

# Annual Report 2005

Realkredit Danmark Group



REALKREDIT  
**Danmark**

# Contents

<b>2</b>	<b>Management</b>
<b>3</b>	<b>Financial highlights</b>
<b>4</b>	<b>Management's report</b>
<b>4</b>	Financial review
<b>4</b>	Results
<b>4</b>	Balance sheet, solvency and equity
<b>5</b>	Outlook for 2006
<b>5</b>	Financial calendar 2006
<b>6</b>	Property market
<b>7</b>	Lending
<b>11</b>	Funding
<b>14</b>	Resources
<b>15</b>	Capital and financial management
<b>17</b>	<b>Directorships</b>
<b>18</b>	<b>Statement and reports</b>
<b>18</b>	Statement by the Executive Board and the Board of Directors
<b>19</b>	Audit reports
<b>21</b>	<b>Accounts</b>
<b>21</b>	Accounting policies
<b>28</b>	Income statement
<b>29</b>	Balance sheet
<b>30</b>	Capital
<b>31</b>	Cash flow statement
<b>32</b>	Notes
<b>49</b>	Credit risk
<b>49</b>	Market risk
<b>51</b>	Financial highlights, ratios and key figures
<b>52</b>	Series accounts
<b>54</b>	Group holdings and undertakings
<b>55</b>	Transition to IFRS, Group
<b>58</b>	New accounting policies, parent company



# Management

## Board of Directors

### **Jakob Brogaard**

Deputy Chairman of the Executive Board of Danske Bank A/S, Chairman

### **Sven Lystbæk**

Member of the Executive Committee of Danske Bank A/S, Deputy Chairman

### **Tonny Thierry Andersen**

Chief Financial Officer and Member of the Executive Committee of Danske Bank A/S

### **Klaus Pedersen\***

Corporate Adviser

### **Per Skovhus**

Member of the Executive Committee of Danske Bank A/S

### **Margit Würtz\***

Customer Adviser

\* Elected by the employees

## Executive Board

### **Sven Holm**

Chairman of the Executive Board and Chief Executive Officer

### **Thomas Mitchell**

Member of the Executive Board

# Financial highlights

## Realkredit Danmark Group

	2005	2004	2003	2002	2001
<b>Net profit for the year</b>					
DKr m					
Administration margin	2,471	2,318	2,216	2,094	1,973
Net interest income	1,178	953	1,216	1,219	1,342
Net fee income	83	125	186	175	132
Net trading income	355	436	246	415	333
Other income	232	126	140	139	165
<b>Total income</b>	<b>4,319</b>	<b>3,958</b>	<b>4,004</b>	<b>4,042</b>	<b>3,945</b>
Operating expenses	1,251	1,255	1,454	1,304	1,430
<b>Profit before credit loss expenses</b>	<b>3,068</b>	<b>2,703</b>	<b>2,550</b>	<b>2,738</b>	<b>2,515</b>
Credit loss expenses	-118	-18	24	-74	-33
<b>Profit before tax</b>	<b>3,186</b>	<b>2,721</b>	<b>2,526</b>	<b>2,812</b>	<b>2,548</b>
Tax	769	655	609	822	621
<b>Net profit for the year</b>	<b>2,417</b>	<b>2,066</b>	<b>1,917</b>	<b>1,990</b>	<b>1,927</b>

### Balance sheet

DKr m					
Due from credit institutions, etc.	16,943	12,886	14,914	33,174	35,786
Mortgage loans	569,092	524,428	497,563	468,953	447,997
Bonds and shares	35,925	35,891	128,323	132,707	106,976
Other assets	3,893	3,404	6,346	7,747	7,884
<b>Total assets</b>	<b>625,853</b>	<b>576,609</b>	<b>647,146</b>	<b>642,581</b>	<b>598,643</b>
Due to credit institutions, etc.	45,390	2,068	874	31,259	22,222
Issued mortgage bonds	536,530	531,401	603,120	567,912	536,352
Other liabilities	13,123	13,422	15,915	18,162	16,815
Shareholders' equity	30,810	29,718	27,237	25,248	23,254
<b>Total liabilities and equity</b>	<b>625,853</b>	<b>576,609</b>	<b>647,146</b>	<b>642,581</b>	<b>598,643</b>

### Ratios and key figures

Net profit for the year as % of average shareholders' equity	8.0	7.2	7.3	8.2	8.6
Cost/core income ratio, %	29.0	31.7	36.3	32.3	36.2
Solvency ratio, %	10.1	10.1	10.4	10.4	10.1
Core (tier 1) capital ratio, %	10.0	10.0	10.3	10.3	9.9
Full-time-equivalent staff, end of year	749	771	981	1,043	933

For 2001 to 2003, items are valued in accordance with the rules in force for those accounting years.



# Financial review

In 2005, the Realkredit Danmark Group's pre-tax profit was DKr3,186m, against DKr2,721m the year before. The improvement of 17% matched the level forecast at the publication of the report for the first nine months of 2005 and was somewhat above expectations at the beginning of the year. The result was achieved on the back of record-high lending activity in the Danish mortgage credit market.

After tax, the profit for the year stood at DKr2,417m, against DKr2,066m the year before. The return on equity was 8.0% after tax in 2005, against 7.2% in 2004.

Mortgage lending grew from DKr524bn at the beginning of 2005 to DKr569bn at year-end. The private market accounted for 67% of the increase in the loan portfolio during the year.

The market share of gross lending was 29.5% in 2005, against 32.0% in 2004. The market share of the loan portfolio was 33.4% at the end of 2005, down from 34.2% at year-end 2004.

Part of the activity in 2005 was attributable to FlexGaranti<sup>®</sup>, a loan type that has been very popular since its launch towards the end of 2004. At the end of 2005, FlexGaranti<sup>®</sup> accounted for 9% of Realkredit Danmark's loan portfolio, against 2% at the beginning of the year.

In early 2006, Realkredit Danmark sold its head office building at Jarmers Plads in central Copenhagen. From the autumn of 2006, the head office will be located in Lyngby, a Copenhagen suburb. The proceeds from the sale will be taken to income in the third quarter of 2006 on completion of the sale.

## Results

Income climbed from DKr3,958m in 2004 to DKr4,319m in 2005, a rise of 9%.

At DKr2,471m, the administration margin was up DKr153m on the previous year as a result of an increasing loan portfolio. Net interest income benefited from record-high lending activity in the Danish mortgage credit market, and at DKr1,178m recorded a rise of 24% relative

to 2004. Net trading income fell to DKr355m in 2005, against DKr436m the year before. Net trading income consists of value adjustments and the yield on the proprietary investment portfolio after deduction of funding costs – calculated on the basis of short-term money market rates.

At DKr1,251m, operating expenses remained practically unchanged from the year before.

In 2005, credit loss expenses represented a net income of DKr118m, against DKr18m in 2004. The positive trend was owing to favourable economic conditions with low unemployment, low interest rates and strong activity in the housing market. The total impairment charge was brought down to a historically low level of DKr140m at year-end, against DKr285m at the beginning of 2005.

Realkredit Danmark is taxed jointly with Danske Bank and tax is paid on the basis of current joint taxation rules. Realkredit Danmark's total, effective tax rate for 2005 was 24%, the statutory rate being 28%. The tax charge for 2005 totalled DKr769m.

## Balance sheet, solvency and equity

In 2005, the Group's total assets rose 9% to DKr626bn. The rise included assets worth DKr0.2bn from the merger on October 1, 2005 with the sister company DDB-Ejendomsselskab af 1. januar 1990 A/S.

Mortgage lending rose DKr45bn to DKr569bn, representing outstanding nominal bond debt, value adjustments and impairment charges. The outstanding nominal bond debt increased DKr46bn.

Realkredit Danmark funds its lending to borrowers by issuing mortgage bonds listed on the Copenhagen Stock Exchange. At the end of 2005, Realkredit Danmark had issued mortgage bonds with a total market value of DKr537bn. In terms of nominal value, issued bonds totalled DKr531bn, against DKr523bn at the end of 2004. The amounts are exclusive of holdings of own mortgage bonds.

### Capital base and solvency

DKr m	Dec. 31 2005	Dec. 31 2004
Core capital less statutory deductions	30,707	27,684
Supplementary capital less statutory deductions	184	187
<b>Capital base</b>	30,891	27,871
Total weighted items	306,435	276,388
Solvency ratio	10.1	10.1
Core (tier 1) capital ratio	10.0	10.0

On December 31, 2005, the capital base stood at DKr30,891m, corresponding to a solvency ratio of 10.1%, the statutory minimum requirement being 8.0%.

In 2005, shareholders' equity increased by the profit for the year of DKr2,417m and was reduced by dividends paid for 2004 in the amount of DKr1,500m. Moreover, the merger with the sister company DDB-Ejendomsselskab af 1. januar 1990 A/S added DKr175m to shareholders' equity.

No dividend will be paid for 2005.

### Outlook for 2006

A fall in activity in the Danish mortgage credit market is expected following the exceptionally high level of refinancing in 2005.

The private market is expected to see slightly rising property prices and stable property sales. Consequently, demand for mortgage loans to finance changes of ownership is likely to be at the same level as in 2005. Due to the forecast slight rise in interest rates in 2006, refinancing generated by changes in interest rates is expected to decline.

The corporate market is expected to record a rise in new construction within urban trade, whereas construction in the agricultural and residential rental segments is expected to see a decline.

The increase in the volume of lending will boost the administration margin in 2006. Net interest income is forecast to rise as a result of the general rise in interest rates. Net fee income will go down because of a rise in the fees paid to Danske Bank and BG Bank for loans arranged through them and because of the expected decline in refinancing activity. Net trading income will depend largely on the level of securities prices at the end of the year.

Operating expenses are expected to see a modest increase.

Provided that the economic climate remains unchanged, credit loss expenses are expected to remain low.

The pre-tax profit for 2006 will depend largely on trends in the financial markets, including the level of securities prices at the end of the year. At unchanged securities prices, the profit before tax is expected to be at around the same level as in 2005.

### Financial calendar 2006

Financial reports are expected to be released as follows in 2006:

- First-quarter report: May 2
- Half-year report: August 10
- Nine-month report: October 31

Stock exchange announcements published in 2005 are available at [www.rd.dk/Investor](http://www.rd.dk/Investor).



# Property market

## Economic situation

A global rise in interest rates was expected in 2005, but it did not happen until the last months of the year. Until then, Denmark experienced its lowest interest rate level of recent times.

The US central bank, the Federal Reserve, gradually raised its key interest rate by 2.00 percentage points to 4.25% at the end of 2005.

The European Central Bank (ECB) maintained its leading interest rates at historically low levels for most of the year as growth remained slow in Europe. Not until December were interest rates adjusted upwards by 0.25 of a percentage point to 2.25%.

Danmarks Nationalbank, the Danish central bank, promptly followed suit and raised its lending rate to 2.40%.

Despite the strong economic situation in Denmark with good growth and low unemployment, yields on the Danish bond market declined during the first half of 2005. The last quarter of the year saw a rise in both long-term and, in particular, short-term interest rates. The rise in interest rates should be seen in light of rising inflation triggered by high oil prices and strong economic growth.

At the end of 2005, the interest rate on FlexLån® with annual interest reset stood at 2.9%, against 2.5% at the beginning of the year. The rate of interest on a 4% 30-year fixed-rate loan was 4.4% at the end of the year, compared with 4.6% at the beginning of the year. The effective rate of interest on FlexGaranti® with a term of 30 years and an interest-rate cap of 5% was 3.8% at the end of the year.

## Property prices and sales

Property prices are important for the mortgage lending business. As in previous years, property prices in the Danish housing market rose in 2005, and for single-family and terrace houses, the rise was significantly higher than the year before. The rising prices were to some extent explained by the strong Danish economy, the low interest rate level and the impact of new loan products. The Danish capital, Copenhagen, and other big city areas witnessed the sharpest rise in property prices; but many municipalities also saw falling prices.

Property sales were significantly higher in 2005 than the year before although fewer properties were put on the market. In 2005, around 68,000 single-family and terrace houses and owner-occupied flats changed hands, which was 16% more than the year before.



# Lending

## General

Total gross lending in the Danish mortgage credit market rose 71% to DKr748bn in 2005. At the beginning of the year, the very strong activity came from capped loans, FlexGaranti®, launched towards the end of 2004. The decline in interest rates in the first six months of 2005 reinforced customers' interest in refinancing their loans and raising supplementary loans. In the fourth quarter of the year, when both long-term and especially short-term interest rates rose, demand for supplementary loans continued to be strong.

## Total lending

Gross lending by Realkredit Danmark amounted to DKr224bn in 2005, against DKr141bn in 2004.

Mortgage lending rose by DKr45bn to DKr569bn, representing outstanding nominal bond debt, value adjustments and impairment

charges. The outstanding nominal bond debt increased by DKr46bn. The private market accounted for 67% of the portfolio increase during the year and for 62% of the portfolio at the end of the year.

The market share of total gross lending was 29.5% in 2005, against 32.0% in 2004. In the fourth quarter of 2005, Realkredit Danmark's market share of gross lending was 33.8%. The market share of the loan portfolio was 33.4% at the end of 2005, down from 34.2% at year-end 2004.

FlexLån® accounted for 30% of Realkredit Danmark's gross lending, against 60% in 2004. The declining demand for FlexLån® was primarily the result of the fall in interest rates on fixed-rate loans in the first six months of 2005 and the relatively low interest rate level of these loans that prevailed throughout the rest of the year. At the end of the year, FlexLån® accounted

Activity and portfolio	Gross lending		Loan portfolio				
	2005	2004	Dec. 31, 2005		Dec. 31, 2004		Change
	DKr m	DKr m	DKr m	%	DKr m	%	DKr m
Private market	153,822	103,163	347,866	62	316,877	61	30,989
Urban trade	29,187	13,241	67,666	12	62,413	12	5,253
Agriculture	14,469	8,465	33,225	6	28,434	6	4,791
Residential rental property	26,859	15,708	114,396	20	109,236	21	5,160
Total corporate market	70,515	37,414	215,287	38	200,083	39	15,204
<b>Total (nominal value)</b>	<b>224,337</b>	<b>140,577</b>	<b>563,153</b>	<b>100</b>	<b>516,960</b>	<b>100</b>	<b>46,193</b>

Market share	Gross lending		Loan portfolio		
	2005	2004	Dec. 31, 2005	Dec. 31, 2004	Change
%					
Private market	30.5	34.3	34.6	35.9	-1.3
Urban trade	32.9	29.6	36.1	36.5	-0.4
Agriculture	17.5	18.0	17.8	16.4	1.4
Residential rental property	31.8	33.3	37.1	38.2	-1.1
Total corporate market	27.6	26.9	31.6	31.8	-0.2
<b>Total</b>	<b>29.5</b>	<b>32.0</b>	<b>33.4</b>	<b>34.2</b>	<b>-0.8</b>



for 45% of the loan portfolio, against 49% at the beginning of the year.

Fixed-rate loans accounted for 48% of gross lending in 2005, against 31% in 2004. As mentioned above, the increase was due to the fall in interest rates in 2005. At the end of the year, fixed-rate loans accounted for 44% of the loan portfolio, against 49% at the beginning of the year.

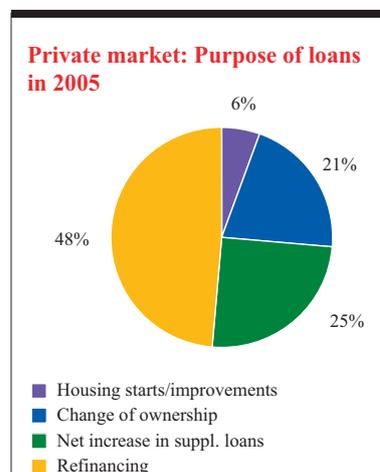
FlexGaranti® accounted for 18% of gross lending in 2005, against 9% in 2004. The increase reflects the fact that this product was not launched until November 2004. The trend in 2005 shows that this product is an attractive alternative to FlexLån® and fixed-rate loans. At the end of the year, FlexGaranti® accounted for 9% of the loan portfolio, against 2% at the beginning of the year.

RD Cibor6®, introduced in 2005, accounted for 2% of the loan portfolio at end-2005.

For all loan types, interest-only loans accounted for 22% of the loan portfolio at the end of 2005, against 13% at the beginning of the year.

### Private market

The private market is defined as lending for the financing of owner-occupied housing and holiday homes, and at 62% of the total loan portfolio,



lio, it is Realkredit Danmark's largest business area.

