

Risk Report 2009Q4

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Danmark

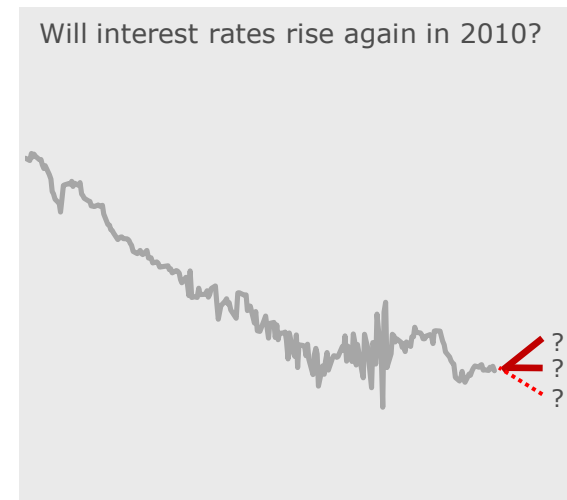
0 Contents

The Risk Report has been prepared by Realkredit Danmarks 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 Dispersion
2. Key Collateral Indicators
 - ❑ Dispersions Loan to Value Ratios
 - ❑ Loan to Value Ratios and Borrower Classifications
 - ❑ Mortgage Collateral Breakdowns – Total and Capital Centre S
 - ❑ Borrower Exposure to interest rates
 - ❑ Arrears and Repossessions
 - ❑ Over Collateralisation and Capitalisation
 - ❑ Supplementary Collateral – **NEW!**
 - ❑ Guarantees – **NEW!**
 - ❑ Market Risk Exposures and Liquidity

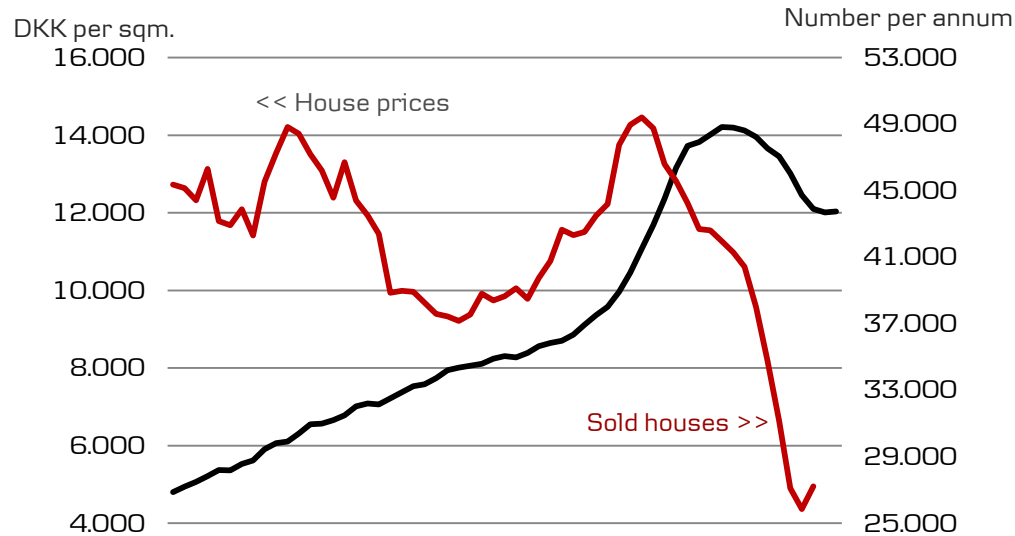


Key Market Indicators

General Market Information

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1 House Prices and Homeowners Equity

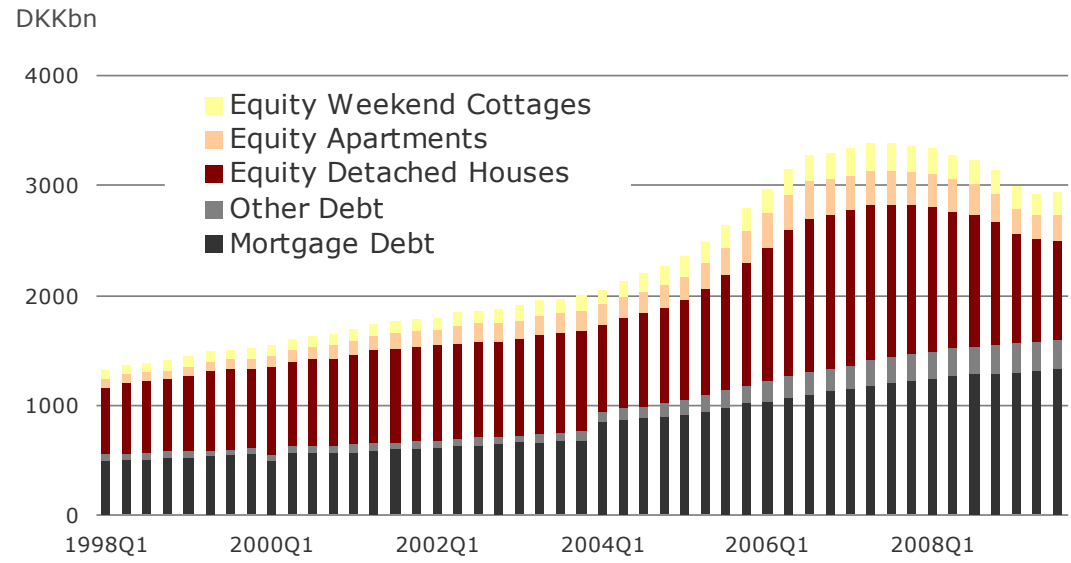


House Price Trends

- Stabilisation increase in house price or even inflation in some areas of Denmark is recorded
- House prices are down 15.3 per cent for detached housing from the peak mid 2007 and 25.4 per cent for apartments from the peak mid 2006

