

Quarterly Report – First nine months of 2005

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REALKREDIT
Danmark

Highlights - Realkredit Danmark Group

NET PROFIT FOR THE PERIOD	Q1-Q3	Q1-Q3	Index	Full year
DKr m	2005	2004	05/04	2004
Administration margin	1,831	1,731	106	2,318
Net interest income	876	709	124	953
Net fee income	71	74	96	125
Net trading income	356	301	118	436
Other income	192	113	170	126
Total income	3,326	2,928	114	3,958
Operating expenses	918	911	101	1,255
Profit before credit loss expenses	2,408	2,017	119	2,703
Credit loss expenses	-94	-16	-	-18
Profit before tax	2,502	2,033	123	2,721
Tax	647	525	123	655
Net profit for the period	1,855	1,508	123	2,066

BALANCE SHEET

DKr m				
Due from credit institutions, etc.	36,506	17,545	208	12,886
Mortgage loans	557,717	515,900	108	524,428
Bonds and shares	9,641	20,101	48	35,891
Other assets	3,258	3,133	104	3,328
Total assets	607,122	556,679	109	576,533
Due to credit institutions, etc.	2,114	15	14,093	2,068
Issued mortgage bonds	563,401	516,907	109	531,401
Other liabilities	11,126	10,143	110	12,889
Allocation to reserves subj. to a reimbursement oblig.	484	530	91	533
Shareholders' equity	29,997	29,084	103	29,642
Total liabilities and equity	607,122	556,679	109	576,533

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of avg. shareh. equity	8.3	7.1		7.2
Cost/income ratio, %	27.6	31.1		31.7
Solvency ratio (excl. of net profit for the period), %	9.4	10.1		10.1
Core (tier 1) cap. ratio (excl. of net profit for the per.), %	9.3	10.1		10.0
Full-time-equivalent staff, end of period	761	985		771

This Quarterly Report – First nine months of 2005 is a translation of the original report in the Danish language (Kvartalsrapport – 1.-3. kvartal 2005). In case of discrepancies, the Danish report prevails.

REVIEW

- The Realkredit Danmark Group recorded a pre-tax profit of Dkr2,502m for the first nine months of 2005, against Dkr2,033m for the same period in 2004.
- Income totalled Dkr3,326m, against Dkr2,928m for the first nine months of 2004.
- The market share of gross lending fell from 29.2% in the second quarter of 2005 to 28.3% in the third quarter. The market share of the loan portfolio was 33.3% at the end of the third quarter of 2005, against 34.2% at the end of 2004.
- At September 30, 2005, the solvency ratio was 9.4%.
- The estimated full-year profit before tax has been revised upwards to around 15% higher than in 2004.

Results for the first nine months of 2005

The pre-tax profit was Dkr2,502m for the first nine months of 2005, against Dkr2,033m for the same period the year before. The development in results was better than expected at the release of the Interim Report for the first half of 2005, and the pre-tax profit for the whole of 2005 is expected to be around 15% higher than the pre-tax profit for 2004.

At Dkr1,831m, the administration margin was up Dkr100m on the year-earlier period as a result of an increasing loan portfolio. Net interest income was affected by stronger activity, triggered partly by the fall in interest rates in 2005, and compared with the first nine months of 2004, it increased by 24% to Dkr876m. Net trading income rose to Dkr356m this year, against Dkr301m in the first nine months of 2004. Net trading income consists of market value adjustments and the yield on the proprietary investment portfolio after deduction of funding costs – calculated on the basis of short-term money market rates. Other income climbed to Dkr192m, against Dkr113m for the first nine months of 2004. The increase was mainly attributable to value adjustment of investment property sold in October 2005.

Operating expenses stood at Dkr918m, which was unchanged.

In the first nine months of 2005, credit loss expenses represented an income of Dkr94m, against Dkr16m in the same period the year before. The income in 2005 is explained by the fact that certain impairment write-downs were reversed without losses. The positive trend was owing to favourable economic conditions.

Capital and solvency

At September 30, 2005, shareholders' equity stood at Dkr29,997m, against Dkr29,642m at the beginning of the year. The trend is explained by the payment of dividend for 2004 of Dkr1,500m and a net profit for the period of Dkr1,855m.

The solvency ratio (excluding the net profit for the period) was 9.4% at September 30, 2005, and the core (tier 1) capital ratio was 9.3%.

Balance sheet

In the first nine months of 2005, mortgage lending rose by Dkr33bn to Dkr558bn, representing outstanding nominal bond debt, value adjustments and impairment write-downs. The outstanding nominal bond debt increased by Dkr29bn.

