

Announcement of financial results 2001

REALKREDIT
Danmark

Realkredit Danmark Group

CORE EARNINGS AND NET PROFIT FOR THE YEAR

(DKr m)	2001	Pro forma 2000	Index 01/00
Contribution income	1,973	1,894	104
Net interest income, exclusive of earnings from investment portfolios	1,342	879	153
Fee and commission income, net	132	21	629
Trading income	187	18	1,039
Other core income	165	123	134
Total core income	3,799	2,935	129
Operating expenses and depreciation	1,315	1,310	100
Core earnings before provisions	2,484	1,625	153
Provisions for bad and doubtful debts	-33	-62	53
Core earnings	2,517	1,687	149
Earnings from investment portfolios	146	503	29
Merger costs, etc.	115	112	103
Profit on ordinary operations before tax	2,548	2,078	123
Tax	621	618	100
Net profit for the year	1,927	1,460	132

BALANCE SHEET

(DKr m)			
Assets			
Due from credit institutions, etc.	35,786	10,820	331
Lending	448,547	421,266	106
Bonds and shares, etc.	106,976	77,587	138
Other assets	7,334	2,457	298
Total assets	598,643	512,130	117
Liabilities			
Due to credit institutions, etc.	22,222	6,312	352
Issued bonds	536,352	471,209	114
Other liabilities	16,815	10,280	164
Subordinated debt	-	3,000	-
Shareholders' equity	23,254	21,329	109
Total liabilities	598,643	512,130	117

RATIOS

Net profit for the year as % of average shareholders' equity	8.6	7.1
Core earnings as % of average shareholders' equity	11.3	8.2
Cost/core income ratio, %	34.6	44.6
Solvency ratio, %	10.1	11.2
Core (tier 1) capital ratio, %	9.9	9.7
Number of full-time employees at Dec. 31	933	1,024
Rating of bonds - Moody's	Aaa	Aa3

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. The above amounts for periods before January 1, 2001, are pro forma statements for the merged companies and their subsidiaries. - At January 1, 2001, Realkredit Danmark A/S' subsidiary home a/s merged with Danske Bo A/S, a subsidiary of Danske Bank A/S, with home a/s as the continuing company. Figures for Danske Bo A/S are not included in the above pro forma statement for 2000.

The stated pro forma P/L items for 2000 have been adjusted to the core earnings model applied to date by the parent company, Danske Bank. As of 2001, an adjustment of the calculation and distribution method for core earnings and earnings from investment portfolios has been made, which for 2001 implies a rise in core earnings and a corresponding reduction in earnings from investment portfolios.

Summary of performance in 2001

The performance in 2001 of the Realkredit Danmark Group can be summarised as follows:

- In 2001, the Realkredit Danmark Group's net profit was DKr1,927m, against a pro forma net profit of DKr1,460m in 2000.
- Core earnings rose by DKr830m to DKr2,517m. Core earnings are in line with expectations at the publication of the quarterly report for the first nine months of 2001.
- Mortgage lending showed continued growth and totalled DKr448bn at the end of 2001, against DKr420bn at the end of 2000.
- At December 31, 2001, the solvency ratio of the Realkredit Danmark Group was 10.1% against the statutory minimum solvency requirement of 8.0%.
- Realkredit Danmark's bonds were upgraded by Moody's Investors Service in September 2001 to the highest obtainable rating of Aaa.

Results

The increase in core earnings to DKr2,517m from DKr1,687m in 2000 is attributable to higher contribution income resulting from the growing loan portfolio and higher refinancing activity, notably in the fourth quarter. Moreover, net interest income grew because of the redemption in April 2001 of DKr3bn subordinated debt, which carried interest at 10.2% p.a. Finally, the adjustment of the core earnings model resulted in a rise in core earnings for 2001 and a corresponding reduction in earnings from investment portfolios.

Despite growing activity, operating expenses were kept at the same level as the year before, which contributed to the higher core earnings. Operating expenses, inclusive of depreciation, totalled DKr1,315m in 2001, against DKr1,310m in 2000. As a result of this favourable trend, the cost/core income ratio fell from 44.6% in 2000 to 34.6% in 2001.

Provisions for bad and doubtful debts contributed DKr33m to income, against DKr62m in 2000. In both years, the income was a result of recovery of debt previously written off. The need for provisions did not increase over the year, partly because loans in arrears are still at a very low level.

