

Interim Report – First Nine Months 2014



REALKREDIT
Danmark

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Interim Report – First Nine Months 2014 is a translation of the original report in the Danish language (Delårsrapport – 1.-3. kvartal 2014). In case of discrepancies, the Danish version prevails.

Financial highlights – Realkredit Danmark Group

| NET PROFIT FOR THE PERIOD (DKK millions) | Q1-Q3 2014 | Q1-Q3 2013 | Index 14/13 | Q3 2014 | Q2 2014 | Q1 2014 | Q4 2013 | Q3 2013 | Full year 2013 |
|---|---------------|---------------|----------------|------------|------------|------------|------------|------------|-------------------|
| Administration margin | 4,255 | 4,109 | 104 | 1,446 | 1,425 | 1,384 | 1,382 | 1,376 | 5,491 |
| Net interest income | 22 | -26 | - | 14 | 10 | -2 | 2 | 2 | -24 |
| Net fee income | -389 | -360 | 108 | -131 | -130 | -128 | -180 | -125 | -540 |
| Income from investment portfolios | 417 | 376 | 111 | 99 | 81 | 237 | 374 | 49 | 750 |
| Other income | 98 | 94 | 104 | 32 | 35 | 31 | 29 | 31 | 123 |
| Total income | 4,403 | 4,193 | 105 | 1,460 | 1,421 | 1,522 | 1,607 | 1,333 | 5,800 |
| Expenses | 592 | 611 | 97 | 191 | 196 | 205 | 241 | 207 | 852 |
| Profit before loan impairment charges | 3,811 | 3,582 | 106 | 1,269 | 1,225 | 1,317 | 1,366 | 1,126 | 4,948 |
| Loan impairment charges | 833 | 1,151 | 72 | 264 | 325 | 244 | 320 | 264 | 1,471 |
| Profit before tax | 2,978 | 2,431 | 123 | 1,005 | 900 | 1,073 | 1,046 | 862 | 3,477 |
| Tax | 719 | 607 | 118 | 236 | 220 | 263 | 258 | 215 | 865 |
| Net profit for the period | 2,259 | 1,824 | 124 | 769 | 680 | 810 | 788 | 647 | 2,612 |

BALANCE SHEET (END OF PERIOD) (DKK millions)

| | | | | | | | | | |
|-----------------------------------|---------|---------|-----|---------|---------|---------|---------|---------|---------|
| Due from credit institutions etc. | 24,831 | 5,397 | 460 | 24,831 | 34,360 | 30,409 | 51,004 | 5,397 | 51,004 |
| Mortgage loans | 747,147 | 729,881 | 102 | 747,147 | 743,017 | 739,825 | 730,901 | 729,881 | 730,901 |
| Bonds and shares | 68,452 | 43,543 | 157 | 68,452 | 61,155 | 62,323 | 61,156 | 43,543 | 61,156 |
| Other assets | 3,668 | 3,289 | 112 | 3,668 | 3,075 | 3,524 | 5,073 | 3,289 | 5,073 |
| Total assets | 844,098 | 782,110 | 108 | 844,098 | 841,607 | 836,081 | 848,134 | 782,110 | 848,134 |
| Due to credit institutions etc. | 16,630 | 6,468 | 257 | 16,630 | 20,177 | 21,538 | 32,501 | 6,468 | 32,501 |
| Issued mortgage bonds | 743,035 | 693,529 | 107 | 743,035 | 739,953 | 727,949 | 725,159 | 693,529 | 725,159 |
| Issued senior debt | 28,651 | 27,070 | 106 | 28,651 | 28,634 | 32,608 | 32,089 | 27,070 | 32,089 |
| Other liabilities | 8,737 | 8,916 | 98 | 8,737 | 6,565 | 8,371 | 11,501 | 8,916 | 11,501 |
| Shareholders' equity | 47,045 | 46,127 | 102 | 47,045 | 46,278 | 45,615 | 46,884 | 46,127 | 46,884 |
| Total liabilities and equity | 844,098 | 782,110 | 108 | 844,098 | 841,607 | 836,081 | 848,134 | 782,110 | 848,134 |

