

Annual Report 2022



Realkredit Danmark

Realkredit Danmark is the mortgage finance arm of Danske Bank Group serving customers in Denmark. We also have customers in Sweden and Norway.

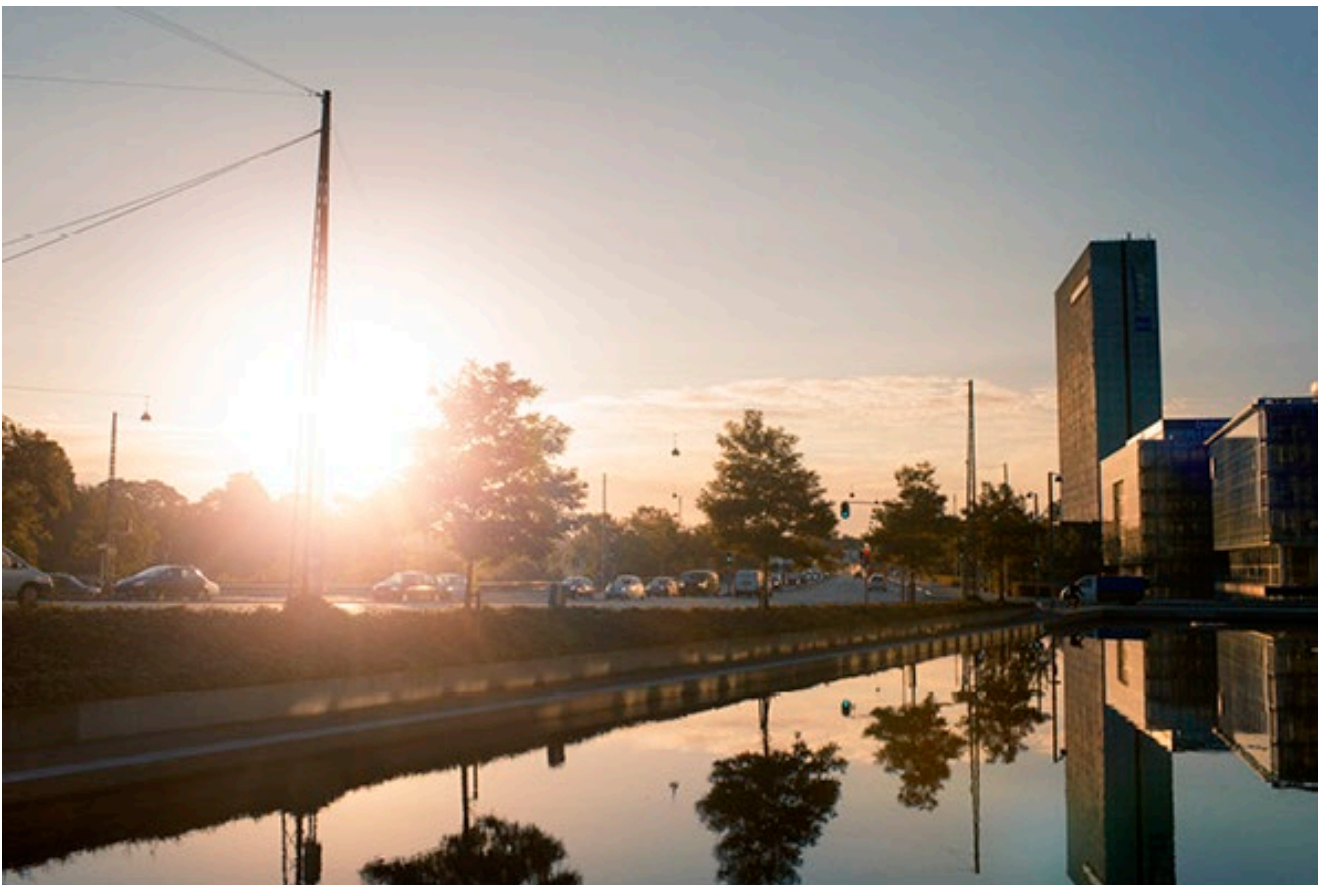
Our origin dates back to 1851. Rooted in Danish mortgage banking history, we were established as a mortgage credit association to provide mortgage finance to personal and business customers, large or small, at low costs in a fair and transparent way allowing society to invest, prosper and grow. This 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 banking. This, we believe, it is essential to meet our customer promise of low-cost funding and transparency.

In 2001, we merged with Danske Bank. We are 227 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 our own.

Today, we provide mortgage finance to more than 420,000 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 2022 comprises – in accordance with the requirements of the ESEF Regulation – of a zip-file rd-2022-12-31-en.zip, that includes an XHTML-file. The XHTML-file is the official version of the Annual Report 2022. This PDF version of the Annual Report 2022 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)	2022	2021	2020	2019	2018
Administration margin	5,733	5,857	5,923	6,082	6,222
Net interest income	93	46	97	203	142
Net fee income*	18	-127	-21	-528	-617
Income from investment portfolios*	48	55	66	839	577
Other income	84	136	114	117	125
Total income	5,976	5,967	6,179	6,713	6,449
Expenses	1,105	995	864	812	703
Profit before loan impairment charges	4,871	4,972	5,315	5,901	5,746
Loan impairment charges	212	269	335	265	-204
Profit before tax	4,659	4,703	4,980	5,636	5,950
Tax	1,033	1,034	1,097	1,240	1,301
Net profit for the year	3,626	3,669	3,883	4,396	4,649

BALANCE SHEET (AT 31 DECEMBER)

(DKK millions)	2022	2021	2020	2019	2018
Due from credit institutions etc.	8,761	18,643	25,045	53,826	21,446
Mortgage loans	724,438	810,139	816,577	802,579	796,045
Bonds and shares	46,722	46,435	47,187	52,363	51,158
Other assets	2,307	1,782	2,459	3,780	2,568
Total assets	782,228	876,999	891,268	912,548	871,217
Due to credit institutions etc.	2,000	2,000	2,000	4,003	778
Issued mortgage bonds	724,105	820,950	835,217	853,479	809,091
Issued senior debt	-	-	-	-	5,952
Other liabilities	6,646	4,577	4,461	5,073	5,481
Shareholders' equity	49,477	49,472	49,590	49,993	49,915
Total liabilities and equity	782,228	876,999	891,268	912,548	871,217

RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareholders' equity	7.3	7.4	7.8	8.8	9.3
Cost/income ratio (%)	18.5	16.7	14.0	12.1	10.9
Total capital ratio (%)	29.1	25.3	27.4	31.1	30.6
Tier 1 capital ratio (%)	28.6	24.9	26.9	30.7	30.3
Full-time-equivalent staff, end of year	227	217	234	237	229

* 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

Overview

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

“2022 brought stable earnings in an unpredictable year. Total income was on a par with 2021, while expenses in 2022 increased mainly as a result of non-recurring costs and higher payments of value-added tax. Fewer customers bought or sold a home in 2022, and this dwindling market activity affected lending levels, especially in the fourth quarter. Rapidly rising interest rates opened up a lot of remortgaging opportunities during the year, enabling many homeowners to reduce their outstanding debt significantly.

In the wake of the war in Ukraine and rising energy prices, we saw both owners and buyers pay more attention to properties’ heating source and energy performance in 2022. We expect this to continue, and we will continue to support the green transition in the Danish housing sector with advantageous loans for energy efficiency improvements.

Our website, rd.dk, saw high levels of activity, with both new and existing customers using our new tools to track mortgage rates and remortgaging opportunities.

We still believe that our credit quality is high and that our customers are generally in a good position to weather further challenging and uncertain financial conditions in 2023. The average loan-to-value for our customers was 48% at the end of the year.”

The year 2022

Realkredit Danmark delivered a steady performance during 2022 and recorded a net profit of DKK 3,626 million, against DKK 3,669 million in 2021. Thank you to all colleagues across Realkredit Danmark for strong contributions in an unpredictable year.

The steeply increasing mortgage rates resulted in strong remortgaging activity during 2022, and our customers reduced their nominal outstanding debt by DKK 12.9 billion in 2022. Mortgage lending at nominal value decreased by 1%, but measured at fair value, the decrease was 11%. The latter was attributable to lower bond prices due to the rising interest rate levels.

