

Interim Report – First Quarter 2017



REALKREDIT
Danmark

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Interim Report – First Quarter 2017 is a translation of the original report in the Danish language (Delårsrapport – 1. kvartal 2017). In case of discrepancies, the Danish version prevails.

Financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE PERIOD (DKK millions)	Q1 2017	Q1 2016	Index 17/16	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Full year 2016
Administration margin	1,538	1,443	107	1,538	1,548	1,454	1,445	1,443	5,890
Net interest income	7	16	44	7	52	40	15	16	123
Net fee income	-132	-141	94	-132	-173	-157	-140	-141	-611
Income from investment portfolios	246	234	105	246	275	94	183	234	786
Other income	36	35	103	36	36	32	38	35	141
Total income	1,695	1,587	107	1,695	1,738	1,463	1,541	1,587	6,329
Expenses	177	195	91	177	207	192	196	195	790
Profit before loan impairment charges	1,518	1,392	109	1,518	1,531	1,271	1,345	1,392	5,539
Loan impairment charges	37	21	176	37	1	98	62	21	182
Profit before tax	1,481	1,371	108	1,481	1,530	1,173	1,283	1,371	5,357
Tax	326	302	108	326	334	258	282	302	1,176
Net profit for the period	1,155	1,069	108	1,155	1,196	915	1,001	1,069	4,181

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	33,867	30,902	110	33,867	31,491	44,584	29,932	30,902	31,491
Mortgage loans	772,045	751,382	103	772,045	767,695	768,079	759,785	751,382	767,695
Bonds and shares	53,782	56,183	96	53,782	59,582	54,767	59,307	56,183	59,582
Other assets	4,206	4,538	93	4,206	3,909	3,748	3,694	4,538	3,909
Total assets	863,900	843,005	102	863,900	862,677	871,178	852,718	843,005	862,677
Due to credit institutions etc.	8,377	20,795	40	8,377	6,355	16,419	17,949	20,795	6,355
Issued mortgage bonds	784,955	751,359	104	784,955	782,526	783,330	764,970	751,359	782,526
Issued senior debt	17,294	17,655	98	17,294	17,318	17,618	17,639	17,655	17,318
Other liabilities	6,585	6,861	96	6,585	7,131	5,651	4,795	6,861	7,131
Shareholders' equity	46,689	46,335	101	46,689	49,347	48,160	47,365	46,335	49,347
Total liabilities and equity	863,900	843,005	102	863,900	862,677	871,178	852,718	843,005	862,677

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	9.6	9.0		9.6	9.8	7.7	8.5	9.0	8.5
Impairment charges as % p.a. of mortgage lending	0.02	0.01		0.02	0.00	0.05	0.03	0.01	0.02
Cost/income ratio (%)	10.4	12.3		10.4	11.9	13.1	12.7	12.3	12.5
Total capital ratio (%)	30.6	31.5		30.6	30.1	31.2	32.5	31.5	30.1
Tier 1 capital ratio (%)	30.1	31.0		30.1	29.6	30.7	32.0	31.0	29.6
Full-time-equivalent staff (end of period)	235	238		235	235	238	239	238	235

Overview, first quarter 2017

- The Realkredit Danmark Group recorded a net profit of DKK 1,155 million in the first quarter of 2017, against DKK 1,069 million in the first quarter of 2016. The profit for the first quarter of 2017 was driven primarily by a larger loan portfolio.
- Impairments remained low at DKK 37 million in the first quarter of 2017, against DKK 21 million in the first quarter of 2016.
- In the first quarter of 2017, there was demand for fixed-rate loans with a 2% coupon and FlexLån® loans with refinancing intervals of 5 years or more.
- In February, for the first time in Realkredit Danmark's history, a refinancing auction of bonds underlying 1-year FlexLån® loans resulted in a negative rate of interest. Loans with a negative interest rate were thus disbursed to more than 1,200 customers in the first quarter of 2017.
- Realkredit Danmark still expects the profit for 2017 to be at the same level as in 2016.

