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# Interim Report – First Nine Months 2013

Interim Report – First Nine Months 2013 is a translation of the original report in the Danish language (Delårsrapport – 1. -3. kvartal 2013). In case of discrepancies, the Danish version prevails.

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## Financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE PERIOD (DKK millions)	Q1-Q3 2013	Q1-Q3 2012	Index 13/12	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Full year 2012
Administration margin	4,109	3,377	122	1,376	1,367	1,366	1,347	1,187	4,724
Net interest income	-26	178	-	2	-24	-4	57	47	235
Net fee income	-360	-350	103	-125	-122	-113	-119	-109	-469
Income from investment portfolios	376	507	74	49	94	233	355	36	862
Other income	94	85	111	31	34	29	26	27	111
Total income	4,193	3,797	110	1,333	1,349	1,511	1,666	1,188	5,463
Expenses	611	650	94	207	211	193	220	205	870
Profit before loan impairment charges	3,582	3,147	114	1,126	1,138	1,318	1,446	983	4,593
Loan impairment charges	1,151	1,022	113	264	433	454	297	364	1,319
Profit before tax	2,431	2,125	114	862	705	864	1,149	619	3,274
Tax	607	532	114	215	176	216	288	154	820
Net profit for the period	1,824	1,593	115	647	529	648	861	465	2,454

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

Due from credit institutions etc.	5,397	22,763	24	5,397	24,915	23,257	18,727	22,763	18,727
Mortgage loans	729,881	728,659	100	729,881	729,217	734,161	735,494	728,659	735,494
Bonds and shares	43,543	32,706	133	43,543	32,186	31,934	35,966	32,706	35,966
Other assets	3,289	3,517	94	3,289	3,126	3,317	3,940	3,517	3,940
Total assets	782,110	787,645	99	782,110	789,444	792,669	794,127	787,645	794,127
Due to credit institutions etc.	6,468	20,372	32	6,468	15,317	17,484	10,079	20,372	10,079
Issued mortgage bonds	693,529	691,857	100	693,529	693,850	698,499	701,373	691,857	701,373
Issued senior debt	27,070	20,109	135	27,070	27,066	23,643	21,687	20,109	21,687
Other liabilities	8,916	9,911	90	8,916	7,736	8,055	14,636	9,911	14,636
Shareholders' equity	46,127	45,396	102	46,127	45,475	44,988	46,352	45,396	46,352
Total liabilities and equity	782,110	787,645	99	782,110	789,444	792,669	794,127	787,645	794,127

### RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	5.3	4.7		5.7	4.7	5.7	7.5	4.1	5.4
Impairment charges as % of mortgage lending	0.21	0.19		0.15	0.24	0.25	0.16	0.20	0.18
Cost/income ratio (%)	14.6	17.1		15.5	15.6	12.8	13.2	17.3	15.9
Total capital ratio (%)	35.1	35.7		35.1	34.2	33.6	34.3	35.7	34.3
Tier 1 capital ratio (%)	34.6	35.1		34.6	33.6	33.0	33.7	35.1	33.7
Full-time-equivalent staff (end of period)	248	252		248	255	256	250	252	250

Realkredit Danmark Group has adopted the amended IAS 19 "Employee Benefits" effective from 1 January 2013. Comparative figures for 2012 have been restated.

### Overview, first nine months 2013

- Realkredit Danmark recorded a net profit of DKK 1,824 million in the first nine months of 2013, an increase of 15% relative to the same period in 2012. The profit benefited from a stronger market position and a satisfactory business performance, while it was adversely affected by higher funding costs and higher impairments.
- Throughout 2013, there has been a declining trend in impairments. Overall, however, loan impairments rose from DKK 1,022 million in the first nine months of 2012 to DKK 1,151 million in the first nine months of 2013, primarily because of impairments made against interest-only loans in the first quarter.
- The share of customers with F1 loans fell from around 28% at 30 September 2012 to around 23% at the end of September 2013. Customers are becoming more and more interested in fixing their mortgage rates for longer periods.
- In September 2013, Realkredit Danmark launched FlexKort®. Customer interest in the new product exceeds expectations.
- The total capital ratio according to the Capital Requirements Directive (CRD) was 35.1%, against 34.3% at the end of 2012.
- Realkredit Danmark maintains its expectations for a higher profit in 2013 than in 2012.

