20. February 2007
Max Bank A/S
NRE no. 4017 2319
Tel.: +45 55 78 01 11

Contact person:
Managing Director Allan Weirup, tel.: +45 51 20 48 14

YEAR END REPORT

2006

CONTENTS

ENCLOSURE

Highlights 2006

- Total business volume increased by 48% to DKK 14.6 billion
- Continued strong growth
  +56% on loans, +35% on guarantees,
  +12% on deposits and +72% on account portfolio
- Net interest- and fee income, particularly affected by the business and investment area, increased by 24% to DKK 225 million
- DKK 14 million entered to income from loan losses compared with an expense og DKK 5 million last year
- Positive value adjustments for a total of DKK 49 million, of which DKK 28 million stem from Totalkredit and sector-related companies
- Historic pre-tax profit of DKK 112 million – increase of 50% compared with 2005
- Return on equity before tax estimated at 27.2%
- Total return on the Max Bank share of 61%

5-year overview

	2006 1.000 DKK	2005 1.000 DKK	2004 1.000 DKK	2003 1.000 DKK	2002 1.000 DKK
PRINCIPAL FIGURES					
Profit and loss account					
Net interest- and fee income	224,565	181,084	155,093	142,860	132,942
Other operating income	297	4,322	643	3,246	2,660
Expenses for personnel, administration, etc.	173,024	136,690	109,421	95,350	88,923
Loan losses, etc.	-14,347	5,032	15,448	38,027	16,614
Result exclusive of price adjustments and tax	66,185	43,684	30,867	12,729	30,065
Value adjustments, including participations	45,675	30,931	23,605	38,222	7,370
Net profit before tax	111,860	74,615	54,472	50,951	37,435
Net profit	89,246	54,631	40,917	44,084	26,058
Status as of 31 December					
Loans	3,671,654	2,351,321	1,882,456	1,361,469	1,194,208
Guarantees	2,815,988	2,088,674	1,390,009	1,052,737	1,025,149
Deposits	2,377,654	2,121,227	1,617,963	1,337,700	1,354,728
Closing equity	480,541	342,447	303,394	282,900	246,089
Balance	5,048,160	3,417,830	2,551,678	2,101,411	1,880,298
Portfolio management	5,697,840	3,308,242	2,463,423	2,313,804	1,772,956
Business volume	14,563,136	9,869,464	7,353,851	6,065,710	5,347,041
Key figures					
Return on equity before tax	27.2	23.3	18.8	19.3	16.5
Return on equity after tax	21.7	17.1	14.1	16.7	11.5
Capital ratio	15.6	13.2	14.6	12.8	12.9
Dividend percentage	15	15	15	20	15
Closing share price*)	564	402	310	211	104
Book value*)	232	199	163	155	135
Number of personnel (average)	198	160	137	126	123

*) Adjusted to unit value of DKK 20 for comparison years.

The rules for the preparation of accounts were significantly modified in 2005. The overview of principal- and key figures for 2006, 2005 and 2004 has been prepared in accordance with the modified rules but the comparative figures for 2002-2003 have not been adjusted.
The comparative figures for 2004 are not adjusted relative to financial assets and obligations.
Interest on written-down loans for 2006 are entered under writing-down of loans with DKK 6,146,000. No adjustment has been made to the comparative figures.

Summary of 2006

In just two years, business volume, balance sheet total and earnings have almost doubled. Pre tax profit passed the DKK 100 million mark and the progress made has led to a marked increase in the share price to the point where market capitalization now exceeds DKK 1 billion.

In 2006, Max Bank achieved pre-tax profits of DKK 112 million, which is equivalent to a rise of 50% compared with the previous year. The increase may first and foremost be attributed to continued rapid growth in the scope of the bank's business and operations. This was especially apparent in the investment area, where the level of operations doubled. However, the business area also continued to make a considerable contribution to earnings growth. In addition, in 2006 the bank managed to make capital gains of DKK 49 million. And last but by no means least, during the financial year Max Bank found itself in the highly unusual position that loan impairment write-downs resulted in earnings of DKK 14 million as a consequence of significant write-backs. It should be noted in this context that under the new accounting rules DKK 6 million was booked as a write-back referring to interest on written-down loans.