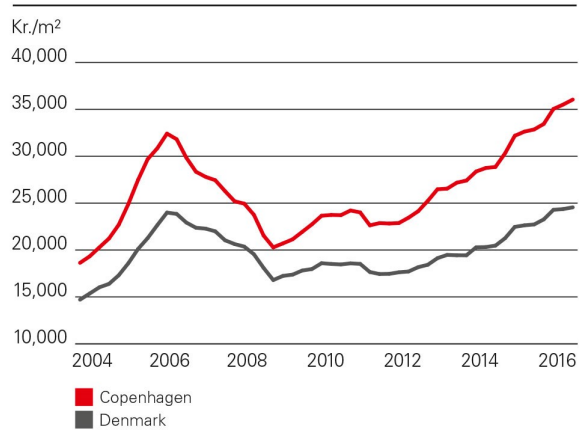
Mortgage credit market

In 2017, the Danish housing market has continued on the growth track from 2016. So far, the political uncertainty surrounding future property taxes has not had any noticeable effect on the housing market. Trading activity in the first few months of 2017 has thus been on a level with 2016.

House prices are unchanged relative to the end of 2016, while prices of owner-occupied flats, primarily in Copenhagen, continue trending upward.

Given the outlook for continued labour market improvement, a positive trend in real wages and low interest rates, house prices are expected to rise by 3-4% in 2017.

Development in prices of owner-occupied flats

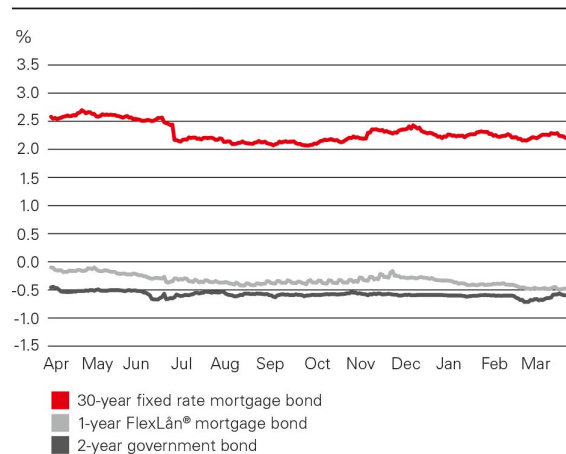


Long-term mortgage rates rose slightly towards the end of 2016, because the markets expected a more expansionary economic policy in the USA.

At the beginning of 2017, interest rates eased slightly due to uncertainty about the US economic policy and mounting political uncertainty in Europe caused by factors such as the upcoming presidential election in France. As a result, fixed-rate 30-year 2% mortgage loans were attractive in the first quarter of the year, and interest rates on floating-rate loans were historically low. In February, for the first time in Realkredit

Danmark's history, a refinancing auction of bonds underlying 1-year FlexLån® loans resulted in a negative rate of interest for borrowers.

Trend in interest rates past 12 months



In the commercial property market, activity remains quite strong, underpinned by the very low level of interest rates and strong interest from both domestic and international investors. Prime-location commercial property with long-term leases in Denmark's largest cities are attractive to investors as they help secure stable cash flows over a number of years.

Results

For the first quarter of 2017, Realkredit Danmark's net profit was DKK 1,155 million, against DKK 1,069 million in the same period of 2016. The profit performance was attributable primarily to rising administration margin income. Remortgaging activity was at the same level as in the first quarter of 2016.

The administration margin income rose DKK 95 million, driven primarily by a larger loan portfolio and higher average administration margins.

Other income was unchanged from the first quarter of 2016.

Total income rose 7% over income in the first quarter of 2016.

Expenses amounted to DKK 177 million in the first quarter of 2017, against DKK 195 million in the first quarter of 2016. The decline was partly attributable to lower IT costs.

