

Interim Report – First Quarter 2014



REALKREDIT
Danmark

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Interim Report – First Quarter 2014 is a translation of the original report in the Danish language (Delårsrapport – 1. kvartal 2014). In case of discrepancies, the Danish version prevails.

Financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE PERIOD (DKK millions)	Q1 2014	Q1 2013	Index 14/13	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Full year 2013
Administration margin	1,384	1,366	101	1,384	1,382	1,376	1,367	1,366	5,491
Net interest income	-2	-4	-	-2	2	2	-24	-4	-24
Net fee income	-128	-113	113	-128	-180	-125	-122	-113	-540
Income from investment portfolios	237	233	102	237	374	49	94	233	750
Other income	31	29	107	31	29	31	34	29	123
Total income	1,522	1,511	101	1,522	1,607	1,333	1,349	1,511	5,800
Expenses	205	193	106	205	241	207	211	193	852
Profit before loan impairment charges	1,317	1,318	100	1,317	1,366	1,126	1,138	1,318	4,948
Loan impairment charges	244	454	54	244	320	264	433	454	1,471
Profit before tax	1,073	864	124	1,073	1,046	862	705	864	3,477
Tax	263	216	122	263	258	215	176	216	865
Net profit for the period	810	648	125	810	788	647	529	648	2,612

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	30,409	23,257	131	30,409	51,004	5,397	24,915	23,257	51,004
Mortgage loans	739,825	734,161	101	739,825	730,901	729,881	729,217	734,161	730,901
Bonds and shares	62,323	31,934	195	62,323	61,156	43,543	32,186	31,934	61,156
Other assets	3,524	3,317	106	3,524	5,073	3,289	3,126	3,317	5,073
Total assets	836,081	792,669	105	836,081	848,134	782,110	789,444	792,669	848,134
Due to credit institutions etc.	21,538	17,484	123	21,538	32,501	6,468	15,317	17,484	32,501
Issued mortgage bonds	727,949	698,499	104	727,949	725,159	693,529	693,850	698,499	725,159
Issued senior debt	32,608	23,643	138	32,608	32,089	27,070	27,066	23,643	32,089
Other liabilities	8,371	8,055	104	8,371	11,501	8,916	7,736	8,055	11,501
Shareholders' equity	45,615	44,988	101	45,615	46,884	46,127	45,475	44,988	46,884
Total liabilities and equity	836,081	792,669	105	836,081	848,134	782,110	789,444	792,669	848,134

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	7.0	5.7		7.0	6.8	5.7	4.7	5.7	5.6
Impairment charges as % of mortgage lending	0.13	0.25		0.13	0.18	0.15	0.24	0.25	0.20
Cost/income ratio (%)	13.5	12.8		13.5	15.0	15.5	15.6	12.8	14.7
Total capital ratio (%)	34.2	33.6		34.2	34.0	35.1	34.2	33.6	34.0
Tier 1 capital ratio (%)	33.7	33.0		33.7	33.5	34.6	33.6	33.0	33.5
Full-time-equivalent staff (end of period)	243	256		243	249	248	255	256	249

Overview, first quarter 2014

- Realkredit Danmark Group recorded a net profit of DKK 810 million in the first quarter of 2014, representing an improvement of 25% over the first quarter of 2013. The profit benefited especially from lower impairments.
- The refinancing of FlexLån® loans in the first quarter of 2014 was quite successful, resulting in a slightly higher interest rate. However, interest rates remain very low in a historical context.
- The proportion of customers with 1-year FlexLån® loans fell from 22% at 31 March 2013 to 14% at the end of March 2014. Customer interest in fixing mortgage rates for longer periods remains strong.
- The strong interest in FlexKort® loans continued in the first quarter of 2014, and loans for more than DKK 6 billion were disbursed during the period.
- The total capital ratio according to CRR was 34.2%, against 34.0% at the end of 2013.
- Realkredit Danmark maintains its expectations for a higher profit in 2014 than in 2013.

