

# Interim Report – First Nine Months 2015



REALKREDIT  
**Danmark**

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Interim Report – First Nine Months 2015 is a translation of the original report in the Danish language (Delårsrapport – 1.-3. kvartal 2015). In case of discrepancies, the Danish version prevails.

## Financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE PERIOD (DKK millions)	Q1-Q3 2015	Q1-Q3 2014	Index 15/14	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Full year 2014
Administration margin	4,324	4,255	102	1,441	1,442	1,441	1,449	1,446	5,704
Net interest income	127	22	577	22	58	47	40	14	62
Net fee income	-368	-389	95	-132	-104	-132	-135	-131	-524
Income from investment portfolios	512	417	123	-47	145	414	228	99	645
Other income	121	98	123	34	51	36	31	32	129
Total income	4,716	4,403	107	1,318	1,592	1,806	1,613	1,460	6,016
Expenses	587	592	99	197	188	202	223	191	815
Profit before loan impairment charges	4,129	3,811	108	1,121	1,404	1,604	1,390	1,269	5,201
Loan impairment charges	442	833	53	123	91	228	338	264	1,171
Profit before tax	3,687	2,978	124	998	1,313	1,376	1,052	1,005	4,030
Tax	867	719	121	235	309	323	255	236	974
Net profit for the period	2,820	2,259	125	763	1,004	1,053	797	769	3,056

### BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	28,553	24,831	115	28,553	53,349	43,302	25,882	24,831	25,882
Mortgage loans	742,853	747,147	99	742,853	740,212	748,720	744,502	747,147	744,502
Bonds and shares	61,852	68,452	90	61,852	60,156	61,160	59,817	68,452	59,817
Other assets	3,994	3,668	109	3,994	4,258	6,201	4,354	3,668	4,354
Total assets	837,252	844,098	99	837,252	857,975	859,383	834,555	844,098	834,555
Due to credit institutions etc.	20,400	16,630	123	20,400	26,812	18,354	10,018	16,630	10,018
Issued mortgage bonds	736,895	743,035	99	736,895	753,256	759,829	739,358	743,035	739,358
Issued senior debt	25,207	28,651	88	25,207	25,234	27,445	27,415	28,651	27,415
Other liabilities	7,054	8,737	81	7,054	5,782	7,802	9,893	8,737	9,893
Shareholders' equity	47,696	47,045	101	47,696	46,891	45,953	47,871	47,045	47,871
Total liabilities and equity	837,252	844,098	99	837,252	857,975	859,383	834,555	844,098	834,555

### RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	7.9	6.4		6.5	8.7	9.0	6.7	6.6	6.5
Impairment charges as % p.a. of mortgage lending	0.08	0.15		0.07	0.05	0.12	0.18	0.14	0.16
Cost/income ratio (%)	12.4	13.4		14.9	11.8	11.2	13.8	13.1	13.5
Total capital ratio (%)	37.5	35.4		37.5	36.3	35.1	34.5	35.4	34.5
Tier 1 capital ratio (%)	37.0	34.9		37.0	35.8	34.6	34.0	34.9	34.0
Full-time-equivalent staff (end of period)	234	243		234	231	231	237	243	237

## Overview, first nine months 2015

- The Realkredit Danmark Group recorded a net profit of DKK 2,820 million in the first nine months of 2015, against DKK 2,259 million in the same period of 2014. The improvement was driven especially by lower impairments and income from strong remortgaging activity in the first half of 2015. Income in the third quarter was lower, however, as remortgaging activity fell sharply.
- In the first nine months of 2015, customers showed strong interest in Realkredit Danmark's fixed-rate products and mortgage loans with principal repayment. Disbursements of fixed-rate loans amounted to DKK 88 billion in the first nine months, corresponding to 71% of total gross lending.
- In the first nine months of 2015, 4,500 customers reduced their administration margin on remortgaging their FlexLån® loans to a fixed-rate loan.
- The proportion of customers with 1-year FlexLån® loans fell from 13.8% at 30 September 2014 to 9.8% at 30 September 2015. Customers continue to show interest in setting their mortgage rates for longer periods.
- The proportion of interest-only loans fell from 40.1% at 30 September 2014 to 37.8% at the end of September 2015.
- Realkredit Danmark still expects a higher profit in 2015 than in 2014.

