

Quarterly report First quarter of 2002

REALKREDIT
Danmark

Realkredit Danmark Group

CORE EARNINGS AND NET PROFIT FOR THE PERIOD				
(DKr m)	1st quarter 2002	1st quarter 2001	Index 02/01	Full year 2001
Contribution income	515	483	107	1,973
Net interest income, exclusive of earnings from investment portfolios	248	311	80	1,342
Fee and commission income, net	59	12	492	132
Trading income	43	47	91	187
Other core income	39	44	89	165
Total core income	904	897	101	3,799
Operating expenses and depreciation	311	309	101	1,315
Core earnings before provisions	593	588	101	2,484
Provisions for bad and doubtful debts	-54	-19	284	-33
Core earnings	647	607	107	2,517
Earnings from investment portfolios	-29	77	-	146
Merger costs	17	58	29	115
Profit on ordinary operations before tax	601	626	96	2,548
Tax	151	158	96	621
Net profit for the period	450	468	96	1,927

BALANCE SHEET

(DKr m)				
Assets				
Due from credit institutions, etc.	37,065	23,621	157	35,786
Lending	453,779	426,782	106	448,547
Bonds and shares, etc.	13,649	18,688	73	106,976
Other assets	2,322	2,463	94	7,334
Total assets	506,815	471,554	107	598,643
Liabilities				
Due to credit institutions, etc.	2,865	1,062	270	22,222
Issued bonds	472,348	437,342	108	536,352
Other liabilities	7,898	8,356	95	16,815
Subordinated debt	-	3,000	-	-
Shareholders' equity	23,704	21,794	109	23,254
Total liabilities	506,815	471,554	107	598,643

RATIOS AND KEY FIGURES

Profit for the period as % of avg. shareholders' equity	7.7	8.7		8.6
Core earnings as % of avg. shareholders' equity	11.0	11.3		11.3
Cost/core income ratio, %	34.4	34.4		34.6
Solvency ratio (excl. net profit for the period)	10.0	10.2		10.1
Core (tier 1) cap. ratio (excl. net profit for the period)	9.9	9.7		9.9
Number of full-time employees at March 31	1,096	1,001		933
Rating of bonds - Moody's	Aaa	Aa1		Aaa

The accounting policies applied are the same as those applied in 2001.

Ratios and key figures are calculated in accordance with the recommendations of the Danish Association of Financial Analysts.

Summary of performance in the first quarter of 2002

The performance of the Realkredit Danmark Group in the first quarter of 2002 may be summed up as follows:

- The Realkredit Danmark Group recorded a profit after tax of DKr450m for the first quarter of 2002 against DKr468m for the first quarter of 2001.
- Core earnings rose by DKr40m to DKr647m.
- Mortgage lending showed continued growth and totalled DKr454bn at March 31, 2002, against DKr448bn at January 1, 2002.
- At March 31, 2002, the solvency ratio was 10.0% against the statutory minimum requirement of 8.0%.

Results

For the first quarter of 2002, core earnings amounted to DKr647m against DKr607m for the same period of 2001.

An increase in contribution income and fee and commission income triggered by the growing loan portfolio had a positive effect on core earnings. Net interest income, exclusive of earnings from investment portfolios, recorded a fall compared with the first quarter of 2001 due to the low level of interest rates in 2002 relative to the year-earlier period.

Operating expenses, including depreciation, totalled DKr311m in the first quarter of 2002 against DKr309m in 2001. For the first quarter of 2002, the cost/core income ratio was 34.4%, which is the same as for the first quarter of 2001. For the full year 2001, the percentage was 34.6.

With effect from January 1, 2002, all of the Danske Bank Group's administrative functions relating to mortgage credit loans were gathered at Realkredit Danmark. In this connection, approximately 200 employees were transferred from Danske Bank to Realkredit Danmark. The costs related to these functions totalled DKr40m in the first quarter of 2002, and resulted in a refund from Danske Bank at the same level. This refund is therefore set off against costs.

Provisions for bad and doubtful debts contributed DKr54m to income in the first quarter of 2002, against DKr19m for the year-earlier period. This item is positive because of the recovery of debts previously written off. Income during 2002 includes, among other things, dividend received from a large bankruptcy estate. The level of provisions remains unchanged as the amount of unpaid claims continues to be very low.

Earnings from investment portfolios, comprising the return on Realkredit Danmark's proprietary investment portfolios after funding and administrative costs (that part of the investment portfolio not relating to lending activities), recorded a loss of DKr29m for the first quarter of 2002 against a profit of DKr77m for the same period of 2001. This year's loss is attributable to capital losses, whereas the first quarter of 2001 recorded a capital gain.

During the first quarter of 2002, merger costs amounted to DKr17m against DKr58m for the first quarter of 2001. This expense item represents severance payments.

Realkredit Danmark is taxed jointly with Danske Bank. On the basis of current joint taxation rules on allocation of the Danish tax payable by the Danske Bank Group, Realkredit Danmark's effective tax rate for 2002 is expected to be about 25%.

Capital and solvency

Movements in capital base and solvency ratio appear in the following table:

CAPITAL BASE AND SOLVENCY RATIO			
(DKr m)	March 31, 2002*	March 31, 2001*	Full year 2001
Core capital, less statutory reductions	23,055	21,164	23,055
Supplementary capital, less statutory reductions	352	1,105	352
Capital base	23,407	22,269	23,407
Total weighted items	232,911	217,329	232,771
Solvency ratio, %	10.0	10.2	10.1
Core (tier 1) capital ratio, %	9.9	9.7	9.9

* Exclusive of net profit for the period

At March 31, 2002, the capital base of the Realkredit Danmark Group stood at DKr23,407m, corresponding to a solvency ratio of 10.0%, thus exceeding the statutory minimum requirement of 8.0% by DKr4,774m.

