

# Annual Report 2004

Realkredit Danmark Group



REALKREDIT  
**Danmark**



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**REALKREDIT**  
**Danmark**

This Annual Report is a translation of the original report in the Danish language (Årsrapport 2004).

In case of discrepancies, the Danish report prevails.





# 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

### **Tonny Thierry Andersen**

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

### **Søren Hermansen\***

Senior Sales Manager

### **Jørgen Raaschou\***

Credit Analyst

### **Per Skovhus**

Member of the Executive Committee of Danske Bank A/S

\* Elected by the employees

## **Executive Board**

### **Sven Holm**

Chairman of the Executive Board and Chief Executive Officer

### **Thomas Mitchell**

Member of the Executive Board

# Financial highlights

Realkredit Danmark Group

	2004	2003	2002	2001	Pro forma 2000	2000
<b>Profit and loss account (DKr m)</b>						
Net interest income	4,040	4,087	3,525	3,417	3,116	2,554
Dividends from shares	16	7	-	18	14	14
Fee and commission income, net	231	326	302	132	21	125
<b>Net interest and fee income</b>	<b>4,287</b>	<b>4,420</b>	<b>3,827</b>	<b>3,567</b>	<b>3,151</b>	<b>2,693</b>
Securities and foreign exchange income	-305	-430	178	194	169	137
Other operating income	159	140	139	165	123	123
Staff costs and administrative expenses	1,351	1,588	1,411	1,412	1,329	1,270
Amortisation, depreciation and write-downs	31	9	18	21	111	111
Other operating expenses	-	1	6	1	1	1
Provisions for bad and doubtful debts	7	24	-74	-33	-62	-62
Income from associated and subsidiary undertakings	23	18	29	23	14	12
<b>Profit before tax</b>	<b>2,775</b>	<b>2,526</b>	<b>2,812</b>	<b>2,548</b>	<b>2,078</b>	<b>1,645</b>
Tax	653	609	822	621	618	507
<b>Net profit for the year</b>	<b>2,122</b>	<b>1,917</b>	<b>1,990</b>	<b>1,927</b>	<b>1,460</b>	<b>1,138</b>

## Balance sheet (DKr m)

### Assets

Due from credit institutions, etc.	12,886	14,914	33,174	35,786	10,820	8,531
Lending	517,097	498,037	469,414	448,547	421,266	342,069
Bonds and shares, etc.	170,361	128,323	132,707	106,976	77,587	70,593
Other assets	7,544	5,872	7,286	7,334	2,457	2,326
<b>Total assets</b>	<b>707,888</b>	<b>647,146</b>	<b>642,581</b>	<b>598,643</b>	<b>512,130</b>	<b>423,519</b>

### Liabilities and equity

Due to credit institutions, etc.	2,068	874	31,259	22,222	6,312	6,233
Issued bonds	656,415	603,120	567,912	536,352	471,209	388,114
Other liabilities	21,546	15,915	18,162	16,815	10,280	8,852
Subordinated debt	-	-	-	-	3,000	3,000
Shareholders' equity	27,859	27,237	25,248	23,254	21,329	17,320
<b>Total liabilities and equity</b>	<b>707,888</b>	<b>647,146</b>	<b>642,581</b>	<b>598,643</b>	<b>512,130</b>	<b>423,519</b>

## Ratios and key figures

Solvency ratio, %	10.1	10.4	10.4	10.1	11.2	11.3
Core (tier 1) capital ratio, %	10.0	10.3	10.3	9.9	9.7	9.4
Return on equity before tax, %	10.1	9.6	11.6	11.4	10.1	9.8
Return on equity after tax, %	7.7	7.3	8.2	8.6	7.1	6.8
Income/cost ratio, DKr	3.00	2.56	3.07	2.82	2.51	2.25
Foreign exchange position, %	1.3	6.4	3.0	12.5	5.2	5.8
Accumulated provisioning ratio, %	0.1	0.1	0.1	0.1	0.1	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, %	3.8	6.1	4.7	6.5	3.6	2.4
Gearing of lending	18.6	18.3	18.6	19.3	19.8	19.8
No. of full-time employees at Dec. 31	771	981	1,043	933	1,024	937

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 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 2004, the Realkredit Danmark Group's pre-tax profit was DKr2,775m, against DKr2,526m the year before. After tax, the profit for the year was DKr2,122m, against DKr1,917m in 2003. The return on equity before tax was 10.1% in 2004 and 9.6% in 2003.

Core earnings before provisions for bad and doubtful debts totalled DKr2,485m in 2004, against DKr2,321m the year before. This matches the expectations announced in the report for the first nine months of 2004.

Earnings from investment portfolios totalled DKr297m, against DKr229m in 2003.

Mortgage lending grew to DKr517bn at the end of 2004 from DKr498bn at the beginning of the year. The increase was distributed equally on private- and corporate-market lending.

The market share of gross lending was 32.0% in 2004, against 32.3% in 2003. The market share of the loan portfolio fell from 34.9% in 2003 to 34.2% at the end of 2004.

A large part of the activity in 2004 was attributable to interest-only loans, which have been very popular since their introduction towards the end of 2003. At the end of 2004, interest-only loans thus accounted for 21% of Realkredit Danmark's loan portfolio in the private market, against 7% at the beginning of the year.

With the introduction of its new FlexGaranti<sup>®</sup> product in November 2004, Realkredit Danmark was the first mortgage credit institution in Denmark to offer a floating-rate loan with a built-in interest rate cap for the entire term of the loan. At the end of 2004, Realkredit Danmark had disbursed FlexGaranti<sup>®</sup> loans for an amount of DKr12bn.

## Results

Core earnings amounted to DKr2,478m in 2004, against DKr2,297m in 2003.

Core income amounted to DKr3,757m in 2004, against DKr3,775m the year before. It

Core earnings and earnings from investment portfolios			Change, %
DKr m	2004	2003	
Administration margin	2,318	2,216	
Net interest income, excl. earnings from investment portfolios	972	1,216	
Fee and commission income, net	125	186	
Other core income	342	157	
<b>Total core income</b>	<b>3,757</b>	<b>3,775</b>	0
Operating expenses and depreciation	1,272	1,454	
<b>Core earnings before provisions</b>	<b>2,485</b>	<b>2,321</b>	7
Provisions for bad and doubtful debts	7	24	
<b>Core earnings</b>	<b>2,478</b>	<b>2,297</b>	8
Earnings from investment portfolios	297	229	
<b>Profit before tax</b>	<b>2,775</b>	<b>2,526</b>	10
Tax	653	609	
<b>Net profit for the year</b>	<b>2,122</b>	<b>1,917</b>	11
<b>Mortgage lending</b>	<b>516,828</b>	<b>497,833</b>	4
<b>Total assets</b>	<b>707,888</b>	<b>647,146</b>	9
<b>Shareholders' equity</b>	<b>27,859</b>	<b>27,237</b>	2
<b>Ratios:</b>			
Profit for the year as % of avg. shareholders' equity	7.7	7.3	
Core earnings as % of avg. shareholders' equity	9.0	8.8	
Cost/core income ratio, %	33.9	38.5	

includes higher income from administration margins as a result of the increasing loan portfolio, but this increase could not compensate for a general decline in market activity relative to the year before, when refinancing activity was strong. In addition, the decline in interest rates resulted in a fall in the Group's return on securities holdings and liquid funds. The launch of the new FlexGaranti<sup>®</sup> product in the fourth quarter of 2004 had a positive effect on income. In 2003, the investment of liquidity in short-term, high-yield bonds resulted in a capital loss that was recognised under "Other core income".

Operating expenses and depreciation were 13% lower than in 2003, mainly because of lower expenses for the development of IT systems. In the fourth quarter of 2004, the number of employees was reduced by 214, who were transferred from Realkredit Danmark to Danske Bank. As mentioned in note 1 to the accounts, this transfer does not affect the amount of costs in the core earnings and earnings from investment portfolios model.

Provisions for bad and doubtful debts amounted to DKr7m in 2004, against DKr24m the year before. Loans in arrears were still at a very low level, and the need for provisions was modest.

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 DKr297m for 2004, against DKr229m 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 3.1% in 2004, which was satisfactory in view of the chosen risk. The figure for 2003 was 4.7%.

In 2004, consolidated subsidiaries contributed a pre-tax profit of DKr47m. The profit derived 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 and tax is paid on the basis of current joint taxation rules on allocation of the Danish tax payable by the Danske Bank Group. This means that Realkredit Danmark's effective tax rate for 2004 was 24%, the statutory rate being 30%. The tax charge for 2004 amounted to a total of DKr653m.

#### Balance sheet, solvency and equity

Total assets of the consolidated Group were DKr708bn at the end of 2004, against DKr647bn the year before. Total mortgage lending rose by DKr19bn to DKr517bn, and issued bonds were up DKr53bn to DKr656bn. Pre-issuance of bonds was the main reason why issued bonds exceeded lending by DKr139bn. Of this amount, DKr100bn related to the refinancing of FlexLån<sup>®</sup> on January 1, 2005.

<b>Capital base and solvency</b>		
DKr m	<b>Dec. 31 2004</b>	<b>Dec. 31 2003</b>
Core capital, less statutory deductions	27,684	27,062
Supplementary capital, less statutory deductions	187	218
<b>Capital base</b>	<b>27,871</b>	<b>27,280</b>
Total weighted items	276,388	263,336
Solvency ratio	10.1	10.4
Core (tier 1) capital ratio, %	10.0	10.3

On December 31, 2004, the capital base stood at DKr27,871m. The solvency ratio was 10.1%, thus exceeding the statutory minimum solvency requirement of 8% by DKr5,760m.

In 2004, shareholders' equity increased by the profit for the year of DKr2,122m and was reduced by a proposed dividend of DKr1,500m.



Shareholders' equity subsequently totalled DKr27,859m.

### Implementation of IFRS in 2005

With effect from the accounting year beginning on January 1, 2005, the Realkredit Danmark Group will present its financial reports in accordance with the International Financial Reporting Standards (IFRS) approved by the EU Commission with effect from January 1, 2005. Consequently, the valuation of certain assets and liabilities and the presentation of the profit and loss account and the balance sheet will change.

The main changes are described below. For a detailed review, please turn to pages 54 to 56.

The opening balance sheet at January 1, 2004, the balance sheet at December 31, 2004, and the profit and loss account for 2004 will be presented in accordance with IFRS 1 *First-time adoption of IFRS*.

The Group has decided to restate all figures for 2004 in accordance with the new accounting policies.

See the table for more information on the effect of the Group's implementation of IFRS.

The implementation of IFRS results in a net increase in the Group's shareholders' equity at January 1, 2004, of DKr339m. Had the Annual Report for 2004 been presented in accordance

with the new rules, the net profit for the year would have been reduced by DKr56m.

Under the 2004 accounting policies, the practice is to deduct the dividend for the year – for 2004 an amount of DKr1,500m – from shareholders' equity at December 31, even though the proposed dividend is not adopted until the annual general meeting. According to IFRS, dividend will not be deducted from shareholders' equity until adopted by the annual general meeting.

### Main changes in valuation

#### Mortgage lending and issued mortgage bonds

With effect from the accounting year beginning on January 1, 2005, the Group must eliminate its holding of own mortgage bonds from issued mortgage bonds. IFRS treat purchases of own bonds as redemptions of issued bonds and sales of bonds as new issues.

Purchases and sales of own bonds are a natural part of mortgage lending business, which means that institutions may periodically have very large holdings of own bonds. At end-2004, Realkredit Danmark held own bonds for an amount of DKr134,470m.

According to the version of IAS 39 *Financial Instruments* approved by the EU Commission, issued mortgage bonds must be carried at amortised cost, whereas holdings of own mortgage bonds must be carried at fair value. Accordingly, the assets and liabilities to be eliminated would not be carried at the same value, and elimination would therefore have an inappropriate and unintelligible effect on the Group's net profit. Consequently, it would not be possible to give a true and fair view of the Group's net profit and shareholders' equity.

To give a true and fair view, the Group has therefore decided to use the option given in IAS 1 *Presentation of Financial Statements* to deviate from the IAS 39 approved by the EU. Issued mortgage bonds will be valued not at amortised cost but at fair value. The mortgage loans, whose terms correspond to the terms of the underlying mortgage bonds, will also be carried at fair value. This method is in accordance with

Effect on shareholders' equity and net profit DKr m	Shareh. eq.	Net profit	Shareh. eq.
	Jan. 1 2004	for the year 2004	Dec. 31 2004
2004 practice	27,237	2,122	27,859
Dividend	-	-	1,500
Pension fund	192	-15	177
Allocation to reserves subject to a reimbursem. obligation	154	-63	91
Write-downs relating to credit risk on loans	96	25	121
Other changes	-24	-1	-25
Tax	-79	-2	-81
<b>IFRS practice</b>	<b>27,576</b>	<b>2,066</b>	<b>29,642</b>



IAS 39 and the rules issued by the Danish Financial Supervisory Authority.

As a general rule, the fair value of issued mortgage bonds will be the current market price. Illiquid mortgage bonds will be carried at a value calculated by discounting cash flows. The fair value of mortgage loans will be based on the fair value of the underlying mortgage bonds, and loans will be written down by the credit risk.

Consequently, the elimination of holdings of own mortgage bonds will not affect the Group's net profit.

Under the 2004 accounting policies, issued mortgage bonds are valued at nominal value and mortgage loans at nominal value less write-downs to cover the credit risk. The change does not affect shareholders' equity at January 1, 2004, and December 31, 2004, or the Group's net profit for 2004.

Mortgage lending before write-downs increases by DKr7,707m at December 31, 2004.

The elimination of own bonds reduces total assets and issued bonds at December 31, 2004, by DKr134,470m.

#### **Pension fund**

IAS 19 *Employee Benefits* results in changes to the rules of recognition of net assets in company pension funds. If the assets of the pension fund exceed the present value of pension obligations based on an actuarial calculation, the net assets must be recognised on the balance sheet.

As a result, shareholders' equity at January 1, 2004 increases by DKr192m before tax. The profit before tax for 2004 is reduced by DKr15m.

#### **Allocation to reserves subject to a reimbursement obligation**

After implementation of IFRS, allocation to reserves subject to a reimbursement obligation will be recognised at a discounted value under IAS 37. Under 2004 practice, the allocation is carried at par.

As a result, shareholders' equity at January 1, 2004 increases by DKr154m. The 2004 profit for the year is reduced by DKr63m. The implementation of IFRS has no effect on the tax charge.

#### **Write-downs relating to credit risk on loans**

Write-downs relating to credit risk on loans must in future be stated in accordance with IAS 39 *Financial Instruments*. This results in more objective criteria for determining when write-downs are required. Write-downs of loans will still require an estimate of the probability that the full amount of a loan is uncollectable and of the size of write-downs. Write-downs will generally be made slightly later than has been the case to date. As a result of the new rules on write-downs relating to credit risk, shareholders' equity at January 1, 2004, increases by DKr96m before tax. The profit before tax for 2004 increases by DKr25m.

