

Annual Report 2020



Contents

Management's report

Financial highlights	2
Financial review	3
The year 2020	3
Results	4
Balance sheet	5
Capital and solvency	5
Fourth quarter 2020	5
Outlook for 2021	5
Macroeconomics and Property market	6
Lending	11
Funding	14
Capital and risk management	16
Organisation and management	19

Financial statements

Income statement and Comprehensive income	22
Balance sheet	23
Statement of capital	24
Cash flow statement	28
Notes	29

Statement and report

Statement by the management	67
Auditor's report	68

Directorships

Board of Directors	71
Executive Board	72

Supplementary information

	73
--	----

5-year financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE YEAR

(DKK millions)	2020	2019	2018	2017	2016
Administration margin	5,923	6,082	6,222	6,186	5,890
Net interest income	97	203	142	59	123
Net fee income	-611	-528	-617	-601	-611
Income from investment portfolios	656	839	577	662	786
Other income	114	117	125	180	141
Total income	6,179	6,713	6,449	6,486	6,329
Expenses	864	812	703	736	790
Profit before loan impairment charges	5,315	5,901	5,746	5,750	5,539
Loan impairment charges	335	265	-204	147	182
Profit before tax	4,980	5,636	5,950	5,603	5,357
Tax	1,097	1,240	1,301	1,235	1,176
Net profit for the year	3,883	4,396	4,649	4,368	4,181

BALANCE SHEET (AT 31 DECEMBER)

(DKK millions)	2020	2019	2018	2017	2016
Due from credit institutions etc.	25,045	53,826	21,446	30,072	31,491
Mortgage loans	816,577	802,579	796,045	788,765	767,695
Bonds and shares	47,187	52,363	51,158	54,851	59,582
Other assets	2,459	3,780	2,568	3,202	3,909
Total assets	891,268	912,548	871,217	876,890	862,677
Due to credit institutions etc.	2,000	4,003	778	4,294	6,355
Issued mortgage bonds	835,217	853,479	809,091	810,050	782,526
Issued senior debt	-	-	5,952	6,616	17,318
Other liabilities	4,461	5,073	5,481	6,039	7,131
Shareholders' equity	49,590	49,993	49,915	49,891	49,347
Total liabilities and equity	891,268	912,548	871,217	876,890	862,677

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareholders' equity	7.8	8.8	9.3	8.8	8.5
Cost/income ratio (%)	14.0	12.1	10.9	11.3	12.5
Total capital ratio (%)	27.4	31.1	30.6	28.3	30.1
Tier 1 capital ratio (%)	26.9	30.7	30.3	28.1	29.6
Full-time-equivalent staff, end of year	234	237	229	232	235

The financial highlights in the table above are alternative performance measures which deviate from the presentation according to IFRS. See note 2 for an explanation of the differences and a reconciliation between these measures and IFRS.

Financial review

Overview

- The Realkredit Danmark Group recorded a net profit of DKK 3,883 million in 2020, against DKK 4,396 million in 2019. The profit was affected by higher loan impairment charges and lower administration margin income, while income relating to lending activity declined in 2020 after very strong remortgaging activity in 2019.
- Loan impairment charges amounted to an expense of DKK 335 million in 2020, against DKK 265 million in 2019. This is driven by a reversal of the modelled expected credit losses of DKK 265 million in all main industries and a post-model adjustment of DKK 723 million related to the continued uncertainty as to how the corona crisis affects the economy.
- Fixed-rate mortgages are low risk and low margin loans. They have regained the role as the preferred mortgage loan among Danish homeowners. This, combined with the fact that customers are increasingly making repayments on their loans resulted in a small drop in administration margin income.
- In September 2020, Realkredit Danmark launched FlexLife® with fixed rate of interest for 30 years and enhanced flexibility. FlexLife® with fixed rate was very well received by customers, and at 31 December 2020, Realkredit Danmark had disbursed loans for DKK 7 billion.
- Realkredit Danmark has in 2020 continued its focus on green bond initiatives to contribute to the green transition, and was the first mortgage credit institution to have their green bonds classified as most liquid assets.
- With interest rates falling to all-time lows, the remortgaging activity recorded in 2019 has continued into early 2020, but at a significantly lower level than in 2019.
- Realkredit Danmark expects net profit for 2021 to be marginally lower than in 2020.

The year 2020

Realkredit Danmark had a satisfactory year in 2020 with the launch of a new product, enhanced focus on green bond initiatives and a portfolio increase of DKK 10 billion but with a lower result than in 2019. The profit was affected by higher loan impairment charges and lower administration margin income, while income relating to lending activity declined in 2020 after very strong remortgaging activity in 2019.

In September 2020, Realkredit Danmark launched FlexLife® with fixed rate of interest for 30 years and enhanced flexibility. FlexLife® with fixed rate was very well received by customers, and at 31 December 2020, Realkredit Danmark had disbursed loans for DKK 7 billion.

FlexLife® with fixed rate of interest offers customers maximum payment predictability throughout the term of the mortgage, while also offering greater flexibility. FlexLife® with fixed rate allows customers to make adjustments every quarter. By comparison, FlexLife® with variable interest rate can only be adjusted at every refinancing date.

FlexLife® with fixed rate of interest primarily targets customers seeking the highest possible freedom when determining their mortgage repayments, for example to free up funds for pension savings or to be able to continue to live in their home for the rest of their lives. The product also targets customers willing to accept a higher price for financial security and flexibility if their life should change unexpectedly.

In the business customer segment, the mortgage product is particularly suitable for co-operative housing societies and residential letting. Co-operative housing societies may achieve greater rent predictability and a balanced increase in their adjusted equity. The residential letting segment may also use the mortgage to obtain a predictable, long-term financing structure that also releases liquidity for property maintenance and modernisation.

FlexLife® fixed rate are based on a new fixed-rate bond and a 30-year interest-only period. This allows customers to exploit prepayment opportunities in the same way as for our other fixed-rate mortgages.

Realkredit Danmark was the first among Danish mortgage credit institutions to launch green covered bonds in Denmark, and was the first mortgage credit institution to have their green bonds classified as most liquid assets. Named RD Cibor6® Green, the bond is issued to fund properties with documentation of energy efficiency.

The green loan is available for large business customers for the funding of eco-friendly property such as new office buildings, residential rental property, utilities or wind farms.

RD Cibor6® Green mortgages with a total value of DKK 6.7 billion have been disbursed to date.

In Sweden demand for green financing options have been even stronger than in Denmark. Realkredit Danmark now also offer green covered bonds to fund properties in Sweden. RD Stibor3® Green mortgages with a total value of DKK 3.0 billion have been disbursed to date.

In the future Realkredit Danmark will also offer green covered bonds in Norway.

With the launch of the green bonds, Realkredit Danmark aims to contribute to the green transition.

Customer responses have been very positive, and investors have welcomed our green initiative by pricing the bonds slightly better than similar non-green bonds.

For non commercial properties Realkredit Danmark customers can now, on attractive terms, take out loans for energy improvements of their homes. Realkredit Danmark wants to contribute to the green transition by supporting customers contemplating to make energy improvements to their home and at the same time reduce energy consumption and improve the indoor climate. Consequently, Realkredit Danmark has waived processing and loan fees of up to DKK 7,400 on energy improvement loans.

Realkredit Danmarks expects to continue to work actively to ensure attractive green financing opportunities for our customers.

Collaborating with Danske Bank, Realkredit Danmark is strongly committed to helping and supporting customers who are financially impacted by the corona crisis. Realkredit Danmark customers affiliated with Danske Bank may be granted a higher credit facility for an agreed period of time. Realkredit Danmark customers not affiliated with Danske Bank may defer mortgage payments by up to six months. To ease loan processing, Realkredit Danmark was granted a temporary exemption from the Danish FSA from carrying out an inspection of property interiors

The remortgaging activity from 2019 has continued into 2020, but at a significantly lower level than in 2019. After a decent level in the first quarter of 2020, activity fell when the corona crisis set in, resulting in a significantly lower level of activity in the rest of 2020. Realkredit Danmark remortgaged loans for DKK 80 billion in 2020 against 155 billion in 2019.

In 2020, borrower demand centred primarily on low risk and low margin fixed-rate mortgages and FlexLån® with 5-year refinancing intervals.

In nominal terms, repayment of principal is now at the same level as before interest-only mortgages were launched in 2003. Total ordinary repayments equalled 2% of the mortgage portfolio.

Corporate responsibility and sustainability are key elements of Realkredit Danmark's strategy. We want our customers and other stakeholders to be absolutely confident that in operating our business we factor in environmental, social, ethical and governance considerations.

Realkredit Danmark believes that responsible business conduct is a prerequisite for a company's long-term value creation.

Realkredit Danmark has adopted the Danske Bank Group's diversity policy. One of the focus areas of the policy is to increase the percentage of female managers. For example, this is achieved through a separate assessment of female applicants for managerial positions.

Realkredit Danmark keeps focusing on ensuring a robust compliance culture across its organisation, thereby ensuring that we live our core value of integrity in all interactions with our customers and stakeholders.

Realkredit Danmark's bonds are rated by S&P Global, Fitch Ratings and Scope Ratings. Recently, Fitch Rating upgraded the rating of the bonds issued from capital centre T from AA+ to AAA. This implies that all three rating agencies assign a rating of AAA to the bonds in both capital centre S and T. The Other reserves series capital centre is rated exclusively by S&P Global and these bonds also holds a rating of AAA.

The effective overcollateralisation requirement from the three agencies has declined during 2020, from DKK 44.8 billion end-2019 to DKK 40.2 billion end-2020.

Realkredit Danmark complies with all threshold values of the supervisory diamond for mortgage credit institutions.

Results

In 2020, Realkredit Danmark's net profit was DKK 3,883 million, against DKK 4,396 million the year before.

Developments in net profit for 2020 were primarily due to higher loan impairment charges and lower administration margin income, while income relating to lending activity declined in 2020 after very strong remortgaging activity in 2019.

Administration margin income fell DKK 159 million, especially due to lower average administration margins because an increasing number of customers opt out of interest-only mortgages and into mortgages with longer refinancing intervals. Customers are also increasingly making repayments on their mortgages.

Other income fell DKK 375 million in 2020, driven especially by lower income from lending activity in 2020.

Total income was lower than in the same period of 2019.

Expenses amounted to DKK 864 million, against DKK 812 million in 2019. The increase was attributable to costs for digitising and ongoing compliance remediation.

Loan impairment charges amounted to an expense of DKK 335 million in 2020, against DKK 265 million in 2019. This is driven by a reversal of the modelled expected credit losses of DKK 265 million in all main industries and a post-model adjustment of DKK 723 million related to the continued uncertainty as to how the corona crisis affects the economy. The DKK 723 million expresses risks that impairment models and the macro scenarios do not fully take into consideration. The total allowance account at 31 December 2020 amounted to DKK 2,849 million, against DKK 2,799 million at 31 December 2019. Despite the corona crisis, the underlying credit quality remains strong with low delinquencies and robust collateral.

Loan impairment charges equalled 0.04% of total mortgage lending, against 0.03% at the end of 2019.

The tax charge totalled DKK 1,097 million. The effective tax rate for the period was 22.0%.

Balance sheet

Gross lending amounted to DKK 160 billion, against DKK 234 billion in 2019. Mortgage lending at fair value rose DKK 14 billion to DKK 817 billion. The development in mortgage lending at fair value is composed of an increase in the nominal outstanding bond debt of DKK 10 billion and a DKK 4 billion increase in market value adjustments in the same period.

At end-2020, the average loan-to-value (LTV) ratio stood at 60%, which was at par with last year's ratio. An increase in loans calculated at market value was offset by rising property prices.

The number of new properties reposessed was 24 in 2020. The number of properties reposessed increased from year-end 2019, standing at 21, of which 12 were owner-occupied dwellings and 9 were commercial properties. The value of the properties reposessed was DKK 39 million. The delinquency rate at 31 December 2020 was unchanged from the level at the end of 2019, and at a persistently low level.

Issued mortgage bonds fell DKK 18 billion to DKK 835 billion. The nominal value of issued mortgage bonds was DKK 808 billion, which was DKK 22 billion less than at the end of 2019. The amounts are exclusive of holdings of own mortgage bonds. Realkredit Danmark issued bonds for a total of DKK 160 billion exclusive of bonds issued for refinancing auctions.

Realkredit Danmark is subject to the specific principle of balance and therefore has very limited exposure to market risks. At the end of 2020, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKK 1,101 million and DKK 1.8 million, respectively.

Capital and solvency

At the end of 2020, shareholders' equity stood at DKK 49.6 billion, against DKK 50.0 billion at the end of 2019. The ordinary dividend payment of DKK 4.3 billion and the consolidation of the net profit for the period accounted for the change. The Board of Directors is recommending that dividends of DKK 3.8 billion be paid for 2020.

Realkredit Danmark's total capital amounted to DKK 46.4 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD IV) was 27.4%. At 31 December 2019, the corresponding figures were DKK 46.2 billion and 31.1%, respectively.

Realkredit Danmark uses the internal ratings-based (IRB) approach to calculate the risk exposure amount for credit risks. The total risk exposure amount (REA) was DKK 169.6 billion at 31 December 2020, against DKK 148.4 billion at the end of 2019.

The binding capital requirement is the solvency need ratio plus the combined buffer requirement. At end-2020, the capital requirement was calculated at DKK 26.3 billion and 15.5% of the REA. Realkredit Danmark thus has a capital buffer of DKK 20.1 billion.

Under Danish law, Realkredit Danmark must publish its total capital and solvency need on a quarterly basis. The rd.dk site provides further information.

Fourth quarter 2020

Realkredit Danmark recorded a profit after tax of DKK 1,190 million in the fourth quarter of 2020, against DKK 910 million in the third quarter. The change in profit was attributable primarily to income from the refinancing of FlexLån® in the fourth quarter and a reversal of expected credit losses.

Outlook for 2021

Realkredit Danmark expects that the Danish economy still will be affected by the corona crisis in 2021. The outlook is therefore subject to uncertainty and depends on economic conditions in Denmark.

In 2021, Realkredit Danmark expects income to be at a lower level than in 2020 due to lower average administration margins and a lower remortgaging activity.

Realkredit Danmark expects expenses to be at a lower level than in 2020 due to lower costs to compliance.

Loan impairment charges are expected to be at the same level or lower than in 2020.

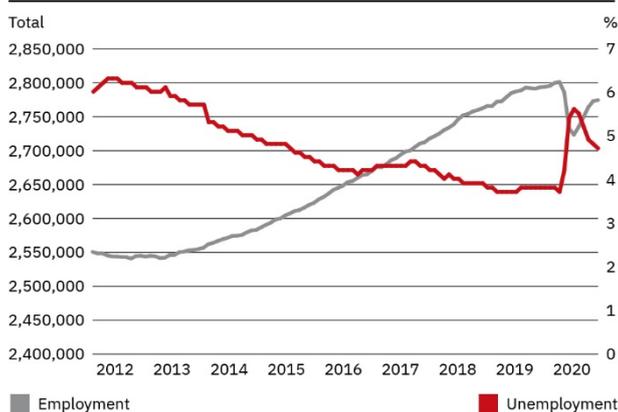
Realkredit Danmark therefore expects net profit to be marginally lower than in 2020.

Macroeconomics and Property market

Severe growth slump – but no “ordinary” crisis

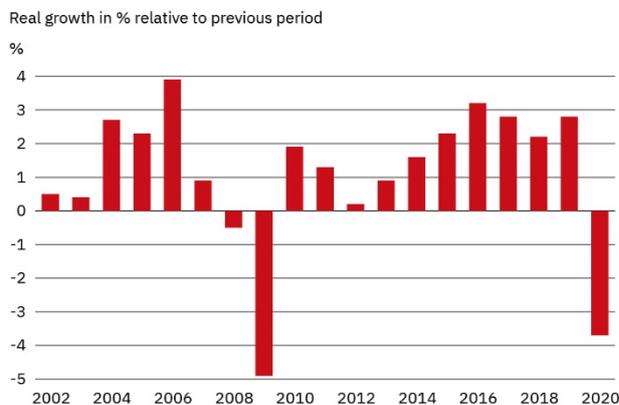
Going into 2020, developments in the US-China trade war, the Brexit end-game and the US presidential election were expected to be some of the dominant themes in the global economy. However, all these themes were side-lined when the coronavirus pandemic struck and prompted governments to enact social restrictions and lockdowns in many countries. The ensuing slowdown in global economic activity in the second quarter of the year was unparalleled in recent economic history. As the number of infections started to fall in late spring and early summer, restrictions were gradually lifted, sparking a rapid rebound in global economic activity in the third quarter with historically strong growth rates. Developments clearly demonstrated that the economic recession of 2020 was different from previous recessions because it was triggered by a health crisis and not by economic imbalances. Finally, the accommodative monetary policies pursued by central banks and active fiscal policies helped underpin the global economy.

Employment and unemployment



However, the health crisis did not release its grip on the economy, and the autumn months and tail end of the year saw the pandemic flare up again, leading to new restrictions and lockdowns. As a result, economic developments in the fourth quarter were somewhat weaker than usual. Overall, the Danish economy is expected to emerge from 2020 with negative growth of close to 4%. This would mean that Denmark, along with the other Nordic countries, will have come through 2020 relatively well in economic terms. However, that does not alter the fact that we have experienced the second-largest post-war drop in GDP, surpassed only by 2009 in the wake of the Global Financial Crisis.

GDP - growth



Overall, the economic downturn in 2020 turned out to be somewhat less severe than feared at the beginning of the year, when the corona crisis forced Denmark into lockdown. At that time, some of the worst-case forecast scenarios involved GDP dropping by up to 10%. There are several explanations why things have turned out significantly better than feared. Relief packages for the Danish economy, most notably the wage compensation scheme, secured a lifeline for businesses affected by restrictions and lockdown, we got the coronavirus infection rate relatively quickly under control during the spring months and, lastly, consumers and businesses were prepared to spend and invest when the restrictions were lifted. This also helped Danish businesses avoid the wave of bankruptcies feared in 2020. However, some industries have undoubtedly suffered a severe blow from the pandemic, especially restaurants, hotels and the travel industry, and it would be premature to discount the risk of a sharp increase in the number of bankruptcies in 2021, not least bearing in mind that restrictions to prevent the virus from spreading will probably stay in place throughout the winter and into the spring of 2021.

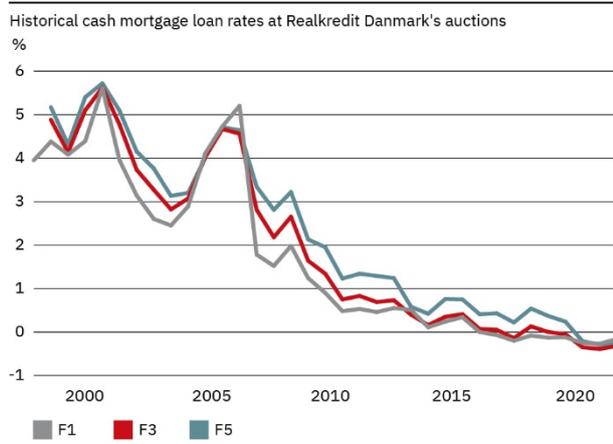
Fortunately, the year ended with renewed hopes for better times ahead. Several vaccines with strong test results have been rolled out in large-scale vaccination programmes. This means we are likely to get the pandemic under control in 2021, allowing for a return to more normal conditions without restrictions. Obviously, that would be supportive of economic activity, although the calendar will probably read 2022 before economic activity and unemployment return to pre-crisis levels.

Interest rates back to record-low levels

We started 2020 with close to historically low interest rates, and the situation had not changed by the end of the year. Over the course of the year, however, we briefly witnessed some interest rate drama when rates surged in March after the pandemic broke out. Uncertainty about the effects and duration of the corona crisis made investors shun the financial markets, and traditionally safe havens like the Danish mortgage bond market were also hit hard. As a result, from having a fixed-rate mortgage with a coupon of 0.5%, we suddenly had a fixed-rate 2% mortgage. However, the central banks reacted promptly to the pronounced financial turmoil. With accommodative monetary policies and large-scale asset purchase programmes, they helped ensure liquidity in the financial markets and investor confidence was restored relatively quickly. Another consequence was that the credit premiums on Danish mortgage bonds started to normalise, and by April the two fixed-rate 1% mortgages were once again the benchmarks. Since then, mortgage interest rates moved even lower, and we ended the year with a coupon of just 0.5% on the benchmark fixed-rate 30-year mortgage with standard repayments.

The two large ARM auctions of the year in February and November for new rates on 1 April and 1 January went entirely by the book, attracting strong investor interest and providing low interest rates to home owners and businesses. Both auctions ended with negative interest rates for borrowers holding 1-year, 3-year and 5-year ARMs, and at the February auction we recorded the lowest interest rates on our FlexLån® in Realkredit Danmark's history. In February, the interest rate on 1-year FlexLån® ended at -0.27%, on 3-year FlexLån® it ended at -0.39%, while the rate on 5-year FlexLån® was fixed at -0.29%.

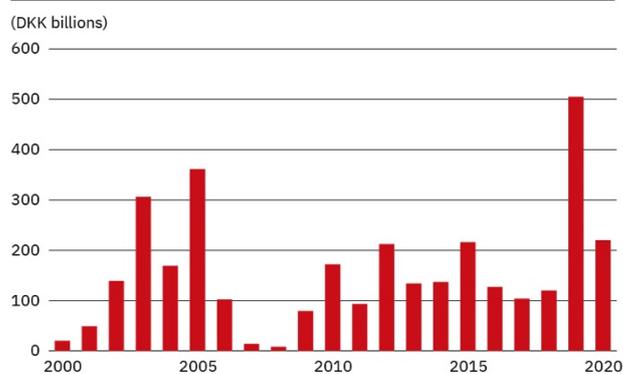
Rates on Flexlån®



Persistently strong remortgaging activity among borrowers

Low rates on fixed-rate mortgages triggered strong remortgaging activity in 2020. At the four notification deadlines for the year, fixed-rate mortgages for DKK 220 billion were prepaid. This puts 2020 towards the top of the list in terms of remortgaging activity in recent times, and even slightly above the levels of both 2012, when 3.5% and 3% mortgages were first launched, and during the so-called “krone battle” in 2015, when 2% and 1.5% mortgages were introduced to Danish homeowners. Specifically, 2020 takes fifth place in terms of remortgaging volume year since 1997.

