1 May 2007
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QUARTERLY REPORT

Q1 2007

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APPENDICES

 – Excellence is our passion

Q1 2007 in headlines

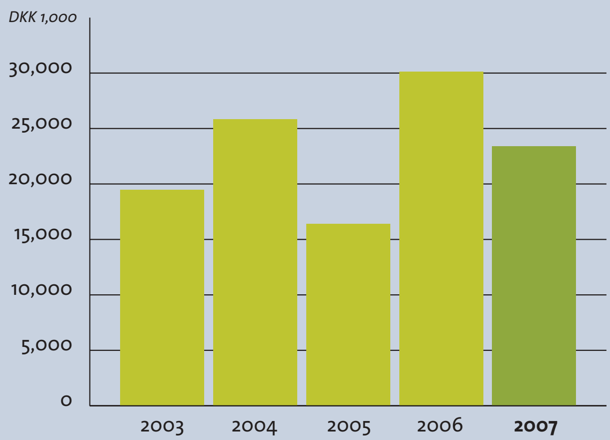
- **Sustained considerable growth in business volume with increase of 30% to DKK 15.2bn**
- **Positive effect of interest rate wars – 21% increase in deposits since the start of the year**
- **Pre-tax profit of DKK 23.4m despite extraordinary expenses for the opening of a new branch in Århus, which is better than expected**
- **Heavily improved capital resources, where the base capital now totals DKK 817.5m, which will be further strengthened by DKK 100m in subordinated loan capital at 1 May 2007**

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					
Net interest and fee income	55,137	66,261	42,015	36,332	36,250
Other operating income	34	76	63	176	628
Staff costs and administrative expenses, etc.	47,243	39,277	30,396	27,989	24,297
Write-downs on loans, etc.	-3,342	-707	-239	4,550	22,098
Profit excl. value adjustments and tax	11,270	27,767	11,921	3,969	-9,517
Value adjustments, incl. profit from investments	12,147	2,370	4,495	7,627	2,809
Profit before tax	23,415	30,137	16,416	25,860	19,484
Profit after tax	17,190	21,802	10,611	18,002	15,119
Balance sheet at 31 March					
Loans	3,788,000	2,928,217	2,022,434	1,385,211	1,265,223
Guarantees	2,907,091	2,133,835	1,516,375	1,124,318	1,072,653
Deposits	2,879,958	2,213,039	1,720,320	1,380,095	1,365,794
Equity at year-end	488,906	359,468	293,841	285,496	241,220
Balance sheet total	5,435,781	3,860,101	2,770,117	2,022,506	1,946,579
Custody account volume	5,638,530	4,428,873	2,552,844	2,382,580	1,791,916
Business volume	15,213,579	11,703,964	7,811,973	6,272,204	5,495,586
Ratios for Q1					
Return on equity before tax (p.a.)	19,4%	34.6%	22.4%	16.5%	-11.0%
Return on equity after tax (p.a.)	14,3%	25.0%	14.5%	11.6%	-8.0%
Capital adequacy ratio	14.3%	14.9%	13.0%	13.9%	12.1%
Closing price of the share	554	525	335	232	119
Equity value of share	238	209	172	157	132
Number of employees (average)	213	184	142	130	123

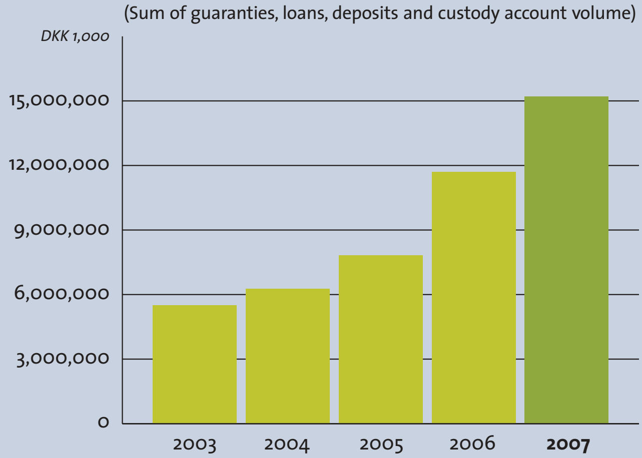
Accounting policies have been changed effective from 1 January 2005. The comparative figures for 2003 have not been restated. The figures for 2004 have been restated to reflect the changed accounting policies, except for the measurement and write-downs of loans, where the Bank has applied the Danish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

Profit before tax in Q1



Business volume at 31 March

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



Max Bank maintains growth

In Q1 2007, Max Bank has maintained considerable growth in total business volume by 30% on Q1 2006. Profit amounted to DKK 23.4m, which is better than expected, but expectations for profit for the year are maintained.

