
Interim Report – First nine months 2008

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Interim Report – First nine months 2008 is a translation of the original report in the Danish language (Delårsrapport – 1.-3. kvartal 2008). In case of discrepancies, the Danish version prevails.

Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKr m)	Q1-Q3 2008	Q1-Q3 2007	Index 08/07	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Full year 2007
Administration margin	2,208	2,112	105	744	736	728	721	713	2,833
Net interest income	1,393	1,258	111	524	438	431	482	459	1,740
Net fees	-326	-259	126	-106	-113	-107	-81	-92	-340
Net trading income	257	103	250	294	-168	131	134	96	237
Other income	121	126	96	29	38	54	34	38	160
Total income	3,653	3,340	109	1,485	931	1,237	1,290	1,214	4,630
Operating expenses	732	884	83	236	247	249	310	284	1,194
Profit before loan impairment charges	2,921	2,456	119	1,249	684	988	980	930	3,436
Loan impairment charges	42	11	-	33	12	-3	-21	17	-10
Profit before tax	2,879	2,445	118	1,216	672	991	1,001	913	3,446
Tax	725	615	118	304	177	244	239	222	854
Net profit for the period	2,154	1,830	118	912	495	747	762	691	2,592

BALANCE SHEET (END OF PERIOD) (DKr m)

Due from credit institutions etc.	21,717	16,178	134	21,717	13,253	13,731	23,178	16,178	23,178
Mortgage loans	643,234	614,033	105	643,234	635,184	642,586	627,809	614,033	627,809
Bonds and shares	5,064	11,206	45	5,064	3,024	5,426	40,059	11,206	40,059
Other assets	2,040	2,365	86	2,040	1,510	1,867	3,157	2,365	3,157
Total assets	672,055	643,782	104	672,055	652,971	663,610	694,203	643,782	694,203
Due to credit institutions etc.	13,251	5,704	232	13,251	3,171	7,928	11,918	5,704	11,918
Issued mortgage bonds	607,518	591,261	103	607,518	602,219	611,061	630,844	591,261	630,844
Other liabilities	13,374	11,821	113	13,374	10,581	8,116	15,683	11,821	15,683
Shareholders' equity	37,912	34,996	108	37,912	37,000	36,505	35,758	34,996	35,758
Total liabilities and equity	672,055	643,782	104	672,055	652,971	663,610	694,203	643,782	694,203

RATIOS AND KEY FIGURES

Return on average shareholders' equity (% p.a.)	7.8	7.2		9.7	5.4	8.3	8.6	8.0	7.5
Cost/income ratio (%)	20.0	26.5		15.9	26.5	20.1	24.0	23.4	25.8
Solvency ratio (%)	62.2	10.4		62.2	62.8	64.4	10.5	10.4	10.5
Core (tier 1) capital ratio (%)	62.2	10.3		62.2	62.7	64.4	10.5	10.3	10.5
Full-time-equivalent staff (end of period)	519	717		519	521	513	519	717	519

As of 2008, the solvency and core capital ratios are calculated in accordance with the CRD.

Financial review

- The Realkredit Danmark Group recorded a profit of Dkr2,154m in the first nine months of 2008 compared with Dkr1,830m in the first nine months of 2007.
- Relative to the end of September 2007, the outstanding nominal bond debt on mortgage lending has climbed 6% to Dkr676bn.
- At September 30, 2008, the solvency ratio was 62.2%.
- At unchanged interest rates, the pre-tax profit for the full year 2008 is still expected to be 4-9% higher than in 2007.

Results for the first nine months of 2008

For the first nine months of 2008, the Realkredit Danmark Group's profit after tax was Dkr2,154m, against Dkr1,830m for the same period of 2007. The result was 18% up on the first nine months of 2007, partly as a result of a higher administration margin – caused by an increase in the volume of lending – and higher net trading income. In spite of the intense financial turmoil, the profit was in line with expectations.

Total income rose Dkr313m, or 9%, relative to the first nine months of 2007. The administration margin was up Dkr96m on the year-earlier period as a result of a larger loan portfolio, and net interest income climbed Dkr135m, primarily on account of the larger shareholders' equity.

Net fee expenses rose to Dkr326m in the first nine months of 2008. This increase was expected because the activity and portfolio-based fees paid to Danske Bank for mortgage loans arranged through it in 2008 comprised a larger proportion of the loans in the private market. The increase in net fee expenses should also be seen in light of the decrease in operating expenses.

