
Interim Report – First Nine Months 2011

Interim Report – First Nine Months 2011 is a translation of the original report in the Danish language (Delårsrapport – 1.–3. kvartal 2011).
In case of discrepancies, the Danish version prevails

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Financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE PERIOD (DKK millions)	Q1-Q3 2011	Q1-Q3 2010	Index 11/10	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Full year 2010
Administration margin	2,655	2,550	104	896	881	878	873	863	3,423
Net interest income	433	416	104	203	143	87	198	156	614
Net fee income	-362	-372	97	-118	-128	-116	-129	-132	-501
Income from investment portfolios	359	595	60	294	120	-55	-132	151	463
Other income	80	137	58	19	31	30	31	30	168
Total income	3,165	3,326	95	1,294	1,047	824	841	1,068	4,167
Expenses	705	660	107	218	243	244	237	214	897
Profit before loan impairment charges	2,460	2,666	92	1,076	804	580	604	854	3,270
Loan impairment charges	739	808	91	263	279	197	168	221	976
Profit before tax	1,721	1,858	93	813	525	383	436	633	2,294
Tax	431	463	93	204	131	96	110	159	573
Net profit for the period	1,290	1,395	92	609	394	287	326	474	1,721

BALANCE SHEET (END OF PERIOD)

(DKK millions)

Due from credit institutions etc.	5,311	53,526	10	5,311	7,880	5,464	28,889	53,526	28,889
Mortgage loans	716,154	710,537	101	716,154	699,101	693,617	704,449	710,537	704,449
Bonds and shares	13,260	10,881	122	13,260	4,176	5,415	21,688	10,881	21,688
Other assets	2,772	3,683	75	2,772	2,347	2,693	2,595	3,683	2,595
Total assets	737,497	778,627	95	737,497	713,504	707,189	757,621	778,627	757,621
Due to credit institutions etc.	20,348	41,290	49	20,348	18,818	18,650	27,408	41,290	27,408
Issued mortgage bonds	660,129	680,527	97	660,129	640,729	636,199	671,644	680,527	671,644
Other liabilities	10,798	12,187	89	10,798	8,350	7,126	13,625	12,187	13,625
Subordinated debt	2,049	2,066	99	2,049	2,043	2,044	2,061	2,066	2,061
Shareholders' equity	44,173	42,557	104	44,173	43,564	43,170	42,883	42,557	42,883
Total liabilities and equity	737,497	778,627	95	737,497	713,504	707,189	757,621	778,627	757,621

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity (%)	4.0	4.4		5.6	3.6	2.7	3.1	4.5	4.1
Cost/income ratio (%)	22.3	19.8		16.8	23.2	29.6	28.2	20.0	21.5
Total capital ratio (%)	35.8	41.7		35.8	34.9	35.9	39.4	41.7	39.4
Tier 1 capital ratio (%)	35.3	41.1		35.3	34.5	35.5	38.8	41.1	38.8
Full-time-equivalent staff (end of period)	304	316		304	308	304	320	316	320

Overview, first nine months

- The Realkredit Danmark Group recorded a net profit of DKK 1,290 million in the first nine months of 2011, against DKK 1,395 million in the same period of 2010. Higher income from the investment portfolio contributed to a healthy increase in profits in the third quarter. The overall profit for the first nine months was in line with expectations but lower than the true earnings potential of the Realkredit Danmark Group.
- At 35.8%, Realkredit Danmark's total capital ratio calculated according to the Capital Requirements Directive (CRD) remained very high. At the end of 2010, the ratio was 39.4%.
- Realkredit Danmark will implement price increases at the beginning of 2012 because of rising funding costs.
- Profit expectations for the full year 2011 are unchanged.

Third quarter of 2011

In the third quarter, the mortgage credit market was characterised by persistently low activity in the housing market and a record-high number of properties for sale. Economic instability postponed a normalisation of interest rates and interest rates in Denmark remained low. The general elections also contributed to a somewhat hesitant stance on housing investments because proposals about intervention in the housing market could potentially mean savings for buyers.