Business volume has grown considerably to more than DKK 15bn

Max Bank's aggregate business volume grew by 30% in the last year to DKK 15.2bn at 31 March 2007.

In this period, loans increased by 29%, whereas guarantees that also cover clients' raising of foreign loans went up by 36%.

Deposits strengthened during the interest rate war

In connection with the ongoing interest war in Q1, Max Bank has focused particularly on developments in deposits. The Bank's high interest rates attracted many deposit funds, and deposits were, accordingly, strengthened by no less than 21% during the first three months of the year.

General positive development

The addition of new business has increased net interest income by almost 10% on Q1 2006. Despite intensifying competition, other items in the financial statements also improved.

The Bank has again achieved positive value adjustments of DKK 13.8m, of which a major part is attributable to price increases on sector-related shares.

The favourable trading conditions have also contributed to minimising losses on receivables, and it has again been possible, to a limited extent, to reverse previous write-downs on loans.

Strong performance

Compared to last year's profit, earnings in Q1 were affected by two factors.

One was that Q1 2006 was marked by exceptionally high activity in investments, resulting in exceptionally high earnings from securities trading.

And the other was that performance for Q1 2007 was impacted by extraordinary expenses for the opening of Max Bank's new branch in Århus.

Yet, the outcome is a pre-tax profit of DKK 23.4m, and DKK 17.2 after tax, which is better than expected.

Despite the improved performance, the Bank maintains for the time being its expectation to profit for the year.

Financial calendar

7 August 2007:
Interim report for the first half of 2007.

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

Statement by Management on the quarterly report

We have today presented the quarterly report of Max Bank A/S for Q1 2007.

The quarterly report has been presented in accordance with the Danish Financial Business Act. We consider the applied accounting policies appropriate for the quarterly report to provide a true and fair view of the Bank's financial position at 31 March 2007 as well as of its activities for Q1 2007.

The quarterly 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					
Capital adequacy ratio	14.3%	14.9%	13.0%	13.9%	12.1%
Core capital ratio	9.6%	9.3%	8.6%	11.1%	10.0%
Return on equity for the period before tax	4.8%	8.6%	5.5%	9.1%	8.0%
Return on equity for the period after tax	3.5%	6.2%	3.6%	6.3%	6.2%
Income/cost ratio	DKK 1.53	DKK 1.78	DKK 1.54	DKK 1.36	DKK 0.86
Interest rate risk	4.2%	4.2%	3.4%	2.9%	2.8%
Foreign exchange position	1.7%	8.8%	1.4%	2.3%	1.5%
Foreign exchange risk	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and impairment losses over deposits	134.2%	136.4%	123.1%	107.9%	99.7%
Excess coverage as a percentage of the liquidity requirement	69.4%	67.7%	50.2%	76.7%	99.2%
Sum of large exposures	216.7%	153.2%	159.3%	99.8%	164.7%
Accumulated impairment ratio	1.2%	1.8%	2.6%	4.0%	3.9%
Semiannual impairment ratio	0.0%	0.0%	0.0%	0.2%	0.9%
Growth in loans for the period	3.2%	24.5%	7.4%	1.7%	5.9%
Gearing	7.7	8.1	6.9	4.9	5.2
Semiannual earnings per share (nominal value DKK 100.)	DKK 48.4	DKK 61.8	DKK 42.5	DKK 50.0	DKK 41.5
Book value over net asset value (nominal value DKK 100)	DKK 1,195	DKK 1,043	DKK 859	DKK 784	DKK 661
Price over net asset value (nominal value DKK 100)	2.32	2.52	1.95	1.48	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 816k. Comparative figures have not been restated.