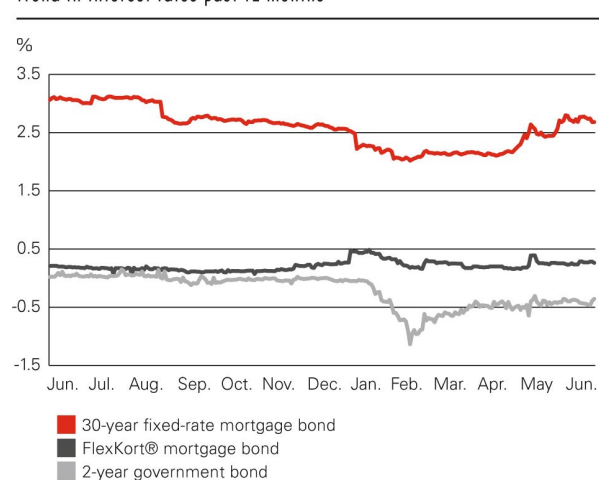
## Mortgage credit market

Trading activity in the housing market has increased noticeably in 2015 compared with 2014.

Declining interest rates in the first few months of the year and a general economic recovery drove an increase in house prices during the first half of 2015. This trend was seen in large parts of Denmark, and prices of single-family houses have risen over the past year.

Prices of owner-occupied flats in Copenhagen have also risen over the past year, and since the beginning of 2012, they have gone up by close to 45%. Prices have thus returned to the 2006/2007 levels. According to monthly price indicators, however, the increase in prices of owner-occupied flats in Copenhagen slowed considerably in the summer months and into the third quarter, among other things owing to interest rate increases in May and June. The increases in interest rates caused activity in the housing market to decline slightly in the third quarter from the level seen in the first two quarters of the year.

Trend in interest rates past 12 months



The market for commercial property has witnessed an increase in activity in 2015 from the level in 2014.

Investors remain focused primarily on prime-location properties with good rental prospects in Copenhagen and Aarhus that will provide stable earnings. However, the commercial property market has yet to see a nationwide recovery.

## Results

Realkredit Danmark recorded a net profit of DKK 2,820 million in the first nine months of 2015, against DKK 2,259 million in the same period of last year. The improvement was driven especially by lower impairments and income from strong remortgaging activity.

Administration margins rose 2% as a result of an increase in the nominal loan portfolio and slightly higher average margins on commercial property.

In the first nine months of 2015, net interest income and income from the investment portfolio benefited from income deriving from the high level of remortgaging activity.

Expenses in the first nine months of 2015 were on a level with those incurred in the same period of 2014. In the third quarter of 2015, expenses increased by DKK 25 million because of a provision for payments to the newly established Resolution Fund in connection with the implementation of the EU Bank Recovery and Resolution Directive.

Impairments fell to DKK 442 million from DKK 833 million in the same period of 2014. Total impairments declined as a result of a general improvement of macroeconomic conditions in Denmark. Impairments equalled 0.08% p.a. of total mortgage lending, against 0.16% in 2014. At the end of September 2015, the delinquency rate was at the same level as in 2014.

The tax charge totalled DKK 867 million. The effective tax rate for the period was 23.5%.

## Balance sheet

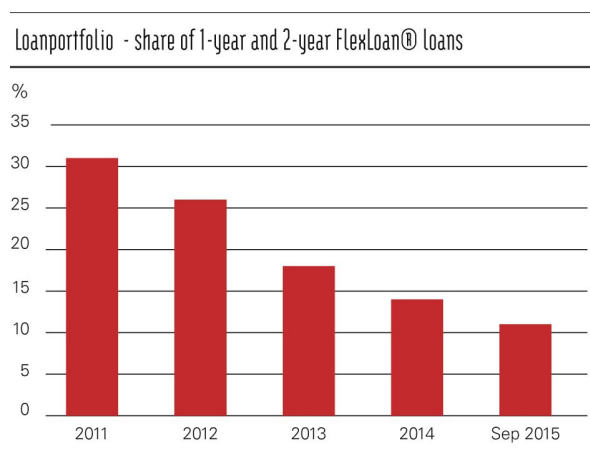
Gross lending amounted to DKK 123 billion, against DKK 72 billion in the first nine months of 2014.

