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# Interim Report – First Nine Months 2012

Interim Report – First Nine Months 2012 is a translation of the original report in the Danish language (Delårsrapport – 1.-3. kvartal 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)	Q1-Q3 2012	Q1-Q3 2011	Index 12/11	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Full year 2011
Administration margin	3,377	2,655	127	1,187	1,100	1,090	909	896	3,564
Net interest income	340	433	79	137	114	89	227	203	660
Net fee income	-350	-362	97	-109	-117	-124	-126	-118	-488
Income from investment portfolios	345	359	96	-54	306	93	291	294	650
Other income	85	80	106	27	29	29	25	19	105
<b>Total income</b>	<b>3,797</b>	<b>3,165</b>	<b>120</b>	<b>1,188</b>	<b>1,432</b>	<b>1,177</b>	<b>1,326</b>	<b>1,294</b>	<b>4,491</b>
Expenses	665	705	94	210	223	232	229	218	934
Profit before loan impairment charges	3,132	2,460	127	978	1,209	945	1,097	1,076	3,557
Loan impairment charges	1,022	739	138	364	273	385	318	263	1,057
Profit before tax	2,110	1,721	123	614	936	560	779	813	2,500
Tax	528	431	123	153	235	140	195	204	626
<b>Net profit for the period</b>	<b>1,582</b>	<b>1,290</b>	<b>123</b>	<b>461</b>	<b>701</b>	<b>420</b>	<b>584</b>	<b>609</b>	<b>1,874</b>

### BALANCE SHEET (END OF PERIOD)

(DKK millions)

Due from credit institutions etc.	22,763	5,311	429	22,763	30,395	27,696	32,556	5,311	32,556
Mortgage loans	728,659	716,154	102	728,659	724,559	721,762	723,754	716,154	723,754
Bonds and shares	32,706	13,260	247	32,706	26,877	18,653	17,300	13,260	17,300
Other assets	3,726	2,772	134	3,726	3,226	2,952	2,950	2,772	2,950
<b>Total assets</b>	<b>787,854</b>	<b>737,497</b>	<b>107</b>	<b>787,854</b>	<b>785,057</b>	<b>771,063</b>	<b>776,560</b>	<b>737,497</b>	<b>776,560</b>
Due to credit institutions etc.	20,372	20,348	100	20,372	24,553	13,856	20,668	20,348	20,668
Issued mortgage bonds	691,857	660,129	105	691,857	687,350	703,311	695,080	660,129	695,080
Issued senior debt	20,109	-	-	20,109	20,036	-	-	-	-
Other liabilities	9,963	10,798	92	9,963	8,026	7,468	14,010	10,798	14,010
Subordinated debt	-	2,049	-	-	-	2,037	2,045	2,049	2,045
Shareholders' equity	45,553	44,173	103	45,553	45,092	44,391	44,757	44,173	44,757
<b>Total liabilities and equity</b>	<b>787,854</b>	<b>737,497</b>	<b>107</b>	<b>787,854</b>	<b>785,057</b>	<b>771,063</b>	<b>776,560</b>	<b>737,497</b>	<b>776,560</b>

### RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity (%)	4.7	4.0		4.1	6.3	3.8	5.3	5.6	4.3
Impairment charges as % of mortgage lending	0.19	0.14		0.20	0.15	0.21	0.18	0.15	0.15
Cost/income ratio (%)	17.5	22.3		17.7	15.6	19.7	17.3	16.8	20.8
Total capital ratio (%)	35.7	35.8		35.7	36.3	35.9	35.8	35.8	35.8
Tier 1 capital ratio (%)	35.1	35.3		35.1	35.7	35.3	35.4	35.3	35.4
Full-time-equivalent staff (end of period)	252	304		252	309	306	303	304	303

## Overview, first nine months

- The Realkredit Danmark Group recorded a net profit of DKK 1,582 million in the first nine months of 2012, against DKK 1,290 million in the same period of 2011. The administration margin increases implemented at the end of 2011 and in 2012 contributed to the increase.
- The Realkredit Danmark Group's total capital ratio according to the Capital Requirements Directive (CRD) was 35.7%, against 35.8% at the end of 2011.
- Fitch Ratings has placed the mortgage-covered bonds issued from capital centre T on rating watch negative with a new expected rating of AA+.
- Realkredit Danmark maintains the earnings guidance of a higher profit in 2012 than in 2011.

