

Announcement of financial results 2005

Stock Exchange Announcement No. 3/2006
February 9, 2006

REALKREDIT
Danmark

Financial highlights - Realkredit Danmark Group

NET PROFIT FOR THE YEAR			Index
DKr m	2005	2004	05/04
Administration margin	2,471	2,318	107
Net interest income	1,178	953	124
Net fee income	83	125	66
Net trading income	355	436	81
Other income	232	126	184
Total income	4,319	3,958	109
Operating expenses	1,251	1,255	100
Profit before credit loss expenses	3,068	2,703	114
Credit loss expenses	-118	-18	-
Profit before tax	3,186	2,721	117
Tax	769	655	117
Net profit for the year	2,417	2,066	117

BALANCE SHEET

DKr m			
Due from credit institutions etc.	16,943	12,886	131
Mortgage loans	569,092	524,428	109
Bonds and shares	35,925	35,891	100
Other assets	3,893	3,404	114
Total assets	625,853	576,609	109
Due to credit institutions etc.	45,390	2,068	2,195
Issued mortgage bonds	536,530	531,401	101
Other liabilities	13,123	13,422	98
Shareholders' equity	30,810	29,718	104
Total liabilities and equity	625,853	576,609	109

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareholders' equity	8.0	7.2
Cost/core income ratio, %	29.0	31.7
Solvency ratio, %	10.1	10.1
Core (tier 1) capital ratio, %	10.0	10.0
Full-time-equivalent staff, end of year	749	771

This Announcement of financial results 2005 is a translation of the original announcement in the Danish language (Årsregnskabsmeddelelse 2005). In case of discrepancies, the Danish announcement prevails.

REVIEW

- In 2005, the Realkredit Danmark Group's pre-tax profit rose to DKr3,186m, against DKr2,721m in 2004.
- Income totalled DKr4,319m, against DKr3,958m in 2004.
- The market share of gross lending rose from 28.3% in the third quarter of 2005 to 33.8% in the fourth quarter. The market share of the loan portfolio was 33.4% at the end of 2005, down from 34.2% at year-end 2004.
- At the end of 2005, the solvency ratio was 10.1%.
- For 2006, the profit before tax is expected to be at around the same level as in 2005.

Results for 2005

In 2005, the Realkredit Danmark Group's pre-tax profit was DKr3,186m, against DKr2,721m the year before. The improvement of 17% matched the level forecast at the publication of the report for the first nine months of 2005 and was considerably above expectations at the beginning of the year. The result was achieved on the back of record-high lending activity in the Danish mortgage credit market.

After tax, the profit for the year was DKr2,417m, against DKr2,066m the year before. The return on equity was 8.0% after tax in 2005, against 7.2% in 2004.

At DKr2,471m, the administration margin was up DKr153m on the previous year as a result of an increasing loan portfolio. Net interest income benefited from record-high lending activity in the Danish mortgage credit market, and at DKr1,178m recorded a rise of 24% relative to 2004. Net trading income fell to DKr355m this year, against DKr436m last year. 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.

In 2005, total income rose 9% to DKr4,319m.

At DKr1,251m, operating expenses remained practically unchanged from last year.

In 2005, credit loss expenses represented a net income of DKr118m, against DKr18m in 2004. One of the reasons why this item is positive is the reversal without losses of previously made provisions. The positive trend was owing to favourable economic conditions.

Realkredit Danmark is taxed jointly with Danske Bank and tax is paid on the basis of current joint taxation rules. Realkredit Danmark's total, effective tax rate for 2005 was 24%, the statutory rate being 28%. The tax charge for 2005 totalled DKr769m.

Capital and solvency

At the end of 2005, shareholders' equity stood at DKr30,810m, against DKr29,718m at the beginning of the year. The trend is explained by the payment of dividends for 2004 of DKr1,500m and a net profit for the year of DKr2,417m. The merger on October 1, 2005 with the sister company DDB-Ejendomselskab af 1. januar 1990 A/S added DKr175m to shareholders' equity.

No dividend will be paid for 2005.

At December 31, 2005, the solvency ratio was 10.1%, and the core (tier 1) capital ratio was 10.0%.

Balance sheet

In 2005, the Realkredit Danmark Group's total assets rose 9% to Dkr626bn.

In 2005, mortgage lending rose Dkr45bn to Dkr569bn, representing outstanding nominal bond debt, value adjustments and impairment charges. The outstanding nominal bond debt increased Dkr46bn.

