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# Interim Report – First Half 2013

Interim Report – First Half 2013 is a translation of the original report in the Danish language (Delårsrapport – 1. halvår 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)	First half 2013	First half 2012	Index 13/12	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Full year 2012
Administration margin	2,733	2,190	125	1,367	1,366	1,347	1,187	1,100	4,724
Net interest income	-28	131	-	-24	-4	57	47	42	235
Net fee income	-235	-241	98	-122	-113	-119	-109	-117	-469
Income from investment portfolios	327	471	69	94	233	355	36	378	862
Other income	63	58	109	34	29	26	27	29	111
Total income	2,860	2,609	110	1,349	1,511	1,666	1,188	1,432	5,463
Expenses	404	445	91	211	193	220	205	218	870
Profit before loan impairment charges	2,456	2,164	113	1,138	1,318	1,446	983	1,214	4,593
Loan impairment charges	887	658	135	433	454	297	364	273	1,319
Profit before tax	1,569	1,506	104	705	864	1,149	619	941	3,274
Tax	392	378	104	176	216	288	154	237	820
Net profit for the period	1,177	1,128	104	529	648	861	465	704	2,454

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

Due from credit institutions etc.	24,915	30,395	82	24,915	23,257	18,727	22,763	30,395	18,727
Mortgage loans	729,217	724,559	101	729,217	734,161	735,494	728,659	724,559	735,494
Bonds and shares	32,186	26,877	120	32,186	31,934	35,966	32,706	26,877	35,966
Other assets	3,126	2,993	104	3,126	3,317	3,940	3,517	2,993	3,940
Total assets	789,444	784,824	101	789,444	792,669	794,127	787,645	784,824	794,127
Due to credit institutions etc.	15,317	24,553	62	15,317	17,484	10,079	20,372	24,553	10,079
Issued mortgage bonds	693,850	687,350	101	693,850	698,499	701,373	691,857	687,350	701,373
Issued senior debt	27,066	20,036	135	27,066	23,643	21,687	20,109	20,036	21,687
Other liabilities	7,736	7,968	97	7,736	8,055	14,636	9,911	7,968	14,636
Shareholders' equity	45,475	44,917	101	45,475	44,988	46,352	45,396	44,917	46,352
Total liabilities and equity	789,444	784,824	101	789,444	792,669	794,127	787,645	784,824	794,127

### RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	5.1	5.0		4.7	5.7	7.5	4.1	6.3	5.4
Impairment charges as % of mortgage lending	0.24	0.18		0.24	0.25	0.16	0.20	0.15	0.18
Cost/income ratio (%)	14.1	17.1		15.6	12.8	13.2	17.3	15.2	15.9
Total capital ratio (%)	34.2	36.3		34.2	33.6	34.3	35.7	36.3	34.3
Tier 1 capital ratio (%)	33.6	35.7		33.6	33.0	33.7	35.1	35.7	33.7
Full-time-equivalent staff (end of period)	255	309		255	256	250	252	309	250

Realkredit Danmark Group has implemented changes to IAS 19 "Employee Benefits" effective from 1 January 2013. The comparative figures for 2012 have been restated accordingly.

## Overview, first half 2013

- Realkredit Danmark recorded a net profit of DKK 1,177 million in the first half of 2013, against DKK 1,128 million in the first half of 2012. The profit benefited from satisfactory business performance, while it was adversely affected by higher funding costs and higher impairment charges.
- Loan impairment charges rose from DKK 658 million in the first half of 2012 to DKK 887 million in the first half of 2013, primarily because of provisions for losses on interest-only loans made in the first quarter.
- In the autumn of 2013, Realkredit Danmark will launch a new product based on the CITA interest rate. The product will be an alternative to Flexlån® loans with frequent refinancing and RD Cibor6® loans.
- The total capital ratio according to the Capital Requirements Directive (CRD) was 34.2%, against 34.3% at the end of 2012.
- Realkredit Danmark maintains its expectations for a higher profit in 2013 than in 2012.

