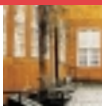


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Management

Board of Directors

Jakob Brogaard
Deputy Chairman of the Executive Board of
Danske Bank A/S, Chairman

Sven Lystbæk
Member of the Executive Committee of
Danske Bank A/S, Deputy Chairman

Morten Balling* *
Professor of Economics

Kent Christoffersen *
Branch Manager

Søren Hermansen *
Sales Manager

Jørgen Lund
Alderman

Bent Maribo
Farmer

Jørgen Mejlgård
General Manager

Jesper Ovesen
Chief Financial Officer and Member of the
Executive Committee of Danske Bank A/S

Klaus Pedersen *
Corporate Adviser

Peder J. Pedersen
Professor, Ph.D., M.A. (Econ)

Jørgen Raaschou *
Credit Analyst

Executive Board

Sven Holm
Chairman of the Executive Board and
Chief Executive Officer

Thomas Mitchell
Member of the Executive Board

* Elected by the employees

** Appointed by the Minister of Economic
Affairs

Realkredit Danmark

Realkredit Danmark is the Danske Bank Group's mortgage finance specialist and supplies mortgage finance products based on the issuance of bonds. Realkredit Danmark also ensures that the Danske Bank Group as a whole can offer expert advisory services on mortgage finance.

Realkredit Danmark's profile is set forth in its business concept, mission and five core values:

Business concept

- Realkredit Danmark is the Danske Bank Group's mortgage finance specialist available to all customers on the Danish mortgage credit market.
- Realkredit Danmark wants to be market leader and the customers' first choice as provider of safe and easy mortgage finance.
- From its business activities, Realkredit Danmark will create value for shareholders, customers and employees.

Mission

- Realkredit Danmark's core business is mortgage lending based on the issuance of bonds.
- Realkredit Danmark ensures that the Danske Bank Group can offer expert advisory services and sell competitive mortgage finance products and services tailored to the individual customers and their property.
- Realkredit Danmark will offer additional products and services, provided mainly by the Danske Bank Group. Development of combination products will be carried out in co-operation with other business areas of the Danske Bank Group.

- Products and services are marketed through Realkredit Danmark's own distribution channels as well as the additional sales network of the Danske Bank Group. Customers have a choice between personal advisory services and sophisticated electronic solutions.
- Realkredit Danmark participates actively in attracting customers to the whole of the Danske Bank Group.

Core values

All activities build on the Group's five core values:

- Integrity
 - in business conduct and in dealings with the community at large
- Accessibility
 - electronic and physical – in business and communications
- Value creation
 - for shareholders, customers and employees
- Expertise
 - through high standards for quality and professionalism
- Commitment
 - to customers' financial affairs



Financial highlights

Realkredit Danmark Group

	2002	2001	Pro forma 2000	2000	1999	1998
Profit and loss account (DKr m)						
Net interest income	3,525	3,417	3,116	2,554	2,739	2,796
Dividends from shares, etc.	-	18	14	14	16	13
Fee and commission income, net	302	132	21	125	216	280
Net interest and fee income	3,827	3,567	3,151	2,693	2,971	3,089
Securities and foreign exchange income	178	194	169	137	-373	162
Other operating income	139	165	123	123	140	117
Staff costs and administrative expenses	1,411	1,412	1,329	1,270	1,300	1,172
Amortisation, depreciation and write-downs	18	21	111	111	55	156
Other operating expenses, etc.	6	1	1	1	10	2
Provisions for bad and doubtful debts	-74	-33	-62	-62	-79	-99
Income from associated and subsidiary undertakings	29	23	14	12	149	17
Profit on ordinary operations before tax	2,812	2,548	2,078	1,645	1,601	2,154
Tax	822	621	618	507	427	662
Minority interests	-	-	-	-	3	-
Net profit for the year	1,990	1,927	1,460	1,138	1,171	1,492
Balance sheet (DKr m)						
Assets						
Due from credit institutions, etc.	33,174	35,786	10,820	8,531	19,492	19,243
Lending	469,414	448,547	421,266	342,069	334,077	318,071
Bonds and shares, etc.	132,707	106,976	77,587	70,593	34,188	36,956
Other assets	7,286	7,334	2,457	2,326	1,996	2,231
Total assets	642,581	598,643	512,130	423,519	389,753	376,501
Liabilities						
Due to credit institutions, etc.	31,259	22,222	6,312	6,233	1,693	6,548
Issued bonds	567,912	536,352	471,209	388,114	359,657	338,890
Other liabilities	18,162	16,815	10,280	8,852	9,184	12,386
Subordinated debt	-	-	3,000	3,000	3,000	3,368
Shareholders' equity	25,248	23,254	21,329	17,320	16,219	15,309
Total liabilities	642,581	598,643	512,130	423,519	389,753	376,501
Ratios and key figures						
Solvency ratio, %	10.4	10.1	11.2	11.3	11.1	12.0
Core (tier 1) capital ratio, %	10.3	9.9	9.7	9.4	9.0	9.2
Return on equity before tax, %	11.6	11.4	10.1	9.8	10.2	13.6
Return on equity after tax, %	8.2	8.6	7.1	6.8	7.4	9.4
Income/cost ratio, DKr	3.07	2.82	2.51	2.25	2.24	2.75
Foreign exchange position, %	3.0	12.5	5.2	5.8	0.5	0.1
Accumulated provisioning ratio, %	0.1	0.1	0.1	0.2	0.2	0.3
Write-off and provisioning ratio for the year, %	0.0	0.0	0.0	0.0	0.0	0.0
Annual growth in lending, %	4.7	6.5	3.6	2.4	5.0	4.3
Gearing of lending	18.6	19.3	19.8	19.8	20.6	20.8
Number of full-time employees at Dec. 31	1,043	933	1,024	937	1,089	1,396
Rating of bonds - Moody's	Aaa	Aaa	Aa3	Aa3	Aa3	Aa3

At January 1, 2001, Realkredit Danmark A/S merged with Danske Kredit Realkreditaktieselskab and BG Kredit A/S, with Realkredit Danmark A/S as the continuing company. In the statement, which has been prepared in accordance with the rules of the Danish Financial Supervisory Authority, the comparative figures for 2000 and earlier for the Realkredit Danmark Group have not been restated as a result of the merger, apart from the column "Pro forma 2000".

Financial highlights for 2001 and 2002 in euros and in US dollars are stated in note 33 to the accounts.

The ratios and key figures are defined in the executive order of the Danish Financial Supervisory Authority on the presentation of accounts by mortgage credit institutions.

Financial review

Group results

In 2002, the Realkredit Danmark Group realised a profit before tax of Dkr2,812m, against Dkr2,548m the year before. After tax, the profit for the year was Dkr1,990m, against Dkr1,927m in 2001. The return on equity before tax was 11.6% in 2002, compared with 11.4% in 2001.

The Realkredit Danmark Group's core earnings amounted to Dkr2,555m in 2002, against Dkr2,517m in 2001. Core earnings are thus in line with expectations at the publication of the report for the first nine months of 2002.

Earnings from investment portfolios amounted to Dkr274m, against Dkr146m in 2001.

The mortgage loan portfolio grew to Dkr469bn at the end of 2002 from Dkr448bn at the beginning of the year. The private market accounted for 70% of volume growth.

The market share of gross lending was 32.4% in 2002, against 33.0% in 2001. The market share of net new lending fell from 31.6% to 27.7%. Net new lending is defined as gross lending less repayment of loans with or without the raising of new loans. The fall in market shares is mainly related to the corporate market, while the decline in market share in the private market was negligible. The trend in market shares reflects the fact that Realkredit Danmark did not obtain a market share of refinancing activities in the third quarter of 2002

Core earnings and earnings from investment portfolios			Change,
Dkr m	2002	2001	%
Contribution income	2,094	1,973	
Net interest income, exclusive of earnings from investment portfolios	1,219	1,342	
Fee and commission income, net	175	132	
Trading income	141	187	
Other core income	139	165	
Total core income	3,768	3,799	-1
Operating expenses and depreciation	1,287	1,315	
Core earnings before provisions	2,481	2,484	-
Provisions for bad and doubtful debts (- denotes income)	-74	-33	
Core earnings	2,555	2,517	2
Earnings from investment portfolios	274	146	
Merger costs	17	115	
Profit on ordinary operations before tax	2,812	2,548	10
Tax	822	621	
Net profit for the year	1,990	1,927	3
Mortgage lending	469,198	448,281	5
Total assets	642,581	598,643	7
Shareholders' equity	25,248	23,254	9
Ratios			
Profit for the year as % of average shareholders' equity	8.2	8.6	
Core earnings as % of average shareholders' equity	10.5	11.3	
Cost/core income ratio, %	34.2	34.6	



corresponding to its share of overall mortgage lending. Compared with the industry as a whole, Realkredit Danmark was more selective in determining which customers would benefit from remortgaging, and customers largely relied on the advice offered by Realkredit Danmark. The fact that Realkredit Danmark has a larger proportion of interest-reset loans than the industry as a whole and therefore a smaller volume of fixed-rate loans to be remortgaged to a lower coupon, for example due to the so-called change of series on September 1, 2002, also contributes to the fall in market shares in the third quarter.

At December 31, 2002, the solvency ratio for the Realkredit Danmark Group was 10.4%, against the statutory minimum requirement of 8.0%.

The majority of Realkredit Danmark's bonds are rated by Moody's Investors Service. The bonds have the highest obtainable rating, Aaa, the same rating as Danish government bonds.

Core income amounted to DKr3,768m in 2002, against DKr3,799m in 2001. Core income includes a rise in contribution income and fees triggered by the growing loan portfolio, but also a fall in net interest income due to the lower level of interest rates in 2002 compared with the year before.

Operating expenses inclusive of depreciation fell from DKr1,315m in 2001 to DKr1,287m in 2002. The cost/core income ratio was 34.2%, improving from 34.6% in 2001. The Realkredit Danmark Group considers it realistic to reduce the cost/core income ratio to around 30 over the next few years.

With effect from January 1, 2002, most of the Danske Bank Group's administrative functions relating to mortgage loans were gathered at Realkredit Danmark. In this connection, approximately 200 employees working with the administration of mortgage loans arranged

by Danske Bank were transferred from Danske Bank to Realkredit Danmark. Realkredit Danmark still pays fees to Danske Bank to cover, among other things, the costs of this administration, and Danske Bank therefore reimburses Realkredit Danmark for these costs. Moreover, Realkredit Danmark carries out certain tasks for Danske Bank that are not related to Realkredit Danmark's own lending activities. Danske Bank therefore also reimburses Realkredit Danmark for costs in this connection. For 2002, reimbursements from Danske Bank totalled DKr127m, which have been set off against the costs.

Provisions for bad and doubtful debts contributed DKr74m to income in 2002, against DKr33m for the year earlier. This item shows an income because of the recovery of debts previously written off. Income during 2002 includes a significant amount of dividend received in connection with the final winding up of a large bankruptcy estate. The need for provisions did not increase over the year, partly because loans in arrears are still at a very low level.

Earnings from investment portfolios, which comprise the profits on the proprietary investment portfolios after deduction of funding and administration costs, showed a gain of DKr274m for 2002, against DKr146m for 2001. Proprietary investment portfolios are defined as the part of the investment portfolio not relating to lending activities.

In 2002, merger costs amounted to DKr17m, against DKr115m the year before. This expense item represents severance payments, which were all made during the first quarter of 2002.

Total securities income carried under core earnings and earnings from investment portfolios corresponded to 6.3% in 2002, which was satisfactory in view of the chosen risk. The figure for 2001 was 5.9%.

In 2002, the subsidiaries consolidated into the accounts of the parent company, Realkredit Danmark, contributed a pre-tax profit of DKr26m. The profit relates exclusively to the real-estate agency home a/s, the franchiser for the real-estate agents in the “home” chain.

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 current tax rate for 2002 is expected to be about 28%, the statutory tax rate being 30%. The tax charge for 2002 totalled DKr822m, corresponding to an effective tax rate of 29. Of the tax charge, DKr48m is attributable to an adjustment of the tax paid for 2001 resulting from a change in the current tax rate.

Balance sheet, solvency and equity

Total assets of the Group were DKr643bn at the end of 2002, against DKr599bn at the beginning of the year. In respect of assets, the change is primarily attributable to an increase in mortgage lending of DKr21bn and a rise in the securities portfolio of DKr26bn. The change in liabilities was caused mainly by an increase in bond issues of DKr32bn. The pre-issuing of bonds was the main reason why issued bonds exceeded lending by DKr99bn. Of this amount, DKr63bn related to the refinancing of FlexLån® on January 2, 2003.

Movements in the capital base and solvency ratio were as follows:

Capital base and solvency ratio

DKr m	Dec. 31, 2002	Dec. 31, 2001
Core capital, less statutory deductions	25,061	23,055
Supplementary capital, less statutory deductions	255	352
Capital base	25,316	23,407
Total weighted items	243,937	232,771
Solvency ratio, %	10.4	10.1
Core (tier 1) capital ratio, %	10.3	9.9

At December 31, 2002, the Realkredit Danmark Group’s capital base stood at DKr25,316m. The solvency ratio was 10.4%, thus exceeding the statutory minimum solvency requirement of 8.0% by DKr5,801m.

In 2002, shareholders’ equity increased by the profit for the year of DKr1,990m plus DKr4m related to a deferred tax asset in an associated undertaking. Shareholders’ equity subsequently totalled DKr25,248m. No dividend is paid for 2002.

Outlook for 2003

In 2002, changes were introduced to increase the use of the Contact Centre and bring mortgage credit offices and banking branches geographically closer to each other. Once fully implemented, these measures – which will continue in 2003 – are expected to strengthen customer relations, improve synergies and ensure continued growth in lending.

In the private market, forecasts show a slight rise in property prices and stable property sales. Consequently, demand for mortgage loans to finance changes of ownership is likely to remain unchanged. In contrast, there is much to indicate that also in 2003, Danish homeowners will increasingly utilise the equity in their properties, leading to growth in the market for supplementary loans.



In the corporate market, investment in new construction is expected to show a small decline because of the international economic slow-down. The rise in the volume of vacant office space will also contribute to curbing new construction. The agricultural segment is expected to continue its large-scale borrowing – in particular related to changes of ownership. As in 2002, the residential rental property segment is expected to continue the large-scale property maintenance and improvement activities.

The rising volume of business will generate larger contribution income in 2003. However, net interest income is likely to record a small decline as a result of the expected lower level of interest rates.

Costs are estimated to climb due to the allocation of resources to the development of new IT systems in connection with the transfer to the central Danske Bank IT platform.

Against this background, core earnings before provisions for bad and doubtful debts are expected to be at around the same level as in 2002.

Providing that the economic climate remains unchanged, provisions for bad and doubtful debts are expected to remain at a low level.

Earnings from investment portfolios will depend largely on the level of securities prices at the end of 2003.

New accounting provisions that take effect in 2003 require Realkredit Danmark to state unlisted securities at their fair value and to capitalise leasehold improvements. The new provisions are expected to increase Realkredit Danmark's shareholders' equity by close to DKr75m at the beginning of 2003, but they are not likely to have any material effect on the result for 2003.

No events have occurred between December 31, 2002, and the date of the review and approval of the annual accounts which, in the opinion of the management, will materially

affect the financial position of Realkredit Danmark.

Financial reports for 2003

Financial reports for 2003 are expected to be released as follows:

- First-quarter report May 6, 2003
- Half-year report August 21, 2003
- Nine-month report October 28, 2003

The property market

The economic situation

Early 2002 was characterised by optimism in Denmark as well as abroad on the back of global economic indicators pointing to economic recovery. As a result, investors to some extent turned to equities rather than bonds, leading to a slight increase in yields. Already during the second quarter, however, interest in equity investments dived as the economic recovery failed to materialise and equity markets were adversely affected by accounting scandals in the USA and renewed fears of terrorist attacks. The negative sentiment remained in the equity markets for the rest of the year. Accordingly, investors showed growing interest in the bond markets during the last three quarters of 2002, leading to a decline in yields, most noticeably during the second half-year.

The global decline in yields was reinforced in November 2002, when the US central bank, the Federal Reserve, lowered its leading interest rate from 1.75% to 1.25% to stimulate con-

sumer spending and investments. In Europe, the European Central Bank followed suit in early December, lowering the leading euro-zone rate from 3.25% to 2.75%. Following the ECB rate cut in December, the Danish central bank lowered its lending rate – which had already been gradually reduced by 0.15 of a percentage point – by 0.50 of a percentage point, bringing the rate down to 2.95% at the end of year.

