

Risk Report 2009Q3

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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
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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

Will private consumption be the driver of growth in 2010 and a house price rebound?

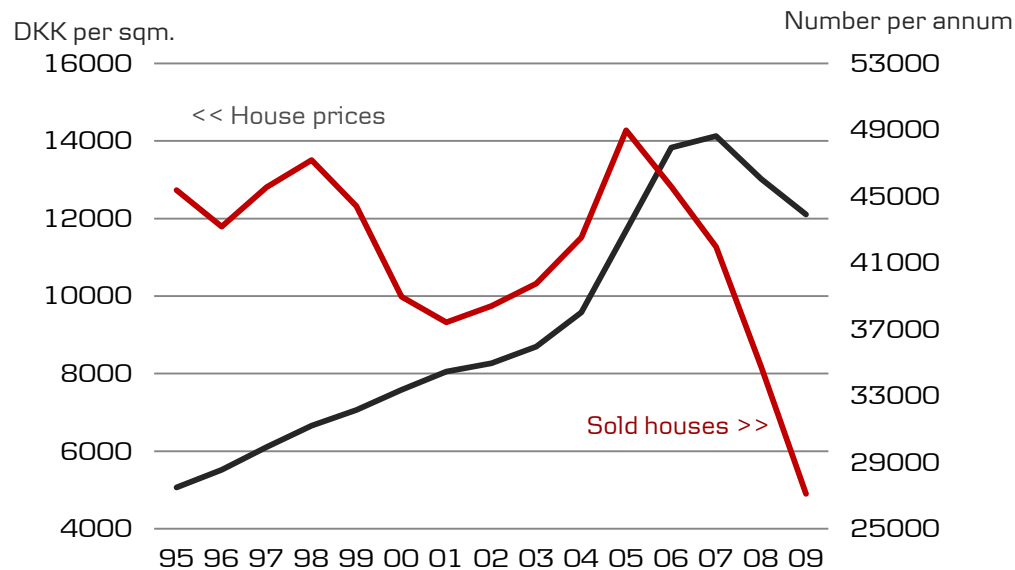


Key Market Indicators

General Market Information

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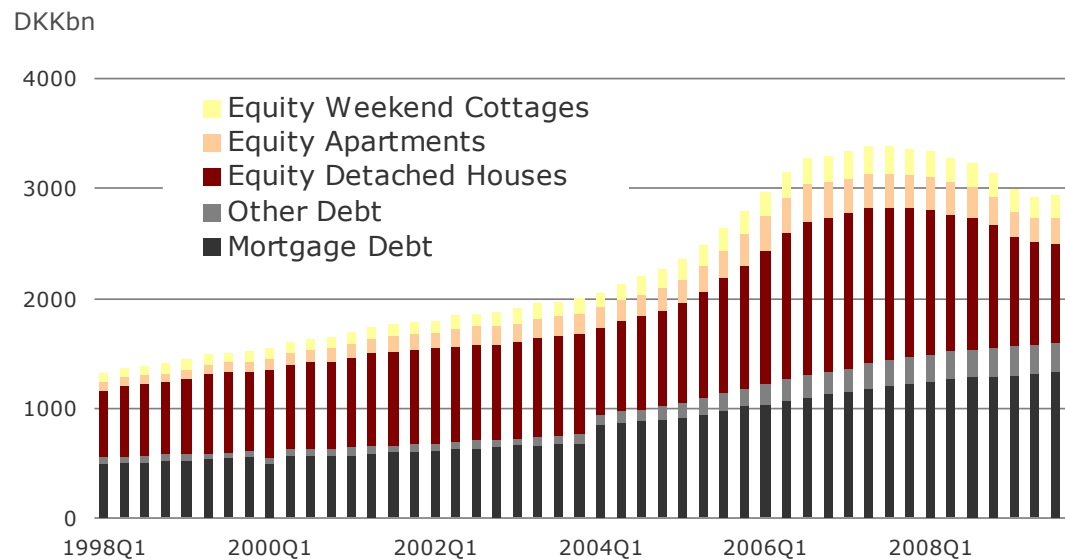
1 House Prices and Homeowners Equity



- ### 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 recorded
 - ❑ House prices are down 15.5 per cent for detached housing from the peak mid 2007 and 26.4 per cent for apartments from the peak mid 2006

