

Contents

Corporate Profile and Mission	Page 2
Group Structure	Page 3
Brief Resumé	Page 4
Financial Highlights (5 years)	Page 5
Group Annual Report and Outlook	Page 6
Market Conditions	Page 10
Business Areas	Page 12
Market and Credit Risks	Page 18
Employees	Page 21
Supervisory Board and Executive Board	Page 23
Major Directorships	Page 24
Annual Accounts	Page 26
Accounting Policies	Page 26
Profit and Loss Account	Page 30
Balance Sheet	Page 31
Notes to the Accounts	Page 32
Undertakings in the Group	Page 44
Cash Flow Statement	Page 45
Series Accounts	Page 46
Signatures and Auditors' Report	Page 48
Financial Highlights (5 years) Realkredit Danmark A/S	Page 50
Election and Democratic Structure in Realkredit Danmark	Page 51

Corporate Profile and Mission

The Realkredit Danmark Group is an independent entity within the Kapital Holding Group specialising in mortgage credit and is also Denmark's second-largest mortgage credit institution, with a balance-sheet total of DKK 389.8 billion and shareholders' equity of DKK 16.2 billion at year-end 1999. Realkredit Danmark is an important player in the Danish financial market, with a market share of more than 30 per cent of all Danish mortgage loans and a leading position within product innovation in the mortgage-credit market. This gives profitability and economies of scale and, subsequently, low unit costs and large, liquid bond series.

Realkredit Danmark provides loans against all types of real property in Denmark.

Due to the company's strong market position, focus is primarily on existing customers. Moreover, sales efforts are directed to new customers with a view to maintaining the overall market share. In this connection, Realkredit Danmark will exploit the opportunities offered by technological innovation and changes in customer behaviour and market conditions.

Through customer service, product innovation and quality advisory services, focus is on the customers and their needs and on assisting them in making the right decisions.

In Realkredit Danmark, the borrowers have a controlling influence through Foreningen RealDanmark, the majority shareholder of Kapital Holding A/S.

Significant steps taken in 1999

- New corporate mission and values statement adopted
- Increased accessibility
- Resources liberated for further sales and advisory efforts
- Increased focus on FlexLån®
- Loans in euro

In August 1999, Realkredit Danmark's Supervisory Board adopted a new corporate mission and values statement. The new corporate mission and values statement builds on the framework that has been in force for more than five years.

Ambition

Realkredit Danmark intends to set the standard in the mortgage credit market and to be the partner that customers prefer when it comes to real property.

Corporate mission

Realkredit Danmark's core service is mortgage-credit financing funded by the issuing of bonds.

Realkredit Danmark intends to make it safe and easy for customers to buy, own and sell real property. This will be achieved through:

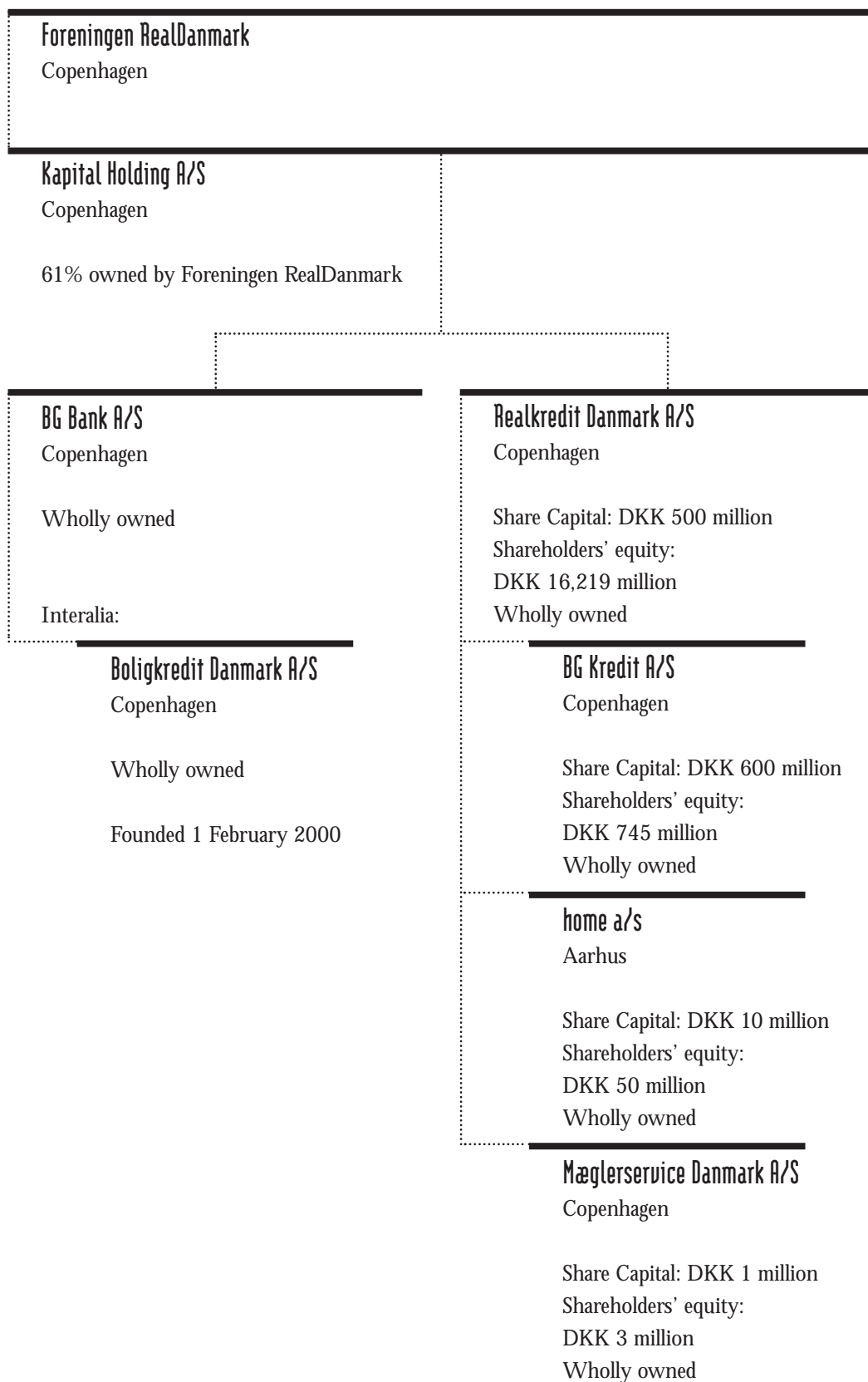
- Quality advisory services, helping the customer to make sound decisions
- Development and distribution of products and services fitted to the individual customer and the property

Realkredit Danmark distributes products and services from its own offices as well as through subsidiaries and business partners.

Values

- On an equal footing - Because we respect our customers and strive to earn their confidence.
- Quality buildings - Because buildings are the framework of our everyday lives.
- Interaction and challenges - Because it is up to the individual to ensure that we jointly develop our company.
- Innovation - Because we want to make a difference and make our own choices.
- Sound business - Because we want to ensure that we are a financially sound company.

Group Structure



In addition to the companies listed above, the Realkredit Danmark Group also includes a number of small subsidiaries.

Brief Resumé

1999 was a good year for the group in terms of market position and financial performance.

The RD group had a very good year in 1999, consolidating its position as a market leader. Despite keen competition in the financial sector, Realkredit Danmark's lending increased by DKK 16.0 billion to a total of DKK 333.5 billion. At the same time, the group's market share of new lending increased from 22.7 per cent in 1998 to 29.7 per cent in 1999, which is the largest market share in the mortgage credit sector.

1999 was also the year in which Realkredit Danmark adopted a new corporate mission and values statement. With this new corporate mission and values statement, Realkredit Danmark maintains the role as a specialist in mortgage credit services, focusing on becoming even more customer-oriented and at the same time expanding its product range by, among other things, establishing Boligkredit Danmark in 2000.

Financial highlights:

- Pre-tax profit of DKK 1,601 million. Compared with 1998, the profit is lower, primarily due to shifts in value adjustments.
- Value adjustments resulted in a loss of DKK 26 million in 1999 compared with a gain of DKK 314 million in 1998.
- DKK 79 million was recognised on provisions for bad and doubtful debts compared with DKK 99 million in 1999.
- Shareholders' equity stood at DKK 16,219 million after allocation of dividends of DKK 250 million to Kapital Holding A/S. The solvency ratio is 11.1 per cent, which exceeds the statutory requirement by DKK 5,489 million.
- In 1999, the group had the largest amount of net new lending in the mortgage credit market, standing at DKK 27.2 billion. The total loan portfolio was increased by DKK

16.0 billion to DKK 333.5 billion. DKK 8.0 billion of this increase is attributable to BG Kredit A/S.

- 1999 also showed that customer service has really taken to FlexLån®. Almost 20,000 loans totalling 23.1 billions were granted as FlexLån®, corresponding to almost 26 per cent of all loans disbursed in 1999.

On 4 March 1999, Realkredit Danmark was granted a patent for the formulas underlying FlexLån®. The patent was issued by the European patent authority EPO and covers a number of European countries, including Denmark.

For the benefit of its customers, Realkredit Danmark has introduced a new concept of customer service and has extended its opening hours. In addition to normal office hours, customers have been offered, since 1 March 1999, the possibility of arranging meetings with a customer advisor until 7 pm Monday through Thursday. More-over, customers can call the Customer Line until 10 pm Monday to Thursday and on Sundays from 10 am to 4 pm.

Financial Highlights

Summary in DKK million	Realkredit Danmark Group					
	1999 euro ¹⁾	1999	1998	1997	1996	1995
Profit and loss account:						
Net interest income	368	2,739	2,796	2,591	2,541	2,705
Dividends from shares, etc.	2	16	13	8	5	3
Net fees and commissions receivable	29	216	280	271	261	219
Net interest and fee income	399	2,971	3,089	2,870	2,807	2,927
Value adjustments	(50)	(373)	162	534	455	811
Other operating income	19	140	117	105	92	105
Staff costs and administrative expenses	(175)	(1,305)	(1,177)	(920)	(824)	(726)
Amortisation/depreciation and write-down of assets	(7)	(49)	(151)	(67)	(52)	(55)
Other operating expenses, etc.	(1)	(11)	(2)	(190)	(338)	(128)
Provisions for bad and doubtful debts	10	79	99	103	(103)	(390)
Income from associated and group undertakings	20	149	17	5	(13)	(5)
Profit before tax	215	1,601	2,154	2,440	2,024	2,539
Tax	(58)	(427)	(662)	(714)	(493)	(291)
Minority interests	0	(3)	0	0	0	0
Net profit	157	1,171	1,492	1,726	1,531	2,248
Balance sheet:						
Assets:						
Cash in hand and balances due from credit institutions and central banks	2,619	19,492	19,243	17,463	16,832	23,161
Lending 44,884	334,077	318,071	305,018	295,044	292,623	
Bonds and shares, etc.	4,593	34,188	36,956	27,511	21,358	16,674
Other assets	268	1,996	2,231	1,936	1,600	1,988
Total assets	52,364	389,753	376,501	351,928	334,834	334,446
Liabilities:						
Balances due to credit institutions and central banks	224	1,668	6,548	1,229	626	2,788
Deposits	3	25	0	0	0	0
Issued bonds	48,320	359,657	338,890	321,856	307,516	305,194
Other liabilities	1,235	9,184	12,386	9,526	9,101	10,404
Subordinated loan capital	403	3,000	3,368	3,000	3,000	3,000
Shareholders' equity	2,179	16,219	15,309	16,317	14,591	13,060
Total liabilities	52,364	389,753	376,501	351,928	334,834	334,446
Key figures ²⁾						
Solvency ratio		11.1	12.0	13.2	12.9	12.0
Tier 1 ratio		9.0	9.2	10.0	9.2	8.3
Return on equity before tax (p.c.)		10.2	13.6	15.8	14.6	21.3
Return on equity after tax (p.c.)		7.4	9.4	11.2	11.1	18.8
Income/cost ratio		2.24	2.75	3.27	2.53	2.95
Foreign-exchange position (p.c.)		0.5	0.1	0.2	0.2	0.0
Accumulated provisioning ratio		0.2	0.3	0.3	0.6	0.7
Provisions for bad and doubtful debts/lending, guarantees and accumulated provisions		0.0	0.0	0.0	0.0	0.1
Annual growth in lending (p.c.)		5.0	4.3	3.4	0.8	0.3
Gearing of lending		20.6	20.8	18.7	20.2	22.4
Average number of employees, full-time equivalents		1,089	1,396	1,360	1,258	1,202

NOTE 1) Exchange rate for DKK/EUR 7.4432. 2) The key ratios system of the Danish Financial Supervisory Authority.

Group Annual Report and Outlook

Summary (DKK million)	1999	1998
Contribution income	1,474	1,408
Net interest and fee income	1,497	1,681
Reduct. of term to maturity	(198)	(135)
Other operating income, etc.	140	117
Core income	2,913	3,071
Salaries, wages, etc.	(508)	(609)
Other costs	(857)	(721)
Provisions for bad and doubtful debts	79	99
Core earnings	1,627	1,840
Market value adjustment of securities, etc.	(26)	314
Tax	(427)	(662)
Minority interests	(3)	0
Net profit	1,171	1,492

Group profit

The Realkredit Danmark Group posted a profit before tax of DKK 1,601 million and a profit after tax of DKK 1,171 million, which provides a return on equity of 7.4 per cent. The profit was DKK 321 million less than in 1998 and was generated on the basis of a slightly lower level of core earnings, a 2.7 per cent cost increase and a continued low level of provisions for bad and doubtful debts. A net income of DKK 79 million was recorded on the latter item. Securities trading resulted in a downward value adjustment of the securities portfolio in the amount of DKK 26 million.

Core income

Realkredit Danmark's core income was largely unchanged compared with core income in 1998 and totalled DKK 2,913 million. The larger loan portfolio resulted in an increase in contribution income of DKK 66 million to DKK 1,474 million. Net interest and fee income fell by DKK 184 million to DKK 1,497 million. This was attributable to increasing commission expenses, somewhat lower remortgaging activities in 1999 compared with 1998, and a fall in interest income on the securities portfolio. As the securities portfolio was both reduced and converted into lower coupons, lower interest income was generated on the portfolio.

Core earnings

The group's core earnings of DKK 1,627 million include costs of DKK 1,365 million and DKK 79 million in income recognised from provisions for bad and doubtful debts.

In 1999, costs were affected by capital investments and costs related to IT projects, which, among other things, simplify customer service systems and improve Realkredit Danmark's efficiency in the highly competitive mortgage credit market.

Costs related to the transfer of staff to Kapital Service A/S and Kapital Holding A/S as part of the merger process are no longer included in Realkredit Danmark's accounts as staff costs. These costs are now included in other administrative expenses under management fees to Kapital Service A/S and Kapital Holding A/S.

Provisions for bad and doubtful debts remained low; a net amount of DKK 79 million was recognised as income in 1999, which was DKK 20 million less than in 1998. Accumulated provisions totalled DKK 679 million as at 31 December 1999. The property market was generally stable and saw a 6 per cent increase in prices and a slightly lower turnover which, together with the stable Danish economy – and thereby a stable financial position for most customers – contributed to the continued low loss level. The security backing the mortgages remained at the same high level, and more than 90 per cent of the loan portfolio is within 60 per cent of the value of the properties.

Value adjustments

The profit was reduced by a downward market value adjustment, net of reductions of terms to maturity, of Realkredit Danmark's securities portfolio by DKK 26 million. The profit should be seen in light of a market that experienced rising interest rates in the second half of the year and, consequently, lower prices of bonds, which account for 96.5 per cent of the securities in the portfolio.

The rate of return on Realkredit Danmark's securities portfolio and cash equivalents was 6.3 per cent in 1999 compared with 8.5 per

cent in 1998. The market value of Realkredit Danmark's own portfolio was DKK 32.4 billion at 31 December 1999. The rate of return on the bond portfolio and financial instruments alone was 3.8 per cent compared with 6.8 per cent in 1998. The lower rate of return was mainly attributable to lower bond prices.

The interest-rate risk on the securities portfolio including positions in financial instruments as at 30 June 1999 and 31 December 1999 was DKK 411 million and DKK 425 million, respectively.

