

# Interim Report – First Quarter 2015



REALKREDIT  
**Danmark**

<b>Management's report</b>	
Financial highlights – Realkredit Danmark Group	3
Overview, first quarter 2015	4
Mortgage credit market	4
Results	4
Balance sheet	5
Capital and solvency	5
Supplementary collateral	5
Legislative changes	5
Rating	6
Outlook for 2015	6
<b>Interim financial statements – Realkredit Danmark Group</b>	
Income statement and Comprehensive income	7
Balance sheet	8
Statement of capital	9
Cash flow statement	10
Notes	11
<b>Statement by the management</b>	16
<b>Supplementary information</b>	17

Interim Report – First Quarter 2015 is a translation of the original report in the Danish language (Delårsrapport – 1. kvartal 2015). In case of discrepancies, the Danish version prevails.

## Financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE PERIOD (DKK millions)	Q1 2015	Q1 2014	Index 15/14	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Full year 2014
Administration margin	1,441	1,384	104	1,441	1,449	1,446	1,425	1,384	5,704
Net interest income	47	-2	-	47	40	14	10	-2	62
Net fee income	-132	-128	103	-132	-135	-131	-130	-128	-524
Income from investment portfolios	414	237	175	414	228	99	81	237	645
Other income	36	31	116	36	31	32	35	31	129
Total income	1,806	1,522	119	1,806	1,613	1,460	1,421	1,522	6,016
Expenses	202	205	99	202	223	191	196	205	815
Profit before loan impairment charges	1,604	1,317	122	1,604	1,390	1,269	1,225	1,317	5,201
Loan impairment charges	228	244	93	228	338	264	325	244	1,171
Profit before tax	1,376	1,073	128	1,376	1,052	1,005	900	1,073	4,030
Tax	323	263	123	323	255	236	220	263	974
Net profit for the period	1,053	810	130	1,053	797	769	680	810	3,056

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

Due from credit institutions etc.	43,302	30,409	142	43,302	25,882	24,831	34,360	30,409	25,882
Mortgage loans	748,720	739,825	101	748,720	744,502	747,147	743,017	739,825	744,502
Bonds and shares	61,160	62,323	98	61,160	59,817	68,452	61,155	62,323	59,817
Other assets	6,201	3,524	176	6,201	4,354	3,668	3,075	3,524	4,354
Total assets	859,383	836,081	103	859,383	834,555	844,098	841,607	836,081	834,555
Due to credit institutions etc.	18,354	21,538	85	18,354	10,018	16,630	20,177	21,538	10,018
Issued mortgage bonds	759,829	727,949	104	759,829	739,358	743,035	739,953	727,949	739,358
Issued senior debt	27,445	32,608	84	27,445	27,415	28,651	28,634	32,608	27,415
Other liabilities	7,802	8,371	93	7,802	9,893	8,737	6,565	8,371	9,893
Shareholders' equity	45,953	45,615	101	45,953	47,871	47,045	46,278	45,615	47,871
Total liabilities and equity	859,383	836,081	103	859,383	834,555	844,098	841,607	836,081	834,555

### RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	9.0	7.0		9.0	6.7	6.6	5.9	7.0	6.5
Impairment charges as % p.a. of mortgage lending	0.12	0.13		0.12	0.18	0.14	0.18	0.13	0.16
Cost/income ratio (%)	11.2	13.5		11.2	13.8	13.1	13.8	13.5	13.5
Total capital ratio (%)	35.1	34.2		35.1	34.5	35.4	34.3	34.2	34.5
Tier 1 capital ratio (%)	34.6	33.7		34.6	34.0	34.9	33.8	33.7	34.0
Full-time-equivalent staff (end of period)	231	243		231	237	243	242	243	237