Gross lending to the private market totalled DKr154bn, against DKr103bn in 2004. At the end of 2005, the loan portfolio was DKr348bn, or DKr31bn larger than at the beginning of the year.

The market share of the loan portfolio was 34.6%, compared with 35.9% at the end of 2004.

In 2005, gross lending to the private market was distributed by loan purpose as shown in the chart. Refinancing of mortgages accounted for 48%, against 47% the year before.

For all loan types, interest-only loans accounted for 33% of the portfolio of loans to the private market at the end of 2005. At the beginning of the year, their share was 21%.

### Corporate market

The corporate market consists of urban trade, agriculture and residential rental property.

Lending activity to the corporate market was generally strong in 2005. The positive economic climate with growing demand from the private market was followed by brisker investment in the corporate property market. The persistently low level of interest rates also prompted corporate customers to adjust their financial resources.

In 2005, gross lending to corporate customers amounted to DKr70bn, up DKr33bn on the level recorded the year before. The loan portfolio grew by DKr15bn to DKr215bn.

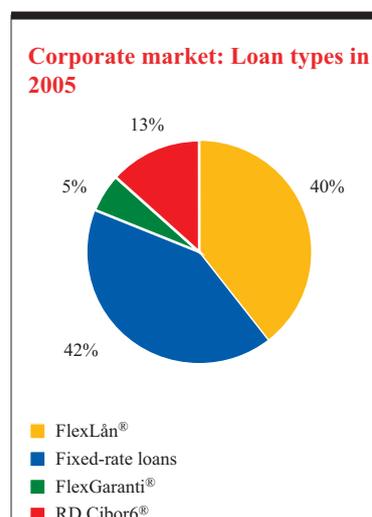
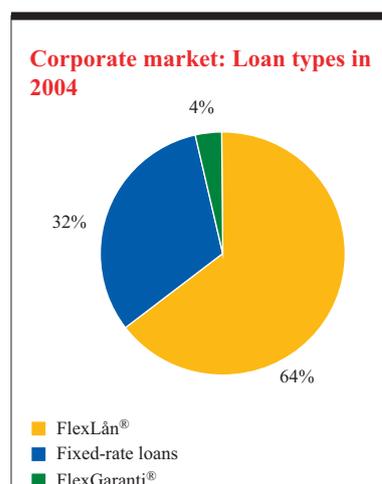
In a corporate market characterised by strong competition and growth, Realkredit Danmark largely maintained its market share of the loan portfolio.

Contrary to previous years, fixed-rate loans accounted for a larger share of gross lending than FlexLån®, as corporate customers took advantage of the interest rate fall to take out fixed-rate loans.

Realkredit Danmark introduced RD Cibor6® in the autumn of 2005. The product, which is offered to corporate customers, is a floating-rate

bond loan with refinancing. The interest rate is fixed every January 1 and July 1 on the basis of the 6-month CIBOR. By the end of 2005, Realkredit Danmark had disbursed RD Cibor6® loans worth DKr9.5bn.

The corporate market is a key focus area. In addition to the introduction of RD Cibor6®, Realkredit Danmark intensified its local presence in 2005, and today, in addition to the four corporate centres, mortgage finance offices throughout the country are able to serve most corporate customers.



### Urban trade

With an increase of DKr15.9bn, gross lending to urban trade amounted to DKr29.2bn in 2005. The loan portfolio was up DKr5.3bn to DKr67.7bn, an increase of 8%.

Low interest rates and ample liquidity in society contributed to a positive trend in the construction sector. However, construction of office buildings and retail property was concentrated in geographical areas with considerable business activity.

Renovation of existing premises characterised the office property market, which is still suffering from too much vacant space. However, construction of new retail property grew as a result of the demand-driven retail boom.

### Agriculture

In 2005, total gross lending to agriculture amounted to DKr14.5bn, up DKr6.0bn on the level recorded the year before. With a portfolio growth of DKr4.8bn, the increase in the volume of lending generated a rise in market share to 17.8%.

Structural developments in agriculture towards larger production units to improve earnings continued in 2005, partly supported by the opportunities provided by the new Danish Agricultural Holdings Act. Economies of scale can be achieved, especially within pig breeding and plant growing. Changes to milk quota regulations also contributed to structural changes.

### Residential rental property

Total gross lending to subsidised housing, co-operative housing and private residential rental property amounted to DKr26.9bn, against DKr15.7bn in 2004. The loan portfolio rose by DKr5.2bn, or 5%. These trends reflect opposed movements.

Growth in lending to the private residential rental segment was mainly generated by the existing housing stock, as new construction is now mostly sold as owner-occupied dwellings.



Contrary to the other segments of the corporate market, the subsidised rental property segment was marked by declining activity and consequently stagnating lending. As in previous years, repayments on the existing loan portfolio were at a high level, as index-linked loans, introduced in the 1980s, are being prepaid because of the low inflation rate.

#### **Distribution channels**

Realkredit Danmark has four distribution channels:

- Own offices, corporate centres and the Mortgage Line
- Danske Bank and BG Bank branches
- The real-estate agency chain “home”
- The Internet

Realkredit Danmark is represented by 22 mortgage credit offices and four corporate centres across Denmark. Realkredit Danmark has located 18 of its 22 mortgage credit offices on premises shared with Danske Bank finance centres or large Danske Bank and BG Bank branches. These offices, which have maintained the separate identities of the participating brands, give customers the best possible opportunity to get fast, competent and co-ordinated advice on all types of financial products.

The nation-wide branch network of Danske Bank and BG Bank, comprising a total of 476 branches and finance centres, strengthens the distribution power of Realkredit Danmark considerably, and the additional products and services give the Group a very strong basis for sales of home loans.

“home” is the real-estate agency chain of the Group. The real estate-agency activities are organised as franchise business, and at end-2005, the chain was made up of 193 estate agents in Denmark, against 186 at the beginning of the year. Loans distributed through “home” are mainly used to finance changes of ownership. Sale of owner-occupied dwellings is the largest business area of the real-estate agency, but “home” and Realkredit Danmark also collaborate on the corporate market. “home” has a total of 12 corporate centres across Denmark – the number is unchanged from the beginning of the year.

An increasing number of customers visit Realkredit Danmark’s Web site, [www.rd.dk](http://www.rd.dk). A growing number of services on the Web site facilitate various calculations, including indicative property values. Electronic registration of mortgages will be introduced in 2008 as an addition to the self-service options on the Internet. Realkredit Danmark will continue to expand its Web site to improve customer access to electronic self-service.

# Funding

## Funding and bond issuance

Realkredit Danmark funds its lending to borrowers by issuing mortgage bonds listed on the Copenhagen Stock Exchange.

As required by Danish legislation applying to mortgage credit institutions, a balance is always maintained between the contracted payments from borrowers and Realkredit Danmark's payments to bondholders. This balance between lending and funding eliminates interest rate, exchange rate and liquidity risks from significant parts of the balance sheet. This is the hallmark of Danish mortgage credit institutions.

As a result of new accounting rules, issued bonds are now carried in the accounts 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 the Copenhagen Stock Exchange.

At the end of 2005, Realkredit Danmark had issued bonds for a total of DKr737bn, or 35% of all issued mortgage bonds on the Danish market and 25% of all bonds listed on the Copenhagen Stock Exchange.

## Issued bonds

In 2005, the very low level of interest rates combined with expectations of a future rise in interest rates prompted more borrowers to raise loans with a built-in maximum interest rate. New loans were raised either as fixed-rate, callable loans or as floating rate loans with an interest rate cap (FlexGaranti®).

Realkredit Danmark issued bonds worth a total of DKr348bn in 2005. Non-callable bonds issued to fund FlexLån® accounted for DKr192bn, of which bonds worth DKr122bn were issued in connection with refinancing in December 2005. Moreover, DKr107bn worth of bonds was issued to fund fixed-rate, callable loans, and finally, bonds worth DKr49bn were issued to fund floating rate loans, primarily FlexGaranti®. By comparison, Realkredit Danmark's total issuance of

bonds in 2004 for the same loan types amounted to DKr183bn, DKr44bn and DKr14bn.

In the first half of 2005, FlexLån® were funded by bonds with a coupon of 4%. Following the lowering of the minimum coupon rate on July 1, 2005, FlexLån® denominated in Danish kroner with interest reset every year, every two, three, four or five years were funded by bonds with a coupon of 2%. Other types of FlexLån® were funded by bonds with a coupon of 4%.

Of callable bonds issued in 2005, 86% had a coupon of 4%. Of these, DKr73bn related to the 2035 and 2038 series with or without an interest-only option.

The demand for FlexGaranti® primarily targeted bonds with a maximum coupon of 5%. These loans accounted for 65% of the bonds issued to fund FlexGaranti®.

Prepayments of callable bonds primarily hit series with a coupon of 5% or 6%.

## New bonds

Realkredit Danmark launched its FlexGaranti® product on the Danish market in November 2004. In April 2005, the product was adapted to the general fall in interest rates, and FlexGaranti® was offered also with a cap of 5% (rather than exclusively 6%). At the same time, borrowers got the option of choosing between loans on which the interest rate follows general interest rates down even if the cap has been reached and loans on which the interest rate is fixed at the cap (when the cap is reached) for the remainder of the term. The FlexGaranti® version on which the interest rate comes down again is funded by two new bond series, the 73D series (for annuity loans) and the 83D series (for annuity loans with an interest-only option).

In the autumn of 2005, Realkredit Danmark – as mentioned under Lending – launched another new product, RD Cibor6®, which is intended for the corporate market. The interest rate on this loan type is based on the CIBOR and is fixed every January 1 and July 1. RD Cibor6®



are funded by floating rate, non-callable bonds issued in a new series, the 11D series. The first maturity group of the series, expiring on July 1, 2010, was issued with a coupon of 1.99% for the first interest period. All loans with terms exceeding that date will be refinanced by new bond issues. RD Cibor6® is available with terms up to 35 years and in the form of either annuity loans or bullet loans. In the period from launch until the end of 2005, bonds worth a total of DKr9.6bn were issued in the 11D series.

#### Annual refinancing

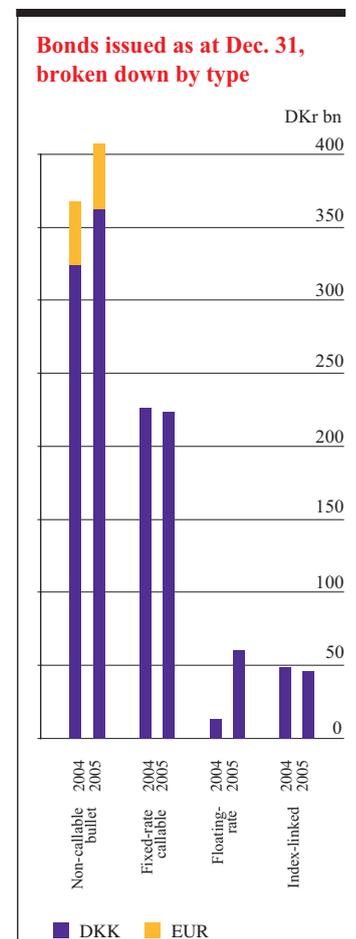
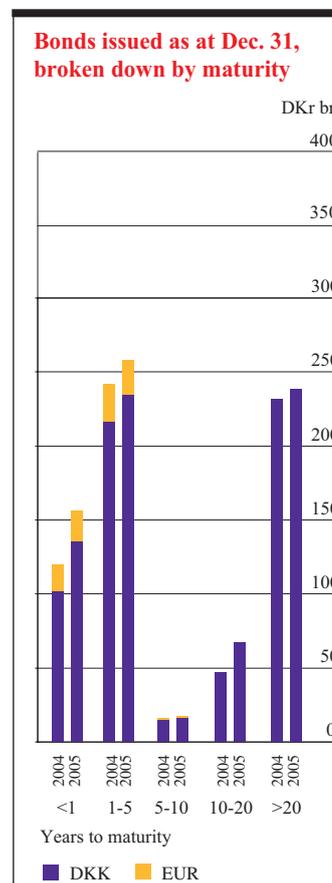
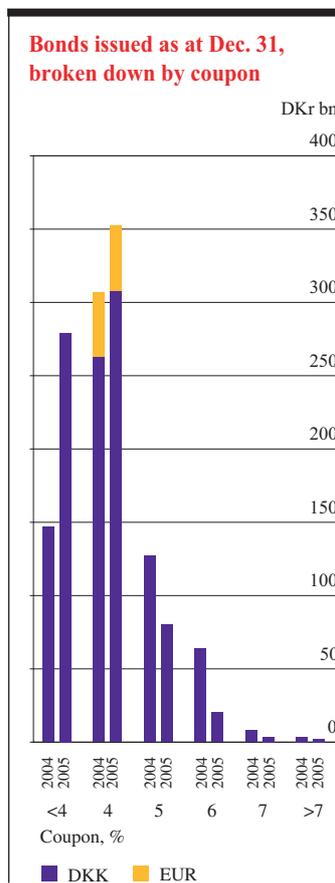
At the December 2005 auction of bonds to refinance FlexLån® on January 1, 2006, Realkredit Danmark sold non-callable bonds worth DKr122bn, or DKr28bn more than at the auction in December 2004.

Because of the large refinancing requirement, Realkredit Danmark decided, as the year before, to spread the auction over three trading days from Wednesday, December 7, to Friday, December 9, 2005. The refinancing auctions generated a very satisfactory oversubscription rate.

#### Bonds issued at end-2005

At end-2005, Realkredit Danmark had issued mortgage bonds for a total amount of DKr737bn, of which DKr123bn was for refinancing. At the end of 2004, the corresponding amounts were DKr656bn and DKr100bn.

Strong prepayment activity in bonds with a coupon of 5% or more meant that at the end of 2005, bonds with a coupon of 4% accounted for the largest proportion of bonds in circulation, namely 48%. At end-2005, a total of 86% of bonds issued had a coupon of 4% or less.



The chart shows bonds issued broken down by maturity. The portion of bonds with a term to maturity of more than 20 years fell to 32% at end-2005, against 35% at the beginning of the year.

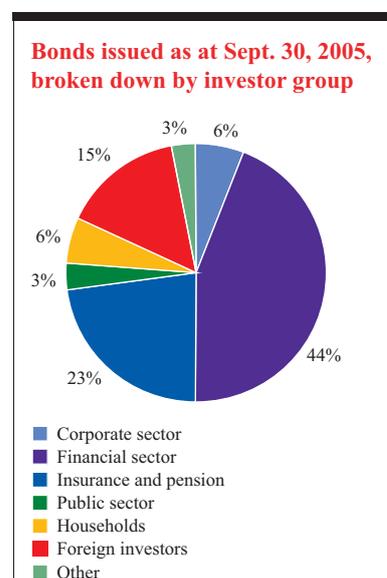
At 55%, non-callable bullet bonds issued to fund FlexLån<sup>®</sup> continued to account for the largest part of the bond portfolio. Bonds to fund fixed-rate loans and FlexGaranti<sup>®</sup> accounted for 30% and 7%, respectively, at the end of 2005, against 35% and 2% the year before. The trend in the various bond types is illustrated in the chart.

Not including the brief double funding in relation to FlexLån<sup>®</sup> at year-end 2005, the proportions of non-callable bullet bonds, fixed-rate callable bonds, floating rate bonds issued to fund FlexGaranti<sup>®</sup> and RD Cibor6<sup>®</sup>, and index-linked bonds were 46%, 36%, 10% and 8%, respectively, against 48%, 41%, 2% and 9% the year before.

### Bonds denominated in euros

Loans in euros are granted as FlexLån<sup>®</sup> only and are funded by the issuing of non-callable, euro-denominated bullet bonds.

Euro-denominated bonds accounted for 6% of total issues in 2005, and at year-end, 6% of the



bonds in circulation were denominated in euros. The figures for 2004 were 8% and 7%, respectively.

### Bond investors

Realkredit Danmark's investor base is composed of a wide range of Danish and foreign investors. By far the majority of investors are companies in the financial sector in Denmark. This investor segment has grown as a result of the increase in issues of short-term, non-callable bonds. These are well-suited as money-market instruments.

The non-callable bonds used for the funding of FlexLån<sup>®</sup> have attracted new groups of foreign investors, because investors are familiar with non-callable bullet bonds. In 2005, however, many foreign investors decided against the non-callable bonds in favour of long-term callable bonds, and at the end of the third quarter of 2005, foreign investors held equal volumes of non-callable and callable bonds.

At the end of the third quarter of 2005, foreign investors held a total of 15% of the bonds issued by Realkredit Danmark, or four percentage points more than the year before. Foreign investors held 14% of the bonds denominated in Danish kroner and 36% of the euro-denominated bonds.

