

Company announcement for the first quarter results 2025

Kamilla Hammerich Skytte, CEO, comments on the first quarter of 2025:

“The financial performance for the first quarter was satisfactory. Relative to the same period in 2024, the underlying business was performing at a similar level, while the first quarter of 2025 benefited from a net loan impairment reversal. During the first quarter, the loan-to-value ratio fell to 51%; This is a continuing indication of the strong credit quality of the loan portfolio.

Despite significant geopolitical and economic uncertainty, the Danish economy continues to be in good shape. The growing uncertainty has, however, rubbed off on consumer confidence, which has dropped to a very low level, but households continue to be supported by a decent increase in real income and the still favourable development in the labour market. Consequently, the housing market was off to a good start in 2025 with decent growth in activity and a continued rise in prices. We still expect house prices to continue to increase during the remainder of 2025.

Commercial real estate market activity expanded steadily towards the end of 2024, and this positive trend has continued into the first quarter of 2025. It has become a little easier to align the interests of buyers and sellers after a period with very low transaction activity. This is because the required rate of return has been adjusted to reflect the somewhat higher interest rate level than we saw some years ago.

As part of the Danske Bank Group, we constantly focus on providing customers with the best possible advice and attractive loan terms across the Group’s mortgage and bank home loans. In recent years, we have taken a number of initiatives to proactively strengthen our position in home finance across the Group.

To support our advisory services and competitiveness, we recently decided to remove the additional margin on interest-only periods for new loans where the loan-to-value ratio is below 60%. We want to challenge the notion that you should always repay your mortgage loan in full. We believe that it makes sense to look at your personal finances as a whole rather than to look at home finance, pension savings and cash funds as separate parts of your personal finances. A 360 degree view offers a range of different opportunities for optimising the overall financial position. With this measure, we want to encourage customers to consider whether their personal finances are organised to support their wishes and goals also in the long term.

We continue to see considerable potential within energy efficiency improvements in the Danish housing market. Our latest surveys indicate that around 10% of homeowners plan to improve the energy efficiency of their home during the coming year.

There is growing awareness and concern among homeowners regarding the impact of climate change. This shift is important and reflects the ongoing public debate on the challenges linked to climate adaption. Danske Bank has launched new initiatives to support homeowners in the process of adapting their home to withstand climate change effects. For this purpose, both Danske Bank and Realkredit Danmark offer loans without fees, which we are communicating proactively to our customers. Furthermore, as individual homeowners’ initiatives cannot stand alone, we endorse the financial sector’s proposal on different models for utilising mortgage financing to fund dikes and dams.

In the commercial real estate market, the momentum in terms of energy efficiency improvements is increasing, supported by continued interest in the solutions provided by our partners Sweco and climate tech company Comundo. We also see that commercial real estate owners are taking steps to understand and mitigate potential climate-related risks in their property portfolios.”

Results for the first quarter of 2025

Realkredit Danmark's net profit for the first quarter of 2025 was DKK 1,249 million (Q1 2024: DKK 1,005 million). The increase was driven primarily by a net reversal of loan impairment charges.

Expenses amounted to DKK 223 million (Q1 2024: DKK 278 million). The decrease was due partly to 2024 being the final year in which expenses included contributions to the Danish resolution fund.

Credit quality remained strong, and loan impairment charges amounted to a net reversal of DKK 89 million in the first quarter of 2025 (Q1 2024: charge of DKK 199 million). Loan impairment charges benefited from a net reversal of post-model adjustments of DKK 118 million as the positive effects of lower inflation and interest rates continued to materialise. At 31 March 2025, the allowance account totalled DKK 2,851 million (end-2024: DKK 2,968 million).

Mortgage lending at nominal value increased DKK 1.1 billion in the first quarter of 2025. Gross lending amounted to DKK 27.1 billion (Q1 2024: DKK 23.2 billion). Total green bond lending amounted to DKK 30.3 billion at 31 March 2025 (end-2024: DKK 29.0 billion).

Realkredit Danmark has a proprietary portfolio of DKK 53.4 billion, of which DKK 28.0 billion is managed through a hold-to-collect portfolio. This portfolio is reported at amortised cost, and at 31 March 2025, the market value was DKK 0.2 billion lower (end-2024: DKK 0.2 billion lower).

Realkredit Danmark expects net profit in 2025 to be marginally below net profit in 2024.

Mortgage market

Since the new US president took office in January, political and economic uncertainty has been increasing. This is due to heightened geopolitical tension, uncertainty about the future economic direction in the US and an increasing risk of a major trade war that could hinder economic growth. This has also impacted the financial markets, and the stock market had a volatile start to the year.

