



Annual Report 2005

Nykredit

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Nykredit's fundamentals

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's objective is to be an internationally competitive Danish financial services provider drawing on competent staff as well as up-to-date services, products and distribution channels.

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



Foreword

ACTIVE YEAR AND HANDSOME RESULTS

Profit for the year, including value adjustment of strategic equities against equity, was DKK 4,397m after tax – the best year in the history of the Nykredit Group.

Since 1997 Nykredit has been pursuing a two-pronged strategy based on self-development and strong strategic alliances. This year's results clearly validate Nykredit's strategic choice, and the Group is now reaping the fruits of its decision.

Mortgage lending is a cornerstone in the Group, and throughout the year, this area displayed unusually high activity both in Nykredit and Totalkredit fostered by new attractive products with interest rate caps and interest rates incentivising record loan refinancing.

Totalkredit continued to grow as part of the Nykredit Group in a year that saw joint product development and the first joint funding activities.

The good and effective partnership with Danish local and regional banks is continuously expanded – also in areas not involving Totalkredit.

The Bank is developing in a positive direction. Markets & Asset Management, new products and new sales channels contributed to this year's handsome results. Also Pension & Investment and Nykredit Portefølje Bank recorded increased business volumes with growing assets under management.

The Insurance Company continued its positive development with growth in the customer base and core income. And the estate agents sold more properties than the year before.

Product development has become an increasingly important competitive parameter. In 2005 the Group devoted its strength and competences to develop a line of new products tailored to match customers' needs in the current financial market.

In the highly competitive environment, Nykredit has done well. The Group was behind 32% of total Danish retail lending and 58% of all loans with interest rate caps granted in Denmark.

The Nykredit Group possesses the necessary resources and competences. We have a qualified and motivated staff and strong business partners. Such strategic strength will be applied to secure the Group's position, also in coming years, as one of Denmark's leading financial groups offering customers relevant and attractive products.

Mogens Munk Rasmussen
Group Chief Executive

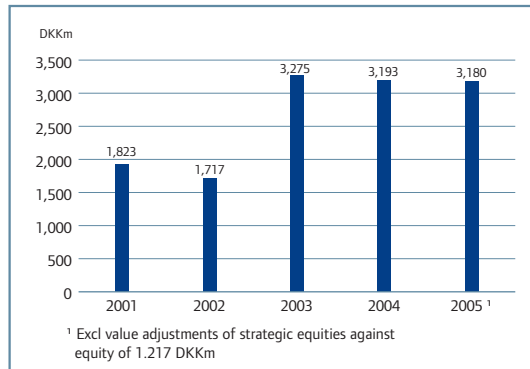
DKK million	2005 ¹	2004 ¹	2003 ²	2002	2001	EUR 2005
CORE EARNINGS AND PROFIT FOR THE YEAR						
Core income from						
Business operations	5,826	4,822	4,118	3,445	3,244	781
Securities	908	814	798	1,041	1,362	122
Total	6,734	5,636	4,916	4,486	4,606	903
Operating costs, depreciation and amortisation	3,758	3,518	2,694	2,455	2,280	504
Core earnings before losses	2,976	2,118	2,222	2,031	2,326	399
Provisions for loan impairment	(245)	(400)	184	169	84	(33)
Profit/loss from insurance activities before tax ³	-	-	101	(121)	(62)	-
Core earnings after losses	3,221	2,518	2,139	1,741	2,180	432
Investment portfolio income	1,120	1,732	2,282	727	330	150
Profit before tax	4,341	4,250	4,421	2,468	2,510	582
Tax	1,161	1,057	1,146	751	687	156
Profit for the year	3,180	3,193	3,275	1,717	1,823	426
Profit for the year excludes value adjustment of strategic equities against equity	1,217	0	0	0	0	163
SUMMARY BALANCE SHEET, YEAR-END						
	31.12.2005 ¹	01.01.2005 ¹	2003	2002	2001	31.12.2005 EUR
Assets						
Mortgage loans	699,116	632,482	586,664	411,534	394,403	93,709
Bank loans – excluding reverse transactions	19,870	17,408	22,276	24,452	22,234	2,663
Bonds and equities	79,788	73,957	142,605	119,745	107,112	10,695
Other assets	91,240	74,236	77,498	59,315	55,656	12,230
Total assets	890,014	798,083	829,043	615,046	579,405	119,297
Liabilities and equity						
Deposits	21,808	18,702	14,139	12,024	8,660	2,923
Issued bonds	718,041	651,607	698,067	499,460	467,459	96,247
Hybrid core capital	3,940	3,844	-	-	-	528
Supplementary capital	6,104	2,600	2,601	-	-	818
Other liabilities	91,429	77,095	75,175	69,083	70,579	12,256
Equity	48,692	44,235	39,061	34,479	32,707	6,527
Total liabilities and equity	890,014	798,083	829,043	615,046	579,405	119,297
KEY RATIOS						
	2005 ¹	2004 ¹	2003 ²	2002	2001	
Profit for the year as a % of average equity	6.8	7.7	8.9	5.1	5.7	
Core earnings before losses as a % of average equity	6.4	5.1	6.0	6.0	7.3	
Core earnings after losses as a % of average equity	6.9	6.0	5.8	5.2	6.9	
Costs as a % of core income	55.8	62.4	54.8	54.7	49.5	
Total impairment provisions	798	1,110	2,139	2,038	1,983	
Losses and impairment provisions as a % for the year	(0.0)	(0.1)	0.0	0.0	0.0	
Capital adequacy ratio, %	12.4	11.5	10.5	11.1	11.1	
Core capital ratio, %	11.3	11.0	10.1	11.4	11.4	
Average number of full-time staff	3,287	3,234	3,208	3,049	2,910	

1) The Financial Statements for 2005 have been presented in accordance with IFRS. Comparative figures have been restated to IFRS 1. Accordingly, Nykredit has not adjusted the accounting figures for 2004 relating to the changed accounting policies with respect to IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement".

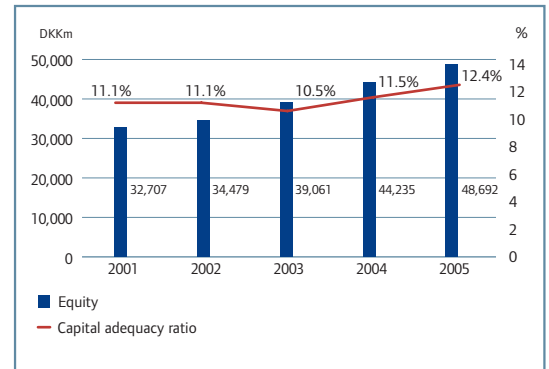
2) Totalkredit has been consolidated with Nykredit Realkredit from 10 November 2003.

3) Nykredit Forsikring has been consolidated line by line from 2004.

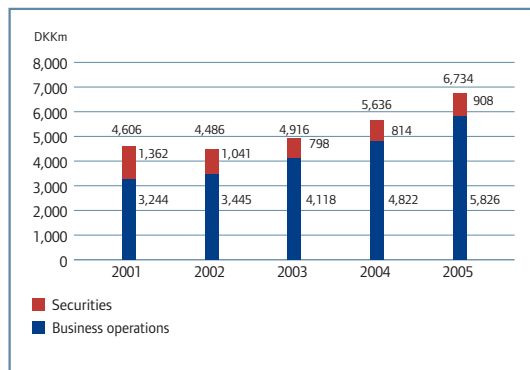
Net profit for the year



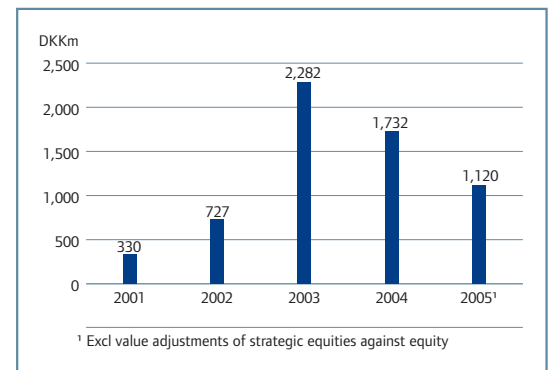
Equity and capital adequacy ratio



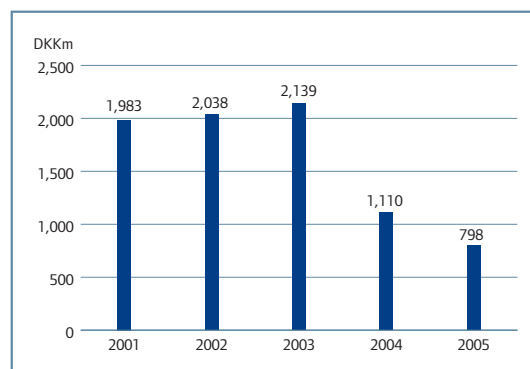
Core income from business operations and securities



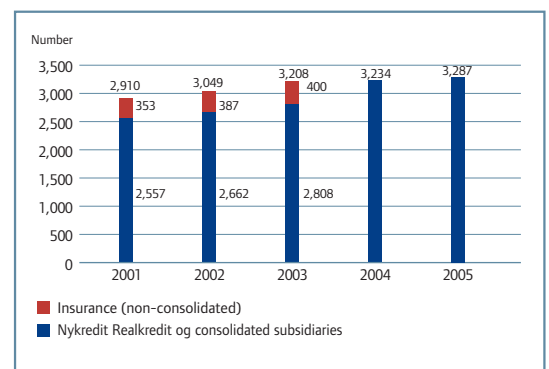
Investment portfolio income



Total impairment provisions



Average number of full-time staff





Nykredit's Management

BOARD OF DIRECTORS AND EXECUTIVE BOARD

NYKREDIT REALKREDIT A/S

Board of Directors

Steen E. Christensen, 1947, Attorney,
Chairman

Hans Bang-Hansen, 1955, Farmer,
Deputy Chairman

K. E. Borup, 1939, Managing Director,
Deputy Chairman

Kristian Bengaard, 1958, Senior Consultant *

Michael Demsitz, 1955, Managing Director

John Finderup, 1941, Attorney

Anette R. Fischer, 1964, Secretary *

Jørgen S. Iversen, 1936, Manufacturer

Allan Kristiansen, 1958, Vice President *

Henrik Laustsen, 1964, Housing Consultant *

Ole Maltesen, 1941, Manager

Susanne Møller Nielsen, 1962, Housing Adviser *

Nina Smith, 1955, Professor

Jens Erik Udsen, 1946, Managing Director

Leif Vinther, 1959, Chairman of Staff Association *

Executive Board

Mogens Munk Rasmussen, 1941,
Group Chief Executive

Peter Engberg Jensen, 1953,
Group Managing Director

Karsten Knudsen, 1953,
Group Managing Director

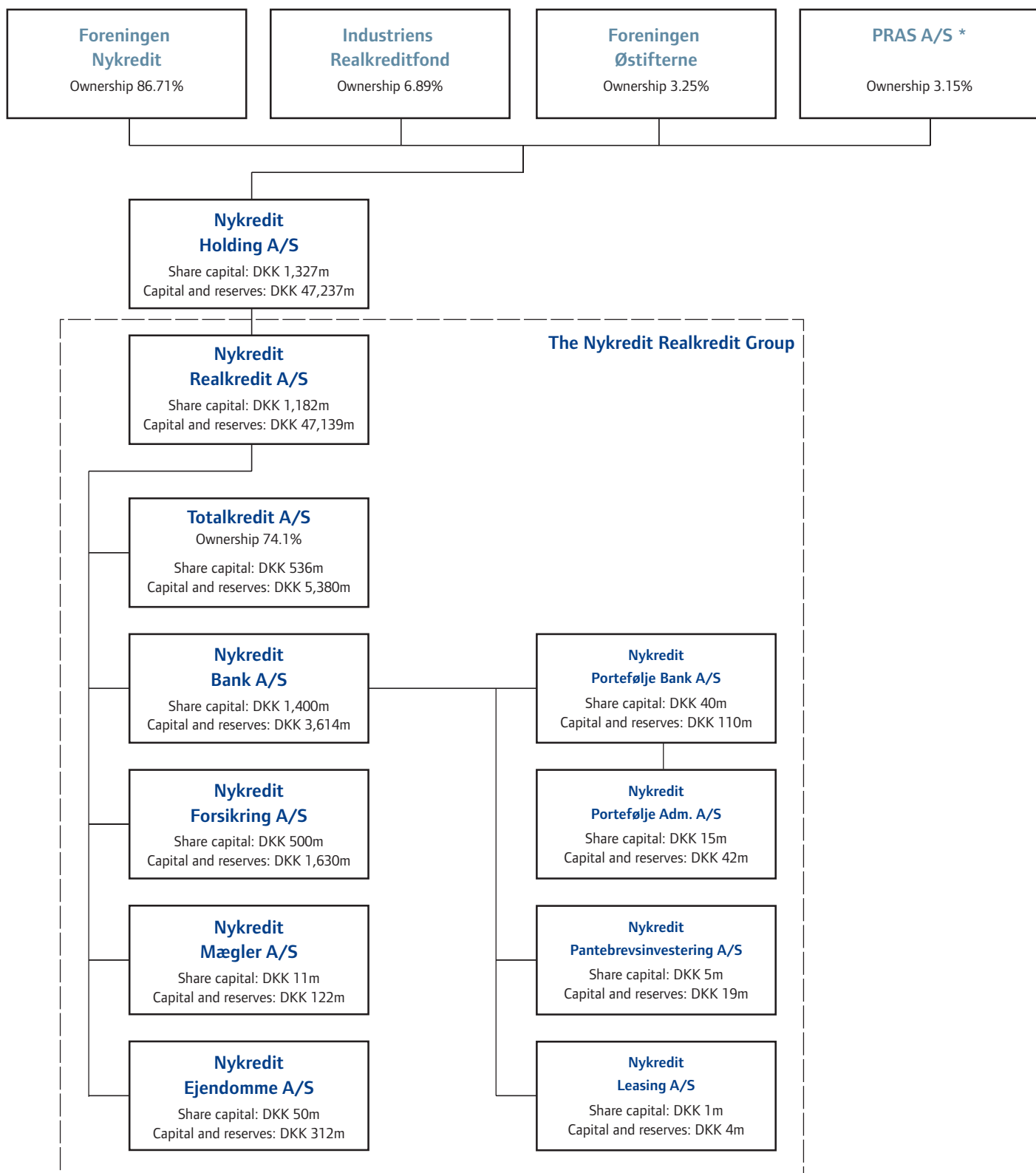
Per Ladegaard, 1953,
Group Managing Director

Henning Kruse Petersen, 1947,
Group Managing Director

Niels Tørslev, 1950,
Group Managing Director

Nykredit Realkredit A/S will hold its Annual General Meeting on 28 March 2006

* Staff-elected member



* The former owners of Totalkredit A/S

For a complete Group structure, please refer to page 102

Statement by the Board of Directors and the Executive Board on the Annual Report

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report for 2005 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. The Annual Report has furthermore been prepared in accordance with

the Danish disclosure requirements for annual reports of issuers of listed bonds.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2005 and the results of the Group's and the Parent Company's activities as well as the Group's cash flows for the financial year 2005.

The Annual Report is recommended for approval at the Annual General Meeting.

Copenhagen, 9 February 2006

EXECUTIVE BOARD

Mogens Munk Rasmussen,
Group Chief Executive

Peter Engberg Jensen,
Group Managing Director

Karsten Knudsen,
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 Benggaard

Michael Demsitz

John Finderup

Anette R. Fischer

Jørgen S. Iversen

Allan Kristiansen

Henrik Laustsen

Ole Maltesen

Susanne Møller Nielsen

Nina Smith

Jens Erik Udsen

Leif Vinther

Copenhagen, 9 February 2006

Internal Audit

We have audited the Annual Report of Nykredit Realkredit A/S for the financial year 2005. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

The Annual Report is the responsibility of the Company's Executive Board and Board of Directors. 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 and International Standards on Auditing (ISA). 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 Group's and the Parent's assets, liabilities, equity and financial position at 31 December 2005 and of the results of their operations and the consolidated cash flows for the financial year 2005 in accordance with International Financial Reporting Standards as adopted by the EU as regards the Consolidated Financial Statements, in accordance with the Danish Financial Business Act as regards the Parent Financial Statements and otherwise in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Claus Okholm Kim Stormly Hansen
Chief Audit Executive Deputy Chief Audit Executive

Report by the auditors appointed by the General Meeting

We have audited the Annual Report of Nykredit Realkredit A/S for the financial year 2005. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Financial Statements have been prepared in accordance with the Danish Financial Business Act. Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

The Annual Report is the responsibility of the Company's Executive Board and Board of Directors. 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 and International Standards on Auditing (ISA). Those Standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. 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 Executive Board and Board of Directors, as well as evaluating the overall annual report presentation. 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 Group's and the Parent's assets, liabilities, equity and financial position at 31 December 2005 and of the results of their operations and the consolidated cash flows for the financial year 2005 in accordance with International Financial Reporting Standards as adopted by the EU as regards the Consolidated Financial Statements, in accordance with the Danish Financial Business Act as regards the Parent Financial Statements and otherwise in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Deloitte
Statsautoriseret Revisionsaktieselskab

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



Management review

2005 – IN BRIEF

- 2005 was a good and busy year in the Nykredit Realkredit Group. Profit before tax of DKK 4,341m reflects a high level of activity, progress and positive results in all business areas of the Group.
- Profit after tax for the year of DKK 3,180m with the addition of value adjustment of strategic equities against equity of DKK 1,217m was DKK 4,397m compared with DKK 3,193m in 2004. The results are the best ever recorded in the history of Nykredit.
- Results for the year were affected by:
 - An increase in core income from business operations of DKK 1,004m to DKK 5,826m.
 - Provisions for loan impairment posted an income of DKK 245m.
 - Operating costs, depreciation and amortisation went up by DKK 240m to DKK 3,758m.
 - Investment portfolio income was DKK 1,120m against DKK 1,732m in 2004. On top comes investment portfolio income relating to strategic equities of DKK 1,217m adjusted against equity.
- The activity level in the mortgage finance business within the two brands Nykredit and Totalkredit remained high throughout the year. Lending in terms of the loan portfolio rose by DKK 67bn to DKK 699bn. Total Danish gross mortgage lending amounted to DKK 748bn against DKK 437bn the year before of which the Group accounted for 42.2% in 2005.
- The Group's market share of net new lending in 2005 was 40.2%.
- The banking area recorded significant growth in earnings from Markets & Asset Management and a positive development in the other business areas. The Bank recorded growth in the customer base. Profit before tax for the year went up by DKK 180m and landed at DKK 601m against DKK 421m in 2004. Bank lending amounted to nearly DKK 20bn. Bank deposits increased significantly posting DKK 22bn.
- Total provisions for loan impairment within mortgage and bank lending amounted to DKK 798m at year-end against DKK 1,110m at the beginning of the year.
- The Insurance Company continued its positive development, but results for the year were affected by the storm in January 2005. The company realised a profit before tax of DKK 153m against DKK 164m in 2004.
- Nykredit Mægler experienced continued growth in the number of transactions and sales prices. The company realised a profit before tax of DKK 71m against DKK 55m in 2004.
- In September Nykredit raised supplementary capital of EUR 500m (DKK 3.7bn).
- After recognition of profit for the year and the effect of changed accounting rules, including the reclassification of minority interests, Group equity stood at DKK 48,692m at end-2005 of which minority interests were DKK 1,553m.
- The Group's capital base, including hybrid core capital, was DKK 53,707m equal to a capital adequacy ratio of 12.4%.

2006 – OUTLOOK

For 2006 the Nykredit Realkredit Group expects a profit before tax of around DKK 3.0-3.3bn.

THE NYKREDIT REALKREDIT GROUP RESULTS

The Group recorded a profit before tax of DKK 4,341m against DKK 4,250m in 2004.

The value adjustment of strategic equities against equity amounted to DKK 1,217m after tax in 2005. In the financial statements for 2004, the value adjustment of the same equities was recognised in the income statement at DKK 677m. Profit after tax for the year, including the value adjustment of strategic equities against equity, amounted to DKK 4,397m against DKK 3,193m in 2004.

Compared with results for 2004, Group results for 2005 were affected by the transition to the International Financial Reporting Standards (IFRS). From 1 January 2005 the Consolidated Financial Statements have been prepared in accordance with IFRS.

The effect of the Group's transition to IFRS on results as well as equity has been described in note 39.

Group core earnings after losses amounted to DKK 3,221m in 2005 against DKK 2,518m in 2004.

High activity in the mortgage banking area and growth in the Group's other business areas led to core income from business operations of DKK 5,826m against DKK 4,822m in 2004.

Core income from securities reflects the return which the Group would have obtained by placing its investment portfolios in the money market at risk-free rates. Furthermore, core income from securities includes net interest expense relating to subordinate capital and the acquisition of Totalkredit.

Core income from securities was recognised at DKK 908m against DKK 814m the year before. The development can be ascribed to growth in investment portfolios, while average money market rates remained unchanged at 2.1%.

Operating costs, depreciation and amortisation went up by DKK 240m to DKK 3,758m.

The effect on Group results of total provisions for loan impairment was an income of DKK 245m mainly relating to a reversal of provisions which should be seen in the light of the favourable economic climate and the low interest rates. In comparison, total provisions for 2004 posted an income of DKK 400m. During the year, Group provisions (total provisions) were reduced by DKK 312m to DKK 798m at year-end.

Investment portfolio income is the income obtained from investing in equities, bonds and derivative financial instruments less risk-free money market interest. Price and interest spreads related to mortgage banking and the trading activities of Nykredit Markets have not been included in the investment portfolio income.

The Group's overall investment portfolio income was DKK 1,120m in 2005 against DKK 1,732m in 2004 when the value adjustment of strategic equities amounted to DKK 692m before tax.

Investment portfolio income from bonds, liquidity and interest rate instruments amounted to DKK 406m.

Investment portfolio income from equities and equity instruments was DKK 714m.

The Nykredit Realkredit Group Core earnings and investment portfolio income

DKK million	2005	2004
Core income from		
Business operations	5,826	4,822
Securities	908	814
Total	6,734	5,636
Operating costs, depreciation and amortisation	3,758	3,518
Core earnings before losses	2,976	2,118
Provisions for loan impairment	(245)	(400)
Core earnings after losses	3,221	2,518
Investment portfolio income	1,120	1,732
Profit before tax	4,341	4,250
Tax	1,161	1,057
Profit for the year	3,180	3,193

THE NYKREDIT REALKREDIT GROUP'S BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

In 2005 the Group balance sheet grew from DKK 798bn to DKK 890bn.

Group loans and advances totalled DKK 719bn at end-2005 against DKK 650bn at the beginning of the year.

Equity

At year-end Group equity was DKK 48,692m against adjusted equity of DKK 44,235m at the beginning of the year. Equity increased by DKK 4,457m and includes DKK 1,553m relating to minority interests in Totalkredit.

Capital adequacy

At end-2005 the Group's capital base stood at DKK 53,707m. Besides profit for the year and the effect of changed accounting policies related to the transition to IFRS of DKK 1,887m, the development in the Group's capital base since 31 December 2004 can be ascribed to the raising of supplementary capital of EUR 500m (DKK 3.7bn).

Of the DKK 1,887m relating to changed accounting policies, DKK 1,538m was attributable to minority interests.

At year-end, the Group's capital base represented 12.4% of weighted items.

Capital requirement and capital structure

One of Nykredit's overall capital policy objectives is that the issued bonds obtain high ratings. In addition, Nykredit must always have adequate capital to provide mortgage loans and other financial solutions during periods with high as well as low business activity.

The high rating of the issued bonds ensures customers the lowest possible loan rates before administration margins. The capital and risk policies ensure the high rating and, consequently, the low loan rates.

Nykredit has therefore divided its equity into four elements:

Business capital of DKK 34.8bn equal to the capital requirement of 8% of weighted items in accordance with the Danish Financial Business Act. The business capital also meets the capital requirement related to the insurance business.

Buffer capital of DKK 4.4bn equal to 1% of weighted items, etc. The buffer capital is maintained to ensure that Nykredit – even after unexpected loan losses or losses on securities portfolios – continues to have adequate capital resources to maintain lending growth and obtain a high rating of the issued mortgage bonds.

Tied-up capital of DKK 5.1bn reflecting the fact that a significant part of equity recognised in the financial statements is not eligible in the determination of the capital adequacy requirement nor rating agencies' assessment of Nykredit's capital resources. The tied-up capital relates to goodwill, distribution rights and minority interests from the acquisition of Totalkredit.

Strategic capital of DKK 4.4bn constitutes the remaining part of equity. The strategic capital is a resource for periods with high business growth or strategic initiatives and acquisitions resulting in a rise in the capital requirement exceeding Group earnings after tax.

The Group aims to maintain equity of at least 9% of weighted items equal to the sum of business capital and buffer capital. Excluding tied-up capital, the equity percentage was 10.1 at end-2005.

In total, Nykredit has raised DKK 3.9bn of hybrid core capital and DKK 6.1bn of supplementary capital of which DKK 2.6bn will be excluded from the determination of capital adequacy in 2006 and 2007.

The Nykredit Realkredit Group Capital base and capital adequacy

DKK million	2005	2004
Core capital		
Equity, year-end	48,692	44,235
Revaluation reserves transferred to supplementary capital	(115)	(108)
Total	48,577	44,127
Core capital deductions		
Tax assets	(163)	(120)
Intangible assets including goodwill	(3,680)	(3,541)
Core capital after statutory deductions	44,734	40,466
Hybrid core capital (Tier 1)	3,940	3,844
Core capital including hybrid core capital after statutory deductions	48,674	44,310
Supplementary capital		
Reserves in series	213	246
Subordinate loan capital	6,104	2,600
Total	6,317	2,846
Statutory deductions	(1,284)	(953)
Capital base	53,707	46,203
Weighted items		
– not included in the trading portfolio	405,651	366,252
– with market risk included in the trading portfolio	26,561	35,083
Total	432,212	401,335
Capital requirement	34,577	32,107
Capital adequacy ratio, %	12.4	11.5
Core capital ratio, %	11.3	11.0
Note: The capital base for 2004 has been restated to the new accounting policies		

Nykredit's overall capital adequacy target, including hybrid core capital and supplementary capital, is some 10% of weighted items equal to the typical capital adequacy level of European credit institutions. Excluding tied-up capital and supplementary capital of DKK 2.6bn maturing in 2006 and 2007, the capital adequacy ratio was 11.5% at end-2005.

Required rate of return and return structure

As a financial group, Nykredit must have long-term earnings enabling high ratings and business growth. Growth in the business volume results in increasing capital requirements for mortgage lending, bank lending, market risk, insurance risk, etc.

Nykredit must also earn a return on individual business activities on a par with market levels.

Viewed over a ten-year period, financial sector lending growth resulted in an increase in the capital requirement of 7–8% pa, requiring earnings before tax of at least 11% pa. On average, the money market return on equity covered 5.5 percentage points of the earnings requirement. The remaining 5.5 percentage points had to be earned from the actual business activities.

Nykredit has an earnings target for its business activities. Earnings from business activities are the part of earnings exceeding the passive investment return. The earnings target has been fixed on the basis of an assessment of the market return on the individual business activities in Nykredit.

Market return requirements per DKK is highest within securities trading, asset management and investment portfolios and lower within bank and especially mortgage lending. The required rates of return are higher for

activities with fluctuating earnings than for activities with more stable earnings.

Based on an overall assessment, Nykredit has fixed a business return target of 6% of the statutory business capital. The 6% represents the return target in a normal situation, ie in periods with normal loss levels.

In 2005 the business return totalled 10.5% before and 13.7% after the passive investment return. The passive investment return derives from investing the Group's capital resources in the benchmark fixed by the Board of Directors for investment in equities, bonds, etc.

Mortgage banking generated a business return of 9.5% including the mortgage banking activities as well as the excess return on the investment portfolio relative to the passive investment return. Excluding the excess return, the business return on mortgage banking was 7.0%.

No return targets have been fixed for the buffer and strategic capital as the return by definition equals the passive investment return.

Return targets have not been fixed for tied-up capital either as the return is a result of the amortisation of intangible assets and the model for the payment of the shares in Totalkredit.

The business return including the passive investment return of 13.7% before tax shows the Group's earnings capacity which compares to the returns of listed credit institutions with an equity percentage of 8.0. Nykredit's excess capital, the accounting treatment of the Totalkredit acquisition and tax have reduced the return from 13.7% before tax to 6.8% after tax.

Return structure

Business return and return on equity in 2005

DKK million/%	Average capital	Return DKK	Return %	Return target %
Mortgage banking	31,164	2,968	9.5	
Markets & Asset Management	613	250	40.8	
Other banking	1,827	281	15.4	
Insurance operations	220	46	21.0	
Total business return	33,824	3,545	10.5	6.0%
Passive investment return	33,824	1,083	3.2	
Business return including passive investment return on business capital	33,824	4,628	13.7	
Passive inv. return on buffer and strategic capital	7,577	241	3.2	
Passive return on tied-up capital	5,063	(528)	(10.4)	
Profit before tax of average equity	46,464	4,341	9.3	
Profit after tax of average equity	46,464	3,180	6.8	

2006 – OUTLOOK

The Nykredit Realkredit Group's gross mortgage lending for 2006 is expected to be lower than levels in 2005 when refinancing activity was exceptionally high. Banking as well as insurance activities are expected to record continuously increasing business volumes.

The same high level of core income from business operations seen in 2005 is expected for 2006 as a result of a higher mortgage loan portfolio and increasing bank earnings.

Group operating costs, depreciation and amortisation are expected to increase relative to 2005. The increase mainly relates to staff growth in customer-oriented functions of the business areas Commercial Customers and Markets & Asset Management.

As in previous years, provisions for loan impairment are expected to be low at less than DKK 200m.

The Nykredit Realkredit Group expects core earnings after losses of around DKK 2,500–2,700m.

Investment portfolio income was DKK 1,120m in 2005 and is expected to land around DKK 500–600m given unchanged interest rates and a moderate rise in equity prices.

