

Annual Report 2012



REALKREDIT
Danmark

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5 year financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE YEAR

(DKK millions)	2012	2011	2010	2009	2008
Administration margin	4,724	3,564	3,423	3,200	2,954
Net interest income	489	660	614	1,718	1,963
Net fee income	-469	-488	-501	-415	-431
Income from investment portfolios	608	650	463	1,113	547
Other income	111	105	168	102	149
Total income	5,463	4,491	4,167	5,718	5,182
Expenses	891	934	897	984	1,010
Profit before loan impairment charges	4,572	3,557	3,270	4,734	4,172
Loan impairment charges	1,319	1,057	976	1,267	422
Profit before tax	3,253	2,500	2,294	3,467	3,750
Tax	814	626	573	873	940
Net profit for the year	2,439	1,874	1,721	2,594	2,810

BALANCE SHEET (AT 31 DECEMBER)

(DKK millions)	2012	2011	2010	2009	2008
Due from credit institutions etc.	18,727	32,556	28,889	48,966	25,069
Mortgage loans	735,494	723,754	704,449	691,301	669,891
Bonds and shares	35,966	17,300	21,688	3,332	13,062
Other assets	4,017	2,950	2,595	2,744	2,900
Total assets	794,204	776,560	757,621	746,343	710,922
Due to credit institutions etc.	10,079	20,668	27,408	26,855	8,111
Issued mortgage bonds	701,373	695,080	671,644	660,685	647,731
Issued senior debt	21,687	-	-	-	-
Other liabilities	14,655	14,010	13,625	15,604	16,512
Subordinated debt	-	2,045	2,061	2,037	-
Shareholders' equity	46,410	44,757	42,883	41,162	38,568
Total liabilities and equity	794,204	776,560	757,621	746,343	710,922

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareholders' equity	5.4	4.3	4.1	6.5	7.6
Cost/income ratio (%)	16.3	20.8	21.5	17.2	19.5
Total capital ratio (%)	34.3	35.8	39.4	44.6	56.6
Tier 1 capital ratio (%)	33.7	35.4	38.8	44.2	56.5
Full-time-equivalent staff, end of year	250	303	320	300	520

Financial review

Overview

- In 2012, the Realkredit Danmark Group recorded a net profit of DKK 2,439 million, against DKK 1,874 million the year before. The profit for 2012 was favourably impacted by changes to the price structure. The profit was satisfactory.
- Loan impairment charges rose to DKK 1,319 million from DKK 1,057 million in 2011 due to rising charges against business loans.
- Customers with loans representing a total of DKK 13 billion switched from annual refinancing to refinancing every three to five years in 2012.
- Realkredit Danmark's market share of personal lending rose in the second half of 2012.
- In 2012, Realkredit Danmark started to offer loans to large business customers in Norway.
- Realkredit Danmark expects a higher profit in 2013 than in 2012 as changes to the price structure will have full effect.

Results

In 2012, the Realkredit Danmark Group recorded a net profit of DKK 2,439 million, against DKK 1,874 million the year before. The profit was 30% higher than in 2011 and in line with expectations.

The administration margin rose DKK 1,160 million as a result of higher margins on both personal and business loans.

Income from the investment portfolio fell to DKK 608 million from DKK 650 million in 2011, especially due to lower returns on bonds. The fall in income from the investment portfolio was reduced by the increase in refinancing margins, which amounted to DKK 336 million in 2012, against DKK 80 million in 2011.

Total income rose 22% relative to 2011.

Expenses were down DKK 43 million to DKK 891 million, mainly because of lower costs relating to IT systems operation and development.

In the third quarter of 2012, a number of administrative functions, representing 50 FTEs, were transferred to Danske Bank.

Loan impairment charges amounted to DKK 1,319 million, against DKK 1,057 million in 2011. The charges equalled 0.18% of total mortgage lending, against 0.15% at the end of 2011. Of total impairment charges, 33% related to personal customer loans, while 67% related to business loans.

Delinquencies as a percentage of mortgage payments remained unchanged over the course of 2012. The 3½-month delinquency rate stood at 0.49 at the end of 2012, against 0.46 at end-2011.

The tax charge totalled DKK 814 million, corresponding to an effective tax rate of 25%.

Balance sheet

Gross lending amounted to DKK 138 billion, against DKK 80 billion in 2011. Mortgage lending at fair value rose DKK 12 billion to DKK 735 billion primarily because of net new lending. During the same period, the nominal outstanding bond debt rose DKK 8 billion to DKK 716 billion at the end of 2012.

The loan-to-value (LTV) ratio stood at 72% at the end of 2012.

In 2012, Realkredit Danmark had 198 foreclosures and sold 203 properties. In 2011, the Group had 217 foreclosures and sold 220 properties. The number of foreclosures at the end of the year was 156, against 161 at end-2011. The value of the foreclosures was DKK 265 million at 31 December 2012, against DKK 317 million at end-2011.

Issued mortgage bonds rose DKK 6 billion to DKK 701 billion. The nominal value of issued bonds rose DKK 3 billion to DKK 681 billion. The amounts are exclusive of holdings of own bonds.

Realkredit Danmark is subject to the specific principle of balance and therefore has very limited exposure to market risks. At the end of 2012, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKK 499 million and DKK 1 million, respectively.

Capital and solvency

At the end of 2012, shareholders' equity stood at DKK 46.4 billion, against DKK 44.8 billion at end-2011. The increase in equity equalled the profit for the year less dividends paid for 2011 of DKK 0.8 billion. The Board is recommending that dividends of DKK 2.0 billion be paid for 2012.

The Group's capital base amounted to DKK 45.1 billion, and the total capital ratio calculated in accordance with the Capital Requirements Directive (CRD) was 34.3%. At 31 December 2011, the corresponding figures were DKK 46.4

billion and 35.8%, respectively. Realkredit Danmark repaid the state hybrid capital of DKK 2 billion in the second quarter of 2012.

Because of stricter overcollateralisation requirements and optimisation of the capital structure, Realkredit Danmark issued senior debt for DKK 21.5 billion nominally in 2012.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. Risk-weighted assets (RWA) amounted to DKK 131.5 billion at 31 December 2012, against DKK 129.5 billion at end-2011.

Calculated on the basis of the transitional rules of the CRD, the solvency need for 2012 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 26.0 billion or a solvency need ratio of 19.7%. The Group has a capital base of DKK 45.1 billion, equal to a capital buffer of DKK 19.1 billion.

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

Realkredit Danmark issues mortgage-covered bonds, and under Danish law it must provide supplementary collateral to the bondholders when the LTV ratio exceeds the predefined limits, which are 80% for residential property and 60% for commercial property. At the end of 2012, Realkredit Danmark had issued mortgage-covered bonds for DKK 624 billion, against DKK 525 billion at the end of 2011.

At the end of 2012, the requirement for supplementary collateral for mortgage-covered bonds was DKK 43.9 billion. At the end of 2011, the requirement was DKK 34.5 billion.

Fourth quarter 2012

The Realkredit Danmark Group recorded a pre-tax profit of DKK 1,143 million in the fourth quarter of 2012, against DKK 614 million in the third quarter. The higher pre-tax profit was attributable primarily to the DKK 313 million refinancing income in the fourth quarter. The administration margin rose DKK 160 million because of the rise in administration margins that took effect on 1 October 2012. Loan impairment charges amounted to DKK 297 million in the fourth quarter, against DKK 364 million in the third quarter.

Outlook for 2013

Realkredit Danmark expects the weak growth in the Danish economy to continue in 2013. The limited growth will most likely lead to higher unemployment, while interest rates will remain at a low level, stabilising the property market.

Stricter requirements for supplementary collateral necessitated price increases during 2012. Owing to the full-year effect, the higher administration margins alone are expected to lift Realkredit Danmark's earnings in 2013. On the other hand, higher funding costs and a lower return on the proprietary portfolio caused by lower interest rates will contribute to reducing income in 2013.

Effective cost control achieved by means of general process improvements and other initiatives will curb the increase in expenses also in 2013.

The level of loan impairment charges is expected to be the same as in 2012.

Overall, Realkredit Danmark therefore expects to achieve a somewhat higher profit in 2013 than it did in 2012.

Property market

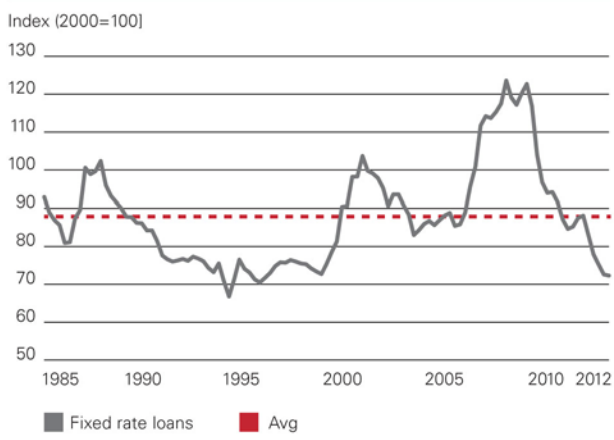
Sluggish growth in the Danish economy in 2012

The Danish economy was marked by very little growth in 2012. Danish businesses were reluctant to make investments due to continuing concerns about the duration of the general financial crisis and the eurozone debt crisis. Danish consumers were also reluctant to spend money, owing especially to uncertainty about the impact of weaker economic activity on unemployment levels. The disbursement of more than DKK 25 billion in early retirement benefits failed to produce the expected increase in consumer spending.

Housing market stabilisation

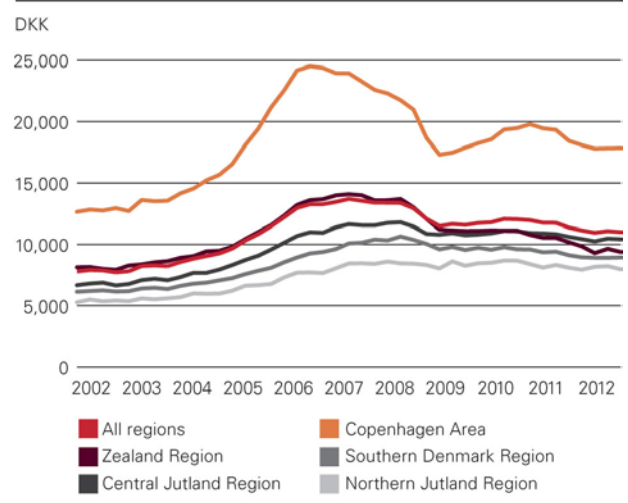
The number of foreclosures remained stable and on a par with the figures recorded in both 2010 and 2011. Moreover, arrears have declined marginally over the past couple of years. All-time low mortgage rates helped to consolidate home owner finances. The sharp fall in house prices in the second half of 2011 was thus replaced by more stable prices throughout 2012. The housing burden – calculated as house buyers' expenses for mortgage financing and real-estate taxes relative to their income – remained at a very low level in 2012. In other words, it is now easier for first-time buyers to access the housing market than it has been for many years. The housing market stabilisation remains fragile, but the trend is expected to continue into 2013, provided that interest rates remain low and employment levels do not fall.

Housing burden - housing expenses compared to available income Denmark



House prices stabilised in most parts of Denmark. However, housing demand in the large urban areas is somewhat stronger than in other areas, although price developments have been more steady in recent quarters than they have been for many years. Prices of owner-occupied flats have developed slightly more favourably than prices of single-family houses.

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



Activity in the housing market has improved slightly since the summer of 2011, but the number of homes sold remains moderate in a longer perspective. During the same period, the total number of homes on the market fell from about 70,000 homes to about 60,000 today, but the lower supply cannot be explained only by the increase in activity. Rather, the decline is to a greater extent caused by a lower number of homes being put up for sale and sellers leaving the housing market. Other things being equal, the lower supply of homes for sale supports house prices.

Commercial property market

In the commercial property market, the trends from 2011 continued into 2012 with investor interest focusing especially on prime-location properties with good rental prospects that will provide stable earnings. Foreign players also retained their interest in Danish properties. On the other hand, demand remained sluggish for properties in secondary locations with less attractive rental prospects.

Lending and distribution

Marketing

Since 2010, Realkredit Danmark has marketed its products and services on the basis of its customer promise: "Remove your doubts". Using this marketing concept and customer promise, Realkredit Danmark has gained a more powerful presence and a better image.

Realkredit Danmark's marketing activities in 2012 emphasised the possibility of raising both 3% and 3.5% mortgage loans and getting 360-degree advisory services ahead of the autumn interest resetting. The autumn campaign in particular was highly successful, contributing to retaining existing customers as well as attracting new ones.

Market shares

Realkredit Danmark increased its share of the market for loans to personal customers in the second half of 2012, while it recorded a stable trend for business loans.

New products

Following extensive criticism of the fixing of the Cibar rate in 2012, the sector and the authorities agreed to develop an alternative to Cibar-based products. In 2013, Realkredit Danmark will therefore present a new product based on the Cita rate.

In January 2012, Realkredit Danmark opened fixed-rate 30-year callable bond series with a coupon of 3.5%. By May, long-term interest rates had dropped so much that Realkredit Danmark also opened 30-year bond series with a coupon of 3%.

New geographical market

Realkredit Danmark expanded its geographical business area in 2012 to include Norway, where the Group granted mortgage loans to specially selected business customers. These customers all have a good rating, and the loans were granted against mortgages on real property located in major cities. In 2013, Realkredit Danmark expects to offer new loans to the same type of customers in both Norway and in Sweden.

Distribution channels

Realkredit Danmark offers its customers a wide range of property finance products. Customers may opt for personal service or use online and self-service solutions provided at the www.rd.dk and www.danskebank.dk websites. The www.rd.dk website includes a tool that allows personal and

business customers to make calculations for loan and financing options when remortgaging or obtaining new loans.

Realkredit Danmark offers services through a number of distribution channels:

- The Internet (www.rd.dk and www.danskebank.dk)
- Home Direct
- Danske Bank's branch network
- Realkredit Danmark Personal Centres
- Large Corporates at Realkredit Danmark
- Danske Bank's finance centres and agricultural centres
- Realkredit Business Direct
- The real-estate agency chain "home"
- Other cooperation partners

Danske Bank serves Realkredit Danmark's personal customers through the Home Direct, Danske Bank branch network and Realkredit Danmark Personal Centres distribution channels.

Customers are served by skilled home advisers or employees with mortgage finance expertise. Home Direct serves customers over the telephone during extended opening hours. Customers preferring personal contact are served at Danske Bank branches or at Realkredit Danmark's Personal Centres. The launch of a new customer programme by Danske Bank will lead to better deals and services for personal customers who pool their banking and mortgage business with the Danske Bank Group.