Remortgaging activity in Denmark



The strong remortgaging activity in 2020 did not attract much attention, probably because it was evenly distributed over the year and did not occur in large individual remortgaging waves. Another reason was of course that the level of activity pales in comparison with 2019, when all remortgaging records were broken in Denmark, with loans totalling more than DKK 500 billion being remortgaged.

Strong demand for fixed interest rates and FlexLife®

What was in a historical context a relatively small differential between a short, variable interest rate and a fixed rate plus low levels of interest on fixed-rate mortgages allowed fixed-rate mortgages to continue to win market share from variable-rate mortgages. Going into 2020, fixed-rate mortgages had a market share of 48,2 % of lending for owner-occupied housing and holiday homes, but by the end of the year that share had climbed to close to 52,5 %. This made 2020 the year in which fixed-rate mortgages reclaimed the throne as the preferred mortgage among Danish homeowners. The last time this was the case was in May 2009. Back in 2012, the market share of fixed-rate mortgages reached an all-time low of around 30% of lending.

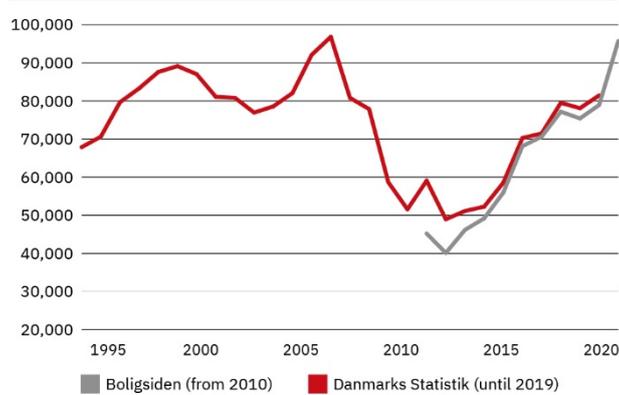
The strong demand for fixed-rate mortgages is also one of the reasons why Realkredit Danmark launched FlexLife® with fixed rate in September. This mortgage provides borrowers with more flexibility compared to other mortgage products, as the borrower has greater decision-making powers in terms of mortgage payments and outstanding debt on maturity. Lastly, the mortgage offers security in the sense that borrowers can now combine a fixed rate of interest with an interest-only period of up to 30 years. The latter feature has later been copied by the competition, but their products still do not offer quite the same flexibility as FlexLife® in terms of fixing mortgage payments.

Borrowers and investors alike have given FlexLife® with fixed rate a warm welcome, and by the end of the year mortgages for around DKK 7 billion had been disbursed. This also means the underlying bond has built so much liquidity that there is no longer a risk of a lock-in effect for borrowers. This helps ensure that homeowners with this type of mortgage have really good home equity protection if interest rates at some point move higher, pushing house prices lower. The mortgage thus has a higher price sensitivity than other 30-year fixed-rate mortgages.

Surprisingly strong housing market recovery in 2020

After a brief drop in house prices when Denmark went into lockdown in March and interest rates briefly spiked, the Danish housing market has witnessed strong activity. Sales activity in 2020 was the highest since 2005, and house prices rose by just under 4% for the year as a whole. This is truly a very surprising and impressive increase in a year of sharply falling economic activity and with forecasts back in the spring indicating substantial price falls in the Danish housing market.

High sales activity on the housing market

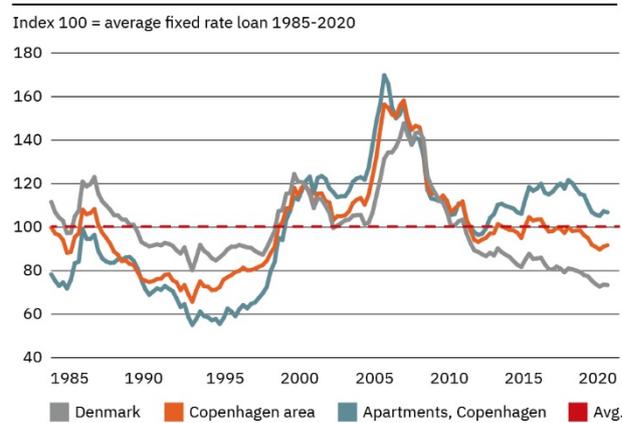


The combination of the corona crisis and housing market buoyancy is not an isolated Danish phenomenon, and many other countries are witnessing the same trend. This suggests we should not look to specific domestic circumstances to identify the reasons for what has after all,

been a surprising housing market boom since the spring. Very low interest rates, extensive time spent at home due to lockdowns, the increase in home working and a lack of opportunities to spend money on things such as travel and leisure activities are some of the most obvious explanations for this global phenomenon.

The housing market recovery has been broadly based across Denmark, but especially the Copenhagen housing market truly recovered following a period in 2018/2019 when the rate of price appreciation slowed significantly. Since the spring of 2020, prices have thus generally risen by some 10% in the Copenhagen area. In our view, this is somewhat surprising given the fact that prices in the capital are quite elevated in a historical context. The trend has triggered nascent discussions on the risk of price bubbles, but fortunately the price increases do not seem to any noticeable extent to be driven by homeowners taking on more risk in their property finances or assuming more leverage than previously. Looking at Realkredit Danmark's own loan cases, the debt-to-income ratio in connection with home buying increased by a notch in 2020, although it remains below the levels of both 2017 and 2018. In addition, there are no signs of "riskier" borrower behaviour in the Copenhagen housing market.

Housing burden - cost of owning a house compared to disposable income

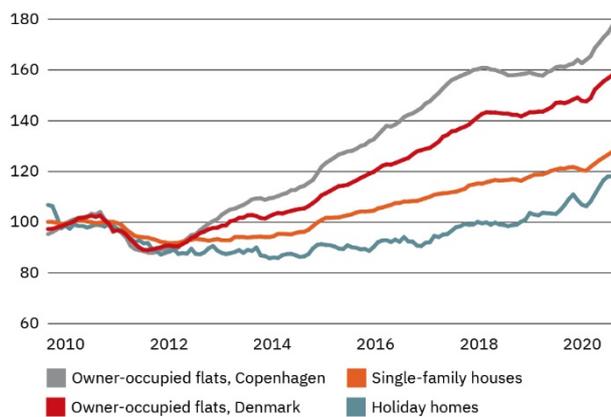


Holiday homes were also one of the main housing market stories of 2020. In many ways, 2020 was an extreme year of record-high sales and strong price growth. Undoubtedly, the corona crisis made some people accelerate their plans to buy a holiday home or inspired others to buy one, and in our view this will automatically lead to a slowdown and a lower level of activity in 2021. In that regard, it will be interesting to see how the holiday home market responds when, hopefully, the vaccines help us gain control of the corona pandemic over the course of 2021, allowing us to lift the restrictions. A return to normal is expected to make Danish consumers resume their former holiday habits and travel abroad on a large scale, which may also contribute to slowing the

pace of growth in the holiday home market. It is worth noting, however, that the holiday home market was also quite buoyant before the pandemic, and we expect low interest rates and a recovery in the Danish economy to underpin rising prices on holiday homes in 2021. These factors will also lend support to the broader housing market, and we believe the housing market recovery will continue with a lower overall rate of price growth of roughly 4% for Denmark as a whole.

Housing prices

Index 100 = 100, housing price, seasonally adjusted

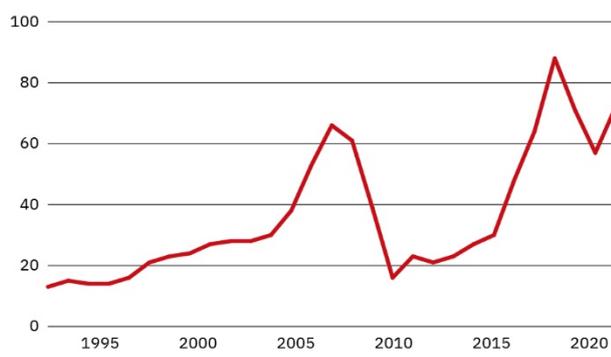


Property market

The second wave of the COVID-19 virus is well underway and has triggered another round of lockdowns and restrictions. It is therefore too early to calculate the overall impact on the market for investment and commercial property. Nevertheless, after the first COVID-19 wave, we could see that things had gone better than feared. Adequate capital resources and extremely low interest rates have encouraged investors to retain their focus on commercial property, and the overall transaction level for 2020 was around DKK 70 billion. This is a very high level in a historical context.

Transaction volume in Danish commercial real estate

(DKK billions)

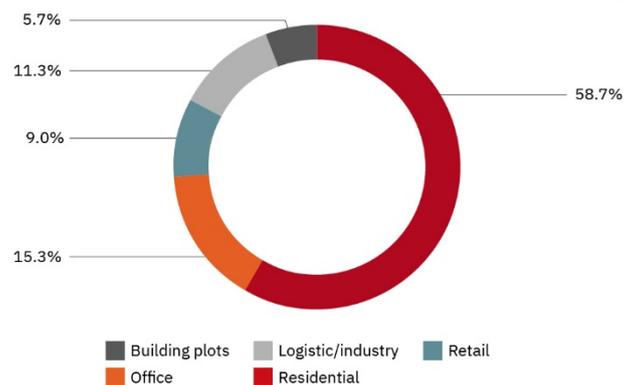


Nevertheless, the corona crisis has left its imprint on the market. The high level of uncertainty has made investors seek out safe havens, resulting in a relatively strong focus on the largest cities and prime-location properties. Still, no rule without an exception. Compared with the same period of 2019, the number of hotel stays in Copenhagen fell by 4.4 million, primarily because of the absence of foreign tourists and business customers. This translates into a loss of purchasing power of around DKK 11 billion, which had left an impact on high streets and restaurants. Investor interest in the retail segment has therefore been quite muted, not only in Copenhagen, but across the country.

Still, the corona crisis has not been unequivocally negative for the retail segment. Danish consumers have spent less on travel, cinemas, sports venues, concerts and theatres but more money in DIY stores, electronics retailers and supermarkets, so, as usual, things are not always black or white, but something in between.

The market for office property was also affected by uncertainty, driven especially by the future potential of working from home. This effect is by no means certain to become dominant. Whether working from home makes sense or not depends on the job function, but also on personality, so we should be careful about over-interpreting the trend. Perhaps the conclusion will be that employers abandon the 'one size fits all' large open-plan offices and replace them with an office model of personalised work stations in the future.

Transaction volumes in 2020, segments share of total



Residential letting properties have once again been the preferred investment object among investors, although one might rightly question whether the urbanisation trend will continue with undiminished strength in light of the COVID-19 pandemic. Measures enacted against short-term investments in private old-stock residential rental properties with a modernisation potential, which have become known as the Blackstone measures, have thus not weakened investor interest. Residential letting properties accounted for more than half of the sales volume in 2020.

In the market for logistics and warehouse property, demand remains strong for modern properties located by arterial roads in Copenhagen or the motorway network in general, supported by growing e-commerce.

Agriculture

The Danish agricultural sector generally enjoyed good conditions in 2020, except for mink farmers. Average to good settlement prices and reasonable crop yields have given farmers decent earnings in a historical context, although slightly below the 2019 level.

In particular, pig farmers started the year with very high pork prices owing to large exports to China and the rest of Asia, as pig production in these countries has been lower than usual in recent years due to African swine fever. The effects of the corona crisis and the fact that African swine fever in the autumn spread from Poland to eastern parts of Germany have pushed the quoted price of slaughter pigs in Denmark to a more normal level, and prices on export weaners to a level below the production price. The timing between production adaptation, the development of African swine fever in Europe, the rebuilding of pig production in China and the derived effects of the COVID-19 vaccine could have large repercussions for future pork prices, so the situation is therefore being monitored closely.

In 2020, dairy farmers once again experienced fairly stable milk prices around average levels despite the impact of the corona crisis on dairy sales. Producers of roughage for cattle were favoured by good conditions and high yields again in 2020.

Arable farmers generally enjoyed crop yields slightly above average in 2020. After the drought in 2018 and high grain prices, the grain price has stabilised at a more normal level as a result of a well-supplied global grain market.

Danish agriculture had a reasonably good 2020 overall, positively affecting Realkredit Danmark's loan impairment charges. RD's lending to mink farmers is modest and given the political signals of full compensation, this lending area is not expected to have any noticeable impact on loan impairment charges. As expectations are for settlement prices on grain, milk and slaughter pigs to be close to normal levels in 2021, although sub-average prices are expected for export weaners, the outlook is for another year of fair earnings overall. However, due to uncertainty regarding the effects of Brexit, developments in the corona crisis and the timing of the opposing effects of African swine fever, our expectations are subject to a higher degree of uncertainty.

Lending

Green bonds

Customer demand for green financing solutions grew stronger over the course of the year. Following the launch of RD Cibur6® Green in 2019, green loans funded by green mortgage bonds have been disbursed in the amount of DKK 6 billion so that total lending now amounts to DKK 7 billion.

The loans are typically granted for commercial property used for letting purposes, and mainly for residential letting. The properties must comply with a number of requirements to be financed with green loans.

In Sweden, demand for green financing options have been even stronger than has been the case in Denmark up until now. As a result, Realkredit Danmark has extended its product range in the Swedish commercial property market, opening for RD Stibor3® Green in mid-2020. After a little more than six months in the market, RD Stibor3® Green loans for DKK 3 billion had been disbursed.

FlexLife®

In September 2020, Realkredit Danmark launched FlexLife® with fixed rate of interest for 30 years and enhanced flexibility. FlexLife® with fixed rate of interest offers customers maximum payment predictability throughout the term of the mortgage, while also offering greater flexibility. The fixed-rate variant allows customers to make adjustments every quarter. By comparison, FlexLife® with variable interest rate can only be adjusted at every refinancing date.

FlexLife® with fixed rate of interest primarily targets customers seeking the highest possible freedom when determining their mortgage repayments, for example to free up funds for pension savings or to be able to continue to live in their home for the rest of their lives. The product also targets customers willing to accept a higher price for financial security and flexibility if their life should change unexpectedly.

In the business customer segment, the mortgage product is particularly suitable for co-operative housing societies and residential letting. Co-operative housing societies may achieve greater rent predictability and a balanced increase in their adjusted equity. The residential letting segment may also use the mortgage to obtain a predictable, long-term financing structure that also releases liquidity for property maintenance and modernisation.

Launched in September, the new mortgage variant met with huge customer demand from day one. By the end of the year, mortgages for DKK 7 billion based on FlexLife® with fixed interest rate had been disbursed. By comparison, FlexLife® with variable interest rate achieved a volume of DKK 3.9 billion during the same period. As is the case with FlexLife® with variable interest rate, loans were primarily granted in the personal

customer segment, which thus accounts for 19% of all disbursed loans in the personal customer segment.

At the same time, FlexLife® with variable interest rate continued to show decent growth rates. During 2020, the volume of disbursed mortgages increased by DKK 11 billion, which is slightly worse than in 2019, where the volume of disbursed mortgages increased by DKK 14 billion. At the end of 2020, total mortgages of DKK 43 billion had been disbursed in FlexLife® with variable interest rate. Of this amount, the business customer segment accounted for about 10%.

For both variants, some 17% of the mortgages were issued to customers who had not previously had a loan with Realkredit Danmark. About 85% of the loan volume has an LTV below 60%, which means the full 30-year interest-only period may begin from the onset.

Total lending

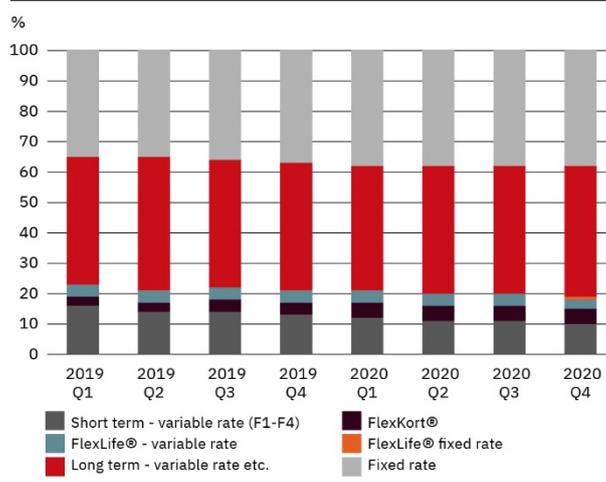
The historically high remortgaging activity from 2019 continued into 2020, but at a significantly lower level than in 2019.

After a decent level in the first quarter of 2020, activity fell when the corona crisis set in, resulting in a significantly lower level of activity in the rest of 2020. Realkredit Danmark remortgaged loans for DKK 80 billion in 2020 against DKK 155 billion the year before.

Realkredit Danmark's total mortgage lending increased with DKK 10 billion in 2020. At the end of 2020, the total portfolio amounted to DKK 793 billion, against DKK 783 billion the year before.

With borrowers increasingly seeking to service their debts, the proportion of interest-only mortgages fell from 32% to 31% over the last year.

Development in loan portfolio by loan type (%)



As expected, 2020 could not match the high remortgaging activity witnessed in 2019. In 2020, Realkredit Danmark's total gross lending thus stood at DKK 160 billion, against DKK 234 billion in 2019.

Personal customer market

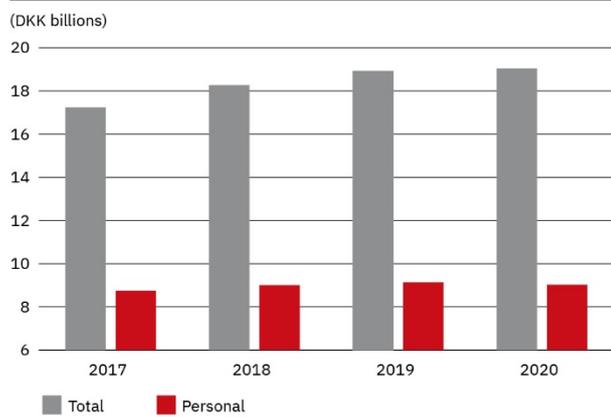
Realkredit Danmark's lending for owner-occupied dwellings and holiday homes fell DKK 1 billion in 2020. Total lending at the end of 2020 amounted to DKK 446 billion.

With interest rates remaining low, customers continue to opt for fixed-rate solutions when selecting their mortgage. Some seven out of ten personal customers opted for a fixed-rate mortgage in 2020.

Looking at the total loan portfolio, there is still a large proportion of about 30% which hold on the long-term variable-rate mortgages, with the 5-year F5 mortgage remaining the preferred loan type.

Combined with an enhanced customer focus on the fixed-rate mortgage alternatives, an increasing number of customers are also opting to make repayments on their mortgages. Generally, seven out of ten mortgages were with repayment in 2020. Total ordinary repayments in 2020 thus amounted to DKK 19 billion, which is DKK 133 million more than in 2019.

Total ordinary repayments



This trend ties in well with the pricing incentive structure, with Realkredit Danmark charging a premium to the administration margin for interest-only mortgages. In addition, the stricter requirements for customers with a high debt-to-income ratio are also believed to have influenced the increase in repayments.

With respect to customer outflow, it was positive to see that extraordinary redemptions decreased by DKK 1 billion compared with 2019.

Our launch of FlexLife® with fixed interest rate in September was a success, and total gross lending for this mortgage type amounted to DKK 6 billion in the personal customer segment.

Business market

At end-2020, the mortgage portfolio amounted to DKK 347 billion, which was an increase of DKK 11 billion on the year before.

In the business market, remortgaging activity in 2020 was also lower than in 2019.

Compared with the personal customer market, where customers preferred fixed-rate mortgages, the business market saw a more even distribution between fixed-rate and long-term variable-rate mortgages in 2020.

In 2018, Realkredit Danmark opened a new capital centre (capital centre A) for the issuance of state-guaranteed mortgage bonds to fund subsidised loans to the subsidised housing sector. In 2020, a substantial proportion of existing subsidised mortgages were moved to capital centre A. Mortgages for the subsidised housing sector amount to DKK 76 billion, of which DKK 43 billion is index-linked mortgages, which are not covered by the guarantee scheme.

The launch of FlexLife® with fixed interest rate has given especially the co-operative housing societies a really good opportunity to combine a fixed interest rate with an interest-only period of up to 30 years.

Distribution channels

Realkredit Danmark consistently seeks to make it easier for its customers to access and obtain an overview of information about their mortgages.

Realkredit Danmark is accessible when customers need it, among other things by providing personal service and advice by telephone and through virtual and physical channels.

Realkredit Danmark's personal customers are served at Danske Bank primarily by home finance advisers. Customers who are also Danske Bank customers are generally served by Danske Bank branches, while customers who are customers only with Realkredit Danmark are served by Home Direct, which provides telephone and virtual advice during extended opening hours.

The largest property customers in Denmark, the largest administrators and all customers within Subsidised Housing are served at Large Real Estate, which is a nationwide double-branded Realkredit Danmark unit. In addition, Large Real Estate is responsible for providing expert mortgage advice to large non-property customers and to customers in Norway and Sweden who have a mortgage loan with Realkredit Danmark.

Small and medium-sized business and property customers are offered several service channels at Danske Bank. For organisational purposes, all property specialists are placed at Realkredit Business, which consists of a number of local entities and of Realkredit Business Direct.

The property specialists at the local entities provide personal service and advice at Danske Bank's business centres. Realkredit Business Direct provides telephone and virtual advice and other services.

Danske Bank's agricultural centre provides personal service and advice to all agricultural customers.

home

"home", the real-estate agency chain of the Group, is wholly-owned by Realkredit Danmark A/S. The selling of owner-occupied dwellings is the business area of "home", and mortgages distributed via "home" are primarily intended for a change of ownership. Over the course of the year, home strengthened its market position, and the profit of the franchise business thus rose from DKK 35.6 million in 2019 to DKK 44.3 million in 2020.

Activities and portfolio	Gross lending		Net new lending		Loan portfolio			
	2020	2019	2020	2019	2020	%	2019	%
DKK millions								
Personal customer market	92,302	129,141	9,331	8,637	445,772	56	446,866	57
Business market	68,086	104,380	21,600	18,033	346,929	44	336,125	43
Total (nominal value)	160,388	233,521	30,931	26,670	792,701	100	782,991	100

Lending broken down by loan type	Share of gross lending		Share of loan portfolio	
	2020	2019	2020	2019
%				
Short-term variable rate (F1-F4)	2	2	10	13
FlexKort®	2	1	4	4
FlexLife ® variable rate	7	6	5	4
FlexLife ® - fixed-rate	4	-	1	-
Fixed-rate	56	73	38	37
Long-term variable rate etc.	29	18	42	42
Total	100	100	100	100

Funding

Bond issuance

Realkredit Danmark operates under the specific balance principle and funds its lending to borrowers by issuing mortgage-covered bonds and to a very limited extent mortgage bonds listed on NASDAQ Copenhagen.