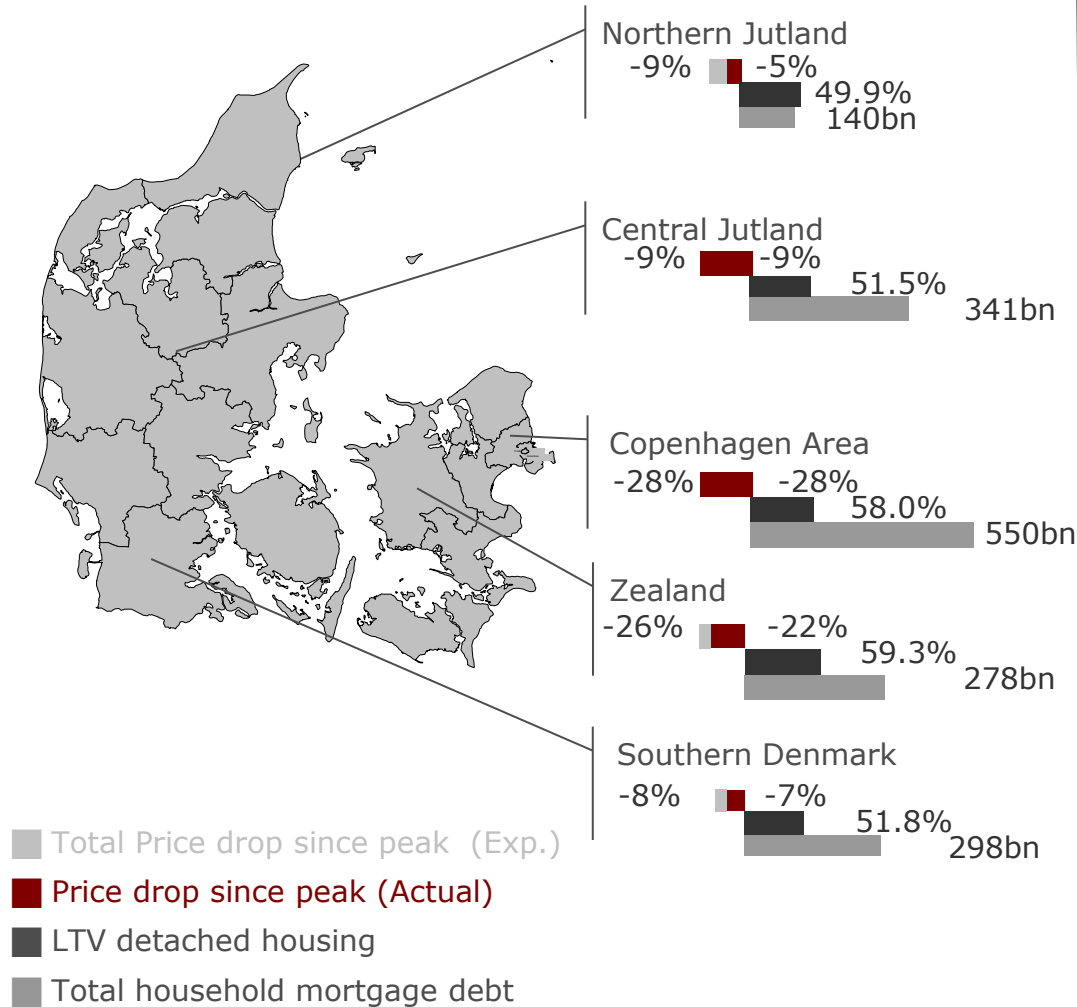
Homeowners Equity

- Homeowners' equity peaked 2006Q3 at 1,983bn. Since then equity has dropped by nearly 655bn
- Only 51 per cent of the drop can be explained by house price deflation – 49 per cent is due to additional lending



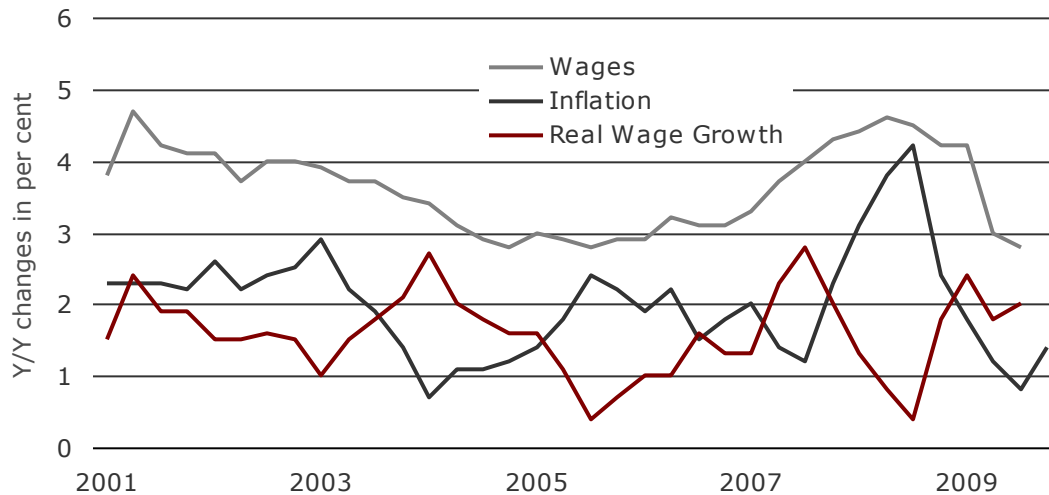
1 Geographical Dispersion

Private lending in Denmark in total



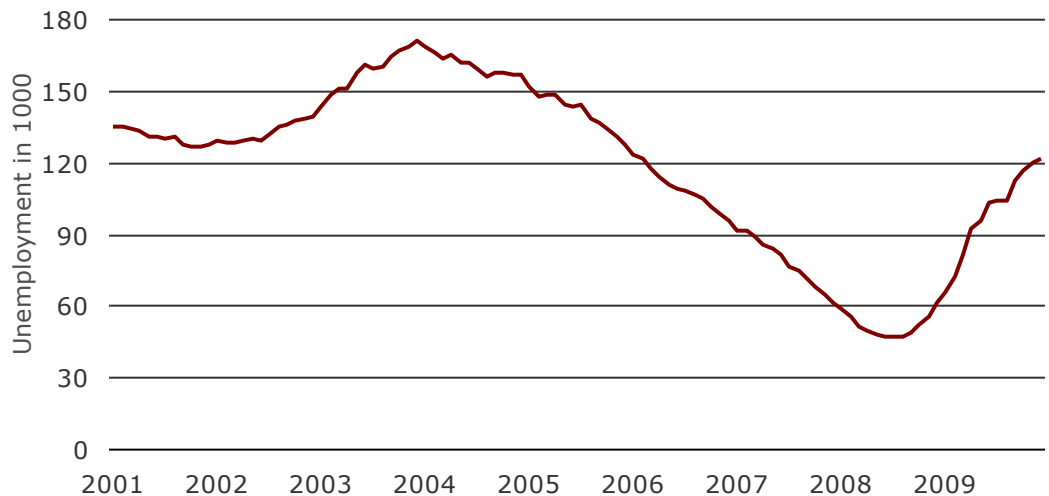
- ❑ The Copenhagen area was the first to suffer from house price deflation, following a decade of soaring house prices. From the mid 2006 peak prices have dropped by a total of 28 per cent
- ❑ ...this includes a house price inflation of 3 per cent in Q4 2009
- ❑ Significant house price deflation has also been recorded in the Zealand region
- ❑ House prices are expected to stabilize or show small increases in some areas of East Denmark in 2010
- ❑ 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

