

Annual Report 2014



REALKREDIT
Danmark

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Annual Report 2014 is a translation of the original report in the Danish language (Årsrapport 2014). In case of discrepancies, the Danish version prevails.

5-year financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE YEAR

(DKK millions)	2014	2013	2012	2011	2010
Administration margin	5,704	5,491	4,724	3,564	3,423
Net interest income	62	-24	235	660	614
Net fee income	-524	-540	-469	-488	-501
Income from investment portfolios	645	750	862	650	463
Other income	129	123	111	105	168
Total income	6,016	5,800	5,463	4,491	4,167
Expenses	815	852	870	934	897
Profit before loan impairment charges	5,201	4,948	4,593	3,557	3,270
Loan impairment charges	1,171	1,471	1,319	1,057	976
Profit before tax	4,030	3,477	3,274	2,500	2,294
Tax	974	865	820	626	573
Net profit for the year	3,056	2,612	2,454	1,874	1,721

BALANCE SHEET (AT 31 DECEMBER)

(DKK millions)	2014	2013	2012	2011	2010
Due from credit institutions etc.	25,882	51,004	18,727	32,556	28,889
Mortgage loans	744,502	730,901	735,494	723,754	704,449
Bonds and shares	59,817	61,156	35,966	17,300	21,688
Other assets	4,354	5,073	3,940	2,950	2,595
Total assets	834,555	848,134	794,127	776,560	757,621
Due to credit institutions etc.	10,018	32,501	10,079	20,668	27,408
Issued mortgage bonds	739,358	725,159	701,373	695,080	671,644
Issued senior debt	27,415	32,089	21,687	-	-
Other liabilities	9,893	11,501	14,636	14,010	13,625
Subordinated debt	-	-	-	2,045	2,061
Shareholders' equity	47,871	46,884	46,352	44,757	42,883
Total liabilities and equity	834,555	848,134	794,127	776,560	757,621

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareholders' equity	6.5	5.6	5.4	4.3	4.1
Cost/income ratio (%)	13.5	14.7	15.9	20.8	21.5
Total capital ratio (%)	34.5	34.0	34.3	35.8	39.4
Tier 1 capital ratio (%)	34.0	33.5	33.7	35.4	38.8
Full-time-equivalent staff, end of year	237	249	250	303	320

Financial review

Overview

- In 2014, Realkredit Danmark recorded a satisfactory net profit increase of DKK 444 million, an improvement of 17% relative to 2013. The profit benefited from lower impairments and a higher administration margin. The administration margin rose primarily as a result of an increase in the loan portfolio.
- Impairments fell to DKK 1,171 million from DKK 1,471 million in 2013.
- Customer interest in the FlexKort® loan was very strong, and loans for DKK 14 billion were disbursed in 2014.
- In the second half of the year, Realkredit Danmark was able to offer its customers fixed-rate loans with historically low interest rates, including a 30-year mortgage with a coupon of 2.5%. Customer interest in the fixed-rate 2.5% coupon loan was also strong, and loans for DKK 15 billion were disbursed in 2014. In the last week of 2014, Realkredit Danmark also opened a 30-year loan with a coupon of only 2%.
- The proportion of customers with 1-year FlexLån® loans declined again in 2014. At the end of 2014, the portfolio of 1-year FlexLån® loans accounted for 13% of the total loan portfolio, which was 4 percentage points less than at end-2013. Customers continue to show strong interest in reducing interest rate sensitivity by setting their mortgage rates for longer periods.
- Realkredit Danmark expects a higher profit in 2015 than in 2014.

Carsten Nøddebo, Chairman of the Executive Board, said: *"Our financial performance for the year 2014 is satisfactory, and I am very pleased with the fact that Realkredit Danmark has continued to consolidate its market position"*.

The year 2014

In 2014, Realkredit Danmark continued to improve its financial performance, consolidating its market position in the process. The fact that Realkredit Danmark still has one of the strongest financial brands was underlined when Euromoney named Realkredit Danmark the best provider of property financing products and services for business customers in Denmark in 2014.

The year 2014 was characterised by increased remortgaging activity in the personal customer segment, and there was strong demand for Realkredit Danmark's FlexKort® loan and 30-year fixed-rate 2.5% coupon loan. In this connection, Realkredit Danmark has consolidated its market position. Combined with strong interest in FlexKort® loans and fixed-rate loans, Realkredit Danmark's product price differentiation contributed to a sharp decline in the portfolio of 1-year and 2-year FlexLån® loans in 2014. This helped Realkredit Danmark mitigate its refinancing risk.

In the fourth quarter, the Danish FSA announced the final contents of its supervisory diamond for mortgage credit institutions, the purpose of which is to underpin the robustness of the Danish mortgage credit system. The supervisory diamond appears to be a well-balanced solution to the challenges faced by the sector, and its focus areas match well with Realkredit Danmark's continuing efforts to reduce in

particular its refinancing risk and the volume of interest-only loans.

Results

In 2014, the Realkredit Danmark Group recorded a net profit of DKK 3,056 million, against DKK 2,612 million the year before. The profit was 17% higher than in 2013 and in line with expectations.

The administration margin rose DKK 213 million, primarily because of an increase in the loan portfolio.

Net interest income rose DKK 86 million. The increase was driven by returns on holdings of securities with long maturities.

Income from the investment portfolio fell from DKK 750 million in 2013 to DKK 645 million in 2014, especially because of lower returns on bonds. The lower returns on bonds were partly offset by higher income from trading margins on disbursements, while the smaller portfolio of FlexLån® loans resulted in a decline in refinancing margins, which amounted to DKK 334 million in 2014, against DKK 383 million in 2013.

Total income rose 4% relative to 2013.

Expenses were down DKK 37 million to DKK 815 million, mainly because of lower costs for marketing and IT systems development.

Impairments amounted to DKK 1,171 million, against DKK 1,471 million in 2013. A general improvement of macroeconomic conditions in Denmark helped reduce impairments. In 2014, the Danish FSA specified the rules for mortgage credit institutions' impairment of loans to cus-

tomers, whose repayment ability is based on the cash flow from the mortgaged asset.

This led to an increase in impairments in the second half of the year. Total impairments equalled 0.16% of total mortgage lending, against 0.20% at the end of 2013. Of total impairments, 28% related to personal customer loans, while 72% related to business loans.

The 3-month delinquency rate was slightly lower than at end-2013.

The tax charge totalled DKK 974 million. The effective tax rate was 24.2%.

Balance sheet

Gross lending amounted to DKK 121 billion, against DKK 116 billion in 2013. Mortgage lending at fair value rose DKK 14 billion to DKK 745 billion. During the same period, the nominal outstanding bond debt rose DKK 6 billion to DKK 726 billion at the end of 2014.

The loan-to-value (LTV) ratio stood at 71% at the end of 2014, which was unchanged from the level at the end of 2013.

In 2014, Realkredit Danmark had 108 foreclosures and sold 160 properties. In 2013, there were 164 foreclosures, and 198 properties were sold. The number of foreclosures at the end of the year was 70, against 122 at end-2013. The value of the foreclosures was DKK 106 million at 31 December 2014, against DKK 193 million at end-2013.

Issued mortgage bonds rose DKK 14 billion to DKK 739 billion. The nominal value of issued bonds rose DKK 6 billion to DKK 716 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 2014, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKK 1,071 million and DKK 2 million, respectively.

Capital and solvency

At the end of 2014, shareholders' equity stood at DKK 47.9 billion, against DKK 46.9 billion at the end of 2013. The increase in equity equalled the profit for the year less dividends paid for 2013 of DKK 2.1 billion. The Board is recommending that dividends of DKK 3.0 billion be paid for 2014. Realkredit Danmark's total capital amounted to DKK 45.5 billion, and the total capital ratio calculated in accordance with the Capital Requirements Directive (CRR/CRD IV) was 34.5%. At 31 December 2013, the corresponding figures were DKK 45.5 billion and 34.0%, respectively.

The Realkredit Danmark Group uses the advanced internal ratings-based (IRB) approach to calculate the risk exposure amount for credit risks. The total risk exposure amount (REA) was DKK 131.9 billion at 31 December 2014, against DKK 133.9 billion at the end of 2013. The change in REA was due to reduced market risk. Calculated on the basis of the transitional rules of the CRR/CRD IV, the capital need for 2014 must, as a minimum, amount to 80% of the requirement calculated under the previous rules, corresponding to DKK 26.2 billion and 19.9% of REA. Realkredit Danmark has total capital of DKK 45.5 billion, and thus a capital buffer of DKK 19.3 billion.

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

Fourth quarter 2014

Realkredit Danmark recorded a pre-tax profit of DKK 1,052 million in the fourth quarter of 2014, against DKK 1,005 million in the third quarter. The higher pre-tax profit was attributable primarily to income from refinancing in the fourth quarter of DKK 186 million. Lower returns on the bond portfolios and higher loan impairments detracted from performance, the latter due especially to impairments on cooperative housing societies.

Outlook for 2015

Realkredit Danmark expects that subdued growth will continue to characterise the Danish economy in 2015 and that interest rates will remain low throughout the year. Low interest rates will support the ongoing housing market stabilisation.

In terms of income, Realkredit Danmark expects stable developments on the basis of limited loan portfolio growth. Through a persistent focus on cost control in 2015, Realkredit Danmark aims to ensure an unchanged level of cost.

Loan impairment charges are expected to decline in 2015 owing to the continuing, gradual improvement of the economic climate in Denmark.

Overall, Realkredit Danmark therefore expects to achieve a higher profit in 2015 than it did in 2014.

Property market

Economic recovery has yet to materialise

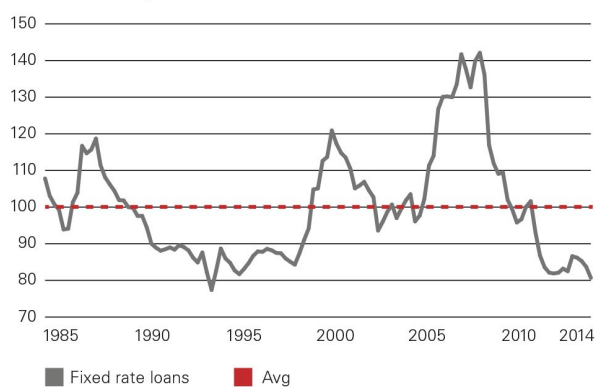
During the first half of 2014, there were indications of a nascent economic recovery, but uncertainty relating to factors such as the Ukraine/Russia crisis made eurozone companies reluctant to invest. These developments contributed to stifling Denmark's export growth, and the expected economic recovery in Denmark has once more been postponed. Nevertheless, the Danish economy achieved positive growth for the first time in three years in 2014 and, although modest, growth was sufficient to result in an actual improvement in employment.

Housing market improvement

The housing market stabilisation was consolidated in 2014, and across the country, house prices increased and trading activity improved – albeit from a low level. The housing market improvement was driven by factors such as the historically low interest rates, which contributed to keeping the housing burden at a very low level – also in a historical context. The housing burden expresses the cost of buying and owning an average single-family house relative to developments in household disposable income. A low housing burden opens up the housing market to more buyers. A low housing burden combined with relatively high consumer confidence has thus supported the housing market stabilisation.

Housing burden - cost compared to available income

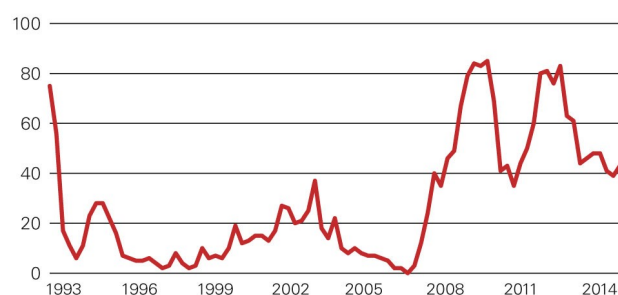
Index 100 = average 1985-2014



House price developments in Denmark differ widely from one region to the next. The largest price increases are recorded in the largest urban areas. However, there was an increase in the number of municipalities reporting house price increases over the course of the year, and the tendency of more and more municipalities experiencing stable to slightly rising house prices has continued. Nevertheless, the number of municipalities that recorded price increases is still

low in a historical context and well below the levels witnessed during the housing market boom of the past few decades. The housing market recovery is thus spreading, although falling house prices persist in several areas.