RATIOS AND KEY FIGURES

| | | | | | | | | | |
|---|------|------|--|------|------|------|------|------|------|
| Net profit for the period as % p.a. of average shareholders' equity | 6.4 | 5.3 | | 6.6 | 5.9 | 7.0 | 6.8 | 5.7 | 5.6 |
| Impairment charges as % of mortgage lending | 0.15 | 0.21 | | 0.14 | 0.18 | 0.13 | 0.18 | 0.15 | 0.20 |
| Cost/income ratio (%) | 13.4 | 14.6 | | 13.1 | 13.8 | 13.5 | 15.0 | 15.5 | 14.7 |
| Total capital ratio (%) | 35.4 | 35.1 | | 35.4 | 34.3 | 34.2 | 34.0 | 35.1 | 34.0 |
| Tier 1 capital ratio (%) | 34.9 | 34.6 | | 34.9 | 33.8 | 33.7 | 33.5 | 34.6 | 33.5 |
| Full-time-equivalent staff (end of period) | 243 | 248 | | 243 | 242 | 243 | 249 | 248 | 249 |

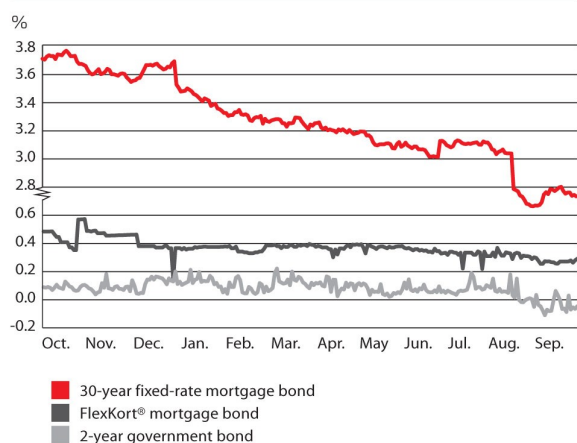
Overview, first nine months 2014

- Realkredit Danmark recorded a net profit of DKK 2,259 million in the first nine months of 2014, against DKK 1,824 million in the same period of 2013. The 24% improvement was driven especially by lower impairments and a slight increase in administration margins. Administration margins rose on the back of a larger loan portfolio and marginally higher average margins.
- Customer interest in FlexKort® loans remained strong. Gross lending in the first nine months of 2014 amounted to DKK 11 billion.
- In the third quarter, Realkredit Danmark was able to offer its customers fixed-rate loans with historically low interest rates, including a 30-year mortgage with a coupon of 2.5%.
- The proportion of customers with 1-year FlexLån® loans fell from 22.3% at 30 September 2013 to 13.8% at the end of September 2014.
- The total capital ratio according to the CRR was 35.4%, against 34.0% at the end of 2013.
- The positive trends of the first three quarters of the year are expected to continue into the fourth quarter.

Mortgage credit market

In the first nine months of 2014, the Danish housing market was characterised by rising house prices and an increase in trading activity. Sales numbers from estate agent “home” show that total sales of residential units in the first seven months of the year were about 15% higher than in the same period of 2013, while house prices in July were up 4.6% on the year-earlier level. The improved housing market trends are attributable especially to the historically low interest rates. The improvement does not, however, mean that the Danish housing market is experiencing a general recovery as large geographical differences persist in terms of both prices and trading activity. Especially the peripheral areas of Denmark continue to experience weak demand for residential units and falling prices.

Trend in interest rates past 12 months



Interest rates remain very low, and Danish mortgage credit institutions have recently launched new fixed-rate loans with historically low coupons. These loans include a 30-year fixed-rate loan with a coupon of 2.5% and a 10-year fixed-rate loan with a coupon of 1%.

The market for commercial property has also witnessed increasing activity. Unlike the situation in recent years, there are now signs of growing optimism among property investors. Investors are attracted to properties generating a stable cash flow.

Results

Realkredit Danmark recorded a net profit of DKK 2,259 million in the first nine months of 2014, against DKK 1,824 million in the same period of last year. The profit was higher especially because of lower impairments and higher administration margins.

Administration margins rose 4% on the back of a larger loan portfolio and marginally higher average margins.

In the first nine months of 2014, net interest income benefited from returns on holdings of securities with long maturities. Conversely, net interest income was adversely affected by rising net expenses for senior debt.

Income from the investment portfolio amounted to DKK 417 million, against DKK 376 million in the first nine months of 2013.

Total income rose 5% over income in the first nine months of 2013.

Expenses in the first nine months fell 3% relative to the level in the first nine months of 2013.

