

Annual Report 2023



Realkredit Danmark

Realkredit Danmark is the mortgage finance arm of the Danske Bank Group serving both personal and business customers in Denmark. We also finance business customers' properties in Sweden and Norway.

Our origin dates back to 1851. Rooted in Danish mortgage finance history, Realkredit Danmark was established as a mortgage credit institution to provide mortgage finance to personal and business customers, large or small, at low costs in a fair and transparent way, allowing society to invest, prosper and grow. This legacy has stayed with us ever since.

We issue mortgage bonds to fund all mortgage lending, applying the pass-through principle enshrined in Danish mortgage finance. This, we believe, is essential to meet our customer promise of low-cost funding and transparency.

In 2001, we merged with Danske Bank. We are 229 people in Realkredit Danmark, and a lot more in Danske Bank, committed to doing things a little better for our customers each day.

We serve our customers through the Danske Bank branch network as well as on rd.dk.

Today, we provide mortgage finance to more than 405,000 customers spanning all branches of society and all areas across Denmark. We strive to help our customers and society on the journey towards a sustainable future.



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The Annual Report 2023 comprises – in accordance with the requirements of the ESEF Regulation – of a zip-file rd-2023-12-31-en.zip, that includes an XHTML-file. The XHTML-file is the official version of the Annual Report 2023. This PDF version of the Annual Report 2023 is a copy of the XHTML-file. In case of discrepancies, the XHTML-file prevails.

5-year financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE YEAR

(DKK millions)	2023	2022	2021	2020	2019
Administration margin	5,593	5,733	5,857	5,923	6,082
Net interest income	1,114	93	46	97	203
Net fee income*	-70	18	-127	-21	-528
Income from investment portfolios*	183	48	55	66	839
Other income	84	84	136	114	117
Total income	6,904	5,976	5,967	6,179	6,713
Expenses	1,055	1,105	995	864	812
Profit before loan impairment charges	5,849	4,871	4,972	5,315	5,901
Loan impairment charges	-114	212	269	335	265
Profit before tax	5,963	4,659	4,703	4,980	5,636
Tax	1,569	1,033	1,034	1,097	1,240
Net profit for the year	4,394	3,626	3,669	3,883	4,396

BALANCE SHEET (AT 31 DECEMBER)

(DKK millions)					
Due from credit institutions etc.	11,618	8,761	18,643	25,045	53,826
Mortgage loans	753,624	724,438	810,139	816,577	802,579
Bonds and shares	49,580	46,722	46,435	47,187	52,363
Other assets	1,441	2,307	1,782	2,459	3,780
Total assets	816,263	782,228	876,999	891,268	912,548
Due to credit institutions etc.	2,000	2,000	2,000	2,000	4,003
Issued mortgage bonds	756,509	724,105	820,950	835,217	853,479
Other liabilities	7,531	6,646	4,577	4,461	5,073
Shareholders' equity	50,223	49,477	49,472	49,590	49,993
Total liabilities and equity	816,263	782,228	876,999	891,268	912,548

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareholders' equity	8.8	7.3	7.4	7.8	8.8
Cost/income ratio (%)	15.3	18.5	16.7	14.0	12.1
Total capital ratio (%)	31.5	29.1	25.3	27.4	31.1
Tier 1 capital ratio (%)	31.1	28.6	24.9	26.9	30.7
Full-time-equivalent staff, end of year	229	227	217	234	237

* Comparative information for 2020 has been restated as described in note 1 for 2021.

Throughout the Management's report, Realkredit Danmark's performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to management. The financial highlights 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

Kamilla Hammerich Skytte, CEO, comments on the financial results:

“Realkredit Danmark recorded satisfactory financial results for 2023. A higher topline, lower costs and loan impairment reversals contributed to a significantly higher result than in 2022. Realkredit Danmark’s loan portfolio increased DKK 4 billion to DKK 806 billion at end-2023, even though lending activity was subdued due to higher interest rates, inflationary pressure and high energy prices, especially in the beginning of the year. The higher level of interest rates opened up for a range of remortgaging opportunities, enabling our customers to reduce their outstanding debt by DKK 6.6 billion in 2023. We were pleased to see that, despite more difficult financial conditions, homeowners were generally able to absorb the higher loan costs. We recorded net loan impairment reversals and low arrears and have so far recorded only a very modest increase in the number of forced sales, which remains at a low level. Credit quality remained strong, with an average LTV ratio at end-2023 of 53%, against 48% at end-2022.

In the coming years, Realkredit Danmark aims to consolidate its market position. We constantly strive to improve the customer experience and journey. For our personal customers, we lowered our administration margin on interest-only mortgages in 2023 and changed our pricing structure to create increased financial security for our customers. We entered into a collaboration with Tryg that enables our customers to take out loan insurance for their home loans. On our website, rd.dk, we have developed new tools that make it easier to get information about interest rates and remortgaging opportunities.

At Realkredit Danmark and Danske Bank, the transition towards a sustainable future is an integral key element of our advisory services and ongoing business development. We have taken the first steps towards differentiating the terms and conditions we offer our customers on the basis of the energy efficiency of a property and the customer’s ESG profile.”

The year 2023

Realkredit Danmark recorded a satisfactory net profit of DKK 4,394 million, against DKK 3,626 million in 2022. The profit increase was driven in part by higher interest rates.

Customers continued to remortgage to a higher interest rate, thus reducing their nominal outstanding debt by DKK 6.6 billion. However, even with a fall in lending activity and reduced outstanding debt, Realkredit Danmark’s total loan portfolio rose about DKK 4 billion nominally from DKK 802 billion to DKK 806 billion.

In 2023, the Danske Bank Group announced its new strategy, of which Realkredit Danmark forms a significant part. The strategy includes a more customer-centric approach, digital developments and assisting our customers in the green transition in the housing and property market. Among other things as a result of these initiatives, Realkredit Danmark and Danske Bank have entered into a partnership with other leading real estate players to develop a freely accessible tool for ESG reporting across the real estate sector to facilitate their ESG reporting.

In the first quarter of 2023, Realkredit Danmark and Danske Bank entered into a partnership with Tryg, which means homeowners in Denmark can now insure their mortgage payments against loss of income for up to 12 months.

Also in the first quarter, we focused more on helping customers who could be affected by the economic uncertainty, which meant, among other things, that Realkredit Danmark lowered its administration margin for interest-only mortgages with a loan-to-value ratio above 60%.

In 2023, the Systemic Risk Council recommended that a systemic buffer of 7% be introduced for exposures to property companies. As a result, Realkredit Danmark must in the future increase its capital buffer.

Forward '28 strategy

Realkredit Danmark will, as a part of Danske Bank’s Forward '28 strategy, continue the ambition to provide an even better customer experience for our housing and real estate customers. The Forward '28 strategy is setting new ambitions and commitments, with significant investments in digital customer offerings, expert advisory services and sustainability. We are continuing our efforts to digitalise mortgage financing processes, support advisory differentiation and use intelligent data-driven processes to support a personal and proactive customer approach tailored to specific needs and lifecycle events.

For 2023, the focus was on playing a more active role for both existing and prospective housing customers. We hosted inspirational meetings related to the changing interest environment and increased our presence on social media platforms, advertising our attractive real estate financing solutions. We also improved the digital service and communication with our customers. With rd.dk as our digital interface to support customers in making

choices concerning their mortgage financing, we launched improved loan calculation possibilities and a new site on which all relevant information about refinancing is gathered.

In 2024, we will continue to strengthen our relations with existing customers and attract new ones by focusing on proactive engagement and tailored offerings. We want to be present where our customers are, and we strive to make it seamless to both be and become a customer with Realkredit Danmark.

Sustainable finance

Realkredit Danmark remains committed to facilitating the transition of our society towards a sustainable future. As one of the leading mortgage providers in Denmark, we have both a responsibility and the ability to actively use the power of financing to create sustainable progress. As a part of the Danske Bank Group, our strategic focus on sustainable finance contributes to the overall ambition of being a leading financial institution in terms of supporting the sustainability transition of customers, companies and society.

The Danske Bank Group launched its Climate Action Plan in January 2023, covering the entire group and setting targets for reducing our financed emissions significantly by 2030. In June 2023, Realkredit Danmark reported its ambition to reduce the carbon footprint of its loan portfolio by 75% by 2030 for the Commercial Real Estate and Personal Mortgages segments. Further, we are committed to meeting the Net-Zero Banking Alliance target of net-zero emissions in our loan portfolio by 2050. This ambition is aligned with and dependent on the Danish government's plans for transforming the utility sector and rolling out district heating to even more businesses and private homes.

Further, we have established a new sustainability team to accelerate the development of concepts and products to support our customers, but also to ensure further integration of sustainability in our business model, loan underwriting and processes.

We consider it our obligation to facilitate and support our customers' transition by helping them to reduce their negative impacts and increase their positive impacts on environmental, social and governance (ESG) factors by offering various products, services and partnerships that can help our customers to achieve the required change. Further, we will offer loan products to finance the much needed energy renovation investments in properties. These efforts were ongoing throughout 2023, and we expect to launch new initiatives supporting our business customers during 2024.

We monitor and report the carbon footprint of our full loan portfolio, except for manufacturing due to lack of data from production facilities, in our Climate Report

2023, and for key segments, we measure developments against the specific carbon reduction ambitions we have for both the short term and the long term.

We offer mortgage finance for energy renovations of homes on favourable terms, and we offer a loan fee discount to customers who buy or live in a full-year residence that holds a valid class A or B energy performance certificate. We have also teamed up with partners to offer advisory services on climate-friendly energy renovations. In 2023, we experienced waning interest for energy renovations because of lower gas prices and some uncertainty with respect to public grants when switching to a non-fossil energy source. We therefore enhanced our customer communications on the various platforms to create stronger awareness of both the need for energy renovations and the financing options available. In the commercial real estate market, we have actively engaged in dialogues to share knowledge and insights and supported cross-industry collaboration to solve the challenges that still lie ahead for our customers. In the autumn, we communicated that the energy performance of buildings and the ESG profile of businesses will be a driver for the terms and pricing of mortgage loans going forward.

As sustainability regulations are coming into form and more specific customer advice is needed, we continued to train and build the competencies of our personal and business advisers and valuation specialists so that they can interact with and guide our customers in the green transition.

Corporate responsibility and sustainability are key elements of Realkredit Danmark's strategy. We want our customers and other stakeholders to be 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.

Green bond funding

Realkredit Danmark remains committed to offering green bond mortgage finance in corporate segments. Our governance for the granting of green loans is defined by our Green Finance Framework that is aligned with international market standards on the definitions of green.

In the first half of 2023, we saw continued demand for green financing, and our refinancing as of July of DKK 2.8 billion was also received well by our bond investors. Demand slowed in the second half of the year because of developments in the commercial real estate market. At 31 December 2023, total green lending amounted to DKK 27.1 billion and was provided predominantly for green buildings and transmission and energy storage.

Corporate responsibility

Realkredit Danmark focuses 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.

Danske Bank has developed a set of ethical principles for its use of data. They define how we strive to act with regard to data use across the Danske Bank Group and in our business relations. Realkredit Danmark has adopted these principles.

Rating

Realkredit Danmark's bonds are rated by SP Global, Fitch Ratings and Scope Ratings. 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 SP Global, and these bonds also hold a rating of AAA.

The effective overcollateralisation requirement from the three agencies increased during 2023, from DKK 23.9 billion at end-2022 to DKK 26.3 billion at end-2023.

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

Results

In 2023, Realkredit Danmark's net profit was DKK 4,394 million, against DKK 3,626 million the year before. The increase in net profit for 2023 was attributable primarily to income from higher interest rate levels and lower loan impairment charges.

The administration margin decreased DKK 140 million due to lower sales activity in the housing market and a lower average administration margin. However, more customers are choosing products with higher margins, which the underlying numbers are also starting to reflect.

Net interest income rose DKK 1,021 million to DKK 1,114 million in 2023 due to the higher interest rate levels.

Net fee income fell DKK 88 million, driven primarily by lower lending activity especially in the first half of the year.

Income from investment portfolios rose DKK 135 million to DKK 183 million in 2023 due to the higher interest rate levels.

Expenses amounted to DKK 1,055 million in 2023, against DKK 1,105 million in 2022. The decrease was mainly due to a one-off in 2022 of DKK 48 million for Realkredit Danmark's part of debt collection remediation.

Realkredit Danmark is no longer registered jointly with all major Danish subsidiaries of the Danske Bank Group for financial services employer tax and VAT. Intercompany transactions resulted in VAT expenses of DKK 118 million in 2023.

Loan impairment charges amounted to an income of DKK 114 million in 2023, against an expense of DKK 212 million in 2022. 2022 was affected by charges related to Realkredit Danmark's share of debt collection write-offs of DKK 174 million. The total allowance account at 31 December 2023 amounted to DKK 2,738 million, against DKK 2,912 million at 31 December 2022.

Underlying credit quality remains strong with low delinquencies and robust collateral.

The tax charge totalled DKK 1,569 million. The effective tax rate for 2023 was 26.3% against 22.2% in 2022.

Balance sheet

Mortgage lending at fair value rose DKK 29 billion to DKK 754 billion. The increase was attributable mainly to higher bond prices due to downward trending interest rate levels in the fourth quarter. The development in mortgage lending at fair value is composed of an increase in the nominal outstanding bond debt of DKK 4 billion and an increase of DKK 25 billion in the market value adjustment. Gross lending amounted to DKK 100 billion, against DKK 159 billion in 2022. In connection with remortgaging to a higher coupon, our customers reduced their outstanding debt by around DKK 6.6 billion in 2023.

The overall nominal effect was a DKK 12 billion decrease in the personal customer portfolio and a DKK 16 billion increase in the business customer portfolio.

In 2023, fixed-rate mortgages accounted for approximately 39% of all disbursed loans, while about 48% of all FlexLån® loans were disbursed with refinancing intervals of less than five years.

In nominal terms, the repayment of principal amounts is now at the same level as before interest-only mortgages were launched in 2003. Total ordinary repayments in 2023 equalled 2% of the mortgage portfolio.

At end-2023, the average loan-to-value (LTV) ratio stood at 53%, against 48% at the end of 2022. The increase was attributable to increased market value of outstanding debt as well as lower housing prices and is in line with expectations bearing witness to the robust credit quality of our portfolio.

Realkredit Danmark remortgaged loans for DKK 40 billion in 2023, against DKK 92 billion in 2022.

The number of new properties repossessed was 23 in 2023. The number of properties repossessed increased from year-end 2022, standing at 14 year-end 2023, all of which were owner-occupied dwellings. The value of the properties repossessed was DKK 17 million. The delinquency rate at 31 December 2023 was unchanged from the level at the end of 2022, and at a persistently low level.

Issued mortgage bonds rose DKK 32 billion to DKK 757 billion. The nominal value of issued mortgage bonds was DKK 806 billion, which was DKK 7 billion more than at the end of 2022. The amounts are exclusive of holdings of own mortgage bonds. Realkredit Danmark issued bonds for a total of DKK 100 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 2023, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKK 961 million and DKK 1 million, respectively.

Capital and solvency

At the end of 2023, shareholders' equity stood at DKK 50.2 billion, against DKK 49.5 billion at the end of 2022. The ordinary dividend payment of DKK 3.6 billion for 2022 and the consolidation of the net profit for 2023 accounted for the change.

On 3 October 2023, it was announced that the Danish Systemic Risk Council had recommended to the Danish minister for Industry, Business and Financial Affairs that a sector-specific Systemic Risk Buffer (SyRB) with a buffer rate of 7% be activated for exposures to real estate companies in Denmark. The Danish government intends to follow the recommendation and activate the SyRB with effect from 30 June 2024. The formal government decision including final calibration is, however, pending and subject to prior approval from the EU Commission.

The Board of Directors is therefore recommending that no dividend be paid for 2023, as opposed to previous years, due to this pending decision. Realkredit Danmark is well capitalised and will consider the relevance of an extraordinary dividend later in 2024 when the final implications of the SyRB are known in order to ensure an optimal capital structure, including the size of its debt buffer requirement eligible loan with the parent company.

Realkredit Danmark's total capital amounted to DKK 50.6 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD) was 31.5%. At 31 December 2022, the corresponding figures were DKK 46.4 billion and 29.1%, 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 160.2 billion at 31 December 2023, against DKK 159.3 billion at the end of 2022.

At the end of 2023, Realkredit Danmark's solvency need, including the combined buffer requirement, was calculated at DKK 30.6 billion, corresponding to a solvency need ratio including buffers of 19.1% of the total REA. With total capital of DKK 50.6 billion, Realkredit Danmark had DKK 20.0 billion in excess of the total capital requirement.

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 2023

Realkredit Danmark recorded a profit after tax of DKK 1,176 million in the fourth quarter of 2023, against DKK 1,077 million in the third quarter. The change in profit was attributable primarily to income from the refinancing of FlexLån® loans in the fourth quarter, higher net interest income and impairment reversals.