Realkredit Danmark funds its loans to borrowers by issuing mortgage bonds listed on the Copenhagen Stock Exchange. At the end of the third quarter of 2005, Realkredit Danmark had issued mortgage bonds for a total market value of DKr563bn. In terms of nominal value, issued bonds totalled DKr552bn, against DKr523bn at the end of 2004. The amounts are exclusive of holdings of own mortgage bonds.

Mortgage credit market

In the first nine months of 2005, gross lending on the Danish mortgage credit market was up 80% on the first nine months of 2004 and totalled DKr561bn. The very strong activity on the mortgage credit market was explained by extremely low interest rates resulting in extensive interest-rate-driven refinancing. The change of maturity groups on September 1, 2005, also contributed to speeding up borrowing activity in the third quarter (new maturity groups are opened every three years). Realkredit Danmark's introduction in November 2004 of FlexGaranti[®] followed by similar products from its competitors also generated activity, particularly in the first half of the year.

In 2005, interest rates have fallen on 30-year fixed-rate loans and FlexLån[®]. At the end of the first nine months, the rate of interest on a 4% 30-year fixed-rate loan stood at 4.3%, and the interest rate on FlexLån[®] with full annual interest reset was 2.3%. At the beginning of the year, these rates were 4.6% and 2.5%, respectively.

Competition

Realkredit Danmark's market share of gross lending was 28.3% in the third quarter (see the table below). The market share in the fourth quarter of 2004 and the first quarter of 2005 should be seen in light of the introduction of FlexGaranti[®]. Realkredit Danmark was first on the market and increased its market share in the fourth quarter of 2004. Its market share fell correspondingly in the first quarter of 2005, when competitors – following their introduction of similar products – experienced a large increase in gross lending to their customers.

Quarter-on-quarter movements were as follows:

MARKET SHARE, ALL MARKETS %	Q3 2005	Q2 2005	Q1 2004	Q4 2004	Q3 2004
Gross lending	28.3	29.2	26.6	34.9	31.6
Loan portfolio	33.3	33.4	33.8	34.2	34.0

FlexLån[®] accounted for 29% of gross lending in the first nine months of 2005, against 60% for 2004 as a whole. To some extent, the flagging demand for FlexLån[®] can be explained by lower interest rates on fixed-rate loans. These accounted for 53% of total gross lending in the first nine months of 2005, against 31% for 2004 as a whole.

The FlexGaranti[®] loan type launched in November 2004 accounted for 18% of gross lending in the first nine months of 2005, and at the end of the third quarter, FlexGaranti[®] represented a DKr40bn portion of the loan portfolio, against DKr12bn at the beginning of the year.

Since the beginning of October 2005, Realkredit Danmark has been able to offer its Danish customers financing of commercial property in Sweden. Loans are offered in Danish kroner as well as in euros and are financed by issuing bonds in already existing bond series.

Accounting policies

This report for the first nine months of 2005 has been prepared in compliance with IAS 34 *Interim Financial Reporting* and the rules on interim financial reporting issued by the Copenhagen Stock Exchange. The application of IAS 34 means that the disclosure is less detailed than in a full annual report and that the valuation principles laid down by the International Financial Reporting Standards (IFRS) are applied.

The Group made the transition to IFRS with effect from January 1, 2005, and has restated comparative figures for 2004.

As explained in the Annual Report for 2004, the Group has chosen a deviation from IAS 39 *Financial Instruments* approved by the EU inasmuch as it recognises issued mortgage bonds and related mortgage loans at fair value. The updated fair value option of IAS 39, which is expected to be approved by the EU by the end of the year, allows this method of recognition.

The effect of the Group's transition to IFRS was presented in the Annual Report for 2004. The effect of the transition to IFRS on the quarterly results as well as shareholders' equity in 2004 is shown on page 13 of this report.

Outlook for 2005

The Group's pre-tax profit for 2005 is now expected to be higher than predicted at the publication of the Interim Report for the first half of 2005.

In view of the very high level of activity in the Danish mortgage credit market in the first nine months of 2005 and the continuation of strong demand for mortgage loans, Realkredit Danmark now expects gross lending in 2005 to be somewhat higher than in 2004. In the fourth quarter of 2005, however, activity is not expected to reach the same high level as in the first nine months of the year.

The increase in the volume of lending will boost the administration margin in 2005. Net interest income is expected to be larger than in 2004 because of the higher activity level. Net trading income will depend largely on the level of securities prices at the end of the year.

Operating expenses are expected to be kept at an unchanged level.

Provided that the economic climate remains unchanged, credit loss expenses are expected to remain low.

Against this background, the pre-tax profit for 2005 is now expected to be around 15% higher than in 2004. However, the result will continue to depend largely on trends in the financial markets.

