

Annual Report 2013



REALKREDIT
Danmark

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Annual Report 2013 is a translation of the original report in the Danish language (Årsrapport 2013). In case of discrepancies, the Danish version prevails.

5 year financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE YEAR

(DKK millions)	2013	2012	2011	2010	2009
Administration margin	5,491	4,724	3,564	3,423	3,200
Net interest income	-24	235	660	614	1,718
Net fee income	-540	-469	-488	-501	-415
Income from investment portfolios	750	862	650	463	1,113
Other income	123	111	105	168	102
Total income	5,800	5,463	4,491	4,167	5,718
Expenses	852	870	934	897	984
Profit before loan impairment charges	4,948	4,593	3,557	3,270	4,734
Loan impairment charges	1,471	1,319	1,057	976	1,267
Profit before tax	3,477	3,274	2,500	2,294	3,467
Tax	865	820	626	573	873
Net profit for the year	2,612	2,454	1,874	1,721	2,594

BALANCE SHEET (AT 31 DECEMBER)

(DKK millions)	2013	2012	2011	2010	2009
Due from credit institutions etc.	51,004	18,727	32,556	28,889	48,966
Mortgage loans	730,901	735,494	723,754	704,449	691,301
Bonds and shares	61,156	35,966	17,300	21,688	3,332
Other assets	5,073	3,940	2,950	2,595	2,744
Total assets	848,134	794,127	776,560	757,621	746,343
Due to credit institutions etc.	32,501	10,079	20,668	27,408	26,855
Issued mortgage bonds	725,159	701,373	695,080	671,644	660,685
Issued senior debt	32,089	21,687	-	-	-
Other liabilities	11,501	14,636	14,010	13,625	15,604
Subordinated debt	-	-	2,045	2,061	2,037
Shareholders' equity	46,884	46,352	44,757	42,883	41,162
Total liabilities and equity	848,134	794,127	776,560	757,621	746,343

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareholders' equity	5.6	5.4	4.3	4.1	6.5
Cost/income ratio (%)	14.7	15.9	20.8	21.5	17.2
Total capital ratio (%)	34.0	34.3	35.8	39.4	44.6
Tier 1 capital ratio (%)	33.5	33.7	35.4	38.8	44.2
Full-time-equivalent staff, end of year	249	250	303	320	300

Financial review

Overview

- In 2013, the Realkredit Danmark Group recorded a satisfactory net profit increase of DKK 158 million, marking an improvement of 6% relative to 2012. The profit benefited from a positive trend in core activities, while it was adversely affected by higher funding costs and higher impairments.
- Impairments rose to DKK 1,471 million from DKK 1,319 million in 2012.
- The proportion of customers with F1 loans fell sharply from 25% at the end of 2012 to 17% at the end of 2013. Customers are showing strong interest in financial security by setting their mortgage rates for longer periods.
- In the autumn of 2013, Realkredit Danmark launched the FlexKort® loan type. Customer interest in the product has been very strong, and loans for more than DKK 12 billion were disbursed to customers in the fourth quarter.
- In spite of declining mortgage activity, FlexKort® and Danske Bank's customer programme have ensured positive trends in lending and market share.
- Realkredit Danmark expects a higher profit in 2014 than in 2013.

Carsten Nøddebo, Chairman of the Executive Board, says: *"In the autumn, we successfully launched the FlexKort® loan type for customers looking for a mortgage with frequent interest resetting. Cheaper than an F-1 loan, FlexKort® is expected to become the future product of choice for borrowers favouring short interest reset intervals. FlexKort® has received a warm welcome among customers, with FlexKort® loans for DKK 12 billion having been disbursed by the end of the year. This development supported the positive trend in our core business performance over the course of the year, which has resulted in a stronger market position."*

Results

In 2013, the Realkredit Danmark Group recorded a net profit of DKK 2,612 million, against DKK 2,454 million the year before. The profit was thus 6% higher than in 2012 and in line with expectations.

The administration margin rose DKK 767 million, in particular because of the full-year effect of the increase in administration margins implemented in 2012.

Net interest income fell DKK 259 million mainly because of mounting expenses relating to senior debt.

Income from the investment portfolio fell from DKK 862 million in 2012 to DKK 750 million in 2013, especially because of lower returns on bonds. The fall in income from the investment portfolio was offset by the increase in refinancing margins, which amounted to DKK 383 million in 2013, against DKK 336 million in 2012.

Total income rose 6% relative to the level in 2012.

Expenses were down DKK 18 million to DKK 852 million, mainly because of lower costs for marketing and IT systems development.

Impairments amounted to DKK 1,471 million, against DKK 1,319 million in 2012. Impairments equalled 0.20% of

total mortgage lending, against 0.18% in 2012. Of total impairments, 53% related to personal customer loans, while 47% related to business loans.

The 3½-month delinquency rate stood at 0.41% at the end of 2013, against 0.49% at end-2012.

The tax charge totalled DKK 865 million, corresponding to an effective tax rate of 25%.

Balance sheet

Gross lending amounted to DKK 116 billion, against DKK 138 billion in 2012. Mortgage lending at fair value fell DKK 5 billion to DKK 731 billion. During the same period, the nominal outstanding bond debt rose DKK 4 billion to DKK 720 billion at the end of 2013.

The loan-to-value (LTV) ratio declined over the course of the year to stand at 71% at the end of 2013.

In 2013, Realkredit Danmark had 164 foreclosures and sold 198 properties. In 2012, there were 198 foreclosures and 203 properties were sold. The number of foreclosures at the end of the year was 122, against 156 at end-2012. The value of the foreclosures was DKK 193 million at 31 December 2013, against DKK 265 million at end-2012.

Issued mortgage bonds rose DKK 24 billion to DKK 725 billion. The nominal value of issued bonds rose DKK 29 billion to DKK 710 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 2013, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKK 823 million and DKK 1 million, respectively.

Capital and solvency

At the end of 2013, shareholders' equity stood at DKK 46.9 billion, against DKK 46.4 billion at end-2012. The increase in equity equalled the profit for the year less dividends paid for 2012 of DKK 2.0 billion. The Board is recommending that dividends of DKK 2.1 billion be paid for 2013.

Realkredit Danmark's capital base amounted to DKK 45.5 billion, and the total capital ratio calculated in accordance with the CRD was 34.0%. At 31 December 2012, the corresponding figures were DKK 45.1 billion and 34.3%, respectively.

Because of stricter capital requirements from the rating agencies and higher lending, Realkredit Danmark issued additional senior debt for nominally DKK 7 billion in 2013.

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 133.9 billion at 31 December 2013, against DKK 131.5 billion at end-2012.

Calculated on the basis of the transitional rules of the CRD, the solvency need for 2013 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 25.6 billion or a solvency need ratio of 19.1%. The Group has a capital base of DKK 45.5 billion, equal to a capital buffer of DKK 19.9 billion.

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

Fourth quarter 2013

Realkredit Danmark recorded a pre-tax profit of DKK 1,046 million in the fourth quarter of 2013, against DKK 862 million in the third quarter. The higher pre-tax profit was attributable primarily to income from the refinancing in the fourth quarter of DKK 242 million. Impairments amounted to DKK 320 million in the fourth quarter, against DKK 264 million in the third quarter.

Outlook for 2014

Realkredit Danmark expects the Danish economy to see stronger growth in 2014 than it did in 2013, although economic expansion will remain relatively subdued. Interest rates are expected to edge up over the course of the year. Stronger growth and persistently low interest rates will support the ongoing housing market stabilisation.

Realkredit Danmark expects higher administration margins in 2014 because the previously announced increase in margins on certain business loans will take effect. On the other hand, higher funding costs will reduce income in 2014.

Realkredit Danmark will continue to focus on tight cost control in 2014 to keep the growth in costs at a minimum.

Impairments are expected to decline in 2014 owing to an improved economic climate in Denmark.

Overall, Realkredit Danmark therefore expects to achieve a higher profit in 2014 than it did in 2013.

Property market

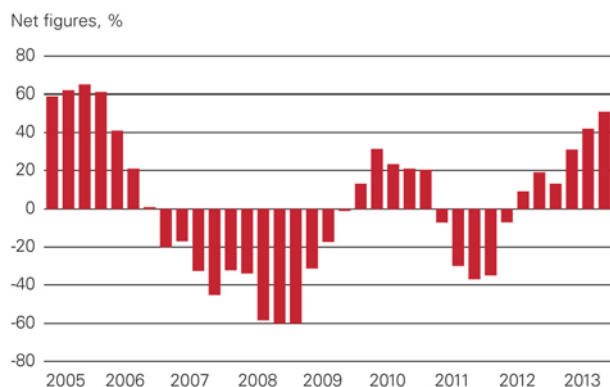
2013 was another year of weak growth

The Danish economy was characterised by weak growth in 2013, marking another disappointing year in terms of growth. Despite a change of sentiment among Danish consumers and positive consumer confidence throughout the second half of the year, consumer spending remained sluggish, and both exports and investments remained subdued, partly because of weak economic trends in the euro area. However, some signs of economic expansion emerged over the course of the year, and unemployment was unchanged.

Housing market stabilisation spreading

The housing market continued to stabilise in 2013. House prices thus rose by slightly more than the rate of inflation, and a number of regions recorded stable or slightly rising house prices. This trend should be seen especially in light of very low interest rates and reduced financial uncertainty among Danish consumers. The latter is reflected directly in a generally more positive view of future developments in unemployment and house prices. Trading activity in the housing market edged up in 2013, but despite this improvement, trading activity remained moderate in a historical context. Given the outlook for persistently low interest rates and expectations of gradual economic recovery in Denmark, prospects appear good for maintaining the housing market improvement throughout 2014.

House price confidence - expected development in house prices



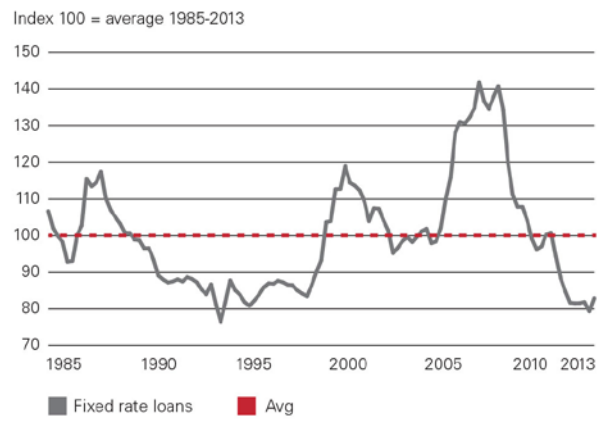
Source: Greens Analyseinsitt and own calculations

The net figure is the difference between the share of people in Denmark expecting higher house prices over the next year and the share expecting falling house prices.

Prices of owner-occupied flats rose sharply throughout 2013, especially in Copenhagen, and overall, the housing market buoyancy was mostly felt in and around the major cities. This is due to the underlying demographic trends in Denmark with more and more people moving to the large cities.

The subdued expansion of the Danish economy and the housing market had a positive effect on statistics of delinquencies and foreclosures. In 2013, the number of foreclosures dropped to the lowest level since 2009, although the figure remains slightly above the historical average of the past 20 years. Many families have made it through the housing crisis relatively unscathed, largely owing to very low interest rates combined with interest-reset and interest-only loans. Furthermore, despite a sharp increase at the onset of the crisis, unemployment remains moderate in a historical context.

Housing burden - cost compared to available income



Commercial property market

In the commercial property market, we continue to see investors focusing especially on prime-location properties with good rental prospects that will provide stable earnings. Foreign players also retained their interest in Danish properties.

Lending and distribution

Marketing

Realkredit Danmark markets its products and services on the basis of its customer promise: "Remove your doubts".