#### **Tax effect**

At January 1, 2004, the total tax effect of the changes is an expense of DKr79m. This amount comprises current tax of DKr21m, attributable primarily to the tax effect of write-downs of loans, and deferred tax of DKr58m, mainly relating to the pension fund.

#### **Effect on key figures and ratios**

Overall, the implementation of IFRS results in the effect on comparative figures for 2004 shown in the table.

#### **The parent company's accounts**

With effect from the accounting year beginning on January 1, 2005, Realkredit Danmark A/S (the parent company) will present its financial reports according to the new rules of the Danish

<b>Effect on key figures and ratios</b>	<b>2004 practice</b>	<b>IFRS practice</b>
Net profit for the year 2004 (DKr m)	2,122	2,066
Shareholders' equity at Dec. 31, 2004 (DKr m)	27,859	29,642
Total assets at Dec. 31, 2004 (DKr m)	707,888	576,533
Profit for the year as % of avg. shareh. equity	7.7	7.2
Cost/core income ratio, %	33.9	31.7
Solvency ratio, %	10.1	10.0



### Profit and loss account

DKr m	2004	IFRS
	practice	practice
Administration margin	2,318	2,318
Net interest income	972	953
Net fee income	125	125
Net trading income	-	436
Other income	342	126
<b>Total income</b>	<b>3,757</b>	<b>3,958</b>
Operating expenses	1,272	1,255
Write-downs relating to credit risk on loans	7	-18
Earnings from investment portfolios	297	-
<b>Profit before tax</b>	<b>2,775</b>	<b>2,721</b>
Tax	653	655
<b>Net profit for the year</b>	<b>2,122</b>	<b>2,066</b>

Financial Supervisory Authority. Most of these rules match the IFRS followed by the Group when presenting its consolidated accounts. However, the parent company will recognise domicile properties at their estimated fair value and subsidiaries according to the equity method.

#### Changes in the presentation

The implementation of IFRS will entail a number of changes in the presentation of the profit and loss account. Core earnings and earnings from investment portfolios will no longer be presented. Earnings from investment portfolios will be included in "Net trading income". Costs that were associated with earnings from investment portfolios will be recognised under "Operating expenses".

#### Outlook for 2005

The Group's expectations for 2005 are based on the 2004 result calculated in accordance with IFRS.

Activity in the mortgage credit market in 2005 is expected to remain more or less unchanged after a year of good 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 2004. FlexGaranti<sup>®</sup> and interest-only loans are expected to generate considerable refinancing activity in 2005.

The corporate market is expected to see a rise in new construction within urban trade, whereas activity in the agricultural and residential rental segments is expected to see a decline. In particular within co-operative housing, FlexGaranti<sup>®</sup> loans are expected to produce considerable refinancing activity in 2005.

The increase in the volume of lending will boost the administration margin in 2005. Provided that the activity level in the mortgage credit market remains unchanged and interest rates remain low, net interest income and net fee income are expected to remain at around the same level as in 2004. Net trading income will depend largely on the level of securities prices at the end of the year.

Operating expenses are expected to fall since fewer resources will be spent on developing IT systems.

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

Moreover, the net profit for the year will depend largely on trends in the financial markets, including the level of securities prices at the end of the year. At unchanged securities prices, the profit before tax is expected to be at around the same level as in 2004.

No events have occurred between December 31, 2004, and the date of the review and approval of the annual accounts which, in the opinion of the management, will materially affect the financial position of Realkredit Danmark.

#### Financial reports for 2005

Financial reports for 2005 are expected to be released as follows:

- First-quarter report: May 3
- Half-year report: August 11
- Nine-month report: November 1

# Property market

## Economic situation

Global interest rates were expected to rise in 2004, but the increase was long in coming. Because of the steep increase in oil prices, global economic growth was more restrained than originally expected.

Hence, the European Central Bank left its key interest rates at historically low levels throughout the year.

The decline in Danish bond yields in the first quarter was followed by an increase in the second quarter. In mid-June, however, yields began to fall again. This trend continued for the rest of 2004 and at year-end, yields were still at a very low level. In November 2004, yields touched the lowest level recorded since June 2003 in spite of stronger economic growth and falling unemployment.

At 2.5%, the interest rate on Danish krone-denominated FlexLån<sup>®</sup> with annual interest reset stood at the same level at the end of 2004 as at the beginning of the year. The interest rate on corresponding euro-denominated FlexLån<sup>®</sup> saw a small decline of 0.1 of a percentage point to 2.3%.

The interest rate on a 30-year fixed-rate loan saw a small decline in 2004 of 0.3 of a percentage point from 5.4% at the beginning of the year to 5.1% at year-end.

## Property prices and sales

Property prices are important for the mortgage lending business. As in previous years, property prices in the Danish housing market rose in 2004, even at a higher rate than the year before. A contributing factor was the introduction of interest-only loans on the private market in the autumn of 2003. As the chart shows, owner-occupied flats recorded the most prominent price rises.

Property sales were significantly higher in 2004 than the year before. In 2004, the total number of properties sold was up by about 5,000 on the year before, which to some extent is explained by persistently low interest rates, interest-only loans and the stronger financial position of many homeowners.

The increase in the turnover for the whole of 2004 was 16.1% for owner-occupied flats and 7.0% for single-family houses.

Despite the larger number of properties changing hands, the number of days on the market for both single-family houses and owner-occupied flats was higher in 2004 than in 2003. The number of forced sales fell across the country and was close to the very low level of 1998.





# Lending

## General

Gross lending in the Danish mortgage credit market was DKr437bn in 2004, against DKr512bn in 2003. The generally lower activity in the mortgage credit market in 2004 was explained by the lower number of interest-rate-driven mortgage refinancings in 2004. Much of the activity in 2004 was attributable to interest-only loans, which have been very popular since their introduction towards the end of 2003. At end-2004, interest-only loans accounted for 13% of total lending to the private and corporate markets, against 4% at the beginning of the year.

With the introduction of its new loan product FlexGaranti® in November 2004, Realkredit Danmark was the first mortgage credit institution in Denmark to offer a floating-rate bond loan with a built-in interest rate cap throughout the term of the loan. If the floating rate exceeds a predefined interest rate level of currently 6%, FlexGaranti® automatically becomes a fixed-rate, callable loan.

From the introduction of FlexGaranti® and until the end of the year, Realkredit Danmark disbursed loans for an amount of DKr12bn. Customers with callable mortgage loans financed by 6% or 7% bonds took particular interest in the new product.

By refinancing into FlexGaranti®, the potential savings of Danish homeowners were around DKr1bn a year at the interest rate level prevailing at the end of 2004. The savings on a 6% bond loan with an outstanding amount of DKr1m were up to DKr10,000 a year after tax.

## Total lending

At the end of 2004, Realkredit Danmark's loan portfolio totalled DKr517bn, against DKr498bn at the beginning of the year.

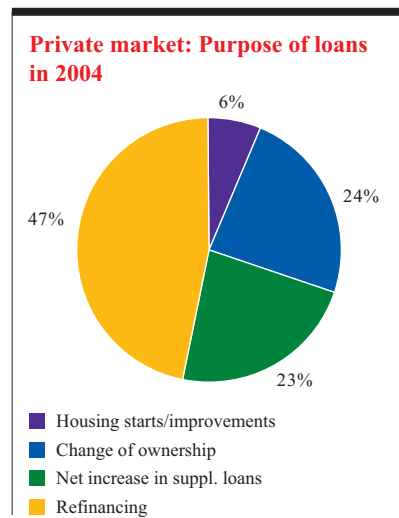
The market share of gross lending was 32.0% in 2004, against 32.3% in 2003. The market share of the loan portfolio fell from 34.9% in 2003 to 34.2% at the end of 2004. The market share should be seen in light of the home loans sold by

Activity and portfolio	Gross lending		Loan portfolio				
	2004	2003	Dec. 31, 2004		Dec. 31, 2003		Change
	DKr m	DKr m	DKr m	%	DKr m	%	
Private market	103,163	119,260	316,745	61	307,311	62	9,434
Urban trade	13,241	22,349	62,413	12	60,809	12	1,604
Agriculture	8,465	9,376	28,434	6	25,754	5	2,680
Residential rental property	15,708	16,602	109,236	21	103,959	21	5,277
Total corporate market	37,414	48,327	200,083	39	190,522	38	9,561
<b>Total</b>	<b>140,577</b>	<b>167,587</b>	<b>516,828</b>	<b>100</b>	<b>497,833</b>	<b>100</b>	<b>18,995</b>

Market share %	Gross lending		Loan portfolio		
	2004	2003	Dec. 31, 2004	Dec. 31, 2003	Change
Private market	34.3	34.4	35.9	36.9	-1.0
Urban trade	29.6	34.8	36.5	37.6	-1.1
Agriculture	18.0	16.0	16.4	15.8	0.6
Residential rental property	33.3	33.9	38.2	39.0	-0.8
Total corporate market	26.9	28.1	31.8	32.2	-0.4
<b>Total</b>	<b>32.0</b>	<b>32.3</b>	<b>34.2</b>	<b>34.9</b>	<b>-0.7</b>

Danske Bank and BG Bank. Against this background, the level must be considered satisfactory.

Since 1996, FlexLån® have gradually come to make up an increasing share of total mortgage lending.



This increase has taken place against the backdrop of falling interest rates and a wide spread between short- and long-term interest rate levels. The introduction of interest-only loans also contributed to the growing share of FlexLån®.

Interest-only loans give the best liquidity effect in the form of FlexLån®. Consequently, this loan type has become the preferred interest-only loan type. FlexLån® accounted for 60% of Realkredit Danmark's gross lending in 2004, against 52% the year before. At the end of 2004, FlexLån® accounted for 49% of the loan portfolio, against 40% at the beginning of the year.

FlexGaranti® accounted for 9% of Realkredit Danmark's gross lending in 2004.

For all loan types as a whole, interest-only loans made up 36% of gross lending in 2004.

### Private market

The private market is defined as lending for the financing of owner-occupied housing and holiday homes, and at 61% of the total loan portfolio, it continues to be Realkredit Danmark's largest business area.

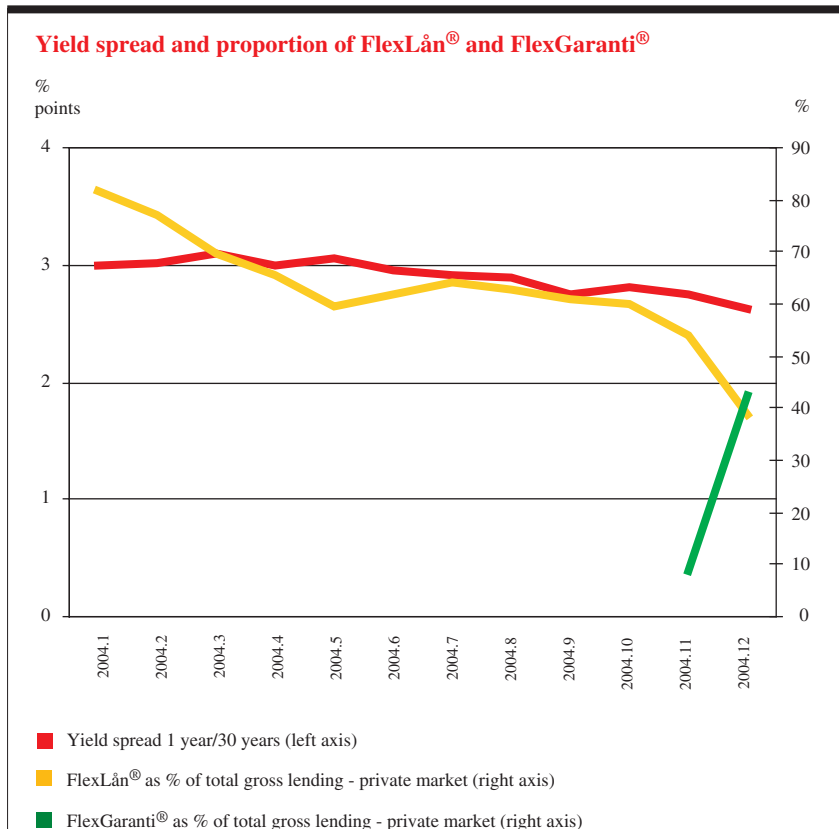
Gross lending to the private market totalled DKr103bn in 2004, against DKr119bn in 2003. At the end of the year, the loan portfolio was DKr9bn larger than at the beginning of the year. The market share of the loan portfolio was 35.9%, against 36.9% at the end of 2003.

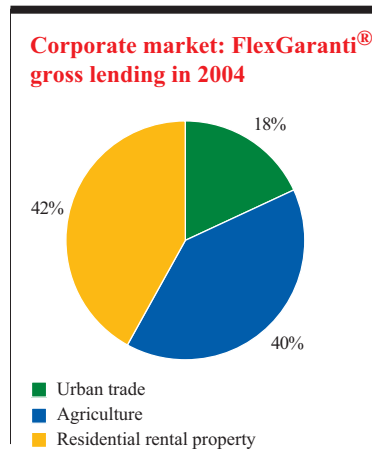
In 2004, gross lending to the private market was distributed by loan purpose as shown in the chart. In spite of the absence of interest-rate-driven refinancing activity, a large part of gross lending represented refinancing of mortgages. The refinancing activity should be seen in light of continued demand for interest-only loans and the introduction of FlexGaranti®.

At the end of 2004, interest-only loans accounted for 21% of Realkredit Danmark's loan portfolio, against 7% at the beginning of the year.

### Corporate market

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





In 2004, Realkredit Danmark decided to strengthen focus on the corporate market. In the spring, an independent corporate division was set up, and corporate centre managers were appointed in Copenhagen, Århus, Odense and Aalborg.

Gross lending to the corporate market totalled DKr37bn in 2004, against DKr48bn in 2003. At the end of the year, the loan portfolio was DKr10bn larger than at the beginning of the year. The market share of the loan portfolio was 31.8%, against 32.2% at the end of 2003.

Gross lending to the corporate market generally includes a number of large individual loans. This causes the market share of the corporate market to fluctuate more than that of the private market.

The decline in gross lending to the corporate market should also be seen in light of the fact that interest-rate-driven refinancing activity fell considerably compared with the record-high level in 2003.

FlexGaranti®, however, introduced towards the end of the year boosted refinancing activity by DKr1.4bn.

The most popular type of loan among corporate customers was still FlexLån®. There was a clear tendency in 2004 for corporate customers to choose FlexLån® with annual interest reset. Consequently, fixed-rate loans accounted for 34% of total disbursements, against 46% the year before.

### Urban trade

Gross lending to urban trade totalled DKr13.2bn in 2004, against DKr22.3bn in 2003. The lack of interest-rate-driven refinancing activity in particular contributed to the dramatic fall. Gross lending to industry, skilled trade and service trade fell proportionately the most, from DKr7.5bn in 2003 to DKr2.3bn in 2004.

The segment's total financing requirement was marginally smaller than in 2003.

The market share of gross lending fell to 29.6%, against 34.8% the year before.

