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INTERIM REPORT

Q1-Q2 2007

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Interim report of Max Bank for the period 1 January - 30 June 2007

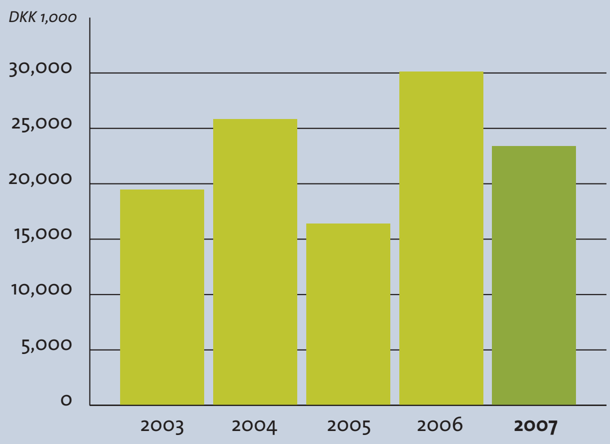
- **Business volume increased by 48% to DKK 16.2bn,**
- **Continuous substantial growth: +38% on loans, +36% on deposits, +33% on guarantees and +77% on custody account volume,**
- **Pre-tax profit of DKK 33.4m despite extraordinary expenses for the opening of new branches in Århus,**
- **Continued strong capital resources with a base capital of DKK 936.5m and a capital adequacy rate of 15.1%,**

5-year financial highlights

	2007 DKK 1,000	2006 DKK 1,000	2005 DKK 1,000	2004 DKK 1,000	2003 DKK 1,000
KEY FIGURES					
Income statement for Q1-Q2					
Net interest and fee income	111,963	118,502	86,256	74,243	72,381
Other operating income	438	199	4.033	373	1,272
Staff costs and administrative expenses, etc.	94,702	80,132	62,867	54,597	47,982
Write-downs on loans, etc.	-5,656	-1,150	3,859	8,928	26,621
Profit excl. value adjustments and tax	23,355	39,719	23,563	11,091	-950
Value adjustments, incl. profit from investments	10,058	-2,899	15,696	5,454	9,624
Profit before tax	33,413	36,820	39,259	16,545	8,674
Profit after tax	26,577	28,970	28,435	11,506	6,340
Balance sheet at 30 June					
Loans	4,336,518	3,142,945	2,040,053	1,532,372	1,277,788
Guarantees	3,041,488	2,281,321	1,698,400	1,254,758	1,007,294
Deposits	3,237,288	2,373,551	1,861,528	1,475,599	1,432,837
Equity at year-end	496,604	411,059	309,992	279,509	252,429
Balance sheet total	6,287,774	4,543,084	3,017,251	2,333,244	2,031,580
Custody account volume	5,551,173	3,136,352	1,887,758	1,230,660	1,310,067
Business volume	16,166,467	10,934,169	7,487,739	5,493,389	5,027,986
Ratios for Q1-Q2					
Return on equity before tax (p.a.)	13.8%	19.7%	26.1%	11.7%	7.0%
Return on equity after tax (p.a.)	10.9%	15.5%	18.9%	8.2%	5.1%
Capital adequacy ratio	15.1	17.3	13.7	12.1	12.6
Closing price of the share	516	545	339	237	125
Equity value of share	243	202	182	159	140
Number of employees (average)	212	190	146	133	124