Earnings from investment portfolios, which comprise the profits on the proprietary investment portfolios (the part of the investment portfolio not relating to lending activities), was DKr146m, against DKr503m in 2000. The decline is explained mainly by the large gains on equities in 2000, but is also attributable to the adjustment of the core earnings model.

In 2001, merger costs amounted to DKr115m, most of which represented severance payments.

As from 2001, Realkredit Danmark is taxed jointly with Danske Bank. As a result of the current joint taxation rules on allocation of Danish tax payable by the companies in the Danske Bank Group, Realkredit Danmark's effective tax rate in 2001 is expected to be about 25%. The present tax rate is 30%. The tax charge for 2001 is estimated at DKr621m, comprising current tax, deferred taxes and tax on provisions for bad and doubtful debts.

The full net profit of the year is allocated to shareholders' equity.

Capital and solvency ratio

The trend in the capital base and solvency ratio can be illustrated as follows:

CAPITAL BASE AND SOLVENCY RATIO		
(DKr m)	Dec. 31, 2001	Pro forma Dec. 31, 2000
Core capital, less statutory deductions	23,055	21,168
Supplementary capital, less statutory deductions	352	3,477
Capital base	23,407	24,645
Total weighted items	232,771	219,301
Core (tier 1) capital ratio, %	9.9	9.7
Solvency ratio, %	10.1	11.2

At December 31, 2001, the Realkredit Danmark Group's capital base stood at DKr23,407m. The solvency ratio was 10.1%, thus exceeding the statutory minimum solvency requirement of 8.0% by DKr4,785m.

Subordinated debt of DKr3bn raised in 1992 was redeemed in April 2001. The solvency ratio is now at the same level as the core (tier 1) capital ratio.

The Danske Bank Group evaluates continually the capital requirements of group companies and also the capital requirements of Realkredit Danmark.

At end-2000, the shareholders' equity of Realkredit Danmark was DKr17,320m and increased in connection with the merger with Danske Kredit by DKr4,009m to DKr21,329m. During 2001, shareholders' equity rose by DKr1,925m, totalling DKr23,254m at year-end. The increase consists of the net profit for the year of DKr1,927m less goodwill of DKr2m acquired during the year by "home" and charged to shareholders' equity.

Merger follow-up

Since the end of the year 2000, Realkredit Danmark A/S has been part of the Danske Bank Group and merged with BG Kredit A/S and Danske Kredit Realkreditaktieselskab on January 1, 2001.

In connection with the merger a number of measures were planned to adjust the business activities of Realkredit Danmark to the new organisation. With a view to making the processing and administration of loans more efficient, these functions were centralised in the autumn.

In the autumn, a number of system changes were also implemented to ensure a higher degree of system integration. This work will continue in 2002 and will result in a new mortgage credit system that is fully integrated with Danske Bank's IT platform in 2003.

Realkredit Danmark expects to achieve annual merger synergies in the region of DKr200m, mainly through a reduction in staff. Staff reductions will primarily be realised as group companies are brought onto the joint IT platform, and economies of scale will be achieved through the centralisation of administration and processing.

The realisation of synergies in 2001 was satisfactory and amounted to about DKr60m, mainly attributable to a reduction in staff numbers of just under 100 in 2001.

The mortgage credit market

Compared with 2000, total gross lending of the mortgage credit sector rose by 45% to DKr334bn. In 2001, Realkredit Danmark's market share of gross lending reached 32.9%.

The stronger activity on the mortgage credit market is chiefly explained by the low level of interest rates in 2001. As a result of falling yields on short- and long-term bonds in 2001, a very large number of customers chose to refinance their mortgage loans in the autumn of 2001. The yield on FlexLån[®] with annual rate reset fell by about 1.4 percentage points in 2001.

In 2001, the share of loans issued as FlexLån[®] was 56%.

According to data from *Realkreditrådet* (the Association of Danish Mortgage Banks), real property prices continue their upward trend. At national level, average prices per square metre of single-family and terrace houses were up 7.2% from 2000 to 2001. In the Copenhagen area, prices have risen significantly more than in the rest of the country. Several large provincial areas have witnessed an actual fall in the prices of single-family and terrace houses. Prices of owner-occupied flats have risen by 12.7%, and prices of holiday homes have gone up by 6.1% from 2000 to 2001.

Competition

Realkredit Danmark has four distribution channels: own offices and corporate centres (including the Contact Centre), the branch networks of Danske Bank and BG Bank, the real-estate agency chain "home" and the Internet.

