets, liabilities, equity and financial position at 31 December 2004 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 2004 in accordance with the requirements of Danish legislation in respect of the preparation of financial statements.

**PricewaterhouseCoopers**  
**Statsautoriseret Revisionsinteressentskab**

Otto Johnsen                      Mikael Sørensen  
State-Authorised Public Accountants

**Deloitte**  
**Statsautoriseret Revisionsaktieselskab**

Erik Holst Jørgensen              Anders O. Gjelstrup  
State-Authorised Public Accountants



## Group management review

### 2004 – IN BRIEF

- 2004 also turned out to be a good year for the Nykredit Realkredit Group. Profit before tax of DKK 4,393m was on a par with profit for 2003 of DKK 4,421m which was the best ever recorded by the Group. Profit after tax was DKK 3,209m against DKK 3,275m in 2003.
- Results for the year were affected by:
  - Increased core income from lending, up DKK 504m to DKK 4,622m
  - Write-offs and provisions posted an income of DKK 400m as a result of substantial reversals
  - A cost rise of DKK 432m to a total of DKK 3,126m of which goodwill amortisation represented DKK 184m
  - Investment portfolio income came to DKK 1,546m, down DKK 736m on 2003
  - Totalkredit was recognised with a full financial year for the first time.
- Mortgage lending went up by DKK 35bn to DKK 622bn. Total gross lending by Danish mortgage banks amounted to DKK 437bn against DKK 512bn the year before. In 2004 the Group accounted for 40.5% of total gross lending in Denmark and 39.9% of net new lending.
- The Group's acquisition of Totalkredit fell into place in 2004 after a short and efficient integration process.
- Nykredit's lending activities in the South of France and the South of Spain continue to prosper. The activities of Nykredit Bank Hipoteczny in Poland are developing at a pace slower than expected.
- The Bank developed in a positive direction in terms of retail and corporate banking activities as well as the asset management activities of Markets & Asset Management. The Bank recorded further growth in the customer base and realised a profit before tax of DKK 421m against DKK 418m in 2003. Bank lending totalled nearly DKK 23bn.
- The Insurance Company continued to improve results which reflect increased business volume and focus on profitability and realised a profit before tax of DKK 163m against DKK 101m in 2003.
- The estate agency business, Nykredit Mægler, experienced continued growth in the number of transactions and transaction prices and realised a profit before tax of DKK 55m against DKK 17m in 2003.
- During the year the Group developed and launched a string of new attractive products such as the capped floating-rate mortgage loans (BoligXlån and RenteMax) and the new housing credit facility (Boligkredit).
- Nykredit raised hybrid core (Tier 1) capital in the form of a bond loan of EUR 500m (DKK 3,696m).
- After inclusion of the net profit for the year, Group capital and reserves stood at DKK 42,349m at end-2004. The Group's capital base including hybrid core capital and after statutory deductions was DKK 46,152m equal to a capital adequacy ratio of 11.5.

### 2005

- For 2005 the Nykredit Realkredit Group expects a profit before tax of around DKK 2.4–2.7bn.
- Nykredit will present its Q1 Interim Report on 19 May 2005.

## RESULTS OF THE NYKREDIT REALKREDIT GROUP

The Group recorded a profit before tax of DKK 4,393m against DKK 4,421m in 2003. Profit after tax was DKK 3,209m against DKK 3,275m in 2003.

Compared with 2003, Group results were affected by the acquisition of Totalkredit at end-2003. Totalkredit was only included in the 2003 consolidated annual accounts with respect to the period from 10 November to 31 December 2003. The 2004 Annual Report includes Totalkredit's results for the entire financial year. For 2004 Totalkredit realised a profit before tax of DKK 503m against a profit of DKK 67m recognised for the period from 10 November to 31 December 2003.

## CORE EARNINGS

Group core earnings after write-offs and insurance operations came to DKK 2,847m in 2004 against DKK 2,139m in 2003. Totalkredit's core earnings were DKK 439m against DKK 47m for the period from 10 November to 31 December 2003. Excluding Totalkredit, the rise amounted to DKK 316m or 15.1%.

Core earnings were generally affected by higher core income from lending, an unchanged level of core income from securities, a substantial reversal of mortgage loan provisions, positive insurance results and expected growth in Group operating costs, depreciation and amortisation.

Core income from Mortgage Bank and Bank lending totalled DKK 4,622m against DKK 4,118m in 2003. Of the rise in core income, DKK 496m stems from Totalkredit's lending activities. Despite lower refinancing activity in 2004 in the mortgage banking area compared with the record set in 2003, core income from lending was on a level with 2003.

Core income from securities was DKK 788m compared with DKK 798m the year before. The change is attributable to a decline in average money market rates from 2.4% to 2.1% countered by an increase in investment portfolio income.

Operating costs, depreciation and amortisation went up by DKK 248m. Totalkredit's costs in 2004 posted DKK 189m against only DKK 27m the year before. When corrected for this, the rise came to DKK 86m equal to 3.3%.

In the light of the favourable economic climate and the low interest rates, Group write-offs and provisions were very low. Total write-offs and provisions of Nykredit Realkredit showed an income of DKK 408m stemming from the reversal of provisions. For 2003 total write-offs and provisions in the Mortgage Bank posted an expense of DKK 49m. In the Bank, the item amounted to DKK 6m against DKK 129m the year before. The estate agency business recorded write-offs and provisions of DKK 2m. Totalkredit's write-offs and provisions were DKK 0m.

In 2004 Nykredit's Insurance Company realised a profit of DKK 163m before tax reflecting continued growth in the customer base and more efficient operations.

| The Nykredit Realkredit Group                                  |              |              |
|--|--------------|--------------|
| Core earnings and investment portfolio income                  |              |              |
| DKK million  | 2003         | 2004         |
| <b>Core income from:</b>                                       |              |              |
| Lending  | 4,118        | 4,622        |
| Securities   | 798          | 788          |
| <b>Total</b>   | <b>4,916</b> | <b>5,410</b> |
| Operating costs, depreciation and amortisation                 | 2,666        | 2,914        |
| Goodwill amortisation  | 28           | 212          |
| <b>Core earnings before write-offs</b>                         | <b>2,222</b> | <b>2,284</b> |
| Write-offs and provisions for bad and doubtful debts           | 184          | (400)        |
| Profit from insurance activities before tax <sup>1)</sup>      | 101          | 163          |
| <b>Core earnings after write-offs and insurance operations</b> | <b>2,139</b> | <b>2,847</b> |
| Investment portfolio income                                    | 2,282        | 1,546        |
| <b>Profit on ordinary activities before tax</b>                | <b>4,421</b> | <b>4,393</b> |
| Tax  | 1,146        | 1,184        |
| Minority interests   | 0            | 0            |
| <b>Net profit for the year</b>                                 | <b>3,275</b> | <b>3,209</b> |

<sup>1)</sup> Including investment portfolio income.

**The Nykredit Realkredit Group****Investment portfolio income**

|  | 2003          | 2004          |
|--|---------------|---------------|
| <b>Investment portfolio income, DKKm</b>         | <b>2,282</b>  | <b>1,546</b>  |
| - Bonds, liquidity and interest rate instruments | 720           | 585           |
| - Equities and equity instruments                | 1,562         | 961           |
| <b>Average investment portfolio, DKKm</b>        | <b>36,351</b> | <b>43,643</b> |
| - Bonds, liquidity and interest rate instruments | 32,507        | 38,660        |
| - Equities and equity instruments                | 3,844         | 4,983         |
| <b>Return on own portfolio, %</b>                | <b>8.7</b>    | <b>5.6</b>    |
| - Bonds, liquidity and interest rate instruments | 4.6           | 3.7           |
| - Equities and equity instruments                | 43.3          | 20.3          |
| <b>Risk-free money market rates</b>              | <b>2.4</b>    | <b>2.1</b>    |

**INVESTMENT PORTFOLIO INCOME**

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

Group investment portfolio income totalled DKK 1,546m in 2004 against DKK 2,282m in 2003. 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.

Investment portfolio income from liquidity, bonds and interest rate instruments was DKK 585m.

Investment portfolio income from equities and equity instruments was DKK 961m.

The Insurance Company's investment portfolio income of DKK 94m has not been included in the above as the amount has been recognised under profit from insurance activities.

**Benchmarks**

The Nykredit Realkredit Group's benchmarks consist of an interest-bearing portfolio with an interest rate exposure of DKK 456m in case of an overall change in interest rates of 1 percentage point, from which DKK 151m will be deducted if the acquisition of Totalkredit is completed, and an equity portfolio of DKK 3,750m. The benchmark for Nykredit's equity portfolio consists of Danish and European equities.

At 31 December 2004 the Group's actual interest rate exposure amounted to DKK 353m from which DKK 151m will be deducted if the acquisition of Totalkredit is completed. The equity exposure in case of a general 10% price decline was correspondingly DKK 538m. Value-at-Risk amounted to DKK 76m in terms of a 99% confidence interval over one day.

Short-term Danish 2-year government bond yields fell by 0.2% in 2004, while long-term 10-year yields decreased by 0.6%.

European equity markets went up by 9.4% on average, while the Danish KFX Index was up 17.3%.

## GROUP BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

### Balance sheet

In 2004 the Group balance sheet grew from DKK 829bn to DKK 939bn.

Group loans and advances totalled DKK 646bn at end-2004 compared with DKK 610bn at end-2003.

The refinancing of adjustable-rate mortgages (ARMs) at year-end created a temporary increase in the bond portfolio. The refinancing activities totalling DKK

122bn against DKK 70bn the year before led to a rise in issued bonds and an equal rise in the bond portfolio and balances due from the Danish central bank and banks.

### Capital and reserves

At year-end Group capital and reserves were DKK 42,349m against adjusted capital and reserves of DKK 39,080m at the beginning of the year. Capital and reserves increased by DKK 3,269m.

### Capital adequacy

At end-2004 the Group's capital base including hybrid core capital and after statutory deductions stood at DKK 46,152m.

The requirement for the capital base was DKK 32,107m excluding the capital adequacy margin of Nykredit Forsikring. The excess cover subsequently amounted to DKK 14,045m. The Group's capital base at year-end equalled 11.5% of weighted assets relative to the statutory requirement of 8%.

## CAPITAL STRUCTURE AND REQUIRED RATE OF RETURN

Nykredit has fixed required rates of return with respect to capital and reserves as well as hybrid core capital. In this context, capital and reserves and hybrid core capital have been divided into four elements:

*Business capital* of DKK 32.4bn determined by the statutory capital adequacy requirements. The business capital equals 8% of weighted assets.

*Buffer capital* of DKK 4.1bn to secure the lending capacity in connection with downturns in the business climate. The buffer capital equals 1% of weighted assets.

*Tied-up capital* of DKK 3.5bn equal to the total amount of goodwill in Totalkredit based on the exercise of the remaining call options on Totalkredit shares.

*Strategic capital* of DKK 6.0bn for acquisitions and investments.

To strengthen its capital resources, Nykredit Realkredit A/S raised hybrid core capital in September 2004 in the form of a bond loan of EUR 500m equal to DKK 3,696m at end-2004.

Nykredit's long-term rate of return target has been fixed in consideration of the above division of capital and reserves. All capital elements, except goodwill, are investable and must yield a market conform investment return. This is defined as the return on Nykredit's

### The Nykredit Realkredit Group

#### Capital and reserves

| DKK million  | 2003          | 2004          |
|--|---------------|---------------|
| <b>Capital and reserves, beginning of financial year</b>               | <b>34,479</b> | <b>39,061</b> |
| Adjustments related to changed accounting policies                     | 160           | -             |
| Other adjustments  | (6)           | 19            |
| <b>Adjusted capital and reserves, beginning of year</b>                | <b>34,633</b> | <b>39,080</b> |
| Capital increase   | 1,150         | -             |
| Retained earnings  | 3,275         | 3,209         |
| Revaluation of property  | -             | 53            |
| Transferred from provisions for pre-1972 series in Nykredit Realkredit | 7             | 4             |
| Other adjustments  | (4)           | 3             |
| <b>Capital and reserves, end of financial year</b>                     | <b>39,061</b> | <b>42,349</b> |

### The Nykredit Realkredit Group

#### Capital base and capital adequacy

| DKK million  | 2003          | 2004          |
|--|---------------|---------------|
| Share capital  | 4,814         | 1,182         |
| Other reserves   | 34,192        | 41,059        |
| Minority interests   | 1,649         | 1,009         |
| <b>Total</b>   | <b>40,655</b> | <b>43,250</b> |
| <b>Core capital deductions</b>   |               |               |
| Capitalised tax assets   | (5)           | -             |
| Intangible assets including goodwill   | (1,923)       | (2,464)       |
| <b>Core capital after statutory deductions</b>                               | <b>38,727</b> | <b>40,786</b> |
| Hybrid core capital  | -             | 3,696         |
| <b>Core capital including hybrid core capital after statutory deductions</b> | <b>38,727</b> | <b>44,482</b> |
| <b>Supplementary capital</b>   |               |               |
| Reserves in series   | 211           | 246           |
| Subordinate loan capital   | 2,377         | 2,377         |
| <b>Total</b>   | <b>2,588</b>  | <b>2,623</b>  |
| Statutory deductions   | (1,247)       | (953)         |
| <b>Capital base</b>  | <b>40,068</b> | <b>46,152</b> |
| Weighted assets  | 382,541       | 401,335       |
| Capital requirement involving  |               |               |
| - Credit risk  | 27,937        | 29,282        |
| - Market risk  | 2,666         | 2,825         |
| <b>Total</b>   | <b>30,603</b> | <b>32,107</b> |
| <b>Excess cover</b>  | <b>9,465</b>  | <b>14,045</b> |
| <b>Capital adequacy stated on the basis of:</b>                              |               |               |
| - Capital base   | 10.5          | 11.5          |
| - Core capital   | 10.1          | 11.1          |

benchmarks for bond and equity investments and varies in line with the developments in bond and equity markets. In addition, the Board of Directors has formulated a long-term required rate of return of 5% before tax for 2003 with respect to the business capital increasing to 6.0% before tax for 2006. The return on the business capital landed at 9.6% in 2004.

The Group's required rate of return has been determined on the basis of a market conform assessment of the required rate of return of the individual business activities of the Group. The assessment allows for the composition of the business activities of the Nykredit Group.

In periods with low write-offs, actual returns will outperform the long-term return requirement. The high return in 2004 can be attributed to the extraordinarily favourable economic climate and resultant reversal of provisions made in previous years. Finally, bond and equity markets also developed in a favourable direction.

#### RESULTS COMPARED WITH FORECASTS

In connection with the presentation of the Annual Report for 2003, the Group forecast a profit on ordinary activities before tax for 2004 of some DKK 2.4–2.7bn. On presenting the Q1-Q3 Interim Report 2004, forecasts for the financial year were adjusted upwards to around DKK 3.5–3.8bn.

Realised profit before tax was DKK 4,393m. The results improvement is mainly due to the reversal of provisions for bad and doubtful debts and higher investment portfolio income in Q4/2004.

#### OUTLOOK FOR 2005

The Nykredit Group's gross mortgage lending for 2005 is estimated to be largely unchanged compared with 2004. However, from the outset of 2005, the level of activity has been high as a result of loan refinancing into the new capped floating-rate loans (RenteMax and BoligXlån). The banking and insurance activities are expected to record continuously increasing business volumes.

As in 2004, the Mortgage Bank activities are expected to account for more than 80% of Group results. Core income from the business activities is expected to go up from 2004 to 2005, whereas core income from securities is expected to decline in consequence of lower money market rates. Total core income is forecast to go up in 2005.

Group operating costs, depreciation and amortisation are expected to increase relative to 2004 because of inflation and a higher level of business activity.

As in previous years, write-offs and provisions for bad and doubtful debts are expected to be low – at less than DKK 200m.

The Nykredit Realkredit Group expects core earnings after write-offs of around DKK 1,800–2,000m based on the above-mentioned assumptions of income, costs and write-offs.

In 2004 investment portfolio income totalled DKK 1,640m and is forecast to land around DKK 550–650m given unchanged interest rates and a moderate rise in equity prices.

Based on the above, the Nykredit Realkredit Group expects a profit before tax of around DKK 2,400–2,700m for 2005.

#### NEW ACCOUNTING RULES FROM 2005

From 1 January 2005 all companies issuing listed bonds will be required to present consolidated annual accounts in accordance with the International Financial Reporting Standards – IFRS.

IFRS have been implemented into European law through EU regulations which, with few exceptions, equal the accounting rules laid down globally by the independent standard-setter IFRS.

The presentation of the consolidated annual accounts for 2005 will be subject to the standards that the IASB/EU may have adopted on the reporting date 31 December 2005.

#### The Nykredit Realkredit Group

##### Forecast results 2005

| DKK million  | Results 2004 | Forecasts 2005        |
|--|--------------|-----------------------|
| Core income from business activities                 | 4,893        | 4,900 to 5,100        |
| Core income from securities                          | 814          | 700 to 800            |
| Operating costs, depreciation and amortisation       | 3,142        | 3,200 to 3,300        |
| Amortisation of goodwill and rights                  | 212          | 400 to 400            |
| Write-offs and provisions for bad and doubtful debts | (400)        | 100 to 200            |
| <b>Core earnings after write-offs</b>                | <b>2,753</b> | <b>1,800 to 2,000</b> |
| Investment portfolio income                          | 1,640        | 550 to 650            |
| <b>Profit before tax</b>                             | <b>4,393</b> | <b>2,400 to 2,700</b> |

Nykredit Forsikring has been fully consolidated in the 2004 results and 2005 forecasts.



The consolidated annual accounts of Nykredit Realkredit and Nykredit Bank are directly comprised by the EU regulation. Other consolidated annual accounts and all corporate accounts of companies subject to supervision are comprised by the executive order governing the financial reports of credit institutions and investment companies, etc issued by the Danish Financial Supervisory Authority in December 2004. However, according to the executive order, groups subject to the EU regulation may instead prepare corporate accounts in compliance with IFRS.

For the purpose of the 2005 annual accounts, Nykredit expects to comply with the above-mentioned executive order in areas not directly regulated by the EU regulation.

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

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

#### **Expected changes to Group capital and reserves at 1 January 2005**

On the basis of current standards, the following changes to the Nykredit Realkredit Group's capital and reserves have been identified.

At present it is not possible to definitely establish the changes to capital and reserves at the beginning of the year as a result of potential amendments to the rules.

The amounts include the effect of deferred tax at 30%.

#### **Value adjustment of mortgage loans to fair value**

Under previous accounting policies, mortgage loans and issued mortgage bonds have been measured at nominal value. The transition to IFRS will change the measurement from nominal value to fair value, and this is expected to imply a revaluation of assets, liabilities and equity in the region of DKK 10bn.

Issued mortgage bonds will be adjusted to fair value: market value for non-drawn bonds and discounted value for drawn bonds.

The measurement of mortgage loans at fair value involves both a measurement based on the value of the issued bonds and an adjustment for credit risk related to mortgage lending.

Besides the adjustment relating to credit risk, the change is not expected to affect capital and reserves significantly as a consequence of the statutory balance principle.

#### **Provisions for bad and doubtful debts**

Both mortgage and bank loans will be subject to risk assessments that differ from the principles previously applied.

Mortgage loans will be measured at fair value, while bank loans as well as other loans and advances will be measured at amortised cost.

Provisions for bad and doubtful debts measured at amortised cost must comply with a detailed set of IFRS rules. Provisions for mortgage loans measured at fair value will be part of the overall value adjustment performed. The value adjustment is not rule-bound to the same degree as loans and advances measured at amortised cost. In practice, however, provisions for mortgage loans are expected largely to comply with the provisioning principles for loans measured at amortised cost.

According to the new rules governing loans measured at amortised cost, no provisions for bad and doubtful debts based on a probable risk of future losses will be required. In future provisions for bad and doubtful debts will only be made if one or more objective loss-making events occur on the balance sheet date at the latest and result in impairment. According to the new rules, it is not possible to make provisions for expected losses that can be foreseen at the time when a loan is advanced.

All loans must be subject to an assessment of whether an objective indication of impairment has occurred, either on the basis of individual and/or collective assessment.

In Nykredit's opinion, Group capital and reserves will increase by around DKK 300m as a result of a reduction in provisions for bad and doubtful debts.



**Own bonds**

According to IFRS, the portfolio of own issued bonds must be set off against the bond debt outstanding.

As at 1 January 2005 the change is expected to reduce the balance sheet by around DKK 154bn. The impact on the balance sheet may fluctuate substantially. This is partly a result of the fact that a large part of the bond portfolio concerns short-term liquidity deposits related to fixed-price agreements and loan prepayments at par.

Group capital and reserves are not affected by the change as both the portfolio of bonds and issued bonds are measured at fair value according to identical principles.

**Defined benefit plans**

Nykredit has undertaken to provide a defined benefit plan to a group of staff members employed before 1972. Staff members comprised by the plan are basically entitled to receive a pension contribution equal to a percentage of their final salaries. The plan is managed by two independent pension funds.

According to IFRS, the liability must be determined exclusive of the value of the assets of the pension fund measured at fair value. The net liability of the defined benefit plans must be included in the Company's balance sheet in future.

The determination of the pension fund liabilities and assets is expected to show a total net asset of less than DKK 10m.

**Long-term employee benefits**

According to IFRS, provisions for long-term employee benefits must be recognised which in Nykredit comprise anniversary bonuses and senior plans. Such costs have previously been recognised as an expense in step with the payment of the benefits.

Nykredit expects commitments regarding employee benefits to show a total liability of around DKK 100m.

**Intangible assets – goodwill**

In consequence of the transition to IFRS, it is possible to revalue assets, liabilities and equity with retroactive effect in connection with corporate acquisitions.

Against this backdrop, Nykredit will recognise current goodwill in Totalkredit as two separate assets at 10 November 2003.

The value of contractual rights up to 1 April 2010 is expected to be measured at DKK 2,560m. The fixed-

term rights are amortised over their useful lives of some 6 years. In this connection, deferred tax has been determined and recognised as income in step with the amortisation.

Residual goodwill will subsequently amount to DKK 1,949m. Nykredit's share of rights and goodwill will equal 74.1%.

According to IFRS, the previous accumulated goodwill amortisation of DKK 240m must be reversed.

Amortisation of contractual rights for the period from 10 November 2003 to 31 December 2004 is expected to amount to DKK 320m netting a decrease in Group capital and reserves of approximately DKK 80m.

No other business combinations have required restatement.

**Other**

Under the current accounting policies, amounts received on claims previously written off have been recognised as income in step with payments received. According to IFRS, assets expected to lead to future economic benefits must be recognised in the balance sheet.

As a result of the transition to IFRS, a share investment, which has been recognised as an associated undertaking at equity value under current practices, will be reclassified. In future the share will be measured at fair value.

According to IFRS, provisions made for repayable reserves must be recognised at present value. According to current practice, the item has been recognised at nominal value.

All in all, the above-mentioned factors are expected to lead to a positive change to Group capital and reserves at the beginning of the year of around DKK 200m.

**Banking**

Where the Bank is concerned, the transition to IFRS is not expected to affect the balance sheet and equity significantly compared with current accounting policies.

**Insurance business**

From 2005 Nykredit Forsikring (the Insurance Company) will be required to charge to the profit and loss account amounts which the Insurance Company is expected to pay for direct and indirect costs related to the settlement of claims. In future, these costs will form part of the claims outstanding provisions. Not

only the costs incurred for the year will be charged to the profit and loss account but also the estimated costs for the remaining settlement period.

From 2005 insurance-related provisions will be discounted.

All in all, the changes are expected to have a negligible effect on capital and reserves.

In future Nykredit Forsikring will be consolidated with Nykredit Realkredit in compliance with the same principles as those applying to the other subsidiaries. The change will increase the Group's balance sheet by around DKK 1.5bn. Group capital and reserves will not be affected by the changed consolidation practice.

#### **Conclusion**

The overall effect of the transition to IFRS is expected to be a rise in Group capital and reserves of around DKK 350m as at 1 January 2005.

The balance sheet total is expected to decrease by around DKK 143bn mainly as a result of the changed accounting treatment of own issued bonds.

#### **NEW CAPITAL ADEQUACY RULES IN 2005**

Effective from 1 January 2005, financial companies will be required to determine individual capital adequacy requirements.

The capital adequacy requirement will be determined by the Nykredit Group's Management based on the Group's risk exposures.

The Nykredit Group's risk exposures have been determined on the basis of advanced models on credit risk and market risk, etc, allowing for the capital adequacy rules (Basel II) entering into force on 1 January 2007.

Calculations show that the Nykredit Group's capital requirement will be reduced considerably relative to the current capital requirement. Management's overall assessment of Group risk exposures confirm the model results.

In conclusion, as at 1 January 2005, the capital adequacy requirement of the Nykredit Realkredit Group will not exceed the statutory requirement of the ordinary capital adequacy rules.

#### **EVENTS OCCURRING AFTER 31 DECEMBER 2004**

On 8 January 2005 Denmark was hit by a hurricane causing substantial damage in the northern part of the country. For Nykredit Forsikring, the hurricane is expected to lead to 10,000 to 12,000 claims and gross expenses of around DKK 200-300m.

The Group's own risk related to such an event amounts to DKK 30m, while the reinsurance programme taken out covers the remainder. On top come expenses for reinstatement premium to reactivate the reinsurance coverage. Total expenses, net of reinsurance, are expected to be around DKK 50m before tax affecting the accounts for Q1/2005.

## ACTIVITIES IN 2004

### ACTIVITIES AND MARKET SHARES

Mortgage banking is the Nykredit Group's core business area, and mortgage banking activity was generally high in 2004.

The level of activity was affected by the low interest rate levels and the availability of interest-only mortgage loans (Pauselån®) as well as capped floating-rate mortgage loans (RenteMax and BoligXlån) in the last month of the year. Adjustable-rate mortgages (ARMs) are still very popular among borrowers and accounted for 57% of all new loans advanced by Nykredit in 2004.

The Nykredit Group's total gross mortgage lending in 2004 surpassed expectations at DKK 177bn in 2004 compared with DKK 206bn in 2003.

Gross lending equals a market share of 40.5% in 2004 compared with 40.2% the year before.

Net new lending equal to gross lending less all loan prepayments amounts to DKK 50bn against DKK 55bn in 2003 corresponding to market shares of 39.9% and 39.8%, respectively.

The Group's banking and insurance activities developed in line with expectations, both areas showing increased activity levels and business volumes. At end-2004 Bank lending amounted to DKK 22.8bn, while deposits were up by DKK 5bn to DKK 19.2bn. The premium income of the Insurance Company went up by nearly DKK 100m totalling approximately DKK 1.25bn.

Nykredit Mægler, which handles the Group's estate agency activities, recorded an increase in turnover and in the number of customers referred compared with expectations partly as a consequence of growth in the Danish property market in 2004. Another positive factor was the cooperation with the banks behind Totalkredit.

The fierce competition in financial markets is expected to continue unabated. However, the Nykredit Group expects to maintain its strong position in the market place, also in coming years.

### INTEGRATION OF TOTALKREDIT IN PLACE

Nykredit's acquisition of Totalkredit quickly fell into place after a short and efficient integration process.

At the same time, Nykredit initiated several different cooperation projects with local and regional banks for example in the commercial and agricultural customers

areas. The local and regional banks and the Group's estate agents also initiated cooperation.

Other joint projects have been established between the banks and Nykredit Markets which issues bank loans and distributes swaps to partnership banks.

On top come a number of companies jointly owned by Nykredit and various banks - JN Data, Dansk Pantebrevsbørs, LeasIT, Erhvervsinvest and Capitalis.

### ACQUISITION OF TOTALKREDIT SHARES

On 1 October 2004 Nykredit Realkredit A/S exercised its option to buy 16.4% of the shares in Totalkredit A/S from a number of local and regional banks in Denmark and now owns 74.1% of Totalkredit A/S.

Nykredit has an option to buy the remaining 25.9% of the shares exercisable on 1 October 2006.

On 1 April 2004 Totalkredit realised a capital increase of a nominal DKK 65.7m at a price of DKK 1,521.15 per share of a nominal DKK 100. The nominal share capital subsequently amounts to DKK 535.7m. Nykredit subscribed for the entire capital increase.

### RAISING HYBRID CORE CAPITAL

In September 2004 Nykredit Realkredit raised a bond loan of EUR 500m equal to DKK 3,696m through an issue targeted at European institutional investors. The loan carries a fixed interest rate during the first 10 years and subsequently a floating interest rate.

The bonds, which are listed on the Luxembourg Stock Exchange, were issued as perpetual Hybrid Tier I capital and form part of the Group's capital resources in line with capital and reserves.

### NEW PRODUCTS AND IMPROVED SERVICE

Competition in financial markets was also intense in 2004, and in an effort to attract and retain customers, Nykredit allocated resources to broaden the product range and heighten service levels.

In 2004 Nykredit therefore launched a line of new distinctive products for retail, commercial and agricultural customers.

Among the most important new products were: Boligkredit, a flexible home loan combining the best of mortgage credit and banking, a new type of BoligXlån, a mortgage loan with a 10-year interest rate cap, and RenteMax, a capped floating-rate mortgage loan.

The capped floating-rate mortgage loans by Nykredit and Totalkredit (RenteMax and BoligXlån) are unique in the Danish market and embrace a number of advantages compared with other floating-rate mortgage loans. The loan rates of RenteMax and BoligX loans track market rates and are lowered if these fall after having reached the cap.

Apart from the above-mentioned products, special solutions targeting commercial and agricultural customers were developed such as swaps and interest rate caps.

#### **Improved service**

As a parallel to the new products, Nykredit also introduced new services and customer benefits in 2004.

In future, Nykredit will carry out interest rate adjustments of customers' ARMs three times a year, and therefore customers' first interest rate fixings will have a duration closer to one year. Three annual interest rate adjustments also help ensure continued smooth cash flows in money and bond markets and provide investors with a wider spectre of Nykredit bonds.

Nykredit also introduced an Internet self-service discount of DKK 600 for customers who order mortgage loans at [www.nykredit.dk](http://www.nykredit.dk).

