

MARE BALTIC PCC LIMITED

(incorporated as a protected cell company with limited liability in Guernsey and with registered number 40490)

DKK 861,975,000 IN AGGREGATE PRINCIPAL AMOUNT OF LIMITED RECOURSE SECURED ASSET BACKED NOTES DUE 2012 ("ScandiNotes II")

**ISSUED PURSUANT TO A €1,000,000,000 STRUCTURED NOTE PROGRAMME
BY THE SERIES 2004-1 CELL OF MARE BALTIC PCC LIMITED**

Class	Security Code	Original Principal Amount (DKK)	Interest Rate ⁽¹⁾	Maturity Date ⁽⁴⁾	Expected Rating ⁽⁵⁾
A	DK000345474-2	728,375,000	3.00% ⁽²⁾	1 November 2012	A2
B	DK000345482-5	133,600,000	3.00% ⁽³⁾	1 November 2012	Not rated

- (1) Interest is payable annually on 1 November in each year up to (and including) the interest payment date falling in November 2009 and thereafter semi-annually on 1 May and 1 November in each year (and in each case subject to the Modified Following Business Day Convention).
- (2) The Interest Rate on the Class A 3% Limited Recourse Secured Senior Notes due 2012 for each interest period commencing in or after November 2009, shall be (i) 3% plus (ii) the applicable Margin as set out in the Special Conditions on page 6.
- (3) The Interest Rate on the Class B 3% Limited Recourse Secured Junior Notes due 2012 for each interest period commencing in or after November 2009, shall be (i) 3% plus (ii) the applicable Margin as set out in the Special Conditions on page 6.
- (4) The Class A 3% Limited Recourse Secured Senior Notes due 2012 and the Class B 3% Limited Recourse Secured Junior Notes due 2012 are subject to an Issuer call on or after the interest payment date falling in November 2009.
- (5) The expected ratings are preliminary indications only from Moody's Investors Service Limited ("**Moody's**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating organisation.

This document constitutes the Supplemental Information Memorandum relating to the issue of DKK 861,975,000 Limited Recourse Secured Asset Backed Notes due 2012 (the "**Notes**" or the "**ScandiNotes II**") in two classes, the Class A 3% Limited Recourse Secured Senior Notes due 2012 (the "**Class A Notes**") and the Class B 3% Limited Recourse Secured Junior Notes due 2012 (the "**Class B Notes**") (as further described herein) by the Series 2004-1 Cell of Mare Baltic PCC Limited (the "**Issuer**") pursuant to the €1,000,000,000 Structured Note Programme established by the Issuer (the "**Programme**"). The Class A Notes rank ahead of the Class B Notes in respect of payments of principal and interest. Noteholders' recourse shall be limited to the Charged Assets of the Series 2004-1 Cell and shall be subject to the orders of priority set out herein and Noteholders shall have no further recourse against the Issuer or its assets. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Information Memorandum dated 1 November 2004. Terms and expressions defined in the Information Memorandum have the same respective meanings when used in this Supplemental Information Memorandum.

The issue of the Notes was approved by the board of directors of the Issuer on 27 October 2004. Application has been made to the Copenhagen Stock Exchange A/S (the "**Copenhagen Stock Exchange**") for the ScandiNotes II to be listed on the Copenhagen Stock Exchange.

The ScandiNotes II will be issued to HSH Nordbank AG, Copenhagen branch ("**HSH Nordbank**") for its own account on 1 November 2004 at a price based on 5 year swap rates and the credit spreads reflecting credit risks on the Repackaging Assets and will be onsold to institutional investors and interested private investors at prevailing market prices. For further information see the section entitled "Subscription and Sale" on page 47 below. The Issuer will not issue any further notes forming part of the same Series as the ScandiNotes II.

THIS DOCUMENT IS SUPPLEMENTAL TO AND MUST BE READ IN CONJUNCTION WITH THE INFORMATION MEMORANDUM DATED 1 NOVEMBER 2004 ISSUED IN RELATION TO THE PROGRAMME INCLUDING WITHOUT LIMITATION THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 23 OF THE INFORMATION MEMORANDUM.

The date of this Supplemental Information Memorandum is 1 November 2004.

Arranger and Dealer

**HSH NORDBANK AG,
COPENHAGEN BRANCH**

IMPORTANT NOTICE

Mare Baltic has made the statement contained in the following paragraph:

“We hereby confirm that, to the best of our knowledge and belief, the information contained in this Supplemental Information Memorandum is in accordance with the facts and that, to the best of our knowledge and belief, this Supplemental Information Memorandum does not omit any information likely to affect the import thereof, and also that the Supplemental Information Memorandum contains all relevant information from minutes of board meetings, long-form audit reports and other internal documents.

Mare Baltic PCC Limited”

HSH Nordbank as arranger has made the following statement:

“In our capacity as Arranger, we hereby confirm that the Issuer and the Issuer’s auditors have made available to us all the information requested and deemed necessary by us. The data provided or disclosed to us, including data on which financial information and market information are based, have not been independently verified by us; however, we have reviewed the information and have compared it with the information contained in this Supplemental Information Memorandum and have found nothing that is incorrect or inconsistent with this Supplemental Information Memorandum.

HSH Nordbank AG, Copenhagen branch”

The Arranger and Dealer, the Counterparties and the Trustee have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger and Dealer, any Counterparty or the Trustee as to the accuracy or completeness of the financial information contained herein, or any other financial statements or any further information supplied in connection with the Programme or the ScandiNotes II or their distribution. The statements made in this paragraph are without prejudice to the responsibility of the Issuer under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Supplemental Information Memorandum or any other financial statements or further information supplied pursuant to the terms of the Programme or the ScandiNotes II and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger and the Dealer, the Trustee or any Counterparty.

Neither this Supplemental Information Memorandum nor any other statements or any further information supplied pursuant to the terms of the Programme or the ScandiNotes II are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation or constituting an invitation or offer by or on behalf of any of the Issuer, the Trustee, the Arranger and Dealer or any Counterparty that any recipient of this Supplemental Information Memorandum or any other financial statements or any further information supplied pursuant to the terms of the Programme or the ScandiNotes II should subscribe for or purchase any of the ScandiNotes II. Each investor contemplating purchasing the ScandiNotes II should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

The delivery of this Supplemental Information Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied pursuant to the terms of the Programme or the ScandiNotes II is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and Dealer, the Counterparties and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements (if any) of the Issuer when deciding whether or not to purchase any Notes.

The Guernsey Financial Services Commission has, in accordance with the Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989 (“the Ordinances”) given and not withdrawn its consent to the issue by the Issuer of up to EUR1,000,000,000 of Notes under the Programme.

It must be distinctly understood that, in giving these consents, neither the Guernsey Financial Services Commission nor the States Policy Council will take any responsibility for the financial soundness of Mare Baltic or for the correctness of any of the statements made or opinions expressed herein with regard thereto.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

It should be remembered that the price of securities and the income from them can go down as well as up.

An investment in the ScandiNotes II is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such an investment.

The distribution of this Supplemental Information Memorandum and the offer or sale of any of the ScandiNotes II may be restricted by law in certain jurisdictions. No action has been taken by the Issuer, the Arranger, the Dealer, any Counterparty or the Trustee (save for the approval of this Supplemental Information Memorandum by the Copenhagen Stock Exchange) which would permit a public offering of any of the ScandiNotes II or distribution of this Supplemental Information Memorandum in any jurisdiction where action for that purpose is required. In particular, the ScandiNotes II have not been and will not be registered under the United States Securities Act of 1933 and may be subject to U.S. tax law requirements. Subject to certain exceptions, the ScandiNotes II may not be offered, sold or delivered within the United States or to U.S. persons. Persons into whose possession this Supplemental Information Memorandum or any of the ScandiNotes II come must inform themselves about, and observe, any such restrictions. For further information see "Selling Restrictions" in the Information Memorandum.

TABLE OF CONTENTS

Description of Transaction	5
Risk Factors	11
The Danish Banking Industry	15
Selected Danish Commercial and Savings Banks	17
The Repackaging Assets and Security	24
Information Concerning the Hedging Counterparty	31
Taxation	45
Subscription and Sale	47
Selling Restrictions	48
General Information	50

DESCRIPTION OF TRANSACTION

This section must be read in conjunction with the section headed "Risk Factors" on page 11.

- | | | |
|-----|--|---|
| 1. | Issuer(s):
Cell of Issuer which is the debtor in relation to the Notes and is established as a segregated cell in accordance with the Guernsey Protected Cell Companies Ordinance, 1997 to 1998 (as amended): | Mare Baltic PCC Limited
Series 2004-1 Cell |
| 2. | (i) Series Number:
(ii) Tranche Number: | Series 2004-1 (the " ScandiNotes II ")
Class A Notes - Tranche 1
Class B Notes - Tranche 1 |
| 3. | Specified Currency or Currencies: | Danish Kroner |
| 4. | Nominal Amount:
(i) Series:
(ii) Tranche: | DKK 861,975,000
Class A Notes - DKK 728,375,000
Class B Notes - DKK 133,600,000 |
| 5. | Specified Denominations: | DKK 0.01 |
| 6. | Issue Date: | 1 November 2004 |
| 7. | Scheduled Maturity Date: | 1 November 2012 |
| 8. | Interest Basis: | Fixed Rate |
| 9. | Redemption/Payment Basis: | Redemption at par |
| 10. | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable |
| 11. | Purchase Option: | Not Applicable |
| 12. | Put/Call Options: | Issuer Call. See paragraph 17 below. |
| 13. | Listing: | Copenhagen |
| 14. | Method of distribution: | Non-syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|-----|------------------------------------|---|
| 15. | Fixed Rate Note Provisions: | Applicable |
| | (i) Rate(s) of Interest: | 3 per cent. per annum payable annually in arrear for each interest period up to and including the interest period ending on the Interest Payment Date in November 2009 and thereafter a rate calculated in accordance with Special Condition A below |
| | (ii) Interest Payment Date(s): | 1 November in each year up to the Interest Payment Date in November 2009 and thereafter 1 May and 1 November in each year up to and including the Interest Payment Date in November 2012. The first Interest Payment Date on the ScandiNotes II is 1 November 2005. |
| | (iii) Business Day Convention: | Modified Following Business Day Convention. The amount of interest payable will not be adjusted. |
| | (iv) Business Day(s): | Copenhagen |
| | (v) Additional Business Centre(s): | Not Applicable |
| | (vi) Fixed Coupon Amount(s): | Not Applicable |
| | (vii) Broken Amount(s): | Not Applicable |
| | (viii) Day Count Fraction: | Actual/Actual |

- | | | |
|------|--|---|
| (ix) | Determination Date(s): | 3 Business Days prior to each Interest Payment Date |
| (x) | Other terms relating to the method of calculating interest for Fixed Rate Notes: | See Special Condition A below |
| 16. | Floating Rate Note Provisions: | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-------|---|---|
| 17. | Issuer Call: | Applicable |
| (i) | Optional Redemption Date(s) and Redemption Option Period: | On an Interest Payment Date in or after November 2009 if, and only if, the aggregate principal amount of the outstanding ScandiNotes II is 10% or below of the original aggregate principal amount of ScandiNotes II at the Issue Date by virtue of payments under Special Condition B or other redemptions or principal payments in accordance with the Conditions. Such an optional redemption is subject to monies being available to the Issuer to make payment to the Noteholders which is dependent on the Issuer selling the Repackaging Assets and the net proceeds of sale of the Repackaging Assets being sufficient, following payment of all amounts which rank in priority to such payment to Noteholders, to repay principal plus accrued interest on the outstanding ScandiNotes II. |
| (ii) | Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): | Principal and accrued interest on the ScandiNotes II |
| (iii) | Notice period (if other than as set out in the Conditions): | 20 calendar days' prior notice to an Optional Redemption Date |
| 18. | Investor Put: | Not Applicable |
| 19. | Final Redemption Amount of each Note: | Nominal amount outstanding plus interest accrued to the date of redemption. The "nominal amount outstanding" in relation to a Note means the nominal amount of the Note at the time of its Issue adjusted to take into account any redemption of principal which has occurred in relation to such Note pursuant to the Terms and Conditions of the Notes. |
| 20. | Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(g)): | Not Applicable |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----|--|---|
| 21. | Form of Notes: | Negotiable Dematerialised Notes. For further information in relation to Dematerialised Notes please see page 17 of the Information Memorandum dated 1 November 2004 in relation to the Programme. |
| 22. | Redenomination, renominatisation and reconventioning provisions: | Redenomination not applicable but this is without prejudice to Condition 17 which shall apply |
| 23. | Special Conditions: | Special Condition A - Interest after November 2009
Interest on the Class A Notes shall accrue in relation to each Interest Payment Date commencing on or after the Interest Payment Date in November 2009 and shall be recalculated semi-annually with effect from each Interest Payment Date falling on or after the Interest Payment Date in November 2009. This interest shall |

be calculated as:

- (i) a rate of 3.00% per annum; plus
- (ii) the Margin,

applied to the principal amount of Class A Notes outstanding from time to time provided that if the Margin is less than zero, the Margin shall be deemed to be zero. The Margin shall be recalculated as at each Interest Payment Date falling on or after the Interest Payment Date in November 2009 with reference to the Class A Notes' allocation of the amount of cash, if any, expected to be available to the Issuer arising on the Repackaging Assets or any other investments held by the Issuer, other than amounts in respect of principal on the Repackaging Assets or a final payment under the Class A Swap or the Class B Swap, but is expected, based on current projections for the CIBOR rate which may or may not reflect the actual CIBOR rate for the relevant period in the future, to be between 0.0% and 1.25%. For the purposes of the recalculation of the Margin on an Interest Payment Date, the allocation of the amount of cash expected to be available between the Class A Notes and the Class B Notes will be pro rata to the principal amount of each class of ScandiNotes II outstanding after paying the expenses ranking ahead of interest in the relevant Order of Priorities (as to which see below).

Interest on the Class B Notes shall accrue in relation to each Interest Period commencing on or after the Interest Payment Date in November 2009 and shall be recalculated semi-annually with effect from each Interest Payment Date falling in or after the Interest Payment Date in November 2009. This interest shall be calculated as:

- (i) a rate of 3.00% per annum; plus
- (ii) the Margin,

applied to the principal amount of Class B Notes outstanding from time to time provided that if the Margin is less than zero, the Margin shall be deemed to be zero. The Margin shall be recalculated as at each Interest Payment Date falling on or after the Interest Payment Date in November 2009 with reference to the Class B Notes' allocation of the amount of cash, if any, expected to be available to the Issuer arising on the Repackaging Assets or any other investments held by the Issuer, other than amounts in respect of principal on the Repackaging Assets or a final payment under the Class A Swap or the Class B Swap, but is expected, based on current projections for the CIBOR rate which may or may not reflect the actual CIBOR rate for the relevant period in the future, to be between 0.0% and 1.25%. For the purposes of the recalculation of the Margin on an Interest Payment Date, the allocation of the amount of cash expected to be available between the Class A Notes and the Class B Notes will be pro rata to the principal amount of each class of ScandiNotes II outstanding after paying the expenses ranking ahead of interest in the relevant Order of Priorities (as to which see below).