Mortgage lending at fair value fell DKK 2 billion to DKK 743 billion in the first nine months of 2015. The development in mortgage lending at fair value is composed of an increase in the nominal outstanding bond debt of DKK 10 billion and a DKK 12 billion decrease in the market value adjustment in the same period.

In the first nine months of 2015, fixed-rate loans accounted for 71% of gross lending, while short-term, floating-rate loans represented only 4%.

In the personal customer market, the share of 1-year and 2-year FlexLån® loans has declined substantially over the past five years, and these loan types accounted for only 4% of total lending in the first nine months of 2015.

In the business market, 1-year and 2-year FlexLån® loans have also accounted for a very small proportion of gross lending in recent years, and roughly two out of three loans disbursed in the first nine months of 2015 were fixed-rate loans.



The total volume of 1-year FlexLån® loans fell from DKK 93 billion to DKK 72 billion during the first nine months of 2015.

At the end of September 2015, the average loan-to-value (LTV) ratio stood at 67%, which was 4 percentage point lower than at the end of 2014. The decline was attributable to rising property prices and a decrease in loans calculated at fair value.

The number of new foreclosures was 63 in the first nine months of 2015. The number of foreclosures fell marginally in the first nine months of 2015 to 69 at the end of September, of which 56 were owner-occupied dwellings and 13 were commercial properties. The foreclosures were valued at DKK 97 million.

Issued mortgage bonds fell DKK 2 billion to DKK 737 billion. The nominal value of issued bonds rose DKK 10 billion to DKK 726 billion. The amounts are exclusive of holdings of own bonds. In the first nine months of 2015, Realkredit Danmark issued bonds for

DKK 127 billion, not including bonds issued for the refinancing auctions.

### Capital and solvency

At 30 September 2015, shareholders' equity stood at DKK 47.7 billion, against DKK 47.9 billion at end-2014. The ordinary dividend payment of DKK 3.0 billion and the consolidation of the net profit for the period accounted for the change.

Realkredit Danmark's total capital amounted to DKK 45.4 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD IV) was 37.5%. At 31 December 2014, the corresponding figures were DKK 45.5 billion and 34.5%, respectively.

Realkredit Danmark uses the internal ratings-based (IRB) approach to calculate the risk exposure amount for credit risks. The total risk exposure amount (REA) was DKK 121.2 billion at 30 September 2015, against DKK 131.9 billion at the end of 2014. Calculated on the basis of the transitional rules of the CRR/CRD IV, the capital need for 2015 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 26.4 billion and a solvency need ratio of 21.8%. Realkredit Danmark thus has a capital buffer of DKK 19.0 billion.

Under Danish law, Realkredit Danmark must publish its total capital and solvency need on a quarterly basis. The 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 September 2015, the requirement for supplementary collateral for mortgage-covered bonds was DKK 34.7 billion.

### Supervisory diamond

Realkredit Danmark continues to work to ensure compliance with the supervisory diamond before it takes effect in 2018/2020. Realkredit Danmark already complies with the threshold values for lending growth, borrower interest rate exposure, large exposures and interest-only lending.

In order to comply with the threshold value for loans with short-term funding, Realkredit Danmark will continue its efforts to reduce the volume of loans with frequent refinancing.

### Legislative changes

The Liquidity Coverage Ratio (LCR) took effect on 1 October 2015. Having been designated a SIFI, Realkredit Danmark must hold adequate liquidity to cover its cash outflows for a stressed 30-day period.

Realkredit Danmark has applied to the Danish FSA for exemption from the rule that no more than 75% of cash outflows for the next 30 days can be covered by similar cash inflows. The FSA has granted this exemption, but requires Realkredit Danmark, in its LCR calculation, to always set cash outflows at a minimum of 2.5% of its total mortgage lending. This means that, in order to comply with the LCR requirement, the value of Realkredit Danmark's portfolio of liquid assets must always equal at least 2.5% of total mortgage lending. At 30 September 2015, this translated into DKK 19 billion.