Tax and profit for the period

The group's tax for 1999 totalled DKK 427 million. This brought net profit to DKK 1,171 million, which was DKK 321 million less than in 1998. The lower profit should be seen in light of the DKK 340 million fluctuation in market value adjustments between the two financial years.

Capital and solvency ratio

Realkredit Danmark retained its target of having a Tier 1 ratio in the region of 9. After allocation of the profit for the year, group shareholders' equity increased by DKK 0.9 billion to a total of DKK 16.2 billion at 31 December 1999. The capital base after allocation of profit was DKK 19.8 billion, bringing the group's solvency ratio to 11.1 compared with the statutory requirement of 8.0. The statutory requirement was exceeded by DKK 5.5 billion.

Capital and solvency ratio		
(DKK million)	1999	1998
Tier 1 capital after deductions	16,166	15,662
Supplementary capital		
after deductions	3,638	4,622
Capital base	19,804	20,284
Total risk-weighted assets	178,936	169,703
Solvency ratio	11.1	12.0
Tier 1 ratio	9.0	9.2

The proportion of joint and several liability which can be included in the capital base is being scaled down by 10 per cent each year

and will be discontinued entirely in 2001. As at 31 December, the joint and several liability included in risk-weighted assets was DKK 0.7 billion.

Dividends

The Supervisory Board will recommend to the Annual General Meeting to be held on 10 April 2000 that Realkredit Danmark pays a dividend of DKK 250 million to Kapital Holding A/S.

Business performance

Realkredit Danmark strengthened its position in the mortgage credit market in 1999. In order to retain and expand its position, the group continues to set the standard in the market and to be customers' preferred partner when it comes to real property.

Realkredit Danmark's core service is mortgage credit financing and related services that make it safe and easy to buy, own and sell real property. This is achieved by offering high-quality advisory services and by developing and providing products and services that suit the customer and the property.

Based on these goals, Realkredit Danmark focuses on ongoing product development, including supplementary services, increased accessibility, improved customer service and advisory services in terms of efficiency as well as quality.

Specifically, this resulted in the implementation of a number of initiatives:

- FlexLån® has gained an increasingly strong position in the property finance market, and the development of this product continues; most recently by offering customers euro-denominated FlexLån®. Loans for a total of DKK 23.1 billion were provided as FlexLån® in 1999, corresponding to 26 per cent of total gross lending of DKK 88.8 billion. Realkredit Danmark has been granted a European patent for the formulas underlying FlexLån®.
- A new concept of services to private customers has improved case administration and

resulted in greater efficiency. This new concept, together with extended opening hours in 1999, helps Realkredit Danmark further its sales and advisory activities.

- Sales and customer service activities were also extended in the professional market by simplifying procedures and by forming a closer relationship between the customers and Realkredit Danmark.
- With the establishment of Boligkredit Danmark A/S as a subsidiary of BG Bank, Realkredit Danmark will offer bridging and top-up loans to customers as from 1 February 2000.

It is expected that these initiatives will lead to growth in Realkredit Danmark's mortgage credit activities.

The development in lending was satisfactory in all market segments.

Gross lending by business area (DKK billion)	1999	1998
Private market, including BG Kredit	51.7	56.8
Subsidised and non-subsidised residential rental property	11.5	10.5
Industry, skilled trades and service trades	16.3	14.7
Agriculture	9.3	7.8
Total gross lending	88.8	89.8

Gross lending totalled DKK 88.8 billion. The DKK 5.1 billion fall in lending to personal customers was attributable to a slight increase in the number of properties sold and remortgaging activity in 1999. Net new lending to the private market increased to DKK 16 billion, reflecting a stronger market position. A high level of activity and a strong need for investments were seen in the service trades in particular. This resulted in an increase in gross lending of close to DKK 1.7 billion. Gross lending to agriculture rose by DKK 1.5 billion as loans may now be provided for up to 70 per cent of the value of agricultural property, including operating equipment and livestock.

The mortgage loan portfolio increased by DKK 16 billion to a total of DKK 333.5 billion in 1999. BG Kredit accounted for DKK 8 billion of this growth. The growth was recorded in all business areas. The portfolio for the private market thus increased by 6.5 per cent. For private residential rental property and agricultural property, the increase was approximately 10 per cent. In terms of total mortgage lending, the group has a market share of 30.5 per cent.

Portfolio by business area (DKK billion)	1999	1998
Private market, including BG Kredit	181.5	170.5
Subsidised and non-subsidised residential rental property	90.4	87.7
Industry, skilled trades and service trades	41.7	41.3
Agriculture	19.9	18.0
Total portfolio	333.5	317.5

On the funding side, the activity level was high with an increasing number of FlexLån® being provided, which was due to interest-rate increases and the yield curve. The Realkredit Danmark Group increased its volume of bonds in circulation by DKK 20.8 billion to DKK 359.7 billion nominal value in 1999.

Issued bonds (DKK billion)	1999 Nominal	1998 Market value
Nominal bonds	301.1	291.7
- of which FlexLån®	56.2	55.7
Index-linked bonds	58.6	57.8
Total bonds	359.7	349.5

As at 31 December 1999, Realkredit Danmark had issued euro-denominated bonds for a nominal value of DKK 5.1 billion, primarily short-term bonds to fund FlexLån® in euro.

Subsidiaries

BG Kredit A/S

BG Kredit A/S is a mortgage credit company that supplies mortgage loans to BG Bank's customers. BG Kredit's lending is funded by bonds issued in Realkredit Danmark's bond series.

The company became a wholly-owned subsidiary of Realkredit Danmark A/S in 1999. The loan portfolio increased to DKK 13 billion during the year, and the company's share of gross lending to the private market is 5 per cent.

BG Kredit recorded a loss of DKK 5 million in 1999, which brought shareholders' equity to DKK 745 million after allocation of net profit.

home a/s

home a/s is the franchisor of a nationwide chain of estate agencies. The home chain has a total of 140 offices, and together with RealMæglerne, the company has a market share of approximately 25 per cent.

home a/s realised a turnover of DKK 79 million in 1999. The company posted a profit of DKK 2 million in 1999, which brought shareholders' equity to DKK 50 million after allocation of net profit.

Outlook

The outlook for Realkredit Danmark is based on a moderately positive trend in the Danish economy, which will ensure sound customer finances. A stable housing market and stable prices of real property are key elements governing the level of activity. Realkredit Danmark expects total lending to increase, whereas remortgaging activities are expected to slow down slightly.

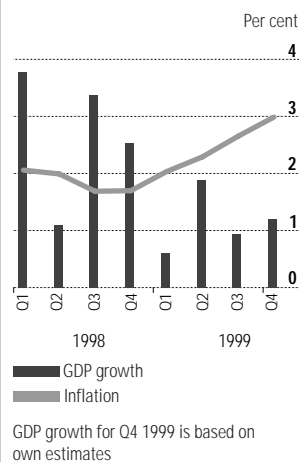
Against this background, moderate growth is expected in core income from the mortgage credit activity. Contribution income is expected to grow, but the level of fee income will be lower. Costs are expected to show a minor increase. This also applies to the net effect on the profit and loss account of provisions for bad and doubtful debts as income from claims previously written off declines.

As a result, core earnings in Realkredit Danmark are expected to stay at the 1999 level, leading to unchanged profit levels before tax and value adjustments.

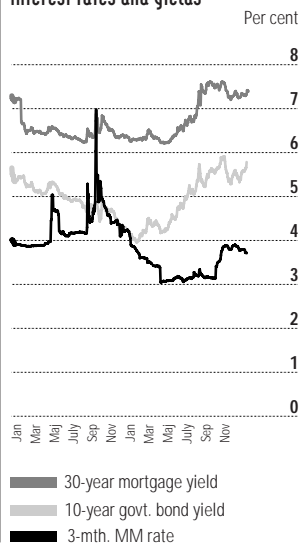
The Realkredit Danmark Group's profit on securities trading will depend on trends in the bond and equity markets.

Market Conditions

GDP growth and inflation



Interest rates and yields



The international economy

Low inflation and a slowdown in international economic growth caused the European Central Bank (ECB) to lower its key interest rates in April 1999. Growth later turned out to be stronger than expected - not least in Asia and the US. Among other things, this prompted rising prices of oil and other commodities. Raw material prices showed a decreasing trend in 1998 and at the beginning of 1999, when an economic setback was feared. Against the background of the gradually improved economic trends, the US central bank effected a number of rate hikes from the middle of 1999. In November, the ECB raised its key interest rate by 0.5 percentage point to 3 per cent, corresponding to the level in early 1999.

The Danish economy

Having lowered short-term interest rates during most of 1999, the Danish central bank raised Danish interest rates in November.

The relatively strong growth in the Danish economy in recent years slowed down in 1999. At the beginning of the year, the slowdown was mainly due to weaker exports as a result of weaker growth in export markets and lost market shares. The loss of market shares should be seen against the backdrop of Denmark's diminished, competitive strength brought about by relatively large wage increases in Denmark compared to the rest of Europe. In the second half of 1999, it was to an increasing extent domes-

tic demand - especially private consumption - that was the cause of the weaker growth.

The declining domestic demand should be seen against the background of, among other things, the June 1998 fiscal reform package and increasing bond yields, the effects of which restrain Danish consumers to an increasing extent - especially home owners.

In recent years, inflation has seen a mildly rising trend, and at year end 1999, it stood at 3.0 per cent. However, towards the end of the year, the danger of an overheating of the economy appeared to have waned in step with the slowdown of economic growth.

The bond market

On a global scale, more positive growth forecasts and rising fear of inflation resulted in increasing bond yields during most of 1999.

The trend of rising international bond yields fed through to Danish bond yields and the Danish 10-year bond yield rose by 1.6 percentage point to 5.7 per cent in 1999.

The Danish central bank's lowering of the short-term interest rates contributed to making the rise in the short, Danish bond yields comparatively moderate in the first half of 1999. The interest rate on a government bond with a term to maturity of about two years thus only increased by 0.8 percentage point to 4.7 per cent.

The high level of activity in the mortgage credit market continued in the first quarter of 1999 due to, among other things, low interest rates. At the beginning of the year, the 30-year interest rate was about 6.3 per cent, which resulted in a high level of remortgaging activity. From the middle of the year, interest rates began to rise due to fear of higher inflation, and the spread between short and long interest rates widened, increasing the advantage of raising interest-reset loans. A large part of the loans raised in the second half-year were these types of loans.

The property market

Property prices

House prices continued their upward trend in 1999. Thus, the average cash price of detached

Key figures for the Danish economy

	1999	1998
Unemployment rate	5.7	6.4
GDP (real growth rate)	1.2	2.7
Inflation rate	2.5	1.9
Current account (p.c. of GDP)	0.3	(1.2)
Public budget surplus (p.c. of GDP)	2.5	0.9
Exchange rates (year-end):		
- DKK per 100 USD	739.9	638.7
- DKK per 100 EUR	744.3	744.9

Source: Danmarks Statistik and own estimates

single-family houses rose by some 6 per cent and owner-occupied flats by 15 per cent. These increases should be seen mainly as a result of the drastically falling interest rates and unemployment rates in recent years. Towards the end of 1999, rising interest rates coupled with the effects of the fiscal reform package and more moderate economic growth in Denmark resulted in a falling number of property transactions and a stabilisation of house prices.

Developments in average house prices and the number of property transactions greatly differ geographically. Thus, prices rose relatively more in the Copenhagen area than in the rest of Denmark.

New building activity

The volume of new building completions remained unchanged compared with that of 1998, both within the residential and commercial sectors.

The equity market

Against the background of improved international growth forecasts, equity prices rose substantially throughout 1999. Equity prices rallied particularly in Japan where the Japanese Nikkei share index rose by almost 37 per cent. In the US, the SP500 index rose by nearly 20 per cent.

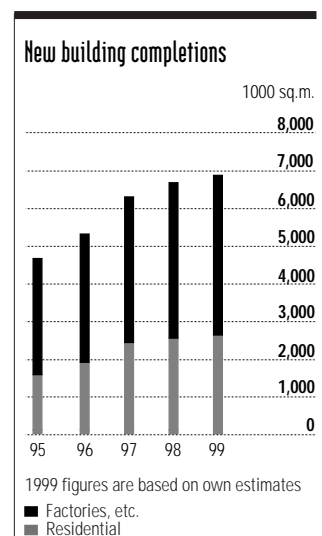
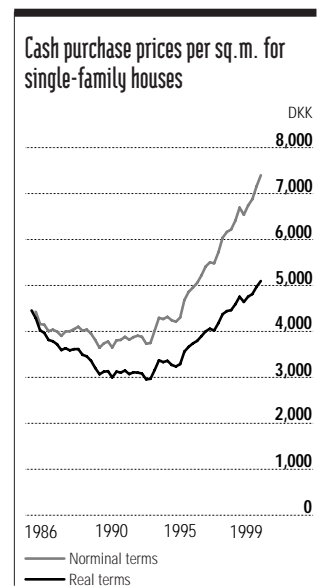
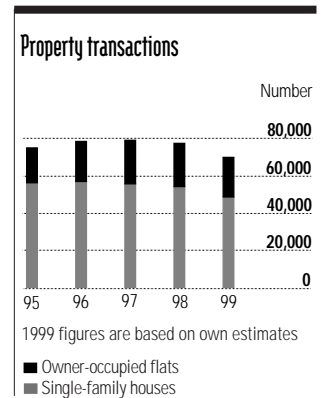
The Copenhagen Stock Exchange's All-Share Index rose by almost 22 per cent, which was largely in line with general European equity performance. During the same period, the KFX index rose by almost 17 per cent.

The foreign exchange market

When the euro was launched on 1 January 1999, there was great confidence in the new currency, which traded at a price of 1.17 against the US dollar. Throughout 1999, growth in the US was considerably stronger than growth in the European countries. This was the primary reason for the weakening of the euro.

There is still much confidence in the Danish fixed-rate policy, and the Danish krone kept a steady course throughout the year vis-à-vis the

euro. The fall of the euro against the US dollar during 1999 correspondingly weakened the Danish krone against the US dollar and the Japanese yen. Thus, the effective krone rate weakened by 1.3 percentage points.



Business Areas

Distribution

Realkredit Danmark A/S distributes loans via:

- regional and branch offices, the Customer Line and the Internet
- estate agents
- banks

Regional and branch offices, the Customer Line and the Internet

Two-thirds of RD's customers still approach Realkredit Danmark directly. These customers are served through Real-kredit Danmark's four regional offices and 25 branch offices in Denmark. Moreover, Realkredit Danmark serves its customers over the telephone via the Customer Line and via the Internet.

In recent years, Realkredit Danmark has improved accessibility to the group. Thus, in addition to normal office hours, customers are offered the possibility of having an employee visit them until 7 pm Monday through Thursday. The Customer Line is accessible Monday through Thursday until 10 pm and on Sundays from 10 am to 4 pm. Finally, Realkredit Danmark is available 24 hours a day via the Internet, where customers can access information and make concrete calculations. This service, which is being used by the customers to an increasing extent, is improved and innovated in an ongoing process.

Estate agents

Estate agents are an important distribution channel in the private market. In addition to the estate-agent chains "home" and "RealMæglerne", Realkredit Danmark collaborates with a number of independent estate agents.

The "home" estate-agent chain, which is wholly owned by Realkredit Danmark, is operated on a franchise basis.

"RealMæglerne", formerly "Realgruppen", is an independent association of estate agents with which Realkredit Danmark has a long-term co-operation agreement.

Together, these two chains have 265 offices in Denmark and a market share of approximately 25 per cent.

Banks

Realkredit Danmark has agreements with more than 100 banks on the sale of Realkredit Danmark products. These agreements are not exclusive agreements and may therefore be made with any bank that so wishes.

BG Kredit

BG Kredit is a mortgage credit company that serves BG Bank's personal customers. The company is wholly owned by Realkredit Danmark. Based on funding and administration of mortgage loans via Realkredit Danmark and sales via BG Bank's branches, BG Kredit had a loan portfolio of DKK 13.3 billion at year-end 1999 compared with DKK 5.3 billion at year-end 1998. Gross lending was DKK 9.3 billion in 1999.

BG Kredit's share of gross lending to personal mortgage credit customers was 4.8 per cent in 1999, while the share of net new lending was 14.7 per cent, which is highly satisfactory.