Impairments fell to DKK 833 million from DKK 1,151 million in the same period of 2013. Total impairments improved partly as a result of a slowly improving housing market in Denmark. Impairments equalled 0.15% p.a. of total mortgage lending, against 0.20% p.a. in 2013.

The delinquency rate fell slightly from the level at 30 September 2013.

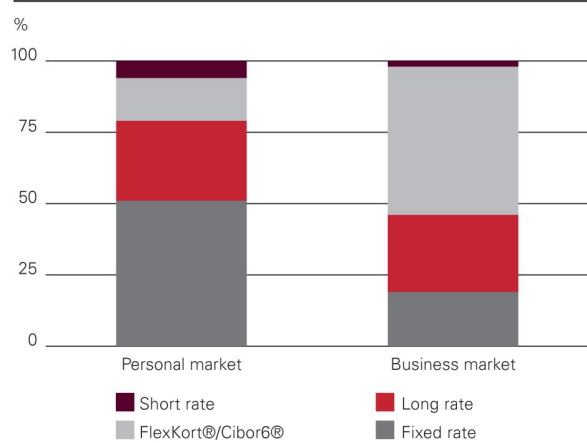
The tax charge totalled DKK 719 million. The effective tax rate for the period was 24.5%.

Balance sheet

Gross lending amounted to DKK 72 billion, against DKK 67 billion in the first nine months of 2013. Mortgage lending at fair value rose DKK 16 billion to DKK 747 billion. The nominal outstanding bond debt rose DKK 5 billion.

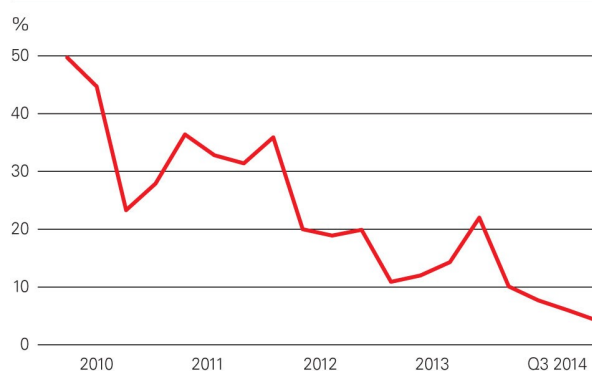
The sharp decline in 1-year and 2-year FlexLån® loans continued in the first nine months of 2014, spurred by the FlexKort® product consolidating its position as the preferred loan with short interest reset intervals.

Gross lending – loan types first nine months 2014



In the personal customer market, FlexKort® accounted for 15% of gross lending in the first nine months, while other short-term, floating-rate loans represented 6%. In the business market, FlexKort®/Cibor6® loans accounted for 52% of gross lending, while other short-term, floating-rate loans represented 2%.

Gross loans private market - share of 1-year and 2-year FlexLån® loans



The proportion of gross lending in the personal customer market of 1-year and 2-year FlexLån® loans has fallen considerably over the past five years, and in the third quarter of 2014, it was 4%.

The total volume of 1-year FlexLån® loans fell from DKK 122 billion to DKK 100 billion during the first nine months of 2014.

At 30 September 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 85 in the first nine months of 2014. At 30 September, the total num-

ber of foreclosures was 71, or 51 fewer than at 1 January. The value of the foreclosures was DKK 105 million.

Issued mortgage bonds rose DKK 18 billion to DKK 743 billion. The nominal value of issued bonds rose DKK 8 billion to DKK 717 billion. The amounts are exclusive of holdings of own bonds.

Capital and solvency

At 30 September 2014, shareholders' equity stood at DKK 47.0 billion, against DKK 46.9 billion at end-2013. The ordinary 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 45.9 billion, and the total capital ratio calculated in accordance with the CRR was 35.4%. At 31 December 2013, the corresponding figures were DKK 45.5 billion and 34.0%, respectively.

Realkredit Danmark uses the internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. Risk-weighted assets (RWA) amounted to DKK 129.5 billion at 30 September 2014, against DKK 133.9 billion at end-2013. Calculated on the basis of the transitional rules of the CRR, the solvency need for 2014 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 26.8 billion or a solvency need ratio of 20.7%. 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.

As part of the Danske Bank Group, Realkredit Danmark has participated in an Asset Quality Review (AQR) under the auspices of the Danish Financial Supervisory Authority (FSA). All relevant information regarding the stress test and the AQR is available at danskebank.com/ir.

