

# Announcement of financial results 2006

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Stock Exchange Announcement No. 2/2007  
January 31, 2007

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## Financial highlights - Realkredit Danmark Group

<b>NET PROFIT FOR THE YEAR</b>			Index
DKr m	2006	2005	06/05
Administration margin	2,689	2,471	109
Net interest income	1,281	1,178	109
Net fees	-233	83	-
Net trading income	222	355	63
Other income	324	232	140
<b>Total income</b>	<b>4,283</b>	<b>4,319</b>	<b>99</b>
Operating expenses	1,171	1,251	94
<b>Profit before credit loss expenses</b>	<b>3,112</b>	<b>3,068</b>	<b>101</b>
Credit loss expenses	-105	-118	89
<b>Profit before tax</b>	<b>3,217</b>	<b>3,186</b>	<b>101</b>
Tax	861	769	112
<b>Net profit for the year</b>	<b>2,356</b>	<b>2,417</b>	<b>97</b>
<b>BALANCE SHEET</b>			
DKr m			
Due from credit institutions etc.	18,554	16,943	110
Mortgage loans at fair value	602,584	569,092	106
Bonds and shares	39,553	35,925	110
Other assets	2,586	3,893	66
<b>Total assets</b>	<b>663,277</b>	<b>625,853</b>	<b>106</b>
Due to credit institutions etc.	5,267	45,390	12
Issued mortgage bonds	610,761	536,530	114
Other liabilities	14,083	13,123	107
Shareholders' equity	33,166	30,810	108
<b>Total liabilities and equity</b>	<b>663,277</b>	<b>625,853</b>	<b>106</b>
<b>RATIOS AND KEY FIGURES</b>			
Net profit for the year as % p.a. of avg. shareholders' equity	7.4	8.0	
Cost/income ratio, %	27.3	29.0	
Solvency ratio, %	10.2	10.1	
Core (tier 1) capital ratio, %	10.2	10.0	
Full-time-equivalent staff, end of year	738	749	

## Review

- In 2006, the Realkredit Danmark Group's pre-tax profit was DKr3,217m, against DKr3,186m in 2005. The profit was in line with expectations.
- The nominal outstanding bond debt rose DKr46bn to DKr609bn in 2006.
- The market share of net new lending climbed from 27.5% in 2005 to 28.7% in 2006. The market share of the loan portfolio was 32.8% at the end of 2006, down from 33.4% at year-end 2005.
- At the end of 2006, the solvency ratio was 10.2%.
- For 2007, the profit before tax is expected to be 3-8% higher than in 2006.

### Results for 2006

In 2006, the Realkredit Danmark Group's pre-tax profit was DKr3,217m, against DKr3,186m the year before. The financial performance matched the level forecast at the publication of the report for the first nine months of 2006.

After tax, the profit for the year stood at DKr2,356m, against DKr2,417m in 2005.

Total income amounted to DKr4,283m in 2006, down from DKr4,319m in 2005.

At DKr2,689m, the administration margin was up DKr218m on the previous year as a result of the larger loan portfolio.

Net fees fell by DKr316m relative to 2005 to an expense of DKr233m primarily as a result of lower refinancing activity in the mortgage credit market and higher fees for mortgage lending arranged by Danske Bank and BG Bank.

The rising interest rates caused net trading income to fall to DKr222m, from DKr355m 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.

Other income climbed DKr92m to DKr324m in 2006. Of the income in 2006, DKr137m derived from a gain on the sale of the former head office building at Jarmers Plads in Copenhagen.

At DKr1,171m, operating expenses were reduced by 6% relative to the year before.

As in 2005, credit loss expenses represented a net income. This income amounted to DKr105m in 2006 against DKr118m in 2005. The net income was attributable to the persistently favourable economic climate, which resulted in a low level of new impairment

charges and also the reversal of previously made impairment charges on corporate customers and income from claims previously written off. The total impairment charge stood at DKr108m at year-end 2006, against DKr140m at year-end 2005.

Realkredit Danmark is taxed jointly with Danske Bank. Realkredit Danmark's total tax charge for 2006 was DKr861m, corresponding to an effective tax rate of 27%.

### Capital and solvency

Shareholders' equity stood at DKr33,166m at the end of 2006, up from DKr30,810m at year-end 2005. The increase equals the profit for the year. No dividend will be paid for 2006.

On December 31, 2006, the capital base stood at DKr33,129m, corresponding to a solvency ratio of 10.2%. The statutory minimum requirement is 8.0%.

