

**MARE BALTIC PCC LIMITED***(Incorporated as a protected cell company with limited liability in Guernsey and with registered number 40490)***EUR 201,600,000 AND DKK 692,420,000 IN AGGREGATE PRINCIPAL  
AMOUNT OF LIMITED RECOURSE SECURED ASSET BACKED NOTES  
DUE 2015  
("ScandiNotes® III")****ISSUED PURSUANT TO A €1,000,000,000 STRUCTURED NOTE PROGRAMME  
BY THE SERIES 2005-1 CELL OF MARE BALTIC PCC LIMITED**

Class	Security Code	Original Principal Amount	Interest Rate	Maturity Date	Expected Rating
A	DK0030015128	EUR 201,600,000	Floating rate <sup>(1)(3)</sup>	1 November 2015 <sup>(6)</sup>	Aa2 <sup>(7)</sup>
B	DK0030015201	DKK 413,370,000	2.00% <sup>(2)(4)</sup>	1 November 2015 <sup>(6)</sup>	Baa2 <sup>(7)</sup>
C	DK0030015391	DKK 279,050,000	2.00% <sup>(2)(5)</sup>	1 November 2015 <sup>(6)</sup>	Not rated

(1) Interest on the Class A Floating Rate Limited Recourse Secured Senior Notes due 2015 (the "Class A Notes") is payable semi-annually on 1 November and 1 May in each year (subject to the Modified Following Business Day Convention).

(2) Interest on the Class B 2% Limited Recourse Secured Mezzanine Notes due 2015 (the "Class B Notes") and the Class C 2% Limited Recourse Secured Junior Notes due 2015 (the "Class C Notes") is payable annually on 1 November in each year up to (and including) the interest payment date falling in November 2010 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).

(3) The Interest Rate on the Class A Notes for each interest period commencing on or after the issue date until the interest period commencing in May 2010 shall be (i) the 6 month EURIBOR rate plus (ii) 38 basis points and for each interest period commencing in or after November 2010 shall be (i) the 6 month EURIBOR rate plus (ii) the applicable Margin as set out in the Special Conditions on page 7.

(4) The Interest Rate on the Class B Notes for each interest period commencing in or after November 2010 shall be (i) 2% plus (ii) the applicable Margin as set out in the Special Conditions on page 7.

(5) The Interest Rate on the Class C Notes for each interest period commencing in or after November 2010 shall be (i) 2% plus (ii) the applicable Margin as set out in the Special Conditions on page 7.

(6) The Class A Notes, the Class B Notes and the Class C Notes are subject to an Issuer call option which may be exercised on or after the interest payment date falling in November 2010.

(7) The expected ratings of each of the Class A Notes and the Class B Notes are a preliminary indication 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 Supplemental Prospectus relates to the issue of EUR 201,600,000 and DKK 692,420,000 Limited Recourse Secured Asset Backed Notes due 2015 (the "Notes" or the "ScandiNotes® III") in three classes, the Class A Floating Rate Limited Recourse Secured Senior Notes due 2015 (the "Class A Notes"), the Class B 2% Limited Recourse Secured Mezzanine Notes due 2015 (the "Class B Notes") and the Class C 2% Limited Recourse Secured Junior Notes due 2015 (the "Class C Notes") (as further described herein) by the Series 2005-1 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 and the Class C Notes, and the Class B Notes rank ahead of the Class C Notes, in each case in respect of payments of principal and interest. Noteholders' recourse shall be limited to the Charged Assets of the Series 2005-1 Cell and shall be subject to the orders of priorities set out on pages 53 to 56 (the "Orders of Priorities") 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 Prospectus dated 1 November 2005 relating to the Programme. Terms and expressions defined in the Prospectus have the same respective meanings when used in this Supplemental Prospectus.

The issue of the Notes was approved by the board of directors of the Issuer on 27 October 2005. Application has been made to Copenhagen Stock Exchange A/S for the ScandiNotes® III to be listed on the Copenhagen Stock Exchange.

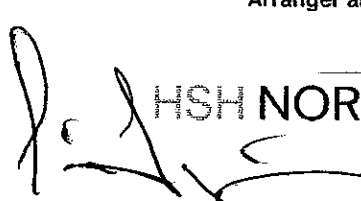

The ScandiNotes® III will be issued to HSH Nordbank AG, Copenhagen branch ("HSH Nordbank") for its own account on 1 November 2005 at a price of par for the Class A Notes and at a price based on 5 year swap rates and the credit spreads reflecting credit risks on the Repackaging Assets and subordination for the Class B Notes and the Class C Notes and, in each case, 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 62 below. The Issuer will not issue any further notes forming part of the same Series as the ScandiNotes® III.

ScandiNotes is a registered trademark.

**THIS DOCUMENT IS SUPPLEMENTAL TO AND MUST BE READ IN CONJUNCTION WITH THE PROSPECTUS DATED 1 NOVEMBER 2005 ISSUED IN RELATION TO THE PROGRAMME INCLUDING WITHOUT LIMITATION THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 23 OF THE PROSPECTUS.**

The date of this Issue Document is 1 November 2005.

Arranger and Dealer

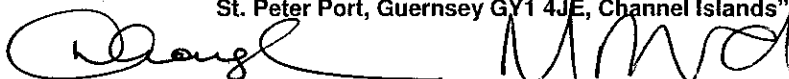
 **HSH NORDBANK** 

## IMPORTANT NOTICE

Mare Baltic (the "Responsible Person") accepts responsibility for the information contained in this document, and has made the statement contained in the following paragraph:

"We hereby confirm that, to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Supplemental Prospectus is in accordance with the facts and does not omit any information likely to affect the import thereof.

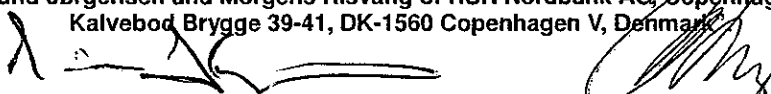
David Gough and Michelle Brouard, directors of Mare Baltic PCC Limited of One Lefebvre Street, St. Peter Port, Guernsey GY1 4JE, Channel Islands"



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 Prospectus and have found nothing that is incorrect or inconsistent with this Supplemental Prospectus.

Jens Lillelund Jørgensen and Morgens Risvang of HSH Nordbank AG, Copenhagen branch of Kalvebod Brygge 39-41, DK-1560 Copenhagen V, Denmark



The Arranger and Dealer, the Counterparties and the Trustee have not separately verified the information contained herein (other than, in respect of the Hedging Counterparty, the information contained in the "Information Concerning the Hedging Counterparty" section). 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 III 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 Prospectus or any other financial statements or further information supplied pursuant to the terms of the Programme or the ScandiNotes III 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 Prospectus nor any other statements or any further information supplied pursuant to the terms of the Programme or the ScandiNotes III 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 Prospectus or any other financial statements or any further information supplied pursuant to the terms of the Programme or the ScandiNotes III should subscribe for or purchase any of the ScandiNotes III. Each investor contemplating purchasing the ScandiNotes III 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 Prospectus 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 III 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 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 EUR 1,000,000,000 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 III 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 Prospectus and the offer or sale of any of the ScandiNotes III 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 Prospectus by Copenhagen Stock Exchange A/S) which would permit a public offering of any of the ScandiNotes III or distribution of this Supplemental Prospectus in any jurisdiction where action for that purpose is required. In particular, the ScandiNotes III have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may be subject to U.S. tax law requirements. Subject to certain exceptions, the ScandiNotes III may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act). Persons into whose possession this Supplemental Prospectus or any of the ScandiNotes III come must inform themselves about, and observe any such restrictions. For further information see "Selling Restrictions" on page 63 and in the Prospectus.

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## SUMMARY

This summary must be read as an introduction to this Supplemental Prospectus and any decision to invest in any Notes should be based on a consideration of this Supplemental Prospectus and the Prospectus dated 1 November 2005 as a whole, including the documents incorporated by reference therein. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Responsible Person in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Supplemental Prospectus. Where a claim relating to information contained in this Supplemental Prospectus or the Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Supplemental Prospectus or the Prospectus before the legal proceedings are initiated.

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Supplemental Prospectus.

Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this Summary.

- |     |  |   |
|-----|--|---|
| 1.  | Issuer:  | Mare Baltic PCC Limited, a company incorporated as a protected cell company with limited liability in Guernsey and with registered number 40490   |
|     | 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): | Series 2005-1 Cell  |
| 2.  | (i) Series Number:   | Series 2005-1 (the " <b>ScandiNotes III</b> ")  |
|     | (ii) Tranche Number:   | Class A Notes - Tranche 1<br>Class B Notes - Tranche 1<br>Class C Notes - Tranche 1   |
|     | (iii) ISIN:  | Class A Notes - DK 0030015128<br>Class B Notes - DK 0030015201<br>Class C Notes - DK 0030015391   |
| 3.  | Specified Currency or Currencies:  | Class A Notes - euro<br>Class B Notes - Danish Kroner<br>Class C Notes - Danish Kroner  |
| 4.  | Aggregate Nominal Amount:  |   |
|     | (i) Series:  | EUR 201,600,000 and DKK 692,420,000   |
|     | (ii) Tranche:  | Class A Notes - EUR 201,600,000<br>Class B Notes - DKK 413,370,000<br>Class C Notes - DKK 279,050,000   |
| 5.  | Expected Offer Price:  | Class A Notes – 100% of the Aggregate Nominal Amount of the Class A Notes<br>Class B Notes – 90.97% of the Aggregate Nominal Amount of the Class B Notes<br>Class C Notes – 88.30% of the Aggregate Nominal Amount of the Class C Notes |
| 6.  | Specified Denominations:   | Class A Notes - EUR 0.01<br>Class B Notes - DKK 0.01<br>Class C Notes - DKK 0.01  |
| 7.  | Issue Date:  | 1 November 2005   |
| 8.  | Maturity Date:   | 1 November 2015   |
| 9.  | Interest Basis:  | Class A Notes – Floating Rate<br>Class B Notes – Fixed Rate<br>Class C Notes – Fixed Rate<br>(further particulars specified below)  |
| 10. | Redemption/Payment Basis:  | Redemption at par   |

11.	Change of Interest Basis or Redemption/Payment Basis:	Not Applicable
12.	Purchase Option:	Not Applicable
13.	Put/Call Options:	Issuer Call Option (see paragraph 19 below)
14.	Listing:	Copenhagen Stock Exchange
15.	Status of Notes:	The Class A Notes are senior to the Class B Notes and the Class C Notes, and the Class B Notes are senior to Class C Notes, in each case in respect of payments of principal and interest (see Order of Priorities on pages 53 to 56).
16.	Method of distribution:	Non-syndicated

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	<b>Fixed Rate Note Provisions:</b>	Class A Notes - Not Applicable Class B Notes - Applicable Class C Notes - Applicable
(i)	Rate(s) of Interest:	2 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 2010 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 2010 and thereafter 1 May and 1 November in each year up to and including the Interest Payment Date in November 2015. The first Interest Payment Date is 1 November 2006.
(iii)	Business Day Convention:	Modified Following Business Day Convention. The amount of interest payable will not be adjusted.
(iv)	Business Day(s):	Copenhagen and TARGET
(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):	2 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

18.	<b>Floating Rate Note Provisions:</b>	Class A Notes - Applicable Class B Notes - Not Applicable Class C Notes - Not Applicable
	(i) Interest Period(s)	6 months
	(ii) Specified Interest Payment Dates:	1 May and 1 November in each year up to and including the Interest Payment date in November 2015. The first Interest Payment Date is 1 May 2006.
	(iii) Business Day Convention:	Modified Following Business Day Convention
	(iv) Business Centre(s):	Copenhagen
	(v) Manner in which the Rate(s) of Interest is/are to be determined	Screen Rate Determination
	(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s):	Principal Paying Agent
	(vii) Screen Rate Determination:	
	- Reference Rate:	EURIBOR
	- Interest Determination Date(s):	2 Business Days prior to the first day of each Interest Period
	- Relevant Screen Page	Reuters Screen Rate EURIBORD6MD
	(viii) ISDA Determination	Not applicable
	(ix) Margin(s):	+0.38 per cent. per annum for each interest period up to and including the interest period ending on the Interest Payment Date in November 2010 and thereafter a rate calculated in accordance with Special Condition A below.
	(x) Minimum Rate of Interest:	Not applicable
	(xi) Maximum Rate of Interest:	Not applicable
	(xii) Day Count Fraction:	Actual/360
	(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	Not applicable

#### PROVISIONS RELATING TO REDEMPTION

19.	Issuer Call:	Applicable
	(i) Optional Redemption Date(s) and Redemption Option Period:	On any Interest Payment Date falling in or after November 2010 if, and only if, the aggregate principal amount of the outstanding ScandiNotes III is 10% or less of the original aggregate principal amount of ScandiNotes III 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 III.