## Overview, first quarter 2015

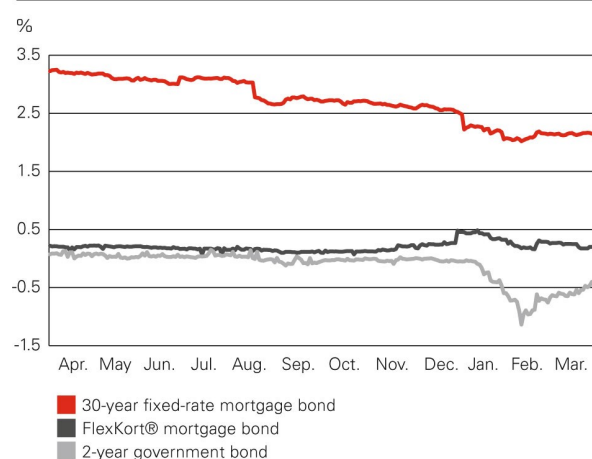
- The Realkredit Danmark Group recorded a net profit of DKK 1,053 million in the first quarter of 2015, against DKK 810 million in the first quarter of 2014. The improvement was driven especially by income from greater remortgaging activity, a small increase in administration margins and a high unrealised return on the bond portfolio. The high return was attributable to positive value adjustments in connection with the decline in interest rates during the quarter.
- There was a high level of remortgaging activity in the first quarter with customers showing strong interest in Realkredit Danmark's low-coupon, fixed-rate products. Disbursements of fixed-rate loans with a coupon of 2.5% amounted to DKK 10 billion in the first quarter, and disbursements of fixed-rate loans with a coupon of 2% amounted to DKK 19 billion.
- Realkredit Danmark also provided FlexLån® loans with negative interest rates in the first quarter.
- The proportion of customers with 1-year FlexLån® loans fell from 14.4% at 31 March 2014 to 11.5% at the end of March 2015. Customers continue to show interest in setting their mortgage rates for longer periods.
- Realkredit Danmark still expects a higher profit in 2015 than in 2014.

## Mortgage credit market

Throughout 2014 and in early 2015, the Danish housing market was characterised by an increase in trading activity and rising house prices. The housing market improvement was due especially to the combination of historically low interest rates and a gradual recovery in the Danish economy. The positive trend is expected to continue for the remainder of 2015, and the housing market improvement is thus likely to continue.

The steps taken by the Danish central bank to maintain Danish krone exchange rate stability included four independent rate cuts in January and February. Interest rates on both short and long-term mortgages reached historical lows. 1-year and 3-year FlexLån® loans with negative interest rates were disbursed in the first quarter, and new fixed-rate loans with historically low coupons were introduced. 30-year fixed-rate mortgage loans with a coupon of 2% have become highly popular among the Danish homeowners.

Trend in interest rates past 12 months



The market for commercial property witnessed increasing activity in 2014, marking a third successive year of improvement. While the current level of activity is the highest since 2008, it remains significantly below that of the 2004-2008 period. Investors remain focused on prime-location properties, and residential

property in Copenhagen has seen particularly strong demand.

## Results

Realkredit Danmark recorded a net profit of DKK 1,053 million in the first quarter of 2015, against DKK 810 million in the same period of last year. The improvement was driven especially by income from greater remortgaging activity, a small increase in administration margins and a high unrealised return on the bond portfolio.

Administration margins rose 4% as a result of an increase in the loan portfolio and marginally higher average margins.

In the first quarter of 2015, net interest income benefited from income from the high level of remortgaging activity, with customers seeking to lock in the rate on loans raised during the quarter but with later disbursement dates.

Income from the investment portfolio amounted to DKK 414 million, against DKK 237 million in the first quarter of 2014. Income from the investment portfolio was especially affected by a high unrealised return on the bond portfolio in connection with the decline in interest rates during the quarter. Since the securities have relatively short maturities, Realkredit Danmark expects a very limited return on the bond portfolio for the remainder of the year. Income from the investment portfolio was also positively affected by income from trading margins on loan disbursements resulting from the high remortgaging activity.

