

Realkredit Danmark Group

Realkredit Danmark Group DKK million	H1 2000	H1 1999
Contribution income	762	729
Net interest income, etc.	530	739
Reduction of term to maturity of bonds	68	(132)
Net interest income, etc. incl. reduction of term to maturity	598	607
Net fee income	72	121
Other income	64	64
Core income	1,496	1,521
Staff costs, administrative expenses, amortisation/depreciation, etc.	(633)	(645)
Provisions for bad and doubtful debts	13	8
Core earnings	876	884
Value adjustments, etc.	(167)	(15)
Profit before tax	709	869
Tax	(226)	(239)
Minority interests		(3)
Net profit for the period	483	627
Key figures:		
Income/cost ratio	2.1	2.4
Return on equity after tax (%)	5.9	8.0
Average number of employees (full-time equivalents)	1,083	1,078

- **The Realkredit Danmark Group still expects core earnings of DKK 1.5 to 1.7 billion for 2000 as a whole.**
- **The profit for the period amounts to DKK 483 million and offers a return on equity after tax of 5.9 per cent p.a. Negative value adjustments of bonds resulted in a decline in profits compared with profits of the first half of 1999.**
- **Core income amounts to DKK 1,496 million - boosted by growth of nearly DKK 6 billion in the loan portfolio in the first half of 2000. Compared with the first half of 1999, there has been a general decline in activity in the mortgage credit market, particularly remortgaging activity. This has resulted in a reduction in fee income.**
- **Despite the fall in income, core earnings of DKK 876 million are almost in line with those of the first half of 1999 due to, among other things, reduced costs.**

Core income

The Realkredit Danmark Group recorded a core income of DKK 1,496 million. Contribution income was DKK 762 million, matching the performance of the loan portfolio, which grew by nearly DKK 6 billion in the first half of 2000 to a total of DKK 339 billion. The development in the group's gross lending substantiates that the group maintains its market position. The group saw a small decline in net new lending in the market as a whole but an increase in the private market. Realkredit Danmark still has the largest amount of net new lending in the mortgage credit market, both in aggregate and in the private market.

The slowdown of activities in the mortgage credit market in general should be seen against the background of a rise in short interest rates and only a small increase in long yields. The slowdown also expresses a wait-and-see attitude among customers in relation to the referendum on Denmark's participation in the EMU.

Net interest income, including reduction of the term to maturity, is DKK 598 million. Interest earnings are adversely affected by a lower average securities portfolio. The reduction of the term to maturity has changed to a positive amount of DKK 68 million. Fees and other income stand at DKK 136 million, which is a decrease due to significantly lower remortgaging activity compared with that of the first half of 1999.

Costs

Costs, including depreciation and amortisation, fell slightly to DKK 633 million in the first half of 2000, primarily as a result of less activity. During the period, the staff was reduced by 80 full-time employees as part of the RealDanmark Group's plan to improve profits. In this connection, severance costs have been incurred in the first half of 2000. Other adjustments in accordance with the plan have been identified in order to achieve the full effect as from 2002.

Provisions for bad and doubtful debts were recorded as an income of DKK 13 million as a result of reversal of amounts previously written off. The need for new provisions is still moderate.

Core earnings

The Realkredit Danmark Group's core earnings amounted to DKK 876 million.

Profit for the period

In the first half-year, the securities portfolio averaged DKK 22 billion against an average of nearly DKK 24 billion in the first half of 1999. Value adjustments including adjustment of participating interests but excluding reduction of the term to maturity and exchange-rate adjustments were negative in the amount of DKK 167 million. The negative adjustment for the period was caused by increasing interest rates resulting in value losses on Danish bonds. Value

sulting in value losses on Danish bonds. Value adjustments of equities and participating interests were positive in the amount of DKK 168 million. At 30 June 2000, the interest-rate risk was DKK 435 million, and the equity portfolio amounted to DKK 1,164 million.

The results for the period do not give rise to any changes in the group's outlook.

The pre-tax profit for the year is DKK 709 million. Tax for the period is calculated at DKK 226 million. From 2000, the Realkredit Danmark group is taxed on a pooled basis with the parent company, RealDanmark A/S, and all major subsidiaries in the RealDanmark Group. The combined taxes are allocated to the undertakings using the full absorption method. Accordingly, undertakings with a tax loss receive a tax reimbursement from the other undertakings in the tax pool. Tax is calculated on the basis of the pre-tax profit for the period adjusted for material non-taxable income and expenses.

The profit after tax is DKK 483 million. The return on equity after tax is 5.9 per cent p.a.

Shareholders' equity and solvency	H1	H1
DKK million	2000	1999
Tier 1 capital after deductions	16,170	15,264
Supplementary capital after deductions	3,274	3,774
Capital base after deductions	19,444	19,038
Total weighted items	180,859	174,507
Solvency ratio	10.8	10.9
Tier 1 ratio	8.9	8.7

Shareholders' equity after deductions stands at DKK 16.2 billion. The capital base after deductions totals DKK 19.4 billion. The group has a Tier 1 ratio of 8.9. As the statutory requirement is 8 per cent, the requirement is exceeded by DKK 4.9 billion. The group's solvency ratio, excluding the profit for the half-year, is 10.8.

