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## Interim Report – First Nine Months 2009

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## Financial highlights – Realkredit Danmark Group

<b>INCOME STATEMENT</b> (DKr m)	Q1-Q3 2009	Q1-Q3 2008	Index 09/08	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Full year 2008
Administration margin	2,367	2,208	107	825	793	749	746	744	2,954
Net interest income	1,076	1,393	77	375	306	395	570	524	1,963
Net fee income	-308	-326	94	-106	-105	-97	-105	-106	-431
Income from investment portfolios	1,331	257	-	267	175	889	290	294	547
Other income	74	121	61	16	30	28	28	29	149
<b>Total income</b>	<b>4,540</b>	<b>3,653</b>	<b>124</b>	<b>1,377</b>	<b>1,199</b>	<b>1,964</b>	<b>1,529</b>	<b>1,485</b>	<b>5,182</b>
Operating expenses	745	732	102	250	258	237	278	236	1,010
<b>Profit before loan impairment charges</b>	<b>3,795</b>	<b>2,921</b>	<b>130</b>	<b>1,127</b>	<b>941</b>	<b>1,727</b>	<b>1,251</b>	<b>1,249</b>	<b>4,172</b>
Loan impairment charges	944	42	-	300	311	333	380	33	422
<b>Profit before tax</b>	<b>2,851</b>	<b>2,879</b>	<b>99</b>	<b>827</b>	<b>630</b>	<b>1,394</b>	<b>871</b>	<b>1,216</b>	<b>3,750</b>
Tax	718	725	99	208	161	349	215	304	940
<b>Net profit for the period</b>	<b>2,133</b>	<b>2,154</b>	<b>99</b>	<b>619</b>	<b>469</b>	<b>1,045</b>	<b>656</b>	<b>912</b>	<b>2,810</b>

### BALANCE SHEET (END OF PERIOD)

(DKr m)

Due from credit institutions etc.	27,234	21,717	125	27,234	47,681	7,763	25,069	21,717	25,069
Mortgage loans	694,966	643,234	108	694,966	686,277	681,930	669,891	643,234	669,891
Bonds and shares	6,025	5,064	119	6,025	2,067	21,193	13,062	5,064	13,062
Other assets	2,705	2,040	133	2,705	2,180	2,466	2,900	2,040	2,900
<b>Total assets</b>	<b>730,930</b>	<b>672,055</b>	<b>109</b>	<b>730,930</b>	<b>738,205</b>	<b>713,352</b>	<b>710,922</b>	<b>672,055</b>	<b>710,922</b>
Due to credit institutions etc.	11,367	13,251	86	11,367	35,135	22,284	8,111	13,251	8,111
Issued mortgage bonds	663,099	607,518	109	663,099	649,481	643,149	647,731	607,518	647,731
Other liabilities	13,730	13,374	103	13,730	11,494	8,306	16,512	13,374	16,512
Subordinated debt	2,033	-	-	2,033	2,013	-	-	-	-
Shareholders' equity	40,701	37,912	107	40,701	40,082	39,613	38,568	37,912	38,568
<b>Total liabilities and equity</b>	<b>730,930</b>	<b>672,055</b>	<b>109</b>	<b>730,930</b>	<b>738,205</b>	<b>713,352</b>	<b>710,922</b>	<b>672,055</b>	<b>710,922</b>

### RATIOS AND KEY FIGURES

Return on average shareholders' equity p.a. (%)	7.2	7.8		6.1	4.8	10.7	6.9	9.7	7.6
Cost/income ratio (%)	16.4	20.0		18.2	21.5	12.1	18.2	15.9	19.5
Solvency ratio (%)	48.8	62.2		48.8	48.3	50.7	56.6	62.2	56.6
Core (tier 1) capital ratio (%)	48.6	62.2		48.6	48.2	50.6	56.5	62.2	56.5
Full-time-equivalent staff (end of period)	332	519		332	515	519	520	519	520

## Overview, first nine months

- The Realkredit Danmark Group recorded a profit of DKr2,133m in the first nine months of 2009, against DKr2,154m in the first nine months of 2008. The financial performance is satisfactory and as expected.
- Gross lending of DKr86bn in the first nine months of 2009, against DKr83bn in the first nine months of 2008.
- At September 30, 2009, the solvency ratio was 48.8%.
- The financial performance for 2009 as a whole will depend on macroeconomic developments and capital market trends. Realkredit Danmark expects the level of loan impairment charges to remain high in the fourth quarter of 2009.