Outlook for 2024

In 2024, Realkredit Danmark expects income marginally above 2023, mainly due to higher forecasted average interest levels.

Realkredit Danmark anticipate expenses to be slightly above the level in 2023.

Loan impairment charges are expected at a more normalised level in 2024.

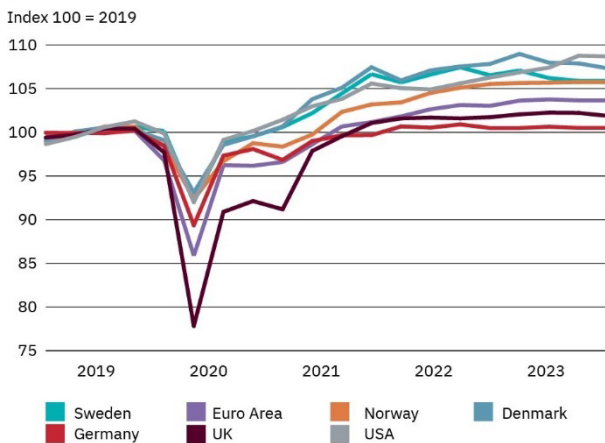
Realkredit Danmark therefore expects net profit in 2024 to be somewhat below net profit in 2023, primarily due to normalised impairment levels. The outlook is subject to change in the macroeconomic environment.

Macroeconomics and Property market

Danish economy showing signs of a slowdown outside of the pharmaceutical industry

The Danish economy performed surprisingly well in 2023, and GDP growth has been significantly higher than in most other EU countries in recent years. In 2023, growth was supported by the huge success of Novo Nordisk and the rest of the pharmaceutical industry. The reality of the broader corporate sector was much more mixed, with growth in some areas, such as the travel and restaurant industries, and contraction in others, such as housing construction and large parts of the manufacturing sector.

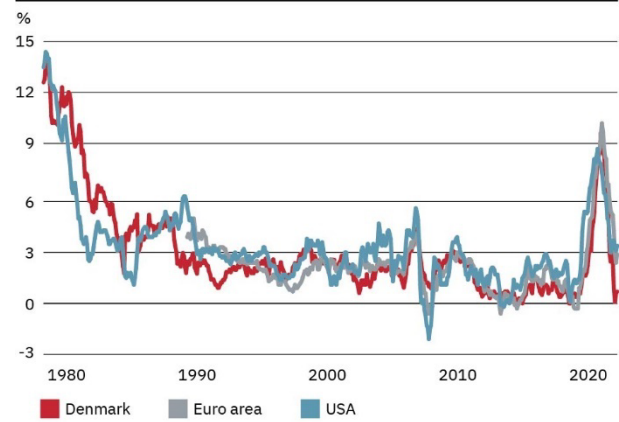
GDP development



Inflation dropped to close to zero during autumn, due mostly to temporary effects such as declining energy prices, while annual wage growth picked up to levels around 5%. Rising wages resulted in improved purchasing power, and this was positive for consumer spending, but although consumer spending corrected somewhat during the year, it remained considerably below the peak in 2021. The relatively low level of spending could possibly be ascribed to a keen appetite for saving, at least in a large number of households, since household savings rose during 2023.

Slowing inflation and wage growth contributed to increasing consumer confidence, but although it was higher than the levels of 2022, consumer confidence remained in negative territory as people in Denmark are not overly optimistic about the current economic outlook.

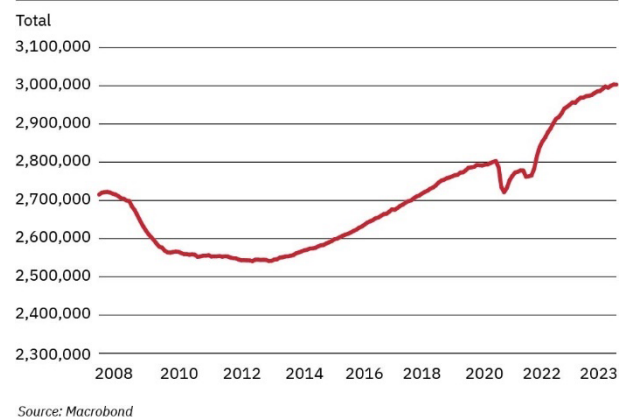
Inflation



Despite some headwinds for consumers, forced house sales remained at low levels. Households generally have sound finances, with many homeowners sitting on plenty of home equity, and people in Denmark have not been living above their means in recent years, unlike in the run-up to the financial crisis. This provided some degree of resilience.

Overall, the Danish economy performed well in 2023 given the challenging economic and financial climate. Looking back to the beginning of the year, the general view was most likely a year with recession and a decline in employment. GDP growth is expected to print a notch above 1% for the year, and despite the slowdown in growth relative to recent years, the labour market looked strong, and employment hit new record highs during the year.

Employment



The economic data both in Denmark and abroad deteriorated towards the end of the year, and forecasts for the Danish economy in 2024 generally point to a soft landing for the economy and the labour market. Growth in 2024 is projected to be lower than normal with moderately rising unemployment, and inflation continuing to stabilise over the course of 2024.

However, the risk of a hard landing persists, in which scenario the economy suffers a more direct setback and a sharp increase in unemployment triggered by the large hikes in interest rates over the past couple of years.

Mortgage rates moved in different directions with a collective downward trend by the end of the year

Monetary policy tightening continued throughout the year, with central banks hiking interest rates in an attempt to curb demand in the economy and bring inflation back under control. The European Central Bank and hence Danmarks Nationalbank (the Danish central bank) ended their hiking cycle in September, and this meant that the economy and markets saw an end to 18 months of historically fast and large rate hikes.

The rise in central bank policy rates naturally fed through to mortgage rates, which especially impacted the short end of the yield curve. Hence, at the year's first FlexLån® auction with new rates from 1 April 2023, the F1 borrowers saw interest rates jump no less than 3.65 percentage points from the preceding refinancing auction. This was a new record jump in rates for F1 borrowers, a bit above the previous record of 3.47 percentage points from January 2023. Also, the FlexKort® interest rate reached a new record high and ended at 4.23% on 1 July 2023.

The interest rate for a fixed-rate 30-year mortgage started the year at 5% but moved lower during the first two months before moving higher again. It hovered around the 5% mark throughout the rest of the year before moving lower again. Hence, the year ended with a 4% coupon for a fixed-rate 30-year mortgage.

At the end of the year, many key economic indicators, including inflation, printed to the downside, and these events drove central bank policy rate expectations lower, also on the back of dovish central bank announcements. Therefore, financial conditions loosened, and mortgage rates trended downwards.

Mortgage rates excluding price deduction



Source: Danske Bank Research

The high interest rates on fixed-rate mortgages together with rising interest rates on variable-rate loans meant a continuation of the shift in borrower behaviour relative to the years with low interest rates. We saw lower demand for fixed-rate products, and more borrowers seeking full exposure to the short end of the yield curve, with a particular increase in demand for loans such as FlexKort® with twice-a-year rate resets and FlexLån® F1 with yearly rate resets. This shift in behaviour should be seen in the light of homeowners' expectations of yields peaking and thus not wanting to lock in the interest rate at what was, in their opinion, a "high" level.

Given this change in borrower behaviour, there was some discussion of whether homeowners were taking on too much interest rate risk, but it is worth remembering that borrowers are stress-tested and are therefore, if the requested loan is granted, assessed to have the means to cope with higher interest rates. Homeowners also have restrictions on available products. For instance, borrowers cannot take out a short-term variable-rate loan on an interest-only basis if they have a relatively high debt-to-income ratio and an LTV ratio above 60%.

Fixed-rate loans with low coupons remained at low prices, which meant Realkredit Danmark experienced some remortgaging activity during the year, although not as much as in 2022. As a result, some homeowners directly reduced their outstanding debt, and other homeowners took out larger mortgages to pay off more expensive bank loans.

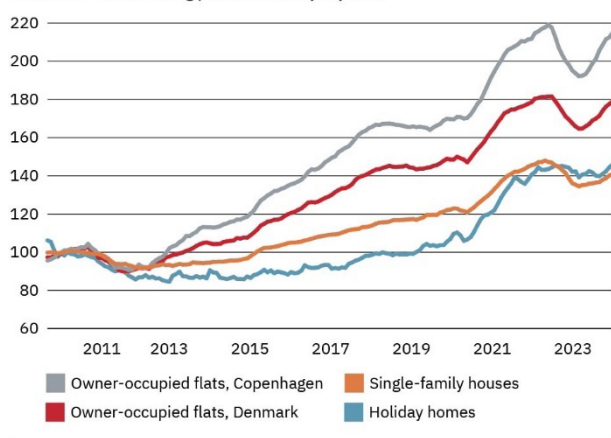
Housing market took an unexpected turn in 2023

A stronger-than-expected Danish economy, a robust labour market and lower inflation pushed the housing market in an unexpectedly positive direction in 2023. The housing market started the year modestly, with high inflation and rising interest rates putting a damper on prices at the beginning of the year. However, during the spring, the decline was replaced by both higher activity and rising house prices, which gathered speed towards the end of the year. A total of around 70,000 owner-occupied homes and holiday homes changed hands in 2023, hence activity ended on a level almost the same as in 2022, when 67,000 homes were sold.

Since February 2023, when prices hit the bottom, price increases have been significant. Seasonally adjusted, single-family house prices increased almost 5%, while seasonally adjusted prices of flats rose almost 9%. The holiday home market also surprised to the upside with a seasonally adjusted increase in prices of 5% since the bottom in February. This was particularly remarkable given the strong activity and sharp increase in prices in the holiday home market during the pandemic.

Housing prices

Index 100 = 100, housing price, seasonally adjusted



The reform of the property taxation rules that entered into force on 1 January 2024 had an impact on homeowners and the housing market, especially in the second half of 2023, since many homeowners received new preliminary valuations in the third quarter of 2023.

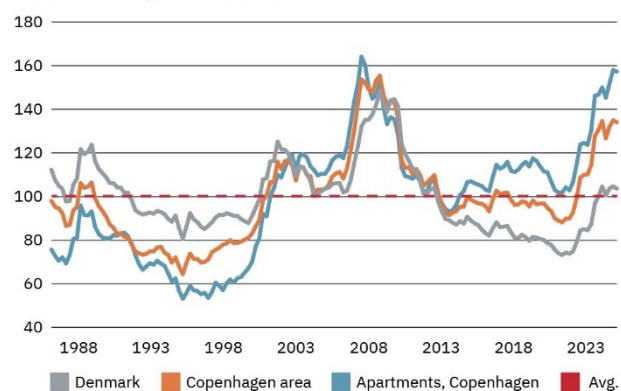
Although the new property tax reform received a lot of attention in the media, due mainly to incidents of skewed model valuations, we see it as an undramatic event for most homeowners. The reform is seen as neutral for the housing market, although it will have negative effects on prices in the most expensive areas, and especially for owner-occupied flats in Copenhagen. For four out of five homeowners, the property tax is lower after the turn of the year, while the remainder benefits from the permanent tax discount and therefore will not have to pay

more in property tax in 2024. The substantial rise in activity and prices in the market for owner-occupied flats in Copenhagen was attributed to the property tax reform that triggered an interest in buying properties for which tax discounts could be achieved on purchases made before the turn of the year 2023-2024. Going into 2024, we expect the market for owner-occupied flats in Copenhagen to be adversely impacted by the tax reform and the fact that much activity was brought forward from 2024 to 2023.

Although buying and owning a home has become far more expensive after the rise in interest rates, with price falls in 2022 only partially compensating for the higher interest payments, owning a house in Denmark has become no more expensive than the average for the past 40 years. A gradual recovery of consumer purchasing power should support the housing market in 2024, though continually high interest rates and a modest weakening of the labour market will give some headwinds in 2024. However, interest rates are set to become a tailwind when Denmark's Nationalbank begins to cut policy rates and overall, we expect stable to slightly rising housing prices in 2024. A more pronounced slowdown in the economy could, however, induce a renewed decline in house prices.

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

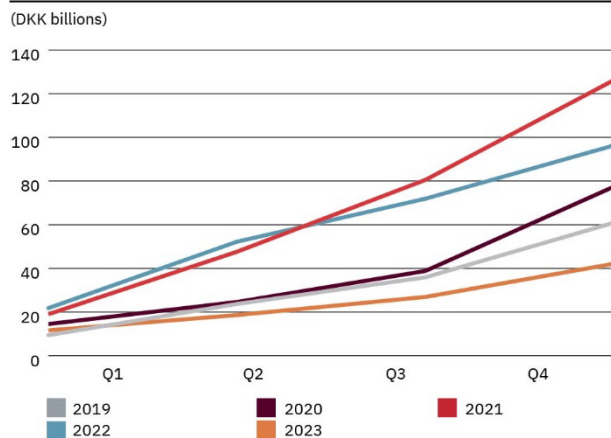
Index 100 = average fixed rate loan 1987-2023



2023 was a challenging year for the property market

The market for commercial and residential property can be compared to an oil tanker; it responds to relatively few things and reacts relatively slowly. That also applied with respect to the surge in interest rates during the first nine months of 2022, which truly set the agenda for 2023. The difficult times have resulted in a sharp drop in the total transaction volume, which ended at DKK 42 billion in 2023. This is a sharp decrease relative to the past two years' transaction volumes of DKK 126 billion in 2021 and DKK 96 billion in 2022. The low number of transactions has triggered relatively high uncertainty with respect to developments in yield requirements and property values.

Accumulated transaction volume



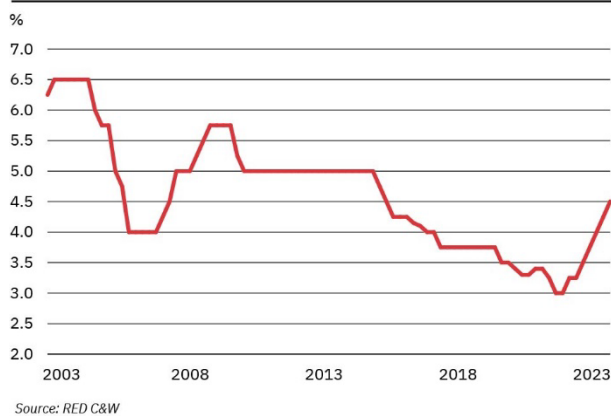
The challenging climate was also evident in our quarterly review, based on data from our valuation specialists. In the review, we look at the three segments: residential rental, office, and retail property. Across the three segments, we have constructed a financial signal, which includes the development in yield requirements and property values. The financial signal is highly sensitive to changes in interest rates and as a result, the financial signal spent the last three quarters of 2023 at “slightly negative”, the second-lowest level on a five-grade scale.

Although the development in employment was better than expected at the start of the year, it cooled down as the year progressed, and this is also evident in the economic signal, which across the three segments (residential rental, office and retail property) includes the development in rent and vacancy rates. As a result, the economic signal went from “positive”, the highest possible level, in the first half of 2023, but then dropped to “slightly positive” in the third quarter and “neutral” in the last quarter of 2023.

A look at the individual segments shows that the downside pressure on the office market is intensifying, as employment growth is slowing down. In addition, the yield requirement has risen by a particularly wide margin in the areas with the lowest yield requirements (Copenhagen and Aarhus).

The residential rental area benefited from the low level of gross unemployment, although this was partly offset by construction activity, which has exceeded population-based housing needs for the last couple of years, especially in the large cities in Jutland. Moreover, yield requirements have risen substantially in all the university cities.

Prime yield for office properties in Copenhagen



Having struggled in 2022, the retail segment appears to have fared better in 2023, driven mainly by the sharp rise in real wages. In combination with the rise in employment, this has shored up a positive trend in retail sales, which have returned to pre-pandemic growth levels. Furthermore, whereas yield requirements for both the residential rental and the office segment rose in 2023, yield requirements for the retail segment have been stagnant for the past many years, and that was also the case in 2023.

In 2023, developments in the hotel industry were characterised by a sharp increase in the number of guests from outside our neighbouring countries (Germany, Sweden and Norway). Hotels in Copenhagen benefited strongly from this trend, with occupancy rates printing much higher than in 2022. On the other hand, hotels outside the capital region recorded a slight decline as they do not to the same extent attract international visitors, and their occupancy rates for 2023 were slightly lower than in 2022.

Earnings in the agricultural sector starting to normalise after record year

After a year of record-high earnings in 2022, the Danish agricultural sector generally recorded fair-sized earnings in 2023 despite higher costs and interest rates.

Overall, arable farmers recorded more normalised earnings in 2023 than in the record year of 2022. Grain prices fell from the high levels of 2022 resulting from the war in Ukraine, which affected the global grain supply balance and led to relatively low stocks in grain-exporting nations. Furthermore, higher costs combined with lower crop yields led to lower earnings.

Dairy farmers saw record-high milk prices in 2022, leading them to increase the global supply of milk in early 2023. In addition, the level of inflation reduced consumer demand, causing a substantial drop in milk prices and earnings, although they remained above the long-term average.

