

Quarterly Report – First quarter of 2005

Stock Exchange Announcement No. 8/2005
May 3, 2005

REALKREDIT
Danmark

Realkredit Danmark Group - financial highlights

NET PROFIT FOR THE PERIOD	Q1	Q1	Index	Full year
DKr m	2005	2004	05/04	2004
Administration margin	597	571	105	2,318
Net interest income	281	230	122	953
Net fee and commission income	38	33	115	125
Net trading income	141	163	87	436
Other income	50	38	132	126
Total income	1,107	1,035	107	3,958
Operating expenses	306	334	92	1,255
Profit before credit loss expenses	801	701	114	2,703
Credit loss expenses	-49	5	-	-18
Profit before tax	850	696	122	2,721
Tax	239	182	131	655
Net profit for the period	611	514	119	2,066

BALANCE SHEET

DKr m				
Mortgage loans	531,206	512,016	104	524,428
Trading portfolio assets	2,966	343	865	27,116
Investment securities	8,770	13,549	65	8,775
Other assets	38,479	25,525	151	16,214
Total assets	581,421	551,433	105	576,533
Issued mortgage bonds	545,749	516,346	106	531,401
Other liabilities	6,397	6,441	99	14,957
Allocation to reserves subj. to a reimbursement obligation	522	556	94	533
Shareholders' equity	28,753	28,090	102	29,642
Total liabilities and equity	581,421	551,433	105	576,533

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of avg. shareh. equity	8.4	7.4		7.2
Cost/income ratio, %	27.6	32.3		31.7
Solvency ratio (excl. of net profit for the period), %	9.8	10.3		10.1
Core (tier 1) cap. ratio (excl. of net profit for the period), %	9.7	10.2		10.0
Full-time-equivalent staff, end of period	741	973		771

This Quarterly Report is a translation of the original report in the Danish language (Kvartalsrapport - 1. kvartal 2005).

In case of discrepancies, the Danish report prevails.

MANAGEMENT'S REPORT

- The Realkredit Danmark Group recorded a pre-tax profit of DKr850m for the first quarter of 2005, against DKr696m for the first quarter of 2004.
- Income totalled DKr1,107m, against DKr1,035m in the first quarter of 2004.
- Gross lending totalled DKr50bn for the first quarter of 2005, against DKr44bn for the fourth quarter of 2004.
- The Group's market share of gross lending was 26.6% for the first quarter of 2005, against 34.9% for the fourth quarter of 2004. The market share of the loan portfolio was 33.8% at the end of the first quarter, against 34.2% at the end of 2004.
- FlexGaranti[®] loans accounted for DKr24bn of the loan portfolio at the end of the first quarter of 2005, against DKr12bn at the beginning of the year.
- On March 31, 2005, the solvency ratio was 9.8%, against the statutory minimum requirement of 8.0%.

Results for the first quarter of 2005

The pre-tax profit was DKr850m for the first quarter of 2005, against DKr696m the year before. This matches the expectations announced in the Annual Report for 2004.

At DKr597m, the administration margin was up by DKr26m on the first quarter of 2004 as a result of an increasing loan portfolio. Net interest income was affected by stronger activity and increased to DKr281m in the first quarter of 2005 from DKr230m last year. Net trading income could not match the high level recorded in 2004 and fell by 13%.

Operating expenses of DKr306m were 8% lower than in the first quarter of 2004, particularly because of lower expenses for the development of IT systems.

In the first quarter of 2005, credit loss expenses amounted to an income of DKr49m, against an expense of DKr5m in the first quarter of 2004. The income in 2005 is explained by the fact that certain write-downs were reversed without losses, partly because loans in arrears were at a very low level.

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 2005 is expected to be 28%.

Capital and solvency

At the end of the first quarter of 2005, shareholders' equity was DKr28,753m, against DKr29,642m at the beginning of the year. The trend is explained by the payment of dividends for 2004 of DKr1,500m and profit for the period of DKr611m.

At March 31, 2005, the solvency ratio (exclusive of the profit for the period) was 9.8% and the core (tier 1) capital ratio was 9.7%. The solvency ratio thus exceeded the statutory minimum solvency requirement of 8% by DKr5,176m.