Number of municipalities experiencing a decline in prices of single-family houses



Source: Realkreditforeningen and own calculations

In other words, the trend of geographically differentiated prices in the Danish housing market persists, driven in particular by the rural-urban migration of more and more prospective house buyers. Secondly, the development is due to the fact that property prices in the large urban areas are typically the first to respond when house prices change. Finally, the historically low interest rates support polarisation because, other things being equal, they make it easier to maintain large regional price differences in the housing market as home buyers needing to raise a large mortgage benefit relatively more from the low interest rates.

The subdued expansion of the Danish economy and the housing market coupled with historically low interest rates had a favourable impact on homeowners' ability to service their loans. The number of foreclosures at 31 December 2014 was thus at the lowest level since 2008.

Business market

In the commercial property market, investors have in recent years focused especially on prime-location properties with good rental prospects that will provide stable earnings. Lately, investors have shown mounting interest in property investments involving a slightly higher risk but also a higher expected return. For the financing of commercial property, Realkredit Danmark emphasises that the borrower's financial strength should reasonably match the risk profile of the specific property.

Realkredit Danmark closely monitors the market for agricultural property and pays attention especially to the current difficulties in selling this type of property, which is strongly influenced by the situation in Russia.

Lending

Remove your doubts

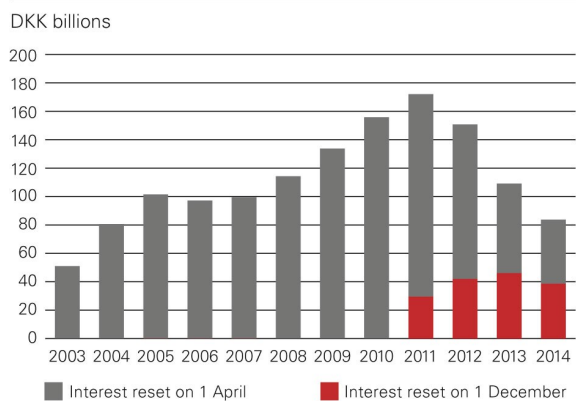
Realkredit Danmark markets its products and services on the basis of its customer promise: "Remove your doubts". In 2014, Realkredit Danmark continued its marketing and communication concept, emphasising that customers should make the correct decision about whether to stick with their existing loan or remortgage to another loan product. In this connection, Realkredit Danmark offers its recommendation on the basis of the individual customer's situation. The initiatives have helped ensure that customers get a positive experience when they contact Realkredit Danmark.

Loans at Realkredit Danmark are fully incorporated in Danske Bank's customer programme, offering the many shared customers access to many benefits at Danske Bank.

FlexKort® has become the benchmark loan

In September 2013, Realkredit Danmark was the first to launch a mortgage credit product based on the Cita rate. Going by the name of FlexKort®, the product is offered to both business and personal customers. FlexKort® has proven to be a cheaper alternative to the 1-year FlexLån® loans and has increasingly become the market standard for customers not seeking to set their mortgage rate for long periods. This means that FlexKort® is about to assume the position previously held by 1-year FlexLån® loans. Since the loan type was launched, Realkredit Danmark has issued FlexKort® loans for DKK 25 billion.

Total refinancing volume of 1 year FlexLån® loans



FlexKort® offers the great advantage over 1-year FlexLån® loans of being funded by bonds with maturities of more than 12 months. This entails a lower refinancing need compared with 1-year FlexLån® loans, and it thus better accommodates the requirements set by the supervisory diamond and rating agencies in terms of mitigating refinancing risk.

The maturity of the underlying bond may be fixed at anywhere between one and ten years, and a maturity of at least three years is currently preferred.

The warm welcome given by customers to FlexKort® and the growing interest in FlexLån® loans with longer refinancing intervals resulted in much lower refinancing volumes in 2013 and 2014. The volume of 1-year FlexLån® loans refinanced in 2014 was almost DKK 90 billion lower than the volume refinanced in 2011 and was the lowest auction refinancing volume for 1-year FlexLån® loans since 2004. At the same time, the refinancing volume was more evenly spread on the two auctions held during the year.

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 taking out new loans.

Realkredit Danmark's personal customers are served at Danske Bank primarily by home advisers. 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.

Large Real Estate, a nationwide unit, serves the largest property customers in Denmark, the largest administrators of cooperative housing and owner associations and all customers within subsidised housing. In addition, the unit is 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. The selling of owner-occupied dwellings is the main business area of "home", and loans distributed via "home" are most often used for a change of ownership. Furthermore, "home" also operates a business estate-agency chain called "home Business".

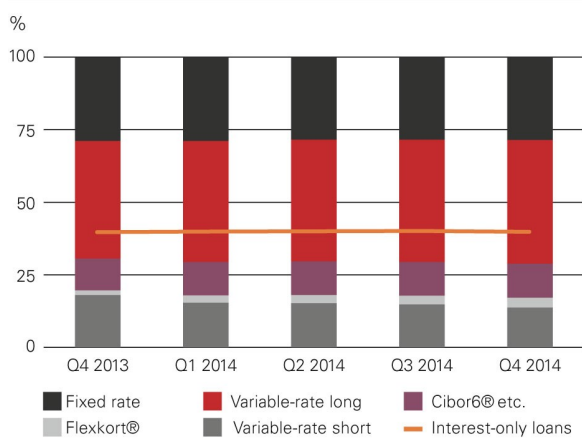
Total lending

Lending activity was slightly higher than in 2013 as the activity increase in the personal customer market was nearly offset by a decline in the business market. In 2014, remortgaging amounted to DKK 66 billion, which was marginally less than in 2013, and net new lending also declined a little to DKK 23 billion.

Customers have increasingly opted for fixed-rate loans and loans with longer refinancing periods. Fixed-rate loans accounted for more than 40% of lending activity, while the very short-term floating-rate loans accounted for less than 10% of lending activity.

In 2014, the portfolio of 1-year and 2-year FlexLån® loans declined by DKK 30 billion, whereas the portfolio of FlexKort® loans and longer-term floating-rate loans rose by a similar margin.

Loan portfolio - loan types in 2014



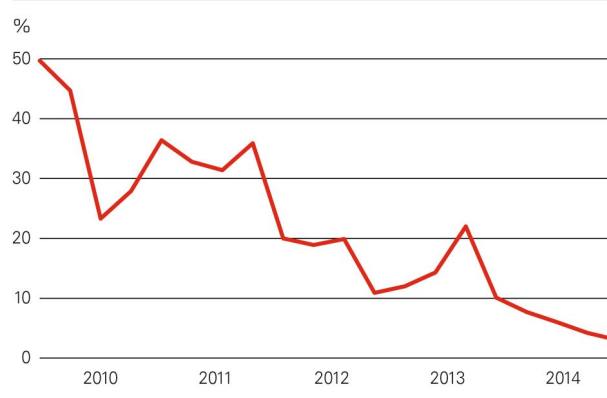
Personal customer market

The decline in long-term interest rates in 2014 resulted in the opening of a selection of fixed-rate bonds with historically low coupons and maturities of 10, 15, 20 and 30 years. The 30-year 2.5% bond attracted the most interest.

This triggered a major remortgaging wave in the second half of 2014, and Realkredit Danmark issued ordinary and interest-only loans totalling around DKK 15 billion funded by 2.5% bonds. Customers generally tended to opt for more interest rate security in 2014. Thus, fixed-rate loans accounted for no less than 55% of total gross lending, corresponding to DKK 41 billion.

Customers largely opted not to raise 1-year and 2-year FlexLån® loans, and the volume of 1-year FlexLån® loans thus declined DKK 13 billion in 2014. On the other hand, the volume of longer-term floating-rate loans rose DKK 11 billion, and these loans now account for 49% of the total personal customer loan portfolio of DKK 419 billion. In addition, the portfolio of FlexKort® loans rose DKK 8 billion in 2014. In the years ahead, the interest-only period will expire for a number of customers. About one third of the customers whose interest-only period expired in 2014 are remortgaging to a new interest-only loan. The remaining two-thirds either start to pay instalments on their loans as agreed, remortgage to a new ordinary loan or redeem their loans.

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



Business market

Loans for the business market rose 1% to DKK 307 billion, corresponding to 42% of Realkredit Danmark's loan portfolio.

In the business market, the low level of interest rates made a number of customers opt for loans with lower interest rate sensitivity and longer refinancing intervals. With respect to

total lending to the business market, long-term floating-rate loans account for more than 60%, while 1-year and 2-year FlexLån® loans now account for less than 15%. Fixed-rate loans still account for about one fourth of total loans to the business market.

Remortgaging activity was relatively subdued in the business market, including in all of the sub-segments.

Activities and portfolio (DKK millions)	Gross lending		Net new lending		Loan portfolio			
	2014	2013	2014	2013	31 Dec. 2014	%	31 Dec. 2013	%
Personal customer market	73,659	59,939	11,164	8,459	418,542	58	415,678	58
Business market	46,906	55,641	11,919	15,972	306,969	42	303,681	42
Total (nominal value)	120,565	115,580	23,083	24,431	725,511	100	719,359	100

Lending broken down by loan type (%)	Share of gross lending		Share of loan portfolio	
	2014	2013	31 Dec. 2014	31 Dec. 2013
FlexLån®	32	33	53	54
FlexKort®	11	10	3	2
Fixed-rate loans	44	39	29	29
FlexGaranti® etc.	-	-	3	4
RD Cibor6® etc.	13	18	12	11
Total	100	100	100	100

Funding

Bond issuance

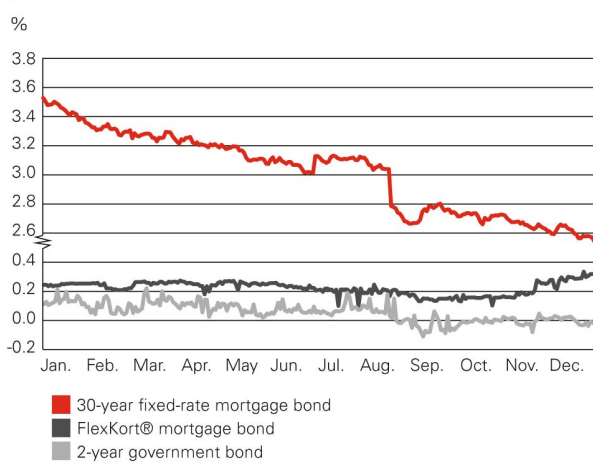
Realkredit Danmark is subject to the specific principle of balance and funds its lending to borrowers by issuing mortgage-covered bonds, which are listed on NASDAQ OMX Copenhagen.

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 2014

Realkredit Danmark issued bonds for a total of DKK 121 billion exclusive of bonds issued for the refinancing auctions. This represents an increase of 2% relative to 2013. Of bonds issued in 2014, 56% were non-callable bonds and 44% were callable bonds – unlike in 2013 when most of the bonds issued were callable bonds as a result of high remortgaging activity in relation to fixed-rate loans. Owing to strong remortgaging activity in the fourth quarter, Realkredit Danmark held an extraordinary auction in December 2014 totalling DKK 12 billion.

Movements in interest rates 2014



Annual refinancing of FlexLån® and RD Euribor3®

In order to continue to spread the risk of refinancing FlexLån® loans, Realkredit Danmark held two auctions in February and November 2014. Since March 2010, all new FlexLån® loans have been issued with 1 April as the payment date. The volume of bonds issued in connection with the refinancing of FlexLån® loans at 1 April 2014 amounted to DKK 55 billion, against DKK 72 billion in 2013.

The portion of FlexLån® loans refinanced at 1 January is still larger than the portion refinanced at 1 April, although the difference is declining. Issued bonds amounted to DKK 71 billion in connection with the refinancing of FlexLån® loans at 1 January 2015, against DKK 93 billion at 1 January 2014. At end-2014, Realkredit Danmark had issued mortgage bonds for a total amount of DKK 782 billion, of which mortgage-covered bonds accounted for DKK 686 billion.