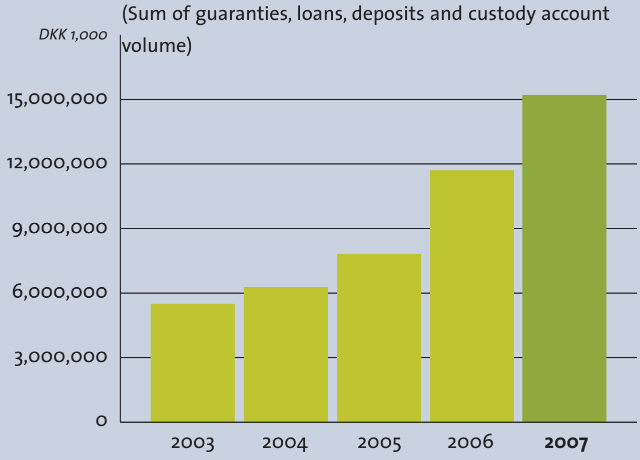
Accounting policies have been changed effective from 1 January 2005. The comparative figures for 2003 have not been restated. The figures for 2004 have been restated to reflect the changed accounting policies, except for the measurement and write-downs of loans, where the Bank has applied the Danish Financial Supervisory Authority' interim provisions, see the Danish Executive Order on the Presentation of Financial Statements.

Profit before tax in Q1-Q2



Business volume at 30 June

(Sum of guaranties, loans, deposits and custody account volume)



Considerable growth in Max Bank, which continues to gain market shares

Max Bank has in the first half of 2007 increased the total business volume by 48% on the same period last year, and accordingly maintains recent years' considerable growth.
The pre-tax profit amounts to DKK 33.4m.

Business volume grows to DKK 16.2bn,
At the end of the first half of 2007, the total business volume amounts to DKK 16.2bn. This corresponds to a growth of 48% and Max Bank has, accordingly, increased its volume by approx 50% in just one year.

Solid profit of DKK 33.4m before tax
The pre-tax profit amounts to DKK 33.4m, and thereby largely matches last year's level, where Q1 was characterised by extraordinarily large earnings from, in particular, structured products.

Growth in the business volume remains at a high level, and efforts aimed at strengthening credit management have at the same time enabled the Bank of recognising DKK 5.7m as income, which had otherwise been recognised as bad debt provisions.

In connection with the interest rate development, it should be noted that the Bank has granted a number of fixed-rate loans, primarily with a duration until the beginning of 2008, where the interest rate risk has been hedged by means of financial instruments. The consequence of the recent interest rate rises has been the realisation of a negative net interest income, which is matched by earnings on financial instruments, which have been recognised under value adjustments.

Trimmed for continuous growth
The Bank has in the first half year opened a new branch in Århus, and also prepared the Erhvervs- og Investeringscenter in Århus (Business and investment centre) for opening in Q3, accordingly laying the basis for considerable growth in the Eastern part of Jutland.

The branches in Faxe and Haslev have, moreover, been refurbished in accordance with the Bank's new design concept, just as the refurbishment of the Bank's Slagelse branch has been initiated. All the Bank's branches have now been fitted in accordance with the Bank's new concept, which is expected to contribute further to the future growth.

In Q1, the Bank has, furthermore, concluded contract negotiations for a new main office, where the Bank expects to move into new future-oriented settings by the end of 2008.

The Bank's Management estimates that the considerable investments made to secure favourable growth opportunities in the coming years gear the Bank well for the challenges of the future.

Time for cost adjustment and better exploitation of the extensive business potential
The Bank's Management believes that the framework for the Bank's growth strategy has been developed to such a degree that the challenge in the coming year will be to ensure a continually improved balance between earnings and costs.

The Bank has enhanced its focus on costs, and an efficiency programme is ia in the pipeline with the objective of reducing costs while efforts are made to maintain recent years' significant growth.

The Bank is, moreover, preparing a number of measures designed to ensure that the existing business potential with both present customers and new customers in the market areas is exploited even better.

As the Bank's cost level traditionally is relatively high, and as recent years' developments of the Bank have impacted costs, including payroll costs for the time-consuming measures, assessments suggest that an efficiency gain can be realised.

Solid capital base
With an equity of DKK 496.6m and an aggregate base capital of DKK 936.5m, the Bank's capital adequacy ratio now totals 15.1%, which by far exceeds the requirements of Danish law. This accordingly also constitutes a solid foundation to ensure a continually positive development.

Expected performance for all of 2007
At the publication of the annual report for 2006, the Bank announced its expected performance before write-downs on loans, value adjustments and tax. After the publication of the profit for the period 1 January to 30 June 2007, the uncertainty relating to write-downs on loans and value adjustments has decreased, and as last year the Bank can announce an expected profit before tax in the range of DKK 60-70m, which is unchanged in relation to the Bank's budget for 2007.

