

MEMORANDUM

**Danish Financial
Supervisory Authority**

30 August 2010

File No. 6852-0035

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[Translation of memorandum from the Danish FSA (Finanstilsynet). In case of discrepancies, the Danish version prevails.]

Statement on inspection of Realkredit Danmark A/S

1. Introduction

In April 2010, the Danish Financial Supervisory Authority (FSA) inspected Realkredit Danmark A/S. We performed a function-based inspection, that is, an inspection of one or more selected areas.

We inspected delinquencies and exposures to agricultural customers.

This statement is 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.

2. Summary and risk assessment

The delinquency rate at Realkredit Danmark is rising slightly, but from a low level and the rate does not deviate from that of comparable mortgage credit institutions.

We inspected 30 specific delinquent exposures. We had no comments on the way in which Realkredit Danmark handles delinquencies.

Realkredit Danmark's exposure to agricultural customers constitutes around 7.2% of its total loan portfolio. The market share of lending to agricultural customers decreased in 2009. We do not consider the value of the collateral covering Realkredit Danmark's exposure to agricultural customers to deviate from the sector average.

Our inspection covered 39 specific exposures to agricultural customers. Our examination of delinquent exposures and exposures to agricultural customers revealed no concrete examples of exposures for which impairment charges were necessary but had not been made or exposures for which the impairment charges made were inadequate. We have, however, provided risk information to Realkredit Danmark stating that some exposures exhibit

significant weakness and require particularly close follow-up on the part of Realkredit Danmark.

Finally, we have provided risk information stating that only formalised bank guarantees may be included in the calculation of collateral value, and that, although the loan-to-value ratio for a property may be low, it may be necessary to assess whether impairment charges should be made if there is objective evidence of impairment, for example if the debtor is in serious financial difficulty.

Overall, on the basis of the results of our inspection of the areas stated, we believe that there is currently no need to raise the ICAAP result.