New act on refinancing

Effective 1 April 2014, an amendment to the Mortgage Credit Loans and Mortgage Credit Bonds Act entered into force.

The act was adopted to safeguard borrowers against large interest rate fluctuations and against a situation in which the mortgage credit institutions are unable to find a sufficient number of buyers for their bonds in connection with refinancing.

The amendment included a so-called failed refinancing trigger, which means that mortgage credit institutions can extend the maturity of their bonds by one year at a time if there are not enough buyers in connection with a refinancing auction.

The amendment also introduced a so-called interest rate trigger on bonds with maturities of less than two years. The interest rate trigger ensures that, if interest rates rise more than 500bp in one year, the maturity of the bonds will be extended by one year at the previous year's yield to maturity plus 500bp.

The amendment initially meant that all 1-year FlexLån® loans had to be issued with interest rate triggers and failed refinancing triggers from 1 April 2014.

From 1 January 2015, the act will also apply to all other loans that must be refinanced during their term. This means that all FlexLån® loans and floating-rate loans will have an attached refinancing trigger. 1-year and 2-year FlexLån® loans will also have interest rate triggers.

Realkredit Danmark opened 66 new ISINs in 2014 to be able to comply with the legislative amendment.

Senior debt issuance

In order to comply with rating agency overcollateralisation requirements, Realkredit Danmark issued senior debt pursuant to section 15 of the Mortgage Credit Loans and Mortgage Credit Bonds Act for a nominal amount of DKK 27.3 billion at the end of 2014. The senior debt has a term to maturity of up to about five years. In addition to ensuring that Realkredit Danmark meets rating agency overcollateralisation requirements, the proceeds from the

senior debt issue are used to cover the need for supplementary collateral.

Since rating agency overcollateralisation requirements were stable in 2014, Realkredit Danmark maintained its senior debt at the same level as in 2013.

In May 2014, the rating of the senior debt was raised from A- to A by Standard & Poor's because of a similar increase in Danske Bank's issuer rating.

Investor distribution

Foreign investors continued to show strong interest in Danish mortgage bonds in 2014 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 attract the considerable interest. At 31 December 2014, foreign investors thus held about 18% of all bonds, against some 17% at end-2013. 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® loans and other loans with a refinancing element.

The overcollateralisation requirements for the capital centres were stable in 2014 and remained covered by funds from Realkredit Danmark's equity and issued senior debt.

Bonds issued at 31 December (nominal value)

Bond type (DKK billions)	Currency	Mortgage-covered bonds		Mortgage bonds	
		2014	2013	2014	2013
Fixed-rate	DKK	177	139	36	49
FlexLån®	DKK	379	395	7	8
FlexLån®	EUR	22	35	-	-
FlexKort®	DKK	25	12	-	-
Index-linked loans	DKK	-	-	24	26
FlexGaranti®	DKK	5	6	21	23
RenteDyk™	DKK	1	1	-	-
RD Cibur6®	DKK	56	51	8	9
RD Nibor3®	NOK	2	1	-	-
RD Stibor3®	SEK	11	8	-	-
RD Euribor3®	EUR	8	10	-	-
Total DKK		686	658	96	115

In 2014, the calculation has been adjusted to reflect double-funding of DKK 71 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 2014, the total capital of DKK 45.5 billion consisted of conventional equity after statutory deductions. The regulatory framework for the Group's capital management is rooted in the Capital Requirements Directive (CRR/CRD IV), which consists of three pillars:

- Pillar I contains a set of rules for calculating the capital requirement (8% of the risk exposure amount for credit risk, market risk and operational risk).
- Pillar II describes the ICAAP (Internal Capital Adequacy Assessment Process) framework and the supervisory review.
The ICAAP determines the solvency need (see below).
- Pillar III deals with market discipline and sets forth disclosure requirements for risk and capital management and the solvency need. The Realkredit Danmark Group is included in the Danske Bank Group's Risk Management 2014 Report, to which reference is made. The report is available at danskebank.com/IR.

ICAAP

Since 1 January 2008, the Group has applied the advanced internal ratings-based (IRB) approach to calculate the risk exposure amount 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, the ICAAP contains capital planning to ensure that the Group has sufficient capital to comply with the capital requirement in a number of stress tests.

Solvency need

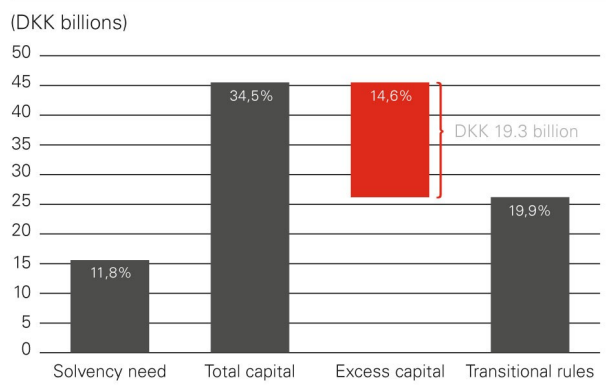
Like other Danish banks and mortgage credit institutions, the Group must comply with special requirements in Danish legislation to publish its solvency need each quarter.

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

The solvency need is calculated on the basis of the requirement under Pillar I plus an add-on for requirements under Pillar II. Pillar II reflects any uncertainty relating to the risk models, and the capital level is subject to ongoing qualitative adequacy assessments.

The aggregate capital requirement also reflects tied-up capital under the Basel I transitional rules.

Solvency need ratio and total capital ratio, end 2014



At the end of 2014, Realkredit Danmark's solvency need was calculated at DKK 15.6 billion, corresponding to 11.8% of the total risk exposure amount (REA). Calculated on the basis of the transitional rules, the capital need was DKK 26.2 billion, corresponding to 19.9% of REA. With total capital of DKK 45.5 billion and a total capital ratio of 34.5%, Realkredit Danmark had a capital buffer of DKK 19.3 billion.

Leverage ratio

CRR/CRD IV requires credit institutions to calculate, report on and monitor their leverage ratio, which is defined as tier 1 capital as a percentage of the total risk exposure amount. Pursuant to this definition and the transitional rules, Realkredit Danmark's leverage ratio was 5.2% at 31 December 2014. Under fully phased-in tier 1 capital under CRR/CRD IV, Realkredit Danmark's leverage ratio would be unchanged. The European Commission has adopted final leverage ratio legislation. The revised leverage ratio requirements entered into force on 1 January 2015, which had a 0.1 of a percentage point positive impact on Realkredit Danmark's leverage ratio.

Stress test

As part of the Danske Bank Group, Realkredit Danmark has participated in a stress test exercise instigated by the European Banking Authority (EBA) and also an asset quality review (AQR) under the auspices of the Danish FSA. Relevant information about the stress test and the asset quality review is available at danskebank.com/ir.

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 2014, Realkredit Danmark had two exposures that exceeded 10% of its capital base.

Supplementary collateral

As an institute issuing mortgage-covered bonds, Realkredit Danmark must provide supplementary collateral if the value of the properties on which the loans are secured is such that the LTV ratio rises above 80% for housing property and 60% for commercial property. In 2014, issuance of mortgage-covered bonds rose DKK 28 billion to DKK 686 billion. At the end of 2014, the need for supplementary collateral was DKK 41.1 billion, against DKK 42.2 billion at end-2013. 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 54 billion of the loan portfolio at 31 December 2014. This amount includes DKK 12 billion in the form of supplementary collateral for mortgage-covered bonds.

Risk management

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

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

Market risks comprise interest rate, equity market and exchange rate risks. Liquidity and operational risks are also monitored. However, the statutory principle of balance eliminates most of the interest rate, exchange rate and liquidity risks on the Group's assets and liabilities.

Risk management is described in the note on risk management.

Future rules

In 2014, Realkredit Danmark again monitored the shaping of the CRR/CRD IV rules, focusing particularly on the proposed liquidity rules in the form of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

In October 2014, the European Commission published the final liquidity rules for credit institutions, implementing the LCR. Among other things, this means that particularly liquid mortgage bonds with an issue size of at least EUR 500 million may constitute up to 70% of the liquidity buffer of a credit institution, while liquid mortgage bonds with an issue size of at least EUR 250 million may constitute up to 40%. The remaining 30% must be in the form of government bonds, certificates of deposits or cash.

The LCR will be implemented in 2015, while the NSFR is expected to become a requirement from 2018 at the earliest.

Another important statutory requirement expected to be adopted in 2015 is a so-called debt buffer. According to the proposed bill, mortgage credit institutions must have a debt buffer equal to 2% of their total unweighted lending. Realkredit Danmark is monitoring the bill closely and regularly assesses the impact that a potential implementation would have on its capital structure.

Rating and capital resources

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

Realkredit Danmark expects relatively stable overcollateralisation requirements from the rating agencies in 2015, 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.

Supervisory diamond for mortgage credit institutions

The Rangvid report prepared in response to the financial crisis recommended that a supervisory diamond be established for mortgage credit institutions, similar to that set up for banks. On 2 December 2014, the Danish FSA announced the establishment of such a supervisory diamond. It consists of five benchmarks which Danish mortgage credit institutions must comply with. The benchmarks define limitations for growth in certain segments, borrower's interest rate exposure, the volume of interest-only loans, the extent of loans with short funding and large exposures. The benchmarks for interest-only loans and refinancing must be complied with from 1 January 2020, while the rest of the benchmarks must be met from 1 January 2018.

Realkredit Danmark believes that the supervisory diamond addresses relevant risks and helps support the robustness of the Danish mortgage credit system. Consequently, Realkredit Danmark has for a number of years worked to mitigate these risks, including substantially reducing the need for refinancing. Furthermore, Realkredit Danmark's price structure already supports the above-mentioned focus areas, for example higher administration margins for interest-only loans and high LTV ratios.

For Danish home buyers, the most important aspect of the supervisory diamond is that the Danish mortgage credit sector is required to further reduce its portfolio of loans with short-term interest rates and interest-only loans.

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 6 March 2014, Tonny Thierry Andersen was appointed chairman and Lars Mørch vice chairman of the Board of Directors.

The Board of Directors defines the overall principles for the Group's operations. The Executive Board is in charge of 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 (most recently in 2013) and are eligible for reelection.

Employees

At the end of 2014, the number of full-time equivalent staff at the Realkredit Danmark Group was 237.

Establishment of Property Councils

Realkredit Danmark and Danske Bank have established eight councils for property customers, Property Councils. The members of the property councils are elected from the loan segments property customers, subsidised housing customers and administrators. Other stakeholders from the property sector may also become members. As a consequence of the establishment of the property councils, Realkredit Danmark has discontinued its Local Councils.

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

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

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

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

are listed under Significant accounting estimates and assessments.

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

Realkredit Danmark has outsourced a number of assignments to 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 for 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 external reporting. Internal Audit also conducts operational audits, focusing, among other things, on significant areas of Realkredit Danmark's risk management, including reporting on this.

The Executive Board regularly reports to the Board of Directors on compliance with the risk and investment framework set out and the statutory investment rules. The Board of Directors also receives accounting information on an ongoing basis. Compliance regularly submits 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 they report exclusively to the combined Board of Directors. In 2014, the Audit Committee held six meetings.

Corporate responsibility

Realkredit Danmark is part of Danske Bank Group, and more information about corporate responsibility is available at danskebank.com/responsibility. CR Report 2014 and CR Fact Book 2014 can be downloaded from this website.