Nevertheless, Realkredit Danmark achieved a healthy profit increase in the third quarter. Rising prices of Danish mortgage bonds and government bonds in the third quarter produced higher income from the investment portfolio.

Financial results for the first nine months of 2011

For the first nine months of 2011, the Realkredit Danmark Group's net profit was DKK 1,290 million, against DKK 1,395 million for the same period of 2010. A rise in administration margins was not sufficient to offset the impact of higher funding costs and lower income from the investment portfolio.

Especially as a result of increased administration margins on business loans, the administration margin income increased DKK 105 million.

Income from the investment portfolio amounted to DKK 359 million, against DKK 595 million in the first nine months of 2010.

Other income was down DKK 57 million. The figure for the first nine months of 2010 benefited from a refund of excess financial services employer tax paid in the years 2001-2006.

Total income fell 5% relative to the first nine months of 2010.

Expenses climbed DKK 45 million to DKK 705 million. Realkredit Danmark's intensified efforts to strengthen its brand triggered an increase in marketing costs. Furthermore, IT expenses rose owing partly to the implementation of a number of digitalisation projects aimed at facilitating customer service and making it more efficient.

Loan impairment charges totalled DKK 263 million in the third quarter, resulting in total impairment charges of DKK 739 million in the first nine months of 2011. In the same period of 2010, charges totalled DKK 808 million. The charges corresponded to 0.14% p.a. of total mortgage lending, the same as for the full year 2010.

Following a small increase in the second quarter of 2011, the level of delinquencies fell in the third quarter to match the first-quarter level. The 3-month delinquency rate stood at 0.48% after the third quarter, against 0.57% after the second quarter of 2011.

The tax charge for the first nine months of 2011 totalled DKK 431 million, corresponding to an effective tax rate of 25%.

Balance sheet

There was subdued activity in the mortgage bond market with gross lending amounting to DKK 48 billion in the first nine months of 2011, down from DKK 87 billion in the year-earlier period. Mortgage lending at fair value rose DKK 12 billion to DKK 716 billion because of higher bond prices. At DKK 705 billion, the nominal outstanding bond debt was largely unchanged.

Due to rising prices of the bonds issued to fund the loans in the portfolio, the loan-to-value (LTV) ratio rose to 67% from 65% at 30 June 2011. At 30 September 2011, 4% of the loans in the portfolio had an LTV of more than 80%.

During the past few quarters, Realkredit Danmark has had about 50-60 foreclosures. At 39, the level was slightly lower in the third quarter of 2011. The total number of foreclosures fell to 153 at the end of the third quarter from 164 at 30 June 2011. The value of the foreclosures was DKK 275 million.

Issued mortgage bonds declined DKK 12 billion in the first nine months of 2011 to DKK 660 billion. The nominal value of issued bonds fell DKK 20 billion to DKK 647 billion. The amounts are exclusive of holdings of own mortgage bonds.

Realkredit Danmark's refinancing of FlexLån[®], which previously took place primarily at auctions in December, is now more evenly spread across the year. In connection with the interest resetting at 1 January 2012, Realkredit Danmark will therefore offer its customers to change their interest resetting date to 1 April free of charge. Spreading the interest resetting dates reduces the risk of turmoil in the financial markets affecting all borrowers at the same time.

Realkredit Danmark is subject to the specific principle of balance and therefore has very limited exposure to market risks. At 30 September 2011, Realkredit Danmark's interest rate risk and foreign exchange risk amounted to DKK 307 million and DKK 0 million, respectively. In addition, Realkredit Danmark's liquidity risk is very limited as it finances lending by issuing bonds.

Capital and solvency

At the end of September 2011, shareholders' equity stood at DKK 44.2 billion, against DKK 42.9 billion at end-2010. The increase in equity equalled the net profit for the period.

