

Risk Report 2009Q2

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Danmark

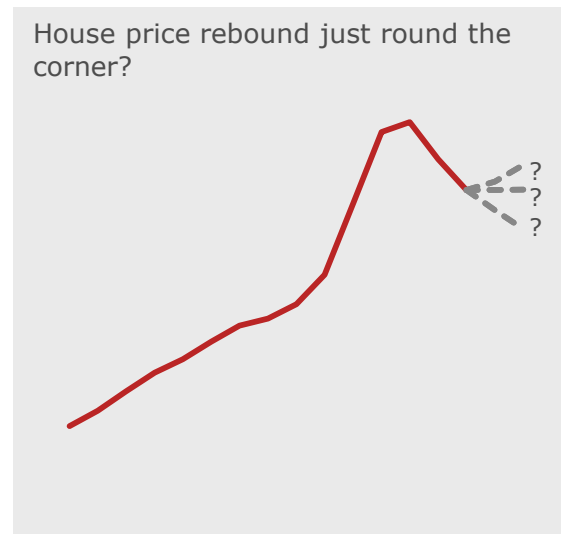
0 Contents

The Risk Report has been prepared by Realkredit Danmark analysts for information purposes only. Realkredit Danmark will publish an updated Risk Report quarterly.

The Risk Report offers an update on the performance of mortgage collateral supporting mortgage bonds and mortgage covered bonds (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
 - ❑ Danish economic outlook
 - ❑ Geographical Disperision
2. Key Collateral Indicators
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 - ❑ Loan to Value Ratios and Borrower Classifications
 - ❑ Mortgage Collateral Breakdowns – Total and Capital Centre S
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 - ❑ Arrears and Repossessions
 - ❑ Over Collateralisation and Capitalisation
 - ❑ Market Risk Exposures and Liquidity

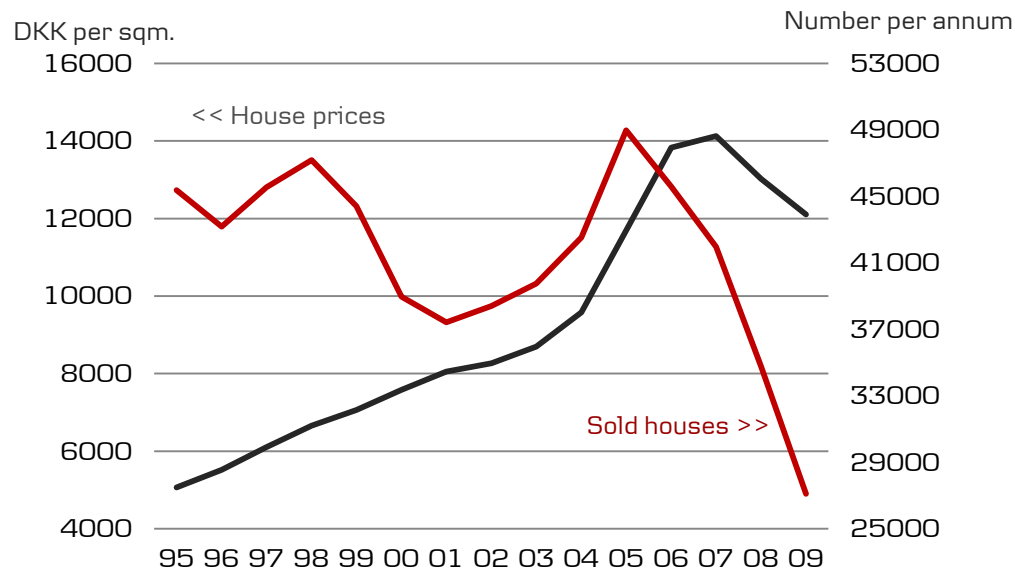


Key Market Indicators

General Market Information

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1 House Prices and Homeowners Equity

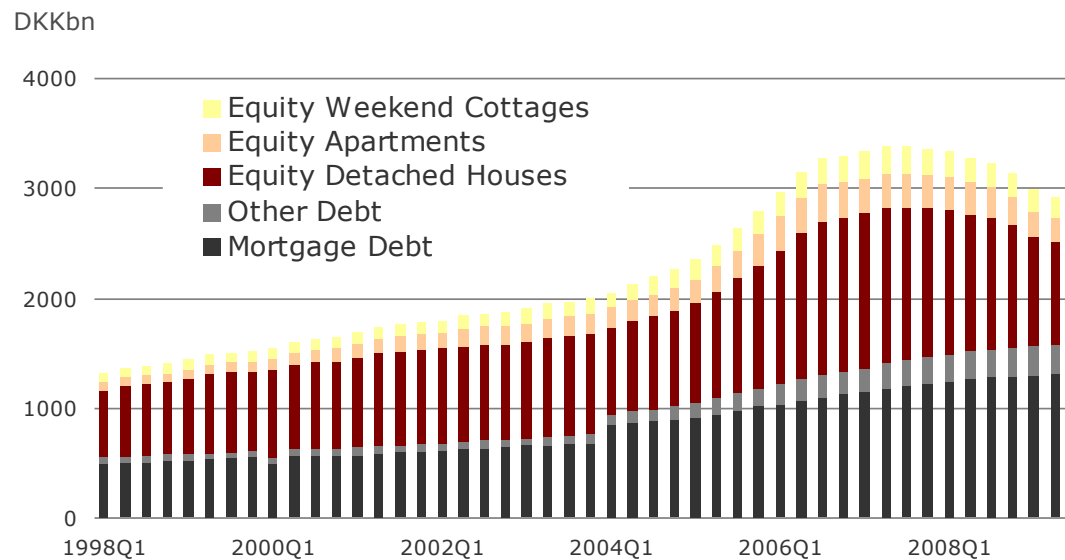


House Price Trends

- ❑ The housing market has suffered a broad-based fall in prices since 2006/2007
- ❑ Stabilisation of house prices in some areas of Denmark is registered
- ❑ House prices are down 14.5 per cent for detached housing from the peak mid 2007 and 27.6 per cent for apartments from the peak mid 2006

