

Credit Report 2008Q3

Published 12 November 2008

REALKREDIT
Danmark

0 Contents

The Credit Report has been prepared by Realkredit Danmark analysts for information purposes only. The report is based on information available to the public only. The report is published quarterly.

The Credit Report offers an update on the performance of mortgage collateral supporting mortgage bonds and mortgage covered bonds issued by Realkredit Danmark.

Contents of the report falls into two parts. The first part contains general market information relevant to the performance of mortgage collateral. The second part contains Realkredit Danmark specific information. Contents of the report are:

1. Key Market Indicators
 - ❑ House Prices
 - ❑ Homeowners Equity
 - ❑ Unemployment and Real Wage Growth
 - ❑ Homeowner Affordability
 - ❑ Foreclosures
2. Key Collateral Indicators
 - ❑ Loan to Value Ratios
 - ❑ Loan to Value Ratios and Borrower Classifications
 - ❑ Mortgage Collateral Breakdowns
 - ❑ Borrower Exposure to interest rates
 - ❑ Arrears and Repossessions
 - ❑ Over Collateralisation and Capitalisation
 - ❑ Market Risk Exposures and Liquidity



Financial Times
12 August 2008

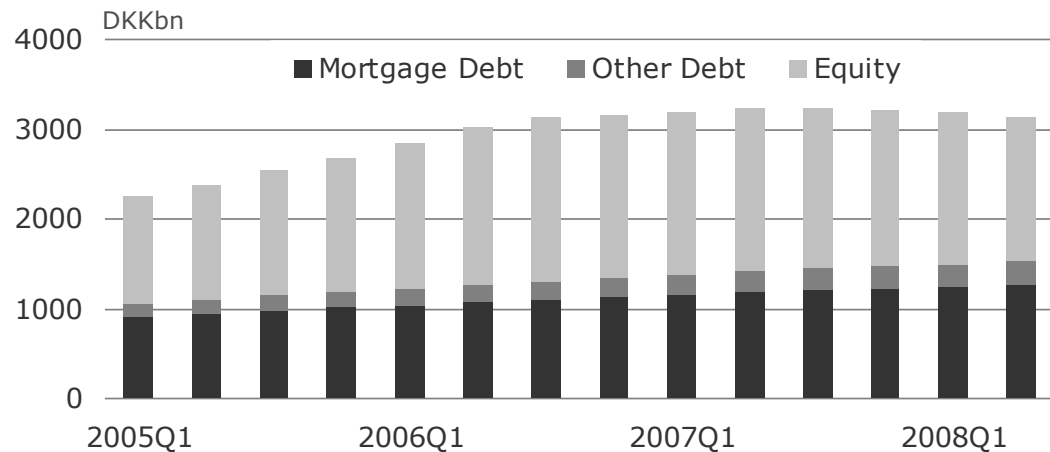
1 House Prices and Homeowners Equity

House Price Trends

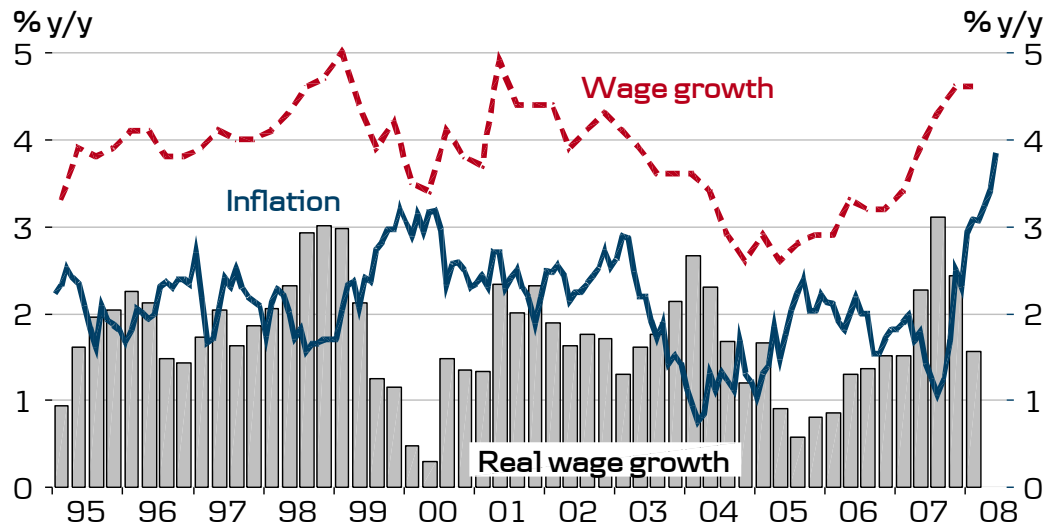
- ❑ House prices are down [xx] per cent from the peak mid 2006
- ❑ House price inflation until mid 2006 are largely attributable to macro economic factors. i.e. no convincing signs of price bubbles
- ❑ House prices are expected to drop by a further 5 per cent in 2009

