

# Interim Report – First Half 2014



REALKREDIT  
**Danmark**

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Interim Report – First Half 2014 is a translation of the original report in the Danish language (Delårsrapport – 1. halvår 2014). In case of discrepancies, the Danish version prevails.

## Financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE PERIOD (DKK millions)	First half 2014	First half 2013	Index 14/13	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Full year 2013
Administration margin	2,809	2,733	103	1,425	1,384	1,382	1,376	1,367	5,491
Net interest income	8	-28	-	10	-2	2	2	-24	-24
Net fee income	-258	-235	110	-130	-128	-180	-125	-122	-540
Income from investment portfolios	318	327	97	81	237	374	49	94	750
Other income	66	63	105	35	31	29	31	34	123
Total income	2,943	2,860	103	1,421	1,522	1,607	1,333	1,349	5,800
Expenses	401	404	99	196	205	241	207	211	852
Profit before loan impairment charges	2,542	2,456	104	1,225	1,317	1,366	1,126	1,138	4,948
Loan impairment charges	569	887	64	325	244	320	264	433	1,471
Profit before tax	1,973	1,569	126	900	1,073	1,046	862	705	3,477
Tax	483	392	123	220	263	258	215	176	865
Net profit for the period	1,490	1,177	127	680	810	788	647	529	2,612

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

Due from credit institutions etc.	34,360	24,915	138	34,360	30,409	51,004	5,397	24,915	51,004
Mortgage loans	743,017	729,217	102	743,017	739,825	730,901	729,881	729,217	730,901
Bonds and shares	61,155	32,186	190	61,155	62,323	61,156	43,543	32,186	61,156
Other assets	3,075	3,126	98	3,075	3,524	5,073	3,289	3,126	5,073
Total assets	841,607	789,444	107	841,607	836,081	848,134	782,110	789,444	848,134
Due to credit institutions etc.	20,177	15,317	132	20,177	21,538	32,501	6,468	15,317	32,501
Issued mortgage bonds	739,953	693,850	107	739,953	727,949	725,159	693,529	693,850	725,159
Issued senior debt	28,634	27,066	106	28,634	32,608	32,089	27,070	27,066	32,089
Other liabilities	6,565	7,736	85	6,565	8,371	11,501	8,916	7,736	11,501
Shareholders' equity	46,278	45,475	102	46,278	45,615	46,884	46,127	45,475	46,884
Total liabilities and equity	841,607	789,444	107	841,607	836,081	848,134	782,110	789,444	848,134

### RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	6.4	5.1		5.9	7.0	6.8	5.7	4.7	5.6
Impairment charges as % of mortgage lending	0.15	0.24		0.18	0.13	0.18	0.15	0.24	0.20
Cost/income ratio (%)	13.6	14.1		13.8	13.5	15.0	15.5	15.6	14.7
Total capital ratio (%)	34.3	34.2		34.3	34.2	34.0	35.1	34.2	34.0
Tier 1 capital ratio (%)	33.8	33.6		33.8	33.7	33.5	34.6	33.6	33.5
Full-time-equivalent staff (end of period)	242	255		242	243	249	248	255	249