Pig farmers in the EU comprehensively adjusted their production output in 2022 and 2023, among other things due to the effects of outbreaks of African swine fever in Germany, Poland and China and the high grain and feed prices, which led to a reduced supply of pigs in the EU. The lower supply of pigs was supportive of prices, which remained at high, but nevertheless varying, levels in the EU. This had a particularly favourable impact on export prices for weaners in Denmark, whereas earnings of slaughter pig producers in Denmark were adversely affected by the high cost prices of weaners. Overall,

however, pig producers recorded a fairly high and above-average level of earnings.

In 2024, agricultural product prices are expected to be slightly lower than in 2023, while staying at relatively high levels. Similarly, costs of feed, interest expenses and the like are expected to remain relatively high, resulting in more normal earnings levels. However, uncertainty about the war in Ukraine, African swine fever in Europe, and energy prices and their effect on fertiliser prices, spell increased uncertainty about the outlook. In the slightly longer term, the potential introduction of a carbon tax on biological processes in agriculture in Denmark could have adverse effects for the agricultural economy.



Lending

Green bonds

Customer interest in green financing solutions continued to grow in 2023. RD Cibor6®Green was launched in Denmark in 2019 and at 31 December 2023 total lending amounted to DKK 23.7 billion. In 2023 alone, mortgages for DKK 6.7 billion were disbursed.

The mortgages 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 mortgages.

Total lending

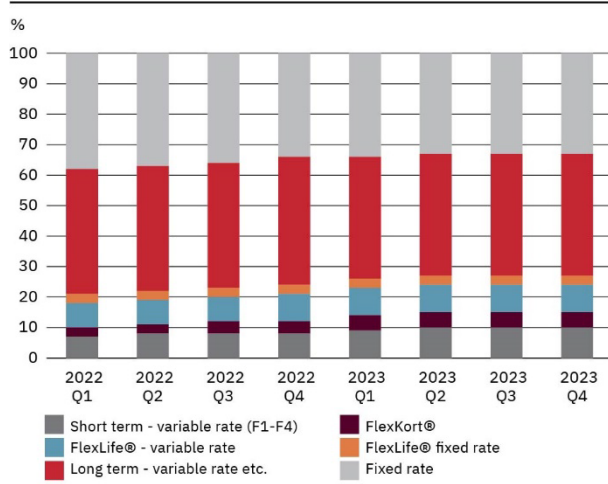
Gross lending activity in 2023 was lower than in 2022. The lower level of lending activity was to a great extent ascribable to reduced remortgaging activity in 2023 relative to 2022. In 2023, gross lending amounted to DKK 100 billion, against DKK 159 billion in 2022.

Realkredit Danmark's total mortgage lending rose DKK 4 billion in nominal terms in 2023. At the end of 2023, the total loan portfolio amounted to DKK 806 billion, against DKK 802 billion the year before.

Remortgaging activity amounted to DKK 40 billion in 2023, against DKK 92 billion in 2022.

In 2023, customers increasingly preferred ordinary loans with repayment of principal, causing the share of new interest-only mortgages to fall to 50%. Despite the lower share of interest-only mortgages in 2023, the overall share of mortgages with deferred amortisation rose marginally from 47% in 2022 to 48% at end-2023.

Development in loan portfolio by loan type (%)



Personal market

Realkredit Danmark's lending to owner-occupied dwellings and holiday homes amounted to DKK 426 billion at end-2023, against DKK 438 billion at end-2022.

Subdued remortgaging activity in 2023 resulted in overall gross lending of DKK 50 billion at Realkredit Danmark, against gross lending of DKK 106 billion in 2022.

The interest that ultra-short-term variable mortgages experienced in 2022 continued in 2023, with nearly one in five customers opting for mortgages with refinancing intervals of up to two years. In 2023, customers also opted for fixed-rate mortgages more often than in 2022. While five out of ten customers opted for fixed-rate mortgages in 2022, this share rose to six out of ten customers in 2023.

The composition of the overall portfolio does not change as quickly, but similar distinctive trends are seen among customers considering short-term variable-rate mortgages. The share of mortgages with refinancing intervals of up to two years rose from 12% in 2022 to 15% of total lending in 2023. Conversely, the share of FlexLån® with refinancing intervals longer than two years fell from 40% of total lending in 2022 to 37% in 2023.

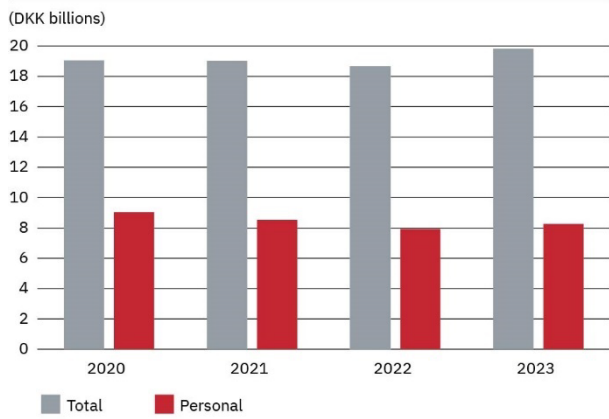
Interest-only mortgages accounted for 49% of new lending for owner-occupied dwellings and holiday homes in 2023. This is 7 percentage points less than in 2022, when about six in ten new mortgages were issued with deferred amortisation. In spite of the waning interest in deferred amortisation, interest-only mortgages still accounted for more than half of total lending for owner-occupied dwellings and holiday homes in 2023.

At the beginning of 2023, Realkredit Danmark revised its pricing model for deferred amortisation. As part of the revision, the special add-on to the 0.2252% administration margin applying to the entire interest-only portion for total lending above 60% was removed. Similarly, Realkredit Danmark discontinued the automatic pricing mechanism that adjusted the administration margin add-on for deferred amortisation depending on whether the LTV ratio was higher or lower than 60%.

In 2023, Realkredit Danmark recorded an overall nominal portfolio decline of DKK 12 billion. This development was driven partly by customers continuing to remortgage to a higher coupon, which reduced the outstanding debt by DKK 5 billion in 2023. Another factor are prepayments of DKK 29 billion in 2023, although these fell from DKK 38 billion in 2022.

The volume of FlexLife® loans continued to grow, and they now account for 20% of the loan portfolio to personal customers. Total gross lending for FlexLife® amounted to DKK 5 billion in 2023.

Ordinary Payments



Business market

At end-2023, the mortgage portfolio amounted to DKK 380 billion in nominal terms, which is an increase of DKK 16 billion on the year before. The increase was driven primarily by an increase in Net new lending, which rose to DKK 26 billion in 2023 from DKK 19 billion in 2022.

The level of remortgaging activity was lower in 2023 than in 2022. In 2023, total remortgaging in the business market thus amounted to DKK 13 billion, against DKK 20 billion in 2022.

The business market experienced slightly weaker demand for fixed-rate mortgages in 2023, and fixed-rate mortgages accounted for 23% of new mortgages, against 27% in 2022. Unlike in the personal customer segment, business customers continue to favour long-term variable-rate mortgages, which accounted for 63% of loans disbursed in 2023, against 57% in 2022.

The share of new interest-only mortgages being issued with deferred amortisation rose a bit to 53% in 2023, compared to 46% in 2022. The higher proportion of new interest-only mortgages in 2023 led to an increase to 41% of total lending in 2023, against 40% in 2022 for these products. In 2022, nearly every other mortgage was issued with deferred amortisation. In spite of fewer new interest-only mortgages in 2023, these products accounted for 41% of total lending in 2023, against 40% in 2022.

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 channels and face-to-face meetings.

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 and customers who want to engage in direct dialogue with Realkredit Danmark are served by Central Housing, which provides telephone advice and advice via virtual consultations 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 Danmark 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 the customers' offices and 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 changes of ownership. In 2023, activity in the housing market resurged after the rise in interest rates and inflation that characterised 2022. However, increasing costs led to a minor fall on overall

profit, which fell from DKK 25 million in 2022 to DKK 21 million in 2023. At the end of October 2023, Uffe Drejer stepped down as CEO of home a/s and Jens Peter Jensen, CFO, was appointed interim CEO of the estate agency chain, while a permanent CEO is being recruited. The recruitment process is expected to be completed during the first quarter of 2024.

Activities and portfolio (DKK millions)	Gross lending		Net new lending		Loan portfolio			
	2023	2022	2023	2022	2023	%	2022	%
Personal market	50,010	106,025	-5,882	-3,884	425,743	53	437,709	55
Business market	49,665	53,132	25,811	18,773	380,411	47	364,315	45
Total (nominal value)	99,675	159,157	19,929	14,889	806,154	100	802,024	100

Lending broken down by loan type %	Share of gross lending		Share of loan portfolio	
	2023	2022	2023	2022
Short-term variable rate (F1-F4)	13	9	10	8
FlexKort®	6	9	5	4
FlexLife ® variable rate	5	10	9	9
FlexLife ® - fixed-rate	1	3	3	3
Fixed-rate	38	38	33	34
Long-term variable rate etc.	37	31	40	42
Total	100	100	100	100

Funding

Bond issuance

Realkredit Danmark operates under the specific balance principle and funds its lending 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 2023

Realkredit Danmark issued bonds worth DKK 100 billion exclusive of bonds issued for refinancing auctions. This represents a decrease of 37% relative to 2022. The bond market was characterised by continually volatile interest rates in 2023 as central banks sought to curb inflation. Customers with fixed-rate mortgages continued to take advantage of the volatile interest rates to remortgage their loans, thereby reducing their debt. Of the bonds issued in 2023, 39% were callable and 61% were non-callable.

Refinancing in 2023

In 2023, Realkredit Danmark held auctions in connection with all four ordinary payment dates. To diversify the risk attached to refinancing, Realkredit Danmark has 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 auctions were carried out without any difficulties and attracted strong investor interest and competitive prices.

The auctions for the refinancing of FlexLån® at 1 April 2023 were held in February 2023. Total issuance amounted to DKK 38 billion, against DKK 54 billion in 2022. In November 2023, bonds worth DKK 27 billion were issued in connection with the refinancing of FlexLån® at 1 January 2024. Refinancing at 1 January 2023 amounted to DKK 22 billion.

In May 2023, Realkredit Danmark auctioned bonds worth DKK 14 billion to refinance RD Cibor6®, DKK 3 billion to refinance RD Cibor6® Green and DKK 8 billion to refinance other floating rate loans.

Lastly, in August 2023, SEK 5.1 billion was refinanced in RD Stibor3® and NOK 2.5 billion in RD Nibor3®.

At end-2023, Realkredit Danmark had issued mortgage bonds for a total amount of DKK 822 billion, of which mortgage-covered bonds accounted for DKK 794 billion.

Debt issuance

In December 2020, Realkredit Danmark raised a debt buffer requirement eligible loan with the parent company, Danske Bank A/S, in the amount of DKK 2 billion to comply with the debt buffer requirement. Realkredit Danmark has not since obtained any new non-covered bond debt.

Investor distribution

Foreign investors showed slightly less interest in Danish mortgage bonds in 2023. The volatile markets and rising interest rates led to redemptions and remortgaging activity affecting the holdings of foreign investors throughout the year. However, at the end of October, foreign investors still held 21% of all mortgage bonds, against 22% at the end of 2022.

Rating

Realkredit Danmark's bonds are rated by SP Global, Fitch Ratings and Scope Ratings.

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 SP Global and these bonds also hold a rating of AAA.

The effective overcollateralisation requirement from the three agencies increased during 2023, from DKK 23.9 billion at end-2022 to DKK 26.3 billion at end-2023.

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 continually stable overcollateralisation requirements from the rating agencies in 2024. If the requirements increase, Realkredit Danmark plans to raise further bail-inable debt on market terms in order to comply with the requirements. This type of debt is also eligible towards the debt buffer requirement.

Bonds issued at 31 December (nominal value)

Bond type (DKK billions)	Currency	Mortgage- covered bonds		Mortgage bonds	
		2023	2022	2023	2022
Fixed rate	DKK	273	283	1	2
FlexLån®	DKK	282	282	-	-
FlexLån®	EUR	2	2	-	-
FlexLife®	DKK	93	92	-	-
FlexKort®	DKK	37	36	-	-
Index-linked loans	DKK	-	-	16	16
FlexGaranti® and RenteDyk™	DKK	1	1	4	4
RD Cigor6®	DKK	92	84	4	4
RD Nibor3®	NOK	6	5	-	-
RD Stibor3®	SEK	7	7	3	3
RD Euribor3®	EUR	1	1	-	-
Total DKK		794	793	28	29

In 2023, the calculation was adjusted to reflect double-funding of DKK 28 billion because of the refinancing of FlexLån® (2022: DKK 20 billion).



Capital and risk management

Capital management

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

The regulatory framework for Realkredit Danmark'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. In parallel, a minimum leverage ratio of 3% must be met at all times.
- **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, Realkredit Danmark assesses its solvency need on the basis of internal models and ensures that it uses proper risk management systems. The ICAAP also includes capital planning to ensure that Realkredit Danmark always has sufficient capital to support its chosen business strategy. Stress testing is an important tool used for capital planning purposes in order to ensure that Realkredit Danmark, 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

Realkredit Danmark's total capital consists primarily of conventional equity after statutory deductions.

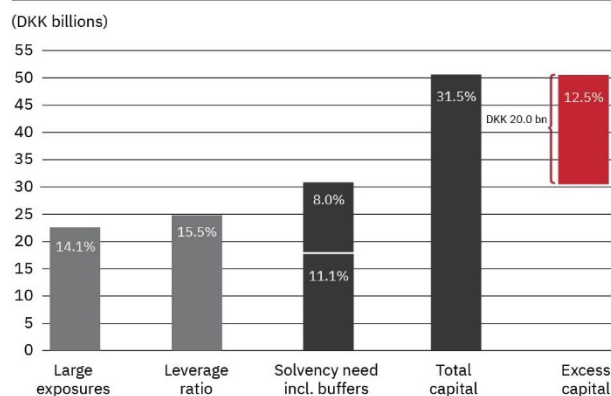
At the end of 2023, the total REA amounted to DKK 160.2 billion, an increase of DKK 0.9 billion from the level at the end of 2022. The increase was due primarily to an increase in credit risk. With total capital of DKK 50.6 billion, the total capital ratio was 31.5%.

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 2.5%.

Solvency need ratio and total capital ratio, end 2023



At the end of 2023, Realkredit Danmark's solvency need, including the combined buffer requirement, was calculated at DKK 30.6 billion, corresponding to a solvency need ratio including buffers of 19.1% of the total REA. With total capital of DKK 50.6 billion, Realkredit Danmark had DKK 20.0 billion in excess of the total capital requirement.

Leverage ratio

At the end of 2023, Realkredit Danmark had DKK 25.1 billion in excess of the minimum requirement of 3% with a leverage ratio of 6.0%.

Large exposures

Large exposures are defined as exposures amounting to at least 10% of the tier 1 capital after deduction of particularly secure claims. At the end of 2023, Realkredit Danmark had 2 exposure 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. At the end of 2023, the need for supplementary collateral was DKK 6.3 billion, against DKK 4.6 billion at the end of 2022. Of the DKK 6.3 billion, DKK 0.9 billion was provided in the form of loan loss guarantees. The remaining DKK 5.4 billion was provided in the form of unencumbered liquid assets.

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

The loan loss guarantees amounted to DKK 32 billion of the loan portfolio at 31 December 2023.

Risk management

Realkredit Danmark Group's principal risks are credit risk from mortgage loans and liquidity risk related primarily 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 mitigated by early payments received from Realkredit Danmark's borrowers and the sale of new bonds at refinancing auctions.

Realkredit Danmark is also exposed to market risks, which comprise interest rate, equity 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. The implementation of the covered bond directive in 2022 introduced additional Pillar II liquidity requirements that address refinancing and remortgaging risks. The combined Pillar I+II requirement defines the binding liquidity requirement for Realkredit Danmark. At the end of 2023, the combined requirement corresponded to approximately DKK 8.1 billion.

Realkredit Danmark's holding of unencumbered liquid assets after caps and haircuts was DKK 20 billion at end-2023.

Future rules

As part of the EU Banking Package 2021 and in order to implement Basel IV, the European Commission adopted proposals in October 2021. On 27 June 2023, the EU legislators reached a provisional political agreement on the proposals for implementing Basel IV. The final rules are not expected to be adopted before end of the first quarter 2024 at the earliest.

On the basis of the Group's current and updated analysis of the EU Banking Package 2021, including the provisional agreement, the Group's current capital planning takes into account the expected REA impact of the initial implementation in 2025. The fully phased-in impact of the EU Banking Package on the Group depends on the final legal text, which is still outstanding. Taking into account the transitional arrangements with regard to the output floor, the Group currently expects the output floor to restrict the Group at the earliest in 2033, when the transitional arrangements are set to lapse.