Impairments totalled DKK 37 million in the first quarter of 2017, up from the year-earlier level of DKK 21 million. In the first quarters of both 2016 and 2017, previous provisions for bad debts on corporate customers were reversed. Impairments remain at a low level.

The Danish agricultural sector is experiencing higher selling prices for milk and pork and low prices of grain. However, as the sector remains challenged by high debts, it was necessary to retain impairments.

Impairments equalled 0.02% p.a. of total mortgage lending, which was unchanged from 2016. At the end of March 2017, the delinquency rate was slightly lower than in 2016, except for the agricultural segment.

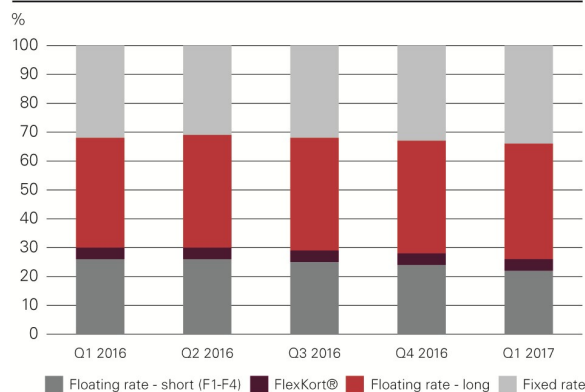
The tax charge totalled DKK 326 million. The effective tax rate for the period was 22.0%.

Balance sheet

Gross lending amounted to DKK 32 billion, against DKK 22 billion in the first quarter of 2016. Mortgage lending at fair value rose DKK 4 billion to DKK 772 billion. The development in mortgage lending at fair value is composed of an increase in the nominal outstanding bond debt of DKK 2 billion and a DKK 2 billion increase in the market value adjustment in the same period.

In the first quarter of 2017, fixed-rate loans accounted for 40% of all disbursed loans, while about 80% of all floating-rate loans were disbursed with refinancing intervals of five years or more.

Development in loan portfolio by loan type (%)



A new price structure and continuing low interest rates have made customers lock-in the interest rate on their loan for a longer period.

At 31 March 2017, the average loan-to-value (LTV) ratio stood at 64%, the same level as at the end of 2016. An increase in loans calculated at market value was offset by rising property prices.

The number of new foreclosures was 16 in the first quarter of 2017. The number of foreclosures fell marginally in the first quarter to 50 at the end of March 2017, of which 41 were owner-occupied dwellings and 9 were commercial properties. The value of the foreclosures was DKK 75 million.

Issued mortgage bonds rose DKK 2 billion to DKK 785 billion. The nominal value of issued bonds was DKK 766 billion, which was DKK 1 billion more than at the end of 2016. The amounts are exclusive of holdings of own mortgage bonds. In the first quarter of 2017, Realkredit Danmark issued bonds for DKK 32 billion, not including bonds issued for the refinancing auctions.

Capital and solvency

At the end of March 2017, shareholders' equity stood at DKK 46.7 billion, against DKK 49.3 billion at end-2016. The ordinary dividend payment of DKK 3.8 billion and the consolidation of the net profit for the period accounted for the change.

Realkredit Danmark's total capital amounted to DKK 46.2 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD IV) was 30.6%. At 31 December 2016, the corresponding figures were DKK 46.2 billion and 30.1%, 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 151.1 billion at 31 March 2017, against DKK 153.6 billion at the end of 2016.

Calculated on the basis of the transitional rules of the CRR/CRD IV, the capital need for 2017 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 27.0 billion and 17.9% of REA. Realkredit Danmark thus has a capital buffer of DKK 19.2 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 predefined limits, which are 80% for residential property and 60% for commercial property.

At the end of March 2017, the requirement for supplementary collateral for mortgage-covered bonds was DKK 27,0 billion, against DKK 28.5 billion at end-2016.