During the first quarter of 2002, the shareholders' equity increased by DKr450m, equal to the net profit for the period. Following this increase, the shareholders' equity stands at DKr23,704m.

The mortgage credit market

Total gross lending by mortgage credit institutions amounted to DKr78bn in the first quarter of 2002, and the market thus saw a considerable decline of 48% relative to the fourth quarter of 2001. This is because refinancing activities triggered by the drop in interest rates in the autumn of 2001 ceased in the course of January 2002. During the first quarter of 2002, the level of activity in the mortgage credit market was normal.

Interest rates were stable during the first quarter of 2002, with a tendency towards a slight rise. At the end of the quarter, the interest rate on a 30-year fixed-interest loan was 6.6% and the rate on a FlexLån[®] with an annual interest reset was 4.1% against 6.5% and 3.9%, respectively, at the beginning of the year.

FlexLån[®] accounted for 65% of Realkredit Danmark's gross lending during the first quarter of 2002. For the full year 2001, FlexLån[®] accounted for 56% of gross lending.

Competition

Realkredit Danmark's market share has developed positively over the past year. The market share of gross lending grew from 33.5% in the first quarter of 2001 to 35.6% in the first quarter of 2002, and the market share of net new lending climbed from 30.2% to 33.0%. In the calculation of net new lending, repayments with or without refinancing have been subtracted from gross lending. The quarter-by-quarter trend in market share appears in the table below.

Market share, all markets (%)	1st quarter 2002	4th quarter 2001	3rd quarter 2001	2nd quarter 2001	1st quarter 2001
Gross lending	35.6	32.6	33.5	32.9	33.5
Net new lending	33.0	33.2	30.9	31.3	30.2

Realkredit Danmark's loan portfolio is growing and totalled DKr454bn at March 31, 2002, against DKr448bn at January 1, 2002. Of this increase, the private market accounted for 56%, residential rental property for 31%, agriculture for 5% and urban trades for 8%.

In the course of 2002, measures to reduce the number of mortgage credit offices and increase the use of the Contact Centre will be initiated, and mortgage credit offices and banking branches will be located closer to each other. These initiatives are expected to enhance synergy effects, trigger growth in lending and strengthen customer relations.

Outlook

The outlook for 2002 is unchanged relative to the statements made in the Annual Report for 2001.

The rising volume of business will generate higher income in 2002. Earnings on refinancing activities are expected to decline relative to 2001. Costs are estimated to remain unchanged. In the current economic climate, provisions for bad and doubtful debts are expected to remain at a low level.

Against this background, core earnings are expected to be at about the same level as in 2001.

Earnings from investment portfolios will depend largely on the level of securities prices in 2002.

The interim report for 2002 is expected to be published on August 22, 2002.

Copenhagen, May 7, 2002

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Realkredit Danmark Group

CORE EARNINGS AND NET PROFIT FOR THE PERIOD

(DKr m)	1st quarter 2002	4th quarter 2001	3rd quarter 2001	2nd quarter 2001	1st quarter 2001	Full year 2001
Contribution income	515	498	503	489	483	1,973
Net interest income, exclusive of earnings from investment portfolios	248	367	348	316	311	1,342
Fee and commission income, net	59	67	34	19	12	132
Trading income	43	64	45	31	47	187
Other core income	39	53	32	36	44	165
Total core income	904	1,049	962	891	897	3,799
Operating expenses and depreciation	311	346	324	336	309	1,315
Core earnings before provisions	593	703	638	555	588	2,484
Provisions for bad and doubtful debts	-54	2	3	-19	-19	-33
Core earnings	647	701	635	574	607	2,517
Earnings from investment portfolios	-29	21	83	-35	77	146
Merger costs	17	11	17	29	58	115
Profit on ordinary operations before tax	601	711	701	510	626	2,548
Tax	151	165	176	122	158	621
Net profit for the period	450	546	525	388	468	1,927

BALANCE SHEET

(DKr m)

Assets						
Due from credit institutions, etc.	37,065	35,786	33,737	28,686	23,621	35,786
Lending	453,779	448,547	437,726	431,101	426,782	448,547
Bonds and shares, etc.	13,649	106,976	17,857	16,602	18,688	106,976
Other assets	2,322	7,334	3,207	1,737	2,463	7,334
Total assets	506,815	598,643	492,527	478,126	471,554	598,643
Liabilities						
Due to credit institutions, etc.	2,865	22,222	8,555	1,119	1,062	22,222
Issued bonds	472,348	536,352	450,201	444,881	437,342	536,352
Other liabilities	7,898	16,815	11,063	9,941	8,356	16,815
Subordinated debt	-	-	-	-	3,000	-
Shareholders' equity	23,704	23,254	22,708	22,185	21,794	23,254
Total liabilities	506,815	598,643	492,527	478,126	471,554	598,643

Realkredit Danmark Group

MOVEMENTS IN SHAREHOLDERS' EQUITY

(DKr m)	1st quarter 2002	1st quarter 2001	Full year 2001
Shareholders' equity, at January 1	23,254	17,320	17,320
Addition on merger	-	4,009	4,009
Amortisation of intangible assets	-	-3	-2
Net profit for the period	450	468	1,927
Shareholders' equity, at March 31	23,704	21,794	23,254

The share capital comprises 6,250,000 shares of Dkr100 each and is fully owned by Danske Bank A/S.