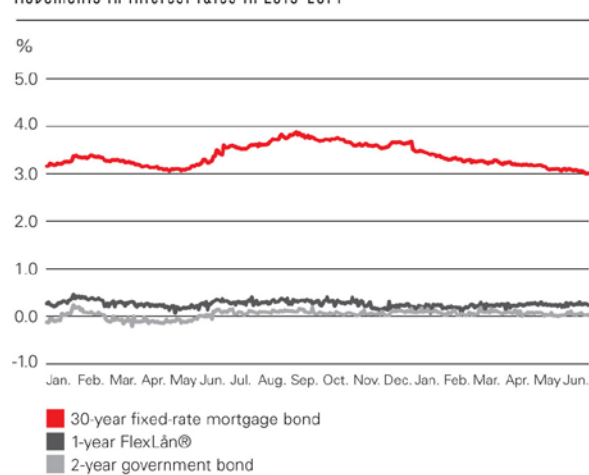
## Overview, First Half 2014

- Realkredit Danmark Group recorded a net profit of DKK 1,490 million in the first half of 2014, against DKK 1,177 million in the first half of 2013. The 27% improvement was driven especially by lower impairments.
- Customer interest in FlexKort® remains strong. Gross lending in the first half of 2014 amounted to DKK 9 billion.
- The proportion of customers with 1-year FlexLån® loans fell from 22.3% at 30 June 2013 to 14.2% at the end of June 2014.
- The total capital ratio according to CRR was 34.3%, against 34.0% at the end of 2013.
- Realkredit Danmark maintains its expectations for a higher profit in 2014 than in 2013.

## Mortgage credit market

The Danish housing market has continued its upward trend in 2014. Trading activity has risen over the past year, driven by a 13% increase in the number of traded single-family houses and a 21% increase in the number of traded owner-occupied flats. Overall, house prices have risen slightly, but price statistics show large regional variations. Average house prices have been lifted especially by substantial price increases in the Greater Copenhagen area. House prices in Copenhagen have gone up 6.4% over the past year, while house prices at national level are up 0.7% from the year before.

Movements in interest rates in 2013-2014



Interest rates have remained low during the past 12 months. Given the outlook for a moderate recovery of the Danish economy and persistently low interest rates, there is a potential for a continued, gradual improvement in the housing market.

Growing demand, primarily from foreign investors, has driven activity in the market for commercial property. Investors are attracted mainly to properties generating a stable cash flow – including residential rental and commercial properties in the Greater Copenhagen area. Prices of these types of properties have risen over the past 12 months.

## Results

Realkredit Danmark recorded a net profit of DKK 1,490 million in the first half of 2014, against DKK 1,177 million in the same period of last year. The higher profit was achieved primarily on the back of lower impairments.

Administration margins rose 3% on the back of a larger loan portfolio and higher average margins.

In the first half of 2014, net interest income was adversely affected by mounting net expenses resulting from senior debt issues made in 2013. Net interest income benefited from returns on holdings of securities with long maturities.

Income from the investment portfolio amounted to DKK 318 million, against DKK 327 million in the first half of 2013.

Total income thus rose 3% over income in the first half of 2013.

Expenses in the first half of 2014 were on a level with those incurred in the first half of 2013.

Impairments fell to DKK 569 million in the first half of 2014 from DKK 887 million in the same period of 2013. Part of the improvement was driven by macro-economic recovery in Denmark. Impairments equalled 0.15% p.a. of total mortgage lending, against 0.20% p.a. in 2013. The delinquency rate for the first half of 2014 was slightly lower than in the same period of last year.

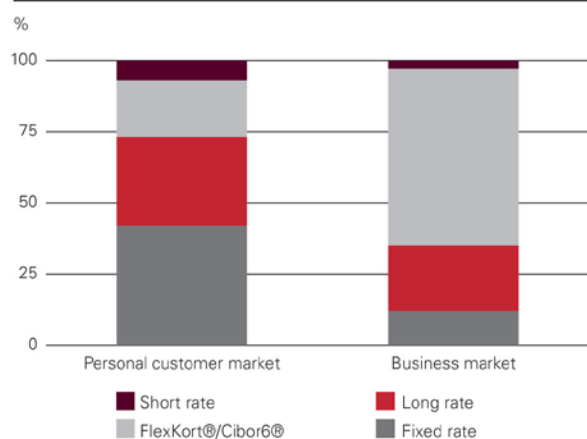
The tax charge totalled DKK 483 million, corresponding to an effective tax rate of 24.5%.

## Balance sheet

Gross lending amounted to DKK 46 billion, against DKK 48 billion in the first half of 2013. Mortgage lending at fair value rose DKK 12 billion to DKK 743 billion. The nominal outstanding bond debt rose DKK 2 billion.

