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## Interim Report – First quarter 2010

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Interim Report – First quarter 2010 is a translation of the original report in Danish language (*Delårsrapport – 1. kvartal 2010*).  
In case of discrepancies, the Danish version prevails.

## Financial highlights – Realkredit Danmark Group

<b>PROFIT FOR THE PERIOD</b> (DKr m)	Q1 2010	Q1 2009	Index 10/09	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Full year 2009
Administration margin	842	749	112	842	833	825	793	749	3,200
Net interest income	147	395	37	147	642	375	306	395	1,718
Net fee income	-120	-97	124	-120	-107	-106	-105	-97	-415
Net trading income	234	889	26	234	-218	267	175	889	1,113
Other income	58	28	207	58	28	16	30	28	102
<b>Total income</b>	<b>1,161</b>	<b>1,964</b>	<b>59</b>	<b>1,161</b>	<b>1,178</b>	<b>1,377</b>	<b>1,199</b>	<b>1,964</b>	<b>5,718</b>
<b>Expenses</b>	<b>213</b>	<b>237</b>	<b>90</b>	<b>213</b>	<b>239</b>	<b>250</b>	<b>258</b>	<b>237</b>	<b>984</b>
Profit before loan impairment charges	948	1,727	55	948	939	1,127	941	1,727	4,734
Loan impairment charges	319	333	96	319	323	300	311	333	1,267
Profit before tax	629	1,394	45	629	616	827	630	1,394	3,467
Tax	157	349	45	157	155	208	161	349	873
<b>Net profit for the period</b>	<b>472</b>	<b>1,045</b>	<b>45</b>	<b>472</b>	<b>461</b>	<b>619</b>	<b>469</b>	<b>1,045</b>	<b>2,594</b>

### BALANCE SHEET (END OF PERIOD)

(DKr m)

Due from credit institutions etc.	41,006	7,763	-	41,006	48,966	27,234	47,681	7,763	48,966
Mortgage loans	697,938	681,930	102	697,938	691,301	694,966	686,277	681,930	691,301
Bonds and shares	1,703	21,193	8	1,703	3,332	6,025	2,067	21,193	3,332
Other assets	2,258	2,466	92	2,258	2,744	2,705	2,180	2,466	2,744
<b>Total assets</b>	<b>742,905</b>	<b>713,352</b>	<b>104</b>	<b>742,905</b>	<b>746,343</b>	<b>730,930</b>	<b>738,205</b>	<b>713,352</b>	<b>746,343</b>
Due to credit institutions etc.	24,121	22,284	108	24,121	26,855	11,367	35,135	22,284	26,855
Issued mortgage bonds	668,154	643,149	104	668,154	660,685	663,099	649,481	643,149	660,685
Other liabilities	6,934	8,306	83	6,934	15,604	13,730	11,494	8,306	15,604
Subordinated debt	2,062	-	-	2,062	2,037	2,033	2,013	-	2,037
Shareholders' equity	41,634	39,613	105	41,634	41,162	40,701	40,082	39,613	41,162
<b>Total liabilities and equity</b>	<b>742,905</b>	<b>713,352</b>	<b>104</b>	<b>742,905</b>	<b>746,343</b>	<b>730,930</b>	<b>738,205</b>	<b>713,352</b>	<b>746,343</b>

### RATIOS AND KEY FIGURES

Return p.a. on average shareholders' equity (%)	4.6	10.7		4.6	4.5	6.1	4.8	10.7	6.5
Cost/income ratio (%)	18.3	12.1		18.3	20.3	18.2	21.5	12.1	17.2
Solvency ratio (%)	45.8	50.7		45.8	44.6	48.8	48.3	50.7	44.6
Tier 1 capital ratio (%)	45.2	50.6		45.2	44.2	48.6	48.2	50.6	44.2
Full-time-equivalent staff (end of period)	302	519		302	300	332	515	519	300

### Summary, first quarter

- The Realkredit Danmark Group recorded a profit of DKr472m in the first quarter of 2010, against DKr1,045m in the first quarter of 2009. The financial performance is satisfactory.
- Loan impairment charges amounted to DKr319m, against DKr333m in the first quarter of 2009.
- Gross lending amounted to DKr28bn in the first quarter of 2010, against DKr25bn in the first quarter of 2009.
- At March 31, 2010, the solvency ratio was 45.8%, with a capital buffer of DKr20bn over the statutory requirement.
- The financial performance for 2010 as a whole will depend on macroeconomic trends and developments in the capital markets. The Group expects the level of loan impairment charges to remain high for the remainder of 2010.