The Nykredit Group's product development activities have accelerated in recent years. This is a result of both the significantly sharpened competition in the market and growing IT employment. A third reason is that customers in modern society demand more flexibility and products tailored to match their current needs, risk profile and preferences. This trend is expected to continue in coming years.

### **INTERNATIONAL ACTIVITIES**

#### **France and Spain**

Since 2003 Nykredit has been offering Danish mortgage loans to Danes with real property in the South of France, and in 2004 Nykredit launched a similar concept in the South of Spain.

To serve customers locally, Nykredit opened representative offices in the two above-mentioned countries in 2004 - in Cannes, France and in Puerto Banus, Marbella, Spain, respectively.

More of the regional and local partnership banks have concluded agency agreements with Nykredit to meet customers' demand for Danish mortgage loans to finance properties in Spain and France.

#### **Cross-border corporate lending**

Nykredit also offers Danish mortgage loans for Danish and international corporate customers' properties situated abroad. The concept comprises the financing of properties located in the UK, Poland, Sweden and Germany.

A team has been appointed in Nykredit's commercial customers organisation dedicated to the international transactions to optimise the service offered to customers with properties abroad.

#### **Mortgage banking in Poland**

2004 was Nykredit Bank Hipoteczny's first real operating year. During the year, the bank concluded partnership agreements with four Polish banks and a line of other financial providers for the sale of mortgage loans to retail customers.

Mortgage loans in euros and Swiss francs are in high demand in Poland. Nykredit is not interested in issuing loans denominated in Swiss francs, and activities in Poland are therefore expected to be limited in 2005.

#### **International loan portfolio**

Nykredit's international lending totalled DKK 8.0bn at end-2004.

### **COMPETENCE DEVELOPMENT**

At a time when the Nykredit Group's products are being further developed on an ongoing basis and become more complex, the demands placed on staff members' ability to solve tasks grow.

It has therefore been necessary to put professional competency on the agenda and to gain a structured overview of expected knowledge levels relative to the various product areas.

In 2004 Nykredit started defining professional competency requirements for the customer-oriented staff in the Retail Customers, Agricultural Customers and Commercial Customers areas.

The staff has evaluated their own competencies and discussed individual competence development with their immediate superiors as well as formulated competence development plans. The development plans contain professional and personal development activities realised through a combination of e-learning, classroom seminars and learning activities which will be useful to the staff's daily tasks in the individual centres or entities.

The outcome is committed staff that quickly tunes into the needs and requirements of individual customers, offers competent product advice and presents customers with attractive solutions.

Knowing exactly what requirements to fulfil and that targeted training activities supporting these requirements have been developed gives the staff a stronger sense of job security.

#### **KEY IT PROJECTS**

In 2004 the product development as well as the cooperation with Totalkredit and the 105 partnership banks continued. The first leg of the future IT platform created to support the banks' advisory services related to the Group's products – the Partnership Portal – was launched in 2004. The contents of the web-based Partnership Portal are centred round advisory services, information, news and business procedures for the banks.

The Group's CRM system DIALOG was expanded with an after-sale management tool – DIALOG Analyse – to analyse sales data and identify new sales opportunities.

In 2004 Nykredit decided to participate in the financial sector's cooperation on introducing digital signatures: NetID.

In the production area, a new loan settlement system was put into operation enhancing the efficiency of and integrating the disbursement and registration of mortgage loans with the related banking processes.

Nykredit's efforts within finance and credit processes continued. The objective is for Nykredit to apply the new advanced methods for the determination of credit risks related to the future capital adequacy rules formulated in Basel II by 2008. 2004 also saw focus on credit risks in the commercial, agricultural and retail segments.

In 2004 Nykredit engaged in development projects in the investment and pensions area focusing on sales and advisory service solutions for customers requiring investment products.

## BUSINESS AREAS

Nykredit is a broad-based financial services group organised in four intra-group business areas: Retail Customers, Agricultural Customers, Commercial Customers and Markets & Asset Management.

### RETAIL CUSTOMERS

#### The market

Competition in the retail market continued its fierce course in 2004. Still, the Group emerged from 2004 in a strengthened position in the Retail Customers area. Nykredit is the largest player in the mortgage banking market – with a market share of over 40% – in terms of both lending and debt outstanding.

Competition is expected to intensify further. However, the Group's combination of distribution power, product supply and funding capacity makes up a strong foundation that will enable the Group to defend and expand its position as the largest and leading player in the retail market – also in coming years.

The Nykredit Group accounted for 41.8% of total Danish gross lending to retail customers and for 49.9% of net new lending in the Danish mortgage finance market. In terms of loan portfolio at end-2004, the Group had a market share of 41.1% of the Danish market for private residential mortgages.

#### Retail Customers activities

A cornerstone of Nykredit's strategy is the sale and distribution through two brands – Nykredit and Totalkredit. The retail market is served in part through Nykredit's distribution channels and in part through the 105 local and regional banks that cooperate with Totalkredit.

2004 proved the efficiency of the dual brand strategy, and Nykredit was well-equipped to counter the intense competition on the strength of its solid presence in the market as well as its development and marketing of new competitive products. This is illustrated by Nykredit's share of net new lending in 2004 of nearly 50%.

In 2004 the Retail Customers area recorded handsome growth in the sale of insurance policies, and the insurance portfolio went up by nearly 10%. This can be ascribed to a broad-based sale of insurance products as more than 25% of insurance customers have taken the majority of their insurance business to Nykredit.

The retail banking area also prospered in 2004. During the year Nykredit recorded an influx of over 1,500 wage account customers each month.

#### Key events

Both brands saw a number of key events in 2004:

#### Nykredit

- Sales and advisory training within all concept areas
- Centralisation of tasks related to registrations in the land register and loan disbursement
- Implementation of a new marketing universe
- Implementation of a new concept – Nykredit Tjek® – providing a holistic check-up of customers' financial requirements
- Development and introduction of new products.

#### Totalkredit

The core of the Totalkredit concept is that the individual banks undertake the tasks related to sales, advisory services and credit assessments of customers.

During 2004 the cooperation with the banks was expanded and consolidated through:

- The development of electronic training and competence development tools for housing advisers
- The implementation of new advisory tools
- The sponsorship of a Danish television programme "Huset" where also the local and regional banks were represented through an Internet game in which more than 50,000 borrowers participated. The Internet game later received the Internet Award 2005.
- The development and introduction of new products.

| The Nykredit Realkredit Group                     |         |         |
|---|---------|---------|
| Retail Customers                                  |         |         |
| DKK million                                       | 2003    | 2004    |
| <b>Mortgage Bank – lending and portfolio</b>      |         |         |
| Gross lending                                     | 138,572 | 125,224 |
| Net new lending                                   | 37,638  | 33,792  |
| Portfolio – year-end                              | 339,314 | 362,563 |
| <b>Bank – loans, advances and deposits</b>        |         |         |
| Loans and advances                                | 4,420   | 4,620   |
| Deposits  | 4,532   | 6,444   |
| Guarantees  | 4,537   | 4,616   |
| <b>Insurance – policies written and portfolio</b> |         |         |
| Policies written                                  | 258     | 277     |
| Portfolio – year-end                              | 636     | 699     |

## COMMERCIAL CUSTOMERS

### The market

The Commercial Customers market continued to be characterised by intense competition on price, quality and package solutions among the large financial services providers. Also in 2004 Nykredit consolidated its position as a competitive player in the market.

The Nykredit Group accounted for 38.3% of total Danish gross mortgage lending to commercial customers and 31.2% of net new mortgage lending. In terms of loan portfolio at end-2004, the Group had a market share of 39.1% in the Commercial Customers area.

### Activity

Mortgage finance was in high demand, and commercial customers took advantage of the continued low interest rates to secure inexpensive long-term mortgage finance. 2004 also saw some refinancing activity, albeit lower than in recent years.

The up-trend in the level of activity within cross-border corporate lending continued.

In the banking area, demand dictates more complex and individual solutions matching customers' overall financial positions and risk profiles. This reflects a shift in activities away from traditional banking products towards particularly risk-hedged products which have experienced significant growth.

Activities in the insurance area were concentrated within the property area as part of the future business strategy.

### Events

In 2004 Nykredit trimmed its commercial customers organisation to create an even better platform for meeting customers' needs for broad-based financial services and to increase the synergies between the Nykredit Group's activities within banking, insurance and mortgage banking. Furthermore, the insurance strategy of the Commercial Customers area has been adjusted.

A financial adviser function offering customers individual and professional advisory services locally based on customers' assets and liabilities was established.

In future the insurance strategy will be focused on customers requiring buildings insurance in order to take optimal advantage of the Group's strong expertise within the property segment. This will secure a profitable development and create synergies relative to the mortgage banking and banking activities. The new strategy also involves a closer cooperation with Topdanmark, a Danish insurer.

The RenteMax concept offers commercial customers a unique cap product. On top, corporate customers are offered individual interest rate caps tailored to meet customers' needs for individualised solutions.

In the Commercial Customers area, Nykredit also concluded cooperation agreements with all regional banks on the sale of mortgage loans, and at end-2004 a number of local banks had joined the cooperation. The new partners and the continued development of web-based solutions strengthened Nykredit's distribution powers in the Commercial Customers area.

| <b>The Nykredit Realkredit Group</b>  |         |         |
|---|---------|---------|
| <b>Commercial Customers</b>   |         |         |
| DKK million   | 2003    | 2004    |
| <b>Mortgage Bank – lending and portfolio</b>  |         |         |
| Gross lending   | 43,995  | 34,750  |
| Net new lending   | 14,025  | 13,479  |
| Portfolio – year-end  | 170,907 | 178,464 |
| <b>Bank – loans, advances and deposits (including Markets &amp; Asset Management)</b> |         |         |
| Loans and advances  | 17,650  | 17,679  |
| Deposits  | 9,582   | 12,427  |
| Guarantees  | 2,204   | 2,819   |
| <b>Insurance – policies written and portfolio</b>                                     |         |         |
| Policies written  | 104     | 59      |
| Portfolio – year-end  | 396     | 326     |

## AGRICULTURAL CUSTOMERS

### The market

In 2004 the finance market in the Agricultural Customers area was characterised by continuously intensifying competition. Nevertheless, Nykredit maintained a satisfactory market share that contributed to maintaining Nykredit's position as the leading provider of fixed asset finance to the Danish agricultural sector.

The Nykredit Group accounted for 36.3% of Danish gross mortgage lending to agricultural customers and for 19.9% of net new lending. In terms of loan portfolio at end-2004, the Group had a market share of 42.2% in the Agricultural Customers area.

During the year Nykredit started joint projects with a number of banks. The cooperation will develop continuously for the benefit of both parties.

### Activity

Demand for the financing of gradual farm expansions and mergers continued at the same rate as in previous years, while the interest rate development led to slightly lower refinancing activity.

In 2004 Nykredit introduced a number of new asset management products comprising professional advisory services and attractive savings solutions to agricultural customers.

In 2004 agricultural customers demonstrated keen interest in swaps and other derivatives. An increasing number of agricultural customers are now employing financial instruments as an integral part of their debt management strategy.

The Group's banking products were mainly sold in packages with mortgage credit products as well as in the form of bridge financing for expansions and new establishments. In addition, Nykredit offered a number of customers lease finance for operating equipment.

In the insurance area, a favourable development in the sale of insurance products along with a sound trend in claims contributed positively to total earnings.

### Events

Nykredit's customer base is very diversified and ranges from part-time hobby farmers to large animal productions often with complex ownership structures. Customers' needs for financial solutions and advisory services are becoming increasingly individualised, and this places higher demands on Nykredit for competent customer services.

In response to this development, Nykredit developed a new finance strategy concept that provides customers with holistic and individualised advisory services.

All in all, the credit situation developed in a very positive direction with continued low arrears and write-offs. To ensure a high quality in the credit assessment of customers, 2004 saw the implementation of a number of new credit tools which are part of Nykredit's efforts to meet the new capital adequacy rules of Basel II – also in the Agricultural Customers area.

| <b>The Nykredit Realkredit Group</b>              |        |        |
|---|--------|--------|
| <b>Agricultural Customers</b>                     |        |        |
| DKK million                                       | 2003   | 2004   |
| <b>Mortgage Bank – lending and portfolio</b>      |        |        |
| Gross lending                                     | 23,320 | 17,089 |
| Net new lending                                   | 3,497  | 2,956  |
| Portfolio – year-end                              | 71,613 | 73,120 |
| <b>Bank – loans, advances and deposits</b>        |        |        |
| Loans and advances                                | 406    | 464    |
| Deposits  | 61     | 334    |
| Guarantees  | 10     | 482    |
| <b>Insurance – policies written and portfolio</b> |        |        |
| Policies written                                  | 46     | 46     |
| Portfolio – year-end                              | 188    | 220    |



## **MARKETS & ASSET MANAGEMENT**

The business area mainly serves professional investors but to an increasing extent also other customer groups.

### **The market**

Where professional investors are concerned, 2004 was characterised by tough market conditions and fierce competition. The fact that nearly all investors and market participants expected rising interest rates and that reality proved quite the opposite created very difficult business conditions. At the same time, international investment houses started taking an interest in the more lucrative areas of the Danish market place. Against this backdrop, 2004 was generally a difficult year for many of the trading-related activities.

The challenges arising in the market will be countered through the previously initiated business concept diversification towards more value-added products and a broader customer base.

### **Capital market transactions**

In 2004 Nykredit successfully continued its commitment to advise on and arrange bond issues for Danish corporates. The Debt Capital Markets area arranged a number of issues for Danish banks ranging from short-term senior funding to perpetual hybrid core capital.

### **Asset management**

Nykredit's asset management entity, Nykredit Portefølje Bank, enjoyed strong growth in 2004. Assets under management and administration more than doubled during the year and totalled just over DKK 158bn at end-2004. A large part of the increase can be ascribed to a few large administration mandates, but also institutional discretionary asset management volumes grew significantly.

### **Investment & Pension**

This entity is responsible for creating long-term savings concepts for private customers.

The Private Portfolio concept offered to customers with investable funds of more than DKK 500,000 seriously broke through in 2004. As a direct result, the number of asset management consultants went up. The holistic aspects of the Private Portfolio concept clearly meet an unfilled demand in the market place.



## Group risk management

Risk management is a key element of the Nykredit Realkredit Group's business philosophy. The Group's core business is long-term lending based on the issuance of mortgage bonds with particularly high ratings. The focus of the Group's risk management efforts is therefore not short-term risks alone but to an equally high degree long-term risks.

### RISK MANAGEMENT

#### Organisation and division of responsibilities

The Board of Directors of Nykredit Realkredit is responsible for defining the limits of and monitoring Group risks. The Board approves the general policies and instructions including risk exposure limits. Risk exposures and activities are reported to the Board on a continuous basis.

The Group Executive Board is responsible for formulating the general policies and instructions as well as their implementation following approval by the Board of Directors. Part of the operationalisation and consequent continuous monitoring and management has been delegated to committees.

The two most important committees are the Treasury Committee and the Credits Committee. The Group Chief Executive chairs the Treasury Committee which is responsible for managing the Group's financial risks. The chairman of the Credits Committee is also a member of the Group Executive Board. The Credits Committee is responsible for managing Group credit risks. Both committees provide guidelines for subsidiaries' risk exposures and delegate management responsibilities to the subsidiaries.

#### Risk types

Nykredit distinguishes between four primary types of risk:

- *Credit risk* reflects the risk of losses following the non-performance of counterparties.
- *Market risk* reflects the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange and equity risks, etc). Market risk also comprises liquidity risk which is the risk of insufficient ordinary liquidity reserves to fulfil pay-

ment obligations.

- *Insurance risk* reflects the risk of losses on the claims estimated with respect to the insurance policies written.
- *Operational risk* reflects the risk of losses as a result of inadequate/failed processes, human errors and actions, system errors and external events.

#### Basel II/EU Capital Requirement Directives

In June 2004 the Basel Committee presented a new guidance document on capital requirements. The EU is currently drafting a new set of directives to reflect the new capital requirement guidance document named Capital Requirement Directives (CRD). The EU directives are expected to take effect in 2007, but access to employing the advanced models is not expected to be given before 2008.

The new capital adequacy rules open up possibilities for credit institutions to apply internal models for the determination of capital adequacy requirements. Furthermore, the rules imply stricter requirements for the daily management of capital, risk and finances as well as a new capital requirement for operational risk. Since 2001 the Nykredit Realkredit Group has made a concentrated effort towards developing models, processes and systems to ensure that the Group takes optimal advantage of the possibilities arising from future legislation. These elements will be implemented into the Group's existing risk management on a current basis in order to always comply with best practice.

The Nykredit Realkredit Group intends to seek approval to apply advanced internal methods to determine credit and market risks and expects to use the standard method to calculate the capital requirement for operational risk. An application for the approval of internal models to determine market risk is expected to be filed with the Danish Financial Supervisory Authority in 2005. An application for an approval of the advanced methods used to determine credit risk is expected to be filed in mid-2006 allowing for employment as soon as legally possible – on 1 January 2008.

### Economic capital and RAROC

Internally developed models are already applied for the calculation of the Group's economic capital and RAROC (Risk-Adjusted Return on Capital). Economic capital is determined as the sum of credit risk, market risk, insurance risk, operational risk and other less significant types of risk. The determination of economic capital allows for the diversification effects between the risk types to be taken into consideration. Where the new capital adequacy rules (Basel II) determine a minimum capital adequacy requirement covering credit, market and operational risks alone, Nykredit's intra-group capital management must allow for all the types of risk which the Group is believed to incur.

### CREDIT RISKS

The Board of Directors lays down the overall framework for Group credit granting. Furthermore, the Board of Directors is presented with the largest credit applications for approval or informational purposes on a current basis.

Within the overall credit policy framework laid down by the Board of Directors, the Executive Board is responsible for the policies governing the individual business areas: Retail Customers, Commercial Customers, Agricultural Customers and Markets & Asset Management. A central Credits Committee has been appointed which considers large credit applications on behalf of the Group Executive Board on a current basis.

Group Credits is responsible for the management and monitoring of the Group's credit risks in accordance with the guidelines laid down by the Board of Directors and the Executive Board as well as the internal and external reporting of credit risks. In addition, Group Credits processes all the credit applications exceeding the authorities assigned to Nykredit's local centres. These applications are assessed by Group Credits unless the loan amounts applied for require approval by the Group Executive Board or the Board of Directors.

Applications for mortgage loans and/or banking facilities that, if granted, bring Nykredit's total exposure to a customer over DKK 200m after the deduction of public guarantees, if any, are subject to presentation before and approval by the Board of Directors and subsequently when the exposure increases by a multiple of DKK 100m.

Local centres have been assigned authorities that empower them to decide most credit applications locally in compliance with Nykredit's aim to process most applications locally.

The processing of credit applications at the centres comprises a personal credit assessment and, where mortgage loans are concerned, also a statutory property valuation. The assessment follows centrally prescribed guidelines for the individual business areas allowing for the specific conditions that characterise the local area concerned.

A large part of the Group's residential mortgage loans are distributed through banks that provide guarantees for the top part of the loan as part of the loan arrangement. Where a guarantee has been provided for part of a loan, no assessment of the customer is made by the Mortgage Bank, but overall requirements for the customer assessment performed by the guaranteeing bank have been provided.

Nykredit continued to develop and implement models for the credit assessment of Group customers (internal rating) and today applies credit models to assess the majority of retail, agricultural and commercial customers. In the year ahead, Nykredit will implement further models with the aim of covering all types of customers.

As part of the credit exposure monitoring, all exposures exceeding DKK 10m are 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.

### Credit models

Developing and implementing credit models is a prerequisite of employing advanced internal methods to determine credit risk.

To generally determine the credit risk which Nykredit is facing, knowledge of the following key parameters is required: Customers' probability of default (PD), the loss given default (LGD) and the exposure at default (EAD).

The parameters included in the determination of credit risk are:

- PD: Probability of Default – the probability of a customer defaulting on a credit exposure.
- LGD: Loss Given Default – the loss rate of the product given the customer's default.
- EAD: Exposure At Default – a customer's overall balance outstanding in DKK on the product concerned at the time of default.

The PD is customer-dependent, while the other parameters are product-dependent.

Since 1998 Nykredit Realkredit has employed credit scoring methods for retail customers. Credit scoring is a statistical calculation of a customer's creditworthiness based on the customer's financial position. The credit score provides input for the credit process.

In 2004 Nykredit continued to develop and improve credit assessment models designed to determine the PD of individual customers. The PD of retail customers is estimated on the basis of credit scores and customers' payment behaviour. For other customer groups, models have been developed to estimate the PD in consideration of specific business conditions such as financial statements, arrears and provisions as well as industry-specific conditions and the general economic climate.

When the PD of individual customers has been determined, it is translated into an actual rating that plays an important role in a customer assessment. A rating scale from 0 to 10 is used, 10 being the top rating. The credit models and PDs are updated continuously in step with the flow of new information to Nykredit.

In 2004 Nykredit also applied models to estimate LGD and EAD.

In connection with mortgage loans secured on real property, the LGD will typically be very low. EAD is a measure of customers' debts outstanding.

The LGD has been determined on the basis of empirical data. Models for mortgage loans factor in loss data dating back to the early 1990s. The LGD plays a great role in the overall risk assessment and therefore also the regulatory capital under the coming capital requirement rules.

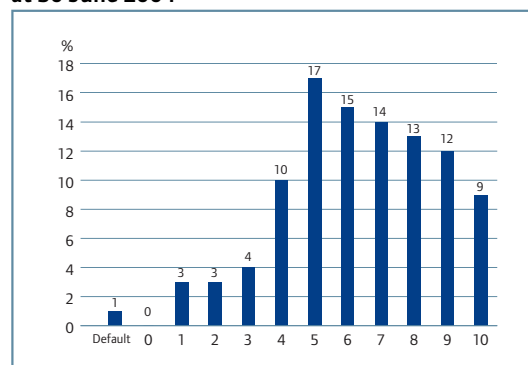
The PD and LGD models cover both economically depressed and expansive periods.

Mortgage banking is characterised by low LGDs and PDs resulting in a low capital requirement under the coming capital requirement rules.

**The Nykredit Realkredit Group**  
Rating scale and marginal values

| Rating category | PD floor | PD ceiling |
|-----------------|----------|------------|
| 10              | 0.00%    | 0.15%      |
| 9               | 0.15%    | 0.25%      |
| 8               | 0.25%    | 0.40%      |
| 7               | 0.40%    | 0.60%      |
| 6               | 0.60%    | 0.90%      |
| 5               | 0.90%    | 1.30%      |
| 4               | 1.30%    | 2.00%      |
| 3               | 2.00%    | 3.00%      |
| 2               | 3.00%    | 7.00%      |
| 1               | 7.00%    | 25.00%     |
| 0               | 25.00%   | 100.00%    |
| Default         |          | 100%       |

**The Nykredit Realkredit Group**  
Debt outstanding by rating category  
at 30 June 2004



Excl Totalkredit lending, government bonds and financial counterparties.

## MORTGAGE LENDING

### Loan portfolio

At end-2004 nominal mortgage lending (including mortgage loans issued subject to Polish law) totalled DKK 623bn distributed on 715,021 loans, while lending at end-2003 amounted to DKK 588bn distributed on 738,336 loans. Of this amount, Nykredit Realkredit mortgage loans accounted for DKK 428bn distributed on 446,283 loans and Totalkredit mortgage loans for DKK 195bn distributed on 268,526 loans at end-2004.

Mortgage loans carrying fixed interest rates are still the most popular loan type, albeit its share of lending is decreasing relative to adjustable-rate mortgages and from December 2004, Nykredit and Totalkredit's new capped floating-rate mortgage loan types RenteMax/BoligXlån. The share of interest-only mortgages has been on the rise since the introduction of this loan type in 2003.

**The Nykredit Realkredit Group****Mortgage lending**

| DKK million           | Owner-occupied dwellings | Private rental | Subsidised housing | Industry and trade | Office and retail | Agriculture | Other  | Total DKKm/number |
|-----------------------|--------------------------|----------------|--------------------|--------------------|-------------------|-------------|--------|-------------------|
| <b>Mortgage loans</b> |                          |                |                    |                    |                   |             |        |                   |
| Bond debt outstanding | 360,622                  | 37,879         | 69,667             | 22,795             | 42,495            | 75,789      | 13,639 | <b>622,886</b>    |
| Number of loans       | 578,790                  | 18,882         | 23,652             | 5,012              | 15,620            | 66,237      | 6,828  | <b>715,021</b>    |

**Bond debt outstanding by type of attached guarantee**

|                       |                |               |               |               |               |               |               |                |
|-----------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Government guarantees | 1              | 311           | 53,483        | 0             | 9             | 399           | 306           | <b>54,509</b>  |
| Bank guarantees       | 192,626        | –             | –             | –             | –             | –             | –             | <b>192,626</b> |
| Non-guaranteed        | 167,995        | 37,568        | 16,184        | 22,795        | 42,486        | 75,390        | 13,333        | <b>375,751</b> |
| <b>Total</b>          | <b>360,622</b> | <b>37,879</b> | <b>69,667</b> | <b>22,795</b> | <b>42,495</b> | <b>75,789</b> | <b>13,639</b> | <b>622,886</b> |

**Bond debt outstanding by loan type**

|  |                |               |               |               |               |               |               |                |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Variable-rate loans, non-interest-only | 95,272         | 10,418        | 14,783        | 7,816         | 11,778        | 24,638        | 3,221         | <b>167,926</b> |
| – of which EUR-denominated             | 7,192          | 1,406         | 10            | 2,071         | 2,309         | 15,829        | 419           | 29,236         |
| Variable-rate loans, interest-only     | 57,615         | 7,743         | 526           | 5,858         | 11,694        | 13,285        | 488           | <b>97,209</b>  |
| – of which EUR-denominated             | 1,124          | 238           | 1             | 362           | 1,769         | 8,559         | 11            | 12,064         |
| Fixed-rate loans, non-interest-only    | 197,970        | 18,771        | 14,766        | 9,114         | 18,600        | 35,756        | 9,160         | <b>304,137</b> |
| Fixed-rate loans, interest-only        | 9,710          | 766           | 26            | 1             | 359           | 845           | 42            | <b>11,749</b>  |
| Other                                  | 55             | 181           | 39,566        | 6             | 64            | 1,265         | 728           | <b>41,865</b>  |
| <b>Total</b>                           | <b>360,622</b> | <b>37,879</b> | <b>69,667</b> | <b>22,795</b> | <b>42,495</b> | <b>75,789</b> | <b>13,639</b> | <b>622,886</b> |

**Geographic distribution of bond debt outstanding**

|                             |                |               |               |               |               |               |               |                |
|-----------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Copenhagen                  | 102,939        | 16,070        | 27,756        | 3,066         | 12,082        | 3,029         | 3,377         | <b>168,319</b> |
| Remaining Sealand           | 37,808         | 1,741         | 5,903         | 1,368         | 2,147         | 10,914        | 1,426         | <b>61,307</b>  |
| Funen                       | 33,525         | 3,127         | 6,832         | 1,251         | 3,276         | 8,449         | 1,573         | <b>58,033</b>  |
| Jutland                     | 185,490        | 15,625        | 29,176        | 15,579        | 19,667        | 53,397        | 7,244         | <b>326,178</b> |
| Faroe Islands and Greenland | 345            | 185           | 0             | 17            | 191           | 0             | 19            | <b>757</b>     |
| Foreign                     | 515            | 1,131         | 0             | 1,514         | 5,132         | 0             | 0             | <b>8,292</b>   |
| <b>Total</b>                | <b>360,622</b> | <b>37,879</b> | <b>69,667</b> | <b>22,795</b> | <b>42,495</b> | <b>75,789</b> | <b>13,639</b> | <b>622,886</b> |

**Bond debt outstanding by size, DKKm**

|               |                |               |               |               |               |               |               |                |
|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| 0–2           | 341,763        | 10,536        | 8,381         | 2,303         | 8,394         | 31,402        | 4,033         | <b>406,812</b> |
| 2–5           | 17,869         | 8,644         | 11,642        | 2,692         | 7,739         | 27,078        | 2,401         | <b>78,065</b>  |
| 5–20          | 990            | 11,909        | 31,301        | 5,241         | 10,657        | 15,313        | 3,823         | <b>79,234</b>  |
| 20–50         | 0              | 3,871         | 14,233        | 3,650         | 4,352         | 1,482         | 2,144         | <b>29,732</b>  |
| 50–100        | 0              | 910           | 3,661         | 1,985         | 2,425         | 514           | 685           | <b>10,180</b>  |
| 100 and above | 0              | 2,009         | 449           | 6,924         | 8,928         | 0             | 553           | <b>18,863</b>  |
| <b>Total</b>  | <b>360,622</b> | <b>37,879</b> | <b>69,667</b> | <b>22,795</b> | <b>42,495</b> | <b>75,789</b> | <b>13,639</b> | <b>622,886</b> |

**Bond debt outstanding by term-to-maturity, years**

|              |                |               |               |               |               |               |               |                |
|--------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| 0–10         | 13,048         | 3,237         | 2,247         | 8,184         | 9,166         | 3,627         | 1,322         | <b>40,831</b>  |
| 10–15        | 20,402         | 2,358         | 6,139         | 5,307         | 9,478         | 5,352         | 2,158         | <b>51,194</b>  |
| 15–20        | 46,892         | 5,599         | 12,591        | 9,064         | 18,167        | 9,004         | 4,476         | <b>105,793</b> |
| 20–25        | 45,088         | 5,887         | 9,816         | 20            | 770           | 14,157        | 1,666         | <b>77,404</b>  |
| 25–30        | 235,176        | 20,526        | 11,278        | 220           | 4,914         | 43,649        | 3,962         | <b>319,725</b> |
| 30–35        | 15             | 188           | 311           | 0             | 0             | 0             | 25            | <b>539</b>     |
| 35 and above | 1              | 84            | 27,285        | 0             | 0             | 0             | 30            | <b>27,400</b>  |
| <b>Total</b> | <b>360,622</b> | <b>37,879</b> | <b>69,667</b> | <b>22,795</b> | <b>42,495</b> | <b>75,789</b> | <b>13,639</b> | <b>622,886</b> |

Including mortgage loans subject to Polish law. Visit [www.nykredit.com](http://www.nykredit.com) for comparative figures for 2003.

| The Nykredit Realkredit Group    |                |                |
|----------------------------------|----------------|----------------|
| Mortgage loans by capital centre |                |                |
| DKK million                      | 2003           | 2004           |
| <b>Nykredit Realkredit</b>       |                |                |
| Capital Centre D                 | 209,070        | 283,916        |
| Capital Centre C                 | 83,763         | 49,407         |
| Nykredit In General              | 82,234         | 47,725         |
| Other                            | 50,878         | 47,079         |
| <b>Totalkredit</b>               |                |                |
| Capital Centre C                 | 161,307        | 194,224        |
| Other                            | 739            | 452            |
| <b>Nykredit Bank Hipoteczny</b>  | <b>9</b>       | <b>83</b>      |
| <b>Total</b>                     | <b>588,000</b> | <b>622,886</b> |

**Mortgage debt outstanding relative to property values**

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

In 2004 the Nykredit Realkredit Group continued to develop models to estimate the value of the mortgaged properties on an ongoing basis within the areas of retail, agricultural and commercial customers. The models are based on the general development in property prices, the Group's own valuations and the latest public land assessments.