Liquidity Coverage Ratio

The effective requirement for Realkredit Danmark's buffer of liquid assets resulting from the Liquidity Coverage Ratio is 2.5% of total mortgage lending. At the end of March 2017, this corresponded to approximately DKK 19 billion. Realkredit Danmark has liquid assets of DKK 57 billion, and after haircuts this translates into liquid assets of DKK 53 billion. Realkredit Danmark thus has a buffer of DKK 34 billion relative to the requirement.

Supervisory diamond for mortgage credit institutions

Realkredit Danmark complies with all threshold values.

Rating

After its annual review of capital centres S and T, Fitch Ratings confirmed its rating of the bonds of AAA and AA+, respectively. The review resulted in a DKK 5.8 billion lowering of the overcollateralisation requirement because Fitch Ratings' total overcollateralisation requirement for the two capital centres fell from DKK 57.0 billion to DKK 51.2 billion.

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 S&P Global.

Realkredit Danmark holds an issuer rating of A from Fitch Ratings.

Outlook for 2017

Realkredit Danmark expects that low interest rates will continue to characterise the Danish economy in 2017 with moderately rising growth relative to the past few years. Low interest rates are expected to support the positive trend in house prices and general housing market activity.

Realkredit Danmark expects income to be at the same level as in 2016, as income will be supported by moderate growth in the loan portfolio, while a decline in income from remortgaging activity and lower returns on the bond portfolios will have downward effect.

Through a persistent focus on cost control in 2017, Realkredit Danmark aims to curb its expenses.

Loan impairment charges are expected to remain at a low level in 2017.

Overall, Realkredit Danmark therefore expects the profit for 2017 to be at the same level as in 2016.

Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	Q1 2017	Q1 2016	Full year 2016
Income statement				
	Interest income	4,688	5,046	19,581
	Interest expense	3,014	3,313	12,721
	Net interest income	1,674	1,733	6,860
	Dividends from shares	-	-	-
	Fee and commission income	148	89	524
	Fee and commission expense	280	230	1,135
	Net fee and commission income	1,542	1,592	6,249
	Value adjustments	118	-39	-61
	Other operating income	36	35	141
	Staff costs and administrative expenses	176	194	787
	Impairment, depreciation and amortisation charges	1	1	3
3	Loan impairment charges	37	21	182
	Income from associates and group undertakings	-1	-1	-
	Profit before tax	1,481	1,371	5,357
	Tax	326	302	1,176
	Net profit for the period	1,155	1,069	4,181
Comprehensive income				
	Net profit for the period	1,155	1,069	4,181
	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	Actuarial gains/losses on defined benefit plans	-17	26	-103
	Tax	4	-6	23
	Total other comprehensive income	-13	20	-80
	Total comprehensive income for the period	1,142	1,089	4,101

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	31 March 2017	31 December 2016	31 March 2016
	ASSETS			
	Cash in hand and demand deposits with central banks	326	206	127
	Due from credit institutions and central banks	33,541	31,285	30,775
	Bonds at fair value	23,220	25,999	26,519
	Bonds at amortised cost	30,543	33,563	29,646
4	Mortgage loans at fair value	772,045	767,695	751,382
4	Loans and other amounts due at amortised cost	708	702	712
	Shares etc.	2	2	2
	Holdings in associates	17	18	16
	Other tangible assets	8	9	10
	Current tax assets	834	-	782
	Deferred tax assets	-	-	-
	Assets temporarily taken over	106	110	124
4	Other assets	2,536	3,070	2,897
	Prepayments	14	18	13
	Total assets	863,900	862,677	843,005
	LIABILITIES AND EQUITY			
	AMOUNTS DUE			
	Due to credit institutions and central banks	8,377	6,355	20,795
	Issued mortgage bonds at fair value	784,955	782,526	751,359
5	Issued bonds at amortised cost	17,294	17,318	17,655
	Current tax liabilities	-	22	-
	Deferred tax liabilities	47	51	75
	Other liabilities	6,538	7,058	6,786
	Deferred income	-	-	-
	Total amounts due	817,211	813,330	796,670
	SHAREHOLDERS' EQUITY			
	Share capital	630	630	630
	Other reserves			
	Reserves in series	44,611	44,611	42,613
	Other reserves	1,448	306	3,092
	Proposed dividends	-	3,800	-
	Total shareholders' equity	46,689	49,347	46,335
	Total liabilities and equity	863,900	862,677	843,005