Expenses in the first quarter of 2015 were marginally lower than those incurred in the first quarter of 2014.

Impairments fell to DKK 228 million from DKK 244 million in the same period of 2014. Total impairments declined as a result of a general improvement of macroeconomic conditions in Denmark. Impairments equalled 0.12% p.a. of total mortgage lending, against 0.16% in 2014. The 2014 trend of declining delinquency rates continued in the first quarter of 2015.



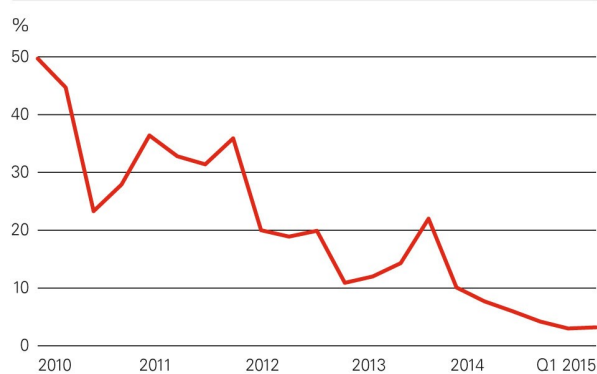
The tax charge totalled DKK 323 million. The effective tax rate for the period was 23.5%.

**Balance sheet**

Gross lending amounted to DKK 55 billion, against DKK 26 billion in the first quarter of 2014. Mortgage lending at fair value rose DKK 4 billion to DKK 749 billion. The nominal outstanding bond debt increased DKK 1 billion in the same period.

In the first quarter of 2015, 78% of gross lending was fixed-rate loans, while short-term, floating-rate loans represented only 4%. In the personal customer market, the share of 1-year and 2-year FlexLån® loans has declined substantially over the past five years, and they accounted for only 3% of total lending in the first quarter of 2015.

Gross loans private market - share of 1-year and 2-year FlexLån® loans



The total volume of 1-year FlexLån® loans fell from DKK 93 billion to DKK 84 billion during the first quarter of 2015.

At 31 March 2015, the average loan-to-value (LTV) ratio stood at 70%, which was slightly lower than at the end of 2014.

The number of new foreclosures was 20 in the first quarter of 2015. At 31 March 2015, the total number of foreclosures was 67, or 3 fewer than at 1 January. The value of the foreclosures was DKK 102 million.

Issued mortgage bonds rose DKK 20 billion to DKK 760 billion. The nominal value of issued bonds rose DKK 16 billion to DKK 732 billion. The amounts are exclusive of holdings of own bonds.

**Capital and solvency**

At the end of March 2015, shareholders' equity stood at DKK 46.0 billion, against DKK 47.9 billion at end-2014. The ordinary dividend payment of DKK 3.0 billion and the consolidation of the net profit for the period accounted for the change.

Realkredit Danmark's total capital amounted to DKK 45.5 billion, and the total capital ratio calculated in accordance with the Capital Requirements Directive

(CRR/CRD IV) was 35.1%. At 31 December 2014, the corresponding figures were DKK 45.5 billion and 34.5%, respectively.

Realkredit Danmark uses the internal ratings-based (IRB) approach to calculate the risk exposure amount for credit risks. The total risk exposure amount (REA) was DKK 129.7 billion at 31 March 2015, against DKK 131.9 billion at the end of 2014. Calculated on the basis of the transitional rules of the CRR/CRD IV, the capital need for 2015 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 26.0 billion and a solvency need ratio of 20.1%. Realkredit Danmark thus has a capital buffer of DKK 19.5 billion.

Under Danish law, Realkredit Danmark must publish its total capital and 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 2015, the requirement for supplementary collateral for mortgage-covered bonds was DKK 39.4 billion.