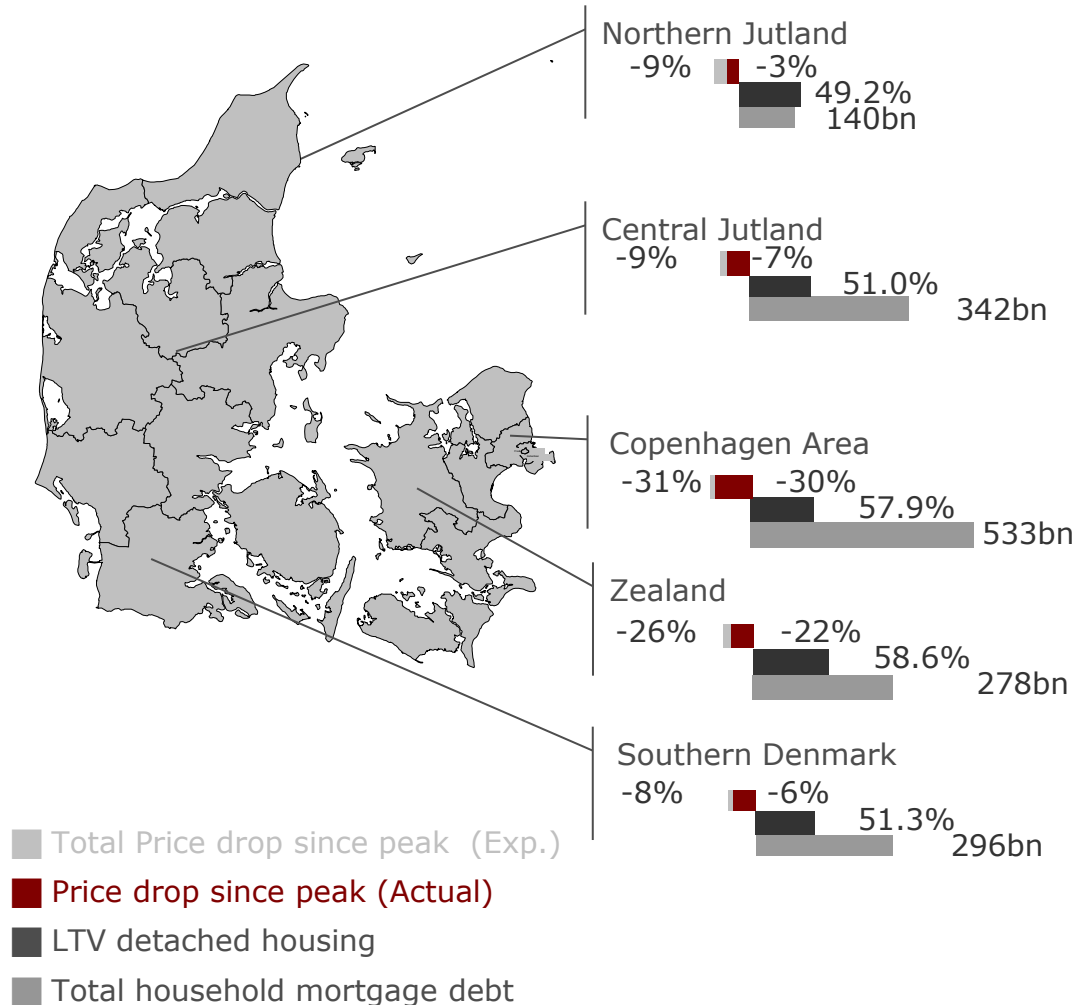
Homeowners Equity

- ❑ Homeowners' equity peaked 2006Q3 at 1,983bn. Since then equity has dropped by nearly 645bn
- ❑ Only 53 per cent of the drop can be explained by house price deflation – 47 per cent is due to additional lending



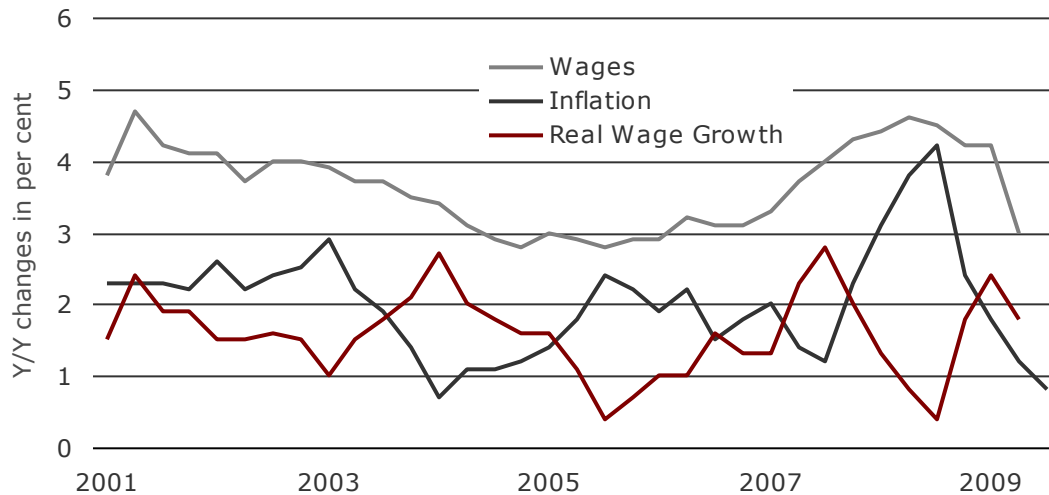
1 Geographical Dispersion

Private lending in Denmark in total



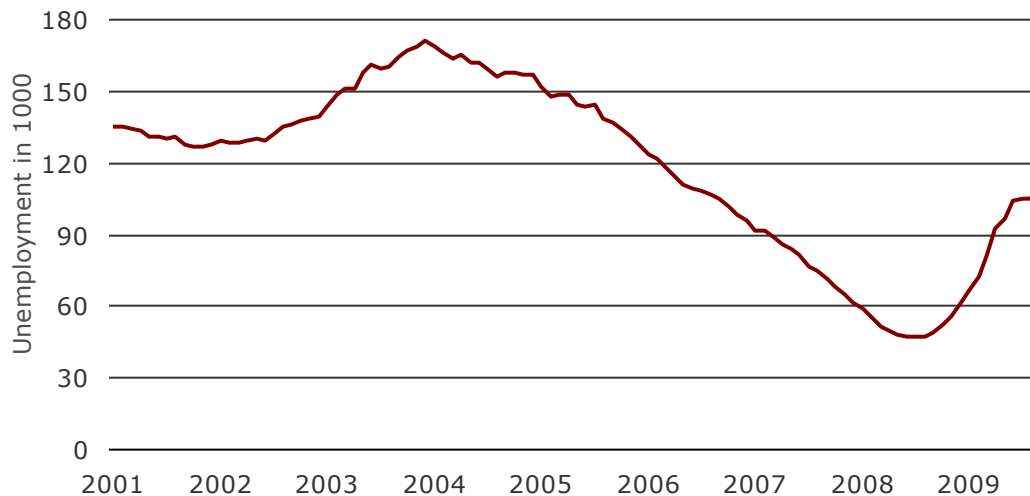
- ❑ The Copenhagen area was the first to suffer from house price deflation, following a decade of soaring house prices. From the mid 2006 peak prices are expected to drop by a total of 31 per cent of which 30 per cent has already materialized
- ❑ Significant house price deflation has also been recorded 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 9 per cent

