

Annual Report 2010



REALKREDIT
Danmark

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Annual Report 2010 is a translation of the original report in the Danish language (Årsrapport 2010). In case of discrepancies, the Danish version prevails

5-year financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE YEAR

(DKK millions)	2010	2009	2008	2007	2006
Administration margin	3,423	3,200	2,954	2,833	2,689
Net interest income	614	1,718	1,963	1,740	1,281
Net fees	-501	-415	-431	-340	-233
Net trading income	463	1,113	547	237	222
Other income	168	102	149	160	324
Total income	4,167	5,718	5,182	4,630	4,283
Expenses	897	984	1,010	1,194	1,171
Profit before loan impairment charges	3,270	4,734	4,172	3,436	3,112
Loan impairment charges	976	1,267	422	-10	-105
Profit before tax	2,294	3,467	3,750	3,446	3,217
Tax	573	873	940	854	861
Net profit for the year	1,721	2,594	2,810	2,592	2,356

BALANCE SHEET (AT 31 DECEMBER)

(DKK millions)	2010	2009	2008	2007	2006
Due from credit institutions etc.	28,889	48,966	25,069	23,178	18,554
Mortgage loans	704,449	691,301	669,891	627,809	602,584
Bonds and shares	21,688	3,332	13,062	40,059	39,553
Other assets	2,595	2,744	2,900	3,157	2,586
Total assets	757,621	746,343	710,922	694,203	663,277
Due to credit institutions etc.	27,408	26,855	8,111	11,918	5,267
Issued mortgage bonds	671,644	660,685	647,731	630,844	610,761
Other liabilities	13,625	15,604	16,512	15,683	14,083
Subordinated debt	2,061	2,037	-	-	-
Shareholders' equity	42,883	41,162	38,568	35,758	33,166
Total liabilities and equity	757,621	746,343	710,922	694,203	663,277

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareh. equity	4.1	6.5	7.6	7.5	7.4
Cost/income ratio (%)	21.5	17.2	19.5	25.8	27.3
Total capital ratio (%)	39.4	44.6	56.6	10.5	10.2
Tier 1 capital ratio (%)	38.8	44.2	56.5	10.5	10.2
Full-time-equivalent staff, end of year	320	300	520	519	738

As of 2008, total capital and tier 1 capital ratios are calculated in accordance with the CRD.

Financial review

Overview

- In 2010, the Realkredit Danmark Group recorded a net profit of DKK 1,721 million, against DKK 2,594 million the year before. Given the macroeconomic conditions, the financial performance was in line with expectations, although it does not match the earnings potential.
- Loan impairment charges amounted to DKK 976 million, against DKK 1,267 million in 2009. The delinquency rate fell in 2010.
- Throughout 2010, Realkredit Danmark accommodated its existing and new creditworthy customers. Gross lending amounted to DKK 126 billion, against DKK 121 billion in 2009.
- At 31 December 2010, the total capital ratio was 39.4%, against 44.6% at end-2009.
- The expected profit for 2011 will to a large extent depend on macroeconomic trends.

Results

In 2010, the Realkredit Danmark Group recorded a net profit of DKK 1,721 million, against DKK 2,594 million the year before. The profit was 34% lower than in 2009 due to lower interest income and lower income from the investment portfolio. Realkredit Danmark recorded a positive trend in administration margins, expenses and loan impairment charges. Given the macroeconomic conditions, the financial performance was in line with expectations, although it does not match the earnings potential.

As a result of the larger loan portfolio and wider administration margins on corporate loans, the administration margin increased by DKK 223 million. Conversely, net interest income fell DKK 1,104 million on account of the lower level of interest rates and expenses for hybrid capital.

Net fee expenses climbed DKK 86 million to DKK 501 million. The increase was anticipated because a larger proportion of corporate loans has been handled by Danske Bank since the autumn of 2009.

Income from the investment portfolio amounted to DKK 463 million, against DKK 1,113 million in 2009. Income from the investment portfolio included value adjustments of securities and the yield on the proprietary investment portfolio after deduction of funding costs – calculated on the basis of short-term money market rates. The decline should be viewed in light of the sharp fall in interest rates in 2009, which triggered extraordinarily positive value adjustments.

Other income was up DKK 66 million owing primarily to a refund of excess financial services employer tax paid in the years 2001-06 and higher franchise income from the “home” real estate agency chain. Total income fell 27% relative to 2009.

Expenses declined by DKK 87 million to DKK 897 million, reflecting continued cost control and the fact that a number of employees transferred to Danske Bank in connection with the organisational change in the autumn of 2009. The positive trend in expenses should be seen in the context of

the increase in net fee expenses triggered by higher fees to Danske Bank.

Loan impairment charges amounted to DKK 976 million, against DKK 1,267 million in 2009. The charges correspond to 0.14% of total mortgage lending, against 0.18% at the end of 2009. Of total impairment charges, 26% related to retail loans, while 74% related to corporate loans.

Delinquencies as a percentage of mortgage payments declined throughout 2010. The 3-month delinquency rate thus stood at 0.63 at the end of 2010, against 1.02 at end-2009.

The total tax charge amounted to DKK 573 million, corresponding to an effective tax rate of 25%.

Balance sheet

Throughout 2010, Realkredit Danmark accommodated its existing and new creditworthy customers. Gross lending amounted to DKK 126 billion, against DKK 121 billion in 2009. Mortgage lending at fair value rose DKK 13 billion from the level at the end of 2009 and amounted to DKK 704 billion. During the same period, the nominal outstanding bond debt rose DKK 11 billion to DKK 703 billion at the end of 2010.

In 2010, Realkredit Danmark had 235 foreclosures and sold 108 properties. In 2009, the Group had 58 foreclosures and sold 44 properties. The number of foreclosures at the end of the year was 164, against 37 at end-2009. The value of the foreclosures was DKK 282 million at 31 December 2010, against DKK 84 million at end-2009.

Realkredit Danmark's average loan-to-value (LTV) ratio – calculated on the basis of the last krone lent for every property – was 67% at the end of 2010, against 68% in 2009.

Issued mortgage bonds rose DKK 11 billion to DKK 672 billion. The nominal value of issued bonds rose DKK 6 billion to DKK 667 billion. The amounts are exclusive of holdings of own mortgage bonds.

Realkredit Danmark is subject to the specific principle of balance and therefore has very limited exposure to market risks. At the end of 2010, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKK 535 million and DKK 0 million, respectively. In addition, Realkredit Danmark's liquidity risk is very limited as it finances lending by issuing bonds.

Capital and solvency need

At the end of 2010, shareholders' equity stood at DKK 42.9 billion, against DKK 41.2 billion at end-2009. The increase in equity equalled the profit for the year. No dividend will be recommended for 2010.

The Group's capital base including hybrid capital amounted to DKK 45.4 billion, and the total capital ratio calculated in accordance with the Capital Requirements Directive (CRD) was 39.4%. At 31 December 2009, the corresponding figures were DKK 43.3 billion and 44.6%.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risk. Calculated on the basis of the CRD transitional rules, the Group's solvency need was DKK 25.3 billion or 22.0%, equal to 80% of the capital requirement of 8% of risk-weighted assets. With a capital base of DKK 45.4 billion and a massive capital buffer of DKK 20.1 billion, the Group is well prepared for the future.

Under Danish law, the Group must publish its solvency need on a quarterly basis (www.rd.dk provides further information).

At the end of 2010, Realkredit Danmark had issued mortgage-covered bonds for DKK 458 billion, against DKK 368 billion at the end of 2009.

At the end of 2010, the requirement for supplementary collateral for mortgage-covered bonds was DKK 29.7 billion, which is covered by shareholders' equity and guarantees. At the end of 2009, the requirement was DKK 21.3 billion.

Outlook for 2011

The Danish economy is expected to improve moderately in 2011, albeit at a declining growth rate. GDP growth is thus expected to rise slightly relative to 2010 to stand at approximately 1.9%. The rate of increase in GDP is expected to slow down due to weak competitive strength and tightened fiscal policies. Unemployment figures in 2011 are expected to stabilise at a level close to that in 2010.

At the end of 2010, the housing market was showing signs of recovery in the form of rising property prices for owner-occupied flats and single-family houses, but price developments are fragile and centred on the large cities.

However, interest rates in Denmark are expected to remain low in 2011, and property prices are therefore expected to be stable. Still, property prices could come under pressure if short-term interest rates start to rise at the end of 2011. Trading activity and the housing supply are expected to rise in 2011.

The combination of continuing low interest rates and a stabilisation of price developments in the property market and unemployment figures provides a foundation for some optimism. As a result, the Group expects that loan impairment charges will be lower than in 2010.

The expected profit for 2011 will to a large extent depend on macroeconomic trends.

Property market

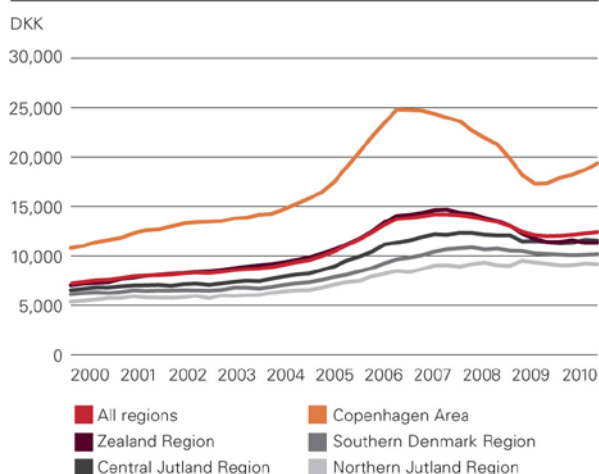
Property market

On the back of growth in the Danish economy, the property market continued the positive trends initiated in 2009. The property market stabilised, owing to a large extent to historically low interest rates, which facilitated cheaper funding of property acquisitions and, by extension, stimulated housing demand. Trading activity generally improved following a couple of weak years, and growth was seen especially in the sale of owner-occupied flats in the large cities. Following a decline in 2009, the housing supply rose in 2010, reflecting slightly bigger optimism in the property market.

Figures from the Danish Mortgage Banks' Federation showed an overall increase in house prices throughout 2010, but the rate of increase was lower than the price increases observed in the second half of 2009.

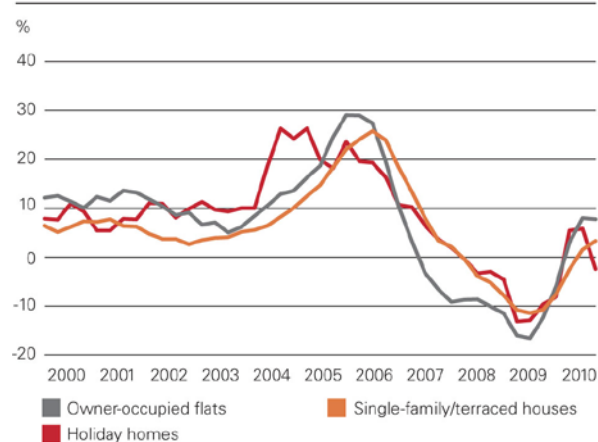
There were major regional differences in terms of how property prices developed. The Capital Region (Copenhagen area) recorded a decent increase in prices of single-family houses and owner-occupied flats. Conversely, other areas of the country posted small price falls. Prices of single-family houses in the Copenhagen area were nearly 12% above the year-earlier level, whereas prices of single-family houses at the national level rose a mere 3.3%. Prices of owner-occupied flats at the national level climbed nearly 8% since the third quarter of 2009, whereas the prices of holiday homes fell slightly.

Development in square metre prices for single-family and terraced houses



However, as the property market and price developments remain fragile, developments largely depend on interest rate developments and a stabilisation of unemployment figures. The number of forced sales rose by about 26% in 2010 to 5,220, underlining the uncertainty related to the sustainability of the economic recovery.

Annual price changes for single-family and terraced houses, owner-occupied flats and holiday homes



Corporate market

The corporate property market improved slightly owing to the lower level of interest rates, and especially prime-location investment properties offering stable returns have become more attractive for investors. Risk tolerance remained subdued, however, although more well-functioning financial markets facilitated the financing of real property investments. Overall, this triggered rising investment activity in the property market in spite of the fact that neither vacancy rates nor rents in the rental market had improved.

In 2010, the agricultural sector remained characterised by high debts and fluctuations in settlement prices of agricultural products. The decline in property prices started to level off in the first half of 2010, stabilising at a level corresponding to that of the beginning of 2006.

Construction activity

Construction activity remains at a low level. During the first nine months of the year, construction started (floor space) was 27% below the level of the year-earlier period. Commercial construction was the primary reason for the lower level of activity. There was a small increase in housing starts (single-family homes) during the same period.

Lending

Mortgage credit market

The private market recorded an increase in property sales, among other things due to low interest rates and a more stable economic situation. The commercial market was still marked by high uncertainty in respect of economic trends and the resulting price developments for real property. Sales of commercial properties therefore remained limited but slightly higher than in 2009.

Total lending

In 2010, Realkredit Danmark continued its prudent credit-granting process, accommodating its existing and new creditworthy customers. The loan portfolio increased by 2% to DKK 703 billion.

The wider spread between short-term and long-term bond yields resulted in attractive opportunities for borrowers to refinance from fixed-rate loans into FlexLån®. In 2010, FlexLån® represented 57% of the loan portfolio.

Interest-only loans remained very popular, accounting for 38% of the aggregate portfolio of loans at the end of 2010, against 36% at end-2009.

Net new lending was up from DKK 22 billion in 2009 to DKK 24 billion in 2010.

Private market

Loans for owner-occupied dwellings and holiday homes rose 1% to DKK 419 billion, corresponding to an unchanged 60% of Realkredit Danmark's portfolio of loans.

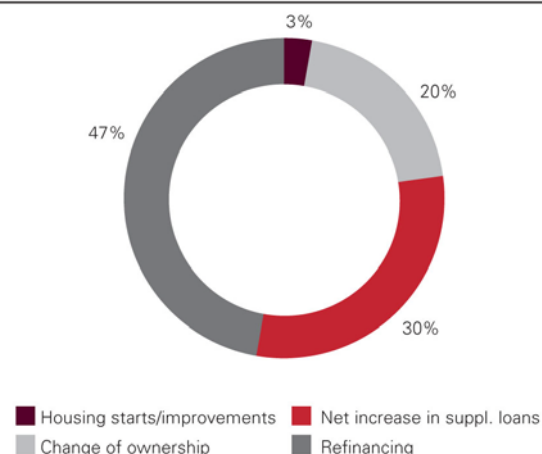
The increase in property sales was reflected in more change of ownership loans. In addition, Realkredit Danmark recorded an increase in supplementary borrowing.

The spread between short-term and long-term bond yields resulted in continuing high refinancing activity from fixed-rate loans into FlexLån®. A growing proportion of Realkredit Danmark's customers opted to secure a fixed rate of interest for the next three or five years by changing the profile of their FlexLån®. The decline in long-term interest rates over the summer of 2010 made more and more customers opt for fixed-rate loans.

A higher number of borrowers showed interest in the T variant FlexLån®, which is only offered by Realkredit Danmark. The proportion of these loans thus doubled compared with 2009. FlexLån® T provide a high degree of security with respect to future mortgage payments, as fluctuating interest rates lead to a change in the term to maturity instead of a change in mortgage payments. The currently low short-term interest rates are thus used to reduce the debt more the low short-term interest rates are used to reduce the debt more quickly. However, as the term to maturity cannot ex-

ceed 30 years, with respect to interest-only loans it may be necessary to increase mortgage payments if market rates surge.

Private market: Gross lending – loan types in 2010



Corporate market

Loans for the corporate market rose 2% to DKK 284 billion, corresponding to an unchanged 40% of Realkredit Danmark's portfolio of loans.

Remortgaging activity was not as strong in the corporate market as in the private market, but the tendency to refinance from fixed-rate loans into FlexLån® was the same. In addition, there was a tendency in the corporate market to secure a low, fixed interest rate for three to five years.

Residential rental property

The loan portfolio relating to subsidised housing, co-operative housing and private residential rental property remained unchanged at DKK 128 billion, or 18% of Realkredit Danmark's loan portfolio. For the industry as a whole, residential rental property accounts for 17% of the aggregate mortgage credit market. There was a small increase in activity in the market for residential rental property, albeit at a continued low level.

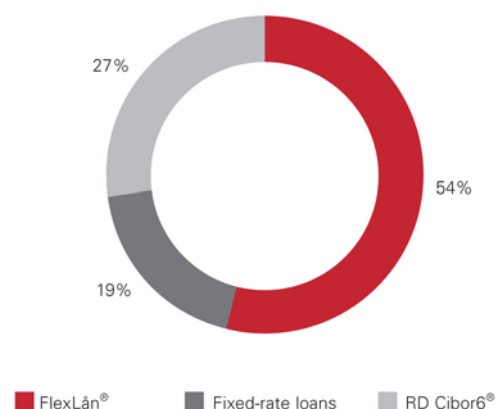
Urban trade

Lending to the service sector, the manufacturing and manual industries rose 4% to DKK 105 billion, corresponding to 15% of the loan portfolio. For the industry as a whole, urban trade accounts for 14% of the aggregate mortgage credit market. As businesses continued to adapt to the economic crisis, lending activity in urban trade continued at a low level in 2010.