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 2017	630	44,611	306	3,800	49,347
Net profit for the period	-	-	1,155	-	1,155
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-17	-	-17
Tax	-	-	4	-	4
Total comprehensive income for the period	-	-	1,142	-	1,142
Dividends paid	-	-	-	-3,800	-3,800
Shareholders' equity at 31 March 2017	630	44,611	1,448	-	46,689
Shareholders' equity at 1 January 2016	630	42,613	2,003	3,500	48,746
Net profit for the period	-	-	1,069	-	1,069
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	26	-	26
Tax	-	-	-6	-	-6
Total comprehensive income for the period	-	-	1,089	-	1,089
Dividends paid	-	-	-	-3,500	-3,500
Shareholders' equity at 31 March 2016	630	42,613	3,092	-	46,335

At 31 March 2017, 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. Realkredit Danmark A/S and group undertakings are included in the consolidated financial statements of Danske Bank A/S, Copenhagen.

TOTAL CAPITAL AND TOTAL CAPITAL RATIO (DKK millions)	31 March 2017	31 December 2016	31 March 2016
Shareholders' equity	45,547	49,347	46,335
Revaluation of domicile property at fair value	39	39	40
Tax effect	-8	-8	-9
Total equity calculated in accordance with the rules of the Danish FSA	45,578	49,378	46,366
Proposed/expected dividends	-	-3,800	-950
Revaluation reserve	-	-	-
Deferred tax assets	-	-	-
Prudent valuation	-24	-26	-27
Defined benefit pension fund assets	-144	-115	-172
Common equity tier 1 capital	45,410	45,437	45,217
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	45,410	45,437	45,217
Reserves in series subject to a reimbursement obligation	-	-	-
Revaluation reserve	-	-	-
Difference between expected losses and impairment charges	791	729	758
Total capital	46,201	46,166	45,975
Risk exposure amount	151,113	153,597	145,811
Common equity tier 1 capital ratio (%)	30.1	29.6	31.0
Tier 1 capital ratio (%)	30.1	29.6	31.0
Total capital ratio (%)	30.6	30.1	31.5

Total capital and the total risk exposure amount at 31 March 2017 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.

From 1 January 2017, the profit for the period will not be recognised in the statement of total capital and total capital ratio until in connection with the audited full-year financial statements. During 2017, the statement of total capital and total capital ratio will therefore be based on shareholders' equity at 31 December 2016 less the dividend distributed in March 2017. In 2016, the profit for the period less expected dividends was recognised in the statement of total capital and total capital ratio during the year.

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

Cash flow statement – Realkredit Danmark Group

(DKK millions)	Q1 2017	Q1 2016	Full year 2016
Cash flow from operations			
Profit before tax	1,481	1,371	5,357
Tax paid	-1,182	-1,109	-1,172
Adjustment for non-cash operating items	-57	-163	-519
Cash flow from operating capital	7,926	6,156	6,206
Total	8,168	6,255	9,872
Cash flow from investing activities			
Acquisition/sale of tangible assets	-	-	-1
Total	-	-	-1
Cash flow from financing activities			
Dividends	-3,800	-3,500	-3,500
Total	-3,800	-3,500	-3,500
Cash and cash equivalents at 1 January	29,499	23,128	23,128
Change in cash and cash equivalents	4,368	2,755	6,371
Cash and cash equivalents, end of period	33,867	25,883	29,499
Cash and cash equivalents, end of period			
Cash in hand and demand deposits with central banks	326	127	206
Amounts due from credit institutions and central banks within 3 months	33,541	25,756	29,293
Total	33,867	25,883	29,499

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 2017 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 2016, which provides a full description of the significant accounting policies. The interim report has not been reviewed or audited.