At the end of the third quarter of 2005, financial institutions held 44% of the bonds issued by Realkredit Danmark and were the largest investor group. Insurance and pension companies held 23%.

### 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 Investors Service and Standard & Poor's apply to 95% and 94%, respectively, of all bonds issued by Realkredit Danmark.



# Resources

## Human resources

It is Realkredit Danmark's ambition to have the most competent and committed staff in the mortgage finance sector. To realise this ambition, it is of vital importance that the employees are happy, have the right approach and the best possible professional qualifications and human qualities.

As in preceding years, Realkredit Danmark conducted a survey in 2005 to measure employee satisfaction. The aim was to enable Realkredit Danmark to identify areas that could benefit from increased efforts to improve employee satisfaction, motivation and loyalty.

The 2005 survey also showed that employee satisfaction is high.

Job satisfaction is an important focus area, and Realkredit Danmark will launch several initiatives designed to continue and support the positive trend.

In view of the financial results achieved by the Danske Bank Group in 2004, Realkredit Danmark's employees received free shares in Danske Bank in the spring of 2005.

At the end of 2005, the number of full-time-equivalent staff at the Realkredit Danmark Group was 749, compared with 771 at the beginning of the year, a reduction of 22.

## Management

The Board of Directors consists of four directors elected by the general meeting and two directors elected by the employees. Since the presentation of the Annual Report for 2004, the composition of the Board of Directors has changed. At Realkredit Danmark's annual general meeting in March 2005, Søren Hermansen, Senior Sales Manager, and Jørgen Raaschou, Credit Analyst, both elected by the employees, resigned from the Board. At the same time, Klaus Pedersen, Corporate Adviser, and Margit Würtz, Customer Adviser, joined the Board of Directors.

Realkredit Danmark's Executive Board has not changed since the presentation of the Annual Report for 2004.

## Administration

In 2005, Retail Customer Service merged with the Mortgage Line, which is now the single point of entry for customers seeking information and services over the telephone. The Mortgage Line is an integral part of the Group Contact Centre of Danske Bank. Moreover, procedures were changed, and the Mortgage Line now offers customers the advisory services they need over the telephone and handles the full processing of loan applications. The change improved resource utilisation and made the company more accessible.

RD Service handles home finance-related back-office functions for all mortgage loans arranged by Realkredit Danmark's own offices. In 2005, the separation line between mortgage credit offices and RD Service was adjusted, and RD Service is now in charge of all procedures in relation to home buyers' taking over of mortgage debt from sellers. A great deal of the administrative customer contact has been transferred from local offices and centralised at RD Service. The new organisation resulted in better utilisation of resources, and customer service improved in terms of shorter processing time.

In 2005, Realkredit Danmark completed the development of an automated valuation model, making it possible in certain segments of the single-family housing market to base property valuation on this model instead of physical inspection. The new practice, implemented in the autumn of 2005, has freed human resources for other purposes and made the processing of loan applications more efficient.

## IT systems

In the spring of 2005, it was decided to use Realkredit Danmark's IT systems as the basis for the development of the Danske Bank Group's joint mortgage credit system. For this purpose, analyses and the necessary adaptations of Realkredit Danmark's systems were made during the rest of the year.

The development continues, and from the end of 2006, all new loans will be offered and disbursed through Realkredit Danmark's system, irrespective of distribution channel.

# Capital and financial management

## Economic capital

For several years, Realkredit Danmark has applied a Raroc-based risk management system. This system is designed to optimise the relation between the risk of loss, the capital base and earnings.

The purpose of the Raroc system is to quantify the risks Realkredit Danmark undertakes in the ordinary course of its mortgage finance business. The system operates with three types of risk:

- Credit risk
- Market risk
- Operational risk

These risks are quantified through a combination of historical data and statistical models. Against this background, Realkredit Danmark calculates the amount of capital required to meet the Danske Bank Group's objective of a cautious risk profile. This capital requirement is referred to as "economic capital".

Another element in the Raroc system is the calculation of risk-adjusted earnings. This figure is earnings before actual losses and credit loss expenses with the deduction of the average annual loss expected to arise over a full business cycle. Moreover, net interest income, which is based on shareholders' equity, is adjusted so that, in the risk-adjusted result, net interest reflects the calculated amount of economic capital.

The Raroc figure is calculated as risk-adjusted earnings as a percentage of economic capital and therefore expresses the return on the capital required to cover risk.

The Raroc figure for 2005 is 96% for Realkredit Danmark's entire business area, which is considered satisfactory. The figure for 2004 was 68%.

Experience from the Raroc concept has contributed substantially to the preparations for the new Capital Requirements Directive (CRD).

## The new capital requirements

The new capital requirement rules for credit institutions – the CRD – will replace the current ones in 2010 after a transition period starting in 2007. In future, a customer with a high credit rating will absorb less capital than a customer with a low credit rating. In other words, the capital requirement will be more closely linked to the actual risk. That means that the principles of the CRD are very similar to the principles underlying the Group's current economic capital model.

Credit risk calculations under the Raroc system and the CRD are based on the probability of customers defaulting on their payment obligations, Probability of Default (PD), and losses expected in case of default, Loss Given Default (LGD).

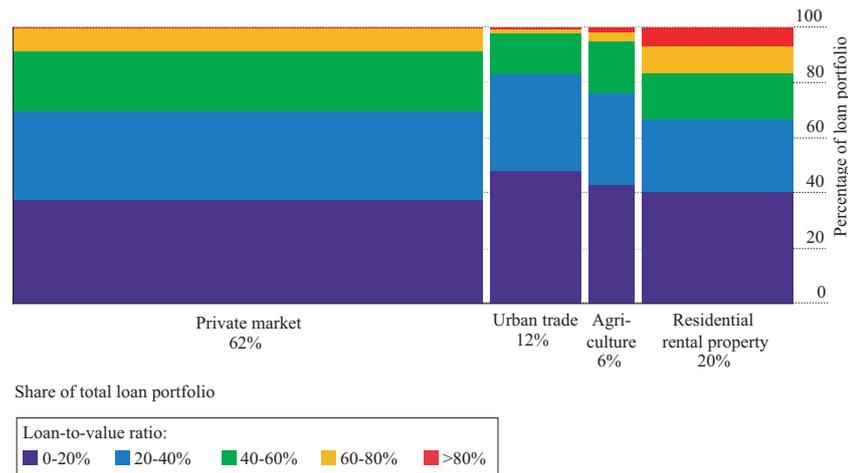
In 2005, Realkredit Danmark continued its risk classification of all customers to comply with the requirements of the CRD to obtain permission to apply the advanced capital adequacy model. This classification is based on detailed historical data covering several years and on accounting and expert-based rating models.

To obtain a sound basis for the calculation of the LGD, it is of vital importance to have the best possible calculations of the current values of mortgaged properties, as the property value is the most important parameter in the calculation of the LGD for a mortgage credit institution.

In 2005, a strong effort was made by Realkredit Danmark to improve the various statistical models that have been applied for a number of years to the calculation of property values for LTV (loan-to-value) ratios and the like. These models calculate current property values in all property categories. For owner-occupied dwellings, the model has now reached a standard that allows it to be applied as an active ancillary tool in connection with the physical inspection of properties. For parts of the single-family housing market, the quality of the model is so good that the Danish Financial Supervisory Authority has granted Realkredit Danmark



**Loan portfolio broken down by loan-to-value ratios as at Dec. 31, 2005**



exemption from the requirement for a physical inspection of the property.

The Group's calculations of required capital under current rules show significant overcapitalisation. The reason is that the major part of the loan portfolio is placed in the historically very secure residential property segment.

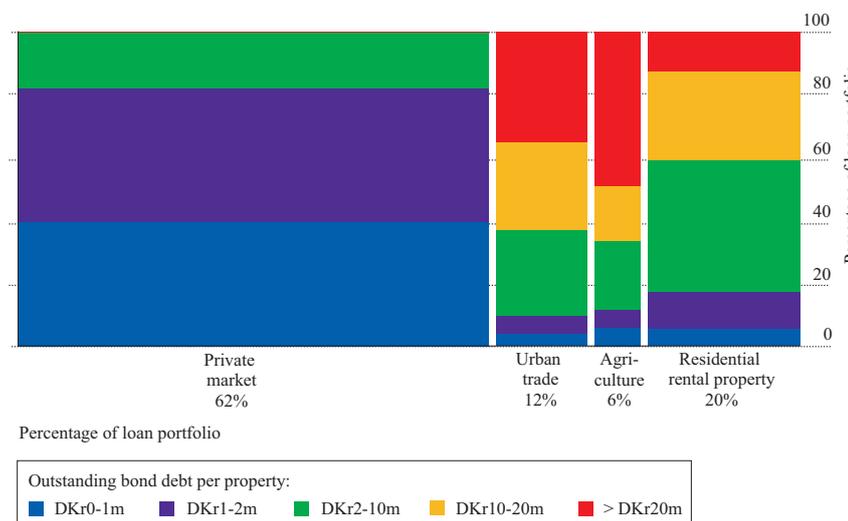
The residential property segment accounted for 82% of the total loan portfolio, of which owner-occupied dwellings accounted for 62% and private and subsidised residential rental property for 20%. Compared with industrial property, for example, residential property is characterised by easy marketability and very stable value, as this property type can normally be used by many others than the present owners. This means that the LGD of this segment is normally low.

One method of calculating the LTV ratio is to break down the total amount of loans secured on each property by seniority in debt ranking. The chart shows that 71% of the total loan portfolio is secured within 40% of the value of the properties, and 91% of the loans within 60% of the value. The width of the columns indicates how large a portion of the total portfolio the segment in question makes up.

Danske Bank and BG Bank have arranged 60% of the private-market loan portfolio. These loans are covered by a loss guarantee provided to Realkredit Danmark by Danske Bank. The guarantee covers the part of the loans that exceeds 60% of the original valuation of the properties. Because of the guarantee, Realkredit Danmark very rarely incurs losses on these loans. At the end of 2005, the loss guarantee from Danske Bank covered loans for a total amount of DKr160bn, of which the bank guarantee covered a total of DKr35bn.

The breakdown by loan size (see chart) shows that the portfolio was generally distributed over many properties with relatively small loans. As much as 57% of the portfolio represented loans with an outstanding debt of less than DKr10m per property.

**Loan portfolio broken down by outstanding bond debt as at Dec. 31, 2005**



# Directorships

Under section 80(6) of the Danish Financial Business Act, financial institutions are required to publish information at least once a year about directorships held with the approval of the Board of Directors by persons employed by the Board (section 80(1) of the Act).

This page also lists directorships held by members of the Board of Directors outside the Realkredit Danmark Group.

## Board of Directors

### Jakob Brogaard, Chairman

Deputy Chairman of the Executive Board of Danske Bank A/S  
Born on June 30, 1947

Director of

LR Realkredit A/S (Deputy Chairman)

DDB Invest AB (Deputy Chairman)

Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999

Danica Pension, Livsforsikringsaktieselskab

Danica Pension I, Livsforsikringsaktieselskab

Danica Liv III, Livsforsikringsaktieselskab

Kreditforeningen Danmarks Pensionsafviklingskasse (Chairman)

Member of the Financial Business Council

### Sven Lystbæk, Deputy Chairman

Member of the Executive Committee of Danske Bank A/S

Born on September 26, 1951

Director of

VP Securities Services A/S (Chairman)

PBS Holding A/S (Chairman)

PBS A/S (Chairman)

PBS International A/S (Chairman)

Ejendomsselskabet Lautrupbjerg A/S (Chairman)

Multidata Holding A/S (Chairman)

Multidata A/S (Chairman)

Forsikringsselskabet Danica, Skadeforsikringsaktieselskab af 1999 (Deputy Chairman)

Danica Pension, Livsforsikringsaktieselskab (Deputy Chairman)

Danica Liv III, Livsforsikringsaktieselskab (Deputy Chairman)

Danske Bank International S.A.

Fokus Bank ASA

DDB Invest Limited

National Irish Bank Limited

Northern Bank Limited

Kreditforeningen Danmarks Pensionsafviklingskasse

### Tonny Thierry Andersen

Chief Financial Officer and Member of the Executive Committee of Danske Bank A/S

Born on September 30, 1964

Director of

Investeringselskabet af 23. marts 2001 A/S

Danske Bank International S.A.

Danske Private Equity A/S

Forsikringsselskabet Danica, Skadeforsikringsaktieselskab 1999

Danica Pension, Livsforsikringsaktieselskab

Danica Pension I, Livsforsikringsaktieselskab

Danica Liv III, Livsforsikringsaktieselskab

Nordania Finans A/S

DDB Invest Limited

National Irish Bank Limited

Northern Bank Limited

### 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 Committee of Danske Bank A/S

Born on September 17, 1959

Director of

Fokus Bank ASA (Deputy Chairman)

Danmarks Skibskredit A/S

### Margit Würtz (elected by the employees)

Customer Adviser, Realkredit Danmark A/S

Born on May 13, 1944

## Executive Board

### Sven Holm

Chairman of the Executive Board and Chief Executive Officer

Born on July 4, 1946

Joined the Executive Board on April 1, 1997

Director of

home a/s (Chairman)

The Association of Danish Mortgage Banks (Deputy Chairman)

Realkreditnettet Holding A/S (Deputy Chairman)

Realkreditnettet A/S (Deputy Chairman)

Kreditforeningen Danmarks Pensionsafviklingskasse

### Thomas Mitchell

Member of the Executive Board

Born on December 1, 1962

Joined the Executive Board on January 1, 2003

Director of

home a/s (Deputy Chairman)

The Association of Danish Mortgage Banks

Member of the Danish Securities Council



# Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report of Realkredit Danmark A/S for the financial year 2005.

The consolidated accounts of Realkredit Danmark have been presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the annual accounts of Realkredit Danmark A/S (the Parent Company) 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.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2005, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year starting on January 1 and ending on December 31, 2005.

The management will submit the Annual Report to the general meeting for approval.

Copenhagen, February 9, 2006

## Executive Board

**Sven Holm**

Chairman of the Executive Board and  
Chief Executive Officer

**Thomas Mitchell**

Member of the Executive Board

## Board of Directors

**Jakob Brogaard**  
Chairman

**Sven Lystbæk**  
Deputy Chairman

**Tonny Thierry Andersen**

**Klaus Pedersen**

**Per Skovhus**

**Margit Würtz**

# Audit reports

## **Internal Audit**

We have audited the Annual Report of Realkredit Danmark A/S for the financial year 2005, presented by the Board of Directors and the Executive Board. The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company's annual accounts have been prepared in accordance with the Danish Financial Business Act. Further, 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 enterprises and financial groups and Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. In addition, the audit was conducted in accordance with the division of duties agreed with the external auditors, according to which the external auditors to the widest possible extent base their audit on the work performed by the internal auditors.

We planned and conducted our audit such that we have, during the year, assessed the business and internal control procedures, including the risk management implemented by the Board of Directors and the Executive Board, aimed at the Group's and the Parent Company's reporting processes and major business risks. The audit of the Annual Report includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. The audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and the Executive Board, as well as evaluating the overall presentation of financial information included in the Annual Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any qualification.

## **Opinion**

In our opinion, the business procedures and internal control procedures, including the risk management implemented by the Board of Directors and the Executive Board, aimed at the Group's and the Parent Company's reporting processes and major business risks work satisfactorily.

Furthermore, we believe that the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2005, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2005 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements and in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Copenhagen, February 9, 2006

**Jens Peter Thomassen**  
Group Chief Auditor

**Morten Bendtsen**  
Senior Manager



## **External Audit**

### **To the shareholders of Realkredit Danmark A/S**

We have audited the Annual Report of Realkredit Danmark A/S for the financial year 2005, presented by the Board of Directors and the Executive Board. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Further, 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 Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. The audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and the Executive Board, as well as evaluating the overall presentation of financial information included in the Annual Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any qualification.

### **Opinion**

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2005, and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2005 in accordance with the International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the Parent Company's financial statements and in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Copenhagen, February 9, 2006

**KPMG C.Jespersen**

**Statsautoriseret Revisionsinteressentskab**

**Grant Thornton**

**Statsautoriseret Revisionsaktieselskab**

**Per Gunslev      Søren Peter Nielsen**  
State Authorised Public Accountants

**Svend Ørjan Jensen      Erik Stener Jørgensen**  
State Authorised Public Accountants

# Accounting policies

## General

For the first time, the Realkredit Danmark Group presents its annual consolidated accounts in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The transition to the new standards is completed in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Furthermore, the consolidated accounts comply with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

The Group has opted for early adoption of the following standards/amendments:

- The fair value option of IAS 39 (June 2005)
- IFRS 7 *Financial Instruments: Disclosures* (August 2005)

The preparation of the consolidated accounts is based on a number of estimates and assessments of future events that will affect the carrying amounts of assets and liabilities. For example, the management estimate impairment charges in relation to lending.