Realkredit Danmark funds its lending to borrowers by issuing mortgage bonds listed on the Copenhagen Stock Exchange. At the end of 2005, Realkredit Danmark had issued mortgage bonds with a total market value of Dkr537bn. In terms of nominal value, issued bonds totalled Dkr531bn, against Dkr523bn at the end of 2004. The amounts are exclusive of holdings of own mortgage bonds.

Including holdings of own mortgage bonds, Realkredit Danmark had issued bonds for a total of Dkr737bn, or 35% of all mortgage bonds issued on the Danish market at the end of 2005 and 25% of all bonds listed on the Copenhagen Stock Exchange.

The annual auction of bonds to refinance FlexLån[®] held in December 2005 generated a very favourable oversubscription rate.

Foreign investors hold an increasing share of Realkredit Danmark's bonds. At the end of the third quarter of 2005, this share was 15%, against 11% a year earlier.

Mortgage credit market

Property prices are important for the mortgage lending business. As in previous years, property prices in the Danish housing market rose in 2005, and for single-family and terrace houses, the rise was significantly higher than the year before. The rising prices were to some extent explained by the strong Danish economy, the low interest rate level and the impact of new loan products.

Total gross lending in the Danish mortgage credit market rose 71% to Dkr748bn in 2005. At the beginning of the year, the very strong activity came from the interest rate cap loans launched towards the end of 2004. The decline in interest rates in the first six months of 2005 reinforced customers' interest in refinancing their loans and raising supplementary loans. In the fourth quarter of the year, when both long-term and especially short-term interest rates rose, demand for supplementary loans continued to be strong.

At the end of 2005, the interest rate on FlexLån[®] with annual interest reset stood at 2.9%, against 2.5% at the beginning of the year. The rate of interest on a 4% 30-year fixed-rate loan was 4.4% at the end of the year, compared with 4.6% at the beginning of the year. The effective rate of interest on FlexGaranti[®] with a term of 30 years and an interest rate cap of 5% was 3.8% at the end of the year.

Competition

Realkredit Danmark's market share of gross lending was 29.5% in 2005, against 32.0% in 2004. The market share of the loan portfolio was 33.4% at the end of 2005, down from 34.2% at year-end 2004.

On a quarterly basis, the market share of gross lending rose from 28.3% in the third quarter of 2005 to 33.8% in the fourth quarter. The market share of the loan portfolio was 33.4% at year-end, against 33.3% at the end of the third quarter of 2005. Quarter-on-quarter movements were as follows:

MARKET SHARE, ALL MARKETS %	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004
Gross lending	33.8	28.3	29.2	26.6	34.9
Loan portfolio	33.4	33.3	33.4	33.8	34.2

FlexLån[®] accounted for 30% of Realkredit Danmark's gross lending, against 60% in 2004. The declining demand for FlexLån[®] was primarily the result of the fall in interest rates of fixed-rate loans in the first six months of 2005 and the relatively low interest rate level of these loans that prevailed throughout the rest of the year. At the end of the year, FlexLån[®] accounted for 45% of the loan portfolio, against 49% at the beginning of the year.

Fixed-rate loans accounted for 48% of gross lending in 2005, against 31% in 2004. As mentioned above, the increase was due to the fall in interest rates in 2005. At the end of the year, fixed-interest loans accounted for 44% of the loan portfolio, against 49% at the beginning of the year.

FlexGaranti[®] accounted for 18% of gross lending in 2005, against 9% in 2004. The increase reflects the fact that this product was not launched in the market until November 2004. The trend in 2005 shows that this product is an attractive alternative to FlexLån[®] and fixed-rate loans. At the end of the year, FlexGaranti[®] accounted for 9% of the loan portfolio, against 2% at the beginning of the year.

Realkredit Danmark introduced RD Cibor6[®] in the autumn of 2005. The product, which is offered to corporate customers, is a floating-rate bond loan with refinancing. The interest rate is fixed every January 1 and July 1 on the basis of the 6-month CIBOR. By the end of 2005, Realkredit Danmark had disbursed RD Cibor6[®] loans worth DKr9.5bn, or 2% of the loan portfolio.

The corporate market is a key focus area. In addition to the introduction of RD Cibor6[®], Realkredit Danmark intensified its local presence in 2005, and today, in addition to the four corporate centres, mortgage finance offices throughout the country are able to serve most corporate customers.

In 2005, the subsidiary, home a/s, the franchiser for the 193 real estate agents in the Group's Danish estate agency chain, "home", realised a pre-tax profit of DKr71m.

Accounting policies

This Announcement of financial results 2005 has been prepared in compliance with the rules on announcements of financial results issued by the Copenhagen Stock Exchange A/S.