Issued bonds are carried in the financial statements at their fair value after deduction of own holdings. The following text and table are based on nominal values before deduction of own holdings, as these reflect the volume of bonds issued and listed on NASDAQ Copenhagen.

Bonds issued in 2020

Realkredit Danmark issued bonds worth DKK 160 billion exclusive of bonds issued for refinancing auctions. This represents a decrease of 32% relative to 2019. The bond market was characterised by volatile interest rates in 2020 due to the uncertainty caused by corona crises. The volatile interests resulted in relatively high remortgaging activity. Some customers opted to remortgage existing fixed-rate loans to a higher coupon during the most volatile period in March/ April, others to a lower coupon after the volatility decreased and interest rates returned to pre-volatility levels. Of bonds issued in 2020, 60% were callable and 40% were non-callable. In 2019, there was also an overweight of callable bonds.

Refinancing in 2020

In 2020, Realkredit Danmark held auctions in connection with all four ordinary payment dates. To diversify the risk attached to refinancing, Realkredit Danmark opted to refinance FlexLån® at the 1 January and 1 April payment dates and floating-rate bonds at the 1 July and 1 October payment dates.

All four auction periods were carried out without any difficulties, and experienced good investor interest and competitive prices.

The auctions for the refinancing of FlexLån® at 1 April 2020 were held in February. Total issuance amounted to DKK 49 billion, against DKK 59 billion in 2019. In November, bonds worth DKK 19 billion were issued in connection with the refinancing of FlexLån® at 1 January 2021. Refinancing at 1 January 2020 amounted to DKK 22 billion.

To level out refinancing volumes, all new mortgages taken out since November 2019 will be disbursed with 1 January as refinancing date as opposed to 1 April. FlexLån® denominated in EUR and state-guaranteed FlexLån® will still have 1 April as the refinancing date.

In May, Realkredit Danmark auctioned bonds for DKK 19 billion to refinance RD Cibor6®, DKK 10 billion to refinance FlexKort® and EUR 97 million to refinance RD Euribor3®.

Lastly, in August SEK 1.6 billion was refinanced in RD Stibor3® and NOK 2.4 billion in RD Nibor3®. At end-2020, Realkredit Danmark had issued mortgage bonds for a total amount of DKK 837 billion, of which mortgage-covered bonds accounted for DKK 805 billion.

Debt issuance

In 2019, Realkredit Danmark raised a loan with the parent group, Danske Bank A/S, in the amount of DKK 4 billion. The loan proceeds were used primarily to comply with the rating agencies' overcollateralisation requirement. In December 2020 this loan was redeemed and replaced by a loan of DKK 2 billion that is eligible for the debt buffer requirement.

Investor distribution

Foreign investors continued to show strong interest in Danish mortgage bonds in 2020 despite the turmoil caused by corona crises. The interest is partly due to the fact that the bonds are considered to offer good security, partly because they offer a relatively higher return than similar European securities at present. In recent years, long-term fixed-rate bonds have become increasingly popular especially with Japanese investors. End-2020, foreign investors held about 25% of all Danish mortgage bonds, changed from 22% end-2019.

Rating

Realkredit Danmark's bonds are rated by S&P Global, Fitch Ratings and Scope Ratings.

Recently, Fitch Rating upgraded the rating of the bonds issued from capital centre T from AA+ to AAA. This implies that all three rating agencies assign a rating of AAA to the bonds in both capital centre S and T.

The Other reserves series capital centre is rated exclusively by S&P Global and these bonds also holds a rating of AAA.

The effective overcollateralisation requirement from the three agencies has declined during 2020, from DKK 44.8 billion end-2019 to DKK 40.2 billion end-2020.

The overcollateralisation requirements for the capital centres are covered by funds from Realkredit Danmark's equity and the loan raised with Danske Bank A/S. Realkredit Danmark expects stable overcollateralisation requirements from the rating agencies in 2021. If the requirements are tightened, Realkredit Danmark plans to raise further bail-inable debt on market terms in order to comply with the stricter requirements. This type of debt may also be used to comply with the debt buffer requirement.

Debt buffer

In 2020, the phasing-in of the debt buffer requirement of 2% of the credit institution's lending was finalised. The requirement equals about DKK 16 billion.

Realkredit Danmark currently meets the debt buffer requirement using excess shareholders' equity only. To ensure future compliance with the requirement, Realkredit Danmark raised a new bail-inable loan from Danske Bank A/S in December 2020.

Bonds issued at 31 December (nominal value)

Bond type (DKK billions)	Currency	Mortgage- covered bonds		Mortgage bonds	
		2020	2019	2020	2019
Fixed-rate	DKK	313	323	3	5
FlexLån®	DKK	319	352	-	-
FlexLån®	EUR	4	5	-	-
FlexLife®	DKK	48	31	-	-
FlexKort®	DKK	27	30	-	-
Index-linked loans	DKK	-	-	17	18
FlexGaranti® and RenteDyk™	DKK	2	3	6	8
RD Cibur6®	DKK	71	64	6	6
RD Nibor3®	NOK	6	6	-	-
RD Stibor3®	SEK	13	13	-	-
RD Euribor3®	EUR	2	2	-	-
Total DKK		805	829	32	37

In 2020, the calculation was adjusted to reflect double-funding of DKK 17 billion because of the refinancing of FlexLån®.

Capital and risk management

Capital management

The Realkredit Danmark Group's capital management policies and practices support the selected business strategy and ensure that the Group remains sufficiently capitalised to withstand severe macroeconomic downturns. Moreover, the Group aims to retain the current AAA ratings from both S&P Global, Scope Ratings and Fitch Ratings, which are in line with those assigned to comparable issuers.

At 31 December 2020, the total capital of DKK 46.4 billion consisted primarily of conventional equity after statutory deductions.

The regulatory framework for the Group's capital management practices is rooted in the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD), which can be divided into three pillars:

- **Pillar I** contains a set of mathematical formulas for the calculation of risk exposure amounts for credit risk, market risk and operational risk. The minimum capital requirement is 8% of the total REA.
- **Pillar II** contains the framework for the contents of the ICAAP, including the identification of a credit institution's risks, the calculation of the solvency need and stress testing.
- **Pillar III** deals with market discipline and sets forth disclosure requirements for risk and capital management.

While Pillar I entails the calculation of risks and the capital requirement on the basis of uniform rules for all credit institutions, the ICAAP under Pillar II takes into account the individual characteristics of a given institution and covers all relevant risk types, including risks not addressed under Pillar I. The combined capital requirements under Pillar I and Pillar II represent the credit institution's solvency need and solvency need ratio.

Internal Capital Adequacy Assessment Process (ICAAP)

As part of the ICAAP, the Group assesses its solvency need on the basis of internal models and ensures that it uses the proper risk management systems. The ICAAP also includes capital planning to ensure that the Group always has sufficient capital to support its chosen business strategy. Stress testing is an important tool used for capital planning purposes in the efforts to ensure that the Realkredit Danmark Group, also going forward, is sufficiently capitalised to withstand severe macroeconomic downturns. For additional information about the ICAAP, reference is made to the ICAAP report available at danskebank.com/IR.

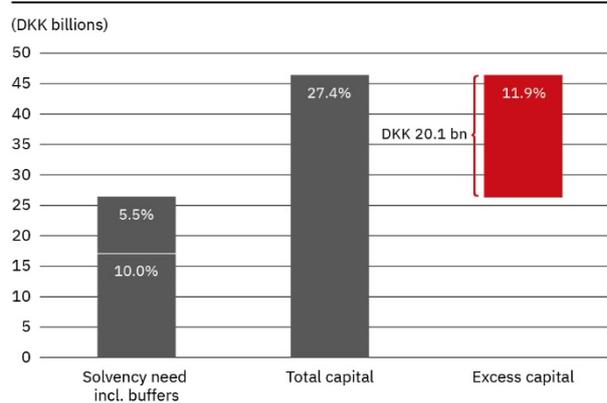
Capital requirements

As stipulated in Danish legislation, a credit institution must disclose its solvency need and solvency need ratio. The solvency need is the total capital of the size, type and composition needed to cover the risks to which an institution is exposed.

In addition to the solvency need ratio, the institution must have capital to comply with the combined capital buffer requirement. The combined buffer requirement consists of a SIFI buffer of 3%, a capital conservation buffer of 2.5% and a countercyclical buffer of 0%.

In March 2020, as a result of the corona crisis, the Danish Minister for Industry, Business and Financial Affairs decided to release the countercyclical capital buffer and cancel the planned increases intended to take effect during 2020.

Solvency need ratio and total capital ratio, end 2020



At the end of 2020, Realkredit Danmark's solvency need, including the combined buffer requirement, was calculated at DKK 26.3 billion, corresponding to a solvency need ratio including buffers of 15.5% of the total REA. With total capital of DKK 46.4 billion, the Realkredit Danmark Group had DKK 20.1 billion in excess of the total capital requirement.

Leverage ratio

CRR/CRD IV requires credit institutions to calculate, report on and monitor their leverage ratio, which is defined as tier 1 capital as a percentage of the total balance (with some adjustments). Pursuant to this definition and the transitional rules, Realkredit Danmark's leverage ratio was 5.0% at 31 December 2020.

Large exposures

Large exposures are defined as exposures amounting to at least 10% of the capital base after deduction of particularly secure claims. At the end of 2020, Realkredit Danmark had 2 exposures that exceeded 10% of its capital base.

Supplementary collateral

As an institution issuing mortgage-covered bonds, Realkredit Danmark must provide supplementary collateral if the value of the properties on which the loans are secured is such that the LTV ratio rises above 80% for residential property and 60% for commercial property. In 2020, issuance of mortgage-covered bonds fell DKK 24 billion to DKK 805 billion. At the end of 2020, the need for supplementary collateral was DKK 10.8 billion, against DKK 13.3 billion at end-2019.

A large proportion of Realkredit Danmark's mortgages are covered by loss guarantees provided by Danske Bank. The loss guarantee covers the top 20 percentage points of the statutory loan limit at the time when the mortgage is raised.

The loss guarantee covered DKK 50 billion of the loan portfolio at 31 December 2020. This amount includes DKK 2 billion in the form of supplementary collateral for mortgage-covered bonds.

Risk management

Realkredit Danmark Group's principal risks are credit risk from mortgage loans and liquidity risk primarily related to refinancing auctions.

The credit risk on mortgages comprises the risk that the borrower is unable to repay the loan and the expected loss if the borrower does not repay the loan. Liquidity risk is the risk that payments to the bondholder fall due before Realkredit Danmark has secured the necessary liquidity. This is usually mitigated by early payments received from Realkredit Danmark's borrowers or the sale of new bonds at refinancing auctions.

Realkredit Danmark is also exposed to market risks, which comprise interest rate, equity market and exchange rate risks. However, the statutory principle of balance eliminates most of the interest rate and exchange rate risks on the Group's assets and liabilities.

Risk management is described in the note on risk management.

Liquidity Coverage Ratio

As a credit institution, Realkredit Danmark is subject to the Liquidity Coverage Ratio. In addition, Realkredit Danmark is subject to a requirement for the institution's buffer of liquid assets to constitute 2.5% of its total mortgage lending, which is a binding requirement for Realkredit Danmark. At the end of 2020, this corresponded to approximately DKK 20.4 billion. Realkredit Danmark has unencumbered liquid assets of DKK 38.3 billion after haircuts, which means Realkredit Danmark has a buffer of DKK 17.9 billion to the requirement.

The Danish FSA's new model for calculating the liquidity requirement is still in the observation period i.e. the mortgage credit institutions report their calculation of the new requirement on a monthly basis. The requirement will take effect once the new EU directive on covered bonds enters into force in 2022. Realkredit Danmark intends to comply with the new requirement during the entire observation period.

Future rules

In December 2017, the Basel Committee on Banking Supervision (BCBS) published the final and revised standards for REA calculations (Basel IV). Due to the corona crisis, the BCBS has delayed the implementation of the Basel IV standards from 2022 to 2023. This will also delay the process for implementation of the standards in the EU, and the EU Commission is now expected to publish a legislative proposal in the first half of 2021.

The Danish implementation of the EU banking package (CRD IV and BRRD II) was adopted by the Danish parliament in December 2020 with application from 28 December 2020. Based on the adopted law, the Danish implementation of the EU banking package is assessed to have a limited impact on Realkredit Danmark's capital and REA.

In October 2020, the Danish implementation of the EU covered bonds package was published for consultation. This includes a requirement for a cover pool liquidity buffer and stipulates eligible cover pool assets. Further, a new requirement on a minimum level of cover pool overcollateralisation is introduced. Based on the draft law, the new rules are assessed to have a limited impact on Realkredit Danmark. The Danish implementation is expected to apply from July 2022.

Supervisory diamond for mortgage credit institutions

Realkredit Danmark continues to comply with all threshold values by a satisfactory margin.

The volume of loans with an interest-only option continues the declining trend and has now fallen to 6.1% against 7.4% at the end of 2019.

The volume of loans with short-term funding is also trending downward, reducing the utilisation of both the quarterly and annually thresholds.

For all the threshold values, Realkredit Danmark has defined internal limits to ensure that action is taken in due time before a threshold value is potentially exceeded.

Threshold value	2020	2019	Limit
Growth in lending¹			
Owner-occupied dwellings and holiday homes	-0.3%	-0.6%	15%
Residential rental property	6.8%	7.4%	15%
Agriculture	-1.6%	-2.0%	15%
Other	-0.4%	-3.4%	15%
Borrower interest-rate risk²			
Properties for residential purposes	6.4%	6.9%	25%
Interest-only option³			
Owner-occupied dwellings and holiday homes	6.1%	7.4%	10%
Loans with short-term funding⁴			
Refinancing, annually	13.2%	13.7%	25%
Refinancing, quarterly	2.6%	2.9%	12.5%
Large exposures⁵			
Loans relative to shareholders' equity	46%	41%	100%

¹ Annual growth must be lower than 15% unless the size of the segment is smaller than the institution's total capital.

² The proportion of loans for which the loan-to-value ratio is at least 75% of the statutory maximum loan limit and for which the interest rate has been locked for up to two years must not represent more than 25% of the total loan portfolio.

³ The proportion of interest-only loans for which the loan-to-value ratio is more than 75% of the statutory maximum loan limit must represent less than 10% of the total loan portfolio.

⁴ The proportion of lending to be refinanced must be less than 12.5% per quarter and less than 25% of the total loan portfolio.

⁵ The sum of the 20 largest exposures must be less than core equity tier 1 capital.

Organisation and management

Management

Realkredit Danmark A/S is a wholly-owned subsidiary of Danske Bank A/S. The Board of Directors consists of seven directors, three of whom are elected by the employees.

At the annual general meeting on 9 March 2020, Jakob Groot, Berit Behring and Kim Andersen resigned from the Board of Directors. At the same time, Jesper Koefoed, Claus Harder and Line Munkholm Haukrogh were elected as new board members. After the general meeting, Jacob Aarup-Andersen was appointed chairman and Carsten Egeriis vice chairman of the Board of Directors.

On 9 June 2020, Jacob Aarup-Andersen resigned from the Board of Directors. The Board of Directors elected Carsten Egeriis as chairman.

The Board of Directors defines the overall principles for Realkredit Danmark A/S's operations. The Executive Board is in charge of the day-to-day management and must comply with the guidelines and directions given by the Board of Directors. The rules of procedure lay down the precise division of responsibilities between the Board of Directors and the Executive Board.

Board members elected by the shareholders in general meeting are elected for a term of one year and are eligible for reelection. Employee representatives are elected for a term of four years (most recently in 2017) and are eligible for reelection.

Employees

At the end of 2020, the number of full-time equivalent staff at the Realkredit Danmark Group was 234.

Diversity policy

Realkredit Danmark's Board of Directors has adopted the Danske Bank Group's diversity policy. One of the focus areas of the policy is to increase the percentage of female managers. For example, this is achieved through a separate assessment of female applicants for managerial positions.

The targets for female managers in 2023 at Realkredit Danmark are:

- 38% female board members elected by the shareholders.
- No target has been defined for female members of the Executive Board.
- 35% women in senior leadership.
- 40% female managers in the rest of the organisation.

The table below shows the gender composition at 31 December 2020 relative to the 2023 targets:

Management level	Total	Men	Women	Share of women	Target for share of women 2023
Board of Directors*	4	3	1	25%	38%
Executive Board	2	2	-	-	-
Senior leadership	8	6	2	25%	35%
Management level - other	22	15	7	32%	40%

*Employee representatives not included. There are 3 representatives – all women

Compliance

Realkredit Danmark keeps focusing on ensuring a robust compliance culture across its organisation, thereby ensuring that we live our core value of integrity in all interactions with our customers and stakeholders.

Realkredit Danmark is subject to the Danish Financial Business Act and other regulation applying for mortgage credit institutions in Denmark. Managing and controlling the compliance of this regulation is performed by the Realkredit Danmark organisation in accordance with a three-lines-of-defence risk management and control model, thereby ensuring that compliance is an integral part of the day-to-day operation of the business at all levels in Realkredit Danmark.

In 2020, a Compliance unit was established in Realkredit Danmark. The purpose of the unit is to anchor the responsibility of the compliance function in Realkredit Danmark and hereby further strengthen the focus on compliance across the organisation. Part of the day-to-day compliance tasks continues to be outsourced to Danske Bank A/S, but the overall responsibility for the 2nd line compliance function now lies with the Head of the Compliance unit, who reports directly to the Executive Board.

The responsibilities of the 1st line Regulatory Risk unit, is continuously to support and provide advice to the organisation and units in Realkredit Danmark on compliance risk management within their areas of activities and responsibilities, including implementation of policies and other framework applicable to them. Regulatory Risk reports directly to the Executive Board and joins Realkredit Danmark risk committee and product committee meetings. Further, the head of Regulatory Risk is the designated anti-money laundering officer as well as the designated outsourcing officer for Realkredit Danmark.

In December 2019, the Danish FSA conducted an inspection in Realkredit Danmark. The inspection resulted in an investigation report in May 2020, by which the regulator imposed five orders. By end of 2020, four out of those five orders were regarded by the regulator as observed. Delivering on the associated remediation plans will continue throughout 2021.

In 2020, Realkredit Danmark continued its high focus on financial crime compliance to prevent criminals from using mortgage loans and properties mortgaged with loans from Realkredit Danmark for criminal purposes. Throughout the year, initiatives related to financial crime framework and processes were made to strengthen the financial crime risk management and control set-up for Realkredit Danmark, and additional initiatives are planned for in 2021. Realkredit Danmark will keep focusing on the robustness of its financial crime framework and processes to protect its integrity and to support the society at large combating financial crime activities in Denmark.

To a large extent, Realkredit Danmark has outsourced significant activities to Danske Bank A/S. Therefore, Realkredit Danmark has increased its focus on outsourcing risks and will continue to do this throughout 2021 to ensure compliance with the new regulatory requirements on outsourcing based on EBA Guidelines on Outsourcing (2019/02).

Treating customer fairly compliance remains a high focus area in Realkredit Danmark, including GDPR compliance. Realkredit Danmark has outsourced the statutory data protection officer role and responsibilities and other GDPR processes to Danske Bank A/S, but maintains its own internal experts to support the organisation in Realkredit Danmark in its day-to-day operation of activities comprising personal data.

Internal control and risk management systems used in the financial reporting process and Internal Audit

As laid down in the Danish Financial Business Act, the Board of Directors is responsible for ensuring that the Executive Board maintains effective procedures to identify, monitor and report on risks, adequate internal control procedures as well as satisfactory IT controls and security measures.

Good accounting practices are based on authorities, segregation of duties, regular reporting requirements and significant transparency in respect of the Group's business.

Realkredit Danmark regularly assesses risks in relation to financial reporting, with particular focus on items where estimates and assessments could significantly af-

fect the value of assets or liabilities. These critical financial statement items are listed under Significant accounting estimates and assessments.

Realkredit Danmark has implemented controls to counter identified financial reporting risks and regularly monitors changes in and compliance with relevant legislation and other financial reporting rules and regulations. Controls have been established for the purpose of preventing, detecting and correcting any errors or irregularities in the financial reporting.

Realkredit Danmark has outsourced a number of activities to Danske Bank A/S. In this connection, Realkredit Danmark has established a governance structure to monitor the outsourced activities and to ensure a procedure involving ongoing reporting for the individual organisational levels within Realkredit Danmark. Internal management reporting is based on the same principles as external reporting.

Internal Audit perform audit of operational processes at Realkredit Danmark to assess the effectiveness of the company's risk management, controls and governance. The planning and performance of the work of Internal Audit is subject to the provisions of the Danish Executive Order on Auditing, the International Standards on Auditing (ISAs) as well as the International Standards for the Professional Practice of Internal Auditing (IPPF).

The Executive Board regularly reports to the Board of Directors on compliance with the risk and investment framework set out and the statutory investment rules. The Board of Directors also receives accounting information on an ongoing basis. Compliance reports to the Board of Directors in respect of compliance and any non-compliance with internal business procedures and policies.

Audit Committee

The Board of Directors has set up an audit committee to prepare the work of the Board of Directors on financial reporting and audit matters, including related risk matters, which the Board of Directors, the committee itself, the external auditors or the head of Internal Audit intend to review further. The committee works on the basis of clearly defined terms of reference. The committee has no independent decision-making powers, but reports to the Board of Directors as a whole. In 2020, the Audit Committee held six meetings.

Corporate responsibility and sustainability

Corporate responsibility and sustainability are key elements of Realkredit Danmark's strategy. We want our customers and other stakeholders to be absolutely confident that in operating our business we factor in environmental, social, ethical and governance considerations. Realkredit Danmark believes that responsible business conduct is a prerequisite for a company's long-term value creation.

Realkredit Danmark is incorporated in Danske Bank Group's corporate responsibility and sustainability work. Along with its Annual Report 2020, the Danske Bank Group has published a Sustainability Report 2020 detailing the Group's corporate responsibility. The Sustainability Report is supplemented by the Sustainability Fact Book 2020, and together they provide a comprehensive view of the principal corporate responsibility and sustainability aspects of the Group's activities. As a part of the group, we refer to Danske Bank's Sustainability report for the statutory report on corporate social responsibility in pursuance of section 135 of Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. The Sustainability Report, which also serves as our Communication on Progress, as required by the UN Global Compact, is available at danskebank.com/sustainability.