In 2006, Max Bank's interest earnings grew by 37% to DKK 214 million. This increase is related to the fact that loans grew by 56% to DKK 3.7 billion. This was in turn a consequence of the continued net influx of new customers, which in the business area amount to 8% and to 4% in the private customer segment.

Interest expenses grew by 114% in 2006 to DKK 91 million. The fact that interest expenses grew disproportionately compared with interest earnings largely stems from increased liquidity and investment expenses.

However, the fact that the struggle for customers is harder than ever also played a part. Thus the more stringent competition resulted in a continued narrowing of the interest-rate differential, i.e. the difference between the average lending rate and the average deposit rate. This is reflected by the fact that in 2006 Max Bank's overall net interest earnings grew by 8% to DKK 123 million. If this is corrected for interest on written-down loans in 2006 of DKK 6 million, the increase would have amounted to 14%.

The investment area is responsible of approximately 1/4 of earnings

In contrast, the rapid growth in the scope of operations is making itself felt in the bank's charge and commission earnings, which rose by 50% to DKK 109 million in 2006. A large part of these earnings stems from customer payments for specific services, e.g. the purchase and sale of shares and other securities on Danish and foreign stock exchanges, loan processing, the drawing up of documents etc. On the other hand, actual charges, e.g. for statements of account, transfers etc, account only for a modest 7% of earnings.

One example of earnings which are directly related to the level of the bank's operations is the almost doubling of Max Bank's earnings in the investment area to a little more than DKK 54 million - the area now contributes 24% of the overall net interest and bank charge earnings, which amounted to DKK 225 million in 2006. This growth may be ascribed to the significant market shares captured by the investment area in 2006, as a result of which there were 57,000 share and bond transactions compared with the 33,000 of the previous year.

Focus on costs growth

In 2006, the bank's operating costs rose by 27% to DKK 173 million, of which DKK 162 million may be ascribed to human resource and administration costs, largely related to a 23% increase in staff numbers to 198, in terms of full-time positions.

The remaining part of operating costs refers to depreciation on Max Bank's tangible assets, which rose by 20% to DKK 11 million. This rise is particularly attributable the continued conversion of the bank's branches in accordance with the café model.

The management of the bank is focusing intensely on costs per earned krone, and in conjunction with the opening of the new Bank Butik (Bank Shop) in Århus, Max Bank is experimenting with a new branch concept which is expected to reduce operating costs with a consequent speeding up of investment pay-back. In addition, in 2007 the bank management will repeat the efficiency enhancement process with which the bank was so successful five years ago.

Profit from primary bank operations before loan impairment write-downs and price adjustments then amounted to DKK 48 million. If this is adjusted for DKK 6 million in interest on written-down loans in 2006, the increase would have been 11%.

Unusual write-down circumstances

As far as write-downs are concerned, in 2006 Max Bank found itself in the entirely unusual situation of being able to enter DKK 14 million to income. This was not because the bank had suffered no losses in 2006 but rather because a number of commitments which had previously resulted in write-downs had either been settled or improved due to efficient follow-up and risk management. As a result, write-backs of previously write-downs exceeded actual losses suffered.

In 2005 too, this item overall was at a record low level, however did amount to an actual write-down of DKK 5 million, corresponding to about 2‰ of total loans. In general, the good economic climate is contributing to the favourable developments. However, changed statutory requirements concerning the calculation of write-downs is also playing a part. Put in simple terms, we as a bank must be closer to the brink of disaster before writing down loans, and as a result, in future we may see significantly greater fluctuations in the write-down account than we have previously seen.

Capital gains of DKK 49m

The 2006 price adjustment item was DKK 49 million in the bank's favour as against DKK 31 million the previous year. Of this, DKK 15.7 million stems from capital gains on the sale of our shares in Totalkredit. In addition, in 2006 the bank enjoyed capital gains on shares in other sector-related companies, including DLR, Garanti Invest, SparInvest etc, of DKK 11.8 million.

The overall pre-tax profit for 2006 then amounted to DKK 112 million, corresponding to an increase of 50%.

After tax, which is calculated at DKK 23 million, net profits amounted to DKK 89 million, compared with the DKK 55 million of the previous year.

2006 expectation met

In December 2006, the bank forecast annual pre-tax profit expectations at the DKK 105-110 million level, and with actual profit of DKK 112 million the bank has met its forecast.

Equity of DKK 481m

The bank proposes leaving dividends unaltered at 15% this year – or DKK 3 per share.