Balance sheet

In the first quarter of 2005, mortgage loans rose by DKr7bn to DKr531bn, representing outstanding nominal mortgage debt, value adjustments and the allowance account. In the first quarter, outstanding nominal mortgage debt increased by DKr5bn.

Realkredit Danmark funds its loans to borrowers by issuing mortgage bonds listed on the Copenhagen Stock Exchange. At the end of the first quarter of 2005, Realkredit Danmark had issued mortgage bonds for a total market value of Dkr546bn. In terms of nominal value, issued bonds totalled Dkr536bn, against Dkr507bn at the end of the first quarter of 2004. The amounts are exclusive of holdings of own mortgage bonds.

Mortgage credit market

Gross lending on the Danish mortgage credit market totalled Dkr187bn in the first quarter of 2005, against Dkr111bn in the first quarter of 2004. The persistently high activity on the mortgage credit market in the first quarter of 2005 is explained by the introduction in November 2004 of FlexGaranti® and similar products from other mortgage credit institutions at a low rate of interest and with a built-in interest-rate cap. The historically low interest rates also prompted many customers to refinance their fixed-rate 5% loans. A very large portion of the new loans was taken out with an interest-rate cap or as fixed-rate loans, while gross lending reflected a sharp fall in FlexLån® and other interest-reset loans.

At the end of the first quarter of 2005, the rate of interest on a 30-year fixed-rate loan stood at 5.0%, and the rate of interest on FlexLån® with full annual interest reset was 2.4%. At the beginning of the year, these rates were 5.1% and 2.5%, respectively.

At the end of March 2005, the interest rate on FlexGaranti® applicable for the coming six months fell to 2.7%.

Competition

Realkredit Danmark holds more than a third of the loan portfolio on the mortgage credit market. The trend in Realkredit Danmark's market share should be seen in light of the introduction of loans with an interest-rate cap. Realkredit Danmark was the first mortgage credit institution to launch this new loan type, which triggered an increase in market share in the fourth quarter of 2004. Realkredit Danmark's market share fell correspondingly in the first quarter of 2005 when competitors – following their development of similar loan types – experienced a large increase in gross lending to customers who had been waiting for the introduction of this new product.

Quarter-on-quarter movements were as follows:

MARKET SHARE, ALL MARKETS %	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Gross lending	26.6	34.9	31.6	29.8	31.3
Loan portfolio	33.8	34.2	34.0	34.3	34.7

FlexGaranti®, launched by Realkredit Danmark in November 2004, contributed 23% to gross lending in the first quarter of 2005. At the end of the quarter, FlexGaranti® accounted for Dkr24bn of the loan portfolio, against Dkr12bn at the beginning of the year.

FlexLån® accounted for 35% of gross lending in the first quarter of 2005, against 60% for 2004 as a whole.

In April 2005, Realkredit Danmark increased its product range with FlexGaranti® with an interest-rate cap of 5% and a term of up to 30 years. The only cap option available previously was 6%. At the same time customers were given a FlexGaranti® option in which the applicable interest rate also follows interest rates down, even after the loan has reached the cap.

Accounting policies

The report for the first quarter of 2005 has been prepared in compliance with IAS 34, "Interim Financial Reporting" supplemented by the Copenhagen Stock Exchange guidelines for issuers of listed bonds. The

application of IAS 34 means that the disclosure of figures is less detailed than the disclosure in a full annual report and that the valuation principles laid down by the International Financial Reporting Standards (IFRS) are applied.

The Group has decided to present its accounts in accordance with the IFRS with effect from January 1, 2005, and to restate comparative figures for 2004.

As described in the Annual Report for 2004, the Group deviates from the IAS 39, "Financial Instruments", approved by the EU and recognises issued mortgage bonds and related mortgage loans at fair value. IAS 39 allows this method of recognition.

The effect on 2004 figures of the transition to IFRS was presented in the Annual Report for 2004. Page 10 of this quarterly report shows the effect of the transition to IFRS on the profit for the four quarters of 2004 and on shareholders' equity.