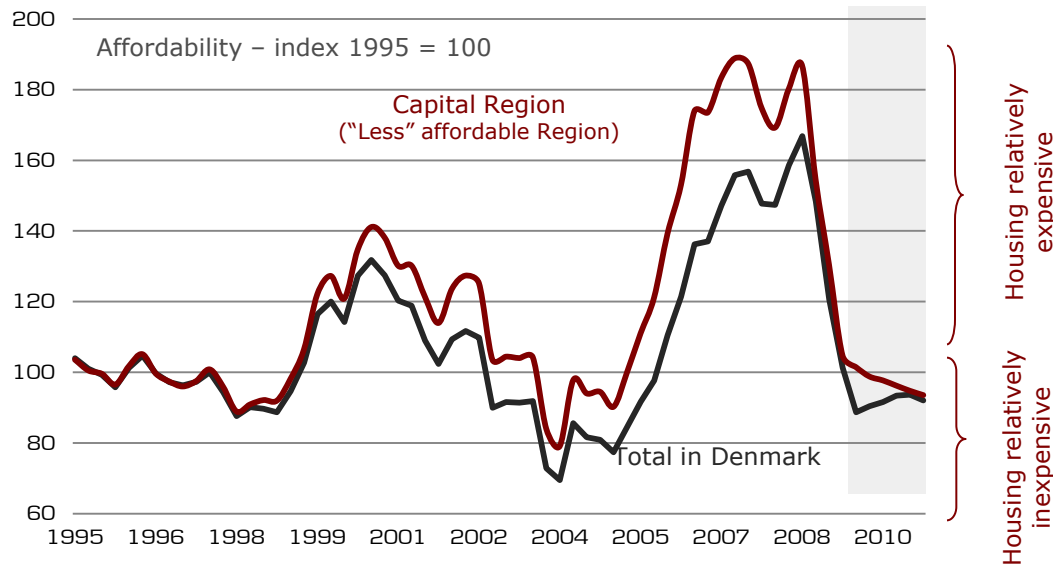
- ❑ Real wage has increased in 2009Q3 (Q4 figures are not available)
- ❑ Growth expectations in GDP can lead to inflation as recorded in Q4 which can lead to a decrease in real wages
- ❑ Lower interest rates and tax reductions in 2010 increase the disposable income net of housing costs



Unemployment

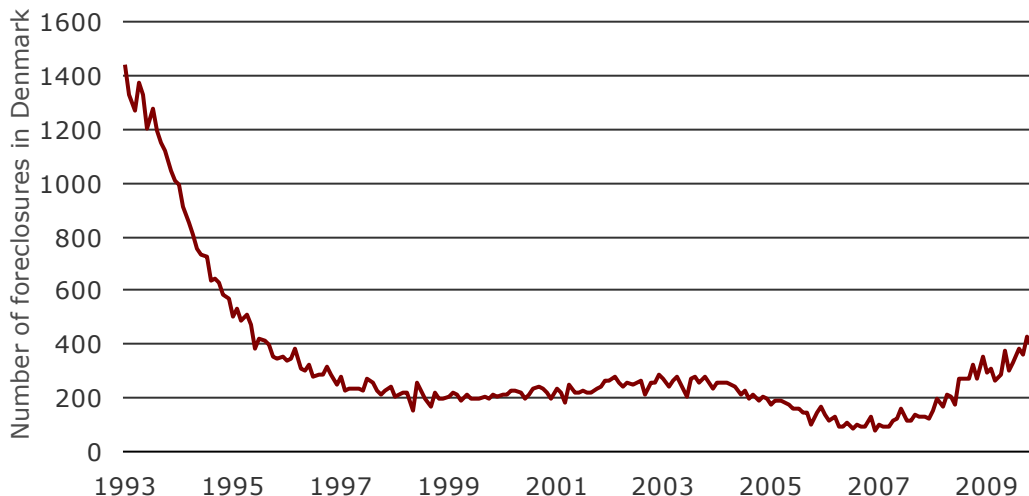
- ❑ Unemployment is up 74,900 to 121,400 end Q4 2009 from a historical low of 46,500 in mid 2008
- ❑ This is equivalent to an unemployment rate of 4.3 per cent
- ❑ Unemployment is expected to increase to approx. 150,000 end 2010

1 Homeowner Affordability and Foreclosures



Homeowner Affordability

- ❑ House price deflation and lower interest rates make 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 increased in December 2009 to 441 from 356 foreclosures in September 2009
- ❑ 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 from missed payments to completion

Note: Seasonally adjusted, all product categories included

1 Political measures and outlook

Denmark ■ Euro Zone ■	2009		2010		2011	
GDP	-4,8	-3,9	1,7	2,2	2,0	2,1
Private Consumption	-4,7	0,5	2,5	0,8	2,0	1,9
Fixed investments	-12,2	-9,8	-5,2	0,3	2,6	4,4
Export	-9,5	-14,2	4,6	6,1	3,5	5,1
Unemployment %	3,6	9,4	5,3	9,9	5,7	9,6

Source: Danske Bank, January 2010

Danish Economy Outlook

- The growth in the Danish economy is expected to rise to 1.7 per cent in 2010, due to a expected increase in private consumption and the export
- In other words the growth in Denmark in 2010 depends on private consumer confidence and their intension to spend more as well as the recovery of the foreign economies
- In this case interest rates are a key element in the household economy and therefore a key element in how much the private spending will rise

