
Interim Report – First Quarter 2012

Interim Report – First Quarter 2012 is a translation of the original report in the Danish language (Delårsrapport – 1. kvartal 2012).
In case of discrepancies, the Danish version prevails.

Management's report	
Financial highlights – Realkredit Danmark Group	3
Financial review	4
Financial results for the period	4
Balance sheet	4
Capital and solvency	4
Supplementary collateral and rating	5
Mortgage credit market	5
New price model from 1 July 2012	6
Regulation	6
Changes in management	6
Outlook for 2012	6
Interim financial statements – Realkredit Danmark Group	
Income statement and Comprehensive income	7
Balance sheet	8
Statement of capital	9
Cash flow statement	10
Notes	11
Statement by the management	16
Supplementary information	17

Financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE PERIOD (DKK millions)	Q1 2012	Q1 2011	Index 12/11	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Full year 2011
Administration margin	1,090	878	124	1,090	909	896	881	878	3,564
Net interest income	89	87	102	89	227	203	143	87	660
Net fee income	-124	-116	107	-124	-126	-118	-128	-116	-488
Income from investment portfolios	93	-55	-169	93	291	294	120	-55	650
Other income	29	30	97	29	25	19	31	30	105
Total income	1,177	824	143	1,177	1,326	1,294	1,047	824	4,491
Expenses	232	244	95	232	229	218	243	244	934
Profit before loan impairment charges	945	580	163	945	1,097	1,076	804	580	3,557
Loan impairment charges	385	197	195	385	318	263	279	197	1,057
Profit before tax	560	383	146	560	779	813	525	383	2,500
Tax	140	96	146	140	195	204	131	96	626
Net profit for the period	420	287	146	420	584	609	394	287	1,874

BALANCE SHEET (END OF PERIOD)

(DKK millions)

Due from credit institutions etc.	27,696	5,464	507	27,696	32,556	5,311	7,880	5,464	32,556
Mortgage loans	721,762	693,617	104	721,762	723,754	716,154	699,101	693,617	723,754
Bonds and shares	18,653	5,415	344	18,653	17,300	13,260	4,176	5,415	17,300
Other assets	2,952	2,693	110	2,952	2,950	2,772	2,347	2,693	2,950
Total assets	771,063	707,189	109	771,063	776,560	737,497	713,504	707,189	776,560
Due to credit institutions etc.	13,856	18,650	74	13,856	20,668	20,348	18,818	18,650	20,668
Issued mortgage bonds	703,311	636,199	111	703,311	695,080	660,129	640,729	636,199	695,080
Other liabilities	7,468	7,126	105	7,468	14,010	10,798	8,350	7,126	14,010
Subordinated debt	2,037	2,044	100	2,037	2,045	2,049	2,043	2,044	2,045
Shareholders' equity	44,391	43,170	103	44,391	44,757	44,173	43,564	43,170	44,757
Total liabilities and equity	771,063	707,189	109	771,063	776,560	737,497	713,504	707,189	776,560

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity (%)	3.8	2.7		3.8	5.3	5.6	3.6	2.7	4.3
Impairment charges as % of mortgage lending	0.21	0.11		0.21	0.18	0.15	0.16	0.11	0.15
Cost/income ratio (%)	19.7	29.6		19.7	17.3	16.8	23.2	29.6	20.8
Total capital ratio (%)	35.9	35.9		35.9	35.8	35.8	34.9	35.9	35.8
Tier 1 capital ratio (%)	35.3	35.5		35.3	35.4	35.3	34.5	35.5	35.4
Full-time-equivalent staff (end of period)	306	304		306	303	304	308	304	303

Overview, first quarter 2012

- The Realkredit Danmark Group recorded a net profit of DKK 420 million in the first quarter of 2012, against DKK 287 million in the first quarter of 2011.
- As expected, the implemented price increases had a positive impact on income.
- The Realkredit Danmark Group's total capital ratio according to the Capital Requirements Directive (CRD) was 35.9%, against 35.8% at the end of 2011.
- Realkredit Danmark issued senior debt for DKK 7.5 billion at the end of March 2012 to meet increasing supplementary collateral requirements. The issuance of senior debt was well received in the market.
- A new price model will be introduced on 1 July 2012. The model is intended to strengthen customers' incentive to make instalments on home loans with a high LTV (loan-to-value) ratio and opt for loans with longer maturities.