Against this backdrop, the Nykredit Realkredit Group expects profit before tax for 2006 of around DKK 3,000–3,300m.

OTHER

Totalkredit well-integrated and developing rapidly

Totalkredit is today well-integrated in the Nykredit Realkredit Group, and the company continued its strong development in 2005.

The growth levels are a result of extraordinarily high activity and a committed effort in the 103 local and regional banks with which the Group has a strengthened and effective partnership.

Under the share transfer agreement for the acquisition of Totalkredit, the purchase price will be subject to adjustment according to the development in Totalkredit's portfolio share of the market for private residential mortgages. In consequence, Nykredit Realkredit has allocated DKK 534m. Such allocation affects neither results nor equity as it is counterbalanced by increased goodwill in accordance with IFRS. The Group's core capital and capital base are negatively affected by the increased goodwill.

Nykredit's partnership with the local and regional banks has been expanded and now extends beyond private residential mortgage lending. Cooperation has been established within the Commercial Customers and the Agricultural Customers areas, Nykredit Markets and the estate agents including a number of jointly owned companies: JN Data, Dansk Pantebrevsbørs, Advizer K/S, Erhvervsinvest K/S and LeasIT.

Joint bond issuance

In 2005 the Nykredit Realkredit Group obtained permission from the Danish Financial Supervisory Authority to fund the mortgage lending of both Nykredit and Totalkredit through the issuance of mortgage bonds in Nykredit Realkredit A/S. The joint bond issuance was initiated in connection with the series change on 1 September 2005.

By joining their bond issuance activities, Nykredit and Totalkredit have obtained larger and deeper bond series and are therefore able to maintain a more stable pricing of the bonds – for the benefit of the Group as well as its customers.

The joint funding bonds have been assigned the highest rating, Aaa, by Moody's.

The Nykredit Realkredit Group is Denmark's largest bond issuer, and its joint bond issuance has strengthened the product development potential, providing the Nykredit Realkredit Group with a competitive edge.

The Nykredit Realkredit Group Forecasts 2006

DKK million	Results 2005	Forecasts 2006
Core income from business operations	5,826	5,600 to 5,800
Core income from securities	908	900 to 1,000
Operating costs, depreciation and amortisation	3,758	3,800 to 4,000
Provisions for loan impairment	(245)	100 to 200
Core earnings after losses	3,221	2,500 to 2,700
Investment portfolio income	1,120	500 to 600
Profit before tax	4,341	3,000 to 3,300

New member of the Group Executive Board

Karsten Knudsen, Managing Director of Nykredit Bank, was appointed Group Managing Director at 1 June. Consequently, Karsten Knudsen joined Nykredit's Group Executive Board where he became responsible for the Group's activities in the Commercial Customers area – activities which up to then had been the responsibility of Henning Kruse Petersen, Group Managing Director.

Henning Kruse Petersen, Group Managing Director, will in future be responsible for the Credits area, Nykredit's international activities as well as the relations to a number of companies operated by Nykredit in cooperation with the local and regional banks and will furthermore continue as Chairman of the Board of Directors of Nykredit Bank.

Supplementary capital

In September Nykredit Realkredit A/S raised a bond loan of EUR 500m (DKK 3.7bn) through an issue aimed at European investors. The loan recognised as supplementary capital falls due in September 2013, and the bonds have been listed on the Luxembourg Stock Exchange.

The supplementary capital strengthens the Group's capital resources securing the continued development and growth of the Nykredit Realkredit Group.

IFRS

The effect of the transition to the International Financial Reporting Standards (IFRS/IAS) was outlined in the Annual Report for 2004 and in the Interim Report for Q1/2005. The effects on the opening balance sheet of the new rules have now been conclusively determined.

The transition mainly affects the measurement (valuation) of the items mortgage loans and issued bonds and the recognition of long-term employee benefits. Furthermore, under IFRS, own "issued mortgage bonds" must be set off against the liability item issued mortgage bonds.

The transition has led to an increase in equity of DKK 1,887m at 1 January 2005 of which the reclassification of minority interests came to DKK 1,538m. Total assets and liabilities were reduced by DKK 140,844m mainly as a result of the set-off of the portfolio of own issued bonds. The effect of changes to the accounting policies has been described in detail in note 39.

Industriens Realkreditfond takes legal proceedings against Nykredit

Industriens Realkreditfond (the Industrial Mortgage Fund of Denmark, the "Fund"), which holds 6.89% of Nykredit Holding A/S, has taken legal proceedings against Foreningen Nykredit (the Nykredit Association), Nykredit Holding A/S and a number of Directors of Nykredit Holding A/S, claiming that the court declare the resolution not to distribute dividend to shareholders passed at the General Meeting of Nykredit Holding on 14 April 2005 invalid. The Fund claims further that Foreningen Nykredit must redeem the Fund's shareholding in Nykredit Holding A/S which has an equity value of approximately DKK 3bn.

Nykredit has a natural interest in retaining its current shareholders as well as in ensuring that the primary object set out in the Fund's articles of association, ie to hold shares in Nykredit Holding A/S, remains unchanged. Nykredit has therefore asked the court to find in its favour and expects the court to do so.

Furthermore, Nykredit has submitted an objection to the Danish Commerce and Companies Agency, the commercial foundations supervisory authority, against the Fund's intention to seek permission to change its primary objects clause.

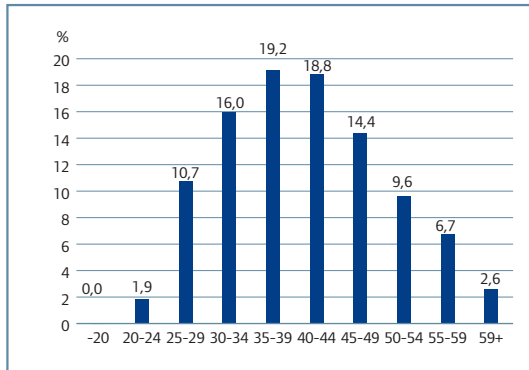
Ole Trolle, Managing Director, who represented the Fund, withdrew from the boards of Nykredit Holding A/S and Nykredit Realkredit A/S in June.

HUMAN RESOURCES

In the Nykredit Realkredit Group, the professional and personal development of staff and managers as well as the continued organisational development are key elements of the objective of being the preferred workplace for financial sector staff.

Where staff development is concerned, focus in 2005 was on holistic advisory services within the different business areas. The activities were mainly aimed at developing personal sales competences and strengthening customer advisory services within all types of financial products.

Age profile – permanent staff



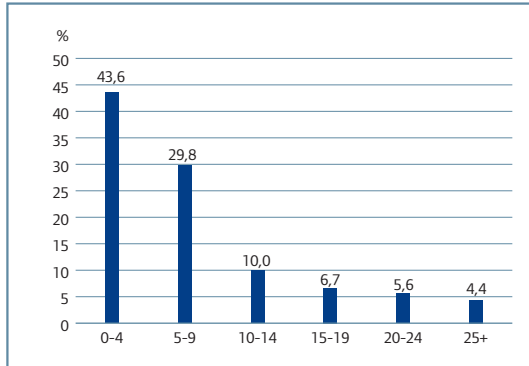
At end-2005 the Nykredit Realkredit Group employed 3,322 permanent staff in full-time equivalents against 3,143 at end-2004 equal to an increase of approximately 5.7%. In 2005 the total net addition of new permanent staff was 114. The number of trainees was 49 in 2005.

27% of the staff is aged 25-34, 38% 35-44, while 33% is 45 or more. The staff has an average age of around 41, about two years lower than the average age in the Danish financial sector in general.

In Nykredit 47% of the staff is female and 53% male.

Approximately 44% of the staff has less than five years of service with Nykredit, and another 30% has between five and nine years of service. Relative to the financial sector in general, Nykredit has more staff members with five to nine years of service, while less staff members have more than 20 years of service.

Lenght of service – permanent staff



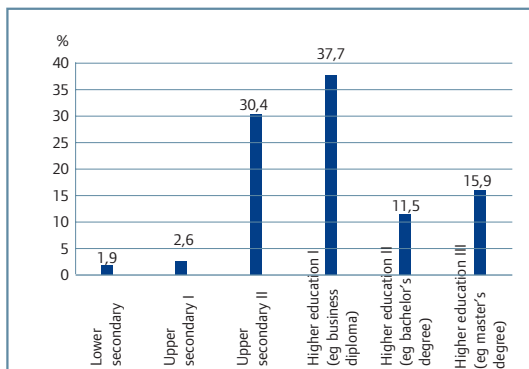
Approximately 38% of the staff has a higher education equal to a business diploma, etc. Staff members with a higher education at bachelor level represent approximately 12%, while just over 16% of the staff has a higher education at master's level.

Core values and staff satisfaction

The quarterly satisfaction measurements were revised in 2005 and relevant benchmarks added relative to the core values – committed effort, insight and empathy.

The new satisfaction measurement, which forms part of Nykredit's Balanced Scorecard, also works as a reviewing tool for strengthening cooperation and staff satisfaction in the individual entities.

Educational profile – permanent staff



Incentive schemes

The Group's general bonus scheme covers all staff not comprised by special bonus schemes.

The general bonus scheme now involves both corporate bonds and individual cash bonuses. The corporate bonds have a five-year compulsory holding period and are allotted by an amount to all Group staff fulfilling specific employment criteria. For 2005 the general bonuses granted totalled just over DKK 30m.

Special bonus schemes have been established for all managers and senior specialists of the Group. Furthermore, special bonus schemes have been established within specialist areas such as Markets & Asset Management.

IT IN NYKREDIT

Part of the Nykredit Realkredit Group's corporate vision is for the Group to operate as one company focused on customers' needs and requirements and to take advantage of the possibilities within electronic-based business conduct.

Nykredit's IT strategy supports the integration of Group sales, marketing, production and customer care to the effect that customers experience individualised and coordinated services regardless of the customer's choice of contact channel.

Key IT projects in 2005

The mortgage banking area was given high priority in connection with the development of the systems required for the sale and administration of new products such as floating-rate, capped or interest-only loans.

The X Portal – the first leg of the future IT platform for Totalkredit and the partnership banks – was launched in 2005. The X Portal contains functionalities used when the banks advise customers about the Group's products and arrange Totalkredit- or Nykredit-branded loans.

Erhvervsportal.dk, which is the outcome of a strategic aim to strengthen Nykredit's profile within the commercial property segment, was launched in September.

Nykredit.dk continued to expand in 2005 and remains a constant focus area in these years as an increasing share of Nykredit's sale takes place through this channel.

Where finance and credit processes are concerned, a project was initiated in 2005 for the implementation of a new Corporate Performance Management tool. To be able to comply with future capital adequacy rules (Basel II), several projects have been launched to ensure the structuring of data under the new rules where Nykredit will employ the so-called advanced internal methods.

Nykredit has been a pioneer in the registration of its dialogue with customers and the application of customer data as a management tool. Against this backdrop, Nykredit was awarded the Business Intelligence & Data-warehouse Prize 2005 in April.

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

In the period up to the publication of the Annual Report, no material events have occurred.

BUSINESS AREAS

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

The Retail Customers area handles Nykredit's own distribution and Totalkredit mortgage lending arranged by local and regional banks.

The business area Commercial Customers addresses agricultural, commercial and rental housing customers, including housing society and non-profit housing customers.

Markets & Asset Management undertakes the Nykredit Realkredit Group's business within securities trading, asset management and pension advisory services.

Core earnings before losses showed progress compared with the year before in all business areas. Group core earnings before losses totalled DKK 2,976m in 2005 against DKK 2,118m the year before – up DKK 858m.

In 2005 Group mortgage lending increased from DKK 633bn to DKK 699bn.

Gross lending was DKK 318bn against DKK 181bn in 2004, equal to a market share of 42.2% in 2005

Results by business area

DKK million	Retail Customers		Commercial Customers		Markets & Asset Management		Group items and eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Core income from business operations	3,181	2,540	2,043	1,860	600	346	2	76	5,826	4,822
Core income from securities	-	-	-	-	-	-	908	814	908	814
Direct operating costs	1,367	1,268	576	548	350	289	916	896	3,209	3,001
Depreciation on property, plant and equipment and amortisation of intangible assets	404	401	-	-	-	-	145	116	549	517
Core earnings before losses	1,410	871	1,467	1,312	250	57	(151)	(122)	2,976	2,118
Provisions for loan impairment	(42)	(51)	(204)	(349)	-	-	1	-	(245)	(400)
Core earnings after losses	1,452	922	1,671	1,661	250	57	(152)	(122)	3,221	2,518
Investment portfolio income ¹	-	-	-	-	-	-	1,120	1,732	1,120	1,732
Profit before tax	1,452	922	1,671	1,661	250	57	968	1,610	4,341	4,250
Return										
Avg business capital, DKK million ²	14,856	13,591	15,893	15,464	613	633	-	-	33,824	31,837
Core earnings after losses as a % of avg business capital	9.8	6.8	10.5	10.7	40.8	9.0	-	-	9.5	7.9

1) Investment portfolio income includes profit from investments in associates of DKK 17m in 2005 against DKK 27m in 2004
2) Statutory capital requirement

Summary balance sheet, year-end

DKK million	Retail Customers		Commercial Customers		Markets & Asset Management		Group items and eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Assets										
Receivables from credit institutions	-	-	-	-	14,669	12,261	52,937	40,548	67,606	52,809
Mortgage loans at fair value	423,752	365,955	274,092	266,339	-	-	1,464	408	699,308	632,702
Other loans and advances at fair value	-	-	-	-	6,688	5,242	3	1	6,691	5,243
Bank loans at amortised cost	5,027	4,668	14,704	12,740	-	-	1,852	1,805	21,583	19,213
Bonds and equities	181	-	2,084	2,907	31,062	26,806	46,461	44,244	79,788	73,957
Intangible assets and property, plant and equipment	1,717	2,104	248	251	-	-	3,474	2,966	5,439	5,321
Liabilities										
Payables to credit institutions	-	-	-	-	44,655	39,694	10,667	4,375	55,322	44,069
Deposits and other payables	9,134	6,444	11,180	11,667	1,788	983	(294)	(392)	21,808	18,702
Issued bonds	397,071	372,027	319,547	279,175	654	315	1,423	405	718,695	651,922
Insurance liabilities	888	820	728	713	-	-	-	-	1,616	1,533
Off-balance sheet items	6,826	4,618	6,139	5,161	491	419	(5,116)	(3,326)	8,340	6,872
Investments in intangible assets and property, plant and equipment	18	776	-	-	-	-	205	151	223	927

compared with 40.5% the year before. Net new lending was DKK 82bn against DKK 53bn in 2004, equal to a market share of 40.2% against 39.9%, respectively.

The Group's banking and insurance activities also recorded growth in 2005. At end-2005 Nykredit Bank's lending amounted to DKK 20bn, while deposits rose by DKK 3bn to DKK 22bn. In 2005 the assets managed or administered by Nykredit Portefølje Bank grew by DKK 25bn to DKK 183bn. In 2005 the insurance portfolio increased from DKK 1,245m to DKK 1,265m.

The estate agents affiliated with Nykredit Mægler also had a good year with 25,781 properties sold against 22,644 in 2004. In 2005 Nykredit Mægler acquired eight estate agencies from Sparekassen Sjælland.

Retail Customers

The Retail Customers area undertakes Nykredit's own distribution and Totalkredit mortgage lending arranged by local and regional banks.

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

Since Nykredit's decision to pursue a two-pronged strategy based on self-development and strong strategic alliances in 1997, the Group's distribution powers have strengthened significantly, and its multi-channel sales now accommodate customer needs for flexibility and self-service facilities.

Where Nykredit-branded products were mainly sold through Nykredit's local centres in 1997, they are today distributed through 48 retail centres, nykredit.dk as well as the sales and customer contact centres. Nykredit also distributes products from its two insurance centres, two asset management centres as well as the estate agencies under the Nybolig and Estate brands.

Totalkredit-branded products are distributed in part by the 103 partnership banks and their more than 1,100 branches and in part by estate agents.

In the Retail Customers area, core earnings after losses amounted to DKK 1,452m in 2005 against DKK 922m the year before, up 57%. The increase is mainly attributable to the mortgage banking activities, but also the

results of the banking, insurance and estate agency activities improved.

Core income from business operations rose by DKK 641m to DKK 3,181m or 25%. The rise was in part the outcome of record-high refinancing activity following the low interest rate levels and the launch of new loan types with interest rate caps. The Nykredit Realkredit Group has developed the broadest range of products in the market for loans with interest rate caps – branded as RenteMax and BoligLån.

The unusually high activity level resulted in gross lending of a total of DKK 219bn in 2005, up 75% on gross lending in 2004.

Sales through the partnership banks saw significant growth, and the Nykredit Realkredit Group's total residential mortgage loan portfolio increased by 16% in 2005 and stood at DKK 424bn at year-end.

At year-end fixed-rate loans accounted for 48%, loans with interest rate caps 27% and adjustable-rate loans 25% of the loan portfolio. Across loan types, interest-only loans – Pauselån® – accounted for 30% of the portfolio.

In 2005 holistic customer advisory services generated growth within all product areas – banking, insurance and mortgage banking.

Bank lending increased by 8% and amounted to just over DKK 5bn at year-end. Lending in the form of mortgage equity withdrawal facilities, etc grew significantly to DKK 800m at year-end. Bank deposits increased by 42% to DKK 9bn. The insurance portfolio grew by 7% in 2005.

The direct operating costs in the Retail Customers area increased by DKK 99m to DKK 1,367m equal to 8% which should be seen in the light of the high activity level in 2005.

Provisions for loan impairment remained low and posted an income of DKK 42m against an income of DKK 51m the year before.

In 2005 the dual distribution strategy had a very positive effect on the Group, and its presence in the market strengthened.

In the mortgage lending area, the Group's total market share of gross retail lending increased to 44.5% against 41.8% in 2004. In terms of bond debt outstanding, the

Results – Retail Customers

DKK million	2005	2004
Core income from business operations	3,181	2,540
Direct operating costs	1,367	1,268
Depreciation on property, plant and equipment and amortisation of intangible assets	404	401
Core earnings before losses	1,410	871
Provisions for loan impairment	(42)	(51)
Core earnings after losses	1,452	922

Summary balance sheet, year-end

DKK million	2005	2004
Assets		
Mortgage loans at fair value	423,752	365,955
Bank loans at amortised cost	5,027	4,668
Bonds and equities	181	-
Intangible assets and property, plant and equipment	1,717	2,104
Liabilities		
Deposits and other payables	9,134	6,444
Issued bonds	397,071	372,027
Insurance liability	888	820

Group's market share was 42.3% at end-2005, an increase relative to 41.1% in 2004.

The Group consequently consolidated its position as the largest player in the retail mortgage banking market.

In 2005 the Nykredit Realkredit Group's total retail lending represented 32.3% of total bank and mortgage bank lending in Denmark compared with 32.8% in 2004.

Activity

DKK million	2005	2004
Mortgage Bank		
Gross lending	219,117	125,369
Net new lending	63,958	33,571
Portfolio at fair value, year-end	423,752	365,955
Bank		
Loans and advances, year-end	5,027	4,668
Deposits, year-end	9,134	6,444
Guarantees, year-end	6,164	4,618
Insurance		
Policies written	275	258
Portfolio, year-end	751	699

Commercial Customers

The Commercial Customers area comprises agricultural, commercial and rental housing customers including housing society and non-profit housing customers. The distribution takes place through 26 commercial centres and 11 agricultural centres which offer all products available in the Nykredit Realkredit Group.

Furthermore, Nykredit and the 103 local and regional banks have joined forces within services to agricultural and commercial customers.

As a result of a high activity level in 2005, core earnings before losses increased by DKK 155m to DKK 1,467m relative to 2004. Mortgage banking and banking saw a positive development, while Nykredit Forsikring experienced a setback in results relative to 2004 due to the storm in January 2005.

Core income from business operations increased by DKK 183m to DKK 2,043m in 2005 as a result of high activity within all product areas. Factors behind the increase were the introduction of new products such as RenteMax and the favourable interest rate development. In the mortgage banking area, gross lending increased by DKK 43bn to DKK 98bn.

In 2005 Commercial Customers experienced a significant increase in the sale of financial instruments such as swaps and option products used to establish individual-

ised interest rate risk hedges for floating-rate loans. Sales levels exceeded expectations significantly, and the business volume in this area is expected to have an increasing effect on overall earnings in future.

Direct operating costs showed an increase of DKK 28m to DKK 576m. Like in 2004, the favourable economic climate in 2005 led to a reversal of provisions previously made. Provisions for loan impairment posted an income of DKK 204m against an income of DKK 349m in 2004.

In 2005 the Nykredit Realkredit Group's total market share of gross commercial lending was unchanged at 37.6%. The total portfolio grew, and the Group's market share landed at 38.0% in 2005 compared with 40.0% the year before.

2005 was characterised by significant product development within mortgage loans and made-to-measure financial solutions. Nykredit's customers today have a choice between a number of loan types with different repayment and interest rate profiles, including traditional mortgage loans, RenteMax in several versions, CIBOR6 loans with interest rate adjustment every six months and Nykredit Pari which has the characteristics of a fixed-rate callable mortgage loan but without the capital loss usually incurred in connection with fixed-rate mortgage loans.

The industrial structure in Denmark is undergoing strong development these years resulting in geographical shifts. Nykredit is adapting its local profile to this development through a reinforced commercial centre structure and by establishing new commercial centres in Holbæk and Lyngby.

Results – Commercial Customers

DKK million	2005	2004
Core income from business operations	2,043	1,860
Direct operating costs	576	548
Core earnings before losses	1,467	1,312
Provisions for loan impairment	(204)	(349)
Core earnings after losses	1,671	1,661

Summary balance sheet, year-end

DKK million	2005	2004
Assets		
Mortgage loans at fair value	274,092	266,339
Bank loans at amortised cost	14,704	12,740
Bonds and equities	2,084	2,907
Intangible assets and property, plant and equipment	248	251
Liabilities		
Deposits and other payables	11,180	11,667
Issued bonds	319,547	279,175
Insurance liabilities	728	713

Through a reinforced commercial centre structure, Nykredit aims to create a broader business foundation across the mortgage banking, banking and insurance areas. Focal points are in part strengthened advisory services with a holistic approach covering commercial customers' assets as well as liabilities and in part continued focus on product development.

Also where agricultural customers are concerned, the local presence will be strengthened, and a new agricultural centre will be established to cover Central and Eastern Jutland. The service concept the "Nykredit farm" offers advisory services tailored to agricultural customers embracing all agricultural strategies and plans as well as Nykredit's products within plant financing, insurance and asset management.

Activity

DKK million	2005	2004
Mortgage Bank		
Gross lending	97,850	55,222
Net new lending	16,627	19,056
Portfolio at fair value, year-end	274,092	266,339
Bank		
Loans and advances, year-end	14,703	12,740
Deposits, year-end	11,180	11,667
Guarantees, year-end	3,759	2,882
Insurance		
Policies written	85	95
Portfolio, year-end	514	546

Markets & Asset Management

Markets & Asset Management handles the Nykredit Realkredit Group's activities within securities trading, asset management and pension advisory services.

2005 showed marked growth in core earnings which rose from DKK 57m in 2004 to DKK 250m in 2005.

Core income increased by DKK 254m, while costs went up by DKK 61m as a result of new employment relating to the increased activity level.

In 2005 Nykredit Markets strengthened its market position and earnings from traditional securities trading within the institutional and bank customers area. The sale of financial solutions enabling customers to customise the interest rate risk profile of existing loans as well as the volume of swap transactions especially to commercial and agricultural customers also developed in a satisfactory direction.

In 2005 Nykredit Markets consequently recorded an earnings lift, and the earnings basis became more diversified in terms of the customer base.

In addition to high customer-driven activity and earnings from trading in interest rate products, etc, profit for the year was also positively affected by high earnings from the Bank's own positions.

In 2005 Nykredit Markets ranked among the leading arrangers of Danish issues offered to Danish investors. The main activities were the issuance of subordinate loan capital and hybrid core capital (Tier 1) on behalf of both financial and non-financial companies as well as

the establishment of Kalvebod Plc, a funding vehicle for Danish local and regional banks.

Furthermore, products with exchange rates, swap rates and equities as underlying assets were developed and sold, mainly to professional investors.

Nykredit's asset management activities are undertaken by Nykredit Portefølje Bank. The company's customer base grew, and total assets under management and administration rose from DKK 158bn at the beginning of the year to DKK 183bn at end-2005. The advance materialised as increased income from management as well as administration activities which improved the entity's results.

Nykredit Markets develops long-term savings concepts for the purpose of strengthening Nykredit's approach to the customers' assets where focus is on holistic advisory services within investment, pension, personal insurance and housing. In 2005 this area saw a positive sales development which is expected to continue in 2006.

The asset management concept Private Portfolio is offered to customers with investable funds of more than DKK 500,000. In 2005 the concept was also offered in France and Spain, mainly to Danish customers.

Results – Markets & Asset Management

DKK million	2005	2004
Core income from business operations	600	346
Direct operating costs	350	289
Core earnings	250	57

Summary balance sheet, year-end

DKK million	2005	2004
Assets		
Receivables from credit institutions	14,669	12,261
Other loans and advances at fair value	6,688	5,242
Bonds and equities	31,062	26,806
Liabilities		
Payables to credit institutions	44,655	39,694
Deposits and other payables	1,788	983
Issued bonds	654	315

Group items

The financial statements of the business areas contain results and balance sheet information on a number of business activities not attributable to the individual business areas.

Costs not directly attributable to a business area have been recognised under Group items.

Group items include the Group's total return on the securities portfolio recognised as "Core income from securities" and "Investment portfolio income" as well as parts of the Group's international lending activities. Furthermore, expenses related to key staff functions, etc have been included.

Core income from securities

Core income from securities is the return obtainable if the Group's investment portfolios had been placed in the money market at risk-free rates. In addition, core income from securities includes the net interest expense relating to subordinate loan capital and the acquisition of Totalkredit.

Core income from securities was DKK 908m in 2005 against DKK 814m the year before.

The increase in core income from securities was due to increased investment portfolio income, while average risk-free money market rates remained unchanged at 2.1%.

Investment portfolio income

Investment portfolio income is the additional earnings obtained from investing in equities, bonds and derivative financial instruments relative to risk-free money market interest. Price and interest spreads deriving from Nykredit Realkredit's mortgage lending and Nykredit Markets's trading activities have not been included in the investment portfolio income.

The Group's investment portfolio income totalled DKK 1,120m in 2005 against DKK 1,732m in 2004.

Investment portfolio income from bonds, liquidity and interest rate instruments amounted to DKK 406m equal to a return of 3.5% on the portfolio of DKK 47bn. The results should be seen in the light of the 0.3% increase in 2-year yields in 2005, while long-term 10-year yields fell by 0.6%.

The investment portfolio income from equities and equity instruments was DKK 714m. The portfolio of DKK 2.3bn generated a return of 36.7%. The European equity markets increased by 22% on average, while the Danish OMXC20 index increased by 37%.

In addition, investment portfolio income from strategic equities adjusted against equity of DKK 1,217m has been recorded.

International activities

Customers showed significant interest in Nykredit's concept for the financing of residential properties in the South of France and the South of Spain in 2005 where lending topped DKK 1bn. Nykredit expanded its geographical range to include Costa del Sol and Costa Blanca in Spain and the entire French Mediterranean coast. The customers who were previously exclusively Danes now include other Scandinavians.

Customers are served by staff teams in Cannes, Alicante, Marbella and Copenhagen, just as more of the Danish local and regional banks have concluded distribution agreements with Nykredit to meet customer demand for Danish mortgage finance for properties in France and Spain.

In H2/2005 Poland's EU membership, legislative amendments and liberalisation enabled Nykredit to conduct business in Poland directly from a Polish branch of Nykredit Realkredit and thereby to offer customers new loan types not previously available in the Polish market such as fixed-rate callable loans denominated in EUR with loan terms of up to 30 years.

Nykredit also grants Danish mortgage loans secured on Danish and selected international corporate customers' properties abroad. The concept comprises financing of properties situated in Germany, Norway, Poland, Sweden and the UK, and customers are served by Nykredit in Denmark.

Nykredit's total international lending came to DKK 11bn at end-2005 equal to 1.5% of total Group lending.

**The Nykredit Realkredit Group
Securities portfolio**

DKK million	2005	2004
Core income from securities	908	814
Investment portfolio income	1,120	1,732
– Bonds, liquidity and interest rate instruments	406	640
– Equities and equity instruments	714	1,092
Average securities portfolio	49,275	43,643
– Bonds, liquidity and interest rate instruments	46,997	38,660
– Equities and equity instruments	2,278	4,983



Group risk management

Risk management is a key element of the Nykredit Realkredit Group's daily operations. The Group takes a prudent and conservative approach to risk in line with the long-term business strategy and the objective of continuously issuing mortgage bonds with the highest possible rating.

In recent years the Group has continuously further developed advanced internal models for the quantification of risk. These models are increasingly employed actively in the daily management of Group risk and will become key elements of risk and capital management once the EU's new capital adequacy rules have been implemented into Danish legislation.

RISK AND CAPITAL MANAGEMENT

Organisation and division of responsibilities

The Board of Directors of Nykredit Realkredit A/S is responsible for defining limits to and monitoring Group risks as well as approving overall instructions. Risk exposures and activities are reported to the Board of Directors on a current basis.

The Board of Directors has assigned the operational responsibility to the Group Executive Board which is responsible for formulating and operationalising overall instructions. The responsibility for the continuous monitoring and managing of credit and market risk has been

assigned to committees all chaired by a member of the Group Executive Board.

The two most important committees are the Treasury Committee and the Credits Committee which are responsible for managing the Group's market and credit risk, respectively. Both committees provide guidelines on the risk exposures allowed in the Group companies and assign management responsibilities to the companies.