Agriculture

Loans to agriculture remained unchanged at DKK 50 billion, corresponding to an unchanged 7% of the loan portfolio. For the industry as a whole, agriculture accounts for 12% of the aggregate mortgage credit market. There was only little change of ownership and new construction activity because the market adapted to lower land prices and a difficult economic situation.

Corporate market: Gross Lending – loan types in 2010



Activities and portfolio	Gross lending		Net new lending		Loan portfolio			
	2010	2009	2010	2009	31 Dec. 2010	%	31 Dec. 2009	%
DKK millions								
Private market	90,180	85,348	12,755	12,563	419,364	60	413,383	60
Residential rental property	12,363	9,941	4,524	3,621	127,927	18	127,555	18
Urban trade	18,223	17,708	6,762	5,711	105,431	15	101,206	15
Agriculture	5,274	7,590	2	589	50,514	7	50,184	7
Total corporate market	35,860	35,239	11,288	9,921	283,872	40	278,945	40
Total (nominal value)	126,040	120,587	24,043	22,484	703,236	100	692,328	100

Lending broken down by loan type	Share of gross lending		Share of loan portfolio	
	2010	2009	31 Dec. 2010	31 Dec. 2009
%				
FlexLån®	61	83	57	52
Fixed-rate loans	31	13	31	35
FlexGaranti® and Rentedyk™	-	-	5	7
RD Cibor6®	8	4	7	6
Total	100	100	100	100

Funding

Funding and bond issuance

Realkredit Danmark is subject to the specific principle of balance and funds its lending to borrowers by issuing mortgage-covered bonds, which are listed on NASDAQ OMX Copenhagen.

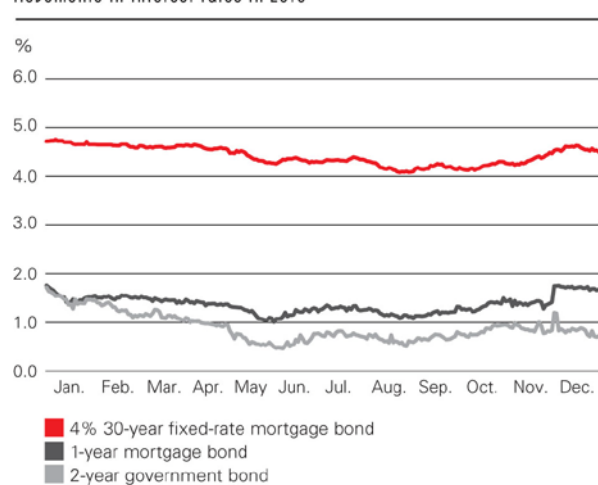
Issued bonds are carried in the financial statements at their fair value after deduction of own holdings. However, the following text and charts are based on nominal values before set-off, as these reflect the actual volume of bonds issued and listed on NASDAQ OMX Copenhagen.

Bonds issued in 2010

Interest rates continued to fall in 2010, and especially long-term yields declined during the summer period. This had only a small impact on issuance activity, as most issues were still in short-term bonds to fund FlexLån®.

For a certain period of time, prices were attractive for raising fixed-rate bond loans with a coupon of 4%, which made more borrowers than in previous years select a fixed-rate bond loan instead of a FlexLån®. It also provided opportunities for advantageous refinancing to lower-coupon fixed-rate bond loans. However, due to extensive refinancing in earlier years, there was no major refinancing activity. Activity tended to be in new loans carrying a fixed interest rate instead of a floating rate by way of FlexLån®. Towards the end of the year, long-term yields started to rise again, making it less attractive to opt for fixed-rate bond loans.

Movements in interest rates in 2010



Realkredit Danmark issued bonds for a total of DKK 343 billion, which was an increase of 1% on 2009. Most of the bonds issued by Realkredit Danmark in 2010 were still non-callable bullet bonds. However, their share was slightly lower than in 2009 due to the attractive fixed-rate 30-year callable bonds.

Furthermore, there was only little issuance activity in FlexGaranti® and other floating-rate bonds in 2010. The reason was primarily that investors still lacked the same degree of interest in this type of bonds that they had before the summer of 2008 when the financial crisis set in.

Annual refinancing of FlexLån®

In March 2010, Realkredit Danmark closed for the disbursement of FlexLån® with interest resetting at 1 January. Going forward, the interest rate for all new FlexLån® will be reset at 1 April. As a result, Realkredit Danmark opened new bonds to fund FlexLån® expiring on 1 April, both in DKK and EUR. Realkredit Danmark will continue to issue non-callable bullet bonds expiring on 1 January to be used for funding FlexLån® at 1 January.

The volume of bonds to be issued in connection with the refinancing of FlexLån® at 1 January 2011 was at a slightly lower level than the year before because of a changed date for interest resetting. Thus, issued bonds amounted to DKK 191 billion, against DKK 217 billion at 1 January 2010.

Customers were not encouraged to consider entering into fixed-price agreements, as the price risk at the auctions was not considered to be as high as the year before. Consequently, fixed-price agreements only amounted to DKK 5 billion, against DKK 50 billion in 2009. The amount offered at the auction was therefore higher in 2010 than in 2009. Realkredit Danmark thus sold bonds at the auction worth DKK 186 billion, against DKK 167 billion in 2009. Realkredit Danmark kept its customers informed about the preliminary amount of bonds to auctioned via its www.rd.dk/investor site ahead of the auctions and regularly about the results for the auctions to ensure that the investors were kept as well informed as possible.

The auctions were quite satisfactory, and great investor interest throughout the period contributed to an all-time low interest rate.

Annual refinancing of RD Cibor6® and RD Euribor3®

For the first time ever, Realkredit Danmark refinanced RD Cibor6® and RD Euribor3® loans at 1 July 2010. Therefore, Realkredit Danmark issued two new bonds in DKK and EUR with terms to maturity of 1 and 2 years, respectively, and these bonds also provided the basis for the funding of new RD Cibor6® and RD Euribor3® loans disbursed after 1 July 2010. At the auction of the new bonds, investors were not to make bids for a price but for a premium to the reference rate applicable throughout the bond maturity. As a result, the auction took place in a new sub issue market under the auspices of NASDAQ OMX Copenhagen. The auction went smoothly for investors and Realkredit Danmark.

The volume of bonds to be issued in connection with the refinancing of RD Cibor6® at 1 July 2010 was DKK 22 billion. In RD Euribor3®, the amount to be issued at 1 July 2010 was EUR 0.5 billion.

On 1 July 2011, RD Euribor3® loans will face refinancing, whereas RD Cibor6® loans are not to be refinanced until on 1 July 2012.

At end-2010, Realkredit Danmark had issued mortgage bonds for a total amount of DKK 263 billion and mortgage-covered bonds worth DKK 458 billion, of which DKK 191 billion was for refinancing.

Investor distribution

The distribution of investors in 2010 reflected renewed interest among foreign investors for Danish mortgage bonds, with a preference for the non-callable bullet bonds underlying FlexLån®. At 31 December 2010, foreign investors thus owned about 9% of all bonds issued by Danish mortgage credit institutions, against 11% at end-2009. Of this proportion, about 40% was invested in floating-rate, non-callable bullet bonds

Realkredit Danmark issues all EUR-denominated mortgage-covered bonds via VP Lux. Having been approved by the ECB as collateral, these bonds are more attractive to foreign investors, and this gives Realkredit Danmark a larger investor base and sales channel and thus improved pricing for these mortgage-covered bonds.

Rating

Standard & Poor's and Moody's have tightened their requirements in connection with the rating of issuers of covered bonds. In the autumn of 2010, both credit rating agencies confirmed that all new bonds issued by Realkredit Danmark will retain the highest obtainable rating upon the introduction of a new rating methodology, which means a rating of AAA and Aaa, respectively.

The ratings of Standard & Poor's as well as of Moody's apply to 97% of all bonds issued by Realkredit Danmark.

Bonds issued as at 31 December (nominal value)

Bond type (DKK billions)	Currency	Mortgage- covered bonds		Mortgage bonds	
		2010	2009	2010	2009
Fixed-rate	DKK	43	34	169	200
FlexLån®	DKK	333	278	21	41
FlexLån®	EUR	41	38	2	2
Index-linked loans	DKK	-	-	32	35
FlexGaranti®	DKK	1	1	30	33
RenteDyk™	DKK	1	1	-	-
RD Cibor6®	DKK	31	9	9	28
RD Euribor3®	EUR	8	7	-	-
Total DKK		458	368	263	339

The calculation has been adjusted to reflect double-funding of DKK 213 billion due to the refinancing of FlexLån®

Capital and risk management

Capital management

The purpose of capital management is to ensure that the Realkredit Danmark Group has adequate capital to cover the risks associated with its operations. Moreover, the Group aims to retain the AAA/Aaa rating of its issued bonds.

In addition to equity, the capital base consists of hybrid capital in the amount of DKK 2 billion in the form of a subordinated loan from the Danish state. At 31 December 2010 the Group's capital base amounted to DKK 45.4 billion.

The regulatory framework for the Group's capital management is rooted in the Capital Requirements Directive (CRD). The CRD consists of three pillars:

- Pillar I contains a set of rules for calculating the capital requirement (8% of risk-weighted assets for credit risk, market risk and operational risk).
- Pillar II describes the ICAAP (Internal Capital Adequacy Assessment Process) framework and the supervisory review.

The ICAAP determines the solvency need (see below).

- Pillar III deals with market discipline and sets forth disclosure requirements for risk and capital management and the solvency need. The Danske Bank Group's report Risk Management 2010 provides further information.

Pillars I and II

Since 1 January 2008, the Group has applied the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risk.

With respect to credit risk, the capital requirement is calculated on the basis of parameters from Realkredit Danmark's internal risk models. The calculation is based on the probability of customers defaulting on their payment obligations, expected losses in case of default and the size of the loan at default.

Pillar II takes into consideration the institution's individual characteristics, and all relevant risk types are included, irrespective of whether they are included in Pillar I or not. In the ICAAP, management performs a number of assessments of the risk profile and calculates the solvency need. In addition, the ICAAP contains capital planning to ensure that the Group has sufficient capital to comply with the capital requirement in a number of stress tests.

Solvency need

Like other Danish banks and mortgage credit institutions, the Group must comply with special requirements in Danish legislation to publish its solvency need each quarter.

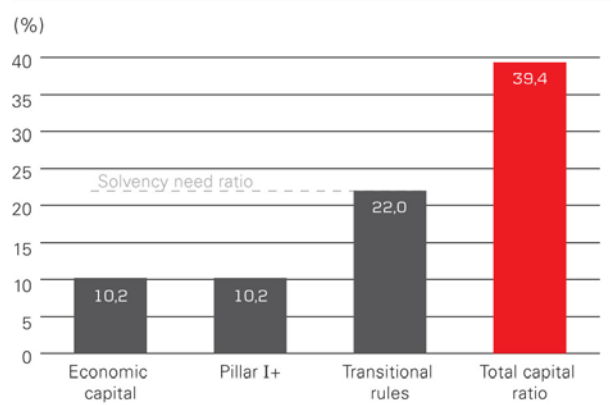
The solvency need is the capital considered sufficient to cover the Group's risks.

The calculation of the solvency need is an internal process in which management makes a number of assessments of the Group's overall risks.

The solvency need is calculated on the basis of a number of factors, including the highest of the following measurements:

- The capital requirement according to an internal economic capital model
- The capital requirement under Pillar I plus a supplement to address the risks that are not captured by Pillar II (Pillar I+)
- The capital requirement under the transitional rules of the CRD

Capital Requirements



The Pillar I+ requirement includes an add-on to reflect the risks not adequately covered under Pillar I, for example pension risk, business risk and certain credit risks. Both the Pillar I+ requirement and the capital needed according to the internal economic capital model are supplemented by add-ons to reflect any uncertainty of the risk models, and the capital level is subject to ongoing qualitative adequacy assessments.

At the end of 2010, the Group's solvency need was calculated according to the Basel I rules (the transitional rules). The period for which the transitional rules are applicable has been extended to the end of 2011. The solvency need amounted to DKK 25.3 billion, or 22.0% of risk-weighted assets. As the actual capital base stood at DKK 45.4 billion and the total capital ratio at 39.4% at the end of the year, the Group had a massive capital buffer of DKK 20.1 billion.

The capital buffer provides a sound foundation for the future and provides better opportunities for maintaining large exposures in the portfolio.

Large exposures

Large exposures are defined as exposures amounting to least 10% of the capital base. With effect from 31 December 2010, Danish legislation on large exposures was amended. The most important effect is that exposures to credit institutions will in future carry a 100% weighting rather than a 20% reduced weighting, which was the limit defined in the previous executive order.

The amendments to the executive order have not resulted in an increase in the number of exposures that exceed 10% of the capital base. At the end of 2010, Realkredit Danmark had two exposures as calculated under the previous and the new executive order. At the end of 2009, Realkredit Danmark had two exposures that exceeded 10% of its capital base.

Supplementary collateral

As an institute issuing mortgage-covered bonds, Realkredit Danmark must provide supplementary collateral if the value of the properties on which the loans are secured is at a level that makes the LTV ratio rise above 80% for housing property and 60% for corporate property. In 2010, issuance of mortgage-covered bonds rose 90 billion to DKK 458 billion. At the end of 2010, the need for supplementary collateral was DKK 29.7 billion, against DKK 21.3 billion at end-2009.

A large proportion of Realkredit Danmark's mortgage loans are covered by a loss guarantee provided by Danske Bank. The loss guarantee covers the top 20 percentage points of the statutory loan limit at the time when the loan is raised.

The loss guarantee amounted to DKK 49 billion of the loan portfolio at 31 December 2010, of which DKK 5.5 billion is applied as supplementary collateral for mortgage-covered bonds.

Realkredit Danmark has substantial capital resources, and on top of the above-mentioned guarantee collaboration, Realkredit Danmark has the possibility of entering into an extended guarantee collaboration with Danske Bank.

Risk management

The Realkredit Danmark Group's principal risks are the credit risk on mortgage loans and the market risk on assets and liabilities.

The credit risk on mortgage loans comprises the risk that the borrower is unable to repay the loan and the expected loss if the borrower does not repay the loan.

The market risk comprises interest rate, equity market and exchange rate risks. Liquidity risk is also monitored. However, the statutory principle of balance eliminates most of the interest rate, exchange rate and liquidity risks on the Group's assets and liabilities.

Risk management is described in the note on risk management.

Organisation and management

Management

Realkredit Danmark A/S is a wholly-owned subsidiary of Danske Bank A/S. The Board of Directors consists of six directors, two of whom are elected by the employees.

Immediately after the annual general meeting on 8 March 2010, Henrik Normann replaced Sven Lystbæk as chairman of the Board of Directors. On 10 September 2010, Tonny Thierry Andersen was appointed chairman of the Board of Directors.

The Board of Directors defines the overall principles for the Group's operations. The Executive Board is in charge of the day-to-day management and must comply with the guidelines and directions given by the Board of Directors. The rules of procedure lay down the precise division of responsibilities between the Board of Directors and the Executive Board.

Board members elected by the shareholders in General Meeting are elected for terms of one year and are eligible for reelection. Employee representatives are elected for terms of four years and are eligible for reelection.

Human resources

The annual employee satisfaction survey recorded a noticeable increase in satisfaction relative to last year and remained at a very satisfactory level. Human resource initiatives and projects are regularly implemented in order to secure a positive trend in employee satisfaction and to retain employees.

At the end of 2010, the number of full-time equivalent staff at the Realkredit Danmark Group was 320, compared with 300 at the beginning of the year. The increase was due primarily to the fact that the servicing of corporate customers demanding a high degree of specialist mortgage credit knowledge was reassigned to Large Corporates at Realkredit Danmark.

Distribution channels

Realkredit Danmark's distribution channels are:

- Large Corporates at Realkredit Danmark
- Danske Bank's finance centres and agricultural centres
- Danske Bank branches
- The Mortgage Line
- The Internet
- The real-estate agency chain "home"
- Other cooperation partners

Realkredit Danmark's local presence in the retail and corporate market is unchanged.

The largest corporate customers and all customers in the subsidised housing sector are served through the Large Corporates unit in Realkredit Danmark. In addition, corporate customers are served through Danske Bank's 9 finance centres and 6 agricultural centres, which have a special mortgage finance competencies unit with account managers and corporate advisers with mortgage finance competencies.

Private customers can receive advisory services from all Danske Bank's 315 branches. Across Denmark, 38 of the branches employ home finance advisers with special mortgage finance competencies.

Realkredit Danmark's broad product range and Danske Bank's nationwide branch network of 315 branches, 9 finance centres and 6 agricultural centres give the Group a strong basis for sales of mortgage products.

The Mortgage Line's telephone services encompass all advisory aspects for private customers and the full processing of loan applications. Moreover, the Mortgage Line can serve private customers who opt to handle their loan matters over the telephone and through electronic contact with the Mortgage Line.

The www.rd.dk website offers a broad range of services that allow both existing and potential customers to make a large number of calculations. Furthermore, Realkredit Danmark provides indicative property values using an electronic home value calculator.