(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	Principal and accrued interest on the ScandiNotes III
(iii)	Notice period:	20 calendar days' prior notice to an Optional Redemption Date
20.	Investor Put:	Not Applicable
21.	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.
22.	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:	Not Applicable

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	Negotiable Dematerialised Notes. For further information in relation to Dematerialised Notes please see page 17 of the Prospectus dated 1 November 2005 in relation to the Programme.
24.	Redenomination, renominatisation and reconventioning provisions:	Redenomination not applicable but this is without prejudice to Condition 17 which shall apply.
25.	Special Conditions:	<p><b>Special Condition A - Interest after November 2010</b></p> <p><i>Class A Notes</i></p> <p>Interest on the Class A Notes shall accrue in relation to each Interest Period commencing on or after the Interest Payment Date in November 2010 and shall be recalculated semi-annually with effect from each Interest Payment Date falling on or after the Interest Payment Date in November 2010. This interest shall be calculated as:</p> <p>(i) EURIBOR for 6 months (Reuters Screen Rate EURIBORD6MD); plus</p> <p>(ii) the Margin,</p> <p>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 2010 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 B Swap or the Class C Swap. The Margin is expected, based on current projections for EURIBOR which may or may not reflect the actual EURIBOR for the relevant period in the future, to be between 0% per annum and 1.0% per annum. 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, the Class B Notes and the Class C Notes will be made pro rata to the principal amount of each class of ScandiNotes III</p>

outstanding after paying the expenses ranking ahead of such amounts of interest in the relevant Order of Priorities (as to which see below).

*Class B Notes*

Interest on the Class B Notes shall accrue in relation to each Interest Period commencing on or after the Interest Payment Date in November 2010 and shall be recalculated semi-annually with effect from each Interest Payment Date falling in or after the Interest Payment Date in November 2010. This interest shall be calculated as:

- (i) a rate of 2.00% 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 2010 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 B Swap or the Class C Swap. The Margin is expected, based on current projections for the EUR/DKK currency exchange rate and EURIBOR which may or may not reflect the actual EUR/DKK currency exchange rate and EURIBOR (respectively) for the relevant period in the future, to be between 0% per annum and 1.0% per annum. 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, the Class B Notes and the Class C Notes will be made pro rata to the principal amount of each class of ScandiNotes III outstanding after paying the expenses ranking ahead of interest in the relevant Order of Priorities (as to which see below).

*Class C Notes*

Interest on the Class C Notes shall accrue in relation to each Interest Period commencing on or after the Interest Payment Date in November 2010 and shall be recalculated semi-annually with effect from each Interest Payment Date falling on or after the Interest Payment Date in November 2010. This interest shall be calculated as:

- (i) a rate of 2.00% per annum; plus
- (ii) the Margin,

applied to the principal amount of Class C 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 2010 with reference to the Class C 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 B Swap or the Class C Swap. The Margin is

expected, based on current projections for the EUR/DKK currency exchange rate and EURIBOR which may or may not reflect the actual EUR/DKK currency exchange rate and EURIBOR (respectively) for the relevant period in the future, to be between 0% per annum and 1.0% per annum. 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, the Class B Notes and the Class C Notes will be made pro rata to the principal amount of each class of ScandiNotes III 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, the Class B Notes and the Class C 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 redeem or partially redeem the ScandiNotes III on each Interest Payment Date falling on or after November 2010 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. Any amounts of principal remaining after the repayment of the Class A Notes and such expenses will be applied first to reduce the amounts of principal of the Class B Notes (on a pro rata basis applied to the principal amount of the Class B Notes outstanding on the relevant Interest Payment Date) and any other expenses ranking ahead of principal of the Class C Notes in the relevant Order of Priorities and only when the Class B Notes and such expenses have been repaid in full will principal on the Class C Notes be repaid. To the extent any amounts of principal remain, the principal on the Class C Notes will be then repaid on a pro rata basis applied to the principal amount of the Class C 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 III will be rounded down to the nearest EUR 0.01 or DKK 0.01 (as applicable).

#### **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 III.

**Special Condition D - Security**

For the purposes of the Conditions, the Pledge Agreements (described on page 53 below) shall each be a Supplementary Security Document.

**Special Condition E - Investments**

After the items referred to in paragraphs (a) to (e) of the pre-enforcement Order of Priorities (as to which see below) 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 euro denominated government or municipal bonds, euro 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 III, 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 equal to EURIBOR for the relevant interest period plus 38 basis points 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 III. 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 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 amounts of principal remaining after the Class A Notes and such expenses have been repaid will be applied first to reduce the amounts of principal of the Class B Notes and any other expenses ranking ahead of principal on the Class C Notes in the relevant Order of Priorities and only when the Class B Notes and such expenses have been repaid in full will principal on the Class C Notes be repaid (but only to the extent any amounts remain available to make such repayments). 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 investment in relation to which such Rating Deterioration occurs 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.

26. Instructing Creditor:

Noteholders only

#### DISTRIBUTION

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

Not Applicable

(ii) Stabilising Manager (if any):

Not Applicable

28. If non-syndicated, name of relevant Dealer:

HSN Nordbank AG, Copenhagen branch

29. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:

TEFRA rules not applicable

30. 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 (*Værdipapircentralen*) (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

## PART B – OTHER INFORMATION

### 1. RATINGS

Ratings:

Class A Notes – Applicable  
 Class B Notes – Applicable  
 Class C Notes – Not applicable

Moody's Investors Services Limited ("Moody's") has provided a preliminary indication only of the Class A Notes of Aa2.

A rating of Aa2 means that Moody's consider the obligations of the Issuer under the Class A Notes to be of high quality and subject to very low credit risk. The numerical modifier "2" indicates that Moody's consider the obligations rank in the mid-range of the generic rating category (whereas a numerical modifier "1" would indicate the higher end of the generic rating category and a numerical modifier "3" would indicate the lower end of the generic rating category).

Moody's has provided a preliminary indication only of the Class B Notes of Baa2.

A rating of Baa2 means that Moody's consider the obligations of the Issuer under the Class B Notes to be subject to moderate credit risk and are considered medium-grade and as such may possess certain speculative characteristics. The numerical modifier "2" indicates that Moody's consider the obligations rank in the mid-range of the generic rating category (whereas a numerical modifier "1" would indicate the higher end of the generic rating category and a numerical modifier "3" would indicate the lower end of the generic rating category).

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.

### 2. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Other than the parties listed on the last page of this Supplemental Prospectus (other than legal and tax advisers and auditors), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest in the issues.

### 3. YIELD (fixed rates only)

Indication of yield:

Class A Notes – Not applicable  
 Class B Notes - 3.83650 per cent. per annum  
 Class C Notes - 4.48650 per cent. per annum

The indication of the yield for each of the Class B Notes and the Class C Notes has been calculated on the basis of the internal rate of return on the relevant class of Notes, being the discount rate which equates the present value of the expected cash return on the investment with the present value of the initial investment. The indication of the yield for each of the Class B Notes and the Class C Notes has been calculated assuming no default under the Repackaging Assets, an Issue Date of 1 November 2005 and a redemption date of 1 November 2010. The equation used for the purposes of calculating the yields was:

$$PV_0 = \sum_{j=1}^N CF_j \cdot (1 + Y)^{-j}$$

where:

- $PV_0$  = the expected present value of the Notes on 1 November 2005;
- $CF_j$  = the cash flow paid on the Notes on time  $j$ , being every 1 November until and including 1 November 2010;
- $N$  = number of coupon dates, being 5; and
- $Y$  = the periodic yield.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

#### 4 HISTORIC INTEREST RATES

Details of historic EURIBOR rates can be obtained from Telerate.

#### 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, Icelandic, Norwegian and Swedish commercial and savings banks (as further described in the sections entitled "The Danish Banking Industry", "The Icelandic Banking Industry", "The Norwegian Banking Industry" and "The Swedish 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 20 and 50 for further details.

## RISK FACTORS

*An investment in the ScandiNotes III involves certain risks. The following is a summary of certain aspects of the ScandiNotes III, 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, or incorporated by reference in, this Supplemental Prospectus and in the Prospectus. 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 III should conduct such independent investigation and analysis regarding the Repackaging Assets, the ScandiNotes III, 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 III. The Arranger, Issuer and the Dealer each disclaim any responsibility to advise investors of the risk and investment considerations associated with an investment in the ScandiNotes III as they may exist at the date hereof or at any time thereafter.

Investment in the ScandiNotes III 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 III and the rights attaching to the ScandiNotes III in the context of such investors' financial position and circumstances;
- (ii) are capable of bearing the economic risk of an investment in the ScandiNotes III until the maturity of the ScandiNotes III;
- (iii) are acquiring the ScandiNotes III for their own account for investment, not with a view to resale, distribution or other disposition of the ScandiNotes III (subject to any applicable law requiring that the disposition of the investor's property be within its control); and
- (iv) recognise that it may not be possible to make any transfer of the ScandiNotes III for a substantial period of time, if at all.

Further, each prospective investor in the ScandiNotes III 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 III 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 III are a fit, proper and suitable investment for it, notwithstanding the risks inherent in investing in or holding the ScandiNotes III.

### Credit Considerations

The ScandiNotes III are solely the obligation of the Issuer. In particular, the ScandiNotes III 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 III.

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

The Repackaging Assets have the status of subordinated capital under the relevant legislation in the jurisdiction of each Borrower (which is (i) in respect of each Borrower which is a Danish bank (a "**Danish Borrower**"), consolidated Act no. 613 of 21 June 2005 on Financial Business (the "**Danish Financial Business Act**"), article 136, (ii) in respect of each Borrower which is a Swedish bank (a "**Swedish Borrower**"), Chapter 2, Section 6, paragraph 3 of the Act on Capital Adequacy and Large Exposures (Sw. *lag (1994:2004) om kapitaltäckning och stora exponeringar för kreditinstitut och värdepappersbolag*), (iii) in respect of each Borrower which is a Norwegian bank (a "**Norwegian Borrower**"), Section 4, subparagraph 3 of the Regulation of 1 June 1990 no. 435 concerning the Measurement of Own Capital for Financial Institutions, Settlement Institutions and Investment Firms, and (iv) in respect of each Borrower which is an Icelandic bank (an "**Icelandic Borrower**"), Article 84 in the Act on Financial Undertakings No. 161/2002). 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 III are exposed to a greater credit risk in relation to each of the Borrowers than they would be if the Repackaging Assets comprised unsubordinated 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 III 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, Icelandic, Norwegian and Swedish banks which are Borrowers.

#### **The Class B Notes**

Investors in the Class B Notes should note that these Notes are junior to the Class A Notes in respect of payments of principal and interest and will be redeemed only after all Class A Notes have been redeemed and all expenses ranking ahead of the principal on the Class B Notes in the relevant Order of Priorities have been paid. The Class B Notes are senior to the Class C Notes in respect of payments of principal and interest. The Class B Notes therefore will bear the second loss arising out of defaults by the Borrowers or the Hedging Counterparty.

The Class B Notes also have a principal 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, whereas the Class A Notes do not have such an exposure.

#### **The Class C Notes**

Investors in the Class C Notes should note that these Notes are junior to the Class A Notes and the Class B Notes in respect of payments of principal and interest, and will be redeemed only after all Class A Notes and all Class B Notes have been redeemed and all expenses ranking ahead of the principal on the Class C Notes in the relevant Order of Priorities have been paid. The Class C Notes therefore will bear the first loss arising out of defaults by the Borrowers or the Hedging Counterparty.

The Class C Notes also have a principal 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, whereas the Class A Notes do not have such an exposure.

#### **Postponement of interest payment – Danish Borrowers**

Each individual Danish Borrower under the loans to it comprising the Repackaging Assets has the right to postpone interest payments under the relevant loan should such Danish 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 Danish Borrower again complies with the solvency requirements;
- (2) the final repayment date of the Repackaging Assets; or
- (3) a liquidation or bankruptcy of the Danish Borrower.

Investors in the ScandiNotes III 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 – Danish Borrowers**

Each Danish Borrower, by a resolution passed at a meeting of its supreme governing body duly convened in accordance with Danish law and such Danish 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 Danish 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 Danish Borrower have been reduced to or below zero; (b) a general meeting of the supreme governing body of the Danish Borrower has effectively resolved in accordance with Danish law and the Danish 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 Danish Borrower; and (c) following the resolution referred to in (b) above either (i) sufficient share/guarantee and/or other capital of the Danish Borrower is subscribed and contributed so as to enable the Danish 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 Danish Borrower terminates its business without loss to the unsubordinated creditors. The amount of any reduction shall be subject to prior approval by the Danish 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 will be less than the amount of their original investment in the ScandiNotes III. Accordingly, the ScandiNotes III are not principal-protected.