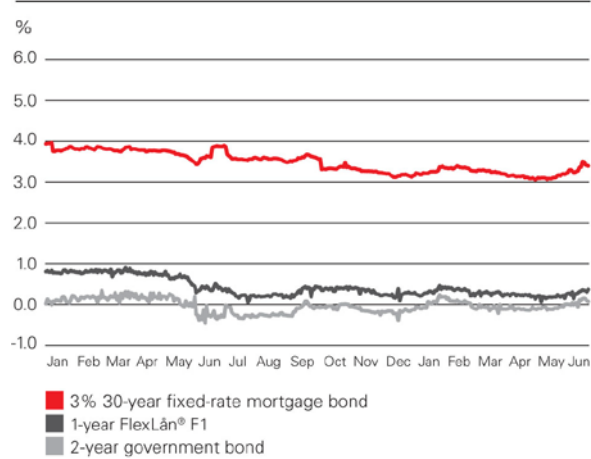
Carsten Nøddebo, Chairman of the Executive Board, said:

*“Over the autumn, we will introduce a completely new loan product based on the CITA rate. The loan, which is based on 3-year bonds and will feature semi-annual interest resets, will be a competitive alternative to the current F1 and F2 type loans. This loan type will offer customers the option of short interest reset intervals. But it will also support the robustness of the mortgage finance system because the refinancing risk is considerably lower than the risk on the current F1 and F2 loans since the bonds have longer maturities.”*

### Mortgage credit market

The housing market trend of stable prices has continued in the form of unchanged prices of single-family houses over the past year. Prices of owner-occupied flats have seen an upward trend, though, especially in the Greater Copenhagen area. For the remainder of 2013, the Danish economy is expected to show only moderate growth, which means that the outlook for the period towards 2014 is for unchanged or slightly rising house prices. Trading activity has also picked up, although it remains low in a historical context.

Movements in interest rates in 2012-2013



Mortgage rates remain very low, and home owners are increasingly seeking to fix their mortgage rate for a longer period – especially in the form of FlexLån® loans with interest resetting every three to five years. The proportion of fixed-rate loans continues to rise at the expense of Flexlån® loans. The low level of interest

rates lends support to home-owner finances, which is a key explanation for the relatively stable number of foreclosures in recent years.

Growing demand from both Danish institutional investors and foreign investors has pushed up the level of activity in the corporate market. Investors are primarily attracted to residential letting properties in the Greater Copenhagen area.

### Results

Realkredit Danmark recorded a net profit of DKK 1,177 million in the first half of 2013, against DKK 1,128 million in the same period of last year.

The improvement was achieved especially on the back of differentiated pricing initiatives implemented in 2012 to reflect the customers' risk profile and choice of financing.

Net interest income for the first half 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 in both 2012 and 2013. In the first half of 2012, net interest income was affected by expenses relating to the state hybrid capital of DKK 2 billion, which was repaid during the second quarter of 2012.

Income from the investment portfolio amounted to DKK 327 million, against DKK 471 million in the first half of 2012. The fall was attributable mainly to the fact that a lower return on equity investments outweighed higher refinancing margins.

Total income thus rose 10% over income in the first half of 2012.

Expenses were down 9% because of lower costs for marketing and IT systems development.

Impairments rose to DKK 887 million in the first half of 2013 from DKK 658 million in the same period of 2012. The rise in total impairments was caused in particular by a collective charge of DKK 100 million made to cover losses on interest-only loans. Impairments equalled 0.24% p.a. of total mortgage lending, against 0.18% p.a. in 2012. The delinquency rate rose slightly from the first-half 2012 level.

The tax charge totalled DKK 392 million, corresponding to an effective tax rate of 25%.

### Balance sheet

Gross lending amounted to DKK 48 billion, against DKK 57 billion a year earlier. Mortgage lending at fair value fell DKK 6 billion to DKK 729 billion in the first half of 2013. The nominal outstanding bond debt decreased DKK 2 billion in the same period.

At 30 June 2013, the average loan-to-value (LTV) ratio stood at 72%, the same as at the end of 2012.

The number of new foreclosures was 91 in the first half of 2013. At 30 June, the total number of foreclosures was 138, or 18 less than at 1 January. The value of the foreclosures was DKK 221 million.