### Results for the first quarter of 2010

For the first quarter of 2010, the Realkredit Danmark Group's profit after tax was DKr472m, against DKr1,045m for the same period of 2009. The lower profit in the first quarter of 2010 was due especially to lower income from the investment portfolio because of interest rate developments. The financial performance is satisfactory in spite of the lower investment portfolio income.

As a result of the larger loan portfolio and wider administration margins on corporate loans, the administration margin increased by DKr93m. Net interest income fell DKr248m, primarily on account of the lower level of interest rates and expenses for subordinated loan capital.

Net fee expenses climbed DKr23m to DKr120m. The increase was anticipated because the activity- and portfolio-based fees paid to Danske Bank for mortgage loans arranged through them in 2010 comprised a larger proportion of corporate market loans.

Income from the investment portfolio amounted to DKr234m, against DKr889m in the same period of last year. Income from the investment portfolio 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 sharp fall in interest rates in the first quarter of 2009 triggered extraordinarily large value adjustments, which were not reiterated in the first quarter of 2010.

Total income thus fell by DKr803m, or 41%, relative to the first quarter of 2010.

Expenses declined by DKr24m to DKr213m, reflecting tight cost control and the fact that a number of employees transferred to Danske Bank in connection with the organisational change at the end of 2009. The lower expenses should be viewed in the context of the increase in net fee expenses triggered by higher fees to Danske Bank.

Loan impairment charges amounted to DKr319m in the first quarter of 2010, against DKr333m in the first quarter of 2009. The charges correspond to 0.18% p.a. of total mortgage lending.

The increase in delinquencies as a percentage of payments recorded in recent quarters came to a halt in the first quarter of 2010. However, the level of delinquencies remains relatively high and indicates that the higher level of loan impairment charges will continue for a while yet. The 3-month delinquency rate stood at 0.84% after the first quarter of 2010, against 1.02% at the beginning of the year.

The total tax charge for the first quarter of 2010 amounted to DKr157m, corresponding to an effective tax rate of 25%.

### Balance sheet

Mortgage lending at fair value rose DKr7bn to DKr698bn compared with the end of 2009. During the same period, the nominal outstanding bond debt rose DKr2bn to DKr694bn at the end of March 2010 after gross lending of DKr28bn in the first quarter of 2010.

The increase in the number of forced sales was to a limited extent discernible in the number of foreclosures. In the first quarter of 2010, Realkredit Danmark had 64 foreclosures, against 12 in the year-earlier period. The number of foreclosures at the end of March 2010 was 81.

More stable property prices meant that Realkredit Danmark's average loan-to-value (LTV) ratio – calculated on the basis of the last krone lent for every property – was on a par with the end of 2009. The LTV was 69% at the end of the first quarter of 2010 and 68% at the end of 2009, and 6% of the portfolio had an LTV above 80% at March 31, 2010.

The agricultural sector has been hurt by falling property values and earnings. The Danish government has introduced an agricultural package with land tax cuts,

and the sector also benefits from the low interest rates. Realkredit Danmark's credit exposure to agriculture was DKr50bn. The LTV for agriculture stood at 65%, against 64% at the end of 2009, and the delinquency rate was 0.69%.

The market value of bonds issued to fund mortgage loans rose DKr7bn compared with the end of 2009 to DKr668bn. The nominal value of issued bonds rose DKr2bn to DKr663bn. The amounts are exclusive of holdings of own mortgage bonds.

Realkredit Danmark is subject to the specific principle of balance and therefore has very limited exposure to market risks. At the end of the first quarter of 2010, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKr311m 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

At the end of March 2010, shareholders' equity stood at DKr 41.6bn, and the solvency ratio calculated according to the CRD was 45.8%. At the end of 2009, the corresponding amounts were DKr41.2bn and 44.6%.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. In accordance with the CRD (Capital Requirement Directive) transition rules, the capital in 2010 must as a minimum amount to 80% of the requirement calculated under the previous rules, corresponding to DKr23.9bn and a solvency ratio of 24.9%.

Under Danish law, the Group must publish its ICAAP result on a quarterly basis (for further information, see [www.rd.dk](http://www.rd.dk)).