#### **Exposure to HSH Nordbank**

HSH Nordbank will be the account holding bank and hedging counterparty (the "**Hedging Counterparty**") in respect of six 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 2005-1 Cell (the "**Hedging Agreement**"). The hedging transactions can be summarised as set out below.

- (1) A liquidity swap transaction, payments under which will be calculated by reference to the Class A Notes (the "**Class A Swap**") which will hedge the differential between the weighted average interest rate payable on the Repackaging Assets and the interest rate which is payable on the Class A Notes.
- (2) A liquidity swaption, which will replace the Class A Swap in the event that any of the Repackaging Assets specified in the confirmation for the Class A Swap remain outstanding on an Interest Payment Date falling in or after November 2010 (the "**Liquidity Swaption**").
- (3) An interest rate swap transaction, payments under which will be calculated by reference to the Class B Notes and the EUR / DKK exchange rate (the "**Class B Swap**").
- (4) An interest rate swap transaction, payments under which will be calculated by reference to the Class C Notes and the EUR / DKK exchange rate (the "**Class C Swap**").
- (5) A currency option (the "**Currency Option**"), payments under which will be calculated by reference to the amount of principal repayments on the Repackaging Assets available to repay principal on the Class B Notes and the Class C Notes and the EUR / DKK currency exchange rate. The Currency Option will be operative on and from the Interest Payment Date falling in May 2011. The Currency Option will require payments to be made by the Hedging Counterparty to the Issuer in the event that EUR/DKK exchange rate falls below 7.4625 up to a maximum amount of DKK 3,647,064.94.
- (6) A floor transaction (the "**Floor**"), payments under which will be calculated by reference to the Repackaging Assets specified in the confirmation for the Floor and the 6 month EURIBOR rate. The Floor will take effect on and from the Interest Payment Date falling in May 2011. The Floor will require payments to be made by the Hedging Counterparty to the Issuer on such a date in the event that the 6 month EURIBOR rate falls below 1.40% and any of the Repackaging Assets specified in the confirmation for the Floor are then outstanding.

Accordingly, there is a counterparty risk exposure to HSH Nordbank in respect of payments by HSH Nordbank under the Class A Swap, the Liquidity Swaption, the Class B Swap, the Class C Swap, the Currency Option and the Floor. 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 which may cause loss to investors in the Class A Notes, the Class B Notes and the Class C Notes. Therefore, HSH Nordbank should be evaluated by prospective investors from a credit risk perspective. Further information about HSH Nordbank is provided on page 57 in the section headed "Information Concerning the Hedging Counterparty".

#### **Risks associated with the Hedging Agreement**

Payments will be required to be made under the Class A Swap by the Hedging Counterparty to the Issuer on each Interest Payment Date until (and including) the Interest Payment Date in November 2010 to the extent that (x) the weighted average interest rate payable on the Repackaging Assets on the interest payment date for the Repackaging Assets immediately preceding such Interest Payment Date is less than (y) the interest rate payable by the Issuer on the Class A Notes on that Interest Payment Date and the amount payable under the Class A Swap will be the difference in such rates applied to the principal amount of the Class A Notes. If such amount is not paid, the Issuer will not be able to service its full interest obligations on the ScandiNotes III.

As discussed above, the Class A Swap may be replaced pursuant to the terms of the Liquidity Swaption to the extent that Repackaging Assets remain outstanding on an Interest Payment Date falling in or after November 2010. Payments under the Liquidity Swaption will operate in the same manner as under the Class A Swap in relation to the lower of (i) the principal amount of the Class A Notes and (ii) the principal balance of Repackaging Assets which have not been paid in full and in relation to which the Borrower has not defaulted, and if any such amounts are not paid by the Hedging Counterparty when due and payable the Issuer will not be able to service its full interest obligations under the ScandiNotes III.

The ongoing interest amounts payable by the Hedging Counterparty under the Class B Swap and Class C Swap are needed to vary the appropriate amount of interest payable on the Class B Notes and the Class C Notes. If such amounts are not paid, the Issuer will not be able to service its full interest obligations under the relevant ScandiNotes III.

The principal amount of the Repackaging Assets is less than the principal amount of the ScandiNotes III. 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 final payments to the Issuer on the Interest Payment Date falling in November 2010 in respect of the Class B Swap and the Class C Swap. In the event of a default in payment by the Hedging Counterparty in respect of those final payments, the investors in the Class C Notes stand to lose some of their investment. If there is a default or a termination of the Class B Swap or the Class C Swap, the principal amount of the Repackaging Assets available to meet obligations owed to the holders of the Class C Notes will be less than the outstanding amount of the Class C Notes and there can be no guarantee that investors will receive full payment of principal on the Class C Notes.

Under the Currency Option, the Issuer will have the right to claim payments from HSH Nordbank up to a maximum amount of DKK 3,647,064.94 to hedge exposures to the EUR / DKK exchange rate in relation to Repackaging Assets which remain outstanding on Interest Payment Dates in or after May 2011. The Currency Option will hedge exposures to the EUR / DKK exchange rate only to the extent that the EUR / DKK exchange rate does not fall below 7.4234, its lowest rate since 1 January 1999.

Under the Floor, the Issuer will have the right to claim payments from HSH Nordbank in the event that the 6 month EURIBOR rate is less than 1.40 per cent. on any Interest Payment Date in or after May 2011 to the extent any Repackaging Assets remain outstanding on such a date, the purpose of which is to hedge part of the interest rate exposure between the 6 month EURIBOR rate and the 2% fixed coupon payable in DKK on the Class B Notes and the Class C Notes. If this amount is not paid, an Investor in the Class B Notes or the Class C Notes may not receive the full amount of interest owed to it.

The Class A Swap, the Class B Swap and the Class C Swap will terminate on the Interest Payment Date falling in November 2010 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 III become due to be redeemed by the Issuer prior to 1 November 2010,

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. It is not currently possible to quantify the amount of any such future termination payment, however such payments might impact on the ability of the Issuer to meet its payment obligations with respect to principal and interest on the Notes, and in particular the Class C Notes.

The Class B Swap and the Class C Swap forming part of 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, in the case of an RA Event, be taken into account to reset the amounts of the Class B Swap and the Class C Swap. If the Class B Swap or the Class C 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 49 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 in the Class A Notes, the Class B Notes or the Class C Notes will receive full payment of principal or interest on the ScandiNotes III.

#### **Enforcement of Security**

The Security for the ScandiNotes III, as set out in the Trust Deed, Supplemental Trust Deed and Pledge Agreements (as defined and described below in the section entitled "The Repackaging Assets and Security" on page 49), 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 53 to 56. 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 III 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 III. The Trustee shall not be obliged to pursue any of the remedies available in the Principal Trust Deed unless indemnified and/or secured 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 III (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 III will be dependent upon whether the Repackaging Assets will be prepaid. Each of the Borrowers (other than the Norwegian Borrowers) has an option to prepay its loan comprising part of the Repackaging Assets on or after October 2010 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 financial supervisory authority in the relevant jurisdiction. Each Norwegian Borrower has an option to prepay only on the interest payment date under the relevant Repackaging Asset which falls in October 2010.

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 2010 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 October 2010**

Following October 2010, whereupon the Borrowers (other than the Norwegian 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 III will be less than the minimum interest rate on the ScandiNotes III. The risk of a shortfall in cash flows arising from a fall in the EUR / DKK exchange rate is hedged to the extent the EUR / DKK exchange rate does not fall below 7.4234 by the Currency Option entered into by the Issuer with HSH Nordbank. The risk of a shortfall in cash flows arising from a fall in the 6 month EURIBOR rate to below 1.40% is hedged by the Floor entered into by the Issuer with HSH Nordbank. If exercised, the Currency Option and the Floor will require fixed payments to be made by HSH Nordbank to the Issuer in the event that any of the Repackaging Assets are outstanding.

The ScandiNotes III are subject to optional redemption by the Issuer in the event that the aggregate principal amount of the ScandiNotes III outstanding on or after November 2010 amounts to 10% or below of the original aggregate principal amount of the ScandiNotes III 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 III.

**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 III and it is unlikely that an active secondary market for the ScandiNotes III will develop. Even if an active secondary market does develop, it may not continue for the life of the ScandiNotes III 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 III 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 III.

**Withholding Taxes**

In the event that withholding taxes are imposed on payments made or to be made under the ScandiNotes III, 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.

### Structure of the Industry

At the end of 2004 there were a total of 181 commercial and savings banks in Denmark, 8 being mortgage institutions and one being a ship finance institution (*Danmarks Skibskredit*).

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 65% of corporate and retail lending in Denmark. After the two market leaders, Danske Bank and Nordea, the leading banks by market share are Jyske Bank, FIH, Nykredit Bank and Sydbank. The core operating area of each of these banks is in Jutland. These six largest banks in aggregate account for 80% of total corporate and retail lending in Denmark.

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. Based on total assets, the share of foreign entrants in the Danish market amounted to 10%.

The remaining market share in the retail market is divided between roughly 176 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 below<sup>1</sup>:

Total assets of Danish Banks (year end 2004)	No. of banks	Total DKK bn
Working capital of DKK 25bn and above	5	2,111
Working capital of DKK 3bn and above	22	293
Working capital of DKK 250m and above	74	120
<b>Total</b>	<b>101</b>	<b>2,524</b>

(Source: The Danish Financial Supervisory Authority, *Markedsudviklingen i 2004 for pengeinstitutter*, May 2005)

<sup>1</sup> As at the end of 2004, these 101 banks accounted for approximately 99% of the aggregate amount of total assets of all banks in Denmark.

Extracts of a consolidated balance sheet for the 101 largest Danish banks for 2000 and 2004, as estimated by the Danish FSA, are set out below:

<b>Banks' balance sheets (DKK bn)</b>	<b>Year 2000</b>	<b>Year 2004</b>
<b>Assets</b>		
Loans and advances	826	1,066
Balances due from banks	335	491
Bonds	360	598
<b>Total assets</b>	<b>1,807</b>	<b>2,524</b>

<b>Liabilities</b>		
Deposits	760	1,034
Balances due to banks	489	705
Bonds issued	148	236
Total equity	122	145
<b>Total liabilities</b>	<b>1,807</b>	<b>2,524</b>

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

(Source: The Danish Financial Supervisory Authority, Markedsudviklingen i 2004 for pengeinstitutter, May 2005)

#### *Profitability*

According to market sources, Danish banks reported healthy profits during 2004 resulting from the positive trend in the equity markets and falling interest rates. In 2004, the results from ordinary banking operations improved to what is regarded by market sources as an all-time high. 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. However, in 2004 the level of provisions and write-offs in respect of bad debts decreased substantially from those in 2003. As a consequence, the performance of Danish banks improved in 2004 and the level of revenue diversification in 2004 increased from that in 2003. During 2004, interest margins decreased in Denmark. This price pressure is thought to be the result of the combination of increased competition in the market and the currently low levels of interest rates.

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, and in particular bonds, represent a relatively large part of the banks' total balance sheets.

<b>Earnings of Danish banks (DKK bn) parent company (not group)</b>	<b>2000</b>	<b>2002</b>	<b>2004</b>
Net interest and fees receivable	45.9	48.9	51
Securities and foreign exchange result	4.5	0.8	3.7
Staff and administration expenses	30.9	30.9	33.1
Provisions for bad and doubtful debts	3.2	4.3	1.6
Profit from participating interests in subsidiary and associated undertakings	4.8	6.4	9
Other expenses	2.6	0.05	0.06
Profit before tax	18.5	20.9	30.8
Tax	3.6	5.8	7.9
<b>Profit for the year after tax</b>	<b>14.9</b>	<b>15.1</b>	<b>22.9</b>

Note: The above table includes selected items and does not reflect the complete estimated profit and loss account of the sector. (Source: The Danish Financial Supervisory Authority, Markedsudviklingen i 2004 for pengeinstitutter, May 2005)

*Capitalisation*

Capitalisation in the Danish banking system improved between 1999 and 2003, and in 2003 the total regulatory capital ratio averaged 14%. In 2004, the capital adequacy ratio for the sector decreased to an industry average regulatory capital ratio of 13.47%. This level continues to be strong and reflects the fact that many of the smaller institutions have capital adequacy ratios well above the regulatory minimum requirement. (Source: The Danish Financial Supervisory Authority, Markedsudviklingen i 2004 for pengeinstitutter, May 2005)

<b>Selected key ratios of Danish banks - parent company (not group)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Solvency capital percentage	12.9%	13.02%	13.51%	14.00%	13.47%
Core capital percentage	10.07%	9.70%	10.22%	10.79%	10.77%

### SELECTED DANISH COMMERCIAL AND SAVINGS BANKS

The Danish commercial and savings banks issuing the subordinated term loan agreements constituting the Repackaging Assets are listed below. The information disclosed about each bank listed below has been accurately reproduced from information published by such bank and, so far as the Issuer is aware and is able to ascertain from information published by the bank, no facts have been omitted which would render the information below misleading.