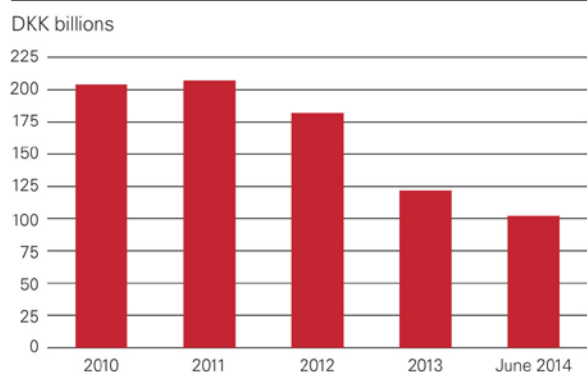
The sharp decline in 1-year and 2-year FlexLån® loans continued in the first half of 2014, spurred by the FlexKort® product consolidating its position as the preferred loan with short interest reset intervals.

Gross lending – loan types first half 2014



In the personal customer market, FlexKort® accounted for 20% of gross lending in the first half, while other short-term, floating-rate loans represented 7%. In the business market, FlexKort®/Cibor6® loans accounted for 62% of gross lending in the first half, while short-term, floating-rate loans represented 3%.

Development loan portfolio 1-year FlexLån®



The total volume of 1-year FlexLån® loans fell from DKK 122 billion to DKK 102 billion during the first half of 2014.

At 30 June 2014, the average loan-to-value (LTV) ratio stood at 71%, the same level as at the end of 2013.

The number of new foreclosures was 63 in the first half of 2014. At 30 June, the total number of foreclosures was 91, or 31 less than at 1 January. The value of the foreclosures was DKK 149 million.

Issued mortgage bonds rose DKK 15 billion to DKK 740 billion. The nominal value of issued bonds increased DKK 5 billion to DKK 715 billion. The amounts are exclusive of holdings of own bonds.

### Capital and solvency

At 30 June 2014, shareholders' equity stood at DKK 46.3 billion, against DKK 46.9 billion at end-2013. The dividend payment of DKK 2.1 billion and the consolidation of the net profit for the period accounted for the change.

Realkredit Danmark's total capital amounted to DKK 45.7 billion, and the total capital ratio calculated in accordance with CRR was 34.3%. At 31 December 2013, the corresponding amounts were DKK 45.5 billion and 34.0%.

Realkredit Danmark uses the internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. Risk-weighted assets (RWA) amounted to DKK 133.1 billion at 30 June 2014, against DKK 133.9 billion at end-2013. Calculated on the basis of the transitional rules of CRR, the solvency need for 2014 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 26.6 billion or a solvency need ratio of 20.0%. Realkredit Danmark thus has a capital buffer of DKK 19.1 billion.

Under Danish law, Realkredit Danmark must publish its 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 June 2014, the requirement for supplementary collateral for mortgage-covered bonds was DKK 41.9 billion. At the end of 2013, the requirement was DKK 42.2 billion.

### Legislative changes

Realkredit Danmark still awaits the European Commission's decision on the definition of liquid assets in the calculation of the Liquidity Coverage Ratio (LCR). The Commission has postponed its consideration of the matter. As a result, a definition of LCR is not expected to be finalised until in the second half of 2014. The latest draft proposal would allow financial institutions to let mortgage bonds account for up to 70% of their liquidity buffer, but it remains to be seen whether this draft will be adopted in its present form.

**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. Furthermore, bonds issued from capital centre S hold a AAA rating from Fitch Ratings, while bonds issued through capital centre T hold a AA+ rating from the same agency. Realkredit Danmark holds an issuer rating of A from Fitch Ratings. As a result of Standard & Poor's rating upgrade of Danske Bank, Realkredit Danmark's senior debt has also been upgraded from A- to A.

**Outlook for 2014**

Realkredit Danmark expects moderate growth in the Danish economy in 2014 and that interest rates will stay low for the rest of the year. These developments will support the positive trends in the property market.

Realkredit Danmark still expects to achieve a higher profit in 2014 than it did in 2013.

## Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	First half 2014	First half 2013	Q2 2014	Q2 2013	Full year 2013
<b>Income statement</b>						
	Interest income	12,022	12,731	5,793	6,437	25,005
	Interest expense	8,613	9,110	4,274	4,661	17,724
	Net interest income	3,409	3,621	1,519	1,776	7,281
	Dividends from shares	-	-	-	-	-
	Fee and commission income	165	202	85	97	397
	Fee and commission expense	423	437	215	219	937
	Net fee and commission income	3,151	3,386	1,389	1,654	6,741
	Value adjustments	-276	-591	-5	-341	-1,067
	Other operating income	66	63	35	34	123
	Staff costs and administrative expenses	399	402	195	210	848
	Impairment, depreciation and amortisation charges	2	2	1	1	4
3	Loan impairment charges	569	887	325	433	1,471
	Income from associates and group undertakings	2	2	2	2	3
	Profit before tax	1,973	1,569	900	705	3,477
	Tax	483	392	220	176	865
	Net profit for the period	1,490	1,177	680	529	2,612
<b>Comprehensive income</b>						
	Net profit for the period	1,490	1,177	680	529	2,612
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Actuarial gains/losses on defined benefit plans	5	-73	-22	-57	-107
	Tax	-1	19	5	15	27
	Total other comprehensive income	4	-54	-17	-42	-80
	Total comprehensive income for the period	1,494	1,123	663	487	2,532

## Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 June 2014	31 December 2013	30 June 2013
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	243	872	642
	Due from credit institutions and central banks	34,117	50,132	24,273
	Bonds at fair value	24,276	32,396	32,170
	Bonds at amortised cost	36,862	28,744	-
4	Mortgage loans at fair value	743,017	730,901	729,217
4	Loans and other amounts due at amortised cost	969	973	936
	Shares etc.	2	2	2
	Holdings in associates	15	14	14
	Land and buildings	90	91	91
	Domicile property	90	91	91
	Other tangible assets	11	10	11
	Current tax assets	-	77	-
	Deferred tax assets	-	-	-
	Assets temporarily taken over	149	193	221
4	Other assets	1,840	3,720	1,848
	Prepayments	16	9	19
<b>Total assets</b>		<b>841,607</b>	<b>848,134</b>	<b>789,444</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	20,177	32,501	15,317
	Issued mortgage bonds at fair value	739,953	725,159	693,850
5	Issued bonds at amortised cost	28,634	32,089	27,066
	Current tax liabilities	406	-	373
	Deferred tax liabilities	17	16	35
	Other liabilities	6,142	11,485	7,328
	Deferred income	-	-	-
<b>Total amounts due</b>		<b>795,329</b>	<b>801,250</b>	<b>743,969</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	42,292	42,292	39,453
	Other reserves	3,356	1,862	5,392
	Proposed dividends	-	2,100	-
<b>Total shareholders' equity</b>		<b>46,278</b>	<b>46,884</b>	<b>45,475</b>
<b>Total liabilities and equity</b>		<b>841,607</b>	<b>848,134</b>	<b>789,444</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 2014	630	42,292	1,862	2,100	46,884
Net profit for the period	-	-	1,490	-	1,490
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	5	-	5
Tax	-	-	-1	-	-1
<b>Total comprehensive income for the period</b>	-	-	1,494	-	1,494
Dividends paid	-	-	-	-2,100	-2,100
Shareholders' equity at 30 June 2014	630	42,292	3,356	-	46,278
Shareholders' equity at 1 January 2013	630	39,453	4,269	2,000	46,352
Net profit for the period	-	-	1,177	-	1,177
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-73	-	-73
Tax	-	-	19	-	19
<b>Total comprehensive income for the period</b>	-	-	1,123	-	1,123
Dividends paid	-	-	-	-2,000	-2,000
Shareholders' equity at 30 June 2013	630	39,453	5,392	-	45,475

At 30 June 2014, the share capital was made up of 6,300,000 shares of DKK 100 each. The company has one share class, and all shares carry equal rights. The company is wholly-owned by Danske Bank A/S, Copenhagen.