Income statement and Comprehensive income

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
	Profit				
4	Interest income	23,896	25,005	23,894	25,002
5	Interest expense	16,904	17,724	16,904	17,724
	Net interest income	6,992	7,281	6,990	7,278
	Dividends from shares	-	-	-	-
	Fee and commission income	478	397	478	397
	Fee and commission expense	1,002	937	1,002	937
3	Net fee and commission income	6,468	6,741	6,466	6,738
3, 6	Value adjustments	-583	-1,067	-583	-1,067
	Other operating income	129	123	2	3
7-9	Staff costs and administrative expenses	811	848	706	742
	Impairment, depreciation and amortisation charges	4	4	1	1
10	Loan impairment charges	1,171	1,471	1,170	1,469
	Income from associates and group undertakings	2	3	17	12
	Profit before tax	4,030	3,477	4,025	3,474
11	Tax	974	865	969	862
	Net profit for the year	3,056	2,612	3,056	2,612
	Proposal for allocation of profits				
	Net profit for the year			3,056	2,612
	Transferred from other reserves			2,158	1,289
	Total for allocation			5,214	3,901
	Portion attributable to				
	Reserves in series			2,214	1,801
	Other reserves			-	-
	Proposed dividends			3,000	2,100
	Total allocation			5,214	3,901
	Comprehensive income				
	Net profit for the year	3,056	2,612	3,056	2,612
	Other comprehensive income				
	Items that will not be reclassified to profit or loss				
	Actuarial gains/losses on defined benefit plans	41	-107	41	-107
	Tax	-10	27	-10	27
	Items that will not be reclassified to profit or loss	31	-80	31	-80
	Items that are or may be reclassified to profit or loss				
	Fair value adjustment of domicile property	-	-	-	6
	Tax	-	-	-	-1
	Items that are or may be reclassified to profit or loss	-	-	-	5
	Total comprehensive income	31	-80	31	-75
	Total comprehensive income for the year	3,087	2,532	3,087	2,537

Balance sheet

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
	ASSETS				
	Cash in hand and demand deposits with central banks	244	872	244	872
12	Due from credit institutions and central banks	25,638	50,132	25,594	50,081
13	Bonds at fair value	29,292	32,396	29,292	32,396
14	Bonds at amortised cost	30,508	28,744	30,508	28,744
15-16, 19	Mortgage loans at fair value	744,502	730,901	744,502	730,901
15, 17-19	Loans and other amounts due at amortised cost	919	973	883	935
	Shares	2	2	-	-
20	Holdings in associates	15	14	15	14
	Holdings in group undertakings	-	-	129	139
	Land and buildings	90	91	140	141
21	Domicile property	90	91	140	141
22	Other tangible assets	10	10	5	5
	Current tax assets	141	77	137	76
23	Deferred tax assets	-	-	-	-
24	Assets temporarily taken over	106	193	106	193
19, 25	Other assets	3,080	3,720	3,030	3,672
	Prepayments	8	9	6	7
	Total assets	834,555	848,134	834,591	848,176
	LIABILITIES AND EQUITY				
	AMOUNTS DUE				
26	Due to credit institutions and central banks	10,018	32,501	10,018	32,501
27	Issued mortgage bonds at fair value	739,358	725,159	739,358	725,159
28	Issued bonds at amortised cost	27,415	32,089	27,415	32,089
	Current tax liabilities	-	-	-	-
23	Deferred tax liabilities	72	16	-	-
29, 30	Other liabilities	9,821	11,485	9,744	11,397
	Deferred income	-	-	-	-
	Total amounts due	786,684	801,250	786,535	801,146
	PROVISIONS				
23	Deferred tax	-	-	85	31
30	Reserves in early series subject to a reimbursement obligation	-	-	62	77
	Total provisions	-	-	147	108
	SUBORDINATED DEBT				
	Subordinated debt	-	-	-	-
	Total liabilities	786,684	801,250	786,682	801,254
	SHAREHOLDERS' EQUITY				
	Share capital	630	630	630	630
	Revaluation reserve	-	-	33	34
	Reserves in series	43,693	42,292	43,693	42,292
	Other reserves	548	1,862	553	1,866
	Proposed dividends	3,000	2,100	3,000	2,100
	Total shareholders' equity	47,871	46,884	47,909	46,922
	Total liabilities and equity	834,555	848,134	834,591	848,176

Statement of capital

Realkredit Danmark Group

(DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2014	630	42,292	1,862	2,100	46,884
Net profit for the year	-	2,214	842	-	3,056
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	41	-	41
Tax	-	-	-10	-	-10
Total comprehensive income for the year	-	2,214	873	-	3,087
Transferred from/to Other reserves	-	-813	813	-	-
Dividend paid	-	-	-	-2,100	-2,100
Proposed dividends	-	-	-3,000	3,000	-
Shareholders' equity at 31 December 2014	630	43,693	548	3,000	47,871
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

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 2014	630	34	42,292	1,866	2,100	46,922
Net profit for the year	-	-	2,214	842	-	3,056
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	-	-	-	41	-	41
Fair value adjustment of domicile property	-	-1	-	1	-	-
Tax	-	-	-	-10	-	-10
Total comprehensive income for the year	-	-1	2,214	874	-	3,087
Transferred from/to Other reserves	-	-	-813	813	-	-
Dividend paid	-	-	-	-	-2,100	-2,100
Proposed dividends	-	-	-	-3,000	3,000	-
Shareholders' equity at 31 December 2014	630	33	43,693	553	3,000	47,909
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

At the end of 2014, 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 property.

Statement of capital

	Realkredit Danmark Group	
(DKK millions)	31 Dec. 2014	31 Dec. 2013
Total capital and Total capital ratio		
Shareholders' equity	47,871	46,884
Revaluation of domicile property at fair value	50	50
Tax effect	-12	-12
Total equity calculated in accordance with the rules of the Danish FSA	47,909	46,922
Proposed dividends	-3,000	-2,100
Revaluation reserve	-	-34
Deferred tax assets	-	-
Defined benefit pension fund assets	-55	-
Common equity tier 1 capital	44,854	44,788
Difference between expected losses and impairment charges	-	-
Tier 1 capital	44,854	44,788
Reserves in series subject to a reimbursement obligation	-	45
Revaluation reserve	-	34
Difference between expected losses and impairment charges	676	665
Total capital	45,530	45,532
Risk exposure amount	131,875	133,867
Common equity tier 1 capital ratio (%)	34.0	33.5
Tier 1 capital ratio (%)	34.0	33.5
Total capital ratio (%)	34.5	34.0

Total capital and the total risk exposure amount at 31 December 2014 have been calculated in accordance with the rules applicable under the CRR/CRD IV taking transitional rules into account as stipulated by the Danish FSA. Until 31 December 2013, total capital and the total risk exposure amount were calculated in accordance with the Danish Financial Business Act. A new filter will be introduced for deduction from common equity tier 1 capital of additional value adjustments of assets and liabilities measured at fair value (prudent valuation). The European Banking Authority (EBA) has submitted its final standard for adoption by the European Commission, which is expected during the fourth quarter of 2014. The final stipulations of the standard may lead to a small reduction in common equity tier 1 capital.

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

Statement of capital

	Realkredit Danmark A/S	
(DKK millions)	31 Dec. 2014	31 Dec. 2013
Total capital and Total capital ratio		
Shareholders' equity	47,909	46,922
Proposed dividends	-3,000	-2,100
Revaluation reserve	-	-34
Deferred tax assets	-	-
Defined benefit pension fund assets	-55	-
Common equity tier 1 capital	44,854	44,788
Difference between expected losses and impairment charges	-	-
Tier 1 capital	44,854	44,788
Reserves in series subject to a reimbursement obligation	-	45
Revaluation reserve	-	34
Difference between expected losses and impairment charges	676	664
Total capital	45,530	45,531
Risk exposure amount	131,712	133,721
Common equity tier 1 capital ratio (%)	34.1	33.5
Tier 1 capital ratio (%)	34.1	33.5
Total capital ratio (%)	34.6	34.0

Total capital and the total risk exposure amount at 31 December 2014 have been calculated in accordance with the rules applicable under the CRR/CRD IV taking transitional rules into account as stipulated by the Danish FSA. Until 31 December 2013, total capital and the total risk exposure amount were calculated in accordance with the Danish Financial Business Act. A new filter will be introduced for deduction from common equity tier 1 capital of additional value adjustments of assets and liabilities measured at fair value (prudent valuation). The European Banking Authority (EBA) has submitted its final standard for adoption by the European Commission, which is expected during the fourth quarter of 2014. The final stipulations of the standard may lead to a small reduction in common equity tier 1 capital.

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

Cash flow statement

	Realkredit Danmark Group	
(DKK millions)	2014	2013
Cash flow from operating activities		
Profit before tax	4,030	3,477
Adjustment for other non-cash operating items		
Amortisation, depreciation and impairment charges	4	4
Loan impairment charges	647	693
Other non-cash items	-	-
Tax paid	-991	-934
Total	3,690	3,240
Cash flow from operating capital		
Bonds and shares	1,424	-25,448
Mortgage loans	-6,902	-2,904
Issued mortgage bonds	1,645	39,336
Due to credit institutions	-22,483	22,422
Other assets/liabilities	-394	-2,367
Cash flow from operating activities	-23,020	34,279
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		
Dividend	-2,100	-2,000
Cash flow from financing activities	-2,100	-2,000
Cash and cash equivalents at 1 January	51,004	18,727
Change cash and cash equivalents	-25,122	32,277
Cash and cash equivalents at 31 December	25,882	51,004
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	244	872
Amounts due from credit institutions and central banks within 3 months	25,638	50,132
Total	25,882	51,004

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.

On 1 January 2014, the Group adopted IFRS 10, Consolidated Financial Statements. IFRS 10 replaces IAS 27 and establishes a uniform definition of control. Control is based on the concepts of power, variability of returns and their linkage. Realkredit Danmark consolidates an entity if it has control over that entity. Control exists if Realkredit Danmark is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by exercising its power over the entity. The adoption of IFRS 10 did not change its consolidation of businesses.

Apart from the implementation of IFRS 10, the accounting policies are unchanged from those applied in Annual Report 2013.

For purposes of clarity, the notes to the financial statements are prepared using the concepts of materiality and relevance. This means that information not considered material by quantitative and qualitative measures or relevant to financial statement users is not presented in the notes.

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

Fair value measurement of mortgage loans

The fair value of mortgage loans is based on the fair value of the underlying issued mortgage bonds adjusted for changes in the fair value of the credit risk on borrowers. In 2014, the Danish FSA specified the principles for impairments made by mortgage credit institutions on customers whose repayment ability is narrowly linked to income from the mortgaged properties (asset financing). This resulted in an increase in impairments of DKK 350 million.

For mortgage loans granted to customers in rating categories 10 and 11 (loans with objective evidence of impairment), such adjustment is made to the amount which the borrower is expected to be able to repay after a financial restructuring. Loans are written down to the fair value of the collateral if financial restructuring is not possible or in case of asset financing.

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

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 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.

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, these 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

Since the end of 2013, Realkredit Danmark has 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 known return until maturity. The bonds are measured at amortised cost as a held-to-maturity portfolio. Interest rate risk is not hedged.

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 or if the borrower only to a limited extent is able to service the loan independently of the assets provided as collateral for the loan (asset financing).

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 or
- 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. Reverse transactions are made on standard terms and conditions.

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 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.

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Domicile property

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

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

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

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

Other tangible assets

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

Other tangible assets are tested for impairment if evidence of impairment exists, and the asset is written down to its recoverable 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 and the Group's defined benefit plan have 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 (sales of securities which the Group agrees to purchase at a later date). Amounts due to credit institutions and central banks are measured at amortised cost. Repo transactions are made on standard terms and conditions.

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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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. Retirement is not considered as resignation.

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

Pension obligations

The Group's contributions to defined contribution 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,

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Note

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.

IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments, which will replace the principles of IAS 39. IFRS 9 contains principles for classification of financial instruments, impairments concerning credit risk on financial assets recognised at amortised cost and general hedge accounting provisions. IASB is also working on a new macro hedge accounting model.

IFRS 9, which has still not been adopted by the EU, is due to be implemented on 1 January 2018.

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and on the basis of their contractual cash flow characteristics, including any embedded derivatives (unlike IAS 39, IFRS 9 no longer requires bifurcation). Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. Assets held with the objective of receiving contractual cash flows and selling and which involve cash flows that expresses payments of principal and interest are measured at fair value through Other comprehensive income. Such assets are thus recognised at fair value in the balance sheet and at amortised cost through profit or loss. Other assets are measured at fair value through profit or loss. As in IAS 39, the business may under certain circumstances opt for fair value adjustment of lending etc. (fair value option).

