

Quarterly Report –First Quarter of 2006

Stock exchange announcement No. 7/2006
May 2, 2006

Financial highlights - Realkredit Danmark Group

NET PROFIT FOR THE PERIOD	Q1	Q1	Index	Full year
DKr m	2006	2005	06/05	2005
Administration margin	652	597	109	2,471
Net interest income	297	281	106	1,178
Net fee income	-61	38	-161	83
Net trading income	-44	141	-31	355
Other income	50	50	100	232
Total income	894	1,107	81	4,319
Operating expenses	301	306	98	1,251
Profit before credit loss expenses	593	801	74	3,068
Credit loss expenses	-9	-49	-	-118
Profit before tax	602	850	71	3,186
Tax	169	239	71	769
Net profit for the period	433	611	71	2,417

BALANCE SHEET	March 31	March 31	Index	December 31
DKr m	2006	2005	06/05	2005
Due from credit institutions etc.	17,654	35,511	50	16,943
Mortgage loans at fair value	567,002	531,206	107	569,092
Bonds and shares	5,759	11,736	49	35,925
Other assets	1,988	3,044	65	3,893
Total assets	592,403	581,497	102	625,853
Due to credit institutions etc.	2,554	-	-	45,390
Issued mortgage bonds	552,293	545,749	101	536,530
Other liabilities	6,313	6,919	91	13,123
Shareholders' equity	31,243	28,829	108	30,810
Total liabilities and equity	592,403	581,497	102	625,853

RATIOS AND KEY FIGURES	Q1	Q1	Full year
	2006	2005	2005
Net profit for the period as % p.a. of avg. shareh. equity	5.6	8.3	8.0
Cost/core income ratio, %	33.7	27.6	29.0
Solvency ratio (excl. of net profit for the period), %	10.2	9.8	10.1
Core (tier 1) cap. ratio (excl. of net profit for the per.), %	10.2	9.7	10.0
Full-time-equivalent staff, end of period	751	741	749

This is a translation of the quarterly report for the first quarter of 2006 in the Danish language (Kvartalsrapport – 1. kvartal 2006).

In case of discrepancies, the Danish version prevails.

Management's report

- The Realkredit Danmark Group recorded a pre-tax profit of DKr602m for the first quarter of 2006, against DKr850m for the first quarter of 2005.
- In the first quarter of 2006, the outstanding nominal bond debt rose by DKr9bn to DKr572bn.
- The Group's market share of net new lending rose to 30.3% for the first quarter of 2006 from 27.5% in 2005. The market share of the loan portfolio was 33.1% at the end of the first quarter of 2006, against 33.4% at end-2005.
- At March 31, 2006, the solvency ratio was 10.2%.
- For 2006, the profit before tax is expected to be at around the same level as in 2005.

Results for the first quarter of 2006

In the first quarter of 2006, the Realkredit Danmark Group's pre-tax profit was DKr602m, against DKr850m the year before. For 2006, the profit before tax is still expected to be at around the same level as in 2005. However, net trading income will depend largely on the level of securities prices at the end of the year.

At DKr652m, the administration margin was up DKr55m on the previous year as a result of a growing loan portfolio.

As expected, net fee income was affected by declining activity on the mortgage credit market and a change in the fees paid to Danske Bank and BG Bank for loans arranged through them and showed a charge of DKr61m, or a fall of DKr99m compared with the same period in 2005.

In view of the rise in interest rates in the first quarter of 2006, net trading income was negative by DKr44m, against an income of DKr141m for the same period in 2005. Net trading income consists of 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.

Total income fell 19% compared with the first quarter of 2005. However, exclusive of net trading income, the fall was only 3%.

At DKr301m, operating expenses remained practically unchanged from the same period last year.

In the first quarter of 2006, credit loss expenses represented an income of DKr9m, against DKr49m in

the same period the year before. The income derives from claims previously written off.

For the first quarter of 2006, the Realkredit Danmark Group's total tax charge amounted to DKr169m, corresponding to an effective tax rate of 28%.