The largest of Realkredit Danmark's business customers and all customers in the subsidised housing sector are served by Realkredit Danmark's Corporate & Institutional Mortgage Finance unit. Furthermore, business customers are served through Danske Bank's finance centres and agricultural centres, and customers are also offered advice over the telephone through Realkredit Business Direct. All units have relationship managers and business advisers with mortgage finance expertise.

"home" is wholly-owned by Realkredit Danmark and is the Danish real-estate agency chain of the Danske Bank Group. Sales of owner-occupied dwellings constitute the main business area of "home", and loans provided via "home" are most often used for changes of ownership. Furthermore, "home" operates a business estate-agency chain, "home Business", which specialises in the corporate market.

Total lending

In the spring of 2012, the historically low long-term bond yields resulted in the opening of 30-year bond series with coupons of initially 3.5% and later 3%. This led to remortgaging of fixed-rate loans, and in spite of low turnover in the housing market, gross lending rose to DKK 138 billion in 2012, from DKK 80 billion in 2011.

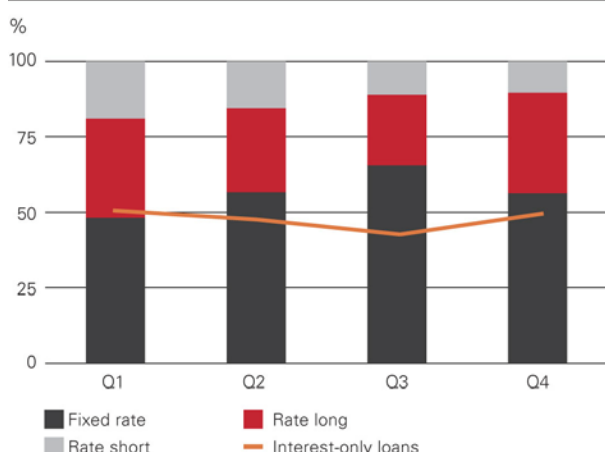
Interest-only loans accounted for 38% of the aggregate portfolio of loans at the end of 2012, against 39% at end-2011. Of gross lending in 2012, interest-only loans accounted for 33%, against 45% in 2011.

Net new lending was up from DKK 17 billion in 2011 to DKK 19 billion in 2012.

Personal customer market

Refinancing activity from fixed-rate loans was at a considerably higher level than in 2011. A growing proportion of Realkredit Danmark's customers opted for fixed-rate loans or loans with longer periods between refinancing. Furthermore, customers holding 1-year FlexLån® for a total of approximately DKK 13 billion chose to lock in their mortgage rate for the next three or five years by changing the repayment profile of their FlexLån®. In addition, there was a sharp fall in the number of customers opting for interest-only loans throughout 2012.

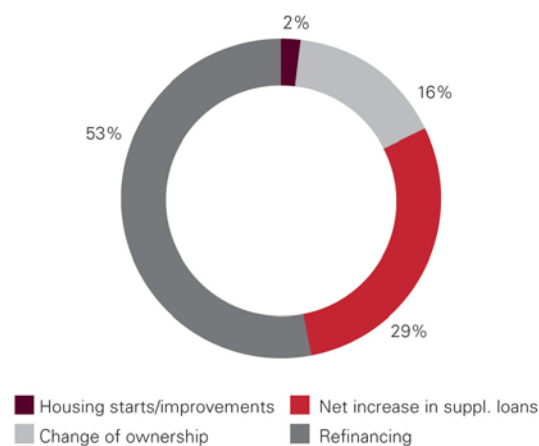
Private market: Gross Lending - loan types in 2012



More customers opted to remortgage to Realkredit Danmark's type T FlexLån®, which provides a high degree of security with respect to future mortgage payments, while taking advantage of the low short-term interest rates to reduce the debt more quickly. Fluctuating interest rates thus

lead to a change in the term to maturity instead of a change in mortgage payments.

Private market: Gross Lending - loan types in 2012



In 2013 and in the following years, the interest-only option will expire for a number of customers. Realkredit Danmark will on an individual basis consider any extension of the interest-only option, but customers with an LTV above 80% should expect to start making repayments on their loans.

Commercial property market

Loans for the business market rose 3% to DKK 296 billion, corresponding to 41% of Realkredit Danmark's loan portfolio.

Remortgaging activity was not as strong in the business market as in the personal customer market, but there was the same tendency to refinance fixed-rate loans to a lower coupon and to secure a low fixed interest rate for three to five years on FlexLån®.

Residential rental property

The loan portfolio for subsidised housing, co-operative housing and private residential rental property rose 3% to DKK 134 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. Although there was an increase in activity in the market for residential rental property, activity remains relatively slow.

Urban trade

Lending to the service sector and the manufacturing and manual industries rose 4% to DKK 113 billion, or 16% 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 within urban trade continued to be at a low level in 2012.

Agriculture

Lending to agriculture fell 2% to DKK 49 billion, corresponding to 7% of the loan portfolio. The agricultural industry as a whole accounts for 11% 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 persistently difficult economic situation for the industry in general.

The loan-to-value ratio for agricultural property was 74% at the end of 2012.

Activities and portfolio	Gross lending		Net new lending		Loan portfolio			
	2012	2011	2012	2011	31 Dec. 2012	%	31 Dec. 2011	%
DKK millions								
Personal customer market	88,743	47,898	6,438	6,818	419,567	59	418,900	60
Residential rental property	21,444	13,599	6,867	6,228	134,137	18	130,611	18
Urban trade	22,821	15,505	6,497	4,786	112,719	16	108,154	15
Agriculture	4,605	2,809	-609	-374	49,279	7	50,085	7
Total business market	48,870	31,913	12,755	10,640	296,135	41	288,850	40
Total (nominal value)	137,613	79,811	19,193	17,458	715,702	100	707,750	100

Lending broken down by loan type	Share of gross lending		Share of loan portfolio	
	2012	2011	31 Dec. 2012	31 Dec. 2011
%				
FlexLån®	42	62	59	58
Fixed-rate loans	49	25	29	29
FlexGaranti® and Rentedyk™	1	3	4	5
RD Cibor®	8	10	8	8
Total	100	100	100	100

Funding

Bond issuance

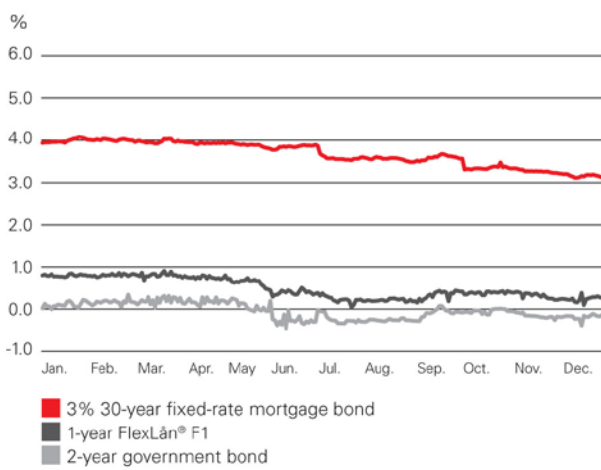
Realkredit Danmark is subject to the specific principle of balance and funds its lending to borrowers by issuing mortgage-covered bonds, which are listed on NASDAQ OMX Copenhagen.

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

Bonds issued in 2012

Realkredit Danmark issued bonds for a total of DKK 138 billion exclusive of bonds issued for the refinancing auctions. This represents an increase of 72% on 2011. Most of the bonds issued were callable bonds unlike the issuance of bonds in 2011. This change is primarily due to extensive refinancing of fixed-rate loans to loans with a lower coupon but also growing interest in locking in the interest rate for a longer period of time.

Movements in interest rates in 2012



Annual refinancing of FlexLån® and RD Euribor3®

With the aim of diversifying the risk of refinancing of FlexLån®, Realkredit Danmark held two auctions in March and November 2012. Since March 2010, all new FlexLån® have been issued with 1 April as the payment date. The volume of bonds issued in connection with the refinancing of FlexLån® at 1 April 2012 amounted to DKK 47 billion, against DKK 30 billion in 2011.

The portion of FlexLån® refinanced at 1 January is still larger than the portion refinanced at 1 April, although the difference is declining. Issued bonds amounted to DKK 161 billion

at 1 January 2013, against DKK 179 billion at 1 January 2012.

RD Euribor3® and RD Cibor6® loans were refinanced at 1 July 2012. Unlike FlexLån®, for which customers determine the interest reset intervals, Realkredit Danmark determines when RD Euribor3® and RD Cibor6® loans are to be refinanced. In view of the current market environment, Realkredit Danmark assessed that its customers would achieve the optimum refinancing by issuing bonds with a term to maturity of one year for RD Euribor3® and three years for RD Cibor6®. The volume of bonds to be issued was DKK 3.9 billion for RD Euribor3® and DKK 29.3 billion for RD Cibor6®.

All the auctions were satisfactory, and substantial investor interest contributed to all-time low interest rates.

At end-2012, Realkredit Danmark had issued mortgage bonds for a total amount of DKK 771 billion, of which mortgage-covered bonds accounted for DKK 624 billion.

Issuance of senior debt

In 2012, due to the growing need for supplementary collateral, Realkredit Danmark issued bonds pursuant to section 33e of the Mortgage Credit Loans and Mortgage Credit Bonds Act. These bonds are referred to as senior debt. Realkredit Danmark considered market conditions to be favourable, and issued bonds totalling DKK 21.5 billion with a term to maturity of around two to five years. There was strong demand for these bonds, which were assigned an A-rating by Standard & Poor's, on a par with Danske Bank's issuer rating. In November 2012, the bonds were put on 'positive outlook' because Danske Bank's issuer rating was put on positive outlook. Similarly, Realkredit Danmark expects that the rating of the senior debt will be raised in 2013 if Danske Bank's issuer rating is upgraded.

In addition to covering the need for supplementary collateral, the proceeds from the senior debt issue may also be used to comply with the rating agencies' overcollateralisation requirement.

Investor distribution

Foreign investors continued to show strong interest in Danish mortgage bonds in 2012 because Danish mortgage bonds were considered to offer better security than similar European securities. Non-callable bonds with a term to maturity of up to one year attract the most interest. At 31 December 2012, foreign investors thus held 15% of all bonds, against some 10% at end-2011.

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

Rating

Realkredit Danmark has been rated by Standard & Poors for a number of years, and the bonds still hold the top Standard & Poor's rating of AAA, which covers 98% of all bonds issued by Realkredit Danmark.

In June 2011, Realkredit Danmark terminated its collaboration with the Moody's rating agency, and in May 2012,

Realkredit Danmark became the first Danish mortgage credit institution to hold a rating from the rating agency Fitch Ratings. They rate mortgage-covered bonds issued from Realkredit Danmark's capital centres S and T, all of which were initially assigned a AAA rating, which is the highest possible rating. In October 2012, the bonds in capital centre T were downgraded one notch to AA+ due to a methodology change at Fitch Ratings that affects their assessment of refinancing risk. Bonds issued from capital centre T are used for the refinancing of FlexLån[®] and other loans with a refinancing element. The downgrade was expected, as the change of methodology had been announced in connection with the initial rating of both capital centres. The bonds in capital centre S were not affected by the methodology change, as bonds issued from this centre are used primarily to fund fixed-rate loans, and it still holds a AAA rating.

The requirements for overcollateralisation in the capital centres, which are highest at Fitch Ratings, are primarily covered by funds from Realkredit Danmark's shareholders' equity and the senior debt issue.

Bonds issued as at 31 December (nominal value)

Bond type (DKK billions)	Currency	Mortgage-covered bonds		Mortgage bonds	
		2012	2011	2012	2011
Fixed-rate	DKK	117	72	75	119
FlexLån [®]	DKK	407	363	10	20
FlexLån [®]	EUR	40	42	-	2
Index-linked loans	DKK	-	-	28	30
FlexGaranti [®]	DKK	6	4	25	30
RenteDyk [™]	DKK	1	1	-	-
RD Cibor6 [®]	DKK	40	35	9	10
RD Nibor3 [®]	NOK	1	-	-	-
RD Stibor3 [®]	SEK	5	-	-	-
RD Euribor3 [®]	EUR	7	8	-	-
Total DKK		624	525	147	211

The calculation has been adjusted to reflect double-funding of DKK 161 billion due to 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 current AAA ratings from Standard & Poors and AAA/AA+ ratings from Fitch Ratings, which are in line with those assigned to comparable issuers.

At 31 December 2012, the capital base of DKK 45.1 billion consists of conventional equity after statutory deductions.

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 Realkredit Danmark Group is included in the Danske Bank Group's Risk Management 2012 Report, to which reference is made.

ICAAP

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, the size of the loan at default and other factors.

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, 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

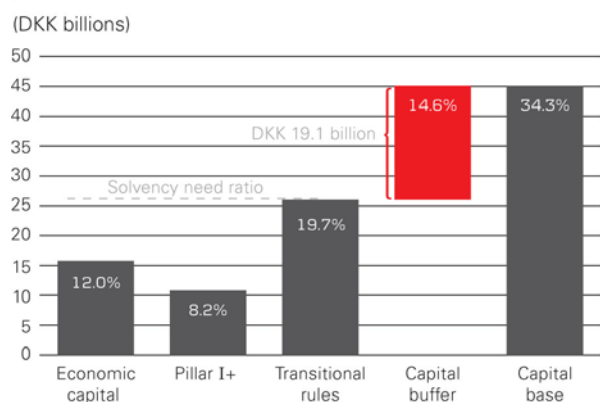
Like other Danish banks and mortgage credit institutions, the Group must comply with special requirements in Danish

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 Basel I

Solvency need ratio and total capital, end 2012



The Pillar I+ requirement includes an add-on to reflect the risks not adequately covered under Pillar I, for example pension risk and business risk. 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 2012, the Group's solvency need was calculated according to the Basel I rules (the transitional rules). The solvency need amounted to DKK 26.0 billion, or 19.7% of risk-weighted assets. As the actual capital base stood at DKK 45.1 billion and the total capital ratio at 34.3% at the end of the year, the Group had a massive capital buffer of DKK 19.1 billion

Large exposures

Large exposures are defined as exposures amounting to at least 10% of the capital base. With effect from 1 December 2011, the Danish Executive Order on Large Exposures was

amended to the effect that mortgage-covered bonds can be deducted entirely from the exposure calculation rather than having a reduced weighting of 90% as was previously the case. At the end of 2012, Realkredit Danmark had 3 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 commercial property. In 2012, issuance of mortgage-covered bonds rose DKK 99 billion to DKK 624 billion. At the end of 2012, the need for supplementary collateral was DKK 43.9 billion, against DKK 34.5 billion at end-2011.

