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# Interim Report – First Half 2012

Interim Report – First Half 2012 is a translation of the original report in the Danish language (Delårsrapport – 1. Halvår 2012).  
In case of discrepancies, the Danish version prevails.

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## Financial highlights – Realkredit Danmark Group

<b>NET PROFIT FOR THE PERIOD</b> (DKK millions)	First half 2012	First half 2011	Index 12/11	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Full year 2011
Administration margin	2,190	1,759	125	1,100	1,090	909	896	881	3,564
Net interest income	203	230	88	114	89	227	203	143	660
Net fee income	-241	-244	99	-117	-124	-126	-118	-128	-488
Income from investment portfolios	399	65	614	306	93	291	294	120	650
Other income	58	61	95	29	29	25	19	31	105
<b>Total income</b>	<b>2,609</b>	<b>1,871</b>	<b>139</b>	<b>1,432</b>	<b>1,177</b>	<b>1,326</b>	<b>1,294</b>	<b>1,047</b>	<b>4,491</b>
Expenses	455	487	93	223	232	229	218	243	934
Profit before loan impairment charges	2,154	1,384	156	1,209	945	1,097	1,076	804	3,557
Loan impairment charges	658	476	138	273	385	318	263	279	1,057
Profit before tax	1,496	908	165	936	560	779	813	525	2,500
Tax	375	227	165	235	140	195	204	131	626
<b>Net profit for the period</b>	<b>1,121</b>	<b>681</b>	<b>165</b>	<b>701</b>	<b>420</b>	<b>584</b>	<b>609</b>	<b>394</b>	<b>1,874</b>

### BALANCE SHEET (END OF PERIOD)

(DKK millions)

Due from credit institutions etc.	30,395	7,880	386	30,395	27,696	32,556	5,311	7,880	32,556
Mortgage loans	724,559	699,101	104	724,559	721,762	723,754	716,154	699,101	723,754
Bonds and shares	26,877	4,176	644	26,877	18,653	17,300	13,260	4,176	17,300
Other assets	3,226	2,347	137	3,226	2,952	2,950	2,772	2,347	2,950
<b>Total assets</b>	<b>785,057</b>	<b>713,504</b>	<b>110</b>	<b>785,057</b>	<b>771,063</b>	<b>776,560</b>	<b>737,497</b>	<b>713,504</b>	<b>776,560</b>
Due to credit institutions etc.	24,553	18,818	130	24,553	13,856	20,668	20,348	18,818	20,668
Issued mortgage bonds	687,350	640,729	107	687,350	703,311	695,080	660,129	640,729	695,080
Issued senior debt	20,036	-	-	20,036	-	-	-	-	-
Other liabilities	8,026	8,350	96	8,026	7,468	14,010	10,798	8,350	14,010
Subordinated debt	-	2,043	-	-	2,037	2,045	2,049	2,043	2,045
Shareholders' equity	45,092	43,564	104	45,092	44,391	44,757	44,173	43,564	44,757
<b>Total liabilities and equity</b>	<b>785,057</b>	<b>713,504</b>	<b>110</b>	<b>785,057</b>	<b>771,063</b>	<b>776,560</b>	<b>737,497</b>	<b>713,504</b>	<b>776,560</b>

### RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity (%)	5.0	3.2		6.3	3.8	5.3	5.6	3.6	4.3
Impairment charges as % of mortgage lending	0.18	0.14		0.15	0.21	0.18	0.15	0.16	0.15
Cost/income ratio (%)	17.4	26.0		15.6	19.7	17.3	16.8	23.2	20.8
Total capital ratio (%)	36.3	34.9		36.3	35.9	35.8	35.8	34.9	35.8
Tier 1 capital ratio (%)	35.7	34.5		35.7	35.3	35.4	35.3	34.5	35.4
Full-time-equivalent staff (end of period)	309	308		309	306	303	304	308	303

## Overview, first half

- The Realkredit Danmark Group recorded a net profit of DKK 1,121 million in the first half of 2012, against DKK 681 million in the first half of 2011. The profit benefited from general administration margin increases implemented at the end of 2011 and in 2012.
- The Realkredit Danmark Group's total capital ratio according to the Capital Requirements Directive (CRD) was 36.3%, against 35.8% at the end of 2011.
- The state hybrid capital of DKK 2 billion was repaid.
- Because of a need to increase its capital buffer, Realkredit Danmark issued senior debt for DKK 20 billion. The issue was well received in the market.
- Realkredit Danmark has commenced a collaboration with Fitch Ratings, which has announced AAA ratings of mortgage-covered bonds issued by capital centres S and T.

## Results

The Realkredit Danmark Group recorded a net profit of DKK 1,121 million in the first half of 2012, against DKK 681 million in the same period of last year. In spite of difficult business conditions owing to limited housing market activity and higher loan impairment charges, Realkredit Danmark achieved a net profit increase. Realkredit Danmark maintains the earnings guidance announced in Annual Report 2011 of a higher profit in 2012 than in 2011.