Results

The Realkredit Danmark Group recorded a net profit of DKK 420 million in the first quarter of 2012, against DKK 287 million in the same period of last year. In spite of difficult business conditions owing to limited housing market activity and higher loan impairment charges, Realkredit Danmark recorded a substantial 46% increase in net profit. Realkredit Danmark retains its earnings guidance announced in Annual Report 2011 for a higher profit in 2012 than in 2011.

The profit improvement was achieved on the back of active pricing towards business customers and general administration margin increases for personal customers. Announced at the end of 2011, the price increases thus had a positive effect. The administration margin increased DKK 181 million over the fourth-quarter 2011 level.

Income from the investment portfolio amounted to DKK 93 million, against a negative DKK 55 million in the first quarter of 2011. The increase was caused by a higher return on the bond portfolio and refinancing margins.

Total income thus rose 43% relative to income in the first quarter of 2011.

Expenses were down 5%.

Loan impairment charges rose in the first quarter of the year, reflecting higher impairment charges for personal customers and small and medium-sized businesses. Charges totalled DKK 385 million in the first quarter of 2012, up from the year-earlier level of DKK 197 million. The charges equalled 0.21% p.a. of total mortgage lending, against 0.15% p.a. at the end of 2011.

The delinquency rate, calculated as the proportion of due payments remaining unpaid 3½ months after the last due payment date, rose to 0.58% from 0.46% at the end of 2011.

The total tax charge for the first quarter of 2012 amounted to DKK 140 million, corresponding to an effective tax rate of 25%.

Balance sheet

Gross lending amounted to DKK 32 billion, against DKK 14 billion in the first quarter of 2011. Mortgage lending at fair value declined DKK 2 billion in the first quarter of 2012 to DKK 722 billion. At DKK 708 billion, the nominal outstanding bond debt was unchanged.

The LTV ratio rose to 69% from 67% at the end of 2011.

The number of new foreclosures was 67 in the first quarter, which was in line with the figure recorded in the previous quarter. At 31 March, the total number of foreclosures stood at 166, which was 5 more than at 1 January. The value of the foreclosures was DKK 331 million.

Issued mortgage bonds rose by DKK 8 billion to DKK 703 billion. The nominal value of issued bonds rose DKK 9 billion to DKK 687 billion. The amounts are exclusive of holdings of own mortgage bonds.

Capital and solvency

At the end of March 2012, shareholders' equity stood at DKK 44.4 billion, against DKK 44.8 billion at end-2011. The decline in equity was due to dividend payments of DKK 0.8 billion and consolidation of the DKK 0.4 billion net profit for the period.

The Group's capital base amounted to DKK 44.8 billion, and the total capital ratio calculated in accordance with the Capital Requirements Directive (CRD) was 35.9%. Realkredit Danmark has obtained permission to repay the state hybrid capital on 11 May 2012. As a result, the capital base was reduced by DKK 2 billion at 31 March 2012.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. Risk-weighted assets (RWA) amounted to DKK 124.7 billion at 31 March 2012, against DKK 129.5 billion at end-2011.

Calculated on the basis of the transitional rules of the CRD, the solvency need for 2012 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 25.6 billion or a solvency need ratio of 20.5%.

Under Danish law, the Group must publish its solvency need on a quarterly basis. The www.rd.dk site provides further information.

Supplementary collateral and rating

Realkredit Danmark issues mortgage-covered bonds, and under Danish law, it must provide supplementary collateral towards 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 March 2012, the requirement for supplementary collateral for mortgage-covered bonds was DKK 34.6 billion. At the end of 2011, the requirement was DKK 34.5 billion.

Furthermore, external rating agencies require that issuers of mortgage bonds meet additional overcollateralisation (OC) requirements if the mortgage bonds are to be assigned the highest rating.

Realkredit Danmark issued senior debt at the end of March 2012 for a total amount of DKK 7.5 billion with settlement of payments in April 2012. Realkredit Danmark expects to issue additional senior debt during the upcoming period to increase its supplementary collateral. The debt was issued from Capital Centres S and T and is listed on NASDAQ OMX Copenhagen.

Realkredit Danmark's mortgage bonds and mortgage-covered bonds issued from Capital Centres S and T and the Other reserves series still hold a AAA rating from Standard & Poor's.