Income statement and Comprehensive income

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
	Income statement				
4	Interest income	14,609	16,782	14,609	16,781
5	Interest expense	8,113	9,877	8,113	9,876
	Net interest income	6,496	6,905	6,496	6,905
	Dividends from shares	-	-	-	-
3	Fee and commission income	617	888	617	888
	Fee and commission expense	1,228	1,416	1,228	1,416
2	Net fee and commission income	5,885	6,377	5,885	6,377
2, 6	Value adjustments	180	219	180	219
3	Other operating income	114	117	2	6
7-9	Staff costs and administrative expenses	863	811	809	748
	Impairment, depreciation and amortisation charges	1	1	-	-
10	Loan impairment charges	335	265	335	264
34	Income from associates and group undertakings	-	-	44	36
	Profit before tax	4,980	5,636	4,967	5,626
11	Tax	1,097	1,240	1,084	1,230
	Net profit for the year	3,883	4,396	3,883	4,396
	Proposal for allocation of profits				
	Net profit for the year			3,883	4,396
	Transferred from other reserves			3,008	3,404
	Total for allocation			6,891	7,800
	Portion attributable to				
	Reserves in series			3,091	3,500
	Other reserves			-	-
	Proposed dividends			3,800	4,300
	Total allocation			6,891	7,800
	Comprehensive income				
	Net profit for the year	3,883	4,396	3,883	4,396
	Other comprehensive income				
	Items that will not be reclassified to profit or loss				
	Actuarial gains/losses on defined benefit plans	18	-23	18	-23
	Tax	-4	5	-4	5
	Total comprehensive income	14	-18	14	-18
	Total comprehensive income for the year	3,897	4,378	3,897	4,378

Balance sheet

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
	ASSETS				
	Cash in hand and demand deposits				
	with central banks	52	54	52	54
12	Due from credit institutions and central banks	24,993	53,772	24,900	53,694
13	Bonds at fair value	14,177	23,022	14,177	23,022
14	Bonds at amortised cost	33,006	29,339	33,006	29,339
15-16, 19	Mortgage loans at fair value	816,577	802,579	816,577	802,579
15, 17-19	Loans and other amounts due at amortised cost	449	543	426	515
	Shares	4	2	-	-
34	Holdings in group undertakings	-	-	147	137
20	Other tangible assets	6	6	5	5
	Current tax assets	-	-	4	-
21	Deferred tax assets	-	-	-	-
22	Assets temporarily taken over	39	15	39	15
19, 23	Other assets	1,964	3,215	1,860	3,079
	Prepayments	1	1	1	1
	Total assets	891,268	912,548	891,194	912,440
	LIABILITIES AND EQUITY				
	AMOUNTS DUE				
24	Due to credit institutions and central banks	2,000	4,003	2,000	4,003
25	Issued mortgage bonds at fair value	835,217	853,479	835,217	853,479
	Current tax liabilities	-	31	-	28
21	Deferred tax liabilities	23	36	-	-
26, 27	Other liabilities	4,438	5,006	4,348	4,885
	Deferred income	-	-	-	-
	Total amounts due	841,678	862,555	841,565	862,395
	PROVISIONS				
21	Deferred tax	-	-	30	39
27	Reserves in early series subject to a reimbursement obligation	-	-	9	13
	Total provisions	-	-	39	52
	SHAREHOLDERS' EQUITY				
	Share capital	630	630	630	630
	Reserves in series	45,086	44,978	45,086	44,978
	Other reserves	74	85	74	85
	Proposed dividends	3,800	4,300	3,800	4,300
	Total shareholders' equity	49,590	49,993	49,590	49,993
	Total liabilities and equity	891,268	912,548	891,194	912,440

Statement of capital

Realkredit Danmark Group

(DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2020	630	44,978	85	4,300	49,993
Net profit for the year	-	3,091	792	-	3,883
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	18	-	18
Tax	-	-	-4	-	-4
Total comprehensive income for the year	-	3,091	806	-	3,897
Transferred from/to Other reserves	-	-2,983	2,983	-	-
Dividend paid	-	-	-	-4,300	-4,300
Proposed dividends	-	-	-3,800	3,800	-
Shareholders' equity at 31 December 2020	630	45,086	74	3,800	49,590
Shareholders' equity at 1 January 2019	630	44,654	331	4,300	49,915
Net profit for the year	-	3,500	896	-	4,396
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-23	-	-23
Tax	-	-	5	-	5
Total comprehensive income for the year	-	3,500	878	-	4,378
Transferred from/to Other reserves	-	-3,176	3,176	-	-
Dividend paid	-	-	-	-4,300	-4,300
Proposed dividends	-	-	-4,300	4,300	-
Shareholders' equity at 31 December 2019	630	44,978	85	4,300	49,993

Statement of capital

Realkredit Danmark A/S					
(DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2020	630	44,978	85	4,300	49,993
Net profit for the year	-	3,091	792	-	3,883
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	18	-	18
Tax	-	-	-4	-	-4
Total comprehensive income for the year	-	3,091	806	-	3,897
Transferred from/to Other reserves	-	-2,983	2,983	-	-
Dividend paid	-	-	-	-4,300	-4,300
Proposed dividends	-	-	-3,800	3,800	-
Shareholders' equity at 31 December 2020	630	45,086	74	3,800	49,590
Shareholders' equity at 1 January 2019	630	44,654	331	4,300	49,915
Net profit for the year	-	3,500	896	-	4,396
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-23	-	-23
Tax	-	-	5	-	5
Total comprehensive income for the year	-	3,500	878	-	4,378
Transferred from/to Other reserves	-	-3,176	3,176	-	-
Dividend paid	-	-	-	-4,300	-4,300
Proposed dividends	-	-	-4,300	4,300	-
Shareholders' equity at 31 December 2019	630	44,978	85	4,300	49,993

At the end of 2020, the share capital was made up of 6,300,000 shares of DKK 100 each. All shares carry the same rights; there is thus only one class of shares. The company is wholly-owned by Danske Bank A/S, Copenhagen. Realkredit Danmark A/S and group undertakings are included in the consolidated financial statements of Danske Bank A/S, Copenhagen.

Statement of capital

	Realkredit Danmark Group	
(DKK millions)	31 December 2020	31 December 2019
Total capital and Total capital ratio		
Shareholders' equity	49,590	49,993
Proposed/expected dividends	-3,800	-4,300
Revaluation reserve	-	-
Deferred tax assets	-	-
Prudent valuation	-1	-9
Defined benefit pension fund assets	-157	-146
Common equity tier 1 capital	45,632	45,538
Difference between expected losses and impairment charges	-	-
Tier 1 capital	45,632	45,538
Reserves in series subject to a reimbursement obligation	-	-
Revaluation reserve	-	-
Difference between expected losses and impairment charges	811	631
Total capital	46,443	46,169
Risk exposure amount	169,564	148,353
Common equity tier 1 capital ratio (%)	26.9	30.7
Tier 1 capital ratio (%)	26.9	30.7
Total capital ratio (%)	27.4	31.1

At end-2020, the total capital and the total risk exposure amount is calculated in accordance with the Capital Requirements Regulation (CRR/CRD IV). The solvency need calculation is described in more detail on rd.dk.

Statement of capital

	Realkredit Danmark A/S	
(DKK millions)	31 December 2020	31 December 2019
Total capital and Total capital ratio		
Shareholders' equity	49,590	49,993
Proposed/expected dividends	-3,800	-4,300
Revaluation reserve	-	-
Deferred tax assets	-	-
Prudent valuation	-1	-9
Defined benefit pension fund assets	-157	-146
Common equity tier 1 capital	45,632	45,538
Difference between expected losses and impairment charges	-	-
Tier 1 capital	45,632	45,538
Reserves in series subject to a reimbursement obligation	-	-
Revaluation reserve	-	-
Difference between expected losses and impairment charges	811	631
Total capital	46,443	46,169
Risk exposure amount	169,596	148,174
Common equity tier 1 capital ratio (%)	26.9	30.7
Tier 1 capital ratio (%)	26.9	30.7
Total capital ratio (%)	27.4	31.2

At end-2020, the total capital and the total risk exposure amount is calculated in accordance with the Capital Requirements Regulation (CRR/CRD IV).
The solvency need calculation is described in more detail on rd.dk.

Cash flow statement

	Realkredit Danmark Group	
(DKK millions)	2020	2019
Cash flow from operating activities		
Profit before tax	4,980	5,636
Adjustment for other non-cash operating items		
Amortisation, depreciation and impairment charges	1	1
Loan impairment charges	50	-64
Tax paid	-1,145	-1,209
Total	3,886	4,364
Cash flow from operating capital		
Bonds and shares	5,256	-1,146
Mortgage loans	-9,710	-5,276
Issued mortgage bonds	-21,648	35,908
Due to credit institutions	-2,003	3,225
Other assets/liabilities	-262	-395
Cash flow from operating activities	-24,481	36,680
Cash flow from financing activities		
Dividends	-4,300	-4,300
Cash flow from financing activities	-4,300	-4,300
Cash and cash equivalents at 1 January	53,826	21,446
Change in cash and cash equivalents	-28,781	32,380
Cash and cash equivalents at 31 December	25,045	53,826
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	52	54
Amounts due from credit institutions and central banks within 3 months	24,993	53,772
Total	25,045	53,826

1 SIGNIFICANT ACCOUNTING POLICIES

General

Realkredit Danmark prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) and applicable interpretations (IFRIC) issued by the International Accounting Standards Board (IASB), as adopted by the EU. Furthermore, the consolidated financial statements comply with the Danish FSA's executive order No. 1306 dated 16 December 2008 on the use of IFRSs by undertakings subject to the Danish Financial Business Act.

Changes to significant accounting policies

On 1 January 2020, the Group implemented the amendments to IAS 1 and IAS 8 (definition of material), amendments to IFRS 3, Business Combinations (definition of a business), amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform phase I) and amendments to references to the Conceptual Framework in IFRS Standards.

The implementation of changes to IFRS had no impact on the Group's financial statements.

Apart from these changes, the accounting policies are unchanged from those applied in Annual Report 2019.

For the purpose of clarity, the notes to the financial statements are prepared using the concepts of materiality and relevance. This means that information not considered material in terms of quantitative and qualitative measures or relevant to financial statement users is not presented in the notes.

Significant accounting estimates and assessments

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the Group's consolidated financial statements. The amount most influenced by critical estimates and assessments is the fair value measurement of mortgage loans.

The estimates and assessments are based on assumptions that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

Fair value measurement of mortgage loans

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

The fair value of the credit risk on the borrower is based on the expected credit loss impairment model in IFRS 9. The expected credit loss is calculated for all individual loans as a function of PD (probability of default), EAD (exposure at default) and LGD (loss given default) and incorporates forward-looking information. The forward-looking information reflects management's expectations and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario.

In addition to the expected credit losses, a collective assessment determines the need for adjustments to reflect other components in the fair value measurement, such as an assessment of an investor's risk premium, compensation for administrative costs related to the loans and the possibility to increase the credit margin if the credit risk increases.

At the end of 2020, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 2,801 million (2019: DKK 2,736 million), reducing the value of mortgage loans. The base case scenario enters with a probability of 60% (2019: 60%), the downside scenario with a probability of 25% (2019: 30%) and the upside scenario with a probability of 15% (2019: 10%). If the base case scenario was assigned a probability of 100%, the fair value adjustment at end-2020 would be DKK 2,700 million (2019: DKK 2,600 million). The fair value adjustment at the end of 2020 would increase to DKK 3,100 million (2019: DKK 3,125 million) if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100%, the fair value adjustment would decrease to DKK 2,650 million (2019: DKK 2,450 million). It should be noted that the expected credit losses in the individual scenarios do not reflect forecasts of the Group's expected credit losses.

According to the Group's definition of a significant increase in credit risk, i.e. when a loan is transferred from stage 1 to stage 2, loans with an initial PD below 1% are transferred to stage 2 if the loan's 12-month PD has increased by at least 0.5 of a percentage point and the loan's lifetime PD has doubled since origination. The allowance account is relatively stable in terms of changes to the definition of significant increase in credit risk. At 31 December 2020, the allowance account would increase by DKK 3 million (2019: DKK 5 million), if instead an increase in the loan's 12-month PD by at least 0.25 of a percentage point combined with a doubling of the lifetime PD was considered a significant increase in credit risk.

Management applies judgement when determining the need for post-model adjustments. At the end of 2020, the post-model adjustments amounted to DKK 1,347 million (2019: DKK 678 million). The adjustments cover for instance specific macroeconomic risks that are not specifically captured by the expected credit loss model like specific macroeconomic risk in the agricultural sector. Supplementary calculations are made in order to ensure sufficient impairment coverage. Such adjustments are also introduced from the second quarter of 2020 to capture the immediate effects from the corona crisis, see separate section below. Further, adjustments are made to take into account non-linear downside risks, for instance related to the property market in Copenhagen and other high growth areas. The development from 2019 to 2020 was primarily due to the corona crisis, see further in the separate section below.

Accounting treatment of the impacts from the corona crisis

The effect of the corona crisis began to affect the Group's credit portfolio in the first quarter of 2020. We remain to see further credit deterioration as the effect is currently limited and mitigated by the continued government support packages. Based on the measures taken by governments across the world to contain the virus, economies are seeing lower activity in the short-term, although especially in the Nordic economies, the activity in many sectors were back to a normal activity level already in the second quarter of 2020 after the reopening of societies. However, in the fourth quarter of 2020 a second wave of the corona pandemic evolved and new lock-downs are introduced. The economies continue to be supported by government packages. Significant continued uncertainty remains on the effectiveness of actions taken by governments to contain the virus and from when the roll-out of the vaccine programme will have a sufficient coverage to limit the spread of the virus. The economic activity is likely to be impacted in the shorter term and it is yet unknown to which extent governments will continue to support the economies.

It is expected that the impacts on the specific customers adversely affected by the corona crisis will materialise over the coming quarters. Customer assessment has been ongoing throughout the second, third and fourth quarters of 2020 and impairments have been revisited in light of the changed outlooks. While customer activity in 2020 was higher than usual, most customers are still assessing the consequences. As a result, the financial consequences at customer level still remain to be seen, for instance, when government support packages come to an end and as the pandemic evolves. To take account of this targeted post-model adjustments are made, see further below.

A large part of the impact on the expected credit losses from the corona crisis relates to changes to the forward-looking information with macroeconomic scenarios applied being significantly different from those applied in 2019. The Group's base case scenario is based on the Nordic Outlook from October and reflects a significant decline in economic activity in 2020 followed by a recovery in 2021. The downside scenario has been updated to a W-shaped trend, where the second wave of the coronavirus pandemic causes lock-downs in the fourth quarter of 2020 and the first quarter of 2021. The base case scenario is considered the most likely scenario with a likelihood of 60% while the downside scenario is attached a likelihood of 25%.

During all quarters of 2020, the base case macroeconomic scenario reflects a recovery in 2021. Therefore, the forward looking information used during the quarters of 2020 has gradually become more positive when the period until recovery in 2021 shortened leading to reversal of the modelled expected credit losses in the second half of 2020 compared to the first half of 2020. Due to the continued significant uncertainty related to the magnitude of the pandemic and to the extent to which governments will continue to support the economies, the management has deemed it appropriate to increase the post-model adjustment related to the corona crisis during the second half of 2020.

The post-model adjustment of DKK 0.7 billion at the end of 2020 relates to industries highly affected by the corona crises. It includes expected, but not yet materialised, credit deterioration in relation to the Personal customers and Commercial property industries in Denmark as government support ends. It also includes retailing, hotels and restaurants.

Consolidation

Group undertakings

The financial statements consolidate the parent company and group undertakings in which the Group has control. Control exists if Realkredit Danmark A/S is exposed to variable returns from the entity and, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions affecting the variable returns.

The consolidated financial statements are prepared by consolidating items of the same nature and eliminating intra-group transactions, balances and trading profits and losses.

Segment reporting

Realkredit Danmark operates two primary business segments, mortgage finance and a proprietary portfolio. The business segments are based on ongoing internal reporting of customer-facing activities (mortgage finance) and risk management (proprietary portfolio).

The part of the bond portfolio that is not related to mortgage lending operations is managed under the proprietary portfolio segment.

Offsetting

Assets and liabilities are offset when the Group and the counterparty have a legally enforceable right to set off a recognised amount and intend 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 reduce the Group's liability under the issued bonds. Holdings of own mortgage bonds are therefore set off against Issued mortgage bonds at fair value.

Translation of transactions in foreign currencies

The presentation currency of the consolidated financial statements is Danish kroner, which is the functional currency of Realkredit Danmark.

Transactions in foreign currencies are translated into Danish kroner using the exchange rates applicable on the transaction date. Gains and losses on exchange rate differences arising between the transaction date and the settlement date are recognised in the income statement.

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates at the transaction date and at the balance sheet date are recognised in the income statement.

Notes

Note

Financial instruments – general

Regular way purchases and sales of financial instruments are recognised and derecognised at the settlement date. Fair value adjustments of unsettled financial instruments are recognised from the trade date to the settlement date for financial instruments subsequently recognised at fair value over profit or loss.

Classification

Financial assets are classified at initial recognition on the basis of the company's business model adopted for managing the assets and on their contractual cash flow characteristics (including embedded derivatives, if any) into one of the following measurement categories:

- Amortised cost if the assets are held exclusively for the purpose of collecting contractual cash flows and if the cash flows are payments of principal and interest on the principal amount outstanding solely.
- Fair value through other comprehensive income if the assets are held for the purpose of both collecting contractual cash flows and selling and if cash flows are payments of principal and interest on the principal amount outstanding solely. The Group has no financial assets in this category.
- Fair value through profit or loss for all other financial assets.

At initial recognition, a financial liability is assigned to one of the following categories:

- Issued mortgage bonds are designated at fair value through profit or loss using the fair value option of IFRS 9 in order not to create an accounting mismatch that would otherwise arise. See below.
- Other financial liabilities, including "Senior debt" measured at amortised cost.

Mortgage loans and issued mortgage bonds at fair value through profit or loss (FVPL)

Mortgage loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Borrowers may repay such mortgage loans by delivering the underlying bonds. This represents an option to prepay at the fair value of the underlying bonds, which can be both above and below the principal amount plus accrued interest. Such an option is not consistent

with the so-called SPPI test in IFRS 9, as changes in the fair value of the underlying bonds reflect other factors than interest rate development. Consequently, regardless of the fact that the business model is to receive the contractual cash flow, such loans are mandatorily recognised at fair value through profit or loss.

If the issued mortgage bonds are valued at amortised cost, and the mortgage loans, which are funded by the issued mortgage bonds with matching terms, are valued at fair value through profit or loss, a timing difference will arise in the recognition of gains and losses in the financial statements.

To eliminate this random timing difference in the recognition of gains and losses, both mortgage loans and issued mortgage bonds are valued at fair value through profit or loss (for the issued bonds by using the fair value option of IFRS 9).

The fair value of the mortgage loans is based on the fair value of the underlying mortgage bonds adjusted for the credit risk on borrower/the Group's customer. This entails that the fair value adjustment of the mortgage loans in all material respects balance out the fair value adjustment of the issued bonds. Consequently, the total fair value adjustment of the issued mortgage bonds, including the proportion relating to own credit risk, is recognised in the income statement, as recognition of the fair value adjustment of own credit risk in other comprehensive income would lead to an accounting mismatch in the income statement.

The fair value adjustment of the mortgage loans and the issued mortgage bonds is recognised under Value adjustments, except for the part of the value adjustment that concerns the credit risk on mortgage loans: this part is recognised under Loan impairment charges.

Notes

Note

The table below shows the distribution of the Group's financial instruments by valuation method:

	Amortised cost	Fair value through profit or loss			Designated	Total
		Trading portfolio	Managed on fair-value basis	Due to SPPI test		
Assets						
Cash in hand and demand deposits with central banks	52	-	-	-	-	52
Due from credit institutions and central banks	24,993	-	-	-	-	24,993
Bonds	33,006	-	14,177	-	-	47,183
Loans	449	-	-	816,577	-	817,026
Shares	-	-	4	-	-	4
Derivatives (Other assets)	-	8	-	-	-	8
Total assets	58,500	8	14,181	816,577	-	889,266
Amounts due						
Due to credit institutions and central banks	2,000	-	-	-	-	2,000
Issued bonds	-	-	-	-	835,217	835,217
Derivatives (Other liabilities)	-	17	-	-	-	17
Total amounts due	2,000	17	-	-	835,217	837,234

Notes

Note

BALANCE SHEET

Bonds at fair value

At initial recognition, these bonds are measured at fair value, excluding transaction costs. Subsequently, bonds are measured at fair value through profit or loss. The bonds form part of a portfolio, which is managed on a fair value basis.

If an active market exists, fair value is based on the most recently observed market price at the balance sheet date.

If a bond is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar bonds that are motivated by normal business considerations.

If no active market exists, fair value is estimated on the basis of generally accepted valuation techniques and market-based parameters.

Bonds at amortised cost

Realkredit Danmark has a bond portfolio held for the purpose of generating a known return until maturity. The bonds are measured at amortised cost. Interest rate risk is not hedged. Impairments are made for expected credit losses on the basis of a classification of the bonds into stages 1, 2 and 3, and the impairment equals 12-month expected credit losses for bonds in stage 1 and the present value of lifetime expected credit losses for bonds in stages 2 and 3, cf. the description below in the section 'Mortgage loans and Issued mortgage bonds at fair value'. For calculating the present value of expected credit losses for discounting purposes, the original effective interest rate is used instead of the current interest rate.

Mortgage loans and Issued mortgage bonds at fair value

At initial recognition, mortgage loans and issued mortgage bonds are measured at fair value, excluding transaction costs. Subsequently, these financial instruments are measured at fair value through profit or loss.

The fair value of the issued mortgage bonds will usually equal the quoted market price. However, a small part of the issued bonds are illiquid, and the fair value of these bonds is calculated on the basis of a discounted cash flow valuation model.

The fair value of mortgage loans is based on the fair value of the underlying issued mortgage bonds adjusted for changes in the fair value of the credit risk on the borrowers. The IFRS 13 estimate of the fair value of the expected credit losses is calculated on the basis of the IFRS 9 model for calculating impairment of losses on loans at amortised cost: expected credit losses, including the classification of loans between stages 1, 2 and 3:

Stage 1: If the credit risk has not increased significantly, the impairment equals the expected credit losses resulting from default events that are possible within the next 12 months, see however below on the collective assessment of the need for further adjustments.