Homeowners Equity

- ❑ Homeowners have been reluctant in using house price inflation to increase spending
- ❑ Equity remains at a high level enabling homeowners to withstand the effects of house price deflation
- ❑ Homeowners equity has been cushioned from house price deflation by capital gains on fixed rate debt

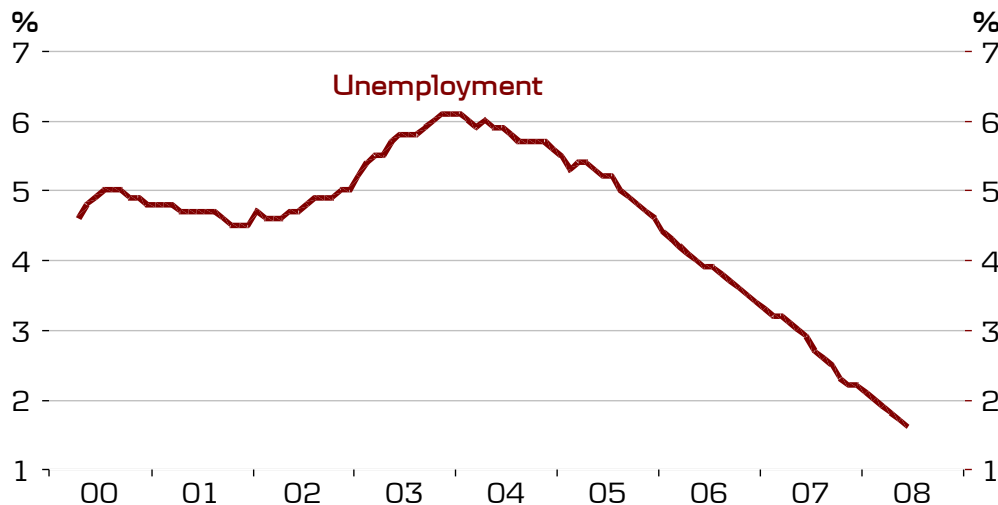


1 Unemployment and Real Wage Growth



Real Wage Growth

- Aaa
- Bbb
- Ccc
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Unemployment

- Aaa
- Bbb
- ccc

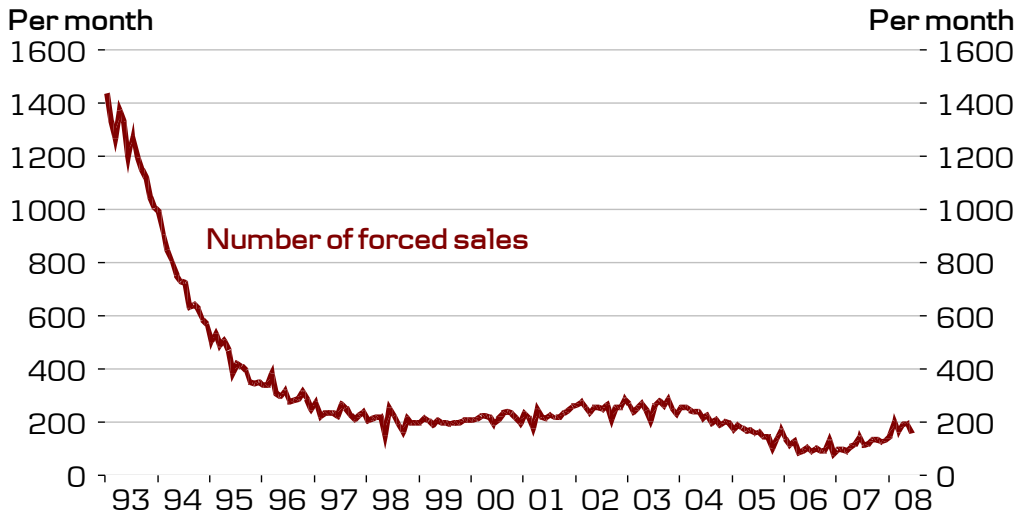
1 Homeowner Affordability and Foreclosures