Net trading income amounted to Dkr257m, against Dkr103m in the same period of last year. Net trading income consists of value adjustments and the yield on the proprietary investment portfolio after deduction of funding costs – calculated on the basis of short-term money market rates.

Operating expenses declined 17% to Dkr732m. The decline was expected since a number of employees transferred to Danske Bank in connection with the organisational change at the end of 2007.

Loan impairment charges amounted to Dkr42m for the first nine months of 2008, against Dkr11m in the first nine months of 2007 and are still at a moderate level. The loan impairment charges correspond to 0.009% of total mortgage lending, and credit quality remains good. The delinquency rate remains very low in a historical perspective, although a slight increase has been recorded during 2008. The 3-month delinquency rate was 0.20% after the third quarter of 2008

against 0.14% at the beginning of the year. Most private-market customers have loans with 12 payment dates, which typically have lower delinquency rates than loans with two or four payment dates.

Prices in the Danish housing market have declined throughout 2008 to date. This applies to single-family and terraced houses, owner-occupied flats and holiday homes. Rising interest rates and the economic slowdown in particular pushed down housing prices during the first three quarters of the year. As a result of the decline in property prices, Realkredit Danmark's average loan-to-value (LTV) ratio – calculated on the basis of the last krone lent for every property – rose from 53% at the beginning of the year to 54% at the end of September 2008. The security underlying Realkredit Danmark's loans remains highly robust, however, and Realkredit Danmark is well protected against losses if customers default on their obligations.

The total tax charge for the first nine months of 2008 amounted to Dkr725m, corresponding to an effective tax rate of 25%.

Balance sheet

Mortgage lending at fair value rose Dkr29bn over the level at the end of September 2007 to Dkr643bn. The nominal outstanding bond debt rose Dkr41bn to Dkr676bn at the end of September 2008 after gross lending of Dkr83bn in the first nine months of 2008.

Issued mortgage bonds rose Dkr17bn to Dkr608bn compared with the end of September 2007. The nominal value of issued bonds rose Dkr28bn to Dkr640bn. The amounts are exclusive of holdings of own bonds.

Realkredit Danmark is subject to the specific balance principle and therefore has very limited exposure to market risks. At the end of the third quarter of 2008, Realkredit Danmark's interest rate risk and exchange rate risk amounted to Dkr263m and Dkr0.9m, respectively. In addition, Realkredit Danmark regularly finances its lending activities by issuing bonds, which involves very limited liquidity risk.

Capital and solvency

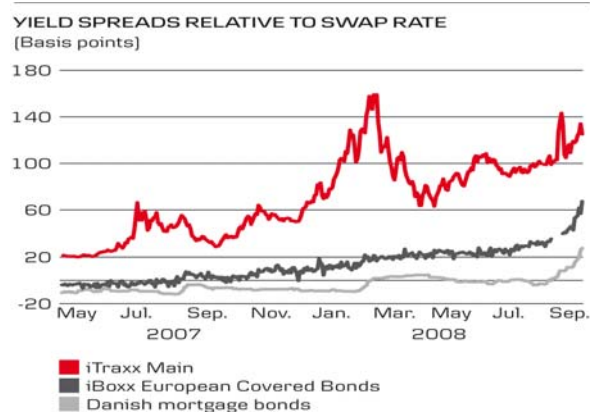
At the end of September 2008, shareholders' equity stood at DKr37,912m, and the solvency ratio calculated according to the CRD was 62.2%. At the beginning of 2008, the corresponding figures were DKr35,758m and 64.3%. The movements in shareholders' equity were attributable exclusively to retained earnings.

As from January 1, 2008, the Realkredit Danmark Group has applied the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets concerning credit risks. This has resulted in a significant reduction of the capital requirement. However, in accordance with the CRD transition rules, the capital requirement for 2008 must as a minimum amount to 90% of the requirement calculated under the previous rules, corresponding to DKr25,701m and a solvency ratio of 43.5%.

Mortgage credit market

Financial unrest and a general decline in property prices characterised the mortgage credit market in Denmark during the first nine months of 2008.