<b>TOTAL CAPITAL AND TOTAL CAPITAL RATIO</b> (DKK millions)	30 June 2014	31 December 2013	30 June 2013
Shareholders' equity	46,278	46,884	45,475
Revaluation of domicile property at fair value	52	50	46
Tax effect	-13	-12	-11
<b>Total equity calculated in accordance with the rules of the Danish FSA</b>	<b>46,317</b>	<b>46,922</b>	<b>45,510</b>
Expected/proposed dividends	-1,200	-2,100	-950
Revaluation reserve	-	-34	-31
Deferred tax assets	-	-	-
Defined benefit pension fund assets	-47	-	-
<b>Common equity tier 1 capital</b>	<b>45,070</b>	<b>44,788</b>	<b>44,529</b>
Difference between expected losses and impairment charges	-	-	-
<b>Tier 1 capital</b>	<b>45,070</b>	<b>44,788</b>	<b>44,529</b>
Reserves in series subject to a reimbursement obligation	-	45	45
Revaluation reserve	-	34	31
Difference between expected losses and impairment charges	658	665	682
<b>Total capital</b>	<b>45,728</b>	<b>45,532</b>	<b>45,287</b>
<b>Total risk-weighted assets</b>	<b>133,149</b>	<b>133,867</b>	<b>132,346</b>
Common equity tier 1 capital ratio (%)	33.8	33.5	33.6
Tier 1 capital ratio (%)	33.8	33.5	33.6
Total capital ratio (%)	34.3	34.0	34.2

Total capital and risk-weighted assets at 30 June 2014 have been calculated in accordance with the rules applicable under CRR taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority. Total capital and risk-weighted assets at 31 December 2013 were calculated in accordance with the Danish Financial Business Act.

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

## Cash flow statement – Realkredit Danmark Group

(DKK millions)	First half 2014	First half 2013	Full year 2013
<b>Cash flow from operations</b>			
Profit before tax	1,973	1,569	3,477
Tax paid	-	-	-934
Adjustment for non-cash operating items	309	436	697
Cash flow from operating capital	-16,825	6,184	31,039
<b>Total</b>	<b>-14,543</b>	<b>8,189</b>	<b>34,279</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	-2,100	-2,000	-2,000
<b>Total</b>	<b>-2,100</b>	<b>-2,000</b>	<b>-2,000</b>
<b>Cash and cash equivalents at 1 January</b>	<b>51,004</b>	<b>18,727</b>	<b>18,727</b>
Change in cash and cash equivalents	-16,644	6,188	32,277
<b>Cash and cash equivalents, end of period</b>	<b>34,360</b>	<b>24,915</b>	<b>51,004</b>

## Notes – Realkredit Danmark Group

Note

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

Realkredit Danmark's interim report for the first half of 2014 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 adopted IFRS 10, Consolidated Financial Statements. With the exception of this change, the Group has not changed its significant accounting policies from those followed in Annual Report 2013, which provides a full description of the significant accounting policies.

*Change in accounting policies*

On 1 January 2014, the Group adopted IFRS 10, Consolidated Financial Statements. IFRS 10 replaces IAS 27 and establishes a uniform definition of control. Control is based on the concepts of power, variability of returns and their linkage. Realkredit Danmark consolidates an entity if it has control over that entity. Control exists if Realkredit Danmark is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by exercising its power over the entity. The adoption of IFRS 10 did not change its consolidation of businesses.

*Critical 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 2013.

The interim report has not been reviewed or audited.

## Notes – Realkredit Danmark Group

Note (DKK millions)

### 2 Profit broken down by activity

First half 2014	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,809	-	2,809	-	2,809
Net interest income	-84	684	600	-592	8
Dividends from shares	-	-	-	-	-
Net fee income	-258	-	-258	-	-258
Income from investment portfolios	-	-	-	318	318
Value adjustments	205	-481	-276	276	-
Other income	66	-	66	-	66
<b>Total income</b>	<b>2,738</b>	<b>203</b>	<b>2,941</b>	<b>2</b>	<b>2,943</b>
Expenses	398	3	401	-	401
Profit before loan impairment charges	2,340	200	2,540	2	2,542
Loan impairment charges	569	-	569	-	569
Income from associates	-	2	2	-2	-
<b>Profit before tax</b>	<b>1,771</b>	<b>202</b>	<b>1,973</b>	<b>-</b>	<b>1,973</b>