The Issuer shall notify Noteholders in accordance with Condition 6(b)(v) of such calculation of interest on the Class A Notes and the Class B Notes for an Interest Period within 15 Business Days of the commencement

of such Interest Period.

Special Condition B. - Principal Payments

The Issuer will make principal payments to partially redeem the ScandiNotes II on each Interest Payment Date falling on or after November 2009 to the extent that it has received principal repayments from the Borrowers under the Repackaging Assets or a final payment under the Hedging Agreement. Such amounts of principal will be applied first to reduce the amounts of principal of the Class A Notes (on a pro rata basis applied to the principal amount of the Class A Notes outstanding on the relevant Interest Payment Date) and any other expenses ranking ahead of principal on the Class B Notes in the relevant Order of Priorities (as to which see below) and only when the Class A Notes and such expenses have been repaid in full will principal on the Class B Notes be repaid. The principal on the Class B Notes will be repaid on a pro rata basis applied to the principal amount of the Class B Notes outstanding on the relevant Interest Payment Date. To calculate the amount payable to Noteholders, the pro rata amounts will be applied, to the extent possible through the VP system, to the aggregate holding of Notes held by each Noteholder. All amounts to be paid to a Noteholder in relation to its holding of ScandiNotes II will be rounded down to the nearest DKK 0.01.

Special Condition C. - Amendments to the Conditions

Conditions 7(b)(i)(A), 7(b)(i)(B), 7(b)(i)(C), 7(b)(i)(E) and 7(b)(i)(G) shall not apply to the ScandiNotes II.

Special Condition D. - Security

For the purposes of the Conditions, the Pledge Agreement (described on page 27 below) shall be a Supplementary Security Document.

Special Condition E. - Investments

After the items referred to in paragraphs (a) to (h) of the pre-enforcement Order of Priorities have been paid in full, the Issuer may invest any recoveries it receives from a Borrower under or in relation to the Repackaging Assets which have suffered an RA Event (as defined below) or from the Hedging Counterparty in respect of a termination in full of the Hedging Agreement in Danish Kroner denominated government or municipal bonds, Danish Kroner denominated bonds issued by Danish mortgage credit institutions or investment grade paper with a maturity and currency profile matching the payment obligations of the Issuer in respect of principal and interest on the ScandiNotes II, subject to putting in place security arrangements over such investments in favour of the Secured Creditors to the satisfaction of the Trustee and provided that such investment provides for a return of 3% or more, and further provided that such investment may be made only in investments which have an Appropriate Rating, failing which such amounts shall be applied in paying down principal on the ScandiNotes II. Such amounts of principal will be applied first to reduce the amounts of principal of the Class A Notes and any other expenses ranking ahead of the principal on the Class B Notes in the relevant Order of Priorities (as to which see below) and only when the Class A Notes and such expenses have been repaid in full will principal on the Class B Notes be repaid. Any such investments will constitute Related Assets for the purposes of the Conditions.

For the purposes of this Special Condition E, “**Appropriate Rating**” means a rating from Moody’s for short-term debt at P-1 or higher and a rating from Moody’s for long-term debt at Aa1 or higher. Should a Rating Deterioration occur, unless the Trustee agrees otherwise, the Issuer shall dispose of any such investment as soon as reasonably practicable, taking into account any break costs or other liabilities which will be incurred on such disposal, and on the first day of the next Interest Period must reinvest any such disposal proceeds in investments satisfying the requirements of Special Condition E.

A “**Rating Deterioration**” means any circumstances in which, in relation to an investment held by the Issuer, the rating from Moody’s for short-term debt falls below P-1 in relation to investments with a duration of less than one year or the rating from Moody’s for long-term debt falls below Aa1 in relation to investments with a duration of one year or more.

An “**RA Event**” means the circumstances in which there is a default or deferral (in either case, whether or not caused by force majeure) by any of the Borrowers of any interest or instalments under the Repackaging Assets when due (after expiry of any applicable grace periods) or any Borrower has stated that it intends to defer or repudiate its obligations, for whatever reason, under or in respect of the Repackaging Assets.

24. Instructing Creditor:

Noteholders

DISTRIBUTION

25. (i) If syndicated, names of Managers:

Not Applicable

(ii) Stabilising Manager (if any):	Not Applicable
26. If non-syndicated, name of relevant Dealer:	HSH Nordbank
27. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	TEFRA rules not applicable
28. Additional selling restrictions:	Each Dealer has represented and agreed that it has not offered or sold and will not offer to sell or deliver any of the Notes directly or indirectly in Denmark by way of public offer unless in compliance with the Danish Act no. 1072 of 20 December 1995 on Trading in Securities as amended and Executed Orders thereunder. The Notes are issued as Dematerialised Notes. Notes registered in the VP are not subject to any restrictions on free negotiability within the Kingdom of Denmark under Danish law.

OPERATIONAL INFORMATION

29. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	The Danish Securities Centre (<i>Værdipapircentralen</i>) (the “ VP ”).
30. Delivery at Issue:	Delivery against payment on the Issue Date
31. Settlement Period:	3 Business Days after the trade date (subject to change in accordance with a change in the settlement periods on the Copenhagen Stock Exchange and in the VP system)
32. Governing Law:	English Law
ISIN:	Class A Notes – DK000345474-2 Class B Notes – DK000345482-5

DESCRIPTION OF UNDERLYING ASSETS

The payment of principal and or interest on the Notes is linked to and wholly dependent upon payments being received by the Issuer in respect of loans acquired by the Issuer made to certain Danish commercial and savings banks (as further described in the section entitled “The Danish Banking Industry” below) (the “**Repackaging Assets**”) and upon payments being received by the Issuer from the Hedging Counterparty in respect of the Hedging Agreement (as further described in the section entitled “The Hedging Agreement” below). Please refer to pages 15 and 25 for further details.

RISK FACTORS

An investment in the ScandiNotes II involves certain risks. The following is a summary of certain aspects of the ScandiNotes II, the Repackaging Assets and the Hedging Agreement about which prospective Noteholders should be aware, but it is not intended to be exhaustive, and prospective Noteholders should read the detailed information set out elsewhere in this Supplemental Information Memorandum and in the Information Memorandum. Capitalised terms used but not otherwise defined in this section have the respective meanings set forth in the Conditions.

General

Prospective investors in the ScandiNotes II should conduct such independent investigation and analysis regarding the Repackaging Assets, the ScandiNotes II, the Hedging Agreement and all other relevant persons and market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the ScandiNotes II. The Issuer and the Dealer disclaim any responsibility to advise investors of the risk and investment considerations associated with an investment in the ScandiNotes II as they may exist at the date hereof or at any time thereafter.

Investment in the ScandiNotes II is only suitable for investors who:

- (i) have the requisite knowledge and experience in financial and business matters, and access to and knowledge of appropriate analytical resources to evaluate the merits and risks of an investment in the ScandiNotes II in the context of such investors' financial position and circumstances; and
- (ii) are capable of bearing the economic risk of an investment in the ScandiNotes II until the maturity of the ScandiNotes II.

Further, each prospective investor in the ScandiNotes II must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the ScandiNotes II and the accounting, commercial, taxation, regulatory and legal consequences thereof (i) are fully consistent with its needs, objectives and conditions and (ii) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it and that the ScandiNotes II are a fit, proper and suitable investment for it, notwithstanding the risks inherent in investing in or holding the ScandiNotes II.

Credit Considerations

The ScandiNotes II are solely the obligation of the Issuer. In particular, the ScandiNotes II are not the obligation or responsibility of, or guaranteed by, the Trustee, the Arranger, the Dealer, the Paying Agent, any Counterparty or any of the Borrowers (the "**Borrowers**") under the Repackaging Assets. Apart from the Issuer, none of those persons will accept any liability whatsoever to the Noteholders in respect of any failure by the Issuer to pay any amount due under the ScandiNotes II.

Prospective investors in the ScandiNotes II should be aware that the Issuer's ability to pay the principal of and interest on the ScandiNotes II is partly dependent upon the Issuer receiving interest and instalments from each of the Borrowers when due.

The Repackaging Assets have the status of subordinated capital ("ansvarlig lånekapital") under the consolidated Act no. 686 of 25 June 2004 on Financial Business (the "**Danish Financial Business Act**"), article 136. Thus, in the case of liquidation or bankruptcy of the financial institution, the Noteholders will not receive any distribution or payment before all general creditors including depositors of the financial institution concerned have received repayment of their claims. This means that any demands for repayment under the Repackaging Assets and unpaid interest are subordinated to all other unsubordinated debt in the individual financial institution.

Accordingly, investors in the ScandiNotes II are exposed to a greater credit risk in relation to each of the Borrowers than they would be if the Repackaging Assets comprised other debt of the relevant Borrowers, due to the fact that the Repackaging Assets are subordinated to unsubordinated debt.

Prospective investors should, therefore, independently investigate and analyse the credit risk on the ScandiNotes II due to the fact that the investor will bear the first loss deriving from non-payment by the Borrowers since the Repackaging Assets are treated as subordinated capital for Danish banks.

The Class B Notes

Investors in the Class B Notes should note that these Notes are junior to the Class A Notes and will be redeemed only after all Class A Notes have been redeemed. The Class B Notes therefore will bear the first loss arising out of defaults by the Borrowers or the Hedging Counterparty.

The Class B Notes also have a greater exposure to the Hedging Counterparty in relation to the amount of the final payment under the Hedging Agreement as to which see "Risks associated with the Hedging Agreement" below.

Postponement of interest payment

Each individual Borrower under the loans comprising the Repackaging Assets has the right to postpone interest payments under the relevant loan should such Borrower fail to comply with the solvency requirement in the Danish Financial Business Act on the due date for the relevant interest payment.

Unpaid interest, which has been postponed as a consequence of the above, will be due for payment on the occurrence of the first of the following events:

- (1) the Borrower again complies with the solvency requirements;
- (2) the final repayment date of the Repackaging Assets; or
- (3) a liquidation or bankruptcy of the Borrower.

Investors in the ScandiNotes II should note that any postponement of an interest payment will give rise to termination of part of the Hedging Agreement as to which see "Risks Associated with the Hedging Agreement" below.

Write-down of face value of Repackaging Assets, unpaid postponed interest and cancellation of the outstanding principal amounts

Each Borrower, by a resolution passed at a meeting of its supreme governing body duly convened in accordance with Danish law and such Borrower's articles of association, may resolve to reduce and cancel part or all of the outstanding principal amount of the loan to it comprising part of the Repackaging Assets and any accrued interest thereon together with and *pari passu* with all of such Borrower's outstanding liable capital, pursuant to Article 136 section no. 5 and section no. 2 of the Danish Financial Business Act, upon the occurrence of the following circumstances: (a) the share/guarantee capital and reserves (equity) of the Borrower have been reduced to or below zero; (b) a general meeting of the supreme governing body of the Borrower has effectively resolved in accordance with Danish law and the Borrower's articles of association to reduce (by writing down to zero) the value of each of the outstanding shares constituting the share/guarantee capital of the Borrower; and (c) following the resolution referred to in (b) above either (i) sufficient share/guarantee and/or other capital of the Borrower is subscribed and contributed so as to enable the Borrower, following any such reduction of the outstanding principal amount of the Repackaging Asset and any arrears of interest thereon, to comply with such solvency requirements of the Danish Financial Business Act or (ii) the Borrower terminates its business without loss to the unsubordinated creditors. The amount of any reduction shall be subject to prior approval by the Borrower's elected external auditors and by the Danish FSA and shall at first be effected in respect of any arrears of interest thereon and only when there are no such outstanding arrears of interest the outstanding principal amount of the Repackaging Assets will be reduced.

If interest is not paid under the Repackaging Assets or the principal amount outstanding under the Repackaging Assets is reduced or cancelled in part or in whole, the amount of principal repaid to Noteholders may be less than the amount of their original investment in the ScandiNotes II. Accordingly, the ScandiNotes II are not principal-protected.

Exposure to HSH Nordbank

HSH Nordbank will be the account holding bank and hedging counterparty (the "**Hedging Counterparty**") to three transactions with the Issuer entered into under an ISDA Master Agreement and Schedule entered into between the Issuer and HSH Nordbank in relation to the Series 2004-1 Cell (the "**Hedging Agreement**"). One transaction will be a swap transaction, payments under which will be calculated by reference to the Class A Notes (the "**Class A Swap**"). One transaction will be a swap transaction, payments under which will be calculated by reference to the Class B Notes (the "**Class B Swap**"). The third transaction will be a floor transaction (the "**Floor**") operative from the date of the Interest Payment Date falling in November 2009. The Floor will require payments to be made by HSH Nordbank to the Issuer in the event that CIBOR falls below 0.60% and any of the Repackaging Assets specified in the confirmation for the Floor are outstanding. Accordingly, there is a counterparty risk exposure to HSH Nordbank. In the event that HSH Nordbank or any other hedging counterparty defaults or breaches the Hedging Agreement, a mismatch in the transaction cash flows may result. Therefore, HSH Nordbank should be evaluated by prospective investors from a credit risk perspective. Further information about HSH Nordbank is provided on page 31 in the section headed "Information Concerning the Hedging Counterparty".

Risks associated with the Hedging Agreement

The principal amount of the Repackaging Assets is less than the principal amount of the ScandiNotes II. Pursuant to the Hedging Agreement, the Hedging Counterparty shall, in the absence of any defaults or termination of the Hedging Agreement, be obliged to make termination payments to the Issuer on the Interest Payment Date falling in November 2009 in respect of the Class A Swap and the Class B Swap in an aggregate amount equal to DKK 61,975,000.

The termination payments payable by the Hedging Counterparty under the Class A Swap and the Class B Swap exceed the principal amount of the Class B Notes. Accordingly, in the event of a default by the Hedging Counterparty the investors in the Class B Notes stand to lose some or all of their investment and the investors in the Class A Notes may lose some of their investment. If there is a default or a termination of the Class A Swap or the Class B Swap, the principal amount of the Repackaging Assets will be less than the outstanding amount of the ScandiNotes II and there can be no guarantee that investors will receive full payment of principal on the ScandiNotes II.