The EU's Capital Requirements Directive (CRD/ Basel II)

Towards end-2005 the EU adopted the new capital adequacy rules enshrined in the capital requirements directives based on the Basel II rules. The directives are currently being implemented into Danish legislation with commencement in 2007.

The new capital adequacy rules offer a wider scope for credit institutions' use of internal models for the determination of capital adequacy requirements. Furthermore, the rules imply stricter requirements for the daily management of risk and capital as well as a new capital requirement for operational risk. Since 2001 the Group has made a focused effort to develop models, processes and systems meeting the requirements of future legislation. These elements are implemented into the Group's risk management activities on a current basis.

The Group intends to seek approval to apply the advanced internal approaches to determine the capital requirement related to credit risk under the new rules. Operational risk is expected to be determined based on the standard method. The Group already applies an internal model for the determination of market risk.

The application for the approval of the internal methods for the determination of credit risk is expected to be filed in Q3/2006 in accordance with the time schedule of the Danish Financial Supervisory Authority (the DFSA) to the effect that application may take place from the earliest date possible, 1 January 2008.

Types of risk

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
- Insurance risk reflects the risk of claims net of reinsurance payable on insurance policies written.
- Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Economic capital and RAROC

Internally developed models on credit and market risk are already in use for the calculation of the Group's economic capital and RAROC (risk-adjusted return on capital) as key elements of the Group's risk and capital management.

Economic capital is determined as the capital necessary to cover (at a 99.97% probability) the maximum statistically-estimated unexpected losses within a one-year time horizon. Determination of credit risk is comparable to determination according to the advanced methods of the Capital Requirements Directive. A Value-at-Risk model is applied to determine market risk.

The economic capital forms part of the internal determination of the Group's long-term need for capital, including the results of research and stress tests designed to ensure that the Group maintains adequate capital to resist an adverse business climate and major loss-making events, also in the long term.

CREDIT RISK

The Board of Directors lays down the overall framework of credit granting and is presented with the Group's largest credit applications for approval or briefing on a current basis.

Within the overall credit policy framework laid down by the Board of Directors, the Group Executive Board is responsible for the policies governing the individual business areas and Treasury. On behalf of the Group Executive Board, the Credits Committee considers large credit applications on a current basis.

Group Credits is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and Group Executive

Board as well as for reporting credit risk internally and externally.

The local centres have been assigned authorities empowering them to decide on most credit applications in line with the Group's aim to process most credit applications locally.

Credit applications exceeding the authorities assigned to Nykredit's local centres are processed centrally by Group Credits. The applications submitted are decided by Group Credits unless involving exposures that require the approval of the Credits Committee or the Board of Directors. Mortgage loans and/or bank facilities that, if granted, would bring Nykredit's total exposure to a customer over DKK 200m are subject to Board approval or adoption and, subsequently, when the exposure increases by a multiple of DKK 100m.

When processing credit applications, the centres perform an assessment of each customer, the customer's financial position and other relevant conditions. In connection with mortgage loan applications, the statutory property valuations are also performed. The overall guidelines of the assessment of the customer and the valuation of the property in the individual business areas have been prescribed centrally. Internally developed credit models form an important part of the assessment of the majority of retail, commercial/corporate and agricultural customers in the mortgage banks as well as the retail bank. In the long run, all Group customers will be assessed continually by means of internal credit models.

A large part of the Group's residential mortgage lending has been arranged by Danish local and regional banks which provide a guarantee for the top part of loans as part of the origination of loans. In these situations, the guarantor bank performs the credit assessment of the customer.

As part of the monitoring of credit exposures, all significant exposures are reviewed at least once a year based on updated financial and customer information. In addition, all exposures showing signs of risk are reviewed.

Credit models

In 2005 the Group continued developing and implementing advanced credit models.

The determination of credit risk is based on three key parameters: Probability of Default (PD), the Loss Given Default (LGD) and the Exposure Value (EV).

Elements of the determination of credit risk

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.
- EV: Exposure Value – a customer's overall balance outstanding in DKK at the time of default. The exposure value is adjusted for any undrawn part of the credit maximum granted.

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

A PD is estimated for each customer with a credit facility in the Group. A credit facility is in default when a customer fails to pay the full outstanding balance or is in arrears/has an overdraft. With respect to mortgage credit products, Nykredit considers 75 days of arrears to be a clear sign of default on an exposure, while banking products are considered in default on the forwarding of the second or third reminder depending on the customer category. The PD reflects the probability of such situations arising.

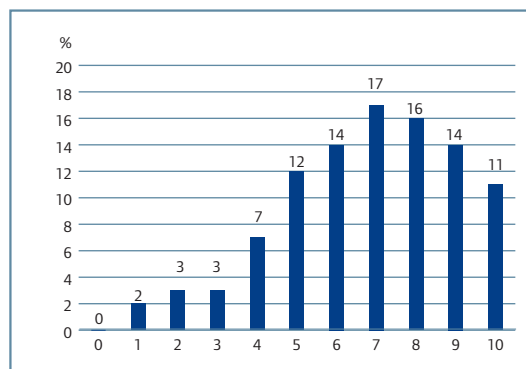
The PD of retail customers is determined on the basis of a customer's credit score and payment behaviour. Credit scoring has been in use in Nykredit Realkredit since 1998 and reflects a statistical computation of a customer's creditworthiness based on a customer's financial position.

With respect to other customer groups, models have been developed estimating the PD in consideration of business-specific circumstances such as financial statements, arrears and provisions as well as industry-specific conditions and the economic climate.

Rating scale and marginal Probability of Default (PD) 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%

Debt outstanding by rating category



The PD is updated when Nykredit receives new information about structural conditions or the customer.

One purpose of the estimated PD ratios is the assignment of customer ratings. A customer rating is an important element in the assessment of a customer. A rating scale from 0 to 10 is used, 10 being the top rating. Apart from customer assessments, customer ratings will also form part of credit granting and price fixing processes in coming years. The operational use of ratings will increase.

LGD and EV are estimated with respect to all Group products. In 2005 Nykredit continued developing models to support this purpose.

The Group's main business is long-term lending, and in Nykredit's opinion, the determination of credit risk should allow for this. The models used to determine PD and LGD ratios are built on historical data allowing for periods with low as well as high business activity. PD ratios are therefore estimated by weighting current data against data from the early 1990s. Current data carry a 60% weighting, while data from the early 1990s carry a 40% weighting. The LGD of mortgage credit products is determined based on loss data including the early 1990s as well.

Mortgage banking is characterised by low LGD ratios as the security provided by way of mortgages on real property offers good protection against losses. Mortgage banking is also characterised by low PD ratios reflected in the high ratings. The combination of low LGD and PD ratios results in low credit risk.

Mortgage lending

Loan portfolio

The Group's mortgage lending composition can be described in terms of the bond debt outstanding by property type, loan type, etc. The Group has a diversified loan portfolio reflecting the Group's credit policy.

The Group's nominal mortgage lending increased in 2005. At year-end the bond debt outstanding amounted to DKK 695bn distributed on 706,875 loans compared with DKK 623bn distributed on 715,021 loans in 2004.

Loans secured on owner-occupied dwellings amounted to 61% of total loans and advances at end-2005 compared with 58% at end-2004. Of the total bond debt outstanding, 38% involved a guarantee from a partnership bank compared with 31% in 2004.

The Nykredit Realkredit Group

Mortgage lending

Nominal value DKK million	Owner-occupied dwellings	Private rental	Subsidised housing	2005 Trade & industry	Office & retail	Agriculture	Other	Total DKKm/ number
Mortgage loans								
– Bond debt outstanding	424,087	44,002	69,109	21,437	45,138	76,268	15,130	695,171
– Number of loans	572,969	17,952	23,453	4,200	13,802	56,169	6,842	695,387
Bond debt outstanding by type of guarantee attached								
– Public-authority guarantees	1	371	52,702	0	18	440	251	53,783
– Bank guarantees	267,452	0	0	0	0	112	4	267,568
– Non-guaranteed	156,634	43,631	16,407	21,437	45,120	75,716	14,875	373,820
Total	424,087	44,002	69,109	21,437	45,138	76,268	15,130	695,171
Bond debt outstanding by loan type								
Fixed-rate loans								
– excl interest-only option	170,363	16,271	13,687	6,165	14,397	24,946	6,670	252,499
– incl interest-only option	30,472	1,772	31	8	565	2,449	122	35,419
Adjustable-rate mortgages (ARMs)								
– excl interest-only option	46,601	8,988	16,811	7,100	10,661	22,617	2,973	115,751
– incl interest-only option	60,865	8,768	642	5,376	12,538	16,069	585	104,843
Money market-linked loans								
– incl interest rate cap								
– excl interest-only option	78,335	2,103	146	434	1,910	4,569	1,357	88,854
– incl interest-only option	37,229	674	36	14	119	1,877	127	40,076
– excl interest rate cap								
– excl interest-only option	94	2,078	253	1,588	3,091	946	2,293	10,343
– incl interest-only option	80	3,176	68	751	1,801	1,701	390	7,967
Index-linked loans	48	172	37,435	1	56	1,094	613	39,419
Total	424,087	44,002	69,109	21,437	45,138	76,268	15,130	695,171
Bond debt outstanding by geographic area								
– Greater Copenhagen	123,823	18,881	27,504	2,730	12,840	3,091	3,869	192,738
– Other Sealand	44,999	2,256	5,841	1,354	2,104	11,014	1,575	69,143
– Funen	38,166	3,500	6,726	956	3,108	8,362	1,619	62,437
– Jutland	215,198	17,849	29,038	14,973	20,653	53,801	8,048	359,560
– Faroe Islands and Greenland	461	210	0	6	166	0	19	862
– Foreign	1,440	1,306	0	1,418	6,267	0	0	10,431
Total	424,087	44,002	69,109	21,437	45,138	76,268	15,130	695,171
Bond debt outstanding in terms of debt intervals, DKKm								
0 – 2	382,934	9,993	8,392	1,907	7,412	27,894	4,157	442,689
2 – 5	38,636	9,512	11,187	2,448	7,665	27,637	2,588	99,673
5 – 20	2,439	14,834	30,952	4,959	11,149	18,513	4,115	86,961
20 – 50	78	5,472	14,270	3,052	4,826	1,504	2,548	31,750
50 – 100	0	1,414	3,538	2,343	2,529	421	937	11,182
100 –	0	2,777	770	6,728	11,557	299	785	22,916
Total	424,087	44,002	69,109	21,437	45,138	76,268	15,130	695,171
Bond debt outstanding in terms of remaining loan term, years								
0 – 10	12,353	1,883	2,406	6,670	6,654	3,193	1,197	34,356
10 – 15	17,945	2,236	5,962	5,142	8,367	4,444	1,875	45,971
15 – 20	47,072	6,481	13,185	8,832	23,767	7,580	5,086	112,003
20 – 25	38,534	5,580	10,034	22	1,170	14,970	1,403	71,713
25 – 30	308,176	27,528	10,612	771	5,180	46,081	5,514	403,862
30 – 35	6	248	1,863	0	0	0	47	2,164
35 –	1	46	25,047	0	0	0	8	25,102
Total	424,087	44,002	69,109	21,437	45,138	76,268	15,130	695,171

The development in rates and the introduction of new product types in recent years, for example loans with interest rate caps, have affected the composition of the loan portfolio particularly within retail customers. At end 2005 variable-rate loans totalled 53% of the overall bond debt outstanding secured on owner-occupied dwellings compared with 42% at end-2004. At end-2005 floating-rate loans with interest rate caps granted for the purchase of owner-occupied dwellings totalled DKK 116bn against DKK 34bn in 2004.

Mortgage debt outstanding relative to property values

At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property pursuant to Danish legislation. Subsequently, the relationship between the mortgage debt outstanding and the value of the property will change with the amortisation of the loan and/or as a result of changes in the open market value of the property.

The table below shows the scope of security behind the Group's mortgage lending – with the deduction of lending subject to either public authority or bank guarantees – with respect to individual property types. In the table, loans with security covering for example between 0 and 40% of the mortgageable value are distributed with half the debt outstanding in the LTV (Loan-To-Value) interval 0–20% and half in the LTV interval 20–40%. The table shows that where owner-occupied dwellings are concerned, 72% of mortgage lending falls within 40% of property values.

The Nykredit Realkredit Group

The security behind mortgage loans relative to property values

%	LTV (Loan-To-Value)					Total
	0-20	20-40	40-60	60-80	Over 80	
Owner-occupied dwellings	38	34	24	4	0	100
Rental housing ¹	43	29	19	9	0	100
Commercial and agricultural ²	47	34	16	3	0	100
1) Private rental and subsidised housing						
2) Office & retail, trade & industry and agriculture						

The Nykredit Realkredit Group

Provisions for mortgage loan impairment

DKK million	2005			2004*
	Individual provisions	Group-based provisions	Total provisions	Total provisions
Owner-occupied dwellings	135	19	154	185
Rental housing ¹	21	5	26	29
Commercial and agricultural ²	337	99	436	683
Total	493	123	616	897
* Comparative figures have been restated to the new accounting policies				
1) Private rental and subsidised housing				
2) Office & retail, industry & trade and agriculture				

Mortgage lending relative to property values remained stable throughout 2005. Rising property values contributed to reducing the ratio between loans and property values, while rising new mortgaging contributed to increasing the ratio. Furthermore, the increased sale of interest-only loans and the extension of loan terms led to a slower amortisation of the debt outstanding. However, LTV ratios remained significantly below statutory limits.

Guarantees

In connection with mortgage lending, Nykredit operates with two types of loss guarantees: guarantees issued by the partnership banks and public authorities.

The Group has guarantee agreements with 103 local and regional banks in Denmark as part of the agreement on the sale of mortgage loans. For each mortgage loan arranged, the banks issue a guarantee covering an amount equal to the part of the loan exceeding 60% of the property value when the loan is issued. The guarantees are effective for the first eight years of the term of the loan. The local and regional banks are responsible for customer services and any individual credit granting. All loans granted by Totalkredit are covered by this agreement, and Totalkredit therefore has very low losses.

Furthermore, guarantees issued by public authorities reduce the credit risk mainly within mortgage lending to subsidised housing. Public guarantees are provided as guarantees whereby the guarantors assume primary liability which means that Nykredit may enforce the guarantee when a loan falls into arrears.

Non-performing exposures

Major exposures are subject to periodic individual review and risk assessment with a view to uncovering any objective indications of impairment. If necessary, provisions are subsequently made for individual exposures. Exposures not subject to individual provisioning are subject to group-based assessment. Group-based provisions are made for groups of customers incurring uniform credit risk.

Individual provisions for mortgage loan impairment have been on the decline throughout 2005 totalling DKK 493m at year-end. The development reflects the positive business climate which also led to a decline in arrears and fewer properties foreclosed.

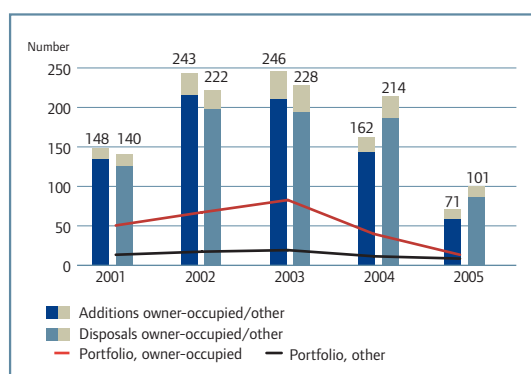
Provisions for mortgage loan impairment totalled DKK 616m at end-2005 against DKK 897m at the beginning of the year equal to 0.09% against 0.14%, respectively, of the bond debt outstanding.

Group arrears have been decreasing in recent years. The arrears ratio may be stated as total arrears as a percentage of total mortgage payments due. In the Group, the 75-day arrears ratio was 0.20% for the quarterly payment due on 1 September 2005 against 0.35% in 2004 equal to arrears of DKK 19.9m against DKK 35.6m in 2004.

In connection with the quarterly payment due on 1 September 2005, a total of 0.30‰ of the Group's bond debt outstanding was affected by 75 days of arrears against 0.58‰ in 2004.

In 2005 the Group foreclosed 71 properties and sold 101, and at year-end the portfolio comprised 19 properties against 49 properties at end-2004. Continued price rises in the residential property market, low interest rates and new loan types were partly behind the very low number of properties foreclosed. Furthermore, properties acquired by forced sale were easily marketable, and the Group's property portfolio therefore decreased in 2005.

The Nykredit Realkredit Group Properties foreclosed/sold



The Nykredit Realkredit Group Arrears ratio 75 days after due date

Settling months	Arrears as a % of total mortgage payments	Bond debt outst. affected by arrears as ‰ of total bond debt outst.
2004		
– March	0.38	0.65
– June	0.29	0.61
– September	0.35	0.58
– December	0.26	0.57
2005		
– March	0.29	0.46
– June	0.21	0.40
– September	0.20	0.30

Bank lending

Loan portfolio

The Group's total bank exposures in the form of loans, advances and guarantees, etc (excluding reverse transactions) amounted to DKK 30bn at end-2005, up 9% on 2004. With 25.5% of total lending in 2005, retail lending continued to account for a significant part of bank lending reflecting the Group's presence in the housing market.

Provisions for bank loan impairment

In line with the mortgage lending activities, individual and group-based provisions are made for bank lending. Total provisions for bank loan impairment were DKK 182m at end-2005 of which DKK 132m was individual provisions and DKK 50m group-based provisions.

Provisions made for commercial as well as retail exposures were affected by the stability of the Danish economy. In 2005 a number of provisions for bank loan impairment previously made were reversed, while new provisions for the year were moderate. Operating expenses totalled DKK 7m in 2005 against DKK 6m in 2004.

The Nykredit Bank Group Provisions for bank loan impairment

DKK million	2005			2004*
	Individual provisions	Group-based provisions	Total provisions	Total provisions
Retail	84	37	121	128
Other	48	13	61	85
Total	132	50	182	213

* Comparative figures have been restated to the new accounting policies

MARKET RISK

The business activities of the Nykredit Realkredit Group incur a number of different market risks. The majority of the Group’s market risks relate to the investment portfolios. Furthermore, the business activities of Markets & Asset Management incur market risk.

Market risk incurred by the mortgage finance activities of Nykredit Realkredit and Totalkredit is limited under the framework of the balance principle of Danish mortgage credit legislation. The balance principle provides a narrow scope for mortgage bank liquidity, interest rate and foreign exchange risk related to lending and funding activities.

The banking business, which is as far as possible hedged with financial instruments, and the insurance activities only incur negligible market risk.

The limits relating to market risk in the Nykredit Realkredit Group, including Value-at-Risk, interest rate, equities, foreign exchange and volatility risks are subject to approval by the Board of Directors of Nykredit Realkredit A/S. Through the Treasury Committee and within the scope of the limits provided by the Board of Directors, the Executive Board fixes market risk limits for the acting entities in the Group, including Group Treasury and Markets & Asset Management.

The management of market risk is based on traditional risk measures and a Value-at-Risk model. Market risk is monitored on an ongoing basis and reported to Management on a daily basis. Acting and reporting entities have been segregated.

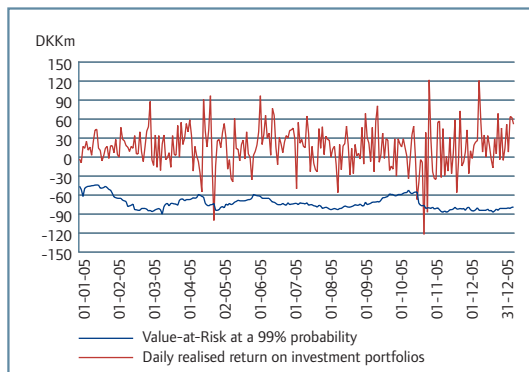
Value-at-Risk

Value-at-Risk is a statistical measure of the maximum loss on an investment portfolio at a given probability within a given time horizon. The Nykredit Realkredit Group calculates Value-at-Risk based on a 99% confidence level and a one-day time horizon.

At end-2005 the Group Value-at-Risk was DKK 79m meaning that Nykredit, at a 99% probability, might lose less than DKK 79m on one day as a consequence of market fluctuations. During 2005 the Value-at-Risk ranged between DKK 44m and DKK 90m.

In 2005 Nykredit Realkredit and Nykredit Bank obtained DFSA approval to apply a Value-at-Risk model for the determination of capital requirements for market risk. Risk is determined through an analytical Value-at-Risk model allowing for the option element of callable mortgage bonds. The model forms an integral part of Nykredit’s securities systems. Positions in unlisted equities are treated separately.

The Nykredit Realkredit Group Backtest



Elements of the Value-at-Risk calculation

The parameters of VaR calculations:	
▪ Risk factors:	All positions are transformed into a number of risk factors related to equities, interest rate and foreign exchange risk.
▪ Volatilities and correlations:	Daily volatilities and correlations of the factors above are retrieved from RiskMetrics. In calculating the volatilities, last-dated observations carry the largest weights. Volatilities and correlations are estimated on the basis of data on the past 550 days.
▪ Time horizon:	Value-at-Risk is estimated based on a time horizon of one day, but the number can be scaled to other time horizons.
▪ Confidence level:	Value-at-Risk is estimated based on a 99% confidence.

Testing of Value-at-Risk model results

The model results are tested on a daily basis against actual realised returns on the investment portfolios through a back test.

In addition, a daily stress test is performed to determine the risk of losses under extreme market conditions. More comprehensive stress testing is performed periodically.

Interest rate risk

The Group’s interest rate exposure in case of a general rise in interest rates of 1 percentage point varied in 2005 between a negative DKK 53m and a positive DKK 582m. At end-2005 the interest rate exposure to bonds and financial instruments amounted to DKK 406m of

which DKK 5m concerned interest rate risk incurred by the mortgage lending activities (the balance principle) of Nykredit Realkredit and Totalkredit.

The Group benchmark for the interest-bearing portfolio was fixed subject to an interest rate exposure of DKK 456m equal to a duration of approximately one year.

Equities risk

The Group's exposure to equities and equity instruments was DKK 6,694m at end-2005.

The exposure to strategic equities categorised as available-for-sale under IAS 39 ranged between DKK 2,577m and DKK 4,056m in 2005, while Nykredit's other equities exposures ranged between DKK 1,823m and DKK 3,317m.

If equity markets had declined by 10% in general, the Group would have lost DKK 669m at end-2005 of which DKK 406m would be adjusted against equity.

The equity portfolio benchmark was DKK 4,950m in Danish and European equities of which DKK 4,200m relates to strategic equities.

Volatility risk

The market value of options and financial instruments with embedded options such as callable mortgage bonds partly depends on the expected market volatility.

Nykredit is exposed to volatility markets.

Volatility trading is used as a risk hedging tool and in connection with the opening of active positions. Risk is determined and managed on a continuous basis with respect to all financial instruments with embedded options.

Foreign exchange risk

Nykredit generally hedges the foreign exchange risk of its investments, and therefore only low foreign exchange risk was incurred in currencies other than EUR in 2005. Exchange Rate Indicator 2, a measure of the maximum loss at a 99% probability within 10 days, ranged between DKK 1m and DKK 16m.

Liquidity risk

Liquidity is managed by the individual Group companies on a day-to-day basis. In Nykredit Realkredit and Totalkredit, major liquidity fluctuations occur in connection with the quarterly settling dates. Mortgage borrowers make their mortgage payments the day before

the coupon date of the bonds at the latest. Liquidity risk is therefore mainly incurred in connection with late payments.

The measurement and management of liquidity risk in Nykredit Bank involve a daily determination of the balance sheet maturity mismatch, projection of the Bank's funding need, construction of a liquidity graph, monitoring of funding key figures and periodical stress testing which are reported to Management.

Refinancing risk

In Nykredit Realkredit and Totalkredit, adjustable-rate mortgages are refinanced through the issuance of new bonds. Customers obtain a loan rate mirroring the coupon rate of the bonds sold. Overall, the Nykredit Group does not incur any interest rate risk in connection with its refinancing activities.

Correspondingly, the bond sale is structured in such a way that the Nykredit Realkredit Group may avoid assuming any liquidity risk.

INSURANCE RISK

Nykredit's insurance activities are exclusively concentrated within non-life insurance for retail, commercial buildings and agricultural customers. The board of directors of the Insurance Company (Nykredit Forsikring) holds the overall responsibility for managing insurance risk. The board lays down guidelines for the types of risk that may arise in connection with the writing of insurance policies and the size of exposures as well as the principles of risk assessment and reinsurance. In cooperation with the technical departments, the Risk Management department of the Insurance Company has the day-to-day responsibility for managing insurance risk.

Insurance risk is determined through statistical models. The most significant risk is emergency risk such as the risk of storm and flooding. This risk is limited through reinsurance. As a result of the reinsurance cover for 2006, the part of emergency claims of up to DKK 400m for which the Insurance Company has to cover will be limited to DKK 30m. Should the emergency claims exceed DKK 400m, the Insurance Company's expense will rise proportionally up to DKK 195m in case of an emergency of DKK 1,500m. Furthermore, the company will incur expenses for the re-establishment of the emergency coverage.

Reinsurance business ceded goes to other insurance companies in accordance with the overall rating guidelines laid down by the board of directors. The ratings of reinsurance companies are reviewed on a current basis.

OPERATIONAL RISK

The daily management of operational risk in Nykredit has always been a natural part of the business operations. The business areas are responsible for the day-to-day management of operational risk. Operational risk management activities are coordinated centrally to ensure consistency and optimisation across the Group. The Group pursues a policy of always limiting operational risk in consideration of the related costs.

Nykredit develops tools and techniques to identify, analyse and report operational risk. The tools are gradually implemented into the business areas and management support functions to ensure an ongoing monitoring of the Group's operational risk exposures.

Business contingency plans ensure constant and secure operations in case of a shutdown of the IT supply or other emergencies. A systematic registration and categorisation of loss-making operational events create an overview of the loss experience in parts of the Group. In time, the registrations will be made throughout the Group. Risk maps are being developed to create an overview of potential risk concentrations. Against this backdrop, overall key risk indicators will be identified which may serve as warning signals of changes in risk levels.

As a consequence of the legislative framework related to mortgage banking, which accounts for the majority of the Group's activities, and the highly standardised mortgage credit products, the operational risk related to this area is inherently limited.



Bond issuance

The Nykredit Realkredit Group is Denmark's largest issuer of bonds and one of the largest bond issuers in Europe.

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

RATING

Nykredit Realkredit and the majority of the Group's mortgage bonds as well as the hybrid core capital and the supplementary capital are rated.

MORTGAGE BONDS

At end-2005 the Group had issued mortgage bonds of a nominal value of DKK 904bn – up 14% on 2004.

The Nykredit Realkredit Group funds its mortgage lending through the issuance of mortgage bonds on the OMX, the Copenhagen Stock Exchange. The bonds issued in accordance with UCITS 22.4 and the Danish mortgage credit legislation fulfil the criteria for covered

bonds. The Nykredit Realkredit Group is subject to the supervision of the Danish Financial Supervisory Authority (the DFSA).

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 strives to accommodate investor interests in its product development.

In 2005 the Nykredit Realkredit Group's bond issuance was dominated by fixed-rate, callable and floating-rate bonds accounting for 45% and 40% of total gross issuance, respectively, excluding the refinancing of adjustable-rate mortgage loans (ARMs) in December. Behind this development were the continued very low interest rates, the consequent massive refinancing levels in the fixed-rate segment and the launch of floating-rate loans with interest rate caps at end-2004. In comparison, issuance in connection with the refinancing of ARMs in December accounted for 30% of gross issuance in 2005.

The Group's mortgage bonds are issued by tap on a day-to-day basis and at recurring refinancing auctions. The tap issuance funds the current funding need arising out of the lending activities. Long-term fixed-rate callable bonds and long-term capped floating-rate bonds are issued in series with a 3-year opening period, and liquidity is therefore built on an ongoing basis. Short-term non-callable bonds are open for issuance throughout their maturity. At the refinancing auctions, fixed-rate non-callable bullet bonds as well as capped short-term floating-rate non-callable annuity bonds are offered.

In connection with the series change on 1 September 2005, the Nykredit Realkredit Group started its joint bond issuance activities funding the lending of Nykredit Realkredit and Totalkredit. As a result of the joint bond issuance, Nykredit Realkredit will issue mortgage bonds to fund the mortgage lending of both Nykredit Realkredit and Totalkredit.

The Nykredit Realkredit Group Rating

	Moody's Investors Service	Standard & Poor's
Mortgage bonds		
Nykredit Realkredit		
Capital Centre D	Aaa	–
Capital Centre C	Aa1	–
Nykredit In General	Aa1	AA
Totalkredit		
Capital Centre C	Aaa	–
Other ratings		
Nykredit Realkredit		
Short, unsecured rating	P-1	A-1
Long, unsecured rating	Aa3	–
Supplementary Capital (Tier 2)	A1	–
Hybrid core capital (Tier 1)	A2	–
Totalkredit		
Supplementary Capital (Tier 2)	A1	–

The joint bond issuance provides the Nykredit Realkredit Group's individual bond series with higher volumes and deeper liquidity. At end-2005 fixed-rate non-callable bullet bonds and fixed-rate callable bonds were included in the joint bond issuance activities.

In 2005 the Nykredit Realkredit Group issued bonds of a nominal value of DKK 462bn. The table below shows the issuance by bond type, coupon and time-to-maturity.

At end-2005 the Nykredit Realkredit Group disbursed DKK 188bn worth of interest-only mortgage loans (Pauselån® and BoligXlån) of which 56% were granted as adjustable-rate loans funded through fixed-rate non-callable bullet bonds, 25% as capped floating-rate mortgage loans (RenteMax/BoligXlån), while the remaining 19% was granted as fixed-rate loans. At end-2005 the share of interest-only loans accounted for 27% of the Group's overall loan portfolio.

In 2005 largely only agricultural customers and other customers with a strong EUR-dependence took out EUR loans. The reason is mainly the still relatively strong DKK and the narrow interest rate spread between EUR and DKK in 2005. The outstanding amount of EUR-denominated bonds came to nearly DKK 73bn at end-2005.