The Group's tax is expected to be 27% of profit before tax.

Copenhagen, November 1, 2005

Quarterly results - Realkredit Danmark Group

NET PROFIT FOR THE PERIOD	Q3	Q2	Q1	Q4	Q3
DKr m	2005	2005	2005	2004	2004
Administration margin	625	609	597	587	582
Net interest income	296	299	281	244	256
Net fee income	2	31	38	51	7
Net trading income	37	178	141	135	136
Other income	120	22	50	13	34
Total income	1,080	1,139	1,107	1,030	1,015
Operating expenses	291	321	306	344	277
Profit before credit loss expenses	789	818	801	686	738
Credit loss expenses	-18	-27	-49	-2	-13
Profit before tax	807	845	850	688	751
Tax	207	201	239	130	195
Net profit for the period	600	644	611	558	556

BALANCE SHEET

DKr m

Due from credit institutions, etc.	36,506	41,787	35,511	12,886	17,545
Mortgage loans	557,717	545,801	531,206	524,428	515,900
Bonds and shares	9,641	10,300	11,736	35,891	20,101
Other assets	3,258	3,189	2,968	3,328	3,133
Total assets	607,122	601,077	581,421	576,533	556,679
Due to credit institutions, etc.	2,114	2,722	-	2,068	15
Issued mortgage bonds	563,401	558,836	545,749	531,401	516,907
Other liabilities	11,126	9,630	6,397	12,889	10,143
Allocation to reserves subject to a reimbursement obligation	484	492	522	533	530
Shareholders' equity	29,997	29,397	28,753	29,642	29,084
Total liabilities and equity	607,122	601,077	581,421	576,533	556,679

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of avg. shareholders' equity	8.1	8.9	8.4	7.6	7.7
Cost/income ratio, %	26.9	28.2	27.6	33.4	27.3
Solvency ratio (excl. of net profit for the period), %*	9.4	9.5	9.8	10.1	10.1
Core (tier 1) capital ratio (excl. of net profit for the period), %*	9.3	9.4	9.7	10.0	10.1
Full-time-equivalent staff, end of period	761	741	741	771	985

* Q4 2004 figure includes the profit for the year.

Segment reporting - Realkredit Danmark Group

Q1-Q3 2005	Mortgage	Own		Reclassi-	
DKr m	finance	holdings	Highlights	fication	Total*
Administration margin	1,831	-	1,831	-	1,831
Net interest income	876	-	876	405	1,281
Dividend from shares	-	-	-	10	10
Net fee income	71	-	71	-	71
Net trading income	149	207	356	-356	-
Securities and foreign exchange income	-	-	-	-43	-43
Other income	192	-	192	-39	153
Total income	3,119	207	3,326	-23	3,303
Operating expenses	915	3	918	-	918
Profit before credit loss expenses	2,204	204	2,408	-23	2,385
Credit loss expenses	-94	-	-94	-	-94
Income from associated and subsidiary undertakings	-	-	-	23	23
Profit before tax	2,298	204	2,502	-	2,502
Q1-Q3 2004	Mortgage	Own		Reclassi-	
DKr m	finance	holdings	Highlights	fication	Total*
Administration margin	1,731	-	1,731	-	1,731
Net interest income	709	-	709	535	1,244
Dividend from shares	-	-	-	14	14
Net fee income	74	-	74	108	182
Net trading income	132	169	301	-301	-
Securities and foreign exchange income	-	-	-	-251	-251
Other income	113	-	113	-	113
Total income	2,759	169	2,928	105	3,033
Operating expenses	908	3	911	108	1,019
Profit before credit loss expenses	1,851	166	2,017	-3	2,014
Credit loss expenses	-16	-	-16	-	-16
Income from associated and subsidiary undertakings	-	-	-	3	3
Profit before tax	1,867	166	2,033	-	2,033

* Official IFRS format (summarised)

In addition to the mortgage finance business itself, mortgage finance also includes purchases and sales of real property through the "home" franchise.

Own holdings comprise the net return on the part of the securities portfolio not relating to the mortgage finance business.