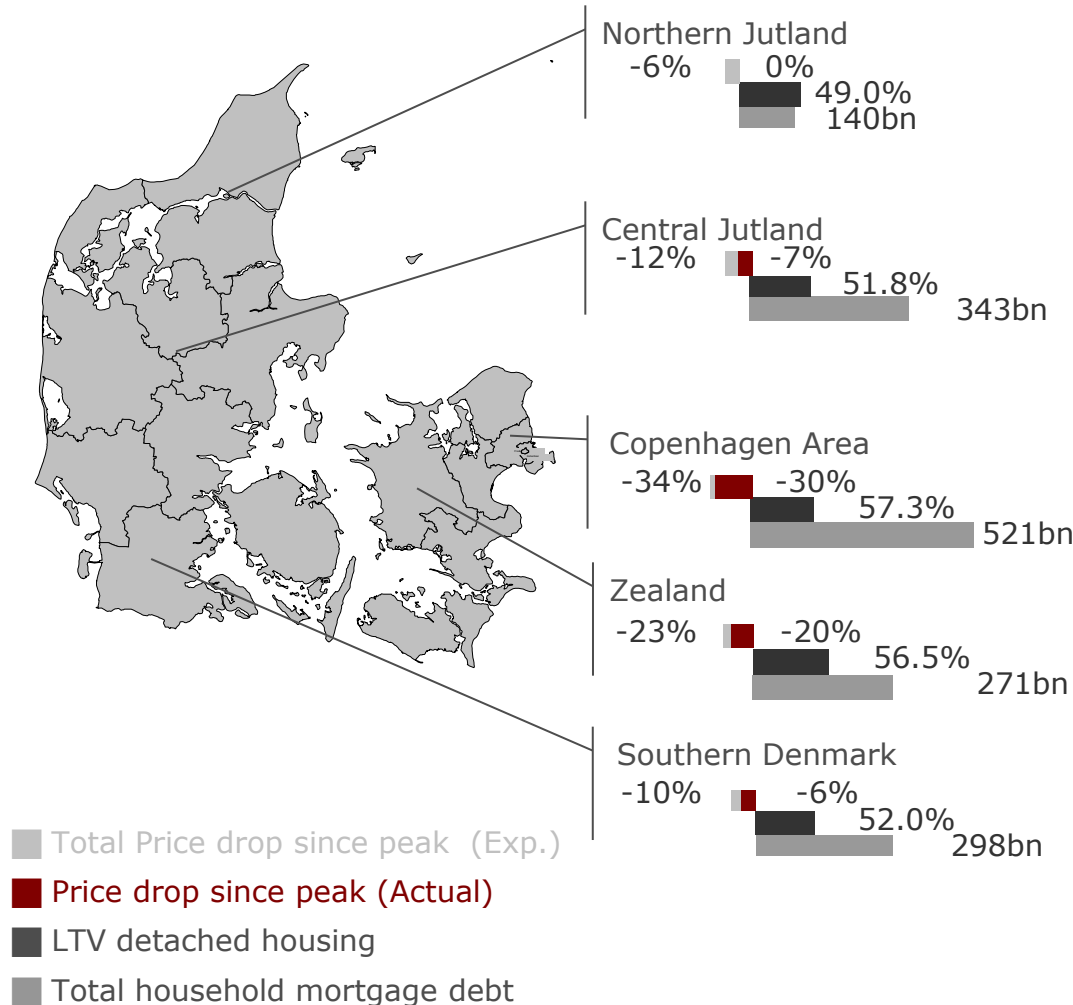
Homeowners Equity

- ❑ Homeowners' equity peaked 2006Q3 at 1,983bn. Since then equity has dropped by nearly 645bn
- ❑ Only 56 per cent of the drop can be explained by house price deflation – 44 per cent is due to additional lending
- ❑ Signs of caution are recorded as the appetite for additional lending in the past 6 month has dropped



1 Geographical Dispersion

Private lending in Denmark in total



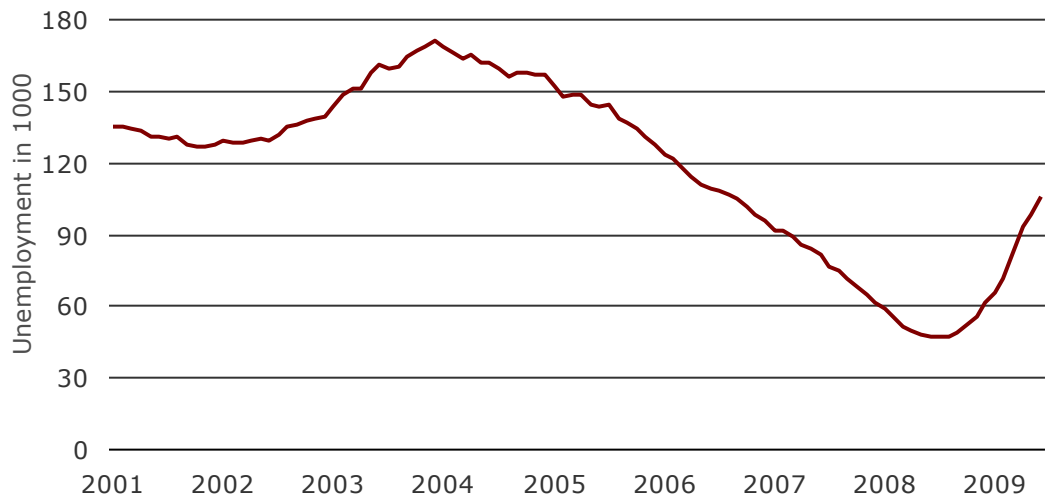
- ❑ The Copenhagen area was the first to suffer from house price deflation, following a decade of soaring house prices. From the mid 2006 peak prices are expected to drop by a total of 34 per cent of which 30 per cent has already materialized
- ❑ Significant house price deflation has also been recorded in the Zealand region. Also for this region expectations are that we are close to the bottom of the price cycle
- ❑ House prices have shown greater stability in Jutland regions. House price inflation until 2007 was more moderate and now house price deflation is expected not to exceed 12 per cent

