

Annual Report 2009



REALKREDIT
Danmark

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Annual Report 2009 is a translation of the original report in the Danish language (Årsrapport 2009). In case of discrepancies, the Danish version prevails.

5-year financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE YEAR

(DKr m)	2009	2008	2007	2006	2005
Administration margin	3,200	2,954	2,833	2,689	2,471
Net interest income	1,718	1,963	1,740	1,281	1,178
Net fees	-415	-431	-340	-233	83
Net trading income	1,113	547	237	222	355
Other income	102	149	160	324	232
Total income	5,718	5,182	4,630	4,283	4,319
Expenses	984	1,010	1,194	1,171	1,251
Profit before loan impairment charges	4,734	4,172	3,436	3,112	3,068
Loan impairment charges	1,267	422	-10	-105	-118
Profit before tax	3,467	3,750	3,446	3,217	3,186
Tax	873	940	854	861	769
Net profit for the year	2,594	2,810	2,592	2,356	2,417

BALANCE SHEET (AT DECEMBER 31))

(DKr m)	2009	2008	2007	2006	2005
Due from credit institutions etc.	48,966	25,069	23,178	18,554	16,943
Mortgage loans	691,301	669,891	627,809	602,584	569,092
Bonds and shares	3,332	13,062	40,059	39,553	35,925
Other assets	2,744	2,900	3,157	2,586	3,893
Total assets	746,343	710,922	694,203	663,277	625,853
Due to credit institutions etc.	26,855	8,111	11,918	5,267	45,390
Issued mortgage bonds	660,685	647,731	630,844	610,761	536,530
Other liabilities	15,604	16,512	15,683	14,083	13,123
Subordinated debt	2,037	-	-	-	-
Shareholders' equity	41,162	38,568	35,758	33,166	30,810
Total liabilities and equity	746,343	710,922	694,203	663,277	625,853

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareh. equity	6.5	7.6	7.5	7.4	8.0
Cost/income ratio (%)	17.2	19.5	25.8	27.3	29.0
Solvency ratio (%)	44.6	56.6	10.5	10.2	10.1
Tier 1 capital ratio (%)	44.2	56.5	10.5	10.2	10.0
Full-time-equivalent staff, end of year	300	520	519	738	749

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

Financial review

Overview

- In 2009, the Realkredit Danmark Group recorded a net profit of DKr2,594m, against DKr2,810m the year before. The financial performance is satisfactory and in line with expectations.
- Throughout 2009, Realkredit Danmark accommodated its existing and new creditworthy customers. Gross lending amounted to DKr121bn, against DKr115bn in 2008.
- At December 31, 2009, the solvency ratio was 44.6%, against 56.6% at end-2008.
- Realkredit Danmark expects another challenging year for the financial sector in 2010. Loan impairment charges are likely to remain high.

Results

In 2009, the Realkredit Danmark Group recorded a net profit of DKr2,594m, against DKr2,810m the year before. The profit was 8% lower than in 2008, especially due to higher loan impairment charges although these charges were partly offset by higher income from the investment portfolio. The financial performance is satisfactory and in line with expectations.

As a result of the larger loan portfolio and wider administration margins on corporate loans, the administration margin was up DKr246m on 2008. Net interest income fell DKr245m, primarily because of the lower level of interest rates and expenses for subordinated loan capital.

Net fee expenses amounted to DKr415m, against DKr431m in 2008.

Income from the investment portfolio amounted to DKr1,113m, against DKr547m in 2008. Income from the investment portfolio includes value adjustments of securities and the yield on the proprietary investment portfolio after deduction of funding costs – calculated on the basis of short-term money market rates. The increase was due to the sharp fall in short-term interest rates.

Other income fell DKr47m to DKr102m, among other things because of lower franchise income from the real-estate agency chain “home”.

Total income rose DKr536m, or 10%, in 2009 to DKr5,718m.

At DKr984m, expenses were on a level with 2008. The number of full-time employees declined by 220 to 300 at end-2009, owing in particular to the organisational changes put into effect at September 1, 2009, when 175 Realkredit Danmark employees transferred to Danske Bank. The cost/income ratio fell from 19.5% in 2008 to 17.2% in 2009 on the back of higher income.

Loan impairment charges amounted to DKr1,267m, against DKr422m in 2008. The charges correspond to 0.18% of total mortgage lending. Of total impairment charges, 37%

related to retail loans, while 63% related to corporate loans. Delinquencies as a percentage of payments rose, albeit from a very low level. The 3-month delinquency rate thus stood at 1.02% at the end of 2009, against 0.28% at the beginning of the year.

Declining property prices resulted in rising loan-to-value (LTV) ratios. The average LTV ratio was 68% at the end of the year, against 57% at the beginning of the year.

In 2009, Realkredit Danmark had 58 foreclosures and sold 44 foreclosed properties, bringing the number of foreclosures at end-2009 to a very moderate 37.

The total tax charge amounted to DKr873m, corresponding to an effective tax rate of 25%.

Balance sheet

Mortgage lending at fair value rose DKr21bn, or 3%, in 2009 to DKr691bn. The nominal outstanding bond debt rose DKr9bn to DKr692bn. Throughout 2009, Realkredit Danmark accommodated its existing and new creditworthy customers and had gross lending of DKr121bn in 2009.

The private market accounted for 60% of the total loan portfolio at end-2009 – on a par with year-end 2008. Interest-only loans accounted for 51% of the loan portfolio in the private market at December 31, against 48% at year-end 2008.

Issued mortgage bonds rose DKr13bn in 2009 to DKr661bn. The nominal value of issued bonds was DKr661bn, equal to the amount at year-end 2008. The amounts are exclusive of holdings of own mortgage bonds.

Realkredit Danmark is subject to the specific principle of balance and therefore has very limited exposure to market risks. At the end 2009, the Realkredit Danmark Group's interest rate risk and exchange rate risk amounted to DKr341m and DKr1m, respectively. In addition, the fact that Realkredit Danmark finances lending by issuing bonds means that its liquidity risk is very limited.

Capital and solvency

In May 2009, Realkredit Danmark raised subordinated loan capital from the Danish state in the form of hybrid capital of Dkr2bn. The interest rate on the loan is 9.265% per annum. The interest rate will be raised if Realkredit Danmark distributes dividends of more than Dkr2.1bn per annum.

Shareholders' equity stood at Dkr41.2bn at the end of 2009, against Dkr38.6bn at the end of 2008. The increase equals the profit for the year. Realkredit Danmark did not pay any dividend for 2009.

The solvency ratio was 45.0% at year-end 2009, against 56.6% at the end of 2008.

Since January 1, 2008, The Realkredit Danmark Group has used the advanced internal ratings-based (IRB) approach to calculate risk-weighted assets for credit risks. In accordance with the CRD (Capital Requirement Directive) transitional rules, the capital must as a minimum amount to 80% of the capital requirement calculated under the previous rules, corresponding to Dkr23.8bn and a solvency ratio of 24.4%. With a capital base of Dkr43.3bn, the Group thus has a capital buffer of Dkr19.5bn, and is well-equipped to handle future consequences of the economic crisis.

At the end of 2009, Realkredit Danmark had issued mortgage-covered bonds for Dkr368bn, against Dkr258bn at end-2008. At December 31, 2009, the requirement for supplementary collateral for mortgage-covered bonds was Dkr21.3bn, which is covered by shareholders' equity and guarantees. At the end of 2008, the requirement was Dkr4.0bn.

Outlook for 2010

Realkredit Danmark expects another challenging year for the financial sector in 2010. GDP growth in Denmark in 2010 is expected to be positive at approximately 1.7%. The Group expects that short-term interest rates in Denmark will rise by about half a percentage point in 2010.

Unemployment in Denmark rose throughout 2009, and this trend is expected to continue throughout 2010. The increase in unemployment and falling house prices have resulted in financial difficulty for many households. However, the lower interest burden on mortgage loans and the tax reform are expected to underpin the financial standing of retail customers in 2010.

The low interest rates are expected to have a positive effect on the creditworthiness of corporate customers, although Realkredit Danmark expects higher impairment charges in specific sectors such as agriculture.

Consequently, the Group expects the level of loan impairment charges to remain high in 2010.

The expected profit for 2010 will to a large extent depend on developments in the capital markets and macroeconomic trends in Denmark.

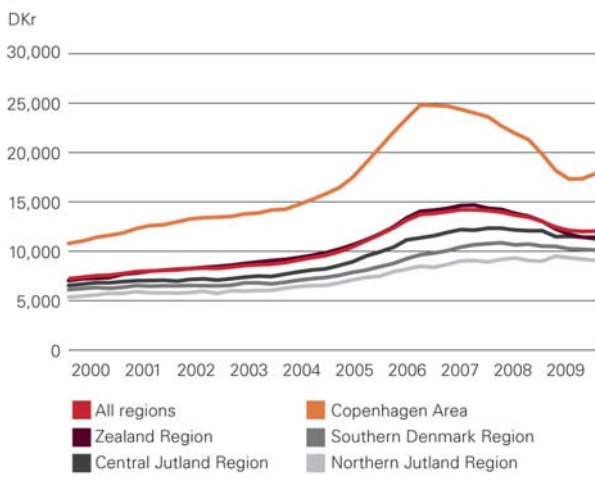
Property market

Property market

The sharp fall in short-term interest rates throughout 2009 made it much cheaper to finance property purchases, thus stimulating demand for property. Against that background, the large price falls in the property market levelled off in the course of the year. Trading activity and, by extension, price developments approached a normal level especially in the markets for owner-occupied flats and holiday homes and in the Capital Region (Copenhagen area). For Denmark as a whole, trading activity for single-family and terraced houses declined sharply in the first quarter of 2009, but posted a slight increase in the remainder of the year. Overall, however, trading activity in 2009 was 18.3% lower than in 2008.

Prices of single-family and terraced houses fell 7.5% from the fourth quarter of 2008 to the fourth quarter of 2009. The decline comprised large regional differences. In the Capital Region and the Zealand Region, the largest falls in house prices were 9.8% and 12.4%, respectively, from the fourth quarter of 2008 to the fourth quarter of 2009. In the other regions of Denmark, price falls were more moderate, as prices in these areas did not rise as sharply during the boom from 1993 to 2007.

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

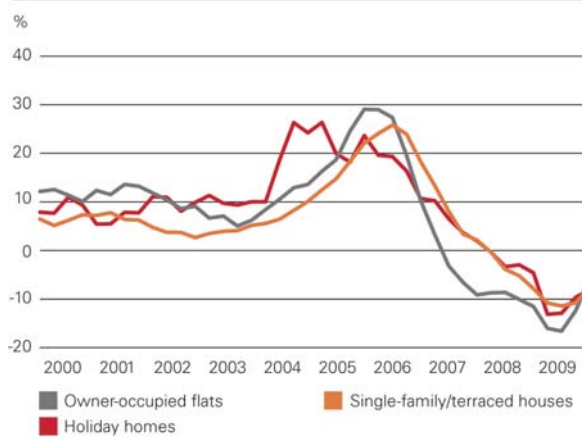


Overall, prices of holiday homes and owner-occupied flats fell 8.1% and 5.7%, respectively, from the fourth quarter of 2008 to the fourth quarter of 2009.

The fall in interest rates throughout 2009 helped create a better balance between household incomes and prices in the housing market. Realkredit Danmark expects the stabili-

sation of house prices to continue as long as interest rates remain relatively low.

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



As a result of the stabilisation of the housing market and low interest rates, the number of forced sales only recorded a small increase despite the rise in unemployment throughout 2009. From 2008 to 2009, the number of forced sales rose from 2,840 to 4,140, an increase of 46%.

Residential rental and commercial properties

The residential rental market recorded falling prices in 2009 with no clear indication of a slowdown in price falls or trading activity.

Total construction starts also declined in 2009. In the first three quarters of the year, commenced construction of floor space had dropped 25.8% relative to the same period of 2008. Construction starts for housing and commercial purposes posted the largest decline, while there was a slightly lower decrease in construction for other purposes, including for cultural purposes and institutions and leisure buildings. The decline in housing construction was 34.1%, the decline in commercial construction 26.4%, whilst construction of other buildings was down 7.4%. Both the residential rental market and the newbuild market were affected by the economic slump.

Lending

Mortgage credit market

The overall loan portfolio in the Danish mortgage credit market rose 5% in 2009 to DKr2,292bn. In the private market, growth started to slow in 2008, while the economic crisis did not impact the commercial market in earnest until 2009.

As a result of property price uncertainty, property trading activity was very moderate in certain periods of 2009. This led to an overall decline in lending activity in 2009.

Total lending

The negative impact of the economic cycle on developments in property prices resulted in relatively higher indebtedness among Realkredit Danmark's customers. In addition, the situation brought greater uncertainty in respect of the financial strength of both individuals and businesses. In 2009, Realkredit Danmark continued its prudent credit-granting process, accommodating its existing and new creditworthy customers. When granting credit, the Group continues to emphasise customer ability to repay fixed-rate loans, even if it has granted an interest-reset loan (FlexLån®).

The nominal value of the loan portfolio rose DKr9bn to DKr692bn.

The wider spread between short-and long-term interest rates resulted in attractive opportunities for borrowers to refinance from fixed-rate loans into FlexLån®. At the end of 2009, FlexLån® represented a little more than half of the loan portfolio, against 43% at end-2008.

Interest-only loans remained very popular, as mortgage loans are an attractive source of funding. Interest-only loans accounted for 36% of the aggregate portfolio of loans at the end of 2009, against 35% at year-end 2008.

The decline in property sales meant that there were fewer change of ownership loans. In addition, other new lending declined because of the sliding property prices, less renovation work and fewer new investments and the financial situation of Realkredit Danmark's customers.

Gross lending rose from DKr115bn in 2008 to DKr121bn in 2009. FlexLån® represented 83% of gross lending. Net new lending fell from DKr51bn in 2008 to DKr22bn in 2009.

Private market

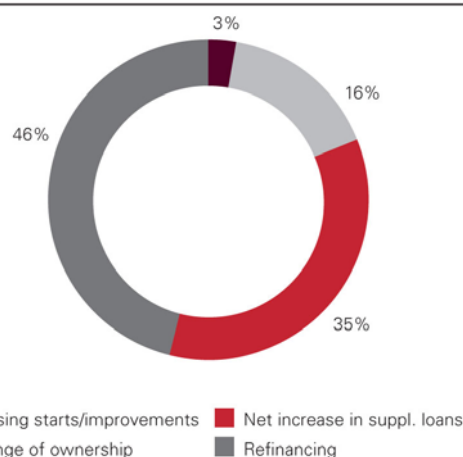
The amount of loans for owner-occupied dwellings and holiday homes rose to DKr413bn, corresponding to 60% of the aggregate portfolio of loans, on a par with end-2008.