Until the autumn of 2001, Realkredit Danmark had four regional offices and 25 branch offices in Denmark. Since the merger, a large number of opportunities have emerged due to the closer ties between Danske Bank and Realkredit Danmark. 2002 will see fewer mortgage credit offices, increased use of the Contact Centre, and mortgage credit offices and banking branches will be located closer to each other. These structural changes are expected to increase the synergy effects and trigger growth in lending as well as a larger market share in 2002.

The branch networks of Danske Bank and BG Bank have significantly increased Realkredit Danmark's distribution capacity, and the company has received a large number of loan applications through these channels. Selling through the banking branches also allows the Danske Bank Group to offer customers an even wider range of financial products.

"home" is the real-estate agency chain of the Danske Bank Group and the chain was merged with Danske Bo at the beginning of the year. The activities of the 165 "home" outlets have increased, partly through their co-operation with the banking branches of the Danske Bank Group.

During the year, customer visits to the company's web site www.rd.dk have been steadily growing.

Realkredit Danmark's market share has shown a positive trend over the year. The company's market share of gross lending is practically unchanged and stood at 32.4% in the fourth quarter. Its market share of net new lending from the fourth quarter of 2000 to 2001 increased from 26.6% to 32.3%. In the calculation of net new lending, repayments with or without refinancing have been subtracted from gross lending. The trend quarter-on-quarter appears from the following table:

Market share, all markets (%)	Q4 2001	Q3 2001	Q2 2001	Q1 2001	Pro forma Q4 2000
Gross lending	32.4	33.5	32.8	33.4	32.6
Net new lending	32.3	30.7	31.2	30.0	26.6

Realkredit Danmark's loan portfolio is rising and totalled DKr448bn at the end of 2001, against DKr420bn the year before. The private market accounts for 63% of the increase, residential rental property 11%, agriculture 5% and urban trades 21%.

Mortgage bonds

In 2001, the merger of Realkredit Danmark and Danske Kredit allowed the Group to issue fewer bond series. Since the end of August 2001, loan offers have exclusively been made on the basis of bonds issued by Realkredit Danmark, resulting in large-volume bond series and enhanced liquidity potential.

Realkredit Danmark's bonds were upgraded by Moody's Investors Service in September, 2001, from Aa1 to the highest obtainable rating of Aaa – the same rating as applies to Danish government bonds. It was the third upgrading that year.

This rating has stimulated foreign investors' interest in bonds issued by Realkredit Danmark, and the share of bonds in circulation held by foreign investors increased by 3 percentage points in 2001 and now totals 11%.

Outlook for 2002

2002 is expected to see continued growth in lending and a continued large market share.

The rising volume of business will generate larger income in 2002, and costs are forecast to remain unchanged. Earnings from refinancing activities are expected to be lower. In the current economic climate, provisions for bad and doubtful debts are expected to continue to be at a low level.

Against this background, core earnings are expected at about the same level as in 2001.

Earnings from investment portfolios in 2002 will much depend on the level of securities prices at the end of the year.

Within the next few years, Realkredit Danmark considers it realistic to bring down the cost/core income ratio to about 30%.

Financial reports in 2002

Realkredit Danmark's Annual Report 2001 will be released together with this Announcement of financial results 2001. Both publications are available at the company's web site www.rd.dk

Realkredit Danmark's annual general meeting will be held at 9.30am on Monday, March 18, 2002, at the company's offices at Jarmers Plads 2, Copenhagen.

Financial reports for 2002 are expected to be released as follows:

- First-quarter report: May 7, 2002
- Half-year report: August 22, 2002
- Nine-month report: October 29, 2002

Copenhagen, February 21, 2002

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Realkredit Danmark Group

CORE EARNINGS AND NET PROFIT FOR THE YEAR

(DKr m)	Q4	Q3	Q2	Q1	Pro forma
	2001	2001	2001	2001	Q4 2000
Contribution income	498	503	489	483	481
Net interest income, exclusive of earnings from investment portfolios	367	348	316	311	244
Fee and commission income, net	67	34	19	12	-2
Trading income	64	45	31	47	19
Other core income	53	32	36	44	36
Total core income	1,049	962	891	897	778
Operating expenses and depreciation	346	324	336	309	360
Core earnings before provisions	703	638	555	588	418
Provisions for bad and doubtful debts	2	3	-19	-19	-49
Core earnings	701	635	574	607	467
Earnings from investment portfolios	21	83	-35	77	80
Merger costs, etc.	11	17	29	58	107
Profit on ordinary operations before tax	711	701	510	626	440
Tax	165	176	122	158	126
Net profit for the year	546	525	388	468	314

