

*[Translation by Danske Bank of a report from the Danish Financial Supervisory Authority (Finanstilsynet).
In case of discrepancies, the Danish version prevails.]*

MEMORANDUM

Financial Supervisory Authority

3 March 2011

REAL

File No. 6852-0040

Report on inspection at Realkredit Danmark A/S

Introduction

During the period from November 2010 to January 2011, the Danish Financial Supervisory Authority (FSA) conducted an inspection at Realkredit Danmark A/S. We performed a function-based inspection, that is, an inspection of a selected area.

We reviewed Realkredit Danmark A/S's real property valuation model, which Realkredit Danmark may use for the valuation of owner-occupied residences in cases for which we have granted exemption from the duty of inspection of the property, externally and internally, prior to the final valuation.

This report must be published in accordance with the Danish Executive Order on the Duty of Banks and Mortgage Credit Institutions to Publish the Danish FSA's Assessment of the Institution (the Executive Order on Publication).

Summary and risk assessment

The exemption from the duty of inspection granted to Realkredit Danmark currently covers detached and terrace houses and owner-occupied flats.

Our inspection included the review of about 200 loan files, equal numbers of properties valuated on the basis of the real property valuation model and properties valuated after a conventional inspection. The FSA's real property inspectors inspected 30 of the properties in connection with our function-based inspection at Realkredit Danmark A/S. The inspection showed that the real property valuation model's pricing was in accordance with the actual market level. The inspection did therefore not give rise to comments on Realkredit Danmark A/S's real property valuation model.

In a few of the files, we considered that the valuation was too high. All these files concerned properties valued conventionally.

In the light of the inspection, the FSA considers that there is no need for further add-ons to the solvency need.