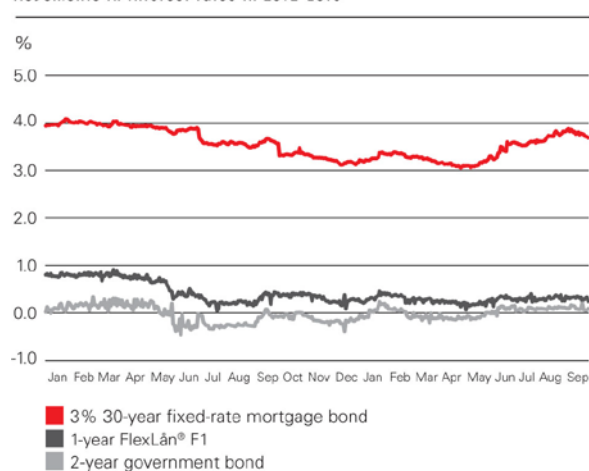
Carsten Nøddebo, Chairman of the Executive Board, said:

*“The launch of FlexKort® as an attractive alternative for customers looking for a mortgage with frequent interest resetting has exceeded our expectations. During the first month after the product was launched, we made FlexKort® loan offers for more than DKK 4 billion. More than nine out of ten customers looking for a mortgage with frequent interest resetting currently opt for FlexKort®. The warm welcome given to FlexKort® should probably be seen in the context of the fact that the loan has been cheaper than F1 loans since it was launched.”*

### Mortgage credit market

The positive trends in the Danish economy continue to support a stabilising housing market. To date, 2013 has seen unchanged to slightly rising prices of single-family houses, while prices of owner-occupied flats have gone up – particularly in the Greater Copenhagen area. Trading activity in the housing market is edging up, although it remains sluggish.

Movements in interest rates in 2012-2013



The historically low interest rates have underpinned the housing market during the past few years. Interest rates have risen slightly in 2013 to date, but at the

upcoming round of FlexLån® refinancing, borrowers are likely to find that interest rates will remain low in a historical context. As a result, we expect that many borrowers will fix mortgage rates for longer periods of, for example, three or five years.

Growing demand from both Danish institutional investors and foreign investors has continued to push up the level of activity in the market for commercial property. Investors are attracted mainly to residential rental and commercial properties in the Greater Copenhagen area, where prices are rising.

### Results

Realkredit Danmark recorded a net profit of DKK 1,824 million in the first nine months of 2013, against DKK 1,593 million in the same period of last year.

The improvement was achieved especially on the back of differentiated price increases implemented in 2012 and reflecting customers' risk profiles and choice of financing.

Net interest income in the first nine months of 2013 was affected by net expenses for senior debt.

Realkredit Danmark issued senior debt at the end of the first quarter of 2012 and has continued to issue additional senior debt, both in 2012 and in 2013, bringing the total amount of senior debt to DKK 27 billion at 30 September 2013.

Income from the investment portfolio amounted to DKK 376 million, against DKK 507 million in the first nine months of 2012. A lower return on the proprietary portfolio more than offset the increase in income from the higher refinancing margin in 2013.

Total income thus rose 10% from the level in the first nine months of 2012.

Expenses were down 6% because of lower costs for marketing and IT systems development.

Impairments have declined throughout 2013 to date but rose overall to DKK 1,151 million in the first nine

months of 2013 from DKK 1,022 million in the same period of 2012. The trend has been supported by a stable delinquency rate in 2013 to date. Impairments equalled 0.21% p.a. of total mortgage lending, against 0.18% p.a. in 2012.

The tax charge totalled DKK 607 million, corresponding to an effective tax rate of 25%.