Carsten Nøddebo, Chairman of the Executive Board, says :

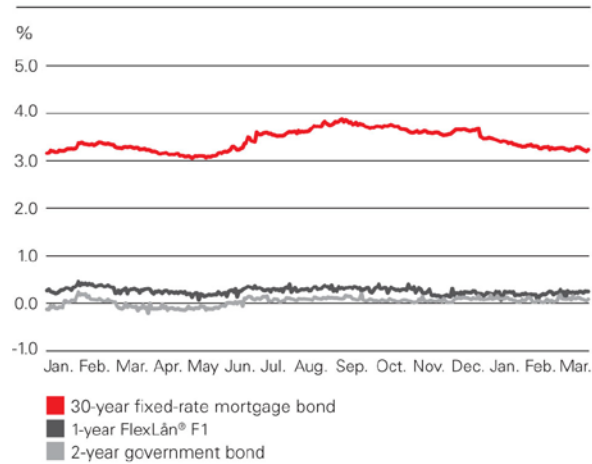
"We continue to see healthy progress for our business, and Realkredit Danmark has strengthened its market position. Combined with a decline in loan impairments, this has helped us achieve a satisfactory profit increase."

Mortgage credit market

The Danish housing market has continued the slightly upward trend in the beginning of 2014. Trading activity has improved, albeit from a low level. House prices have risen by a small margin, although price statistics show large regional variations with the Greater Copenhagen area in particular having experienced substantial price increases during the past year.

Given the outlook for a moderate recovery of the Danish economy and interest rates remaining historically low, there is a potential for a continued, gradual improvement in the housing market.

Movements in interest rates in 2013-2014



Growing demand, especially from foreign investors, has driven activity in the market for commercial property. Investors are attracted mainly to properties generating a stable cash flow – including residential rental and commercial properties in the Greater Copenhagen area. Prices of these types of properties have risen over the past 12 months.

Results

Realkredit Danmark recorded a net profit of DKK 810 million in the first quarter of 2014, against DKK 648 million in the same period of last year.

The higher profit was achieved especially on the back of lower impairments. The high level of impairments in the first quarter of 2013 was caused in particular by provisions of DKK 100 million made to cover losses on interest-only loans.

In the first quarter of 2014, net interest income was affected by mounting net expenses for senior debt resulting from new senior debt issues made in 2013. Net interest income benefited from returns on holdings of securities with long maturities.

Income from the investment portfolio amounted to DKK 237 million, against DKK 233 million in the first quarter of 2013.

Expenses in the first quarter of 2014 were slightly lower than average quarterly expenses in 2013.

First-quarter impairments were lower than in the first quarter of 2013 and also lower than the overall level in 2013. The largely unchanged delinquency rate over the past year contributed to the decline in impairments. Impairments equalled 0.13% p.a. of total mortgage lending, against 0.20% in 2013.

The tax charge totalled DKK 263 million, corresponding to an effective tax rate of 24.5%, against a tax rate of 25.0% in 2013.

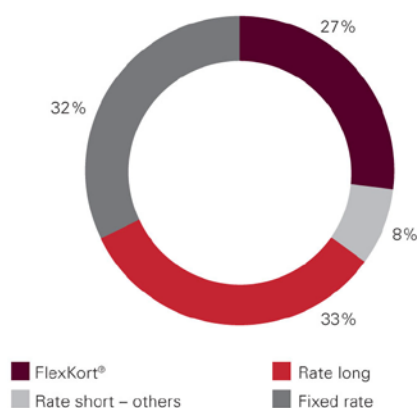
Balance sheet

Gross lending amounted to DKK 26 billion, against DKK 25 billion in the first quarter of 2013. Mortgage lending at fair value rose DKK 9 billion to DKK 740 billion. The nominal outstanding bond debt rose DKK 3 billion.

The sharp decline in 1-year and 2-year FlexLån® loans continued in the first quarter of 2014, spurred by the FlexKort® product consolidating its position as the preferred loan with short interest reset intervals.

In the personal customer market, FlexKort® accounted for 27% of gross lending in the first quarter, while other short-term, floating-rate loans represented 8%.