## Results

The Realkredit Danmark Group recorded a net profit of DKK 1,582 million in the first nine months of 2012, against DKK 1,290 million in the same period of last year. In spite of a jittery market and weak growth with limited housing market activity and higher loan impairment charges, Realkredit Danmark achieved a net profit increase.

The profit improvement was achieved especially on the back of administration margin increases. The pricing initiatives announced at the end of 2011 fed through to results for the first nine months of 2012, while the margin increase announced in the first quarter of 2012 benefited results only in the third quarter. The administration margin increased DKK 722 million over the level in the first nine months of 2011.

Income from the investment portfolio amounted to DKK 345 million, against DKK 359 million in the first nine months of 2011. The decline was caused by a lower return on the bond portfolio.

Total income thus rose 20% relative to income in the first nine months of 2011.

Expenses were down 6% because of lower costs relating to IT systems operation and development.

In connection with the organisational changes at Danske Bank announced in the report for the first half of 2012, 50 employees transferred from Realkredit Danmark to Danske Bank in the third quarter. The transfer is part of the new strategy for the Danske Bank Group.

Loan impairment charges rose in the first nine months of the year, reflecting higher charges for small and medium-sized businesses. Charges totalled DKK 1,022 million in the first nine months of 2012, against DKK 739 million in the same period of 2011. The charges equalled 0.19% of total mortgage lending, against 0.15% in 2011.

The delinquency rate, calculated as the proportion of due payments remaining unpaid 3½ months after the

last due payment date, rose to 0.53% from 0.46% at the end of 2011.

The tax charge totalled DKK 528 million, corresponding to an effective tax rate of 25%.

## Balance sheet

Gross lending amounted to DKK 87 billion, against DKK 48 billion in the first nine months of 2011. Mortgage lending at fair value rose DKK 5 billion in the first nine months of 2012 to DKK 729 billion. The nominal outstanding bond debt rose from DKK 708 billion to DKK 710 billion.

The LTV ratio rose to 71% from 67% at the end of 2011.

The number of new foreclosures was 28 in the third quarter. At 30 September, the total number of foreclosures was 157, or four less than at 1 January. The value of the foreclosures was DKK 270 million.

Issued mortgage bonds declined DKK 3 billion to DKK 692 billion. The nominal value of issued bonds fell DKK 7 billion to DKK 671 billion. The amounts are exclusive of holdings of own bonds.

## Capital and solvency

At the end of September 2012, shareholders' equity stood at DKK 45.6 billion, against DKK 44.8 billion at end-2011. The net profit of DKK 1.6 billion less dividend payments of DKK 0.8 billion accounted for the increase.

The Group's capital base amounted to DKK 44.6 billion, and the total capital ratio calculated in accordance with the Capital Requirements Directive (CRD) was 35.7%. At 31 December 2011, the corresponding figures were DKK 46.4 billion and 35.8%. The lower levels were caused by the repayment of state hybrid capital in the second quarter.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. Risk-weighted assets

(RWA) amounted to DKK 124.7 billion at 30 September 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 26.0 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 if the LTV ratio exceeds the predefined limits, which are 80% for residential property and 60% for commercial property.

At the end of September 2012, the requirement for supplementary collateral for mortgage-covered bonds was DKK 40.8 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 still hold a AAA rating from Standard & Poor's and Fitch Ratings. Furthermore, bonds in the Other reserves series hold a AAA rating from Standard & Poor's.

Fitch Ratings has announced that the changes to its rating methodology that have been submitted for comments will be implemented. Bonds in capital centre T have therefore been placed on rating watch negative and will subsequently be assigned a AA+ rating. Issues from capital centre S will not be affected by the changes.

