
Interim Report – First quarter 2009

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Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKr m)	Q1 2009	Q1 2008	Index 09/08	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Full year 2008
Administration margin	749	728	103	749	746	744	736	728	2,954
Net interest income	395	431	92	395	570	524	438	431	1,963
Net fee income	-97	-107	91	-97	-105	-106	-113	-107	-431
Income from investment portfolios	889	131	-	889	290	294	-168	131	547
Other income	28	54	52	28	28	29	38	54	149
Total income	1,964	1,237	159	1,964	1,529	1,485	931	1,237	5,182
Operating expenses	237	249	95	237	278	236	247	249	1,010
Profit before loan impairment charges	1,727	988	175	1,727	1,251	1,249	684	988	4,172
Loan impairment charges	333	-3	-	333	380	33	12	-3	422
Profit before tax	1,394	991	141	1,394	871	1,216	672	991	3,750
Tax	349	244	143	349	215	304	177	244	940
Net profit for the period	1,045	747	140	1,045	656	912	495	747	2,810

BALANCE SHEET (END OF PERIOD)

(DKr m)

Due from credit institutions etc.	7,763	13,731	57	7,763	25,069	21,717	13,253	13,731	25,069
Mortgage loans	681,930	642,586	106	681,930	669,891	643,234	635,184	642,586	669,891
Bonds and shares	21,193	5,426	391	21,193	13,062	5,064	3,024	5,426	13,062
Other assets	2,466	1,867	132	2,466	2,900	2,040	1,510	1,867	2,900
Total assets	713,352	663,610	107	713,352	710,922	672,055	652,971	663,610	710,922
Due to credit institutions etc.	22,284	7,928	281	22,284	8,111	13,251	3,171	7,928	8,111
Issued mortgage bonds	643,149	611,061	105	643,149	647,731	607,518	602,219	611,061	647,731
Other liabilities	8,306	8,116	102	8,306	16,512	13,374	10,581	8,116	16,512
Shareholders' equity	39,613	36,505	109	39,613	38,568	37,912	37,000	36,505	38,568
Total liabilities and equity	713,352	663,610	107	713,352	710,922	672,055	652,971	663,610	710,922

RATIOS AND KEY FIGURES

Return on average shareholders' equity p.a. (%)	10.7	8.3		10.7	6.9	9.7	5.4	8.3	7.6
Cost/income ratio (%)	12.1	20.1		12.1	18.2	15.9	26.5	20.1	19.5
Solvency ratio (including net profit for the period) (%)	50.7	64.4		50.7	56.6	62.2	62.8	64.4	56.6
Core (tier 1) capital ratio (including net profit for the period) (%)	50.6	64.4		50.6	56.5	62.2	62.7	64.4	56.5
Full-time-equivalent staff (end of period)	519	513		519	520	519	521	513	520

Financial review

- The Realkredit Danmark Group recorded a profit of DKr1,045m in the first quarter of 2009 against DKr 747m in the first quarter of 2008 and DKr656m in the fourth quarter of 2008. The financial performance is satisfactory and better than expected.
- Gross lending of DKr25bn in the first quarter of 2009 against DKr 27bn in the first quarter of 2008.
- At March 31, 2009, the solvency ratio was 50.7%.
- The financial performance for 2009 as a whole will depend on macroeconomic developments and trends in the capital markets. Owing to the general economic trends, Realkredit Danmark expects the level of loan impairment charges to remain high throughout 2009.

Results for the first quarter of 2009

The global economic crisis continued unabated in the first quarter of 2009. The Realkredit Danmark Group's profit after tax was DKr1,045m for the first quarter of 2009, against DKr747m for the same period of 2008. The profit was 40% higher than in the first quarter of 2008, especially due to higher income from investment portfolios, although this income was partly offset by higher loan impairment charges. The profit was satisfactory in spite of the growing unrest in the financial markets.

Total income rose DKr727m, or 59%, relative to the first quarter of 2008. The administration margin was up DKr21m on the year-earlier period as a result of the larger loan portfolio, whilst net interest income fell DKr36m, primarily on account of the lower level of interest rates.

Net fee expenses amounted to DKr97m in the first quarter of 2009, against DKr107m in the first quarter of 2008.

Income from investment portfolios amounted to DKr889m, against DKr131m in the same period of last year. Income from investment portfolios 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. The increase was caused by the falling interest rates in the first quarter of 2009, which resulted in extraordinarily large value adjustments.

Operating expenses declined by 5% to DKr237m. The decrease was among other things due to a lower level of activity in *home* and lower valuation expenses.