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 or in case of assets financing.

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 2016.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity

Q1 2017	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin	1,538	-	1,538	-	1,538
Net interest income	-81	88	7	129	136
Dividends from shares	-	-	-	-	-
Net fee income	-132	-	-132	-	-132
Income from investment portfolios	206	40	246	-246	-
Value adjustments	-	-	-	118	118
Other income	36	-	36	-	36
Total income	1,567	128	1,695	1	1,696
Expenses	176	1	177	-	177
Profit before loan impairment charges	1,391	127	1,518	1	1,519
Loan impairment charges	37	-	37	-	37
Income from associates	-	-	-	-1	-1
Profit before tax	1,354	127	1,481	-	1,481
Total assets	803,074	60,826	863,900	-	863,900
Q1 2016	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin	1,443	-	1,443	-	1,443
Net interest income	-70	86	16	274	290
Dividends from shares	-	-	-	-	-
Net fee income	-141	-	-141	-	-141
Income from investment portfolios	184	50	234	-234	-
Value adjustments	-	-	-	-39	-39
Other income	35	-	35	-	35
Total income	1,451	136	1,587	1	1,588
Expenses	194	1	195	-	195
Profit before loan impairment charges	1,257	135	1,392	1	1,393
Loan impairment charges	21	-	21	-	21
Income from associates	-	-	-	-1	-1
Profit before tax	1,236	135	1,371	-	1,371
Total assets	780,803	62,202	843,005	-	843,005

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. Own holdings comprise the net return on the part of the securities portfolio not relating to the mortgage finance business. Under the Danish Financial Business Act, at least 60% of the total capital of a mortgage credit institution must be invested in bonds, etc.

Financial highlights and reporting for the two business segments correspond to the information incorporated in the Management's report, and which is regularly sent to the management. The reclassification column shows the reconciliation between the presentation in the highlights and in the IFRS financial statements. The difference is due to the fact that income from trading activities in mortgage credit activities and income from own holdings, except for interest on bonds at amortised cost, is carried in the consolidated highlights as income from investment portfolios, while in the income statement according to IFRS it is carried under net interest income, value adjustments, etc.

Realkredit Danmark has no branch offices or subsidiaries outside Denmark.

Notes – Realkredit Danmark Group

Note	(DKK millions)	Q1 2017	Q1 2016
3	Loan impairment charges		
	Impairment charges etc. during the period	198	198
	Reversals of impairment charges etc. for previous years	255	362
	Losses incurred	114	199
	Received on claims previously written off	20	14
	Total	37	21

4 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, charges were recognised as an expense of DKK 3,340 million at 31 March 2017, against DKK 3,403 million at the beginning of the year.

Of total loan charges for the credit risk on loans and other amounts due at amortised cost, charges were recognised as an expense of DKK 108 million at 31 March 2017, against DKK 102 million at the beginning of the year.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges at 1 January 2016	3,055	972	4,027
Impairment charges during the period	653	96	749
Reversals of impairment charges for previous periods	1,018	253	1,271
Impairment charges at 31 December 2016	2,690	815	3,505
Impairment charges during the period	187	11	198
Reversals of impairment charges for previous periods	243	12	255
Impairment charges at 31 March 2017	2,634	814	3,448

Value adjustments of assets taken over amounted to DKK 2 million at 31 March 2017, against DKK 0 million at end-2016.

5 Issued bonds at amortised cost

	31 March 2017	31 December 2016
Nominal value of issued bonds	17,297	17,297
Fair value hedging of interest rate risk	-1	20
Premium/discount	-2	1
Total issued bonds	17,294	17,318

	1 January 2017	Issued	Redeemed	31 March 2017
Nominal value				
Total issued bonds	17,297	-	-	17,297

Issued bonds at amortised cost consist of issued senior debt.