The Class A Swap and the Class B Swap will terminate on the Interest Payment Date falling in November 2009 unless terminated earlier in accordance with their terms. The Hedging Agreement may be terminated in whole, among other circumstances:

- (i) in certain circumstances as more particularly described below, if withholding taxes are imposed on payments by the Issuer or the Hedging Counterparty under the Hedging Agreement; or
- (ii) upon the occurrence of certain other events with respect to either party to the Hedging Agreement, including a breach of representation, insolvency and changes in law resulting in illegality; or
- (iii) if any of the ScandiNotes II become due to be redeemed by the Issuer prior to 1 November 2009,

whereupon the Issuer or the Hedging Counterparty may be liable to make a termination payment to the other regardless of which of the parties caused such termination.

The Hedging Agreement may be terminated in part only, among other circumstances:

- (i) if there is a default or deferral (in either case, whether or not caused by force majeure) by any of the Borrowers of any interest or instalments under the Repackaging Assets when due (after expiry of the applicable grace period) or any Borrower has stated that it intends to defer or repudiate its obligations, for whatever reason, under or in respect of the Repackaging Assets (an "RA Event"); or
- (ii) at the option of one party, if there is a failure by the other party to pay any amounts due or to comply with or perform any obligation under the Hedging Agreement,

whereupon the Issuer or the Hedging Counterparty may be liable to make a partial termination payment to the other regardless of which of the parties caused such termination. Such termination payment shall be calculated on a mark to market basis and shall be taken into account to reset the amounts of the Class A Swap and the Class B Swap. If the Class A Swap or Class B Swap is not reset, any termination payment payable to the Hedging Counterparty will be made on the Interest Payment Date following the date of the calculation of such termination payment. For further details see "The Hedging Agreement" on page 25 below. However, the Hedging Agreement shall remain in force in such circumstances to the extent that there is no RA Event under the other Repackaging Assets and the cash flows from such other Repackaging Assets will continue to be swapped under the Hedging Agreement in order to make a proportionate payment in respect of the Notes.

If there is a termination of any of the transactions under the Hedging Agreement, there can be no guarantee that investors will receive full payment of principal or interest on the ScandiNotes II.

Enforcement of Security

The Security for the ScandiNotes II, as set out in the Trust Deed, Supplemental Trust Deed and Pledge Agreement (as defined and described below in the section entitled "The Repackaging Assets and Security" on page 24), comprises the Repackaging Assets, the Sale and Purchase Agreement, the amounts standing to the credit of the Issuer's bank accounts held with the account bank, HSH Nordbank, the Account Bank Agreement, the Hedging Agreement and the VP Agency Agreement. In the event of enforcement of the Security, the monies available to the Issuer to make payment to the Noteholders will, inter alia, be dependent on the net proceeds of sale of the Repackaging Assets and will be dependent on paying amounts due to secured creditors ranking ahead of the Noteholders in the Order of Priorities set out on pages 27 to 30. There can be no assurance as to the market value of any such Repackaging Assets sold, nor can there be any assurance that such Repackaging Assets can be sold at the relevant time and/or as to the net proceeds of sale which may be raised at that time. Accordingly, this may mean that there are insufficient funds available to pay Noteholders. The value of the Repackaging Assets will fluctuate with, amongst other things, changes in general economic conditions, prevailing interest rates, the condition of certain financial markets, international political events and the financial condition of, or the political situation relating to, the Borrowers.

Any action for the enforcement of the Conditions of the ScandiNotes II or the Security therefor may only be taken by the Trustee on behalf of the Noteholders. Noteholders may be bound by resolutions passed by certain majorities at meetings of Noteholders at which they were not present and such resolutions may include modifications of the Conditions of the ScandiNotes II. The Trustee shall not be obliged to pursue any of the remedies available in the Principal Trust Deed unless indemnified to its satisfaction.

Limited Recourse

On the enforcement of the Security the Trustee will have recourse only to the Security. The Trustee will have no recourse to any other assets of the Issuer and, after realisation of the Security, none of the Trustee, the Paying Agent, the VP Agent nor any Noteholders may take any further steps against the Issuer or any of its assets to recover any sums still unpaid in respect of the Trust Deed or the ScandiNotes II (including any amount in respect of accrued interest), as applicable, and all claims against the Issuer in respect of such sums shall be extinguished.

Prepayment/realisation of assets

A possible prepayment of the ScandiNotes II will be dependent upon whether the Repackaging Assets will be prepaid. Each of the Borrowers has an option to prepay its loan comprising part of the Repackaging Assets on or after October 2009 at a price of 100% of the loan to such Borrower comprising part of the Repackaging Assets with 30 days' notice in advance and conditional upon the approval of the Danish FSA.

It is the individual Borrower that evaluates whether it should utilise its option to prepay under the Repackaging Assets. This could mean that not all of the Borrowers would prepay on or after October 2009 but any Borrower which does not prepay on such date would be exposed to an increased cost of funds under the relevant loan.

Deferment of principal to after November 2009

Following October 2009, whereupon the Borrowers have an option to prepay the Repackaging Assets, it is possible that some but not all of the Repackaging Assets will have been redeemed. In the event that this is the case, there is a risk that the interest received on the outstanding Repackaging Assets after deducting expenses ranking ahead of interest on the ScandiNotes II will be less than the minimum interest rate on the ScandiNotes II. The risk of the shortfall in cash flows is hedged, to the extent that it arises from a fall in CIBOR, by the Floor entered into by the Issuer with HSH Nordbank. The Floor will require payments to be made by HSH Nordbank to the Issuer in the event that CIBOR falls below 0.60% and any of the Repackaging Assets specified in the Floor are outstanding.

The ScandiNotes II are subject to optional redemption by the Issuer in the event that the aggregate principal amount of the ScandiNotes II outstanding on or after November 2009 amounts to 10% or below of the original aggregate principal amount of the ScandiNotes II at the Issue Date. Such an optional redemption is subject to monies being available to the Issuer to make payment to the Noteholders which is dependent on the Issuer selling the Repackaging Assets and the net proceeds of sale of the Repackaging Assets being sufficient, following payment of all amounts which rank in priority to such payment to Noteholders, to repay principal plus accrued interest on the outstanding ScandiNotes II.

Access to Information

Noteholders will not have the right to obtain from the Issuer or the Trustee information in relation to any of the Repackaging Assets or information regarding any obligation of any of the Borrowers.

Secondary Market; Liquidity

There is not, at present, an active and liquid secondary market for the ScandiNotes II and it is unlikely that an active secondary market for the ScandiNotes II will develop. Even if an active secondary market does develop, it may not continue for the life of the ScandiNotes II or it may leave Noteholders with illiquid investments. This means that a Noteholder may not be able to find a buyer to buy its ScandiNotes II readily or at prices that will enable the Noteholder to realise a desired yield. This can also have an adverse effect on the market value of the ScandiNotes II.

Withholding Taxes

In the event that withholding taxes are imposed on payments made or to be made under the ScandiNotes II, Noteholders will receive less than the full amount of payments to which they would otherwise have been entitled and will not have any right to require the Issuer to make additional payments in respect of the amount withheld.

THE DANISH BANKING INDUSTRY

This section sets out some of the characteristics of the Danish banking industry and presents an overview of the current market situation.

Regulators

Danish banks and saving banks are supervised by the Danish Financial Supervisory Authority (*Finanstilsynet*) ("**Danish FSA**"), which is an agency of the Danish Ministry of Economic and Business Affairs. The Ministry is generally responsible for financial legislation.

The current function of the Danish FSA is to supervise the activities of the regulated portion of the Danish financial industry. This is performed by requiring institutions to report on, *inter alia*, accounts, cash resources and large exposures to the Danish FSA and by the Danish FSA performing on-site inspections. The Danish FSA also reviews material matters, including individual cases, arising in individual banks and savings banks and generally has the obligation to monitor compliance by the banks and savings banks with the Danish Financial Business Act and the Danish Act on Banks and Savings Banks, Consolidation Act No. 1265 of 19 December 2003.

Structure of the Industry

At the end of 2003 there were a total of 182 commercial and savings banks in Denmark.

Danish banks have performed well in recent years, asset quality is generally good and industry commentators have observed that banks pursue prudent provisioning policies. The Danish banking system is highly concentrated and cross-border consolidation has resulted in the creation of two large regional financial conglomerates, Nordea and Danske Bank. Together these two institutions control 71% of corporate and retail lending and 68% of customer deposits. After the two market leaders, Danske Bank and Nordea, are Jyske Bank and Sydbank. Each of these banks has its respective core operating area in Jutland.

However, despite the market being mostly controlled by a handful of players, competition is enhanced by the large number of small and midsize banks with strong local franchises, as well as some foreign entrants in the market trying to build up market share.

The remaining market share in the retail market is divided between roughly 178 regional and local banks that are operating in Denmark. Despite their small size, the regional and local banks have, according to market sources, been profitable. They have sought to differentiate themselves from the larger nationwide banks by focusing on a high service level and close relationships with their customers aiming at achieving high customer loyalty.

A table showing the total assets of 96 of the largest Danish banks as produced by the Danish FSA is set out below¹:

Total assets of Danish Banks (year end 2001)	No. of banks	Total DKK bn
Working capital of DKK 25bn and above	5	1,958
Working capital of DKK 3bn and above	20	253
Working capital of DKK 250m and above	71	111
Total	96	2,322

(Source: The Danish FSA)

¹ These 96 banks account for 99% of the accumulated sum of total assets of all banks in Denmark.

Extracts of a consolidated balance sheet for the 96 largest Danish banks for 1999 and 2003, as estimated by the Danish FSA, are set out below:

Banks' balance sheets (DKK bn)	Year 1999	Year 2003
Assets		
Loans and advances	724	934
Balances due from banks	328	484
Bonds	335	611
Total Assets	1,619	2,322
Liabilities		
Deposits	750	932
Balances due to banks	436	706
Bonds issued	128	217
Total equity	99	138
Total liabilities	1,619	2,322

Note: The above table includes only selected items and does not reflect the complete estimated balance sheet of the sector.

(Source: Danish FSA)

Profitability

According to market sources, Danish banks reported healthy profits during 2003 resulting from the positive trend in the equity markets and falling interest rates. In 2003, the results from ordinary banking operations improved to what is regarded by market sources as an all-time high. However, one of the major factors limiting profitability in recent years is that provisions and write-offs in respect of bad debts have increased since 1999. The performance of Danish banks has been stable and revenue diversification is increasing. During 2003, interest margins increased only marginally in Denmark. This price pressure is thought to be the result of the increased competition in the market.

When comparing the performance of Danish and foreign banks, it is important to take into consideration the difference in accounting principles. Both realised and unrealised capital gains are included in the financial net profit/loss of Danish banks. Hence, their earnings are sensitive to changes in securities prices, exchange rates and other financial instruments. Furthermore, securities represent a relatively large part of the banks' total balance sheets.

Earnings of Danish banks (DKK bn) parent company (not group)	1999	2001	2003
Net interest and fees receivable	41.4	48.4	51.0
Securities and foreign exchange result	1.6	1.8	4.4
Staff and administration expenses	29.0	30.6	31.4
Provisions for bad and doubtful debts	2.6	5.2	5.1
Profit from participating interests in subsidiary and associated undertakings	3.5	6.0	7.8
Other expenses	0.2	0.03	0.3
Profit before tax	14.8	20.2	27.9
Tax	2.6	5.1	7.2
Profit for the year after tax	12.2	15.1	20.7

Note: The above table includes selected items and does not reflect the complete estimated profit and loss account of the sector. (Source: Danish FSA)

Capitalisation

Capitalisation in the Danish banking system has been improving since 1999, with the total regulatory capital ratio averaging 13.5%. This level is strong and reflects the fact that many of the smaller institutions have capital adequacy ratios well above the regulatory minimum requirement. (Source: Danish FSA)

SELECTED DANISH COMMERCIAL AND SAVINGS BANKS

The Danish commercial and savings banks issuing the subordinated term loan agreements constituting the Repackaging Assets are:

Amagerbanken A/S

Portrait

The bank was founded in 1903 on the island of Amager, south of Copenhagen, and now has 14 branch offices on the island. Furthermore, the bank has 10 branch offices in the Copenhagen area, one branch in Odense and two branches in Århus, giving a total of 27 branches. The bank offers a range of traditional banking products and through the bank's subsidiary, AB Finans A/S, the bank offers leasing and other financing. Today Amagerbanken has approximately 100,000 customers, both private and corporate. The corporate customers account for about half of the bank's balance. The bank's shares are listed on the Copenhagen Stock Exchange. As at the end of 2003, the major shareholders in the bank were PFA Holding A/S and Amagerbanken Aktieselskab, holding 5.5% and 2.81% of the issued share capital respectively. The remainder of the bank's ownership is spread among 28,000 shareholders.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	49.1	70.2	121.5	327.5	112.8
Net result	74.6	121.5	117.3	-39.3	177.4
Lending	7,028.0	8,622.0	8,655.0	7,477.0	7,180.0
Equity	779.0	867.0	956.0	918.0	1,060
Subordinated capital	230.0	230.0	380.0	380.0	455.0
Balance	9,908.0	11,896.0	13,258.0	12,165.0	12,003
Income/cost ratio (I/C)	1.28	1.44	1.34	0.90	1.43
Write-offs for the year and provisioning ratio	0.60	0.60	1.10	3.40	1.2
Provisioning ratio	2.30	2.20	2.20	3.20	3.0
Core capital percentage	8.40	8.20	8.60	8.50	10.2
Solvency percentage	11.00	10.40	12.00	12.50	14.5

(source: Amagerbanken 2003 Annual Report)

Djurslands Bank A/S

Portrait

Djurslands Bank was founded in 1965 and is an independent local bank, headquartered in north-eastern Jutland. The bank's main geographical focus is the eastern part of Jutland around the areas of Århus and Djursland. As at the end of 2003, the bank employed 167 people in 20 branches. The bank's prime strategy is to provide their customers with a high level of personal service, thus aiming to differentiate themselves from the larger market players. The bank offers all kind of traditional commercial banking products. Today the bank has approximately 34,000 private customers and 2,500 business customers. Djurslands Bank is listed on the Copenhagen Stock Exchange and ownership is diverse.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	14.5	16.6	19.7	22.0	22.9
Net result	19.9	27.4	32.1	31.8	63.6
Lending	1,635.7	1,747.3	1,939.1	2,086.9	2,127.3
Equity	217.9	241.1	269.0	322.5	380.7
Subordinated capital	60.1	47.1	47.6	48.1	48.6
Balance	2,262.9	2,360.4	2,657.4	2,871.2	3,134.4

Income/cost ratio (I/C)	1.28	1.36	1.39	1.36	1.55
Write-offs for the year and provisioning ratio	0.50	0.60	0.60	0.60	0.60
Provisioning ratio	2.40	3.10	3.20	3.50	3.90
Core capital percentage	8.90	9.70	10.20	10.50	12.40
Solvency percentage	11.50	11.70	12.00	12.30	12.30

(Source: Djurslands Bank 2003 Annual Report)

Egnsbank Han Herred A/S

Portrait

Egnsbank Han Herred markets itself as a full service financial institution for both private customers and small and medium sized companies. The bank's customers are served by a branch network of 12 branches, which are located in the area around Fierritslev, in northern Jutland.