Affordability

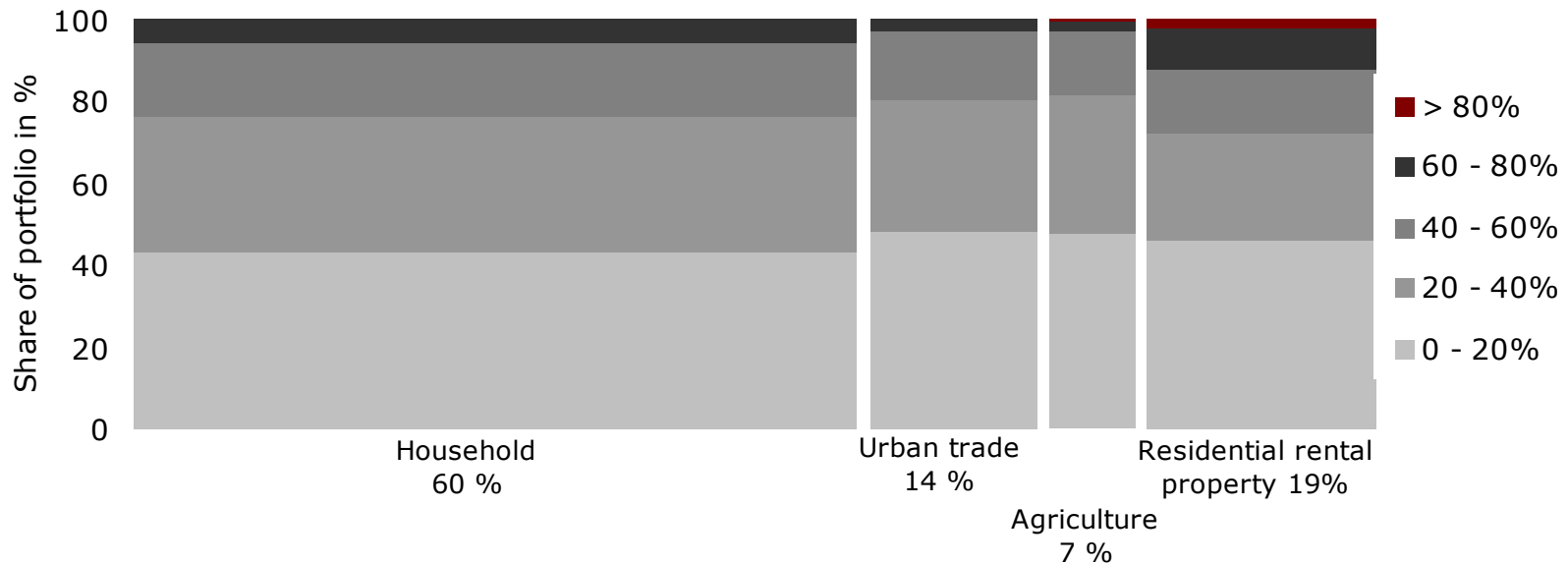
- Aaa
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Foreclosures