Outlook for 2005

The outlook for 2005 is unchanged compared with the statements made in the Annual Report for 2004.

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 and commission 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, credit loss expenses are expected to remain at a low level.

Moreover, the pre-tax profit for 2005 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.

Copenhagen, May 3, 2005

Quarterly net profit

NET PROFIT FOR THE PERIOD	Q1	Q4	Q3	Q2	Q1
DKr m	2005	2004	2004	2004	2004
Administration margin	597	587	582	578	571
Net interest income	281	244	256	223	230
Net fee and commission income	38	51	7	34	33
Net trading income	141	135	136	2	163
Other income	50	13	34	41	38
Total income	1,107	1,030	1,015	878	1,035
Operating expenses	306	344	277	300	334
Profit before credit loss expenses	801	686	738	578	701
Credit loss expenses	-49	-2	-13	-8	5
Profit before tax	850	688	751	586	696
Tax	239	130	195	148	182
Net profit for the period	611	558	556	438	514

BALANCE SHEET

DKr m

Mortgage loans	531,206	524,428	515,900	509,427	512,016
Trading portfolio assets	2,966	27,116	6,687	4,074	343
Investment securities	8,770	8,775	13,414	13,363	13,549
Other assets	38,479	16,214	20,678	33,255	25,525
Total assets	581,421	576,533	556,679	560,119	551,433
Issued mortgage bonds	545,749	531,401	516,907	519,036	516,346
Other liabilities	6,397	14,957	10,158	12,020	6,441
Allocation to reserves subject to a reimbursement obligation	522	533	530	535	556
Shareholders' equity	28,753	29,642	29,084	28,528	28,090
Total liabilities and equity	581,421	576,533	556,679	560,119	551,433

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of avg. shareholders' equity	8.4	7.6	7.7	6.2	7.4
Cost/income ratio, %	27.6	33.4	27.3	34.2	32.3
Solvency ratio (excl. of net profit for the period), % *	9.8	10.1	10.1	10.2	10.3
Core (tier 1) capital ratio (excl. of net profit for the period), % *	9.7	10.0	10.1	10.1	10.2
Full-time-equivalent staff, end of period	741	771	985	972	973

* Fourth quarter comprises the net profit for the year.

Capital

DKr m	Share capital	Other reserves	Proposed dividend	Total
Shareholders' equity at January 1, 2005	625	27,517	1,500	29,642
Dividend paid	-	-	-1,500	-1,500
Net profit for the period	-	611	-	611
Shareholders' equity at March 31, 2005	625	28,128	-	28,753
Shareholders' equity at January 1, 2004	625	26,951	-	27,576
Net profit for the period	-	514	-	514
Shareholders' equity at March 31, 2004	625	27,465	-	28,090

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

Solvency

CORE CAPITAL, CAPITAL BASE AND SOLVENCY RATIO			
DKr m	March 31 2005	March 31 2004	December 31 2004
Core capital	28,162	27,237	27,859
Statutory deductions	121	175	175
Core (tier 1) capital, less statutory deductions	28,041	27,062	27,684
Reserves in series subject to a reimbursement obligation	186	218	187
Revaluation reserve	18	-	-
Supplementary capital, less statutory deductions	204	218	187
Capital base	28,245	27,280	27,871
Total weighted items	288,368	264,223	276,388
Core (tier 1) capital ratio, %	9.72	10.24	10.02
Solvency ratio, %	9.79	10.32	10.08
Statutory solvency requirement	8.00	8.00	8.00

Solvency and core (tier 1) capital ratios are calculated according to the provisions applicable to the accounting periods in question.