2009 brought an increase in remortgaging activity, and the share of FlexLån® rose to about half of the loan portfolio to the private market. However, a growing proportion of

Realkredit Danmark's customers opted to secure a fixed rate of interest for the next three or five years.

The declining number of property transactions triggered a fall in change of ownership loans. However, in the latter half of 2009 an increase in change of ownership loans indicated that the market was gradually returning to normal after the transition from 'buy before sell' to 'sell before buy'. The lower mortgageable value and greater financial caution among consumers also triggered a fall in other new lending.

Private market: Gross lending – loan types in 2009



Corporate market

The Group's loans to the corporate market rose DKr3bn to DKr279bn, corresponding to 40% of the aggregate portfolio of loans, on a par with year-end 2008.

In the corporate market, floating-rate loans represented a greater proportion of the aggregate portfolio of loans than in the private market. As a result, the increase in remortgaging activity was not as strong, but the proportion of FlexLån® rose to a little more than half of the loan portfolio to the corporate market.

As property trading activity was very low during certain periods of 2009, there was a strong decline in change of ownership loans. The reduced home equity and increasing pressure on customer liquidity triggered a sharp fall in investments and therefore also in other new lending.

Residential rental property

The loan portfolio relating to subsidised housing, co-operative housing and private residential rental property amounted to DKr128bn, or 18% of the loan portfolio. The market for residential rental property experienced very weak activity in 2009.

Lending

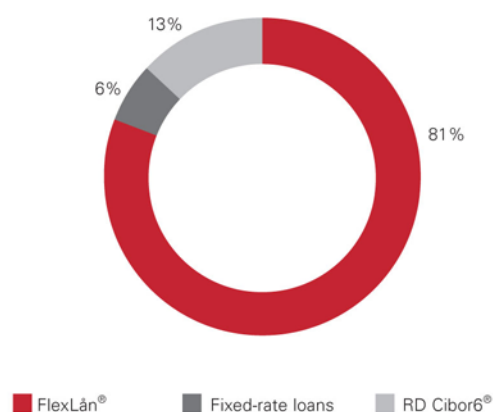
Urban trade

Lending to the service sector, the manufacturing and manual industries rose to DKr101bn, corresponding to 15% of the aggregate loan portfolio. There was still some activity in the market, although it was at a lower level than in 2008. As businesses adapted to the economic crisis, demand for urban commercial properties declined. Projects involving new construction and refurbishment initiated before the financial crisis were completed in an ongoing process, which meant that the supply of properties continued to rise, adding pressure to the squeeze on price.

Agriculture

Loans to agriculture, market gardens and forestry amounted to DKr50bn, corresponding to 7% of the aggregate loan portfolio. There was only little change of ownership and new construction activity because the market adapted to lower land prices and the decline in settlement prices of agricultural products.

Corporate market: Gross lending – loan types in 2009



Activities and portfolio	Gross lending		Net new lending		Loan portfolio			
	2009	2008	2009	2008	Dec. 31, 2009	%	Dec. 31, 2008	%
DKr m								
Private market	85,348	66,300	12,563	16,402	413,383	60	406,851	60
Residential rental property	9,941	11,822	3,621	7,956	127,555	18	128,115	19
Urban trade	17,708	26,239	5,711	20,384	101,206	15	97,826	14
Agriculture	7,590	11,001	589	5,870	50,184	7	50,230	7
Total corporate market	35,239	49,062	9,921	34,210	278,945	40	276,171	40
Total (nominal value)	120,587	115,362	22,484	50,612	692,328	100	683,022	100

Lending broken down by loan type	Share of gross lending		Share of loan portfolio	
	2009	2008	Dec. 31, 2009	Dec. 31, 2008
%				
FlexLån®	83	57	52	43
Fixed-rate loans	13	29	35	41
FlexGaranti® and Rentedyk™	-	2	7	9
RD Cibor6®	4	12	6	7
Total	100	100	100	100

Funding

Funding and bond issuance

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

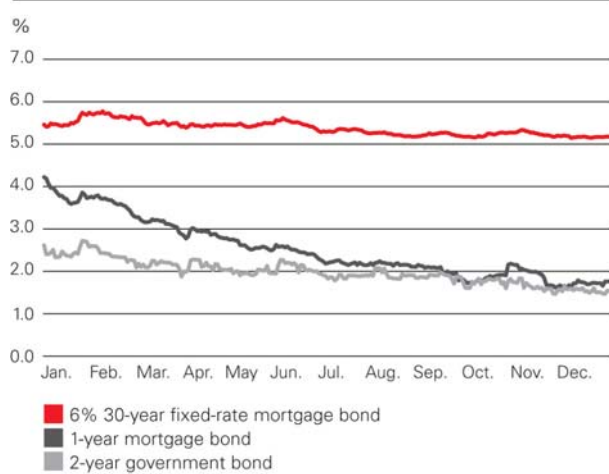
Issued bonds are carried in the financial statements at their fair value after deduction of own holdings. The following text and charts are based on nominal values before set-off, as these reflect the actual volume of bonds issued and listed on NASDAQ OMX Copenhagen.

Bonds issued in 2009

The fall in interest rates had a major impact on issuance activity in 2009. Realkredit Danmark issued bonds for a total of DKr339bn, which was an increase of 30% on 2008. The increase was due especially to the lower interest rates on FlexLån[®]. These rates fell throughout 2009, prompting many borrowers to switch to FlexLån[®]. Throughout the Danish mortgage market there was a general tendency towards a sharp increase in the proportion of non-callable bullet bonds in 2009.

Declining interest rates on fixed-rate mortgage loans also triggered extensive remortgaging to a lower coupon. In 2009, the interest rate on a 30-year fixed-rate mortgage loan decreased sufficiently for borrowers to benefit from remortgaging from a 7% mortgage loan to a 5% mortgage loan.

Movements in interest rates in 2009



In the summer of 2009, Realkredit Danmark opened a new range of bonds to fund FlexLån[®] with a 2% coupon because the minimum coupon was lowered to 2%.

From February 2009, approximately 90% of all bonds issued by Realkredit Danmark were non-callable bullet bonds. From August 2009, these issues were used primarily for fixed-price agreements in connection with FlexLån[®] interest resetting, which resulted in issuance for more than DKr50bn. The bulk of the issuance of non-callable bonds were in 1-year 2% series.

There was only little issuance activity in FlexGaranti[®] and other floating-rate bonds in 2009. The reason was primarily that investors still lacked the same degree of interest in this type of bonds that they had before the summer of 2008 when the financial crisis set in.

Annual refinancing

The volume of bonds to be sold in connection with the refinancing of FlexLån[®] on January 1, 2010 rose substantially during 2009. Realkredit Danmark faced a bond sale to the tune of DKr217bn, against DKr147bn in 2008. Affecting the entire mortgage bond market, this trend doubled the volume of bonds to be sold over the course of a short period compared with the year before. This factor increased the risk that the sale of bonds at that price level would lead to widened spreads to similar bonds.

As a result, Realkredit Danmark opted to change the previous practice of holding the auctions in December. Instead, the auctions were spread across the months of November and December to ensure that the market participants would be able to absorb the large volume of bonds offered. In addition, the auction period was extended from 10 to 15 auction days for the largest maturities.

Customers needing to refinance their FlexLån[®] were informed about the increased price risk at the auctions and were encouraged to consider entering into a fixed-price agreement to eliminate the risk of having to pay for a potential widening of the spread. The final amount due to be sold at the auctions was thus reduced by a little over DKr50bn, against DKr25bn at the auction in 2008. This equalled 25% of the original volume of bonds, against 17% in 2008.

Realkredit Danmark kept its customers informed about the preliminary amount of bonds to be auctioned via its www.rd.dk/Investor site.

The auctions exceeded expectations, and great investor interest throughout the period contributed to an all-time low interest rate.

Funding

Bonds issued as at Dec. 31

Bond type	Currency	Volume, DKr bn			
		Mortgage bonds		Mortgage-covered bonds	
		2009	2008	2009	2008
Fixed-rate	DKK	200	243	34	26
FlexLån®	DKK	41	77	279	188
	EUR	2	3	38	27
Index-linked loans	DKK	35	38	0	0
FlexGaranti®	DKK	33	38	1	1
RenteDyk™	DKK	-	-	1	1
RD Cibor6®	DKK	28	31	9	10
RD Euribor3®	EUR	-	-	7	5
Total DKK		339	430	368	258

The calculation has been adjusted to reflect double-funding of DKr236bn due to the refinancing of FlexLån®.

At end-2009, Realkredit Danmark had issued mortgage bonds for a total amount of DKr339bn and mortgage-covered bonds worth DKr368bn, of which DKr217bn was for refinancing.

New bonds to fund FlexLån®

As previously mentioned, the volume of FlexLån® due for refinancing at January 1 and to be sold at the year-end auctions reached a critical level in 2009. Given the very low interest rates, which will continue to make FlexLån® an attractive and the preferred source of funding well into 2010, it may prove difficult to sell large volumes of bonds on one occasion.

Consequently, Realkredit Danmark decided to launch FlexLån® with a new interest-resetting date in order to spread the sale of bonds on a number of annual auctions. FlexLån® paid out at the beginning of March 2010 will be refinanced as at April 1. The first refinancing will take place on April 1, 2011 with auctions held in March 2011 or earlier.

FlexLån® paid out before the beginning of March 2010 will still be refinanced as at January 1. Going forward, there will be a number of non-callable bullet bonds with the same maturity year, for example, 2% 2011 (January 1) and 2% 2011 (April 1) and several auctions in the course of the year for the refinancing of FlexLån®.

Investor distribution

The distribution of investors in 2009 reflected the return of foreign investors to Danish mortgage bonds, with a preference for the non-callable bullet bonds underlying FlexLån®.

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

Rating

All new bonds issued by Realkredit Danmark carry Aaa and AAA ratings, which are the highest possible ratings awarded by the credit rating agencies Moody's Investors Service and Standard & Poor's.

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

Capital and risk management

Capital management

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

In addition to equity, the capital base consists of hybrid core capital in the amount of DKr2bn in the form of a subordinated loan from the Danish state, and the Group's capital base amounted to DKr43.3bn at December 31, 2009.

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

- Pillar I contains a set of rules for calculating the capital requirement (8% of risk-weighted assets for credit risk, market risk and operational risk).
- Pillar II describes the ICAAP (Internal Capital Adequacy Assessment Process) framework and the supervisory review. The ICAAP determines the capital needed. (see below).
- Pillar III deals with market discipline and sets forth disclosure requirements for risk and capital management and ICAAP result. The Realkredit Danmark Group is included in the Danske Bank Group's Risk Management 2009 report, to which reference is made.

Pillars I and II

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

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

Pillar II takes into consideration the institution's individual characteristics, and all relevant risk types are included, irrespective of whether they are included in Pillar I or not. In ICAAP, management performs a number of assessments of the risk profile and calculates the ICAAP result. In addition, ICAAP contains capital planning to ensure that the Group has sufficient capital for the coming years. This planning is based, among other things, on stress tests.

ICAAP result

Like other Danish banks and mortgage credit institutions, the Group must comply with special requirements in Danish legislation to publish its ICAAP result at the end of 2009.

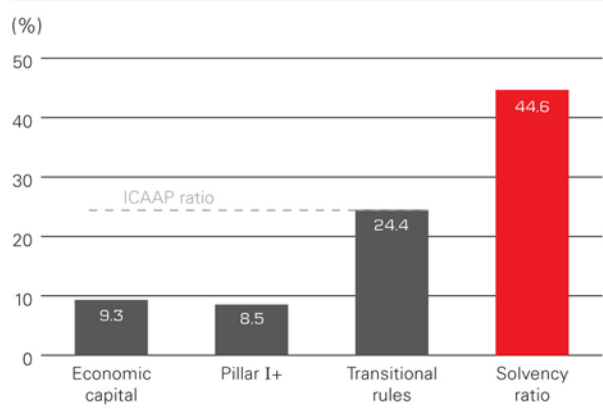
The ICAAP result is the capital considered sufficient to cover the Group's risks.

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

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

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

Capital Requirements



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

At the end of 2009, the Group's ICAAP result was calculated according to the Basel I rules (the transitional rules). The period for which the transitional rules are applicable has been extended to the end of 2011. The ICAAP result amounted to DKr23.8bn, or 24.4% of risk-weighted assets, at the end of 2009. As the actual capital base stood at DKr43.3bn and the solvency ratio at 44.7% at the end of the year, the Group had a massive capital buffer of DKr19.5bn.

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

Supplementary collateral

As an institute issuing mortgage-covered bonds, Realkredit Danmark must also provide supplementary collateral if the value of the properties on which the loans are secured is at a level that makes the LTV ratio rise above 80% for private housing and 60% for corporate property. In 2009, issuance of mortgage-covered bonds rose Dkr110bn to Dkr368bn. At the end of 2009, the need for supplementary collateral was Dkr21.3bn, against Dkr4.0bn at end-2008.

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

The loss guarantee amounted to Dkr45bn of the loan portfolio at end-2009, of which Dkr3.9bn is applied as supplementary collateral for mortgage-covered bonds.

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

Risk management

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

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

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

Risk management is described in the note on risk management.

Organisation and management

Management

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

Sven Holm, Chairman of the Executive Board and Chief Executive Officer, retired at the end of May 2009. At June 1, 2009, Carsten Nøddebo Rasmussen, Member of the Executive Board, was appointed Chief Executive Officer, and Jens-Erik Corvinus, Head of RD Corporate, was appointed new member of the Executive Board. The Executive Board thus consists of Carsten Nøddebo Rasmussen, Chairman of the Executive Board and Chief Executive Officer, and Jens-Erik Corvinus, Member of the Executive Board.

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

Organisational changes in 2009

In September 2009, Realkredit Danmark made organisational changes in order to strengthen advisory services to corporate customers, and Realkredit Danmark's 10 corporate centres and four agriculture centres were integrated into Danske Bank's finance and agriculture centres. At the same time, mortgage-related backoffice tasks relating to corporate loans were transferred to Danske Bank's Corporate & Business Banking Support.