Egnsbank Han Herred co-operates closely with other regional banks and savings banks and merged in 2001 with the investment company DAI Holding A/S. The largest shareholder in the bank is the Egnsbank Han Herreds Fond, which, at the end of 2003, held 47% of the issued share capital; otherwise the bank's ownership is diverse. The bank is listed on the Copenhagen Stock Exchange.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	12.0	18.0	21.0	26.0	22.0
Net result	14.0	40.0	35.0	45.0	69.0
Lending	1,160.0	1,305.0	1,285.0	1,759.0	2,017.0
Equity	227.0	247.0	260.0	319.0	376.0
Subordinated capital	50.0	50.0	25.0	100.0	125.0
Balance	1,572.0	2,066.0	2,193.0	2,862.0	3,036.0
Income/cost ratio (I/C)	1.23	1.36	1.35	1.41	1.52
Write-offs for the year and provisioning ratio	0.6	0.8	0.8	0.8	0.6
Provisioning ratio	4.9	4.9	5.5	3.8	2.7
Core capital percentage	11.8	12.6	10.0	9.5	9.7
Solvency percentage	14.5	15.2	11.0	13.2	12.9

(Source: Egnsbank Han Herred 2003 Annual Report)

Forstædernes Bank

Portrait

Forstædernes Bank markets itself as a full service financial institution for both private customers and small and medium sized companies. The bank's customers are served by a branch network of 22 branches in and around the area of Copenhagen.

At the end of 2003 the Bank had widespread ownership, with over 18,000 shareholders. Forstædernes Bank was the largest shareholder with 1.4% of the share capital. The bank is listed on the Copenhagen Stock Exchange.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	54.0	65.0	87.0	96.0	99.0
Net result	53.0	75.0	79.0	60.0	101.0
Lending	3,931.0	5,291.0	6,165.0	6,654.0	8,143.0
Equity	428.0	488.0	706.0	772.0	850.0
Subordinated capital	348.0	349.0	399.0	574.0	575.0
Balance	5,291.0	7,208.0	9,428.0	10,747.0	11,689.0
Income/cost ratio (I/C)	1.27	1.34	1.29	1.19	1.31
Write-offs for the year and provisioning ratio	0.9	0.8	1.0	1.0	0.8
Provisioning ratio	3.1	2.5	2.7	2.6	2.4
Core capital percentage	7.0	6.3	8.1	7.9	7.3
Solvency percentage	13.0	11.1	12.9	14.3	12.2

(Source: Forstædernes Bank 2003 Annual Report)

Fionia Bank (formerly Amtssparekassen Fyn)*Portrait*

Fionia Bank markets itself as a full service financial institution for both private customers and small and medium sized companies. The bank's customers are served by a branch network of 36 branches, which are mostly located on Fyn, Langeland and Ærø. Market share is about 20% in the bank's local community.

Fionia Bank has a close co-operation with other regional banks and savings banks relating to clearing and financial market operations. The largest shareholder in the bank is Fionia Banks Aktiefond A/S, which holds 36.69% of the issued share capital. The bank is listed on the Copenhagen Stock Exchange.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	55.8	66.6	79.6	82.7	86.7
Net result	62.7	104.1	97.3	87.4	139.7
Lending	7,012.0	7,682.0	7,915.0	8,551.0	8,984.0
Equity	939.0	942.0	994.0	1,101.0	1,177.0
Subordinated capital	104.0	230.0	231.0	232.0	283.0
Balance	12,896.0	14,915.0	15,617.0	17,455.0	17,925.0
Key figures:	1999	2000	2001	2002	2003
Income/cost ratio (I/C)	1.23	1.36	1.33	1.26	1.37
Write-offs for the year and provisioning ratio	0.60	0.70	0.70	0.70	0.70
Provisioning ratio	5.20	4.60	4.10	3.80	3.70
Core capital percentage	9.80	9.00	9.10	9.30	8.40
Solvency percentage	11.10	11.40	11.30	10.10	10.10

(Source: Fionia Bank (formerly Amtssparekassen Fyn) 2003 Annual Report)

hvb Bank A/S

Portrait

hvb Bank A/S was founded in 1901 and is an independent local bank, headquartered in Næstved. In 2004, the bank underwent a change of name from Haandværkerbanken to its present name, hvb Bank. The bank's main geographical focus is in south-west and south-east Sjælland. At the end of 2003, the bank had 126 employees and served its core area from six branches. The bank aims to provide its clients with a high level of personal service, thereby striving to differentiate themselves from the larger market players. Through various strategic co-operations, the bank offers its clients a large variety of traditional banking products. hvb Bank is listed on the Copenhagen Stock Exchange and its ownership is diverse. At the end of 2003, the largest shareholders were Investeringsforeningen Sparinvest in Tjele with 5.36% and hvb Bank A/S with 2.44% of the issued share capital.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	11.6	31.2	18.5	16.6	38.0
Net result	11.7	12.1	16.1	26.1	44.1
Lending	854.0	1,051.9	1,156.5	1,194.2	1,361.5
Equity	190.0	196.6	207.2	246.1	282.9
Subordinated capital	0	0	50.0	50.0	50.0
Balance	1,488.5	1,703.1	1,996.9	1,880.3	2,101.4
Income/cost ratio (I/C)	1.17	1.17	1.22	1.35	1.38
Write-offs for the year and provisioning ratio	0.7	1.6	0.8	0.7	1.5
Provisioning ratio	4.0	3.2	3.3	3.3	4.1
Core capital percentage	12.8	11.0	9.8	10.3	11.6
Solvency percentage	12.8	11.0	12.3	12.9	12.8

(Source: hvb Bank 2003 Annual Report)

Nordfyns Bank

Portrait

Nordfyns Bank's history dates back to 1872. The bank's main operating area is the northern part of Fyn. Apart from its headquarters in Bogense, at the end of 2003 the bank had 7 branches and 61 employees. The bank's share capital is spread among approximately 5,000 shareholders. Nordfyns Bank is listed on the Copenhagen Stock Exchange.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	3.4	10.4	10.2	11.1	11.5
Net result	9.1	0.079	7.6	11.1	27.5
Lending	511.5	545.0	586.8	634.8	633.6
Equity	51.8	58.9	64.6	97.4	119.7
Subordinated capital	27.2	27.8	28.4	28.9	29.5
Balance	719.8	759.2	336.9	936.2	1,105.7
Income/cost ratio (I/C)	1.01	1.26	1.19	1.28	1.58
Write-offs for the year and provisioning ratio	0.5	1.3	1.1	1.1	1.1
Provisioning ratio	3.4	4.2	4.1	3.9	3.4
Core capital percentage	7.0	7.8	7.2	10.6	12.4
Solvency percentage	11.1	11.4	10.4	14.6	15.1

(Source: Nordfyns Bank 2003 Annual Report)

Østjydsk Bank A/S*Portrait*

Østjydsk Bank A/S's history dates back to 1897. The bank's main geographical focus is the eastern part of Jutland around Mariager. At the end of 2003, the bank employed 80 people in 6 branches, with headquarters in Mariager. The bank's prime strategy is to provide their customers with a high level of personal service, thus aiming to differentiate itself from the larger market players. The bank offers a range of traditional commercial banking products; furthermore, through co-operation with partner institutions, Østjydsk Bank offers products such as mortgage bonds and pension schemes. Østjydsk Bank is listed on the Copenhagen Stock Exchange and ownership is diverse.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	9.6	9.9	14.9	16.2	22.9
Net result	13.6	18.3	19.7	20.7	43.3
Lending	629.5	778.3	973.2	1,072.7	1,221.3
Equity	111.4	127.3	158.7	191.5	227.6
Subordinated capital	44.0	44.1	69.2	94.3	94.5
Balance	952.1	1,108.9	1,510.8	1,699.6	2,172.8
Income/cost ratio (I/C)	1.38	1.47	1.43	1.42	1.59
Write-offs for the year and provisioning ratio	0.70	0.70	0.80	0.70	0.90
Provisioning ratio	4.90	4.50	3.90	3.80	4.0
Core capital percentage	9.90	8.90	9.00	8.80	10.40
Solvency percentage	14.50	12.50	13.30	13.80	13.80

(Source: Østjydsk Bank 2003 Annual Report)

Spar Nord Bank A/S*Portrait*

Spar Nord Bank was established in 1824. The bank's core operating area is in the northern part of Jutland, with headquarters in Aalborg. As at the end of 2003, the bank operated 67 branch offices, largely within its main operating area, but also in Århus and Copenhagen. The bank offers a range of traditional commercial banking products, furthermore, through co-operation with partner institutions, Spar Nord Bank offers products such as mortgage bonds and pension schemes. The largest shareholders in Spar Nord Bank, at the end of 2003, were Spar Nord Fonden A/S, which held 30.2% of the issued share capital, and Nykredit Realkredit A/S, which held 7.3% of the issued share capital. Spar Nord Bank is listed on the Copenhagen Stock Exchange and its ownership is diverse.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	131.6	211.0	347.3	307.4	224.8
Net result	167.9	257.3	58.2	116.3	236.9
Lending	14,506.2	16,783.1	16,460.0	16,847.7	17,836.5
Equity	1,630.5	1,690.0	1,692.2	1,934.3	2,067.4
Subordinated capital	667.7	669.5	964.0	980.5	1,054.9
Balance	26,653.6	28,503.0	28,989.6	31,958.9	32,404.2

Income/cost ratio (I/C)	1.27	1.37	1.05	1.13	1.28
Write-offs for the year and provisioning ratio	0.70	1.10	1.70	1.70	1.0
Provisioning ratio	4.40	3.40	3.90	3.10	3.00
Core capital percentage	8.80	7.60	7.50	8.00	9.00
Key figures:	1999	2000	2001	2002	2003
Solvency percentage	10.90	9.40	10.50	10.50	11.20

(Source: Spar Nord Bank 2003 Annual Report)

Sparekassen Østjylland

Portrait

Sparekassen Østjylland's history dates back to 1866. The bank's main geographical focus is the eastern part of Jutland. At the end of 2003, the bank employed 134 people in 13 branches, with headquarters in Hammel. The bank's prime strategy is to provide their customers with a high level of personal service, thus aiming to differentiate itself from the larger market players. The bank is neither publicly owned nor listed on any stock exchange, but is an independent self-owning institution.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	0.075	5.3	9.2	20.4	32.8
Net result	18.5	23.2	24.4	23.7	33.2
Lending	622.4	735.0	795.9	1,005.1	1,337.8
Equity	250.1	274.2	304.4	358.5	428.7
Subordinated capital	0	0	0	0	65.0
Balance	1,161.6	1,285.9	1,473.7	1,660.5	2,124.3
Income/cost ratio (I/C)	1.58	1.60	1.56	1.39	1.28
Write-offs for the year and provisioning ratio	0	0.40	0.50	1.00	1.20
Provisioning ratio	4.10	3.50	3.40	3.70	4.00
Core capital percentage	23.80	21.10	19.70	18.60	16.60
Solvency percentage	23.80	21.10	19.70	19.50	17.00

(Source: Sparekassen Østjylland 2003 Annual Report)

Sparekassen sparTrelleborg

Portrait

Sparekassen sparTrelleborg's history dates back to 1855. The bank's main geographical focus is the south-western part of Zealand. At the end of 2003, the bank employed 135 people in 12 branches, with headquarters in Slagelse. The bank's prime strategy is to provide their customers with a high level of personal service, thus aiming to differentiate themselves from the larger market players. Outside its local area the bank operates branches in Hillerød and central Copenhagen. The bank is neither publicly owned nor listed on any stock exchange, but is an independent self-owning institution.

Financial Performance

Key figures: (MDKK)	1999	2000	2001	2002	2003
Loan losses and provisions	5.5	10.9	13.4	15.3	39.1
Net result	8.2	20.4	24.2	26.8	47.5
Lending	981.7	1,150.6	1,351.2	1,524.1	1,804.2

Equity	260.4	293.1	334.1	388.1	442.5
Subordinated capital	0	0	0	0	0
Balance	1,662.3	1,748.1	1,953.7	2,130.8	2,785.3
Income/cost ratio (I/C)	1.45	1.59	1.60	1.61	1.59
Write-offs for the year and provisioning ratio	0.30	0.50	0.50	0.60	1.1
Provisioning ratio	2.00	1.90	2.10	1.90	2.30
Core capital percentage	15.00	15.50	15.40	15.40	14.50
Solvency percentage	15.80	16.30	16.00	16.70	14.90

(Source:Sparekassen sparTrelleborg 2003 Annual Report)

THE REPACKAGING ASSETS AND SECURITY

1. Loan Agreements

The subordinated term loan agreements constituting the Repackaging Assets have been entered into on substantially similar terms, save as to interest rates, by a number of Danish commercial and savings banks, as borrowers, and HSH Nordbank, as lender (the “**Lender**”). All loans were advanced on 29 October 2004 and will be sold and assigned to the Issuer pursuant to the Sale and Purchase Agreement on the Issue Date.

The principal terms of the Repackaging Assets are that the loans have a maturity date of 29 October 2012. The Borrowers have no right to prepay the Repackaging Assets prior to October 2009. The Borrowers can, however, following approval from the Danish FSA prepay semi-annually at par by giving 30 calendar days’ notice, ending on an interest payment date under the relevant loan agreement falling in or after October 2009.

Each loan agreement has two annual interest payment dates in each year (on 29 April and 29 October subject to modification in accordance with a modified following business day convention).

The Repackaging Assets constitute subordinated debt in respect of the Danish Financial Business Act, article 136. Accordingly, the Repackaging Assets are treated as subordinated debt, which is subordinated to all other non-subordinated debt of the relevant Borrower. Additionally, a series of special terms prevail for subordinated debt as prescribed by the Danish Financial Business Act, article 136, including the right of a Borrower to postpone interest payments on the Repackaging Assets if that Borrower does not meet its solvency requirements and a Borrower’s right in certain cases to write down Repackaging Assets.