With respect to subsidised housing and private rental properties, the estimates are based on the property values ruling at the disbursement dates of the loans.

The estimated property values can be compared with the mortgage debt outstanding in the properties. The figure shows that Nykredit customers' debt outstanding relative to estimated property values is significantly lower than the statutory loan-to-value ratios.

The figure indicates the scope of security behind the mortgage debt outstanding by segment. Nearly 65% of private residential mortgage debt outstanding falls within approximately 40% of property values.

**Mortgage Bank write-offs and provisions for bad and doubtful debts**

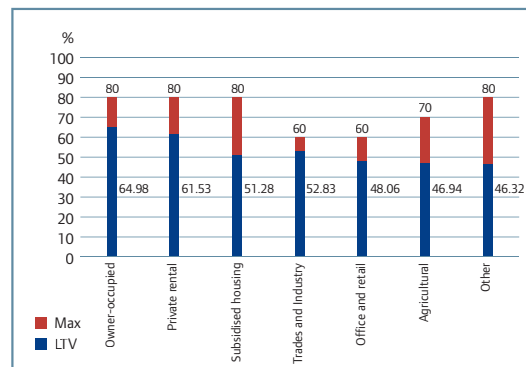
The Group provides for bad and doubtful debts if a customer's ability to repay a loan is uncertain and if the adequacy of the underlying security is questionable.

In addition, statistical provisions based on the Group's experiences with losses within each property category are computed.

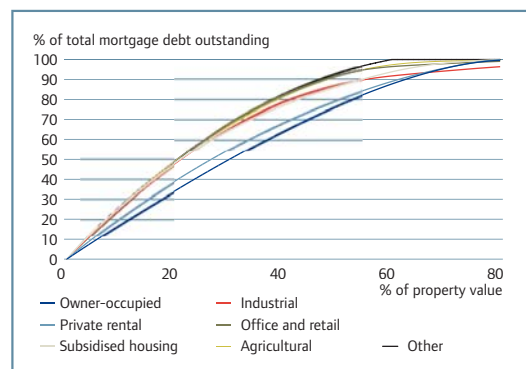
In 2004 the Nykredit Group recognised DKK 400m as income under "Write-offs and provisions for bad and doubtful debts". Losses ascertained in connection with loans and advances netted DKK 174m in 2004 of which the majority had been provided for in previous years.

Nykredit Realkredit recorded a pronounced decrease in write-offs and provisions in all segments. Total provisions at year-end were DKK 1,353m compared with provisions at the beginning of the year of DKK 1,829m. Total provisions at end-2004 equalled 0.32% of loans and advances – a sharp decrease on 2003.

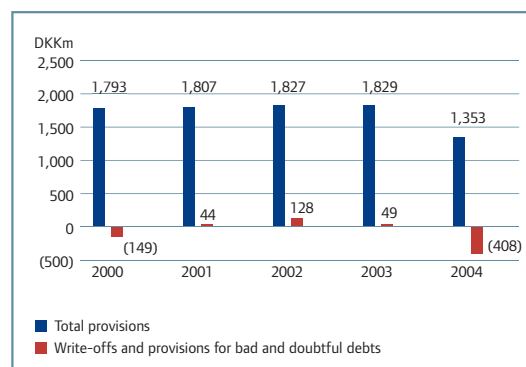
**Group mortgage lending relative to LTV ratios**



**Group mortgage lending relative to estimated property values**

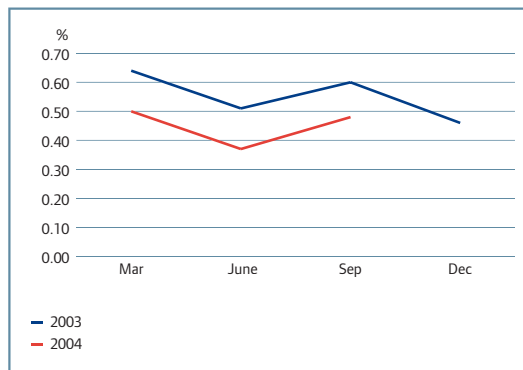


**Group write-offs and provisions for mortgage loans**

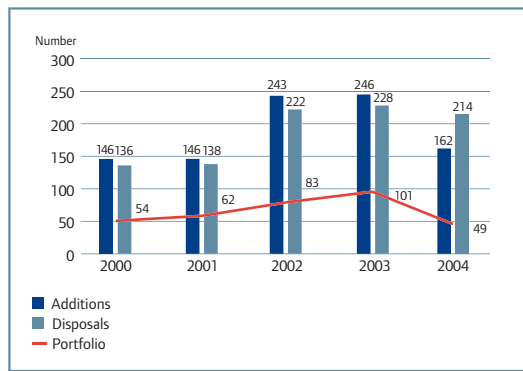


Only 2004 includes Totalkredit A/S

### The Nykredit Realkredit Group Arrears ratio 75 days after due date



### The Nykredit Realkredit Group Properties foreclosed/sold



### Arrears

Arrears in Nykredit Realkredit were considerably lower in 2004 than in 2003. This is best illustrated by the arrears ratio 75 days after the last due date. For the quarterly mortgage payments due in September, the arrears ratio was 0.48 against 0.60 in 2003.

In Totalkredit the arrears ratio was 0.10, and total arrears were DKK 3.1m for the September settling period relative to an arrears ratio of 0.13 and total arrears of DKK 3.7m for the September settling period in 2003.

In connection with the September settling date, the bond debt outstanding affected by 75 days of arrears in the Nykredit Group was DKK 1.8bn relative to DKK 2.6bn in 2003.

### Properties foreclosed

In 2004 Nykredit Realkredit foreclosed a total of 159 properties and sold 212 in the same period. At end-2004 Nykredit's portfolio contained 47 properties against 100 at end-2003. The portfolio of properties foreclosed is at a record low. As a result of the sharp rises in real property prices, interest in the market for foreclosed properties has grown. Nykredit has therefore not had any problems selling the properties foreclosed.

In 2004 Totalkredit only foreclosed 3 properties and sold 1 – equalling a portfolio of 2 at year-end.

### Business concept of Totalkredit A/S

Totalkredit's business concept where local and regional banks are responsible for customer services and individual risk hedging remained unchanged in 2004. As described above, the business concept enables Totalkredit to keep costs and write-offs very low.

A cornerstone of the guarantee concept is that the distributing bank guarantees the part of all loans that exceeds 60% of the value of the property mortgaged.

Totalkredit has been carried on as company, brand and business concept, and Totalkredit is therefore continuously working towards securing the banks' local relations and presence in the housing finance area.

The branches of the local and regional banks may also offer customers Nykredit-branded products.



### Bank lending

The Board of Directors of Nykredit Bank lays down the overall framework for the Bank Group's credit granting in compliance with the credit framework of the Nykredit Group. These have subsequently been translated into a number of credit policies, business procedures and credit granting instructions, etc specific to the individual business areas: Retail Banking, Corporate Banking, Agricultural Customers and Markets & Asset Management.

The Bank's credit risk management complies with the above-mentioned policies, etc.

In connection with each credit application, the Bank performs an individual credit assessment of the customer and the customer's financial position. The scope and nature of the assessment depend on the size of the exposure and the characteristics of the customer's business.

When assessing most retail, corporate and agricultural customers today, the Bank applies internal credit models constituting the most important element of the assessment (internal rating).

In the year ahead, the Bank expects to develop and further refine the credit models to the point where models for the assessment of all relevant customer types have been developed.

Furthermore, the credit models will be adapted to the requirements for the assessment of and provisioning for customers according to the coming IFRS accounting rules.

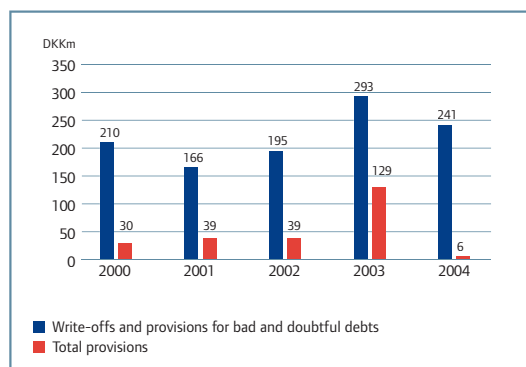
### Bank write-offs and provisions for bad and doubtful debts

Total write-offs and provisions amounted to DKK 241m at end-2004 against DKK 293m in 2003. Relative to the Bank Group's total loans, advances and guarantees at end-2004, total write-offs and provisions were 0.8% against 1.0% at end-2003. Write-offs and provisions for retail banking went up by DKK 0.5m to DKK 132m, while write-offs and provisions from corporate banking fell by DKK 53m to DKK 109m at end-2004.

The effect of write-offs and provisions on operating income was DKK 6m in 2004 against DKK 129m in 2003.

In Nykredit's opinion, the provisions made by the Bank at end-2004 are both necessary and adequate. The adequacy of provisions is estimated by the extent to which losses ascertained individually during the financial year have been covered by the provisions made no later than at the beginning of the financial year in question. For 2004 this key ratio was 93.1 against 87.0 for 2003.

### The Nykredit Bank Group Write-offs and total provisions



### MARKET RISKS

The business activities of the Nykredit Realkredit Group incur a number of different market risks. The core business area - the mortgage lending activities of Nykredit Realkredit and Totalkredit - only incurs very limited market risks as the balance sheet management is subject to the balance principle of the Danish Mortgage Credit Act. The banking activities are regulated by Danish banking legislation and primarily incur limited risks in relation to securities trading. The insurance activities are regulated by Danish insurance legislation and contribute only modestly to the overall market risk. The Group's most significant market risks derive from the investment of Group reserves.

Acting and reporting functions have been segregated. Treasury reports the Group's market risks to the Treasury Committee, while Group Finance reports to the Executive Board, the Board of Directors and the Danish Financial Supervisory Authority.

#### The Nykredit Bank Group Exposures (loans, advances and guarantees) by business sector excluding reverse transactions

| %                   | 2003        | 2004        |
|---------------------|-------------|-------------|
| Retail              | 37%         | 40%         |
| Property management | 31%         | 30%         |
| Other               | 15%         | 12%         |
| Manufacturing       | 13%         | 10%         |
| Credit and finance  | 4%          | 8%          |
| <b>Total</b>        | <b>100%</b> | <b>100%</b> |



Through the Treasury Committee, the Executive Board approves the limits relating to market risks – including interest rate, equity and foreign exchange risks – incurred by the Nykredit Realkredit Group. Treasury is responsible for the Group's overall market risk management and also coordinates the Group's liquidity management.

The management of market risks is based on a strategic asset allocation process where the Treasury Committee approves the overall risk limits. At end-2004 the Nykredit Realkredit Group's benchmarks consisted of an interest-bearing portfolio with an interest rate exposure of DKK 456m in case of an overall change in interest rates of 1 percentage point from which DKK 151m will be deducted, if the acquisition of Totalkredit is completed, as well as an equity portfolio of DKK 3,750m. The benchmark for Nykredit's equity portfolio consists of Danish and European equities.

#### Value-at-Risk

In 2004 the Group implemented daily Value-at-Risk statements for all material market risks. The VaR model is an analytical VaR model which forms an integral part of the treasury management systems.

Nykredit intends to implement VaR limits for day-to-day risk management purposes and to seek the permission of the Danish Financial Supervisory Authority to apply VaR models in the statement of capital requirements regarding market risk in 2005.

#### Parameters of VaR calculations:

- Risk vector: All positions are transformed into a line of risk factors related to equity, interest rate and exchange rate risks.
- Volatilities and correlations: Volatilities and correlations of the above risk factors are retrieved on a day-to-day basis from RiskMetrics.
- Time horizon: Nykredit Realkredit has chosen to calculate VaR over a time horizon of one day, but the figure can be scaled to other horizons.
- Confidence level: Nykredit Realkredit has chosen to calculate VaR subject to a confidence level of 99%, but the figure can be scaled to other confidence levels.

Group VaR declined steadily for most of 2004 both as a result of smaller positions as well as falling volatilities. In 2004 Group VaR ranged between DKK 56m and DKK 115m in terms of a 99% confidence interval over one day. At end-2004 VaR amounted to DKK 76m.

#### Interest rate risk

Through the Treasury Committee, the Executive Board manages interest rate exposure limits of between a negative DKK 200m and a positive DKK 1,600m. Fluctuations in interest rate levels significantly impact

the earnings of Nykredit Realkredit, both in terms of investment portfolio income as a result of the interest rate risk taken and also as a result of increased refinancing activity in connection with pronounced interest rate fluctuations.

In 2004 the Nykredit Realkredit Group's interest rate exposure ranged between DKK 81m and DKK 377m. At end-2004 the interest rate exposure to bonds and financial instruments amounted to DKK 353m from which DKK 151m will be deducted if the acquisition of Totalkredit is completed.

#### Equity risk

Through the Treasury Committee, the Executive Board manages limits for equities of between DKK 0 and DKK 6bn.

The portfolio of strategic Danish bank shares constitutes one of Nykredit's most significant market risks. Nykredit considers the strategic shares to be a long-term business investment. The equity exposure to Danish bank shares ranged between DKK 1.5bn and DKK 2.6bn in 2004.

Nykredit's other equity portfolio ranged between DKK 1.8bn and DKK 3.8bn in 2004.

#### Liquidity risk

Day-to-day liquidity is managed by the individual companies. In Nykredit Realkredit and Totalkredit, major liquidity fluctuations occur in connection with the quarterly settling dates. In such periods, special attention is paid to liquidity to ensure the adequacy hereof for the payment of coupon interest and redemptions to bondholders. As borrowers make repayments the day before Nykredit's settling date as against bondholders at the latest, only late payments incur liquidity risk.

#### Exchange rate risk

Nykredit generally hedges the exchange rate risk of its investments, and therefore currencies other than EUR only incurred negligible exchange rate risks in 2004. Exchange Rate Indicator 2 was between DKK 4m and DKK 6m in 2004.

**INSURANCE RISKS**

The Nykredit Realkredit Group's insurance activities are exclusively concentrated within non-life insurance. The overall responsibility for managing insurance risk rests with the Board of Directors of the Insurance Company. The Board lays down guidelines for the acceptance of insurance risks and principles of reinsurance. The Risk Management Department of the Insurance Company has the day-to-day responsibility for the management of insurance risk in cooperation with the insurance technical departments.

In 2004 the Group's incurred insurance risk was stable. The divestment of selected product portfolios in the commercial segment contributed to limiting insurance risks.

**OPERATIONAL RISKS**

The daily handling and management of operational risks in Nykredit have always been a natural part of the business operations. Following the introduction of the new capital adequacy rules, focus on operational risk has increased. It is therefore necessary to coordinate operational risks centrally, although the main responsibility for these still rests with the individual business areas. The Group pursues a policy of limiting operational risk in consideration of the related costs.

In 2003 steps were taken to ensure centralised management and monitoring of the Group's operational events. This work continued in 2004, and tools to support the business areas in their monitoring and handling of operational risks are developed continuously. These tools are primarily of a qualitative nature but will over time make it possible to quantify operational risks.

In 2004 Nykredit updated its contingency plans for the business-critical processes ensuring secure operations in case of a shutdown of the IT supply. The Group's Contingency Committee remains responsible for coordinating the IT preparedness and the business contingency plans.

As a consequence of the regulatory regime related to mortgage banking and the highly standardised mortgage credit products, the operational risks related to this area are inherently limited. The operational risk of the Nykredit Realkredit Group is currently believed to be low. In 2004 no events took place that led to changes in the Group's risk scenario.

**OTHER RISKS**

Apart from the four main types of risk, the Nykredit Realkredit Group is also exposed to a few other and minor risk types. In relation to the determination of the Group's economic capital, models have been developed to assess the scope of risk related to domicile properties and other minor risks.

## Bond issuance

The Nykredit Realkredit Group's bond issuance is dominated by mortgage bonds. The Group has also issued hybrid core capital (Tier 1) for Nykredit Realkredit and subordinate loan capital for Totalkredit as well as bank bonds as part of Nykredit Bank's funding programme.

### RATING

Nykredit Realkredit and the majority of the Group's mortgage bonds as well as the subordinate loan capital have been rated by international rating agencies.

| The Nykredit Realkredit Group |                           |                   |
|-------------------------------|---------------------------|-------------------|
| Rating                        | Moody's Investors Service | Standard & Poor's |
| <b>Nykredit Realkredit</b>    |                           |                   |
| Capital Centre D              | Aaa                       | –                 |
| Capital Centre C              | Aa1                       | –                 |
| Nykredit In General           | Aa1                       | AA                |
| Short, unsecured rating       | P-1                       | A-1               |
| Long, unsecured rating        | Aa3                       | –                 |
| Hybrid core capital (Tier 1)  | A2                        | –                 |
| <b>Totalkredit</b>            |                           |                   |
| Capital Centre C              | Aaa                       | –                 |
| Subordinate loan capital      | A1                        | –                 |

### MORTGAGE BONDS

The Nykredit Realkredit Group is Denmark's largest private bond issuers and among the largest in Europe. At end-2004 the outstanding amount of the Group's mortgage bonds totalled DKK 795bn of which mortgage bonds issued by Nykredit Realkredit amounted to DKK 565bn, while the outstanding amount of mortgage bonds issued by Totalkredit amounted to DKK 230bn. 2004 saw a 14% rise in the total outstanding amount of bonds relative to 2003.

The Nykredit Realkredit Group funds its mortgage lending through the issuance of mortgage bonds, also referred to as covered bonds, on the Copenhagen Stock Exchange. The bonds are issued in accordance with UCITS 22.4 and Danish mortgage credit legislation. The Nykredit Realkredit Group is subject to supervision by the Danish Financial Supervisory Authority

### Bond issuance

The balance principle of the Danish Mortgage Credit Act requires the balancing of lending and bond issuance. Therefore, borrowers' preferences determine the types of bonds issued. At the same time the Group tries, as far as possible, to allow for investor interests in its product development. The latest product launch was capped floating-rate mortgage loans (RenteMax/BoligXlån) and related capped floating-rate bonds at end-2004.

In 2004 the Nykredit Group's bond issuance was still dominated by fixed-rate, callable bonds and fixed-rate non-callable bullet bonds to fund fixed-rate loans in DKK and adjustable-rate loans in DKK and EUR, respectively. In the light of the launch of RenteMax/BoligXlån, the Group expects a substantial part of bond issues in 2005 to be capped floating-rate bonds.

For further information on the Group's bond supply, please visit [www.nykredit.com](http://www.nykredit.com).

The Group's bonds are issued on a day-to-day basis by tap combined with recurring refinancing auctions. The tap issue funds the current funding need arising out of the lending activities. Long-term callable mortgage

bonds are issued in series with 3-year opening periods building liquidity on a current basis. Short-term non-callable bonds are open for issuance throughout their maturity. At the refinancing auctions, fixed-rate non-callable bullet mortgage bonds were sold in connection with the interest rate adjustment of Nykredit and Totalkredit's ARMs (Tilpasningslån and BoligXlån) and capped floating-rate non-callable annuity bonds were sold in connection with the fixing of the interest rate cap of Totalkredit customers' capped floating-rate mortgage loans.

In 2004 the Nykredit Realkredit Group issued bonds of a nominal value of DKK 302bn of which issues in Nykredit Realkredit and Totalkredit accounted for DKK 197bn and DKK 105bn, respectively. Of total gross issuance, DKK 122bn can be ascribed to the refinancing activities in December 2004. The table outlines the distribution by bond type, coupon and time-to-maturity.

The trend towards a higher share of net lending in variable-rate loans continued and was further fuelled

by the possibility of offering private residential interest-only mortgage loans from end-2003. By end-2004 Nykredit Realkredit and Totalkredit had advanced DKK 103bn of interest-only mortgage loans (Pauselån® and BoligXlån) of which 89% was granted as ARMs, while the remaining 11% was granted as fixed-rate mortgage loans. Interest-only mortgage loans now account for 17% of the Group's overall loan portfolio.

In 2004 agricultural customers and other customers with substantial EUR-dependence were largely alone in raising EUR-denominated loans. This is mainly a consequence of the continued relatively strong DKK and the continued narrow interest rate spread between EUR and DKK in 2004. The total outstanding amount of EUR-denominated bonds was nearly DKK 74bn at end-2004. Consequently, Nykredit Realkredit still accounted for the majority of EUR-denominated lending and therefore the largest outstanding amount of EUR-denominated mortgage bonds.

With the introduction of floating-rate loans with 30-year interest rate caps (RenteMax/BoligXlån) in November 2004, the bond supply broadened with the related capped floating-rate callable bonds. The launch of the new bonds is expected to further change the composition of the outstanding amount of bonds as the new loan type enables borrowers to take advantage of the low short-term interest rates in addition to capping future mortgage repayments. The Nykredit Realkredit Group expects higher issuance levels within the capped floating-rate bonds (RenteMax/BoligX) in connection with borrowers remortgaging from fixed-rate loans in 2005.

The refinancing of adjustable-rate mortgages in December 2004 totalled DKK 122bn of which 1-year bonds in DKK and EUR equalled DKK 112bn or 92%. Total EUR issues amounted to DKK 29bn. Although the auction was the largest in the history of the Nykredit Realkredit Group, it had a bid-to-cover rate of over 3. The oversubscription emphasises the high level of interest in the Group's non-callable bullet mortgage bonds. For further details on the Group's refinancing auctions in December 2004, visit [www.nykredit.com](http://www.nykredit.com).

As a consequence of the interest rate adjustment of ARMs and the accompanying refinancing auctions in December, the outstanding amount of short-term bonds was extraordinarily high at year-end. This was primarily a result of the issuance of new bonds in connection with the refinancing auctions in December in replacement of the short-term bonds that do not mature before 1 January 2005.

| <b>The Nykredit Realkredit Group</b>                            |             |             |
|---|-------------|-------------|
| <b>Gross issuance by bond type, coupon and time-to-maturity</b> |             |             |
| DKKm/%  | 2003        | 2004        |
| Total nominal gross issuance                                    | 283,137     | 301,776     |
| – Of which refinancing  | 70,291      | 122,158     |
| <b>Bond types</b>   |             |             |
| Fixed-rate callable mortgage bonds:                             |             |             |
| – Non-interest-only   | 46.7%       | 22.6%       |
| – Interest-only   | 0.6%        | 3.5%        |
| Non-callable bullet mortgage bonds:                             |             |             |
| – Non-callable DKK-denominated bullet bonds                     | 36.4%       | 58.9%       |
| – Non-callable EUR-denominated bullet bonds                     | 10.7%       | 11.6%       |
| Floating-rate mortgage bonds:                                   |             |             |
| – BoligX bonds, XV  | 5.6%        | 2.8%        |
| – RenteMax/BoligX bonds   | 0.0%        | 0.6%        |
| – Other floating-rate mortgage bonds                            | 0.0%        | 0.0%        |
| Index-linked  | 0.0%        | 0.0%        |
| <b>Total</b>  | <b>100%</b> | <b>100%</b> |
| <b>Coupon</b>   |             |             |
| 2%  | 24.7%       | 0.0%        |
| 3%  | 0.8%        | 0.9%        |
| 4%  | 28.3%       | 76.1%       |
| 5%  | 40.2%       | 19.6%       |
| 6%  | 0.4%        | 0.0%        |
| 7%  | 0.0%        | 0.0%        |
| 8%  | 0.0%        | 0.0%        |
| Other including capped floating-rate                            | 5.6%        | 3.4%        |
| <b>Total</b>  | <b>100%</b> | <b>100%</b> |
| <b>Time-to-maturity</b>   |             |             |
| Under 10 years  | 51.6%       | 72.1%       |
| – excluding refinancing   | 26.8%       | 31.6%       |
| 10-19 years   | 6.3%        | 4.3%        |
| 20-29 years   | 10.5%       | 4.7%        |
| 29 years and above  | 31.6%       | 18.9%       |
| <b>Total</b>  | <b>100%</b> | <b>100%</b> |

**The Nykredit Realkredit Group****Outstanding amount of bonds by bond type, coupon and time-to-maturity**

| DKKm/%  | 2003        | 2004        |
|---|-------------|-------------|
| Total nominal gross issuance, DKKm              | 697,743     | 795,230     |
| <b>Bond types</b>                               |             |             |
| Fixed-rate callable mortgage bonds:             |             |             |
| – Non-interest-only                             | 51.9%       | 41.8%       |
| – Interest-only                                 | 0.2%        | 1.5%        |
| Non-callable bullet mortgage bonds:             |             |             |
| – Non-callable DKK-denominated bullet bonds     | 25.5%       | 36.8%       |
| – Non-callable EUR-denominated bullet bonds     | 9.9%        | 9.3%        |
| Floating-rate mortgage bonds:                   |             |             |
| – BoligX bonds, XV                              | 6.1%        | 5.0%        |
| – RenteMax/BoligX bonds                         | 0.0%        | 0.2%        |
| Index-linked                                    | 6.4%        | 5.4%        |
| <b>Total</b>                                    | <b>100%</b> | <b>100%</b> |
| <b>Coupon</b>                                   |             |             |
| 2%  | 10.0%       | 8.4%        |
| 3%  | 0.3%        | 0.6%        |
| 4%  | 28.4%       | 41.9%       |
| 5%  | 26.4%       | 26.9%       |
| 6%  | 18.2%       | 9.5%        |
| 7%  | 3.1%        | 1.5%        |
| 8%  | 0.3%        | 0.2%        |
| Capped floating-rate                            | 6.1%        | 5.2%        |
| Other including index-linked                    | 7.2%        | 5.8%        |
| <b>Total</b>                                    | <b>100%</b> | <b>100%</b> |
| <b>Time-to-maturity</b>                         |             |             |
| Under 10 years                                  | 40.5%       | 49.8%       |
| – excluding bonds maturing at beginning of year | 21.6%       | 32.1%       |
| 10-19 years                                     | 7.1%        | 6.3%        |
| 20-29 years                                     | 17.3%       | 12.4%       |
| 29 years and above                              | 35.1%       | 31.5%       |
| <b>Total</b>                                    | <b>100%</b> | <b>100%</b> |

Nykredit Realkredit has decided to break up its interest rate adjustment procedures into three annual auctions in future. The interest rates of new loans with one annual interest rate adjustment disbursed from 1 April 2005 will be adjusted in March or September. The adjustment procedures in December will be maintained with respect to existing loans. It is expected to take a number of years before issues are equally distributed.

In recent years the composition of the Nykredit Realkredit Group's outstanding amount of bonds has changed because of the expanded product supply and the low interest rate levels. The table outlines the composition and changes hereto.

The Nykredit Realkredit Group has a market share of 42% of the outstanding mortgage bonds listed on the Copenhagen Stock Exchange. The total outstanding amount of Danish mortgage bonds amounted to DKK 1,895bn at end-2004. The Group's high market share contributes to ensuring a large volume in the Group's series despite the high product development activity and subsequent broad-based product range.

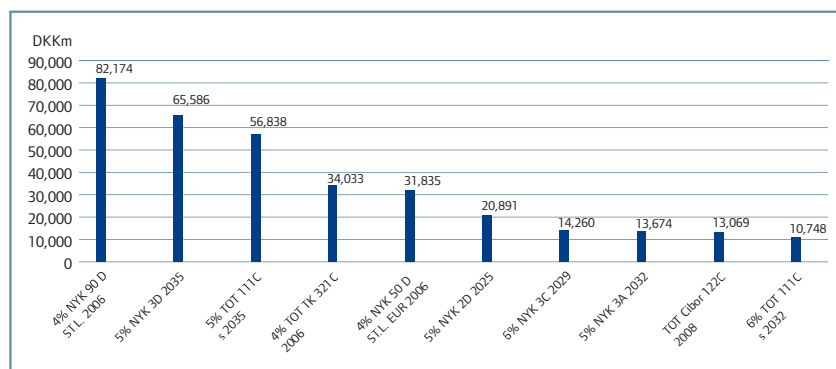
**Liquidity**

The Nykredit Realkredit Group strives to build large, liquid bond series within the framework of borrowers' product preferences in order to obtain an effective pricing of the Group's bonds for the benefit of the Group's customers.

Liquidity is secured through a market making agreement between a number of the members of the Copenhagen Stock Exchange. Furthermore, Nykredit Bank quotes prices in the retail market on Nykredit Realkredit and Totalkredit's liquid bond series. The future joint funding between Nykredit Realkredit and Totalkredit will also underpin the size of and liquidity in the Group's bond series.

The fact that 73% of the Group's outstanding amount of bonds belong to 26 series with outstanding amounts of more than DKK 7bn further underscores the depth and liquidity in the Group's bond series.