Realkredit Danmark remains the Group's competence centre for property and home financing for Danish customers. Realkredit Danmark continues to handle the assessment of all properties in the private and corporate markets and the direct customer responsibility in the field of mortgage financing for large corporate customers. Six new assessment centres have been established across Denmark to house Realkredit Danmark's assessment consultants.

Human resources

The annual employee satisfaction survey recorded a satisfactory level. Human resource initiatives and projects are regularly implemented to secure a positive trend in employee satisfaction and to retain employees.

At the end of 2009, the number of full-time equivalent staff at the Realkredit Danmark Group was 300, compared with 520 at the beginning of the year. The lower headcount was due primarily to the organisational change, in which

most of Realkredit Danmark's corporate advisers and back office staff transferred to Danske Bank.

Distribution channels

Realkredit Danmark's distribution channels are:

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

Realkredit Danmark's local presence in the corporate market is unchanged. Most of Realkredit Danmark's ten corporate centres and four agriculture centres were already located close to Danske Bank's finance and agriculture centres, and the employees of Realkredit Danmark and Danske Bank have worked closely together on financing solutions for corporate and agricultural customers. The finance centres and agriculture centres will continue to have a special mortgage finance competencies unit. The largest corporate customers are served through the Large Corporates unit in Lyngby.

Private customers can receive advisory services from home finance advisers with special mortgage finance competencies at 39 centrally located Danske Bank branches across Denmark. In addition, the nation-wide branch network of Danske Bank branches, comprising a total of 327 branches, 9 finance centres and 6 agriculture centres, strengthens Realkredit Danmark's distribution power and local presence, and the broad range of products and services gives the Group a very strong basis for sales of mortgage products.

The Mortgage Line's telephone services encompass all advisory aspects for private customers and the full processing of loan applications.

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

"home" is wholly-owned by Realkredit Danmark and is the Danish real-estate agency chain of the Danske Bank Group. The real estate-agency activities are organised as franchise business and comprise 158 estate agents across the country. Loans distributed through "home" are mainly used to finance changes of ownership. Sale of owner-occupied dwellings is the largest business area of the chain, but "home" and Realkredit Danmark also collaborate on the corporate market. "home" has a total of 11 corporate shops.

Organisation and management

Local strategy

In 2009, Realkredit Danmark continued its strategy of playing an active role in the local community. These activities include the Smart Square Metres concept, which supports and recognises local and close activities of importance to the development and innovation of physical surroundings. Again in 2009, Realkredit Danmark awarded its Smart Square Metres grants to 18 climate-conscious businesses that have focused on reducing their CO2 emissions. From its Smart Square Metres pool, Realkredit Danmark also distributed Dkr2.3m for innovative projects at 41 schools. The projects that received a grant comprise innovative thinking in terms of physical facilities or creative use of facilities to develop a more motivating and inspirational learning environment at the schools.

In 2009, Realkredit Danmark launched a new Smart Square Metres website, which provides home inspiration and advice for private homeowners. With this new website Realkredit Danmark aims to help homeowners obtain Smart Square Metres by providing advice on how to maintain their homes and secure long-term value. Realkredit Danmark has entered into a collaboration with Bolius Boligenernes Videnscenter in respect of these advisory services.

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

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

Good accounting practices are based on authorities laid down, 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 Critical accounting estimates and assessments.

Realkredit Danmark has implemented controls to eliminate identified financial reporting risks and regularly monitors changes in and compliance with relevant legislation and other financial reporting rules and regulations. The purpose of establishing controls is to prevent, detect and correct any

reporting errors and irregularities, but controls provide no guarantee against such errors and irregularities.

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

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

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

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

The Audit Committee examines accounting, auditing and security issues. These are issues that the Board of Directors, the Audit Committee itself, the group chief auditor or the external auditors believe deserve attention before they are brought before the Board of Directors. In 2009, the Audit Committee held four meetings.

Corporate social responsibility

At the end of 2008, the Executive Order on Auditing Financial Undertakings, etc. as well as Financial Groups was changed, so that as from 2009 Realkredit Danmark is required to report on the company's corporate social responsibility initiatives in connection with the annual report. Realkredit Danmark is part of the Danske Bank Group, and further information on the Danske Bank Group's corporate social responsibility is provided at www.danskebank.com/responsibility, where Corporate Responsibility 2009 and CR Fact Book 2009 are also available.

Income statement

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
4	Interest income	34,709	33,879	34,705	33,868
5	Interest expense	28,973	29,036	28,973	29,036
	Net interest income	5,736	4,843	5,732	4,832
	Dividends from shares	12	12	12	12
	Fee and commission income	516	454	516	454
	Fee and commission expense	931	885	931	885
3	Net fee and commission income	5,333	4,424	5,329	4,413
3, 6	Value adjustments	287	607	287	607
	Other operating income	102	149	7	11
7-9	Staff costs and administrative expenses	978	1,003	1,008	820
	Impairment, depreciation and amortisation charges	6	7	4	4
10	Loan impairment charges	1,267	422	1,265	417
	Income from associated and group undertakings	-4	2	-13	15
	Profit before tax	3,467	3,750	3,333	3,805
11	Tax	873	940	841	952
	Net profit for the year	2,594	2,810	2,492	2,853
	Net profit for the year	2,594	2,810		
	Other comprehensive income	-	-		
	Total comprehensive income	2,594	2,810		
	Proposal for allocation of profits				
	Reserve according to the equity method			-	16
	Reserves in series			665	667
	Other reserves			1,827	2,170
	Total allocation			2,492	2,853

Balance sheet

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
	ASSETS				
	Cash in hand and demand deposits				
	with central banks	9	5	9	5
12	Due from credit institutions and central banks	48,957	25,064	48,875	24,865
13	Bonds at fair value	3,261	12,986	3,261	12,986
14-15, 18	Mortgage loans at fair value	691,301	669,891	691,301	669,891
14, 16-18	Loans and other amounts due at amortised cost	794	471	739	429
	Shares	62	63	61	62
19	Holdings in associated undertakings	9	13	9	13
	Holdings in group undertakings	-	-	189	298
	Land and buildings	94	95	155	152
20	Domicile property	94	95	155	152
21	Other tangible assets	11	14	9	11
	Current tax assets	-	31	-	28
22	Deferred tax assets	-	-	8	-
18, 23-24	Other assets	1,580	1,410	1,291	1,254
	Prepayments	265	879	263	877
	Total assets	746,343	710,922	746,170	710,871
	LIABILITIES AND EQUITY				
	AMOUNTS DUE				
25	Due to credit institutions and central banks	26,855	8,111	26,855	8,111
26	Issued mortgage bonds at fair value	660,685	647,731	660,685	647,731
	Current tax liabilities	124	-	131	-
27, 28	Other liabilities	15,452	16,489	15,222	16,235
	Deferred income	-	-	-	-
	Total amounts due	703,116	672,331	702,893	672,077
	PROVISIONS				
22	Deferred tax	28	23	-	22
28	Reserves in early series subject to a reimbursement obligation	-	-	220	244
	Total provisions	28	23	220	266
	SUBORDINATED DEBT				
29	Subordinated debt	2,037	-	2,037	-
	Total liabilities	705,181	672,354	705,150	672,343
	SHAREHOLDERS' EQUITY				
	Share capital	630	630	630	630
	Revaluation reserve	-	-	47	45
	Reserve according to the equity method	-	-	-	49
	Reserves in series	15,587	9,770	15,627	9,754
	Other reserves	24,945	28,168	24,716	28,050
	Total shareholders' equity	41,162	38,568	41,020	38,528
	Total liabilities and equity	746,343	710,922	746,170	710,871

Statement of capital

Realkredit Danmark Group

(DKr m)	Share capital	Reserves in series	Other reserves	Total
Shareholders' equity at December 31, 2008	630	9,770	28,168	38,568
Net profit for the year	-	656	1,938	2,594
Transferred from/to Other reserves	-	5,161	-5,161	-
Shareholders' equity at December 31, 2009	630	15,587	24,945	41,162
Shareholders' equity at December 31, 2007	630	6,334	28,794	35,758
Net profit for the year	-	670	2,140	2,810
Transferred from/to Other reserves	-	2,766	-2,766	-
Shareholders' equity at December 31, 2008	630	9,770	28,168	38,568

Realkredit Danmark A/S

	Share capital	Undistrib. reserves	Other reserves	Total 2009	Total 2008
Shareholders' equity at December 31	630	9,848	28,050	38,528	35,685
Net profit for the year	-	665	1,827	2,492	2,837
Revaluation of properties	-	-	-	-	-10
Reserve according to the equity method	-	-	-	-	16
Transferred from/to Other reserves	-	5,161	-5,161	-	-
Shareholders' equity at December 31	630	15,674	24,716	41,020	38,528

The share capital is made up of 6,300,000 shares of Dkr100 each. All shares carry the same rights; there is thus only one class of shares. The company is wholly-owned by Danske Bank A/S, Copenhagen.

Realkredit Danmark A/S raised hybrid capital from the Danish state, and the Group is prohibited from distributing dividends or carrying out share buybacks until October 1, 2010. From October 1, 2010 and for as long as the Danish state holds hybrid capital, the Group may distribute dividends if such dividends can be paid in full out of the profit for the year.

Statement of capital

	Realkredit Danmark Group	
(DKr m)	Dec. 31, 2009	Dec. 31, 2008
Solvency		
Shareholders' equity	41,162	38,568
Expected dividends	-	-
Revaluation of domicile property	61	57
Pension obligations at fair value	-249	-114
Tax effect	46	16
Shareholders' equity calculated in accordance with the rules of the Danish FSA	41,020	38,527
Revaluation reserve	-47	-45
Deferred tax assets	-19	-
Core tier 1 capital, excluding hybrid capital	40,954	38,482
Hybrid capital	2,037	-
Difference between expected losses and value adjustments	-	-62
Total tier 1 capital	42,991	38,420
Reserves in series subject to a reimbursement obligation	68	96
Revaluation reserve	47	45
Difference between expected losses and value adjustments	221	-62
Capital base	43,327	38,499
Total risk-weighted assets	97,199	67,993
Core tier 1 capital ratio, excluding hybrid capital (%)	42.13	56.51
Tier 1 capital ratio (%)	44.23	56.51
Solvency ratio (%)	44.58	56.62

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

In accordance with transitional rules, the minimum requirement for the solvency ratio at December 31, 2009 is 24.4 % in the Realkredit Danmark Group. At December 31, 2008 the minimum requirement was 39.9 %.

Risk-weighted assets are specified in note 30.

Statement of capital

(DKr m)	Realkredit Danmark A/S	
	Dec. 31, 2009	Dec. 31, 2008
Solvency		
Shareholders' equity	41,020	38,528
Expected dividends	-	-
Revaluation reserve	-47	-45
Deferred tax assets	-	-
Core tier 1 capital, excluding hybrid capital	40,973	38,483
Hybrid capital	2,037	-
Difference between expected losses and value adjustments	-	-61
Total tier 1 capital	43,010	38,422
Reserves in series subject to a reimbursement obligation	68	96
Revaluation reserve	47	45
Difference between expected losses and value adjustments	221	-61
Capital base	43,346	38,502
Total risk-weighted assets	97,364	67,797
Core tier 1 capital ratio, excluding hybrid capital (%)	42.08	56.67
Tier 1 capital ratio (%)	44.17	56.67
Solvency ratio (%)	44.52	56.79

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

In accordance with transitional rules, the minimum requirement for the solvency ratio at December 31, 2009 is 24.4 % in Realkredit Danmark A/S. At December 31, 2008 the minimum requirement was 40.0 %.

Cash flow statement

	Realkredit Danmark Group	
(DKr m)	2009	2008
Cash flow from operating activities		
Profit before tax	3,467	3,750
Adjustment for non-cash operating items		
Amortisation, depreciation and impairment charges	6	7
Loan impairment charges	1,111	443
Other non-cash items	1	5
Tax paid	-712	-923
Total	3,873	3,282
Cash flow from operating capital		
Bonds and shares	9,549	27,281
Mortgage loans	-8,301	-34,393
Issued mortgage bonds	275	8,539
Due to credit institutions	18,744	-3,807
Other assets/liabilities	-2,277	946
Cash flow from operating activities	21,863	1,848
Cash flow from investing activities		
Acquisition of tangible assets	-1	-1
Sale of tangible assets	1	44
Cash flow from investing activities	-	43
Cash flow from financing activities		
Change in hybrid capital	2,034	-
Cash flow from financing activities	2,034	-
Cash and cash equivalents at January 1	25,069	23,178
Change during the year	23,897	1,891
Cash and cash equivalents at December 31	48,966	25,069
Cash and cash equivalents at December 31		
Cash in hand and demand deposits with central banks	9	5
Deposits with credit institutions and central banks with terms shorter than 3 months	48,957	25,064
Total	48,966	25,069

1 SIGNIFICANT ACCOUNTING POLICIES

General

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

The Group has not changed its significant accounting policies from those followed in Annual Report 2008, except for the recognition of the subordinated debt, hedge accounting and comprehensive income. In addition, the notes comply with IFRS 7's increased requirements for disclosures on the calculation of fair value and on liquidity.

Critical accounting estimates and assessments

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

- valuation of loans
- the fair value of financial instruments

The estimates and assumptions are based on premises that management finds reasonable but that are inherently uncertain and unpredictable. The premises may be incomplete or inexact, unexpected future events or situations may occur and other people may make other estimates.

Impairment

If objective evidence of impairment of a loan exists, and the effect of the impairment event or events on the expected future cash flow from the loan is reliably measurable, the Group determines the impairment charge individually. The impairment charge equals the difference between the carrying amount of the loan and the present value of the expected future cash flow from the loan, including the net realisable value of mortgages on properties and other security provided.

Fair value of financial instruments

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

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

Consolidation*Group undertakings*

The consolidated financial statements cover Realkredit Danmark A/S and group undertakings in which the Group has control over financial and operating policy decisions. Control is

said to exist if Realkredit Danmark A/S, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions, provided that most of the return on the undertaking accrues to the Group and that the Group assumes most of the risk.

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

Undertakings acquired are included in the financial statements at the date of acquisition. The net assets of such undertakings (including identifiable intangible assets, less liabilities and contingent liabilities) are included in the financial statements at their fair value on the date of acquisition according to the purchase method.

Divested undertakings are included in the financial statements until the transfer date.

Associated undertakings

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

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

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

Segment reporting

Realkredit Danmark has only one segment, mortgage finance, and therefore no segment reporting.

Offsetting

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

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

Translation of transactions in foreign currencies

The presentation currency of the consolidated financial statements is Danish kroner, which is the functional currency of Realkredit Danmark.