Key Market Indicators

Realkredit Danmark Specific Information

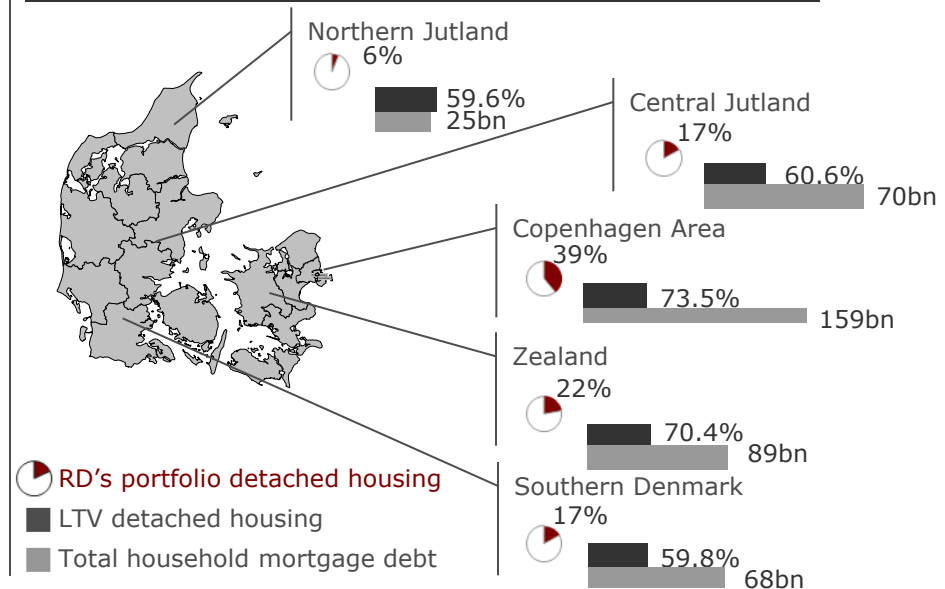
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2 Dispersion and Loan to Value Ratios

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

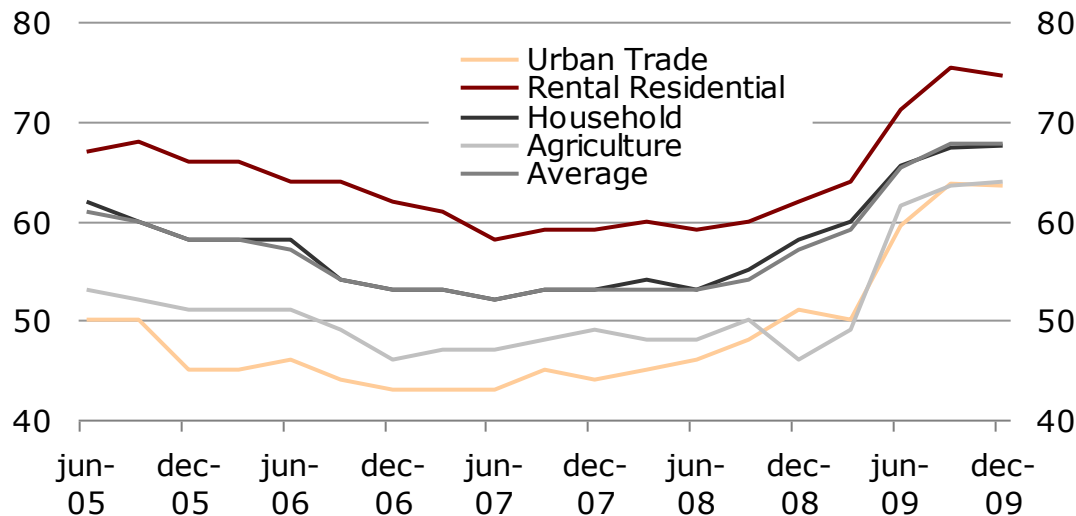
Geographical Dispersion in Realkredit Danmark



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
- ❑ 35 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 63 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 beginning to stabilise as well

DKKbn	Rating Category (Scaled 1-11)			
	1-3	4-7	8-11	Total
LTV				
0-20 %	69	153	21	243
20-40 %	49	129	20	198
40-60 %	29	94	16	139
60-80 %	15	53	9	77
> 80 %	9	21	6	36
Total	171	450	72	693

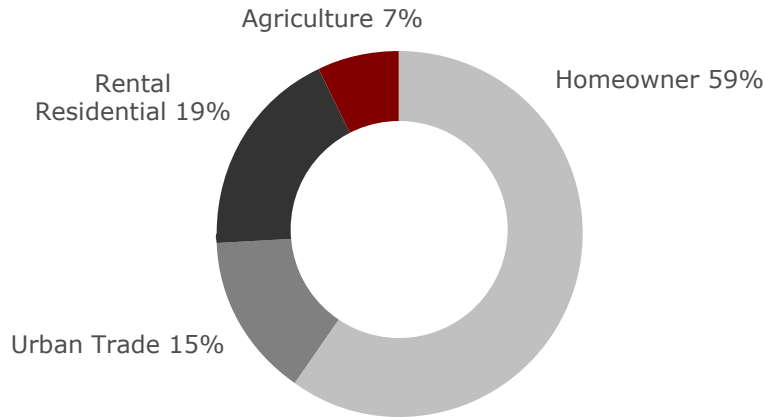
Borrower Classifications

- Borrowers' financial strength is classified on a scale from 1 to 11, 1 being the highest score
- Approx. 6bn 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

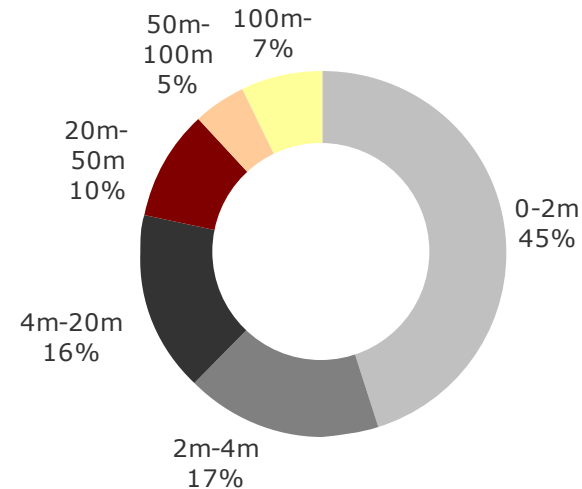
2 Collateral Breakdowns – Total portfolio

Borrower Segmentation



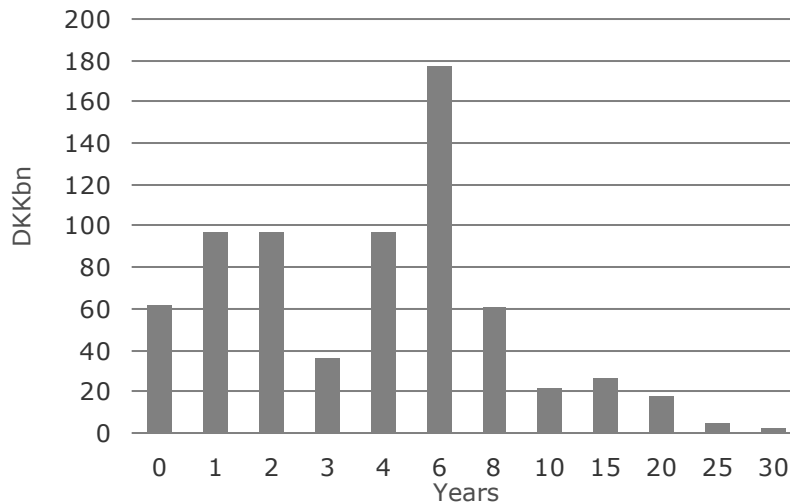
Note: Total lending distributed on segments