#### Amagerbanken

##### Portrait

Amagerbanken was founded in 1903 as a local bank in Amager in the southern part of Copenhagen. Today, the bank has a total of 27 branches with 24 branches in the Copenhagen area, one branch in Odense and two branches in Århus. The bank offers various traditional retail banking products and, through the bank's subsidiary, AB Finans A/S, the bank offers leasing and other financing products. Today, Amagerbanken has approximately 110,000 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 and as at the end of 2004 the largest shareholders were PFA Holding A/S and Nykredit-Relkredit. The remaining shares were widely spread among approximately 39,000 shareholders.

##### Financial Performance

Key figures: (MDKK)	2000	2001	2002	2003	2004
Loan losses and provisions	70.2	121.5	327.5	112.8	56.5
Net result	121.5	117.3	-39.3	177.4	226.6
Lending	8,622.0	8,655.0	7,477.0	7,180.0	8,388.0
Equity	867.0	956.0	918.0	1,060	1,229.0
Subordinated capital	230.0	380.0	380.0	455.0	550
Balance	11,896.0	13,258.0	12,165.0	12,003.0	13,383.1
Income/cost ratio (I/C)	1.44	1.34	0.90	1.43	1.72
Write-offs for the year and provisioning ratio	0.60	1.10	3.40	1.2	0.5
Provisioning ratio	2.20	2.20	3.20	3.0	2.8
Core capital percentage	8.20	8.60	8.50	10.2	10.2
Solvency percentage	10.40	12.00	12.50	14.5	14.9

(Source: Amagerbanken 2003 and 2004 Annual Report)

#### ebh bank A/S (formerly Egnsbank Han Herred A/S)

##### Portrait

ebh 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 12 branches, which are located in the area around Fjerritslev, in northern Jutland.

ebh bank 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 2004, 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)	2000	2001	2002	2003	2004
Loan losses and provisions	18.0	21.0	26.0	22.0	8.0
Net result	40.0	35.0	45.0	69.0	95.0
Lending	1,305.0	1,285.0	1,759.0	2,017.0	2,113.0
Equity	247.0	260.0	319.0	376.0	457.0

Key figures: (MDKK)	2000	2001	2002	2003	2004
<b>Subordinated capital</b>	50.0	25.0	100.0	125.0	175.0
<b>Balance</b>	2,066.0	2,193.0	2,862.0	3,036.0	3,301
<b>Income/cost ratio (I/C)</b>	1.36	1.35	1.41	1.52	1.70
<b>Write-offs for the year and provisioning ratio</b>	0.8	0.8	0.8	0.6	0.2
<b>Provisioning ratio</b>	4.9	5.5	3.8	2.7	2.0
<b>Core capital percentage</b>	12.6	10.0	9.5	9.7	10.8
<b>Solvency percentage</b>	15.2	11.0	13.2	12.9	15.0

(Source: Egnsbank Han Herred 2004 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 2004, Forstædernes Bank had widespread ownership, with over 18,469 shareholders and shareholders who each hold fewer than 400 shares held close to 50% of its share capital. Forstædernes Bank was the largest shareholder with approximately 3% of the share capital. The bank is listed on the Copenhagen Stock Exchange.

#### Financial Performance

Key figures: (MDKK)	2000	2001	2002	2003	2004
<b>Loan losses and provisions</b>	65.0	87.0	96.0	99.0	32.0
<b>Net result</b>	75.0	79.0	60.0	101.0	177.0
<b>Lending</b>	5,291.0	6,165.0	6,654.0	8,143.0	11,727.0
<b>Equity</b>	488.0	706.0	772.0	850.0	1,004.0
<b>Subordinated capital</b>	349.0	399.0	574.0	575.0	875.0
<b>Balance</b>	7,208.0	9,428.0	10,747.0	11,689.0	17,269.0
<b>Income/cost ratio (I/C)</b>	1.34	1.29	1.19	1.31	1.55
<b>Write-offs for the year and provisioning ratio</b>	0.8	1.0	1.0	0.8	0.2
<b>Provisioning ratio</b>	2.5	2.7	2.6	2.4	1.5
<b>Core capital percentage</b>	6.3	8.1	7.9	7.3	7.1
<b>Solvency percentage</b>	11.1	12.9	14.3	12.2	11.6

(Source: Forstædernes Bank 2004 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 37 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 35.6% of the issued share capital. The bank is listed on the Copenhagen Stock Exchange.

#### Financial Performance

Key figures: (MDKK)	2000	2001	2002	2003	2004
<b>Loan losses and provisions</b>	66.6	79.6	82.7	86.7	81.5
<b>Net result</b>	104.1	97.3	87.4	139.7	148.6
<b>Lending</b>	7,682.0	7,915.0	8,551.0	8,984.3	10,233.5
<b>Equity</b>	942.0	994.0	1,101.0	1,177.0	1,289.8
<b>Subordinated capital</b>	230.0	231.0	232.0	282.6	383.6
<b>Balance</b>	14,915.0	15,617.0	17,455.0	17,924.7	19,415.4
<b>Income/cost ratio (I/C)</b>	1.36	1.33	1.26	1.37	1.39
<b>Write-offs for the year and provisioning ratio</b>	0.70	0.70	0.70	0.70	0.60
<b>Provisioning ratio</b>	4.60	4.10	3.80	3.70	3.20
<b>Core capital percentage</b>	9.00	9.10	9.30	8.40	8.30
<b>Solvency percentage</b>	11.40	11.30	10.10	10.10	10.90

(Source: Fionia Bank 2004 Annual Report)

### Middelfart Sparekasse

#### Portrait

Middelfart Sparekasse is a full-service financial institution providing services to private and commercial customers on a local basis through a network of nine branches located in a limited area in Fuenen and the nearby industrial tri-city area (Kolding, Fredericia, Vejle) in Jutland. Middelfart Sparekasse is based in Middelfart and its market position in its targeted area is strong.

The history of Middelfart Sparekasse goes all the way back to 1853 when a group of local craftsmen in Middelfart established the institution in order to secure attractive financing for expanding their businesses. Since then, Middelfart Sparekasse has increased the services which it offers and today it has a real estate agent chain, an insurance company and a leasing company.

*Financial Performance*

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	18.7	18.7	21.9	21.9	9.6
<b>Net result</b>	8.0	11.6	31.8	71.9	46.4
<b>Lending</b>	1,402	1,529	1,717	1,777	1,944
<b>Equity</b>	278.3	319.5	380.0	479.0	539.0
<b>Subordinated capital</b>	0	0	0	0	0
<b>Balance</b>	1,956	2,266	2,391	2,790	3,042
<b>Income/cost ratio (I/C)</b>	1.2	1.2	1.4	1.6	1.5
<b>Write-offs for the year and provisioning ratio</b>	0.8	0.6	0.7	0.7	0.2
<b>Provisioning ratio</b>	2.8	2.7	3.0	2.9	2.1
<b>Core capital percentage</b>	13.8	13.3	14.2	15.8	14.6
<b>Solvency percentage</b>	13.5	13.1	14.3	15.8	14.2

(Source: Middelfart Sparekasse 2004 Annual Report)

**Østjydsk Bank***Portrait*

Østjydsk Bank's history dates back to 1897. The bank is a regional bank with its main geographical focus in the eastern part of Jutland around the city of Mariager. At the end of 2004, the bank employed 91 people in 9 branches, with headquarters in Mariager. The bank's prime strategy is to provide its customers with a high level of personal service, thus aiming to differentiate themselves from the larger market players.

Østjydsk Bank is listed on the Copenhagen Stock Exchange and its ownership is diverse. The largest shareholders at the end of 2004 were A/S af 17/1 1997 with 4.17% of the issued capital and Østjydsk Bank A/S with 5.02% of the issued capital.

*Financial Performance*

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	9.9	14.9	16.2	22.9	15.9
<b>Net result</b>	18.2	19.7	20.7	43.3	37.4
<b>Lending</b>	778.3	973.2	1,072.7	1,221.3	1,497.1
<b>Equity</b>	127.3	158.7	191.5	227.6	259.2
<b>Subordinated capital</b>	171.3	227.9	285.9	322.0	413.8
<b>Balance</b>	1,108.9	1,510.8	1,699.6	2,172.7	2,494.3
<b>Income/cost ratio (I/C)</b>	1.47	1.43	1.42	1.59	1.52
<b>Write-offs for the year and provisioning ratio</b>	0.70	0.80	0.70	0.90	0.50
<b>Provisioning ratio</b>	4.50	3.90	3.80	4.00	3.30
<b>Core capital percentage</b>	8.90	9.00	8.80	10.40	9.30
<b>Solvency percentage</b>	12.50	13.30	13.80	13.80	14.20

(Source: Østjydsk Bank 2004 Annual Report)

## Morsø Bank

### Portrait

Morsø Bank's history dates back to 1876. Today the bank is a regional bank with its main geographical focus in the north western part of Jutland around the region of Mors. At the end of 2004, the bank employed 90 people in 10 branches, with headquarters in Nykøbing. The bank's prime strategy is to provide its customers with a high level of personal service, thus aiming to differentiate themselves from the larger market players.

Morsø Bank is listed on the Copenhagen Stock Exchange and its ownership is diverse. The bank's largest shareholder at the end of 2004 was Morsø Sparekasse with 54.7% of the issued capital.

### Financial Performance

Key figures: (MDKK)	2000	2001	2002	2003	2004
<b>Loan losses and provisions</b>				10.3	6.1
<b>Net result</b>	16.1	16.1	-17.2	26.5	24.6
<b>Lending</b>	841.3	836.2	802.4	1,023.1	1,266.4
<b>Equity</b>	188.6	200.3	198.3	218.4	237.2
<b>Subordinated capital</b>	0	0	0	0	0
<b>Balance</b>	1,366.7	1,605.7	1,546.0	1,636.4	1,836.6
<b>Income/cost ratio (I/C)</b>	1.43	1.40	0.76	1.43	1.45
<b>Write-offs for the year and provisioning ratio</b>	0.70	0.60	3.40	0.70	0.30
<b>Provisioning ratio</b>	4.90	4.50	7.10	5.30	3.90
<b>Core capital percentage</b>	14.00	13.80	12.60	13.40	12.00
<b>Solvency percentage</b>	11.90	11.40	11.10	12.10	10.70

(Source: Morsø Bank 2004 Annual Report)

## Roskilde Bank A/S

### Portrait

Roskilde Bank's history dates back to 1884. The bank's core operating area is the western and middle part of Zealand in the area around Roskilde. At the end of 2004, the bank employed 404 people in 19 branches, with headquarters in Roskilde. The bank's prime strategy is to provide its customers with a high level of personal service and various types of traditional banking products.

Roskilde Bank is listed on the Copenhagen Stock Exchange and its ownership is diverse. The bank's largest shareholder at the end of 2004 was Roskilde Bank with 6.8% of the issued capital.

*Financial Performance*

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	45	45	68	69	52
<b>Net result</b>	91	89	107	224	214
<b>Lending</b>	5,143	5,866	6,205	6,974	9,706
<b>Equity</b>	528	698	828	1,056	1,146
<b>Subordinated capital</b>	450	450	450	450	700
<b>Balance</b>	7,341	7,845	8,543	9,958	12,844
<b>Income/cost ratio (I/C)</b>	1.49	1.47	1.43	1.71	1.76
<b>Write-offs for the year and provisioning ratio</b>	0.50	0.50	0.60	0.60	0.40
<b>Provisioning ratio</b>	3.10	2.70	2.50	2.70	2.30
<b>Core capital percentage</b>	7.30	7.90	7.80	8.70	7.90
<b>Solvency percentage</b>	12.50	12.80	12.90	13.00	11.80

(Source: Roskilde Bank 2004 Annual Report)

**Skælskør Bank***Portrait*

Skælskør Bank's history dates back to 1876. Today the bank is a local bank with its main geographical focus around the area of southwest Sjælland. At the end of 2004, the bank employed 107 people in 5 branches, with headquarters in Skælskør. The bank's prime strategy is to provide its customers with various types of traditional banking products at a high level of personal service, thus aiming to differentiate themselves from the larger market players. Skælskør Bank is listed on the Copenhagen Stock Exchange and its ownership is diverse. The largest shareholder at the end of 2004 was Skælskør Bank with 6.76% of the issued capital.