Realkredit Danmark does not expect the lower rating of bonds in capital centre T to significantly lower Fitch Ratings' overcollateralisation requirements, and the requirement will still be covered by Realkredit Danmark's capital base and the proceeds from issued senior debt.

### Mortgage credit market

Economic growth has been modest in 2012. Danish business investments and consumer spending remained moderate, and the desired positive effect of the disbursement of early retirement benefits still has not materialised. The sluggish economic trends have triggered a slight increase in the rate of unemployment.

The crisis still has not lost its grip on the Danish economy, although Denmark is doing far better than many other European countries, retaining its 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, on both FlexLån<sup>®</sup> and fixed-rate loans. The upcoming refinancing of FlexLån<sup>®</sup> at 1 January is expected to result in new record-low cash loan rates.

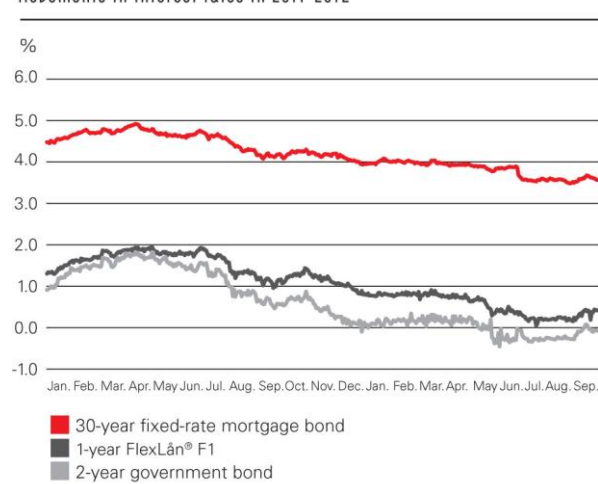
Activity in the Danish housing market remains subdued. Despite the all-time low interest rates, economic uncertainty prevails, making potential buyers reluctant to close transactions. However, based on a fragile stabilisation, prices in the housing market appear to be developing more favourably.

The low interest rates and a fairly stable housing market lend support to home-owner finances. In the third quarter, the number of foreclosures seemed to settle at a fairly stable level, and that is good news in an otherwise fragile Danish economy.

As is the case with the personal customer market, activity in the corporate market generally remains subdued, although there is fair demand in the residential letting segment. 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 – to personal customers – on 1 October 2012.

The new pricing structure is intended to strengthen the incentive for home owners to make instalments on their mortgage loans, thus ensuring more stable long-term household finances on the basis of products such as FlexGaranti<sup>®</sup>, Flexlån<sup>®</sup> F3 and FlexLån<sup>®</sup> F5.

In the third quarter of 2012, fixed –rate loans accounted for 62% of gross lending to personal customers. One- and two-year FlexLån<sup>®</sup> loans accounted for 12%, against 32% in the fourth quarter of 2011. At the same time, the proportion of new interest-only loans fell from 61% in the fourth quarter of 2011 to 39% in the third quarter of 2012.

**Board changes**

At an extraordinary general meeting on 9 August 2012, Lars Mørch, Member of the Executive Board of Danske Bank, was elected to the Board of Directors. Immediately after the general meeting, the Board of Directors elected Tonny Thierry Andersen Chairman and Lars Mørch Vice Chairman of the Board of Directors.

**Outlook for full-year 2012**

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

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

Combined with the pricing initiatives already implemented in 2012, the recent initiatives are expected to lift income.

Continued focus on cost control will support the decline in costs in 2012.

Impairment charges will rise in 2012 because of continued concerns over economic recovery.