Outstanding Loan Balance



Note: Total lending distributed on outstanding loan balances

Portfolio Seasoning

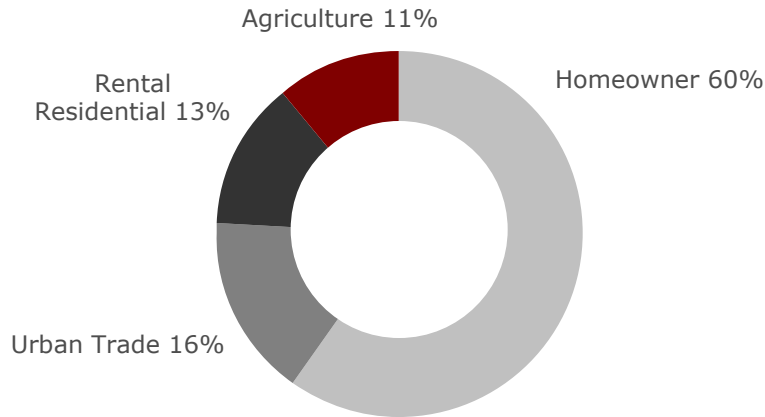


Outstanding Debt in DKKbn by LTV ratio

Segment	0-20%	20-40%	40-60%	60-80%	>80%	Total DKKbn
Household	140	119	86	48	19	412
Urban trade	36	30	21	10	5	101
Agriculture	19	15	11	4	2	51
Rental Residential	46	32	23	16	12	129
Weighted dist.	35%	28%	20%	11%	6%	100 %
Total, DKKbn	240	196	140	78	38	693

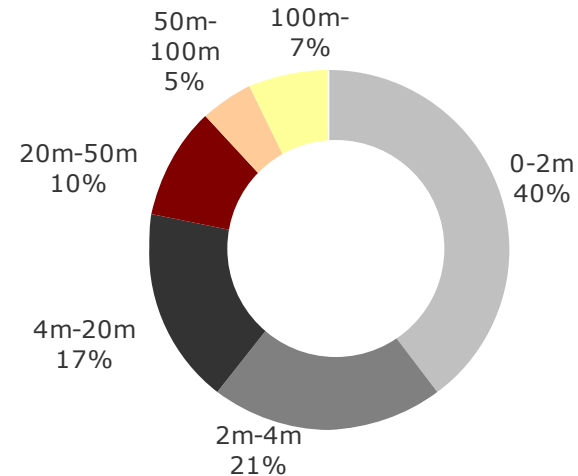
2 Collateral Breakdowns – Capital Centre S

Borrower Segmentation



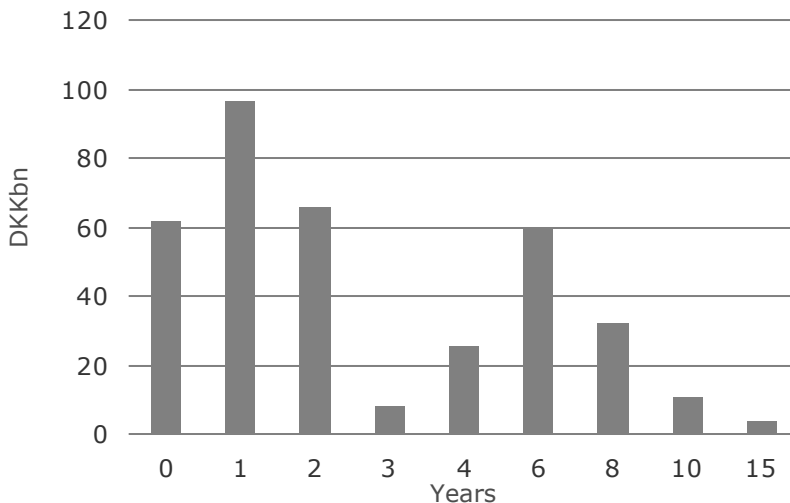
Note: Total lending distributed on segments

Outstanding Loan Balance



Note: Total lending distributed on outstanding loan balances

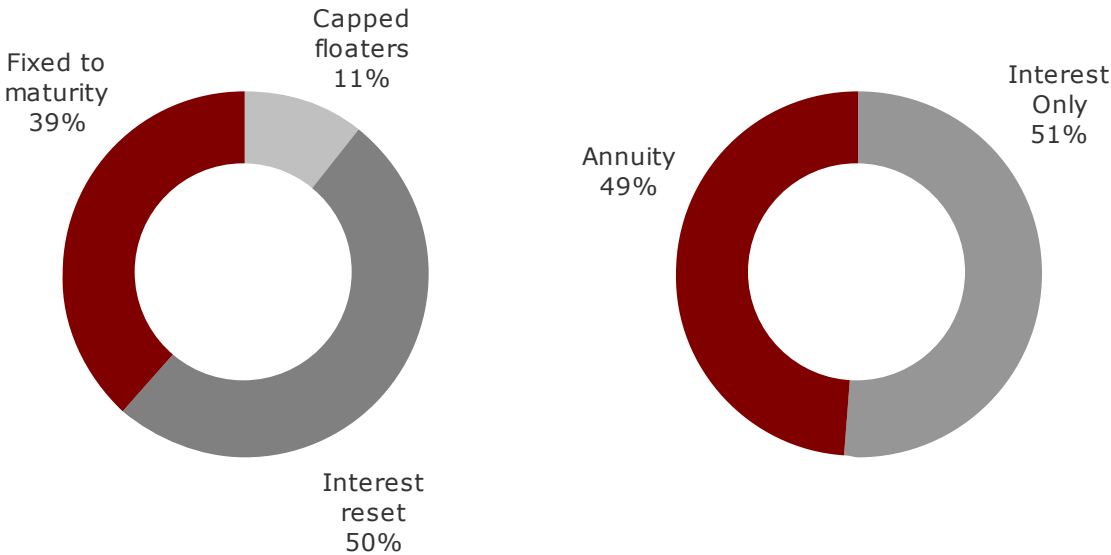
Portfolio Seasoning



Outstanding Debt in DKKbn by LTV ratio

Segment	0-20%	20-40%	40-60%	60-80%	>80%	Total DKKbn
Household	65	59	48	31	12	216
Urban trade	19	16	13	6	4	57
Agriculture	13	12	9	4	2	40
Rental Residential	14	12	10	6	5	47
Weighted dist.	31%	28%	22%	13%	6%	100 %
Total, DKKbn	111	100	80	48	22	361