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 51 billion of the loan portfolio at 31 December 2012. This amount includes DKK 13 billion in the form of supplementary collateral for mortgage-covered bonds.

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.

Market risks comprise 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.

Future rules

The revision of the Capital Requirements Directive (CRD IV) in the EU, which implements Basel III, is still not available in its final form. Due to prolonged political processing, it has been necessary to deviate from the original plan that the rules were to take effect at the beginning of 2013.

In 2012, Realkredit Danmark again followed the shaping of the CRD IV rules, focusing particularly on the proposed liquidity rules in the form of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR is scheduled to be implemented in 2015, while the NSFR is

expected to become a requirement at the earliest from 2018. In this connection, Realkredit Danmark, as part of the Danske Bank Group, participated in the Quantitative Impact Study (QIS), which consists of regular reporting to the supervisory authorities of the consequences of implementing the LCR and NSFR in their present form.

One of the consequences of the LCR rules will be that the refinancing auctions must be completed at least one month before expiry of the existing bonds underlying FlexLån®. Realkredit Danmark does not expect that this re-scheduling of the auctions will lead to additional costs for borrowers or Realkredit Danmark.

It is expected that Danish mortgage bonds can be included in the liquidity buffer in line with securities such as Danish government bonds when the LCR rules take effect, expectedly in 2015. However, the precise criteria that will apply in this respect are still subject to uncertainty. The European Banking Authority will present its proposed criteria in 2013.

One drawback of the LCR rules is that the inclusion of the portfolio of own bonds in the liquidity resources is not expected to be allowed. As a result, Realkredit Danmark will have to replace own issued bonds with bonds issued by other mortgage credit institutions.

It is pivotal that mortgage bonds gain the status as extremely liquid and safe securities. If that is not the case, financial institutions, which are very large investors in Danish mortgage bonds, will be compelled to invest more of their funds in other assets such as Danish or foreign government bonds and foreign mortgage bonds. Other things being equal, this will reduce the investor base and lead to higher funding costs for borrowers. However, it remains to be seen which status the mortgage bonds will have under the new rules.

The CRD IV rules are expected to include higher minimum requirements for tier 1 capital. Realkredit Danmark does not expect any noticeable impact from these new requirements.

Rating and capital resources

In addition to legislative requirements on supplementary collateral, the external rating agencies make requirements in respect of overcollateralisation (OC) in order to assign the highest rating to mortgage bonds.

Realkredit Danmark expects relatively stable overcollateralisation requirements from the rating agencies in 2013, but if the requirements are tightened, Realkredit Danmark plans to issue senior debt in order to comply with the stricter requirements. Alternatively, Realkredit Danmark will raise loans on market terms to comply with the requirements.

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 2012, Tonny Thierry Andersen was appointed chairman and Per Skovhus vice chairman of the Board of Directors.

Per Skovhus stepped down from the Board of Directors on 27 July 2012.

At an extraordinary general meeting on 9 August 2012, Lars Mørch, Member of the Executive Board of Danske Bank, was elected to the Board of Directors, which subsequently appointed Tonny Thierry Andersen chairman and Lars Mørch vice chairman.

At the end of July 2012, Jens-Erik Corvinus stepped down from his position as member of the Executive Board in order to retire. The Executive Board subsequently consists of Carsten Nøddebo, chairman of the Executive Board.

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.

Organisational changes

In June 2012, Realkredit Danmark carried out organisational changes with a view to improving the integration of Realkredit Danmark staff at Danske Bank in order to enhance customer focus and increase efficiency. In this connection, 50 full-time Realkredit Danmark employees transferred to Danske Bank.

Human resources

The results of the annual employee opinion survey remained strong in 2012, and human resources initiatives are regularly implemented to maintain the high level of employee satisfaction and retain employees. Moreover, Realkredit Danmark remains focused on developing employee skills through relevant training and development activities.

At the end of 2012, the number of full-time equivalent staff at the Realkredit Danmark Group was 250, compared with 303 at the beginning of the year.

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.

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 counter identified financial reporting risks and regularly monitors changes in and compliance with relevant legislation and other financial reporting rules and regulations. Controls have been established for the purpose of preventing, detecting and correcting any errors or irregularities in the financial reporting.

Realkredit Danmark has outsourced a number of assignments to other units of the Danske Bank Group. In this connection, Realkredit Danmark has established a governance structure to monitor the outsourced assignments. Realkredit Danmark has also set up a procedure involving ongoing reporting 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 this.

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 violation of internal business procedures and policies.

Audit Committee

The Board of Directors has set up an audit committee to supervise Realkredit Danmark A/S. The committee works on the basis of clearly defined terms of reference. The committee is not authorised to make independent decisions; instead it reports exclusively to the full Board of Directors.

The Audit Committee examines accounting, auditing, compliance 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 2012, the Audit Committee held five meetings.

Corporate responsibility

Realkredit Danmark is part of Danske Bank Group, and more information about corporate responsibility at the Danske Bank Group is available at www.danskebank.com/responsibility. CR Report 2012 and CR Fact Book 2012 can be downloaded from this website.

Income statement and Comprehensive income

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
	Profit				
4	Interest income	25,946	26,368	25,944	26,365
5	Interest expense	19,395	21,619	19,395	21,619
	Net interest income	6,551	4,749	6,549	4,746
	Dividends from shares	-	-	-	-
	Fee and commission income	593	372	593	372
	Fee and commission expense	1,062	860	1,062	860
3	Net fee and commission income	6,082	4,261	6,080	4,258
3, 6	Value adjustments	-732	125	-732	125
	Other operating income	111	105	2	1
7-9	Staff costs and administrative expenses	887	928	689	761
	Impairment, depreciation and amortisation charges	4	6	1	4
10	Loan impairment charges	1,319	1,057	1,317	1,055
	Income from associates and group undertakings	2	-	7	1
	Profit before tax	3,253	2,500	3,350	2,565
11	Tax	814	626	837	642
	Net profit for the year	2,439	1,874	2,513	1,923
	Proposal for allocation of profits				
	Net profit for the year			2,513	1,923
	Transferred from other reserves			1,217	-
	Total for allocation			3,730	1,923
	Portion attributable to				
	Reserves in series			1,730	1,137
	Other reserves			-	-
	Proposed dividend			2,000	786
	Total allocation			3,730	1,923
	Comprehensive income				
	Net profit for the year	2,439	1,874	2,513	1,923
	Other comprehensive income	-	-	-18	1
	Tax on other comprehensive income	-	-	4	-
	Total comprehensive income	2,439	1,874	2,499	1,924

Balance sheet

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
	ASSETS				
	Cash in hand and demand deposits				
	with central banks	3	23	3	23
12	Due from credit institutions and central banks	18,724	32,533	18,692	32,432
13	Bonds at fair value	35,953	17,289	35,953	17,289
14-15, 18	Mortgage loans at fair value	735,494	723,754	735,494	723,754
14, 16-18	Loans and other amounts due at amortised cost	846	838	797	787
	Shares	2	2	-	-
19	Holdings in associates	11	9	11	9
	Holdings in group undertakings	-	-	130	201
	Land and buildings	92	93	136	155
20	Domicile property	92	93	136	155
21	Other tangible assets	11	11	5	5
	Current tax assets	10	-	8	-
22	Deferred tax assets	-	-	-	-
23	Assets temporarily taken over	265	317	265	317
18, 24-25	Other assets	2,783	1,680	2,661	1,464
	Prepayments	10	11	8	10
	Total assets	794,204	776,560	794,163	776,446
	LIABILITIES AND EQUITY				
	AMOUNTS DUE				
26	Due to credit institutions and central banks	10,079	20,668	10,079	20,668
27	Issued mortgage bonds at fair value	701,373	695,080	701,373	695,080
28	Issued bonds at amortised cost	21,687	-	21,687	-
	Current tax liabilities	-	85	-	85
22	Deferred tax liabilities	64	49	-	-
29, 30	Other liabilities	14,591	13,876	14,447	13,679
	Deferred income	-	-	-	-
	Total amounts due	747,794	729,758	747,586	729,512
	PROVISIONS				
22	Deferred tax	-	-	61	29
30	Reserves in early series subject to a reimbursement obligation	-	-	131	188
	Total provisions	-	-	192	217
	SUBORDINATED DEBT				
31	Subordinated debt	-	2,045	-	2,045
	Total liabilities	747,794	731,803	747,778	731,774
	SHAREHOLDERS' EQUITY				
	Share capital	630	630	630	630
	Revaluation reserve	-	-	31	49
	Reserves in series	39,453	33,120	39,453	33,120
	Other reserves	4,327	10,221	4,271	10,087
	Proposed dividends	2,000	786	2,000	786
	Total shareholders' equity	46,410	44,757	46,385	44,672
	Total liabilities and equity	794,204	776,560	794,163	776,446

Statement of capital

Realkredit Danmark Group

(DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2012	630	33,120	10,221	786	44,757
Net profit for the year	-	1,730	709	-	2,439
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	1,730	709	-	2,439
Transferred from/to Other reserves	-	4,603	-4,603	-	-
Dividend paid	-	-	-	-786	-786
Proposed dividends	-	-	-2,000	2,000	-
Shareholders' equity at 31 December 2012	630	39,453	4,327	2,000	46,410
Shareholders' equity at 1 January 2011	630	31,182	11,071	-	42,883
Net profit for the year	-	1,137	737	-	1,874
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	1,137	737	-	1,874
Transferred from/to Other reserves	-	801	-801	-	-
Proposed dividends	-	-	-786	786	-
Shareholders' equity at 31 December 2011	630	33,120	10,221	786	44,757

Realkredit Danmark A/S

	Share capital	Revaluation reserve	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2012	630	49	33,120	10,087	786	44,672
Net profit for the year	-	-	1,730	783	-	2,513
Other comprehensive income	-	-18	-	-	-	-18
Tax on other comprehensive income	-	-	-	4	-	4
Total comprehensive income for the year	-	-18	1,730	787	-	2,499
Transferred from/to Other reserves	-	-	4,603	-4,603	-	-
Dividend paid	-	-	-	-	-786	-786
Proposed dividends	-	-	-	-2,000	2,000	-
Shareholders' equity at 31 December 2012	630	31	39,453	4,271	2,000	46,385
Shareholders' equity at 1 January 2011	630	48	31,182	10,888	-	42,748
Net profit for the year	-	-	1,137	786	-	1,923
Other comprehensive income	-	1	-	-	-	1
Total comprehensive income for the year	-	1	1,137	786	-	1,924
Transferred from/to Other reserves	-	-	801	-801	-	-
Proposed dividends	-	-	-	-786	786	-
Shareholders' equity at 31 December 2011	630	49	33,120	10,087	786	44,672

At the end of 2012, the share capital was made up of 6,300,000 shares of DKK 100 each. All shares carry the same rights; there is thus only one class of shares. The company is wholly-owned by Danske Bank A/S, Copenhagen. The revaluation reserves relate to fair value adjustment of domicile properties.

Statement of capital

	Realkredit Danmark Group	
(DKK millions)	31 Dec. 2012	31 Dec. 2011
Capital base and total capital ratio		
Shareholders' equity	46,410	44,757
Revaluation of domicile property	44	62
Pension obligations at fair value	-77	-175
Tax effect	8	28
Shareholders' equity calculated in accordance with the rules of the Danish FSA	46,385	44,672
Expected dividends	-2,000	-786
Revaluation reserve	-31	-49
Deferred tax assets	-	-
Core tier 1 capital	44,354	43,837
Hybrid capital	-	2,045
Difference between expected losses and impairment charges	-	-
Tier 1 capital	44,354	45,882
Reserves in series subject to a reimbursement obligation	62	55
Revaluation reserve	31	49
Difference between expected losses and impairment charges	616	445
Capital base	45,063	46,431
Total risk-weighted assets	131,543	129,533
Core tier 1 capital ratio (%)	33.72	33.84
Tier 1 capital ratio (%)	33.72	35.42
Total capital ratio (%)	34.26	35.84

The total capital and tier 1 capital ratios are calculated in accordance with the CRD.
The solvency need calculation is described in more detail on www.rd.dk.

Statement of capital

	Realkredit Danmark A/S	
(DKK millions)	31 Dec. 2012	31 Dec. 2011
Capital base and total capital ratio		
Shareholders' equity	46,385	44,672
Expected dividends	-2,000	-786
Revaluation reserve	-31	-49
Deferred tax assets	-	-
Core tier 1 capital	44,354	43,837
Hybrid capital	-	2,045
Difference between expected losses and impairment charges	-	-
Tier 1 capital	44,354	45,882
Reserves in series subject to a reimbursement obligation	62	55
Revaluation reserve	31	49
Difference between expected losses and impairment charges	616	445
Capital base	45,063	46,431
Total risk-weighted assets	131,570	129,685
Core tier 1 capital ratio (%)	33.71	33.80
Tier 1 capital ratio (%)	33.71	35.38
Total capital ratio (%)	34.25	35.80

The total capital and tier 1 capital ratios are calculated in accordance with the CRD.
The solvency need calculation is described in more detail on www.rd.dk.

Cash flow statement

	Realkredit Danmark Group	
(DKK millions)	2012	2011
Cash flow from operating activities		
Profit before tax	3,253	2,500
Adjustment for non-cash operating items		
Amortisation, depreciation and impairment charges	4	6
Loan impairment charges	402	294
Other non-cash items	-1	-1
Tax paid	-893	-514
Total	2,765	2,285
Cash flow from operating capital		
Bonds and shares	-18,994	4,628
Mortgage loans	-8,428	-6,798
Issued mortgage bonds	24,728	10,260
Due to credit institutions	-10,589	-6,740
Other assets/liabilities	-489	37
Cash flow from operating activities	-11,007	3,672
Cash flow from investing activities		
Acquisition of tangible assets	-2	-5
Sale of tangible assets	-	-
Cash flow from investing activities	-2	-5
Cash flow from financing activities		
Repayment of hybrid capital	-2,034	-
Dividend	-786	-
Cash flow from financing activities	-2,820	-
Cash and cash equivalents at 1 January	32,556	28,889
Change during the year	-13,829	3,667
Cash and cash equivalents at 31 December	18,727	32,556
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	3	23
Deposits with credit institutions and central banks with terms shorter than 3 months	18,724	32,533
Total	18,727	32,556

Notes

Note

1 SIGNIFICANT ACCOUNTING POLICIES

General

Realkredit Danmark prepares 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 for annual reports formulated by NASDAQ OMX Copenhagen and the Danish FSA's executive order No. 1306 dated 16 December 2008 on the use of IFRSs by undertakings subject to the Danish Financial Business Act.

