



Contents

Management 2

Realkredit Danmark 3

Financial highlights 4

Management's report 5

Financial review 5

Group results 6

Balance sheet, solvency and equity 7

Outlook for 2004 7

Property market 9

Lending 11

Funding 17

Resources 22

Management of risk and capital 24

Raroc 24

Credit risk 24

Market risk 27

Operational risk 27

Endorsements 28

Signatures 28

Audit reports 29

Accounts 30

Accounting policies 30

Profit and loss account 34

Balance sheet 35

Cash flow statement 36

Notes to the accounts 37

Group holdings and undertakings 55

Series accounts 56

Organisational structure 58

Directorships 59



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

Søren Hermansen*

Sales Manager

Jørgen Lund

Alderman

Bent Maribo

Farmer

Jørgen Mejlgård

General Manager

Klaus Pedersen*

Corporate Adviser

Peder J. Pedersen

Professor, Ph.D., M.A. (Econ)

Jørgen Raaschou*

Credit Analyst

* Elected by the employees

Executive Board

Sven Holm

Chairman of the Executive Board and Chief Executive Officer

Thomas Mitchell

Member of the Executive Board

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 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 the market leader and customers' first choice as provider of safe and easy mortgage finance.
- From its business activities, Realkredit Danmark creates 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 competitive mortgage finance products and services tailored to individual customers and their property.
- Realkredit Danmark markets supplementary products and services, provided mainly by the Danske Bank Group. Development of combination products is carried out in co-operation with other business areas of the Danske Bank Group.

- Products and services are supplied 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 of quality and professionalism
- Commitment
 - to customers' financial affairs



Financial highlights

Realkredit Danmark Group

	2003	2002	2001	Pro forma 2000	2000	1999
Profit and loss account (DKr m)						
Net interest income	4,087	3,525	3,417	3,116	2,554	2,739
Dividends from shares	7	-	18	14	14	16
Fee and commission income, net	326	302	132	21	125	216
Net interest and fee income	4,420	3,827	3,567	3,151	2,693	2,971
Securities and foreign exchange income	-430	178	194	169	137	-373
Other operating income	140	139	165	123	123	140
Staff costs and administrative expenses	1,588	1,411	1,412	1,329	1,270	1,300
Amortisation, depreciation and write-downs	9	18	21	111	111	55
Other operating expenses, etc.	1	6	1	1	1	10
Provisions for bad and doubtful debts	24	-74	-33	-62	-62	-79
Income from associated and subsidiary undertakings	18	29	23	14	12	149
Profit on ord. operations before tax	2,526	2,812	2,548	2,078	1,645	1,601
Tax	609	822	621	618	507	427
Minority interests	-	-	-	-	-	3
Net profit for the year	1,917	1,990	1,927	1,460	1,138	1,171

Balance sheet (DKr m)

Assets

Due from credit institutions, etc.	14,914	33,174	35,786	10,820	8,531	19,492
Lending	498,037	469,414	448,547	421,266	342,069	334,077
Bonds and shares, etc.	128,323	132,707	106,976	77,587	70,593	34,188
Other assets	5,872	7,286	7,334	2,457	2,326	1,996
Total assets	647,146	642,581	598,643	512,130	423,519	389,753

Liabilities and equity

Due to credit institutions etc.	874	31,259	22,222	6,312	6,233	1,693
Issued bonds	603,120	567,912	536,352	471,209	388,114	359,657
Other liabilities	15,915	18,162	16,815	10,280	8,852	9,184
Subordinated debt	-	-	-	3,000	3,000	3,000
Shareholders' equity	27,237	25,248	23,254	21,329	17,320	16,219
Total liabilities and equity	647,146	642,581	598,643	512,130	423,519	389,753

Ratios and key figures

Solvency ratio, %	10.4	10.4	10.1	11.2	11.3	11.1
Core (tier 1) capital ratio, %	10.3	10.3	9.9	9.7	9.4	9.0
Return on equity before tax, %	9.6	11.6	11.4	10.1	9.8	10.2
Return on equity after tax, %	7.3	8.2	8.6	7.1	6.8	7.4
Income/cost ratio, DKr	2.56	3.07	2.82	2.51	2.25	2.24
Foreign exchange position, %	6.4	3.0	12.5	5.2	5.8	0.5
Accumulated provisioning ratio, %	0.1	0.1	0.1	0.1	0.2	0.2
Write-off and prov. ratio for the year, %	0.0	0.0	0.0	0.0	0.0	0.0
Annual growth in lending, %	6.1	4.7	6.5	3.6	2.4	50
Gearing of lending	18.3	18.6	19.3	19.8	19.8	20.6
No. of full-time employees at Dec. 31	981	1,043	933	1,024	937	1,089
Rating of bonds – Moody's	Aaa	Aaa	Aaa	Aa3	Aa3	Aa3
Rating of bonds – Standard & Poor's	AAA	-	-	-	-	-

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, prepared in accordance with the rules of the Danish Financial Supervisory Authority, the comparative figures for 2000 and earlier have not been restated as a result of the merger, apart from the column "Pro forma 2000".

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

In 2003, the Realkredit Danmark Group's pre-tax profit was Dkr2,526m, against Dkr2,812m the year before. After tax, the profit for the year was Dkr1,917m, against Dkr1,990m in 2002. The return on equity before tax was 9.6% in 2003 and 11.6% in 2002.

Core earnings before provisions for bad and doubtful debts totalled Dkr2,321m in 2003, against Dkr2,481m the year before. The decrease of about 6% matches the expectations announced in Realkredit Danmark's report for the first nine months of 2003.

Earnings from investment portfolios totalled Dkr229m, against Dkr274m in 2002.

Mortgage lending grew to Dkr498bn at the end of 2003 from Dkr469bn at the beginning of the year. The private market accounted for 58% of volume growth and 62% of the loan portfolio at the end of 2003.

Realkredit Danmark's market share of gross lending was 32.3% in 2003, against 32.4% in 2002. The market share of net new lending was 28.1%, against 27.7% in 2002. Net new lending is defined as gross lending less repayment of loans with or without the raising of new loans.

In the corporate market, Realkredit Danmark's market share of net new lending was 30.7% in 2003, against 25.3% the year before.

In the private market, Realkredit Danmark's market share of net new lending was 26.2% in 2003, against 29.4% the year before. Measured in terms of loan portfolio, Realkredit Danmark's market share was 36.9% at end-2003, against 37.9% at end-2002. Competition in the private market remains fierce, and Danske Bank and BG Bank sales of bank-based housing loans since mid-2003 put a downward pressure on Realkredit Danmark's market share.

Core earnings and earnings from investment portfolios			Change,
Dkr m	2003	2002	%
Administration margin	2,216	2,094	
Net interest income, exclusive of earnings from investment portfolios	1,216	1,219	
Fee and commission income, net	186	175	
Other core income	157	280	
Total core income	3,775	3,768	0
Operating expenses and depreciation	1,454	1,287	
Core earnings before provisions	2,321	2,481	-6
Provisions for bad and doubtful debts	24	-74	
Core earnings	2,297	2,555	-10
Earnings from investment portfolios	229	274	
Merger costs	-	17	
Profit on ordinary operations before tax	2,526	2,812	-10
Tax	609	822	
Net profit for the year	1,917	1,990	-4
Mortgage lending	497,833	469,198	6
Total assets	647,146	642,581	1
Shareholders' equity	27,237	25,248	8
Ratios:			
Profit for the year as % of avg. shareh. equity	7.3	8.2	
Core earnings as % of avg. shareholders' equity	8.8	10.5	
Cost/core income ratio, %	38.5	34.2	



At December 31, 2003, the solvency ratio for the Realkredit Danmark Group was 10.4%, against the statutory minimum requirement of 8.0%.

In May 2003, Standard & Poor's awarded Realkredit Danmark its highest possible rating, AAA, which is also the rating assigned to Danish government bonds. The rating covers 86% of bonds issued by Realkredit Danmark. The bonds had already been given an Aaa rating by Moody's Investors Service – the highest rating awarded by that agency.

In September, the international consultancy company Mercer Oliver Wyman prepared a report showing that – in a European context – Danish mortgage financing is characterised by high efficiency, low cost, low prices and a wide product range. The subject of the report is integration in the European mortgage credit market and it was prepared on behalf of the European Mortgage Federation.

Foreign investors hold a growing share of Realkredit Danmark bonds. At the end of the third quarter of 2003, foreign investors held 14% of the bonds issued, against 13% the year before.

Group results

Core earnings amounted to DKr2,297m in 2003, against DKr2,555m in 2002.

Core income amounted to DKr3,775m in 2003, against DKr3,768m the year before. It includes a higher administration margin and fee income as a result of an increasing loan portfolio and strong refinancing activity in the first half of 2003. The decline in interest rates over the year resulted in a fall in the Group's return on securities holdings and liquid funds. Investment of liquidity in short-term, high-yield bonds at a price above par, however, lifted net interest income to the same level as in 2002. The negative value adjustments relating to the investment of liquid funds are reflected in the item "Other core income". Core income was also affected by an increase in referral commissions paid on sales of mortgage loans through the bank branch network of the Danske Bank Group.

Realkredit Danmark's operating expenses and depreciation went up to DKr1,454m in 2003 from DKr1,287m in 2002. The increase in costs is attributable primarily to expenses for the conversion of Realkredit Danmark's IT systems to Danske Bank's IT platform, and for the development of new systems to handle interest-only loans. In the autumn of 2003, the Group decided to restructure the conversion of Realkredit Danmark's systems and to extend the period during which the conversion is to take place. Strong refinancing activity in the first half of 2003 also affected the level of costs.

Provisions for bad and doubtful debts amounted to DKr24m in 2003. In 2002, the item recorded a net income of DKr74m because of the recovery of a significant amount in connection with the final winding up of a bankruptcy estate. In general, the need for provisions has not increased in 2003, partly because loans in arrears are still at a very low level.

Earnings from investment portfolios equal the profits on proprietary investment portfolios after deduction of funding costs – calculated on the basis of short-term money market rates – and administration costs. These earnings totalled DKr229m for 2003, against DKr274m the year before. Proprietary investment portfolios are defined as the part of the investment portfolio not relating to lending activities.

Total securities income included in core earnings and earnings from investment portfolios corresponded to 4.7% in 2003, which was satisfactory in view of the chosen risk. The figure for 2002 was 6.3%.

In 2003, subsidiaries consolidated into the accounts of the parent company, Realkredit Danmark, contributed a pre-tax profit of DKr34m. The profit derives exclusively from 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 the allocation of the Danish tax payable by the Danske Bank Group, Realkredit Danmark's effective tax rate for 2003

was 24%, the statutory tax rate being 30%. Realkredit Danmark's total tax charge for 2003 was DKr609m. An amount of DKr22m was set off against the tax charge because of re-adjustment of tax payable for 2002 resulting from a change in the tax rate for the jointly taxed companies.

Balance sheet, solvency and equity

Total assets of the consolidated Group were DKr647bn at the end of 2003, against DKr643bn at the beginning of the year. Total mortgage lending rose by DKr29bn to DKr498bn, and issued bonds were up DKr35bn to DKr603bn. Pre-issuance of bonds was the main reason why issued bonds exceeded lending by DKr105bn. Of this amount, DKr67bn related to the refinancing of FlexLån® on January 1, 2004.

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

Capital base and solvency ratio		
DKr m	Dec. 31 2003	Dec. 31 2002
Core capital, less statutory deductions	27,062	25,061
Supplementary capital, less statutory deductions	218	255
Capital base	27,280	25,316
Total weighted items	263,336	243,937
Solvency ratio, %	10.4	10.4
Core (tier 1) capital ratio, %	10.3	10.3

On December 31, 2003, the Realkredit Danmark Group's capital base stood at DKr27,280m. The solvency ratio was 10.4%, thus exceeding the statutory minimum solvency requirement of 8.0% by DKr6,213m.

In 2003, shareholders' equity increased by the profit for the year of DKr1,917m plus DKr72m from the revaluation of unlisted shares at the beginning of the year as a result of new accounting provisions. Shareholders' equity

subsequently totalled DKr27,237m. No dividend will be paid for 2003.

Outlook for 2004

Activity in the mortgage credit market is expected to slow in 2004 after a year of extraordinarily strong refinancing activity.

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 be at the same level as in 2003. For 2004, interest-only loans are expected to contribute to considerable refinancing activity and a growing market for supplementary mortgages.

The urban trade segment is expected to reduce investment in new construction because a lot of office space remains vacant. The agricultural segment is forecast to record subdued borrowing activity in relation to changes of ownership and investment. Activity in the residential rental property market is forecast to decline as the total investment limit allocated to local authorities for the granting of subsidies for urban renewal projects has been reduced for 2004.

The increase in the volume of lending will boost the administration margin in 2004. Net interest and fee income is likely to decline as a result of a slowdown in refinancing activity.

Costs are expected to fall since fewer resources will be spent on developing new IT systems.

Against this background, core earnings before provisions for bad and doubtful debts are expected to be at around the same level as in 2003.

Provided 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 2004.

No events have occurred between December 31, 2003, and the date of the approval of the annual accounts which, in the opinion of the



management, will materially affect the financial position of Realkredit Danmark.

Financial reports for 2004

Financial reports for 2004 are expected to be released as follows:

- First-quarter report: May 6, 2004
- Half-year report: August 17, 2004
- Nine-month report: October 26, 2004

Property market

Economic situation

The situation in Iraq made the headlines throughout the first quarter of 2003, overshadowing for a while the normal focus on economic indicators. Until the outbreak of the war in March 2003, uncertainty about the crisis led to growing risk aversion in the financial markets, resulting in falling equity prices and yields. The equity markets subsequently regained some of the ground lost as the US economy seemed to be back on track after three years of low growth.

