

Quarterly report – first nine months of 2007

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This Quarterly Report is a translation of the original report in the Danish language (Kvartalsrapport –1.-3. kvartal 2007). In case of discrepancies the Danish version prevails.

Financial highlights - Realkredit Danmark Group

NET PROFIT FOR THE PERIOD DKr m	Q1-Q3 2007	Q1-Q3 2006	Index 07/06	Full year 2006
Administration margin	2,112	1,999	106	2,689
Net interest income	1,258	906	139	1,281
Net fees	-259	-175	148	-233
Net trading income	103	115	90	222
Other income	126	281	45	324
Total income	3,340	3,126	107	4,283
Operating expenses	884	868	102	1,171
Profit before credit loss expenses	2,456	2,258	109	3,112
Credit loss expenses	11	-86	-	-105
Profit before tax	2,445	2,344	104	3,217
Tax	615	608	101	861
Net profit for the period	1,830	1,736	105	2,356

BALANCE SHEET (AT SEPTEMBER 30, 2007)

DKr m				
Due from credit institutions etc.	16,178	16,521	98	18,554
Mortgage loans at fair value	614,033	592,784	104	602,584
Bonds and shares	11,206	11,749	95	39,553
Other assets	2,365	2,374	100	2,586
Total assets	643,782	623,428	103	663,277
Due to credit institutions etc.	5,704	1,803	316	5,267
Issued mortgage bonds	591,261	579,047	102	610,761
Other liabilities	11,821	10,032	118	14,083
Shareholders' equity	34,996	32,546	108	33,166
Total liabilities and equity	643,782	623,428	103	663,277

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of avg. shareholders' equity	7.2	7.3	7.4
Cost/income ratio, %	26.5	27.8	27.3
Solvency ratio (incl. net profit for the period), %	10.4	10.0	10.2
Core (tier 1) capital ratio (incl. net profit for the period), %	10.3	10.0	10.2
Full-time-equivalent staff, end of period	717	755	738

Financial review

- The Realkredit Danmark Group's pre-tax profit rose 4% to Dkr2,445m for the first nine months of 2007 against Dkr2,344m in the same period of 2006.
- Relative to the first nine months of 2006, the outstanding nominal bond debt rose by 6% to Dkr635bn.
- The market share of net new lending was 24.3% in the first nine months of 2007, against 28.7% in 2006. The market share of the loan portfolio was 32.0% at September 30, 2007, against 32.8% at the end of 2006.
- At September 30, 2007, the solvency ratio was 10.4%.
- The outlook for the pre-tax profit for 2007 is unchanged relative to the expectations announced in the report for the first half of 2007.

Results for the first nine months of 2007

For the first nine months of 2007, the Realkredit Danmark Group's pre-tax profit was Dkr2,445m, against Dkr2,344m in the year-earlier period. The results were 4% better than in the first nine months of 2006, primarily as a result of rising interest rates. The financial performance matched the level forecast at the publication of the report for the first half of 2007.

Total income climbed 7% relative to the first nine months of 2006.

At Dkr2,112m, the administration margin was up 6% on the year-earlier period as a result of a growing loan portfolio.

Net interest income rose by 39% to Dkr1,258m, primarily as a result of higher interest rates.

Net fee expenses climbed to Dkr259m in the first nine months of 2007, against Dkr175m in the first nine months of 2006, mainly because of the portfolio-based fees paid for mortgage loans arranged through Danske Bank.

Operating expenses remained in line with the figure for the first nine months of 2006, triggering an improvement in the expense ratio from 27.8 to 26.5.

Credit loss expenses stayed at a low level, amounting to Dkr11m for the first nine months of 2007.

With effect from January 1, 2007 the Danish corporation tax rate was lowered from 28% to 25%. The tax charge on the profit for the period was thus reduced by Dkr72m. The adjustment of the tax asset resulted in an expense of Dkr7m. The Group's total tax charge for the first nine months of 2007 amounted to Dkr615m, corresponding to an effective tax rate of 25%.

Capital and solvency

At September 30, 2007, shareholders' equity stood at Dkr34,996m, against Dkr33,166m at year-end 2006.

At September 30, 2007, the solvency ratio stood at 10.4%. At December 31, 2006, the solvency ratio was 10.2%.