The refinancing of Nykredit and Totalkredit ARMs in December 2005 totalled DKK 136bn of which 1-year bonds in DKK and EUR accounted for DKK 122bn equal to 89%. EUR-denominated issues totalled DKK 29bn. Although the refinancing auction was the largest in the history of the Nykredit Realkredit Group, it had a bid-to-cover rate of over 3. The oversubscription underscores the great demand for the Group's non-callable bonds.

As a consequence of the interest rate adjustment of Nykredit and Totalkredit ARMs and the related 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 2006.

From 2006 the Group will adjust ARM rates at three annual auctions held in March, September and December.

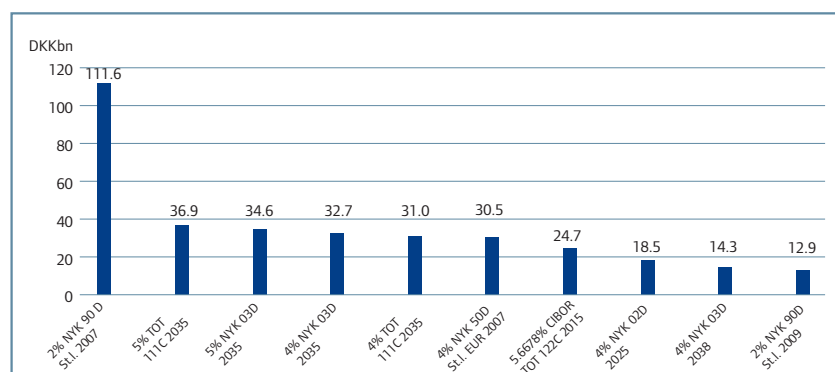
In recent years the composition of the Nykredit Realkredit Group's outstanding amount of bonds has changed partly because of the expanded product supply and partly because of the low interest rate levels. Fixed-rate callable bonds now account for 35% of the total outstanding amount, while fixed-rate non-callable bullet bonds account for around 43%. Finally, floating-rate bonds have become the third largest bond type with a share of the Nykredit Realkredit Group's overall gross issuance in 2005 of 28% and a share of the Group's total outstanding amount of bonds of 17% at end-2005.

The Nykredit Realkredit Group has a 42% market share of the outstanding amount of mortgage bonds on the OMX, the Copenhagen Stock Exchange, on which the outstanding amount of Danish mortgage bonds totalled DKK 2,174bn at end-2005.

The Nykredit Realkredit Group Gross mortgage bond issuance by bond type, coupon and time-to-maturity

DKK million/%	2005	2004
Total nominal gross issuance	462,184	301,776
Of which refinancing	136,371	122,158
Bond types		
Fixed-rate callable bonds:	31.6	26.1
– annuity	25.0	22.6
– deferred annuity	6.6	3.5
Non-callable bullet bonds:	40.2	70.5
– fixed-rate DKK-denominated	32.7	58.9
– fixed-rate EUR-denominated	7.5	11.6
Floating-rate bonds:	28.2	3.4
– short-term capped and uncapped	15.0	2.7
– long-term capped annuity	9.1	0.4
– long-term capped deferred annuity	4.1	0.2
Total	100.0	100.0
Coupon		
2%	26.4	0.0
3%	3.3	0.9
4%	40.4	76.1
5%	1.6	19.6
Floating-rate bonds	28.3	3.4
Total	100.0	100.0
Time-to-maturity, years		
Below 10	50.9	72.1
– excl refinancing	21.4	31.6
10-20	7.9	4.3
20-30	15.2	4.7
30 and above	26.0	18.9
Total	100.0	100.0

The Nykredit Realkredit Group Largest series on the Copenhagen Stock Exchange



The Nykredit Realkredit Group – mortgage bonds Outstanding amount by bond type, coupon and time-to-maturity 2004-2005

DKK million/%	2005	2004
Total nominal outstanding amount	904,278	795,555
Of which refinancing	136,371	122,158
Bond types		
Fixed-rate callable bonds:	35.1	43.3
– annuity	31.0	41.8
– deferred annuity	4.1	1.5
Non-callable bullet bonds:	43.3	46.1
– fixed-rate DKK-denominated	35.3	36.8
– fixed-rate EUR-denominated	8.0	9.3
Floating-rate bonds:	17.1	5.2
– short-term capped and uncapped	10.3	5.0
– long-term capped annuity	4.7	0.1
– long-term capped deferred annuity	2.1	0.1
Index	4.5	5.4
Total	100.0	100.0
Coupon		
2%	15.5	8.4
3%	2.1	0.6
4%	43.8	41.9
5%	13.5	26.9
6%	2.6	9.5
Other fixed-rate bonds	0.9	1.7
Floating-rate bonds	13.9	5.2
Index-linked bonds	7.7	5.8
Total	100.0	100.0
Time-to-maturity, years		
Below 10	50.8	49.8
– excl bonds maturing at year-end	31.3	32.1
10–20	8.3	6.3
20–30	15.9	12.4
30 and above	25.0	31.5
Total	100.0	100.0

Liquidity

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

Liquidity is supported by the Group's high market share and from 1 September 2005 by the joint bond issuance between Nykredit Realkredit and Totalkredit. The joint bond issuance secures large volumes in the Group's series despite the very active product development and consequent wide product range.

Liquidity is secured through market making agreements between a number of the members of the OMX, the Copenhagen Stock Exchange. Furthermore, Nykredit Bank quotes prices in the retail market on Nykredit Realkredit and Totalkredit's liquid bond series.

The depth and liquidity are enhanced by the fact that 69% of the Group's outstanding amount of bonds falls within 25 series with an outstanding amount of more than DKK 7.5bn (just over EUR 1bn), while the 10 largest bond series all have an outstanding amount of over DKK 12.9bn.

The outcome of the joint bond issuance is very pronounced among the largest bond series where the 1-year fixed-rate non-callable bullet bond is the Group's largest bond with an outstanding amount of DKK 112bn at end-2005. 4% 2038 has reached an outstanding amount of DKK 14bn since the joint bond issuance commenced on 1 September 2005 in a situation with continued large outstanding amounts in both Nykredit's and Totalkredit's 5% 2035 bond. The new floating-rate bonds are represented among the ten largest series by Totalkredit's 10-year capped floating-rate bond.

In 2005 total turnover in the Group's mortgage bonds listed on the OMX, the Copenhagen Stock Exchange, amounted to DKK 2,781bn in nominal terms and DKK 2,776bn in market value terms equal to an average daily turnover (market value) of DKK 11bn and based on a total of 467,955 trades in 2005. Turnover in the Group's mortgage bonds on the OMX, the Copenhagen Stock Exchange, accounted for 44% of total turnover (market value) in Danish mortgage bonds in 2005.

Security and rating

Issuance for the funding of the lending granted by Nykredit Realkredit and part of the lending granted by Totalkredit takes place in Aaa-rated mortgage bonds issued out of Nykredit Realkredit's Capital Centre D. The remaining loans granted by Totalkredit are correspond-

ingly funded in Aaa-rated mortgage bonds issued out of Totalkredit's Capital Centre C. Furthermore, bonds issued out of Nykredit's Capital Centre C and Nykredit In General have been rated Aa1.

At end-2005 89% of the Nykredit Realkredit Group's outstanding mortgage bonds was Aaa-rated, 6% Aa1-rated, while the remaining old bonds have not been rated.

Bond investors

The Nykredit Realkredit Group sells its mortgage bonds to all types of Danish and international investors. Ownership shares among both international as well as commercial and mortgage bank investors increased in 2005 and have now reached 16% and 45% (end-Q3/2005), respectively. The rises have taken place mainly at the expense of the ownership shares of private and public sector investors. Insurance company and pension fund ownership remained unchanged at 24%.

In terms of overall international investment in Danish mortgage bonds, the Nykredit Realkredit Group maintained its leading market position with a share of total international investments in Danish mortgage bonds of almost 48% at end-Q3/2005.

The Nykredit Realkredit Group's diversified group of bondholders help secure an effective pricing of the Group's benchmark mortgage bonds. In 2006 the Group will continue to focus on its investor relations activities to ensure a continuous high flow of relevant information to investors.

Information about the Group's funding and Danish mortgage credit legislation is available at www.nykredit.com/ir.

OTHER BONDS

Nykredit Realkredit has provided subordinate loan capital for Nykredit Bank and Totalkredit.

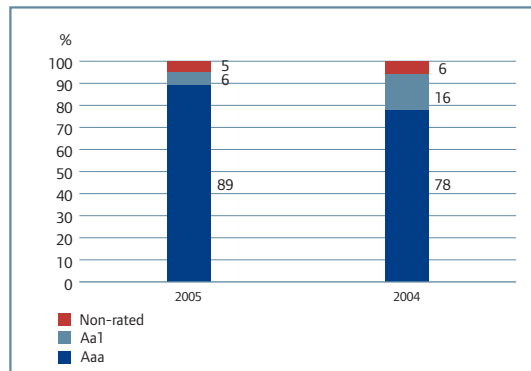
Nykredit's supplementary capital

In September 2005 Nykredit Realkredit raised a bullet bond loan of EUR 500m through a bond issue aimed at European institutional investors. The loan carries a floating rate and matures in 2013 and has an early redemption option in 2010.

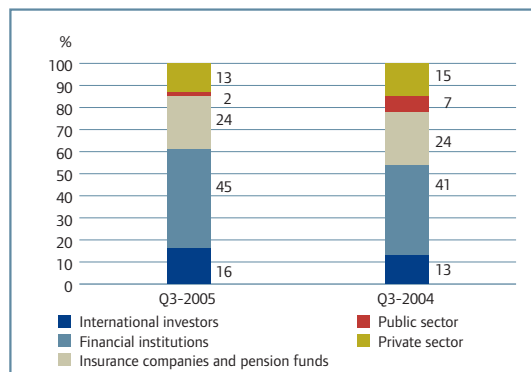
The bonds listed on the Luxembourg Stock Exchange have been issued as supplementary capital.

The bonds are rated A1 by Moody's.

Rating of mortgage bonds



The Nykredit Realkredit Group Investor composition



The Nykredit Realkredit Group Outstanding amount of bonds by type of capital, end-2005

	Nominal DKKm	Nominal EURm	Early redemption	Maturity
Nykredit Realkredit				
Hybrid core capital (Tier 1)		500	2014	-
Supplementary capital (Tier 2)		500	2010	2013
Totalkredit				
Supplementary capital (Tier 2)		200	2007	2010
		150	2006	2009
Nykredit Bank				
Bond loan	786			2006-2016



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 2005 were a profit before tax of DKK 1m excluding the results of 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

Nykredit Realkredit reported profit before tax of DKK 5,602m for 2005 against DKK 4,250m in 2004. Profit after tax came to DKK 4,397m against DKK 3,193m the year before.

Results for 2005 reflect a high level of activity which contributed to an increase in core income from lending. Results also showed a marked increase in investment portfolio income of DKK 774m and an increase in the

results of subsidiaries. By contrast, results for 2005 were affected by a lower reversal of provisions for loan impairment and a rise in operating costs, depreciation and amortisation.

Mortgage Bank core income from lending rose by DKK 360m to DKK 3,453m. The rise reflects gross lending of DKK 171bn, up DKK 69bn on the year before. Core income from securities increased by DKK 86m to DKK 738m. The increase reflects growth in the investment portfolio, while average money market rates remained unchanged at 2.1%.

Total mortgage banking costs amounted to DKK 2,563m in 2005, up DKK 204m on the year before.

Staff expenses were DKK 1,254m in 2005 against DKK 1,249m the year before. The increase in staff expenses is attributable to obligations under collective agreements.

Other administrative expenses rose by DKK 101m to DKK 948m in 2005.

Amortisation of intangible assets and depreciation on property, plant and equipment amounted to DKK 361m in 2005.

Mortgage banking provisions are still affected by the reversal of provisions resulting in a total income of DKK 251m in 2005. Losses ascertained in relation to lending netted DKK 77m in 2005 of which the majority had been provided for in previous years.

Total provisions at year-end were DKK 616m against DKK 897m at the beginning of the year. Total provisions at end-2005 equalled 0.14% of loans and advances.

Investment portfolio income increased by DKK 774m to DKK 2,334m in 2005 against DKK 1,560m the year before. The value adjustment of strategic equities recognised as investment portfolio income was included in the operating results for 2005 as well as 2004.

Nykredit Realkredit A/S

Core earnings and investment portfolio income

DKK million	2005	2004
Core income from		
Business operations	3,453	3,093
Securities	738	652
Total	4,191	3,745
Operating costs, depreciation and amortisation	2,563	2,359
Core earnings before losses	1,628	1,386
Provisions for loan impairment	(251)	(408)
Profit from equity investments	1,389	896
Core earnings after losses	3,268	2,690
Investment portfolio income	2,334	1,560
Profit before tax	5,602	4,250
Tax	1,205	1,057
Profit for the year	4,397	3,193

Tax

Nykredit Realkredit is jointly taxed with the Danish subsidiaries and Foreningen Nykredit, the Parent Company. Total tax payable is distributed among profit and loss making, jointly taxed companies relative to their taxable income.

At end-2005 Nykredit Realkredit was party to a pending tax case, as the Danish Ministry of Taxation is of the opinion that Nykredit Realkredit has been liable to tax on profits from the disposal of equities held for trading purposes since 1999. Nykredit Realkredit disagrees in this matter, and the Danish National Tax Tribunal found for Nykredit Realkredit. The Danish Ministry of Taxation has appealed against the decision to the Danish High Court. If every aspect of the case goes against Nykredit, an additional tax expense of approximately DKK 300m can be expected.

Profit distribution

In accordance with the Articles of Association and the guidelines laid down by the Board of Directors, profit for the year has been taken to equity.

In 2005 Nykredit continued the profit distribution practice applied the year before and adopted by the Board of Directors. Consequently, no series reserve funds, except Capital Centre D, directly receive any share of 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 partially or fully redeemed. In case of losses 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 provisions for loan impairment, if any. Injected capital consequent to the capital requirements is not distributable.

After distribution of profit for the year, equity stood at DKK 47,139m at the end of the financial year against adjusted equity of DKK 42,697m at the beginning of the financial year. Consequently, equity increased by DKK 4,442m.

Nykredit Realkredit A/S Capital base and capital adequacy

DKK million	2005	2004
Core capital		
Equity, year-end	47,139	42,697
Revaluation reserves transferred to supplementary capital	(81)	(70)
Total	47,058	42,627
Statutory core capital deductions		
Tax assets	(151)	(104)
Intangible assets	(3,163)	(2,920)
Total core capital after statutory deductions	43,744	39,603
Hybrid core capital	3,940	3,844
Core capital including hybrid core capital after statutory deductions	47,684	43,447
Supplementary capital		
Subordinate loan capital	3,722	-
Revaluation reserves	81	70
Reserves in series	97	138
Total	3,900	208
Deductions		
Equity investments > 10%	(243)	(337)
Deduction for insurance activities	(607)	(616)
Total	(850)	(953)
Capital base	50,734	42,702
Weighted items		
- not included in the trading portfolio	300,445	276,764
- with market risk included in the trading portfolio	17,151	21,006
Total	317,596	297,770
Capital requirement	25,408	23,822
Capital adequacy ratio, %	16.0	14.3
Core capital ratio, %	15.0	14.6

Note: The capital base in 2004 has been restated in accordance with the new accounting policies.

Capital base and capital adequacy

The capital adequacy requirements governing Danish mortgage banks have been 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 items of a mortgage bank.

At the end of the financial year, Nykredit Realkredit's capital base including hybrid core capital was DKK 50,734m against the statutory capital requirement of DKK 25,408m – equal to capital adequacy of 16.0%.

The Nykredit Realkredit Group's capital adequacy was 12.4% and therefore constitutes the restricting factor where capital adequacy is concerned.

Hybrid core capital – distributable reserves

Pursuant to the Danish Financial Business Act, a company may not pay interest on hybrid core capital to creditors unless the company has distributable reserves. Interest governed by this provision 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 contain retained earnings for previous years and 2005 as well as reserves that may be distributed as dividend.

Determined pursuant to the Danish Financial Business Act, Nykredit Realkredit's distributable reserves excluding series reserve funds were DKK 24,276m.

TOTALKREDIT A/S

In 2005 Totalkredit realised a profit of DKK 774m before tax and DKK 558m after tax compared with DKK 503m and DKK 354m, respectively, in 2004.

The results for 2005 are the best ever recorded by the company and reflect lending activity approximately 70% higher than the record activity in 2004. At year-end, the loan portfolio had increased to DKK 259bn.

Total core income was DKK 929m in 2005 against DKK 628m in 2004.

Core income from business operations increased by DKK 300m to DKK 864m in 2005 against DKK 564m in 2004. Core income from business operations was affected by very high lending activity. Gross lending was DKK 147bn and net new lending DKK 67bn.

Core income from securities posted DKK 65m in 2005.

Operating costs, depreciation and amortisation were DKK 200m in 2005 against DKK 189m in 2004. The rise is attributable to increased marketing efforts as well as increased staff and IT expenses derived from the high

activity. Relative to the loan portfolio, costs decreased to 0.8‰ against 0.9‰ in 2004.

Provisions for loan impairment were recognised at DKK 1m, cf guarantees provided by Danish local and regional banks.

Core earnings after losses amounted to DKK 728m in 2005 against DKK 439m in 2004, and investment portfolio income was DKK 46m against DKK 64m in 2004.

Totalkredit's equity was DKK 5,380m at end-2005 against DKK 4,822m the year before. Subordinate loan capital amounted to DKK 5,209m against DKK 2,600m in 2004. The capital base was DKK 10,589m at end-2005, and the capital adequacy ratio was 10.1%.

Totalkredit A/S**Core earnings and investment portfolio income**

DKK million	2005	2004
Core income from		
Business operations	864	564
Securities	65	64
Total	929	628
Operating costs, depreciation and amortisation	200	189
Core earnings before losses	729	439
Provisions for loan impairment	1	0
Core earnings after losses	728	439
Investment portfolio income	46	64
Profit before tax	774	503
Tax	216	149
Profit for the year	558	354

Totalkredit A/S**Summary balance sheet at 31 December 2005**

DKK million	2005	2004
Mortgage loans	259,249	196,856
Issued bonds, Totalkredit	221,950	206,637
Issued bonds, Nykredit Realkredit	63,452	-
Subordinate loan capital	5,209	2,600
Equity	5,380	4,822
Total assets	300,154	218,044

THE NYKREDIT BANK GROUP

In 2005 the Nykredit Bank Group realised a profit before tax of DKK 601m and of DKK 439m after tax compared with DKK 421m and DKK 290m, respectively, in 2004.

Core earnings after losses were DKK 582m against DKK 382m in 2004, while investment portfolio income amounted to DKK 19m against DKK 39m the year before.

The positive development in the level of activity implied an increase in staff from 402 at end-2004 to 436 at end-2005.

The staff increase and higher activity levels resulted in a rise in capacity costs of a total of DKK 92m following which operating costs, depreciation and amortisation amounted to DKK 596m against DKK 504m in 2004.

Impairment provisions came to DKK 7m against DKK 6m in 2004. As a result of the continued favourable economic climate in Denmark, 2005 also saw a very low provisioning level within both the Corporate Banking and the Retail Banking area.

Equity grew from DKK 3,175m at 1 January 2005 to DKK 3,614bn at year-end. The increase is attributable to profit after tax for the year. Relative to the Annual Report for 2004 in which equity stood at DKK 3,151m, the implementation of the new accounting policies had a positive effect on equity of DKK 24m.

The Group's capital adequacy came to 10.3% against 10.4% at end-2004.

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

DKK million	2005	2004
Core income from		
Business operations	1,115	829
Securities	70	63
Total	1,185	892
Operating costs, depreciation and amortisation	596	504
Core earnings before losses	589	388
Provisions for loan impairment	7	6
Core earnings after losses	582	382
Investment portfolio income	19	39
Profit before tax	601	421
Tax	162	131
Profit for the year	439	290

The Nykredit Bank Group**Summary balance sheet at 31 December 2005**

DKK million	2005	2004
Loans and advances	26,419	22,650
Bonds and equities	36,152	31,586
Payables to credit institutions and central banks	44,655	39,695
Deposits	22,103	19,094
Equity	3,614	3,175
Total assets	84,462	73,959

NYKREDIT FORSIKRING A/S

The Insurance Company realised a profit before tax of DKK 153m and DKK 124m after tax against DKK 164m and DKK 129m, respectively, in 2004.

In 2005 the Company continued to develop in a positive direction, but results were affected by the storm that hit Denmark on 8 January and resulted in approximately 13,000 claims totalling DKK 300m. The total expense, net of reinsurance, amounted to approximately DKK 60m. At year-end 90% of the claims arising out of the storm had been settled.

Nykredit Forsikring realised a technical profit of DKK 10m against DKK 44m the year before. The technical profit is the profit before tax adjusted for core income from securities and investment portfolio income.

The level of activity remained high in 2005. Total new insurance policies written equalled approximately DKK 360m. Total insurance policies equalled DKK 1,264m at year-end distributed on 176,000 customers.

Premiums decreased by 4.4% from DKK 1,292m in 2004 to DKK 1,235m in 2005. The decrease relates to the changed strategy in the Commercial Customers area

as well as the disposal of the industrial injury insurance portfolio. Net premiums earned were DKK 1,152m against DKK 1,219m in 2004, down 5.5%.

In total, operating costs, depreciation and amortisation showed an increase of DKK 17m to DKK 179m. The cost ratio was 18.3% which is considered to be satisfactory.

The combined ratio and the operating ratio were 100.9% and 99.2%, respectively, against 98.5% and 96.9% in 2004.

The combined ratio is the sum of the gross claims ratio, the gross cost ratio and the net reinsurance ratio.

The operating ratio is computed as the combined ratio where premiums have been added to technical interest.

Investment portfolio income came to DKK 114m, mainly attributable to the favourable development in equity markets and the sale of two properties with total proceeds of DKK 10m.

After transfer of the profit for the year, equity stood at DKK 1,630m at year-end. Relative to the statutory capital base requirement, determined as the so-called solvency margin, the company fulfils the capital requirement approximately six-fold and is consequently well-consolidated.

Nykredit Forsikring A/S
Core earnings and investment portfolio income

DKK million	2005	2004
Core income from		
Business operations	1,127	1,208
Securities	29	26
Total	1,156	1,234
Operating costs, depreciation and amortisation	179	162
Claims incurred	938	1,002
Core earnings	39	70
Investment portfolio income	114	94
Profit before tax	153	164
Tax	29	35
Profit for the year	124	129

Nykredit Forsikring A/S
Financial highlights

DKK million	2005	2004
Premiums, adjusted for reserves	1,235	1,292
Net premiums earned	1,152	1,219
Core earnings	39	70
Key ratios		
Loss ratio, %	99.6	78.8
Cost ratio, %	18.3	15.3
Net reinsurance ratio, %	(16.9)	4.4
Combined ratio, %	100.9	98.5
Operating ratio, %	99.2	96.9

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.

At end-2005, the agency network comprised 334 estate agencies of which 219 Nybolig and 115 Estate agencies. In 2005 Nykredit Mægler acquired another eight estate agencies from Sparekassen Sjælland.

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 2005 than expected and consequently captured a higher market share.

Nykredit Mægler realised a profit of DKK 71m before tax and DKK 50m after tax against DKK 55m and DKK 38m, respectively, in 2004. The results were affected by higher income from estate agents as a combination of higher revenue and increased market share.

NYKREDIT EJENDOMME A/S

Nykredit Ejendomme's main activity involves the leasing of a number of commercial properties out of which the Nykredit Realkredit Group operates.

Moreover, through an associate, Nykredit Ejendomme is co-owner of the five-star Copenhagen Marriott Hotel.

Results for 2005 were a loss of DKK 3m compared with a loss of DKK 22m in 2004. Results were affected by impairment losses of DKK 29m relating to non-current assets.

NYKREDIT BANK HIPOTECZNY S.A.

Nykredit Bank Hipoteczny was established in 2003.

In 2005 legislative amendments and liberalisation enabled Nykredit to conduct business in Poland directly from a Polish branch of Nykredit Realkredit. The company's activities are therefore continued through the branch.

Profit before tax for 2005 was DKK 16m. The profit was positively affected by DKK 26m from an intercompany sale of assets to the Polish branch. Profit after tax amounted to DKK 14m.

At year-end the company's loan portfolio amounted to DKK 138m.

Nykredit Mægler A/S

DKK million	2005	2004
Profit for the year	50	38
Balance sheet total	171	216
Equity ¹	122	172

1) Dividend distributed in 2004 of DKK 100m was settled in 2005.

Nykredit Ejendomme A/S

DKK million	2005	2004
Loss for the year	(3)	(22)
Balance sheet total	1,202	1,176
Equity	312	304

Nykredit Bank Hipoteczny S.A.

DKK million	2005	2004
Profit/loss for the year	14	(20)
Balance sheet total	227	132
Equity	124	103



Consolidated Financial Statements 2005

ACCOUNTING POLICIES OF THE NYKREDIT REALKREDIT GROUP

General

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. However, IFRS has been prematurely implemented, and the disclosure requirements of IAS 30 and 32 have therefore not been fulfilled. The Consolidated Financial Statements have furthermore been prepared in accordance with Danish disclosure requirements relating to the presentation of financial statements of issuers of listed bonds, of the disclosure requirements of the Copenhagen Stock Exchange and the Executive Order on the application of international financial reporting standards for companies subject to the Danish Financial Business Act.

This Annual Report is the first annual report to be prepared in accordance with IFRS. In connection with the transition, IFRS 1 on first-time adoption of IFRS has been applied.

IFRS disclosure requirements have been fulfilled by the disclosures made in the notes or Management Review.

Changed accounting policies

At 1 January 2005 the accounting policies have been changed to comply with IFRS.

At 1 January 2005 equity increased by DKK 1,887m as a result of the policy changes of which the reclassification of minority interests amounted to DKK 1,538m. Total assets, liabilities and equity have been reduced by DKK 140,884. The effect of the changes to accounting policies has been described in detail in note 39.

Comparative figures have been restated to IFRS 1. However, Nykredit Realkredit has decided to apply IAS 39 "Financial Instruments: Recognition and Measurement" from 2005. As a result of the special transitional provisions, the comparative figures at 31 December 2004 of the Parent Company and the Group have not been restated in accordance with the new accounting

policies with respect to the changed measurement and designation principles relating to financial instruments.

In order to enhance comparability with the new accounting policies, it has furthermore been decided to present the opening balance sheet at 1 January 2005 in the Annual Report, and the individual notes account for material changes relative to previous accounting policies. The Management Review is generally based hereon to the effect, however, that the transition from the previous to the new accounting policies has been included to the extent deemed appropriate.

In accordance with the transitional rules, the financial highlights for 2001-2003 have not been restated to the new policies.

In accordance with IFRS 1, Nykredit has decided to apply IFRS 3 retrospectively to previous business combinations (business combinations realised before the date of transition to IFRS). Nykredit has therefore recognised goodwill determined in connection with the acquisition of Totalkredit A/S as two separate asset items at 10 November 2003, ie contractual rights and goodwill.

General on recognition and measurement

Recognition

Assets have been recognised in the balance sheet if it has been probable that future economic benefits will flow to the Company as a result of a previous event, and if the value of the asset can be measured reliably.

Liabilities have been recognised in the balance sheet when a legal or constructive obligation has arisen as a result of a previous event, and if it has been probable that future economic benefits will flow from the Company/Group, and if the value of the liability can be measured reliably.

Income has been recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost have been recognised in the income statement in the period in which they have arisen.

Also, all costs incurred in connection with this year's earnings have been recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changed accounting estimates previously recognised in the income statement.

Financial assets and liabilities have initially been recognised on the date of transaction and derecognised when the right to receive/pay cash flows from the financial asset or liability has lapsed, or where transferred, the Group has also in all material respects transferred all risks and returns related to ownership.

Measurement

The financial statements have been prepared based on the historical cost convention except as modified by the recognition of financial assets and liabilities, including properties.

On initial recognition, financial assets and liabilities have been measured at fair value. Financial assets and liabilities have subsequently been measured at either fair value or amortised cost according to their classification.

The categories "Loans, advances and receivables" and "Other financial liabilities" have been measured at amortised cost, including a constant effective interest rate over the maturity. Amortised cost has been determined as the original cost with the deduction of principal repayments and the addition/deduction of the cumulative amortisation of the difference between cost and the nominal value. Capital losses and gains have accordingly been distributed over the maturity.

The category "Financial assets and liabilities at fair value through profit or loss" consists of the two sub-categories: financial assets/liabilities intended for sale and assets/liabilities classified at fair value (the fair value option) on initial recognition.

Financial assets/liabilities have been classified as held-for-trading if acquired principally to obtain a gain in the short term, if it forms part of a portfolio where evidence of a short-term realisation of gains exists or if classified as such by Management. Derivative financial instruments have also been classified as financial assets held for trading unless classified as hedges.

On initial recognition, a financial asset/liability has been classified at fair value (the fair value option) if such classification eliminates or in material respects reduces any accounting mismatch arising on application of the ordinary measurement provisions of IAS 39.

"Financial assets and liabilities at fair value through profit or loss" have been measured at fair value, and realised and unrealised gains and losses arising as a result of changes in the fair value have been recognised in the income statement in the period in which they have arisen.

The category "Financial assets available for sale" includes financial assets classified as such by Nykredit's Management or because they do not fall into any other categories.

"Financial assets available for sale" have been measured on a current basis at fair value, and the fair value adjustments have been recognised directly in equity. When the financial asset has been divested or written down, the accumulated fair value adjustments have been transferred to the income statement.

The fair values of all categories of financial assets and liabilities have in principle been based on closing prices quoted at the balance sheet date.

If the market for a financial asset or liability is illiquid, or if no publicly recognised pricing exists, Nykredit has determined the fair value using recognised measurement techniques. These techniques include corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option and other models based on observable market data.

In Management's opinion, the methods and estimates applied as part of the measurement techniques give a true and fair view of the fair value of the instruments.