In early 2006, Realkredit Danmark sold its head office building at Jarmers Plads in central Copenhagen. From the autumn of 2006, the head office will be located in Lyngby, a Copenhagen suburb. The proceeds from the sale will be taken to income in the third quarter of 2006.

Capital and solvency

At March 31, 2006, shareholders' equity was DKr31,243m and the solvency ratio 10.2%. The solvency ratio is calculated without including the net profit for the period.

Balance sheet

Measured at fair value, mortgage lending fell by DKr2bn to DKr567bn. The outstanding nominal bond debt increased DKr9bn to DKr572bn.

In the first quarter of 2006, issued mortgage bonds carried at fair value rose by DKr16bn to DKr552bn. In terms of nominal value, issued bonds rose by DKr27bn to DKr559bn. The amounts are exclusive of holdings of own mortgage bonds.

Mortgage credit market

Compared with 2005, mortgage credit activity was lower in the first quarter of 2006 when economic growth generated a rise in interest rates. As a result, interest-rate driven refinancing activity was insignificant.

Yield to maturity	March 31	December 31
%	2006	2005
FlexLån [®] , full annual reset	3.4	2.9
30-year 4% fixed-rate loan	4.8	4.4
30-year 5% fixed-rate loan	5.2	-
FlexGaranti [®] 5M*	4.3	3.8
RD Cibor6 [®]	3.1	2.7

* rate cap of 5%, rate reduction option

In the first quarter of 2006, gross lending totalled DKKr109bn, or a fall of about 40% compared with the level throughout 2005.

Market share, all markets	Q1	Full year
%	2006	2005
Gross lending	29.5	29.5
Net new lending	30.3	27.5
Loan portfolio	33.1	33.4

Realkredit Danmark's market share of net new lending was 30.3% in the first quarter of 2006, against 27.5% in 2005. The increase in market share is attributable to the private market segment.

Lending broken down by loan type	Share of gross lending		Share of loan portfolio	
	Q1	Full year	March	Dec.
%	2006	2005	2006	2005
FlexLån [®]	32	30	45	45
Fixed-rate loans	36	48	43	44
FlexGaranti [®]	24	18	10	9
RD Cibor6 [®] *	8	4	2	2
Total	100	100	100	100

* Introduced in the autumn of 2005

In the first quarter of 2006, FlexGaranti[®] accounted for an increasing share of Realkredit Danmark's gross lending. This is because personal customers in particular have focused on the rise in interest rates and have chosen rate cap loans.

Portfolio characteristics

The last few years have been characterised by several refinancing waves driven by falling interest rates and product innovation.

The refinancing activity has been important for the composition and characteristics of the portfolio. Among other things, Realkredit Danmark's portfolio is characterised by several product types, a lower

average interest rate and lower loan-to-value ratios than previously.

A number of new mortgage finance products have been developed during the past few years. FlexLån[®], interest-only loans and the latest new product, FlexGaranti[®], are some of the most important new products. Indeed, today, the portfolio is more diversified than ever before.

FlexLån[®] is an attractive loan type first of all in a scenario with a normal yield curve and falling interest rates, while the demand for FlexGaranti[®] is strongest when interest rates are expected to rise. The fact that so many borrowers have taken advantage of the new loan types reflects a growing alertness to interest rate trends. At March 31, 2006, for example, the lending portfolio's share of FlexGaranti[®] had grown to 10% from 2% at the end of 2004, while the share of FlexLån[®] fell from 49% to 45% in the same period.

The new products and the many fixed-rate mortgage loans refinanced to a lower coupon have brought about a considerable reduction in the interest burden of borrowers. From 2002 to 2005, the total interest burden on the portfolio was reduced from 5.3% to 4.2%.

The option of interest-only loans has also improved the tolerance of borrowers to critical financial periods as interest-only loans give them a chance to ease their personal financial situation from time to time, which can be of vital importance in some cases.

The average loan-to-value ratio of Realkredit Danmark's personal customers has been reduced during the past few years. From 2002 to 2005, the average loan-to-value ratio of personal customers has fallen from 62% to 58%. One reason for this is rising house prices, but it also indicates a growing quality of the portfolio and responsible borrower behaviour. In the same period, the average loan-to-value ratio of the corporate market fell from 61% to 58%.