Loan impairment charges amounted to DKr333m for the first quarter of 2009, against DKr380m in the fourth quarter of 2008 and a net income of DKr3m in

the first quarter of 2008. The loan impairment charges correspond to 0.19% p.a. of total mortgage lending. Most of the impairment charges concern corporate loans. The increase in delinquencies as a percentage of payments recorded in recent quarters continued in the first quarter of 2009, indicating that the higher level of impairment charges will continue for a while yet. The 3-month delinquency rate thus stood at 0.37% after the first quarter of 2009, against 0.28% at the beginning of the year.

The increase in the number of forced sales was only to a limited extent discernible in the number of foreclosures. The number of foreclosures at the end of March 2009 was 27, which is on a par with 2004, but still far from the level of the early 1990s, when Realkredit Danmark at one point took over more than 4,000 properties in a single year.

As a result of the continuing 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 57% at the beginning of the year to 59% after the first quarter. The security underlying the loans remains at a very high level, and Realkredit Danmark is thus well protected against losses if customers default on their obligations.

The total tax charge for the first quarter of 2009 amounted to DKr349m, corresponding to an effective tax rate of 25%.

Balance sheet

Mortgage lending at fair value rose DKr12bn from the level at the end of 2008 and amounted to DKr682bn. During the same period, the nominal outstanding bond debt rose DKr6bn to DKr689bn at the end of March 2009 after gross lending of DKr25bn in the first quarter of 2009.

The market value of issued mortgage bonds fell Dkr5bn from the figure at end 2008 and amounted to Dkr643bn. The nominal value fell Dkr10bn to Dkr650bn. The amounts are exclusive of holdings of own mortgage bonds.

Realkredit Danmark is subject to the specific balance principle and therefore has very limited exposure to market risks. At the end of the first quarter of 2009, Realkredit Danmark's interest rate risk and exchange rate risk amounted to Dkr350m and Dkr1m, respectively. In addition, the fact that Realkredit Danmark finances lending by issuing bonds means that its liquidity risk is very limited.

Capital and solvency

At the end of March 2009, shareholders' equity stood at Dkr 39.6bn, and the solvency ratio calculated according to CRD was 50.7. At the end of 2008, the corresponding figures were Dkr38.6bn and 56.6%.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach for calculating risk-weighted assets for credit risks. However, in accordance with the CRD transition rules, the capital requirement for 2009 must as a minimum amount to 80% of the requirement calculated under the previous rules, corresponding to Dkr24,218m and a solvency ratio of 31.0%.

At the end of March, the requirement for supplementary collateral for mortgage-covered bonds was calculated at Dkr5.8bn, which is fully covered by shareholders' equity. At the end of 2008, the requirement was Dkr4.0bn.

Hybrid core capital

The Danish state has approved Realkredit Danmark's application for subordinated loan capital in the form of hybrid core capital totalling Dkr2bn. The effective annual yield is 9.265%. The coupon is calculated as the Danish five-year government zero-coupon rate (reference rate), a fixed 6-percentage-point risk premium and a margin of 0.375 of a percentage point per annum determined specifically for Realkredit Danmark.

The coupon will increase if Realkredit Danmark pays dividends in excess of Dkr2.1bn per annum.

The loan is perpetual, but may be redeemed at par until the end of the fifth year, at a price of 105 until the end of the sixth year and at a price of 110 after the end of the sixth year. The terms and conditions of the loan agreement are available at Realkredit Danmark's web-site.

Had the loan been received by March 31, 2009, it would have increased Realkredit Danmark's solvency ratio to 53.3%.

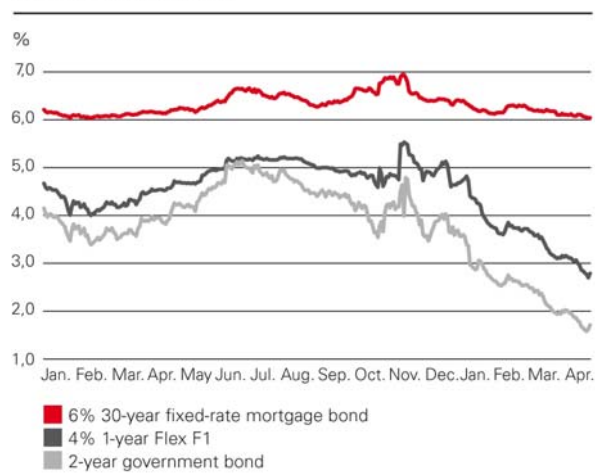
Mortgage credit market

Financial unrest, including the falling property market, characterised the mortgage credit market in Denmark during the first quarter of 2009.