"home" is wholly-owned by Realkredit Danmark and is the Danish real-estate agency chain of the Danske Bank Group. The real estate-agency activities are organised as franchise business and comprise 157 estate agents across the country. Loans distributed through "home" are mainly used to finance changes of ownership. Sale of owner-occupied dwellings is the largest business area of the real-estate agency, but "home" and Realkredit Danmark also collaborate on the corporate market. "home" has a total of 11 corporate shops.

Internal control and risk management systems used in the financial reporting process

As laid down in the Danish Financial Business Act, the Board of Directors is responsible for ensuring that the Executive Board maintains effective procedures to identify, manage, monitor and report on risks, adequate internal control procedures as well as satisfactory IT controls and security measures. The division of responsibilities between the Board of Directors and the Executive Board is outlined in the section on management.

Good accounting practices are based on authorities, segregation of duties, regular reporting requirements and general transparency in respect of the Group's business.

Realkredit Danmark regularly assesses risks in relation to financial reporting, with particular focus on items where estimates and judgments could significantly affect the value of assets or liabilities. These critical financial statement items are listed under Significant accounting estimates and assessments.

Realkredit Danmark has implemented controls to eliminate identified financial reporting risks and regularly monitors changes in and compliance with relevant legislation and other financial reporting rules and regulations. The purpose of establishing controls is to prevent, detect and correct any reporting errors and irregularities, but controls provide no guarantee against such errors and irregularities. Controls have been established for the purpose of preventing, detecting and correcting any errors or irregularities in the financial reporting. Such controls minimise the risk of error but are not a guarantee against error.

The Group has set up a procedure involving monthly reporting, including deviation and growth reports for the individual organisational levels within the Group. Internal management reporting is based on the same principles as external reporting. The consolidated financial statements are sent to the management.

Internal Audit regularly examines internal management reporting processes and external interim and annual reporting processes. Internal Audit also conducts operational audits, focusing, among other things, on significant areas of the Group's risk management, including reporting on risk.

The Executive Board regularly reports to the Board of Directors on compliance with the risk and investment framework set out and the statutory investment rules. The Board of Directors also receives accounting information on an ongoing basis. Compliance and Internal Audit regularly submit reports to the Board of Directors on compliance with rules and regulations, including any non-compliance with internal business procedures and policies.

A joint Audit Committee has been set up in the Danske Bank Group, which also monitors significant issues for the companies of the Realkredit Danmark Group. Once a year, Internal Audit reports to the Audit Committee on the effectiveness of the established reporting processes in relation to Realkredit Danmark's financial reporting and risk management.

The Audit Committee examines accounting, auditing and security issues. These are issues that the Board of Directors, the Audit Committee itself, the group chief auditor or the external auditors believe deserve attention before they are brought before the Board of Directors. In 2010, the Audit Committee held four meetings. Danske Bank's Annual Report provides further information.

Corporate social responsibility

Realkredit Danmark is part of Danske Bank Group, and further information on the Danske Bank Group's corporate social responsibility is provided at www.danskebank.com/responsibility, and Corporate Responsibility 2010 and CR Fact Book 2010 are available for download.

Income statement

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
4	Interest income	28,254	34,709	28,251	34,705
5	Interest expense	23,321	28,973	23,321	28,973
	Net interest income	4,933	5,736	4,930	5,732
	Dividends from shares	8	12	8	12
	Fee and commission income	548	516	548	516
	Fee and commission expense	1,049	931	1,049	931
3	Net fee and commission income	4,440	5,333	4,437	5,329
3, 6	Value adjustments	-446	287	-446	287
	Other operating income	168	102	46	7
7-9	Staff costs and administrative expenses	892	978	778	1,008
	Impairment, depreciation and amortisation charges	5	6	3	4
10	Loan impairment charges	976	1,267	974	1,265
	Income from associated and group undertakings	5	-4	15	-13
	Profit before tax	2,294	3,467	2,297	3,333
11	Tax	573	873	570	841
	Net profit for the year	1,721	2,594	1,727	2,492
	Comprehensive income				
	Net profit for the year	1,721	2,594		
	Other comprehensive income	-	-		
	Total comprehensive income	1,721	2,594		
	Proposal for allocation of profits				
	Reserves in series			921	665
	Other reserves			806	1,827
	Total allocation			1,727	2,492

Balance sheet

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
	ASSETS				
	Cash in hand and demand deposits with central banks	4	9	4	9
12	Due from credit institutions and central banks	28,885	48,957	28,787	48,875
13	Bonds at fair value	21,679	3,261	21,679	3,261
14-15, 18	Mortgage loans at fair value	704,449	691,301	704,449	691,301
14, 16-18	Loans and other amounts due at amortised cost	893	794	839	739
	Shares	1	62	-	61
19	Holdings in associated undertakings	8	9	8	9
	Holdings in group undertakings	-	-	200	189
	Land and buildings	93	94	155	155
20	Domicile property	93	94	155	155
21	Other tangible assets	10	11	7	9
	Current tax assets	26	-	29	-
22	Deferred tax assets	-	-	-	8
23	Assets temporarily taken over	282	84	282	84
18, 24-25	Other assets	1,259	1,496	969	1,207
	Prepayments	32	265	30	263
	Total assets	757,621	746,343	757,438	746,170
	LIABILITIES AND EQUITY				
	AMOUNTS DUE				
26	Due to credit institutions and central banks	27,408	26,855	27,408	26,855
27	Issued mortgage bonds at fair value	671,644	660,685	671,644	660,685
	Current tax liabilities	-	124	-	131
22	Deferred tax liabilities	47	28	-	-
28, 29	Other liabilities	13,576	15,452	13,358	15,222
	Deferred income	2	-	2	-
	Total amounts due	712,677	703,144	712,412	702,893
	PROVISIONS				
22	Deferred tax	-	-	11	-
29	Reserves in early series subject to a reimbursement obligation	-	-	206	220
	Total provisions	-	-	217	220
	SUBORDINATED DEBT				
30	Subordinated debt	2,061	2,037	2,061	2,037
	Total liabilities	714,738	705,181	714,690	705,150
	SHAREHOLDERS' EQUITY				
	Share capital	630	630	630	630
	Revaluation reserve	-	-	48	47
	Reserves in series	31,182	15,587	31,182	15,627
	Other reserves	11,071	24,945	10,888	24,716
	Total shareholders' equity	42,883	41,162	42,748	41,020
	Total liabilities and equity	757,621	746,343	757,438	746,170

Statement of capital

Realkredit Danmark Group				
(DKK millions)	Share capital	Reserves in series	Other reserves	Total
Shareholders' equity at 1 January 2010	630	15,587	24,945	41,162
Net profit for the year	-	961	760	1,721
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	961	760	1,721
Transferred from/to Other reserves	-	14,634	-14,634	-
Shareholders' equity at 31 December 2010	630	31,182	11,071	42,883
Shareholders' equity at 1 January 2009	630	9,770	28,168	38,568
Net profit for the year	-	656	1,938	2,594
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	656	1,938	2,594
Transferred from/to Other reserves	-	5,161	-5,161	-
Shareholders' equity at 31 December 2009	630	15,587	24,945	41,162

Realkredit Danmark A/S				
	Share capital	Undistrib. reserves	Other reserves	Total
Shareholders' equity at 1 January 2010	630	15,674	24,716	41,020
Net profit for the year	-	921	806	1,727
Revaluation of properties	-	1	-	1
Transferred from/to Other reserves	-	14,634	-14,634	-
Shareholders' equity at 31 December 2010	630	31,230	10,888	42,748
Shareholders' equity at 1 January 2009	630	9,848	28,050	38,528
Net profit for the year	-	665	1,827	2,492
Revaluation of properties	-	-	-	-
Transferred from/to Other reserves	-	5,161	-5,161	-
Shareholders' equity at 31 December 2009	630	15,674	24,716	41,020

The share capital is 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.

For as long as the Danish state holds hybrid capital in Realkredit Danmark, Realkredit Danmark may distribute dividends if such dividends can be paid in full out of the net profit.

Statement of capital

	Realkredit Danmark Group	
(DKK millions)	31 Dec. 2010	31 Dec. 2009
Capital base and total capital ratio		
Shareholders' equity	42,883	41,162
Expected dividends	-	-
Revaluation of domicile property	62	61
Pension obligations at fair value	-241	-249
Tax effect	44	46
Shareholders' equity calculated in accordance with the rules of the Danish FSA	42,748	41,020
Revaluation reserve	-48	-47
Deferred tax assets	-	-19
Core tier 1 capital	42,700	40,954
Hybrid capital	2,061	2,037
Difference between expected losses and impairment charges	-	-
Total tier 1 capital	44,761	42,991
Reserves in series subject to a reimbursement obligation	58	68
Revaluation reserve	48	47
Difference between expected losses and impairment charges	559	221
Capital base	45,426	43,327
Total risk-weighted assets	115,270	97,199
Core tier 1 capital ratio (%)	37.04	42.13
Tier 1 capital ratio (%)	38.83	44.23
Total capital ratio (%)	39.41	44.58

The total capital and tier 1 capital ratios are calculated in accordance with the CRD.

In accordance with transitional rules, the minimum requirement for the total capital ratio at 31 December 2010 was 22.0% in the Realkredit Danmark Group. At 31 December 2009 the minimum requirement was 24.4%.

Risk-weighted assets are specified in note 31.

Statement of capital

	Realkredit Danmark A/S	
(DKK millions)	31 Dec. 2010	31 Dec. 2009
Capital base and total capital ratio		
Shareholders' equity	42,748	41,020
Expected dividends	-	-
Revaluation reserve	-48	-47
Deferred tax assets	-	-
Core tier 1 capital	42,700	40,973
Hybrid capital	2,061	2,037
Difference between expected losses and impairment charges	-	-
Total tier 1 capital	44,761	43,010
Reserves in series subject to a reimbursement obligation	58	68
Revaluation reserve	48	47
Difference between expected losses and impairment charges	558	221
Capital base	45,425	43,346
Total risk-weighted assets	115,405	97,364
Core tier 1 capital ratio (%)	37.00	42.08
Tier 1 capital ratio (%)	38.79	44.17
Total capital ratio (%)	39.36	44.52

The total capital and tier 1 capital ratios are calculated in accordance with the CRD.

In accordance with transitional rules, the minimum requirement for the total capital ratio at 31 December 2010 was 22.0% in Realkredit Danmark A/S. At 31 December 2009 the minimum requirement was 24.4%.

Cash flow statement

	Realkredit Danmark Group	
(DKK millions)	2010	2009
Cash flow from operating activities		
Profit before tax	2,294	3,467
Adjustment for non-cash operating items		
Amortisation, depreciation and impairment charges	5	6
Loan impairment charges	655	1,111
Other non-cash items	8	1
Tax paid	-706	-712
Total	2,256	3,873
Cash flow from operating capital		
Bonds and shares	-18,613	9,549
Mortgage loans	-10,541	-8,301
Issued mortgage bonds	6,873	275
Due to credit institutions	553	18,744
Other assets/liabilities	-604	-2,277
Cash flow from operating activities	-20,076	21,863
Cash flow from investing activities		
Acquisition of tangible assets	-2	-1
Sale of tangible assets	1	1
Cash flow from investing activities	-1	-
Cash flow from financing activities		
Hybrid capital	-	2,034
Cash flow from financing activities	-	2,034
Cash and cash equivalents at 1 January	48,966	25,069
Change during the year	-20,077	23,897
Cash and cash equivalents at 31 December	28,889	48,966
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	4	9
Deposits with credit institutions and central banks with terms shorter than 3 months	28,885	48,957
Total	28,889	48,966

1 SIGNIFICANT ACCOUNTING POLICIES

General

Realkredit Danmark presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU and with applicable interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Furthermore, the consolidated financial statements comply with the requirements formulated by NASDAQ OMX Copenhagen and the Danish FSA for annual reports of issuers of listed bonds.

The Group has not changed its significant accounting policies from those followed in Annual Report 2009.

Critical accounting estimates and assessments

The preparation of the consolidated financial statements is based on management's estimates and assessments of future events that will significantly affect the carrying amounts of assets and liabilities. The amounts most influenced by critical estimates and assessments are:

- the fair value measurement of mortgage loans
- the fair value measurement of financial instruments

The estimates and assumptions are based on premises that management finds reasonable but that 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 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 is also made to determine the need for changes to reflect fair value adjustments of the credit risk of the remaining portion of the portfolio.

Fair value measurement of financial instruments

Measurements of financial instruments based on prices quoted in an active market or based on generally accepted models employing observable market data are not subject to critical estimates.

Measurements of financial instruments that are only to a limited extent based on observable market data, such as unlisted shares and certain bonds for which there is not an active market, are subject to estimates.

Consolidation

Group undertakings

The consolidated financial statements cover Realkredit Danmark A/S and group undertakings in which the Group has control over financial and operating policy decisions. Control is said to exist if Realkredit Danmark A/S, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions, provided that most of the return on the undertaking accrues to the Group and that the Group assumes most of the risk.

The consolidated financial statements are prepared by consolidating items of the same nature and eliminating intra-group transactions, balances and trading profits and losses.

Associated undertakings

Associated undertakings are businesses, other than group undertakings, in which the Group has holdings and significant influence but not control. The Group generally classifies undertakings as associated undertakings, if Realkredit Danmark A/S, directly or indirectly, holds 20-50% of the voting rights.

Holdings are recognised at cost at the date of acquisition and are subsequently measured according to the equity method. The proportionate share of the net profit or loss of the individual undertaking is included under Income from associated undertakings based on data from financial statements with balance sheet dates that differ no more than three months from the balance sheet date of the Group.

The proportionate share of the profit and loss on transactions between associated undertakings and Realkredit Danmark Group undertakings is eliminated.

Segment reporting

Realkredit Danmark operates two primary business segments, mortgage finance and a proprietary portfolio. The business segments are based on ongoing internal reporting of customer-facing activities (mortgage finance) and risk management (proprietary portfolio). The part of the bond portfolio that is not related to mortgage lending operations is managed under the proprietary portfolio segment.

Offsetting

Amounts due to and from the Group are offset when the Group has a legally enforceable right to set off a recognised amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Holdings of own bonds do not constitute a claim on a counterparty, but reduce the Group's liability under the issued bonds. Holdings of own mortgage bonds are therefore set off against the liability item Issued mortgage bonds at fair value.

Translation of transactions in foreign currencies

The presentation currency of the consolidated financial statements is Danish kroner, which is the functional currency of Realkredit Danmark. Transactions in foreign currency are translated at the exchange rate of the functional currency at the transaction date. Gains and losses on exchange differences arising between the transaction date and the settlement date are recognised in the income statement.

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates applying at the transaction date and at the balance sheet date are recognised in the income statement.

Non-monetary assets and liabilities in foreign currency that are subsequently revalued at fair value are translated at the exchange rates at the date of revaluation.

Exchange rate adjustments are included in the fair value adjustment of an asset or liability. Other non-monetary items in foreign currency are translated at the exchange rates at the date of transaction.

Financial instruments - general

Purchases and sales of financial instruments are measured at fair value at the settlement date. The fair value is usually the same as the transaction price. Fair value adjustments of unsettled financial instruments are recognised from the trading date to the settlement date.

Classification

At initial recognition, financial assets are divided into the following categories:

- Securities measured at fair value;
- Mortgage loans designated at fair value through profit or loss
- Loans and receivables measured at amortised cost

At initial recognition, a financial liability is assigned to the following categories:

- Issued mortgage bonds designated at fair value through profit or loss
- Other financial liabilities measured at amortised cost

Fair value option - mortgage loans and issued mortgage bonds at fair value through profit or loss

Mortgage loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Borrowers may repay such mortgage loans by delivering the underlying bonds.

Realkredit Danmark buys and sells own mortgage bonds on an ongoing basis because such securities play an important role in the Danish financial market. If mortgage loans and issued mortgage bonds were measured at amortised cost, the purchase and sale of own mortgage bonds would result in timing differences in profit and loss recognition: the purchase price of the mortgage bond portfolio would not equal the amortised cost of the issued bonds. Moreover, elimination would result in recognition of an arbitrary recognition of profit and loss. If the Group subsequently decided to sell its holding of own mortgage bonds, the new amortised cost of this "new issue" would not equal the amortised cost of the matching mortgage loans, and the difference would be amortised over the remaining term to maturity.

Consequently, the Group has chosen to recognise mortgage loans and issued mortgage bonds at fair value in accordance with the fair value option offered by IAS 39 to ensure that neither profit nor loss will occur on the purchase of own mortgage bonds.

The fair value of the mortgage loans is based on the fair value of the underlying mortgage bonds adjusted for the credit risk on borrowers. The fair value adjustment of the mortgage loans largely equals the fair value adjustment of the mortgage bonds issued. The fair value adjustment of the mortgage loans and the issued mortgage bonds is recognised under Value adjustments, except for the part of the value adjustment that concerns the credit risk on mortgage loans: this part is recognised under Loan impairment charges.

Hedge accounting

The Group uses derivatives to hedge the interest rate risk on fixed-rate liabilities measured at amortised cost. Hedged risks that meet specific criteria qualify for fair value hedge accounting and are treated accordingly. The interest rate risk on the hedged liabilities is recognised at fair value as a value adjustment of the hedged items in the income statement.

BALANCE SHEET

Bonds at fair value

Bonds acquired with the intention to sell in the near term are considered to constitute a trading portfolio and are measured at initial recognition at fair value exclusive of transaction costs and at subsequent recognition at fair value through profit and loss.