On 3 October 2023, it was announced that the Danish Systemic Risk Council had recommended to the Danish minister for Industry, Business and Financial Affairs to activate a sector-specific Systemic Risk Buffer (SyRB) with a buffer rate of 7% for exposures to real estate companies in Denmark. The Danish government intends to follow the recommendation and activate the SyRB with effect from 30 June 2024. The formal government decision including final calibration is however pending and subject to prior approval from the EU Commission.

Supervisory diamond for mortgage credit institutions

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

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	2023	2022	Limit
Growth in lending¹			
Owner-occupied dwellings and holiday homes	-2.9%	-2.8%	15%
Residential rental property	6.4%	4.4%	15%
Agriculture	-4.1%	-5.0%	15%
Other	3.7%	0.6%	15%
Borrower interest-rate risk²			
Properties for residential purposes	6.1%	5.1%	25%
Interest-only option³			
Owner-occupied dwellings and holiday homes	5.6%	6.0%	10%
Loans with short-term funding⁴			
Refinancing, annually	12.4%	12.0%	25%
Refinancing, quarterly	0.6%	2.7%	12.5%
Large exposures⁵			
Loans relative to shareholders' equity	71%	74%	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 in Realkredit Danmark consists of six directors, of whom four are elected by the shareholder and two are elected by the employees of Realkredit Danmark A/S.

At the annual general meeting on 9 March 2023, the members of the Board of Directors, elected by the shareholder, were re-elected. Throughout 2023, the members of the Board of Directors were thus the same, although Peter Smith stepped down as a board member on 1 December, following his resignation from his position with Danske Bank A/S.

Today, the members of the Board of Directors are Christian Bornfeld (chairman), Magnus Thor Agustsson (vice chairman), Jesper Koefoed, Linda Fagerlund, Majken Hammer Sløk and Christian Hilligsøe Heinig.

During 2023, there were some changes to the Executive Management of Realkredit Danmark. Klaus Kristiansen stepped down effective 1 August 2023, and effective 6 September 2023, Bjarne Aage Jørgensen, Head of Large Real Estate in Realkredit Danmark, joined the Executive Management. Consequently, the Executive Management today consists of Kamilla Hammerich Skytte, Chief Executive Officer, and Bjarne Aage Jørgensen.

The Board of Directors defines the business model and strategy for Realkredit Danmark and the overall principles for managing the risks associated with the business. The Executive Management is responsible for the day-to-day management and operation of Realkredit Danmark's business activities 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 Management.

Members of the board elected by the shareholder are elected for a term of one year and are eligible for re-election. Employee representatives are elected for a term of four years (most recently in 2021) and are eligible for re-election as long as they are employed by Realkredit Danmark.

Please refer to page 75-76 for the required information about directorships held by members of the Board of Directors and members of the Executive Management.

Employees

At the end of 2023, the number of people employed by the Realkredit Danmark Group was 229.

As a key element in building employee engagement, we have conducted engagement surveys and worked with the output to further support our employees' motivation and loyalty towards their work at Realkredit Danmark.

In 2023, employee engagement remained at a satisfied level, however, it remains a focus area for the leadership team.

Engagement score	
2023	82
2022	80

Towards gender equality

In 2023, the Danske Bank Group continued its efforts to grow a diverse and inclusive culture to mirror the societies the Group is part of and to create equal opportunities for its employees. Realkredit Danmark takes an active part in this, including mandatory and regular training for all managers and employees, focus on Diversity and Inclusion in succession planning and initiatives supporting ambitions to reduce gender bias in recruitment processes.

Realkredit Danmark's Board of Directors has in 2023 adopted the updated Danske Bank Group's Diversity and Inclusion policy. The policy sets out the key principles for Realkredit Danmark's approach to Diversity and Inclusion including commitments to improve diversity across all characteristics, to ensure that all employees are provided with equal opportunities and terms throughout the entire employee life cycle, to practice an inclusive culture and mindset and a non-acceptance of discrimination, harassment, or offensive workplace behaviour.

One of the focus areas derived from the most recent version of the policy is to increase the percentage of the underrepresented gender at all management levels by aspiring for the underrepresented gender to represent 40% (senior management level) and 45% (other management levels) in 2028.

The table below shows the gender composition on 31 December 2023 relative to the 2028 targets:

Management Level	Total	Share of the less represented gender	2028 Target for the less represented gender
Board of Directors*	4	25%	40%
Executive Management	2	50%	40%
Senior Leaders	9	44%	40%
Leaders**	14	42%	45%
Management (total)	25	44%	-

*Employee representatives are not included.

**Defined as employees registered as supervisors in the Diversity & Inclusion Policy.

Data ethics

Danske Bank's data ethics principles define how Danske Bank strives to act with regard to data use across the Group and in its business relations. Danske Bank strives to be transparent about the purposes for which data is used and to communicate this clearly. We aim to ensure that processes are clearly understood in terms of risk as well as the social, ethical and societal consequences of our use of data. We assess and evaluate the impact of the use of advanced technologies, analytics and computational methods on the parties involved.

2023 has seen Danske Bank include its Data Ethics principles into an official policy as well as continued focus on training of colleagues and development of how Danske Bank collects and uses personal and customer information.

In 2024, Danske Bank will initiate work on translating the Policy into detailed data ethics instructions and a standardised data ethics framework which will not only cover personal and customer information but data use in general. The principles are available at danskebank.com/about-us/corporate-governance

Compliance and risk management

Realkredit Danmark continues to focus on ensuring a robust risk and compliance culture across its organisation, thereby ensuring that we live our core value of integrity in all interactions with our customers and stakeholders and manage the financial and non-financial risks associated with the business activities of Realkredit Danmark within the framework and guidelines set by the Board of Directors and in accordance with the laws and regulations applicable to mortgage credit institutions.

Realkredit Danmark applies the "Three Lines of Defence" model for risk ownership, oversight and assurance. All employees are responsible for contributing to effective management of risks according to their role. The below figure presents the division of duties across the three lines of defence, which supports a culture of financial and non-financial risk management being an integral part of the day-to-day operation of the business activities at all levels at Realkredit Danmark.



^(*) Group Legal advises all three lines of defence on the interpretation of applicable laws and regulation and sets the framework for the management of Legal Risk.
^(**) Group Risk Management has a dual role and oversight responsibilities for Danske Bank Group, including relevant risk-bearing Subsidiaries.

The Second Line of Defence functions are the independent Compliance function and the independent Risk function.

The independent Compliance function is responsible for monitoring and assessing Realkredit Danmark's compliance with applicable laws and regulation and internal framework set by the Board of Directors. In practice, some of the tasks of the Compliance function are outsourced to Danske Bank, but the overall accountability for the second line Compliance function lies with the Head of Compliance at Realkredit Danmark, who reports directly to the Executive Management and is entitled to escalate matters to the Board of Directors. In addition, the head of Compliance has a dotted line to Group Compliance to ensure that material risks are reported and escalated for Group oversight as well as to ensure that Realkredit Danmark's compliance risk management is aligned with Group standards.

The independent Risk function is responsible for (i) promoting a sound risk culture, (ii) setting standards for effective management of the risks to which Realkredit Danmark is exposed (iii) ensuring that material risks are identified, measured, managed and reported correctly, (iv) keeping oversight of risk exposures and monitor that they remain within the tolerance and limits set by the Board of Directors, and (v) reporting risk exposure and risk related concerns independently to the Executive Management and the Board of Directors.

The independent Risk function at Realkredit Danmark is headed by the Chief Risk Officer (CRO), who reports directly to the Executive Management and has a direct reporting and escalation line to the Board of Directors. Besides, the CRO has a dotted line to the Group CRO to ensure that material risks are reported and escalated to Danske Bank for Group risk oversight purposes. Besides, the reporting dotted line to the Group CRO ensures that Realkredit Danmark has an approach to risk management that is aligned with Group standards.

In 2023, Robert Wagner took up the role as CRO of Realkredit Danmark. Robert Wagner comes from a role in Danske Bank Group Risk Management and has been empowered to bring the independent Risk function in Realkredit Danmark closer to the independent risk function in Danske Bank.

The ownership of risks at Realkredit Danmark lies with the first line functions, which include business units and support functions. In the daily risk management work, the first line functions are supported and advised by the first line risk function, Business Risk & Governance.

The Head of Business Risk & Governance reports directly to the Executive Management and participates in Realkredit Danmark risk committee and product committee meetings. Further, the designated anti-money

laundering officer and the designated outsourcing officer for Realkredit Danmark form part of the Business Risk & Governance function.

Realkredit Danmark continuously outsources a large part of the day-to-day operation of its business activities to Danske Bank to achieve technical and operational benefits. On the risk management side, this involves specific outsourcing of risk management responsibilities imposed on assigned owners within Realkredit Danmark's own organisation to the specific outsourcing arrangements with Danske Bank according to an outsourcing framework and governance model adopted by the senior management of Realkredit Danmark.

Specifically regarding financial crime risk management, throughout 2023, Realkredit Danmark retained its strong focus on financial crime compliance to prevent criminals from using mortgage loans and properties mortgaged in connection with loans provided by Realkredit Danmark for criminal purposes. A number of critical processes and controls were established or improved in 2023, enhancing Realkredit Danmark's capability to deliver on its obligations towards the society in terms of combating financial crime. Further work needs to be done in the coming years, but at this point in time, the established processes and controls regarding financial crime risks are deemed to be solid.

Treating customers fairly remains a key focus area at Realkredit Danmark, including GDPR compliance. The outsourcing arrangements with Danske Bank involve that the bank processes personal data on behalf of Realkredit Danmark. A data processing agreement is in place supporting Realkredit Danmark delivering on its responsibilities as data controller.

To support a robust risk and compliance culture we run annual mandatory training of our employees providing directional and practical insights on the risk and compliance area. In 2023 99,4% of our employees completed their training.

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 Management 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 affect 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.

As previously mentioned, Realkredit Danmark continuously outsources a large part of the day-to-day operation of its business activities to Danske Bank to achieve technical and operational benefits. 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 performs auditing 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 Management 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 Group 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 2023, the Audit Committee held four 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 included in the Danske Bank Group's corporate responsibility and sustainability work. In its Annual Report 2023, Danske Bank Group provides a sustainability statement describing the Group's sustainability work. The statement is supplemented by the Sustainability Fact Book 2023, and together they provide a comprehensive view of the principal corporate responsibility and sustainability aspects of the Group's activities. Realkredit Danmark is required to report under the Corporate Sustainability Reporting Directive (CSRD) from

2025. We have commenced our preparations by starting on a double-materiality assessment to assess the financial implications of Realkredit Danmark's sustainability related risks and opportunities as well as an assessment of actual or potential positive or negative impacts on people or the environment caused or contributed to by Realkredit Danmark's activities.

According to section 135 of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. Realkredit Danmark does not prepare sustainability information. The Parent Company, Danske Bank A/S, which has its registered office in Denmark, prepare a sustainability statement as disclosed as part of the management report of Danske Bank Group's Annual report 2023, in which Realkredit Danmark is included.



Income statement and Comprehensive income

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2023	2022	2023	2022
	Income statement				
4	Interest income	22,458	15,156	22,455	15,156
5	Interest expense	16,201	9,046	16,201	9,046
	Net interest income	6,257	6,110	6,254	6,110
3	Fee and commission income	906	1,371	906	1,371
	Fee and commission expense	976	1,353	976	1,353
2	Net interest, fee and commission income	6,187	6,128	6,184	6,128
2, 6	Value adjustments	633	-236	633	-236
3	Other operating income	84	84	1	1
7-9	Staff costs and administrative expenses	1,054	1,102	998	1,053
	Impairment, depreciation and amortisation charges	1	3	-	2
10	Loan impairment charges	-114	212	-115	212
33	Income from associated and group undertakings	-	-	21	25
	Profit before tax	5,963	4,659	5,956	4,651
11	Tax	1,569	1,033	1,562	1,025
	Net profit for the year	4,394	3,626	4,394	3,626
	Proposal for allocation of profits				
	Net profit for the year			4,394	3,626
	Transferred from other reserves			-826	2,913
	Total for allocation			3,568	6,539
	Portion attributable to				
	Reserves in series			3,568	2,939
	Other reserves			-	-
	Proposed dividends			-	3,600
	Total allocation			3,568	6,539
	Comprehensive income				
	Net profit for the year	4,394	3,626	4,394	3,626
	Other comprehensive income				
	Items that will not be reclassified to profit or loss				
	Actuarial gains/losses on defined benefit plans	-65	-29	-65	-29
	Tax	-17	-8	-17	-8
	Total other comprehensive income	-48	-21	-48	-21
	Total comprehensive income for the year	4,346	3,605	4,346	3,605

Balance sheet

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2023	2022	2023	2022
	ASSETS				
	Cash in hand and demand deposits with central banks	8,075	5,612	8,075	5,612
12	Due from credit institutions and central banks	3,543	3,149	3,474	3,074
13	Bonds at fair value	16,804	13,270	16,804	13,270
14	Bonds at amortised cost	32,773	33,448	32,773	33,448
15-16, 19	Mortgage loans at fair value	753,624	724,438	753,624	724,438
15, 17-19	Loans and other amounts due at amortised cost	219	204	198	184
	Shares	3	4	-	-
33	Holdings in group undertakings	-	-	124	128
	Other tangible assets	3	3	3	3
	Current tax assets	-	-	-	-
20	Deferred tax assets	-	-	-	-
21	Assets temporarily taken over	17	4	17	4
19, 22	Other assets	1,201	2,096	1,055	1,923
	Prepayments	1	-	1	-
	Total assets	816,263	782,228	816,148	782,084
	LIABILITIES AND EQUITY				
	AMOUNTS DUE				
23	Due to credit institutions and central banks	2,000	2,000	2,000	2,000
24	Issued mortgage bonds at fair value	756,509	724,105	756,509	724,105
	Current tax liabilities	117	36	117	39
20	Deferred tax liabilities	459	43	-	-
25, 26	Other liabilities	6,955	6,567	6,832	6,411
	Total amounts due	766,040	732,751	765,458	732,555
	PROVISIONS				
20	Deferred tax	-	-	465	48
26	Reserves in early series subject to a reimbursement obligation	-	-	2	4
	Total provisions	-	-	467	52
	SHAREHOLDERS' EQUITY				
	Share capital	630	630	630	630
	Reserves in series	47,276	45,171	47,276	45,171
	Other reserves	2,317	76	2,317	76
	Proposed dividends	-	3,600	-	3,600
	Total shareholders' equity	50,223	49,477	50,223	49,477
	Total liabilities and equity	816,263	782,228	816,148	782,084

Statement of capital

Realkredit Danmark Group

(DKK millions)	Share Capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2023	630	45,171	76	3,600	49,477
Net profit for the year	-	3,568	826	-	4,394
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-65	-	-65
Tax	-	-	17	-	17
Total other comprehensive income	-	-	-48	-	-48
Total comprehensive income for the year	-	3,568	778	-	4,346
Transferred from/to Other reserves	-	-1,463	1,463	-	-
Dividend paid	-	-	-	-3,600	-3,600
Proposed dividends	-	-	-	-	-
Shareholders' equity at 31 December 2023	630	47,276	2,317	-	50,223
Shareholders' equity at 1 January 2022	630	45,191	51	3,600	49,472
Net profit for the year	-	2,939	687	-	3,626
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-29	-	-29
Tax	-	-	8	-	8
Total other comprehensive income	-	-	-21	-	-21
Total comprehensive income for the year	-	2,939	666	-	3,605
Transferred from/to Other reserves	-	-2,959	2,959	-	-
Dividend paid	-	-	-	-3,600	-3,600
Proposed dividends	-	-	-3,600	3,600	-
Shareholders' equity at 31 December 2022	630	45,171	76	3,600	49,477

Statement of capital

Realkredit Danmark A/S

(DKK millions)	Share Capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2023	630	45,171	76	3,600	49,477
Net profit for the year	-	3,568	826	-	4,394
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-65	-	-65
Tax	-	-	17	-	17
Total other comprehensive income	-	-	-48	-	-48
Total comprehensive income for the year	-	3,568	778	-	4,346
Transferred from/to Other reserves	-	-1,463	1,463	-	-
Dividend paid	-	-	-	-3,600	-3,600
Proposed dividends	-	-	-	-	-
Shareholders' equity at 31 December 2023	630	47,276	2,317	-	50,223
Shareholders' equity at 1 January 2022	630	45,191	51	3,600	49,472
Net profit for the year	-	2,939	687	-	3,626
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-29	-	-29
Tax	-	-	8	-	8
Total other comprehensive income	-	-	-21	-	-21
Total comprehensive income for the year	-	2,939	666	-	3,605
Transferred from/to Other reserves	-	-2,959	2,959	-	-
Dividend paid	-	-	-	-3,600	-3,600
Proposed dividends	-	-	-3,600	3,600	-
Shareholders' equity at 31 December 2022	630	45,171	76	3,600	49,477

At the end of 2023, 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 2023	31 December 2022
Total capital and Total capital ratio		
Shareholders' equity	50,223	49,477
Proposed dividends	-	-3,600
Deferred tax assets	-	-
Prudent valuation	-8	-4
Minimum Loss Coverage for Non-Performing Exposures	-223	-111
Defined benefit pension fund assets	-90	-148
Common equity tier 1 capital	49,902	45,614
Difference between expected losses and impairment charges	-	-
Tier 1 capital	49,902	45,614
Reserves in series subject to a reimbursement obligation	-	-
Difference between expected losses and impairment charges	654	776
Total capital	50,556	46,390
Risk exposure amount	160,244	159,310
Common equity tier 1 capital ratio (%)	31.1	28.6
Tier 1 capital ratio (%)	31.1	28.6
Total capital ratio (%)	31.5	29.1

At end-2023, the total capital and the total risk exposure amount is calculated in accordance with the Capital Requirements Regulation (CRR/CRD). The solvency need calculation is described in more detail on rd.dk.