1 Unemployment and Real Wage Growth



Real Wage Growth

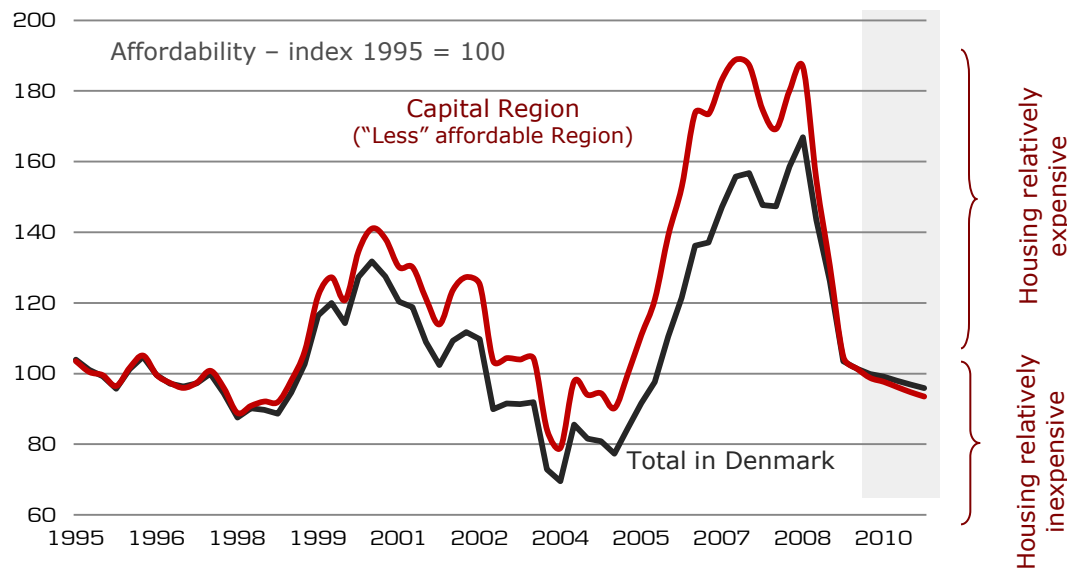
- ❑ Real wage is expected to rise as inflation is expected to decrease (Q2 figures are not available)
- ❑ The recession will impact nominal wage growth adversely, however, only moderately
- ❑ Lower interest rates and tax reductions in 2010 increasing the disposable income net of housing costs



Unemployment

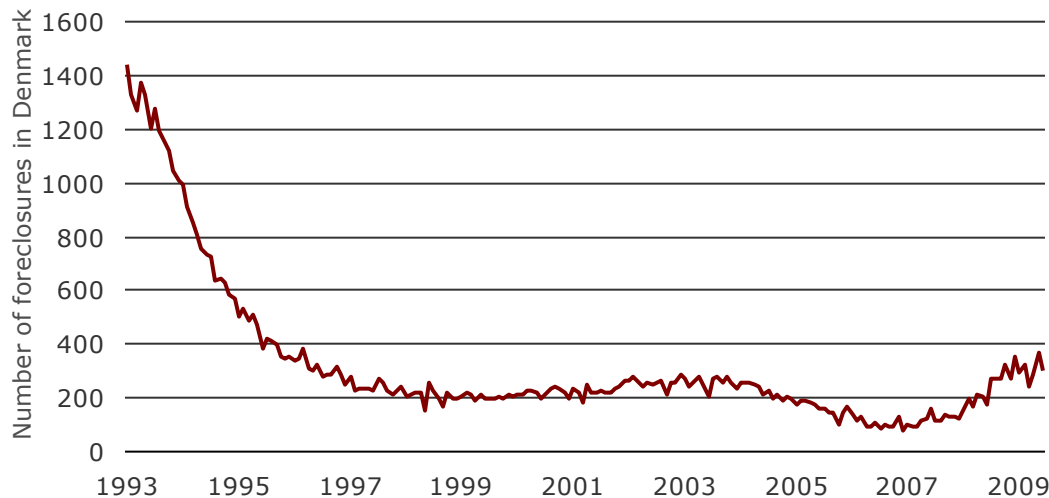
- ❑ Unemployment is up more than 58,600 to 105,100 end Q2 2009 from a historical low of less than 47,000 in mid 2008
- ❑ This is equivalent to an unemployment rate of 3.8 per cent
- ❑ Unemployment is expected to increase to around 130,000 end 2009 and to around 150,000 end 2010

1 Homeowner Affordability and Foreclosures



Homeowner Affordability

- ❑ House price deflation and lower interest rates makes housing more affordable even in the Copenhagen area
- ❑ Housing affordability is now at the same level as in 1995 when house prices began to soar



Foreclosures

- ❑ The number of foreclosed properties in Denmark has declined in June 2009 to 299 from 367 foreclosures in May 2009
- ❑ ...but a rebound is not to be ruled out
- ❑ This compares to 1,435 foreclosures in January 1993 and a historical low of 72 in December 2006
- ❑ The duration of a foreclosure is approx. 6 months

Note: Seasonally adjusted, all product categories included

1 Political measures and outlook

	Denmark	Euro Zone	2008		2009		2010	
GDP	-1.2	0.6	-3.5	-3.9	0.8	2.0		
Private Consumption	-0.1	0.4	-3.7	-0.6	2.7	0.6		
Fixed investments	-5.0	-0.3	-11.1	-8.7	-2.6	3.2		
Export	2.3	0.9	-6.1	-12.9	2.1	2.4		
Unemployment %	1.8	7.6	3.6	9.6	5.0	10.8		

- ### Danish Economy Outlook
- ❑ The consumer indexes are increasing which is believed to be the first sign of recovery
 - ❑ Also weak signs of recovery in some of the main export markets of Denmark
 - ❑ It seems that the worst part of the economic down turn is over