The loan portfolio rose by DKr1.6bn, or 3%.

### Agriculture

Gross lending to the agricultural segment totalled DKr8.5bn, against DKr9.4bn in 2003. In addition to the lower level of refinancing activity, lending was also affected by decreasing willingness to invest. Investment in stables and the like, which has accounted for about 40% of total agricultural investment in the past few years, declined in 2004. It was mainly the financial situation of pig and cattle breeders that resulted in lower investment activity. However, the continuing structural reforms towards larger production units compensated to some extent for this trend.

The market share of gross lending rose to 18.0%, from 16.0% in 2003.

The loan portfolio rose by DKr2.7bn, or 10%.

### Residential rental property

Gross lending to subsidised housing, co-operative housing and private residential rental property amounted to DKr15.7bn, against DKr16.6bn in 2003. The fall was mainly a consequence of the lower refinancing activity of co-operative housing associations and owners of residential rental property.

Gross lending to subsidised housing is not affected by refinancing activity to the same extent as other segments, and gross lending to this segment was at the same level as in 2003. In 2004, gross lending was affected in particular by the completion of new construction and renovation started in 2003.

The total market share of gross lending to residential rental housing showed a slight decline to 33.3%, from 33.9% in 2003.

The loan portfolio rose by Dkr5.3bn, or 5%.

### **Distribution channels**

Realkredit Danmark has four distribution channels:

- Own offices and corporate centres, Retail Customer Service and the Group Contact Centre
- Danske Bank and BG Bank branches
- The real-estate agency chain “home”
- The Internet

Realkredit Danmark is represented by 22 mortgage credit offices and four corporate centres across Denmark. Realkredit Danmark has located 18 of its 22 mortgage credit offices in shared offices with Danske Bank finance centres or large Danske Bank and BG Bank branches. These offices, which have maintained the separate identities of the participating brands, allow more customers to get fast, competent and coordinated advice on all types of financial products. In 2004, three new shared offices were set up.

The nation-wide branch network of Danske Bank and BG Bank, comprising a total of 477 branches and corporate centres, strengthens the distribution power of Realkredit Danmark considerably, and the additional products and services give the Group a very strong basis for sales of home loans.

“home” is the real-estate agency chain of the Group. The real-estate agency activities are organised as franchise business, and at end-2004, the chain comprised a total of 186 estate agents in Denmark, against 175 at the beginning of the year. Loans distributed through “home” are mainly used to finance changes of ownership, but 2004 saw a rise in the number of supplementary loans. Sales of owner-occupied housing continue to be the largest business area of the real-estate agency, but “home” and Realkredit Danmark also

collaborate on the corporate market. “home” has a total of 12 corporate centres across Denmark – the number is unchanged from the beginning of the year.

An increasing number of customers visit Realkredit Danmark’s Web site, [www.rd.dk](http://www.rd.dk). In connection with the introduction of FlexGaranti<sup>®</sup>, the interactive environment in which customers could learn more about FlexGaranti<sup>®</sup>, for instance through e-learning and payment calculations, was a great success. The number of visits at [www.rd.dk](http://www.rd.dk) in connection with the launch of FlexGaranti<sup>®</sup> beat all records. The enhanced focus on the facilities offered by the Internet is reflected in the vast number of customer enquiries and large number of loan applications received over the Internet. Realkredit Danmark will continue to expand its Web site to further improve customer access to electronic self-service.



# Funding

## Funding 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 2004, Realkredit Danmark had issued bonds for a total of DKr656bn, or 34% of all mortgage bonds issued on the Danish market and 24% of all bonds listed on the Copenhagen Stock Exchange.

This makes Realkredit Danmark one of the largest private-sector bond issuers in Europe.

## Issued bonds

In 2004, the interest rate fall and the generally low level of interest rates prompted many borrowers to take out new loans with a lower coupon, FlexLån<sup>®</sup> or the new loan type, FlexGaranti<sup>®</sup>. The option of interest-only loans also contributed to this trend.

In 2004, Realkredit Danmark issued bonds for a total of DKr241bn. The company issued non-callable bonds for a total amount of DKr197bn and callable bonds for DKr44bn. By comparison, its total issuance of bonds in 2003 amounted to DKr159bn and DKr78bn, respectively.

Non-callable bonds are issued with a maturity of one to ten years for the funding of FlexLån<sup>®</sup>, and with a maturity of 30 years for the funding of FlexGaranti<sup>®</sup>. Of the bonds issued in 2004, 67% were issued with a maturity of one year, against 57% in 2003.

Eighty per cent of the mortgage bonds were issued with a coupon of 4%, mainly non-callable bonds for the funding of FlexLån<sup>®</sup>. The figures include bonds issued in December 2004 for the refinancing of FlexLån<sup>®</sup> on January 1, 2005.

In 2004, 75% of the callable bonds were issued with a coupon of 5%. The vast majority of

these bonds were issued in the 5% 2035 series – with or without the option of an interest-only period – and accounted for a total of DKr30bn.

Redemptions of callable bonds took place mainly in series with coupons of 6% and 7%.

## FlexGaranti<sup>®</sup>

On November 15, 2004, Realkredit Danmark launched a new type of loan under the registered trademark FlexGaranti<sup>®</sup>. It is a floating-rate bond loan with a built-in interest rate cap. The interest rate cap on FlexGaranti<sup>®</sup> is guaranteed throughout the term of the loan, which may be up to 30 years.

When FlexGaranti<sup>®</sup> bond series are opened, their rate of interest is floating, and the bonds are non-callable. The interest rate is reset semi-annually on April 1 and October 1 and based on a five-day average of the 6-month CIBOR plus a margin of 0.5 of a percentage point. If, upon the start of a new interest period, the calculation of the average 6-month CIBOR exceeds the predefined knock-in rate, the loans become fixed-rate and the bonds become callable. The new conditions apply for the remaining term to maturity of the bonds and the loans.

FlexGaranti<sup>®</sup> loans are also offered with the option of one or more interest-only periods. Interest-only periods may not exceed a total of ten years.

The two types of FlexGaranti<sup>®</sup> with or without interest-only periods are funded by two new bond series referred to as the 53D and the 63D series.

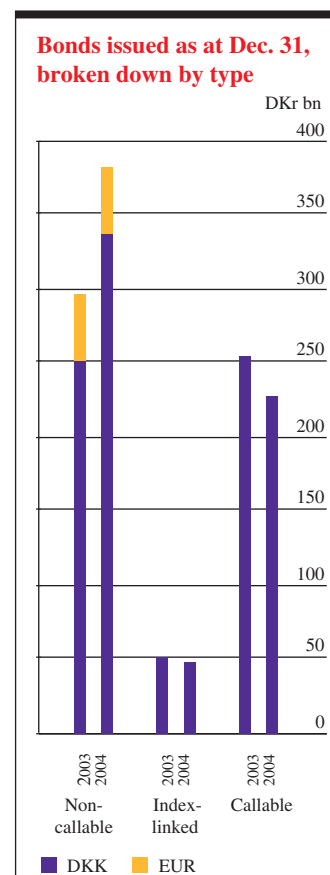
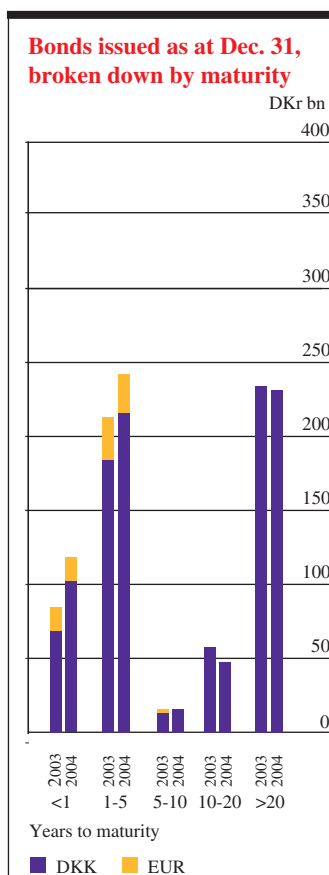
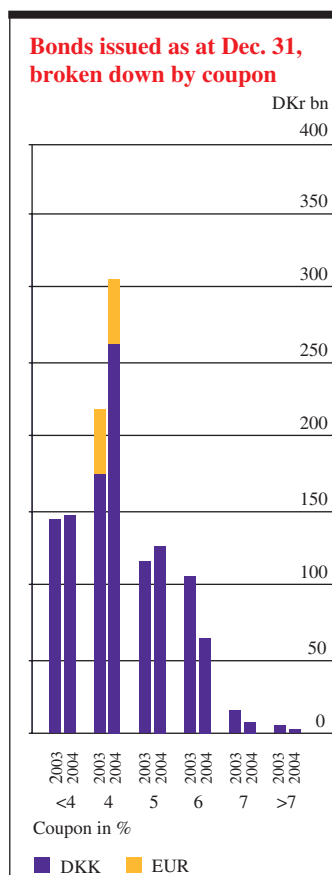
Borrowers with callable mortgage loans funded by 6% bonds or higher coupon bonds and certain types of interest-reset loans can achieve savings by switching to FlexGaranti<sup>®</sup>.

Between the introduction of the new loan type on November 15, 2004, and the end of the year, bonds in the amount of DKr9bn were issued in the 53D series and DKr5bn in the 63D series.

## Annual refinancing

Since FlexLån<sup>®</sup> account for an increasing proportion of Realkredit Danmark's loan portfolio,





there is also an increase in the loan amount to be refinanced at year-end.

At the auction in mid-December 2004 for the refinancing of loans on January 1, 2005, the sale of non-callable bonds totalled DKr94bn, which was DKr33bn more than at the auction in December the year before.

Because of the large refinancing requirement, Realkredit Danmark decided to spread the auction over three trading days from Wednesday, December 15, to Friday, December 17, 2004. The refinancing generated a very satisfactory over-subscription rate.

Between December 2004 and January 3, 2005, the bonds issued included double funding for a total of DKr100bn relating to the refinancing of FlexLån<sup>®</sup>, of which DKr94bn derived from the auction held in mid-December. This is explained by the fact that the new bonds were issued in

December or under fixed-rate agreements earlier in the year, whereas the redemption of maturing bonds did not take place until January 3. Total bond drawings on January 3, 2005, amounted to DKr139bn.

**Bonds issued at end-2004**

At end-2004, Realkredit Danmark had issued mortgage bonds for a total amount of DKr656bn, of which DKr100bn was for the refinancing of FlexLån<sup>®</sup> (see above). At the end of 2003, the corresponding amounts were DKr603bn and DKr67bn.

Because of continued redemptions of bonds with coupons of 6% or 7%, bonds with coupons of 4% or 5% also at the end of 2004 accounted for the largest part of bonds in circulation, 47% and 19%, respectively.



The new floating-to-fixed rate bonds funding the FlexGaranti® loans introduced in November, accounted for 2% of issued bonds at year-end.

A growing number of bonds will mature within five years. At end-2004, this proportion was 55%, against 49% the year before. The proportion of bonds with a term to maturity of more than 20 years fell to 35% in 2004, against 39% in 2003. In the chart, the bonds are broken down by maturity.

At 58%, non-callable bonds accounted for an increasing proportion of the bond portfolio at the end of 2004, against 49% the year before. The new bonds in the 53D and 63D series funding FlexGaranti® are included in this category.

The proportion of callable bonds fell to 35%, and index-linked bonds accounted for 7%.

Not including the brief double funding in relation to the refinancing of Flexlån® at year-end, the proportions of non-callable, callable and index-linked bonds were 50%, 41% and 9%, respectively, against 43%, 47% and 10% the year before.

### 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®.

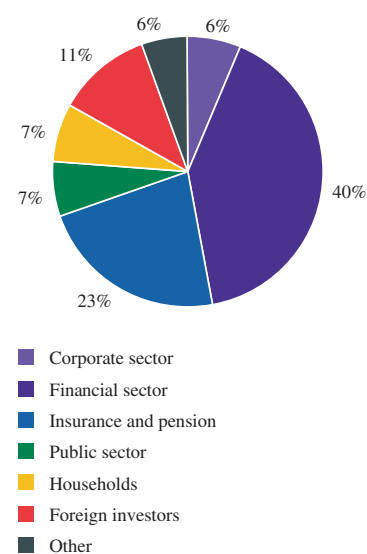
Euro-denominated bonds accounted for 8% of total bond issues in 2004 and at year-end, 7% of the bonds in circulation were denominated in euros. Both figures were unchanged from the year before.

### Bond investors

Realkredit Danmark's investor base is composed of a wide range of Danish and foreign investors. The majority of investors are companies in the financial sector in Denmark. This tendency is strengthened in step with an increasing proportion of the bond portfolio being issued as non-callable bonds with short maturities. These bonds are well-suited as money-market instruments.

In recent years, non-callable bonds, which are used for the funding of FlexLån®, have attracted

**Bonds issued as at Sept. 30, 2004, broken down by investor group**



new groups of foreign investors, who are familiar with bullet bonds.

At the end of the third quarter of 2004, financial institutions held 40% of the bonds issued by Realkredit Danmark and were the largest investor group. Insurance and pension companies held 23% and foreign investors 11%. By comparison, the foreign-investor ownership share was 14% at the end of the third quarter of 2003.

At the end of the third quarter of 2004, foreign investors held 10% of Realkredit Danmark's bonds in Danish kroner, and 38% of euro-denominated bonds.

### Rating

All new bond issues by Realkredit Danmark carry Aaa and AAA ratings, which are the highest possible ratings awarded by the credit rating agencies Moody's Investors Service and Standard & Poor's. The ratings of Moody's Investors Service and Standard & Poor's apply to 92% and 89%, respectively, of all bonds issued by Realkredit Danmark.

# Resources

## Human resources

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

As the year before, Realkredit Danmark conducted a survey in 2004 to measure employee satisfaction. The aim of the survey was to enable Realkredit Danmark to identify areas that could benefit from an increased effort to improve employee satisfaction, motivation and loyalty.

The 2004 survey showed that employee satisfaction was high.

Job satisfaction is an important focus area, and Realkredit Danmark will launch several initiatives designed to support the positive trend.

At the end of 2004, the number of full-time employees at the Realkredit Danmark Group was 771, or 210 fewer than the 981 figure at the beginning of the year. The main reason for this was that a part of RD Service with 214 employees was transferred to Danske Bank on October 1, 2004 (see Administration below).

## Incentive programmes

The Danske Bank Group's incentive programmes help to maintain focus on value creation and to retain key employees.

The incentive programmes consist of a share option programme, a conditional share programme, an employee share programme and cash bonuses. Incentive payments reflect individual performance and also depend on the Danske Bank Group's financial results, customer development and other measures of value creation.

## 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 that can be exercised between three and seven years after allotment provided that the holder has

not resigned. 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 allotment of rights for 2004 appears in note 5.

## Rights to purchase conditional shares

A broad group of about 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 and become available after three years provided that the holder has not resigned. The allotment of rights for the 2003 accounting year appears in note 5. For 2004, DKr1m was expensed under "Staff costs and administrative expenses" to provide for rights to purchase conditional shares.