Transactions in foreign currency are translated at the exchange rate of the functional currency at the transaction date. Gains and losses on exchange differences arising between the transaction date and the settlement date are recognised in the income statement.

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

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

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

Financial instruments - general

Purchases and sales of financial instruments are measured at fair value at the settlement date. The fair value is usually the same as the transaction price. From the trading date to the settlement date, changes in the fair value of the unsettled financial instruments are recognised.

Classification

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

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

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

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

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

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

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

mortgage loans, and the difference would be amortised over the remaining term to maturity.

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

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

Hedge accounting

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

BALANCE SHEET

Bonds at fair value

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

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

If a financial instrument is quoted in a market that is not active, the Group bases its valuation on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are motivated by normal business considerations.

If an active market does not exist, the fair value is measured according to generally accepted measurement methods. Market-based parameters are used to measure fair value.

Mortgage lending and issued mortgage bonds

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 mortgage bonds adjusted for the credit risk on borrowers in accordance with the principles described under lending.

Impairment

If objective evidence of impairment of a loan exists, and the effect of the impairment event or events on the expected cash flow from the asset is reliably measurable, the Group determines the impairment charge individually. The impairment charge equals the difference between the carrying amount and the present value of the expected future cash flow from the asset, including the net realisable value of the mortgages on the properties in question and any other security.

Objective evidence of impairment of loans exists if at least one of the following events has occurred:

- The borrower is experiencing significant financial difficulty
- The borrower's actions, such as default on interest or principal payments, lead to a breach of contract
- The Group, for reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the Group would not otherwise have granted
- It becomes probable that the borrower will enter bankruptcy or another type of financial reorganisation.

Loans without objective evidence of impairment are included in an assessment of collective impairment at portfolio level. Collective impairment is calculated for portfolios of loans with similar credit risk characteristics.

Impairment charges on loans are offset against Mortgage loans at fair value. Changes in impairment charges are recorded under Loan impairment charges in the income statement. If subsequent events show that the impairment is not permanent, the charges are reversed via Loan impairment charges.

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

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

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

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

Domicile property

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

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

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

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

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

Other tangible assets

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

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

Other assets

Other assets includes interest due and property taken over temporarily under non-performing loan agreements.

Assets held for sale

At initial recognition, properties taken over temporarily in a compulsory sale are carried at their estimated net realisable value, that is, the sales price offered by the real estate agent less expected costs to sell. At subsequent recognition, properties taken over are measured at the lower of cost and net realisable value. Any impairment of properties taken over and profit or loss on sales is carried under Loan impairment charges.

Other assets also includes assets held for sale, that is, tangible assets, except investment property, which, according to a publicly announced plan, the Group expects to sell within twelve months. At the time the assets are classified as held for sale, they are measured at the lower of their carrying amount and their net realisable value and are no longer depreciated.

Pension assets

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

Under the defined benefit plan maintained under Kreditforeningen Danmarks Pensionsafviklingskasse (pension fund), Realkredit Danmark A/S guarantees payment of a defined benefit from the time of retirement. The amounts payable are recognised on the basis of an actuarial computation of the present value of expected benefits. The present value is cal-

culated on the basis of the expected future trends in salaries and interest rates, time of retirement, mortality rate and other factors.

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

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

Amounts due to credit institutions and central banks

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

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

Subordinated debt

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

Deferred tax assets/Deferred tax liabilities

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

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

Current tax assets/Current tax liabilities

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

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

Shareholders' equity

Proposed dividends

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

Reserves in series

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

Other reserves

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

INCOME STATEMENT

Interest

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

Fees

Income from mortgage loans carried at fair value is recognised when the transaction is completed.

Value adjustments

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

Staff costs and administrative expenses

Staff costs

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

Bonuses and share-based payments

Bonuses are expensed as they are earned. Until 2008, part of the bonuses for the year was paid in the form of equity-settled options and conditional shares issued by Danske Bank. Share options may not be exercised until three years after the grant date and are conditional on the employee's not having resigned from the Group. Conditional shares vest three years after the grant date if the employee has not resigned from the Group.

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 grant year, whereas the time value is accrued over the remaining service period. Expenses are set off against shareholders' equity. The increase in shareholders' equity is eliminated by set-off against an interim account with Danske Bank A/S. Subsequent changes in the fair value are not recognised in the income statement.

Pension obligations

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

Loan impairment charges

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

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

Tax

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

Total comprehensive income

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

Cash flow statement

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

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

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of amendments to international accounting standards that have not yet come into force. Similarly, the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations that have not yet come into force.

None of these standards or interpretations is expected to materially affect Realkredit Danmark's future financial reporting.

In April 2009, IASBs Improvement to IFRS's 2009 was issued. The amendments, which will take effect on January 1, 2010, will not affect carrying amounts.

In November 2009, IASB published IFRS 9, Financial Instruments. This version of the standard is the first step to replace the requirements of IAS 39 by the end of 2010. The first phase of IFRS 9 addresses only the classification and measurement of financial assets, while the next phases will include requirements for the measurement and recognition of financial liabilities, impairment methodology and guidelines for hedge accounting and derecognition.

The EU has decided to postpone adoption of the standard until the details of the next phases are known.

The standard is scheduled for implementation on January 1, 2013 at the latest.

Under IFRS 9, financial assets are classified on the basis of the business model adopted for managing the assets and their contractual cash flow characteristics. Assets held with the objective of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. Other assets are measured at fair value through profit or loss. Satisfying certain requirements a business may opt for fair value adjustment of its loans, advances, etc.

The Group does not expect IFRS 9 to materially affect the measurement of its financial assets, although the standard does not allow classification of bonds as available-for-sale assets. Meaningful classification and measurement of financial assets is not possible without information about the future content of IFRS 9 to clarify overall accounting effects of the standard and the time of implementation.

Accounting policies for the parent company

The financial statements of the parent company, Realkredit Danmark A/S, are presented in accordance with the Danish Financial Business Act, including the Danish FSA's executive order on financial reports of credit institutions, investment companies etc. The new rules are identical to the Group's measurement principles under IFRS, with the exceptions that domicile property owned by the parent company is recognised at its estimated fair value and that the corridor method is not applied to pension obligations. Holdings in subsidiary undertakings are measured using the equity method, which means that the tax payable by subsidiary undertakings is charged to the item "Income from associated and group undertakings".

Notes

Note (DKr m)

2	Profit broken down by activity	Realkredit Danmark Group				
		Mortgage finance	Own holdings	Total	Reclassification	Highlights
2009						
	Administration margin	3,200	-	3,200	-	3,200
	Net interest income	1,718	818	2,536	-818	1,718
	Dividends from shares	-	12	12	-12	-
	Net fee income	-415	-	-415	-	-415
	Income from investment portfolios	-	-	-	1,113	1,113
	Value adjustments	-9	296	287	-287	-
	Other income	102	-	102	-	102
	Total income	4,596	1,126	5,722	-4	5,718
	Expenses	980	4	984	-	984
	Profit before loan impairment charges	3,616	1,122	4,738	-4	4,734
	Loan impairment charges	1,267	-	1,267	-	1,267
	Income from associated undertakings	-	-4	-4	4	-
	Profit before tax	2,349	1,118	3,467	-	3,467
2008						
	Administration margin	2,954	-	2,954	-	2,954
	Net interest income	1,963	-74	1,889	74	1,963
	Dividends from shares	-	12	12	-12	-
	Net fee income	-431	-	-431	-	-431
	Income from investment portfolios	-	-	-	547	547
	Value adjustments	162	445	607	-607	-
	Other income	149	-	149	-	149
	Total income	4,797	383	5,180	2	5,182
	Expenses	1,006	4	1,010	-	1,010
	Profit before loan impairment charges	3,791	379	4,170	2	4,172
	Loan impairment charges	422	-	422	-	422
	Income from associated undertakings	-	2	2	-2	-
	Profit before tax	3,369	381	3,750	-	3,750

In addition to the mortgage finance business itself, mortgage finance also includes purchases and sales of real property through the "home" franchise. Under the Danish Financial Business Act, at least 60% of the capital base of a mortgage credit institution must be invested in bonds, etc. Own holdings comprise the net return on the part of the securities portfolio not relating to the mortgage finance business. Income from trading activities and own holdings is carried in the income statement under net interest income, value adjustments, etc. In the consolidated highlights, this income is reclassified to income from investment portfolios.

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
3	Geographical segmentation For the Realkredit Danmark Group, interest on loans to non-Danish residents amounted to DKr126m (2008: DKr59m). Realkredit Danmark A/S's net interest and fee income and value adjustments on non-Danish loans total DKr12m (2008: DKr3m).				
4	Interest income				
	Reverse transactions with credit institutions and central banks	395	479	395	479
	Credit institutions and central banks	30	132	28	123
	Loans and other amounts due	30,382	29,815	30,380	29,813
	Administration margin	3,200	2,954	3,200	2,954
	Bonds	356	404	356	404
	Derivatives				
	Interest rate contracts	236	27	236	27
	Other interest income	110	68	110	68
	Total	34,709	33,879	34,705	33,868
	Interest income derived from				
	Assets at fair value	34,674	33,741	34,674	33,741
	Other assets	35	138	31	127
	Total	34,709	33,879	34,705	33,868
5	Interest expense				
	Repo transactions with credit institutions and central banks	550	649	550	649
	Due to credit institutions and central banks	18	35	18	35
	Issued mortgage bonds	28,199	28,308	28,199	28,308
	Subordinated debt	119	-	119	-
	Reimbursement of origination fees etc.	80	41	80	41
	Other interest expense	7	3	7	3
	Total	28,973	29,036	28,973	29,036
	Interest expense derived from				
	Liabilities at fair value	28,948	28,998	28,948	28,998
	Other liabilities	25	38	25	38
	Total	28,973	29,036	28,973	29,036
6	Value adjustments				
	Mortgage loans	13,006	9,232	13,006	9,232
	Bonds	113	289	113	289
	Shares	-1	-	-1	-
	Currency	12	8	12	8
	Derivatives	296	438	296	438
	Other assets	30	28	30	28
	Issued mortgage bonds	-13,162	-9,388	-13,162	-9,388
	Subordinated debt	-7	-	-7	-
	Total	287	607	287	607
	Value adjustments derived from				
	Assets and liabilities at fair value	257	579	257	579
	Other assets and liabilities	30	28	30	28
	Total	287	607	287	607

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
7	Staff costs and administrative expenses				
	Salaries and remuneration of Executive Board, Board of Directors and local councils				
	Executive Board	5	6	5	6
	Board of Directors	-	-	-	-
	Local councils	4	4	4	4
	Total	9	10	9	10
	Staff costs				
	Salaries	279	274	248	249
	Share-based payments	-	-	-	-
	Pensions	20	40	153	-27
	Financial services employer tax	23	31	23	31
	Total	322	345	424	253
	Other administrative expenses	647	648	575	557
	Total staff costs and administrative expenses	978	1,003	1,008	820
	Number of full-time-equivalent staff (avg.)	447	516	414	479
	Remuneration of the Board of Directors (DKr thousands)				
	Klaus Pedersen	125	125	125	125
	Max Jeppesen	125	125	125	125
	Total remuneration	250	250	250	250

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

Remuneration of the Executive Board

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

Sven Holm retired from the Executive Board at May 31, 2009. Jens-Erik Corvinus joined the Executive Board on June 1, 2009. Salaries and pensions are disclosed for the period since the person joined the Executive Board.

In accordance with the Group's general staff policy, Carsten Nøddebo received a 25-year anniversary benefit corresponding to one months' salary.

Pursuant to the Danish Act on State-Funded Capital Injections into Credit Institutions, only 50% of the salary to members of the Executive Board is tax deductible until the capital injection has been repaid. In 2009, amounts deducted totalled DKr2.7m.

2008	Sven Holm	Carsten Nøddebo Rasmussen
Fixed salary	3.0	1.5
Cash bonus	0.5	0.4
Pension	0.4	0.2
Total	3.9	2.1

In accordance with the Group's general staff policy, Sven Holm received a 40-year anniversary benefit equal to two months' salary.

Note (DKr m)

7 **Staff cost and administrative expenses**

cont'd

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.

Jens-Erik Corvinus is entitled to retire at the end of the month in which he attains the age of 62. The pension obligation is covered by payments equal to 14% of his salary to a bank.

Termination

Carsten Nøddebo Rasmussen may terminate his service by giving seven months' notice. Realkredit Danmark may terminate the service contract by giving 12 months' notice. In case of termination by Realkredit Danmark, Carsten Nøddebo Rasmussen is entitled to severance pay equal to 12 months' salary.

Jens-Erik Corvinus may terminate his service by giving three months' notice. Realkredit Danmark may not terminate the service contract until retirement. In case of termination Jens-Erik Corvinus is entitled to severance pay equal to 12 months' salary.

8 **Share-based payment**

Until 2008, the Group offered senior staff and selected other employees an incentive programme that consisted of share options and conditional shares. Incentive payments reflected individual performance and also depended on financial results in the business area and other measures of value creation in a given financial year. The options and shares were granted in the first quarter of the following year, most recently in the first quarter of 2008.

Issued options carry a right to buy Danske Bank shares exercisable from three to seven years after they are granted provided that the employee has not resigned from the Group. The exercise price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of the bank's annual report plus 10%.

Until 2008, rights to buy Danske Bank shares under the conditional share programme were granted as a portion of the annual bonus earned. The shares vest after three years provided that the employee has not resigned from the Group.

The fair value of the share options at the grant date is calculated according to a dividend-adjusted Black & Scholes formula. For the 2008, grant, the calculation was based on the following assumptions: Share price 179.76. Dividend payout ratio 3.9%. Rate of interest 4.7%, equal to the swap rate. Volatility 19%. Average time of exercise; 5 years. The volatility is estimated on the basis of historical volatility.

The fair value at the end of 2009 is based on the following assumptions: Share price 118 (2008: 52). Dividend payout ratio 0 % (2008: 0 %). Rate of interest 1.6-2.7% (2008: 3.4-4.8%), equal to the swap rate. Volatility 52% (2008: 25-39%). Average time of exercise; 1-3 years (2008: 1-4 years). The volatility is estimated on the basis of historical volatility.

The fair value of the conditional shares at the grant date is 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 vest, while the time value is accrued over the remaining service period, which is the vesting period of three years. Realkredit Danmark has hedged the interest rate risk.