Statement of capital

Realkredit Danmark A/S

(DKK millions)	31 December 2023	31 December 2022
Total capital and Total capital ratio		
Shareholders' equity	50,223	49,477
Proposed dividends	-	-3,600
Deferred tax assets	-	-
Prudent valuation	-8	-4
Minimum Loss Coverage for Non-Performing Exposures	-223	-111
Defined benefit pension fund assets	-90	-148
Common equity tier 1 capital	49,902	45,614
Difference between expected losses and impairment charges	-	-
Tier 1 capital	49,902	45,614
Reserves in series subject to a reimbursement obligation	-	-
Difference between expected losses and impairment charges	654	775
Total capital	50,556	46,389
Risk exposure amount	160,194	159,128
Common equity tier 1 capital ratio (%)	31.2	28.7
Tier 1 capital ratio (%)	31.2	28.7
Total capital ratio (%)	31.6	29.2

At end-2023, the total capital and the total risk exposure amount is calculated in accordance with the Capital Requirements Regulation (CRR/CRD). The solvency need calculation is described in more detail on [rd.dk](#).

Cash flow statement

	Realkredit Danmark Group	
(DKK millions)	2023	2022
Cash flow from operating activities		
Profit before tax	5,963	4,659
Adjustment for other non-cash operating items		
Amortisation, depreciation and impairment charges	1	3
Loan impairment charges	-174	-59
Tax paid	-1,011	-952
Cash flow from operations before changes in operating capital	4,779	3,651
Cash flow from operating capital		
Bonds and shares	-2,362	-328
Mortgage loans	-4,131	5,598
Issued mortgage bonds	7,211	-15,893
Due to credit institutions	-	-
Other assets/liabilities	960	690
Cash flow from operating activities	6,457	-6,282
Cash flow from investing activities		
Acquisition of tangible assets	-	-
Sale of tangible assets	-	-
Cash flow from investing activities	-	-
Cash flow from financing activities		
Dividends	-3,600	-3,600
Cash flow from financing activities	-3,600	-3,600
Cash and cash equivalents at 1 January	8,761	18,643
Change in cash and cash equivalents	2,857	-9,882
Cash and cash equivalents at 31 December	11,618	8,761
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	8,075	5,612
Amounts due from credit institutions and central banks within 3 months	3,543	3,149
Total	11,618	8,761

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

A new standard, IFRS 17, Insurance contracts became effective on 1 January 2023. In addition, amendments to IAS 1 (disclosure of accounting policies), IAS 8 (definition of accounting estimates) and IAS 12 (deferred tax; Pillar Two income taxes) became effective for the period beginning 1 January 2023. IFRS 17 and the aforementioned amendments to other standards had no significant impact on the financial statements.

The accounting policies are unchanged from those applied in Annual Report 2022.

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 judgements

The preparation of financial information requires, in some cases, the use of judgements and estimates by management. This includes judgements made when applying accounting policies. The most significant judgements made when applying accounting policies relate to the fair value measurement of mortgage loans.

Further, the carrying amounts of some assets and liabilities requires the estimation of the effects of uncertain future events on those assets and liabilities. The estimates are based on premises 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. In view of the inherent uncertainties and the high level of subjectivity and judgement involved in the recognition and measurement of the following items, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based.

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. 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.

The fair value of the credit risk on the borrower is based on the expected credit loss impairment model in IFRS 9, which depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals the expected credit losses resulting from default events that are possible within the next 12 months (stage 1). If the credit risk has increased significantly, the loan is more than 30 days past due, or the loans is in default or otherwise impaired, the impairment charge equals the lifetime expected credit losses (stages 2 and 3).

In determining the impairment for expected credit losses, management exercises judgement and uses estimates and assumptions. 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 estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have significant risk of resulting in a material adjustment to a carrying amount in future periods.

The incorporation of forward-looking elements reflects the expectations of the Group's senior management and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses.

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. That is, after the forecast period, the macroeconomic scenarios revert slowly towards a steady state.

The applied scenarios that drive the expected credit loss calculation in 2023 have been updated with the latest macroeconomic data. Compared to the end of 2022, the base case and upside scenarios have been revised to reflect expectations of higher inflation, decreasing house prices and interest rate hikes. The scenario weighting have been updated to increase the weight on the upside scenario to 20% (10% in 2022), by decreasing the weight on the base case scenario to 60% (70% in 2022). The weight on the downside scenario remains at 20% (20% in 2022) despite the use of a severe stagflation scenario.

The base case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 31 December 2023, the base case scenario reflects a slowdown in the Nordic economies however, with a soft landing. Inflation is expected to come down and interest rates will slowly begin to decrease. GDP growth will remain weak across the Nordic economies and labour markets remain tight with only modest increases in unemployment. Interest rates is expected to continue to weigh on house prices, however, the worst part is expected to be behind us.

Notes

Note

The upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters. In this scenario, sentiment improves, and consumers follow the US in running down a significant proportion of the savings accumulated during the pandemic. The consumer-led recovery causes inflation to take longer to return to target, prompting further policy rate hikes and high rates for longer. Higher demand supports the housing markets, but higher interest rates become an increasing headwind. The housing market fares somewhat better than in the base case.

The Group's downside scenario is the severe recession with high interest rates scenario (reflecting a stagflation scenario) applied in the Group's ICAAP processes, and it is similar in nature to regulatory stress tests. The severe recession scenario reflected negative growth, increasing interest rates, and falling property prices for a longer period. A trigger of the economic setback could be continued macroeconomic worsening and challenges linked to high business costs while inflation remain elevated. This adversely impacts the labour market, results in higher and more persistent unemployment. This would lead to a severe slowdown in the economies in which the Group is represented.

At the end of 2023, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 2,656 million (2022: DKK 2,862 million), reducing the value of mortgage loans. The base case scenario enters with a probability of 60% (2022: 70%), the downside scenario with a probability of 20% (2022: 20%) and the upside scenario with a probability of 20% (2022: 10%). If the base case scenario was assigned a probability of 100%, the fair value adjustment at end-2023 would be DKK 2,450 million (2022: DKK 2,600 million). The fair value adjustment at the end of 2023 would increase to DKK 4,225 million (2022: DKK 4,000 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 2,400 million (2022: DKK 2,500 million).

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 2023, the allowance account would increase by DKK 25 million (2022: DKK 25 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 2023, the post-model adjustments amounted to DKK 1,241 million (2022: DKK 1,220 million). The adjustments cover for instance specific macroeconomic risks that are not specifically captured by the expected credit loss model e.g. secondary effect from the war in Ukraine, which have given rise to a new set of challenges that affect economic and business activity, rising inflation and increasing interest rates.

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.

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.

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

Notes

Note

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 solely payments of principal and interest test (SPPI test) in IFRS 9, as changes in the fair value of the underlying bonds reflect other factors than interest rate developments. Consequently, regardless of the fact that the business model is to receive the contractual cash flows, 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.

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

	Fair value through profit or loss					Total
	Amortised cost	Trading portfolio	Managed on fair-value basis	Due to SPPI test	Designated	
Assets						
Cash in hand and demand deposits with central banks	8,075	-	-	-	-	8,075
Due from credit institutions and central banks	3,543	-	-	-	-	3,543
Bonds	32,773	-	16,804	-	-	49,577
Loans	219	-	-	753,624	-	753,843
Shares	-	-	3	-	-	3
Derivatives (Other assets)	-	29	-	-	-	29
Total assets, 31 December 2023	44,610	29	16,807	753,624	-	815,070
Total assets, 31 December 2022	42,413	103	13,274	724,438	-	780,228
Liabilities						
Due to credit institutions and central banks	2,000	-	-	-	-	2,000
Issued bonds	-	-	-	-	756,509	756,509
Derivatives (Other liabilities)	-	186	-	-	-	186
Total liabilities, 31 December 2023	2,000	186	-	-	756,509	758,695
Total liabilities, 31 December 2022	2,000	9	-	-	724,105	726,114

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. Impairment charges 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 charge 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 of a percentage point 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, 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 11. 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.

A definition of default is used in the measurement of expected credit losses and the assessment to determine movements between stages. The definition of default is also used for internal credit risk management and capital adequacy purposes. To support a more harmonised approach regarding the application of the definition of default, the European Banking Authority (EBA) issued the following products that guide the application of the definition of default: the Guidelines on the application of the definition of default, EBA/GL/2016/07 and the Regulatory Technical Standards (RTS) on the materiality threshold for credit obligations past due, EBA/RTS/2016/06.

The Group's definition of default for accounting purposes aligns with the regulatory purposes. All exposures that are considered default are also considered Stage 3 exposures. This is applicable for exposures that are default due to either the 90 days past due default trigger or the unlikelihood to pay default triggers.

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 expectations of senior management. The Danske Bank Group's independent macroeconomic research unit creates three macroeconomic scenarios (base case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. Afterwards there is a process to ensure review and sign-off of the scenarios. Management's approval of scenarios can include adjustments to the scenarios or to which scenarios are used, the assigned probability weighting and post-model adjustments 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.

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. The base case is based on the macroeconomic outlook as disclosed in the Danske Bank Group's Nordic Outlook reports.

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 of increasing 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'.

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

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 have 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.

Notes

Note

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.

Due to credit institutions and central banks

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.

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.

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.

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.

Notes

Note

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. Other comprehensive income also includes actuarial gains or losses on defined benefit pension plans.

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 an original maturity shorter than three months.

Reporting on the ESEF Regulation

The Commission's Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) requires a special digital reporting format for annual report for publicly listed entities. The ESEF Regulation includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements key elements including income statement, statement of comprehensive income, balance sheet, statement of capital, cash flow statement and notes.

Realkredit Danmark A/S' iXBRL tagging is prepared in accordance to the ESEF taxonomy which is included in the appendices of the ESEF Regulation and is developed based on the IFRS taxonomy that is published by IFRS Foundation. For the annual report for 2023 the ESEF Taxonomy for 2022 has been applied.

The account balances in the consolidated financial statement is XBRL tagged to the elements in the ESEF Regulation that is assessed to correspond to the content of the account balances. For account balances that are assessed not to be covered by the account balances defined in the ESEF taxonomy, Realkredit Danmark A/S has incorporated entity specific extensions to the taxonomy. These extensions are – except subtotals – embedded in the elements in the ESEF Taxonomy.

The annual report comprises – in accordance with the requirements of the ESEF Regulation – of a zip-file rd-2023-12-31-en.zip, that includes an XHTML-file, that can be opened with standard web browsers and a number of technical XBRL files that make automated extracts of the incorporated XBRL data possible.

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued amendments to existing international accounting standards (IAS 1, IAS 7 and IAS 21, IFRS 7 and IFRS 16) that have not yet come into force. 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, Executive Order No. 1043 of 5 September 2017, Executive Order No. 1441 of 3 December 2018, Executive Order No. 1593 of 9 November 2020 and Executive Order no. 116 of 27 January 2023. 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				
2023		Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin	5,593	-	5,593	-	5,593	
Net interest income	1,796	-682	1,114	-450	664	
Net fee income	-70	-	-70	-	-70	
Income from investment portfolios	9	174	183	-183	-	
Value adjustments	-	-	-	633	633	
Other income	84	-	84	-	84	
Total income	7,412	-508	6,904	-	6,904	
Expenses	1,051	4	1,055	-	1,055	
Profit before loan impairment charges	6,361	-512	5,849	-	5,849	
Loan impairment charges	-114	-	-114	-	-114	
Profit before tax	6,475	-512	5,963	-	5,963	
Tax			1,569	-	1,569	
Net profit for the year			4,394	-	4,394	
Total assets	765,705	50,558	816,263	-	816,263	
2022		Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin	5,733	-	5,733	-	5,733	
Net interest income	92	1	93	284	377	
Net fee income	18	-	18	-	18	
Income from investment portfolios	16	32	48	-48	-	
Value adjustments	-	-	-	-236	-236	
Other income	84	-	84	-	84	
Total income	5,943	33	5,976	-	5,976	
Expenses	1,101	4	1,105	-	1,105	
Profit before loan impairment charges	4,842	29	4,871	-	4,871	
Loan impairment charges	212	-	212	-	212	
Profit before tax	4,630	29	4,659	-	4,659	
Tax			1,033	-	1,033	
Net profit for the year			3,626	-	3,626	
Total assets	735,454	46,774	782,228	-	782,228	

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 95 million, which is recognised over the term of the franchise agreement (2022: DKK 96 million).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2023	2022	2023	2022
4	Interest income				
	Reverse transactions with credit institutions and central banks	395	-12	395	-12
	Credit institutions and central banks	114	1	112	1
	Loans and other amounts due	15,805	9,068	15,805	9,068
	Administration margin	5,593	5,733	5,593	5,733
	Bonds at fair value	148	96	148	96
	Bonds at amortised cost	261	1	261	1
	Derivatives				
	Interest rate contracts	137	266	137	266
	Other interest income	5	3	4	3
	Total	22,458	15,156	22,455	15,156
	Interest income derived from				
	Assets at fair value	21,683	15,163	21,683	15,163
	Assets at amortised cost	775	-7	772	-7
	Total	22,458	15,156	22,455	15,156
5	Interest expense				
	Repo transactions with credit institutions and central banks	354	-2	354	-2
	Due to credit institutions and central banks	74	18	74	18
	Issued mortgage bonds etc.	15,753	9,026	15,753	9,026
	Other interest expense	20	4	20	4
	Total	16,201	9,046	16,201	9,046
	Interest expense derived from				
	Liabilities at fair value	15,753	9,026	15,753	9,026
	Liabilities at amortised cost	448	20	448	20
	Total	16,201	9,046	16,201	9,046
	Negative interest income and interest expenses due to negative interest rates were insignificant during 2022 and 2023 when taking into account that negative interest expenses on issued mortgage bonds are passed on 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	24,850	-80,172	24,850	-80,172
	Bonds	284	-212	284	-212
	Currency	8	-6	8	-6
	Derivatives	106	-683	106	-683
	Other assets	9	8	9	8
	Issued mortgage bonds	-24,624	80,829	-24,624	80,829
	Total	633	-236	633	-236
	Value adjustments derived from				
	Assets and liabilities at fair value	624	-244	624	-244
	Assets and liabilities at amortised cost	9	8	9	8
	Total	633	-236	633	-236

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2023	2022	2023	2022
7	Staff costs and administrative expenses				
	Salaries and remuneration of Executive Board, Board of Directors				
	Executive Board	7	7	7	7
	Board of Directors	1	-	1	-
	Total	8	7	8	7
	Staff costs				
	Salaries	162	156	139	133
	Defined contribution pensions	21	20	18	18
	Other social security costs and taxes	29	26	29	26
	Total	212	202	186	177
	Other administrative expenses	834	893	804	869
	Total staff costs and administrative expenses	1,054	1,102	998	1,053
	Number of full-time-equivalent staff (avg.)	229	227	200	200
	Remuneration of the Board of Directors (DKK thousands)				
	Total remuneration	656	494	656	494
	Remuneration for committee work included in total remuneration	150	150	150	150
	Members of the Board end of year	6	7	6	7

Remuneration Report 2023 available at rd.dk provides a detailed description of remuneration paid to the Board of Directors.

Members of the Board of Directors employed by Danske Bank A/S do not receive remuneration from Realkredit Danmark. During the period that members of the Board of Directors were also members of the Executive Leadership Team in Danske Bank A/S, a total remuneration of approximately DKK 26.1 million was earned from Danske Bank A/S in 2023 (2022: DKK 9.5 million).