The profit improvement was achieved on the back of active pricing towards business customers and general administration margin increases for personal customers. Announced at the end of 2011, the pricing initiatives thus benefited results in the first half of 2012. The administration margin increased DKK 431 million over the first-half 2011 level.

Income from the investment portfolio amounted to DKK 399 million, against DKK 65 million in the first half of 2011. The increase was caused by a higher return on the bond portfolio and refinancing margins.

Total income thus rose 39% relative to income in the first half of 2011.

Expenses were down 7%.

Loan impairment charges rose in the first half of the year, reflecting higher charges for personal customers and small and medium-sized businesses. Charges thus totalled DKK 658 million in the first half of 2012, against DKK 476 million a year earlier. The charges equalled 0.18% p.a. of total mortgage lending, against 0.15% p.a. at the end of 2011.

The delinquency rate, calculated as the proportion of due payments remaining unpaid 3½ months after the last due payment date, was largely unchanged. It stood at 0.47% in the first half of 2012, against 0.46% at the end of 2011.

The tax charge totalled DKK 375 million, corresponding to an effective tax rate of 25%.

The return on equity is rising but is still modest. Continued tight cost control and the announced increases of administration margins are expected to bring the return on equity up to an acceptable level.

## Balance sheet

Gross lending amounted to DKK 57 billion, against DKK 31 billion in the first half of 2011. Mortgage lending at fair value rose DKK 1 billion in the first half of 2012 to DKK 725 billion. The nominal outstanding bond debt fell marginally to DKK 707 billion from DKK 708 billion in the first quarter of 2012.

The LTV ratio rose to 70% from 67% at the end of 2011.

The number of new foreclosures was 57 in the second quarter. At 30 June, the total number of foreclosures stood at 186, 25 more than at 1 January. The value of the foreclosures was DKK 405 million.

Issued mortgage bonds declined by DKK 8 billion to DKK 687 billion. The nominal value of issued bonds fell DKK 10 billion to DKK 668 billion. The amounts are exclusive of holdings of own bonds.

As a result of rating agency requirements for increased capital buffers, Realkredit Danmark issued senior debt for DKK 20 billion at the end of June 2012. The debt securities are listed on NASDAQ OMX Copenhagen.

## Capital and solvency

At the end of June 2012, shareholders' equity stood at DKK 45.1 billion, against DKK 44.8 billion at end-2011. The net profit of DKK 1.1 billion less dividend payments of DKK 0.8 billion accounted for the increase.

The Group's capital base amounted to DKK 45.2 billion, and the total capital ratio calculated in accordance with the Capital Requirements Directive (CRD) was 36.3%. On 11 May 2012, Realkredit Danmark repaid the state hybrid capital. As a result, the capital base was reduced by DKK 2 billion at 30 June 2012.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risk. Risk-weighted assets (RWA) amounted to DKK 124.5 billion at 30 June 2012, against DKK 129.5 billion at end-2011.

Calculated on the basis of the transitional rules of the CRD, the solvency need for 2012 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 25.9 billion or a solvency need ratio of 20.8%.

Under Danish law, the Group must publish its solvency need on a quarterly basis. The [www.rd.dk](http://www.rd.dk) site provides further information.

### Supplementary collateral

Realkredit Danmark issues mortgage-covered bonds. Under Danish law, it must provide supplementary collateral to the bondholders when the LTV ratio exceeds the predefined limits, which are 80% for residential property and 60% for commercial property.

At the end of June 2012, the requirement for supplementary collateral for mortgage-covered bonds was DKK 39.9 billion. At the end of 2011, the requirement was DKK 34.5 billion.

### Rating

Realkredit Danmark's mortgage bonds and mortgage-covered bonds issued from capital centres S and T and the Other reserves series still hold a AAA rating from Standard & Poor's. All new issues are made from capital centres S and T. Furthermore, in June 2012, Standard & Poor's announced an A- rating of the issued senior debt, which is in line with Danske Bank's issuer rating.

In June 2012, Fitch Ratings announced a AAA rating of mortgage-covered bonds issued from capital centres S and T. Furthermore, Realkredit Danmark was assigned an issuer rating of A. Realkredit Danmark is the first Danish mortgage credit institution to hold a rating from Fitch Ratings. After the collaboration with Moody's was terminated in June 2011, Realkredit Danmark now again holds two AAA ratings.

Fitch Ratings has submitted changes to its rating methodology for comments. If the methodology changes are implemented in their current form, Fitch will most likely lower the rating of capital centre T by one notch to AA+. Issues from capital centre S will not be affected.

Rating agencies usually require considerable earnings and define overcollateralisation requirements that are stricter than the requirement for supplementary collateral. These requirements are covered by Realkredit Danmark's capital base and proceeds from the issued senior debt.

### Mortgage credit market

Weak economic growth has continued in 2012 with GDP growth around the 1% mark. Danish business investments and consumer spending remain moderate, and there are still no clear indications that the disbursement of early retirement benefits has had the desired positive effect on consumer spending. The rate of unemployment remained unchanged during the first half of the year, but primarily because of a declining labour force. Employment levels have thus fallen during the past few quarters.