Income statement for Q1

Note		2007 DKK 1,000	2006 DKK 1,000
	INCOME STATEMENT		
1	Interest income	67,874	45,301
2	Interest expenses	35,224	15,281
	Net interest income	**32,650**	**30,020**
	Dividends, etc.	135	2,046
3	Fees and commission income	24,886	36,348
	Ceded fees and commission expenses	2,534	2,153
	Net interest and fee income	**55,137**	**66,261**
4	Value adjustments	13,747	2,370
	Other operating income	34	76
5	Staff costs and administrative expenses	44,434	36,617
	Depreciation, amortisation and write-downs on intangible assets and property, plant and equipment	2,809	2,660
	Other operating expenses	0	0
6	Write-downs on loans and receivables, etc.	-3,342	-707
	Profit from investments in group companies	-1,600	0
	Profit before tax	**23,415**	**30,137**
7	Income tax	6,225	8,335
	Profit	**17,190**	**21,802**

Balance sheet at 31 March

Note		2007 DKK 1,000	2006 DKK 1,000	Year-end 2006 DKK 1,000
	ASSETS			
	Cash and demand deposits with central banks	478,207	206,492	306,398
8	Receivables from credit institutions and central banks	264,400	166,010	192,302
9	Loans and other receivables at amortised cost	3,788,000	2,928,217	3,671,6541
10	Bonds at fair value	607,019	336,511	625,831
	Shares, etc.	193,785	138,955	161,495
	Investments in associates	0	9,000	5,400
	Investments in group companies	13,492	5,040	5,212
	Total land and buildings	14,632	13,275	14,689
	Owner-occupied properties	14,632	13,275	14,689
	Other property, plant and equipment	33,940	26,035	26,254
	Current tax assets	3,456	2,519	0
	Deferred tax assets	7,518	5,741	7,212
	Other assets	31,332	22,306	31,713
	Total assets	**5,435,781**	**3,860,101**	**5,048,160**
	EQUITY AND LIABILITIES			
	Debt to credit institutions and central banks	1,600,934	863,922	1,739,668
	Deposits and other payables	2,879,958	2,213,039	2,377,654
	Current tax payable	2,146	2,479	2,080
	Other liabilities	74,658	82,527	58,730
	Accruals and deferred income	152	463	140
	Total payables	**4,557,848**	**3,162,430**	**4,178,272**
	Provisions for pensions and similar liabilities	11,250	9,500	11,250
	Provisions for loss on guarantees	2,777	3,703	3,097
	Total provisions	**14,027**	**13,203**	**14,347**
11	Subordinated debt	375,000	325,000	375,000
	Total subordinated debt	**375,000**	**325,000**	**375,000**
	Equity			
	Share capital	41,400	34,500	41,400
	Share premium account	91,997	31,980	91,997
	Other reserves	2,128	1,957	2,128
	Statutory reserves	2,128	1,957	2,128
	Retained earnings	353,381	291,031	345,016
12	**Total equity**	**488,906**	**359,468**	**480,541**
	Total equity and liabilities	**5,435,781**	**3,860,101**	**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	3,870	2,289
	Loans and other receivables	58,022	40,296
	Bonds	5,565	2,389
	Total derivative financial instruments	417	327
	of this		
	Foreign exchange contracts	166	36
	Interest rate contracts	227	224
	Share contracts	24	67
	Other interest income	0	0
	Total interest income	**67,874**	**45,301**
2	**INTEREST EXPENSES**		
	Credit institutions and central banks	13,682	4,334
	Deposits and other payables	16,774	8,178
	Subordinated debt	4,768	2,769
	Other interest expenses	0	0
	Total interest expenses	**35,224**	**15,281**
3	**FEES AND COMMISSION INCOME**		
	Securities trading and custody accounts	7,979	22,936
	Payment management	2,133	1,739
	Loan case fees	2,059	1,712
	Guarantee commission	7,894	5,517
	Other fees and commissions	4,821	4,444
	Total fees and commission income	**24,886**	**36,348**
4	**VALUE ADJUSTMENTS**		
	Other loans and receivables at fair value	8	2
	Bonds	775	-2,687
	Shares, etc.	10,091	4,831
	Currency	1,516	956
	Currency, interest, share, commodity and other contracts as well as derivative financial instruments	1,357	-732
	Total value adjustments	**13,747**	**2,370**
5	**STAFF COSTS AND ADMINISTRATIVE EXPENSES**		
	Salaries and remuneration to the Supervisory and Executive Boards		
	Executive Board	794	772
	Supervisory Board	286	281
	Total	**1,080**	**1,053**
	Staff costs		
	Wages and salaries	19,340	16,080
	Pensions	2,237	1,891
	Social security costs	2,148	1,771
	Total	**23,725**	**19,742**
	Other administrative expenses	19,629	15,822
	Total staff costs and administrative expenses	**44,434**	**36,617**