Even though equity prices climbed, the global decline in yields continued until mid-June. Yields then began a slightly upward trend for the rest of 2003 in response to the capital flows away from bonds and into equities in anticipation of economic recovery. In the USA, the recovery was helped along by the US central bank, the Federal Reserve, which in June announced a rate cut of 0.25 of a percentage point to 1.00% – the lowest level since 1958.

In Europe, the European Central Bank (ECB), chose to lower the leading euro-zone rate twice by a total of 0.75 of a percentage point to 2.00% to stimulate the economy.

As is its custom, the Danish central bank followed suit and lowered its lending rate by 0.75 of a percentage point. In May, the Danish central bank also made an isolated rate cut of 0.05 of a percentage point prompted by strongly growing foreign-exchange reserves. At year-end, the lending rate stood at 2.15% – the lowest level in the central bank's history.

In the Danish bond market, yields followed a similar trend and dropped to an all-time low in the first half of the year, followed by a slight increase in the second half of the year. Despite the increase, yields were still very low at year-end. The interest rate on Danish krone-denominated FlexLån[®] with annual interest reset fell from 3.0% at the beginning of 2003 to 2.5% at the end of the year. The interest rate on the corresponding euro-denominated FlexLån[®] fell

Yield spread and proportion of FlexLån[®]





slightly less, namely by 0.4 of a percentage point to 2.4%. The interest rate on a 30-year fixed-rate loan based on bonds with a coupon of 5% saw a small decline in 2003, from 5.5% at the beginning of the year to 5.4% at year-end.

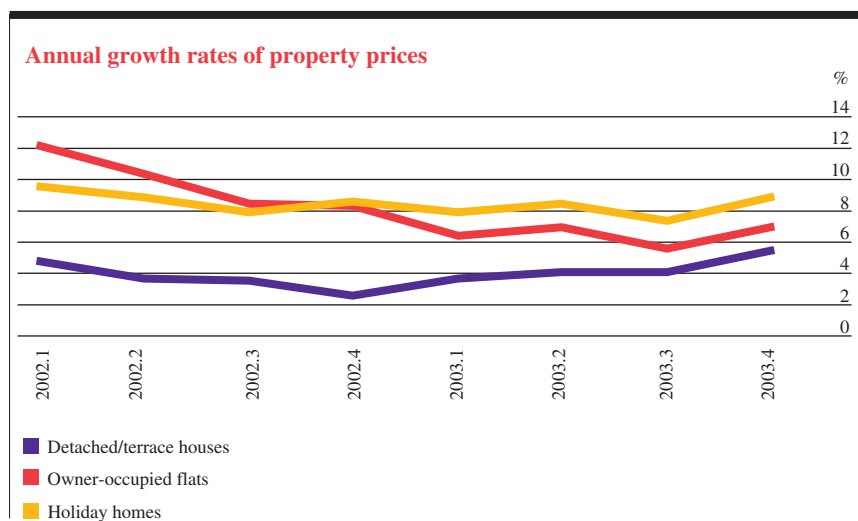
Property prices and sales

Property prices are important for the mortgage lending business. In 2003, the increase in prices of detached and terrace houses, owner-occupied flats and holiday homes remained stable, although prices of detached and terrace houses rose slightly more than in 2002.

Prices continue to be somewhat higher on Zealand, even if prices west of the Great Belt recorded handsome increases over the year. In general, however, prices saw the largest increase on Zealand.

Total housing sales edged up in 2003 relative to 2002, primarily because of a significant rise in sales of holiday homes. Despite the larger number of sales, the period of time detached houses and owner-occupied flats were listed for sale became slightly longer.

Sales of detached and terrace houses rose by 3.5%, while sales of owner-occupied flats fell 4.5%. In contrast, sales of holiday homes increased by as much as 12.7%.



Lending

Refinancing activity

Total gross lending in the Danish mortgage credit market amounted to DKr512bn in 2003, against DKr332bn in 2002. Market activity benefited from unusually extensive refinancing activity during the first half of 2003. For the year as a whole, refinancing amounted to more than DKr300bn.

Until mid-June 2003, interest rates continued to fall as a result of uncertainty about the general economic situation. Many Danes with loans based on 7% bonds therefore found it profitable to refinance, and the majority of these customers replaced their 7% loans with 30-year fixed-rate 5% loans. The rise in interest rates from mid-June until the end of the year put an end to this type of refinancing.

The introduction of interest-only loans on the private market on October 1, however, brought renewed momentum to refinancing activity.

Many homeowners had waited for this new type of loan, and in the three months from the introduction of the new loan type until the end of the year, Realkredit Danmark disbursed interest-only loans for a total of DKr20bn, corresponding to a market share of 45.8%. Some 95% of the disbursed interest-only loans were FlexLån®.

Total lending

At the end of 2003, Realkredit Danmark's lending totalled DKr498bn, or 35.0% of total Danish mortgage lending.

The Group's market share of gross mortgage lending was 32.3% in 2003, against 32.4% in 2002. The market share of net new lending was 28.1%, against 27.7% in 2002. Net new lending is defined as gross lending less repayment of loans with or without the taking out of new loans.

Market share	Gross lending			Net new lending			Loan portfolio		
	2003	2002	Change, % points	2003	2002	Change, % points	Dec. 31 2003	Dec. 31 2002	Change, % points
							2003	2002	
%									
Private market	34.4	35.4	-1.0	26.2	29.4	-3.2	36.9	37.9	-1.0
Corporate market	28.1	26.7	1.4	30.7	25.3	5.4	32.2	32.4	-0.2
Total market share	32.3	32.4	-0.1	28.1	27.7	0.4	35.0	35.6	-0.6

Market share	Q4 2003	Q3 2003	Q2 2003	Q1 2003	Q4 2002
%					
Gross lending	38.5	31.1	30.4	30.0	33.2
Net new lending	31.0	25.9	28.0	27.0	27.4



Loan portfolio	Dec. 31, 2003		Dec. 31, 2002		Change
	DKr m	%	DKr m	%	DKr m
Private market	307,311	62	290,590	62	16,721
Corporate market	190,522	38	178,608	38	11,914
Total loan portfolio	497,833	100	469,198	100	28,635

Lending increased DKr29bn over the year. The private market continues to account for 62% and the corporate market for 38% of the portfolio.

FlexLån[®] accounted for 52% of Realkredit Danmark's gross lending in 2003, against 55% the year before. At the end of 2003, FlexLån[®] accounted for 40% of the mortgage loan portfolio, against 34% at the beginning of the year.

In 2003, euro-denominated loans accounted for 4% of gross lending, compared with 11% the year before. At the end of 2003, 6% of the loan portfolio was denominated in euros, against 7% at end-2002. This trend was mainly caused by the narrowing of the spread between Danish kroner and euros.

Lending broken down by business area

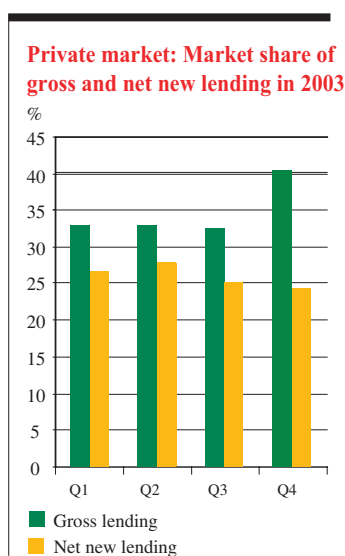
Private market

The private market is made up of loans for owner-occupied housing and holiday homes. At 62% of the total loan portfolio and 72% of total gross lending in 2003, the private market is Realkredit Danmark's largest business area. At year-end, Realkredit Danmark had some 470,000 private-market customers.

Realkredit Danmark's gross lending to the private market totalled DKr119.3bn in 2003, against DKr79.2bn in 2002. The increase in the loan portfolio amounted to DKr16.7bn.

The market share of net new lending in the private market was 26.2% in 2003, against 29.4% the year before. Measured in terms of the loan portfolio, the market share was 36.9% at end-2003, against 37.9% at end-2002.

Competition in the private market remains fierce, and Danske Bank and BG Bank sales of bank-based home finance products since mid-2003 put a downward pressure on Realkredit Danmark's market share.



The trend in private-market lending was as follows:

Change in private-market lending		
DKr m	2003	2002
Gross lending	119,260	79,211
Redemptions with refinancing	-65,207	-38,648
New lending	54,053	40,563
Redemptions without refinancing	-29,590	-18,603
Net new lending	24,463	21,960
Repayments, etc.	-7,742	-7,293
Change in loan portfolio	16,721	14,667

In 2003, 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 refinancing activity.

With effect from October 1, 2003, Danish legislation was amended to allow the introduction of interest-only loans. Realkredit Danmark was ready to offer its customers a

range of loans that are the most flexible in the market. This type of loan offers customers savings of up to DKr2,000 a month after tax on a loan of DKr1m.

As was the case in 2002, FlexLån[®] accounted for 53% of all loans disbursed to the private market in 2003.

Euro-denominated loans accounted for only 2% of gross lending to the private market, against 8% in 2002. Almost all loans in euros are taken out as FlexLån[®].

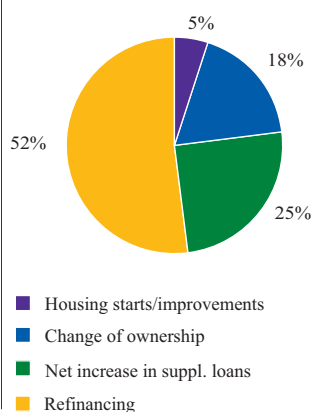
Corporate market

The corporate market is made up of loans to urban trade, agriculture and residential rental property.

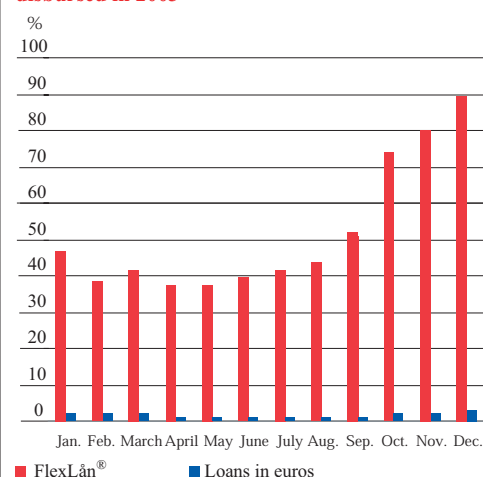
In terms of net new lending, Realkredit Danmark's market share of corporate loans recorded a solid rise relative to 2002. For the corporate market as a whole, the market share of net new lending rose from 25.3% in 2002 to 30.7% in 2003.

Gross lending to the corporate market generally involves larger single loans than are seen on the private market, which causes the market share to fluctuate more than in the private market.

Private market: Purpose of loans in 2003



Private market: FlexLån[®] and loans in euros disbursed in 2003





The breakdown on each segment was as follows:

Market share	Gross lending			Net new lending		
			Change,			Change,
%	2003	2002	% points	2003	2002	% points
Urban trade	34.8	33.6	1.2	39.1	31.0	8.1
Agriculture	16.0	15.3	0.7	19.1	16.7	2.4
Residential rental property	33.9	34.4	-0.5	31.7	28.7	3.0
Total market share	28.1	26.7	1.4	30.7	25.3	5.4

Realkredit Danmark's corporate loan portfolio rose by DKr11.9bn in 2003, a 7% increase.

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

Corporate market, loan portfolio	2003		2002	
	DKr m	%	DKr m	%
Urban trade	60,809	32	55,691	31
Agriculture	25,754	13	23,319	13
Residential rental property	103,959	55	99,598	56
Total loan portfolio	190,522	100	178,608	100

The DKr48.3bn of gross lending to the corporate market was 57% more than in 2002, largely as a result of extensive refinancing activity in the first half of 2003. The financing requirement, exclusive of the mentioned refinancing (equal to net new lending of DKr18.8bn), was 32% higher than in 2002.

The low level of interest rates meant that the corporate market raised a larger number of loans as fixed-rate loans. Fixed-rate loans therefore accounted for 46% of total disbursements in 2003, against 39% the year before. FlexLån® with annual interest reset were again in 2003 the

most popular type of FlexLån®, although this year, an increasing number of borrowers opted for loans with longer interest-reset intervals, typically every three or five years. Euro-denominated FlexLån® accounted for 15% of FlexLån® disbursed, against 32% in 2002. Borrowers with euro-denominated loans also preferred annual interest reset.

Corporate borrowers have for many years had the option of raising bullet loans. The launch of interest-only loans in the private market contributed to a doubling of the number of disbursed bullet loans relative to the year before.

Urban trade

Urban trade comprises industry, skilled trade and service trade.

The trend in urban-trade lending was as follows:

Change in lending to urban trade		
DKr m	2003	2002
Gross lending	22,349	12,479
Redemptions with refinancing	-9,703	-4,536
New lending	12,646	7,943
Redemptions without refinancing	-4,909	-2,871
Net new lending	7,737	5,072
Repayments, etc.	-2,619	-3,071
Change in loan portfolio	5,118	2,001

Despite relatively subdued economic growth, demand for mortgage credit finance in the urban trade segment was much stronger in 2003 than in 2002.

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	2003	2002
Gross lending	9,376	6,903
Redemptions with refinancing	-3,249	-1,758
New lending	6,127	5,145
Redemptions without refinancing	-3,154	-2,070
Net new lending	2,973	3,075
Repayments, etc.	-538	-1,140
Change in loan portfolio	2,435	1,935

Within actual farming, 2003 recorded a rise in plant production earnings. In contrast, earnings on cattle production declined a little and earnings on pig production continued the downward trend from 2002, reinforcing the trend towards larger production units. Net new lending to agriculture has been very high in recent years on the back of structural changes and continued investment in stalls and other items.