Outlook for 2006

The outlook for 2006 is unchanged compared with the statements made in the Annual Report for 2005.

A fall in activity in the Danish mortgage credit market is expected following the exceptionally high level of refinancing in 2005.

The private market is expected to see slightly rising property prices and stable property sales. Consequently, the demand for mortgage loans to finance changes of ownership is likely to be at the same level as in 2005. Due to the rise in interest rates in 2006, refinancing generated by changes in interest rates is expected to decline.

The corporate market is expected to record a rise in new construction within urban trade, whereas construction in the agricultural and residential rental segments is expected to show a downward trend.

The increase in the volume of lending will boost the administration margin in 2006. Net interest income is forecast to rise because of higher interest rates. Net fee income will fall because of a rise in the fees paid to Danske Bank and BG Bank for loans arranged through them and the expected decline in refinancing activity. Net trading income will depend largely on the level of securities prices at the end of the year.

Operating expenses are expected to show a modest increase.

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

The pre-tax profit for 2006 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 2005.

The Group's tax is expected to amount to 28% of profit before tax.

Copenhagen, May 2, 2006

Financial highlights - Realkredit Danmark Group

NET PROFIT FOR THE PER.	Q1	Q1	Index	Q1	Q4	Q3	Q2	Q1	Full year
DKr m	2006	2005	06/05	2006	2005	2005	2005	2005	2005
Administration margin	652	597	109	652	640	625	609	597	2,471
Net interest income	297	281	106	297	302	296	299	281	1,178
Net fee income	-61	38	-161	-61	12	2	31	38	83
Net trading income	-44	141	-31	-44	-1	37	178	141	355
Other income	50	50	100	50	40	120	22	50	232
Total income	894	1,107	81	894	993	1,080	1,139	1,107	4,319
Operating expenses	301	306	98	301	333	291	321	306	1,251
Profit before credit loss expenses	593	801	74	593	660	789	818	801	3,068
Credit loss expenses	-9	-49	-	-9	-24	-18	-27	-49	-118
Profit before tax	602	850	71	602	684	807	845	850	3,186
Tax	169	239	71	169	122	207	201	239	769
Net profit for the period	433	611	71	433	562	600	644	611	2,417

BALANCE SHEET	March 31	March 31	Index	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
DKr m	2006	2005	06/05	2006	2005	2005	2005	2005	2005
Due from credit institutions etc.	17,654	35,510	50	17,654	16,943	36,506	41,787	35,510	16,943
Mortgage loans	567,002	531,206	107	567,002	569,092	557,717	545,801	531,206	569,092
Bonds and shares	5,759	11,736	49	5,759	35,925	9,641	10,300	11,736	35,925
Other assets	1,988	3,045	65	1,988	3,893	3,334	3,265	3,045	3,893
Total assets	592,403	581,497	102	592,403	625,853	607,198	601,153	581,497	625,853
Due to credit institutions etc.	2,554	-	-	2,554	45,390	2,114	2,722	-	45,390
Issued mortgage bonds	552,293	545,749	101	552,293	536,530	563,401	558,836	545,749	536,530
Other liabilities	6,313	6,919	91	6,313	13,123	11,610	10,122	6,919	13,123
Shareholders' equity	31,243	28,829	108	31,243	30,810	30,073	29,473	28,829	30,810
Total liabilities and equity	592,403	581,497	102	592,403	625,853	607,198	601,153	581,497	625,853

Ratios and key figures	Q1	Q1	Q1	Q4	Q3	Q2	Q1	Full year
	2006	2005	2006	2005	2005	2005	2005	2005
Net profit for the period as % p.a. of avg. shareh. equity	5.6	8.3	5.6	7.4	8.1	8.8	8.3	8.0
Cost/core income ratio, %	33.7	27.6	33.7	33.5	26.9	28.2	27.6	29.0
Solvency ratio (excl. of net profit for the period), %*	10.2	9.8	10.2	10.1	9.4	9.5	9.8	10.1
Core (tier 1) capital ratio (excl. of net profit for the period)*	10.2	9.7	10.2	10.0	9.3	9.4	9.7	10.0
Full-time-equiv. staff, end of yr	751	741	751	749	761	741	741	749

* Q4 2005 figure includes the profit for the year.