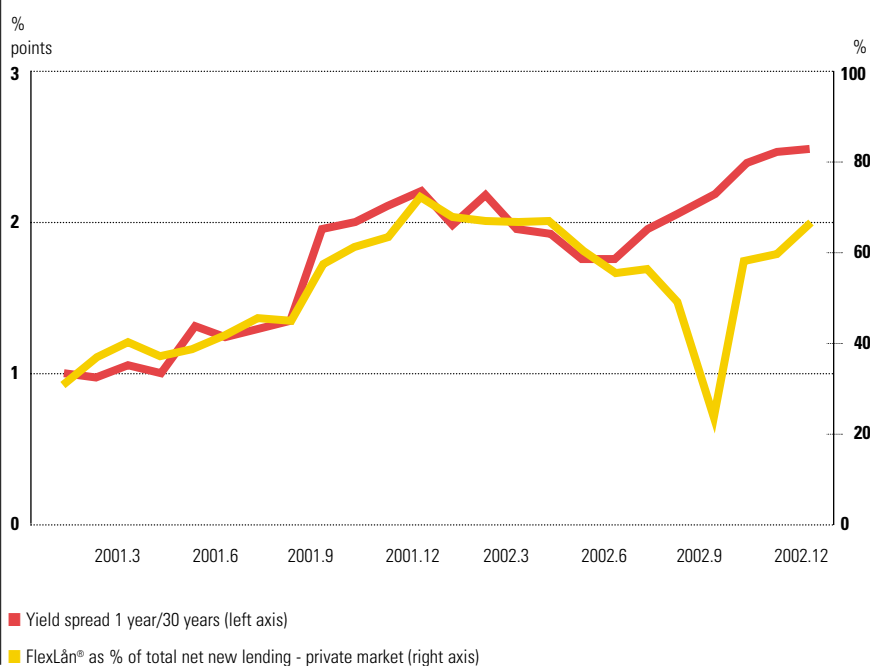
In the Danish bond market, yields saw a similar trend, recording a slight rise during the first quarter of the year, followed first by a slight fall and later a plunge during the remainder of the year. At the end of 2002, yields had fallen to a historically low level. Short-term bonds experienced the largest decline in yields. The yield on Danish krone-denominated bonds issued to finance FlexLån® with annual interest reset fell from 3.9% at the beginning of 2002 to 3.0% at the end of the year, that is a fall of 0.9 of a percentage point. The yield on the corresponding euro-denominated bonds financing FlexLån® fell slightly less, namely 0.7 of a percentage point to 2.8%. The yield on a 30-year fixed-rate loan based on bonds with a coupon of 5% saw a fall of 0.4 of a percentage point during 2002, falling from 5.9% at the beginning of the year to 5.5% at year-end.

The chart shows that growth in the portfolio of FlexLån® was particularly strong during periods with a wide spread between short- and long-term yields. The relatively low growth in FlexLån® in August 2002 is due to the fact that, at this time, many borrowers chose to raise fixed-rate loans prior to the change of series on September 1.

Property prices and property sales

The trend in property prices is important for the trend in mortgage lending. As in previous years, Danish housing prices rose in 2002, although generally at a slower pace. Thus, prices of detached and terrace houses rose

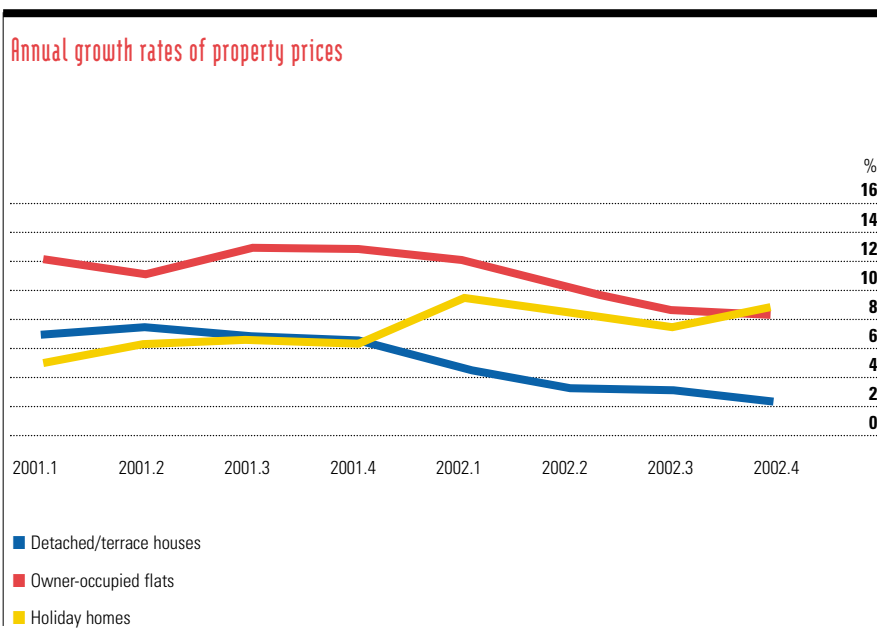
Yield spread and proportion of FlexLån®





2.4% in 2002, compared with almost 7% in 2001. During the fourth quarter of 2002, average housing prices for Denmark as a whole saw a decline for the first time in many years. The geographical pattern of changes in prices towards the end of 2002 is, however, not clear.

Total property sales in the housing market edged up in 2002 relative to the year before. Sales of detached and terrace houses along with owner-occupied flats were more or less the same as in 2001. In contrast, sales of holiday homes rose an impressive 29%, reflecting an increase in household wealth.



Lending

Refinancing activity

After a slight increase in the level of interest rates in the first quarter of 2002, interest rates fell on both short- and long-term mortgage loans for the rest of the year. The heaviest fall was recorded in the second half of the year, affecting short-term loans in particular. This made FlexLån® more profitable to borrowers, both as new loans and for the refinancing of existing loans. In the second half of 2002, the mortgage credit market benefited from refinancing activity, which did not, however, reach the very high level of the second half of 2001.

Total lending

Realkredit Danmark is the largest mortgage credit institution in Denmark with a loan portfolio totalling Dkr469bn at the end of 2002, or 35.6% of overall mortgage lending.

In 2002, Realkredit Danmark's market share of total Danish mortgage lending (gross lending) to all market segments as a whole stood at 32.4%, against 33.0% in 2001. The market share of net new lending fell from 31.6% to 27.7%. Net new lending is defined as gross lending less repayment of loans with or without the raising of new loans. The distribution on the two segments is shown in the table below.

Market shares	Gross lending			Net new lending		
	2002	2001	Change, % points	2002	2001	Change, % points
%						
Private	35.4	35.0	0.4	29.4	30.7	-1.3
Corporate	26.7	29.3	-2.6	25.3	32.9	-7.6
Total market share	32.4	33.0	-0.6	27.7	31.6	-3.9

For the year as a whole, Realkredit Danmark more or less retained its large share of the private market. The market share of corporate loans showed a fall. The corporate market comprises a higher number of large individual loans

than the private market, causing large fluctuations in market shares.

The trend in market shares is shown in the table below.

Market shares	Q4 2002	Q3 2002	Q2 2002	Q1 2002	Q4 2001
%					
Gross lending	33.2	29.3	32.2	35.6	32.6
Net new lending	27.4	25.6	26.9	31.9	33.2

The trend in market shares reflects the fact that Realkredit Danmark did not obtain a market share of refinancing activities in the third quarter of 2002 corresponding to its share of overall mortgage lending. Compared with the industry as a whole, Realkredit Danmark was more selective in determining which customers

would benefit from refinancing their loans, and customers largely relied on the advice offered by Realkredit Danmark.

The fact that Realkredit Danmark has a larger proportion of interest-reset loans than the industry as a whole and therefore a smaller volume of fixed-rate loans to be refinanced to a



lower coupon, for example due to the change of series on September 1, 2002, also contributed to the fall in market shares in the third quarter.

In 2002, total lending rose by DKr21bn, corresponding to an increase of 5%. The distri-

bution of the loan portfolio on the private and corporate markets was unchanged from last year, the private market accounting for 62% and the corporate market for 38%.

Loan portfolio	2002		2001		Change,
	DKr m	%	DKr m	%	DKr m
Private market	290,590	62	275,923	62	14,667
Corporate market	178,608	38	172,358	38	6,250
Total loan portfolio	469,198	100	448,281	100	20,917

On the private and corporate markets as a whole, FlexLån® accounted for a total of 55% of Realkredit Danmark's gross lending in 2002. The corresponding share for 2001 was 56%. In 2002, the share of FlexLån® of the total loan portfolio grew from 25% to 34% at year-end.

Euro-denominated loans accounted for 11% of total gross lending in 2002. Demand for these loans was largely unchanged during the year despite the reduction in the interest rate advantage compared with loans in Danish kroner. At the end of 2002, loans denominated in euros accounted for 7% of the loan portfolio.

Lending broken down by business area

Private market

The private market comprises loans for owner-occupied housing and holiday homes. At 62% of the total loan portfolio and 72% of total gross lending in 2002, the private market is the largest business area of Realkredit Danmark. At year-end, Realkredit Danmark had close to 500,000 private-market customers.

During the first three quarters of 2002, Realkredit Danmark's share of gross and net new lending to private-market customers fell. However, Realkredit Danmark was successful

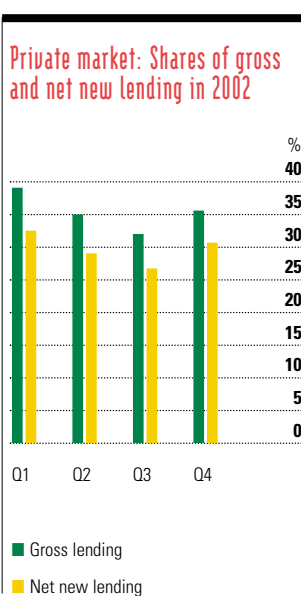
in reversing the trend in the fourth quarter. For 2002 as a whole, Realkredit Danmark achieved a satisfactory share of the private market.

Realkredit Danmark's gross lending to the private market totalled DKr79.2bn in 2002, against DKr77.3bn in 2001. The increase in the loan portfolio amounted to DKr14.7bn.

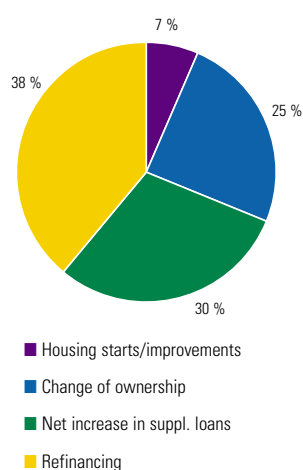
The trend in private market lending was as follows:

Change in private market lending DKr m	2002	2001
Gross lending	79,211	77,295
Redemptions with refinancing	-38,648	-34,817
New lending	40,563	42,478
Redemptions without refinancing	-18,603	-17,954
Net new lending	21,960	24,524
Repayments, etc.	-7,293	-7,062
Change in loan portfolio	14,667	17,462

In 2002, gross lending to the private market was distributed by loan purpose as shown in the chart. The share of refinancing should be seen in the context of the refinancing activity in the second half of the year. Supplementary loans accounted for approximately 30% of total gross lending.



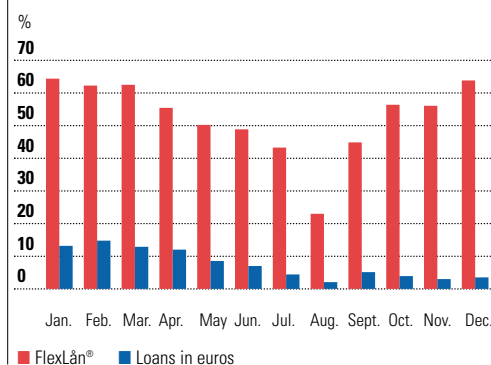
Private market: Purpose of loans in 2002



Also in 2002, FlexLån® was the preferred loan type of many private-market customers, both when taking out new loans and when refinancing existing mortgages. After a slight weakening of demand in the first half-year, the share of FlexLån® increased towards the end of the year. The share of loans disbursed as FlexLån® was lowest in August when many borrowers took out fixed-interest loans before the change of series – and the slight increase in interest rates following in its wake – on September 1. For the whole of 2002, FlexLån® accounted for 53% of all loan disbursements to the private market, against 52% the year before.

In the course of 2002, loans in euros lost some of their attraction compared with loans in Danish kroner in step with the narrowing of the spread between interest rates in the euro zone and Denmark. For 2002, loans denomi-

Private market: FlexLån® and loans in euros disbursed in 2002



nated in euros accounted for 8% of gross lending to the private market, against 7% the year before. Almost all loans in euros are taken out as FlexLån®.

Corporate market

The corporate market comprises loans to urban trade, agriculture and residential rental property.

In 2002, corporate market lending increased compared with the year before. Realkredit Danmark's loan portfolio rose by 4%, and lending to agriculture in particular showed an increase. Gross lending benefited from the refinancing activity in the second half of 2002, but not as much as in 2001.

Irrespective of the growth in lending,

Realkredit Danmark's market shares of loans to the corporate market fell in 2002 compared with the year before. For the corporate market as a whole, Realkredit Danmark's market share of net new lending was down from 32.9% in 2001 to 25.3% in 2002. The distribution on each segment is shown in the table below. The corporate market comprises a higher number of large individual loans than the private market, which may cause fluctuating market shares, especially within individual segments.

Market shares	Gross lending			Net new lending		
	2002	2001	Change, % points	2002	2001	Change, % points
%						
Urban trade	33.6	41.4	-7.8	31.0	46.6	-15.6
Agriculture	15.3	15.5	-0.2	16.7	14.4	2.3
Residential rental property	34.4	34.5	-0.1	28.7	32.9	-4.2
Total market share	26.7	29.3	-2.6	25.3	32.9	-7.6



The distribution of the total corporate loan portfolio was as follows:

Corporate market: Loan portfolio				
	2002		2001	
	DKr m	%	DKr m	%
Urban trade	55,691	31	53,690	31
Agriculture	23,319	13	21,384	12
Residential rental property	99,598	56	97,284	57
Total loan portfolio	178,608	100	172,358	100

The corporate loan portfolio increased by DKr6.3bn in 2002.

Urban trade

Urban trade comprises industry, skilled trade and service trade.

Lending to urban trade was as follows:

Change in lending to urban trade		
DKr m	2002	2001
Gross lending	12,479	16,435
Redemptions with refinancing	-4,536	-4,707
New lending	7,943	11,728
Redemptions without refinancing	-2,871	-3,043
Net new lending	5,072	8,685
Repayments, etc.	-3,071	-2,644
Change in loan portfolio	2,001	6,041

In 2002, Realkredit Danmark's gross lending to urban trade amounted to DKr12.5bn, against DKr16.4bn in 2001. The loan portfolio grew by DKr2bn. The financing requirement of urban trade was of the same size as in 2001, but Realkredit Danmark's market share of this net new lending fell to 31.0% in 2002 from 46.6% the year before.

Most of the decline in Realkredit Danmark's

gross lending to urban trade was concentrated in the industrial and skilled trade segments, in which lending declined from DKr4.3bn in 2001 to DKr2.3bn in 2002.

Again in 2002, FlexLån® was the most popular loan type for urban trade property, accounting for 60% of lending. Especially FlexLån® with full interest reset once a year was a favoured loan type because of the interest rate level. Of FlexLån® disbursed, 27% was denominated in euros and also most of these loans were subject to annual interest reset.

Agriculture

The agricultural segment comprises actual farming, forestry and market gardens. Mortgage finance covers real property, including machinery and equipment and livestock.

The trend in loans to the agricultural segment was as follows:

Change in lending to agriculture		
DKr m	2002	2001
Gross lending	6,903	7,260
Redemptions with refinancing	-1,758	-2,681
New lending	5,145	4,579
Redemptions without refinancing	-2,070	-2,695
Net new lending	3,075	1,884
Repayments, etc.	-1,140	-597
Change in loan portfolio	1,935	1,287

Realkredit Danmark's gross lending to agriculture totalled DKr6.9bn in 2002, against DKr7.3bn in 2001. The increase in the loan portfolio was DKr1.9bn. Realkredit Danmark's market share in terms of net new lending increased from 14.4% to 16.7%.

