

Stock Exchange Announcement No. 8
May 6, 2003

Quarterly report First quarter of 2003

REALKREDIT
Danmark

Realkredit Danmark Group - Financial highlights

CORE EARNINGS AND NET PROFIT FOR THE PERIOD	Q1 2003	Q1 2002	Index 03/02	Full year 2002
DKr m				
Administration margin	544	515	106	2,094
Net interest income, exclusive of earnings from investment portfolios	324	248	131	1,219
Fee and commission income, net	70	59	119	175
Trading income	48	43	112	141
Other core income	38	39	97	139
Total core income	1,024	904	113	3,768
Operating expenses and depreciation	331	311	106	1,287
Core earnings before provisions	693	593	117	2,481
Provisions for bad and doubtful debts	26	-54	-	-74
Core earnings	667	647	103	2,555
Earnings from investment portfolios	81	-29	-	274
Merger costs	-	17	-	17
Profit on ordinary operations before tax	748	601	124	2,812
Tax	195	151	129	822
Net profit for the period	553	450	123	1,990

BALANCE SHEET

DKr m				
Assets				
Due from credit institutions, etc.	53,506	37,065	144	33,174
Lending	477,720	453,779	105	469,414
Bonds and shares, etc.	25,551	13,649	187	132,707
Other assets	3,345	2,322	144	7,286
Total assets	560,122	506,815	111	642,581
Liabilities				
Due to credit institutions, etc.	868	2,865	30	31,259
Issued bonds	524,803	472,348	111	567,912
Other liabilities	8,578	7,898	109	18,162
Shareholders' equity	25,873	23,704	109	25,248
Total liabilities	560,122	506,815	111	642,581

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of avg. shareh. equity	8.7	7.7		8.2
Core earnings as % p.a. of avg. shareholders' equity	10.4	11.0		10.5
Cost/core income ratio, %	32.3	34.4		34.2
Solvency ratio (excl. of net profit for the period), %	10.2	10.0		10.4
Core (tier 1) cap. ratio (excl. of net profit for the period), %	10.1	9.9		10.3
Number of full-time employees at March 31	984	1,096		1,043
Rating of bonds - Moody's	Aaa	Aaa		Aaa
Rating of bonds - Standard & Poor's	AAA	-		-

REVIEW

Highlights of performance in the first quarter of 2003

The performance in the first quarter of 2003 of the Realkredit Danmark Group can be summarised as follows:

- The Realkredit Danmark Group recorded a pre-tax profit of DKr748m for the first quarter of this year, against DKr601m for the first quarter of 2002.
- Core earnings amounted to DKr667m, against DKr647m the year before.
- Mortgage lending rose to DKr477bn at March 31, against DKr469bn at January 1, 2003.
- The market share of net new lending was 26.7% in the first quarter, against 27.4% in the fourth quarter of 2002.
- On May 1, 2003, Realkredit Danmark had the majority of its bonds rated by Standard & Poor's. The AAA rating awarded is the highest possible rating of Standard & Poor's.
- On March 31, 2003, the solvency ratio was 10.2%, against the statutory minimum requirement of 8.0%.

Results

For the first quarter of 2003, core income amounted to DKr1,024m, against DKr904m the year before. Core income includes a rise in administration margin and fees received as a result of the rising loan portfolio and the strong refinancing activity in the period under review.

Operating expenses, inclusive of depreciation, totalled DKr331m in the first quarter of 2003, against DKr311m the year before. The increase is mainly attributable to the strong lending activity in 2003. The cost/core income ratio fell from 34.4% for the first quarter of 2002 to 32.3% this year.

Provisions for bad and doubtful debts amounted to DKr26m for the first quarter of 2003, against an income of DKr54m the year before. Provisions made in 2003 mainly relate to only a few loans. Last year, the item recorded a net income 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, which comprise the profits on the proprietary investment portfolios after deduction of funding and administration costs, showed a gain of DKr81m for the first quarter, against a loss of DKr29m the year before. Proprietary investment portfolios are defined as the part of the investment portfolio not relating to lending activities.

Realkredit Danmark is taxed jointly with Danske Bank. On the basis of current joint taxation rules on allocation of the Danish tax payable by the Danske Bank Group, Realkredit Danmark's effective tax rate for 2003 is expected to be about 26%.

Capital and solvency

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

CAPITAL BASE AND SOLVENCY RATIO DKr m	March 31 2003*	March 31 2002*	Full year 2002
Core capital, less statutory deductions	25,133	23,055	25,061
Supplementary capital, less statutory deductions	255	352	255
Capital base	25,388	23,407	25,316
Total weighted items	249,573	232,911	243,937
Solvency ratio, %	10.2	10.0	10.4
Core (tier 1) capital ratio, %	10.1	9.9	10.3

* Excl. of net profit for the period

On March 31, 2003, the Realkredit Danmark Group's capital base stood at DKr25,388m. The solvency ratio was 10.2%, thus exceeding the statutory minimum solvency requirement of 8.0% by DKr5,422m.

In the first quarter of 2003, shareholders' equity increased by the profit for the period of DKr553m plus DKr72m from the revaluation of unlisted shares as a result of new accounting provisions. Shareholders' equity subsequently totalled DKr25,873m.

The mortgage credit market

During the first quarter of 2003, the mortgage credit market experienced the largest refinancing activity to date, and gross lending was up 87% to DKr168bn in that period, against DKr90bn in the fourth quarter of 2002. For 2002 as a whole, gross lending totalled DKr332bn.

The increase reflects the substantial refinancing activity triggered by the continued fall in interest rates until mid-March. Short-term bonds experienced the largest fall. Interest rates rose again in the latter half of March. At the end of the first quarter of 2003, the rate of interest on a 30-year fixed-rate loan stood at 5.4%, and the rate of interest on a FlexLån[®] with full annual interest reset was 2.5%. At the beginning of the year, these rates were 5.5% and 3.0%, respectively.