The Group's capital base including hybrid capital amounted to DKK 46.6 billion, and the total capital ratio calculated according to the Capital Requirements Directive (CRD) was 35.8%. At 31 December 2010, the corresponding figures were DKK 45.4 billion and 39.4%.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. Risk-weighted assets (RWA) amounted to DKK 130.4 billion at 30 September 2011, against DKK 115.3 billion at end-2010. The increase in RWA was due especially to improved models to calculate risk-weighted assets for credit risk.

Calculated on the basis of the transitional rules of the CRD, the solvency need for 2011 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 25.6 billion or a solvency need ratio of 19.6%.

Under Danish law, the Group must publish its solvency need on a quarterly basis (www.rd.dk) provides further information.

Supplementary collateral and rating

Realkredit Danmark issues mortgage-covered bonds, and under Danish law it must provide supplementary collateral towards the bondholders when the loan-to-value (LTV) ratio exceeds predefined limits, which are 80% for residential property and 60% for business property.

The requirement for supplementary collateral for mortgage-covered bonds rose slightly from DKK 31.6 billion at 30 June 2011 to DKK 32.9 billion at 30 September 2011. Following a small decline in the requirement for supplementary collateral at 30 June 2011, the requirement is back to the level recorded at the end of March.

Furthermore, external rating agencies require that issuers of mortgage bonds meet additional overcollateralisation (OC) requirements if the mortgage bonds are to receive the highest rating.

Realkredit Danmark's mortgage bonds and mortgage-covered bonds issued through Capital Centre S and in the Other reserves series still hold an AAA rating from Standard & Poor's.

Price increases

Because of higher funding costs, Realkredit Danmark has felt the need to raise its prices on mortgage loans.

Realkredit Danmark will thus raise the administration margin for personal customers with effect from 1 January 2012. Pricing will be differentiated to the effect that the increase will reflect the risk profile of the individual loan types. In the business customer segment, administration margins have risen throughout the year, and this trend will continue as a result of further price increases from 1 January 2012.

Effective from the end of 2011, Realkredit Danmark will charge a margin for refinancing FlexLån[®].

A growing number of small and medium-sized business customers and most of Realkredit Danmark's personal customers make monthly mortgage payments. The discount previously earned will in future be included in the fixed administration margin. Customers wishing to make quarterly payments will still be able to do so against a fee. For the vast majority of the customers, this means that monthly mortgage payments will still be the cheapest option.

New capital centre for financing FlexLån®

Realkredit Danmark has decided to establish a new capital centre for financing FlexLån® loans. The decision was made to continue to be able to issue bonds with the lowest possible coupons and offer customers competitive home loans.

The new Capital Centre T opens on 1 November 2011 and will be used to issue mortgage-covered bonds for the financing of new FlexLån® loans and for refinancing FlexLån® loans already disbursed. Realkredit Danmark will seek to obtain as high a rating as possible for the bonds in Capital Centre T.

Mortgage credit market

Generally weak international economic indicators and growing concerns over economic developments have caused jitters in the financial markets. So far, the Danish mortgage credit market has benefited from this uncertainty in the way of increased demand for Danish bonds and, as a result, falling interest rates.

The economic instability has reduced household spending, meaning that savings represent a growing proportion of disposable incomes. The owner-occupied housing market therefore remains characterised by limited trading activity, a record-high number of houses for sale and squeezed property prices.

Not even the noticeable decline in interest rates over the course of the summer months, as interest rates on FlexLån® and fixed-rate loans fell to historically low levels, was able to boost activity in the property market.