- Aaa
- Bbb
- ccc



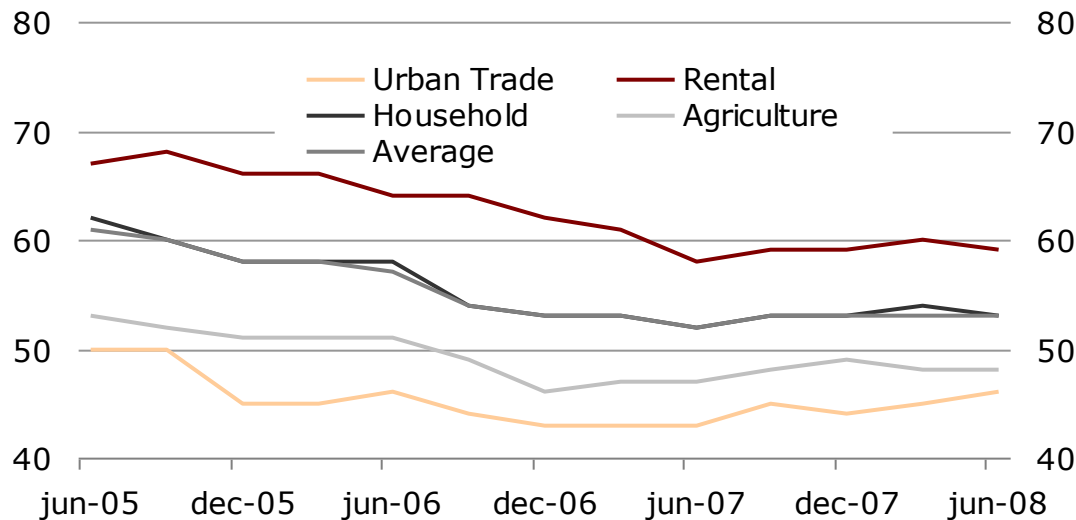
2 Loan to Value Ratios



Loan To Value Ratios

- ❑ Covered bonds are secured by a first claim on the mortgage collateral and the reserves of the issuer
- ❑ Loan to value ratios of the mortgage collateral are maximised by legislation at 80 per cent in residential segments and 60 per cent in commercial segments (70 per cent if the outmost 10 per cent are secured by additional collateral). Lending beyond these limits is prohibited
- ❑ Loan to value ratios are monitored on an ongoing basis based on current market values of the property and current prepayment value of the mortgages
- ❑ More than 40 per cent of mortgage collateral securing covered bonds issued by Realkredit Danmark has a maximum loan to value ratio of 20 per cent based, more than 70 per cent has a maximum loan to value ratio of 40 per cent
- ❑ Foreclosure costs are typically less than [xx] per cent of the outstanding loan balance

2 Loan To Value and Borrower Classifications



Loan to Value

- ❑ Average loan to value ratios across market segments are 54 per cent which is a historical low
- ❑ The impact of house price deflation has been offset by a drop in prepayment value of mortgage from interest rate hikes
- ❑ The loan to value ratios do not include the effects of guarantees i.e. real loan to value ratios are lower

DKKbn	Rating Category (Scaled 1-11)			Total
	1-3	4-7	8-11	
LTV				
0-20 %	100	159	18	277
20-40 %	66	119	17	202
40-60 %	32	72	13	116
60-80 %	11	26	6	42
> 80 %	3	2	0	5
Total	212	377	54	643

Borrower Classifications

- ❑ Borrowers' financial strength is classified on a scale from 1 to 11, 1 being the highest score
- ❑ 85 per cent of all mortgages are classified 7 or better and are secured by a loan to value ratio of 60 per cent or lower
- ❑ High loan to value and low classification mortgages only make up 1 per cent of the mortgage collateral