In 2012 to date, the Danish economy has generally been relatively sound, giving Denmark safe-haven status among investors. As a result, the Danish krone has appreciated, the Danish central bank has made independent rate cuts, and Denmark has enjoyed record-low mortgage rates, both on FlexLån® and fixed-rate loans. As a result, Realkredit Danmark has launched 30-year fixed-rate loans with a coupon of 3%, 20-year loans with a 2.5% coupon and 15-year loans with a coupon of 2%.

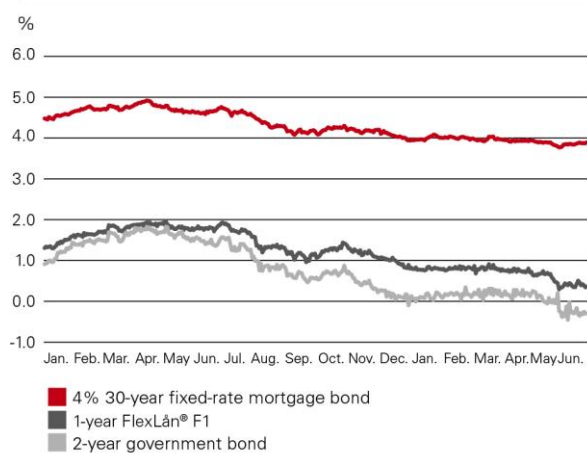
Activity in the Danish housing market remains subdued. Despite the all-time low interest rates, economic uncertainty prevails, making potential buyers reluctant to close transactions. Prices in the housing market appear to be developing more favourably, however. The steep price falls in the second half of 2011 seem to have decelerated, and house price indicators for the second quarter point to a stabilisation of prices.

A relatively stable unemployment rate and the low level of interest rates lend support to home-owner finances. Following a sharp increase in the number of foreclosures in the first quarter, the second quarter saw a small improvement.

As is the case with the personal customer market, activity in the corporate market remains subdued. Investors are primarily attracted to prime-location investment properties that offer stable returns.

Falling prices of agricultural properties have contributed to reducing borrowing possibilities for farmers seeking to expand production.

Movements in interest rates in 2011-2012



**Price changes**

Having re-assessed the pricing of its mortgage loans, Realkredit Danmark launched a new price structure for loans products – primarily to personal customers – on 1 July 2012. For business customers, Realkredit Danmark will continue recent years’ increase in administration margins. The price increases are made because of rising funding costs.

The changed price structure is intended to strengthen the incentive for home owners to make instalments on their mortgage loans and ensure more long-term and stable property finances through fixed-rate loans or products such as FlexGaranti®, FlexLån® F3 and FlexLån® F5.

**Changes in management**

After 27 years of employment, Jens-Erik Corvinus, 62, Member of the Executive Board, stepped down at the end of July 2012. From 1 August 2012, the Executive Board of Realkredit Danmark A/S consists of Carsten Nøddebo Rasmussen, CEO.

**Outlook for 2012**

Realkredit Danmark expects weak growth in the Danish economy for the remainder of the year, with growth around the 1% mark.

Interest rates in Denmark are expected to remain low throughout the year and will continue to lend support to the depressed property market.

Combined with price increases implemented in early 2012, pricing initiatives are expected to lift income.

Effective cost management achieved by means of general process improvements and other factors will help bring the level of expenses down in 2012.

Overall, Realkredit Danmark therefore expects a higher profit in 2012 than in 2011.

## Income statement and Comprehensive income Realkredit Danmark Group

Note	(DKK millions)	First half 2012	First half 2011	Q2 2012	Q2 2011	Full year 2011
	Interest income	13,175	13,180	6,538	6,609	26,368
	Interest expense	10,265	10,959	5,042	5,484	21,619
	Net interest income	2,910	2,221	1,496	1,125	4,749
	Dividends from shares	-	-	-	-	-
	Fee and commission income	272	159	121	75	372
	Fee and commission expense	513	403	238	203	860
	Net fee and commission income	2,669	1,977	1,379	997	4,261
	Value adjustments	-118	-167	24	19	125
	Other operating income	58	61	29	31	105
	Staff costs and administrative expenses	453	484	222	241	928
	Impairment, depreciation and amortisation charges	2	3	1	2	6
3	Loan impairment charges	658	476	273	279	1,057
	Income from associates	-	-	-	-	-
	Profit before tax	1,496	908	936	525	2,500
	Tax	375	227	235	131	626
	Net profit for the period	1,121	681	701	394	1,874
	<b>Comprehensive income</b>					
	Net profit for the period	1,121	681	701	394	1,874
	Other comprehensive income	-	-	-	-	-
	Total comprehensive income for the period	1,121	681	701	394	1,874

## Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 Jun. 2012	31 Dec. 2011	30 Jun. 2011
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	31	23	2
	Due from credit institutions and central banks	30,364	32,533	7,878
	Bonds at fair value	26,866	17,289	4,166
4	Mortgage loans at fair value	724,559	723,754	699,101
4	Loans and other amounts due at amortised cost	825	838	831
	Shares	2	2	2
	Holdings in associates	9	9	8
	Land and buildings	93	93	93
	Domicile property	93	93	93
	Other tangible assets	11	11	12
	Current tax assets	-	-	26
	Deferred tax assets	-	-	-
	Assets temporarily taken over	405	317	273
4	Other assets	1,690	1,680	1,032
	Prepayments	202	11	80
<b>Total assets</b>		<b>785,057</b>	<b>776,560</b>	<b>713,504</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	24,553	20,668	18,818
	Issued mortgage bonds at fair value	687,350	695,080	640,729
8	Issued bonds at amortised cost	20,036	-	-
	Current tax liabilities	453	85	223
	Deferred tax liabilities	56	49	51
	Other liabilities	7,517	13,876	8,073
	Deferred income	-	-	3
<b>Total amounts due</b>		<b>739,965</b>	<b>729,758</b>	<b>667,897</b>
<b>SUBORDINATED DEBT</b>				
	Subordinated debt	-	2,045	2,043
<b>Total liabilities</b>		<b>739,965</b>	<b>731,803</b>	<b>669,940</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	33,120	33,120	31,182
	Other reserves	11,342	10,221	11,752
	Proposed dividends	-	786	-
<b>Total shareholders' equity</b>		<b>45,092</b>	<b>44,757</b>	<b>43,564</b>
<b>Total liabilities and equity</b>		<b>785,057</b>	<b>776,560</b>	<b>713,504</b>



## Statement of capital – Realkredit Danmark Group

<b>CHANGES IN SHAREHOLDERS' EQUITY</b> (DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2012	630	33,120	10,221	786	44,757
Net profit for the period	-	-	1,121	-	1,121
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	1,121	-	1,121
Dividend paid	-	-	-	-786	-786
Shareholders' equity at 30 June 2012	630	33,120	11,342	-	45,092
Shareholders' equity at 1 January 2011	630	31,182	11,071	-	42,883
Net profit for the period	-	-	681	-	681
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	681	-	681
Shareholders' equity at 30 June 2011	630	31,182	11,752	-	43,564

The share capital is made up of 6,300,000 shares of DKK 100 each. The company is wholly-owned by Danske Bank A/S, Copenhagen.

<b>CAPITAL BASE AND TOTAL CAPITAL RATIO</b> (DKK millions)	30 June 2012	31 Dec. 2011	30 June 2011
Shareholders' equity	45,092	44,757	43,564
Revaluation of domicile property at fair value	62	62	64
Pension obligations at fair value	-233	-175	-257
Tax effect	43	28	48
Shareholders' equity calculated in accordance with the rules of the Danish FSA	44,964	44,672	43,419
Expected dividends	-442	-786	-
Revaluation reserve	-49	-49	-50
Deferred tax assets	-	-	-
Core tier 1 capital	44,473	43,837	43,369
Hybrid capital	-	2,045	2,043
Difference between expected losses and impairment charges	-	-	-
<b>Total tier 1 capital</b>	44,473	45,882	45,412
Reserves in series subject to a reimbursement obligation	62	55	55
Revaluation reserve	49	49	50
Difference between expected losses and impairment charges	579	445	416
<b>Capital base</b>	45,163	46,431	45,933
<b>Total risk-weighted assets</b>	124,462	129,533	131,671
Core tier 1 capital ratio (%)	35.7	33.8	32.9
Tier 1 capital ratio (%)	35.7	35.4	34.5
Total capital ratio (%)	36.3	35.8	34.9

The total capital and tier 1 capital ratios are calculated in accordance with the CRD. Risk-weighted assets calculated under the Basel I rules amounted to DKK 404,413 million at 30 June 2012 (31 December 2011: DKK 401,188 million). The solvency need, calculated on the basis of the transitional rules, was DKK 25,882 million (31 December 2011: DKK 25,676 million), equal to 80% of the capital requirement of 8% of risk-weighted assets.

## Cash flow statement – Realkredit Danmark Group

(DKK millions)	First half 2012	First half 2011	Full year 2011
<b>Cash flow from operating activities</b>			
Profit before tax	1,496	908	2,500
Tax paid	-	-	-514
Adjustment for non-cash operating items	195	45	299
Cash flow from operating capital	-1,032	-21,962	1,387
<b>Total</b>	<b>659</b>	<b>-21,009</b>	<b>3,672</b>
<b>Cash flow from investing activities</b>			
Acquisition/sale of tangible assets	-	-	-5
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-5</b>
<b>Cash flow from financing activities</b>			
Change in hybrid capital	-2,034	-	-
Dividend	-786	-	-
<b>Total</b>	<b>-2,820</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>32,556</b>	<b>28,889</b>	<b>28,889</b>
Change during the period	-2,161	-21,009	3,667
<b>Cash and cash equivalents, end of period</b>	<b>30,395</b>	<b>7,880</b>	<b>32,556</b>

## Notes – Realkredit Danmark Group

Note

### 1 Significant accounting policies and critical accounting estimates and assessments

The Group's interim report for the first half of 2012 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim reports of issuers of listed bonds.