1 Unemployment and Real Wage Growth



Real Wage Growth

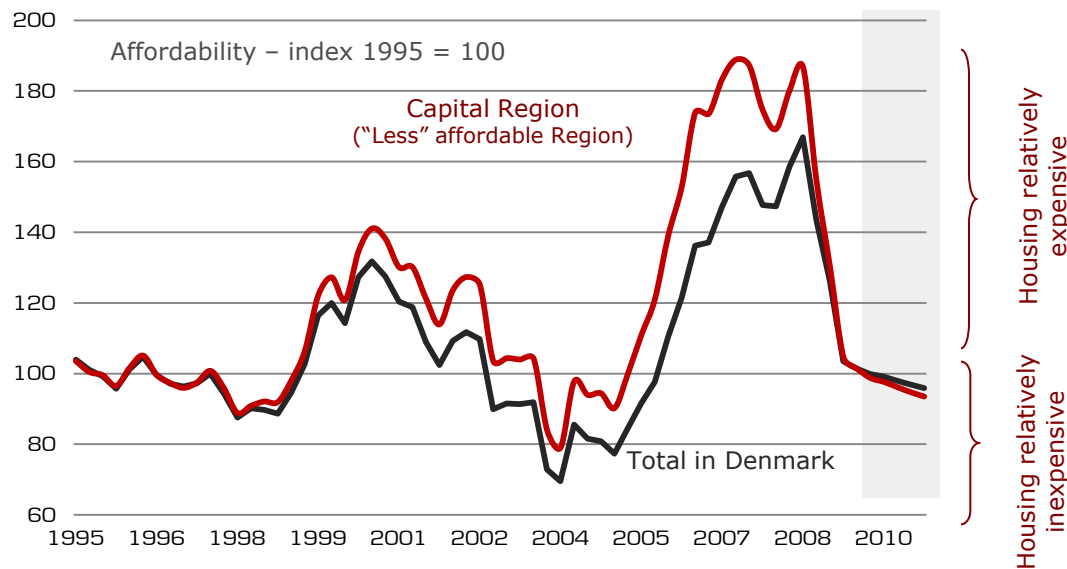
- ❑ Real wage has decreased as expected (Q3 figures are not available)
- ❑ The recession will impact nominal wage growth adversely, however, only moderately
- ❑ Lower interest rates and tax reductions in 2010 increase the disposable income net of housing costs



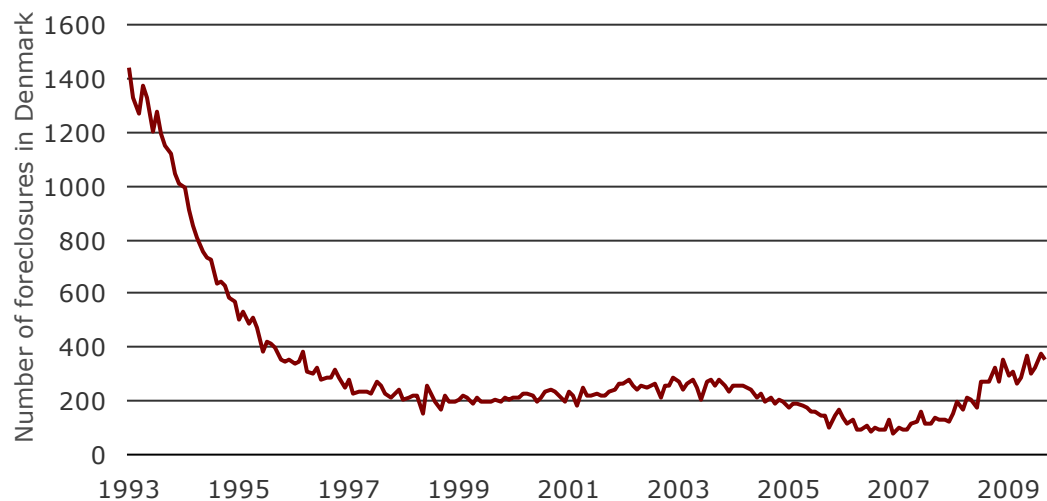
Unemployment

- ❑ Unemployment is up 66,500 to 113,500 end Q3 2009 from a historical low of less than 47,000 in mid 2008
- ❑ This is equivalent to an unemployment rate of 4.1 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 September 2009 to 351 from 374 foreclosures in August 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	-4.5	-3.7	1.6	2.2
Private Consumption	-0.1	0.3	-5.0	-0.3	2.3	0.6
Fixed investments	-5.0	-0.7	-12.9	-9.5	-2.1	3.2
Export	2.3	1.1	-10.0	-13.5	2.8	6.1
Unemployment %	1.8	7.6	3.5	9.4	5.2	10.0

Source: Danske Bank forecast, November 2009

Danish Economy Outlook

- ❑ The growth in the Danish economy is expected to decline further to a total growth in 2009 of -4.5 per cent
- ❑ ...but the GDP growth in 2010 is expected to increase to 1.6 per cent due to a expected increase in private consumption
- ❑ In other words the growth in Denmark in 2010 depend on the private consumers confidence and their intension to spend more

