

Stock Exchange Announcement No. 12
October 28, 2003

Quarterly report First nine months of 2003

***REALKREDIT*
Danmark**

Realkredit Danmark Group - financial highlights

CORE EARNINGS AND NET PROFIT FOR THE PERIOD	Q1-Q3 2003	Q1-Q3 2002	Index 03/02	Full year 2002
DKr m				
Administration margin	1,652	1,560	106	2,094
Net interest income, exclusive of earnings from investment portfolios	949	846	112	1,219
Fee and commission income, net	139	128	109	175
Other core income	93	211	44	280
Total core income	2,833	2,745	103	3,768
Operating expenses and depreciation	1,073	936	115	1,287
Core earnings before provisions	1,760	1,809	97	2,481
Provisions for bad and doubtful debts	5	-50	-	-74
Core earnings	1,755	1,859	94	2,555
Earnings from investment portfolios	216	193	112	274
Merger costs	-	17	-	17
Profit on ordinary operations before tax	1,971	2,035	97	2,812
Tax	493	598	82	822
Net profit for the period	1,478	1,437	103	1,990

BALANCE SHEET

DKr m

Assets				
Due from credit institutions, etc.	32,869	33,486	98	33,174
Lending	489,471	466,296	105	469,414
Bonds and shares, etc.	43,802	22,963	191	132,707
Other assets	3,444	2,834	122	7,286
Total assets	569,586	525,579	108	642,581
Liabilities and equity				
Due to credit institutions, etc.	20	2,990	1	31,259
Issued bonds	530,350	486,375	109	567,912
Other liabilities	12,418	11,519	108	18,162
Shareholders' equity	26,798	24,695	109	25,248
Total liabilities and equity	569,586	525,579	108	642,581

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of avg. shareh. equity	7.6	8.0		8.2
Core earnings as % p.a. of avg. shareholders' equity	9.0	10.3		10.5
Cost/core income ratio, %	37.9	34.1		34.2
Solvency ratio (excl. of net profit for the period), %	9.9	9.7		10.4
Core (tier 1) cap. ratio (excl. of net profit for the period), %	9.8	9.6		10.3
Number of full-time employees at September 30	982	1,053		1,043
Rating of bonds - Moody's	Aaa	Aaa		Aaa
Rating of bonds - Standard & Poor's	AAA	-		-

MANAGEMENT'S REPORT

Highlights of performance in the first nine months of 2003

The performance of the Realkredit Danmark Group in the first nine months of 2003 can be summarised as follows:

- The Realkredit Danmark Group recorded a pre-tax profit of DKr1,971m for the first nine months of 2003, against DKr2,035m for the same period in 2002.
- Core earnings amounted to DKr1,755m, against DKr1,859m in the first nine months of 2002.
- Mortgage lending rose to DKr489bn at the end of the third quarter, against DKr469bn at January 1, 2003.
- The Group's market share of net new lending was 25.9% in the third quarter of 2003, against 28.0% in the second quarter.
- At September 30, 2003, the solvency ratio was 9.9%, against the statutory minimum requirement of 8.0%.

Results

Core income amounted to DKr2,833m for the first nine months of 2003, against DKr2,745m the year before. Core income includes a rise in the administration margin and fees received as a result of the increasing loan portfolio and the strong refinancing activity in the first half of 2003. The investment of liquidity in short-term, high-yield bonds at a price above par lifted net interest income and led to a negative market value adjustment, which is recognised under other core income.

Operating expenses inclusive of depreciation totalled DKr1,073m in the first nine months of 2003, against DKr936m the year before. The increase in costs is attributable primarily to expenses paid for the development of new IT systems to handle interest-only loans and the planned conversion of systems to Danske Bank's IT platform. This quarter, it has been decided to restructure the conversion of Realkredit Danmark's system. Moreover, the strong refinancing activity in the first half of 2003 affected the level of costs. The cost/core income ratio rose from 34.1% for the first nine months of 2002 to 37.9% this year.