Derivative financial instruments

On initial recognition, derivative financial instruments have been recognised in the balance sheet at fair value and subsequently measured at fair value. Value adjustments have been recognised through profit or loss under "Value adjustments" in the period in which they have arisen. Positive and negative fair values of derivative financial instruments have been recognised under other assets or other liabilities, as appropriate. The fair values of derivative financial instruments have been determined on the basis of available market data and recognised measurement methods.

Hedge accounting

Changes in the fair values of derivative financial instruments classified as and meeting the criteria of fair value hedges of a recognised asset or liability have been rec-

ognised in the income statement, including changes in the value of the hedged asset or the hedged liability to the extent of the hedged part.

The hedges have been established for individual assets and liabilities and at portfolio level. The hedge accounting effectiveness has been measured and assessed on a current basis.

Accounting estimates

In accordance with IFRS, the Annual Report has been prepared on the basis of certain special conditions that require the use of accounting estimates. These estimates have been made by Nykredit's Management in accordance with the accounting policies and based on previous experience and, in Management's opinion, reasonable and realistic assumptions.

The accounting estimates and their underlying assumptions are tested and assessed regularly.

The changes to the accounting estimates for the year as well as reversals resulting from changed accounting estimates of amounts previously recognised in the income statement have been recognised in the income statement as ascertained.

Areas implying a higher degree of assessment or complexity or areas in which assumptions and estimates are material to the financial statements are:

- Provisions for loan and receivable impairment involving significant estimates in connection with the quantification of the risk of not receiving all future payments.
- Unlisted financial instruments involving significant estimates in connection with the measurement of fair values.
- Provisions involving significant estimates in connection with actuarial assumptions, including staff turnover.

Other significant accounting estimates have been disclosed separately in the Annual Report.

Consolidation

Nykredit Realkredit A/S (the Parent Company) and the enterprises in which Nykredit Realkredit A/S directly or indirectly has a controlling influence over the enterprise's financial and operational management have been included in the Consolidated Financial Statements. Together, Nykredit Realkredit A/S and its subsidiaries are referred to as the Nykredit Realkredit Group.

Associates are enterprises in which the Nykredit Realkredit Group has a significant but not controlling influence.

Joint ventures are enterprises in which the Nykredit Realkredit Group has a joint controlling influence and controls the enterprise jointly with other enterprises not forming part of the Group. The Group's investments in joint ventures have been subject to proportionate consolidation.

The Consolidated Financial Statements have been prepared based on the audited financial statements of the individual enterprises combining items of a uniform nature. All intercompany income and costs, dividends, intercompany shareholdings and balances as well as realised and unrealised intercompany gains and losses have been eliminated.

Newly acquired and divested enterprises have been recognised in the income statement in the period in which Nykredit Realkredit A/S owned the enterprise. Comparative figures have not been adjusted for divested or newly acquired enterprises.

Minority interests

In determining the consolidated profit/loss and equity, the proportion of subsidiaries' profit/loss and equity attributable to minority interests has been recognised as separate items in the income statement and balance sheet. Minority interests have been recognised based on the revaluation of assets and liabilities acquired at fair value at the time of the acquisition of the subsidiaries.

In case of subsequent changes in minority interests, the change will be included in profit/loss from the time of change.

Segment information

Information has been provided on business segments and geographic markets. The presentation of the business areas has been based on the current reporting made to the Group Management and, consequently, also the principles applied in connection with management control. The business segments reflect the Group's returns and risks and are considered to be the Group's main segments.

The segments include the concepts core earnings and investment portfolio income. Core earnings include earnings from lending, ie customer-oriented activities, and core earnings from securities. Core earnings from securities include the risk-free return on the part of the securities portfolio not allocated to the business areas.

No risk-free interest is calculated on capital allocated to the business areas.

Investment portfolio income includes the part of the return exceeding risk-free interest.

Income and expense included in the profits/losses before tax of the individual segments include directly as well as indirectly attributable items. Such allocation has been based on internally fixed allocation keys as well as intercompany agreements between the individual business segments. Items not directly or indirectly attributable have not been subject to allocation.

The underlying financial assets and liabilities of the financial income and expense forming part of the segment profit/loss have been allocated to each business segment. Non-current assets in the segment include the non-current assets used directly as part of the segment operations, including intangible assets, property, plant and equipment as well as investments in associates.

The business capital of the individual segments equals 8% of the segments' average weighted items (the minimum requirement), while the business return has been estimated as profit/loss relative to the business capital.

Information has been provided exclusively at group level.

Business combinations

On acquisition of new enterprises in which the Parent Company obtains a controlling influence, the purchase method has been applied. The identifiable assets, liabilities and contingent liabilities of the acquired enterprises have been measured at fair value at the time of acquisition. Identifiable intangible assets have been recognised where they can be separated or arise out of a contractual right, and where the fair value can be determined reliably. Deferred tax on revaluations made has been recognised.

For business combinations made on 11 November 2003 or later, positive balances (goodwill) between the cost of the enterprise and the fair value of the identifiable assets, liabilities and contingent liabilities acquired have been recognised as goodwill under intangible assets.

The accounting classification according to the previous accounting policies of business combinations made before 11 November 2003 has been maintained. Goodwill has been recognised based on cost recognised in accordance with the previous accounting policies (the Danish Executive Order on the Presentation of Financial

Statements issued by the Danish Financial Supervisory Authority (the DFSA)) with the deduction of amortisation and impairment losses up to 10 November 2003. Goodwill has not been amortised after 11 November 2003.

In case of uncertainty about the measurement of acquired identifiable assets, liabilities and contingent liabilities at the time of acquisition, initial recognition will be based on provisional fair values. If identifiable assets, liabilities and contingent liabilities subsequently appear to have had another fair value at the time of acquisition than originally assumed, goodwill will be adjusted up to 12 months after acquisition. The effect of adjustments will be recognised in equity at the beginning of the year, and comparative figures will be restated. Subsequently, goodwill has exclusively been adjusted following changes to contingent purchase consideration estimates unless in case of material errors.

Gains or losses on the divestment or winding up of subsidiaries and associates have been determined as the difference between the selling price or the disposal consideration and the carrying amount of net assets including goodwill at the time of sale as well as costs incidental to the sale or winding-up.

Foreign currency

The Consolidated Financial Statements have been presented in Danish kroner (DKK) which is the functional as well as the presentation currency of the Parent Company. All other currencies have been regarded as foreign currencies.

Transactions in foreign currencies have been translated into the functional currency at the exchange rates prevailing on the transaction date. Foreign currency gains and losses on the settlement of such transactions and on the translation of monetary assets and liabilities in foreign currencies at the exchange rates prevailing at the balance sheet date have been recognised in the income statement.

Currency translation differences arisen on translation of non-monetary items such as equities at fair value recognised in the income statement have been recognised as part of the fair value gain or loss. Currency translation differences arisen on translation of non-monetary items such as equities classified as financial assets available for sale have been recognised in the fair value reserve under equity.

The financial statements of integrated foreign entities have been translated into Danish kroner at the exchange rates prevailing at the balance sheet date with

respect to balance sheet items and at average exchange rates with respect to income statement items. The currency change in foreign subsidiaries has been recognised directly in equity.

Impairment

The carrying amounts of intangible assets as well as property, plant and equipment are reviewed annually to determine whether there are any indications of impairment apart from what has been recognised as depreciation and amortisation. If this is the case, an impairment test will be carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset concerned will be written down to the lower recoverable amount. Such impairment test is carried out annually with respect to in-progress development projects regardless of whether there have been any indications of impairment.

The recoverable amount of the asset has been determined as the higher value of the net selling price and the value in use. Where no recoverable amount can be determined for the individual asset, the assets have been measured in the lowest aggregation of assets where overall measurement may provide a reliable recoverable amount.

Repo/reverse

Securities sold as part of sale and repurchase transactions have been retained on the balance sheet under the appropriate principal item, eg "Bonds". The amount received has been recognised as payables to the counterparty or under "Non-derivative financial liabilities at fair value". The liability has been fair value-adjusted over the maturity of the agreement through profit or loss.

Securities acquired as part of sale and repurchase transactions have been stated as receivables from the counterparty or under "Loans, advances and receivables at fair value". The receivable has been fair value-adjusted over the maturity of the agreement through profit or loss.

Leases

The Nykredit Group has entered into a number of leases with Nykredit as lessor.

Receivables from the lessee under finance leases have been included under "Loans, advances and other receivables at amortised cost". The leases have been measured to the effect that the carrying amount equals the net investment in the lease. Interest receivable from finance leases has been recognised as income under "Interest income". Repayments made have been de-

ducted from the carrying amount in step with the amortisation of the receivable.

Direct costs on establishment of leases have been recognised in the net investment.

Properties leased under operating leases have been classified as "Investment properties". The properties have been measured at fair value in accordance with IAS 40 "Investment properties". Fair value adjustments have been recognised on a current basis through profit or loss under "Value adjustments".

Lease payments received have been recognised as income under "Other operating income".

Pensions and similar obligations

The Group has entered into pension agreements with the majority of the Group's staff. The agreements can be divided into two overall types of plans:

- Defined contribution plans according to which the Group makes fixed contributions to staff members' pension plans. The Group is under no obligation to make further contributions. The contributions to defined contribution plans have been recognised in the income statement at the time of maturity, and any contributions payable have been recognised in the balance sheet under other payables.
- Defined benefit plans according to which the Group is obligated to make certain contributions in connection with retirement. Obligations related to defined benefit plans have been determined systematically by actuarial discounting of pension obligations to the present value with the addition of the operating costs for the period. The costs for the financial year relating to defined benefit plans have been determined on the basis of the projected unit credit method. The actuarial present value with the deduction of the fair value of plan assets has been recognised in the balance sheet under "Other assets" or "Other liabilities", as appropriate. Actuarial gains and losses have been recognised in the income statement in the year in which they have arisen.

INCOME STATEMENT

Interest income and expense

Interest includes interest due and accrued up to the balance sheet date.

Interest income includes interest and interest-like income, including interest-like commission received and other income that form an integral part of the effective

interest of the underlying instruments. The item also includes the index premium on assets, forward premium of securities and foreign exchange trades as well as adjustments over the maturity of financial assets measured at amortised cost and where cost varies from the redemption price.

Interest income from bank loans and advances written off as impairment losses has been included under "Interest income" at an amount reflecting the effective interest of the written-down value of loans and advances. Any interest income from the underlying loans and advances exceeding this amount has been included under "Provisions for loan and receivable impairment".

Interest expense includes all interest-like expenses including adjustment over the maturity of financial liabilities measured at amortised cost and where cost differs from the redemption price.

Dividend

Dividend from equity investments has been recognised as income in the income statement for the financial year in which the dividend was declared.

Fees and commissions

Fees and commissions include income and expense relating to services including management fees. Fee income relating to services delivered on a current basis has been accrued over their terms.

Fees, commissions and transaction costs have been treated for accounting purposes as interest if they form part of the effective interest of a financial instrument.

Other fees have been recognised in the income statement at the date of transaction.

Net premiums earned

Premiums

Net premiums earned include the directly and indirectly written policies for the year in which the risk period commenced before the end of the financial period with the deduction of reinsurers' share and change in the provisions for premiums unearned. Premiums have been recognised according to policy risk exposure, however, to an extent at least equal to the coverage period.

Technical interest

Technical interest attributed from the investment business to the insurance business has been determined as an estimated interest yield of the average insurance provisions for the year. Such interest has been estimated based on the interest rate prescribed by the DFSA.

The item includes the discount effect attributable to maturity changes in insurance provisions.

Value adjustments

Value adjustments include foreign currency translation adjustments and value adjustments of assets and liabilities measured at fair value. However, value adjustments relating to the credit risk incurred by loans, advances and receivables measured at fair value have been carried under "Provisions for loan and receivable impairment".

Claims incurred, net of reinsurance

Claims incurred consist of claims paid for the year, the run-off profit/loss relating to previous years and adjustments for changes in claims provisions less reinsurers' share. Furthermore, the item includes expenses incurred in connection with the inspection and valuation of damages as well as direct and indirect claims administration expenses.

The item does not include the share of changes in claims provisions attributable to changes in the discount rate and maturity reductions which have been recognised under value adjustments and technical interest, as appropriate.

Staff and administrative expenses

Staff expenses include wages and salaries as well as social cost and pensions. Obligations for anniversary bonuses and severance pay have been recognised on a current basis and allow for the expected probability of staff members retiring before the time of benefit.

Provisions for loan and receivable impairment

Loan losses ascertained and changes for the year in loan loss provisions have been charged to the income statement under "Provisions for loan and receivable impairment".

Profit/loss from investments in associates

The proportionate share of associates' profit/loss before tax after elimination of the proportional share of intercompany profit/loss has been recognised in the Consolidated Income Statement.

Profit/loss from activities being terminated

Terminated and divested activities have been recognised as separate items in the income statement which has been supplemented with notes containing information on the terminated and divested activities.

The balance sheet items concerning the terminated activities continue to be recognised under the appropriate items, whereas assets, liabilities and equity concerning

divested enterprises have been consolidated in one item under assets, liabilities and equity, respectively.

Tax

Tax calculated at the current tax rate of taxable income for the year, adjustment of tax assessed for prior years and adjustment of the proportion of deferred tax relating to tax assets and liabilities attributable to the profit for the year have been charged to the income statement. The adjustments relating to deferred tax attributable to direct equity entries have been recognised directly in equity.

The Nykredit Group's Danish companies have been jointly taxed with Foreningen Nykredit. The Parent Company settles total tax payable by the Group on the taxable income assessed for the year. Current Danish corporation tax payable has been distributed between the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

Domestic corporation tax payable by the jointly taxed companies is payable in accordance with the scheme for payment of tax on account. Interest payable or receivable relating to the voluntary payment of tax on account and interest payable or receivable on the over-/underpayment of tax have been recognised under "Other interest income" or "Other interest expense", as appropriate.

ASSETS

Loans, advances and other receivables at fair value (the fair value option)

The item includes loans and advances included in the trading portfolio as well as mortgage loans.

Mortgage loans have been measured at fair value and include an adjustment for the market risk based on the value of the underlying bonds and an adjustment for credit risk based on the provisioning need.

Totalkredit mortgage loan funding

Nykredit Realkredit A/S issues mortgage bonds for the funding of loans granted by Nykredit Realkredit A/S as well as Totalkredit A/S. Totalkredit A/S is therefore under an obligation to pay interest, redemption and prepayment amounts to Nykredit Realkredit A/S which will transfer such payments to bond investors.

Mortgage loans have been measured at fair value with adjustment for market risk based on the value of the underlying bonds and any impairment provisions for credit risk.

Loans, advances and other receivables at amortised cost

Other loans, advances and other receivables have been recognised in the balance sheet at the lower of amortised cost or net recoverable value less loan loss provisions.

Provisions for loan and receivable impairment

The Nykredit Realkredit Group performs individual continuous review and risk assessment of all significant exposures with a view to uncovering objective indications of impairment. Where objective indications of impairment are present, and such event(s) has(ve) an effect on the size of expected future payments from the exposure which can be measured reliably, provisions have been made for the exposure at the difference between the carrying amount before impairment and the present value of expected future payments from the exposure.

Similarly, provisions have been made for non-significant exposures in case of objective indications of impairment where the event(s) concerned is(are) believed to have a reliable measurable effect on the size of expected future payments from the exposure.

Cash flows have not been discounted if the effect hereof is insignificant.

Exposures, which have not been subject to individual provisioning, have been included in the group-based assessment of exposures of uniform characteristics of credit risk. On the assessment of the groups, an objective indication of impairment is considered to be present when observable data indicate that a decrease has occurred in the expected future payments from the relevant group of exposures which can be measured reliably and not be attributed to single exposures. In case of an objective indication of impairment of a group of exposures, provisions will be made for the overall value of the group of exposures at the difference between the carrying amount before the impairment and the present value of expected future payments from the group.

Where events have occurred showing a partial or complete reduction of an impairment loss following individual or group-based provisioning, impairment provisions have been reversed accordingly.

Impairment provisions have been deducted from the asset items concerned.

Equities and bonds

Equities and bonds have generally been recognised at fair value at the transaction date and, subsequently,

measured at fair value equal to an estimated fair value determined on the basis of market data and recognised measurement methods. Changes in the fair value have been recognised on a current basis in the income statement under value adjustments.

However, the Group's own portfolio of own issued bonds has been offset against issued bonds (the liability), and interest receivable relating to own bonds has been offset against interest payable.

Equities classified as "available-for-sale" have been recognised at fair value at the transaction date and subsequently measured at fair value equal to an estimated fair value determined on the basis of market data and recognised measurement methods. Unrealised value adjustments have been recognised directly in equity except for impairment losses and reversal hereof. On realisation, the accumulated value adjustment recognised in equity has been transferred to value adjustments in the income statement.

Investments in associates

Investments in associates have been recognised and measured according to the equity method and have therefore been measured at the proportionate share of the enterprises' equity value carried with the deduction or addition of unrealised intercompany profits or losses and with the addition of residual goodwill.

Total net revaluation of investments in associates has been transferred through the profit distribution to "Reserve for net revaluation according to the equity method" under equity.

Intangible assets

Goodwill

Goodwill arises in connection with business combinations. The carrying amount of goodwill has been allocated to the Group's cash flow-generating units at the time of acquisition. Goodwill has not been amortised, but the carrying amount is tested for impairment at least once a year.

Fixed-term rights

Fixed-term rights have been recognised at historical cost less accumulated amortisation and impairment losses, if any.

Fixed-term rights have been amortised on a straight-line basis over their remaining term. The fixed-term rights lapse after a period of between 5 and 10 years.

Software

Development projects clearly defined and identifiable involving a demonstrable technical rate of utilisation, adequate resources and a development opportunity in Nykredit, and where the intent being to employ the project, have been recognised as intangible assets provided that there is sufficient certainty that the value in use of future earnings will cover the actual development costs.

Capitalised development projects comprise salaries and other costs directly and indirectly attributable to the Company's development activities.

Development projects not meeting the criteria for recognition in the balance sheet have been recognised as costs in the income statement as incurred.

Capitalised development costs have been measured at the lower of cost less accumulative amortisation and impairment loss or the recoverable value. Capitalised development costs have been amortised on completion of the development work on a straight-line basis over the period in which it is expected to generate economic benefits. The amortisation period is 3–5 years.

Land and buildings

Owner-occupied properties

Owner-occupied properties have been recognised in the balance sheet at a reassessed value equal to the fair value at the revaluation date less subsequent accumulated depreciation and impairment losses. Revaluations are made on a continuous basis to prevent the carrying amounts from differing significantly from the values determined using the fair value on the balance sheet date.

Depreciation has been made on a straight-line basis over 20–50 years based on expected scrap values and the estimated useful lives of the properties.

Increases in the carrying amounts arising on revaluation of owner-occupied properties have been added to the revaluation reserve under equity. Impairment losses offsetting former revaluations of the same asset have been deducted from revaluation reserves directly in equity, while other impairment losses have been recognised in the income statement.

Subsequent costs have been recognised in the carrying amount of the asset concerned or recognised as a separate asset when it has been probable that the costs incurred will lead to future economic benefits for the Group, and the costs can be measured reliably. Costs for ordinary repair and maintenance have been recognised in the income statement as incurred.

Gains and losses on divested assets have been determined by comparing the sales proceeds with the carrying amount. Gains and losses have been recognised in the income statement. On divestment of revalued assets, revaluations contained in the revaluation reserves have been transferred to retained earnings.

Investment properties

Properties held for renting purposes and not occupied by the Group have been classified as investment properties.

Investment properties have been carried at fair value.

The fair value has been based on active market prices adjusted, if necessary, for differences in the nature, location or state of repair of the asset concerned. If such information has not been available, the Group has applied alternative measurement methods such as expectations for discounted cash flows and the latest prices in less active markets. Changes in the fair value have been recognised in the income statement.

Other property, plant and equipment

Equipment

Equipment has been measured at historical cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation has been made on a straight-line basis over the expected useful lives being:

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

The residual values and useful lives of the assets have been assessed and adjusted, if necessary, at each balance sheet date. The carrying amount of an asset has been written down to the recoverable value immediately if the carrying amount of the asset has exceeded the estimated recoverable value.

Gains and losses on the current replacement of property, plant and equipment have been charged to the income statement under "Other operating income" and "Other operating expenses".

Prepayments

Prepayments carried as assets include prepaid costs.

LIABILITIES AND EQUITY

Payables

Payables to credit institutions and central banks, deposits and other payables have been recognised at the proceeds received less transaction costs incurred. In subsequent periods, payables have been measured at amortised cost equal to the capitalised value using the effective interest rate so that the difference between the proceeds and the nominal value has been recognised in the income statement as interest expense over the term of the loan. Other payables have been measured at amortised cost which in all material respects equals the nominal value.

Issued bonds at fair value

Issued mortgage bonds have been classified on initial recognition at fair value (the fair value option) as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions of IAS 39.

The fair value of issued mortgage bonds is primarily prevailing market prices. Published and prepaid, but still undrawn, bonds have been measured at discounted value. Bonds not traded actively have been recognised at estimated market prices.

Issued bonds at amortised cost

Issued corporate bonds have been recognised at cost equal to consideration received less costs incurred. Issued bonds have, subsequently, been measured at amortised cost. Where the bonds have embedded derivative financial instruments measured at fair value, the bonds will be value-adjusted on a current basis to ensure accounting symmetry of the value adjustment of the hedged instrument and the hedging derivative financial instrument.

Non-derivative financial liabilities

Non-derivative financial liabilities include deposits at fair value and negative securities portfolios.

Provisions

Provisions have been recognised where, as a result of an event occurred before or on the balance sheet date, the Group has a legal or constructive obligation, and where it has been probable that economic benefits must be provided to settle the obligation.

In connection with the measurement of provisions, the costs necessary to settle the obligation have been discounted where this has had a significant effect on the measurement of the obligation. A yield curve has been applied as discount factor reflecting general market rates with the addition of the specific risks which the

provision concerned is estimated to involve. The changes in present values for the financial year have been recognised under interest expense/income. Provisions have been measured at Management's best estimate based on the amounts considered to be necessary to redeem the obligation.

Repayable reserves

Repayable reserves include reserves in pre-1972 series repayable after full or partial redemption of loans in compliance with the articles of association of the series concerned.

Pensions and similar obligations

Part of the Group's staff is entitled to receive a fixed amount on attaining retirement age (senior benefit and retirement benefit plans) and when having been employed by the Group for 25 and 40 years (anniversaries). The obligation has been recognised successively up to the date when the staff member is entitled to receive the benefit.

The measurement of the size of the liability allows for actuarial conditions, including the probability of staff members retiring before the time of benefit and therefore losing the entitlement to the benefit.

Insurance liabilities (claims provisions)

Provisions for premiums unearned constitute the part of gross premiums concerning future risks to policies that have been at risk at the balance sheet date, however, at least equal to the part of the coverage period occurring after the balance sheet date.

Claims provisions include amounts determined on a best estimate basis which have not been disbursed yet relating to insurance events occurring up to the balance sheet date regardless of being reported or not. Claims provisions also include direct and indirect administration costs which can, on a best estimate basis, cover the settlement of the above-mentioned claims.

Corporation tax and deferred tax

Current tax liabilities and current tax receivable have been recognised in the balance sheet as tax calculated on taxable income adjusted for tax paid on account.

Deferred tax has been measured in accordance with the balance sheet liability method based on all temporary differences between the carrying amounts and tax bases of assets and liabilities. No recognition has been made of deferred tax on temporary differences relating to the amortisation of goodwill disallowed for tax purposes and office properties as well as other items where temporary differences – except in case of acquisitions –

have arisen at the time of acquisition without having any effect on the profit/loss or the taxable income. In cases where it has been possible to determine the tax value according to different tax rules, deferred tax has been measured on the basis of the planned use of the asset or settlement of the liability, as planned by Management.

Deferred tax assets, including the tax value of tax loss carryforwards, have been recognised at the value at which they have been expected to be utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax has been measured on the basis of the tax rules and tax rates effective under current legislation on the balance sheet date when deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates have been recognised in the income statement.

Deferred income

Deferred income recognised under liabilities includes payments received concerning income recorded in subsequent years.

Subordinate loan capital

Subordinate loan capital has initially been recognised at fair value less transaction costs incurred. Subordinate loan capital has subsequently been carried at amortised cost, and any differences between the proceeds (less transaction costs) and the redemption value have been recognised in the income statement over the loan term using the effective interest method.

Equity

Share capital

Assets have been classified as equity where no obligation exists to transfer cash or other assets.

Dividend

Proposed dividend has been recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration). Dividend expected to be distributed for the year has been carried as a separate item under equity.

Revaluation reserves

The reserves concern the revaluation of property, plant and equipment with the deduction of deferred tax on the revaluation. The reserves are dissolved once the assets have been sold or abandoned.

Other value adjustments

The reserves concern unrealised value adjustments of equities available for sale and exchange rate differences

arisen on the translation of financial statements of foreign enterprises from their functional currencies to the Nykredit Group's presentation currency (Danish kroner).

Statutory reserves

The reserves include value adjustments of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves have been adjusted for the distribution of dividend to the Parent Company and for other changes in equity in subsidiaries and associates.

Reserves in series

Repayable reserves include reserves in pre-1972 series repayable after full or partial redemption of loans in compliance with the articles of association of the series concerned.

Other reserves

The reserves include distributable reserves which may be distributed to the Company's shareholders without limitation.

CASH FLOW STATEMENT

The consolidated cash flow statement has been prepared according to the indirect method based on the profit/loss for the year. The consolidated cash flow statement shows cash flows from the operating, investing and financing activities for the year, the changes in cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of "Cash balance and demand deposits with central banks" and "Receivables from credit institutions and central banks".

INTERCOMPANY TRANSACTIONS

The Nykredit Group consists of a number of independent legal entities. Intercompany 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.

FINANCIAL HIGHLIGHTS

Financial highlights have been presented in accordance with the DFSA Executive Order on the presentation of financial reports of credit institutions and investment companies, etc.

SPECIAL POLICIES FOR THE PARENT COMPANY, NYKREDIT REALKREDIT A/S

The Annual Report for 2005 of Nykredit Realkredit A/S has been prepared in accordance with the Danish Financial Business Act including the DFSA Executive Order on the presentation of financial reports of credit institutions and investment companies, etc.

These rules comply with the International Financial Reporting Standards (IFRS) and the Nykredit Group's accounting policies in all material respects subject to the exceptions to such practice and circumstances specific to the Parent Company as described below.

Investments in group enterprises and associates

Investments in group enterprises and associates have been recognised and measured according to the equity method.

The proportionate ownership interest of the enterprises' carried equity values with the deduction or addition of unrealised intercompany profits or losses and with the addition of the residual value of goodwill has been recognised under "Investments in group enterprises" and "Investments in associates" in the balance sheet.

Nykredit's share of the enterprises' profit/loss after elimination of unrealised intercompany profits and losses with the deduction of depreciation, amortisation and impairment losses has been recognised in the income statement.

Total net revaluation of investments in group enterprises has been transferred through the profit distribution to the "Reserve for net revaluation according to the equity method" under equity.

According to IFRS, the equity method is disallowed in the separate financial statements of parent companies.

Financial assets available for sale

The DFSA Executive Order does not allow the classification of financial assets as "available-for-sale" with fair value adjustment recognised in equity like IFRS. In the Parent Company, equities - available-for-sale - have been classified according to the general fair value option involving adjustment through profit or loss.