The estimates and assessments made by the management are based on assumptions that the management find reasonable, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unexpected future events or situations may occur. Therefore, such estimates and assumptions are difficult to make and will always entail uncertainty, even under stable macroeconomic conditions, when they involve transactions with customers and other counterparties.

## Adjustment of accounting policies

In 2005, Realkredit Danmark worked to improve its method for calculating the value of claims against individual borrowers relating to old losses and compulsory property sales. The aggregate effect of the improved method is recognised in the opening balance sheet at January 1, 2005. The revised method led to increases in claims against individual borrowers of DKr109m, in

deferred tax of DKr33m and in shareholders' equity of DKr76m at end-2004.

In addition, the transition to IFRS has resulted in a number of adjustments to the accounting policies of the Group and the presentation of its capital and cash flow statements. Comparative figures for 2004 have been restated, and the accumulated effect of the adjustments is recognised in shareholders' equity as at January 1, 2004.

The effect of the Group's transition to IFRS is presented on pages 55 to 57 of the Annual Report. The accounting policies are the same as the IFRS accounting policies presented in the Annual Report for 2004, except for the adjustment of method described above.

## Consolidation

### *Subsidiary undertakings*

The consolidated accounts comprise Realkredit Danmark A/S and subsidiary 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 if it otherwise has power to influence financial 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 of the undertaking.

Undertakings acquired, including undertakings acquired through merger, are included in the accounts at the time of acquisition. Divested undertakings are included in the accounts until the transfer date.

The net assets of such undertakings, that is, assets, including identifiable intangible assets, less liabilities and contingent liabilities, are included in the accounts at their fair value on the date of acquisition using the purchase method. The consolidated accounts are prepared by consolidating items of the same nature and eliminat-



ing intra-group transactions, accounts and profits and losses.

#### ***Associated undertakings***

Associated undertakings are businesses, other than subsidiary undertakings, in which the Group has holdings and significant influence on but not control over decisions.

The value of holdings in associated undertakings is calculated using the equity method. The proportionate share of the net profit or loss of the individual undertaking is carried under "Income from associated undertakings".

#### **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 the recognised amounts 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 reduces 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 accounts is Danish kroner, which is the functional currency of Realkredit Danmark.

Transactions 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 currencies are translated at the exchange rates prevailing 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 currencies that are subsequently revalued at fair value are translated at the exchange rates applying at the date of revaluation. Exchange rate adjustments are included in the revaluation of the fair value of assets and liabilities. Other non-monetary items in foreign currency are translated at the exchange rates applying at the date of transaction.

#### **Financial instruments – general**

Purchases and sales of financial instruments are measured at their fair value at the settlement date, which is usually the same as cost. Until the settlement date, changes to the value of the assets purchased and sold are recognised.

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

- securities measured at fair value
- mortgage loans designated at fair value with value adjustment through profit and loss
- loans measured at amortised cost

Issued mortgage bonds designated at fair value with value adjustment through profit and loss are recognised under financial liabilities.

#### ***Fair value option – mortgage loans and issued mortgage bonds designated at fair value with value adjustment through profit and loss***

Mortgage loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds on identical terms. Such mortgage loans may be redeemed by delivering the underlying bonds, to the effect that the Group receives a value corresponding to the fair value.

Realkredit Danmark buys and sells own mortgage bonds on an ongoing basis because these securities play an important role in the Danish financial market. If mortgage loans and issued mortgage bonds were valued at amortised cost, the purchase and sale of own mortgage bonds would mean that significant timing differences in profit and loss recognition would occur: the purchase price of the mortgage bond portfolio would not equal the amortised cost of the issued bonds, and elimination would result in recognition of an arbitrary effect – the amount of which it would require unreasonably large resources to calculate – on profit and loss. If the Group subsequently decided to sell its holding of own mortgage bonds, the new amortised cost of this “issuance” 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 both mortgage loans and issued mortgage bonds at fair value in accordance with the 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 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 mortgage loans largely equals the fair value adjustment of the mortgage bonds issued.

The fair value adjustment of mortgage loans and issued mortgage bonds is carried under “Value adjustment”. However, the part of the value adjustment relating to the credit risk on mortgage loans is carried under “Credit loss expenses”.

## **BALANCE SHEET**

### **Bonds at fair value**

Bonds acquired with a view to resale in the short term are considered to constitute a trading portfolio and are measured at first-time recognition at fair value exclusive of transaction costs and at subsequent recognition at fair value with value adjustment over profit and loss.

If an active market exists, valuation is based on the last known market price at the balance sheet date. If an active market does not exist, generally accepted valuation techniques are used instead, including discounted cash flows analysis and other known valuation techniques based on market input.

### **Mortgage lending and issued mortgage bonds**

At first-time recognition, mortgage loans and issued mortgage bonds are measured at fair value, exclusive of transaction costs. Thereafter, such assets are measured at fair value.

Issued mortgage bonds are normally recognised at market value. However, a small part of the issued bonds is illiquid, and the value of these bonds is calculated on the basis of discounted cash flows.

The fair value of mortgage loans is based on the fair value of the underlying mortgage bonds adjusted for the credit risk of the borrowers.

### **Impairment**

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

Objective evidence of impairment of loans and advances 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 economic reasons relating to the borrower's financial difficulty, grants to the borrower a concession that Realkredit Danmark would not otherwise consider, or
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

Loans without objective evidence of impairment are considered in a subsequent assessment of collective impairment at portfolio level. Such assessment involves groups of loans with uniform credit risk characteristics.

Impairment charges on loans are offset against "Mortgage loans at fair value". Changes in impairment charges are recorded under "Credit loss expenses" in the income statement. If subsequent events show that the impairment is not of a permanent nature, the charge is reversed via "Credit loss expenses".

Where the Group temporarily takes over a mortgaged property through compulsory sale in order to limit its loss on the loan, the loss is considered to have been finally realised at the time of takeover of the property.

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

Amounts due from credit institutions and central banks include amounts due from other credit institutions and time deposits with central banks. Reverse transactions, that is, purchases of securities from credit institutions and central banks to be resold 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.

#### **Investment property**

Investment property is property held to generate rent income and/or capital gains. The section on domicile property below explains the distinction between domicile and investment property.

On acquisition, investment property is recognised at cost, including transaction costs. Thereafter, the real property is measured at fair value. Fair value adjustments are carried under "Other operating income" in the income statement.

The fair value of investment property is calculated by the Danske Bank Group's valuers on the basis of a systematic assessment of the expected return on the real property.

#### **Domicile property**

Domicile property is real property occupied by the Group's administrative departments, mortgage credit offices and the like. Real property which consists of 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 Realkredit Danmark Group occupies less than 10% of the total floorage.

Domicile property is valued at cost plus improvements and less depreciation and write-downs. 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 objective 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, is expected to be sold within twelve months is carried as assets held for sale under "Other Assets".

#### **Other tangible assets**

Machinery, equipment, vehicles, furniture and leasehold improvements are recognised at cost less depreciation and impairment. Assets are depreciated over their expected useful life, which is usually three years, using the straight-line method. Leasehold improvements are depreciated over the term of the lease, with a maximum of 10 years.

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

#### **Other assets**

"Other assets" includes interest due and property taken over temporarily under non-performing loans.

At first-time recognition, properties taken over temporarily are carried at their estimated net realisable value at the time of takeover, that is, fair value less expected costs to sell. At subsequent recognition, properties taken over are carried at the lower of their cost price and net realisable value. Any impairment of properties taken over or loss incurred in connection with the sale thereof is carried under "Staff costs and administrative expenses". Any gain on sales is carried under "Other operating income".

"Other assets" also includes assets held for sale, that is, tangible assets, except investment property, which, according to a publicly announced plan, is expected to be sold 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. In accordance with the first-time adoption rules

of IFRS 1, the Group has decided to apply this category prospectively as of 2005.

#### ***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 liability under the plans is taken over by the insurance companies and other institutions as contributions are made.

Under the defined benefit plan maintained under Kreditforeningen Danmarks Pensionsafvklingskasse (pension fund), Realkredit Danmark A/S guarantees payment of a defined benefit on retirement. The amounts payable are determined by an actuarial assessment of the present value of expected benefits. The present value is calculated on the basis of the expected future trends in salaries and interest rates, mortality rates, time of retirement 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 10% of the present value of benefits or 10% of the fair value of the 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 this threshold, the excess amount is recognised in the income statement and in the net pension obligation or asset over the expected 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, that is, sales of securities to be repurchased at a later date.

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

### **Deferred tax**

Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for using the balance sheet liability method. Deferred tax is recognised on the balance sheet under “Deferred tax assets” and “Provisions for deferred tax” on the basis of current tax rates.

### **Shareholders' equity**

#### ***Proposed dividend***

The Board of Directors' proposal for a dividend for the year is included as a separate reserve in shareholders' equity. Dividend is recognised as a liability when the annual general meeting has adopted the proposal.

## **INCOME STATEMENT**

### **Interest**

Interest income and expense include interest on financial instruments carried 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 consideration expected to be paid for work carried out during the year are expensed under “Staff costs and administrative expenses”. This item comprises salaries, bonuses, expenses for share-based payment, holiday allowances, jubilee bonuses, pension costs and other consideration.

#### ***Bonuses and share-based payment***

Bonuses are expensed as they are earned. Part of the bonuses for the year is paid in the form of share options with delivery and conditional shares issued by Danske Bank.

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

#### ***Pensions***

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

#### ***Credit loss expenses***

“Credit loss expenses” 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.

### **Tax**

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

### **Cash flow statement**

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

Cash and cash equivalents consist of "Cash in hand and demand deposits with central banks" and "Due from credit institutions and central banks" with original maturities shorter than three months.

### **Standards that have not yet come into force**

The International Accounting Standards Board (IASB) has approved a number of international accounting standards that have not yet come into force. The section below describes the standards that may be relevant to the financial reporting of the Group.

In December 2004, amendments to IAS 19 *Actuarial Gains and Losses, Group Plans and Disclosures* were issued. The amendments mean that the corridor for defined benefit plans may be recognised directly in shareholders' equity

and that the obligation to disclose information about defined benefit plans has been extended. The Group is obliged to implement this standard in its consolidated accounts for 2006. The Group does not expect to apply the new method of recognition, and therefore the implementation is not likely to have any effect on the carrying amounts.

### **Separate financial statements for the parent company**

As of January 1, 2005, the accounts of the parent company, Realkredit Danmark A/S, are presented in accordance with the Danish Financial Business Act, and comparative figures have been restated accordingly as of January 1, 2004. The principles of the new rules are identical to the Group's valuation 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 valued using the equity method, which means that the tax payable by subsidiary undertakings is charged to the item "Income from associated and subsidiary undertakings".

The effect of the parent company's transition to the new accounting standards of the Danish Financial Supervisory Authority is presented on pages 58 to 59 of the Annual Report.



# Income statement

January 1 – December 31

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
3	Interest income	26,339	26,355	26,335	26,350
4	Interest expense	22,082	22,334	22,082	22,333
	<b>Net interest income</b>	<b>4,257</b>	<b>4,021</b>	<b>4,253</b>	<b>4,017</b>
	Dividends from shares	12	16	8	14
	Fee and commission income	947	795	947	795
	Fee and commission expense	864	564	864	564
2	<b>Net fee and commission income</b>	<b>4,352</b>	<b>4,268</b>	<b>4,344</b>	<b>4,262</b>
2, 5	Value adjustments	-291	-353	-253	-353
	Other operating income	232	126	21	1
6, 7	Staff costs and administrative expenses	1,242	1,347	1,175	1,266
	Impairment, amortisation and depreciation	9	14	1	8
	Credit loss expenses	-118	-18	-118	-18
	Income from associated and subsidiary undertakings	26	23	78	59
	<b>Profit before tax</b>	<b>3,186</b>	<b>2,721</b>	<b>3,132</b>	<b>2,713</b>
8	Tax	769	655	738	644
	<b>Net profit for the year</b>	<b>2,417</b>	<b>2,066</b>	<b>2,394</b>	<b>2,069</b>
<b>Proposal for allocation of profits</b>					
	Dividend for the year			-	1,500
	Reserves in series			106	95
	Other reserves			2,288	474
	<b>Total allocation</b>			<b>2,394</b>	<b>2,069</b>

# Balance sheet

at December 31

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
<b>ASSETS</b>					
	Cash in hand and demand deposits with central banks	7	3	7	3
9	Due from credit institutions and central banks	16,936	12,883	16,929	12,849
10	Bonds at fair value	35,700	35,470	35,700	35,470
11-12, 15	Mortgage loans at fair value	569,092	524,428	569,092	524,428
11, 13-15	Loans and other amounts due at amortised cost	556	607	529	579
	Shares	225	154	98	102
16	Holdings in associated undertakings	-	267	-	267
	Holdings in subsidiary undertakings	-	-	203	152
	Land and buildings	119	653	158	691
17	Investment property	-	366	-	366
18	Domicile property	119	287	158	325
19	Other tangible assets	16	18	14	17
	Current tax assets	10	22	11	21
20	Deferred tax assets	88	88	85	75
15, 21	Other assets	3,089	1,942	3,020	1,904
	Prepayments	15	74	14	73
	<b>Total assets</b>	<b>625,853</b>	<b>576,609</b>	<b>625,860</b>	<b>576,631</b>
<b>LIABILITIES AND EQUITY</b>					
<b>AMOUNTS DUE</b>					
22	Due to credit institutions and central banks	45,390	2,068	45,390	2,068
23	Issued mortgage bonds at fair value	536,530	531,401	536,530	531,401
24, 25	Other liabilities	13,063	13,422	12,600	12,873
	Deferred income	60	-	60	-
	<b>Total amounts due</b>	<b>595,043</b>	<b>546,891</b>	<b>594,580</b>	<b>546,342</b>
<b>PROVISIONS FOR LIABILITIES</b>					
25	<b>Reserves in early series subject to a reimbursement obligation</b>	-	-	<b>449</b>	<b>533</b>
	<b>Total liabilities</b>	<b>595,043</b>	<b>546,891</b>	<b>595,029</b>	<b>546,875</b>
<b>SHAREHOLDERS' EQUITY</b>					
	Share capital	630	625	630	625
	Revaluation reserve	-	-	24	18
	Reserves in series	1,640	2,104	1,640	2,104
	Other reserves	28,540	26,989	28,537	27,009
	<b>Total shareholders' equity</b>	<b>30,810</b>	<b>29,718</b>	<b>30,831</b>	<b>29,756</b>
	Proposed dividend	-	1,500	-	1,500
	<b>Total liabilities and equity</b>	<b>625,853</b>	<b>576,609</b>	<b>625,860</b>	<b>576,631</b>



# Capital

DKr m	Realkredit Danmark Group				
	Share capital	Undistrib. reserves	Proposed dividend	Other reserves	Total
<b>Shareholders' equity at January 1, 2005</b>	<b>625</b>	<b>2,104</b>	<b>1,500</b>	<b>25,489</b>	<b>29,718</b>
Net profit for the year	-	106	-	2,311	2,417
Addition on merger	5	-	-	170	175
Dividends paid	-	-	-1,500	-	-1,500
Transferred from series with excess coverage	-	-570	-	570	-
<b>Shareholders' equity at December 31, 2005</b>	<b>630</b>	<b>1,640</b>	<b>-</b>	<b>28,540</b>	<b>30,810</b>
<b>Shareholders' equity at January 1, 2004</b>	<b>625</b>	<b>2,770</b>	<b>-</b>	<b>24,181</b>	<b>27,576</b>
Net profit for the year	-	95	1,500	471	2,066
Transferred from series with excess coverage	-	-761	-	761	-
<b>Shareholders' equity at December 31, 2004</b>	<b>625</b>	<b>2,104</b>	<b>1,500</b>	<b>25,413</b>	<b>29,642</b>
Change of method for measurement of loans, claims against individual borrowers (see the accounting policies)	-	-	-	76	76
<b>Adjusted shareholders' equity at end-2004</b>	<b>625</b>	<b>2,104</b>	<b>1,500</b>	<b>25,489</b>	<b>29,718</b>

	Realkredit Danmark A/S				
	Share capital	Undistrib. reserves	Other reserves	Total 2005	Total 2004
<b>Shareholders' equity at January 1, 2005</b>	<b>625</b>	<b>2,122</b>	<b>27,009</b>	<b>29,756</b>	<b>27,611</b>
Net profit for the year	-	106	2,288	2,394	2,069
Revaluation reserve	-	6	-	6	-
Addition on merger	5	-	170	175	-
Dividends paid	-	-	-1,500	-1,500	-
Transferred from series with excess coverage	-	-570	570	-	-
<b>Shareholders' equity at December 31, 2005</b>	<b>630</b>	<b>1,664</b>	<b>28,537</b>	<b>30,831</b>	<b>29,680</b>
Change of method for measurement of loans, claims against individual borrowers (see the accounting policies)	-	-	-	-	76
<b>Adjusted shareholders' equity at end-2004</b>					<b>29,756</b>

At December 31, 2005, the share capital was 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 a wholly-owned subsidiary of Danske Bank A/S, Copenhagen.