*Financial Performance*

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	5.6	8.5	13.3	20.5	9.4
<b>Net result</b>	10.1	10.2	12.9	27.1	25.0
<b>Lending</b>	585.0	649.7	665.6	732.7	903.4
<b>Equity</b>	130.7	136.4	164.1	219.4	243.9
<b>Subordinated capital</b>	0	10.0	10.0	10.0	10.0
<b>Balance</b>	837.8	930.5	1,116.0	1,317.2	1,401.1
<b>Income/cost ratio (I/C)</b>	1.39	1.49	1.57	1.45	1.53
<b>Write-offs for the year and provisioning ratio</b>	0.50	0.70	1.00	1.40	0.50
<b>Provisioning ratio</b>	21.00	11.10	2.50	10.10	23.30
<b>Core capital percentage</b>	13.00	12.10	11.30	15.10	13.50
<b>Solvency percentage</b>	13.00	13.10	12.30	14.70	13.20

(Source: Skælskør Bank 2004 Annual Report)

## Sparekassen Farsø

### Portrait

Sparekassen Farsø's history dates back to 1877. Today the bank is a local savings bank with its main geographical focus in the north eastern part of Jutland. At the end of 2004, the bank employed 65 people in 10 branches, with headquarters in Farsø. The bank's prime strategy is to provide its customers with a high level of personal service, thus aiming to differentiate themselves from the larger market players.

Sparekassen Farsø is neither publicly owned nor listed on any stock exchange, but is an independent mutual institution.

### Financial Performance

Key figures: (MDKK)	2000	2001	2002	2003	2004
<b>Loan losses and provisions</b>	10.0	12.2	13.5	20.6	8.8
<b>Net result</b>	13.7	8.5	8.1	23.2	20.4
<b>Lending</b>	729.5	829.0	832.8	1,003.2	1,127.0
<b>Equity</b>	147.0	159.8	189.0	216.4	240.3
<b>Subordinated capital</b>	0	25	25	25	25
<b>Balance</b>	1,052.5	1,170.6	1,235.0	1,412.7	1,621.8
<b>Income/cost ratio (I/C)</b>	1.42	1.24	1.17	1.38	1.39
<b>Write-offs for the year and provisioning ratio</b>	0.90	0.90	0.90	1.20	0.50
<b>Provisioning ratio</b>	5.00	3.80	4.20	4.10	3.60
<b>Core capital percentage</b>	13.50	13.10	12.90	13.00	12.40
<b>Solvency percentage</b>	13.50	13.10	14.60	13.60	12.80

(Source: Sparekassen Farsø 2004 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. The bank is divided into five business groups, being (i) Spar Nord's local banks, (ii) corporate banking, (iii) trading, (iv) financial markets and the international division (being Finans Nord A/S) and (v) corporate coordination and support. The local banks business group is the largest business group within Spar Nord Bank, with 697 employees spread over 24 banking areas and 69 local banks. In 2002, the bank set itself the goal of becoming nationwide, and since then Spar Nord Bank has opened a number of local banks outside North Jutland. 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.

Spar Nord Bank is listed on the Copenhagen Stock Exchange and its ownership is diverse. At the end of 2004, the largest shareholders in Spar Nord Bank 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.

*Financial Performance*

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	211.0	347.3	307.4	224.8	170.8
<b>Net result</b>	257.3	58.2	116.3	236.9	314.6
<b>Lending</b>	16,783.1	16,460.0	16,847.7	17,836.5	19,705.0
<b>Equity</b>	1,690.0	1,692.2	1,934.3	2,067.4	2,227.9
<b>Subordinated capital</b>	669.5	964.0	980.5	1,054.9	1,065.6
<b>Balance</b>	28,503.0	28,989.6	31,958.9	32,404.2	36,666.5
<b>Income/cost ratio (I/C)</b>	1.37	1.05	1.13	1.28	1.37
<b>Write-offs for the year and provisioning ratio</b>	1.10	1.70	1.70	1.00	0.70
<b>Provisioning ratio</b>	3.40	3.90	3.10	3.00	2.80
<b>Core capital percentage</b>	7.60	7.50	8.00	9.00	8.50
<b>Solvency percentage</b>	9.40	10.50	10.50	11.20	10.20

(Source: Spar Nord Bank 2004 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 2004, the bank employed 147 people in 14 branches, with headquarters in Hammel. The bank's prime strategy is to provide its 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 mutual institution.

*Financial Performance*

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	5.3	9.2	20.4	32.8	33.5
<b>Net result</b>	23.2	24.4	23.7	33.2	31.0
<b>Lending</b>	735.0	795.9	1,005.1	1,337.8	1,548.2
<b>Equity</b>	274.2	304.4	358.5	428.7	489.4
<b>Subordinated capital</b>	0	0	0	65.0	85.0
<b>Balance</b>	1,285.9	1,473.7	1,660.5	2,124.3	2,475.0
<b>Income/cost ratio (I/C)</b>	1.60	1.56	1.39	1.28	1.29
<b>Write-offs for the year and provisioning ratio</b>	0.40	0.50	1.00	1.20	1.10
<b>Provisioning ratio</b>	3.50	3.40	3.70	4.00	4.10
<b>Core capital percentage</b>	21.10	19.70	18.60	16.60	16.30
<b>Solvency percentage</b>	21.10	19.70	19.50	17.00	17.90

(Source: Sparekassen Østjylland 2004 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 2004, the bank employed 148 people in 12 branches, with headquarters in Slagelse. The bank's prime strategy is to provide its 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 mutual institution.

#### Financial Performance

Key figures: (MDKK)	2000	2001	2002	2003	2004
<b>Loan losses and provisions</b>	10.9	13.4	15.3	34.1	50.5
<b>Net result</b>	20.4	24.2	26.8	47.5	45.3
<b>Lending</b>	1,150.6	1,351.2	1,524.1	1,804.2	2,240.7
<b>Equity</b>	293.1	334.1	388.1	442.5	505.8
<b>Subordinated capital</b>	0	0	0	0	50.0
<b>Balance</b>	1,748.1	1,953.7	2,130.8	2,785.3	3,201.6
<b>Income/cost ratio (I/C)</b>	1.35	1.33	1.37	1.40	1.30
<b>Write-offs for the year and provisioning ratio</b>	0.50	0.50	0.60	1.1	1.2
<b>Provisioning ratio</b>	1.90	2.10	1.90	2.30	2.6
<b>Core capital percentage</b>	15.50	15.40	16.70	14.40	13.70
<b>Solvency percentage</b>	16.30	16.00	16.70	14.80	15.10

(Source: Sparekassen sparTrelleborg 2004 Annual Report)

### Sparekassen Lolland

#### Portrait

Sparekassen Lolland's history dates back to 1870. Today the bank is a local savings bank with its main geographical focus around the area of Lolland-Falster, but the bank has recently expanded its operations to surrounding areas and plans to open new branches in Ringsted and Køge. At the end of 2004, the bank employed 163 people in 15 branches, with headquarters in Nakskov. During the first quarter of 2004, Sparekassen Lolland acquired 100% of the shares of the Copenhagen based Finansbanken, a broker and asset manager for wealthy individuals. The bank's prime strategy is to provide its customers with a high level of personal service, thus aiming to differentiate themselves from the larger market players. Sparekassen Lolland is neither publicly owned nor listed on any stock exchange, but is an independent mutual institution.

## Financial Performance

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	8.8	10.2	10.9	14.3	8.6
<b>Net result</b>	46,3	39.7	52.6	91.3	59.0
<b>Lending</b>	1,634.5	1,976.0	2,099.1	2,416.6	2,962.9
<b>Equity</b>	511.9	589.5	657.1	783.6	882.2
<b>Subordinated capital</b>	0	0	0	0	0
<b>Balance</b>	2,785.2	3,235.3	3,514.8	3,885.8	4,525.0
<b>Income/cost ratio (I/C)</b>	1.63	1.48	1.53	1.81	1.55
<b>Write-offs for the year and provisioning ratio</b>	0.30	0.30	0.30	0.40	0.20
<b>Provisioning ratio</b>	4.00	2.90	2.80	2.60	2.30
<b>Core capital percentage</b>	19.00	16.70	18.30	19.00	18.30
<b>Solvency percentage</b>	19.00	16.70	17.30	17.50	17.00

(Source: Sparekassen Lolland 2004 Annual Report)

## Tønder Bank

## Portrait

Tønder Bank's history dates back to 1913. Today the bank is a local bank with its main geographical focus around the area of southern Jutland. At the end of 2004, the bank employed 70 people in 9 branches, with headquarters in Tønder. The bank's prime strategy is to provide its customers with various types of traditional banking products at a high level of personal service, thus aiming to differentiate themselves from the larger market players. Tønder Bank is listed on the Copenhagen Stock Exchange and its ownership is diverse.

## Financial Performance

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	8.4	11.4	12.6	14.3	7.9
<b>Net result</b>	12.1	13.7	16.5	22.5	24.2
<b>Lending</b>	733.5	771.5	779.2	940.5	1,036.3
<b>Equity</b>	116.8	128.1	159.9	179.2	198.3
<b>Subordinated capital</b>	24.8	24.8	39.9	39.9	40.0
<b>Balance</b>	973.9	1,128.8	1,287.8	1,384.1	1,501.2
<b>Income/cost ratio (I/C)</b>	1.38	1.35	1.39	1.40	1.46
<b>Write-offs for the year and provisioning ratio</b>	0.80	1.00	1.00	1.00	0.50
<b>Provisioning ratio</b>	4.20	4.70	4.60	4.00	3.00
<b>Core capital percentage</b>	11.30	10.60	11.30	12.40	12.00
<b>Solvency percentage</b>	13.80	12.70	14.20	13.20	12.30

(Source: Tønder Bank 2004 Annual Report)

**Totalbanken***Portrait*

Totalbanken's history dates back to 1911. Today the bank is a local bank with its main geographical focus around the Island of Fyn. At the end of 2004 the bank employed 62 people in 7 branches, with headquarters in Aarup. The bank's prime strategy is to provide its customers with various types of traditional retail banking products. Totalbanken is listed on the Copenhagen Stock Exchange and its ownership is diverse.

*Financial Performance*

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	10.0	14.0	11.4	19.5	15.2
<b>Net result</b>	13.4	12.7	13.7	24.7	26.2
<b>Lending</b>	706.8	746.3	745.2	744.6	877.0
<b>Equity</b>	125.6	134.1	152.2	168.5	189.1
<b>Subordinated capital</b>	0	0	0	0	0
<b>Balance</b>	984.3	1,120.6	1,250.7	1,335.4	1,339.8
<b>Income/cost ratio (I/C)</b>	1.32	1.29	1.30	1.38	1.50
<b>Write-offs for the year and provisioning ratio</b>	4.50	4.90	5.10	5.30	5.10
<b>Provisioning ratio</b>	0.40	0.60	0.50	1.00	0.50
<b>Core capital percentage</b>	11.70	11.50	12.30	13.80	12.60
<b>Solvency percentage</b>	11.70	11.50	12.80	13.40	11.60

(Source: Totalbanken 2004 Annual Report)

**Vestjysk Bank***Portrait*

Vestjysk Bank is a full-service financial institution providing services to private and business customers on a local basis through a network of branches in central Jutland. Customers in other parts of Denmark are served through the bank's long-distance customer department. The bank is based in West Jutland, has branches in central Jutland and has established a foothold in the rest of the country.

The history of the bank goes all the way back to 1874 when Lemvig Bank was established. About fifty years later, Lemvig Folkebank was established and in 1971 these two local banks merged to become Nordvestbank. Vestjysk Bank, with headquarters in Holstebro was originally established by a group of local farmers in 1887 under the name of Holstebro Landmandsbank. In 2002, Vestjysk Bank merged with Nordvestbank carrying the Vestjysk Bank name into the future and choosing Lemvig as its registered address.

*Financial Performance*

<b>Key figures: (MDKK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	62	109	81	67	46
<b>Net result</b>	89	78	76	195	148
<b>Lending</b>	4,686	5,327	5,668	6,338	7,187
<b>Equity</b>	870	932	1,051	1,179	1,299
<b>Subordinated capital</b>	75	75	75	40	0
<b>Balance</b>	6,187	6,737	7,431	7,892	9,098
<b>Income/cost ratio (I/C)</b>	1.81	1.75	1.64	1.69	1.56
<b>Write-offs for the year and provisioning ratio</b>	0.9	1.3	0.9	0.7	0.4
<b>Provisioning ratio</b>	3.3	3.5	3.1	3.1	2.6
<b>Core capital percentage</b>	13.2	11.6	11.4	13.0	12.2
<b>Solvency percentage</b>	14.0	12.4	12.5	13.0	11.4

(Source: Vestjysk Bank 2004 Annual Report)

## THE SWEDISH BANKING INDUSTRY

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

### Regulators

The Swedish Financial Supervisory Authority (*Finansinspektionen*) (the "**Swedish FSA**") is a public authority. Its role is to promote stability and efficiency in the financial system as well to ensure effective consumer protection. The Swedish FSA authorises, supervises and monitors all companies operating in Swedish financial markets. The Swedish FSA is accountable to the Swedish Ministry of Finance.