The Group has not changed its significant accounting policies from those followed in Annual Report 2011.

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

The estimates and assumptions are based on premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur and other parties may arrive at other estimated values.

Fair value measurement of mortgage loans

The fair value of mortgage loans is based on the fair value of the underlying issued mortgage bonds adjusted for changes in the fair value of the credit risk on borrowers. For mortgage loans granted to customers in rating categories 10 and 11 (loans with objective evidence of impairment), such adjustment equals the fair value of collateral received if reconstruction is not considered possible.

A collective assessment also determines the need for changes to reflect fair value adjustments of the credit risk of the remaining portion of the portfolio. No changes are made if it is possible to raise the administration margin on loans (credit margin) sufficiently to compensate for the higher credit risk and market risk premiums on mortgage loans. If it is not possible to raise the administration margin sufficiently or at all, a collective adjustment is made, reflecting trends in expected losses, unexpected losses (volatility) and the possibility of raising administration margins in the future. The expected future cash flows are discounted at the current market rate with the addition of a risk premium.

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.

Associates

Associates are businesses, other than group undertakings, in which the Group has holdings and significant but not controlling influence. The Group generally classifies businesses as associates, if Realkredit Danmark A/S, directly or indirectly, holds 20-50% of the voting rights and also influences management and operating policy decisions.

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 business is included under Income from associate. The share is calculated on the basis of data from financial statements with balance sheet dates no earlier than three months before the Group's balance sheet date.

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

Notes

Note

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

Assets and liabilities 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 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 applying 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, a financial asset is assigned to one of the following categories:

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

At initial recognition, a financial liability is assigned to one of 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 money 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 the recognition of gains and losses.

The purchase price of the mortgage bond portfolio would not equal the amortised cost of the issued bonds. Moreover, elimination would result in arbitrary recognition of gains and losses. 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 gain 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 the criteria for fair value hedge accounting are treated accordingly. The interest rate risk on the hedged liabilities is measured at fair value through profit or loss.

Notes

Note

BALANCE SHEET

Bonds at fair value

At initial recognition, bonds are measured at fair value, excluding transaction costs. Subsequently, bonds are measured at fair value through profit or loss.

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

If a bond 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 bonds that are motivated by normal business considerations.

If no active market exists, fair value is calculated on the basis of generally accepted valuation techniques and market-based parameters. Market-based parameters are used 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.

For mortgage loans granted to customers in rating categories 10 and 11 (all loans with objective evidence of impairment), each loan is adjusted to reflect the fact that the expected payments deviate from the agreed payments. The value adjustment is made at the fair value of collateral received if reconstruction is not considered.

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 grants to the borrower a concession that Realkredit Danmark would not grant had it not been for the borrower's financial difficulty
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation

A collective assessment also determines the need for adjustments to reflect changes in the fair value of the credit risk on the remaining portion of the portfolio.

No changes are made if it is possible to raise the administration margin on loans (credit margin) sufficiently to compensate higher credit risk and market risk premium on mortgage loans. If it is not possible to raise the administration margin sufficiently or at all, a collective adjustment is made, reflecting trends in expected losses, unexpected losses (volatility) and the possibility of raising administration margins in the future. The expected future cash flows are discounted at the current market rate with the addition of a risk premium.

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 classified in rating categories 10 and 11. However, for discounting purposes the original effective interest rate is used instead of the current interest rate.

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.

Notes

Note

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 amount, which is the higher of its fair value less costs to sell and its value in use.

Assets temporarily taken over

Assets temporarily taken over include tangible assets which the Group expects to sell within twelve months. With the exception of properties taken over, such assets are measured at the lower of their carrying amount at the time of classification and their fair value less expected costs to sell and are no longer depreciated.

Properties taken over which are likely to be sold within 12 months are presented under Assets temporarily taken over. Subsequent fair value adjustments and gains or losses on disposal are recognised under Loan impairment charges.

Other assets

Other assets include derivatives, interest receivable and pension assets. Derivatives are recognised at fair value through profit or loss

Pension assets

The Group's pension obligations consist of both defined contribution and defined benefit pension 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 future payment of a defined benefit from the time of retirement. The pension fund has not accepted new members since 1971. 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 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 in 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 in 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.

Issued bonds at amortised cost and Subordinated debt

Issued bonds at amortised cost consist of issued senior debt. Senior debt and 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 as a result of changes in tax rates are recognised in the income statement.

Current tax assets/Current tax liabilities

Current tax assets and liabilities are recognised in 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.

Other liabilities

Other liabilities includes derivatives, interest payable and accrued fee.

Other liabilities also includes Reserves in early series subject to a reimbursement obligation and other provisions.

Shareholders' equity

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.

Notes

Note

Other reserves

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

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 when the general meeting has adopted the proposal.

INCOME STATEMENT

Interest income and expense

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

Fees and commission income and expense

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.

Performance-based pay 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 individual employee's not having resigned from the Group. Rights to shares under the conditional share programme vest up to five years after being granted provided that the employee, with the exception of retirement, has not resigned from the Group.

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 pension 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 acquired 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 recognised in shareholders' equity.

Comprehensive income

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 new interpretation that has not yet come into force. The sections below explain the changes that are likely to affect the Group's future financial reporting.

Notes

Note

In October 2010, the IASB reissued IFRS 9, Financial Instruments. The aim of the reissuance project is once the amendments to IFRS 9 are completed, to let the standard replace IAS 39 in its entirety. IFRS 9 now provides principles for classification and derecognition of financial instruments. Principles for impairment and hedge accounting are expected to follow in 2013 or later. The IASB has released its proposal to make limited principles for classification.

The transitional rules of the amended IFRS 9 prescribe implementation of the standard by 2015. The EU has decided to postpone adoption of the amended IFRS 9 until all details of the standard are known.

Under the amended 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 are measured at amortised cost. Other assets are measured at fair value through profit or loss. Equities may be measured at fair value through Other 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 derivatives 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. Value adjustments relating to the inherent credit risk of financial liabilities designated at fair value are however recognised in Other comprehensive income unless this leads to an accounting mismatch.

IFRS 9 incorporates the existing derecognition principles of IAS 39.

Meaningful classification of financial instruments is not possible without information about the future parts of IFRS 9 to clarify the overall accounting effects of the standard.

The IASB ended its project on consolidation in May 2011 by issuing a number of new International Financial Reporting Standards (IFRS 10, IFRS 11 and IFRS 12) and revised standards (IAS 27 and IAS 28). With these standard, the IASB establishes a uniform definition of control to be used for determining whether an entity should be consolidated and introduces enhanced disclosure requirements for consolidated and unconsolidated entities, joint arrangements and associates. Realkredit Danmark will adopt the standard from 1 January 2014 in accordance with the EU's postponement of the effective date by one year. The Group does not expect the new requirements to significantly change its consolidation of businesses.

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. The standard introduces a new definition of fair value and provides guidance on how to measure fair value along with disclosure requirements for fair value. IFRS 13 applies when another standard requires fair value to be used or disclosed. The standard was adopted from 1 January 2013. Adoption did not result in any significant effect on Realkredit Danmark Group's financial results.

In June 2011, the IASB reissued IAS 19, Employee Benefits. The amended standard eliminates the option of deferring the recognition of actuarial gains and losses on defined benefit pension plans, known as the "corridor method". The present value of pension obligations and the fair value of pension plan assets must be recognised in the balance sheet instead. The Group will adopt the standard from the beginning of 2013 with restatement of comparative figures for 2012. The implementation will reduce shareholders' equity at 1 January 2013 by DKK 131 million (the amount deferred under the corridor method net of tax). The end-2012 effect will be a reduction of net pension assets of DKK 77 million, an increase of deferred tax of DKK 19 million and a reduction of shareholders' equity of DKK 58 million. The net profit for 2012 will increase by DKK 12 million because of reduced pension costs (after tax). Actuarial net gains and losses of DKK 74 million will be recognised in Other comprehensive income for 2012.

The Statement of capital will not be affected as it is already prepared without the use of the corridor method.

In December 2011, the IASB clarified the IAS 32 requirements for offsetting financial instruments. The clarification is not expected to increase the offsetting of financial instruments to any significant degree. The IASB also enhanced its IFRS 7 disclosure requirements to include both gross and net amounts when offsetting financial instruments and rights to additional set-off in the event of counterparty default. The changes, which have not yet been adopted by the EU, are expected to be implemented in 2014 and 2013, respectively.

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 on financial reports of credit institutions, investment companies, etc. no. 312 dated 30 March 2012. The rules are consistent with the Group's measurement principles under IFRS with the exception that domicile properties in the parent company are valued at estimated fair value (revalued amount) through Other comprehensive income, and the "corridor" method is not applied with respect to pension obligations. The estimated fair value of domicile properties is determined in accordance with the Danish FSA's executive order of Financial Reports for Credit Institutions and Investment Companies, etc. Holdings in subsidiary undertakings are measured using the equity method, which means that the tax payable by

Notes

Note (DKK millions)

2 Profit broken down by activity

Realkredit Danmark Group

2012	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	4,724	-	4,724	-	4,724
Net interest income	489	1,338	1,827	-1,338	489
Dividends from shares	-	-	-	-	-
Net fee income	-469	-	-469	-	-469
Income from investment portfolios	-	-	-	608	608
Value adjustments	269	-1,001	-732	732	-
Other income	111	-	111	-	111
Total income	5,124	337	5,461	2	5,463
Expenses	887	4	891	-	891
Profit before loan impairment charges	4,237	333	4,570	2	4,572
Loan impairment charges	1,319	-	1,319	-	1,319
Income from associates	-	2	2	-2	-
Profit before tax	2,918	335	3,253	-	3,253

2011	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	3,564	-	3,564	-	3,564
Net interest income	660	525	1,185	-525	660
Dividends from shares	-	-	0	-	-
Net fee income	-488	-	-488	-	-488
Income from investment portfolios	-	-	-	650	650
Value adjustments	175	-50	125	-125	-
Other income	105	-	105	-	105
Total income	4,016	475	4,491	-	4,491
Expenses	930	4	934	-	934
Profit before loan impairment charges	3,086	471	3,557	-	3,557
Loan impairment charges	1,057	-	1,057	-	1,057
Income from associates	-	-	-	-	-
Profit before tax	2,029	471	2,500	-	2,500

Mortgage finance encompasses property financing services provided in Denmark, Sweden and Norway to personal and business customers. The mediation of property financing services is made through Danske Bank's branch network and finance centres and through Corporate & Institutional Mortgage Finance at Realkredit Danmark. The segment also includes mediation of real estate transactions 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.

IFRSs require disclosure if 10% or more of the income derives from a single customer. The Realkredit Danmark Group has no such customers.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
3	Geographical segmentation For the Realkredit Danmark Group, interest on loans to customers outside Denmark amounted to DKK 102 million (2011: DKK 74 million). Realkredit Danmark A/S's net interest and fee income and value adjustments on loans to customers outside Denmark totalled DKK 18 million (2011: DKK 14 million).				
4	Interest income				
	Reverse transactions with credit institutions and central banks	50	35	50	35
	Credit institutions and central banks	5	17	5	16
	Loans and other amounts due	19,904	22,316	19,902	22,314
	Administration margin	4,724	3,564	4,724	3,564
	Bonds	577	242	577	242
	Derivatives				
	Interest rate contracts	511	113	511	113
	Other interest income	175	81	175	81
	Total	25,946	26,368	25,944	26,365
	Interest income derived from				
	Assets at fair value	25,716	26,235	25,714	26,233
	Assets at amortised cost	230	133	230	132
	Total	25,946	26,368	25,944	26,365
	Interest on individually impaired financial assets recognised at amortised cost amounted to DKK 19 million (2011: DKK 23 million)				
5	Interest expense				
	Repo transactions with credit institutions and central banks	60	44	60	44
	Due to credit institutions and central banks	2	422	2	422
	Issued mortgage bonds	19,147	20,922	19,147	20,922
	Subordinated debt	68	187	68	187
	Reimbursement of origination fees etc.	118	39	118	39
	Other interest expense	-	5	-	5
	Total	19,395	21,619	19,395	21,619
	Interest expense derived from				
	Liabilities at fair value	19,147	20,922	19,147	20,922
	Liabilities at amortised cost	248	697	248	697
	Total	19,395	21,619	19,395	21,619
6	Value adjustments				
	Mortgage loans	5,354	16,633	5,354	16,633
	Bonds	-236	93	-236	93
	Shares	-	1	-	1
	Currency	11	-1	11	-1
	Derivatives	-975	-1,678	-975	-1,678
	Other assets	11	8	11	8
	Issued mortgage bonds	-4,752	-14,934	-4,752	-14,934
	Reserves in early series subject to a reimbursement obligation	-3	-15	-3	-15
	Other liabilities	-142	18	-142	18
	Total	-732	125	-732	125
	Value adjustments derived from				
	Assets and liabilities at fair value	-601	99	-601	99
	Assets and liabilities at amortised cost	-131	26	-131	26
	Total	-732	125	-732	125

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
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	1	-	1	-
	Local councils	3	3	3	3
	Total	9	8	9	8
	Staff costs				
	Salaries	170	177	148	154
	Share-based payments	-	-	-	-
	Pensions	27	42	-74	-26
	Other social security costs and taxes	21	20	21	20
	Total	218	239	95	148
	Other administrative expenses	660	681	585	605
	Total staff costs and administrative expenses	887	928	689	761
	Number of full-time-equivalent staff (avg.)	284	306	251	274

A more detailed description of the Group's remuneration policy and disbursed salaries is provided in "Remuneration report 2012", which is available on the www.rd.dk website. Remuneration report 2012 is not covered by the statutory audit.

Remuneration of the Board of Directors (DKK thousands)

Kim Andersen	315	30	315	30
Max Jeppesen	-	93	-	93
Claus Bundgaard	125	42	125	42
Klaus Pedersen	125	125	125	125
Total remuneration	565	290	565	290
Remuneration for committee work included in total remuneration	190	16	190	16
Members of the Board end of year	6	6	6	6

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

As members of the board of directors or executive board of other companies in the Danske Bank Group, Tonny Thierry received a total remuneration from such companies in 2012 of DKK 8.9 million (2011 DKK 7.6 million), Lars Mørch received DKK 4.6 million (2011 DKK 0 million), Henrik Ramlau-Hansen received DKK 8.7 million (2011 DKK 8.0 million), Per Skovhus received DKK 5.6 million (2011 DKK 7.3 million), and Kim Andersen received DKK 0.3 million (2011 DKK 0.1 million).