Income statements for 2005

DKK MILLION

NYKREDIT REALKREDIT A/S				THE NYKREDIT REALKREDIT GROUP	
2004	2005		Note	2005	2004
23,219	23,486	Interest income	1	34,907	33,781
19,764	19,828	Interest expense	2	28,919	28,409
3,455	3,658	NET INTEREST INCOME		5,988	5,372
148	325	Dividend on equities	3	335	158
738	1,109	Fee and commission income		1,758	1,099
193	206	Fee and commission expense		1,059	858
4,148	4,886	NET INTEREST AND FEE INCOME		7,022	5,771
-	-	Net premiums earned		1,152	1,219
1,112	1,621	Value adjustments	4	444	1,175
18	4	Other operating income		157	178
-	-	Claims incurred, net of reinsurance		938	1,002
2,096	2,202	Staff and administrative expenses	5	3,204	2,996
263	361	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	6	549	517
0	0	Other operating expenses		5	5
(408)	(251)	Provisions for loan and receivable impairment	7	(245)	(400)
923	1,403	Profit from investments in associates and group enterprises	8	17	27
4,250	5,602	PROFIT BEFORE TAX		4,341	4,250
1,057	1,205	Tax	9	1,161	1,057
3,193	4,397	PROFIT FOR THE YEAR		3,180	3,193
		DISTRIBUTION OF PROFIT FOR THE YEAR			
-	-	Shareholders of Nykredit Realkredit A/S		3,180	3,193
-	-	Minority interests		0	0
		PROPOSAL FOR THE DISTRIBUTION OF PROFIT			
3,193	4,397	Retained earnings			

Balance sheets at 31 December 2005

DKK MILLION

NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP				
31.12.2004	01.01.2005	31.12.2005		Note	31.12.2005	01.01.2005	31.12.2004
ASSETS							
6	6	21	Cash balance and demand deposits with central banks	10	47	31	31
41,804	41,804	54,008	Receivables from credit institutions and central banks	11	67,559	52,778	52,778
427,222	435,817	440,023	Loans, advances and other receivables at fair value (nominal value in 2004)	12	705,999	637,945	621,897
-	-	63,453	Totalkredit mortgage loan funding	13	-	-	-
1,145	1,038	1,031	Loans, advances and other receivables at amortised cost (nominal value in 2004)	14	21,583	19,213	24,706
155,160	51,664	57,875	Bonds at fair value	15	71,639	67,622	221,415
Equities							
6,051	6,051	7,601	Fair value option		4,089	6,335	6,335
-	-	-	Available-for-sale		4,060	-	-
6,051	6,051	7,601	Total	16	8,149	6,335	6,335
51	51	80	Investments in associates	17	155	124	124
8,815	8,836	9,790	Investments in group enterprises	17	-	-	-
2,920	2,920	3,163	Intangible assets	18	3,680	3,541	3,541
Land and buildings							
-	-	-	Investment properties		246	284	284
308	308	315	Owner-occupied properties		1,326	1,308	1,308
308	308	315	Total	19	1,572	1,592	1,592
138	138	134	Other property, plant and equipment	20	187	188	188
220	220	181	Current tax assets	27	213	223	223
104	104	151	Deferred tax assets	26	171	120	120
35	37	22	Assets temporarily acquired		22	39	37
2,202	3,185	4,503	Other assets	21	8,925	8,229	8,021
96	95	105	Prepayments		113	103	103
646,277	552,274	642,456	TOTAL ASSETS		890,014	798,083	941,111

Balance sheets at 31 December 2005

DKK MILLION

NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP				
31.12.2004	01.01.2005	31.12.2005		Note	31.12.2005	01.01.2005	31.12.2004
LIABILITIES AND EQUITY							
17,160	17,160	27,859	Payables to credit institutions and central banks	22	55,322	44,069	44,069
-	-	-	Deposits and other payables	23	21,808	18,702	18,813
564,920	469,563	539,934	Issued bonds at fair value (nominal value in 2004)	24	718,041	651,607	795,555
-	0	0	Issued bonds at amortised cost		654	315	-
-	4,254	3,978	Other non-derivative financial liabilities at fair value		9,235	7,255	0
-	0	0	Current tax liabilities	27	8	2	2
17,109	13,561	14,142	Other liabilities	25	22,634	22,484	29,691
-	0	0	Deferred income		9	16	14
Provisions							
172	172	187	Provisions for pensions and similar obligations	28	193	184	184
760	760	815	Provisions for deferred tax	26	1,008	960	950
-	0	0	Insurance liabilities	28	1,616	1,533	1,533
263	263	206	Repayable reserves funded by pre-1972 series	28	206	263	263
-	0	534	Other provisions	28	544	14	6
1,195	1,195	1,742	Total		3,567	2,954	2,936
3,696	3,844	7,662	Subordinate loan capital	29	10,044	6,444	6,296
Equity							
1,182	1,182	1,182	Share capital		1,182	1,182	1,182
Accumulated changes in value							
70	70	82	- Revaluation reserves		115	108	108
-	-	6	- Accumulated foreign currency translation adjustment of foreign entities		6	0	-
-	-	-	- Value adjustment of equities available for sale		1,217	-	-
Other reserves							
55	76	1,004	- Reserve for net revaluation according to the equity method		-	-	-
20,794	20,794	22,597	- Reserves in series		22,597	20,794	20,794
3,632	3,632	3,632	- Other reserves		3,632	3,632	3,632
16,464	16,943	18,636	Retained earnings		18,390	16,981	16,481
-	-	-	Minority interests		1,553	1,538	1,538
42,197	42,697	47,139	Total equity		48,692	44,235	43,735
646,277	552,274	642,456	TOTAL LIABILITIES AND EQUITY		890,014	798,083	941,111
OFF-BALANCE SHEET ITEMS							
-	-	-	Guarantees	30	4,263	3,429	3,429
1,560	1,560	1,426	Other contingent liabilities		4,077	3,443	3,443
1,560	1,560	1,426	TOTAL		8,340	6,872	6,872
Related party transactions and balances							
Fair value of financial instruments							
Derivative financial instruments							
Genuine sale and repurchase transactions as well as genuine purchase and resale transactions							
Market risk							
Hedge accounting							
Currency exposure							
Business areas							
Changed accounting policies							

Statement of changes in equity

DKK MILLION

NYKREDIT REALKREDIT A/S

	Share capital	Share premium	Accumulated foreign currency translation adjustment of foreign entities	Revaluation reserves	Reserves for net revaluation according to the equity method	Reserves in series	Other reserves	Retained earnings	Total
2005									
Balance, beginning of year	1,182	-	-	70	55	20,794	3,632	16,464	42,197
Effect of changed accounting policies – IFRS	-	-	-	-	21	-	-	479	500
Adjusted balance, beginning of year	1,182	-	-	70	76	20,794	3,632	16,943	42,697
Adjustment relating to owner-occupied properties	-	-	-	12	-	-	-	-	12
Adjustments relating to foreign entities	-	-	6	-	-	-	-	-	6
Profit for the year	-	-	-	-	1,011	-	-	3,386	4,397
Total comprehensive income	-	-	6	12	1,011	-	-	3,386	4,415
Dividend from Nykredit Mægler A/S	-	-	-	-	(100)	-	-	100	-
Adjustment pursuant to capital adequacy rules	-	-	-	-	-	1,803	-	(1,803)	-
Transferred from provisions - pre-1972 series	-	-	-	-	-	-	-	27	27
Adjustment relating to associates	-	-	-	-	6	-	-	(17)	(11)
Adjustment relating to subsidiaries	-	-	-	-	11	-	-	-	11
Total other adjustments	-	-	-	-	(83)	1,803	-	(1,693)	27
Balance, year-end	1,182	-	6	82	1,004	22,597	3,632	18,636	47,139
The share capital breaks down into shares of DKK 100.00 and multiples hereof.									
2004									
Balance, beginning of year	1,182	3,632	-	17	-	17,453	16,777	-	39,061
Effect of changed accounting policies - IFRS	-	-	-	-	(5)	-	-	7	2
Other adjustments	-	-	-	-	-	-	-	19	19
Adjusted balance, beginning of the year	1,182	3,632	-	17	(5)	17,453	16,777	26	39,082
Adjustment relating to owner-occupied properties	-	-	-	53	-	-	-	-	53
Effect on profit/loss of changed accounting policies - IFRS	-	-	-	-	1	-	-	(16)	(15)
Profit for the year	-	-	-	-	56	-	-	3,153	3,209
Total comprehensive income	-	-	-	53	57	-	-	3,137	3,247
Adjustment pursuant to capital adequacy rules	-	-	-	-	-	3,341	(16,777)	13,436	-
Transfer from provisions - pre-1972 series	-	-	-	-	-	-	-	4	4
Transferred to other reserves	-	(3,632)	-	-	-	-	3,632	-	-
Adjustment relating to associates	-	-	-	-	-	-	-	3	3
Effect on equity of changed accounting policies - IFRS	-	-	-	-	3	-	-	(142)	(139)
Total other adjustments	-	(3,632)	-	-	3	3,341	(13,145)	13,301	(132)
Balance, year-end	1,182	0	-	70	55	20,794	3,632	16,464	42,197
At the Company's Annual General Meeting on 14 April 2005, it was decided to dissolve the share premium (DKK 3,632m) and transfer the item to "Other reserves".									

Statement of changes in equity

DKK MILLION

THE NYKREDIT REALKREDIT GROUP

	Share capital	Share premium	Revaluation reserves	Accumulated foreign currency translation adjustment of foreign entities	Value adjustment of equities available for sale	Reserves in series	Other reserves	Retained earnings	Total	Minority interests	Total
2005											
Balance, beginning of year	1,182	-	108	-	-	20,794	3,632	16,481	42,197	1,538	43,735
Effect of changed accounting policies – IFRS	-	-	-	-	-	-	-	500	500	-	500
Adjusted balance, beginning of year	1,182	-	108	-	-	20,794	3,632	16,981	42,697	1,538	44,235
Adjustment of equities available for sale	-	-	-	-	1,271	-	-	-	1,271	-	1,271
Realised gain on equities available for sale	-	-	-	-	(54)	-	-	-	(54)	-	(54)
Adjustment relating to owner-occupied properties	-	-	7	-	-	-	-	15	22	-	22
Adjustments relating to foreign entities	-	-	-	6	-	-	-	-	6	-	6
Profit for the year	-	-	-	-	-	-	-	3,180	3,180	-	3,180
Total comprehensive income	-	-	7	6	1,217	-	-	3,195	4,425	-	4,425
Adjustment pursuant to capital adequacy rules	-	-	-	-	-	1,803	-	(1,803)	-	-	-
Transfer from provisions – pre-1972 series	-	-	-	-	-	-	-	27	27	-	27
Adjustment relating to associates	-	-	-	-	-	-	-	(11)	(11)	-	(11)
Other adjustments	-	-	-	-	-	-	-	1	1	15	16
Total other adjustments	-	-	-	-	-	1,803	-	(1,786)	17	15	32
Balance, year-end	1,182	-	115	6	1,217	22,597	3,632	18,390	47,139	1,553	48,692
2004											
Balance, beginning of year	1,182	3,632	55	-	-	17,453	16,739	-	39,061	-	39,061
Reclassification – minority interests	-	-	-	-	-	-	-	-	-	1,649	1,649
Effect of changed accounting policies – IFRS	-	-	-	-	-	-	-	2	2	864	866
Other adjustments	-	-	-	-	-	-	-	19	19	-	19
Adjusted balance, beginning of year	1,182	3,632	55	-	-	17,453	16,739	21	39,082	2,513	41,595
Adjustment relating to owner-occupied properties	-	-	53	-	-	-	-	-	53	-	53
Effect on profit/loss of changed accounting policies – IFRS	-	-	-	-	-	-	-	(15)	(15)	-	(15)
Profit for the year	-	-	-	-	-	-	-	3,209	3,209	-	3,209
Total comprehensive income	-	-	53	-	-	-	-	3,194	3,247	-	3,247
Adjustment pursuant to capital adequacy rules	-	-	-	-	-	3,341	(16,739)	13,398	-	-	-
Transfer from provisions – pre-1972 series	-	-	-	-	-	-	-	4	4	-	4
Transferred to other reserves	-	(3,632)	-	-	-	-	3,632	-	-	-	-
Adjustment relating to associates	-	-	-	-	-	-	-	3	3	-	3
Effect on equity of changed accounting policies – IFRS	-	-	-	-	-	-	-	(139)	(139)	(975)	(1,114)
Total other adjustments	-	(3,632)	-	-	-	3,341	(13,107)	13,266	(132)	(975)	(1,107)
Balance, year-end	1,182	0	108	-	-	20,794	3,632	16,481	42,197	1,538	43,735

Core earnings and investment portfolio income

DKK MILLION

THE NYKREDIT REALKREDIT
GROUP

	2005			2004		
	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	5,185	803	5,988	4,778	594	5,372
Dividend on equities	4	331	335	1	157	158
Fee and commission income, net	740	(41)	699	293	(52)	241
Net interest and fee income	5,929	1,093	7,022	5,072	699	5,771
Net premiums earned	1,152	-	1,152	1,219	-	1,219
Value adjustments	434	10	444	169	1,006	1,175
Other operating income	157	-	157	178	-	178
Claims incurred, net of reinsurance	938	-	938	1,002	-	1,002
Staff and administrative expenses	3,204	-	3,204	2,996	-	2,996
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	549	-	549	517	-	517
Other operating expenses	5	-	5	5	-	5
Provisions for loan impairment	(245)	-	(245)	(400)	-	(400)
Profit from equity investments	0	17	17	0	27	27
Profit before tax	3,221	1,120	4,341	2,518	1,732	4,250

Cash flow statement for 2005

DKK MILLION

THE NYKREDIT REALKREDIT
GROUP

	2005	2004
Profit after tax for the year	3,180	3,193
Adjustment for non-cash operating items, depreciation, amortisation and impairment losses		
Amortisation and impairment losses for intangible assets	426	420
Depreciation and impairment losses for property, plant and equipment	123	97
Value adjustment of investments	(17)	(27)
Provisions for loan and receivable impairment	(245)	(400)
Prepayments/deferred income, net	(17)	2
Tax calculated on profit for the year	1,161	1,057
Other adjustments	1,277	(1,034)
Total	2,708	115
Profit for the year adjusted for non-cash operating items	5,888	3,308
Change in working capital		
Loans and advances	(70,179)	(35,362)
Deposits and payables to credit institutions	14,360	11,559
Issued mortgage bonds	66,772	97,488
Other working capital	2,018	(6,601)
Total	12,971	67,084
Corporation tax paid, net	(1,150)	(507)
Cash flows from operating activities	17,709	69,885
Cash flows from investing activities		
Investments	(5,845)	(83,477)
Intangible assets	(566)	(434)
Property, plant and equipment	(101)	(69)
Total	(6,512)	(83,980)
Cash flows from financing activities		
Subordinate loan capital	3,600	3,695
Total	3,600	3,695
Total cash flows	14,797	(10,400)
Cash and cash equivalents, beginning of year		
Cash balance and demand deposits with central banks	31	1,837
Receivables from credit institutions and central banks	52,778	61,372
Total	52,809	63,209
Cash and cash equivalents, year-end		
Cash balance and demand deposits with central banks	47	31
Receivables from credit institutions and central banks	67,559	52,778
Total	67,606	52,809

Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP		
2004	2005		2005	2004
		1. INTEREST INCOME		
490	1,560	Receivables from credit institutions and central banks	898	718
19,452	18,571	Loans, advances and other receivables	28,850	28,538
2,138	2,110	Administration margin (income)	3,214	3,010
		Bonds		
316	506	- Own mortgage bonds	1,237	1,058
463	702	- Other mortgage bonds	1,314	810
446	143	- Government bonds	275	473
33	60	- Other bonds	152	175
		Derivative financial instruments		
23	82	- Foreign exchange contracts	46	10
56	147	- Interest rate contracts	64	(61)
118	111	Other interest income	94	108
23,535	23,992	Total	36,144	34,839
(316)	(506)	Interest from own mortgage bonds has been offset against interest expense – note 2	(1,237)	(1,058)
23,219	23,486	Total	34,907	33,781
		Of which interest income from genuine purchase and resale transactions entered as:		
135	166	Receivables from credit institutions and central banks	288	345
0	0	Loans, advances and other receivables	124	90
		2. INTEREST EXPENSE		
375	432	Credit institutions and central banks	1,078	994
-	-	Deposits and other payables	510	459
19,434	19,436	Issued bonds	28,017	27,662
51	211	Subordinate loan capital	288	135
220	255	Other interest expense	263	217
20,080	20,334	Total	30,156	29,467
(316)	(506)	Set-off of interest from own mortgage bonds – note 1	(1,237)	(1,058)
19,764	19,828	Total	28,919	28,409
		Of which interest expense for genuine sale and repurchase transactions entered as:		
280	229	Payables to credit institutions and central banks	421	538
-	-	Deposits and other payables	14	32

Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
3. DIVIDEND ON EQUITIES			
148	325	278	158
-	-	57	-
148	325	335	158
4. VALUE ADJUSTMENTS			
Financial assets measured at fair value through profit or loss			
-	8,407	7,427	-
-	(990)	-	-
2	(4)	25	5
317	246	224	558
1,185	1,870	666	1,254
8	(8)	(154)	26
(400)	(693)	(590)	(689)
0	0	9	21
Financial assets measured at fair value against equity			
-	-	54	-
Financial liabilities measured at fair value through profit or loss			
-	(8,197)	(7,217)	-
-	990	-	-
1,112	1,621	444	1,175
Of which value adjustment of hedge accounting instruments			
-	83	79	-

Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
5. STAFF AND ADMINISTRATIVE EXPENSES			
26	30	30	26
1,223	1,224	1,937	1,842
847	948	1,387	1,272
2,096	2,202	3,354	3,140
-	-	(150)	(144)
2,096	2,202	3,204	2,996
Remuneration of Board of Directors and Executive Board			
Board of Directors			
2	2	2	2
Executive Board			
22	26	26	22
-	-	-	-
2	2	2	2
26	30	30	26
Terms and conditions governing the Executive Board			
Members of the Executive Board receive a fixed salary. No bonus plans have been established.			
Executive Board members do not receive remuneration as directors of group enterprises and associates.			
The pensionable age for members of the Executive Board is 65 years. No agreements have been made on pension benefits for Executive Board members. Executive Board members may resign when attaining the age of 60 and are, as a principal rule, entitled to receive early retirement benefits equal to 65% of the gross salary until attaining the age of 65.			
There is a mutual term of notice of six months. Upon resignation at Nykredit Realkredit's request, Executive Board members are, as a principal rule, entitled to receive termination benefits equal to 18 months' gross salary, however, 24 months' gross salary if the Managing Director is discharged after having attained the age of 55.			
Loans, charges, suretyships or guarantees granted to the members of the:			
17	17	30	20
74	66	76	84
1	7	7	1
Deposits from the members of the:			
-	-	1	1
-	-	1	1
-	-	8	0
Exposures granted to related parties have been granted on ordinary business terms and at market rates and terms.			
Staff expenses			
963	997	1,601	1,484
160	120	175	212
100	107	161	146
1,223	1,224	1,937	1,842

Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
5. STAFF AND ADMINISTRATIVE EXPENSES, CONTINUED			
Number of staff			
2,323	2,335	3,287	3,234
Average number of staff for the financial year, full-time equivalents			
Aggregate fees to the auditor appointed by the General Meeting that performs the statutory audit			
4	3	5	7
3	1	2	4
7	4	7	11
In addition to the fees mentioned above, expenses relating to the activities of Internal Audit have been incurred			
6. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
246	304	426	420
17	57	123	97
263	361	549	517
7. PROVISIONS FOR LOAN AND RECEIVABLE IMPAIRMENT			
7.a. Effect on profit/loss			
(363)	(307)	(357)	(416)
(113)	27	46	(113)
112	77	121	174
(44)	(40)	(44)	(47)
(408)	(243)	(234)	(402)
Total provisions for loan impairment and guarantees			
-	(3)	(6)	2
-	(5)	(5)	-
(408)	(251)	(245)	(400)
TOTAL			
7.b. Specification of provisions for loan impairment and guarantees			
1,353	-	-	1,593
(37)	-	-	(38)
(419)	-	-	(445)
897		-	1,110
Provisions for loan and receivable impairment at 1 January 2005			
801	493	625	983
96	123	173	127
897	616	798	1,110
Total provisions			

Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
7. PROVISIONS FOR LOAN AND RECEIVABLE IMPAIRMENT, CONTINUED			
7.c. Individual provisions			
1,487	1,124	1,365	1,781
-	(323)	(385)	-
-	801	980	-
298	147	193	404
(557)	(387)	(443)	(658)
(104)	(68)	(105)	(162)
1,124	493	625	1,365
7.d. Group-based provisions			
342	229	229	342
-	(133)	(102)	-
-	96	127	-
-	-	(1)	-
0	27	47	0
(113)	0	0	(113)
229	123	173	229
7.e. Specification of loans and advances subject to objective indications of impairment			
-	1,040	1,185	-
-	493	625	-
-	547	560	-
-	344,469	349,276	-
-	123	173	-
-	344,346	349,103	-

Notes

DKK MILLION

NYKREDIT REALKREDIT A/S

THE NYKREDIT REALKREDIT
GROUP

2004	2005		2005	2004
		8. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
27	15	Profit before tax from investments in associates	17	27
896	1,388	Profit before tax from investments in group enterprises	-	-
923	1,403	Total	17	27
		9. TAX		
		Tax for the year can be specified as follows		
782	805	Tax on profit for the year	1,161	1,057
268	377	Tax on profit in subsidiaries	-	-
7	23	Minority interests	-	-
1,057	1,205	Total	1,161	1,057
		Tax on profit for the year has been calculated as follows		
1,049	1,182	Current tax	1,215	1,102
(13)	45	Deferred tax	0	(15)
51	32	Deferred tax in subsidiaries	0	
(43)	(60)	Adjustment of deferred tax relating to previous years	(60)	(43)
13	6	Tax on provisions	6	13
1,057	1,205	Total	1,161	1,057
		Tax on profit for the year can be specified as follows		
1,275	1,569	Calculated 28% (30%) tax on profit before tax	1,215	1,275
		Tax effect of:		
(204)	(316)	Non-taxable income	(6)	(204)
8	12	Non-deductible other costs	12	8
(22)	(60)	Adjustment of tax assessed for previous years	(60)	(22)
1,057	1,205	Total	1,161	1,057
24.9	21.5	Effective tax rate	26.7	24.9

Notes

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
10. CASH BALANCE AND DEMAND DEPOSITS WITH CENTRAL BANKS			
0	0	24	15
6	21	23	16
6	21	47	31
11. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS			
9,104	16,762	19,867	12,350
32,700	37,246	47,692	40,428
41,804	54,008	67,559	52,778
6,953	444	12,469	12,545
By time-to-maturity			
13,750	15,281	38,080	20,298
27,254	35,327	29,289	32,480
0	0	99	0
300	0	19	0
500	3,400	72	0
41,804	54,008	67,559	52,778
12. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE			
427,222	-	-	621,897
8,010	-	-	10,191
419	-	-	419
-	-	-	(151)
-	-	-	(10)
166	-	-	5,599
435,817	-	-	637,945
435,648	439,866	699,116	632,504
169	157	192	198
0	0	6,691	5,243
435,817	440,023	705,999	637,945

Notes

DKK MILLION

NYKREDIT REALKREDIT A/S

THE NYKREDIT REALKREDIT
GROUP

2004	2005		2005	2004
12. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE, CONTINUED				
Mortgage loans				
425,945	428,128	Balance, beginning of year - nominal value	622,803	587,991
103,174	174,347	New loans	323,545	182,105
898	501	Indexation	501	898
(15)	(66)	Foreign currency translation adjustment	(66)	(15)
(14,214)	(12,412)	Ordinary principal payments	(16,251)	(17,723)
(87,660)	(155,557)	Prepayments and extraordinary principal payments	(235,361)	(130,453)
428,128	434,941	Balance, year-end - nominal value	695,171	622,803
(45)	(6)	Loans transferred relating to properties temporarily in possession	(6)	(45)
270	271	Loans assumed by the Danish Agency for Governmental Management	271	270
428,353	435,206	Total nominal value	695,436	623,028
8,010	5,166	Adjustment for interest rate risk	4,186	10,191
Adjustment for credit risk				
(641)	(420)	Individual provisions	(420)	(641)
(74)	(86)	Group-based provisions	(86)	(74)
435,648	439,866	Balance, year-end - fair value	699,116	632,504
Mortgage loans, year-end, at nominal value:				
90,279	63,898	- Loans with joint and several liability	323,935	284,494
337,849	371,043	- Loans without joint and several liability	371,236	338,309
428,128	434,941	Total	695,171	622,803
21,752	21,983	Other than mortgages on real property, supplementary guarantees for loans have been received of	68,430	66,870
2,584	2,363	Total advance loan guarantees received	24,836	14,379
Mortgage loans at nominal value by property category				
Loans and advances as a %, year-end				
38	36	Owner-occupied dwellings	58	56
2	2	Recreational properties	3	3
16	16	Subsidised housing construction	10	11
9	10	Private rental housing	6	6
5	5	Industry and trade properties	3	3
10	11	Office and retail properties	7	7
18	17	Agricultural properties	11	12
2	3	Properties for social, cultural and educational purposes	2	2
0	0	Other properties	0	0
100	100	Total	100	100

Notes

DKK MILLION

NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
12. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE, CONTINUED			
Arrears and execution			
300	250	285	329
51	17	17	51
(182)	(110)	(110)	(182)
169	157	192	198
By time-to-maturity			
Loans and advances			
1,881	1,633	9,539	8,190
140,647	158,833	162,428	143,806
93,117	84,418	106,121	112,127
200,172	195,139	427,911	373,822
435,817	440,023	705,999	637,945
13. TOTALKREDIT MORTGAGE LOAN FUNDING			
Balance, beginning of year - nominal value			
-	0		
-	64,781		
-	0		
-	(338)		
-	64,443		
Balance, year-end - nominal value			
-	(990)		
Adjustment for interest rate risk			
-	63,453		
Balance, year-end - fair value			
By time-to-maturity			
Loans and advances			
-	1,208		
-	201		
-	40,447		
-	21,597		
-	63,453		
Total			

Notes

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NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2004	2005		2005	2004
15. BONDS AT FAIR VALUE				
155,160	-	Bonds at fair value, 31 December 2004	-	221,415
(103,496)	-	Changed accounting policies relating to the set-off of own bonds against issued bonds	-	(153,943)
-	-	Reclassified from loans and advances at fair value (mortgage loans)	-	150
51,664	-	Bonds at fair value, 1 January 2005	-	67,622
103,496	116,059	Own mortgage bonds	190,529	153,943
43,853	49,975	Other mortgage bonds	59,232	53,754
6,969	5,739	Government bonds	6,983	8,903
842	2,161	Other bonds	5,424	4,965
155,160	173,934	TOTAL	262,168	221,565
(103,496)	(116,059)	Own mortgage bonds offset against "Issued bonds" – note 24	(190,529)	(153,943)
51,664	57,875	TOTAL	71,639	67,622
1,404	10,305	Of which drawn bonds	11,230	1,480
115,084	105,062	Bond holdings stemming from prepaid funds including prepayments at par and proceeds from the issue of fixed-price agreements	149,836	145,065
8,068	27,193	As collateral security for the Danish central bank, Danmarks Nationalbank, the Danish FUTOP Clearing Centre and foreign clearing centres, bonds have been deposited of a total market value of	46,610	19,327

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005		
		16. EQUITIES	
6,051	7,601	Equities measured at fair value through profit or loss	4,089
-	-	Equities available for sale, measured at fair value and recognised in equity	4,060
6,051	7,601	Total	8,149
		Equities measured at fair value through profit or loss	
3,870	4,591	Listed on the Copenhagen Stock Exchange	875
1,290	2,152	Listed on other stock exchanges	2,287
891	858	Unlisted equities carried at fair value	927
0	0	Unlisted equities carried at cost	0
0	0	Other equities	0
6,051	7,601	Total equities	4,089
		Specification of equities measured at fair value and recognised in equity	
-	-	Portfolio, beginning of year	0
-	-	Reclassification	3,103
		Additions	
-	-	- Additions, purchase	46
-	-	- Market value adjustment	1,314
		Disposals	
-	-	- Disposals, sale	(349)
-	-	- Market value adjustment transferred to equity	(54)
-	-	Portfolio, year-end	4,060
		The strategic equity investments include shares in Jyske Bank A/S, Sydbank A/S, Spar Nord Bank A/S, Amagerbanken A/S, Jeudan A/S, DADES A/S and Værdipapircentralen A/S. Equities available for sale are value adjusted up to a potential sale at fair value recognised in equity.	
		Equities available for sale, fair value adjusted against equity	
-	-	Listed on the Copenhagen Stock Exchange	3,882
-	-	Unlisted equities carried at fair value	178
-	-	Total	4,060

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
17. INVESTMENTS			
Investments in associates			
87	89	197	195
2	26	26	2
0	(18)	(18)	0
0	(16)	(16)	0
89	81	189	197
1	(38)	(73)	(35)
(2)	7	9	(2)
(1)	1	1	(1)
(17)	0	0	(17)
(1)	(11)	(11)	0
(6)	0	0	(6)
(12)	7	7	(12)
0	18	18	0
0	15	15	0
(38)	(1)	(34)	(73)
51	80	155	124

Notes

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
17. INVESTMENTS, CONTINUED			
Investments in group enterprises			
8,815	-		
21	-		
Investments in group enterprises, 31 December 2004			
Changed accounting policies in group enterprises			
8,836	-		
Investments in group enterprises, 1 January 2005			
6,953	8,535		
18	7		
2,261	0		
(697)	0		
Cost, beginning of year			
Foreign currency translation adjustment			
Additions			
Disposals			
8,535	8,542		
Cost, year-end			
(352)	301		
(2)	(2)		
895	1,388		
(268)	(377)		
0	(100)		
28	11		
-	27		
Revaluations and impairment losses, beginning of year			
Foreign currency translation adjustment			
Profit before tax			
Tax			
Dividend			
Other movements in capital			
Intercompany profit			
301	1,248		
Revaluations and impairment losses, year-end			
8,836	9,790		
Balance, year-end			
6,854	7,727		
Of which credit institutions			
Subordinate receivables			
6	6	21	21
1,025	3,625	-	-
1,513	1,513	2,505	2,147
Other enterprises			
2,544	5,144	2,526	2,168
TOTAL			

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
17. INVESTMENTS, CONTINUED			
Transactions and balances with group enterprises and associates have been included in the items below			
Group enterprises			
Profit/loss			
499	722		
218	309		
Assets			
10,323	11,971		
0	63,453		
7,297	15,121		
1,008	2,351		
18,628	92,896		
TOTAL			
Liabilities			
864	-		
11,338	10,057		
168	272		
12,370	10,329		
Total			
Associates			
Profit/loss			
276	291	291	276
1	1	18	17
Assets			
6	-	51	18
6	-	51	18
Liabilities			
9	13	83	83
9	13	83	83

Notes

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NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2004	2005		2005	2004
		18. INTANGIBLE ASSETS		
1,378	1,885	Goodwill	1,885	1,378
1,483	1,200	Fixed-term rights	1,717	2,104
16	65	Software	65	16
43	13	Development projects in progress	13	43
2,920	3,163	Total	3,680	3,541
		Goodwill		
1,015	1,378	Cost, beginning of year	1,378	1,015
-	(27)	Adjustment for change in tax rate	(27)	-
698	534	Additions	534	698
(479)	-	Transfer to fixed-term rights	-	(479)
144	-	Deferred tax on rights	-	144
1,378	1,885	Total	1,885	1,378
		Fixed-term rights		
1,326	1,805	Cost, beginning of year	2,561	2,561
479	0	Additions for the year	18	-
0	0	Disposals for the year	(1)	0
1,805	1,805	Total	2,578	2,561
29	322	Amortisation and impairment losses, beginning of year	457	56
66	0	Additions on purchases	0	0
227	283	Amortisation for the year	404	401
-	-	Impairment losses for the year	1	-
0	0	Reversal of impairment losses	(1)	0
322	605	Amortisation and impairment losses, year-end	861	457
1,483	1,200	Balance, year-end	1,717	2,104
5	4	Fixed-term rights are amortised over a period of up to six years. Residual amortisation period at 31 December (number of years)	4	5