In 2001, earnings on plant and pig production within actual farming were extraordinarily high, but fell in 2002 to the earnings level for cattle, which enhanced structural changes in

agriculture towards larger production units. These circumstances and the new investments, for instance in stalls, created the basis for strong growth in Realkredit Danmark's net new lending to agriculture compared with the year before.

Residential rental property

Residential rental property comprises subsidised residential rental property and private residential rental property.

The trend in loans to residential rental property was as follows:

Change in lending to residential rental property		
DKr m	2002	2001
Gross lending	11,363	12,249
Redemptions with refinancing	-3,811	-4,532
New lending	7,552	7,717
Redemptions without refinancing	-1,403	-1,518
Net new lending	6,149	6,199
Repayments, etc.	-3,835	-3,147
Change in loan portfolio	2,314	3,052

Subsidised residential rental property

This segment comprises loans to subsidised residential rental property, other subsidised property and co-operative housing.

In 2002, Realkredit Danmark's gross lending to subsidised residential rental property amounted to DKr3.2bn, against DKr5.3bn in 2001. Realkredit Danmark's market share in terms of net new lending decreased from 36.1% to 30.9%.

The volume of lending benefited from two factors in 2002. In the summer of 2001, it was decided to halve, effective from April 1, 2002, the basic capital contributed by the municipalities to housing starts from 14% of the acquisition price to only 7%. Some housing starts were therefore postponed from 2001 to

2002. The financing requirement also arose earlier in 2002 due to the cancellation at year-end of municipalities' permission to finance this basic capital by loans.

Private residential rental property

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

In 2002, Realkredit Danmark's gross lending to private residential rental property amounted to DKr8.1bn, against DKr6.9bn in 2001. The increase in the loan portfolio was DKr2.8bn. Realkredit Danmark's market share in terms of net new lending fell from 30.0% to 27.4%.

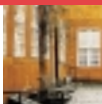
Gross lending to private residential rental property amounted to DKr5.9bn, against DKr5.2bn in 2001. FlexLån® was the most popular loan type, accounting for 61% of lending. Particularly FlexLån® in euros were in great demand and accounted for 40% of disbursed FlexLån®.

Realkredit Danmark's gross lending to non-subsidised co-operative housing amounted to DKr2.2bn, against DKr1.7bn in 2001. The fixed-rate cash loan was traditionally the dominant loan type in this market segment, but 2002 saw a substantial increase in the volume of FlexLån®. With 53% of loans, and especially loans with interest reset every five years, FlexLån® was the most common loan type.

Distribution channels

In relation to the merger of Realkredit Danmark and Danske Kredit in 2001, a number of measures were planned to adapt the business activities of Realkredit Danmark to its new role as the mortgage finance provider in the Danske Bank Group. The initiatives launched at the time of merger were completed during 2002.

In 2002, Realkredit Danmark served its customers through four distribution channels:



own offices and corporate centres (including the Contact Centre), the branch networks of Danske Bank and BG Bank, the real-estate agency chain “home” and the Internet. Regardless of which channel the customer prefers, Realkredit Danmark is there to ensure that the customer can receive high-quality advisory services.

Realkredit Danmark is represented by four regional offices, ten mortgage credit offices and ten branch offices across Denmark. Realkredit Danmark plans to locate mortgage credit and local offices together with Danske Bank finance centres or large Danske Bank/BG Bank branches. The consolidation of offices and finance centres/branches has already taken place in a number of towns, and relocation not yet effected will mainly be carried out in 2003. The close co-operation between banking and mortgage finance staff is expected to generate synergies to the benefit of the customers of both Danske Bank and Realkredit Danmark.

During 2002, customer services also underwent changes, and small and straight-forward loan applications from the private market are now handled by the Contact Centre instead of Realkredit Danmark’s local offices, freeing resources for services and sales efforts towards larger-scale customers. Moreover, those of Realkredit Danmark’s private-market customers who bank with Danske Bank/BG Bank are offered services through the bank. The full effect of this co-operation will not, however, be achieved until technical obstacles are removed through the establishment in 2004 of a joint IT platform.

Danske Bank and BG Bank’s nation-wide branch network offers Realkredit Danmark considerable distribution power for sales of mortgage loans. Moreover, providing services through bank branches enables the Danske Bank Group to offer customers a wide range of other financial products.

In respect of corporate customers, Realkredit Danmark has concluded an agreement with Danske Bank on referral of mortgage finance customers. In its capacity as the mortgage finance specialist, Realkredit Danmark subsequently – via its own offices – processes applications and grants mortgage loans.

“home” is the real-estate agency chain of the Danske Bank Group. The real estate agency activities are organised as franchise business, and at end-2002, the chain comprised a total of 169 estate agents in Denmark. The franchiser is home a/s, which is a wholly-owned subsidiary of Realkredit Danmark. During 2002, the “home” chain expanded its activities, partly by increasing its business co-operation with Danske Bank and Realkredit Danmark.

During the year, the importance of the Internet as a distribution channel grew. The number of customer visits to Realkredit Danmark’s web site www.rd.dk increased as did the number of loan applications received via the Internet. In co-operation with Danske Bank, BG Bank and “home”, Realkredit Danmark set up a new, Internet-based home universe accessible to customers via the web sites of the four brands. In addition, customers can access Realkredit Danmark’s products via the Danske Bank Group’s netbanking facilities. For the corporate market, Realkredit Danmark set up the web site www.ejendommen.dk in co-operation with Ejendomsforeningen Danmark, focusing primarily on residential rental property and housing co-operatives. Realkredit Danmark will also in future expand customer access to electronic self-service via the Internet.

Funding

Financing and issuance of bonds

Realkredit Danmark finances its loans to borrowers by issuing mortgage bonds listed on the Copenhagen Stock Exchange.

At the end of the year, Realkredit Danmark's issues of bonds totalled DKr568bn, or 36% of all issues of mortgage bonds on the Danish market, and 24% of all bonds listed on the Copenhagen Stock Exchange.

Realkredit Danmark is also one of the largest non-governmental bond issuers in Europe.

Issued bonds

As in the year before, the fall in interest rates in 2002 prompted many borrowers to take out new loans with a lower coupon, including FlexLån®. As a result, new bonds with a lower coupon were issued and existing bonds with a higher coupon were redeemed.

The fall in interest rates also led to an extraordinary lowering of the minimum coupon rate from 4% to 3% in October 2002, which made it possible to issue bonds with a 3% coupon without tax liability for private investors on capital gains. Realkredit Danmark

opened a 10-year callable bond series with a coupon rate of 3%, mainly for funding of loans to corporate customers. The minimum coupon remained at 3% at the ordinary fixing of the minimum coupon for the first half of 2003.

Total bond issues and redemptions in 2002 appear from the charts. More than 70% of the bonds were issued with a coupon rate of 4%. These were non-callable bonds funding FlexLån®. The figures include bonds issued in December 2002 for the refinancing of FlexLån® on January 2, 2003.

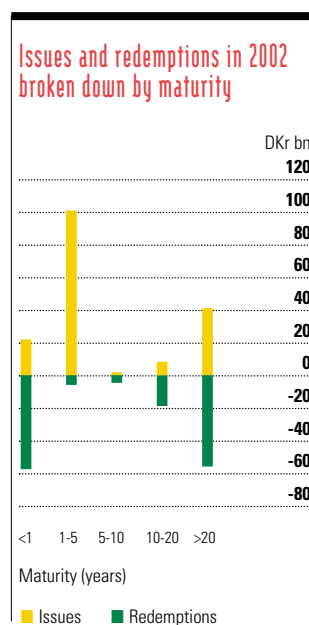
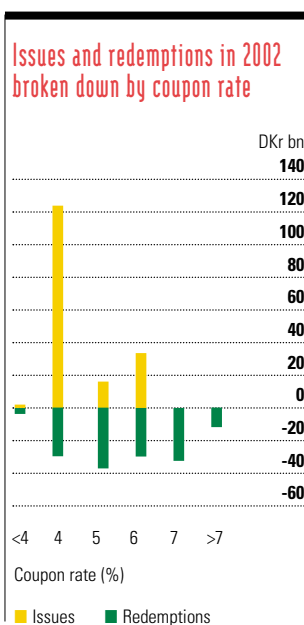
FlexLån® account for an increasing share of Realkredit Danmark's loan portfolio, and year by year there is an increase in the loan amount to be refinanced at year-end. At the auction held on December 17, 2002, for the refinancing of loans on January 2, 2003, the sale of non-callable bonds totalled DKr61bn, against DKr44bn the year before. Although it was the largest ever auction held in Denmark, it was oversubscribed 2.7 times, reflecting the keen interest in Realkredit Danmark's non-callable bonds.

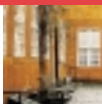
For the year 2002 as a whole, Realkredit Danmark issued bonds for a total of DKr174bn. Of this amount, 71% covered non-callable bonds for funding and refinancing of FlexLån®.

Non-callable mortgage bonds are issued with a maturity ranging from 1 to 10 years. Of the bonds issued in 2002, 66% was issued with a maturity of 1 year.

In 2002, the vast majority of new callable mortgage bonds was issued with a coupon of 5% or 6%, as these two segments accounted for 33% and 66%, respectively, of new issues. Issues were particularly large up to the change of series on September 1, 2002.

At a change of series, when old series are closed and new ones opened for issues during the next three years, the price of the new bonds is often lower. This is explained by the longer term to maturity and lower liquidity





new series have at the beginning. Prior to the change of series on September 1, 2002, many borrowers therefore chose to take out their loans in the old series. For liquidity reasons, Realkredit Danmark only opened new bond series with coupon rates of 5% and 6%. The new mortgage bonds have a maturity of 10, 15, 20 or 30 years. During the four months in which the new series were open in 2002, bonds were issued for a total of DKr11bn in the 30-year series. Hence, the issuing activity was substantially higher than at the previous change of series in 1999. Bonds were mainly issued in the 6% series expiring in 2035 and from the beginning of December 2002 in the 5% series maturing in 2035, as the price of 6% bonds maturing in 2035 exceeded par and closed for offers.

In 2002, redemptions of callable bonds were made mainly in series with coupon rates of 6% and 7%. Also a number of 8% bonds were redeemed, particularly in the first quarter.

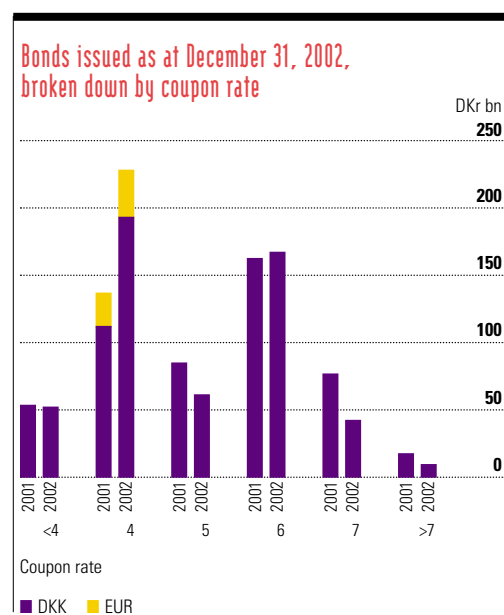
Redemptions of callable bonds with a 6% coupon were triggered by borrowers' remortgaging of fixed-rate loans to FlexLån®. Redemptions of bonds with a coupon rate of 7% or 8% were made by borrowers mainly to gear down to fixed-rate 5% or 6% loans, but also to shift to interest-reset loans.

At the end of 2002, Realkredit Danmark had issued mortgage bonds for a total of DKr568bn.

Between December 2002 and January 2, 2003, the bonds issued included double funding for a total of DKr63bn relating to the refinancing of FlexLån®, of which DKr61bn derived from the auction held on December 17. This is explained by the fact that the new bonds were issued in December, whereas redemption of the old bonds was not effected until January 2. Realkredit Danmark's total bond drawings on January 2, 2003, amounted to DKr91bn.

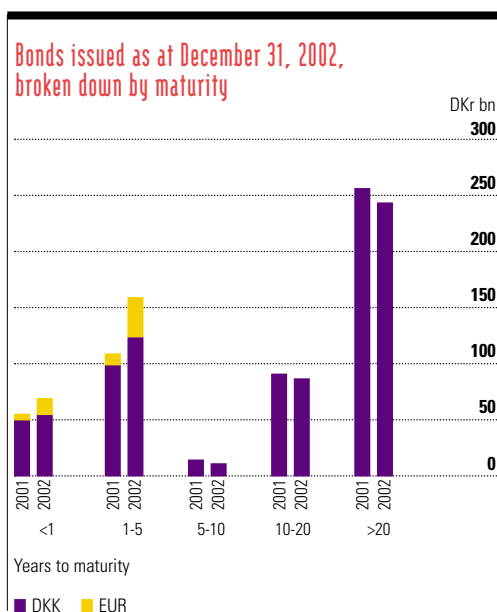
The comments and charts that follow are based on the aggregate volume of bonds of DKr568bn at year-end.

Bonds with a coupon of 4% or 6% accounted for 41% and 29%, respectively, of the volume of bonds in circulation. Most other issued bonds had coupons of 5% or 7%, but there were also bonds with a coupon rate below 4%, mainly old index-linked bonds.

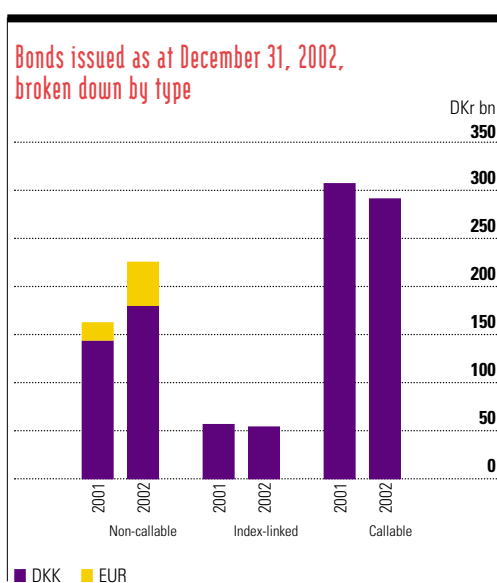


At end-2002, issues of 4% bonds almost exclusively represented FlexLån®. Of these, mortgage bonds maturing after 1 year are still in the majority, but series with maturities of 2 to 5 years have gradually built up considerable liquidity.

Of bonds issued at the end of the year, 42% had a term to maturity of more than 20 years, but a growing number of bonds will mature within five years. In the chart, the bonds are broken down by maturity.



An increasing proportion of bonds is issued as non-callable bonds. At the end of 2002, the proportion had grown to 40%. The proportion of callable bonds had fallen to 50%, and index-linked bonds accounted for 10%. Not including the brief double funding in relation to the refinancing of FlexLån®, the respective proportions were 33%, 56% and 11%.



Loans in euros are funded through the issue of euro-denominated bonds. These loans are almost exclusively taken out as FlexLån®. During 2002, borrowers' interest savings on euro-denominated loans fell compared with loans in Danish kroner. Hence, interest savings on loans with annual interest reset for the whole of the outstanding debt fell from 0.4 of a percentage point at the beginning of the year to 0.2 of a percentage point at year-end.

Euro-denominated bonds accounted for 14% of total annual bond issues in 2002, and at the end of the year, 7% of bonds in circulation were denominated in euros. The corresponding figures for 2001 were 13% and 5%, respectively.

Bond investors

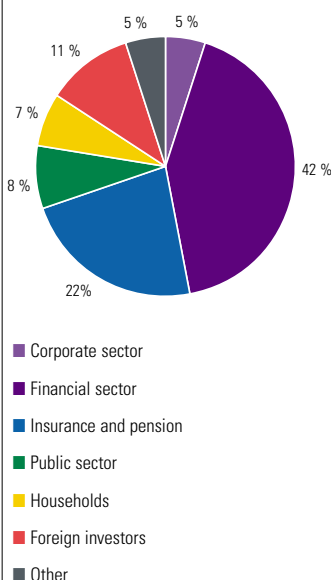
In the last few years, the ownership composition of Realkredit Danmark's bonds has changed substantially. Traditionally, the majority of investors in mortgage bonds were Danish insurance companies and pension funds. At present, these sectors make up a smaller – although important – part of Realkredit Danmark's investors.

This trend is attributable to the easing of the statutory requirements for the investment policies of insurance companies and pension funds, as well as the change in the composition of Realkredit Danmark's bond portfolio. A steadily growing share of Realkredit Danmark's bond portfolio consists of non-callable bonds with a short term to maturity for the financing of FlexLån®. However, insurance companies and pension funds demand investment objects with maturities matching the long-term commitments of these companies towards their customers.