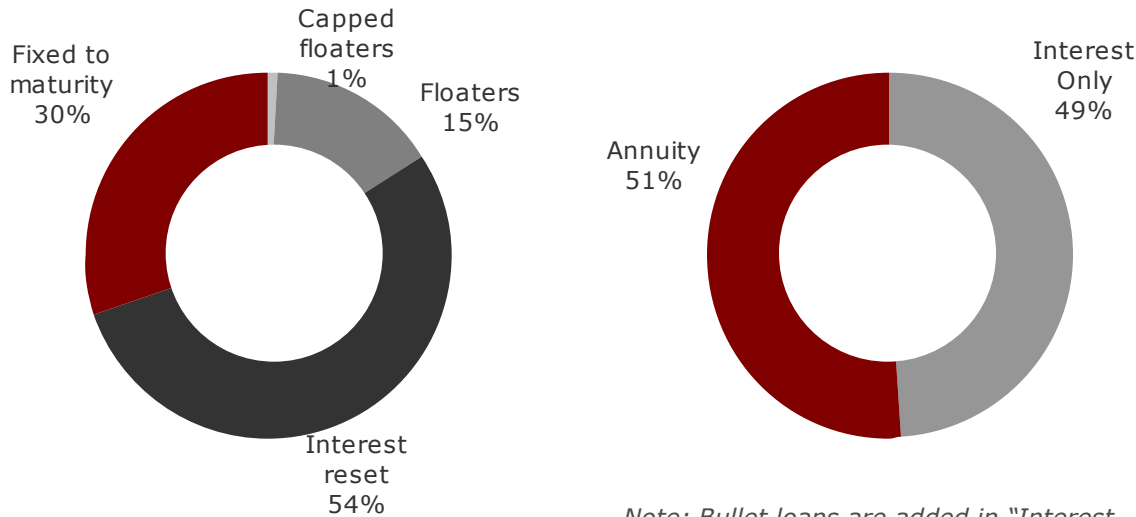
2 Borrower Exposure to Interest Rates



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 by interest reset up by 3 percentage points to 50 per cent
- ❑ Annuity and interest only loans are divided equally in the homeowner segment



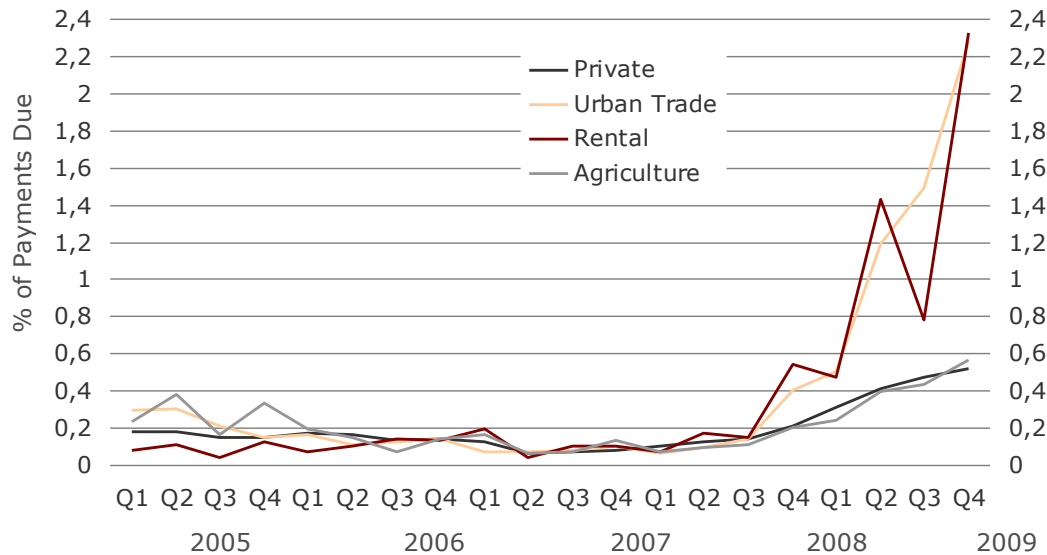
Note: Outstanding loan balances

Note: Bullet loans are added in "Interest Only" of 2009Q4

Corporate Segments

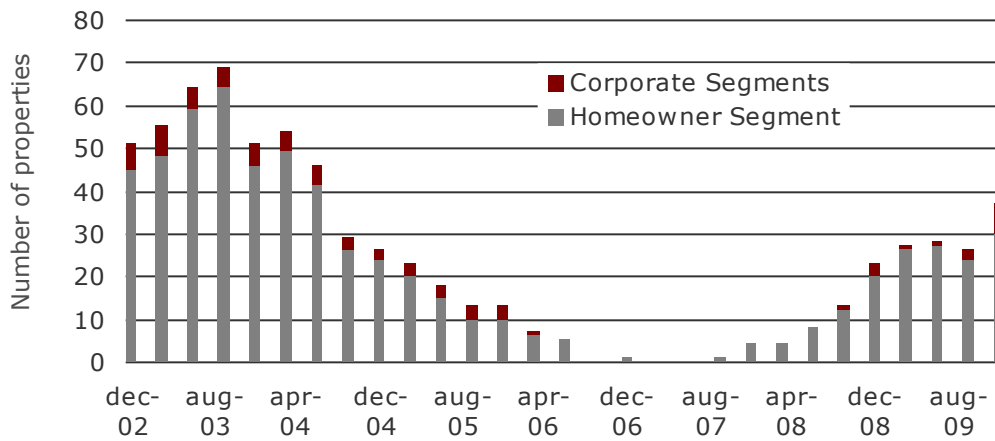
- ❑ One third of all lending in corporate segments is fixed rate to maturity
- ❑ Two thirds are either interest reset (typically, rates are reset every year or every third year) or floating rate (base rates are either 6M CIBOR or 3M EURIBOR)
- ❑ Bullets and Interest only loans make up 49 per cent of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

2 Arrears and Repossessions



Arrears (3 months)