Focus in 2022 was on developing digital solutions for our customers, together with Danske Bank, to consistently improve customers’ overview of their options when buying a home or remortgaging their loans. Realkredit Danmark’s website rd.dk has been further improved, including an enhanced service that allows our customers to log in and calculate remortgaging possibilities and additional lending on all loan types.

Realkredit Danmark maintains its focus on having a more flexible and inclusive workplace and aims to grow a diverse and inclusive culture to mirror the society we are part of and to create equal opportunities for all our colleagues.

Sustainability and ESG

Realkredit Danmark is fully committed to facilitating the transition towards a sustainable future. We have a strategic focus on five of the 17 UN Sustainable Development

Goals: Financial confidence, Employee well-being & diversity, Governance & Integrity, Environmental footprint and Entrepreneurship. We consider it our primary obligation to support the transition of society towards a sustainable future by helping our customers in reducing their carbon footprint for society as a whole. This is where we believe we can make the greatest difference.

We monitor the carbon footprint of our lending portfolio, except manufacturing, and we measure developments against the targets we have set, both short-term and long-term. As part of the Danske Bank Group we are fully committed to our Climate Action Plan of reducing funded emissions on commercial real estate and personal mortgages in Denmark by 75% by 2030. We are further committed to the Group targets of the Net-Zero Banking alliance of net-zero emissions of our loan portfolio by 2050.

We offer mortgage finance of climate-friendly energy renovations of homes on favourable terms. In 2022, we helped a growing number of customers finance energy renovations and we expect activity to pick up with the support of the Danish government to support homeowners in replacing fossil-fuel heating of homes, which we take part in.

We have teamed up with partners to offer advisory services on climate-friendly energy renovations and climate-friendly living. It is our ambition that advice on climate-friendly living will be further integrated in interactions with our customers.

To encourage climate-friendly living, 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 or carry out an energy friendly renovation.

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.

Green bond funding

Realkredit Danmark remains committed to offering green bond mortgage finance in corporate segments. During 2022, we launched a Green Finance Framework to replace the Green Bond Framework we have operated since 2019. With the Green Finance Framework we stay aligned with international market standards on the definitions of green.

Customer responses remain very positive, and at 31 December 2022 total lending amounted to DKK 21.5 billion. During the year, mortgages funded by green bonds found a much broader customer group and we have a strong pipeline that holds promise for further growth. In Denmark, total lending of green loans funded by RD Cibur6®Green amounted to DKK 18.2 billion. In Sweden, demand for green financing options has also been strong. As a result, Realkredit Danmark has extended its product range in the Swedish commercial property market, opening for RD Stibor3® Green in mid-2020. At 31 December 2022, total lending amounted to DKK 3.3 billion. In the future, Realkredit Danmark will also offer green covered bonds in Norway.

Digital services and communication with customers

Throughout 2022 Realkredit Danmark has improved the digital service and communication with our customers. With rd.dk as our digital interface to support customers on making choices on their mortgage financing, we have seen an increased need for clarifying the customers considerations for a changed interest rate environment and guidance on the opportunities the customers have in this environment. Thus, we have improved the overview of the interest rate for our key products.

Further, we have introduced an option of preferred channel for the customer to receive our advisory services and provided more options for the customer to simulate on their own loans.

We strive to continuously improve our digital service of our customers on rd.dk in 2023. We aim to further improve our advisory services for home owners and to make it more convenient to become a new customer and

provide the required financial documents when applying for a new mortgage loan.

Corporate responsibility

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

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 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 declined during 2022, from DKK 24.6 billion at end-2021 to DKK 23.9 billion at end-2022.

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

Results

In 2022, Realkredit Danmark's net profit was DKK 3,626 million, against DKK 3,669 million the year before. Developments in net profit for 2022 were affected by higher income relating to lending activity, higher costs and lower loan impairment charges.

The administration margin decreased DKK 124 million driven by the lower average loan-to-value. However, more customers are choosing products with higher margins, which the numbers are also starting to reflect.

Net fee income rose DKK 145 million driven by higher remortgaging activity.

Total income was at the same level as in 2021.

Expenses amounted to DKK 1,105 million in 2022, against DKK 995 million in 2021. The increase was attributable to a DKK 48 million provision for Realkredit Danmark's part of the debt collection legacy remediation. In addition, from 1 April 2022, Realkredit Danmark was no longer registered jointly with all major Danish subsidiaries of the Danske Bank Group for financial services employer tax and VAT, which caused an increase in expenses of approximately DKK 108 million.

Loan impairment charges decreased by DKK 57 million in spite of charges related to Realkredit Danmark's share of debt collection write-offs at DKK 174 million in the third quarter of 2022. The total allowance account at 31 December 2022 amounted to DKK 2,912 million, against DKK 2,971 million at 31 December 2021. The post-model adjustment of DKK 0.7 billion booked in Q1 2020 for COVID-19 related losses has been released, as the new virus variants did not cause prolonged lockdowns. Instead post-model adjustments related to global tension, energy crisis and inflation and has been booked to cover the impact from increased economic uncertainty.

The underlying credit quality remains strong with low delinquencies and robust collateral.

Loan impairment charges equalled 0.03% of total mortgage lending, on par with full year 2021.

The tax charge totalled DKK 1,033 million. The effective tax rate for 2022 was 22.2% against 22.0% in 2021.

Balance sheet

Gross lending amounted to DKK 159 billion, against DKK 146 billion in 2021. Mortgage lending at fair value fell DKK 86 billion to DKK 724 billion. The decrease is mainly attributable to lower bond prices due to rising interest rate levels. The development in mortgage lending at fair value is composed of a decrease in the nominal outstanding bond debt of DKK 6 billion and a decrease of DKK 80 billion in the market value adjustment in 2022. In connection with remortgaging to a higher coupon, our customers reduced their outstanding debt by around DKK 13 billion in 2022.

The overall nominal effect is a DKK 13 billion decrease in the personal customer portfolio and a DKK 7 billion increase in the business customer portfolio.

In 2022, fixed-rate mortgages accounted for approximately 41% of all disbursed loans, while about 30% of all FlexLån® were disbursed with refinancing intervals of less than five years.

In nominal terms, repayment of principal is now at the same level as before interest-only mortgages were launched in 2003. Total ordinary repayments in 2022 equalled 2% of the mortgage portfolio.

At end-2022, the average loan-to-value (LTV) ratio stood at 48%, against 54% at the end of 2021. The decrease is attributable to higher housing prices, reduced outstanding debt market and higher interest rates.

Realkredit Danmark remortgaged loans for DKK 92 billion in 2022, against DKK 56 billion in 2021.

The number of new properties repossessed was 10 in 2022. The number of properties repossessed decreased from year-end 2021, standing at 6, where all were owner-occupied dwellings. The value of the properties repossessed was DKK 4 million. The delinquency rate at 31 December 2022 was unchanged from the level at the end of 2021, and at a persistently low level.

Issued mortgage bonds fell DKK 97 billion to DKK 724 billion. The nominal value of issued mortgage bonds was DKK 799 billion, which was DKK 16 billion less than at the end of 2021. The amounts are exclusive of holdings of own mortgage bonds. Realkredit Danmark issued bonds for a total of DKK 159 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 2022, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKK 789 million and DKK 1 million, respectively.

Capital and solvency

At the end of 2022, shareholders' equity stood at DKK 49.5 billion, against DKK 49.5 billion at the end of 2021. The ordinary dividend payment of DKK 3.6 billion and the consolidation of the net profit for the year accounted for the change. The Board of Directors is recommending that dividends of DKK 3.6 billion be paid for 2022.

Realkredit Danmark's total capital amounted to DKK 46.4 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD) was 29.1%. At 31 December 2021, the corresponding figures were DKK 46.4 billion and 25.3%, 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 159.3 billion at 31 December 2022, against DKK 183.4 billion at the end of 2021. REA has declined in tandem with the market value of mortgage assets.

At the end of 2022, Realkredit Danmark's solvency need, including the combined buffer requirement, was calculated at DKK 28.6 billion, corresponding to a solvency need ratio including buffers of 18.0% of the total REA. With total capital of DKK 46.4 billion, Realkredit Danmark had DKK 17.8 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 2022

Realkredit Danmark recorded a profit after tax of DKK 1,009 million in the fourth quarter of 2022, against DKK 718 million in the third quarter. The change in profit was attributable primarily to income from the refinancing of FlexLån® in the fourth quarter and a reversal of expected credit losses.