Instead, the growing share of short-term, non-callable bonds has contributed to making the financial sector (excluding insurance companies and pension funds) Realkredit Danmark's largest investor group. Non-callable bonds are



Bonds issued as at Dec. 31, 2002, broken down by investor groups



well-suited money market instruments for companies in the financial sector.

Danish investors are expected to continue to represent a substantial share of Realkredit Danmark's investors; however, these domestic investors are likely increasingly to invest their capital abroad.

Hence, it is Realkredit Danmark's strategy to widen its funding base by attracting more international investors. The motive for doing so is to enable Realkredit Danmark to live up to its general funding policy at all times, that is to provide its customers with the cheapest and most flexible finance within the legislative framework.

To meet this objective Realkredit Danmark focuses on the liquidity of bond series, the rating of the bonds, and international marketing.

Liquidity of bond series

Liquidity in the bond series is a key factor in the efforts to expand the investor base. Realkredit Danmark has therefore strengthened its focus on liquidity over the last few years.

When providing advisory services to customers, Realkredit Danmark endeavours to balance investor demand for few and liquid series with customer requirements for flexible, alternative loan options. When the minimum coupon was lowered to 3% in October 2002, liquidity considerations were among the main reasons why Realkredit Danmark decided against launching a range of non-callable 3% mortgage bonds for the financing of FlexLån®.

Realkredit Danmark's funding policy is governed primarily by the statutory principle of balance. The intention of this principle is to minimise interest rate, exchange rate and liquidity risks of mortgage credit institutions. The composition of Realkredit Danmark's portfolio of issued bonds is determined partly by the demand from borrowers for different types of mortgage loans. FlexLån® is a good example of a

product that takes into account the requirements of both borrowers and investors.

Borrowers are offered a range of interest-reset profiles and types of FlexLån® as well as combination products such as reverse mortgages. All these loan types are funded through the same non-callable bond series, which also remain open until maturity.

Realkredit Danmark will continue to analyse the possibility of introducing new mortgage credit products to meet the needs of borrowers as well as investors.

Rating

To many investors the rating of bonds determines whether a given security is attractive as an investment object. The rating of the bonds is therefore an important parameter for Realkredit Danmark in its efforts to widen its investor base.

Since 1997, the rating awarded by the credit rating agency Moody's Investors Service has applied to all mortgage bonds issued by Realkredit Danmark after September 1, 1992 (that is bonds in series designated B, C, D or E). The rating also applies to bonds issued by the former mortgage credit institution Danske Kredit. These bonds account for 89% of bonds issued by Realkredit Danmark and have been awarded an Aaa rating, which is the highest rating awarded by Moody's Investors Service and the same rating as applies to Danish government bonds. This rating also applies to new issues in these series.

In 2002, the Danish mortgage credit market was given favourable mention by the international credit rating agencies. In May 2002, Moody's Investors Service published a report which concluded that Danish mortgage bonds generally carry a very low risk.

In a report published in September 2002, Standard & Poor's also referred to the Danish mortgage credit market in positive terms and

subsequently changed its rating criteria for Danish mortgage bonds. The bonds are now evaluated more independently of the issuing institution as is the case at Moody's. The new basis of evaluation is the result of Standard & Poor's changed view of the statutory security backing Danish mortgage bonds.

Both reports are expected to strengthen international investors' interest in Danish mortgage bonds.

International marketing

At the end of 2002, international investors' share of Realkredit Danmark bonds totalled 11%, which was unchanged from the year before. International investors held 13% of the non-callable bonds for the financing of FlexLån® and 11% of callable bonds, whereas they held very few index-linked bonds. In selected benchmark series, international investors hold substantially larger shares. Hence, international investors hold 20% of Realkredit Danmark's 6% series expiring in 2032, 20% of its 7% series expiring in 2029 and 29% of its 7% series expiring in 2032.

Realkredit Danmark's international investors represent many different sectors and geographical areas.

Non-callable bullet bonds, which are used for the funding of FlexLån®, are well-known securities among international investors. As mentioned, this investor group holds 13% of the total volume of non-callable bonds issued by Realkredit Danmark. At 32%, international investors' share of the euro-denominated non-callable bonds is higher, which points to considerable interest in Realkredit Danmark bonds without exchange rate risk.

Realkredit Danmark has strengthened its international marketing activities during the last few years to increase investor awareness of Realkredit Danmark and its funding products. Participation in conferences, investor meetings

and seminars and the publication of investor-related reports are among the initiatives taken by Realkredit Danmark.

Also the use of the Internet for the communication of investor information has intensified during the last few years. Realkredit Danmark now offers a wide range of investor-related information in English and Danish at its web site www.rd.dk/Investor. In 2002, Realkredit Danmark started to co-operate with the financial media group euromoney.com on an information site, and 2002 was also the year when Realkredit Danmark launched its own Internet site with the information services and financial news provider Bloomberg.

On December 1, 2002, the investment bank Lehman Brothers introduced a new Danish mortgage bond index. The index includes both callable and non-callable Danish mortgage bonds. With a share of 37%, Realkredit Danmark is the largest issuer in the index. The introduction of the Lehman index is yet another indication of the growing international recognition of the Danish mortgage credit market and is expected to strengthen awareness of Danish mortgage bonds among international investors. This will provide a better platform for the marketing of Realkredit Danmark bonds.



Resources

Staff

For Realkredit Danmark's fulfilment of its objectives, it is important that its organisation is staffed by employees with the right approach and great professional expertise and personal skills. This approach is found in the staff's day-to-day interaction with and serving of external and internal customers and based on the five Danske Bank Group core values: integrity, accessibility, value creation, expertise and commitment. Realkredit Danmark wants to attract, retain and develop persons who find implementing the core values in the day-to-day operations an attractive challenge.

At the end of 2002, the number of full-time employees at the Realkredit Danmark Group totalled 1,043, against 933 at the end of 2001. On January 1, 2002, most of the Danske Bank Group's administrative functions relating to mortgage finance were gathered at Realkredit Danmark. Consequently, some 200 employees were transferred from Danske Bank to Realkredit Danmark. These employees work with the administration of mortgage loans arranged by the bank and other tasks in relation to the Danske Bank Group's mortgage finance operations.

Staff numbers at Realkredit Danmark were reduced by 114 full-time employees in 2002, 45 of them by attrition without their positions being refilled. The remaining 69 employees left in connection with a severance programme arranged by the Danske Bank Group in 2001 to obtain merger synergies. Staff reductions at Realkredit Danmark were made when some case work was moved from local offices to the Contact Centre and loans granted to shared customers transferred to Danske Bank. Continued staff reductions will be realised primarily in step with the conversion of the Danske Bank Group's mortgage credit systems to the joint IT platform in 2003 and 2004.

A new incentive programme was launched in

2001 for managers and employees in the Danske Bank Group. The programme is based on the Group's value creation and consists of four elements: share options, rights to purchase conditional shares, cash bonus payments and an employee share scheme. Bonus payments reflect individual performance and depend on the financial results and other measures of value creation.

The share option programme and the conditional share programme were launched in 2001 for an initial period of three years. The employee share scheme will also run for three years.

The members of the Executive Board of Realkredit Danmark and some managers participate in the share option programme. The options carry a right to buy Danske Bank shares, which can be exercised between three and seven years after they are allotted if the holder is still employed with the Danske Bank Group. The strike price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of the annual report plus 10%.

The conditional share programme applies to a small group of managers and specialists and was used for the first time as part of bonus earned for 2001. The shares are held in custody at the employees' risk and at their disposal after three years if they are still employed with the Danske Bank Group. All employees participate in the employee share scheme and cash bonus programme in accordance with special rules.

A new salary system was introduced in connection with a new collective agreement for the Danske Bank Group that took effect on April 1, 2002. Under the new system, all employees of Realkredit Danmark are paid according to uniform rules based on an individual evaluation.

Management

Since the publication of the Annual Report for 2001, the composition of the Board of Directors has changed. Kjeld Jørgensen, Deputy Chairman

of the Executive Board of Danske Bank, resigned as Chairman in August 2002 in connection with his retirement from the Danske Bank Group. Jakob Brogaard, Deputy Chairman of the Executive Board of Danske Bank, was appointed new Chairman of the Board of Directors. Bent Peetz, Customer Adviser, Realkredit Danmark, and Steen Hansen, Senior Vice President, Danske Bank, also resigned from the Board. Klaus Pedersen, Corporate Adviser, and Jørgen Raaschou, Credit Analyst, joined the Board.

The composition of the Executive Board was changed on January 1, 2003, when Mogens Holm, Member of the Executive Board, left to take up another position in the Danske Bank Group, and Thomas Mitchell was appointed Member of the Executive Board.

Administration

Realkredit Danmark achieved a significant enhancement of efficiency by gathering operations and administration of its mortgage loans at Centralised Operations.

This satisfactory trend continued when the Dansk Bank Group introduced a new group structure from January 1, 2002, and Centralised Operations was consolidated with similar sections at Danske Bank and BG Bank. The unit is now part of Realkredit Danmark and operates under the name of RD Service with almost 300 employees located in Høje Taastrup near Copenhagen and Vejle and Horsens in Jutland.

Most of the Danske Bank Group's administration of mortgage finance is now gathered at RD Service. The consolidation of these units has resulted in economies of scale through improved efficiency and greater flexibility in case work to the benefit of both the Group and its customers.

In 2002, the handling of small and straightforward loan applications from the private market was transferred from Realkredit Danmark's local offices to a central unit, the Contact

Centre. This change resulted in general efficiency gains in customer services.

To make Realkredit Danmark as accessible as possible for its customers, part of the Contact Centre was integrated into a joint contact centre, the Group Contact Centre, in early 2003, which will serve both Danske Bank's and Realkredit Danmark's customers. The Group Contact Centre gives general customer information and advice and initiates the dialogue with customers. The Centralised Mortgage Credit Office, formerly part of the Contact Centre, remains at Realkredit Danmark to serve the private market, including Internet customers.

To optimise administrative efficiency, Danske Bank handles a number of tasks on behalf of Realkredit Danmark such as human resources, IT operations and development, communications, property administration, management of proprietary investment portfolios and purchasing and logistics.

IT systems

Since the merger with Danske Bank at the beginning of 2001, Realkredit Danmark has adopted the group strategy of One Group – One System.

Hence, Realkredit Danmark has implemented the Danske Bank Group's telephony system and decentralised network platform, and a new joint group mortgage credit system is on the way, which will be integrated with the Danske Bank Group's joint IT systems.

In 2003, the development of the new group mortgage credit system will continue with the aim of creating 'the best mortgage credit system'. The system will offer better advisory services in relation to mortgage finance and loan offer facilities to Internet customers.

The plan is to implement the new mortgage credit system in two stages. The first stage will be implemented in the fourth quarter of 2003 and stage two in 2004.



Management of risk and capital

Raroc

As a business area of the Danske Bank Group, Realkredit Danmark applies the Raroc-based risk management and reporting system as a supplement to the statutory rules on capital requirements for financial services firms. This system is designed to ensure the best possible ratio between credit risk, capital adequacy and earnings.

Raroc is short for risk-adjusted return on capital. The Raroc framework enables Realkredit Danmark to quantify the mortgage lending risks undertaken in the ordinary course of business. The system considers three types of risk:

- credit risk
- market risk
- operational risk

The risks are quantified through a combination of historical data and statistical methods. This makes it possible to calculate the economic capital – the amount of capital needed by Realkredit Danmark to meet the Danske Bank Group's objective of a cautious risk profile.

Another element in the Raroc framework is the calculation of risk-adjusted earnings. To calculate these earnings, Realkredit Danmark deducts the loss expected to arise in the ordinary course of business over a full business cycle from earnings before provisions. Moreover, the item net interest income, which is based on shareholders' equity, is adjusted so that net interest on the risk-adjusted result reflects the size of the economic capital.

Raroc is the ratio of risk-adjusted earnings to economic capital and therefore expresses the risk-adjusted return on the capital charge. The Raroc figure for 2002 is 44% for Realkredit Danmark's entire business area, which is considered satisfactory. The figure for 2001 was 46%.

Realkredit Danmark uses Raroc in the man-

agement of its business activities. In 2002, the Raroc framework was developed further, and it is possible to calculate Raroc at customer level in the corporate market. This makes it possible to assess the correlation between Realkredit Danmark's risk exposure to each loan and the earnings needed to meet the required return on economic capital.

The Raroc framework should also be seen in the light of the preparations for the new capital adequacy rules for financial enterprises, the BIS II capital accord, which is expected to be implemented at the turn of the year 2006/2007.

Credit risk

Lending principles

The credit policy pursued during the past ten years was maintained in 2002. Realkredit Danmark continues to develop methods and systems that will strengthen ongoing management of its portfolio risk.

The quality of assessment of real property always has been and still is a fundamental element of Realkredit Danmark's lending. It is not only the current market price of real property but also the long-term value that is decisive for the size of a loan offered by Realkredit Danmark.

When assessing the long-term value of properties, Realkredit Danmark gives weight to alternative uses of the property, marketability and location as well as other conditions that might affect the long-term value of the property.

Generally, Realkredit Danmark offers loans up to the loan limits set out in the Danish Mortgage Credit Act. The loan limit is determined on the basis of the different property types and normally represents 80% for residential property and rental property and 60% for commercial property.

Realkredit Danmark offers loans to customers through various distribution channels,

including the branch networks of Danske Bank and BG Bank. However, no matter which channel customers use to take out their loans, the valuation of their property will always be performed by a mortgage credit specialist. In most cases, Realkredit Danmark's own valuation experts will inspect and assess the value of the individual property. Sometimes the agents of the "home" real-estate agency chain will perform the required inspection and valuation, but only for properties with a loan value of less than DKr3.2m, and Realkredit Danmark performs random checks of the valuation quality.

Loan portfolio

Realkredit Danmark's loan portfolio totalling DKr469bn is secured by mortgages on the properties.

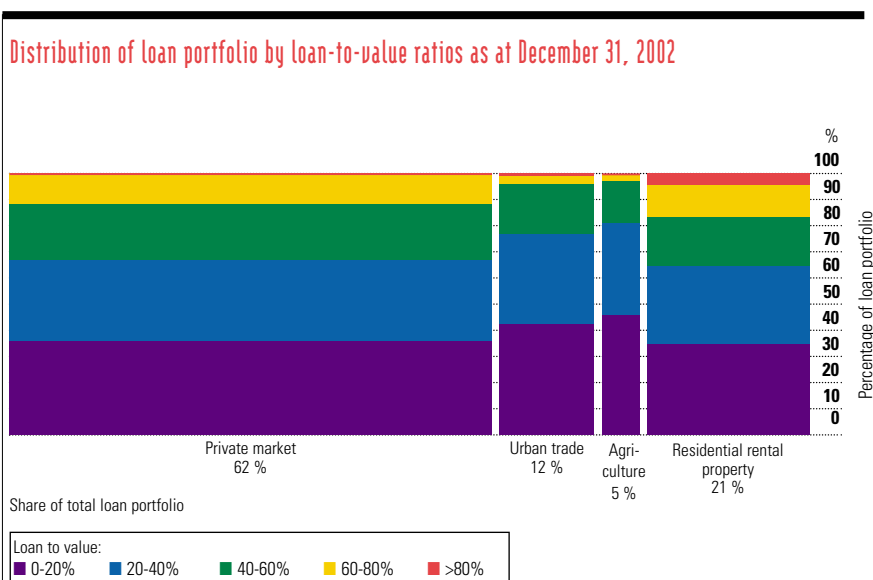
The loan amount represents an average of 61% of the value of the properties, which is a small increase on the year before when the loan-to-value ratio was 59%.

For a detailed analysis of average loan-to-value ratios in each segment, the chart below shows the distribution of the loan-to-value ratios of the total loan portfolio broken down by segment. More than 65% of the loan portfolio is secured by mortgages within 40% of the property value, and almost 90% of loans are secured by mortgages within 60% of the property value. The relative size of the individual segments appears from the width of the segment.

In 2002, rising bond prices and strong loan activity with many supplementary loans increased the loan-to-value ratio in Realkredit Danmark's loan portfolio. Repayments on existing loans and slightly rising property prices pointed in the opposite direction, but at the end of 2002, average loan-to-value ratios were a little higher than the year before.