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 the 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.

With respect to credit risk on financial assets recognised at amortised cost (through profit or loss), a distinction is made as to whether there has been a significant increase in credit risk since the asset was acquired. Where no significant increase has been occurred, 12 months of expected losses should be recognised. Where there has been a significant increase in credit risk, the expected loss is written down over the expected life of the asset.

The general hedge accounting model does not fundamentally change the types of hedging relationships or the requirements to recognise ineffectiveness.

The Group is currently assessing the effect of the standard. Mortgage lending and issued mortgage bonds can still be recognised at fair value through profit or less using the fair value option. The new principles for impairment of financial assets are not expected to have any direct impact on the valuation of mortgage loans, because they are recognised at fair value and not at amortised cost. There will be changes to the classification and measurement of other financial assets, including the bond portfolio. It is still not possible to assess the overall accounting effect of the standard.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which will replace the principles of IAS 18 and other revenue recognition standards. Pursuant to IFRS 15, income must be recognised as the performance obligations are satisfied. The standard also includes additional disclosure obligations.

IFRS 15, which has still not been adopted by the EU, is due to be implemented on 1 January 2017. The Group is currently assessing the effect of the standard. It is still not possible to assess any accounting effect of the standard.

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. 281 dated 26 March 2014. 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
2014						
	Administration margin	5,704	-	5,704	-	5,704
	Net interest income	-126	1,414	1,288	-1,226	62
	Dividends from shares	-	-	-	-	-
	Net fee income	-524	-	-524	-	-524
	Income from investment portfolios	-	-	-	645	645
	Value adjustments	493	-1,076	-583	583	-
	Other income	129	-	129	-	129
	Total income	5,676	338	6,014	2	6,016
	Expenses	809	6	815	-	815
	Profit before loan impairment charges	4,867	332	5,199	2	5,201
	Loan impairment charges	1,171	-	1,171	-	1,171
	Income from associates	-	2	2	-2	-
	Profit before tax	3,696	334	4,030	-	4,030
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

Mortgage finance encompasses property financing services provided in Denmark, Sweden and Norway to personal and business customers. The mediation of property financing services is made through Danske Bank's branch network and finance centres and through Corporate & Institutional Mortgage Finance at Realkredit Danmark. The segment also includes mediation of real estate transactions in Denmark offered through the "home" real-estate agency chain. Under the Danish Financial Business Act, at least 60% of the total capital of a mortgage credit institution must be invested in bonds, etc. Own holdings comprise the net return on the part of the securities portfolio not relating to the mortgage finance business. Income from trading activities and own holdings is carried in the income statement under net interest income and value adjustments, etc. In the consolidated highlights, this income, except for interest on bonds at amortised cost, is reclassified to income from investment portfolios. Realkredit Danmark has no branch offices or subsidiaries outside Denmark.

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 230 million (2013: DKK 204 million).

Realkredit Danmark A/S's net interest and fee income and value adjustments on loans to customers outside Denmark totalled DKK 79 million (2013: DKK 56 million).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
4	Interest income				
	Reverse transactions with credit institutions and central banks	5	4	5	4
	Credit institutions and central banks	2	-	2	-
	Loans and other amounts due	16,888	18,122	16,886	18,120
	Administration margin	5,704	5,491	5,704	5,491
	Bonds at fair value	487	693	487	693
	Bonds at amortised cost	188	15	188	15
	Derivatives				
	Interest rate contracts	427	481	427	481
	Other interest income	195	199	195	198
	Total	23,896	25,005	23,894	25,002
	Interest income derived from				
	Assets at fair value	23,506	24,787	23,504	24,785
	Assets at amortised cost	390	218	390	217
	Total	23,896	25,005	23,894	25,002
	Interest on individually impaired financial assets recognised at amortised cost amounted to DKK 20 million (2013: DKK 21 million).				
5	Interest expense				
	Repo transactions with credit institutions and central banks	7	9	7	9
	Due to credit institutions and central banks	1	-	1	-
	Issued mortgage bonds etc.	16,769	17,593	16,769	17,593
	Reimbursement of origination fees etc.	126	122	126	122
	Other interest expense	1	-	1	-
	Total	16,904	17,724	16,904	17,724
	Interest expense derived from				
	Liabilities at fair value	16,769	17,593	16,769	17,593
	Liabilities at amortised cost	135	131	135	131
	Total	16,904	17,724	16,904	17,724
6	Value adjustments				
	Mortgage loans	8,104	-7,581	8,104	-7,581
	Bonds	-413	-497	-413	-497
	Shares	-	-	-	-
	Currency	1	13	1	13
	Derivatives	366	1,585	366	1,585
	Other assets	1	13	1	13
	Issued mortgage bonds	-8,584	5,305	-8,584	5,305
	Reserves in early series subject to a reimbursement obligation	-3	3	-3	3
	Other liabilities	-55	92	-55	92
	Total	-583	-1,067	-583	-1,067
	Value adjustments derived from				
	Assets and liabilities at fair value	-529	-1,172	-529	-1,172
	Assets and liabilities at amortised cost	-54	105	-54	105
	Total	-583	-1,067	-583	-1,067

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
7	Staff costs and administrative expenses				
	Salaries and remuneration of Executive Board, Board of Directors and local councils				
	Executive Board	4	4	4	4
	Board of Directors	1	1	1	1
	Local councils	3	3	3	3
	Total	8	8	8	8
	Staff costs				
	Salaries	144	157	121	134
	Share-based payments	-	-	-	-
	Pensions	18	19	16	17
	Other social security costs and taxes	16	17	16	17
	Total	178	193	153	168
	Other administrative expenses	625	647	545	566
	Total staff costs and administrative expenses	811	848	706	742
	Number of full-time-equivalent staff (avg.)	242	252	209	220

A more detailed description of the Group's remuneration policy and disbursed salaries is provided in "Remuneration report 2014", which is available on the rd.dk website. Remuneration report 2014 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)	125	104	125	104
Klaus Pedersen (until 7 March 2013)	-	31	-	31
Total remuneration	565	575	565	575
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 from Realkredit Danmark.

As members of the board of directors or executive board of other companies in the Danske Bank Group, Tonny Thierry Andersen earned a total remuneration from such companies in 2014 of DKK 9.5 million (2013: DKK 8.4 million), Lars Mørch earned DKK 8.2 million (2013: DKK 7.3 million), Henrik Ramlau-Hansen earned DKK 9.3 million (2013: DKK 8.4 million) and Kim Andersen earned DKK 0.3 million (2013: DKK 0.3 million).

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

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

The Group has no pension obligations towards its board members.

Notes

Note	(DKK millions)	
7	Staff costs and administrative expenses	
cont'd	Remuneration of the Executive Board	
		Carsten Nøddebo Rasmussen
	2014	
	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 2014, variable cash remuneration and the exercise of conditional shares granted for earlier financial years. Variable remuneration for 2014 will be paid in subsequent financial years.

The total remuneration of the Executive Board of DKK 4.0 million for 2014 consists of a fixed remuneration of DKK 3.6 million and a variable remuneration of DKK 0.4 million.

		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

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.

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 remuneration of the Executive Board disclosed above was 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.

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

In accordance with the Danish Financial Business Act and the accompanying order, Realkredit Danmark is required to identify all employees within the categories of staff whose professional activities could have a material impact on the risk profile of Realkredit Danmark. The European Banking Authority's final Regulatory Technical Standard that came into effect on 26 June 2014 and has been adopted by the Danish FSA outlines prescriptive qualitative and quantitative criteria for identifying material risk takers.

The identification process developed and implemented by Danske Bank Group complies with the Danish FSA and the Regulatory Technical Standard requirements. Due to the change in criteria for the designation of material risk takers in the Regulatory Technical Standard, the number of other material risk takers has increased significantly compared to 2013.

For 2014, Realkredit Danmark A/S paid remuneration totalling DKK 24.3 million for 24 other material risk takers (2013: DKK 6.3 million for 5 other material risk takers). The remuneration consists of fixed remuneration of DKK 23.5 million and a variable remuneration of DKK 0.8 million (2013: 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 Pensionsafvirkingskasse, where the Group is under an obligation to pay defined future benefits from the time of retirement. The pension fund and the Group's defined benefit plan have not accepted new members since 1971.

The fair value of pension assets less the present value of obligations is recognised under Other assets. At 31 December 2014, the net present value of pension obligations was DKK 990 million (31 December 2013: DKK 945 million), and the fair value of plan assets was DKK 1,342 million (31 December 2013: DKK 1,217 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.

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 2014 is based on the following assumptions: Share price 167 (2013: 124). Dividend payout ratio 2.5% (2013: 2.5%). Rate of interest 0.0% (2013: 0.2-0.3%), equal to the swap rate. Volatility 20% (2013: 30%). Average time of exercise 0.25 years (2013: 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.

Notes

Note	(DKK millions)
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8 cont'd 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

Share-based payments

Share options

	Number			Exercise price (DKK)	Fair Value (FV)	
	Executive Board	Other employees	Total		At issue (DKK millions)	End of year (DKK millions)
Granted in 2007-08						
2013, beg.	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
Exercised 2014	-	-	-			
Forfeited 2014	-6,753	-34,635	-41,388			
Other changes 2014	-	-	-			
2014, end	10,696	38,263	48,959	181.1	1.1	0.1

Holdings of the Executive Board and fair value, end of 2014

Grant year (DKK millions)	2008 Number	FV
Carsten Nøddebo Rasmussen	10,696	-

Holdings of the Executive Board and fair value, end of 2013

Grant year (DKK millions)	2007-2008 Number	FV
Carsten Nøddebo Rasmussen	17,449	-

The number of options were granted in 2008 or earlier.

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

No share option were held or exercised in 2014.

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				
	2013, beg.	518	1,498	2,016	
	Vested 2013	-	-	-	
	Forfeited 2013	-	-	-	
	Other changes 2013	4	11	15	
	2013, end	522	1,509	2,031	0.2 0.3
	Vested in 2014				
	2014, end	-	-	-	
	Forfeited 2014	-	-	-	
	Other changes 2014	-	-	-	
	2014, end	522	1,509	2,031	0.2 0.3
	Granted in 2013				
	Granted 2013	761	983	1,744	- -
	Vested 2013	-	-	-	
	Forfeited 2013	-	-	-	
	Other changes 2013	-	-	-	
	2013, end	761	983	1,744	0.2 0.2
	Vested 2014				
	2014, end	-	-	-	
	Forfeited 2014	-	-	-	
	Other changes 2014	-	-	-	
	2014, end	761	983	1,744	0.2 0.3
	Granted in 2014				
	Granted 2014	599	405	1,004	
	Vested 2014	-	-	-	
	Forfeited 2014	-	-	-	
	Other changes 2014	-	-	-	
	2014, end	599	405	1,004	0.1 0.2
	Holdings of the Executive Board and fair value, end of 2014				
	Grant year (DKK millions)			2012-2014 Number	FV
	Carsten Nøddebo Rasmussen			1,882	0.3
	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

The number of conditional shares and the employee payment price have been adjusted to reflect the capital increase in 2012. In 2014, no conditional shares were granted to employees.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
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	2,313	1,909	2,312	1,905
	Reversals of impairment charges etc. for previous years	1,666	1,216	1,666	1,216
	Losses incurred	585	847	585	849
	Received on claims previously written off	61	69	61	69
	Total	1,171	1,471	1,170	1,469
11	Tax				
	Tax on profit for the year	966	875	963	874
	Deferred tax	21	-6	19	-8
	Adjustment of prior-year tax charges	-13	-4	-13	-4
	Total	974	865	969	862
	Effective tax rate				
	Current Danish tax rate	24.5	25.0	24.5	25.0
	Adjustment of prior-year tax charge	-0.3	-0.1	-0.3	-0.1
	Non-taxable items	-	-	-0.1	-0.1
	Effective tax rate	24.2	24.9	24.1	24.8
12	Due from credit institutions and central banks				
	Demand deposits	1,290	1,877	1,276	1,866
	3 months or less	24,348	48,255	24,318	48,215
	Total	25,638	50,132	25,594	50,081
	Due from credit institutions	25,638	50,132	25,594	50,081
	Term deposits with central banks	-	-	-	-
	Total	25,638	50,132	25,594	50,081
	At fair value	25,632	50,060	25,588	50,009
	Portion attributable to reverse transactions	15,328	41,865	15,328	41,865

In connection with reverse transactions, Realkredit Danmark is entitled to sell or remortgage the securities.
In 2014, DKK 0 million were sold or remortgaged (2013: DKK 0 million).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
13	Bonds at fair value				
	Own mortgage bonds	138,530	158,025	138,530	158,025
	Other mortgage bonds	25,686	28,774	25,686	28,774
	Government bonds	964	-	964	-
	Other bonds	2,642	3,622	2,642	3,622
	Total	167,822	190,421	167,822	190,421
	Own mortgage bonds set off against issued mortgage bonds	138,530	158,025	138,530	158,025
	Total	29,292	32,396	29,292	32,396

Of Realkredit Danmark's bond portfolio, DKK 22.4 billion has a maturity of less than 12 months, while DKK 6.9 billion has a maturity of up to five years (2013: DKK 27.3 billion and DKK 5.1 billion).