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	3,644	6,127
	Reversal of write-downs performed in prior financial years*)	6,817	7,298
	Final losses not previously written down	62	46
	Recovery of claims previously written off	279	68
	Total individual write-downs	**-3,390**	**-1,193**
	Write-downs by group		
	Total write-downs by group	48	486
	Write-downs during the year	48	486
	Total write-downs on loans and receivables, etc	**-3,342**	**-707**
	*) including interest on written-down loans of DKK 816k for 2007 (2006: DKK 0)		
7	**INCOME TAX**		
	Estimated tax calculated on profit for the period	6,531	8,981
	Deferred tax	-306	-646
	Total income tax	**6,225**	**8,335**
	Applicable tax rate	28,0%	28,0%
	Permanent differences	-1,4%	-0,3%
	Effective tax rate	26,6%	27,7%

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	164,400	66,010	92,302
	Total receivables from credit institutions and central banks	**264,400**	**166,010**	**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	3,640	5,257	18,595
	Reversal of write-downs performed in prior financial years	5,677	5,848	25,028
	Interest on write-downs	816	-	6,146
	Recorded losses previously written down	811	834	3,349
	Balance of write-downs, individual write-downs end of year	71,365	83,386	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	486	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	4,214	3,104
	Total write-downs on loans by group end of year	**74,517**	**87,600**	**71,987**
10	**BONDS**			
	Bonds at fair value	607,019	336,511	625,831
	Total bonds at fair value	**607,019**	**336,511**	**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	275,000	225,000	275,000
	Hybrid core capital	100,000	100,000	100,000
	Total subordinated debt	**375,000**	**325,000**	**375,000**

Subordinated debt includes five loans for DKK, 50m, DKK 75m, DKK 50m, 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 amounts to DKK 603k.

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 amounts to DKK 987k.

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 amounts to DKK 483k.

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 amounts to DKK 1,427k.

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 amounts to DKK 1,268k.

All five loans totalling DKK 375m 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	58	15	-2,069
	Trade in treasury shares in the period	-2,674	379	-12,909
	Share issue	0	0	69,000
	Profit for the period	17,190	21,802	89,246
	Equity end of year	**488,906**	**359,468**	**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 23,972 shares (2006: 1,990 shares), corresponding to 1.2% of the share capital. The shares were acquired as part of ordinary trading.			
13	**CONTINGENT LIABILITIES**			
	Guarantees, etc.			
	Financing guarantees	1,494,652	918,993	1,384,303
	Loss guarantees for mortgage loans	1,030,572	860,476	1,005,738
	Registration and conversion guarantees	112,073	89,906	134,883
	Other guarantees	269,794	264,460	291,064
	Total guarantees, etc.	**2,907,091**	**2,133,835**	**2,815,988**
	Other contingent liabilities			
	Other commitments	1,920	1,959	1,933
	Total other contingent liabilities	**1,920**	**1,959**	**1,933**
14	**CAPITAL ADEQUACY STATEMENT**[1)]			
	Core capital after deductions	544,996	390,500	549,552
	Base capital and short-term supplementary capital net of deductions	817,518	623,530	837,984
	Weighted items outside the trading portfolio	5,175,471	3,921,126	4,889,819
	Weighted items with a market risk, etc.	530,710	267,906	464,881
	Total weighted items	**5,706,181**	**4,189,032**	**5,354,700**
	Core capital net of deductions in percentage of total weighted items	9,6%	9,3%	10,3%
	Capital adequacy ratio according to section 124(1) or section 125(1) of the Danish Financial Business Act.	14,3%	14,9%	15,6%

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

Accounting policies

The quarterly report has been presented in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Financial Credit Institutions and Investment Companies, etc.

The quarterly 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 quarterly 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).