### **Rating**

Realkredit Danmark's mortgage bonds and mortgage-covered bonds issued from capital centres S and T and under the Other reserves series still hold a AAA rating from Standard & Poor's. Standard & Poor's announced its "Commercial Real Estate in Covered Bonds" criterion at the end of April 2015. Realkredit Danmark is waiting to see the overcollateralisation effect of this criterion, which according to Standard & Poor's will be announced at the end of October 2015.

Bonds issued from capital centre S hold a AAA rating from Fitch Ratings, while bonds issued from capital centre T hold a AA+ rating from the same agency. The Other reserves series does not have a rating from Fitch Ratings. Realkredit Danmark holds an issuer rating of A from Fitch Ratings.

### **Outlook for 2015**

Realkredit Danmark expects that economic growth will remain moderate in Denmark in 2015. Interest rates in Denmark are expected to remain low for the rest of 2015, supporting the activity in the Danish housing market.

Realkredit Danmark still expects to achieve a higher profit in 2015 than it did in 2014, driven not least by lower impairments and income from the strong re-mortgaging activity in the first half of 2015.

## Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	Q1-Q3 2015	Q1-Q3 2014	Q3 2015	Q3 2014	Full year 2014
	<b>Income statement</b>					
	Interest income	16,677	17,899	5,172	5,877	23,896
	Interest expense	11,412	12,816	3,417	4,203	16,904
	Net interest income	5,265	5,083	1,755	1,674	6,992
	Dividends from shares	1	-	-	-	-
	Fee and commission income	524	282	106	117	478
	Fee and commission expense	892	671	238	248	1,002
	Net fee and commission income	4,898	4,694	1,623	1,543	6,468
	Value adjustments	-302	-391	-339	-115	-583
	Other operating income	121	98	34	32	129
	Staff costs and administrative expenses	584	589	196	190	811
	Impairment, depreciation and amortisation charges	3	3	1	1	4
3	Loan impairment charges	442	833	123	264	1,171
	Income from associates and group undertakings	-1	2	-	-	2
	Profit before tax	3,687	2,978	998	1,005	4,030
	Tax	867	719	235	236	974
	Net profit for the period	2,820	2,259	763	769	3,056
	<b>Comprehensive income</b>					
	Net profit for the period	2,820	2,259	763	769	3,056
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Actuarial gains/losses on defined benefit plans	6	3	54	-2	41
	Tax	-1	-1	-12	-	-10
	Total other comprehensive income	5	2	42	-2	31
	Total comprehensive income for the period	2,825	2,261	805	767	3,087

## Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 September 2015	31 December 2014	30 September 2014
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	189	244	282
	Due from credit institutions and central banks	28,364	25,638	24,549
	Bonds at fair value	25,768	29,292	31,702
	Bonds at amortised cost	36,069	30,508	36,733
4	Mortgage loans at fair value	742,853	744,502	747,147
4	Loans and other amounts due at amortised cost	796	919	933
	Shares etc.	1	2	2
	Holdings in associates	14	15	15
	Land and buildings	89	90	90
	Domicile property	89	90	90
	Other tangible assets	9	10	10
	Current tax assets	375	141	-
	Deferred tax assets	-	-	-
	Assets temporarily taken over	97	106	105
4	Other assets	2,614	3,080	2,517
	Prepayments	14	8	13
<b>Total assets</b>		<b>837,252</b>	<b>834,555</b>	<b>844,098</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	20,400	10,018	16,630
	Issued mortgage bonds at fair value	736,895	739,358	743,035
5	Issued bonds at amortised cost	25,207	27,415	28,651
	Current tax liabilities	-	-	614
	Deferred tax liabilities	67	72	45
	Other liabilities	6,987	9,821	8,078
	Deferred income	-	-	-
<b>Total amounts due</b>		<b>789,556</b>	<b>786,684</b>	<b>797,053</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	43,693	43,693	42,292
	Other reserves	3,373	548	4,123
	Proposed dividends	-	3,000	-
<b>Total shareholders' equity</b>		<b>47,696</b>	<b>47,871</b>	<b>47,045</b>
<b>Total liabilities and equity</b>		<b>837,252</b>	<b>834,555</b>	<b>844,098</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 2015	630	43,693	548	3,000	47,871
Net profit for the period	-	-	2,820	-	2,820
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	6	-	6
Tax	-	-	-1	-	-1
Total comprehensive income for the period	-	-	2,825	-	2,825
Dividends paid	-	-	-	-3,000	-3,000
Shareholders' equity at 30 September 2015	630	43,693	3,373	-	47,696
Shareholders' equity at 1 January 2014	630	42,292	1,862	2,100	46,884
Net profit for the period	-	-	2,259	-	2,259
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	3	-	3
Tax	-	-	-1	-	-1
Total comprehensive income for the period	-	-	2,261	-	2,261
Dividends paid	-	-	-	-2,100	-2,100
Shareholders' equity at 30 September 2014	630	42,292	4,123	-	47,045