Products

Realkredit Danmark offers both fixed-interest, callable mortgage loans and interest-reset loans. Realkredit Danmark markets the interest-reset loans under the name of FlexLån®. These are loans on which the interest rate is reset to the market rate of interest at agreed dates during the term of the loan. The loans are offered with maturities of up to 30 years.

The customers may opt to service the loans quarterly or monthly.

In 1999, Realkredit Danmark was granted a patent on the formulas underlying the interest-reset loans. The patent was issued by the European patent authority, EPO and covers a number of European countries, including Denmark.

Since 5 January 1999, Realkredit Danmark has been offering its customers euro-denominated loans. This applies to both fixed-interest mortgage loans and FlexLån®.

To strengthen its market position, Realkredit Danmark expanded the product range on 1 February 2000 by offering its customers bridging and top-up loans. These loans are offered through the financing company Boligkredit Danmark A/S, a company wholly owned by BG Bank.

Customer satisfaction

Realkredit Danmark A/S makes regular customer surveys to assess customer satisfaction. In 1999 alone, more than 10,000 customers took part in these surveys.

The surveys in 1999 showed that both personal and professional customers were generally very satisfied with the service rendered by Realkredit Danmark. This applies especially with respect to:

- adherence to agreements entered into
- friendly, accommodating and comprehensible advice
- clear indication of financial consequences when raising loans

However, the customers have pointed out that loan offers can be difficult to understand, and that they would like to have the same personal advisor during the handling of a loan case.

Realkredit Danmark is currently endeavouring to improve these areas to accommodate the customers' wishes.

Market shares

For 1999 as a whole, Realkredit Danmark achieved a market share of gross lending in the mortgage credit sector of 27.1 per cent. The market share of net new lending was 29.7 per cent.

Realkredit Danmark's total lending increased by DKK 16.0 billion in 1999, and the loan portfolio thus totalled DKK 333.5 billion at year-end 1999, equivalent to 30.5 per cent of the Danish mortgage credit market.

The private market

Lending to the private market comprises loans for owner-occupied properties and holiday homes.

54 per cent of Realkredit Danmark's aggregate loan portfolio and 58 per cent of total gross lending went to the private market in 1999, making this market Realkredit Danmark's largest business area.

Realkredit Danmark A/S has 381,000 customers in the private market. Gross lending (including BG Kredit) totalled DKK 51.7 bil-

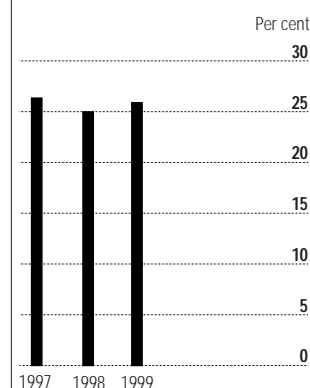
lion in 1999, a decline of DKK 5.1 billion compared with 1998. FlexLån® accounted for 30 per cent of gross lending. The gross lending corresponds to a market share of 26.5 per cent (including BG Kredit). 41 per cent of total gross lending went to loans for remortgaging of existing loans in Realkredit Danmark, while 59 per cent was new lending.

Gross lending for change of ownership rose modestly from 1998 to 1999 in the private market. The increase was primarily attributable to rising property values as the turnover in the housing market dropped from 76,500 in 1998 to an estimated 69,000 in 1999. Moreover, new building completions in 1999 remained at the same level as in 1998.

In order to strengthen sales and advisory activities in the private market, Realkredit Danmark introduced a new concept of customer service in 1999 which is based on improved and more efficient procedures. This has liberated resources for further sales and advisory activities and has, among other things, made it possible to complete all paperwork related to a loan case at a single meeting in the customer's home.

Moreover, 1999 saw the establishment of Boligkredit Danmark, a financing company owned by BG Bank. This company's bridging and top-up loans are offered to customers through Realkredit Danmark's branch offices. The company commenced business on 1 February 2000.

Realkredit Danmark's share of gross lending, Private market

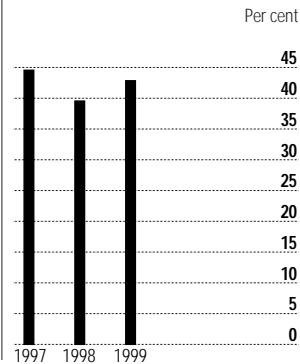


Lending to the private market

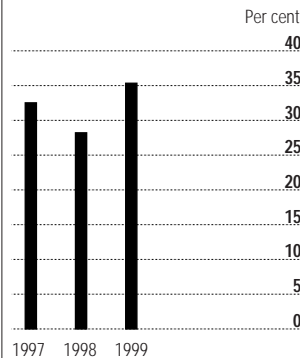
(DKK million)

	1999	1998
Gross lending	51,687	56,796
Redemptions		
with refinancing	(20,954)	(26,718)
New lending	30,733	30,078
Redemptions		
without refinancing	(14,765)	(14,912)
Net new lending	15,968	15,166
Repayments etc.	(4,932)	(4,733)
Movement in loan portfolio	11,036	10,433

Realkredit Danmark's share of gross lending, Subsidised residential rental property



Realkredit Danmark's share of gross lending, Private residential rental property



The professional market

Residential rental property

This lending area comprises loans to subsidised and private residential rental property, co-operative housing, etc. In 1999, Realkredit Danmark's gross lending to residential rental property amounted to DKK 11.5 billion compared with DKK 10.5 billion in 1998.

Subsidised residential rental property

This business area comprises subsidised residential rental property, other subsidised property and subsidised private co-operative housing.

In 1999, Realkredit Danmark's total gross lending to subsidised residential rental property was DKK 4.4 billion, corresponding to a market share of 42.0 per cent.

Although lending was at the same level as the level in 1998, there was a shift in the allocation of loans to the various types of housing.

In 1999, lending to subsidised residential rental property was still affected by the increase of the municipal basic capital from 7 to 14 per cent, which was introduced in 1998. This increase has made local governments reluctant to subsidise new family housing.

An increase in the need for homes for elderly people resulted in a noticeable increase in lending to this type of housing in 1999.

Lending to subsidised co-operative housing was characterised by falling quotas. For

Denmark as a whole, the quota was thus reduced from 1000 homes in 1998 to 750 homes in 1999.

Private residential rental property

This business area comprises private residential rental property and non-subsidised private co-operative housing.

In 1999, Realkredit Danmark's gross lending to this market totalled DKK 7.1 billion. This corresponds to a market share of 35.8 per cent, which is an increase of 7.6 percentage points over the market share in 1998.

As in 1998, the volume of lending was very large due to the low level of interest rates, particularly in the first half-year. This gave rise to a large amount of remortgaging and raising of supplementary loans as private landlords and co-operative housing societies often exploit the equity in the property as a basis for carrying out maintenance and improvement work on the properties.

Gross lending to private residential rental properties totalled DKK 5.4 billion in 1999 against DKK 5.1 billion in 1998. The change in the loan portfolio was DKK 1.6 billion compared with DKK 1.1 billion in 1998. FlexLån®, which is widely used in this loan segment, accounted for 42 per cent of total gross lending.

Gross lending to non-subsidised co-operative housing amounted to DKK 1.7 billion in 1999 against DKK 1.4 billion in 1998. The change in the loan portfolio was DKK 0.4 million compared with DKK 0.2 million in 1998. Fixed-interest cash loans were the dominant loan type in this area in 1999.

Following the Danish parliament's adoption of the amendments to the Act to Amend the Management and Financing Rules for Subsidised Property, the following years are expected to show considerable lending to finance new, non-subsidised co-operative properties for which there is no public subsidy to service the mortgage loans but for which there is access to a municipal guarantee for part of the loan. These properties are expected to be built especially for elderly people as there is an increasing demand for this type of housing.

Lending to subsidised and private residential rental property

(DKK million)

	Subsidised residential rental property		Private residential rental property		Total residential rental property	
	1999	1998	1999	1998	1999	1998
Gross lending	4,432	3,938	7,115	6,571	11,547	10,509
Redemptions with refinancing	(668)	(276)	(3,396)	(3,606)	(4,064)	(3,882)
New lending	3,764	3,662	3,719	2,965	7,483	6,627
Redemptions without refinancing	(165)	(99)	(1,157)	(1,094)	(1,322)	(1,193)
Net new lending	3,599	3,563	2,562	1,871	6,161	5,434
Repayments etc.	(2,886)	(2,356)	(607)	(659)	(3,493)	(3,015)
Movement in loan portfolio	713	1,207	1,955	1,212	2,668	2,419

Urban renewal

Over the years, quotas and, consequently, lending to subsidised public renewal and agreed home improvements have been declining.

Conversely, lending to non-subsidised urban renewal has seen a rising trend due to low interest rates. The possibility of financing renewal work with FlexLån® has substantially contributed to this development.

Commercial and corporate market

This lending area comprises lending to industry and skilled trades and service trades. In 1999, Realkredit Danmark's gross lending to the commercial and corporate market totalled DKK 16.3 billion against 14.7 billion in 1998.

Interest-rate developments resulted in considerable remortgaging activity in 1999. During the first half-year, customers exploited the very low long-term rates to remortgage to loans with a low fixed interest rate. In the second half year, interest rates had gone up so

Gross lending amounted to DKK 3.2 billion in 1999, down 0.1 billion compared with 1998. This corresponds to a market share of 21.1 per cent. The change in the loan portfolio was DKK 0.1 billion.

Despite increasingly keen competition, not least from abroad, industrial earnings were good in 1999, resulting in a modest borrowing requirement. This was supported by the fact that prices of industrial and skilled-trade properties remained almost unchanged.

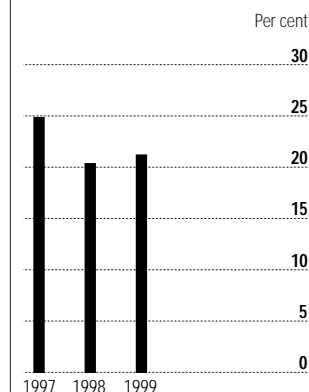
Service trades

This lending area comprises properties used for administration, service undertakings, etc.

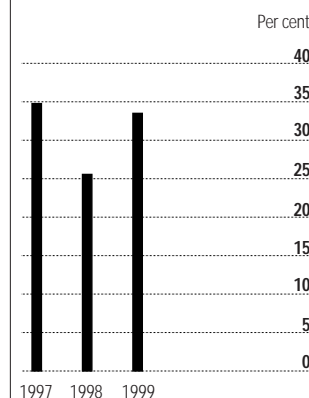
Gross lending amounted to DKK 13.1 billion in 1999, an increase of DKK 1.7 billion over last year. The change in the loan portfolio was DKK 0.3 billion. Realkredit Danmark's market share measured in terms of gross lending was 33.7 per cent in 1999.

Service trades enjoyed the benefits of the

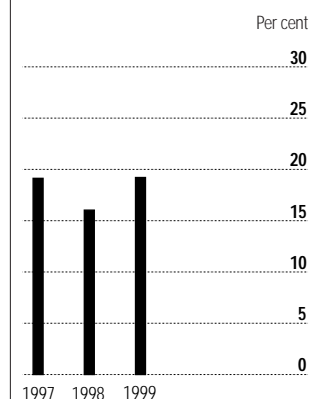
Realkredit Danmark's share of gross lending, Industry and skilled trades



Realkredit Danmark's share of gross lending, Service trades



Realkredit Danmark's share of gross lending, Agriculture



Lending to Industry and skilled trades and service trades

(DKK million)

	Industry and skilled trades		Service trades		Total commercial and corporate market	
	1999	1998	1999	1998	1999	1998
Gross lending	3,215	3,340	13,076	11,344	16,291	14,684
Redemptions with refinancing	(1,783)	(1,618)	(8,924)	(8,135)	(10,707)	(9,753)
New lending	1,432	1,722	4,152	3,209	5,584	4,931
Redemptions						
without refinancing	(657)	(908)	(2,217)	(2,309)	(2,874)	(3,217)
Net new lending	775	814	1,935	900	2,710	1,714
Repayments etc.	(671)	(703)	(1,622)	(1,802)	(2,293)	(2,505)
Movement in loan portfolio	104	111	313	(902)	417	(791)

many customers chose to remortgage loans at a higher rate or to remortgage to Flexlån®.

Construction activity in the commercial and corporate sector is estimated to have been lower in 1999 than in 1998. This applies both to issued building permits and construction starts.

Industry and skilled trades

This business area comprises loans to properties for industrial production, production in skilled trades, and product processing.

relatively high level of activity in society in 1999. This resulted in good sector earnings and a natural investment requirement. At the same time, rising prices of office and business properties increased the market potential.

Agriculture

This lending area comprises loans to agricultural and forestry properties and market gardens.

Gross lending totalled DKK 9.3 billion in 1999, an increase of DKK 1.6 billion over

1998. The increase in the loan portfolio was DKK 1.9 billion. The market share of gross lending was 19.3 per cent. 27 per cent of gross lending was provided as FlexLån®.

The Danish Mortgage Credit Act was amended in December 1998 making it possible to offer loans secured by agricultural properties for up to 70 per cent of the property value (including farm equipment and livestock) without an index-linked loan requirement.

This liberalisation of the Mortgage Credit Act together with interest-rate developments resulted in increased lending in 1999. A number of customers took advantage of the opportunity and placed all their mortgage financing in one mortgage credit institution. At the same time, many customers raised loans to cover, among other things, investments which were originally self-financed.

The agricultural sector saw declining earnings in 1999. The financial situation for Danish agriculture in the second half-year of 1999 turned out to be less critical than anticipated, although Realkredit Danmark has recorded a minor increase in arrears and provisions for bad debts.

Lending to agriculture (DKK million)		
	1999	1998
Gross lending	9,314	7,757
Redemptions with refinancing	(5,016)	(4,453)
New lending	4,298	3,304
Redemptions without refinancing	(1,895)	(1,479)
Net new lending	2,403	1,825
Repayments etc.	(536)	(466)
Movement in loan portfolio	1,867	1,359

The bond market

On the funding side, 1999 was a year characterised by much activity for Realkredit Danmark. Particularly the issue of bonds underlying FlexLån® was large compared with the issue in 1998. In mid-1999, the old matu-

rities used to fund callable loans were closed and replaced by maturities which will be open for three years.

Bonds in issue, year-end 1999 (DKK billion)		
	Nominal value	Market value
Nominal bonds	301.1	291.7
- of which FlexLån®	56.2	55.7
Index-linked bonds	58.6	57.8
Total	359.7	349.5

Moreover, 1999 was a year highly affected by external factors. The third stage of the EMU was launched on 1 January 1999. This has not only provided Realkredit Danmark with an opportunity to offer its customers loans funded by euro-denominated bonds but also brought greater focus on the sale of bonds to international investors.

New issues and redemptions of bonds

In 1999, the Realkredit Danmark Group increased its issues of bonds by DKK 20.8 billion to a nominal value of DKK 359.7 billion.

Interest rates were generally low at the beginning of 1999. Combined with the high rate of turnover in the property market, this resulted in a large number of issues, especially of long-term, callable bonds.

In May, interest rates started to rise, and the yield curve became steeper. This resulted in a decline in the issue of long-term bonds and an increase in the issue of bonds underlying FlexLån®. Thus, in the second half-year, the issues of bonds in the 10D-series and the 10E-series, which fund FlexLån®, represented more than half of total issues. In 1999, callable bonds represented the majority of the issues, accounting for 70 per cent of Realkredit Danmark's aggregate new issues.

The steeper yield curve in the second half-year resulted in a large number of extraordinary redemptions of callable bonds as many borrowers refinanced their fixed-interest loans into FlexLån®. Redemptions and repayments of Realkredit Danmark's bonds in 1999 totalled DKK 92.6 billion, which was about 6 per cent

higher than in 1998. 41 per cent of these redemptions were in bonds with a maturity of 20 to 30 years, primarily distributed on coupons ranging from 5 to 8 per cent.

Opening of new maturities in standard bond series

In connection with the change of maturities at the beginning of September 1999, Realkredit Danmark opened new maturities to fund callable loans. These maturities replaced the old maturities in the standard bond series which closed on 31 August 1999. The new ID codes have maturities of between 20 and 30 years and will be open for three years.