Core earnings before provisions for bad and doubtful debts amounted to DKr1,760m and thus matched the expectations announced in the Interim Report for the first half of 2003.

Provisions for bad and doubtful debts amounted to DKr5m for the first nine months of 2003, against an income of DKr50m the year before. Last year, the item recorded a net income because of the recovery of a significant amount in connection with the final winding up of a bankruptcy estate. In general, the need for provisions has not increased in 2003, partly because loans in arrears are still at a very low level.

Earnings from investment portfolios, which comprise profits on the proprietary investment portfolios after deduction of funding and administration costs, showed a gain of DKr216m for the first nine months of 2003, against DKr193m the year before. Proprietary investment portfolios are defined as the part of the investment portfolio not relating to lending activities.

Realkredit Danmark is taxed jointly with Danske Bank. On the basis of current joint taxation rules on allocation of the Danish tax payable by the Danske Bank Group, Realkredit Danmark's effective tax rate for 2003 is expected to be about 25%.

Capital and solvency

Movements in the capital base and solvency ratio were as follows:

CAPITAL BASE AND SOLVENCY RATIO DKr m	September 30 2003*	September 30 2002*	Full year 2002
Core capital, less statutory deductions	25,140	23,043	25,061
Supplementary capital, less statutory deductions	243	274	255
Capital base	25,383	23,317	25,316
Total weighted items	257,612	240,407	243,937
Solvency ratio, %	9.9	9.7	10.4
Core (tier 1) capital ratio, %	9.8	9.6	10.3

* Excl. of net profit for the period

At September 30, 2003, the Realkredit Danmark Group's capital base stood at DKr25,383m. The solvency ratio was 9.9%, thus exceeding the statutory minimum solvency requirement of 8.0% by DKr4,774m.

In the first nine months of 2003, shareholders' equity increased by the profit for the period of DKr1,478m plus DKr72m from the revaluation at the beginning of the year of unlisted shares as a result of new accounting provisions. Shareholders' equity subsequently totalled DKr26,798m.

The mortgage credit market

In the first nine months of 2003, total gross mortgage lending amounted to DKr396bn, against DKr243bn the year before. In the first half of 2003, the market was characterised by unusually strong refinancing activity.

The substantial refinancing activity was triggered by the fall in interest rates during the first half-year. Short-term bonds experienced the largest fall. From mid-June, loan interest rates increased and refinancing activity came to a halt. At the end of the third quarter of 2003, the rate of interest on a 30-year fixed-rate loan stood at 5.4%, and the rate of interest on a FlexLån[®] with full annual interest reset was 2.3%. At the beginning of the year, these rates were 5.5% and 3.0%, respectively. In June, when interest rates reached their lowest level so far, these interest rates were 5.1% and 2.0%.

Competition

Realkredit Danmark's market share of gross lending was 31.1% in the third quarter of 2003, against 30.4% in the second quarter. The Group's market share of net new lending was 25.9% in the third quarter of 2003, against 28.0% in the second quarter. Net new lending is defined as gross lending less repayment of loans with or without the raising of new loans. The trend in market share has probably been affected by the bank branches' sales of new bank-based housing loans which allow customers a freedom of choice as to usage.

Quarter-on-quarter movements were as follows:

MARKET SHARE, ALL MARKETS %	Q3 2003	Q2 2003	Q1 2003	Q4 2002	Q3 2002
Gross lending	31.1	30.4	30.0	33.2	29.3
Net new lending	25.9	28.0	26.7	27.4	25.6

In the first nine months of 2003, Realkredit Danmark's mortgage lending rose by DKr20bn to DKr489bn. Of the total rise in lending, the private market accounted for 63%, urban trade for 9%, agriculture for 9% and residential rental property for 19%.

On October 1, Realkredit Danmark launched interest-only loans, a new type of mortgage loan for private-market customers. An amendment to the Danish Mortgage Credit Act allowed the introduction of this new loan type. The loans have a 10-year interest-only option to be exercised during the term of the loan at the borrower's request. Both before and after their introduction, interest-only loans attracted considerable attention from borrowers, and about 15% of private-market customers are expected to refinance their current loans with the new loan type before the end of 2004. In the first half of October, agreements on interest-only loans totalled Dkr2.3bn.