Issued mortgage bonds declined DKK 8 billion to DKK 694 billion. The nominal value of issued bonds fell DKK 5 billion to DKK 676 billion. The amounts are exclusive of holdings of own bonds.

### Capital and solvency

At 30 June 2013, shareholders' equity stood at DKK 45.5 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 45.3 billion, and the total capital ratio calculated in accordance with the Capital Requirements Directive (CRD) was 34.2%. At 31 December 2012, the corresponding figures 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 132.3 billion at 30 June 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 19.9%. Realkredit Danmark thus has a capital buffer of DKK 18.9 billion.

In the second quarter of 2013, Danske Bank received orders from the Danish FSA requiring an increase in the capital used to cover credit risks. The orders may affect Realkredit Danmark's calculation of risk-weighted assets, but a final assessment has not yet been made.

Under Danish law, the Group must publish its solvency need on a quarterly basis. The [www.rd.dk](http://www.rd.dk) site provides further information.

### Supplementary collateral

Realkredit Danmark issues mortgage-covered bonds. Under Danish law, it must provide supplementary col-

lateral 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 June 2013, the requirement for supplementary collateral for mortgage-covered bonds was DKK 43.7 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 the Other reserves series hold a AAA rating from Standard & Poor's (S&P). 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 July 2013, S&P changed its ratings of a number of financial institutions in the Nordic countries. In this connection, the outlook for Danske Bank's rating was changed from positive to stable. The change is based on an global analysis by S&P that focuses on bank liquidity and funding risks. S&P conclude that the funding risk is elevated in Denmark because of mortgage loans with annual interest rate reset. Consequently, Realkredit Danmark will continue its efforts to reduce the volume of loans with short interest reset intervals.

Rating agencies usually define overcollateralisation requirements that are stricter than the requirement for supplementary collateral. Owing to a stricter requirement, in the first half of 2013 Realkredit Danmark issued additional senior debt for DKK 5.5 billion. The rating agencies' overcollateralisation requirements are covered by Realkredit Danmark's capital base and proceeds from issued senior debt.

### Outlook for 2013

Realkredit Danmark expects the weak growth in the Danish economy to continue in 2013. Interest rates in Denmark are expected to remain low throughout the year. This will contribute to a stable property market.

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

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

In 2013, the level of impairments is 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)	First half 2013	First half 2012	Q2 2013	Q2 2012	Full year 2012
	<b>Profit</b>					
	Interest income	12,731	13,175	6,437	6,538	25,946
	Interest expense	9,110	10,265	4,661	5,042	19,395
	Net interest income	3,621	2,910	1,776	1,496	6,551
	Dividends from shares	-	-	-	-	-
	Fee and commission income	202	272	97	121	593
	Fee and commission expense	437	513	219	238	1,062
	Net fee and commission income	3,386	2,669	1,654	1,379	6,082
	Value adjustments	-591	-118	-341	24	-732
	Other operating income	63	58	34	29	111
	Staff costs and administrative expenses	402	443	210	217	866
	Impairment, depreciation and amortisation charges	2	2	1	1	4
3	Loan impairment charges	887	658	433	273	1,319
	Income from associates	2	-	2	-	2
	Profit before tax	1,569	1,506	705	941	3,274
	Tax	392	378	176	237	820
	Net profit for the period	1,177	1,128	529	704	2,454
	<b>Comprehensive income</b>					
	Net profit for the period	1,177	1,128	529	704	2,454
	Other comprehensive income					
	Items that cannot be reclassified to the income statement					
	Actuarial gains/losses on defined benefit plans	-73	-69	-57	-14	77
	Tax	19	18	15	4	-19
	Total other comprehensive income	-54	-51	-42	-10	58
	Total comprehensive income for the period	1,123	1,077	487	694	2,512

## Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 June 2013	31 Dec. 2012	30 June 2012
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	642	3	31
	Due from credit institutions and central banks	24,273	18,724	30,364
	Bonds at fair value	32,170	35,953	26,866
4	Mortgage loans at fair value	729,217	735,494	724,559
4	Loans and other amounts due at amortised cost	936	846	825
	Shares	2	2	2
	Holdings in associates	14	11	9
	Land and buildings	91	92	93
	Domicile property	91	92	93
	Other tangible assets	11	11	11
	Current tax assets	-	10	-
	Deferred tax assets	-	-	-
	Assets temporarily taken over	221	265	405
4	Other assets	1,848	2,706	1,457
	Prepayments	19	10	202
<b>Total assets</b>		<b>789,444</b>	<b>794,127</b>	<b>784,824</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	15,317	10,079	24,553
	Issued mortgage bonds at fair value	693,850	701,373	687,350
8	Issued bonds at amortised cost	27,066	21,687	20,036
	Current tax liabilities	373	-	453
	Deferred tax liabilities	35	45	-
	Other liabilities	7,328	14,591	7,515
	Deferred income	-	-	-
<b>Total amounts due</b>		<b>743,969</b>	<b>747,775</b>	<b>739,907</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	39,453	39,453	33,120
	Other reserves	5,392	4,269	11,167
	Proposed dividends	-	2,000	-
<b>Total shareholders' equity</b>		<b>45,475</b>	<b>46,352</b>	<b>44,917</b>
<b>Total liabilities and equity</b>		<b>789,444</b>	<b>794,127</b>	<b>784,824</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
Change in recognition of defined benefit plans	-	-	-58	-	-58
Adjusted shareholders' equity at 1 January 2013	630	39,453	4,269	2,000	46,352
Net profit for the period	-	-	1,177	-	1,177
Actuarial gains/losses on defined benefit plans	-	-	-73	-	-73
Tax	-	-	19	-	19
Total comprehensive income for the period	-	-	1,123	-	1,123
Dividend paid	-	-	-	-2,000	-2,000
Shareholders' equity at 30 June 2013	630	39,453	5,392	-	45,475
Shareholders' equity at 1 January 2012	630	33,120	10,221	786	44,757
Change in recognition of defined benefit plans	-	-	-131	-	-131
Adjusted shareholders' equity at 1 January 2012	630	33,120	10,090	786	44,626
Net profit for the period	-	-	1,128	-	1,128
Actuarial gains/losses on defined benefit plans	-	-	-69	-	-69
Tax	-	-	18	-	18
Total comprehensive income for the period	-	-	1,077	-	1,077
Dividend paid	-	-	-	-786	-786
Shareholders' equity at 30 June 2012	630	33,120	11,167	-	44,917

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 June 2013	31 Dec. 2012	30 June 2012
Shareholders' equity	45,475	46,352	44,917
Revaluation of domicile property	46	44	62
Tax effect	-11	-11	-15
Shareholders' equity calculated in accordance with the rules of the Danish FSA	45,510	46,385	44,964
Expected dividends	-950	-2,000	-442
Revaluation reserve	-31	-31	-49
Deferred tax assets	-	-	-
Core tier 1 capital	44,529	44,354	44,473
Hybrid capital	-	-	-
Difference between expected losses and impairment charges	-	-	-
Total tier 1 capital	44,529	44,354	44,473
Reserves in series subject to a reimbursement obligation	45	62	62
Revaluation reserve	31	31	49
Difference between expected losses and impairment charges	682	616	579
Capital base	45,287	45,063	45,163
Total risk-weighted assets	132,346	131,543	124,462
Core tier 1 capital ratio (%)	33.6	33.7	35.7
Tier 1 capital ratio (%)	33.6	33.7	35.7
Total capital ratio (%)	34.2	34.3	36.3

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 [www.rd.dk](http://www.rd.dk).



## Cash flow statement – Realkredit Danmark Group

(DKK millions)	First half 2013	First half 2012	Full year 2012
<b>Cash flow from operating activities</b>			
Profit before tax	1,569	1,506	3,274
Tax paid	-	-	-893
Adjustment for non-cash operating items	436	195	405
Cash flow from operating capital	6,184	-1,042	-13,793
<b>Total</b>	<b>8,189</b>	<b>659</b>	<b>-11,007</b>
<b>Cash flow from investing activities</b>			
Acquisition/sale of tangible assets	-1	-	-2
<b>Total</b>	<b>-1</b>	<b>-</b>	<b>-2</b>
<b>Cash flow from financing activities</b>			
Change in hybrid capital	-	-2,034	-2,034
Dividend	-2,000	-786	-786
<b>Total</b>	<b>-2,000</b>	<b>-2,820</b>	<b>-2,820</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>18,727</b>	<b>32,556</b>	<b>32,556</b>
Change during the period	6,188	-2,161	-13,829
<b>Cash and cash equivalents, end of period</b>	<b>24,915</b>	<b>30,395</b>	<b>18,727</b>

## Notes – Realkredit Danmark Group

Note

### 1 Significant accounting policies

#### and critical accounting estimates and assessments

Realkredit Danmark's interim report for the first half 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 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 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 2012.