The following table sets out details of the Borrowers and their respective borrowings:

Borrower	CVR no.	Nominal amount, DKK million	Percentage of total borrowing
Amagerbanken A/S	15773928	75	9
Djurslands Bank A/S	40713816	50	6
Engsbank Han Herred A/S	45586219	50	6
Fionia Bank	14669000	100	13
Forstædernes Bank	52969816	150	19
hvb Bank	40172319	75	9
Nordfyns Bank	64865218	15	2
Østjydsk Bank A/S	57928913	60	8
Spar Nord Bank A/S	13737584	155	19
Sparekassen Østjylland	68339928	20	3
Sparekassen sparTrelleborg	66782913	50	6
Total		800	100

Any front end fee payable by any Borrower to the original Lender to cover expenses associated with the execution of and servicing of the facility will not be assigned to the Issuer pursuant to the Sale and Purchase Agreement.

The Borrowers do not pledge any assets as security for the Repackaging Assets. The Lender may declare the Repackaging Assets to be cancelled and/or immediately due and repayable in the event that the relevant Borrower enters into liquidation or is declared bankrupt.

The Repackaging Assets are governed by Danish law.

2. The Pledged Accounts

The Issuer has opened a DKK account with the account bank, HSH Nordbank (5130-8000056) (the “**2004-1 Cash Account**”). The 2004-1 Cash Account will be used to make payments to Noteholders and its details will be notified to the VP.

The Issuer has also opened a new DKK account with HSH Nordbank (5130-8000072) (the “**2004-1 Deposit Account**”) which will, together with the 2004-1 Cash Account (the “**Pledged Accounts**”), pursuant to the Pledge Agreement, form part of the security for the Notes. Borrowers under the Repackaging Assets have been notified to make payments of principal and interest to the Issuer directly to the 2004-1 Deposit Account and such payments will be held there for the period between receipt and the corresponding payment date for the Notes. The transfer of amounts from the 2004-1 Deposit Account to the 2004-1 Cash Account is governed by the Account Agreement and the Operation Services Agreement.

3. The Hedging Agreement

On or prior to the Issue Date, the Issuer will enter into three transactions with HSH Nordbank, as the Hedging Counterparty, pursuant to the Hedging Agreement. Two of these transactions will be used to swap the payments made in respect of the Repackaging Assets for amounts corresponding to the payments to be made under the Notes. One swap transaction will be calculated by reference to the Class A Notes and one will be calculated by reference to the Class B Notes, both of which constitute obligations in relation to the Series 2004-1 Cell. The third transaction will be a floor transaction which will operate as described below to minimise the risk that after the termination of the swap transactions in November 2009 the Issuer will be unable to pay interest on the ScandiNotes II at a rate which will be equal to or greater than the minimum interest rate on the ScandiNotes II. The following description is a summary only of certain provisions of the transactions under the Hedging Agreement.

Class A Swap

The Class A Swap has been entered into to swap a portion of the interest payable by Borrowers under the Repackaging Assets (the “**Class A Floating Amount**”) into an amount equal to the fixed rate payable on the Class A Notes and a final principal amount payable to the Issuer on the Interest Payment Date falling in November 2009 to be applied by the Issuer together with principal payments on the Repackaging Assets, if any, to make a principal repayment on the ScandiNotes II on such payment date. The Class A Floating Amount will be determined based on a notional principal amount of DKK 680,000,000.

Class B Swap

The Class B Swap has been entered into to swap a portion of the interest payable by Borrowers under the Repackaging Assets (the “**Class B Floating Amount**”) into an amount equal to the fixed rate payable on the Class B Notes and a final principal amount payable to the Issuer on the Interest Payment Date falling in November 2009 to be applied by the Issuer together with principal payments on the Repackaging Assets, if any, to make a principal repayment on the ScandiNotes II on such payment date. The Class B Floating Amount will be determined based on a notional principal amount of DKK 120,000,000.

Floor transaction

The Floor has been entered into to minimise the risk that, should any of the Borrowers opt to prolong their loans beyond the loan interest payment date falling in October 2009, the Issuer will, as a result of movements in Copenhagen Interbank interest rates, be unable to pay interest on the ScandiNotes II at a rate equal to or greater than the minimum interest rate on the ScandiNotes II. The Floor will operate only if any of the Repackaging Assets are outstanding after the October 2009 interest payment date on the loans and only if CIBOR falls below the rate specified in the Floor, which is 0.60%. Any payments due under the Floor will be calculated by reference to the principal amount outstanding of the Repackaging Assets at the relevant Determination Date and by reference to CIBOR.

Termination

The Class A Swap and the Class B Swap will terminate on the Interest Payment Date falling in November 2009 unless terminated earlier in accordance with their terms. The Hedging Agreement may be terminated in whole, among other circumstances:

- (i) in certain circumstances as more particularly described below, if withholding taxes are imposed on payments by the Issuer or the Hedging Counterparty under the Hedging Agreement; or
- (ii) upon the occurrence of certain other events with respect to either party to the Hedging Agreement, including a breach of representation, insolvency and changes in law resulting in illegality; or
- (iii) if any of the ScandiNotes II became due to be redeemed by the Issuer prior to November 2009,

whereupon the Issuer or the Hedging Counterparty may be liable to make a termination payment to the other regardless of which of the parties caused such termination.

The Hedging Agreement may be terminated in part only, among other circumstances:

- (x) if there is a default or deferral (in either case, whether or not caused by force majeure) by any of the Borrowers of any interest or instalments under the Repackaging Assets when due (after expiry of any applicable grace periods) or any Borrower has stated that it intends to defer or repudiate its obligations, for whatever reason, under or in respect of the Repackaging Assets (an “RA Event”); or
- (y) at the option of one party, if there is a failure by the other party to pay any amounts due, or to comply with or perform any obligation under the Hedging Agreement,

whereupon the Issuer or the Hedging Counterparty may be liable to make a partial termination payment to the other regardless of which of the parties caused such termination. Such termination payment shall be calculated on a mark to market basis and shall be taken into account to reset the amounts of the Class A Swap and the Class B Swap in the manner described in the paragraph below. However, the Hedging Agreement shall remain in force in such circumstances to the extent that there is no RA Event under the other Repackaging Assets and the cash flows from such other Repackaging Assets will continue to be swapped under the Hedging Agreement in order to make a proportionate payment in respect of the ScandiNotes II.

If there is a partial termination under the Hedging Agreement, the swaps under the Hedging Agreement will be reset. If the partial termination arises as a result of an RA Event, the Class B Swap and, to the extent necessary the Class A Swap, shall be reset to give effect to the loss of the cash flow from the relevant Repackaging Asset and such resetting shall be carried out assuming a full loss of cash flow from the relevant Repackaging Asset. Such resetting shall take account of any mark to market termination payment which would otherwise be payable to or from the Issuer in the revised swap cash flows at the prevailing swap rates available at the time to give rise to a revised notional principal amount and final payment amount for the fixed leg of the Class B Swap and, to the extent necessary, the Class A Swap. Such resetting will be carried out, as far as possible, to secure the principal and interest on the Class A Notes without regard to the Class B Notes and, where appropriate, to secure interest on the Class A Notes before principal on the Class A Notes and, where the principal and interest on the Class A Notes has been secured, to secure interest on the Class B Notes before principal on the Class B Notes. All termination payments payable to the Issuer shall be utilised in resetting the swap unless the Issuer can demonstrate to the satisfaction of the Trustee that there is an alternative agreed with the Hedging Counterparty which produces a result which is better for the Class A Noteholders. Any termination payments payable to the Hedging Counterparty which are not utilised in resetting the swap shall be payable on the Interest Payment Date following the date on which such termination payment is calculated.

Any such full or partial termination of the Hedging Agreement may mean that the amounts of principal and interest which will be paid to investors may be less than the full amounts accruing.

Should the rating by Moody's of the long-term debt obligations of the Hedging Counterparty fall below A1, or if the rating of the Hedging Counterparty by Moody's is withdrawn, resulting in a downgrade of the Notes or a review of the Notes for downgrade, in the absence of a confirmation by Moody's that the then current rating of the Notes will not be affected, the Hedging Counterparty is required to (a) transfer all of its rights and obligations either to another party which holds a rating from Moody's of A1 or higher in relation to its long-term debt obligations or, as confirmed by Moody's, to another party, a transfer to whom will not result in a downgrade of the Notes or a review of the Notes for downgrade; or (b) procure another party (which either holds a rating from Moody's of A1 or higher in relation to its long-term debt obligations or whose involvement in the transaction will not result in a downgrade of the Notes or a review of the Notes for downgrade) to provide a guarantee or indemnity in respect of the Hedging Counterparty's obligations under the Hedging Agreement; or (c) post collateral to the Issuer, pursuant to a mark-to-market collateral agreement in a form acceptable to Moody's, in an amount equal to 102% of the weekly mark-to-market value of the swaps under the Hedging Agreement, plus 0.4% of the notional value of such swaps plus an amount equal to six months' interest proceeds on the floating portion of the Class A Swap and Class B Swap; or (d) employ any other strategy acceptable to the Issuer and to Moody's which will not result in a downgrade of the Notes or a review of the Notes for downgrade. References to the rating of the Hedging Counterparty in this paragraph are to the rating of the Hedging Counterparty with the benefit of the “Maintenance Obligation” (*Anstaltslast*) and “Guarantee Obligation” (*Gewährträgerhaftung*) as described on page 31 below provided that the “Maintenance Obligation” and “Guarantee Obligation” continue to apply to the obligations of the Hedging Counterparty under the Hedging Agreement and the transactions entered into thereunder.

4. The Security

The security for the ScandiNotes II shall comprise the rights of the Issuer under the following:

- (i) the Sale and Purchase Agreement;
- (ii) the Repackaging Assets;

- (iii) the Account Bank Agreement;
- (iv) the Hedging Agreement;
- (v) the VP Agency Agreement; and
- (vi) the Pledged Accounts,

and includes:

- (x) amounts standing to the credit of the Pledged Accounts;
- (y) payments of principal and interest arising on the Repackaging Assets; and
- (z) payments made by the Hedging Counterparty pursuant to the transactions under the Hedging Agreement,

(the “**Charged Assets**”) which will be secured in accordance with the Supplemental Trust Deed and the Pledge Agreement as described below. To the extent that any investments are made in accordance with Special Condition E, security arrangements will be required to be put in place in favour of the Secured Creditors (as defined below) to the satisfaction of the Trustee and such investments will constitute Charged Assets.

Supplemental Trust Deed

The obligations of the Issuer under the ScandiNotes II and the Hedging Agreement will be secured pursuant to the 2004-1 Supplemental Trust Deed (the “**Supplemental Trust Deed**”) supplemental to the Principal Trust Deed dated 4 July 2003 (together the “**Trust Deed**”) between the Issuer, the Trustee, Gudme Raaschou Bankaktieselskab (now known as HSH Gudme Bank A/S) acting as the Investment Adviser and HSH Nordbank acting as the Account Bank, Operation Services Provider, the Hedging Counterparty, the Seller and the Principal Paying Agent and VP Agent. The Security will be created in favour of the Trustee for the benefit of itself, the Noteholders, the Hedging Counterparty, the Principal Paying Agent and VP Agent, the Operation Services Provider and the Investment Adviser. The Supplemental Trust Deed contains details of the order of priority in which proceeds of the Charged Assets will be applied which will be in accordance with the order of priorities below.

The Pledge Agreement

The security for the ScandiNotes II is, in addition to the Supplemental Trust Deed, constituted by a pledge agreement (the “**Pledge Agreement**”) which the Issuer, as Pledgor, will execute on or prior to the Issue Date in favour of the Trustee, the Noteholders (collectively represented by the Trustee), HSH Gudme Bank A/S in its capacity as Investment Adviser and HSH Nordbank, in its capacity as Operation Services Provider, Principal Paying Agent, VP Agent and the Hedging Counterparty (together the “**Secured Creditors**”). The Pledge Agreement shall constitute a Supplementary Security Document for the purposes of the Conditions.

Pursuant to the terms of the Pledge Agreement, the Pledgor pledges to the Secured Creditors various assets, including but not limited to the Repackaging Assets, the Sale and Purchase Agreement, the amounts standing to the credit of the Pledged Accounts, the Account Bank Agreement, the Hedging Agreement and the VP Agency Agreement (the “**Pledged Assets**”).

The enforceability of the Pledge Agreement by the Secured Creditors is subject to the completion of certain perfection requirements and subject to section 538(a)(2) of the Danish Administration of Justice Act, Consolidation Act no. 777 of 16 September 2002 as amended, pursuant to which the pledgee must give one week’s prior notice of enforcement unless an immediate sale (or other enforcement) is necessary to avoid or limit loss. In the event of various events of default, subject to the above, the Trustee may declare the Pledge Agreement immediately enforceable and may take steps to enforce the pledge without any prior legal proceedings or judgment. Upon the Trustee declaring the Pledge Agreement enforceable, the Trustee may exercise any rights of the Pledgor in respect of the Pledged Assets, sell or otherwise dispose of the Repackaging Assets, demand that the money standing to the credit of the Pledged Accounts be paid to the Trustee’s order or exercise any rights of the Pledgor under the Hedging Agreement.

The Pledge Agreement is governed by Danish law.