From 2007, new rules will be introduced for the minimum capital of mortgage credit institutions, the capital requirements directive (CRD), which gives financial institutions a choice between different methods for meeting their capital requirements. In 2006, the Danske Bank Group filed an application with the Danish FSA for applying advanced in-house models to calculate the capital requirement for credit risks. The Group expects to apply the new calculation methods from 2008 and to obtain the full effect of the amended rules by 2010. The new rules will lead to a lower capital requirement for Realkredit Danmark.

For further information about the Group's position on CRD, go to the website [www.rd.dk/omrd](http://www.rd.dk/omrd).

### Balance sheet

In 2006, the Group's total assets rose 6% to DKr663bn.

Mortgage lending measured at fair value rose by DKr34bn to DKr603bn in 2006. The nominal outstanding bond debt rose by DKr46bn to DKr609bn after gross lending of DKr145bn in 2006.

The private market accounted for 62% of the total loan portfolio at end-2006, unchanged from year-end 2005. Interest-only loans accounted for 39% of the loan portfolio in the private market at December 31, up from 33% at year-end 2005.

Issued mortgage bonds measured at fair value rose by DKr74bn to DKr611bn in 2006. In nominal value, issued bonds rose by DKr86bn to DKr617bn. The amounts are exclusive of holdings of own mortgage bonds.

### Mortgage credit market

Danish bond yields rose in 2006. The table shows that short-term interest rates posted the biggest increase. The rise in interest rates caused a sharp drop in interest-driven refinancing.

Effective rate of interest %	Dec. 31 2006	Dec. 31 2005
FlexLån <sup>®</sup> F1	4.2	2.9
4% 30-year fixed-rate loan	4.8	4.4
5% 30-year fixed-rate loan	5.2	5.0
FlexGaranti <sup>®</sup> 5M	4.5	3.1
RD Cibor6 <sup>®</sup>	4.0	2.7

Total gross lending in the Danish mortgage credit market fell 37% in 2006 to DKr469bn, returning to a normal level that corresponded to gross lending in 2004. The large decline relative to 2005 was due partly to rising interest rates, partly to a decline in refinancing activity.

Market share, all markets %	2006	2005
Gross lending	29.7	29.5
Net new lending	28.7	27.5
Loan portfolio	32.8	33.4

The market share of net new lending climbed from 27.5% in 2005 to 28.7% in 2006. The market share of the loan portfolio was 32.8% at the end of 2006, down from 33.4% at year-end 2005.

Lending broken down by loan types is illustrated in the table. FlexLån<sup>®</sup> represented a rising share of total gross lending, while the market share of fixed-rate loans declined. The increase for FlexLån<sup>®</sup> was achieved in the corporate market. The number of private customers raising fixed-rate loans continues to rise.

Lending broken down by loan type %	Share of gross lending		Share of loan portfolio	
	2006	2005	2006	2005
FlexLån <sup>®</sup>	38	30	42	45
Fixed-rate loans	41	48	44	44
FlexGaranti <sup>®</sup>	14	18	11	9
RD Cibor6 <sup>®*</sup>	7	4	3	2
Total	100	100	100	100

\* Launched in the autumn of 2005.

### Outlook for 2007

Activity in the mortgage credit market in 2007 is expected to be more or less on a par with 2006. Due to the expected slight rise in interest rates in 2007, the level of interest-driven refinancing is forecast to be low.

The private market is expected to see unchanged to slightly rising property prices and unchanged property sales. Consequently, demand for mortgage loans to finance changes of ownership is likely to be at the same level as in 2006.

The corporate market is expected to record trends similar to those in 2006 in urban trade and, to some extent, in residential rental property, although construction of large residential properties is expected to slow. The agricultural segment is expected to see the structural change towards larger production units continue, while the rate of price increase on agricultural property will decline.

The increase in the volume of lending will boost the administration margin in 2007. Net interest income is forecast to rise as a result of the general rise in interest rates. Net fee expenses will go up because of the activity and portfolio-based fees paid to Danske Bank and BG Bank for mortgage loans arranged through them. Net trading income will depend largely on the level of securities prices at the end of the year. Other income will fall as 2006 was influenced by one-off income from the sale of the head office building at Jarmers Plads.

Operating expenses are expected to remain unchanged.

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

The pre-tax profit for 2007 will depend largely on trends in the financial markets, including the level of securities prices at the end of the year. At a slight increase in interest rates, pre-tax profit is expected to be 3-8% higher than in 2006.

Tax payable by the Group is expected to be 28% of the pre-tax profit.