If an active market exists, fair value is based on the most recently observed market price at the balance sheet date.

If a financial instrument is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price.

Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are motivated by normal business considerations.

If no active market exists, generally accepted valuation techniques rely on market-based parameters for measuring fair value.

Mortgage lending and issued mortgage bonds at fair value

At initial recognition, mortgage loans and issued mortgage bonds are measured at fair value, exclusive of transaction costs. Such assets are subsequently measured at fair value.

The fair value of the issued mortgage bonds will usually equal the market value. However, a small part of the issued bonds are illiquid, and the fair value of these bonds is calculated on the basis of a discounted cash flow valuation model.

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.

Changes in the fair value of 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 is made in accordance with principles similar to individual impairment charges for loans at amortised cost. The 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.

Loans are classified in rating categories 10 and 11 if at least one of the following events has occurred:

- the borrower is experiencing significant financial difficulty
- the borrower's actions, such as default or delinquency in interest or principal payments, lead to a breach of contract
- the Group, for reasons relating to the borrower's financial difficulty, grants to the borrower a concession that Realkredit Danmark would not otherwise grant
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation

A collective assessment is also made to determine the need for changes to reflect fair value adjustments of the credit risk of the remaining portion of the portfolio. The collective assessment involves groups of loans with uniform credit risk characteristics.

The adjustment in respect of credit risk is recognised in "Mortgage loans at fair value". The adjustment for the year is recorded under "Loan impairment charges".

Due from credit institutions and central banks and Loans and other amounts due at amortised cost

Amounts due from credit institutions and central banks comprise amounts due from other credit institutions and time deposits with central banks. Reverse transactions (purchases of securities from credit institutions and central banks that the Group agrees to resell at a later date) are recognised as amounts due from credit institutions and central banks.

Loans and other amounts due carried at amortised cost consist of mortgage payments due and other outlays relating to mortgage loans as well as claims against individual borrowers and reserve fund mortgages, etc.

Impairment of these claims and loans carried at amortised cost is made according to the same principles as described above for mortgage loans.

Domicile property

Domicile property is real property occupied by the Group's administrative departments, mortgage credit offices and the like. Real property with both domicile and investment property elements is allocated proportionally to the two categories if the elements are separately sellable. If that is not the case, such real property is classified as domicile property, unless the Group occupies less than 10% of the total floorage.

Domicile property is measured at cost plus property improvement expenditure and less depreciation and impairment charges. The straight-line depreciation of the property is based on the expected scrap value and an estimated useful life of 20 to 50 years.

Domicile property is tested for impairment if evidence of impairment exists, and the property is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Domicile property which, according to a publicly announced plan, the Group expects to sell within twelve months is recognised as an asset held for sale under Assets temporarily taken over.

Other tangible assets

Equipment, vehicles, furniture, fixtures and property improvement expenditure are recognised at cost less depreciation and impairment charges. Assets are depreciated over their expected useful lives, which are usually three years, according to the straight-line method. Property improvement expenditure is depreciated over the term of the lease, with a maximum of ten years.

Other tangible assets are tested for impairment if evidence of impairment exists, and the asset is written down to its recoverable value, which is the higher of its fair value less costs to sell and its value in use.

Assets temporarily taken over

Properties taken over temporarily in a forced sale are initially carried at their estimated net realisable value, that is, the sales price offered by the real estate agent less expected costs to sell. The properties are subsequently carried at the lower of cost and net realisable value. Any impairment of properties taken over and gains or losses on disposal are carried under "Loan impairment charges". In Annual Report 2009 these properties were recognised in "Other assets". The comparative figures have been restated accordingly.

Assets temporarily taken over also includes tangible assets, which according to a publicly announced plan are expected to be sold within twelve months. At the time the assets are classified as temporarily taken over, they are measured at the lower of their carrying amount and their net realisable value and are no longer depreciated.

Other assets

Other assets include interest receivable and pension assets.

Pension assets

The Group's pension obligations consist of both defined contribution and defined benefit plans for its staff. Under the defined contribution plans, the Group pays regular contributions to insurance companies and other institutions. Such payments are expensed as they are earned by the staff, and the obligations under the plans are taken over by the insurance companies and other institutions.

Under the defined benefit plan maintained under Kreditforeningen Danmarks Pensionsafviklingskasse (pension fund), Realkredit Danmark A/S guarantees payment of a defined benefit from the time of retirement. The amounts payable are recognised on the basis of an actuarial computation of the present value of expected benefits. The present value is calculated on the basis of the expected future trends in salaries and interest rates, time of retirement, mortality rate and other factors.

The fair value of pension assets less the present value of pension benefits is carried as a pension asset under Other assets on the balance sheet.

The difference between the expected trends in pension assets and benefits and the actual trends will result in actuarial gains or losses. Actuarial gains and losses that do not exceed the higher of 10% of the present value of benefits and 10% of the fair value of pension assets are not recognised in the income statement or on the balance sheet but form part of the corridor. If the accumulated actuarial gains and losses exceed both these threshold values, the excess amount is recognised in the income statement and in the net pension obligation or asset over the expected remaining period of service of the staff covered by the plan.

Amounts due to credit institutions and central banks

Amounts due to credit institutions and central banks include amounts received under repo transactions.

Amounts due to credit institutions and central banks are measured at amortised cost.

Subordinated debt

Subordinated debt is measured at amortised cost plus the fair value of the hedged interest rate risk.

Deferred tax assets/Deferred tax liabilities

Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for in accordance with the balance sheet liability method. Deferred tax is recognised under Deferred tax assets or Deferred tax liabilities.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

Current tax assets/Current tax liabilities

Current tax assets and liabilities are recognised on the balance sheet as the estimated tax charge on the profit for the year adjusted for prepaid tax and prior-year tax payables and receivables.

Tax assets and liabilities are offset if the Group has a legally enforceable right to set off such assets and liabilities and intends either to settle the assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

Shareholders' equity

Proposed dividends

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in shareholders' equity. The dividends are recognised as a liability after the general meeting has adopted the proposal.

Reserves in series

Reserves in series comprise series established before 1972 with joint and several liability and with a repayment obligation, series established after 1972 without joint and several liability and without a repayment obligation, other series, including Danske Kredit and mortgage-covered bonds.

Other reserves

Other reserves comprise the mortgage credit business that is not included in reserves in series.

INCOME STATEMENT

Interest

Interest income and expenses include interest on financial instruments measured at fair value. Origination fees on mortgage loans carried at fair value are recognised as Interest income at origination.

Fees

Income from mortgage loans carried at fair value is recognised when the transaction is completed. Income and expenses for services provided over a period of time are accrued over the period. Transaction fees are recognised on completion of the individual transaction.

Value adjustments

Value adjustments comprise realised and unrealised capital gains and losses on bonds at fair value, mortgage loans, issued mortgage bonds and fixed-price agreements as well as exchange rate adjustments.

Staff costs and administrative expenses

Staff costs

Salaries and other remuneration that the Group expects to pay for work carried out during the year are expensed under Staff costs and administrative expenses. This item comprises salaries, bonuses, expenses for share-based payments, holiday allowances, anniversary bonuses, pension costs and other remuneration.

Bonuses and share-based payments

Bonuses are expensed as they are earned. Until 2008, part of the bonuses for the year was paid in the form of equity-settled options and conditional shares issued by Danske Bank. Share options may not be exercised until three years after the

grant date and are conditional on the employee's not having resigned from the Group. Conditional shares vest three years after the grant date if the employee has not resigned from the Group. In this context, retirement is not considered resignation.

The fair value of share-based payments at the grant date is expensed over the service period that unconditionally entitles the employee to the payment. The intrinsic value of the option is expensed in the year in which the share-based payments are earned, whereas the time value is accrued over the remaining service period. Expenses are set off against shareholders' equity. The increase in shareholders' equity is eliminated by set-off against an interim account with Danske Bank A/S. Subsequent changes in the fair value are not recognised in the income statement.

Pension obligations

The Group's contributions to defined contribution plans are recognised in the income statement as they are earned by the employees. The Group applies the corridor method to defined benefit plans, and the income statement thus includes actuarial pension expenses (standard cost).

Loan impairment charges

Loan impairment charges includes the fair value adjustment of the credit risk on mortgage loans as well as losses on and impairment charges for other loans and amounts due.

The item also includes impairment charges and realised gains and losses on tangible assets if the assets qualify as assets temporarily taken over. Similarly, subsequent value adjustments of assets that the Group has taken over and does not expect to sell within 12 months are recognised under loan impairment charges, provided that the Group has a right of recourse against the borrower.

Tax

Calculated current and deferred tax on the profit for the year and adjustments of tax charges for previous years are recognised in the income statement. Tax on items recognised in shareholders' equity is charged directly.

Total comprehensive income

Total comprehensive income includes the net profit for the year and other comprehensive income.

Cash flow statement

The Group has prepared its cash flow statement according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

Cash and cash equivalents consists of Cash in hand and demand deposits with central banks and Amounts due from credit institutions and central banks with original maturities shorter than three months.

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of amendments to international accounting standards that have not yet come into force. Similarly, the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations that have not yet come into force. None of these are expected to materially affect the future financial reporting of the Group. The paragraphs below list the standards and interpretations that are likely to affect the Group's financial reporting.

In October 2010, the ISAB reissued IFRS 9, Financial Instruments. This version of the standard is the first step to replace the requirements of IAS 39 in 2011. After implementation of phase 1, IFRS 9 deals with classification and measurement of financial instruments and derecognition, while the next phases will address impairment, hedge accounting and offsetting of financial assets and liabilities.

The transitional rules adopted in IFRS 9 (phase 1) imply implementation of the standard by 1 January 2013. A postponement of the implementation deadline is currently under consideration, however. The EU has decided to postpone adoption of IFRS 9 until the details of the remaining phases are known.

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on the basis of their contractual cash flow characteristics, including any embedded derivatives (unlike IAS 39, IFRS 9 no longer requires bifurcation). Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. Other assets are measured at fair value through profit or loss. The fair value of equities may always be adjusted through comprehensive income, however, and, satisfying certain requirements, a business may opt for fair value adjustment of its loans, advances, etc.

The principles applicable to financial liabilities are largely unchanged from IAS 39. Generally, financial liabilities are still measured at amortised cost with bifurcation of embedded de-

rivatives not closely related to a host contract. Financial liabilities measured at fair value comprise derivatives, the trading portfolio and liabilities designated at fair value through profit or loss. However, value adjustments relating to the inherent credit risk of financial liabilities designated at fair value are recognised under other comprehensive income unless this leads to an accounting mismatch.

IFRS 9 incorporates the existing derecognition principles of IAS 39.

The Group does not expect IFRS 9 (phase 1) to materially affect the measurement of its financial instruments. Meaningful classification and measurement of financial instruments are not possible without information about the future content of IFRS 9 to clarify the overall accounting effects of the standard and the timing of its implementation.

Accounting policies for the parent company

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 No. 1305 of 16 December 2008 on financial reports of credit institutions, investment companies, etc. The rules are consistent with the Group's measurement principles under IFRS with the exception that domicile properties in the parent company are measured at estimated fair value (revalued amount), and the "corridor" method is not applied with respect to pension obligations. The estimated fair value of domicile properties is calculated in accordance with appendix 8 to the executive order. Holdings in subsidiary undertakings are measured using the equity method, which means that the tax payable by subsidiary undertakings is charged to the item "Income from associated and group undertakings".

Note	DKK millions				
2	Profit broken down by activity	Realkredit Danmark Group			
2010	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	3,423	-	3,423	-	3,423
Net interest income	614	896	1,510	-896	614
Dividends from shares	-	8	8	-8	-
Net fee income	-501	-	-501	-	-501
Income from investment portfolios	-	-	-	463	463
Value adjustments	-39	-407	-446	446	-
Other income	168	-	168	-	168
Total income	3,665	497	4,162	5	4,167
Expenses	893	4	897	-	897
Profit before loan impairment charges	2,772	493	3,265	5	3,270
Loan impairment charges	976	-	976	-	976
Income from associated undertakings	-	5	5	-5	-
Profit before tax	1,796	498	2,294	-	2,294
2009	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	3,200	-	3,200	-	3,200
Net interest income	1,718	818	2,536	-818	1,718
Dividends from shares	-	12	12	-12	-
Net fee income	-415	-	-415	-	-415
Income from investment portfolios	-	-	-	1,113	1,113
Value adjustments	-9	296	287	-287	-
Other income	102	-	102	-	102
Total income	4,596	1,126	5,722	-4	5,718
Expenses	980	4	984	-	984
Profit before loan impairment charges	3,616	1,122	4,738	-4	4,734
Loan impairment charges	1,267	-	1,267	-	1,267
Income from associated undertakings	-	-4	-4	4	-
Profit before tax	2,349	1,118	3,467	-	3,467

Mortgage finance encompasses property financing services provided in Denmark to private and corporate customers. The mediation of property financing services is made through Danske Bank's branch network and finance centres and through Large Corporates at Realkredit Danmark. The segment also includes mediation of real estate transactions 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, value adjustments, etc. In the consolidated highlights, this income is reclassified to income from investment portfolios.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
3	Geographical segmentation For the Realkredit Danmark Group, interest on loans to customers outside Denmark amounted to DKK 84 million (2009: DKK 126 million). Realkredit Danmark A/S's net interest and fee income and value adjustments on loans to customers outside Denmark total DKK 15 million (2009: DKK 12 million)				
4	Interest income Reverse transactions with credit institutions and central banks Credit institutions and central banks Loans and other amounts due Administration margin Bonds Derivatives Interest rate contracts Other interest income Total Interest income derived from Assets at fair value Other assets Total Interest on individually impaired financial assets recognised at amortised cost amounted to DKK 29 million (2009: DKK 14 million)	367 40 23,790 3,423 169 334 131 28,254 28,182 72 28,254	395 30 30,382 3,200 356 236 110 34,709 34,674 35 34,709	367 39 23,788 3,423 169 334 131 28,251 28,181 70 28,251	395 28 30,380 3,200 356 236 110 34,705 34,674 31 34,705
5	Interest expense Repo transactions with credit institutions and central banks Due to credit institutions and central banks Issued mortgage bonds Subordinated debt Reimbursement of origination fees etc. Other interest expense Total Interest expense derived from Liabilities at fair value Other liabilities Total	347 48 22,648 187 82 9 23,321	550 18 28,199 119 80 7 28,973	347 48 22,648 187 82 9 23,321	550 18 28,199 119 80 7 28,973
6	Value adjustments Mortgage loans Bonds Shares Currency Derivatives Other assets Issued mortgage bonds Reserves in early series subject to a reimbursement obligation Subordinated debt Total Value adjustments derived from Assets and liabilities at fair value Other assets and liabilities Total	4,496 -136 -8 10 -330 9 -4,456 -8 -23 -446	13,006 113 -1 12 296 30 -13,162 - -7 287	4,496 -136 -8 10 -330 9 -4,456 -8 -23 -446	13,006 113 -1 12 296 30 -13,162 - -7 287

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
7	Staff costs and administrative expenses				
	Salaries and remuneration of Executive Board, Board of Directors and local councils				
	Executive Board	5	5	5	5
	Board of Directors	-	-	-	-
	Local councils	3	4	3	4
	Total	8	9	8	9
	Staff costs				
	Salaries	178	279	153	248
	Share-based payments	-	-	-	-
	Pensions	46	20	36	153
	Other social security costs and taxes	27	23	27	23
	Total	251	322	216	424
	Other administrative expenses	633	647	554	575
	Total staff costs and administrative expenses	892	978	778	1,008
	 Number of full-time-equivalent staff (avg.)	 310	 447	 279	 414
	 Remuneration of the Board of Directors (DKK thousands)				
	Klaus Pedersen	125	125	125	125
	Max Jeppesen	125	125	125	125
	Total remuneration	250	250	250	250

Members of the Board of Directors employed by Danske Bank A/S do not receive remuneration.

Remuneration of the Executive Board

2010	Carsten Nøddebo Rasmussen	Jens-Erik Corvinus
Fixed salary	2.7	2.0
Pension	0.3	0.2
Total	3.0	2.2

Pursuant to the Danish Act on State-Funded Capital Injections into Credit Institutions, only 50% of the salary to members of the Executive Board is tax deductible until the capital raised has been repaid. In 2010, this deduction amounted to DKK 2.7 million. In accordance with the Group's general staff policy, Jens-Erik Corvinus received a 25-year anniversary benefit corresponding to one months' salary.

2009	Carsten Nøddebo Rasmussen	Jens-Erik Corvinus	Sven Holm
Fixed salary	2.3	1.1	1.3
Pension	0.3	0.1	0.2
Total	2.6	1.2	1.5

Sven Holm retired from the Executive Board at 31 May 2009. Jens-Erik Corvinus joined the Executive Board at 1 June 2009. Salaries and pensions are disclosed for the period since the person joined the Executive Board. In accordance with the Group's general staff policy, Carsten Nøddebo received a 25-year anniversary benefit corresponding to one months' salary.

