

Quarterly report First nine months of 2002

REALKREDIT
Danmark

Realkredit Danmark Group

CORE EARNINGS AND

NET PROFIT FOR THE PERIOD

(DKr m)	Q1-Q3 2002	Q1-Q3 2001	Index 02/01	Full year 2001
Contribution income	1,560	1,475	106	1,973
Net interest income, exclusive of earnings from investment portfolios	846	975	87	1,342
Fee and commission income, net	128	65	197	132
Trading income	111	123	90	187
Other core income	100	112	89	165
Total core income	2,745	2,750	100	3,799
Operating expenses and depreciation	936	969	97	1,315
Core earnings before provisions	1,809	1,781	102	2,484
Provisions for bad and doubtful debts	-50	-35	143	-33
Core earnings	1,859	1,816	102	2,517
Earnings from investment portfolios	193	125	154	146
Merger costs	17	104	16	115
Profit on ordinary operations before tax	2,035	1,837	111	2,548
Tax	598	456	131	621
Net profit for the period	1,437	1,381	104	1,927

BALANCE SHEET

(DKr m)

Assets

Due from credit institutions, etc.	33,486	33,737	99	35,786
Lending	466,296	437,726	107	448,547
Bonds and shares, etc.	22,963	17,857	129	106,976
Other assets	2,834	3,207	88	7,334
Total assets	525,579	492,527	107	598,643

Liabilities

Due to credit institutions, etc.	2,990	8,555	35	22,222
Issued bonds	486,375	450,201	108	536,352
Other liabilities	11,519	11,063	104	16,815
Shareholders' equity	24,695	22,708	109	23,254
Total liabilities	525,579	492,527	107	598,643

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of avg. shareh. equity	8.0	8.4		8.6
Core earnings as % p.a. of avg. shareholders' equity	10.3	11.0		11.3
Cost/core income ratio, %	34.1	35.2		34.6
Solvency ratio, % (excl. net profit for the period)	9.7	9.7		10.1
Core (tier 1) capital ratio (excl. net profit for the period)	9.6	9.5		9.9
Number of full-time employees at September 30	1,053	952		933
Rating of bonds - Moody's	Aaa	Aaa		Aaa

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

REPORT

Highlights of performance in the first nine months of 2002

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

- The Realkredit Danmark Group recorded a net profit of DKr1,437m for the first nine months of 2002, against DKr1,381m for the same period in 2001.
- Core earnings amounted to DKr1,859m, against DKr1,816m last year.
- Mortgage lending showed continued growth and totalled DKr466bn at the end of the third quarter, against DKr448bn at January 1, 2002.
- At September 30, 2002, the solvency ratio was 9.7%, against the statutory minimum requirement of 8.0%.

Results

For the first nine months of 2002, core earnings amounted to DKr1,859m, against DKr1,816m for the same period in 2001, which was in line with the expectations stated in the Interim Report for the first half of 2002.

An increase in contribution income and fee and commission income triggered by the growing loan portfolio and refinancing activity in the third quarter had a positive effect on core earnings. Net interest income, exclusive of earnings from investment portfolios, showed a fall compared with the first nine months of 2001 as a result of the low level of interest rates in 2002 compared with last year.

Operating expenses, including depreciation, for the first nine months of 2002 compared with last year fell by DKr33m to DKr936m. The cost/core income ratio was 34.1%, which is an improvement compared with 35.2% for the same period in 2001.

Provisions for bad and doubtful debts contributed DKr50m to income in the first nine months of 2002, against DKr35m for the year-earlier period. This item is positive because of the recovery of debts previously written off. In 2002, income includes a significant amount of dividend received in connection with the final winding up of a large bankruptcy estate. The amount of arrears continued to be very low.

Earnings from investment portfolios, comprising the return on Realkredit Danmark's proprietary investment portfolios after funding and administrative expenses (the part of the investment portfolio not relating to lending activities), showed a gain of DKr193m for the first nine months of 2002, against DKr125m for the same period last year.

For the first nine months of the year, merger costs amounted to DKr17m, against DKr104m for the year-earlier period. This expense item represents severance payments which for 2002 were defrayed in the first quarter.

Realkredit Danmark is taxed jointly with Danske Bank. On the basis of current joint taxation rules on allocation of the Danish tax payable by the Danske Bank Group, Realkredit Danmark's effective tax rate for 2002 is expected to be about 27%. In addition, an adjustment has been made of the tax charge for 2001 resulting in an expense of DKr47m.

Capital and solvency

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

CAPITAL BASE AND SOLVENCY RATIO			
(DKr m)	Sept. 30 2002*	Sept. 30 2001*	Full year 2001
Core capital, less statutory deductions	23,043	21,164	23,055
Supplementary capital, less statutory deductions	274	335	352
Capital base	23,317	21,499	23,407
Total weighted items	240,407	222,422	232,771
Solvency ratio, %	9.7	9.7	10.1
Core (tier 1) capital ratio, %	9.6	9.5	9.9

* Exclusive of the net profit for the period

At September 30, 2002, the capital base of the Realkredit Danmark Group stood at DKr23,317m, corresponding to a solvency ratio of 9.7%, thus exceeding the statutory minimum requirement of 8.0% by DKr4,084m.

During the first nine months of 2002, the shareholders' equity increased by DKr1,437m, equal to the net profit for the period, plus DKr4m relating to a deferred tax asset in an associated undertaking. Shareholders' equity therefore totalled DKr24,695m.