Copenhagen, January 31, 2007

## Financial highlights - Realkredit Danmark Group

<b>NET PROFIT FOR THE PERIOD</b> DKr m	Full year 2006	Full year 2005	Index 06/05	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Administration margin	2,689	2,471	109	690	681	666	652	640
Net interest income	1,281	1,178	109	375	312	297	297	302
Net fees	-233	83	-	-58	-61	-53	-61	12
Net trading income	222	355	63	107	135	24	-44	-1
Other income	324	232	140	43	183	48	50	40
<b>Total income</b>	<b>4,283</b>	<b>4,319</b>	<b>99</b>	<b>1,157</b>	<b>1,250</b>	<b>982</b>	<b>894</b>	<b>993</b>
Operating expenses	1,171	1,251	94	303	273	294	301	333
Profit before credit loss expenses	3,112	3,068	101	854	977	688	593	660
Credit loss expenses	-105	-118	89	-19	-22	-55	-9	-24
Profit before tax	3,217	3,186	101	873	999	743	602	684
Tax	861	769	112	253	240	199	169	122
<b>Net profit for the period</b>	<b>2,356</b>	<b>2,417</b>	<b>97</b>	<b>620</b>	<b>759</b>	<b>544</b>	<b>433</b>	<b>562</b>

  

<b>BALANCE SHEET</b> DKr m	Dec. 31, 2006	Dec. 31, 2005	Index 06/05	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005
Due from credit institutions etc.	18,554	16,943	110	18,554	16,521	21,496	17,654	16,943
Mortgage loans	602,584	569,092	106	602,584	592,784	573,105	567,002	569,092
Bonds and shares	39,553	35,925	110	39,553	11,749	9,874	5,759	35,925
Other assets	2,586	3,893	66	2,586	2,374	2,428	1,988	3,893
<b>Total assets</b>	<b>663,277</b>	<b>625,853</b>	<b>106</b>	<b>663,277</b>	<b>623,428</b>	<b>606,903</b>	<b>592,403</b>	<b>625,853</b>
Due to credit institutions etc.	5,267	45,390	12	5,267	1,803	1,811	2,554	45,390
Issued mortgage bonds	610,761	536,530	114	610,761	579,047	564,054	552,293	536,530
Other liabilities	14,083	13,123	107	14,083	10,032	9,251	6,313	13,123
Shareholders' equity	33,166	30,810	108	33,166	32,546	31,787	31,243	30,810
<b>Total liabilities and equity</b>	<b>663,277</b>	<b>625,853</b>	<b>106</b>	<b>663,277</b>	<b>623,428</b>	<b>606,903</b>	<b>592,403</b>	<b>625,853</b>

  

<b>RATIOS AND KEY FIGURES</b>	Full year 2006	Full year 2005	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net profit for the period as % p.a. of avg. shareholders' equity	7.4	8.0	7.5	9.4	6.9	5.6	7.4
Cost/income ratio, %	27.3	29.0	26.2	21.8	29.9	33.7	33.5
Solvency ratio (incl. of net profit for the period), %	10.2	10.1	10.2	10.0	10.2	10.3	10.1
Core (tier 1) capital ratio (incl. of net profit for the period)	10.2	10.0	10.2	10.0	10.1	10.3	10.0
Full-time-equivalent staff, end of period	738	749	738	755	739	751	749

## Accounting policies – The Realkredit Danmark Group

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This Announcement of financial results 2006 has been prepared in compliance with the rules on announcements of financial results issued by the Copenhagen Stock Exchange A/S.

The accounting policies are unchanged from the policies applied in the Annual Report for 2005. The Annual Report for 2006 contains the full description of the accounting policies.

### **New standards and interpretations**

The International Accounting Standards Board (IASB) has issued a number of international accounting standards that have not yet come into force. Similarly, the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations that have not yet come into force. None of these standards and interpretations are expected to have any influence on Realkredit Danmark's financial reporting.

## Income statement - Realkredit Danmark Group

DKr m	2006	2005
Interest income	25,047	26,339
Interest expense	21,413	22,082
Net interest income	3,634	4,257
Dividends from shares	13	12
Fee and commission income	591	947
Fee and commission expense	824	864
Net fee and commission income	3,414	4,352
Value adjustments	545	-291
Other operating income	324	232
Staff costs and administrative expenses	1,162	1,242
Impairment, amortisation and depreciation	9	9
Credit loss expenses	-105	-118
Income from associated and subsidiary undertakings	-	26
Profit before tax	3,217	3,186
Tax	861	769
Net profit for the year	2,356	2,417