Shareholders' equity at Dec. 31, 2005, core capital and capital base:	Realkredit Danmark Group		Realkredit Danmark A/S	
	2005	2004*	2005	2004*
<b>Shareholders' equity according to accounts</b>	<b>30,810</b>	<b>27,859</b>	<b>30,831</b>	<b>27,859</b>
Domicile property	50	-	-	-
Pension obligations	-41	-	-	-
Tax effect	12	-	-	-
<b>Shareholders' equity as basis for solvency calculation</b>	<b>30,831</b>	<b>27,859</b>	<b>30,831</b>	<b>27,859</b>
Revaluation reserve	-24	-	-24	-
Capitalised tax assets	-100	-175	-85	-162
<b>Core capital less statutory deductions</b>	<b>30,707</b>	<b>27,684</b>	<b>30,722</b>	<b>27,697</b>
Reserves in series subject to a reimbursement obligation	160	187	160	187
Revaluation reserve	24	-	24	-
<b>Capital base less statutory deductions</b>	<b>30,891</b>	<b>27,871</b>	<b>30,906</b>	<b>27,884</b>
Minimum capital requirem., 8% of risk-weighted assets	24,515	22,111	24,505	22,111
Core (tier 1) capital ratio	10.02	10.02	10.03	10.02
Solvency ratio	10.08	10.08	10.09	10.09

\* 2004 figures have been calculated according to the rules applicable to the 2004 financial year.

# Cash flow statement

January 1 – December 31

DKr m	Realkredit Danmark Group	
	2005	2004
<b>Cash flow from operating activities</b>		
Net profit for the year	2,417	2,066
Adjustment for non-liquid items in the income statement:		
Impairment, amortisation and depreciation	9	14
Credit loss expenses	-78	-29
Adjustment for tax paid	3	-66
Other non-cash items	103	364
<b>Total</b>	<b>2,454</b>	<b>2,349</b>
<b>Cash flow from operating capital</b>		
Bonds and shares	-78	4,790
Mortgage loans	-46,327	-19,062
Issued mortgage bonds	7,387	8,050
Due to credit institutions	43,322	1,195
Other assets/liabilities	-1,484	639
<b>Total</b>	<b>2,820</b>	<b>-4,388</b>
<b>Cash flow from investing activities</b>		
Sale of holdings in associated and subsidiary undertakings	288	-
Property, plant and equipment	2	-4
<b>Total</b>	<b>290</b>	<b>-4</b>
<b>Cash flow from financing activities</b>		
Dividends paid	-1,500	-
<b>Total</b>	<b>-1,500</b>	<b>-</b>
<b>Total increase/decrease (-) in cash and cash equivalents</b>	<b>4,064</b>	<b>-2,043</b>
Addition on merger	68	-
Cash and cash equivalents at January 1	12,811	14,854
<b>Cash and cash equivalents at December 31</b>	<b>16,943</b>	<b>12,811</b>
<b>Cash and cash equivalents at December 31</b>		
Cash in hand and demand deposits with central banks	7	3
Deposits with credit institutions and central banks with terms shorter than 3 months	16,936	12,808
<b>Total</b>	<b>16,943</b>	<b>12,811</b>



# Notes

Note DKr m

## 1 Operating activity accounts

	Realkredit Danmark Group - 2005				
	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,471	-	2,471	-	2,471
Net interest income	1,178	608	1,786	-608	1,178
<b>Net interest</b>	<b>3,649</b>	<b>608</b>	<b>4,257</b>	<b>-608</b>	<b>3,649</b>
Dividends from shares	-	12	12	-12	-
Net fee income	83	-	83	-	83
Net trading income	-	-	-	355	355
Value adjustments	195	-486	-291	291	-
Other income	232	-	232	-	232
<b>Total income</b>	<b>4,159</b>	<b>134</b>	<b>4,293</b>	<b>26</b>	<b>4,319</b>
Staff costs and administrative expenses	1,238	4	1,242	-	1,242
Impairment, amortisation and depreciation	9	-	9	-	9
Credit loss expenses	-118	-	-118	-	-118
Income from associated and subsidiary undertakings	-	26	26	-26	-
<b>Profit before tax</b>	<b>3,030</b>	<b>156</b>	<b>3,186</b>	<b>-</b>	<b>3,186</b>

	Realkredit Danmark Group - 2004				
	Mortgage finance	Own holdings	Total	Reclassi- fication	Highlights
Administration margin	2,318	-	2,318	-	2,318
Net interest income	953	750	1,703	-750	953
<b>Net interest</b>	<b>3,271</b>	<b>750</b>	<b>4,021</b>	<b>-750</b>	<b>3,271</b>
Dividends from shares	0	16	16	-16	-
Net fee income	231	-	231	-106	125
Net trading income	-	-	-	436	436
Value adjustments	135	-488	-353	353	-
Other income	126	-	126	-	126
<b>Total income</b>	<b>3,763</b>	<b>278</b>	<b>4,041</b>	<b>-83</b>	<b>3,958</b>
Staff costs and administrative expenses	1,343	4	1,347	-106	1,241
Impairment, amortisation and depreciation	14	-	14	-	14
Credit loss expenses	-18	-	-18	-	-18
Income from associated and subsidiary undertakings	-	23	23	-23	-
<b>Profit before tax</b>	<b>2,424</b>	<b>297</b>	<b>2,721</b>	<b>-</b>	<b>2,721</b>

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 value adjustments. In the consolidated highlights, this income is reclassified to net trading income.

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
2	<b>Geographical segmentation</b>				
	For the Realkredit Danmark Group, interest on loans to non-Danish residents amounted to DKr1m (2004: DKr2m). The sum of Realkredit Danmark A/S's net interest and fee income and value adjustments on non-Danish loans is DKr0m.				
3	<b>Interest income</b>				
	Reverse repo transactions with credit institutions and central banks	329	16	329	16
	Due from credit institutions and central banks	27	181	27	180
	Loans and other amounts due	22,625	22,564	22,621	22,560
	Administration margin	2,471	2,318	2,471	2,318
	Bonds	509	986	509	986
	Derivatives:				
	Interest rate contracts	182	170	182	170
	Other interest income	196	120	196	120
	<b>Total</b>	<b>26,339</b>	<b>26,355</b>	<b>26,335</b>	<b>26,350</b>
	Interest income derived from:				
	Assets at fair value	26,304	26,160	26,304	26,160
	Other assets	35	195	31	190
	<b>Total</b>	<b>26,339</b>	<b>26,355</b>	<b>26,335</b>	<b>26,350</b>
4	<b>Interest expense</b>				
	Repo transactions with credit institutions and central banks	75	3	75	3
	Due to credit institutions and central banks	21	60	21	60
	Issued mortgage bonds	21,824	22,183	21,824	22,183
	Reimbursement of origination fees etc.	157	81	157	81
	Other interest expense	5	7	5	6
	<b>Total</b>	<b>22,082</b>	<b>22,334</b>	<b>22,082</b>	<b>22,333</b>
	Interest expense relates to:				
	Liabilities at fair value	22,056	22,267	22,056	22,267
	Other liabilities	26	67	26	66
	<b>Total</b>	<b>22,082</b>	<b>22,334</b>	<b>22,082</b>	<b>22,333</b>
5	<b>Value adjustments</b>				
	Mortgage loans	415	-1,098	415	-1,098
	Bonds	-184	-369	-184	-369
	Shares	43	5	42	5
	Investment property	-	-	39	-
	Foreign currency	10	5	10	5
	Derivatives	35	351	35	351
	Other assets	6	11	6	11
	Issued mortgage bonds	-616	785	-616	785
	Reserves in early series subject to a reimbursement obligation	-	-43	-	-43
	<b>Total</b>	<b>-291</b>	<b>-353</b>	<b>-253</b>	<b>-353</b>
	Value adjustments derived from:				
	Assets and liabilities at fair value	-297	-364	-259	-364
	Other assets and liabilities	6	11	6	11
	<b>Total</b>	<b>-291</b>	<b>-353</b>	<b>-253</b>	<b>-353</b>



# Notes

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
6	<b>Staff costs and administrative expenses</b>				
	<b>Salaries and remuneration of Executive Board, Board of Directors and local councils</b>				
	Executive Board	7	6	7	6
	Board of Directors	-	1	-	1
	Local councils	4	4	4	4
	<b>Total</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>
	<b>Staff costs</b>				
	Salaries	394	455	377	440
	Share-based payment	2	2	2	2
	Pensions	30	69	69	66
	Financial services employer tax, etc.	39	43	39	43
	<b>Total</b>	<b>465</b>	<b>569</b>	<b>487</b>	<b>551</b>
	<b>Other administrative expenses</b>	<b>766</b>	<b>767</b>	<b>677</b>	<b>704</b>
	<b>Total staff costs and administrative expenses</b>	<b>1,242</b>	<b>1,347</b>	<b>1,175</b>	<b>1,266</b>
	Number of full-time-equivalent staff (avg.)	751	923	717	889

The information below concerning the Board of Directors and the Executive Board also applies to the parent company.

	Realkredit Danmark Group	
	2005	2004
<b>Remuneration of the Board of Directors (DKr thousands)</b>		
Klaus Pedersen (until March 22, 2004 and again from March 14, 2005)	125	125
Margit Würtz (from March 14, 2005)	99	-
Søren Hermansen (until March 14, 2005)	31	125
Jørgen Raaschou (until March 14, 2005)	31	125
Jørgen Lund (until March 22, 2004)	-	125
Bent Maribo (until March 22, 2004)	-	125
Jørgen Mejlgård (until March 22, 2004)	-	125
Peder J. Pedersen (until March 22, 2004)	-	125
<b>Total remuneration</b>	<b>286</b>	<b>875</b>

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

#### Remuneration of and bonus payments to the Executive Board

	Cash		Total 2005	Total 2004
	Salary	bonuses		
Sven Holm	3.1	0.2	3.3	3.2
Thomas Mitchell	1.6	0.2	1.8	1.6
<b>Total remuneration</b>	<b>4.7</b>	<b>0.4</b>	<b>5.1</b>	<b>4.8</b>

Pages 36 to 39 show share-based payment to members of the Executive Board.

6 *Continued*  
**Staff costs and administrative expenses**

**Pensions**

Sven Holm may retire with a life pension at the end of the accounting year in which he attains the age of 60 and will retire, at the latest, by the end of the month in which he attains the age of 65. The pension benefit constitutes two thirds of his remuneration on retirement. The Group's pension obligation towards Sven Holm is covered by payments to Kreditforeningen Danmarks Pensionsafviklingskasse. According to IAS 19, the contributions made in 2005 amounted to DKr0.4m (2004: DKr0.4m). At end-2005, the pension obligation amounted to DKr35m (end-2004: DKr30m). The pension obligation is an obligation of Kreditforeningen Danmarks Pensionsafviklingskasse. The contributions cannot be considered as remuneration of or amounts due to Sven Holm and may not reasonably be added to annual remuneration.

Thomas Mitchell may retire with a pension at the end of the month in which he attains the age of 62, and will retire, at the latest, by the end of the month in which he attains the age of 65. The Group's pension obligation towards Thomas Mitchell is covered by payments to a pension fund. The contributions made in 2005 amounted to DKr0.2m (2004: DKr0.2m).

**Termination**

Termination of the service contract of Sven Holm is subject to six months' notice. In case of termination by Realkredit Danmark, however, 12 months' notice must be given. On termination, Sven Holm is entitled to a life pension. Termination of the service contract of Thomas Mitchell is subject to three months' notice. In case of termination by Realkredit Danmark, however, 8 months' notice must be given, and Thomas Mitchell is entitled to severance pay in the amount of a maximum of 24 months' salary, depending on the number of years of service.

**Share-based payment**

Realkredit Danmark offers the Executive Board and selected senior managers and specialists an incentive programme set up by the Danske Bank Group for managers and certain other employees. The programme consists of share options and conditional shares. Incentive payments reflect individual performance and also depend on financial results and other measures of value creation.

Share options carry a right to buy Danske Bank shares between three and seven years after allotment subject to continued employment with the Group. The strike price of the options is computed as the average price of Danske Bank shares for 20 stock exchange days after the release of Danske Bank's Annual Report plus 10%.

Rights to buy Danske Bank shares under the conditional share programme are allotted as a portion of the annual bonus earned. The shares become available after three years subject to continued employment.

The fair value of the share options at the time of allotment is calculated according to a dividend-adjusted Black & Scholes formula based on the following assumptions at December 31, 2005: Share price 221.18 (2004: 167.52), dividend payout ratio 3.7% (2004: 3.9%), rate of interest 2.9% to 3.2% (2004: 2.6% to 3.2%), volatility 15% (2004: 20%), average time of exercise 1.13 to 4.25 years (2004: 1.63 to 4.25 years). The lifetime of share options is seven years from allotment, consisting of a vesting period of three years and an exercise period of four years.

The fair value of the conditional shares at the time of allotment is calculated as the share price less the payments made by the employees.

Intrinsic value is recognised in the year the share options and rights to conditional shares were earned, while time value is recognised during the vesting period of three years using the straight-line method. Realkredit Danmark has hedged the share price risk.



# Notes

Note DKr m

6 *Continued*  
**Staff costs and administrative expenses**

**Share-based payment 2005**

**Share options**

	Number			Exercise price	Market value	
	Executive Board	Other employees	Total		At issue DKr m	End of year DKr m
Allotted in 2001, beg.	22,380	-	22,380			
Exercised	-22,380	-	-22,380			
Forfeited	-	-	-			
Other changes	-	-	-			
Allotted in 2001, end	-	-	-			
Allotted in 2002, beg.	32,000	32,000	64,000	140.8	2.2	4.8
Exercised	-32,000	-26,000	-58,000			
Forfeited	-	-	-			
Other changes	-	-	-			
Allotted in 2002, end	-	6,000	6,000	140.8	0.2	0.4
Allotted in 2003, beg.	38,400	35,200	73,600	118.5	1.5	6.9
Exercised	-	-	-			
Forfeited	-	-	-			
Other changes	-	-	-			
Allotted in 2003, end	38,400	35,200	73,600	118.5	1.5	6.9
Allotted in 2004, beg.	69,444	63,889	133,333	157.2	2.4	7.6
Exercised	-	-	-			
Forfeited	-	-	-			
Other changes	-	-	-			
Allotted in 2004, end	69,444	63,889	133,333	157.2	2.4	7.6
Allotted in 2005	88,525	75,410	163,935	190.2	2.5	5.8
Exercised	-	-	-			
Forfeited	-	-	-			
Other changes	-	-	-			
Allotted in 2005, end	88,525	75,410	163,935	190.2	2.5	5.8
Exercised in 2001						
Sven Holm	22,380					
Exercised in 2002						
Sven Holm	16,000					
Thomas Mitchell	16,000					
Allotted in 2003, end						
Sven Holm	19,200			118.5	0.4	1.8
Thomas Mitchell	19,200			118.5	0.4	1.8
Allotted in 2004, end						
Sven Holm	36,111			157.2	0.6	2.1
Thomas Mitchell	33,333			157.2	0.6	1.9
Allotted in 2005, end						
Sven Holm	45,902			190.2	0.7	1.6
Thomas Mitchell	42,623			190.2	0.7	1.5

In 2005, 80,380 share options were exercised at an average price of DKr173.4.