Source: Danske Bank forecast, July2009

Key Market Indicators

Realkredit Danmark Specific Information

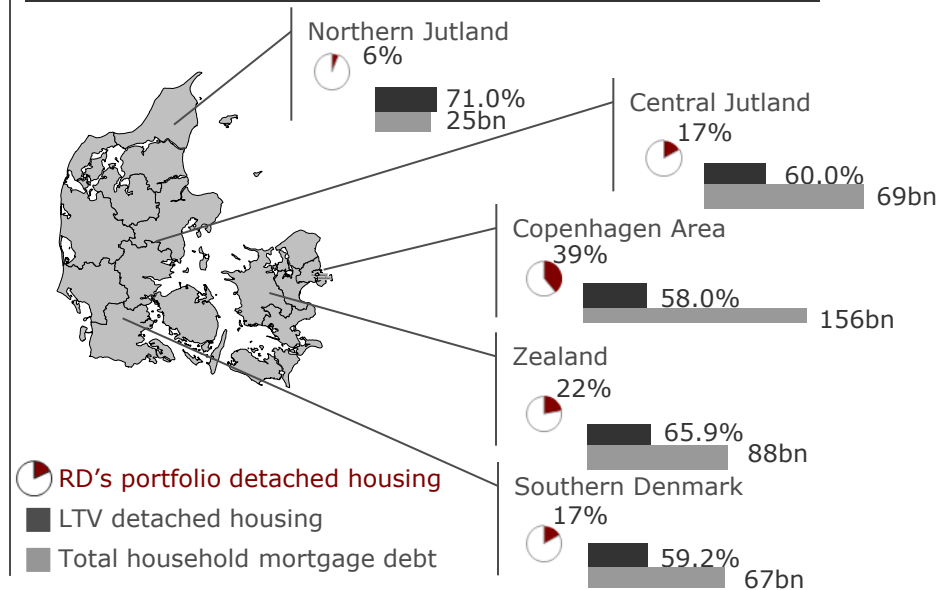
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2 Dispersion and Loan to Value Ratios

Dispersion of RD's portfolio

- ❑ RD's loan portfolio is concentrated in the Copenhagen area and on Zealand where prices have been reduced the most
- ❑ Homeowner equity remains highest in the Copenhagen area although LTV ratios has been exposed to the largest increase
- ❑ The affordability ratio in the capital region is expected to be lower compared to the ratio of Denmark in total in year 2010
- ❑ Minor growth rates are recorded in some parts of the capital region (Q/Q) the actual price drop very near the expected

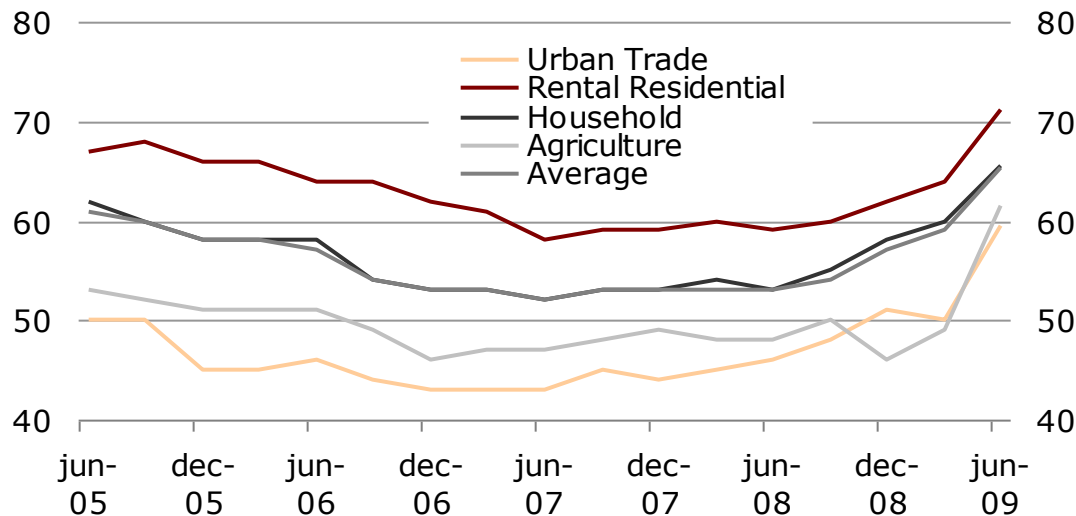
Geographical Dispersion in Realkredit Danmark



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
- ❑ 36 per cent of mortgage collateral securing covered bonds issued by Realkredit Danmark has a current loan to value ratio of 20 per cent or less. More than 65 per cent has a current loan to value ratio lower than 40 per cent
- ❑ Foreclosure costs are typically less than 15 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 up 8 percentage points at 65 from 57 per cent in Q1 2009
 - Property price deflation has been offset by capital gains on debt (marked to market) until 2008Q4

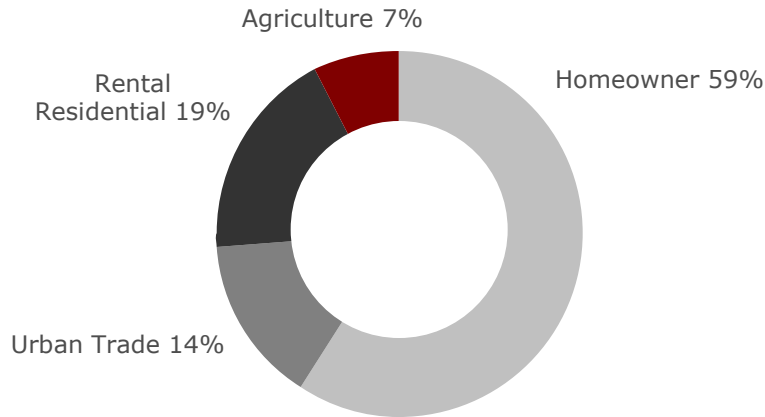
DKKbn	Rating Category (Scaled 1-11)			Total
	1-3	4-7	8-11	
LTV				
0-20 %	75	157	17	250
20-40 %	55	131	16	202
40-60 %	32	95	12	140
60-80 %	15	52	7	74
> 80 %	5	15	2	23
Total	182	451	54	687