Notes

Note	(DKK millions)
7 cont'd	<p>Staff costs and administrative expenses</p> <p>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.</p> <p>Board fees are paid by the parent company Realkredit Danmark A/S. No board member has received remuneration for membership of the Executive Management or board of directors of the home a/s subsidiary.</p> <p>The Group has no pension obligations towards its board members.</p> <p>The total remuneration of the Executive Management of DKK 7.0 million for 2023 (2022: DKK 7.4 million) consists of a fixed remuneration of DKK 5.5 million (2022: DKK 5.9 million) and a variable remuneration of DKK 1.5 million (2022: DKK 1.5 million).</p> <p>The remuneration of the Executive Management was paid by the parent company Realkredit Danmark A/S. No member of the Executive Management has received remuneration for membership of the Executive Management or the Board of Directors of the subsidiary home a/s.</p> <p>Remuneration Report 2023 available at rd.dk provides a detailed description of remuneration paid to the Executive Management.</p> <p>Remuneration of other material risk takers</p> <p>In accordance with current legislation of 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 Management 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 2023, Realkredit Danmark A/S paid remuneration totalling DKK 15.6 million for 12 other material risk takers (2022: DKK 15.9 million for 10 other material risk takers). The remuneration consists of fixed remuneration of DKK 13.8 million and a variable remuneration of DKK 1.8 million (2022: DKK 13.2 million and DKK 2.7 million). Variable pay for 2023 is estimated and will be finalised at the end of February 2024. The final variable pay will be published no later than in March 2024 in the Realkredit Danmark Group Remuneration Report 2023, 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>

Notes

Note	(DKK millions)
7 cont'd	<p>Staff costs and administrative expenses</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 2023, the net present value of pension obligations was DKK 453 million (2022: DKK 508 million), and the fair value of plan assets was DKK 574 million (2022: DKK 698 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 2023 arising from share-based payments was DKK 1.1 million (2022: DKK 0.7 million). All share-based payments are equity-settled. The exact number of shares granted for 2023 will be determined at the end of March 2024.</p> <p>Part of the variable remuneration of Realkredit Danmark's Executive Management 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 conditional shares vest up to three years after the grant date, provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, the vesting of rights is conditional on certain targets being met.</p>

Notes

Note	(DKK millions)
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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)	
		At issue (DKK millions)	End of year (DKK millions)
	Total		
Granted in 2018			
1 January 2022	532		
Vested 2022	-532		
Forfeited 2022	-		
Other changes 2022	-		
31 December 2022	-	-	-
Granted in 2019			
1 January 2022	2,620		
Vested 2022	-1,293		
Forfeited 2022	-		
Other changes 2022	-		
31 December 2022	1,327	0.2	0.2
Vested 2023	-1,327		
Forfeited 2023	-		
Other changes 2023	-		
31 December 2023	-	-	-
Granted in 2020			
1 January 2022	4,652		
Vested 2022	-		
Forfeited 2022	-		
Other changes 2022	-		
31 December 2022	4,652	0.4	0.6
Vested 2023	-3,293		
Forfeited 2023	-		
Other changes 2023	-		
31 December 2023	1,359	0.1	0.2

Notes

Note	(DKK millions)			
8		Share-based payments		
cont'd		Conditional shares cont'd.		
			Number	Fair Value (FV)
			Total	At issue (DKK millions) End of year (DKK millions)
		Granted in 2021		
		1 January 2022	3,404	
		Vested 2022	-	
		Forfeited 2022	-	
		Other changes 2022	-	
		31 December 2022	3,404	0.4 0.5
		Vested 2023	-	
		Forfeited 2023	-	
		Other changes 2023	-	
		31 December 2023	3,404	0.4 0.6
		Granted in 2022		
		1 January 2022	11,257	
		Vested 2022	-6,258	
		Forfeited 2022	-	
		Other changes 2022	-	
		31 December 2022	4,999	0.6 0.7
		Vested 2023	-991	
		Forfeited 2023	-	
		Other changes 2023	-	
		31 December 2023	4,008	0.5 0.7
		Granted in 2023		
		Granted in 2023	7,429	
		Vested 2023	-4,090	
		Forfeited 2023	-	
		Other changes 2023	-	
		31 December 2023	3,339	0.5 0.6

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2023	2022	2023	2022
8	Share-based payments				
cont'd					
	Holdings of the Executive Management and fair value, end of 2023				
	Grant year			2020-2023	
	(DKK millions)			Number	FV
	Total			4,429	0.8
	Holdings of the Executive Management and fair value, end of 2022				
	Grant year			2019-2022	
	(DKK millions)			Number	FV
	Total			3,884	0.5
	In 2023, the average price at the vesting date for rights to conditional shares was DKK 180.40 (2022: DKK 114.58).				
	Remuneration Report 2023 available at rd.dk provides a detailed description of share-based payments to the Board of Directors.				
9	Audit fees				
	Audit firms appointed by the general meeting				
	Statutory audit of financial statements	2	2	2	2
	Fees for other assurance engagements	1	-	1	-
	Fees for tax advisory services	-	-	-	-
	Fees for other services	-	-	-	-
	Total	3	2	3	2
10	Loan impairment charges				
	ECL on new assets	210	377	210	377
	ECL on assets derecognised	417	683	417	683
	Impact of remeasurement	75	318	75	318
	Write-offs charged directly to income statement	31	25	30	25
	Received on claims previously written off	13	-175	13	-175
	Total	-114	212	-115	212
11	Tax				
	Tax on profit for the year	1,507	1,023	1,500	1,016
	Deferred tax	-	2	-	1
	Adjustment of prior-year tax charges	62	8	62	8
	Total	1,569	1,033	1,562	1,025
	Effective tax rate				
	Current Danish tax rate	25.2	22.0	25.2	22.0
	Adjustment of prior-year tax charge	1.1	-	1.0	-
	Non-taxable items	-	-	-	-0.1
	Change in deferred tax charge as a result of increased tax rate	-	0.2	-	0.1
	Effective tax rate	26.3	22.2	26.2	22.0

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2023	2022	2023	2022
12	Due from credit institutions and central banks				
	On demand	1,050	1,071	981	996
	3 months or less	2,493	2,078	2,493	2,078
	3-12 months	-	-	-	-
	Total	3,543	3,149	3,474	3,074
	Due from credit institutions	3,543	3,149	3,474	3,074
	Term deposits with central banks	-	-	-	-
	Total	3,543	3,149	3,474	3,074
	At fair value	3,543	3,149	3,474	3,074
	Portion attributable to reverse transactions	2,493	2,078	2,493	2,078

The fair value is based on quoted prices.

In 2023, reverse transactions of DKK 7,099 million were offset against repo transactions (2022: DKK 11,953 million).

In connection with reverse transactions, Realkredit Danmark is entitled to sell or remortgage the securities.

In 2023, securities worth DKK 0 million were sold or remortgaged (2022: DKK 0 million).

13	Bonds at fair value				
	Own mortgage bonds	42,390	42,082	42,390	42,082
	Other mortgage bonds	16,366	12,873	16,366	12,873
	Government bond	438	397	438	397
	Total	59,194	55,352	59,194	55,352
	Own mortgage bonds set off against issued mortgage bonds	42,390	42,082	42,390	42,082
	Total	16,804	13,270	16,804	13,270

Of Realkredit Danmark's bond portfolio, DKK 15.1 billion has a maturity of less than 12 months, while DKK 1.7 billion has a maturity of 1-5 years (2022: DKK 11.6 billion and DKK 1.7 billion).

14	Bonds at amortised cost				
	Other mortgage bonds	27,032	27,659	27,032	27,659
	Government bonds	5,741	5,789	5,741	5,789
	Total	32,773	33,448	32,773	33,448
	Fair value of held-to-maturity assets	31,952	31,493	31,952	31,493

The fair value is based on quoted prices.

Of Realkredit Danmark's bond portfolio, DKK 27.0 billion has a term to maturity of less than five years, while DKK 5.8 billion has a term to maturity of 5-10 years (2022: DKK 30.5 billion and DKK 2.9 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	
		2023	2022	2023	2022
15	Total lending				
	Mortgage loans, nominal value	806,154	802,024	806,154	802,024
	Fair value adjustment of underlying bonds	-49,874	-74,724	-49,874	-74,724
	Adjustment for credit risk	2,656	2,862	2,656	2,862
	Mortgage loans at fair value	753,624	724,438	753,624	724,438
	Arrears and outlays	135	124	135	124
	Other loans	84	80	63	60
	Total	753,843	724,642	753,822	724,622
	Apart from being backed by mortgages on properties, loans are backed by central and local government guarantees and insurance guarantees of	65,954	61,659	65,954	61,659
	Pass books and bonds have been deposited and guarantees provided as supplementary security in a total amount of	97,541	99,839	97,541	99,839
	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 2023, DKK 206 million was booked as an income concerning adjustment for credit risk on loans (2022: an income of DKK 68 million). The accumulated adjustment for credit risk amounts to DKK 2.7 billion (2022: DKK 2.9 billion).				
16	Mortgage loans at fair value				
	Mortgage loans (nominal value) broken down by property category (percentage)				
	Owner-occupied dwellings	49	51	49	51
	Holiday homes	3	3	3	3
	Subsidised residential property	12	11	12	11
	Private residential rental property	15	14	15	14
	Industrial and skilled trades property	3	3	3	3
	Office and retail property	11	11	11	11
	Agricultural property etc.	5	5	5	5
	Property for social, cultural and training activities	2	2	2	2
	Total	100	100	100	100
	0-1 month	923	969	923	969
	1-3 months	4,601	5,018	4,601	5,018
	3-12 months	14,908	14,388	14,908	14,388
	1-5 years	92,458	88,432	92,458	88,432
	5-10 years	134,525	131,439	134,525	131,439
	Over 10 years	506,209	484,192	506,209	484,192
	Total	753,624	724,438	753,624	724,438
17	Loans and other amounts due at amortised cost				
	On demand	135	124	135	124
	3 months or less	4	3	2	2
	3-12 months	12	9	7	5
	1-5 years	25	24	13	11
	Over 5 years	43	44	41	42
	Total	219	204	198	184

Notes

Note	(DKK millions)	Realkredit Danmark Group			Realkredit Danmark A/S						
		2023	2022	2023	2022	2023	2022				
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 2023 incl.										
	impact on loans	609	1,340	913	1	2	1	18	23	5	2,912
	Transferred to stage 1	936	-818	-118	22	-19	-3	-	-	-	-
	Transferred to stage 2	-13	31	-18	-	-	-	-	-18	-	-
	Transferred to stage 3	-3	-26	29	-	-1	1	-	-	-	-
	ECL on new assets	138	45	20	3	1	-	-	-	3	210
	ECL on assets derecognised	344	8	29	8	-	1	6	21	-	417
	Impact of remeasurement	-276	74	215	5	32	25	-	-	-	75
	Write-offs, allowance account	-	-	41	-	-	1	-	-	-	42
	Total allowance account at 31 December 2023	1,047	638	971	23	15	22	12	2	8	2,738
		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 2022 incl.										
	impact on loans	621	1,206	1,103	3	5	5	17	9	2	2,971
	Transferred to stage 1	659	-417	-242	1	-1	-	-	-	-	-
	Transferred to stage 2	-103	181	-78	-	-	-	-	-	-	-
	Transferred to stage 3	-14	-124	138	-	-	-14	-	-	-	-
	ECL on new assets	130	203	26	-	-	-	1	14	3	377
	ECL on assets derecognised	575	26	81	1	-	-	-	-	-	683
	Impact of remeasurement	-90	318	98	-2	-2	-4	-	-	-	318
	Write-offs, allowance account	19	1	51	-	-	-	-	-	-	71
	Total allowance account at 31 December 2022	609	1,340	913	1	2	1	18	23	5	2,912

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 22 million in home are excluded (recognised in other loans in the tables) (2022: DKK 21 million).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S		
		2023	2022	2023	2022	
20	Deferred tax assets and liabilities					
	Deferred tax liabilities	459	43	-	-	
	Provision for deferred tax	-	-	465	48	
	Total	459	43	465	48	
	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.
	2023					
	Intangible assets	-	-	-	-	-
	Tangible assets	-2	-	-	-	-2
	Securities	2	-3	-	-	-1
	Provisions	46	485	-17	-	514
	Other	-3	-49	-	-	-52
	Total	43	433	-17	-	459
	Adjustment of prior-year tax charges included in total		434			
	2022					
	Intangible assets	-	-	-	-	-
	Tangible assets	2	-4	-	-	-2
	Securities	3	-1	-	-	2
	Provisions	54	-	-8	-	46
	Other	-4	1	-	-	-3
	Total	55	-4	-8	-	43
	Adjustment of prior-year tax charges included in total		-14			
	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.
	2023					
	Intangible assets	-	-	-	-	-
	Tangible assets	-1	-	-	-	-1
	Securities	2	-3	-	-	-1
	Provisions	47	485	-17	-	515
	Other	-	-48	-	-	-48
	Total	48	434	-17	-	465
	Adjustment of prior-year tax charges included in total		434			
	2022					
	Intangible assets	-	-	-	-	-
	Tangible assets	3	-4	-	-	-1
	Securities	3	-1	-	-	2
	Provisions	55	-	-8	-	47
	Other	-	-	-	-	-
	Total	61	-5	-8	-	48
	Adjustment of prior-year tax charges included in total		-14			

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2023	2022	2023	2022
21	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 2023, the Group took over properties for DKK 24 million (2022: DKK 10 million). The effect on profit or loss on properties taken over was DKK 0 million (2022: DKK 0 million).				
22	Other assets				
	Interest due	505	381	505	381
	Pension assets	121	190	121	190
	Lease assets	107	141	-	-
	Other assets	468	1,384	429	1,352
	Total	1,201	2,096	1,055	1,923
23	Due to credit institutions and central banks				
	On demand	-	-	-	-
	3 months or less	-	-	-	-
	3-12 months	2,000	-	2,000	-
	1-5 years	-	2,000	-	2,000
	Total	2,000	2,000	2,000	2,000
	At fair value	2,000	2,000	2,000	2,000
	Portion attributable to repo transactions	-	-	-	-
	In 2023, repo transactions of DKK 7,099 million were offset against reverse transactions (2022: DKK 11,953 million).				
24	Issued mortgage bonds at fair value				
	Issued mortgage bonds, nominal value*	849,818	842,304	849,818	842,304
	Fair value adjustment	-50,919	-76,117	-50,919	-76,117
	Issued mortgage bonds at fair value, before set-off	798,899	766,187	798,899	766,187
	Set-off of own mortgage bonds at fair value	42,390	42,082	42,390	42,082
	Issued mortgage bonds at fair value	756,509	724,105	756,509	724,105
	The fair value is based on quoted prices.				
	0-1 month	42,351	19,976	42,351	19,976
	1-3 months	-	-	-	-
	3-12 months	116,441	87,634	116,441	87,634
	1-5 years	334,680	352,041	334,680	352,041
	5-10 years	95,760	99,148	95,760	99,148
	Over 10 years	167,277	165,306	167,277	165,306
	Total	756,509	724,105	756,509	724,105
	* Portion pre-issued	30,924	28,741	30,924	28,741
	* Portion drawn at 2 January 2024, or 2 January 2023	36,070	29,565	36,070	29,565

*In 2023, Realkredit Danmark issued bonds under the green bond framework, with a nominal value of DKK 27,153 million outstanding at the end of 2023 (2022: DKK 21,544 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 2023, the Danish mortgage bond yield spread increased and the fair value of issued mortgage bonds thus decreased by approximately DKK 6.6 billion. In 2022, the Danish mortgage bond yield spread narrowed, causing an increase in the fair value of issued mortgage bonds. Based on the outstanding portfolio at the end of 2023, 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 0.05 billion (2022: positive fair value of approximately DKK 0.3 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 2023 or the period since the issue has been required.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2023	2022	2023	2022
25	Other liabilities				
	Interest accrued	6,431	4,866	6,431	4,866
	Reserves in early series subject to a reimbursement obligation*	2	4	-	-
	Lease liabilities	107	141	-	-
	Other creditors	415	1,556	401	1,545
	Total	6,955	6,567	6,832	6,411

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

26	Reserves in early series subject to a reimbursement obligation*				
	Carrying amount, beginning of year	4	5	4	5
	Utilised	-2	-1	-2	-1
	Carrying amount, end of year	2	4	2	4

* 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	
		2023	2022	2023	2022
27	Risk exposure amount (REA)				
	Credit risk (IRB approach)	131,784	129,219	131,614	129,162
	Credit risk (standardised approach)	18,671	19,422	18,791	19,409
	Counterparty risk	125	215	125	215
	Total credit risk	150,580	148,856	150,530	148,786
	Market risk	372	329	372	329
	Operational risk	9,292	10,125	9,292	10,013
	Total	160,244	159,310	160,194	159,128

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

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

28 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	3,727	8,033	3,727	8,033
Portion issued by Realkredit Danmark	-	4,003	-	4,003

Assets sold under repo transactions

Bonds at fair value	-	-	-	-
Portion issued by Realkredit Danmark	-	-	-	-

At 31 December 2023, mortgage lending totalling DKK 753,624 million and other assets totalling DKK 6,298 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (2022: DKK 724,438 million and DKK 4,565 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)
29	<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. The contribution to the Danish resolution fund is recognised as expenses.</p> <p>From 1 April 2022, the company is no longer registered jointly with all major Danish subsidiaries of the Danske Bank Group for financial services employer tax and VAT, for which it had previously been 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	
(DKK millions)	2023	2022	2023	2022
Other contingent liabilities				
Irrevocable loan commitments	17,198	27,287	17,196	27,285
Other commitments	27	28	7	6
Total	17,225	27,315	17,203	27,291

Notes

Note	(DKK millions)			
30	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 2023.			
	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	
	2023	2022	2023	2022
	Fees, etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans			
	817	1,197	817	1,174
	Fees received from Danske Bank A/S for referral of customers and for property valuation			
	56	71	56	71
	Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions, etc.			
	663	682	663	638
	Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S			
	414	-10	414	-10
	Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S			
	504	32	504	32
	Amounts due from Danske Bank A/S			
	3,542	3,148	3,473	3,073
	Loss guarantees from Danske Bank A/S			
	31,587	38,181	31,587	38,181
	Other guarantees from Danske Bank A/S			
	9,578	16,217	9,578	16,217
	Amounts due to Danske Bank A/S			
	2,000	2,000	2,000	2,000
	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.			
31	Loans etc. to management			
	Mortgage loans established on an arm's length basis for			
	Board of Directors of Realkredit Danmark A/S			
	12	12	12	12
	Executive Management of Realkredit Danmark A/S			
	8	10	8	10
	Board of Directors and Executive Leadership Team of Danske Bank A/S			
	57	68	57	68
	Average interest rate and administration margin for loans etc. to management			
	1.9%	1.5%	1.9%	1.5%

Notes

Note	(DKK millions)	Realkredit Danmark Group			
32	Financial instruments at fair value				
	2023	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	1,686	15,118	-	16,804
	Mortgage loans at fair value	-	753,624	-	753,624
	Shares	-	-	3	3
	Derivatives	-	29	-	29
	Total	1,686	768,771	3	770,460
	Issued mortgage bonds at fair value	756,509	-	-	756,509
	Derivatives	-	186	-	186
	Total	756,509	186	-	756,695
	2022				
	Bonds at fair value	5,253	8,017	-	13,270
	Mortgage loans at fair value	-	724,438	-	724,438
	Shares	-	-	4	4
	Derivatives	-	103	-	103
	Total	5,253	732,558	4	737,815
	Issued mortgage bonds at fair value	724,105	-	-	724,105
	Derivatives	-	9	-	9
	Total	724,105	9	-	724,114

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 2023.