Note DKr m

6 *Continued*  
**Staff costs and administrative expenses**

**Share-based payment 2005**

Conditional shares	Number			Market value	
	Executive Board	Other employees	Total	At issue DKr m	End of year DKr m
Allotted in 2002, beg.	1,894	4,671	6,565		
Exercised	-1,894	-4,671	-6,565		
Forfeited	-	-	-		
Other changes	-	-	-		
Allotted in 2002, end	-	-	-		
Allotted in 2003, beg.	2,252	6,807	9,059	1.0	2.0
Exercised	-	-1,174	-1,174		
Forfeited	-	-	-		
Other changes	-	-	-		
Allotted in 2003, end	2,252	5,633	7,885	0.9	1.8
Allotted in 2004, beg.	2,070	5,276	7,346	1.1	1.6
Exercised	-	-265	-265		
Forfeited	-	-212	-212		
Other changes	-	-	-		
Allotted in 2004, end	2,070	4,799	6,869	1.0	1.5
Allotted in 2005	1,974	6,211	8,185	1.4	1.8
Exercised	-	-	-		
Forfeited	-	-325	-325		
Other changes	-	-	-		
Allotted in 2005, end	1,974	5,886	7,860	1.4	1.7
Exercised in 2002					
Sven Holm	947				
Thomas Mitchell	947				
Allotted in 2003, end					
Sven Holm	1,126			0.1	
Thomas Mitchell	1,126			0.1	
Allotted in 2004, end					
Sven Holm	1,150			0.2	
Thomas Mitchell	920			0.1	
Allotted in 2005, end					
Sven Holm	1,023			0.2	
Thomas Mitchell	951			0.2	

In 2005, 8,004 rights to conditional shares were exercised at an average price of DKr177.7.



# Notes

Note DKr m

6 *Continued*

## Staff costs and administrative expenses

### Share-based payment 2004

#### Share options

	Number			Exercise price	Market value	
	Executive Board	Other employees	Total		At issue DKr m	End of year DKr m
Allotted in 2001, beg.	29,525	-	29,525	152.9	1.0	0.6
Exercised	-	-	-			
Forfeited	-7,145	-	-7,145			
Other changes	-	-	-			
Allotted in 2001, end	22,380	-	22,380	152.9	0.8	0.5
Allotted in 2002, beg.	32,000	32,000	64,000	140.8	2.2	1.9
Exercised	-	-	-			
Forfeited	-	-	-			
Other changes	-	-	-			
Allotted in 2002, end	32,000	32,000	64,000	140.8	2.2	1.9
Allotted in 2003, beg.	38,400	35,200	73,600	118.5	1.5	3.3
Exercised	-	-	-			
Forfeited	-	-	-			
Other changes	-	-	-			
Allotted in 2003, end	38,400	35,200	73,600	118.5	1.5	3.3
Allotted in 2004	69,444	63,889	133,333	157.2	2.4	3.4
Exercised	-	-	-			
Forfeited	-	-	-			
Other changes	-	-	-			
Allotted in 2004, end	69,444	63,889	133,333	157.2	2.4	3.4
Allotted in 2001, end						
Sven Holm	22,380			152.9	0.8	0.5
Allotted in 2002, end						
Sven Holm	16,000			140.8	0.5	0.5
Thomas Mitchell	16,000			140.8	0.5	0.5
Allotted in 2003, end						
Sven Holm	19,200			118.5	0.4	0.9
Thomas Mitchell	19,200			118.5	0.4	0.9
Allotted in 2004, end						
Sven Holm	36,111			157.2	0.6	0.9
Thomas Mitchell	33,333			157.2	0.6	0.8

Note DKr m

6 *Continued*  
**Staff costs and administrative expenses**

**Share-based payment 2004**

Conditional shares	Number			Market value	
	Executive Board	Other employees	Total	At issue DKr m	End of year DKr m
Allotted in 2002, beg.	1,894	7,104	8,998	1.1	1.5
Exercised	-	-	-		
Forfeited	-	-	-		
Other changes	-	-2,433	-2,433		
Allotted in 2002, end	1,894	4,671	6,565	0.8	1.1
Allotted in 2003, beg.	2,252	6,807	9,059	1.0	1.5
Exercised	-	-	-		
Forfeited	-	-	-		
Other changes	-	-	-		
Allotted in 2003, end	2,252	6,807	9,059	1.0	1.5
Allotted in 2004	2,070	5,276	7,346	1.1	1.2
Exercised	-	-	-		
Forfeited	-	-	-		
Other changes	-	-	-		
Allotted in 2004, end	2,070	5,276	7,346	1.1	1.2
Allotted in 2002, end					
Sven Holm	947			0.1	0.1
Thomas Mitchell	947			0.1	0.1
Allotted in 2003, end					
Sven Holm	1,126			0.1	0.2
Thomas Mitchell	1,126			0.1	0.2
Allotted in 2004, end					
Sven Holm	1,150			0.2	0.2
Thomas Mitchell	920			0.1	0.2



# Notes

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
7	<b>Audit fees</b>				
	Total fee to the accounting firms elected by the annual general meeting to perform the statutory audit	2	2	2	2
	Fees for non-audit services included in preceding item	-	-	-	-
8	<b>Tax (minus denotes a credit)</b>				
	Estimated tax charge on the profit for the year	816	670	797	658
	Change in deferred tax as a result of				
	lower tax rate	5	-	5	-
	Other deferred tax	-5	-13	-18	-12
	Re-adjustment of prior-year tax charge	-49	-5	-48	-5
	Tax on credit loss expenses etc.	2	3	2	3
	<b>Total</b>	<b>769</b>	<b>655</b>	<b>738</b>	<b>644</b>
	<b>Effective tax rate</b>	%	%	%	%
	Current Danish tax rate	28.0	30.0	28.0	30.0
	Deviation as a result of joint taxation with				
	Danske Bank	-	-5.1	-	-5.1
	Effect of lowering of tax rate	0.2	-	0.2	-
	Re-adjustment of prior-year tax charges	-1.5	-0.2	-1.5	-0.2
	Tax on credit loss expenses etc.	-0.9	-0.1	-1.4	-0.3
	Other tax	-1.7	-0.5	-1.7	-0.7
	<b>Effective tax rate</b>	<b>24.1</b>	<b>24.1</b>	<b>23.6</b>	<b>23.7</b>
9	<b>Due from credit institutions and central banks</b>				
	On demand	9,656	8,973	9,649	8,939
	3 months or less	7,280	3,835	7,280	3,835
	3 months to 1 year	-	75	-	75
	<b>Total</b>	<b>16,936</b>	<b>12,883</b>	<b>16,929</b>	<b>12,849</b>
	Due from credit institutions	16,057	12,883	16,050	12,849
	Deposits at notice with central banks	879	-	879	-
	<b>Total</b>	<b>16,936</b>	<b>12,883</b>	<b>16,929</b>	<b>12,849</b>
	Portion attributable to reverse repo transactions	3,909	2,841	3,909	2,841
10	<b>Bonds at fair value</b>				
	Own mortgage bonds	205,408	134,470	205,408	134,470
	Other mortgage bonds	31,199	28,226	31,199	28,226
	Government bonds	4,501	7,244	4,501	7,244
	<b>Total</b>	<b>241,108</b>	<b>169,940</b>	<b>241,108</b>	<b>169,940</b>
	Own mortgage bonds set off against issued mortgage bonds	205,408	134,470	205,408	134,470
	<b>Total</b>	<b>35,700</b>	<b>35,470</b>	<b>35,700</b>	<b>35,470</b>

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
11	<b>Total lending</b>				
	Mortgage loans, nominal value	563,153	516,960	563,153	516,960
	Adjustment for interest-rate risk	6,044	7,707	6,044	7,707
	Adjustment for credit risk	105	239	105	239
	<b>Mortgage loans at fair value</b>	<b>569,092</b>	<b>524,428</b>	<b>569,092</b>	<b>524,428</b>
	Arrears and outlays	166	192	166	192
	Other loans	390	415	363	387
	<b>Total</b>	<b>569,648</b>	<b>525,035</b>	<b>569,621</b>	<b>525,007</b>
	Apart from being backed by mortgages on properties, the company's loans are backed by government, municipal and insurance guarantees of	23,483	21,751	23,483	21,751
	Pass books and bonds have been lodged and guarantees provided as supplementary security in a total amount of	65,048	50,447	65,048	50,447
	Realkredit Danmark has also received various declarations of indemnification without specification of amounts.				
12	<b>Mortgage loans at fair value</b>				
	Mortgage loans (nominal value) broken down by property category:				
	Owner-occupied dwellings	58%	59%	58%	59%
	Holiday homes	3%	3%	3%	3%
	Subsidised residential property	13%	14%	13%	14%
	Private residential rental property	7%	7%	7%	7%
	Industrial and skilled trades property	3%	3%	3%	3%
	Office and retail property	7%	6%	7%	6%
	Agricultural property etc.	6%	5%	6%	5%
	Property for social, cultural and training activities	2%	2%	2%	2%
	Other property	1%	1%	1%	1%
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
	3 months or less	19,351	11,662	19,351	11,662
	3 months to 1 year	11,414	10,951	11,414	10,951
	1 year to 5 years	64,667	51,796	64,667	51,796
	Over 5 years	473,660	450,019	473,660	450,019
	<b>Total</b>	<b>569,092</b>	<b>524,428</b>	<b>569,092</b>	<b>524,428</b>
13	<b>Loans and other amounts due at amortised cost</b>				
	On demand	401	393	401	393
	3 months or less	4	12	2	9
	3 months to 1 year	15	36	8	29
	1 year to 5 years	61	70	45	54
	Over 5 years	75	96	73	94
	<b>Total</b>	<b>556</b>	<b>607</b>	<b>529</b>	<b>579</b>
14	<b>Arrears and outlays</b>				
	Arrears before impairment	166	196	166	196
	Outlays before impairment	29	38	29	38
	Impairment	29	42	29	42
	<b>Total</b>	<b>166</b>	<b>192</b>	<b>166</b>	<b>192</b>



# Notes

Note DKr m

15 **Loans etc.**

At December 31, 2005, total impairment of mortgage loans stood at DKr105m, against DKr239m at the beginning of the year.

At December 31, 2005, impairment of loans carried at amortised cost stood at DKr35m, against DKr45m at the beginning of the year.

	Realkredit Danmark A/S			Effect on profit
	Loans etc., individual impairment	Loans etc., collective impairment	Total	
<b>Impairment charges etc. at January 1, 2005</b>	<b>245</b>	<b>39</b>	<b>284</b>	
Impairment charges during the year	41	2	43	43
Reversal of impairment charges for previous years	176	11	187	187
<b>Impairment charges etc. at December 31, 2005</b>	<b>110</b>	<b>30</b>	<b>140</b>	
Ascertained losses				41
Recovery of previously booked losses				15
<b>Effect on profit</b>				<b>-118</b>
<b>Impairment charges etc. at January 1, 2004</b>	<b>252</b>	<b>61</b>	<b>313</b>	
Impairment charges during the year	113	-	113	113
Reversal of impairment charges for previous years	120	22	142	142
<b>Impairment charges etc. at December 31, 2004</b>	<b>245</b>	<b>39</b>	<b>284</b>	
Ascertained losses				65
Recovery of previously booked losses				54
<b>Effect on profit</b>				<b>-18</b>

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2005	2004	2005	2004
	<b>Holdings in associated undertakings</b>			
Cost at January 1	194	196	194	196
Additions	-	16	-	16
Disposals	178	18	178	18
<b>Cost at December 31</b>	<b>16</b>	<b>194</b>	<b>16</b>	<b>194</b>
Revaluations and write-downs at January 1	73	52	73	52
Profit/loss	26	23	26	23
Dividends	-	-4	-	-4
Reversal of revaluations and write-downs	-115	2	-115	2
<b>Revaluations and write-downs at December 31</b>	<b>-16</b>	<b>73</b>	<b>-16</b>	<b>73</b>
<b>Book value at December 31</b>	<b>-</b>	<b>267</b>	<b>-</b>	<b>267</b>

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
17	<b>Investment property</b>				
	Fair value at January 1	366	396	366	396
	Disposals	366	-	366	-
	Fair value adjustment	-	-30	-	-30
	<b>Fair value at December 31</b>	<b>-</b>	<b>366</b>	<b>-</b>	<b>366</b>
	Rent income from investment property	16	26	16	26
	Direct expenses generating rent income	14	18	14	18
	Direct expenses not generating rent income	-	23	-	23
18	<b>Domicile property</b>				
	The Group measures domicile property at cost less depreciation and impairment. The parent company, Realkredit Danmark A/S, measures it at the estimated fair value.				
	Carrying amount at January 1	287	290	325	325
	Transferred	166	-	177	-
	Depreciation	2	3	2	3
	Value adjustment recognised directly in shareholders' equity	-	-	6	-
	Value adjustment recognised directly in income statement	-	-	6	3
	<b>Carrying amount at December 31</b>	<b>119</b>	<b>287</b>	<b>158</b>	<b>325</b>
	Broken down by cost and depreciation and impairment:				
	Cost at January 1	358	358		
	Transferred	181	-		
	<b>Cost at December 31</b>	<b>177</b>	<b>358</b>		
	Depreciation and impairment at January 1	71	68		
	Depreciation	2	3		
	Reversal of prior-year depreciation and impairment	15	-		
	<b>Depreciation and impairment at December 31</b>	<b>58</b>	<b>71</b>		
	<b>Carrying amount at December 31</b>	<b>119</b>	<b>287</b>		
	Fair value of domicile property	158	325		

The property is valued on the basis of assessments made by valuers of the Danske Bank Group.



# Notes

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
19	<b>Other tangible assets</b>				
	Cost at January 1	116	128	110	121
	Additions	4	3	2	3
	Disposals	17	15	17	14
	<b>Cost at December 31</b>	<b>103</b>	<b>116</b>	<b>95</b>	<b>110</b>
	Depreciation and impairment at January 1	98	104	93	99
	Depreciation	5	9	4	8
	Reversal of prior-year depreciation and impairment	-	4	-	3
	Depreciation and impairment reversed due to sale etc.	16	11	16	11
	<b>Depreciation and impairment at December 31</b>	<b>87</b>	<b>98</b>	<b>81</b>	<b>93</b>
	<b>Carrying amount at December 31</b>	<b>16</b>	<b>18</b>	<b>14</b>	<b>17</b>
20	<b>Deferred tax assets</b>				
	Deferred tax assets relate to:				
	Reserves in early series subject to a reimbursement obligation	126	158	126	158
	Pension fund	-66	-53	-54	-53
	Land and buildings	-11	-37	-11	-37
	Other tangible assets	20	28	10	16
	Other	19	-8	14	-9
	<b>Total</b>	<b>88</b>	<b>88</b>	<b>85</b>	<b>75</b>
21	<b>Other assets</b>				
	Interest due	1,422	1,153	1,422	1,153
	Pension fund	234	177	193	177
	Assets held for sale	166	-	177	-
	Property taken over under non-performing loans	20	15	20	15
	Other assets	1,247	597	1,208	559
	<b>Total</b>	<b>3,089</b>	<b>1,942</b>	<b>3,020</b>	<b>1,904</b>

Pension fund concerns defined benefit plan through Kreditforeningen Danmarks Pensionsafviklingskasse (see next page).