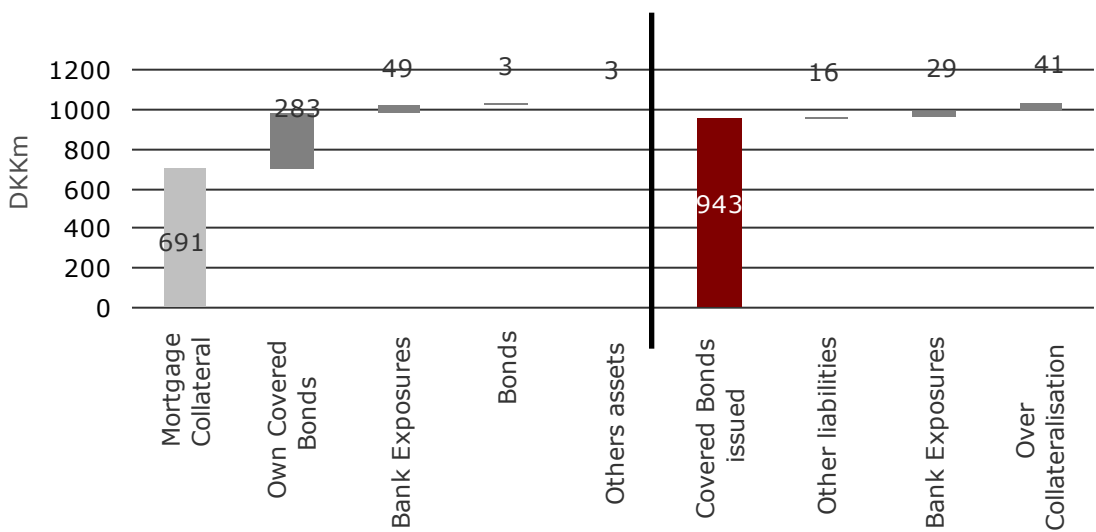
- ❑ Arrears are up from a historical low level in 2006 and 2007
- ❑ Increases in arrears have been most significant in residential rental and urban trade segments
- ❑ Ratios equals the level of 1995
- ❑ Programmes introduced to minimize arrears



Repossessions

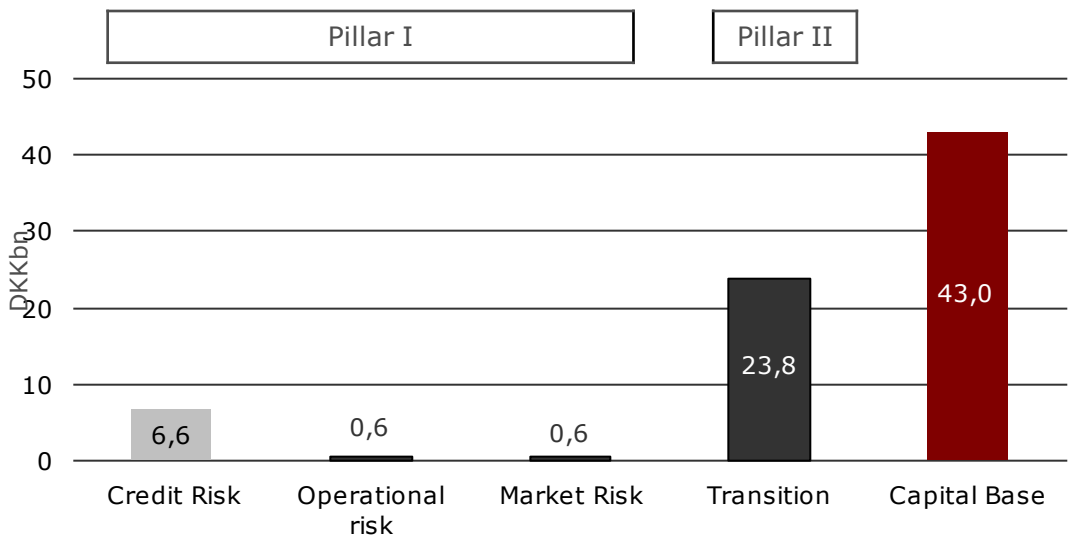
- ❑ The stock of repossessed properties stood at 37 end 2009Q4 – 11 up from 2009Q3
- ❑ This compares to a total stock of mortgages collateral at 415,000
- ❑ The number of repossessed properties has not been affected by the increase in foreclosures as in the early 90's

2 Over Collateralisation and Capitalisation



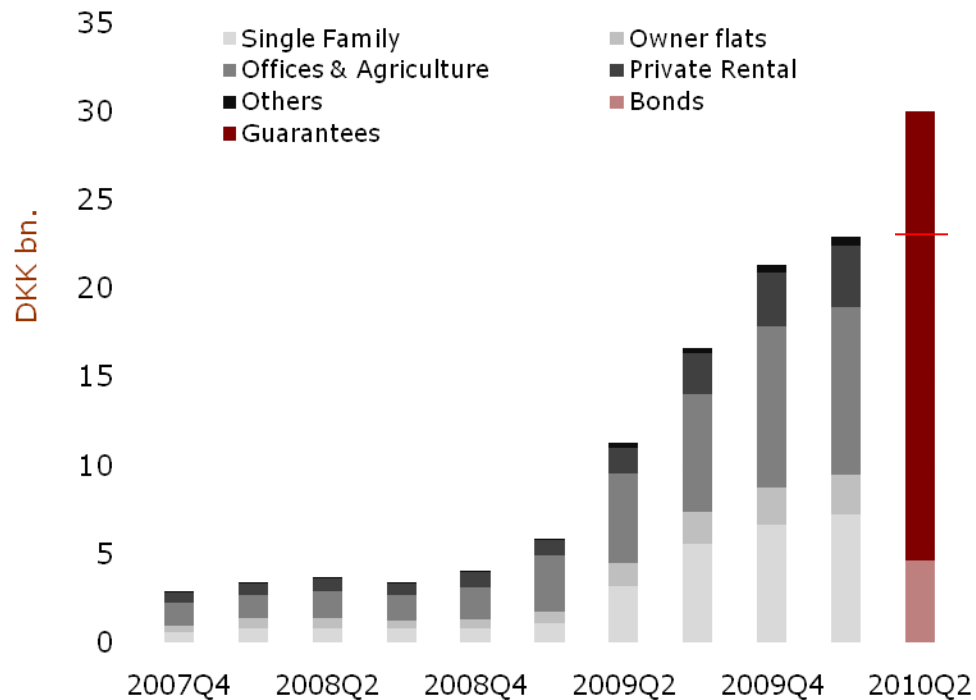
- ### Over Collateralisation
- ❑ Covered bonds issued by Realkredit Danmark are secured by mortgage collateral and reserves
 - ❑ Reserves are invested in government exposures, covered bonds and bank exposures
 - ❑ In case of bankruptcy Over Collateralisation will also be comprised by bondholders preferential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

Note: Nominal values



- ### Capitalisation
- ❑ The solvency ratio stood at 44.6 per cent end 2009Q4 (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 42.5 per cent