BALANCE SHEET

(DKr m)

Assets					
Due from credit institutions, etc.	35,786	33,737	28,686	23,621	10,820
Lending	448,547	437,726	431,101	426,782	421,266
Bonds and shares, etc.	106,976	17,857	16,602	18,688	77,587
Other assets	7,334	3,207	1,737	2,463	2,457
Total assets	598,643	492,527	478,126	471,554	512,130
Liabilities					
Due to credit institutions, etc.	22,222	8,555	1,119	1,062	6,312
Issued bonds	536,352	450,201	444,881	437,342	471,209
Other liabilities	16,815	11,063	9,941	8,356	10,280
Subordinated debt	-	-	-	3,000	3,000
Shareholders' equity	23,254	22,708	22,185	21,794	21,329
Total liabilities	598,643	492,527	478,126	471,554	512,130

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. The above amounts for periods before January 1, 2001, are pro forma statements for the merged companies and their subsidiaries. - At January 1, 2001, Realkredit Danmark A/S' subsidiary home a/s merged with Danske Bo A/S, a subsidiary of Danske Bank A/S, with home a/s as the continuing company. Figures for Danske Bo A/S are not included in the above pro forma statement for 2000.

The stated pro forma P/L items for 2000 have been adjusted to the core earnings model applied to date by the parent company, Danske Bank. As of 2001, an adjustment of the calculation and distribution method for core earnings and earnings from investment portfolios has been made, which for 2001 implies a rise in core earnings and a corresponding reduction in earnings from investment portfolios.

The Group has not changed its accounting policies from those followed in the annual accounts for 2000.

Realkredit Danmark Group

MOVEMENTS IN SHAREHOLDERS' EQUITY		
(DKr m)	2001	Pro forma 2000
Shareholders' equity at January 1	17,320	19,906
Addition on merger	4,009	-
Amortisation of intangible assets	-2	-52
Deferred taxes related to intangible assets	-	15
Net profit for the year	1,927	1,460
Shareholders' equity at December 31	23,254	21,329

At January 1, 2001, the share capital was increased by a nominal amount of DKr125m as a result of the merger with Danske Kredit Realkreditaktieselskab and BG Kredit A/S. The share capital now consists of 6,250,000 shares of DKr100 each and is wholly owned by Danske Bank A/S.

FINANCIAL HIGHLIGHTS

Presented in accordance with the specification requirements for mortgage credit institutions.

Realkredit Danmark Group

	Pro forma					
	2001	2000	2000	1999	1998	1997
PROFIT AND LOSS ACCOUNT (DKr m)						
Net interest income	3,417	3,116	2,554	2,739	2,796	2,591
Dividends from shares, etc.	18	14	14	16	13	8
Fee and commission income, net	132	21	125	216	280	271
Net interest and fee income	3,567	3,151	2,693	2,971	3,089	2,870
Securities and foreign exchange income	194	169	137	-373	162	534
Other operating income	165	123	123	140	117	105
Staff costs and administrative expenses	1,412	1,329	1,270	1,300	1,172	913
Amortisation and depreciation	21	111	111	55	156	74
Other operating expenses, etc.	1	1	1	10	2	190
Provisions for bad and doubtful debts	-33	-62	-62	-79	-99	-103
Income from associated and subsidiary undertakings	23	14	12	149	17	5
Profit before tax	2,548	2,078	1,645	1,601	2,154	2,440
Tax	621	618	507	427	662	714
Minority interests	-	-	-	3	-	-
Net profit for the year	1,927	1,460	1,138	1,171	1,492	1,726

BALANCE SHEET (DKr m)

Assets

Due from credit institutions, etc.	35,786	10,820	8,531	19,492	19,243	17,463
Lending	448,547	421,266	342,069	334,077	318,071	305,018
Bonds and shares, etc.	106,976	77,587	70,593	34,188	36,956	27,511
Other assets	7,334	2,457	2,326	1,996	2,231	1,936
Total assets	598,643	512,130	423,519	389,753	376,501	351,928

Liabilities

Due to credit institutions, etc.	22,222	6,312	6,233	1,693	6,548	1,229
Issued bonds	536,352	471,209	388,114	359,657	338,890	321,856
Other liabilities	16,815	10,280	8,852	9,184	12,386	9,526
Subordinated debt	-	3,000	3,000	3,000	3,368	3,000
Shareholders' equity	23,254	21,329	17,320	16,219	15,309	16,317
Total liabilities	598,643	512,130	423,519	389,753	376,501	351,928