Residential rental property

Residential rental property is comprised of 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	2003	2002
Gross lending	16,602	11,363
Redemptions with refinancing	-5,896	-3,811
New lending	10,706	7,552
Redemptions without refinancing	-2,579	-1,403
Net new lending	8,127	6,149
Repayments, etc.	-3,766	-3,835
Change in loan portfolio	4,361	2,314

Subsidised residential rental property

This segment is comprised of loans to subsidised residential rental property, other subsidised construction and subsidised private co-operative housing.

In 2003, Realkredit Danmark's gross lending to subsidised residential rental property amounted to DKr4.7bn, against DKr3.2bn in 2002.

The rise in lending was influenced by a postponement of new construction in 2001 resulting from a decision effective April 1, 2002 to halve the capital contributed by municipalities from 14% to 7% of the actual building cost.



Furthermore, a considerable number of housing starts were made in 2002, prior to the cancellation at year-end of municipalities' permission to finance the basic capital by loans. For a significant part of this new construction, final financing was not in place until 2003.

Private residential rental property

Residential rental property is comprised of private residential rental property and non-subsidised co-operative housing.

Realkredit Danmark's gross lending to private residential rental property totalled DKr11.9bn, against DKr8.1bn in 2002. The increase in the loan portfolio amounted to DKr3.8bn.

As in 2002, the volume of lending was substantial because of low interest rates. Many borrowers decided to remortgage or raise supplementary loans to finance maintenance or property improvements.

Distribution channels

Realkredit Danmark has four distribution channels:

- own offices and corporate centres, Retail Customer Service and the Group Contact Centre
- the branch networks of Danske Bank and BG Bank
- the real estate agency chain "home"
- the Internet

Realkredit Danmark was represented by four regional offices, ten mortgage credit offices and ten branch offices across Denmark. Realkredit Danmark has been relocating its mortgage credit and local offices into offices shared with Danske Bank finance centres or large Danske Bank and BG Bank branches. These offices, which maintain the separate identities of the individual brands, allow customers of both Realkredit Danmark and the banks to get fast, competent and coordinated advice on all types of financial products. In 2003, nine shared offices were set

up, and the remaining relocations are expected to be completed in 2004.

The nationwide branch network of Danske Bank and BG Bank, with a total of 465 branches, strengthens the distribution power of Realkredit Danmark considerably, and the number of loan applications received through the branch network is rising. Moreover, providing services through bank branches makes it possible to offer customers a wide range of other financial products.

"home" is the real estate agency chain of the Group. The real estate agency activities are organised as franchise business, and at end-2003, the chain was made up of a total of 175 estate agents in Denmark, against 169 at the beginning of the year.

An increasing number of customers use Realkredit Danmark's Web site, www.rd.dk, for example in connection with the launch of interest-only loans. The increase in the use of the Web site is registered both in the number of visitors and the number of loan applications received over the Internet. Realkredit Danmark will continue to expand its Web site to improve customer access to electronic self-service.

Funding

Financing and issuance of bonds

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

In principle, a balance is always maintained between the contracted payments from borrowers and Realkredit Danmark's payments to bondholders. This balance between loans and funding eliminates interest rate, foreign exchange and liquidity risks from significant parts of the balance sheet. This is the hallmark of Danish mortgage credit institutions.

At the end of 2003, Realkredit Danmark had issued bonds for a total of DKr603bn, or 34% of all mortgage bond issuance on the Danish market and 24% of all bonds listed on the Copenhagen Stock Exchange.

This makes Realkredit Danmark one of the largest non-governmental bond issuers in Europe.

Issued bonds

As in the preceding two years, the fall in interest rates in the first half of 2003 combined with the generally low level of interest rates prompted

many borrowers to take out new loans with a lower coupon or FlexLån®. This effect was boosted by the introduction of interest-only loans. As a result, new bonds with a lower coupon were issued and existing bonds with a higher coupon redeemed.

Because of the fall in interest rates, the statutory minimum coupon was lowered from 3% to 2% at the ordinary fixing for the second half of 2003. This made it possible to issue bonds with a coupon of 2% without private investors incurring a tax liability on capital gains.

Realkredit Danmark opened a non-callable bond series for the financing of FlexLån® with a coupon of 2%, maturing between 2004 and 2009.

The minimum coupon was raised to 3% again at the ordinary fixing for the first half of 2004, and at January 1, 2004, Realkredit Danmark discontinued the issuance of bonds with a coupon of 2%.

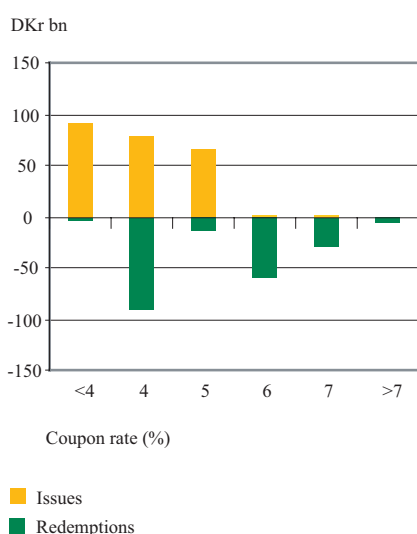
In 2003, Realkredit Danmark issued bonds for a total of DKr237bn. Realkredit Danmark issued non-callable bonds for DKr159bn for the funding and refinancing of FlexLån® and callable bonds for DKr78bn. By comparison, its total issuance of non-callable and callable mortgage bonds in 2002 totalled DKr124bn and DKr50bn, respectively.

Non-callable mortgage bonds are issued with maturities ranging from one to ten years. Of the bonds issued in 2003, 57% were issued with a maturity of one year, against 66% in 2002. The low interest rates in 2003 meant that borrowers increasingly opted for FlexLån® with longer interest reset periods – typically three or five years.

More than 70% of the mortgage bonds were issued with a coupon of 2% or 4%, mainly non-callable bonds for the financing of FlexLån®. The figures include bonds issued in December 2003 for the refinancing of FlexLån® on January 1, 2004.

In 2003, more than 80% of the callable bonds were issued with a coupon of 5%. The vast majority of these bonds were issued in the 5%

Issues and redemptions in 2003, broken down by coupon rate





series maturing in 2035, accounting for a total of DKr51bn in 2003.

In 2003, redemptions of callable bonds took place mainly in series with coupons of 6% and 7%.

Total bond issues and redemptions in 2003 are shown in the chart.

Annual refinancing

Since FlexLån[®] account for an increasing share of Realkredit Danmark's loan portfolio, there would normally also be an increase in the loan amount to be refinanced at year-end.

However, the introduction of interest-only loans in Denmark meant that many borrowers chose to repay existing FlexLån[®] in connection with the interest reset on January 1, 2004 and take out new, interest-only FlexLån[®] with the first interest reset on January 1, 2005 or later.

Outstanding loans to be refinanced at the turn of the year were further reduced by DKr7bn when – in mid-2003 – Realkredit Danmark offered borrowers with loans due for interest reset on January 1, 2004 a chance to take advantage of the historically low interest rates by

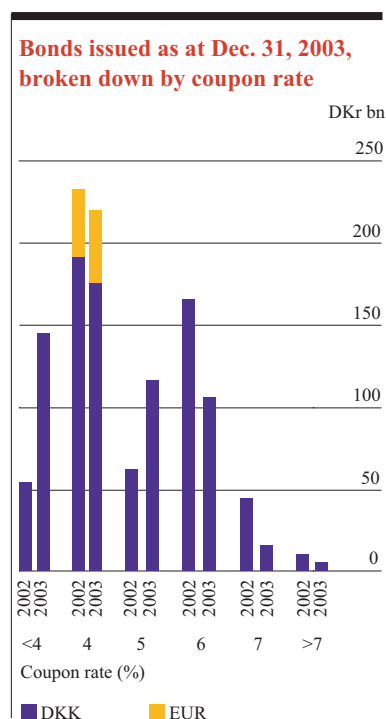
entering into fixed-price agreements for refinancing on exceptionally favourable terms. The new bonds were issued at the same time.

In 2003, a growing number of borrowers also took Realkredit Danmark's advice and locked in their interest rate for a period longer than 1 year – typically three or five years. This also reduced the amount to be refinanced at the beginning of 2004.

At the auction held in the middle of December 2003 for the refinancing of loans on January 1, 2004, the sale of non-callable bonds totalled DKr61bn, which was the same amount as the year before.

Because of the large refinancing requirements for FlexLån[®] with annual interest reset, Realkredit Danmark decided to spread the auction of 1-year bonds in equal portions over five trading days from Wednesday, December 10, to Tuesday, December 16, 2003. The auction for the rest of the bonds was held on Tuesday, December 16, 2003. The refinancing auction generated a very satisfactory price and oversubscription rate.

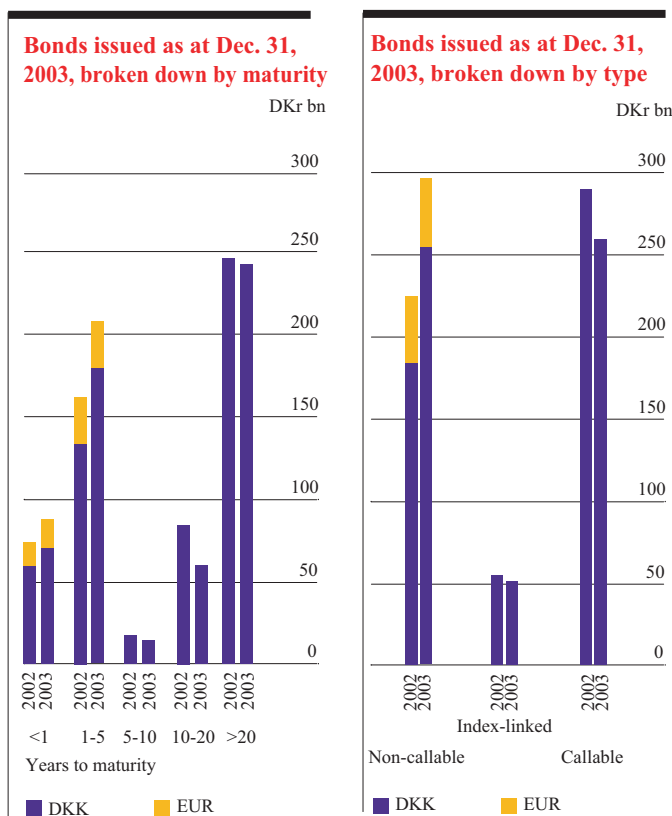
From December 2003 to January 2, 2004, bonds issued included double funding for a total of DKr67bn relating to the refinancing of FlexLån[®], of which DKr61bn derived from the auction held in mid-December. This is explained by the fact that the new bonds were issued in December, whereas redemption of the maturing bonds did not take place until January 2. Realkredit Danmark's bond drawings on January 2, 2004, totalled DKr101bn.



Bonds issued at end-2003

At end-2003, Realkredit Danmark had issued mortgage bonds for a total amount of DKr603bn, of which DKr67bn was double funding for refinancing purposes (see above). At the end of 2002, the corresponding amounts were DKr568bn and DKr63bn, respectively.

Because of the large-scale redemptions of bonds with a coupon of 6% or 7%, bonds with a coupon of 4% or 5% accounted for the largest part of bonds in circulation, 29% and 19%,



respectively. Most other bonds issued had a coupon of 2% (FlexLån[®]), 2.5% (index-linked bonds) or 6%.

Of bonds issued at the end of the year, 39% 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.

Non-callable bonds account for an increasing share of total issues. At the end of 2003, the share had grown to 49%. The share of callable bonds had fallen to 42%, and index-linked bonds accounted for 9%. Not including the brief double funding in relation to the refinancing of FlexLån[®], the respective proportions were 43%, 47% and 10%. At the end of 2002, the corresponding figures were 33%, 56% and 11%.

Interest-only loans

As of October 1, 2003, an amendment to the Danish Mortgage Credit Act allowed mortgage

credit institutions to offer homeowners mortgage loans with the option of one or several interest-only periods. Interest-only periods may not exceed a total of 10 years, and the deferred repayments of principal may be postponed until the last payment date of the loan. Realkredit Danmark has chosen to offer interest-reset loans in the form of both callable loans and FlexLån[®].

So far, Realkredit Danmark's experience with interest-only loans disbursed has been that the vast majority of borrowers have chosen interest-only loans that are also FlexLån[®]. It is therefore likely that a larger part of Realkredit Danmark's funding will derive from issues of non-callable bonds in the 10D and 10E series as a result of the introduction of interest-only loans.

Bonds denominated in euros

Loans in euros are funded by the issuing of euro-denominated bonds. These loans are almost exclusively taken out as FlexLån[®]. During 2003, borrowers' interest savings on euro-denominated loans fell compared with loans in Danish kroner. Interest savings on loans with annual interest reset for the whole of the outstanding debt fell from 0.2 of a percentage point at the beginning of the year to 0.1 of a percentage point at year-end.

Euro-denominated bonds accounted for 8% of total bond issues in 2003, and at the end of the year, 7% of the bonds in circulation were denominated in euros. The corresponding figures for 2002 were 14% and 7%, respectively.

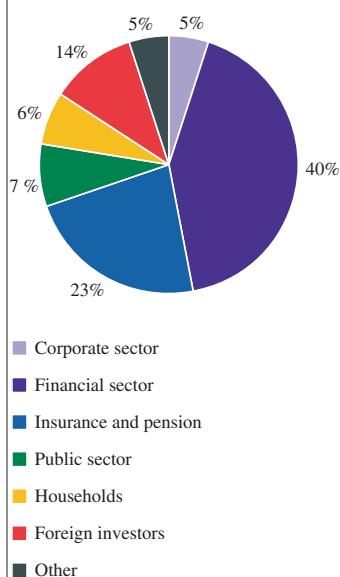
Bond investors

Realkredit Danmark's investor base is composed of a wide group of Danish and foreign investors. The majority of investors are companies in the financial sector in Denmark. This is explained by the fact that a steadily growing share of Realkredit Danmark's bond portfolio consists of non-callable bonds with a short term to maturity, which are well suited as money-market instruments.