Balance sheet

Relative to the first nine months of 2006, mortgage lending measured at fair value rose by Dkr21bn to Dkr614bn. The nominal outstanding bond debt rose by Dkr37bn to Dkr635bn.

Issued mortgage bonds measured at fair value stood at Dkr591bn, a rise of Dkr12bn compared with the first nine months of 2006. In nominal values, issued bonds rose Dkr28bn to Dkr612bn. The amounts are exclusive of the company's holdings of own bonds.

Mortgage credit market

Danish bond yields have continued to climb throughout 2007. The third quarter was marked by unrest in the financial markets, but yields have generally remained fairly stable at the higher level.

Effective rate of interest %	Sep. 30 2007	Dec. 31 2006
FlexLån@ F1	4.5	4.2
4% 30-year fixed-rate loan	5.2	4.8
5% 30-year fixed-rate loan	5.6	5.2
FlexGaranti@ 5M	5.2	4.5
RD Cibor6@	4.6	4.0

In the first nine months of 2007, gross lending in the Danish mortgage credit market totalled DKr303bn, or a decline of about 8% compared with the same period of 2006. The decline was especially due to lower activity in the market for owner-occupied homes.

Market share, all markets %	Q1-Q3		Full year
	2007		2006
Gross lending	24.7		29.7
Net new lending	24.3		28.7
Loan portfolio	32.0		32.8

Realkredit Danmark's market share of net new lending was 24.3% in the first nine months of 2007, which was below the market share held in 2006.

The rise in interest rates in 2007 meant that borrowers with 4% fixed-rate loans could profit from refinancing to a higher coupon assuming that interest rates will subsequently fall again. The players in the Danish market have issued varying recommendations. However, Realkredit Danmark expects long-term interest rates to continue on a slight upward path and have therefore generally advised against refinancing to a higher coupon. Refinancing activity and related supplementary borrowing have thus been modest at Realkredit Danmark, and the fall in market share should be seen in this light.

Lending broken down by loan types is illustrated in the table below. Rising interest rates impact customers' choice of loan type. The number of private-market customers raising fixed-rate loans is rising, as many home owners wish to safeguard against the rising interest rates. Floating-rate loans remain the preferred loan type among corporate borrowers.

Lending broken down by loan type %	Share of gross lending		Share of loan portfolio	
	Q1-Q3	Full year	Sept. 30,	Dec. 31,
	2007	2006	2007	2006
FlexLån®	32	38	40	42
Fixed-rate loans	52	41	46	44
FlexGaranti®	9	14	10	11
RD Cibor6®	7	7	4	3
Total	100	100	100	100

Mortgage covered bonds

The act on the new loans based on mortgage covered bonds and covered bonds entered into force on July 1, 2007. Mortgage covered bonds are issued by mortgage credit institutions only on the basis of mortgages on real property and meet the statutory requirements for covered bonds.

Realkredit Danmark was the first mortgage credit institution to offer the new mortgage covered bonds. Effective July 13, all FlexLån® were based on mortgage covered bonds, allowing private-market customers to obtain longer maturities and longer interest-only periods. In the corporate market, Realkredit Danmark offers 70% loan-to-value ratios to customers in urban trade. By itself, this has triggered an increase in activity, which is expected to continue in the fourth quarter.

RenteDyk™

On October 1, Realkredit Danmark launched a new loan type called RenteDyk™. RenteDyk™ is a floating-rate 30-year bond loan with a built-in interest rate cap that always equals the nominal interest rate on the loan. In other words, the new product is a floating-rate loan that allows loan coupons to fall, but never rise.

RenteDyk™ is financed through the issuance of mortgage covered bonds that share the characteristics of the loan.

Organisation strengthened

Realkredit Danmark is strengthening its local presence in the private market and its collaboration with Danske Bank in the home loan area.

By the end of 2007, the existing 22 mortgage credit offices will be closed down. Our customer advisers will be transferred to 51 large Danske Bank branches, primarily to strengthen these branches' home loan advisory services. Realkredit Danmark retains and consolidates its brand.

The corporate advisers presently attached to our mortgage credit offices will be assigned to six new corporate centres, scheduled to open by the end of 2007. Realkredit Danmark will thus have 10 corporate centres by the end of 2007. In addition, Realkredit Danmark will open a branch for Large Corporates at its Lyngby headquarters.