## Employee shares

From 2001 to 2003, the Danske Bank Group allocated DKr28m to an employee share pool. This amount was carried forward to 2004, when the employee share programme was adjusted to take into account both financial and customer targets. With the results achieved by the Danske Bank Group in 2004, the pool totalled DKr110m at the end of the year. In the spring of 2005, the share pool will be allotted to the employees free of charge. The free shares must be held in custody for a period of seven years. In future, the Danske Bank Group will consider – discretionarily – any additional allotment of employee shares on the basis of a period of several years.

## Management

Since the presentation of the Annual Report for 2003, the composition of the Board of Directors of Realkredit Danmark has changed. At Realkredit Danmark's annual general meeting in March 2004, Jørgen Lund, Alderman, Bent Maribo, Farmer, Jørgen Mejlgård, General Manager, Klaus Pedersen, Corporate Adviser, and Profes-



sor Peder J. Pedersen resigned from the Board of Directors. At the same time, Tonny Thierry Andersen, Chief Financial Officer and Member of the Executive Committee of Danske Bank, and Per Skovhus, Member of the Executive Committee of Danske Bank, joined the Board of Directors. The Board of Directors consists of four directors elected by the general meeting and two directors elected by the employees.

Realkredit Danmark's Executive Board has not changed since the presentation of the Annual Report for 2003.

#### **Administration**

RD Service, at which most of the Danske Bank Group's administrative operations relating to mortgage finance were previously gathered, was split up in 2004. The former RD Service East was transferred to Home Service, a new unit of the bank handling home finance-related back-office functions for Danske Bank, BG Bank and Realkredit Danmark. RD Service West changed its name to RD Service and now processes all mortgage loans arranged by Realkredit Danmark's own offices. The adjustment of the organisation resulted in better utilisation of resources, and customer service improved at both units in terms of shorter processing time.

The accounting section of Realkredit Danmark was transferred to Danske Bank on January 1, 2005, and in future, the Group's accounting and reporting functions will be centralised at Danske Bank.

Realkredit Danmark has a refinancing and property assessment standby corps manned by staff from various parts of the Danske Bank Group. This corps consists of about 300 employees who, at very short notice, can be called in to handle customer enquiries in connection with refinancing waves or the introduction of new products. In 2004, the corps was thus called in when FlexGaranti<sup>®</sup> was launched.

#### **IT systems**

In 2004, the IT systems of Realkredit Danmark were converted to the Danske Bank Group's IT platform. The successful conversion was the first step towards a joint mortgage credit system in the Danske Bank Group, providing a good basis for the future development of Realkredit Danmark's product systems.

In 2005, the development of Realkredit Danmark's IT systems will continue towards the implementation of a group-wide mortgage credit system.

# 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.

The purpose of the Raroc system is to quantify the mortgage lending risks Realkredit Danmark undertakes 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. The parameters used in the model are reviewed on an ongoing basis in relation to observed data. Against this background, Realkredit Danmark calculates the amount of capital required 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 over a full business cycle from earnings before actual losses and provisions. Moreover, 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 return on the capital charge relating to risk.

The Raroc figure for 2004 is 68% for Realkredit Danmark's entire business area, which is considered satisfactory. The figure for 2003 was 50%.

Realkredit Danmark uses Raroc in the management of its business activities, and the Raroc system has been incorporated into budget follow-up procedures and the pricing of facilities.

The Raroc concept is also regularly reviewed on the basis of the requirements of the new capital adequacy rules, to prepare the Group to the extent possible for adopting the most advanced methods allowed by the rules.

The Group also carries out stress tests to simulate its financial position, operations, and balance sheet in various scenarios. The purpose of these stress tests is to see what may happen to financial and operational risks in times of unfavourable economic conditions.

The Group aims to use models that will allow it to manage the economic capital required over an economic cycle of several years.

## 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 its value. When assessing the value of a property, Realkredit Danmark focuses on both the present and the long-term market value of the property. Location, marketability and alternative uses of the property are key elements in the assessment of the long-term value.

The credit 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 various statistical models 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. This is



so, regardless of whether the customer has requested, for example, an interest-only loan, FlexLån<sup>®</sup> or FlexGaranti<sup>®</sup>. This method is used to ensure that 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 loan limits set by Danish legislation for mortgage loans. The loan limits depend on the type of property and normally represent 80% of the value for residential property and residential rental property, 70% for agricultural property 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 division or, in some cases, by the Executive Board or the Board of Directors.

Realkredit Danmark carries out random checks of approved loans to ensure that approvals made locally comply with the stipulations of Realkredit Danmark's credit policy as well as quality requirements.

#### Loan portfolio

The loan portfolio of DKr517bn is secured by mortgages on the properties. The average LTV – loan-to-value – ratio was 61% at the end of the year. The large equity relative to estimated property values means that the credit risk is limited. The property value is estimated 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.

The LTV ratio remained largely unchanged in 2004. The increase in activity triggered, among other things, by the introduction of interest-only loans, lifted LTV ratios, as new loans often exploit lending limits to the full. The rise in property prices in 2004, on the other hand, pulled LTV ratios downwards.

In order further to illustrate how secure Realkredit Danmark's loan portfolio is, the chart next page shows a breakdown of the total loan portfolio by property segment, indicating the LTV ratios of the individual loan types. The width of a column indicates how large a portion of the total portfolio the segment in question represents. In the private market – accounting for 61% of the portfolio – 65% of the loans are secured within 40% of the value of the properties, and 88% of the loans are secured within 60% of the value. For the portfolio as a whole, 67% of the loans are secured within 40% of the property value and 88% within 60%.

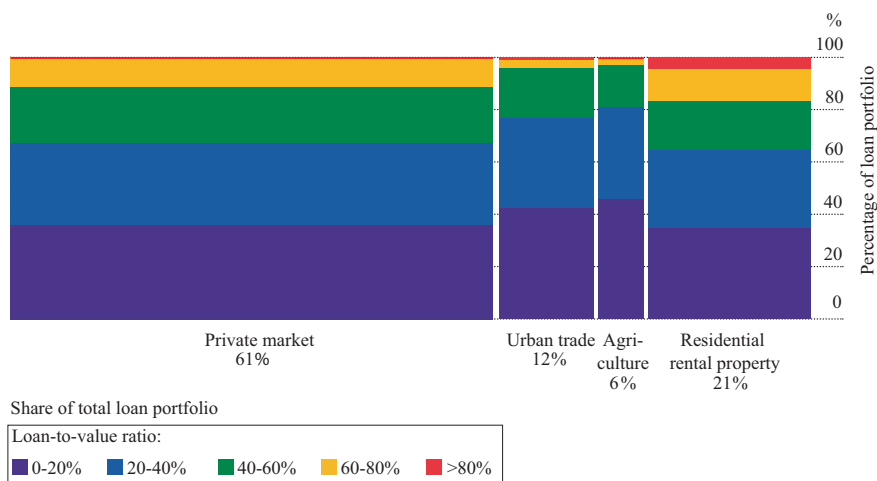
Danske Bank and BG Bank arranged 52% of the private-market loan portfolio. These loans are partially covered by a loss guarantee provided to Realkredit Danmark by Danske Bank. The loss guarantee covers the part of a loan that exceeds 60% of the original valuation of the property and constitutes supplementary security for the last 20% up to the statutory loan limit. A few corporate loans are also partially covered by Danske Bank's guarantee.

At the end of 2004, the bank guarantee comprised loans for a total amount of DKr163bn, of which the bank guarantee covered a total of DKr30bn.

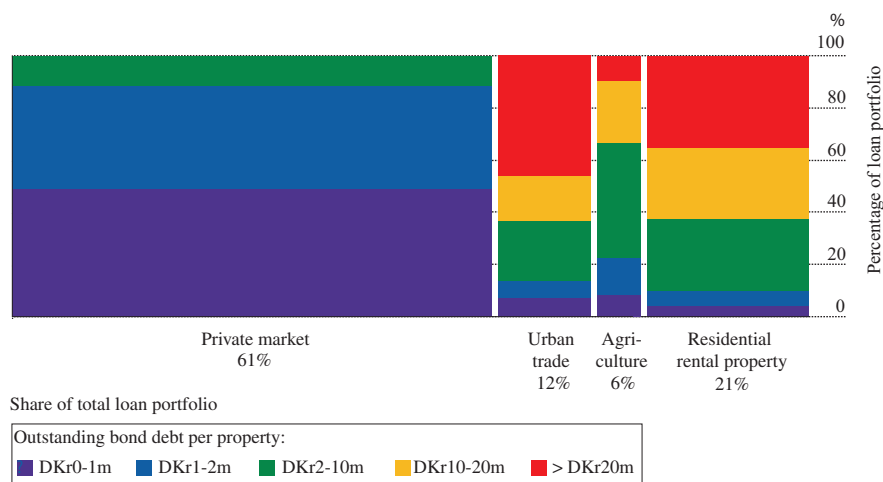
As the charts show, the major part of the loan portfolio is placed in the historically very secure residential property segment. Loans to the private market and residential rental property accounted for no less than 82% of the total portfolio. In respect of residential rental property, loans

	Loan portfolio		LTV ratio		Arrears	
	DKr m		%		Sept. paym. in %	
	Dec. 31 2004	Dec. 31 2003	Dec. 31 2004	Dec. 31 2003	Dec. 31 2004	Dec. 31 2003
Private market	316,745	307,311	63	62	0.11	0.15
Urban trade	62,413	60,809	48	51	0.18	0.29
Agriculture	28,434	25,754	52	48	0.21	0.24
Residential rental property	109,236	103,959	68	68	0.04	0.07
<b>Total</b>	<b>516,828</b>	<b>497,833</b>	<b>61</b>	<b>61</b>	<b>0.12</b>	<b>0.17</b>

### Distribution of loan portfolio by loan-to-value ratios as at Dec. 31, 2004



### Distribution of loan portfolio by outstanding bond debt as at Dec. 31, 2004



exceeding 80% of the original loan value are covered by a guarantee provided by central or local Danish government.

The breakdown of the loan portfolio by outstanding debt ranges shows that a large part of the portfolio relates to customers with relatively small loans. Loans of less than DKr10m accounted for 77% of overall lending. The Group

thus has limited sensitivity towards individual customers and loans.

### Provisions for bad and doubtful debts

Provisions for bad and doubtful debts totalled a net DKr7m in 2004, against DKr24m the year before. Provisions on loans on which the first write-down or write-off was effected during the year totalled DKr154m, while a total amount of DKr93m was recovered from provisions previously made. An amount of DKr54m was recovered on claims previously written off.

At the end of 2004, total provisions for bad and doubtful debts were DKr421m, against DKr460m at the beginning of the year.

Arrears rates fell further in 2004. After three months, arrears from the September 2004 payment date accounted for only 0.12% of the amount due, against 0.17% at the same time the year before.

The number of foreclosures also fell in 2004. At the end of the year, Realkredit Danmark held 26 such properties, against 51 at the beginning of the year. In the course of the year, 101 properties were taken over. This number is considerably smaller than in 2003, when it stood at 158. The number of foreclosures should be viewed in light of the fact that Realkredit Danmark holds mortgages on some 500,000 properties.

### 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 Loans and Mortgage Credit Bonds, etc. Act. Realkredit Danmark calculates, monitors and reports on 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 funding eliminates the interest rate, foreign exchange and liquidity risks on most of Realkredit Danmark's assets and liabilities.



### **Interest rate risk**

Interest rate risk expresses the expected loss on fixed-income positions from a general increase in interest rates of 1 percentage point.

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, DKr279m. At the end of 2004, this interest rate risk amounted to DKr3m, against DKr2m the year before.

The interest rate risk on other assets and liabilities and on off-balance-sheet items, including in particular the proprietary investment portfolio, may not exceed 8% of the capital base, or DKr2,230m, according to legislation. At the end of 2004, the interest rate risk on these items amounted to DKr347m, against DKr263m the year before.

Realkredit Danmark's total interest rate risk was DKr350m at the end of 2004, equivalent to 1.3% of the capital base. The year before, the interest rate risk totalled DKr265m.

### **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 the overall equity risk. At the end of 2004, the market value and hence the equity risk amounted to DKr421m, against DKr345m the year before.

### **Exchange rate risk**

Realkredit Danmark has only 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 DKr28m. At the end of 2004, the exchange rate risk amounted to DKr1m, against DKr2m the year before.

### **Financial instruments**

Financial instruments are employed exclusively for hedging purposes. In 2004, Realkredit Danmark used mainly forwards, futures and repo/reverse transactions. The market risk on these instruments is included in the risk calculations mentioned above.

### **Operational risk, etc.**

The Group separately monitors two types of operational risk relating specifically to the mortgage credit activities.

Operational risk comprises risk attributable to major, one-off events (event risk) that may lead to unforeseen expenses or long-term disruption of Realkredit Danmark's business operations.

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, taking into account the risk of political intervention and changes in economic trends. As with operational risk, business risk is included in the Raroc calculation of economic capital.

At the end of 2004, total operational risk was estimated to be at the same level as the year before.



# Signatures and reports

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 2004.

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 10, 2005

### **Sven Holm**

Chairman of the Executive Board and  
Chief Executive Officer

### **Thomas Mitchell**

Member of the Executive Board

## **Board of Directors**

Copenhagen, February 10, 2005

### **Jakob Brogaard**

Chairman

### **Sven Lystbæk**

Deputy Chairman

### **Tonny Thierry Andersen**

### **Søren Hermansen**

### **Jørgen Raaschou**

### **Per Skovhus**



# 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, 2004, presented by the Board of Directors and the Executive Board, prepared in accordance with Danish statutory financial reporting requirements.

## 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 Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 internal control procedures, including the risk management implemented by the Board of Directors and the Executive Board, aimed at the Group's and the Parent Company's reporting processes and major business risks. The audit of the Annual Report includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. The 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 did not result in any qualification.

## Opinion

In our opinion, the business procedures and internal control procedures prepared by the Parent Company, including the risk management implemented by the Board of Directors and the Executive Board, aimed at the Group's and the Parent Company's reporting processes and major business risks work satisfactorily.

Furthermore, we believe that 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, 2004, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year January 1 to December 31, 2004, in accordance with Danish statutory financial reporting requirements.

Copenhagen, February 10, 2005

**Jens Peter Thomassen**  
Group Chief Auditor

**Morten Bendtsen**  
Senior Manager

## 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, 2004, presented by the Board of Directors and the Executive Board, prepared in accordance with Danish statutory financial reporting requirements.

## Basis of opinion

We conducted our audit in accordance with Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and 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 did not result 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, 2004, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year January 1 to December 31, 2004, in accordance with Danish statutory financial reporting requirements.