At 30 September 2015, the share capital was made up of 6,300,000 shares of DKK 100 each. All shares carry the same rights; there is thus only one class of shares. The company is wholly-owned by Danske Bank A/S, Copenhagen.

<b>TOTAL CAPITAL AND TOTAL CAPITAL RATIO</b> (DKK millions)	30 September 2015	31 December 2014	30 September 2014
Shareholders' equity	47,696	47,871	47,045
Revaluation of domicile property at fair value	51	50	52
Tax effect	-13	-12	-13
Total equity calculated in accordance with the rules of the Danish FSA	47,734	47,909	47,084
Expected/proposed dividends	-2,800	-3,000	-1,800
Revaluation reserve	-	-	-
Deferred tax assets	-	-	-
Defined benefit pension fund assets	-113	-55	-49
Common equity tier 1 capital	44,821	44,854	45,235
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	44,821	44,854	45,235
Reserves in series subject to a reimbursement obligation	-	-	-
Revaluation reserve	-	-	-
Difference between expected losses and impairment charges	596	676	656
Total capital	45,417	45,530	45,891
Risk exposure amount	121,210	131,875	129,463
Common equity tier 1 capital ratio (%)	37.0	34.0	34.9
Tier 1 capital ratio (%)	37.0	34.0	34.9
Total capital ratio (%)	37.5	34.5	35.4

Total capital and the total risk exposure amount at 30 September 2015 have been calculated in accordance with the rules applicable under the CRR/CRD IV taking transitional rules into account as stipulated by the Danish FSA. A new filter will be introduced for deduction from common equity tier 1 capital of additional value adjustments of assets and liabilities measured at fair value (prudent valuation). The European Banking Authority (EBA) has submitted its final standard for adoption by the European Commission. Adoption is still pending but is expected in the near future. The final stipulations of the standard are expected to lead to a small reduction in common equity tier 1 capital.

The solvency need calculation is described in more detail on rd.dk

## Cash flow statement – Realkredit Danmark Group

(DKK millions)	Q1-Q3 2015	Q1-Q3 2014	Full year 2014
<b>Cash flow from operations</b>			
Profit before tax	3,687	2,978	4,030
Tax paid	-1,106	-	-991
Adjustment for non-cash operating items	-117	430	651
Cash flow from operating capital	3,208	-27,480	-26,710
<b>Total</b>	<b>5,672</b>	<b>-24,072</b>	<b>-23,020</b>
<b>Cash flow from investing activities</b>			
Acquisition/sale of tangible assets	-1	-1	-2
<b>Total</b>	<b>-1</b>	<b>-1</b>	<b>-2</b>
<b>Cash flow from financing activities</b>			
Dividends	-3,000	-2,100	-2,100
<b>Total</b>	<b>-3,000</b>	<b>-2,100</b>	<b>-2,100</b>
<b>Cash and cash equivalents at 1 January</b>	<b>25,882</b>	<b>51,004</b>	<b>51,004</b>
Change in cash and cash equivalents	2,671	-26,173	-25,122
<b>Cash and cash equivalents, end of period</b>	<b>28,553</b>	<b>24,831</b>	<b>25,882</b>

## Notes – Realkredit Danmark Group

Note

1 **Significant accounting policies**

**and significant accounting estimates and assessments**

Realkredit Danmark's interim report for the first nine months of 2015 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 2014, which provides a full description of the significant accounting policies.