DKK 89 million will be transferred to equity, which will then amount to DKK 481 million as against DKK 342 million at the end of 2005. The fact that equity has grown by all of DKK 138 million may be attributed to the successful share issue carried out in the spring of 2006, which resulted in proceeds of DKK 67 million after issue costs.

Overall capital base of DKK 838 million

Subordinated debt stands at DKK 375 million, which is a DKK 150 million increase compared with the end of

2005. At the end of 2006, Max Bank's overall capital base thus amounted to DKK 838 million, which is equivalent to a capital adequacy ratio of 15.6% as against a statutory requirement of 8%.

Based on 2006 profit, the return on the bank's equity may be computed to 27.2% compared with 23.3% the previous year.

Overall business volume of DKK 14.6 billion

At the end of 2006, Max Bank's overall business volume amounted DKK 14.6 billion calculated as the sum of loans and deposits, guarantees and account holdings. This is equivalent to growth of 48%.

In 2006, overall loans grew by 56% to DKK 3.7 billion. Deposits rose by 12% to DKK 2.4 billion. Guarantees rose by 35% to DKK 2.8 billion, and the overall account value rose by 72% to DKK 5.7 billion.

Max Bank's market capitalization has passed the billion mark

At the end of 2006, Max Bank had 15,503 shareholders, who during the course of the year saw the value of their shares rise by 41%. On the last trading day of the year shares were trading at DKK 564, which is equivalent to a total market capitalization of DKK 1.2 billion, or a rise of just over 69%.

Expectations for 2007

In 2006, Max Bank achieved profits before impairment write-downs on loans, price adjustments and tax of DKK 48.5 million. In 2007, the result of this accounting item is expected to be at the DKK 50-60 million level.

The bank does not expect economic developments to cause any marked changes in the need for writing down loans. However, write-backs are not expected to be at the levels we have seen over the last two years. Therefore we expect a more normal evolution in the scope of loan impairment write-downs, although still at a low level.

The bank expects price adjustments to be considerably lower in 2007.

No important events after 31 December 2006

There have been no important events after the end of the financial year that would have had an influence on results.

General Meeting

Max Bank A/S will hold its annual general meeting on Saturday 31 March 2007 at 2 p.m. in the Næstved Hallerne, Rolighedsvej, Næstved.

The annual report will be available on the bank's website, www.maxbank.dk, from 22 February 2007 and can be ordered from 12 March 2007.

Financial Calendar

31 March 2007:
Annual general meeting
1 May 2007:
Quarterly report for Q1 2007.
7 August 2007:
Interim report for H1 2007.
30 October 2007:
Quarterly report for Q1-Q3 2007.

Income statement and allocation of profits

	2006 1.000 DKK	2005 1.000 DKK
INCOME STATEMENT		
Interest income	214,231	156,363
Interest expenses	91,063	42,566
Net interest income	**123,168**	**113,797**
Dividend on shares, etc	3,359	1,872
Bank charges and commission income	108,615	72,620
Paid charges and commission expenses	10,577	7,205
Net interest and bank charges income	**224,565**	**181,084**
Price adjustments	49,036	30,639
Other operating income	297	4,322
Personnel and administration expenses	162,402	127,782
Depreciation and writedown of intangible and tangible assets	10,622	8,888
Other operating expenses	0	20
Loan losses, etc.	-14,347	5,032
Profit of participations in associated and affiliated companies	-3,361	292
Net profit before tax	**111,860**	**74,615**
Tax	22,614	19,984
Net profit	**89,246**	**54,631**
PROPOSED ALLOCATION OF PROFITS		
Dividend for the financial year	6,210	5,175
Carried forward to the next year	83,036	49,456
Total	**89,246**	**54,631**