Accounting policies - Realkredit Danmark Group

This report for the first quarter of 2006 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 company has not changed its accounting policies from those followed in the Annual Report for 2005.

Standards and interpretations that have not yet come into force

The International Accounting Standards Board (IASB) has approved a number of international accounting standards and interpretations that have not yet come into force. None of these is expected to affect the Group's financial reporting.

Income statement - Realkredit Danmark Group

DKr m	Q1 2006	Q1 2005
Interest income	6,050	6,765
Interest expense	5,118	5,763
Net interest income	932	1,002
Dividends from shares	-	-
Fee and commission income	148	221
Fee and commission expense	209	183
Net fee and commission income	871	1,040
Value adjustments	-27	-4
Other operating income	50	50
Staff costs and administrative expenses	299	304
Impairment, amortisation and depreciation	2	2
Credit loss expenses	-9	-49
Income from associated and subsidiary undertakings	-	21
Profit before tax	602	850
Tax	169	239
Net profit for the period	433	611

Balance sheet - Realkredit Danmark Group

DKr m	March 31 2006	December 31 2005	March 31 2005
ASSETS			
Cash in hand and demand deposits with central banks	4	7	6
Due from credit institutions and central banks	17,650	16,936	35,504
Bonds at fair value	5,515	35,700	11,571
Mortgage loans at fair value	567,002	569,092	531,206
Loans and other amounts due at amortised cost	343	556	500
Shares	244	225	133
Holdings in associated undertakings	-	-	31
Land and buildings	119	119	653
Investment property	-	-	366
Domicile property	119	119	287
Other tangible assets	15	16	17
Current tax assets	-	10	24
Deferred tax assets	82	88	88
Other assets	1,407	3,089	1,542
Prepayments	22	15	222
Total assets	592,403	625,853	581,497
LIABILITIES AND EQUITY			
AMOUNTS DUE			
Due to credit institutions and central banks	2,554	45,390	-
Issued mortgage bonds at fair value	552,293	536,530	545,749
Current tax liabilities	12	-	116
Other liabilities	6,106	13,063	6,803
Deferred income	195	60	-
Total amounts due	561,160	595,043	552,668
SHAREHOLDERS' EQUITY			
Share capital	630	630	625
Other reserves			
Reserves in series	2,104	1,640	2,104
Other reserves	28,509	28,540	26,100
Total shareholders' equity	31,243	30,810	28,829
Total liabilities and equity	592,403	625,853	581,497

Capital - Realkredit Danmark Group

DKr m	Share capital	Proposed dividend	Other reserves	Total
Shareholders' equity at January 1, 2006	630	-	30,180	30,810
Net profit for the period	-	-	433	433
Shareholders' equity at March 31, 2006	630	-	30,613	31,243
Shareholders' equity at January 1, 2005	625	1,500	27,593	29,718
Net profit for the period	-	-	611	611
Dividends paid	-	-1,500	-	-1,500
Shareholders' equity at March 31, 2005	625	-	28,204	28,829

The share capital comprises 6,300,000 shares of DKr100 each and is wholly-owned by Danske Bank A/S, Copenhagen.