Outlook for 2023

Realkredit Danmark expects that the Danish economy in 2023 will still be affected by economic and geopolitical uncertainty.

The outlook is therefore subject to uncertainty.

In 2023, Realkredit Danmark expects income to be at a higher level than in 2022 due to higher net interest income.

Realkredit Danmark expects expenses to be at a somewhat lower level than in 2022 mainly due to a non-recurring DKK 48 million provision for Realkredit Danmark's part of the debt collection legacy remediation in 2022.

Loan impairment charges and tax are expected to be at a higher level than in 2022.

Realkredit Danmark therefore expects net profit to be on par with 2022.

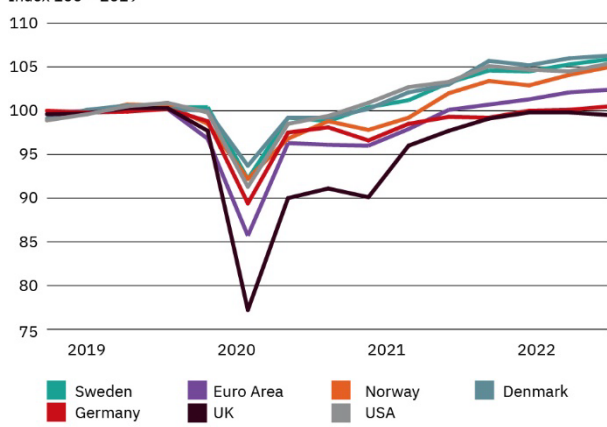
Macroeconomics and Property market

Danish economy on track despite inflation crisis

Denmark was one of the countries that coped best with the Covid-19 pandemic economically, but 2022 soon brought up fresh challenges in the form of an inflation crisis. The Russian invasion of Ukraine in February 2022 helped drive up energy and commodity prices at the same time that a combination of global supply chain disruption in the wake of the pandemic, expansionary economic policy, strong capacity pressures and high consumption of goods consorted to push inflation up to historically high levels. Inflation topped 10% during the autumn, a level last seen back in the early 1980s.

GDP development

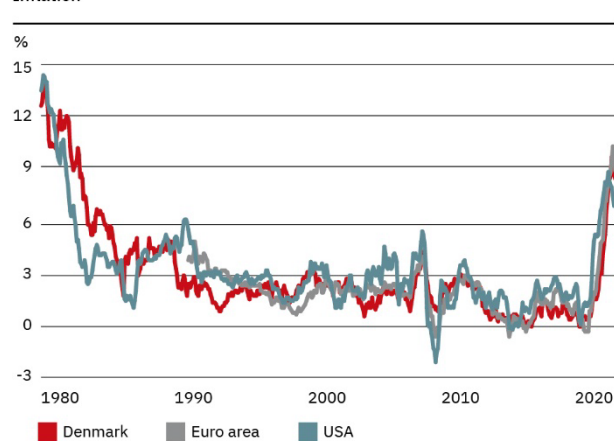
Index 100 = 2019



The high rate of inflation hurt both consumers and parts of the business sector. With wages rising by around 3.5% on average in 2022, purchasing power was hugely eroded, leading many consumers to rein in their spending and reprioritise their finances. The monthly amount available for consumption for a typical Danish family with two children was reduced by around DKK 3-5,000.

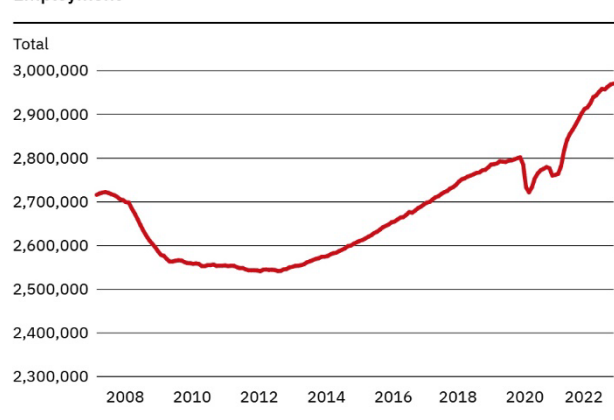
The return of inflation and the erosion of real wages are the main reason why consumer confidence plummeted to record-low levels during the year. Consumers were more pessimistic about the economy than during the oil shocks, the 1980s austerity package or the financial crisis, when unemployment was much higher than it is today.

Inflation



Despite these strong headwinds for consumers, the number of forced sales remained at low levels, and private consumption held up reasonably well during the year. Households generally have sound finances, with many sitting on plenty of home equity, and we have not been living above our means in recent years, unlike in the run-up to the financial crisis. This provides some degree of resilience. Overall, the Danish economy actually performed surprisingly well in 2022 given the challenging economic and financial climate. Growth looks likely to reach close to 3% for the year as a whole, which is very strong by historical standards. These high activity levels also fed through to the labour market, where employment hit new record-highs during the year.

Employment



However, economic data both at home and abroad deteriorated towards the end of the year, and in general forecasts for the Danish economy in 2023 point to a recession, albeit a mild one, although it has to be said that there is considerable uncertainty about the growth outlook.

Historically large rise in mortgage rates

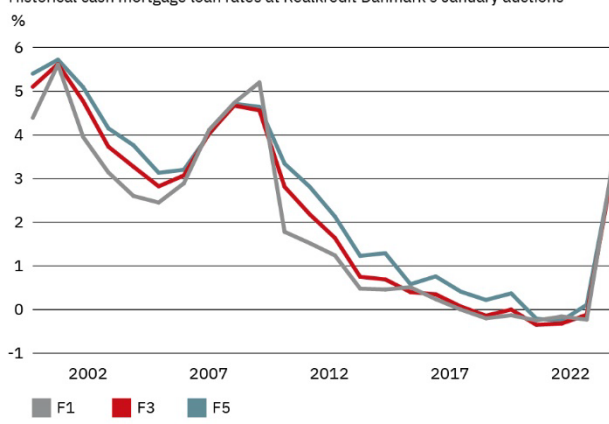
The strong inflationary pressures took central banks by surprise, as they had long argued that the rise in inflation was only a temporary phenomenon. They therefore had to rush to reverse their monetary policy. This meant that they had to deliver historically large rate hikes in 2022 in an attempt to curb demand in the economy and so bring inflation back under control.

The rise in policy rates naturally fed through to mortgage rates, which climbed at record speed. For example, the interest rate for a fixed-rate 30-year mortgage rocketed from around 1.5% at the beginning of the year to around 5% at the end of the year, and we bid farewell to negative rates for adjustable-rate loans as they soared to more than 3%.

The same tendency towards big rate increases was also seen in the year's final FlexLån auction with new rates from 1 January 2023. F1 borrowers saw rates jump no less than 3.47 percentage points from the previous refinancing, way above the previous record increase of "just" 1.22 percentage points back in January 2007.

Rates on Flexlån®

Historical cash mortgage loan rates at Realkredit Danmark's January auctions



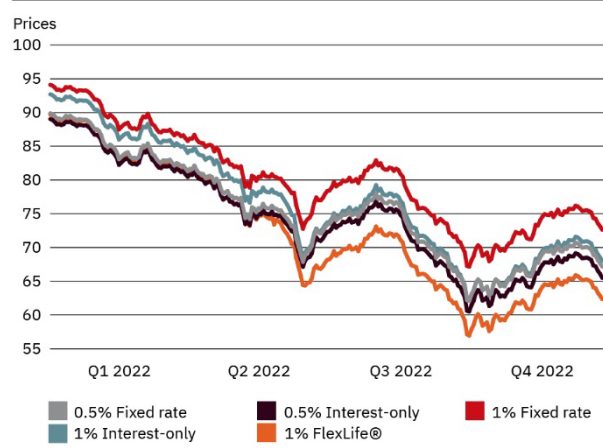
The rise in mortgage rates led to a substantial shift in borrower behaviour during the year. We saw fewer opting for fixed-rate products, and more seeking full exposure to the rate curve, with a particular increase in demand for loans such as FlexKort® with twice-a-year rate resets. This shift in behaviour needs to be seen in the light of the steeper yield curve, and maybe some homeowners not wanting to be tied into rates that they consider "high".