Stage 2: If the credit risk has increased significantly, the loan is transferred to stage 2 and an impairment equal to the lifetime expected credit losses is recognised. A significant credit risk increase is considered to occur when the following increase in the probability of default (PD) is observed:

- For loans originated below 1% in PD: An increase in the loan's 12-month PD of at least 0.5 percentage points since origination and a doubling of the loan's lifetime PD since origination
- For loans originated above 1% in PD: An increase in the loan's 12-month PD of 2 percentage points since origination or a doubling of the loan's lifetime PD since origination
- Further, loans that are more than 30 days past due are moved from stage 1 to stage 2. Finally, customers subject to forbearance measures are placed in stage 2, if the Group, in the most likely outcome, expects no loss or the customers are in the 2-year probation period for performing forbore exposures.

Stage 3: If the loan is in default or otherwise credit impaired, it is transferred to stage 3. A facility becomes credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. This includes observable data about (a) significant financial difficulty of the borrower; (b) a breach of contract, such as a default or past due event; (c) the borrower, for reasons relating to the borrower's financial difficulty, is granted a concession; (d) it is probable that the borrower will enter into bankruptcy. Credit-impaired facilities are placed in Realkredit Danmark's rating category 10 or 11. For customers in rating category 10, the stage 3 classification only applies to customers where a loss is expected in the most likely scenario. For rating category 11, all exposures are classified as stage 3. The Realkredit Danmark Group uses the option to continue to recognise interest income on mortgage loans measured at fair value on the basis of the contractual interest rates.

The definition of default used in the measurement of expected credit losses and in the classification of facilities between stages 1, 2 and 3 is consistent with the definition of default used for internal credit risk management purposes and is aligned with the CRR. Hence, exposures which are considered to be in default for regulatory purposes will be considered stage 3. This applies both for 90-days-past-due considerations and unlikely-to-pay factors leading to a regulatory default.

Notes

Note

The expected credit loss is calculated for all individual loans as a function of the probability of default (PD), the exposure at default (EaD) and the loss given default (LGD).

The lifetime expected credit losses cover the expected remaining lifetime of the loan. For most loans, the expected lifetime is limited to the remaining contractual maturity and adjusted for expected prepayment. For exposures with weak credit quality, the likelihood of prepayment is not included.

The forward-looking elements of the calculation reflect the current unbiased expectations of the management. The process consists of the creation of macroeconomic scenarios (base case, upside and downside), including an assessment of the probability for each scenario, by the Danske Bank Group's independent macroeconomic research unit, the review and sign-off of the scenarios (throughout the organisation) and a process for adjusting scenarios given new information during the quarter. Management's approval of scenarios can include adjustments to the scenarios, probability weighting and management overlays to cover the outlook for particular high-risk portfolios, which are not provided by the Group's macroeconomists. The approved scenarios are used to calculate the impairment levels. Technically, the forward-looking information is used directly in the PDs through an estimate of general changes to the PDs and the LGDs in the expected credit loss calculation. However, for significant exposures in stage 3, an individual assessment of the scenarios, changes to expected credit losses and the related probabilities are performed by senior credit officers.

In addition, a collective assessment determines the need for further adjustments to reflect other components in the fair value measurement, such as an assessment of an investor's risk premium, compensation for administrative costs related to the loans and the possibility to increase the credit margin if the credit risk increases. This assessment also takes into consideration the fact that initial recognition of 12-month expected credit losses is not in accordance with fair value, and the fact that the expected credit losses during the lifetime of the asset should be included in the assessment even if the credit risk has not increased significantly.

Loans considered uncollectible are written off. Write-offs are debited to the allowance account. Loans are written off once the usual collection procedure has been completed and the loss on the individual loan can be calculated.

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

Amounts due from credit institutions and central banks comprise amounts due from other credit institutions and time deposits with central banks. Reverse transactions (purchases of securities from credit institutions and central banks that the Group agrees to resell at a later date) are recognised as Amounts due from credit institutions and central banks with collateral in the securities received. Reverse transactions are made on standard terms and conditions.

These financial assets are held for the purpose of achieving the contractual return until expiry and have contractual cash flows reflecting repayment of principal and interest thereon. Loans and other amounts due are therefore carried at amortised cost and consist of mortgage payments due and other outlays relating to mortgage loans as well as claims against individual borrowers and reserve fund mortgages, etc.

Impairments are made for expected credit losses on the basis of a classification of the loans into stages 1, 2 and 3, and the impairment equals 12-month expected credit losses for loans in stage 1 and the present value of lifetime expected credit losses for loans in stages 2 and 3, cf. the description above in the section 'Mortgage loans and Issued mortgage bonds at fair value'. For calculating the present value of expected credit losses for discounting purposes, the original effective interest rate is used instead of the current interest rate.

Assets temporarily taken over

Assets temporarily taken over include tangible assets, which according to a publicly announced plan, the Group expects to sell within twelve months. Such assets are measured at the lower of their carrying amount at the time of classification and their fair value less expected costs to sell and are no longer depreciated.

Properties taken over in connection with non-performing loans and which are likely to be sold within 12 months are presented under Assets temporarily taken over. Subsequent fair value adjustments and gains or losses on disposal are recognised under Loan impairment charges.

Other assets

Other assets include derivatives, interest receivable, tangible assets, assets under sub-leases and pension assets. Derivatives are recognised at fair value through profit or loss.

Tangible assets

Equipment, vehicles, furniture, fixtures and property improvement expenditure are recognised at cost less depreciation and impairment charges. Assets are depreciated over their expected useful lives, which are usually three years, according to the straight-line method. Property improvement expenditure is depreciated over the term of the lease, with a maximum of ten years.

Tangible assets also include lease assets under lease contracts in which the Group acts as lessee, except for leases of low value assets and contracts with terms of 12 months or less. On initial recognition, the lease asset represents the present value of future lease payments (using the Group's borrowing rate). Lease assets are depreciated on a straight-line basis over the lease term.

Tangible assets are tested for impairment if evidence of 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.

Notes

Note

Pension assets

The Group's pension obligations generally consist of defined contribution pension 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 obligations under the plans are taken over by the insurance companies and other institutions.

Furthermore, the Group operates a defined benefit plan maintained under Kreditforeningen Danmarks Pensionsafviklingskasse (pension fund). Realkredit Danmark A/S guarantees future payment of a defined benefit from the time of retirement.

The pension fund and Realkredit Danmark's defined benefit plan has not accepted new members since 1971, so no pension contributions are made. Accordingly, there are no service costs.

The amounts payable are recognised on the basis of an actuarial computation of the present value of expected benefits. The present value is calculated on the basis of expected future trends in salaries and interest rates, time of retirement, mortality rate 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 in the balance sheet.

Amounts due to credit institutions and central banks

Amounts due to credit institutions and central banks include amounts received under repo transactions. These deposits are recognised as debt with collateral in the securities surrendered. Repo transactions are made on standard terms and conditions. Amounts due to credit institutions and central banks are measured at amortised cost.

Deferred tax assets/Deferred tax liabilities

Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for in accordance with the balance sheet liability method. Deferred tax is recognised under Deferred tax assets or Deferred tax liabilities.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of adopted changes in tax rates are recognised in the income statement based on expected cash flows.

Current tax assets/Current tax liabilities

Current tax assets and liabilities are recognised in the balance sheet as the estimated tax charge on the profit for the year adjusted for prepaid tax and prior-year tax payables and receivables.

Tax assets and liabilities are offset if the Group has a legally enforceable right to set off such assets and liabilities and intends either to settle the assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

Other liabilities

Other liabilities includes derivatives, interest payable, accrued fee and lease liabilities. Further, other liabilities also includes Reserves in early series subject to a reimbursement obligation and other provisions.

Other liabilities includes lease liabilities under leases contracts in which the Group acts as lessee, except for leases of low value assets and contracts with terms of 12 months or less. On initial recognition, the lease liability represents the present value of future lease payments (using the Group's borrowing rate). Subsequently, the lease liability is adjusted to reflect accrued interest, instalments and correction due to modification or reassessment.

Shareholders' equity

Reserves in series

Reserves in series comprise series established before 1972 with joint and several liability, series established after 1972 without joint and several liability, other series, including Danske Kredit and mortgage-covered bonds.

Other reserves

Other reserves comprise the mortgage credit business that is not included in reserves in series.

Proposed dividends

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in shareholders' equity. The dividends are recognised as a liability when the general meeting has adopted the proposal.

INCOME STATEMENT

Interest income and expense

Interest income and expenses include interest and administration margins on financial instruments measured at fair value.

Fees and commission income and expense

Income, including origination fees, from mortgage loans carried at fair value is recognised when the transaction is completed. Income and expenses for services provided over a period of time are accrued over the period. Transaction fees are recognised on completion of the individual transaction.

Notes

Note

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 remuneration that the Group expects to pay for work carried out during the year are expensed under Staff costs and administrative expenses. This item comprises salaries, bonuses, expenses for share-based payments, holiday allowances, anniversary bonuses, pension costs and other remuneration. Performance-based pay is expensed as it is earned.

Performance-based pay and share-based payments

Performance-based pay is expensed as it is earned. Part of the performance-based pay for the year is paid in the form of conditional shares issued by Danske Bank. Rights to shares under the conditional share programme vest up to three years after being granted provided that the employee, with the exception of retirement, has not resigned from the Group. Retirement is not considered as resignation.

The fair value of share-based payments at the grant date is expensed over the service period that unconditionally entitles the employee to the payment. The intrinsic value of the share-based payments is expensed in the year in which the share-based payments are earned, whereas the time value (if any) 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 in the fair value are not recognised in the income statement.

Pension obligations

The Group's contributions to defined contribution pension plans are recognised in the income statement as they are earned by the employees. For the defined benefit pensions plans in Kreditforeningen Danmarks Pensionsafvklingskasse no contributions are made any longer, and therefore there are no service costs. Gains or losses as a result of the difference between expected trends and actual trends are recognised in Other comprehensive income.

Loan impairment charges

Loan impairment charges include 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.

The item also includes impairment charges and realised gains and losses on acquired assets if the assets qualify as assets temporarily

taken over. Similarly, subsequent value adjustments of assets that the Group has taken over and does not expect to sell within 12 months are recognised under loan impairment charges, provided that the Group has a right of recourse against the borrower.

Tax

Calculated current and deferred tax on the profit for the year and adjustments of tax charges for previous years are recognised in the income statement. Tax on items recognised in Other comprehensive income is recognised in Other comprehensive income. Similarly, tax on items recognised in shareholders' equity is recognised in Shareholders' equity.

Comprehensive income

Total comprehensive income includes the net profit for the year and other comprehensive income.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The statement is based on profit for the year before tax and shows the consolidated cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

Cash and cash equivalents consists of Cash in hand and demand deposits with central banks and Amounts due from credit institutions and central banks with original maturities shorter than three months.

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued one new accounting standard (IFRS 17) and amendments to existing international accounting standards (IFRS 1, IFRS 3, IFRS 7, IFRS 9, IFRS 16, IAS 1, IAS 16, IAS 37, IAS 39 and IAS 41). The changes are not expected to have any material impact on the Group's financial statements.

Accounting policies for the parent company

The financial statements of the parent company are prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order No. 281 of 26 March 2014 on Financial Reports for Credit Institutions and Investment Companies, etc. as amended by Executive Order no. 707 of 1 June 2016, the Executive Order No. 1043 of 5 September 2017 and the Executive Order No. 1441 of 3 December 2018. The rules are consistent with the Group's measurement principles under IFRS.

Holdings in subsidiary undertakings are measured using the equity method.

Notes

Note (DKK millions)

2	Profit broken down by activity	Realkredit Danmark Group				
		Mortgage finance	Own holdings	Highlights	Reclassification	IFRS
	2020					
	Administration margin	5,923	-	5,923	-	5,923
	Net interest income	-184	281	97	476	573
	Net fee income	-611	-	-611	-	-611
	Income from investment portfolios	601	55	656	-656	-
	Value adjustments	-	-	-	180	180
	Other income	114	-	114	-	114
	Total income	5,843	336	6,179	-	6,179
	Expenses	860	4	864	-	864
	Profit before loan impairment charges	4,983	332	5,315	-	5,315
	Loan impairment charges	335	-	335	-	335
	Profit before tax	4,648	332	4,980	-	4,980
	Tax			1,097	-	1,097
	Net profit for the year			3,883	-	3,883
	Total assets	843,937	47,331	891,268	-	891,268
	2019					
	Administration margin	6,082	-	6,082	-	6,082
	Net interest income	-86	289	203	620	823
	Net fee income	-528	-	-528	-	-528
	Income from investment portfolios	769	70	839	-839	-
	Value adjustments	-	-	-	219	219
	Other income	117	-	117	-	117
	Total income	6,354	359	6,713	-	6,713
	Expenses	808	4	812	-	812
	Profit before loan impairment charges	5,546	355	5,901	-	5,901
	Loan impairment charges	265	-	265	-	265
	Profit before tax	5,281	355	5,636	-	5,636
	Tax			1,240	-	1,240
	Net profit for the year			4,396	-	4,396
	Total assets	864,203	48,345	912,548	-	912,548

Mortgage finance encompasses property financing services provided in Denmark, Sweden and Norway to personal and business customers. The mediation of property financing services is made through Danske Bank's branch network and finance centres and through Corporate & Institutional Mortgage Finance at Realkredit Danmark. The segment also includes mediation of real estate transactions in Denmark offered through the "home" real-estate agency chain. Own holdings comprise the net return on the part of the securities portfolio not relating to the mortgage finance business. Under the Danish Financial Business Act, at least 60% of the total capital of a mortgage credit institution must be invested in bonds, etc.

Realkredit Danmark has no branch offices or subsidiaries outside Denmark.

IFRSs require disclosure if 10% or more of the income derives from a single customer. The Realkredit Danmark Group has no such customers.

Notes

Note (DKK millions)

2 **Profit broken down by activity**

cont'd

Alternative performance measures

Financial highlights and reporting for the two business segments correspond to the information incorporated in the Management's report, which is regularly sent to management. The presentation in the financial highlights deviates in certain areas from the financial statements prepared under IFRS and therefore represents alternative performance measures. There are generally no adjusting items, which means that net profit is the same in the financial highlights and in the IFRS financial statements.

The reclassification column shows the reconciliation between the presentation in the highlights and in the IFRS financial statements. The difference between the presentation in the financial highlights and in the IFRS financial statements is due to the fact that income from trading activities in mortgage credit activities and income from own holdings, except for interest on bonds at amortised cost, is carried in the consolidated highlights as income from investment portfolios, while in the income statement according to IFRS it is carried under net interest income, value adjustments, etc.

As the distribution of income between the various income line items in the IFRS income statement can vary considerably from one year to the next, depending on the underlying transactions and market conditions, the net presentation in the financial highlights is considered to better reflect income in those areas.

3 **Fee and commission income and other operating income**

Fee and commission income relates to mortgage credit activities and primarily concern income from the establishment and change of loans. These are recognised at the date of transaction as the loans are measured at fair value through profit or loss. In the business segment reporting and internal management, fees are presented as net figures, i.e. fee income and fee expenses are offset.

Other income includes franchise income in the amount of DKK 123 million, which is recognised over the term of the franchise agreement (2019: DKK 111 million).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
4	Interest income				
	Reverse transactions with credit institutions and central banks	-60	-90	-60	-90
	Credit institutions and central banks	-25	-142	-25	-142
	Loans and other amounts due	8,347	10,197	8,347	10,196
	Administration margin	5,923	6,082	5,923	6,082
	Bonds at fair value	123	199	123	199
	Bonds at amortised cost	75	87	75	87
	Derivatives				
	Interest rate contracts	224	445	224	445
	Other interest income	2	4	2	4
	Total	14,609	16,782	14,609	16,781
	Interest income derived from				
	Assets at fair value	14,617	16,923	14,617	16,922
	Assets at amortised cost	-8	-141	-8	-141
	Total	14,609	16,782	14,609	16,781
5	Interest expense				
	Repo transactions with credit institutions and central banks	-24	-39	-24	-39
	Due to credit institutions and central banks	6	1	6	1
	Issued mortgage bonds etc.	8,124	9,913	8,124	9,913
	Other interest expense	7	2	7	1
	Total	8,113	9,877	8,113	9,876
	Interest expense derived from				
	Liabilities at fair value	8,124	9,913	8,124	9,913
	Liabilities at amortised cost	-11	-36	-11	-37
	Total	8,113	9,877	8,113	9,876
	Negative interest income and interest expenses due to negative interest rates were insignificant during 2019 and 2020 when taking into account that negative interest expenses on issued mortgage bonds are passed over to the customers as part of the interest on the mortgage loans funded by those bonds. Negative interest income and interest expenses are offset against interest income and interest expenses, respectively.				
6	Value adjustments				
	Mortgage loans	4,353	1,202	4,353	1,202
	Bonds	-203	-283	-203	-283
	Shares	-	-	-	-
	Currency	-7	6	-7	6
	Derivatives	-761	947	-761	947
	Other assets	11	10	11	10
	Issued mortgage bonds	-3,213	-1,662	-3,213	-1,662
	Other liabilities	-	-1	-	-1
	Total	180	219	180	219
	Value adjustments derived from				
	Assets and liabilities at fair value	169	210	169	210
	Assets and liabilities at amortised cost	11	9	11	9
	Total	180	219	180	219

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
7	Staff costs and administrative expenses				
	Salaries and remuneration of Executive Board and Board of Directors				
	Executive Board	7	7	7	7
	Board of Directors	1	1	1	1
	Total	8	8	8	8
	Staff costs				
	Salaries	154	148	130	127
	Defined benefit pensions	19	19	17	16
	Other social security costs and taxes	24	24	24	24
	Total	197	191	171	167
	Other administrative expenses	658	612	630	573
	Total staff costs and administrative expenses	863	811	809	748
	Number of full-time-equivalent staff (avg.)	233	231	203	200
	Remuneration of the Board of Directors (DKK thousands)				
	Jesper Koefoed (from 9 March 2020)	271	-	271	-
	Kim Andersen (until 31 March 2020)	79	315	79	315
	Anna-Marie Mikkelsen (from 1 October 2019)	125	31	125	31
	Lisbeth Sahlertz Nielsen	125	125	125	125
	Majken Hammer Sløk	125	125	125	125
	Sonia Khan (until 1 October 2019)	-	94	-	94
	Total remuneration	725	690	725	690
	Remuneration for committee work included in total remuneration	167	190	167	190
	Members of the Board end of year	7	8	7	8

Members of the Board of Directors employed by Danske Bank A/S do not receive remuneration from Realkredit Danmark.

As members of the board of directors or executive board of other companies in the Danske Bank Group, Carsten Rasch Egeriis earned a total remuneration from such companies in 2020 of DKK 12.3 million (2019: DKK 9.8 million), Jesper Koefoed earned DKK 0.3 million, Jacob Aarup-Andersen earned DKK 4.7 million (2019: DKK 11.2 million), Jakob Groot earned DKK 6.4 million (2019: DKK 8.8 million), Berit Behring earned DKK 10.3 million (2019: DKK 2.9 million), Kim Andersen earned DKK 0.1 million (2019: DKK 0.4 million), Henriette Fenger Ellekrog (2019: DKK 1.4 million), Jesper Nielsen (2019: DKK 5.7 million) and Christian Baltzer (2019: DKK 6.0 million).

At the annual general meeting on 9 March 2020, Jakob Groot, Berit Behring and Kim Andersen resigned from the Board of Directors. At the same time, Jesper Koefoed, Claus Harder and Line Munkholm Haukrogh were elected as new board members. After the general meeting, Jacob Aarup-Andersen was appointed chairman and Carsten Rasch Egeriis vice chairman of the Board of Directors.

On 9 June 2020, Jacob Aarup-Andersen resigned from the Board of Directors. The Board of Directors elected Carsten Rasch Egeriis as chairman.

At the annual general meeting on 7 March 2019, Henriette Fenger Ellekrog, who did not seek reelection, resigned from the Board of Directors. Jesper Nielsen was appointed chairman and Jacob Aarup-Andersen vice chairman of the Board of Directors.

On 15 July 2019, Jesper Nielsen resigned from the Board of Directors. The Board of Directors elected Jacob Aarup-Andersen as chairman and Carsten Rasch Egeriis as vice chairman.

On 26 September 2019, Christian Baltzer resigned from the Board of Directors. At an extraordinary general meeting held on 1 October 2019, Berit Behring was elected as a new member of the Board of Directors. At the same time, Sonia Khan stepped down as employee-elected member and the former first alternate, Anna-Marie Mikkelsen, joined the Board of Directors as a new employee representative.

Members of the Board of Directors only receive a fixed fee. They are not covered by any incentive programmes at Realkredit Danmark. In addition to the fixed fee, a committee fee is paid to the chairman of the Audit Committee.

Board fees are paid by the parent company Realkredit Danmark A/S. No board member has received remuneration for membership of the executive board or board of directors of the home a/s subsidiary.

The Group has no pension obligations towards its board members.

Notes

Note	(DKK millions)		
7	Staff costs and administrative expenses		
cont'd	Remuneration of the Executive Board		
		Carsten Nøddebo Rasmussen	Klaus Kristiansen
	2020		
	Fixed salary	3.5	1.8
	Pension	0.5	0.2
	Variable cash remuneration	0.3	0.2
	Variable share-based remuneration	0.3	0.2
	Total amount earned	4.6	2.4
	Total amount paid	4.2	2.2

Total amount paid consists of fixed salary and pension contributions to defined contribution plans in 2020, variable cash remuneration and the exercise of conditional shares granted for earlier financial years. Variable remuneration for 2020 will be paid in subsequent financial years.

The total remuneration of the Executive Board of DKK 7.0 million for 2020 consists of a fixed remuneration of DKK 6.0 million and a variable remuneration of DKK 1.0 million.

		Carsten Nøddebo Rasmussen	Klaus Kristiansen
	2019		
	Fixed salary	3.4	1.8
	Pension	0.5	0.2
	Variable cash remuneration	0.3	0.2
	Variable share-based remuneration	0.3	0.1
	Total amount earned	4.5	2.3
	Total amount paid	4.2	2.1

The total remuneration of the Executive Board of DKK 6.8 million for 2019 consists of a fixed remuneration of DKK 5.9 million and a variable remuneration of DKK 0.9 million.

The remuneration of the Executive Board disclosed above was paid by the parent company Realkredit Danmark A/S. No member of the Executive Board has received remuneration for membership of the executive board or board of directors of the subsidiary home a/s.

Pensions and termination

Carsten Nøddebo Rasmussen is entitled to retire at the end of the month in which he attains the age of 60. The pension obligation is covered by payments equal to 14% of his salary to a life insurance company.