The interim report has not been reviewed or audited.

## Notes – Realkredit Danmark Group

Note (DKK millions)

### 2 Profit broken down by activity

First half 2013	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,733	-	2,733	-	2,733
Net interest income	-28	916	888	-916	-28
Dividends from shares	-	-	-	-	-
Net fee income	-235	-	-235	-	-235
Income from investment portfolios	-	-	-	327	327
Value adjustments	193	-784	-591	591	-
Other income	63	-	63	-	63
<b>Total income</b>	<b>2,726</b>	<b>132</b>	<b>2,858</b>	<b>2</b>	<b>2,860</b>
Expenses	401	3	404	-	404
Profit before loan impairment charges	2,325	129	2,454	2	2,456
Loan impairment charges	887	-	887	-	887
Income from associates	-	2	2	-2	-
<b>Profit before tax</b>	<b>1,438</b>	<b>131</b>	<b>1,569</b>	<b>-</b>	<b>1,569</b>

First half 2012	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,190	-	2,190	-	2,190
Net interest income	131	517	648	-517	131
Dividends from shares	-	-	-	-	-
Net fee income	-241	-	-241	-	-241
Income from investment portfolios	-	-	-	471	471
Value adjustments	135	-181	-46	46	-
Other income	58	-	58	-	58
<b>Total income</b>	<b>2,273</b>	<b>336</b>	<b>2,609</b>	<b>-</b>	<b>2,609</b>
Expenses	443	2	445	-	445
Profit before loan impairment charges	1,830	334	2,164	-	2,164
Loan impairment charges	658	-	658	-	658
Income from associates	-	-	-	-	-
<b>Profit before tax</b>	<b>1,172</b>	<b>334</b>	<b>1,506</b>	<b>-</b>	<b>1,506</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 real-estate agency chain "home". 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)	First half 2013	First half 2012
3	<b>Loan impairment charges</b>		
	Impairment charges etc.	897	509
	Reversals of impairment charges etc. for previous years	463	316
	Losses incurred	485	524
	Received on claims previously written off	32	59
	<b>Total</b>	<b>887</b>	<b>658</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 3,115 million at 30 June 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 280 million at 30 June 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	692	205	897
Reversals of impairment charges etc. for previous years	406	57	463
Impairment charges etc. at 30 June 2013	3,033	362	3,395

Value adjustments of assets taken over amounted to DKK -10 million at 30 June 2013, against DKK -1 million at end-2012.

### 5 **Assets deposited as collateral**

At 30 June 2013, Realkredit Danmark had deposited securities worth DKK 19,153 million (end of 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 on 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 June 2013, the carrying amount of such securities totalled DKK 15,317 million (end of 2012: DKK 10,077 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 30 June 2013, mortgage lending totalling DKK 729,217 million and other assets totalling DKK 43,649 million (end-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 June 2013	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	32,170	-	-	32,170
	Mortgage loans at fair value	-	729,217	-	729,217
	Shares	-	-	2	2
	Derivatives	-	88	-	88
	<b>Total</b>	<b>32,170</b>	<b>729,305</b>	<b>2</b>	<b>761,477</b>
	Issued mortgage bonds at fair value	693,850	-	-	693,850
	Derivatives	-	17	-	17
	<b>Total</b>	<b>693,850</b>	<b>17</b>	<b>-</b>	<b>693,867</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 six 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 Pensionsafvklingskasse. Kreditforeningen Danmarks Pensionsafvklingskasse 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 on the balance sheet.