Opening of index-linked bonds

At the beginning of 1999, Realkredit Danmark opened a new maturity group of index-linked bonds. This maturity group replaces the groups that were closed at year-end 1998 following a legislative amendment regarding real interest tax. The new maturity group, which is currently relatively small, will be open for five years.

Euro-denominated bonds

Since 5 January 1999, Realkredit Danmark has offered its customers both fixed-interest, callable mortgage loans and FlexLån® in euro. These loans have been funded by issuing euro-denominated bonds in the E-series.

The bonds in the E-series have the same characteristics as the corresponding bonds in Danish kroner. The bonds are listed on the Copenhagen Stock Exchange and registered with the Danish Securities Centre.

The terms and conditions for the E-series are almost identical to those of Realkredit Danmark's D-series, and none of the series are subject to joint and several liability. The main difference is that the E-series includes an option to issue bonds both in Danish kroner and foreign currency.

At year-end 1999, Realkredit Danmark had issued euro-denominated bonds for DKK 5.1 billion. The majority of the issued bonds in euro were concentrated on the short-term

bonds in the 10E-series, which fund FlexLån® denominated in euro.

Change of Danish market conventions

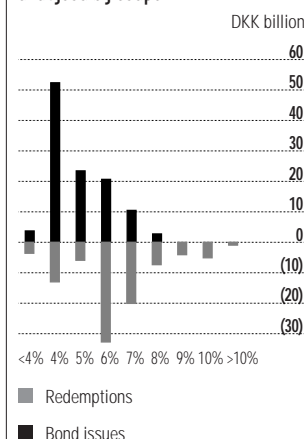
The financial sector has decided to adapt the Danish market conventions to international standards. On 8 February 2001, the special Danish ex coupon period for trade in bonds will therefore be abolished, and the interest convention for bond trade will be changed from the 30/360 day convention to the actual/actual convention. At the same time, the Danish drawing procedure, based on a drawing by lots principle, will be changed to a mathematical method. Realkredit Danmark will be presently adapting its systems and procedures to the new market conventions.

Rating and sale of bonds

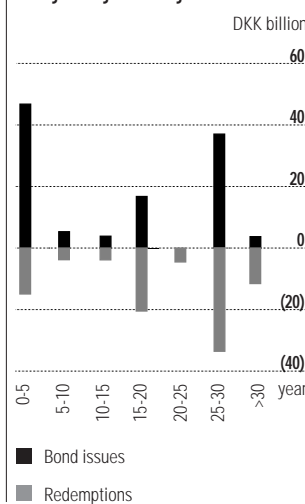
An increasing share of Realkredit Danmark's bonds are held by foreign investors. At year-end 1999, foreign investors held a little more than 7 per cent of Realkredit Danmark's bonds against 6 per cent at 31 December 1998. The majority of the bonds, 64 per cent, are still held by insurance companies, pension funds and other financial institutions.

The majority of Realkredit Danmark's bonds are still covered by the high rating of Aa3, assigned by Moody's Investors Service. The rating covers bonds in series C and the Institution in General and therefore covers 80 per cent of all Realkredit Danmark bonds and all new issues. Bonds for the funding of FlexLån® and euro-denominated bonds are also covered by this rating.

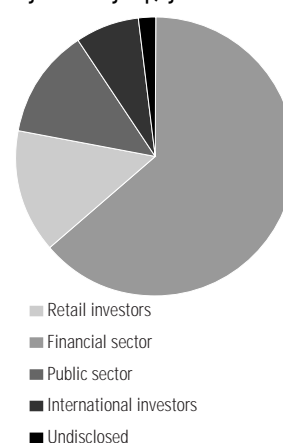
Bond issues and redemptions in 1999 analysed by coupon



Bond issues and redemptions in 1999 analysed by maturity

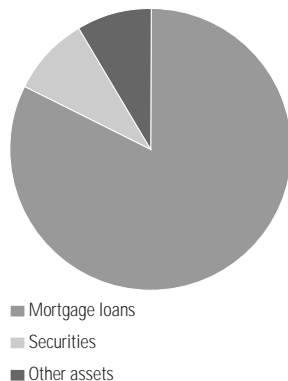


Bonds in issue analysed by investor group, year-end 1999

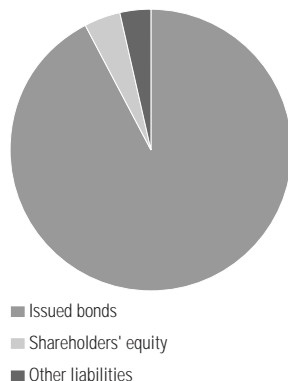


Market and Credit Risks

Assets at 31 December 1999



Liabilities and equity at 31 December 1999



Market risks

Market risk management

The overall framework for Realkredit Danmark's interest-rate, equity, foreign-exchange and liquidity risks is defined by the Supervisory Board of Realkredit Danmark within the limits of the Danish Mortgage Credit Act and in accordance with the limits defined by the Supervisory Board of Kapital Holding. Kapital Holding monitors the group's overall market risk, while Realkredit Danmark handles the day-to-day risk management within the general limits defined.

Interest-rate risk

Realkredit Danmark measures and manages the interest-rate exposure on all its assets and liabilities. By measuring the interest-rate exposure on all assets and liabilities, Realkredit Danmark gets an overall picture of its sensitivity in the event of a general shift in interest rates.

Mortgage loans and issued mortgage bonds represent a significant proportion of Realkredit Danmark's assets and liabilities. Under the principle of balance laid down in the Danish Mortgage Credit Act, payments on the debtor side and the creditor side must balance as a whole; therefore, shifts in interest rates alone do not inflict loan portfolio losses on mortgage credit institutions. The interest-rate risk on Realkredit Danmark's loan portfolio is therefore largely offset by the interest-rate risk on the mortgage bonds issued.

The positive interest exposure on Realkredit Danmark's loan portfolio and the negative interest exposure on issued bonds amount to about DKK 13,000 million. The difference is DKK 23 million and corresponds to the interest exposure in the strict balance principle. The interest exposure in the strict balance principle amounts to 0.01 per cent of the loan portfolio.

Most of Realkredit Danmark's interest-rate exposure is attributable to bonds and reserve fund mortgage deeds in the securities portfolio, Realkredit Danmark's supplementary capital, money market positions, financial instruments, etc.

Calculated according to the principles of the Danish Financial Supervisory Authority, Real-

credit Danmark's entire interest-rate exposure amounted to DKK 425 million at 31 December 1999, equivalent to 2.6 per cent of shareholders' equity. A one percentage point increase in interest rates would result in a loss of DKK 425 million for Realkredit Danmark.

Not all balance-sheet items are marked to market in the annual accounts. The interest exposure affecting the accounts relates to Realkredit Danmark's portfolios of bonds and reserve fund mortgage deeds. The interest exposure on these instruments totalled DKK 465 million at 31 December 1999.

Equity risk

To limit the risk of a loss in the event of a fall in share prices, limits have been fixed on the size of the share portfolio including shares in subsidiary and associated undertakings as a percentage of shareholders' equity.

At year-end 1999, Realkredit Danmark's portfolio of shares including shares in subsidiary and associated undertakings totalled DKK 2,717 million, equivalent to 16.8 per cent of shareholders' equity. The share portfolio excluding shares in subsidiary and associated undertakings totalled DKK 1,176 millions as at 31 December 1999.

Exchange-rate risk

Realkredit Danmark has very limited unhedged currency positions.

The exposure on Realkredit Danmark's foreign currency positions is measured and managed on the basis of the principles underlying the Financial Supervisory Authority's exchange-rate indicator 2.

At 31 December 1999, Realkredit Danmark's exchange-rate risk calculated according to exchange-rate indicator 2 was DKK 2 million.

Liquidity risk

As the payment profiles of Realkredit Danmark's loans and issued bonds are almost identical, Realkredit Danmark has virtually no liquidity risk on its loan portfolio.

Consequently, Realkredit Danmark's liquidity management is, to a large extent, aimed at

ensuring an optimum liquidity flow around the payment dates. Liquidity management is based on money market transactions and financial instruments.

In 1999, Danish mortgage credit institutions were given access to the Danish central bank's monetary instruments. Realkredit Danmark used the monetary instruments in connection with liquidity management at the January 2000 payment date.

Financial instruments

Financial instruments/derivatives are used partly to meet customer demand, partly as an integral part of Realkredit Danmark's hedging of transactions. The market risk on these instruments is included in the risk measured on the underlying assets.

The Supervisory Board of Realkredit Danmark approves the use of financial instruments. In 1999, Realkredit Danmark primarily used forward contracts, FRAs, repo/reverse transactions, currency swaps and futures denominated in euro.

Credit risks

Management of credit risks

Kapital Holding handles the overall monitoring of the group's total credit risk and lays down limits and criteria for credit risks in the subsidiaries. In addition, decentralised management and follow-up takes place in Realkredit Danmark.

Loans are approved at local, regional and head office levels in Realkredit Danmark, depending on the type of property/customer and the size of the specific loan/facility.

Lending procedure

Realkredit Danmark pursues a conservative credit policy.

As a supplement to the actual valuation of the property and depending on the type of property, an individual assessment is made of the borrower's financial position.

Realkredit Danmark's lending is based on the long-term property value, which, among other things, means that marketability, location and the expected price potential of the specific

property will be given great consideration when the value of a property is determined.

Realkredit Danmark basically provides loans up to the statutory loan-to-value ratio on the basis of Realkredit Danmark's own assessment of the property's value. The statutory loan-to-value ratios are 80 per cent for owner-occupied property and residential rental property, 70 per cent for agricultural property and 60 per cent for holiday homes, office and commercial property as well as for industrial property.

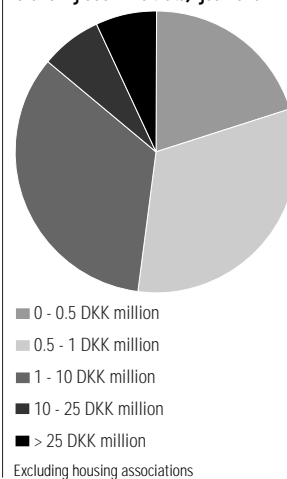
At the beginning of 1999, mortgage credit institutions were allowed to offer loans secured by agricultural property up to a limit of 70 per cent of the property value without the index-linked loan requirement that had applied until then. Also within agriculture, focus is on the long-term value of property in connection with valuation.

With effect from 1 January 2000, loans to agricultural properties with an area of less than 10 hectares are granted according to the rules for owner-occupied homes. The former limit was 5 hectares. A precondition for obtaining a loan under this rule is that the owner of the property is not financially dependent on earnings from agricultural activities relating to the property.

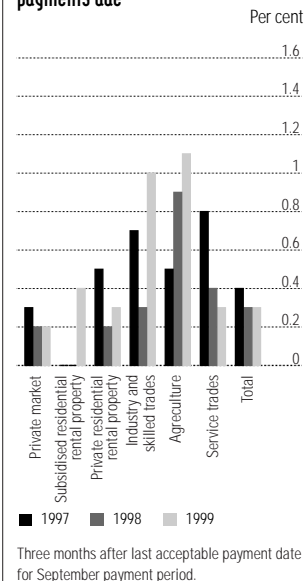
Loan portfolio

Realkredit Danmark's loan portfolio is very secure as some 90 per cent of the aggregate portfolio is within 60 per cent of the estimated current value of properties.

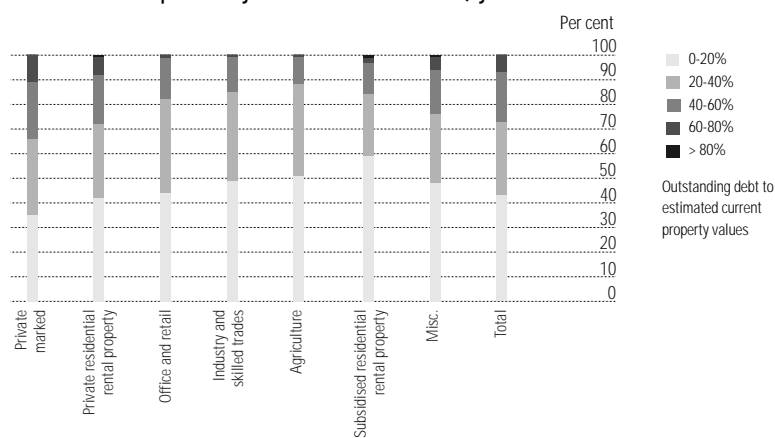
Distribution of loan portfolio by outstanding debt intervals, year-end 1999



Arrears as a percentage of mortgage payments due



Distribution of loan portfolio by current loan-to-value ratios, year-end 1999



The portfolio risk should also be viewed in light of the fact that the portfolio is primarily composed of small and medium-sized loans. The sensitivity to individual losses is limited as approximately 85 per cent of the portfolio consists of mortgages with an outstanding debt of less than DKK 10 million.

Movements in arrears are a good indicator of future losses. The rates of arrears - calculated as the ratio of arrears to payments due - were maintained at a very low level throughout 1999. The rate of arrears was 0.3 per cent three months after the September 1999 payment date.

The portfolio of foreclosed properties at year-end 1999 was 13 - the lowest level in the past 10 years.

Loan portfolio by sector		
Year-end 1999 in per cent	1999	1998
Owner-occupied homes	52	52
Holiday homes	2	2
Subsidised residential property	20	21
Private residential rental property	7	6
Industry and skilled trades	3	3
Office and retail property	7	7
Agriculture, etc.	6	6
Properties for social, cultural and training purposes	2	2
Others	1	1
Total	100	100

Provisions for bad and doubtful debts

At year-end 1999, accumulated provisions totalled DKK 679 million, which was DKK 109 million less than last year. Similarly, provisions for bad and doubtful debts were very modest. Provisions for bad and doubtful debts amounted to an income of DKK 79 million against an income of DKK 99 million in 1998. The DKK 79 million income in 1999 was mainly attributable to payments on debts written off in prior years. Moreover, provisions for new bad and doubtful debts continue to be at a very low level.

Provisions for bad and doubtful debts

DKK million	1999	1998
Recognised losses		
of which provided for in prior years	(180)	(153)
Recognised losses not previously provided for	(20)	(20)
New provisions	(72)	(110)
Reversed provisions without losses	22	162
Recovery of debts written off in prior years	149	67
Total amount charged against the Profit and loss account	79	99
Provisions for bad and doubtful debts as a percentage of average loans and guarantees	0,0	0,0
Accumulated provisions for bad and doubtful debts	(679)	(788)

Employees

Realkredit Danmark wishes to be an attractive workplace which, in a customer and performance-oriented business environment, can attract, keep and develop skilled and committed employees and managers who consider change a challenge. In practice, this is achieved through a human resources policy which emphasises the following key words: development, trust, openness, confidence and respect.

The Kapital Holding Group's human resources strategy is a key element of RD's work in this area. The strategy is to support and supplement Realkredit Danmark's business strategy.

Converted into full-time equivalents, the average number of employees in Realkredit Danmark was 1,089 in 1999.

In 1999, Realkredit Danmark adopted a new corporate mission. In this connection, a new values statement based on attitudinal aspects of the company, was adopted. The entire company has focused on implementing these values, and the organisation is moving towards value-based management. This process will continue to affect both management and employee development.

True to the new corporate mission and values statement, extensive training activity has been carried out to make the company even more customer oriented. Thus, focus is on attitudes and enhancing business understanding.

Realkredit Danmark employed 16 trainees in 1999. In 2000, the Kapital Holding group will recruit mortgage credit and banking trainees for the entire group. In Realkredit Danmark, 17 trainees will start their training in August 2000.

Senior Management

Region East

Jens-Erik Corvinius
Regional Director

Region Central Jutland

Peter Kjølby
Regional Director

Region North

Ib Nielsen
Regional Director

Region South

Peter Cederfeld
Regional Director

Customer Line

Mogens Sandahl
Director

Company Secretariat

Finn Bartholdy
Director

Subsidised and Private Residential Rental Property Division

Jesper Munck Loiborg
Director

Corporate Division

Jørgen Bo Andersen
Director

Treasury and Markets

Sven-Karsten Topp
Director

Credit Division

H.P. Hansen
Director

Agricultural Division

Erik Vestergaard Madsen
Director

Retail Division and Marketing

Thomas Dywremose
Director

Internal Audit

Arne Lenstrup
Chief Auditor

BG Kredit A/S

Poul Nielsen
Executive Director

home a/s

Niels Bjerregaard
Executive Director

Finance, Legal Department, Information, IT, Human Resources and Administration and Properties are joint functions organised in the Kapital Holding Group.