Outlook

The Realkredit Danmark Group expects the following developments in results for 2000.

Group outlook compared with previous financial year	Realkredit Danmark	
	2000	1999
DKK billion	Forecast	Actual
Core income	2.9 to 3.1	2.9
Costs	1.4 to 1.5	1.4
Provisions for bad and doubtful debts	-0.1 to +0.1	+0.1
Core earnings	1.5 to 1.7	1.6

Realkredit Danmark Group - Financial Highlights for the First Half of 2000

Realkredit Danmark - summary accounts DKK million	EUR ¹	H1 2000	H1 1999
Profit and loss account:			
Interest receivable	1,511	11,274	11,662
Interest payable	(1,340)	(9,995)	(10,232)
Net interest income	171	1,279	1,430
Dividends from shares, etc.	2	13	38
Fees and commissions receivable	18	133	180
Fees and commissions payable	(8)	(61)	(59)
Net interest and fee income	183	1,364	1,589
Value adjustments	(17)	(125)	(196)
Other operating income	9	64	64
Staff costs and administrative expenses, etc.	(82)	(613)	(616)
Amortisation/depreciation and write-downs of assets	(3)	(20)	(27)
Other operating expenses	0	0	(2)
Provisions for bad and doubtful debts	2	13	8
Income from associated and group undertakings	3	26	49
Profit before tax	95	709	869
Tax	(30)	(226)	(239)
Profit including minority interests	65	483	630
Minority interests			(3)
Net profit	65	483	627

Balance sheet

Assets:

Cash in hand and balances due from credit institutions and central banks	1,744	13,009	22,232
Mortgage loans, etc.	45,560	339,913	326,895
Bonds and shares, etc.	2,949	22,001	28,585
Other assets	265	1,979	2,844
Total assets	50,518	376,902	380,556

Liabilities:

Balances due to credit institutions and central banks	182	1,360	4,632
Issued bonds	46,589	347,588	348,742
Provisions for liabilities and charges	140	1,046	1,183
Other liabilities	966	7,207	7,063
Subordinated loan capital	402	3,000	3,000
Shareholders' equity	2,239	16,701	15,936
Total liabilities	50,518	376,902	380,556

Selected key figures:

Solvency ratio	10.8	10.9
Tier 1 ratio	8.9	8.7
Return on equity before tax (% p.a.)	8.6	11.1
Return on equity after tax (% p.a.)	5.9	8.0
Income/cost ratio	2.1	2.4
Accumulated provisioning ratio	0.0	0.0
Provisions for bad and doubtful debts/lending, guarantees and accumulated provisions	0.0	0.0
Growth in lending	1.7	1.2
Gearing of lending	20.35	20.51
Average number of employees (full-time equivalents)	1,083	1,078
Bond rating - Moody's	Aa3	Aa3

¹ EUR = DKK 7.4608 at 30 June 2000

Realkredit Danmark Group

Note	Notes to the accounts – amounts in DKK million	1/1-30/6 2000	1/1-30/6 1999
1. Interest receivable			
Balances due from credit institutions and central banks		86.0	169.5
Lending		9,800.4	9,772.5
Contribution income		761.6	728.8
Bonds:			
Own mortgage bonds		263.5	314.2
Other mortgage bonds		198.1	289.3
Government bonds		86.1	228.0
Other bonds		34.4	29.8
Derivatives:			
Foreign-exchange contracts		(1.1)	(1.3)
Interest-rate contracts		7.8	34.6
Other interest receivable		37.5	96.7
Total		11,274.3	11,662.1
Of which interest receivable on reverse transactions recorded under:			
Balances due from credit institutions and central banks		31.8	58.9
Lending		0.2	-
2. Interest payable			
Credit institutions and central banks		(34.4)	(84.7)
Deposits		(0.3)	-
Issued bonds		(9,801.7)	(9,928.1)
Reimbursement of commitment fees, etc.		(2.6)	(53.8)
Subordinated loan capital		(153.0)	(161.1)
Other interest payable		(2.9)	(4.4)
Total		(9,994.9)	(10,232.1)
Of which interest payable on repo transactions recorded under:			
Balances due to credit institutions and central banks		(22.4)	(79.9)
Deposits		(0.3)	-
3. Value adjustments			
Bonds:			
Own mortgage bonds		(114.2)	(41.6)
Other mortgage bonds		(129.9)	(76.3)
Government bonds		(68.9)	(98.6)
Other bonds		(2.1)	(6.3)
Shares, etc.		142.1	(44.4)
Fixed-interest loans, etc.		6.8	23.7
Foreign currency		1.1	1.8
Derivatives:			
Interest-rate contracts		39.4	45.2
Share contracts		0.7	0.4
Total		(125.0)	(196.1)