Special factors
As a result of insufficient data, the Bank's write-downs by group on loans and other receivables as well as provisions for guarantees are based on an informed estimate. Management believes that there are no further uncertainties related to recognition and measurement.

Related party transactions
Dan Andersen, Næstved, COMING/1: Advertising and marketing for DKK 5.1m VAT incl. The service has been settled on market conditions.

Financial calendar
30 October 2007: Quarterly report for Q1-Q3 2007.

20 February 2008: Announcement of financial statements for 2007.

14 March 2008: Annual report for 2007.

27 March 2008: Annual General Meeting.

29 April 2008: Quarterly report for Q1 2008.

5 August 2008: Interim report for the period 1 January – 30 June 2008.

28 October 2008: Quarterly report for Q1-Q3 2008.

Statement by Management on the interim report
We have today presented the interim report of Max Bank A/S for the period 1 January - 30 June 2007.

The interim report has been presented in accordance with the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc and rules for listing on the Copenhagen Stock Exchange. We consider the accounting policies appropriate for the interim report to provide a true and fair view of the Bank's financial position and results.

The interim report has not been audited.

Executive Board
Allan Weirup, Chief Executive Officer
Hans Verner Larsen, Director

Supervisory Board
Hans Fossing Nielsen, Chairman
Dan Andersen, Deputy Chairman
Niels Henrik Andersen
Henrik Forssling
Sven Jacobsen
Steen Sørensen
Mogens Pedersen
Kurt Aarestrup
Mie Rahbek Hjorth

This document is an unauthorised translation of the Danish original. In the event of any inconsistencies the Danish version shall apply.

The danish financial supervisory authority's ratio system

	2007	2006	2005	2004	2003
Ratios for Q1-Q2					
Capital adequacy ratio	15.1%	17.3%	13.7%	12.1%	12.6%
Core capital ratio	8.7%	9.5%	7.9%	9.6%	10.3%
Return on equity for the period before tax	6.8%	9.8%	12.9%	5.9%	3.5%
Return on equity for the period after tax	5.4%	7.7%	9.4%	4.1%	2.5%
Income/cost ratio	DKK 1.38	DKK 1.47	DKK 1.59	DKK 1.26	DKK 1.12
Interest rate risk	1.9%	4.1%	3.6%	2.8%	2.8%
Foreign exchange position	1.6%	4.9%	5.2%	2.5%	2.0%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and impairment losses over deposits	136.2%	136.0%	114.5%	111.0%	96.1%
Excess coverage as a percentage of the liquidity requirement	81.2%	114.5%	85.0%	100.9%	127.4%
Sum of large exposures	274.1%	126.2%	154.9%	156.7%	191.3%
Accumulated impairment ratio	1.0%	1.6%	2.5%	3.7%	4.2%
Semiannual impairment ratio	-0.1%	0.0%	0.1%	0.3%	1.1%
Growth in loans for the period	18.1%	33.7%	8.4%	12.6%	7.0%
Gearing	8.7	7.6	6.6	5.5	5.1
Semiannual earnings per share (nominal value DKK 100.)	DKK 64.2	DKK 76.3	DKK 77.9	DKK 31.5	DKK 17.4
Book value over net asset value (nominal value DKK 100)	DKK 1,216	DKK 1,012	DKK 909	DKK 795	DKK 700
Price over net asset value (nominal value DKK 100)	2.12	2.69	1.87	1.49	0.90

The rules for preparing financial statements were changed considerably in 2005. The summary of ratios for 2004-2007 has been prepared in accordance with the changed rules, whereas the comparative figures for 2003 have not been restated.

Comparative figures for 2004 have not been restated for financial assets and liabilities.

Interest on written-down loans for 2007 is recognised under write-downs on loans by DKK 1,068k. Comparative figures have not been restated.