Key Market Indicators

Realkredit Danmark Specific Information

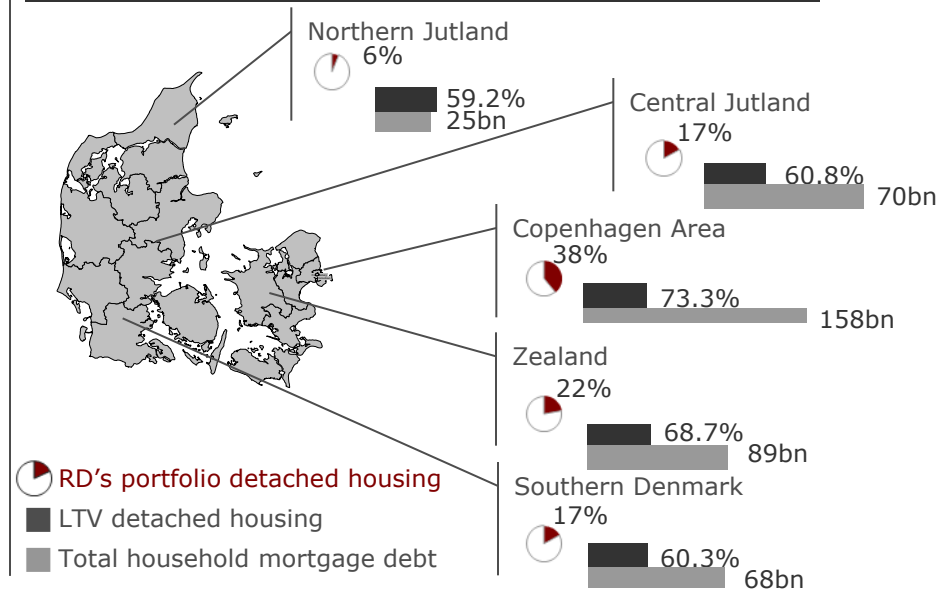
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2 Dispersion and Loan to Value Ratios

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 have 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

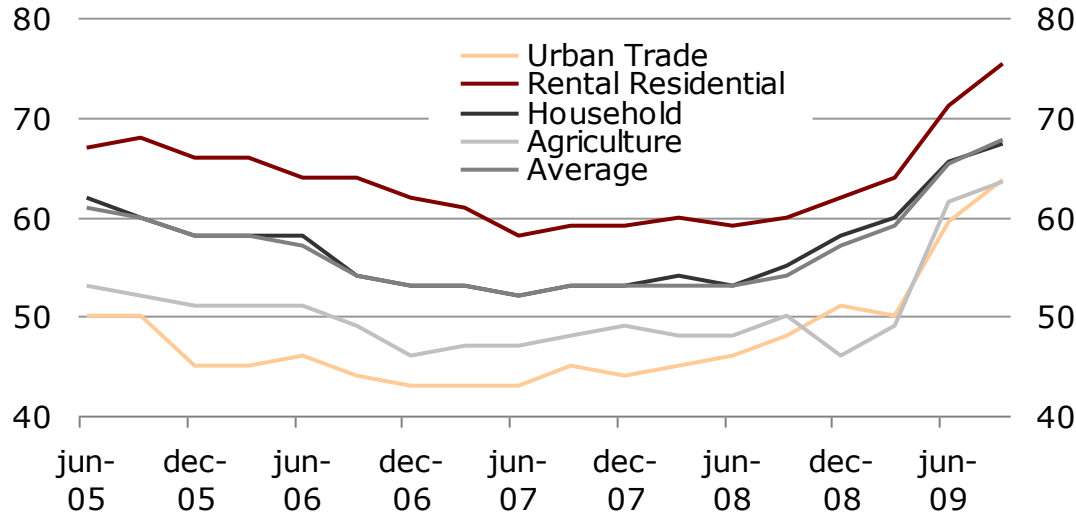
Geographical Dispersion in Realkredit Danmark



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 64 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 11 percentage points at 68 from 57 per cent in Q4 2008
 - ❑ Property price deflation has been offset by capital gains on debt (marked to market) until 2008Q4
 - ❑ With house price stability observed in some parts of Denmark LTV ratios are expected to stabilise as well

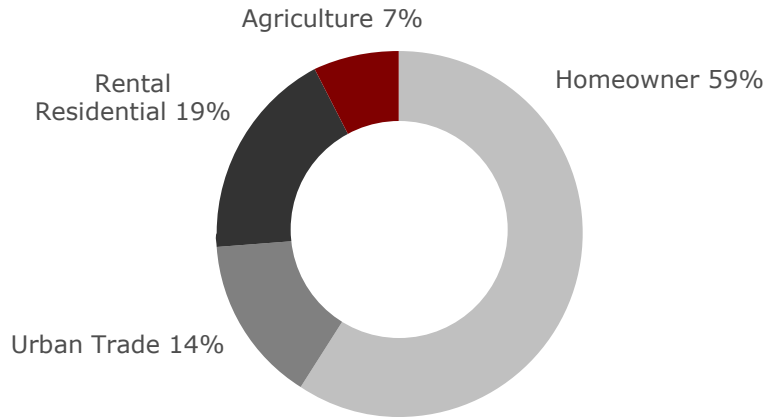
DKKbn	Rating Category (Scaled 1-11)			Total
	1-3	4-7	8-11	
LTV				
0-20 %	73	155	20	248
20-40 %	52	131	19	202
40-60 %	31	95	15	141
60-80 %	15	54	9	78
> 80 %	6	18	4	28
Total	177	453	66	696

- ### Borrower Classifications
- ❑ Borrowers' financial strength is classified on a scale from 1 to 11, 1 being the highest score
 - ❑ Approx. 4bn 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