First half 2013	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,733	-	2,733	-	2,733
Net interest income	-28	916	888	-916	-28
Dividends from shares	-	-	-	-	-
Net fee income	-235	-	-235	-	-235
Income from investment portfolios	-	-	-	327	327
Value adjustments	193	-784	-591	591	-
Other income	63	-	63	-	63
<b>Total income</b>	<b>2,726</b>	<b>132</b>	<b>2,858</b>	<b>2</b>	<b>2,860</b>
Expenses	401	3	404	-	404
Profit before loan impairment charges	2,325	129	2,454	2	2,456
Loan impairment charges	887	-	887	-	887
Income from associates	-	2	2	-2	-
<b>Profit before tax</b>	<b>1,438</b>	<b>131</b>	<b>1,569</b>	<b>-</b>	<b>1,569</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 is reclassified to income from investment portfolios. Realkredit Danmark has no branch offices or subsidiaries outside Denmark.

## Notes – Realkredit Danmark Group

Note	(DKK millions)	First half 2014	First half 2013
3	<b>Loan impairment charges</b>		
	Impairment charges etc.	869	897
	Reversals of impairment charges etc. for previous years	563	463
	Losses incurred	295	485
	Received on claims previously written off	32	32
	<b>Total</b>	<b>569</b>	<b>887</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 3,629 million at 30 June 2014, against DKK 3,341 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 331 million at 30 June 2014, against DKK 313 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges at 1 January 2013	2,747	214	2,961
Impairment charges during the period	1,598	311	1,909
Reversals of impairment charges etc. for previous periods	1,104	112	1,216
Impairment charges at 31 December 2013	3,241	413	3,654
Impairment charges during the period	756	113	869
Reversals of impairment charges etc. for previous periods	542	21	563
Impairment charges at 30 June 2014	3,455	505	3,960

Value adjustments of assets taken over amounted to DKK 1 million at 30 June 2014, against DKK -16 million at end-2013.

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

	30 June 2014	31 December 2013
Nominal value of issued bonds	28,500	32,000
Fair value hedging of interest rate risk	102	50
Premium/discount	32	39
<b>Total issued bonds</b>	<b>28,634</b>	<b>32,089</b>

	1 January 2014	Issued	Redeemed	30 June 2014
Nominal value				
<b>Total issued bonds</b>	<b>32,000</b>	<b>4,000</b>	<b>7,500</b>	<b>28,500</b>

Issued bonds at amortised cost consist of issued senior debt.

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

At 30 June 2014, Realkredit Danmark had deposited securities worth DKK 16,093 million (end-2013: DKK 19,242 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 June 2014, the carrying amount of such securities totalled DKK 20,119 million (end-2013: DKK 32,434 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 30 June 2014, mortgage lending totalling DKK 743,017 million and other assets totalling DKK 41,850 million (end-2013: DKK 730,901 million and DKK 42,199 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 June 2014	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	24,276	-	-	24,276
	Mortgage loans at fair value	-	743,017	-	743,017
	Shares	-	-	2	2
	Derivatives	-	163	-	163
	<b>Total</b>	<b>24,276</b>	<b>743,180</b>	<b>2</b>	<b>767,458</b>
	Issued mortgage bonds at fair value	739,953	-	-	739,953
	Derivatives	-	21	-	21
	<b>Total</b>	<b>739,953</b>	<b>21</b>	<b>-</b>	<b>739,974</b>
	31 December 2013				
	Bonds at fair value	32,396	-	-	32,396
	Mortgage loans at fair value	-	730,901	-	730,901
	Shares	-	-	2	2
	Derivatives	-	501	-	501
	<b>Total</b>	<b>32,396</b>	<b>731,402</b>	<b>2</b>	<b>763,800</b>
	Issued mortgage bonds at fair value	725,159	-	-	725,159
	Derivatives	-	22	-	22
	<b>Total</b>	<b>725,159</b>	<b>22</b>	<b>-</b>	<b>725,181</b>

Note 37 to Annual Report 2013 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 six months of 2014.