Copenhagen, February 10, 2005

**KPMG C.Jespersen**  
Statsautoriseret  
Revisionsinteressentskab

**Grant Thornton**  
Statsautoriseret  
Revisionsaktieselskab

**Per Gunslev**  
State Authorised  
Public Accountant

**Svend Ørjan Jensen**  
State Authorised  
Public Accountant

**Torben Bender**  
State Authorised  
Public Accountant

**Erik Stener Jørgensen**  
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 2003.

## Principles of consolidation

The consolidated accounts comprise the accounts of Realkredit Danmark A/S and the 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 purchase method is applied. If the cost of acquisition exceeds the fair value of identifiable assets and liabilities, 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 divestment. 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 divestment 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 relevant 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 continuous 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 loss 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 December 31 index. Other loans (reserve fund mortgages, etc.) are stated at the lower of cost and estimated value.



### **Repo and reverse transactions**

In connection with repo transactions, which consist of sales 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 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 operations and financial management.

Holdings in associated undertakings are valued according to the equity method. The proportionate share of the net profit or loss of the individual company is included under "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 propor-

tionate share of the pre-tax profit or loss of the individual company is included under "Income from associated and subsidiary undertakings". The proportionate tax charge from the undertakings is carried under "Tax".

### **Intangible assets**

Goodwill on acquisition is 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. Goodwill acquired before January 1, 2002, however, was written off 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, the 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 included 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 loans are stated on the basis of the index reading on December 31.

#### **Deferred tax**

Deferred tax results from timing differences between the booking of income and charges for tax and for accounting purposes. Deferred tax is expected to be settled by way of future elimination of the timing differences. Deferred tax includes both deferred tax liabilities under "Provisions for obligations" and deferred tax assets under "Other assets". Deferred tax is based on current tax rates. Changes in deferred tax during the year are expensed or recorded as income in the profit and loss account.

#### **Pension commitments**

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 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 insignifi-



cant 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 the 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 as a liability. 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)**

With effect from the accounting year beginning on January 1, 2005, the Group will prepare its financial reports in accordance with IFRS. The implementation of IFRS is described in detail on pages 6 to 8.

# Profit and loss account

January 1 – December 31

DKr m	Note	Realkredit Danmark Group		Realkredit Danmark A/S		
		2004	2003	2004	2003	
	2, 9	Interest income	27,188	29,855	27,183	29,850
	3	Interest expense	23,148	25,768	23,147	25,768
		<b>Net interest income</b>	<b>4,040</b>	<b>4,087</b>	<b>4,036</b>	<b>4,082</b>
	9	Dividends from shares	16	7	14	7
	9	Fee and commission income	795	929	795	929
		Fees and commissions paid	564	603	564	603
		<b>Net interest and fee income</b>	<b>4,287</b>	<b>4,420</b>	<b>4,281</b>	<b>4,415</b>
	4, 9	Securities and foreign exchange income	-305	-430	-305	-430
	9	Other operating income	159	140	34	31
	5	Staff costs and administrative expenses	1,351	1,588	1,270	1,509
		Depreciation and write-downs	31	9	28	8
		Other operating expenses	-	1	-	1
	6	Provisions for bad and doubtful debts	7	24	7	24
	7	Income from associated and subsidiary undertakings	23	18	70	52
	1	<b>Profit before tax</b>	<b>2,775</b>	<b>2,526</b>	<b>2,775</b>	<b>2,526</b>
	8	Tax	653	609	653	609
		<b>Net profit for the year</b>	<b>2,122</b>	<b>1,917</b>	<b>2,122</b>	<b>1,917</b>
		<b>Proposal for allocation of profits</b>				
		Net profit for the year			2,122	1,917
		<b>Total amount to be allocated</b>			<b>2,122</b>	<b>1,917</b>
		Applied for dividend			1,500	-
		Transferred to equity			622	1,917
		<b>Total allocation</b>			<b>2,122</b>	<b>1,917</b>



# Balance sheet

at December 31

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S		
	2004	2003	2004	2003	
Note					
	<b>Assets</b>				
	<b>Cash in hand and demand deposits with central banks</b>				
	3	13	3	13	
10	<b>Due from credit institutions and deposits with central banks</b>				
	12,883	14,901	12,849	14,847	
	<b>Lending:</b>				
	Mortgage loans	516,600	497,563	516,600	497,563
	Other loans	497	474	469	444
11	<b>Total lending</b>	<b>517,097</b>	<b>498,037</b>	<b>517,069</b>	<b>498,007</b>
12,14	<b>Bonds</b>	<b>169,940</b>	<b>127,978</b>	<b>169,940</b>	<b>127,978</b>
13,14	<b>Shares, etc.</b>	<b>154</b>	<b>97</b>	<b>102</b>	<b>97</b>
15	<b>Holdings in associated undertakings</b>	<b>267</b>	<b>248</b>	<b>267</b>	<b>248</b>
16	<b>Holdings in subsidiary undertakings</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>117</b>
17	<b>Tangible assets</b>	<b>676</b>	<b>773</b>	<b>675</b>	<b>771</b>
18	<b>Other assets</b>	<b>6,849</b>	<b>5,079</b>	<b>6,797</b>	<b>5,037</b>
	<b>Prepayments</b>	<b>19</b>	<b>20</b>	<b>18</b>	<b>20</b>
	<b>Total assets</b>	<b>707,888</b>	<b>647,146</b>	<b>707,872</b>	<b>647,135</b>
	<b>Liabilities and equity</b>				
19	<b>Due to credit institutions and central banks</b>	<b>2,068</b>	<b>874</b>	<b>2,068</b>	<b>874</b>
20	<b>Issued bonds</b>	<b>656,415</b>	<b>603,120</b>	<b>656,415</b>	<b>603,120</b>
21	<b>Other liabilities</b>	<b>20,930</b>	<b>15,208</b>	<b>20,914</b>	<b>15,197</b>
22	<b>Provisions for obligations</b>	<b>616</b>	<b>707</b>	<b>616</b>	<b>707</b>
23	<b>Shareholders' equity:</b>				
	Share capital	625	625	625	625
	Reserves:				
	Reserves in series	2,104	2,770	2,104	2,770
	Other reserves	25,130	23,842	25,130	23,842
	<b>Total shareholders' equity</b>	<b>27,859</b>	<b>27,237</b>	<b>27,859</b>	<b>27,237</b>
24	<b>Total liabilities and equity</b>	<b>707,888</b>	<b>647,146</b>	<b>707,872</b>	<b>647,135</b>
	<b>Off-balance-sheet items</b>				
25	Guarantees, etc.	4	5	4	5
26	Other commitments	1,164	1,250	1,154	1,239
	<b>Total off-balance-sheet items</b>	<b>1,168</b>	<b>1,255</b>	<b>1,158</b>	<b>1,244</b>



# Cash flow statement

January 1 – December 31

DKr m	Realkredit Danmark Group	
	2004	2003
<b>Cash flow from operating activities</b>		
Profit before tax	2,775	2,526
Adjustment for non-cash items in the profit and loss account:		
Market value adjustment of securities	356	335
Depreciation and write-downs, etc.	31	9
Decrease (-)/increase in provisions for bad and doubtful debts	-39	-66
Tax paid	-721	-653
Increase (-)/decrease in outstanding amounts, etc.	-1,541	1,422
Decrease (-)/increase in amounts owed, etc.	4,149	-1,986
<b>Total</b>	<b>5,010</b>	<b>1,587</b>
<b>Cash flow from investing activities</b>		
Purchase (-)/sale of securities	-42,394	4,121
Change in repo and reverse transactions	2,801	-33,995
Increase (-)/decrease in other loans	-127	51
Net investment in other fixed assets	-4	-22
<b>Total</b>	<b>-39,724</b>	<b>-29,845</b>
<b>Increase (-)/decrease in mortgage lending</b>	<b>-19,004</b>	<b>-28,614</b>
<b>Increase/decrease (-) in funding</b>	<b>53,295</b>	<b>35,208</b>
<b>Movements in cash and cash equivalents</b>	<b>-423</b>	<b>-21,664</b>
Cash and cash equivalents at January 1	10,468	32,132
<b>Cash and cash equivalents at December 31</b>	<b>10,045</b>	<b>10,468</b>
Cash and cash equivalents at December 31 comprise:		
Cash in hand and at bank, etc.	3	13
Due from credit institutions and deposits with central banks	12,883	14,901
Portion attributable to reverse transactions	-2,841	-4,446
<b>Total cash and cash equivalents at December 31</b>	<b>10,045</b>	<b>10,468</b>



# 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

	<b>2004</b>			
	Core earnings	Earnings from investment portfolios	Eliminations	Total*
Administration margin	2,318	-	-	2,318
Net interest income	972	750	-	1,722
Dividends from shares	-	16	-	16
Fee and commission income	125	-	106	231
<b>Net interest and fee income</b>	<b>3,415</b>	<b>766</b>	<b>106</b>	<b>4,287</b>
Securities and foreign exchange income	183	-488	-	-305
Other operating income	159	-	-	159
Staff costs and administrative expenses	1,241	4	106	1,351
Depreciation and write-downs	31	-	-	31
Provisions for bad and doubtful debts	7	-	-	7
Income from associated and subsidiary undertakings	-	23	-	23
<b>Profit before tax</b>	<b>2,478</b>	<b>297</b>	<b>-</b>	<b>2,775</b>
	<b>2003</b>			
	Core earnings	Earnings from investment portfolios	Eliminations	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
<b>Net interest and fee income</b>	<b>3,618</b>	<b>662</b>	<b>140</b>	<b>4,420</b>
Securities and foreign exchange income	17	-447	-	-430
Other operating income	140	-	-	140
Staff costs and administrative expenses	1,444	4	140	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
<b>Profit before tax</b>	<b>2,297</b>	<b>229</b>	<b>-</b>	<b>2,526</b>

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 2004, core earnings for the business area Mortgage Finance is stated at DKr2,276m, compared with DKr2,478m 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 DKr202m between the business area Mortgage Finance and Realkredit Danmark is due mainly to the fact that the calculated basis for return on capital for the business area is lower than Realkredit Danmark's shareholders' equity.

Until the beginning of the fourth quarter of 2004, several of the Danske Bank Group's administrative functions relating to property finance were gathered at Realkredit Danmark, which paid fees to Danske Bank to cover, among other things, the costs of this administration. Danske Bank therefore reimbursed Realkredit Danmark for these costs. For 2004, reimbursements from Danske Bank totalled DKr106m, 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.

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2004	2003	2004	2003
Note				
2	<b>Interest income</b>			
	Due from credit institutions and deposits with central banks			
	197	604	196	603
	Lending			
	22,563	25,015	22,559	25,011
	Administration margin			
	2,318	2,216	2,318	2,216
	Bonds:			
	Own mortgage bonds			
	834	394	834	394
	Other mortgage bonds			
	165	361	165	361
	Government bonds			
	821	879	821	879
	Derivatives:			
	Interest rate contracts			
	170	226	170	226
	Other interest income			
	120	160	120	160
	<b>27,188</b>	<b>29,855</b>	<b>27,183</b>	<b>29,850</b>
	Portion attributable to interest income on reverse transactions recognised under:			
	Due from credit institutions and deposits with central banks			
	16	79	16	79
3	<b>Interest expense</b>			
	Due to credit institutions and central banks			
	63	54	63	54
	Issued bonds			
	23,017	25,618	23,017	25,618
	Reimbursement of commitment fees, etc.			
	61	82	61	82
	Other interest expense			
	7	14	6	14
	<b>23,148</b>	<b>25,768</b>	<b>23,147</b>	<b>25,768</b>
	Portion attributable to interest expense on repo transactions recognised under:			
	Due to credit institutions and central banks			
	3	9	3	9
4	<b>Securities and foreign exchange income</b>			
	Bonds:			
	Own mortgage bonds			
	-27	208	-27	208
	Other mortgage bonds			
	-67	-160	-67	-160
	Government bonds			
	-302	-397	-302	-397
	Shares, etc.			
	5	-	5	-
	Fixed-rate loans, etc.			
	11	-5	11	-5
	Foreign currency			
	5	10	5	10
	Derivatives:			
	Interest rate contracts			
	70	-86	70	-86
	<b>-305</b>	<b>-430</b>	<b>-305</b>	<b>-430</b>



# Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2004	2003	2004	2003
Note				
5	<b>Staff costs and administrative expenses</b>			
	<b>Salaries and remuneration of Executive Board, Board of Directors and local councils:</b>			
	Executive Board	5	5	5
	Board of Directors	1	1	1
	Local councils	4	4	4
		10	10	10
	<b>Staff costs:</b>			
	Salaries	467	477	451
	Pension costs	53	55	51
	Financial services employer tax, etc.	43	44	42
	<b>Total</b>	563	576	544
	Other administrative expenses	778	1,002	716
	<b>Total staff costs and administrative expenses</b>	1,351	1,588	1,270
	Average number of employees for the accounting year, full-time equivalents	923	1,016	889
	Total fees to the external accounting firms that perform the statutory audit	2	2	2
	In addition to these fees, considerable costs were incurred in relation to internal audit.			

The remuneration of the members of the Board of Directors is calculated as the total remuneration of the individual directors for the period in office.

The Executive Board (and other employees) participates in the Danske Bank Group's share-based incentive programme, which consists of equity-settled share options and rights to buy conditional shares.

Note

5 *Continued*

### Share options

	Number			Strike price	Market value (DKr m) At issue	Market value (DKr m) End of 2004
	Executive Board	Other employees	Total			
Holdings at the beginning of the year	99,925	67,200	167,125	-	5	6
Net addition	62,299	63,889	126,188	157.18	2	3
Holdings at the end of the year	162,224	131,089	293,313	-	7	9

### Purchase rights to conditional shares

	Number			Strike price	Market value (DKr m) At issue	Market value (DKr m) End of 2004
	Executive Board	Other employees	Total			
Holdings at the beginning of the year	4,146	13,911	18,057	-	2	3
Net addition	2,070	2,843	4,913	142.89	1	1
Holdings at the end of the year	6,216	16,754	22,970	-	3	4

The options carry a right to buy Danske Bank shares that can be exercised between three and seven years after allotment. The strike price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of the annual report.

Conditional shares in Danske Bank, which represent a portion of the pre-determined annual bonuses, become available three years after allotment. Under both programmes, staff members may exercise their rights if they have not resigned before the exercise date or the date of disposal.



# Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2004	2003	2004	2003
Note				
<b>6 Provisions for bad and doubtful debts</b>				
Losses with prior provisions	80	106	80	106
Losses without prior provisions	20	34	20	34
Recovery of debt previously written off	54	50	54	50
Movements in provisions:				
Provisions, beginning of year	460	526	459	525
Provisions, end of year	421	460	420	459
<b>Total</b>	<b>7</b>	<b>24</b>	<b>7</b>	<b>24</b>
Provisions at year-end for loans and guarantees as a percentage of loans and guarantees	0.1%	0.1%	0.1%	0.1%
<b>7 Income from associated and subsidiary undertakings</b>				
Income from associated undertakings	23	15	23	15
Income from subsidiary undertakings	-	3	47	37
<b>Total</b>	<b>23</b>	<b>18</b>	<b>70</b>	<b>52</b>
<b>8 Tax (minus denotes a credit)</b>				
Estimated tax charge on the profit for the year	664	623	664	623
Deferred tax	-9	5	-9	5
Re-adjustment of prior-year tax charge	-5	-22	-5	-22
Tax on provisions	3	3	3	3
<b>Total</b>	<b>653</b>	<b>609</b>	<b>653</b>	<b>609</b>
The effective tax rate is calculated as follows:				
Statutory tax rate	30.0%	30.0%	30.0%	30.0%
Deviation as a result of joint taxation with Danske Bank	-5.1%	-4.0%	-5.1%	-4.0%
Re-adjustment of prior-year tax charge	-0.2%	-0.9%	-0.2%	-0.9%
Other	-1.2%	-1.0%	-1.2%	-1.0%
<b>Effective tax rate</b>	<b>23.5%</b>	<b>24.1%</b>	<b>23.5%</b>	<b>24.1%</b>

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S		
	2004	2003	2004	2003	
Note					
9	<b>Income broken down by country</b>				
	Total interest income, dividends from shares, fee and commission income, securities and foreign exchange income and other operating income broken down geographically:				
	Denmark	27,851	30,499	27,719	30,385
	Other countries	2	2	2	2
	<b>Total</b>	<b>27,853</b>	<b>30,501</b>	<b>27,721</b>	<b>30,387</b>
10	<b>Due from credit institutions and deposits with central banks</b>				
	Due from credit institutions	12,883	14,901	12,849	14,847
	<b>Total</b>	<b>12,883</b>	<b>14,901</b>	<b>12,849</b>	<b>14,847</b>
	Reverse transactions	2,841	4,446	2,841	4,446
	Amounts set aside for the drawing of bonds for redemption at par	2,794	4,064	2,794	4,064
	<b>Breakdown by term to maturity</b>				
	On demand	8,973	9,552	8,939	9,498
	3 months and below	3,835	5,289	3,835	5,289
	3 months to 1 year	75	60	75	60
	<b>Total</b>	<b>12,883</b>	<b>14,901</b>	<b>12,849</b>	<b>14,847</b>
11	<b>Lending</b>				
	Mortgage loans	516,600	497,563	516,600	497,563
	Outstanding amounts in respect of non-foreclosures	192	296	192	296
	Other loans	305	178	277	148
	<b>Total</b>	<b>517,097</b>	<b>498,037</b>	<b>517,069</b>	<b>498,007</b>
	<b>Breakdown by term to maturity</b>				
	On demand	391	357	391	357
	3 months and below	11,492	7,076	11,489	7,073
	3 months to 1 year	10,793	13,451	10,786	13,443
	1 year to 5 years	51,111	73,110	51,096	73,094
	Over 5 years	443,310	404,043	443,307	404,040
	<b>Total</b>	<b>517,097</b>	<b>498,037</b>	<b>517,069</b>	<b>498,007</b>



# Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2004	2003	2004	2003
Note				
11 <i>Continued</i>				
<b>Loans, etc., to management</b>				
Loans, pledges, sureties or guarantees established for:				
Executive Board	5	4	5	4
Board of Directors	4	9	4	9
<b>Mortgage loans</b>				
Balance, beginning of year	497,833	469,197	497,833	469,197
New loans	140,577	167,587	140,577	167,587
Index adjustment	1,035	1,414	1,035	1,414
Exchange rate adjustment	-19	76	-19	76
Ordinary repayments	15,649	16,156	15,649	16,156
Redemptions and extraordinary repayments	106,949	124,285	106,949	124,285
<b>Balance, end of year 1)</b>	<b>516,828</b>	<b>497,833</b>	<b>516,828</b>	<b>497,833</b>
Loans transferred to foreclosed properties	13	62	13	62
Loan provisions	360	344	360	344
Loans taken over by the Danish Agency for Governmental Management	145	136	145	136
<b>Total</b>	<b>516,600</b>	<b>497,563</b>	<b>516,600</b>	<b>497,563</b>
1) Portion attributable to amortisation account for cash loans	10,364	13,160	10,364	13,160
Total sum of mortgage deed principals	574,174	552,728	574,174	552,728
Number of loans	601,318	651,272	601,318	651,272
Apart from being backed by mortgages on properties, Realkredit Danmark's loans are backed by government, municipal and insurance guarantees of	21,751	20,850	21,751	20,850
Furthermore, pass books and bonds have been lodged and guarantees provided as supplementary security in a total amount of	50,447	48,622	50,447	48,622
In addition, Realkredit Danmark has received various declarations of indemnification without specification of amounts.				
<b>Outstanding amounts relating to non-foreclosures</b>				
Arrears	196	308	196	308
Outlays	38	49	38	49
Loan provisions	42	61	42	61
<b>Total</b>	<b>192</b>	<b>296</b>	<b>192</b>	<b>296</b>
In arrears at mid-January 2005, or in 2004	81	113	81	113



DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2004	2003	2004	2003
Note				
11	<i>Continued</i>			
	<b>Mortgage loans broken down by property category</b>			
	59%	60%	59%	60%
	3%	2%	3%	2%
	14%	14%	14%	14%
	7%	7%	7%	7%
	3%	3%	3%	3%
	6%	6%	6%	6%
	5%	5%	5%	5%
	2%	2%	2%	2%
	1%	1%	1%	1%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
12	<b>Bonds</b>			
	134,470	87,853	134,470	87,853
	28,226	26,481	28,226	26,481
	7,244	13,644	7,244	13,644
	<b>169,940</b>	<b>127,978</b>	<b>169,940</b>	<b>127,978</b>
	Portion attributable to:			
	80,772	50,895	80,772	50,895
	14,706	13,346	14,706	13,346
	16,305	11,026	16,305	11,026
	2,045	860	2,045	860
13	<b>Shares, etc.</b>			
	52	-	-	-
	102	97	102	97
	<b>154</b>	<b>97</b>	<b>102</b>	<b>97</b>
14	<b>Current asset investments</b>			
	169,992	127,978	169,940	127,978
	38	879	38	879



# Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2004	2003	2004	2003
Note				
15	<b>Holdings in associated undertakings</b>			
	267	248	267	248
	Other undertakings			
	<b>267</b>	<b>248</b>	<b>267</b>	<b>248</b>
	<b>Total</b>			
	196	199	196	199
	Cost, beginning of year			
	16	-	16	-
	Additions			
	18	3	18	3
	Disposals			
	<b>194</b>	<b>196</b>	<b>194</b>	<b>196</b>
	<b>Cost, end of year</b>			
	52	38	52	38
	Revaluation and write-downs, beginning of year			
	23	15	23	15
	Profit/loss			
	4	3	4	3
	Dividends			
	2	2	2	2
	Reversal of revaluation and write-downs			
	<b>73</b>	<b>52</b>	<b>73</b>	<b>52</b>
	<b>Revaluation and write-downs, end of year</b>			
	<b>267</b>	<b>248</b>	<b>267</b>	<b>248</b>
	<b>Book value, end of year</b>			
16	<b>Holdings in subsidiary undertakings</b>			
	-	-	152	117
	Other undertakings			
	<b>-</b>	<b>-</b>	<b>152</b>	<b>117</b>
	<b>Total</b>			
	-	13	246	259
	Cost, beginning of year			
	-	13	-	13
	Disposals			
	<b>-</b>	<b>-</b>	<b>246</b>	<b>246</b>
	<b>Cost, end of year</b>			
	-	-4	-129	-159
	Revaluation and write-downs, beginning of year			
	-	3	35	29
	Net profit/loss			
	-	1	-	1
	Reversal of revaluation and write-downs			
	<b>-</b>	<b>-</b>	<b>-94</b>	<b>-129</b>
	<b>Revaluation and write-downs, end of year</b>			
	<b>-</b>	<b>-</b>	<b>152</b>	<b>117</b>
	<b>Book value, end of year</b>			

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2004	2003	2004	2003
Note				
17 <b>Tangible assets</b>				
Own properties	653	680	653	680
Foreclosed properties	12	82	12	82
Machinery and equipment	11	11	10	9
<b>Total</b>	<b>676</b>	<b>773</b>	<b>675</b>	<b>771</b>
<b>Own properties</b>				
Cost, beginning of year	1,004	995	1,004	995
Additions	-	25	-	25
Disposals	1	16	1	16
<b>Cost, end of year</b>	<b>1,003</b>	<b>1,004</b>	<b>1,003</b>	<b>1,004</b>
Depreciation and write-downs, beginning of year	324	328	324	328
Depreciation during the year	6	6	6	6
Write-downs during the year	20	-	20	-
Reversal of depreciation and write-downs	-	10	-	10
<b>Depreciation and write-downs, end of year</b>	<b>350</b>	<b>324</b>	<b>350</b>	<b>324</b>
<b>Book value, end of year</b>	<b>653</b>	<b>680</b>	<b>653</b>	<b>680</b>
Latest public property assessment	621	597	621	597
<b>Machinery and equipment</b>				
Cost, beginning of year	90	99	83	93
Additions	3	3	3	2
Disposals	4	12	3	12
<b>Cost, end of year</b>	<b>89</b>	<b>90</b>	<b>83</b>	<b>83</b>
Depreciation and write-downs, beginning of year	79	88	74	83
Depreciation during the year	3	2	2	2
Reversal of depreciation and write-downs	4	11	3	11
<b>Depreciation and write-downs, end of year</b>	<b>78</b>	<b>79</b>	<b>73</b>	<b>74</b>
<b>Book value, end of year</b>	<b>11</b>	<b>11</b>	<b>10</b>	<b>9</b>
Machinery and equipment charged to income in the year of acquisition	2	1	-	-



# Notes to the accounts

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2004	2003	2004	2003
Note				
<b>18 Other assets</b>				
Interest, etc., due on mortgage loans	52	65	52	65
Other interest due	5,901	3,734	5,901	3,734
Positive market value of derivatives	210	63	210	63
Tax receivable current year	49	2	48	-
Deferred tax asset	175	175	162	163
Other debtors, etc.	462	1,040	424	1,012
<b>Total</b>	<b>6,849</b>	<b>5,079</b>	<b>6,797</b>	<b>5,037</b>
<b>19 Due to credit institutions and central banks</b>				
Due to credit institutions	2,068	874	2,068	874
<b>Total</b>	<b>2,068</b>	<b>874</b>	<b>2,068</b>	<b>874</b>
Portion attributable to repo transactions	2,049	860	2,049	860
<b>Breakdown by term to maturity</b>				
On demand	19	14	19	14
3 months and below	2,049	860	2,049	860
<b>Total</b>	<b>2,068</b>	<b>874</b>	<b>2,068</b>	<b>874</b>
<b>20 Issued bonds</b>				
The item comprises issued mortgage bonds.				
Balance, beginning of year	603,120	567,912	603,120	567,912
Additions	241,017	237,356	241,017	237,356
Index adjustment	1,038	1,417	1,038	1,417
Exchange rate adjustment	-7	98	-7	98
Drawings and prepayments	150,626	176,142	150,626	176,142
Redemptions and extraordinary repayments	38,127	27,521	38,127	27,521
<b>Balance, end of year</b>	<b>656,415</b>	<b>603,120</b>	<b>656,415</b>	<b>603,120</b>
Portion pre-issued	103,269	71,686	103,269	71,686
Drawn on January 3, 2005, or in 2004	139,350	100,738	139,350	100,738
Portion to be re-funded	100,473	66,580	100,473	66,580
<b>Net drawing</b>	<b>38,877</b>	<b>34,158</b>	<b>38,877</b>	<b>34,158</b>

DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
	2004	2003	2004	2003
Note				
20	<i>Continued</i>			
	<b>Breakdown by term to maturity</b>			
	139,350	101,663	139,350	101,663
3 months and below				
	72,261	71,777	72,261	71,777
3 months to 1 year				
	275,631	235,321	275,631	235,321
1 year to 5 years				
	169,173	194,359	169,173	194,359
Over 5 years				
<b>Total</b>	<b>656,415</b>	<b>603,120</b>	<b>656,415</b>	<b>603,120</b>
21	<b>Other liabilities</b>			
	16,963	14,436	16,963	14,436
Interest accrued on issued mortgage bonds				
	121	60	121	60
Other interest accrued				
	35	64	35	64
Negative market value of derivatives				
	45	38	45	38
Repurchase obligation, reverse transactions				
	-	21	-	21
Tax payable				
	1,500	-	1,500	-
Dividend payable				
	1,765	-	1,765	-
Deferred income pre-issue				
	501	589	485	578
Other creditors				
<b>Total</b>	<b>20,930</b>	<b>15,208</b>	<b>20,914</b>	<b>15,197</b>
22	<b>Provisions for obligations</b>			
Reserves in series subject to a reimbursement obligation	616	707	616	707
<b>Total</b>	<b>616</b>	<b>707</b>	<b>616</b>	<b>707</b>



# Notes to the accounts

DKr m	Share capital	Reserves in series	Other reserves	Total 2004	Total 2003	
Note						
23	<b>Shareholders' equity</b>					
	The share capital 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	2,770	23,842	27,237	25,248
	Revaluation of unlisted shares	-	-	-	-	72
	Allocated as per allocation of profits	-	95	527	622	1,917
	Transferred from series with excess coverage	-	-761	761	-	-
	<b>Balance, end of year</b>	<b>625</b>	<b>2,104</b>	<b>25,130</b>	<b>27,859</b>	<b>27,237</b>

	Realkredit Danmark Group		Realkredit Danmark A/S		
	2004	2003	2004	2003	
24	<b>Capital base and solvency</b>				
	Capital base				
	Core (tier 1) capital, less statutory deductions	27,684	27,062	27,697	27,074
	Reserves in series subject to a reimbursement obligation	187	218	187	218
	Total supplementary capital	187	218	187	218
	Total capital base, less statutory deductions	27,871	27,280	27,884	27,292
	Weighted items				
	not included in trading portfolio	271,182	259,456	271,197	259,486
	included in trading portfolio, with market risk	5,206	3,880	5,196	3,869
	Total weighted items	276,388	263,336	276,393	263,355
	Core (tier 1) capital ratio, %	10.02	10.28	10.02	10.28
	Solvency ratio, %	10.08	10.36	10.09	10.36
	Statutory minimum solvency requirement, %	8.0	8.00	8.00	8.00
25	<b>Guarantees, etc.</b>				
	Other guarantees	4	5	4	5
	<b>Total</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>
26	<b>Other commitments</b>				
	Irrevocable credit commitments, reverse mortgages	1,033	1,119	1,033	1,119
	Other commitments	131	131	121	120
	<b>Total</b>	<b>1,164</b>	<b>1,250</b>	<b>1,154</b>	<b>1,239</b>

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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, 2004.