The Group made the transition to IFRS as adopted by the EU with effect from January 1, 2005, and has restated comparative figures for 2004.

In 2005, Realkredit Danmark worked to improve its method for calculating the value of claims against individual borrowers relating to old losses and compulsory property sales. The aggregate effect of the improved method is recognised in the opening balance sheet at January 1, 2005. The revised method led to increases in claims against individual borrowers of DKr109m, in deferred tax of DKr33m and in shareholders' equity of DKr76m at end-2004.

The effects of the transition to IFRS on the quarterly results as well as shareholders' equity in 2004 is shown on page 14 of this announcement.

Outlook for 2006

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, demand for mortgage loans to finance changes of ownership is likely to be at the same level as in 2005. Due to the forecast slight rise in interest rates in 2006, refinancing generated by changes in interest rates is expected to decline.

The corporate market is expected to see a rise in new construction within urban trade, whereas activity in the agricultural and residential rental segments is expected to see a decline.

The increase in the volume of lending will boost the administration margin in 2006. Net interest income is forecast to rise as a result of the general rise in interest rates. Net fee income will go down because of a rise in the fees paid to Danske Bank and BG Bank for loans arranged through them and because of 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 see 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.

Copenhagen, February 9, 2006

Net profit for the period - Realkredit Danmark Group

NET PROFIT FOR THE PERIOD	Q4	Q3	Q2	Q1	Q4
DKr m	2005	2005	2005	2005	2004
Administration margin	640	625	609	597	587
Net interest income	302	296	299	281	244
Net fee income	12	2	31	38	51
Net trading income	-1	37	178	141	135
Other income	40	120	22	50	13
Total income	993	1,080	1,139	1,107	1,030
Operating expenses	333	291	321	306	344
Profit before credit loss expenses	660	789	818	801	686
Credit loss expenses	-24	-18	-27	-49	-2
Profit before tax	684	807	845	850	688
Tax	122	207	201	239	130
Net profit for the period	562	600	644	611	558

BALANCE SHEET

DKr m					
Due from credit institutions etc.	16,943	36,506	41,787	35,511	12,886
Mortgage loans	569,092	557,717	545,801	531,206	524,428
Bonds and shares	35,925	9,641	10,300	11,736	35,891
Other assets	3,893	3,334	3,265	3,044	3,404
Total assets	625,853	607,198	601,153	581,497	576,609
Due to credit institutions etc.	45,390	2,114	2,722	-	2,068
Issued mortgage bonds	536,530	563,401	558,836	545,749	531,401
Other liabilities	13,123	11,610	10,122	6,919	13,422
Shareholders' equity	30,810	30,073	29,473	28,829	29,718
Total liabilities and equity	625,853	607,198	601,153	581,497	576,609

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	7.4	8.1	8.8	8.3	7.6
Cost/core income ratio, %	33.5	26.9	28.2	27.6	33.4
Solvency ratio (excl. of net profit for the period)*	10.1	9.4	9.5	9.8	10.1
Core (tier 1) capital ratio (excl. of net profit for the period)*	10.0	9.3	9.4	9.7	10.0
Full-time-equivalent staff, end of period	749	761	741	741	771

* Q4 2005 and Q4 2004 figures include the profit for the year.

Operating activity accounts - Realkredit Danmark Group

2005	Mortgage	Own		Reclassi-	
DKr m	finance	holdings	Total	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 fee income	83	-	83	-	83
Net trading income	-	-	-	355	355
Value adjustments	195	-486	-291	291	-
Other income	232	-	232	-	232
Total income	4,159	134	4,293	26	4,319
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	-
Profit before tax	3,030	156	3,186	-	3,186
2004	Mortgage	Own		Reclassi-	
DKr m	finance	holdings	Total	fication	Highlights
Administration margin	2,318	-	2,318	-	2,318
Net interest income	953	750	1,703	-750	953
Dividends from shares	-	16	16	-16	-
Net fee income	231	-	231	-106	125
Net trading income	-	-	-	436	436
Value adjustments	135	-488	-353	353	-
Other income	126	-	126	-	126
Total income	3,763	278	4,041	-83	3,958
Operating expenses	1,357	4	1,361	-106	1,255
Profit before credit loss expenses	2,406	274	2,680	23	2,703
Credit loss expenses	-18	-	-18	-	-18
Income from associated and subsidiary undertakings	-	23	23	-23	-
Profit before tax	2,424	297	2,721	-	2,721

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 are carried in the income statement under value adjustments. In the consolidated highlights, these are reclassified to net trading income.