## Balance sheet - Realkredit Danmark Group

DKr m	December 31, 2006	December 31, 2005
<b>ASSETS</b>		
Cash in hand and demand deposits with central banks	7	7
Due from credit institutions and central banks	18,547	16,936
Bonds at fair value	39,448	35,700
Mortgage loans at fair value	602,584	569,092
Loans and other amounts due at amortised cost	436	556
Shares	105	225
Holdings in associated undertakings	-	-
Land and buildings	125	119
Investment property	-	-
Domicile property	125	119
Other tangible assets	17	16
Current tax assets	-	10
Deferred tax assets	67	88
Other assets	1,926	3,089
Prepayments	15	15
<b>Total assets</b>	<b>663,277</b>	<b>625,853</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Due to credit institutions and central banks	5,267	45,390
Issued mortgage bonds at fair value	610,761	536,530
Current tax liabilities	28	-
Other liabilities	13,971	13,063
Deferred income	84	60
<b>Total liabilities</b>	<b>630,111</b>	<b>595,043</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	630	630
Other reserves		
Reserves in series	1,453	1,640
Other reserves	31,083	28,540
<b>Total shareholders' equity</b>	<b>33,166</b>	<b>30,810</b>
<b>Total liabilities and equity</b>	<b>663,277</b>	<b>625,853</b>



## 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 year	-	-	2,356	2,356
Shareholders' equity at December 31, 2006	630	-	32,536	33,166
Shareholders' equity at January 1, 2005	625	1,500	27,593	29,718
Net profit for the year	-	-	2,417	2,417
Addition on merger	5	-	170	175
Dividends paid	-	-1,500	-	-1,500
Shareholders' equity at December 31, 2005	630	-	30,180	30,810

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

## Solvency - Realkredit Danmark Group

DKr m	December 31, 2006	December 31, 2005
Shareholders' equity	33,166	30,810
Domicile property	54	50
Pension obligation	-157	-41
Tax effect	44	12
Revaluation reserve	-43	-24
Deferred tax assets	-111	-100
Core (tier 1) capital, less statutory deductions	32,953	30,707
Reserves in series subject to a reimbursement obligation	133	160
Revaluation reserve	43	24
Capital base less statutory deductions	33,129	30,891
Risk-weighted items:		
not included in trading portfolio	318,733	300,823
with market risk included in trading portfolio	5,525	5,612
Total risk-weighted items	324,258	306,435
Core (tier 1) capital ratio, %	10.16	10.02
Solvency ratio, %	10.22	10.08

## Cash flow statement - Realkredit Danmark Group

DKr m	2006	2005
<b>Cash flow from operating activities</b>		
Profit before tax	3,217	3,186
Adjustment for non-liquid items in the income statement:		
Impairment, amortisation and depreciation	9	9
Credit loss expenses	-47	-78
Other non-cash items	-30	103
Tax paid	-781	-766
Total	2,368	2,454
Cash flow from operating capital:		
Bonds and shares	-3,483	-78
Mortgage loans	-45,826	-46,327
Issued mortgage bonds	86,815	7,387
Due to credit institutions	-40,123	43,322
Other assets/liabilities	1,134	-1,484
Cash flow from operating activities	885	5,274
<b>Cash flow from investing activities</b>		
Sale of business units	-	288
Acquisition of tangible assets	-7	-3
Sale of tangible assets	733	5
Cash flow from investing activities	726	290
<b>Cash flow from financing activities</b>		
Dividends	-	-1,500
Total	-	-1,500
<b>Cash and cash equivalents at January 1</b>	16,943	12,811
Change during the year	1,611	4,064
Addition on merger	-	68
Cash and cash equivalents at December 31	18,554	16,943
<b>Cash and cash equivalents at December 31</b>		
Cash in hand and demand deposits with central banks	7	7
Deposits with credit institutions and central banks with terms shorter than 3 months	18,547	16,936
Total	18,554	16,943