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
<b>Currency contracts</b>						
Forwards/futures bought	1,143	-	-	-	-	-
Forwards/futures sold	12	-	-	-	-	-
<b>Interest rate contracts</b>						
Forwards/futures bought	111,307	48	319	1	-	-
Forwards/futures sold	93,119	125	1	-	-	-
FRAs bought	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-

Realkredit Danmark Group DKr m	Total 2004		Total 2003		Total 2004		Total 2003	
	Notional amount	Net market value	Notional amount	Net market value	Market value Positive	Market value Negative	Market value Positive	Market value Negative
<b>Currency contracts</b>								
Forwards/futures bought	1,143	-	622	-	-	-	-	-
Forwards/futures sold	12	-	361	-2	-	-	-	2
<b>Interest rate contracts</b>								
Forwards/futures bought	111,626	49	57,626	60	75	26	60	-
Forwards/futures sold	93,120	125	59,560	-60	132	7	1	61
FRAs bought	-	-	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-	-	-
Total net market value		174		-2	207	33	61	63

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
<b>Currency contracts</b>						
Forwards/futures bought	1,143	-	-	-	-	-
Forwards/futures sold	12	-	-	-	-	-
<b>Interest rate contracts</b>						
Forwards/futures bought	111,307	48	319	1	-	-
Forwards/futures sold	93,119	125	1	-	-	-
FRAs bought	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-

Realkredit Danmark A/S DKr m	Total 2004		Total 2003		Total 2004		Total 2003	
	Notional amount	Net market value	Notional amount	Net market value	Market value Positive	Market value Negative	Market value Positive	Market value Negative
<b>Currency contracts</b>								
Forwards/futures bought	1,143	-	622	-	-	-	-	-
Forwards/futures sold	12	-	361	-2	-	-	-	2
<b>Interest rate contracts</b>								
Forwards/futures bought	111,626	49	57,626	60	75	26	60	-
Forwards/futures sold	93,120	125	59,560	-60	132	7	1	61
FRAs bought	-	-	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-	-	-
Total net market value		174		-2	207	33	61	63



Note

28 **Derivatives**

Continued

Realkredit Danmark Group DKr m	2004 Average market value		2003 Average market value		2004 Market value of non- guaranteed contracts		2003 Market value of non- guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
<b>Currency contracts</b>								
Forwards/futures bought	1	-	-	-	1	-	-	-
Forwards/futures sold	-	-	-	-	-	-	-	-
<b>Interest rate contracts</b>								
Forwards/futures bought	14	1	22	-	14	1	22	-
Forwards/futures sold	5	4	2	4	5	4	2	4
FRAs bought	-	-	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-	-	-
Total net market value	20	5	24	4	20	5	24	4
Total after netting					15		20	

Realkredit Danmark A/S DKr m	2004 Average market value		2003 Average market value		2004 Market value of non- guaranteed contracts		2003 Market value of non- guaranteed contracts	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
<b>Currency contracts</b>								
Forwards/futures bought	1	-	-	-	1	-	-	-
Forwards/futures sold	-	-	-	-	-	-	-	-
<b>Interest rate contracts</b>								
Forwards/futures bought	14	1	22	-	14	1	22	-
Forwards/futures sold	5	4	2	4	5	4	2	4
FRAs bought	-	-	-	-	-	-	-	-
FRAs sold	-	-	-	-	-	-	-	-
Total net market value	20	5	24	4	20	5	24	4
Total after netting					15		20	

The average market value is calculated on a daily basis.

**Outstanding spot transactions**

Realkredit Danmark Group DKr m	Notional amount	Market value		Total 2004 Net market value
		Positive	Negative	
Interest rate transactions bought	1,217	1	2	-1
Interest rate transactions sold	1,620	2	-	2
<b>Total</b>	<b>2,837</b>	<b>3</b>	<b>2</b>	<b>1</b>
Total 2003	3,079	2	1	1

Realkredit Danmark A/S DKr m	Notional amount	Market value		Total 2004 Net market value
		Positive	Negative	
Interest rate transactions bought	1,217	1	2	-1
Interest rate transactions sold	1,620	2	-	2
<b>Total</b>	<b>2,837</b>	<b>3</b>	<b>2</b>	<b>1</b>
Total 2003	3,079	2	1	1



# Notes to the accounts

DKr m

Note

**29 Intra-group transactions**

No unusual transactions took place with associated and subsidiary undertakings in 2004.

In 2004, Realkredit Danmark A/S made the below-mentioned major intra-group transactions with companies directly or indirectly associated with Realkredit Danmark.

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

Realkredit Danmark A/S has received fees for referral of customers and for property valuation.

Until September 30, 2004, Realkredit Danmark carried out tasks relating to the administration of mortgage loans for Danske Bank A/S. Danske Bank A/S reimbursed Realkredit Danmark A/S for costs in this connection.

Realkredit Danmark's IT operations and development and portfolio management 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.

**30 Due from and due to subsidiary and associated undertakings**

	Subsidiary undertakings		Associated undertakings	
	2004	2003	2004	2003
Amounts due to Realkredit Danmark A/S from subsidiary and associated undertakings and amounts due from Realkredit Danmark A/S to these undertakings:				
Due from credit institutions	11,500	13,773	-	-
Lending	-	-	2,000	1,969
<b>Total</b>	<b>11,500</b>	<b>13,773</b>	<b>2,000</b>	<b>1,969</b>
Due to credit institutions	19	14	-	-
<b>Total</b>	<b>19</b>	<b>14</b>	<b>-</b>	<b>-</b>

	2004	2003	2002	2001	2000
Note					
31	<b>Financial highlights for the parent company, Realkredit Danmark A/S</b>				
	<b>PROFIT AND LOSS ACCOUNT (DKr m)</b>				
Net interest income	4,036	4,082	3,519	3,412	2,420
Dividends from shares	14	7	-	18	14
Fee and commission income, net	231	326	302	131	175
<b>Net interest and fee income</b>	<b>4,281</b>	<b>4,415</b>	<b>3,821</b>	<b>3,561</b>	<b>2,609</b>
Securities and foreign exchange income	-305	-430	178	194	152
Other operating income	34	31	42	65	58
Staff costs and administrative expenses	1,270	1,509	1,336	1,282	1,178
Amortisation, depreciation and write-downs	28	8	16	19	107
Other operating expenses	-	1	6	1	1
Provisions for bad and doubtful debts	7	24	-74	-34	-64
Income from associated and subsidiary undertakings	70	52	55	-4	48
<b>Profit before tax</b>	<b>2,775</b>	<b>2,526</b>	<b>2,812</b>	<b>2,548</b>	<b>1,645</b>
Tax	653	609	822	621	507
<b>Net profit for the year</b>	<b>2,122</b>	<b>1,917</b>	<b>1,990</b>	<b>1,927</b>	<b>1,138</b>
	<b>BALANCE SHEET (DKr m)</b>				
	<b>Assets</b>				
Due from credit institutions, etc.	12,852	14,860	33,141	35,781	27,583
Lending	517,069	498,007	469,386	448,522	323,822
Bonds and shares, etc.	170,461	128,440	132,798	107,068	69,670
Other assets	7,490	5,828	7,239	7,286	2,275
<b>Total assets</b>	<b>707,872</b>	<b>647,135</b>	<b>642,564</b>	<b>598,657</b>	<b>423,350</b>
	<b>Liabilities and equity</b>				
Due to credit institutions, etc.	2,068	874	31,259	22,222	6,063
Issued bonds	656,415	603,120	567,912	536,352	388,114
Other liabilities	21,530	15,904	18,145	16,829	8,853
Subordinated debt	-	-	-	-	3,000
Shareholders' equity	27,859	27,237	25,248	23,254	17,320
<b>Total liabilities and equity</b>	<b>707,872</b>	<b>647,135</b>	<b>642,564</b>	<b>598,657</b>	<b>423,350</b>
	<b>RATIOS</b>				
Solvency ratio, %	10.1	10.4	10.4	10.1	11.6
Core (tier 1) capital ratio, %	10.0	10.3	10.3	9.9	9.6
Return on equity before tax, %	10.1	9.6	11.6	11.4	9.8
Return on equity after tax, %	7.7	7.3	8.2	8.6	6.8
Income/cost ratio, DKr	3.13	2.64	3.19	3.01	2.35
Foreign exchange position, %	1.3	6.4	3.0	12.5	5.8
Accumulated provisioning ratio, %	0.1	0.1	0.1	0.1	0.2
Write-off and provisioning ratio for the year, %	0.0	0.0	0.0	0.0	0.0
Annual growth in lending, %	3.8	6.1	4.7	11.3	1.0
Gearing of lending	18.6	18.3	18.6	19.3	18.7



# Notes to the accounts

Note	USD		EUR		
	2004	2003	2004	2003	
32	<b>Financial highlights in USD and EUR for the Realkredit Danmark Group</b>				
	<b>PROFIT AND LOSS ACCOUNT (millions)</b>				
	Administration margin	424	372	312	298
	Net interest income, excl. earnings from investment portfolios	178	204	131	163
	Fee and commission income, net	23	31	17	25
	Other core income	62	27	45	21
	<b>Total core income</b>	<b>687</b>	<b>634</b>	<b>505</b>	<b>507</b>
	Operating expenses and depreciation	233	244	171	195
	<b>Core earnings before provisions</b>	<b>454</b>	<b>390</b>	<b>334</b>	<b>312</b>
	Provisions for bad and doubtful debts	1	4	1	3
	<b>Core earnings</b>	<b>453</b>	<b>386</b>	<b>333</b>	<b>309</b>
	Earnings from investment portfolios	54	38	40	31
	<b>Profit before tax</b>	<b>507</b>	<b>424</b>	<b>373</b>	<b>340</b>
	Tax	119	102	88	82
	<b>Net profit for the year</b>	<b>388</b>	<b>322</b>	<b>285</b>	<b>258</b>
	<b>BALANCE SHEET (millions)</b>				
	<b>Assets</b>				
	Due from credit institutions, etc.	2,357	2,503	1,732	2,003
	Lending	94,575	83,597	69,520	66,899
	Bonds and shares, etc.	31,158	21,539	22,904	17,237
	Other assets	1,380	986	1,015	789
	<b>Total assets</b>	<b>129,470</b>	<b>108,625</b>	<b>95,171</b>	<b>86,928</b>
	<b>Liabilities and equity</b>				
	Due to credit institutions, etc.	378	147	278	117
	Issued bonds	120,056	101,235	88,251	81,014
	Other liabilities	3,941	2,671	2,897	2,138
	Shareholders' equity	5,095	4,572	3,745	3,659
	<b>Total liabilities and equity</b>	<b>129,470</b>	<b>108,625</b>	<b>95,171</b>	<b>86,928</b>
	Exchange rates used for currency translation	5.4676	5.9576	7.4381	7.4446

# Group holdings and undertakings

	Share capital December 31 (thousands)	Net profit for the year DKr m	Share- holders' equity DKr m	Ownership share %
<b>Realkredit Danmark A/S, Copenhagen</b>	DKK 625,000	2,122	27,859	
<b>Consolidated subsidiaries</b>				
home a/s, Copenhagen	DKK 15,000	35	152	100
<b>Non-consolidated subsidiary</b>				
Undertaking acquired in the process of preventing losses, book value DKr0m:				
Omegadane SARL, Paris	EUR 8	-	-	100
<b>Associated undertakings</b>				
DADES A/S, Lyngby-Taarbæk	DKK 505,150	239	2,741	9
Danmarks Transport Center A/S, Vejle	DKK 200,000	10	152	20
Realkreditnettet Holding A/S, Copenhagen	DKK 11,000	-	83	25
The total amount owed to the Group by associated undertakings is DKr2,000m.				
<b>Undertakings in which the Group holds 10% or more of the share capital</b>				
Håndværkets Byfornyelsesselskab Smba, Copenhagen	DKK 13,523	-1	9	18
VP Securities Services A/S, Taastrup	DKK 40,000	49	224	10



# Series accounts 2004

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
<b>Profit and loss account</b>							
	Income from lending	3.1	3.0	0.1	6.4	0.8	0.0
1	Net interest, etc.	7.2	7.6	7.8	16.7	3.2	0.0
1	Administrative expenses, etc.	-6.9	-10.4	-0.1	-27.2	-0.4	-0.7
	Provisions for bad and doubtful debts	0.0	0.0	0.0	0.0	0.0	0.0
	Tax	-1.0	-0.1	-2.3	1.2	-1.1	0.2
2	<b>Net profit for the year</b>	<b>2.4</b>	<b>0.1</b>	<b>5.5</b>	<b>-2.9</b>	<b>2.5</b>	<b>-0.5</b>
<b>Balance sheet – assets</b>							
	Mortgage loans, etc.	1,037.9	861.8	19.3	2,222.5	64.1	0.8
	Other assets	220.5	233.2	181.2	618.6	75.1	0.5
	<b>Total assets</b>	<b>1,258.4</b>	<b>1,095.0</b>	<b>200.5</b>	<b>2,841.1</b>	<b>139.2</b>	<b>1.3</b>
<b>Balance sheet – liabilities and equity</b>							
	Issued bonds	1,097.7	928.8	23.0	2,479.6	82.3	1.2
	Other liabilities	8.1	7.0	1.3	18.3	0.9	0.0
	Dividend payable	0.0	0.0	0.0	0.0	0.0	0.0
3	Shareholders' equity	152.6	159.2	176.2	343.2	56.0	0.1
	<b>Total liabilities and equity</b>	<b>1,258.4</b>	<b>1,095.0</b>	<b>200.5</b>	<b>2,841.1</b>	<b>139.2</b>	<b>1.3</b>

## 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
0.4	0.0	109.2	104.8	2,140.0	2,367.8
0.7	0.0	63.8	45.8	1,394.0	1,546.8
-1.9	-0.1	-76.3	-75.8	-938.9	-1,138.7
0.0	0.0	5.5	-0.1	-12.8	-7.4
0.2	0.0	-30.6	-22.4	-597.1	-653.0
<b>-0.6</b>	<b>-0.1</b>	<b>71.6</b>	<b>52.3</b>	<b>1,985.2</b>	<b>2,115.5</b>
47.2	0.2	37,869.5	14,922.2	459,891.6	516,937.1
23.7	0.2	4,030.0	3,519.2	182,032.7	190,934.9
<b>70.9</b>	<b>0.4</b>	<b>41,899.5</b>	<b>18,441.4</b>	<b>641,924.3</b>	<b>707,872.0</b>
54.4	0.3	40,447.9	17,688.9	610,539.0	673,343.1
0.5	0.0	269.6	118.6	4,130.1	4,554.4
0.0	0.0	0.0	0.0	1,500.0	1,500.0
16.0	0.1	1,182.0	633.9	25,755.2	28,474.5
<b>70.9</b>	<b>0.4</b>	<b>41,899.5</b>	<b>18,441.4</b>	<b>641,924.3</b>	<b>707,872.0</b>

	DKr m	2004
2	<b>Profit, series accounts</b>	
	The profit of the series accounts can be reconciled with the annual accounts of Realkredit Danmark A/S as follows:	
	Net profit, annual accounts	2,121.5
	Transferred to other reserves, etc.	-6.0
	<b>Profit, series accounts</b>	<b>2,115.5</b>
3	<b>Shareholders' equity, series accounts</b>	
	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	27,858.8
	Reserves in pre-1972 series subject to a reimbursement obligation	615.7
	<b>Shareholders' equity, series accounts</b>	<b>28,474.5</b>



# IFRS at Realkredit Danmark

## General

Pages 6 to 8 of the Financial review give a general description of the Realkredit Danmark Group's implementation in 2005 of the International Financial Reporting Standards (IFRS). The following pages provide additional information regarding the effect on further items of the Group's accounts and more detailed tables.