Private market: Gross lending – loan types in Q1 2014



The total volume of 1-year FlexLån® loans fell from DKK 122 billion to DKK 104 billion during the first quarter.

At 31 March 2014, the average loan-to-value (LTV) ratio stood at 71%, the same level as at the end of 2013.

The number of new foreclosures was 35 in the first quarter of 2014. At 31 March, the total number of foreclosures was 117, or 5 less than at 1 January. The value of the foreclosures was DKK 176 million.

Issued mortgage bonds rose DKK 3 billion to DKK 728 billion. The nominal value of issued bonds declined by DKK 3 billion to DKK 707 billion. The amounts are exclusive of holdings of own bonds.

Capital and solvency

At the end of March 2014, shareholders' equity stood at DKK 45.6 billion, against DKK 46.9 billion at end-2013. The dividend payment of DKK 2.1 billion and the consolidation of the net profit for the period accounted for the change.

Realkredit Danmark's total capital amounted to DKK 45.6 billion, and the total capital ratio calculated in accordance with CRR was 34.2%. At 31 December 2013, the corresponding amounts were DKK 45.5 billion and 34.0%.

Realkredit Danmark uses the internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. Risk-weighted assets (RWA) amounted to DKK 133.5 billion at 31 March 2014, against DKK 133.9 billion at end-2013. Calculated on the basis of the transitional rules of CRR, the solvency need for 2014 must, as a minimum, amount to 80% of the requirement calculated under the previous rules,

corresponding to DKK 26.6 billion and a solvency need ratio of 19.9%. Realkredit Danmark thus has a capital buffer of DKK 19.0 billion.

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

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 March 2014, the requirement for supplementary collateral for mortgage-covered bonds was DKK 41.4 billion. At the end of 2013, the requirement was DKK 42.2 billion.

Legislative changes

An act on regulation of the refinancing risk has been adopted by the Danish parliament. The new act will take effect from 1 April for 1-year FlexLån® loans, while other loan types will be subject to the new rules from 1 January 2015. The act aims to reduce the risk of refinancing mortgage loans and to temporarily cap extreme interest rate spikes for borrowers funded by ultra-short bonds. The likelihood of such situations materialising is very small. In the vast majority of cases, the act will therefore not affect day-to-day borrower finances.

Borrowers primarily benefit from the fact that the act will contribute to ensuring that, also going forward, investors and credit rating agencies will have confidence in Danish mortgage bonds, and that should ensure attractive interest rates. The reason is that the act provides a "contingency plan" if, contrary to expectations, the mortgage credit institutions have difficulty selling the bonds at a refinancing auction.

As part of the Danske Bank Group, Realkredit Danmark must comply with the SIFI agreement and the LCR requirement from 2015 onwards. The final requirement awaits the European Commission's decision on the definition of liquid assets in the LCR in 2014. If Danish covered bonds cannot be included in liquid assets to a sufficient extent, the LCR requirement for Danish SIFIs will be phased in gradually until 2018, as will the requirements for non-SIFIs.

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 from capital centre T hold a AA+ rating with the same agency. Realkredit Danmark holds an issuer rating of A from Fitch Ratings.

The rating agencies have so far responded positively to the act on regulation of the refinancing risk. The agencies support the automatic maturity extension of the bonds that will take effect if a refinancing auction fails. However, the agencies also find that the maturity extension does not entirely eliminate the refinancing risk for the mortgage credit institutions. This is one of the reasons why Realkredit Danmark will remain focused on reducing the proportion of loans with short-term funding, with the February 2014 refinancing auction being a very successful step in this process. As was the case at the November 2013 auction, FlexKort® loans as well as 3-year and 5-year Flex-Lån® loans were the borrowers' preferred products.