Among fixed-rate long-term callable mortgage bonds, liquidity in 5% 2035 bonds was further underpinned in 2004 by continued low yield levels although prepayments in higher coupons were lower than in 2003. At end-2004 the outstanding amount in Nykredit Realkredit's and Totalkredit's 5% 2035 bonds totalled DKK 122bn equal to nearly 36% of the Group's total outstanding amount of fixed-rate long-term callable mortgage bonds. In December 2004 the price of 5% 2035 bonds went over par (100), and the bond was closed for loan offers and issuance.

**The Nykredit Realkredit Group's largest series on the Copenhagen Stock Exchange**

Total turnover in the Group's mortgage bonds listed on the Copenhagen Stock Exchange in 2004 amounted to DKK 2,117bn in nominal terms and DKK 2,131bn in market value terms equal to an average daily turnover (market value) of DKK 8bn and based on a total of 334,118 trades in 2004. Turnover in the Group's mortgage bonds on the Copenhagen Stock Exchange accounted for 46% of total turnover in Danish mortgage bonds in 2004.

Liquidity in the Danish bond market was further consolidated by the unified-market structure of the Danish mortgage bond market. See also [www.nykredit.com](http://www.nykredit.com).

**Security and rating**

Issues for the funding of Nykredit Realkredit's lending are made in Aaa-rated mortgage bonds out of Nykredit Realkredit's Capital Centre D. Correspondingly, issues to fund Totalkredit's lending are made in Aaa-rated mortgage bonds out of Totalkredit's Capital Centre C. Furthermore, the bonds issued out of Nykredit's Capital Centre C and by Nykredit In General are Aa1-rated.

At end-2004 78% of the Nykredit Realkredit Group's outstanding amount of mortgage bonds were Aaa-

rated, 16% Aa1-rated, while the remaining old bonds have not been rated.

A description of the security behind the Danish mortgage bond market and the Danish mortgage credit legislation can be found at [www.nykredit.com](http://www.nykredit.com).

**Bond investors**

The Nykredit Realkredit Group sells its mortgage bonds to all types of Danish and international investors. The ownership share of commercial and mortgage banks rises continuously and currently constitutes 50%. The rise has taken place mainly at the expense of the ownership share of insurance companies and pension funds, whereas the shares of foreign as well as private- and public-sector bondholders were stable.

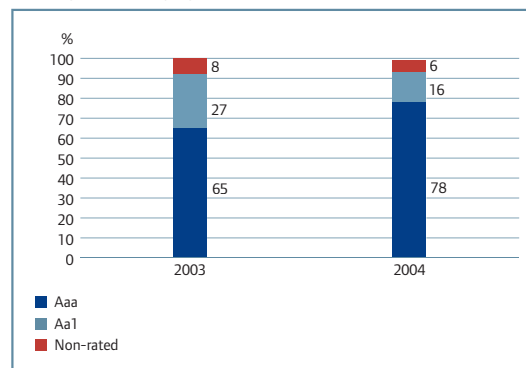
The rise in the ownership share of commercial and mortgage banks follows from their use of short-term non-callable bullet mortgage bonds as money market instruments, and the trend towards a growing share of short-term non-callables at the expense of long-term callables therefore affects the investor mix of Danish mortgage banks. However, repo trades also impact the real ownership shares as the bond ownership passes to the counterpart bank if investors pledge bonds for the purpose of a repo trade.

Foreign investors' interest in Danish mortgage bonds was further supported by the inclusion of selected Danish non-callable mortgage bonds on 1 July 2004 into the Lehman Brothers' bond indices. The general market development with high Danish mortgage bond prices had the opposite effect, and the outcome was an overall rise in the foreign ownership of the Group's mortgage bonds of nearly DKK 13bn equal to an unchanged foreign ownership share in 2004 relative to 2003 due to the rise in the total outstanding amount of bonds.

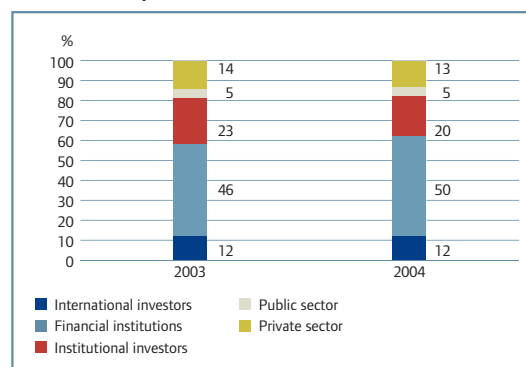
In terms of overall foreign investments in Danish mortgage bonds, the Nykredit Realkredit Group maintained its market dominance with a share of total foreign investments in Danish mortgage bonds of around 50%.

The Nykredit Realkredit Group's diversified bondholders help secure an effective pricing of the Group's benchmark bonds. In 2005 the Group will continue to focus on its investor relations activities to ensure a continuous high flow of information to investors. The Nykredit Realkredit Group publishes information about the Group's funding activities and Danish mortgage credit legislation for investors and other interested parties at [www.nykredit.com](http://www.nykredit.com).

**The Nykredit Realkredit Group  
Rating of mortgage bonds**



**The Nykredit Realkredit Group  
Investor composition**



**NYKREDIT REALKREDIT'S HYBRID CORE CAPITAL**

In September 2004 Nykredit Realkredit raised a bullet bond loan of EUR 500m equal to DKK 3,696m through an issue targeted at European institutional investors. The loan is a perpetual issue with an early redemption option exercisable in 2014 at par. The loan carries a fixed rate for the first 10 years after which the loan will carry a floating rate.

The bonds, which are listed on the Luxembourg Stock Exchange, have been issued as perpetual hybrid core capital and form part of the Group's capital resources in line with capital and reserves.

The bonds are rated A2 by Moody's.

**TOTALKREDIT'S SUBORDINATE LOAN CAPITAL**

Totalkredit has subordinate loan capital in the form of bond loans totalling EUR 350m equal to DKK 2.6bn. The subordinate loan capital comprises two loans. In May 2001 Totalkredit raised a loan of a total of EUR 150m and in December 2002 a loan of a total of EUR 200m. The bonds carry 3-month floating interest rates with the addition of a fixed spread. The bonds have a maximum maturity of 8 years. However, Totalkredit may redeem the bonds at par in the fifth year from the year of issue.

The bonds, which are listed on the Luxembourg Stock Exchange, have been issued as subordinate loan capital and included in Totalkredit's capital base.

The bonds are rated A1 by Moody's.

**NYKREDIT BANK BONDS**

In December 2003 Nykredit Bank issued a 5-year DKK-denominated bond of a nominal DKK 325m.

The issue, which is listed on the Copenhagen Stock Exchange, forms part of the Bank's funding programme, and the amount may subsequently be raised through new issues. The bond carries a 3-month floating interest rate.

The bonds are not rated.



## Group entities

### NYKREDIT HOLDING A/S

Nykredit Holding is the Parent Company of Nykredit Realkredit.

The Company's main activity is the ownership of Nykredit Realkredit. Furthermore, Nykredit Holding has issued guarantees covering pre-fixed loss amounts to entities such as Nykredit Bank.

The results of the Parent Company for 2004 were a loss before tax of DKK 37m excluding the results from the subsidiary Nykredit Realkredit.

The Annual Report of Nykredit Holding has not been included in the Annual Report of the Nykredit Realkredit Group.

### NYKREDIT REALKREDIT A/S

#### Results

Nykredit Realkredit reported a profit before tax of DKK 4,334m for 2004 against DKK 4,412m in 2003. Profit after tax came to DKK 3,209m against DKK 3,275m the year before.

Results for 2004 reflect more normalised activity levels compared with the record-highs of 2003 contributing

to a small decrease in core income from lending. Results also showed a decrease in investment portfolio income of DKK 586m and the full-year effect of goodwill amortisation related to Totalkredit of DKK 184m. By contrast, results for 2004 were also positively affected by substantial income from write-offs and provisions for bad and doubtful debts as a result of the reversal of provisions and a small decrease in operating costs.

### PROFIT AND LOSS ACCOUNT

#### Core income from lending and securities

Mortgage Bank core income from lending and securities was DKK 3,753m, down DKK 134m on the year before.

#### Core income from lending

Mortgage Bank core income from lending was DKK 3,101m, down DKK 71m on the year before.

#### Core income from securities

Core income from securities fell by DKK 63m to DKK 652m because of a decrease in average money market rates of 0.3% to 2.1% in 2004.

#### Operating costs, depreciation and amortisation

Total costs incurred by the Mortgage Bank including costs related to the investment function and the share of other operating income amounted to DKK 2,327m in 2004 - up DKK 169m on 2003.

Staff costs came to DKK 1,234m in 2004 against DKK 1,161m the year before. In 2004 staff costs were affected by a changed capitalisation of the pension fund for Forenede Kreditforeninger. Adjusted for this, wage costs rose slightly by DKK 23m or 2.0%.

Other administrative expenses were DKK 849m in 2004 against DKK 923m the year before. The decrease is related to a high expenditure level in 2003 as a result of massive refinancing activity and start-up costs related to Basel II.

Amortisation and depreciation of intangible and tangible assets went up by DKK 169 to DKK 248m. DKK 184m of the rise can be ascribed to goodwill amorti-

| Nykredit Realkredit                                  |              |              |
|--|--------------|--------------|
| Core earnings and investment portfolio income        |              |              |
| DKK million  | 2003         | 2004         |
| <b>Core income from:</b>                             |              |              |
| Lending  | 3,172        | 3,101        |
| Securities   | 715          | 652          |
| <b>Total</b>   | <b>3,887</b> | <b>3,753</b> |
| Operating costs, depreciation and amortisation       | 2,111        | 2,093        |
| Goodwill amortisation                                | 28           | 212          |
| <b>Core earnings before write-offs</b>               | <b>1,748</b> | <b>1,448</b> |
| Write-offs and provisions for bad and doubtful debts | 49           | (408)        |
| Profit from equity investments                       | 544          | 895          |
| <b>Core earnings after write-offs</b>                | <b>2,243</b> | <b>2,751</b> |
| Investment portfolio income                          | 2,169        | 1,583        |
| <b>Profit on ordinary activities before tax</b>      | <b>4,412</b> | <b>4,334</b> |
| Tax  | 1,137        | 1,125        |
| <b>Net profit for the year</b>                       | <b>3,275</b> | <b>3,209</b> |



sation. In turn, the item was positively impacted by a reversal of DKK 25m related to a property previously written down.

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

In the Mortgage Bank, write-offs and provisions were positively affected by a substantial reversal of provisions leading to an income of DKK 408m in 2004.

Losses ascertained in relation to loans and advances netted DKK 112m in 2004 of which the majority had been provided for in previous years.

Total provisions at year-end were DKK 1,353m against DKK 1,829m early in the year. Total provisions at end-2004 equalled 0.3% of loans and advances.

#### 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 of subsidiary and associated undertakings was DKK 844m and DKK 281m, respectively. DKK 95m of deferred tax for Nykredit Realkredit has been recognised as a liability against DKK 4m at the beginning of the year. Deferred tax liabilities in part relate to value adjustments in respect of shares and hybrid core capital as well as

differences in the tax and accounting depreciation of fixtures and fittings, leasehold improvements as well as machinery and equipment.

At end-2004 Nykredit Realkredit was party to a pending tax case as the Danish Central Customs and Tax Administration decided in 2004 that Nykredit Realkredit has been liable to tax on profits from the disposal of shares held for trading purposes since 1999. Nykredit Realkredit disagrees with this decision and has appealed against it to the Danish National Tax Tribunal. If every aspect of the case goes against Nykredit Realkredit, an additional expense in the order of DKK 241m relative to the tax charge can be expected.

#### Profit distribution

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 2004 Nykredit continued the profit distribution practice previously applied and adopted by the Board of Directors. Consequently, no series reserves, except Capital Centre D, directly receive any 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 a need to provide for a non-performing mortgage of a pre-1972 series, the series in question will be reduced by an equal amount. The reserve funds of pre-1972 series will therefore 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 requirements is not distributable.

After distribution of net profit for the year, capital and reserves stood at DKK 42,349m at year-end against adjusted capital and reserves of DKK 39,080m at the beginning of the year. Consequently, capital and reserves increased by DKK 3,269m.

| Nykredit Realkredit                          |                         |                      |                          |
|--|-------------------------|----------------------|--------------------------|
| Tax  |                         |                      |                          |
| DKK million                                  | Profit and loss account | Deferred tax – asset | Deferred tax – liability |
| <b>Balance, beginning of financial year</b>  |                         | <b>0</b>             | <b>4</b>                 |
| Tax assessed on income for the year          | 802                     |                      |                          |
| Deferred tax                                 | 55                      |                      | 78                       |
| Adjustment of tax assessed in previous years | (24)                    |                      | 13                       |
| Tax on provisions (total provisions)         | 11                      |                      |                          |
| <b>Total</b>                                 | <b>844</b>              | <b>0</b>             | <b>95</b>                |

| Nykredit Realkredit   |                        |                      |
|---|------------------------|----------------------|
| Development in capital and reserves, beginning to end of year     |                        |                      |
| DKK million   | Distribution of profit | Capital and reserves |
| <b>Adjusted capital and reserves, beginning of financial year</b> |                        | <b>39,080</b>        |
| Profit for the year according to the distribution of profit       | 3,209                  |                      |
| Adjustments relating to domicile property                         | 53                     |                      |
| Transferred from provisions relating to pre-1972 series           | 4                      |                      |
| Other adjustments   | 3                      |                      |
| <b>Transfer to capital and reserves</b>                           |                        | <b>3,269</b>         |
| <b>Capital and reserves, end of financial year</b>                |                        | <b>42,349</b>        |

**Capital adequacy**

The capital adequacy requirements governing Danish mortgage banks are laid down in the Danish Financial Business Act, Part 10. 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 including hybrid core capital and supplementary capital. Core capital equals share capital, repayable or non-repayable reserves in series and other reserves.

The capital requirement is calculated on the basis of a weighting of assets and off-balance sheet items based on 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 resources – Nykredit Realkredit**

At the end of the financial year Nykredit Realkredit's capital base including hybrid core capital after statutory deductions stood at DKK 42,769m against the statutory reserve requirement of DKK 23,822m, equal

to a capital adequacy ratio of 14.4. Accordingly, capital adequacy exceeded the statutory reserve requirement by DKK 18,947m.

**Hybrid core capital – distributable reserves**

Pursuant to the Danish Financial Business Act, a company may not pay interest on debts to creditors unless the company has distributable reserves. Interest comprised by this provision of the Act is interest accrued in the period in which the company has no distributable reserves. Interest payments may not be resumed before the company has distributable reserves again, and only interest accrued from this time may be paid.

Distributable reserves mean earnings retained for previous years and in 2004 as well as reserves that may be distributed as dividend.

In accordance with the Danish Financial Business Act, Nykredit Realkredit's distributable reserves excluding series reserve funds were DKK 20,248m.

**New capital adequacy rules from 2005**

At 1 January 2005 Nykredit Realkredit did not have a capital requirement exceeding the capital adequacy rules.

Nykredit Realkredit's capital requirement has been determined on the basis of advanced models developed for the purpose of the coming Basel II capital adequacy rules and an overall assessment of the Company's risks.

| <b>Nykredit Realkredit</b>  |                |               |
|---|----------------|---------------|
| <b>Capital resources</b>  |                |               |
| DKK million   | 2003           | 2004          |
| Capital base  | 36,047         | 42,769        |
| Weighted assets   | 294,014        | 297,770       |
| <b>Capital adequacy ratio</b>   | <b>12.3</b>    | <b>14.4</b>   |
| <b>Core capital</b>   |                |               |
| Share capital   | 4,814          | 1,182         |
| Reserves in series  | 17,453         | 20,794        |
| Other reserves  | 16,777         | 3,688         |
| Retained earnings   | –              | 16,615        |
| <b>Total</b>  | <b>39,044</b>  | <b>42,279</b> |
| <b>Deductions from core capital</b>                                     |                |               |
| Tax assets capitalised  | –              | –             |
| Intangible assets   | (1,923)        | (2,461)       |
| <b>Total core capital after statutory deductions</b>                    | <b>37,121</b>  | <b>39,818</b> |
| Hybrid core capital   | –              | 3,696         |
| <b>Core capital incl hybrid core capital after statutory deductions</b> | <b>37,121</b>  | <b>43,514</b> |
| <b>Supplementary capital</b>  |                |               |
| Revaluation reserves  | 17             | 70            |
| Reserves in series  | 156            | 138           |
| <b>Total</b>  | <b>173</b>     | <b>208</b>    |
| <b>Deductions</b>   |                |               |
| Equity investments > 10%  | (1,027)        | (616)         |
| Deduction for insurance activities                                      | (220)          | (337)         |
| <b>Total</b>  | <b>(1,247)</b> | <b>(953)</b>  |
| <b>Capital base</b>   | <b>36,047</b>  | <b>42,769</b> |
| <b>Capital requirement involving</b>                                    |                |               |
| - credit risk   | 21,664         | 22,125        |
| - market risk   | 1,857          | 1,697         |
| <b>Total</b>  | <b>23,521</b>  | <b>23,822</b> |
| <b>Excess cover</b>   | <b>12,526</b>  | <b>18,947</b> |

**TOTALKREDIT A/S**

In 2004 Totalkredit realised a profit of DKK 503m before tax and DKK 354m after tax compared with DKK 472m and DKK 341m, respectively, in 2003.

Profit before tax equalled a return on equity of 12.1% against 14.3% in 2003. Capital and reserves subsequently stood at DKK 4,823m at end-2004 against DKK 3,469m at the beginning of the year. On 1 April 2004, Totalkredit realised a capital increase of DKK 1,000m.

Total core income was DKK 628m in 2004 against DKK 543m in 2003.

Core income from lending was affected by a high lending activity. Gross lending landed at DKK 79bn in 2004 against DKK 76bn in 2003. The loan portfolio grew by DKK 33bn to a total of DKK 195bn against DKK 162bn at the beginning of the year. All in all, core income from lending went up to DKK 564m in 2004 relative to DKK 505m in 2003.

Core income from securities posted DKK 64m in 2004 against DKK 38m the year before. The rise was mainly due to the capital increase of DKK 1,000m in April 2004.

Operating costs, depreciation and amortisation were DKK 189m against DKK 165m in 2003. The rise in costs primarily relates to IT expenses but also to activities aiming at strengthening Totalkredit's future position in the market place.

Core earnings after write-offs were DKK 439m against DKK 377m in 2003, and investment portfolio income was DKK 64m against DKK 95m in 2003.

Totalkredit's business concept which is based on local and regional banks being responsible for customer services and individual risk hedging remained unchanged.

The guarantee concept implies that the arranger bank guarantees the part of all loans issued exceeding 60% of the value of the property mortgaged for the first eight years of the loan term.

The costs of loan production and losses are mainly borne by the banks which receive sales and guarantee fees on a current basis. The fees amounted to DKK 681m in 2004 against DKK 576m in 2003.

In 2004 Totalkredit started cooperating with Nykredit Mægler on the sale of guaranteed mortgage loans through the local and regional banks.

At year-end, the balance sheet stood at DKK 243bn against DKK 176bn at end-2003, and Totalkredit's capital adequacy ratio was 9.4, the same as in 2003.

| <b>Totalkredit</b>                                   |                       |            |            |
|--|-----------------------|------------|------------|
| <b>Core earnings and investment portfolio income</b> |                       |            |            |
| DKK million  | 2003<br>(10.11-31.12) | 2003       | 2004       |
| <b>Core income from:</b>                             |                       |            |            |
| Lending  | 68                    | 505        | 564        |
| Securities   | 7                     | 38         | 64         |
| <b>Total</b>   | <b>75</b>             | <b>543</b> | <b>628</b> |
| Operating costs, depreciation and amortisation       | 27                    | 165        | 189        |
| <b>Core earnings before write-offs</b>               | <b>48</b>             | <b>378</b> | <b>439</b> |
| Write-offs and provisions for bad and doubtful debts | 1                     | 1          | 0          |
| <b>Core earnings after write-offs</b>                | <b>47</b>             | <b>377</b> | <b>439</b> |
| Investment portfolio income                          | 20                    | 95         | 64         |
| <b>Profit on ordinary activities before tax</b>      | <b>67</b>             | <b>472</b> | <b>503</b> |
| Tax  | 19                    | 131        | 149        |
| <b>Net profit for the year</b>                       | <b>48</b>             | <b>341</b> | <b>354</b> |

| <b>Totalkredit</b>                          |                |                |
|---|----------------|----------------|
| <b>Summary balance sheet at 31 December</b> |                |                |
| DKK million                                 | 2003           | 2004           |
| Mortgage loans                              | 162,045        | 194,675        |
| Issued bonds                                | 168,042        | 230,310        |
| Subordinate loan capital                    | 2,601          | 2,600          |
| Capital and reserves                        | 3,469          | 4,823          |
| <b>Total assets</b>                         | <b>176,376</b> | <b>242,532</b> |

**THE NYKREDIT BANK GROUP**

The Nykredit Bank Group includes Nykredit Bank A/S (Parent Company), Nykredit Portefølje Bank A/S, Pantebrevsselskabet af 8/8 1995 A/S, Nykredit Finance plc, Nykredit Pantebrevsinvestering A/S and Nykredit Leasing A/S.

In 2004 the Nykredit Bank Group realised a profit before tax of DKK 421m and of DKK 290m after tax compared with DKK 418m and DKK 293m, respectively, in 2003.

In 2004 the Bank saw a positive development in retail and corporate banking activities as well as in own trading and the asset management activities of Markets & Asset Management. By contrast, the low interest rate levels including the low market volatility led to somewhat lower customer trading volumes than the year before.

Bank Group core earnings after write-offs amounted to DKK 382m against DKK 372m the year before, and investment portfolio income came to DKK 39m compared with DKK 46m in 2003.

The return on equity was 14.0% against 14.7% the year before.

Net income from interest, fees and value adjustments amounted to DKK 890m, largely the same as the year before. Other operating income was reduced from DKK 94m to a more ordinary level of DKK 42m.

In 2004 the Bank continued to develop its activities within all business areas. Especially the focus on Markets & Asset Management and the Corporate Banking area contributed to a staff increase from 330 at end-2003 to 402 at end-2004. The increase in the number of staff and the development in the overall business volume resulted in a rise in costs from DKK 441m in 2003 to DKK 504m.

Write-offs and provisions came to DKK 6m against DKK 129m in 2003. The change should be seen in the light of a high provisioning level in 2003 and a continued favourable economic climate in Denmark resulting in less provisions for bad and doubtful debts in regard to both commercial and retail customers.

**Group balance sheet, equity and capital adequacy**

The Group balance sheet amounted to DKK 73.8bn against DKK 72.4bn at end-2003. Loans and advances went up by DKK 0.5bn to almost DKK 23bn. Generally, levels remained unchanged. Nevertheless, retail lending saw a small improvement.

Deposits rose by DKK 5bn to DKK 19bn. The increase is due to a rise in retail deposits of DKK 1.9bn to DKK 6.5bn and increased fixed-term deposits of DKK 3bn net.

Capital and reserves went up from DKK 2,861m to DKK 3,151m. The change can be ascribed to retained earnings. The Group's capital adequacy ratio came to 10.4 against 9.8 the year before.

**The Nykredit Bank Group****Core earnings and investment portfolio income**

| DKK million  | 2003       | 2004       |
|--|------------|------------|
| <b>Core income from:</b>                             |            |            |
| Lending  | 874        | 829        |
| Securities   | 68         | 63         |
| <b>Total</b>   | <b>942</b> | <b>892</b> |
| Operating costs, depreciation and amortisation       | 441        | 504        |
| <b>Core earnings before write-offs</b>               | <b>501</b> | <b>388</b> |
| Write-offs and provisions for bad and doubtful debts | 129        | 6          |
| <b>Core earnings after write-offs</b>                | <b>372</b> | <b>382</b> |
| Investment portfolio income                          | 46         | 39         |
| <b>Profit on ordinary activities before tax</b>      | <b>418</b> | <b>421</b> |
| Tax  | 125        | 131        |
| <b>Net profit for the year</b>                       | <b>293</b> | <b>290</b> |

**The Nykredit Bank Group****Summary balance sheet at 31 December**

| DKK million                                   | 2003          | 2004          |
|---|---------------|---------------|
| Loans and advances                            | 22,276        | 22,763        |
| Bonds and shares                              | 29,536        | 31,440        |
| Debt to credit institutions and central banks | 41,149        | 39,695        |
| Deposits                                      | 14,175        | 19,205        |
| Capital and reserves                          | 2,861         | 3,151         |
| <b>Total assets</b>                           | <b>72,419</b> | <b>73,764</b> |

**NYKREDIT FORSIKRING A/S**

In 2004 Nykredit Forsikring, the Insurance Company, continued its positive development.

The Insurance Company realised a profit of DKK 163m before tax in 2004 and DKK 128m after tax relative to DKK 101m and DKK 71m, respectively, in 2003.

Insurance results went up to DKK 39m against DKK 8m the year before. Insurance results reflect profit before tax adjusted for core income from securities and investment portfolio income. The satisfactory development is the outcome of focus on profitability and costs. On top come satisfactory investment results.

The level of activity remained high in 2004. Total new insurance policies written equalled approximately DKK 380m. Total insurance policies equalled DKK 1.25bn at year-end distributed on approximately 166,000 customers.

The year was spared of any major weather and climate events. The damages caused by the great explosion in a fireworks warehouse in Jutland cost the Insurance Company approximately DKK 10m. The Insurance Company has not had any noteworthy expenses as a result of the natural disaster in South East Asia.

In 2004 the Insurance Company implemented a new strategy in the Commercial Customers area according to which it will be concentrating its efforts within buildings insurance customers. In this connection, an agreement has been concluded with Topdanmark which takes over part of Nykredit Forsikring's portfolio of industrial injury insurance policies. From an overall viewpoint, the new strategic focus affected the annual accounts positively.

Premiums were up by 7% from DKK 1,207m in 2003 to DKK 1,292m in 2004. Premiums earned were DKK 1,219m against DKK 1,136m in 2003 – up some 7%.

The Insurance Company's loss ratio (net of reinsurance) was 78 against 75 in 2003. The industrial injury insurance sector developed in a particularly unfavourable direction, and the run-off loss alone equalled a loss ratio of 4.3. Adjusted for this, the loss ratio for the year was 73.7.

In total, operating costs, depreciation and amortisation showed a fall from DKK 265m to DKK 228m. The decline is mainly attributable to tight cost control.

The combined ratio was 99.8 for 2004 against 102.4 the year before. All in all, core earnings were DKK 65m against DKK 42m in 2003.

After transfer of the profit for the year, capital and reserves stood at DKK 1,507m reflecting a well-consolidated company. Relative to the statutory capital base requirements, determined as the so-called capital adequacy margin, the Insurance Company fulfils this capital requirement approximately five-fold.

| <b>Nykredit Forsikring</b>                           |              |              |
|--|--------------|--------------|
| <b>Core earnings and investment portfolio income</b> |              |              |
| DKK million  | 2003         | 2004         |
| <b>Core income from:</b>                             |              |              |
| Operations   | 1,105        | 1,218        |
| Securities   | 34           | 26           |
| <b>Total</b>   | <b>1,139</b> | <b>1,244</b> |
| Operating costs, depreciation and amortisation       | 265          | 228          |
| Claims payments                                      | 832          | 951          |
| <b>Core earnings</b>                                 | <b>42</b>    | <b>65</b>    |
| Investment portfolio income                          | 59           | 94           |
| Other operating income                               | -            | 4            |
| <b>Profit on ordinary activities before tax</b>      | <b>101</b>   | <b>163</b>   |
| Tax  | 30           | 35           |
| <b>Net profit for the year</b>                       | <b>71</b>    | <b>128</b>   |

| <b>Nykredit Forsikring</b>             |              |             |
|--|--------------|-------------|
| <b>Financial highlights</b>            |              |             |
| DKK million                            | 2003         | 2004        |
| Gross premiums                         | 1,207        | 1,292       |
| Premiums, net of reinsurance           | 1,136        | 1,219       |
| <b>Key ratios (net of reinsurance)</b> |              |             |
| Loss ratio                             | 75.0         | 78.0        |
| Expense ratio                          | 27.4         | 21.8        |
| <b>Combined ratio</b>                  | <b>102.4</b> | <b>99.8</b> |

**Nykredit Bank Hipoteczny**

| DKK million           | 2003 | 2004 |
|-----------------------|------|------|
| Net loss for the year | (11) | (20) |
| Balance sheet total   | 113  | 132  |
| Capital and reserves  | 108  | 103  |

**Nykredit Mægler**

| DKK million             | 2003 | 2004 |
|-------------------------|------|------|
| Net profit for the year | 13   | 38   |
| Balance sheet total     | 168  | 216  |
| Capital and reserves    | 132  | 172  |

**Nykredit Ejendomme**

| DKK million           | 2003  | 2004  |
|-----------------------|-------|-------|
| Net loss for the year | (14)  | (22)  |
| Balance sheet total   | 1,205 | 1,176 |
| Capital and reserves  | 326   | 304   |

**NYKREDIT BANK HIPOTECZNY S.A.**

Nykredit Bank Hipoteczny S.A. was established in 2003.

The loss recorded in 2004 of DKK 20m reflects the fact that the mortgage bank is currently in a start-up phase.

At year-end loans and advances were DKK 83m.

**NYKREDIT MÆGLER A/S**

Nykredit Mægler's core business is to be franchiser of the estate agency chain Nybolig and to cooperate with the estate agency chain Estate.

On 1 January 2004 the company realised a tax-exempt merger with the subsidiary EjendomsRingen A/S.

At end-2004, the agency network comprised 303 estate agencies of which 200 Nybolig and 103 Estate agencies. Furthermore, Nykredit Mægler has so far concluded agreements with another 8 estate agencies that will join the Estate chain in 2005.

Relative to last year, the market for real property was marked by a significant rise in terms of both properties sold and transaction prices. As a result, Nykredit Mægler's franchisees sold more properties in 2004 than expected and captured a higher market share as well.