The Swedish FSA monitors and analyses trends in the financial market, and assesses the financial health of individual companies operating in the financial market, the various sectors of the financial market and the financial market as a whole. The Swedish FSA also examines the risks and control systems of financial companies and supervises compliance with statutes, ordinances and other regulations.

In order to offer certain financial services in Sweden (including, among other things, banking, financing and securities services), a permit granted by the Swedish FSA is required. The Swedish FSA also issues regulations and general guidelines and assesses whether existing legislation needs to be amended. The Swedish FSA supervises compliance with the Swedish Insider Act, and also investigates cases of suspected offences and share price manipulations.

In addition, the Swedish FSA monitors disclosures by financial companies to consumers to ensure that such disclosures constitute complete and clear information. The duties of the Swedish FSA also include preparing rules for financial reporting by financial companies.

### Structure of the Industry

At the end of 2004 there were a total of 126 commercial, savings, foreign, and co-operative banks operating in Sweden, 76 of which were savings banks.

The Swedish financial sector has in the last decade enjoyed rapid growth. New savings, finance and insurance products, in combination with online banking, have generated increasing business volumes. Banks have broadened their activities to include insurance products, and all major banks operating in Sweden are now active in the life insurance market. Similarly, insurance companies have broadened their activities to include banking products, and some insurance companies have launched their own banks.

The Swedish banking sector is highly concentrated and dominated by the big four banks, being Nordea, SEB, Svenska Handelsbanken and FöreningsSparbanken. Two other Nordic financial groups with a strong position in Sweden are Danske Bank and Skandia. Together, these six banks have a market share of over 80% of the retail and corporate lending in Sweden.

Major Swedish banking groups, 31 December 2004

Major Swedish banking groups (consolidated and including foreign branches)	No. of employees	No. of employees in Sweden	Lending to the public (SEK m)	Deposits from the public (SEK m)	Total share holders (SEK m)	Balance equity sheet total (SEK m)
Nordea	30,380	7,939	1,452,789	941,408	113,132	2,488,570
SEB	19,108	9,237	783,019	517,520	51,008	1,591,318
Handelsbanken	9,150	7,100	861,250	269,905	61,109	1,349,090
FöreningsSparbanken	16,630	9,702	726,701	285,540	43,624	1,020,459
<b>Total</b>	<b>75,268</b>	<b>33,978</b>	<b>3,823,759</b>	<b>2,014,373</b>	<b>268,873</b>	<b>6,449,437</b>

Source: The Swedish Bankers' Association, Bank and Finance Statistics 2004, May 2005

During the last few years, an increasing number of foreign banks have entered the Swedish financial market. The foreign banks are, in large part, focused on servicing corporate clients and the securities markets. An exception is Danske Bank, which has through its subsidiary Östgöta Enskilda Bank entered the retail banking market in Sweden.

Table showing the 20 largest commercial banks in Sweden as of 31 December 2004

Swedish Commercial banks' parent companies and subsidiaries, and branches of foreign banks	No. of branches in Sweden	No. of employees in Sweden	Lending to the public (SEK m)	Deposits from the public (SEK m)	Total share holders' equity (SEK m)	Balance sheet total (SEK m)
Handelsbanken	453	6,543	408,843	266,661	48,255	1,034,508
SEB	202	6,064	251,857	310,145	29,094	946,205
Nordea Bank	251	7,410	157,695	231,413	82,949	611,667
FöreningsSparbanken	492	9,125	221,069	240,471	32,833	573,972
Danske Bank, branch	48	1,031	118,137	66,717	-	327,953
Skandia Banken	1	367	29,399	40,494	1,584	45,165
Länsförsäkringar Bank	84	99	8,006	18,599	2,542	41,540
GE Money Bank	2	359	23,234	20,566	6,285	28,943
Dexia Crédit Local, branch	1	15	16,109	0	-	23,476
ABN AMRO Bank, branch	1	68	12,507	5,479	-	19,790
Carnegie Investment Bank	3	361	4,261	2,531	1,725	18,595
Kaupthing Bank Sverige	3	195	5,275	6,356	600	7,998
Färs&Frosta Sparbank	19	214	7,271	6,659	822	7,985
FöreningsSparbanken Sjuhärad	14	197	5,876	5,839	702	7,176
ICA Banken	1	125	3,027	5,219	604	5,926
IKANO Banken	1	146	4,526	4,282	949	5,684
Sparbanken Gripen	10	139	4,682	3,886	413	5,181
StadshypotekBank10	1	104	166	4,521	377	4,996
HypoReal EstateBank	1	8	4,841	0	-	4,964
Varbergs Sparbank	8	128	3,492	3,509	911	4,605
Total above	1,596	32,698	1,290,273	1,243,347	210,645	3,726,329
Total	1,698	34,135	1,318,553	1,265,193	214,117	3,763,345

Source: The Swedish Bankers' Association, Bank and Finance Statistics 2004, May 2005

#### Savings banks

Most savings banks in Sweden (not including FöreningsSparbanken) are small and only active in regional and local markets. Most of the savings banks in Sweden cooperate closely with FöreningsSparbanken. This cooperation includes providing savings and finance products and technical and IT support. The largest savings banks in Sweden (not including FöreningsSparbanken) are Sparbanken Finn, Kristianstad Sparbank and Sörmlands Sparbank. The savings banks have a strong position in regional and local markets and mostly work with private clients and small corporations.

The ten largest savings banks in Sweden as at 31 December 2004

The ten largest savings banks	No. of branches	No. of employees	Lending to the public (SEK m)	Deposits from the public (SEK m)	Capital and reserves (SEK m)	Balance sheet total (SEK m)
Sparbanken Finn	20	301	12,296	9,193	1,766	13,773
Kristianstads Sparbank	14	190	7,519	4,914	1,066	8,415
Sörmlands Sparbank	8	192	4,291	4,961	994	6,369
Sparbanken Nord	13	154	5,272	4,675	647	5,659
Sparbanken Alingsås	7	94	2,727	3,547	659	4,366
Sparbanken Syd	9	125	3,497	3,410	684	4,282
Westra Wermlands Spb	7	88	2,487	2,461	754	3,450
Falkenbergs Sparbank	7	96	2,475	2,837	384	3,358
Roslagens Sparbank	5	90	2,695	2,600	423	3,141
Sparbanken i Enköping	3	85	2,012	2,383	225	2,725
Total above	93	1,415	45,269	40,981	7,601	55,535
Total all savings banks (76)	209	2,330	69,287	69,877	12,745	89,390

Source: The National Federation of Independent Savings Banks and Sparbanken Finn

#### Profitability

The Swedish banks reported strong earnings in 2004 resulting from positive trends in the equity markets and falling interest rates. In 2004, the result from core operations was stronger than in previous years. This combined with falling write-offs in respect of bad debts, generated high profitability for a number of Swedish Banks. During the last few years, the administrative costs of Swedish banks have been rather stable with just moderate growth. Competition is strong in the Swedish banking market, and low interest rates have led to falling interest margins.

## Earnings of Swedish banks (2000 – 2004)

Earnings of Swedish banks in (SEK bn)	2000	2001	2002	2003	2004
Net Interest and fees receivables	65.684	65.656	68.565	73.753	85.752
Securities and foreign exchange result	8.834	6.289	2.083	939	4.026
Other operating income	4.861	14.839	2.845	3.797	5.861
Staff and administration expenses	-51.383	-52.631	-52.448	-50.808	-55.640
Provision for bad and doubtful debts	-2.091	-4.581	-5.972	-5.406	-3.163
Other expenses / income	4.173	3.539	2.181	1.567	29.907
Profit before Taxes	30.078	33.111	17.254	23.842	66.743
Taxes	-7.154	-6.278	-5.007	-6.465	-13.833
Profit for the year after taxes	22.924	26.833	12.247	17.377	52.910

Source: The Swedish Bankers' Association, Bank and Finance Statistics 2004, May 2005

## Assets and liabilities of Swedish banks as of December 31, 2004

Assets	SEK billion	Per cent.
Lending to credit institutions	1,156	30
Lending to the public	1,425	37
Interest bearing securities	555	14
Other assets	765	20
<b>Total</b>	<b>3,901</b>	<b>100</b>

Liabilities and equity	SEK billion	Per cent.
Liabilities to financial institutions	876	28
Deposits and funding from the public	1,296	38
Securities	444	14
Other liabilities	498	15
Equity capital and untaxed reserves	165	5
<b>Total</b>	<b>3,279</b>	<b>100</b>

Source: The Swedish Bankers' Association, Bank and Finance Statistics 2004, May 2005

### SELECTED SWEDISH COMMERCIAL AND SAVINGS BANKS

The Swedish commercial and savings banks issuing the subordinated term loan agreements constituting the Repackaging Assets are listed below. The information disclosed about each bank listed below has been accurately reproduced from information published by such bank and, so far as the Issuer is aware and is able to be ascertain from information published by the bank, no facts have been omitted which would render the information below misleading.

#### Sparbanken Gripen AB (publ)

##### Portrait

Sparbanken Gripen's history dates back to 1853, when the first of its predecessor entities was established. Sparbanken Gripen is a regional full-service bank operating in Northwest Skåne. The bank focuses on private persons, small and medium sized enterprises and agriculture throughout the region. The bank operates in the municipalities of Bjuv, Båstad, Helsingborg, Höganäs, Klippan, Laholm, Perstorp, Åstorp, Ängelholm and Örkelljunga. The bank has about 49,500 private clients and 4,900 business clients who, together, generated a business volume of SEK 14.6bn in 2004.

Sparbanken Gripen is owned by Sparbanksstiftelsen Gripen, which is a local savings bank foundation.

##### Financial Performance

Key figures: (MSEK)	2000	2001	2002	2003	2004
<b>Loan losses and provisions</b>	-7.2	5.2	3.1	7.8	8.2
<b>Net result</b>	9.8	3.4	17.3	19.6	18.0
<b>Lending</b>	4,403	4,432	5,001	4,691	4,789
<b>Equity</b>	355.5	358.8	376.1	394.7	412.7
<b>Subordinated capital</b>	0.2	0.2	0.2	0.2	0.3
<b>Balance</b>	4,872.2	4,911.4	5,497.0	5,209.2	5,181.4
<b>Income/cost ratio (I/C)</b>	98.5	98.9	98.4	88.1	87.0
<b>Write-offs for the year and provisioning ratio</b>	-0.11	0.08	0.31	0.12	0.16
<b>Provisioning ratio</b>	1.3	0.59	0.74	0.64	0.7
<b>Core capital percentage</b>	10.86	10.01	9.20	10.09	10.05
<b>Solvency percentage</b>	14.84	13.48	12.38	13.20	14.27

(Source: Sparbanken Gripen AB (publ) Annual Report 2004, 2002 and 2000)

## THE NORWEGIAN BANKING INDUSTRY

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

### Regulators

The Norwegian Financial Supervisory Authority (*Kredittilsynet*) (the "Norwegian FSA") is a public authority. Its role is to promote stability and efficiency in the financial system. The Norwegian FSA is an independent government agency established under the Ministry of Finance.

The Norwegian FSA is responsible for the supervision of banks, finance companies, mortgage companies, insurance companies, pension funds, investment firms, securities fund management and market conduct in the securities market, stock exchanges and authorized market places, settlement centres and securities registers, estate agencies, debt collection agencies, external accountants and auditors.

Through its supervision of enterprises and markets, the Norwegian FSA's objective is to promote financial stability and organized market conditions and to maintain confidence that financial contracts will be honoured and services performed as intended. In addition to its preventative work, the Norwegian FSA has a role in dealing with issues that may arise within its scope of operation. The Norwegian FSA's premise is that Norwegian enterprises must be afforded competitive conditions which are in line with those enjoyed by institutions in other member states of the European Economic Area.

In the banking sector, the Norwegian FSA works to promote satisfactory capital strength, risk awareness, management and control in institutions under its supervision. Through its administration and enforcement of the rules, the Norwegian FSA's objective is to ensure that participants in the financial market comply with laws, rules and ethical norms. Institutions of major significance for financial stability and for users are given priority for supervision purposes.

(Source: Kredittilsynet Annual Report 2004, May 2005.)

### Structure of the Industry

The Norwegian financial market is dominated by five large financial groups engaged in both financing and insurance markets, with their main focus being on banking and life insurance. The two large collaborative groupings in Norway are the SpareBank 1 Group and the Terra Group, which together encompass a total of 100 savings banks.