The growing issuance of non-callable bonds has also attracted an increasing number of



Bonds issued as at Sept. 30, 2003, broken down by investor groups



foreign investors, who are familiar with the non-callable bullet bonds used by Realkredit Danmark to finance FlexLån[®]. At the end of the third quarter of 2003, foreign investors held 14% of the bonds issued by Realkredit Danmark and were the third-largest investor group after financial institutions and insurance and pension companies. By comparison, the foreign-investor ownership share was 13% at the end of the third quarter of 2002.

At 49%, foreign investors' share of the euro-denominated non-callable bonds is higher, which points to considerable interest in Realkredit Danmark bonds without exchange-rate risk.

Foreign investors also hold many non-callable bonds with a maturity of more than one year. At the end of the third quarter of 2003, foreign investors held 18% of these bonds denominated in Danish kroner and 76% of euro-denominated bonds.

Foreign investor holdings of selected series of Realkredit Danmark bonds are also significantly larger than the average.

It is Realkredit Danmark's overall policy for funding to make sure that borrowers obtain the cheapest and most flexible financing possible within the framework of the law and at a limited risk. Hence, it is Realkredit Danmark's strategy to widen its funding base, especially by attracting more foreign investors.

To meet this objective, Realkredit Danmark focuses on creating ample liquidity in bond series, maintaining a high rating for its bonds, and carrying out international marketing activities.

Liquidity of bond series

Ample liquidity in bond series is of crucial importance to investors.

Realkredit Danmark emphasises large and liquid bond series, taking borrowers' needs into account.

FlexLån[®] is a product that meets the requirements of both borrowers and investors. FlexLån[®] also provide the basis for further development, of which the introduction of interest-only loans in 2003 is a good example. Realkredit Danmark may fund also the new interest-only FlexLån[®] through the existing 10D and 10E bond series.

Realkredit Danmark's largest bond series at Sept. 30, 2003

Series	Volume in	Foreign
	circulation	investors
	DKr m	%
4% 10D 2004	64,600	5
5% 23D 2035	49,984	23
4% 10D 2006	36,931	11
6% 23D 2029	27,266	9
6% 23D 2032	27,230	27
4% 10D 2005	26,348	10
4% 10D 2007	18,505	25
6% 23D 2026	17,246	3
4% 10D 2004	16,546	22
4% 10D 2008	15,766	24

Rating

All new issues from Realkredit Danmark take place through the General Capital Centre, and the bonds are rated by both Moody's Investors Service and Standard & Poor's. Both agencies have awarded Realkredit Danmark's bonds their highest possible rating – Aaa and AAA, respectively.

When Standard & Poor's awarded its rating in May 2003, the agency gave emphasis to Realkredit Danmark's position as a major player in the Danish mortgage credit market and its strong potential as a member of the largest Danish financial services group, the Danske Bank Group.

In the opinion of Moody's Investors Service and Standard & Poor's, Danish mortgage bonds carry a very low risk because of the strong regulation of the Danish mortgage credit system.

To many foreign investors, a top bond rating determines whether a given security is an attractive investment object. The bond rating is therefore an important parameter for Realkredit Danmark in its efforts to widen its investor base and improve pricing.

Capital centre	Moody's	Standard & Poor's
General Capital Centre	Aaa	AAA
Danske Kredit	Aaa	-
Share of total bond issues	91%	86%
Volume in circulation (DKr m)	548,716	518,690

International marketing

Marketing targeted at foreign investors is still a focus area with the aim of obtaining the best possible sales opportunities for Realkredit Danmark bonds. A wide investor base offers the opportunity to obtain the best possible pricing and to enable Realkredit Danmark to offer its borrowers more attractive mortgage finance.

To enhance foreign investor awareness of Realkredit Danmark and its funding products, Realkredit Danmark engages in a large number of activities, including:

- Publication of ten investor publications in English
- Participation in conferences and seminars
- Participation in investor meetings
- Publication of investor information at www.rd.dk
- Publication of investor information on its own Web page with information services and financial news provider Bloomberg
- Publication of investor information on its own Web page with the financial media group Euromoney.com

The information is regularly extended to meet growing investor interest and requirements for additional details.



Resources

Staff

Realkredit Danmark wants its organisation to be staffed by happy employees with a positive approach and the best possible expertise and personal skills.

As in 2002, Realkredit Danmark conducted a survey in 2003 to measure employee satisfaction. The aim of employee satisfaction surveys is to enable Realkredit Danmark to identify and prioritise areas in which to improve staff satisfaction, motivation and loyalty.

The 2003 survey showed a positive trend and the result was on a par with the Danske Bank Group as a whole. Staff satisfaction is very important, and Realkredit Danmark will launch several initiatives designed to continue the positive trend.

At the end of 2003, the number of full-time employees at the Realkredit Danmark Group was 981, compared with 1,043 at the end of 2002. On January 1, 2003, part of Realkredit Danmark's Contact Centre was integrated into the Group Contact Centre of Danske Bank (see Administration below). Consequently, about 50 employees were transferred from Realkredit Danmark to Danske Bank.

Staff numbers at Realkredit Danmark were reduced by 62 full-time employees in 2003, including the 50 persons transferred in connection with the restructuring of the Contact Centre.

Incentive programmes

The Danske Bank Group's incentive programmes for management and staff build on value creation within the Group and include share options, rights to purchase conditional shares, employee shares and cash bonuses.

Incentive payments reflect individual performance and depend on financial results and other measures of value creation.

The existing share-based incentive programme, which includes a share option programme, a conditional share programme, and an employee share programme, was launched in 2001 for an initial period of three years and thus

expired at the end of 2003. The Group has decided that the share option programme and the conditional shares programme will run largely unchanged for another year. The 2004 employee share programme is slightly different from that of preceding years in that it is not based exclusively on the Danske Bank Group's core earnings but also on other selected parameters, including customer-related performance measures.

Share options

The members of the Executive Board of Realkredit Danmark and selected other 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 allotment 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 trading days after the release of the annual report plus 10%. The options allotted in 2003 for performance in 2002 appear in note 5.

Rights to purchase conditional shares

A broad group of some 40 senior managers and specialists at Realkredit Danmark participate in the conditional share programme. Rights to buy Danske Bank shares under this programme are allotted as a portion of the annual bonus earned. The shares are held in custody at the employees' risk and will be at their disposal after three years if they are still employed with the Danske Bank Group. The allotment of rights for the 2002 accounting year appears in note 5. For 2003, DKr1m was expensed under "Staff costs and administrative expenses" to provide for rights to purchase conditional shares.

Employee shares

The employee share programme for 2003 is based on a model whereby the Danske Bank Group allocates 5% of continuous growth in core earnings to a pool. The maximum allocation is DKr100m per annum, and Danske Bank shares under the programme are offered to employees at

a 50% discount. The basis for the calculation for 2003 was the Danske Bank Group's core earnings for 2002 of DKKr10,156m.

Management

Since the presentation of the Annual Report for 2002, the composition of the Board of Directors of Realkredit Danmark has changed. Professor Morten Balling, who was appointed by the Danish Minister of Economic Affairs, resigned at the end of his term. Jesper Ovesen, Chief Financial Officer, and Kent Christoffersen, Branch Manager, resigned on October 1, 2003. No new members joined the Board of Directors, which now consists of six directors appointed by the annual general meeting and three directors elected by the employees.

Realkredit Danmark's Executive Board has not changed since the presentation of the Annual Report for 2002.

Administration

The Group Contact Centre is the Danske Bank Group's joint call centre. At the beginning of 2003, Realkredit Danmark's former Contact Centre was integrated into the Group Contact Centre of Danske Bank, and this new structure has made it easier for customers to contact Realkredit Danmark by telephone. Realkredit Danmark is now accessible twenty-four hours a day, 365 days a year. The Group Contact Centre gives general customer information and also handles the initial dialogue with customers, offers advice and sets up loan applications.

In 2003, the Centralised Mortgage Credit Office, the remaining part of Realkredit Danmark's former Contact Centre, changed its name to Retail Customer Service. This unit handles small, straightforward loan applications from the private market as well as Internet inquiries. At the beginning of 2004, the concept was changed, and Retail Customer Service now also handles other loan applications from the private market. This means that Realkredit Danmark now offers customers full processing of their loan applications based on a dialogue over the

telephone. The value assessment of properties will be made by staff with local assessment expertise.

Most of the Danske Bank Group's administrative competencies and operations relating to mortgage finance are gathered within RD Service, and this unit has achieved greater efficiency through economies of scale. It has also improved flexibility in the processing of loan applications, allowing quicker and more efficient response to variations in activity over the year.

When lending activity is strong as a result of loan refinancing and other business, Realkredit Danmark needs to have extensive capacity for customer contact, loan processing and property assessment. To cope with such workloads, Realkredit Danmark organised a large refinancing corps in 2003, and many employees at Realkredit Danmark and in other parts of the Danske Bank Group have been trained to take on jobs at short notice with the Group Contact Centre and RD Service, and the staff carrying out property assessments can be increased in the same way. Parts of this corps were called in during 2003.

IT systems

In 2003, the development of a new group mortgage credit system continued under the group strategy of "One Group – One System".

However, as a result of an autumn 2003 evaluation of the risks and complexity of the project, a new project strategy based on Realkredit Danmark's existing systems will be considered. The original implementation targets of the project has been postponed.

Deadlines for the implementation of the new project strategy will be determined at the beginning of 2004.



Management of risk and capital

Raroc

As a business unit 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 companies. This system is designed to optimise the relation between the risk of loss, capital adequacy and earnings.

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

- Credit risk
- Market risk
- Operational risk

The risks are quantified through a combination of historical data and statistical models. This makes it possible to calculate the amount of capital Realkredit Danmark needs to meet the Danske Bank Group's objective of a cautious risk profile. This capital requirement is called "economic capital".

Another element in the Raroc system 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 for bad and doubtful debts for the period. Moreover, the item net interest income, which is based on shareholders' equity, is adjusted so that, in the risk-adjusted result, net interest reflects the calculated amount of economic capital.

The Raroc figure is calculated as risk-adjusted earnings as a percentage of economic capital and therefore expresses the risk-adjusted return on the capital charge.

The average economic capital for Realkredit Danmark's entire business area was calculated at DKr3.4bn for 2003. The requirement for economic capital was

DKr12.3bn less than the capital allocated to the business area on the basis of risk-weighted items.

The Raroc figure for 2003 was 50% for Realkredit Danmark's entire business area, which is considered satisfactory. The figure for 2002 was 44%.

Realkredit Danmark uses Raroc in the management of its business activities. The Raroc framework has been incorporated into budget follow-up procedures and is used for pricing of products and facilities.

The Raroc risk management system should also be seen in light of the preparations for the new Basel II capital adequacy rules for financial enterprises, which are expected to be implemented at the turn of the year 2006/2007.

Credit risk

Lending principles

Realkredit Danmark grants loans on the basis of an assessment of the property on which the loan is secured and a credit assessment of the customer. Depending on the type of property, the creditworthiness of the customer is given greater or lesser weighting.

As a general rule, Realkredit Danmark's own valuation experts carry out the physical inspection of the property and assess the value. For owner-occupied dwellings and holiday homes with a loan value of less than DKr3.2m, the required inspection and valuation are sometimes performed by agents of the "home" real-estate agency chain or other contract agents on the basis of Realkredit Danmark's instructions. To ensure that such valuation meets Realkredit Danmark's strict quality requirements, Realkredit Danmark performs random checks of the valuations.

When assessing the value of a property, Realkredit Danmark focuses not only on the market value of the property at the time in question, but also on the long-term value of the property. Location, marketability and alternative uses of the property are key elements in the assessment of the long-term value.

The assessment of the customer aims to ensure that the customer has the ability to and intention of repaying the loan. In the private market, this assessment is supported by a statistically-based risk classification model and Realkredit Danmark's priority customer concept.

When assessing whether a customer is able to service the requested loan, a 30-year fixed-rate annuity loan is always used as the basis, even if the customer is seeking a FlexLån® or an interest-only loan. This method is used to assess whether the customer's income will suffice to service the loan when or if mortgage payments increase at a future date.

Realkredit Danmark generally offers loans up to the limits set out by Danish legislation. The loan limit is determined on the basis of the different property types and normally represents 80% of the value for residential property and rental property, 70% for agriculture and 60% for other commercial property.

Most loans can be approved by local offices, but large loans and loans to customers or properties involving a larger-than-normal risk must be approved by Realkredit Danmark's central credit department or, in some cases, by the Executive Board or the Board of Directors.

To ensure that approvals made locally meet the stipulations and quality requirements of Realkredit Danmark's credit policy, Realkredit Danmark carries out random checks of loan applications in all segments.

Loan portfolio

Realkredit Danmark's loan portfolio totalling DKKr498bn is secured by mortgages on properties. The average LTV – loan to value – ratio was 61% at the end of the year. The large excess relative to estimated property values means that the credit risk is limited.

The estimated property value is calculated on the basis of Realkredit Danmark's most recent assessment of the property. This assessment is projected by means of extensive and wide-ranging data on price trends in the individual segments. As prices in the property market rose only moderately in 2003 and movements in bond prices were limited, the average LTV ratio remained unchanged during the year.

In order further to illustrate how secure Realkredit Danmark's loan portfolio is, the chart on the next page shows a breakdown of the total loan portfolio by property segment, indicating the LTV ratio of the individual loan types. More than 65% of all loans are secured within 40% of the value of the properties, and almost 90% are secured within 60% of the value of the properties.

Some 50% of the private-market loan portfolio is arranged through Danske Bank or BG Bank and is partially covered by a loss guarantee provided to Realkredit Danmark by Danske Bank. The loss guarantee, which covers the part of the loan that exceeds 60% of the original valuation of the property, constitutes supplementary security for the last 20% up to the statutory lending limit. A few corporate loans are also partially covered by Danske Bank's guarantee.

