

9 August 2011

Developments in lending activities in Denmark in the first half of 2011

In May 2009, Realkredit Danmark raised subordinated loan capital in the form of hybrid capital of DKK 2 billion from the Danish state. Under Danish law, institutions that raise state-funded capital must publish semi-annual statements on developments in their Danish lending activities.

Realkredit Danmark grants loans against mortgages on all types of real property on the basis of the property value and an assessment of the borrower's ability and intention to repay the loan. In compliance with applicable law, mortgaged properties are valued at current market value with due consideration to price forecasts. Only in the event of default and the other causes for termination as stipulated in the mortgage document can Realkredit Danmark terminate a loan for repayment.

As a general rule, Realkredit Danmark provides loans up to statutory limits. However, Realkredit Danmark only provides loans to urban commercial and agricultural properties up to 60% of the valuation.

Personal customers must be able to demonstrate their ability to pay by documenting income sufficient to provide a reasonable amount available for consumption after deduction of loan payments. The calculations are based on a 30-year fixed-rate annuity loan. For loans for new houses, all customers must generally have sold their previous home, unless the customer can substantiate his ability to pay at a sale significantly below the offer price and with a long period of time on the market.

Business customers must demonstrate ability to pay by documenting sufficient positive cash flows from operations. With respect to loans for property types prone to large losses, Realkredit Danmark's requirements to customer creditworthiness are stricter. Such property types include properties with limited alternative uses and properties used by customers in weak or cyclical industries. The credit assessment focuses on customer liquidity, including the risk of vacancy.

Realkredit Danmark charges an administration margin as a percentage of the debt outstanding. In the personal customer market, this margin is based on the ranking of the collateral, while the customer's creditworthiness is the key parameter in the business customers market.

In the first half of 2011, Realkredit Danmark did not make any significant changes to its lending policy, neither to its guidelines for credit assessments or to prices and conditions.

Personal customers' demand for credit, measured in terms of the loan amounts applied for by personal customers, fell 19% in the first half of 2011 from the level in the second half of 2010. For existing customers, demand for credit, including remortgaging, fell 6%. The average loan amount sought rose in the first half of 2011. For new customers, demand rose in the same period. The share of approved applications was 92% in the first half of 2011. For existing customers, the share of approved applications was 94%. The share of approved applications for new customers fell in the first half of 2011.

Danish business customers' demand for credit rose in the first half of 2011. For existing customers, demand for credit was up 49%. For new customers, demand for credit also rose, and there was an increase in the number of loan applications. The share of approved applications from existing customers increased from the second half of 2010, and amounted to 93% in the first half of 2011. The share of approved applications for new customers also rose in the first half of 2011. The table below breaks down loans etc. on business customer segments.

The table below shows the trend in loans and advances, irrevocable loan commitments and guarantees before impairment for customers of Realkredit Danmark A/S secured on properties situated in Denmark. There was an increase of DKK 1.5 billion in the exposure to business customers in the first half of 2011, while the exposure to personal customers fell by DKK 5.6 billion.

Mortgage loans (DKK millions)	30 June 2011		31 Dec. 2010	
	New customers	Existing customers	Total	Total
Business customers				
Commercial	3,132	101,506	104,638	102,531
Agricultural	995	48,920	49,915	50,477
Other	3,456	127,436	130,892	130,932
Total business customers	7,583	277,862	285,445	283,940
Personal customers				
Mortgages	13,123	396,440	409,563	415,121
Total	20,706	674,302	695,008	699,061

New customers are customers to whom Realkredit Danmark has not granted loans within the past 12 months.

In compliance with statutory requirements, this lending statement is available as a separate document at www.rd.dk/Omrd.