6 Assets deposited as collateral

At 31 March 2017, Realkredit Danmark had deposited securities worth DKK 8,712 million (end-2016: DKK 8,304 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 2017, the carrying amount of such securities totalled DKK 8,354 million (end-2016: DKK 6,346 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 31 March 2017, mortgage lending totalling DKK 772,045 million and other assets totalling DKK 27,008 million (end-2016: DKK 767,695 million and DKK 28,493 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 2017	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	9,166	14,054	-	23,220
	Mortgage loans at fair value	-	772,045	-	772,045
	Shares	-	-	2	2
	Derivatives	-	264	-	264
	Total	9,166	786,363	2	795,531
	Issued mortgage bonds at fair value	784,955	-	-	784,955
	Derivatives	-	191	-	191
	Total	784,955	191	-	785,146
	31 December 2016				
	Bonds at fair value	21,277	4,722	-	25,999
	Mortgage loans at fair value	-	767,695	-	767,695
	Shares	-	-	2	2
	Derivatives	-	231	-	231
	Total	21,277	772,648	2	793,927
	Issued mortgage bonds at fair value	782,526	-	-	782,526
	Derivatives	-	85	-	85
	Total	782,526	85	-	782,611

Negative interest income and interest expenses due to negative interest rates were insignificant during first quarter of 2017. The amounts are off-set against interest income and interest expenses, respectively.

Note 36 to Annual Report 2016 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 2017.

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.

In connection with implementation of the EU Bank Recovery and Resolution Directive, a Danish resolution fund has been established. The resolution fund must amount to 1% of the covered deposits of all Danish credit institutions by 31 December 2024. The first contribution to the fund was made at 31 December 2015. The individual institution must make contributions to the fund on the basis of its size and risk relative to other credit institutions in Denmark. The intention is that losses should be covered by the annual contributions made by the participating credit institutions. If sufficient means are not available in the resolution fund, extraordinary contributions can be required of up to three times the latest annual contribution.

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.

Realkredit Danmark operates out of leased premises. Leases are concluded by the parent company. Realkredit Danmark pays monthly rent to the parent company.

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 2017	31 December 2016	31 March 2016
Other contingent liabilities			
Irrevocable loan commitments regarding reverse mortgages	6	11	12
Other commitments	95	96	90
Total	101	107	102

In addition to credit exposure from lending activities, loan offers made by the Group amounted to DKK 32,508 million (end-2016: DKK 28,366 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 4 billion, which corresponds to 0.5% of the total loan portfolio.

Portfolio broken down by LTV ratio and rating category
31 March 2017

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	-	-	-	-	-	-
2	7	4	2	-	-	13
3	64	43	25	10	6	148
4	78	61	38	15	5	197
5	62	54	38	16	4	174
6	41	35	24	11	3	114
7	26	23	18	8	2	77
8	8	8	6	3	1	26
9	1	1	1	1	1	5
10	4	3	3	2	1	13
11	2	2	2	1	1	8
Total	293	234	157	67	24	775

Portfolio broken down by LTV ratio and rating category
31 December 2016

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	-	-	-	-	-	-
2	7	4	2	-	-	13
3	63	42	24	10	6	145
4	77	60	38	14	5	194
5	61	54	38	16	5	174
6	40	35	25	11	3	114
7	26	24	18	8	2	78
8	8	8	6	3	1	26
9	2	1	1	1	1	6
10	3	3	3	2	2	13
11	2	2	2	1	1	8
Total	289	233	157	66	26	771

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 30,543 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 2016.

Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Quarter 2017 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 2017 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2017 and ending on 31 March 2017. 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, 28 April 2017

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Board of Directors

Lars Mørch
Chairman

Jesper Nielsen
Vice Chairman

Kim Andersen

Jacob Aarup-Andersen

Henriette Fenger Ellekrog

Lisbeth Sahlertz Nielsen

Majken Hammer Sløk

Sonia Khan

Supplementary information

Financial calendar

- Interim Report – First Half 2017:
20 July 2017
- Interim Report – First Nine Months 2017:
2 November 2017

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