The past five quarters were characterised by increasing turbulence in the capital markets, falling equity prices, a considerable widening of credit spreads and lower economic growth. In the third quarter of 2008, the financial crisis deepened and led to a profound lack of confidence in the international financial system. The crisis included bankruptcies and breakdowns in the financial sector internationally, and a number of financial institutions in both the US and Europe merged or were acquired, in some cases as a result of government intervention. At the beginning of the fourth quarter, a number of countries introduced programmes intended to restore confidence in the financial system. The same kind of activity was witnessed in Denmark. A number of investors place their funds increasingly in government bonds instead of shares and mortgage bonds. Concurrently with this trend, prices of mortgage bonds declined, the effective rates of interest went up, and the yield spread for mortgage bonds widened significantly during the third quarter of 2008.



The rise in interest rates during 2008 has made it possible to raise 6% and 7% loans, and many borrowers have taken advantage of the possibility of refinancing existing low-coupon loans with loans with a higher coupon in order to achieve a lower nominal residual debt. During the first three quarters, the mortgage bond market was characterised by strong refinancing activity, and this partially compensated for the effects of the sluggish housing market.

The interest rate on 30-year fixed-rate loans and on FlexLån® F1 has climbed 0.4 of a percentage point since the end of 2007.

Effective rate of interest (%)	Sept. 30, 2008	Dec. 31, 2007
FlexLån® F1	5.1	4.7
6% 30-year fixed-rate loan	6.7	6.3
RD Cibor6®	5.6	4.9

In order to push down the price of financing in the eurozone, Realkredit Danmark intends to commence issuance of mortgage-covered bonds in EUR through VP Securities Services' branch in Luxembourg in the fourth quarter of 2008. The bonds will be listed on OMX Nordic Exchange Copenhagen.

The public IT project concerning electronic registration of mortgages is now expected to be launched in January 2009. Realkredit Danmark will be ready to start using electronic registration when the public solution is ready.

Outlook for 2008

Realkredit Danmark still expects relatively weak activity in the mortgage credit market in the fourth quarter of 2008.

The financial unrest and turmoil in the capital markets will make trading income in the fourth quarter particularly dependent on securities prices at the end of the year.

Total income, excluding net trading income, and operating expenses are expected to be at the same level in the fourth quarter as in the third quarter of 2008.

Assuming that the economic climate remains unchanged, loan impairment charges are expected to remain low.

The profit for 2008 will depend largely on trends in the financial markets, including the level of securities prices at the end of the year. At an unchanged level of interest rates, the pre-tax profit is still likely to be 4-9% higher than in 2007.

The Group estimates that its effective tax rate will be 25%.

Income statement – Realkredit Danmark Group

(DKr m)	Q1-Q3 2008	Q1-Q3 2007	Q3 2008	Q3 2007
Interest income	24,939	22,341	8,474	7,462
Interest expense	21,394	18,963	7,244	6,297
Net interest income	3,545	3,378	1,230	1,165
Dividends from shares	12	15	-	-
Fee and commission income	334	335	109	118
Fee and commission expense	660	594	215	210
Net fee and commission income	3,231	3,134	1,124	1,073
Value adjustments	299	70	331	100
Other operating income	122	129	30	41
Staff costs and administrative expenses	727	877	235	281
Impairment, amortisation and depreciation	5	7	1	3
Loan impairment charges	42	11	33	17
Income from associated undertakings	1	7	-	-
Profit before tax	2,879	2,445	1,216	913
Tax	725	615	304	222
Net profit for the period	2,154	1,830	912	691

Balance sheet – Realkredit Danmark Group

(DKr m)	Sept. 30, 2008	Dec. 31, 2007
ASSETS		
Cash in hand and demand deposits with central banks	16	25
Due from credit institutions and central banks	21,701	23,153
Bonds at fair value	4,990	39,987
Mortgage loans at fair value	643,234	627,809
Loans and other amounts due at amortised cost	566	333
Shares	62	62
Holdings in associated undertakings	12	10
Land and buildings	95	124
Domicile property	95	124
Other tangible assets	15	17
Deferred tax assets	24	28
Other assets	1,325	2,643
Prepayments	15	12
Total assets	672,055	694,203
LIABILITIES AND EQUITY		
LIABILITIES		
Due to credit institutions and central banks	13,251	11,918
Issued mortgage bonds at fair value	607,518	630,844
Current tax liabilities	498	4
Other liabilities	12,817	15,671
Deferred income	59	8
Total liabilities	634,143	658,445
SHAREHOLDERS' EQUITY		
Share capital	630	630
Other reserves		
Reserves in series	6,334	6,334
Other reserves	30,948	28,794
Total shareholders' equity	37,912	35,758
Total liabilities and equity	672,055	694,203