Funding

Realkredit Danmark finances its loans to borrowers by issuing mortgage bonds listed on the Copenhagen Stock Exchange. At the end of the first nine months of 2003, Realkredit Danmark had issued bonds worth Dkr530bn, or 34% of the mortgage bonds issued on the Danish market.

All new bond issues from Realkredit Danmark carry Aaa and AAA ratings, which are the highest possible ratings awarded by the credit rating agencies Moody's and Standard & Poor's. The ratings of Moody's and Standard & Poor's apply to 90% and 83%, respectively, of all bonds issued by Realkredit Danmark.

In August, Realkredit Danmark introduced a new type of bond for the financing of fixed-interest loans with an option of an interest-only period of up to 10 years. Initially, Realkredit Danmark launched 5% and 6% bonds, both maturing in 2035.

In September, Realkredit Danmark opened a bond series with a coupon of 2% for the financing of FlexLån[®]. The series was opened as borrowers would sometimes be able to obtain a marginally lower effective rate in this series compared with similar loans based on 4% bonds. Realkredit Danmark has opened bond series with a coupon of 2% for the most liquid maturities only, that is, 2004 to 2009.

Outlook for 2003

In the Annual Report for 2002 and in the Interim Report for the first half of 2003, core earnings for 2003 as a whole before provisions for bad and doubtful debts were expected to be at around the same level as in 2002.

This year has been characterised by growing lending, triggering a rise in the administration margin. However, the decline in interest rates over the year has resulted in a fall in the return on the Group's securities holdings and liquidity. To this should be added larger agent payments for the sale of mortgage loans through the bank branches. Despite the rise in the administration margin, core earnings are therefore expected to be at around the same level as in 2002.

Costs are expected to be somewhat higher than in 2002. The increase is mainly attributable to the development of new IT systems in connection with the handling of interest-only loans and the planned conversion to Danske Bank's IT platform. Staff costs are expected to remain largely unchanged.

Against this background, core earnings in 2003 before provisions for bad and doubtful debts are expected to be between 5% and 10% lower than in 2002.

Provisions for bad and doubtful debts are still expected to be at a low level, but contrary to 2002, a net reversal of provisions is not expected.

Earnings from investment portfolios will depend largely on the level of securities prices at the end of 2003.

Realkredit Danmark expects to publish its 2003 announcement of financial results and annual report on February 5, 2004.

Copenhagen, October 28, 2003

Contact person at Realkredit Danmark:

Sven Holm, Chairman of the Executive Board and Chief Executive Officer, tel. + 45 33 39 30 11

Realkredit Danmark A/S
Jarmers Plads 2
DK-1590 København V
Tel. +45 70 12 53 00
Fax +45 33 39 31 71
www.rd.dk
CVR-nr. 13 39 91 74 – København

Realkredit Danmark Group

CORE EARNINGS AND NET PROFIT FOR THE PERIOD	Q3	Q2	Q1	Q4	Q3
DKr m	2003	2003	2003	2002	2002
Administration margin	558	550	544	534	527
Net interest income, excl. of earnings from investment portfolios	337	288	324	373	321
Fee and commission income, net	28	41	70	47	41
Other core income	-16	23	86	69	65
Total core income	907	902	1,024	1,023	954
Operating expenses and depreciation	380	362	331	351	287
Core earnings before provisions	527	540	693	672	667
Provisions for bad and doubtful debts	-19	-2	26	-24	-6
Core earnings	546	542	667	696	673
Earnings from investment portfolios	11	124	81	81	136
Merger costs	-	-	-	-	-
Profit on ordinary operations before tax	557	666	748	777	809
Tax	146	152	195	224	290
Net profit for the period	411	514	553	553	519