*Significant accounting estimates and assessments*

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 amount most influenced by critical estimates and assessments is the fair value measurement of mortgage loans.

The estimates and assumptions are based on assumptions 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 (loans with objective evidence of impairment), such adjustment is made to the amount which the borrower is expected to be able to repay after a financial restructuring. Loans are written down to the fair value of the collateral if financial restructuring is not possible.

A collective assessment also 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.

Realkredit Danmark's principal risks and external factors that may affect Realkredit Danmark are described in more detail in Annual Report 2014.

The interim report has not been reviewed or audited.

## Notes – Realkredit Danmark Group

Note (DKK millions)

### 2 Profit broken down by activity

Q1-Q3 2015	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	4,324	-	4,324	-	4,324
Net interest income	-134	1,075	941	-814	127
Dividends from shares	-	1	1	-1	-
Net fee income	-368	-	-368	-	-368
Income from investment portfolios	-	-	-	512	512
Value adjustments	402	-704	-302	302	-
Other income	121	-	121	-	121
<b>Total income</b>	<b>4,345</b>	<b>372</b>	<b>4,717</b>	<b>-1</b>	<b>4,716</b>
Expenses	583	4	587	-	587
Profit before loan impairment charges	3,762	368	4,130	-1	4,129
Loan impairment charges	442	-	442	-	442
Income from associates	-	-1	-1	1	-
<b>Profit before tax</b>	<b>3,320</b>	<b>367</b>	<b>3,687</b>	<b>-</b>	<b>3,687</b>

Q1-Q3 2014	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	4,255	-	4,255	-	4,255
Net interest income	-116	944	828	-806	22
Dividends from shares	-	-	-	-	-
Net fee income	-389	-	-389	-	-389
Income from investment portfolios	-	-	-	417	417
Value adjustments	248	-639	-391	391	-
Other income	98	-	98	-	98
<b>Total income</b>	<b>4,096</b>	<b>305</b>	<b>4,401</b>	<b>2</b>	<b>4,403</b>
Expenses	587	5	592	-	592
Profit before loan impairment charges	3,509	300	3,809	2	3,811
Loan impairment charges	833	-	833	-	833
Income from associates	-	2	2	-2	-
<b>Profit before tax</b>	<b>2,676</b>	<b>302</b>	<b>2,978</b>	<b>-</b>	<b>2,978</b>

Mortgage finance encompasses property financing services provided in Denmark, Sweden and Norway 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 in Denmark offered through the "home" real-estate agency chain. Under the Danish Financial Business Act, at least 60% of the total capital 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 and value adjustments, etc. In the consolidated highlights, this income, except for interest on bonds at amortised cost, is reclassified to income from investment portfolios. Realkredit Danmark has no branch offices or subsidiaries outside Denmark.

## Notes – Realkredit Danmark Group

Note	(DKK millions)	Q1-Q3 2015	Q1-Q3 2014
3	<b>Loan impairment charges</b>		
	Impairment charges etc. during the period	968	1,368
	Reversals of impairment charges etc. for previous years	1,088	941
	Losses incurred	606	452
	Received on claims previously written off	44	46
	<b>Total</b>	<b>442</b>	<b>833</b>

### 4 **Loans etc.**

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,955 million at 30 September 2015, against DKK 3,998 million at the beginning of the year.

Of total loan impairments for the credit risk on loans and other amounts due at amortised cost, impairments were recognised as an expense of DKK 226 million at 30 September 2015, against DKK 303 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges at 1 January 2014	3,241	413	3,654
Impairment charges during the period	1,895	418	2,313
Reversals of impairment charges etc. for previous periods	1,546	120	1,666
Impairment charges at 31 December 2014	3,590	711	4,301
Impairment charges during the period	653	315	968
Reversals of impairment charges etc. for previous periods	1,035	53	1,088
Impairment charges at 30 September 2015	3,208	973	4,181

Value adjustments of assets taken over amounted to DKK 0 million at 30 September 2015, against DKK 3 million at end-2014.