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 2014, the requirement for supplementary collateral for mortgage-covered bonds was DKK 42.9 billion.

Legislative changes

The Danish FSA has submitted its supervisory diamond for mortgage credit institutions for consultation. The supervisory diamond defines benchmarks for lending growth, borrowers' interest rate exposure, interest-only loans, the extent of loans with short fund-

ing and large exposures. Realkredit Danmark has already taken a number of steps to support the supervisory diamond. Prices are already structured in such a way that higher-risk loans have higher prices – that is, loans with an interest-only option, high LTV ratio or frequent refinancing. In addition, for a number of years, Realkredit Danmark has focused on advising its customers on the possibility of remortgaging to loans with longer interest reset intervals, thereby capitalising on the low level of interest rates and the relatively flat interest rate structure to set their mortgage rates for longer periods.

On 10 October, the European Commission adopted a delegated act on liquidity rules for credit institutions. The delegated act implements the Liquidity Coverage Ratio (LCR), the details of which have now been finalised. Danish mortgage bonds can be counted in the LCR on a par with other extremely high quality liquid assets in Europe and that is good news for the Danish mortgage credit system. Particularly liquid mortgage bonds with an issue size of at least EUR 500 million may constitute up to 70% of the liquidity buffer of a credit institution, while liquid mortgage bonds with an issue size of at least EUR 250 million may constitute up to 40%. The remaining 30% must be in the form of government bonds, certificates of deposit or cash.

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 from capital centre T hold a AA+ rating from the same agency. Realkredit Danmark holds an issuer rating of A from Fitch Ratings.

Outlook for 2014

Realkredit Danmark expects that growth will be moderate in the Danish economy in 2014 and that interest rates will stay low for the rest of the year. These developments will support the ongoing improvement in the Danish housing 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) | Q1-Q3 2014 | Q1-Q3 2013 | Q3 2014 | Q3 2013 | Full year 2013 |
|------|---|---------------|---------------|------------|------------|-------------------|
| | Income statement | | | | | |
| | Interest income | 17,899 | 18,756 | 5,877 | 6,025 | 25,005 |
| | Interest expense | 12,816 | 13,354 | 4,203 | 4,244 | 17,724 |
| | Net interest income | 5,083 | 5,402 | 1,674 | 1,781 | 7,281 |
| | Dividends from shares | - | - | - | - | - |
| | Fee and commission income | 282 | 286 | 117 | 84 | 397 |
| | Fee and commission expense | 671 | 646 | 248 | 209 | 937 |
| | Net fee and commission income | 4,694 | 5,042 | 1,543 | 1,656 | 6,741 |
| | Value adjustments | -391 | -945 | -115 | -354 | -1,067 |
| | Other operating income | 98 | 94 | 32 | 31 | 123 |
| | Staff costs and administrative expenses | 589 | 608 | 190 | 206 | 848 |
| | Impairment, depreciation and amortisation charges | 3 | 3 | 1 | 1 | 4 |
| 3 | Loan impairment charges | 833 | 1,151 | 264 | 264 | 1,471 |
| | Income from associates and group undertakings | 2 | 2 | - | - | 3 |
| | Profit before tax | 2,978 | 2,431 | 1,005 | 862 | 3,477 |
| | Tax | 719 | 607 | 236 | 215 | 865 |
| | Net profit for the period | 2,259 | 1,824 | 769 | 647 | 2,612 |
| | Comprehensive income | | | | | |
| | Net profit for the period | 2,259 | 1,824 | 769 | 647 | 2,612 |
| | Other comprehensive income | | | | | |
| | Items that will not be reclassified to profit or loss | | | | | |
| | Actuarial gains/losses on defined benefit plans | 3 | -65 | -2 | 8 | -107 |
| | Tax | -1 | 16 | - | -3 | 27 |
| | Total other comprehensive income | 2 | -49 | -2 | 5 | -80 |
| | Total comprehensive income for the period | 2,261 | 1,775 | 767 | 652 | 2,532 |