Income statement - Realkredit Danmark Group

DKr m	2005	2004
Interest income	26,339	26,355
Interest expense	22,082	22,334
Net interest income	4,257	4,021
Dividends from shares	12	16
Fee and commission income	947	795
Fee and commission expense	864	564
Net fee and commission income	4,352	4,268
Value adjustments	-291	-353
Other operating income	232	126
Staff costs and administrative expenses	1,242	1,347
Impairment, amortisation and depreciation	9	14
Credit loss expenses	-118	-18
Income from associated and subsidiary undertakings	26	23
Profit before tax	3,186	2,721
Tax	769	655
Net profit for the year	2,417	2,066

Balance sheet - Realkredit Danmark Group

DKr m	Dec. 31 2005	Dec. 31 2004
ASSETS		
Cash in hand and demand deposits with central banks	7	3
Due from credit institutions and central banks	16,936	12,883
Bonds at fair value	35,700	35,470
Mortgage loans at fair value	569,092	524,428
Loans and other amounts due at amortised cost	556	607
Shares	225	154
Holdings in associated undertakings	-	267
Land and buildings	119	653
Investment property	-	366
Domicile property	119	287
Other tangible assets	16	18
Current tax assets	10	22
Deferred tax assets	88	88
Other assets	3,089	1,942
Prepayments	15	74
Total assets	625,853	576,609
LIABILITIES AND EQUITY		
LIABILITIES		
Due to credit institutions and central banks	45,390	2,068
Issued mortgage bonds at fair value	536,530	531,401
Other liabilities	13,063	13,422
Deferred income	60	-
Total liabilities	595,043	546,891
SHAREHOLDERS' EQUITY		
Share capital	630	625
Other reserves		
Reserves in series	1,640	2,104
Other reserves	28,540	26,989
Total shareholders' equity	30,810	29,718
Total liabilities and equity	625,853	576,609

Capital - Realkredit Danmark Group

DKr m	Share capital	Other reserves	Proposed dividend	Total
Shareholders' equity at January 1, 2005	625	27,593	1,500	29,718
Dividends paid	-	-	-1,500	-1,500
Addition on merger	5	170	-	175
Net profit for the year	-	2,417	-	2,417
Shareholders' equity at December 31, 2005	630	30,180	-	30,810
Shareholders' equity at January 1, 2004	625	26,951	-	27,576
Net profit for the year	-	566	1,500	2,066
Shareholders' equity at December 31, 2004	625	27,517	1,500	29,642
Change of method for measurement of loans, claims against individual borrowers (see the accounting policies)	-	76	-	76
Adjusted shareholders' equity at end-2004	625	27,593	1,500	29,718

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

Solvency - Realkredit Danmark Group

DKr m	December 31 2005	December 31 2004
CORE CAPITAL, CAPITAL BASE AND SOLVENCY		
Core capital	30,807	27,859
Statutory deductions	100	175
Core (tier 1) capital, less statutory deductions	30,707	27,684
Reserves in series subject to a reimbursement obligation	160	187
Revaluation reserve	24	-
Supplementary capital, less statutory deductions	184	187
Capital base	30,891	27,871
Weighted items	306,435	276,388
Core (tier 1) capital ratio, %	10.02	10.02
Solvency ratio, %	10.08	10.08
Statutory solvency requirement, %	8.00	8.00

Solvency and core (tier 1) capital ratios are calculated according to the provisions applicable to the accounting periods in question.

Cash flow statement - Realkredit Danmark Group

DKr m	2005	2004
Cash flow from operating activities		
Net profit for the year	2,417	2,066
Adjustment for non-liquid items in the income statement:		
Impairment, amortisation and depreciation	9	14
Credit loss expenses	-78	-29
Adjustment for tax paid	3	-66
Other non-cash items	103	364
Total	2,454	2,349
Cash flow from operating capital		
Bonds and shares	-78	4,790
Mortgage loans	-46,327	-19,062
Issued mortgage bonds	7,387	8,050
Due to credit institutions	43,322	1,195
Other assets/liabilities	-1,484	639
Total	2,820	-4,388
Cash flow from investing activities		
Sale of holdings in associated and subsidiary undertakings	288	-
Property, plant and equipment	2	-4
Total	290	-4
Cash flow from financing activities		
Dividends paid	-1,500	-
Total	-1,500	-
Total increase/decrease (-) in cash and cash equivalents	4,064	-2,043
Addition on merger	68	-
Cash and cash equivalents at January 1	12,811	14,854
Cash and cash equivalents at December 31	16,943	12,811
Cash and cash equivalents at December 31		
Cash in hand and demand deposits with central banks	7	3
Deposits with credit institutions and central banks with terms shorter than 3 months	16,936	12,808
Total	16,943	12,811