The mortgage credit market

Total gross lending by mortgage credit institutions amounted to DKr243bn in the first nine months of 2002, of which the first quarter accounted for DKr78bn, the second quarter for DKr65bn and the third quarter for DKr100bn. Business activity was thus somewhat stronger in the third quarter than in the first two quarters of the year because of some refinancing activity in the third quarter.

Interest rates were stable at a low level during the first half of 2002, but fell further in the third quarter. At September 30, the interest rate on a 30-year fixed interest rate loan was 6.2%, and the rate on a FlexLån[®] type F1 (annual interest reset for the full loan) was 3.4%.

Competition

The market share of gross lending was 32.0% for the first nine months of 2002, against 33.3% in the year-earlier period. For the same period in 2002, the market share of net new lending was 28.0%, against 30.9% in 2001. In the calculation of net new lending, repayments with or without refinancing have been subtracted from gross lending.

Market share, all markets (%)	Q1-Q3 2002	Q1-Q3 2001	Full year 2001
Gross lending	32.0	33.3	33.0
Net new lending	28.0	30.9	31.6

The trend in market shares reflects 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.

Since the beginning of 2002, measures have been initiated to reduce the number of local offices, increase the use of the Contact Centre and bring mortgage credit offices and banking branches geographically closer to each other. When fully implemented, these measures are expected to strengthen customer relations, enhance synergy effects and trigger growth in lending.

Realkredit Danmark's loan portfolio is still growing and totalled DKr466bn at September 30, 2002, against DKr448bn at January 1, 2002. Of this increase, the private market accounted for 62%, residential rental property for 17%, agriculture for 9% and urban trades for 12%.

Funding

Realkredit Danmark finances its loans to borrowers by issuing mortgage bonds listed on the Copenhagen Stock Exchange. At September 30, 2002, Realkredit Danmark's bond issues totalled Dkr486bn, or 22% of all mortgage bonds and government bonds, etc., listed on the Copenhagen Stock Exchange.

On September 1, 2002, Realkredit Danmark opened new series of callable bonds for the granting of loans with maturities of 10, 15, 20 and 30 years. The new bond series will be open for issues for a three-year period.

The minimum coupon was lowered extraordinarily on October 10, 2002 to 3%. In this connection, Realkredit Danmark decided to open for issues of 10-year callable bonds with a 3% coupon, primarily for corporate customers.

FlexLån[®] account for a large volume of Realkredit Danmark's loans. For the first nine months of 2002, FlexLån[®] accounted for 52% of Realkredit Danmark's gross lending, against 56% for the full year 2001. This development in loans has led to corresponding issues of non-callable bonds with maturities of one to ten years. At September 30, 2002, these bonds accounted for 30% of bonds issued by Realkredit Danmark.

Outlook

The outlook for 2002 is unchanged relative to the statements made in the Interim Report for the first half of 2002.

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

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

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

Realkredit Danmark expects to publish its 2002 announcement of financial results and annual report on February 20, 2003.

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Realkredit Danmark Group

CORE EARNINGS AND NET PROFIT FOR THE PERIOD

(DKr m)	Q3 2002	Q2 2002	Q1 2002	Q4 2001	Q3 2001	Full year 2001
Contribution income	527	518	515	498	503	1,973
Net interest income, exclusive of earnings from investment portfolios	321	277	248	367	348	1,342
Fee and commission income, net	41	28	59	67	34	132
Trading income	29	39	43	64	45	187
Other core income	36	25	39	53	32	165
Total core income	954	887	904	1,049	962	3,799
Operating expenses and depreciation	287	338	311	346	324	1,315
Core earnings before provisions	667	549	593	703	638	2,484
Provisions for bad and doubtful debts	-6	10	-54	2	3	-33
Core earnings	673	539	647	701	635	2,517
Earnings from investment portfolios	136	86	-29	21	83	146
Merger costs	-	-	17	11	17	115
Profit on ordinary operations before tax	809	625	601	711	701	2,548
Tax	290	157	151	165	176	621
Net profit for the period	519	468	450	546	525	1,927

BALANCE SHEET

(DKr m)

Assets						
Due from credit institutions, etc.	33,486	35,510	37,065	35,786	33,737	35,786
Lending	466,296	458,460	453,779	448,547	437,726	448,547
Bonds and shares, etc.	22,963	15,573	13,649	106,976	17,857	106,976
Other assets	2,834	1,832	2,322	7,334	3,207	7,334
Total assets	525,579	511,375	506,815	598,643	492,527	598,643
Liabilities						
Due to credit institutions, etc.	2,990	4,022	2,865	22,222	8,555	22,222
Issued bonds	486,375	473,089	472,348	536,352	450,201	536,352
Other liabilities	11,519	10,088	7,898	16,815	11,063	16,815
Shareholders' equity	24,695	24,176	23,704	23,254	22,708	23,254
Total liabilities	525,579	511,375	506,815	598,643	492,527	598,643

Realkredit Danmark Group

MOVEMENTS IN SHAREHOLDERS' EQUITY			
(DKr m)	Q1-Q3 2002	Q1-Q3 2001	Full year 2001
Shareholders' equity at January 1	23,254	17,320	17,320
Addition on merger	-	4,009	4,009
Amortisation of intangible assets	-	-2	-2
Deferred tax relating to an associated undertaking	4	-	-
Net profit for the period	1,437	1,381	1,927
Shareholders' equity at September 30	24,695	22,708	23,254

The share capital consists of 6,250,000 shares of DKr100 each and is wholly owned by Danske Bank A/S.