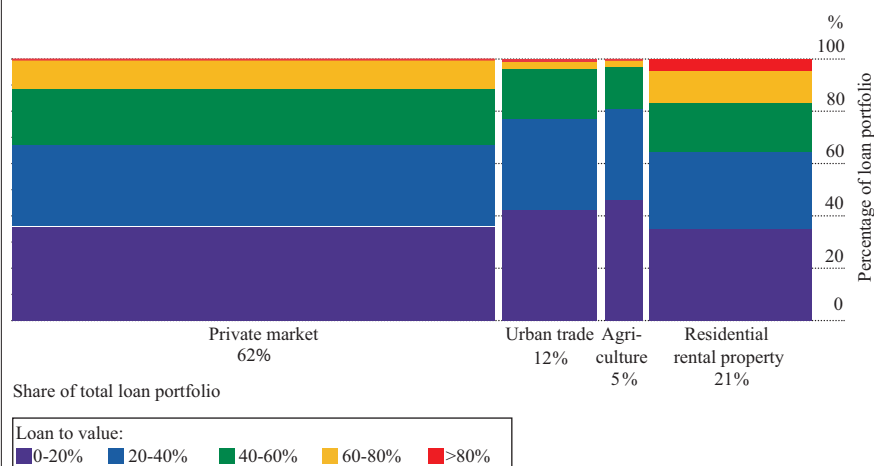
At the end of 2003, the bank guarantee applied to loans in a total amount of DKKr155bn, of which the bank guarantee covered DKKr27bn. Of the remaining loan portfolio of DKKr343bn, a total of 90% is secured within 60% of the property value.

With respect to residential rental property, loans in excess of 80% of the original loan value are covered by a guarantee provided by central or local government.

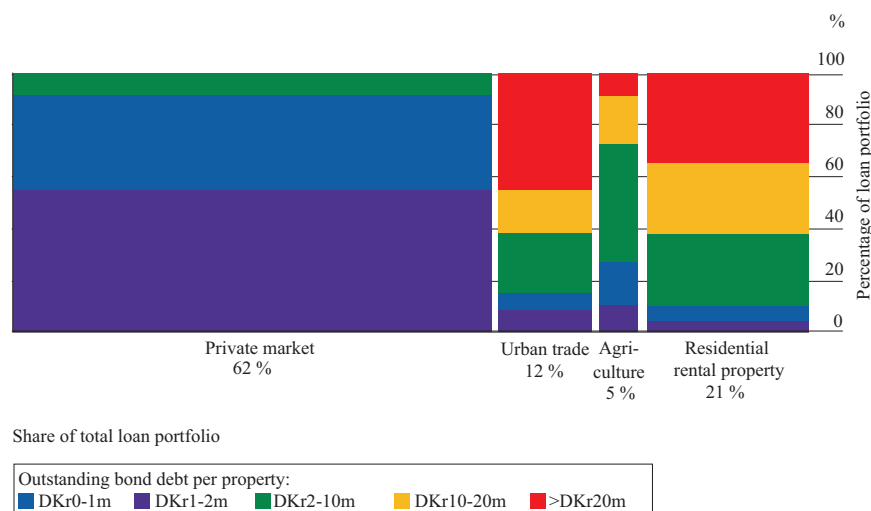
	Loan portfolio		LTV ratio		Arrears	
	DKK m		%		Sept. paym. in %	
	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31
	2003	2002	2003	2002	2003	2002
Private market	307,311	290,590	62	62	0.15	0.17
Urban trade	60,809	55,691	51	51	0.29	0.29
Agriculture	25,754	23,319	48	47	0.24	0.52
Residential rental property	103,959	99,598	68	70	0.07	0.10
Total	497,833	469,198	61	61	0.17	0.20



Distribution of loan portfolio by loan-to-value ratios as at Dec. 31, 2003



Distribution of loan portfolio by outstanding bond debt as at Dec. 31, 2003



As the charts show, the major part of Realkredit Danmark's loan portfolio is placed in the historically very secure residential property segment. Loans to the private market and residential rental property account for no less than 83% of the total portfolio. Combined with the fact that corporate lending is mainly to small

customers, this means that the total portfolio is well diversified and has limited sensitivity towards individual customers and segments.

The high ratings awarded by the rating agencies Standard & Poor's and Moody's are to a large extent dependent on Realkredit Danmark's low risk on lending.

Provisions for bad and doubtful debts

In 2003, the item "provisions for bad and doubtful debts" recorded a net expense, DKr24m, for the first time in seven years. In prior years, amounts recovered on debts previously written off and reversed provisions exceeded the amount of new or increased provisions and write-offs.

In 2003, the amount of reversed provisions fell and new provisions rose slightly. As would normally be expected, provisions for bad and doubtful debts therefore recorded a net expense. The rise in new provisions relates primarily to a few loans and cannot be taken to reflect a general trend.

At the end of 2003, total provisions for bad and doubtful debts were DKr460m, against DKr526m at the beginning of the year.

As in previous years, the portfolio of properties acquired by Realkredit Danmark through forced sales was very small. At end-2003, 51 such properties were held, the same as at the beginning of the year. This number should be viewed in light of the fact that Realkredit Danmark holds mortgages on some 520,000 properties.

Arrears rates remained very low in 2003, and there is no indication that losses will increase in 2004. After three months, arrears from the September 2003 payment date accounted for only 0.17% of the amount due. By comparison, the percentage of arrears was 0.20% at the same date in 2002.

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 regular basis.

According to the Act, a fine balance must be maintained between the agreed future payments from borrowers and payments to bondholders. 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 if there were to be a one percentage point change in interest rates.

According to Danish law, the difference between payments received on mortgage loans and payments made on issued bonds may not result in an interest rate risk exceeding 1% of Realkredit Danmark's capital base, that is, DKr273m. At the end of 2003, this interest rate risk amounted to DKr2m, against DKr21m the year before.

The interest rate risk on other assets and liabilities and on off-balance-sheet items, including in particular the investment portfolio, may not exceed 8% of the capital base, or DKr2,182m, according to legislation. At the end of 2003, the interest rate risk on these items amounted to DKr263m, against DKr172m the year before.

Realkredit Danmark's total interest rate exposure was DKr265m at the end of 2003, equivalent to 1.0% of the capital base. The year before, the interest rate risk totalled DKr193m.

Equity risk

The equity risk is calculated as the market value of the Realkredit Danmark Group's holdings of shares and participating interests, etc. Internal limits have been set for overall equity risk. At the

end of 2003, the market value and hence the equity risk amounted to DKr345m, against DKr271m the year before. The holdings consisted exclusively of unlisted shares and participating interests, 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, DKr27m. At the end of 2003, the exchange rate risk amounted to DKr2m, against DKr1m the year before.

Financial instruments

Realkredit Danmark employs financial instruments exclusively to hedge risks. In 2003, Realkredit Danmark used mainly forwards, 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 by both Realkredit Danmark and the mortgage finance sector in general and takes account of the risk of political intervention and economic trends.

Event risk measures the risk that can be attributed to specific, one-off events that may lead to unforeseen expenses or long-term disruption of business operations for Realkredit Danmark.

At the end of 2003, total operational risk was 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 the financial year 2003.

The Annual Report has been presented in accordance with Danish statutory provisions and the Copenhagen Stock Exchange guidelines for the presentation of accounts by issuers of listed bonds.

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 5, 2004

Sven Holm

Chairman of the Executive Board and
Chief Executive Officer

Thomas Mitchell

Member of the Executive Board

Board of Directors

Copenhagen, February 5, 2004

Jakob Brogaard

Chairman

Sven Lystbæk

Deputy Chairman

Søren Hermansen

Jørgen Lund

Bent Maribo

Jørgen Mejlgård

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, 2003, 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, 2003, 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, 2003, in accordance with the accounting provisions of Danish legislation.

Copenhagen, February 5, 2004

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, 2003, 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, 2003, 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, 2003, in accordance with the accounting provisions of Danish legislation.

Copenhagen, February 5, 2004

Grant Thornton
Statsautoriseret
Revisionsaktieselskab

KPMG C.Jespersen
Statsautoriseret
Revisionsinteressentskab

Svend Ørjan Jensen
State Authorised
Public Accountant

Arne Sivertsen
State Authorised
Public Accountant

Erik Stener Jørgensen
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 bonds 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 2002 except in the instances indicated below. The changes have been implemented to adjust the accounting policies to the amended executive order on mortgage credit institutions' annual accounts.

Unlisted securities

Unlisted securities are recognised at their estimated fair value. According to the previous accounting policies, unlisted securities were recognised at the lower of cost and fair value. This change has resulted in an increase in assets and shareholders' equity at January 1, 2003, of DKr72m. Since the effect on assets and equity is insignificant, comparative figures have not been restated and the value adjustment is recognised directly in shareholders' equity at January 1, 2003. This change has not affected the net profit for 2003.

Intangible assets

Intangible assets acquired after January 1, 2003, are recognised at cost and amortised over their expected useful life up to a maximum of 20 years. Intangible assets, apart from goodwill on acquisition, were previously charged fully to the profit and loss account in the year of acquisition. This change has not affected the net profit for 2003.

Leasehold improvements

Furthermore, leasehold improvements effected after January 1, 2003, are capitalised under tangible assets and depreciated over their expected useful life. Leasehold improvements

were previously charged fully to the profit and loss account in the year of acquisition. This change has not affected the net profit for 2003.

Effects of the changes

The changes have had no implication on the net profit for the year. The balance sheet total and shareholders' equity at December 31, 2003 have been increased by DKr72m relating exclusively to unlisted securities.

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. Companies acquired in the process of limiting 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 outstandings. The accounts used in the consolidation are prepared in accordance with the Group's accounting policies.

Companies acquired are included in the consolidated accounts from the acquisition date. For new acquisitions, the book value on the date of acquisition is determined in accordance with the Group's accounting policies. If the cost of acquisition exceeds the book value, the excess amount (goodwill on acquisition) is capitalised and amortised over the expected useful life of the asset up to a maximum of 20 years.

The profit or loss of divested subsidiaries 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 book value 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 are included in the profit and loss account under "Other operating income" or "Other operating expenses".

Translation of foreign currency

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 currency 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 at the amounts relating to the accounting period. Fees are normally booked in the profit and loss account when received.

Lending and amounts due from credit institutions and central banks

Amounts due to Realkredit Danmark are recognised at their current outstanding amounts less loss provisions. The assets, including mortgage loans, lease assets and financial instruments, are subject to constant critical evaluation to identify potential risks. Losses identified, including those relating to payment problems in heavily indebted and politically unstable countries, are charged to 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 amount is written off.

Mortgage loans

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

Lease assets

Lease assets are included on the balance sheet under "Lending" and are valued at cost less depreciation. Depreciation is computed using the actuarial method and taking into account the residual economic life of each asset. Thus, the acquisition price less any estimated residual value is written off over the lease term.

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 their fair value at the end of the year.

Unlisted securities are recognised at their estimated fair value.

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

Holdings in associated undertakings

Holdings in associated undertakings comprise shares and other holdings constituting shareholders' equity in companies in which the Group holds 20% to 50% of the voting rights and also has a significant influence on the company's financial management and operations.

Holdings in associated undertakings are valued according to the equity method. The



proportionate share of the net profit of the individual undertakings is included in "Income from associated and subsidiary undertakings". However, some holdings are assessed at a value lower than the book 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.

Holdings in subsidiary undertakings are valued according to 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 are stated at cost less any amortisation and write-downs. Amortisation is calculated according to the straight-line method over the expected useful life up to a maximum of 20 years. Intangible assets acquired before January 1, 2003, and goodwill acquired before January 1, 2002, however, were written off in the year of acquisition.

Internally generated intangible assets, including software developed by the Group, are charged fully to the profit and loss account in the year of acquisition.

Tangible assets

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

Property is written off according to the straight-line method on the basis of the property's expected scrap value and its expected useful life up to a maximum of 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. The change in the provision is included in the profit and loss account under "Provisions for bad and doubtful debts".

Leasehold improvements made after January 1, 2003, are capitalised under tangible assets and depreciated according to the straight-line method over the term of the lease up to a maximum of ten years.

Machinery and equipment, etc., are stated on the balance sheet at cost less depreciation according to the straight-line method. Depreciation is based on the estimated useful life of the asset up to a maximum of three years.

Derivatives

Derivatives are included at their fair value. The positive or negative non-netted value is stated under "Other assets" and "Other liabilities" irrespective of any netting agreements.

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

Interest from interest rate and currency swaps, as well as premiums on forward securities and foreign exchange transactions, are included under "Interest income" and changes calculated in the fair 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 taxed jointly 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 Danish tax calculated on the profit for the year is allocated to the jointly-taxed Danish companies in accordance with the full allocation method. The tax calculated on the profit for the year is expensed under "Tax".

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

Issued bonds

Mortgage bonds issued are stated on the balance sheet at their nominal value.

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

Deferred tax

Deferred tax resulting from timing differences between the booking of income and charges for tax and for accounting purposes is 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 current 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 consist mainly of defined contribution plans, under which the Group pays contributions to insurance companies and other institutions. Such payments are expensed when they are made. Certain pension commitments are defined benefit plans, and provisions are made on the basis of an actuarial calculation.

Dividend

The Board of Directors' proposal for a dividend for the year is included on the balance sheet under "Other liabilities".

Cash flow statement

The cash flow statement shows the cash flow from operating activities, the cash flow from investing activities and changes in mortgage loans and 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, among other things, for non-cash items in the profit and loss account 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 change in mortgage loans is made up before provisions for bad and doubtful debts, etc.

The net change in funding includes 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.

Intra-group 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.