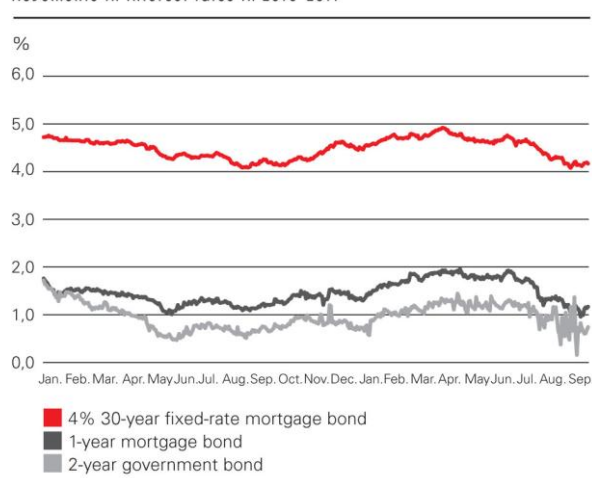
Despite the low level of activity, Realkredit Danmark has been able to strengthen its market position in both the personal customer and the business customer segments.

The low level of interest rates has stabilised household finances. The number of forced sales seems to have stabilised relative to 2010 at a level that is relatively low compared with the levels during previous housing market crises.

In the first nine months of 2011, activity in the commercial property market remained subdued. Cautious optimism in the investment property market was replaced by uncertainty as to how the debt crisis in the southern European countries would develop. Prime-location investment properties offering stable returns still attract investor interest, however.

The agricultural sector remains under pressure following recent years' changing economic climate. The fall in the prices of agricultural properties has contributed to reducing borrowing possibilities for farmers seeking to expand their production.

Movements in interest rates in 2010-2011



Best choice for homes and commercial property

In the first nine months of 2011, Realkredit Danmark, Danske Bank and home implemented a number of new measures to strengthen the Danske Bank Group's position in property finance and property trading in Denmark.

Most recently, Realkredit Danmark launched a FlexGaranti® loan with a 10-year rate cap, a home loan product targeting home owners who have opted for or are considering FlexLån® because of the low level of interest rates but who also seek more protection against interest rate volatility.

Regulation

In July 2011, the European Commission published its proposals for a revision of the Capital Requirements Directive (CRD IV), including rules on liquidity risk management. The proposal implements the Basel III rules.

The Commission proposes a broader definition of liquid assets under the short-term Liquidity Coverage Ratio (LCR) compared with the Basel definition. This would also open up for Danish mortgage bonds being recognised as part of the liquidity buffer (as they have been to date), in line with government bonds, for example. The final criteria for liquid assets must be determined before the LCR takes effect as a de facto minimum requirement in 2015.

It is also positive that the Commission proposes postponing to 2016 the decision on whether to make requirements for long-term stable funding from 2018. It is uncertain whether the Net Stable Funding Ratio (NSFR) under Basel III, which in its current form would render short-term interest-reset loans impossible, will be implemented in the EU.

The European Commission's proposal will now be considered by the EU. The final directive is expected to be adopted in 2012.

Outlook for 2011

The most recently published figures for the second quarter of 2011 showed economic growth, which means that the Danish economy was not in recession, as otherwise expected at the beginning of the year. Given the outlook for very weak growth for the remainder of 2011, economic growth for 2011 as a whole is expected to be lower than in 2010.

For the remainder of 2011, continuing economic uncertainty in Europe will result in relatively low interest rates but also moderate activity in the owner-occupied housing market.

In spite of persistently moderate activity in the housing market and higher funding costs, Realkredit Danmark retains its profit forecast for 2011.

Income statement – Realkredit Danmark Group

Note	(DKK millions)	Q1-Q3 2011	Q1-Q3 2010	Q3 2011	Q3 2010	Full year 2010
	Interest income	19,686	21,224	6,506	6,860	28,254
	Interest expense	16,289	17,768	5,330	5,647	23,321
	Net interest income	3,397	3,456	1,176	1,213	4,933
	Dividends from shares	-	8	-	-	8
	Fee and commission income	242	399	83	152	548
	Fee and commission expense	604	771	201	284	1,049
	Net fee and commission income	3,035	3,092	1,058	1,081	4,440
	Value adjustments	50	92	217	-44	-446
	Other operating income	80	137	19	30	168
	Staff costs and administrative expenses	701	656	217	212	892
	Impairment, depreciation and amortisation charges	4	4	1	2	5
3	Loan impairment charges	739	808	263	221	976
	Income from associated undertakings	-	5	-	1	5
	Profit before tax	1,721	1,858	813	633	2,294
	Tax	431	463	204	159	573
	Net profit for the period	1,290	1,395	609	474	1,721
	Comprehensive income					
	Net profit for the period	1,290	1,395	609	474	1,721
	Other comprehensive income	-	-	-	-	-
	Total comprehensive income for the period	1,290	1,395	609	474	1,721