Carsten Nøddebo Rasmussen may terminate his service contract by giving six months' notice. Realkredit Danmark may terminate the service contract by giving 12 months' notice. In case of termination by Realkredit Danmark, Carsten Nøddebo Rasmussen is entitled to severance pay equal to 12 months' salary.

Klaus Kristiansen is entitled to retire at the end of the month in which he attains the age of 60, in which case he will receive a severance payment equivalent to 12 months' salary. The pension obligation is covered by payments equal to 14% of his salary to a life insurance company. In addition to the severance payment, Realkredit Danmark will pay the employer's pension contribution for up to three years, but not longer than until the retirement age laid down in legislation.

Klaus Kristiansen may terminate his service contract by giving 3 months' notice. Realkredit Danmark may terminate the service contract by giving 8 months' notice. In case of termination by Realkredit Danmark, Klaus Kristiansen is entitled to severance pay equal to 24 months' salary.

Notes

Note	(DKK millions)
7 cont'd	<p>Staff costs and administrative expenses</p> <p>Remuneration of other material risk takers</p> <p>In accordance with current legislation the Danish Financial Business Act and the accompanying order, Realkredit Danmark is required to identify all employees whose professional activities could have a material impact on the risk profile of Realkredit Danmark. Other material risk takers do not comprise members of the Executive Board or Board of Directors.</p> <p>Variable payment for other material risk takers is granted in accordance with the rules of the Danske Bank Group's remuneration policy, which Realkredit Danmark has adopted, the rules of the European Banking Authority (EBA) and the rules of the Danish FSA with respect to split into cash and share-based payment and postponement of disbursement. All variable payments are subject to claw back provisions if granted on the basis of data which has subsequently proven to be manifestly misstated or inaccurate.</p> <p>For 2020, Realkredit Danmark A/S paid remuneration totalling DKK 32.9 million for 32 other material risk takers (2019: DKK 41.6 million for 38 other material risk takers). The remuneration consists of fixed remuneration of DKK 31.3 million and a variable remuneration of DKK 1.6 million (2019: DKK 39.9 million and DKK 1.7 million). Variable pay for 2020 is estimated and will be finalised at the end of February 2021. The final variable pay will be published no later than in March 2021 in the Realkredit Danmark Group Remuneration Report 2020, where additional quantitative information on the remuneration of material risk takers can be found. The Remuneration Report will be available at rd.dk.</p> <p>Realkredit Danmark A/S has no pension obligation towards other material risk takers, as these are covered by defined contribution plans through pension funds.</p> <p>Pension plans</p> <p>Most of the Group's pension plans are defined contribution plans under which the Group pays contributions to insurance companies. Such payments are expensed regularly. The Group has to a minor extent entered into a defined benefit pension plan through Kreditforeningen Danmarks Pensionsafviklingskasse, where the Group is under an obligation to pay defined future benefits from the time of retirement. The pension fund and the Group's defined benefit plan has not accepted new members since 1971, so no pension contributions are made. Accordingly, there are no service costs.</p> <p>The fair value of pension assets less the present value of obligations is recognised under Other assets. At 31 December 2020, the net present value of pension obligations was DKK 711 million (2019: DKK 758 million), and the fair value of plan assets was DKK 913 million (2019: DKK 945 million). Actuarial gains or losses are recognised in Other comprehensive income.</p> <p>The calculation of the net obligation is based on valuations made by external actuaries. These valuations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. The measurement of the net obligation is particularly sensitive to changes in the discount rate. The discount rate is determined by reference to yields on Danish mortgage bonds with terms to maturity matching the terms of the pension obligations.</p>
8	<p>Share-based payments</p> <p>The total expense recognised as Operating expenses in 2020 arising from share-based payments was DKK 0.5 million (2019: DKK 0.4 million). All share-based payments are equity-settled. The exact number of shares granted for 2020 will be determined at the end of February 2021.</p> <p>Effective from 2010, part of the variable remuneration of Realkredit Danmark's Executive Board has been granted by way of conditional shares under the bonus structure for material risk takers and other employees, as part of their variable remuneration. Such employees have a performance agreement based on the performance of the Group. Part of the Danske Bank shares granted to material risk takers are, as required by EBA, deferred, see section above on variable payment. The fair value at grant date is measured at the expected monetary value of the underlying agreement.</p> <p>Rights to Danske Bank shares under the conditional share programme vest up to three years after being granted provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement and before pay-out of the deferred shares, back testing is conducted to assess whether the initial criteria for granting the bonus are still considered fulfilled, and whether the bank's economic situation has deteriorated significantly.</p>

Notes

Note (DKK millions)

8 The fair value of the conditional shares was calculated as the share price less the payment made by the employee.
cont'd

Danske Bank A/S carries hedged the share price risk.

Share-based payments

Conditional shares

	Number			Fair Value (FV)	
	Executive Board	Other employees	Total	At issue (DKK millions)	End of year (DKK millions)
Granted in 2016					
2019, beg.	521	1,260	1,781		
Vested 2019	-	-1,260	-1,260		
Forfeited 2019	-	-	-		
Other changes 2019	-	-	-		
2019, end	521	-	521	0.1	0.1
Vested 2020					
Forfeited 2020	-521	-	-521		
Other changes 2020	-	-	-		
2020, end	-	-	-	-	-
Granted in 2017					
2019, beg.	442	1,037	1,479		
Vested 2019	-	-	-		
Forfeited 2019	-	-	-		
Other changes 2019	-	-	-		
2019, end	442	1,037	1,479	0.4	0.2
Vested 2020					
Forfeited 2020	-	-1,037	-1,037		
Other changes 2020	-	-	-		
2020, end	442	-	442	0.1	-

Notes

Note	(DKK millions)					
8	Share-based payments					
cont'd	Conditional shares cont'd.					
	Number			Fair Value (FV)		
	Executive Board	Other employees	Total	At issue (DKK millions)	End of year (DKK millions)	
Granted in 2018						
	532	847	1,379			
2019, beg.						
Vested 2019	-	-	-			
Forfeited 2019	-	-	-			
Other changes 2019	-	-	-			
2019, end	532	847	1,379	0.3	0.1	
Vested 2020						
	-	-	-			
Forfeited 2020	-	-	-			
Other changes 2020	-	-	-			
2020, end	532	847	1,379	0.3	0.1	
Granted in 2019						
	3,318	3,233	6,551			
Granted 2019						
Vested 2019	-1,991	-1,940	-3,931			
Forfeited 2019	-	-	-			
Other changes 2019	-	-	-			
2019, end	1,327	1,293	2,620	0.3	0.3	
Vested 2020						
	-	-	-			
Forfeited 2020	-	-	-			
Other changes 2020	-	-	-			
2020, end	1,327	1,293	2,620	0.3	0.3	
Granted in 2020						
	5,709	5,919	11,628			
Granted 2020						
Vested 2020	-3,425	-3,551	-6,976			
Forfeited 2020	-	-	-			
Other changes 2020	-	-	-			
2020, end	2,284	2,368	4,652	0.4	0.5	

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
8 cont'd	Share-based payments				
	Holdings of the Executive Board and fair value, end of 2020				
	Grant year (DKK millions)			2017-2020 Number	FV
	Carsten Nøddebo Rasmussen			3,315	0.3
	Klaus Kristiansen			1,270	0.1
	Holdings of the Executive Board and fair value, end of 2019				
	Grant year (DKK millions)			2016-2019 Number	FV
	Carsten Nøddebo Rasmussen			2,335	0.3
	Klaus Kristiansen			487	0.1
	In 2020, the average price at the vesting date for rights to conditional shares was DKK 92.62.				
9	Audit fees				
	Audit firms appointed by the general meeting				
	Statutory audit of financial statements	1	1	1	1
	Fees for other assurance engagements	-	-	-	-
	Fees for tax advisory services	-	-	-	-
	Fees for other services	-	-	-	-
	Total	1	1	1	1
10	Loan impairment charges				
	ECL on new assets	380	230	380	230
	ECL on assets derecognised	559	448	559	448
	Impact of remeasurement	-437	-504	-437	-503
	Write-offs charged directly to income statement	89	26	89	26
	Received on claims previously written off	12	47	12	47
	Total	335	265	335	264
11	Tax				
	Tax on profit for the year	1,099	1,239	1,084	1,228
	Deferred tax	-2	1	-	2
	Adjustment of prior-year tax charges	-	-	-	-
	Total	1,097	1,240	1,084	1,230
	Effective tax rate				
	Current Danish tax rate	22.0	22.0	22.0	22.0
	Adjustment of prior-year tax charge	-	-	-	-
	Non-taxable items	-	-	-0.2	-0.1
	Effective tax rate	22.0	22.0	21.8	21.9

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
12	Due from credit institutions and central banks				
	On demand	898	1,045	805	967
	3 months or less	24,095	52,727	24,095	52,727
	3-12 months	-	-	-	-
	Total	24,993	53,772	24,900	53,694
	Due from credit institutions	23,839	23,310	23,746	23,232
	Term deposits with central banks	1,154	30,462	1,154	30,462
	Total	24,993	53,772	24,900	53,694
	At fair value	24,993	53,772	24,900	53,694
	Portion attributable to reverse transactions	22,941	22,265	22,941	22,265

The fair value is based on quoted prices.
In 2020, reverse transactions of DKK 5,654 million were offset against repo transactions (2019: DKK 1,302 million).

In connection with reverse transactions, Realkredit Danmark is entitled to sell or remortgage the securities.
In 2020, DKK 0 million were sold or remortgaged (2019: DKK 0 million).

13	Bonds at fair value				
	Own mortgage bonds	47,011	57,009	47,011	57,009
	Other mortgage bonds	8,803	17,978	8,803	17,978
	Government bonds	5,374	5,044	5,374	5,044
	Total	61,188	80,031	61,188	80,031
	Own mortgage bonds set off against issued mortgage bonds	47,011	57,009	47,011	57,009
	Total	14,177	23,022	14,177	23,022

Of Realkredit Danmark's bond portfolio, DKK 12.2 billion has a maturity of less than 12 months, while DKK 2.0 billion has a maturity of 1-5 years (2019: DKK 18.6 billion and DKK 4.4 billion).

14	Bonds at amortised cost				
	Other mortgage bonds	33,006	29,339	33,006	29,339
	Total	33,006	29,339	33,006	29,339
	Fair value of held-to-maturity assets	33,259	29,689	33,259	29,689

The fair value is based on quoted prices.

Of Realkredit Danmark's bond portfolio, DKK 27.4 billion has a term to maturity of less than five years, while DKK 5.6 billion has a term to maturity of 5-10 years (2019: DKK 28.3 billion and DKK 1.0 billion).

After implementation of IFRS 9, the bonds are recognised in connection with impairment for expected credit losses.
The bonds are recognised in stage 1, and the expected credit losses resulting from default events within the next 12 months are insignificant.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
15	Total lending				
	Mortgage loans, nominal value	792,701	782,991	792,701	782,991
	Fair value adjustment of underlying bonds	26,677	22,324	26,677	22,324
	Adjustment for credit risk	2,801	2,736	2,801	2,736
	Mortgage loans at fair value	816,577	802,579	816,577	802,579
	Arrears and outlays	80	122	80	122
	Other loans	369	421	346	393
	Total	817,026	803,122	817,003	803,094
	Apart from being backed by mortgages on properties, loans are backed by central and local government guarantees and insurance guarantees of	48,355	42,266	48,355	42,266
	Pass books and bonds have been deposited and guarantees provided as supplementary security in a total amount of	97,876	95,553	97,876	95,553
	Realkredit Danmark has also received various declarations of indemnification without specification of amounts. The valuation of the loans is based on the quoted price of the underlying bonds with which borrowers may repay the loans. The regular fluctuations in the price of the bonds will therefore be offset by a corresponding change in the value of the loans with the result being unaffected by the ongoing market value fluctuations, both in terms of interest and the credit risk on the issued bonds. In addition, the value of the loans is affected by credit risk changes. In 2020, DKK 65 million was booked as an expense concerning adjustment for credit risk on loans (2019: an income of DKK 56 million). The accumulated adjustment for credit risk amounts to DKK 2.8 billion (2019: DKK 2.7 billion).				
16	Mortgage loans at fair value				
	Mortgage loans (nominal value) broken down by property category (percentage)				
	Owner-occupied dwellings	53	54	53	54
	Holiday homes	3	3	3	3
	Subsidised residential property	11	10	11	10
	Private residential rental property	12	12	12	12
	Industrial and skilled trades property	2	2	2	2
	Office and retail property	11	11	11	11
	Agricultural property etc.	6	6	6	6
	Property for social, cultural and training activities	2	2	2	2
	Total	100	100	100	100
	0-1 month	994	1,049	994	1,049
	1-3 months	3,561	3,655	3,561	3,655
	3-12 months	14,069	14,528	14,069	14,528
	1-5 years	85,814	87,772	85,814	87,772
	5-10 years	132,086	133,406	132,086	133,406
	Over 10 years	580,053	562,169	580,053	562,169
	Total	816,577	802,579	816,577	802,579
17	Loans and other amounts due at amortised cost				
	On demand	81	122	81	122
	3 months or less	18	20	16	18
	3-12 months	55	61	49	54
	1-5 years	114	131	101	115
	Over 5 years	181	209	179	206
	Total	449	543	426	515

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
18	Arrears and outlays				
	Arrears before impairment charges	107	149	107	149
	Outlays before impairment charges	18	32	18	32
	Adjustment for credit risk	45	59	45	59
	Total	80	122	80	122

19 Loans etc.

Credit exposure – gross carrying amount (i.e. before impairments)										
Realkredit Danmark Group	Mortgage loans			Other loans			Loan commitments			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Gross carrying amount at 1 January 2019	755,428	31,530	11,879	21,460	27	414	35,519	1,004	302	857,563
Transferred to Stage 1	7,180	-6,543	-637	3	-3	-	277	-277	-	-
Transferred to Stage 2	-20,016	20,826	-810	-7	7	-	-1	1	-	-
Transferred to Stage 3	-1,519	-1,113	2,632	-	-4	4	-	-	-	-
New assets	212,838	9,089	1,261	31,197	19	725	20,357	314	49	275,849
Assets derecognised (other than written off)	189,766	8,063	3,221	5	8	295	21,262	427	56	223,103
Other	-14,441	-847	-372	365	49	428	-2,204	-41	-38	-17,101
Gross carrying amount 31 December 2019	749,704	44,879	10,732	53,013	87	1,276	32,686	574	257	893,208
Transferred to Stage 1	19,324	-18,437	-887	3	-2	-1	-	-	-	-
Transferred to Stage 2	-8,808	9,812	-1,004	-1	2	-1	-154	154	-	-
Transferred to Stage 3	-2,415	-2,693	5,108	-	-3	3	-	-	-	-
New assets	151,128	5,054	1,066	-	18	98	21,742	102	667	179,875
Assets derecognised (other than written off)	114,801	8,642	2,624	27,876	84	673	23,661	572	248	179,181
Other	-16,034	-618	-466	-	-	-371	231	-56	-3	-17,317
Gross carrying amount 31 December 2020	778,098	29,355	11,925	25,139	18	331	30,844	202	673	876,585

The nominal value of loans written off in 2020 and for which Realkredit Danmark has maintained the claim amounts to DKK 154 million (2019: DKK 201 million).

Notes

Note	(DKK millions)	Realkredit Danmark Group			Realkredit Danmark A/S						
		2020	2019	2020	2019	2020	2019				
19 cont'd	Loans etc.										
	Reconciliation of total allowance account										
	Realkredit Danmark Group	Mortgage loans			Other loans			Loan commitments			
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
	ECL at 1 January, incl. impact on loans	646	523	1,623	13	10	40	7	1	-	2,863
	Transferred to stage 1	239	-209	-30	5	-4	-1	-	-	-	-
	Transferred to stage 2	-391	541	-150	-7	10	-3	-	-	-	-
	Transferred to stage 3	-30	-185	215	-1	-3	4	-	-	-	-
	ECL on new assets	15	172	35	-	3	1	3	-	1	230
	ECL on assets derecognised	92	173	175	2	3	3	-	-	-	448
	Impact of remeasurement	-94	273	327	-2	4	-4	-	-	-	504
	Write-offs, allowance account	3	17	324	-	-	6	-	-	-	350
	Total allowance account at 31 December 2019	290	925	1,521	6	17	28	10	1	1	2,799
	Transferred to stage 1	816	-476	-340	10	-6	-4	-	-	-	-
	Transferred to stage 2	-8	66	-58	-	1	-1	-	-	-	-
	Transferred to stage 3	-9	-105	114	-	-1	1	-	-	-	-
	ECL on new assets	134	170	69	2	2	1	-	2	-	380
	ECL on assets derecognised	480	16	52	6	-	1	3	-	-	558
	Impact of remeasurement	126	314	5	-1	-1	-7	-	-	-	436
	Write-offs, allowance account	83	4	118	1	-	2	-	-	-	208
	Total allowance account at 31 December 2020	786	874	1,141	10	12	15	7	3	1	2,849
	Other loans comprise the balance sheet items “Due from credit institutions and central banks”, “Loans and other amounts due at amortised cost” and “Other assets”. These loans are valued at amortised cost. For Realkredit Danmark A/S, the credit exposure and total impairments correspond to the calculation for the Group with the sole difference that loans in the amount of DKK 23 million in home are excluded (recognised in other loans in the tables) (2019: DKK 28 million).										
20	Other tangible assets										
	Cost at 1 January					24		24		5	5
	Additions					-		-		-	-
	Disposals					-		-		-	-
	Cost at 31 December					24		24		5	5
	Depreciation and impairment charges at 1 January					18		17		-	-
	Depreciation charges					1		1		-	-
	Depreciation and impairment charges reversed on disposals etc.					1		-		-	-
	Depreciation and impairment charges at 31 December					18		18		-	-
	Carrying amount at 31 December					6		6		5	5

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S		
		2020	2019	2020	2019	
21	Deferred tax assets and liabilities					
	Deferred tax liabilities	23	36	-	-	
	Provision for deferred tax	-	-	30	39	
	Total	23	36	30	39	
	Change in deferred tax					
	Realkredit Danmark Group	At 1 Jan.	Recognised in net profit for the year	Recognised in other comprehensive income	Other adjustments	At 31 Dec.
	2020					
	Intangible assets	-1	-	-	-	-1
	Tangible assets	-3	-	-	-	-3
	Securities	6	-2	-	-	4
	Provisions	36	-12	4	-	28
	Other	-2	-3	-	-	-5
	Total	36	-17	4	-	23
	Adjustment of prior-year tax charges included in total		-14			
	2019					
	Intangible assets	-1	-	-	-	-1
	Tangible assets	-3	-	-	-	-3
	Securities	7	-1	-	-	6
	Provisions	40	1	-5	-	36
	Other	-2	-	-	-	-2
	Total	41	-	-5	-	36
	Adjustment of prior-year tax charges included in total		-1			
	Change in deferred tax					
	Realkredit Danmark A/S	At 1 Jan.	Recognised in net profit for the year	Recognised in other comprehensive income	Other adjustments	At 31 Dec.
	2020					
	Intangible assets	-1	-	-	-	-1
	Tangible assets	-2	-	-	-	-2
	Securities	6	-2	-	-	4
	Provisions	36	-11	4	-	29
	Other	-	-	-	-	-
	Total	39	-13	4	-	30
	Adjustment of prior-year tax charges included in total		-14			
	2019					
	Intangible assets	-1	-	-	-	-1
	Tangible assets	-2	-	-	-	-2
	Securities	7	-1	-	-	6
	Provisions	40	1	-5	-	36
	Other	-	-	-	-	-
	Total	44	-	-5	-	39
	Adjustment of prior-year tax charges included in total		-1			

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
22	Assets temporarily taken over				
	Assets temporarily taken over consist of properties taken over in a forced sale under non-performing loan agreements. The properties are expected to be sold through a real-estate agent within one year from the takeover date. In 2020, the Group took over properties for DKK 44 million (2019: DKK 22 million). The effect on profit or loss on properties taken over was DKK 0 million (2019: DKK 0 million).				
23	Other assets				
	Interest due	357	352	357	352
	Pension assets	202	187	202	187
	Lease assets	67	100	-	-
	Other assets	1,338	2,576	1,301	2,540
	Total	1,964	3,215	1,860	3,079
24	Due to credit institutions and central banks				
	On demand	-	-	-	-
	3 months or less	-	3	-	3
	3-12 months	-	-	-	-
	1-5 years	2,000	4,000	2,000	4,000
	Total	2,000	4,003	2,000	4,003
	At fair value	2,000	4,003	2,000	4,003
	Portion attributable to repo transactions	-	3	-	3
	In 2020, repo transactions of DKK 5,654 million were offset against reverse transactions (2019: DKK 1,302 million).				
25	Issued mortgage bonds at fair value				
	Issued mortgage bonds, nominal value*	853,855	885,535	853,855	885,535
	Fair value adjustment	28,373	24,953	28,373	24,953
	Issued mortgage bonds at fair value, before set-off	882,228	910,488	882,228	910,488
	Set-off of own mortgage bonds at fair value	47,011	57,009	47,011	57,009
	Issued mortgage bonds at fair value	835,217	853,479	835,217	853,479
	The fair value is based on quoted prices.				
	0-1 month	50,381	93,012	50,381	93,012
	1-3 months	-	-	-	-
	3-12 months	93,094	101,866	93,094	101,866
	1-5 years	363,085	358,606	363,085	358,606
	5-10 years	110,372	99,442	110,372	99,442
	Over 10 years	218,285	200,553	218,285	200,553
	Total	835,217	853,479	835,217	853,479
	* Portion pre-issued	24,551	25,341	24,551	25,341
	* Portion drawn at 4 January 2021, or 2 January 2020	46,022	88,968	46,022	88,968

*In 2020, Realkredit Danmark issued bonds under the green bond framework, with a nominal value of DKK 9,809 million outstanding at the end of 2020 (2019: DKK 812 million).

Fair value adjustment for the credit risk on issued mortgage bonds is calculated on the basis of the option-adjusted spread (OAS). The calculation incorporates maturity, nominal holdings and OAS sensitivity. As a number of estimates are made, the calculation is subject to uncertainty

In 2020, the Danish mortgage bond yield spread narrowed, and the fair value of issued mortgage bonds thus increased by approximately DKK 1 billion. In 2019, the Danish mortgage bond yield spread also narrowed, also causing an increase in the fair value of issued mortgage bonds. Based on the outstanding portfolio at the end of 2020, Realkredit Danmark estimates that there has been a net narrowing of the spread since the issuance of the bonds, which produces a negative fair value of approximately DKK 5 billion (2019: negative fair value of approximately DKK 5 billion). Net profit and shareholders' equity remain unaffected by the change in fair value because the spread narrowing increased the value of mortgage loans correspondingly.