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
21	<i>Continued</i> <b>Other assets</b>				
	When computing the 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 contribution costs	46	54	44	51
	Defined benefit costs	-16	15	25	15
	<b>Total pension costs</b>	<b>30</b>	<b>69</b>	<b>69</b>	<b>66</b>
	<b>Defined benefit plans</b>				
	Net pension assets:				
	Present value of pension obligations fully or partly funded	-976	-957	-976	-957
	Fair value of assets under the plans	1,169	1,134	1,169	1,134
	Actuarial losses not recognised	41	-	-	-
	Pension costs from prior years not recognised	-	-	-	-
	<b>Total</b>	<b>234</b>	<b>177</b>	<b>193</b>	<b>177</b>
	Change in net pension assets:				
	Net pension assets at January 1	177	192	177	192
	Expenses incurred during the accounting year	-23	-24	-23	-24
	Calculated interest expense	-17	-17	-17	-17
	Expected return on assets under the plans	15	26	15	26
	Actuarial losses not recognised	41	-	-	-
	Contributions made to the plans	41	-	41	-
	<b>Net pension assets at December 31</b>	<b>234</b>	<b>177</b>	<b>193</b>	<b>177</b>
	Actuarial assumptions at December 31 (% p.a.):				
	Discount rate	5.04	5.10	5.04	5.10
	Expected return on assets under the plans	5.04	5.10	5.04	5.10
	Expected rate of inflation	2.50	2.50	2.50	2.50
	Expected salary adjustment rate	2.75	2.50	2.75	2.50
	Expected pension adjustment rate	2.75	2.50	2.75	2.50
	Assets under the plans include the following assets at fair value issued by the Realkredit Danmark Group:				
	Bonds	224	467	224	467
	<b>Total</b>	<b>224</b>	<b>467</b>	<b>224</b>	<b>467</b>



# Notes

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
22	<b>Due to credit institutions and central banks</b>				
	On demand	4	19	4	19
	3 months or less	45,386	2,049	45,386	2,049
	<b>Total</b>	<b>45,390</b>	<b>2,068</b>	<b>45,390</b>	<b>2,068</b>
	Portion attributable to repo transactions	45,386	2,049	45,386	2,049
23	<b>Issued mortgage bonds at fair value</b>				
	Issued mortgage bonds, nominal value*	737,234	656,415	737,234	656,415
	Fair value adjustment	4,704	9,456	4,704	9,456
	Issued mortgage bonds at fair value	741,938	665,871	741,938	665,871
	Set-off of own mortgage bonds at fair value	205,408	134,470	205,408	134,470
	<b>Issued mortgage bonds at fair value</b>	<b>536,530</b>	<b>531,401</b>	<b>536,530</b>	<b>531,401</b>
	3 months or less	93,357	84,829	93,357	84,829
	3 months to 1 year	136,323	73,583	136,323	73,583
	1 year to 5 years	159,073	201,273	159,073	201,273
	Over 5 years	147,777	171,716	147,777	171,716
	<b>Total</b>	<b>536,530</b>	<b>531,401</b>	<b>536,530</b>	<b>531,401</b>
	* Portion pre-issued	126,427	103,269	126,427	103,269
	* Portion drawn at January 2, 2006, or in 2005	174,626	139,350	174,626	139,350
	Of the total fair value adjustment of issued mortgage bonds, the change in the fair value of own credit risk amounts to:	-	-	-	-
	Portion of the change in 2005:	-	-	-	-
	The amounts are calculated as the change due to circumstances other than changes in the benchmark interest rate, corresponding to the average yield on Danish mortgage bonds with an AAA rating.				
	The nominal value of issued mortgage bonds is equivalent to the amount payable at maturity.				
24	<b>Other liabilities</b>				
	Interest accrued	11,800	12,284	11,800	12,284
	Reserves in early series subject to a reimbursement obligation*	449	533	-	-
	Other creditors	814	605	800	589
	<b>Total</b>	<b>13,063</b>	<b>13,422</b>	<b>12,600</b>	<b>12,873</b>

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

Note	DKr m	Realkredit Danmark Group		Realkredit Danmark A/S	
		2005	2004	2005	2004
25	<b>Reserves in early series subject to a reimbursement obligation*</b>				
	Carrying amount, beginning of year	533	561	533	561
	Utilised	-101	-91	-101	-91
	Increase due to shortening of maturity	17	20	17	20
	Increase due to change in discount rate	-	43	-	43
	<b>Carrying amount, end of year</b>	<b>449</b>	<b>533</b>	<b>449</b>	<b>533</b>

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

26	<b>Security</b>				
	The following assets have been deposited with Danmarks Nationalbank as security:				
	Bonds at fair value	23,571	16,305	23,571	16,305
	Portion issued by Realkredit Danmark	22,805	15,525	22,805	15,525
	Assets sold under repo transactions:				
	Bonds at fair value	45,402	2,045	45,402	2,045
	Portion issued by Realkredit Danmark	45,402	2,045	45,402	2,045

#### 27 **Contingent liabilities**

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

Realkredit Danmark guarantees the pension obligations of Kreditforeningen Danmarks Pensionsafvklingskasse. See also note 21.

Realkredit Danmark is jointly and severally liable for the prior-year corporation tax charges of the companies jointly taxed with Danske Bank A/S before 2005.

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 Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised on the balance sheet.

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2005	2004	2005	2004
<b>Guarantees, etc.</b>				
Other guarantees	4	4	4	4
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Other contingent liabilities</b>				
Irrevocable loan commitments regarding reverse mortgages	903	1,033	903	1,033
Other commitments	122	131	111	121
<b>Total</b>	<b>1,025</b>	<b>1,164</b>	<b>1,014</b>	<b>1,154</b>
<b>Total contingent liabilities</b>	<b>1,029</b>	<b>1,168</b>	<b>1,018</b>	<b>1,158</b>



# Notes

Note DKr m

28 **Related party transactions**

Transactions between related parties are concluded and settled on market terms or on a cost-reimbursement basis. No unusual transactions have been made with associated and subsidiary undertakings. However, on October 1, 2005, the company merged with the sister company DDB-Ejendomsselskab af 1. januar 1990 A/S, which increased its shareholders' equity by DKr 175m and total assets by about DKr200m.

	<b>Realkredit Danmark Group</b>		<b>Realkredit Danmark A/S</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Realkredit Danmark A/S made the below-mentioned major intra-group transactions with companies directly or indirectly associated with the Group/company.				
Fees etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans	811	561	811	561
Fees received from Danske Bank A/S for referral of customers and for property valuation	139	106	139	106
Until September 30, 2004, Realkredit Danmark A/S carried out tasks relating to the administration of mortgage loans for Danske Bank A/S.				
Costs repaid by Danske Bank A/S to Realkredit Danmark A/S in this connection	-	106	-	106
Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions	379	414	358	394
Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	350	46	350	45
Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	75	4	75	4
Amounts due from Danske Bank A/S	11,589	11,536	11,582	11,502
Loss guarantees from Danske Bank A/S	35,490	30,241	35,490	30,241
Other guarantees from Danske Bank A/S	23,171	14,968	23,171	14,968
Amounts due to Danske Bank A/S	42,961	19	42,961	19
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.				

29 **Loans etc. to management**

Mortgage loans established on market terms for:

Executive Board	6	5	6	5
Board of Directors	9	4	9	4

30 **Reporting to the Danish Financial Supervisory Authority**

Difference between net profit and shareholders' equity in IFRS accounts and reporting to the Danish Financial Supervisory Authority is calculated as follows:

	<b>Realkredit Danmark Group</b>	
	<b>2005</b>	<b>2005</b>
Net profit according to the accounts	2,417	30,810
Adjustments, beginning of year	-	38
Domicile property	6	12
Pension obligations	-41	-41
Tax effect	12	12
Net profit according to the rules of the Danish Financial Supervisory Authority	2,394	30,831

### Credit risk

Realkredit Danmark grants loans on the basis of an assessment of the value of the property on which the loan is secured and the customer's ability and intention to repay the loan. The weighting of the assessment of the customer depends on the type of property.

In terms of Raroc and the Capital Requirement Directive (CRD), this practice means that expectations of high Loss Given Default (LGD) – for property types that notoriously may suffer large declines in value – increase the importance attached to the assessment of the customer to ensure a low Probability of Default (PD). Conversely, for loans for property types with stable value and low expected LGD, less importance is attached to the assessment to ensure a low PD.

To a certain extent, single-family houses are valued using the automated valuation model developed. The valuation of other properties is based on a physical inspection of the property. As a general rule, Realkredit Danmark's own valuation experts carry out the physical inspection of properties, but, in some cases, the valuation of owner-occupied dwellings is carried out by members of Realkredit Danmark's real-estate agency chain, "home". In these cases, Realkredit Danmark's valuation experts subsequently perform spot checks of the valuation.

The valuation of property is based on the current market value as well as the estimated long-term value of the property. Location, marketability and alternative use of the property are key elements in the assessment of the long-term value.

The assessment of the customer aims to ensure that the customer has the ability and intention to repay the loan. Assessment of the private customer segment is supported by Realkredit Danmark's priority customer concept and statistical score models.

Irrespective of loan type applied for, the assessment of whether the customer is able to service a loan is always based on a 30-year, fixed-rate annuity loan.

Most loans can be approved by local offices. However, large loans and loans to customers or property involving a larger-than-normal risk must be approved by Realkredit Danmark's central credit division or, in some cases, by the Executive Board or the Board of Directors.

Based on the automated valuation model, calculations of the cash value and the ranking of the individual mortgage loans, Realkredit Danmark has calculated loan-to-value (LTV) ratios for a number of years. Despite strong lending activity in recent years, the loan portfolio still carries a low risk. The average LTV ratio – calculated on the basis of the total amount of loans secured on each property – was 58% at the end of 2005, or the same level as the year before. As the table illustrates, the lowest LTV ratio applied to urban trade property and the highest to residential rental property. In respect of newly constructed housing in the subsidised residential rental property sector, loans exceeding 65% of the property value at the time of borrowing are covered by a guarantee provided by central or local Danish government.

Danske Bank and BG Bank have arranged 60% of the private-market loan portfolio. These loans are covered by a loss guarantee provided to Realkredit Danmark by Danske Bank. The guarantee covers the part of the loans that exceeds 60% of the original valuation of the properties. Because of the guarantee, Realkredit Danmark very rarely incurs losses on these loans. At the end of 2005, the loss guarantee from the bank comprised loans for a total amount of about DKr160bn, of which the bank guarantee covered a total of DKr35bn.

The low arrear rates reflect the favourable financial situation of borrowers. After three months, arrears from the September 2005 payment date accounted for only 0.07% of the amount due, against 0.12% at the same time the year before. The low level indicates that there is no sign of an increase in credit loss expenses in the time to come.

### 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.

	Loan portfolio		LTV ratio		Arrears	
	DKr m (nom.)		%		Sept. paym. in %	
	Dec. 31 2005	Dec. 31 2004	Dec. 31 2005	Dec. 31 2004	Dec. 31 2005	Dec. 31 2004
Private market	347,866	316,877	58	63	0.07	0.11
Urban trade	67,666	62,413	45	48	0.12	0.18
Agriculture	33,225	28,434	51	52	0.09	0.21
Residential rental property	114,396	109,236	66	68	0.04	0.04
<b>Total</b>	<b>563,153</b>	<b>516,960</b>	<b>58</b>	<b>61</b>	<b>0.07</b>	<b>0.12</b>



# Notes

According to the Act, a fine balance must be maintained between the agreed future payments from borrowers and payments to bondholders. This balance between lending and funding eliminates the interest rate, exchange rate and liquidity risks on most of Realkredit Danmark's 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.

According to Danish law, the difference between payments 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, DKr309m. At the end of 2005, this interest rate risk amounted to DKr4m, against DKr3m 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 DKr2,471m, according to legislation. At the end of 2005, the interest rate risk on these items amounted to DKr366m, against DKr347m the year before.

At the end of 2005, the total interest rate risk amounted to DKr370m, or 1.2% of the capital base. The year before, Realkredit Danmark's interest rate risk was DKr350m.

## 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 associated undertakings etc. Internal limits have been set for the overall equity market risk. At the end of 2005, the market value and hence the equity market risk amounted to DKr225m, against DKr421m 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 Financial Supervisory Authority and may, in accordance with legislation, not exceed 0.1% of the capital base, that is DKr31m. At the end of 2005, the exchange rate risk amounted to DKr1m, unchanged from the year before.

## Financial instruments

Financial instruments are employed exclusively for hedging purposes in relation to mortgage finance business (see the balance principle) and are carried at fair value in the accounts. In 2005, Realkredit Danmark used forwards, futures and repo/reverse transactions to hedge risk. The market risk on these instruments is included in the risk calculations mentioned above.

<b>Derivatives</b>			
At December 31, 2005	<b>Notional market value</b>	<b>Positive market value</b>	<b>Negative market value</b>
<b>Interest rate contracts</b>			
Forwards/futures bought	93,252	22	23
Forwards/futures sold	99,295	53	14
<b>Currency contracts</b>			
Forwards/futures bought	1,003	-	-
Forwards/futures sold	748	-	-
<b>Total</b>		<b>75</b>	<b>37</b>
<b>Outstanding spot transactions</b>			
At December 31, 2005			
DKr m			
Interest rate contracts bought	1,149	1	-
Interest rate contracts sold	3,651	-	2
Currency contracts bought	1,231	-	-
<b>Total</b>		<b>1</b>	<b>2</b>

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

# Highlights, ratios and key figures

DKr m	Realkredit Danmark Group				
	2005	2004	2003	2002	2001
<b>HIGHLIGHTS</b>					
1. Net interest and fee income	4,352	4,268	4,420	3,827	3,567
2. Value adjustments	-291	-353	-430	178	194
3. Staff costs and administrative expenses	1,242	1,347	1,588	1,411	1,412
4. Credit loss expenses	-118	-18	24	-74	-33
5. Income from associated and subsidiary undertakings	26	23	18	29	23
6. Net profit for the year	2,417	2,066	1,917	1,990	1,927
7. Loans	569,648	525,035	498,037	469,414	448,547
8. Shareholders' equity	30,810	29,718	27,237	25,248	23,254
9. Total assets	625,853	576,609	647,146	642,581	598,643

## RATIOS AND KEY FIGURES

1. Solvency ratio, %	10.1	10.1	10.4	10.4	10.1
2. Core (tier 1) capital ratio, %	10.0	10.0	10.3	10.3	9.9
3. Return on equity before tax, %	10.5	9.5	9.6	11.6	11.4
4. Return on equity after tax, %	8.0	7.2	7.3	8.2	8.6
5. Cost/core income ratio, DKr	3.81	3.03	2.56	3.07	2.82
6. Foreign exchange position, %	0.9	1.3	6.4	3.0	12.5
7. Ratio of lending to shareholders' equity	18.5	17.7	18.3	18.6	19.3
8. Growth in lending for the year, %	8.5	4.6	6.1	4.7	6.5
9. Impairment ratio for the year, %	0.0	0.0	0.0	0.0	0.0

DKr m	Realkredit Danmark A/S				
	2005	2004	2003	2002	2001
<b>HIGHLIGHTS</b>					
1. Net interest and fee income	4,344	4,262	4,415	3,821	3,561
2. Value adjustments	-253	-353	-430	178	194
3. Staff costs and administrative expenses	1,175	1,266	1,509	1,336	1,282
4. Credit loss expenses	-118	-18	24	-74	-34
5. Income from associated and subsidiary undertakings	78	59	52	55	-4
6. Net profit for the year	2,394	2,069	1,917	1,990	1,927
7. Loans	569,621	525,007	498,007	469,386	448,522
8. Shareholders' equity	30,831	29,756	27,237	25,248	23,254
9. Total assets	625,860	576,631	647,135	642,564	598,657

## RATIOS AND KEY FIGURES

1. Solvency ratio, %	10.1	10.1	10.4	10.4	10.1
2. Core (tier 1) capital ratio, %	10.0	10.0	10.3	10.3	9.9
3. Return on equity before tax, %	10.3	9.5	9.6	11.6	11.4
4. Return on equity after tax, %	7.9	7.2	7.3	8.2	8.6
5. Cost/core income ratio, DKr	3.96	3.16	2.64	3.19	3.01
6. Foreign exchange position, %	0.9	1.3	6.4	3.0	12.5
7. Ratio of lending to shareholders' equity	18.5	17.6	18.3	18.6	19.3
8. Growth in lending for the year, %	8.5	4.6	6.1	4.7	6.5
9. Impairment ratio for the year, %	0.0	0.0	0.0	0.0	0.0

The ratios and key figures are defined in the executive order on financial reports of credit institutions etc., issued by the Danish Financial Supervisory Authority.

The Group and the company have adjusted their accounting policies with effect from 2005. The highlights, accounting ratios and key figures for 2004 have been restated.