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

## Income statement and Comprehensive income Realkredit Danmark Group

Note	(DKK millions)	Q1-Q3 2012	Q1-Q3 2011	Q3 2012	Q3 2011	Full year 2011
	Interest income	19,418	19,686	6,243	6,506	26,368
	Interest expense	14,854	16,289	4,589	5,330	21,619
	Net interest income	4,564	3,397	1,654	1,176	4,749
	Dividends from shares	-	-	-	-	-
	Fee and commission income	423	242	151	83	372
	Fee and commission expense	773	604	260	201	860
	Net fee and commission income	4,214	3,035	1,545	1,058	4,261
	Value adjustments	-503	50	-385	217	125
	Other operating income	85	80	27	19	105
	Staff costs and administrative expenses	662	701	209	217	928
	Impairment, depreciation and amortisation charges	3	4	1	1	6
3	Loan impairment charges	1,022	739	364	263	1,057
	Income from associates	1	-	1	-	-
	Profit before tax	2,110	1,721	614	813	2,500
	Tax	528	431	153	204	626
	Net profit for the period	1,582	1,290	461	609	1,874
	<b>Comprehensive income</b>					
	Net profit for the period	1,582	1,290	461	609	1,874
	Other comprehensive income	-	-	-	-	-
	Total comprehensive income for the period	1,582	1,290	461	609	1,874

## Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 Sept. 2012	31 Dec. 2011	30 Sept. 2011
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	4	23	2
	Due from credit institutions and central banks	22,759	32,533	5,309
	Bonds at fair value	32,694	17,289	13,250
4	Mortgage loans at fair value	728,659	723,754	716,154
4	Loans and other amounts due at amortised cost	842	838	674
	Shares	2	2	2
	Holdings in associates	10	9	8
	Land and buildings	93	93	93
	Domicile property	93	93	93
	Other tangible assets	10	11	13
	Current tax assets	-	-	26
	Deferred tax assets	-	-	-
	Assets temporarily taken over	270	317	275
4	Other assets	2,503	1,680	1,670
	Prepayments	8	11	21
<b>Total assets</b>		<b>787,854</b>	<b>776,560</b>	<b>737,497</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	20,372	20,668	20,348
	Issued mortgage bonds at fair value	691,857	695,080	660,129
8	Issued bonds at amortised cost	20,109	-	-
	Current tax liabilities	612	85	440
	Deferred tax liabilities	50	49	38
	Other liabilities	9,254	13,876	10,311
	Deferred income	47	-	9
<b>Total amounts due</b>		<b>742,301</b>	<b>729,758</b>	<b>691,275</b>
<b>SUBORDINATED DEBT</b>				
	Subordinated debt	-	2,045	2,049
<b>Total liabilities</b>		<b>742,301</b>	<b>731,803</b>	<b>693,324</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	33,120	33,120	31,182
	Other reserves	11,803	10,221	12,361
	Proposed dividends	-	786	-
<b>Total shareholders' equity</b>		<b>45,553</b>	<b>44,757</b>	<b>44,173</b>
<b>Total liabilities and equity</b>		<b>787,854</b>	<b>776,560</b>	<b>737,497</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	-	-	1,582	-	1,582
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	1,582	-	1,582
Dividend paid	-	-	-	-786	-786
Shareholders' equity at 30 September 2012	630	33,120	11,803	-	45,553
Shareholders' equity at 1 January 2011	630	31,182	11,071	-	42,883
Net profit for the period	-	-	1,290	-	1,290
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	1,290	-	1,290
Shareholders' equity at 30 September 2011	630	31,182	12,361	-	44,173

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 Sept. 2012	31 Dec. 2011	30 Sept. 2011
Shareholders' equity	45,553	44,757	44,173
Revaluation of domicile property at fair value	62	62	63
Pension obligations at fair value	-209	-175	-202
Tax effect	37	28	35
Shareholders' equity calculated in accordance with the rules of the Danish FSA	45,443	44,672	44,069
Expected dividends	-1,556	-786	-
Revaluation reserve	-49	-49	-50
Deferred tax assets	-	-	-
Core tier 1 capital	43,838	43,837	44,019
Hybrid capital	-	2,045	2,049
Difference between expected losses and impairment charges	-	-	-
Total tier 1 capital	43,838	45,882	46,068
Reserves in series subject to a reimbursement obligation	62	55	55
Revaluation reserve	49	49	50
Difference between expected losses and impairment charges	605	445	473
Capital base	44,554	46,431	46,646
Total risk-weighted assets	124,719	129,533	130,441
Core tier 1 capital ratio (%)	35.1	33.8	33.7
Tier 1 capital ratio (%)	35.1	35.4	35.3
Total capital ratio (%)	35.7	35.8	35.8