Income statement - Realkredit Danmark Group

DKr m	Q1-Q3 2005	Q1-Q3 2004
Interest income	19,955	19,933
Interest expense	16,843	16,958
Net interest income	3,112	2,975
Dividend from shares	10	14
Fee and commission income	710	583
Fee and commission expense	639	401
Net fee and commission income	3,193	3,171
Securities and foreign exchange income	-43	-251
Other operating income	153	113
Staff costs and administrative expenses	911	1,010
Amortisation, depreciation and write-downs	7	9
Credit loss expenses	-94	-16
Income from associated and subsidiary undertakings	23	3
Profit before tax	2,502	2,033
Tax	647	525
Net profit for the period	1,855	1,508

Balance sheet - Realkredit Danmark Group

DKr m	September 30 2005	December 31 2004
ASSETS		
Cash in hand and demand deposits with central banks	15	3
Due from credit institutions and deposits with central banks	36,491	12,883
Mortgage loans carried at fair value	557,717	524,428
Loans and other amounts due to Realkredit Danmark carried at amortised cost	287	498
Bonds carried at fair value	9,408	35,470
Shares	207	154
Holdings in associated undertakings	26	267
Total land and buildings	686	653
Investment property	400	366
Domicile property	286	287
Other tangible assets	16	18
Current tax assets	-	22
Deferred tax assets	109	121
Other assets	2,144	1,942
Prepayments	16	74
Total assets	607,122	576,533
LIABILITIES AND EQUITY		
LIABILITIES		
Due to credit institutions and central banks	2,114	2,068
Issued mortgage bonds carried at fair value	563,401	531,401
Current tax liabilities	488	-
Other liabilities	10,597	12,889
Deferred income	41	-
Total liabilities	576,641	546,358
PROVISIONS FOR LIABILITIES		
Reserves in older series subject to a reimbursement obligation	484	533
SHAREHOLDERS' EQUITY		
Share capital	625	625
Other reserves:		
Reserves in series	2,104	2,104
Other reserves	27,268	26,913
Total shareholders' equity	29,997	29,642
Total liabilities and equity	607,122	576,533

Capital - Realkredit Danmark Group

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	-	1,855	-	1,855
Shareholders' equity at September 30, 2005	625	29,372	-	29,997
Shareholders' equity at January 1, 2004	625	26,951	-	27,576
Net profit for the period	-	1,508	-	1,508
Shareholders' equity at September 30, 2004	625	28,459	-	29,084

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

Solvency - Realkredit Danmark Group

CORE CAPITAL, CAPITAL BASE AND SOLVENCY RATIO			
DKr m	September 30 2005	September 30 2004	December 31 2004
Core capital	28,161	27,237	27,859
Statutory deductions	109	166	175
Core (tier 1) capital, less statutory deductions	28,052	27,071	27,684
Reserves in series subject to a reimbursement obligation	187	198	187
Revaluation reserve	18	-	-
Supplementary capital, less statutory deductions	205	198	187
Capital base	28,257	27,269	27,871
Weighted items	300,388	269,291	276,388
Core (tier 1) capital ratio, %	9.34	10.05	10.02
Solvency ratio, %	9.41	10.13	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 - Realkredit Danmark Group

DKr m	Q1-Q3 2005	Q1-Q3 2004
Cash flow from operating activities		
Net profit for the period	1,855	1,508
Adjustment for non-cash items in the income statement	-2,766	-2,172
Increase (-)/decrease in mortgage loans	-29,548	-11,593
Increase/decrease (-) in issued mortgage bonds	28,922	-4,976
Other operating capital	26,424	19,787
Total	24,887	2,554
Cash flow from investing activities		
Disposal of companies	311	-
Property, plant and equipment	-3	-3
Total	308	-3
Cash flow from financing activities		
Dividend paid	-1,500	-
Total	-1,500	-
Total increase/decrease (-) in cash and cash equivalents	23,695	2,551
Cash and cash equivalents at January 1	12,811	14,854
Cash and cash equivalents at September 30	36,506	17,405

Contingent liabilities – Realkredit Danmark Group

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 prior-year corporation tax charges of the companies jointly taxed with Danske Bank A/S before 2005. With effect from 2005, the Realkredit Danmark Group is liable for its own corporation tax only.

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.

The table below shows guarantees and commitments, irrevocable loan commitments regarding reverse mortgages and similar obligations that are not recognised on the balance sheet.

GUARANTEES AND OTHER COMMITMENTS	September 30	September 30	December 31
DKr m	2005	2004	2004
Guarantees, etc.	4	5	4
Other commitments	1,033	1,174	1,164
Total	1,037	1,179	1,168

Effect of transition to IFRS - Realkredit Danmark Group

EFFECT ON NET PROFIT	Q4	Q3	Q2	Q1	Full year
DKr m	2004	2004	2004	2004	2004
2004 format	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
Credit loss expenses	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 format	27,859	28,735	28,195	27,764	27,237
Change in presentation of dividend	1,500	-	-	-	-
Adjusted 2004 format	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
Credit loss expenses	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 plans to release its 2005 announcement of financial results and annual report on February 9, 2006.

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