Fair value adjustment for the credit risk on issued mortgage bonds may also be calculated on the basis of changes in similar AAA rated mortgage bonds offered by other Danish issuers. The market for such bonds is characterised by an absence of measurable price differences between bonds with similar features from different issuers. Using this method, no fair value adjustment for credit risk in 2020 or the period since the issue has been required.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
26	Other liabilities				
	Interest accrued	4,102	4,447	4,102	4,447
	Reserves in early series subject to a reimbursement obligation*	9	13	-	-
	Lease liabilities	67	100	-	-
	Other creditors	260	446	246	438
	Total	4,438	5,006	4,348	4,885

* Recognised in the balance sheet of the parent company, Realkredit Danmark A/S, under "Provisions".

27	Reserves in early series subject to a reimbursement obligation*				
	Carrying amount, beginning of year	13	18	13	18
	Utilised	-2	-5	-2	-5
	Increase due to shortening of maturity	-2	-	-2	-
	Increase due to change in discount rate	-	-	-	-
	Carrying amount, end of year	9	13	9	13

* Recognised in the balance sheet of the Realkredit Danmark Group under "Other liabilities".

Reserves in early series subject to a reimbursement obligation relate to mortgage loan agreements under which the borrower's share of the series reserve fund is disbursed to the borrower on repayment of the loan in accordance with the terms and conditions applying to the series. Until 2031, the Group's obligations will gradually be reduced in step with individual borrower repayments. Factors that affect the repayment pattern include changes in interest rates, cash flows, etc.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2020	2019	2020	2019
28	Risk exposure amount (REA)				
	Credit risk (IRB approach)	135,210	130,192	135,141	130,126
	Credit risk (standardised approach)	23,026	6,744	23,253	6,782
	Counterparty risk	139	66	139	66
	Total credit risk	158,375	137,002	158,533	136,974
	Market risk	286	267	286	267
	Operational risk	10,903	11,084	10,777	10,933
	Total	169,564	148,353	169,596	148,174

The total capital and tier 1 capital ratios are calculated in accordance with the CRR/CRD IV.

rd.dk provides more details about Realkredit Danmark's solvency need. The solvency need calculation is not covered by the statutory audit.

29 Assets deposited as collateral

Realkredit Danmark deposits securities as collateral in connection with repo and securities transactions undertaken on usual terms and conditions for such agreements.

In connection with clearing, Realkredit Danmark has deposited the following securities with the Danish Central Bank

Bonds at fair value	12,324	10,389	12,324	10,389
Portion issued by Realkredit Danmark	4,000	2,550	4,000	2,550
Assets sold under repo transactions				
Bonds at fair value	-	3	-	3
Portion issued by Realkredit Danmark	-	3	-	3

At 31 December 2020, mortgage lending totalling DKK 816,577 million and other assets totalling DKK 10,819 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (2019: DKK 802,579 million and DKK 13,330 million).

Pursuant to Danish mortgage credit legislation, issued mortgage bonds, including mortgage-covered bonds, are secured against the underlying mortgage loans.

Notes

Note	(DKK millions)
30	<p>Contingent liabilities</p> <p>Owing to its size and business volume, Realkredit Danmark Group is continually a party to various disputes. The Group does not expect the outcomes of the disputes pending to have any material effect on its financial position.</p> <p>As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafviklingskasse. The pension fund and the Group's defined benefit plan have not accepted new members since 1971.</p> <p>In connection with implementation of the EU Bank Recovery and Resolution Directive, a Danish resolution fund has been established. The resolution fund must amount to 1% of the covered deposits of all Danish credit institutions by 31 December 2024. The first contribution to the fund was made at 31 December 2015. The individual institution must make contributions to the fund on the basis of its size and risk relative to other credit institutions in Denmark. The intention is that losses should be covered by the annual contributions made by the participating credit institutions. If sufficient means are not available in the resolution fund, extraordinary contributions can be required of up to three times the latest annual contribution. Realkredit Danmark pays an annual contribution to the resolution fund.</p> <p>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.</p> <p>The company is jointly taxed with all Danish companies in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax, etc.</p> <p>Realkredit Danmark operates out of leased premises. Leases are concluded by the parent company. Realkredit Danmark pays monthly rent to the parent company.</p> <p>Guarantees and indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised in the balance sheet amount to:</p>

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2020	2019	2020	2019
Other contingent liabilities				
Irrevocable loan commitments	31,721	33,522	31,719	33,517
Other commitments	25	23	6	5
Total	31,746	33,545	31,725	33,522

Notes

Note (DKK millions)

31 Related party transactions

Transactions between related parties are concluded and settled on an arm's length or on a cost-reimbursement basis. No unusual transactions were made with associates and group undertakings in 2020.

Realkredit Danmark A/S made the below-mentioned major intra-group transactions with companies directly or indirectly associated with the Group/company. Danske Bank A/S is the parent company of Realkredit Danmark A/S.

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2020	2019	2020	2019
Fees, etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans	1,142	1,377	1,119	1,377
Fees received from Danske Bank A/S for referral of customers and for property valuation	82	91	82	91
Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions, etc.	532	449	498	412
Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	-62	-91	-62	-91
Interest received on mortgage loans raised by sister company	-	4	-	4
Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	-19	-36	-19	-36
Amounts due from Danske Bank A/S	23,831	23,300	23,738	23,222
Mortgage lending to sister company	-	-	-	-
Loss guarantees from Danske Bank A/S	49,522	53,287	49,522	53,287
Other guarantees from Danske Bank A/S	25,332	68,697	25,332	68,697
Amounts due to Danske Bank A/S	2,000	4,003	2,000	4,003

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.

32 Loans etc. to management

Mortgage loans established on an arm's length basis for

Board of Directors of Realkredit Danmark A/S	18	61	18	61
Executive Board of Realkredit Danmark A/S	3	4	3	4
Board of Directors and Executive Leadership Team of Danske Bank A/S	89	61	89	61
Average interest rate and administration margin for loans etc. to management	1.5%	1.6%	1.5%	1.6%

Notes

Note (DKK millions)

33	Financial instruments at fair value	Realkredit Danmark Group			Total
		Quoted prices	Observable input	Non-observable input	
2020					
	Bonds at fair value	11,542	2,635	-	14,177
	Mortgage loans at fair value	-	816,577	-	816,577
	Shares	-	-	4	4
	Derivatives	-	8	-	8
	Total	11,542	819,220	4	830,766
	Issued mortgage bonds at fair value	835,217	-	-	835,217
	Derivatives	-	17	-	17
	Total	835,217	17	-	835,234
2019					
	Bonds at fair value	11,799	11,223	-	23,022
	Mortgage loans at fair value	-	802,579	-	802,579
	Shares	-	-	2	2
	Derivatives	-	95	-	95
	Total	11,799	813,897	2	825,698
	Issued mortgage bonds at fair value	853,479	-	-	853,479
	Derivatives	-	5	-	5
	Total	853,479	5	-	853,484

Fair value is the amount at which a financial asset can be traded between knowledgeable, willing parties. If an active market exists, Realkredit Danmark uses the quoted price.

Developments in the financial markets did not lead to reclassification of bonds between listed prices and observable input in 2020.

Mortgage loans and issued mortgage bonds are recognised at the fair value of the issued mortgage bonds. In accordance with the accounting policies, the fair value of the credit risk on the mortgage loans is adjusted.

Valuation techniques are generally used for OTC derivatives and unlisted shares. The most frequently used valuation models include pricing of businesses with future settlement and swap models using present value calculations. The valuation is based substantially on observable input.

Notes

Note	(DKK millions)				
34	Group holdings and undertakings	Share capital (thousands)	Net profit (DKK millions)	Shareholders' equity (DKK millions)	Holding of share capital (%)
	Realkredit Danmark A/S, Copenhagen	DKK 630,000	3,883	49,590	
	Subsidiaries				
	Real-estate agency business				
	home a/s, Aarhus	DKK 15,000	44	147	100

The information published is extracted from the most recent annual report of the companies

Notes

Note

RISK MANAGEMENT

The principal risk faced by Realkredit Danmark is credit risk on mortgage loans. Realkredit Danmark only has limited exposure to market risk due to the balance principle and the fact that Realkredit Danmark does not invest in equities. The principal market risk is interest rate risk on Realkredit Danmark's proprietary portfolio of bonds.

In recent years, Realkredit Danmark has increased its focus on non-financial risks like operational risks and risks related to financial crime.

Total capital

The purpose of capital management is to ensure efficient use of capital in relation to risk tolerance and business development. The Group must have sufficient capital to comply with regulatory capital requirements, and the Group has also defined a goal of maintaining bond ratings from external rating agencies that are on a level with those of its peers.

The Group met this goal in 2020 by maintaining a total capital ratio of 27.4, well above the regulatory requirement of 15.5, and AAA ratings from both S&P Global, Scope Ratings and Fitch Ratings. The capital requirement has been covered by tier 1 capital and also by proceeds from the issuance of senior debt as described in Funding.

Credit risk

Realkredit Danmark serves mortgage credit customers in Denmark, Sweden and Norway. Realkredit Danmark serves all customer segments in Denmark, while the strategy in Sweden and Norway is to serve large business customers. Realkredit Danmark's principal segment is loans to the Personal customer market, which accounts for 56% of lending. Residential accounts for 23%, Urban trade for 15% and Agriculture for the remaining 6%. The current composition of the exposure matches Realkredit Danmark's target that residential property loans should account for at least two-thirds of the total exposure.

In 2020, Realkredit Danmark continued its prudent credit-granting process, accommodating the Group's existing and new customers. Continuing this prudent credit-granting process will remain the objective in 2021. When granting credit, the Group requires the customer to be able to service a fixed-rate loan with principal repayment. When granting a FlexLån®, the customer must also be able to service a fixed-rate loan with principal repayment with an interest rate equal to a fixed rate over 30 years plus 1%, however, not less than 4%.

The credit risk on a mortgage loan basically derives from two factors; the risk that the borrower is unable to repay the loan and the expected loss if the customer is unable to repay the loan, which largely depends on the value of the property. These two factors are commonly designated by the abbreviations "PD" (Probability of Default) and "LGD" (Loss Given Default). The higher the PD and LGD, the higher risk a loan involves. The value of the property is automatically determined in a property value model. This property value model is regularly monitored, and it is also subjected to an annual validation.

The credit process widely builds on the two above-mentioned components and the size of the loan. Most often, the Group performs a decentralised assessment of whether a customer has the ability and the willingness to repay his loan. However, the Group handles the largest customers at a central corporate centre, which has the expertise to serve this customer segment.

When the Group assesses that there is a high credit risk, the credit granting process will be assigned to the central credit department. A high credit risk may arise for less financially strong customers (high PD), but it may also be due to expectations of a high LGD if the credit involves a property type that is difficult to sell and which may lose much of its value if it has to be sold in a forced sale. Very large loans must be approved by Realkredit Danmark's Executive Board or Board of Directors.

Realkredit Danmark applies customer classification models as a key tool in deciding when to grant the loan.

Depending on the customer's loan facility and customer type, customers are classified using rating models or statistical scoring models. The rating models typically rely on the customer's financial statements, industry information and an assessment of the company's situation in terms of management and competition. The rating is assessed in the central credit department by a rating specialist and a credit officer, before it is fixed. The customer's rating is translated into a PD.

The statistical scoring models rely on factors such as relevant sector information and payment records. The calculated PD is translated into a rating category.

The customer classification models break down customers into 11 rating categories, with category 1 being the most creditworthy.

Portfolio broken down by customer type and rating category (DKK billions)

Rating category	Personal	Business	2020 Total	2019 Total
1	-	-	-	-
2	48	1	49	21
3	139	61	200	183
4	126	72	198	198
5	84	103	187	193
6	31	65	96	107
7	20	40	60	68
8	4	11	15	20
9	1	1	2	3
10	1	7	8	7
11	1	3	4	5
Total	455	364	819	805

Probability of Default (PD) %

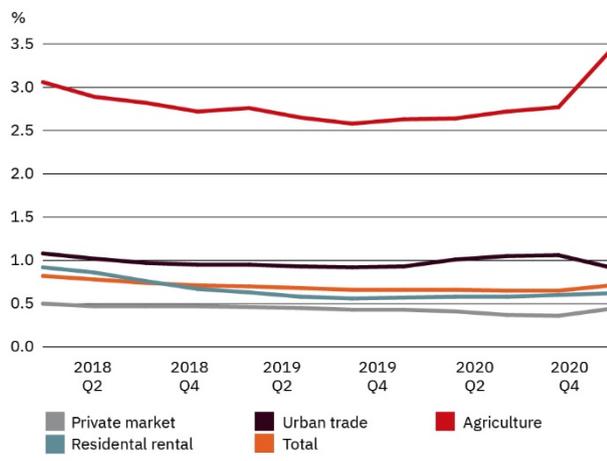
Rating category	Low PD	High PD
1	0.00	0.01
2	0.01	0.03
3	0.03	0.06
4	0.06	0.14
5	0.14	0.31
6	0.31	0.63
7	0.63	1.90
8	1.90	7.98
9	7.98	25.70
10	25.70	100.00
11	100.00	100.00

Notes

Note

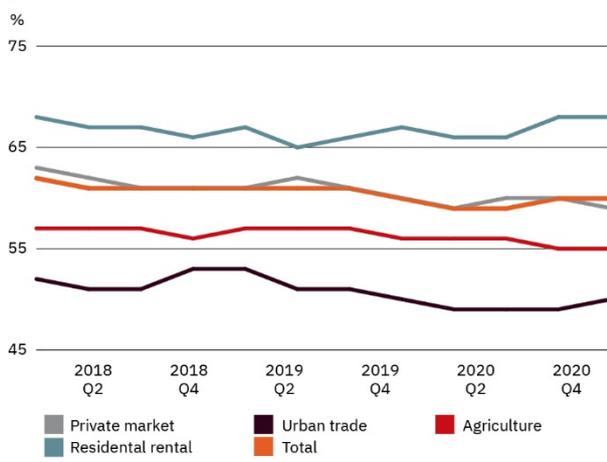
Over the past year, Realkredit Danmark has witnessed a positive migration in customer classifications, which is reflected in a larger proportion of the loan portfolio being loans to customers in the good rating categories compared with 2019. However, the total average PD has increased slightly driven by higher PDs in Agriculture and Residential rental compared with the level a year ago.

Development in average PD



Property prices have risen in recent years. This trend in property prices led to unchanged average loan-to-value ratios (LTV). For the entire loan portfolio, the LTV stood at 60 at end-2020, the same as at end-2019.

Development in average LTV



The loan portfolio remained very secure. 90% of the loan portfolio was secured within 60% of the value of the property, and 97% was secured within 80% of the value.

Loan portfolio broken down by loan-to-value ratios 2020

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	176	147	95	33	4	455
Urban trade	54	43	20	3	1	121
Agriculture	18	15	10	2	-	45
Residential rental	78	52	34	18	16	198
Weighted distribution	40%	31%	19%	7%	3%	100%
Total DKK billions	326	257	159	56	21	819

Loan portfolio broken down by loan-to-value ratios 2019

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	172	145	96	37	5	455
Urban trade	54	42	20	3	2	121
Agriculture	18	15	9	2	1	45
Residential rental	74	48	32	16	14	184
Weighted distribution	39%	31%	20%	7%	3%	100%
Total DKK billions	318	250	157	58	22	805

As shown in the table, DKK 2 billion were loans with an LTV ratio higher than 80% granted to customers in one of the four lowest categories. This equals 0.2% of the total portfolio.

Portfolio broken down by loan to value and rating category 2020

Rating category	Loan to Value					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	-	-	-	-	-	-
2	23	16	8	2	-	49
3	83	60	36	13	8	200
4	83	60	36	13	6	198
5	71	61	39	13	3	187
6	36	31	21	7	1	96
7	21	20	13	5	1	60
8	5	5	3	1	1	15
9	1	1	-	-	-	2
10	2	2	2	1	1	8
11	1	1	1	1	-	4
Total	326	257	159	56	21	819

Notes

Note

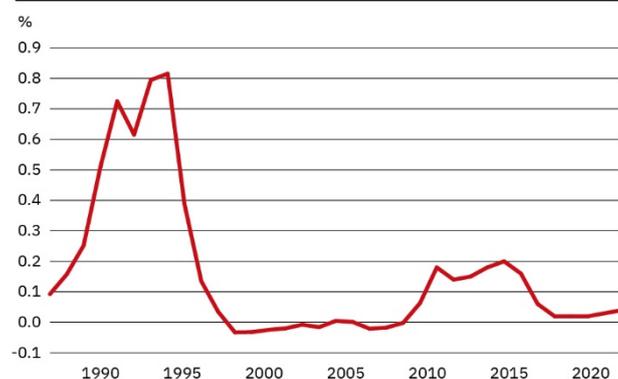
Portfolio broken down by loan to value and rating category 2019

Rating category	Loan to Value					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	-	-	-	-	-	-
2	10	7	3	1	-	21
3	79	54	31	12	7	183
4	83	61	36	13	5	198
5	72	63	41	14	3	193
6	39	34	23	9	2	107
7	24	22	15	6	1	68
8	7	6	4	2	1	20
9	1	1	1	-	-	3
10	2	2	1	1	1	7
11	1	1	1	1	1	5
Total	318	251	156	59	21	805

Loan impairment charges for 2020 amounted to DKK 335 million, corresponding to 0.04% of total mortgage lending. This is an increase relative to 2019, when the charges amounted to DKK 265 million. The increased impairments were due to impairments caused by the corona pandemic. Immediately after the Corona outbreak in first quarter 2020, DKK 700 million of additional impairments were booked to cover expected losses prompted by the effect of the outbreak. Even though the outbreak has not resulted in any substantial increase in customers facing financial difficulty during the rest of the year, the corona-related impairments have been maintained at the initial level. Despite the Corona pandemic the property market has developed positively with increasing property prices, which has had a positive impact on the impairment level.

Collaborating with Danske Bank, Realkredit Danmark is strongly committed to helping and supporting customers who are financially impacted by the corona crisis. Realkredit Danmark customers affiliated with Danske Bank may be granted a higher credit facility for an agreed period of time. Realkredit Danmark customers not affiliated with Danske Bank may defer mortgage payments by up to six months. To ease loan processing, Realkredit Danmark was granted a temporary exemption from the Danish FSA from carrying out an inspection of property interiors.

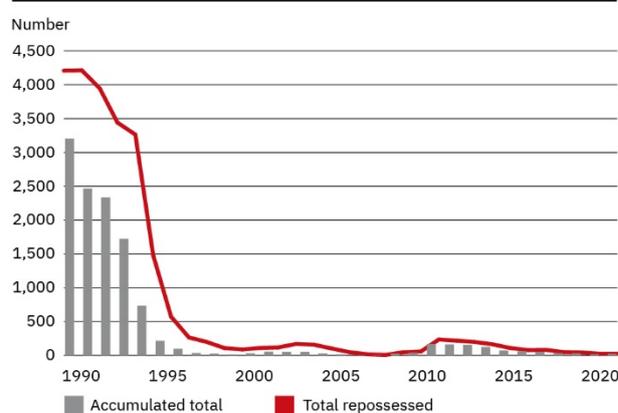
Historical loss percentage



The number of new properties repossessed by Realkredit Danmark at a forced sale in 2020 were 24. The stock of repossessed properties stood at 21 properties year-end 2020 compared to 16 properties at the beginning of the year.

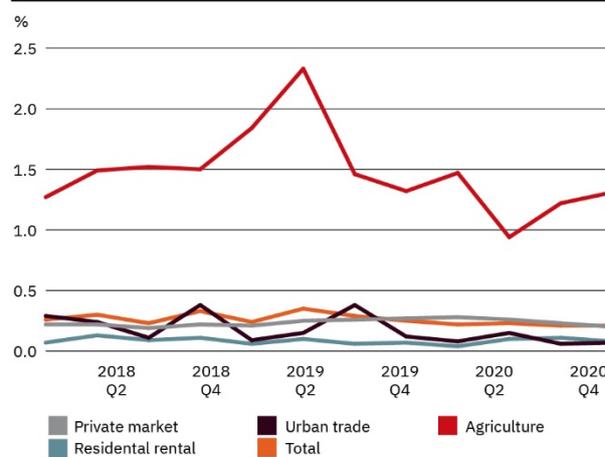
In a historical context, the number of properties repossessed in 2020 were much lower than during the crisis of the early 1990s, when more than 4,000 properties were repossessed in the worst year.

Holding of mortgages repossessed



Realkredit Danmark is to a certain extent covered against losses, as Danske Bank provides a loss guarantee for loans granted via the bank. The guarantee covers the part of the loan which at the date of disbursement is within the last 20% of the statutory lending limits. Total lending of DKK 249 billion was partly covered by this loss guarantee at the end of 2020. The total guarantee in 2020 amounted to DKK 50 billion.

3-month delinquency rates



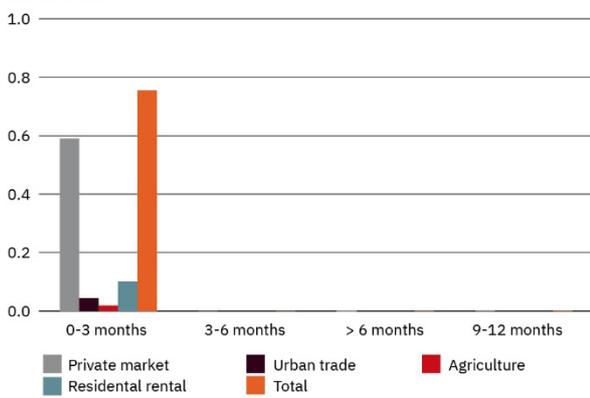
Notes

Note

The delinquency rate, calculated as the proportion of due payments remaining unpaid 3 months after the last due payment date, generally trended lower in 2020 compared with 2019. The decline was driven by falling delinquencies for all sectors except Residential.

Arrears on loans without OEI at 31 December 2020

(DKK millions)



The chart shows arrears on loans without OEI at 31 December 2020. Total arrears on loans without OEI amounted to DKK 0.8 million at the end of 2020. Of total arrears on loans without OEI, 99.7% are less than three months old.