- ### Borrower Classifications
- Borrowers' financial strength is classified on a scale from 1 to 11, 1 being the highest score
 - Approx. 2bn of total lending is secured by mortgages above the 80% LTV limit for which the borrowers' financial strength is classified 8-11

Note: RD total

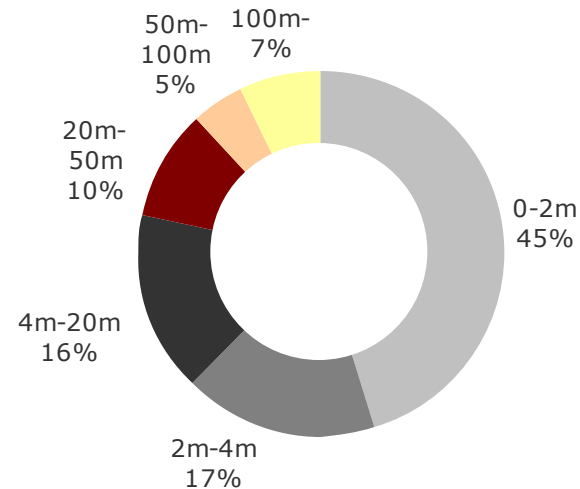
2 Collateral Breakdowns – Total portfolio

Borrower Segmentation



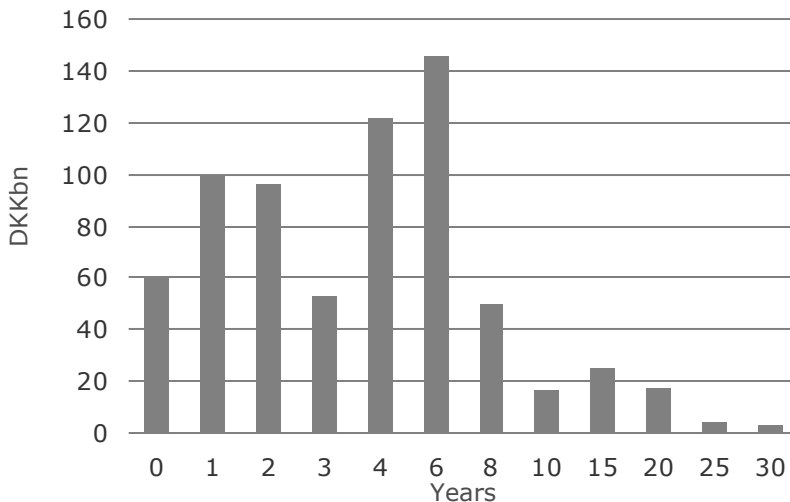
Note: Total lending distributed on segments

Outstanding Loan Balance



Note: Total lending distributed on outstanding loan balances

Portfolio Seasoning

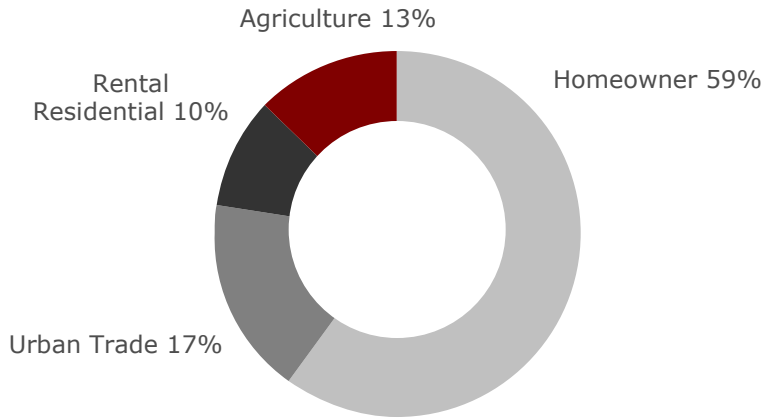


Outstanding Debt in DKKbn by LTV ratio

Segment	0-20%	20-40%	40-60%	60-80%	>80%	Total DKKbn
Household	143	120	84	45	14	406
Urban trade	39	31	21	9	2	101
Agriculture	20	16	11	4	1	51
Rental Residential	49	34	24	15	7	129
Weighted dist.	36%	29%	20%	11%	3%	100 %
Total, DKKbn	250	202	140	74	23	687

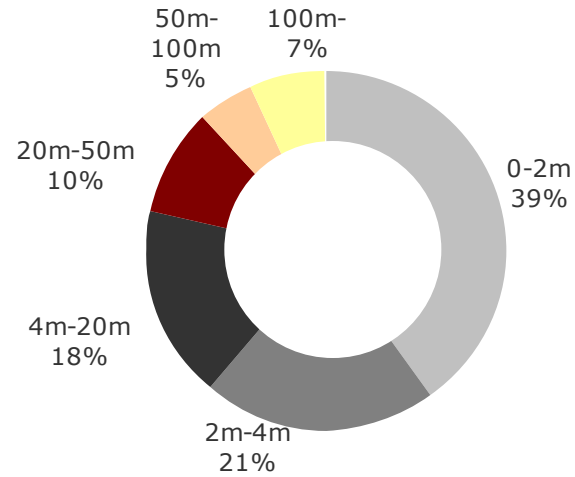
2 Collateral Breakdowns – Capital Centre S