Given this change in borrower behaviour, there has been some discussion of whether homeowners are now taking on too much interest rate risk, but it is worth remembering that borrowers are stress-tested and should therefore

have the means to cope with higher rates. There are also restrictions on the products that are available to them—for example, borrowers cannot take out a short adjustable-rate loan on an interest-only basis if they have a relatively high loan-to-income ratio and a loan-to-value above 60%. Finally, the majority of homeowners still have mortgages with a fixed rate or a five-year reset period, giving them a considerable degree of protection against higher interest rates.

Rising interest rates also opened up new opportunities for many borrowers on fixed-rate mortgages to adjust their finances. Prices for fixed-rate loans with low coupons fell sharply, prompting the first real wave in recent years of remortgaging to higher coupons. The typical reduction in outstanding mortgage debt achieved by our customers when remortgaging in 2022 was around 20%, with some getting reductions of more than 40%. There were big differences in how homeowners used this reduction in mortgage debt, with some consolidating their finances by setting the gain directly against the new mortgage, and others taking out larger mortgages to pay off more expensive bank loans. There were also some borrowers who took the opportunity to release funds for future home improvements, pension top-ups or a larger financial buffer in these times of uncertainty.

Mortgage bonds, 30 year fixed rate (2053)

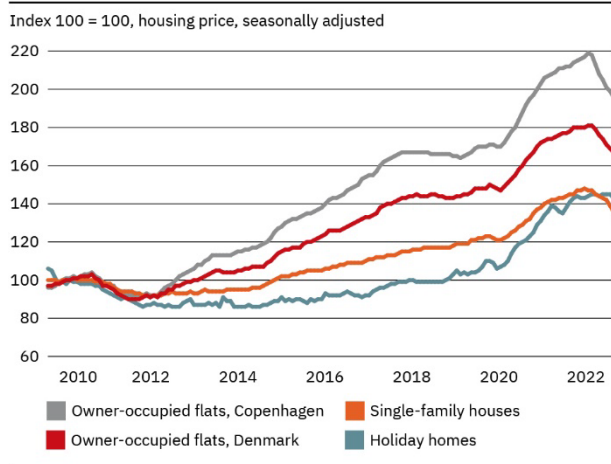


Housing market slowed sharply in 2022

There was a marked shift in the housing market during the year, which started with high activity and rising prices but finished with the lowest activity for around a decade. A total of around 65,000 owner-occupied homes and holiday homes changed hands in 2022, down from more than 100,000 in 2021, a year with historically high levels of activity. Seasonally adjusted activity towards the end of 2022 suggests that the number of transactions could fall as low as 40-50,000 in 2023.

Housing prices really began to come down in the second half of 2022. Seasonally adjusted house prices at the end of the year were 8% down from their peak in the spring, while prices of owner-occupied flats in Copenhagen dropped by more than 10%. The holiday home market held up surprisingly well, however, with prices still close to their peak as the year drew to a close. This was particularly remarkable given the strong activity and big price rises in the holiday home market during the pandemic.

Housing prices

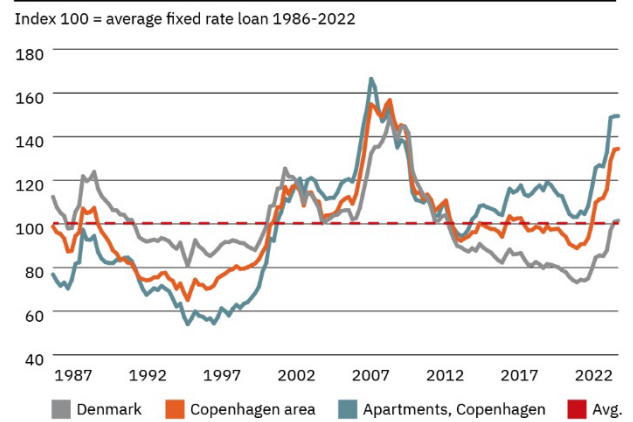


Unsurprisingly, housing prices as a whole fell furthest in the areas where they climbed furthest in previous years, as also seen in the wake of the financial crisis. This trend is more dominant than the effect of home heating sources during the year despite much talk of negative price effects for properties with gas heating.

The current uncertainty in the housing market is not expected to disappear any time soon, and there is much to suggest that housing prices will fall further as we head into 2023. The surge in interest rates in 2022 has yet to have its full impact on housing prices, and there is also the prospect of negative growth in the Danish economy. Despite the recent drop in prices, housing costs are still relatively high by historical standards in the Copenhagen and Aarhus regions, which will in itself put downward pressure on prices.

The reform of housing taxation is due to enter into force on 1 January 2024 but had little impact on homebuyers in 2022. Not only was it overshadowed by rising interest rates and high inflation, but many homeowners have still not received a new official valuation. The reform will be neutral for the housing market as a whole, but will have negative effects on prices in the most expensive areas and especially the market for owner-occupied apartments, and should therefore increasingly be a theme in the housing market as 2023 goes on. This applies particularly to the market for owner-occupied flats in Copenhagen and Aarhus and new project apartments.

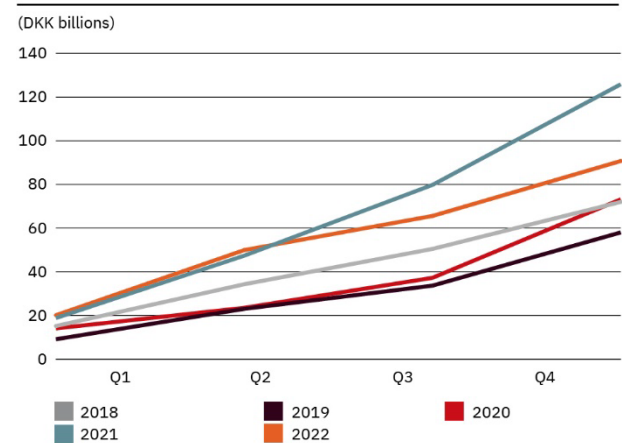
Housing burden - cost of owning a house compared to disposable income



High activity in the market for commercial property

The uncertain economic outlook and rising interest rates also affected the market for commercial property. The first half of the year began at a high tempo, in line with the record levels of 2021, but activity then slowed. The total transaction volume for 2022 ended up at around DKK 85 billion, which is some way off the record of DKK 125 billion in 2021 but still high by historical standards. This positive performance is also in evidence in our quarterly gauge of the market based on data from Realkredit Danmark's valuation specialists. Even if we include the provisional results for the fourth quarter, none of the three segments – office, retail or housing – dropped into negative terrain in 2022.

Accumulated transaction volume



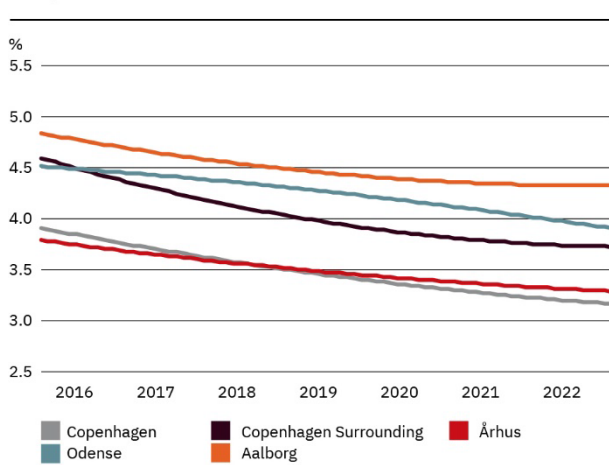
The office market was buoyed by further positive employment growth. We also saw a continued decrease in both the vacancy rate and the percentage of office space on the market.

Retail had a slightly more challenging year, and the signal from our gauge was neutral in three of the year's four quarters, indicating no change. It is not unusual for data to point in different directions at an inflection, and the fourth quarter was no exception. Sadly the number of bankruptcies is rising, and retail sales volumes are still falling, but the vacancy rate is continuing to come down, and the percentage of retail space on the market has stagnated at relatively low levels.