Members of the Board of Directors only receive a fixed fee. They are not covered by any incentive programmes in Realkredit Danmark. In addition to the fixed fees, a committee fee is paid to the chairman of the Audit Committee.

Board fees are paid by the parent company Realkredit Danmark A/S. No board member has received remuneration for membership of the executive board or board of directors of the subsidiary home a/s.

The Group has no pension obligations towards its board members.

Notes

Note (DKK millions)

7 Staff costs and administrative expenses

cont'd

Remuneration of the Executive Board

2012	Carsten Nøddebo Rasmussen	Jens-Erik Corvinus
Fixed salary	3.0	1.2
Pension	0.4	0.1
Variable cash remuneration	0.3	-
Variable share-based remuneration	0.1	-
Total amount earned	3.8	1.3
Total amount paid	3.6	1.3

Salaries and pensions are disclosed for the period until the person resigns from the Executive Board.

Total amount paid consists of fixed salary and pension contributions to defined contribution plans in 2012, variable cash remuneration and the exercise of conditional shares granted for earlier financial years. Variable remuneration for 2012 will be paid in subsequent financial years.

The total remuneration of the Executive Board of DKK 5.1 million for 2012 consists of a fixed remuneration of DKK 4.7 million and a variable remuneration of DKK 0.4 million.

At the end of July 2012, Jens-Erik Corvinus stepped down from his position as member of the Executive Board in order to retire. Upon retirement, he received a consideration of DKK 2.8 million.

2011	Carsten Nøddebo Rasmussen	Jens-Erik Corvinus
Fixed salary	2.6	2.0
Pension	0.3	0.2
Variable cash remuneration	0.1	-
Variable share-based remuneration	0.1	-
Total amount earned	3.1	2.2
Total amount paid	2.9	2.2

The total remuneration of the Executive Board of DKK 5.3 million for 2011 consists of a fixed remuneration of DKK 5.1 million and a variable remuneration of DKK 0.2 million.

The Executive Board's contracts comply with the statutory requirements for agreements on variable remuneration in financial institutions in force since 1 January 2011.

The disclosed remuneration of the Executive Board has been paid by the parent company Realkredit Danmark A/S. No member of the Executive Board has received remuneration for membership of the executive board or board of directors of the subsidiary home a/s.

Under 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 2012, this deduction amounted to DKK 2.4 million (2011: DKK 2.6 million).

Pensions

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.

Termination

Carsten Nøddebo Rasmussen may terminate his service by giving six 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.

Notes

Note	(DKK millions)
7 cont'd	<p>Staff costs and administrative expenses</p> <p>Remuneration of other material risk takers</p> <p>For 2012, Realkredit Danmark A/S paid remuneration totalling DKK 6.3 million for 5 material risk takers (2011: DKK 5.4 million for 5 material risk takers). The remuneration consists of a fixed remuneration of DKK 6.3 million and a variable remuneration of DKK 0 million (2011: DKK 5.3 million and DKK 0.1 million).</p> <p>Realkredit Danmark A/S has no pension obligation towards other material risk takers, as these are covered by defined contribution plans through pension funds.</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 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. The last grant of share options and conditional shares was made in the first quarter of 2008.</p> <p>Effective from 2010, part of the variable remuneration of Realkredit Danmark's Executive Board was granted by way of conditional shares.</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, with the exception of retirement, has not resigned from the Group. 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 Danske Bank's annual report plus 10%.</p> <p>The fair value of the share options at the grant date was calculated according to a dividend-adjusted Black & Scholes formula. The fair value at the end of 2012 is based on the following assumptions: Share price 96 (2011: 73). Dividend payout ratio 2.5% (2011: 2.5%). Rate of interest 0.2-0.3% (2011: 0.8-0.9%), equal to the swap rate. Volatility 35% (2011: 50%). Average time of exercise 0-1 years (2011: 0-2 years). The volatility is estimated on the basis of historical volatility.</p> <p>Rights to Danske Bank shares under the conditional share programme vest up to five years after being granted provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to the requirement of not having resigned from the Group, rights to shares earned in 2011 and 2012 vest only if the Group as a whole and the employee's department meet certain performance targets within the next five years.</p> <p>The fair value of the conditional shares was 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 up to five years.</p>

Notes

Note	(DKK millions)					
8	Share-based payments					
cont'd	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						
	66,881	239,570	306,451	157.2-294.1	5.7	1.6
2011, beg.						
Exercised 2011	-	-	-			
Forfeited 2011	-	-16,667	-16,667			
Other changes 2011	5,393	17,971	23,364			
2011, end	72,274	240,874	313,148	176.0-272.2	5.8	0.1
Exercised 2012	-	-	-			
Forfeited 2012	-24,802	-102,750	-127,552			
Other changes 2012	-30,160	30,160	-			
2012, end	17,312	168,284	185,596	183.0-272.2	3.9	0.0
Holdings of the Executive Board and fair value, end of 2012						
Grant year					2006-2008	
(DKK millions)					Number	FV
Carsten Nøddebo Rasmussen					17,312	0.0
Holdings of the Executive Board and fair value, end of 2011						
Grant year					2005-2008	
(DKK millions)					Number	FV
Carsten Nøddebo Rasmussen					17,312	0.0
Jens-Erik Corvinus					54,962	0.0

Share options granted in 2008 relates to the grant in the first quarter of 2008 of share options earned in 2007.

The number of shares held and the exercise price have been adjusted to reflect the share capital increase in April 2011.

No share options were held or exercised in 2012.

Notes

Note	(DKK millions)					
8 cont'd	Share-based payments					
	Conditional shares					
	Number			Fair Value (FV)		
	Executive Board	Other employees	Total	At issue (DKK millions)	End of year (DKK millions)	
	Granted in 2008					
	2,518	6,364	8,882	1.6	1.3	
	-2,518	-6,364	-8,882			
	-	-	-			
	-	-	-			
	-	-	-	-	-	
	Granted in 2012					
	518	1,498	2,016	-	-	
	-	-	-			
	-	-	-			
	518	1,498	2,016	0.2	0.2	
	Holdings of the Executive Board and fair value, end of 2012					
	Grant year (DKK millions)				2012 Number	FV
	Carsten Nøddebo Rasmussen				518	0.0
	Holdings of the Executive Board and fair value, end of 2011					
	Grant year (DKK millions)				2011 Number	FV
	Carsten Nøddebo Rasmussen				-	-
	Jens-Erik Corvinus				-	-

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

In 2012, the average price at the vesting date for rights to conditional shares was DKK 98.3 (2011: 125.7). In 2012, no conditional shares were granted to employees.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
9	Audit fees				
	Audit firms appointed by the general meeting				
	Statutory audit of financial statements	1	2	1	2
	Fees for other assurance engagements	-	-	-	-
	Fees for tax advisory services	-	-	-	-
	Fees for other services	-	-	-	-
	Total	1	2	1	2
10	Loan impairment charges				
	Impairment charges etc. during the year	1,242	1,156	1,240	1,155
	Reversals of impairment charges etc. for previous years	840	862	840	862
	Losses incurred	1,002	823	1,002	822
	Received on claims previously written off	85	60	85	60
	Total	1,319	1,057	1,317	1,055
11	Tax				
	Tax on profit for the year	791	624	792	624
	Deferred tax	22	2	44	18
	Adjustment of prior-year tax charges	1	-	1	-
	Total	814	626	837	642
	Effective tax rate				
	Current Danish tax rate	25.0	25.0	25.0	25.0
	Adjustment of prior-year tax charge	-	-	-	-
	Non-taxable items	-	-	-	-
	Effective tax rate	25.0	25.0	25.0	25.0
12	Due from credit institutions and central banks				
	Demand deposits	1,487	1,713	1,480	1,702
	3 months or less	17,237	30,820	17,212	30,730
	Total	18,724	32,533	18,692	32,432
	Due from credit institutions	18,724	32,533	18,692	32,432
	Term deposits with central banks	-	-	-	-
	Total	18,724	32,533	18,692	32,432
	At fair value	18,715	32,596	18,683	32,494
	Portion attributable to reverse transactions	10,727	22,636	10,727	22,636
	In connection with reverse transactions, Realkredit Danmark is entitled to sell or remortgage the securities. In 2012, DKK 0 million were sold or remortgaged (2011: DKK 0 million).				
13	Bonds at fair value				
	Own mortgage bonds	254,423	239,019	254,423	239,019
	Other mortgage bonds	32,268	17,289	32,268	17,289
	Government bonds	41	-	41	-
	Other bonds	3,644	-	3,644	-
	Total	290,376	256,308	290,376	256,308
	Own mortgage bonds set off against issued mortgage bonds	254,423	239,019	254,423	239,019
	Total	35,953	17,289	35,953	17,289
	Of Realkredit Danmark's bond portfolio, about DKK 23.4 billion has a maturity of less than 12 months, while DKK 12.6 billion has a maturity of up to five years.				

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
14	Total lending				
	Mortgage loans, nominal value	715,702	707,750	715,702	707,750
	Fair value adjustment of underlying bonds	22,465	18,069	22,465	18,069
	Adjustment for credit risk	2,673	2,065	2,673	2,065
	Mortgage loans at fair value	735,494	723,754	735,494	723,754
	Arrears and outlays	475	560	475	560
	Other loans	371	278	322	227
	Total	736,340	724,592	736,291	724,541
	Apart from being backed by mortgages on properties, loans are backed by central and local government guarantees and insurance guarantees of	25,262	23,795	25,262	23,795
	Pass books and bonds have been deposited and guarantees provided as supplementary security in a total amount of	90,610	81,399	90,610	81,399
	Realkredit Danmark has also received various declarations of indemnification without specification of amounts				
	The valuation of the loans is based on the quoted price of the underlying bonds with which borrowers may repay the loans. The regular fluctuations in the price of the bonds will therefore be offset by a corresponding change in the value of the loans with the result being unaffected by the ongoing market value fluctuations, both in terms of interest and the credit risk on the issued bonds. In addition, the value of the loans is affected by credit risk changes. In 2012, DKK 608 million was expensed concerning adjustment for credit risk on loans (2011: DKK 236 million). The accumulated adjustment for credit risk amounts to DKK 2.7 billion (2011: DKK 2.1 billion).				
15	Mortgage loans at fair value				
	Mortgage loans (nominal value) broken down by property category (percentage)				
	Owner-occupied dwellings	55	56	55	56
	Holiday homes	3	3	3	3
	Subsidised residential property	9	9	9	9
	Private residential rental property	10	10	10	10
	Industrial and skilled trades property	3	3	3	3
	Office and retail property	11	10	11	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	41,914	26,098	41,914	26,098
	1-3 months	5,918	4,989	5,918	4,989
	3-12 months	21,881	31,982	21,881	31,982
	1-5 years	96,217	84,924	96,217	84,924
	5-10 years	117,977	115,878	117,977	115,878
	Over 10 years	451,587	459,883	451,587	459,883
	Total	735,494	723,754	735,494	723,754
16	Loans and other amounts due at amortised cost				
	On demand	475	568	475	568
	3 months or less	19	17	15	12
	3 months to 1 year	57	47	45	35
	1-5 years	121	102	94	74
	Over 5 years	174	104	168	98
	Total	846	838	797	787

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
17	Arrears and outlays				
	Arrears before impairment charges	378	315	378	315
	Outlays before impairment charges	373	731	373	731
	Impairment charges	276	486	276	486
	Total	475	560	475	560

- 18 **Loans etc.**
 Of the total fair value adjustment for the credit risk on mortgage loans, changes were recognised as an expense of DKK 2,673 million at 31 December 2012, against DKK 2,065 million at 31 December 2011.
 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 288 million at 31 December 2012, against DKK 494 million at 31 December 2011.

	Realkredit Danmark Group			Realkredit Danmark A/S		
	Loans individual impairment	Loans collective impairment	Total	Loans individual impairment	Loans collective impairment	Total
2012						
Impairment charges at 1 January 2012	2,274	285	2,559	2,272	285	2,557
Impairment charges during the year	1,139	103	1,242	1,137	103	1,240
Reversals of impairment charges for previous years	666	174	840	666	174	840
Impairment charges at 31 December 2012	2,747	214	2,961	2,743	214	2,957
Value adjustment of assets taken over						-1
2011						
Impairment charges at 1 January 2011	2,001	264	2,265	2,000	264	2,264
Impairment charges during the year	1,030	126	1,156	1,029	126	1,155
Reversals of impairment charges for previous years	757	105	862	757	105	862
Impairment charges at 31 December 2011	2,274	285	2,559	2,272	285	2,557
Value adjustment of assets taken over						-5

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
2012				
Rating category 10	17,240	857	17,240	853
Rating category 11	13,152	1,890	13,152	1,890
Total	30,392	2,747	30,392	2,743
2011				
Rating category 10	14,599	623	14,599	621
Rating category 11	10,700	1,651	10,700	1,651
Total	25,299	2,274	25,299	2,272

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	
		2012	2011	2012	2011
19	Holdings in associates				
	Cost at 1 January	14	14	14	14
	Disposals	-	-	-	-
	Cost at 31 December	14	14	14	14
	Revaluations at 1 January	-5	-6	-5	-6
	Reversals of revaluations	2	1	2	1
	Revaluations at 31 December	-3	-5	-3	-5
	Carrying amount at 31 December	11	9	11	9
	*Associates are specified on page 54				
20	Domicile property				
	Carrying amount at 1 January	93	93	155	155
	Disposals	-	-	-	-
	Depreciation charges	1	0	1	1
	Value adjustment recognised in other comprehensive income	-	-	-18	1
	Carrying amount at 31 December	92	93	136	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	39	39		
	Reversal of depreciation charges	-	-		
	Depreciation charges	1	-		
	Depreciation and impairment charges at 31 December	40	39		
	Carrying amount at 31 December	92	93		
	Fair value of domicile property	136	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	22	27	5	15
	Additions	2	5	-	-
	Disposals	-	10	-	10
	Cost at 31 December	24	22	5	5
	Depreciation and impairment charges at 1 January	11	17	-	8
	Depreciation charges	2	3	-	1
	Depreciation and impairment charges reversed on disposals etc.	-	9	-	9
	Depreciation and impairment charges at 31 December	13	11	-	-
	Carrying amount at 31 December	11	11	5	5