Income statement for Q1-Q2

Note		2007 DKK 1,000	2006 DKK 1,000
	INCOME STATEMENT		
1	Interest income	148,481	97,525
2	Interest expenses	82,926	36,022
	Net interest income	**65,555**	**61,503**
	Dividends, etc.	1,481	3,265
3	Fees and commission income	50,878	59,097
	Ceded fees and commission expenses	5,951	5,363
	Net interest and fee income	**111,963**	**118,502**
4	Value adjustments	11,658	-2,899
	Other operating income	438	199
5	Staff costs and administrative expenses	88,869	74,962
	Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	5,833	5,170
	Other operating expenses	0	0
6	Write-downs on loans and receivables, etc.	-5,656	-1,150
	Profit from investments in group companies	-1,600	0
	Profit before tax	**33,413**	**36,820**
7	Income tax	6,836	7,850
	Profit	**26,577**	**28,970**

Balance sheet at 30 June

Note		2007 DKK 1,000	2006 DKK 1,000	Year-end 2006 DKK 1,000
	ASSETS			
	Cash and demand deposits with central banks	265,059	346,517	306,398
8	Receivables from credit institutions and central banks	318,346	183,602	192,302
9	Loans and other receivables at amortised cost	4,336,518	3,142,945	3,671,654
10	Bonds at fair value	1,067,106	626,096	625,831
	Shares, etc.	186,829	156,958	161,495
	Investments in associates	13,492	9,000	5,400
	Investments in group companies	0	5,040	5,212
	Total land and buildings	14,575	13,370	14,689
	Owner-occupied properties	14,575	13,370	14,689
	Other property, plant and equipment	37,116	24,596	26,254
	Current tax assets	1,209	1,240	0
	Deferred tax assets	8,510	7,505	7,212
	Other assets	39,014	26,215	31,713
	Total assets	**6,287,774**	**4,543,084**	**5,048,160**
	EQUITY AND LIABILITIES			
	Debt to credit institutions and central banks	1,996,636	1,210,012	1,739,668
	Deposits and other payables	3,237,288	2,373,551	2,377,654
	Current tax payable	2,146	1,703	2,080
	Other liabilities	65,922	107,653	58,730
	Accruals and deferred income	151	325	140
	Total payables	**5,302,143**	**3,693,244**	**4,178,272**
	Provisions for pensions and similar liabilities	11,250	9,500	11,250
	Provisions for loss on guarantees	2,777	4,281	3,097
	Total provisions	**14,027**	**13,781**	**14,347**
11	Subordinated debt	475,000	425,000	375,000
	Total subordinated debt	**475,000**	**425,000**	**375,000**
	Equity			
	Share capital	41,400	41,400	41,400
	Share premium account	91,997	92,559	91,997
	Other reserves	2,128	1,957	2,128
	Statutory reserves	2,128	1,957	2,128
	Retained earnings	361,079	275,143	345,016
12	**Total equity**	**496,604**	**411,059**	**480,541**
	Total equity and liabilities	**6,287,774**	**4,543,084**	**5,048,160**