We also saw fluctuations in the fixed-income markets in the first quarter of 2025, particularly with German government bond yields rising steeply in March following the announcement of major fiscal easing with prospects of vast investments in defence and infrastructure over several years. This will trigger an increased supply of government bonds to finance the cost, leading to a rise in Danish government bond yields and Danish mortgage rates. A potential remortgaging wave from fixed-rate mortgage loans with a coupon of 5% to loans with a coupon of 3.5% is thus postponed, and the fixed-rate 30-year 4% loan is again the leading fixed-rate loan.

The uncertain times have spread to consumers in Denmark, as consumer confidence declined further in the first quarter of 2025 and is approaching the levels seen during the financial crisis. This development has, however, not yet affected neither the Danish economy nor the housing market. Employment continues to be at a record-high level, while activity in the housing market maintains a steady pace. Housing prices in general, and especially in the market for owner-occupied flats in Copenhagen, started the year well.

Regarding the commercial real estate market, the macroeconomic environment continues to be supportive, interest rates have come down somewhat and the transaction market is showing the first small signs of improvement. However, there is little doubt that some of the improvement is challenged by the increasing geopolitical risks. In terms of the different segments, the market for residential rental property looks solid, the market for office space is challenged by the increase in supply and the retail market is managing, although in a difficult environment.

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Financial highlights – Realkredit Danmark Group

INCOME STATEMENT	Q1	Q1	Index	Q1	Q4	Q3	Q2	Q1	Full year
(DKK millions)	2025	2024	25/24	2025	2024	2024	2024	2024	2024
Administration margin	1,408	1,387	102	1,408	1,388	1,386	1,382	1,387	5,543
Net interest income	362	367	99	362	433	403	342	367	1,545
Net fee income	11	50	22	11	53	-85	3	50	21
Income from investment portfolios	13	11	118	13	-5	65	25	11	96
Other income	27	20	135	27	24	29	22	20	95
Total income	1,821	1,835	99	1,821	1,893	1,798	1,774	1,835	7,300
Expenses	223	278	80	223	238	261	233	278	1,010
Profit before loan impairment charges	1,598	1,557	103	1,598	1,655	1,537	1,541	1,557	6,290
Loan impairment charges	-89	199	-	-89	-3	109	28	199	333
Profit before tax	1,687	1,358	124	1,687	1,658	1,428	1,513	1,358	5,957
Tax	438	353	124	438	420	371	389	353	1,533
Net profit for the period	1,249	1,005	124	1,249	1,238	1,057	1,124	1,005	4,424

BALANCE SHEET (END OF PERIOD)									
(DKK millions)									
Due from credit institutions etc.	18,213	16,632	110	18,213	17,628	15,693	12,030	16,632	17,628
Mortgage loans	750,221	746,880	100	750,221	755,539	758,532	744,296	746,880	755,539
Bonds and shares	54,745	53,949	101	54,745	52,291	47,629	48,045	53,949	52,291
Other assets	2,472	2,888	86	2,472	1,565	2,347	2,076	2,888	1,565
Total assets	825,651	820,349	101	825,651	827,023	824,201	806,447	820,349	827,023
Due to credit institutions etc.	3,500	2,005	175	3,500	3,500	2,000	2,000	2,005	3,500
Issued mortgage bonds	764,758	760,589	101	764,758	762,125	761,675	746,434	760,589	762,125
Other liabilities	5,898	6,529	90	5,898	6,756	7,113	5,660	6,529	6,756
Shareholders' equity	51,495	51,226	101	51,495	54,642	53,413	52,353	51,226	54,642
Total liabilities and equity	825,651	820,349	101	825,651	827,023	824,201	806,447	820,349	827,023

RATIOS AND KEY FIGURES									
Net profit for the period as % p.a.									
of average shareholders' equity	9.4	7.9		9.4	9.2	8.0	8.7	7.9	8.4
Impairment charges as % p.a.									
of mortgage lending	-0.05	0.11		-0.05	-0.01	0.06	0.02	0.11	0.04
Cost/income ratio (%)	12.2	15.1		12.2	12.6	14.5	13.1	15.1	13.8
Total capital ratio (%)	28.8	31.4		28.8	31.9	30.6	31.6	31.4	31.9
Tier 1 capital ratio (%)	28.8	31.4		28.8	31.9	30.6	31.6	31.4	31.9
Mortgage loans, nominal value	795,641	801,172		795,641	794,566	799,342	801,855	801,172	794,566
Full-time-equivalent staff (end of period)	230	224		230	233	231	226	224	233

The company announcement for the first quarter of 2025 is not presented in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim reports of issuers of listed bonds.