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)				
33	Group holdings and undertakings	Share capital (DKK millions)	Net profit (DKK millions)	Shareholders' equity (DKK millions)	Holding of share capital (%)
	Realkredit Danmark A/S, Copenhagen	630	4,394	50,223	
	Subsidiaries				
	Real-estate agency business				
	home a/s, Aarhus	15	21	124	100

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

Notes

Note 34

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 2023 by maintaining a total capital ratio of 31.5%, well above the regulatory requirement of 19.1%, and AAA ratings from both SP Global, Scope Ratings and Fitch Ratings. The capital requirement has been covered by tier 1 capital.

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 52% of lending. Residential accounts for 27%, Urban trade for 16% and Agriculture for the remaining 5%. 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 2023, 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 2024. 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 Management 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 rating 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	2023 Total	2022 Total
1	-	3	3	2
2	55	1	56	53
3	119	57	176	172
4	100	93	193	184
5	68	90	158	159
6	26	83	109	90
7	15	26	41	44
8	3	4	7	8
9	-	-	-	-
10	4	1	5	6
11	5	3	8	9
Total	395	361	756	727

Probability of Default (PD) %

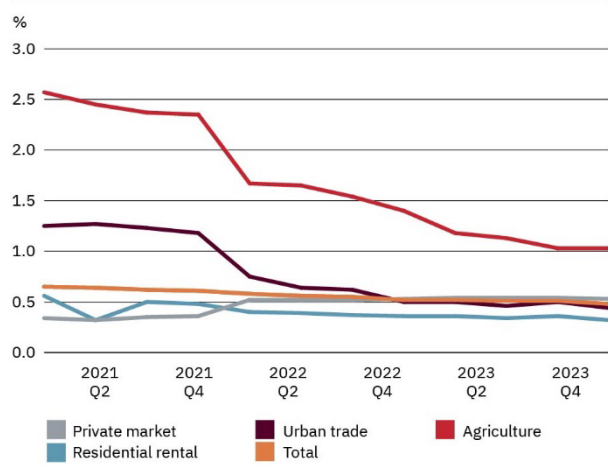
Rating category	Low PD	High PD
1	0.00	0.01
2	0.01	0.03
3	0.03	0.06
4	0.06	0.14
5	0.14	0.31
6	0.31	0.63
7	0.63	1.90
8	1.90	7.98
9	7.98	25.70
10	25.70	100.00
11	100.00	100.00

Notes

Note

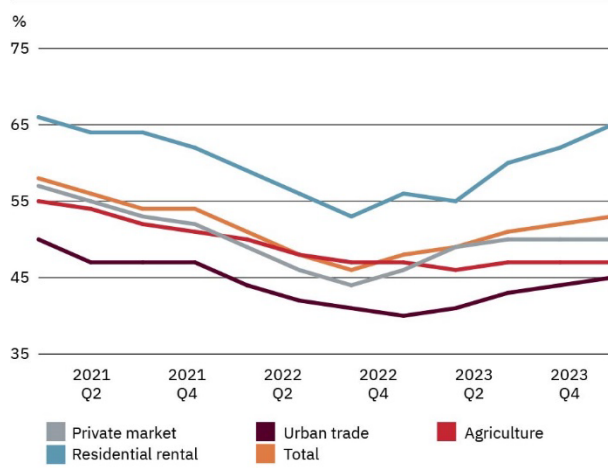
Over the past year, the average defaults probability has improved for all segments.

Development in average PD



The interest rates has increased compared to end 2022 and thereby affected the market value of the loans. The negative effect results in higher Loan-to-Value (LTV). For the entire loan portfolio, the LTV stood at 53 at end-2023, compared with 48 at end-2022.

Development in average LTV



The loan portfolio remained very secure. 94% of the loan portfolio was secured within 60% of the value of the property, and 98% was secured within 80% of the value.

Loan portfolio broken down by loan-to-value ratios 2023

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	178	135	66	14	2	395
Urban trade	61	43	17	2	-	123
Agriculture	17	13	6	-	-	36
Residential rental	84	55	34	15	14	202
Weighted distribution	45%	33%	16%	4%	2%	100%
Total DKK billions	340	246	123	31	16	756

Loan portfolio broken down by loan-to-value ratios 2022

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	189	136	54	8	1	388
Urban trade	64	39	11	1	1	116
Agriculture	18	13	6	1	-	38
Residential rental	85	53	29	10	8	185
Weighted distribution	49%	33%	14%	3%	1%	100%
Total DKK billions	356	241	100	20	10	727

As shown in the table, no loans with an LTV ratio higher than 80% was granted to customers in one of the four lowest categories.

Portfolio broken down by loan to value and rating category 2023

Rating category	Loan to value					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	1	1	1	-	-	3
2	30	18	7	1	-	56
3	82	56	25	7	6	176
4	88	58	31	9	7	193
5	68	54	27	6	3	158
6	46	38	21	4	-	109
7	16	14	8	3	-	41
8	4	2	1	-	-	7
9	-	-	-	-	-	-
10	2	2	1	-	-	5
11	3	3	1	1	-	8
Total	340	246	123	31	16	756

Notes

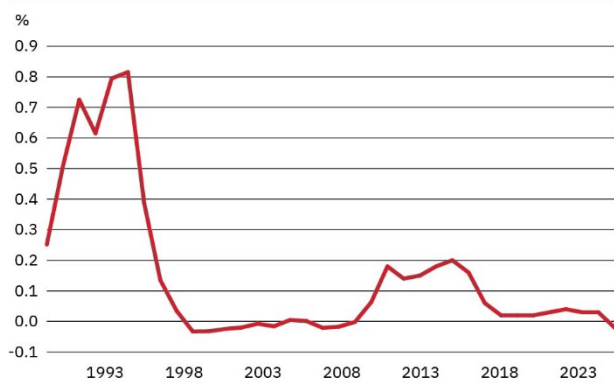
Note

Portfolio broken down by loan to value and rating category 2022

Rating category	Loan to value					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	80-100%	
1	1	1	-	-	-	2
2	30	17	5	1	-	53
3	87	55	21	5	4	172
4	91	58	25	6	4	184
5	77	55	21	4	2	159
6	41	32	15	2	-	90
7	19	15	8	1	-	43
8	4	3	2	-	-	9
9	1	-	-	-	-	1
10	2	2	1	-	-	5
11	3	3	2	1	-	9
Total	356	241	100	20	10	727

Loan impairment charges for 2023 amounted to an income of DKK 114 million, against an expense of DKK 212 million in 2022. The high inflation rates and increased interest rates has not resulted in any substantial increase in customers facing financial difficulty in 2023, and it has therefore been possible to revert some of the impairments made previous years.

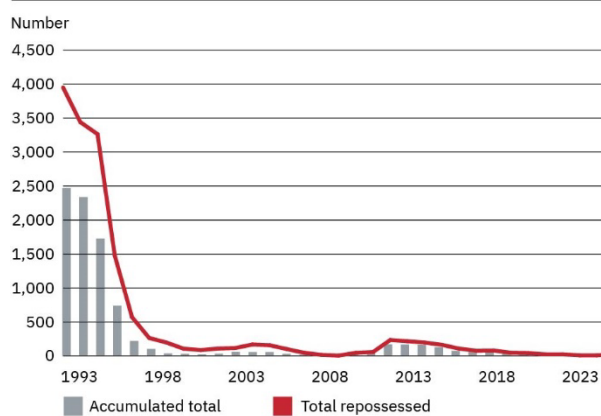
Historical loss percentage



The number of new properties repossessed by Realkredit Danmark at a forced sale in 2023 were 23. The stock of repossessed properties stood at 14 properties year-end 2023 compared to 6 properties at the beginning of the year.

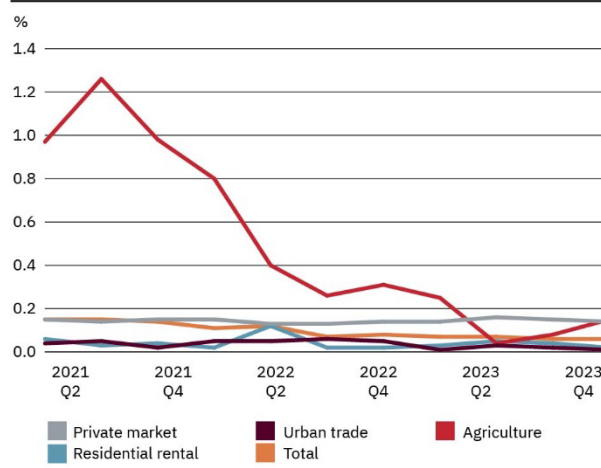
In a historical context, the number of properties repossessed in 2023 were much lower than during the crisis of the early 1990s, when more than 4,000 properties were repossessed in the worst year.

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 184 billion was partly covered by this loss guarantee at the end of 2023. The total guarantee in 2023 amounted to DKK 32 billion.

3-month delinquency rates

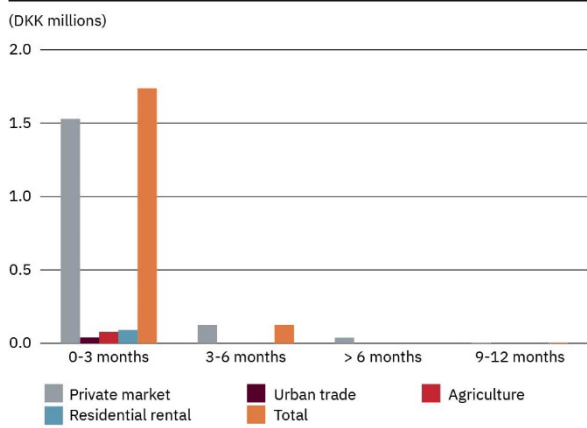


The delinquency rate, calculated as the proportion of due payments remaining unpaid 3 months after the last due payment date, generally is on the same level in 2023 compared with 2022. Agriculture continues its positive trend and has declining delinquency rates. Urban trade also has a positive trend. The Residential market and Privat Market are stable.

Notes

Note

Arrears on loans without OEI at 31 December 2023



The chart shows arrears on loans without OEI at 31 December 2023. Total arrears on loans without OEI amounted to DKK 1.9 million at the end of 2023. Of total arrears on loans without OEI, 90.5% are less than three months old.

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 12 months, no longer be considered subject to objective evidence of impairment, and the customer will move to a better rating category.

At 31 December 2023, the total exposure to loans with forbearance terms amounted to DKK 3.9 billion. This is a decrease of DKK 1.4 billion relative to 2022.

Arrears	Loan portfolio (DKK millions)		Loan to value %		Arrears Sept. paym. in %	
	2023	2022	2023	2022	2023	2022
Private market	395,023	389,037	50	46	0.14	0.14
Urban trade	201,808	115,789	45	40	0.05	0.05
Agriculture	36,910	37,581	47	47	0.31	0.31
Residential rental	122,539	184,893	65	56	0.02	0.02
Total	756,280	727,300	53	48	0.08	0.08

Notes

Note

Sustainability Risk

As result of current or future environmental, social and governance (ESG) events or conditions Realkredit Danmark may be exposed to sustainability risk. Such events are considered external factors that could impact existing risks.

In the long term Credit risk is deemed to be the risk type most materially affected by sustainability risk. Climate risk is currently the most urgent of all ESG-related drivers capable of affecting the credit risk of Realkredit Danmark. From a financial materiality perspective, climate-related risks have been deemed most relevant for the lending activities of Realkredit Danmark. Climate risk pertains to transition risks, which are the risks associated with shifting to a low-carbon economy, and to physical risks arising from projected climate changes, including both long-term shifts (chronic changes) and event-driven changes (acute changes) to weather patterns.

In alignment with Danske Bank Group (the Group) Realkredit Danmark takes a risk-based approach when prioritising risk management efforts for credit portfolios, that are likely to be most exposed to transition and physical risks. For that purpose, Danske Bank Group's climate risk heat map is based on a mix of qualitative and quantitative input to define the credit exposures most exposed to transition and physical risks. The climate heat map gives an indication of the size of the exposure at risk but does not include the expected stress effects such as impairment charges. Such quantitative measures are to be assessed through scenario analysis and future stress testing. Climate scenario analysis are already being performed, following the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) for key sectors for both transition risk and physical risk, such as for agriculture and property portfolios. Danske Bank Group will continue to refine the climate risk heat map as more climate risk data becomes available to support the identification of both transition and physical risks for the purpose of determining financial materiality. However, conclusions have not led to adjustments to staging or expected credit losses, as the impacts either manifest over a longer time period than loan maturities, or as transition risks are concentrated on sectors where downside risks have already been recognised in Realkredit Danmark's expected credit losses, one example being the agriculture portfolios.

Physical risks are identified mainly for collateral-related exposure (flooding risk, in particular) by using data on historically worst flooding events and most extreme climate projections. As a result, assessments are considered to be conservative. Flooding risk is the primary physical risk hazard to be taken into consideration in the Nordic countries. The Group's and thereby Realkredit Danmark's risks associated with flooding risk are managed primarily at the portfolio level.

See Danske Bank Group's risk management report; Risk Management 2023 for more information on Sustainability risk and Danske Bank Group's additional Pillar III Disclosures for more information on Climate risk. The publications are available at danskebank.com/ir. The publications are not covered by the statutory audit.

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 2023, the Group's exposures did not exceed these limits.

Credit exposure to groups representing 10% or more of the capital base amounted to DKK 6 million at 31 December 2023 (2022: DKK 5 million). At the end of 2023, 1 exposure exceeded 10% of the capital base. Intra-group accounts are not included in the calculation.

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

Realkredit Danmark calculates interest rate risk as the change in net present value from an upward parallel shift in interest rates of 1 percentage point.

In accordance with Danish law, the cash flows received from interest payments and instalments 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 506 million. At the end of 2023, this interest rate risk amounted to DKK 3 million against DKK 0.5 million in 2022.

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 4,044 million, in accordance with Danish law. At the end of 2023, the interest rate risk on these items amounted to DKK 958 million, against DKK 845 million the year before.

At the end of 2023, the total interest rate risk amounted to DKK 961 million. The year before, Realkredit Danmark's interest rate risk was DKK 846 million.

For a qualitative description of RD's IRRBB framework, please refer to Danske Bank Group Risk Management Report 2023.

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). Although Stage 3 and default (rating 11) are generally aligned, a small amount of credit exposure in stage 3 can be found outside default. This is due to impairment staging being updated monthly (after each month-end), whereas default is updated daily. For the same reason, some credit exposure in default is outside stage 3.