Rating agencies still define overcollateralisation requirements that are stricter than the requirement for supplementary collateral. The overcollateralization

requirements have not changed much and remain covered by Realkredit Danmark's total capital and proceeds from previously issued senior debt. In this connection, Realkredit Danmark refinanced senior debt for DKK 4 billion at the end of March 2014. Overall, at the end of March 2014, Realkredit Danmark had outstanding senior debt of nominally DKK 32.5 billion, of which DKK 4 billion will mature in April 2014.

Outlook for 2014

Realkredit Danmark still expects subdued economic growth in Denmark in 2014 and that interest rates will stay low. These developments will support a stabilisation of the housing market.

Realkredit Danmark still expects to achieve a higher profit in 2014 than it did in 2013.

Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	Q1 2014	Q1 2013	Full year 2013
	Profit			
	Interest income	6,229	6,294	25,005
	Interest expense	4,339	4,449	17,724
	Net interest income	1,890	1,845	7,281
	Dividends from shares	-	-	-
	Fee and commission income	80	105	397
	Fee and commission expense	208	218	937
	Net fee and commission income	1,762	1,732	6,741
	Value adjustments	-271	-250	-1,067
	Other operating income	31	29	123
	Staff costs and administrative expenses	204	192	848
	Amortisation, depreciation and impairment charges	1	1	4
3	Loan impairment charges	244	454	1,471
	Income from associates	-	-	3
	Profit before tax	1,073	864	3,477
	Tax	263	216	865
	Net profit for the period	810	648	2,612
	Comprehensive income			
	Net profit for the period	810	648	2,612
	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	Actuarial gains/losses on defined benefit plans	27	-16	-107
	Tax	-6	4	27
	Total other comprehensive income	21	-12	-80
	Total comprehensive income for the period	831	636	2,532

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	31 March 2014	31 December 2013	31 March 2013
ASSETS				
	Cash in hand and demand deposits with central banks	782	872	852
	Due from credit institutions and central banks	29,627	50,132	22,405
	Bonds at fair value	26,120	32,396	31,921
	Bonds at amortised cost	36,187	28,744	-
4	Mortgage loans at fair value	739,825	730,901	734,161
4	Loans and other amounts due at amortised cost	868	973	909
	Shares etc.	2	2	2
	Holdings in associates	14	14	11
	Land and buildings	90	91	91
	Domicile property	90	91	91
	Other tangible assets	11	10	11
	Current tax assets	-	77	-
	Deferred tax assets	-	-	-
	Assets temporarily taken over	176	193	228
4	Other assets	2,362	3,720	2,061
	Prepayments	17	9	17
Total assets		836,081	848,134	792,669
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	21,538	32,501	17,484
	Issued mortgage bonds at fair value	727,949	725,159	698,499
5	Issued bonds at amortised cost	32,608	32,089	23,643
	Current tax liabilities	186	-	205
	Deferred tax liabilities	23	16	41
	Other liabilities	8,162	11,485	7,809
	Deferred income	-	-	-
Total amounts due		790,466	801,250	747,681
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	42,292	42,292	39,453
	Other reserves	2,693	1,862	4,905
	Proposed dividends	-	2,100	-
Total shareholders' equity		45,615	46,884	44,988
Total liabilities and equity		836,081	848,134	792,669

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 2014	630	42,292	1,862	2,100	46,884
Net profit for the period	-	-	810	-	810
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	27	-	27
Tax	-	-	-6	-	-6
Total comprehensive income for the period	-	-	831	-	831
Dividends paid	-	-	-	-2,100	-2,100
Shareholders' equity at 31 March 2014	630	42,292	2,693	-	45,615
Shareholders' equity at 1 January 2013	630	39,453	4,269	2,000	46,352
Net profit for the period	-	-	648	-	648
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-16	-	-16
Tax	-	-	4	-	4
Total comprehensive income for the period	-	-	636	-	636
Dividends paid	-	-	-	-2,000	-2,000
Shareholders' equity at 31 March 2013	630	39,453	4,905	-	44,988

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.