**Legislative changes**

The introduction of a debt buffer for mortgage credit institutions was finally adopted at the end of March. As a result, Danish mortgage credit institutions must have a debt buffer equal to 2% of their lending by 2020, and for Realkredit Danmark, this equals about DKK 15 billion on the basis of the current lending volume. The requirement will be phased in gradually from mid-2016, at which time 30% of the buffer requirement must be met. Compliance with the debt buffer requirement will be a component of Realkredit Danmark's ongoing considerations with respect to its capital composition.

The supervisory diamond for mortgage credit institutions will be implemented gradually in the period until 2020. Realkredit Danmark already complies with the threshold values for lending growth, borrower's interest rate exposure and large exposures.

Realkredit Danmark is working to comply also with the other two threshold values concerning short funding and interest-only loans. Customers receive advice on the possibility of remortgaging to loans with longer interest reset intervals, thereby capitalising on the low level of interest rates and the relatively flat interest rate structure to set their mortgage rates for longer periods. At the same time, Realkredit Danmark's pricing structure supports the objective of having a lower proportion of interest-only loans in the loan portfolio, and there has been a decline in the volume of interest-only

loans. Realkredit Danmark therefore expects to comply with the remaining two threshold values before full implementation of the supervisory diamond.

With respect to liquidity rules for credit institutions, Realkredit Danmark has started to adapt the liquidity buffer required in connection with the Liquidity Coverage Ratio (LCR). As Realkredit Danmark has sufficient mortgage bonds for the buffer, the adaptation primarily consists of purchasing additional government bonds.

### **Rating**

Realkredit Danmark's mortgage bonds and mortgage-covered bonds issued from capital centres S and T and under the Other reserves series still 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 from the same agency. Realkredit Danmark holds an issuer rating of A from Fitch Ratings.

In the first quarter of 2015, Fitch Ratings conducted its annual review of Realkredit Danmark's portfolio. As a result of its review, Fitch lowered its overcollateralisation requirement for both of Realkredit Danmark's SDRO capital centres from 11.0% and 10.5% in capital centres T and S, respectively, to 8.0% for both centres. A lower volume of 1-year FlexLån® loans and a greater volume of fixed-rate loans in the loan portfolio were the reasons given by Fitch Ratings for lowering the requirement.

### **Outlook for 2015**

Realkredit Danmark expects that growth will remain moderate in the Danish economy in 2015. Interest rates in Denmark are expected to remain low for the rest of 2015, and this will support the ongoing improvement in the Danish housing market.

Realkredit Danmark still expects to achieve a higher profit in 2015 than it did in 2014.

## Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	Q1 2015	Q1 2014	Full year 2014
<b>Income statement</b>				
	Interest income	5,902	6,229	23,896
	Interest expense	4,147	4,339	16,904
	Net interest income	1,755	1,890	6,992
	Dividends from shares	-	-	-
	Fee and commission income	226	80	478
	Fee and commission expense	358	208	1,002
	Net fee and commission income	1,623	1,762	6,468
	Value adjustments	147	-271	-583
	Other operating income	36	31	129
	Staff costs and administrative expenses	201	204	811
	Impairment, depreciation and amortisation charges	1	1	4
3	Loan impairment charges	228	244	1,171
	Income from associates and group undertakings	-	-	2
	Profit before tax	1,376	1,073	4,030
	Tax	323	263	974
	Net profit for the period	1,053	810	3,056
<b>Comprehensive income</b>				
	Net profit for the period	1,053	810	3,056
	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	Actuarial gains/losses on defined benefit plans	38	27	41
	Tax	-9	-6	-10
	Total other comprehensive income	29	21	31
	Total comprehensive income for the period	1,082	831	3,087

## Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	31 March 2015	31 December 2014	31 March 2014
<b>ASSETS</b>				
	Cash in hand and demand deposits with central banks	369	244	782
	Due from credit institutions and central banks	42,933	25,638	29,627
	Bonds at fair value	30,733	29,292	26,120
	Bonds at amortised cost	30,410	30,508	36,187
4	Mortgage loans at fair value	748,720	744,502	739,825
4	Loans and other amounts due at amortised cost	840	919	868
	Shares etc.	2	2	2
	Holdings in associates	15	15	14
	Land and buildings	89	90	90
	Domicile property	89	90	90
	Other tangible assets	10	10	11
	Current tax assets	923	141	-
	Deferred tax assets	-	-	-
	Assets temporarily taken over	102	106	176
4	Other assets	4,222	3,080	2,362
	Prepayments	15	8	17
<b>Total assets</b>		<b>859,383</b>	<b>834,555</b>	<b>836,081</b>
<b>LIABILITIES AND EQUITY</b>				
<b>AMOUNTS DUE</b>				
	Due to credit institutions and central banks	18,354	10,018	21,538
	Issued mortgage bonds at fair value	759,829	739,358	727,949
5	Issued bonds at amortised cost	27,445	27,415	32,608
	Current tax liabilities	-	-	186
	Deferred tax liabilities	81	72	23
	Other liabilities	7,721	9,821	8,162
	Deferred income	-	-	-
<b>Total amounts due</b>		<b>813,430</b>	<b>786,684</b>	<b>790,466</b>
<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	43,693	43,693	42,292
	Other reserves	1,630	548	2,693
	Proposed dividends	-	3,000	-
<b>Total shareholders' equity</b>		<b>45,953</b>	<b>47,871</b>	<b>45,615</b>
<b>Total liabilities and equity</b>		<b>859,383</b>	<b>834,555</b>	<b>836,081</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 2015	630	43,693	548	3,000	47,871
Net profit for the period	-	-	1,053	-	1,053
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	38	-	38
Tax	-	-	-9	-	-9
Total comprehensive income for the period	-	-	1,082	-	1,082
Dividends paid	-	-	-	-3,000	-3,000
Shareholders' equity at 31 March 2015	630	43,693	1,630	-	45,953
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

At 31 March 2015, the share capital was made up of 6,300,000 shares of DKK 100 each. All shares carry the same rights; there is thus only one class of shares. The company is wholly-owned by Danske Bank A/S, Copenhagen.

<b>TOTAL CAPITAL AND TOTAL CAPITAL RATIO</b> (DKK millions)	31 March 2015	31 December 2014	31 March 2014
Shareholders' equity	45,953	47,871	45,615
Revaluation of domicile property at fair value	50	50	50
Tax effect	-12	-12	-12
Total equity calculated in accordance with the rules of the Danish FSA	45,991	47,909	45,653
Expected/proposed dividends	-1,050	-3,000	-650
Revaluation reserve	-	-	-
Deferred tax assets	-	-	-
Defined benefit pension fund assets	-122	-55	-47
Common equity tier 1 capital	44,819	44,854	44,956
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	44,819	44,854	44,956
Reserves in series subject to a reimbursement obligation	-	-	-
Revaluation reserve	-	-	-
Difference between expected losses and impairment charges	655	676	655
Total capital	45,474	45,530	45,611
Risk exposure amount	129,710	131,875	133,529
Common equity tier 1 capital ratio (%)	34.6	34.0	33.7
Tier 1 capital ratio (%)	34.6	34.0	33.7
Total capital ratio (%)	35.1	34.5	34.2

Total capital and the total risk exposure amount at 31 March 2015 have been calculated in accordance with the rules applicable under the CRR/CRD IV taking transitional rules into account as stipulated by the Danish FSA. A new filter will be introduced for deduction from common equity tier 1 capital of additional value adjustments of assets and liabilities measured at fair value (prudent valuation). The European Banking Authority (EBA) has submitted its final standard for adoption by the European Commission. Adoption still pending but is expected in the near future. The final stipulations of the standard may lead to a small reduction in common equity tier 1 capital.

The solvency need calculation is described in more detail on rd.dk.