The global economic crisis continued unabated in the first quarter of 2009. Central banks around the world lowered the level of interest rates, and bail-out programmes were established to the benefit of the financial system and to boost economic growth. This also affected mortgage bond yields in Denmark, and the short-term mortgage bond rate has dropped significantly. These measures have also helped to whet investors' risk appetite.

Long-term yields have also fallen, albeit more moderately, because the many state-backed aid measures are funded using long-term government bonds. The supply of long-term bonds has risen dramatically, and long yields have therefore edged slightly higher than they would otherwise have.

Movements in interest rates



Effective rate of interest, bonds %	Mar. 31, 2009	Dec. 31, 2008
FlexLån® F1	2.8	4.4
5 % 30-year fixed-rate loan	5.4	5.5
6 % 30-year fixed-rate loan	6.0	6.2
FlexGaranti® 6M	4.4	7.1
RD Cibor6®	5.1	5.9

Outlook for 2009

Interest rates in Denmark for short maturities fell by about two percentage points during the first quarter of 2009. During the remainder of 2009, interest rates are only expected to fall by a small margin only.

Denmark has suffered from a widespread shortage of labour in the past few years. As the demand for goods and services has slowed, unemployment has begun to rise, although the level will probably remain relatively low.

Owing to the general economic trends and the rising unemployment, Realkredit Danmark expects the level of loan impairment charges to remain high in 2009.

The expenses relating to the subordinated loan also reduce the expected profit for 2009.

The expected profit for 2009 will to a large extent depend on developments in the capital markets and macroeconomic trends in Denmark.

Income statement – Realkredit Danmark Group

(DKr m)	Q1 2009	Q1 2008
Interest income	9,048	8,142
Interest expense	7,810	6,997
Net interest income	1,238	1,145
Dividends from shares	-	-
Fee and commission income	103	97
Fee and commission expense	200	204
Net fee and commission income	1,141	1,038
Value adjustments	797	144
Other operating income	28	54
Staff costs and administrative expenses	236	247
Impairment, depreciation and amortisation charges	1	2
Loan impairment charges	333	-3
Income from associated and group undertakings	-2	1
Profit before tax	1,394	991
Tax	349	244
Net profit for the period	1,045	747

Balance sheet – Realkredit Danmark Group

(DKr m)	Mar. 31, 2009	Dec. 31, 2008
ASSETS		
Cash in hand and demand deposits with central banks	3	5
Amount due from credit institutions and central banks	7,760	25,064
Bonds at fair value	21,120	12,986
Mortgage loans at fair value	681,930	669,891
Loans and other amounts due at amortised cost	581	471
Shares	63	63
Holdings in associated undertakings	10	13
Land and buildings	95	95
Domicile property	95	95
Other tangible assets	13	14
Current tax assets	402	31
Other assets	1,319	1,410
Prepayments	56	879
Total assets	713,352	710,922
LIABILITIES AND EQUITY		
LIABILITIES		
Due to credit institutions and central banks	22,284	8,111
Issued mortgage bonds at fair value	643,149	647,731
Other liabilities	8,262	16,489
Deferred income	14	-
Total liabilities	673,709	672,331
PROVISIONS		
Deferred tax	30	23
Total provisions	30	23
Total liabilities	673,739	672,354
SHAREHOLDERS' EQUITY		
Share capital	630	630
Other reserves		
Reserves in series	9,770	9,770
Other reserves	29,213	28,168
Total shareholders' equity	39,613	38,568
Total liabilities and equity	713,352	710,922

Statement of capital – Realkredit Danmark Group

CHANGE IN SHAREHOLDERS' EQUITY (DKr m)	Share capital	Proposed dividends	Other reserves	Total
Shareholders' equity at January 1, 2009	630	-	37,938	38,568
Net profit for the period	-	-	1,045	1,045
Shareholders' equity at March 31, 2009	630	-	38,983	39,613
Shareholders' equity at January 1, 2008	630	-	35,128	35,758
Net profit for the period	-	-	747	747
Shareholders' equity at March 31, 2008	630	-	35,875	36,505