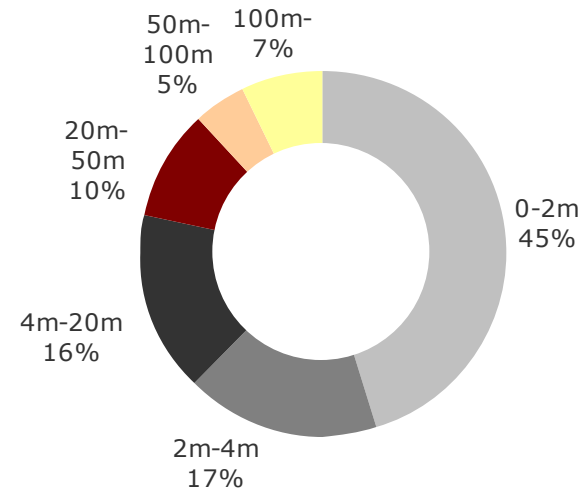
2 Collateral Breakdowns – Total portfolio

Borrower Segmentation



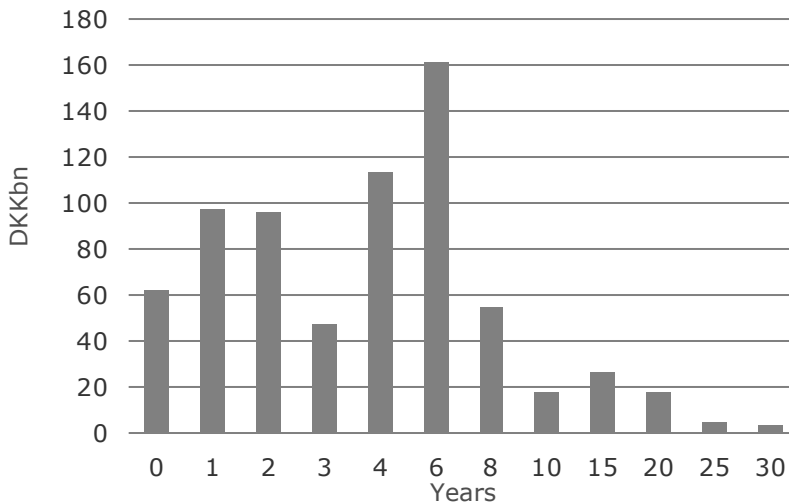
Note: Total lending distributed on segments

Outstanding Loan Balance



Note: Total lending distributed on outstanding loan balances

Portfolio Seasoning

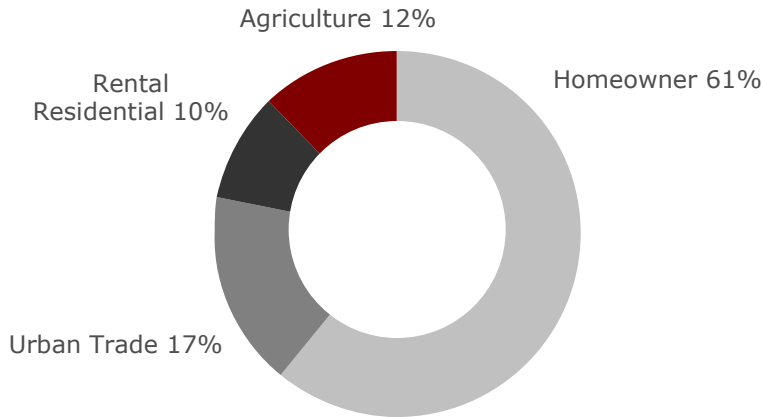


Outstanding Debt in DKKbn by LTV ratio

Segment	0-20%	20-40%	40-60%	60-80%	>80%	Total DKKbn
Household	141	120	86	48	16	411
Urban trade	37	31	21	10	4	103
Agriculture	19	16	11	5	1	51
Rental Residential	48	34	24	16	8	131
Weighted dist.	35%	29%	20%	11%	4%	100 %
Total, DKKbn	245	201	142	79	29	696

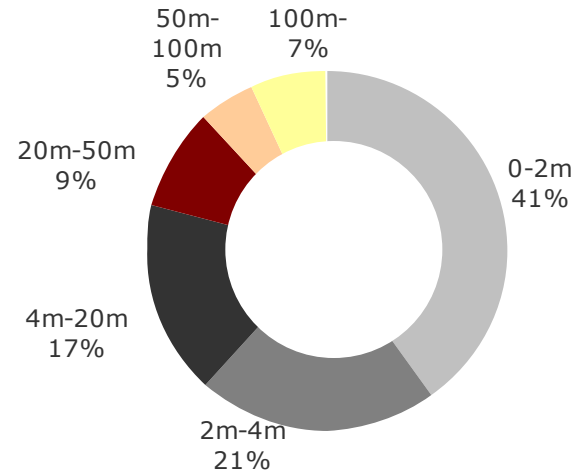
2 Collateral Breakdowns – Capital Centre S

Borrower Segmentation



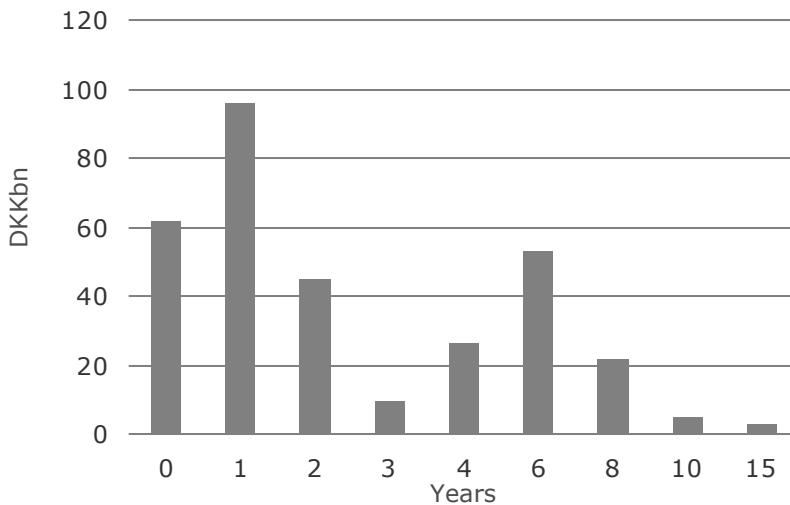
Note: Total lending distributed on segments