#### **Balance sheet**

Gross lending amounted to DKK 67 billion, against DKK 87 billion in the first nine months of 2012. Mortgage lending at fair value fell DKK 6 billion to DKK 730 billion in the first nine months of 2013. The nominal outstanding bond debt increased DKK 3 billion in the same period.

At 30 September 2013, the average loan-to-value (LTV) ratio stood at 71%, the same as at the end of 2012.

The number of new foreclosures was 126 in the first nine months of 2012. At 30 September, the total number of foreclosures was 128, or 28 fewer than at 1 January. The value of the foreclosures was DKK 230 million.

Issued mortgage bonds declined DKK 8 billion to DKK 694 billion. The nominal value of issued bonds fell DKK 2 billion to DKK 679 billion. The amounts are exclusive of holdings of own bonds.

#### **Capital and solvency**

At 30 September 2013, shareholders' equity stood at DKK 46.1 billion, against DKK 46.4 billion at end-2012. The dividend payment of DKK 2.0 billion and the consolidation of the net profit for the period accounted for the decline.

Realkredit Danmark's capital base amounted to DKK 45.4 billion, and the total capital ratio calculated in accordance with the CRD was 35.1%. At 31 December 2012, the corresponding amounts were DKK 45.1 billion and 34.3%.

Realkredit Danmark uses the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. Risk-weighted assets (RWA) amounted to DKK 129.2 billion at 30 September 2013, against DKK 131.5 billion at end-2012. Calculated on the basis of the transitional rules of the CRD, the solvency need for 2013 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 26.4 billion or a solvency need ratio of 20.4%. Realkredit Danmark thus has a capital buffer of DKK 19.0 billion.

In the second quarter of 2013, Danske Bank received an order from the Danish FSA requiring an increase in the capital allocated to the covering of credit risks. Danske Bank resolved to comply with the order already at the end of the third quarter of 2013 by estab-

lishing a temporary solution and then to develop and implement a more permanent solution in 2014. At 30 September 2013, the temporary solution caused only a marginal increase in Realkredit Danmark's risk-weighted assets.

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

#### **SIFI regulation**

As Danske Bank is designated a SIFI, Realkredit Danmark will also be covered by the stricter SIFI capital requirements adopted to ensure a robust and stable financial sector. Realkredit Danmark already complies with these stricter requirements.

#### **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 2013, the requirement for supplementary collateral for mortgage-covered bonds was DKK 43.0 billion. At the end of 2012, the requirement was DKK 43.9 billion.

#### **Rating**

Realkredit Danmark's mortgage bonds and mortgage-covered bonds issued from capital centres S and T and under the Other reserves series hold a AAA rating from Standard & Poor's. Furthermore, bonds issued from capital centre S hold a AAA rating from Fitch Ratings, while bonds issued through capital centre T hold a AA+ rating with the same agency. Realkredit Danmark holds an issuer rating of A from Fitch Ratings.

In relation to ratings, Realkredit Danmark remains focused on reducing the proportion of loans with short-term funding owing to the greater attention to this area from Standard & Poor's. For this and other purposes, Realkredit Danmark has launched its new FlexKort<sup>®</sup> product with longer maturities than the F1 and F2 loans.

Rating agencies still define overcollateralisation requirements that are stricter than the requirement for supplementary collateral. The overcollateralisation requirements are covered by Realkredit Danmark's capital base and proceeds from previously issued senior debt.

#### **Adjustment of prices relative to loan type risk**

In July 2012, Realkredit Danmark launched a new price model. The intention was to strengthen the incentive for home owners to switch away from interest-only loans and make instalments on their mortgages, ensure longer-term funding and cover the higher fund-

ing costs involved in offering interest-only loans with short refinancing periods.

The mortgage credit sector has repeatedly been approached by the government and the Danish central bank, who have indicated that the sector needs to further reduce the volume of interest-only mortgage loans with frequent refinancing.

