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Developments in Realkredit Danmark A/S' lending activities in Denmark in the second half of 2011

In May 2009, Realkredit Danmark raised subordinated loan capital in the form of hybrid capital of DKK 2 billion from the Danish state. Under Danish law, an institution that raises state-funded capital must publish semi-annual statements on developments in their Danish lending activities.

Realkredit Danmark grants loans against mortgages on all types of real property on the basis of the property value and an assessment of the borrower's ability and intention to repay the loan. In compliance with applicable law, mortgaged properties are valued at current market value with due consideration to price forecasts. Only in the event of default and the other causes for termination as stipulated in the mortgage document can Realkredit Danmark terminate a loan for repayment.

As a general rule, Realkredit Danmark provides loans up to statutory limits. However, Realkredit Danmark still only provides loans to urban commercial and agricultural properties up to 60% of the valuation.

Personal customers must be able to demonstrate their ability to pay by documenting income sufficient to provide a reasonable amount available for consumption after deduction of loan payments. The calculations are based on a 30-year fixed-rate annuity loan.

For loans for new houses, all customers must generally have sold their previous home, unless the customer can substantiate his ability to pay at a sale significantly below the offer price and with a long period of time on the market.

Corporate customers must demonstrate ability to pay by documenting sufficient positive cash flows from operations. With respect to loans for property types prone to large losses, Realkredit Danmark's requirements to customer creditworthiness are stricter. Such property types include properties with limited alternative uses and properties used by customers in weak or cyclical industries.

The credit assessment focuses on customer liquidity, including the risk of vacancy.

Realkredit Danmark charges an administration margin as a percentage of the debt outstanding. In the personal customer market, this margin is based on the ranking of the collateral, while the customer's creditworthiness is the key parameter in the business market.

In the second half of 2011, Realkredit Danmark made a cyclical adjustment of its guidelines for credit assessments of certain business segments. In connection with the ongoing refinancing of FlexLån[®], Realkredit Danmark introduced a 5 point margin. The margin took effect in connection with the refinancing of FlexLån[®] at the end of 2011.

Danish personal customers' demand for credit, measured in terms of the loan amounts applied for by personal customers, was unchanged in the second half of 2011 relative to the first half of 2011. For existing customers, demand for credit, including remortgaging, climbed 1%. For new customers, demand fell in the second half of 2011. The share of approved applications was 93% in the second half of 2011. For existing customers, the share of approved applications was 95%. The share of approved applications for new customers fell in the second half of 2011.

Danish business customers' demand for credit fell in the second half of 2011. Growing demand among existing customers was offset by declining demand from new customers throughout the second half-year. The share of approved loan applications from existing customers fell from the first half of 2011, and amounted to 89% in the second half of 2011. The share of approved applications for new customers was correspondingly lower in the second half of 2011.

The table below breaks down loans etc. on customer segments. The table below shows the trend in loans and advances, irrevocable loan commitments and guarantees before impairment for customers of Realkredit Danmark A/S secured on properties situated in Denmark. There was an increase of DKK 10.7 billion in exposure to business customers in the second half of 2011, whilst the exposure to personal customers rose DKK 12.0 billion.

Development in loans and advances, irrevocable loan commitments and guarantees for customers of Realkredit Danmark A/S secured on properties situated in Denmark.

(DKK millions)	31 Dec. 2011		30 Jun. 2011	
	New customers	Existing customers	Total	Total
Business customers				
Commercial property	3,821	102,672	106,493	104,638
Agriculture	988	49,415	50,403	49,915
Other	5,193	134,097	139,290	130,892
Total business customers	10,002	286,184	296,186	285,445
Personal customers				
Mortgages	16,636	404,933	421,569	409,563
Total	26,638	691,117	717,755	695,008

New customers are customers to whom Realkredit Danmark has not granted loans within the past 12 months.

In compliance with the statutory requirements this statement on lending developments is available as a separate document at www.rd.dk/Omrđ.