### 5 **Issued bonds at amortised cost**

	30 September 2015	31 December 2014
Nominal value of issued bonds	25,100	27,275
Fair value hedging of interest rate risk	91	115
Premium/discount	16	25
<b>Total issued bonds</b>	<b>25,207</b>	<b>27,415</b>

	1 January 2015	Issued	Redeemed	30 September 2015
Nominal value				
<b>Total issued bonds</b>	<b>27,275</b>	<b>-</b>	<b>2,175</b>	<b>25,100</b>

Issued bonds at amortised cost consist of issued senior debt.

### 6 **Assets deposited as collateral**

At 30 September 2015, Realkredit Danmark had deposited securities worth DKK 7,666 million (end-2014: DKK 13,451 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 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 2015, the carrying amount of such securities totalled DKK 20,359 million (end-2014: DKK 9,986 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 30 September 2015, mortgage lending totalling DKK 742,853 million and other assets totalling DKK 34,679 million (end-2014: DKK 744,502 million and DKK 41,050 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)				
7	<b>Financial instruments at fair value</b>				
	30 September 2015	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	25,768	-	-	25,768
	Mortgage loans at fair value	-	742,853	-	742,853
	Shares	-	-	1	1
	Derivatives	-	216	-	216
	<b>Total</b>	<b>25,768</b>	<b>743,069</b>	<b>1</b>	<b>768,838</b>
	Issued mortgage bonds at fair value	736,895	-	-	736,895
	Derivatives	-	3	-	3
	<b>Total</b>	<b>736,895</b>	<b>3</b>	<b>-</b>	<b>736,898</b>
	31 December 2014				
	Bonds at fair value	29,292	-	-	29,292
	Mortgage loans at fair value	-	744,502	-	744,502
	Shares	-	-	2	2
	Derivatives	-	451	-	451
	<b>Total</b>	<b>29,292</b>	<b>744,953</b>	<b>2</b>	<b>774,247</b>
	Issued mortgage bonds at fair value	739,358	-	-	739,358
	Derivatives	-	20	-	20
	<b>Total</b>	<b>739,358</b>	<b>20</b>	<b>-</b>	<b>739,378</b>

Negative interest income and interest expenses due to negative interest rates were insignificant during the first nine months of 2015. The amounts are offset against interest income and interest expenses, respectively.

Note 36 to Annual Report 2014 provides a description of the valuation techniques used for financial instruments. Financial market developments did not result in reclassification of bonds between listed prices and observable input during the first nine months of 2015.

### 8 Contingent liabilities

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

As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafvklingskasse. The pension fund and the Group's defined benefit plan have not accepted new members since 1971.

In connection with implementation of the EU Bank Recovery and Resolution Directive, a Danish resolution fund has been established. The resolution fund must amount to 1% of the covered deposits of all Danish credit institutions by 31 December 2024. The first contribution to the fund must be made by 31 December 2015. The individual institution must make contributions to the fund on the basis of its size and risk relative to other credit institutions in Denmark. The intention is that losses should be covered by the annual contributions made by the participating credit institutions. If sufficient means are not available in the resolution fund, extraordinary contributions can be required of up to three times the latest annual contribution.

The company is registered jointly with all significant Danish entities in Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.

The company is jointly taxed with all Danish entities in Danske Bank Group and is jointly and severally liable for payment of Danish corporate tax and withholding tax, etc.

Guarantees and indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised in the balance sheet amount to:

(DKK millions)	30 September 2015	31 December 2014	30 September 2014
<b>Other contingent liabilities</b>			
Irrevocable loan commitments regarding reverse mortgages	25	56	57
Other commitments	90	108	106
<b>Total</b>	<b>115</b>	<b>164</b>	<b>163</b>

In addition to credit exposure from lending activities, loan offers made granted by the Group amounted to DKK 27.523 million (end-2014: DKK 21,256 million). These items are included in the calculation of the total risk amount in accordance with the CRR/CRD IV.

## Notes – Realkredit Danmark Group

Note

### 9 Risk management

The Board of Directors defines Realkredit Danmark's risk management framework, while the Executive Board monitors Realkredit Danmark's risks and ensures compliance with the framework. The principal risk faced by Realkredit Danmark is the credit risk on mortgage loans. Realkredit Danmark has only limited exposure to market risk.