Balance as at 31 December

	2006 1.000 DKK	2005 1.000 DKK
ASSETS		
Cash and demand deposits with central banks	306,398	124,075
Receivables with banks and central banks	192,302	370,412
Loans and other receivables at amortised cost price	3,671,654	2,351,321
Bonds at current value	625,831	359,913
Shares etc	161,495	130,151
Participations in associated companies	5,400	9,000
Participations in affiliated companies	5,212	5,040
Intangible assets	0	0
Total land and buildings	14,689	13,326
Domicile properties	14,689	13,326
Other tangible assets	26,254	27,873
Deferred tax assets	7,212	5,095
Other assets	31,713	21,624
Total assets	**5,048,160**	**3,417,830**
LIABILITIES		
Debt with banks and central banks	1,739,668	622,553
Deposits and other liabilities	2,377,654	2,121,227
Current tax liabilities	2,080	1,785
Other liabilities	58,730	90,310
Accruals and deferred income	140	725
Total liabilities	**4,178,272**	**2,836,600**
Provisions for pensions and similar liabilities	11,250	9,500
Provisions for guarantee losses	3,097	4,283
Total provisions	**14,347**	**13,783**
Subordinated debt	375,000	225,000
Total subordinated debt	**375,000**	**225,000**
Equity		
Share capital	41,400	34,500
Share premium account	91,997	31,980
Other reserves	2,128	1,957
Statutory reserves	2,128	1,957
Profit carried forward	345,016	274,010
Total equity	**480,541**	**342,447**
of which proposed divided	6,210	5,175
Total liabilities	**5,048,160**	**3,417,830**

Statement of equity

STATEMENT OF EQUITY FOR 2006 (1.000 DKK.)

	Equity	Premium account	Statutory reserves	Brought forward	Proposed dividend for financial year	Total
Equity as at 1 January 2006	**34,500**	**31,980**	**1,957**	**268,835**	**5,175**	**342,447**
Profit for the period	0	0	171	82,865	6,210	89,246
Income or costs for the period recognised directly in equity	0	-2,084	0	15	0	-2,069
Total income that can be recognised in equity	**0**	**-2,084**	**171**	**82,880**	**6,210**	**87,177**
Dividend distributed	0	0	0	0	-5,175	-5,175
Capital adjustments	6,900	62,100	0	0	0	69,000
Purchase and sale of own shares	0	0	0	-12,909	0	-12,909
Total other changes	**6,900**	**62,100**	**0**	**-12,909**	**-5,175**	**50,917**
Equity as at 31 December 2006	**41,400**	**91,997**	**2,128**	**338,806**	**6,210**	**480,541**

Equity amounts to DKK 41.4 million and consists of 2,070,000 shares with a nominal value of DKK 20. The bank holds 18,933 of its own shares. (2005: 2,288 shares), corresponding to 0.9% of the share capital. The shares are acquired as part of ordinary trading.

STATEMENT OF EQUITY FOR 2005 (1.000 DKK)

	Equity	Premium account	Statutory reserves	Brought forward	Proposed dividend for financial year	Total
Equity as at 1 January 2005 under former accounting policies	36,500	38,180	1,746	227,809	0	304,236
Effect of transition to new rules	0	-6,200	0	-5,673	5,475	-6,398
Equity as at 1 January 2005	**36,500**	**31,980**	**1,746**	**222,136**	**5,475**	**297,838**
Profit for the period	0	0	211	49,246	5,175	54,632
Income or costs for the period recognised directly in equity	0	0	0	343	0	343
Total income that can be recognised in equity	**0**	**0**	**211**	**49,589**	**5,175**	**54,975**
Dividend distributed	0	0	0	0	-5,475	-5,475
Capital adjustments	-2,000	0	0	0	0	-2,000
Purchase and sale of own shares	0	0	0	-2,890	0	-2,890
Total other changes	**-2,000**	**0**	**0**	**-2,890**	**-5,475**	**-10,365**
Equity as at 31 December 2005	**34,500**	**31,980**	**1,957**	**268,835**	**5,175**	**342,447**

Cash-flow statement

	2006 1.000 DKK	2005 1.000 DKK
Pre-tax profit for the year	111,860	74,615
Loan losses, etc.	-14,347	5,032
Fees received and recognised in income	7,132	699
Depreciation and write-downs of tangible and intangible assets	9,771	7,981
Value adjustments, bonds and shares	-46,667	-27,742
Value adjustments of participations in profits	-171	-211
Unrealized value adjustments of participations in profits	3,600	0
Net tax paid	-22,614	-19,984
Income	**48,563**	**40,391**
Change in loans	-1,313,118	-479,065
Change in deposits	256,427	503,264
Change in credit institutions and central banks	1,295,225	30,493
Change in other assets and liabilities*)	-43,511	-2,812
Cash flow from operations	**195,023**	**51,880**
Purchase, etc. of tangible assets	-9,805	-18,939
Purchase of intangible assets	0	0
Sale of tangible assets	290	5,150
Purchase of associated companies	0	-9,000
Sale of associated companies	0	0
Cash flow from investments	**-9,515**	**-22,789**
Change in bonds and share holdings	-250,595	-114,368
Change in subordinated debt	150,000	50,000
Dividend distributed	-5,175	-5,475
Dividend received from own shares	15	343
Trading own shares and writing down of share capital	54,007	-4,890
Cash flow from financing activities	**-51,748**	**-74,390**
Changes in cash	**182,323**	**-4,908**
Cash and demand deposits with central banks – opening	124,075	128,983
Cash and demand deposits with central banks – closing	**306,398**	**124,075**