Note	DKK millions
7 cont'd	<p>Staff cost and administrative expenses</p> <p>Pensions</p> <p>Carsten Nøddebo Rasmussen is entitled to retire at the end of the month in which he attains the age of 60. The pension obligation is covered by payments equal to 14% of his salary to a bank.</p> <p>Jens-Erik Corvinus is entitled to retire at the end of the month in which he attains the age of 62. The pension obligation is covered by payments equal to 14% of his salary to a bank.</p> <p>Termination</p> <p>Carsten Nøddebo Rasmussen may terminate his service by giving seven months' notice. Realkredit Danmark may terminate the service contract by giving 12 months' notice. In case of termination by Realkredit Danmark, Carsten Nøddebo Rasmussen is entitled to severance pay equal to 12 months' salary.</p> <p>Jens-Erik Corvinus may terminate his service by giving three months' notice. Realkredit Danmark may not terminate the service contract until retirement. In case of termination Jens-Erik Corvinus is entitled to severance pay equal to 12 months' salary.</p>
8	<p>Share-based payments</p> <p>Until 2008, the Group offered senior staff and selected other employees an incentive programme that consisted of share options and conditional shares. Incentive payments reflected individual performance and also depended on financial results in the business area and other measures of value creation in a given financial year. The options and shares were granted in the first quarter of the following year, most recently in the first quarter of 2008.</p> <p>Issued options carry a right to buy Danske Bank shares exercisable from three to seven years after they are granted provided that the employee has not resigned from the Group, except in case of retirement. The exercise price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of the bank's annual report plus 10%.</p> <p>Until 2008, rights to Danske Bank shares under the conditional share programme were granted as a portion of the annual bonus earned. The rights to shares vest after three years provided that the employee has not resigned from the Group, except in case of retirement.</p> <p>The fair value of the share options at the grant date is calculated according to a dividend-adjusted Black & Scholes formula. For the 2008, grant, the calculation was based on the following assumptions: Share price 179.76. Dividend payout ratio 3.9%. Rate of interest 4.7%, equal to the swap rate. Volatility 19%. Average time of exercise; 5 years. The volatility is estimated on the basis of historical volatility.</p> <p>The fair value at the end of 2010 is based on the following assumptions: Share price 143 (2009: 118). Dividend payout ratio 1.5% (2009: 0 %). Rate of interest 1.2-1.8% (2009: 1.6-2.7%), equal to the swap rate. Volatility 35% (2009: 52%). Average time of exercise; 1-2 years (2009: 1-3 years). The volatility is estimated on the basis of historical volatility.</p> <p>The fair value of the conditional shares at the grant date is calculated as the share price less the payment made by the employee.</p> <p>The intrinsic value is expensed in the year in which the share options and rights to conditional shares are earned, while the time value is accrued over the remaining service period, which is the vesting period of three years. Realkredit Danmark has hedged the interest rate risk.</p>

Note	DKK millions					
8 cont'd	Share-based payments (vested in 2007 or earlier)					
Share options						
	Number			Fair Value (FV)		
	Executive Board	Other employees	Total	Exercise price (DKK)	At issue (DKK millions)	End of year (DKK millions)
Granted in 2004-08						
2009, beg.	123,092	183,359	306,451	157.2-294.1	5.7	0.0
Exercised 2009	-	-	-			
Forfeited 2009	-	-	-			
Other changes 2009	-56,211	56,211	-			
2009, end	66,881	239,570	306,451	157.2-294.1	5.7	3.8
Exercised 2010	-	-	-			
Forfeited 2010	-	-	-			
Other changes 2010	-	-	-			
2010, end	66,881	239,570	306,451	157.2-294.1	5.7	1.6
Holdings of the Executive Board and fair value, end of 2010						
Grant year (DKK millions)	2004-2008			FV	2009	FV
	Number				Number	
Carsten Nøddebo Rasmussen	16,020			0.2	-	-
Jens-Erik Corvinus	50,861			0.2	-	-
Holdings of the Executive Board and fair value, end of 2009						
Grant year (DKK millions)	2004-2008			FV	2009	FV
	Number				Number	
Carsten Nøddebo Rasmussen	16,020			0.4	-	-
Jens-Erik Corvinus	50,861			0.6	-	-

Share options granted in 2008 relates to the grant in the first quarter of 2009 of options that vested in 2007.

Jens-Erik Corvinus joined the Executive Board at 1 June 2009. The holding of share options was granted in 2008 or earlier years.

No share options were exercised in 2009 or 2010.

Note	DKK millions				
8 cont'd	Share-based payments (vested in 2007 or earlier)				
	Conditional shares				
	Number			Fair Value (FV)	
	Executive Board	Other employees	Total	At issue (DKK millions)	End of year (DKK millions)
Granted in 2006-08					
2009, beg.	8,250	20,531	28,781	6.2	1.5
Vested 2009	-6,326	-7,454	-13,780		
Forfeited 2009	-	-	-		
Other changes 2009	2,177	-2,773	-596		
2009, end	4,101	10,304	14,405	3.1	1.7
Vested 2010	-1,583	-3,940	-5,523		
Forfeited 2010	-	-	-		
Other changes 2010	-	-	-		
2010, end	2,518	6,364	8,882	1.6	1.3
Holdings of the Executive Board and fair value, end of 2010					
Grant year (DKK millions)	2008			2009	
	Number	FV		Number	FV
Carsten Nøddebo Rasmussen	1,215	0.2		-	-
Jens-Erik Corvinus	1,303	0.2		-	-
Holdings of the Executive Board and fair value, end of 2009					
Grant year (DKK millions)	2007-2008			2009	
	Number	FV		Number	FV
Carsten Nøddebo Rasmussen	1,924	0.2		-	-
Jens-Erik Corvinus	2,177	0.3		-	-

Rights to conditional shares granted in 2008 relate to the grant in the first quarter of 2008 of rights that vested in 2007.

Sven Holm retired from the Executive Board at 31 May 2009. The right to conditional shares is not forfeited upon retirement and is included in Other employees.

Jens-Erik Corvinus joined the Executive Board at 1 June 2009. The holding of share options was granted in 2008 or earlier years. In 2010, the average price at the vesting date for rights to conditional shares was 127.05 (2009: 48.4).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
9	Audit fees				
	Total fees to the audit firms appointed by the general meeting that perform the statutory audit	2	2	2	2
	Fees for non-audit services included in above item	-	-	-	-
10	Loan impairment charges				
	Impairment charges etc. during the year	1,389	1,422	1,389	1,422
	Reversals of impairment charges etc. for previous years	734	311	734	311
	Losses incurred	427	195	425	193
	Received on claims previously written off	106	39	106	39
	Total	976	1,267	974	1,265
11	Tax				
	Tax on profit for the year	543	836	540	843
	Deferred tax	31	32	32	-6
	Adjustment of prior-year tax charges	-1	5	-2	4
	Total	573	873	570	841
	Effective tax rate				
	Current Danish tax rate	25.0	25.0	25.0	25.0
	Adjustment of prior-year tax charge	0.0	0.1	-0.1	0.1
	Non-taxable items	0.0	0.1	-0.1	0.1
	Effective tax rate	25.0	25.2	24.8	25.2
12	Due from credit institutions and central banks				
	Demand deposits	6,699	8,390	6,681	8,383
	3 months or less	22,186	40,567	22,106	40,492
	Total	28,885	48,957	28,787	48,875
	Due from credit institutions	28,885	33,446	28,787	33,364
	Term deposits with central banks	-	15,511	-	15,511
	Total	28,885	48,957	28,787	48,875
	At fair value	28,881	48,948	28,783	48,866
	Portion attributable to reverse transactions	13,334	24,758	13,334	24,758
13	Bonds at fair value				
	Own mortgage bonds	268,276	282,515	268,276	282,515
	Other mortgage bonds	19,672	2,113	19,672	2,113
	Government bonds	2,007	1,148	2,007	1,148
	Total	289,955	285,776	289,955	285,776
	Own mortgage bonds set off against issued mortgage bonds	268,276	282,515	268,276	282,515
	Total	21,679	3,261	21,679	3,261

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
14	Total lending				
	Mortgage loans, nominal value	703,236	692,328	703,236	692,328
	Fair value adjustment of underlying bonds	3,042	435	3,042	435
	Adjustment for credit risk	1,829	1,462	1,829	1,462
	Mortgage loans at fair value	704,449	691,301	704,449	691,301
	Arrears and outlays	646	604	646	604
	Other loans	247	190	193	135
	Total	705,342	692,095	705,288	692,040
	Apart from being backed by mortgages on properties, the company's loans are backed by government, municipal and insurance guarantees of	21,884	21,894	21,884	21,894
	Pass books and bonds have been deposited and guarantees provided as supplementary security in a total amount of	93,465	86,066	93,465	86,066
	Realkredit Danmark has also received various declarations of indemnification without specification of amounts.				
15	Mortgage loans at fair value				
	Mortgage loans (nominal value) broken down by property category				
	Owner-occupied dwellings	57	57	57	57
	Holiday homes	3	3	3	3
	Subsidised residential property	8	8	8	8
	Private residential rental property	10	10	10	10
	Industrial and skilled trades property	3	3	3	3
	Office and retail property	10	10	10	10
	Agricultural property etc.	7	7	7	7
	Property for social, cultural and training activities	1	1	1	1
	Other property	1	1	1	1
	Total	100	100	100	100
	0-1 month	20,553	10,026	20,553	10,026
	1-3 months	2,699	2,383	2,699	2,383
	3-12 months	16,556	23,157	16,556	23,157
	1-5 years	62,658	48,488	62,658	48,488
	5-10 years	81,393	69,377	81,393	69,377
	Over 10 years	520,590	537,870	520,590	537,870
	Total	704,449	691,301	704,449	691,301
16	Loans and other amounts due at amortised cost				
	On demand	648	624	648	624
	3 months or less	14	7	10	5
	3 months to 1 year	42	25	29	15
	1-5 years	93	69	62	33
	Over 5 years	96	69	90	62
	Total	893	794	839	739

Note	DKK millions	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
17	Arrears and outlays				
	Arrears before impairment	365	560	365	560
	Outlays before impairment	712	188	712	188
	Impairment	431	144	431	144
	Total	646	604	646	604

- 18 **Loans etc.**
 Of the total fair value adjustment for the credit risk on mortgage loans, changes were recognised as an expense of DKK 1,829 million at 31 December 2010, against DKK 1,462 million at the beginning of the year.
 Of the total loan impairment charges for the credit risk on loans and other amounts due at amortised cost, charges were recognised as an expense of DKK 436 million at 31 December 2010, against DKK 148 million at the beginning of the year.

	Realkredit Danmark Group			Realkredit Danmark A/S		
	Loans individual impairment	Loans collective impairment	Total	Loans individual impairment	Loans collective impairment	Total
2010						
Impairment charges etc. at 1 January 2010	1,544	66	1,610	1,543	66	1,609
Impairment charges etc. during the year	1,188	201	1,389	1,188	201	1,389
Reversals of impairment charges etc. for previous years	731	3	734	731	3	734
Impairment charges etc. at 31 December 2010	2,001	264	2,265	2,000	264	2,264
Value adjustment of assets taken over						-17
2009						
Impairment charges etc. at 1 January 2009	433	66	499	432	66	498
Impairment charges etc. during the year	1,361	61	1,422	1,361	61	1,422
Reversals of impairment charges etc. for previous years	250	61	311	250	61	311
Impairment charges etc. at 31 December 2009	1,544	66	1,610	1,543	66	1,609
Value adjustment of assets taken over						2

Allowance account for individual impairment charges broken down by evidence of impairment

	Realkredit Danmark Group		Realkredit Danmark A/S	
	Credit exposure	Allowance account, individual	Credit exposure	Allowance account, individual
2010				
Rating category 10	11,633	773	11,633	772
Rating category 11	9,129	1,228	9,129	1,228
Total	20,762	2,001	20,762	2,000
2009				
Rating category 10	7,804	428	7,804	427
Rating category 11	8,126	1,116	8,126	1,116
Total	15,930	1,544	15,930	1,543

Customers in rating category 11 comprise customers submitted for debt collection, suspension of payments, debt rescheduling and 90 days arrears. Rating category 10 covers other financial difficulties.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
19	Holdings in associated undertakings				
	Cost at 1 January	16	16	16	16
	Disposals	2	-	2	-
	Cost at 31 December	14	16	14	16
	Revaluations at 1 January	-7	-3	-7	-3
	Reversals of revaluations	1	-4	1	-4
	Revaluations at 31 December	-6	-7	-6	-7
	Carrying amount at 31 December	8	9	8	9
	*Associated undertakings are specified on page 52				
20	Domicile property				
	Carrying amount at 1 January	94	95	155	152
	Disposals	-	-	-	-
	Depreciation charges	1	1	1	1
	Value adjustment recognised directly in shareholders' equity	-	-	1	4
	Carrying amount at 31 December	93	94	155	155
	Broken down by cost and depreciation and impairment charges				
	Cost at 1 January	132	132		
	Disposals	-	-		
	Cost at 31 December	132	132		
	Depreciation and impairment charges at 1 January	38	37		
	Reversal of depreciation charges	-	-		
	Depreciation charges	1	1		
	Depreciation and impairment charges at 31 December	39	38		
	Carrying amount at 31 December	93	94		
	Fair value of domicile property	155	155		
	The property is valued on the basis of assessments made by valuers of the Danske Bank Group. The Group measures domicile property at cost less depreciation and impairment charges. The parent company, Realkredit Danmark A/S, measures it at the estimated fair value.				
21	Other tangible assets				
	Cost at 1 January	26	32	16	19
	Additions	2	1	-	-
	Disposals	1	7	1	3
	Cost at 31 December	27	26	15	16
	Depreciation and impairment charges at 1 January	15	18	7	8
	Depreciation charges	3	3	2	2
	Depreciation and impairment charges reversed on disposals etc.	1	6	1	3
	Depreciation and impairment charges at 31 December	17	15	8	7
	Carrying amount at 31 December	10	11	7	9

		Realkredit Danmark Group		Realkredit Danmark A/S		
Note	DKK millions	2010	2009	2010	2009	
22	Deferred tax (- = Assets)					
	Deferred tax assets	-	-	-	-22	
	Provision for deferred tax	47	28	11	14	
	Deferred tax, net	47	28	11	-8	
	Change in deferred tax					
	Realkredit Danmark Group	At 1 Jan.	Other ad-justments	Recognised in net profit for the year	Recognised in shareholder's equity	At 31 Dec.
	2010					
	Intangible assets	-	-	-	-	-
	Tangible assets	-	-	6	-	6
	Securities	-4	-	1	-	-3
	Provisions	44	-	11	-	55
	Tax loss carryforwards	-	-	-	-	-
	Other	-12	-	1	-	-11
	Total	28	-	19	-	47
	Adj. of prior-year tax charges included in above item			-12		
	2009					
	Intangible assets	1	-	-1	-	-
	Tangible assets	-2	-	2	-	-
	Securities	-3	-	-1	-	-4
	Provisions	-4	-	48	-	44
	Tax loss carryforwards	-	-	-	-	-
	Other	31	-	-43	-	-12
	Total	23	-	5	-	28
	Adj. of prior-year tax charges included in above item			-27		
	Change in deferred tax					
	Realkredit Danmark A/S	At 1 Jan.	Other ad-justments	Recognised in net profit for the year	Recognised in shareholder's equity	At 31 Dec.
	2010					
	Intangible assets	-	-	-	-	-
	Tangible assets	14	-	4	-	18
	Securities	-4	-	1	-	-3
	Provisions	-18	-	14	-	-4
	Tax loss carryforwards	-	-	-	-	-
	Other	-	-	-	-	-
	Total	-8	-	19	-	11
	Adj. of prior-year tax charges included in above item			-13		
	2009					
	Intangible assets	1	-	-1	-	-
	Tangible assets	13	-	-2	3	14
	Securities	-3	-	-1	-	-4
	Provisions	-32	-	14	-	-18
	Tax loss carryforwards	-	-	-	-	-
	Other	43	-	-43	-	-
	Total	22	-	-33	3	-8
	Adj. of prior-year tax charges included in above item			-27		

Notes

		Realkredit Danmark Group		Realkredit Danmark A/S			
Note	DKK millions	2010	2009	2010	2009		
23	Assets temporarily taken over						
	Assets temporarily taken over consist of properties taken over in a forced sale in connection with non-performing exposures. The properties are expected to be sold through a real estate agent within one year from the acquisition date and comprised DKK 282 million worth of properties at 31 December 2010 (2009: DKK 84 million). Losses on properties taken over amounted to DKK 24 million (2009: DKK -3 million).						
24	Other assets						
	Interest due	368	312	368	312		
	Pension assets	436	340	195	91		
	Other assets	455	844	406	804		
	Total	1,259	1,496	969	1,207		
	Pension assets concerns defined benefit plan through Kreditforeningen Danmarks Pensionsafviklingskasse (see note 25).						
25	Pension plans						
	Contributions to defined contribution plans	23	32	21	30		
	Contributions to defined benefit plans	24	-11	16	124		
	Total	47	21	37	154		
	When computing the net pension assets, the Realkredit Danmark Group uses the corridor method. This method is not, however used by the parent company, Realkredit Danmark A/S.						
	Defined benefit plans						
	Present value of fully or partly funded pension obligations	1,087	1,037	1,087	1,037		
	Fair value of plan assets	1,282	1,128	1,282	1,128		
	Net pension assets, end of year, parent company	195	91	195	91		
	Actuarial losses not recognised	241	249				
	Net pension assets, end of year, Group	436	340				
		2010			2009		
	Change in net pension assets	Assets	Liabilities	Net	Assets	Liabilities	Net
	At 1 January, parent company	1,127	1,036	91	1,150	945	205
	Current service costs	-	1	1	-	2	2
	Calculated interest expense	-	44	44	-	45	45
	Estimated return on plan assets	56	-	56	64	-	64
	Amortisation	-	35	35	-	6	6
	Standard cost	56	80	24	64	53	-11
	Actuarial gains or losses	51	43	8	-27	108	-135
	Employer contributions to the plans	120	-	120	10	-	10
	Benefits paid out by pension fund	-71	-71	-	-70	-70	-
	At 31 December, parent company	1,283	1,088	195	1,127	1,036	91
	Actuarial gains or losses not recognised	-41	200	-241	-92	157	-249
	Net asset, end of year, Group	1,324	888	436	1,219	879	340
	The Group expects to make total contributions of DKK 0.7 million for 2011.						
	Expenses for defined benefit plans (recognised under staff costs and administrative expenses)				2010		2009
	Standard cost, Group				24		-11
	Actuarial gains or losses				8		-135
	Total, parent company				16		124

Note	DKK millions
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25 Pension plans

cont'd. For defined benefit plans, the pension assets are recognised on the basis of an actuarial calculation of the present value of the expected benefits. The present value at year-end was calculated on the basis of the following assumptions:

Average actuarial assumptions at 31 December (% p.a.):	2010	2009
Discount rate	4.47	5.10
Return on plan assets	4.47	5.10
Inflation rate	2.75	2.75
Salary adjustment rate	2.75	2.75
Pension adjustment rate	2.75	2.75

The assumptions of mortality used to recognise the pension assets are based on the standard DB09 mortality table. The assumptions applied entail that the average life expectancy for a pension fund member calculated at 31 December 2010 was 82.80 years for a 60-year old man and 85.43 years for a 60-year old woman, and 83.62 years for a 65-year old man and 86.09 years for a 65-year old woman.

