

Quarterly report – First nine months of 2006

Stock exchange announcement No. 17/2006
October 31, 2006

Financial highlights - Realkredit Danmark Group

NET PROFIT FOR THE PERIOD DKr m	Q1-Q3 2006	Q1-Q3 2005	Index 06/05	Full year 2005
Administration margin	1,999	1,831	109	2,471
Net interest income	906	876	103	1,178
Net fee income	-175	71	-	83
Net trading income	115	356	32	355
Other income	281	192	146	232
Total income	3,126	3,326	94	4,319
Operating expenses	868	918	95	1,251
Profit before credit loss expenses	2,258	2,408	94	3,068
Credit loss expenses	-86	-94	91	-118
Profit before tax	2,344	2,502	94	3,186
Tax	608	647	94	769
Net profit for the period	1,736	1,855	94	2,417

BALANCE SHEET DKr m	September 30, 2006	September 30, 2005	Index 06/05	December 31, 2005
Due from credit institutions etc.	16,521	36,506	45	16,943
Mortgage loans at fair value	592,784	557,717	106	569,092
Bonds and shares	11,749	9,641	122	35,925
Other assets	2,374	3,334	71	3,893
Total assets	623,428	607,198	103	625,853
Due to credit institutions etc.	1,803	2,114	85	45,390
Issued mortgage bonds	579,047	563,401	103	536,530
Other liabilities	10,032	11,610	86	13,123
Shareholders' equity	32,546	30,073	108	30,810
Total liabilities and equity	623,428	607,198	103	625,853

RATIOS AND KEY FIGURES	Q1-Q3 2006	Q1-Q3 2005	Full year 2005
Net profit for the period as % p.a. of avg. shareholders' equity	7.3	8.3	8.0
Cost/income ratio, %	27.8	27.6	29.0
Solvency ratio (incl. of net profit for the period), %	10.0	10.0	10.1
Core (tier 1) capital ratio (incl. of net profit for the period), %	10.0	10.0	10.0
Full-time-equivalent staff, end of period	755	761	749

This Quarterly Report is a translation of the original report in the Danish language (Kvartalsrapport –1.-3. kvartal 2006). In case of discrepancies the Danish version prevails.

Management's report

- The Realkredit Danmark Group recorded a pre-tax profit of DKr2,344m for the first nine months of 2006, against DKr2,502m for the same period in 2005, which was in line with expectations.
- In the first nine months of the year, the outstanding nominal bond debt on mortgage lending rose by DKr35bn to DKr598bn.
- The Group's market share of net new lending rose to 29.5% in the first nine months of 2006 from 27.5% in 2005. The market share of the loan portfolio was 32.8% at September 30, 2006, against 33.4% at the end of 2005.
- At September 30, 2006, the solvency ratio was 10.0%.
- For 2006, the pre-tax profit is still expected to be at around the same level as in 2005.

Results for the first nine months of 2006

For the first nine months of 2006, the Realkredit Danmark Group's pre-tax profit was DKr2,344m, against DKr2,502m for the first nine months of 2005 – in line with expectations.

At DKr1,999m, the administration margin was up DKr168m on the year-earlier period as a result of a growing loan portfolio.

As expected, net fee income was affected by declining activity in the mortgage credit market and larger payments to Danske Bank and BG Bank for loans arranged through them and showed a charge of DKr175m, or a fall of DKr246m compared with the same period in 2005.

In view of the rise in interest rates in the period under review, net trading income fell to DKr115m, against DKr356m in the first nine months of 2005. 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.

In September 2006, Realkredit Danmark relocated its head office to Lyngby, a Copenhagen suburb, and sold its former head office building at Jarmers Plads in central Copenhagen. The profit of DKr137m on the sale was taken to income in the third quarter of 2006 under "Other income".

Total income fell 6% compared with the first nine months of 2005.

At DKr868m, operating expenses were reduced by 5% compared with the same period the year before.

In the first nine months of 2006, credit loss expenses represented an income of DKr86m, against DKr94m in

the same period the year before. The income derives from claims previously written off and reversal of impairment charges on loans to corporate customers.

For the first nine months of 2006, the Realkredit Danmark Group's total tax charge amounted to DKr608m, corresponding to an effective tax rate of 26%.

Capital and solvency

At September 30, 2006, shareholders' equity was DKr32,546m, against DKr30,810m at the end of 2005. The increase derived from the profit for the period.