Other notes

13 Contingent liabilities

14 Capital adequacy statement

Specifications to the income statement

Note		2007 DKK 1,000	2006 DKK 1,000
1	**INTEREST INCOME**		
	Receivables from credit institutions and central banks	10,855	3,987
	Loans and other receivables	123,086	87,499
	Bonds	13,692	5,235
	Total derivative financial instruments	738	804
	of this		
	Foreign exchange contracts	330	80
	Interest rate contracts	496	529
	Share contracts	-88	195
	Other interest income	110	0
	Total interest income	**148,481**	**97,525**
2	**INTEREST EXPENSES**		
	Credit institutions and central banks	30,432	11,113
	Deposits and other payables	41,804	18,076
	Subordinated debt	10,690	6,833
	Other interest expenses	0	0
	Total interest expenses	**82,926**	**36,022**
3	**FEES AND COMMISSION INCOME**		
	Securities trading and custody accounts	18,739	32,588
	Payment management	4,210	3,785
	Loan case fees	3,545	3,649
	Guarantee commission	16,280	11,080
	Other fees and commissions	8,104	7,995
	Total fees and commission income	**50,878**	**59,097**
4	**VALUE ADJUSTMENTS**		
	Other loans and receivables at fair value	8	4
	Bonds	-11,124	-8,770
	Shares, etc.	15,259	3,383
	Currency	3,217	1,769
	Currency, interest, share, commodity and other contracts as well as derivative financial instruments	4,298	715
	Total value adjustments	**11,658**	**-2,899**
5	**STAFF COSTS AND ADMINISTRATIVE EXPENSES**		
	Salaries and remuneration to the Supervisory and Executive Boards		
	Executive Board	1,952	1,945
	Supervisory Board	577	567
	Total	**2,529**	**2,512**
	Staff costs		
	Wages and salaries	39,965	34,314
	Pensions	4,462	3,888
	Social security costs	4,590	3,786
	Total	**49,017**	**41,988**
	Other administrative expenses	37,323	30,462
	Total staff costs and administrative expenses	**88,869**	**74,962**

The Bank has established an incentive programme for the Bank's staff, which at most can generate shares of DKK 10,000 per employee per year.

Specifications to the income statement

Note		2007 DKK 1,000	2006 DKK 1,000
6	**WRITE-DOWNS ON LOANS AND RECEIVABLES, ETC**		
	Individual write-downs		
	Write-downs during the year	6,538	11,842
	Reversal of write-downs performed in prior financial years*)	11,962	14,777
	Final losses not previously written down	132	216
	Recovery of claims previously written off	412	165
	Total individual write-downs	**-5,704**	**-2,884**
	Write-downs by group		
	Total write-downs by group	48	1,734
	Write-downs during the year	48	1,734
	Total write-downs on loans and receivables, etc	**-5,656**	**-1,150**
	*) including interest on written-down loans of DKK 1,068k for 2007 (2006: DKK 0)		
7	**INCOME TAX**		
	Estimated tax calculated on profit for the period	8,134	10,260
	Deferred tax	-1,298	-2,410
	Total income tax	**6,836**	**7,850**
	Applicable tax rate	25.0%	28.0%
	Permanent differences	-4.5%	-6.7%
	Effective tax rate	20.5%	21.3%

Specifications to the income statement

Note		2007 DKK 1,000	2006 DKK 1,000	Year-end 2006 DKK 1,000
8	**RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS**			
	Receivables on notice from central banks	100,000	100,000	100,000
	Receivables from credit institutions	218,346	83,602	92,302
	Total receivables from credit institutions and central banks	**318,346**	**183,602**	**192,302**
9	**LOANS AND OTHER RECEIVABLES AT AMORTISED COST**			
	Individual write-downs on loans			
	Write-downs during the year	68,883	84,811	84,811
	Reversal of interest on write-downs in 2006	6,146	-	-
	Balance at 1 January of write-downs	75,029	84,811	84,811
	Write-downs during the year	6,534	9,861	18,595
	Reversal of write-downs performed in prior financial years	10,571	12,794	25,028
	Interest on write-downs	1,068	-	6,146
	Recorded losses previously written down	1,499	1,350	3,349
	Balance of write-downs, individual write-downs end of year	68,425	80,528	68,883
	Write-downs on loans by group			
	Balance at 1 January of write-downs	3,104	3,728	3,728
	Write-downs during the year	48	1,734	1,282
	Reversal of write-downs performed in prior financial years	0	0	1,906
	Balance of write-downs, write-downs on loans by group end of year	3,152	5,462	3,104
	Total write-downs on loans by group end of year	**71,577**	**85,990**	**71,987**
10	**BONDS**			
	Bonds at fair value	1,067,106	626,096	625,831
	Total bonds at fair value	**1,067,106**	**626,096**	**625,831**

Specifications to the balance sheet

Note		2007 DKK 1,000	2006 DKK 1,000	Year-end 2006 DKK 1,000
11	**SUBORDINATED DEBT**			
	Subordinate loan capital	375,000	325,000	275,000
	Hybrid core capital	100,000	100,000	100,000
	Total subordinated debt	**475,000**	**425,000**	**375,000**

Subordinated debt includes six loans for DKK, 50m, DKK 75m, DKK 50m, DKK 100m, DKK 100m and DKK 100m.