RATIOS

Solvency ratio, %	10.1	11.2	11.3	11.1	12.0	13.2
Core (tier 1) capital ratio, %	9.9	9.7	9.4	9.0	9.2	10.0
Return on equity before tax, %	11.4	10.1	9.8	10.2	13.6	15.8
Return on equity after tax, %	8.6	7.1	6.8	7.4	9.4	11.2
Income/cost ratio, DKr	2.8	2.5	2.3	2.2	2.8	3.3
Foreign exchange position, %	12.5	5.2	5.8	0.5	0.1	0.2
Accumulated provisioning ratio, %	0.1	0.1	0.2	0.2	0.3	0.3
Write-off and provisioning ratio for the year, %	0.0	0.0	0.0	0.0	0.0	0.0
Annual growth in lending, %	6.5	3.6	2.4	5.0	4.3	3.4
Gearing of lending (factor)	19.3	19.8	19.8	20.6	20.8	18.7
Number of full-time employees at Dec. 31	933	1,024	937	1,089	1,396	1,360
Rating of bonds - Moody's	Aaa	Aa3	Aa3	Aa3	Aa3	Aa3

CASH FLOW STATEMENT JANUARY 1 - DECEMBER 31

	Realkredit Danmark Group	
(DKr m)	2001	2000
Cash flow from operations		
Profit before tax	2,548	1,645
Adjustment for non-cash items in the profit and loss account:		
Market value adjustment of securities	-193	-239
Depreciation and write-downs, etc.	21	111
Decrease of provisions for bad and doubtful debts	-36	-123
Tax paid	-585	-650
Increase(-)/decrease in outstanding amounts, etc.	-4,470	-499
Decrease(-)/increase in amounts owed, etc.	6,322	682
Total	3,607	927
Cash flow from investing activities		
Purchase(-)/sale of securities	-29,195	-36,165
Change in repo and reverse transactions	12,735	5,826
Increase(-)/decrease in other loans	228	3
Net investment in other fixed assets	-13	4
Total	-16,245	-30,332
Increase(-)/decrease in mortgage loans	-27,832	-7,927
Increase/decrease(-) in funding	65,142	28,456
Cash flow from financing		
Redemption of subordinated debt	-3,000	-
Total	-3,000	-
Movement in cash and cash equivalents	21,672	-8,876
Cash and cash equivalents at January 1	8,531	17,407
Cash and cash equivalents in the merged companies	49	-
Cash and cash equivalents at December 31	30,252	8,531

Cash and cash equivalents at December 31 comprise:

Cash in hand and at bank, etc.	6	215
Due from credit institutions and deposits with central banks	35,780	8,316
Of which reverse transactions	-5,534	-
Total cash and cash equivalents at December 31	30,252	8,531

The cash flow statement for 2001 has been prepared on the basis of the merger opening balance sheet.

CORE EARNINGS AND EARNINGS FROM INVESTMENT PORTFOLIOS

(DKr m)

	2001			Total*
	Core earnings	Merger costs	Earnings from investment portfolios	
Contribution income	1,973	-	-	1,973
Net interest income	1,342	-	102	1,444
Dividends from shares, etc.	-	-	18	18
Fee and commission income	132	-	-	132
Net interest and fee income	3,447	-	120	3,567
Securities and foreign exchange income	187	-	7	194
Other operating income	165	-	-	165
Staff costs and administrative expenses	1,293	115	4	1,412
Amortisation and depreciation	21	-	-	21
Other operating expenses	1	-	-	1
Provisions for bad and doubtful debts	-33	-	-	-33
Income from associated and subsidiary undertakings	-	-	23	23
Profit on ordinary operations before tax	2,517	-115	146	2,548

	2000			Total*
	Core earnings	Merger costs	Earnings from investment portfolios	
Contribution income	1,533	-	-	1,533
Net interest income	663	-	358	1,021
Dividends from shares, etc.	14	-	-	14
Fee and commission income	125	-	-	125
Net interest and fee income	2,335	-	358	2,693
Securities and foreign exchange income	-27	-	164	137
Other operating income	123	-	-	123
Staff costs and administrative expenses	1,223	28	19	1,270
Amortisation and depreciation	27	84	-	111
Other operating expenses	1	-	-	1
Provisions for bad and doubtful debts	-62	-	-	-62
Income from associated and subsidiary undertakings	12	-	-	12
Profit on ordinary operations before tax	1,254	-112	503	1,645

* The statutory accounting format of the Danish Financial Supervisory Authority.