Supplementary Collateral



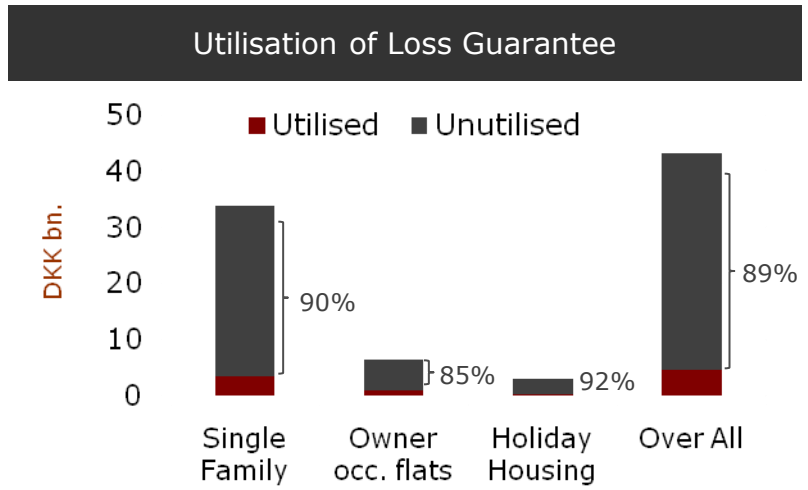
Buffer in Capital Centre S

- ❑ Total OC of DKK 25.3 bn in Capital Centre S
- ❑ Supplementary Collateral of DKK 22.9 bn are required end Q4 2009 in Capital Centre S
- ❑ Loss Guarantees of DKK 4.6 bn are utilised
- ❑ Buffer for further growth in need for supplementary Collateral in Capital Centre S is DKK 7.1 bn
- ❑ If the OC in Capital Centre S is insufficient to comply with Supplementary Collateral requirements RD can transfer OC from the General Capital Centre of up to DKK 12.6 bn end Q4 2009 or write Loss Guaranties within the 15 per cent limitation of issued bonds

Supplementary Collateral requirements

- ❑ If LTV limits breached during the term of the loan the mortgage loan will only be eligible with the part that observes the LTV limits. If eligible collateral is insufficient Supplementary Collateral must be provided
- ❑ Increased need for Supplementary Collateral due to:
 - ❑ House price deflation
 - ❑ Properties selected for supervision
 - ❑ Refinancing and remortgaging of loans
 - ❑ Increased market value on bonds
- ❑ Loss Guaranties and eligible bonds can be used as Supplementary Collateral (bonds which also are used to comply with the solvency requirement) but no other asset types are eligible

Guarantees

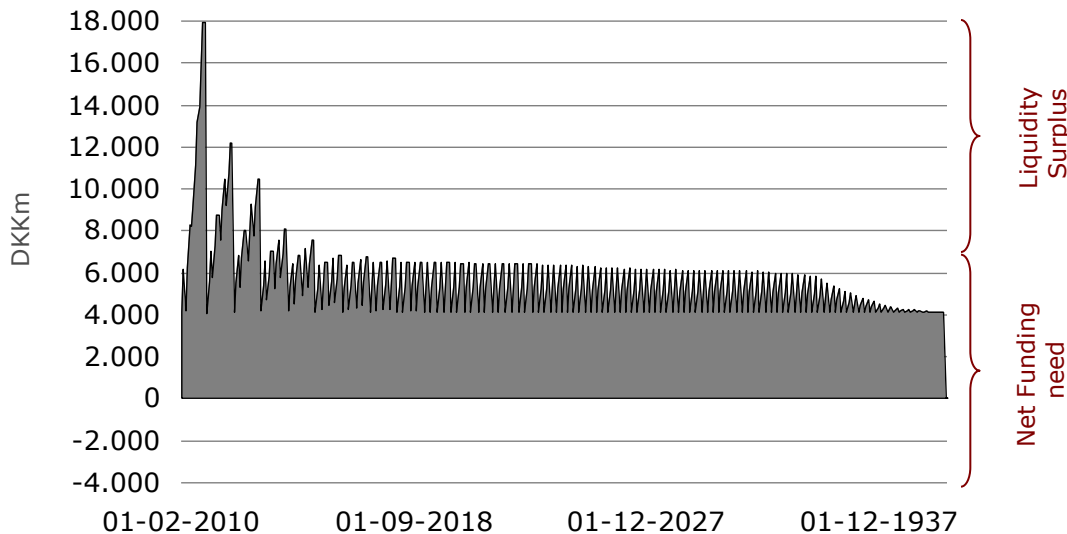
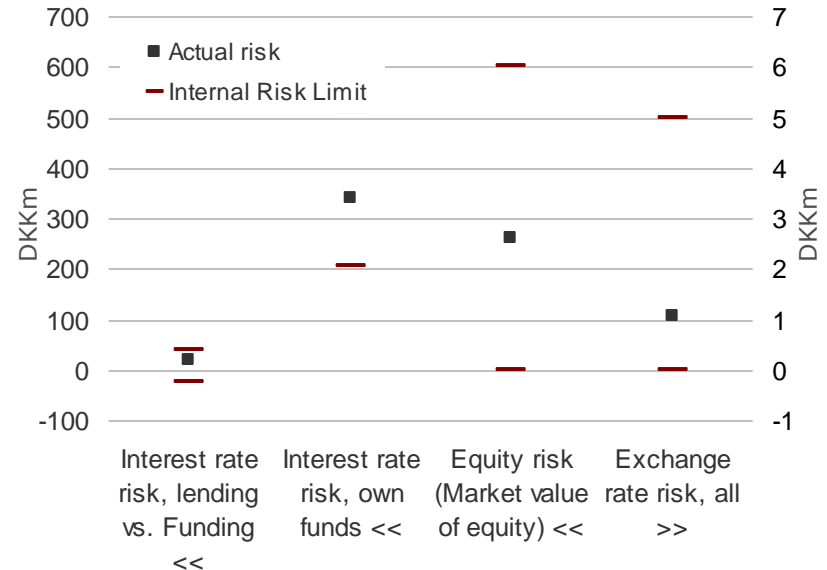


- Loss Guarantees issued by Danske Bank (DKK 43 bn)**
- RD loan disbursed through Danske Bank and former BG Bank has a Loss Guarantee
 - Loss Guarantees covers the outmost LTV limited to 20 per cent of the maximum lending corresponding to LTV from 60-80 per cent for Single Family Housing and 40-60 per cent for Corporate and Holiday Housing
 - Maturity of 8 years with an amortisation equivalent to the covered loan
 - Loss Guarantee covers losses obtained from forced sales including cost

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 2009Q4 interest rate risk on lending vs. funding stood at DKK20.5m
- ❑ 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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