### 8 **Contingent liabilities**

Owing to its size and business volume, the 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.

Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafviklingskasse. The pension fund and the Group's defined benefit plan have not accepted new members 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 company is jointly taxed with all Danish companies in the Danske Bank Group and are jointly and severally liable for their Danish income tax, 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 June 2014	31 Dec. 2013	30 June 2013
<b>Other contingent liabilities</b>			
Irrevocable loan commitments regarding reverse mortgages	58	99	107
Other commitments	107	133	130
<b>Total</b>	<b>165</b>	<b>232</b>	<b>237</b>

## Interim financial statements – Realkredit Danmark A/S

Note (DKK millions)

The financial statements of the parent company, Realkredit Danmark A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc. no. 281 dated 26 March 2014.

The rules are consistent with the Group's measurement principles under IFRS with the exception that

- domicile properties are valued at estimated fair value (revalued amount) through other comprehensive income

The estimated fair value of domicile properties is determined in accordance with the Danish FSA's executive order of Financial Reports for Credit Institutions and Investment Companies, etc. Available-for-sale financial assets are measured at fair value through profit or loss.

The format of the parent company's financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRSs.

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

	Net profit first half 2014	Net profit first half 2013	Shareholders' equity 30 Jun. 2014	Shareholders' equity 31 Dec. 2013
Consolidated financial statements (IFRS)	1,490	1,177	46,278	46,884
Domicile property	-	-	52	50
Tax effect	-	-	-13	-12
Consolidated financial statements (Danish FSA rules)	1,490	1,177	46,317	46,922

## Income statement and Comprehensive income – Realkredit Danmark A/S

Note	(DKK millions)	First half 2014	First half 2013
<b>Income statement</b>			
	Interest income	12,021	12,730
	Interest expense	8,613	9,110
	Net interest income	3,408	3,620
	Dividends from shares	-	-
	Fee and commission income	165	202
	Fee and commission expense	423	437
	Net fee and commission income	3,150	3,385
1	Value adjustments	-276	-591
	Other operating income	1	1
	Staff costs and administrative expenses	344	349
	Impairment, depreciation and amortisation charges	1	1
	Loan impairment charges	569	886
	Income from associated and group undertakings	9	8
	Profit before tax	1,970	1,567
	Tax	480	390
	Net profit for the period	1,490	1,177
<b>Comprehensive income</b>			
	Net profit for the period	1,490	1,177
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Actuarial gains/losses on defined benefit plans	5	-73
	Tax	-1	19
	Items that will not be reclassified to profit or loss	4	-54
	Items that are or may be reclassified to profit or loss		
	Fair value adjustment of domicile property	2	2
	Tax	-1	-
	Items that are or may be reclassified to profit or loss	1	2
	Total comprehensive income	5	-52
	Total comprehensive income for the period	1,495	1,125