## Cash flow statement – Realkredit Danmark Group

(DKK millions)	Q1 2015	Q1 2014	Full year 2014
<b>Cash flow from operations</b>			
Profit before tax	1,376	1,073	4,030
Tax paid	-1,106	-	-991
Adjustment for non-cash operating items	4	150	651
Cash flow from operating capital	20,146	-19,718	-26,710
<b>Total</b>	<b>20,420</b>	<b>-18,495</b>	<b>-23,020</b>
<b>Cash flow from investing activities</b>			
Acquisition/sale of tangible assets	-	-	-2
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-2</b>
<b>Cash flow from financing activities</b>			
Dividends	-3,000	-2,100	-2,100
<b>Total</b>	<b>-3,000</b>	<b>-2,100</b>	<b>-2,100</b>
<b>Cash and cash equivalents at 1 January</b>	<b>25,882</b>	<b>51,004</b>	<b>51,004</b>
Change in cash and cash equivalents	17,420	-20,595	-25,122
<b>Cash and cash equivalents, end of period</b>	<b>43,302</b>	<b>30,409</b>	<b>25,882</b>

## Notes – Realkredit Danmark Group

Note

### 1 Significant accounting policies

#### and significant accounting estimates and assessments

Realkredit Danmark's interim report for the first quarter of 2015 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 not changed its significant accounting policies from those followed in Annual Report 2014, which provides a full description of the significant accounting policies.

#### *Significant 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 2014.

The interim report has not been reviewed or audited.

## Notes – Realkredit Danmark Group

Note (DKK millions)

### 2 Profit broken down by activity

Q1 2015	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	1,441	-	1,441	-	1,441
Net interest income	-32	346	314	-267	47
Dividends from shares	-	-	-	-	-
Net fee income	-132	-	-132	-	-132
Income from investment portfolios	-	-	-	414	414
Value adjustments	257	-110	147	-147	-
Other income	36	-	36	-	36
<b>Total income</b>	<b>1,570</b>	<b>236</b>	<b>1,806</b>	<b>-</b>	<b>1,806</b>
Expenses	201	1	202	-	202
Profit before loan impairment charges	1,369	235	1,604	-	1,604
Loan impairment charges	228	-	228	-	228
Income from associates	-	-	-	-	-
<b>Profit before tax</b>	<b>1,141</b>	<b>235</b>	<b>1,376</b>	<b>-</b>	<b>1,376</b>

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
<b>Total income</b>	<b>1,433</b>	<b>89</b>	<b>1,522</b>	<b>-</b>	<b>1,522</b>
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	-	-	-	-	-
<b>Profit before tax</b>	<b>985</b>	<b>88</b>	<b>1,073</b>	<b>-</b>	<b>1,073</b>

Mortgage finance encompasses property financing services provided in Denmark, Sweden and Norway to personal and business customers. The mediation of property financing services is made through Danske Bank's branch network and finance centres and through Corporate & Institutional Mortgage Finance at Realkredit Danmark. The segment also includes mediation of real estate transactions in Denmark offered through the "home" real-estate agency chain. Under the Danish Financial Business Act, at least 60% of the 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, except for interest on bonds at amortised cost, is reclassified to income from investment portfolios. Realkredit Danmark has no branch offices or subsidiaries outside Denmark.

## Notes – Realkredit Danmark Group

Note	(DKK millions)	Q1 2015	Q1 2014
3	<b>Loan impairment charges</b>		
	Impairment charges etc. during the period	395	503
	Reversals of impairment charges etc. for previous years	392	355
	Losses incurred	234	113
	Received on claims previously written off	9	17
	<b>Total</b>	<b>228</b>	<b>244</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 4,038 million at 31 March 2015, against DKK 3,998 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 266 million at 31 March 2015, against DKK 303 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges at 1 January 2014	3,241	413	3,654
Impairment charges during the period	1,895	418	2,313
Reversals of impairment charges etc. for previous periods	1,546	120	1,666
Impairment charges at 31 December 2014	3,590	711	4,301
Impairment charges during the period	321	74	395
Reversals of impairment charges etc. for previous periods	383	9	392
Impairment charges at 31 March 2015	3,528	776	4,304

Value adjustments of assets taken over amounted to DKK 1 million at 31 March 2015, against DKK 3 million at end-2014.