Realkredit Danmark has regularly adjusted its prices to further encourage home owners to change their behaviour. Realkredit Danmark has emphasised that customers should be offered real and competitive alternatives to F1 loans and interest-only loans.

### **Outlook for 2013**

The administration margin increases implemented in 2012 will lead to higher income in 2013, while higher funding costs and a lower return on the proprietary portfolio will have an adverse effect on income.

Continued focus on cost control will support the decline in costs in 2013.

In 2013, impairments are expected to be slightly higher than in 2012.

Overall, Realkredit Danmark therefore still expects to achieve a higher profit in 2013 than it did in 2012.

## Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	Q1-Q3 2013	Q1-Q3 2012	Q3 2013	Q3 2012	Full year 2012
	<b>Profit</b>					
	Interest income	18,756	19,418	6,025	6,243	25,946
	Interest expense	13,354	14,854	4,244	4,589	19,395
	Net interest income	5,402	4,564	1,781	1,654	6,551
	Dividends from shares	-	-	-	-	-
	Fee and commission income	286	423	84	151	593
	Fee and commission expense	646	773	209	260	1,062
	Net fee and commission income	5,042	4,214	1,656	1,545	6,082
	Value adjustments	-945	-503	-354	-385	-732
	Other operating income	94	85	31	27	111
	Staff costs and administrative expenses	608	647	206	204	866
	Amortisation, depreciation and impairment charges	3	3	1	1	4
3	Loan impairment charges	1,151	1,022	264	364	1,319
	Income from associates	2	1	-	1	2
	Profit before tax	2,431	2,125	862	619	3,274
	Tax	607	532	215	154	820
	Net profit for the period	1,824	1,593	647	465	2,454
	<b>Comprehensive income</b>					
	Net profit for the period	1,824	1,593	647	465	2,454
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Actuarial gains/losses on defined benefit plans	-65	-50	8	19	77
	Tax	16	13	-3	-5	-19
	Total other comprehensive income	-49	-37	5	14	58
	Total comprehensive income for the period	1,775	1,556	652	479	2,512

## Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 September 2013	31 December 2012	30 September 2012
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	21	3	4
	Due from credit institutions and central banks	5,376	18,724	22,759
	Bonds at fair value	43,527	35,953	32,694
4	Mortgage loans at fair value	729,881	735,494	728,659
4	Loans and other amounts due at amortised cost	984	846	842
	Shares	2	2	2
	Holdings in associates	14	11	10
	Land and buildings	91	92	93
	Domicile property	91	92	93
	Other tangible assets	10	11	10
	Current tax assets	-	10	-
	Deferred tax assets	-	-	-
	Assets temporarily taken over	230	265	270
4	Other assets	1,958	2,706	2,294
	Prepayments	16	10	8
<b>Total assets</b>		<b>782,110</b>	<b>794,127</b>	<b>787,645</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	6,468	10,079	20,372
	Issued mortgage bonds at fair value	693,529	701,373	691,857
8	Issued bonds at amortised cost	27,070	21,687	20,109
	Current tax liabilities	588	-	612
	Deferred tax liabilities	37	45	-
	Other liabilities	8,291	14,591	9,252
	Deferred income	-	-	47
<b>Total amounts due</b>		<b>735,983</b>	<b>747,775</b>	<b>742,249</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	39,453	39,453	33,120
	Other reserves	6,044	4,269	11,646
	Proposed dividends	-	2,000	-
<b>Total shareholders' equity</b>		<b>46,127</b>	<b>46,352</b>	<b>45,396</b>
<b>Total liabilities and equity</b>		<b>782,110</b>	<b>794,127</b>	<b>787,645</b>