The first loan is a bullet bond loan in Danish kroner maturing on 24 March 2012. The loan may be repaid early on 24 March 2009 and carries interest at the rate of 4.89% from 24 March 2004 to 24 March 2009. If the loan is not repaid on 24 March 2009, the loan will carry a floating interest rate of six months' Cibor + 3.00% until expiry.

The interest for Q1-Q2 amounts to DKK 1,212k.

The second loan is a bullet loan in Danish kroner maturing on 1 November 2012. The loan may be repaid early on 1 November 2009 and carries a floating interest rate of six months' Cibor + 1.45%. If the loan is not repaid on 1 November 2009, the loan will carry a floating interest rate of six months' Cibor + 2.95% until expiry.

The interest for Q1-Q2 amounts to DKK 2,047k.

The third loan is a bullet bond loan in Danish kroner maturing on 30 June 2013. The loan may be repaid early on 30 June 2010 and carries interest at the rate of 3.92% from 30 June 2005 to 30 June 2010. If the loan is not repaid on 30 June 2010, the loan will carry a floating interest rate of three months' Cibor + 2.75% until expiry.

The interest for Q1-Q2 amounts to DKK 972k.

The fourth loan constitutes capital certificates in the form of hybrid capital in Danish kroner. The capital certificates have an infinite maturity period with the possibility of early repayment on 1 May 2016. The capital certificates carry a floating interest rate from 28 March 2006 to 1 May 2016 of three months' Cibor + 1.85%. From 1 May 2016 the capital certificates carry a floating interest rate of three months' Cibor + 2.85%.

The interest for Q1-Q2 amounts to DKK 2,939k.

The fifth loan is a bullet bond loan in Danish kroner maturing on 13 December 2014. The loan may be repaid early in September 2011 and carries a floating interest rate of six months' Cibor + 1.20%. If the loan is not repaid in September 2011, the loan will carry a floating interest rate of six months' Cibor + 2.70% until expiry.

The interest for Q1-Q2 amounts to DKK 2,611k.

The sixth loan is a bullet loan in DKK maturing in May 2015. The loan may be repaid early in May 2012 and carries a floating interest rate of three months' Cibor +1.15% from 1 May 2007 to 1 May 2012. If the loan is not repaid on 1 May 2012 the loan will carry a floating interest rate of three months' Cibor +2.65% until expiry.

The interest for Q1-Q2 amounts to DKK 909k.

All six loans totalling DKK 475m nominal are included at their full amount when determining the base capital.

Specifications to the balance sheet

Note		2007 DKK 1,000	2006 DKK 1,000	Year-end 2006 DKK 1,000
12	**STATEMENT OF CHANGES IN EQUITY**			
	Equity at beginning of year	480,541	342,447	342,447
	Dividends	-6,210	-5,175	-5,175
	Income or expenses for the period recognised directly in equity	71	15	-2,069
	Trade in treasury shares in the period	-4,375	-22,677	-12,909
	Share issue	0	67,479	69,000
	Profit for the period	26,577	28,970	89,246
	Equity end of year	**496,604**	**411,059**	**480,541**

The share capital amounts to DKK 41.4m and consists of 2,070,00 shares with a nominal value of DKK 20 each. The Bank's treasury share portfolio consists of 27,338 shares (2006: 38,212 shares), corresponding to 1.3% of the share capital. The shares were acquired as part of ordinary trading.