Differences between these accounting policies and Danish accounting standards

The Annual Report has been prepared in compliance with Danish accounting standards with the following variations stipulated by the executive order on the presentation of accounts by mortgage credit institutions.

The Board of Directors' proposal for a dividend for the year is included in the accounts. According to Danish accounting standards, the dividend is included upon the adoption of the proposal by the annual general meeting.

Implementation of the International Financial Reporting Standards (IFRS)

The Group plans to present its report for the first quarter of 2005 in accordance with the IFRS.

The financial effect of the implementation of the IFRS to come into force on January 1, 2005, will be announced in the Annual Report for 2004.



Profit and loss account

January 1 – December 31

DKr m		Realkredit Danmark Group		Realkredit Danmark A/S	
		2003	2002	2003	2002
Note					
2, 9	Interest income	29,855	28,734	29,850	28,728
3	Interest expense	25,768	25,209	25,768	25,209
	Net interest income	4,087	3,525	4,082	3,519
9	Dividends from shares	7	-	7	-
9	Fee and commission income	929	707	929	707
	Fees and commissions paid	603	405	603	405
	Net interest and fee income	4,420	3,827	4,415	3,821
4, 9	Securities and foreign exchange income	-430	178	-430	178
9	Other operating income	140	139	31	42
5	Staff costs and administrative expenses	1,588	1,411	1,509	1,336
	Depreciation and write-downs	9	18	8	16
	Other operating expenses	1	6	1	6
6	Provisions for bad and doubtful debts	24	-74	24	-74
7	Income from associated and subsidiary undertakings	18	29	52	55
1	Profit on ordinary operations before tax	2,526	2,812	2,526	2,812
8	Tax	609	822	609	822
	Net profit for the year	1,917	1,990	1,917	1,990
Proposal for allocation of profits					
	Net profit for the year			1,917	1,990
	Total amount to be allocated			1,917	1,990
	Transferred to equity			1,917	1,990
	Total allocation			1,917	1,990

Balance sheet

at December 31

DKr m	Note	Realkredit Danmark Group		Realkredit Danmark A/S	
		2003	2002	2003	2002
	Assets				
	Cash in hand and demand deposits with central banks	13	4,218	13	4,218
10	Due from credit institutions and deposits with central banks	14,901	28,956	14,847	28,923
	Lending:				
	Mortgage loans	497,563	468,953	497,563	468,953
	Other loans	474	461	444	433
11	Total lending	498,037	469,414	498,007	469,386
12,14	Bonds	127,978	132,436	127,978	132,436
13,14	Shares, etc.	97	25	97	25
15	Holdings in associated undertakings	248	237	248	237
16	Holdings in subsidiary undertakings	-	9	117	100
17	Tangible assets	773	711	771	710
18	Other assets	5,079	6,555	5,037	6,510
	Prepayments	20	20	20	19
	Total assets	647,146	642,581	647,135	642,564
	Liabilities and equity				
19	Due to credit institutions and central banks	874	31,259	874	31,259
20	Issued bonds	603,120	567,912	603,120	567,912
21	Other liabilities	15,208	17,330	15,197	17,313
22	Provisions for obligations	707	832	707	832
23	Shareholders' equity:				
	Share capital	625	625	625	625
	Reserves:				
	Reserves in series	2,770	3,811	2,770	3,811
	Other reserves	23,842	20,812	23,842	20,812
	Total shareholders' equity	27,237	25,248	27,237	25,248
24	Total liabilities and equity	647,146	642,581	647,135	642,564
	Off-balance-sheet items				
25	Guarantees, etc.	5	6	5	6
26	Other commitments	1,250	1,145	1,239	1,133
	Total off-balance-sheet items	1,255	1,151	1,244	1,139



Cash flow statement

January 1 – December 31

DKr m	Realkredit Danmark Group	
	2003	2002
Cash flow from operating activities		
Profit before tax	2,526	2,812
Adjustment for non-cash items in the profit and loss account:		
Market value adjustment of securities	335	-306
Depreciation and write-downs, etc.	9	18
Decrease(-)/increase in provisions for bad and doubtful debts	-66	5
Tax paid	-653	-830
Increase(-)/decrease in outstanding amounts, etc.	1,422	36
Decrease(-)/increase in amounts owed, etc.	-1,986	941
Total	1,587	2,676
Cash flow from investing activities		
Purchase(-)/sale of securities	4,121	-25,421
Change in repo and reverse transactions	-33,995	13,957
Increase(-)/decrease in other loans	51	45
Net investment in other fixed assets	-22	-14
Total	-29,845	-11,433
Increase(-)/decrease in mortgage lending	-28,614	-20,923
Increase/decrease(-) in funding	35,208	31,560
Movements in cash and cash equivalents	-21,664	1,880
Cash and cash equivalents at January 1	32,132	30,252
Cash and cash equivalents at December 31	10,468	32,132
Cash and cash equivalents at December 31 comprise:		
Cash in hand and at bank, etc.	13	4,218
Due from credit institutions and deposits with central banks	14,901	28,956
Portion attributable to reverse transactions	-4,446	-1,042
Total cash and cash equivalents at December 31	10,468	32,132

Notes to the accounts

* The accounting format of the Danish Financial Supervisory Authority.

DKr m

Note

1

Core earnings and earnings from investment portfolios of the Realkredit Danmark Group

2003					
	Core earnings	Merger costs	Eliminations	Earnings from investment portfolios	Total*
Administration margin	2,216	-	-	-	2,216
Net interest income	1,216	-	-	655	1,871
Dividends from shares	-	-	-	7	7
Fee and commission income	186	-	140	-	326
Net interest and fee income	3,618	-	140	662	4,420
Securities and foreign exchange income	17	-	-	-447	-430
Other operating income	140	-	-	-	140
Staff costs and administrative expenses	1,444	-	140	4	1,588
Depreciation and write-downs	9	-	-	-	9
Other operating expenses	1	-	-	-	1
Provisions for bad and doubtful debts	24	-	-	-	24
Income from associated and subsidiary undertakings	-	-	-	18	18
Profit on ordinary operations before tax	2,297	-	-	229	2,526
2002					
	Core earnings	Merger costs	Eliminations	Earnings from investment portfolios	Total*
Administration margin	2,094	-	-	-	2,094
Net interest income	1,219	-	-	212	1,431
Dividends from shares	-	-	-	-	-
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

The business area Mortgage Finance in the Danske Bank Group is identical to the activities carried out by the Realkredit Danmark Group. In Danske Bank's Annual Report for 2003, core earnings before provisions for the business area Mortgage Finance is stated at DKr2,133m, compared with DKr2,321m 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 DKr188m 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 property finance were gathered at 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 2003, reimbursements from Danske Bank totalled DKr140m, which amount has been set off against costs in the statement of core earnings and earnings from investment portfolios. In the official accounts, the reimbursements are included under fees.



Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2003	2002	2003	2002
Note				
2 Interest income				
Due from credit institutions and deposits with central banks	604	920	603	919
Lending	25,015	24,606	25,011	24,602
Administration margin	2,216	2,094	2,216	2,094
Bonds:				
Own mortgage bonds	394	459	394	459
Other mortgage bonds	361	70	361	70
Government bonds	879	414	879	414
Derivatives:				
Interest rate contracts	226	63	226	63
Other interest income	160	108	160	107
Total	29,855	28,734	29,850	28,728
Portion attributable to interest income on reverse transactions recognised under:				
Due from credit institutions and deposits with central banks	79	133	79	133
3 Interest expenses				
Due to credit institutions and central banks	54	170	54	170
Issued bonds	25,618	24,968	25,618	24,968
Reimbursement of commitment fees, etc.	82	50	82	50
Other interest expenses	14	21	14	21
Total	25,768	25,209	25,768	25,209
Portion attributable to interest expenses on repo transactions recognised under:				
Due to credit institutions and central banks	9	145	9	145
4 Securities and foreign exchange income				
Bonds:				
Own mortgage bonds	208	250	208	250
Other mortgage bonds	-160	4	-160	4
Government bonds	-397	3	-397	3
Shares, etc.	-	3	-	3
Fixed-rate loans, etc.	-5	16	-5	16
Foreign currency	10	8	10	8
Derivatives:				
Interest rate contracts	-86	-106	-86	-106
Total	-430	178	-430	178

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2003	2002	2003	2002
Note				
5 Staff costs and administrative expenses				
Salaries and remuneration of Executive Board, Board of Directors and local councils:				
Executive Board	5	5	5	5
Board of Directors	1	1	1	1
Local councils	4	4	4	4
Total	10	10	10	10
Staff costs:				
Salaries	477	487	462	472
Pension costs	55	55	51	53
Financial services employer tax, etc.	44	49	44	49
Total	576	591	557	574
Other administrative expenses	1,002	810	942	752
Total staff costs and administrative expenses	1,588	1,411	1,509	1,336
In 2003, 19,200 share options were allotted to the Executive Board and 47,200 options to certain other managers at a price of 118.50. In addition, 1,126 rights to purchase conditional shares were allotted to the Executive Board and a total of 7,746 rights were allotted to other employees.				
Average number of employees for the accounting year, full-time equivalents:				
Consolidated companies	1,016	1,066	982	1,032
Non-consolidated companies	-	1	-	1
Total fees to the external accounting firms that perform the statutory audit	2	2	2	2
Portion attributable to non-audit services	-	1	-	1
In addition to these fees, considerable costs were incurred in relation to internal audit.				



Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2003	2002	2003	2002
Note				
6 Provisions for bad and doubtful debts (minus denotes income)				
Losses with prior provisions	106	40	106	38
Losses without prior provisions	34	25	34	25
Recovery of debt previously written off	50	144	50	144
Movements in provisions:				
Provisions, beginning of year	526	521	525	518
Provisions, end of year	460	526	459	525
Total	24	-74	24	-74
Provisions at year-end for loans and guarantees as a percentage of loans and guarantees	0.1 %	0.1 %	0.1 %	0.1 %
7 Income from associated and subsidiary undertakings				
Income from associated undertakings	15	28	15	28
Income from subsidiary undertakings	3	1	37	27
Total	18	29	52	55
8 Tax (minus denotes a credit)				
Estimated tax charge on the profit for the year	623	747	623	747
Deferred tax	5	23	5	23
Re-adjustment of prior-year tax charge	-22	48	-22	48
Tax on provisions	3	4	3	4
Total	609	822	609	822
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	-4.0 %	-1.9 %	-4.0 %	-1.9 %
Re-adjustment of prior-year tax charge	-0.9 %	1.7 %	-0.9 %	1.7 %
Other	-1.0 %	-0.6 %	-1.0 %	-0.6 %
Effective tax rate	24.1 %	29.2 %	24.1 %	29.2 %

		Realkredit Danmark Group		Realkredit Danmark A/S	
DKr m		2003	2002	2003	2002
Note					
9	Income broken down by country				
	Total interest income, dividends from shares, fee and commission income, securities and foreign exchange income and other operating income broken down geographically:				
	Denmark	30,499	29,754	30,385	29,651
	Other countries	2	4	2	4
	Total	30,501	29,758	30,387	29,655
10	Due from credit institutions and deposits with central banks				
	Deposits at notice with central banks	-	17,439	-	17,439
	Due from credit institutions	14,901	11,517	14,847	11,484
	Total	14,901	28,956	14,847	28,923
	Reverse transactions	4,446	1,042	4,446	1,042
	Amounts set aside for the drawing of bonds for redemption at par	4,064	7,460	4,064	7,460
	Breakdown by term to maturity				
	On demand	9,552	7,987	9,498	7,954
	3 months and below	5,289	20,547	5,289	20,547
	3 months to 1 year	60	422	60	422
	Total	14,901	28,956	14,847	28,923
11	Lending				
	Mortgage loans	497,563	468,953	497,563	468,953
	Outstanding amounts in respect of non-foreclosures	296	234	296	234
	Other loans	178	227	148	199
	Total	498,037	469,414	498,007	469,386
	Breakdown by term to maturity				
	On demand	357	299	357	299
	3 months and below	7,076	5,477	7,073	5,475
	3 months to 1 year	13,451	13,270	13,443	13,263
	1 year to 5 years	73,110	70,050	73,094	70,034
	Over 5 years	404,043	380,318	404,040	380,315
	Total	498,037	469,414	498,007	469,386



Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2003	2002	2003	2002
Note				
11 <i>Continued</i>				
Loans, etc., to management				
Loans, pledges, sureties or guarantees established for:				
Executive Board	4	4	4	4
Board of Directors	9	9	9	9
Mortgage loans				
Balance, beginning of year	469,197	448,281	469,197	448,281
New loans	167,587	109,956	167,587	109,956
Index adjustment	1,414	977	1,414	977
Exchange rate adjustment	76	-25	76	-25
Ordinary repayments	16,156	16,292	16,156	16,292
Redemptions and extraordinary repayments	124,285	73,700	124,285	73,700
Balance, end of year 1)	497,833	469,197	497,833	469,197
Loans transferred to foreclosed properties	62	33	62	33
Loan provisions	344	369	344	369
Loans taken over by the Danish Financial Administration Agency	136	158	136	158
Total	497,563	468,953	497,563	468,953
1) Portion attributable to amortisation account for cash loans	13,160	15,339	13,160	15,339
Total sum of mortgage deed principals	552,728	523,529	552,728	523,529
Number of loans	651,272	702,796	651,272	702,796
Apart from being backed by mortgages on properties, Realkredit Danmark's loans are backed by government, municipal and insurance guarantees of	20,850	20,748	20,850	20,748
Furthermore, pass books and bonds have been lodged and guarantees provided as supplementary security in a total amount of	48,622	40,142	48,622	40,142
In addition, Realkredit Danmark has received various declarations of indemnification without specification of amounts.				
Outstanding amounts relating to non-foreclosures				
Arrears	308	252	308	252
Outlays	49	75	49	75
Loan provisions	61	93	61	93
Total	296	234	296	234
In arrears at mid-January 2004, or in 2003	113	132	113	132