Order of Priorities

The pre-enforcement order of priorities for application of the proceeds arising in relation to the Charged Assets shall be as follows:

- (a) **first**, subject to a cap per annum of 0.15% of the outstanding principal amount of the Repackaging Assets, the Trustee's fees and expenses in relation to the Series 2004-1 Cell;
- (b) **second**, pari passu with each other and subject, when aggregated with the amount paid under paragraph (a) above, to a cap per annum of 0.15% of the outstanding principal amount of the Repackaging Assets, the Principal Paying Agent and VP Agent's fees and expenses in relation to the Series 2004-1 Cell;
- (c) **third**, pari passu with each other and subject, when aggregated with the amounts paid under paragraphs (a) and (b) above, to a cap per annum of 0.15% of the outstanding principal amount of the Repackaging Assets, fees in relation to the maintenance of the rating, listing and clearing of the Notes, including without limitation, rating agency fees, listing fees, clearing system fees and audit fees
- (d) **fourth**, pari passu with each other, and subject, when aggregated with the amounts paid under paragraphs (a), (b) and (c) above, to a cap per annum of 0.15% of the outstanding principal amount of the Repackaging Assets, the Series 2004-1 Cell's share of the Issuer's administrative expenses not attributable to a particular Cell, including fees of Harbour Trustees Limited subject to a further cap of DKK 300,000 per annum divided by the number of Cells of the Issuer then in existence, auditor's fees, statutory filing fees in Guernsey and other fees required to maintain the Issuer's existence and tax status, all as allocated to the Cells of the Issuer in existence in respect of which Notes are still in issue and in respect of which security has not been enforced at the time of payment;
- (e) **fifth**, pari passu with each other, and subject, when aggregated with the amounts paid under paragraphs (a), (b), (c) and (d) above, to a cap per annum of 0.15% of the outstanding principal amount of the Repackaging Assets, the Operation Service Provider's fees and the Investment Adviser's fees in relation to the Series 2004-1 Cell;
- (f) **sixth**, the following amounts in order:
 - (i) any amounts due and payable to the Hedging Counterparty in relation to the Class A Swap in respect of scheduled payments, then;
 - (ii) any amounts due and payable to the Hedging Counterparty in relation to the Class B Swap in respect of scheduled payments;
- (g) **seventh**, the following amounts in order except in circumstances where there has been a termination of the Hedging Agreement by virtue of an Event of Default or Termination Event (other than a Termination Event under section 5(b)(i) or 5(b)(ii) of the ISDA Master Agreement) in respect of which the Hedging Counterparty is the Defaulting Party or the Sole Affected Party, whereupon such amounts shall be payable under sub-paragraph (k) below:
 - (i) any other amounts due and payable to the Hedging Counterparty in relation to the Class A Swap, then;
 - (ii) any other amounts due and payable to the Hedging Counterparty in relation to the Class B Swap;
- (h) **eighth**, interest due on the Class A Notes;
- (i) **ninth**, principal due on the Class A Notes;
- (j) **tenth**, the following amounts in order:
 - (i) any amounts specified in paragraph (a) above in excess of the cap stated therein; then
 - (ii) any amounts specified in paragraph (b) above in excess of the cap stated therein; then
 - (iii) any amounts specified in paragraph (c) above in excess of the cap stated therein; then
 - (iv) any amounts specified in paragraph (d) above in excess of the cap stated therein; then
 - (v) any amounts specified in paragraph (e) above in excess of the cap stated therein;
- (k) **eleventh**, the following amounts in order only in circumstances where there has been a termination of the Hedging Agreement by virtue of an Event of Default or Termination Event (other than a Termination Event under section 5(b)(i) or 5(b)(ii) of the ISDA Master Agreement) in respect of which the Hedging Counterparty is the Defaulting Party or the Sole Affected Party:
 - (i) any other amounts due and payable to the Hedging Counterparty in relation to the Class A Swap, then;

- (ii) any other amounts due and payable to the Hedging Counterparty in relation to the Class B Swap;
- (l) **twelfth**, interest due on the Class B Notes;
- (m) **thirteenth**, principal due on the Class B Notes;
- (n) **fourteenth**, pari passu with each other, the Operation Service Provider's expenses (other than its fees and including without limitation any cell unwind expenses) and the Investment Adviser's expenses (other than its fees) in relation to the Series 2004-1 Cell; and
- (o) **fifteenth**, the surplus, if any, after all Notes have been redeemed in full to be retained by the Issuer.

The post-enforcement order of priorities for application of the proceeds of enforcement in relation to the Charged Assets shall be applied as follows:

- (a) **first**, the Trustee's fees and expenses in relation to the Series 2004-1 Cell;
- (b) **second**, pari passu with each other and subject to a cap per annum of 0.15% of the outstanding principal amount of the Repackaging Assets, the Principal Paying Agent and VP Agent's fees and expenses in relation to the Series 2004-1 Cell;
- (c) **third**, pari passu with each other and subject, when aggregated with the amount paid under paragraph (b) above, to a cap per annum of 0.15% of the outstanding principal amount of the Repackaging, the Operation Service Provider's fees and the Investment Adviser's fees in relation to the Series 2004-1 Cell;
- (d) **fourth**, the following amounts in order:
 - (i) any amounts due and payable to the Hedging Counterparty in relation to the Class A Swap in respect of scheduled payments, then;
 - (ii) any amounts due and payable to the Hedging Counterparty in relation to the Class B Swap in respect of scheduled payments;
- (e) **fifth**, the following amounts in order except in circumstances where there has been a termination of the Hedging Agreement by virtue of an Event of Default or Termination Event (other than a Termination Event under section 5(b)(i) or 5(b)(ii) of the ISDA Master Agreement) in respect of which the Hedging Counterparty is the Defaulting Party or the Sole Affected Party, whereupon such amounts shall be payable under sub-paragraph (i) below:
 - (i) any other amounts due and payable to the Hedging Counterparty in relation to the Class A Swap, then;
 - (ii) any other amounts due and payable to the Hedging Counterparty in relation to the Class B Swap;
- (f) **sixth**, interest due on the Class A Notes;
- (g) **seventh**, principal due on the Class A Notes;
- (h) **eighth**, the following amounts in order:
 - (i) any amounts specified in paragraph (b) above in excess of the cap stated therein; then
 - (ii) any amounts specified in paragraph (c) above in excess of the cap stated therein;
- (i) **ninth**, the following amounts in order only in circumstances where there has been a termination of the Hedging Agreement by virtue of an Event of Default or Termination Event (other than a Termination Event under section 5(b)(i) or 5(b)(ii) of the ISDA Master Agreement) in respect of which the Hedging Counterparty is the Defaulting Party or the Sole Affected Party:
 - (i) any other amounts due and payable to the Hedging Counterparty in relation to the Class A Swap, then;
 - (ii) any other amounts due and payable to the Hedging Counterparty in relation to the Class B Swap;
- (j) **tenth**, interest due on the Class B Notes;
- (k) **eleventh**, principal due on the Class B Notes;
- (l) **twelfth**, pari passu with each other, the Operation Service Provider's expenses (other than its fees and including without limitation any cell unwind expenses) and the Investment Adviser's expenses (other than its fees) in relation to the Series 2004-1 Cell; and

- (m) **thirteenth**, the surplus, if any, after all Notes have been redeemed in full to be retained by the Issuer.

INFORMATION CONCERNING THE HEDGING COUNTERPARTY

The following information relating to the business and finances of HSH Nordbank as Hedging Counterparty is based on the documents supplied by it. The Hedging Counterparty accepts responsibility for this information. The Issuer's responsibility for such information is limited to the correctness of its extraction.

The Hedging Counterparty is HSH Nordbank. HSH Nordbank will be the account holding bank and the Hedging Counterparty in relation to the Notes. Accordingly, investors in the Notes will have a counterparty risk exposure to HSH Nordbank.

Business of HSH Nordbank

HSH Nordbank AG was formed on 2 June 2003 by a merger of Landesbank Schleswig-Holstein (LB Kiel) and Hamburgische Landesbank. The decision to merge the two banks was announced on 9 September 2002 and the state contract between the Free and Hanseatic City of Hamburg and the State of Schleswig-Holstein to merge the two banks into a single public limited company (an "Aktiengesellschaft") was signed on 4 February 2003.

As of 2 June 2003, the owners of the post-merger bank were as follows:

The Free and Hanseatic City of Hamburg	35.38%
WestLB AG	26.86%
State of Schleswig-Holstein	19.55%
Savings Banks Association of Schleswig-Holstein	18.21%

Guarantee

On 17 July 2001, the Federal Republic of Germany agreed with the European Commission to change the regulatory framework applicable to Landesbanken, by:

- (i) replacing the Maintenance Obligation with normal ownership relations between the HSH Nordbank's owners and HSH Nordbank by 18 July 2005; and
- (ii) abolishing the Guarantee Obligation by 18 July, 2005, subject to certain transitional arrangements.

With respect to LB Kiel, the Savings Banks Act for the State of Schleswig-Holstein (*Sparkassengesetz für das Land Schleswig-Holstein*) and, as regards Hamburg LB, the Act concerning Hamburgische Landesbank – Girozentrale – (*Gesetz über die Hamburgische Landesbank – Girozentrale -*), contained the legal basis for the two administrative law principles known as "Maintenance Obligation" (*Anstaltslast*) and "Guarantee Obligation" (*Gewährträgerhaftung*) that applied to LB Kiel and Hamburg LB as Landesbanken. Under the concept of Maintenance Obligation, the relevant owners of Hamburg LB and LB Kiel were required to preserve the economic viability of Hamburg LB or LB Kiel, respectively, to keep them in a position to perform their functions and to enable them, through the provision of liquid funds or otherwise, to meet their obligations when due and to maintain a sound financial condition. Under the concept of Guarantee Obligation, the relevant owners of Hamburg LB and LB Kiel were jointly and severally liable for the obligations of Hamburg LB or LB Kiel, respectively, to the extent that their assets were insufficient to satisfy such obligations.

Unlike Hamburg LB and LB Kiel, which were public law entities, HSH Nordbank is incorporated as an Aktiengesellschaft. However, the State Treaty ensures that, on the basis of an understanding reached with the EU Competition Commissioner, the Maintenance Obligation and the Guarantee Obligation continue to apply to HSH Nordbank as they had to Hamburg LB and LB Kiel.

Rating

As at the date of this Supplemental Information Memorandum, HSH Nordbank has the following ratings: short-term P-1 and long-term Aa3 (with stable outlook) from Moody's, short-term A-1+ and long-term AA- (with negative outlook) from Standard & Poor's and short-term F1+ and long-term AAA (with stable outlook) from Fitch.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating organisation. A suspension, reduction or withdrawal of the rating assigned to any securities may adversely affect the market price of such securities.

Regulation and financial holdings

HSH Nordbank is regulated by the German Federal Financial Supervisory Agency and the Deutsche Bundesbank.

The following are the principal subsidiaries of HSH Nordbank as at 31 December 2003:

<i>Name and Headquarters</i>	<i>Capital Share in %</i>
HSH Nordbank (Guernsey) Ltd, Guernsey	100
HSH Nordbank Hypo Aktiengesellschaft, Hamburg	100
HSH Nordbank International S.A., Luxembourg	100
Nobis Société des Banques Privées S.A., Luxembourg	80
International Fund Services & Asset Management S.A., Luxembourg	51.61
HSH N Composites GmbH, Kiel	100
HSH N Funding I, Grand Cayman	58.26
HSH N Finance (Guernsey) Ltd., Guernsey	100
METONO GmbH, Hamburg	100
PLUS BANK AG, Hamburg	100
Spielbank SH GmbH, Kiel	100
Spielbank SH GmbH & Co. Casino Flensburg KG, Flensburg	90
Spielbank SH GmbH & Co. Casino Kiel KG, Kiel	100
Spielbank SH GmbH & Co. Casino Lübeck-Travemünde KG, Lübeck-Travemünde	100
Spielbank SH GmbH & Co. Casino Stadtzentrum Schenefeld KG, Schenefeld	100
Spielbank SH GmbH & Co. Casino Westerland auf Sylt KG, Westerland/Sylt	90

Financial Information - as at 31 December 2003

Set out below in summary form are the audited non-consolidated and consolidated financial statements of HSH Nordbank as at 31 December 2003. Although HSH Nordbank came into existence on 2 June 2003, by operation of law, for accounting and taxation purposes HSH Nordbank came into existence with retroactive effect as of 1 January 2003.

Condensed Balance Sheet as at 31 December 2003

	As of 31 December 2003			As at 1 January 2003 ²	
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
Assets					
1 Cash Reserve					
(a) cash on hand			8,522		11,190
(b) balances with central banks			<u>293,322</u>		<u>333,086</u>
thereof:				301,844	344,276
with Deutsche Bundesbank	287,661				
2 Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks					
(a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions			3,587		4,489
thereof:					
eligible for refinancing with Deutsche Bundesbank	791				
(b) bills of exchange			<u>16,739</u>		<u>5,584</u>
thereof:				20,326	10,073
eligible for refinancing with Deutsche Bundesbank	16,739				
3 Loans and advances to banks					
(a) payable on demand			4,295,778		6,715,976
(b) other loans and advances			<u>32,765,090</u>		<u>39,773,198</u>
4 Loans and advances to customers				37,060,868	46,489,174
thereof:				78,154,725	77,871,785
secured by mortgages	17,535,247				
public-sector loans	12,084,502				
secured by ship mortgages	11,406,872				
5 Bonds and other fixed-income securities					
(a) money market instruments					
(aa) issued by public-sector issuers		399,421			512,876
thereof:					
eligible as collateral for Deutsche Bundesbank	399,421				
(ab) issued by other issuers		<u>2,484,789</u>			<u>1,041,775</u>
thereof;			2,884,210		1,554,651
eligible as collateral for Deutsche Bundesbank	60,074				
(b) bonds					
(ba) issued by public-sector issuers		11,007,717			13,374,664
thereof:					
eligible as collateral for Deutsche Bundesbank	8,744,208				
(bb) issued by other issuers		<u>27,654,643</u>			<u>29,053,507</u>
thereof:			38,662,360		42,428,171
eligible as collateral for Deutsche Bundesbank	13,186,160				
(c) own bonds			<u>1,757,293</u>		<u>1,996,327</u>
nominal amount	1,731,599			43,303,863	45,979,149
6 Shares and other non-fixed-income securities				2,798,842	2,421,413

² These figures form part of an opening balance sheet which was derived from financial statements of Hamburg LB and LB Kiel.

	As of 31 December 2003			As at 1 January 2003 ³	
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
7 Equity investments in non-affiliated companies				505,279	523,678
thereof:					
in banks	50,217				
in financial services institutions	1,000				
8 Equity investments in affiliated companies				1,670,073	1,403,926
thereof:					
in banks	778,512				
9 Trust assets				377,323	339,835
thereof:					
trust loans	56,212				
10 Intangible fixed assets				7,286	10,199
11 Tangible fixed assets				129,500	128,284
12 Other assets				1,131,379	872,171
13 Prepaid expenses				464,851	333,836
14 Deferred Taxes				<u>93,206</u>	-
Total assets				<u>166,019,365</u>	<u>176,727,799</u>
Liabilities					
1 Liabilities to banks					
(a) payable on demand			7,866,233		3,667,561
(b) with agreed maturities or notice periods			<u>47,082,566</u>		57,467,183
				54,948,799	61,134,744
2 Liabilities to customers					
(a) savings deposits					
(aa) with agreed notice periods of three months		176,610			122,615
(ab) with agreed notice periods of more than three months		<u>4,209</u>			<u>4,929</u>
(b) other liabilities			180,819		<u>127,544</u>
(ba) payable on demand		7,848,658			7,549,576
(bb) with agreed maturities or notice periods		<u>38,923,373</u>			<u>37,274,271</u>
			<u>46,772,031</u>	46,952,850	<u>44,823,847</u>
3 Certificated liabilities					44,951,391
(a) bonds issued			41,109,998		44,046,703
(b) other certificated liabilities			8,630,663		13,298,019
thereof:				49,740,661	57,344,722
money market instruments	7,242,265				
4 Trust liabilities				377,323	339,835
thereof:					
trust loans	56,212				
5 Other liabilities				1,787,793	1,472,260
6 Deferred income				367,772	335,237
7 Provisions					
(a) provisions for pensions and similar obligations			367,434		335,680
(b) tax provisions			156,213		92,441
(c) other provisions			<u>250,573</u>		<u>249,533</u>
				774,220	677,654
8 Special reserve item				-	521
9 Subordinated debt				2,756,376	2,952,683
10 Profit participation capital				1,496,565	1,496,565
thereof:					
maturing in less than two years	57,776				
11 Fund for general banking risks				365,000	251,641

³ These figures form part of an opening balance sheet which was derived from financial statements of Hamburg LB and LB Kiel.