Outlook for 2007

The outlook for the pre-tax profit for 2007 is unchanged relative to the expectations announced in the report for the first half of 2007.

Activity in the mortgage credit market is expected to remain relatively weak in the fourth quarter of 2007. For the year as a whole, expectations are therefore for slightly weaker activity than in 2006, especially due to a decline in the market for loans to finance changes of ownership.

For the year as a whole, the market share of gross and net new lending is expected to decline relative to 2006. As previously mentioned, the full-year trends should be viewed against the background of the limited refinancing activity.

The corporate market is expected to record trends similar to those seen in 2006 in urban trade, although construction of large residential properties is expected to slow. The agricultural segment is expected to see the structural change towards larger production units continue, while the rate of price increases on agricultural property will decline.

The increase in the volume of lending is expected to push up the administration margin. Net interest income is forecast to rise as a result of the general rise in interest rates. The decline in activity along with the increase in portfolio-based fees paid for mortgage loans arranged through Danske Bank will overall lead to rising net fee expenses. Net trading income will depend largely on the level of securities prices at the end of the year. Other income will fall as 2006 was influenced by one-off income from the sale of the former head office building at Jarmers Plads.

Operating expenses are expected to remain unchanged. Assuming that the economic climate remains unchanged, credit loss expenses are expected to remain low.

The pre-tax profit for 2007 will depend largely on trends in the financial markets, including the level of securities prices at the end of the year. At a slight increase in interest rates, the profit before tax is expected to be 3 to 8% higher than in 2006.

The Group's tax rate under the current tax rules is 25%.

Financial highlights - Realkredit Danmark Group

NET PROFIT FOR THE PERIOD DKr m	Q1-Q3 2007	Q1-Q3 2006	Index 07/06	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Full year 2006
Administration margin	2,112	1,999	106	713	704	695	690	681	2,689
Net interest income	1,258	906	139	459	404	395	375	312	1,281
Net fees	-259	-175	148	-92	-87	-80	-58	-61	-233
Net trading income	103	115	90	96	-3	10	107	135	222
Other income	126	281	45	38	46	42	43	183	324
Total income	3,340	3,126	107	1,214	1,064	1,062	1,157	1,250	4,283
Operating expenses	884	868	102	284	304	296	303	273	1,171
Profit before credit loss expenses	2,456	2,258	109	930	760	766	854	977	3,112
Credit loss expenses	11	-86	-	17	8	-14	-19	-22	-105
Profit before tax	2,445	2,344	104	913	752	780	873	999	3,217
Tax	615	608	101	222	174	219	253	240	861
Net profit for the period	1,830	1,736	105	691	578	561	620	759	2,356

BALANCE SHEET (AT SEPTEMBER 30, 2007)

DKr m

Due from credit institutions etc.	16,178	16,521	98	16,178	20,923	18,691	18,554	16,521	18,554
Mortgage loans	614,033	592,784	104	614,033	600,337	607,725	602,584	592,784	602,584
Bonds and shares	11,206	11,749	95	11,206	7,055	4,388	39,553	11,749	39,553
Other assets	2,365	2,374	100	2,365	1,819	1,889	2,586	2,374	2,586
Total assets	643,782	623,428	103	643,782	630,134	632,693	663,277	623,428	663,277
Due to credit institutions etc.	5,704	1,803	316	5,704	5,707	6,930	5,267	1,803	5,267
Issued mortgage bonds	591,261	579,047	102	591,261	580,310	585,083	610,761	579,047	610,761
Other liabilities	11,821	10,032	118	11,821	9,812	6,953	14,083	10,032	14,083
Shareholders' equity	34,996	32,546	108	34,996	34,305	33,727	33,166	32,546	33,166
Total liabilities and equity	643,782	623,428	103	643,782	630,134	632,693	663,277	623,428	663,277

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of avg. shareholders' equity	7.2	7.3		8.0	6.8	6.7	7.5	9.4	7.4
Cost/income ratio, %	26.5	27.8		23.4	28.6	27.9	26.2	21.8	27.3
Solvency ratio (incl. net profit for the period), %	10.4	10.0		10.4	10.4	10.2	10.2	10.0	10.2
Core (tier 1) capital ratio (incl. net profit for the period)	10.3	10.0		10.3	10.4	10.2	10.2	10.0	10.2
Full-time-equivalent staff, end of period	717	755		717	720	736	738	755	738

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have reviewed and approved the interim report of the Realkredit Danmark Group for the first nine months of 2007.