With effect from January 1, 2006, the net profit for the period less expected dividend is included in the calculation of the solvency ratio. The solvency ratio at the end of the third quarter of 2006 stood at 10.0%

Balance sheet

Measured at fair value, mortgage lending climbed DKr24bn to DKr593bn in the first nine months of 2006. The outstanding nominal bond debt increased by DKr35bn to DKr598bn following gross lending of DKr106bn.

The private market accounted for 62% of the total loan portfolio at September 30, 2006, the same as in 2005. Interest-only loans accounted for 38% of Realkredit Danmark's portfolio of loans to the private market at the end of September 2006, against 33% at the end of 2005.

In the first nine months of 2006, issued mortgage bonds carried at fair value rose by DKr43bn to DKr579bn. In terms of nominal value, issued bonds rose by DKr54bn to DKr585bn. The amounts are exclusive of holdings of own bonds.

Mortgage credit market

Since the beginning of the year, interest rates have generally increased, and, as expected, lending activity was lower in the first nine months of 2006 as interest-rate driven refinancing activity was insignificant compared with 2005.

Yield to maturity %	September 30, 2006	December 31, 2005
FlexLån [®] , full annual reset	3.9	2.9
30-year 4% fixed-rate loan	4.7	4.4
30-year 5% fixed-rate loan	5.2	5.0
FlexGaranti [®] 5M	4.5	3.1
RD Cibor6 [®]	3.7	2.7

In the first nine months of 2006, gross lending in the Danish mortgage credit market totalled Dkr330bn, or a fall of about 40% compared with the level throughout 2005.

Market share, all markets %	Q1-Q3 2006	Full year 2005
Gross lending	30.7	29.5
Net new lending	29.5	27.5
Loan portfolio	32.8	33.4

Realkredit Danmark's market share of net new lending rose to 29.5% in the first nine months of 2006 from 27.5% in 2005. The increase in market share has been won in a market with larger net new lending than in the first nine months of 2005.

Lending broken down by loan type %	Share of gross lending		Share of loan portfolio	
	Q1-Q3 2006	Full year 2005	Sept. 30, 2006	Dec. 31, 2005
FlexLån [®]	39	30	43	45
Fixed-rate loans	40	48	44	44
FlexGaranti [®]	16	18	11	9
RD Cibor6 ^{®*}	5	4	2	2
Total	100	100	100	100

* Introduced in the autumn of 2005

In the first nine months of 2006, FlexLån[®] accounted for an increasing share of Realkredit Danmark's gross lending, which was attributable to the corporate market.

Outlook for 2006

The outlook for 2006 is unchanged compared with the statements made in the interim report for the first half of 2006.

A fall in activity in the Danish mortgage credit market is expected for the full year 2006 following the excep-

tionally high level of refinancing in 2005. Despite the lower activity, growth in lending is expected to be at the same level as in 2005.

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 is forecast to fall because of larger payments to Danske Bank and BG Bank for loans arranged through them and expectations of lower 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 be slightly lower than in 2005.

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 27% of profit before tax.

Copenhagen, October 31, 2006

Financial highlights - Realkredit Danmark Group

NET PROFIT FOR THE PERIOD DKr m	Q1-Q3 2006	Q1-Q3 2005	Index 06/05	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Full year 2005
Administration margin	1,999	1,831	109	681	666	652	640	625	2,471
Net interest income	906	876	103	312	297	297	302	296	1,178
Net fee income	-175	71	-	-61	-53	-61	12	2	83
Net trading income	115	356	32	135	24	-44	-1	37	355
Other income	281	192	146	183	48	50	40	120	232
Total income	3,126	3,326	94	1,250	982	894	993	1,080	4,319
Operating expenses	868	918	95	273	294	301	333	291	1,251
Profit before credit loss expenses	2,258	2,408	94	977	688	593	660	789	3,068
Credit loss expenses	-86	-94	91	-22	-55	-9	-24	-18	-118
Profit before tax	2,344	2,502	94	999	743	602	684	807	3,186
Tax	608	647	94	240	199	169	122	207	769
Net profit for the period	1,736	1,855	94	759	544	433	562	600	2,417