Statement of capital – Realkredit Danmark Group

CHANGE IN SHAREHOLDERS' EQUITY (DKr m)	Share capital	Proposed dividends	Other reserves	Total
Shareholders' equity at January 1, 2008	630	-	35,128	35,758
Net profit for the period	-	-	2,154	2,154
Shareholders' equity at September 30, 2008	630	-	37,282	37,912
Shareholders' equity at January 1, 2007	630	-	32,536	33,166
Net profit for the period	-	-	1,830	1,830
Shareholders' equity at September 30, 2007	630	-	34,366	34,996

The share capital is made up of 6,300,000 shares of DKr100 each. The company is wholly-owned by Danske Bank A/S, Copenhagen.

SOLVENCY (DKr m)	Sept. 30, 2008	Jan. 1, 2008	Dec. 31, 2007
Shareholders' equity	37,912	35,758	35,758
Expected dividends	-856	-	-
Domicile property	57	61	61
Pension obligations	-188	-179	-179
Tax effect	47	45	45
Revaluation reserve	-46	-48	-48
Deferred tax assets	-71	-73	-73
Difference between expected losses and value adjustments	-126	-256	-
Core (tier 1) capital	36,729	35,308	35,564
Reserves in series subject to a reimbursement obligation	96	106	106
Revaluation reserve	46	48	48
Difference between expected losses and value adjustments	-126	-154	-
Capital base	36,745	35,308	35,718
Capital requirements			
Credit risk, IRB approach	3,832	3,470	
Credit risk, standardised approach	1	6	
Counterparty risk	3	-	
Total credit risk	3,836	3,476	26,802
Market risk	355	383	384
Operational risk	532	532	
Capital requirements under Pillar I	4,723	4,391	
Pillar II and transition rules	20,978	20,077	
Total capital requirement	25,701	24,468	27,186
Total risk-weighted assets	59,035	54,892	339,828
Core (tier 1) capital ratio (%)	62.22	64.32	10.47
Solvency ratio (%)	62.24	64.32	10.51

As of 2008, the solvency and core capital ratios are calculated in accordance with the CRD. Solvency for 2007 is calculated in accordance with the rules of the Danish FSA in force at that time.

In accordance with the CRD transition rules, the minimum requirement for the solvency ratio at September 30, 2008, is 43.5.

Cash flow statement – Realkredit Danmark Group

(DKr m)	Q1-Q3 2008	Q1-Q3 2007
Cash flow from operations		
Net profit for the period	2,154	1,830
Adjustment for non-liquid items in the income statement	-694	-1,564
Cash flow from operating capital	-2,964	-2,642
Total	-1,504	-2,376
Cash flow from investing activities		
Acquisition/sale of tangible assets	43	-
Total	43	-
Cash and cash equivalents, beginning of period	23,178	18,554
Change during the period	-1,461	-2,376
Cash and cash equivalents, end of period	21,717	16,178

Notes – Realkredit Danmark Group

Note

1 **Significant accounting policies**

The Group's interim report for the first nine months of 2008 has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for interim financial reports of issuers of listed bonds.

The Group has not changed its significant accounting policies from those followed in Annual Report 2007, which provides a full description of the Group's significant accounting policies.

For a detailed description of the Group's significant risks and external conditions that may affect the Group, see Annual Report 2007.

The interim report has not been reviewed or audited.

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of international financial reporting standards that have not yet come into force and the International Financial Interpretations Committee (IFRIC) has issued a number of interpretations that have not yet come into force.

None of these is expected to materially affect the financial reporting of the Group.