Borrower Segmentation



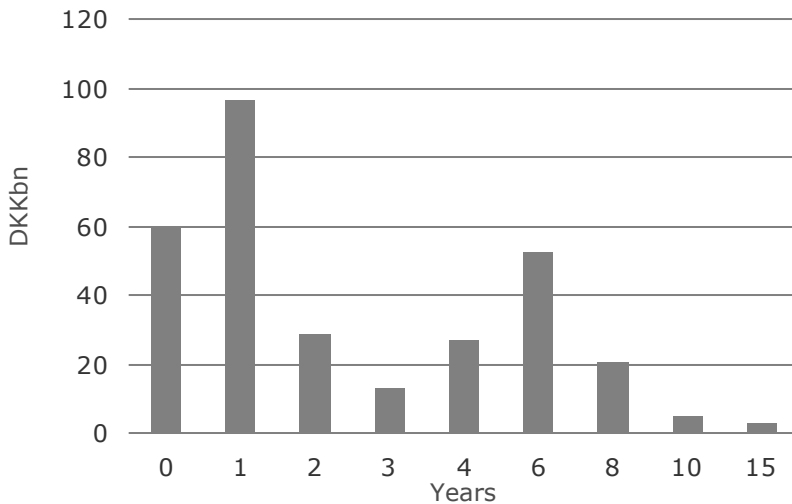
Note: Total lending distributed on segments

Outstanding Loan Balance



Note: Total lending distributed on outstanding loan balances

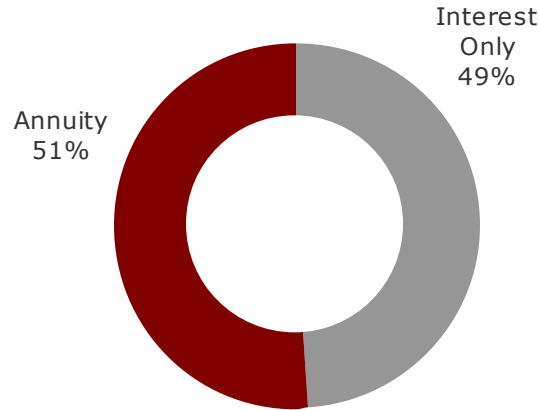
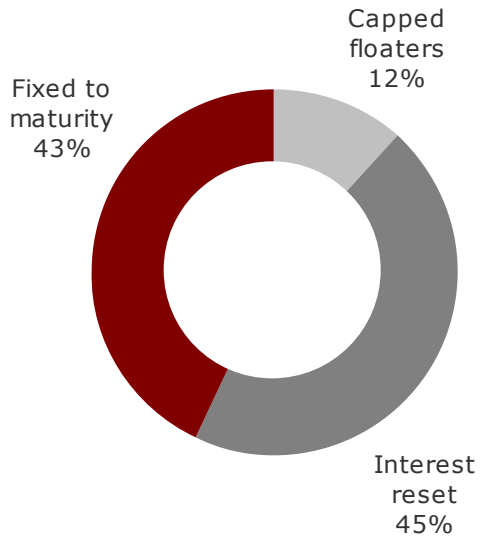
Portfolio Seasoning



Outstanding Debt in DKKbn by LTV ratio

Segment	0-20%	20-40%	40-60%	60-80%	>80%	Total DKKbn
Household	57	51	40	26	8	182
Urban trade	18	15	12	7	1	53
Agriculture	13	12	9	4	1	38
Rental Residential	9	8	6	4	2	30
Weighted dist.	32%	28%	22%	13%	4%	100 %
Total, DKKbn	97	85	67	41	12	302

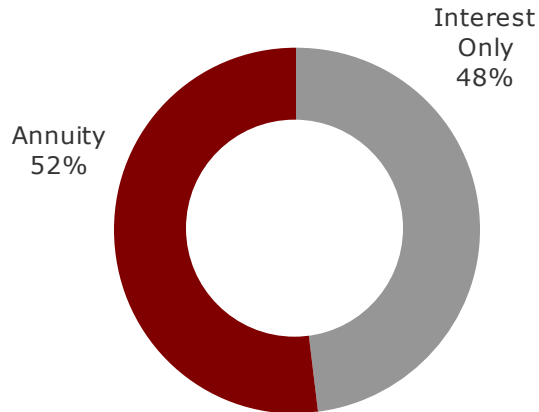
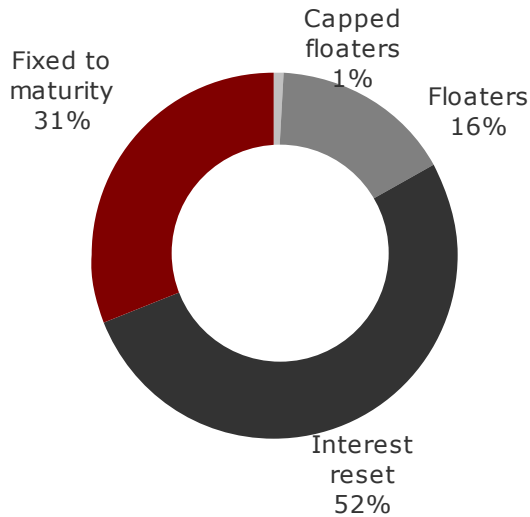
2 Borrower Exposure to Interest Rates



Note: Outstanding loan balances

Homeowner Segment

- ❑ Homeowners must be able to service a 30-year fixed rate annuity loan for Realkredit Danmark to underwrite the loan
- ❑ The impact of remortgaging from fixed to floating is mirrored in the chart interest reset up by 4 percentage points to 45 per cent
- ❑ 12 per cent of all mortgages are floaters capped at 5 or 6 per cent