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 406,081 million at 30 September 2012 (31 December 2011: DKK 401,188 million). The solvency need, calculated on the basis of the transitional rules, was DKK 25,989 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)	Q1-Q3 2012	Q1-Q3 2011	Full year 2011
<b>Cash flow from operating activities</b>			
Profit before tax	2,110	1,721	2,500
Tax paid	-	-	-514
Adjustment for non-cash operating items	359	115	299
Cash flow from operating capital	-9,442	-25,414	1,387
Total	-6,973	-23,578	3,672
<b>Cash flow from investing activities</b>			
Acquisition/sale of tangible assets	-	-	-5
Total	-	-	-5
<b>Cash flow from financing activities</b>			
Change in hybrid capital	-2,034	-	-
Dividend	-786	-	-
Total	-2,820	-	-
<b>Cash and cash equivalents, beginning of period</b>	32,556	28,889	28,889
Change during the period	-9,793	-23,578	3,667
<b>Cash and cash equivalents, end of period</b>	22,763	5,311	32,556

# 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 consolidated financial statements. The estimates and assumptions that are 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 flows 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 International Accounting Standards Board (IASB) has issued a number of amendments to the International Financial Reporting Standards (IFRSs) that have not yet come into force. Similarly, the International Financial Reporting Interpretations Committee (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 reissuance project is, once the amendments to IFRS 9 are completed, to let the standard replace IAS 39 in its entirety. 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 changes to the principles for classification.

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 current 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 a business may opt for fair value adjustment of its loans, advances, etc. Provided it satisfies certain requirements.

The principles applicable to financial liabilities are largely unchanged from IAS 39. In general, 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. Value adjustments relating to the inherent credit risk of financial liabilities designated at fair value are, however recognised in Other comprehensive income unless this leads to an accounting mismatch.

IFRS 9 incorporates the existing derecognition principles of IAS 39.

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 International Financial Reporting Standards (IFRS 10, IFRS 11 and IFRS 12) and revised standards (IAS 27 and IAS 28). With these standards, the IASB has established a uniform definition of control to be used for determining whether an entity should be consolidated and enhanced disclosure requirements for consolidated and non-consolidated 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 businesses.

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 fair value as well as disclosure requirements for 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 Realkredit Danmark Group does not expect IFRS 13 to significantly affect its financial results.

In June 2011, the IASB reissued IAS 19, Employee Benefits. The amended standard eliminates the option of deferring the recognition of actuarial gains and losses on defined benefit

pension plans, known as the “corridor method”. The present value of pension obligations and the fair value of pension plan assets must be recognised in the balance sheet instead. The amended standard will be implemented on 1 January 2013. At 30 September 2012, the new requirements would have decreased shareholders’ equity by DKK 157 million (the amount deferred under the corridor method net of tax). The effect on net profit will be immaterial as actuarial gains and losses are recognised in Other comprehensive income. The 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 not expected to increase the offsetting of financial instruments to any significant degree. The IASB also enhanced its IFRS 7 disclosure requirements to include both gross and net amounts when offsetting financial instruments and rights to additional set-off in the event of counterparty default. 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

Q1-Q3 2012	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	3,377	-	3,377	-	3,377
Net interest income	340	847	1,187	-847	340
Dividends from shares	-	-	-	-	-
Net fee income	-350	-	-350	-	-350
Income from investment portfolios	-	-	-	345	345
Value adjustments	30	-533	-503	503	-
Other income	85	-	85	-	85
<b>Total income</b>	<b>3,482</b>	<b>314</b>	<b>3,796</b>	<b>1</b>	<b>3,797</b>
Expenses	662	3	665	-	665
Profit before loan impairment charges	2,820	311	3,131	1	3,132
Loan impairment charges	1,022	-	1,022	-	1,022
Income from associates	-	1	1	-1	-
<b>Profit before tax</b>	<b>1,798</b>	<b>312</b>	<b>2,110</b>	<b>-</b>	<b>2,110</b>