Profit after tax was DKK 38m, a level that exceeds expectations. Results were affected by both higher income from estate agents as a consequence of the increased level of activity and lower costs.

**NYKREDIT EJENDOMME A/S**

Nykredit Ejendomme's main activities involve the leasing of a number of commercial properties out of which the Nykredit Group operates.

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

Results for 2004 were a loss of DKK 22m compared with a loss of DKK 14m in 2003. Results were negatively affected by the write-down of a fixed asset and increased operating costs.



## Annual Accounts 2004

### ACCOUNTING POLICIES

#### General

The Annual Report for 2004 of Nykredit Realkredit A/S (the Nykredit Realkredit Group) has been prepared in accordance with the Danish Mortgage Credit Act and the executive order of the Danish Financial Supervisory Authority on the presentation of mortgage bank accounts.

The accounting policies applied are unchanged from last year.

#### Consolidation

The Parent Company and the subsidiaries in which Nykredit Realkredit 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 Annual Accounts.

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

“Profit/loss before tax” of the subsidiaries has been recognised under “Profit/loss from investments in associated and subsidiary undertakings”, whereas tax for the year has been entered under “Tax” in the accounts of the Parent Company.

The Consolidated Annual 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 before tax” of the Insurance Group has been recognised under “Profit from investments in associated and subsidiary undertakings”, whereas tax for the year has been entered under “Tax” in the Consolidated Annual Accounts.

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

The book value of investments in associated and subsidiary undertakings has been set off against a proportionate share of capital and reserves of the undertakings at the time of acquisition.

From and including 2003, investments in subsidiaries will be treated in accordance with the acquisition method. In connection with the acquisition of new undertakings, the equity value will be computed at the time of acquisition in accordance with the Group’s accounting policies. Where cost exceeds the equity value computed, the difference will be distributed on the assets and liabilities of the acquired undertakings on the basis of the fair value of such assets and liabilities. Any remaining balance will be capitalised and amortised over the economic life, however, not exceeding 20 years.

Subsidiaries have been included in the consolidated results from the time of acquisition. Divested undertakings have been included up to the time of divestment.

### PROFIT AND LOSS ACCOUNT

#### Core earnings and investment portfolio income

Core earnings comprise core earnings from lending and 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 own portfolio of securities that exceed risk-free money market rates. The results exclude trading costs and administrative expenses 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 recognised as income upon receipt. Administration margin income has been accrued, and the amount relating to the 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 review and risk assessment in order to identify potential loss risks. Provisions for bad and doubtful debts have been made on this basis. Provisions for other exposures have also been made for classes of similar loans on the basis of statistical calculations.

Provisions have been set off against the assets concerned. Losses 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".

#### **Tax**

Tax assessed at the current tax rate of taxable income as well as 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 settles 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 has been distributed between the undertakings concerned relative to their taxable income.

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 tax charge assessed on the taxable income, 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 recognised 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 recognised 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 recognised 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 marked to market at year-end. Swaps concluded to hedge interest rate and foreign exchange risks on certain fixed-rate loans and advances or bonds issued have not been marked to market.

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

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

#### **Repo/reverse**

Bonds sold as part of sales and repurchase transactions have been recognised 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. In connection with index-linked loans, indexation of the mortgages 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 loans secured on non-foreclosed properties**

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

**Leased assets**

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

Income from finance leases consisting of lease rental less depreciation has been recognised under "Interest receivable", whereas income from operating leases, ie the lease rental for the year, has been credited to "Other operating income". Depreciation relating to assets held under operating leases has been charged under "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 where 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 recognised 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 times-to-maturity of the bonds.

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

**Shares**

Quoted shares have been entered at the official prices quoted at year-end, whereas unquoted shares have been entered at fair value based on generally accepted measurement methods.

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

**Investments in associated undertakings**

Investments in associated undertakings have been valued in accordance with the equity method. A proportionate share of the results of the associated undertakings has been recognised as income, and equity investments have been included at the proportionate share of the equity value. Equity investments in credit and finance institutions have been consolidated on a pro rata basis.

**Investments in subsidiary undertakings**

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

**Intangible assets**

Intangible assets, except goodwill, have been capitalised at cost and amortised over the expected useful lives, however, not exceeding 20 years.

Where a connection exists between the costs incurred and future earnings, development costs have been entered under assets.

Goodwill has been capitalised and amortised over the expected economic life, however, not exceeding 20 years.

**Tangible assets**

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

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

Where the market value is considerably above the book value, the properties have been revalued to the higher value if the value increase is estimated 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 based on the expected residual value and the estimated useful lives of the properties.

Leasehold improvements have been recognised at cost less accumulated straight-line depreciation over the expected useful lives – usually five years.

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 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.

Machinery and equipment have been entered at cost less straight-line depreciation against the expected useful life 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**

### **Issued bonds**

Issued bonds have been recognised at nominal value.

Issued index-linked bonds have been recognised at the index value at year-end.

### **Subordinate loan capital**

Fixed-rate subordinate loan capital has been recognised at nominal value. However, premiums and discounts at the time of issue have been accrued over the estimated useful life. Floating-rate subordinate loan capital has been recognised at nominal value.

### **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 has been computed according to the direct method and shows 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 have been settled at market terms or, where no real market exists, on an arm’s length basis. Alternatively, settlements have been made on a cost reimbursement basis.

## Profit and loss accounts for 2004

DKK MILLION

| NYKREDIT REALKREDIT A/S |        |  | Note   | THE NYKREDIT REALKREDIT GROUP |        |
|-------------------------|--------|--|--------|-------------------------------|--------|
| 2003                    | 2004   |  |        | 2004                          | 2003   |
| 26,590                  | 23,529 | Interest receivable  | 1      | 34,735                        | 29,703 |
| 22,752                  | 20,062 | Interest payable   | 2      | 29,442                        | 24,935 |
| 3,838                   | 3,467  | <b>NET INTEREST RECEIVABLE</b>   |        | 5,293                         | 4,768  |
| 167                     | 148    | Dividend from equity investments   |        | 154                           | 175    |
| 841                     | 738    | Fees and commissions receivable  |        | 1,138                         | 955    |
| 245                     | 193    | Fees and commissions payable   |        | 858                           | 268    |
| 4,601                   | 4,160  | <b>NET INCOME FROM INTEREST AND FEES</b>                                     |        | 5,727                         | 5,630  |
| 1,397                   | 1,145  | Value adjustments  | 3      | 1,045                         | 1,408  |
| 18                      | 18     | Other operating income   |        | 173                           | 144    |
| 2,084                   | 2,083  | Staff costs and administrative expenses                                      | 4      | 2,822                         | 2,590  |
| 79                      | 248    | Depreciation, amortisation and write-downs on tangible and intangible assets | 15, 16 | 330                           | 121    |
| 0                       | 0      | Other operating expenses   |        | 2                             | 8      |
| 49                      | (408)  | Write-offs and provisions for bad and doubtful debts                         | 5      | (400)                         | 184    |
| 608                     | 934    | Profit from investments in associated and subsidiary undertakings            | 6      | 202                           | 142    |
| 4,412                   | 4,334  | <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>                              |        | 4,393                         | 4,421  |
| 1,137                   | 1,125  | Tax  | 7      | 1,184                         | 1,146  |
| 3,275                   | 3,209  | <b>NET PROFIT FOR THE YEAR</b>   |        | 3,209                         | 3,275  |
| 0                       | 0      | Minority interests   |        | 0                             | 0      |
| 3,275                   | 3,209  | <b>NET PROFIT FOR THE YEAR EXCLUDING MINORITY INTERESTS</b>                  |        | 3,209                         | 3,275  |
|                         |        | <b>DISTRIBUTION OF PROFIT</b>  |        |                               |        |
| 3,275                   | 3,209  | Net profit for the year  |        |                               |        |
| 3,275                   | 3,209  | <b>Total profit for distribution</b>   |        |                               |        |
| 3,275                   | 3,209  | Transfer to capital and reserves   |        |                               |        |
| 3,275                   | 3,209  | <b>Total distribution</b>  |        |                               |        |

## Balance sheets at 31 December 2004

DKK MILLION

| NYKREDIT REALKREDIT A/S |         | THE NYKREDIT REALKREDIT GROUP                                  |                |         |         |
|-------------------------|---------|--|----------------|---------|---------|
| 2003                    | 2004    |  | Note           | 2004    | 2003    |
|                         |         | <b>ASSETS</b>  |                |         |         |
| 19                      | 6       | <b>Cash in hand and demand deposits with central banks</b>     | 8              | 31      | 1,271   |
| 53,064                  | 41,804  | <b>Balances due from credit institutions and central banks</b> | 9, 23, 24      | 52,586  | 61,372  |
|                         |         | <b>Loans and advances</b>                                      |                |         |         |
| 424,619                 | 427,222 | Mortgage loans   |                | 621,897 | 586,664 |
| 1,170                   | 1,145   | Other loans and advances                                       |                | 24,106  | 23,577  |
| 425,789                 | 428,367 | <b>Total loans and advances</b>                                | 10, 23, 24     | 646,003 | 610,241 |
| 101,574                 | 155,160 | <b>Bonds</b>   | 11, 13, 23, 24 | 219,928 | 137,135 |
| 5,391                   | 5,593   | <b>Shares</b>  | 12, 13, 14     | 5,682   | 5,470   |
| 314                     | 376     | <b>Investments in associated undertakings</b>                  | 14             | 444     | 386     |
| 6,605                   | 8,812   | <b>Investments in subsidiary undertakings</b>                  | 14             | 1,507   | 1,380   |
| 1,922                   | 2,461   | <b>Intangible assets</b>                                       | 15             | 2,464   | 1,923   |
| 404                     | 481     | <b>Tangible assets</b>   | 16             | 1,780   | 1,740   |
| 3,486                   | 2,509   | <b>Other assets</b>  | 17, 24         | 8,439   | 8,017   |
| 102                     | 96      | <b>Prepayments</b>   |                | 103     | 108     |
| 598,670                 | 645,665 | <b>TOTAL ASSETS</b>  |                | 938,967 | 829,043 |
|                         |         | <b>LIABILITIES AND EQUITY</b>                                  |                |         |         |
| 8,602                   | 17,160  | <b>Debt to credit institutions and central banks</b>           | 18, 23, 24     | 44,069  | 37,185  |
| 0                       | 0       | <b>Deposits</b>  | 23             | 19,119  | 14,139  |
| 529,700                 | 564,920 | <b>Issued bonds</b>  | 19, 24         | 795,555 | 698,067 |
| 20,935                  | 17,109  | <b>Other liabilities</b>                                       | 20, 24         | 30,108  | 35,922  |
| 0                       | 0       | <b>Deferred income</b>   |                | 16      | 18      |
| 372                     | 431     | <b>Provisions for liabilities</b>                              | 21             | 446     | 401     |
| 0                       | 3,696   | <b>Subordinate loan capital</b>                                | 22             | 6,296   | 2,601   |
| 0                       | 0       | <b>Minority interests</b>                                      |                | 1,009   | 1,649   |
|                         |         | <b>Capital and reserves</b>                                    |                |         |         |
| 1,182                   | 1,182   | Share capital  |                | 1,182   | 1,182   |
| 3,632                   | 0       | Share premium account  |                | 0       | 3,632   |
| 0                       | 56      | Reserve for net revaluation according to the equity method     |                | 0       | 0       |
|                         |         | <b>Other reserves</b>  |                |         |         |
| 17,453                  | 20,794  | Reserves in series   |                | 20,794  | 17,453  |
| 16,777                  | 3,632   | Other reserves   |                | 3,650   | 16,739  |
| 17                      | 70      | Revaluation reserves   |                | 108     | 55      |
| 0                       | 16,615  | Retained earnings  |                | 16,615  | 0       |
| 39,061                  | 42,349  | <b>Total capital and reserves</b>                              |                | 42,349  | 39,061  |
| 598,670                 | 645,665 | <b>TOTAL LIABILITIES AND EQUITY</b>                            |                | 938,967 | 829,043 |
|                         |         | <b>OFF-BALANCE SHEET ITEMS</b>                                 |                |         |         |
| 0                       | 0       | Guarantees   | 25             | 3,429   | 1,426   |
| 1,208                   | 1,560   | Other commitments  |                | 3,443   | 3,502   |
| 1,208                   | 1,560   | <b>TOTAL</b>   |                | 6,872   | 4,928   |

## Movements in capital

DKK MILLION

NYKREDIT REALKREDIT A/S

|  | Share capital | Share premium account <sup>1)</sup> | Reserves in series | Other reserves | Reserve for net revaluation according to the equity method | Revaluation reserves | Retained earnings | 2004 Total    | 2003 Total    |
|--|---------------|-------------------------------------|--------------------|----------------|--|----------------------|-------------------|---------------|---------------|
| <b>Balance, beginning of year</b>                          | <b>1,182</b>  | <b>3,632</b>                        | <b>17,453</b>      | <b>16,777</b>  | <b>0</b>   | <b>17</b>            | <b>0</b>          | <b>39,061</b> | <b>34,479</b> |
| Adjustments concerning changed accounting policies         |               |                                     |                    |                |  |                      |                   |               | 160           |
| Other adjustments  |               |                                     |                    | 19             |  |                      |                   | 19            | (6)           |
| <b>Adjusted balance, beginning of year</b>                 | <b>1,182</b>  | <b>3,632</b>                        | <b>17,453</b>      | <b>16,796</b>  | <b>0</b>   | <b>17</b>            | <b>0</b>          | <b>39,080</b> | <b>34,633</b> |
| Capital increase   |               |                                     |                    |                |  |                      |                   | -             | 1,150         |
| Share premium account to other reserves                    |               | (3,632)                             |                    | 3,632          |  |                      |                   | 0             | 0             |
| Net profit for the year pursuant to profit distribution    |               |                                     |                    |                | 56   |                      | 3,153             | 3,209         | 3,275         |
| Adjustments pursuant to capital adequacy requirements      |               |                                     | 3,341              | (16,796)       |  |                      | 13,455            | 0             | 0             |
| Brought forward from provisions concerning pre-1972 series |               |                                     |                    |                |  |                      | 4                 | 4             | 7             |
| Adjustments relating to associated undertakings            |               |                                     |                    |                |  |                      | 3                 | 3             | (4)           |
| Adjustments relating to domicile properties                |               |                                     |                    |                |  | 53                   |                   | 53            | 0             |
| <b>Balance, year-end</b>                                   | <b>1,182</b>  | <b>0</b>                            | <b>20,794</b>      | <b>3,632</b>   | <b>56</b>  | <b>70</b>            | <b>16,615</b>     | <b>42,349</b> | <b>39,061</b> |

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

1) Share premium will be undistributable until the Company's Annual General Meeting on 14 April 2005.

Net profit for the year has previously been transferred to "Other reserves". From this financial year, net profit for the year will be transferred to the equity item "Retained earnings". Figures from previous years have been restated.

## CAPITAL ADEQUACY

| NYKREDIT REALKREDIT A/S |                |   | THE NYKREDIT REALKREDIT GROUP |                |
|-------------------------|----------------|---|-------------------------------|----------------|
| 2003                    | 2004           |   | 2004                          | 2003           |
| 37,121                  | 43,514         | Core capital after statutory deductions   | 44,482                        | 38,727         |
| 36,047                  | 42,769         | Capital base after statutory deductions   | 46,152                        | 40,068         |
| 270,805                 | 276,558        | Weighted items not included in the trading book including off-balance sheet items | 366,024                       | 349,211        |
| 23,209                  | 21,212         | Weighted items involving market risk  | 35,311                        | 33,330         |
| <b>294,014</b>          | <b>297,770</b> | <b>Total weighted items</b>   | <b>401,335</b>                | <b>382,541</b> |
| <b>12.6</b>             | <b>14.6</b>    | <b>Core capital ratio</b>   | <b>11.1</b>                   | <b>10.1</b>    |
| <b>12.3</b>             | <b>14.4</b>    | <b>Capital adequacy ratio</b>   | <b>11.5</b>                   | <b>10.5</b>    |

## Core earnings and investment portfolio income

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THE NYKREDIT REALKREDIT  
GROUP

|  | 2004          |                             |              | 2003          |                             |              |
|--|---------------|-----------------------------|--------------|---------------|-----------------------------|--------------|
|  | Core earnings | Investment portfolio income | Total        | Core earnings | Investment portfolio income | Total        |
| Net interest receivable  | 4,741         | 552                         | 5,293        | 3,906         | 862                         | 4,768        |
| Dividend on equity investments   | 1             | 153                         | 154          | 8             | 167                         | 175          |
| Fees and commissions receivable, net   | 331           | (51)                        | 280          | 725           | (38)                        | 687          |
| <b>Net income from interest and fees</b>                                     | <b>5,073</b>  | <b>654</b>                  | <b>5,727</b> | <b>4,639</b>  | <b>991</b>                  | <b>5,630</b> |
| Value adjustments  | 169           | 876                         | 1,045        | 137           | 1,271                       | 1,408        |
| Other operating income   | 173           | 0                           | 173          | 144           | 0                           | 144          |
| Staff costs and administrative expenses                                      | 2,799         | 23                          | 2,822        | 2,569         | 21                          | 2,590        |
| Depreciation, amortisation and write-downs on tangible and intangible assets | 330           | 0                           | 330          | 121           | 0                           | 121          |
| Other operating expenses   | 2             | 0                           | 2            | 8             | 0                           | 8            |
| Write-offs and provisions for bad and doubtful debts                         | (400)         | 0                           | (400)        | 184           | 0                           | 184          |
| Profit from equity investments   | 163           | 39                          | 202          | 101           | 41                          | 142          |
| <b>Profit on ordinary activities before tax</b>                              | <b>2,847</b>  | <b>1,546</b>                | <b>4,393</b> | <b>2,139</b>  | <b>2,282</b>                | <b>4,421</b> |



## Cash flow statement for 2004

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THE NYKREDIT REALKREDIT  
GROUP

|   | Note | 2004             | 2003            |
|---|------|------------------|-----------------|
| <b>Cash flow from operating activities</b>            |      |                  |                 |
| Interest and fees received                            |      | 32,962           | 29,185          |
| Interest and fees paid                                |      | (28,698)         | (22,814)        |
| Other ordinary payments received                      |      | 173              | 144             |
| Costs paid for staff and suppliers                    |      | (3,354)          | (4,276)         |
| Payments received for debts previously written off    |      | 46               | 51              |
| Tax paid, net   |      | (507)            | (834)           |
| <b>Total</b>  |      | <b>622</b>       | <b>1,456</b>    |
| <b>Cash flow from investing activities</b>            |      |                  |                 |
| Loans and advances disbursed                          |      | (182,964)        | (182,284)       |
| Repayments on loans and advances                      |      | 148,123          | 168,467         |
| Net investment in bonds                               |      | (90,193)         | (5,419)         |
| Net investment in shares and other equity investments |      | 871              | (499)           |
| Dividend received                                     |      | 154              | 175             |
| Net investment in tangible and intangible assets      |      | (234)            | (137)           |
| Net investment in foreclosed properties               |      | 28               | (16)            |
| Net investment in undertaking                         |      | (775)            | (271)           |
| <b>Total</b>  |      | <b>(124,990)</b> | <b>(19,984)</b> |
| <b>Cash flow from financing activities</b>            |      |                  |                 |
| Issue of bond loans                                   |      | 303,824          | 265,718         |
| Drawing of bond loans                                 |      | (205,569)        | (226,665)       |
| Adjustments to short-term borrowing                   |      | 12,043           | (6,192)         |
| Issue of shares                                       |      | 0                | 1,150           |
| Subordinate loan capital                              |      | 3,919            | 4               |
| <b>Total</b>  |      | <b>114,217</b>   | <b>34,015</b>   |
| <b>Total cash flow</b>                                |      | <b>(10,151)</b>  | <b>15,487</b>   |
| Cash and cash equivalents, beginning of year          |      | 62,643           | 47,092          |
| Currency translation adjustment of cash               |      | 125              | 64              |
| <b>Cash and cash equivalents, year-end</b>            |      | <b>52,617</b>    | <b>62,643</b>   |
| Cash and cash equivalents, year-end, consist of:      |      |                  |                 |
| Cash in hand  |      | 31               | 1,271           |
| Balances due from credit institutions                 |      | 52,586           | 61,372          |
| <b>Cash and cash equivalents, year-end</b>            |      | <b>52,617</b>    | <b>62,643</b>   |

## Notes

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| NYKREDIT REALKREDIT A/S   |               | THE NYKREDIT REALKREDIT GROUP                           |               |               |
|---|---------------|---|---------------|---------------|
| 2003  | 2004          | 2004  | 2003          |               |
| <b>1. INTEREST RECEIVABLE</b>   |               |   |               |               |
| 643   | 490           | Balances due from credit institutions and central banks | 713           | 803           |
| 22,274  | 19,452        | Loans and advances                                      | 28,498        | 24,441        |
| 2,111   | 2,138         | Administration margin (income)                          | 3,010         | 2,111         |
| Bonds   |               |   |               |               |
| 470   | 316           | - Own mortgage bonds                                    | 1,039         | 763           |
| 467   | 463           | - Other mortgage bonds                                  | 785           | 918           |
| 389   | 446           | - Government bonds                                      | 463           | 407           |
| 23  | 33            | - Other bonds   | 175           | 144           |
| Derivative financial instruments  |               |   |               |               |
| (16)  | 23            | - Foreign exchange contracts                            | 11            | 23            |
| 88  | 56            | - Interest rate contracts                               | (61)          | (21)          |
| 141   | 112           | Other interest receivable                               | 102           | 114           |
| <b>26,590</b>   | <b>23,529</b> | <b>Total</b>  | <b>34,735</b> | <b>29,703</b> |
| <b>Of which interest receivable from genuine purchase and resale transactions entered as:</b> |               |   |               |               |
| 101   | 135           | Balances due from credit institutions and central banks | 345           | 424           |
| 0   | 0             | Loans and advances                                      | 90            | 67            |
| <b>2. INTEREST PAYABLE</b>  |               |   |               |               |
| 300   | 375           | Credit institutions and central banks                   | 994           | 1,036         |
| 0   | 0             | Deposits  | 468           | 409           |
| 22,155  | 19,434        | Issued bonds  | 27,662        | 23,206        |
| 0   | 51            | Subordinate loan capital                                | 135           | 12            |
| 297   | 202           | Other interest payable                                  | 183           | 272           |
| <b>22,752</b>   | <b>20,062</b> | <b>Total</b>  | <b>29,442</b> | <b>24,935</b> |
| <b>Of which interest payable from genuine sale and repurchase transactions entered as:</b>    |               |   |               |               |
| 138   | 280           | Debt to credit institutions and central banks           | 538           | 442           |
| 0   | 0             | Deposits  | 32            | 30            |
| <b>3. VALUE ADJUSTMENTS</b>   |               |   |               |               |
| Bonds   |               |   |               |               |
| 230   | 211           | - Own mortgage bonds                                    | 267           | 302           |
| (34)  | 111           | - Other mortgage bonds                                  | 264           | 11            |
| (25)  | (23)          | - Government bonds                                      | (96)          | (25)          |
| (7)   | 18            | - Other bonds   | 99            | 45            |
| 1,383   | 1,103         | Shares  | 1,140         | 1,399         |
| 3   | 2             | Fixed-rate loans and advances                           | 26            | 29            |
| 7   | 8             | Foreign exchange  | 125           | 64            |
| Derivative financial instruments  |               |   |               |               |
| 2   | (1)           | - Foreign exchange contracts                            | 7             | 20            |
| (216)   | (244)         | - Interest rate contracts                               | (607)         | (462)         |
| 46  | (76)          | - Share contracts                                       | (75)          | 40            |
| 8   | 36            | - Other contracts                                       | (105)         | (15)          |
| <b>1,397</b>  | <b>1,145</b>  | <b>Total</b>  | <b>1,045</b>  | <b>1,408</b>  |

## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S  |              | THE NYKREDIT REALKREDIT GROUP |              |
|--|--------------|-------------------------------|--------------|
| 2003   | 2004         | 2004                          | 2003         |
| <b>4. STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>  |              |                               |              |
| <b>Salaries and remuneration to the Board of Directors and Executive Board</b>                           |              |                               |              |
| 21   | 22           | 22                            | 21           |
| 2  | 2            | 2                             | 2            |
| <b>23</b>  | <b>24</b>    | <b>24</b>                     | <b>23</b>    |
| <b>Staff costs</b>   |              |                               |              |
| 925  | 941          | 1,237                         | 1,160        |
| 115  | 169          | 201                           | 139          |
| 98   | 100          | 127                           | 117          |
| <b>1,138</b>   | <b>1,210</b> | <b>1,565</b>                  | <b>1,416</b> |
| <b>Other administrative expenses</b>   |              |                               |              |
| <b>923</b>   | <b>849</b>   | <b>1,233</b>                  | <b>1,151</b> |
| <b>2,084</b>   | <b>2,083</b> | <b>2,822</b>                  | <b>2,590</b> |
| <b>Executive Board and Board of Directors</b>  |              |                               |              |
| <b>Loans, charges, suretyships or guarantees granted to the members of the</b>                           |              |                               |              |
| 9  | 17           | 17                            | 9            |
| 49   | 74           | 74                            | 49           |
| <b>Audit fee</b>   |              |                               |              |
| <b>Aggregate fees to the auditors appointed by the General Meeting which perform the statutory audit</b> |              |                               |              |
| 11   | 7            | 11                            | 15           |
| 8  | 3            | 4                             | 9            |
| <b>Number of staff</b>   |              |                               |              |
| Average number of staff for the financial year, full-time equivalent                                     |              |                               |              |
| 2,340  | 2,323        | 2,858                         | 2,808        |
| 0  | 0            | 376                           | 400          |
| <b>2,340</b>   | <b>2,323</b> | <b>3,234</b>                  | <b>3,208</b> |

## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S   |              |   | THE NYKREDIT REALKREDIT GROUP |              |
|---|--------------|---|-------------------------------|--------------|
| 2003  | 2004         |   | 2004                          | 2003         |
| <b>5. WRITE-OFFS AND PROVISIONS FOR BAD AND DOUBTFUL DEBTS</b>              |              |   |                               |              |
| <b>Write-offs and provisions for loans, advances and guarantees</b>         |              |   |                               |              |
| <b>Itemisation of provisions for loans, advances and guarantees</b>         |              |   |                               |              |
|   |              | <b>Provisions for loans, advances and guarantees,</b>               |                               |              |
|   |              | <b>beginning of year</b>  | <b>2,122</b>                  | <b>2,022</b> |
| 1,827   | 1,829        | Provisions for the year   | 404                           | 583          |
| 406   | 297          | Reversal of provisions  | (771)                         | (384)        |
| (336)   | (669)        | Other additions/disposals   | (0)                           | (11)         |
| 0   | 0            | Provisions recognised as lost                                       | (162)                         | (88)         |
| (68)  | (104)        |   |                               |              |
| <b>1,829</b>  | <b>1,353</b> | <b>Provisions, year-end</b>   | <b>1,593</b>                  | <b>2,122</b> |
| 2   | (476)        | Movement in provisions for loans, advances and guarantees           | (529)                         | 100          |
| 96  | 112          | Write-offs for the year, net  | 174                           | 119          |
| (49)  | (44)         | Received on claims previously written off                           | (47)                          | (51)         |
| <b>49</b>   | <b>(408)</b> | <b>Write-offs and provisions for loans, advances and guarantees</b> | <b>(402)</b>                  | <b>179</b>   |
| <b>0</b>  | <b>0</b>     | <b>Write-offs and provisions for other items</b>                    | <b>2</b>                      | <b>5</b>     |
| <b>49</b>   | <b>(408)</b> | <b>Total write-offs and provisions</b>                              | <b>(400)</b>                  | <b>184</b>   |
| <b>6. PROFIT FROM INVESTMENTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS</b> |              |   |                               |              |
| 64  | 39           | Profit from investments in associated undertakings                  | 39                            | 41           |
| 544   | 895          | Profit from investments in subsidiary undertakings                  | 163                           | 101          |
| <b>608</b>  | <b>934</b>   | <b>Total</b>  | <b>202</b>                    | <b>142</b>   |
| <b>7. TAX</b>   |              |   |                               |              |
| 910   | 1,042        | Tax assessed on income for the year                                 | 1,101                         | 919          |
| 151   | 92           | Deferred tax  | 92                            | 151          |
| 64  | (22)         | Adjustment of tax assessed for previous years                       | (22)                          | 64           |
| 12  | 13           | Tax on total provisions   | 13                            | 12           |
| <b>1,137</b>  | <b>1,125</b> | <b>Total</b>  | <b>1,184</b>                  | <b>1,146</b> |
| <b>Tax payable in Nykredit Realkredit A/S of total tax charge:</b>          |              |   |                               |              |
| 772   | 802          | Tax assessed on income for the year                                 |                               |              |
| 119   | 55           | Deferred tax  |                               |              |
| 62  | (24)         | Adjustment of tax assessed for previous years                       |                               |              |
| 11  | 11           | Tax on total provisions   |                               |              |
| <b>964</b>  | <b>844</b>   | <b>Total</b>  |                               |              |

## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S   |               |  | THE NYKREDIT REALKREDIT GROUP |               |
|---|---------------|--|-------------------------------|---------------|
| 2003  | 2004          |  | 2004                          | 2003          |
| <b>7. TAX (CONTINUED)</b>   |               |  |                               |               |
| <b>Effective tax rate</b>   |               |  |                               |               |
| 30.0  | 30.0          | Current tax rate   | 30.0                          | 30.0          |
| (0.2)   | 0.0           | Difference in tax rates of associated and subsidiary undertakings  | 0.0                           | (0.1)         |
| (6.0)   | (5.2)         | Non-taxable income   | (4.3)                         | (6.1)         |
| 0.3   | 1.5           | Non-deductible expenses  | 2.0                           | 0.4           |
| 1.4   | (0.5)         | Adjustment of tax assessed for previous years  | (0.9)                         | 1.4           |
| 0.3   | 0.2           | Tax on provisions  | 0.2                           | 0.3           |
| <b>25.8</b>   | <b>26.0</b>   | <b>Effective tax rate</b>  | <b>27.0</b>                   | <b>25.9</b>   |
| The effective tax rate of the Group in the Interim Accounts for 2004 came to 26.9% compared with 27.0% at year-end. |               |  |                               |               |
| <b>8. CASH IN HAND AND DEMAND DEPOSITS WITH CENTRAL BANKS</b>   |               |  |                               |               |
| 19  | 6             | Of which deposits with the Danish central bank   | 16                            | 1,263         |
| <b>9. BALANCES DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>   |               |  |                               |               |
| 20,480  | 9,104         | Balances due at call with central banks  | 12,349                        | 20,482        |
| 32,584  | 32,700        | Balances due with credit institutions  | 40,237                        | 40,890        |
| <b>53,064</b>   | <b>41,804</b> | <b>Total</b>   | <b>52,586</b>                 | <b>61,372</b> |
| 26,007  | 6,953         | Of which prepaid funds including prepayments at par and proceeds from the issuance of fixed-price agreements | 6,953                         | 26,007        |

## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S |                | THE NYKREDIT REALKREDIT GROUP   |                |                |
|-------------------------|----------------|---|----------------|----------------|
| 2003                    | 2004           | 2004  | 2003           |                |
|                         |                | <b>10. LOANS AND ADVANCES</b>   |                |                |
| 424,619                 | 427,222        | Mortgage loans  | 621,897        | 586,664        |
| 104                     | 165            | Amounts outstanding in non-foreclosed properties  | 193            | 140            |
| 1,066                   | 980            | Other loans and advances  | 23,913         | 23,437         |
| <b>425,789</b>          | <b>428,367</b> | <b>Total</b>  | <b>646,003</b> | <b>610,241</b> |
|                         |                | <b>Mortgage loans</b>   |                |                |
| <b>412,923</b>          | <b>425,945</b> | <b>Balance, beginning of year</b>   | <b>587,991</b> | <b>412,923</b> |
| 0                       | 0              | Additions Totalkredit   | 0              | 157,770        |
| 135,064                 | 103,174        | New loans   | 182,105        | 146,854        |
| 1,221                   | 898            | Indexation  | 898            | 1,221          |
| 156                     | (15)           | Currency translation adjustment   | (15)           | 156            |
| (14,708)                | (14,214)       | Ordinary principal payments   | (17,723)       | (15,641)       |
| (108,711)               | (87,660)       | Prepayments and extraordinary principal payments  | (130,453)      | (115,292)      |
| <b>425,945</b>          | <b>428,128</b> | <b>Balance, year-end</b>  | <b>622,803</b> | <b>587,991</b> |
| (68)                    | (45)           | Loans transferred relating to properties temporarily foreclosed   | (45)           | (69)           |
| (1,527)                 | (1,130)        | Provisions for loans and advances   | (1,130)        | (1,527)        |
| 269                     | 269            | Loans assumed by the Financial Administration Agency  | 269            | 269            |
| <b>424,619</b>          | <b>427,222</b> | <b>Total</b>  | <b>621,897</b> | <b>586,664</b> |
|                         |                | Mortgage loans, year-end:   |                |                |
| 134,642                 | 96,485         | - Loans with joint and several liability  | 290,699        | 295,939        |
| 291,303                 | 331,643        | - Loans without joint and several liability   | 332,104        | 292,052        |
| <b>425,945</b>          | <b>428,128</b> | <b>Total</b>  | <b>622,803</b> | <b>587,991</b> |
| 21,655                  | 21,752         | In addition to mortgages on real property, supplementary guarantees for loans have been received in the amount of | 66,870         | 63,993         |
| 2,974                   | 2,584          | Total advance loan guarantees received  | 14,379         | 10,597         |
|                         |                | <b>Outstanding payments in non-foreclosed properties</b>  |                |                |
| 330                     | 300            | Arrears   | 328            | 366            |
| 44                      | 51             | Execution   | 51             | 44             |
| (270)                   | (186)          | Provisions  | (186)          | (270)          |
| <b>104</b>              | <b>165</b>     | <b>Total</b>  | <b>193</b>     | <b>140</b>     |
|                         |                | <b>Other loans and advances</b>   |                |                |
| 0                       | 0              | Bank loans and advances   | 22,763         | 22,276         |
| 1,066                   | 980            | Other loans and advances  | 1,150          | 1,161          |
| <b>1,066</b>            | <b>980</b>     | <b>Total</b>  | <b>23,913</b>  | <b>23,437</b>  |

## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S |                |   | THE NYKREDIT REALKREDIT GROUP |                |
|-------------------------|----------------|---|-------------------------------|----------------|
| 2003                    | 2004           |   | 2004                          | 2003           |
|                         |                | <b>11. BONDS</b>  |                               |                |
| 71,780                  | 103,496        | Own mortgage bonds  | 153,414                       | 86,997         |
| 15,364                  | 43,853         | Other mortgage bonds  | 53,760                        | 24,579         |
| 13,304                  | 6,969          | Government bonds  | 8,777                         | 21,372         |
| 1,126                   | 842            | Other bonds   | 3,977                         | 4,187          |
| <b>101,574</b>          | <b>155,160</b> | <b>Total</b>  | <b>219,928</b>                | <b>137,135</b> |
| 422                     | 1,404          | Of which bonds drawn  | 1,789                         | 738            |
| 63,094                  | 114,960        | Bond portfolios deriving from prepaid funds including prepayments at par and proceeds relating to the issuance of fixed-price agreements                                  | 144,941                       | 63,094         |
| 7,537                   | 8,068          | As collateral security for the Danish central bank, the Danish FUTOP Clearing Centre and foreign clearing centres, bonds have been deposited with a total market value of | 19,327                        | 20,323         |
|                         |                | <b>12. SHARES</b>   |                               |                |
| 1,416                   | 946            | Shares/units listed on the Copenhagen Stock Exchange  | 966                           | 1,433          |
| 1,079                   | 1,291          | Shares/units listed on other stock exchanges  | 1,291                         | 1,080          |
| 986                     | 751            | Other shares  | 765                           | 1,018          |
| 1,910                   | 2,605          | Other equity investments  | 2,660                         | 1,939          |
| <b>5,391</b>            | <b>5,593</b>   | <b>Total</b>  | <b>5,682</b>                  | <b>5,470</b>   |
| 1,910                   | 2,605          | Of which fixed asset investments  | 2,647                         | 1,932          |
|                         |                | <b>13. CURRENT ASSET INVESTMENTS</b>  |                               |                |
| 105,055                 | 158,148        | Current asset investments marked to market  | 222,963                       | 140,673        |
| 622                     | 652            | The market value of current asset investments marked to market exceeds the cost of these assets on the balance sheet day by   | 682                           | 752            |



## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S                       |              |  | THE NYKREDIT REALKREDIT GROUP |              |
|---|--------------|--|-------------------------------|--------------|
| 2003  | 2004         |  | 2004                          | 2003         |
| <b>14. FIXED ASSET INVESTMENTS</b>            |              |  |                               |              |
| <b>Investments in associated undertakings</b> |              |  |                               |              |
| <b>180</b>                                    | <b>207</b>   | <b>Cost, beginning of year</b>                         | <b>314</b>                    | <b>287</b>   |
| 28  | 65           | Additions  | 61                            | 28           |
| (1)   | (3)          | Disposals  | (3)                           | (1)          |
| <b>207</b>                                    | <b>269</b>   | <b>Cost, year-end</b>                                  | <b>372</b>                    | <b>314</b>   |
| <b>Accumulated effects on profit:</b>         |              |  |                               |              |
| <b>58</b>                                     | <b>107</b>   | <b>Revaluations and write-downs, beginning of year</b> | <b>72</b>                     | <b>46</b>    |
| 66  | 45           | Profit before tax                                      | 46                            | 43           |
| (2)   | (6)          | Depreciation and write-down                            | (7)                           | (2)          |
| (4)   | (13)         | Tax  | (13)                          | (4)          |
| (7)   | (25)         | Dividend   | (25)                          | (7)          |
| (4)   | 3            | Other movements in capital                             | 3                             | (4)          |
| 0   | (4)          | Reversal of revaluations and write-downs               | (4)                           | 0            |
| <b>107</b>                                    | <b>107</b>   | <b>Revaluations and write-downs, year-end</b>          | <b>72</b>                     | <b>72</b>    |
| <b>314</b>                                    | <b>376</b>   | <b>Balance, year-end</b>                               | <b>444</b>                    | <b>386</b>   |
| <b>Investments in subsidiary undertakings</b> |              |  |                               |              |
| <b>5,063</b>                                  | <b>6,953</b> | <b>Cost, beginning of year</b>                         | <b>1,792</b>                  | <b>1,794</b> |
| 0   | 18           | Currency translation adjustment                        | 0                             | 0            |
| 3,835   | 2,261        | Additions  | 0                             | 0            |
| (1,944)                                       | (697)        | Reclassification – Goodwill                            | 0                             | 0            |
| (1)   | 0            | Disposals  | 0                             | (2)          |
| <b>6,953</b>                                  | <b>8,535</b> | <b>Cost, year-end</b>                                  | <b>1,792</b>                  | <b>1,792</b> |
| <b>Accumulated effects on profit:</b>         |              |  |                               |              |
| <b>(466)</b>                                  | <b>(348)</b> | <b>Revaluations and write-downs, beginning of year</b> | <b>(412)</b>                  | <b>(463)</b> |
| 0   | (2)          | Currency translation adjustment                        | 0                             | 0            |
| 544   | 895          | Profit before tax                                      | 163                           | 101          |
| (169)   | (268)        | Tax  | (36)                          | (30)         |
| (250)   | 0            | Dividend   | 0                             | 0            |
| (7)   | 0            | Other movements in capital                             | 0                             | (20)         |
| <b>(348)</b>                                  | <b>277</b>   | <b>Revaluations and write-downs, year-end</b>          | <b>(285)</b>                  | <b>(412)</b> |
| <b>6,605</b>                                  | <b>8,812</b> | <b>Balance, year-end</b>                               | <b>1,507</b>                  | <b>1,380</b> |
| 4,766   | 6,829        | Of which credit institutions                           | 0                             | 0            |

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| NYKREDIT REALKREDIT A/S                        |              |   | THE NYKREDIT REALKREDIT GROUP |              |
|--|--------------|---|-------------------------------|--------------|
| 2003   | 2004         |   | 2004                          | 2003         |
| <b>14. FIXED ASSET INVESTMENTS (CONTINUED)</b> |              |   |                               |              |
| <b>Other equity investments</b>                |              |   |                               |              |
| 627  | 941          | <b>Cost, beginning of year</b>                                  | 943                           | 629          |
| 269  | 14           | Transferred from other shares                                   | 14                            | 269          |
| <b>896</b>                                     | <b>955</b>   | <b>Adjusted cost, beginning of year</b>                         | <b>957</b>                    | <b>898</b>   |
| 140  | 93           | Additions   | 93                            | 140          |
| (95)   | (60)         | Disposals   | (60)                          | (95)         |
| <b>941</b>                                     | <b>988</b>   | <b>Cost, year-end</b>   | <b>990</b>                    | <b>943</b>   |
| <b>Accumulated effects on profit:</b>          |              |   |                               |              |
| <b>0</b>                                       | <b>969</b>   | <b>Revaluations and write-downs, beginning of year</b>          | <b>989</b>                    | <b>0</b>     |
| 295  | 70           | Transferred from other shares                                   | 70                            | 295          |
| 67   | 0            | Adjustments relating to changed accounting policies             | 0                             | 80           |
| <b>362</b>                                     | <b>1,039</b> | <b>Adjusted revaluations and write-downs, beginning of year</b> | <b>1,059</b>                  | <b>375</b>   |
| 683  | 680          | Revaluations and write-downs for the year                       | 700                           | 690          |
| (76)   | (102)        | Reversal of revaluations and write-downs                        | (102)                         | (76)         |
| <b>969</b>                                     | <b>1,617</b> | <b>Revaluations and write-downs, year-end</b>                   | <b>1,657</b>                  | <b>989</b>   |
| <b>1,910</b>                                   | <b>2,605</b> | <b>Balance, year-end</b>  | <b>2,647</b>                  | <b>1,932</b> |
| 1,910  | 2,464        | Of which credit institutions                                    | 2,464                         | 1,910        |
| <b>15. INTANGIBLE ASSETS</b>                   |              |   |                               |              |
| 1,916  | 2,401        | Goodwill  | 2,404                         | 1,917        |
| 6  | 60           | Software  | 60                            | 6            |
| <b>1,922</b>                                   | <b>2,461</b> | <b>Total</b>  | <b>2,464</b>                  | <b>1,923</b> |
| <b>Goodwill</b>                                |              |   |                               |              |
| <b>0</b>                                       | <b>1,944</b> | <b>Cost, beginning of year</b>                                  | <b>1,945</b>                  | <b>0</b>     |
| 1,944  | 697          | Additions   | 700                           | 1,945        |
| <b>1,944</b>                                   | <b>2,641</b> | <b>Cost, year-end</b>   | <b>2,645</b>                  | <b>1,945</b> |
| <b>0</b>                                       | <b>(28)</b>  | <b>Amortisation and write-downs, beginning of year</b>          | <b>(28)</b>                   | <b>0</b>     |
| (28)   | (212)        | Amortisation for the year                                       | (213)                         | (28)         |
| <b>(28)</b>                                    | <b>(240)</b> | <b>Amortisation and write-downs, year-end</b>                   | <b>(241)</b>                  | <b>(28)</b>  |
| <b>1,916</b>                                   | <b>2,401</b> | <b>Balance, year-end</b>  | <b>2,404</b>                  | <b>1,917</b> |

## Notes

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| NYKREDIT REALKREDIT A/S |             | THE NYKREDIT REALKREDIT GROUP  |                    |
|-------------------------|-------------|--|--------------------|
| 2003                    | 2004        |  |                    |
|                         |             | <b>15. INTANGIBLE ASSETS (CONTINUED)</b>   |                    |
|                         |             | <b>Software</b>  |                    |
| 0                       | 9           | <b>Cost, beginning of year</b>   | 9 0                |
| 0                       | 53          | Adjustment of additions from prior years, beginning of year  | 53 0               |
| 9                       | 45          | Additions  | 45 9               |
| <b>9</b>                | <b>107</b>  | <b>Cost, year-end</b>  | <b>107 9</b>       |
|                         |             | <b>Amortisation and write-downs, beginning of year</b>   | <b>(3) 0</b>       |
| 0                       | (25)        | Adjustment of amortisation and write-downs from prior years, beginning of year                     | (25) 0             |
| (3)                     | (19)        | Amortisation for the year  | (19) (3)           |
| <b>(3)</b>              | <b>(47)</b> | <b>Amortisation and write-downs, year-end</b>  | <b>(47) (3)</b>    |
| <b>6</b>                | <b>60</b>   | <b>Balance, year-end</b>   | <b>60 6</b>        |
|                         |             | <b>16. TANGIBLE ASSETS</b>   |                    |
| 203                     | 308         | Own properties   | 1,557 1,461        |
| 63                      | 35          | Properties temporarily foreclosed  | 35 63              |
| 100                     | 99          | Machinery and equipment  | 147 158            |
| 0                       | 0           | Assets in course of construction   | 2 20               |
| 38                      | 39          | Leasehold improvements   | 39 38              |
| <b>404</b>              | <b>481</b>  | <b>Total</b>   | <b>1,780 1,740</b> |
|                         |             | <b>Own properties</b>  |                    |
|                         |             | <b>Cost, beginning of year</b>   | <b>1,608 1,618</b> |
| 256                     | 257         | Reclassification   | 0 (13)             |
| 0                       | 0           | Additions  | 41 5               |
| 1                       | 8           | Transferred from assets in course of construction  | 19 0               |
| 0                       | 0           | Disposals  | 0 (2)              |
| <b>257</b>              | <b>265</b>  | <b>Cost, year-end</b>  | <b>1,668 1,608</b> |
|                         |             | <b>Revaluations, beginning of year</b>   | <b>55 55</b>       |
| 17                      | 17          | Revaluations for the year  | 75 0               |
| <b>17</b>               | <b>92</b>   | <b>Revaluations, year-end</b>  | <b>130 55</b>      |
|                         |             | <b>Depreciation and write-downs, beginning of year</b>   | <b>(202) (179)</b> |
| (68)                    | (71)        | Depreciation for the year  | (33) (23)          |
| (3)                     | (3)         | Write-downs for the year   | (39) 0             |
| 0                       | 0           | Reversal of depreciation and write-downs   | 33 0               |
| <b>(71)</b>             | <b>(49)</b> | <b>Depreciation and write-downs, year-end</b>  | <b>(241) (202)</b> |
| <b>203</b>              | <b>308</b>  | <b>Balance, year-end</b>   | <b>1,557 1,461</b> |
| <b>247</b>              | <b>257</b>  | <b>Latest public land assessment</b>   | <b>1,343 1,261</b> |
| <b>0</b>                | <b>0</b>    | <b>Book value of new building and improvement incurred after the latest public land assessment</b> | <b>27 6</b>        |

## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S                 |              |   | THE NYKREDIT REALKREDIT GROUP |              |
|---|--------------|---|-------------------------------|--------------|
| 2003                                    | 2004         |   | 2004                          | 2003         |
| <b>16. TANGIBLE ASSETS (CONTINUED)</b>  |              |   |                               |              |
| <b>Machinery and equipment</b>          |              |   |                               |              |
| <b>323</b>                              | <b>361</b>   | <b>Cost, beginning of year</b>                            | <b>537</b>                    | <b>464</b>   |
| 0                                       | 0            | Additions Totalkredit                                     | 0                             | 7            |
| 0                                       | 0            | Reclassification  | 0                             | 13           |
| 46                                      | 33           | Additions   | 45                            | 69           |
| (8)                                     | (5)          | Disposals   | (15)                          | (16)         |
| <b>361</b>                              | <b>389</b>   | <b>Cost, year-end</b>                                     | <b>567</b>                    | <b>537</b>   |
| <b>(232)</b>                            | <b>(261)</b> | <b>Depreciation and write-downs, beginning of year</b>    | <b>(379)</b>                  | <b>(333)</b> |
| 0                                       | 0            | Additions Totalkredit                                     | 0                             | (5)          |
| (37)                                    | (33)         | Depreciation for the year                                 | (51)                          | (55)         |
| 8                                       | 4            | Reversal of depreciation and write-downs                  | 10                            | 14           |
| <b>(261)</b>                            | <b>(290)</b> | <b>Depreciation and write-downs, year-end</b>             | <b>(420)</b>                  | <b>(379)</b> |
| <b>100</b>                              | <b>99</b>    | <b>Balance, year-end</b>                                  | <b>147</b>                    | <b>158</b>   |
| <b>3</b>                                | <b>2</b>     | <b>Write-offs on machinery and equipment for the year</b> | <b>4</b>                      | <b>3</b>     |
| <b>Assets in course of construction</b> |              |   |                               |              |
| <b>0</b>                                | <b>0</b>     | <b>Cost, beginning of year</b>                            | <b>20</b>                     | <b>10</b>    |
| 0                                       | 0            | Additions   | 1                             | 10           |
| 0                                       | 0            | Transferred to own properties                             | (19)                          | 0            |
| <b>0</b>                                | <b>0</b>     | <b>Balance, year-end</b>                                  | <b>2</b>                      | <b>20</b>    |
| <b>Leasehold improvements</b>           |              |   |                               |              |
| <b>40</b>                               | <b>47</b>    | <b>Cost, beginning of year</b>                            | <b>47</b>                     | <b>40</b>    |
| 7                                       | 5            | Additions   | 5                             | 7            |
| <b>47</b>                               | <b>52</b>    | <b>Cost, year-end</b>                                     | <b>52</b>                     | <b>47</b>    |
| <b>(5)</b>                              | <b>(9)</b>   | <b>Depreciation and write-downs, beginning of year</b>    | <b>(9)</b>                    | <b>(5)</b>   |
| (4)                                     | (4)          | Depreciation for the year                                 | (4)                           | (4)          |
| <b>(9)</b>                              | <b>(13)</b>  | <b>Depreciation and write-downs, year-end</b>             | <b>(13)</b>                   | <b>(9)</b>   |
| <b>38</b>                               | <b>39</b>    | <b>Balance, year-end</b>                                  | <b>39</b>                     | <b>38</b>    |
| <b>1</b>                                | <b>0</b>     | <b>Expensed in the year of acquisition</b>                | <b>0</b>                      | <b>5</b>     |
| <b>17. OTHER ASSETS</b>                 |              |   |                               |              |
| 414                                     | 495          | Positive market value of derivative financial instruments | 3,378                         | 3,354        |
| 821                                     | 726          | Interest and commissions due                              | 4,528                         | 3,295        |
| 472                                     | 200          | Tax receivable  | 200                           | 472          |
| 0                                       | 0            | Deferred tax assets                                       | 0                             | 5            |
| 1,779                                   | 1,088        | Other assets  | 333                           | 891          |
| <b>3,486</b>                            | <b>2,509</b> | <b>Total</b>  | <b>8,439</b>                  | <b>8,017</b> |

## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S                                  |                |   | THE NYKREDIT REALKREDIT GROUP |                |
|--|----------------|---|-------------------------------|----------------|
| 2003   | 2004           |   | 2004                          | 2003           |
| <b>18. DEBT TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b> |                |   |                               |                |
| 0  | 7,000          | Debt to central banks   | 18,457                        | 12,323         |
| 8,602  | 10,160         | Debt to credit institutions   | 25,612                        | 24,862         |
| <b>8,602</b>   | <b>17,160</b>  | <b>Total</b>  | <b>44,069</b>                 | <b>37,185</b>  |
| <b>19. ISSUED BONDS</b>                                  |                |   |                               |                |
| 529,700  | 564,920        | Mortgage bonds  | 795,230                       | 697,742        |
| 0  | 0              | Other bonds   | 325                           | 325            |
| <b>529,700</b>   | <b>564,920</b> | <b>Total</b>  | <b>795,555</b>                | <b>698,067</b> |
| <b>Mortgage bonds</b>                                    |                |   |                               |                |
| <b>474,960</b>   | <b>505,663</b> | <b>Balance, beginning of year</b>   | <b>673,705</b>                | <b>474,960</b> |
| 0  | 0              | Additions Totalkredit   | 0                             | 159,514        |
| 210,508  | 198,818        | Additions   | 303,824                       | 222,377        |
| 178  | (60)           | Currency translation adjustment   | (60)                          | 178            |
| (166,159)  | (140,308)      | Bonds drawn and cancelled   | (164,879)                     | (166,159)      |
| (13,824)   | (22,523)       | Prepayments and extraordinary principal payments  | (40,690)                      | (17,165)       |
| <b>505,663</b>   | <b>541,590</b> | <b>Total</b>  | <b>771,900</b>                | <b>673,705</b> |
| 24,037   | 23,330         | Indexation  | 23,330                        | 24,037         |
| <b>529,700</b>   | <b>564,920</b> | <b>Balance, year-end</b>  | <b>795,230</b>                | <b>697,742</b> |
| 7,700  | 4,679          | Pre-issuance  | 4,715                         | 7,778          |
| 95,337   | 130,483        | Drawn for redemption at next settling period including the refinancing of adjustable-rate loans in Totalkredit. | 164,931                       | 100,311        |
| <b>20. OTHER LIABILITIES</b>                             |                |   |                               |                |
| 146  | 238            | Negative market value of derivative financial instruments   | 3,289                         | 3,086          |
| 7,555  | 4,254          | Negative securities portfolio relating to purchase and resale transactions                                      | 7,144                         | 14,963         |
| 10,170   | 10,159         | Interest and commission payable   | 16,896                        | 14,555         |
| 0  | 0              | Tax payable on income for the year  | 2                             | 0              |
| 1,562  | 1,980          | Debt related to acquisition of Totalkredit shares   | 1,980                         | 1,562          |
| 1,502  | 478            | Other liabilities   | 797                           | 1,756          |
| <b>20,935</b>  | <b>17,109</b>  | <b>Total</b>  | <b>30,108</b>                 | <b>35,922</b>  |
| <b>21. PROVISIONS FOR LIABILITIES</b>                    |                |   |                               |                |
| 6  | 6              | Pensions and similar liabilities  | 12                            | 8              |
| 4  | 95             | Deferred tax  | 100                           | 6              |
| 362  | 330            | Repayable reserves funded by pre-1972 series  | 330                           | 362            |
| 0  | 0              | Loss risk relating to legal actions   | 3                             | 22             |
| 0  | 0              | Other   | 1                             | 3              |
| <b>372</b>   | <b>431</b>     | <b>Total</b>  | <b>446</b>                    | <b>401</b>     |

## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S |              |   | THE NYKREDIT REALKREDIT GROUP |              |
|-------------------------|--------------|---|-------------------------------|--------------|
| 2003                    | 2004         |   | 2004                          | 2003         |
|                         |              | <b>22. SUBORDINATE LOAN CAPITAL</b>   |                               |              |
|                         |              | Subordinate loan capital consists of liabilities which, in case of the Bank's voluntary or compulsory liquidation, in compliance with the terms of the loan, will not be repaid until after the claims of ordinary creditors have been met.   |                               |              |
| 0                       | 3,696        | EUR 500m, nominal, of hybrid core capital in accordance with the Danish Financial Business Act, Section 137. The loan is perpetual, but may be repaid at par (100) from 22/9-2014. The loan carries a fixed interest rate of 4.9% up to 22/9-2014 after which it will carry a floating interest rate. | 3,696                         | 0            |
| -                       | -            | EUR 200m, nominal, of subordinate debt capital in accordance with the Danish Financial Business Act, Section 136. The loan falls due at par (100) on 17/12-2010 and carries a floating interest rate.   | 1,485                         | 1,485        |
| -                       | -            | EUR 150m, nominal, in the form of subordinate loan capital in accordance with the Danish Business Act, Section 136. The loan falls due at par (100) on 18/5-2009 and carries a floating interest rate.  | 1,115                         | 1,116        |
| <b>0</b>                | <b>3,696</b> | <b>Cost, year-end</b>   | <b>6,296</b>                  | <b>2,601</b> |
| 0                       | 3,696        | Subordinate loan capital included in the capital base   | 6,296                         | 2,601        |
| 0                       | 27           | Costs of raising and repaying subordinate loan capital  | 23                            | -            |
| -                       | 148          | Market value of interest rate SWAP of a nominal EUR 500m  | 148                           | -            |
| -                       | 3,879        | Market value of hybrid core capital of a nominal EUR 500m   | 3,879                         | -            |
|                         |              | <b>23. GENUINE SALES AND REPURCHASE TRANSACTIONS AS WELL AS GENUINE PURCHASE AND RESALE TRANSACTIONS</b>  |                               |              |
|                         |              | <b>Of the assets below, genuine purchase and resale transactions represent:</b>   |                               |              |
| 12,180                  | 6,858        | Balances due from credit institutions and central banks   | 10,771                        | 19,144       |
| 0                       | 0            | Loans and advances  | 5,242                         | 3,012        |
|                         |              | <b>Of the liabilities below, genuine sale and repurchase transactions represent:</b>  |                               |              |
| 8,582                   | 10,158       | Debt to credit institutions and central banks   | 19,150                        | 14,334       |
| 0                       | 0            | Deposits  | 111                           | 824          |
|                         |              | <b>Assets sold as part of genuine sale and repurchase transactions:</b>   |                               |              |
| 8,582                   | 10,158       | Bonds   | 19,079                        | 17,419       |

## Notes

DKK MILLION

| NYKREDIT REALKREDIT A/S   |               | THE NYKREDIT REALKREDIT GROUP         |              |
|---|---------------|---------------------------------------|--------------|
| 2003  | 2004          | 2004                                  | 2003         |
| <b>24. BALANCES WITH ASSOCIATED AND SUBSIDIARY UNDERTAKINGS</b> |               |                                       |              |
| <b>Associated undertakings</b>                                  |               |                                       |              |
| <b>Recorded as assets</b>                                       |               |                                       |              |
| 652   | 590           | Loans and advances                    |              |
| 0   | 0             | Other assets                          |              |
| <b>652</b>  | <b>590</b>    | <b>Total</b>                          |              |
| <b>Subsidiary undertakings</b>                                  |               |                                       |              |
| <b>Recorded as assets</b>                                       |               |                                       |              |
| 12,705  | 10,323        | Balances due from credit institutions |              |
| 0   | 0             | Loans and advances                    |              |
| 224   | 7,297         | Bonds                                 |              |
| 1,132   | 1,008         | Other assets                          |              |
| <b>14,061</b>   | <b>18,628</b> | <b>Total</b>                          |              |
| <b>Recorded as liabilities</b>                                  |               |                                       |              |
| 665   | 864           | Debt to credit institutions           |              |
| 3,471   | 11,338        | Issued bonds                          |              |
| 47  | 168           | Other liabilities                     |              |
| <b>4,183</b>  | <b>12,370</b> | <b>Total</b>                          |              |
| <b>25. OFF-BALANCE SHEET ITEMS</b>                              |               |                                       |              |
| <b>Guarantees</b>   |               |                                       |              |
| 0   | 0             | Financial guarantees                  | 1,761        |
| 0   | 0             | Other guarantees                      | 1,668        |
| <b>0</b>  | <b>0</b>      | <b>Total</b>                          | <b>3,429</b> |
| <b>Other commitments</b>  |               |                                       |              |
| 29  | 41            | Irrevocable credit commitments        | 2,294        |
| 1,179   | 1,519         | Other commitments                     | 1,149        |
| <b>1,208</b>  | <b>1,560</b>  | <b>Total</b>                          | <b>3,443</b> |
|   |               |                                       | <b>1,426</b> |
|   |               |                                       | <b>3,502</b> |



# Notes

## 26. RELATED-PARTY TRANSACTIONS

The Nykredit Association, the Parent Company Nykredit Holding A/S and the subsidiary and associated undertakings of Nykredit Realkredit A/S and the Nykredit Realkredit Group are regarded as related parties.

No unusual related-party transactions occurred in 2004.