Note		2007 DKK 1,000	2006 DKK 1,000	Year-end 2006 DKK 1,000
13	**CONTINGENT LIABILITIES**			
	Guarantees, etc.			
	Financing guarantees	1,484,476	1,011,876	1,384,303
	Loss guarantees for mortgage loans	1,060,925	896,964	1,005,738
	Registration and conversion guarantees	131,746	96,480	134,883
	Other guarantees	364,341	276,001	291,064
	Total guarantees, etc.	**3,041,488**	**2,281,321**	**2,815,988**
	Other contingent liabilities			
	Other commitments	2,164	1,959	1,933
	Total other contingent liabilities	**2,164**	**1,959**	**1,933**
14	**CAPITAL ADEQUACY STATEMENT**[1]			
	Core capital after deductions	542,961	440,687	549,552
	Base capital and short-term supplementary capital net of deductions	936,517	796,502	837,984
	Weighted items outside the trading portfolio	5,737,707	4,243,032	4,889,819
	Weighted items with a market risk, etc.	482,984	354,880	464,881
	Total weighted items	**6,220,691**	**4,597,912**	**5,354,700**
	Core capital net of deductions in percentage of total weighted items	8.7%	9.6%	10.3%
	Capital adequacy ratio according to section 124(1) or section 125(1) of the Danish Financial Business Act.	15.1%	17.3%	15.6%

[1] Calculated in accordance with the Danish Financial Supervisory Authority's Executive Order governing capital adequacy.

Accounting policies

The interim report has been presented in accordance with the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc and rules for listing on the Copenhagen Stock Exchange.

The interim report has been presented applying the accounting policies consistently with last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Bank, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Bank, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value. However, intangible assets and property, plant and equipment are measured at cost at the time of initial recognition. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the interim report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year. However, increases in value of owner-occupied property are recognised directly in equity. Purchase and sale of financial instruments are recognised on the trading date.

Accounting estimates

Stating the carrying amount of certain assets and liabilities is subject to an estimate of how future events affect the value of such assets and liabilities. The most significant estimates relate to write-down on loans, provisions for guarantees, determination of the fair value of unlisted financial instruments as well as provisions.

The estimates are based on assumptions, which are considered reasonable by Management, but which are uncertain. Furthermore, the Bank is subject to risk and uncertainty that may result in deviations of the actual results from the estimates.

For write-downs on loans and receivables, significant estimates are related to the quantification of the risk that not all future payments are received. Measurement of the fair value of unlisted financial instruments is therefore subject to significant estimates.

Translation of foreign currency

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the closing exchange rate at the balance sheet date.

Exchange rate differences that arise between the rate at the transaction date and the one in effect at the payment date or the balance sheet date are recognised in the income statement as exchange adjustments.

Non-monetary assets and liabilities acquired in foreign currencies which are not revalued at fair value are not subjected to market value adjustment.

Hedge accounting

The Bank does not apply the rules on hedge accounting.

INCOME STATEMENT

Interest, fees and commissions

Interest income and interest expenses are recognised in the income statement in the period to which they relate. Commissions and fees that are an integral part of the effective interest rate on a loan are recognised as a part of amortised cost and therefore as an integral part of the financial instrument (loan) under interest income.

Commissions and fees, which are part of a current payment, accrue over the term of the loan. Other fees are recognised in the income statement at the date of transaction.

Interest on written-down loans is recognised under write-downs on loans and receivables, etc.

Staff costs and administrative expenses

Staff costs comprise salaries and wages, social security costs, pension contributions, etc. for the Bank's staff. Costs for payments and benefits for employees, including anniversary bonuses and severance payments, are recognised concurrently with the employees' performance of such work as entitle them to receive the payments and benefits concerned.

Costs for incentive programmes are recognised in profit or loss in the financial year to which the cost is related.

Pension plans

The Bank has entered into defined contribution plans with its employees. In the defined contribution plans, fixed contributions are paid to an independent pension fund. The Bank has no obligation to pay any further contributions.

The Bank also has defined benefit plans previously entered into for Management, and two of these plans still exist.

Under the defined benefit plans the Bank is obliged to pay a defined benefit when a member of Management retires. Obligations of this kind are calculated using an actuarial discounting of pension commitments to present value. The present value is calculated on the basis of assumptions of future developments in interest rates, inflation and mortality. The Bank's current Management is not covered by these plans.