Solvency - Realkredit Danmark Group

DKr m	March 31 2006	December 31 2005	March 31 2005
Shareholders' equity	31,243	30,810	28,829
Net profit for the period	-433	-	-611
Change of method for measurement of loans, claims against individual borrowers	-	-	-76
Domicile property	50	50	38
Pension obligation, December 31, 2005	-41	-41	-
Tax effect, December 31, 2005	12	12	-
Revaluation reserve	-24	-24	-18
Capitalised tax assets	-100	-100	-121
Core (tier 1) capital, less statutory deductions	30,707	30,707	28,041
Reserves in series subject to a reimbursement obligation	160	160	186
Revaluation reserve	24	24	18
Capital base less statutory deductions	30,891	30,891	28,245
Risk-weighted items:			
not included in trading portfolio	297,253	300,823	283,515
with market risk included in trading portfolio	4,393	5,612	4,853
Total risk-weighted items	301,646	306,435	288,368
Core (tier 1) capital ratio, %	10.18	10.02	9.72
Solvency ratio, %	10.24	10.08	9.79

Cash flow statement - Realkredit Danmark Group

DKr m	Q1 2006	Q1 2005
Cash flow from operating activities		
Net profit for the period	433	611
Adjustment for non-liquid items in the income statement	-5,595	-8,319
Total	-5,162	-7,708
Cash flow from operating capital:		
Mortgage loans	-9,281	-5,024
Issued mortgage bonds	27,312	13,193
Other operating capital	-12,584	23,481
Cash flow from operating activities	285	23,942
Cash flow from investing activities		
Sale of business units	-	258
Acquisition/sale of tangible assets	426	-1
Total	426	257
Cash flow from financing activities		
Dividends	-	-1,500
Total	-	-1,500
Cash and cash equivalents at January 1	16,943	12,811
Change during the period	711	22,699
Cash and cash equivalents at March 31	17,654	35,510
Cash and cash equivalents at March 31		
Cash in hand and demand deposits with central banks	4	6
Deposits with credit institutions and central banks with terms shorter than 3 months	17,650	35,504
Total	17,654	35,510

Operating activity accounts - Realkredit Danmark Group

Q1 2006	Mortgage	Own	Total	Reclassification	Highlights
DKr m	finance	holdings			
Administration margin	652	-	652	-	652
Net interest income	297	-17	280	17	297
Dividends from shares	-	-	0	-	-
Net fee income	-61	-	-61	-	-61
Net trading income	-	-	-	-44	-44
Value adjustments	42	-83	-41	41	-
Other income	50	-	50	-	50
Total income	980	-100	880	14	894
Operating expenses	300	1	301	-	301
Profit before credit loss expenses	680	-101	579	14	593
Credit loss expenses	-9	-	-9	-	-9
Income from associated and subsidiary undertakings	-	14	14	-14	-
Profit before tax	689	-87	602	-	602

Q1 2005	Mortgage	Own	Total	Reclassification	Highlights
DKr m	finance	holdings			
Administration income	597	-	597	-	597
Net interest income	281	123	404	-123	281
Net fee income	38	-	38	-	38
Net trading income	-	-	-	141	141
Value adjustments	40	-43	-3	3	-
Other income	50	-	50	-	50
Total income	1,006	80	1,086	21	1,107
Operating expenses	305	1	306	-	306
Profit before credit loss expenses	701	79	780	21	801
Credit loss expenses	-49	-	-49	-	-49
Income from associated and subsidiary undertakings	-	21	21	-21	-
Profit before tax	750	100	850	-	850

In addition to the mortgage finance business itself, mortgage finance also includes purchases and sales of real property through the "home" franchise. Under the Danish Financial Business Act, at least 60% of the capital base of a mortgage credit institution must be invested in bonds etc. Own holdings comprise the net return on the part of the securities portfolio not relating to the mortgage finance business.

Income from trading activities and own holdings is carried in the income statement under value adjustments. In the consolidated highlights, this income is reclassified to net trading income.

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 obligations are covered by ongoing payments made to insurance companies, pension funds, etc. In addition, Realkredit Danmark guarantees the pension obligations 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.

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 indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and similar commitments not recognised on the balance sheet.

GUARANTEES AND OTHER LIABILITIES DKr m	March 31 2006	December 31 2005	March 31 2005
Guarantees etc.	4	4	4
Other liabilities	936	1,025	1,062
Total	940	1,029	1,066

Additional information

Financial calendar

Realkredit Danmark plans the announcement of financial reports for 2006 to take place on the following dates:

- Half-year report: August 10
- Nine-month report: October 31

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