### Profit for the period

The Realkredit Danmark Group's profit after tax for the period was DKr2,133m. The profit was at the year-earlier level, especially due to higher income from the investment portfolios, although higher loan impairment charges partially offset this income. The profit was satisfactory and as expected.

The administration margin was up DKr159m on the year-earlier period as a result of the larger loan portfolio and wider administration margins on corporate loans, whereas net interest income fell DKr317m, primarily on account of lower interest rates and the interest paid on the hybrid core capital.

Net fee expenses amounted to DKr308m in the first nine months of 2009, against DKr326m in the year-earlier period.

Income from investment portfolios amounted to DKr1,331m, against DKr257m in the year-earlier period. Income from the investment portfolios includes value adjustments of securities and the yield on the proprietary investment portfolio after deduction of funding costs – calculated on the basis of short-term money market rates. The increase was due to the fall in interest rates in 2009, which resulted in significant value adjustments.

Total income rose DKr887m, or 24%, relative to the first nine months of 2008.

At DKr745m, operating expenses were on a level with the first nine months of 2008. The number of full-time employees dropped by 183 in the third quarter of 2009, primarily due to the organisational changes put into effect at September 1, 2009, when 175 Realkredit Danmark employees transferred to Danske Bank.

Loan impairment charges amounted to DKr944m in the first nine months of 2009, against DKr42m in the first nine months of 2008. In the third quarter of 2009, loan impairment charges amounted to DKr300m, which was slightly lower than in the preceding quarters. The charges in the first nine months correspond to

0.18% p.a. of total mortgage lending. About 40% of total impairment charges related to retail loans, while about 60% related to corporate loans. Delinquencies as a percentage of payments continued to rise from a very low level, although the third quarter saw a slowing trend. The 3-month delinquency rate stood at 0.69% after the third quarter of 2009, against 0.66% at June 30, and 0.28% at the beginning of the year.

After two years of sharply falling property prices, the price falls slowed down in the third quarter. As a result, the strong increase in the average loan-to-value (LTV) ratio has levelled off. The average LTV at the end of September 2009 stood at 68%, against 65% at June 30, and 57% at the beginning of the year.

In the first nine months of 2009, Realkredit Danmark had 37 foreclosures and sold 34 foreclosed properties, bringing the number of foreclosures at the end of September 2009 to a very moderate 26.

The total tax charge for the first nine months of 2009 amounted to DKr718m, corresponding to an effective tax rate of 25%.

### Balance sheet

Mortgage lending at fair value rose DKr25bn from the level at the end of 2008 and amounted to DKr695bn. The nominal outstanding bond debt rose DKr11bn to DKr694bn at September 30 after gross lending of DKr86bn in the first nine months of 2009.

The market value of issued mortgage bonds rose DKr15bn from the figure at end 2008 and amounted to DKr663bn. The nominal value rose DKr1bn to DKr661bn. The amounts are exclusive of holdings of own mortgage bonds.

Realkredit Danmark is subject to the specific balance principle and therefore has very limited exposure to market risks. At September 30, 2009, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKr336m and DKr1m, respectively. In addition, the fact that Realkredit Danmark finances

lending by issuing bonds means that its liquidity risk is very limited.

### Capital and solvency

In May 2009, Realkredit Danmark received subordinated loan capital from the Danish state in the form of a hybrid core capital injection of DKr2bn. The interest rate on the loan is 9.265% per annum. The interest rate will be raised if Realkredit Danmark distributes dividends of more than DKr2.1bn per annum.

At the end of September 2009, shareholders' equity stood at DKr40.7bn, and the solvency ratio calculated according to the Capital Requirements Directive (CRD) was 48.8%. At the end of 2008, shareholders' equity amounted to DKr38.6bn and the solvency ratio 56.6%.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach for calculating risk-weighted assets for credit risks. However, in accordance with the CRD transitional rules, the capital requirement for 2009 must as a minimum amount to 80% of the requirement calculated under the previous rules, corresponding to DKr24.8bn and a solvency ratio of 28.2%.

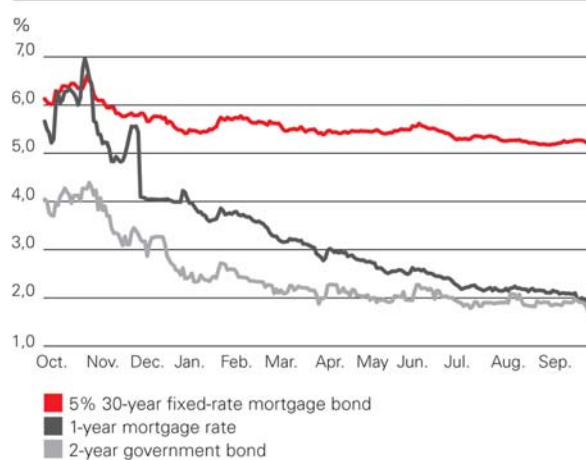
At the end of September, the requirement for supplementary collateral for mortgage-covered bonds was calculated at DKr16.7bn and is covered by shareholders' equity and guarantees. At the end of 2008, the requirement was DKr4.0bn.