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S		
		2012	2011	2012	2011	
22	Deferred tax assets and liabilities					
	Deferred tax liabilities	64	49	-	-	
	Provision for deferred tax	-	-	61	29	
	Total	64	49	61	29	
	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.
	2012					
	Intangible assets	-	-	-	-	-
	Tangible assets	7	-	1	-	8
	Securities	-3	-	-2	-	-5
	Provisions	55	-	14	-	69
	Tax loss carryforwards	-	-	-1	-	-1
	Other	-10	-	3	-	-7
	Total	49	-	15	-	64
	Adjustment of prior-year tax charges included in total			-8		
	2011					
	Intangible assets	-	-	-	-	-
	Tangible assets	6	-	1	-	7
	Securities	-3	-	-	-	-3
	Provisions	55	-	-	-	55
	Tax loss carryforwards	-	-	-	-	-
	Other	-11	-	1	-	-10
	Total	47	-	2	-	49
	Adjustment of prior-year tax charges included in total			-		
	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.
	2012					
	Intangible assets	-	-	-	-	-
	Tangible assets	19	-	1	-5	15
	Securities	-3	-	-2	-	-5
	Provisions	13	-	38	-	51
	Tax loss carryforwards	-	-	-	-	-
	Other	-	-	-	-	-
	Total	29	-	37	-5	61
	Adjustment of prior-year tax charges included in total			-8		
	2011					
	Intangible assets	-	-	-	-	-
	Tangible assets	18	-	1	-	19
	Securities	-3	-	-	-	-3
	Provisions	-4	-	17	-	13
	Tax loss carryforwards	-	-	-	-	-
	Other	-	-	-	-	-
	Total	11	-	18	-	29
	Adjustment of prior-year tax charges included in total			-		

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S			
		2012	2011	2012	2011		
23	Assets temporarily taken over Assets temporarily taken over consist of properties taken over in a forced sale under non-performing loan agreements. The properties are expected to be sold through a real-estate agent within one year from the acquisition date and comprised DKK 265 million worth of properties at 31 December 2012 (2011: DKK 317 million). The fair value of real property taken over is reduced by the estimated costs of selling the property. Losses on properties taken over amounted to DKK 70 million (2011: DKK 13 million).						
24	Other assets						
	Interest due	859	636	859	636		
	Pension assets	440	417	363	242		
	Other assets	1,484	627	1,439	586		
	Total	2,783	1,680	2,661	1,464		
	Pension assets relate to a defined benefit plan managed by Kreditforeningen Danmarks Pensionsafviklingskasse (see note 25).						
25	Pension plans						
	Contributions to defined contribution plans	22	23	20	21		
	Contributions to defined benefit plans	6	19	-92	-47		
	Total	28	42	-72	-26		
	The Realkredit Danmark Group uses the corridor method to calculate net pension assets. 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	969	1,086	969	1,086		
	Fair value of plan assets	1,332	1,328	1,332	1,328		
	Net pension assets, end of year, parent company	363	242	363	242		
	Actuarial losses not recognised	77	175				
	Net pension assets, end of year, Group	440	417				
		2012		2011			
	Change in net pension assets	Assets	Liabilities	Net	Assets	Liabilities	Net
	At 1 January, parent company	1,328	1,086	242	1,283	1,088	195
	Current service costs	-	-	-	-	1	1
	Calculated interest expense	-	38	38	-	40	40
	Estimated return on plan assets	54	-	54	56	-	56
	Amortisation	-	22	22	-	34	34
	Standard cost	54	60	6	56	75	19
	Actuarial gains or losses	-4	-102	98	63	-3	66
	Employer contributions to the plans	29	-	29	-	-	-
	Benefits paid out by pension fund	-75	-75	-	-74	-74	-
	At 31 December, parent company	1,332	969	363	1,328	1,086	242
	Actuarial gains or losses not recognised	18	95	-77	22	197	-175
	Net asset, end of year, Group	1,314	874	440	1,306	889	417
	Pension contributions totalling DKK 0 million are expected for 2013.						

Notes

Note (DKK millions)

25
cont'd

Pensions plans

Expenses for defined benefit plans (recognised under staff costs and administrative expenses)	2012	2011	2010	2009	2008
Standard cost, Group	6	19	24	-11	6
Actuarial gains or losses	98	66	8	-135	65
Total, parent company	-92	-47	16	124	-59

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.):	2012	2011
Discount rate	3.67	4.20
Return on plan assets	3.67	4.20
Inflation rate	1.50	2.75
Salary adjustment rate	1.50	2.75
Pension adjustment rate	1.50	2.75

The mortality assumptions used to recognise the pension assets are based on the standard FT11 mortality table.

The assumptions applied entail that the average life expectancy for a pension fund member calculated at 31 December 2012 was 84.29 years for a 60-year old man and 86.91 years for a 60-year old woman, and 84.72 years for a 65-year old man and 87.26 years for a 65-year old woman.

Pension assets broken down by type (%)	2012			2011		
	Percentage at 31 Dec.	Estimated return at 1 Jan.	Actual return at 31 Dec.	Percentage at 31 Dec.	Estimated return at 1 Jan.	Actual return at 31 Dec.
Shares	-	-	3.2	2	-	-23.6
Government and mortgage bonds	99	-	5.1	97	-	11.6
Cash and cash equivalents	1	-	-	1	-	-
Total	100	4.2	5.0	100	4.5	10.4

Historical trend in defined benefit plans	2012	2011	2010	2009	2008
Present value of pension obligations	969	1,086	1,087	1,037	945
Fair value of plan assets	1,332	1,328	1,282	1,128	1,150
Net pension assets at 31 Dec., parent company	363	242	195	91	205
Actuarial losses not recognised	77	175	241	249	114
Experience adjustments of plan liabilities included in above item	7	-3	-10	-18	-16
Experience adjustments of plan assets included in above item	15	49	34	-	9
Net pension assets at 31 Dec., Group	440	417	436	340	319

Realkredit Danmark Group's transactions with pension fund	2012	2011
Issued mortgage bonds	408	381
Interest expense	13	15
Regular and single pension premiums	29	-

As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafviklingskasse (pension fund). The pension fund and, by extension, the Group's defined benefit plan has not accepted new business since 1971.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
26	Due to credit institutions and central banks				
	On demand	-	-	-	-
	3 months or less	10,079	20,668	10,079	20,668
	3-12 months	-	-	-	-
	1-5 years	-	-	-	-
	Total	10,079	20,668	10,079	20,668
	At fair value	10,077	20,763	10,077	20,763
	Portion attributable to repo transactions	10,079	20,668	10,079	20,668
27	Issued mortgage bonds at fair value				
	Issued mortgage bonds, nominal value*	932,639	914,701	932,639	914,701
	Fair value adjustment	23,157	19,398	23,157	19,398
	Issued mortgage bonds at fair value, before set-off	955,796	934,099	955,796	934,099
	Set-off of own mortgage bonds at fair value	254,423	239,019	254,423	239,019
	Issued mortgage bonds at fair value	701,373	695,080	701,373	695,080
	0-1 month	98,059	136,217	98,059	136,217
	1-3 months	-	-	-	-
	3-12 months	108,780	138,387	108,780	138,387
	1-5 years	293,051	227,397	293,051	227,397
	5-10 years	68,090	67,111	68,090	67,111
	Over 10 years	133,393	125,968	133,393	125,968
	Total	701,373	695,080	701,373	695,080
	* Portion pre-issued	164,003	176,461	164,003	176,461
	* Portion drawn at 2 January 2013, or in 2012	216,294	205,599	216,294	205,599

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.

Consequently, the yield spread on Danish mortgage bonds narrowed in 2012. The narrowing caused an increase in the fair value of issued mortgage bonds of about DKK 5 billion. In 2011, a spread widening caused a fair value decrease of about DKK 4 billion. Based on the outstanding portfolio at the end of 2012, Realkredit Danmark estimates that there has been a net narrowing since the issuance of the bonds, which produces a positive fair value of about DKK 0.5 billion (2011: DKK 8 billion). The net profit and shareholders' equity remain unaffected by the change in fair value because the spread narrowing changed the value of mortgage loans correspondingly.

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 2012 or the period since the issue has been required.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
28	Issued bonds at amortised cost				
	Nominal value of issued bonds	21,500	-	21,500	-
	Fair value hedging of interest rate risk	141	-	141	-
	Premium/discount	46	-	46	-
	Total issued bonds	21,687	-	21,687	-
		1 Jan.			31 Dec.
	Nominal value	2012	Issued	Redeemed	2012
	Total issued bonds	-	21,500	-	21,500
	Issued bonds at amortised cost consist of issued senior debt.				
29	Other liabilities				
	Interest accrued	10,705	12,612	10,705	12,612
	Reserves in early series subject to a reimbursement obligation*	131	188	-	-
	Other creditors	3,755	1,076	3,742	1,067
	Total	14,591	13,876	14,447	13,679
	*Recognised in the balance sheet of the parent company, Realkredit Danmark A/S, under "Provisions".				
30	Reserves in early series subject to a reimbursement obligation*				
	Carrying amount, beginning of year	188	206	188	206
	Utilised	-63	-35	-63	-35
	Increase due to shortening of maturity	3	2	3	2
	Increase due to change in discount rate	3	15	3	15
	Carrying amount, end of year	131	188	131	188

*Recognised in 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.

Notes

Note	(DKK millions)				2012	2011	
		Principal (DKK millions)	Interest rate	Issued	Repaid	(DKK millions)	(DKK millions)
31	Subordinated debt						
	Subordinated debt consists of liabilities in the form of hybrid capital that, in the event of the company's voluntary or compulsory winding-up, will not be repaid until the claims of ordinary creditors have been met. 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						
		2,034	9.265	2009	2012	-	2,034
	Total hybrid capital					-	2,034
	Fair value hedging of interest rate risk					-	11
	Total					-	2,045
	Interest					68	187
	Origination costs					-	-
	Amount included in capital base at 31 December					-	2,045
	At fair value					-	2,034

The loan was repaid on 11 May 2012.

32	Risk-weighted assets (RWA)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
	Credit risk (IRB approach)	102,201	108,003	102,173	107,917
	Credit risk (standardised approach)	12,108	7,120	12,368	7,522
	Counterparty risk	597	1,510	597	1,510
	Total credit risk	114,906	116,633	115,138	116,949
	Market risk	7,810	5,787	7,810	5,787
	Operational risk	8,827	7,113	8,622	6,949
	Total	131,543	129,533	131,570	129,685

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 405,547 million at the end of 2012 (2011: DKK 401,188 million). The solvency need, calculated on the basis of the transitional rules, was DKK 25,955 million in 2012, equal to 80% of the capital requirement of 8% of risk-weighted assets (2011: DKK 25,676 million). www.rd.dk provides more details about Realkredit Danmark's solvency need. The solvency need calculation is not covered by the statutory audit.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
33	Assets deposited and received as collateral Realkredit Danmark deposits securities as collateral in connection with repo and securities transactions undertaken on usual terms and conditions for such agreements. In connection with clearing, Realkredit Danmark has deposited the following securities with the Danish Central Bank				
	Bonds at fair value	21,442	21,210	21,442	21,210
	Portion issued by Realkredit Danmark	15,422	21,210	15,422	21,210
	Assets sold under repo transactions				
	Bonds at fair value	10,077	20,763	10,077	20,763
	Portion issued by Realkredit Danmark	6,863	8,399	6,863	8,399
	At 31 December 2012, mortgage lending totalling DKK 735,494 million and other assets totalling DKK 43,873 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (end-2011: DKK 723,754 million and DKK 34,514 million). Pursuant to Danish mortgage credit legislation, issued mortgage bonds, including mortgage-covered bonds, are secured against the underlying mortgage loans.				
34	Contingent liabilities Owing to its size and business volume, the Realkredit Danmark Group is continually a party to various disputes. The Group does not expect the outcomes of the disputes pending to have any material effect on its financial position. As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafviklingskasse, 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. Guarantees and indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised in the balance sheet amount to:				
		Realkredit Danmark Group		Realkredit Danmark A/S	
		2012	2011	2012	2011
	Other contingent liabilities				
	Irrevocable loan commitments regarding reverse mortgages	179	275	179	275
	Other commitments	123	120	101	102
	Total	302	395	280	377

Realkredit Danmark as lessee

Realkredit Danmark is the lessee in a number of operating leases. Under such leases, the Realkredit Danmark 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 mainly involve cars. The minimum lease payments at year-end 2012 were DKK 1 million (2011: DKK 2 million).

Notes

Note	(DKK millions)			
35	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 were made with associates and group undertakings in 2012.			
	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	
	2012	2011	2012	2011
	Fees, etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans			
	1,064	814	1,064	814
	Fees received from Danske Bank A/S for referral of customers and for property valuation			
	113	85	113	85
	Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions, etc.			
	320	346	300	322
	Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S			
	49	47	49	46
	Interest received on mortgage loans raised by sister company			
	35	40	35	40
	Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S			
	57	461	57	461
	Amounts due from Danske Bank A/S			
	18,709	31,504	18,676	31,402
	Mortgage lending to sister company			
	2,305	2,412	2,305	2,412
	Loss guarantees from Danske Bank A/S			
	51,007	49,440	51,007	49,440
	Other guarantees from Danske Bank A/S			
	53,729	38,750	53,729	38,750
	Amounts due to Danske Bank A/S			
	6,859	19,326	6,859	19,326
	The A.P. Møller - Maersk A/S 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			
	5	6	5	6
	Interest income			
	-	-	-	-
	Fees for property information paid to associates			
	-	-	-	-
	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.			
	Transactions with a related pension fund are described in note 25.			
36	Loans etc. to management			
	Mortgage loans established on an arm's length basis for			
	Board of Directors			
	17	14	17	14
	Executive Board			
	1	13	1	13
	Board of Directors and Executive Board of Danske Bank A/S			
	31	35	31	35

Notes

Note	(DKK millions)	Realkredit Danmark Group			
37	Financial instruments at fair value				
	2012	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	35,953	-	-	35,953
	Mortgage loans at fair value	-	735,494	-	735,494
	Shares	-	-	2	2
	Derivatives	-	612	-	612
	Total	35,953	736,106	2	772,061
	Issued mortgage bonds at fair value	701,373	-	-	701,373
	Derivatives	-	210	-	210
	Total	701,373	210	-	701,583
	2011				
	Bonds at fair value	17,289	-	-	17,289
	Mortgage loans at fair value	-	723,754	-	723,754
	Shares	-	-	2	2
	Derivatives	-	175	-	175
	Total	17,289	723,929	2	741,220
	Issued mortgage bonds at fair value	695,080	-	-	695,080
	Derivatives	-	648	-	648
	Total	695,080	648	-	695,728

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 businesses with future settlement and swap models using present value calculations. The valuation is based substantially on observable input.

Mortgage loans and issued mortgage bonds are recognised at the fair value of the issued mortgage bonds. In accordance with the accounting policies, the fair value of the credit risk on the mortgage loans is adjusted.