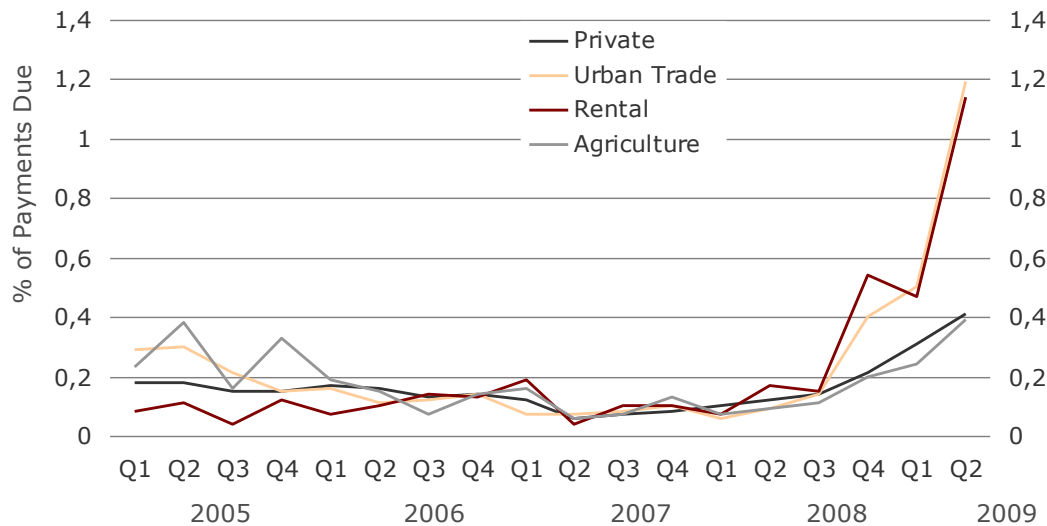
Note: Outstanding loan balances

Note: Bullet loans are added in "Interest Only" is of 2009Q3

Corporate Segments

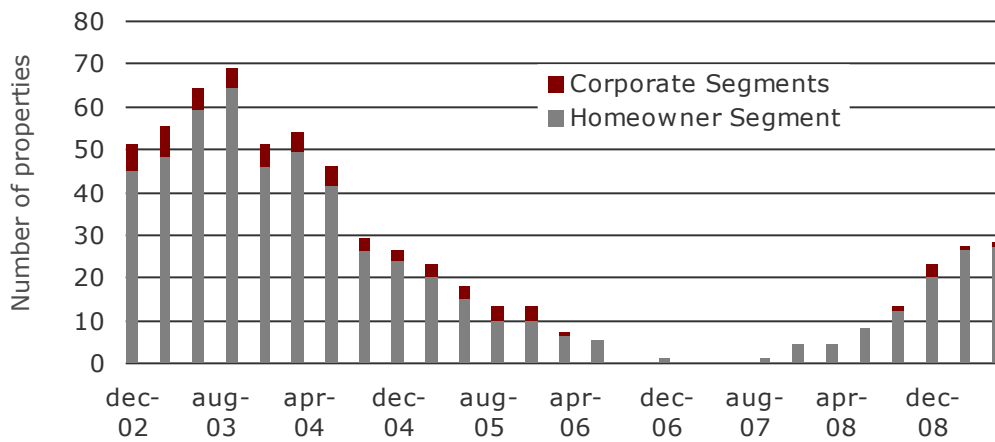
- ❑ One third of all lending in corporate segments is fixed rate to maturity
- ❑ Two thirds are either interest reset (typically, rates are reset every year or every third year) or floating rate (base rates are either 6M CIBOR or 3M EURIBOR)
- ❑ Bullets and Interest only loans make up 48 per cent of corporate lending

2 Arrears and Repossessions



Arrears (3 months)

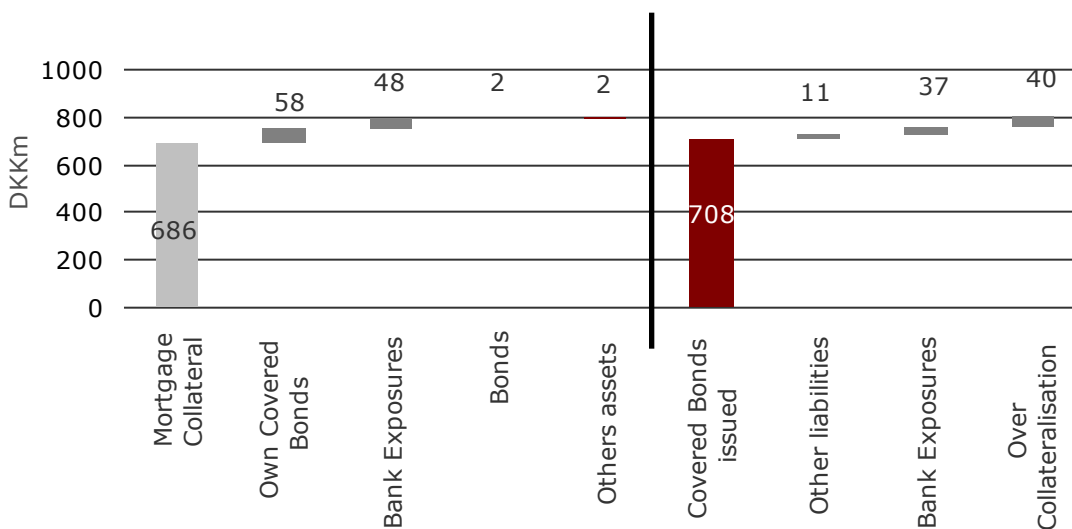
- ❑ Arrears are up from a historical low level in 2006 and 2007
- ❑ Increases in arrears have been most significant in residential rental and urban trade
- ❑ Ratios equals the level of 1995
- ❑ Programmes introduced to minimize arrears



Repossessions

- ❑ The stock of repossessed properties stood at 28 end 2009Q2 – one up from 2009Q1
- ❑ This compares to a total stock of mortgages collateral at 417,000
- ❑ The number of repossessed properties has not been affected by the increase in foreclosures as in the early 90's