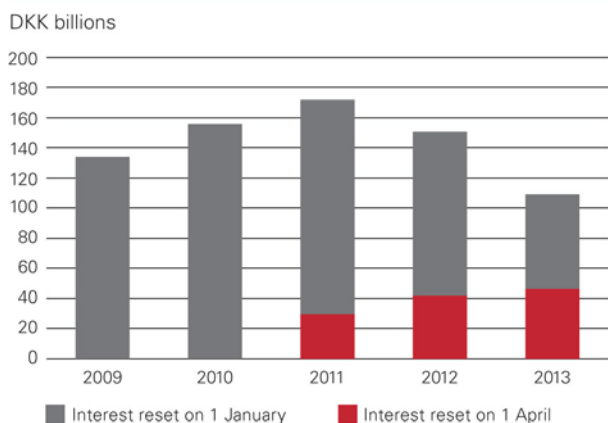
In 2013, Realkredit Danmark continued to build on its well-known marketing concept and launched a new communication concept, emphasising that customers should make the right decision about whether to stick with their existing loan or remortgage to another loan product. In this connection, Realkredit Danmark offers its recommendation on the basis of the individual customer's situation. With these campaigns, Realkredit Danmark has successfully attracted new customers and retained existing ones.

Loans at Realkredit Danmark are fully incorporated in Danske Bank's customer programme. Many Danske Bank customers have benefitted from transferring their mortgage loan to Realkredit Danmark, and with the customer programme, Realkredit Danmark customers can get great benefits at Danske Bank.

New products – FlexKort®

Following the uncertainty surrounding the Cibar rate in 2012, Realkredit Danmark followed up on its agreement with the authorities by launching the first mortgage product based on the Cita rate in September 2013. Going by the name of FlexKort®, the product is offered to both business and personal customers. This loan type is a strong alternative to F1 FlexLån® loans for customers not seeking to set their mortgage rate for long periods. In terms of mortgage payments, the loan has proven to be cheaper than F1 FlexLån® loans, and this has helped boost interest in the product. FlexKort® is currently based on bonds with a three-year maturity, which also results in a lower refinancing need than that associated with F1 FlexLån® loans.

Total RD F1 refinancing volume



The warm welcome given by customers to FlexKort® and the growing interest in FlexLån® loans with longer refinancing intervals resulted in a much lower refinancing volume in 2013. Moreover, the refinancing volume was more evenly spread over the two auctions held during the year.

Sweden and Norway

Following the expansion of Realkredit Danmark's geographical business area in 2012 to include Norway, mortgage lending to selected business customers in Sweden and Norway continued in 2013. The selected customers have good ratings and low LTV ratios, and the loans were granted against mortgages on real property located mainly in major cities. In 2014, Realkredit Danmark will aim to offer mortgage loans to the same type of customers both in Sweden and Norway.

Distribution channels

Realkredit Danmark offers its customers a wide range of property finance products. The customers may opt for personal service or use online and self-service solutions provided at the rd.dk and danskebank.dk websites. The 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's personal customers are served at Danske Bank by 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.

Focus on large property customers

Together with Danske Bank, Realkredit Danmark has decided to focus its services to large property customers by pooling real property expertise at a double-branded nationwide unit – Large Real Estate. Via one unit, large property customers thus have access to advisory services on all products and services. Large Real Estate is in charge of the large property customers in Denmark, of the large administrators for cooperative housing and owners' associations and of all customers within subsidised housing. In addition, the unit will be in charge of providing expert mortgage advice to large non-property customers and to customers in Norway and Sweden who have a mortgage loan with Realkredit Danmark.

Realkredit Danmark's other business customers are served through Danske Bank's other business centres, including finance 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.

Real-estate business

"home" is wholly-owned by Realkredit Danmark and is the Danish real-estate agency chain of the Danske Bank Group. Sale of owner-occupied dwellings is the main business area of "home", and loans distributed via "home" are most often used for changes of ownership. Furthermore, "home" also operates a business estate-agency chain "home Business".

Total lending

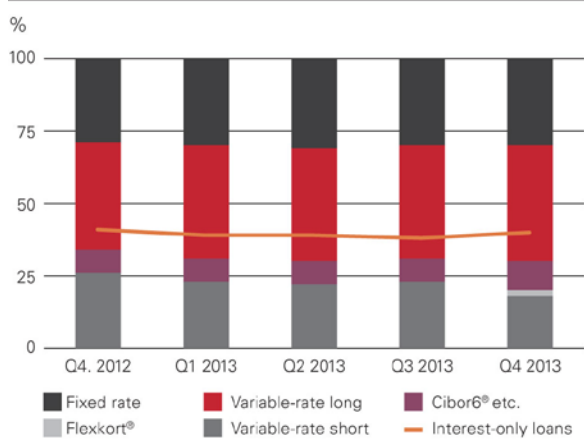
Despite historically low interest rates in 2013, lending activity was lower than in 2012, primarily because of decreasing remortgaging activity. In 2013, remortgaging amounted to DKK 68 billion, against DKK 84 billion in 2012. Realkredit Danmark was pleased to record that customers have opted for loans with longer refinancing intervals.

Interest-only loans accounted for an unchanged share of loans disbursed and of the aggregate portfolio of loans at the end of 2013 compared with end-2012.

Net new lending was up from DKK 19 billion in 2012 to DKK 24 billion in 2013.

Sharp drop in loans based on short-term funding

Loan portfolio - loan types in 2013

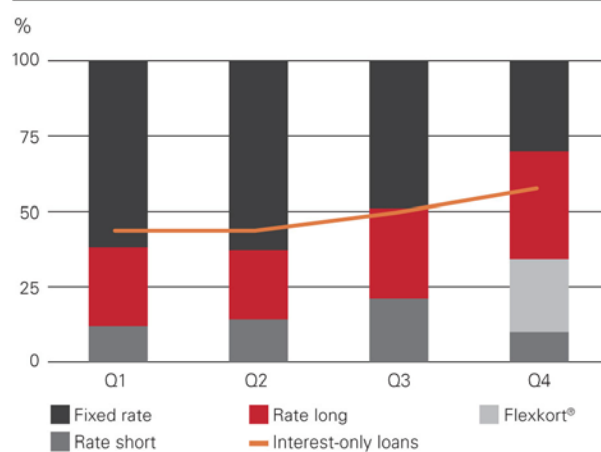


In 2013, many personal customers and, in particular, business customers switched their loan profile to loans based on longer-term funding.

Personal customer market

Customers generally tended to opt for more security in 2013. Fixed-rate loans accounted for no less than 48% of total gross lending, corresponding to DKK 29 billion.

Private market: Gross lending - loan types in 2013



Furthermore, customers who combined had 1-year FlexLån[®] loans for about DKK 6 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, in connection with the refinancing, customers holding loans for about DKK 3 billion chose to replace their FlexLån[®] loans with FlexKort[®] loans. In 2013, lending activity was marked by the persistently low number of property transactions and lower remortgaging activity than in 2012. In addition, the proportion of interest-only loans of the total loan portfolio declined in 2013.

Several customers chose to remortgage to Realkredit Danmark's type T FlexLån[®] loan 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.

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

Commercial property market

Loans for the business market rose 3% to DKK 304 billion, corresponding to 42% of Realkredit Danmark's loan portfolio.

In the commercial property market, the low level of interest rates also made a number of customers seek more security by opting for loans with longer refinancing intervals.

Of the total volume of lending, more than half of all loans disbursed were fixed-rate loans.

Remortgaging activity has been relatively subdued in the commercial property market, including all of the sub-segments.

Activities and portfolio	Gross lending		Net new lending		Loan portfolio			
	2013	2012	2013	2012	31 Dec. 2013	%	31 Dec. 2012	%
DKK millions								
Personal customer market	59,939	88,743	8,459	6,438	415,678	58	419,567	59
Business market	55,641	48,870	15,972	12,755	303,681	42	296,135	41
Total (nominal value)	115,580	137,613	24,431	19,193	719,359	100	715,702	100

Lending broken down by loan type	Share of gross lending		Share of loan portfolio	
	2013	2012	31 Dec. 2013	31 Dec. 2012
%				
FlexLån®	33	42	54	59
FlexKort®	10	-	2	-
Fixed-rate loans	39	49	29	29
FlexGaranti® ect.	-	1	4	4
RD Cibor6® ect.	18	8	11	8
Total	100	100	100	100

Funding

Bond issuance

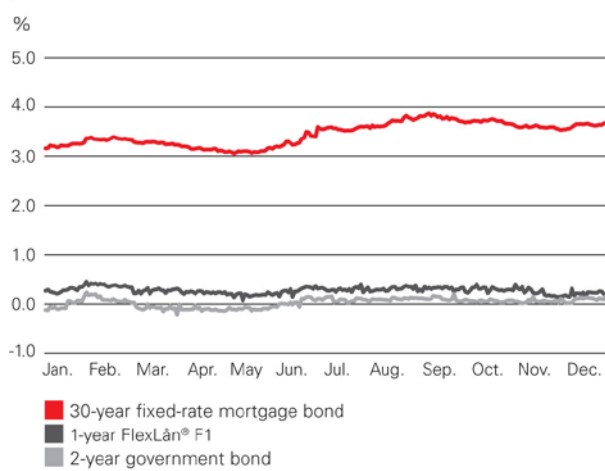
Realkredit Danmark is subject to the specific principle of balance and funds its lending to borrowers by issuing mortgage-covered bonds, which are listed on NASDAQ OMX Copenhagen.

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 2013

Realkredit Danmark issued bonds for a total of DKK 119 billion exclusive of bonds issued for the refinancing auctions. This represents a decrease of 14% relative to 2012. Of bonds issued in 2013, about 44% were callable and 56% were non-callable bonds, unlike in 2012 when most of the bonds issued were callable bonds as a result of high re-mortgaging activity in relation to fixed-rate loans.

Movements in interest rates in 2013



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 2013. 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 2013 amounted to DKK 72 billion, against DKK 47 billion in 2012.

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 93 billion in connection with the refinancing of FlexLån® at 1 January 2014, against DKK 161 billion at 1 January 2013.

RD Euribor3® were refinanced at 1 July 2013. Unlike FlexLån®, for which customers determine the interest reset intervals, Realkredit Danmark determines the maturity of the bonds and thus the timing of the next refinancing of RD Euribor3®. In view of the current market environment, Realkredit Danmark assessed that it would provide its customers with the optimum refinancing by issuing bonds with a term to maturity of three years. The volume of bonds to be issued was DKK 3.9 billion.

The auction was satisfactory, and substantial investor interest meant that interest rates remained low.

At end-2013, Realkredit Danmark had issued mortgage bonds for a total amount of DKK 773 billion, of which mortgage-covered bonds accounted for DKK 658 billion.

Senior debt issuance

In 2013, in view of higher lending and rating agencies' stricter overcollateralisation requirements, Realkredit Danmark issued senior debt for DKK 7.0 billion pursuant to section 15 of the Mortgage Credit Loans and Mortgage Credit Bonds Act. At the end of 2013, Realkredit Danmark also refinanced expired senior debt for DKK 3.5 billion. Overall, at the end of 2013, Realkredit Danmark had outstanding senior debt totalling DKK 32.0 billion, of which senior debt of DKK 3.5 billion will mature in January 2014. The senior debt has a term to maturity of up to about five years.

In addition to ensuring that Realkredit Danmark meets rating agencies' overcollateralisation requirements, the proceeds from senior debt issues are used to cover the need for supplementary collateral.

The bonds have been assigned an A- rating by Standard & Poor's, on a par with Danske Bank's issuer rating. Realkredit Danmark expects that the rating of the senior debt will be raised if Danske Bank's issuer rating is raised.

Investor distribution

Foreign investors continued to show strong interest in Danish mortgage bonds in 2013 because these bonds were considered to offer better security than similar European securities. In particular, non-callable bonds with a term to maturity of up to one year attracted the most interest. At 31 December 2013, foreign investors thus held about 17% of all bonds at sector level, against some 15% at end-2012.

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 is one of only two mortgage credit institutions in Denmark whose bonds are rated by two rating agencies. Realkredit Danmark has been rated by Standard &

Poor's 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.