Mortgage credit market

Denmark achieved modest growth in 2011, and the sluggish growth rates appear to continue in 2012. Consequently, an upswing in the Danish economy does not seem to be imminent. The level of investment in Danish businesses and consumer spending remained moderate, although Realkredit Danmark expects to see an increase in consumer spending in connection with the disbursement of early retirement benefits in April and onwards. The Danish labour market showed positive signs of stabilisation following a period of rising unemployment.

The European Central Bank introduced three-year lending facilities, which had a favourable impact on liquidity in the banking sector. At the same time, fiscal policies were tightened in the severely squeezed economies in southern Europe. The overall impact was a softening of the financial markets that triggered a general contraction of yield spreads in Europe, including Denmark. Towards the end of the quarter, the financial markets were once more affected by instability because of the debt crisis and weaker economic indicators in southern Europe.

Foreign investors showed strong interest in short-term Danish mortgage bonds in the first quarter of 2012, as Danish securities were considered a safe investment object. The short investment horizon of foreign investors contributed to a fall in short-term interest rates in Denmark during the quarter.

Interest in short-term mortgage bonds, resulted in successful auctions in March in connection with refinancing of FlexLån[®] at 1 April. At the auctions, DKK 47 billion worth of bonds funding FlexLån[®] were sold, and FlexLån[®] F1 with standard repayment reached a record-low interest rate of 0.90%, half the level of 12 months ago.

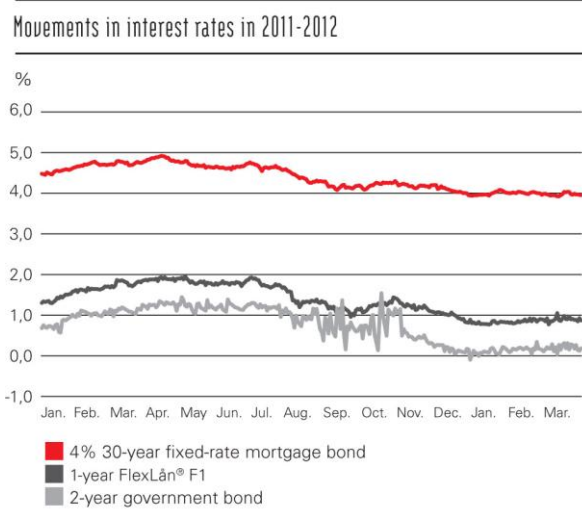
As a result of falling interest rates in Denmark, the opportunity arose for offering loans with a coupon of 3.5%. This is the first time that Realkredit Danmark opens fixed-rate bonds with a broken coupon. In January 2012, Realkredit Danmark started granting 30-year loans with standard repayment and a fixed interest rate of 3.5%. The loan was well received, as borrowers holding 5% loans could benefit from remortgaging.

However, activity in the Danish housing market remains moderate, despite the low level of interest rates. The high number of single-family and holiday homes on the market has contributed to keeping a lid on selling prices. In addition, the economic instability results in reduced household spending, meaning that savings represent a growing proportion of disposable incomes.

The number of foreclosures rose in the first quarter of 2012 to a 17-year high. Unfortunately, a general increase in land values for tax purposes and, by extension, a higher basis of calculation for municipal land tax may aggravate this negative trend.

The level of activity in the corporate market remains low. However, there are budding signs of optimism in the market for investment property. Still, investors are primarily attracted by prime-location investment properties that offer stable returns.

Falling prices of agricultural properties have contributed to reducing borrowing possibilities for farmers seeking to expand production.



New price model from 1 July 2012

Realkredit Danmark will launch a new price model aimed primarily at personal customers on 1 July 2012.

The new price model is intended to strengthen home owners' incentive to make instalments on their mortgage loans and ensure more long-term and stable property finances through fixed-rate loans with longer maturities or products such as FlexGaranti[®], FlexLån[®] F3 and FlexLån[®] F5. In addition, the model will reduce Realkredit Danmark's risk of higher losses on mortgage lending, thus improving Realkredit Danmark's basis for continuing to offer inexpensive home loans to its customers.

Regulation

In March 2012, the Danish FSA published a clarification of the rules for charges against weak exposures. The rule clarification, which does not directly affect mortgage loans as these are recognised at fair value, will apply to Realkredit Danmark's interim report for the first half of 2012. Realkredit Danmark does not expect the rule clarification to affect the level of loan impairment charges to any noticeable degree.