Outstanding Loan Balance



Note: Total lending distributed on outstanding loan balances

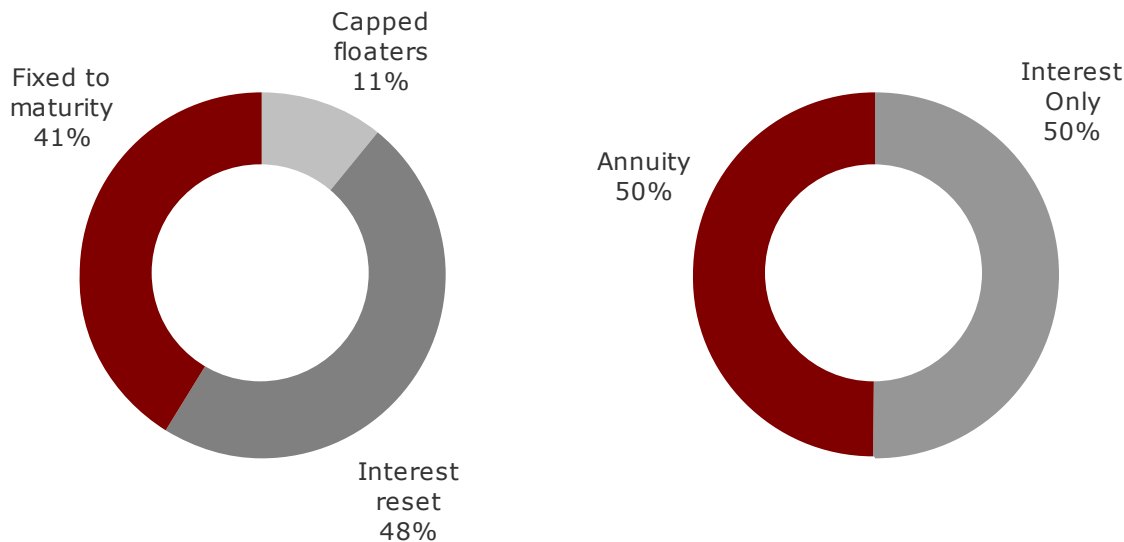
Portfolio Seasoning



Outstanding Debt in DKKbn by LTV ratio

Segment	0-20%	20-40%	40-60%	60-80%	> 80%	Total DKKbn
Household	59	54	43	29	9	194
Urban trade	18	15	12	6	3	55
Agriculture	13	12	9	4	1	39
Rental Residential	9	8	6	5	2	31
Weighted dist.	31%	28%	22%	14%	5%	100 %
Total, DKKbn	100	89	71	44	15	319

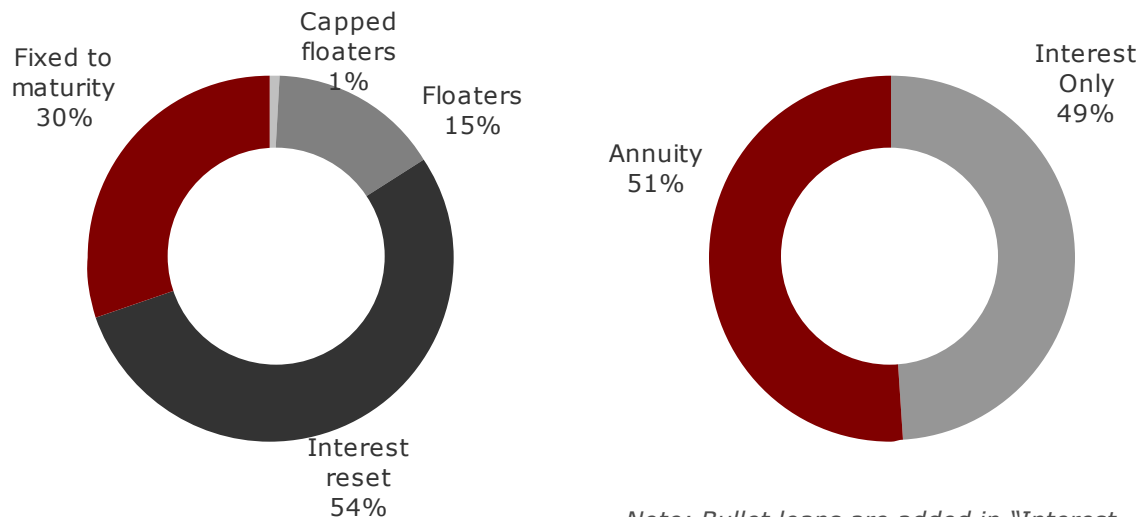
2 Borrower Exposure to Interest Rates



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 3 percentage points to 48 per cent
- ❑ Annuity and interest only loans are divided equally in the homeowner segment