Bonds issued from Realkredit Danmark's capital centres S and T are also rated by Fitch Ratings. In capital centre S, the bonds hold the AAA rating, and in capital centre T AA+ because of Fitch Rating's assessment of the refinancing risk. Bonds issued from capital centre T are used for the refinancing of FlexLån® and other loans with a refinancing element.

Standard and Poor's and Fitch Ratings both increased their capital centre overcollateralisation requirements during 2013. Fitch Ratings has the strictest requirement, which is covered primarily by funds from Realkredit Danmark's shareholders' equity and senior debt issued.

Bonds issued as at 31 December (nominal value)

Bond type (DKK billions)	Currency	Mortgage-covered bonds		Mortgage bonds	
		2013	2012	2013	2012
Fixed-rate	DKK	139	117	49	75
FlexLån®	DKK	395	407	8	10
FlexLån®	EUR	35	40	-	-
FlexKort®	DKK	12	-	-	-
Index-linked loans	DKK	-	-	26	28
FlexGaranti®	DKK	6	6	23	25
RenteDyk™	DKK	1	1	-	-
RD Cibar6®	DKK	51	40	9	9
RD Nibor3®	NOK	1	1	-	-
RD Stibor3®	SEK	8	5	-	-
RD Euribor3®	EUR	10	7	-	-
Total DKK		658	624	115	147

The calculation has been adjusted to reflect double-funding of DKK 93 billion because of the refinancing of FlexLån® loans.

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 & Poor's and AAA/AA+ ratings from Fitch Ratings, which are in line with those assigned to comparable issuers.

At 31 December 2013, the capital base of DKK 45.5 billion consists of conventional equity after statutory deductions.

The regulatory framework for Realkredit Danmark'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. Realkredit Danmark is included in the Danske Bank Group's Risk Management 2013 Report, to which reference is made.

ICAAP

Since 1 January 2008, Realkredit Danmark 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 Realkredit Danmark has sufficient capital to comply with the capital requirement in a number of stress tests.

Solvency need

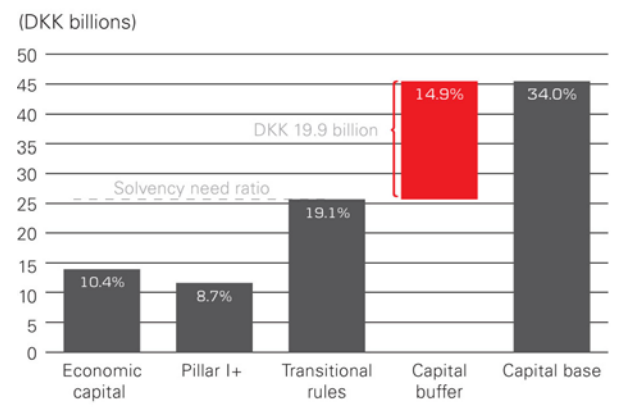
Like other Danish banks and mortgage credit institutions, Realkredit Danmark must comply with special requirements in Danish legislation to publish its solvency need each quar-

ter. The solvency need is the capital considered sufficient to cover Realkredit Danmark's risks. The calculation of the solvency need is an internal process in which management makes a number of assessments of Realkredit Danmark'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 2013



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 2013, Realkredit Danmark's solvency need was calculated according to the Basel I rules (the transitional rules). The solvency need amounted to DKK 25.6 billion, or 19.1% of risk-weighted assets. As the actual capital base stood at DKK 45.5 billion and the total capital ratio at 34.0% at the end of the year, Realkredit Danmark had a massive capital buffer of DKK 19.9 billion.

In the second quarter of 2013, Danske Bank received orders from the Danish FSA requiring an increase in the capital used to cover credit risks. Danske Bank has decided to meet the requirement with a temporary solution with a view to developing and implementing a more permanent solution in 2014. The temporary solution resulted in a marginal increase only in Realkredit Danmark's risk-weighted assets.

Large exposures

Large exposures are defined as exposures amounting to at least 10% of the capital base after deduction of particularly secure claims. At the end of 2013, Realkredit Danmark had two exposures that exceeded 10% of its capital base.

Supplementary collateral

As an institute issuing mortgage-covered bonds, Realkredit Danmark must provide supplementary collateral if the value of the properties on which loans are secured is at a level that causes the LTV ratio to rise above 80% for housing property and 60% for commercial property. In 2013, issuance of mortgage-covered bonds rose DKK 34 billion to DKK 658 billion. At the end of 2013, the need for supplementary collateral was DKK 42.2 billion, against DKK 43.9 billion at end-2012.

A large proportion of Realkredit Danmark's mortgage loans are covered by loss guarantees 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 covered DKK 50 billion of the loan portfolio at 31 December 2013. This amount includes DKK 12 billion in the form of supplementary collateral for mortgage-covered bonds.

Risk management

Realkredit Danmark'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 and operational risks are also monitored. However, the statutory principle of balance eliminates most of the interest rate, exchange rate and liquidity risks on Realkredit Danmark'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, was presented in its

final form in 2013. However, 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 2013, Realkredit Danmark again followed the preparation 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 from 2018 at the earliest. 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 LCR and NSFR in their present form.

It remains uncertain whether Danish mortgage bonds can be included in the liquidity buffer in line with securities such as Danish mortgage bonds when the LCR rules take effect, expectedly in 2015. The European Banking Authority will present its proposed criteria.

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 has extensively replaced own issued bonds with bonds issued by other mortgage credit institutions.

It is pivotal that mortgage bonds gain the status of 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.

Systemically important financial institutions (SIFI)

As part of the Danske Bank Group, Realkredit Danmark has been designated a SIFI.

One of the consequences is a requirement for a stronger capital buffer, which for Danske Bank, and by extension Realkredit Danmark, amounts to 3% of risk-weighted assets. The requirement depends on the size of the institution and its market share. The requirement will be fully phased in by 2019, but Realkredit Danmark already has the required capital buffer.

Furthermore, a SIFI must fully comply with the LCR rules by early 2015, while the rules for other institutions will be gradually phased in. The rules also involve stricter requirements for the long-term funding of SIFIs by way of a simple version of the NSFR requirements. However, the final rules for both the LCR and NSFR still have not been finalised.

Amended mortgage credit legislation

At the end of 2013, a bill was tabled in Denmark to amend the conditions for offering ultra-short FlexLån[®], Cibor loans and FlexKort[®]. The bill includes requirements that, in case a refinancing auction fails or interest rates increase by more than 500 bps from the preceding refinancing period, the maturity of the bond can be extended by 12 months at a time. The bill was drafted to accommodate mounting rating agency concern about the refinancing risk in Denmark and to settle aspects concerning the winding up of an insolvent mortgage credit institution.

Realkredit Danmark supports the bill, which will create clarity with respect to the highly unlikely situation of a refinancing auction failing.

The position of the rating agencies on the bill remains unclear.

Rating and capital resources

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

Realkredit Danmark expects relatively stable overcollateralisation requirements from the rating agencies in 2014, 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.

After the annual general meeting on 7 March 2013, Tonny Thierry Andersen was appointed chairman and Lars Mørch vice chairman of the Board of Directors.

At the February election of employee representatives to the Board of Directors, Klaus Pedersen did not offer himself for reelection. Lisbeth Sahlertz Nielsen was elected as new employee representative.

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

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

Human resources

At the end of 2013, the number of full-time equivalent staff at Realkredit Danmark was 249.

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 Realkredit Danmark's business.

Realkredit Danmark regularly assesses risks in relation to financial reporting, with particular focus on items where estimates and judgements 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 Danske Bank A/S. In this connection, Realkredit Danmark has established a governance structure to monitor the outsourced assignments and to ensure a procedure involving ongoing reporting to the individual organisational levels within the Group. Internal management reporting is based on the same principles as external reporting.

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

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 prepare the work of the Board of Directors on financial reporting and audit matters, including related risk matters, which the Board of Directors, the committee itself, the external auditors or the head of Internal Audit intend to review further. 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 combined Board of Directors.

In 2013, the Audit Committee held five meetings.

Corporate responsibility

Realkredit Danmark is part of the Danske Bank Group, and more information about corporate responsibility at the Danske Bank Group is available at danskebank.com/responsibility. CR Report 2013 and CR Fact Book 2013 can be downloaded from this website.

Income statement and Comprehensive income

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
	Profit				
4	Interest income	25,005	25,946	25,002	25,944
5	Interest expense	17,724	19,395	17,724	19,395
	Net interest income	7,281	6,551	7,278	6,549
	Dividends from shares	-	-	-	-
	Fee and commission income	397	593	397	593
	Fee and commission expense	937	1,062	937	1,062
3	Net fee and commission income	6,741	6,082	6,738	6,080
3, 6	Value adjustments	-1,067	-732	-1,067	-732
	Other operating income	123	111	3	2
7-9	Staff costs and administrative expenses	848	866	742	767
	Impairment, depreciation and amortisation charges	4	4	1	1
10	Loan impairment charges	1,471	1,319	1,469	1,317
	Income from associates and group undertakings	3	2	12	7
	Profit before tax	3,477	3,274	3,474	3,272
11	Tax	865	820	862	818
	Net profit for the year	2,612	2,454	2,612	2,454
	Proposal for allocation of profits				
	Net profit for the year			2,612	2,454
	Transferred from other reserves			1,289	1,276
	Total for allocation			3,901	3,730
	Portion attributable to				
	Reserves in series			1,801	1,730
	Other reserves			-	-
	Proposed dividends			2,100	2,000
	Total allocation			3,901	3,730
	Comprehensive income				
	Net profit for the year	2,612	2,454	2,612	2,454
	Other comprehensive income				
	Items that will not be reclassified to profit or loss				
	Actuarial gains/losses on defined benefit plans	-107	77	-107	77
	Tax	27	-19	27	-19
	Items that will not be reclassified to profit or loss	-80	58	-80	58
	Items that are or may be reclassified to profit or loss				
	Fair value adjustment of domicile property	-	-	6	-18
	Tax	-	-	-1	5
	Items that are or may be reclassified to profit or loss	-	-	5	-13
	Total comprehensive income	-80	58	-75	45
	Total comprehensive income for the year	2,532	2,512	2,537	2,499

Balance sheet

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
	ASSETS				
	Cash in hand and demand deposits				
	with central banks	872	3	872	3
12	Due from credit institutions and central banks	50,132	18,724	50,081	18,692
13	Bonds at fair value	32,396	35,953	32,396	35,953
14	Bonds at amortised cost	28,744	-	28,744	-
15-16, 19	Mortgage loans at fair value	730,901	735,494	730,901	735,494
15, 17-19	Loans and other amounts due at amortised cost	973	846	935	797
	Shares	2	2	-	-
20	Holdings in associates	14	11	14	11
	Holdings in group undertakings	-	-	139	130
	Land and buildings	91	92	141	136
21	Domicile property	91	92	141	136
22	Other tangible assets	10	11	5	5
	Current tax assets	77	10	76	8
23	Deferred tax assets	-	-	-	-
24	Assets temporarily taken over	193	265	193	265
19, 25	Other assets	3,720	2,706	3,672	2,661
	Prepayments	9	10	7	8
	Total assets	848,134	794,127	848,176	794,163
	LIABILITIES AND EQUITY				
	AMOUNTS DUE				
26	Due to credit institutions and central banks	32,501	10,079	32,501	10,079
27	Issued mortgage bonds at fair value	725,159	701,373	725,159	701,373
28	Issued bonds at amortised cost	32,089	21,687	32,089	21,687
	Current tax liabilities	-	-	-	-
23	Deferred tax liabilities	16	45	-	-
29, 30	Other liabilities	11,485	14,591	11,397	14,447
	Deferred income	-	-	-	-
	Total amounts due	801,250	747,775	801,146	747,586
	PROVISIONS				
23	Deferred tax	-	-	31	61
30	Reserves in early series subject to a reimbursement obligation	-	-	77	131
	Total provisions	-	-	108	192
	SUBORDINATED DEBT				
31	Subordinated debt	-	-	-	-
	Total liabilities	801,250	747,775	801,254	747,778
	SHAREHOLDERS' EQUITY				
	Share capital	630	630	630	630
	Revaluation reserve	-	-	34	31
	Reserves in series	42,292	39,453	42,292	39,453
	Other reserves	1,862	4,269	1,866	4,271
	Proposed dividends	2,100	2,000	2,100	2,000
	Total shareholders' equity	46,884	46,352	46,922	46,385
	Total liabilities and equity	848,134	794,127	848,176	794,163