2 Mortgage Collateral Breakdowns

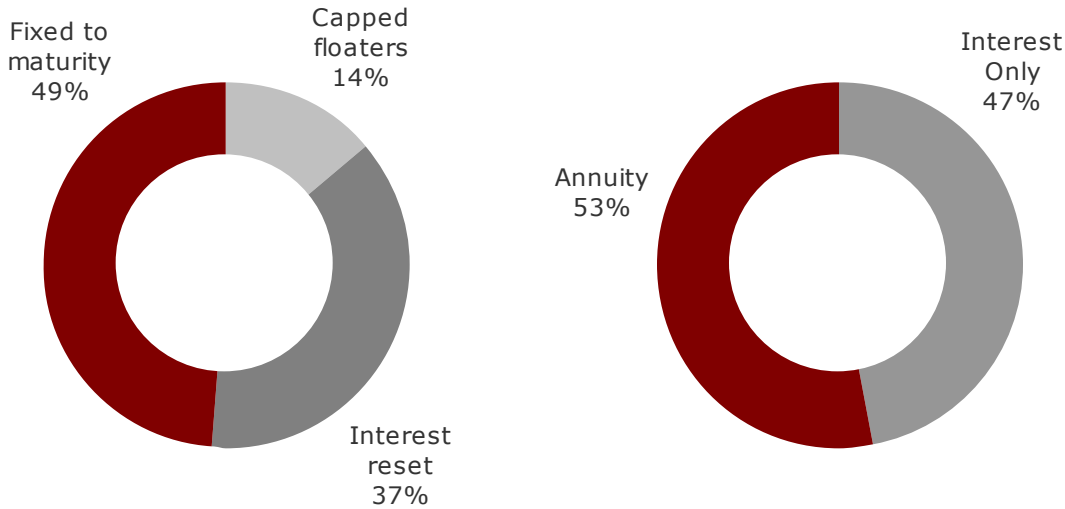
Borrower Segmentation

Outstanding Loan Balance

Portfolio Seasoning

aaa

2 Borrower Exposure to Interest Rates



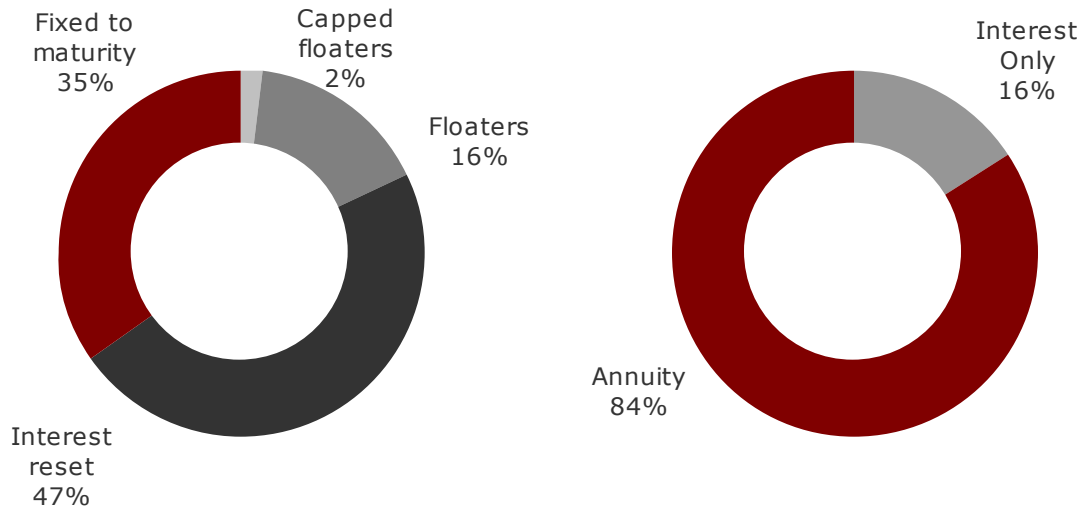
Homeowner Segment

- ❑ Homeowners must be able to service a 30-year fixed rate annuity loan for Realkredit Danmark to underwrite the loan
- ❑ One in two homeowners are not exposed to interest rate hikes loan, interest rates being fixed to maturity
- ❑ 14 per cent of all mortgages are floaters capped at 5 or 6 per cent