*) Other assets, other liabilities, current and deferred tax assets, current tax obligations, prepayments and accrued income, accruals and deferred income and provisions.

Danish Financial Supervisory Authority key ratio system

		2006	2005	2004	2003	2002
1	Capital ratio	15.6%	13.2%	14.6%	12.8%	12.9%
2	Core capital percentage	10.3%	8.4%	9.6%	11.6%	10.3%
3	Return on equity before tax	27.2%	23.3%	18.8%	19.3%	16.5%
4	Return on equity after tax	21.7%	17.1%	14.1%	16.7%	11.5%
5	Income/cost ratio	DKK 1.70	DKK 1.53	DKK 1.44	DKK 1.38	DKK 1.35
6	Interest rate risk	3.0%	2.8%	2.3%	1.8%	3.5%
7	Foreign exchange position	1.3%	6.2%	4.8%	3.7%	1.8%
8	Exchange rate risk	0.0%	0.0%	0.0%	0.0%	0.0%
9	Loans and write-downs on loans/deposits	157.8%	115.2%	122.3%	109.5%	93.7%
10	Coverage relative to statutory liquidity requirement	67.9%	69.0%	49.1%	107.4%	116.5%
11	Total amount of large exposures/capital base	200.2%	234.6%	107.5%	105.8%	152.2%
12	Percentage of loan assets with reduced interest rate	0.7%	0.7%	0.9%	1.9%	1.6%
13	Impairment ratio	1.2%	2.0%	2.8%	4.1%	3.3%
14	Impairment ratio for the year	-0.2%	0.1%	0.5%	1.5%	0.7%
15	Increase in lending	56.2%	24.9%	38.3%	14.0%	3.3%
16	Loans/equity	7.6	6.9	6.3	4.8	4.9
17	Earnings per share (unit value: DKK 100)	DKK 235.2	DKK 153.9	DKK 112.1	DKK 120.8	DKK 71.4
18	Book value	DKK 1,161	DKK 993	DKK 816	DKK 775	DKK 674
19	Dividend per share (unit value: DKK 100)	DKK 15	DKK 15	DKK 15	DKK 20	DKK 15
20	Earnings per share (unit value: DKK 100)	12.0	13.0	13.8	8.7	7.3
21	Price/book value per share (unit value: DKK 100)	2.43	2.02	1.90	1.36	0.77

The rules for the preparation of accounts were significantly modified in 2005. The overview of key figures for 2006, 2005 and 2004 has been prepared in accordance with the modified rules but the comparative figures for 2002-2003 have not been adjusted.

The comparative figures for 2004 are not adjusted relative to financial assets and obligations.

Interest on impaired loans for 2006 are entered under writing-down of loans with DKK 6,146,000. No adjustment has been made to the comparative figures.

Applied accounting policies

The annual report has been prepared in accordance with the Danish Act on Financial Business, the administrative order on financial reporting for banks and brokerage etc. In addition, the report has been prepared in accordance with other Danish disclosure requirements for the annual reports of listed companies.

General remarks on inclusion and measurement

Assets are entered in the balance sheet when it is likely that as a result of a previous event the bank will enjoy future financial benefits and when the value of the asset can be reliably measured.

Liabilities are entered in the balance sheet when the bank as a consequence of an earlier event is subject to a legal or actual liability and it is likely that future financial benefits will be withdrawn from the bank, and when the value of the liability can be reliably measured.

At their first inclusion assets and liabilities are recognised at cost price. However, intangible and tangible assets are recognised at cost price at the time of their first inclusion. Measurement subsequent to first inclusion is carried out as described for each individual accounting item described below.

