

Company announcement for the first nine months of 2024

Kamilla Hammerich Skytte, CEO, comments on the third quarter of 2024:

“The result for the third quarter is stable and is on track with expectations for the full year of 2024.

For both the private market and the commercial market, loan impairment charges continued to be at low levels.

Following a slow start to the year, activity in the housing market has returned to a more normal level, albeit not nearly to the high level we saw during the Covid-19 pandemic and up until 2022.

There has been a stable trend in total home finance lending in the Danske Bank Group across mortgage and bank home loans. We see that customers appreciate the focus that Realkredit Danmark and Danske Bank have on providing advice on home finance across our bank home loan and mortgage credit products. Customers also value our holistic approach to advice regarding their financial situation and plans for the future.

The introduction of climate adaptation loans for personal customers and a favourable offer for advisory services in relation to climate-proofing of homes are testament to our focus on the green transition and the challenges that climate change is already now posing.

In the commercial market, Realkredit Danmark and Danske Bank have further strengthened the focus on the green transition by entering into partnerships with Sweco, one of Europe’s largest architecture and engineering consultancies, and climate tech company Comundo. Through the new partnerships, our business customers have easier access to an overview of energy data and to the right advice on how to improve the energy efficiency of their properties. On the basis of this information and the customer’s ESG strategy, we can together prepare a customised financing plan that enables the customer to reach their ESG targets.

Realkredit Danmark winning the Euronext Securities award for the largest issue of green bonds in 2024 is further testament to our work on helping our customers with their green transition.”

First nine months of 2024

For the first nine months of 2024, Realkredit Danmark’s net profit was DKK 3,186 million (Q1-Q3 2023: DKK 3,218 million). The topline increased, driven by the higher interest rate levels, although the increase was offset by model-based loan impairment charges.

Expenses amounted to DKK 772 million (Q1-Q3 2023: DKK 766 million).

Credit quality remained solid, and loan impairment charges amounted to DKK 336 million in the first nine months of 2024 (Q1-Q3 2023: net reversal of DKK 18 million). Loan impairment charges were affected by a planned model change of DKK 100 million and a net increase in post-model adjustments of DKK 75 million, which related partly to the agriculture segment to counter potential CO₂ taxation. At 30 September 2024, the total allowance account amounted to DKK 2,997 million (end-2023: DKK 2,738 million).

Mortgage lending at nominal value decreased DKK 6.8 billion in the first nine months of 2024. Gross lending amounted to DKK 62.1 billion (Q1-Q3 2023: DKK 75.0 billion). Total green bond lending amounted to DKK 28.4 billion at 30 September 2024.

Realkredit Danmark has a proprietary portfolio of DKK 52.5 billion, of which DKK 31.1 billion is managed through a hold-to-collect portfolio. This portfolio is reported at amortised cost, and at 30 September 2024, the market value was DKK 0.2 billion lower (end-2023: DKK 0.8 billion).

Realkredit Danmark expects net profit in 2024 to be on level with net profit in 2023.

Mortgage market

The Danish economy as a whole and the labour market have continued to perform reasonably well. This supports the housing market, as does the decline in mortgage bond yields in step with the prospect of central bank rate cuts. In September, we saw a comeback for the 3.5% 30-year fixed rate loan, but the 4% loan was, however, still the benchmark loan. This is due to the price of the 4% bond being closer to par, which means that the price risk is lower for the customer.

Furthermore, momentum in real wages was strong due to high wage increases and low inflation. An analysis made in the summer also showed that the income requirement for buying a house for a typical family fell in 91 out of 98 municipalities in Denmark when taking the income development into account.

Looking at the most recent housing market indicators, we see that sales activity has recovered since the downturn at the beginning of the year, and we have close to 'normal' housing market activity, although it is far from the high levels witnessed during the pandemic and towards 2022.

House prices have seen an upward trend at a moderate pace in 2024. Also, prices of owner-occupied flats in Copenhagen are almost 3% higher than at the end of 2023, even though the permanent tax rebate was discontinued at the turn of the year.

In the market for commercial properties, the underlying cashflow derived from the properties remained healthy, reflecting a period with a high level of occupancy. We also see that the balance between the return on properties and the financing rate continues on a positive trajectory, which supports the transaction market after a period with low activity.

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Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKK millions)	Q1-Q3 2024	Q1-Q3 2023	Index 24/23	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Full year 2023
Administration margin	4,155	4,200	99	1,386	1,382	1,387	1,393	1,394	5,593
Net interest income	1,112	724	154	403	342	367	390	314	1,114
Net fee income	-32	-85	38	-85	3	50	15	-87	-70
Income from investment portfolios	101	139	73	65	25	11	44	42	183
Other income	71	62	115	29	22	20	22	23	84
Total income	5,407	5,040	107	1,798	1,774	1,835	1,864	1,686	6,904
Expenses	772	766	101	261	233	278	289	250	1,055
Profit before loan impairment charges	4,635	4,274	108	1,537	1,541	1,557	1,575	1,436	5,849
Loan impairment charges	336	-18	-	109	28	199	-96	-4	-114
Profit before tax	4,299	4,292	100	1,428	1,513	1,358	1,671	1,440	5,963
Tax	1,113	1,074	104	371	389	353	495	363	1,569
Net profit for the period	3,186	3,218	99	1,057	1,124	1,005	1,176	1,077	4,394

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	15,693	13,759	114	15,693	12,030	16,632	11,618	13,759	11,618
Mortgage loans	758,532	726,741	104	758,532	744,296	746,880	753,624	726,741	753,624
Bonds and shares	47,629	45,827	104	47,629	48,045	53,949	49,580	45,827	49,580
Other assets	2,347	1,803	130	2,347	2,076	2,888	1,441	1,803	1,441
Total assets	824,201	788,130	105	824,201	806,447	820,349	816,263	788,130	816,263
Due to credit institutions etc.	2,000	2,000	100	2,000	2,000	2,005	2,000	2,000	2,000
Issued mortgage bonds	761,675	728,989	104	761,675	746,434	760,589	756,509	728,989	756,509
Other liabilities	7,113	8,064	88	7,113	5,660	6,529	7,531	8,064	7,531
Shareholders' equity	53,413	49,077	109	53,413	52,353	51,226	50,223	49,077	50,223
Total liabilities and equity	824,201	788,130	105	824,201	806,447	820,349	816,263	788,130	816,263

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	8.2	8.7		8.0	8.7	7.9	9.5	8.9	8.8
Impairment charges as % p.a. of mortgage lending	0.06	-0.01		0.06	0.02	0.11	-0.05	-0.01	-0.02
Cost/income ratio (%)	14.3	15.2		14.5	13.1	15.1	15.5	14.8	15.3
Total capital ratio (%)	30.6	29.3		30.6	31.6	31.4	31.5	29.3	31.5
Tier 1 capital ratio (%)	30.6	28.8		30.6	31.6	31.4	31.1	28.8	31.1
Mortgage loans, nominal value	799,342	807,956		799,342	801,855	801,172	806,154	807,956	806,154
Full-time-equivalent staff (end of period)	231	231		231	226	224	229	231	229

The company announcement for the first nine months of 2024 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.