The Group has not changed its significant accounting policies from those followed in Annual Report 2011, which provides a full description of the Group's significant accounting policies.

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the Group's consolidated financial statements. The estimates and assumptions deemed critical to the consolidated financial statements concern the fair value measurement of mortgage loans.

The estimates and assumptions are based on premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

#### *Fair value measurement of mortgage loans*

The fair value of mortgage loans is based on the fair value of the underlying issued mortgage bonds adjusted for changes in the fair value of the credit risk on borrowers. For mortgage loans granted to customers in rating categories 10 and 11 (all loans with objective evidence of impairment), such adjustment equals the difference between the carrying amount and the present value of the expected future cash flow of the asset, including the net realisable value of collateral held.

A collective assessment determines the need for changes to reflect fair value adjustments of the credit risk of the remaining portion of the portfolio. No changes are made if it is possible to raise the administration margin on loans (credit margin) sufficiently to compensate for the higher credit risk and market risk premiums on mortgage loans. If it is not possible to raise the administration margin sufficiently or at all, a collective adjustment is made, reflecting trends in expected losses, unexpected losses (volatility) and the possibility of raising administration margins in the future. The expected future cash flows are discounted at the current market rate with the addition of a risk premium.

Annual Report 2011 provides a detailed description of the Group's significant risks and the external factors that may affect the Group.

The interim report has not been reviewed or audited.

#### *Standards and interpretations not yet in force*

The IASB has issued a number of amendments to IFRSs that have not yet come into force. Similarly, the IFRIC has issued a new interpretation that has not yet come into force. The sections below explain the changes that are likely to affect the Group's financial reporting.

In October 2010, the IASB reissued IFRS 9, Financial Instruments. The aim of the overall reissuance project is, once the amendments to IFRS 9 are completed, to let the standard replace IAS 39 in its entirety. With the 2010 reissuance, IFRS 9 now provides principles for classification and derecognition of financial instruments. Principles for impairment and hedge accounting are expected to follow in 2012 or 2013. The IASB is also considering implementing certain changes to the classification principles.

The transitional rules of the amended IFRS 9 prescribe implementation of the standard by 2015. The EU has decided to postpone adoption of the amended IFRS 9 until all details of the standard are known.

Under the existing IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on the basis of their contractual cash flow characteristics, including any embedded derivatives (unlike IAS 39, IFRS 9 no longer requires bifurcation). Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest are measured at amortised cost. Other assets are measured at fair value through profit or loss. Equities may be measured at fair value through Other comprehensive income, however, and, satisfying certain requirements, a business may opt for fair value adjustment of its loans, advances, etc.

The principles applicable to financial liabilities are largely unchanged from IAS 39. Generally, financial liabilities are still measured at amortised cost with bifurcation of embedded derivatives not closely related to a host contract. Financial liabilities measured at fair value comprise derivatives, the trading portfolio and liabilities designated at fair value through profit or loss. However, value adjustments relating to the inherent credit risk of financial liabilities designated at fair value are recognised in Other comprehensive income unless this leads to an accounting mismatch.

IFRS 9 incorporates the existing derecognition principles of IAS 39.

The Group does not expect the amended IFRS 9 to materially affect the measurement of its financial instruments. Meaningful classification of financial instruments is not possible without information about the future parts of IFRS 9 to clarify the overall accounting effects of the standard.

## Notes – Realkredit Danmark Group

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The IASB ended its project on consolidation in May 2011 by issuing a number of new accounting standards (IFRS 10, IFRS 11 and IFRS 12) and revised accounting standards (IAS 27 and IAS 28). The IASB has established a uniform concept of control to be used for determining whether an entity should be consolidated and has introduced enhanced disclosure requirements for consolidated and unconsolidated entities, joint arrangements and associates. The standards, which have not yet been adopted by the EU, must be implemented in 2013 at the latest. The Realkredit Danmark Group does not expect the new requirements to significantly change its consolidation of undertakings.

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. The standard introduces a new definition of fair value and provides guidance on how to measure and disclose fair value. IFRS 13 applies when another standard requires fair value to be used or disclosed. The standard, which has not yet been adopted by the EU, must be implemented in 2013 at the latest. The Group does not expect IFRS 13 to significantly affect its financial results.

In June 2011, the IASB issued an amended IAS 19, Employee Benefits. The amended standard eliminates the option to defer the recognition of actuarial gains and losses on defined bene-

fit pension plans, known as the “corridor method”. The present value of net pension assets and obligations must be recognised in the balance sheet instead. The amended standard must be implemented in 2013 at the latest. At 30 June 2012, the new requirements would have reduced shareholders’ equity by DKK 175 million the amount deferred under the corridor method net of tax. The effect on the net profit will be immaterial, as actuarial gains and losses are recognised in other comprehensive income. Other comprehensive income and shareholders’ equity items will become more volatile, though. The Statement of capital will not be affected as it is already prepared without the use of the corridor method.