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 Sept. 2011	31 Dec. 2010	30 Sept. 2010
ASSETS				
	Cash in hand and demand deposits with central banks	2	4	29
	Due from credit institutions and central banks	5,309	28,885	53,497
	Bonds at fair value	13,250	21,679	10,872
4	Mortgage loans at fair value	716,154	704,449	710,537
4	Loans and other amounts due at amortised cost	674	893	942
	Shares	2	1	1
	Holdings in associated undertakings	8	8	8
	Land and buildings	93	93	94
	Domicile property	93	93	94
	Other tangible assets	13	10	11
	Current tax assets	26	26	2
	Deferred tax assets	-	-	1
	Assets temporarily taken over	275	282	305
4	Other assets	1,670	1,259	2,226
	Prepayments	21	32	102
Total assets		737,497	757,621	778,627
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	20,348	27,408	41,290
	Issued mortgage bonds at fair value	660,129	671,644	680,527
	Current tax liabilities	440	-	334
	Deferred tax liabilities	38	47	-
	Other liabilities	10,311	13,576	11,853
	Deferred income	9	2	-
Total amounts due		691,275	712,677	734,004
SUBORDINATED DEBT				
	Subordinated debt	2,049	2,061	2,066
Total liabilities		693,324	714,738	736,070
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	31,182	31,182	15,587
	Other reserves	12,361	11,071	26,340
Total shareholders' equity		44,173	42,883	42,557
Total liabilities and equity		737,497	757,621	778,627

Statement of capital – Realkredit Danmark Group

CHANGES IN SHAREHOLDERS' EQUITY (DKK millions)	Share capital	Reserves in series	Other reserves	Total
Shareholders' equity at 1 January 2011	630	31,182	11,071	42,883
Net profit for the period	-	-	1,290	1,290
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	1,290	1,290
Shareholders' equity at 30 September 2011	630	31,182	12,361	44,173
Shareholders' equity at 1 January 2010	630	15,587	24,945	41,162
Net profit for the period	-	-	1,395	1,395
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	1,395	1,395
Shareholders' equity at 30 September 2010	630	15,587	26,340	42,557

The share capital is made up of 6,300,000 shares of DKK 100 each. The company is wholly-owned by Danske Bank A/S, Copenhagen.

For as long as the Danish state holds hybrid capital in Realkredit Danmark, Realkredit Danmark may distribute dividends if such dividends can be paid in full out of the profit.

CAPITAL BASE AND TOTAL CAPITAL RATIO (DKK millions)	30 Sept. 2011	31 Dec. 2010	30 Sept. 2010
Shareholders' equity	44,173	42,883	42,557
Expected dividends	-	-	-
Revaluation of domicile property	63	62	60
Pension obligations at fair value	-202	-241	-179
Tax effect	35	44	30
Shareholders' equity calculated in accordance with the rules of the Danish FSA	44,069	42,748	42,468
Revaluation reserve	-50	-48	-47
Deferred tax assets	-	-	-31
Core tier 1 capital	44,019	42,700	42,390
Hybrid capital	2,049	2,061	2,066
Difference between expected losses and impairment charges	-	-	-
Total tier 1 capital	46,068	44,761	44,456
Reserves in series subject to a reimbursement obligation	55	58	58
Revaluation reserve	50	48	47
Difference between expected losses and impairment charges	473	559	556
Capital base	46,646	45,426	45,117
Total risk-weighted assets	130,441	115,270	108,099
Core tier 1 capital ratio (%)	33.7	37.0	39.2
Tier 1 capital ratio (%)	35.3	38.8	41.1
Total capital ratio (%)	35.8	39.4	41.7

The total capital and tier 1 capital ratios are calculated in accordance with the CRD.