Arrears	Loan portfolio (DKK millions)		Loan to value %		Arrears Sept. paym. in %	
	2020	2019	2020	2019	2020	2019
Private market	455,215	455,078	59	60	0.20	0.27
Urban trade	121,245	120,644	50	50	0.07	0.12
Agriculture	45,158	45,868	55	56	1.31	1.32
Residential rental	197,760	183,725	68	67	0.08	0.07
Total	819,378	805,315	60	60	0.21	0.25

Non-performing loans

At 31 December 2020, the total exposure to non-performing loans amounted to DKK 11.9 billion. This is an increase compared with the end of 2019, when non-performing loans amounted to DKK 10.7 billion.

Single-name concentration

The exposure to a single customer or a group of related customers, after deduction of particularly secure claims, may not exceed 25% of the capital base. In 2020, the Group's exposures did not exceed these limits.

Forbearance practices

Under certain circumstances, Realkredit Danmark will grant concessions in borrowing terms to customers in financial difficulty, for example if a personal customer becomes unemployed or a business customer experiences a substantial drop in revenue. Concessions are granted mainly if the financial difficulty is considered to be temporary, but may also be granted if a restructuring is considered necessary to limit Realkredit Danmark's losses on an exposure.

Forbearance measures include the granting of respite for a short period of time. The customer will be downgraded to a lower rating category. The exposure is then written down to the amount that the customer is estimated to be able to service in the future. Once a customer has proven able to service the exposure, it will, after a certain period, no longer be considered subject to objective evidence of impairment, and the customer will move to a better rating category.

At 31 December 2020, the total exposure to loans with forbearance terms amounted to DKK 4.0 billion. This is a decrease of DKK 0.1 billion relative to 2019.

Credit exposure to groups representing 10% or more of the capital base amounted to DKK 4,764 million at 31 December 2020 (2019: DKK 4,675 million). At the end of 2020, 0 exposures exceeded 20% of the capital base, while 1 exposure exceeded 10%. Intra-group accounts are not included in the calculation.

Notes

Note

In the table below, mortgage loans and the fair value of credit risk is broken down by 11 rating categories and stages 1, 2 and 3 of IFRS 9 (DKK billions):

31 December 2020

Rating category	PD level		Gross Exposure			Expected Credit Loss			Net Exposure		
	Lower	Upper	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0.00	0.01	355	-	35	-	-	-	355	-	35
2	0.01	0.03	49,305	29	8	7	1	-	49,298	28	8
3	0.03	0.06	199,297	304	75	34	2	3	199,263	302	72
4	0.06	0.14	197,377	589	157	75	4	8	197,302	585	149
5	0.14	0.31	185,201	1,425	125	176	11	8	185,025	1,414	117
6	0.31	0.63	89,490	6,166	575	170	52	32	89,320	6,114	543
7	0.63	1.90	49,383	10,173	261	221	98	9	49,162	10,075	252
8	1.90	7.98	7,042	7,833	167	89	427	9	6,953	7,406	158
9	7.98	25.70	283	1,675	280	12	228	24	271	1,447	256
10	25.70	100.00	318	1,101	6,768	2	47	502	316	1,054	6,266
11	100.00	100.00	47	60	3,474	-	4	546	47	56	2,928
Total			778,098	29,355	11,925	786	874	1,141	777,312	28,481	10,784

31 December 2019

Rating category	PD level		Gross Exposure			Expected Credit Loss			Net Exposure		
	Lower	Upper	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0.00	0.01	356	-	-	-	-	-	356	-	-
2	0.01	0.03	21,385	12	6	2	-	-	21,383	12	6
3	0.03	0.06	183,002	446	45	12	2	2	182,990	444	43
4	0.06	0.14	197,108	754	265	34	2	8	197,074	752	257
5	0.14	0.31	191,209	1,425	133	66	7	9	191,143	1,418	124
6	0.31	0.63	99,960	6,481	180	55	37	7	99,905	6,444	173
7	0.63	1.90	50,019	17,396	328	90	103	21	49,929	17,293	307
8	1.90	7.98	6,026	13,016	321	28	484	29	5,998	12,532	292
9	7.98	25.70	362	2,378	122	3	228	13	359	2,150	109
10	25.70	100.00	189	2,829	4,398	-	57	582	189	2,772	3,816
11	100.00	100.00	88	142	4,934	-	5	850	88	137	4,084
Total			749,704	44,879	10,732	290	925	1,521	749,414	43,954	9,211

Market risk

Market risk is the risk of losses because of changes in market prices and interest rates. 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 these risks on a regular basis, and the Group pursues a policy of only having limited market risk exposure. By complying with the statutory principle of balance, Realkredit Danmark eliminates interest rate, exchange rate and liquidity risks on most of its 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.

In accordance with Danish law, the difference between interest payments and instalments received on mortgage loans and payments made on issued bonds may not result in an interest rate risk exceeding 1% of Realkredit Danmark's total capital, that is, DKK 464 million. At the end of 2020, this interest rate risk amounted to DKK 15 million against DKK 18 million in 2019.

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 total capital, or DKK 3,715 million, in accordance with Danish law. At the end of 2020, the interest rate risk on these items amounted to DKK 1,086 million, against DKK 953 million the year before.

At the end of 2020, the total interest rate risk amounted to DKK 1,101 million. The year before, Realkredit Danmark's interest rate risk was DKK 971 million.

Notes

Note

Equity market risk

The equity market risk is calculated as the market value of Realkredit Danmark Group's equity portfolios and holdings in subsidiary and group undertakings etc. The Group intends to maintain strategic share portfolios only and hence the Group has defined very low exposure thresholds with respect to overall equity market risk. At end-2020, the market value and hence the equity market risk amounted to DKK 151 million, against DKK 139 million the year before. Nearly all the risk relates to the Group's ownership of home a/s.

Exchange rate risk

Realkredit Danmark intends to hedge all currency positions. The exchange rate risk is calculated in accordance with exchange rate indicator 2 of the Danish FSA and may, in accordance with legislation, not exceed 0.1% of the total capital, that is DKK 46 million. At the end of 2020, the exchange rate risk amounted to DKK 2 million, against DKK 2 million the year before.

Derivatives (DKK millions)	Nominal value	2020		2019		Negative market value
		Positive market value	Negative market value	Positive market value	Negative market value	
Interest rate contracts						
Forward/futures bought	24,767	33	-	25,338	33	-
Forward/futures sold	14,377	1	17	16,108	79	2
Currency contracts						
Forward/futures bought	146	-	-	407	-	-
Forward/futures sold	1	-	-	60	-	2
Interest rate and currency contracts held for trading purposes, total		34	17		112	4
Outstanding spot transactions						
Interest rate contracts bought	659	5	-	1,067	13	-
Interest rate contracts sold	784	-	-	2,214	3	1
Total outstanding spot transactions		5	-		16	1

All derivatives have a maturity of less than one year.

The calculation applies to the Realkredit Danmark Group and Realkredit Danmark A/S.

Derivatives

The Group does not employ derivatives for hedging purposes in relation to mortgage finance business but exclusively to hedge the interest rate risk on fixed-rate liabilities from issued senior debt and are carried at fair value in the financial statements. The market risk on these instruments is included in the risk calculations mentioned above.

Pension risk

The Group's pension risk is the risk of a pension shortfall in the Group's defined benefit plans, which means that it will have to make additional contributions to cover its pension obligations to former employees. The Group aims to reduce the pension risk of the defined benefit pension plans in the same way that it handles other risks in the Group. To achieve this goal, the Group matches pension obligations with assets similar mainly in terms of maturity and volatility.

Liquidity risk

Realkredit Danmark finances its lending activities by issuing bonds on an ongoing basis. Consequently, Realkredit Danmark's main liquidity risk is not related to the ongoing funding of loans but to the refinancing auctions at which large volumes of bonds need to be sold during a short period of time. Realkredit Danmark constantly seeks to mitigate this risk by spreading the auctions across the year and giving borrowers an incentive to opt for loans without or with less frequent needs for refinancing.

The refinancing auctions are also supported by the well-functioning Danish bond market. In the opinion of Realkredit Danmark, the size of the auctions is not at a level that gives rise to concern.

Non-financial risks

In recent years, Realkredit Danmark has focused increasingly on non-financial risks. Each year, the Group assesses and reports operational risks, and operational events are reported in in-house systems. These endeavours have helped ensure that Realkredit Danmark has not experienced significant repeating operational errors during the past five years, and losses caused by operational events have been very limited.

Compliance

Realkredit Danmark is exposed to compliance risks, such as financial crime risks, market integrity risks, outsourcing risks, GDPR risks and other governance and conduct risks. See also Compliance under "Organisation and management".

Notes

Note

	Realkredit Danmark Group				
(DKK millions)	2020	2019	2018	2017	2016
HIGHLIGHTS					
Net interest and fee income	5,885	6,377	6,391	6,339	6,249
Value adjustments	180	219	-67	-32	-61
Staff costs and administrative expenses	863	811	702	733	787
Loan impairment charges	335	265	196	147	182
Income from associates	-	-	-	-1	-
Net profit for the year	3,883	4,396	4,337	4,368	4,181
Loans	817,026	803,122	796,594	789,392	768,397
Shareholders' equity	49,590	49,993	49,915	49,891	49,347
Total assets	891,268	912,548	871,217	876,890	862,677
RATIOS AND KEY FIGURES					
Total capital ratio (%)	27.4	31.1	30.6	28.3	30.1
Tier 1 capital ratio (%)	26.9	30.7	30.3	28.1	29.6
Return on equity before tax (%)	10.0	11.3	11.1	11.3	10.9
Return on equity after tax (%)	7.8	8.8	8.7	8.8	8.5
Cost/core income ratio DKK	5.15	6.23	7.17	7.35	6.51
Foreign exchange position (%)	0.6	0.6	0.5	1.5	3.2
Gearing of loans	16.5	16.1	16.0	15.8	15.6
Growth in lending for the year (%)	1.2	0.7	1.1	1.9	2.0
Impairment ratio for the year (%)	0.04	0.03	0.02	0.02	0.02
Return on assets (%)	0.4	0.5	0.5	0.5	0.5
Realkredit Danmark A/S					
HIGHLIGHTS					
Net interest and fee income	5,885	6,377	6,391	6,338	6,248
Value adjustments	180	219	-67	-33	-61
Staff costs and administrative expenses	809	748	634	642	688
Loan impairment charges	335	264	197	148	182
Income from associates and group undertakings	44	36	38	35	30
Net profit for the year	3,883	4,396	4,337	4,337	4,181
Loans	817,003	803,094	796,565	789,363	768,363
Shareholders' equity	49,590	49,993	49,915	49,891	49,378
Total assets	891,194	912,440	871,206	876,874	862,705
RATIOS AND KEY FIGURES					
Total capital ratio (%)	27.4	31.2	30.6	28.4	30.1
Tier 1 capital ratio (%)	26.9	30.7	30.4	28.1	29.6
Return on equity before tax (%)	10.0	11.3	11.1	11.2	10.9
Return on equity after tax (%)	7.8	8.8	8.7	8.7	8.5
Cost/core income ratio DKK	5.34	6.56	7.67	8.03	7.15
Foreign exchange position (%)	0.6	0.6	0.5	1.5	3.2
Gearing of loans	16.5	16.1	16.0	15.8	15.6
Growth in lending for the year (%)	1.2	0.7	1.1	1.9	2.0
Impairment ratio for the year (%)	0.04	0.03	0.02	0.02	0.02
Return on assets (%)	0.4	0.5	0.5	0.5	0.5

The ratios and key figures are defined in the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc.

Notes

Series accounts

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

Note	(DKK millions)	Jysk Grundejer- Kredit- forening	Ny jyske Kjøbstad- Credit- forening	Østifternes Kredit- forening	Series not subject to a reimbursement obligation	Danske Kredit
	Income statement					
	Income from lending	0.1	0.3	0.6	19.2	0.3
1	Net interest income etc.	-	-	1.9	14.8	-
1	Administrative expenses etc.	1.5	1.2	2.0	15.7	0.9
	Loan impairment charges	-	-	-	0.2	0.2
	Tax	-0.3	-0.2	0.1	4.0	-0.2
2	Net profit for the year	-1.1	-0.7	0.4	14.1	-0.6
	Balance sheet - assets					
	Mortgage loans etc.	21.7	38.6	149.0	13,370.5	51.4
	Other assets	2.4	4.9	118.0	1,321.1	6.3
	Total assets	24.1	43.5	267.0	14,691.6	57.7
	Balance sheet - liabilities and equity					
3	Issued bonds	22.4	41.3	162.3	13,840.5	56.6
	Other liabilities	-	0.1	0.7	36.9	0.1
4	Shareholders' equity	1.7	2.1	104.0	814.2	1.0
5	Total liabilities and equity	24.1	43.5	267.0	14,691.6	57.7
	(DKK millions)	SDRO S	SDRO T	SDRO Almen	Other reserves	Total
	Income statement					
	Income from lending	1,830.9	3,887.7	110.8	132.0	5,981.9
1	Net interest income etc.	352.3	516.5	5.0	74.0	964.5
1	Administrative expenses etc.	571.9	808.4	71.4	155.4	1,628.4
	Loan impairment charges	262.2	87.2	-	-14.3	335.5
	Tax	296.8	771.9	9.8	1.8	1,083.7
2	Net profit for the year	1,052.3	2,736.7	34.6	63.1	3,898.8
	Balance sheet - assets					
	Mortgage loans etc.	296,807.3	443,689.4	36,740.4	25,840.4	816,708.7
	Other assets	42,219.4	67,670.2	4,430.5	6,116.4	121,889.2
	Total assets	339,026.7	511,359.6	41,170.9	31,956.8	938,597.9
	Balance sheet - liabilities and equity					
3	Issued bonds	322,161.0	482,054.3	41,019.6	27,283.6	886,641.6
	Other liabilities	851.3	1,284.2	103.4	80.2	2,356.9
4	Shareholders' equity	16,014.4	28,021.1	47.9	4,593.0	49,599.4
5	Total liabilities and equity	339,026.7	511,359.6	41,170.9	31,956.8	938,597.9

Notes

Note	(DKK millions)	
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 FSA 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.	
		2020
2	Net profit for the year, series accounts	
	Net profit for the year, Realkredit Danmark A/S's financial statements	3,883
	Transferred to other reserves etc.	-
	Adjustment of defined benefit plans	16
	Net profit for the year, series accounts	3,899
3	Issued bonds, series accounts	
	Issued bonds, Realkredit Danmark A/S's financial statements	835,217
	Own mortgage bonds, not offset in the series accounts	47,011
	Accrued interest, own bonds	4,414
	Issued bonds, series accounts	886,642
4	Shareholders' equity, series accounts	
	Shareholders' equity, Realkredit Danmark A/S's financial statements	49,590
	Reserves in pre-1972 series subject to a reimbursement obligation	9
	Shareholders' equity, series accounts	49,599
5	Total assets, series accounts	
	Total assets, Realkredit Danmark A/S's financial statements	891,194
	Own mortgage bonds, not offset in the series accounts	47,011
	Accrued interest, own bonds	393
	Total assets, series accounts	938,598
6	Transfers to and from reserves subject to a reimbursement obligation	
	In 2020, the following net transfers of funds to and from the reserves were made between individual associations and other reserves.	
	Transferred from and to shareholders' equity:	
	Series not subject to a reimbursement obligation	-2,983
	Other reserves	2,983
	Total	-

Financial statements for the individual series may be obtained from Realkredit Danmark.

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved the annual report of Realkredit Danmark A/S for the financial year 2020.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with Danish disclosure requirements for annual reports of issuers of listed bonds.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2020. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

The management will submit the annual report to the general meeting for approval.

Copenhagen, 4 February 2021

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Klaus Kristiansen
Member of the Executive Board

Board of Directors

Carsten Rasch Egeriis
Chairman

Jesper Koefoed

Claus Harder

Line Munkholm Haukrogh

Anna-Marie Mikkelsen

Lisbeth Sahlertz Nielsen

Majken Hammer Sløk

Auditor's report

Independent auditor's report

To the shareholders of Realkredit Danmark A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Realkredit Danmark A/S for the financial year 1 January 2020 to 31 December 2020, pages 22-66, which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including the summary of significant accounting policies, for the Group as well as for the Parent, and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2020, and of its financial performance and cash flows for the financial year 1 January 2020 to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Also, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2020, and of its financial performance for the financial year 1 January 2020 to 31 December 2020 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Realkredit Danmark A/S for the first time on 05 March 2015 for the financial year 2015. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 6 years up to and including the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matters were addressed in our audit
Impairment charges for loans <p>Loans for the Group amounted to DKK 816,577 million at 31 December 2020 (DKK 802,579 million at 31 December 2019), and loan impairment charges of DKK 335 million in 2020 (DKK 264 million at 31 December 2019).</p> <p>Measurement of loan impairment charges for loans is deemed a key audit matter as the determination of assumptions for expected credit losses is highly subjective due to the level of judgement applied by Management.</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none">Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.Timely identification of exposures with significant increase in credit risk and credit impaired exposures.	<p>Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.</p> <p>Our examination included the following elements:</p> <ul style="list-style-type: none">Testing of key controls over assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.Obtaining and substantively testing evidence to support the assumptions used in the expected credit loss models concerning methods applied to derive loss given default.Testing of key controls over timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures.Obtaining and substantively testing evidence of timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures.

Auditor's report

- Valuation of collateral and assumptions of future cash flows on manually assessed credit-impaired exposures.
- Post model adjustments for particular high-risk portfolios, which are not appropriately captured in the expected credit loss model.
- Effects of corona crisis in relation to the significant judgements listed above.

Management has provided further information about the loan impairment charges in notes 10, 15-16 and 19 and Risk management to the consolidated financial statements.

- Testing of key controls over models and manual processes for valuation of collateral and assumptions of future cash flows.
- Obtaining and substantively testing evidence to support appropriate determination of assumptions for loan impairment charges and provisions for guarantees including valuation of collateral and assumptions of future cash flows on manually assessed credit impaired exposures.
- Testing of key controls over Post model adjustments applied to manage non-linearity that are not included in the modelled expected credit losses
- Obtaining and substantively testing evidence of Post model adjustments for high-risk portfolios with particular focus on the methodology applied, evidence of assumptions-setting processes and the consistency thereof by:
 - Assessing the key developments since last year against industry standards and historical data.
 - Assessing the appropriateness of the different identified Post model adjustments compared with the embedded macro forecasts applied in the expected credit loss models.
 - Challenging the methodologies applied by using our industry knowledge and experience.

Challenging the incorporation of corona crisis effects on the above.

Statement on the Management's report

Management is responsible for the Management's report.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the Management's report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the Management's report and, in doing so, consider whether the Management's report is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's report provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's report is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's report.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds, as well as for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Auditor's report

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 4 February 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Erik Holst Jørgensen
State-Authorised
Public Accountant
MNE no 9943

Jens Ringbæk
State-Authorised
Public Accountant
MNE no 27735

Directorships

Management's report, continued

Under section 80(8) 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

Carsten Rasch Egeriis Chairman

Member of the Executive Leadership Team of Danske Bank A/S

Born on 18 June 1976

Joined the Board of Directors on 23 May 2018

Directorships and other offices:

Finance Denmark (chairman)

FRI af 16. September 2015 A/S (chairman)

Bikubens Pensionsfond (chairman)

Kreditforeningen Danmarks Pensionsafviklingskasse (chairman)

Jesper Koefoed

Managing Director

Born on 18 June 1964

Joined the Board of Directors on 9 March 2020

Independent

Chairman of the Audit Committee

The combined members of the Board of Directors have appointed Jesper Koefoed as a qualified member of the Audit Committee. Jesper Koefoed holds an MSc in Business Administration and Auditing from CBS (1989) and has since 1992 been working as a state authorised public accountant, but in July 2019 he deposited his license to start a career as a professional board member. He has long-standing experience in auditing and advisory services, especially to large corporates, and corporate governance services, including his work on the Audit Committee. He also has extensive domestic and international management experience from the auditing and consulting industry and is now a board member in several Danish companies.

On the basis of his qualifications, the Board of Directors believes that Jesper Koefoed is able to make an independent assessment of whether the Realkredit Danmark Group's financial reporting, internal controls, risk management and statutory audit are planned and conducted in an expedient manner in relation to the Group's size and complexity.

Directorships and other offices:

BNS A/S

E Pihl & Søn A/S

Koefoed Invest 2019 A/S

Nordic Investment Opportunities

LM Byg A/S

Danica Pension, Livsforsikringsaktieselskab

Forsikringsselskabet Danica, Skadeforsikringsaktieselskab

Claus Harder

Global Head of Markets & Transaction Banking

Executive Vice President

Danske Bank A/S

Born on 3 June 1975

Joined the Board of Directors on 9 March 2020

Directorships and other offices:

Danica Pension, Livsforsikringsaktieselskab

Forsikringsselskabet Danica, Skadeforsikringsaktieselskab

Line Munkholm Haukrogh

Chief Strategy Officer

Head of Strategy Execution & Business Controls

Technology & Services

Danske Bank A/S

Born on 1 June 1980

Joined the Board of Directors on 9 March 2020

Directorships and other offices:

MobilePay A/S

MobilePay Denmark A/S

Directorships

Anna-Marie Mikkelsen (elected by the employees)
Specialist Advisor, Realkredit Danmark A/S
Born on 24 September 1955
Joined the Board of Directors on 1 October 2019

Lisbeth Sahlertz Nielsen (elected by the employees)
Senior Business Adviser, Realkredit Danmark A/S
Born on 16 May 1972
Joined the Board of Directors on 7 March 2013

Majken Hammer Sløk (elected by the employees)
Senior Consultant, Realkredit Danmark A/S
Born on 2 January 1965
Joined the Board of Directors on 6 March 2017

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board
Born on 15 August 1964
Joined the Executive Board on 1 December 2006

Directorships and other offices:
home a/s (chairman)
Association of Danish Mortgage Banks
The Popular Educational Association, Copenhagen (chairman)
Kreditforeningen Danmarks Pensionsafviklingskasse
Danske Hypotek AB, Sverige

Klaus Kristiansen
Member of the Executive Board
Born on 28 May 1971
Joined the Executive Board on 1 November 2017

Directorships and other offices:
Association of Danish Mortgage Banks

Supplementary information

Management's report, continued

Financial calendar

- Annual General Meeting:
3 March 2021
- Interim Report – First Quarter 2021:
28 April 2021
- Interim Report – First Half 2021:
23 July 2021
- Interim Report – First Nine Months 2021:
29 October 2021

Contact

Chairman of the Executive Board and
Chief Executive Officer
Carsten Nøddebo Rasmussen
Tel +45 45 13 20 82

Links

rd.dk
danskebank.dk
danskebank.com
home.dk