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2003	2002	2003	2002
Note				
11 <i>Continued</i>				
Mortgage loans broken down by property category				
Owner-occupied dwellings	60 %	60 %	60 %	60 %
Holiday homes	2 %	2 %	2 %	2 %
Subsidised residential rental property	14 %	15 %	14 %	15 %
Private residential rental property	7 %	6 %	7 %	6 %
Industrial and skilled trades property	3 %	3 %	3 %	3 %
Office and retail property	6 %	6 %	6 %	6 %
Agricultural property, etc.	5 %	5 %	5 %	5 %
Property for social, cultural and training activities	2 %	2 %	2 %	2 %
Other property	1 %	1 %	1 %	1 %
Total	100 %	100 %	100 %	100 %
12 Bonds				
Own mortgage bonds	87,853	115,450	87,853	115,450
Other mortgage bonds	26,481	11,926	26,481	11,926
Government bonds	13,644	5,060	13,644	5,060
Total	127,978	132,436	127,978	132,436
Portion attributable to:				
Drawn bonds	50,895	52,962	50,895	52,962
Domestic bonds set aside for the drawing of bonds for redemption at par	13,346	8,323	13,346	8,323
Security has been provided to Danmarks Nationalbank by way of bonds with a book value of	11,026	13,598	11,026	13,598
Bonds sold in connection with repo transactions	860	31,198	860	31,198
Outstanding repo transactions	-	28	-	28
13 Shares, etc.	97	25	97	25
Other shares, etc.	97	25	97	25
Total				
14 Current asset investments				
Current asset investments valued at market value	128,075	132,436	128,075	132,436
Difference between the purchase price of current asset investments valued at market value and the higher market value at the time of reporting	879	651	879	651



Notes to the accounts

DKr m	Note	Realkredit Danmark Group		Realkredit Danmark A/S	
		2003	2002	2003	2002
	15 Holdings in associated undertakings				
	Other undertakings	248	237	248	237
	Total	248	237	248	237
	Cost, beginning of year	199	278	199	278
	Additions	-	6	-	6
	Disposals	3	85	3	85
	Cost, end of year	196	199	196	199
	Revaluation and write-downs, beginning of year	38	-18	38	-18
	Profit/loss	15	28	15	28
	Dividends	3	4	3	4
	Other capital movements	-	4	-	4
	Reversal of revaluation and write-downs	2	28	2	28
	Revaluation and write-downs, end of year	52	38	52	38
	Book value, end of year	248	237	248	237
	16 Holdings in subsidiary undertakings				
	Other undertakings	-	9	117	100
	Total	-	9	117	100
	Cost, beginning of year	13	13	259	279
	Disposal on merger	-	-	-	20
	Disposals	13	-	13	-
	Cost, end of year	-	13	246	259
	Revaluation and write-downs, beginning of year	-4	-5	-159	-179
	Net profit/loss	3	1	29	20
	Reversal of revaluation and write-downs	1	-	1	-
	Revaluation and write-downs, end of year	-	-4	-129	-159
	Book value, end of year	-	9	117	100

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2003	2002	2003	2002
Note				
17 Tangible assets				
Own properties	680	667	680	667
Foreclosed properties	82	33	82	33
Machinery and equipment	11	11	9	10
Total	773	711	771	710
Own properties				
Cost, beginning of year	995	993	995	993
Additions	25	15	25	15
Disposals	16	13	16	13
Cost, end of year	1,004	995	1,004	995
Depreciation and write-downs, beginning of year	328	322	328	322
Depreciation during the year	6	6	6	6
Write-downs during the year	-	10	-	10
Reversal of depreciation and write-downs	10	10	10	10
Depreciation and write-downs, end of year	324	328	324	328
Book value, end of year	680	667	680	667
Latest public property assessment	597	570	597	570
Machinery and equipment				
Cost, beginning of year	99	98	93	93
Additions	3	4	2	3
Disposals	12	3	12	3
Cost, end of year	90	99	83	93
Depreciation and write-downs, beginning of year	88	87	83	83
Depreciation during the year	2	3	2	2
Reversal of depreciation and write-downs	11	2	11	2
Depreciation and write-downs, end of year	79	88	74	83
Book value, end of year	11	11	9	10
Machinery and equipment charged to income in the year of acquisition	1	4	-	3



Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2003	2002	2003	2002
Note				
18 Other assets				
Interest, etc., due on mortgage loans	65	64	65	64
Other interest due	3,734	5,161	3,734	5,161
Positive market value of derivatives	63	395	63	395
Deferred tax	175	187	163	174
Other debtors, etc.	1,042	748	1,012	716
Total	5,079	6,555	5,037	6,510
19 Due to credit institutions and central banks				
Due to credit institutions	874	31,259	874	31,259
Total	874	31,259	874	31,259
Portion attributable to repo transactions	860	31,175	860	31,175
Breakdown by term to maturity				
On demand	14	84	14	84
3 months and below	860	31,175	860	31,175
Total	874	31,259	874	31,259
20 Issued bonds				
This item solely comprises issued mortgage bonds.				
Balance, beginning of year	567,912	536,352	567,912	536,352
Additions	237,356	173,884	237,356	173,884
Index adjustment	1,417	980	1,417	980
Exchange rate adjustment	98	-32	98	-32
Drawings and prepayments	176,142	103,318	176,142	103,318
Redemptions and extraordinary repayments	27,521	39,954	27,521	39,954
Balance, end of year	603,120	567,912	603,120	567,912
Portion pre-issued	71,686	67,437	71,686	67,437
Drawn on January 2, 2004, or in 2003	100,738	90,704	100,738	90,704
Portion to be re-funded	66,580	62,974	66,580	62,974
Net drawing	34,158	27,730	34,158	27,730

		Realkredit Danmark Group		Realkredit Danmark A/S	
DKr m		2003	2002	2003	2002
Note					
20	<i>Continued</i>				
	Breakdown by term to maturity				
	3 months and below	101,663	92,163	101,663	92,163
	3 months to 1 year	71,777	52,867	71,777	52,867
	1 year to 5 years	235,321	190,159	235,321	190,159
	Over 5 years	194,359	232,723	194,359	232,723
	Total	603,120	567,912	603,120	567,912
21	Other liabilities				
	Interest accrued on issued mortgage bonds	14,436	14,268	14,436	14,268
	Other interest accrued	60	1,240	60	1,240
	Negative market value of derivatives	64	141	64	141
	Repurchase obligation, reverse repo transactions	38	314	38	314
	Tax payable	21	77	21	77
	Other creditors	589	1,290	578	1,273
	Total	15,208	17,330	15,197	17,313
22	Provisions for obligations				
	Reserves in series subject to a reimbursement obligation	707	832	707	832
	Total	707	832	707	832



Notes to the accounts

DKr m	Share capital	Reserves in series	Other reserves	Total 2003	Total 2002
Note					
23 Shareholders' equity					
Realkredit Danmark A/S's share capital of DKr625m comprises 6,250,000 shares of DKr100 each. The share capital is wholly owned by Danske Bank A/S.					
Changes in shareholders' equity:					
Balance, beginning of year	625	3,811	20,812	25,248	23,254
Revaluation of unlisted shares	-	12	60	72	-
Deferred tax relating to an associated undertaking	-	-	-	-	4
Allocated as per allocation of profits	-	139	1,778	1,917	1,990
Transferred from series with excess coverage	-	-1,192	1,192	-	-
Balance, end of year	625	2,770	23,842	27,237	25,248

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2003	2002	2003	2002
24 Capital base and solvency				
Capital base				
Core (tier 1) capital, less statutory deductions	27,062	25,061	27,074	25,073
Reserves in series subject to a reimbursement obligation	218	255	218	255
Total supplementary capital	218	255	218	255
Total capital base, less statutory deductions	27,280	25,316	27,292	25,328
Weighted items				
not included in trading portfolio	259,456	241,147	259,486	241,155
included in trading portfolio, with market risk	3,880	2,790	3,869	2,784
Total weighted items	263,336	243,937	263,355	243,939
Core (tier 1) capital ratio, %	10.28	10.27	10.28	10.28
Solvency ratio, %	10.36	10.38	10.36	10.38
Statutory minimum solvency requirement, %	8.00	8.00	8.00	8.00
25 Guarantees, etc.				
Other guarantees	5	6	5	6
Total	5	6	5	6
26 Other commitments				
Irrevocable credit commitments, reverse mortgages	1,119	1,012	1,119	1,012
Other commitments	131	133	120	121
Total	1,250	1,145	1,239	1,133

Note

27 Contingent liabilities

Owing to its size and business volume, the Realkredit Danmark Group is continually a party to various lawsuits. The outcomes of the cases pending are not expected to have any material effect on the financial position of the Realkredit Danmark Group.

The Group's pension commitments are covered by ongoing payments made to insurance companies, pension funds, etc. In addition, Realkredit Danmark guarantees the pension fund commitments of Kreditforeningen Danmarks Pensionsafviklingskasse. On the basis of an actuarial calculation, no obligation exists at December 31, 2003.

Realkredit Danmark is jointly and severally liable for the corporation tax of the jointly taxed companies. Realkredit Danmark is registered jointly with all major Danish subsidiaries of the Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.



Notes to the accounts

Note

28 Derivatives

Broken down by remaining life

Realkredit Danmark Group DKr m	Up to 3 months		3 months to 1 year		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	622	-	-	-	-	-
Forwards/futures sold	361	-2	-	-	-	-
Interest rate contracts						
Forwards/futures bought	57,626	60	-	-	-	-
Forwards/futures sold	59,560	-60	-	-	-	-
FRAs bought	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-

Realkredit Danmark Group DKr m	Total 2003		Total 2002		Total 2003		Total 2002	
	Notional amount	Net market value	Notional amount	Net market value	Market value Positive	Market value Negative	Market value Positive	Market value Negative
Currency contracts								
Forwards/futures bought	622	-	39	-	-	-	-	-
Forwards/futures sold	361	-2	-	-	-	-2	-	-
Interest rate contracts								
Forwards/futures bought	57,626	60	88,577	390	60	-	392	2
Forwards/futures sold	59,560	-60	61,668	-131	1	-61	-	131
FRAs bought	-	-	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-	-	-
Total net market value		-2		259	61	-63	392	133

Broken down by remaining life

Realkredit Danmark A/S DKr m	Up to 3 months		3 months to 1 year		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	622	-	-	-	-	-
Forwards/futures sold	361	-2	-	-	-	-
Interest rate contracts						
Forwards/futures bought	57,626	60	-	-	-	-
Forwards/futures sold	59,560	-60	-	-	-	-
FRAs bought	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-

Realkredit Danmark A/S DKr m	Total 2003		Total 2002		Total 2003		Total 2002	
	Notional amount	Net market value	Notional amount	Net market value	Market value Positive	Market value Negative	Market value Positive	Market value Negative
Currency contracts								
Forwards/futures bought	622	-	39	-	-	-	-	-
Forwards/futures sold	361	-2	-	-	-	-2	-	-
Interest rate contracts								
Forwards/futures bought	57,626	60	88,577	390	60	-	392	2
Forwards/futures sold	59,560	-60	61,668	-131	1	-61	-	131
FRAs bought	-	-	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-	-	-
Total net market value		-2		259	61	-63	392	133

Note

28 **Derivatives**
(continued)

Realkredit Danmark Group DKr m	2003 Average market value		2002 Average market value		2003 Market value of non- guaranteed contracts		2002 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	22	-	121	2	22	-	392	2
Forwards/futures sold	2	4	2	27	2	4	-	131
FRAs bought	-	-	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-	-	-
Total net market value	24	4	123	29	24	4	392	133
Total after netting					20		259	

Realkredit Danmark A/S DKr m	2003 Average market value		2002 Average market value		2003 Market value of non- guaranteed contracts		2002 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	22	-	121	2	22	-	392	2
Forwards/futures sold	2	4	2	27	2	4	-	131
FRAs bought	-	-	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-	-	-
Total net market value	24	4	123	29	24	4	392	133
Total after netting					20		259	

The average market value is calculated on a daily basis.

Outstanding spot transactions

Realkredit Danmark Group DKr m	Notional amount	Market value		Total 2003 Net market value
		Positive	Negative	
Interest rate transactions bought	1,168	1	1	-
Interest rate transactions sold	1,911	1	-	1
Total	3,079	2	1	1
Total 2002	14,618	3	8	-5

Realkredit Danmark A/S DKr m	Notional amount	Market value		Total 2003 Net market value
		Positive	Negative	
Interest rate transactions bought	1,168	1	1	-
Interest rate transactions sold	1,911	1	-	1
Total	3,079	2	1	1
Total 2002	14,618	3	8	-5



Notes to the accounts

DKr m

Note

29 Intra-group transactions

No unusual transactions took place with associated and subsidiary undertakings in 2003.

In 2003, Realkredit Danmark A/S made the following major intra-group transactions with companies directly or indirectly associated with Realkredit Danmark A/S.

Realkredit Danmark A/S has paid fees, etc., for the arranging and guaranteeing 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.

Realkredit Danmark's IT operations 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.