Hotels would also have been expected to have seen tough times, but the total number of guest-nights in the first ten months of the year was around 10% higher than in the same period in 2019, the last "normal" year before Covid-19. The occupancy rate is still a fair bit lower, however, especially in the Copenhagen region, due to a major expansion of capacity that began before Covid-19 struck.

Residential letting remains investors' preferred segment, not only in terms of its share of transaction volume in 2022 but also going forward. In general, residential letting has been supported by almost record-low jobless numbers, and while labour shortages are easing, they remain high. The housing market in the four big cities is also being favoured by healthy population growth and the prospect of a substantial decrease in construction activity. According to data from our valuation specialists, yield requirements in the residential letting market are still falling despite the big increase in interest rates in 2022.

Yield, residential rental



In the fourth quarter, interest rates for short-term adjustable-rate mortgages were on a par with yield requirements in the residential rental market in the four big cities. If rates hold steady or move higher in 2023, we could be looking at a repricing of investment and commercial property, with properties trading at very low yield requirements facing particular challenges.

Rising earnings in agriculture

Overall, Denmark's farmers saw slightly higher earnings in 2022 even after recent good years by historical standards, but different segments were affected differently by price movements.

Arable farmers generally enjoyed healthy earnings in 2022. Grain prices hit record levels due to the war in Ukraine, which has affected the global grain supply balance and led to relatively low stocks in the grain-exporting nations.

Dairy farmers saw record-high milk prices, as the supply globally lagged demand. This generally pushed farmers' earnings up to high levels by historical standards despite rising feed and energy costs.

Pig farmers had a mixed year, with some reporting good profits and others losses. High grain prices made feed very expensive, which had a negative impact on the earnings of farmers who did not grow a large part of their own feed grain or had not entered into long-term feed price contracts. Prices for slaughter pigs were higher than normal in 2022, whereas weaners sold at export prices were lower than normal, partly as a result of dwindling production in Germany and Poland due to African swine fever. Slaughter pig producers largely self-sufficient in feed grain generally therefore reported better earnings than less self-sufficient farmers selling weaners at export prices.

Given the prospect of further high milk and grain prices in 2023, albeit not as high as in 2022, and rising prices for pigs as a result of adjustments to production in the EU, coupled with higher energy and interest costs, agricultural earnings as a whole are expected to be reasonable in 2023 but down on 2022. 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.

Lending

Green bonds

Customer interest in green financing solutions continued to grow in 2022. RD Cibor6®Green was launched in Denmark in 2019 and at 31 December 2022 total lending amounted to DKK 18.2 billion. In 2022 mortgages for DKK 3.3 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. The requirements include EPC A2020, which defines a requirement for how much energy per square metre a property is allowed to consume.

Total lending

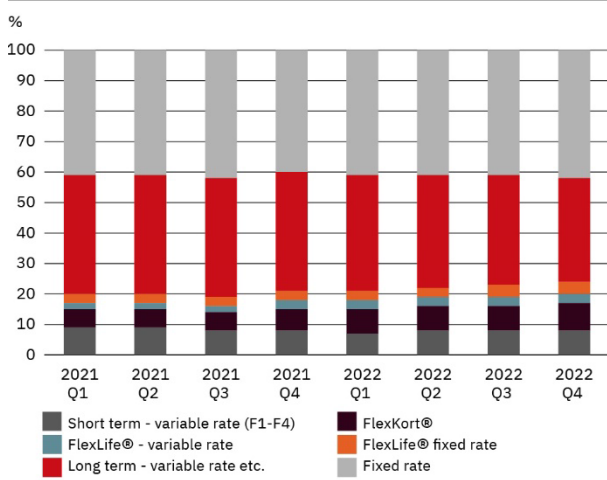
Lending activity in 2022 was marginally higher than in 2021. In 2022, total gross lending thus stood at DKK 159 billion, against DKK 146 billion in 2021.

Realkredit Danmark's total mortgage lending fell in nominal terms by DKK 6 billion in 2022. At the end of 2022, the total loan portfolio amounted to DKK 802 billion, against DKK 808 billion the year before.

Remortgaging activity amounted to DKK 92 billion in 2022, against DKK 56 billion in 2021.

While in 2021, six out of ten new mortgages were ordinary loans with repayment, customers increasingly preferred interest-only mortgages in 2022, when five out of ten new mortgages were issued with deferred amortisation. The total share of interest-only mortgages increased from 45% in 2021 to 47% at end-2022.

Development in loan portfolio by loan type (%)



Personal market

Realkredit Danmark's lending to owner-occupied dwellings and holiday homes amounted to DKK 438 billion at end-2022, against DKK 450 billion at end-2021. This development is primarily driven by customers remortgaging to a higher coupon, which has reduced outstanding debts by DKK 10 billion.

Strong remortgaging activity in 2022 resulted in overall gross lending of DKK 106 billion in Realkredit Danmark, against gross lending of DKK 90 billion in 2021.

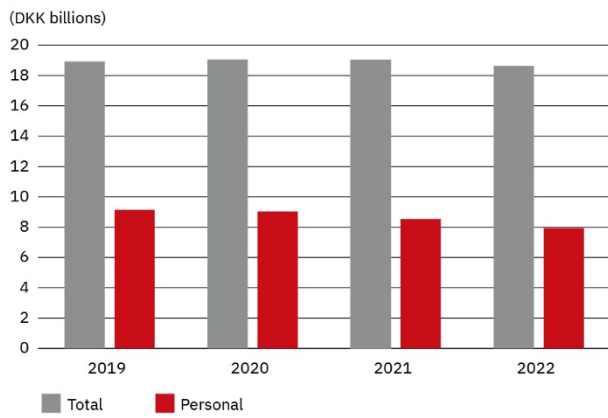
Following a long period in which customers opted for fixed-rate products, the sharp increase in interest rates in 2022 made customers turn to short-term variable rate mortgages. While seven out of ten customers opted for fixed-rate mortgages in 2021, this share fell to five out of ten customers in 2022.

Obviously, the distribution in the overall portfolio does not change as quickly, but similar distinctive trends can be seen in customers considering short-term variable-rate mortgages. As such, the share of FlexKort® loans doubled from 3% to 6% during 2022.

The share of interest-only mortgages continued to grow in 2022, although the trend started to stagnate. At the end of 2022, interest-only mortgages accounted for 53% of total lending for owner-occupied dwellings and holiday homes. Interest-only mortgages have been debated heavily in recent years, especially in the wake of the Systemic Risk Council's recommendation in 2021 to restrict access to interest-only mortgages for homeowners with loan-to-value (LTV) above 60%. However, underlying Realkredit Danmark data show that the increase in interest-only mortgages is seen primarily for homeowners with an LTV below 60%. The data also show there is typically a correlation between expiring interest-only periods and the maturity of a potential home loan.

The volume of FlexLife® loans continues to grow. Total gross lending for FlexLife® amounted to DKK 22 billion in 2022.

Ordinary Payments



Business market

At end-2022, the mortgage portfolio amounted to DKK 364 billion in nominal terms, which was an increase of DKK 7 billion on the year before.

Unlike in the personal market, the business market did not experience an increase in remortgaging activity from 2021 to 2022. In 2022, total remortgaging in the business market thus amounted to DKK 20 billion, against DKK 17 billion in 2021.

The business market also recorded falling demand for fixed-rate mortgages. In 2021, close to every third disbursed mortgage loan carried a fixed rate of interest, but this share dropped to only one in four in 2022. As in the personal customer market, focus shifted towards short-term variable-rate Flexlån® mortgages such as F1-F3. However, long-term variable-rate mortgages still account for more than 50% of total mortgages disbursed in 2022.

Co-operative housing societies were again the segment showing the greatest interest in FlexLife® with fixed interest rate, which give the societies an opportunity to combine a fixed interest rate with an interest-only period of up to 30 years as well as the flexibility to regularly align the rate of repayment on the mortgage with the finances of the society.

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.

In 2022, Danske Bank strengthened the possibility for home finance advisors to focus even further on helping

and supporting real estate customers providing relevant and competent advice supported by strong digital solutions.

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 Home Direct, 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.