At the end of March 2010, the requirement for supplementary collateral for mortgage-covered bonds was DKr25.3bn, which is covered by shareholders' equity and guarantees. At the end of 2009, the requirement was DKr21.3bn.

### Mortgage credit market

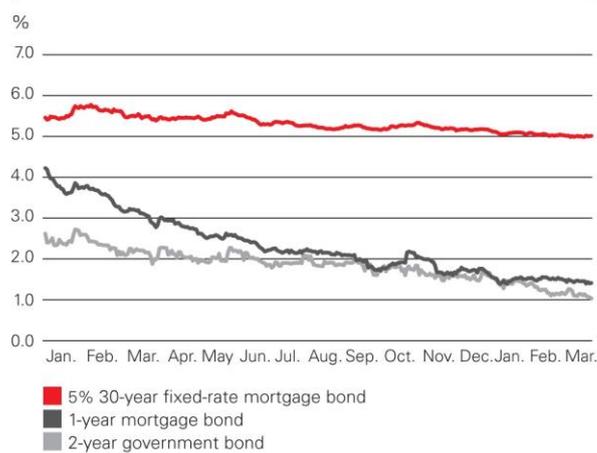
There was an increase in economic activity in the second half of 2009, and the first months of 2010 have shown continuing signs of a gradual improvement of macroeconomic conditions with moderate growth. However, the recovery is fragile and based on substantial government stimuli through debt-financed expansive fiscal and monetary policies.

Both short and long-term interest rates declined in the first quarter. At March 31, 2010, the yield to maturity for borrowers of 1-year FlexLån® was 2.1%, whilst

the yield to maturity on a 30-year fixed-rate bond loan was 5.6%.

Recent years' strongly declining interest rates and continued strong income trends, among other things because of the tax cuts, have had a stabilising effect on the property market. The most recent figures for property prices in Denmark show an increasing trend throughout the second half of 2009 and into 2010.

Movements in interest rates in 2009-2010



However, there are still factors that point to subdued house price developments. Rising unemployment will have an adverse impact on demand for houses. In addition, there is still a large number of homes for sale compared with the number of interested buyers.

### Board composition

At the company's annual general meeting on March 8, 2010, all board members were re-elected. Immediately after the general meeting, the Board of Directors elected Henrik Normann chairman and Sven Lystbæk vice chairman of the Board of Directors.

### Outlook for 2010

Realkredit Danmark expects a challenging year for the financial sector in 2010. GDP growth in Denmark in 2010 is expected to be at around 1.8%. The Group expects short-term interest rates in Denmark to rise by about 0.5 of a percentage point in 2010.

Unemployment in Denmark rose throughout 2009, and this trend is expected to continue in 2010 although at a slower pace than previously feared. The rise in unemployment and falling house prices have resulted in financial difficulty for many households. However, the lower interest burden on mortgage loans, a small increase in property prices and the tax reform are expected to underpin the financial standing of retail customers in 2010.

The low interest rates are expected to have a positive effect on the creditworthiness of corporate customers, although individual sectors such as agriculture may experience higher impairment charges.

Consequently, the Group expects the level of loan impairment charges to remain high for the remainder of 2010.

The expected profit for 2010 will to a large extent depend on developments in the capital markets and macroeconomic trends in Denmark.

## Income statement – Realkredit Danmark Group

(DKr m)	Q1 2010	Q1 2009
Interest income	7,234	9,048
Interest expense	6,109	7,810
Net interest income	1,125	1,238
Dividends from shares	-	-
Fee and commission income	129	103
Fee and commission expense	249	200
Net fee and commission income	1,005	1,141
Value adjustments	97	797
Other operating income	59	28
Staff costs and administrative expenses	212	236
Impairment, depreciation and amortisation charges	1	1
Loan impairment charges	319	333
Income from associated undertakings	1	-2
Profit before tax	629	1,394
Tax	157	349
Net profit for the period	472	1,045
<b>Comprehensive income</b>		
Net profit for the period	472	1,045
Other comprehensive income	-	-
Total comprehensive income	472	1,045