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)	Mar. 31, 2009	Dec. 31, 2008
Shareholders' equity	39,613	38,568
Expected dividends	-	-
Revaluation of domicile property	57	57
Pension obligations at fair value	-140	-114
Tax effect	23	16
Shareholders' equity calculated in accordance with the rules of the Danish FSA	39,553	38,527
Revaluation reserve	-45	-45
Deferred tax assets	-	-
Difference between expected losses and value adjustments	-	-62
Core (tier 1) capital	39,508	38,420
Reserves in series subject to a reimbursement obligation	68	96
Revaluation reserve	45	45
Difference between expected losses and value adjustments	4	-62
Capital base	39,625	38,499
Capital requirement		
Credit risk, IRB approach	5,224	4,298
Credit risk, standardised approach	1	1
Counterparty risk	1	38
Total credit risk	5,226	4,337
Market risk	435	547
Operational risk	587	556
Capital requirement under Pillar I	6,248	5,440
Pillar II and transition rules	17,970	21,702
ICAAP result	24,218	27,142
Total risk-weighted assets	78,101	67,993
Core (tier 1) capital ratio (%)	50.59	56.51
Solvency ratio (%)	50.74	56.62

In accordance with the CRD transition rules, the minimum requirement for the solvency ratio at March 31, 2008, is 31.0.

Cash flow statement – Realkredit Danmark Group

(DKr m)	Q1 2009	Q1 2008
Cash flow from operating activities		
Net profit for the period	1,045	747
Adjustment for non-cash operating items	-7,931	-5,590
Cash flow from operating capital	-10,420	-4,604
Cash flow from operating activities	-17,306	-9,447
Cash flow from investing activities		
Acquisition/sale of tangible assets	-	-
Cash flow from investing activities	-	-
Cash and cash equivalents, beginning of period	25,069	23,178
Change during the period	-17,306	-9,447
Cash and cash equivalents, end of period	7,763	13,731

Notes - Realkredit Danmark koncernen

Note

1 Significant accounting policies

The Group's interim report for the first three months of 2009 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 2008, which provides a full description of the Group's significant accounting policies.

Accounting estimates and assessments

The preparation of the financial statements is based on updated estimates and assessments of future events that will significantly affect the carrying amounts of assets and liabilities. The estimates and assessments are based on assumptions that the management finds reasonable but that are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected future events or situations may occur. Other people may make other estimates. Similarly to year-end 2008, the amounts most influenced by critical estimates and assessments are

- impairment charges for mortgage loans
- the fair value of financial instruments

Particularly at times when macroeconomic forecasts are difficult to make, impairment charges for mortgage loans are to a high degree based on estimates.

For a detailed description of the Group's significant risks and external conditions that may affect the Group, see Annual Report 2008.

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 Profit broken down by activity - Realkredit Danmark Group

Q1 2009	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	749	-	749	-	749
Net interest income	395	94	489	-94	395
Dividends from shares	-	-	-	-	-
Net fee income	-97	-	-97	-	-97
Income from investment portfolios	-	-	-	889	889
Value adjustments	98	699	797	-797	-
Other income	28	-	28	-	28
Total income	1,173	793	1,966	-2	1,964
Operating expenses	236	1	237	-	237
Profit before loan impairment charges	937	792	1,729	-2	1,727
Loan impairment charges	333	-	333	-	333
Income from associated undertakings	-	-2	-2	2	-
Profit before tax	604	790	1,394	-	1,394
Q1 2008	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	728	-	728	-	728
Net interest income	431	-14	417	14	431
Dividends from shares	-	-	-	-	-
Net fee income	-107	-	-107	-	-107
Income from investment portfolios	-	-	-	131	131
Value adjustments	39	105	144	-144	-
Other income	54	-	54	-	54
Total income	1,145	91	1,236	1	1,237
Operating expenses	248	1	249	-	249
Profit before loan impairment charges	897	90	987	1	988
Loan impairment charges	-3	-	-3	-	-3
Income from associated undertakings	-	1	1	-1	-
Profit before tax	900	91	991	-	991

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 own holdings and trading activities 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

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 Danmarks 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)	Mar. 31, 2009	Dec. 31, 2008
Guarantees etc.	4	4
Other liabilities	565	732
Total	569	736

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 quarter of 2009.

The interim financial statements for the first quarter of 2009 have 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 financial statements give a true and fair view of the Group's assets, liabilities and financial position at March 31, 2009, and of the results of the Group's operations and consolidated cash flows for the period starting on January 1, 2009, and ending on March 31, 2009. Moreover, in our opinion, the financial review give a true and fair view of developments in the Group's operations and financial position and describes significant risk and uncertainty factors that may affect the Group.

Kgs. Lyngby, May 5, 2009

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:

- Interim Report – First half 2009:
August 11, 2009
- Interim Report – First nine months 2009:
November 3, 2009

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www.rd.dk
www.danskebank.com
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