### Norwegian banking market – 2004

Norwegian banking groups	Banking market – per cent. of total assets	Finance & mortgage company market – per cent. of total assets	Life insurance Market – per cent. of total assets	Non-life insurance Market – per cent of gross premium
DnB NOR (Nordlandsbanken)	38.8	7.6	32.9	29.3
Nordea Bank Norge	13.6	5.6	5.6	0.0
SpareBank 1 Group	11.6	0.7	2.9	7.4
Storebrand	1.4	0.0	26.1	0.2
Terra Group	6.3	0.1	0.0	0.5
Total financial groups	71.6	14.0	67.4	36.9
Other companies	28.4	86.0	32.6	63.1
Total	100.0	100.0	100.0	100.0
% of which are foreign branches in Norway	9.6	8.4	0.0	29.3
% of which are foreign subsidiaries	17.1	20.6	5.0	15.7

Source: Kredittilsynet, The Financial Market in Norway: Risk Outlook, May 2005

The market share of foreign branches and subsidiaries operating in the Norwegian financial market has risen considerably in recent years. Foreign participants in the Norwegian financial market have a market share of approximately 27% (based on total assets). The Ministry of Finance approved Íslandsbanki's acquisition of Kredittbanken in November 2004 and its acquisition of BN Bank in the spring of 2005. The acquisition of Kredittbanken and BN Bank further increases the foreign share of the Norwegian banking market.

*Profitability*

Once the Norwegian economy bottomed out in the summer of 2003, a brighter cyclical situation brought an improvement in banks' results. Results in 2003 were far better than for the previous year, and the positive trend continued in 2004. Overall, banks achieved an aggregate operating income of approximately NOK 20 billion in 2004, which was approximately NOK 8 billion more than in 2003. The aggregate operating profit for 2004 represents 1.21 per cent. of the average total assets, and was the largest aggregate operating profit since 2000. In aggregate, the banks' return on equity (after tax) increased from just over 9 per cent. in 2003 to 13 per cent. in 2004. The main contributor to the improved results was low loan losses, which were below 0.1 per cent of outstanding loans. The operating profit before loan losses was roughly on a par with 2003. Low interest rates brought the banks' interest margins under further pressure, and net interest revenues continued to fall as a ratio of total assets. Only three small banks ended the year in a deficit position compared with nine in 2003. The spread in results shows a clear improvement for all banks, with most banks posting results between 1.0 and 1.5 per cent of total assets in 2004.

Profit and loss	2004		2003	
	(NOK m)	% of average capital	(NOK m)	% of average capital
<b>Interest income</b>	63,669	3.87	86,532	5.61
<b>Interest costs</b>	32,606	1.98	56,014	3.63
<b>Net interest income</b>	31,064	1.89	30,518	1.98
<b>Dividends and profits from associated companies</b>	1,969	0.12	2,266	0.15
<b>Commission and fee income</b>	11,522	0.70	10,130	0.66
<b>Commission and fee costs</b>	3,188	0.19	3,116	0.20
<b>Securities and foreign exchange</b>	2,886	0.18	3,262	0.21
<b>Other income</b>	1,746	0.11	1,158	0.08
<b>Administrative expenses</b>	20,416	1.24	20,421	1.33
<b>Personal expenses</b>	12,829	0.78	12,807	0.83
<b>Wright downs and deprivations</b>	1,419	0.09	1,505	0.10
<b>Other costs</b>	4,463	0.27	3,561	0.23
<b>Income before provisions for losses</b>	19,702	1.20	18,730	1.22
<b>Provisions for losses loans</b>	1,213	0.07	6,892	0.45
<b>Provisions for losses securities</b>	1,542	0.09	185	0.01
<b>Operating income</b>	20,031	1.22	12,023	0.78
<b>Taxes</b>	5,238	0.32	2,762	0.18
<b>Net profits</b>	<b>14,793</b>	<b>0.90</b>	<b>9,261</b>	<b>0.60</b>

Source: Kredittilsynet, The Financial Market in Norway: Risk Outlook, May 2005

*Capitalisation*

The banks' Tier 1 capital adequacy depends amongst other things on their growth in lending. Even with strong lending growth, banks' Tier 1 capital adequacy has been relatively stable in recent years. Fresh capital has been invested into the banks, both in the form of equity and hybrid capital. Several banks have seen a reduction in their risk-weighted assets in the period as a result of the wide expansion of lending for housing purposes (which is risk weighted at 50 per cent), while growth in business loans (which is weighted at 100 per cent) has been low. The banks' overall Tier 1 capital adequacy ratio was 9.7 per cent. at the end of 2004, which was approximately the same as in 2003. Growth in traditional bank deposits, which has been low in recent years, increased in 2004 and at year-end was about 9 per cent. higher than 2003.

<b>Assets and liabilities</b>	<b>2004 (NOK m)</b>	<b>Growth in %</b>	<b>2003 (NOK m)</b>
<b>Total assets</b>	1,662,076	5.9	1,568,960
<b>Loan and advances</b>	1,311,278	9.5	1,197,603
<b>Reserves for losses</b>	18,352	-11.3	20,679
<b>Of which Unspecified reserves</b>	9,016	-3.9	9,381
<b>Client receivables</b>	886,904	8.8	814,910
<b>Bond issued</b>	392,697	10,3	355,919
<b>Core capital</b>	9.8 %		9.7 %

Source: Kredittilsynet, The Financial Market in Norway: Risk Outlook, May 2005

### SELECTED NORWEGIAN COMMERCIAL AND SAVINGS BANKS

The Norwegian commercial and savings banks issuing the subordinated term loan agreements constituting the Repackaging Assets are listed below. The information disclosed about each bank listed below has been accurately reproduced from information published by such bank and, so far as the Issuer is aware and is able to be ascertain from information published by the bank, no facts have been omitted which would render the information below misleading.

#### Sparebanken Øst

##### Portrait

Sparebanken Øst today consists of the parent bank and the subsidiaries Sparebanken Øst Eiendom AS and AS Financiering. Sparebanken Øst has its registered office in Øvre Eiker. The head office and group management is located in Drammen, with branches in Hokksund, Mjøndalen, Krokstadelva, Solbergelva, Vestfossen, Skotselv, Konnerud, Åskollen, Gulskogen, Strømsø, Bragernes, Asker, Sandvika, Oslo, Jessheim, Holtet and Tønsberg. Sparebanken Øst's primary market area is the lower part of Buskerud county or the Drammen region (40 km west of Oslo). Sparebanken Øst is one of the leading banks in the Drammen region. In the individual customer market, Sparebanken Øst has a market share of approximately 66% in Øvre Eiker, approximately 55% in Nedre Eiker and approximately 25% in Drammen. As regards corporate banking, the bank is considered to be the market leader in the Eiker municipalities, and has a relative strong market share in Drammen. The bank focuses on traditional products such as deposits, loans and money transfer services, in addition to the sale of pension insurance, life insurance and asset management services through agreements with suppliers of applicable products. Sparebanken Øst is a mutual savings bank with Primary Capital Certificates ("PCCs") which are widely spread among local investors.

##### Financial Performance

Key figures: (MNOK)	2000	2001	2002	2003	2004
Loan losses and provisions	41.978	25.326	87.720	47.771	7.699
Net result	124.376	102.910	44.010	129.943	184.256
Lending	10,040.08	11,367.37	13,261.46	11,789.84	12,195.04
Equity	856.925	913.693	925.025	1004.574	1135.678
Subordinated capital	478.759	399.332	399.5	568.697	499.027
Balance	11,820.89	13,430.73	15,574.68	15,512.16	18,398.77
Income/cost ratio (I/C)	1.38	1.45	1.16	1.61	1.66
Write-offs for the year and provisioning ratio	0.4	0.21	0.63	0.38	0.06
Provisioning ratio	1.4	1.3	1.6	1.6	1.3
Core capital percentage	11.6	10.6	9.48	11.3	8.0
Solvency percentage	12.1	14.8	11.8	13.2	12.7

(Source: Sparebanken Øst Annual Report 2004 and 2002)

#### Sparebank 1 Vestfold

##### Portrait

Sparebank 1 Vestfold (**SB Vestfold**) is, via Samarbeidende Sparebanker, a member of the SpareBank 1 Alliance. SpareBank 1 Alliance is one of the largest providers of financial products and services in the Norwegian market. The banks in the SpareBank 1 Alliance distribute SpareBank 1 Gruppen products and collaborate in key areas such as brands, work processes, expertise development, IT operations and system development.

Headquartered in Sandefjord in the south-eastern part of Norway, SB Vestfold's core business area is in the area of Vestfold. Including the bank's headquarters, the bank operates six offices in the area. In addition, the bank owns two real estate companies and offers insurance services via the Sparebank 1 Alliance. SB Vestfold holds an established position of the market share in its local area, but faces stiff

competition from other savings banks and the larger Norwegian banks. Most of the banks operating in the region offer similar kinds of services at competitively low prices. Therefore, SB Vestfold aims to gain a competitive advantage through offering its clients tailor made solutions by carefully detecting its client's needs by using its local expertise. Despite the competitive environment, the bank managed to successively increase its business volume during the last years. During 2004, total lending increased by 19%. In the area of Vestfold, the bank has approximately 31,000 private customers. The bank services its clients with local knowledge and customised solutions and offers the whole range of traditional banking, leasing and insurance products through the network of the SpareBank 1 Alliance. Sparebank1 Vestfold is a mutual savings bank with listed PCCs.

*Financial Performance*

<b>Key figures: (MNOK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	7.267	14.292	18.320	20.309	16.194
<b>Net result</b>	53.198	40.625	45.481	46.008	58.008
<b>Lending</b>	3,687.562	4,208.621	4,932.223	5,708.955	6,799.437
<b>Equity</b>	272.387	307.411	347.379	456.629	498.019
<b>Subordinated capital</b>	75.000	124.764	124.816	124.869	124.922
<b>Balance</b>	4,120.721	4,708.871	5,522.022	6,304.507	7,479.612
<b>Income/cost ratio (I/C)</b>	1.3	1.5	1.5	1.4	1.5
<b>Write-offs for the year and provisioning ratio</b>	0.17	0.29	0.34	0.27	0.18
<b>Provisioning ratio</b>	1.0	1.1	1.5	1.1	1
<b>Core capital percentage</b>	12.6	14.5	13.1	14.5	15.2
<b>Solvency percentage</b>	14.6	14.6	13.2	14.5	12.0

(Source: Sparebank 1 Vestfold Annual Report 2004 and 2002)

## THE ICELANDIC BANKING INDUSTRY

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

### Regulators

The Icelandic Financial Supervisory Authority ("FME") is a state authority with its own board of directors. Its role is to ensure that the activities of parties subject to its supervision are in accordance with relevant laws and regulations and that they are in every respect consistent with sound and proper business practices. Parties subject to the supervision of the FME are commercial banks, savings banks, credit undertakings (investment banks), deposit departments of co-operative societies, securities companies, securities brokerages, management companies of UCITS, stock exchanges, central securities depositories, pension funds, insurance companies and insurance brokers licensed to operate in Iceland. Several other financial institutions, which operate in accordance with special legislation, are also subject to supervision by the FME. The activities and role of the FME are stipulated in special public acts.

Iceland participates in the European Single Market for financial services. As a member of the European Economic Area since 1994, Iceland is obliged to transpose into national law all existing and future EU legislation in the field of financial services. (Source: Central Bank of Iceland, The Economy of Iceland 2004, November 2004).

### Structure of the Industry

In recent years the Icelandic financial system has been in transition as a result of liberalisation and legislative reform. A changed domestic and international business environment as well as increased competition have resulted in restructuring of Icelandic financial markets and financial institutions. Financial services in Iceland have become more international in character due to increased cooperation between Icelandic and foreign financial institutions, the adoption of international financial legislation and standards, and increased participation in the global financial markets through ongoing overseas expansion by domestic banks.

There are currently four commercial banks in Iceland, being Íslandsbanki hf., KB banki hf. (Kaupthing Bank), Landsbanki Íslands hf. and Sparisjóðabanki Íslands hf. (IceBank). The first three of those banks provide conventional banking and securities services. There are 24 savings banks in Iceland and IceBank serves as a banking institution for most of them. The three largest commercial banks have expanded their operations to ten countries in recent years and all of them have operations in London and Luxembourg, for example. Eleven other credit institutions currently operate in Iceland, five of which are investment banks, four are investment funds and two are leasing companies, plus the Housing Financing Fund. The Housing Financing Fund is a state-owned investment fund with a considerable share in household mortgage lending in Iceland. (Source: Central Bank of Iceland, The Economy of Iceland 2004, November 2004.)