### Mortgage credit market

The economic climate results in a weak turnover of real property and falling property prices. Overall, house prices have fallen 15% from their peak in the second quarter of 2007 to the second quarter of 2009. Prices of owner-occupied flats have declined even more, corresponding to a fall of 28% from the peak in the third quarter of 2006 to the second quarter of 2009. Preliminary indicators of property prices development indicate that this trend continued in the third quarter of 2009, albeit at a slower rate. Prices fell during the summer period, although the pace of the price falls slowed down. Stronger house trading activity is required before the housing market will return to normal.

In the period, the Danish central bank's repo rate fell from 3.75% at the beginning of the year to 1.00% at the end of September. The lowered interest rates affected short-term mortgage bond yields in particular. The effective yield on the short-term bonds issued to fund FlexLån<sup>®</sup> thus fell from 5.2% at the December 2008 refinancing to 1.8% (annualised yield) at the end of September 2009. The number of new FlexLån<sup>®</sup> borrowers rose sharply. Six out of ten new borrowers raised interest-reset loans at the end of 2008, whereas during the past few months, the ratio was nine out of ten new borrowers.

Movements in interest rates 2008-2009



### Outlook for 2009

Danish short-term interest rates fell by nearly 3.5 percentage points in the first nine months of 2009. Interest rates are likely to be largely unchanged in the remainder of 2009.

The economic crisis has hit the labour market in Denmark hard. Although from a very low level, unemployment has more than doubled over the past year and is likely to rise further.

Owing to the general economic trends, Realkredit Danmark expects the level of loan impairment charges to remain high in fourth quarter of 2009.

The interest paid on the hybrid core capital also reduces the expected profit for 2009.

The expected profit for 2009 will depend especially on developments in the capital markets and macroeconomic trends in Denmark.

## Income statement – Realkredit Danmark Group

(DKr m)	Q1-Q3 2009	Q1-Q3 2008	Q3 2009	Q3 2008
Interest income	26,430	24,939	8,322	8,474
Interest expense	22,483	21,394	6,912	7,244
Net interest income	3,947	3,545	1,410	1,230
Dividends from shares	12	12	-	-
Fee and commission income	374	334	127	109
Fee and commission expense	682	660	233	215
Net fee and commission income	3,651	3,231	1,304	1,124
Value adjustments	818	299	57	331
Other operating income	74	122	16	30
Staff costs and administrative expenses	741	727	249	235
Impairment, depreciation and amortisation charges	4	5	1	1
Loan impairment charges	944	42	300	33
Income from associated and group undertakings	-3	1	-	-
Profit before tax	2,851	2,879	827	1,216
Tax	718	725	208	304
Net profit for the period	2,133	2,154	619	912

## Balance sheet – Realkredit Danmark Group

(DKr m)	Sept. 30, 2009	Dec. 31, 2008
<b>ASSETS</b>		
Cash in hand and demand deposits with central banks	30	5
Due from credit institutions and central banks	27,204	25,064
Bonds at fair value	5,954	12,986
Mortgage loans at fair value	694,966	669,891
Loans and other amounts due at amortised cost	701	471
Shares	62	63
Holdings in associated undertakings	9	13
Land and buildings	94	95
Domicile property	94	95
Other tangible assets	12	14
Current tax assets	18	31
Other assets	1,549	1,410
Prepayments	331	879
<b>Total assets</b>	<b>730,930</b>	<b>710,922</b>
<b>LIABILITIES AND EQUITY</b>		
<b>AMOUNTS DUE</b>		
Due to credit institutions and central banks	11,367	8,111
Issued mortgage bonds at fair value	663,099	647,731
Current tax liabilities	1	-
Other liabilities	13,717	16,489
<b>Total amounts due</b>	<b>688,184</b>	<b>672,331</b>
<b>PROVISIONS</b>		
Deferred tax	12	23
<b>Total provisions</b>	<b>12</b>	<b>23</b>
<b>SUBORDINATED DEBT</b>		
Subordinated debt	2,033	-
<b>Total liabilities</b>	<b>690,229</b>	<b>672,354</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	630	630
Other reserves		
Reserves in series	9,770	9,770
Other reserves	30,301	28,168
<b>Total shareholders' equity</b>	<b>40,701</b>	<b>38,568</b>
<b>Total liabilities and equity</b>	<b>730,930</b>	<b>710,922</b>