Note: Breakdown of outstanding loan balances

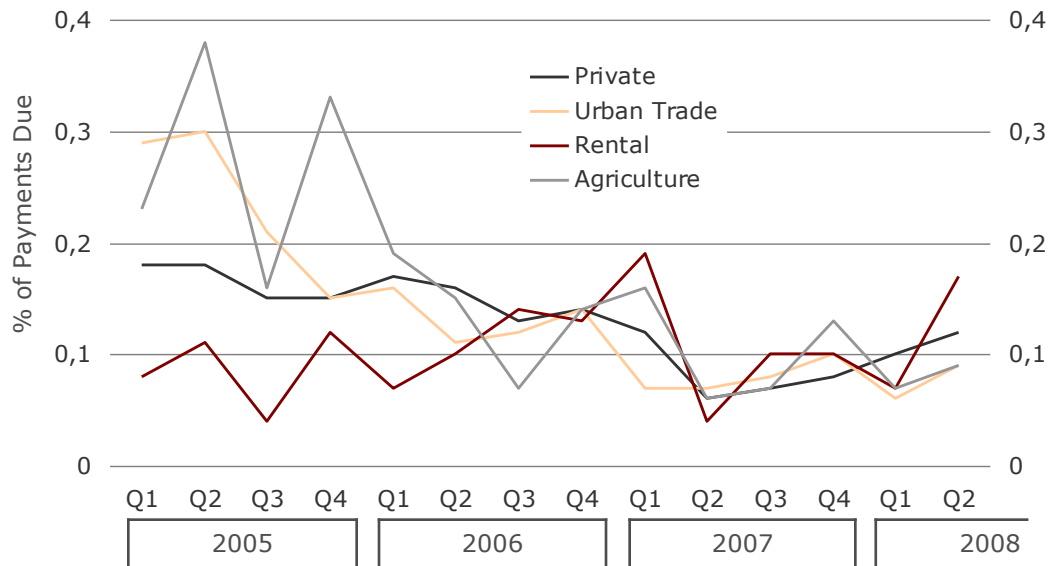
Corporate Segments

- ❑ One third of all lending in corporate segments is fixed rate to maturity
- ❑ Two thirds are either interest reset (typically, rates are reset every year or every third year) or floating rate (base rates are either 6M cibor or 3M euribor)
- ❑ Interest only loans only make up 16 per cent of corporate lending



Note: Breakdown of outstanding loan balances

2 Arrears and Repossessions



Arrears

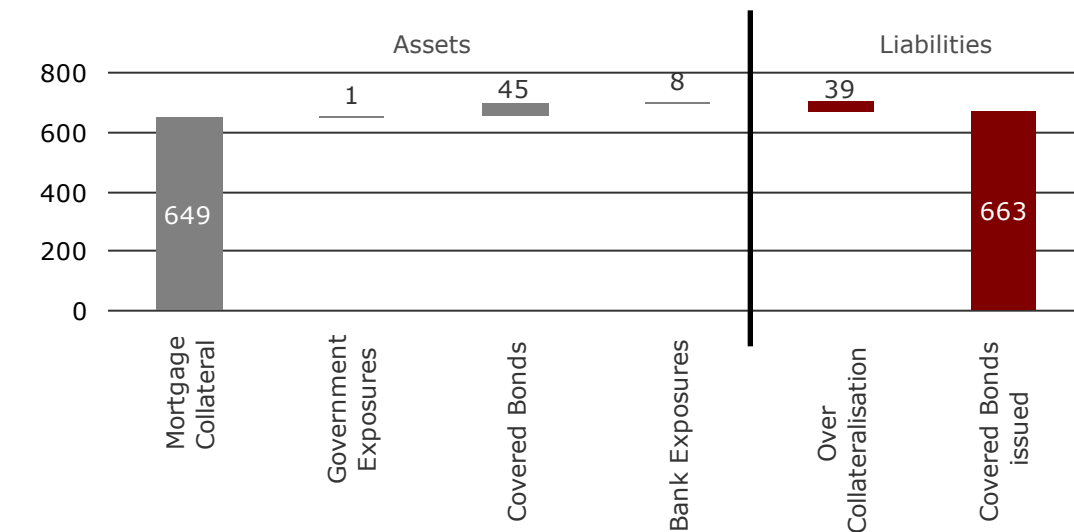
- ❑ Average 3 months arrears stood at [xx] of payments due end 2008Q3
- ❑ Differences in arrears across segments are moderate
- ❑ Arrears reached a historical low mid 2007. Since then arrears have moved up moderately
- ❑ EU average 3 months arrears are [xx] per cent

Repossessions

- ❑ The stock of repossessed properties stood at 13 end 2008Q3
- ❑ This compares to a total stock of mortgages of 427,000
- ❑ End 2007Q3 the stock reached a historical low of a single repossessed property