### Credit Institutions: Balance Sheet as at 31 December 2004 (ISK thousand)

Assets	All credit institutions 1)	Commercial & Savings banks only	Íslandsbanki hf. 2)
Cash and demand deposits with central bank etc.	29,909.548	29,236.231	5,150.102
Treasury bills and other bills eligible for refinancing with central banks	6,436.397	6,436.397	796.920
Loans and advances to credit institutions etc.	313,720.704	283,366.120	57,965.174
Loans and advances etc.	2,358,599.195	2,282,927.312	470,497.200
Bonds and other fixed rate securities	290,352.461	280,592.205	74,944.719
Shares and other variable-yield securities	233,111.818	173,829.221	33,647.194
Shares in associated undertakings	17,669.286	17,580.431	2,604.562
Shares in affiliated undertakings	20,293.289	20,291.429	0
Intangible assets	36,679.108	36,679.108	10,875.121
Tangible assets	19,866.164	17,581.834	4,326.062
Operating lease assets	0	0	0
Other assets	25,261.734	24,481.176	14,525.654
Prepayments and accrued income	31,338.563	30,708.899	0
<b>Total assets</b>	<b>3,383,238.265</b>	<b>3,203,710.362</b>	<b>675,332.708</b>
<b>Liabilities</b>			

Amounts owed to credit institutions etc.	368,146.213	339,681.371	74,787.200
Deposits	704,455.581	704,455.581	155,601.363
Debts evidenced by certificates	1,733,857.053	1,653,908.868	334,204.908
Other liabilities	55,941.204	34,324.364	27,688.442
Accruals and deferred income	75,925.706	74,057.350	10,675.431
Provisions for liabilities and charges	17,030.109	14,572.055	2,100.948
Subordinated liabilities	106,716.754	106,629.888	19,961.033
Minority interests	10,399.602	10,298.170	0
Owners' equity	310,766.033	265,782.707	50,313.383
<b>Total liabilities and owners' equity</b>	<b>3,383,238.256</b>	<b>3,203,710.353</b>	<b>675,332.708</b>

1) Commercial banks, savings banks and credit undertakings.

2) Íslandsbanki consolidated with insurance company

(Source: Icelandic Financial Supervisory Authority, Credit Institutions, Undertakings Engaged in Securities Services and UCITS (Mutual Funds) 2004, August 2005)

#### *Profitability*

During 2003 and the 2004, the return on equity of deposit institutions was in line with international standards. Their profitability can be explained in particular by unusually high income as a result of substantial trading gains and also by income other than fees and commissions. Trading gains are primarily the result of favourable price movements for both shares and market bonds on the securities market. This performance can also be attributed to improved cost utilisation, as indicated in the reducing cost ratios, while the volume of their activities has increased substantially. The high profitability of deposit institutions in the past year or two is thus based to a considerable extent on income which must be expected to fluctuate significantly from one year to the next. On the other hand, the income base is now broader, especially as far as the large commercial banks are concerned, in part due to their increased activities outside of Iceland. (Source: Central Bank of Iceland, The Economy of Iceland 2004, November 2004)

**Consolidated Statements of Income/Total – 2004 (ISK thousand)**

	All credit institutions 1)	Commercial & savings banks only	Íslandsbanki hf. 2)
Interest receivable etc	147.729.143	140.784.575	33.292.773
Interest payable etc	90.511.950	85.483.080	18.853.512
Net Interest Income	57.217.194	55.301.495	14.439.261
Dividends from shares, other holdings etc.	9.189.273	9.110.510	7.856.000
Commissions receivable etc.	40.063.387	34.995.728	6.358.950
Commissions payable	6.737.794	5.784.126	1.412.184
Value adjustment of other financial operations	38.989.954	30.724.329	7.726.285
Other operating income	3.838.664	3.022.611	3.491.790
Profit on Financial Items	142.560.678	127.370.547	38.460.103
General administrative costs	56.443.586	52.562.538	13.603.170
Depreciation of tangible assets etc.	6.163.070	5.965.622	1.208.727
Other operating expenses	1.400.770	954.034	6.822.351
Provisions for bad and doubtful debts	14.761.547	13.980.091	3.136.808
Value adjustment of investment securities etc.	78.176	0	0
Profit on Ordinary Activities	63.713.530	53.908.262	13.689.047
Taxes	10.215.605	8.462.721	2.243.826
D. Profit/Loss on Ordinary Activities After Taxes	53.497.925	45.445.541	11.445.221
Profit/loss on extraordinary activities	-631.693	-659.954	0
<b>Net Profit/Loss For The Year</b>	<b>52.866.231</b>	<b>44.785.587</b>	<b>11.445.221</b>

1) Commercial banks, savings banks and credit undertakings.

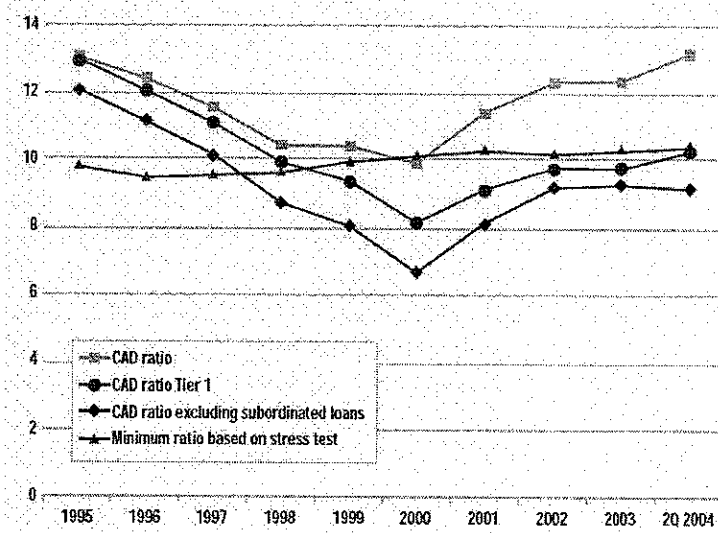
2) Íslandsbanki consolidated with insurance company

(Source: Icelandic Financial Supervisory Authority, Credit Institutions, Undertakings Engaged in Securities Services and UCITS (Mutual Funds) 2004, August 2005)

**Capitalisation**

The overall capital adequacy ratio (CAD ratio) of Iceland's commercial banks and largest savings banks has been rising since the end of 2000. At the end of 2004, it was 13%. The minimum ratio allowed was 10.3%, but these references assume a 25% reduction to the book value of shares held at own risk, a 7% reduction to the value of market bonds held at own risk and a 20% reduction to the value of non-performing loans and appropriated assets. Other capital adequacy ratios, e.g. the ratio of Tier 1 capital and the ratio excluding subordinated loans, have developed in a similar manner to the CAD ratio. Recently the largest commercial bank has had a very high CAD ratio, in part due to anticipated investments in foreign financial enterprises.

CAD ratio with and without subordinated loans (commercial banks and the largest savings bank)



(Source: Icelandic Financial Supervisory Authority, FME Annual Report 2004 )

### SELECTED ICELANDIC COMMERCIAL AND SAVINGS BANKS

The Icelandic commercial and savings banks issuing the subordinated term loan agreements constituting the Repackaging Assets are listed below. The information disclosed about each bank listed below has been accurately reproduced from information published by such bank and, so far as the Issuer is aware and is able to be ascertain from information published by the bank, no facts have been omitted which would render the information below misleading.

#### Icebank (Sparisjóðabanki Íslands hf)

##### Portrait

Sparisjóðabanki Íslands hf. (Icebank), established in 1986, is the central banking institution for the Icelandic savings banks and their subsidiaries. It is owned solely by the 24 savings banks in Iceland. The role of the bank is to provide the savings banks with international services (including, for example, trade finance), domestic clearing, liquidity administration, foreign exchange, external funding, syndicate lending and specialised services of various kinds. Icebank is registered as a commercial bank providing a full range of services to foreign and domestic banks and other financial institutions, municipalities and corporate customers in collaboration with the respective savings banks.

##### Financial Performance

Key figures: (MISK)	2000	2001	2002	2003	2004
Loan losses and provisions	101.5	220	205	222.3	220.5
Net result	103.1	15.1	125.3	163.1	806.3
Lending	34,895.6	42,627.2	30,784.3	24,838.2	30,206.942
Equity	1,974.6	2,141.4	2,666.81	2,429.8	3,236.133
Subordinated capital	500	1,041.2	1,062.0	1,091.0	1,133.7
Balance	45,169.1	54,309.0	44,244.0	37,576.6	46,120.2
Income/cost ratio (I/C)	1.25	0.94	1.19	1.254	2.13
Write-offs for the year and provisioning ratio%	0.21	0.39	0.43	0.52	0.46
Provisioning ratio %	1.1	1.1	0.76	1.2	1.2
Core capital percentage					
Solvency percentage	8.9	11.5	15.7	14.3	11.8

(Source: Icebank 2003 and 2004 Annual Report)

#### Reykjavik Savings Bank (SPRON)

##### Portrait

Reykjavik Savings Bank (SPRON) was established on 5 March 1932 when several members of the Reykjavik trade workers union united to form a savings bank. The savings bank's main purpose was to fund trade workers in their efforts to increase their business. The 63 original founders, each vouched for ISK 500 as backing for the bank's operations. On April 28th 1932, Reykjavik Savings Bank formally opened for business. Today, SPRON operates 8 branches located throughout the greater Reykjavik area where approximately two-thirds of Iceland's population reside. SPRON's main purpose is to serve as a universal banking institution which fulfils the needs of its customers and actively participates in social and economic development in the greater Reykjavik area.

The total number of primary capital holders in SPRON at the end of 2004 was 747, down from 1,140 at the end of 2003. The biggest single primary capital holder owns 4.99% of the total primary capital and the 10 biggest primary capital holders have a combined share of 35% of the total primary capital in SPRON.

*Financial Performance*

<b>Key figures: (MISK)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Loan losses and provisions</b>	149.2	474.3	590.8	668.4	469.9
<b>Net result</b>	813.4	238.2	733.9	804.1	1,464.7
<b>Lending</b>	23,029.3	25,574.2	35,995.7	37,541.7	49,850.5
<b>Equity</b>	2,813.4	3,198.3	3,887.1	4,598.1	5,946.7
<b>Subordinated capital</b>	1,099	1,772.8	1,807.3	1,849.5	1,923.5
<b>Balance</b>	34,340.9	38,570.1	51,635.4	51,902.3	68,749.0
<b>Income/cost ratio (I/C)</b>	1.72	1.01	1.10	1.29	1.57
<b>Write-offs for the year and provisioning ratio%</b>	1.7	1.7	1.6	1.7	0.9
<b>Provisioning ratio %</b>	0.6	2.5	3.0	2.7	2.1
<b>Core capital percentage</b>	13.3	16.8	9.3	10.0	12.4
<b>Solvency percentage</b>	10.0	11.2	11.5	12.8	10.4

(Source: SPRON 2003 and 2004 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 commercial and savings banks in Denmark, Iceland, Norway and Sweden as borrowers, and HSH Nordbank, as lender (the "Lender"). All loans were advanced prior to 1 November 2005 and will be sold and assigned to the Issuer pursuant to the Sale and Purchase Agreement on the Issue Date. Pursuant to the terms of the Sale and Purchase Agreement, the Lender will provide certain representations and warranties to the Issuer with respect to the Repackaging Assets, including in relation to the Lender's ability to freely assign the Repackaging Assets to the Issuer. The Lender is a regional bank in Northern Europe, a provider of specialist finance operating around the world and a participant in international capital markets.

The Repackaging Assets have a maturity date of 31 October 2015. The Borrowers have no right to prepay the Repackaging Assets prior to October 2010. A Borrower can, however, following approval from the financial supervisory authority in the jurisdiction of the Borrower, 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 2010 except that each Norwegian Borrower has an option to prepay only on the interest payment date under the relevant Repackaging Asset which falls in October 2010.

Each loan agreement has two annual interest payment dates in each year (on 30 April and 31 October subject to modification in accordance with a modified following business day convention).

The Repackaging Assets constitute subordinated debt (a) in respect of Danish Borrowers, pursuant to 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, (b) in respect of Swedish Borrowers, pursuant to Chapter 2, Section 6, paragraph 3 of the Act on Capital Adequacy and Large Exposures (Sw. lag (1994:2004) om kapitaltäckning och stora exponeringar för kreditinstitut och värdepappersbolag), (c) in respect of Norwegian Borrowers, pursuant to Section 4, subparagraph 3 of the Regulation of 1 June 1990 no. 435 concerning the Measurement of Own Capital for Financial Institutions, Settlement Institutions and Investment Firms and (d) in respect of Icelandic Borrowers, pursuant to Article 84 in the Act on Financial Undertakings No. 161/2002.

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, Icelandic law, Norwegian law or Swedish law (depending on the jurisdiction of the relevant Borrower).