Changes in Management

After 27 years of employment, Jens-Erik Corvinus, 61, Member of the Executive Board, will step down in accordance with the terms of his employment contract at the end of July 2012. From 1 August 2012, the Executive Board of Realkredit Danmark A/S will consist of Carsten Nøddebo Rasmussen, CEO.

Outlook for 2012

Realkredit Danmark expects weak growth in the Danish economy in the coming year, with growth around the 1% mark in 2012.

Interest rates in Denmark are expected to remain low and will continue to lend support to the depressed property market.

Combined with price increases implemented in early 2012, the introduction of a new price model is expected to lift income.

Effective cost management achieved by means of general process improvements and other factors will curb the increase in expenses.

Overall, Realkredit Danmark therefore expects a higher profit in 2012 than in 2011.

Income statement and Comprehensive income Realkredit Danmark Group

Note	(DKK millions)	2012	Q1 2011	Full year 2011
	Interest income	6,637	6,571	26,368
	Interest expense	5,223	5,475	21,619
	Net interest income	1,414	1,096	4,749
	Dividends from shares	-	-	-
	Fee and commission income	151	84	372
	Fee and commission expense	275	200	860
	Net fee and commission income	1,290	980	4,261
	Value adjustments	-142	-186	125
	Other operating income	29	30	105
	Staff costs and administrative expenses	231	243	928
	Impairment, depreciation and amortisation charges	1	1	6
3	Loan impairment charges	385	197	1,057
	Income from associates	-	-	-
	Profit before tax	560	383	2,500
	Tax	140	96	626
	Net profit for the period	420	287	1,874
	Comprehensive income			
	Net profit for the period	420	287	1,874
	Other comprehensive income	-	-	-
	Total comprehensive income for the period	420	287	1,874

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	31 Mar. 2012	31 Dec. 2011	31 Mar. 2011
ASSETS				
	Cash in hand and demand deposits with central banks	8	23	2
	Due from credit institutions and central banks	27,688	32,533	5,462
	Bonds at fair value	18,643	17,289	5,405
4	Mortgage loans at fair value	721,762	723,754	693,617
4	Loans and other amounts due at amortised cost	835	838	890
	Shares	2	2	2
	Holdings in associates	8	9	8
	Land and buildings	93	93	93
	Domicile property	93	93	93
	Other tangible assets	11	11	12
	Current tax assets	-	-	26
	Deferred tax assets	-	-	-
	Assets temporarily taken over	331	317	313
4	Other assets	1,657	1,680	1,335
	Prepayments	25	11	24
Total assets		771,063	776,560	707,189
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	13,856	20,668	18,650
	Issued mortgage bonds at fair value	703,311	695,080	636,199
	Current tax liabilities	212	85	87
	Deferred tax liabilities	61	49	56
	Other liabilities	7,194	13,876	6,914
	Deferred income	1	-	69
Total amounts due		724,635	729,758	661,975
SUBORDINATED DEBT				
	Subordinated debt	2,037	2,045	2,044
Total liabilities		726,672	731,803	664,019
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	33,120	33,120	31,182
	Other reserves	10,641	10,221	11,358
	Proposed dividends	-	786	-
Total shareholders' equity		44,391	44,757	43,170
Total liabilities and equity		771,063	776,560	707,189

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 2012	630	33,120	10,221	786	44,757
Net profit for the period	-	-	420	-	420
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	420	-	420
Dividend paid	-	-	-	-786	-786
Shareholders' equity at 31 March 2012	630	33,120	10,641	-	44,391
Shareholders' equity at 1 January 2011	630	31,182	11,071	-	42,883
Net profit for the period	-	-	287	-	287
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	287	-	287
Shareholders' equity at 31 March 2011	630	31,182	11,358	-	43,170

The share capital is made up of 6,300,000 shares of DKK 100 each. The company is wholly-owned by Danske Bank A/S, Copenhagen.

For as long as the Danish state holds hybrid capital in Realkredit Danmark, Realkredit Danmark may distribute dividends if such dividends can be paid in full out of the profit.