# Series accounts 2005

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

Note	DKr m	Jydsk Grundejer- Kredit- forening	Ny jydsk Kjøbstad- Credit- forening	Ny Jysk Grundejer- Kredit- forening	Østifternes Kredit- forening	Grund- ejernes Hypotek- forening	Husmands- hypotek- foreningen for Danmark
<b>Income statement</b>							
	Income from lending	2.8	2.7	0.1	5.6	0.6	0.0
1	Net interest etc.	7.0	7.3	8.5	16.1	2.6	0.0
1	Administrative expenses etc.	5.8	9.2	0.1	24.1	0.3	0.5
	Credit loss expenses	0.0	0.0	0.0	0.0	0.0	0.0
	Tax	1.1	0.2	2.4	-0.7	0.8	-0.2
2	<b>Net profit for the year</b>	<b>2.9</b>	<b>0.6</b>	<b>6.1</b>	<b>-1.7</b>	<b>2.1</b>	<b>-0.3</b>
<b>Balance sheet - assets</b>							
	Mortgage loans etc.	878.3	681.7	7.0	1,864.7	53.0	0.3
	Other assets	320.6	325.2	198.6	749.9	66.2	0.3
	<b>Total assets</b>	<b>1,198.9</b>	<b>1,006.9</b>	<b>205.6</b>	<b>2,614.6</b>	<b>119.2</b>	<b>0.6</b>
<b>Balance sheet - liabilities and equity</b>							
3	Issued bonds	1,006.9	817.1	13.5	2,157.0	60.6	0.5
	Other liabilities	67.7	56.8	11.6	147.6	6.7	0.0
4	Shareholders' equity	124.3	133.0	180.5	310.0	51.9	0.1
5	<b>Total liabilities and equity</b>	<b>1,198.9</b>	<b>1,006.9</b>	<b>205.6</b>	<b>2,614.6</b>	<b>119.2</b>	<b>0.6</b>
<b>Income statement</b>							
	Income from lending	0.4	0.0	99.7	41.0	2,362.6	2,515.5
1	Net interest etc.	0.8	0.0	62.0	25.3	1,533.7	1,663.3
1	Administrative expenses etc.	1.7	0.1	65.3	33.4	1,021.9	1,162.4
	Credit loss expenses	0.0	0.0	-48.6	0.1	-69.4	-117.9
	Tax	-0.2	-0.1	40.6	9.2	684.5	737.6
2	<b>Net profit for the year</b>	<b>-0.3</b>	<b>0.0</b>	<b>104.4</b>	<b>23.6</b>	<b>2,259.3</b>	<b>2,396.7</b>
<b>Balance sheet - assets</b>							
	Mortgage loans etc.	39.9	0.1	37,624.7	5,109.7	523,141.4	569,400.8
	Other assets	25.0	0.2	6,221.0	1,851.2	258,035.3	267,793.5
	<b>Total assets</b>	<b>64.9</b>	<b>0.3</b>	<b>43,845.7</b>	<b>6,960.9</b>	<b>781,176.7</b>	<b>837,194.3</b>
<b>Balance sheet - liabilities and equity</b>							
3	Issued bonds	45.9	0.1	40,219.8	6,354.2	707,984.2	758,659.8
	Other liabilities	3.7	0.1	2,474.8	392.9	44,092.8	47,254.7
4	Shareholders' equity	15.3	0.1	1,151.1	213.8	29,099.7	31,279.8
5	<b>Total liabilities and equity</b>	<b>64.9</b>	<b>0.3</b>	<b>43,845.7</b>	<b>6,960.9</b>	<b>781,176.7</b>	<b>837,194.3</b>

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 Financial Supervisory Authority 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.	
		<b>2005</b>
2	<b>Net profit for the year, series accounts</b>	
	Net profit for the year, Realkredit Danmark A/S's annual accounts	2,393.5
	Transferred to other reserves etc.	-3.2
	Revaluation reserve recognised in shareholders' equity	6.4
	<b>Net profit for the year, series accounts</b>	<b>2,396.7</b>
3	<b>Issued bonds, series accounts</b>	
	Issued bonds, Realkredit Danmark A/S's annual accounts	536,530.3
	Own mortgage bonds, not offset in the series accounts	205,407.9
	Accrued interest, own bonds	16,721.6
	<b>Issued bonds, series accounts</b>	<b>758,659.8</b>
4	<b>Shareholders' equity, series accounts</b>	
	Shareholders' equity, Realkredit Danmark A/S's annual accounts	30,830.8
	Reserves in pre-1972 series subject to a reimbursement obligation	449.0
	<b>Shareholders' equity, series accounts</b>	<b>31,279.8</b>
5	<b>Total assets, series accounts</b>	
	Total assets, Realkredit Danmark A/S's annual accounts	625,859.6
	Own mortgage bonds, not offset in the series accounts	205,407.9
	Accrued interest, own bonds	5,926.8
	<b>Total assets, series accounts</b>	<b>837,194.3</b>
6	<b>Transfers to and from reserves subject to a reimbursement obligation</b>	
	In 2005, the following net transfers of funds to and from the reserves were made between individual associations and other reserves.	
	<b>Transferred to and from shareholders' equity:</b>	
	Series not subject to a reimbursement obligation	-124.3
	Danske Kredit	-445.3
	Other reserves	569.6
	<b>Total</b>	<b>0.0</b>

The accounts of the individual series are available from Realkredit Danmark on request.



# Group holdings and undertakings

	Share capital (thousands)	Net profit* DKr m	Shareholders' equity* DKr m	Holding of share capital %
<b>Realkredit Danmark A/S, Copenhagen</b>	DKK 630,000	2,394	30,831	
<b>Subsidiaries</b>				
Real-estate agency business: home a/s, Copenhagen	DKK 15,000	51	203	100
Other business: Omegadane SARL, Paris	EUR 8	-	-	100
<b>Associated undertakings</b>				
Other business: Realkreditnettet Holding A/S, Copenhagen	DKK 11,000	-	83	25
Further information on Realkreditnettet Holding A/S: Total assets DKr129m Total liabilities DKr46m Total income DKr0m At December 31, 2005, the amount owed by Realkreditnettet Holding A/S to Realkredit Danmark was DKr9m. (Dec. 31, 2004: DKr9m).				

\* According to the company's latest annual report

# Transition to IFRS, Group

## Realkredit Danmark Group

The Realkredit Danmark Group made the transition to the International Financial Reporting Standards (IFRS) as adopted by the EU with effect from January 1, 2005, and has restated comparative figures with effect from January 1, 2004.

The following pages describe the effects on the income statement and balance sheet for 2004.

The effects of the implementation of IFRS on the 2004 net profit and shareholders' equity were as follows:

<b>Effects of IFRS on shareholders' equity and net profit for the year</b>	<b>Shareholders' equity</b>	<b>Net profit for the year</b>	<b>Shareholders' equity</b>
DKr m	<b>Jan. 1, 2004</b>	<b>2004</b>	<b>Dec. 31, 2004</b>
2004 practice	27,237	2,122	27,859
Change in the presentation of dividends	-	-	1,500
Adjusted 2004 practice	<u>27,237</u>	<u>2,122</u>	<u>29,359</u>
Pension fund	192	-15	177
Allocation to reserves subject to a reimbursement obligation	154	-63	91
Impairment	96	25	121
Staff commitments	-29	9	-20
Leasehold improvements	13	-6	7
Portion of increase in shareholders' equity allocated to reserves subject to a reimbursement obligation	-8	-	-8
Other effects	-	-4	-4
Tax	-79	-2	-81
Total change in valuation	<u>339</u>	<u>-56</u>	<u>283</u>
<b>IFRS practice</b>	<b><u>27,576</u></b>	<b><u>2,066</u></b>	<b><u>29,642</u></b>
Change of method for measurement of loans, claims against individual borrowers (see the accounting policies)	-	-	76
<b>Adjusted IFRS practice</b>	<b><u>27,576</u></b>	<b><u>2,066</u></b>	<b><u>29,718</u></b>

### Effects of IFRS on mortgage loans and issued mortgage bonds

As of January 1, 2004, mortgage loans and issued mortgage bonds as well as fixed-price agreements for pre-issuance etc. of mortgage bonds are recognised at fair value with value adjustment through profit and loss.

Under the previous accounting policies, these were recognised at nominal value; mortgage loans, however, subject to impairment charges. The values before and after transition to IFRS were as follows:

	<b>Jan. 1, 2004</b>	<b>Dec. 31, 2004</b>
Mortgage loans, 2004 practice	497,563	516,600
Interest-rate risk adjustment	3,615	7,707
Impairment, reduction	96	121
<b>Mortgage loans at fair value, IFRS practice</b>	<b><u>501,274</u></b>	<b><u>524,428</u></b>
<b>Fixed-price agreements, fair value adj., IFRS practice</b>	<b><u>-759</u></b>	<b><u>1,749</u></b>
Issued mortgage bonds, 2004 practice	603,120	656,415
Fair value adjustment	2,856	9,456
Issued mortgage bonds at fair value	<u>605,976</u>	<u>665,871</u>
Set-off of own mortgage bonds at fair value	87,853	134,470
<b>Issued mortgage bonds at fair value, IFRS practice</b>	<b><u>518,123</u></b>	<b><u>531,401</u></b>

The effect on shareholders' equity of transition to fair value, except reduced impairment, can be calculated as follows:

Mortgage loans, interest-rate risk adjustment	3,615	7,707
Fixed-price agreements, fair value adjustment	-759	1,749
Issued mortgage bonds, fair value adjustment	-2,856	-9,456
<b>Net effect on shareholders' equity</b>	<b><u>0</u></b>	<b><u>0</u></b>



# Transition to IFRS, Group

## Realkredit Danmark Group

The Realkredit Danmark Group made the transition to the International Financial Reporting Standards (IFRS) as adopted by the EU with effect from January 1, 2005. The effects on comparative figures for 2004 are shown below.

<b>EFFECTS ON INCOME STATEMENT</b>	<b>Previous practice</b>		<b>New practice</b>	
DKr m	<b>2004</b>	<b>Change</b>	<b>2004</b>	
Interest income	27,188	-833	26,355	Interest income
Interest expense	23,148	-814	22,334	Interest expense
<b>Net interest income</b>	<b>4,040</b>	<b>-19</b>	<b>4,021</b>	<b>Net interest income</b>
Dividends from shares	16	-	16	Dividends from shares
Fee and commission income	795	-	795	Fee and commission income
Fees and commissions paid	564	-	564	Fee and commission expense
<b>Net interest and fee income</b>	<b>4,287</b>	<b>-19</b>	<b>4,268</b>	<b>Net interest and fee income</b>
Secur. and foreign exchange income	-305	-48	-353	Value adjustments
Other operating income	159	-33	126	Other operating income
Staff costs and administrative expenses	1,351	-4	1,347	Staff costs and administrative expenses
Amortisation, depreciation and write-downs	31	-17	14	Impairment, amortisation and depreciation
Prov. for bad and doubtful debts	7	-25	-18	Credit loss expenses
Income from associated and subsidiary undertakings	23	-	23	Income from associated and subsidiary undertakings
<b>Profit before tax</b>	<b>2,775</b>	<b>-54</b>	<b>2,721</b>	<b>Profit before tax</b>
Tax	653	2	655	Tax
<b>Net profit for the year</b>	<b>2,122</b>	<b>-56</b>	<b>2,066</b>	<b>Net profit for the year</b>

# Transition to IFRS, Group

## Realkredit Danmark Group

EFFECTS ON BALANCE SHEET	Previous practice Dec. 31 2004	Change	New practice Dec. 31 2004	
DKr m				
<b>ASSETS</b>				
Cash in hand and demand deposits with central banks	3	-	3	Cash in hand and demand deposits with central banks
Due from credit institutions and deposits with central banks	12,883	-	12,883	Due from credit institutions and central banks
Bonds	169,940	-134,470	35,470	Bonds at fair value
Mortgage loans	516,600	7,828	524,428	Mortgage loans at fair value
Other loans	497	110	607	Loans and other amounts due at amortised cost
Shares	154	-	154	Shares
Holdings in associated undertakings	267	-	267	Holdings in associated undertakings
-	-	653	653	Land and buildings
-	-	366	366	Investment property
-	-	287	287	Domicile property
Tangible assets	676	-658	18	Other tangible assets
-	-	22	22	Current tax assets
-	-	88	88	Deferred tax assets
Other assets	6,849	-4,907	1,942	Other assets
Prepayments	19	55	74	Prepayments
<b>Total assets</b>	<b>707,888</b>	<b>-131,279</b>	<b>576,609</b>	<b>Total assets</b>
<b>LIABILITIES AND EQUITY</b>				
Due to credit institutions and central banks	2,068	-	2,068	Due to credit institutions and central banks
Issued bonds	656,415	-125,014	531,401	Issued mortgage bonds at fair value
Other liabilities	20,930	-7,508	13,422	Other liabilities
Provisions for liabilities	616	-616	-	Reserves in early series subject to a reimbursement obligation
<b>Shareholders' equity</b>				<b>Shareholders' equity</b>
Share capital	625	-	625	Share capital
Reserves in series	2,104	-	2,104	Reserves in series
Other reserves	25,130	1,859	26,989	Other reserves
<b>Total shareholders' equity</b>	<b>27,859</b>	<b>1,859</b>	<b>29,718</b>	<b>Total shareholders' equity</b>
<b>Total liabilities and equity</b>	<b>707,888</b>	<b>-131,279</b>	<b>576,609</b>	<b>Total liabilities and equity</b>



# New accounting policies, parent company

## Realkredit Danmark A/S

The parent company, Realkredit Danmark A/S, has adjusted its accounting policies with effect from 2005 to comply with the Danish Financial Business Act and the new executive order of the Danish Financial Supervisory Authority.

The table below shows the effects on the comparative figures for 2004.

EFFECTS ON INCOME STATEMENT DKr m	Previous practice		New practice	
	2004	Change	2004	
Interest income	27,183	-833	26,350	Interest income
Interest expense	23,147	-814	22,333	Interest expense
<b>Net interest income</b>	<b>4,036</b>	<b>-19</b>	<b>4,017</b>	<b>Net interest income</b>
Dividend from shares	14	-	14	Dividend from shares
Fee and commission income	795	-	795	Fee and commission income
Fees and commissions paid	564	-	564	Fee and commission expense
<b>Net interest and fee income</b>	<b>4,281</b>	<b>-19</b>	<b>4,262</b>	<b>Net interest and fee income</b>
Secur. and foreign exchange income	-305	-48	-353	Value adjustments
Other operating income	34	-33	1	Other operating income
Staff costs and administrative expenses	1,270	-4	1,266	Staff costs and administrative expenses
Amortisation, depreciation and write-downs	28	-20	8	Impairment, amortisation and depreciation
Prov. for bad and doubtful debts	7	-25	-18	Credit loss expenses
Income from associated and subsidiary undertakings	70	-11	59	Income from associated and subsidiary undertakings
<b>Profit before tax</b>	<b>2,775</b>	<b>-62</b>	<b>2,713</b>	<b>Profit before tax</b>
Tax	653	-9	644	Tax
<b>Net profit for the year</b>	<b>2,122</b>	<b>-53</b>	<b>2,069</b>	<b>Net profit for the year</b>

# New accounting policies, parent company

## Realkredit Danmark A/S

EFFECTS ON BALANCE SHEET	Previous practice Dec. 31 2004	Change	New practice Dec. 31 2004	
DKr m				
<b>ASSETS</b>				
Cash in hand and demand deposits with central banks	3	-	3	Cash in hand and demand deposits with central banks
Due from credit institutions and deposits with central banks	12,849	-	12,849	Due from credit institutions and central banks
Bonds	169,940	-134,470	35,470	Bonds at fair value
Mortgage loans	516,600	7,828	524,428	Mortgage loans at fair value
Other loans	469	110	579	Loans and other amounts due at amortised cost
Shares	102	-	102	Shares
Holdings in associated undertakings	267	-	267	Holdings in associated undertakings
Holdings in subsidiary undertakings	152	-	152	Holdings in subsidiary undertakings
-	-	691	691	Land and buildings
-	-	366	366	Investment property
-	-	325	325	Domicile property
Tangible assets	675	-658	17	Other tangible assets
-	-	21	21	Current tax assets
-	-	75	75	Deferred tax assets
Other assets	6,797	-4,893	1,904	Other assets
Prepayments	18	55	73	Prepayments
<b>Total assets</b>	<b>707,872</b>	<b>-131,241</b>	<b>576,631</b>	<b>Total assets</b>
<b>LIABILITIES AND EQUITY</b>				
Due to credit institutions and central banks	2,068	-	2,068	Due to credit institutions and central banks
Issued bonds	656,415	-125,014	531,401	Issued mortgage bonds at fair value
Other liabilities	20,914	-8,041	12,873	Other liabilities
Provisions for liabilities	616	-83	533	Reserves in early series subject to a reimbursement obligation
<b>Shareholders' equity</b>				<b>Shareholders' equity</b>
Share capital	625	-	625	Share capital
Revaluation reserve	-	18	18	Revaluation reserve
Reserves in series	2,104	-	2,104	Reserves in series
Other reserves	25,130	1,879	27,009	Other reserves
<b>Total shareholders' equity</b>	<b>27,859</b>	<b>1,897</b>	<b>29,756</b>	<b>Total shareholders' equity</b>
<b>Total liabilities and equity</b>	<b>707,872</b>	<b>-131,241</b>	<b>576,631</b>	<b>Total liabilities and equity</b>



Realkredit Danmark  
Jarmers Plads 2  
DK-1590 København V

Telephone +45 70 12 53 00

[www.rd.dk](http://www.rd.dk)

E-mail [rd@rd.dk](mailto:rd@rd.dk)

CVR-nr. 13 39 91 74 – København