## Balance sheet – Realkredit Danmark Group

(DKr m)	Mar. 31, 2010	Dec. 31, 2009
<b>ASSETS</b>		
Cash in hand and demand deposits with central banks	32	9
Due from credit institutions and central banks	40,974	48,957
Bonds at fair value	1,639	3,261
Mortgage loans at fair value	697,938	691,301
Loans and other amounts due at amortised cost	779	794
Shares	54	62
Holdings in associated undertakings	10	9
Land and buildings	94	94
Domicile property	94	94
Other tangible assets	11	11
Other assets	1,338	1,580
Prepayments	36	265
<b>Total assets</b>	<b>742,905</b>	<b>746,343</b>
<b>LIABILITIES AND EQUITY</b>		
<b>AMOUNTS DUE</b>		
Due to credit institutions and central banks	24,121	26,855
Issued mortgage bonds at fair value	668,154	660,685
Current tax liabilities	288	124
Other liabilities	6,625	15,452
<b>Total amounts due</b>	<b>699,188</b>	<b>703,116</b>
<b>PROVISIONS</b>		
Deferred tax	21	28
<b>Total provisions</b>	<b>21</b>	<b>28</b>
<b>SUBORDINATED DEBT</b>		
Subordinated debt	2,062	2,037
<b>Total liabilities</b>	<b>701,271</b>	<b>705,181</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	630	630
Other reserves		
Reserves in series	15,587	15,587
Other reserves	25,417	24,945
<b>Total shareholders' equity</b>	<b>41,634</b>	<b>41,162</b>
<b>Total liabilities and equity</b>	<b>742,905</b>	<b>746,343</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, 2010	630	15,587	24,945	41,162
Comprehensive income for the period	-	-	472	472
Shareholders' equity at March 31, 2010	630	15,587	25,417	41,634
Shareholders' equity at January 1, 2009	630	9,770	28,168	38,568
Comprehensive income for the period	-	-	1,045	1,045
Shareholders' equity at March 31, 2009	630	9,770	29,213	39,613

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.

<b>SOLVENCY</b> (DKr m)	Mar. 31, 2010	Dec. 31, 2009
Shareholders' equity	41,634	41,162
Expected dividends	-	-
Revaluation of domicile property	60	61
Pension obligations at fair value	-219	-249
Tax effect	40	46
Shareholders' equity calculated in accordance with the rules of the Danish FSA	41,515	41,020
Revaluation reserve	-47	-47
Deferred tax assets	-19	-19
Core tier 1 capital, excluding hybrid capital	41,449	40,954
Hybrid capital	2,062	2,037
Difference between expected losses and value adjustments	0	-
Total tier 1 capital	43,511	42,991
Reserves in series subject to a reimbursement obligation	58	68
Revaluation reserve	47	47
Difference between expected losses and value adjustments	497	221
Capital base	44,113	43,327
Total risk-weighted assets	96,234	97,199
Tier 1 capital ratio (%)	45.2	44.2
Solvency ratio (%)	45.8	44.6

In accordance with transitional rules, the minimum requirement for the solvency ratio at Mar. 31, 2010, is 24.9%.

## Cash flow statement – Realkredit Danmark Group

(DKr m)	Q1 2010	Q1 2009
<b>Cash flow from operating activities</b>		
Net profit for the period	472	1,045
Adjustment for non-cash operating items	-8,022	-7,931
Cash flow from operating capital	-410	-10,420
<b>Total</b>	<b>-7,960</b>	<b>-17,306</b>
<b>Cash flow from investing activities</b>		
Acquisition/sale of tangible assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents, beginning of period	48,966	25,069
Change during the period	-7,960	-17,306
Cash and cash equivalents, end of period	41,006	7,763

# Notes - Realkredit Danmark Group

Note

## 1 Significant accounting policies

The Group's interim report for the first three months of 2010 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 2009, which provides a full description of the Group's significant accounting policies.

### *Critical accounting estimates and assessments*

The preparation of the consolidated financial statements is based on management's estimates and assessments of future events that will significantly affect the carrying amounts of assets and liabilities. Similarly to year-end 2009, the amounts most influenced by critical estimates and assessments are

- valuation of mortgage loans at fair value
- the fair value of financial instruments

The estimates and assessments are based on premises that management finds reasonable but that are inherently uncertain and unpredictable. The premises may be incomplete or inexact, unexpected future events or situations may occur and other people may make other estimates.

### *Valuation of mortgage loans at fair value*

If objective evidence of impairment of a loan exists, and the effect of the impairment event or events on the expected future cash flow from the loan is reliably measurable, the Group determines the impairment charge individually. The impairment charge equals the difference between the carrying amount of the loan and the present value of the expected future cash flow from the loan, including the net realisable value of mortgages on properties and other security provided.