Competition

Realkredit Danmark's market share of gross lending was 30.0% in the first quarter of 2003, against 33.2% in the fourth quarter of 2002. The market share of net new lending was 26.7% in the first quarter, against 27.4% in the fourth quarter of 2002. Net new lending is defined as gross lending less repayment of loans with or without the raising of new loans.

Quarter-on-quarter movements were as follows:

MARKET SHARE, ALL MARKETS (%)	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
Gross lending	30.0	33.2	29.3	32.2	35.6
Net new lending	26.7	27.4	25.6	26.9	31.9

In the first quarter of 2003, Realkredit Danmark's mortgage lending rose by DKr8bn to DKr477bn. Of the total rise in lending, the private market accounted for 64%, urban trade for 8%, agriculture for 6% and residential rental property for 22%.

In March 2003, the government tabled a bill which – if passed into law – will allow mortgage credit institutions, as of October 1 this year, to offer private-market customers loans with an interest-only period of up to ten years, which may be distributed over the lifetime of the loan. Realkredit Danmark has initiated the development of IT systems so that the new loan type – based on individual advice to customers – may be offered as soon as the act takes effect.

Funding

Realkredit Danmark finances its loans to borrowers by issuing mortgage bonds listed on the Copenhagen Stock Exchange. At the end of the first quarter of 2003, Realkredit Danmark had issued bonds worth Dkr525bn, or 34% of all mortgage bonds issued on the Danish market.

Mortgage bonds issued by Realkredit Danmark after September 1, 1992, are all rated Aaa, the highest possible rating of Moody's Investors Service and the same rating as applies to Danish government bonds.

On May 1, 2003, Realkredit Danmark had most of its bonds rated by Standard & Poor's. The AAA rating awarded is the highest possible rating of Standard & Poor's and covers largely the same bonds as those with an Aaa rating with Moody's.

The rating by Standard & Poor's is expected to further strengthen foreign investors' interest in bonds issued by Realkredit Danmark.

Outlook for 2003

The outlook for 2003 is unchanged compared with the statements made in the Annual Report for 2002.

The rising volume of business will generate a larger administration margin in 2003. Net interest income is likely to record a small decline as a result of the expected lower level of interest rates. Costs are estimated to climb due to the allocation of resources to the development of new IT systems for the transfer to the central Danske Bank IT platform.

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

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 2003.

The interim report for 2003 is expected to be published on August 21, 2003.

Copenhagen, May 6, 2003

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Realkredit Danmark Group

CORE EARNINGS AND NET PROFIT FOR THE PERIOD

DKr m	Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
Administration margin	544	534	527	518	515
Net interest income, exclusive of earnings from investment portfolios	324	373	321	277	248
Fee and commission income, net	70	47	41	28	59
Trading income	48	30	29	39	43
Other core income	38	39	36	25	39
Total core income	1,024	1,023	954	887	904
Operating expenses and depreciation	331	351	287	338	311
Core earnings before provisions	693	672	667	549	593
Provisions for bad and doubtful debts	26	-24	-6	10	-54
Core earnings	667	696	673	539	647
Earnings from investment portfolios	81	81	136	86	-29
Merger costs	-	-	-	-	17
Profit on ordinary operations before tax	748	777	809	625	601
Tax	195	224	290	157	151
Net profit for the period	553	553	519	468	450

BALANCE SHEET

DKr m					
Assets					
Due from credit institutions, etc.	53,506	33,174	33,486	35,510	37,065
Lending	477,720	469,414	466,296	458,460	453,779
Bonds and shares, etc.	25,551	132,707	22,963	15,573	13,649
Other assets	3,345	7,286	2,834	1,832	2,322
Total assets	560,122	642,581	525,579	511,375	506,815
Liabilities					
Due to credit institutions, etc.	868	31,259	2,990	4,022	2,865
Issued bonds	524,803	567,912	486,375	473,089	472,348
Other liabilities	8,578	18,162	11,519	10,088	7,898
Shareholders' equity	25,873	25,248	24,695	24,176	23,704
Total liabilities	560,122	642,581	525,579	511,375	506,815

Accounting policies

The report for the first quarter of 2003 has been prepared in compliance with the Copenhagen Stock Exchange guidelines for issuers of listed securities. The Group has not changed its accounting policies from those followed in the annual report for 2002 apart from the following changes resulting from amendments to Danish accounting legislation:

Unlisted securities are recognised at their estimated fair value. According to the previous practice, unlisted securities were recognised at the lower of cost or estimated market value.

With effect from January 1, 2003, intangible assets are recognised at cost and amortised over the expected useful life, with a maximum of 20 years. Intangible assets, apart from goodwill on acquisition, were previously charged to the profit and loss account in the year of acquisition. Furthermore, leasehold improvements effected after January 1, 2003, are capitalised under tangible assets and depreciated over the expected useful life.

These changes result in an increase of assets and shareholders' equity at January 1, 2003, of DKr72m. Due to the insignificant size of the amount, comparative figures have not been restated, and the value adjustments are recognised directly in shareholders' equity at January 1, 2003. These changes to accounting policies have no effect on the net profit for the period.

Realkredit Danmark Group

MOVEMENTS IN SHAREHOLDERS' EQUITY

DKr m	Q1 2003	Q1 2002	Full year 2002
Shareholders' equity at January 1	25,248	23,254	23,254
Revaluation of unlisted shares	72	-	-
Deferred tax relating to associated undertaking	-	-	4
Net profit for the period	553	450	1,990
Shareholders' equity at March 31	25,873	23,704	25,248

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