Supervisory Board and Executive Board

Supervisory Board

Jørgen Nue Møller
Chairman

Poul Christiansen
Deputy Chairman

Morten Balling **

Niels Busk

Bo Klein Christensen *

Bent Flyvholm

Carl Emil Heidemann *

André Lublin

Jørgen Lund

Bent Maribo

Jørgen Mejlgård

Klaus Modberg *

Peder J. Pedersen

Majken Schultz

Per Alling Toubro *

Hans-Erik Voldstedlund *

Mr Morten Balling has been appointed by the Minister of Economic Affairs for a four-year term. Until 6 April 1999, Mr Peder J. Pedersen was the member appointed by the Minister of Economic Affairs.

At The Annual General Meeting held on 13 April 1999, Mr Flemming Skov Jensen retired from the Supervisory Board, and Ms Majken Schultz and Mr Peder J. Pedersen were elected as new members of the Supervisory Board.

Ms Cristina Lage Hansen withdrew from the Supervisory Board of Realkredit Danmark on 20 December 1999. The alternate, Mr Bent Maribo, replaces Ms Cristina Lage Hansen as a member of the Supervisory Board of Realkredit Danmark until the Annual General Meeting in 2000.

* Employee elected representatives

** Appointed by the Minister of Economic Affairs

Executive Board

Kjeld Jørgensen
Chairman of the Executive Board
and Chief Executive Officer

Sven Holm
Vice-Chairman of the Executive Board

Bent Fjord
Member of the Executive Board

Bent Fjord was appointed a member of the Executive Board on 1 November 1999 replacing Per Helle who retired at the end of 1999.

At the Annual General Meeting of Kapital Holding to be held on 10 April 2000, proposals to change the composition of the Supervisory Board, etc. and to change Kapital Holding's name to RealDanmark A/S will be submitted. Until the spring of 2001, the Supervisory Board of Kapital Holding will consist of the elected members of the Supervisory Boards of Realkredit Danmark and BG Bank. From the spring 2001, the number of board members will be reduced from the present 30 to 18.

From the spring of 2001, the Supervisory Board of

the subsidiaries Realkredit Danmark and BG Bank are to consist of the chairmanship and two members of the Supervisory Board of RealDanmark and RealDanmark's CEO, employee representatives and the representative appointed by the government, totalling 9 members. The Supervisory Boards of the subsidiaries will solely be in charge of matters of an operating nature, including the granting of credit facilities, and of matters relating to the duties of the Supervisory Board in accordance with legislative provisions.

Major Directorships

Supervisory Board

Jørgen Nue Møller, Chairman
Chief Executive of the Foundation Dansk
Arkitektur Center
Born in 1944
Other offices held with Danish companies:
Chairman of the Supervisory Board of Kapital
Holding A/S. Member of the Supervisory
Board of Carl Bro as.

Poul Christiansen, Deputy Chairman
Master Carpenter
Born in 1937
Other offices held with Danish companies:
Vice-Deputy Chairman of the Supervisory
Board of Kapital Holding A/S. Member of the
Supervisory Board of A/S Hindsgavl.

Morten Balling (appointed by the Minister of
Economic Affairs)
Professor
Born in 1938
Other offices held with Danish companies:
Member of the Supervisory Board of A/S Chr.
Fabers Fabrikker and C.W.Obel A/S.

Niels Busk
Farmer, MEP
Born in 1942
Other offices held with Danish companies:
Member of the Supervisory Boards of Aktie-
Plantageselskabet for Aalborg Amt and Kapital
Holding A/S.

Bo Klein Christensen
(Elected by the employees)
Assistant Manager, Realkredit Danmark A/S
Born in 1959
Other offices held with Danish companies:
Member of the Supervisory Board of Kapital
Holding A/S.

Bent Flyvholm
Business Manager of Boligkontoret AmbA
Born in 1937
Other offices held with Danish companies:

Member of the Supervisory Board of Kapital
Holding A/S.

Carl Emil Heidemann
(elected by the employees)
Customer Advisor, Realkredit Danmark A/S
Born in 1944
Other offices held with Danish companies:
Member of the Supervisory Board of Kapital
Holding A/S.

André Lublin
Managing Director of PFA Pension, forsik-
ringsaktieselskab
Born in 1940
Other offices held with Danish companies:
Member of the Supervisory Boards of
Aktieselskabet Forsikringens Hus, Lærernes
Pension, forsikringsaktieselskab,
Forsikringshøjskolen Rungstedgaard A/S,
NESAs A/S and Kapital Holding A/S.

Jørgen Lund
Alderman, the Municipality of Odense
Born in 1935
Other offices held with Danish companies:
Chairman of the Supervisory Board of
Rynkeby Maskinfabrik A/S. Member of the
Supervisory Board of Kapital Holding A/S.

Bent Maribo
Farmer
Born in 1939
Other offices held with Danish companies:
Chairman of the Supervisory Board of Steff-
Houlberg Slagterierne Amba. Member of the
Supervisory Boards of August Olsen & Søn
A/S and Nordvest Shipping I/S.

Jørgen Mejlgård
Director of Fællesorganisationens Boligforening
Born in 1946
Other offices held with Danish companies:
Member of the Supervisory Boards of A/S
Bolind-Handel and Kapital Holding A/S.

Klaus Modberg (elected by the employees)
Assistant Manager, Realkredit Danmark A/S
Born in 1960
Other offices held with Danish companies:
Member of the Supervisory Board of Kapital Holding A/S.

Peder J. Pedersen
Professor of Economics, D.Sc (Econ), M.A. (Econ).
Born in 1941
Other offices held with Danish companies:
Member of the Supervisory Board of Kapital Holding A/S.

Majken Schultz
Professor
Born in 1958
Other offices held with Danish companies:
Member of the Supervisory Board of Kapital Holding A/S.

Per Alling Toubro (elected by the employees)
Manager, Realkredit Danmark A/S
Born in 1953
Other offices held with Danish companies:
Member of the Supervisory Board of Kapital Holding A/S.

Hans-Erik Voldstedlund (elected by the employees)
Customer Advisor, Realkredit Danmark A/S
Born in 1937
Other offices held with Danish companies:
Member of the Supervisory Board of Kapital Holding A/S.

Executive Board

Kjeld Jørgensen
Chairman of the Executive Board and Chief Executive Officer
Bachelor of Commerce (business finance)
Born in 1942
Chairman of the Executive Boards of Foreningen RealDanmark and Kapital Holding A/S.
Chairman of the Supervisory Boards of BG Kredit A/S, home a/s and Kapital Service A/S.
Vice-chairman of the Supervisory Board of Boligkredit Danmark A/S. Member of the Supervisory Board of the Association of Danish Mortgage Banks.
President of Nordisk Realkreditsamråd.

Sven Holm
Vice-Chairman of the Executive Board
Bachelor of Commerce (business finance)
Born in 1946
Vice-Chairman of the Executive Board of Foreningen RealDanmark.
Member of the Supervisory Boards of BG Kredit A/S, home a/s, Kapital Service A/S, Mægler-service Danmark A/S, Kreditforeningen Danmarks Pensionsafviklingskasse and the Association of Danish Mortgage Banks.

Bent Fjord
Member of the Executive Board
M.A. (political science)
Born in 1953
Member of the Executive Board of Foreningen RealDanmark.
Chairman of the Supervisory Board of Mægler-service Danmark A/S. Member of the Supervisory Boards of BG Kredit A/S, home a/s and Realkreditnettet A/S.

Accounting Policies

Basis of preparation

The accounts are, as in 1998, presented in compliance with the Danish Mortgage Credit Act and the Executive Order on the Presentation of Accounts by Mortgage Credit Institutions and related guidelines. In addition, the accounts have been prepared according to the Copenhagen Stock Exchange's rules for issuers of listed securities.

The Danish Financial Supervisory Authority issued a new Executive Order in December 1999. To comply with this Order, the accounts have been changed in a number of areas as compared with previous years. The changes do not affect shareholders' equity or total assets.

The profit for the year increased as the disbursement of reserves subject to a repayment obligation in old series is no longer included in "Interest payable" but stated as repayments on the capitalised provision. For 1999, this increased profit by DKK 186.6 million and for 1998 by DKK 156.9 million.

Furthermore, the accounts have been changed to the effect that the profit and loss account and balance sheet now only include the main items. Sub-items previously included on the face of the accounts are now disclosed in the notes to the accounts.

In addition, certain items in both the profit and loss account and the balance sheet have been reclassified. The comparative figures for 1998 and earlier years have been restated accordingly. In the profit and loss account, one of the effects of the reclassification is that income and expenses previously included in extraordinary items are now included in ordinary operating items.

Basis of consolidation

The consolidated accounts include the parent company, Realkredit Danmark A/S, and subsidiary undertakings in which the parent company directly or indirectly possesses more than 50 per cent of the votes or in any other way exerts a controlling influence. Minor subsidiary undertakings without commercial activities, or subsidiary undertakings acquired as a measure to contain losses are not consolidated.

The consolidated accounts are prepared on the basis of the accounts of the consolidated undertakings. The accounts are prepared according to the parent company's accounting policies.

The consolidated accounts are prepared by adding items of the same nature for the consolidated undertakings. Intercompany transactions are eliminated.

The profit and shareholders' equity of the consolidated subsidiary undertakings attributable to minority interests are stated as separate items in the profit and loss account and balance sheet.

Profit and Loss Account

Market value adjustment of securities and exchange rate adjustment

Market value adjustment of bonds, shares, etc. comprises both realised and unrealised gains and losses.

Gains and losses from the translation of balance sheet items denominated in foreign currency are stated in the profit and loss account under "Value adjustments". The translation into Danish kroner is made at the official exchange rates as at 31 December and at estimated exchange rates for unquoted currencies.

Market value adjustment of financial instruments

Financial instruments, which comprise unsettled spot and forward transactions, SWAPS, FRAs, futures, options, etc. are marked to market as at 31 December. The positive or negative market value is carried in the balance sheet under "Other assets" or "Other liabilities", respectively. However, financial instruments entered into to hedge the interest rate exposure on fixed-interest assets and liabilities are not stated at market value.

Exchange rate adjustments of financial instruments are included in "Value adjustments". The accrued share of forward premiums/discounts on forward securities and forward foreign exchange transactions is stated (net) under "Interest receivable". Other market value adjustments are stated (net) under "Value adjustments".

Taxation

Realkredit Danmark A/S is taxed on a pooled basis with a number of group undertakings. The combined taxes are allocated to the undertakings in the tax pool using the full absorption method. Accordingly, undertakings with a tax loss receive a tax reimbursement from the other undertakings in the tax pool.

The estimated tax on the profit for the year is charged to the profit and loss account under "Tax".

Prior-year adjustments to estimated tax are also included in this item.

The companies of the group are registered for the on-account tax scheme. To the extent tax paid on account does not correspond to the expected tax on the profit for the year, the interest charge or allowance on the deviation is included in "Interest payable" or "Interest receivable", respectively.

Deferred tax on timing differences between the financial and fiscal recognition of income and expenses is included in "Provisions for liabilities and charges". The year's changes in deferred tax are included in the profit and loss account under "Tax".

Any deferred tax asset is not included in the balance sheet.

Balance Sheet

Repo-reverse transactions

Securities sold for which a concurrent agreement is made for later repurchase at a certain price (repo-transactions) remain on the balance sheet. Interest and value adjustments are taken to the profit and loss account as if the securities were still held. Amounts received are stated as an amount owing to the purchaser under "Balances due to credit institutions and central banks" or "Deposits". The agreed interest charge is stated as interest payable on the amount owing.

Securities purchased for which a concurrent agreement is made for later resale at a certain price (reverse transactions) are not included in the balance sheet as holdings of securities. Amounts paid are stated as loans to the seller backed by the purchased securities under

"Balances due from credit institutions and central banks" or "Lending". The agreed interest is stated as interest receivable on the amount receivable.

Lending

Loans are subjected to a review and a critical risk assessment, and loan loss provisions are made on the basis thereof. Such provisions are set off against the individual assets. Recognised losses on loans and movements in provisions are stated in the profit and loss account under "Provisions for bad and doubtful debts".

Mortgage loans, including amortisation accounts, are stated at nominal values. Index-linked loans are stated on the basis of the 31 December index. Other loans (reserve fund mortgages, etc.) are stated at original cost and reflect interest and risk conditions at the time of issue or at an estimated lower value as at 31 December.

Bonds

Danish listed bonds, including the portfolio of own bonds, are stated at officially quoted prices as at 31 December. Bonds which are redeemed on 3 January are stated at redemption price. Drawn bonds which mature later are valued with due consideration to the remaining time to maturity.

Listed foreign bonds are stated at the latest quoted prices and translated at the exchange rates ruling on 31 December.

Unlisted bonds are stated at the lower of a conservatively estimated value and original cost.

Shares

Listed shares are stated at officially quoted prices as at 31 December. Unlisted shares are stated at the lower of a conservatively estimated value and original cost.

Interests

Interests in subsidiary and associated undertakings and other significant interests are stated at a proportional share of the equity value. If material events have occurred in the under-

taking in question after the preparation of the latest annual accounts, this is taken into account in the calculation of the equity value.

Value adjustments corresponding to the share of the undertaking's profit or loss are included in "Income from associated and group undertakings". Dividends from such undertakings are not stated in the profit and loss account but are deducted from the book value of the interests.

Intangible assets

Based on a specific evaluation, intangible assets, which include leasehold improvements, etc., are either charged to the profit and loss account in the year of acquisition under "Amortisation/depreciation and write-downs of intangible and tangible assets" or amortised using the straight-line method over the term of the lease, based on the expected life of the asset to the company, or five years, whichever is the shorter. Purchased goodwill is written off directly against shareholders' equity in the year of acquisition.

Own properties

Own properties are stated at cost or the book value as at 31 December 1990 with the addition of rebuilding expenses incurred and the deduction of depreciation and write-downs.

Own properties whose market value is significantly higher than the purchase price have been revalued to the higher value. If the market value of a property is lower than the value so calculated, and if this lower value is not expected to be of a temporary nature, the property will be written down to the lower value.

Own properties are depreciated over the estimated useful economic lives of the properties, which is maximum 75 years.

Foreclosed properties

"Foreclosed properties" comprise own loans and senior mortgage debt to other mortgagees as well as other cash outlays, etc. regarding the foreclosed properties. Following an individual assessment of the risk of loss on each property, necessary provisions are made for losses. These

provisions are set off against the assets, and the movement in the provision is stated in the profit and loss account under "Provisions for bad and doubtful debts".

Machinery and equipment

Machinery and equipment as well as major investments in application software and similar assets are stated at purchase price and depreciated over the expected useful economic lives of the assets. For machinery and equipment, the useful economic lives are estimated to be maximum ten years, for automobiles five years and for computer equipment maximum five years. Individual assets with a purchase price of less than DKK 9,200 are written off in the year of acquisition.

Issued mortgage bonds

Issued mortgage bonds are stated in the balance sheet at nominal value. Index-linked bonds are stated on the basis of the 31 December index.

Other liabilities

Sales of securities received as security in a reverse transaction do not affect the treatment of the reverse transaction in the accounts, but the sales involve an obligation to repurchase the securities before the expiration of the reverse transaction. The repurchase obligation, equivalent to the amount received, is stated under "Other liabilities". The interest expense and value adjustment in respect of this liability is included in the profit and loss account items for the type of securities sold.

Cash flow statement

The cash flow statement shows the cash flow from operating activities, cash flow from investing activities, movements in mortgage lending and other lending, and movements in deposits and other funding. Moreover, the statement shows cash and cash equivalents at the beginning and end of the year.

The cash flow from operating activities is calculated indirectly on the basis of the pre-tax profit for the year adjusted for, among other

things, non-cash profit and loss items and tax paid.

The cash flow from investing activities includes purchases and sales of securities, movements in repo-reverse transactions and purchases and sales of tangible and intangible fixed assets.

The net movement in mortgage lending and other lending is made up before provisions for bad and doubtful debts, etc.