### *Fair value of financial instruments*

Measurements of financial instruments for which prices are quoted in an active market or which are based on generally accepted models employing observable market data are not subject to critical estimates.

Measurements of financial instruments that are only to a limited extent based on observable market data, such as unlisted shares and certain bonds for which there is not an active market, are subject to estimates.

The Group's principal risks and external conditions that may affect the Group are described in greater detail in Annual Report 2009.

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.

In November 2009, IASB published IFRS 9, Financial Instruments. This version of the standard is the first step to replace the requirements of IAS 39 by the end of 2010. The first phase of IFRS 9 addresses only the classification and measurement of financial assets, while the next phases will include requirements for the measurement and recognition of financial liabilities, impairment methodology and guidelines for hedge accounting and derecognition.

The EU has decided to postpone adoption of the standard until the details of the next phases are known.

The standard is scheduled for implementation on January 1, 2013 at the latest.

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and their contractual cash flow characteristics. Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. Other assets are measured at fair value through profit or loss. Satisfying certain requirements a business may opt for fair value adjustment of its loans, advances, etc.

The Group does not expect IFRS 9 to materially affect the measurement of its financial assets, although the standard does not allow classification of bonds as available-for-sale assets. Meaningful classification and measurement of financial assets is not possible without information about the future content of IFRS 9 to clarify overall accounting effects of the standard and the time of implementation.

## Notes - Realkredit Danmark Group

Note (DKr m)

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

<b>Q1 2010</b>	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	842	-	842	-	842
Net interest income	147	136	283	-136	147
Dividends from shares	-	-	-	-	-
Net fee income	-120	-	-120	-	-120
Income from investment portfolios	-	-	-	234	234
Value adjustments	-60	157	97	-97	-
Other income	58	-	58	-	58
<b>Total income</b>	<b>867</b>	<b>293</b>	<b>1,160</b>	<b>1</b>	<b>1,161</b>
Expenses	212	1	213	-	213
Profit before loan impairment charges	655	292	947	1	948
Loan impairment charges	319	-	319	-	319
Income from associated undertakings	-	1	1	-1	-
<b>Profit before tax</b>	<b>336</b>	<b>293</b>	<b>629</b>	<b>-</b>	<b>629</b>
<b>Q1 2009</b>	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	749	-	749	-	749
Net interest income	395	94	489	-94	395
Dividends from shares	-	-	-	-	-
Net fee income	-97	-	-97	-	-97
Income from investment portfolios	-	-	-	889	889
Value adjustments	98	699	797	-797	-
Other income	28	-	28	-	28
<b>Total income</b>	<b>1,173</b>	<b>793</b>	<b>1,966</b>	<b>-2</b>	<b>1,964</b>
Expenses	236	1	237	-	237
Profit before loan impairment charges	937	792	1,729	-2	1,727
Loan impairment charges	333	-	333	-	333
Income from associated undertakings	-	-2	-2	2	-
<b>Profit before tax</b>	<b>604</b>	<b>790</b>	<b>1,394</b>	<b>-</b>	<b>1,394</b>

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

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Note

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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.

Realkredit Danmark guarantees the pension obligations of Kreditforeningen Danmarks Pensionsafviklingskasse.

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 contingent liabilities (DKr m)	Mar. 31, 2010	Dec. 31, 2009
Guarantees etc.	4	4
Other commitments	544	639
Total	548	643

## Statement by the management

The Board of Directors and the Executive Board (the management) have reviewed and approved the interim report of the Realkredit Danmark Group for the first quarter of 2010.

The consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for the interim financial 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, equities and financial position at March 31, 2010, and of the results of the Group's operations and consolidated cash flows for the period starting on January 1, 2010, and ending on March 31, 2010. Moreover, in our opinion, the financial review includes a fair review of developments in the Group's operations and financial position and describes significant risk and uncertainty factors that may affect the Group.

Kgs. Lyngby, May 4, 2010

### **Executive Board**

**Carsten Nøddebo Rasmussen**  
Chairman of the Executive Board and  
Chief Executive Officer

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

### **Board of Directors**

**Henrik Normann**  
Chairman

**Sven Lystbæk**  
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:

- Interim Report – First Half 2010:  
August 10, 2010
- Interim Report – First Nine Months 2010:  
November 2, 2010
- Annual Report 2010:  
February 10, 2011
- Interim Report – First Three Months 2011:  
May 10, 2011

### Contact

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