14	Bonds at amortised cost				
	Other mortgage bonds	30,508	28,744	30,508	28,744
	Total	30,508	28,744	30,508	28,744
	Fair value of held-to-maturity assets	30,805	28,689	30,805	28,689
	The fair value is based on quoted prices.				

Of Realkredit Danmark's bond portfolio, DKK 30.0 billion has a term to maturity of up to five years, while DKK 0.5 billion has a term to maturity of up to ten years (2013: DKK 24.7 billion and DKK 4.0 billion).

15	Total lending				
	Mortgage loans, nominal value	725,511	719,358	725,511	719,358
	Fair value adjustment of underlying bonds	22,989	14,884	22,989	14,884
	Adjustment for credit risk	3,998	3,341	3,998	3,341
	Mortgage loans at fair value	744,502	730,901	744,502	730,901
	Arrears and outlays	430	536	430	536
	Other loans	489	437	453	399
	Total	745,421	731,874	745,385	731,836
	Apart from being backed by mortgages on properties, loans are backed by central and local government guarantees and insurance guarantees of	27,373	25,584	27,373	25,584
	Pass books and bonds have been deposited and guarantees provided as supplementary security in a total amount of	89,691	98,664	89,691	98,664

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 2014, DKK 657 million was expensed concerning adjustment for credit risk on loans (2013: DKK 668 million). The accumulated adjustment for credit risk amounts to DKK 4.0 billion (2013: DKK 3.3 billion).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
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	12	12	12
	Agricultural property etc.	6	6	6	6
	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	66,307	52,732	66,307	52,732
	1-3 months	8,836	4,506	8,836	4,506
	3-12 months	28,759	19,951	28,759	19,951
	1-5 years	135,197	133,488	135,197	133,488
	5-10 years	136,601	131,940	136,601	131,940
	Over 10 years	368,802	388,284	368,802	388,284
	Total	744,502	730,901	744,502	730,901
17	Loans and other amounts due at amortised cost				
	On demand	474	545	474	545
	3 months or less	21	20	18	17
	3-12 months	63	60	55	51
	1-5 years	137	130	116	109
	Over 5 years	224	218	220	213
	Total	919	973	883	935

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
18	Arrears and outlays				
	Arrears before impairment charges	317	336	317	336
	Outlays before impairment charges	403	499	403	499
	Impairment charges	290	299	290	299
	Total	430	536	430	536

- 19 **Loans etc.**
 Of the total fair value adjustment for the credit risk on mortgage loans, changes were recognised as an expense of DKK 3,998 million at 31 December 2014, against DKK 3,341 million at 31 December 2013.
 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 303 million at 31 December 2014, against DKK 313 million at 31 December 2013.

2014	Realkredit Danmark Group			Realkredit Danmark A/S		
	Loans individual impairment	Loans collective impairment	Total	Loans individual impairment	Loans collective impairment	Total
Impairment charges at 1 January 2014	3,241	413	3,654	3,233	413	3,646
Impairment charges during the year	1,895	418	2,313	1,894	418	2,312
Reversals of impairment charges for previous years	1,546	120	1,666	1,546	120	1,666
Impairment charges at 31 December 2014	3,590	711	4,301	3,581	711	4,292
Value adjustment of assets taken over						3
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

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

2014	Realkredit Danmark Group		Realkredit Danmark A/S	
	Credit exposure	Allowance account, individual	Credit exposure	Allowance account, individual
Rating category 10	18,521	1,634	18,521	1,625
Rating category 11	10,134	1,956	10,134	1,956
Total	28,655	3,590	28,655	3,581
2013				
Rating category 10	19,746	1,214	19,746	1,206
Rating category 11	9,772	2,027	9,772	2,027
Total	29,518	3,241	29,518	3,233

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	
		2014	2013	2014	2013
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	-	-3
	Reversals of revaluations	1	3	1	3
	Revaluations at 31 December	1	-	1	-
	Carrying amount at 31 December	15	14	15	14
	Associates are specified on page 54				
21	Domicile property				
	Carrying amount at 1 January	91	92	141	136
	Disposals	-	-	-	-
	Depreciation charges	1	1	1	1
	Value adjustment recognised in other comprehensive income	-	-	-	6
	Carrying amount at 31 December	90	91	140	141
	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	41	40		
	Reversal of depreciation charges	-	-		
	Depreciation charges	1	1		
	Depreciation and impairment charges at 31 December	42	41		
	Carrying amount at 31 December	90	91		
	Fair value of domicile property	140	141		
	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	21	24	5	5
	Additions	2	2	-	-
	Disposals	1	5	-	-
	Cost at 31 December	22	21	5	5
	Depreciation and impairment charges at 1 January	11	13	-	-
	Depreciation charges	2	3	-	-
	Depreciation and impairment charges reversed on disposals etc.	1	5	-	-
	Depreciation and impairment charges at 31 December	12	11	-	-
	Carrying amount at 31 December	10	10	5	5

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
23	Deferred tax assets and liabilities				
	Deferred tax liabilities	72	16	-	-
	Provision for deferred tax	-	-	85	31
	Total	72	16	85	31

Change in deferred tax Realkredit Danmark Group	At 1 Jan.	Recognised in net profit for the year	Recognised in shareholder's equity	Other ad- justments	At 31 Dec.
2014					
Intangible assets	-	-	-	-	-
Tangible assets	4	-	-	-	4
Securities	3	6	-	-	9
Provisions	13	38	10	-	61
Tax loss carryforwards	-	-	-	-	-
Other	-4	2	-	-	-2
Total	16	46	10	-	72
Adjustment of prior-year tax charges included in total		28			

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			

Change in deferred tax Realkredit Danmark A/S	At 1 Jan.	Recognised in net profit for the year	Recognised in shareholder's equity	Other ad- justments	At 31 Dec.
2014					
Intangible assets	-	-	-	-	-
Tangible assets	15	-	-	-	15
Securities	3	6	-	-	9
Provisions	13	38	10	-	61
Tax loss carryforwards	-	-	-	-	-
Other	-	-	-	-	-
Total	31	44	10	-	85
Adjustment of prior-year tax charges included in total		28			

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			

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
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 106 million worth of properties at 31 December 2014 (2013: DKK 193 million). These properties are recognised at the lower of cost and fair value less the estimated costs of selling the property. The effect on profit or loss amounted to DKK 13 million (2013: DKK -57 million).				
25	Other assets				
	Interest due	1,028	1,491	1,028	1,491
	Pension assets	352	272	352	272
	Other assets	1,700	1,957	1,650	1,909
	Total	3,080	3,720	3,030	3,672
26	Due to credit institutions and central banks				
	On demand	-	-	-	-
	3 months or less	10,018	32,501	10,018	32,501
	3-12 months	-	-	-	-
	1-5 years	-	-	-	-
	Total	10,018	32,501	10,018	32,501
	At fair value	9,986	32,434	9,986	32,434
	Portion attributable to repo transactions	10,018	32,501	10,018	32,501
27	Issued mortgage bonds at fair value				
	Issued mortgage bonds, nominal value*	852,614	866,127	852,614	866,127
	Fair value adjustment	25,274	17,057	25,274	17,057
	Issued mortgage bonds at fair value, before set-off	877,888	883,184	877,888	883,184
	Set-off of own mortgage bonds at fair value	138,530	158,025	138,530	158,025
	Issued mortgage bonds at fair value	739,358	725,159	739,358	725,159
	0-1 month	63,996	81,810	63,996	81,810
	1-3 months	-	-	-	-
	3-12 months	115,951	67,777	115,951	67,777
	1-5 years	336,372	350,655	336,372	350,655
	5-10 years	67,732	64,907	67,732	64,907
	Over 10 years	155,307	160,010	155,307	160,010
	Total	739,358	725,159	739,358	725,159
	* Portion pre-issued	73,421	94,048	73,421	94,048
	* Portion drawn at 2 January 2015, or in 2014	121,130	147,995	121,130	147,995

Fair value adjustment for the credit risk on issued mortgage bonds is calculated on the basis of the option-adjusted spread (OAS). 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 2014. The narrowing caused an increase in the fair value of issued mortgage bonds of about DKK 2.5 billion. In 2013, a contraction resulted in an increase in the fair value. Based on the outstanding portfolio at the end of 2014, Realkredit Danmark estimates that there has been a net narrowing since the issuance of the bonds, which produces a fair value of DKK 5 billion (2013: DKK 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 2014 or the period since the issue has been required.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
28	Issued bonds at amortised cost				
	Nominal value of issued bonds	27,275	32,000	27,275	32,000
	Fair value hedging of interest rate risk	115	50	115	50
	Premium/discount	25	39	25	39
	Total issued bonds	27,415	32,089	27,415	32,089
		1 Jan. 2014	Issued	Redeemed	31 Dec. 2014
	Nominal value				
	Total issued bonds	32,000	4,000	8,725	27,275
	Issued bonds at amortised cost consist of issued senior debt.				
29	Other liabilities				
	Interest accrued	9,232	10,865	9,232	10,865
	Reserves in early series subject to a reimbursement obligation*	62	77	-	-
	Other creditors	527	543	512	532
	Total	9,821	11,485	9,744	11,397
	*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	77	131	77	131
	Utilised	-18	-59	-18	-59
	Increase due to shortening of maturity	-	8	-	8
	Increase due to change in discount rate	3	-3	3	-3
	Carrying amount, end of year	62	77	62	77
	*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)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013
31	Risk exposure amount (REA)				
	Credit risk (IRB approach)	112,576	109,349	112,494	109,268
	Credit risk (standardised approach)	7,612	7,547	7,741	7,686
	Counterparty risk	378	1,813	378	1,813
	Total credit risk	120,566	118,709	120,613	118,767
	Market risk	509	5,311	509	5,311
	Operational risk	10,800	9,847	10,590	9,643
	Total	131,875	133,867	131,712	133,721

The total capital and tier 1 capital ratios are calculated in accordance with the CRR/CRD IV. The total risk exposure amount calculated under the Basel I rules amounted to DKK 410,093 million at the end of 2014 (2013: DKK 400,171 million). The solvency need, calculated on the basis of the transitional rules, was DKK 26,246 million in 2014, equal to 80% of the capital requirement of 8% of the total risk exposure amount (2013: DKK 25,611 million). rd.dk provides more details about Realkredit Danmark's solvency need. The solvency need calculation is not covered by the statutory audit.

32 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	13,451	19,242	13,451	19,242
Portion issued by Realkredit Danmark	8,639	11,884	8,639	11,884
Assets sold under repo transactions				
Bonds at fair value	9,986	32,434	9,986	32,434
Portion issued by Realkredit Danmark	3,254	8,590	3,254	8,590

At 31 December 2014, mortgage lending totalling DKK 744,502 million and other assets totalling DKK 41,050 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (31 December 2013: DKK 730,901 million and DKK 42,199 million).

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

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2014	2013	2014	2013

33 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 are set out in the table below.