Notes

Note	(DKr m)						
8 cont'd	Share-based payments (vested in 2007 or earlier)						
	Share options						
		Number		Fair Value (FV)			
	Executive Board	Other employees	Total	Exercise price (DKr)	At issue (DKr m)	End of year (DKr m)	
Granted in 2004-07							
	2008, beg.	96,902	163,277	260,179	157,2-294,1	4.7	0.0
	Exercised 2008	-	-	-			
	Forfeited 2008	-	-	-			
	Other changes 2008	-	1,322	1,322			
	2008, end	96,902	164,599	261,501	157,2-294,1	4.7	0.0
	Exercised 2009	-	-	-			
	Forfeited 2009	-	-	-			
	Other changes 2009	-46,151	46,151	-			
	2009, end	50,751	210,750	261,501	157,2-294,1	4.7	2.6
Granted in 2008							
	Granted in 2008	26,190	19,440	45,630	197.7	1.0	0.0
	Forfeited 2008	-	-	-			
	Other changes 2008	-	-680	-680			
	2008, end	26,190	18,760	44,950	197.7	1.0	0.0
	Exercised 2009	-	-	-			
	Other changes	-10,060	10,060	-			
	2009, end	16,130	28,820	44,950	197.7	1.0	1.2
Holdings of the Executive Board and fair value, end of 2009							
Grant year (DKr m)		2004-2007		2008			
		Number	FV	Number	FV		
	Carsten Nøddebo Rasmussen	6,200	0.1	9,820	0.3		
	Jens-Erik Corvinus	44,551	0.4	6,310	0.2		
Holdings of the Executive Board and fair value, end of 2008							
Grant year (DKr m)		2004-2007		2008			
		Number	FV	Number	FV		
	Carsten Nøddebo Rasmussen	6,200	0.0	9,820	0.0		
	Sven Holm	90,702	0.0	16,370	0.0		

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

Sven Holm retired from the Executive Board at May 31, 2009. The right to share options is not forfeited upon retirement and is Included in Other employees.

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

No share options were exercised in 2009 or 2008.

Notes

Note	(DKr m)					
8 cont'd	Share-based payments (vested in 2007 or earlier)					
	Conditional shares					
		Number		Fair Value (FV)		
	Executive Board	Other employees	Total	At issue (DKr m)	End of year (DKr m)	
	Granted in 2005-2007					
	2008, beg.	6,400	18,670	25,070	5.6	1.3
	Exercised 2008	-1,389	-6,039	-7,428		
	Forfeited 2008	-	-565	-565		
	Other changes 2008	-	458	458		
	2008, end	5,011	12,524	17,535	4.2	0.9
	Exercised 2009	-4,302	-7,454	-11,756		
	Forfeited 2009	-	-	-		
	Other changes 2009	874	-1,130	-256		
	2009, end	1,583	3,940	5,523	1.5	0.7
	Granted in 2008					
	Granted in 2008	3,239	8,795	12,034	2.2	0.6
	Forfeited 2008	-	-	-		
	Other changes 2008	-	-788	-788		
	2008, end	3,239	8,007	11,246	2.0	0.6
	Exercised 2009	-2,024	-	-2,024		
	Other changes	1,303	-1,643	-340		
	2009, end	2,518	6,364	8,882	1.6	1.0
	Holdings of the Executive Board and fair value, end of 2009					
	Grant year (DKr m)	2007		2008		
		Number	FV	Number	FV	
	Carsten Nøddebo Rasmussen	709	0.1	1,215	0.1	
	Jens-Erik Corvinus	874	0.1	1,303	0.2	
	Holdings of the Executive Board and fair value, end of 2008					
	Grant year (DKr m)	2006-2007		2008		
		Number	FV	Number	FV	
	Carsten Nøddebo Rasmussen	1,085	0.0	1,215	0.1	
	Sven Holm	3,926	0.2	2,024	0.1	

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

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

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

At the dates in 2009 when the conditional shares were made available to the employees the average market price of the shares was 48.4 (2008: 181.0).

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
9	Audit fees				
	Total fees to the audit firms appointed by the general meeting that perform the statutory audit	2	2	2	2
	Fees for non-audit services included in preceding item	-	-	-	-
10	Loan impairment charges				
	Impairment charges etc. during the year	1,422	467	1,422	467
	Reversals of impairment charges etc. for previous years	311	58	311	59
	Losses incurred	195	35	193	30
	Received on claims previously written off	39	22	39	21
	Total	1,267	422	1,265	417
11	Tax				
	Tax on profit for the year	836	881	843	879
	Deferred tax	32	50	-6	64
	Adjustment of prior-year tax charges	5	9	4	9
	Total	873	940	841	952
	Effective tax rate				
	Current Danish tax rate	25.0	25.0	25.0	25.0
	Adjustment of prior-year tax charge	0.1	0.2	0.1	0.2
	Non-taxable items	0.1	-0.2	0.1	-0.2
	Effective tax rate	25.2	25.0	25.2	25.0
12	Due from credit institutions and central banks				
	Demand deposits	8,390	8,762	8,383	8,563
	3 months or less	40,567	16,302	40,492	16,302
	Total	48,957	25,064	48,875	24,865
	Due from credit institutions	33,446	25,064	33,364	24,865
	Term deposits with central banks	15,511	-	15,511	-
	Total	48,957	25,064	48,875	24,865
	Portion attributable to reverse transactions	24,758	8,813	24,758	8,813
13	Bonds at fair value				
	Own mortgage bonds	282,515	182,817	282,515	182,817
	Other mortgage bonds	2,113	9,356	2,113	9,356
	Government bonds	1,148	3,630	1,148	3,630
	Total	285,776	195,803	285,776	195,803
	Own mortgage bonds set off against issued mortgage bonds	282,515	182,817	282,515	182,817
	Total	3,261	12,986	3,261	12,986

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
14	Total lending				
	Mortgage loans, nominal value	692,328	683,022	692,328	683,022
	Fair value adjustment of underlying bonds	435	-12,674	435	-12,674
	Adjustment for credit risk	1,462	457	1,462	457
	Mortgage loans at fair value	691,301	669,891	691,301	669,891
	Arrears and outlays	604	242	604	242
	Other loans	190	229	135	187
	Total	692,095	670,362	692,040	670,320
	Apart from being backed by mortgages on properties, the company's loans are backed by government, municipal and insurance guarantees of	21,894	21,305	21,894	21,305
	Pass books and bonds have been deposited and guarantees provided as supplementary security in a total amount of	86,066	64,621	86,066	64,621
	Realkredit Danmark has also received various declarations of indemnification without specification of amounts.				
15	Mortgage loans at fair value				
	Mortgage loans (nominal value) broken down by property category				
	Owner-occupied dwellings	57	56	57	56
	Holiday homes	3	3	3	3
	Subsidised residential property	8	9	8	9
	Private residential rental property	10	10	10	10
	Industrial and skilled trades property	3	3	3	3
	Office and retail property	10	10	10	10
	Agricultural property etc.	7	7	7	7
	Property for social, cultural and training activities	1	1	1	1
	Other property	1	1	1	1
	Total	100	100	100	100
	0-1 month	10,026	7,187	10,026	7,187
	1-3 months	2,383	2,288	2,383	2,288
	3-12 months	23,157	9,718	23,157	9,718
	1-5 years	48,488	59,998	48,488	59,998
	5-10 years	69,377	76,914	69,377	76,914
	Over 10 years	537,870	513,786	537,870	513,786
	Total	691,301	669,891	691,301	669,891
16	Loans and other amounts due at amortised cost				
	On demand	624	328	624	328
	3 months or less	7	4	5	4
	3 months to 1 year	25	13	15	13
	1-5 years	69	64	33	28
	Over 5 years	69	62	62	56
	Total	794	471	739	429

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2008	2007	2008	2007
17	Arrears and outlays				
	Arrears before impairment	560	234	560	234
	Outlays before impairment	188	44	188	44
	Impairment	144	36	144	36
	Total	604	242	604	242

18 **Loans etc.**
 At December 31, 2009, total impairment of mortgage loans stood at DKr1.462m, against DKr457m at the beginning of the year.
 At December 31, 2009, impairment of loans carried at amortised cost stood at DKr148m, against DKr42m at the beginning of the year.

	Realkredit Danmark Group			Realkredit Danmark A/S		
	Loans individual impairment	Loans collective impairment	Total	Loans individual impairment	Loans collective impairment	Total
2009						
Impairment charges etc. at January 1, 2009	433	66	499	432	66	498
Impairment charges etc. during the year	1,361	61	1,422	1,361	61	1,422
Reversals of impairment charges etc. for previous years	250	61	311	250	61	311
Impairment charges etc. at December 31, 2009	1,544	66	1,610	1,543	66	1,609
2008						
Impairment charges etc. at January 1, 2008	69	21	90	69	21	90
Impairment charges etc. during the year	391	76	467	391	76	467
Reversals of impairment charges etc. for previous years	27	31	58	28	31	59
Impairment charges etc. at December 31, 2008	433	66	499	432	66	498

19	Holdings in associated undertakings	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
	Cost at January 1	16	16	16	16
	Cost at December 31	16	16	16	16
	Revaluations at January 1	-3	-6	-3	-6
	Reversals of revaluations	-4	3	-4	3
	Revaluations at December 31	-7	-3	-7	-3
	Carrying amount at December 31	9	13	9	13

Associated undertakings are specified on page 50.

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
20	Domicile property				
	Carrying amount at January 1	95	124	152	185
	Disposals	-	28	-	34
	Depreciation charges	1	1	1	1
	Value adjustment recognised directly in shareholders' equity	-	-	4	2
	Carrying amount at December 31	94	95	155	152
	Broken down by cost and depreciation and impairment charges				
	Cost at January 1	132	177		
	Disposals	-	45		
	Cost at December 31	132	132		
	Depreciation and impairment charges at January 1	37	53		
	Reversal of depreciation charges	-	17		
	Depreciation charges	1	1		
	Depreciation and impairment charges at December 31	38	37		
	Carrying amount at December 31	94	95		
	Fair value of domicile property	155	152		
	The property is valued on the basis of assessments made by valuers of the Danske Bank Group.				
	The Group measures domicile property at cost less depreciation and impairment charges. The parent company, Realkredit Danmark A/S, measures it at the estimated fair value.				
21	Other tangible assets				
	Cost at January 1	32	36	19	24
	Additions	1	1	-	-
	Disposals	7	5	3	5
	Cost at December 31	26	32	16	19
	Depreciation and impairment charges at January 1	18	19	8	10
	Depreciation charges	3	4	2	3
	Depreciation and impairment charges reversed on disposals etc.	6	5	3	5
	Depreciation and impairment charges at December 31	15	18	7	8
	Carrying amount at December 31	11	14	9	11

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S		
		2009	2008	2009	2008	
22	Deferred tax (- = Assets)					
	Deferred tax assets	-	-	-22	-35	
	Provision for deferred tax	28	23	14	57	
	Deferred tax, net	28	23	-8	22	
	Change in deferred tax (Realkredit Danmark Group)	At Jan. 1	Other adjustments	Recognised in net profit for the year	Recognised in shareholder's equity	At Dec. 31
	2009					
	Intangible assets	1	-	-1	-	-
	Tangible assets	-2	-	2	-	-
	Securities	-3	-	-1	-	-4
	Provisions	-4	-	48	-	44
	Tax loss carryforwards	-	-	-	-	-
	Other	31	-	-43	-	-12
	Total	23	-	5	-	28
	Adj. of prior-year tax charges included in preceding item			-27		
	2008					
	Intangible assets	-	-	1	-	1
	Tangible assets	-5	-	-9	12	-2
	Securities	-4	-	1	-	-3
	Provisions	-2	-	10	-12	-4
	Tax loss carryforwards	-	-	-	-	-
	Other	-17	-	48	-	31
	Total	-28	-	51	-	23
	Adj. of prior-year tax charges included in preceding item			1		
	Change in deferred tax (Realkredit Danmark A/S)	At Jan. 1	Other adjustments	Recognised in net profit for the year	Recognised in shareholder's equity	At Dec. 31
	2009					
	Intangible assets	1	-	-1	-	-
	Tangible assets	13	-	-2	3	14
	Securities	-3	-	-1	-	-4
	Provisions	-32	-	14	-	-18
	Tax loss carryforwards	-	-	-	-	-
	Other	43	-	-43	-	-
	Total	22	-	-33	3	-8
	Adj. of prior-year tax charges included in preceding item			-27		
	2008					
	Intangible assets	-	-	1	-	1
	Tangible assets	-	-	1	12	13
	Securities	-4	-	1	-	-3
	Provisions	-46	-	14	-	-32
	Tax loss carryforwards	-	-	-	-	-
	Other	-5	-	48	-	43
	Total	-55	-	65	12	22
	Adj. of prior-year tax charges included in preceding item			1		

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
23	Other assets				
	Interest due	312	703	312	703
	Pension assets	340	319	91	205
	Real property taken over under non-performing loans held for sale	84	27	84	27
	Other assets	844	361	804	319
	Total	1,580	1,410	1,291	1,254

Pension assets concerns defined benefit plan through Kreditforeningen Danmarks Pensionsafvklingskasse (see note 24).

24	Pension plans				
	Contributions to defined contribution plans	32	34	30	32
	Contributions to defined benefit plans	-11	6	124	-59
	Total	21	40	154	-27

When computing the net pension assets, the Realkredit Danmark Group uses the corridor method. This method is not, however used by the parent company, Realkredit Danmark A/S.

Defined benefit plans

	Present value of fully or partly funded pension obligations	1,037	945	1,037	945
	Fair value of plan assets	1,128	1,150	1,128	1,150
	Net pension assets, end of year, parent company	91	205	91	205
	Actuarial losses not recognised	249	114		
	Net pension assets, end of year, Group	340	319		

Change in net pension assets	2009			2008		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Balance sheet at January 1, parent company	1,150	945	205	1,068	975	93
Current service costs	-	2	2	-	2	2
Calculated interest expense	-	45	45	-	44	44
Estimated return on plan assets	64	-	64	56	-	56
Amortisation	-	6	6	-	16	16
Standard cost	64	53	-11	56	62	6
Actuarial gains or losses	-27	108	-135	41	-24	65
Employer contributions to the plans	10	-	10	53	-	53
Benefits paid out by pension fund	-70	-70	-	-68	-68	-
Balance sheet at December 31, parent company	1,127	1,036	91	1,150	945	205
Actuarial gains or losses not recognised	-92	157	-249	-65	49	-114
Net asset, end of year, Group	1,219	879	340	1,215	896	319

The Group expects to make total contributions of DKr41m for 2010.