Notes

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NYKREDIT REALKREDIT A/S

THE NYKREDIT REALKREDIT
GROUP

2004	2005		2005	2004
		18. INTANGIBLE ASSETS, CONTINUED		
		Software		
63	64	Cost, beginning of year	64	63
1	70	Additions	70	1
64	134	Total	134	64
29	48	Amortisation and impairment losses, beginning of year	48	29
19	21	Amortisation for the year	21	19
48	69	Amortisation and impairment losses, year-end	69	48
16	65	Balance, year-end	65	16
1	3	Software is amortised over a period of up to four years. Residual amortisation period at 31 December (number of years)	3	1
		Development projects in progress		
0	43	Cost, beginning of year	43	0
44	40	Additions for the year	40	44
(1)	(70)	Disposals for the year	(70)	(1)
43	13	Total	13	43
		19. LAND AND BUILDINGS		
0	0	Investment properties	246	284
308	314	Owner-occupied properties	1,321	1,306
0	1	Assets in the course of construction	5	2
308	315	Total	1,572	1,592
		Investment properties		
0	0	Cost, beginning of year	308	322
0	0	Additions for the year	0	0
0	0	Disposals for the year	(53)	(14)
0	0	Cost, year-end	255	308
0	0	Fair value adjustment, beginning of year	24	4
0	0	Fair value adjustment for the year, net	(15)	20
0	0	Fair value adjustment, year-end	9	24
0	0	Balance, year-end	246	284
0	0	Of which land and buildings leased under operating leases	246	284

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
19. LAND AND BUILDINGS, CONTINUED			
Owner-occupied properties			
257	264	1,411	1,373
7	1	72	99
0	(1)	(31)	(61)
264	264	1,452	1,411
17	92	130	17
75	14	29	75
0	0	(4)	38
92	106	155	130
71	48	235	181
0	0	(3)	17
2	2	19	23
(25)	6	35	14
48	56	286	235
308	314	1,321	1,306
33	35	17	13
Owner-occupied properties are depreciated over a period of 20-50 years Residual depreciation period at 1 December (number of years)			
Assets in the course of construction			
0	0	2	20
0	1	3	-
0	0	0	(18)
0	1	5	2

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005		
		20. OTHER PROPERTY, PLANT AND EQUIPMENT	
99	94	Equipment and tools	141
39	40	Leasehold improvements	46
138	134	Total	187
		Equipment and tools	
361	390	Cost, beginning of year	524
33	36	Additions for the year	65
(4)	(44)	Disposals for the year	(92)
390	382	Cost, year-end	497
261	291	Depreciation and impairment losses, beginning of year	382
(4)	(38)	Disposals for the year	(76)
34	35	Depreciation for the year	50
291	288	Depreciation and impairment losses, year-end	356
99	94	Balance, year-end	141
		Equipment is depreciated over a period of 4-5 years. Residual depreciation period at 31 December (number of years)	3
3	3		3
		Leasehold improvements	
47	52	Cost, beginning of year	98
5	6	Additions for the year	8
0	0	Disposals for the year	(3)
52	58	Cost, year-end	103
9	13	Depreciation and impairment losses, beginning of year	52
0	0	Disposals for the year	(2)
4	5	Depreciation for the year	8
0	0	Reversal of depreciation and impairment losses	(1)
13	18	Depreciation and impairment losses, year-end	57
39	40	Balance, year-end	46
		Leasehold improvements are depreciated over a period of 5-15 years. Residual depreciation period at 31 December (number of years)	5
10	8		6

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NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2004	2005		2005	2004
		21. OTHER ASSETS		
2,202	-	Other assets, 31 December 2004	-	8,021
298	-	Changed accounting policies relating to the recognition of hedge accounting	-	461
685	-	Changed accounting policies relating to the set-off of interest receivable from own bonds	-	(253)
3,185	-	Other assets, 1 January 2005	-	8,229
1,411	2,578	Interest and commission receivable	4,466	4,021
894	926	Receivables from group enterprises	-	-
697	886	Positive market value of derivative financial instruments	4,066	3,507
9	13	Defined benefit plans	13	9
174	100	Other assets	380	692
3,185	4,503	Total	8,925	8,229
		Specification of defined benefit plans		
(767)	(823)	Present value of defined benefit obligations	(823)	(767)
776	836	Fair value of the underlying assets of the plans	836	776
9	13	Total	13	9

Notes

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005		
		22. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS	
10,160	2,883	Payables to credit institutions	17,649
7,000	24,976	Payables to central banks	37,673
17,160	27,859	Total	55,322
		By time-to-maturity	
2	2	Payables on demand	18,206
17,158	27,857	Up to 3 months	34,161
-	-	Over 3 months and up to 1 year	606
-	-	Over 1 year and up to 5 years	2,200
-	-	Over 5 years	149
17,160	27,859	Total	55,322
		23. DEPOSITS AND OTHER PAYABLES	
		Deposits and other payables, 31 December 2004	-
		Reclassified as other non-derivative financial instruments	(111)
		Deposits and other payables, 1 January 2005	-
		On demand	12,711
		At notice	5
		Time deposits	8,416
		Special deposits	676
		Total	21,808
		By time-to-maturity	
		Up to 3 months	12,711
		Over 3 months and up to 1 year	6,317
		Over 1 year and up to 5 years	2,226
		Over 5 years	554
		Total	21,808
			18,702

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP		
2004	2005		2005	2004
24. ISSUED BONDS AT FAIR VALUE				
564,920	-	Issued bonds at fair value, 31 December 2004	-	795,555
8,139	-	Changed accounting policies relating to adjustment for interest rate risk	-	10,320
(103,496)	-	Changed accounting policies relating to the set-off of own bonds against issued bonds	-	(153,943)
	-	Reclassified as issued bonds at amortised cost	-	(325)
469,563	-	Issued bonds at fair value, 1 January 2005	-	651,607
505,663	541,590	Balance, beginning of year - nominal value	771,900	673,705
198,818	337,730	Additions	462,627	303,824
(60)	222	Foreign currency translation adjustment	222	(60)
(140,308)	(229,442)	Bonds drawn and cancelled	(311,837)	(164,879)
(22,523)	(20,555)	Prepayments and extraordinary principal payments	(40,801)	(40,690)
541,590	629,545	Total	882,111	771,900
23,330	22,167	Indexation	22,167	23,330
564,920	651,712	Balance, year-end - nominal value	904,278	795,230
0	8,139	Fair value adjustment, beginning of year	10,320	0
8,139	(3,858)	Fair value adjustment	(6,028)	10,320
573,059	655,993	Balance, year-end - fair value	908,570	805,550
103,496	116,059	Own mortgage bonds transferred from "Bonds" - note 15	190,529	153,943
469,563	539,934	Total	718,041	651,607
4,685	1,622	Pre-issuance	1,721	30,837
130,482	150,676	Drawn for redemption at next creditor settling date	160,212	137,303
By time-to-maturity				
134,219	152,506	Up to 3 months	207,199	168,993
142,237	175,780	Over 3 months and up to 1 year	178,668	146,246
94,169	96,682	Over 1 year and up to 5 years	141,444	183,259
202,434	231,025	Over 5 years	381,259	307,052
573,059	655,993	Total	908,570	805,550

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
25. OTHER LIABILITIES			
17,109	-	Other liabilities, 31 December 2004	29,691
686	-	Changed accounting policies relating to the set-off of own interest	(253)
(4,254)	-	Reclassified as other non-derivative financial liabilities	(7,134)
20	-	Changed accounting policies relating to the recognition of hedge accounting	180
13,561	-	Other liabilities, 1 January 2005	22,484
10,844	10,676	Interest and commission payable	15,872
259	1,277	Negative market value of derivative financial instruments	4,137
1,980	1,768	Payables relating to the purchase of Totalkredit shares	1,768
478	421	Other payables	857
13,561	14,142	Total	22,634
26. DEFERRED TAX			
760	-	Deferred tax, 31 December 2004	950
-	-	Changed accounting policies relating to the recognition of liabilities	10
(104)	-	Reclassified as deferred tax assets	(120)
656	-	Deferred tax, 1 January 2005	840
Deferred tax			
374	656	Deferred tax, beginning of year	840
(20)	45	Deferred tax for the year recognised in profit for the year	80
4	(11)	Adjustment of deferred tax assessed for previous years	(15)
31	(26)	Deferred tax for the year recognised in equity	(22)
124	0	Additions on purchase of fixed-term rights	(46)
513	664	Deferred tax, year-end	837
143	0	Adjustment of deferred tax recognised in equity at 1 January 2005	0
656	664	Deferred tax, year-end	837
Deferred tax recognised in the balance sheet as follows			
(104)	(151)	Deferred tax (asset)	(171)
760	815	Deferred tax (liability)	1,008
656	664	Net deferred tax, year-end	837

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
26. DEFERRED TAX, CONTINUED			
Deferred tax relates to			
138	(5)	36	151
63	324	324	63
(24)	(46)	(46)	(24)
461	360	496	645
15	22	20	14
4	6	(4)	(16)
(20)	(37)	(26)	(10)
(36)	(41)	(44)	(38)
55	81	81	55
656	664	837	840
Deferred tax assets not recognised in the balance sheet			
0	0	13	11
0	0	13	11
27. CURRENT TAX ASSETS AND LIABILITIES			
475	220	223	573
(820)	(875)	(1,006)	(933)
536	780	934	549
29	56	62	34
220	181	213	223
Current tax liabilities			
0	0	2	0
0	0	216	149
0	0	(210)	(147)
0	0	0	0
0	0	8	2

Notes

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28. PROVISIONS FOR LIABILITIES				
Nykredit Realkredit A/S		Repayable reserves	Pensions and similar obligations	Other provisions
Provisions, 31 December 2004		263	172	0
Changed accounting policies relating to the recognition of liabilities		-	-	-
Provisions, 1 January 2005		263	172	0
Balance, beginning of year		263	172	0
Employed for the year		(74)	(3)	0
Provision for the year		0	41	534
Adjustment for the year as a result of changes to the discount rate and discount period		17	(7)	0
Reversal of unutilised amounts		0	(16)	0
Balance, year-end		206	187	534
At year-end, provisions of DKK 31m had been made for retirement obligations relating to the members of the Executive Board.				
The Nykredit Realkredit Group	Insurance obligations	Repayable reserves	Pensions and similar obligations	Other provisions
Provisions, 31 December 2004	1,533	263	184	6
Changed accounting policies relating to the recognition of liabilities	-	-	-	8
Provisions, 1 January 2005	1,533	263	184	14
Balance, beginning of year	1,533	263	184	14
Employed for the year	(977)	(74)	(3)	(4)
Provision for the year	1,045	0	35	534
Adjustment for the year as a result of changes to the discount rate and discount period	17	17	(7)	0
Reversal of unutilised amounts	(2)	0	(16)	0
Balance, year-end	1,616	206	193	544

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NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2004	2005		2005	2004
29. SUBORDINATE LOAN CAPITAL				
3,696		Subordinate loan capital, 31 December 2004		6,296
148		Market value adjustment relating to interest rate hedging		148
3,844		Subordinate loan capital, 1 January 2005		6,444
		Subordinate loan capital consists of liabilities which, in case of voluntary or involuntary liquidation, will not be repaid until after the claims of ordinary creditors have been met.		
		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 September 2014. The loan carries a fixed interest rate of 4.9% up to 22 September 2014 after which it will carry a floating interest rate.		
3,844	3,940		3,940	3,844
		EUR 500m (nominal) of subordinate loan capital in accordance with the Danish Financial Business Act, Section 136. The loan falls due at par (100) on 20 September 2013 and carries a floating interest rate.		
-	3,722		3,722	-
		EUR 200m (nominal) of subordinate loan capital in accordance with the Danish Financial Business Act, Section 136. The loan falls due at par (100) on 17 December 2010 and carries a floating interest rate.		
-	-		1,264	1,485
		EUR 150m (nominal) of subordinate loan capital in accordance with the Danish Financial Business Act, Section 136. The loan falls due at par (100) on 18 May 2009 and carries a floating interest rate.		
-	-		1,118	1,115
3,844	7,662	Total	10,044	6,444
3,844	7,662	Subordinate loan capital to be included in the capital base	10,044	6,444
27	10	Costs of raising and repaying subordinate loan capital	9	23
0	0	Extraordinary principal payments and repayment of subordinate loan capital in the accounting period	0	0
Hedge accounting				
The exposure to fair value changes in the price of the bonds as a result of changes in market rates is hedged. Nykredit Realkredit A/S has countered this risk by entering into a 10-year interest rate swap with a synthetic principal of a nominal EUR 500m.				
148	231	Market value of interest rate swap of a nominal EUR 500m	231	148
3,879	3,943	Market value of hybrid core capital of a nominal EUR 500m	3,943	3,879

Notes

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NYKREDIT REALKREDIT A/S		THE NYKREDIT REALKREDIT GROUP	
2004	2005	2005	2004
30. CONTINGENT LIABILITIES			
<p>The size and business scope of the Nykredit Group continuously involve the Group in different legal proceedings. For a description of significant cases, refer to the Management Review. Other pending cases are not expected to have a significant effect on the Nykredit Realkredit Group's financial position.</p> <p>Nykredit Realkredit A/S is jointly and severally liable for the payment of previous years' corporation tax in the companies subject to joint taxation before 2005. From 2005 all Danish consolidated companies are subject to joint taxation. From 2005 Foreningen Nykredit will act as administration company regarding the joint taxation. The liability relating to corporation tax exclusively concerns the part of the tax payable attributable to Nykredit Realkredit A/S as such and amounts received from subsidiaries for the purpose of the joint settlement.</p> <p>The companies Nykredit Realkredit A/S, Nykredit Bank A/S, Nykredit Forsikring A/S, Nykredit Portefølje Bank A/S and Nykredit Portefølje Adm. A/S have been registered jointly where payroll tax and VAT are concerned and are jointly liable for the settlement hereof.</p> <p>Nykredit Forsikring A/S and the rest of the owners of FDC K/S are jointly liable for obligations entered into by FDC K/S. The obligation has a maximum limit of DKK 70m.</p> <p>Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheet have been presented below.</p>			
-	-	4,263	3,429
1,560	1,426	4,077	3,443
1,560	1,426	8,340	6,872
Guarantees			
-	-	1,575	1,705
-	-	0	55
-	-	2,688	1,669
-	-	4,263	3,429
Other contingent liabilities			
41	60	3,069	2,294
1,519	1,366	1,008	1,149
1,560	1,426	4,077	3,443

Notes

31. RELATED PARTY TRANSACTIONS AND BALANCES

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

No unusual related party transactions occurred in 2005.

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

Intercompany trading in goods and services took place on an arm's length basis.

Important related party transactions prevailing/entered into in 2005 between consolidated companies include:

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

Master agreement on the terms applicable to transactions in the securities area.
Agreement on the joint funding of mortgage loans.

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

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

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

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

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

Agreements on joint IT support, etc.

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

On specific occasions, Nykredit Holding A/S has issued guarantees or letters of comfort to third parties.
Nykredit Holding A/S has issued guarantees to Nykredit Bank A/S covering pre-fixed loss amounts with respect to some of the Bank's exposures.

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

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

Transactions involving the Board of Directors and Executive Board

Disclosure on transactions involving the Board of Directors and Executive Board appears from note 5.

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GROUP**32. FAIR VALUE OF FINANCIAL INSTRUMENTS****Measurement principles for financial instruments**

In connection with the determination of the fair value of financial instruments, the following methods and significant assumptions have been applied.

Equities and bonds in the Group's trading portfolio have been recognised at fair value on the basis of market data and recognised measurement methods.

The carrying amounts of loans, advances and receivables as well as other financial liabilities falling due within 12 months have also been considered as the fair value hereof.

The carrying amounts of loans, advances and receivables as well as other financial liabilities measured at amortised cost carrying floating interest rates and granted at ordinary credit terms have been estimated to correspond to fair value.

The fair value of fixed-rate loans measured at amortised cost has been determined on the basis of recognised measurement methods. The credit risk relating to fixed-rate loans has been assessed in connection with the assessment of other loans, advances and receivables.

The fair value of deposits and other payables without a fixed term is assumed to be the value payable at the balance sheet date.

	IAS 39 category	Carrying amount	Fair value	Balance	Fair value calculated on the basis of	
					Method 1	Method 2
Assets						
Cash balance and demand deposits with central banks	a)	47	47	0	47	
Receivables at call with central banks	a)	19,867	19,867	0	19,867	
Receivables from credit institutions	a)	47,692	47,692	0	47,692	
Loans, advances and other receivables at fair value	b)	705,999	705,999	0	705,999	
Loans, advances and other receivables at amortised cost	a)	21,583	21,584	1		21,584
Bonds at fair value	c)	71,639	71,639	0	71,427	212
Equities, the fair value option	c)	4,089	4,089	0	3,162	927
Equities available for sale	d)	4,060	4,060	0	3,881	179
Interest and commission receivable	a)	4,466	4,466	0		4,466
Derivative financial instruments	c)	4,066	4,066	0	4,066	
Other assets	a)	380	380	0		380
Total				1		
Measurement methods						
Method 1: Recognised measurement methods based on market information						
Method 2: Other recognised measurement methods						
IAS 39 category						
a) Loans, advances and receivables						
b) Assets/liabilities recognised at fair value (the fair value option) on initial recognition						
c) Financial assets/liabilities held for trading						
d) Financial assets available for sale						
e) Other financial liabilities						

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GROUP

32. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED	IAS 39 category	Carrying amount	Fair value	Balance	Fair value calculated on the basis of	
					Method 1	Method 2
Liabilities and equity						
Payables to credit institutions	e)	17,649	17,649	0	17,649	
Deposits and other payables	e)	21,808	21,809	1		21,809
Issued bonds at fair value	b)	718,041	718,041	0	718,041	
Issued bonds at amortised cost	e)	654	654	0	654	
Other non-derivative financial liabilities at fair value	c)	9,235	9,235	0	9,235	
Interest and commission payable	e)	15,872	15,872	0		15,872
Derivative financial instruments	c)	4,137	4,137	0	4,137	
Other payables	e)	857	857	0		857
Subordinate loan capital	e)	10,044	10,058	14	10,058	
Total				15		
Transfer from assets				1		
Total balance				(14)		
Unrealised gains and losses recognised in equity: – Equities (available-for-sale)				1,217		
Balances not recognised in the income statement				1,203		
Measurement methods						
Method 1: Recognised measurement methods based on market information						
Method 2: Other recognised measurement methods						
IAS 39 category						
a) Loans, advances and receivables						
b) Assets/liabilities recognised at fair value (the fair value option) on initial recognition						
c) Financial assets/liabilities held for trading						
d) Financial assets available for sale						
e) Other financial liabilities						

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33. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity

	Up to 3 months		3 months and up to 1 year		1-5 years		Over 5 years	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Foreign exchange contracts								
Forwards/futures, purchased	28,487	(51)	3,336	16	-	-	-	-
Forwards/futures, sold	30,197	30	3,537	(6)	-	-	-	-
Swaps	32	0	2,485	(2)	17,330	59	2,003	18
Options, purchased	-	-	-	-	-	-	-	-
Options, written	127	1	0	0	50	0	0	0
Interest rate contracts								
Forwards/futures, purchased	32,846	15	171	1	831	0	-	-
Forwards/futures, sold	30,652	(29)	9,776	(1)	173	0	-	-
Forward Rate Agreements, purchased	9,178	2	7,600	2	1,250	0	-	-
Forward Rate Agreements, sold	1,050	0	2,600	(1)	250	0	-	-
Swaps	27,123	(1)	49,976	(14)	85,018	139	63,837	131
Options, purchased	84,295	(17)	10,111	20	1,225	10	3,867	(169)
Options, written	0	0	7,971	0	1,685	(26)	13,150	(347)
Equity contracts								
Forwards/futures, purchased	82	0	65	0	0	0	-	-
Forwards/futures, sold	18	7	-	-	0	0	-	-
Options, purchased	16	1	-	-	4	1	-	-
Options, written	15	(1)	-	-	4	(1)	-	-
Credit derivatives								
Credit default swaps, purchased	-	-	-	-	298	1	-	-
Credit default swaps, sold	-	-	-	-	597	0	-	-

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GROUP

33. DERIVATIVE FINANCIAL INSTRUMENTS, CONTINUED

By market value	2005		2004		2005		2004	
	Nominal value	Net market value	Nominal value	Net market value	Positive market value	Negative market value	Positive market value	Negative market value
Foreign exchange contracts								
Forwards/futures, purchased	31,823	(35)	21,437	(217)	155	190	128	345
Forwards/futures, sold	33,733	24	24,958	189	196	173	300	111
Swaps	21,850	75	16,796	(132)	131	56	174	306
Options, purchased	-	-	104	2	0	0	2	0
Options, written	177	1	13	0	4	3	-	-
Interest rate contracts								
Forwards/futures, purchased	33,849	17	22,618	(10)	30	13	15	25
Forwards/futures, sold	40,602	(30)	54,450	69	9	39	71	2
Forward Rate Agreements, purchased	18,028	4	22,150	(14)	6	1	1	15
Forward Rate Agreements, sold	3,900	(1)	6,400	10	1	2	10	0
Swaps	225,954	255	181,149	(132)	2,632	2,377	2,459	2,591
Options, purchased	99,497	(155)	76,296	122	795	950	129	7
Options, written	22,806	(373)	6,167	(107)	0	373	0	107
Equity contracts								
Forwards/futures, purchased	148	0	0	9	0	-	9	0
Forwards/futures, sold	18	7	0	(11)	11	4	0	11
Options, purchased	20	2	2,142	110	2	0	111	1
Options, written	19	(1)	34	0	0	1	-	-
Credit derivatives								
Credit default swaps, purchased	298	1	-	-	1	-	-	-
Credit default swaps, sold	597	0	-	-	-	0	-	-

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33. DERIVATIVE FINANCIAL INSTRUMENTS, CONTINUED

By market value

	2005		2004	
	Market value of non-guaranteed contracts		Market value of non-guaranteed contracts	
	Positive	Negative	Positive	Negative
Foreign exchange contracts				
Forwards/futures, purchased	155	190	128	345
Forwards/futures, sold	196	173	300	110
Swaps	132	54	174	306
Options, purchased	-	-	2	2
Options, written	(66)	(61)	-	0
Interest rate contracts				
Forwards/futures, purchased	26	14	15	24
Forwards/futures, sold	5	30	63	2
Forward Rate Agreements, purchased	6	1	1	15
Forward Rate Agreements, sold	1	2	10	-
Swaps	2,632	2,379	2,459	2,591
Options, purchased	865	934	123	-
Options, written	0	438	-	106
Equity contracts				
Forwards/futures, purchased	0	-	-	-
Forwards/futures, sold	-	1	-	-
Options, purchased	2	-	111	1
Options, written	-	1	-	-
Credit derivatives				
Credit default swaps, purchased	1	-	-	-
Credit default swaps, sold	-	0	-	-

Unsettled spot transactions

	2005				2004			
	Nominal value	Market value of non-guaranteed contracts		Net	Nominal value	Market value of non-guaranteed contracts		Net
		Positive	Negative			Positive	Negative	
Foreign exchange transactions, purchased	1,174	3	0	3	4,423	5	1	4
Foreign exchange transactions, sold	1,898	1	4	(3)	4,351	3	7	(4)
Interest rate transactions, purchased	5,890	4	2	2	11,337	2	5	(3)
Interest rate transactions, sold	10,240	1	5	(4)	15,189	9	1	8
Equity transactions, purchased	159	1	0	1	142	0	1	(1)
Equity transactions, sold	192	6	1	5	87	0	0	0
Other transactions, purchased	0	0	0	0	0	0	0	0
Other transactions, sold	0	0	0	0	0	0	0	0
Total	19,553	16	12	4	35,529	19	15	4

Notes

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NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2004	2005		2005	2004
		34. GENUINE SALE AND REPURCHASE TRANSACTIONS AND GENUINE PURCHASE AND RESALE TRANSACTIONS		
		The Nykredit Group applies purchase and resale transactions in the day-to-day business operations. All of the transactions have been entered into using bonds as the underlying asset.		
		Of the below asset items, genuine purchase and resale transactions represent:		
6,858	4,023	Receivables from credit institutions and central banks	9,837	10,771
-	-	Loans and advances	6,688	5,242
		Of the liabilities below, genuine sale and repurchase transactions represent:		
10,158	2,881	Payables to credit institutions and central banks	11,562	19,150
-	-	Deposits	-	111
		Assets sold as part of genuine sale and repurchase transactions:		
10,158	2,881	Bonds	11,974	19,150

Financial instruments

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35. MARKET RISK

The Nykredit Realkredit Group's market risks and risk management policy have been described in the Management Review under "Market risk".

36. HEDGE ACCOUNTING

The interest rate risk related to fixed-rate assets and liabilities has been hedged on a current basis.

The hedge comprises the following:

	Nominal value	Carrying amount	Fair value
Assets			
Loans and advances	3,110	3,110	3,235
Liabilities			
Subordinate loan capital	3,730	3,710	3,943
Derivative financial instruments			
Interest rate swaps, subordinate loan capital	3,730	231	-
Interest rate swaps, fixed-rate bank loans and advances	3,885	124	-
Net	14,455	7,175	7,178

Notes

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NYKREDIT REALKREDIT A/S			THE NYKREDIT REALKREDIT GROUP	
2004	2005		2005	2004
		37. CURRENCY EXPOSURE		
		By main currencies (net)		
6	(241)	USD	(240)	(3)
5	9	GBP	31	30
27	23	SEK	90	34
(2)	2	NOK	12	2
7	2	CHF	21	21
(1)	0	CAD	0	2
(109)	246	JPY	246	(99)
23	(12)	EUR	(12)	90
(1)	(1)	Other	11	(1)
(45)	28	Total	159	76
113	283	Exchange Rate Indicator 1	411	233
		Exchange Rate Indicator 1 is determined as the sum of the highest numerical value of assets (long-term position) or net payables. Indicator 1 shows the overall foreign exchange risk.		
4	10	Exchange Rate Indicator 2	10	4
		Exchange Rate Indicator 2 is based on a statistical method where historical data have been compiled by the Danish authorities and reflect the overall loss risk.		

Notes

38. BUSINESS AREAS

The Group's segment information is disclosed for business areas and geographic markets as primary and secondary segments, respectively.

The Group's primary business areas have been described in detail on page 17 of the Management Review.

Geographic markets

Core income before losses from foreign lending activities was DKK 45m in 2005 against DKK 29m in 2004.

Total international lending was DKK 11bn at end-2005.

39. CHANGED ACCOUNTING POLICIES

As mentioned in the Management Review and Accounting Policies, the Nykredit Realkredit Group will prepare its annual reports from 2005 in accordance with the International Financial Reporting Standards as approved by the European Union. In consequence, the Group's accounting policies have been changed in a number of areas.

Under IFRS 1, the opening balance sheet at 1 January 2004 and comparative figures for 2004 have been prepared in accordance with IFRS/IAS and IFRIC/SIC in force at 31 December 2005. The opening balance sheet at 1 January 2004 has been prepared as if these standards and interpretations have always been in use except for the special transition and commencement provisions described below.

The provisions of IAS 32 and IAS 39 concerning the treatment for accounting purposes of financial instruments have not been implemented before 1 January 2005 in accordance with the commencement provisions hereof.

From 1 January 2005 Nykredit Realkredit A/S, the Parent Company, will prepare its annual reports in accordance with the Danish Financial Business Act, including the Executive Order issued by the Danish Financial Supervisory Authority (DFSA) on the presentation of financial reports of credit institutions and investment companies, etc.

The Executive Order on the Presentation of Financial Statements issued by the DFSA has been drafted to the effect that the accounting rules governing financial companies essentially comply with IFRS. However, the Executive Order comprises a few derogations. Investments in group enterprises and associates have been recognised in the Financial Statements of the Parent Company in accordance with the "equity method" contrary to IFRS which exclusively allows recognition at "fair value" or "cost". Furthermore, the Executive Order does not allow the recognition of financial instruments as "Financial assets available for sale".

With two exceptions, the accounting policies governing recognition and measurement in the Group and the Parent Company are identical.

In the Consolidated Financial Statements, strategic equity investments have been recognised as "available-for-sale". Up to a potential divestment, the shareholding will be recognised at fair value, and changes will be recognised directly in equity. As a consequence, the results of the Parent Company and the Consolidated Financial Statements differ. In the comparative figures for 2004 and previous years, realised as well as unrealised value adjustments have been recognised in the income statement as an item under financial income and expenses, net.

Minority interests' proportionate share of profit/loss and equity in the Consolidated Financial Statements has been presented as an integral part of profit for the year and equity, and equity of the Parent Company and the Consolidated Financial Statements therefore differs.

Notes

DKK MILLION

THE NYKREDIT REALKREDIT
GROUP

39. CHANGED ACCOUNTING POLICIES, CONTINUED

Effect of transition to IFRS

	Note	1 January 2004		Equity	Profit/loss 2004	31 December 2004		
		Assets	Liabilities			Assets	Liabilities	Equity
Previous policies		829,043	789,982	39,061	3,209	938,967	896,619	42,348
Associates	1	64	-	63	82	142	(4)	146
Long-term employee benefits	2	-	150	(150)	(17)	-	166	(166)
Repayable reserves	3	-	(85)	85	(18)	-	(68)	68
Acquisition	4	1,603	1,615	(12)	(69)	1,079	1,160	(81)
Tax effect of adjustments excluding subsidiaries	5	-	(20)	20	8	-	116	(116)
Changed accounting policies in group enterprises	6	-	5	(5)	1	965	964	1
Other adjustments	7	-	0	0	(3)	(3)	-	(3)
Total effect of changed accounting policies		1,667	1,665	2	(16)	2,183	2,334	(151)
Reclassification of minority interests	11	-	(2,513)	2,513	-	-	(1,538)	1,538
Reclassification between assets/liabilities and equity	12	-	-	-	-	(39)	(39)	-
Total adjustments		1,667	(848)	2,515	(16)	2,144	757	1,387
Accounting policies under IAS/IFRS		830,710	789,134	41,576	3,193	941,111	897,376	43,735

IFRS adjustments relating to IAS 39

	Note	Assets	Liabilities	Equity
Brought forward, balance sheet items 31 December 2004		941,111	897,376	43,735
Changed accounting policies in group enterprises	6	1,443	1,422	21
Other adjustments	7	60	-	60
Mortgage loans and issued bonds	8	8,559	8,140	419
Own bonds	9	(153,943)	(153,943)	0
Own interest	9	685	685	-
Hedge accounting	10	168	168	0
Total adjustments		(143,028)	(143,528)	500
Accounting policies under IAS/IFRS, 1 January 2005		798,083	753,848	44,235

1. Associates

Following the transition to IFRS, a change has been made to an equity investment that was recognised as an associate at equity value under the previous accounting policies. In future the share will be measured at fair value.