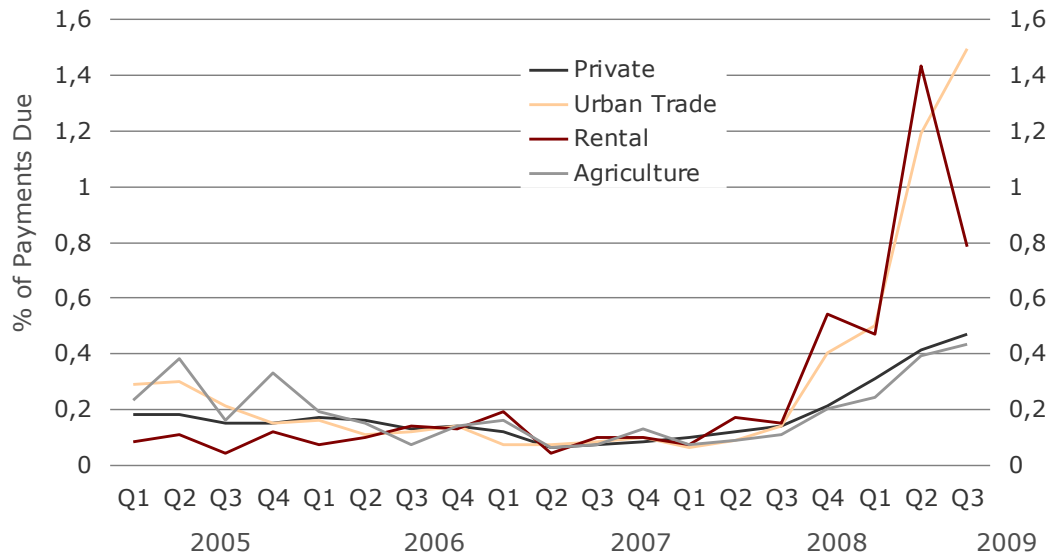
Note: Outstanding loan balances

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

Corporate Segments

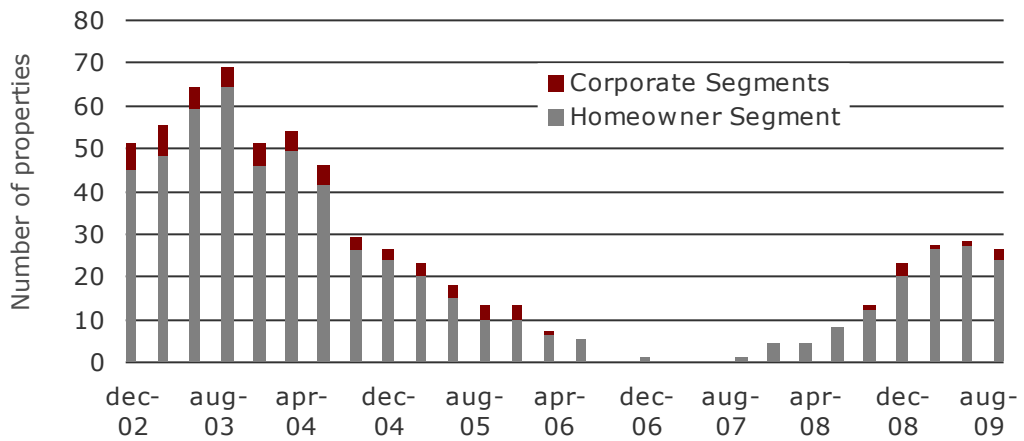
- ❑ One third of all lending in corporate segments is fixed rate to maturity
- ❑ Two thirds are either interest reset (typically, rates are reset every year or every third year) or floating rate (base rates are either 6M CIBOR or 3M EURIBOR)
- ❑ Bullets and Interest only loans make up 49 per cent of corporate lending

2 Arrears and Repossessions



Arrears (3 months)

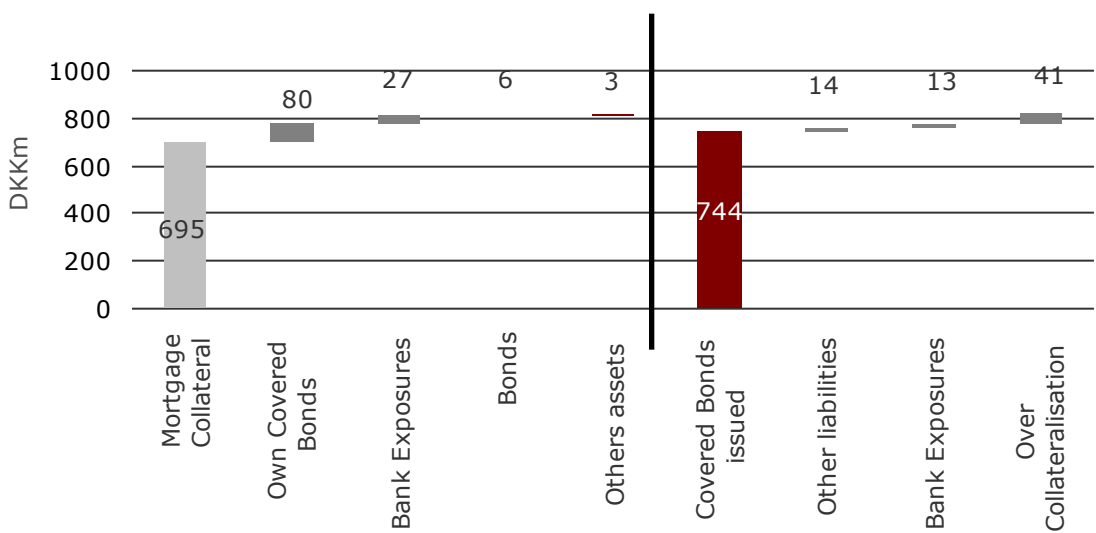
- ❑ Arrears are up from a historical low level in 2006 and 2007
- ❑ Increases in arrears have been most significant in residential rental and urban trade
- ❑ ...but decline in arrears of residential rental Q2 -> Q3
- ❑ Ratios equals the level of 1995
- ❑ Programmes introduced to minimize arrears