In accordance with transitional rules, the minimum requirement for the total capital ratio at 30 September 2011 was 19.6%.

At 31 December 2010, the minimum requirement was 22.0%.

Cash flow statement – Realkredit Danmark Group

(DKK millions)	Q1-Q3 2011	Q1-Q3 2010	Full year 2010
Cash flow from operating activities			
Net profit for the period	1,290	1,395	1,721
Adjustment for non-cash operating items	-2,264	-4,143	-69
Cash flow from operating capital	-22,604	7,308	-21,728
Total	-23,578	4,560	-20,076
Cash flow from investing activities			
Acquisition/sale of tangible assets	-	-	-1
Total	-	-	-1
Cash flow from financing activities			
Change in hybrid capital	-	-	-
Total	-	-	-
Cash and cash equivalents, beginning of period	28,889	48,966	48,966
Change during the period	-23,578	4,560	-20,077
Cash and cash equivalents, end of period	5,311	53,526	28,889

Notes – Realkredit Danmark Group

Note

1 Significant accounting policies

The Group's interim report for the first nine months of 2011 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim reports of issuers of listed bonds.

The Group has not changed its significant accounting policies from those followed in Annual Report 2010, which provides a full description of the Group's significant accounting policies. The Group has made changes to note disclosures to comply with IAS 34 as amended by IASB's Improvements to IFRSs 2010.

Critical accounting estimates and assessments

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the Group's consolidated financial statements. The estimates and assumptions that are deemed critical to the consolidated financial statements are

- the fair value measurement of mortgage loans
- the fair value measurement of financial instruments

The estimates and assumptions are based on premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

Fair value measurement of mortgage loans

The fair value of mortgage loans is based on the fair value of the underlying mortgage bonds adjusted for changes in the fair value of the credit risk on borrowers. For mortgage loans granted to customers in rating categories 10 and 11 (all loans with objective evidence of impairment), such adjustment equals the difference between the carrying amount and the present value of the expected future cash flow of the asset, including the net realisable value of collateral held. A collective assessment is also made to determine the need for changes to reflect fair value adjustments of the credit risk of the remaining portion of the portfolio.

Fair value measurement of financial instruments

Measurements of financial instruments based on prices quoted in an active market or based on generally accepted models employing observable market data are not subject to critical estimates. Measurements of financial instruments that are only to a limited extent based on observable market data, such as unlisted shares and certain bonds for which there is no active market, are subject to estimates.

Annual Report 2010 provides a detailed description of the Group's significant risks and the external factors that may affect the Group.

The interim report has not been reviewed or audited.

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of amendments to international accounting

standards that have not yet come into force. The paragraphs below list the standards and interpretations that are likely to affect the Group's financial reporting.

In October 2010, the IASB reissued IFRS 9, Financial Instruments. This version of the standard is the first step to replace the requirements of IAS 39 in 2011. After implementation of phase 1, IFRS 9 deals with classification of financial instruments and derecognition, while the next phases will address impairment, hedge accounting and offsetting of financial assets and liabilities. The transitional rules adopted in IFRS 9 (phase 1) imply implementation of the standard by 2013. The implementation deadline is expected to be postponed until 2015. The EU has decided to postpone adoption of IFRS 9 until the details of the remaining phases are known.

The Group does not expect IFRS 9 (phase 1) to materially affect the measurement of its financial instruments. Meaningful classification and measurement of financial instruments are not possible without information about the future content of IFRS 9 to clarify the overall accounting effects of the standard and the time of implementation.