When entering and measuring items, due regard is paid to predictable risks and losses that may occur before the presentation of the annual report, and which might confirm or invalidate conditions existing on balance sheet date. Income is recognised in the profit and loss account as it arises, whilst costs are recognised at the sums relative to the financial year. However value increases in domicile properties are recognised directly in equity.

The purchase and sale of financial instruments are included on the trading date.

Accounting estimates

The book value of certain assets and liabilities has been calculated based on estimates of how future events may affect the value of these assets and liabilities. The most important estimates refer to loan impairment writedowns, guarantee provisions, statements of the fair value of unlisted financial instruments and provisions.

The estimates used are based on assumptions which the management regards as adequate but uncertain. In addition, the bank is also affected by risks and uncertainties which may lead to actual results deviating from estimates.

Loan impairment and accounts receivable writedowns are associated with material estimates quantifying the risk of not all future payments being received. Thus there are material estimates associated with the measurement of fair value of unlisted financial instruments.

Translation of foreign currency

Transactions in foreign currencies are translated at first inclusion at the rate on the transaction date. Accounts receivable, liabilities and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the closing rate on balance sheet date. Foreign exchange rate differences between the rate on the transaction date and the rate on payment date or balance sheet date are entered in the profit and loss account as price adjustments.

Non-monetary assets and liabilities acquired in foreign currencies which are not translated to fair value are not adjusted.

Hedge accounting

The bank does not apply the rules on hedge accounting.

THE PROFIT AND LOSS ACCOUNT

Interest, fees and commissions

Interest income and expenses are entered in the profit and loss account for the period concerned. Commissions and fees that are an integral part of the actual interest on a loan are entered as a part of the amortized cost price and therefore as an integral part of the financial instrument (loan) under interest income.

Commissions and fees forming part of an ongoing service are accrued over their lives. Other fees are included in the profit and loss account on the transaction date.

Interest on impaired loans are included under loan impairment and accounts receivable writedowns etc.

Personnel and administration expenses

Personnel expenses include salaries and wages, social costs, pensions, etc. for the bank's personnel. The costs of contributions and benefits for employees, including seniority bonuses and severance pay, are entered as employees perform the work giving entitlement to the contributions and benefits concerned.

The costs of incentive programs are entered in the profit and loss account in the accounting year to which the cost can be referred.

Pension schemes

The bank has entered into a contribution-based pension scheme with employees. As part of the contribution-based schemes, fixed contributions are paid into an independent pension fund. The bank is not obliged to pay any further contributions.

In addition, the bank has previous entered defined benefit plans with the management, of which two still exist.

Under the defined benefit plans the bank is obliged to pay a defined benefit when member of the management retire. Obligations of this kind are calculated using actuarial discounting of pension commitments to present value. Present value is calculated on the basis of projections of future changes in interest rates, inflation and mortality. The bank's current management is not covered by these schemes.

Tax

Tax for the year, which consists of current tax plus changes in deferred tax, is recognised in the profit and loss account with the part attributable to profit/loss for the year, and directly to shareholders' equity with the part attributable to direct recognition in equity.

Current tax liabilities, receivables and current tax, respectively, are entered in the balance sheet as computed tax on taxable earnings for the year adjusted for tax paid on account.

Deferred tax is included on all temporary differences between accounting and taxable values of assets and liabilities. Deferred tax assets, including the tax value of tax losses entitled to be brought forward are entered in the balance sheet at the value at which it is expected the asset could be realised, either by deducting it from the deferred tax liability or as a net tax asset.

The bank is taxed jointly with Nauca A/S.

THE BALANCE SHEET

Cash and demand deposits with central banks

Cash and demand deposits with central banks comprise cash holdings and demand deposits with central banks.

The item is measured at fair value.

Receivables with banks and central banks

Receivables with banks and central banks comprise accounts receivable with other banks and time deposits with central banks.

The item is measured at fair value.

Loans

This item consists of loans which have been paid directly to the borrower. Listed loans and loans forming part of a trading portfolio are measured at fair value. Other loans are measured at amortised cost price which is normally equivalent to the nominal value minus front-end fees etc and minus impairment writedowns for meeting suffered but as yet unrealised losses.

Loan losses are entered when there are objective indications of value impairment. The amount written down is the difference between the book value before the writedown and the present value of expected future repayments on the loan.