2. Long-term employee benefits

An obligation for anniversary bonuses and retirement benefits, etc has been recognised successively.

The measurement of the liability allows for the time of disbursement and the probability of staff members retiring before the time of benefit and therefore losing the benefit. So far, the benefits have been charged to the income statement at the time of advance.

Notes

39. CHANGED ACCOUNTING POLICIES, CONTINUED

3. Repayable reserves

According to the new accounting policies, provisions for repayable reserves have been recognised at the present value of expected future cash flows. Under previous accounting policies, the item was recognised at par.

4. Acquisitions

With retroactive effect from 10 November 2003, Nykredit has recognised fixed-term intangible assets and goodwill acquired as part of a business combination separately. In future fixed-term rights will be recognised as intangible assets and amortised over their lives. In this connection, deferred tax has been determined and recognised as income in step with the amortisation being charged to the income statement. According to previous accounting policies, goodwill was capitalised and amortised over its expected useful life. According to the new accounting policies, no goodwill amortisation has been made but an impairment test.

5. Tax effect of adjustments, excluding subsidiaries

The tax effect of the above-mentioned changed accounting policies has been calculated at 30%. The tax effect of the changed accounting policies in group enterprises has been recognised under "Changed accounting policies in group enterprises".

6. Changed accounting policies in group enterprises

Group enterprises have adjusted their accounting policies to comply with Group accounting policies. Nykredit Forsikring (the Insurance Company) has been consolidated line by line contrary to the previous recognition as an equity investment.

7. Other adjustments

According to the previous accounting policies, income received on claims previously written off as impairment losses has been recognised in the income statement on a current basis in step with payments received. According to the new accounting policies, claims expected to lead to future economic benefits have been recognised in the balance sheet and value adjusted in the income statement. Nykredit's pension settlement funds have been presented in accordance with IAS 19 "Employee Benefits" and recognised in Nykredit's balance sheet. The liability has been stated exclusive of the value of the pension fund assets measured at fair value.

8. Mortgage loans and issued mortgage bonds

Following the transition to IFRS, issued mortgage bonds have been measured at fair value.

The fair value of the issued mortgage bonds will primarily be prevailing market prices. Published prepaid, but still undrawn, bonds have been measured at discounted value. Bonds not traded actively have been recognised at estimated market prices.

9. Own bonds and interest

Under the previous accounting policies, the portfolio of own issued bonds and interest receivable were recognised as an asset in the financial statements. Under the new accounting policies, the Group's own portfolio (the asset) must be offset against issued bonds (the liability). Furthermore, interest receivable has been offset against interest payable.

10. Hedge accounting

Nykredit has continued hedging the interest rate risk of certain fixed-rate assets and liabilities. Value adjustment of both the amounts hedged and the hedging derivative trades as a result of changes in rates has been recognised in the income statement. Previously, such value adjustments were not recognised.

Reclassifications

11. Minority interests

Minority interests' share of profit/loss and equity of the subsidiaries has been included as an integral part of profit for the year and equity. Previously, minority interests' share of equity was presented as a separate liability item outside equity.

12. Other

Furthermore, following the implementation of new accounting policies, a number of items have been reclassified. The reclassification has neither led to changed measurements nor affected profit/loss or equity.

Group structure

DKK MILLION

Name and registered office	Ownership as a % at 31.12.05	Revenue	Profit/loss for the year	Assets	Liabilities	Equity at 31.12.05	Nykredit's share of profit/loss for the year	Equity value	Profit/loss for the year 2004	Equity at 31.12.04
The Nykredit Realkredit Group										
Nykredit Realkredit A/S, Copenhagen a)										
Consolidated subsidiaries										
Totalkredit A/S, Taastrup a)	74.10	993	558	300,154	294,774	5,380	413	3,987	354	4,822
Nykredit Bank A/S, Copenhagen b)	100	883	439	84,162	80,548	3,614	439	3,614	290	3,175
Nykredit Finance plc, Plymouth i)	100	2	1	44	0	44	1	44	1	41
Pantebrevsselskabet af 8/8 1995 A/S, Copenhagen e)	100	(1)	0	26	0	26	0	26	8	25
Nykredit Pantebrevsinvestering A/S, Copenhagen e)	100	0	0	19	0	19	0	19	2	19
Nykredit Portefølje Bank A/S, Copenhagen b)	100	106	29	131	21	110	29	110	9	81
Nykredit Portefølje Adm. A/S, Copenhagen d)										
Nykredit Leasing A/S, Copenhagen h)	100	2	2	120	116	4	2	4	1	3
Norswood Properties Limited, Plymouth i)	100	0	0	3	0	3	0	3	0	2
Nykredit Forsikring A/S, Copenhagen c)	100	-	124	3,348	1,718	1,630	124	1,630	129	1,506
Nykredit Mægler A/S, Århus f)	100	121	50	171	49	122	50	122	38	172
Nykredit Ejendomme A/S, Copenhagen g)	100	65	(3)	1,202	890	312	(3)	312	(22)	304
Nykredit Adm. V A/S, Copenhagen i)	100	0	0	1	0	1	0	1	0	1
Nykredit Bank Hipoteczny S.A., Warsaw b)	100	7	14	227	103	124	14	124	(20)	103
The consolidated financial statements of Nykredit Holding A/S and Foreningen Nykredit include Nykredit Realkredit A/S.										
The financial statements of Foreningen Nykredit and Nykredit Holding A/S are available at Nykredit Realkredit A/S Kalvebod Brygge 1-3 DK-1780 Copenhagen V										
a) Mortgage bank b) Bank c) Insurance company d) Financial enterprise e) Mortgage trading company f) Estate agency business g) Property company h) Leasing business i) No activity										

Group structure

DKK MILLION

Name and registered office	Ownership as a % at 31.12.05	Profit/loss for the year	Revenue	Assets	Liabilities	Equity at 31.12.05	Nykredit's share of profit/loss for the year	Equity value	Profit/loss for the year 2004	Equity at 31.12.04
The Nykredit Realkredit Group										
Associates subject to proportionate consolidation										
Dansk Pantebrevsbørs A/S, Copenhagen e)	50	18	58	386	348	38	9	19	1	21
LeasIT A/S, Lyngby-Taarbæk h)	25.72	7	48	1,716	1,648	68	2	17	4	61
Associates										
JN Data A/S, Silkeborg j)	49	(16)	368	151	109	42	0	21	0	61
Erhvervsinvest K/S i)	22	(5)	1	77	0	77	(1)	16	-	-
Hoteliinvest Kalvebod A/S, Copenhagen n)	49	(4)	171	552	359	193	(2)	94	(1)	188
Realkreditnettet Holding A/S, Copenhagen j)	25	4	37	70	32	38	1	9	0	34
JSNAF A/S, Horsens l)	25	2	3	8	4	4	1	1	(19)	(24)
Erhvervsinvest Management A/S m)	25	2	5	8	3	5	1	1	1	3
FDC K/S, Ballerup j)	31.67	0	147	68	67	1	0	0	0	1
FDC ApS, Ballerup j)	33.33	0	0	0	0	0	0	0	0	0
Blücher Holding A/S, Vildbjerg k)	25	27	269	313	188	125	7	31	(2)	(2)
a) Mortgage bank										
b) Bank										
c) Insurance company										
d) Financial enterprise										
e) Mortgage trading company										
f) Estate agency business										
g) Property company										
h) Leasing business										
i) No activity										
j) IT business										
k) Commercial business										
l) Investment company										
m) Consulting business										
n) Hotel operations										

Group structure

DKK MILLION

Name and registered office	Ownership as a % at 31.12.05	Profit/loss for the year 2005	Equity at 31.12.04
The Nykredit Realkredit Group			
Other enterprises in which the Group holds at least 10% of the share capital			
Jeudan A/S, Copenhagen *	20.57	89	1,574
EQT Investors I A/S, Copenhagen *	15.33	(5)	80
Supertræ A/S, Nørre Snede *	11.76	0	0
Fredericia Erhvervs-Investering ApS, Fredericia *	10.10	0	0
Håndværkets Byfornyelsesselskab Smba., Copenhagen *	18.49	0	9
ED Equity Holding B.V., Amsterdam *	30.43	3	7
Nederman Holding AB, Helsingborg *	15.33	(1)	188
Cross Atlantic Partners KS II, Copenhagen *	30.46	(2)	18
Cross Atlantic Partners KS III, Copenhagen *	11.88	(8)	80
Cross Atlantic Partners KS IV, Copenhagen *	16.63	(2)	146
Cross Atlantic Partners KS V, Copenhagen **	13.33	(4)	25
EQT Northern Europe UK No 3 LP, Guernsey *	16.01	0	12,351
Nordic Private Equity Partners, Copenhagen *	11.27	(4)	89
Bisca Holding A/S, Hjørring *	25.00	1	86
Energy Holding A/S, Copenhagen *	22.22	0	13
*) According to the latest published annual report			
**) Opening balance sheets of newly established companies			

Financial highlights

DKK MILLION

NYKREDIT REALKREDIT A/S

	2005	2004	2003	2002	2001
Net interest income	3,658	3,455	3,838	3,870	3,777
Net fee income	1,228	693	763	560	513
Net interest and fee income	4,886	4,148	4,601	4,430	4,290
Value adjustments	1,621	1,112	1,397	63	(83)
Other operating income	4	18	18	30	35
Staff and administrative expenses	2,202	2,096	2,084	1,930	1,692
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	361	263	79	70	79
Provisions for loan and receivable impairment	(251)	(408)	49	128	44
Profit from investments in associates and group enterprises	1,403	923	608	73	83
Profit before tax	5,602	4,250	4,412	2,468	2,510
Tax	1,205	1,057	1,137	751	687
Profit for the year	4,397	3,193	3,275	1,717	1,823
SUMMARY BALANCE SHEET					
	31.12.2005	01.01.2005	2003	2002	2001
Assets					
Mortgage loans	439,866	435,648	425,786	412,856	394,907
Totalkredit mortgage loan funding	63,453	-	-	-	-
Bonds and equities	65,476	57,715	106,965	101,111	86,836
Other assets	73,661	58,911	65,919	53,748	61,736
Total assets	642,456	552,274	598,670	567,715	543,479
Liabilities and equity					
Issued mortgage bonds	539,934	469,563	529,700	499,460	467,459
Subordinate loan capital					
- Hybrid core capital	3,940	3,844	-	-	-
- Supplementary capital	3,722	-	-	-	-
Other liabilities	47,721	36,170	29,909	33,776	43,313
Equity	47,139	42,697	39,061	34,479	32,707
Total liabilities and equity	642,456	552,274	598,670	567,715	543,479
KEY RATIOS					
	2005	2004	2003	2002	2001
Capital adequacy ratio, %	16.0	14.4	12.3	12.3	12.0
Core capital ratio, %	15.0	14.6	12.6	12.6	12.3
Return on equity before tax, %	12.5	10.4	12.0	7.3	7.9
Return on equity after tax, %	9.6	7.8	8.9	5.1	5.7
Income/cost ratio, DKK	4.06	2.68	2.99	2.16	2.38
Foreign exchange position, %	0.6	0.3	1.7	0.9	0.8
Loans and advances/equity (gearing), %	9.3	10.2	10.9	12.0	12.1
Growth in loans and advances for the year, %	1.0	2.4	3.1	4.6	3.8
Accumulated provisioning ratio, %	0.1	0.3	0.4	0.4	0.5
Losses and impairment provisions for the year, %	(0.1)	(0.1)	0.0	0.0	0.0

Financial highlights

DKK MILLION

THE NYKREDIT REALKREDIT GROUP

	2005	2004	2003	2002	2001
Net interest income	5,988	5,372	4,768	4,447	4,235
Net fee income	1,034	399	862	633	583
Net interest and fee income	7,022	5,771	5,630	5,080	4,818
Net premiums earned	1,152	1,219	0	0	0
Value adjustments	444	1,175	1,408	5	(25)
Other operating income	157	178	144	136	143
Claims incurred, net of reinsurance	938	1,002	0	0	0
Staff and administrative expenses	3,204	2,996	2,590	2,383	2,200
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	549	517	121	98	114
Other operating expenses	5	5	8	8	3
Provisions for loan and receivable impairment	(245)	(400)	184	169	84
Profit from investments in associates and group enterprises	17	27	142	(95)	(25)
Profit before tax	4,341	4,250	4,421	2,468	2,510
Tax	1,161	1,057	1,146	751	687
Profit for the year	3,180	3,193	3,275	1,717	1,823
SUMMARY BALANCE SHEET					
	31.12.2005	01.01.2005	2003	2002	2001
Assets					
Mortgage loans	699,116	632,504	586,664	411,534	394,403
Bank loans - excluding reverse transactions	19,870	17,492	23,577	25,857	22,821
Bonds and equities	79,788	73,957	142,605	119,745	107,112
Other assets	91,240	74,130	76,197	57,910	55,069
Total assets	890,014	798,083	829,043	615,046	579,405
Liabilities and equity					
Deposits	21,808	18,702	14,139	12,024	8,660
Issued mortgage bonds	718,041	651,607	698,067	499,460	467,459
Subordinate loan capital					
- Hybrid core capital	3,940	3,844	0	0	0
- Supplementary capital	6,104	2,600	2,601	0	0
Other liabilities	91,429	77,095	75,175	69,083	70,579
Equity	48,692	44,235	39,061	34,479	32,707
Total liabilities and equity	890,014	798,083	829,043	615,046	579,405
KEY RATIOS					
	2005	2004	2003	2002	2001
Capital adequacy ratio, %	12.4	11.5	10.5	11.1	11.1
Core capital ratio, %	11.3	11.0	10.1	11.4	11.4
Return on equity before tax, %	9.3	9.9	12.0	7.3	7.9
Return on equity after tax, %	6.8	7.4	8.9	5.1	5.7
Income/cost ratio, DKK	2.24	2.36	2.52	1.93	2.05
Foreign exchange position, %	1.0	0.5	1.3	2.0	2.2
Loans and advances/equity (gearing)	14.5	14.4	15.6	12.7	12.8
Growth in loans and advances for the year, %	10.7	4.5	39.5	4.9	4.9
Accumulated provisioning ratio, %	0.1	0.2	0.3	0.5	0.5
Losses and impairment provisions for the year, %	(0.0)	(0.1)	0.0	0.0	0.0



Series Financial Statements for 2005 of Nykredit Realkredit A/S

Copenhagen, 9 February 2006

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

The Series Financial Statements have been prepared on the basis of the Annual Report of Nykredit Realkredit A/S for 2005.

The distribution of profit for 2005 adopted by Nykredit Realkredit A/S's Board of Directors (cf the Annual Report, page 39) has been in-

cluded in the Series Financial Statements. The series' calculated share of profit for the year of Nykredit Realkredit A/S determined in accordance with the Executive Order has been taken to the general reserves of the Mortgage Bank. Where Capital Centre D is concerned, the Series Financial Statements have been adapted to the special investment rules governing the Capital Centre.

The Series Financial Statements have been printed at association level, cf the Executive Order, Section 30 (3).

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

Auditors' Report

We have examined the summarised Series Financial Statements for 2005 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 accordance with Executive Order no 872 of 20 November 1995 issued by the Danish Financial Supervisory Authority.

EXECUTIVE BOARD

Mogens Munk Rasmussen,
Group Chief Executive

Peter Engberg Jensen,
Group Managing Director

Karsten Knudsen,
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 Benggaard

Michael Demsitz

John Finderup

Anette R. Fischer

Jørgen S. Iversen

Allan Kristiansen

Henrik Laustsen

Ole Maltesen

Susanne Møller Nielsen

Nina Smith

Jens Erik Udsen

Leif Vinther

Internal Audit

Claus Okholm
Chief Audit Executive

Kim Stormly Hansen
Deputy Chief Audit Executive

Deloitte

Statsautoriseret Revisionsaktieselskab

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

Series Financial Statements for 2005 of Nykredit Realkredit A/S

SUMMARY AT THE LEVEL OF THE ASSOCIATION AND NYKREDIT IN GENERAL

DKK MILLION

	1	2	3	4	5	6	7	8
	KØK	FSK	LCR	HUM	BHY	KØH	ØHYP	SKRF
Income statement								
Income from lending	2.8	1.1	0.2	0.3	1.7	0.3	0.3	0.7
Interest payable on subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest, net	10.4	3.3	1.4	3.9	2.7	0.7	0.5	3.8
Administrative expenses	(2.9)	(0.9)	(0.4)	(1.0)	(0.8)	(0.2)	(0.1)	(1.0)
Provisions for loan impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(2.9)	(1.0)	(0.3)	(1.0)	(1.0)	(0.2)	(0.2)	(1.0)
Profit	7.4	2.5	0.9	2.2	2.6	0.6	0.5	2.5
Balance sheet								
Assets								
Mortgage loans	924.9	332.0	46.9	61.2	265.9	6.7	15.6	159.0
Other assets	873.5	138.6	38.4	74.2	358.8	11.5	13.7	124.2
Total assets ¹	1,798.4	470.6	85.3	135.4	624.7	18.2	29.3	283.2
Liabilities and equity								
Issued bonds	1,295.5	336.3	56.3	77.3	456.0	9.6	19.0	190.4
Other liabilities	448.9	117.5	21.3	33.8	156.0	4.5	7.3	70.7
Subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ²	54.0	16.8	7.7	24.3	12.7	4.1	3.0	22.1
Total liabilities and equity	1,798.4	470.6	85.3	135.4	624.7	18.2	29.3	283.2
Movements in capital (net)	(15.6)	(5.4)	(1.7)	(0.8)	(7.9)	(0.7)	(0.5)	(4.4)
	9	10	11	12	13	14	15	16
	VESØ	HUSM	NHYP	LHYP	KHYP	JHYP	JLKR	IK
Income statement								
Income from lending	0.2	0.4	0.0	0.5	1.1	0.1	0.3	0.0
Interest payable on subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest, net	2.2	5.1	0.2	2.6	5.5	3.4	3.5	0.3
Administrative expenses	(0.6)	(1.3)	(0.1)	(0.7)	(1.5)	(0.9)	(0.9)	(0.1)
Provisions for loan impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(0.5)	(1.2)	0.0	(0.7)	(1.4)	(0.7)	(0.8)	0.0
Profit	1.3	3.0	0.1	1.7	3.7	1.9	2.1	0.2
Balance sheet								
Assets								
Mortgage loans	52.7	64.5	4.5	65.1	148.3	7.5	70.3	0.0
Other assets	51.2	81.2	3.7	76.4	148.7	30.8	70.2	2.9
Total assets ¹	103.9	145.7	8.2	141.5	297.0	38.3	140.5	2.9
Liabilities and equity								
Issued bonds	65.5	77.2	5.0	92.1	191.2	8.9	87.2	0.5
Other liabilities	25.9	36.4	2.0	35.3	74.1	9.6	35.1	0.7
Subordinate loan capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ²	12.5	32.1	1.2	14.1	31.7	19.8	18.2	1.7
Total liabilities and equity	103.9	145.7	8.2	141.5	297.0	38.3	140.5	2.9
Movements in capital (net)	(3.2)	(1.3)	0.0	(5.1)	(6.1)	(3.7)	(7.6)	0.0

Series Financial Statements for 2005 of Nykredit Realkredit A/S

SUMMARY AT THE LEVEL OF THE ASSOCIATION AND NYKREDIT IN GENERAL

DKK MILLION

	17 total (1-16)	18 FK	19 JK	20 NYK	21 total (18-20)	22 INST	23 TOTAL (17,21,22)
Income statement							
Income from lending	10.0	7.8	8.1	1,849.6	1,865.5	307.9	2,183.4
Interest payable on subordinate loan capital	0.0	0.0	0.0	0.0	0.0	(211.5)	(211.5)
Interest, net	49.5	13.3	18.1	1,521.9	1,553.3	3,632.4	5,235.2
Administrative expenses	(13.4)	(3.5)	(4.8)	(920.4)	(928.7)	(915.2)	(1,857.3)
Provisions for loan impairment	0.0	(1.0)	0.5	112.8	112.3	139.1	251.4
Tax	(12.9)	(4.7)	(6.1)	(717.9)	(728.7)	(462.7)	(1,204.3)
Profit	33.2	11.9	15.8	1,846.0	1,873.7	2,490.0	4,396.9
Balance sheet							
Assets							
Mortgage loans	2,225.1	1,278.0	1,478.2	413,130.1	415,886.3	21,968.3	440,079.7
Other assets	2,098.0	1,044.1	1,100.1	267,759.6	269,903.8	49,961.1	321,962.9
Total assets ¹	4,323.1	2,322.1	2,578.3	680,889.7	685,790.1	71,929.4	762,042.6
Liabilities and equity							
Issued bonds	2,968.0	1,684.0	1,853.7	634,034.5	637,572.2	29,496.2	670,036.4
Other liabilities	1,079.1	579.7	643.6	24,421.0	25,644.3	10,276.3	36,999.7
Subordinate loan capital	0.0	0.0	0.0	0.0	0.0	7,661.5	7,661.5
Equity ²	276.0	58.4	81.0	22,434.2	22,573.6	24,495.4	47,345.0
Total liabilities and equity	4,323.1	2,322.1	2,578.3	680,889.7	685,790.1	71,929.4	762,042.6
Movements in capital (net)		(23.1)	(29.9)	(267.0)		2,823.8	
1 Københavns Kreditforening			9 Den vest- og sønderjydske Kreditforening				17 Total (1-16) Associations before 1972
2 Fyens Stifts Kreditforening			10 HUSM Jydsk Husmandskreditforening				18 Forenede Kreditforeninger
3 Landkreditkassen			11 Ny Jydsk Land-hypotekforening				19 Jyllands Kreditforening
4 Østifternes Husmandskreditforening			12 Landhypotekforeningen for Danmark				20 Nykredit (incl Capital Centres C and D)
5 Byernes Hypotekforening			13 Købstadshypotekforeningen				21 Total (18-20) Associations after 1972
6 Københavns Hypotekforening			14 Jydsk Hypotekforening				22 Nykredit In General
7 Østifternes Hypotekforening			15 Jydsk Landkreditforening				23 Total (17,21,22) Nykredit Realkredit A/S
8 Sønderjyllands Kreditforening			16 Kreditforening for industrielle Ejendomme				

NOTES

DKK MILLION

	2005
1. ASSETS, SERIES FINANCIAL STATEMENTS	
Assets, Annual Report	642,456.3
Assets, Series Financial Statements	762,042.6
Difference	(119,586.3)
specified as:	
Set-off of own issued mortgage bonds – note 15	(116,059.5)
Set-off of interest receivable from own issued bonds	(3,526.8)
Total	(119,586.3)
2. EQUITY, SERIES FINANCIAL STATEMENTS	
According to the Series Financial Statements, equity can be reconciled to the Financial Statements of Nykredit Realkredit A/S:	
Equity, Financial Statements	47,139.2
Provisions for repayable reserves in pre-1972 series	205.8
Equity, Series Financial Statements	47,345.0



Other information

NYKREDIT – FINANCIAL CALENDAR 2006

9 February

Preliminary announcements of financial statements of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

The annual reports for 2005 of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group will be published at nykredit.com.

15 March

Annual General Meeting of Nykredit Bank A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

28 March

Annual General Meeting of Nykredit Realkredit A/S at Nykredit, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

5 April

Annual General Meeting of Totalkredit A/S, Århus.

11 May

Q1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

17 August

H1 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

9 November

Q1–Q3 interim reports of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.

DIRECTORSHIPS AND EXECUTIVE POSITIONS IN LIMITED COMPANIES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND EXECU- TIVE 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.

MEMBERS OF THE BOARD OF DIRECTORS

Steen E. Christensen

Chairman of A/S Motortramp and Persolit Holding A/S.

Deputy Chairman of Norgren A/S.

Director of Skandinavisk Tobakskompagni A/S, Danish Nitrogen Import A/S, Ny-Nitrogen A/S, Persolit Entreprenørfirma A/S, Margrethelund Gods 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.

John Finderup

Director of Rasbach A/S.

Jørgen S. Iversen

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

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

Nina Smith

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

Jens Erik Udsen

General Manager of Nesdu A/S.

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

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.

MEMBERS OF THE 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 JN Data A/S, Realkreditnettet Holding A/S and its subsidiary.

Henning Kruse Petersen

Chairman of LeasIT A/S, Deputy Chairman of Sund & Bælt Holding A/S and its two subsidiaries, Director of Erhvervsinvest Management A/S and JSNAF Holding A/S.

Niels Tørslev

Managing Director of Totalkredit A/S.

Director of Dansk Pantebrevsbørs A/S.

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

The Board of Directors has approved the following executive positions and directorships in 2005

Mogens Munk Rasmussen

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

Peter Engberg Jensen

Managing Director of Nykredit Holding 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 Nykredit Bank Hipoteczny S.A.
Director of Totalkredit A/S
Director of JN Data A/S
Director of Værdipapircentralen A/S
Director of OMX Exchanges OY
Director of Stockholmsbörsen AB

Karsten Knudsen

Managing Director of Nykredit Holding A/S
Managing Director of Nykredit Bank A/S
Director of Nykredit Portefølje Bank 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 Holding A/S
Chairman of Realkreditnettet A/S
Director of BEC (Bankernes EDB Central)
Director of Finanssektorens Uddannelsescenter
Partner of I/S Ladegaard

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 Den Danske Forskningsfond
Chairman of Advizer K/S
Chairman of LeasIT A/S
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 JSNAF Holding A/S
Director of Erhvervsinvest Management A/S
Director of Øresundskonsortiet I/S

Niels Tørslev

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 BoligKreditt AS

EXECUTIVES

Administration Centre Johnny Rasmussen, Senior Vice President	Investment & Pension Lars Bo Bertram, Executive Vice President	Retail Customers Flemming H. Vesterbrandt, Executive Vice President
Retail Banking Jes Klausby, Managing Director	Legal Department Jørgen Wohnsen, Executive Vice President	Retail Customers, North Region N.C. Petersen, Director
Centre Support Birgitte Bruun, Executive Vice President	Corporate Communications Nels Petersen, Executive Vice President	Retail Customers, South Region Erik Højberg Nielsen, Director
Commercial Customers, North Region Hans Jørn Mikkelsen, Director	Group Secretariat Birgitte Løj, Senior Vice President	Retail Customers, East Region Søren Møller, Director
Commercial Customers, South Region Henrik Rasmussen, Director	Group Development & IT Lars Mathiesen, Director	Staff Training Annette Schmith, Senior Vice President
Commercial Customers, East Region Tom Storgaard, Director	Credits Lars Holst, Executive Vice President	Group Finance Søren Holm, Executive Vice President
Commercial Customers Bente Overgaard, Executive Vice President	Customer Services Lars Bo Stenqvist, Director	Totalkredit Administration Jens Færgemann, Head of Administration
Corporate Banking Tom Ahrenst, Executive Vice President	Agricultural Customers Leif Duus, Director	Business Development & Support Anders Heick-Poulsen, Executive Vice President
Treasury Henrik Hjortshøj-Nielsen, Executive Vice President	Agriculture Department Poul Erik Jørgensen, Executive Vice President	Business Development & Support Troels Bülow-Olsen, Executive Vice President
Insurance, Commercial Customers Flemming Conrad, Managing Director	Management & Organisational Development Anni Eberhard, Senior Vice President	Credits Per Nykjær Madsen, Managing Director
Retail Insurance Ole Bjarrum, Managing Director	Markets Georg Andersen, Senior Vice President	Finance Hans Henrik Andersen, Managing Director
Insurance Risk Management Robert Thorndahl, Executive Vice President	Markets & Asset Management Kim Duus, Managing Director	Nykredit Ejendomme Preben Gramstrup, Managing Director
International Lending Erik Urskov, Executive Vice President	Human Resources Erik Beckmann, Executive Vice President	Nykredit Mægler Frank Ryslev, Managing Director
Internal Audit Claus Okholm, Chief Audit Executive	Portefølje Bank Tommy Christensen, Managing Director	



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 of Nykredit Holding A/S comprises four shareholders: 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 and Nykredit Ejendomme A/S.

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 financial services group organised in three intercompany business areas: Retail Customers, Commercial 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, estate agencies and insurance agents. The sale takes place under two brands: Nykredit and Totalkredit.

Nykredit-branded products are distributed through 48 retail centres, 10 agricultural centres and 26 commercial centres which offer all products provided by the Group.

Totalkredit-branded products are distributed by the 103 partnership banks with more than 1,100 branches and a retail banking market share of approximately one third. The 103 partnership banks also have access to selling Nykredit-branded products.

The Nykredit Group's products are also sold via the internet, Nykredit's sales and customer contact centres, two insurance centres and two asset management centres as well as the affiliated estate agency chains, Nybolig and Estate, which combined have approximately 330 agencies and a total market share of more than 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.

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 strategy

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 mar-

ket by developing systems that support new business concepts and opportunities subject to a short response time in a secure manner. 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 aims to be perceived, but also the behaviour required to build such a perception.

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 structures. This includes running the Company on the basis of sound business terms.

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

Nykredit's Corporate Governance practices can be viewed at nykredit.com.

Information about the Nykredit Group

For more information about the Nykredit Group, please visit nykredit.com.

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