Pension assets broken down by type (%)	2010			2009		
	Share end	Expected return, beg.	Actual return, end	Share end	Expected return, beg.	Actual return, end
Shares	3	-	26.7	3	-	41.9
Government and mortgage bonds	95	-	8.9	96	-	3.6
Cash and cash equivalents	2	-	0.0	1	-	0.8
Total	100	5.1	9.2	100	5.8	4.2

Historical trend in defined benefit plans	2010	2009	2008	2007	2006
Present value of pension obligations	1,087	1,037	945	975	1,012
Fair value of plan assets	1,282	1,128	1,150	1,068	1,103
Net pension assets, end of year, parent company	195	91	205	93	91
Actuarial losses not recognised	241	249	114	179	157
Experience adjustments of plan liabilities included in above item	-10	-18	-16		
Experience adjustments of plan assets included in above item	34	-	9		
Net pension assets, end of year, Group	436	340	319	272	248

Realkredit Danmark Group's transactions with the Pension fund	2010	2009
Issued mortgage bonds	413	383
Interest expense	13	11
Regular and single pension premiums	120	11

As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafviklingskasse.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
26	Due to credit institutions and central banks				
	On demand	-	-	-	-
	3 months or less	10,408	26,855	10,408	26,855
	3-12 months	-	-	-	-
	1-5 years	17,000	-	17,000	-
	Total	27,408	26,855	27,408	26,855
	At fair value	27,383	26,834	27,383	26,834
	Portion attributable to repo transactions	9,177	21,855	9,177	21,855
27	Issued mortgage bonds at fair value				
	Issued mortgage bonds, nominal value*	934,395	943,379	934,395	943,379
	Fair value adjustment	5,525	-179	5,525	-179
	Issued mortgage bonds at fair value, before set-off	939,920	943,200	939,920	943,200
	Set-off of own mortgage bonds at fair value	268,276	282,515	268,276	282,515
	Issued mortgage bonds at fair value	671,644	660,685	671,644	660,685
	0-1 month	91,552	97,294	91,552	97,294
	1-3 months	-	-	-	-
	3-12 months	105,962	124,347	105,962	124,347
	1-5 years	276,668	230,019	276,668	230,019
	5-10 years	69,458	71,671	69,458	71,671
	Over 10 years	128,004	137,354	128,004	137,354
	Total	671,644	660,685	671,644	660,685
	* Portion pre-issued	193,720	220,146	193,720	220,146
	* Portion drawn at 2 January 2011, or in 2010	233,309	249,222	233,309	249,222
<p>Fair value adjustment for the credit risk on issued mortgage bonds is calculated on the basis of the option-adjusted spread (OAS) to government bond yields or, for variable rate loans, the swap rate. The calculation incorporates maturity, nominal holdings and OAS sensitivity. As a number of estimates are made, the calculation is subject to uncertainty.</p> <p>Consequently, the yield spread on Danish mortgage bonds widened considerably in 2010. The widening caused a decrease in the fair value of issued mortgage bonds of about DKK 4 billion. In 2009, a spread narrowing caused a fair value increase of about DKK 6 billion. In comparison with the fair value measured at the issuance of the bonds, the fair value had decreased about DKK 3 billion at the end of 2010. The net profit and shareholders' equity remain unaffected because the spread widening increased the value of mortgage loans correspondingly.</p> <p>Fair value adjustment for the credit risk on issued mortgage bonds may also be calculated on the basis of changes in similar AAA-rated mortgage bonds offered by other Danish issuers. The market for such bonds is characterised by an absence of measurable price differences between bonds with similar features from different issuers. Using this method, no fair value adjustment for credit risk in 2010 or the period since the issue has been required.</p>					
28	Other liabilities				
	Interest accrued	12,677	14,707	12,677	14,707
	Reserves in early series subject to a reimbursement obligation*	206	220	-	-
	Other creditors	693	525	681	515
	Total	13,576	15,452	13,358	15,222

* Classified on the balance sheet of the parent company, Realkredit Danmark A/S, under "Provisions".

Note	DKK millions	Realkredit Danmark Group		Realkredit Danmark	
		2010	2009	2010	2009
29	Reserves in early series subject to a reimbursement obligation*				
	Carrying amount, beginning of year	220	244	220	244
	Utilised	-33	-32	-33	-32
	Increase due to shortening of maturity	11	8	11	8
	Increase due to change in discount rate	8	-	8	-
	Carrying amount, end of year	206	220	206	220

* Classified on the balance sheet of the Realkredit Danmark Group under "Other liabilities".

Reserves in early series subject to a reimbursement obligation relate to mortgage loan agreements under which the borrower's share of the series reserve fund is disbursed to the borrower on repayment of the loan in accordance with the terms and conditions applying to the series. Until 2031, the Group's obligations will gradually be reduced in step with individual borrower repayments. Factors that affect the repayment pattern include changes in interest rates, cash flows, etc.

30 Subordinated debt

Subordinated debt consists of liabilities in the form of subordinated loan capital and hybrid capital that, in the event of Danske Bank's voluntary or compulsory winding-up, will not be repaid until the claims of ordinary creditors have been met. Hybrid capital ranks below subordinated loan capital. Early redemption of subordinated debt must be approved by the Danish FSA. Hybrid capital is included in the capital base in accordance with sections 129 and 132 of the Danish Financial Business Act.

	Principal (DKK millions)	Interest rate	Year of issue	Maturity	2010 (DKK millions)	2009 (DKK millions)
Hybrid capital	2,034	9.265	2009	Perpetual	2,034	2,034
Total hybrid capital					2,034	2,034
Fair value hedging of interest rate risk					27	3
Total					2,061	2,037
Interest					187	119
Origination costs					-	6
Amount included in capital base at 31 December					2,061	2,037
At fair value					2,043	1,931

The hybrid capital carries interest at an annual rate of 9.265% and is denominated in DKK. If Realkredit Danmark makes annual dividend payout exceeding DKK 2.1 billion the interest rate will increase. Unless otherwise agreed Realkredit Danmark may not redeem the loan earlier than 11 May 2012. From 11 May 2012 to 10 May 2014, Realkredit Danmark may redeem the loan at a price of 100 provided that the core tier 1 capital ratio is at least 12% following such redemption or that the loan is replaced by other loss absorbing tier 1 capital of at least the same or a higher quality. From 11 May 2014 to 10 May 2015, Realkredit Danmark may redeem the loan at a price of 105, and from 11 May 2015, Realkredit Danmark may redeem the loan at a price of 110. Redemption must be approved by the Danish FSA.

31 Risk-weighted assets (RWA)

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2010	2009	2010	2009
Credit risk (IRB approach)	93,080	82,038	92,991	82,009
Credit risk (standardised approach)	6,614	79	7,014	458
Counterparty risk	142	98	142	98
Total credit risk	99,836	82,215	100,147	82,565
Market risk	8,014	7,229	8,014	7,229
Operational risk	7,420	7,755	7,244	7,570
Total	115,270	97,199	115,405	97,364
Capital requirement under Pillar I	9,222	7,776	9,232	7,789

The total capital and tier 1 capital ratios are calculated in accordance with the Capital Requirements Directive. Risk-weighted assets calculated under the Basel I rules amounted to DKK 396,049 million at the end of 2010 (2009: DKK 371,200 million). The solvency need, calculated on the basis of the transitional rules was DKK 25,347 million, equal to 80% of the capital requirement of 8% of risk-weighted assets, (2009: DKK 23,757 million). Transitional rules applied in 2010 and will also apply in 2011. www.rd.dk provides more details about Realkredit Danmark's solvency need. The statement is not covered by the statutory audit.

Note	DKK millions	Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
32	Collateral				
	In connection with clearing, collateral has been provided towards the Danish Central Bank in				
	Bonds at fair value	32,584	24,200	32,584	24,200
	Portion issued by Realkredit Danmark	32,584	14,009	32,584	14,009
	Assets sold under repo transactions				
	Bonds at fair value	9,153	21,839	9,153	21,839
	Portion issued by Realkredit Danmark	6,532	18,279	6,532	18,279

Pursuant to Danish mortgage credit legislation, issued mortgage bonds, including mortgage-covered bonds, are secured against the underlying mortgage loans.

At the end of 2010, the need for supplementary collateral for mortgage-covered bonds was DKK 29.7 billion, against DKK 21.3 billion at end-2009.

- 33 **Contingent liabilities**
Owing to its size and business volume, the Realkredit Danmark Group is continually a party to various lawsuits. The Group does not expect the outcomes of the cases 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, see note 25.

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 table below shows guarantees and indemnities issued by the by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised on the balance sheet.

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2010	2009	2010	2009
Guarantees etc.				
Other guarantees	4	4	4	4
Total	4	4	4	4
Other contingent liabilities				
Irrevocable loan commitments regarding reverse mortgages	414	538	414	538
Other commitments	106	101	88	83
Total	520	639	502	621
Total contingent liabilities	524	643	506	625

Realkredit Danmark as lessee

Realkredit Danmark is the lessee in a number of operating leases. Under such leases, the Group 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 of cars. The minimum lease payments at year end 2010 were DKK 2 million (2009: DKK 1 million).

Note	DKK millions				
34	Related party transactions				
	Transactions between related parties are concluded and settled on an arm's length or on a cost-reimbursement basis. No unusual transactions have been made with associated and group undertakings.				
	Realkredit Danmark A/S made the below-mentioned major intra-group transactions with companies directly or indirectly associated with the Group/company.				
		Realkredit Danmark Group		Realkredit Danmark A/S	
		2010	2009	2010	2009
	Fees, etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans	986	889	986	889
	Fees received from Danske Bank A/S for referral of customers and for property valuation	97	106	97	106
	Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions, etc.	325	344	300	321
	Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	387	431	386	429
	Interest received on mortgage loans raised by sister company	49	86	49	86
	Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	394	562	394	562
	Amounts due from Danske Bank A/S	28,791	33,230	28,694	33,148
	Mortgage lending to sister company	2,532	2,631	2,532	2,631
	Loss guarantees from Danske Bank A/S	48,578	44,936	48,578	44,936
	Other guarantees from Danske Bank A/S	44,051	39,359	44,051	39,359
	Amounts due to Danske Bank A/S	27,408	26,855	27,408	26,855
	The A.P. Møller - Maersk Group and A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal represent a party that has a significant influence on Danske Bank A/S and, by extension, on Realkredit Danmark A/S.				
	Transactions with this party included				
	Mortgage loans	6	55	6	55
	Interest income	-	2	-	2
	Fees for property information paid to associated undertaking	2	3	2	3
	Any amounts due to related parties in the form of issued bonds have not been included in the above outstanding accounts as such bonds are bearer securities. In these cases, the Group does not know the identity of the creditors.				
	Transaction with related pension funds are described in note 25.				
35	Loans etc. to management				
	Mortgage loans established on an arm's length basis for				
	Executive Board	9	9	9	9
	Board of Directors	12	12	12	12

Realkredit Danmark Group

Note	(DKK millions)				
36	Reporting to the Danish FSA			Shareholders' equity	Shareholders' equity
	Difference between net profit and shareholders' equity in IFRS consolidated financial statements and reporting to the Danish FSA is calculated as follows	Net profit	Net profit	31 Dec. 2009	31 Dec. 2009
		2010	2009		
	Consolidated financial statements (IFRS)	1,721	2,594	42,883	41,162
	Domicile property	-	-	62	61
	Pension obligations	8	-135	-241	-249
	Tax effect	-2	33	44	46
	Consolidated financial statements (Danish FSA rules)	1,727	2,492	42,748	41,020

Realkredit Danmark Group

37	Financial instruments at fair value				
		Quoted prices	Observable input	Non-observable input	Total
	2010				
	Bonds at fair value	21,679	-	-	21,679
	Mortgage loans at fair value	-	704,449	-	704,449
	Shares	-	-	1	1
	Derivatives	-	310	-	310
	Total	21,679	704,759	1	726,439
	Issued mortgage bonds at fair value	671,644	-	-	671,644
	Derivatives	-	87	-	87
	Total	671,644	87	-	671,731
	2009				
	Bonds at fair value	3,261	-	-	3,261
	Mortgage loans at fair value	-	691,301	-	691,301
	Shares	-	-	62	62
	Derivatives	-	411	-	411
	Total	3,261	691,712	62	695,035
	Issued mortgage bonds at fair value	660,685	-	-	660,685
	Derivatives	-	44	-	44
	Total	660,685	44	-	660,729

Fair value is the amount at which a financial asset can be traded between knowledgeable, willing parties. If an active market exists, Realkredit Danmark uses the quoted price.

Valuation techniques are generally used for OTC derivatives and unlisted shares. The most frequently used valuation models include pricing of transactions with future settlement and swap models that apply present value calculations. Valuation is based substantially on observable input. The valuation of unlisted shares is based substantially on non-observable input. Most of the unlisted shares were sold in 2010.

Mortgage loans and issued mortgage bonds, are recognised at the fair value of the issued mortgage bonds. The fair value of the credit risk on the mortgage loans is adjusted on the basis of impairment principles similar to those applied to loans at amortised cost.

Notes

Realkredit Danmark A/S

Note	(DKK millions)				
38	Fair value hedging				
		2010		2009	
		Carrying amount	Amortised/ notional amount	Carrying amount	Amortised/ notional amount
	Subordinated debt	2,061	2,034	2,037	2,034
	Hedging Derivatives	38	2,034	15	2,034

The effect on profit or loss of fair value hedge accounting was DKK -1 million, net, in 2010 (2009: DKK 0 million), consisting of a loss on the hedged instrument of DKK 24 million (2009: DKK 7 million) and a gain on the hedging derivative of DKK 23 million (2009: DKK 7 million). The net effect is recognised in the income statement.

Note

RISK MANAGEMENT

Capital base

Realkredit Danmark is a licensed mortgage service provider and therefore must comply with the capital requirements of the Danish Financial Business Act. Danish capital requirements are based on the EU Capital Requirement Directive (CRD) and apply to both the Parent Company and the Group.

The regulatory capital requirements are based on a minimum capital base of 8% of risk-weighted assets. Detailed rules regulate the calculation of capital and risk (risk-weighted assets). Capital comprises tier 1 capital and subordinated debt. The difference between the carrying amount of shareholders' equity and the total tier 1 capital and risk-weighted assets is shown under Statement of capital.

The purpose of capital management is to ensure efficient use of capital in relation to risk tolerance and business development. The Group must have sufficient capital to comply with regulatory capital requirements and to maintain an AAA/Aaa rating with external rating agencies for issued bonds.

Credit risk

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 is unable to repay the loan. These two factors are commonly designated by the abbreviations "PD" (Probability of Default) and "LGD" (Loss Given Default). The higher the PD and LGD, the higher risk a loan involves.

The credit granting process widely builds on the two above-mentioned components. Most often, the Group performs a decentralised credit assessment of whether a customer is deemed to have the ability and the willingness to repay his loan. However, the Group handles the largest customers at a central corporate centre, which has the expertise to serve this customer segment. [In 2010, Realkredit Danmark continued its prudent credit-granting process, accommodating the Group's existing and new creditworthy customers.] When granting credit, the Group continues to emphasise customer ability to repay fixed-rate loans, even if it has granted an interest-reset loan (FlexLån®).