	As of 31 December 2003			As at 1 January 2003 ⁴	
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
12 Equity capital					
(a) subscribed capital					
(aa) share capital		500,000			500,000
(ab) silent partnership capital		<u>4,557,716</u>			<u>4,106,256</u>
(b) capital reserves			5,057,716		<u>4,606,256</u>
(c) profit			<u>1,164,290</u>		<u>1,164,290</u>
			<u>230,000</u>		<u>.....</u>
Total liabilities				<u>6,452,006</u>	<u>5,770,546</u>
				<u>166,019,365</u>	<u>176,727,799</u>
1 Contingent liabilities					
Liabilities from guarantees and indemnity agreements				25,118,361	23,014,276
2 Other commitments					
Irrevocable loan commitments				12,118,319	9,395,769

⁴ These figures form part of an opening balance sheet which was derived from financial statements of Hamburg LB and LB Kiel.

Condensed Profit and Loss Account of HSH Nordbank AG for the period from 1 January to 31 December 2003

				2003	2002 ⁵
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
1 Interest income from					
(a) lending and money market transactions		7,576,465			7,604,895
(b) fixed-income securities and debt book-entry securities		<u>1,388,046</u>			<u>1,806,001</u>
			8,964,511		9,410,896
2 Interest expenses			7,715,134		<u>8,262,374</u>
				1,249,377	1,148,522
3 Current income from					
(a) shares and other non-fixed-income securities			89,049		102,165
(b) equity investments in non-affiliated companies			7,320		30,748
(c) equity investments in affiliated companies			<u>98,735</u>		<u>137,557</u>
				195,104	270,470
4 Income from profit pooling, profit transfer and partial profit transfer agreements				5,515	2,052
5 Commission income			246,482		239,206
6 Commission expenses			<u>64,725</u>		<u>66,796</u>
				181,757	172,410
7 Net income from trading activities				74,685	70,503
8 Other operating income				131,618	144,861
9 Income from writing back special reserve items				521	28,700
10 General administrative expenses					
(a) personnel expenses					
(aa) wages and salaries		232,666			216,800
(ab) compulsory social security contributions, pension and welfare as well as expenses for retirement pensions and other employee benefits			72,742		86,934
Thereof			305,408		303,734
For retirement pensions	38,629				
(b) other administrative expenses			<u>307,609</u>		<u>278,434</u>
				613,017	582,168
11 Depreciation on and value adjustments to intangible and tangible fixed assets				53,608	41,034
12 Other operating expenses				34,689	103,835
13 Write-downs on value adjustments to loans and certain securities as well as allocations to loan loss provisions			465,219		596,975
14 Income from write-ups on loans and certain securities and from release of loan loss provisions			-		-
				465,219	596,975
15 Allocations to the fund for general banking risks				113,359	40,000
16 Write-downs on and value adjustments to equity investments in non-affiliated as well as affiliated companies and securities treated as fixed assets			-		-
17 Income from write-ups on equity investments in non-affiliated as well as affiliated companies and securities treated as fixed assets			<u>6,997</u>		<u>124,467</u>
				124,467
				6,997	
18 Expenses from the assumption of losses				<u>4,367</u>	<u>7,522</u>
19 Profit on ordinary activities				561,315	590,451
20 Taxes on income and revenues			4,547		112,752
21 Other taxes not shown under other operating expenses (item 12)			<u>9,951</u>		<u>1,623</u>
				14,498	114,375

⁵ Pro forma figures

				2003	2002 ⁶
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
22	Profit transferred under partial profit transfer agreements			316,817	261,710
23	Net income			230,000	214,366
24	Profit			<u>230,000</u>	<u>214,366</u>

⁶ Pro forma figures

Condensed Consolidated Balance Sheet of HSH Nordbank AG Group as at 31 December 2003

		As of 31 December 2003		As at 1 January 2003 ⁷
		(€'000)	(€'000)	(€'000)
Assets				
1	Cash reserve			
	(a) cash on hand		11,404	13,864
	(b) balances with central banks		<u>328,299</u>	<u>342,617</u>
	thereof:			356,481
	with Deutsche Bundesbank	289,201		
2	Debt instruments issued by public institutions and bills of exchange eligible for refinancing with central banks			
	(a) treasury bills and discounted treasury notes as well as similar debt instruments issued by public institutions:		3,587	4,488
	thereof:			
	eligible for refinancing with Deutsche Bundesbank	791		
	(b) bills of exchange		<u>16,739</u>	<u>5,585</u>
	thereof:			10,073
	eligible for refinancing with Deutsche Bundesbank		20,326	
		16,739		
3	Loans and advances to banks			
	(a) payable on demand		4,355,480	6,696,885
	(b) other loans and advances		<u>32,963,537</u>	<u>39,075,007</u>
4	Loans and advances to customers			
	thereof:			
	secured by mortgages	17,666,713		
	public-sector loans	12,474,002		
	secured by ship mortgages	11,526,689		
5	Bonds and other fixed-income securities			
	(a) money market funds			
	(aa) issued by public-sector issuers		399,421	512,876
	thereof:			
	eligible as collateral for Deutsche Bundesbank	399,421		
	(ab) issued by other issuers		<u>2,484,789</u>	<u>1,041,775</u>
	thereof:			1,554,651
	eligible as collateral for Deutsche Bundesbank	60,074		
	(b) bonds			
	(ba) issued by public-sector issuers		11,370,047	13,724,910
	thereof:			
	eligible as collateral for Deutsche Bundesbank	8,983,413		
	(bb) issued by other issuers		31,656,936	33,155,831
	thereof:			46,880,741
	eligible as collateral for Deutsche Bundesbank	14,047,717		
	(c) own bonds		<u>2,151,842</u>	<u>2,026,553</u>
	nominal amount	2,057,857		50,461,945
6	Shares and other non-fixed income securities			
			2,828,564	2,445,159
7	Equity investments in non-affiliated companies			
	thereof:			
	in banks	50,217		
	in financial services		505,279	523,678

⁷ These figures form part of an opening balance sheet which was derived from financial statements of Hamburg LB and LB Kiel.

	institutions	1,000		
8	Equity investments in affiliated undertakings		920,199	752,307
	thereof:			
	in banks	57,771		
9	Trust assets		377,323	339,835
	thereof:			
	trust loans	56,212		
10	Intangible fixed assets		241,250	256,477
11	Tangible fixed assets		153,523	154,652
12	Other assets		1,087,636	888,191
13	Prepaid expenses		473,667	336,466
14	Deferred taxes		<u>122,946</u>	-
	Total		<u>171,659,813</u>	<u>181,172,761</u>

Liabilities

	As of 31 December 2003				As at 1 January 2003 ⁸
	(€'000)	(€'000)	(€'000)	(€'000)	
Liabilities					
Liabilities to banks					
(a) payable on demand			7,892,886		3,831,971
(b) with agreed maturities or notice periods			<u>39,676,938</u>		<u>51,658,955</u>
				47,569,824	55,490,926
Liabilities to customers					
(a) savings deposits					
(aa) with agreed notice periods of three months		176,611			122,615
(ab) with agreed notice periods of more than three months		<u>4,208</u>			<u>4,929</u>
			180,819		127,544
(b) other liabilities					
(ba) payable on demand		8,046,952			7,777,298
(bb) with agreed maturities or notice periods		<u>39,737,733</u>			<u>37,488,049</u>
			47,784,685		<u>45,265,347</u>
				47,965,504	45,392,891
Certificated liabilities					
(a) bonds issued			52,916,366		53,538,107
(b) other certificated liabilities			<u>8,630,663</u>		<u>13,298,019</u>
thereof:				61,547,029	66,836,126
money market instruments	7,242,265				
Trust liabilities				377,323	339,835
thereof:					
trust loans	56,212				
Other liabilities				1,732,285	1,458,513
Deferred income				398,289	357,237
Provisions					
(a) provisions for pensions and similar obligations			373,226		339,636
(b) tax provisions			169,266		130,354
(c) deferred taxes			49,290		-
(d) provisions			<u>289,727</u>		<u>275,514</u>
				881,509	745,504
Special reserve item				-	521
Subordinated debt				2,841,224	3,027,305
Profit participation capital				1,496,565	1,496,565
thereof:					
maturing in less than two years	57,776				
Fund for general banking risks				365,000	251,641
Equity capital					
(a) subscribed capital					
(aa) share capital		500,000			500,000
(ab) silent partnership capital		<u>4,557,717</u>			4,106,256
			5,057,717		4,606,256
(b) capital reserves			1,164,290		1,164,290
(c) differences arising from capital consolidation			-		1,281
(d) profit			259,383		-
(e) minority interests			<u>3,871</u>		<u>3,870</u>
				6,485,261	5,775,697
Total liabilities				<u>171,659,813</u>	<u>181,172,761</u>

⁸ These figures form part of an opening balance sheet which was derived from financial statements of Hamburg LB and LB Kiel.

		As at 31 December 2003	As at 1 January 2003 ⁹
1	Contingent liabilities		
	Liabilities from guarantees and indemnity agreements	14,149,357	13,999,922
2	Other commitments		
	Irrevocable loan commitments	12,289,652	9,549,220

⁹ These figures form part of an opening balance sheet which was derived from financial statements of Hamburg LB and LB Kiel.

Condensed Consolidated Profit and Loss Account of HSH Nordbank AG Group for the period from 1 January to 31 December 2003

			2003	2002 ¹⁰
	(€'000)	(€'000)	(€'000)	(€'000)
1 Interest income from				
(a) lending and money market transactions		7,801,389		7,844,478
(b) fixed-income securities and debt book-entry securities		<u>1,585,558</u>		1,998,564
2 Interest expenses			9,386,947	9,843,042
			<u>8,016,164</u>	<u>8,580,702</u>
			1,370,783	1,262,340
3 Income from				
(a) shares and other non-fixed-income securities			89,133	102,254
(b) equity investments in non-affiliated companies			7,478	30,747
(c) equity investments in affiliated companies			<u>26,608</u>	<u>70,490</u>
			123,219	203,491
4 Income from profit pooling, profit transfer and partial profit transfer agreements			5,150	1,679
5 Commission income			309,281	275,776
6 Commission expenses			<u>85,956</u>	<u>78,684</u>
			223,325	197,092
7 Net income from trading activities			83,219	78,704
8 Other operating income			166,871	178,170
9 Income from writing back special reserve items			521	28,700
10 General administrative expenses				
(a) personnel expenses				
(aa) wages and salaries		268,258		241,980
(ab) compulsory social security contributions, as well as expenses for retirement pensions and other employee benefits		79,405		91,082
			<u>347,663</u>	<u>333,062</u>
Therefore:				
For retirement pensions	39,824			
(b) other administrative expenses			<u>312,201</u>	<u>293,444</u>
			659,864	626,506
11 Depreciation on and value adjustments to intangible and tangible fixed assets			72,344	46,104
12 Other operating expenses			39,270	106,067
13 Write-downs on value adjustments to loans and certain securities as well as allocations to loan loss provisions			468,109	598,559
14 Income from write-ups on loans and certain securities and from release of loan loss provisions			-	-
			468,109	598,559
15 Allocations to the fund for general banking risks			<u>113,359</u>	40,000
16 Write-downs on and value adjustments to equity investments in non-affiliated as well as affiliated companies and securities treated as fixed assets			-	-
17 Income from write-ups on equity investments in non-affiliated as well as affiliated companies and securities treated as fixed assets			<u>5,897</u>	<u>128,350</u>
			5,897	128,350
18 Expenses from the assumption of losses			4,367	7,522
19 Profit on ordinary activities			621,672	653,768
20 Taxes on income and revenues			3,925	120,753

¹⁰ Pro forma figures

				2003	2002 ¹¹
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
21	Other taxes not shown under other operating expenses (item 12)		<u>38,943</u>		<u>32,052</u>
				42,868	152,085
22	Profit transferred under partial profit transfer agreements			<u>316,949</u>	<u>261,882</u>
23	Net income			261,855	239,081
24	Minority interest income			<u>2,472</u>	=
25	Profit			<u>259,383</u>	<u>239,081</u>

¹¹ Pro forma figures

Financial Information - as at 30 June 2004

Set out below in summary form are the group income statement, group balance sheet and regulatory ratios information of HSH Nordbank, as stated in the most recent interim report as at 30 June 2004.

Group Income Statement

€ millions	Jan-Jun 2004	½ Yr 2003	Change Absolute	%
Operating income				
- net interest income	766.6	749.6	17.0	2.3
- net commission income	123.5	111.7	11.8	10.6
- net trading income	48.7	41.6	7.1	17.1
- net other operating income	14.9	44.4	-29.5	-66.4
Administrative expenses				
- personnel expenses	-173.3	-173.9	0.6	-0.3
- operating expenses	-197.3	-192.3	-5.0	2.6
Operating profit before risk provisions/evaluation	583.1	581.1	2.0	0.4
Risk provisions/evaluation	-176.6	-289.7	113.1	-39.0
Operating profit after risk provisions/evaluation	406.5	291.4	115.1	39.5
Income taxes	-91.1	2.0	-93.1	>-100
Payouts on silent partnerships	-163.6	-158.5	-5.1	3.3
Net income	151.8	131.0	20.8	15.9

Group Balance Sheet

€ millions	6/30/2004	12/31/2003	6/30/2003
Assets			
Cash reserve, debt instruments issued by public institutions, bills of exchange eligible for refinancing	774	360	291
Loans and advances to banks	36,912	37,319	44,573
Loans and advances to customers	82,481	79,207	80,166
Total securities	49,176	50,892	49,432
Equity investments in affiliated companies	1,682	1,425	1,330
Trust assets	358	377	340
Other assets	3,998	2,080	3,862
Total assets	175,380	171,660	179,993
Liabilities and equity capital			
Liabilities to banks	47,257	47,570	51,728
Liabilities to customers	49,020	47,966	49,319
Securitized liabilities	61,706	61,547	62,028
Trust liabilities	358	377	340
Subordinated debt	2,612	2,841	3,151
Profit participation capital	1,497	1,497	1,507
Fund for general banking risks	365	365	252
Equity capital	6,424	6,485	6,255
Other liabilities	6,142	3,012	5,415
Total liabilities	175,380	171,660	179,993
Lending volume	201,614	202,864	207,249
Business volume	208,295	207,078	212,053

Regulatory ratios

%	6/30/2004	12/31/2003	6/30/2003
Solvency ration			
Principle 1 – Bank	10.7	10.9	11.0
Principle 1 – Group	10.3	10.6	10.5
BIS ratio	9.9	10.2	-
Tier 1 capital ratio			
Bank	7.4	6.9	6.8
Group	7.0	6.6	6.4
BIS tier 1 capital ratio	6.8	6.3	-

TAXATION

The following is a general summary of certain tax considerations in Denmark and Guernsey relating to the ScandiNotes II. It does not purport to be a complete analysis of all tax considerations relating to the ScandiNotes II. Prospective purchasers of ScandiNotes II should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Kingdom of Denmark and Guernsey of acquiring, holding and disposing of ScandiNotes II and receiving payments of interest, principal and/or other amounts under the ScandiNotes II. This summary is based upon the law and practice as in effect on the date of this Supplemental Information Memorandum and is subject to any change in law or practice that may take effect after such date.