Balance sheet – Realkredit Danmark Group

| Note | (DKK millions) | 30 September 2014 | 31 December 2013 | 30 September 2013 |
|-------------------------------------|---|----------------------|---------------------|----------------------|
| ASSETS | | | | |
| | Cash in hand and demand deposits with central banks | 282 | 872 | 21 |
| | Due from credit institutions and central banks | 24,549 | 50,132 | 5,376 |
| | Bonds at fair value | 31,702 | 32,396 | 43,527 |
| | Bonds at amortised cost | 36,733 | 28,744 | - |
| 4 | Mortgage loans at fair value | 747,147 | 730,901 | 729,881 |
| 4 | Loans and other amounts due at amortised cost | 933 | 973 | 984 |
| | 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 | 10 | 10 | 10 |
| | Current tax assets | - | 77 | - |
| | Deferred tax assets | - | - | - |
| | Assets temporarily taken over | 105 | 193 | 230 |
| 4 | Other assets | 2,517 | 3,720 | 1,958 |
| | Prepayments | 13 | 9 | 16 |
| Total assets | | 844,098 | 848,134 | 782,110 |
| LIABILITIES AND EQUITY | | | | |
| AMOUNTS DUE | | | | |
| | Due to credit institutions and central banks | 16,630 | 32,501 | 6,468 |
| | Issued mortgage bonds at fair value | 743,035 | 725,159 | 693,529 |
| 5 | Issued bonds at amortised cost | 28,651 | 32,089 | 27,070 |
| | Current tax liabilities | 614 | - | 588 |
| | Deferred tax liabilities | 45 | 16 | 37 |
| | Other liabilities | 8,078 | 11,485 | 8,291 |
| | Deferred income | - | - | - |
| Total amounts due | | 797,053 | 801,250 | 735,983 |
| SHAREHOLDERS' EQUITY | | | | |
| | Share capital | 630 | 630 | 630 |
| | Other reserves | | | |
| | Reserves in series | 42,292 | 42,292 | 39,453 |
| | Other reserves | 4,123 | 1,862 | 6,044 |
| | Proposed dividends | - | 2,100 | - |
| Total shareholders' equity | | 47,045 | 46,884 | 46,127 |
| Total liabilities and equity | | 844,098 | 848,134 | 782,110 |

Statement of capital – Realkredit Danmark Group

| CHANGES IN SHAREHOLDERS' EQUITY (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 | - | - | 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 |
| Shareholders' equity at 1 January 2013 | 630 | 39,453 | 4,269 | 2,000 | 46,352 |
| Net profit for the period | - | - | 1,824 | - | 1,824 |
| Other comprehensive income | | | | | |
| Actuarial gains/losses on defined benefit plans | - | - | -65 | - | -65 |
| Tax | - | - | 16 | - | 16 |
| Total comprehensive income for the period | - | - | 1,775 | - | 1,775 |
| Dividends paid | - | - | - | -2,000 | -2,000 |
| Shareholders' equity at 30 September 2013 | 630 | 39,453 | 6,044 | - | 46,127 |

At 30 September 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.

| TOTAL CAPITAL AND TOTAL CAPITAL RATIO (DKK millions) | 30 September 2014 | 31 December 2013 | 30 September 2013 |
|--|-------------------|------------------|-------------------|
| Shareholders' equity | 47,045 | 46,884 | 46,127 |
| Revaluation of domicile property at fair value | 52 | 50 | 46 |
| Tax effect | -13 | -12 | -11 |
| Total equity calculated in accordance with the rules of the Danish FSA | 47,084 | 46,922 | 46,162 |
| Expected/proposed dividends | -1,800 | -2,100 | -1,450 |
| Revaluation reserve | - | -34 | -31 |
| Deferred tax assets | - | - | - |
| Defined benefit pension fund assets | -49 | - | - |
| Common equity tier 1 capital | 45,235 | 44,788 | 44,681 |
| Difference between expected losses and impairment charges | - | - | - |
| Tier 1 capital | 45,235 | 44,788 | 44,681 |
| Reserves in series subject to a reimbursement obligation | - | 45 | 45 |
| Revaluation reserve | - | 34 | 31 |
| Difference between expected losses and impairment charges | 656 | 665 | 669 |
| Total capital | 45,891 | 45,532 | 45,426 |
| Total risk-weighted assets | 129,463 | 133,867 | 129,241 |
| Common equity tier 1 capital ratio (%) | 34.9 | 33.5 | 34.6 |
| Tier 1 capital ratio (%) | 34.9 | 33.5 | 34.6 |
| Total capital ratio (%) | 35.4 | 34.0 | 35.1 |