Statement of capital

Realkredit Danmark Group					
(DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2013	630	39,453	4,327	2,000	46,410
Changed recognition of defined benefit plans	-	-	-58	-	-58
Restated shareholders' equity at 1 January 2013	630	39,453	4,269	2,000	46,352
Net profit for the year	-	1,801	811	-	2,612
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-107	-	-107
Tax	-	-	27	-	27
Total comprehensive income for the year	-	1,801	731	-	2,532
Transferred from/to Other reserves	-	1,038	-1,038	-	-
Dividend paid	-	-	-	-2,000	-2,000
Proposed dividends	-	-	-2,100	2,100	-
Shareholders' equity at 31 December 2013	630	42,292	1,862	2,100	46,884
Shareholders' equity at 1 January 2012	630	33,120	10,221	786	44,757
Changed recognition of defined benefit plans	-	-	-131	-	-131
Restated shareholders' equity at 1 January 2012	630	33,120	10,090	786	44,626
Net profit for the year	-	1,730	724	-	2,454
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	77	-	77
Tax	-	-	-19	-	-19
Total comprehensive income for the year	-	1,730	782	-	2,512
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	4,269	2,000	46,352

Statement of capital

Realkredit Danmark A/S						
(DKK millions)	Share capital	Revaluation reserve	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2013	630	31	39,453	4,271	2,000	46,385
Changed recognition of defined benefit plans	-	-	-	-	-	-
Restated shareholders' equity at 1 January 2013	630	31	39,453	4,271	2,000	46,385
Net profit for the year	-	-	1,801	811	-	2,612
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	-	-	-	-107	-	-107
Fair value adjustment of domicile property	-	3	-	3	-	6
Tax	-	-	-	26	-	26
Total comprehensive income for the year	-	3	1,801	733	-	2,537
Transferred from/to Other reserves	-	-	1,038	-1,038	-	-
Dividend paid	-	-	-	-	-2,000	-2,000
Proposed dividends	-	-	-	-2,100	2,100	-
Shareholders' equity at 31 December 2013	630	34	42,292	1,866	2,100	46,922
Shareholders' equity at 1 January 2012	630	49	33,120	10,087	786	44,672
Changed recognition of defined benefit plans	-	-	-	-	-	-
Restated shareholders' equity at 1 January 2012	630	49	33,120	10,087	786	44,672
Net profit for the year	-	-	1,730	724	-	2,454
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	-	-	-	77	-	77
Fair value adjustment of domicile property	-	-18	-	-	-	-18
Tax	-	-	-	-14	-	-14
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

At the end of 2013, 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	
	31 Dec. 2013	31 Dec. 2012
(DKK millions)		
Capital base and total capital ratio		
Shareholders' equity	46,884	46,352
Revaluation of domicile property	50	44
Tax effect	-12	-11
Shareholders' equity calculated in accordance with the rules of the Danish FSA	46,922	46,385
Proposed dividends	-2,100	-2,000
Revaluation reserve	-34	-31
Deferred tax assets	-	-
Core tier 1 capital	44,788	44,354
Hybrid capital	-	-
Difference between expected losses and impairment charges	-	-
Tier 1 capital	44,788	44,354
Reserves in series subject to a reimbursement obligation	45	62
Revaluation reserve	34	31
Difference between expected losses and impairment charges	665	616
Capital base	45,532	45,063
Total risk-weighted assets	133,867	131,543
Core tier 1 capital ratio (%)	33.5	33.7
Tier 1 capital ratio (%)	33.5	33.7
Total capital ratio (%)	34.0	34.3

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

Statement of capital

	Realkredit Danmark A/S	
(DKK millions)	31 Dec. 2013	31 Dec. 2012
Capital base and total capital ratio		
Shareholders' equity	46,922	46,385
Proposed dividends	-2,100	-2,000
Revaluation reserve	-34	-31
Deferred tax assets	-	-
Core tier 1 capital	44,788	44,354
Hybrid capital	-	-
Difference between expected losses and impairment charges	-	-
Tier 1 capital	44,788	44,354
Reserves in series subject to a reimbursement obligation	45	62
Revaluation reserve	34	31
Difference between expected losses and impairment charges	664	616
Capital base	45,531	45,063
Total risk-weighted assets	133,721	131,570
Core tier 1 capital ratio (%)	33.5	33.7
Tier 1 capital ratio (%)	33.5	33.7
Total capital ratio (%)	34.0	34.3

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

Cash flow statement

	Realkredit Danmark Group	
(DKK millions)	2013	2012
Cash flow from operating activities		
Profit before tax	3,477	3,274
Adjustment for non-cash operating items		
Amortisation, depreciation and impairment charges	4	4
Loan impairment charges	693	402
Other non-cash items	-	-1
Tax paid	-934	-893
Total	3,240	2,786
Cash flow from operating capital		
Bonds and shares	-25,448	-18,994
Mortgage loans	-2,904	-8,428
Issued mortgage bonds	39,336	24,728
Due to credit institutions	22,422	-10,589
Other assets/liabilities	-2,367	-510
Cash flow from operating activities	34,279	-11,007
Cash flow from investing activities		
Acquisition of tangible assets	-2	-2
Sale of tangible assets	-	-
Cash flow from investing activities	-2	-2
Cash flow from financing activities		
Repayment of hybrid capital	-	-2,034
Dividend	-2,000	-786
Cash flow from financing activities	-2,000	-2,820
Cash and cash equivalents at 1 January	18,727	32,556
Change during the year	32,277	-13,829
Cash and cash equivalents at 31 December	51,004	18,727
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	872	3
Deposits with credit institutions and central banks with terms shorter than 3 months	50,132	18,724
Total	51,004	18,727

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.

Realkredit Danmark has adopted the amended IFRS 13 Fair Value Measurement. The standard introduces a definition of fair value and provides guidance on how to measure and disclose fair value along with disclosure requirements for fair value. IFRS 13 applies when another standard requires fair value to be used or disclosed. Adoption did not result in any significant effect on Realkredit Danmark's financial results.

Because of changes to IAS 19, Employee Benefits, the Group has changed its accounting policy for recognition of defined benefit pension plans effective from 1 January 2013. The amended standard eliminates the option of deferring the recognition of actuarial gains and losses on defined benefit pension plans, known as the "corridor method". The present value of pension obligations and the fair value of pension plan assets must be recognised in the balance sheet instead. The Group adopted the standard from the beginning of 2013 with restatement of comparative figures for 2012.

The implementation reduced shareholders' equity at 1 January 2012 by DKK 131 million (the amount deferred under the corridor method net of tax). At end-2012, the net pension asset was reduced by DKK 77 million, the deferred tax obligation was reduced by DKK 19 million and shareholders' equity was reduced by DKK 58 million. The net profit for 2012 was increased by DKK 15 million because of reduced pension costs (after tax). Actuarial gains of DKK 58 million were recognised in Other comprehensive income for 2012.

With the exception of these changes, Realkredit Danmark has not changed its significant accounting policies from those followed in Annual Report 2012.

Critical accounting estimates and assessments

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the Group's consolidated financial statements. The amount most influenced by critical estimates and assessments is the fair value measurement of mortgage loans.

The estimates and assumptions are based on assumptions that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incom-

plete, unexpected future events or situations may occur and other parties may arrive at other estimated values.

Fair value measurement of mortgage loans

The fair value of mortgage loans is based on the fair value of the underlying issued mortgage bonds adjusted for changes in the fair value of the credit risk on borrowers. For mortgage loans granted to customers in rating categories 10 and 11 (loans with objective evidence of impairment), such adjustment is made to the amount which the borrower is expected to be able to repay after a financial restructuring. Loans are written down to the fair value of the collateral if financial restructuring is not possible.

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

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.

Notes

Note

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.

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 and the counterparty have a legally enforceable right to set off a recognised amount and intend 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 rate 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. Fair value adjustments of unsettled financial instruments are recognised from the trading date to the settlement date.

Classification

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

- Securities classified either at fair value through profit or loss or at amortised cost as a held-to-maturity portfolio.
- Mortgage loans designated at fair value through profit or loss.
- Loans and receivables measured at amortised cost.

At initial recognition, a financial liability is assigned to 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 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.

Notes

Note

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.

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.

Bonds at amortised cost

In 2013, Realkredit Danmark established a held-to-maturity bond portfolio. These bonds are not managed on a fair value basis or held for the purpose of generating a return until maturity. The bonds are measured at amortised cost.

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 debt is written down to the amount that the borrower is expected to be able to repay after a financial restructuring. Loans are written down to the fair value of the collateral if financial restructuring is not possible.

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 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 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.

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If that is not the case, such real property is classified as domicile property, unless the Group occupies less than 10% of the total floorage.

Domicile property is measured at cost plus property improvement expenditure and less depreciation and impairment charges.

The straight-line depreciation of the property is based on the expected scrap value and an estimated useful life of 20 to 50 years.

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

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

Other tangible assets

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

Other tangible assets are tested for impairment if evidence of impairment exists, and the asset is written down to its recoverable 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. 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.

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 on the balance sheet.

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 adopted changes in tax rates are recognised in the income statement based on expected cash flows.

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.

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Note

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.

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

Performance-based pay is expensed as it is earned. Until 2008, part of the performance-based pay 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. For defined benefit pension plans, the Group recognises actuarial pension expenses (standard cost), while gains or losses as a result of the difference between expected trends and actual trends are recognised in Other comprehensive income.

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 Other comprehensive income is recognised in Other comprehensive income. Similarly, tax on items recognised in shareholders' equity is recognised in Shareholders' equity.

Comprehensive income

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

Cash flow statement

The Group has prepared its cash flow statement according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating,

Notes

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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.

In November 2013, the IASB issued amendments to IFRS 9 Financial Instruments, which will eventually replace the rules of IAS 39. IFRS 9 so far provides principles for classification and derecognition of financial instruments and includes the new general hedge accounting model. The IASB has released proposals to with certain amendments for the classification principles, and together with the impairment principles these are expected to be finalised by IASB in 2014. IASB is also working on a new macro hedge accounting model.

IASB has not yet decided when to implement the amended IFRS 9. 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 on the principal amount outstanding 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. The general hedge accounting model does not fundamentally change the types of hedging relationships or the requirements to measure and recognise ineffectiveness.

Meaningful classification etc. 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 standards, 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.

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. 113 dated 7 February 2013. 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. 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 subsidiary undertakings is charged to the item Income from associates and group undertakings.

Notes

Note (DKK millions)

2	Profit broken down by activity	Realkredit Danmark Group				
		Mortgage finance	Own holdings	Total	Reclassification	Highlights
2013						
	Administration margin	5,491	-	5,491	-	5,491
	Net interest income	-39	1,829	1,790	-1,814	-24
	Dividends from shares	-	-	-	-	-
	Net fee income	-540	-	-540	-	-540
	Income from investment portfolios	-	-	-	750	750
	Value adjustments	465	-1,532	-1,067	1,067	-
	Other income	123	-	123	-	123
	Total income	5,500	297	5,797	3	5,800
	Expenses	846	6	852	-	852
	Profit before loan impairment charges	4,654	291	4,945	3	4,948
	Loan impairment charges	1,471	-	1,471	-	1,471
	Income from associates	-	3	3	-3	-
	Profit before tax	3,183	294	3,477	-	3,477
2012						
	Administration margin	4,724	-	4,724	-	4,724
	Net interest income	235	1,592	1,827	-1,592	235
	Dividends from shares	-	-	-	-	-
	Net fee income	-469	-	-469	-	-469
	Income from investment portfolios	-	-	-	862	862
	Value adjustments	269	-1,001	-732	732	-
	Other income	111	-	111	-	111
	Total income	4,870	591	5,461	2	5,463
	Expenses	866	4	870	-	870
	Profit before loan impairment charges	4,004	587	4,591	2	4,593
	Loan impairment charges	1,319	-	1,319	-	1,319
	Income from associates	-	2	2	-2	-
	Profit before tax	2,685	589	3,274	-	3,274

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.