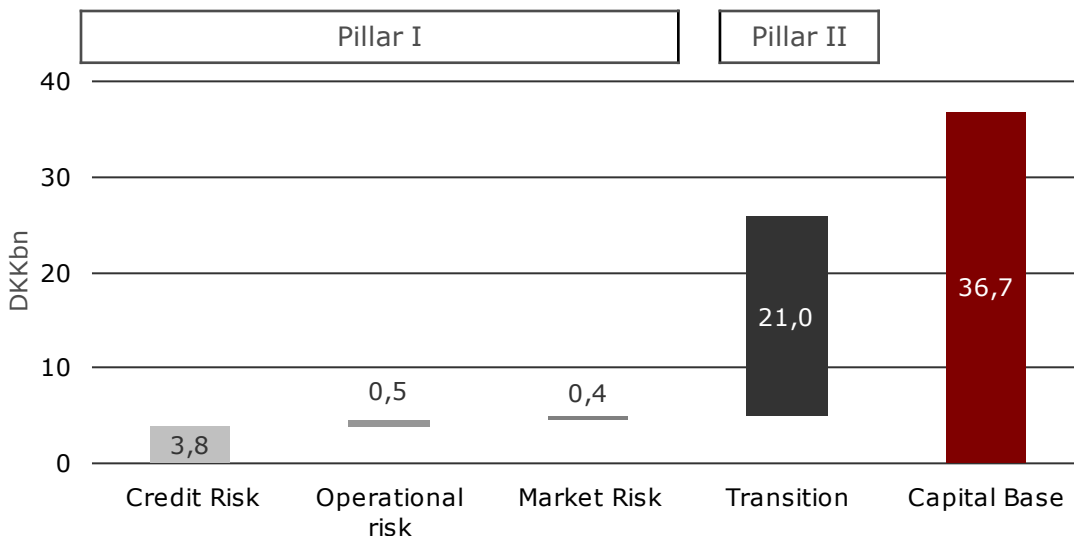
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2 Over Collateralisation and Capitalisation



Over Collateralisation

- ❑ Covered bonds issued by Realkredit Danmark are secured by mortgage collateral and reserves
- ❑ Reserves are invested in government exposures, covered bonds and bank exposures
- ❑ In case of bankruptcy Over Collateralisation will be comprised by bondholders preferential claim



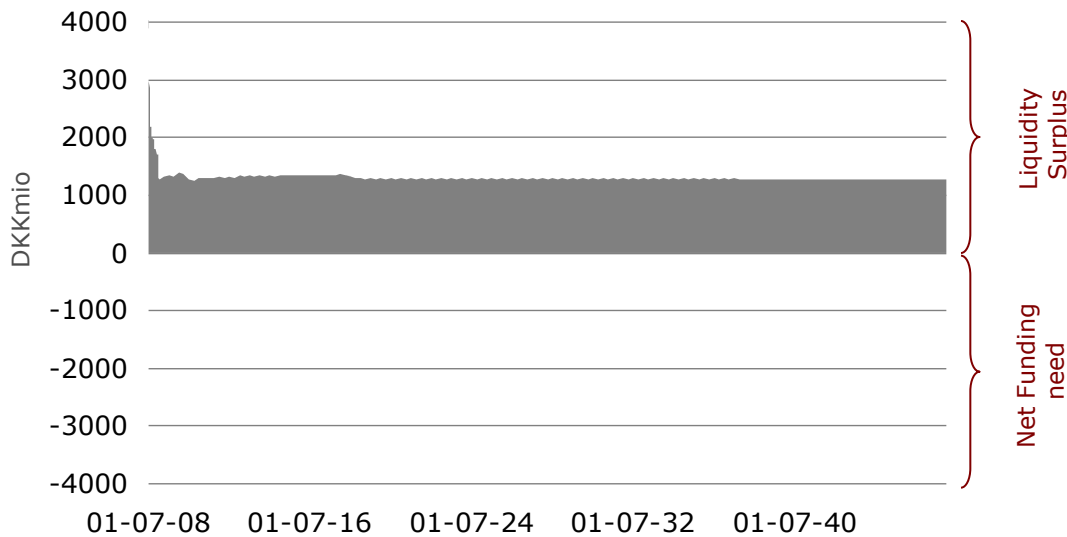
Capitalisation

- ❑ Realkredit Danmark's capital base stood at 36.7bn end 2008Q3
- ❑ The solvency ratio stood at 62.8 per cent end 2008Q3 (CRD definition)
- ❑ The current capitalisation is sufficient to withstand the effects of the recession scenario with a capital buffer of 12.5bn

2 Market Risk Exposure and Liquidity

Market Risk Exposures

- ❑ Realkredit Danmark operates subject to the specific balance principle
- ❑ The principle



Liquidity

- ❑ Future net liquidity from