Financial highlights (five years) - Realkredit Danmark Group

NET PROFIT FOR THE YEAR					
DKr m	2005	2004	2003	2002	2001
Administration margin	2,471	2,318	2,216	2,094	1,973
Net interest income	1,178	953	1,216	1,219	1,342
Net fee income	83	125	186	175	132
Net trading income	355	436	246	415	333
Other income	232	126	140	139	165
Total income	4,319	3,958	4,004	4,042	3,945
Operating expenses	1,251	1,255	1,454	1,304	1,430
Profit before credit loss expenses	3,068	2,703	2,550	2,738	2,515
Credit loss expenses	-118	-18	24	-74	-33
Profit before tax	3,186	2,721	2,526	2,812	2,548
Tax	769	655	609	822	621
Net profit for the year	2,417	2,066	1,917	1,990	1,927

BALANCE SHEET

DKr m	2005	2004	2003	2002	2001
Due from credit institutions etc.	16,943	12,886	14,914	33,174	35,786
Mortgage loans	569,092	524,428	497,563	468,953	447,997
Bonds and shares	35,925	35,891	128,323	132,707	106,976
Other assets	3,893	3,404	6,346	7,747	7,884
Total assets	625,853	576,609	647,146	642,581	598,643
Due to credit institutions etc.	45,390	2,068	874	31,259	22,222
Issued mortgage bonds	536,530	531,401	603,120	567,912	536,352
Other liabilities	13,123	13,422	15,915	18,162	16,815
Shareholders' equity	30,810	29,718	27,237	25,248	23,254
Total liabilities and equity	625,853	576,609	647,146	642,581	598,643

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareh. equity	8.0	7.2	7.3	8.2	8.6
Cost/core income ratio, %	29.0	31.7	36.3	32.3	36.2
Solvency ratio, %	10.1	10.1	10.4	10.4	10.1
Core (tier 1) capital ratio, %	10.0	10.0	10.3	10.3	9.9
Full-time-equivalent staff, end of year	749	771	981	1,043	933

For 2001 to 2003, items are valued in accordance with the rules in force for those accounting years.

Transition to IFRS - Realkredit Danmark Group

EFFECTS ON NET PROFIT	Q4	Q3	Q2	Q1	Full year
DKr m	2004	2004	2004	2004	2004
Net profit for the year - 2004 practice	624	540	431	527	2,122
Pension fund	-9	-3	-	-3	-15
Allocation to reserves subj. to a reimb. obl.	-52	-1	-8	-2	-63
Impairment	6	13	9	-3	25
Staff commitments	-3	13	7	-8	9
Leasehold improvements	-2	-1	-1	-2	-6
Other effects	-8	1	2	1	-4
Current tax	-2	-6	-2	4	-6
Deferred tax	4	-	-	-	4
Total change	-66	16	7	-13	-56
Net profit for the period	558	556	438	514	2,066

EFFECTS ON SHAREHOLDERS' EQUITY	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Jan. 1
DKr m	2004	2004	2004	2004	2004
Shareholders' equity - 2004 practice	27,859	28,735	28,195	27,764	27,237
Change in the presentation of dividends	1,500	-	-	-	-
Adjusted 2004 practice	29,359	28,735	28,195	27,764	27,237
Pension fund	177	186	189	189	192
Allocation to reserves subj. to a reimb. obl.	91	143	144	152	154
Impairment	121	115	102	93	96
Staff commitments	-20	-17	-30	-37	-29
Leasehold improvements	7	9	10	11	13
Portion of increase in shareholders' equity allocated to reserves	-8	-8	-8	-8	-8
Other effects	-4	4	3	1	-
Current tax	-27	-25	-19	-17	-21
Deferred tax	-54	-58	-58	-58	-58
Total change in valuation	283	349	333	326	339
Shareholders' equity	29,642	29,084	28,528	28,090	27,576
Change of method for measurement of loans, claims against individual borrowers (see the accounting policies)	76	-	-	-	-
Adjusted shareholders' equity	29,718	29,084	28,528	28,090	27,576

Financial calendar 2006

Realkredit Danmark's Annual Report for 2005 is released together with this Announcement of financial results 2005. Both publications are available at Realkredit Danmark's Web site, www.rd.dk.

Realkredit Danmark's annual general meeting will be held at 10.00am on March 13, 2006, at Realkredit Danmark's offices at Jarmers Plads 2, Copenhagen.

The financial reports for 2006 are expected to be released as follows:

- First-quarter report: May 2
- Half-year report: August 10
- Nine-month report: October 31

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