3 Geographical segmentation

For the Realkredit Danmark Group, interest on loans to customers outside Denmark amounted to DKK 204 million (2012: DKK 102 million). Realkredit Danmark A/S's net interest and fee income and value adjustments on loans to customers outside Denmark totalled DKK 56 million (2012: DKK 18 million).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
4	Interest income				
	Reverse transactions with credit institutions and central banks	4	50	4	50
	Credit institutions and central banks	-	5	-	5
	Loans and other amounts due	18,122	19,904	18,120	19,902
	Administration margin	5,491	4,724	5,491	4,724
	Bonds at fair value	654	577	654	577
	Bonds at amortised cost	54	-	54	-
	Derivatives				
	Interest rate contracts	481	511	481	511
	Other interest income	199	175	198	175
	Total	25,005	25,946	25,002	25,944
	Interest income derived from				
	Assets at fair value	24,748	25,716	24,746	25,714
	Assets at amortised cost	257	230	256	230
	Total	25,005	25,946	25,002	25,944
	Interest on individually impaired financial assets recognised at amortised cost amounted to DKK 21 million (2012: DKK 19 million)				
5	Interest expense				
	Repo transactions with credit institutions and central banks	9	60	9	60
	Due to credit institutions and central banks	-	2	-	2
	Issued mortgage bonds	17,593	19,147	17,593	19,147
	Subordinated debt	-	68	-	68
	Reimbursement of origination fees etc.	122	118	122	118
	Other interest expense	-	-	-	-
	Total	17,724	19,395	17,724	19,395
	Interest expense derived from				
	Liabilities at fair value	17,593	19,147	17,593	19,147
	Liabilities at amortised cost	131	248	131	248
	Total	17,724	19,395	17,724	19,395
6	Value adjustments				
	Mortgage loans	-7,581	5,354	-7,581	5,354
	Bonds	-497	-236	-497	-236
	Shares	-	-	-	-
	Currency	13	11	13	11
	Derivatives	1,585	-975	1,585	-975
	Other assets	13	11	13	11
	Issued mortgage bonds	5,305	-4,752	5,305	-4,752
	Reserves in early series subject to a reimbursement obligation	3	-3	3	-3
	Other liabilities	92	-142	92	-142
	Total	-1,067	-732	-1,067	-732
	Value adjustments derived from				
	Assets and liabilities at fair value	-1,172	-601	-1,172	-601
	Assets and liabilities at amortised cost	105	-131	105	-131
	Total	-1,067	-732	-1,067	-732

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
7	Staff costs and administrative expenses				
	Salaries and remuneration of Executive Board, Board of Directors and local councils				
	Executive Board	4	5	4	5
	Board of Directors	1	1	1	1
	Local councils	3	3	3	3
	Total	8	9	8	9
	Staff costs				
	Salaries	157	170	134	148
	Share-based payments	-	-	-	-
	Pensions	19	22	17	20
	Other social security costs and taxes	17	21	17	21
	Total	193	213	168	189
	Other administrative expenses	647	664	566	569
	Total staff costs and administrative expenses	848	866	742	767
	Number of full-time-equivalent staff (avg.)	252	284	220	251

A more detailed description of the Group's remuneration policy and disbursed salaries is provided in "Remuneration report 2013", which is available on the rd.dk website. Remuneration report 2013 is not covered by the statutory audit.

Remuneration of the Board of Directors (DKK thousands)

Kim Andersen	315	315	315	315
Claus Bundgaard	125	125	125	125
Lisbeth Sahlertz Nielsen (from 7 March 2013)	104	-	104	-
Klaus Pedersen (until 7 March 2013)	31	125	31	125
Total remuneration	575	565	575	565
Remuneration for committee work included in total remuneration	190	190	190	190
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 2013 of DKK 8.4 million (2012 DKK 8.9 million), Lars Mørch received DKK 7.3 million (2012 DKK 4.6 million), Henrik Ramlau-Hansen received DKK 8.4 million (2012 DKK 8.7 million), Kim Andersen received DKK 0.3 million (2012 DKK 0.3 million) and Per Skovhus (2012 DKK 5.6 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 cont'd	Staff costs and administrative expenses	
	Remuneration of the Executive Board	
		Carsten Nøddebo Rasmussen
	2013	
	Fixed salary	3.2
	Pension	0.4
	Variable cash remuneration	0.3
	Variable share-based remuneration	0.1
	Total amount earned	4.0
	Total amount paid	3.8

Total amount paid consists of fixed salary and pension contributions to defined contribution plans in 2013, variable cash remuneration and the exercise of conditional shares granted for earlier financial years. Variable remuneration for 2013 will be paid in subsequent financial years.

The total remuneration of the Executive Board of DKK 4.0 million for 2013 consists of a fixed remuneration of DKK 3.6 million and a variable remuneration of DKK 0.4 million.

	Carsten Nøddebo Rasmussen	Jens-Erik Corvinus
2012		
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

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.

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.

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 **Staff costs and administrative expenses**

cont'd

Remuneration of other material risk takers

For 2013, Realkredit Danmark A/S paid remuneration totalling DKK 6.3 million for 5 material risk takers (2012: DKK 6.3 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 (2012: DKK 6.3 million and DKK 0 million).

Realkredit Danmark A/S has no pension obligation towards other material risk takers, as these are covered by defined contribution plans through pension funds.

Pension plans

Most of the Group's pension plans are defined contribution plans under which the Group pays contributions to insurance companies. Such payments are expensed regularly. The Group has to a minor extent entered into a defined benefit pension plan through Kreditforeningen Danmarks Pensionsafvklingskasse, where the Group is under an obligation to pay defined future benefits from the time of retirement. Since 1971, the plan has not accepted new members.

The fair value of pension assets less the present value of obligations is recognised under Other assets. At 31 December 2013, the net present value of pension obligations was DKK 945 million (31 December 2012: DKK 969 million), and the fair value of plan assets was DKK 1,217 million (31 December 2012: DKK 1,332 million). The Group recognises the standard cost in the income statement, whereas actuarial gains or losses are recognised in Other comprehensive income.

The calculation of the net obligation is based on valuations made by external actuaries. These valuations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. The measurement of the net obligation is particularly sensitive to changes in the discount rate. The discount rate is determined by reference to yields on Danish mortgage bonds with terms to maturity matching the terms of the pension obligations.

For the purposes of clarity, the information on defined benefit pensions has been reduced in 2013. The information is not considered to be of material significance on the basis of both quantitative and qualitative criteria.

Share-based payments

8 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 are 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.

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%.

The fair value of the share options is calculated according to a dividend-adjusted Black & Scholes formula. The fair value at the end of 2013 is based on the following assumptions: Share price 124 (2012: 96). Dividend payout ratio 2.5% (2012: 2.5%). Rate of interest 0.2-0.3% (2012: 0.2-0.3%), equal to the swap rate. Volatility 30% (2012: 35%). Average time of exercise 0-1 years (2012: 0-1 years). The volatility is estimated on the basis of historical volatility.

Effective from 2010, part of the variable remuneration of Realkredit Danmark's Executive Board was granted by way of conditional shares.

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 later vest only if the Group as a whole and the employee's department meet certain performance targets within the next five years.

The fair value of the conditional shares was calculated as the share price less the payment made by the employee.

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.

Realkredit Danmark A/S has hedged the share price risk.

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						
	2012, beg.	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	-
	Exercised 2013	-	-	-			
	Forfeited 2013	-	-95,960	-95,960			
	Other changes 2013	137	574	711			
	2013, end	17,449	72,898	90,347	181,1-269,4	2.3	0.1
	Holdings of the Executive Board and fair value, end of 2013						
	Grant year (DKK millions)					2007-2008 Number	FV
	Carsten Nøddebo Rasmussen					17,449	-
	Holdings of the Executive Board and fair value, end of 2012						
	Grant year (DKK millions)					2006-2008 Number	FV
	Carsten Nøddebo Rasmussen					17,312	-

Share options were granted in 2008 or earlier.

The number of shares held and the exercise price have been adjusted to reflect the share capital increase in 2012.

No share option were held or exercised in 2013.

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 2012					
	518	1,498	2,016		
	-	-	-		
	-	-	-		
	-	-	-		
	518	1,498	2,016	0.2	0.2
Vested 2013					
	-	-	-		
	-	-	-		
	4	11	15		
	522	1,509	2,031	0.2	0.3
Granted in 2013					
	761	983	1,744	-	-
	-	-	-		
	-	-	-		
	-	-	-		
	761	983	1,744	0.2	0.2
Holdings of the Executive Board and fair value, end of 2013					
	Grant year (DKK millions)			2012-2013 Number	FV
	Carsten Nøddebo Rasmussen			1,283	0.2
Holdings of the Executive Board and fair value, end of 2012					
	Grant year (DKK millions)			2012 Number	FV
	Carsten Nøddebo Rasmussen			518	-

The holdings and employ payment price have been adjusted to reflect the capital increase in 2012.

In 2013, no conditional shares were granted to employees.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
9	Audit fees				
	Audit firms appointed by the general meeting				
	Statutory audit of financial statements	1	1	1	1
	Fees for other assurance engagements	-	-	-	-
	Fees for tax advisory services	-	-	-	-
	Fees for other services	-	-	-	-
	Total	1	1	1	1
10	Loan impairment charges				
	Impairment charges etc. during the year	1,742	1,242	1,905	1,240
	Reversals of impairment charges etc. for previous years	1,049	840	1,216	840
	Losses incurred	847	1,002	849	1,002
	Received on claims previously written off	69	85	69	85
	Total	1,471	1,319	1,469	1,317
11	Tax				
	Tax on profit for the year	875	791	874	792
	Deferred tax	-6	28	-8	25
	Adjustment of prior-year tax charges	-4	1	-4	1
	Total	865	820	862	818
	Effective tax rate				
	Current Danish tax rate	25.0	25.0	25.0	25.0
	Adjustment of prior-year tax charge	-0.1	-	-0.1	-
	Non-taxable items	-	-	-0.1	-
	Effective tax rate	24.9	25.0	24.8	25.0
12	Due from credit institutions and central banks				
	Demand deposits	1,877	1,487	1,866	1,480
	3 months or less	48,255	17,237	48,215	17,212
	Total	50,132	18,724	50,081	18,692
	Due from credit institutions	50,132	18,724	50,081	18,692
	Term deposits with central banks	-	-	-	-
	Total	50,132	18,724	50,081	18,692
	At fair value	50,060	18,715	50,009	18,683
	Portion attributable to reverse transactions	41,865	10,727	41,865	10,727
	In connection with reverse transactions, Realkredit Danmark is entitled to sell or remortgage the securities. In 2013, DKK 0 million were sold or remortgaged (2012: DKK 0 million).				
13	Bonds at fair value				
	Own mortgage bonds	158,025	254,423	158,025	254,423
	Other mortgage bonds	28,774	32,268	28,774	32,268
	Government bonds	-	41	3,622	41
	Other bonds	3,622	3,644	-	3,644
	Total	190,421	290,376	190,421	290,376
	Own mortgage bonds set off against issued mortgage bonds	158,025	254,423	158,025	254,423
	Total	32,396	35,953	32,396	35,953
	Of Realkredit Danmark's bond portfolio, about DKK 27.3 billion has a maturity of less than 12 months, while DKK 5.1 billion has a maturity of up to five years.				