The net movement in funding comprises, among other things, the issue, drawing and redemption, respectively, of mortgage bonds.

Cash and cash equivalents comprise cash in hand, etc. and balances due from credit institutions and central banks net of receivables relating to reverse transactions.

Intercompany transactions

The group consists of a number of independent legal entities.

Trading between the undertakings of the group or work carried out by one undertaking for another undertaking of the group is charged on the basis of market conditions or on a cost-recovery basis.

Profit and Loss Account

1 Januar - 31 December

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
1,8	Interest receivable	22,573.9	23,941.2	22,463.1	23,898.2
2	Interest payable	(19,834.6)	(21,145.3)	(19,827.2)	(21,140.7)
	Net interest income	2,739.3	2,795.9	2,635.9	2,757.5
8	Dividends from shares, etc.	16.0	13.6	16.0	13.6
8	Fees and commissions receivable	335.2	361.7	334.5	360.8
	Fees and commissions payable	(119.5)	(82.1)	(73.0)	(63.1)
	Net interest and fee income	2,971.0	3,089.1	2,913.4	3,068.8
3,8	Value adjustments	(372.5)	162.1	(339.1)	158.7
8	Other operating income	140.6	117.3	68.2	43.8
4	Staff costs and administrative expenses	(1,305.4)	(1,177.3)	(1,219.4)	(1,100.6)
	Amortisation/depreciation and write-down of intangible and tangible assets	(49.4)	(150.9)	(35.5)	(136.8)
	Other operating expenses	(10.5)	(1.7)	(10.5)	(1.6)
5	Provisions for bad and doubtful debts	78.5	98.9	79.4	99.7
6	Income from associated and group undertakings	148.5	16.6	142.4	20.8
	Profit on ordinary activities before tax	1,600.8	2,154.1	1,598.9	2,152.8
7	Tax	(426.8)	(661.9)	(427.7)	(660.7)
	Minority interests	(2.8)	(0.1)	-	-
	Net profit	1,171.2	1,492.1	1,171.2	1,492.1
	Distribution of profit				
	Net profit				
	Transferred from reserves			1,171.2	1,492.1
	Transferred from prior years			-	1,375.9
	Total amount available for distribution			1,171.2	2,868.0
	Applied for dividends			250.0	2,500.0
	Allocated to shareholders' equity			921.2	368.0
	Total amount distributed			1,171.2	2,868.0

Balance Sheet

at 31 December

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
	Assets				
	Cash in hand and balances at call with central banks	103.1	4.9	103.0	4.9
9	Balances due from credit institutions and central banks	19,388.5	19,238.2	33,479.9	24,878.8
	Lending:				
	Mortgage loans	333,155.2	317,192.8	319,831.2	311,898.7
	Other loans	922.2	878.0	909.3	872.3
10	Total	334,077.4	318,070.8	320,740.5	312,771.0
11,13	Bonds	32,268.1	35,440.2	30,667.2	33,906.5
12,13	Shares, etc.	1,175.8	912.3	1,175.8	912.3
14	Interests in associated undertakings, etc.	719.8	581.6	719.6	581.4
15	Interests in group undertakings	23.8	21.7	821.9	467.8
16	Intangible assets	53.9	14.6	49.9	10.9
17	Tangible assets	805.4	879.7	781.9	859.7
18	Other assets	1,097.4	1,288.8	1,041.2	1,258.1
	Prepayments and accrued income	39.7	47.7	35.9	46.7
	Total assets	389,752.9	376,500.5	389,616.8	375,698.1
	Liabilities				
19	Balances due to credit institutions and central banks	1,668.1	6,548.3	1,545.1	6,499.0
20	Deposits	25.3	-	25.3	-
21	Issued bonds	359,657.1	338,890.2	359,657.1	338,890.2
22	Other liabilities	8,080.4	10,726.6	8,073.8	10,714.5
	Accruals and deferred income	6.5	11.6	-	5.9
23	Provisions for liabilities and charges	1,096.1	1,279.5	1,096.1	1,279.3
24	Subordinated loan capital	3,000.0	3,367.5	3,000.0	3,000.0
	Minority interests	-	367.6	-	-
	Shareholders' equity:				
	Share capital	500.0	500.0	500.0	500.0
	Reserves:				
	Reserves in series	3,742.5	4,191.7	3,742.5	4,191.7
	Other reserves	11,976.9	10,617.5	11,976.9	10,617.5
25	Total shareholders' equity	16,219.4	15,309.2	16,219.4	15,309.2
	Total liabilities	389,752.9	376,500.5	389,616.8	375,698.1
	Off-balance-sheet items				
26	Guarantees, etc.	86.5	82.3	86.5	82.3
27	Other commitments	339.6	481.7	340.7	483.2
	Total off-balance-sheet items	426.1	564.0	427.2	565.5

Notes

at 31 December

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
1.	Interest receivable				
	Balances due from credit institutions and central banks	235.0	430.3	860.1	539.6
	Lending	19,076.3	20,228.0	18,473.5	20,121.0
	Contributions	1,474.2	1,407.7	1,425.0	1,399.6
	Bonds:				
	Own mortgage bonds	644.0	646.1	644.0	633.8
	Other mortgage bonds	453.4	641.9	419.5	632.7
	Government bonds	436.1	339.4	386.3	323.8
	Other bonds	48.6	23.6	48.6	23.6
	Derivatives:				
	Foreign-exchange contracts	(2.6)	(6.7)	(2.6)	(6.7)
	Interest-rate contracts	42.2	49.8	42.2	49.8
	Other interest receivable	166.7	181.1	166.5	181.0
	Total	22,573.9	23,941.2	22,463.1	23,898.2
	Of which interest receivable on reverse transactions recorded under:				
	Balances due from credit institutions and central banks	77.3	106.1	77.3	106.1
	Lending	-	-	-	-
2.	Interest payable				
	Credit institutions and central banks	(160.7)	(116.4)	(160.6)	(118.1)
	Deposits	(0.1)	(0.9)	(0.1)	(0.9)
	Issued bonds	(19,280.4)	(20,590.3)	(19,280.4)	(20,590.3)
	Reimbursement of commitment fees, etc.	(72.6)	(107.5)	(72.6)	(107.5)
	Subordinated loan capital	(314.1)	(312.4)	(306.0)	(306.0)
	Other interest payable	(6.7)	(17.8)	(7.5)	(17.9)
	Total	(19,834.6)	(21,145.3)	(19,827.2)	(21,140.7)
	Of which interest payable on repo transactions recorded under:				
	Balances due to credit institutions and central banks	(131.5)	(108.4)	(131.5)	(108.4)
	Deposits	(0.1)	(0.9)	(0.1)	(0.9)
3.	Value adjustments				
	Bonds:				
	Own mortgage bonds	(186.8)	56.3	(186.8)	63.1
	Other mortgage bonds	(161.9)	(123.2)	(155.4)	(126.4)
	Government bonds	(256.1)	117.7	(229.1)	110.7
	Other bonds	(20.1)	(10.7)	(20.1)	(10.7)
	Shares, etc.	186.9	41.2	186.9	41.2
	Fixed-interest loans, etc.	31.0	40.3	31.0	40.3
	Foreign currency	3.0	6.3	2.9	6.3
	Derivatives:				
	Foreign-exchange contracts	-	(6.8)	-	(6.8)
	Interest-rate contracts	31.7	40.9	31.7	40.9
	Share contracts	(0.2)	0.1	(0.2)	0.1
	Total	(372.5)	162.1	(339.1)	158.7

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
4.	Staff costs and administrative expenses				
	Salaries and remuneration to Supervisory Board, Executive Board and Assembly of Representatives:				
	Executive Board	(7.2)	(8.0)	(7.2)	(8.0)
	Supervisory Board	(3.3)	(2.5)	(3.3)	(2.5)
	Assembly of Representatives and local councils	(3.2)	(3.2)	(3.2)	(3.2)
	Total	(13.7)	(13.7)	(13.7)	(13.7)
	Payroll costs:				
	Wages and salaries	(413.5)	(487.1)	(388.1)	(467.9)
	Pensions	(38.9)	(55.4)	(38.2)	(54.8)
	Social security costs	(41.4)	(52.4)	(40.3)	(51.5)
	Total	(493.8)	(594.9)	(466.6)	(574.2)
	Other administrative expenses:				
	Management fee to group undertakings	(377.4)	(2.6)	(376.9)	(2.4)
	Office expenses	(101.0)	(132.5)	(95.2)	(126.8)
	IT operation and development	(22.6)	(101.3)	(13.5)	(93.0)
	Premises, including rent of own premises	(135.1)	(108.9)	(115.5)	(90.5)
	Repair and maintenance	(2.3)	(5.4)	(2.1)	(5.1)
	Insurance and fees	(37.7)	(91.6)	(34.6)	(87.4)
	Training and advertising	(117.1)	(120.3)	(95.3)	(101.4)
	Other expenses	(4.7)	(6.1)	(6.0)	(6.1)
	Total	(797.9)	(568.7)	(739.1)	(512.7)
	Total	(1,305.4)	(1,177.3)	(1,219.4)	(1,100.6)
	Average number of employees (full-time equivalents):				
	In undertakings included in the consolidation	1,089	1,396	1,030	1,345
	In subsidiary undertakings not included in the consolidation	1	1	1	1
	Total fees to the auditors appointed by the Annual General Meeting to perform the statutory audit	(4.0)	(5.3)	(3.5)	(5.0)
	Of which non-audit services	(0.7)	(2.6)	(0.7)	(2.6)
5.	Provisions for bad and doubtful debts				
	Losses with prior provisions	(159.5)	(133.3)	(158.7)	(129.2)
	Losses without prior provisions	(20.4)	(20.4)	(20.4)	(20.4)
	Recoveries of debts written off in previous years	149.2	67.0	149.2	67.0
	Movements in provisions:				
	Provisions at beginning of year	788.3	973.9	786.6	968.9
	Provisions at end of year	(679.1)	(788.3)	(677.3)	(786.6)
	Total	78.5	98.9	79.4	99.7
	Accumulated provisions				
	Provisions for loans and guarantees as a percentage of loans and guarantees at year-end	0.20%	0.25%	0.20%	0.25%

Notes

at 31 December

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
6.	Income from associated and group undertakings				
	Income from associated undertakings, etc.	146.4	13.6	146.4	13.7
	Income from group undertakings	2.1	3.0	(4.0)	7.1
	Total	148.5	16.6	142.4	20.8
7.	Tax				
	Estimated tax on the year's profit	(439.3)	(676.0)	(440.0)	(675.0)
	Deferred tax	0.2	(0.2)	-	-
	Adjustment of tax estimated in prior years	12.3	14.3	12.3	14.3
	Total	(426.8)	(661.9)	(427.7)	(660.7)
8.	Income distributed by country				
	Total interest income, dividends on shares, fees and commission income, value adjustments and other operating income distributed geographically:				
	Denmark	22,675.3	24,565.4	22,524.8	24,444.6
	Other countries	17.9	30.5	17.9	30.5
	Total	22,693.2	24,595.9	22,542.7	24,475.1
9.	Balances due from credit institutions and central banks				
	Balances at notice with central banks	9,865.9	-	9,865.9	-
	Balances with credit institutions	9,522.6	19,238.2	23,614.0	24,878.8
	Total	19,388.5	19,238.2	33,479.9	24,878.8
	Of which:				
	Reverse transactions	2,084.6	1,916.6	2,084.6	1,916.6
	Separate outstanding amounts to be used for drawing of bonds for redemption at par	844.3	7,315.6	844.3	7,315.6
	Funding of BG Kredit A/S	-	-	13,324.1	5,294.1
	Subordinated balances due from group undertakings	-	-	750.0	382.5
	Breakdown by term to maturity:				
	At call	6,201.2	6,716.7	6,218.5	6,680.7
	3 months inclusive	13,102.3	12,111.5	13,151.9	12,120.2
	3 months through 1 year	85.0	410.0	1,273.5	478.5
	1 year through 5 years	-	-	1,189.4	766.4
	Over 5 years	-	-	11,646.6	4,833.0
	Total	19,388.5	19,238.2	33,479.9	24,878.8

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
10.	Lending				
	Mortgage loans	333,155.2	317,192.8	319,831.2	311,898.7
	Outstanding amounts on non-foreclosures	422.9	496.3	418.9	491.2
	Other loans	499.3	381.7	490.4	381.1
	Total	334,077.4	318,070.8	320,740.5	312,771.0
	Of which reverse transactions	-	-	-	-
	Breakdown by term to maturity:				
	At call	583.0	496.2	570.7	491.2
	3 months inclusive	2,007.8	3,600.4	1,958.2	3,591.7
	3 months through 1 year	36,934.8	24,801.8	35,746.3	24,733.3
	1 year through 5 years	56,920.0	51,439.6	55,730.0	51,055.1
	Over 5 years	237,631.8	237,732.8	226,735.3	232,899.7
	Total	334,077.4	318,070.8	320,740.5	312,771.0
	Loans, etc. to Directors				
	Size of loans, mortgages, sureties or guarantees provided to members of:				
	Executive Board	4.6	3.8	4.6	3.8
	Supervisory Board	23.0	19.3	23.0	19.3
	Mortgage loans				
	Balance at beginning of year	317,491.2	304,071.5	312,197.1	303,980.8
	New loans	88,839.5	89,746.0	79,518.0	84,502.8
	Index adjustment	708.1	1,166.0	708.1	1,166.0
	Exchange-rate adjustment	21.6	(9.0)	21.5	(9.0)
	Ordinary repayments	(11,985.4)	(11,876.7)	(11,818.9)	(11,853.1)
	Redemptions and extraordinary repayments	(61,595.9)	(65,606.6)	(60,470.7)	(65,590.4)
	Balance at end of year ¹⁾	333,479.1	317,491.2	320,155.1	312,197.1
	Loans transferred to foreclosed properties	(7.8)	(17.1)	(7.8)	(17.1)
	Write-offs of loans	(493.6)	(501.6)	(493.6)	(501.6)
	Loans taken over by the Danish Financial Administration Agency	177.5	220.3	177.5	220.3
	Total	333,155.2	317,192.8	319,831.2	311,898.7
	1) Of which amortisation accounts for cash loans	18,328.4	20,553.3	18,315.1	20,549.6
	Total sum of mortgage deed principals	362,257.6	341,409.2	348,767.7	336,095.1
	Number of loans	618,885	654,495	598,805	646,425
	Apart from mortgages on properties, the company's loans are backed by government, municipal and insurance guarantees of	18,216.3	17,575.2	18,216.3	17,575.2
	Furthermore, bank pass books, bonds and guarantees have been lodged as supplementary security in the amount of	13,960.8	14,674.7	11,844.8	11,800.8
	In addition, a number of indemnities not specifying amounts have been lodged.				
	Outstanding amounts on non-foreclosures				
	Arrears	454.4	498.1	450.4	493.0
	Outlays	128.0	208.2	128.0	208.2
	Write-offs of loans	(159.5)	(210.0)	(159.5)	(210.0)
	Total	422.9	496.3	418.9	491.2
	Receivables in arrears at mid-January	96.2	106.8	95.0	104.6

Notes

at 31 December

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
11.	Bonds				
	Own mortgage bonds	20,840.9	14,584.0	20,840.9	14,584.0
	Other mortgage bonds	6,202.6	9,570.3	5,658.2	9,120.9
	Government bonds	4,522.2	11,075.6	3,465.7	9,991.3
	Other bonds	702.4	210.3	702.4	210.3
	Total	32,268.1	35,440.2	30,667.2	33,906.5
	Of which:				
	Drawn bonds	9,195.5	5,125.9	9,088.0	5,095.8
	Separated domestic bonds to be used for drawing bonds for redemption at par	1,860.8	471.4	1,860.8	471.4
	Subordinated balances	335.4	11.4	335.4	11.4
	Security has been provided to Danmarks Nationalbank in the form of bonds with a book value of	9,689.2	3,664.2	9,689.2	3,664.2
	Bonds sold in connection with repo transactions	1,512.9	6,500.0	1,512.9	6,500.0
	Unsettled reverse transactions	-	539.0	-	539.0
	Unsettled repo transactions	23.3	652.2	23.3	652.2
12.	Shares, etc.				
	Listed on the Copenhagen Stock Exchange	1,131.7	867.7	1,131.7	867.7
	Other shares, etc.	44.1	44.6	44.1	44.6
	Total	1,175.8	912.3	1,175.8	912.3
13.	Current asset investments				
	Current asset investments valued at market value	33,439.1	36,348.0	31,838.2	34,814.3
	Difference between the purchase price of current asset investments valued at market value and the higher market value at the valuation date	348.1	718.8	343.2	709.3
	Current asset investments not valued at market value	4.8	4.5	4.8	4.5
	Difference between the purchase price of current asset investments not valued at market value and the higher market value at the valuation date	8.1	5.8	8.1	5.8