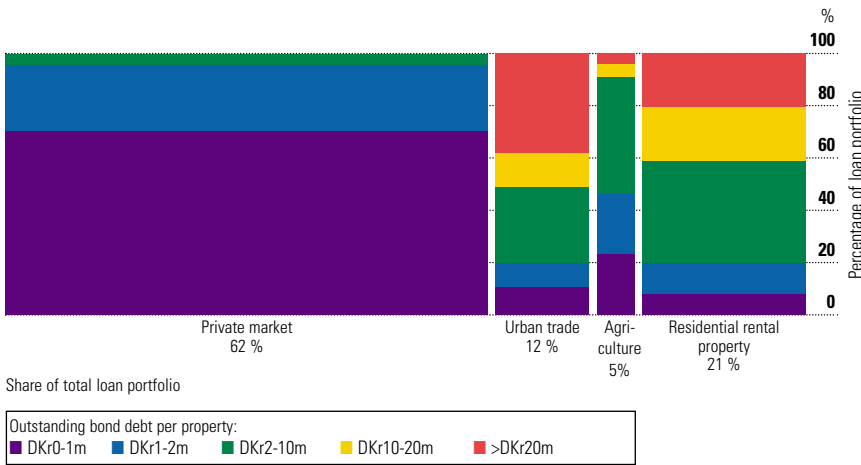
In addition to the mortgages, Realkredit Danmark has covered a considerable part of the credit risk on the part of its loan portfolio established through the branches of Danske Bank and BG Bank, totalling DKr129bn at the end of 2002, through a loss guarantee provided by Danske Bank. For the private market, the guarantee covers the last 20 percentage points up to the statutory lending limit. For the corporate market, the guarantee percentage depends on the category of the individual loan. The guarantee is written down in step with repayments on the individual loans and lapses when the outstanding debt falls below the guaranteed percentage points. At the end of 2002, the bank guarantee covered a total loan amount of DKr22bn.

Loan-to-value ratios	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
	DKr bn	DKr bn	Loan to value %	Loan to value %
Private market	290	276	62	58
Urban trade	56	54	51	50
Agriculture	23	21	47	43
Residential rental property	100	97	70	68
Total	469	448	61	59





Distribution of loan portfolio by outstanding bond debt as at December 31, 2002



Lending to residential property, i.e. private and rental property, is generally less risky than lending to urban trade and agriculture. The fact that more than 80% of the total loan portfolio is secured by mortgages on private market housing must be taken into account when assessing the credit risk inherent in Realkredit Danmark's loan portfolio.

Lending to urban trade and agriculture consists mainly of small and medium-sized loans. The risk of losses on a few large commitments is therefore limited. About 60% of loans to urban trade and agriculture are loans with an outstanding debt below DKr10m.

Provisions for bad and doubtful debts

For the sixth consecutive year, provisions for bad and doubtful debts showed a net income, for 2002 of DKr74m. The income was attributable to recovery of debt previously written off and for 2002 included a significant amount of dividend received in connection with the final winding up of a large bankruptcy estate. Provisions for new bad and doubtful debts continued to be at a very low level.

At the end of 2002, total provisions for bad and doubtful debts were DKr526m, against DKr521m at the beginning of the year.

As in previous years, the portfolio of properties acquired by Realkredit Danmark in the process of preventing losses was small. Fifty-one such properties were held at the end of 2002, against 54 at the beginning of the year. This number should be compared with the fact that Realkredit Danmark holds mortgages on more than 550,000 properties.

Arrears rates, a good indicator of prospective losses, remained largely unchanged during 2002, and were still very low at the end of the year. Three months after the last due date, arrears from the September 2002 payment date accounted for only 0.20% of the amounts due, which is unchanged from the same time the year before.

Market risk

Realkredit Danmark's Board of Directors defines the overall framework for interest rate, equity and exchange rate risks in accordance with the limits laid down in the Danish Mortgage Credit Act. Realkredit Danmark calculates, monitors and reports these risks on a current basis.

According to the Act, a fine balance must be maintained between the agreed future payments from borrowers and payments to bond holders. This balance between lending and financing eliminates the interest rate, foreign exchange and liquidity risks on most of Realkredit Danmark's assets and liabilities.

Interest rate risk

The interest rate risk expresses the maximum loss, measured in net present value, which Realkredit Danmark would incur at a one percentage point change in interest rates.

According to legislation, the difference between payments on mortgage loans and on

issued mortgage bonds may not result in an interest rate risk of more than 1% of Realkredit Danmark's capital base, that is DKr253m. At the end of 2002, this interest rate risk amounted to DKr21m, against DKr50m the year before.

The interest rate risk on the other assets and liabilities and on off-balance-sheet items, including in particular the investment portfolio, may not exceed 8% of the capital base, that is DKr2,025m, according to legislation. At the end of 2002, the interest rate risk on these items amounted to DKr172m, against DKr200m the year before.

Realkredit Danmark's total interest exposure was DKr193m at the end of 2002, equivalent to 0.8% of shareholders' equity. The year before, this interest rate risk totalled DKr250m.

Equity risk

The equity risk is calculated as the market value of Realkredit Danmark's equity portfolios. Internal limits have been set for the overall equity risk. At the end of 2002, the market value and hence the equity risk amounted to DKr271m, against DKr272m the year before. The holding consists exclusively of unlisted shares, etc.

Exchange rate risk

Realkredit Danmark has very small unhedged currency positions. The exchange rate risk is calculated in accordance with exchange rate indicator 2 of the Danish Financial Supervisory Authority and may, in accordance with legislation, not exceed 0.1% of the capital base, that is DKr25m. At the end of 2002, the exchange rate risk amounted to DKr1m, against DKr5m the year before.

Financial instruments

Realkredit Danmark employs financial instruments exclusively to hedge risks. In 2002,

Realkredit Danmark used mainly forward, futures, repo/reverse transactions and forward rate agreements. The market risks on these instruments are included in the risk calculations mentioned above.

Operational risk

Operational risk covers the risks inherent in mortgage lending. Two types of operational risk are monitored separately.

Business risk represents fluctuations in net income that are caused by external factors and cannot be ascribed directly to credit or market risk. The identification of these risks is based on experience gained both by Realkredit Danmark and by the entire mortgage finance sector and includes the risk of political intervention and economic trends.

Event risk is operational risk which can be attributed to specific, single events that may lead to unforeseen expenses or long-term disruption of business operations for Realkredit Danmark.

At the end of 2002, total operational risk is estimated to be at the same level as the year before.



Signatures

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report of Realkredit Danmark A/S for 2002.

The Annual Report has been presented in accordance with the Danish statutory provisions and accounting standards.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets and liabilities, shareholders' equity, financial position, net profit and cash flows.

The Annual Report will be submitted to the general meeting for approval.

Executive Board

Copenhagen, February 20, 2003

Sven Holm

Chairman of the Executive Board
and Chief Executive Officer

Thomas Mitchell

Member of the Executive Board

Board of Directors

Copenhagen, February 20, 2003

Jakob Brogaard

Chairman

Sven Lystbæk

Deputy Chairman

Morten Balling

Kent Christoffersen

Søren Hermansen

Jørgen Lund

Bent Maribo

Jørgen Mejlgård

Jesper Ovesen

Klaus Pedersen

Peder J. Pedersen

Jørgen Raaschou

Audit reports

Internal audit

We have audited the Annual Report of Realkredit Danmark A/S for the financial year from January 1 to December 31, 2002, presented by the Board of Directors and the Executive Board.

Basis of opinion

We conducted our audit in accordance with the executive order of the Danish Financial Supervisory Authority on auditing financial enterprises and financial groups and in accordance with Danish auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that financial information included in the Annual Report is free of material misstatement. In addition, the audit was conducted in accordance with the division of duties agreed with the external auditors, according to which the external auditors to the widest possible extent base their audit on the work performed by the internal auditors.

We planned and conducted our audit such that we have, during the year, assessed the business and control procedures, including the risk management processes implemented by the Board of Directors and the Executive Board, aimed at the Group's and the Parent Company's major business risks. In connection with the preparation of the Annual Report, the internal auditors have examined, on a test basis, evidence supporting financial disclosures in the Annual Report. Our audit includes assessing the accounting policies used and significant estimates made by the Board of Directors and the Executive Board. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2002, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year from January 1 to December 31, 2002, in accordance with the accounting provisions of Danish legislation.

Copenhagen, February 20, 2003

Jens Peter Thomassen
Group Chief Auditor

Poul-Erik Winther Nielsen
Senior Vice President

External audit

To the shareholders of Realkredit Danmark A/S

We have audited the Annual Report of Realkredit Danmark A/S for the financial year from January 1 to December 31, 2002, presented by the Board of Directors and the Executive Board.

Basis of opinion

We conducted our audit in accordance with Danish auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that financial information included in the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and financial disclosures in the Annual Report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and the Executive Board, as well as evaluating the overall presentation of financial information included in the Annual Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2002, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year from January 1 to December 31, 2002, in accordance with the accounting provisions of Danish legislation.

Copenhagen, February 20, 2003

Grant Thornton
Statsautoriseret
Revisionsaktieselskab

Svend Ørjan Jensen
State Authorised
Public Accountant

Erik Stener Jørgensen
State Authorised
Public Accountant

KPMG C.Jespersen

Årne Sivertsen
State Authorised
Public Accountant

Jakob Nyborg
State Authorised
Public Accountant



Accounting policies

General

The Annual Report has been prepared in compliance with the Danish Mortgage Credit Act and the executive order on the presentation of accounts by mortgage credit institutions as well as the Copenhagen Stock Exchange guidelines for issuers of listed securities and Danish accounting standards, except where otherwise provided by Danish legislation.

The Group has not changed its accounting policies from those followed in the annual accounts for 2001 apart from the accounting treatment of goodwill on acquisition, which was changed following the implementation of accounting standard No. 18. With effect from January 1, 2002, goodwill on acquisition will be capitalised and amortised over the economic life, however, not exceeding 20 years. According to the previous practice, goodwill was written off against equity in the year of acquisition. In accordance with the accounting standards, goodwill acquired before January 1, 2002, is not capitalised. Since the change affects only acquisitions made after January 1, 2002, and the Group did not make any acquisitions in 2002, there will be no effect on assets and liabilities, shareholders' equity, net profit and cash flows in 2002.

Realkredit Danmark A/S merged with five wholly-owned subsidiaries without activity at January 1, 2002, with Realkredit Danmark A/S as the continuing company. As the shares in the companies were valued using the equity method, the merger has not affected the net profit and shareholders' equity of Realkredit Danmark A/S. Total assets were reduced by DKr19m corresponding to the total shareholders' equity of the subsidiaries booked as a claim on the Parent Company. Due to the insignificant size of the amount, comparative figures have not been restated.

Principles of consolidation

The consolidated accounts comprise the accounts of Realkredit Danmark A/S and of companies in which the Group holds more than 50% of the voting rights. Undertakings acquired in the process of preventing losses are not consolidated.

The consolidated accounts are prepared by consolidating items of the same nature and eliminating intra-group income and expenses, share holdings and accounts. Consolidated accounts are prepared in accordance with the Group's accounting policies.

Companies acquired are included in the consolidated accounts as from the acquisition date. New acquisitions are made up at their net asset value at the date of acquisition in compliance with the Group's accounting policies. If the purchase price exceeds the net asset value, remaining positive differences (goodwill on acquisition) are capitalised and amortised over the economic life of the asset, however, not exceeding 20 years.

The profit or loss of subsidiaries disposed of is included in the profit and loss account until the date of disposal. Any gains or losses on sales of subsidiaries are calculated as the difference between the sales amount and the net asset value at which they are recorded in the subsidiary undertakings at the date of disposal with the addition of any unamortised goodwill or goodwill previously charged directly to shareholders' equity in the year of acquisition. Any gains or losses calculated are included in the profit and loss account under "Other operating income" or "Other operating expenses".

Translation of foreign currencies

Assets and liabilities in foreign currency are expressed in Danish kroner at the rates of exchange published by Danmarks Nationalbank at the end of the year. Currencies for which Danmarks Nationalbank does not publish rates

of exchange are stated at estimated rates of exchange.

Income and expenses in foreign currencies are translated into Danish kroner using the exchange rates prevailing at the time of booking.

Income recognition

Income and expenses are accrued over the lifetime of the transactions and included in the profit and loss account with the amounts relevant to the accounting period. Fees are normally taken to income when received.

Lending and amounts due from credit institutions and central banks

The assets, including mortgage loans, lease assets and financial instruments, are subject to continuous critical evaluation to identify potential risks. Identified losses, including those relating to payment problems in heavily indebted and politically unstable countries, are charged to expense in the profit and loss account under "Provisions for bad and doubtful debts" either as realised losses or as loss provisions. When a loss is considered to be realised, the corresponding provisions are transferred from the provisions account and the loss is written off.

Mortgage loans

Mortgage loans are booked in the balance sheet under the item "Lending" at nominal value, i.e. inclusive of the amortisation account for cash loans. Index-linked loans are stated on the basis of the December 31 index. Other loans (reserve fund mortgages, etc.) are stated at cost or at an estimated lower value.

Lease assets

Lease assets are included in the balance sheet under "Lending" and are valued at cost less depreciation. Depreciation is computed, using the actuarial method taking into account the residual useful life of each asset. Thus, the

acquisition price less any estimated residual value is written off over the lease period.

Current income from lease assets (lease rentals less depreciation) is stated under "Interest income". Profits or losses on the sale of lease assets at expiry are booked under "Other operating income".

Repo and reverse transactions

In connection with repo transactions, which consist of a sale of securities to be repurchased at a later date, the securities remain on the balance sheet and are subject to interest payment and value adjustment. The amounts received are carried as a liability and specified in the notes. Purchases of securities to be resold at a later date, called reverse transactions, are included as loans and advances secured by the securities in question and are specified in the notes.

Securities (current investments)

Listed securities, including the Group's holdings of own bonds, are stated at the market value at the end of the year.

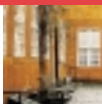
Unlisted securities are stated at the lower of cost or market value at the balance sheet date.

The calculated value adjustments are included in the profit and loss account under "Securities and foreign exchange income" and specified in the notes.

Holdings in associated undertakings and other significant holdings

Holdings in associated undertakings comprise shares and other holdings constituting shareholders' equity in companies in which the Group holds not less than 20% and not more than 50% of the voting rights and also has a significant influence on the company's financial management and operations.

Other significant holdings comprise holdings representing an interest of not less than 20%



and not more than 50% in companies that are not associated undertakings due to limitations on voting rights, etc.

Holdings in associated undertakings and other significant holdings are, as a general rule, valued using the equity method. The proportionate share of the profit after tax of the individual undertakings is taken up under "Income from associated and subsidiary undertakings". However, some holdings are assessed at a lower value on the basis of a conservative estimate.

Holdings in subsidiary undertakings

Holdings in subsidiary undertakings comprise shares and other holdings constituting shareholders' equity in companies in which the Group holds more than 50% of the voting rights.

Shares in subsidiary undertakings are valued using the equity method. The proportionate share of the pre-tax profit or loss of the individual companies is included under "Income from associated and subsidiary undertakings". The proportionate tax charge from the undertakings is included under "Tax".

Intangible assets

Intangible assets, including lease premiums, franchise rights and leasehold improvements, are charged fully to expense in the year of acquisition.

Goodwill acquired after January 1, 2002, is recognised at cost less amortisation and write-downs. Amortisation is made according to the straight-line method over the expected useful life of the goodwill, although only up to a maximum of 20 years.

Tangible assets

Own properties and property improvements are stated at cost less any depreciation and write-downs.

Own properties whose market value, at a conservative estimate, is considerably higher than the cost price are revalued to the higher value if this higher value is considered to be of a permanent nature and does not exceed the public valuation. The revaluation is recorded as a revaluation reserve under shareholders' equity.

Property is written off using the straight-line method on the basis of the property's expected scrap value and its estimated useful life not exceeding 50 years.

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 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 are entered in the balance sheet at cost less depreciation using the straight-line method. Depreciation is based on the estimated useful life of the asset, although only up to a maximum of three years. IT equipment acquired at a price of less than Dkr100,000 is written off fully in the year of acquisition.

Derivatives

Derivatives are entered at market value. The positive or negative gross market value is stated under "Other assets" and "Other liabilities" irrespective of any netting agreements.

Derivatives employed to cover the interest rate risk on fixed-rate assets or fixed-rate liabilities are not included in the balance sheet but are specified in the notes.

Interest in connection with interest rate and currency swaps, and premiums on forward securities and foreign exchange transactions are included under "Interest income" and calculated changes in the market value are entered in the

profit and loss account under “Securities and foreign exchange income” and specified in the notes.