Repossessions

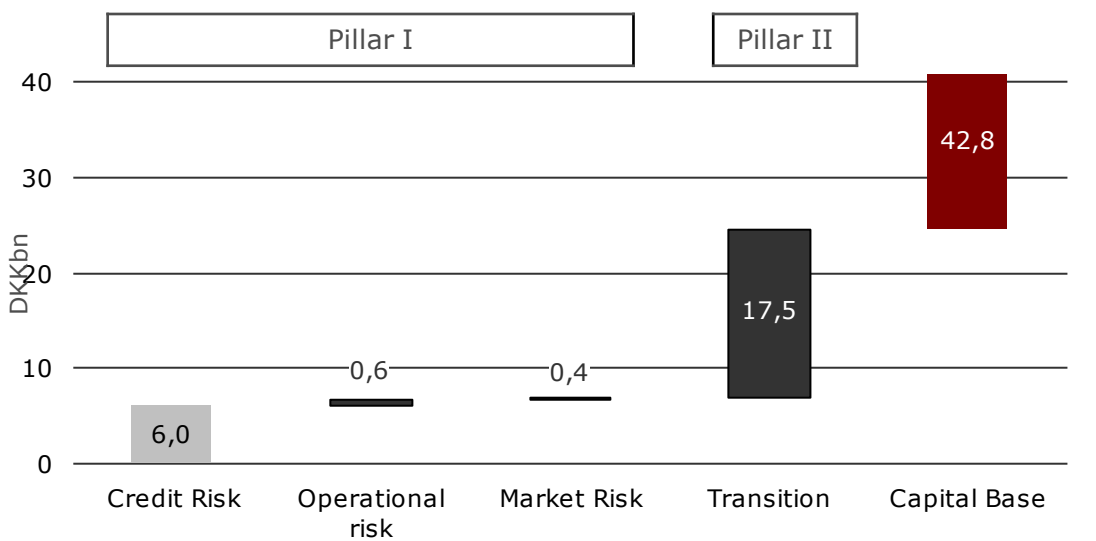
- ❑ The stock of repossessed properties stood at 26 end 2009Q3 – two down from 2009Q2
- ❑ This compares to a total stock of mortgages collateral at 417,000
- ❑ The number of repossessed properties has not been affected by the increase in foreclosures as in the early 90's

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

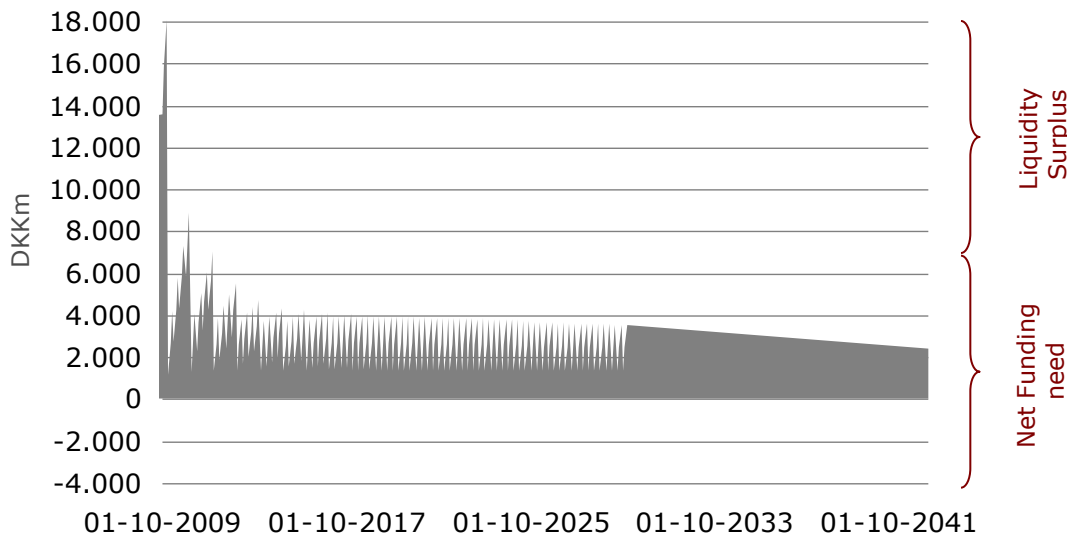
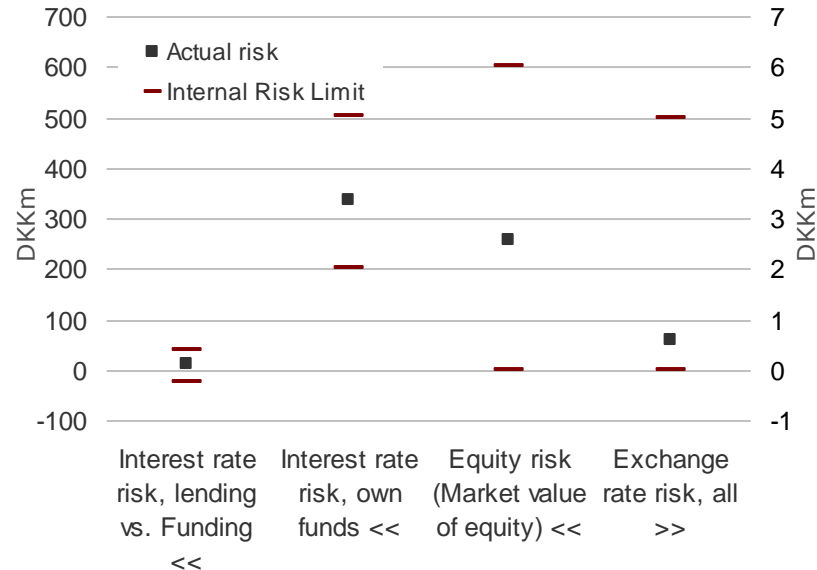


- ### Capitalisation
- ❑ The solvency ratio stood at 48.8 per cent end 2009Q3 (CRD definition)
 - ❑ Realkredit Danmark has obtained hybrid core capital in volume of DKK2 bn under the Act of State-Funded Capital Injections
 - ❑ If not obtained the solvency ratio stood at 46.5 per cent

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 2009Q3 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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