BALANCE SHEET DKr m	Sept. 30, 2006	Sept. 30, 2005	Index 06/05	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 30, 2005	Dec. 31, 2005
Due from credit institutions etc.	16,521	36,506	45	16,521	21,496	17,654	16,943	36,506	16,943
Mortgage loans	592,784	557,717	106	592,784	573,105	567,002	569,092	557,717	569,092
Bonds and shares	11,749	9,641	122	11,749	9,874	5,759	35,925	9,641	35,925
Other assets	2,374	3,334	71	2,374	2,428	1,988	3,893	3,334	3,893
Total assets	623,428	607,198	103	623,428	606,903	592,403	625,853	607,198	625,853
Due to credit institutions etc.	1,803	2,114	85	1,803	1,811	2,554	45,390	2,114	45,390
Issued mortgage bonds	579,047	563,401	103	579,047	564,054	552,293	536,530	563,401	536,530
Other liabilities	10,032	11,610	86	10,032	9,251	6,313	13,123	11,610	13,123
Shareholders' equity	32,546	30,073	108	32,546	31,787	31,243	30,810	30,073	30,810
Total liabilities and equity	623,428	607,198	103	623,428	606,903	592,403	625,853	607,198	625,853

RATIOS AND KEY FIGURES	Q1-Q3 2006	Q1-Q3 2005	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Full year 2005
Net profit for the period as % p.a. of avg. shareholders' equity	7.3	8.3	9.4	6.9	5.6	7.4	8.1	8.0
Cost/income ratio, %	27.8	27.6	21.8	29.9	33.7	33.5	26.9	29.0
Solvency ratio (incl. of net profit for the period), %	10.0	10.0	10.0	10.2	10.3	10.1	10.0	10.1
Core (tier 1) capital ratio (incl. of net profit for the period)	10.0	10.0	10.0	10.1	10.3	10.0	10.0	10.0
Full-time-equivalent staff, end of period	755	761	755	739	751	749	761	749

Accounting policies – Realkredit Danmark Group

The Realkredit Danmark Group's report for the first nine months 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 Group has not changed its accounting policies from those followed in the Annual Report for 2005. The Annual Report for 2005 provides a full description of the Group's accounting policies.

Standards and interpretations not yet in 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-Q3 2006	Q1-Q3 2005	Q3 2006	Q3 2005
Interest income	18,538	19,955	6,166	6,394
Interest expense	15,800	16,843	5,258	5,339
Net interest income	2,738	3,112	908	1,055
Dividends from shares	12	10	-	-
Fee and commission income	441	710	136	235
Fee and commission expense	616	639	197	233
Net fee and commission income	2,575	3,193	847	1,057
Value adjustments	270	-43	220	-28
Other operating income	281	153	183	51
Staff costs and administrative expenses	862	911	271	289
Impairment, amortisation and depreciation	6	7	2	2
Credit loss expenses	-86	-94	-22	-18
Income from associated and subsidiary undertakings	-	23	-	-
Profit before tax	2,344	2,502	999	807
Tax	608	647	240	207
Net profit for the period	1,736	1,855	759	600

Balance sheet - Realkredit Danmark Group

DKr m	September 30, 2006	December 31, 2005	September 30, 2005
ASSETS			
Cash in hand and demand deposits with central banks	5	7	15
Due from credit institutions and central banks	16,516	16,936	36,491
Bonds at fair value	11,640	35,700	9,408
Mortgage loans at fair value	592,784	569,092	557,717
Loans and other amounts due at amortised cost	468	556	396
Shares	109	225	207
Holdings in associated undertakings	-	-	26
Land and buildings	119	119	686
Investment property	-	-	400
Domicile property	119	119	286
Other tangible assets	14	16	16
Current tax assets	-	10	-
Deferred tax assets	80	88	76
Other assets	1,676	3,089	2,144
Prepayments	17	15	16
Total assets	623,428	625,853	607,198
LIABILITIES AND EQUITY			
AMOUNTS DUE			
Due to credit institutions and central banks	1,803	45,390	2,114
Issued mortgage bonds at fair value	579,047	536,530	563,401
Current tax liabilities	453	-	488
Other liabilities	9,528	13,063	11,081
Deferred income	51	60	41
Total amounts due	590,882	595,043	577,125
SHAREHOLDERS' EQUITY			
Share capital	630	630	625
Other reserves			
Reserves in series	1,640	1,640	2,104
Other reserves	30,276	28,540	27,344
Total shareholders' equity	32,546	30,810	30,073
Total liabilities and equity	623,428	625,853	607,198

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	-	-	1,736	1,736
Shareholders' equity at September 30, 2006	630	-	31,916	32,546
Shareholders' equity at January 1, 2005	625	1,500	27,593	29,718
Net profit for the period	-	-	1,855	1,855
Dividends paid	-	-1,500	-	-1,500
Shareholders' equity at September 30, 2005	625	-	29,448	30,073