Tax

Realkredit Danmark A/S is jointly taxed with the parent company, Danske Bank A/S, and the majority of the bank’s Danish subsidiaries that have been wholly owned for the full year.

The calculated Danish tax on the profit for the year is allocated to the jointly-taxed Danish companies in accordance with the full allocation method. The expected tax on the profit for the year is expensed under “Tax”.

The jointly taxed companies pay corporation tax under the scheme for payment of tax on account.

Issued bonds

Bonds issued are stated in the balance sheet at nominal value.

Index-linked bonds are stated on the basis of the December 31 index.

Deferred tax

Deferred tax resulting from timing differences between the booking of income/charges for tax and for accounting purposes, as the case may be, are posted to the balance sheet and shown as a liability under “Provisions for obligations” or as an asset under “Other assets”. Deferred tax is based on the statutory tax rates. Changes in deferred tax during the year are expensed or recorded as income, as appropriate, in the profit and loss account.

Pension commitments

The Group’s pension commitments are covered by payments made to insurance companies, pension funds, etc. Such payments are expensed when they are made.

Cash flow statement

The cash flow statement shows the cash flow from operating activities, cash flow from investing activities, movements in mortgage loans and other loans, and movements in deposits and other funding. Moreover, the statement shows cash and cash equivalents at the beginning and at the 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 and reverse transactions and purchases and sales of tangible and intangible fixed assets.

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

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

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

Intercompany trading

Realkredit Danmark is a member of the Danske Bank Group, which consists of a number of independent legal entities. Intra-group transactions and services are settled on market terms or on a cost reimbursement basis. Except for insignificant transactions, all transactions are based on contracts between the entities.



Profit and loss account

January 1 - December 31

DKr m	Note	Realkredit Danmark Group		Realkredit Danmark A/S	
		2002	2001	2002	2001
2, 9	Interest income	28,734	29,807	28,728	29,803
3	Interest expense	25,209	26,390	25,209	26,391
	Net interest income	3,525	3,417	3,519	3,412
9	Dividends from shares, etc.	-	18	-	18
9	Fee and commission income	707	500	707	499
	Fees and commissions paid	405	368	405	368
	Net interest and fee income	3,827	3,567	3,821	3,561
4, 9	Securities and foreign exchange income	178	194	178	194
9	Other operating income	139	165	42	65
5	Staff costs and administrative expenses	1,411	1,412	1,336	1,282
	Depreciation and write-downs	18	21	16	19
	Other operating expenses	6	1	6	1
6	Provisions for bad and doubtful debts	-74	-33	-74	-34
7	Income from associated and subsidiary undertakings	29	23	55	-4
1	Profit on ordinary operations before tax	2,812	2,548	2,812	2,548
8	Tax	822	621	822	621
	Net profit for the year	1,990	1,927	1,990	1,927
Proposal for allocation of profits					
	Net profit for the year			1,990	1,927
	Total amount to be allocated			1,990	1,927
	Profit retained			1,990	1,927
	Total allocation			1,990	1,927

Balance sheet

at December 31

DKr m Note	Realkredit Danmark Group		Realkredit Danmark A/S		
	2002	2001	2002	2001	
Assets					
	Cash in hand and demand deposits with central banks	4,218	6	4,218	6
10	Due from credit institutions and deposits with central banks	28,956	35,780	28,923	35,775
	Lending:				
	Mortgage loans	468,953	447,997	468,953	447,997
	Other loans	461	550	433	525
11	Total lending	469,414	448,547	469,386	448,522
12,14	Bonds	132,436	106,704	132,436	106,704
13,14	Shares, etc.	25	4	25	4
15	Holdings in associated undertakings, etc.	237	260	237	260
16	Holdings in subsidiary undertakings	9	8	100	100
18	Tangible assets	711	717	710	716
19	Other assets	6,555	6,616	6,510	6,570
	Prepayments	20	1	19	-
	Total assets	642,581	598,643	642,564	598,657
Liabilities					
20	Due to credit institutions and central banks	31,259	22,222	31,259	22,222
21	Issued bonds	567,912	536,352	567,912	536,352
22	Other liabilities	17,330	15,894	17,313	15,908
23	Provisions for obligations	832	921	832	921
24	Shareholders' equity:				
	Share capital	625	625	625	625
	Reserves:				
	Reserves in series	3,811	7,516	3,811	7,516
	Other reserves	20,812	15,113	20,812	15,113
	Total shareholders' equity	25,248	23,254	25,248	23,254
25	Total liabilities	642,581	598,643	642,564	598,657
Off-balance-sheet items					
26	Guarantees, etc.	6	6	6	6
27	Other commitments	1,145	117	1,133	109
	Total	1,151	123	1,139	115



Cash flow statement

January 1 - December 31

DKr m	Realkredit Danmark Group	
	2002	2001
Cash flow from operations		
Profit before tax	2,812	2,548
Adjustment for non-cash items in the profit and loss account:		
Market value adjustment of securities	-306	-193
Depreciation and write-downs, etc.	18	21
Decrease (-)/increase in provisions for bad and doubtful debts	5	-36
Tax paid	-830	-585
Increase(-)/decrease in outstanding amounts, etc.	36	-4,470
Decrease(-)/increase in amounts owed, etc.	941	6,322
Total	2,676	3,607
Cash flow from investing activities		
Purchase(-)/sale of securities	-25,421	-29,195
Change in repo and reverse transactions	13,957	12,735
Increase(-)/decrease in other loans	45	228
Net investment in other fixed assets	-14	-13
Total	-11,433	-16,245
Increase(-)/decrease in mortgage lending	-20,923	-27,832
Increase/decrease(-) in funding	31,560	65,142
Cash flow from financing		
Redemption of subordinated debt	-	-3,000
Total	-	-3,000
Movements in cash and cash equivalents	1,880	21,672
Cash and cash equivalents at January 1	30,252	8,531
Cash and cash equivalents in the merged companies	-	49
Cash and cash equivalents at December 31	32,132	30,252
Cash and cash equivalents at December 31 comprise:		
Cash in hand and at bank, etc.	4,218	6
Due from credit institutions and deposits with central banks	28,956	35,780
Of which reverse transactions	-1,042	-5,534
Total cash and cash equivalents at December 31	32,132	30,252

The cash flow statement for 2001 has been prepared on the basis of the merger opening balance sheet.

Notes to the accounts

DKr m

Note

1. **Core earnings and earnings from investment portfolios of the Realkredit Danmark Group**

	2002				Total*
	Core earnings	Merger costs	Eliminations	Earnings from investment portfolios	
Contribution income	2,094	-	-	-	2,094
Net interest income	1,219	-	-	212	1,431
Dividends from shares, etc.	-	-	-	-	-
Fee and commission income	175	-	127	-	302
Net interest and fee income	3,488	-	127	212	3,827
Securities and foreign exchange income	141	-	-	37	178
Other operating income	139	-	-	-	139
Staff costs and administrative expenses	1,263	17	127	4	1,411
Depreciation and write-downs	18	-	-	-	18
Other operating expenses	6	-	-	-	6
Provisions for bad and doubtful debts	-74	-	-	-	-74
Income from associated and subsidiary undertakings	-	-	-	29	29
Profit on ordinary operations before tax	2,555	-17	-	274	2,812
	2001				Total*
	Core earnings	Merger costs	Eliminations	Earnings from investment portfolios	
Contribution income	1,973	-	-	-	1,973
Net interest income	1,342	-	-	102	1,444
Dividends from shares, etc.	-	-	-	18	18
Fee and commission income	132	-	-	-	132
Net interest and fee income	3,447	-	-	120	3,567
Securities and foreign exchange income	187	-	-	7	194
Other operating income	165	-	-	-	165
Staff costs and administrative expenses	1,293	115	-	4	1,412
Depreciation and write-downs	21	-	-	-	21
Other operating expenses	1	-	-	-	1
Provisions for bad and doubtful debts	-33	-	-	-	-33
Income from associated and subsidiary undertakings	-	-	-	23	23
Profit on ordinary operations before tax	2,517	-115	-	146	2,548

* The statutory accounting format of the Danish Financial Supervisory Authority

As of 2002, the business area Mortgage Finance in the Danske Bank Group is identical to the activities of the Realkredit Danmark Group. In Danske Bank's Annual Report for 2002, core earnings before provisions for bad and doubtful debts for the business area Mortgage Finance are stated at DKr2,195m, compared with DKr2,481m in Realkredit Danmark. In order to make business areas in the Danske Bank Group comparable, interest income for a business area is calculated on the basis of the area's risk-weighted items. The difference in core earnings of DKr286m between the business area Mortgage Finance and Realkredit Danmark is mainly due to the fact that the calculated basis for return on capital for the business area is lower than Realkredit Danmark's shareholders' equity.

In 2002, several of the Danske Bank Group's administrative functions relating to mortgage finance were gathered at Realkredit Danmark. In this connection, 200 employees were transferred from Danske Bank to Realkredit Danmark. Realkredit Danmark still pays fees to Danske Bank to cover, among other things, the costs of this administration. Danske Bank therefore reimburses Realkredit Danmark for these costs. For 2002, reimbursements from Danske Bank totalled DKr127m, which have been set off against costs in the statement of core earnings and earnings from investment portfolios. In the official accounts the refund is included under fees.



Notes to the accounts

DKr m Note	Realkredit Danmark Group		Realkredit Danmark A/S	
	2002	2001	2002	2001
2. Interest income				
Due from credit institutions and deposits with central banks	920	807	919	805
Lending	24,606	25,623	24,602	25,621
Contribution income	2,094	1,973	2,094	1,973
Bonds:				
Own mortgage bonds	459	613	459	613
Other mortgage bonds	70	234	70	234
Government bonds	414	432	414	432
Other bonds	-	3	-	3
Derivatives:				
Interest rate contracts	63	14	63	14
Other interest income	108	108	107	108
Total	28,734	29,807	28,728	29,803
Of which interest income on reverse transactions recorded under:				
Due from credit institutions and deposits with central banks	133	105	133	105
3. Interest expense				
Due to credit institutions and central banks	170	149	170	149
Issued bonds	24,968	26,083	24,968	26,083
Reimbursement of commitment fees, etc.	50	57	50	57
Subordinated debt	-	89	-	89
Other interest expense	21	12	21	13
Total	25,209	26,390	25,209	26,391
Of which interest expense on repo transactions recorded under:				
Due to credit institutions and central banks	145	132	145	132
4. Securities and foreign exchange income				
Bonds:				
Own mortgage bonds	250	160	250	160
Other mortgage bonds	4	-35	4	-35
Government bonds	3	-13	3	-13
Other bonds	-	-1	-	-1
Shares, etc.	3	32	3	32
Fixed interest loans, etc.	16	-2	16	-2
Foreign currency	8	5	8	5
Derivatives:				
Interest rate contracts	-106	48	-106	48
Total	178	194	178	194

DKr m Note	Realkredit Danmark Group		Realkredit Danmark A/S	
	2002	2001	2002	2001
5.	Staff costs and administrative expenses			
	Salaries and remuneration of Board of Directors, Executive Board and local councils:			
Executive Board	5	6	5	6
Board of Directors	1	1	1	1
Local councils	4	4	4	4
Total	10	11	10	11
	Staff costs:			
Salaries	487	514	472	448
Pension costs	55	53	53	51
Financial services employer tax, etc.	49	45	49	45
Total	591	612	574	544
	810	789	752	727
	1,411	1,412	1,336	1,282
Salaries include severance expenses in connection with merger of	17	102	17	63
In 2002, the Executive Board members and some managers were allotted 32,000 and 40,000 share options, respectively, at a price of 140.84. In addition, the Executive Board members were allotted 1,894 and other employees 5,620 rights to purchase conditional shares.				
Average number of employees for the accounting year, full-time equivalents:				
Consolidated companies	1,066	954	1,032	922
Non-consolidated companies	1	1	1	1
Aggregate fees to the external accounting firms which perform the statutory audit	2	2	2	2
Of which in respect of non-audit services	1	1	1	1
In addition to these fees, considerable costs were incurred in operating the Company's internal audit department.				



Notes to the accounts

DKr m	Note	Realkredit Danmark Group		Realkredit Danmark A/S	
		2002	2001	2002	2001
	6. Provisions for bad and doubtful debts (- denotes income)				
	Losses with prior provisions	40	33	38	33
	Losses without prior provisions	25	22	25	22
	Recovery of debt previously written off	144	53	144	53
	Movements in provisions:				
	Provisions, beginning of year	521	556	518	554
	Provisions, end of year	526	521	525	518
	Total	-74	-33	-74	-34
	Provisions for loans and guarantees as a percentage of loans and guarantees at year-end	0.1%	0.1%	0.1%	0.1%
	7. Income from associated and subsidiary undertakings				
	Income from associated undertakings, etc.	28	23	28	23
	Income from subsidiary undertakings	1	-	27	-27
	Total	29	23	55	-4
	8. Tax (- denotes income)				
	Estimated tax charge on profit for the year	747	658	747	658
	Deferred tax	23	-35	23	-35
	Adjustments of prior-year tax charge	48	-7	48	-7
	Tax on provisions	4	5	4	5
	Total	822	621	822	621
	The effective tax rate is calculated as follows:				
	The statutory tax rate of the Realkredit Danmark Group	30.0%	30.0%	30.0%	30.0%
	Deviation as a result of joint taxation with Danske Bank	-1.9%	-4.2%	-1.9%	-4.2%
	Readjustment of prior-year tax charge	1.7%	-0.3%	1.7%	-0.3%
	Other	-0.6%	-1.1%	-0.6%	-1.1%
	Effective tax rate	29.2%	24.4%	29.2%	24.4%
	9. Income broken down by country				
	Total interest income, dividends on shares, fee and commission income, securities and foreign exchange income and other operating income broken down geographically:				
	Denmark	29,754	30,678	29,651	30,573
	Other countries	4	6	4	6
	Total	29,758	30,684	29,655	30,579

DKr m Note	Realkredit Danmark Group		Realkredit Danmark A/S	
	2002	2001	2002	2001
10.	Due from credit institutions and deposits with central banks			
	17,439	16,185	17,439	16,185
	11,517	19,595	11,484	19,590
	28,956	35,780	28,923	35,775
	Of which:			
	1,042	5,534	1,042	5,534
	7,460	-	7,460	-
	Breakdown by term to maturity			
	7,987	11,141	7,954	11,136
	20,547	23,299	20,547	23,299
	422	1,340	422	1,340
	28,956	35,780	28,923	35,775
11.	Lending			
	468,953	447,997	468,953	447,997
	234	279	234	279
	227	271	199	246
	469,414	448,547	469,386	448,522
	Breakdown by term to maturity			
	299	401	299	401
	57,432	52,173	57,429	52,171
	24,658	21,103	24,651	21,097
	86,090	72,369	86,075	72,355
	300,935	302,501	300,932	302,498
	469,414	448,547	469,386	448,522
	Loans, etc. to management			
	Loans, pledges, sureties or guarantees established for members of:			
	4	2	4	2
	9	10	9	10

To be continued overleaf



Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2002	2001	2002	2001
Note				
11. <i>Continued</i>				
Mortgage loans				
Balance, beginning of year	448,281	341,425	448,281	323,203
Additions on merger	-	79,014	-	97,236
New loans	109,956	113,239	109,956	113,239
Index adjustment	977	1,626	977	1,626
Exchange rate adjustment	-25	-28	-25	-28
Ordinary repayments	16,292	15,048	16,292	15,048
Redemptions and extraordinary repayments	73,700	71,947	73,700	71,947
Balance, end of year ¹⁾	469,197	448,281	469,197	448,281
Loans transferred to foreclosed properties	33	65	33	65
Loan provisions	369	370	369	370
Loans taken over by the Danish Financial Administration Agency	158	151	158	151
Total	468,953	447,997	468,953	447,997
¹⁾ Of which amortisation accounts for cash loans	15,339	17,092	15,339	17,092
Total sum of mortgage deed principals	523,529	495,366	523,529	495,366
Number of loans	702,796	726,511	702,796	726,511
Apart from being backed by mortgages on properties, the Company's loans are backed by government, municipal and insurance guarantees of	20,748	20,490	20,748	20,490
Furthermore, pass books, bonds and guarantees have been lodged as supplementary security in the amount of	40,142	42,052	40,142	42,052
In addition, the Company has received various declarations of indemnification without specification of amounts.				
Outstanding amounts in respect of non-foreclosures				
Arrears	252	290	252	290
Outlays	75	68	75	68
Loan provisions	93	79	93	79
Total	234	279	234	279
In arrears at mid-January	132	118	132	118
Mortgage loans broken down by property category				
Owner-occupied dwellings	60%	59%	60%	59%
Holiday homes	2%	2%	2%	2%
Subsidised residential rental property	15%	16%	15%	16%
Private residential rental property	6%	6%	6%	6%
Industrial and skilled trades property	3%	3%	3%	3%
Office and retail property	6%	7%	6%	7%
Agricultural property, etc.	5%	5%	5%	5%
Property for social, cultural and training activities	2%	2%	2%	2%
Other property	1%	-	1%	-
Total	100%	100%	100%	100%