30 Due from and due to subsidiary and associated undertakings

	Subsidiary undertakings		Associated undertakings	
	2003	2002	2003	2002
Amounts due to Realkredit Danmark A/S from subsidiary and associated undertakings, etc., and amounts due from Realkredit Danmark A/S to these undertakings:				
Due from credit institutions	13,773	9,852	-	-
Lending	-	60	1,969	2,123
Total	13,773	9,912	1,969	2,123
Due to credit institutions	14	29,479	-	-
Total	14	29,479	-	-

	2003	2002	2001	2000	1999
Note 31					
Financial highlights for the parent company, Realkredit Danmark A/S					
PROFIT AND LOSS ACCOUNT (DKr m)					
Net interest income	4,082	3,519	3,412	2,420	2,636
Dividends from shares	7	-	18	14	16
Fee and commission income, net	326	302	131	175	261
Net interest and fee income	4,415	3,821	3,561	2,609	2,913
Securities and foreign exchange income	-430	178	194	152	-339
Other operating income	31	42	65	58	68
Staff costs and administrative expenses	1,509	1,336	1,282	1,178	1,214
Amortisation, depreciation and write-downs	8	16	19	107	41
Other operating expenses, etc.	1	6	1	1	10
Provisions for bad and doubtful debts	24	-74	-34	-64	-79
Income from associated and subsidiary undertakings	52	55	-4	48	142
Profit on ordinary operations before tax	2,526	2,812	2,548	1,645	1,598
Tax	609	822	621	507	427
Net profit for the year	1,917	1,990	1,927	1,138	1,171
BALANCE SHEET (DKr m)					
Assets					
Due from credit institutions, etc.	14,860	33,141	35,781	27,583	33,583
Lending	498,007	469,386	448,522	323,822	320,741
Bonds and shares, etc.	128,440	132,798	107,068	69,670	33,385
Other assets	5,828	7,239	7,286	2,275	1,908
Total assets	647,135	642,564	598,657	423,350	389,617
Liabilities and equity					
Due to credit institutions, etc.	874	31,259	22,222	6,063	1,570
Issued bonds	603,120	567,912	536,352	388,114	359,657
Other liabilities	15,904	18,145	16,829	8,853	9,171
Subordinated debt	-	-	-	3,000	3,000
Shareholders' equity	27,237	25,248	23,254	17,320	16,219
Total liabilities and equity	647,135	642,564	598,657	423,350	389,617
RATIOS					
Solvency ratio, %	10.4	10.4	10.1	11.6	11.2
Core (tier 1) capital ratio, %	10.3	10.3	9.9	9.6	9.1
Return on equity before tax, %	9.6	11.6	11.4	9.8	10.1
Return on equity after tax, %	7.3	8.2	8.6	6.8	7.4
Income/cost ratio, DKr	2.64	3.19	3.01	2.35	2.35
Foreign exchange position, %	6.4	3.0	12.5	5.8	0.5
Accumulated provisioning ratio, %	0.1	0.1	0.1	0.2	0.2
Write-off and provisioning ratio for the year, %	0.0	0.0	0.0	0.0	0.0
Annual growth in lending, %	6.1	4.7	11.3	1.0	2.5
Gearing of lending	18.3	18.6	19.3	18.7	19.7



Notes to the accounts

		USD		EUR	
		2003	2002	2003	2002
Note					
32	Financial highlights in USD and EUR for the Realkredit Danmark Group				
	PROFIT AND LOSS ACCOUNT (millions)				
	Administration margin	372	296	298	282
	Net interest income, excl. earnings from investment portfolios	204	172	163	164
	Fee and commission income, net	31	24	25	23
	Other core income	27	40	21	38
	Total core income	634	532	507	507
	Operating expenses and depreciation	244	182	195	173
	Core earnings before provisions	390	350	312	334
	Provisions for bad and doubtful debts	4	-10	3	-10
	Core earnings	386	360	309	344
	Earnings from investment portfolios	38	39	31	37
	Merger costs	-	2	-	2
	Profit on ordinary operations before tax	424	397	340	379
	Tax	102	116	82	111
	Net profit for the year	322	281	258	268
	BALANCE SHEET (millions)				
	Assets				
	Due from credit institutions, etc.	2,503	4,684	2,003	4,468
	Lending	83,597	66,281	66,899	63,227
	Bonds and shares, etc.	21,539	18,738	17,237	17,875
	Other assets	986	1,029	789	981
	Total assets	108,625	90,732	86,928	86,551
	Liabilities and equity				
	Due to credit institutions, etc.	147	4,414	117	4,210
	Issued bonds	101,235	80,189	81,014	76,494
	Other liabilities	2,671	2,564	2,138	2,446
	Shareholders' equity	4,572	3,565	3,659	3,401
	Total liabilities and equity	108,625	90,732	86,928	86,551
	Exchange rates used for currency translation	5.9576	7.0822	7.4446	7.4243

Group holdings and undertakings

	Share capital December 31 (thousands)	Net profit for the year DKr m	Share- holders' equity DKr m	Ownership share %
Realkredit Danmark A/S, Copenhagen	DKK 625,000	1,917	27,237	
Consolidated subsidiaries				
home a/s, Copenhagen	DKK 15,000	25	117	100
Non-consolidated subsidiary				
Undertaking acquired in the process of preventing losses, book value DKr0m:				
Omegadane SARL, Paris	EUR 8	1	-	100
Associated undertakings				
DADES A/S, Lyngby-Taarbæk	DKK 505,150	224	2,543	9
Danmarks Transport Center A/S, Vejle	DKK 200,000	8	141	20
Realkreditnettet A/S, Copenhagen	DKK 11,000	-23	19	25
The total amount owed to the Group by associated undertakings is DKr1,969m				
Undertakings in which the Group holds 10% or more of the share capital				
Håndværkets Byfornyelsesselskab Smba, Copenhagen	DKK 13,523	-	11	18
VP Securities Services A/S, Taastrup	DKK 40,000	33	235	10



Series accounts 2003

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

Note	DKr m	Jydsk Grundejer- Kredit- forening	Ny jydske 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	3.6	3.2	0.1	7.3	0.9	0.1
1	Net interest, etc.	9.6	10.0	8.8	22.4	4.5	0.0
1	Administrative expenses, etc.	-9.3	-13.6	-0.2	-35.7	-0.6	-1.1
	Provisions for bad and doubtful debts	0.0	0.0	0.0	0.0	0.0	0.0
	Tax	-1.2	0.1	-2.6	1.8	-1.5	0.3
2	Net profit for the year	2.7	-0.3	6.1	-4.2	3.3	-0.7
Balance sheet – assets							
	Mortgage loans, etc.	1,167.4	959.6	23.9	2,558.4	87.0	1.6
	Other assets	357.8	264.1	175.9	694.1	98.8	0.6
	Total assets	1,525.2	1,223.7	199.8	3,252.5	185.8	2.2
Balance sheet – liabilities and equity							
	Issued bonds	1,354.7	1,043.8	27.3	2,855.8	110.2	2.1
	Other liabilities	3.9	3.2	0.5	8.3	0.5	0.0
3	Shareholders' equity	166.6	176.7	172.0	388.4	75.1	0.1
	Total liabilities and equity	1,525.2	1,223.7	199.8	3,252.5	185.8	2.2

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 individual series reserve fund to 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 and 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- Hypothek- forening	Series not subject to reimbursement obligation	Danske Kredit	Other reserves	Total
0.5	0.0	119.4	181.1	1,967.6	2,283.8
0.9	0.0	83.0	94.4	1,379.6	1,613.2
-2.4	-0.2	-105.8	-134.5	-978.5	-1,281.9
0.0	0.0	43.9	-0.3	-67.7	-24.1
0.3	0.1	-42.1	-42.2	-522.1	-609.1
-0.7	-0.1	98.4	98.5	1,778.9	1,981.9

57.6	0.4	41,484.1	27,629.9	424,070.7	498,040.6
27.2	0.4	4,163.7	4,127.9	139,184.4	149,094.9
84.8	0.8	45,647.8	31,757.8	563,255.1	647,135.5

67.3	0.6	44,207.5	30,518.7	537,345.3	617,533.3
0.2	0.0	116.9	81.4	1,443.0	1,657.9
17.3	0.2	1,323.4	1,157.7	24,466.8	27,944.3
84.8	0.8	45,647.8	31,757.8	563,255.1	647,135.5

DKr m

2003**2 Profit, series accounts**

The profit of the series accounts can be reconciled with the annual accounts of Realkredit Danmark A/S as follows:

Net profit, annual accounts	1,917.7
Revaluation of unlisted shares	72.1
Transferred to other reserves, etc.	-7.9
Profit, series accounts	1,981.9

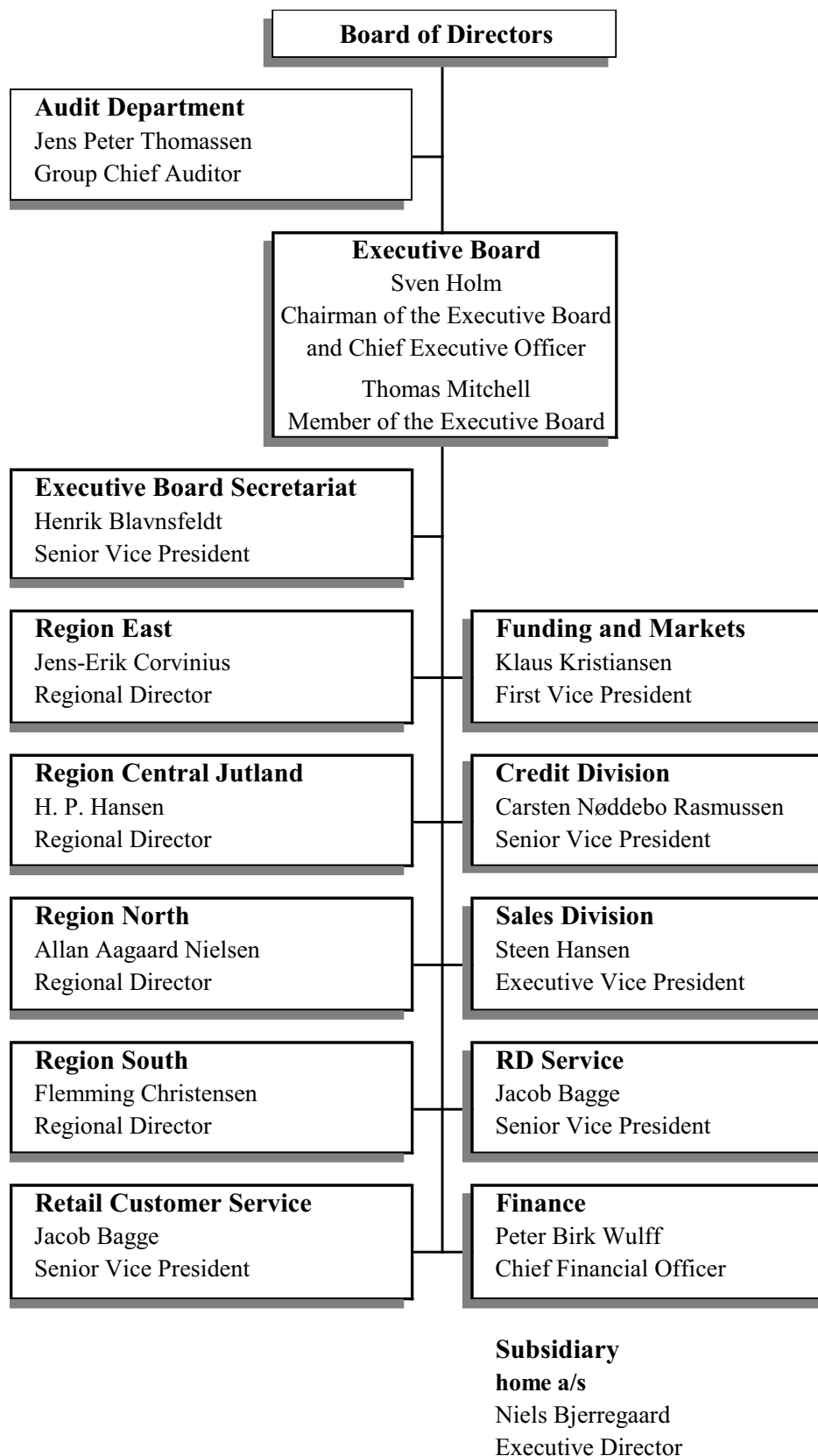
3 Shareholders' equity, series accounts

The shareholders' equity of the series accounts can be reconciled with the annual accounts of Realkredit Danmark A/S as follows:

Shareholders' equity, annual accounts	27,237.3
Reserves in pre-1972 series subject to a reimbursement obligation	707.0
Shareholders' equity, series accounts	27,944.3



Organisational structure



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

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 LR Realkredit A/S

Director of Forsikringsselskabet Danica, Skadesforsikringsaktieselskab af 1999

Director of Danica Pension, Livsforsikringsaktieselskab

Director of Danica Pension I, Livsforsikringsaktieselskab

Director of Danica Liv III, Livsforsikringsaktieselskab

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 VP Securities Services A/S

Deputy Chairman of the Board of Directors of Forsikringsselskabet 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

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

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

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

Deputy Chairman of the Board of Directors of Ejendomselskabet Lautrupbjerg A/S

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

Other directorships:

Director of Fonden Realdania

Jørgen Mejlgård

General Manager

Born in 1946

Other directorships:

Director of A/S Bolind Handel

Director of Fonden Realdania

Klaus Pedersen (elected by the employees)

Corporate Adviser, Realkredit Danmark A/S

Born in 1947

Peder J. Pedersen

Professor of Economics, Ph.D., M.A. (Econ)

Born in 1941

Other directorships:

Director of Fonden Realdania

Jørgen Raaschou (elected by the employees)

Credit Analyst, Realkredit Danmark A/S

Born in 1949

With effect from April 6, 2003, Morten Balling, Professor of Economics, resigned from the Board of Directors.

With effect from October 10, 2003, Jesper Ovesen, Chief Financial Officer and Member of the Executive Committee of Danske Bank A/S, resigned from the Board of Directors.

With effect from October 23, 2003, Kent Christoffersen, Branch Manager, 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 home a/s

Deputy Chairman of the Board of Directors of

Realkreditnettet A/S

Director of the Association of Danish Mortgage Banks

Thomas Mitchell

Member of the Executive Board

Born in 1962

Deputy Chairman of the Board of Directors of

home a/s

Director of the Association of Danish Mortgage Banks

Member of the Danish Securities Council