Notes

Note	(DKK millions)	Realkredit Danmark A/S			
38	Fair value hedging	2012		2011	
		Carrying amount	Amortised/notional amount	Carrying amount	Amortised/notional amount
	Subordinated debt	-	-	2,045	2,034
	Issued bonds at amortised cost	13,685	13,495	-	-
	Hedging				
	Derivatives	307	13,495	20	2,034

Realkredit Danmark hedges the interest rate risk on the fixed-rate issued mortgage bonds etc. using interest rate swaps. The effect on profit or loss of fair value hedge accounting was DKK -9 million, net, in 2012 (2011: DKK -2 million), consisting of a loss on the hedged instrument of DKK 141 million (2011: a gain of DKK 16 million) and a gain on the hedging derivative of DKK 132 million (2011: a loss of DKK 18 million). The net effect is recognised in the income statement.

39 Reporting to the Danish FSA

The financial statements of the parent company, Realkredit Danmark A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc. no. 312 dated 30 March 2012.

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

- domicile properties are valued at estimated fair value (revalued amount) through other comprehensive income, and
- the "corridor method" is not applied with respect to pension obligations.

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

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

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

	Net profit 2012	Net profit 2011	Shareholders' equity 31 Dec. 2012	Shareholders' equity 31 Dec. 2011
Consolidated financial statements (IFRS)	2,439	1,874	46,410	44,757
Domicile property	-	-	44	62
Pension obligations	98	66	-77	-175
Tax effect	-24	-17	8	28
Consolidated financial statements (Danish FSA rules)	2,513	1,923	46,385	44,672

Notes

Note

RISK MANAGEMENT

Capital base

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 the Group has also defined a goal of maintaining bond ratings from external rating agencies that are on a level with those of its peers.

The Group met this goal throughout 2012 by maintaining a solvency ratio of 34.3, well above the regulatory requirement of 19.7 and AAA ratings from Standard & Poors and AAA/AA+ ratings from Fitch Ratings. The capital requirement has been covered by tier 1 capital, and starting in 2012 also by proceeds from the issuance of senior debt as described in Funding.

Credit risk

Realkredit Danmark serves mortgage credit customers in Denmark, Sweden and Norway. Realkredit Danmark's principal segment is loans to the Personal customer market, which accounts for 59% of lending. Residential accounts for 18%, Urban trade for 16% and Agriculture for the remaining 7%. The current composition of the exposure matches Realkredit Danmark's target that personal property loans should account for at least two-thirds of the total exposure.

In 2012, Realkredit Danmark continued its prudent credit-granting process, accommodating the Group's existing and new creditworthy customers. Continuing this prudent credit-granting process will remain the objective in 2013. When granting credit, the Group requires the customer to be able to service a fixed-rate loan even if it has granted an interest-reset loan (FlexLån®).

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, which largely depends on the value of the property. 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 process widely builds on the two above-mentioned components and the size of the loan. Most often, the Group performs a decentralised assessment of whether a customer has 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.

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 broken down by customer type and rating category (DKK billions)

Rating category	Personal	Business	2012 Total	2011 Total
1	4	-	4	5
2	24	3	27	32
3	50	60	110	108
4	105	32	137	124
5	97	42	139	133
6	62	65	127	124
7	52	50	102	101
8	22	24	46	54
9	7	9	16	19
10	4	13	17	15
11	3	10	13	11
Total	430	308	738	726

Probability of Default (PD) %

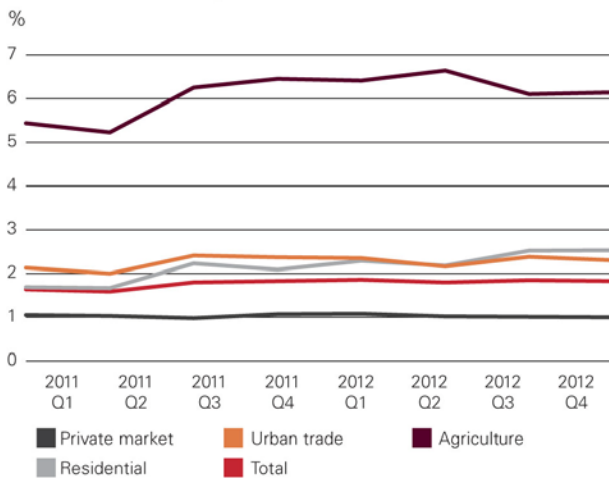
Rating category	Low PD	High PD
1	0.00	0.01
2	0.01	0.03
3	0.03	0.06
4	0.06	0.14
5	0.14	0.31
6	0.31	0.63
7	0.63	1.90
8	1.90	7.98
9	7.98	25.70
10	25.70	100.00
11	100.00	100.00

Notes

Note

The continuing weak economic climate is reflected in customer classifications, and customers were generally assigned classifications that were on a par with last year. The total average PD was kept unchanged, while it fell within Agriculture and rose within Residential

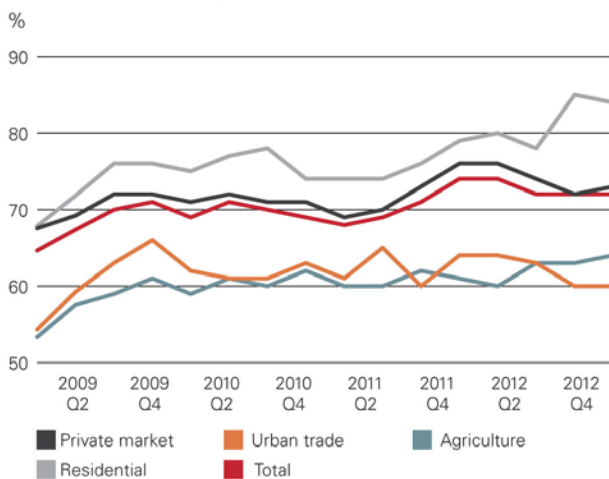
Development in average PD



Declining property prices in 2012 resulted in generally rising average property loan-to-value (LTV) ratios throughout 2012. Overall, the LTV rose 72 percentage points at year-end.

Other things being equal, the stabilising property prices and LTV levels have resulted in relatively stable LGD levels over the past year.

Development in average LTV



The portfolio was still very secure. 81% of the portfolio was secured within 60% of the value of the property, and 93% was secured within 80% of the value.

Loan portfolio broken down by loan-to-value ratios at 31 Dec. 2012

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	137	118	91	57	27	430
Urban trade	43	34	25	8	5	115
Agriculture	18	16	10	4	2	50
Residential	50	34	24	16	19	143
Weighted distribution	34%	27%	20%	12%	7%	100%
Total DKK billions	248	202	150	85	53	738

Loan portfolio broken down by loan-to-value ratios at 31 Dec. 2011

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	143	123	92	54	16	428
Urban trade	43	35	23	6	2	109
Agriculture	16	14	10	6	4	50
Residential	50	35	25	16	13	139
Weighted distribution	35%	28%	21%	11%	5%	100%
Total DKK billions	252	207	150	82	35	726

As shown in the figure, only DKK 11 billion were loans with an LTV ratio higher than 80% granted to customers in one of the four lowest classifications. This equals 1,5% of the total portfolio.

Portfolio broken down by loan to value and rating category 2012

Rating category	Loan to Value					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	2	1	1	-	-	4
2	13	8	4	1	1	27
3	41	29	20	10	10	110
4	49	39	27	15	7	137
5	47	38	29	17	8	139
6	40	35	27	16	9	127
7	30	28	22	14	8	102
8	14	12	10	6	4	46
9	5	4	3	2	2	16
10	4	4	4	3	2	17
11	3	3	2	2	3	13
Total	248	201	149	86	54	738

Notes

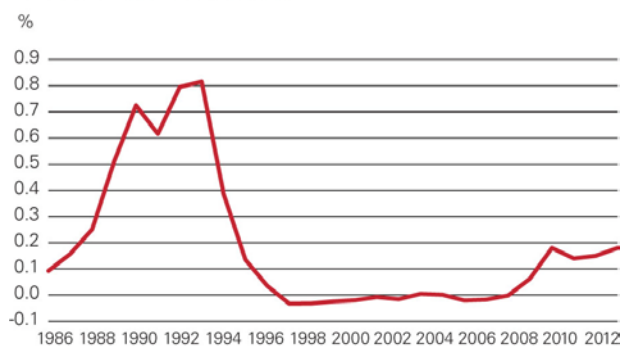
Note

Portfolio broken down by loan to value and rating category 2011

Rating category	Loan to Value					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	2	2	1	-	-	5
2	15	10	5	2	-	32
3	41	29	20	10	8	108
4	47	36	24	13	4	124
5	45	39	29	15	5	133
6	41	35	27	15	6	124
7	32	29	22	13	5	101
8	17	15	12	7	3	54
9	5	5	4	3	2	19
10	4	4	4	2	1	15
11	3	3	2	2	1	11
Total	252	207	150	82	35	726

During the past four years, Realkredit Danmark has experienced somewhat higher loan impairment charges than in the ten preceding years. Still, these charges represented a mere 0.18% of total mortgage lending in 2012. Following two years of sharp increases, loan impairment charges declined in 2010. However, this decline was replaced by small increases in 2011 and 2012. Impairment charges for the year amounted to DKK 1,319 million in 2012, which was DKK 262 million more than in 2011. In a historical context, however, losses and charges remain moderate.

Historical Loss Given Default

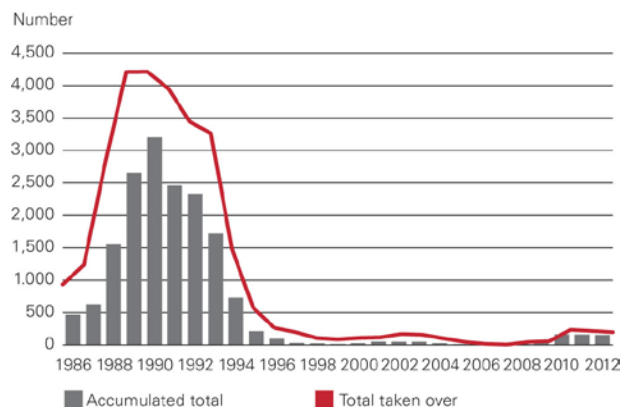


Realkredit Danmark's portfolio of foreclosed properties in 2012 was largely on the same level as in 2011 and 2010. In 2012, Realkredit Danmark took over 198 properties at a forced sale auction, against 217 the year before.

In a historical context, the number of properties taken over during the current crisis is much lower than during the crisis of the early 1990s, when more than 4,000 properties were taken over in the worst year.

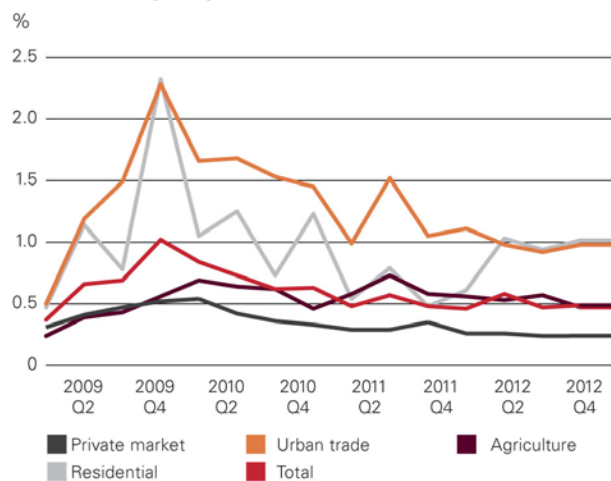
The portfolio of foreclosed properties at the end of 2012 was 156 against 161 foreclosures at the end of 2011. By comparison, the portfolio in the early 1990s peaked at 3,200 properties.

Holding of mortgages taken over



Realkredit Danmark is to a certain extent covered against losses, as Danske Bank provides a loss guarantee for loans arranged via the bank. The guarantee covers the part of the loan which at the date of disbursement is within the last 20% of the statutory lending limits. Total lending of DKK 232 billion was partly covered by this loss guarantee at the end of 2012. The total guarantee in 2012 amounted to DKK 51 billion.

3-month delinquency rates



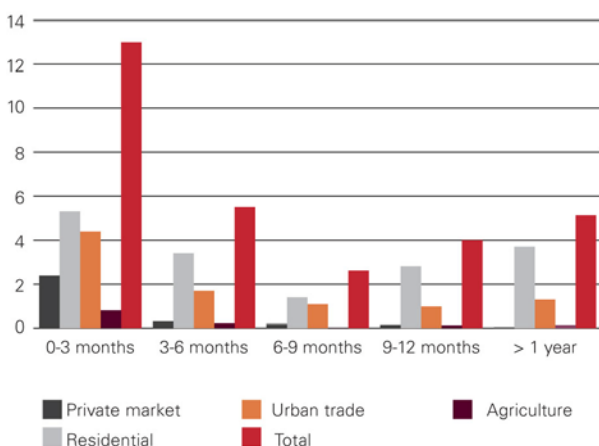
Arrears, calculated as the proportion of due payments unpaid 3½ months after the last due payment date, were largely unchanged throughout 2012, although there was a slight increase in arrears in the Residential sector relative to 2011. Total arrears concerning the September 2012 payment date stood at 0.49%, against 0.46% the year before.

Notes

Note

Arrears at 31 Dec. 2012 – loans without impairment charges

(DKK Millions)



The chart shows arrears on loans without impairment charges at 31 December 2012. Total arrears on loans without impairment charges amounted to DKK 30 million at the end of 2012. Of total arrears on loans without charges, 43% are less than three months old.

Forbearance practices

Under certain circumstances, Realkredit Danmark will grant concessions in borrowing terms to customers that have financial difficulties, for example if a personal customer becomes unemployed or a business customer sees a substantial drop in turnover. Concessions are granted mainly if the financial difficulties are considered to be temporary, but may also be granted if a restructuring is considered necessary to limit Realkredit Danmark's losses on an exposure.

Forbearance measures include the granting of respite for a short period of time. The customer will be downgraded to a lower rating category. The exposure is then written down to the amount that the customer is estimated to be able to service in the future. Once a customer has proven able to service the exposure, it will, after a certain period, no longer be considered subject to objective evidence of impairment, and the customer will move to a better rating category.

Arrears	Loan portfolio DKK millions		Loan to value %		Arrears Sept. paym. in %	
	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
Private market	429,754	426,259	73	68	0.24	0.26
Urban trade	114,697	109,681	60	56	0.98	1.11
Agriculture	50,328	50,837	64	74	0.47	0.56
Residential rental property	143,388	139,042	84	73	1.02	0.61
Total	738,167	725,819	72	67	0.49	0.46

Individual customer concentrations

Under section 145 of the Danish Financial Business Act, exposure to a single customer or a group of related customers, after deduction of particularly secure claims, may not exceed 25% of the capital base. In 2012, the Group's exposures did not exceed the limits established by section 145.