The consolidated accounts for the first nine months of 2007 are presented in accordance with IAS 34 *Interim Financial Reporting* and in accordance with additional Danish disclosure requirements for interim reports of issuers of listed bonds.

In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities and financial position at September 30, 2007 and of the results of the Group's operations and cash flows for the period January 1 – September 30, 2007.

Lyngby, October 30, 2007

Executive Board

Sven Holm

Chairman of the Executive Board
Chief Executive Officer

Carsten Nøddebo Rasmussen

Member of the Executive Board

Board of Directors

Jakob Brogaard

Chairman

Sven Lystbæk

Deputy Chairman

Tonny Thierry Andersen

Klaus Pedersen

Per Skovhus

Margit Würtz

Accounting policies - Realkredit Danmark Group

The Group's interim report for the first nine months of 2007 is prepared in accordance with IAS 34 *Interim Financial Reporting* and in accordance with additional Danish disclosure requirements for interim reports of issuers of listed bonds.

The accounting policies are consistent with those of the annual report for 2006. See the annual report for a comprehensive description of the accounting policies applied.

The interim report has not been reviewed or audited.

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has approved a number of international financial reporting standards and interpretations that have not yet come into force. None of these is expected to materially affect the financial reporting of the Group.

Income statement - Realkredit Danmark Group

DKr m	Q1-Q3 2007	Q1-Q3 2006	Q3 2007	Q3 2006
Interest income	22,341	18,538	7,462	6,166
Interest expense	18,963	15,800	6,297	5,258
Net interest income	3,378	2,738	1,165	908
Dividends from shares	15	12	-	-
Fee and commission income	335	441	118	136
Fee and commission expense	594	616	210	197
Net fee and commission income	3,134	2,575	1,073	847
Value adjustments	70	270	100	220
Other operating income	129	281	41	183
Staff costs and administrative expenses	877	862	281	271
Impairment, amortisation and depreciation	7	6	3	2
Credit loss expenses	11	-86	17	-22
Income from associated and subsidiary undertakings	7	-	-	-
Profit before tax	2,445	2,344	913	999
Tax	615	608	222	240
Net profit for the period	1,830	1,736	691	759

Balance sheet - Realkredit Danmark Group

DKr m	September 30, 2007	December 31, 2006	September 30, 2006
ASSETS			
Cash in hand and demand deposits with central banks	3	7	5
Due from credit institutions and central banks	16,175	18,547	16,516
Bonds at fair value	11,144	39,448	11,640
Mortgage loans at fair value	614,033	602,584	592,784
Loans and other amounts due at amortised cost	467	436	468
Shares	62	105	109
Holdings in associated undertakings	7	-	-
Land and buildings	125	125	119
Investment property	-	-	-
Domicile property	125	125	119
Other tangible assets	13	17	14
Deferred tax assets	53	67	80
Other assets	1,683	1,926	1,676
Prepayments	17	15	17
Total assets	643,782	663,277	623,428
LIABILITIES AND EQUITY			
LIABILITIES			
Due to credit institutions and central banks	5,704	5,267	1,803
Issued mortgage bonds at fair value	591,261	610,761	579,047
Current tax liabilities	401	28	453
Other liabilities	11,386	13,971	9,528
Deferred income	34	84	51
Total liabilities	608,786	630,111	590,882
SHAREHOLDERS' EQUITY			
Share capital	630	630	630
Other reserves			
Reserves in series	1,453	1,453	1,640
Other reserves	32,913	31,083	30,276
Total shareholders' equity	34,996	33,166	32,546
Total liabilities and equity	643,782	663,277	623,428

Capital - Realkredit Danmark Group

DKr m	Share capital	Proposed dividend	Other reserves	Total
Shareholders' equity at January 1, 2007	630	-	32,536	33,166
Net profit for the period	-	-	1,830	1,830
Shareholders' equity at September 30, 2007	630	-	34,366	34,996
Shareholders' equity at January 1, 2006	630	-	30,180	30,810
Net profit for the period	-	-	1,736	1,736
Shareholders' equity at September 30, 2006	630	-	31,916	32,546

The share capital is made up of 6,300,000 shares of DKr100 each. The company is wholly-owned by Danske Bank A/S, Copenhagen.