After Realkredit Danmark launched its new website in 2021, new content has regularly been added in 2022. rd.dk is focused on user experience, including mobile performance, access to easy-to-understand and easily accessible calculators and product pages. We work actively with current and relevant content and recommendations, and we are experiencing a high level of activity both from current, but also from prospective new customers.

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 a change of ownership. After a very

high level of activity in 2021, declining activity in 2022 had an adverse effect on overall net profits, which fell from DKK 64 million in 2021 to DKK 25 million in 2022.

Activities and portfolio (DKK millions)	Gross lending		Net new lending		Loan portfolio			
	2022	2021	2022	2021	2022	%	2021	%
Personal market	106,025	90,155	-3,884	14,214	437,709	55	450,188	56
Business market	53,132	55,522	18,773	21,823	364,315	45	357,433	44
Total (nominal value)	159,157	145,677	14,889	36,037	802,024	100	807,621	100

Lending broken down by loan type %	Share of gross lending		Share of loan portfolio	
	2022	2021	2022	2021
Short-term variable rate (F1-F4)	9	3	8	8
FlexKort®	9	1	4	3
FlexLife ® variable rate	10	10	9	7
FlexLife ® - fixed-rate	3	11	3	3
Fixed-rate	38	42	34	39
Long-term variable rate etc.	31	33	42	40
Total	100	100	100	100

Funding

Bond issuance

Realkredit Danmark operates 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 2022

Realkredit Danmark issued bonds worth DKK 159 billion exclusive of bonds issued for refinancing auctions. This represents an increase of 9% relative to 2021. The bond market was characterised by volatile interest rates in 2022 due to the war in Ukraine, central banks rapidly increasing policy rates to fight inflation and soaring energy prices. Customers with fixed-rate mortgages took advantage of the volatile interest rates to remortgage their loans, thereby reducing their debt. Of the bonds issued in 2022, 41% were callable and 59% were non-callable. In 2021, there was an overweight of callable bonds.

Refinancing in 2022

In 2022, 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 2022 were held in February 2022. Total issuance amounted to DKK 54 billion, against DKK 46 billion in 2021. In November 2022, bonds worth DKK 22 billion were issued in connection with the refinancing of FlexLån® at 1 January 2023. Refinancing at 1 January 2022 amounted to DKK 17 billion.

In May 2022, Realkredit Danmark auctioned bonds for DKK 6 billion to refinance RD Cibor6® and DKK 11 billion to refinance RD Cibor6® Green.

Lastly, in August 2022 SEK 2.3 billion was refinanced in RD Stibor3® and NOK 1.7 billion in RD Nibor3®.

At end-2022, Realkredit Danmark had issued mortgage bonds for a total amount of DKK 822 billion, of which

mortgage-covered bonds accounted for DKK 793 billion.

Debt issuance

In December 2020, Realkredit Danmark raised a debt buffer requirement eligible loan with the parent group, Danske Bank A/S, in the amount of DKK 2 billion in order to comply with the debt buffer requirement. Realkredit Danmark has not obtained any new non-covered bond debt in 2022.

Investor distribution

Foreign investors continued to show interest in Danish mortgage bonds in 2022. However, the volatile markets and increasing interest rates led to periods of increased selling activity from foreign investors. However, as the total outstanding amount has been reduced as a result of the remortgaging activity of mortgage owners, foreign investors still held 22% of all mortgage bonds at the end of 2022 compared with 25% at end-2021.

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 declined during 2022, from DKK 24.6 billion at end-2021 to DKK 23.9 billion at end-2022.

The overcollateralisation requirements for the capital centres are covered by funds from Realkredit Danmark's equity and the loan raised with Danske Bank A/S. Realkredit Danmark expects stable overcollateralisation requirements from the rating agencies in 2023. 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.

Debt buffer

In 2021, the phasing-in of the debt buffer requirement of 2% of the credit institution's total lending was finalised. For Realkredit Danmark, the requirement equals about DKK 16 billion.

Realkredit Danmark meets the debt buffer requirement using excess shareholders' equity as well as eligible debt obtained from Danske Bank A/S in December 2020.

Bonds issued at 31 December (nominal value)

Bond type (DKK billions)	Currency	Mortgage- covered bonds		Mortgage bonds	
		2022	2021	2022	2021
Fixed rate	DKK	283	326	2	3
FlexLån®	DKK	282	287	-	-
FlexLån®	EUR	2	3	-	-
FlexLife®	DKK	92	76	-	-
FlexKort®	DKK	36	24	-	-
Index-linked loans	DKK	-	-	16	16
FlexGaranti® and RenteDyk™	DKK	1	1	4	5
RD Cibur6®	DKK	84	75	4	5
RD Nibor3®	NOK	5	5	-	-
RD Stibor3®	SEK	7	8	3	3
RD Euribor3®	EUR	1	2	-	-
Total DKK		793	807	29	32

In 2022, the calculation was adjusted to reflect double-funding of DKK 20 billion because of the refinancing of FlexLån® (2021: DKK 16 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% has to 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 2022, the total REA amounted to DKK 159.3 billion, a decrease of DKK 24.1 billion from the level at the end of 2021. The decrease was due primarily to decreased exposure but also a smaller than anticipated impact from the new definition of default. With total capital of DKK 46.4 billion, the total capital ratio was 29.1%.

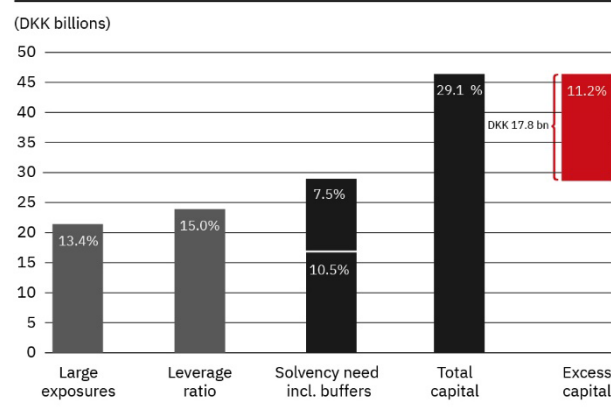
Capital requirements

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 2.0%.

In March 2022, the Danish Minister for Industry, Business and Financial Affairs announced that the countercyclical buffer will be further increased to 2.5% effective from 31 March 2023.

Solvency need ratio and total capital ratio, end 2022



At the end of 2022, Realkredit Danmark's solvency need, including the combined buffer requirement, was calculated at DKK 28.6 billion, corresponding to a solvency need ratio including buffers of 18.0% of the total REA. With total capital of DKK 46.4 billion, Realkredit Danmark had DKK 17.8 billion in excess of the total capital requirement.

Leverage ratio

At the end of 2022, Realkredit Danmark had DKK 21.7 billion in excess to the minimum requirement of 3% with a leverage ratio of 5.7%.

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 2022, 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 2022, the need for supplementary collateral was DKK 4.6 billion, against DKK 9.0 billion at end 2021. Of the DKK 4.6 billion, DKK 0.2 billion was provided in the form of loan loss guarantees. The remaining DKK 4.4 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 38 billion of the loan portfolio at 31 December 2022.

Risk management

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

The credit risk on mortgages comprises the risk that the borrower is unable to repay the loan and the expected loss if the borrower does not repay the loan. Liquidity risk is the risk that payments to the bondholder fall due before Realkredit Danmark has secured the necessary liquidity. This is 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 has introduced additional Pillar II liquidity requirements which addresses refinancing and remortgaging risks. The combined pillar I+II requirement defines the binding liquidity requirement for Realkredit Danmark. At the end of 2022, this corresponded to approximately DKK 8.2 billion. Realkredit Danmark's holding of unencumbered liquid assets after caps and haircuts at end-2022 was DKK 20 billion.

Future rules

As a part of the EU's Banking Package 2021, and in order to implement Basel IV, the European Commission adopted proposals, in October 2021, to amend, inter alia, Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU (CRD). The proposals include some adjustments to the Basel IV standard, and the output floor is subject to a transitional arrangement, which entails that the output floor must be fully implemented on 1 January 2030. The outcome of the EU legislative negotiations, regarding the proposals, is uncertain and may result in further adjustments to the proposal.