Q1-Q3 2011	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,655	-	2,655	-	2,655
Net interest income	433	309	742	-309	433
Dividends from shares	-	-	-	-	-
Net fee income	-362	-	-362	-	-362
Income from investment portfolios	-	-	-	359	359
Value adjustments	81	-31	50	-50	-
Other income	80	-	80	-	80
<b>Total income</b>	<b>2,887</b>	<b>278</b>	<b>3,165</b>	<b>-</b>	<b>3,165</b>
Expenses	702	3	705	-	705
Profit before loan impairment charges	2,185	275	2,460	-	2,460
Loan impairment charges	739	-	739	-	739
Income from associates	-	-	-	-	-
<b>Profit before tax</b>	<b>1,446</b>	<b>275</b>	<b>1,721</b>	<b>-</b>	<b>1,721</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)	Q1-Q3 2012	Q1-Q3 2011
3	<b>Loan impairment charges</b>		
	Impairment charges etc.	861	719
	Reversals of impairment charges etc. for previous years	505	608
	Losses incurred	743	667
	Received on claims previously written off	77	39
	<b>Total</b>	<b>1,022</b>	<b>739</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 2,582 million at 30 September 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 333 million at 30 September 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	804	57	861
Reversals of impairment charges etc. for previous years	405	100	505
Impairment charges etc. at 30 September 2012	2,673	242	2,915

Value adjustment of assets taken over amounted to DKK 6 million at 30 September 2012, against DKK -5 million at end-2011.

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

At 30 September 2012, the Group had deposited securities worth DKK 14,263 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 September 2012, the carrying amount of such securities totalled DKK 20,303 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 September 2012, mortgage lending totalling DKK 728,659 million and other assets totalling DKK 40,820 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 September 2012	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	32,694	-	-	32,694
	Mortgage loans at fair value	-	728,659	-	728,659
	Shares	-	-	2	2
	Derivatives	-	221	-	221
	<b>Total</b>	<b>32,694</b>	<b>728,880</b>	<b>2</b>	<b>761,576</b>
	Issued mortgage bonds at fair value	691,857	-	-	691,857
	Derivatives	-	4	-	4
	<b>Total</b>	<b>691,857</b>	<b>4</b>	<b>-</b>	<b>691,861</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 nine months 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 Pensionsafvilkingskasse. Kreditforeningen Danmarks Pensionsafvilkingskasse 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 Sept. 2012	31 Dec. 2011	30 Sept. 2011
<b>Other contingent liabilities</b>			
Irrevocable loan commitments regarding reverse mortgages	198	275	296
Other commitments	120	120	120
<b>Total</b>	<b>318</b>	<b>395</b>	<b>416</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 September 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 Sept. 2012	31 Dec. 2011
	Nominal value of issued bonds			20,000	-
	Fair value hedging of interest rate risk			145	-
	Premium/discount			-36	-
	<b>Total issued bonds</b>			<b>20,109</b>	<b>-</b>
	Nominal value	1 Jan. 2012	Issued	Redeemed	30 Sept. 2012
	<b>Total issued bonds</b>	-	<b>20,000</b>	-	<b>20,000</b>

Issued bonds at amortised cost consist of issued senior debt.



## Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim Report – First Nine Months 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. 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 assets, liabilities, shareholders' equity and financial position at 30 September 2012 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2012 and ending on 30 September 2012. 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.

Copenhagen, 30 October 2012

### **Executive Board**

Carsten Nøddebo Rasmussen  
Chairman of the Executive Board

### **Board of Directors**

Tonny Thierry Andersen  
Chairman

Lars Mørch  
Vice Chairman

Kim Andersen

Henrik Ramlau-Hansen

Claus Bundgaard

Klaus Pedersen

## Supplementary information

### Financial calendar

- 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
- Annual Report 2013:  
6 February 2014

### Contact

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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)