DKr m Note	Realkredit Danmark Group		Realkredit Danmark A/S	
	2002	2001	2002	2001
12. Bonds				
Own mortgage bonds	115,450	80,242	115,450	80,242
Other mortgage bonds	11,926	17,347	11,926	17,347
Government bonds	5,060	9,115	5,060	9,115
Total	132,436	106,704	132,436	106,704
Of which:				
Drawn bonds	52,962	42,448	52,962	42,448
Separated Danish bonds to be used for drawing bonds for redemption at par Security has been provided to Danmarks Nationalbank by way of bonds with a book value of	8,323	7,277	8,323	7,277
Bonds sold in connection with repo transactions	13,598	2,783	13,598	2,783
Unsettled reverse transactions	31,198	21,993	31,198	21,993
Unsettled repo transactions	-	192	-	192
	28	-	28	-
13. Shares, etc.				
Other shares, etc.	25	4	25	4
Total	25	4	25	4
14. Current asset investments				
Current asset investments valued at market value	132,436	106,708	132,436	106,708
Difference between the purchase price of current asset investments valued at market value and the higher market value at the valuation date	651	295	651	295



Notes to the accounts

DKr m	Note	Realkredit Danmark Group		Realkredit Danmark A/S	
		2002	2001	2002	2001
	15. Holdings in associated undertakings, etc.				
	Other undertakings	237	260	237	260
	Total	237	260	237	260
	Cost, beginning of year	278	528	278	528
	Addition on merger	-	5	-	5
	Additions	6	-	6	-
	Disposals	85	255	85	255
	Cost, end of year	199	278	199	278
	Revaluation and write-downs, beginning of year	-18	-6	-18	-6
	Addition on merger	-	1	-	1
	Result	28	23	28	23
	Dividends	4	3	4	3
	Other capital movements	4	-	4	-
	Reversal of revaluation and write-downs	28	-33	28	-33
	Revaluation and write-downs, end of year	38	-18	38	-18
	Book value, end of year	237	260	237	260
	16. Holdings in subsidiary undertakings				
	Other undertakings	9	8	100	100
	Total	9	8	100	100
	Cost, beginning of year	13	14	279	995
	Additions	-	-	-	37
	Disposal on merger	-	-	20	-
	Disposals	-	1	-	753
	Cost, end of year	13	13	259	279
	Revaluation and write-downs, beginning of year	-5	-5	-179	-144
	Result after tax, net	1	-	20	-20
	Other movements in capital	-	-	-	-2
	Reversal of revaluation and write-downs	-	-	-	-13
	Revaluation and write-downs, end of year	-4	-5	-159	-179
	Book value, end of year	9	8	100	100

DKr m Note	Realkredit Danmark Group		Realkredit Danmark A/S	
	2002	2001	2002	2001
17. Intangible assets				
Intangible assets solely comprise leasehold improvements.				
Cost, beginning of year	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Cost, end of year	-	-	-	-
Amortisation and write-downs, end of year	-	-	-	-
Book value, end of year	-	-	-	-
Other intangible assets charged to income in the year of acquisition	5	6	5	6
18. Tangible assets				
Own properties	667	671	667	671
Foreclosed properties	33	35	33	35
Machinery and equipment	11	11	10	10
Total	711	717	710	716
Own properties				
Cost, beginning of year	993	994	993	994
Additions	15	3	15	3
Disposals	13	4	13	4
Cost, end of year	995	993	995	993
Depreciation and write-downs, beginning of year	322	318	322	318
Depreciation during the year	6	4	6	4
Write-downs during the year	10	-	10	-
Reversal of depreciation and write-downs	10	-	10	-
Depreciation and write-downs, end of year	328	322	328	322
Book value, end of year	667	671	667	671
Most recent public property assessment	570	524	570	524

To be continued overleaf



Notes to the accounts

DKr m Note	Realkredit Danmark Group		Realkredit Danmark A/S	
	2002	2001	2002	2001
18. <i>Continued</i>				
Machinery and equipment				
Cost, beginning of year	98	95	93	88
Addition on merger	-	3	-	4
Additions	4	4	3	4
Disposals	3	4	3	3
Cost, end of year	99	98	93	93
Depreciation and write-downs, beginning of year	87	81	83	75
Addition on merger	-	1	-	4
Depreciation during the year	3	7	2	6
Reversal of depreciation and write-downs	2	2	2	2
Depreciation and write-downs, end of year	88	87	83	83
Book value, end of year	11	11	10	10
Machinery and equipment charged to income in the year of acquisition	4	4	3	3
19. Other assets				
Interest, etc., due on mortgage loans	64	104	64	104
Other interest due	5,161	4,870	5,161	4,870
Positive market value of derivatives	395	192	395	192
Deferred tax	187	198	174	185
Other debtors, etc.	748	1,252	716	1,219
Total	6,555	6,616	6,510	6,570
20. Due to credit institutions and central banks				
Due to credit institutions	31,259	22,222	31,259	22,222
Total	31,259	22,222	31,259	22,222
Of which repo transactions	31,175	22,024	31,175	22,024
Breakdown by term to maturity				
On demand	84	198	84	198
Up to and including 3 months	31,175	22,024	31,175	22,024
Total	31,259	22,222	31,259	22,222

DKr m Note	Realkredit Danmark Group		Realkredit Danmark A/S	
	2002	2001	2002	2001
21. Issued bonds				
This item solely comprises issued mortgage bonds.				
Balance, beginning of year	536,352	388,114	536,352	388,114
Addition on merger	-	83,096	-	83,096
Additions	173,884	158,800	173,884	158,800
Index adjustment	980	1,630	980	1,630
Exchange rate adjustment	-32	-42	-32	-42
Drawings and prepayments	103,318	65,091	103,318	65,091
Redemptions and extraordinary repayments	39,954	30,155	39,954	30,155
Balance, end of year	567,912	536,352	567,912	536,352
Of which pre-issued	67,437	45,743	67,437	45,743
Drawn on January 2, 2003, or in 2002	90,704	83,140	90,704	83,140
Of which to be re-funded	62,974	48,829	62,974	48,829
Net drawing	27,730	34,311	27,730	34,311
Breakdown by term to maturity				
Up to and including 3 months	92,163	83,140	92,163	83,140
Over 3 months and up to and including 1 year	52,867	34,778	52,867	34,778
Over 1 year and up to and including 5 years	190,159	139,554	190,159	139,554
Over 5 years	232,723	278,880	232,723	278,880
Total	567,912	536,352	567,912	536,352
22. Other liabilities				
Interest due on issued mortgage bonds	14,268	13,413	14,268	13,413
Other interest due	1,240	786	1,240	786
Negative market value of derivatives	141	116	141	116
Repurchase obligation, reverse transactions	314	-	314	-
Tax payable	77	100	77	100
Other creditors	1,290	1,479	1,273	1,493
Total	17,330	15,894	17,313	15,908
23. Provisions for obligations				
Reserves in series subject to a reimbursement obligation	832	921	832	921
Total	832	921	832	921



Notes to the accounts

DKr m	Share capital	Reserves in series	Other reserves	Total 2002	Total 2001
Note					
24. Shareholders' equity					
Realkredit Danmark A/S' share capital of DKr625m comprises 6,250,000 shares of DKr100 each. The share capital is wholly owned by Danske Bank A/S.					
Movements in shareholders' equity:					
Balance, beginning of year	625	7,516	15,113	23,254	17,320
Addition on merger	-	-	-	-	4,009
Transfer of reserves in C series	-	-2,237	2,237	-	-
Amortisation of intangible assets	-	-	-	-	-2
Deferred tax relating to associated undertaking	-	-	4	4	-
Allocated as per allocation of profits	-	296	1,694	1,990	1,927
Transferred from series with surplus coverage	-	-1,764	1,764	-	-
Balance, end of year	625	3,811	20,812	25,248	23,254

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2002	2001	2002	2001
25. Capital base and solvency				
Capital base				
Core capital, less statutory deductions	25,061	23,055	25,073	23,068
Reserves in series subject to a reimbursement obligation	255	352	255	352
Total supplementary capital	255	352	255	352
Total capital base, less statutory deductions	25,316	23,407	25,328	23,420
Weighted items				
not included in trading portfolio	241,147	230,085	241,155	230,123
with market risk included in trading portfolio	2,790	2,686	2,784	2,686
Total weighted items	243,937	232,771	243,939	232,809
Core (tier 1) capital ratio, %	10.27	9.91	10.28	9.91
Solvency ratio, %	10.38	10.06	10.38	10.06
Statutory minimum solvency requirement, %	8.00	8.00	8.00	8.00
26. Guarantees, etc.				
Other guarantees	6	6	6	6
Total	6	6	6	6
27. Other commitments				
Irrevocable credit commitments, reverse mortgages	1,012	-	1,012	-
Other commitments	133	117	121	109
Total	1,145	117	1,133	109

Note

28. **Contingent liabilities**

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

The Company is jointly and severally liable for the corporation tax of the jointly taxed companies. The Company is registered jointly with all major Danish subsidiaries of the Danske Bank Group in relation to financial services employer tax and VAT for which it is jointly and severally liable.



Notes to the accounts

Note

29. **Derivatives**

Specified by remaining life

Realkredit Danmark Group DKr m	3 months and below		Over 3 months to 1 year		Over 1 year to 5 years	
	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value
Currency contracts						
Forwards/futures bought	39	-	-	-	-	-
Forwards/futures sold	-	-	-	-	-	-
Interest rate contracts						
Forwards/futures bought	88,417	387	160	3	-	-
Forwards/futures sold	61,614	-130	54	-1	-	-
FRAAs bought	-	-	-	-	-	-
FRAAs sold	-	-	-	-	-	-

Realkredit Danmark Group DKr m	Total 2002		Total 2001		Total 2002		Total 2001	
	Notional amount	Net market value	Notional amount	Net market value	Market value		Market value	
					Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	39	-	213	-	-	-	-	-
Forwards/futures sold	-	-	2	-	-	-	-	-
Interest rate contracts								
Forwards/futures bought	88,577	390	72,267	58	392	2	123	65
Forwards/futures sold	61,668	-131	50,046	5	-	131	50	45
FRAAs bought	-	-	400	-2	-	-	-	2
FRAAs sold	-	-	400	1	-	-	1	-
Total net market value		259		62	392	133	174	112

Specified by remaining life

Realkredit Danmark A/S DKr m	3 months and below		Over 3 months to 1 year		Over 1 year to 5 years	
	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value
Currency contracts						
Forwards/futures bought	39	-	-	-	-	-
Forwards/futures sold	-	-	-	-	-	-
Interest rate contracts						
Forwards/futures bought	88,417	387	160	3	-	-
Forwards/futures sold	61,614	-130	54	-1	-	-
FRAAs bought	-	-	-	-	-	-
FRAAs sold	-	-	-	-	-	-

Realkredit Danmark A/S DKr m	Total 2002		Total 2001		Total 2002		Total 2001	
	Notional amount	Net market value	Notional amount	Net market value	Market value		Market value	
					Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	39	-	213	-	-	-	-	-
Forwards/futures sold	-	-	2	-	-	-	-	-
Interest rate contracts								
Forwards/futures bought	88,577	390	72,267	58	392	2	123	65
Forwards/futures sold	61,668	-131	50,046	5	-	131	50	45
FRAAs bought	-	-	400	-2	-	-	-	2
FRAAs sold	-	-	400	1	-	-	1	-
Total net market value		259		62	392	133	174	112

Note

29. **Derivatives**

(continued)

Realkredit Danmark Group DKr m	2002 Average market value		2001 Average market value		2002 Market value of non- guaranteed contracts		2001 Market value of non- guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	-	-	-	-	-	-	-	-
Forwards/futures sold	-	-	-	-	-	-	-	-
Interest rate contracts								
Forwards/futures bought	121	2	70	8	392	2	123	65
Forwards/futures sold	2	27	5	33	-	131	50	45
FRAs bought	-	-	-	6	-	-	-	2
FRAs sold	-	-	2	-	-	-	1	-
Total net market value	123	29	77	47	392	133	174	112
Total after netting					259		62	

Realkredit Danmark A/S DKr m	2002 Average market value		2001 Average market value		2002 Market value of non- guaranteed contracts		2001 Market value of non- guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	-	-	-	-	-	-	-	-
Forwards/futures sold	-	-	-	-	-	-	-	-
Interest rate contracts								
Forwards/futures bought	121	2	70	8	392	2	123	65
Forwards/futures sold	2	27	5	33	-	131	50	45
FRAs bought	-	-	-	6	-	-	-	2
FRAs sold	-	-	2	-	-	-	1	-
Total net market value	123	29	77	47	392	133	174	112
Total after netting					259		62	

Average market value is calculated on a daily basis.

Unsettled spot transactions

Realkredit Danmark Group DKr m	Notional amount	Market value		Total 2002 Net market value
		Positive	Negative	
Interest rate transactions bought	1,021	2	-	2
Interest rate transactions sold	13,597	1	8	-7
Total	14,618	3	8	-5
Total 2001	16,093	18	4	14

Realkredit Danmark A/S DKr m	Notional amount	Market value		Total 2002 Net market value
		Positive	Negative	
Interest rate transactions bought	1,021	2	-	2
Interest rate transactions sold	13,597	1	8	-7
Total	14,618	3	8	-5
Total 2001	16,093	18	4	14



Notes to the accounts

DKr m

Note

30. **Intra-group transactions**

No unusual transactions have taken place with associated and subsidiary undertakings in 2002.

In 2002, Realkredit Danmark A/S made the following major intra-group transactions with companies directly or indirectly linked to the Company:

Realkredit Danmark A/S has paid fees, etc., for the arrangement and guarantee of mortgage loans.

Realkredit Danmark A/S carries out tasks relating to the administration of mortgage loans for Danske Bank A/S. Danske Bank A/S reimburses Realkredit Danmark A/S for costs in this connection.

The Company's IT administration and development, portfolio management and property administration are handled by Danske Bank A/S, which receives a consideration for this.

Realkredit Danmark A/S has received and paid interest and fees on outstanding accounts with Danske Bank A/S and it has paid commission to home a/s.