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	2022	2021	Limit
Growth in lending¹			
Owner-occupied dwellings and holiday homes	-2.8%	1.0%	15%
Residential rental property	4.4%	5.8%	15%
Agriculture	-5.0%	-5.1%	15%
Other	0.6%	1.1%	15%
Borrower interest-rate risk²			
Properties for residential purposes	5.1%	4.9%	25%
Interest-only option³			
Owner-occupied dwellings and holiday homes	6.0%	5.5%	10%
Loans with short-term funding⁴			
Refinancing, annually	12.0%	10.9%	25%
Refinancing, quarterly	2.7%	2.1%	12.5%
Large exposures⁵			
Loans relative to shareholders' equity	74%	65%	100%

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

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

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

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

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

Organisation and management

Management

Realkredit Danmark A/S is a wholly-owned subsidiary of Danske Bank A/S. The Board of Directors consists of seven directors, of whom five have been elected by the shareholder and two have been elected by the employees of Realkredit Danmark A/S.

At the annual general meeting on 10 March 2022, the board members were re-elected to the Board of Directors. Furthermore, Magnus Thor Agustsson, member of the Executive Board of Danske Bank A/S, was elected as a new board member.

During 2022, there were a number of changes to the composition of the Board of Directors. In July, Line Munkholm Haukrogh stepped down, and in November Glenn Söderholm stepped down. Both were replaced by new members of the Board of Directors.

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

Effective 1 February 2022, Kamilla Hammerich Skytte took up the role as member of the Executive Board and replaced Carsten Nøddebo Rasmussen as Chief Executive Officer effective 1 March 2022. Kamilla Hammerich Skytte, age 50, holds a Masters Degree in Economics from the University of Copenhagen and has held a number of different positions in the Nordea Group since 1999, including member of the Executive Management and CEO of Nordea Kredit Realkreditaktieselskab. The Danish Financial Supervisory Authority provided their fit & proper approval of Kamilla Hammerich Skytte as Chief Executive Officer in Realkredit Danmark A/S in August 2021.

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

Board members elected by the 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 A/S.

Please refer to page 74-75 for the required information about directorships held by persons employed by the Board.

Employees

At the end of 2022, the number of full-time equivalent staff at the Realkredit Danmark Group was 227.

Diversity policy

In 2022, the Danske Bank Group continued the efforts to advance the Diversity & Inclusion agenda both in the Danske Bank Group and towards society in general. During the year the Diversity & Inclusion Policy was reviewed and Diversity & Inclusion subject matter experts hired to develop and implement actions. Also further LGBTQ+ rights and conditions were improved and in 2022 Danske Bank was ranked amongst the world's top 100 employers for these efforts.

Realkredit Danmark's Board of Directors has adopted the Danske Bank Group's Diversity and Inclusion policy. One of the focus areas of the policy is to increase the percentage of female managers. For example, this is achieved through a separate assessment of female applicants for managerial positions. The principles are available on Danske Banks website: danskebank.com

The table below shows the gender composition at 31 December 2022 relative to the 2023 targets:

Management level	Total	Men	Women	Share of women	Target for the less represented gender 2023
Board of Directors	7	5	2	29%	38%
Executive Board	2	1	1	50%	-
Senior leadership	11	7	4	36%	35%
Management level - other	30	18	12	40%	40%

Data ethics

In 2021, Danske Bank developed a set of ethical principles for its use of data. These define how Danske Bank strives to act with regard to data use across the Group and in its business relations.

Some of the principles were already integrated into Danske Bank's existing privacy and security processes. In 2022, Danske Bank continued its work to integrate the principles into further processes and steering and control mechanisms with a focus on the advanced analytics space.

The Data Ethics Principles document constitutes a Report on Data Ethics as required under section 135d of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The principles are available on Danske Banks website: [danskebank.com Corporate Governance](https://danskebank.com/Corporate-Governance)

Compliance

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

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

The second line of defence is anchored in Realkredit Danmark's Compliance unit. Some of the day-to-day compliance tasks continue to be outsourced to Danske Bank A/S, but the overall responsibility for the second line compliance function lies with the Head of the Compliance unit, who reports directly to the Executive Board.

The responsibilities of the first line Business Risk & Governance unit are continuously to support and provide advice to the organisation and units in Realkredit Danmark on managing regulatory, legal and non-financial risks within their areas of activities and responsibilities, including implementation of policies and other frameworks applicable to them. During 2022, more resources have been allocated to the unit to strengthen the risk culture across Realkredit Danmark and to achieve a solid coherence between the governance model for Realkredit Danmark and the management of the inherent risks associated with the business activities of the undertaking.

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 within the Realkredit Danmark organisation, which are delivered on the basis of an outsourcing framework and governance model adopted by senior management.

Business Risk & Governance reports directly to the Executive Board and participates in Realkredit Danmark risk committee and product committee meetings. Further, the head of Business Risk & Governance is the designated anti-money laundering officer as well as the designated outsourcing officer for Realkredit Danmark.

In 2022, Realkredit Danmark retained its strong focus on financial crime compliance to prevent criminals from using mortgage loans and properties mortgaged with loans from Realkredit Danmark for criminal purposes.

Realkredit Danmark has outsourced the responsibilities on designing, implementing, operating and maintaining relevant financial crime processes and controls to Danske Bank. Throughout 2022, the outsourcing governance model for financial crime risk management and controls developed in 2021 turned out to truly support the high ambitions for maturing the processes and controls required to support compliance with applicable financial crime regulation and internal financial crime risk mitigation standards.

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

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

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

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

Realkredit Danmark regularly assesses risks in relation to financial reporting, with particular focus on items where estimates and assessments could significantly 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 audit of operational processes at Realkredit Danmark to assess the effectiveness of the company's risk management, controls and governance. The planning and performance of the work of Internal Audit is subject to the provisions of the Danish Executive Order on Auditing, the International Standards on Auditing (ISAs) as well as the International Standards for the Professional Practice of Internal Auditing (IPPF).

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

Audit Committee

The Board of Directors has set up an audit committee to prepare the work of the Board of Directors on financial reporting and audit matters, including related risk matters, which the Board of Directors, the committee itself, the external auditors or the head of Internal Audit intend to review further. The committee works on the basis of clearly defined terms of reference. The committee has no independent decision-making powers but reports to the Board of Directors as a whole. In 2022, the Audit Committee held six meetings.

Corporate responsibility and sustainability

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

Realkredit Danmark is incorporated in Danske Bank Group's corporate responsibility and sustainability work. Along with its Annual Report 2022, Danske Bank Group has published a Sustainability Report 2022 detailing the Group's corporate responsibility. The Sustainability Report is supplemented by the Sustainability Fact Book 2022, and together they provide a comprehensive view of the principal corporate responsibility and sustainability aspects of the Group's activities.

According to the Accounting Act, Chapter 3a Realkredit Danmark does not prepare sustainability report. The Parent Company, Danske Bank A/S, with its registered office in Denmark, prepares a sustainability report for the Group of which Realkredit Danmark is part of. The Group's sustainability report, including reporting on Taxonomy eligibility, is available on Danske Bank's websites danskebank.com/sustainability

Income statement and Comprehensive income

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2022	2021	2022	2021
	Income statement				
4	Interest income	15,156	13,738	15,156	13,737
5	Interest expense	9,046	7,453	9,046	7,452
	Net interest income	6,110	6,285	6,110	6,285
3	Fee and commission income	1,371	1,107	1,371	1,107
	Fee and commission expense	1,353	1,234	1,353	1,234
2	Net fee and commission income	6,128	6,158	6,128	6,158
2, 6	Value adjustments	-236	-327	-236	-327
3	Other operating income	84	136	1	-
7-9	Staff costs and administrative expenses	1,102	994	1,053	940
	Impairment, depreciation and amortisation charges	3	1	2	-
10	Loan impairment charges	212	269	212	269
34	Income from associates and group undertakings	-	-	25	64
	Profit before tax	4,659	4,703	4,651	4,686
11	Tax	1,033	1,034	1,025	1,017
	Net profit for the year	3,626	3,669	3,626	3,669
	Proposal for allocation of profits				
	Net profit for the year			3,626	3,669
	Transferred from other reserves			2,913	2,911
	Total for allocation			6,539	6,580
	Portion attributable to				
	Reserves in series			2,939	2,980
	Other reserves			-	-
	Proposed dividends			3,600	3,600
	Total allocation			6,539	6,580
	Comprehensive income				
	Net profit for the year	3,626	3,669	3,626	3,669
	Other comprehensive income				
	Items that will not be reclassified to profit or loss				
	Actuarial gains/losses on defined benefit plans	-29	17	-29	17
	Tax	-8	4	-8	4
	Total comprehensive income	-21	13	-21	13
	Total comprehensive income for the year	3,605	3,682	3,605	3,682