(DKK millions)	30 June 2013	31 Dec. 2012	30 June 2012
<b>Other contingent liabilities</b>			
Irrevocable loan commitments regarding reverse mortgages	107	179	209
Other commitments	130	123	120
<b>Total</b>	<b>237</b>	<b>302</b>	<b>329</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 June 2013 were DKK 2 million (31 December 2012: DKK 1 million).

## Notes – Realkredit Danmark Group

Note	(DKK millions)				
8	<b>Issued bonds at amortised cost</b>				
			30 June 2013	31 Dec. 2012	
	Nominal value of issued bonds		27,000	21,500	
	Fair value hedging of interest rate risk		21	141	
	Premium/discount		45	46	
	<b>Total issued bonds</b>		<b>27,066</b>	<b>21,687</b>	
	Nominal value	1 January 2013	Issued	Redeemed	30 June 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.

## Interim financial statements – Realkredit Danmark A/S

Note (DKK millions)

The financial statements of the parent company, Realkredit Danmark A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc. no. 113 dated 7 February 2013.

The rules are consistent with the Group's measurement principles under IFRS with the exception that

- domicile properties are valued at estimated fair value (revalued amount) through other comprehensive income

The estimated fair value of domicile properties is determined in accordance with the Danish FSA's executive order of Financial Reports for Credit Institutions and Investment Companies, etc. Available-for-sale financial assets are measured at fair value through profit or loss.

The format of the parent company's financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRSs.

The table below shows the differences in net profit and shareholders' equity between the IFRS consolidated financial statements and the parent company's financial statements presented in accordance with Danish FSA rules.

	Net profit first half 2013	Net profit first half 2012	Shareholders' equity 30 Jun. 2013	Shareholders' equity 31 Dec. 2012
Consolidated financial statements (IFRS)	1,177	1,128	45,475	46,352
Domicile property	-	-	46	44
Tax effect	-	-	-11	-11
Consolidated financial statements (Danish FSA rules)	1,177	1,128	45,510	46,385

## Income statement and Comprehensive income – Realkredit Danmark A/S

Note	(DKK millions)	First half 2013	First half 2012
	<b>Profit</b>		
	Interest income	12,730	13,174
	Interest expense	9,110	10,265
	Net interest income	3,620	2,909
	Dividends from shares	-	-
	Fee and commission income	202	272
	Fee and commission expense	437	513
	Net fee and commission income	3,385	2,668
1	Value adjustments	-591	-118
	Other operating income	1	2
	Staff costs and administrative expenses	349	390
	Impairment, depreciation and amortisation charges	1	1
	Loan impairment charges	886	657
	Income from associated and group undertakings	8	2
	Profit before tax	1,567	1,506
	Tax	390	378
	Net profit for the period	1,177	1,128
	<b>Comprehensive income</b>		
	Net profit for the period	1,177	1,128
	Other comprehensive income		
	Items that cannot be reclassified to the income statement		
	Actuarial gains/losses on defined benefit plans	-73	-69
	Tax	19	18
	Items that cannot be reclassified to the income statement	-54	-51
	Items that can be reclassified to the income statement		
	Fair value adjustment of domicile property	2	-
	Items that can be reclassified to the income statement	2	-
	Total other comprehensive income	-52	-51
	Total comprehensive income for the period	1,125	1,077