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
14	Bonds at amortised cost				
	Other mortgage bonds	28,744	-	28,744	-
	Total	28,744	-	28,744	-
	Fair value of bands at amortised cost.	28,689	-	28,689	-
	The fair value is based on quoted prices.				
	Of Realkredit Danmark's bond portfolio, approximately DKK 24.7 billion have a term to maturity of up to five years, while DKK 4.0 billion have a term to maturity of up to ten years.				
15	Total lending				
	Mortgage loans, nominal value	719,358	715,702	719,358	715,702
	Fair value adjustment of underlying bonds	14,884	22,465	14,884	22,465
	Adjustment for credit risk	3,341	2,673	3,341	2,673
	Mortgage loans at fair value	730,901	735,494	730,901	735,494
	Arrears and outlays	536	475	536	475
	Other loans	437	371	399	322
	Total	731,874	736,340	731,836	736,291
	Apart from being backed by mortgages on properties, loans are backed by central and local government guarantees and insurance guarantees of	25,584	25,262	25,584	25,262
	Pass books and bonds have been deposited and guarantees provided as supplementary security in a total amount of	98,664	90,610	98,664	90,610

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 2013, DKK 668 million was expensed concerning adjustment for credit risk on loans (2012: DKK 608 million). The accumulated adjustment for credit risk amounts to DKK 3.3 billion (2012: DKK 2.7 billion).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
16	Mortgage loans at fair value				
	Mortgage loans (nominal value) broken down by property category (percentage)				
	Owner-occupied dwellings	55	55	55	55
	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	12	11	12	11
	Agricultural property etc.	6	7	6	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	52,732	41,914	52,732	41,914
	1-3 months	4,506	5,918	4,506	5,918
	3-12 months	19,951	21,881	19,951	21,881
	1-5 years	133,488	96,217	133,488	96,217
	5-10 years	131,940	117,977	131,940	117,977
	Over 10 years	388,284	451,587	388,284	451,587
	Total	730,901	735,494	730,901	735,494
17	Loans and other amounts due at amortised cost				
	On demand	545	475	545	475
	3 months or less	20	19	17	15
	3 months to 1 year	60	57	51	45
	1-5 years	130	121	109	94
	Over 5 years	218	174	213	168
	Total	973	846	935	797

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
18	Arrears and outlays				
	Arrears before impairment charges	336	378	336	378
	Outlays before impairment charges	499	373	499	373
	Impairment charges	299	276	299	276
	Total	536	475	536	475

- 19 **Loans etc.**
 Of the total fair value adjustment for the credit risk on mortgage loans, changes were recognised as an expense of DKK 3,341 million at 31 December 2013, against DKK 2,673 million at 31 December 2012.
 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 313 million at 31 December 2013, against DKK 288 million at 31 December 2012.

	Realkredit Danmark Group			Realkredit Danmark A/S		
	Loans individual impairment	Loans collective impairment	Total	Loans individual impairment	Loans collective impairment	Total
2013						
Impairment charges at 1 January 2013	2,747	214	2,961	2,743	214	2,957
Impairment charges during the year	1,598	311	1,909	1,594	311	1,905
Reversals of impairment charges for previous years	1,104	112	1,216	1,104	112	1,216
Impairment charges at 31 December 2013	3,241	413	3,654	3,233	413	3,646
Value adjustment of assets taken over						-16
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

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
2013				
Rating category 10	19,746	1,244	19,746	1,236
Rating category 11	9,772	2,027	9,772	2,027
Total	29,518	3,271	29,518	3,263
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

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	
		2013	2012	2013	2012
20	Holdings in associates				
	Cost at 1 January	14	14	14	14
	Disposals	-	-	-	-
	Cost at 31 December	14	14	14	14
	Revaluations at 1 January	-3	-5	-3	-5
	Reversals of revaluations	3	2	3	2
	Revaluations at 31 December	-	-3	-	-3
	Carrying amount at 31 December	14	11	14	11
	Associates are specified on page 54				
21	Domicile property				
	Carrying amount at 1 January	92	93	136	155
	Disposals	-	-	-	-
	Depreciation charges	1	1	1	1
	Value adjustment recognised in other comprehensive income	-	-	6	-18
	Carrying amount at 31 December	91	92	141	136
	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	40	39		
	Reversal of depreciation charges	-	-		
	Depreciation charges	1	1		
	Depreciation and impairment charges at 31 December	41	40		
	Carrying amount at 31 December	91	92		
	Fair value of domicile property	141	136		
	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.				
22	Other tangible assets				
	Cost at 1 January	24	22	5	5
	Additions	2	2	-	-
	Disposals	5	-	-	-
	Cost at 31 December	21	24	5	5
	Depreciation and impairment charges at 1 January	13	11	-	-
	Depreciation charges	3	2	-	-
	Depreciation and impairment charges reversed on disposals etc.	5	-	-	-
	Depreciation and impairment charges at 31 December	11	13	-	-
	Carrying amount at 31 December	10	11	5	5

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S		
		2013	2012	2013	2012	
23	Deferred tax assets and liabilities					
	Deferred tax liabilities	16	45	-	-	
	Provision for deferred tax	-	-	31	61	
	Total	16	45	31	61	
	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.
	2013					
	Intangible assets	-	-	-	-	-
	Tangible assets	8	-	-4	-	4
	Securities	-5	-	8	-	3
	Provisions	50	-	-10	-27	13
	Tax loss carryforwards	-1	-	1	-	-
	Other	-7	-	3	-	-4
	Total	45	-	-2	-27	16
	Adjustment of prior-year tax charges included in total			9		
	2012					
	Intangible assets	-	-	-	-	-
	Tangible assets	7	-	1	-	8
	Securities	-3	-	-2	-	-5
	Provisions	36	-	14	-	50
	Tax loss carryforwards	-	-	-1	-	-1
	Other	-10	-	3	-	-7
	Total	30	-	15	-	45
	Adjustment of prior-year tax charges included in total			-8		
	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.
	2013					
	Intangible assets	-	-	-	-	-
	Tangible assets	15	-	-2	2	15
	Securities	-5	-	8	-	3
	Provisions	51	-	-11	-27	13
	Tax loss carryforwards	-	-	-	-	-
	Other	-	-	-	-	-
	Total	61	-	-5	-25	31
	Adjustment of prior-year tax charges included in total			7		
	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		

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
24	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 193 million worth of properties at 31 December 2013 (2012: DKK 265 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 57 million (2012: DKK 70 million).				
25	Other assets				
	Interest due	1,491	859	1,491	859
	Pension assets	272	363	272	363
	Other assets	1,957	1,484	1,909	1,439
	Total	3,720	2,706	3,672	2,661
26	Due to credit institutions and central banks				
	On demand	-	-	-	-
	3 months or less	32,501	10,079	32,501	10,079
	3-12 months	-	-	-	-
	1-5 years	-	-	-	-
	Total	32,501	10,079	32,501	10,079
	At fair value	32,434	10,077	32,434	10,077
	Portion attributable to repo transactions	32,501	10,079	32,501	10,079
27	Issued mortgage bonds at fair value				
	Issued mortgage bonds, nominal value*	866,127	932,639	866,127	932,639
	Fair value adjustment	17,057	23,157	17,057	23,157
	Issued mortgage bonds at fair value, before set-off	883,184	955,796	883,184	955,796
	Set-off of own mortgage bonds at fair value	158,025	254,423	158,025	254,423
	Issued mortgage bonds at fair value	725,159	701,373	725,159	701,373
	0-1 month	81,810	98,059	81,810	98,059
	1-3 months	-	-	-	-
	3-12 months	67,777	108,780	67,777	108,780
	1-5 years	350,655	293,051	350,655	293,051
	5-10 years	64,907	68,090	64,907	68,090
	Over 10 years	160,010	133,393	160,010	133,393
	Total	725,159	701,373	725,159	701,373
	* Portion pre-issued	94,048	164,003	94,048	164,003
	* Portion drawn at 2 January 2014, or in 2013	147,995	216,294	147,995	216,294

Fair value adjustment for the credit risk on issued mortgage bonds is calculated on the basis of the option-adjusted spread (OAS) and for variable-rate loans relative to 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 2013. The narrowing caused an increase in the fair value of issued mortgage bonds of about DKK 4 billion. In 2012, a contraction resulted in an increase in the fair value after a decline in 2011. Based on the outstanding portfolio at the end of 2013, Realkredit Danmark estimates that there has been a net narrowing since the issuance of the bonds, which produces a fair value of about DKK 5 billion (2012: DKK 0.5 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 2013 or the period since the issue has been required.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
28	Issued bonds at amortised cost				
	Nominal value of issued bonds	32,000	21,500	32,000	21,500
	Fair value hedging of interest rate risk	50	141	50	141
	Premium/discount	39	46	39	46
	Total issued bonds	32,089	21,687	32,089	21,687
		1 Jan.			31 Dec.
	Nominal value	2013	Issued	Redeemed	2013
	Total issued bonds	21,500	10,500	-	32,000
	Issued bonds at amortised cost consist of issued senior debt.				
29	Other liabilities				
	Interest accrued	10,865	10,705	10,865	10,705
	Reserves in early series subject to a reimbursement obligation*	77	131	-	-
	Other creditors	543	3,755	532	3,742
	Total	11,485	14,591	11,397	14,447
	*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	131	188	131	188
	Utilised	-59	-63	-59	-63
	Increase due to shortening of maturity	8	3	8	3
	Increase due to change in discount rate	-3	3	-3	3
	Carrying amount, end of year	77	131	77	131

*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)				2013	2012	
		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	-	-
	Total hybrid capital					-	-
	Fair value hedging of interest rate risk					-	-
	Total					-	-
	Interest					-	68
	Origination costs					-	-
	Amount included in capital base at 31 December					-	-
	At fair value					-	-

The loan was repaid on 11 May 2012.

32	Risk-weighted assets (RWA)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2013	2012	2013	2012
	Credit risk (IRB approach)	109,349	102,201	109,268	102,173
	Credit risk (standardised approach)	7,547	12,108	7,686	12,368
	Counterparty risk	1,813	597	1,813	597
	Total credit risk	118,709	114,906	118,767	115,138
	Market risk	5,311	7,810	5,311	7,810
	Operational risk	9,847	8,827	9,643	8,622
	Total	133,867	131,543	133,721	131,570

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 400,171 million at the end of 2013 (2012: DKK 405,547 million). The solvency need, calculated on the basis of the transitional rules, was DKK 25,611 million in 2013, equal to 80% of the capital requirement of 8% of risk-weighted assets (2012: DKK 25,955 million). 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	
		2013	2012	2013	2012
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	19,242	21,442	19,242	21,442
	Portion issued by Realkredit Danmark	11,884	15,422	11,884	15,422
	Assets sold under repo transactions				
	Bonds at fair value	32,434	10,077	32,434	10,077
	Portion issued by Realkredit Danmark	8,590	6,863	8,590	6,863

At 31 December 2013, mortgage lending totalling DKK 730,901 million and other assets totalling DKK 49,199 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (end-2012: DKK 735,494 million and DKK 43,873 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. The pension fund and the Group's defined benefit plan have not accepted new members since 1971.

The company is registered jointly with all major Danish subsidiaries of the Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.

The company is jointly taxed with all Danish companies in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax, etc.

Guarantees and indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised in the balance sheet amount to.

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2013	2012	2013	2012
Other contingent liabilities				
Irrevocable loan commitments regarding reverse mortgages	99	179	99	179
Other commitments	133	123	109	101
Total	232	302	208	280

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 2013 were DKK 1 million (2012: DKK 1 million).

Notes

Note	(DKK millions)
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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 2013.