The undertakings have entered into several agreements as a natural part of the Group's day-to-day operations. The agreements typically comprise finance, insurance, sales commissions, tasks relating to IT operations and support and IT development projects as well as other joint tasks.

Important related-party transactions prevailing/entered into in 2004 between the Group's undertakings include:

### **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 origination of loans.

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

Agreement on the placement of insurance agents in the centres of Nykredit Realkredit A/S.

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

Agreements relating to the cooperation on IT operations and support, etc.

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

Principal agreement on the terms for securities transactions.

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

On specific occasions, Nykredit Holding A/S has issued guarantees or letters of comfort to third parties.

Nykredit Holding A/S has issued guarantees to Nykredit Bank A/S covering pre-fixed loss amounts with respect to some of the Bank's exposures.

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

Agreements between Totalkredit A/S and Nykredit Mægler A/S involve commissions in connection with the referral of customers.

# Notes

## 27. DISCLOSURES PURSUANT TO THE DANISH FINANCIAL BUSINESS ACT, SECTION 80 (6)

Pursuant to s. 80 of the Danish Financial Business Act, the Board of Directors has approved the following executive positions and directorships in 2004

### **Mogens Munk Rasmussen**

Managing Director of Nykredit Holding A/S and the Nykredit Association  
 Chairman of Totalkredit A/S  
 Chairman of Nykredit Ejendomme A/S  
 Chairman of Nykredit Administration V A/S  
 Chairman of DR (Danish Broadcasting Corporation)

### **Peter Engberg Jensen**

Managing Director of Nykredit Holding A/S  
 Director of Totalkredit A/S  
 Deputy Chairman of Nykredit Bank A/S  
 Director of Nykredit 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 VP Securities Services 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 Forsikring A/S  
 Chairman of JN Data A/S  
 Chairman of Realkreditnettet A/S

### **Henning Kruse Petersen**

Managing Director of Nykredit Holding A/S  
 Managing Director of 2KJ ApS  
 Chairman of Nykredit Bank A/S  
 Chairman of Nykredit Bank Hipoteczny S.A.  
 Chairman of Advizer K/S  
 Chairman of Den Danske Forskningsfond  
 Deputy Chairman of Asgaard Ltd.  
 Deputy Chairman of Sund & Bælt Holding A/S  
 Deputy Chairman of A/S Storebæltsforbindelsen  
 Deputy Chairman of A/S Øresundsforbindelsen  
 Director of Nykredit Forsikring A/S (until April 2004)  
 Director of Capitalis A/S  
 Director of Erhvervsinvest Management A/S  
 Director of Øresundsbrokonsortiet I/S

### **Niels Torslev**

Managing Director of Nykredit Holding A/S  
 Managing Director of Totalkredit A/S  
 Director of Nykredit Forsikring A/S  
 Director of Nykredit Mægler A/S  
 Director of Nykredit Bank Hipoteczny S.A.  
 Director of Dansk Pantebrevsbørs A/S  
 Director of Terra BoligKredit AS  
 Director of Realkreditnettet A/S (until April 2004)  
 Director of VP Securities Services A/S (until April 2004)



## Derivative financial instruments

DKK MILLION

THE NYKREDIT REALKREDIT  
GROUP

|                                    | Market value |              | Average market value |              | Market value of non-guaranteed contracts |              |
|------------------------------------|--------------|--------------|----------------------|--------------|--|--------------|
|                                    | Positive     | Negative     | Positive             | Negative     | Positive                                 | Negative     |
| <b>2004</b>                        |              |              |                      |              |  |              |
| <b>Foreign exchange contracts</b>  |              |              |                      |              |  |              |
| Forwards/futures, purchased        | 128          | 345          | 113                  | 220          | 128                                      | 345          |
| Forwards/futures, sold             | 300          | 111          | 227                  | 170          | 300                                      | 110          |
| Swaps                              | 174          | 306          | 148                  | 239          | 174                                      | 306          |
| Options, purchased                 | 2            | -            | 7                    | -            | 2  | -            |
| Options, written                   | -            | -            | -                    | 6            | -  | -            |
| <b>Interest rate contracts</b>     |              |              |                      |              |  |              |
| Forwards/futures, purchased        | 15           | 25           | 65                   | 10           | 15                                       | 24           |
| Forwards/futures, sold             | 71           | 2            | 23                   | 57           | 63                                       | 2            |
| Forward Rate Agreements, purchased | 1            | 15           | 1                    | 20           | 1  | 15           |
| Forward Rate Agreements, sold      | 10           | -            | 18                   | 1            | 10                                       | -            |
| Swaps                              | 2,459        | 2,591        | 2,231                | 2,223        | 2,459                                    | 2,591        |
| Options, purchased                 | 129          | 7            | 130                  | 17           | 123                                      | -            |
| Options, written                   | -            | 107          | -                    | 120          | -  | 106          |
| <b>Share contracts</b>             |              |              |                      |              |  |              |
| Forwards/futures, purchased        | 9            | -            | 2                    | -            | -  | -            |
| Forwards/futures, sold             | -            | 11           | 3                    | 5            | -  | -            |
| Options, purchased                 | 111          | 1            | 148                  | 1            | 111                                      | 1            |
| Options, written                   | -            | -            | -                    | -            | -  | -            |
| <b>Other derivative contracts</b>  | -            | -            | -                    | -            | -  | -            |
| <b>Total</b>                       | <b>3,409</b> | <b>3,521</b> | <b>3,116</b>         | <b>3,089</b> | <b>3,386</b>                             | <b>3,500</b> |
| <b>Total after netting</b>         |              |              |                      |              | <b>176</b>                               |              |
|                                    |              |              |                      |              |  |              |
|                                    |              |              |                      |              |  |              |
|                                    |              |              |                      |              |  |              |
| <b>2003</b>                        |              |              |                      |              |  |              |
| <b>Foreign exchange contracts</b>  |              |              |                      |              |  |              |
| Forwards/futures, purchased        | 107          | 685          | 109                  | 403          | 107                                      | 685          |
| Forwards/futures, sold             | 600          | 187          | 431                  | 165          | 600                                      | 189          |
| Swaps                              | 81           | 328          | 77                   | 175          | 81                                       | 253          |
| Options, purchased                 | 10           | -            | 16                   | -            | 9  | -            |
| Options, written                   | -            | 9            | -                    | 13           | -  | 9            |
| <b>Interest rate contracts</b>     |              |              |                      |              |  |              |
| Forwards/futures, purchased        | 138          | 3            | 92                   | 22           | 135                                      | 3            |
| Forwards/futures, sold             | 3            | 121          | 30                   | 70           | 2  | 79           |
| Forward Rate Agreements, purchased | 4            | 17           | 10                   | 62           | 3  | 17           |
| Forward Rate Agreements, sold      | 14           | 5            | 59                   | 6            | 14                                       | 4            |
| Swaps                              | 2,122        | 1,921        | 2,089                | 2,190        | 2,104                                    | 1,921        |
| Options, purchased                 | 124          | 2            | 127                  | -            | 123                                      | 2            |
| Options, written                   | 1            | 122          | 1                    | 100          | 1  | 121          |
| <b>Share contracts</b>             |              |              |                      |              |  |              |
| Forwards/futures, purchased        | -            | -            | -                    | 9            | -  | -            |
| Forwards/futures, sold             | -            | -            | -                    | -            | -  | -            |
| Options, purchased                 | 215          | -            | 54                   | -            | 215                                      | -            |
| Options, written                   | -            | -            | -                    | -            | -  | -            |
| <b>Other derivative contracts</b>  | -            | -            | -                    | -            | -  | -            |
| <b>Total</b>                       | <b>3,419</b> | <b>3,400</b> | <b>3,095</b>         | <b>3,215</b> | <b>3,394</b>                             | <b>3,283</b> |
| <b>Total after netting</b>         |              |              |                      |              | <b>338</b>                               |              |

## Unsettled spot transactions

DKK MILLION

THE NYKREDIT REALKREDIT  
GROUP

|  | Nominal<br>value | Market value<br>Positive | Market value<br>Negative | Net<br>market<br>value |
|--|------------------|--------------------------|--------------------------|------------------------|
| <b>2004</b>                              |                  |                          |                          |                        |
| Foreign exchange transactions, purchased | 4,423            | 5                        | 1                        | 4                      |
| Foreign exchange transactions, sold      | 4,351            | 3                        | 7                        | (4)                    |
| Interest rate transactions, purchased    | 11,337           | 2                        | 5                        | (3)                    |
| Interest rate transactions, sold         | 15,189           | 9                        | 1                        | 8                      |
| Share transactions, purchased            | 142              | -                        | 1                        | (1)                    |
| Share transactions, sold                 | 87               | -                        | -                        | -                      |
| <b>Total</b>                             | <b>35,529</b>    | <b>19</b>                | <b>15</b>                | <b>4</b>               |
| <b>Total 2003</b>                        | <b>20,735</b>    | <b>10</b>                | <b>11</b>                | <b>(1)</b>             |



## Derivative financial instruments

DKK MILLION

NYKREDIT REALKREDIT A/S

|                                    | Market value |            | Average market value |            | Market value of non-guaranteed contracts |            |
|------------------------------------|--------------|------------|----------------------|------------|--|------------|
|                                    | Positive     | Negative   | Positive             | Negative   | Positive                                 | Negative   |
| <b>2004</b>                        |              |            |                      |            |  |            |
| <b>Foreign exchange contracts</b>  |              |            |                      |            |  |            |
| Forwards/futures, purchased        | 1            | 1          | 3                    | 1          | 1  | 1          |
| Forwards/futures, sold             | 16           | 10         | 8                    | 21         | 16                                       | 10         |
| Swaps                              | 28           | 12         | 76                   | 8          | 28                                       | 13         |
| Options, purchased                 | -            | -          | -                    | -          | -  | -          |
| Options, written                   | -            | -          | -                    | -          | -  | -          |
| <b>Interest rate contracts</b>     |              |            |                      |            |  |            |
| Forwards/futures, purchased        | 13           | 22         | 48                   | 7          | 13                                       | 21         |
| Forwards/futures, sold             | 74           | -          | 19                   | 33         | 66                                       | -          |
| Forward Rate Agreements, purchased | -            | -          | -                    | -          | -  | -          |
| Forward Rate Agreements, sold      | -            | -          | -                    | -          | -  | -          |
| Swaps                              | 5            | 191        | 3                    | 157        | 5  | 191        |
| Options, purchased                 | 15           | 7          | 5                    | 16         | 9  | -          |
| Options, written                   | -            | -          | -                    | -          | -  | -          |
| <b>Share contracts</b>             |              |            |                      |            |  |            |
| Forwards/futures, purchased        | 9            | -          | 2                    | -          | -  | -          |
| Forwards/futures, sold             | -            | 11         | 3                    | 5          | -  | -          |
| Options, purchased                 | 350          | 1          | 392                  | 1          | 350                                      | 1          |
| Options, written                   | -            | -          | -                    | -          | -  | -          |
| <b>Other derivative contracts</b>  |              |            |                      |            |  |            |
| <b>Total</b>                       | <b>511</b>   | <b>255</b> | <b>559</b>           | <b>249</b> | <b>488</b>                               | <b>237</b> |
| <b>Total after netting</b>         |              |            |                      |            | <b>488</b>                               |            |
|                                    | Market value |            | Average market value |            | Market value of non-guaranteed contracts |            |
|                                    | Positive     | Negative   | Positive             | Negative   | Positive                                 | Negative   |
| <b>2003</b>                        |              |            |                      |            |  |            |
| <b>Foreign exchange contracts</b>  |              |            |                      |            |  |            |
| Forwards/futures, purchased        | -            | -          | -                    | -          | -  | -          |
| Forwards/futures, sold             | 9            | 6          | 7                    | 3          | 9  | 5          |
| Swaps                              | 39           | 8          | 37                   | 19         | 39                                       | 9          |
| Options, purchased                 | -            | -          | -                    | -          | -  | -          |
| Options, written                   | -            | -          | -                    | -          | -  | -          |
| <b>Interest rate contracts</b>     |              |            |                      |            |  |            |
| Forwards/futures, purchased        | 120          | 2          | 81                   | 15         | 118                                      | 2          |
| Forwards/futures, sold             | 1            | 104        | 17                   | 57         | -  | 61         |
| Forward Rate Agreements, purchased | -            | -          | -                    | -          | -  | -          |
| Forward Rate Agreements, sold      | -            | -          | -                    | -          | -  | -          |
| Swaps                              | 8            | 62         | 8                    | 114        | 8  | 63         |
| Options, purchased                 | 1            | -          | 1                    | -          | 1  | -          |
| Options, written                   | -            | -          | -                    | -          | -  | -          |
| <b>Share contracts</b>             |              |            |                      |            |  |            |
| Forwards/futures, purchased        | -            | -          | -                    | 9          | -  | -          |
| Forwards/futures, sold             | -            | -          | -                    | -          | -  | -          |
| Options, purchased                 | 238          | -          | 60                   | -          | 238                                      | -          |
| Options, written                   | -            | -          | -                    | -          | -  | -          |
| <b>Other derivative contracts</b>  |              |            |                      |            |  |            |
|                                    | -            | -          | -                    | -          | -  | -          |
| <b>Total</b>                       | <b>416</b>   | <b>182</b> | <b>211</b>           | <b>217</b> | <b>413</b>                               | <b>140</b> |
| <b>Total after netting</b>         |              |            |                      |            | <b>413</b>                               |            |

## Unsettled spot transactions

DKK MILLION

NYKREDIT REALKREDIT A/S

|  | Nominal<br>value | Market value<br>Positive | Market value<br>Negative | Net<br>market<br>value |
|--|------------------|--------------------------|--------------------------|------------------------|
| <b>2004</b>                              |                  |                          |                          |                        |
| Foreign exchange transactions, purchased | -                | -                        | -                        | -                      |
| Foreign exchange transactions, sold      | -                | -                        | -                        | -                      |
| Interest rate transactions, purchased    | 587              | 2                        | 1                        | 1                      |
| Interest rate transactions, sold         | 4,961            | 4                        | 1                        | 3                      |
| Share transactions, purchased            | 3                | -                        | -                        | -                      |
| Share transactions, sold                 | 2                | -                        | -                        | -                      |
| <b>Total</b>                             | <b>5,553</b>     | <b>6</b>                 | <b>2</b>                 | <b>4</b>               |
| <b>Total 2003</b>                        | <b>3,911</b>     | <b>1</b>                 | <b>6</b>                 | <b>(5)</b>             |



## Credit risks

DKK MILLION

| NYKREDIT REALKREDIT A/S |              |   | THE NYKREDIT REALKREDIT GROUP |              |
|-------------------------|--------------|---|-------------------------------|--------------|
| 2003                    | 2004         |   | 2004                          | 2003         |
|                         |              | <b>Mortgage loans by property category</b>  |                               |              |
|                         |              | <b>Loans and advances as a %, year-end</b>  |                               |              |
| 40                      | 38           | Owner-occupied dwellings  | 56                            | 55           |
| 2                       | 2            | Recreational dwellings  | 3                             | 3            |
| 17                      | 16           | Subsidised residential construction   | 11                            | 12           |
| 7                       | 9            | Private tenanted properties   | 6                             | 5            |
| 5                       | 5            | Industrial and trade properties   | 3                             | 4            |
| 10                      | 10           | Office and retail properties  | 7                             | 7            |
| 17                      | 18           | Agricultural properties   | 12                            | 12           |
| 2                       | 2            | Properties for social, cultural and educational purposes  | 2                             | 2            |
| 0                       | 0            | Other properties  | 0                             | 0            |
| <b>100</b>              | <b>100</b>   | <b>Total</b>  | <b>100</b>                    | <b>100</b>   |
|                         |              | <b>Subordinate claims</b>   |                               |              |
| 6                       | 6            | Associated undertakings   | 22                            | 16           |
| 1,025                   | 1,025        | Subsidiary undertakings   | 225                           | 225          |
| 1,410                   | 1,366        | Other undertakings  | 1,400                         | 1,426        |
| <b>2,441</b>            | <b>2,397</b> | <b>Total</b>  | <b>1,647</b>                  | <b>1,667</b> |
|                         |              | <b>Accumulated provisions</b>   |                               |              |
| 1,829                   | 1,353        | Provisions for loans, advances and guarantees, year-end   | 1,593                         | 2,122        |
| 0                       | 0            | Provisions for balances due from credit institutions and other items that may incur credit risk, year-end | 17                            | 17           |
| <b>1,829</b>            | <b>1,353</b> | <b>Total provisions for bad and doubtful debts, year-end</b>  | <b>1,610</b>                  | <b>2,139</b> |
| <b>0.4</b>              | <b>0.3</b>   | <b>Provisions as a % of loans, advances and guarantees, year-end</b>                                      | <b>0.2</b>                    | <b>0.3</b>   |
| <b>330</b>              | <b>300</b>   | <b>Outstanding amounts in arrears, year-end</b>   | <b>328</b>                    | <b>366</b>   |

## Liquidity risks

DKK MILLION

| NYKREDIT REALKREDIT A/S  |                |                                | THE NYKREDIT REALKREDIT GROUP |                |
|--|----------------|--------------------------------|-------------------------------|----------------|
| 2003   | 2004           |                                | 2004                          | 2003           |
| <b>By term-to-maturity</b>                                     |                |                                |                               |                |
| <b>Balances due from credit institutions and central banks</b> |                |                                |                               |                |
| 12,346   | 13,750         | On demand                      | 20,298                        | 19,348         |
| 39,825   | 27,254         | Up to 3 months                 | 32,288                        | 41,954         |
| 23   | 0              | Over 3 months and up to 1 year | 0                             | 0              |
| 370  | 300            | Over 1 year and up to 5 years  | 0                             | 70             |
| 500  | 500            | Over 5 years                   | 0                             | 0              |
| <b>53,064</b>  | <b>41,804</b>  | <b>Total</b>                   | <b>52,586</b>                 | <b>61,372</b>  |
| <b>Loans and advances</b>                                      |                |                                |                               |                |
| 0  | 0              | On demand                      | 2,269                         | 3,179          |
| 2,076  | 1,849          | Up to 3 months                 | 12,181                        | 11,066         |
| 104,122  | 138,243        | Over 3 months and up to 1 year | 144,772                       | 111,135        |
| 102,344  | 91,525         | Over 1 year and up to 5 years  | 115,026                       | 123,343        |
| 217,247  | 196,750        | Over 5 years                   | 371,755                       | 361,518        |
| <b>425,789</b>   | <b>428,367</b> | <b>Total</b>                   | <b>646,003</b>                | <b>610,241</b> |
| <b>Debt to credit institutions and central banks</b>           |                |                                |                               |                |
| 0  | 3              | On demand                      | 207                           | 12,637         |
| 8,602  | 17,157         | Up to 3 months                 | 40,547                        | 21,064         |
| 0  | 0              | Over 3 months and up to 1 year | 837                           | 662            |
| 0  | 0              | Over 1 year and up to 5 years  | 1,957                         | 2,656          |
| 0  | 0              | Over 5 years                   | 521                           | 166            |
| <b>8,602</b>   | <b>17,160</b>  | <b>Total</b>                   | <b>44,069</b>                 | <b>37,185</b>  |
| <b>Deposits</b>  |                |                                |                               |                |
| 0  | 0              | On demand                      | 8,492                         | 6,044          |
| 0  | 0              | Deposits at notice:            |                               |                |
| 0  | 0              | Up to 3 months                 | 9,571                         | 7,281          |
| 0  | 0              | Over 3 months and up to 1 year | 543                           | 487            |
| 0  | 0              | Over 1 year and up to 5 years  | 107                           | 76             |
| 0  | 0              | Over 5 years                   | 406                           | 251            |
| <b>0</b>   | <b>0</b>       | <b>Total</b>                   | <b>19,119</b>                 | <b>14,139</b>  |
| <b>Issued bonds</b>  |                |                                |                               |                |
| 94,251   | 132,313        | Up to 3 months                 | 166,761                       | 99,225         |
| 107,007  | 140,217        | Over 3 months and up to 1 year | 144,188                       | 110,806        |
| 105,180  | 92,831         | Over 1 year and up to 5 years  | 181,087                       | 165,681        |
| 223,262  | 199,559        | Over 5 years                   | 303,519                       | 322,355        |
| <b>529,700</b>   | <b>564,920</b> | <b>Total</b>                   | <b>795,555</b>                | <b>698,067</b> |

## Group structure

DKK MILLION

| Name and registered office   | Share capital, year-end | Capital and reserves, year-end | Ownership, %, year-end | Profit/loss |
|--|-------------------------|--------------------------------|------------------------|-------------|
| <b>The Nykredit Realkredit Group</b>   |                         |                                |                        |             |
| Nykredit Realkredit A/S, Copenhagen  | 1,182                   | 42,349                         | 100                    | 3,209       |
| <b>Consolidated subsidiaries:</b>  |                         |                                |                        |             |
| Totalkredit A/S, Taastrup  | 536                     | 4,823                          | 74                     | 354         |
| Nykredit Bank A/S, Copenhagen  | 1,400                   | 3,151                          | 100                    | 290         |
| Nykredit Finance plc, Plymouth   |                         |                                |                        |             |
| Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen  |                         |                                |                        |             |
| Nykredit Pantebrevsinvestering A/S, Copenhagen   |                         |                                |                        |             |
| Nykredit Portefølje Bank A/S, Copenhagen   |                         |                                |                        |             |
| Nykredit Portefølje Adm. A/S, Copenhagen   |                         |                                |                        |             |
| Nykredit Leasing A/S, Copenhagen   |                         |                                |                        |             |
| Norswood Properties Limited, Plymouth  |                         |                                |                        |             |
| Nykredit Mægler A/S, Århus   | 11                      | 172                            | 100                    | 38          |
| Nykredit Ejendomme A/S, Copenhagen   | 50                      | 304                            | 100                    | (22)        |
| Nykredit Adm. V A/S, Copenhagen  | 1                       | 1                              | 100                    | 0           |
| Nykredit Bank Hipoteczny S.A., Warsaw  | 91                      | 103                            | 100                    | (20)        |
| <b>Consolidated (pro rata) associated undertakings:</b>  |                         |                                |                        |             |
| Capitalis A/S, Horsens   | 22                      | 17                             | 29                     | (3)         |
| LeasIT A/S, Lyngby-Taarbæk   | 14                      | 61                             | 22                     | 4           |
| <b>Non-consolidated subsidiaries:</b>  |                         |                                |                        |             |
| <b>Insurance companies</b>   |                         |                                |                        |             |
| Nykredit Forsikring A/S, Copenhagen  | 500                     | 1,507                          | 100                    | 128         |
| The Group's balances due from and debt to Nykredit Forsikring A/S came to DKK 8m and DKK 0m, respectively. |                         |                                |                        |             |
| <b>Other undertakings</b>  |                         |                                |                        |             |
| Nordre Kobbelvej 17-19 ApS, Copenhagen   | 0                       | 5                              | 100                    | 4           |
| Ejendomsselskabet Bastrupgårdvej 1-3 A A/S, Copenhagen   | 1                       | (5)                            | 100                    | (5)         |
| The Group's balances due from and debt to other undertakings came to DKK 13m and DKK 0m, respectively.     |                         |                                |                        |             |

## Group structure

DKK MILLION

| Name and registered office   | Share capital, year-end* | Capital and reserves, year-end* | Ownership, % , year-end | Profit/loss* |
|--|--------------------------|---------------------------------|-------------------------|--------------|
| <b>Associated undertakings:</b>  |                          |                                 |                         |              |
| JN Data A/S, Silkeborg   | 30                       | 61                              | 49                      | 0            |
| Jeudan A/S, Copenhagen   | 385                      | 1,004                           | 21                      | 112          |
| Hotelinvest Kalvebod A/S, Copenhagen   | 22                       | 189                             | 49                      | (4)          |
| Realkreditnettet Holding A/S, Copenhagen   | 11                       | 9                               | 25                      | (11)         |
| Bisca Holding A/S, Hjørring  | 10                       | 92                              | 25                      | 3            |
| Energy Holding A/S, Copenhagen   | 9                        | 90                              | 22                      | 2            |
| Erhvervsinvestmanagement A/S, Copenhagen   | 2                        | 2                               | 25                      | -            |
| Blücher Holding A/S, Vibbjerg  | 1                        | 1                               | 30                      | -            |
| The Group's balances due from and debt to associated undertakings came to DKK 1,381 m and DKK 15m, respectively. |                          |                                 |                         |              |
| <b>Other undertakings in which the Group holds at least 10% of the share capital:</b>                            |                          |                                 |                         |              |
| EQT Investors I A/S, Copenhagen  | 19                       | 92                              | 15                      | 58           |
| Generationsskifte og Vækst A/S, Kolding  | 11                       | 7                               | 14                      | 0            |
| Supertræ A/S, Nørre Snede (in liquidation)   | 11                       | 68                              | 12                      | 0            |
| Fredericia Erhvervs-Investering ApS, Fredericia  | 0                        | 0                               | 10                      | 0            |
| Horsens Grundfinansiering A/S, Horsens   | 0                        | 12                              | 12                      | 0            |
| Håndværkets Byfornyelsesselskab Smba., Copenhagen  | 14                       | 9                               | 18                      | (1)          |
| ED Equity Holding B.V., Amsterdam  | 1                        | 7                               | 30                      | 38           |
| Nederman Holding AB, Helsingborg   | 1                        | 242                             | 15                      | (46)         |
| Cross Atlantic Partners KS II, Copenhagen  | 72                       | 20                              | 30                      | 7            |
| Cross Atlantic Partners KS III, Copenhagen   | 138                      | 91                              | 12                      | 30           |
| Cross Atlantic Partners KS IV, Copenhagen  | 139                      | 133                             | 17                      | 13           |
| Cross Atlantic Partners KS V, Copenhagen **  | 25                       | 22                              | 13                      | -            |
| EQT Northern Europe UK No 3 LP, Guernsey   | 1,076                    | 1,099                           | 16                      | 0            |
| Nordic Private Equity Partners, Copenhagen   | 18                       | 103                             | 11                      | 12           |
| VP Securities Services A/S, Copenhagen   | 40                       | 171                             | 12                      | 51           |
| The Copenhagen Stock Exchange A/S, Copenhagen  | 40                       | 280                             | 11                      | 56           |
| * According to the latest published annual report  |                          |                                 |                         |              |
| ** Opening balance sheets of newly established companies   |                          |                                 |                         |              |

## The Danish Financial Supervisory Authority ratio system

| <b>The Nykredit Realkredit Group</b>         | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Capital adequacy ratio                       | 12.1        | 11.1        | 11.1        | 10.5        | 11.5        |
| Core capital ratio                           | 12.0        | 11.4        | 11.4        | 10.1        | 11.1        |
| Return on equity before tax, %               | 8.7         | 7.9         | 7.3         | 12.0        | 10.8        |
| Return on equity after tax, %                | 5.9         | 5.7         | 5.1         | 8.9         | 7.9         |
| Income/cost ratio                            | 2.22        | 2.05        | 1.93        | 2.52        | 2.60        |
| Foreign exchange position, %                 | 1.9         | 2.2         | 2.0         | 1.3         | 0.3         |
| Accumulated provisions ratio                 | 0.5         | 0.5         | 0.5         | 0.3         | 0.2         |
| Write-offs and provisions for the year, %    | 0.0         | 0.0         | 0.0         | 0.0         | (0.1)       |
| Growth in loans and advances for the year, % | 2.5         | 4.9         | 4.9         | 39.5        | 5.9         |
| Gearing of loans and advances                | 12.9        | 12.8        | 12.7        | 15.6        | 15.3        |
| <b>Nykredit Realkredit A/S</b>               |             |             |             |             |             |
| Capital adequacy ratio                       | 13.1        | 12.0        | 12.3        | 12.3        | 14.4        |
| Core capital ratio                           | 13.0        | 12.3        | 12.6        | 12.6        | 14.6        |
| Return on equity before tax, %               | 8.7         | 7.9         | 7.3         | 12.0        | 10.6        |
| Return on equity after tax, %                | 5.9         | 5.7         | 5.1         | 8.9         | 7.9         |
| Income/cost ratio                            | 2.63        | 2.38        | 2.16        | 2.99        | 3.25        |
| Foreign exchange position, %                 | 2.5         | 0.8         | 0.9         | 1.7         | 0.3         |
| Accumulated provisions ratio                 | 0.5         | 0.5         | 0.4         | 0.4         | 0.3         |
| Write-offs and provisions for the year, %    | 0.0         | 0.0         | 0.0         | 0.0         | (0.1)       |
| Growth in loans and advances for the year, % | 2.3         | 3.8         | 4.6         | 3.1         | 0.6         |
| Gearing of loans and advances                | 12.3        | 12.1        | 12.0        | 10.9        | 10.1        |

# The Danish Financial Supervisory Authority ratio system

## KEY RATIO DEFINITIONS

|  |   |
|--|---|
| Capital adequacy ratio                       | $\frac{\text{Capital base x 100}}{\text{Sum of weighted assets}}$   |
| Core capital ratio                           | $\frac{\text{Core capital after statutory deductions x 100}}{\text{Sum of weighted assets}}$  |
| Return on equity before tax, %               | $\frac{\text{Pre-tax profit x 100}}{\text{Average capital and reserves}}$   |
| Return on equity after tax, %                | $\frac{\text{Post-tax profit x 100}}{\text{Average capital and reserves}}$  |
| Income/cost ratio                            | $\frac{\text{Operating income}^*}{\text{Operating expenses}^{**}}$  |
| Foreign exchange position, %                 | $\frac{\text{Exchange Rate Indicator 1 x 100}}{\text{Core capital after statutory deductions}}$   |
| Accumulated provisions ratio                 | $\frac{\text{Accumulated provisions x 100}}{\text{Loans, advances, guarantees and provisions}}$   |
| Write-offs and provisions for the year, %    | $\frac{\text{Write-offs and provisions for loans, advances and guarantees for the year x 100}}{\text{Loans, advances, guarantees and provisions}}$  |
| Growth in loans and advances for the year, % | $\frac{(\text{Loans and advances, year-end, less loans and advances, beginning of year}) \times 100}{\text{Loans and advances, beginning of year}}$   |
| 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:    | <ul style="list-style-type: none"> <li>Net income from interest and fees</li> <li>Value adjustments</li> <li>Other operating income</li> <li>Profit/loss from investments in associated and subsidiary undertakings</li> </ul>  |
| ** Operating expenses defined as the sum of: | <ul style="list-style-type: none"> <li>Staff costs and administrative expenses</li> <li>Depreciation, amortisation and write-downs on intangible and tangible assets</li> <li>Other operating expenses</li> <li>Write-offs and provisions for bad and doubtful debts</li> </ul> |

## Financial highlights

DKK MILLION

NYKREDIT REALKREDIT A/S

|   | 2000         | 2001         | 2002         | 2003         | 2004         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CORE EARNINGS AND NET PROFIT FOR THE YEAR</b>              |              |              |              |              |              |
| Core income from lending                                      | 2,296        | 2,666        | 2,874        | 3,172        | 3,101        |
| Core income from securities                                   | 1,183        | 1,238        | 943          | 715          | 652          |
| <b>Total</b>  | <b>3,479</b> | <b>3,904</b> | <b>3,817</b> | <b>3,887</b> | <b>3,753</b> |
| Operating costs, depreciation and amortisation                | 1,705        | 1,734        | 1,967        | 2,139        | 2,305        |
| <b>Core earnings before write-offs</b>                        | <b>1,774</b> | <b>2,170</b> | <b>1,850</b> | <b>1,748</b> | <b>1,448</b> |
| Write-offs and provisions for bad and doubtful debts          | (149)        | 44           | 128          | 49           | (408)        |
| Profit before tax from investments in subsidiary undertakings | 131          | 32           | 43           | 544          | 895          |
| <b>Core earnings after write-offs</b>                         | <b>2,054</b> | <b>2,158</b> | <b>1,765</b> | <b>2,243</b> | <b>2,751</b> |
| Investment portfolio income                                   | 519          | 352          | 703          | 2,169        | 1,583        |
| <b>Profit on ordinary activities before tax</b>               | <b>2,573</b> | <b>2,510</b> | <b>2,468</b> | <b>4,412</b> | <b>4,334</b> |
| Tax   | 819          | 687          | 751          | 1,137        | 1,125        |
| <b>Net profit for the year</b>                                | <b>1,754</b> | <b>1,823</b> | <b>1,717</b> | <b>3,275</b> | <b>3,209</b> |
| <b>Summary balance sheet at 31 December</b>                   |              |              |              |              |              |
| Mortgage lending  | 380,053      | 394,403      | 411,534      | 424,619      | 427,222      |
| Bonds and shares  | 55,158       | 86,836       | 101,111      | 106,965      | 160,753      |
| Issued bonds  | 412,869      | 467,459      | 499,460      | 529,700      | 564,920      |
| Capital and reserves  | 30,863       | 32,707       | 34,479       | 39,061       | 42,349       |
| Total assets  | 464,136      | 543,479      | 567,715      | 598,670      | 645,665      |

## Series Accounts in Nykredit Realkredit A/S for 2004

Copenhagen, 24 February 2005

In compliance with the Danish Financial Supervisory Authority Executive Order no 872 of 20 November 1995 on series accounts in mortgage banks, mortgage banks are required to prepare separate series accounts for series with reserves, cf Section 25 (1) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds Act.