## Balance sheet – Realkredit Danmark A/S

Note	(DKK millions)	30 Jun. 2013	31 Dec. 2012	30 Jun. 2012
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	642	3	31
	Due from credit institutions and central banks	24,235	18,692	30,341
	Bonds at fair value	32,170	35,953	26,866
2	Mortgage loans at fair value	729,217	735,494	724,559
2	Loans and other amounts due at amortised cost	891	797	772
	Holdings in associated undertakings	14	11	9
	Holdings in group undertakings	136	130	127
	Land and buildings	137	136	155
	Domicile property	137	136	155
	Other tangible assets	5	5	5
	Current tax assets	-	8	-
	Assets temporarily taken over	221	265	405
2	Other assets	1,797	2,661	1,412
	Prepayments	19	8	202
<b>Total assets</b>		<b>789,484</b>	<b>794,163</b>	<b>784,884</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	15,317	10,079	24,553
	Issued mortgage bonds at fair value	693,850	701,373	687,350
	Issued bonds at amortised cost	27,066	21,687	20,036
	Current tax liabilities	375	-	453
	Other liabilities	7,223	14,447	7,346
	Deferred income	-	-	-
<b>Total amounts due</b>		<b>743,831</b>	<b>747,586</b>	<b>739,738</b>
<b>PROVISIONS</b>				
	Deferred tax	51	61	21
	Reserves in early series subject to a reimbursement obligation	92	131	162
<b>Total provisions</b>		<b>143</b>	<b>192</b>	<b>183</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Revaluation reserve	31	31	49
	Reserves in series	39,453	39,453	33,120
	Other reserves	5,396	4,271	11,164
	Proposed dividends	-	2,000	-
<b>Total shareholders' equity</b>		<b>45,510</b>	<b>46,385</b>	<b>44,963</b>
<b>Total liabilities and equity</b>		<b>789,484</b>	<b>794,163</b>	<b>784,884</b>

## Statement of capital – Realkredit Danmark A/S

<b>CHANGES IN SHAREHOLDERS' EQUITY</b> (DKK millions)	Share capital	Revaluation reserve	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2013	630	31	39,453	4,271	2,000	46,385
Change in recognition of defined benefit plans	-	-	-	-	-	-
Adjusted shareholders' equity at 1 January 2013	630	31	39,453	4,271	2,000	46,385
Net profit for the period	-	-	-	1,177	-	1,177
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	-	-	-	-73	-	-73
Fair value adjustment of domicile property	-	-	-	2	-	2
Tax	-	-	-	19	-	19
Total other comprehensive income	-	-	-	-52	-	-52
Total comprehensive income for the period	-	-	-	1,125	-	1,125
Proposed dividends	-	-	-	-	-2,000	-2,000
Shareholders' equity at 30 June 2013	630	31	39,453	5,396	-	45,510
Shareholders' equity at 1 January 2012	630	49	33,120	10,087	786	44,672
Change in recognition of defined benefit plans	-	-	-	-	-	-
Adjusted shareholders' equity at 1 January 2012	630	49	33,120	10,087	786	44,672
Net profit for the period	-	-	-	1,128	-	1,128
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	-	-	-	-69	-	-69
Tax	-	-	-	18	-	18
Total other comprehensive income	-	-	-	-51	-	-51
Total comprehensive income for the period	-	-	-	1,077	-	1,077
Dividend paid	-	-	-	-	-786	-786
Shareholders' equity at 30 June 2012	630	49	33,120	11,164	-	44,963

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.

## Notes - Realkredit Danmark A/S

Note	(DKK millions)	First half 2013	First half 2012
1	<b>Value adjustments</b>		
	Mortgage loans	-3,817	2,729
	Bonds	-185	-56
	Currency	3	2
	Derivatives	277	31
	Issued mortgage bonds	2,993	-2,756
	Other liabilities	138	-68
	<b>Total</b>	<b>-591</b>	<b>-118</b>

### 2 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,115 million at 30 June 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 275 million at 30 June 2013, against DKK 284 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges etc. at 1 January 2012	2,272	285	2,557
Impairment charges etc. during the period	1,137	103	1,240
Reversals of impairment charges etc. for previous periods	666	174	840
Impairment charges etc. at 31 Dec. 2012	2,743	214	2,957
Impairment charges etc. during the period	691	205	896
Reversals of impairment charges etc. for previous periods	406	57	463
Impairment charges etc. at 30 June 2013	3,028	362	3,390

Value adjustment of assets taken over amounted to DKK -10 million at 30 June 2013, against DKK -1 million at 31 December 2012.

## Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved Interim Report – First Half 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, and the Parent Company's interim financial statements have been prepared in accordance with the Danish Financial Business Act. 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 and the Parent Company's assets, liabilities, shareholders' equity and financial position at 30 June 2013 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period starting on 1 January 2013 and ending on 30 June 2013. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 1 August 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

- Interim Report – First Nine Months 2013:  
31 October 2013
- Annual Report 2013:  
6 February 2014

### Contact

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[www.home.dk](http://www.home.dk)