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	September 30, 2006	December 31, 2005	September 30, 2005
Shareholders' equity	32,546	30,810	30,073
Expected dividend	-680	-	-
Net profit for the period	-	-	-1,855
Change of method for measurement of loans, claims against individual borrowers	-	-	-76
Domicile property	49	50	37
Pension obligation	-77	-41	-
Tax effect	22	12	-
Revaluation reserve	-35	-24	-18
Deferred tax assets	-101	-100	-109
Core (tier 1) capital, less statutory deductions	31,724	30,707	28,052
Reserves in series subject to a reimbursement obligation	160	160	187
Revaluation reserve	35	24	18
Capital base less statutory deductions	31,919	30,891	28,257
Risk-weighted items:			
not included in trading portfolio	313,603	300,823	296,583
with market risk included in trading portfolio	4,256	5,612	3,805
Total risk-weighted items	317,859	306,435	300,388
Core (tier 1) capital ratio, %	9.98	10.02	9.34
Solvency ratio, %	10.04	10.08	9.41

In 2005, solvency was calculated in accordance with the rules then in force issued by the Danish Financial Supervisory Authority. At September 30, 2005, solvency was calculated exclusive of the net profit for the period.

Cash flow statement - Realkredit Danmark Group

DKr m	Q1-Q3 2006	Q1-Q3 2005
Cash flow from operating activities		
Net profit for the period	1,736	1,855
Adjustment for non-liquid items in the income statement	-2,460	-2,766
Total	-724	-911
Cash flow from operating capital:		
Mortgage loans	-34,918	-29,548
Issued mortgage bonds	54,070	28,922
Other operating capital	-19,274	26,424
Cash flow from operating activities	-846	24,887
Cash flow from investing activities		
Sale of business units	-	311
Acquisition/sale of tangible assets	424	-3
Total	424	308
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	-422	23,695
Cash and cash equivalents at September 30	16,521	36,506

Operating activity accounts - Realkredit Danmark Group

Q1-Q3 2006 DKr m	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	1,999	-	1,999	-	1,999
Net interest income	906	-167	739	167	906
Dividends from shares	-	12	12	-12	-
Net fee income	-175	-	-175	-	-175
Net trading income	-	-	-	115	115
Value adjustments	110	160	270	-270	-
Other income	281	-	281	-	281
Total income	3,121	5	3,126	-	3,126
Operating expenses	865	3	868	-	868
Profit before credit loss expenses	2,256	2	2,258	-	2,258
Credit loss expenses	-86	-	-86	-	-86
Income from associated and subsidiary undertakings	-	-	-	-	-
Profit before tax	2,342	2	2,344	-	2,344
Q1-Q3 2005 DKr m	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	1,831	-	1,831	-	1,831
Net interest income	876	405	1,281	-405	876
Dividends from shares	-	10	10	-10	-
Net fee income	71	-	71	-	71
Net trading income	-	-	-	356	356
Value adjustments	188	-231	-43	43	-
Other income	153	-	153	39	192
Total income	3,119	184	3,303	23	3,326
Operating expenses	915	3	918	-	918
Profit before credit loss expenses	2,204	181	2,385	23	2,408
Credit loss expenses	-94	-	-94	-	-94
Income from associated and subsidiary undertakings	-	23	23	-23	-
Profit before tax	2,298	204	2,502	-	2,502

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 net interest income, value adjustments, etc. 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 Group does not expect the outcomes of the cases pending to have any material effect on its financial position.

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 the prior-year corporation tax charges of 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	September 30, 2006	December 31, 2005	September 30, 2005
Guarantees etc.	4	4	4
Other liabilities	920	1,025	1,033
Total	924	1,029	1,037

Additional information

Financial calendar

Realkredit Danmark plans to release its financial reports in 2007 on the following dates:

- Financial Results and Annual Report 2006:
January 31, 2007
- Quarterly Report – First quarter of 2007:
May 1, 2007
- Interim Report 2007: August 9, 2007
- Quarterly Report – First nine months of 2007:
October 30, 2007

Contact person at Realkredit Danmark

Sven Holm, Chairman of the Executive Board and
Chief Executive Officer
Tel. +45 45 13 20 81

Address

Realkredit Danmark A/S
Parallelvej 17
DK-2800 Kgs. Lyngby
Tel. +45 70 12 53 00
CVR-nr. 13 39 91 74 – Lyngby-Taarbæk

Useful links

www.rd.dk
www.danskebank.com
www.bgbank.dk
www.home.dk