Expenses for defined benefit plans

	2009	2008
Standard cost, Group	-11	6
Actuarial gains or losses	-135	65
Total, parent company	124	-59

Notes

Note	(DKr m)						
24 (cont'd)	Pension plans						
	For defined benefit plans, the pension assets are recognised on the basis of an actuarial calculation of the present value of the expected benefits. The present value at year-end was calculated on the basis of the following assumptions:						
	Average actuarial assumptions at December 31 (% p.a.):		2009		2008		
	Discount rate		5.10		5.78		
	Return on plan assets		5.10		5.78		
	Inflation rate		2.75		2.75		
	Salary adjustment rate		2.75		2.75		
	Pension adjustment rate		2.75		2.75		
	The assumptions of mortality used to recognise the pension assets are based on the standard DB06 mortality table. The assumptions applied entail that the average life expectancy for a pension fund member calculated at December 31, 2009 was 82.80 years for a 60-year old man and 85.43 years for a 60-year old woman, and 83.62 years for a 65-year old man and 86.09 years for a 65-year old woman.						
	Pension assets broken down by type (%)		2009		2008		
		Share end	Expected return, beg.	Actual return, end	Share end	Expected return, beg.	Actual return, end
	Shares	3	-	41.9	2	-	-47.3
	Government and mortgage bonds	96	-	3.6	97	-	12.1
	Cash and cash equivalents	1	-	0.8	1	-	3.9
	Total	100	5.8	4.2	100	5.5	9.8
	Historical trend in defined benefit plans		2009	2008	2007	2006	2005
	Present value of pension obligations		1,037	945	975	1,012	976
	Fair value of plan assets		1,128	1,150	1,068	1,103	1,169
	Net pension assets, end of year, parent company		91	205	93	91	193
	Actuarial losses not recognised		249	114	179	157	41
	of this experience adjustments arising on plan liabilities		-18	-16			
	of this experience adjustments arising on plan assets		-	9			
	Net pension assets, end of year, Group		340	319	272	248	234
	Realkredit Danmark Group's transactions with the Pension fund		2009	2008			
	Issued mortgage bonds		383	154			
	Interest expense		11	10			
	Regular and single pension premiums		11	53			

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
25	Due to credit institutions and central banks				
	On demand	-	-	-	-
	3 months or less	26,855	8,111	26,855	8,111
	Total	26,855	8,111	26,855	8,111
	Portion attributable to repo transactions	21,855	8,111	21,855	8,111
26	Issued mortgage bonds at fair value				
	Issued mortgage bonds, nominal value*	943,379	843,529	943,379	843,529
	Fair value adjustment	-179	-12,981	-179	-12,981
	Issued mortgage bonds at fair value, before set-off	943,200	830,548	943,200	830,548
	Set-off of own mortgage bonds at fair value	282,515	182,817	282,515	182,817
	Issued mortgage bonds at fair value	660,685	647,731	660,685	647,731
	0-1 month	97,294	46,776	97,294	46,776
	1-3 months	-	-	-	-
	3-12 months	124,347	117,960	124,347	117,960
	1-5 years	230,019	255,078	230,019	255,078
	5-10 years	71,671	63,042	71,671	63,042
	Over 10 years	137,354	164,875	137,354	164,875
	Total	660,685	647,731	660,685	647,731
	* Portion pre-issued	220,146	148,716	220,146	148,716
	* Portion issued as a block issue	-	-	-	-
	* Portion drawn at January 2, 2010, or in 2009	249,222	159,625	249,222	159,625
	Of the total fair value adjustment of issued mortgage bonds, the change in fair value of own credit risk amounts to	-	-	-	-
	of this amount, the change in 2009 amounts to	-	-	-	-
	In 2009 the yield spread on Danish mortgage bonds relative to government bonds narrowed significantly. At the end of 2009, The spread was about 25-35 basis points. As a result the narrowed yield spread in 2009 the fair value of the issued mortgage bonds and mortgage loans increased by approximately DKr7bn. In 2008 there were a decline of approximately DKr16bn.				
	The nominal value of issued mortgage bonds is equivalent to the amount payable at maturity.				
27	Other liabilities				
	Interest accrued	14,707	15,380	14,707	15,380
	Reserves in early series subject to a reimbursement obligation*	220	244	-	-
	Other creditors	525	865	515	855
	Total	15,452	16,489	15,222	16,235
	* Classified on the balance sheet of the parent company, Realkredit Danmark A/S, under "Provisions".				
28	Reserves in early series subject to a reimbursement obligation*				
	Carrying amount, beginning of year	244	268	244	268
	Utilised	-32	-41	-32	-41
	Increase due to shortening of maturity	8	17	8	17
	Carrying amount, end of year	220	244	220	244
	* Classified on the balance sheet of the Realkredit Danmark Group under "Other liabilities".				
	Reserves in early series subject to a reimbursement obligation relate to mortgage loan agreements under which the borrower's share of the series reserve fund is disbursed to the borrower on repayment of the loan in accordance with the terms and conditions applying to the series. Until 2031, the Group's obligations will gradually be reduced in step with individual borrower repayments. Factors that affect the repayment pattern include changes in interest rates, cash flows, etc.				

Notes

Note	(DKr m)
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29 **Subordinated debt**
Subordinated debt consists of liabilities in the form of subordinated loan capital and hybrid capital, which, in the event of Danske Bank's voluntary or compulsory winding-up, will not be repaid until the claims of ordinary creditors have been met. Hybrid capital ranks below subordinated loan capital. Early redemption of subordinated debt must be approved by the Danish FSA.

Hybrid capital is included in the capital base in accordance with sections 129 and 132 of the Danish Financial Business Act.

	Principal (millions)	Interest rate	Issued	Maturity	2009 (DKr m)	2008 (DKr m)
Hybrid capital	2,034	9.265	2009	Perpetual	2,034	-
Total hybrid capital					2,034	-
Fair value hedging of interest rate risk					3	-
Total					2,037	-
Amount included in capital base					2,037	-

Interest is paid at an annual rate of 9.265%. If Realkredit Danmark makes annual dividend payout exceeding DKr2.1bn the interest rate will increase. From May 11, 2012, to May 10, 2014, Realkredit Danmark may redeem the loan at a price of 100 provided that the tier 1 capital ratio is at least 12% following such redemption or that the loan is replaced by other loss absorbing tier 1 capital of at least the same or a higher quality. From May 11, 2014, to May 10, 2015, Realkredit Danmark may redeem the loan at a price of 105, and from May 11, 2015, Realkredit Danmark may redeem the loan at a price of 110. Redemption must be approved by the Danish FSA.

30 **Risk-weighted assets (RWA)**

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2009	2008	2009	2008
Credit risk (IRB approach)	82,038	53,726	82,009	53,435
Credit risk (standardised approach)	79	13	458	310
Counterparty risk	98	468	98	469
Total credit risk	82,215	54,207	82,565	54,214
Market risk	7,229	6,832	7,229	6,832
Operational risk	7,755	6,954	7,570	6,751
Total	97,199	67,993	97,364	67,797

Notes

Note	(DKr m)	Realkredit Danmark Group		Realkredit Danmark	
		2009	2008	2009	2008
31	Collateral				
	The following assets have been deposited with Danmarks Nationalbank as collateral				
	Bonds at fair value	24,200	20,913	24,200	20,913
	Portion issued by Realkredit Danmark	14,009	20,913	14,009	20,913
	Portion received as collateral for repos	10,191	-	10,191	-
	Assets sold under repo transactions				
	Bonds at fair value	21,839	8,111	21,839	8,111
	Portion issued by Realkredit Danmark	18,279	4,707	18,279	4,707

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

At the end of 2009, the need for supplementary collateral for mortgage-covered bonds was DKr21,3bn, against DKr4,0bn at end-2008.

32 Contingent liabilities

Owing to its size and business volume, the Realkredit Danmark Group is continually a party to various lawsuits. The Group does not expect the outcomes of the cases pending to have any material effect on its financial position.

Realkredit Danmark guarantees the pension obligations of Kreditforeningen Danmarks Pensionsafviklingskasse. See note 24. The company is registered jointly with all major Danish subsidiaries of the Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.

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

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2009	2008	2009	2008
Guarantees etc.				
Other guarantees	4	4	4	4
Total	4	4	4	4
Other contingent liabilities				
Irrevocable loan commitments regarding reverse mortgages	538	647	538	647
Other commitments	101	85	83	80
Total	639	732	621	727
Total contingent liabilities	643	736	625	731

Notes

Note	(DKr m)				
33	Related party transactions				
	Transactions between related parties are concluded and settled on an arm's length or on a cost-reimbursement basis. No unusual transactions have been made with associated and group undertakings.				
	Realkredit Danmark A/S made the below-mentioned major intra-group transactions with companies directly or indirectly associated with the Group/company.				
		Realkredit Danmark Group		Realkredit Danmark A/S	
		2009	2008	2009	2008
	Fees, etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans	889	829	889	829
	Fees received from Danske Bank A/S for referral of customers and for property valuation	106	111	106	111
	Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions, etc.	344	366	321	335
	Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	431	608	429	598
	Interest received on mortgage loans raised by sister company	86	112	86	112
	Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	562	677	562	677
	Amounts due from Danske Bank A/S	33,230	24,754	33,148	24,555
	Mortgage lending to sister company	2,631	2,635	2,631	2,635
	Loss guarantees from Danske Bank A/S	44,936	43,443	44,936	43,443
	Other guarantees from Danske Bank A/S	39,359	17,870	39,359	17,870
	Amounts due to Danske Bank A/S	26,855	8,111	26,855	8,111
	The A.P. Møller - Maersk Group and A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal represent a party that has a significant influence on Danske Bank A/S and, by extension, on Realkredit Danmark A/S.				
	Transactions with this party included				
	Mortgage loans	55	64	55	64
	Interest income	2	3	2	3
	Any amounts due to related parties in the form of issued bonds have not been included in the above outstanding accounts as such bonds are bearer securities. In these cases, the Group does not know the identity of the creditors.				
34	Loans etc. to management				
	Mortgage loans established on an arm's length basis for				
	Executive Board	9	4	9	4
	Board of Directors	12	12	12	12
35	Reporting to the Danish FSA				
		Realkredit Danmark Group			
	Difference between net profit and shareholders' equity in IFRS financial statements and reporting to the Danish FSA is calculated as follows	Net profit	Net profit	Shareholders' equity	Shareholders' equity
		2009	2008	Dec. 31	Dec. 31
		2009	2008	2009	2008
	Group accounts according to IFRS	2,594	2,810	41,162	38,568
	Domicile property	-	-6	61	57
	Pension obligations	-135	65	-249	-114
	Tax effect	33	-16	46	17
	Group accounts according to the rules of the Danish FSA	2,492	2,853	41,020	38,528

Notes

Realkredit Danmark Group

Note	(DKr m)				
36	Fair value information				
	2009	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	3,261	-	-	3,261
	Mortgage loans at fair value	-	691,301	-	691,301
	Shares	-	-	62	62
	Derivatives	-	411	-	411
	Total	3,261	691,712	62	695,035
	Issued mortgage bonds at fair value	660,685	-	-	660,685
	Derivatives	-	44	-	44
	Total	660,685	44	-	660,729
	2008				
	Bonds at fair value	12,986	-	-	12,986
	Mortgage loans at fair value	-	669,891	-	669,891
	Shares	-	-	63	63
	Derivatives	-	90	-	90
	Total	12,986	669,981	63	683,030
	Issued mortgage bonds at fair value	647,731	-	-	647,731
	Derivatives	-	332	-	332
	Total	647,731	332	-	648,063

Fair value is the amount at which a financial asset can be traded between independent parties. If an active market exists, the market price in the form of a listed price or price quotation is used.

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 essentially builds on observable input. For unlisted shares, the value is materially affected by non-observable input. For mortgage loans and issued mortgage bonds, the recognition is based on the fair value of the issued mortgage bonds.

Adjustment is made to reflect the fair value of the credit risk on the mortgage loans according to impairment principles equal to those used for loans valued at amortised cost.

Note

RISK MANAGEMENT

Capital base

Realkredit Danmark is a licensed mortgage service provider and therefore must comply with the capital requirement of the Danish Financial Business Act. Danish capital adequacy law is based on the EU capital requirement directives (CRD) and applies to both the Parent Company and the Realkredit Danmark Group.

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

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

Credit risk

The credit risk on a mortgage loan basically derives from two factors; the risk that the borrower is unable to repay the loan and the expected loss if the customer is unable to repay the loan. These two factors are commonly designated by the abbreviations "PD" (Probability of Default) and "LGD" (Loss Given Default). The higher the PD and LGD, the higher risk a loan involves.

The credit granting process widely builds on the two abovementioned components. Most often, the Group performs a decentralised credit assessment of whether a customer is deemed to have the ability and the willingness to repay his loan. However, the Group handles the largest customers at a central corporate centre, which has the expertise to serve this customer segment. In 2009, Realkredit Danmark continued its prudent credit-granting process, backing the Group's existing and new creditworthy customers. When granting credit, the Group continues to emphasise customer ability to repay fixed-rate loans, even if it has granted an interest-reset loan (FlexLån®).

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

As a result of the financial crisis, Realkredit Danmark has tightened its procedure so that a relatively larger portion of the credit cases must be approved by the central credit department.

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 the Group's rating models or the Group's 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 mapped to a PD.

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

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

Portfolio as at Dec. 31, 2009 broken down by customer type and rating category (DKr bn)

Rating category	Private	Corporate	Total
1	4	0	4
2	26	4	30
3	74	61	135
4	69	31	100
5	98	48	146
6	37	56	93
7	74	38	112
8	21	21	42
9	4	11	15
10	2	6	8
11	3	5	8
Total	412	281	693

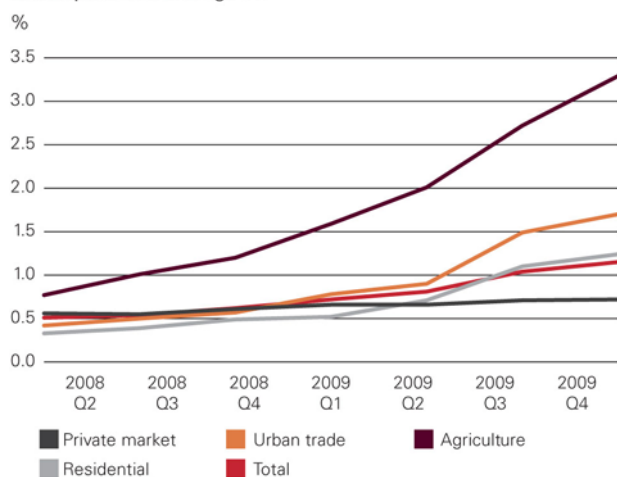
Probability of Default (PD) %

Rating category	Low PD	High PD
1	0.00	0.01
2	0.01	0.03
3	0.03	0.06
4	0.06	0.13
5	0.13	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 financial crisis and the resulting increase in unemployment and number of bankruptcies and suspension of payments is reflected in customer classifications. Customers are generally assigned a lower classification than they were a year ago, and this is also mirrored in the average PD, which rose steadily throughout 2009.