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2014	2013	2014	2013
Other contingent liabilities				
Irrevocable loan commitments regarding reverse mortgages	56	99	56	99
Other commitments	108	133	85	109
Total	164	232	141	208

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

Notes

Note	(DKK millions)
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34 Related party transactions

Transactions between related parties are concluded and settled on an arm's length or on a cost-reimbursement basis. No unusual transactions were made with associates and group undertakings in 2014.

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	
	2014	2013	2014	2013
Fees, etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans	961	880	961	880
Fees received from Danske Bank A/S for referral of customers and for property valuation	96	98	96	98
Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions, etc.	254	303	232	282
Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	7	4	7	4
Interest received on mortgage loans raised by sister company	22	21	22	21
Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	7	8	7	8
Amounts due from Danske Bank A/S	24,349	37,803	24,305	37,752
Mortgage lending to sister company	2,243	2,255	2,243	2,255
Loss guarantees from Danske Bank A/S	53,854	56,623	53,854	56,623
Other guarantees from Danske Bank A/S	47,856	55,136	47,856	55,136
Amounts due to Danske Bank A/S	8,769	30,934	8,769	30,934

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 220 million (2013: DKK 399 million), interest expenses of DKK 11 million (2013: DKK 13 million), and pension contributions and deposits of DKK 31 million (2013: DKK 0 million).

35 Loans etc. to management

Mortgage loans established on an arm's length basis for

Board of Directors	15	15	15	15
Executive Board	1	1	1	1
Board of Directors and Executive Board of Danske Bank A/S	15	16	15	16

Notes

Note (DKK millions)

36	Financial instruments at fair value	Realkredit Danmark Group			Total
		Quoted prices	Observable input	Non-observable input	
2014					
	Bonds at fair value	29,292	-	-	29,292
	Mortgage loans at fair value	-	744,502	-	744,502
	Shares	-	-	2	2
	Derivatives	-	451	-	451
	Total	29,292	744,953	2	774,247
	Issued mortgage bonds at fair value	739,358	-	-	739,358
	Derivatives	-	20	-	20
	Total	739,358	20	-	739,378
2013					
	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

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

Valuation techniques are generally used for OTC derivatives and unlisted shares. The most frequently used valuation models include pricing of businesses with future settlement and swap models using present value calculations. The valuation is based substantially on observable input.

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

Notes

Note	(DKK millions)	Realkredit Danmark A/S			
37	Fair value hedging	2014		2013	
		Carrying amount	Amortised/notional amount	Carrying amount	Amortised/notional amount
	Issued bonds at amortised cost	9,644	9,495	13,591	13,495
	Hedging				
	Derivatives	234	9,495	207	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 5 million, net, in 2014 (2013: DKK 1 million), consisting of a loss on the hedged instrument of DKK 65 million (2013: a gain of DKK 91 million) and a gain on the hedging derivative of DKK 70 million (2013: a loss of DKK 90 million). The net effect is recognised in the income statement.

38 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 no. 281 dated 26 March 2014 on Financial Reports of Credit Institutions and Investment Companies, etc.

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 on 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 2014	Net profit 2013	Shareholders' equity 31 Dec. 2014	Shareholders' equity 31 Dec. 2013
Consolidated financial statements (IFRS)	3,056	2,612	47,871	46,884
Domicile property	-	-	50	50
Tax effect	-	-	-12	-12
Consolidated financial statements (Danish FSA rules)	3,056	2,612	47,909	46,922

Notes

Note

RISK MANAGEMENT

Total capital

The purpose of capital management is to ensure efficient use of capital in relation to risk tolerance and business development. The Group must have sufficient capital to comply with regulatory capital requirements, and 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 in 2014 by maintaining a solvency ratio of 34.5, well above the regulatory requirement of 19.9, 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 2014, 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 2015. 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®) and 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	2014 Total	2013 Total
1	-	1	1	-
2	8	3	11	10
3	57	63	120	112
4	128	46	174	157
5	110	58	168	160
6	62	48	110	121
7	46	50	96	103
8	11	20	31	34
9	3	5	8	8
10	3	16	19	20
11	2	8	10	9
Total	430	318	748	734

Probability of Default (PD) %

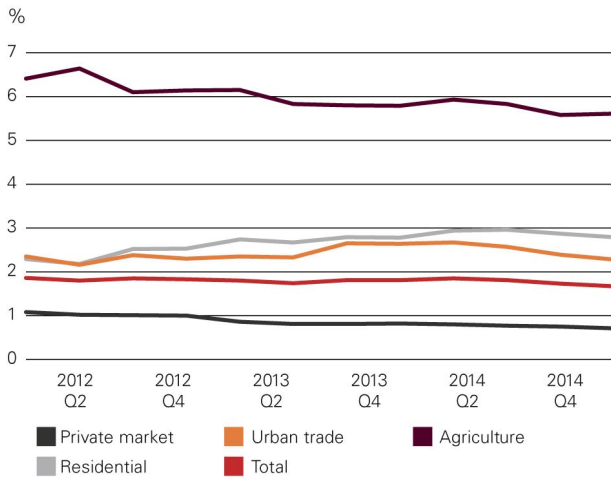
Rating category	Low PD	High PD
1	0.00	0.01
2	0.01	0.03
3	0.03	0.06
4	0.06	0.14
5	0.14	0.31
6	0.31	0.63
7	0.63	1.90
8	1.90	7.98
9	7.98	25.70
10	25.70	100.00
11	100.00	100.00

The continuing weak economic climate is reflected in customer classifications, although customers have generally been assigned better classifications in the last couple of years. The total average PD has fallen by a small margin compared to a year ago. This is due to improved classifications in the Personal Market, Agriculture and Residential.

Notes

Note

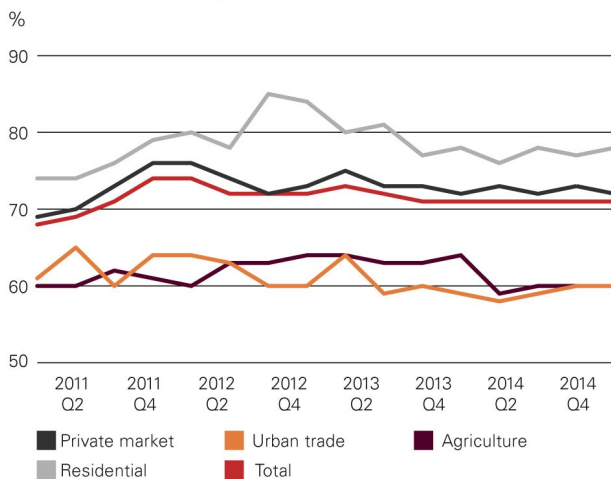
Development in average PD



Property prices changed only marginally in 2014, which means that the average property loan-to-value (LTV) also changed only by a small margin. The overall LTV was unchanged from 2013 to 2014.

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. 2014

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	138	121	93	54	24	430
Urban trade	46	37	27	9	5	124
Agriculture	18	15	10	4	1	48
Residential	54	37	26	15	14	146
Weighted distribution	34%	28%	21%	11%	6%	100%
Total DKK billions	256	210	156	82	44	748

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

As shown in the figure, DKK 8 billion were loans with an LTV ratio higher than 80% granted to customers in one of the four lowest classifications. This equals 1.1% of the total portfolio.

Portfolio broken down by loan to value and rating category 2014

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

Notes

Note

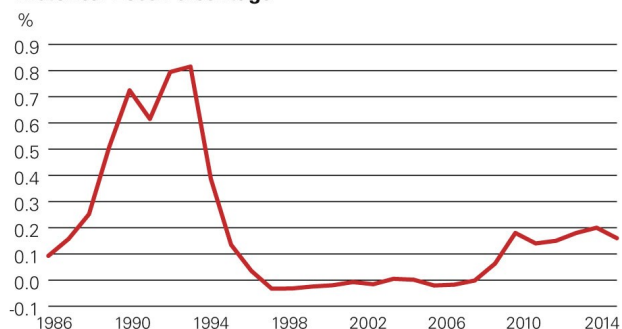
Portfolio broken down by loan to value and rating category 2013

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

Impairments for 2014 amounted to DKK 1,171 million, corresponding to 0.16% of total mortgage lending. This is a small decline relative to 2013, when the charges amounted to DKK 1,471 million. Impairments on loans to personal customers were lower than in 2013, whereas there was an increase in impairments on loans to business customers. In 2014, impairments on loans to business customers were affected by Realkredit Danmark adjusting its impairment practice for customers whose repayment ability is narrowly linked to income from the mortgaged properties. Conservative implementation of the new practice resulted in a DKK 350 million increase in impairments on business loans in 2014.

Realkredit Danmark expects that impairments have peaked and that they will be lower in 2015 than in 2014. In a historical context, losses and impairments have been at a moderate level for the past couple of years.

Historical Loss Percentage

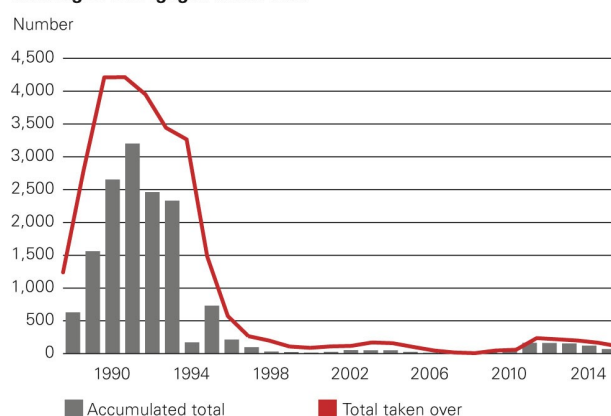


The number of properties that Realkredit Danmark took over at a forced sale continued the positive trends of the preceding years. Realkredit Danmark took over 164 properties in 2013, but the number dropped to 108 properties in 2014.

The portfolio of foreclosed properties at the end of 2014 was 70, against 122 foreclosures at the end of 2013.

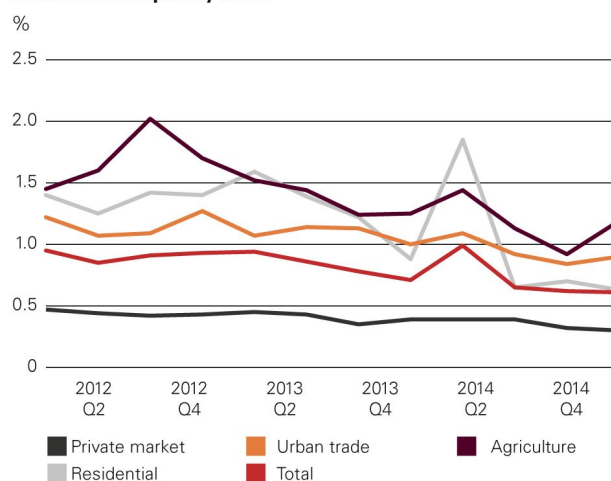
In a historical context, the number of properties taken over during the current crisis is much lower than during the crisis of the early 1990s, when more than 4,000 properties were taken over in the worst year

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 273 billion was partly covered by this loss guarantee at the end of 2014. The total guarantee in 2014 amounted to DKK 54 billion.

3-month delinquency rates



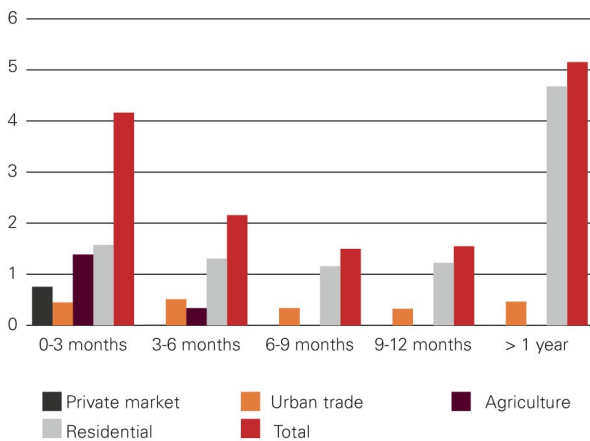
The delinquency rate, calculated as the proportion of due payments remaining unpaid 3 months after the last due payment date, declined marginally in 2014. The decline occurred in all the property segments.