## Balance sheet – Realkredit Danmark A/S

Note	(DKK millions)	30 June 2014	31 Dec. 2013	30 June 2013
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	243	872	642
	Due from credit institutions and central banks	34,077	50,081	24,235
	Bonds at fair value	24,276	32,396	32,170
	Bonds at amortised cost	36,862	28,744	-
2	Mortgage loans at fair value	743,017	730,901	729,217
2	Loans and other amounts due at amortised cost	933	935	891
	Holdings in associates	15	14	14
	Holdings in group undertakings	121	139	136
	Land and buildings	142	141	137
	Domicile property	142	141	137
	Other tangible assets	5	5	5
	Current tax assets	-	76	-
	Deferred tax assets	-	-	-
	Assets temporarily taken over	149	193	221
2	Other assets	1,789	3,672	1,797
	Prepayments	15	7	19
<b>Total assets</b>		<b>841,644</b>	<b>848,176</b>	<b>789,484</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	20,177	32,501	15,317
	Issued mortgage bonds at fair value	739,953	725,159	693,850
	Issued bonds at amortised cost	28,634	32,089	27,066
	Current tax liabilities	405	-	375
	Other liabilities	6,054	11,397	7,223
	Deferred income	-	-	-
<b>Total amounts due</b>		<b>795,223</b>	<b>801,146</b>	<b>743,831</b>
<b>PROVISIONS</b>				
	Deferred tax	33	31	51
	Reserves in early series subject to a reimbursement obligation	71	77	92
<b>Total provisions</b>		<b>104</b>	<b>108</b>	<b>143</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Revaluation reserve	35	34	31
	Reserves in series	42,292	42,292	39,453
	Other reserves	3,360	1,866	5,396
	Proposed dividends	-	2,100	-
<b>Total shareholders' equity</b>		<b>46,317</b>	<b>46,922</b>	<b>45,510</b>
<b>Total liabilities and equity</b>		<b>841,644</b>	<b>848,176</b>	<b>789,484</b>

## Statement of capital – Realkredit Danmark A/S

<b>CHANGES IN SHAREHOLDERS' EQUITY</b> (DKK millions)	Share capital	Revaluation reserve	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2014	630	34	42,292	1,866	2,100	46,922
Net profit for the period	-	-	-	1,490	-	1,490
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	-	-	-	5	-	5
Fair value adjustment of domicile property	-	1	-	1	-	2
Tax	-	-	-	-2	-	-2
<b>Total comprehensive income for the period</b>	-	1	-	1,494	-	1,495
Dividends paid	-	-	-	-	-2,100	-2,100
Shareholders' equity at 30 June 2014	630	35	42,292	3,360	-	46,317
Shareholders' equity at 1 January 2013	630	31	39,453	4,271	2,000	46,385
Net profit for the period	-	-	-	1,177	-	1,177
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	-	-	-	-73	-	-73
Fair value adjustment of domicile property	-	-	-	2	-	2
Tax	-	-	-	19	-	19
<b>Total comprehensive income for the period</b>	-	-	-	1,125	-	1,125
Dividends paid	-	-	-	-	-2,000	-2,000
Shareholders' equity at 30 June 2013	630	31	39,453	5,396	-	45,510

At 30 June 2014, the share capital was made up of 6,300,000 shares of DKK 100 each. The company has one share class, and all shares carry equal rights. The company is wholly-owned by Danske Bank A/S, Copenhagen.

The revaluation reserve concerns fair value adjustment of domicile property.

## Notes – Realkredit Danmark A/S

Note	(DKK millions)	First half 2014	First half 2013
1	<b>Value adjustments</b>		
	Mortgage loans	10,246	-3,817
	Bonds	-177	-185
	Currency	-1	3
	Derivatives	-1,953	277
	Other assets	-2	17
	Issued mortgage bonds	-8,339	2,993
	Other liabilities	-50	121
	<b>Total</b>	<b>-276</b>	<b>-591</b>

### 2 **Loans etc.**

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,629 million at 30 June 2014, against DKK 3,341 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 323 million at 30 June 2014, against DKK 305 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges at 1 January 2013	2,743	214	2,957
Impairment charges during the period	1,594	311	1,905
Reversals of impairment charges etc. for previous periods	1,104	112	1,216
Impairment charges at 31 Dec. 2013	3,233	413	3,646
Impairment charges during the period	756	113	869
Reversals of impairment charges etc. for previous periods	542	21	563
Impairment charges etc. at 30 June 2014	3,447	505	3,952

Value adjustment of assets taken over amounted to DKK 1 million at 30 June 2014, against DKK -16 million at end-2013.

## Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Half 2014 of the Realkredit Danmark Group.

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

In our opinion, the consolidated interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 30 June 2014 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period starting on 1 January 2014 and ending on 30 June 2014. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 24 July 2014

### **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

- Interim Report – First Nine Months 2014:  
30 October 2014
- Annual Report 2014:  
3 February 2015

### Contact


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