31. **Due from and due to subsidiary and associated undertakings**

	Subsidiary undertakings		Associated undertakings	
	2002	2001	2002	2001
Amounts due to Realkredit Danmark A/S from subsidiary and associated undertakings, etc., and amounts due from the Company to these undertakings:				
Due from credit institutions	9,852	17,239	-	-
Lending	60	9	2,123	2,168
Other assets	-	1	-	-
Total	9,912	17,249	2,123	2,168
Due to credit institutions	29,479	21,331	-	-
Other liabilities	-	26	-	-
Total	29,479	21,357	-	-

	2002	2001	2000	1999	1998
Note					
32. Financial highlights for the parent company, Realkredit Danmark A/S					
PROFIT AND LOSS ACCOUNT (DKr m)					
Net interest income	3,519	3,412	2,420	2,636	2,758
Dividends from shares, etc.	-	18	14	16	13
Fee and commission income, net	302	131	175	261	298
Net interest and fee income	3,821	3,561	2,609	2,913	3,069
Securities and foreign exchange income	178	194	152	-339	159
Other operating income	42	65	58	68	44
Staff costs and administrative expenses	1,336	1,282	1,178	1,214	1,096
Amortisation, depreciation and write-downs	16	19	107	41	142
Other operating expenses, etc.	6	1	1	10	2
Provisions for bad and doubtful debts	-74	-34	-64	-79	-100
Income from associated and subsidiary undertakings	55	-4	48	142	21
Profit on ordinary operations before tax	2,812	2,548	1,645	1,598	2,153
Tax	822	621	507	427	661
Net profit for the year	1,990	1,927	1,138	1,171	1,492
BALANCE SHEET (DKr m)					
Assets					
Due from credit institutions, etc.	33,141	35,781	27,583	33,583	24,884
Lending	469,386	448,522	323,822	320,741	312,771
Bonds and shares, etc.	132,798	107,068	69,670	33,385	35,768
Other assets	7,239	7,286	2,275	1,908	2,275
Total assets	642,564	598,657	423,350	389,617	375,698
Liabilities					
Due to credit institutions, etc.	31,259	22,222	6,063	1,570	6,499
Issued bonds	567,912	536,352	388,114	359,657	338,890
Other liabilities	18,145	16,829	8,853	9,171	12,000
Subordinated debt	-	-	3,000	3,000	3,000
Shareholders' equity	25,248	23,254	17,320	16,219	15,309
Total liabilities	642,564	598,657	423,350	389,617	375,698
RATIOS					
Solvency ratio, %	10.4	10.1	11.6	11.2	11.5
Core (tier 1) capital ratio, %	10.3	9.9	9.6	9.1	9.0
Return on equity before tax, %	11.6	11.4	9.8	10.1	13.6
Return on equity after tax, %	8.2	8.6	6.8	7.4	9.4
Income/cost ratio, DKr	3.19	3.01	2.35	2.35	2.89
Foreign exchange position, %	3.0	12.5	5.8	0.5	0.1
Accumulated provisioning ratio, %	0.1	0.1	0.2	0.2	0.3
Write-off and provisioning ratio for the year, %	0.0	0.0	0.0	0.0	0.0
Annual growth in lending, %	4.7	11.3	1.0	2.5	2.6
Gearing of lending	18.6	19.3	18.7	19.7	20.4



Notes to the accounts

Note	USD		EUR	
	2002	2001	2002	2001
33. Financial highlights in USD and EUR for the Realkredit Danmark Group				
PROFIT AND LOSS ACCOUNT (million)				
Contribution income	296	235	282	265
Net interest income, excl. earnings from investment portfolios	172	159	164	181
Fee and commission income, net	24	16	23	18
Trading income	20	22	19	25
Other core income	20	20	19	22
Total core income	532	452	507	511
Operating expenses and depreciation	182	156	173	177
Core earnings before provisions	350	296	334	334
Provisions for bad and doubtful debts	-10	-4	-10	-4
Core earnings	360	300	344	338
Earnings from investment portfolios	39	17	37	20
Merger costs	2	14	2	15
Profit on ordinary operations before tax	397	303	379	343
Tax	116	74	111	84
Net profit for the year	281	229	268	259
BALANCE SHEET (million)				
Assets				
Due from credit institutions, etc.	4,684	4,255	4,468	4,813
Lending	66,281	53,338	63,227	60,323
Bonds and shares, etc.	18,738	12,721	17,875	14,387
Other assets	1,029	873	981	986
Total assets	90,732	71,187	86,551	80,509
Liabilities				
Due to credit institutions, etc.	4,414	2,642	4,210	2,989
Issued bonds	80,189	63,780	76,494	72,132
Other liabilities	2,564	2,000	2,446	2,261
Shareholders' equity	3,565	2,765	3,401	3,127
Total liabilities	90,732	71,187	86,551	80,509
The translation is based on the following exchange rates	7.0822	8.4095	7.4243	7.4357

Group holdings and undertakings

	Share capital December 31 thousands	Net profit for the year DKr m	Shareholders' equity DKr m	Ownership share, %
Realkredit Danmark A/S, Copenhagen	DKK 625,000	1,990	25,248	
Consolidated subsidiaries				
home a/s, Copenhagen	DKK 15,000	19	91	100
Non-consolidated subsidiaries				
Undertakings acquired in the process of preventing losses, total book value DKr9m:				
Omegadane SARL, Paris	EUR 8	-	-1	100
Skævinge Boligselskab A/S, Copenhagen	DKK 7,000	1	9	100
The total amount owed to the Group by Skævinge Boligselskab A/S is DKr4m.				
Associated undertakings				
DADES A/S, Lyngby-Taarbæk	DKK 494,622	230	2,292	9
Danmarks Transport Center A/S, Vejle	DKK 200,000	7	133	20
Realkreditnettet A/S, Copenhagen	DKK 11,000	-15	17	25
The total amount owed to the Group by associated undertakings is DKr2,123m.				
Other significant holdings				
Håndværkets Byfornyelsesselskab Smba, Copenhagen	DKK 13,523	-	11	18
Undertakings in which the Group holds 10% or more of the share capital				
VP Securities Services, Taastrup	DKK 40,000	27	203	10



Series accounts 2002

Pursuant to the order on the presentation of series accounts by mortgage credit institutions, Realkredit Danmark A/S' annual accounts are specified for the individual underlying mortgage credit associations as follows:

Note	DKr m	Jydsk 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	4.0	3.7	0.1	8.4	1.1	0.1
1	Net interest, etc.	11.3	12.2	9.4	28.0	5.6	0.0
1	Administrative expenses, etc.	-9.2	-12.7	-0.1	-34.7	-0.7	-1.4
	Provisions for bad and doubtful debts	-0.5	0.0	0.0	0.0	0.0	0.0
	Tax	-1.7	-1.0	-2.8	-0.5	-1.8	0.4
2	Net profit for the year	3.9	2.2	6.6	1.2	4.2	-0.9
Balance sheet - assets							
	Mortgage loans, etc.	1,452.5	1,072.1	28.2	3,016.8	123.7	2.6
	Other assets	347.4	397.2	180.8	1,001.1	117.8	1.0
	Total assets	1,799.9	1,469.3	209.0	4,017.9	241.5	3.6
Balance sheet - liabilities							
	Issued bonds	1,510.5	1,195.8	30.6	3,349.4	135.4	3.3
	Other liabilities	96.0	78.4	11.2	214.4	12.9	0.2
3	Shareholders' equity	193.4	195.1	167.2	454.1	93.2	0.1
	Total liabilities	1,799.9	1,469.3	209.0	4,017.9	241.5	3.6

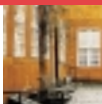
1. Distribution policies

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.

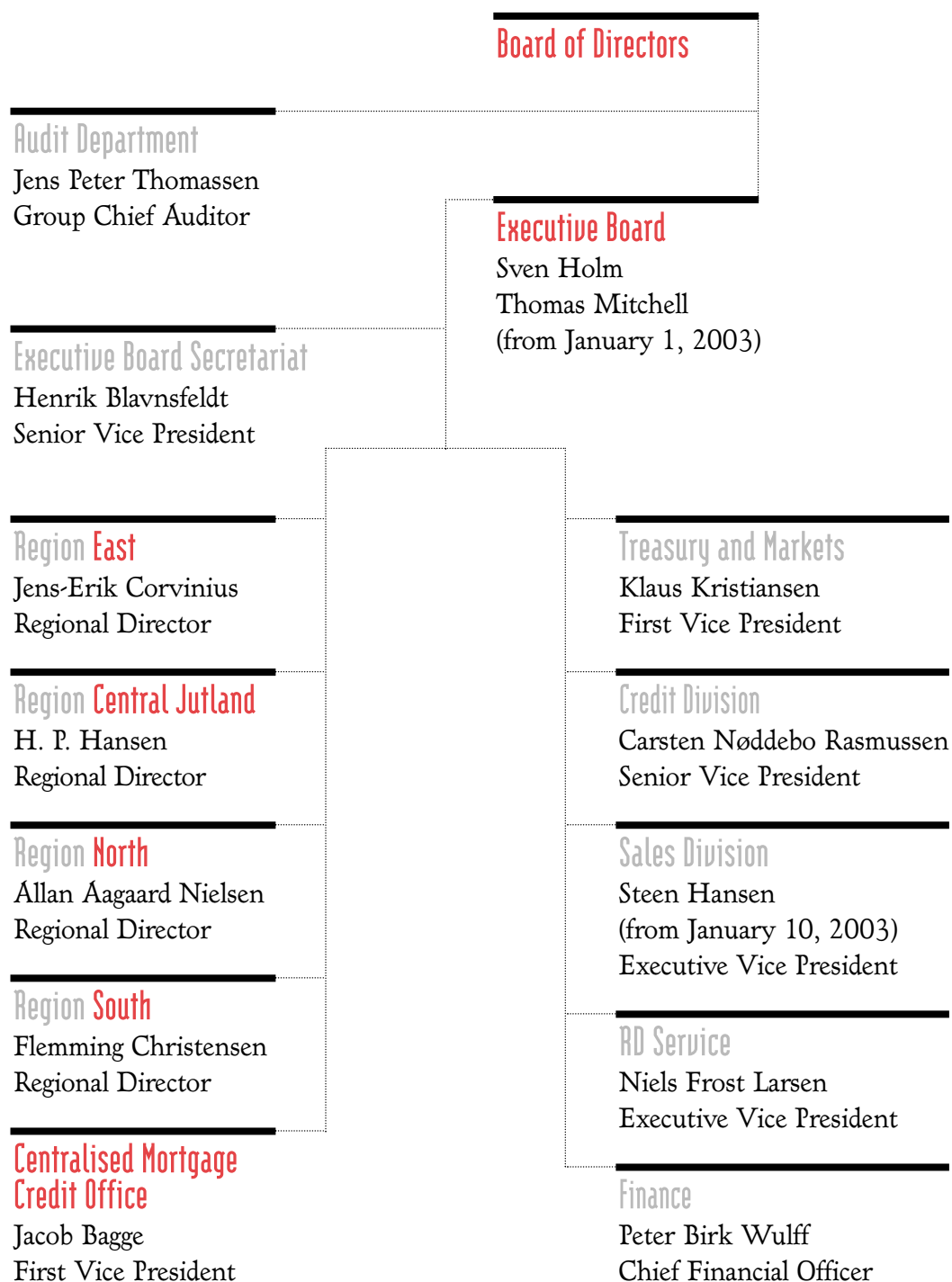
Pursuant to section 3 (3) of the order on the presentation of series accounts by mortgage credit institutions, the Danish Financial Supervisory Authority has approved the allocation of administrative expenses, etc., to individual associations using a distribution scale by which the number of loans in the association is weighted at 3, and the principal of the loans is weighted at 1. The same distribution scale is used for allocation to individual series/series reserve funds, however, allocation to pre-1972 series is made in accordance with the statutes, etc., of the associations in question.

Provins- hypotek- foreningen for Danmark	Østifternes Land- Hypotek- forening	Series not subject to reimbursement obligation	Danske Kredit	Other reserves	Total
0.5	0.0	131.5	294.4	1,705.5	2,149.3
1.2	0.0	106.3	152.6	1,370.8	1,697.4
-2.3	-0.3	-107.6	-203.9	-736.8	-1,109.7
0.0	0.0	159.0	-0.1	-85.0	73.4
0.2	0.1	-86.7	-72.9	-651.2	-817.9
-0.4	-0.2	202.5	170.1	1,603.3	1,992.5
70.1	0.8	45,525.5	50,775.6	367,211.7	469,279.6
32.6	0.6	7,548.0	11,633.1	152,024.7	173,284.3
102.7	1.4	53,073.5	62,408.7	519,236.4	642,563.9
78.4	0.9	48,717.5	57,033.7	470,095.3	582,150.8
5.5	0.1	2,880.9	3,329.8	27,704.1	34,333.5
18.8	0.4	1,475.1	2,045.2	21,437.0	26,079.6
102.7	1.4	53,073.5	62,408.7	519,236.4	642,563.9

	DKr m	2002
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, annual accounts	1,989.9
	Deferred tax relating to associated undertaking carried under shareholders' equity	4.0
	Transferred to other reserves, etc.	-1.4
	Profits in series accounts	1,992.5
3.	Shareholders' equity in series accounts	
	The shareholders' equity in the series accounts can be reconciled to the annual accounts of Realkredit Danmark A/S as follows:	
	Shareholders' equity, annual accounts	25,247.5
	Reserves subject to a reimbursement obligation in pre-1972 series	832.1
	Shareholders' equity in series accounts	26,079.6



Organisational structure



Subsidiary

home a/s
Niels Bjerregaard
Executive Director

Directorships

The major directorships of the members of the Board of Directors and the Executive Board, including in Danish limited companies.

Board of Directors

Jakob Brogaard, Chairman (as of August 6, 2002)

Deputy Chairman of the Executive Board, Danske Bank A/S

Born in 1947

Other directorships:

Chairman of the Board of Directors of GrønlandsBANKEN, Aktieselskab

Vice Chairman of the Board of Directors of DDB Invest AB, Sweden

Vice Chairman of the Board of Directors of LRF Kredit A/S

Director of Danmarks Skibskreditfond

Sven Lystbæk, Deputy Chairman

Member of the Executive Committee of Danske Bank A/S

Born in 1951

Other directorships:

Chairman of the Board of Directors of HandelsFinans A/S

Chairman of the Board of Directors of Danske Bank International S.A., Luxembourg

Chairman of the Board of Directors of VP Securities Services

Chairman of the Board of Directors of Nordania Finans A/S

Deputy Chairman of the Board of Directors of PBS Holding A/S

Deputy Chairman of the Board of Directors of PBS International A/S

Deputy Chairman of the Board of Directors of PBS Finans A/S

Deputy Chairman of the Board of Directors of PBS Danmark A/S

Deputy Chairman of the Board of Directors of PBS Multidata A/S

Deputy Chairman of the Board of Directors of PBS Data A/S

Deputy Chairman of the Board of Directors of Danske Bank Polska S.A.

Deputy Chairman of the Board of Directors of Forsikringselskabet Danica, Skadesforsikringsaktieselskab af 1999

Deputy Chairman of the Board of Directors of Danica Pension, Livsforsikringsaktieselskab

Deputy Chairman of the Board of Directors of Danica Pension I, Livsforsikringsaktieselskab

Deputy Chairman of the Board of Directors of Danica Liv III, Livsforsikringsaktieselskab

Morten Balling (appointed by the Minister of Economic Affairs)

Professor of Economics

Born in 1938

Other directorships:

Director of C.W. Obel A/S

Kent Christoffersen (elected by the employees)

Branch Manager, Realkredit Danmark A/S

Born in 1951

Søren Hermansen (elected by the employees)

Sales Manager, Realkredit Danmark A/S

Born in 1956

Jørgen Lund

Alderman

Born in 1935

Other directorships:

Chairman of the Board of Directors of Rynkeby Maskinfabrik A/S

Bent Maribo

Farmer

Born in 1939

Jørgen Mejlgård

General Manager

Born in 1946

Other directorships:

Director of A/S Bolind Handel



Jesper Ovesen

Chief Financial Officer and Member of the Executive Committee of Danske Bank A/S
Born in 1957
Other directorships:
Director of Danske Bank International S.A., Luxembourg
Director of Danske Securities AB, Sweden
Director of Danske Private Equity A/S
Director of Forsikringselskabet Danica, Skadesforsikringsaktieselskab af 1999
Director of Danica Pension, Livsforsikringsaktieselskab
Director of Danica Pension I, Livsforsikringsaktieselskab
Director of Danica Liv III, Livsforsikringsaktieselskab

Klaus Pedersen (elected by the employees)
(as of May 7, 2002)
Corporate Adviser
Born in 1947

Peder J. Pedersen
Professor of Economics, Ph.D., M.A. (Econ)
Born in 1941

Jørgen Raaschou (elected by the employees)
(as of November 30, 2002)
Credit Analyst, Realkredit Danmark A/S
Born in 1949

With effect from August 6, 2002, Kjeld Jørgensen, Deputy Chairman of the Executive Board of Danske Bank A/S, resigned from the Board of Directors.

With effect from November 30, 2002, Bent Peetz, Customer Adviser, resigned from the Board of Directors.

With effect from January 10, 2003, Steen Hansen, Senior Vice President, Danske Bank A/S, resigned from the Board of Directors.

Executive Board

Sven Holm

Chairman of the Executive Board and Chief Executive Officer
Born in 1946
Chairman of the Board of Directors of the Association of Danish Mortgage Banks
Chairman of the Board of Directors of home a/s
Deputy Chairman of the Board of Directors of Realkreditnettet A/S

Thomas Mitchell (as of January 1, 2003)
Member of the Executive Board
Born in 1962
Director of HandelsFinans A/S (until January 7, 2003)
Director of home a/s
Director of the Association of Danish Mortgage Banks

Mogens Holm (until December 31, 2002)
Member of the Executive Board
Born in 1953
Director of VP Securities Services
Director of the Association of Danish Mortgage Banks
Director of home a/s
Chairman of the Board of Directors of MæglerService Danmark A/S (until June 12, 2002)