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
14.	Interests in associated undertakings, etc.				
	Credit institutions	-	-	-	-
	Other undertakings	719.8	581.6	719.6	581.4
	Total	719.8	581.6	719.6	581.4
	Cost at beginning of year	655.4	123.7	655.1	123.7
	Additions	17.6	534.0	17.6	533.7
	Disposals	-	(2.3)	-	(2.3)
	Cost at end of year	673.0	655.4	672.7	655.1
	Revaluation and write-downs at beginning of year	(73.8)	(88.6)	(73.7)	(88.6)
	Profit/loss	146.4	13.6	146.4	13.7
	Dividends	(25.8)	-	(25.8)	-
	Reversed revaluation and write-downs	-	1.2	-	1.2
	Revaluation and write-downs at end of year	46.8	(73.8)	46.9	(73.7)
	Book value at end of year	719.8	581.6	719.6	581.4
15.	Interests in group undertakings				
	Credit institutions	-	-	745.3	382.6
	Other undertakings	23.8	21.7	76.6	85.2
	Total	23.8	21.7	821.9	467.8
	Cost at beginning of year	28.7	30.7	624.9	419.9
	Additions	-	0.3	370.4	382.5
	Disposals	-	(2.3)	-	(177.5)
	Cost at end of year	28.7	28.7	995.3	624.9
	Revaluation and write-downs at beginning of year	(7.0)	(8.0)	(157.1)	(154.7)
	Profit/loss	2.1	3.0	(4.0)	7.1
	Difference in value on acquisition	-	1.7	-	-
	Other movements in capital	-	-	(11.0)	-
	Reversed revaluation and write-downs	-	(3.7)	(1.3)	(9.5)
	Revaluation and write-downs at end of year	(4.9)	(7.0)	(173.4)	(157.1)
	Book value at end of year	23.8	21.7	821.9	467.8

Notes

at 31 December

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
16.	Intangible assets				
	Intangible assets solely comprise leasehold improvements.				
	Cost at beginning of year	54.0	42.1	19.7	9.0
	Additions	54.3	14.6	52.3	13.2
	Disposals	(0.8)	(2.7)	(0.2)	(2.5)
	Cost at end of year	107.5	54.0	71.8	19.7
	Amortisation and write-downs at beginning of year	(39.4)	(37.6)	(8.8)	(8.3)
	Amortisation for the year	(15.0)	(4.4)	(13.3)	(2.9)
	Reversed amortisation and write-downs	0.8	2.6	0.2	2.4
	Amortisation and write-downs at end of year	(53.6)	(39.4)	(21.9)	(8.8)
	Book value at end of year	53.9	14.6	49.9	10.9
	Other intangible assets charged to the profit and loss account	-	(7.8)	-	(7.8)
17.	Tangible assets				
	Own properties	710.4	705.1	710.4	705.1
	Foreclosed properties	13.4	36.6	13.4	36.6
	Machinery and equipment	81.6	138.0	58.1	118.0
	Total	805.4	879.7	781.9	859.7
	Own properties				
	Cost at beginning of year	973.0	869.7	973.0	869.7
	Additions	24.4	103.3	24.4	103.3
	Disposals	(5.8)	-	(5.8)	-
	Cost at end of year	991.6	973.0	991.6	973.0
	Depreciation and write-downs at beginning of year	(267.9)	(209.0)	(267.9)	(209.0)
	Depreciation for the year	(3.7)	(1.6)	(3.7)	(1.6)
	Write-downs for the year	(9.7)	(57.3)	(9.7)	(57.3)
	Reversed depreciation and write-downs	0.1	-	0.1	-
	Depreciation and write-downs at end of year	(281.2)	(267.9)	(281.2)	(267.9)
	Book value at end of year	710.4	705.1	710.4	705.1
	Most recent public property assessment	479.1	491.0	479.1	491.0
	Machinery and equipment				
	Cost at beginning of year	391.4	368.9	322.2	305.2
	Additions	29.1	93.7	12.9	81.0
	Disposals	(255.5)	(71.2)	(247.7)	(64.0)
	Cost at end of year	165.0	391.4	87.4	322.2
	Depreciation and write-downs at beginning of year	(253.4)	(240.1)	(204.2)	(196.3)
	Depreciation for the year	(21.0)	(80.0)	(8.8)	(68.2)
	Reversed depreciation and write-downs	191.0	66.7	183.7	60.3
	Depreciation and write-downs at end of year	(83.4)	(253.4)	(29.3)	(204.2)
	Book value at end of year	81.6	138.0	58.1	118.0
	Machinery and equipment charged to the profit and loss account in the year of acquisition	(5.6)	(5.8)	(5.6)	(5.4)

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
		1999	1998	1999	1998
18.	Other assets				
	Interest, etc. receivable on mortgage lending	66.9	81.9	66.3	81.6
	Other interest receivable	665.2	825.7	630.7	810.5
	Positive market value of financial instruments	13.7	6.4	13.7	6.4
	Tax recoverable	68.1	-	68.1	-
	Other debtors, etc.	283.5	374.8	262.4	359.6
	Total	1,097.4	1,288.8	1,041.2	1,258.1
19.	Balances due to credit institutions and central banks				
	Balances due to credit institutions	1,668.1	6,548.3	1,545.1	6,499.0
	Total	1,668.1	6,548.3	1,545.1	6,499.0
	Of which repo transactions	1,497.1	6,499.0	1,497.1	6,499.0
	Breakdown by term to maturity:				
	At call	171.0	49.3	48.0	-
	3 months inclusive	1,497.1	6,499.0	1,497.1	6,499.0
	Total	1,668.1	6,548.3	1,545.1	6,499.0
20.	Deposits				
	Of which repo transactions	25.3	-	25.3	-
	Breakdown by term to maturity:				
	Deposits at notice:				
	3 months inclusive	25.3	-	25.3	-
	Total	25.3	-	25.3	-
21.	Issued bonds				
	This item solely comprises issued mortgage bonds.				
	Balance at beginning of year	338,890.2	321,856.1	338,890.2	321,856.1
	Additions	112,667.2	103,070.6	112,667.2	103,070.6
	Index adjustment	709.5	1,169.3	709.5	1,169.3
	Exchange-rate adjustment	5.7	(0.3)	5.7	(0.3)
	Drawings and prepayments	(68,003.9)	(78,568.1)	(68,003.9)	(78,568.1)
	Redemptions and extraordinary repayments	(24,611.6)	(8,637.4)	(24,611.6)	(8,637.4)
	Balance at end of year	359,657.1	338,890.2	359,657.1	338,890.2
	Of which pre-issued	17,841.4	5,260.4	17,841.4	5,260.4
	Drawn on 3 January 2000	24,121.8	24,676.3	24,121.8	24,676.3
	Of which to be re-funded	(16,778.9)	(11,244.1)	(16,778.9)	(11,244.1)
	Net drawing	7,342.9	13,432.2	7,342.9	13,432.2
	Breakdown by term to maturity:				
	3 months inclusive	24,121.8	24,683.3	24,121.8	24,683.3
	3 months through 1 year	9,103.0	13,416.7	9,103.0	13,416.7
	1 year through 5 years	84,258.2	55,953.7	84,258.2	55,953.7
	Over 5 years	242,174.1	244,836.5	242,174.1	244,836.5
	Total	359,657.1	338,890.2	359,657.1	338,890.2

Notes

at 31 December

Note	Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S		
		1999	1998	1999	1998	
22.	Other liabilities					
	Interest payable on issued mortgage bonds	6,349.3	6,276.1	6,349.3	6,276.1	
	Other interest payable	234.7	408.6	234.7	408.6	
	Negative market value of financial instruments	47.2	24.6	47.2	24.6	
	Repurchase obligation on reverse transactions	788.3	877.2	788.3	877.2	
	Tax payable	-	73.0	-	73.0	
	Dividends payable	250.0	2,500.0	250.0	2,500.0	
	Other creditors	410.9	567.1	404.3	555.0	
	Total	8,080.4	10,726.6	8,073.8	10,714.5	
	The Realkredit Danmark Group has a deferred tax asset of approximately DKK 200 million. The amount has not been included in the balance sheet.					
23.	Provisions for liabilities and charges					
	Pensions and similar commitments	11.3	7.9	11.3	7.9	
	Deferred tax	-	0.2	-	-	
	Reserves in early series subject to a reimbursement obligation	1,084.8	1,271.4	1,084.8	1,271.4	
	Total	1,096.1	1,279.5	1,096.1	1,279.3	
24.	Subordinated loan capital					
	Realkredit Danmark A/S has raised subordinated loan capital in the amount of DKK 3,000 million. The loan is a bullet loan maturing on 15 April 2004 at par. However, the company can redeem the loan prematurely as from 15 April 2001. Until then, the loan is subject to interest at 10.2 per cent payable annually.					
	The loan capital is included in the capital base in the amount of DKK 3,000 million.					
25.	Shareholders' equity					
	Realkredit Danmark A/S' share capital of DKK 500 million comprises 5,000,000 shares of DKK 100 each and is wholly owned by Kapital Holding A/S. Movements in shareholders' equity:					
		Share capital	Reserves in series	Other reserves	Total	Total
					1999	1998
	Balance at beginning of year	500.0	4,191.7	10,617.5	15,309.2	16,317.1
	Goodwill	-	-	(11.0)	(11.0)	-
	Transferred to distribution of profit	-	-	-	-	(1,375.9)
	Allocated as per distribution of profit	-	254.6	666.6	921.2	368.0
	Transferred from series with surplus coverage	-	(721.8)	721.8	-	-
	Transferred to series with insufficient coverage	-	18.0	(18.0)	-	-
	Balance at end of year	500.0	3,742.5	11,976.9	16,219.4	15,309.2
26.	Guarantees, etc.					
	Other guarantees		86.5	82.3	86.5	82.3
	Total		86.5	82.3	86.5	82.3
27.	Other commitments					
	Other commitments		339.6	481.7	340.7	483.2
	Total		339.6	481.7	340.7	483.2

Together with the other undertakings in the Danish tax pool, the company is jointly and severally liable for the tax liability under the pooled taxation arrangement.

Realkredit Danmark A/S guarantees pension fund commitments of Kreditforeningen Danmarks Pensionsafviklingskasse.

Note
28.

Amounts in DKK million	Realkredit Danmark Group		Realkredit Danmark A/S	
	Nominal value	Net market value	Nominal value	Net market value
Derivatives				
Term to maturity 3 months inclusive				
Foreign-exchange contracts				
Forward/futures bought	6.3	-	6.3	-
Forward/futures sold	139.6	(4.7)	139.6	(4.7)
Interest-rate contracts				
Forward/futures bought	18,419.7	(19.4)	18,419.7	(19.4)
Forward/futures sold	4,980.9	1.9	4,980.9	1.9
Forward rate agreements bought	1,500.0	2.2	1,500.0	2.2
Forward rate agreements sold	3,900.0	(2.3)	3,900.0	(2.3)
Term to maturity 3 months through 1 year				
Interest-rate contracts				
Forward/futures bought	106.4	0.3	106.4	0.3
Forward/futures sold	19.6	-	19.6	-
Forward rate agreements bought	1,200.0	0.5	1,200.0	0.5
Forward rate agreements sold	8,000.0	(12.4)	8,000.0	(12.4)
Total				
Foreign-exchange contracts				
Forward/futures bought	6.3	-	6.3	-
Forward/futures sold	139.6	(4.7)	139.6	(4.7)
Interest-rate contracts				
Forward/futures bought	18,526.1	(19.1)	18,526.1	(19.1)
Forward/futures sold	5,000.5	1.9	5,000.5	1.9
Forward rate agreements bought	2,700.0	2.7	2,700.0	2.7
Forward rate agreements sold	11,900.0	(14.7)	11,900.0	(14.7)
Total		(33.9)		(33.9)

Notes

at 31 December

Note

28.

Derivatives

(continued)

Market value

Foreign-exchange contracts

Forward/futures bought

Forward/futures sold

Interest-rate contracts

Forward/futures bought

Forward/futures sold

Forward rate agreements bought

Forward rate agreements sold

Market value of non-guaranteed contracts

Foreign-exchange contracts

Forward/futures bought

Forward/futures sold

Interest-rate contracts

Forward/futures bought

Forward/futures sold

Forward rate agreements bought

Forward rate agreements sold

Total

Total after netting

Unsettled spot transactions

Realkredit Danmark Group

Interest-rate transactions bought

Interest-rate transactions sold

Total

Realkredit Danmark A/S

Interest-rate transactions bought

Interest-rate transactions sold

Total

	Realkredit Danmark Group		Realkredit Danmark A/S	
	Positive market value	Negative market value	Positive market value	Negative market value
Beløb i mio. kr.				
Forward/futures bought	-	-	-	-
Forward/futures sold	-	(4.7)	-	(4.7)
Forward/futures bought	4.8	(23.9)	4.8	(23.9)
Forward/futures sold	3.3	(1.4)	3.3	(1.4)
Forward rate agreements bought	3.3	(0.6)	3.3	(0.6)
Forward rate agreements sold	1.6	(16.3)	1.6	(16.3)
Total	13.0	(46.9)	13.0	(46.9)
Total after netting		(33.9)		(33.9)
Unsettled spot transactions	Nominal value	Positive market value	Negative market value	Net market value
Interest-rate transactions bought	565.3	0.3	(0.2)	0.1
Interest-rate transactions sold	736.7	0.4	(0.1)	0.3
Total	1,302.0	0.7	(0.3)	0.4
Interest-rate transactions bought	565.3	0.3	(0.2)	0.1
Interest-rate transactions sold	736.7	0.4	(0.1)	0.3
Total	1,302.0	0.7	(0.3)	0.4

Note

29. **Intercompany transactions**

Realkredit Danmark A/S transferred various business activities to its sister company Kapital Service A/S in 1999. A long-term management agreement was signed in this connection. These transactions did not materially affect Realkredit Danmark's result for 1999.

Furthermore, in 1999 Realkredit Danmark A/S had the following intercompany transactions of major significance with undertakings directly or indirectly affiliated with the institution:

The company received interest from BG Kredit A/S on funding of mortgage lending and subordinated loan capital, etc.. In addition, BG Kredit A/S paid fees, etc. for referral of loans as well as management fees.

Realkredit Danmark A/S received and paid interest and fees on accounts with BG Bank A/S and Kapital Holding A/S. Commission was paid to home a/s.

Finally, the company received interest on mortgage loans from DADES A/S, Ejendomsinteressentskabet Tuborg Nord B, Danmarks Transport Center A/S and Skævinge Boligselskab A/S.