CAPITAL BASE AND TOTAL CAPITAL RATIO (DKK millions)	31 March 2012	31 Dec. 2011	31 March 2011
Shareholders' equity	44,391	44,757	43,170
Revaluation of domicile property at fair value	62	62	62
Pension obligations at fair value	-224	-175	-277
Tax effect	40	28	53
Shareholders' equity calculated in accordance with the rules of the Danish FSA	44,269	44,672	43,008
Expected dividends	-150	-786	-
Revaluation reserve	-49	-49	-48
Deferred tax assets	-	-	-
Core tier 1 capital	44,070	43,837	42,960
Hybrid capital	-	2,045	2,044
Difference between expected losses and impairment charges	-	-	-
Total tier 1 capital	44,070	45,882	45,004
Reserves in series subject to a reimbursement obligation	62	55	55
Revaluation reserve	49	49	48
Difference between expected losses and impairment charges	603	445	381
Capital base	44,784	46,431	45,488
Total risk-weighted assets	124,740	129,533	126,833
Core tier 1 capital ratio (%)	35.3	33.8	33.9
Tier 1 capital ratio (%)	35.3	35.4	35.5
Total capital ratio (%)	35.9	35.8	35.9

The total capital and tier 1 capital ratios are calculated in accordance with the CRD. Risk-weighted assets calculated under the Basel I rules amounted to DKK 400,187 million at 31 March 2012 (31 December 2011: DKK 401,188 million). The solvency need, calculated on the basis of the transitional rules was DKK 25,612 million in 2011, equal to 80% of the capital requirement of 8% of risk-weighted assets (31 December 2011: DKK 25.676 million).

Cash flow statement – Realkredit Danmark Group

(DKK millions)	Q1 2012	Q1 2011	Full year 2011
Cash flow from operating activities			
Profit before tax	560	383	2,500
Tax paid	-	-	-514
Adjustment for non-cash operating items	267	-53	299
Cash flow from operating capital	-4,901	-23,755	1,387
Total	-4,074	-23,425	3,672
Cash flow from investing activities			
Acquisition/sale of tangible assets	-	-	-5
Total	-	-	-5
Cash flow from financing activities			
Change in hybrid capital	-	-	-
Dividend	-786	-	-
Total	-786	-	-
Cash and cash equivalents, beginning of period	32,556	28,889	28,889
Change during the period	-4,860	-23,425	3,667
Cash and cash equivalents, end of period	27,696	5,464	32,556

Notes – Realkredit Danmark Group

Note

1 Significant accounting policies

and critical accounting estimates and assessments

The Group's interim report for the first quarter of 2012 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 2011, which provides a full description of the Group's significant accounting policies.

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 estimates and assumptions that are deemed critical to the consolidated financial statements are the fair value measurement of mortgage loans.

The estimates and assumptions are based on premises 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 (all loans with objective evidence of impairment), such adjustment equals the difference between the carrying amount and the present value of the expected future cash flow of the asset, including the net realisable value of collateral held.

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.

Annual Report 2011 provides a detailed description of the Group's significant risks and the external factors that may affect the Group.

The interim report has not been reviewed or audited.

Standards and interpretations not yet in force

The IASB has issued a number of amendments to IFRSs that have not yet come into force. Similarly, the IFRIC has issued a new interpretation that has not yet come into force. The sections below explain the changes that are likely to affect the Group's financial reporting.

In October 2010, the IASB reissued IFRS 9, Financial Instruments. The aim of the overall reissuance project is, once the amendments to IFRS 9 are completed, to let the standard replace IAS 39 in its entirety. With the 2010 reissuance, IFRS 9 now provides principles for classification and derecognition of financial instruments. Principles for impairment and hedge accounting are expected to follow in 2012 or 2013. The IASB is also considering implementing certain changes to the classification principles.

The transitional rules of the amended IFRS 9 prescribe implementation of the standard by 2015. The EU has decided to postpone adoption of the amended IFRS 9 until the details of the entire standard are known.

Under the existing IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on the basis of their contractual cash flow characteristics, including any embedded derivatives (unlike IAS 39, IFRS 9 no longer requires bifurcation). Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest are measured at amortised cost. Other assets are measured at fair value through profit or loss. Equities may be measured at fair value through Other comprehensive income, however, and, satisfying certain requirements, a business may opt for fair value adjustment of its loans, advances, etc.

The principles applicable to financial liabilities are largely unchanged from IAS 39. Generally, financial liabilities are still measured at amortised cost with bifurcation of embedded derivatives not closely related to a host contract. Financial liabilities measured at fair value comprise derivatives, the trading portfolio and liabilities designated at fair value through profit or loss. However, value adjustments relating to the inherent credit risk of financial liabilities designated at fair value are recognised in Other comprehensive income unless this leads to an accounting mismatch.