The Series Accounts have been prepared on the basis of the adopted Annual Report of Nykredit Realkredit A/S for 2004.

The distribution of profit for 2004 adopted by Nykredit Realkredit A/S's Board of Directors (cf

the Annual Report, page 39) has been included in the Series Accounts. The series' calculated share of the 2004 net profit of 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 investment rules governing the Capital Centre.

The Series Accounts have been printed at association level, cf the 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 for 2004 at association level of Nykredit Realkredit A/S which have been audited by us.

We refer to the report above from 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

#### 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

Niels Tørslev  
Group Managing Director

#### BOARD OF DIRECTORS

Steen E. Christensen  
Chairman

K. E. Borup  
Deputy Chairman

Hans Bang-Hansen  
Deputy Chairman

Kristian Bengaard

Peter Bramsen

Michael Demsitz

Anette R. Fischer

Jørgen S. Iversen

Allan Kristiansen

Henrik Laustsen

Ole Maltesen

Susanne Møller Nielsen

Nina Smith

Ole Steffensen

Ole Trolle

Jens Erik Udsen

Leif Vinther

Claus Okholm  
Chief Internal Auditor

Kim Stormly Hansen  
Deputy Chief Internal Auditor

### PricewaterhouseCoopers Statsautoriseret Revisionsinteressentskab

Otto Johnsen                      Mikael Sørensen  
State-Authorised Public Accountants

### Deloitte Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen              Anders O. Gjelstrup  
State-Authorised Public Accountants



## Series Accounts in Nykredit Realkredit A/S for 2004

DKK MILLION

SUMMARY AT THE LEVEL OF THE ASSOCIATION AND NYKREDIT IN GENERAL

|  | 1              | 2            | 3            | 4            | 5            | 6            | 7            | 8            |
|--|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | KØK            | FSK          | LCR          | HUM          | BHY          | KØH          | ØHYP         | SKRF         |
| <b>Profit and loss account</b>           |                |              |              |              |              |              |              |              |
| Income from lending                      | 3.1            | 1.3          | 0.2          | 0.3          | 2.1          | 0.5          | 0.4          | 0.8          |
| Interest payable on subord. loan capital | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Interest, net                            | 6.8            | 2.2          | 1.0          | 2.4          | 2.0          | 0.5          | 0.4          | 2.6          |
| Administrative expenses                  | (3.3)          | (1.1)        | (0.5)        | (1.1)        | (1.0)        | (0.3)        | (0.2)        | (1.3)        |
| Write-offs and provisions                | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Tax                                      | (2.0)          | (0.7)        | (0.2)        | (0.5)        | (0.9)        | (0.2)        | (0.2)        | (0.6)        |
| <b>Net profit</b>                        | <b>4.6</b>     | <b>1.7</b>   | <b>0.5</b>   | <b>1.1</b>   | <b>2.2</b>   | <b>0.5</b>   | <b>0.4</b>   | <b>1.5</b>   |
| <b>Balance sheet</b>                     |                |              |              |              |              |              |              |              |
| <b>Assets</b>                            |                |              |              |              |              |              |              |              |
| Mortgage loans                           | 1,259.4        | 444.8        | 58.0         | 79.4         | 507.8        | 12.3         | 20.3         | 189.0        |
| Other assets                             | 395.4          | 93.2         | 27.4         | 62.1         | 150.7        | 11.7         | 12.2         | 94.8         |
| <b>Total assets</b>                      | <b>1,654.8</b> | <b>538.0</b> | <b>85.4</b>  | <b>141.5</b> | <b>658.5</b> | <b>24.0</b>  | <b>32.5</b>  | <b>283.8</b> |
| <b>Liabilities and equity</b>            |                |              |              |              |              |              |              |              |
| Issued bonds                             | 1,383.2        | 450.2        | 65.7         | 99.1         | 557.6        | 16.0         | 25.0         | 222.7        |
| Other liabilities                        | 201.9          | 65.6         | 10.4         | 17.3         | 80.3         | 2.9          | 4.0          | 34.6         |
| Subordinate loan capital                 | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Capital and reserves <sup>1</sup>        | 69.7           | 22.2         | 9.3          | 25.1         | 20.6         | 5.1          | 3.5          | 26.5         |
| <b>Total liabilities and equity</b>      | <b>1,654.8</b> | <b>538.0</b> | <b>85.4</b>  | <b>141.5</b> | <b>658.5</b> | <b>24.0</b>  | <b>32.5</b>  | <b>283.8</b> |
| <b>Movements in capital (net)</b>        | <b>(4.6)</b>   | <b>(1.2)</b> | <b>(1.6)</b> | <b>(0.5)</b> | <b>(0.8)</b> | <b>(0.6)</b> | <b>(0.6)</b> | <b>(2.9)</b> |
|  |                |              |              |              |              |              |              |              |
|  | 9              | 10           | 11           | 12           | 13           | 14           | 15           | 16           |
|  | VESØ           | ÅHYP         | HUSM         | NHYP         | LHYP         | KHYP         | JHYP         | JLKR         |
| <b>Profit and loss account</b>           |                |              |              |              |              |              |              |              |
| Income from lending                      | 0.3            | 0.0          | 0.4          | 0.0          | 0.6          | 1.1          | 0.3          | 0.5          |
| Interest payable on subord. loan capital | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Interest, net                            | 1.6            | 1.8          | 3.2          | 0.1          | 1.9          | 3.6          | 2.5          | 2.8          |
| Administrative expenses                  | (0.8)          | (0.8)        | (1.5)        | (0.1)        | (0.9)        | (1.7)        | (1.2)        | (1.4)        |
| Write-offs and provisions                | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Tax                                      | (0.3)          | (0.3)        | (0.6)        | 0.0          | (0.5)        | (0.9)        | (0.5)        | (0.6)        |
| <b>Net profit</b>                        | <b>0.8</b>     | <b>0.7</b>   | <b>1.5</b>   | <b>0.0</b>   | <b>1.1</b>   | <b>2.1</b>   | <b>1.1</b>   | <b>1.3</b>   |
| <b>Balance sheet</b>                     |                |              |              |              |              |              |              |              |
| <b>Assets</b>                            |                |              |              |              |              |              |              |              |
| Mortgage loans                           | 69.0           | 0.0          | 79.0         | 5.0          | 94.5         | 191.6        | 12.6         | 100.3        |
| Other assets                             | 46.6           | 22.4         | 69.3         | 2.7          | 42.8         | 83.9         | 33.5         | 65.8         |
| <b>Total assets</b>                      | <b>115.6</b>   | <b>22.4</b>  | <b>148.3</b> | <b>7.7</b>   | <b>137.3</b> | <b>275.5</b> | <b>46.1</b>  | <b>166.1</b> |
| <b>Liabilities and equity</b>            |                |              |              |              |              |              |              |              |
| Issued bonds                             | 85.7           | 0.0          | 96.8         | 5.6          | 101.3        | 204.1        | 17.0         | 119.9        |
| Other liabilities                        | 14.1           | 2.7          | 18.1         | 0.9          | 16.8         | 33.6         | 5.6          | 20.3         |
| Subordinate loan capital                 | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Capital and reserves <sup>1</sup>        | 15.8           | 19.7         | 33.4         | 1.2          | 19.2         | 37.8         | 23.5         | 25.9         |
| <b>Total liabilities and equity</b>      | <b>115.6</b>   | <b>22.4</b>  | <b>148.3</b> | <b>7.7</b>   | <b>137.3</b> | <b>275.5</b> | <b>46.1</b>  | <b>166.1</b> |
| <b>Movements in capital (net)</b>        | <b>(2.9)</b>   | <b>0.0</b>   | <b>(1.4)</b> | <b>0.0</b>   | <b>(2.4)</b> | <b>(0.4)</b> | <b>(6.1)</b> | <b>(8.0)</b> |

## Series Accounts in Nykredit Realkredit A/S for 2004

DKK MILLION

SUMMARY AT THE LEVEL OF THE ASSOCIATION AND NYKREDIT IN GENERAL

|  | 17<br>IK     | 18 total<br>(1-17) | 19<br>FK       | 20<br>JK       | 21<br>NYK                                       | 22 total<br>(19-21) | 23<br>INST       | 24 TOTAL<br>(18,22,23) |
|--|--------------|--------------------|----------------|----------------|---|---------------------|------------------|------------------------|
| <b>Profit and loss account</b>           |              |                    |                |                |   |                     |                  |                        |
| Income from lending                      | 0.0          | 11.9               | 10.2           | 11.2           | 1,545.5   | 1,566.9             | 627.1            | 2,205.9                |
| Interest payable on subord. loan capital | 0.0          | 0.0                | 0.0            | 0.0            | 0.0   | 0.0                 | (51.1)           | (51.1)                 |
| Interest, net                            | 0.2          | 35.6               | 10.6           | 15.3           | 1,485.0   | 1,510.9             | 2,120.9          | 3,667.4                |
| Administrative expenses                  | (0.2)        | (17.4)             | (5.1)          | (7.5)          | (859.1)   | (871.7)             | (1,006.7)        | (1,895.8)              |
| Write-offs and provisions                | 0.0          | 0.0                | 1.2            | 7.3            | 197.5   | 206.0               | 202.1            | 408.1                  |
| Tax                                      | 0.0          | (9.0)              | (5.1)          | (7.9)          | (710.6)   | (723.6)             | (392.8)          | (1,125.4)              |
| <b>Net profit</b>                        | <b>0.0</b>   | <b>21.1</b>        | <b>11.8</b>    | <b>18.4</b>    | <b>1,658.3</b>                                  | <b>1,688.5</b>      | <b>1,499.5</b>   | <b>3,209.1</b>         |
| <b>Balance sheet</b>                     |              |                    |                |                |   |                     |                  |                        |
| <b>Assets</b>                            |              |                    |                |                |   |                     |                  |                        |
| Mortgage loans                           | 0.0          | 3,123.0            | 1,783.2        | 1,992.6        | 373,009.8                                       | 376,785.6           | 47,449.3         | 427,357.9              |
| Other assets                             | 3.1          | 1,217.6            | 734.5          | 907.0          | 162,695.0                                       | 164,336.5           | 52,752.5         | 218,306.6              |
| <b>Total assets</b>                      | <b>3.1</b>   | <b>4,340.6</b>     | <b>2,517.7</b> | <b>2,899.6</b> | <b>535,704.8</b>                                | <b>541,122.1</b>    | <b>100,201.8</b> | <b>645,664.5</b>       |
| <b>Liabilities and equity</b>            |              |                    |                |                |   |                     |                  |                        |
| Issued bonds                             | 1.0          | 3,450.9            | 2,129.1        | 2,435.0        | 500,483.8                                       | 505,047.9           | 66,418.1         | 574,916.9              |
| Other liabilities                        | 0.4          | 529.5              | 307.1          | 353.7          | 14,655.2  | 15,316.0            | 8,526.6          | 24,372.1               |
| Subordinate loan capital                 | 0.0          | 0.0                | 0.0            | 0.0            | 0.0   | 0.0                 | 3,696.5          | 3,696.5                |
| Capital and reserves <sup>1</sup>        | 1.7          | 360.2              | 81.5           | 110.9          | 20,565.8  | 20,758.2            | 21,560.6         | 42,679.0               |
| <b>Total liabilities and equity</b>      | <b>3.1</b>   | <b>4,340.6</b>     | <b>2,517.7</b> | <b>2,899.6</b> | <b>535,704.8</b>                                | <b>541,122.1</b>    | <b>100,201.8</b> | <b>645,664.5</b>       |
| <b>Movements in capital (net)</b>        | <b>(0.2)</b> |                    | <b>(23.9)</b>  | <b>(40.8)</b>  | <b>(1,120.0)</b>                                |                     | <b>(54.6)</b>    |                        |
| 1 KØK                                    |              |                    |                | 13 LHYP        | Landhypotekforeningen for Danmark               |                     |                  |                        |
| 2 FSK                                    |              |                    |                | 14 KHYP        | Købstadshypotekforeningen                       |                     |                  |                        |
| 3 LCR                                    |              |                    |                | 15 JHYP        | Jydsk Hypotekforening                           |                     |                  |                        |
| 4 HUM                                    |              |                    |                | 16 JLKR        | Jydsk Landkreditforening                        |                     |                  |                        |
| 5 BHY                                    |              |                    |                | 17 IK          | Kreditforening for industrielle Ejendomme       |                     |                  |                        |
| 6 KØH                                    |              |                    |                | <b>18</b>      | <b>Total (1-17) Associations before 1972</b>    |                     |                  |                        |
| 7 ØHYP                                   |              |                    |                | 19 FK          | Forenede Kreditforeninger                       |                     |                  |                        |
| 8 SKRF                                   |              |                    |                | 20 JK          | Jyllands Kreditforening                         |                     |                  |                        |
| 9 VESØ                                   |              |                    |                | 21 NYK         | Nykredit (incl Capital Centres C and D)         |                     |                  |                        |
| 10 ÅHYP                                  |              |                    |                | <b>22</b>      | <b>Total (19-21) Associations after 1972</b>    |                     |                  |                        |
| 11 HUSM                                  |              |                    |                | 23 INST        | Nykredit In General                             |                     |                  |                        |
| 12 NHYP                                  |              |                    |                | <b>24</b>      | <b>Total (18,22,23) Nykredit Realkredit A/S</b> |                     |                  |                        |

NOTE

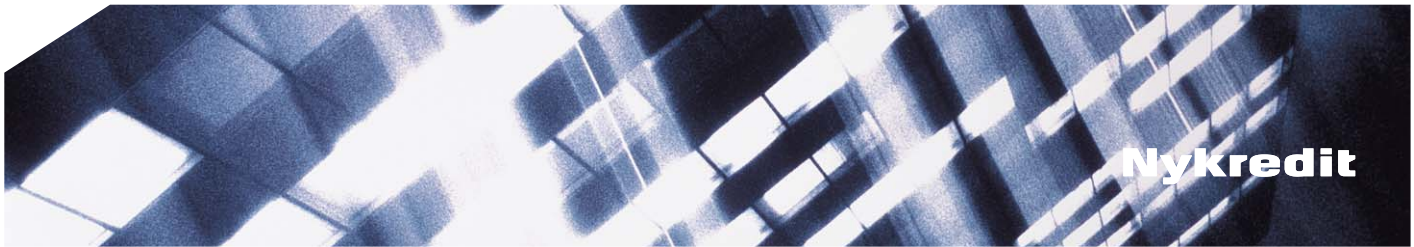
DKK MILLION

2004

**1. CAPITAL AND RESERVES, SERIES ACCOUNTS**

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

|  |                 |
|--|-----------------|
| Capital and reserves, Annual Accounts                | 42,348.6        |
| Provisions for repayable reserves in pre-1972 series | 330.4           |
| <b>Capital and reserves, Series Accounts</b>         | <b>42,679.0</b> |



## Other information

### NYKREDIT - FINANCIAL CALENDAR 2005

|             |   |
|-------------|---|
| 24 February | <p>Preliminary Announcements of the Annual Accounts of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.</p> <p>The Annual Reports for 2004 of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group will be published on the Internet as pdf files on the same day.</p> |
| 15 March    | <p>Annual General Meeting of Nykredit Bank A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.</p>  |
| 8 April     | <p>Annual General Meeting of Totalkredit A/S held at the Radisson SAS Scandinavia Hotel, Margrethepladsen 1, DK-8000 Århus.</p>   |
| 14 April    | <p>Annual General Meeting of Nykredit Realkredit A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.</p>  |
| 19 May      | <p>Q1 Interim Reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.</p>  |
| 18 August   | <p>H1 Interim Reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.</p>  |
| 17 November | <p>Q1-Q3 Interim Reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.</p>   |

## Directorships and executive positions in companies held by members of the Board of Directors and 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 Realkredit A/S have not been included.

All members of the Board of Directors and Executive Board are also members of the Board of Directors and Executive Board of Nykredit Holding A/S, the Parent Company.

### BOARD OF DIRECTORS

#### **Steen E. Christensen**

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

Deputy Chairman of 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 Horsens Folkeblad A/S.

#### **K. E. Borup**

Chairman of Bagger Sørensen & Co A/S, H+H International A/S, Mekoprint A/S, Nordjyske Holding A/S and two subsidiaries, 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 Holding ApS, Hydrema Ejendomme A/S, Skagerak Holding A/S and three subsidiaries, Skagerak 2000 A/S and Vendsyssel Tidende A/S.

#### **Jørgen S. Iversen**

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

Chairman of Elbina Holding A/S and JTS Profil A/S.

#### **Ole Trolle**

Managing Director of Grønbech & Sønner Holding A/S and Chairman of its three subsidiaries.

Chairman of Aktieselskabet Ny Kalkbrænderi and its subsidiary, Combifragt Group A/S, Corral Line A/S, RM Rich. Müller A/S and Scania Danmark A/S.

Deputy Chairman of Energi E2 A/S.

Director of Post Danmark A/S.

#### **Nina Smith**

Director of Niras Gruppen A/S, PFA Holding A/S and PFA Pensionsforsikringsaktieselskab.

#### **Ole Steffensen**

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

#### **Jens Erik Udsen**

General Manager of Nesdu A/S.

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

### EXECUTIVE BOARD

#### **Mogens Munk Rasmussen**

Chairman of Totalkredit A/S.

#### **Peter Engberg Jensen**

Director of JN Data A/S, Totalkredit A/S and VP Securities Services A/S.

#### **Per Ladegaard**

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

#### **Henning Kruse Petersen**

Director of Capitalis A/S, Erhvervsinvest Management A/S, Sund & Bælt Holding A/S and its three subsidiaries.

#### **Niels Tørslev**

Managing Director of Totalkredit A/S.

Director of Dansk Pantebrevsbørs A/S.

# Executive Board and Executives

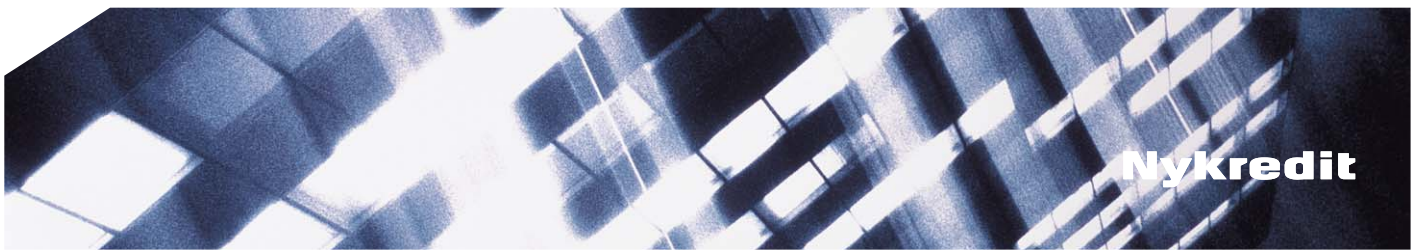
## Executive Board

|   |  |   |  |   |
|---|--|---|--|---|
| <b>Mogens Munk Rasmussen</b><br>Group Chief Executive | <b>Peter Engberg Jensen</b><br>Group Managing Director | <b>Per Ladegaard</b><br>Group Managing Director | <b>Henning Kruse Petersen</b><br>Group Managing Director | <b>Niels Tørslev</b><br>Group Managing Director |
|---|--|---|--|---|

|  |  |   |  |   |
|--|--|---|--|---|
| <b>Management and Organisational Development</b><br>Annie Eberhard<br><br><b>Group Secretariat</b><br>Birgitte Løj<br><br><b>Internal Audit</b><br>Claus Okholm<br><br><b>Corporate Communications</b><br>Nels Petersen<br><br><b>Staff Training</b><br>Annette Schmith<br><br><b>Legal Department</b><br>Jørgen Wohnsen | <b>Markets &amp; Asset Management</b><br>Kim Duus<br><br><b>Administration Centre</b><br>Johnny Rasmussen<br><br><b>Centre Support</b><br>Birgitte Bruun<br><br><b>Treasury</b><br>Henrik Hjortshøj Nielsen<br><br><b>Group Finance</b><br>Søren Holm<br><br><b>Human Resources</b><br>Erik Beckmann | <b>Retail Customers</b><br>Flemming H. Vesterbrandt<br><br><b>Retail Customers, North Region</b><br>N.C. Petersen<br><br><b>Retail Customers, South Region</b><br>Erik Højberg Nielsen<br><br><b>Retail Customers, East Region</b><br>Søren Møller<br><br><b>Retail Banking</b><br>Jes Klausby<br><br><b>Retail Insurance</b><br>Ole Bjarrum<br><br><b>Agricultural Customers</b><br>Leif Duus<br><br><b>Insurance, Agricultural Customers</b><br>Flemming Conrad<br><br><b>Agriculture Department</b><br>Poul Erik Jørgensen<br><br><b>Group Development and IT</b><br>Lars Mathiesen<br><br><b>Customer Services</b><br>Lars Bo Stenqvist | <b>Commercial Customers</b><br>Karsten Knudsen<br><br><b>Secretariat for Commercial Customers</b><br>Bente Overgaard<br><br><b>Commercial Customers, North Region</b><br>Hans Jørn Mikkelsen<br><br><b>Commercial Customers, South Region</b><br>Henrik Rasmussen<br><br><b>Commercial Customers, East Region</b><br>Tom Storgaard<br><br><b>Corporate Banking</b><br>Tom Ahrenst<br><br><b>Insurance, Commercial Customers</b><br>Flemming Conrad<br><br><b>Credits</b><br>Lars Holst<br><br><b>International Department</b><br>Erik Urskov | <b>Totalkredit A/S:</b><br><br><b>Finance</b><br>Hans Henrik Andersen<br><br><b>IT</b><br>Troels Bülow-Olsen<br><br><b>Market Department</b><br>Anders Heick-Poulsen<br><br><b>Credits</b><br>Per Nykjær<br><br><b>Administration</b><br>Jens Færgemann |
|--|--|---|--|---|

## Subsidiaries

|  |  |   |
|--|--|---|
| <b>Totalkredit A/S</b><br>Niels Tørslev<br>Hans Henrik Andersen<br>Per Nykjær<br><br><b>Nykredit Ejendomme A/S</b><br>Birgitte Bruun | <b>Nykredit Forsikring A/S</b><br>Ole Bjarrum<br>Flemming Conrad<br><br><b>Nykredit Mægler A/S</b><br>Frank Ryslev | <b>Nykredit Bank A/S</b><br>Kim Duus<br>Jes Klausby<br>Karsten Knudsen<br><br><b>Nykredit Bank Hipoteczny S.A.</b><br>Lech Gajewski |
|--|--|---|



## Nykredit - the short version

Nykredit is one of Denmark's leading financial groups with activities ranging from mortgage finance to banking, insurance business and estate agency services.

Mortgage banking is the core business of the Group. Nykredit is Denmark's largest mortgage provider and one of the largest private bond issuers in Europe.

### Ownership structure

Nykredit Realkredit A/S is wholly owned by Nykredit Holding A/S, the single object of which is to own Nykredit Realkredit A/S. The group of owners comprises four shareholders: the majority shareholder, Foreningen Nykredit (the Nykredit Association, 86.71%), Industriens Realkreditfond (Industrial Mortgage Fund of Denmark, 6.89%), Foreningen Østifterne (The Østifterne Association, 3.25%) and PRAS (3.15%).

Nykredit's business is conducted through Nykredit Realkredit A/S which carries on mortgage banking and other business activities through the subsidiaries Totalkredit A/S, Nykredit Bank A/S, Nykredit Forsikring A/S, Nykredit Mægler A/S, Nykredit Ejendomme A/S and Nykredit Bank Hipoteczny S.A.

All subsidiaries are wholly owned except Totalkredit A/S of which Nykredit Realkredit A/S owns 74.1%. Nykredit has an option to buy the remaining 25.9% exercisable on 1 October 2006.

### Business areas

Nykredit is a broad-based financial services group organised in four intra-group business areas: Retail Customers, Commercial Customers, Agricultural Customers and Markets & Asset Management. The business areas have unequivocal decision-making authorities and operate across former legal boundaries to be able to serve customers as directly as possible.

### Distribution

Nykredit's business activities are based on multi-channel distribution selling its products and services through its own centres, the partnership banks, the Internet, affiliated estate agencies and insurance agents.

The sale takes place under two brands: Nykredit and Totalkredit.

Nykredit-branded products are distributed through 47 retail centres, 11 agricultural centres and 24 commercial centres which offer all products provided by the Group.

Totalkredit-branded products are distributed by the 105 partnership banks which combined have some 1,150 branches and a market share of the retail banking market of approximately one third. The 105 partnership banks also have access to selling Nykredit-branded products.

The Nykredit Group's products are also sold through the Internet, Nykredit's Customer Services, two insurance centres and two asset management centres as well as the affiliated estate agency chains, Nybolig and Estate, which combined have more than 310 agencies and a total market share of approximately 20%.

### Staff

The staff is the cornerstone of Nykredit's business and one of the Group's most important assets.

The Group aims to be characterised by competent and committed staff and to be the preferred workplace for financial-sector staff.

Nykredit therefore focuses on personal development, strategic competence development and training supporting Nykredit's strategy and values.

For Nykredit's future development and ability to maintain its market position depend on Nykredit staying a dynamic and secure work place for competent staff who take an interest in personal development.

### IT

At the core of Nykredit's IT strategy lies the corporate vision that the Nykredit Group must act as one company focused on customers' needs and requirements

and that the Group will take advantage of the possibilities for optimising the electronic business conduct.

The IT strategy supports a visionary IT infrastructure and related development and project methods providing Nykredit with flexibility to rapidly adapt to the market by developing systems to prudently support new business concepts and opportunities subject to a short response time.

The IT strategy supports high operating stability and high IT security in the business activities.

#### **Core values**

Nykredit has formulated clear and simple core values reflecting Nykredit's culture and ensuring that all staff members have a common focus. The values are based on Nykredit's culture, experience and desire to conduct business.

Nykredit's core values are *committed effort, insight and empathy*.

The values reflect how Nykredit should appear to the world but also the behaviour that should build such a perception.

#### **Bonus scheme**

Nykredit has a bonus scheme for all staff members as a tighter coupling between performance and pay is expected to increase staff motivation for the benefit of the customers, the Group and the individual staff members.

#### **Corporate Governance**

Nykredit's Board of Directors has decided that Nykredit should act as a publicly listed company subject to the adjustments following from the Company's special ownership and management structure. This includes running the Company on the basis of sound business terms.

Furthermore, Nykredit takes the official Danish recommendations for corporate governance under consideration on a current basis.

Nykredit's Corporate Governance practices can be viewed at [www.nykredit.com](http://www.nykredit.com).

#### **Information on the Nykredit Group**

For more information about the Nykredit Group, please visit [www.nykredit.com](http://www.nykredit.com).

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.

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