In December 2011, the IASB clarified the IAS 32 requirements for offsetting financial instruments. The clarification is expected to increase the offsetting of positive and negative fair values of derivatives. The IASB also enhanced its IFRS 7 disclosure requirements to include both gross and net amounts when offsetting financial instruments and rights of set-off in the event of counterparty defaults. The changes, which have not yet been adopted by the EU, must be implemented in 2014 and 2013, respectively.

## Notes – Realkredit Danmark Group

Note (DKK millions)

### 2 Profit broken down by activity

First half 2012	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,190	-	2,190	-	2,190
Net interest income	203	517	720	-517	203
Dividends from shares	-	-	-	-	-
Net fee income	-241	-	-241	-	-241
Income from investment portfolios	-	-	-	399	399
Value adjustments	63	-181	-118	118	-
Other income	58	-	58	-	58
<b>Total income</b>	<b>2,273</b>	<b>336</b>	<b>2,609</b>	<b>-</b>	<b>2,609</b>
Expenses	453	2	455	-	455
Profit before loan impairment charges	1,820	334	2,154	-	2,154
Loan impairment charges	658	-	658	-	658
Income from associates	-	-	-	-	-
<b>Profit before tax</b>	<b>1,162</b>	<b>334</b>	<b>1,496</b>	<b>-</b>	<b>1,496</b>
<b>First half 2011</b>	<b>Mortgage finance</b>	<b>Own holdings</b>	<b>Total</b>	<b>Reclassi- fication</b>	<b>Highlights</b>
Administration margin	1,759	-	1,759	-	1,759
Net interest income	230	232	462	-232	230
Dividends from shares	-	-	-	-	-
Net fee income	-244	-	-244	-	-244
Income from investment portfolios	-	-	-	65	65
Value adjustments	58	-225	-167	167	-
Other income	61	-	61	-	61
<b>Total income</b>	<b>1,864</b>	<b>7</b>	<b>1,871</b>	<b>-</b>	<b>1,871</b>
Expenses	485	2	487	-	487
Profit before loan impairment charges	1,379	5	1,384	-	1,384
Loan impairment charges	476	-	476	-	476
Income from associates	-	-	-	-	-
<b>Profit before tax</b>	<b>903</b>	<b>5</b>	<b>908</b>	<b>-</b>	<b>908</b>

Mortgage finance encompasses property financing services provided in Denmark and Sweden to personal and business customers. The mediation of property financing services is made through Danske Bank's branch network and finance centres and through Corporate & Institutional Mortgage Finance at Realkredit Danmark. The segment also includes mediation of real estate transactions offered through the real-estate agency chain "home". 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 income from investment portfolios.

## Notes – Realkredit Danmark Group

Note	(DKK millions)	First half 2012	First half 2011
3	<b>Loan impairment charges</b>		
	Impairment charges etc.	509	466
	Reversals of impairment charges etc. for previous years	316	423
	Losses incurred	524	459
	Received on claims previously written off	59	26
	<b>Total</b>	<b>658</b>	<b>476</b>

### 4 **Loans etc.**

Of the total fair value adjustment for the credit risk on mortgage loans, charges were recognised as an expense of DKK 2,384 million at 30 June 2012, against DKK 2,065 million at the beginning of the year.

Of the total loan impairment charges for the credit risk on loans and other amounts due at amortised cost, charges were recognised as an expense of DKK 368 million at 30 June 2012, against DKK 494 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges etc. at 1 January 2011	2,001	264	2,265
Impairment charges etc. for the period	1,030	126	1,156
Reversals of impairment charges etc. for previous years	757	105	862
Impairment charges etc. at 31 December 2011	2,274	285	2,559
Impairment charges etc. for the period	469	40	509
Reversals of impairment charges etc. for previous years	283	33	316
Impairment charges etc. at 30 June 2012	2,460	292	2,752

Value adjustment of assets taken over amounted to DKK 34 million at 30 June 2012, against DKK -5 million at end-2011.

### 5 **Assets deposited as collateral**

At 30 June 2012, the Group had deposited securities worth DKK 20,089 million (end of 2011: DKK 21,210 million) as collateral with the Danish central bank.

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and the amounts received are recognised as due to credit institutions and central banks. Repo transaction securities are treated as assets provided as collateral for liabilities. At 30 June 2012, the carrying amount of such securities totalled DKK 24,446 million (end of 2011: DKK 20,763 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 30 June 2012, mortgage lending totalling DKK 724,559 million and other assets totalling DKK 39,867 million (end-2011: DKK 723,754 million and DKK 34,514 million) were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost.