## Statement of capital – Realkredit Danmark Group

<b>CHANGES IN SHAREHOLDERS' EQUITY</b> (DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2013	630	39,453	4,327	2,000	46,410
Changed recognition of defined benefit plans	-	-	-58	-	-58
Restated shareholders' equity at 1 January 2013	630	39,453	4,269	2,000	46,352
Net profit for the period	-	-	1,824	-	1,824
Actuarial gains/losses on defined benefit plans	-	-	-65	-	-65
Tax	-	-	16	-	16
Total comprehensive income for the period	-	-	1,775	-	1,775
Dividend paid	-	-	-	-2,000	-2,000
Shareholders' equity at 30 September 2013	630	39,453	6,044	-	46,127
Shareholders' equity at 1 January 2012	630	33,120	10,221	786	44,757
Changed recognition of defined benefit plans	-	-	-131	-	-131
Restated shareholders' equity at 1 January 2012	630	33,120	10,090	786	44,626
Net profit for the period	-	-	1,593	-	1,593
Actuarial gains/losses on defined benefit plans	-	-	-50	-	-50
Tax	-	-	13	-	13
Total comprehensive income for the period	-	-	1,556	-	1,556
Dividend paid	-	-	-	-786	-786
Shareholders' equity at 30 September 2012	630	33,120	11,646	-	45,396

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.

<b>CAPITAL BASE AND TOTAL CAPITAL RATIO</b> (DKK millions)	30 September 2013	31 December 2012	30 September 2012
Shareholders' equity	46,127	46,352	45,396
Revaluation of domicile property	46	44	62
Tax effect	-11	-11	-15
Shareholders' equity calculated in accordance with the rules of the Danish FSA	46,162	46,385	45,443
Expected dividends	-1,450	-2,000	-1,556
Revaluation reserve	-31	-31	-49
Deferred tax assets	-	-	-
Core tier 1 capital	44,681	44,354	43,838
Hybrid capital	-	-	-
Difference between expected losses and impairment charges	-	-	-
Total tier 1 capital	44,681	44,354	43,838
Reserves in series subject to a reimbursement obligation	45	62	62
Revaluation reserve	31	31	49
Difference between expected losses and impairment charges	669	616	605
Capital base	45,426	45,063	44,554
Total risk-weighted assets	129,241	131,543	124,719
Core tier 1 capital ratio (%)	34.6	33.7	35.1
Tier 1 capital ratio (%)	34.6	33.7	35.1
Total capital ratio (%)	35.1	34.3	35.7

The total capital and tier 1 capital ratios are calculated in accordance with the CRD.  
The solvency need calculation is described in more detail on rd.dk.

## Cash flow statement – Realkredit Danmark Group

(DKK millions)	Q1-Q3 2013	Q1-Q3 2012	Full year 2012
<b>Cash flow from operations</b>			
Profit before tax	2,431	2,125	3,274
Tax paid	-	-	-893
Adjustment for non-cash operating items	590	359	405
Cash flow from operating capital	-14,350	-9,457	-13,793
Total	-11,329	-6,973	-11,007
<b>Cash flow from investing activities</b>			
Acquisition/sale of tangible assets	-1	-	-2
Total	-1	-	-2
<b>Cash flow from financing activities</b>			
Change in hybrid capital	-	-2,034	-2,034
Dividends	-2,000	-786	-786
Total	-2,000	-2,820	-2,820
<b>Cash and cash equivalents at 1 January</b>	18,727	32,556	32,556
Change in cash and cash equivalents	-13,330	-9,793	-13,829
<b>Cash and cash equivalents, end of period</b>	5,397	22,763	18,727

## Notes – Realkredit Danmark Group

Note

### 1 Significant accounting policies

#### and critical accounting estimates and assessments

Realkredit Danmark's interim report for the first nine months of 2013 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.

Other than as set out below, Realkredit Danmark has not changed its significant accounting policies from those followed in Annual Report 2012, which provides a full description of Realkredit Danmark's significant accounting policies.

Because of changes to IAS 19, Employee Benefits, Realkredit Danmark has changed its accounting policy for recognition of defined benefit pension plans effective from 1 January 2013. The amended standard eliminates the option of deferring the recognition of actuarial gains and losses on defined benefit pension plans, known as the "corridor method". The present value of pension obligations and the fair value of pension plan assets must be recognised in the balance sheet instead. Realkredit Danmark adopted the standard from the beginning of 2013 with restatement of comparative figures for 2012.