BALANCE SHEET

DKr m

Assets					
Due from credit institutions, etc.	32,869	48,379	53,506	33,174	33,486
Lending	489,471	484,464	477,720	469,414	466,296
Bonds and shares, etc.	43,802	26,343	25,551	132,707	22,963
Other assets	3,444	2,858	3,345	7,286	2,834
Total assets	569,586	562,044	560,122	642,581	525,579
Liabilities and equity					
Due to credit institutions, etc.	20	13	868	31,259	2,990
Issued bonds	530,350	525,141	524,803	567,912	486,375
Other liabilities	12,418	10,503	8,578	18,162	11,519
Shareholders' equity	26,798	26,387	25,873	25,248	24,695
Total liabilities and equity	569,586	562,044	560,122	642,581	525,579

Accounting policies

The report for the first nine months of 2003 has been prepared in compliance with the Copenhagen Stock Exchange guidelines for issuers of listed securities. The Group has not changed its accounting policies from those followed in the report for the first quarter of 2003 and the Interim Report for the first half of 2003.

Realkredit Danmark Group

MOVEMENTS IN SHAREHOLDERS' EQUITY			
DKr m	Q1-Q3 2003	Q1-Q3 2002	Full year 2002
Shareholders' equity at January 1	25,248	23,254	23,254
Revaluation of unlisted shares	72	-	-
Deferred tax relating to associated undertaking	-	4	4
Net profit for the period	1,478	1,437	1,990
Shareholders' equity at September 30	26,798	24,695	25,248

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

Realkredit Danmark Group

CORE EARNINGS AND EARNINGS FROM INVESTMENT PORTFOLIOS

DKr m	Q1-Q3 2003				
	Core earnings	Merger costs	Eliminations	Earnings from investment portfolios	Total*
Administration margin	1,652	-	-	-	1,652
Net interest income	949	-	-	425	1,374
Dividends from shares, etc.	-	-	-	7	7
Fee and commission income	139	-	103	-	242
Net interest and fee income	2,740	-	103	432	3,275
Securities and foreign exchange income	-17	-	-	-214	-231
Other operating income	110	-	-	-	110
Staff costs and administrative expenses	1,066	-	103	3	1,172
Depreciation and write-downs	7	-	-	-	7
Provisions for bad and doubtful debts	5	-	-	-	5
Income from associated and subsidiary undertakings	-	-	-	1	1
Profit on ordinary operations before tax	1,755	-	-	216	1,971

DKr m	Q1-Q3 2002				
	Core earnings	Merger costs	Eliminations	Earnings from investment portfolios	Total*
Administration margin	1,560	-	-	-	1,560
Net interest income	846	-	-	173	1,019
Dividends from shares, etc.	-	-	-	-	-
Fee and commission income	128	-	87	-	215
Net interest and fee income	2,534	-	87	173	2,794
Securities and foreign exchange income	111	-	-	16	127
Other operating income	100	-	-	-	100
Staff costs and administrative expenses	926	17	87	3	1,033
Depreciation and write-downs	10	-	-	-	10
Provisions for bad and doubtful debts	-50	-	-	-	-50
Income from associated and subsidiary undertakings	-	-	-	7	7
Profit on ordinary operations before tax	1,859	-17	-	193	2,035

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

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 quarterly report for the first nine months of 2003, core earnings before provisions for bad and doubtful debts for the business area Mortgage Finance is stated at DKr1,607m, compared with DKr1,760m 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 DKr153m between the business area Mortgage Finance and Realkredit Danmark is mainly due to the fact that the calculated basis for return on capital for the business area is lower than Realkredit Danmark's shareholders' equity.

In 2002, several of the Danske Bank Group's administrative functions relating to mortgage finance were gathered at Realkredit Danmark. In this connection, 200 employees were transferred from Danske Bank to Realkredit Danmark. Realkredit Danmark still pays fees to Danske Bank to cover, among other things, the costs of this administration. Danske Bank therefore reimburses Realkredit Danmark for these costs. For the first nine months of 2003, reimbursements from Danske Bank totalled DKr103m, which have been set off against costs in the statement of core earnings from investment portfolios. In the official accounts, the refund is included under fees.