### 5 Issued bonds at amortised cost

	31 March 2015	31 December 2014
Nominal value of issued bonds	27,275	27,275
Fair value hedging of interest rate risk	147	115
Premium/discount	23	25
<b>Total issued bonds</b>	<b>27,445</b>	<b>27,415</b>

	1 January 2015	Issued	Redeemed	31 March 2015
Nominal value				
<b>Total issued bonds</b>	<b>27,275</b>	<b>-</b>	<b>-</b>	<b>27,275</b>

Issued bonds at amortised cost consist of issued senior debt.

### 6 Assets deposited as collateral

At 31 March 2015, Realkredit Danmark had deposited securities worth DKK 15,653 million (end-2014: DKK 13,451 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 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 2015, the carrying amount of such securities totalled DKK 16,354 million (end-2014: DKK 9,986 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 31 March 2015, mortgage lending totalling DKK 748,720 million and other assets totalling DKK 39,425 million (end-2014: DKK 744,502 million and DKK 41,050 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	<b>Financial instruments at fair value</b>				
	31 March 2015	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	30,733	-	-	30,733
	Mortgage loans at fair value	-	748,720	-	748,720
	Shares	-	-	2	2
	Derivatives	-	410	-	410
	<b>Total</b>	<b>30,733</b>	<b>749,130</b>	<b>2</b>	<b>779,865</b>
	Issued mortgage bonds at fair value	759,829	-	-	759,829
	Derivatives	-	76	-	76
	<b>Total</b>	<b>759,829</b>	<b>76</b>	<b>-</b>	<b>759,905</b>
	31 December 2014				
	Bonds at fair value	29,292	-	-	29,292
	Mortgage loans at fair value	-	744,502	-	744,502
	Shares	-	-	2	2
	Derivatives	-	451	-	451
	<b>Total</b>	<b>29,292</b>	<b>744,953</b>	<b>2</b>	<b>774,247</b>
	Issued mortgage bonds at fair value	739,358	-	-	739,358
	Derivatives	-	20	-	20
	<b>Total</b>	<b>739,358</b>	<b>20</b>	<b>-</b>	<b>739,378</b>

Negative interest income and interest expenses due to negative interest rates were insignificant during first quarter 2015. The amounts are offset against interest income and interest expenses, respectively.

Note 36 to Annual Report 2014 provides a description of the valuation techniques used for financial instruments. Financial market developments did not result in reclassification of bonds between listed prices and observable input during the first quarter of 2015.

### 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 Pensionsafviklingskasse. 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 2015	31 December 2014	31 March 2014
<b>Other contingent liabilities</b>			
Irrevocable loan commitments regarding reverse mortgages	27	56	59
Other commitments	107	108	132
<b>Total</b>	<b>134</b>	<b>164</b>	<b>191</b>

In addition to credit exposure from lending activities, loan offers made granted by the Group amounted to DKK 23,556 million (end-2014: DKK 21,256 million). These items are included in the calculation of the total risk amount in accordance with the CRR/CRD IV.



## Notes – Realkredit Danmark Group

Note

### 9 Risk management

The Board of Directors defines Realkredit Danmark's risk management framework, while the Executive Board monitors Realkredit Danmark's risks and ensures compliance with the framework. The principal risk faced by Realkredit Danmark is the credit risk on mortgage loans. Realkredit Danmark has only limited exposure to market risk.

#### *Credit risk*

As a mortgage credit institution, Realkredit Danmark provides loans secured on real property. The credit risk on a mortgage loan basically derives from two factors; the risk that the borrower is unable to repay the loan and the expected loss if the customer does not repay the loan. The latter depends largely on the value of the mortgaged property. The table below shows a breakdown of the loan portfolio on customer classification by creditworthiness (rating categories) and loan-to-value (LTV) ratios. Loans to customers with an LTV ratio of more than 80% in the four lowest rating categories total DKK 8 billion, which corresponds to 1.1% of the total loan portfolio.