Note

Development in average PD

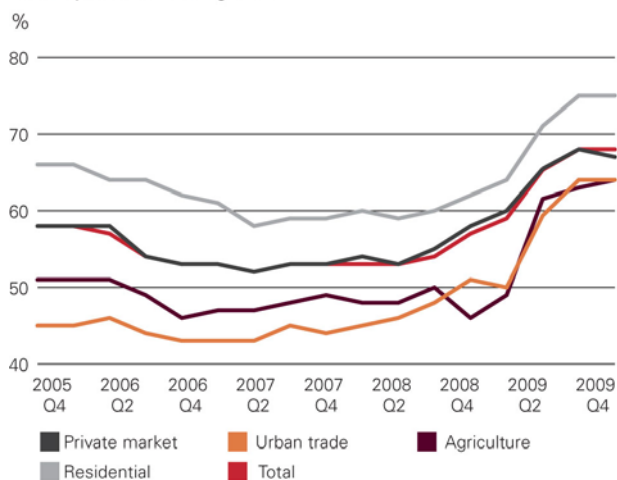


Credit quality has been adversely affected by rising PDs, and at the same time there was a negative impact from higher LGD figures.

The increase in LGD was primarily the result of falling property prices. Lower property prices mean lower proceeds to Realkredit Danmark if the Group needs to take over the property of a non-performing customer, irrespective of whether this is done voluntarily with the help of the customer ahead of a forced sale or whether the process involves a forced sale at an auction. The lower proceeds – and a potentially longer period between non-payment and forced sale – translate into higher LGD.

The falling property prices are reflected directly in developments in the average property loan-to-value ratios (LTV), which have risen in all property segments. Overall, the average LTV rose from 57% at the beginning of 2009 to 68% at the end of the year.

Development in average LTV



In spite of the falling property prices, Realkredit Danmark's portfolio is still very secure. 83% of the portfolio is secured within 60% of the value of the property, and 63% is secured within 40% of the value.

Loan portfolio broken down by loan-to-value ratios at Dec. 31, 2009

Sector, %	Loan-to-value ratios					Total DKr bn
	0-20	20-40	40-60	60-80	>80	
Private market	140	119	86	48	19	412
Urban trade	36	30	21	9	5	101
Agriculture	19	15	11	4	2	51
Residential	46	32	23	16	12	129
Weighted distribution	35%	28%	20%	11%	6%	
Total DKr bn	241	196	141	77	38	693

Portfolio broken down by loan to value and rating category

Rating category	Loan to Value					Total DKr bn
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	2	1	0	0	0	3
2	14	10	5	2	1	32
3	53	38	24	13	8	136
4	41	31	18	7	2	99
5	47	41	31	19	8	146
6	31	26	20	11	5	93
7	34	31	25	16	6	112
8	13	12	9	5	3	42
9	4	4	3	2	1	14
10	2	2	2	1	1	8
11	2	2	2	1	1	8
Total	243	198	139	77	36	693

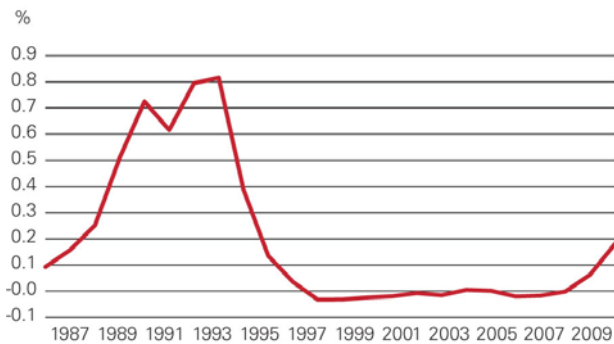
As shown in the figure, only DKr6bn are loans with an LTV ratio higher than 80% granted to customers in one of the four lowest classifications. This equals 0.9% of the total portfolio.

The impaired credit quality is also discernible in loan impairment charges for the year. Realkredit Danmark experienced a sharp increase in losses and impairment charges in the fourth quarter of 2008, and the higher level continued during the four quarters of 2009. Losses and impairment charges for the year thus amounted to DKr1,267m, against DKr422m in 2008.

Although there was a sharp increase in loan impairment charges from 2008 to 2009, it is important to remember that the losses are still at a moderate level in a historical context. Losses and impairment charges for the year thus only represent 0.18% of total mortgage lending, which is far from the levels of the early 1990s.

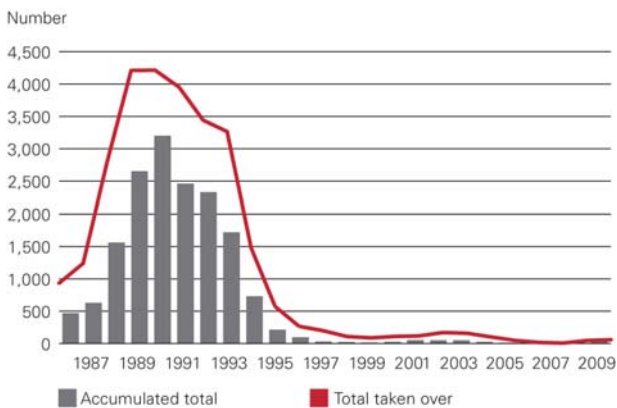
Note

Historical Loss Given Default



Similarly, the number of properties taken over by Realkredit Danmark in a forced sale remains at a historically low level. In 2009, Realkredit Danmark only took over 58 properties at a forced auction, against 4,213 in 1990. The portfolio of foreclosed properties at the end of 2009 was 37, against 3,200 foreclosures at the end of 1990.

Holding of mortgages taken over



Whilst most of the losses in 2008 concerned the corporate market, 2009 brought a change in that the private market was also affected to a greater extent. The increase in losses in the private

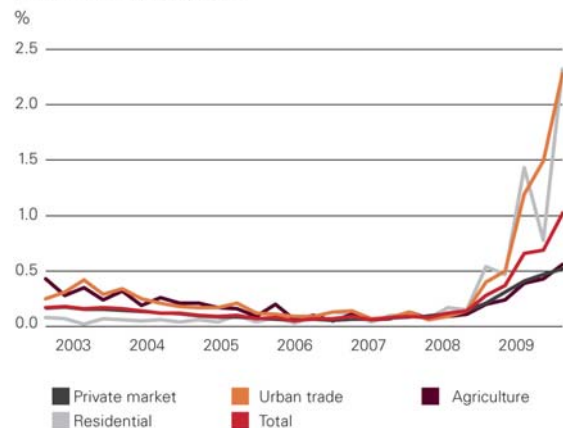
market was the inevitable result of the rise in unemployment (higher PD) and falling property prices (higher LGD), whereas especially residential rental property accounted for the losses in the corporate market.

In the private market, Realkredit Danmark is to a certain extent covered against losses, as Danske Bank provides a loss guarantee for loans arranged via the bank's branches. The guarantee covers the part of the loan which at the date of disbursement is in the 60-80% property value range. Total lending of DKr192bn is partly covered by this loss guarantee. The total guarantee amounts to DKr45bn.

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

Arrears, calculated as the proportion of due payments unpaid 3½ months after the last due payment date, continued to rise throughout 2009. Arrears concerning the September 2009 payment date stood at 1.02%, against 0.28% the year before.

3-month delinquency rates



Arrears

	Loan portfolio DKr m		Loan to value %		Arrears Sept. paym. in %	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Private market	416,784	398,195	67	58	0.52	0.21
Urban trade	95,507	96,502	64	51	2.28	0.40
Agriculture	50,377	50,217	64	46	0.56	0.20
Residential rental property	128,633	124,977	75	62	2.32	0.54
Total	691,301	669,891	68	57	1.02	0.28

Note

Market risk

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

Interest rate risk

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

In accordance with Danish law, the difference between interest payments and instalments received on mortgage loans and payments made on issued bonds may not result in an interest rate risk exceeding 1% of Realkredit Danmark's capital base, that is, DKr433m. At the end of 2009, this interest rate risk amounted to DKr18m, against DKr34m the year before.

The interest rate risk on other assets and liabilities and on off-balance-sheet items, including in particular the proprietary investment portfolio, may not exceed 8% of the capital base, or DKr3,466m, in accordance with Danish law. At the end of 2009, the interest rate risk on these items amounted to DKr323m, against DKr316m the year before.

At the end of 2009, the total interest rate risk amounted to DKr341m, or 0.8% of the capital base. The year before, Realkredit Danmark's interest rate risk was DKr350m.

Liquidity risk

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

Equity market risk

The equity market risk is calculated as the market value of the Realkredit Danmark Group's equity portfolios and holdings in subsidiary and group undertakings etc. Internal limits have been set for the overall equity market risk. At end-2009, the market value and hence the equity market risk amounted to DKr71m, against DKr76m the year before.

Exchange rate risk

Realkredit Danmark has only very small unhedged currency positions. The exchange rate risk is calculated in accordance with exchange rate indicator 2 of the Danish FSA and may, in accordance with Danish law, not exceed 0.1% of the capital base, that is DKr43m. At the end of 2009, the exchange rate risk amounted to DKr1m, against DKr1m the year before.

Derivatives

Derivatives are employed for hedging purposes in relation to mortgage finance business and for hedging the interest rate risk on fixed-rate liabilities and are carried at fair value in the financial statements. In 2009, Realkredit Danmark used only forwards, futures and repo/reverse transactions to hedge risk. The market risk on these instruments is included in the risk calculations mentioned above.

Pension risk

The Group's pension risk is the Group's risk of pension shortfall in the Group's defined benefit plans, which means that it will have to make additional contributions to cover its pension obligations to current and former employees. The Group aims to reduce the pension risk on the defined benefit pension plans in the same way that it handles other risks in the Group. To achieve this goal, the Group matches pension obligations with assets similar mainly in terms of maturity and volatility. Note 24 to the financial statements specifies the Group's defined benefit pension plan.

Derivatives (DKr m)	December 31, 2009			December 31, 2008		
	Nominal value	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value
Interest rate contracts						
Forward/futures bought	183,608	259	-	121,331	56	41
Forward/futures sold	87,309	136	35	34,997	33	290
Swap	2,034	15	-	-	-	-
Currency contracts						
Forward/futures bought	92	-	-	29,815	-	-
Forward/futures sold	2,048	-	-	559,215	-	-
Total		410	35		89	331
Outstanding spot transactions						
Interest rate contracts bought	1,609	-	2	978	1	-
Interest rate contracts sold	1,445	1	7	941	-	1
Currency contracts bought	-	-	-	-	-	-
Total		1	9		1	1

The statement covers the Realkredit Danmark Group as well as Realkredit Danmark A/S.

Developments in lending activities in Denmark in the second half 2009

In May 2009, Realkredit Danmark received subordinated loan capital from the Danish state in the form of a hybrid tier 1 capital injection of DKKr2bn. Under Danish law, an institution that receives a state-funded capital injection must publish semi-annual statements on its lending developments in Denmark.

Realkredit Danmark grants loans against mortgages on all types of real property on the basis of the property value and an assessment of the borrower's ability and intention to repay the loan. In compliance with applicable law, mortgaged properties are valued at current market value with due consideration to price forecasts.

Only in the event of default and the other causes for termination as stipulated in the mortgage document can Realkredit Danmark terminate a loan for repayment.

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

Retail customers must be able to demonstrate their ability to pay by documenting income sufficient to provide a reasonable amount available for consumption after deduction of loan payments. The calculations are based on a 30-year fixed-rate annuity loan. Priority customers (Prioritetskunder), that is, customers who have made payments over the past two years on time, can obtain loans without submitting such documentation on condition that they receive advisory services from Realkredit Danmark as required by the rules of the Executive Order on Good Business Practice for Financial Undertakings. For loans for new houses, all customers must generally have sold their previous home, unless the customer can substantiate his ability to pay at a sale significantly below the offer price and with a long period of time on the market.

Corporate customers must demonstrate ability to pay by documenting sufficient positive cash flows from operations. With respect to loans for property types prone to large losses, Realkredit Danmark's requirements to customer creditworthiness are stricter. Such property types include properties with limited alternative uses and properties used by customers in weak or cyclical industries. The credit assessment focuses on customer liquidity, including the risk of vacancy. Realkredit Danmark charges an administration margin as a percentage of the debt outstanding. In the private market, this margin is based on the ranking of the collateral, while the customer's creditworthiness is the key parameter in the corporate market.

Loans to finance rental properties owned by creditworthy corporate customers with average classification must now generally have 12 payment dates per year, as this enables Realkredit Danmark to register signs of financial difficulty early on and thus to take swift action to curb losses. Furthermore, Realkredit Danmark raised contribution margins for both new and existing corporate loans.

In the second half of 2009, Realkredit Danmark did not make any changes to its lending policy, neither in its guidelines for credit assessments or in prices and conditions. This applies to both the private and the corporate market.

In the first half of 2009, Realkredit Danmark introduced a new requirement for retail priority customers. They must now not only have put their home up for sale, but have actually sold it, before a loan for a new, not significantly more expensive, home can be granted. If the existing home has not been sold, priority customers must, as is the case for non-priority customers, demonstrate ability to repay even if the home is eventually sold significantly below the asking price and is on the market for a considerable period of time. The required amount available for consumption remains at the level fixed in mid-2008. Requirements for the granting of loans to finance rental property in the corporate market were tightened in the first half of 2009, and Realkredit Danmark now focuses increasingly on vacancy rates.

Retail customer demand for credit, measured in terms of the loan amount sought, rose 18% in the second half of 2009, with most of the rise taking place in the second quarter. For existing customers, demand for credit, including remortgaging, climbed 18%. The average loan amount sought fell in the second half of 2009. For new customers, demand for credit also rose in the second half-year. The share of approved applications was unchanged from the first half of 2009 and was 97% at December 31, 2009. For existing customers, the share of approved applications was unchanged 97%. The share of approved applications for new customers also saw a slight increase.