Notes

Note

Arrears at 31 Dec. 2014 – loans without impairment charges

(DKK millions)



The chart shows arrears on loans without impairment charges at 31 December 2014. Total arrears on loans without impairment charges amounted to DKK 15 million at the end of 2014. Of total arrears on loans without charges, 29% 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. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Privat market	430,252	423,017	72	72	0.30	0.39
Urban trade	123,719	120,154	60	59	0.90	1.00
Agriculture	48,455	48,855	60	64	1.19	1.25
Residential rental property	146,074	142,216	78	78	0.63	0.88
Total	748,500	734,242	71	71	0.61	0.71

Individual customer concentrations

The 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 2014, the Group's exposures did not exceed the limits.

Credit exposure to groups representing 10% or more of the capital base amounted to DKK 10,316 million at 31 December 2014 (2013: DKK 5,413 million). At the end of 2014, 0 exposures exceeded 20% of the capital base, while 2 exposures exceeded 10%. Intra-group accounts are not included in the calculation.

Notes

Note

Market risk

Market risk is the risk of losses because of changes in market prices and interest rates. Realkredit Danmark's Board of Directors defines the overall framework for interest rate, equity market and exchange rate risks in accordance with the limits laid down in the Danish Mortgage Credit Loans and Mortgage Credit Bonds, etc. Act. Realkredit Danmark calculates, monitors and reports on these risks on a regular basis, and the Group pursues a policy of only having limited market risk exposure. By complying with the statutory principle of balance, Realkredit Danmark eliminates interest rate, exchange rate and liquidity risks on most of its assets and liabilities.

Interest rate risk

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

In accordance with Danish law, the difference between interest payments and instalments received on mortgage loans and payments made on issued bonds may not result in an interest rate risk exceeding 1% of Realkredit Danmark's capital base, that is, DKK 455 million. At the end of 2014, this interest rate risk amounted to DKK 23 million.

The interest rate risk on other assets and liabilities and on off-balance-sheet items, including in particular the proprietary investment portfolio, may not exceed 8% of the capital base, or DKK 3,643 million, in accordance with Danish law. At the end of 2014, the interest rate risk on these items amounted to DKK 1,048 million, against DKK 791 million the year before.

At the end of 2014, the total interest rate risk amounted to DKK 1,071 million, or 2.4% of the capital base. The year before, Realkredit Danmark's interest rate risk was DKK 823 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-2014, the market value and hence the equity market risk amounted to DKK 144 million, against DKK 153 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 2014, the exchange rate risk amounted to DKK 2 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)	31 Dec. 2014			31 Dec. 2013		
	Nominal value	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value
Interest rate contracts						
Forward/futures bought	73,886	180	-	93,979	193	1
Forward/futures sold	46,032	36	19	65,798	71	20
Currency contracts						
Forward/futures bought	-	-	-	4,316	1	-
Forward/futures sold	6	-	-	6	-	-
Interest rate and currency contracts held for trading purposes, total		216	19		265	21
Outstanding spot transactions						
Interest rate contracts bought	1,066	1	-	2,882	1	-
Interest rate contracts sold	570	-	1	2,452	1	1
Total outstanding spot transactions		1	1		2	1
Hedging derivatives	9,495	234	-	13,495	207	-

All derivatives have a maturity of less than one year.

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

Notes

Note

	Realkredit Danmark Group				
(DKK millions)	2014	2013	2012	2011	2010
HIGHLIGHTS					
Net interest and fee income	6,468	6,741	6,082	4,261	4,440
Value adjustments	-583	-1,067	-732	125	-446
Staff costs and administrative expenses	811	848	866	928	892
Loan impairment charges	1,171	1,471	1,319	1,057	976
Income from associates	2	3	2	-	5
Net profit for the year	3,056	2,612	2,454	1,874	1,721
Loans	745,421	731,874	736,340	724,592	705,342
Shareholders' equity	47,871	46,884	46,352	44,757	42,883
Total assets	834,555	848,134	794,127	776,560	757,621
RATIOS AND KEY FIGURES					
Total capital ratio (%)	34.5	34.0	34.3	35.8	39.4
Tier 1 capital ratio (%)	34.0	33.5	33.7	35.4	38.8
Return on equity before tax (%)	8.5	7.5	7.2	5.7	5.5
Return on equity after tax (%)	6.5	5.6	5.4	4.3	4.1
Cost/core income ratio DKK	3.03	2.50	2.50	2.26	2.22
Foreign exchange position (%)	1.1	0.5	0.3	0.7	0.7
Gearing of loans	15.6	15.6	15.9	16.2	16.4
Growth in lending for the year (%)	0.8	0.5	1.1	0.6	1.6
Impairment ratio for the year (%)	0.2	0.2	0.2	0.1	0.1
Return on assets (%)	0.4	0.3	0.3	0.2	0.2
Realkredit Danmark A/S					
HIGHLIGHTS					
Net interest and fee income	6,466	6,738	6,080	4,258	4,437
Value adjustments	-583	-1,067	-732	125	-446
Staff costs and administrative expenses	706	742	767	761	778
Loan impairment charges	1,170	1,469	1,317	1,055	974
Income from associates and group undertakings	17	12	7	1	15
Net profit for the year	3,056	2,612	2,454	1,923	1,727
Loans	745,385	731,836	736,291	724,541	705,288
Shareholders' equity	47,909	46,922	46,385	44,672	42,748
Total assets	834,591	848,176	794,163	776,446	757,438
RATIOS AND KEY FIGURES					
Total capital ratio (%)	34.6	34.0	34.3	35.8	39.4
Tier 1 capital ratio (%)	34.1	33.5	33.7	35.4	38.8
Return on equity before tax (%)	8.5	7.4	7.2	5.9	5.5
Return on equity after tax (%)	6.4	5.6	5.4	4.4	4.1
Cost/core income ratio DKK	3.14	2.57	2.57	2.41	2.31
Foreign exchange position (%)	1.1	0.5	0.3	0.7	0.7
Gearing of loans	15.6	15.6	15.9	16.2	16.5
Growth in lending for the year (%)	0.8	0.5	1.1	0.6	1.6
Impairment ratio for the year (%)	0.2	0.2	0.2	0.1	0.1
Return on assets (%)	0.4	0.3	0.3	0.2	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	3,056	47,909	
Subsidiaries				
Real-estate agency business				
home a/s, Aarhus	DKK 15,000	15	129	100
Associates				
Property information				
e-nettet Holding A/S, Copenhagen (financial year 1 January - 31 December)	DKK 11,000	6	67	21
Further information on e-nettet Holding A/S: Total assets DKK 181 million Total liabilities DKK 114 million Total income DKK 115 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	Series not subject to a reimburse- obligation
Income statement					
	Income from lending	0.3	0.6	1.6	41.3
1	Net interest income etc.	0.3	0.3	0.5	7.0
1	Administrative expenses etc.	2.3	3.0	6.7	27.4
	Loan impairment charges	-	-	-0.6	-1.9
	Tax	-0.4	-0.5	-1.0	5.7
2	Net profit for the year	-1.3	-1.6	-3.0	17.1
Balance sheet - assets					
	Mortgage loans etc.	75.7	117.4	446.7	16,352.8
	Other assets	32.4	29.0	86.3	1,451.0
	Total assets	108.1	146.4	533.0	17,803.8
Balance sheet - liabilities and equity					
3	Issued bonds	93.3	126.0	498.2	17,228.2
	Other liabilities	1.3	1.7	6.0	202.3
4	Shareholders' equity	13.5	18.7	28.8	373.3
5	Total liabilities and equity	108.1	146.4	533.0	17,803.8

	(DKK millions)	Danske Kredit	Mortgage- bonds S	Mortgage- bonds T	Other reserves	Total
Income statement						
	Income from lending	2.3	1,510.8	3,634.7	566.0	5,757.6
1	Net interest income etc.	0.2	322.0	357.4	109.3	797.0
1	Administrative expenses etc.	3.4	396.7	670.9	219.2	1,329.6
	Loan impairment charges	2.8	324.5	663.3	181.9	1,170.0
	Tax	-0.9	277.9	664.5	24.2	969.5
2	Net profit for the year	-2.8	833.7	1,993.4	250.0	3,085.5
Balance sheet - assets						
	Mortgage loans etc.	348.8	226,306.2	426,026.2	75,291.0	744,964.8
	Other assets	83.6	55,285.9	157,492.5	16,312.0	230,772.7
	Total assets	432.4	281,592.1	583,518.7	91,603.0	975,737.5
Balance sheet - liabilities and equity						
3	Issued bonds	415.1	257,525.3	554,388.4	86,408.8	916,683.3
	Other liabilities	4.9	3,198.7	6,628.4	1,040.5	11,083.8
4	Shareholders' equity	12.4	20,868.1	22,501.9	4,153.7	47,970.4
5	Total liabilities and equity	432.4	281,592.1	583,518.7	91,603.0	975,737.5

Notes

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.	
		2014
2	Net profit for the year, series accounts	
	Net profit for the year, Realkredit Danmark A/S's financial statements	3,056.0
	Transferred to other reserves etc.	-1.1
	Adjustment of defined benefit plans	30.6
	Market value adjustment of domicile properties	-
	Net profit for the year, series accounts	3,085.5
3	Issued bonds, series accounts	
	Issued bonds, Realkredit Danmark A/S's financial statements	766,773.9
	Own mortgage bonds, not offset in the series accounts	138,530.5
	Accrued interest, own bonds	11,378.9
	Issued bonds, series accounts	916,683.3
4	Shareholders' equity, series accounts	
	Shareholders' equity, Realkredit Danmark A/S's financial statements	47,908.4
	Reserves in pre-1972 series subject to a reimbursement obligation	62.0
	Shareholders' equity, series accounts	47,970.4
5	Total assets, series accounts	
	Total assets, Realkredit Danmark A/S's financial statements	834,591.0
	Own mortgage bonds, not offset in the series accounts	138,530.5
	Accrued interest, own bonds	2,616.0
	Total assets, series accounts	975,737.5
6	Transfers to and from reserves subject to a reimbursement obligation	
	In 2014, 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	-827.6
	Danske Kredit	15.1
	Other reserves	812.5
	Total	-

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 2014.

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 2014 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2014. 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, 3 February 2015

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Board of Directors

Tonny Thierry Andersen
Chairman

Lars Mørch
Vice Chairman

Kim Andersen

Henrik Ramlau-Hansen

Claus Bundgaard

Lisbeth Sahlertz Nielsen

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 2014. 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 2014 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2014 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, 3 February 2015

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 2014. 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 2014 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2014 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, 3 February 2015

Ernst & Young
Godkendt Revisionspartnerselskab

Jesper Ridder Olsen
State Authorised Public
Accountant

Anders Duedahl-Olesen
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)

The Danish Bankers Association (Chairman)

The Private Contingency Association for the Winding up of

Distressed Banks, Savings Banks and Cooperative Banks

(Chairman)

YPO, Danmark (CFO)

Værdiansættelsesrådet

ICC Danmark

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)

Grænsefonden

Dagmar Marshalls Fond

Kim Andersen

Managing Director

Born on 30 April 1955

Joined the Board of Directors on 21 November 2011

Member of the Audit Committee (Chairman)

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:

Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af

1999 and the subsidiary Danica Pension, Livsforsikringsaktiesel-

skab

Kreditforeningen Danmarks Pensionsafviklingskasse (Chairman)

LR Realkredit A/S

Claus Bundgaard (elected by the employees)

Senior 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)

Relationship Manager, 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 a/s (Vice Chairman)

Kreditforeningen Danmarks Pensionsafviklingskasse

Danish Mortgage Banks' Federation (Chairman)

The Popular Educational Association, Kgs. Lyngby (Chairman)

Supplementary information

Financial calendar

- Annual General Meeting:
5 March 2015
- Interim Report – First Quarter 2015:
30 April 2015
- Interim Report – First Half 2015:
22 July 2015
- Interim Report – First Nine Months 2015:
29 October 2015

Contact

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


Links

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