Total capital and risk-weighted assets at 30 September 2014 have been calculated in accordance with the rules applicable under the CRR taking transitional rules into account as stipulated by the Danish FSA. Total capital and risk-weighted assets at 31 December 2013 were calculated in accordance with the Danish Financial Business Act. 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, which is expected during the fourth quarter of 2014. The final stipulations of the standard may 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 2014 | Q1-Q3 2013 | Full year 2013 |
|---|----------------|----------------|-------------------|
| Cash flow from operations | | | |
| Profit before tax | 2,978 | 2,431 | 3,477 |
| Tax paid | - | - | -934 |
| Adjustment for non-cash operating items | 430 | 590 | 697 |
| Cash flow from operating capital | -27,480 | -14,350 | 31,039 |
| Total | -24,072 | -11,329 | 34,279 |
| Cash flow from investing activities | | | |
| Acquisition/sale of tangible assets | -1 | -1 | -2 |
| Total | -1 | -1 | -2 |
| Cash flow from financing activities | | | |
| Dividends | -2,100 | -2,000 | -2,000 |
| Total | -2,100 | -2,000 | -2,000 |
| Cash and cash equivalents at 1 January | 51,004 | 18,727 | 18,727 |
| Change in cash and cash equivalents | -26,173 | -13,330 | 32,277 |
| Cash and cash equivalents, end of period | 24,831 | 5,397 | 51,004 |

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 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.

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 2013.

The interim report has not been reviewed or audited.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity

| 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 |
| Total income | 4,096 | 305 | 4,401 | 2 | 4,403 |
| 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 | - |
| Profit before tax | 2,676 | 302 | 2,978 | - | 2,978 |

| Q1-Q3 2013 | Mortgage finance | Own holdings | Total | Reclassi- fication | Highlights |
|---------------------------------------|---------------------|-----------------|--------------|-----------------------|--------------|
| Administration margin | 4,109 | - | 4,109 | - | 4,109 |
| Net interest income | -26 | 1,319 | 1,293 | -1,319 | -26 |
| Dividends from shares | - | - | - | - | - |
| Net fee income | -360 | - | -360 | - | -360 |
| Income from investment portfolios | - | - | - | 376 | 376 |
| Value adjustments | 190 | -1,135 | -945 | 945 | - |
| Other income | 94 | - | 94 | - | 94 |
| Total income | 4,007 | 184 | 4,191 | 2 | 4,193 |
| Expenses | 606 | 5 | 611 | - | 611 |
| Profit before loan impairment charges | 3,401 | 179 | 3,580 | 2 | 3,582 |
| Loan impairment charges | 1,151 | - | 1,151 | - | 1,151 |
| Income from associates | - | 2 | 2 | -2 | - |
| Profit before tax | 2,250 | 181 | 2,431 | - | 2,431 |

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 2014 | Q1-Q3 2013 |
|------|---|---------------|---------------|
| 3 | Loan impairment charges | | |
| | Impairment charges etc. | 1,368 | 1,370 |
| | Reversals of impairment charges etc. for previous years | 941 | 783 |
| | Losses incurred | 452 | 618 |
| | Received on claims previously written off | 46 | 54 |
| | Total | 833 | 1,151 |

4 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,758 million at 30 September 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 September 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 | 1,254 | 114 | 1,368 |
| Reversals of impairment charges etc. for previous periods | 855 | 86 | 941 |
| Impairment charges at 30 September 2014 | 3,640 | 441 | 4,081 |

Value adjustments of assets taken over amounted to DKK 3 million at 30 September 2014, against DKK -16 million at end-2013.

5 Issued bonds at amortised cost

| | 30 September 2014 | 31 December 2013 |
|--|----------------------|---------------------|
| Nominal value of issued bonds | 28,500 | 32,000 |
| Fair value hedging of interest rate risk | 122 | 50 |
| Premium/discount | 29 | 39 |
| Total issued bonds | 28,651 | 32,089 |

| | 1 January 2014 | Issued | Redeemed | 30 September 2014 |
|---------------------------|-------------------|--------------|--------------|----------------------|
| Nominal value | | | | |
| Total issued bonds | 32,000 | 4,000 | 7,500 | 28,500 |

Issued bonds at amortised cost consist of issued senior debt.