30. **Accounts with group undertakings and associated undertakings**

Realkredit Danmark A/S has the following accounts with group undertakings and associated undertakings:

Balances due from credit institutions

Lending

Bonds

Other assets

Total

Balances due to credit institutions

Deposits

Issued bonds

Other liabilities

Total

	Group undertakings		Associated undertakings	
	31/12 1999	31/12 1998	31/12 1999	31/12 1998
Balances due from credit institutions	21,265.1	11,699.1	-	-
Lending	10.5	41.7	1,162.7	796.4
Bonds	-	-	-	-
Other assets	49.7	102.5	-	-
Total	21,325.3	11,843.3	1,162.7	796.4
Balances due to credit institutions	27.4	4,465.8	-	-
Deposits	-	-	-	-
Issued bonds	10,412.9	12,062.4	-	-
Other liabilities	36.9	60.1	-	-
Total	10,477.2	16,588.3	-	-

Undertakings in the Group

Amounts in DKK million	Interest	Company capital	Shareholders' equity	Profit/(loss)	Group receivable	Group payable
Consolidated subsidiary undertakings:						
BG Kredit A/S, Hvidovre	100%	600.0	745.3	(4.9)		
home a/s, Århus	100%	10.0	49.6	1.5		
Mægler-service Danmark A/S, Copenhagen	100%	1.0	3.1	0.1		
Non-consolidated subsidiary undertakings						
Undertakings with no business activities:						
A/S RD nr. 3067, Copenhagen	100%	0.5	2.3	-	-	2.3
A/S RD nr. 3066, Copenhagen	100%	0.5	1.2	-	-	1.2
ApS RD nr. 3065, Copenhagen	100%	0.2	11.2	0.2	-	11.2
Undertakings acquired as a provision to contain losses, total book value DKK 9.1million:						
Ejendomsselskabet af 6/5 1991 ApS, Århus	100%	0.2	0.5	0.1	-	0.5
Omegadane SARL, Paris	100%	0.1	(0.6)	0.2	10.0	-
Skævinge Boligselskab A/S, Copenhagen	100%	7.0	8.6	1.7	0.6	-
Associated undertakings:						
DADES A/S, Lyngby-Taarbæk	11%	400.0	1,385.6	129.4		
Danmarks Transport Center A/S, Vejle	20%	200.0	114.3	4.3		
Ejendomsinteressentskabet Tuborg Nord B, Gentofte	20%	-	260.4	25.2		
Hercules Estates A/S, Copenhagen	25%	200.0	76.0	14.8		
Horsens Grundfinansiering A/S, Horsens	12%	8.2	10.1	0.6		
Idéudviklingselskabet A/S Baneby, Copenhagen	27%	0.7	1.8	(0.1)		
Realkreditnettet A/S, Copenhagen	25%	10.0	39.1	(10.9)		
Thomas B. Thrigesgade Odense ApS, Odense	20%	0.3	0.4	-		
The total amount receivable by the group from associated undertakings is DKK 1,162.7 million.						
No amount is payable by the group to associated undertakings.						
Other significant interests:						
Investeringsforeningen Gudme Raaschou, Copenhagen	52%	170.0	216.7	52.8		
Investeringsforeningen Schroder, Copenhagen	69%	160.7	325.0	88.5		
Undertakings in which the Group holds 10 per cent or more of the capital:						
Ejendomsaktieselskabet Springbanen, Copenhagen	18%	40.0	23.3	4.8		
Håndværkets Byfornyelsesselskab Smba, Copenhagen	18%	13.5	11.7	(1.9)		

Cash Flow Statement

at 31 December

Amounts in DKK million	Realkredit Danmark Group	
	1999	1998
Cash flow, operating activities:		
Profit before tax	1,600.8	2,154.1
Adjustment for non-cash operating items:		
Market value adjustment of securities	242.0	(243.2)
Depreciation and write-downs, etc.	49.4	144.0
Decrease in provisions for bad and doubtful debts	(109.2)	(185.6)
Tax paid	(568.0)	(686.3)
(Increase)/decrease in outstanding amounts, etc.	413.8	(122.9)
(Decrease)/increase in amounts owed, etc.	(3,171.3)	145.1
Total	(1,542.5)	1,205.2
Cash flow, investing activities:		
(Purchase)/sale of securities	2,526.2	(9,201.9)
Change in repo and reverse transactions	(5,233.5)	4,601.5
(Increase)/decrease in other loans	(75.4)	376.1
Net investment in other fixed assets	(48.6)	(207.7)
Total	(2,831.3)	(4,432.0)
(Increase)/decrease in mortgage lending	(15,945.1)	(13,403.5)
Increase/(decrease) in funding	20,399.4	17,401.6
Movement in cash and cash equivalents	80.5	771.3
Cash and cash equivalents at 1 January	17,326.5	16,555.2
Cash and cash equivalents at 31 December	17,407.0	17,326.5
Cash and cash equivalents at 31 December comprise:		
Cash at bank and in hand, etc.	103.1	4.9
Balances due from credit institutions and central banks, see note 9	19,388.5	19,238.2
Of which reverse transactions, see note 9	(2,084.6)	(1,916.6)
Total	17,407.0	17,326.5

Series Accounts 1999

Pursuant to the Order on the Presentation of Series Accounts by Mortgage Credit Institutions, Realkredit Danmark A/S's accounts are specified for the individual underlying mortgage credit associations as follows:

Amounts in DKK million	Jysk Grundejer- Kredit- forening	Ny jydsk Kjøbstad- Credit- forening	Ny Jysk Grundejer- Kredit- forening	Østifternes Kredit- forening	Grund- ejernes Hypotek- forening	Husmands- hypotek- foreningen for Danmark
Profit and loss account						
Income from lending	4.9	4.2	0.5	10.8	1.4	0.1
Interest on subordinated loan capital	-	-	-	-	-	-
Net interest, etc.	14.5	15.0	9.3	43.1	6.9	-
Administrative expenses, etc.	(19.5)	(22.8)	(2.0)	(70.3)	(2.4)	(2.8)
Provisions for bad and doubtful debts	-	-	2.2	0.8	-	-
Tax	-	1.2	(3.2)	5.0	(1.9)	0.9
Net profit	(0.1)	(2.4)	6.8	(10.6)	4.0	(1.8)
Balance sheet – assets						
Mortgage loans, etc.	1,706.7	1,463.8	54.3	4,093.6	189.9	7.2
Other assets	350.8	336.8	172.3	1,045.2	120.1	1.6
Total assets	2,057.5	1,800.6	226.6	5,138.8	310.0	8.8
Balance sheet – liabilities						
Issued bonds	1,823.8	1,555.0	70.9	4,473.1	203.3	8.5
Other liabilities	14.9	13.1	1.7	37.2	2.2	0.1
Dividends payable	-	-	-	-	-	-
Subordinated loan capital	-	-	-	-	-	-
Equity capital	218.8	232.5	154.0	628.5	104.5	0.2
Total liabilities	2,057.5	1,800.6	226.6	5,138.8	310.0	8.8

Note

1. **Distribution policies**

Pursuant to section 3(1) and (2) of the Order on the Presentation of Series Accounts by Mortgage Credit Institutions, a share of net interest, etc. equivalent to the ratio of the series reserve fund to the other series reserve funds has been allocated to each series.

Pursuant to section 3(3) of the Order on the Presentation of Series Accounts by Mortgage Credit Institutions, the Danish Financial Supervisory Authority has approved that administrative expenses, etc. are allocated to individual associations using a distribution scale by which the number of loans in the association is weighted at 3, and the principal of the loans is weighted at 1. The same distribution scale has been applied for additional allocations to the individual series/series reserve funds. However, allocation to series in pre-1972 associations is made in accordance with the by-laws, etc. of these associations.

Provins- hypotek- foreningen for Danmark	Østifternes Land- Hypotek- forening	Series not subject to a reimbursement obligation	Other reserves	Total	Note
0.6	0.1	544.5	913.0	1,480.1	
-	-	(138.2)	(167.8)	(306.0)	
1.7	0.2	360.0	885.4	1,336.1	1
(4.2)	(1.0)	(477.2)	(423.1)	(1,025.3)	1
-	-	218.2	(141.8)	79.4	
0.6	0.2	(162.3)	(268.2)	(427.7)	
(1.3)	(0.5)	345.0	797.5	1,136.6	2
101.5	2.3	131,931.0	194,085.5	333,635.8	
38.7	2.3	12,828.4	41,084.8	55,981.0	
140.2	4.6	144,759.4	235,170.3	389,616.8	
114.0	2.7	139,056.8	218,897.5	366,205.6	
1.1	-	1,081.4	1,705.3	2,857.0	
-	-	-	250.0	250.0	
-	-	1,159.4	1,840.6	3,000.0	
25.1	1.9	3,461.8	12,476.9	17,304.2	3
140.2	4.6	144,759.4	235,170.3	389,616.8	

Amounts in DKK million

1999

2.	Profits in series accounts	
	The profits of the series accounts can be reconciled to the annual accounts of Realkredit Danmark A/S as follows:	
	Net profit as per the annual accounts	1.171,2
	Goodwill written off against equity is posted in the year of acquisition	(11,0)
	Shares transferred to other reserves, etc.	(23,6)
	Profits in series accounts	1.136,6
3.	Equity capital in series accounts	
	The equity capital of the series accounts can be reconciled to the annual accounts of Realkredit Danmark A/S as follows:	
	Equity capital as per the annual accounts	16.219,4
	Reserves subject to a reimbursement obligation in pre-1972 series	1.084,8
	Equity capital in series accounts	17.304,2

Signatures and Auditor's Report

Executive Board

Copenhagen, 29 February 2000

Kjeld Jørgensen

Chairman of the Executive Board
and Chief Executive Officer

Sven Holm

Vice-chairman of the Executive Board
and Deputy Chief Executive Officer

Bent Fjord

Member of the Executive Board

/Lars Damgaard Sørensen

Director

Supervisory Board

Copenhagen, 29 February 2000

Jørgen Nue Møller

Chairman

Poul Christiansen

Vice-chairman

Morten Balling

Niels Busk

Bo Klein Christensen

Bent Flyvholm

Carl Emil Heidemann

André Lublin

Jørgen Lund

Bent Maribo

Jørgen Mejlgård

Klaus Modberg

Peder J. Pedersen

Majken Schultz

Per Alling Toubro

Hans-Erik Voldstedlund

Internal Auditor's Report

We have audited the financial statements of the Realkredit Danmark Group and Realkredit Danmark A/S for the year 1999 presented by the Supervisory Board and the Executive Board.

Basis of opinion

Our audit was made on the basis of the Order on Audits of Financial Undertakings and Financial Groups issued by the Financial Supervisory Authority and in accordance with generally accepted auditing standards. Based on an evaluation of materiality and risk, we have, in our audit, reviewed the business procedures and tested the basis of amounts and other disclosures in the accounts.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the financial statements have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position and the profit/loss for the year.

Copenhagen, 29 February 2000

Arne Lenstrup

Chief Auditor

Auditors' Report

We have audited the financial statements of the Realkredit Danmark Group and Realkredit Danmark A/S for the year 1999 presented by the Supervisory Board and the Executive Board.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards to obtain reasonable assurance that the financial statements are free of material misstatements. Based on an evaluation of materiality and risk, we have, during the audit, tested the basis and documentation for the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting policies chosen by management and the estimates made. In addition, we have evaluated the overall adequacy of the presentation in the financial statements.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the financial statements have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position and the profit/loss for the year.

Copenhagen, 29 February 2000

KPMG C.Jespersen Deloitte & Touche
Statsautoriseret
Revisionsaktieselskab

Arne Nielsen Leif Andreasen
State Authorised Public State Authorised Public
Accountant Accountant

Jakob Nyborg Henrik Priskorn
State Authorised Public State Authorised Public
Accountant Accountant

Financial Highlights

	Realkredit Danmark A/S					
	1999	1999	1998	1997	1996	1995
Summary in DKK million	euro ¹⁾					
Profit and loss account:						
Net interest income	354	2,636	2,758	2,577	2,526	2,690
Dividends from shares, etc.	2	16	13	8	5	3
Net fees and commissions receivable	35	261	298	270	260	219
Net interest and fee income	391	2,913	3,069	2,855	2,791	2,912
Value adjustments	(46)	(339)	159	539	454	799
Other operating income	9	68	44	33	28	34
Staff costs and administrative expenses	(164)	(1,219)	(1,101)	(879)	(787)	(677)
Amortisation/depreciation and write-down of assets	(5)	(35)	(137)	(52)	(39)	(42)
Other operating expenses, etc.	(1)	(10)	(2)	(169)	(317)	(100)
Provisions for bad and doubtful debts	11	79	100	100	(104)	(394)
Income from associated and group undertakings	19	142	21	10	(1)	6
Profit before tax	215	1,599	2,153	2,437	2,025	2,538
Tax	(58)	(428)	(661)	(711)	(494)	(290)
Net profit	157	1,171	1,492	1,726	1,531	2,248

Balance sheet:

Assets:						
Cash in hand and balances due from credit institutions and central banks	4,512	33,583	24,884	17,506	16,908	23,278
Lending	43,092	320,741	312,771	304,939	294,944	292,504
Bonds and shares, etc.	4,485	33,385	35,768	27,586	21,419	16,729
Other assets	256	1,908	2,275	1,885	1,551	1,925
Total assets	52,345	389,617	375,698	351,916	334,822	334,436
Liabilities:						
Balances due to credit institutions and central banks	208	1,545	6,499	1,227	622	2,788
Deposits	3	25	0	0	0	0
Issued bonds	48,320	359,657	338,890	321,856	307,516	305,194
Other liabilities	1,232	9,171	12,000	9,516	9,093	10,394
Subordinated loan capital	403	3,000	3,000	3,000	3,000	3,000
Shareholders' equity	2,179	16,219	15,309	16,317	14,591	13,060
Total liabilities	52,345	389,617	375,698	351,916	334,822	334,436

The key ratios system of the Danish Financial Supervisory Authority

Solvency ratio		11.2	11.5	13.3	12.9	12.0
Tier 1 ratio		9.1	9.0	10.0	9.2	8.3
Return on equity before tax (p.c.)		10.1	13.6	15.8	14.7	21.3
Return on equity after tax (p.c.)		7.4	9.4	11.2	11.1	18.8
Income/cost ratio		2.35	2.89	3.43	2.61	3.09
Foreign-exchange position (p.c.)		0.5	0.1	1.3	1.5	-
Accumulated provisioning ratio		0.2	0.3	0.3	0.5	0.7
Provisions for bad and doubtful debts/ lending, guarantees and accumulated provisions		0.0	0.0	0.0	0.0	0.1
Annual growth in lending (p.c.)		2.5	2.6	3.4	0.8	(0.3)
Gearing of lending		19.7	20.4	18.7	20.2	22.4

NOTE 1) Exchange rate for DKK/EUR 7.4432.

Election and Democratic Structure in RD

Supervisory Board of Foreningen RealDanmark

General Meeting



The Annual General Meeting elects 6 members to the Supervisory Board.

Assembly of Representative



Four regional election meetings elect 144 borrowers to an Assembly of Representatives, which elects 4 members to the Supervisory Board.

Staff



The staff elect five members to the Supervisory Board.

In Realkredit Danmark, the borrowers have a controlling influence through Foreningen RealDanmark, the majority shareholder of Kapital Holding A/S.

Foreningen RealDanmark is governed by the General Meeting, an Assembly of Representatives, a Supervisory Board and an Executive Board. The General Meeting is the supreme authority, while the Supervisory Board is in charge of the overall business of the Association.

In accordance with the Articles of Association, the Supervisory Board has 15 members and 11 alternates.

At the Annual General Meeting of the Association, the borrowers elect four members to the Supervisory Board and two alternates, and holders of mortgage bonds elect two members and two alternates. The elected members must represent evenly the counties of the islands and the counties of Jutland in relation to their permanent address. Borrowers and holders of mortgage bonds have only one vote, irrespective of the size of their loans, the number of mortgaged properties owned and the size of their bond holdings.

Each autumn, regional election meetings are held in the four election regions of the Foreningen RealDanmark – Region East, Region Central Jutland, Region North and Region South. At these meetings, the borrowers elect 144 members to the Assembly of Representatives, all of whom must be borrowers.

Persons entitled to attend the general meetings or regional election meetings may vote by proxy. Proxies must be eligible to attend and vote at the meeting.

The Assembly of Representatives elects four

members to the Supervisory Board and two alternates from among its own number. These positions must also be evenly distributed geographically.

In addition to the above, the employees elect five members to the Supervisory Board and five alternates. This brings the total number of members of the Supervisory Board to fifteen, eight of whom are representatives of RD's borrowers.

The election period for the members of the Supervisory Board is three years, while alternates are elected for terms of one year. Employee representatives are elected for terms of four years.

The Supervisory Board of Realkredit Danmark A/S consists of the same persons as those on the Supervisory Board of Foreningen RealDanmark; additionally, the Supervisory Board of Realkredit Danmark A/S has a publicly appointed member.

In Realkredit Danmark A/S, there are, moreover, 24 local councils to provide contact and inspiration to RD's management. Further, there are five committees of specialists within the segments: private residential property, agricultural property, subsidised residential property, skilled trades, industrial and commercial property and urban renewal. The members of the local councils and specialist committees are appointed by the Supervisory Board and the Executive Board, respectively.