## Effect of IFRS on shareholders' equity and net profit for the year

The effect of IFRS implementation on shareholders' equity at January 1, 2004, and December 31, 2004, and on the net profit for 2004 is described below. The Group has decided to restate the figures for 2004 using the new IFRS-based accounting policies.

<b>Effect of IFRS on shareholders' equity and net profit for the year</b>	<b>Shareholders' equity</b>	<b>Net profit for the year</b>	<b>Shareholders' equity</b>
	<b>Jan. 1, 2004</b>	<b>2004</b>	<b>Dec. 31, 2004</b>
DKr m			
2004 practice	27,237	2,122	27,859
Dividend	-	-	1,500
Pension fund	192	-15	177
Allocation to reserves subj. to a reimbursem. obl.	154	-63	91
Write-downs relating to credit risk on loans	96	25	121
Employee benefits	-29	9	-20
Leasehold improvements	13	-6	7
Portion of shareholders' equity increase transferred to reserves subj. to a reimbursement obligation	-8	-	-8
Other changes	-	-4	-4
Tax	-79	-2	-81
<b>IFRS practice</b>	<b>27,576</b>	<b>2,066</b>	<b>29,642</b>

## Employee benefits

IAS 19 *Employee Benefits* prescribes that salaries and other employee benefits be expensed over the period in which the benefit is earned. This applies to jubilee benefits, for instance. Under the 2004 accounting policies, jubilee benefits were expensed at the time of payment. In addition, amounts to cover holiday pay commitments will be set aside on the basis of the actual holiday entitlements and holidays taken rather than on the basis of a statistical model. This change reduces shareholders' equity at January 1, 2004, by a total of Dkr29m.

## Leasehold improvements

Leasehold improvements are recognised at cost less depreciation and write-downs under both the 2004 accounting policies and IFRS. Depreciation is made over the term of the lease using the straight-line method, up to a maximum of 10 years. As leasehold improvements before 2003 were not capitalised under the 2004 policies, the IFRS opening balance sheet has been restated accordingly.



### Effect of IFRS on the 2004 profit and loss account

The implementation of IFRS will entail a number of changes in the presentation of the profit and loss account. Core earnings and earnings from investment portfolios will no longer be

presented. Earnings from investment portfolios will be recognised under “Net trading income”. Costs that were associated with earnings from investment portfolios will be recognised under “Operating expenses”.

Effect of IFRS on profit and loss acc.	2004 practice	Change in valuation	Change in presentation	IFRS practice 2004	
DKr m					
Administration margin	2,318	-	-	2,318	Administration margin
Net interest income	972	-19	-	953	Net interest income
Net fee income	125	-	-	125	Net fee income
-	-	-48	484	436	Net trading income
Other income	342	-	-216	126	Other income
<b>Total income</b>	<b>3,757</b>	<b>-67</b>	<b>268</b>	<b>3,958</b>	<b>Total income</b>
Operating expenses	1,272	12	-29	1,255	Operating expenses
Provisions for bad and doubtful debts	7	-25	-	-18	Write-downs relating to credit risk on loans
Earnings fm inv. port.	297	-	-297	-	
<b>Profit before tax</b>	<b>2,775</b>	<b>-54</b>	<b>0</b>	<b>2,721</b>	<b>Profit before tax</b>
Tax	653	2	-	655	Tax
<b>Net profit for the year</b>	<b>2,122</b>	<b>-56</b>	<b>0</b>	<b>2,066</b>	<b>Net prof. for the year</b>

### Effect of IFRS on the 2004 balance sheet

The balance sheet will be presented using an intention-based approach rather than a product-based approach.

The main change in the balance sheet presentation is the introduction of a trading portfolio (under both assets and liabilities). The trading portfolio will consist of the financial assets acquired and liabilities incurred with a view to sale or repurchase within a short period of time. The item will include portfolios of financial assets

or liabilities that are managed together and for which there is a recent actual pattern of short-term profit-taking. All derivatives are included in the trading portfolio.

In addition, a new item called “Investment securities” is included. It will consist mainly of that part of the Group’s securities holdings that is not carried under “Trading portfolio assets”. These securities will continue to be carried at fair value.



# IFRS at Realkredit Danmark

Effect of IFRS on balance sheet	2004		Change in presentation	IFRS practice	
	practice Dec. 31, 04	Change in valuation			
DKr m					
Mortgage lending	516,600	7,828	-	524,428	Mortgage lending
Bonds and shares	170,361	-134,470	-8,775	27,116	Trading portfolio, assets
-	-	-	8,775	8,775	Investment securities
Other assets	20,927	-4,698	-15	16,214	Other assets
<b>Total assets</b>	<b>707,888</b>	<b>-131,340</b>	<b>-15</b>	<b>576,533</b>	<b>Total assets</b>
Issued bonds	656,415	-126,763	1,749	531,401	Issued bonds
Other liabilities	22,998	-4,777	-3,264	14,957	Other liabilities
Allocation to reserves subj. to a reimb. obl.	616	-83	-	533	Allocation to reserves subj. to a reimb. obl.
Shareholders' equity	27,859	283	1,500	29,642	Shareholders' equity
<b>Total liab. and equity</b>	<b>707,888</b>	<b>-131,340</b>	<b>-15</b>	<b>576,533</b>	<b>Total liab. and equity</b>

Effect of IFRS on total assets and weighted items	Total assets	Total weighted items
	Dec. 31, 2004	Dec. 31, 2004
DKr m		
Total assets - 2004 practice	707,888	276,388
Elimination of own bonds	-134,470	-
Elimination of interest receivable on own bonds	-4,800	-
Mortgage loan portfolio at fair value	7,828	4,047
Pension fund	177	177
Other IFRS changes	-90	144
<b>Total assets - IFRS</b>	<b>576,533</b>	<b>280,756</b>

## Effect of IFRS on core capital, capital base and solvency ratio

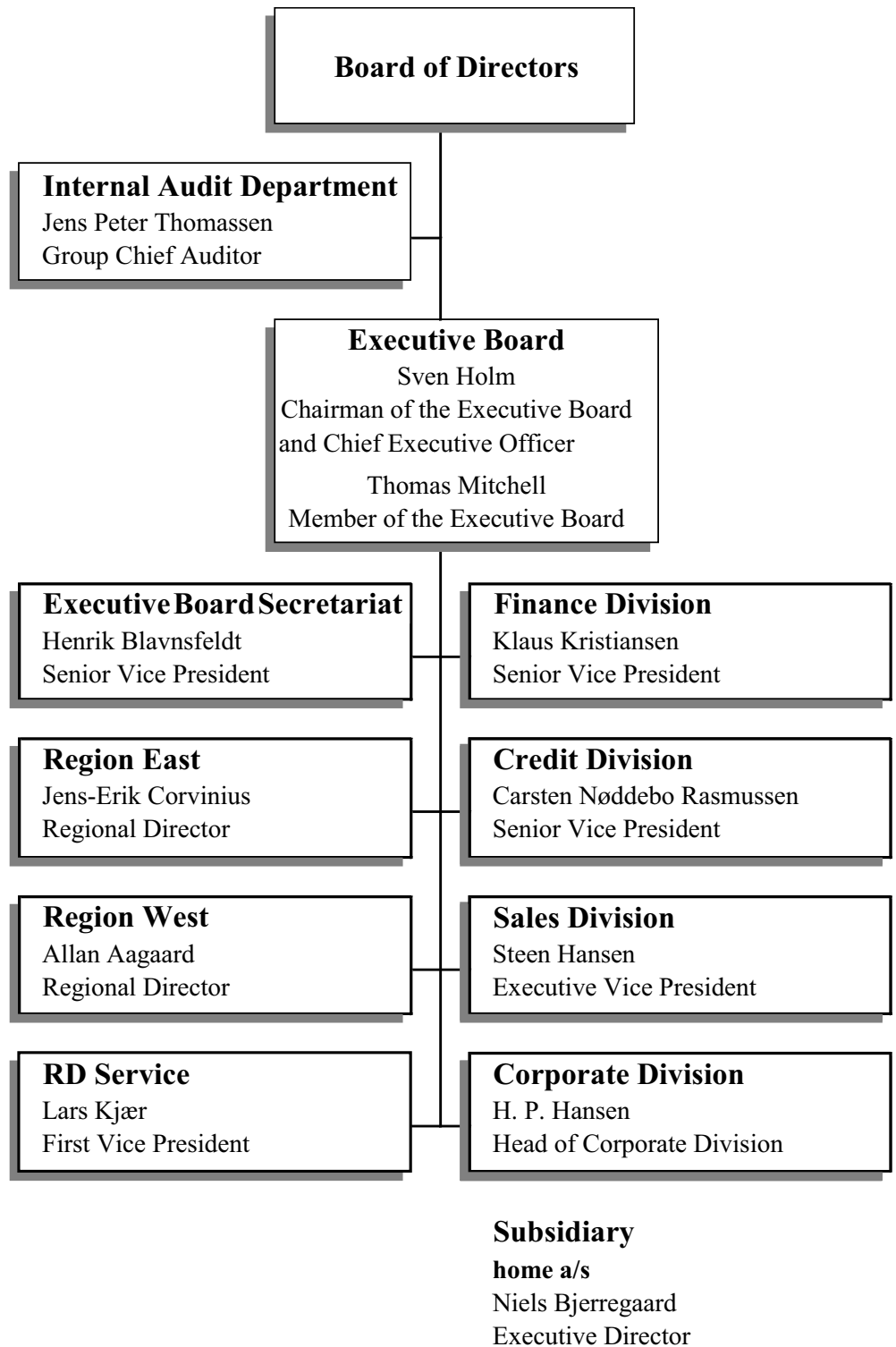
The capital adequacy rules of the Danish Financial Supervisory Authority were changed with effect from the accounting year beginning on January 1, 2005, in part as a result of IFRS.

Consequently, holdings of own bonds will be treated in accordance with the 2004 capital ade-

quacy rules despite the change in accounting rules. The net profit for the year after deduction of dividend will continue to be included in core capital at the time when the Board of Directors approves the annual accounts. Other changes to accounting valuations will affect the calculation of capital adequacy as well.

Effect of IFRS on core (tier 1) capital, etc. at Dec. 31, 2004	2004 practice	Future practice
DKr m		
Shareholders' equity	27,859	29,642
Expected dividend	-	-1,500
Capitalised tax assets	-175	-121
<b>Core (tier 1) capital, less statutory deductions</b>	<b>27,684</b>	<b>28,021</b>
Reserves in series subject to a reimbursement obligation	187	187
Supplementary capital, less statutory deductions	187	187
<b>Core (tier 1) capital, less statutory deductions</b>	<b>27,871</b>	<b>28,208</b>
Core (tier 1) capital ratio	10.02	9.98
<b>Solvency ratio</b>	<b>10.08</b>	<b>10.05</b>

# Organisation chart





# Directorships

Under section 80(6) of the Danish Financial Business Act (consolidated act No. 686 of June 25, 2004), financial institutions are required to publish information at least once a year about directorships held with the approval of the Board of Directors by persons employed by the Board (section 80(1)).

These pages also list directorships outside the Realkredit Danmark Group.

## Board of Directors

### **Jakob Brogaard**, Chairman

Deputy Chairman of the Executive Board of Danske Bank A/S  
Born on June 30, 1947  
Director of  
GrønlandsBANKEN, Aktieselskab (Chairman)  
HandelsFinans A/S (Chairman)  
Nordania Finans A/S (Chairman)  
DDB Invest AB (Deputy Chairman)  
LR Realkredit A/S (Deputy Chairman)  
Forsikringselskabet Danica,  
Skadeforsikringsaktieselskab af 1999  
Danica Pension, Livsforsikringselskab  
Danica Pension I, Livsforsikringselskab  
Danica Liv III, Livsforsikringselskab

### **Sven Lystbæk**, Deputy Chairman

Member of the Executive Committee of Danske Bank A/S  
Born on September 26, 1951  
Director of  
VP Securities Services A/S (Chairman)  
Danske Bank International S.A. (Chairman)  
Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999 (Deputy Chairman)  
Danica Pension, Livsforsikringsaktieselskab (Deputy Chairman)  
Danica Pension I, Livsforsikringselskab (Deputy Chairman)  
Danica Liv III, Livsforsikringsaktieselskab (Deputy Chairman)  
PBS A/S (Deputy Chairman)  
PBS Holding A/S (Deputy Chairman)  
PBS International A/S (Deputy Chairman)  
PBS International Holding A/S (Deputy Chairman)  
Multidata A/S (Deputy Chairman)  
Multidata Holding A/S (Deputy Chairman)  
Ejendomsselskabet Lautrupbjerg A/S  
Fokus Bank ASA

### **Tonny Thierry Andersen**

Chief Financial Officer of Danske Bank A/S  
Born on September 30, 1964  
Director of  
Danske Private Equity A/S  
Nordania Finans A/S  
Danske Bank International S.A.  
Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999  
Danica Pension, Livsforsikringsaktieselskab  
Danica Pension I, Livsforsikringsaktieselskab  
Danica Liv III, Livsforsikringsaktieselskab

### **Søren Hermansen** (elected by the employees)

Senior Sales Manager, Realkredit Danmark A/S  
Born on May 25, 1956

### **Jørgen Raaschou** (elected by the employees)

Credit Analyst, Realkredit Danmark A/S  
Born on October 9, 1949

### **Per Skovhus**

Member of the Executive Committee of Danske Bank A/S  
Born on September 17, 1959  
Director of  
Fokus Bank ASA (Deputy Chairman)  
Danmarks Skibskreditfond

With effect from March 22, 2004, Jørgen Lund, Alderman, resigned from the Board of Directors.

With effect from March 22, 2004, Bent Maribo, Farmer, resigned from the Board of Directors.

With effect from March 22, 2004, Jørgen Mejlgård, General Manager, resigned from the Board of Directors.

With effect from March 22, 2004, Peder J. Pedersen, Professor of Economics, Ph.D., M.A. (Econ) resigned from the Board of Directors.

With effect from March 22, 2004, Klaus Pedersen, Corporate Adviser, resigned from the Board of Directors.



## **Executive Board**

### **Sven Holm**

Chairman of the Executive Board and  
Chief Executive Officer  
Born on July 4, 1946  
Joined the Executive Board on April 1, 1997  
Director of  
home a/s (Chairman)  
Realkreditnettet Holding A/S (Deputy Chairman)  
Realkreditnettet A/S (Deputy Chairman)  
The Association of Danish Mortgage Banks

### **Thomas Mitchell**

Member of the Executive Board  
Born on December 1, 1962  
Joined the Executive Board on January 1, 2003  
Director of  
home a/s (Deputy Chairman)  
The Association of Danish Mortgage Banks  
Member of the Danish Securities Council

This Annual Report is available at  
[www.rd.dk](http://www.rd.dk)

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