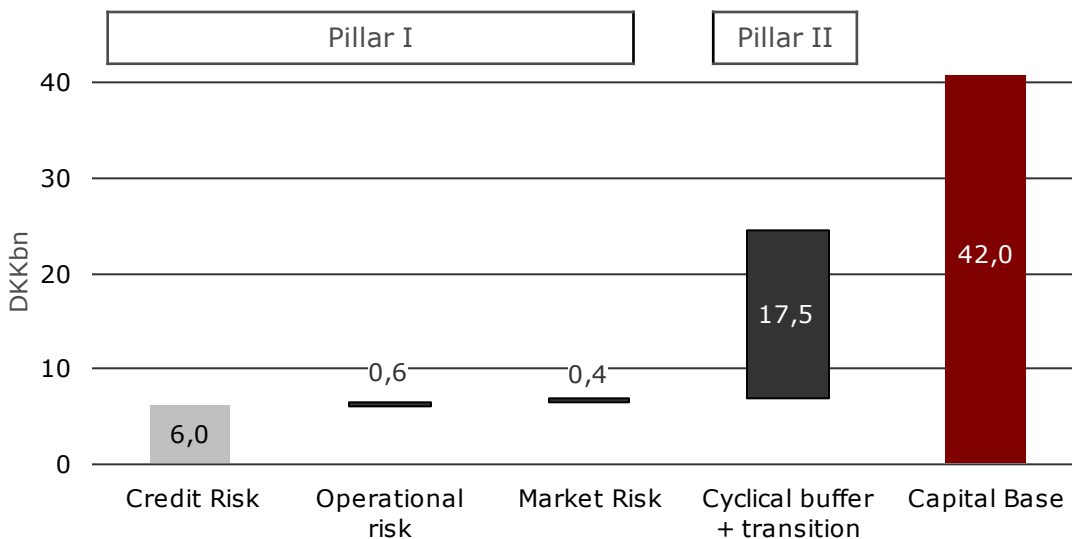
2 Over Collateralisation and Capitalisation



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 also be comprised by bondholders preferential claim

Note: Nominal values



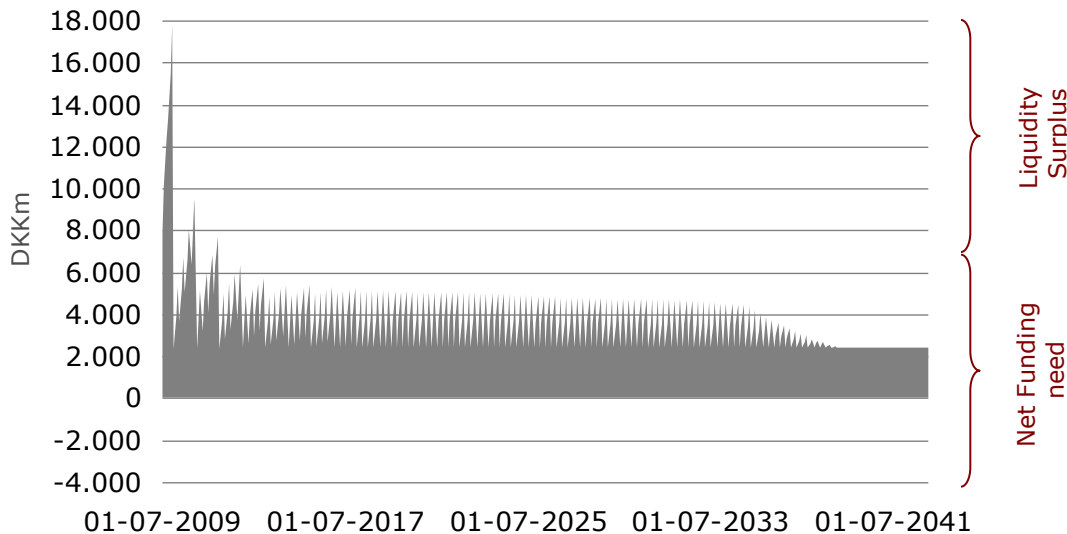
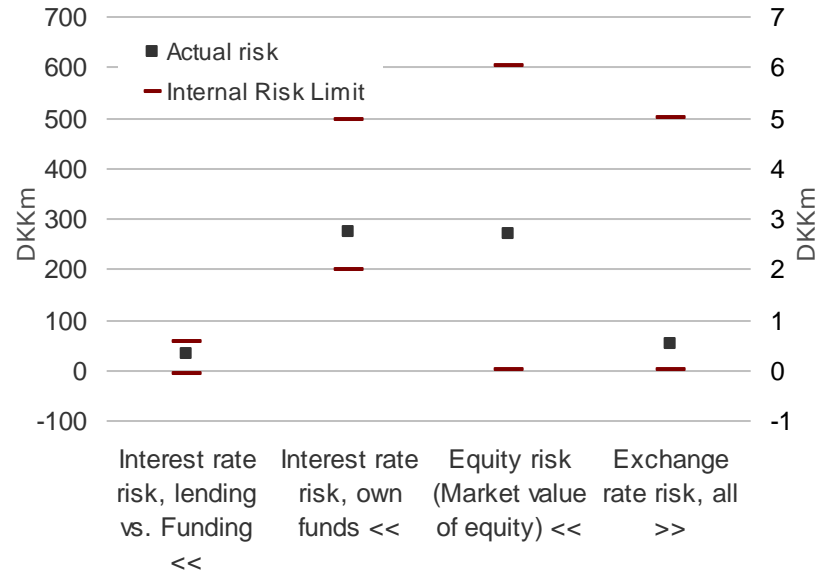
Capitalisation

- ❑ The solvency ratio stood at 48.3 per cent end 2009Q2 (CRD definition)
- ❑ Realkredit Danmark has obtained hybrid core capital in volume of DKK2 bn under the Act of State-Funded Capital Injections
- ❑ If not obtained the solvency ratio stood at 45.8 per cent

2 Market Risk Exposure and Liquidity

Market Risk Exposures

- ❑ Realkredit Danmark operates subject to the specific balance principle
- ❑ In adherence with the principle Realkredit Danmark
 - ❑ Issues covered bonds on a daily basis to match loan origination
 - ❑ Employs a pass through structure i.e. bond terms mirror loan terms
- ❑ Market risk exposures are, therefore, limited. End 2009Q2 interest rate risk on lending vs. funding stood at DKK29.9m
- ❑ Derivatives are not employed for hedging imbalances on lending and funding



Liquidity

- ❑ The pass through structure ensures a net inflow of liquidity from lending vs. funding i.e. Realkredit Danmark will not encounter a net funding need
- ❑ The liquidity inflow depicted in the chart does not include margin payments

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