Income tax

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and classified directly as equity by the portion attributable to entries directly on equity.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

The Bank is taxed jointly with Nauca A/S.

BALANCE SHEET

Cash and demand deposits with central banks

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

The item is measured at fair value.

Receivables from credit institutions and central banks

Receivables from credit institutions and central banks comprise receivables from other credit institutions as well as 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 which usually corresponds to the nominal value minus front-end fees, etc. and minus any write-down for occurred, but not yet realised losses.

Write-down for bad debts is made when there is objective evidence of impairment. Write-down is made by the difference between the carrying amount before write-down and the present value of the expected future payments on the loan.

Write-downs are made both individually and in groups. The Bank examines all loans. Write-downs are made on a group basis for loans with a uniform credit risk.

Bonds

Bonds and mortgage bonds traded on active markets are measured at fair value. The fair value is calculated on the basis of the closing price on the relevant market at the balance sheet date.

Shares

Shares traded on active markets are measured at fair value. The fair value is calculated on the basis of the closing price at the balance sheet date. Illiquid and unlisted shares, for which calculation of a reliable fair value is not deemed possible, are measured at cost.

Investments in group companies and associates

An associate is an enterprise over which the Group may exercise significant, but not controlling influence. A group company is an enterprise over which the Group may exercise controlling influence.

Investments in group companies

Shares in Nauca A/S and AdministratorGruppen AS have been measured under the equity method with addition of goodwill.

Property, plant and equipment

On initial recognition, property, plant and equipment are measured at cost. Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

Owner-occupied property is property which the Bank itself uses for administration, branches or other service operations. Subsequent to initial recognition, owner-occupied property is measured at revalued amount. Revaluation is made so often that no significant differences occur in relation to the fair value. External experts are not involved in the measurement of owner-occupied property.

Increases in the owner-occupied property's revalued amount are recognised directly in equity as a revaluation reserve. Any decrease in value is recognised in the income statement unless it is a reversal of a previous revaluation. Depreciation is calculated based on the revalued amount. Owner-occupied property is depreciated over a period of 50 years.

Other property, plant and equipment comprise machinery, equipment, safety deposit facilities, computer equipment and leasehold improvements and are measured at cost minus accumulated depreciation and impairment losses. Straight-line depreciation is made on the basis of the following assessment of other assets' expected useful lives which are estimated to be from 3 to 7 years.

Other property, plant and equipment are tested for impairment when there is evidence of impairment, and they are written down to the recoverable amount which is the higher of net realisable value and value in use.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other financial liabilities

Other financial liabilities are measured at amortised cost which usually corresponds to nominal value.

Provisions

Liabilities, guarantees and other liabilities, which are uncertain in terms of amount or time of settlement, are recognised as provisions when it is probable that the liability will lead to a consumption on the enterprise's financial resources, and the liability can be measured reliably. The liability is stated at present value of those costs necessary to meet the obligation. Provisions for staff commitments are made using a statistical actuarial basis. Liabilities due more than 12 months after the period during which they arise are discounted.

However, guarantees are not measured at an amount lower than the commission received for the guarantee accrued over the guarantee period.

Dividends
Dividends are recognised as a liability at the time of adoption at the general meeting. The proposed dividends for the financial year are disclosed as a separate item under equity.

Treasury shares
Acquisition and selling prices of as well as dividends on treasury shares are recognised directly in retained earnings under equity.

Derivative financial instruments
Derivative financial instruments are measured at fair value. Derivative financial instruments are recognised under other assets or other liabilities.

Financial highlights
Financial highlights have been prepared in accordance with the requirements of the Executive Order on Financial Reports for Financial Credit Institutions and Investment Companies to this effect.

The ratios applicable from 1 January 2004 are stated in the Executive Order on Financial Reports for Financial Credit Institutions and Investment Companies but are defined in the financial reporting guidelines for financial credit institutions and investment companies, etc. (Appendix 6) (for 2003 please refer to the definitions in the former Executive Order on Financial Reports for Banks and Savings Banks).