Cash flow statement

DKr m	Q1 2005	Q1 2004
Cash flow from operating activities		
Net profit for the period	611	514
Adjustment for non-cash items in the income statement	-8,319	-6,140
Increase (-)/decrease in mortgage loans	-5,024	-5,047
Increase/decrease (-) in issued mortgage bonds	13,193	-8,144
Other operating capital	23,481	26,263
Total	23,942	7,446
Cash flow from investing activities		
Disposal of companies	258	-
Tangible fixed assets	-1	-1
Total	257	-1
Cash flow from financing activities		
Dividend paid	-1,500	-
Total	-1,500	-
Total increase/decrease (-) in cash and cash equivalents	22,699	7,445
Cash and cash equivalents at January 1	12,811	14,854
Cash and cash equivalents at March 31	35,510	22,299
Specification of cash and cash equivalents at January 1:		
Cash in hand and demand deposits with central banks	3	13
Due from credit institutions and deposits with central banks	12,808	14,841
Total cash and cash equivalents at January 1	12,811	14,854
Specification of cash and cash equivalents at March 31:		
Cash in hand and demand deposits with central banks	6	158
Due from credit institutions and deposits with central banks	35,504	22,141
Total cash and cash equivalents at March 31	35,510	22,299

Segment reporting

Q1 2005	Mortgage	Own	
DKr m	finance	holdings	Total
Administration margin	597	-	597
Net interest income	281	-	281
Net fee and commission income	38	-	38
Net trading income	40	101	141
Other income	50	-	50
Total income	1,006	101	1,107
Operating expenses	305	1	306
Profit before credit loss expenses	701	100	801
Credit loss expenses	-49	-	-49
Profit before tax	750	100	850

Q1 2004	Mortgage	Own	
DKr m	finance	holdings	Total
Administration margin	571	-	571
Net interest income	230	-	230
Net fee and commission income	33	-	33
Net trading income	35	128	163
Other income	38	-	38
Total income	907	128	1,035
Operating expenses	333	1	334
Profit before credit loss expenses	574	127	701
Credit loss expenses	5	-	5
Profit before tax	569	127	696

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 report for the first quarter of 2005, profit before tax for the business area Mortgage Finance is stated at DKr682m, compared with DKr750m 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 profit before tax of DKr68m for the mortgage finance areas of Danske Bank and Realkredit Danmark, respectively, is due mainly to the fact that the calculated basis for return on capital for Danske Bank's business area is lower than Realkredit Danmark's shareholders' equity.

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 Pensionsafvklingskasse.

Realkredit Danmark is jointly and severally liable for the corporation tax of the jointly taxed companies in the Danske Bank Group. 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.

Effect of transition to IFRS

EFFECT ON THE NET PROFIT	Q4	Q3	Q2	Q1	Full year
DKr m	2004	2004	2004	2004	2004
2004 practice	624	540	431	527	2,122
Pension fund	-9	-3	-	-3	-15
Allocation to reserves subject to a reimbursement obligation	-52	-1	-8	-2	-63
Impairment write-downs of loans	6	13	9	-3	25
Staff commitments	-3	13	7	-8	9
Leasehold improvements	-2	-1	-1	-2	-6
Other effects	-8	1	2	1	-4
Current tax	-2	-6	-2	4	-6
Deferred tax	4	-	-	-	4
Total effect	-66	16	7	-13	-56
Net profit for the period	558	556	438	514	2,066

EFFECT ON SHAREHOLDERS' EQUITY	Dec. 31	Sept. 30	June 30	March 31	Jan. 1
DKr m	2004	2004	2004	2004	2004
2004 practice	27,859	28,735	28,195	27,764	27,237
Change in presentation of dividend	1,500	-	-	-	-
Adjusted 2004 practice	29,359	28,735	28,195	27,764	27,237
Pension fund	177	186	189	189	192
Allocation to reserves subject to a reimbursement obligation	91	143	144	152	154
Impairment write-downs of loans	121	115	102	93	96
Staff commitments	-20	-17	-30	-37	-29
Leasehold improvements	7	9	10	11	13
Portion of increase in shareholders' equity allocated to reserves subj. to a reimbursem. oblig.	-8	-8	-8	-8	-8
Other effects	-4	4	3	1	-
Current tax	-27	-25	-19	-17	-21
Deferred tax	-54	-58	-58	-58	-58
Total effect on valuation	283	349	333	326	339
Shareholders' equity	29,642	29,084	28,528	28,090	27,576

Financial calendar

Realkredit Danmark has planned the announcement of financial reports for 2005 to take place on the following dates:

Half-year report: August 11
Nine-month report: November 1

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