Losses may be written down individually or in groups. The bank examines all loans. Losses are written down in groups when credit risks are uniform.

Bonds

Bonds and mortgage bonds traded in the open market are measured at fair value. Fair value is calculated in accordance with the closing price for the market concerned on balance sheet date.

Shares

Shares traded in the open market are measured at fair value. Fair value is computed in accordance with the closing price on balance sheet date. Illiquid and non-listed participations where no fair value can be assessed are measured at cost price.

Participations in affiliated and associated companies

An associated company is a company over which the group exercises a considerable but not controlling influence. An affiliated company is a company over which the group exercises a controlling influence.

Participations in affiliated companies

Shares in the subsidiary Nauca A/S are valued according to the equity method with the addition of goodwill.

Participations in associated companies

Shares in the subsidiary AdministratorGruppen A/S are valued according to the equity method with the addition of goodwill.

Tangible fixed assets

Tangible fixed assets are measured at cost price at first inclusion. The cost price refers to the acquisition price, costs directly associated with the acquisition and costs for the preparation of the asset until the time when the asset is ready for use.

Domicile property is property which the bank itself uses for administration, branches or other service operations. After first inclusion domicile property is recognised at re-assessed value. Re-assessment is performed frequently enough for there not to be material differences with fair value. External experts are not involved in the measurement of domicile property.

Increases in the re-assessed value of domicile property is recognised under revaluation reserves under equity. Decreases in the value are charged to the profit and loss account unless these involve the writing back of previous revaluations. Depreciation is calculated based on the written-up value. Domicile property is depreciated over 50 years.

Other tangible assets comprise machinery, inventory, safety deposit facilities, IT equipment and furnishing of rented premises are measured at cost price minus accumulated depreciation and writedowns. Other assets are depreciated based on the following assessment of expected useful life, which is assessed to be from 3 to 7 years.

Other tangible fixed assets are assessed for write-downs when there are indications of value impairment and are written down to the recoverable value, which is the highest of net sale price and useful value.

Prepayments and accrued income

Prepayments and accrued income items recognised under assets included costs defrayed relative to subsequent financial years. Prepayments and accrued income are measured at cost price.

Other financial liabilities

Other financial liabilities are entered at amortised cost price, which is normally equivalent to the nominal value.

Provisions

Liabilities, guarantees and other liabilities the size or time of completion of which are uncertain are entered as provisions when it is probable that the liability will result in a draw on the company's financial resources and the liability can be reliably measured. The liability is measured as the net present value of the costs required to meet the liability. Provisions for liabilities to personnel are calculated on statistical actuarial grounds. Liabilities that are due more than 12 months after the period during which they arise are discounted.

Guarantees are measured but not lower than the commission received for the guarantee accrued over the guarantee period.

Dividend

Dividend is included as a liability at the time it is adopted by the AGM. The proposed dividend for the financial year is entered as a separate item under equity.

Own shares

Cost of acquisition, goodwill prices and dividends received from own shares are recognised directly as retained earnings in equity.

Derivatives

Derivatives are measured at fair value. Derivatives are recognised under other accounts receivable or other liabilities.

Cash flow statement

The cash flow statement is presented according to the indirect method and shows cash flow from operations, investments, financing and the bank's cash at the beginning and end of the year.

Cash flows relating to operating activities are accounted for as operating profit/loss adjusted for non-cash operating items, changes in net working capital and paid corporation tax.

Cash flows relative to investment activities comprise payments in connection with the acquisition and sale of companies and activities, and the purchase, development, improvement and sale etc of intangible and tangible fixed assets.

Cash flow from financing activities comprises changes in the size or composition of the company's share capital, subordinated debt and the associated costs, purchase of own shares and the distribution of dividends.

Cash comprises cash holdings and demand deposits with central banks, accounts receivable with banks with original maturities of up to three months and securities with original lives of up to three months which are immediately negotiable to cash and which are only subject to insignificant risks of price changes.

Key figures and financial ratios

Key figures and financial ratios have been drawn up in accordance with the relevant requirements of the accounting administrative order.

Key figures from 01.01.2004 are based on the accounting administrative order, but are defined in the financial reporting guidelines for credit institutions and brokerage companies etc (appendix 6) (for 2002-2003 refer to the definitions in the previous accounting administrative order for banks).