When the Group assesses that there is a high credit risk, the credit granting process will be assigned to the central credit department. A high credit risk may arise for less financially strong customers (high PD), but it may also be due to expectations of a high LGD if the credit involves a property type that is difficult to sell and which may lose much of its value if it has to be sold in a forced sale. Very large loans must be granted by Realkredit Danmark's Executive Board or Board of Directors.

Realkredit Danmark applies customer classification models as a key tool in deciding when to grant the loan.

Depending on the customer's loan facility and customer type, customers are classified using rating models or statistical scoring models. The rating models typically rely on the customer's financial statements, industry information and an assessment of the company's situation in terms of management and competition. The rating is assessed in the central credit department by a rating specialist and a credit officer, before it is fixed. The customer's rating is translated into a PD.

The statistical scoring models rely on factors such as relevant sector information and payment records. The calculated PD is translated into a rating category.

The customer classification models break down customers into 11 rating categories, with category 1 being the most creditworthy.

Portfolio as at 31 Dec. 2010 broken down by customer type and rating category (DKK billions)

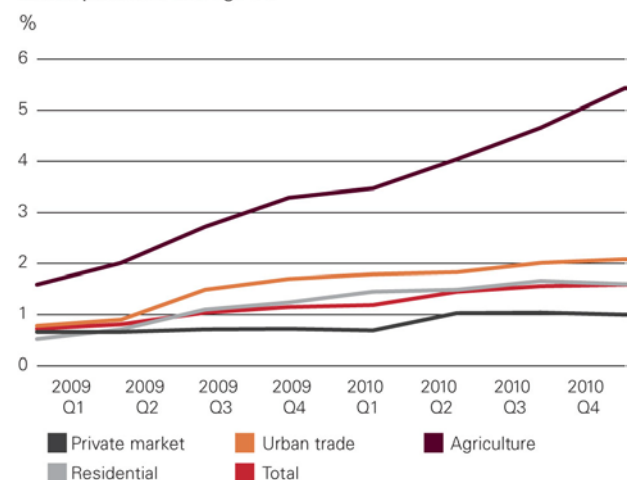
Rating category	Private	Corporate	Total
1	12	-	12
2	30	6	36
3	33	61	94
4	51	35	86
5	89	43	132
6	86	47	133
7	69	42	111
8	37	24	61
9	5	15	20
10	3	9	12
11	3	6	9
Total	418	288	706

Probability of Default (PD) %

Rating category	Low PD	High PD
1	0.00	0.01
2	0.01	0.03
3	0.03	0.06
4	0.06	0.14
5	0.14	0.31
6	0.31	0.63
7	0.63	1.90
8	1.90	7.98
9	7.98	25.70
10	25.70	99.99
11	100.00	100.00

The economic downturn was less pronounced in 2010 than in 2009, and that was discernible in the customer classifications. Customers were generally assigned a slightly better classification than they were a year ago, and this is also mirrored in the average PD, which fell throughout 2010, although it remains higher than in previous years.

Development in average PD



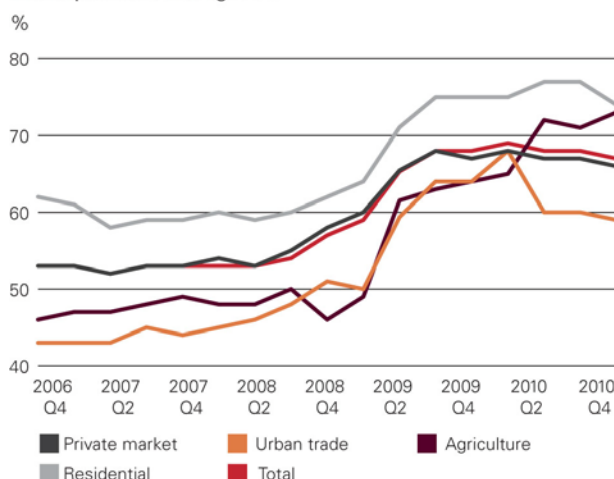
Note

Credit quality improved, resulting in falling PDs, and at the same time there was a positive impact from slightly falling LGD figures in 2010.

The lower LGD figures were primarily the result of slightly increasing property prices. Higher property prices mean higher proceeds to Realkredit Danmark if the Group needs to take over the property of a non-performing customer, irrespective of whether this is done voluntarily with the help of the customer or whether the process involves a forced sale at an auction. The higher proceeds – and a potentially shorter period between non-payment and forced sale – translate into lower LGD.

The slightly rising property prices are reflected directly in developments in the average property loan-to-value ratios (LTV), which declined in all property segments except agriculture. Overall, the average LTV [rose] from 68% at the beginning of 2010 to 67% at the end of the year.

Development in average LTV



The portfolio was still very secure. 84% of the portfolio was secured within 60% of the value of the property, and 64% was secured within 40% of the value.

Loan portfolio broken down by loan-to-value ratios at 31 Dec. 2010

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Private market	143	123	89	49	14	418
Urban trade	41	32	21	9	2	105
Agriculture	17	14	10	6	4	51
Residential	47	33	24	16	12	132
Weighted distribution	35%	29%	20%	11%	5%	100%
Total DKK billions	248	202	144	80	32	706

Portfolio broken down by loan to value and rating category

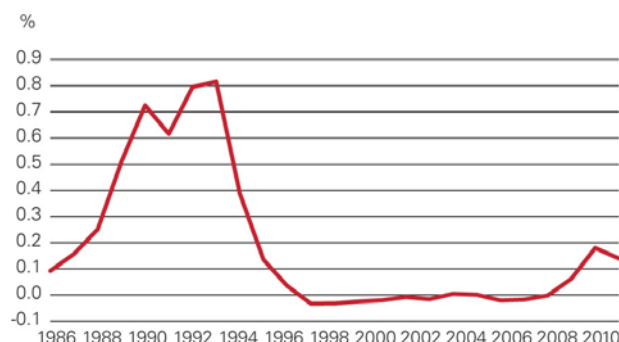
Rating category	Loan to Value					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	6	4	2	-	-	12
2	16	11	6	2	1	36
3	37	26	16	9	6	94
4	36	26	15	7	2	86
5	46	39	28	15	4	132
6	43	38	29	17	6	133
7	33	31	25	16	6	111
8	19	17	14	8	3	61
9	6	5	4	3	2	20
10	3	3	3	2	1	12
11	3	2	2	1	1	9
Total	248	202	144	80	32	706

As shown in the figure, only DKK 7 billion were loans with an LTV ratio higher than 80% granted to customers in one of the four lowest classifications. This equals 1.0% of the total portfolio.

The improved credit quality is also discernible in loan impairment charges for the year. In 2009, Realkredit Danmark experienced a sharp increase in losses and impairment charges, but the level declined during 2010. Losses and impairment charges for the year thus amounted to DKK 976 million, against DKK 1,267 million in 2009.

The losses were moderate in a historical context. Losses and impairment charges for the year thus only represented 0.14% of total mortgage lending, which was far from the levels of the early 1990s.

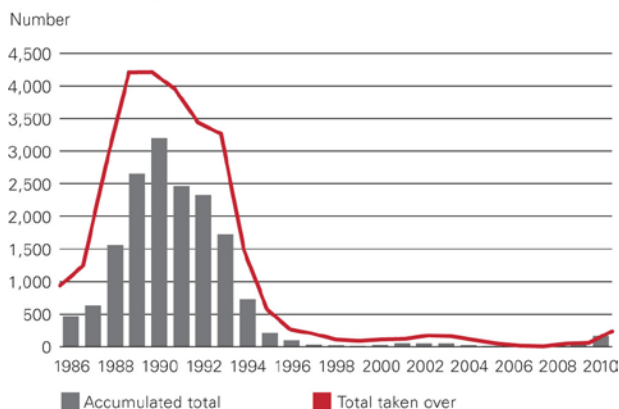
Historical Loss Given Default



Note

Similarly, the number of properties taken over by Realkredit Danmark in a forced sale remained at a historically low level. In 2010, Realkredit Danmark only took over 235 properties at a forced auction, against 4,213 in 1990. The portfolio of foreclosed properties at the end of 2010 was 164, against 3,200 foreclosures at the end of 1990.

Holding of mortgages taken over



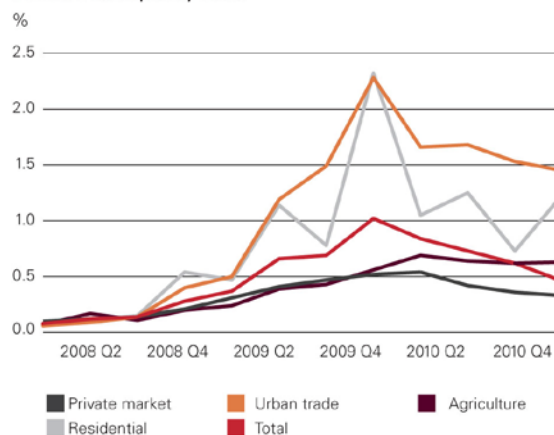
The losses in 2010 concerned both the private market and the corporate market. In the private market the losses were the natural result of the persistent economic downturn. In the corporate market, losses were incurred especially in the residential rental market and for cooperative housing societies.

In the private market, Realkredit Danmark was to a certain extent covered against losses, as Danske Bank provides a loss guarantee for loans arranged via the bank's branches. The guarantee covers the part of the loan which at the date of disbursement is in the 60-80 % property value range. Total lending of DKK 203 billion was partly covered by this loss guarantee at the end of 2010. The total guarantee amounted to DKK 45 billion.

In the autumn of 2009, corporate loans arranged via Danske Bank were also covered by a loss guarantee, covering the top of the loans. The loss guarantee continued in 2010. For urban trade and agriculture, the guarantee covers the part of the loan which at the date of disbursement is in the 40-60 % property value range, while the range for residential rental properties is 60-80% of the property value.

Arrears, calculated as the proportion of due payments unpaid 3½ months after the last due payment date, fell throughout 2010. Arrears concerning the September 2010 payment date stood at 0.63%, against 1.02% the year before.

3-month delinquency rates



Arrears	Loan portfolio DKK millions		Loan to value %		Arrears Sept. paym. in %	
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
Private market	417,301	416,784	66	67	0.33	0.52
Urban trade	105,328	95,507	59	64	1.45	2.28
Agriculture	51,171	50,377	73	64	0.46	0.56
Residential rental property	130,649	128,633	74	75	1.23	2.32
Total	704,449	691,301	67	68	0.63	1.02

Note

Market risk

Realkredit Danmark's Board of Directors defines the overall framework for interest rate, equity market and exchange rate risks in accordance with the limits laid down in the Danish Mortgage Credit Loans and Mortgage Credit Bonds, etc. Act. Realkredit Danmark calculates, monitors and reports on these risks on a regular basis. By complying with the statutory principle of balance, Realkredit Danmark eliminates interest rate, exchange rate and liquidity risks on most of its assets and liabilities.

Interest rate risk

The interest rate risk expresses the expected loss on fixed-income positions from a general increase in interest rates of 1 percentage point.

In accordance with Danish law, the difference between interest payments and instalments received on mortgage loans and payments made on issued bonds may not result in an interest rate risk exceeding 1% of Realkredit Danmark's capital base, that is, DKK 454 million. At the end of 2010, this interest rate risk amounted to DKK 21 million, against DKK 18 million the year before.

The interest rate risk on other assets and liabilities and on off-balance-sheet items, including in particular the proprietary investment portfolio, may not exceed 8% of the capital base, or DKK 3,634 million, in accordance with Danish law. At the end of 2010, the interest rate risk on these items amounted to DKK 514 million, against DKK 323 million the year before.

At the end of 2010, the total interest rate risk amounted to DKK 535 million, or 1.17% of the capital base. The year before, Realkredit Danmark's interest rate risk was DKK 341 million.

Liquidity risk

Realkredit Danmark regularly finances its lending activities by issuing bonds, which involves very limited liquidity risk.

Equity market risk

The equity market risk is calculated as the market value of the Realkredit Danmark Group's equity portfolios and holdings in subsidiary and group undertakings etc. Internal limits have been set for the overall equity market risk. At end-2010, the market value and hence the equity market risk amounted to DKK 208 million, against DKK 71 million the year before.

Exchange rate risk

Realkredit Danmark has only very small unhedged currency positions. The exchange rate risk is calculated in accordance with exchange rate indicator 2 of the Danish FSA and may, in accordance with legislation, not exceed 0.1% of the capital base, that is DKK 45 million. At the end of 2010, the exchange rate risk amounted to DKK 0 million, against DKK 1 million the year before.

Derivatives

Derivatives are employed for hedging purposes in relation to mortgage finance business and to hedge the interest rate risk on fixed-rate liabilities and are carried at fair value in the financial statements. In 2010, Realkredit Danmark only used forwards, futures and repo/reverse transactions to hedge risk. The market risk on these instruments is included in the risk calculations mentioned above.

Pension risk

The Group's pension risk is the Group's risk of pension shortfall in the Group's defined benefit plans, which means that it will have to make additional contributions to cover its pension obligations to current and former employees. The Group aims to reduce the pension risk of the defined benefit pension plans in the same way that it handles other risks in the Group. To achieve this goal, the Group matches pension obligations with assets similar mainly in terms of maturity and volatility. Note 25 to the financial statements specifies the Group's defined benefit pension plan.

Derivatives (DKK millions)	31 Dec. 2010			31 Dec. 2009		
	Nominal value	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value
Interest rate contracts						
Forward/futures bought	171,744	209	1	183,608	259	-
Forward/futures sold	59,277	61	85	87,309	136	35
Swaps	-	-	-	-	-	-
Currency contracts						
Forward/futures bought	1	-	-	92	-	-
Forward/futures sold	-	-	-	2,048	-	-
Interest rate and currency contracts held for trading purposes, total		270	86		395	35
Outstanding spot transactions						
Interest rate contracts bought	293	1	-	1,609	-	2
Interest rate contracts sold	3,103	1	1	1,445	1	7
Currency contracts bought	-	-	-	-	-	-
Total		2	1		1	9
Hedging derivatives	2,034	38	-	2,034	15	-

The calculation applies to the Realkredit Danmark Group and Realkredit Danmark A/S.

Developments in Realkredit Danmark A/S' lending activities in Denmark in the second half of 2010

In May 2009, Realkredit Danmark raised subordinated loan capital in the form of hybrid capital of DKK 2 billion from the Danish state. Under Danish law, an institution that raises state-funded capital must publish semi-annual statements on developments in their Danish lending activities.

Realkredit Danmark grants loans against mortgages on all types of real property on the basis of the property value and an assessment of the borrower's ability and intention to repay the loan. In compliance with applicable law, mortgaged properties are valued at current market value with due consideration to price forecasts. Only in the event of default and the other causes for termination as stipulated in the mortgage document can Realkredit Danmark terminate a loan for repayment.

Realkredit Danmark provides loans up to statutory limits. However, as a general rule, Realkredit Danmark only provides loans to urban commercial and agricultural properties up to 60% of the valuation.

Retail customers must be able to demonstrate their ability to pay by documenting income sufficient to provide a reasonable amount available for consumption after deduction of loan payments. The calculations are based on a 30-year fixed-rate annuity loan. For loans for new houses, all customers must generally have sold their previous home, unless the customer can substantiate his ability to pay at a sale significantly below the offer price and with a long period of time on the market.

Corporate customers must demonstrate ability to pay by documenting sufficient positive cash flows from operations. With respect to loans for property types prone to large losses, Realkredit Danmark's requirements to customer creditworthiness are stricter. Such property types include properties with limited alternative uses and properties used by customers in weak or cyclical industries. The credit assessment focuses on customer liquidity, including the risk of vacancy.

Realkredit Danmark charges an administration margin as a percentage of the debt outstanding. In the private market, this margin is based on the ranking of the collateral, while the customer's creditworthiness is the key parameter in the corporate market.

In the second half of 2010, Realkredit Danmark did not make any significant changes to its lending policy in the corporate market, neither in its guidelines for credit assessments or in prices and conditions.

In the private market, Realkredit Danmark abolished the priority customer concept in the second half of 2010, under which customers who had made timely payments over the past two years could obtain loans without submitting documentation of their current financial condition provided that they received advisory services from Realkredit Danmark in compliance with the rules of the executive order on good business practice for financial undertakings. The abolishment was made due to the implementation of the Consumer Credit Directive in the Danish Credit Agreements Act.

Retail customer demand for credit, measured in terms of the loan amount applied for, rose 5% in the second half of 2010. For existing customers, demand for credit, including remortgaging, climbed 15%. The average loan amount sought rose in the second half of 2010. For new customers, demand for credit also rose in the second half-year. The number of approved applications was up 14% in the second half-year. For existing customers, the share of approved applications was unchanged 97%. The share of approved applications for new customers fell in the second half of 2010.

Danish corporate customer demand for credit rose 22% in the second half of 2010 relative to the first half of 2010. For existing customers, the increase in credit demand increased 20%. For new customers, demand for credit also rose, and there was an increase in the number of loan applications. The share of approved applications from existing customers increased from the first half of 2010, and amounted to 89% in the second half of 2010. The share of approved applications for new customers also rose in the second half of 2010. The table on the next page breaks down loans etc. on customer segments.