The new requirements reduced shareholders' equity at 1 January 2012 by DKK 131 million (the amount previously deferred under the corridor method net of tax). The end-2012 effect was a reduction of the net pension asset of DKK 77 million, a reduction of the deferred tax liability of DKK 19 million and a reduction of shareholders' equity of DKK 58 million. The net profit for 2012 was increased by DKK 15 million because of reduced pension costs (after tax). Actuarial gains of DKK 58 million after tax were recognised in Other comprehensive income for 2012.

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of Realkredit Danmark's consolidated financial statements. The estimates and assumptions that are deemed critical to the consolidated financial statements concern 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 determines the need for changes to reflect fair value adjustments of the credit risk on 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, which reflects 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 plus a risk premium.

Realkredit Danmark's principal risks and external factors that may affect Realkredit Danmark are described in more detail in Annual Report 2012.

The interim report has not been reviewed or audited.

## Notes - Realkredit Danmark Group

Note (DKK millions)

### 2 Profit broken down by activity

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
<b>Total income</b>	<b>4,007</b>	<b>184</b>	<b>4,191</b>	<b>2</b>	<b>4,193</b>
<b>Expenses</b>	<b>606</b>	<b>5</b>	<b>611</b>	<b>-</b>	<b>611</b>
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	-
<b>Profit before tax</b>	<b>2,250</b>	<b>181</b>	<b>2,431</b>	<b>-</b>	<b>2,431</b>

Q1-Q3 2012	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	3,377	-	3,377	-	3,377
Net interest income	178	1,009	1,187	-1,009	178
Dividends from shares	-	-	-	-	-
Net fee income	-350	-	-350	-	-350
Income from investment portfolios	-	-	-	507	507
Value adjustments	30	-533	-503	503	-
Other income	85	-	85	-	85
<b>Total income</b>	<b>3,320</b>	<b>476</b>	<b>3,796</b>	<b>1</b>	<b>3,797</b>
<b>Expenses</b>	<b>647</b>	<b>3</b>	<b>650</b>	<b>-</b>	<b>650</b>
Profit before loan impairment charges	2,673	473	3,146	1	3,147
Loan impairment charges	1,022	-	1,022	-	1,022
Income from associates	-	1	1	-1	-
<b>Profit before tax</b>	<b>1,651</b>	<b>474</b>	<b>2,125</b>	<b>-</b>	<b>2,125</b>

Mortgage finance encompasses property financing services provided in Denmark, Sweden and Norway to personal and business customers. The mediation of property financing services is made through Danske Bank's branch network and finance centres and through Corporate & Institutional Mortgage Finance at Realkredit Danmark. The segment also includes mediation of real estate transactions in Denmark offered through the "home" real-estate agency chain. Under the Danish Financial Business Act, at least 60% of the 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 and value adjustments, etc. In the consolidated highlights, this income is reclassified to income from investment portfolios.

## Notes - Realkredit Danmark Group

Note	(DKK millions)	Q1-Q3 2013	Q1-Q3 2012
3	<b>Loan impairment charges</b>		
	Impairment charges etc.	1,370	861
	Reversals of impairment charges etc. for previous years	783	505
	Losses incurred	618	743
	Received on claims previously written off	54	77
	<b>Total</b>	<b>1,151</b>	<b>1,022</b>

- 4 **Loans etc.**  
 Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,225 million at 30 September 2013, against DKK 2,673 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 2013, against DKK 288 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges etc. at 1 January 2012	2,274	285	2,559
Impairment charges etc. for the period	1,139	103	1,242
Reversals of impairment charges etc. for previous years	666	174	840
Impairment charges etc. at 31 December 2012	2,747	214	2,961
Impairment charges etc. for the period	1,060	310	1,370
Reversals of impairment charges etc. for previous years	716	67	783
Impairment charges etc. at 30 September 2013	3,091	457	3,548

Value adjustments of assets taken over amounted to DKK -7 million at 30 September 2013, against DKK -1 million at end-2012.