Danish Taxation

Investors

The following describes the taxation of Danish resident investors investing in the ScandiNotes II. The tax description does not apply to banks, credit institutions, life insurance companies and other similar institutions.

Individuals

The Danish Tax Assessment Council (Ligningsrådet) issued a binding ruling in relation to the issuance of the ScandiNotes I stating that the ScandiNotes I fulfil the minimum interest rate requirement for Danish tax purposes. As the terms of the ScandiNotes II resemble the terms of ScandiNotes I except as for the increased interest rate, the ScandiNotes II should also fulfil the minimum interest rate. Consequently, capital gains arising from the ScandiNotes II are tax free and losses are non-deductible.

Interest income will be taxable as capital income.

Companies

Gains on the ScandiNotes II are taxable at the normal corporate tax rate and losses are deductible. Gains and losses are normally taxed at realisation.

Interest income is taxable at the normal corporate tax rate on an accruals basis.

Companies etc. liable to PAL tax

Danish pension funds and life insurance companies are taxed according to the Pension Yield Tax Act (PAL).

Gains and losses on the ScandiNotes II are included in the PAL income. Gains and losses are calculated according to a mark-to-market principle.

Interest income is included in the PAL income and taxed on an accrual basis. (For individual pension schemes under the PAL regime, interest is taxed when due).

Guernsey Taxation

The following summary of the anticipated tax treatment in Guernsey in relation to the payments on the ScandiNotes II is based on the taxation law and practice in force at the date of this document, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of ScandiNotes II and the receipt of interest and distributions (whether or not on a winding-up) with respect to such ScandiNotes II under the law of the jurisdictions in which they may be liable to taxation.

Mare Baltic has applied for and has been granted tax exempted status in Guernsey pursuant to the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989, 1992 and 1996. The exemption is granted on an annual basis after payment of an annual fee to the States of Guernsey Income Tax Authority. It is the intention of the directors of Mare Baltic to apply for such exemption annually.

No withholding tax or deduction will be made on interest payments made by Mare Baltic in respect of any ScandiNotes II issued by Mare Baltic to Noteholders not resident in Guernsey.

Noteholders who do not engage in trade or carry on business through a permanent establishment in Guernsey for Guernsey tax purposes and who are not resident in Guernsey for Guernsey tax purposes will not suffer any charge for Guernsey income tax on any interest payments received from Mare Baltic nor will such holders be required to file or make any return to the Income Tax Authority in Guernsey.

Under current legislation in Guernsey, there is no liability to Capital Gains Tax, Wealth Tax, Capital Transfer Tax or Estate of Inheritance Tax on the issue, transfer, realisation or redemption of ScandiNotes II nor is any stamp duty or similar tax payable in Guernsey on the issue or transfer of such Notes.

Holders of ScandiNotes II who are resident for tax purposes in Guernsey or engage in trade or carry on business in Guernsey through a branch or agency to which the ScandiNotes II are attributable may be subject to Guernsey income tax on the interest paid on the ScandiNotes II.

In the event of the death of a sole holder of ScandiNotes II, a Guernsey grant of probate or administration may be required in respect of which certain fees will be payable to the Ecclesiastical Registrar in Guernsey.

This description does not constitute tax advice, as it does not address all possible tax consequences relating to an investment in the ScandiNotes II. Investors should therefore consult their own tax advisers regarding the tax consequences of acquiring, holding and disposing of the ScandiNotes II based on their individual tax position.

SUBSCRIPTION AND SALE

Subscription

Pursuant to a Programme Agreement dated 4 July 2003 between the Issuer and HSH Nordbank, HSH Nordbank as arranger and dealer has provided advice to the Company in relation to the ScandiNotes II. HSH Nordbank has subscribed for the principal amount of the ScandiNotes II on the issue date for its own account at a price based on 5 year swap rates and the credit spreads reflecting credit risks on the Repackaging Assets.

Resale

The ScandiNotes II will be offered by HSH Nordbank for resale to third parties at market prices, subject to availability, by means of, inter alia, this Supplemental Information Memorandum.

HSH Nordbank may appoint one or more placing agents in connection with the resale of the ScandiNotes II.

Stabilisation

In connection with the offer of the ScandiNotes II, HSH Nordbank may effect transactions with a view to supporting the market price of the ScandiNotes II at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on HSH Nordbank to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

SELLING RESTRICTIONS

Finland

This Supplemental Information Memorandum constitutes neither a prospectus (*tarjousesite*) nor listing particulars (*listalleottoesite*) under the Finnish Securities Market Act (495/1989) nor has it been filed with or approved by the Finnish Financial Supervision Authority. This Supplemental Information Memorandum is being distributed to a limited number of pre-selected investors in circumstances where the offer of the ScandiNotes II in connection with this document does not constitute a public offer as defined in the Securities Market Act of the Republic of Finland. The Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement in relation to the ScandiNotes II will be required to acknowledge that the ScandiNotes II have not been and will not be offered or sold, directly or indirectly, to any resident of the Republic of Finland or in the Republic of Finland, except pursuant to applicable Finnish laws and regulations. Specifically, the ScandiNotes II must not be offered or sold, directly or indirectly, to the public in the Republic of Finland.

Germany

The Dealer has represented and agreed, and each further Dealer appointed under the Programme in relation to the ScandiNotes II will be required to represent and agree, that it has only offered and sold and will only offer and sell ScandiNotes II in the Federal Republic of Germany in accordance with the provisions of the Securities Sales Prospectus Act of 13 December 1990, as amended (*Wertpapier-Verkaufsprospektgesetz*) and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities.

Japan

The ScandiNotes II have not been and will not be offered or sold in Japan except in compliance with the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**") and the Dealer has agreed, and each further Dealer appointed under the Programme in relation to the ScandiNotes II will be required to represent and agree, that it will not offer or sell any ScandiNotes II, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan except in compliance with the Securities and Exchange Law and any other applicable laws, regulations, ministerial ordinances and ministerial guidelines of Japan.

Norway

The Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement in relation to the ScandiNotes II will be required to acknowledge that no public offerings or sale of the ScandiNotes II or any distribution of any offering material relating to the ScandiNotes II will be made in or from Norway, except for ScandiNotes II in respect of which the requirements of Norwegian law concerning public offering of securities in Norway, including but not limited to the Norwegian Securities Trading Act, have been fulfilled.

Sweden

The Dealer has agreed and each further Dealer appointed under the Programme Agreement in relation to the ScandiNotes II will be required to represent and agree that it will not (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or purchase or sell any ScandiNotes II or distribute any draft or definitive documents in relation to any such offer, invitation or sale in Sweden except in compliance with the laws of Sweden.

United Kingdom

The Dealer has represented and agreed, and each further Dealer appointed under the Programme in relation to the ScandiNotes II will be required to represent and agree, that:

1. It has not offered or sold and, prior to the expiry of the period of six months from the issue date of the ScandiNotes II, will not offer or sell the ScandiNotes II to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
2. It will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the ScandiNotes II in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

3. It has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the ScandiNotes II in, from or otherwise involving the United Kingdom.

United States

The Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement in relation to the ScandiNotes II will be required to acknowledge, that the ScandiNotes II have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

ScandiNotes II in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The ScandiNotes II are being offered and sold only outside the United States to persons other than U.S. persons ("foreign purchasers", which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) in reliance upon Regulation S.

Terms used in this section of "Selling Restrictions" have the meanings given to them by Regulation S.

General

Each Dealer will be required to agree that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers ScandiNotes II or has in its possession or distributes this Supplemental Information Memorandum.

GENERAL INFORMATION

1. The Issuer was established on 31 January 2003 with registered number 40490. Its domicile is Guernsey, the Channel Islands.
2. The registered office of the Company is located at P O Box 73, Harbour Court, Les Amballes, St. Peter Port, Guernsey GY1 3DD, Channel Islands.
3. The accounting period of the Company ends on 31 December.
4. Pursuant to a VP agency agreement to be dated on or before the Issue Date and made between HSH Nordbank and the Issuer (the "**VP Agency Agreement**"), the Issuer will appoint HSH Nordbank as, *inter alia*, its authorised issuing agent in relation to the ScandiNotes II. As such, HSH Nordbank will act as intermediary between the Issuer and the VP in relation to certain matters concerning the registration at the VP and servicing of the ScandiNotes II, for which it will receive a fee.
5. The Articles of Association of the Issuer have been filed with the Greffe in Guernsey.
6. The accounts of Mare Baltic for the period from 31 January 2003 to 31 December 2003 were prepared in accordance with International Financial Reporting Standards and were audited by KPMG Channel Islands Limited who issued an unqualified audit opinion. There has been no material adverse change in the financial position of the Issuer since 31 December 2003. Audited accounts will be prepared annually for the accounting period ending 31 December and these are expected to be published in or about the following June.
7. The Issuer is not involved in any legal or arbitration proceedings nor is the Issuer aware that any such proceedings are pending or threatened.
8. KPMG Channel Islands Limited have given and have not withdrawn their written consents to the issue of this Supplemental Information Memorandum.
9. HSH Nordbank will pay substantially all of the expenses of the issue of the ScandiNotes II. The Issuer will not pay any selling commissions in connection with the subscription of the ScandiNotes II. In connection with the issue the following costs have been estimated in relation to printing costs, costs payable to the Copenhagen Stock Exchange and costs payable to the VP.

-	Printing of Supplemental Information Memorandum:	GBP 10,000
-	Copenhagen Stock Exchange A/S:	DKK 40,000 up-front and approximately DKK 20,000 annually.
-	VP:	DKK 11,000 up-front and approximately DKK 12,000 annually.

The net proceeds of issue of the ScandiNotes II, amounting to DKK 800,773,789.18 shall be applied by the Issuer in (i) acquiring the Repackaging Assets from HSH Nordbank and (ii) in transferring the amount of DKK 530,100, the DKK equivalent of US\$90,000 to the bank account of the Issuer with HSH Nordbank AG (the "**Programme Bank Account**") forming part of the core assets of the Issuer which will be secured in favour of the Operation Services Provider to meet costs and expenses including cell unwind costs and will in certain circumstances be available to the Issuer to pay extraordinary expenses arising from time to time. The balance on the Programme Bank Account will not be available to meet obligations due to Noteholders.
10. None of the directors of the Issuer will receive any commissions or fees in connection with the issue of the ScandiNotes II over and above their fees as directors of the Issuer.
11. Copies of the following documents may be inspected during usual business hours at the office of the Arranger at Kalvebod Brygge 39-41, DK-1560, Copenhagen V, Denmark for 14 days from the date of this Supplemental Information Memorandum:

- (a) the Articles of Association of the Issuer;
 - (b) the Principal Trust Deed;
 - (c) the Agency Agreement;
 - (d) this Supplemental Information Memorandum;
 - (e) the VP Agency Agreement and the VP Agreement; and
 - (f) drafts (subject to modification) of the following documents:
 - (i) the 2004-1 Supplemental Trust Deed constituting the ScandiNotes II; and
 - (ii) the Pledge Agreement.
12. The documents referred to in paragraph 11 above will be available for inspection, and copies of the Issuer's annual accounts will be obtainable, during the life of the ScandiNotes II, at the office of the Issuer currently at P O Box 73, Harbour Court, Les Amballes, St. Peter Port, Guernsey, The Channel Islands.

REGISTERED OFFICE OF THE ISSUER

Mare Baltic PCC Limited

PO Box 73
Harbour Court
Les Amballes
St. Peter Port
Guernsey GY1 3DD
Channel Islands

ARRANGER AND DEALER

**HSH Nordbank AG
Copenhagen Branch**

Kalvebod Brygge 39-41
DK-1560 Copenhagen V
Denmark

TRUSTEE

The Law Debenture Trust Corporation p.l.c.

Fifth Floor
100 Wood Street
London EC2V 7EX
England

**PRINCIPAL PAYING AGENT, ISSUE AGENT, VP
AGENT, COPENHAGEN PAYING AGENT AND
REGISTRAR**

**HSH Nordbank AG
Copenhagen Branch**
Kalvebod Brygge 39-41
DK-1560 Copenhagen V
Denmark

OPERATION SERVICES PROVIDER

**HSH Nordbank AG
Copenhagen Branch**
Kalvebod Brygge 39-41
DK-1560 Copenhagen V
Denmark

LEGAL ADVISERS

*to the Arranger, Dealer, Principal Paying Agent, Issue
Agent and Registrar as to English law*

Slaughter and May
One Bunhill Row
London EC1Y 8YY
England

to the Arranger, Dealer and VP Agent as to Danish law

Gorrissen Federspiel Kierkegaard
H.C. Andersens Boulevard 12
DK-1553 Copenhagen V
Denmark

to the Issuer as to Guernsey law

Ozannes
1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP
Channel Islands

to the Trustee as to English law

Lovells
Atlantic House
Holborn Viaduct
London EC1A 2FG

TAX ADVISERS

KPMG
Borups Allé 177
2000 Frederiksberg
Denmark

AUDITORS

KPMG Channel Islands Limited
2 Grange Place
The Grange
St. Peter Port
Guernsey
Channel Islands

**COPENHAGEN LISTING AGENT AND
INVESTMENT ADVISER**

HSH Gudme Bank A/S
Kalvebod Brygge 39-41
DK-1560 Copenhagen V
Denmark

PRINTED BY HSH NORDBANK AG, COPENHAGEN BRANCH