The table shows the development in loans and advances, irrevocable loan commitments and guarantees before impairment charges for customers of Realkredit Danmark A/S secured on properties situated in Denmark. There was a small increase in exposure to corporate customers in the second half of 2010, while the exposure to retail customers fell by DKK 1.4 billion.

Note

Development in loans and advances, irrevocable loan commitments and guarantees for customers of Realkredit Danmark A/S secured on properties situated in Denmark

	31 Dec. 2010		30 Jun. 2010	
(DKK millions)	New customers	Existing customers	Total	Total
Corporate customers				
Commercial property	2,644	99,887	102,531	101,714
Agriculture	413	50,064	50,477	50,674
Other	2,193	128,739	130,932	131,388
Total corporate customers	5,250	278,690	283,940	283,776
Retail customers				
Mortgages	12,062	403,059	415,121	416,493
Total	17,312	681,749	699,061	700,269

New customers are customers to whom Realkredit Danmark has not granted loans within the past 12 months.

In compliance with the statutory requirements, this statement on lending developments is available as a separate document at www.rd.dk/Omrđ.

Notes

Realkredit Danmark Group

(DKK millions)	2010	2009	2008	2007	2006
HIGHLIGHTS					
Net interest and fee income	4,440	5,333	4,424	4,225	3,414
Value adjustments	-446	287	607	235	545
Staff costs and administrative expenses	892	978	1,003	1,184	1,162
Loan impairment charges	976	1,267	422	-10	-105
Income from associated undertakings	5	-4	2	10	-
Net profit for the year	1,721	2,594	2,810	2,592	2,356
Loans	705,342	692,095	670,362	628,142	603,020
Shareholders' equity	42,883	41,162	38,568	35,758	33,166
Total assets	757,621	746,343	710,922	694,203	663,277
RATIOS AND KEY FIGURES					
Total capital ratio (%)	39.4	44.6	56.6	10.5	10.2
Tier 1 capital ratio (%)	38.8	44.2	56.5	10.5	10.2
Return on equity before tax (%)	5.5	8.7	10.1	10.0	10.1
Return on equity after tax (%)	4.1	6.5	7.6	7.5	7.4
Cost/core income ratio DKK	2.22	2.54	3.62	3.91	4.02
Foreign exchange position (%)	0.7	2.4	4.2	1.9	1.8
Gearing of loans	16.4	16.9	17.4	17.6	18.4
Growth in lending for the year (%)	1.6	1.4	5.4	6.4	8.1
Impairment ratio for the year (%)	0.1	0.2	0.1	0.0	0.0

Realkredit Danmark A/S

HIGHLIGHTS					
Net interest and fee income	4,437	5,329	4,413	4,214	3,407
Value adjustments	-446	287	607	235	549
Staff costs and administrative expenses	778	1,008	820	1,089	1,163
Loan impairment charges	974	1,265	417	-10	-105
Income from associated and group undertakings	15	-13	15	47	45
Net profit for the year	1,727	2,492	2,853	2,572	2,254
Loans	705,288	692,040	670,320	628,103	602,987
Shareholders' equity	42,748	41,020	38,528	35,685	33,107
Total assets	757,438	746,170	710,871	694,116	663,201
RATIOS AND KEY FIGURES					
Total capital ratio (%)	39.4	44.5	56.8	10.5	10.2
Tier 1 capital ratio (%)	38.8	44.2	56.7	10.5	10.2
Return on equity before tax (%)	5.5	8.4	10.3	9.9	9.6
Return on equity after tax (%)	4.1	6.3	7.7	7.5	7.1
Cost/core income ratio DKK	2.31	2.46	4.07	4.14	3.88
Foreign exchange position (%)	0.7	2.4	4.2	1.9	1.8
Gearing of loans	16.5	16.9	17.4	17.6	18.4
Growth in lending for the year (%)	1.6	1.4	5.4	6.4	8.1
Impairment ratio for the year (%)	0.1	0.2	0.1	0.0	0.0

The ratios are defined in the Danish FSA's executive order on financial reports of credit institutions, investments companies, etc. As of 2008, the total capital and tier 1 capital ratios are calculated in accordance with the CRD.

Notes

Note				
	Share capital (thousands)	Net profit (DKK millions)	Shareholders' equity (DKK millions)	Holding of share capital (%)
Group holdings and undertakings				
Realkredit Danmark A/S, Kgs. Lyngby	DKK 630,000	1,727	42,748	
Subsidiaries				
Real-estate agency business				
home a/s, Aarhus	DKK 15,000	11	200	100
Associated undertakings				
Property information				
e-nettet Holding A/S, Copenhagen (financial year 1 January - 31 December)	DKK 11,000	-14	62	22
Further information on e-nettet Holding A/S:				
Total assets DKK 205 million				
Total liabilities DKK 143 million				
Total income DKK 18 million				

The information published is extracted from the most recent annual report of the companies.

Notes – Series accounts

Pursuant to the executive order on the presentation of series accounts by mortgage credit institutions, Realkredit Danmark A/S' financial statements are broken down by the individual underlying mortgage credit associations as follows:

Note	(DKK millions)	Jydsk Grundejer- Kredit- forening	Ny jydsk Kjøbstad- Kredit- forening	Ny Jysk Grundejer- Kredit- forening	Østifternes Kredit- forening	Grund- ejernes Hypotek- forening	Husmands- hypotek- foreningen for Danmark
Income statement							
	Income from lending	1.6	1.3	0.0	3.4	0.0	0.0
1	Net interest income etc.	2.1	1.7	5.6	6.0	0.0	0.0
1	Administrative expenses etc.	4.4	5.9	0.0	15.1	0.0	0.0
	Loan impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
	Tax	-0.2	-0.7	1.4	-1.4	0.0	0.0
2	Net profit for the year	-0.5	-2.2	4.2	-4.3	0.0	0.0
Balance sheet - assets							
	Mortgage loans etc.	516.9	301.0	0.2	1,107.0	0.0	0.0
	Other assets	96.5	77.5	210.9	303.9	1.4	0.0
	Total assets	613.4	378.5	211.1	1,410.9	1.4	0.0
Balance sheet - liabilities and equity							
3	Issued bonds	535.6	318.7	0.8	1,188.1	1.4	0.0
	Other liabilities	6.8	4.2	2.4	15.7	0.0	0.0
4	Shareholders' equity	71.0	55.6	207.9	207.1	0.0	0.0
5	Total liabilities and equity	613.4	378.5	211.1	1,410.9	1.4	0.0
Note	(DKK millions)	Provins- hypotek- foreningen for Danmark	Series not subject to a reimburse- obligation	Danske Kredit	Mortgage- covered bonds	Other reserves	Total
Income statement							
	Income from lending	0.1	66.9	10.6	2,225.6	1,149.2	3,458.7
1	Net interest income etc.	0.1	12.8	2.2	623.8	567.4	1,221.7
1	Administrative expenses etc.	0.4	43.3	12.4	716.5	599.2	1,397.2
	Loan impairment charges	0.0	-15.5	9.7	664.7	315.0	973.9
	Tax	0.0	12.9	-2.3	367.0	193.6	570.3
2	Net profit for the year	-0.2	39.0	-7.0	1,101.2	608.8	1,739.0
Balance sheet - assets							
	Mortgage loans etc.	2.6	22,536.0	1,612.3	456,777.6	222,194.3	705,047.9
	Other assets	4.0	2,265.6	277.5	288,929.5	35,327.4	327,494.2
	Total assets	6.6	24,801.6	1,889.8	745,707.1	257,521.7	1,032,542.1
Balance sheet - liabilities and equity							
3	Issued bonds	4.3	24,015.2	1,768.9	689,070.1	242,324.1	959,227.2
	Other liabilities	0.1	318.4	21.0	26,360.8	3,631.7	30,361.1
4	Shareholders' equity	2.2	468.0	99.9	30,276.2	11,565.9	42,953.8
5	Total liabilities and equity	6.6	24,801.6	1,889.8	745,707.1	257,521.7	1,032,542.1

Notes – Series accounts

Note	DKK millions	
1	Pursuant to section 3(1) and (2) of the executive order on the presentation of series accounts by mortgage credit institutions, a share of net interest etc. equivalent to the ratio of the individual series reserve fund to other series reserve funds has been allocated to each series. Pursuant to section 3(3) of the executive order on the presentation of series accounts by mortgage credit Institutions, the Danish FSA has approved the allocation of administrative expenses etc. to individual associations using a distribution scale by which the number of loans in the association is weighted at 3, and the principal of the loans is weighted at 1. The same distribution scale is used for allocation to individual series and series reserve funds, however, allocation to pre-1972 series is made in accordance with the statutes etc. of the associations in question.	2010
2	Net profit for the year, series accounts	
	Net profit for the year, Realkredit Danmark A/S's financial statements	1,726.9
	Transferred to other reserves etc.	11.7
	Revaluation of properties directly in shareholders' equity	0.4
	Net profit for the year, series accounts	1,739.0
3	Issued bonds, series accounts	
	Issued bonds, Realkredit Danmark A/S's financial statements	671,644.0
	Own mortgage bonds, not offset in the series accounts	268,276.3
	Accrued interest, own bonds	19,306.9
	Issued bonds, series accounts	959,227.2
4	Shareholders' equity, series accounts	
	Shareholders' equity, Realkredit Danmark A/S's financial statements	42,747.9
	Reserves in pre-1972 series subject to a reimbursement obligation	206.0
	Shareholders' equity, series accounts	42,953.9
5	Total assets, series accounts	
	Total assets, Realkredit Danmark A/S's financial statements	757,438.4
	Own mortgage bonds, not offset in the series accounts	268,276.3
	Accrued interest, own bonds	6,827.4
	Total assets, series accounts	1,032,542.1
6	Transfers to and from reserves subject to a reimbursement obligation	
	In 2010, the following net transfers of funds to and from the reserves were made between individual associations and other reserves.	
	Transferred from and to shareholders' equity:	
	Series not subject to a reimbursement obligation	14,595.0
	Danske Kredit	39.4
	Other reserves	-14,634.4
	Total	0.0

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved the annual report of Realkredit Danmark A/S for the financial year 2010.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with Danish disclosure requirements for issuers of listed bonds.

In our opinion, the consolidated financial statements and the Parent Company's 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 31 December 2010 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year starting on 1 January and ending on 31 December 2010. 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.

The management will submit the annual report to the general meeting for approval.

Kgs. Lyngby, 10 February 2011

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Jens-Erik Corvinus
Member of the Executive Board

Board of Directors

Tonny Thierry Andersen
Chairman

Sven Lystbæk
Vice Chairman

Henrik Normann

Per Skovhus

Max Jeppesen

Klaus Pedersen

Auditors' reports

Internal Audit's report

We have audited the annual report of Realkredit Danmark A/S for the financial year 2010. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with Danish disclosure requirements for annual reports of issuers of listed bonds.

Basis of opinion

We conducted our audit in accordance with the executive order of the Danish Financial Supervisory Authority on auditing financial businesses and financial groups and in accordance with Danish Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement. The audit comprised all significant areas and risk areas and was conducted in accordance with the division of responsibilities agreed with the external auditors, enabling the external auditors to the widest possible extent to base their audit on the work performed by Internal Audit.

We planned and conducted our audit such that we have assessed the business and internal control procedures, including the risk and capital management implemented by the management aimed at the Group's and the Parent Company's reporting processes and major business risks.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, shareholders' equity and financial position at 31 December 2010 and of the results of the Group's operations and cash flows for the financial year 2010 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with Danish disclosure requirements for issuers of listed bonds. Furthermore, in our opinion, the Parent Company's financial statements give a true and fair view of the Parent Company's assets, liabilities and financial position at 31 December 2010 and of the results of the Parent Company's operations for the financial year 2010 in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for issuers of listed bonds.

Moreover, in our opinion, the management's report gives a fair review in accordance with Danish disclosure requirements for issuers of listed bonds.

Furthermore, we believe that the business and internal control procedures, including the risk and capital management implemented by the management, aimed at the Group's and the Parent Company's reporting processes and major business risks operate effectively.

Copenhagen, 10 February 2011

Jens Peter Thomassen
Group Chief Auditor

Jesper Siddique Olsen
First Vice President

Auditors' reports

Independent auditors' report

To the shareholders of Realkredit Danmark A/S

We have audited the consolidated financial statements and the Parent Company's financial statements of Realkredit Danmark A/S for the financial year 2010, pp. 14-54. The consolidated financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital, cash flow statement and notes. The Parent Company's financial statements comprise income statement, balance sheet, statement of capital and notes. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company's financial statements have been prepared in accordance with Danish disclosure requirements for issuers of listed bonds. In addition to our audit, we have read the management's report prepared in accordance with Danish disclosure requirements for issuers of listed bonds and issued a statement in this regard.

Management's responsibility

Management is responsible for preparing and presenting consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements and in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements and Parent Company's financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a management's report that gives a fair review in accordance with Danish disclosure requirements for issuers of listed bonds.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company's financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company's financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the consolidated financial statements and the Parent Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Parent Company's financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, shareholders' equity and financial position at 31 December 2010 and of the results of the Group's operations and cash flows for the financial year 2010 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with additional Danish disclosure requirements for issuers of listed bonds. Furthermore, in our opinion, the Parent Company's financial statements give a true and fair view of the Parent Company's assets, liabilities and financial position at 31 December 2010 and of the results of the Parent Company's operations for the financial year 2010 in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for issuers of listed bonds.

Statement on the management's review

Pursuant to the Danish Financial Business Act, we have read the management's report. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the Parent Company's financial statements. On this basis, it is our opinion that the information given in the management's report is consistent with the consolidated financial statements and the Parent Company's financial statements.

Copenhagen, 10 February 2011

KPMG
Statsautoriseret Revisionspartnerselskab

Per Gunslev Lars Rhod Søndergaard
State Authorised Public Accountants

Grant Thornton
Statsautoriseret Revisionsaktieselskab

Ole Fabricius Christian F. Jakobsen
State Authorised Public Accountants

Directorships

Under section 80(8) of the Danish Financial Business Act, financial institutions are required to publish information at least once a year about directorships held with the approval of the Board of Directors by persons employed by the Board (section 80(1) of the Act).

This page also lists directorships held by members of the Board of Directors outside the Realkredit Danmark Group. Information on board members who are members of the management of Danske Bank A/S includes the number of directorships in other wholly-owned subsidiaries of Danske Bank.

Board of Directors

Tonny Thierry Andersen, Chairman

Member of the Executive Board of Danske Bank A/S

Born on 30 September 1964

Joined the Board of Directors on 22 April 2004

Director of:

Three wholly-owned subsidiaries of Danske Bank A/S

Sven Lystbæk, Vice Chairman

Deputy Chairman

Born on 26 September 1951

Joined the Board of Directors on 12 December 2000

Director of:

Danske Bank International S.A.

Forsikringsselskabet Danica, Skadesforsikringsaktieselskab af 1999 and a subsidiary (Vice Chairman)

Nothern Bank Limited

Bankernes Kontantservice A/S (Chairman)

Kreditforeningen Danmarks Pensionsafviklingskasse

Multidata Holding A/S and a subsidiary (Chairman)

Nets Holding A/S

VP Securities A/S (Charman)

VISA Europe Limited

Henrik Normann

Member of the Executive Committee of Danske Bank A/S

Born on 26 March 1953

Joined the Board of Directors on 3 March 2008

Director of:

Danske Private Equity A/S (Chairman)

Kreditforeningen Danmarks Pensionsafviklingskasse (Chairman)

Multidata Holding A/S and a subsidiary

Ejendomsselskabet Boels Gård

OMX Nordic Exchange Group Oy

Max Jeppesen (elected by the employees)

Credit Adviser, Realkredit Danmark A/S

Born on 13 July 1946

Joined the Board of Directors on 1 December 2007

Klaus Pedersen (elected by the employees)

Corporate Adviser, Realkredit Danmark A/S

Born on 30 January 30, 1947

Joined the Board of Directors on 14 March 2005

Director of:

Kreditforeningen Danmarks Pensionsafviklingskasse

Per Skovhus

Member of the Executive Board of Danske Bank A/S

Born on 17 September 1959

Joined the Board of Directors on 22 April 2004

Director of:

Three-wholly-owned subsidiaries of Danske Bank A/S

Danmarks Skibskredit A/S (Chairman)

Executive Board

Carsten Nøddebo Rasmussen

Chairman of the Executive Board

Born on 15 August 1964

Joined the Executive Board on 1 December 2006

Director of:

e-nettet Holding A/S (Vice Chairman)

e-nettet (Vice Chairman)

home a/s (Chairman)

Kreditforeningen Danmarks Pensions & Afviklingskasse

Danish Mortgage Banks' Federation (Chairman)

The Popular Educational Association, Kgs. Lyngby

(Chairman)

Jens-Erik Corvinus

Member of the Executive Board

Born on 15 July 1950

Joined the Executive Board on 1 June 2009

Director of:

home a/s (Vice Chairman)

Danish Mortgage Banks' Federation

Supplementary information

Financial calendar

- Annual general meeting:
8 March 2011
- Interim Report – First Quarter 2011:
10 May 2011
- Interim Report – First Half 2011:
9 August 2011
- Interim Report – First Nine Months 2011:
1 November 2011

Contact

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

Useful links

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