Credit exposure to groups representing 10% or more of the capital base amounted to DKK 9,151 million at 31 December 2012 (2011: DKK 5,290 million). At the end of 2012, 0 exposures exceeded 20% of the capital base, while 2 exposures exceeded 10%. Intra-group accounts are not included in the calculation.

Notes

Note

Market risk

Market risk is the risk of losses because of changes in market prices and interest rates. 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, and the Group pursues a policy of only having limited market risk exposure. 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 451 million. At the end of 2012, this interest rate risk amounted to DKK 23 million.

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 3,605 million, in accordance with Danish law. At the end of 2012, the interest rate risk on these items amounted to DKK 476 million, against DKK 325 million the year before.

At the end of 2012, the total interest rate risk amounted to DKK 499 million, or 1.1% of the capital base. The year before, Realkredit Danmark's interest rate risk was DKK 346 million.

Liquidity risk

Realkredit Danmark regularly finances its lending activities by issuing bonds, which involves very limited liquidity risk. Denmark has had a well-functioning bond market, also during the past three years.

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. The Group intends exclusively to maintain strategic share portfolios and has therefore defined very low exposure thresholds with respect to overall equity market risk. At end-2012, the market value and hence the equity market risk amounted to DKK 141 million, against DKK 210 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 2012, the exchange rate risk amounted to DKK 1 million, against DKK 0 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. 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. 2012			31 Dec. 2011		
	Nominal value	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value
Interest rate contracts						
Forward/futures bought	145,254	286	-	157,810	125	-
Forward/futures sold	72,351	15	208	121,576	29	647
Currency contracts						
Forward/futures bought	745	4	-	-	-	-
Forward/futures sold	7	-	-	7	-	-
Interest rate and currency contracts held for trading purposes, total		305	208		154	647
Outstanding spot transactions						
Interest rate contracts bought	425	1	-	846	1	-
Interest rate contracts sold	1,365	-	3	2,146	-	1
Total outstanding spot transactions		1	3		1	1
Hedging derivatives	13,495	307	-	2,034	20	-

All derivatives have a maturity of less than one year.

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

Notes

Note

	Realkredit Danmark Group				
(DKK millions)	2012	2011	2010	2009	2008
HIGHLIGHTS					
Net interest and fee income	6,082	4,261	4,440	5,333	4,424
Value adjustments	-732	125	-446	287	607
Staff costs and administrative expenses	887	928	892	978	1,003
Loan impairment charges	1,319	1,057	976	1,267	422
Income from associates	2	-	5	-4	2
Net profit for the year	2,439	1,874	1,721	2,594	2,810
Loans	736,340	724,592	705,342	692,095	670,362
Shareholders' equity	46,410	44,757	42,883	41,162	38,568
Total assets	794,204	776,560	757,621	746,343	710,922
RATIOS AND KEY FIGURES					
Total capital ratio (%)	34.3	35.8	39.4	44.6	56.6
Tier 1 capital ratio (%)	33.7	35.4	38.8	44.2	56.5
Return on equity before tax (%)	7.1	5.7	5.5	8.7	10.1
Return on equity after tax (%)	5.4	4.3	4.1	6.5	7.6
Cost/core income ratio DKK	2.47	2.26	2.22	2.54	3.62
Foreign exchange position (%)	0.3	0.7	0.7	2.4	4.2
Gearing of loans	15.9	16.2	16.4	16.9	17.4
Growth in lending for the year (%)	1.1	0.6	1.6	1.4	5.4
Impairment ratio for the year (%)	0.2	0.1	0.1	0.2	0.1
Realkredit Danmark A/S					
HIGHLIGHTS					
Net interest and fee income	6,080	4,258	4,437	5,329	4,413
Value adjustments	-732	125	-446	287	607
Staff costs and administrative expenses	689	761	778	1,008	820
Loan impairment charges	1,317	1,055	974	1,265	417
Income from associates and group undertakings	7	1	15	-13	15
Net profit for the year	2,513	1,923	1,727	2,492	2,853
Loans	736,291	724,541	705,288	692,040	670,320
Shareholders' equity	46,385	44,672	42,748	41,020	38,528
Total assets	794,163	776,446	757,438	746,170	710,871
RATIOS AND KEY FIGURES					
Total capital ratio (%)	34.3	35.8	39.4	44.5	56.8
Tier 1 capital ratio (%)	33.7	35.4	38.8	44.2	56.7
Return on equity before tax (%)	7.4	5.9	5.5	8.4	10.3
Return on equity after tax (%)	5.5	4.4	4.1	6.3	7.7
Cost/core income ratio DKK	2.67	2.41	2.31	2.46	4.07
Foreign exchange position (%)	0.3	0.7	0.7	2.4	4.2
Gearing of loans	15.9	16.2	16.5	16.9	17.4
Growth in lending for the year (%)	1.1	0.6	1.6	1.4	5.4
Impairment ratio for the year (%)	0.2	0.1	0.1	0.2	0.1

The ratios and key figures are defined in the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc. From 2008, the total capital and tier 1 capital ratios are calculated in accordance with the Capital Requirements Directive.

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, Copenhagen	DKK 630,000	2,513	46,385	
Subsidiaries				
Real-estate agency business				
home a/s, Aarhus	DKK 15,000	4	130	100
Associates				
Property information				
e-nettet Holding A/S, Copenhagen (financial year 1 January - 31 December)	DKK 11,000	-5	53	22
Further information on e-nettet Holding A/S:				
Total assets DKK 138 million				
Total liabilities DKK 85 million				
Total income DKK 105 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- Credit- forening	Østifternes Kredit- forening	Provins- hypotek- foreningen for Danmark	Series not subject to a reimburse- obligation
Income statement						
	Income from lending	1.3	1.1	2.8	0.0	54.0
1	Net interest income etc.	1.3	1.0	4.2	0.0	13.6
1	Administrative expenses etc.	3.3	4.2	10.9	0.0	35.9
	Loan impairment charges	0.0	0.0	0.9	0.0	-9.6
	Tax	-0.2	-0.5	-1.2	0.0	10.3
2	Net profit for the year	-0.5	-1.6	-3.6	0.0	31.0
Balance sheet - assets						
	Mortgage loans etc.	377.9	213.6	731.9	0.1	20,646.8
	Other assets	100.1	68.1	231.1	0.9	1,626.6
	Total assets	478.0	281.7	963.0	1.0	22,273.4
Balance sheet - liabilities and equity						
3	Issued bonds	424.1	244.8	892.3	0.7	21,514.7
	Other liabilities	6.5	3.8	13.2	0.0	304.9
4	Shareholders' equity	47.4	33.1	57.5	0.3	453.8
5	Total liabilities and equity	478.0	281.7	963.0	1.0	22,273.4
Income statement						
	Income from lending	6.5	1,957.2	1,948.7	800.7	4,772.3
1	Net interest income etc.	1.0	504.7	396.4	287.3	1,209.5
1	Administrative expenses etc.	7.6	475.9	428.0	365.6	1,331.4
	Loan impairment charges	96.3	467.4	485.3	276.3	1,316.6
	Tax	-24.1	379.7	357.9	115.3	837.2
2	Net profit for the year	-72.3	1,138.9	1,073.9	330.8	2,496.6
Balance sheet - assets						
	Mortgage loans etc.	780.5	279,053.6	310,329.2	123,940.8	736,074.4
	Other assets	99.3	54,261.7	241,839.3	19,203.5	317,430.6
	Total assets	879.8	333,315.3	552,168.5	143,144.3	1,053,505.0
Balance sheet - liabilities and equity						
3	Issued bonds	838.5	311,916.0	522,494.2	134,255.6	992,580.9
	Other liabilities	12.0	4,558.3	7,551.3	1,957.6	14,407.6
4	Shareholders' equity	29.3	16,841.0	22,123.0	6,931.1	46,516.5
5	Total liabilities and equity	879.8	333,315.3	552,168.5	143,144.3	1,053,505.0

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.	
		2012
2	Net profit for the year, series accounts	
	Net profit for the year, Realkredit Danmark A/S's financial statements	2,512.6
	Transferred to other reserves etc.	-2.4
	Revaluation of properties recognised directly in shareholders' equity	-13.6
	Net profit for the year, series accounts	2,496.6
3	Issued bonds, series accounts	
	Issued bonds, Realkredit Danmark A/S's financial statements	723,059.7
	Own mortgage bonds, not offset in the series accounts	254,423.1
	Accrued interest, own bonds	15,098.1
	Issued bonds, series accounts	992,580.9
4	Shareholders' equity, series accounts	
	Shareholders' equity, Realkredit Danmark A/S's financial statements	46,385.5
	Reserves in pre-1972 series subject to a reimbursement obligation	131.0
	Shareholders' equity, series accounts	46,516.5
5	Total assets, series accounts	
	Total assets, Realkredit Danmark A/S's financial statements	794,162.9
	Own mortgage bonds, not offset in the series accounts	254,423.1
	Accrued interest, own bonds	4,919.0
	Total assets, series accounts	1,053,505.0
6	Transfers to and from reserves subject to a reimbursement obligation	
	In 2012, 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	4,549.1
	Danske Kredit	54.7
	Other reserves	-4,603.8
	Total	0.0

Financial statements for the individual series may be obtained from Realkredit Danmark.

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 2012.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS)s 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.

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 2012 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2012. 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.

Copenhagen, 7 February 2013

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Board of Directors

Tonny Thierry Andersen
Chairman

Lars Mørch
Vice Chairman

Kim Andersen

Henrik Ramlau-Hansen

Claus Bundgaard

Klaus Pedersen

Auditors' report

Internal Audit's report

We have audited the consolidated financial statements and the Parent Company financial statements of Realkredit Danmark A/S, pp. 15-56, for the financial year 2012. The consolidated financial statements and the Parent Company's financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and the consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards 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.

Basis of opinion

We conducted our audit in accordance with the Danish Financial Supervisory Authority's Executive Order on Auditing Financial Undertakings etc. as well as Financial Groups and in accordance with International Standards on Auditing. This requires that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the Parent Company's financial statements are free from material misstatement.

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 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 control relevant to the preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in order to design 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 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 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 2012 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2012 in accordance with the International Financial Reporting Standards 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 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, 7 February 2013

Jens Peter Thomassen
Group Chief Auditor

Jesper Siddique Olsen
First Vice President

Auditors' report

Independent auditors' report

To the shareholders of Realkredit Danmark A/S

Independent auditors' report on the consolidated financial statements and the Parent Company's financial statements

We have audited the consolidated financial statements and the Parent Company financial statements of Realkredit Danmark A/S, pp. 15-56, for the financial year 2012. The consolidated financial statements and the Parent Company's financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes for the Group as well as for the Parent Company and the consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards 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.

Management's responsibility for the consolidated financial statements and the Parent Company's financial statements

Management is responsible for preparing consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Danish Financial Business Act (the Parent Company's financial statements) and Danish disclosure requirements for issuers of listed bonds and for such internal control that management determines is necessary to enable the preparation of consolidated financial statements and Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 control relevant to the preparation of the consolidated financial statements and the Parent Company's financial statements that give a true and fair view in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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 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 2012 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2012 in accordance with the International Financial Reporting Standards 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 Danish disclosure requirements for issuers of listed bonds.

Statement on the management's report

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, 7 February 2013

KPMG
Statsautoriseret Revisionspartnerselskab

Lars Rhod Søndergaard
State Authorised Public
Accountant

Mona Blønd
State Authorised Public
Accountant

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.

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

Directorships and other offices:

Bankernes Kontantservice A/S

Bluegarden Holding A/S

Bluegarden A/S

Danske Bank International S.A. (Chairman)

Danske Bank Oyj (Chairman)

Forsikringselskabet Danica, Skadeforsikringsaktieselskab af 1999 (Vice Chairman)

Danica Pension, Livsforsikringsaktieselskab (Vice Chairman)

Det Private Beredskab til Afvikling af Nødlidende Banker, Sparekasser og Andelskasser (Vice Chairman)

Finansrådet (Vice Chairman)

Kreditforeningen Danmarks Pensionsafviklingskasse (Chairman)

Nets Holding A/S

Olga og Esper Boels Fond

YPO, Danmark (CFO)

Lars Mørch, Vice Chairman

Member of the Executive Board of Danske Bank A/S

Born on 11 May 1972

Joined the Board of Directors on 9 August 2012

Directorships and other offices:

Northern Bank Limited

Kim Andersen

Managing Director

Born on 30 April 1955

Joined the Board of Directors on 21 November 2011

Managing Director of KA Invest af 2. maj 2003 ApS

Managing Director of Audio Consult

Directorships and other offices:

Forsikringselskabet Danica, Skadesaktieselskab af 1999

Danica Pension, Livsforsikringsaktieselskab

Henrik Ramlau-Hansen

Member of the Executive Board of Danske Bank A/S

Born on 2 October 1956

Joined the Board of Directors on 8 March 2011

Directorships and other offices:

Danske Bank Oyj

Kreditforeningen Danmarks Pensionsafviklingskasse

Claus Bundgaard (elected by the employees)

Valuation Consultant, Realkredit Danmark A/S

Born on 11 January 1957

Joined the Board of Directors on 31 August 2011

Klaus Pedersen (elected by the employees)

Corporate Adviser, Realkredit Danmark A/S

Born on 30 January 1947

Joined the Board of Directors on 14 March 2005

Directorships and other offices:

Kreditforeningen Danmarks Pensionsafviklingskasse

Executive Board

Carsten Nøddebo Rasmussen

Chairman of the Executive Board

Born on 15 August 1964

Joined the Executive Board on 1 December 2006

Directorships and other offices:

home a/s (Chairman)

e-nettet Holding A/S and one subsidiary (Vice Chairman)

Kreditforeningen Danmarks Pensionsafviklingskasse

Danish Mortgage Banks' Federation (Chairman)

The Popular Educational Association, Kgs. Lyngby (Chairman)

Supplementary information

Financial calendar

- Annual General Meeting:
7 March 2013
- Interim Report – First Quarter 2013:
2 May 2013
- Interim Report – First Half 2013:
1 August 2013
- Interim Report – First Nine Months 2013:
31 October 2013
- Annual Report 2013:
6 February 2014

Contact


Chairman of the Executive Board and
Chief Executive Officer
Carsten Nøddebo Rasmussen
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Useful links

www.rd.dk

www.danskebank.com

www.home.dk



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