- 5 **Assets deposited as collateral**  
 At 30 September 2013, Realkredit Danmark had deposited securities worth DKK 15,638 million (31 December 2012: DKK 21,442 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 in 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 30 September 2013, the carrying amount of such securities totalled DKK 5,818 million (31 December 2012: DKK 10,077 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.
- At 30 September 2013, mortgage lending totalling DKK 729,881 million and other assets totalling DKK 42,990 million (31 December 2012: DKK 735,494 million and DKK 43,873 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)				
6	<b>Financial instruments at fair value</b>				
	30 September 2013	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	43,527	-	-	43,527
	Mortgage loans at fair value	-	729,881	-	729,881
	Shares	-	-	2	2
	Derivatives	-	131	-	131
	<b>Total</b>	<b>43,527</b>	<b>730,012</b>	<b>2</b>	<b>773,541</b>
	Issued mortgage bonds at fair value	693,529	-	-	693,529
	Derivatives	-	6	-	6
	<b>Total</b>	<b>693,529</b>	<b>6</b>	<b>-</b>	<b>693,535</b>
	31 December 2012				
	Bonds at fair value	35,953	-	-	35,953
	Mortgage loans at fair value	-	735,494	-	735,494
	Shares	-	-	2	2
	Derivatives	-	612	-	612
	<b>Total</b>	<b>35,953</b>	<b>736,106</b>	<b>2</b>	<b>772,061</b>
	Issued mortgage bonds at fair value	701,373	-	-	701,373
	Derivatives	-	210	-	210
	<b>Total</b>	<b>701,373</b>	<b>210</b>	<b>-</b>	<b>701,583</b>

Note 37 to Annual Report 2012 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 nine months of 2013.

### 7 Contingent liabilities

Owing to its size and business volume, Realkredit Danmark is continually a party to various lawsuits or disputes. Realkredit Danmark 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, Realkredit Danmark's defined benefit plan has not accepted new business since 1971.

The company is registered jointly with all major Danish subsidiaries of Danske Bank for financial services employer tax and VAT, for which it is jointly and severally liable.

The company is jointly taxed with all Danish companies of Danske Bank and is jointly and severally liable for Danish income tax, withholding tax and other taxes levied on such companies.

The table below shows guarantees and indemnities issued by Realkredit Danmark, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised in the balance sheet.

(DKK millions)	30 Sept. 2013	31 Dec. 2012	30 Sept. 2012
<b>Other contingent liabilities</b>			
Irrevocable loan commitments regarding reverse mortgages	99	179	198
Other commitments	130	123	120
<b>Total</b>	<b>229</b>	<b>302</b>	<b>318</b>

### Realkredit Danmark as lessee

Realkredit Danmark is the lessee in a number of operating leases. Under such leases, Realkredit Danmark 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 30 September 2013 were DKK 1 million (31 December 2012: DKK 1 million).

## Notes - Realkredit Danmark Group

Note	(DKK millions)				
8	<b>Issued bonds at amortised cost</b>				
			30 September 2013	31 December 2012	
	Nominal value of issued bonds		27,000	21,500	
	Fair value hedging of interest rate risk		25	141	
	Premium/discount		45	46	
	<b>Total issued bonds</b>		<b>27,070</b>	<b>21,687</b>	
	Nominal value	1 January 2013	Issued	Redeemed	30 Sept. 2013
	<b>Total issued bonds</b>	<b>21,500</b>	<b>5,500</b>	<b>-</b>	<b>27,000</b>

Issued bonds at amortised cost consist of issued senior debt.

## Statement by the management

The Board of Directors and the Executive Board ( management) have considered and approved Interim Report – First Nine Months 2013 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 2013 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2013 and ending on 30 September 2013. 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, 31 October 2013

### **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 2013:  
6 February 2014
- Interim Report – First Quarter 2014  
1 May 2014

### Contact

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and Chief Executive Officer  
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### Links

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