Notes - Realkredit Danmark Group

Note (DKr m)

2 Operating activity accounts - Realkredit Danmark Group

Q1-Q3 2008	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,208	-	2,208	-	2,208
Net interest income	1,393	-55	1,338	55	1,393
Dividends from shares	-	12	12	-12	-
Net fees	-326	-	-326	-	-326
Net trading income	-	-	-	257	257
Value adjustments	133	166	299	-299	-
Other income	121	-	121	-	121
Total income	3,529	123	3,652	1	3,653
Operating expenses	729	3	732	-	732
Profit before loan impairment charges	2,800	120	2,920	1	2,921
Loan impairment charges	42	-	42	-	42
Income from associated and subsidiary undertakings	-	1	1	-1	-
Profit before tax	2,758	121	2,879	-	2,879
Q1-Q3 2007	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,112	-	2,112	-	2,112
Net interest income	1,258	9	1,267	-9	1,258
Dividends from shares	-	15	15	-15	-
Net fees	-259	-	-259	-	-259
Net trading income	-	-	-	103	103
Value adjustments	141	-69	72	-72	-
Other income	126	-	126	-	126
Total income	3,378	-45	3,333	7	3,340
Operating expenses	881	3	884	-	884
Profit before loan impairment charges	2,497	-48	2,449	7	2,456
Loan impairment charges	11	-	11	-	11
Income from associated and subsidiary undertakings	-	7	7	-7	-
Profit before tax	2,486	-41	2,445	-	2,445

In addition to the mortgage finance business itself, mortgage finance also includes purchases and sales of real property through the "home" franchise.

Under the Danish Financial Business Act, at least 60% of the capital base of a mortgage credit institution must be invested in bonds etc.

Own holdings comprise the net return on the part of the securities portfolio not relating to the mortgage finance business. Income from 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 net trading income.

Notes – Realkredit Danmark Group

Note

3 **Contingent liabilities**

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

The Group's pension obligations are covered through regular payments to insurance companies, pension funds, etc. In addition, Realkredit Danmark guarantees the pension obligations of Kreditforeningen Danmark Pensionsafviklingskasse.

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

The table below shows guarantees and other liabilities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised on the balance sheet.

Guarantees and other liabilities (DKr m)	Sept. 30, 2008	Dec. 31, 2007
Guarantees etc.	4	4
Other liabilities	727	838
Total	731	842

4 **Highlights**

(DKr m)	Q1-Q3 2008	Q1-Q3 2007
Financial highlights		
1. Net interest and fee income	3,231	3,134
2. Value adjustments	299	70
3. Staff costs and administrative expenses	727	877
4. Loan impairment charges	42	11
5. Income from associated undertakings	1	7
6. Net profit for the period	2,154	1,830
7. Loans	643,800	614,500
8. Shareholders' equity	37,912	34,996
9. Total assets	672,055	643,782
Ratios and key figures		
1. Solvency ratio (%)	62.2	10.4
2. Core (tier 1) capital ratio (%)	62.2	10.3
3. Return on equity before tax for the period (%)	7.8	7.2
4. Return on equity after tax for the period (%)	5.8	5.4
5. Income/cost ratio (DKr)	4.72	3.73
6. Foreign exchange position (%)	2.6	2.9
7. Gearing of lending	17.0	17.6
8. Growth in lending for the period (%)	4.3	4.3
9. Impairment ratio for the period (%)	0.0	0.0

The ratios and key figures are defined in the executive order on financial reports of credit institutions etc. issued by the Danish FSA.

Statement by the management

The Board of Directors and the Executive Board (the management) have reviewed and approved the interim report of the Realkredit Danmark Group for the first nine months of 2008.

The interim report for the first nine months of 2008 has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for the interim financial reports of issuers of listed bonds.

In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities and financial position at September 30, 2008, and of the results of the Group's operations and cash flows for the period starting on January 1, 2008, and ending on September 30, 2008. Moreover, in our opinion, the interim report gives a true and fair view of developments in the Group's activities and financial position and describes significant risk and uncertainty factors that may affect the Group.

Kgs. Lyngby, October 28, 2008

Executive Board

Sven Holm

Chairman of the Executive Board and
Chief Executive Officer

Carsten Nøddebo Rasmussen

Member of the Executive Board

Board of Directors

Sven Lystbæk
Chairman

Henrik Normann
Vice chairman

Tonny Thierry Andersen

Per Skovhus

Max Jeppesen

Klaus Pedersen

Supplementary information

Financial calendar

Realkredit Danmark plans to release its financial reports in 2009 on the following dates:

- Annual Report 2008:
February 5, 2009
- Annual general meeting:
March 3, 2009
- Interim Report – First quarter 2009:
May 5, 2009
- Interim Report – First half 2009:
August 11, 2009
- Interim Report – First nine months 2009:
November 3, 2009

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www.home.dk