#### *Credit risk*

As a mortgage credit institution, Realkredit Danmark provides loans secured on real property. The credit risk on a mortgage loan basically derives from two factors; the risk that the borrower is unable to repay the loan and the expected loss if the customer does not repay the loan. The latter depends largely on the value of the mortgaged property. The table below shows a breakdown of the loan portfolio on customer classification by creditworthiness (rating categories) and loan-to-value (LTV) ratios. Loans to customers with an LTV ratio of more than 80% in the four lowest rating categories total DKK 7 billion, which corresponds to 0.9% of the total loan portfolio.

#### Portfolio broken down by LTV ratio and rating category

30 September 2015

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	5	4	2	-	-	11
3	54	37	23	11	7	132
4	70	54	34	14	5	177
5	57	50	38	17	6	168
6	36	32	23	11	4	106
7	28	26	20	9	3	86
8	10	9	7	4	2	32
9	2	2	2	1	1	8
10	5	4	4	3	2	18
11	2	2	2	1	2	9
Total	269	220	155	71	32	747

#### Portfolio broken down by LTV ratio value and rating category

31 December 2014

Rating category	LTV ratio					Total DKK. billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	1	-	-	-	-	1
2	5	3	2	-	1	11
3	48	33	21	10	8	120
4	64	50	35	17	8	174
5	55	48	37	20	8	168
6	36	31	24	13	6	110
7	29	28	22	12	5	96
8	9	9	7	4	2	31
9	2	2	2	1	1	8
10	5	4	4	3	3	19
11	2	2	2	2	2	10
Total	256	210	156	82	44	748

In the financial statements, mortgage loans, and thus the associated credit risk, are recognised at fair value. Calculating the fair value of credit risk involves significant estimates and assumptions. This is described in detail in note 1. The total fair value adjustment of credit risk is described in note 4.

#### *Market risk*

Market risk comprises interest rate, equity market and exchange rate risks and, to a very limited extent, liquidity risk and operational risk. In addition, the Group is exposed to some degree to pension risk on defined benefit plans for current and/or former employees.

However, the statutory principle of balance eliminates most of the interest rate, exchange rate and liquidity risks on Realkredit Danmark's loans. Realkredit Danmark's other assets and liabilities involve some degree of market risk, mainly in the form of interest rate risk. Realkredit Danmark uses derivatives to hedge the interest rate risk on some of the bonds in the proprietary portfolio and on fixed-rate liabilities in the form of issued senior debt. The derivatives and the hedged bonds are recognised at fair value, and fair value hedge accounting is used to the effect that the hedged interest rate risk on the issued senior debt is also recognised at fair value in the financial statements. Realkredit Danmark has placed DKK 36,069 million of its proprietary portfolio in fixed-rate bonds, which are recognised in the financial statements as held-to-maturity investments and are thus measured at amortised cost. As a result, Realkredit Danmark knows the return on the portfolio until maturity, and the fixed-rate held-to-maturity portfolio is therefore not considered to entail an interest rate risk that needs to be hedged through derivatives.

The Group's management of credit risk and market risk is described in detail in the risk management note in Annual Report 2014.

## Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Nine Months 2015 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 2015 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2015 and ending on 30 September 2015. 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, 29 October 2015

### **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

Lisbeth Sahlertz Nielsen



## Supplementary information

### Financial calendar

- Annual Report 2015:  
2 February 2016
- Annual General Meeting:  
3 March 2016
- Interim Report – First Quarter 2016:  
29 April 2016
- Interim Report – First Half 2016:  
21 July 2016
- Interim Report – First Nine Months 2016:  
28 October 2016

### Contact


Chairman of the Executive Board  
and Chief Executive Officer  
Carsten Nøddebo Rasmussen  
Tel. +45 45 13 20 82

### Address

Realkredit Danmark A/S  
Lersø Parkallé 100  
DK-2100 København Ø  
Tel. +45 70 12 53 00  
CVR-nr. 13 39 91 74 – København

### Links

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



Realkredit Danmark A/S  
Lersø Parkallé 100  
DK-2100 København Ø  
Telephone +45 70 12 53 00

rd.dk  
E-mail rd@rd.dk