Danish corporate customer demand for credit fell 16% in the second half of 2009 relative to the first half of 2009. After a decline in the third quarter, demand for credit rose again in the fourth quarter. For existing customers, the fall was 6%, mainly because the number of loan applications fell 11%. For new customers, the demand for credit and the number of loan applications also fell. The share of approved applications from existing customers was unchanged from the first half of 2009, and amounted to 86% in the second half of 2009. There was a slight increase in the share of approved applications from new customers in the second half of 2009. The table on the next page breaks down loans etc. on customer segments.

The table shows the development in loans and advances, irrevocable loan commitments and guarantees for customers of Realkredit Danmark A/S secured on properties situated in Denmark. In the second half of 2009, exposure to corporate customers fell DKKr1.1bn, and exposure to retail customers rose DKKr6.9bn.

Notes

Note

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

(DKr m)	Dec. 31, 2009		Jun. 30, 2009	
	New customers	Existing customers	Total	Total
Corporate customers				
Commercial property	800	96,593	97,393	97,925
Agriculture	394	49,939	50,333	51,096
Other	579	128,561	129,140	128,973
Total corporate customers	1,773	275,093	276,866	277,994
Retail customers				
Mortgages	11,445	396,062	407,507	400,605
Total	13,218	671,155	684,373	678,599

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

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

Notes

Realkredit Danmark Group

(DKr m)	2009	2008	2007	2006	2005
HIGHLIGHTS					
Net interest and fee income	5,333	4,424	4,225	3,414	4,352
Value adjustments	287	607	235	545	-291
Staff costs and administrative expenses	978	1,003	1,184	1,162	1,242
Loan impairment charges	1,267	422	-10	-105	-118
Income from associated undertakings	-4	2	10	-	26
Net profit for the year	2,594	2,810	2,592	2,356	2,417
Loans	692,095	670,362	628,142	603,020	569,648
Shareholders' equity	41,162	38,568	35,758	33,166	30,810
Total assets	746,343	710,922	694,203	663,277	625,853
RATIOS AND KEY FIGURES					
Solvency ratio (%)	44.6	56.6	10.5	10.2	10.1
Tier 1 capital ratio (%)	44.2	56.5	10.5	10.2	10.0
Return on equity before tax (%)	8.7	10.1	10.0	10.1	10.5
Return on equity after tax (%)	6.5	7.6	7.5	7.4	8.0
Cost/core income ratio DKr	2.54	3.62	3.91	4.02	3.81
Foreign exchange position (%)	2.4	4.2	1.9	1.8	0.9
Gearing of loans	16.9	17.4	17.6	18.4	18.5
Growth in lending for the year (%)	1.4	5.4	6.4	8.1	8.5
Impairment ratio for the year (%)	0.2	0.1	0.0	0.0	0.0

Realkredit Danmark A/S

HIGHLIGHTS					
Net interest and fee income	5,329	4,413	4,214	3,407	4,344
Value adjustments	287	607	235	549	-253
Staff costs and administrative expenses	1,008	820	1,089	1,163	1,175
Loan impairment charges	1,265	417	-10	-105	-118
Income from associated and group undertakings	-13	15	47	45	78
Net profit for the year	2,492	2,853	2,572	2,254	2,394
Loans	692,040	670,320	628,103	602,987	569,621
Shareholders' equity	41,020	38,528	35,685	33,107	30,831
Total assets	746,170	710,871	694,116	663,201	625,860
RATIOS AND KEY FIGURES					
Solvency ratio (%)	44.5	56.8	10.5	10.2	10.1
Tier 1 capital ratio (%)	44.2	56.7	10.5	10.2	10.0
Return on equity before tax (%)	8.4	10.3	9.9	9.6	10.3
Return on equity after tax (%)	6.3	7.7	7.5	7.1	7.9
Cost/core income ratio DKr	2.46	4.07	4.14	3.88	3.96
Foreign exchange position (%)	2.4	4.2	1.9	1.8	0.9
Gearing of loans	16.9	17.4	17.6	18.4	18.5
Growth in lending for the year (%)	1.4	5.4	6.4	8.1	8.5
Impairment ratio for the year (%)	0.2	0.1	0.0	0.0	0.0

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

Notes

Note

	Share capital (thousands)	Net profit (DKr m)	Shareholders' equity (DKr m)	Holding of share capital (%)
Group holdings and undertakings				
Realkredit Danmark A/S, Kgs. Lyngby	DKK 630,000	2,492	41,020	100
Subsidiaries				
Real-estate agency business				
home a/s, Aarhus	DKK 15,000	-9	189	100
Associated undertakings				
Other business				
e-nettet Holding A/S, Copenhagen	DKK 11,000	-15	76	25
Further information on e-nettet Holding A/S:				
Total assets DKr213m				
Total liabilities DKr137m				
Total income DKr14m				
At December 31, 2009, the amount owed by e-nettet Holding A/S to Realkredit Danmark is DKr0m (Dec. 31, 2008: DKr0m)				

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	(DKr m)	Jydske Grundejer- Kredit- forening	Ny jyske Kjøbstad- Credit- forening	Ny Jysk Grundejer- Kredit- forening	Østifternes Kredit- forening	Grund- ejernes Hypotek- forening	Husmands- hypotek- foreningen for Danmark
Income statement							
	Income from lending	1.6	1.4	0.1	3.6	0.1	0.0
1	Net interest income etc.	5.1	4.4	12.9	15.1	0.6	0.0
1	Administrative expenses etc.	5.4	7.6	0.1	19.8	0.0	0.0
	Loan impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
	Tax	0.3	-0.4	3.2	-0.3	0.2	0.0
2	Net profit for the year	1.0	-1.4	9.7	-0.8	0.5	0.0
Balance sheet - assets							
	Mortgage loans etc.	531.3	322.1	1.5	1,187.7	1.5	0.0
	Other assets	112.2	89.6	211.1	341.5	3.4	0.0
	Total assets	643.5	411.7	212.6	1,529.2	4.9	0.0
Balance sheet - liabilities and equity							
3	Issued bonds	549.9	337.9	2.2	1,265.5	2.4	0.0
	Other liabilities	17.3	11.0	5.7	41.1	0.1	0.0
4	Shareholders' equity	76.3	62.8	204.7	222.6	2.4	0.0
5	Total liabilities and equity	643.5	411.7	212.6	1,529.2	4.9	0.0

Note	(DKr m)	Provins- hypotek- foreningen for Danmark	Series not subject to a reimburse- obligation	Danske Kredit	Mortgage- covered bonds	Other reserves	Total
Income statement							
	Income from lending	0.2	78.5	13.3	1,565.5	1,568.6	3,232.9
1	Net interest income etc.	0.4	40.3	6.8	795.0	2,075.2	2,955.8
1	Administrative expenses etc.	0.9	56.3	16.7	480.0	1,000.4	1,587.2
	Loan impairment charges	0.0	-17.5	2.0	878.4	402.2	1,265.1
	Tax	-0.1	20.2	0.4	253.1	564.9	841.5
2	Net profit for the year	-0.2	59.8	1.0	749.0	1,676.3	2,494.9
Balance sheet - assets							
	Mortgage loans etc.	6.0	24,055.2	2,086.8	334,759.3	329,024.1	691,975.5
	Other assets	7.6	2,997.8	249.8	288,443.3	53,425.6	345,881.9
	Total assets	13.6	27,053.0	2,336.6	623,202.6	382,449.7	1,037,857.4
Balance sheet - liabilities and equity							
3	Issued bonds	8.1	25,770.7	2,206.2	590,828.0	345,737.1	966,708.0
	Other liabilities	0.4	774.5	62.8	17,653.9	11,342.1	29,908.9
4	Shareholders' equity	5.1	507.8	67.6	14,720.7	25,370.5	41,240.5
5	Total liabilities and equity	13.6	27,053.0	2,336.6	623,202.6	382,449.7	1,037,857.4

Notes - Series accounts

Note	(DKr m)	
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.	
		2009
2	Net profit for the year, series accounts	
	Net profit for the year, Realkredit Danmark A/S's financial statements	2,492.2
	Transferred to other reserves etc.	2.5
	Revaluation of properties directly in shareholders' equity	0.2
	Net profit for the year, series accounts	2,494.9
3	Issued bonds, series accounts	
	Issued bonds, Realkredit Danmark A/S's financial statements	660,684.6
	Own mortgage bonds, not offset in the series accounts	282,515.3
	Accrued interest, own bonds	23,508.1
	Issued bonds, series accounts	966,708.0
4	Shareholders' equity, series accounts	
	Shareholders' equity, Realkredit Danmark A/S's financial statements	41,020.5
	Reserves in pre-1972 series subject to a reimbursement obligation	220.0
	Shareholders' equity, series accounts	41,240.5
5	Total assets, series accounts	
	Total assets, Realkredit Danmark A/S's financial statements	746,170.2
	Own mortgage bonds, not offset in the series accounts	282,515.3
	Accrued interest, own bonds	9,171.9
	Total assets, series accounts	1,037,857.4
6	Transfers to and from reserves subject to a reimbursement obligation	
	In 2009, 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	5,190.0
	Danske Kredit	-29.0
	Other reserves	-5,161.0
	Total	0.0

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved the annual report of Realkredit Danmark A/S for the financial year 2009.

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

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at December 31, 2009 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year starting on January 1, and ending on December 31, 2009. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

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

Kgs. Lyngby, February 4, 2010

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Jens-Erik Corvinus
Member of the Executive Board

Board of Directors

Sven Lystbæk
Chairman

Henrik Normann
Vice Chairman

Tonny Thierry Andersen

Per Skovhus

Max Jeppesen

Klaus Pedersen

Auditors' reports

Internal Audit's report

We have audited the annual report of Realkredit Danmark A/S for the financial year 2009. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Basis of opinion

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

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

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

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

Our audit did not result in any qualification.

Opinion

In our opinion, the 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.

Furthermore, we believe that the annual report gives a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at December 31, 2009, and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2009 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements and in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Copenhagen, February 4, 2010

Jens Peter Thomassen
Group Chief Auditor

Lene Christensen
First Vice President

Auditors' reports

Independent auditors' report

To the shareholders of Realkredit Danmark A/S

We have audited the consolidated financial statements and the Parent Company's financial statements of Realkredit Danmark A/S for the financial year 2009. The consolidated financial statements comprise the income statement, statement of comprehensive income, balance sheet, statement of capital, cash flow statement and notes. The Parent Company's financial statements comprise income statement, balance sheet, statement of capital and notes. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the consolidated financial statements and the Parent Company's financial statements have been prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds. In addition to our audit, we have read the management's report prepared in accordance with Danish disclosure requirements for issuers of listed bonds and issued a statement in this regard.

Management's responsibility

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

Auditors' responsibility and basis of opinion

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

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

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

Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, equity and financial position at December 31, 2009, and of the results of the Group's operations and cash flows for the financial year 2009 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with additional Danish disclosure requirements for issuers of listed bonds. Furthermore, in our opinion, the Parent Company's financial statements give a true and fair view of the Parent Company's assets, liabilities and financial position at December 31, 2009, and of the results of the Parent Company's operations for the financial year 2009 in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for issuers of listed bonds.

Statement on the management's 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, February 4, 2010

KPMG
Statsautoriseret Revisionspartnerselskab

Per Gunslev Søren Peter Nielsen
State Authorised Public Accountants

Grant Thornton
Statsautoriseret Revisionsaktieselskab

Ole Fabricius Christian F. Jakobsen
State Authorised Public Accountants

Directorships

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

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

Board of Directors

Sven Lystbæk, chairman

Member of the Executive Board of Danske Bank A/S
Born on September 26, 1951

Director of:

Seven wholly-owned subsidiaries of Danske Bank A/S
Kreditforeningen Danmarks Pensionsafviklingskasse (Chairman)
Multidata Holding A/S (Vice Chairman)
Multidata A/S (Vice Chairman)
PBS Holding A/S (Vice Chairman)
PBS A/S (Vice Chairman)
VP Securities A/S (Chairman)
VISA Europe Limited

Henrik Normann, Vice Chairman

Member of the Executive Committee of Danske Bank A/S
Born on March 26, 1953

Director of:

Two wholly-owned subsidiaries of Danske Bank A/S
Kreditforeningen Danmarks Pensionsafviklingskasse
Multidata Holding A/S
Multidata A/S
OMX Nordic Exchange Group Oy
PBS Holding A/S
PBS A/S

Tonny Thierry Andersen

Member of the Executive Board of Danske Bank A/S
Born on September 30, 1964

Director of:

Five wholly-owned subsidiaries of Danske Bank A/S

Max Jeppesen (elected by the employees)

Credit Adviser, Realkredit Danmark A/S
Born on July 13, 1946

Klaus Pedersen (elected by the employees)

Corporate Adviser, Realkredit Danmark A/S
Born on January 30, 1947

Director of:

Kreditforeningen Danmarks Pensionsafviklingskasse

Per Skovhus

Member of the Executive Board of Danske Bank A/S
Born on September 17, 1959

Director of:

Two wholly-owned subsidiaries of Danske Bank A/S
Danmarks Skibskredit A/S (Chairman)
The Danish Bankers Association (Vice Chairman until November 30, 2009)
ICC Danmark

Executive Board

Carsten Nøddebo Rasmussen

Chairman of the Executive Board
Born on August 15, 1964
Joined the Executive Board on December 1, 2006

Director of:

e-nettet Holding A/S (Vice Chairman)
e-nettet (Vice Chairman)
home a/s (Chairman)
Kreditforeningen Danmarks Pensions & Afviklingskasse
Danish Mortgage Banks' Federation (Chairman)
The Popular Educational Association, Kgs. Lyngby (Chairman)

Jens-Erik Corvinus

Member of the Executive Board
Born on July 15, 1950
Joined the Executive Board on June 1, 2009

Director of:

home a/s (Vice Chairman)
Danish Mortgage Banks' Federation
Byggesocietetet
Byggesocietetets Københavnsudvalg (Chairman)
Ejendomsforeningen Danmark

Supplementary information

Financial calendar

- Annual general meeting:
March 8, 2010
- Interim Report – First Quarter 2010:
May 4, 2010
- Interim Report – First Half 2010:
August 10, 2010
- Interim Report – First Nine Months 2010:
November 2, 2010

Contact

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

Useful links

www.rd.dk

www.danskebank.com

www.home.dk