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	
	2013	2012	2013	2012
Fees, etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans	880	1,064	880	1,064
Fees received from Danske Bank A/S for referral of customers and for property valuation	98	113	98	113
Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions, etc.	303	320	282	300
Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	4	49	4	49
Interest received on mortgage loans raised by sister company	21	35	21	35
Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	8	57	8	57
Amounts due from Danske Bank A/S	37,803	18,709	37,752	18,676
Mortgage lending to sister company	2,255	2,305	2,255	2,305
Loss guarantees from Danske Bank A/S	56,623	51,007	56,623	51,007
Other guarantees from Danske Bank A/S	55,136	53,729	55,136	53,729
Amounts due to Danske Bank A/S	30,934	6,859	30,934	6,859
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	-	5
Interest income	-	-	-	-

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.

Kreditforeningen Danmarks Pensionsafviklingskasse, which has been set up for the purpose of paying out pension benefits to employees of the Realkredit Danmark Group, is also considered a related party. Realkredit Danmark Group has entered into transactions with this fund. Such transactions are not eliminated in the consolidated financial statements. Transactions with the pension fund comprised issued mortgage bonds of DKK 399 million (2012: DKK 408 million), interest expenses of DKK 13 million (2012: DKK 13 million), and pension contributions and deposits of DKK 0 million (2012: DKK 29 million).

36 Loans etc. to management

Mortgage loans established on an arm's length basis for				
Board of Directors	15	17	15	17
Executive Board	1	1	1	1
Board of Directors and Executive Board of Danske Bank A/S	16	31	16	31

Notes

Note	(DKK millions)	Realkredit Danmark Group			
37	Financial instruments at fair value				
	2013	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	32,396	-	-	32,396
	Mortgage loans at fair value	-	730,901	-	730,901
	Shares	-	-	2	2
	Derivatives	-	501	-	501
	Total	32,396	731,402	2	763,800
	Issued mortgage bonds at fair value	725,159	-	-	725,159
	Derivatives	-	22	-	22
	Total	725,159	22	-	725,181
	2012				
	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

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)
------	----------------

38	Fair value hedging	Realkredit Danmark A/S			
		2013		2012	
		Carrying amount	Amortised/notional amount	Carrying amount	Amortised/notional amount
	Subordinated debt				
	Issued bonds at amortised cost	13,591	13,495	13,685	13,495
	Hedging				
	Derivatives	207	13,495	307	13,495

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 1 million, net, in 2013 (2012: DKK -9 million), consisting of a gain on the hedged instrument of DKK 91 million (2012: a loss of DKK 141 million) and a loss on the hedging derivative of DKK 90 million (2012: a gain of DKK 132 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. 113 dated 7 February 2013.

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

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

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

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

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

	Net profit 2013	Net profit 2012	Shareholders' equity 31 Dec. 2013	Shareholders' equity 31 Dec. 2012
Consolidated financial statements (IFRS)	2,612	2,454	46,884	46,352
Domicile property	-	-	50	44
Tax effect	-	-	-12	-11
Consolidated financial statements (Danish FSA rules)	2,612	2,454	46,922	46,385

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 2013 by maintaining a solvency ratio of 34.0, well above the regulatory requirement of 19.1 and AAA ratings from Standard & Poors and AAA/AA+ ratings from Fitch Ratings. The capital requirement has been covered by tier 1 capital and 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 serves all customer segments in Denmark, while the Strategy in Sweden and Norway is to serve large business customers. Realkredit Danmark's principal segment is loans to the Personal customer market, which accounts for 58% of lending. Residential accounts for 19%, Urban trade for 17% and Agriculture for the remaining 6%. 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 2013, 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 2014. 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[®]) irrespective of whether or not the customer pays instalments on the loan.

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	2013 Total	2012 Total
1	-	-	-	4
2	7	3	10	27
3	49	63	112	110
4	122	35	157	137
5	108	52	160	139
6	64	57	121	127
7	52	51	103	102
8	12	22	34	46
9	3	5	8	16
10	4	16	20	17
11	2	7	9	13
Total	423	311	734	738

Probability of Default (PD) %

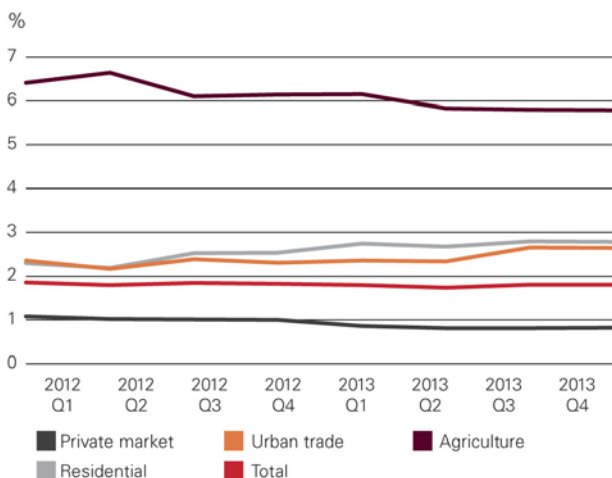
Rating category	Low PD	High PD
1	0.00	0.01
2	0.01	0.03
3	0.03	0.06
4	0.06	0.14
5	0.14	0.31
6	0.31	0.63
7	0.63	1.90
8	1.90	7.98
9	7.98	25.70
10	25.70	100.00
11	100.00	100.00

Notes

Note

The continuing weak economic climate is reflected in customer classifications, although customers were generally assigned classifications that were better than a year ago. The total average PD has fallen marginally compared to a year ago. This is due to a decline in the PD for Personal and Agriculture, while the PD rose for Urban trade and Residential.

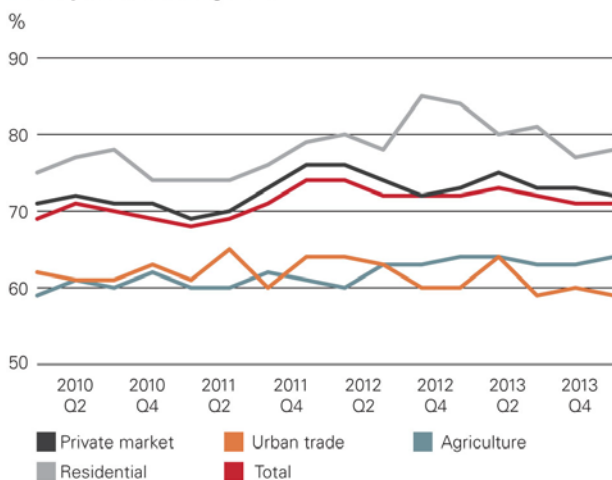
Development in average PD



Property prices changed only marginally in 2013, which means that the average property loan-to-value (LTV) ratios also changed only by a small margin. Overall, the LTV at year-end stood at 71%, against 72% at the end of 2012.

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. 83% of the portfolio was secured within 60% of the value of the property, and 94% was secured within 80% of the value.

Loan portfolio broken down by loan-to-value ratios at 31 Dec. 2013

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	136	118	91	54	24	423
Urban trade	45	37	25	8	5	120
Agriculture	18	15	10	4	2	49
Residential	53	36	25	15	13	142
Weighted distribution	34%	28%	21%	11%	6%	100%
Total DKK billions	252	206	151	81	44	734

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

As shown in the figure, DKK 9 billion were loans with an LTV ratio higher than 80% granted to customers in one of the four lowest classifications. This equals 1.2% of the total portfolio.

Portfolio broken down by loan to value and rating category 2013

Rating category	Loan to Value					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	-	-	-	-	-	-
2	5	3	2	-	-	10
3	45	31	20	9	7	112
4	58	45	32	16	6	157
5	54	46	34	18	8	160
6	40	34	25	15	7	121
7	31	29	23	13	7	103
8	10	9	7	5	3	34
9	2	2	2	1	1	8
10	5	5	4	3	3	20
11	2	2	2	1	2	9
Total	252	206	151	81	44	734

Notes

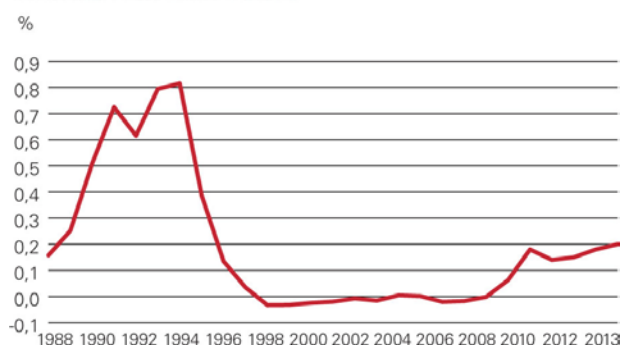
Note

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

Impairment charges for 2013 amounted to DKK 1,471 million, corresponding to 0.20% of total mortgage lending. This is a small increase relative to 2012, when the charges amounted to DKK 1,319 million. The increase was driven by relatively large impairments in the first two quarters of the year, while impairments in the last two quarters were lower than the average level in 2012. In a historical context, however, losses and charges remain moderate.

Historical Loss Given Default

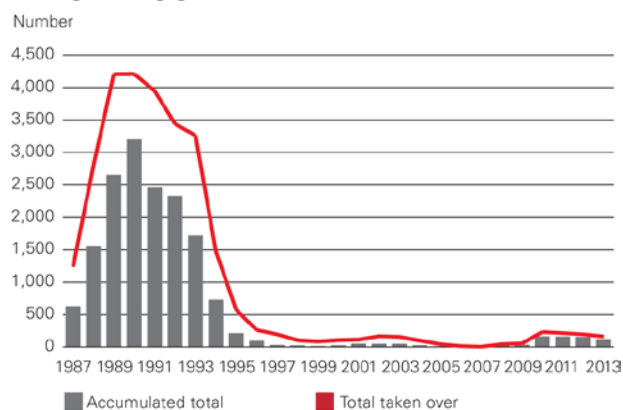


The number of properties that Realkredit Danmark took over at a forced sale continued the positive trends of the preceding years. Realkredit Danmark took over 235 properties in 2010, but since then there has been a stable fall in the number of foreclosed properties to 164 in 2013.

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.

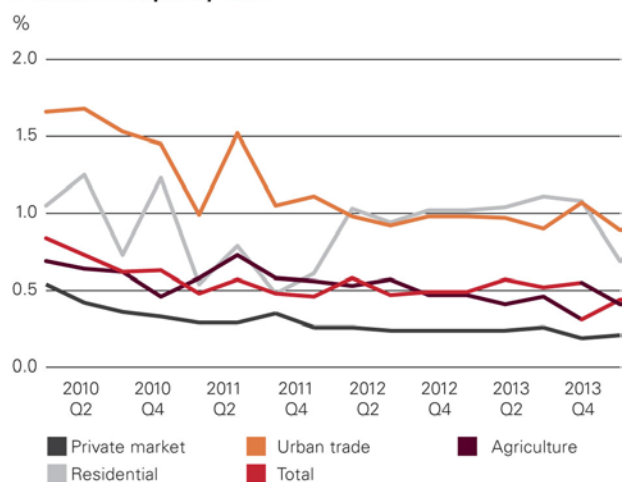
The portfolio of foreclosed properties at the end of 2013 was 122 against 156 foreclosures at the end of 2012. By comparison, the portfolio in the early 1990s peaked at 3,200 properties.

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 255 billion was partly covered by this loss guarantee at the end of 2013. The total guarantee in 2013 amounted to DKK 57 billion.

3-month delinquency rates



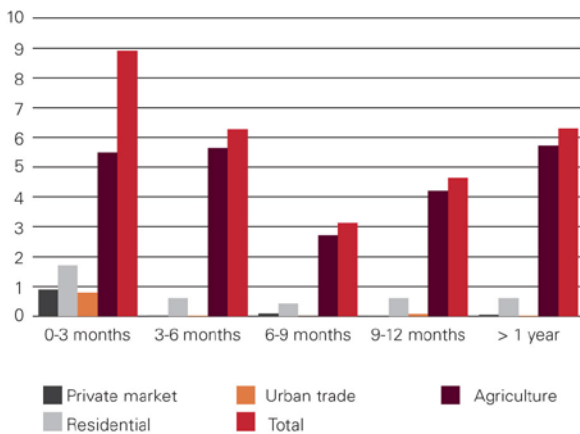
The delinquency rate, calculated as the proportion of due payments remaining unpaid 3½ months after the last due payment date, declined marginally in 2013. The decline did not occur in all the property segments. Total arrears concerning the September 2013 payment date stood at 0.41%, against 0.49% the year before.