## Notes – Realkredit Danmark Group

Note	(DKK millions)				
6	<b>Financial instruments at fair value</b>				
	30 June 2012	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	26,866	-	-	26,866
	Mortgage loans at fair value	-	724,559	-	724,559
	Shares	-	-	2	2
	Derivatives	-	197	-	197
	<b>Total</b>	<b>26,866</b>	<b>724,756</b>	<b>2</b>	<b>751,624</b>
	Issued mortgage bonds at fair value	687,350	-	-	687,350
	Derivatives	-	114	-	114
	<b>Total</b>	<b>687,350</b>	<b>114</b>	<b>-</b>	<b>687,464</b>
	31 December 2011				
	Bonds at fair value	17,289	-	-	17,289
	Mortgage loans at fair value	-	723,754	-	723,754
	Shares	-	-	2	2
	Derivatives	-	175	-	175
	<b>Total</b>	<b>17,289</b>	<b>723,929</b>	<b>2</b>	<b>741,220</b>
	Issued mortgage bonds at fair value	695,080	-	-	695,080
	Derivatives	-	648	-	648
	<b>Total</b>	<b>695,080</b>	<b>648</b>	<b>-</b>	<b>695,728</b>

Note 37 to Annual Report 2011 provides a description of the valuation techniques used for financial instruments. Financial market developments have not resulted in reclassification of bonds between listed prices and observable input during the first half of 2012.

### 7 Contingent liabilities

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

As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafviklingskasse. Kreditforeningen Danmarks Pensionsafviklingskasse and, by extension, the Group's defined benefit plan has not accepted new business since 1971.

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 on the balance sheet.

(DKK millions)	30 June 2012	31 Dec. 2011	30 June 2011
<b>Other contingent liabilities</b>			
Irrevocable loan commitments regarding reverse mortgages	209	275	308
Other commitments	120	120	120
<b>Total</b>	<b>329</b>	<b>395</b>	<b>428</b>

### Realkredit Danmark as lessee

Realkredit Danmark is the lessee in a number of operating leases. Under such leases, the Group is entitled to use an asset for a specific period of time against lease payments, but it does not take over the major risks associated with the asset nor does it benefit from any returns.

The leases involve mainly cars. The minimum lease payments at 30 June 2012 were DKK 2 million (31 December 2011: DKK 2 million).

## Notes – Realkredit Danmark Group

Note	(DKK millions)				
8	<b>Issued bonds at amortised cost</b>			30 June 2012	31 Dec. 2011
	Nominal value of issued bonds			20,000	-
	Fair value hedging of interest rate risk			76	-
	Premium/discount			-40	-
	<b>Total issued bonds</b>			<b>20,036</b>	<b>-</b>
		1 Jan. 2012	Issued	Redeemed	30 June 2012
	Nominal value				
	<b>Total issued bonds</b>	-	20,000	-	20,000

Issued bonds at amortised cost consist of issued senior debt.



## Interim financial statements – Realkredit Danmark A/S

Note (DKK millions)

The financial statements of the Parent Company, Realkredit Danmark A/S, are prepared in accordance with the provisions of the Danish Financial Business Act, including the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc. The valuation is identical to the Group's valuation principles under IFRS, with the exception that

- domicile property is measured (revalued) at its estimated fair value; and
- the corridor method is not applied to pension obligations

The estimated fair value of domicile properties is determined in accordance with schedule 9 to the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc.

Holdings in subsidiary undertakings are measured on the basis of the equity method, and tax payable by these undertakings is expensed under "Income from associated and group undertakings".

The table below shows the differences in net profit and shareholders' equity between the IFRS consolidated financial statements and the Parent Company's financial statements presented in accordance with Danish FSA rules.

	Net profit first half 2012	Net profit first half 2011	Shareholders' equity 30 Jun. 2012	Shareholders' equity 31 Dec. 2011
Consolidated financial statements (IFRS)	1,121	681	45,092	44,757
Domicile property	-	-	62	62
Pension obligations	-58	-16	-233	-175
Tax effect	15	4	43	28
Parent company financial statements (Danish FSA rules)	1,078	669	44,964	44,672

## Income statement – Realkredit Danmark A/S

Note	(DKK millions)	First half 2012	First half 2011
	Interest income	13,174	13,178
	Interest expense	10,265	10,959
	Net interest income	2,909	2,219
	Dividends from shares	-	-
	Fee and commission income	272	159
	Fee and commission expense	513	403
	Net fee and commission income	2,668	1,975
1	Value adjustments	-118	-167
	Other operating income	2	1
	Staff costs and administrative expenses	458	441
	Impairment, depreciation and amortisation charges	1	2
	Loan impairment charges	657	475
	Income from associated and group undertakings	2	1
	Profit before tax	1,438	892
	Tax	360	223
	Net profit for the period	1,078	669
	<b>Comprehensive income</b>		
	Net profit for the period	1,078	669
	Other comprehensive income	-	2
	Total comprehensive income for the period	1,078	671