## Statement of capital – Realkredit Danmark Group

<b>CHANGE IN SHAREHOLDERS' EQUITY</b> (DKr m)	Share capital	Reserves in series	Other reserves	Total
Shareholders' equity at January 1, 2009	630	9,770	28,168	38,568
Net profit for the period	-	-	2,133	2,133
Shareholders' equity at September 30, 2009	630	9,770	30,301	40,701
Shareholders' equity at January 1, 2008	630	6,334	28,794	35,758
Net profit for the period	-	-	2,154	2,154
Shareholders' equity at September 30, 2008	630	6,334	30,948	37,912

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.

As the Danish state has injected hybrid core (tier 1) capital into Realkredit Danmark, the Group is prohibited from distributing dividends or carrying out share buybacks until October 1, 2010. From October 1, 2010 and for as long as the Danish state holds hybrid core capital, the Group may distribute dividends if such dividends can be paid in full out of the profit for the year.

<b>SOLVENCY</b> (DKr m)	Sept. 30, 2009	Dec. 31, 2008
Shareholders' equity	40,701	38,568
Expected dividends	-	-
Revaluation of domicile property	57	57
Pension obligations at fair value	-180	-114
Tax effect	31	16
Shareholders' equity calculated in accordance with the rules of the Danish FSA	40,609	38,527
Revaluation reserve	-45	-45
Deferred tax assets	-19	-
Difference between expected losses and value adjustments	-	-62
Core (tier 1) capital, excluding hybrid core capital	40,545	38,420
Hybrid core capital	2,033	-
Core (tier 1) capital	42,578	38,420
Reserves in series subject to a reimbursement obligation	68	96
Revaluation reserve	45	45
Difference between expected losses and value adjustments	95	-62
Capital base	42,786	38,499
<b>Capital requirement</b>		
Credit risk, IRB approach	5,992	4,298
Credit risk, standardised approach	6	1
Counterparty risk	5	38
Total credit risk	6,003	4,337
Market risk	391	547
Operational risk	620	556
Capital requirement under Pillar I	7,014	5,440
Pillar II and transition rules	17,742	21,702
ICAAP result	24,756	27,142
Total risk-weighted assets	87,675	67,993
Core (tier 1) capital ratio (%)	48.56	56.51
Solvency ratio (%)	48.80	56.62

In accordance with the CRD transitional rules, the minimum requirement for the solvency ratio at September 30, 2009, is 28.2%.



## Cash flow statement – Realkredit Danmark Group

(DKr m)	Q1-Q3 2009	Q1-Q3 2008
<b>Cash flow from operating activities</b>		
Net profit for the period	2,133	2,154
Adjustment for non-cash operating items	-2,907	-694
Cash flow from operating capital	905	-2,964
Total	131	-1,504
<b>Cash flow from investing activities</b>		
Acquisition/sale of tangible assets	-	43
Total	-	43
<b>Cash flow from financing activities</b>		
Change in hybrid core capital	2,034	-
Total	2,034	-
Cash and cash equivalents, beginning of period	25,069	23,178
Change during the period	2,165	-1,461
Cash and cash equivalents, end of period	27,234	21,717

# Notes - Realkredit Danmark Group

Note

**1 Significant accounting policies**

The Group's interim report for the first nine months of 2009 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim financial reports of issuers of listed bonds.

The Group has not changed its significant accounting policies from those followed in Annual Report 2008, which provides a full description of the Group's significant accounting policies, except in the instances mentioned below regarding subordinated debt and hedge accounting.

*Subordinated debt*

Subordinated debt is measured at amortised cost plus the fair value of the hedged interest rate risk.

*Hedge accounting*

The Group uses derivatives to hedge the interest rate risk on fixed-rate liabilities measured at amortised cost. Hedged risks that meet specific criteria qualify for fair value hedge accounting. The interest rate risk on hedged liabilities is recognised at fair value through profit or loss as a value adjustment of the hedged items.

*Accounting estimates and assessments*

The basis for preparing the financial statements includes updated estimates and assessments of future events that will significantly affect the carrying amounts of assets and liabilities. The estimates and assessments are based on assumptions that the management finds reasonable but that are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected future events or situations may occur. Other people may make other estimates. Similarly to year-end 2008, the amounts most influenced by critical estimates and assessments are

- impairment charges for mortgage loans
- the fair value of financial instruments

Particularly at times when macroeconomic forecasts are difficult to make, impairment charges for mortgage loans are based on significant estimates.