Notes

Note

Arrears at 31 Dec. 2013 – loans without impairment charges

(DKK millions)



The chart shows arrears on loans without impairment charges at 31 December 2013. Total arrears on loans without impairment charges amounted to DKK 29 million at the end of 2013. Of total arrears on loans without charges, 30% 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. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
Private market	423,017	429,754	72	73	0.21	0.24
Urban trade	120,154	114,697	59	60	0.89	0.98
Agriculture	48,855	50,328	64	64	0.44	0.47
Residential rental property	142,216	143,388	78	84	0.69	1.02
Total	734,242	738,167	71	72	0.41	0.49

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 2013, 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 5,413 million at 31 December 2013 (2012: DKK 9,151 million). At the end of 2013, 0 exposures exceeded 20% of the capital base, while 1 exposure 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 455 million. At the end of 2013, this interest rate risk amounted to DKK 32 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 3,643 million, in accordance with Danish law. At the end of 2013, the interest rate risk on these items amounted to DKK 791 million, against DKK 476 million the year before.

At the end of 2013, the total interest rate risk amounted to DKK 823 million, or 1.8% of the capital base. The year before, Realkredit Danmark's interest rate risk was DKK 499 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-2013, the market value and hence the equity market risk amounted to DKK 153 million, against DKK 141 million the year before. Nearly all the risk relates to the Group's ownership of home a/s.

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 46 million. At the end of 2013, the exchange rate risk amounted to DKK 1 million, against DKK 1 million the year before.

Derivatives

The Group does not employ derivatives for hedging purposes in relation to mortgage finance business but exclusively to hedge the interest rate risk on fixed-rate liabilities from issued senior debt 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.

Derivatives (DKK millions)	Nominal value	31 Dec. 2013		Nominal value	31 Dec. 2012		
		Positive market value	Negative market value		Positive market value	Negative market value	
Interest rate contracts							
Forward/futures bought	93,979	193	1	145,254	286	-	
Forward/futures sold	65,798	71	20	72,351	15	208	
Currency contracts							
Forward/futures bought	4,316	1	-	745	4	-	
Forward/futures sold	6	-	-	7	-	-	
Interest rate and currency contracts held for trading purposes, total		265	21		305	208	
Outstanding spot transactions							
Interest rate contracts bought	2,882	1	-	425	1	-	
Interest rate contracts sold	2,452	1	1	1,365	-	3	
Total outstanding spot transactions		2	1		1	3	
Hedging derivatives	13,495	207	-	13,495	307	-	

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

(DKK millions)	Realkredit Danmark Group				
	2013	2012	2011	2010	2009
HIGHLIGHTS					
Net interest and fee income	6,741	6,082	4,261	4,440	5,333
Value adjustments	-1,067	-732	125	-446	287
Staff costs and administrative expenses	848	866	928	892	978
Loan impairment charges	1,471	1,319	1,057	976	1,267
Income from associates	3	2	-	5	-4
Net profit for the year	2,612	2,454	1,874	1,721	2,594
Loans	731,874	736,340	724,592	705,342	692,095
Shareholders' equity	46,884	46,352	44,757	42,883	41,162
Total assets	848,134	794,127	776,560	757,621	746,343
RATIOS AND KEY FIGURES					
Total capital ratio (%)	34.0	34.3	35.8	39.4	44.6
Tier 1 capital ratio (%)	33.5	33.7	35.4	38.8	44.2
Return on equity before tax (%)	7.5	7.2	5.7	5.5	8.7
Return on equity after tax (%)	5.6	5.4	4.3	4.1	6.5
Cost/core income ratio DKK	2.50	2.50	2.26	2.22	2.54
Foreign exchange position (%)	0.5	0.3	0.7	0.7	2.4
Gearing of loans	15.6	15.9	16.2	16.4	16.9
Growth in lending for the year (%)	0.5	1.1	0.6	1.6	1.4
Impairment ratio for the year (%)	0.2	0.2	0.1	0.1	0.2

(DKK millions)	Realkredit Danmark A/S				
	2013	2012	2011	2010	2009
HIGHLIGHTS					
Net interest and fee income	6,738	6,080	4,258	4,437	5,329
Value adjustments	-1,067	-732	125	-446	287
Staff costs and administrative expenses	742	767	761	778	1,008
Loan impairment charges	1,469	1,317	1,055	974	1,265
Income from associates and group undertakings	12	7	1	15	-13
Net profit for the year	2,612	2,454	1,923	1,727	2,492
Loans	731,836	736,291	724,541	705,288	692,040
Shareholders' equity	46,922	46,385	44,672	42,748	41,020
Total assets	848,176	794,163	776,446	757,438	746,170
RATIOS AND KEY FIGURES					
Total capital ratio (%)	34.0	34.3	35.8	39.4	44.5
Tier 1 capital ratio (%)	33.5	33.7	35.4	38.8	44.2
Return on equity before tax (%)	7.4	7.2	5.9	5.5	8.4
Return on equity after tax (%)	5.6	5.4	4.4	4.1	6.3
Cost/core income ratio DKK	2.57	2.57	2.41	2.31	2.46
Foreign exchange position (%)	0.5	0.3	0.7	0.7	2.4
Gearing of loans	15.6	15.9	16.2	16.5	16.9
Growth in lending for the year (%)	0.5	1.1	0.6	1.6	1.4
Impairment ratio for the year (%)	0.2	0.2	0.1	0.1	0.2

The ratios and key figures are defined in the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc.

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	2,612	46,922	
Subsidiaries				
Real-estate agency business				
home a/s, Aarhus	DKK 15,000	9	139	100
Associates				
Property information				
e-nettet Holding A/S, Copenhagen (financial year 1 January - 31 December)	DKK 11,000	8	61	22
Further information on e-nettet Holding A/S:				
Total assets DKK 144 million				
Total liabilities DKK 82 million				
Total income DKK 110 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	0.7	0.8	2.0	-	48.2
1	Net interest income etc.	0.4	0.4	0.7	-	8.1
1	Administrative expenses etc.	2.9	4.0	9.5	-	35.7
	Loan impairment charges	-	-0.7	-0.5	-	-7.2
	Tax	-0.4	-0.5	-1.6	-	6.9
2	Net profit for the year	-1.4	-1.6	-4.7	-	20.9
Balance sheet - assets						
	Mortgage loans etc.	98.9	137.9	503.8	-	17,548.5
	Other assets	29.1	45.7	168.2	0.2	2,087.3
	Total assets	128.0	183.6	672.0	0.2	19,635.8
Balance sheet - liabilities and equity						
3	Issued bonds	106.5	154.5	611.1	-	18,594.6
	Other liabilities	4.3	6.2	22.6	-	660.7
4	Shareholders' equity	17.2	22.9	38.3	0.2	380.5
5	Total liabilities and equity	128.0	183.6	672.0	0.2	19,635.8
Income statement						
	Income from lending	4.0	1,667.6	3,110.9	716.0	5,550.2
1	Net interest income etc.	-	279.7	365.7	119.4	774.4
1	Administrative expenses etc.	1.7	461.3	648.6	296.4	1,460.1
	Loan impairment charges	94.4	432.0	790.4	160.6	1,469.0
	Tax	-23.0	263.5	509.4	107.9	862.2
2	Net profit for the year	-69.1	790.5	1,528.2	270.5	2,533.3
Balance sheet - assets						
	Mortgage loans etc.	529.5	233,003.6	382,090.4	97,479.5	731,392.1
	Other assets	79.3	51,693.7	208,465.2	14,970.9	277,539.6
	Total assets	608.8	284,697.3	590,555.6	112,450.4	1,008,931.7
Balance sheet - liabilities and equity						
3	Issued bonds	588.3	255,019.7	548,876.4	104,037.9	927,989.0
	Other liabilities	20.5	9,578.2	19,868.2	3,783.1	33,943.8
4	Shareholders' equity	-	20,099.4	21,811.0	4,629.4	46,998.9
5	Total liabilities and equity	608.8	284,697.3	590,555.6	112,450.4	1,008,931.7

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.	
		2013
2	Net profit for the year, series accounts	
	Net profit for the year, Realkredit Danmark A/S's financial statements	2,611.8
	Transferred to other reserves etc.	-3.0
	Adjustment of defined benefit plans	-80.0
	Revaluation of properties recognised directly in shareholders' equity	4.5
	Net profit for the year, series accounts	2,533.3
3	Issued bonds, series accounts	
	Issued bonds, Realkredit Danmark A/S's financial statements	757,247.7
	Own mortgage bonds, not offset in the series accounts	158,025.5
	Accrued interest, own bonds	12,715.8
	Issued bonds, series accounts	927,989.0
4	Shareholders' equity, series accounts	
	Shareholders' equity, Realkredit Danmark A/S's financial statements	46,921.9
	Reserves in pre-1972 series subject to a reimbursement obligation	77.0
	Shareholders' equity, series accounts	46,998.9
5	Total assets, series accounts	
	Total assets, Realkredit Danmark A/S's financial statements	848,175.9
	Own mortgage bonds, not offset in the series accounts	158,025.5
	Accrued interest, own bonds	2,730.3
	Total assets, series accounts	1,008,931.7
6	Transfers to and from reserves subject to a reimbursement obligation	
	In 2013, 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	998.4
	Danske Kredit	39.8
	Other reserves	-1,038.2
	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 2013.

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 2013 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2013. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

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

Copenhagen, 6 February 2014

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Board of Directors

Tonny Thierry Andersen
Chairman

Lars Mørch
Vice Chairman

Kim Andersen

Henrik Ramlau-Hansen

Claus Bundgaard

Lisbeth Sahlertz Nielsen

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 2013. 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 2013 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2013 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, 6 February 2014

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 2013. 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 2013 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2013 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, 6 February 2014

KPMG
Statsautoriseret Revisionspartnerselskab

Lars Rhod Søndergaard
State Authorised Public
Accountant

Jesper Ridder Olsen
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

Danske Bank International S.A. (Chairman)

Danske Bank Oyj (Chairman)

Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and the subsidiary Danica Pension, Livsforsikringsaktieselskab (Vice Chairman)

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

Nets Holding A/S

Olga og Esper Boels Fond

Ejendomsaktieselskabet Boels Gård

YPO, Danmark (CFO)

Værdiansættelsesrådet

ICC Danmark

The Danish Economic Council

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 (Chairman)

Danske Leasing A/S (Chairman)

Kim Andersen

Managing Director

Born on 30 April 1955

Joined the Board of Directors on 21 November 2011

Member of the Audit Committee

Managing Director of Audio Consult

Managing Director of KA Invest af 2. maj 2003 ApS

Directorships and other offices:

Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and the subsidiary 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

Member of the Audit Committee

Directorships and other offices:

Bluegarden Holding A/S and the subsidiary Bluegarden A/S

Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 and the subsidiary Danica Pension, Livsforsikringsaktieselskab

Kreditforeningen Danmarks Pensionsafvklingskasse (Chairman)

LR Realkredit A/S

The Danish Financial Council

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

Lisbeth Sahlertz Nielsen (elected by the employees)

Corporate Adviser, Realkredit Danmark A/S

Born on 16 May 1972

Joined the Board of Directors on 7 March 2013

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 Pensionsafvklingskasse

Danish Mortgage Banks' Federation (Chairman)

The Popular Educational Association, Kgs. Lyngby (Chairman)

Supplementary information

Financial calendar


- Annual General Meeting:
6 March 2014
- Interim Report – First Quarter 2014:
1 May 2014
- Interim Report – First Half 2014:
24 July 2014
- Interim Report – First Nine Months 2014:
30 October 2014

Contact

Chairman of the Executive Board and
Chief Executive Officer
Carsten Nøddebo Rasmussen
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Links

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