The IASB ended its project on consolidation in May 2011 by issuing a number of new accounting standards (IFRS 10, IFRS 11 and IFRS 12) and revised accounting standards (IAS 27 and IAS 28). The IASB has established a uniform concept of control to be used for determining whether an entity should be consolidated and has introduced enhanced disclosure requirements for consolidated and unconsolidated entities, joint arrangements and associated undertakings. The standards, which have not yet been adopted by the EU, must be implemented in 2013 at the latest. The Realkredit Danmark Group does not expect the new requirements to significantly change its consolidation of undertakings.

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. The standard introduces a new definition of fair value and provides guidance on how to measure and disclose fair value. IFRS 13 applies when another standard requires fair value to be used or disclosed. The standard, which has not yet been adopted by the EU, must be implemented in 2013 at the latest. The Group does not expect IFRS 13 to significantly affect its financial results.

In June 2011, the IASB issued an amended IAS 19, Employee Benefits. The amended standard eliminates the option to defer the recognition of actuarial gains and losses on defined benefit pension plans, known as the "corridor method". The present value of net pension assets and obligations must instead be recognised in the balance sheet. The amended standard, which has not yet been adopted by the EU, must be implemented in 2013 at the latest. At 30 September 2011, the new requirements would have reduced shareholders' equity by DKK 152 million (the amount deferred under the corridor method net of tax). The effect on the net profit will be immaterial, as actuarial gains and losses are recognised in other comprehensive income. Other comprehensive income and shareholders' equity items will become more volatile, though. The Statement of capital will not be affected as it is already prepared without the use of the corridor method.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity

Q1-Q3 2011	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,655	-	2,655	-	2,655
Net interest income	433	309	742	-309	433
Dividends from shares	-	-	-	-	-
Net fee income	-362	-	-362	-	-362
Income from investment portfolios	-	-	-	359	359
Value adjustments	81	-31	50	-50	-
Other income	80	-	80	-	80
Total income	2,887	278	3,165	-	3,165
Expenses	702	3	705	-	705
Profit before loan impairment charges	2,185	275	2,460	-	2,460
Loan impairment charges	739	-	739	-	739
Income from associated undertakings	-	-	-	-	-
Profit before tax	1,446	275	1,721	-	1,721
Q1-Q3 2010	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,550	-	2,550	-	2,550
Net interest income	416	491	907	-491	416
Dividends from shares	-	8	8	-8	-
Net fee income	-372	-	-372	-	-372
Income from investment portfolios	-	-	-	595	595
Value adjustments	-35	126	91	-91	-
Other income	137	-	137	-	137
Total income	2,696	625	3,321	5	3,326
Expenses	657	3	660	-	660
Profit before loan impairment charges	2,039	622	2,661	5	2,666
Loan impairment charges	808	-	808	-	808
Income from associated undertakings	-	5	5	-5	-
Profit before tax	1,231	627	1,858	-	1,858

Mortgage finance encompasses property financing services provided in Denmark to personal and business customers. The mediation of property financing services is made through Danske Bank's branch network and finance centres and through Corporate Customers at Realkredit Danmark. The segment also includes mediation of real estate transactions offered through the home real-estate agency chain. 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 income from investment portfolios.

Notes – Realkredit Danmark Group

Note	(DKK millions)	Q1-Q3 2011	Q1-Q3 2010
3	Loan impairment charges		
	Impairment charges etc.	719	1,016
	Reversals of impairment charges etc. for previous years	608	458
	Losses incurred	667	316
	Received on claims previously written off	39	66
	Total	739	808

- 4 **Loans etc.**
 Of the total fair value adjustment for the credit risk on mortgage loans, charges were recognised as an expense of DKK 1,992 million at 30 September 2011, against DKK 1,829 million at the beginning of the year.
 Of the total loan impairment charges for the credit risk on loans and other amounts due at amortised cost, charges were recognised as an expense of DKK 384 million at 30 September 2011, against DKK 436 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges etc. at 1 January 2010	1,544	66	1,610
Impairment charges etc. for the period	1,188	201	1,389
Reversals of impairment charges etc. for previous years	731	3	734
Impairment charges etc. at 31 December 2010	2,001	264	2,265
Impairment charges etc. for the period	613	106	719
Reversals of impairment charges etc. for previous years	527	81	608
Impairment charges etc. at 30 September 2011	2,087	289	2,376

Value adjustment of assets taken over amounted to DKK 10 million at 30 September 2011, against DKK 17 million at end 2010.