Solvency - Realkredit Danmark Group

DKr m	September 30, 2007	December 31, 2006	September 30, 2006
Shareholders' equity	34,996	33,166	32,546
Expected dividend	-726	-	-680
Domicile property	56	54	49
Pension obligation	-170	-157	-77
Tax effect	42	44	22
Revaluation reserve	-45	-43	-35
Deferred tax assets	-96	-111	-101
Core (tier 1) capital, less statutory deductions	34,057	32,953	31,724
Reserves in series subject to a reimbursement obligation	133	133	160
Revaluation reserve	45	43	35
Capital base less statutory deductions	34,235	33,129	31,919
Risk-weighted items:			
Not included in trading portfolio	326,530	318,733	313,603
With market risk included in trading portfolio	4,039	5,525	4,256
Total risk-weighted items	330,569	324,258	317,859
Core (tier 1) capital ratio, %	10.30	10.16	9.98
Solvency ratio, %	10.36	10.22	10.04

Cash flow statement - Realkredit Danmark Group

DKr m	Q1-Q3 2007	Q1-Q3 2006
Cash flow from operating activities		
Net profit for the period	1,830	1,736
Adjustment for non-liquid items in the income statement	-1,564	-2,460
Cash flow from operating capital	-2,642	-122
Total	-2,376	-846
Cash flow from investing activities		
Acquisition/sale of tangible assets	-	424
Total	-	424
Cash and cash equivalents at January 1	18,554	16,943
Change during the period	-2,376	-422
Cash and cash equivalents at September 30	16,178	16,521

Notes - Realkredit Danmark Group

Note DKr m

1 Operating activity accounts - Realkredit Danmark Group

Q1-Q3 2007	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,112	-	2,112	-	2,112
Net interest income	1,258	9	1,267	-9	1,258
Dividends from shares	-	15	15	-15	-
Net fees	-259	-	-259	-	-259
Net trading income	-	-	-	103	103
Value adjustments	141	-69	72	-72	-
Other income	126	-	126	-	126
Total income	3,378	-45	3,333	7	3,340
Operating expenses	881	3	884	-	884
Profit before credit loss expenses	2,497	-48	2,449	7	2,456
Credit loss expenses	11	-	11	-	11
Income from associated and subsidiary undertakings	-	7	7	-7	-
Profit before tax	2,486	-41	2,445	-	2,445
Q1-Q3 2006	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	1,999	-	1,999	-	1,999
Net interest income	906	-167	739	167	906
Dividends from shares	-	12	12	-12	-
Net fees	-175	-	-175	-	-175
Net trading income	-	-	-	115	115
Value adjustments	110	160	270	-270	-
Other income	281	-	281	-	281
Total income	3,121	5	3,126	-	3,126
Operating expenses	865	3	868	-	868
Profit before credit loss expenses	2,256	2	2,258	-	2,258
Credit loss expenses	-86	-	-86	-	-86
Income from associated and subsidiary undertakings	-	-	-	-	-
Profit before tax	2,342	2	2,344	-	2,344

In addition to mortgage finance business itself, mortgage finance also includes purchases and sales of real property through the "home" franchise. 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 net trading income.

Notes - Realkredit Danmark Group

Note

2 **Contingent liabilities**

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

The Group's pension obligations are covered through regular payments to insurance companies, pension funds, etc. In addition, Realkredit Danmark guarantees the pension obligations of Kreditforeningen Danmarks Pensionsafvklingskasse.

Realkredit Danmark is jointly and severally liable for the prior-year corporation tax charges of the companies jointly taxed with Danske Bank A/S before 2005.

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 in the balance sheet.

GUARANTEES AND OTHER LIABILITIES DKr m	September 30, 2007	December 31, 2006	September 30, 2006
Guarantees etc.	4	4	4
Other liabilities	846	944	920
Total	850	948	924

Additional information

Financial calendar

Realkredit Danmark plans to release its financial reports in 2008 on the following dates:

- Annual report for 2007:
January 31, 2008
- First-quarter report for 2008:
April 29, 2008
- Half-year report for 2008:
August 7, 2008
- Nine-month report for 2008:
October 28, 2008

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