IFRS 9 incorporates the existing derecognition principles of IAS 39.

The Group does not expect the amended IFRS 9 to materially affect the measurement of its financial instruments. Meaningful classification of financial instruments is not possible without information about the future parts of IFRS 9 to clarify the overall accounting effects of the standard.

Notes – Realkredit Danmark Group

Note

The IASB ended its project on consolidation in May 2011 by issuing a number of new accounting standards (IFRS 10, IFRS 11 and IFRS 12) and revised accounting standards (IAS 27 and IAS 28). The IASB has established a uniform concept of control to be used for determining whether an entity should be consolidated and has introduced enhanced disclosure requirements for consolidated and unconsolidated entities, joint arrangements and associates. The standards, which have not yet been adopted by the EU, must be implemented in 2013 at the latest. The Realkredit Danmark Group does not expect the new requirements to significantly change its consolidation of undertakings.

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. The standard introduces a new definition of fair value and provides guidance on how to measure and disclose fair value. IFRS 13 applies when another standard requires fair value to be used or disclosed. The standard, which has not yet been adopted by the EU, must be implemented in 2013 at the latest. The Group does not expect IFRS 13 to significantly affect its financial results.

In June 2011, the IASB issued an amended IAS 19, Employee Benefits. The amended standard eliminates the option to defer the recognition of actuarial gains and losses on defined bene-

fit pension plans, known as the “corridor method”. The present value of net pension assets and obligations must be recognised in the balance sheet instead. The amended standard, which has not yet been adopted by the EU, must be implemented in 2013 at the latest. At 31 March 2012, the new requirements would have reduced shareholders’ equity by DKK 168 million the amount deferred under the corridor method net of tax. The effect on the net profit will be immaterial, as actuarial gains and losses are recognised in other comprehensive income. Other comprehensive income and shareholders’ equity items will become more volatile, though. The Statement of capital will not be affected as it is already prepared without the use of the corridor method.

In December 2011, the IASB clarified the IAS 32 requirements for offsetting financial instruments. The clarification is expected to increase the offsetting of positive and negative fair values of derivatives. The IASB also enhanced its IFRS 7 disclosure requirements to include both gross and net amounts when offsetting financial instruments and rights of set-off in the event of counterparty defaults. The changes, which have not yet been adopted by the EU, must be implemented in 2014 and 2013, respectively.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity

Q1 2012	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	1,090	-	1,090	-	1,090
Net interest income	89	235	324	-235	89
Dividends from shares	-	-	-	-	-
Net fee income	-124	-	-124	-	-124
Income from investment portfolios	-	-	-	93	93
Value adjustments	8	-150	-142	142	-
Other income	29	-	29	-	29
Total income	1,092	85	1,177	-	1,177
Expenses	231	1	232	-	232
Profit before loan impairment charges	861	84	945	-	945
Loan impairment charges	385	-	385	-	385
Income from associates	-	-	-	-	-
Profit before tax	476	84	560	-	560
Q1 2011	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	878	-	878	-	878
Net interest income	87	131	218	-131	87
Dividends from shares	-	-	-	-	-
Net fee income	-116	-	-116	-	-116
Income from investment portfolios	-	-	-	-55	-55
Value adjustments	43	-229	-186	186	-
Other income	30	-	30	-	30
Total income	922	-98	824	-	824
Expenses	243	1	244	-	244
Profit before loan impairment charges	679	-99	580	-	580
Loan impairment charges	197	-	197	-	197
Income from associates	-	-	-	-	-
Profit before tax	482	-99	383	-	383

Mortgage finance encompasses property financing services provided in Denmark and Sweden 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 offered through the real-estate agency chain "home". Under the Danish Financial Business Act, at least 60% of the capital base of a mortgage credit institution must be invested in bonds, etc. Own holdings comprise the net return on the part of the securities portfolio not relating to the mortgage finance business. Income from trading activities and own holdings is carried in the income statement under net interest income, value adjustments, etc. In the consolidated highlights, this income is reclassified to income from investment portfolios.

Notes – Realkredit Danmark Group

Note	(DKK millions)	Q1 2012	Q1 2011
3	Loan impairment charges		
	Impairment charges etc.	443	245
	Reversals of impairment charges etc. for previous years	177	298
	Losses incurred	148	266
	Received on claims previously written off	29	16
	Total	385	197

4 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, charges were recognised as an expense of DKK 2,312 million at 31 March 2012, against DKK 2,065 million at the beginning of the year.