## Balance sheet – Realkredit Danmark A/S

Note	(DKK millions)	30 Jun. 2012	31 Dec. 2011	30 Jun. 2011
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	31	23	2
	Due from credit institutions and central banks	30,341	32,432	7,782
	Bonds at fair value	26,866	17,289	4,166
2	Mortgage loans at fair value	724,559	723,754	699,101
2	Loans and other amounts due at amortised cost	772	787	779
	Shares	-	-	-
	Holdings in associated undertakings	9	9	8
	Holdings in group undertakings	127	201	201
	Land and buildings	155	155	157
	Domicile property	155	155	157
	Other tangible assets	5	5	6
	Current tax assets	-	-	29
	Deferred tax assets	-	-	-
	Assets temporarily taken over	405	317	273
2	Other assets	1,412	1,464	725
	Prepayments	202	10	78
<b>Total assets</b>		<b>784,884</b>	<b>776,446</b>	<b>713,307</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	24,553	20,668	18,818
	Issued mortgage bonds at fair value	687,350	695,080	640,728
	Issued bonds at amortised cost	20,036	-	-
	Current tax liabilities	453	85	223
	Other liabilities	7,345	13,679	7,867
	Deferred income	-	-	3
<b>Total amounts due</b>		<b>739,737</b>	<b>729,512</b>	<b>667,639</b>
<b>PROVISIONS</b>				
	Deferred tax	21	29	12
	Reserves in early series subject to a reimbursement obligation	162	188	194
<b>Total provisions</b>		<b>183</b>	<b>217</b>	<b>206</b>
<b>SUBORDINATED DEBT</b>				
	Subordinated debt	-	2,045	2,043
<b>Total liabilities</b>		<b>739,920</b>	<b>731,774</b>	<b>669,888</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Revaluation reserve	49	49	50
	Reserves in series	33,120	33,120	31,182
	Other reserves	11,165	10,087	11,557
	Proposed dividends	-	786	-
<b>Total shareholders' equity</b>		<b>44,964</b>	<b>44,672</b>	<b>43,419</b>
<b>Total liabilities and equity</b>		<b>784,884</b>	<b>776,446</b>	<b>713,307</b>

## Statement of capital – Realkredit Danmark A/S

<b>CHANGES IN SHAREHOLDERS' EQUITY</b> (DKK millions)	Share capital	Revaluation reserve	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2012	630	49	33,120	10,087	786	44,672
Net profit for the period	-	-	-	1,078	-	1,078
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	1,078	-	1,078
Proposed dividends	-	-	-	-	-786	-786
Shareholders' equity at 30 June 2012	630	49	33,120	11,165	-	44,964
Shareholders' equity at 1 January 2011	630	48	31,182	10,888	-	42,748
Net profit for the period	-	-	-	669	-	669
Other comprehensive income	-	2	-	-	-	2
<b>Total comprehensive income for the period</b>	-	2	-	669	-	671
Shareholders' equity at 30 June 2011	630	50	31,182	11,557	-	43,419

The share capital is made up of 6,300,000 shares of DKK 100 each. The company is wholly-owned by Danske Bank A/S, Copenhagen.

## Notes – Realkredit Danmark A/S

Note	(DKK millions)	First half 2012	First half 2011
1	<b>Value adjustments</b>		
	Mortgage loans	2,729	-3,635
	Bonds	-56	-22
	Currency	2	2
	Derivatives	31	-338
	Issued mortgage bonds	-2,756	3,807
	Other liabilities	-68	19
	<b>Total</b>	<b>-118</b>	<b>-167</b>

### 2 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, charges were recognised as an expense of DKK 2,384 million at 30 June 2012, against DKK 2,065 million at the beginning of the year.

Of the total loan impairment charges for the credit risk on loans and other amounts due at amortised cost, charges were recognised as an expense of DKK 365 million at 30 June 2012, against DKK 494 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges etc. at 1 January 2011	2,000	264	2,264
Impairment charges etc. during the period	1,029	126	1,155
Reversals of impairment charges etc. for previous years	757	105	862
Impairment charges etc. at 31 Dec. 2011	2,272	285	2,557
Impairment charges etc. during the period	468	40	508
Reversals of impairment charges etc. for previous years	283	33	316
Impairment charges etc. at 30 June 2012	2,457	292	2,749

Value adjustment of assets taken over amounted to DKK 34 million at 30 June 2012, against DKK -5 million at end-2011.

## Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim Report – First half 2012 of the Realkredit Danmark Group.

The consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and the Parent Company's interim financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the interim report has been prepared in accordance with Danish disclosure requirements for interim reports of issuers of listed bonds.

In our opinion, the consolidated interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 30 June 2012 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period starting on 1 January 2012 and ending on 30 June 2012. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 7 August 2012

### **Executive Board**

Carsten Nøddebo Rasmussen  
Chairman of the Executive Board

### **Board of Directors**

Tonny Thierry Andersen  
Chairman

Kim Andersen

Henrik Ramlau-Hansen

Claus Bundgaard

Klaus Pedersen

## Supplementary information

### Financial calendar

- Interim Report – First Nine Months 2012:  
30 October 2012
- Annual Report 2012:  
7 February 2013
- Annual General Meeting:  
7 March 2013
- Interim Report – First Quarter 2013:  
2 May 2013
- Interim Report – First Half 2013:  
1 August 2013
- Interim Report – First Nine Months 2013:  
31 October 2013

### Contact

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and Chief Executive Officer  
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### Useful links

[www.rd.dk](http://www.rd.dk)  
[www.danskebank.com](http://www.danskebank.com)  
[www.home.dk](http://www.home.dk)