For a detailed description of the Group's significant risks and the external conditions that may affect the Group, see Annual Report 2008.

The interim report has not been reviewed or audited.

*Standards and interpretations not yet in force*

The International Accounting Standards Board (IASB) has issued a number of international standards that have not yet come into force. Similarly, the International Financial Interpretations Committee (IFRIC) has issued a number of interpretations that have not yet come into force.

None of these is expected to materially affect the Group's future financial reporting.

## Notes - Realkredit Danmark Group

Note (DKr m)

### 2 Profit broken down by activity - Realkredit Danmark Group

<b>Q1-Q3 2009</b>	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,367	-	2,367	-	2,367
Net interest income	1,076	504	1,580	-504	1,076
Dividends from shares	-	12	12	-12	-
Net fee income	-308	-	-308	-	-308
Income from investment portfolios	-	-	-	1,331	1,331
Value adjustments	168	650	818	-818	-
Other income	74	-	74	-	74
<b>Total income</b>	<b>3,377</b>	<b>1,166</b>	<b>4,543</b>	<b>-3</b>	<b>4,540</b>
Operating expenses	742	3	745	-	745
Profit before loan impairment charges	2,635	1,163	3,798	-3	3,795
Loan impairment charges	944	-	944	-	944
Income from associated undertakings	-	-3	-3	3	-
Profit before tax	1,691	1,160	2,851	-	2,851
<b>Q1-Q3 2008</b>	<b>Mortgage finance</b>	<b>Own holdings</b>	<b>Total</b>	<b>Reclassi- fication</b>	<b>Highlights</b>
Administration margin	2,208	-	2,208	-	2,208
Net interest income	1,393	-55	1,338	55	1,393
Dividends from shares	-	12	12	-12	-
Net fee income	-326	-	-326	-	-326
Income from investment portfolios	-	-	-	257	257
Value adjustments	133	166	299	-299	-
Other income	121	-	121	-	121
<b>Total income</b>	<b>3,529</b>	<b>123</b>	<b>3,652</b>	<b>1</b>	<b>3,653</b>
Operating expenses	729	3	732	-	732
Profit before loan impairment charges	2,800	120	2,920	1	2,921
Loan impairment charges	42	-	42	-	42
Income from associated undertakings	-	1	1	-1	-
Profit before tax	2,758	121	2,879	-	2,879

In addition to the 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 own holdings and trading activities is recognised in the income statement under net interest income, value adjustments, etc. In the consolidated highlights, this income is reclassified to income from investment portfolios.

## Notes - Realkredit Danmark Group

Note

**3 Contingent liabilities**

Owing to its business volume, the Realkredit Danmark Group is continually a party to various lawsuits. However, 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.

The company is registered jointly with all significant Danish companies in 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 other liabilities issued by the Group, irrevocable loan commitments regarding reverse mortgages and similar commitments not recognised on the balance sheet.

Guarantees and other liabilities (DKr m)	Sept. 30, 2009	Dec. 31, 2008
Guarantees etc.	4	4
Other liabilities	654	732
<b>Total</b>	<b>658</b>	<b>736</b>

## Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved the interim report of the Realkredit Danmark Group for the period starting on January 1, 2009, and ending on September 30, 2009.

The consolidated financial statements for the first nine months of 2009 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. Furthermore, the interim report has been prepared in accordance with additional Danish disclosure requirements for interim reports of issuers of listed bonds.

In our opinion, the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at September 30, 2009 and of the results of the Group's operations and the consolidated cash flows for the period starting on January 1, 2009, and ending on September 30, 2009. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Kgs. Lyngby, November 3, 2009

### **Executive Board**

**Carsten Nøddebo Rasmussen**  
Chairman of the Executive Board

**Jens-Erik Corvinius**  
Member of the Executive Board

### **Board of Directors**

**Sven Lystbæk**  
Chairman

**Henrik Normann**  
Vice chairman

**Tonny Thierry Andersen**

**Per Skovhus**

**Max Jeppesen**

**Klaus Pedersen**

## Supplementary information

### Financial calendar

Realkredit Danmark plans to release its financial reports in 2010 on the following dates:

- Annual Report 2009:  
February 4, 2010
- Interim Report – First Quarter 2010:  
May 4, 2010
- Interim Report – First Half 2010:  
August 10, 2010
- Interim Report – First Nine Months 2010:  
November 2, 2010

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