31 December 2023

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	2,815	-	-	-	-	-	2,815	-	-
2	0.01	0.03	56,010	102	34	6	2	2	56,004	100	32
3	0.03	0.06	175,450	542	123	22	6	6	175,428	536	117
4	0.06	0.14	191,388	1,505	144	62	18	11	191,326	1,487	133
5	0.14	0.31	155,059	2,301	221	110	29	19	154,949	2,272	202
6	0.31	0.63	104,105	4,484	119	204	68	7	103,901	4,416	112
7	0.63	1.90	35,006	5,649	138	498	112	10	34,508	5,537	128
8	1.90	7.98	2,936	4,283	95	100	241	6	2,836	4,042	89
9	7.98	25.70	15	451	23	-	44	1	15	407	22
10	25.70	100.00	378	4,665	203	16	108	15	362	4,557	188
11	100.00	100.00	674	445	6,917	29	10	894	645	435	6,023
Total			723,836	24,427	8,017	1,047	638	971	722,789	23,789	7,046

31 December 2022

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	2,148	-	-	-	-	-	2,148	-	-
2	0.01	0.03	52,642	129	24	7	2	1	52,635	127	23
3	0.03	0.06	171,330	822	122	24	10	4	171,306	812	118
4	0.06	0.14	181,298	2,026	192	47	24	9	181,251	2,002	183
5	0.14	0.31	153,750	5,515	192	79	52	11	153,671	5,463	181
6	0.31	0.63	81,640	8,491	112	103	108	8	81,537	8,383	104
7	0.63	1.90	29,589	12,978	148	265	400	8	29,324	12,578	140
8	1.90	7.98	2,053	7,003	57	48	562	5	2,005	6,441	52
9	7.98	25.70	45	507	10	-	52	2	45	455	8
10	25.70	100.00	391	4,878	223	13	119	13	378	4,759	210
11	100.00	100.00	638	569	7,778	23	11	852	615	558	6,926
Total			675,524	42,918	8,858	609	1,340	913	674,915	41,578	7,945

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-2023, the market value and hence the equity market risk amounted to DKK 127 million, against DKK 132 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 51 million. At the end of 2023, the exchange rate risk amounted to DKK 1 million, against DKK 1 million the year before.

Derivatives (DKK millions)	Nominal value	2023		2022		
		Positive market value	Negative market value	Positive market value	Negative market value	
Interest rate contracts						
Forward/futures bought	31,028	1	47	27,924	11	5
Forward/futures sold	19,895	28	186	17,501	99	8
Currency contracts						
Forward/futures bought	22	-	-	2	-	-
Forward/futures sold	2	-	-	16	-	-
Interest rate and currency contracts held for trading purposes, total		29	233		110	13
Outstanding spot transactions						
Interest rate contracts bought	708	1	-	1,646	4	-
Interest rate contracts sold	754	1	-	1,612	-	1
Total outstanding spot transactions		2	-		4	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. The refinancing risk is governed by the Danish FSA by

two indicators in the supervisory diamond for mortgage credit institutions in Denmark.

Non-financial risks

In recent years, Realkredit Danmark has focused increasingly on non-financial risks. Realkredit Danmark continuously assesses non-financial risks in existing processes and products and conduct ongoing reporting to the Board of Directors on non-financial risks. Prior to launch of a new product the non-financial risks are assessed and the product is approved.

Realkredit Danmark registers operational events and conducts event management to ensure timely and appropriate handling of events to minimise the impact on Realkredit Danmark and prevent reoccurrence. Realkredit Danmark strive to learn from materialised events and observed near-misses to continuously improve its operational risk management framework. Realkredit Danmark notifies relevant authorities on significant events.

Realkredit Danmark's IT portfolio is outsourced to Danske Bank including cyber security. Realkredit Danmark is part of Danske Bank's IT and security risk management framework.

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 35

Realkredit Danmark Group					
(DKK millions)	2023	2022	2021	2020	2019
HIGHLIGHTS					
Net interest and fee income*	6,187	6,128	6,158	6,475	6,377
Value adjustments*	633	-236	-327	-410	219
Staff costs and administrative expenses	1,054	1,102	994	863	811
Loan impairment charges	-114	212	269	335	265
Income from associates	-	-	-	-	-
Net profit for the year	4,394	3,626	3,669	3,883	4,396
Loans	753,843	724,642	810,547	817,026	803,122
Shareholders' equity	50,223	49,477	49,472	49,590	49,993
Total assets	816,263	782,228	876,999	891,268	912,548
RATIOS AND KEY FIGURES					
Total capital ratio (%)	31.5	29.1	25.3	27.4	31.1
Tier 1 capital ratio (%)	31.1	28.6	24.9	26.9	30.7
Return on equity before tax (%)	12.0	9.4	9.5	10.0	11.3
Return on equity after tax (%)	8.8	7.3	7.4	7.8	8.8
Cost/core income ratio DKK	7.34	4.54	4.72	5.15	6.23
Foreign exchange position (%)	0.7	0.7	0.8	0.6	0.6
Gearing of loans	15.0	14.6	16.4	16.5	16.1
Growth in lending for the year (%)	0.5	-0.7	1.9	1.2	0.7
Impairment ratio for the year (%)	-0.02	0.03	0.03	0.04	0.03
Return on assets (%)	0.5	0.5	0.4	0.4	0.5
Realkredit Danmark A/S					
HIGHLIGHTS					
Net interest and fee income*	6,184	6,128	6,158	6,475	6,377
Value adjustments*	633	-236	-327	-410	219
Staff costs and administrative expenses	998	1,053	940	809	748
Loan impairment charges	-115	212	269	335	264
Income from associates and group undertakings	21	25	64	44	36
Net profit for the year	4,394	3,626	3,669	3,883	4,396
Loans	753,822	724,622	810,527	817,003	803,094
Shareholders' equity	50,223	49,477	49,472	49,590	49,993
Total assets	816,148	782,084	876,959	891,194	912,440
RATIOS AND KEY FIGURES					
Total capital ratio (%)	31.6	29.2	25.3	27.4	31.2
Tier 1 capital ratio (%)	31.2	28.7	24.9	26.9	30.7
Return on equity before tax (%)	11.9	9.4	9.5	10.0	11.3
Return on equity after tax (%)	8.8	7.3	7.4	7.8	8.8
Cost/core income ratio DKK	7.75	4.67	4.88	5.34	6.56
Foreign exchange position (%)	0.7	0.7	0.8	0.6	0.6
Gearing of loans	15.0	14.6	16.4	16.5	16.1
Growth in lending for the year (%)	0.5	-0.7	1.9	1.2	0.7
Impairment ratio for the year (%)	-0.02	0.03	0.03	0.04	0.03
Return on assets (%)	0.5	0.5	0.4	0.4	0.5

* Comparative information has been restated as described in note 1 to the consolidated financial statements for 2020.

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

Notes

Note 36

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)	Jydsk Grundejer- Kredit- forening	Ny jydsk Kjøbstad- Kredit- forening	Østifternes Kredit- forening	Series not subject to a reimbursement obligation	Danske Kredit
Income statement						
	Income from lending	0.1	0.2	0.5	18.6	0.1
	Net interest income etc.	-	-	1.3	22.7	-
1	Administrative expenses etc.	0.8	0.8	0.9	12.6	0.5
1	Loan impairment charges	-	-	-	-17.5	-0.2
	Tax	-0.2	-0.1	0.2	11.5	-
2	Net profit for the year	-0.5	-0.5	0.7	34.7	-0.2
Balance sheet - assets						
	Mortgage loans etc.	9.0	20.4	79.6	10,863.2	17.8
	Other assets	2.2	4.5	61.4	1,397.1	2.5
	Total assets	11.2	24.9	141.0	12,260.3	20.3
Balance sheet - liabilities and equity						
3	Issued bonds	10.6	23.5	88.8	11,360.1	19.9
	Other liabilities	-	0.1	0.5	43.8	0.1
4	Shareholders' equity	0.6	1.3	51.7	856.4	0.3
5	Total liabilities and equity	11.2	24.9	141.0	12,260.3	20.3
	(DKK millions)	SDRO S	SDRO T	SDRO Almen	Other reserves	Total
Income statement						
	Income from lending	1,603.3	3,740.9	204.6	86.4	5,654.7
	Net interest income etc.	472.2	793.9	47.4	79.1	1,416.6
1	Administrative expenses etc.	473.3	518.5	118.8	154.3	1,280.5
1	Loan impairment charges	-48.6	-22.8	-	-26.3	-115.4
	Tax	416.0	1,017.9	33.6	83.5	1,562.4
2	Net profit for the year	1,234.8	3,021.2	99.6	-46.0	4,343.8
Balance sheet - assets						
	Mortgage loans etc.	228,615.4	444,776.3	51,668.1	17,638.7	753,688.5
	Other assets	22,373.4	73,825.2	3,634.1	3,962.0	105,262.4
	Total assets	250,988.8	518,601.5	55,302.2	21,600.7	858,950.9
Balance sheet - liabilities and equity						
3	Issued bonds	233,393.8	488,459.2	53,875.0	18,432.1	805,663.0
	Other liabilities	895.0	1,849.3	197.2	77.0	3,063.0
4	Shareholders' equity	16,700.0	28,293.0	1,230.0	3,091.6	50,224.9
5	Total liabilities and equity	250,988.8	518,601.5	55,302.2	21,600.7	858,950.9

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.	2023
2	Net profit for the year, series accounts	
	Net profit for the year, Realkredit Danmark A/S's financial statements	4,394
	Transferred to other reserves etc.	-
	Adjustment of defined benefit plans	-50
	Net profit for the year, series accounts	4,344
3	Issued bonds, series accounts	
	Issued bonds, Realkredit Danmark A/S's financial statements	756,509
	Own mortgage bonds, not offset in the series accounts	42,390
	Accrued interest, own bonds	6,764
	Issued bonds, series accounts	805,663
4	Shareholders' equity, series accounts	
	Shareholders' equity, Realkredit Danmark A/S's financial statements	50,223
	Reserves in pre-1972 series subject to a reimbursement obligation	2
	Shareholders' equity, series accounts	50,225
5	Total assets, series accounts	
	Total assets, Realkredit Danmark A/S's financial statements	816,148
	Own mortgage bonds, not offset in the series accounts	42,390
	Accrued interest, own bonds	413
	Total assets, series accounts	858,951
6	Transfers to and from reserves subject to a reimbursement obligation	
	In 2023, 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	-1,463
	Other reserves	1,463
	Total	-

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

Statement by the management

The Board of Directors and the Executive Management (the management) have today reviewed and adopted the annual report of the Realkredit Danmark Group for 2023.

The consolidated financial statements are presented in accordance with the IFRS Accounting Standards as adopted by the EU. The Parent Company's financial statements are prepared in accordance with the Danish Financial Business Act and the Executive Order on Financial Statements for Credit Institutions and Investment Firms, etc. Furthermore, the annual report has been prepared in accordance with legal requirements, including the disclosure requirements for annual reports of issuers of listed bonds in Denmark.

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 on 31 December 2023 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2023.

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.

ESEF-compliant financial reports

In our opinion, the annual report for the financial year 1 January - 31 December 2023 with the file name "rd-2023-12-31-en.zip" has been prepared, in all material respects, in compliance with the ESEF Regulation.

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

Copenhagen, 2 February 2024

Executive Management

Kamilla Hammerich Skytte
Chief Executive Officer

Bjarne Aage Jørgensen
Member of the Executive Management

Board of Directors

Christian Bornfeld
Chairman

Magnus Thor Agustsson
Vice Chairman

Jesper Koefoed

Linda Fagerlund

Majken Hammer Sløk

Christian Hilligsøe Heinig

Auditor's report

Independent auditor's report

To the shareholders of Realkredit Danmark A/S

Report on the consolidated financial statements and the parent financial statements

Opinion

We have audited the consolidated financial statements and the parent financial statements of Realkredit Danmark A/S for the financial year 1 January 2023 to 31 December 2023, pages 25-69, which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including material accounting policy information, 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 IFRS Accounting 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 2023, and of its financial performance and cash flows for the financial year 1 January 2023 to 31 December 2023 in accordance with IFRS Accounting 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 2023, and of its financial performance for the financial year 1 January 2023 to 31 December 2023 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 5 March 2015 for the financial year 2015. We have been reappointed annually by decision of the general meeting for a total continuous engagement period of 9 years up to and including the financial year 2023.

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 2023 to 31 December 2023. 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 and provisions for guarantees	
Loans for the Group amounted to DKK 753,624 million at 31 December 2023 (DKK 724,438 million at 31 December 2022), and loan impairment charges of DKK -114 million in 2023 (DKK 212 million at 31 December 2022).	Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and provisions for guarantees and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.
Measurement of loan impairment charges for loans and provisions for guarantees 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.	Our examination included the following elements:
The most significant judgements are:	<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.
<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.• Valuation of collateral and assumptions of future cash flows on manually assessed credit-impaired exposures.	

Auditor's report

<ul style="list-style-type: none">• Post-model adjustments for particular high-risk portfolios, which are not appropriately captured in the expected credit loss model.• Effects of macroeconomic uncertainties in relation to the significant judgements listed above. <p>Management has provided further information about the loan impairment charges and provisions for guarantees in notes 10, 15-16 and 19 and Risk management to the consolidated financial statements.</p>	<ul style="list-style-type: none">• 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 including industries affected by the macroeconomic uncertainties with particular focus on the methodology applied, evidence of assumptions-setting processes and the consistency thereof by:<ul style="list-style-type: none">○ 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 assumptions implemented due to expected effects of the macroeconomic uncertainties.
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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 IFRS Accounting Standards as adopted by the EU and additional 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, safeguards put in place and measures taken to eliminate threats.

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.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of Realkredit Danmark A/S we performed procedures to express an opinion on whether the annual report of Realkredit Danmark A/S for the financial year 1 January 2023 to 31 December 2023 with the file name rd-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;

Auditor's report

- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements inclusive of notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Realkredit Danmark A/S for the financial year 1 January 2023 to 31 December 2023 with the file name rd-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 2 February 2024

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kasper Bruhn Udam
State-Authorised
Public Accountant
MNE no 29421

Jakob Lindberg
State-Authorised
Public Accountant
MNE no 40824

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

Christian Bornfeld Chairman

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

Born on 19 December 1976

Joined the Board of Directors on 24 November 2022

Directorships and other offices:

Vipps AS

Finans Danmark (personal substitute to the 2nd vice chairman of the board of directors)

FR I AF 16 SEPTEMBER 2015 A/S (personal substitute to the chairman of the board of directors)

Magnus Thor Agustsson

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

Born on 6 January 1973

Joined the Board of Directors on 10 March 2022

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:

Danica Ejendomme P/S

Danica Pension, Livsforsikringsaktieselskab

LM|Pihl A/S (chairman)

Koefoed Invest 2019 A/S

Nordic Investment Opportunities A/S

BG40-5 A/S

Autobudgets ApS (chairman)

Linda Fagerlund

Head of Commercial Real Estate, Danske Bank A/S

Born on 25 December 1975

Joined the Board of Directors on 22 July 2022

Majken Hammer Sløk (elected by the employees)

Chief Consultant, Realkredit Danmark A/S

Born on 2 January 1965

Joined the Board of Directors on 6 March 2017

Christian Hilligsøe Heinig (elected by the employees)

Chief Economist, Realkredit Danmark A/S

Born on 7 December 1978

Joined the Board of Directors on 3 March 2021

Directorships

Executive Management



Kamilla Hammerich Skytte

Chief Executive Officer

Born on 3 October 1972

Joined the Executive Management on 1 March 2022

Directorships and other offices:

home a/s (chairman)

Danske Hypotek AB, Sverige

Association of Danish Mortgage Banks

Kreditforeningen Danmarks Pensionsafviklingskasse (chairman)



Bjarne Aage Jørgensen

Member of the Executive Management, Head of Large Real Estate

Born on 4 June 1961

Joined the Executive Management on 6 September 2023

Supplementary information

Management's report, continued

Financial calendar

- Annual General Meeting:
11 March 2024
- Company Announcement - First Quarter results 2024:
3 May 2024
- Interim Report – First Half 2024:
19 July 2024
- Company Announcement - First Nine Months results 2024:
31 October 2024

Contact

Chief Executive Officer
Kamilla Hammerich Skytte
Tel +45 45 13 20 82

Adresse

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CVR no. 13 39 91 74 København

Links

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

ESEF data

Domicile of entity	Denmark
Description of nature of entity's operations and principal activities	Mortgage finance
Country of incorporation	Denmark
Principal place of business	Denmark
Legal form of entity	A/S
Name of reporting entity or other names of identification	Realkredit Danmark Group
Name of parent	Realkredit Danmark A/S
Name of ultimate parent of group	Realkredit Danmark A/S
Address of entity's registered office	Lersø Parkallé 100, DK-2100 København Ø