## Operating activity accounts - Realkredit Danmark Group

<b>2006</b> DKr m	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,689	-	2,689	-	2,689
Net interest income	1,281	-336	945	336	1,281
Dividends from shares	-	13	13	-13	-
Net fees	-233	-	-233	-	-233
Net trading income	-	-	-	222	222
Value adjustments	214	331	545	-545	-
Other income	324	-	324	-	324
<b>Total income</b>	<b>4,275</b>	<b>8</b>	<b>4,283</b>	<b>-</b>	<b>4,283</b>
Operating expenses	1,167	4	1,171	-	1,171
Profit before credit loss expenses	3,108	4	3,112	-	3,112
Credit loss expenses	-105	-	-105	-	-105
Income from associated and subsidiary undertakings	-	-	-	-	-
<b>Profit before tax</b>	<b>3,213</b>	<b>4</b>	<b>3,217</b>	<b>-</b>	<b>3,217</b>
<b>2005</b> DKr m	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,471	-	2,471	-	2,471
Net interest income	1,178	608	1,786	-608	1,178
Dividends from shares	-	12	12	-12	-
Net fees	83	-	83	-	83
Net trading income	-	-	-	355	355
Value adjustments	195	-486	-291	291	-
Other income	232	-	232	-	232
<b>Total income</b>	<b>4,159</b>	<b>134</b>	<b>4,293</b>	<b>26</b>	<b>4,319</b>
Operating expenses	1,247	4	1,251	-	1,251
Profit before credit loss expenses	2,912	130	3,042	26	3,068
Credit loss expenses	-118	-	-118	-	-118
Income from associated and subsidiary undertakings	-	26	26	-26	-
<b>Profit before tax</b>	<b>3,030</b>	<b>156</b>	<b>3,186</b>	<b>-</b>	<b>3,186</b>

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 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 through regular payments 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 the companies jointly taxed with Danske Bank A/S before 2005.

The company 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 other commitments not recognised in the balance sheet.

<b>GUARANTEES AND OTHER LIABILITIES</b> DKr m	December 31, 2006	December 31, 2005
Guarantees etc.	4	4
Other liabilities	944	1,025
<b>Total</b>	<b>948</b>	<b>1,029</b>

## Financial highlights (five years) - Realkredit Danmark Group

<b>NET PROFIT FOR THE YEAR</b>					
DKr m	2006	2005	2004	2003	2002
Administration margin	2,689	2,471	2,318	2,216	2,094
Net interest income	1,281	1,178	953	1,216	1,219
Net fees	-233	83	125	186	175
Net trading income	222	355	436	246	415
Other income	324	232	126	140	139
<b>Total income</b>	<b>4,283</b>	<b>4,319</b>	<b>3,958</b>	<b>4,004</b>	<b>4,042</b>
Operating expenses	1,171	1,251	1,255	1,454	1,304
Profit before credit loss expenses	3,112	3,068	2,703	2,550	2,738
Credit loss expenses	-105	-118	-18	24	-74
Profit before tax	3,217	3,186	2,721	2,526	2,812
Tax	861	769	655	609	822
<b>Net profit for the year</b>	<b>2,356</b>	<b>2,417</b>	<b>2,066</b>	<b>1,917</b>	<b>1,990</b>
<b>BALANCE SHEET</b>					
DKr m	2006	2005	2004	2003	2002
Due from credit institutions, etc.	18,554	16,943	12,886	14,914	33,174
Mortgage loans	602,584	569,092	524,428	497,563	468,953
Bonds and shares	39,553	35,925	35,891	128,323	132,707
Other assets	2,586	3,893	3,404	6,346	7,747
<b>Total assets</b>	<b>663,277</b>	<b>625,853</b>	<b>576,609</b>	<b>647,146</b>	<b>642,581</b>
Due to credit institutions, etc.	5,267	45,390	2,068	874	31,259
Issued mortgage bonds	610,761	536,530	531,401	603,120	567,912
Other liabilities	14,083	13,123	13,422	15,915	18,162
Shareholders' equity	33,166	30,810	29,718	27,237	25,248
<b>Total liabilities and equity</b>	<b>663,277</b>	<b>625,853</b>	<b>576,609</b>	<b>647,146</b>	<b>642,581</b>
<b>RATIOS AND KEY FIGURES</b>					
Net profit for the year as % of avg. shareh. equity	7.4	8.0	7.2	7.3	8.2
Cost/income ratio, %	27.3	29.0	31.7	36.3	32.3
Solvency ratio, %	10.2	10.1	10.1	10.4	10.4
Core (tier 1) capital ratio, %	10.2	10.0	10.0	10.3	10.3
Full-time-equivalent staff, end of year	738	749	771	981	1,043

For 2004-2006, the valuation was made in accordance with the IFRS. For 2002-2003, the valuation was made in accordance with the rules in force at the time.

## Additional information

### Financial calendar

Realkredit Danmark has fixed the following release dates for financial announcements in 2007:

- First-quarter report: May 1
- Half-year report: August 9
- Nine-month report: October 30

Stock exchange announcements released in 2006 are available at [www.rd.dk/omrd](http://www.rd.dk/omrd).

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### Useful links

[www.rd.dk](http://www.rd.dk)  
[www.danskebank.dk](http://www.danskebank.dk)  
[www.bgbank.dk](http://www.bgbank.dk)  
[www.home.dk](http://www.home.dk)