**Portfolio broken down by LTV ratio and rating category**  
31 March 2015

Rating-category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	-	-	-	-	-	-
2	5	4	2	-	-	11
3	48	34	22	10	8	122
4	66	52	35	17	7	177
5	56	49	38	20	8	171
6	36	31	24	13	6	110
7	29	27	21	11	5	93
8	10	9	7	4	2	32
9	2	2	2	1	1	8
10	4	4	4	3	3	18
11	3	2	2	2	2	11
<b>Total</b>	<b>259</b>	<b>214</b>	<b>157</b>	<b>81</b>	<b>42</b>	<b>753</b>

**Portfolio broken down by LTV ratio value and rating category**  
31 December 2014

Rating-category	LTV ratio					Total DKK. billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	1	-	-	-	-	1
2	5	3	2	-	1	11
3	48	33	21	10	8	120
4	64	50	35	17	8	174
5	55	48	37	20	8	168
6	36	31	24	13	6	110
7	29	28	22	12	5	96
8	9	9	7	4	2	31
9	2	2	2	1	1	8
10	5	4	4	3	3	19
11	2	2	2	2	2	10
<b>Total</b>	<b>256</b>	<b>210</b>	<b>156</b>	<b>82</b>	<b>44</b>	<b>748</b>

In the financial statements, mortgage loans, and thus the associated credit risk, are recognised at fair value. Calculating the fair value of credit risk involves significant estimates and assumptions. This is described in detail in note 1. The total fair value adjustment of credit risk is described in note 4.

#### *Market risk*

Market risk comprises interest rate, equity market and exchange rate risks and, to a very limited extent, liquidity risk and operational risk. In addition, the Group is exposed to some degree to pension risk on defined benefit plans for current and/or former employees.

However, the statutory principle of balance eliminates most of the interest rate, exchange rate and liquidity risks on Realkredit Danmark's loans. Realkredit Danmark's other assets and liabilities involve some degree of market risk, mainly in the form of interest rate risk. Realkredit Danmark uses derivatives to hedge the interest rate risk on some of the bonds in the proprietary portfolio and on fixed-rate liabilities in the form of issued senior debt. The derivatives and the hedged bonds are recognised at fair value, and fair value hedge accounting is used to the effect that the hedged interest rate risk on the issued senior debt is also recognised at fair value in the financial statements. Realkredit Danmark has placed DKK 30,410 million of its proprietary portfolio in fixed-rate bonds, which are recognised in the financial statements as held-to-maturity investments and are thus measured at amortised cost. As a result, Realkredit Danmark knows the return on the portfolio until maturity, and the fixed-rate held-to-maturity portfolio is therefore not considered to entail an interest rate risk that needs to be hedged through derivatives.

The Group's management of credit risk and market risk is described in detail in the risk management note in Annual Report 2014.

## Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Quarter 2015 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 2015 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2015 and ending on 31 March 2015. 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, 30 April 2015

### **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 2015:  
22 July 2015
- Interim Report – First Nine Months 2015:  
29 October 2015

### **Contact**


Chairman of the Executive Board  
and Chief Executive Officer  
Carsten Nøddebo Rasmussen  
Tel. +45 45 13 20 82

### **Address**

Realkredit Danmark A/S  
Strødamvej 46  
DK-2100 Copenhagen Ø  
Tel. +45 70 12 53 00  
CVR-nr. 13 39 91 74 – Copenhagen

### **Links**

rd.dk  
danskebank.dk  
danskebank.com  
home.dk



Realkredit Danmark A/S  
Strødamvej 46  
DK-2100 København Ø  
Telephone +45 70 12 53 00

rd.dk  
E-mail rd@rd.dk