TOTAL CAPITAL AND TOTAL CAPITAL RATIO (DKK millions)	31 March 2014	31 December 2013	31 March 2013
Shareholders' equity	45,615	46,884	44,988
Revaluation of domicile property at fair value	50	50	44
Tax effect	-12	-12	-11
Total equity calculated in accordance with the rules of the Danish FSA	45,653	46,922	45,021
Expected/proposed dividends	-650	-2,100	-500
Revaluation reserve	-	-34	-31
Deferred tax assets	-	-	-
Defined benefit pension fund assets	-47	-	-
Common equity Tier 1 capital	44,956	44,788	44,490
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	44,956	44,788	44,490
Reserves in series subject to a reimbursement obligation	-	45	45
Revaluation reserve	-	34	31
Difference between expected losses and impairment charges	655	665	687
Total capital	45,611	45,532	45,253
Total risk-weighted assets	133,529	133,867	134,667
Common equity tier 1 capital ratio (%)	33.7	33.5	33.0
Tier 1 capital ratio (%)	33.7	33.5	33.0
Total capital ratio (%)	34.2	34.0	33.6

At 31 March 2014, total capital and risk-weighted assets are calculated in accordance with the rules applicable under CRR taking transitional rules into account as stipulated by the Danish Financial Supervisory Authority. The solvency need calculation is described in more detail on rd.dk.

Cash flow statement – Realkredit Danmark Group

(DKK millions)	Q1 2014	Q1 2013	Full year 2013
Cash flow from operations			
Profit before tax	1,073	864	3,477
Tax paid	-	-	-934
Adjustment for non-cash operating items	150	269	697
Cash flow from operating capital	-19,718	5,397	31,039
Total	-18,495	6,530	34,279
Cash flow from investing activities			
Acquisition/sale of tangible assets	-	-	-2
Total	-	-	-2
Cash flow from financing activities			
Dividends	-2,100	-2,000	-2,000
Total	-2,100	-2,000	-2,000
Cash and cash equivalents at 1 January	51,004	18,727	18,727
Change in cash and cash equivalents	-20,595	4,530	32,277
Cash and cash equivalents, end of period	30,409	23,257	51,004

Notes – Realkredit Danmark Group

Note

1 **Significant accounting policies and critical accounting estimates and assessments**

Realkredit Danmark's interim report for the first quarter of 2014 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 adopted IFRS 10, Consolidated Financial Statements. With the exception of this change, the Group has not changed its significant accounting policies from those followed in Annual Report 2013, which provides a full description of the significant accounting policies.

Change in accounting policies

On 1 January 2014, the Group adopted IFRS 10, Consolidated Financial Statements. IFRS 10 replaces IAS 27 and establishes a uniform definition of control. Control is based on the concepts of power, variability of returns and their linkage. Realkredit Danmark consolidates an entity if it has control over that entity. Control exists if Realkredit Danmark is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by exercising its power over the entity. The adoption of IFRS 10 did not change its consolidation of businesses.

Critical accounting estimates and assessments

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 amount most influenced by critical estimates and assessments is the fair value measurement of mortgage loans.

The estimates and assumptions are based on assumptions 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 (loans with objective evidence of impairment), such adjustment is made to the amount which the borrower is expected to be able to repay after a financial restructuring. Loans are written down to the fair value of the collateral if financial restructuring is not possible.

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.

Realkredit Danmark's principal risks and external factors that may affect Realkredit Danmark are described in more detail in Annual Report 2013.

The interim report has not been reviewed or audited.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity

Q1 2014	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	1,384	-	1,384	-	1,384
Net interest income	-43	549	506	-508	-2
Dividends from shares	-	-	-	-	-
Net fee income	-128	-	-128	-	-128
Income from investment portfolios	-	-	-	237	237
Value adjustments	189	-460	-271	271	-
Other income	31	-	31	-	31
Total income	1,433	89	1,522	-	1,522
Expenses	204	1	205	-	205
Profit before loan impairment charges	1,229	88	1,317	-	1,317
Loan impairment charges	244	-	244	-	244
Income from associates	-	-	-	-	-
Profit before tax	985	88	1,073	-	1,073
Q1 2013	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	1,366	-	1,366	-	1,366
Net interest income	-4	483	479	-483	-4
Dividends from shares	-	-	-	-	-
Net fee income	-113	-	-113	-	-113
Income from investment portfolios	-	-	-	233	233
Value adjustments	163	-413	-250	250	-
Other income	29	-	29	-	29
Total income	1,441	70	1,511	-	1,511
Expenses	192	1	193	-	193
Profit before loan impairment charges	1,249	69	1,318	-	1,318
Loan impairment charges	454	-	454	-	454
Income from associates	-	-	-	-	-
Profit before tax	795	69	864	-	864