Of the total loan impairment charges for the credit risk on loans and other amounts due at amortised cost, charges were recognised as an expense of DKK 513 million at 31 March 2012, against DKK 494 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges etc. at 1 January 2011	2,001	264	2,265
Impairment charges etc. for the period	1,030	126	1,156
Reversals of impairment charges etc. for previous years	757	105	862
Impairment charges etc. at 31 December 2011	2,274	285	2,559
Impairment charges etc. for the period	419	24	443
Reversals of impairment charges etc. for previous years	152	25	177
Impairment charges etc. at 31 March 2012	2,541	284	2,825

Value adjustment of assets taken over amounted to DKK -8 million at 31 March 2012, against DKK -5 million at end 2011.

5 Assets deposited as collateral

At 31 March 2012, the Group had deposited securities worth DKK 20,358 million as collateral with the Danish central bank (end of 2011: DKK 21,210 million).

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and the 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 31 March 2012, the carrying amount of such securities totalled DKK 13,847 million (end of 2011: DKK 20,763 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

Mortgage loans at a fair value of DKK 721,762 million were deposited as collateral for issued mortgage bonds, including mortgage-covered bonds, at 31 March 2012 (end of 2011: DKK 723,754 million).

Notes – Realkredit Danmark Group

Note	(DKK millions)				
6	Financial instruments at fair value				
	31 March 2012	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	18,643	-	-	18,643
	Mortgage loans at fair value	-	721,762	-	721,762
	Shares	-	-	2	2
	Derivatives	-	124	-	124
	Total	18,643	721,886	2	740,531
	Issued mortgage bonds at fair value	703,311	-	-	703,311
	Derivatives	-	103	-	103
	Total	703,311	103	-	703,414
	31 December 2011				
	Bonds at fair value	17,289	-	-	17,289
	Mortgage loans at fair value	-	723,754	-	723,754
	Shares	-	-	2	2
	Derivatives	-	175	-	175
	Total	17,289	723,929	2	741,220
	Issued mortgage bonds at fair value	695,080	-	-	695,080
	Derivatives	-	648	-	648
	Total	695,080	648	-	695,728

Note 37 to Annual Report 2011 provides a description of the valuation techniques used for financial instruments. Financial market developments have not resulted in reclassification of bonds between listed prices and observable input during the first quarter of 2012.

7 Contingent liabilities

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

As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafvilkingskasse. Kreditforeningen Danmarks Pensionsafvilkingskasse and, by extension, the Group's defined benefit plan has not accepted new business 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 table below shows guarantees and indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised on the balance sheet.

(DKK millions)	31 March 2012	31 Dec. 2011	31 March 2011
Other contingent liabilities			
Irrevocable loan commitments regarding reverse mortgages	214	275	316
Other commitments	120	120	111
Total	334	395	427

Realkredit Danmark as lessee

Realkredit Danmark is the lessee in a number of operating leases. Under such leases, the Group is entitled to use an asset for a specific period of time against lease payments, but it does not take over the major risks associated with the asset nor does it benefit from any returns. The leases involve mainly cars. The minimum lease payments at 31 March 2012 were DKK 2 million (31 December 2011: DKK 2 million).

8 Events after the balance sheet date

Realkredit Danmark issued senior debt totalling DKK 7.5 billion with settlement of payments on 2 April 2012. The proceeds will be used to provide supplementary collateral in respect of mortgage-covered bonds. Issued senior debt is measured at amortised cost.

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim Report – First Quarter 2012 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 31 March 2012 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2012 and ending on 31 March 2012. 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, 10 May 2012

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Jens-Erik Corvinius
Member of the Executive Board

Board of Directors

Tonny Thierry Andersen
Chairman

Per Skovhus
Vice Chairman

Kim Andersen

Henrik Ramlau-Hansen

Claus Bundgaard

Klaus Pedersen

Supplementary information

Financial calendar

- Interim Report – First Half 2012:
7 August 2012
- Interim Report – First Nine Months 2012:
30 October 2012
- Annual Report 2012:
7 February 2013
- Annual General Meeting:
7 March 2013
- Interim Report – First Quarter 2013:
7 May 2013
- Interim Report – First Half 2013:
13 August 2013

Contact

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