6 Assets deposited as collateral

At 30 September 2014, Realkredit Danmark had deposited securities worth DKK 14,953 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 September 2014, the carrying amount of such securities totalled DKK 16,607 million (end-2013: DKK 32,434 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 30 September 2014, mortgage lending totalling DKK 747,147 million and other assets totalling DKK 42,932 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 | Financial instruments at fair value | | | | |
| | 30 September 2014 | Quoted prices | Observable input | Non-observable input | Total |
| | Bonds at fair value | 31,702 | - | - | 31,702 |
| | Mortgage loans at fair value | - | 747,147 | - | 747,147 |
| | Shares | - | - | 2 | 2 |
| | Derivatives | - | 221 | - | 221 |
| | Total | 31,702 | 747,368 | 2 | 779,072 |
| | Issued mortgage bonds at fair value | 743,035 | - | - | 743,035 |
| | Derivatives | - | 4 | - | 4 |
| | Total | 743,035 | 4 | - | 743,039 |
| | 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 |
| | Total | 32,396 | 731,402 | 2 | 763,800 |
| | Issued mortgage bonds at fair value | 725,159 | - | - | 725,159 |
| | Derivatives | - | 22 | - | 22 |
| | Total | 725,159 | 22 | - | 725,181 |

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 nine 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 Pensionsafvklingskasse. 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 September 2014 | 31 December 2013 | 30 September 2013 |
|--|-------------------|------------------|-------------------|
| Other contingent liabilities | | | |
| Irrevocable loan commitments regarding reverse mortgages | 57 | 99 | 99 |
| Other commitments | 106 | 133 | 130 |
| Total | 163 | 232 | 229 |

In addition to credit exposure from lending activities, loan offers made granted by the Group amounted to DKK 21,015 million. These items are included in the calculation of risk-weighted assets in accordance with the CRR.

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 8 billion, which corresponds to 1.1% of the total loan portfolio.

Portfolio broken down by LTV ratio and rating category

30. September 2014

| Rating- category | LTV ratio | | | | | Total DKK billions |
|---------------------|-----------|------------|------------|------------|-------------|--------------------------|
| | 0- 20% | 20- 40% | 40- 60% | 60- 80% | 80- 100% | |
| 1 | - | - | - | - | - | - |
| 2 | 5 | 3 | 2 | - | - | 10 |
| 3 | 49 | 33 | 22 | 12 | 9 | 125 |
| 4 | 64 | 50 | 35 | 17 | 9 | 175 |
| 5 | 52 | 45 | 36 | 18 | 8 | 159 |
| 6 | 38 | 33 | 25 | 14 | 6 | 116 |
| 7 | 30 | 28 | 22 | 12 | 5 | 97 |
| 8 | 9 | 9 | 7 | 4 | 2 | 31 |
| 9 | 3 | 2 | 2 | 1 | 1 | 9 |
| 10 | 5 | 5 | 3 | 3 | 3 | 19 |
| 11 | 2 | 2 | 2 | 2 | 2 | 10 |
| Total | 257 | 210 | 156 | 83 | 45 | 751 |

Portfolio broken down by LTV ratio value and rating category

31. December 2013

| Rating- category | LTV ratio | | | | | Total DKK. billions |
|---------------------|-----------|------------|------------|------------|-------------|---------------------------|
| | 0-20% | 20- 40% | 40- 60% | 60- 80% | 80- 100% | |
| 1 | - | - | - | - | - | - |
| 2 | 5 | 3 | 2 | - | - | 10 |
| 3 | 45 | 31 | 20 | 9 | 7 | 112 |
| 4 | 58 | 45 | 32 | 16 | 6 | 157 |
| 5 | 54 | 46 | 34 | 18 | 8 | 160 |
| 6 | 40 | 34 | 25 | 15 | 7 | 121 |
| 7 | 31 | 29 | 23 | 13 | 7 | 103 |
| 8 | 10 | 9 | 7 | 5 | 3 | 34 |
| 9 | 2 | 2 | 2 | 1 | 1 | 8 |
| 10 | 5 | 5 | 4 | 3 | 3 | 20 |
| 11 | 2 | 2 | 2 | 1 | 2 | 9 |
| Total | 252 | 206 | 151 | 81 | 44 | 734 |

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 36,733 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 2013.

Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Nine Months 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. 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 2014 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2014 and ending on 30 September 2014. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 30 October 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

- Annual Report 2014:
3 February 2015
- Annual general meeting:
5 March 2015
- Interim Report – First Quarter 2015:
30 April 2015
- Interim Report – First Half 2015:
22 July 2015
- Interim Report – First Nine Months 2015:
29 October 2015

Contact


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