- 5 **Assets deposited as collateral**
 At 30 September 2011, the Group had deposited securities worth DKK 15,543 million as collateral with the Danish central bank (end of 2010: DKK 32,584 million).

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and the amounts received are recognised as due to credit institutions and central banks. Repo transaction securities are treated as assets provided as collateral for liabilities. At 30 September 2011, the carrying amount of such securities totalled DKK 3,313 million (end of 2010: DKK 9,153 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

Mortgage loans at a fair value of DKK 716,154 million were deposited as collateral for issued mortgage bonds, including mortgage-covered bonds, at 30 September 2011 (end of 2010: DKK 704,449 million).

Notes – Realkredit Danmark koncernen

Note	(DKK millions)				
6	Financial instruments at fair value				
	30 September 2011	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	13,250	-	-	13,250
	Mortgage loans at fair value	-	716,154	-	716,154
	Shares	-	-	2	2
	Derivatives	-	77	-	77
	Total	13,250	716,231	2	729,483
	Issued mortgage bonds at fair value	660,129	-	-	660,129
	Derivatives	-	9	-	9
	Total	660,129	9	-	660,138
	31 December 2010				
	Bonds at fair value	21,679	-	-	21,679
	Mortgage loans at fair value	-	704,449	-	704,449
	Shares	-	-	1	1
	Derivatives	-	310	-	310
	Total	21,679	704,759	1	726,439
	Issued mortgage bonds at fair value	671,644	-	-	671,644
	Derivatives	-	87	-	87
	Total	671,644	87	-	671,731

Note 37 of Annual Report 2010 provides a description of the valuation techniques used for financial instruments.

7 Contingent liabilities

Owing to its size and business volume, the Realkredit Danmark Group is continually a party to various lawsuits or disputes. The Group does not expect the outcomes of lawsuits or disputes to have any material effect on its financial position.

As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafvilkingskasse.

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 on the balance sheet.

(DKK millions)	30 Sept. 2011	31 Dec. 2010	30 Sept. 2010
Guarantees etc.			
Other guarantees	4	4	4
Total	4	4	4
Other contingent liabilities			
Irrevocable loan commitments regarding reverse mortgages	296	414	427
Other commitments	116	106	105
Total	412	520	532
Total contingent liabilities	416	524	536

Realkredit Danmark as lessee

Realkredit Danmark is the lessee in a number of operating leases. Under such leases, the Group is entitled to use an asset for a specific period of time against lease payments, but it does not take over the major risks associated with the asset nor does it benefit from any returns.

The leases involve mainly cars. The minimum lease payments at 30 September 2011 were DKK 2 million (31 December 2010: DKK 2 million).

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim Report – First Nine Months 2011 of the Realkredit Danmark Group.

The consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. Furthermore, the interim report has been prepared in accordance with Danish disclosure requirements for interim reports of issuers of listed bonds.

In our opinion, the consolidated interim financial statements give a true and fair view of the Group's assets, liabilities, shareholders' equity and financial position at 30 September 2011 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2011 and ending on 30 September 2011. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 1 November 2011

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Jens-Erik Corvinus
Member of the Executive Board

Board of Directors

Tommy Thierry Andersen
Chairman

Per Skovhus
Vice Chairman

Henrik Ramlau-Hansen

Claus Bundgaard

Klaus Pedersen

Supplementary information

Financial calendar

- Annual Report 2011:
9 February 2012
- Interim Report – First Quarter 2012:
10 May 2012
- Interim Report – First Half 2012:
7 August 2012
- Interim Report – First Nine Months 2012:
30 October 2012
- Annual Report 2012:
7 February 2013
- Interim Report – First Quarter 2013:
7 May 2013

Contact

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