Realkredit Danmark Group

Notes to the accounts – amounts in DKK million	1/1-30/6	1/1-30/6
Note	2000	1999
4. Staff costs and administrative expenses		
Salaries and remuneration of Supervisory Board, Executive Board and Borrowers' Assembly of Representatives:		
Executive Board	(2.6)	(3.5)
Supervisory Board	(1.7)	(1.6)
Borrowers' Assembly of Representatives and local councils	(1.8)	(1.6)
Total	(6.1)	(6.7)
Payroll costs:		
Wages and salaries	(230.2)	(193.0)
Pensions	(35.0)	(18.3)
Social security costs	(22.4)	(26.7)
Total	(287.6)	(238.0)
Other administrative expenses	(319.5)	(371.0)
Total	(613.2)	(615.7)
5. Provisions for bad and doubtful debts		
Losses with prior provisions	(23.9)	(93.0)
Losses without prior provisions	(6.3)	(3.7)
Recoveries of debts written off in previous years	25.1	22.7
Movements in provisions:		
Provisions at beginning of period	679.1	788.3
Provisions at end of period	(660.6)	(706.7)
Total	13.4	7.6
6. Income from associated and group undertakings		
Income from associated undertakings, etc.	25.9	48.8
Income from group undertakings	-	-
Total	25.9	48.8
7. Tax		
Effective tax rate for the group	32%	

Realkredit Danmark Group

Notes to the accounts – amounts in DKK million		
Note	30/06/2000	30/06/1999
8. Lending		
Mortgage loans	338,937.9	325,964.7
Outstanding amounts on non-foreclosures	449.8	412.6
Other loans	525.4	517.4
Total	339,913.1	326,894.7
Mortgage loans		
Balance at beginning of period	333,479.1	317,491.2
New loans	27,951.4	52,525.0
Index adjustment	707.6	523.4
Exchange-rate adjustment	9.4	11.0
Ordinary repayments	(6,297.9)	(5,925.8)
Redemptions and extraordinary repayments	(16,615.4)	(38,384.6)
Balance at end of period 1)	339,234.2	326,240.2
Loans transferred to foreclosed properties	(15.4)	(10.9)
Write-offs of loans	(467.8)	(463.4)
Loans taken over by the Danish Financial Administration Agency	186.9	198.8
Total	338,937.9	325,964.7
1) Of which amortisation account for cash loans	18,185.1	19,300.6
Total sum of mortgage deed principals	370,964.7	350,261.5
Number of loans	613,639	629,156
Apart from mortgages on properties, the company's loans are backed by government, municipal and insurance guarantees of	18,553.2	18,094.9
Furthermore, bank pass books, bonds and guarantees have been lodged as supplementary security in the amount of	16,121.5	22,011.9
In addition, a number of indemnities not specifying amounts have been lodged.		
Outstanding amounts on non-foreclosures		
Arrears	492.4	415.7
Outlays	118.0	177.4
Write-offs of loans	(160.6)	(180.5)
Total	449.8	412.6

Realkredit Danmark Group

Notes to the accounts – amounts in DKK million			
Note		30/06/2000	30/06/1999
9. Issued bonds			
	This item solely comprises issued mortgage bonds.		
	Balance at beginning of period	359,657.1	338,890.2
	Additions	28,327.1	60,980.7
	Index adjustment	709.6	525.0
	Exchange-rate adjustment	9.9	0.4
	Drawings and prepayments	(27,810.7)	(45,042.4)
	Redemptions and extraordinary repayments	(13,305.4)	(6,611.4)
	Balance at end of period	347,587.6	348,742.5
	Of which pre-issued	1,521.6	2,472.0

10. Shareholders' equity

Realkredit Danmark A/S' share capital of DKK 500 million comprises 5,000,000 shares of DKK 100 each and is wholly-owned by RealDanmark A/S.

Movements in shareholders' equity:

	Share capital	Share premium account	Other reserves	Profit for the period	Total	Total
Balance, 1 Jan.	500.0	3,742.5	11,976.9	-	16,219.4	15,309.2
Goodwill	-	-	(1.0)	-	(1.0)	-
Profit brought forward	-	-	-	482.7	482.7	626.6
Balance, 30 June	500.0	3,742.5	11,975.9	482.7	16,701.1	15,935.8

11. Guarantees, etc.

Other guarantees	81.5	86.5
Total	81.5	86.5

12. Other commitments

Other commitments	325.2	304.8
Total	325.2	304.8

13. Contingent liabilities

Together with the other undertakings in the Danish tax pool, the group is jointly and severally liable for the tax liability under the pooled taxation arrangement.

Realkredit Danmark A/S guarantees pension fund commitments of Kreditforeningen Danmarks Pensionsafviklingskasse.