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 total capital 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 2014	Q1 2013
3	Loan impairment charges		
	Impairment charges etc.	503	488
	Reversals of impairment charges etc. for previous years	355	220
	Losses incurred	113	203
	Received on claims previously written off	17	17
	Total	244	454

4 **Loans etc.**

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,442 million at 31 March 2014, against DKK 3,341 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 360 million at 31 March 2014, against DKK 313 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges at 1 January 2013	2,747	214	2,961
Impairment charges for the period	1,598	311	1,909
Reversals of impairment charges etc. for previous periods	1,104	112	1,216
Impairment charges at 31 December 2013	3,241	413	3,654
Impairment charges for the period	395	108	503
Reversals of impairment charges etc. for previous periods	353	2	355
Impairment charges at 31 March 2014	3,283	519	3,802

Value adjustments of assets taken over amounted to DKK 5 million at 31 March 2014, against DKK -16 million at end-2013.

5 **Issued bonds at amortised cost**

	31 March 2014	31 December 2013
Nominal value of issued bonds	32,500	32,000
Fair value hedging of interest rate risk	73	50
Premium/discount	35	39
Total issued bonds	32,608	32,089

	1 January 2014	Issued	Redeemed	31 March 2014
Nominal value				
Total issued bonds	32,000	4,000	3,500	32,500

Issued bonds at amortised cost consists of issued senior debt.

6 **Assets deposited as collateral**

At 31 March 2014, Realkredit Danmark had deposited securities worth DKK 24,338 million (31 December 2013: DKK 19,242 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 31 March 2014, the carrying amount of such securities totalled DKK 21,503 million (31 December 2013: DKK 32,434 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 31 March 2014, mortgage lending totalling DKK 739,825 million and other assets totalling DKK 41,418 million (31 December 2013: DKK 730,901 million and DKK 42,199 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)				
7	Financial instruments at fair value				
	31 March 2014	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	26,120	-	-	26,120
	Mortgage loans at fair value	-	739,825	-	739,825
	Shares	-	-	2	2
	Derivatives	-	528	-	528
	Total	26,120	740,353	2	766,475
	Issued mortgage bonds at fair value	727,949	-	-	727,949
	Derivatives	-	37	-	37
	Total	727,949	37	-	727,986
	31 December 2013				
	Bonds at fair value	32,396	-	-	32,396
	Mortgage loans at fair value	-	730,901	-	730,901
	Shares	-	-	2	2
	Derivatives	-	501	-	501
	Total	32,396	731,402	2	763,800
	Issued mortgage bonds at fair value	725,159	-	-	725,159
	Derivatives	-	22	-	22
	Total	725,159	22	-	725,181

Note 37 to Annual Report 2013 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 2014.

8 **Contingent liabilities**

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

As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafvklingskasse. The pension fund and the Group's defined benefit plan have not accepted new members 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 company is jointly taxed with all Danish companies in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax, etc.

Guarantees and indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised in the balance sheet amount to.

(DKK millions)	31 March 2014	31 Dec. 2013	31 March 2013
Other contingent liabilities			
Irrevocable loan commitments regarding reverse mortgages	59	99	112
Other commitments	132	133	122
Total	191	232	234

Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Quarter 2014 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 2014 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2014 and ending on 31 March 2014. 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, 1 May 2014

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

- Interim Report – First Half 2014:
24 July 2014
- Interim Report – First Nine Months 2014:
30 October 2014

Contact

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