Balance sheet

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2022	2021	2022	2021
	ASSETS				
	Cash in hand and demand deposits				
	with central banks	5,612	3,674	5,612	3,674
12	Due from credit institutions and central banks	3,149	14,969	3,074	14,858
13	Bonds at fair value	13,270	13,068	13,270	13,068
14	Bonds at amortised cost	33,448	33,363	33,448	33,363
15-16, 19	Mortgage loans at fair value	724,438	810,139	724,438	810,139
15, 17-19	Loans and other amounts due at amortised cost	204	408	184	388
	Shares	4	4	-	-
34	Holdings in group undertakings	-	-	128	166
20	Other tangible assets	3	6	3	5
	Current tax assets	-	48	-	49
21	Deferred tax assets	-	-	-	-
22	Assets temporarily taken over	4	7	4	7
19, 23	Other assets	2,096	1,312	1,923	1,242
	Prepayments	-	1	-	-
	Total assets	782,228	876,999	782,084	876,959
	LIABILITIES AND EQUITY				
	AMOUNTS DUE				
24	Due to credit institutions and central banks	2,000	2,000	2,000	2,000
25	Issued mortgage bonds at fair value	724,105	820,950	724,105	820,950
	Current tax liabilities	36	-	39	-
21	Deferred tax liabilities	43	55	-	-
26, 27	Other liabilities	6,567	4,522	6,411	4,471
	Total amounts due	732,751	827,527	732,555	827,421
	PROVISIONS				
21	Deferred tax	-	-	48	61
27	Reserves in early series subject to a reimbursement obligation	-	-	4	5
	Total provisions	-	-	52	66
	SHAREHOLDERS' EQUITY				
	Share capital	630	630	630	630
	Reserves in series	45,171	45,191	45,171	45,191
	Other reserves	76	51	76	51
	Proposed dividends	3,600	3,600	3,600	3,600
	Total shareholders' equity	49,477	49,472	49,477	49,472
	Total liabilities and equity	782,228	876,999	782,084	876,959

Statement of capital

Realkredit Danmark Group

(DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
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	-	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
Shareholders' equity at 1 January 2021	630	45,086	74	3,800	49,590
Net profit for the year	-	2,980	689	-	3,669
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	17	-	17
Tax	-	-	-4	-	-4
Total other comprehensive income	-	-	13	-	13
Total comprehensive income	-	2,980	702	-	3,682
Transferred from/to Other reserves	-	-2,875	2,875	-	-
Dividend paid	-	-	-	-3,800	-3,800
Proposed dividends	-	-	-3,600	3,600	-
Shareholders' equity at 31 December 2021	630	45,191	51	3,600	49,472

Statement of capital

Realkredit Danmark A/S

(DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
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	-	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
Shareholders' equity at 1 January 2021	630	45,086	74	3,800	49,590
Net profit for the year	-	2,980	689	-	3,669
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	17	-	17
Tax	-	-	-4	-	-4
Total other comprehensive income	-	-	13	-	13
Total comprehensive income	-	2,980	702	-	3,682
Transferred from/to Other reserves	-	-2,875	2,875	-	-
Dividend paid	-	-	-	-3,800	-3,800
Proposed dividends	-	-	-3,600	3,600	-
Shareholders' equity at 31 December 2021	630	45,191	51	3,600	49,472

At the end of 2022, 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 2022	31 December 2021
Total capital and Total capital ratio		
Shareholders' equity	49,477	49,472
Proposed dividends	-3,600	-3,600
Deferred tax assets	-	-
Prudent valuation	-4	-1
Minimum Loss Coverage for Non-Performing Exposures	-111	-42
Defined benefit pension fund assets	-148	-171
Common equity tier 1 capital	45,614	45,658
Difference between expected losses and impairment charges	-	-
Tier 1 capital	45,614	45,658
Reserves in series subject to a reimbursement obligation	-	-
Difference between expected losses and impairment charges	776	742
Total capital	46,390	46,400
Risk exposure amount	159,310	183,447
Common equity tier 1 capital ratio (%)	28.6	24.9
Tier 1 capital ratio (%)	28.6	24.9
Total capital ratio (%)	29.1	25.3

At end-2022, 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 2022	31 December 2021
Total capital and Total capital ratio		
Shareholders' equity	49,477	49,472
Proposed dividends	-3,600	-3,600
Deferred tax assets	-	-
Prudent valuation	-4	-1
Minimum Loss Coverage for Non-Performing Exposures	-111	-42
Defined benefit pension fund assets	-148	-171
Common equity tier 1 capital	45,614	45,658
Difference between expected losses and impairment charges	-	-
Tier 1 capital	45,614	45,658
Reserves in series subject to a reimbursement obligation	-	-
Difference between expected losses and impairment charges	775	741
Total capital	46,389	46,399
Risk exposure amount	159,128	183,386
Common equity tier 1 capital ratio (%)	28.7	24.9
Tier 1 capital ratio (%)	28.7	24.9
Total capital ratio (%)	29.2	25.3

At end-2022, 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)	2022	2021
Cash flow from operating activities		
Profit before tax	4,659	4,703
Adjustment for other non-cash operating items		
Amortisation, depreciation and impairment charges	3	1
Loan impairment charges	-59	122
Tax paid	-952	-1,055
Cash flow from operations before changes in operating capital	3,651	3,771
Cash flow from operating capital		
Bonds and shares	-328	785
Mortgage loans	5,598	-14,921
Issued mortgage bonds	-15,893	7,584
Due to credit institutions	-	-
Other assets/liabilities	690	179
Cash flow from operating activities	-6,282	-2,602
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	-3,800
Cash flow from financing activities	-3,600	-3,800
Cash and cash equivalents at 1 January	18,643	25,045
Change in cash and cash equivalents	-9,882	-6,402
Cash and cash equivalents at 31 December	8,761	18,643
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	5,612	3,674
Amounts due from credit institutions and central banks within 3 months	3,149	14,969
Total	8,761	18,643

1 SIGNIFICANT ACCOUNTING POLICIES

General

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

Changes to significant accounting policies

On 1 January 2022, the Group implemented the amendments to IAS 16, IAS 37, IFRS 3 and Annual Improvements to IFRS Standards 2018-2020.

The implementations had no impact on the shareholders' equity at 1 January 2022.

Apart from these changes, the accounting policies are unchanged from those applied in Annual Report 2021.

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

Significant accounting estimates and assessments

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

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

Fair value measurement of mortgage loans

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

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 2022 have been updated with the latest macroeconomic data. Compared to the end of 2021, all three scenarios have been revised to reflect expectations of higher inflation and interest rate hikes fuelled by the war in Ukraine. The scenario weighting remained unchanged from the end of 2021.

The base case is an extension of the Group's official view of the Nordic economies (the Nordic Outlook report). At 31 December 2022, the base case scenario reflects an expectation of high inflation and interest rates fuelled by the war in Ukraine. This results in a weaker GDP growth due to soaring energy costs, skills shortages and wage pressures that affect consumers and businesses in the Nordic economies. House price have been revised downwards to larger decrease, which is a consequence of the increasing interest rates.

The upside scenario represents a slightly better outlook than the base case scenario across the macroeconomic parameters. In this scenario, the global inflation declines which allows the central banks to ease the tightening pace, which lowers bond yields and boosts equity markets. Consumer sentiment increases and consumers run down a large proportion of the savings accumulated during the crisis.

The Group's downside scenario is a stagflation scenario, calibrated to a level of severity resembling the recession in 2008-2009, however with high interest rates and high inflation. 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.

Notes

Note

At the end of 2022, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 2,862 million (2021: DKK 2,930 million), reducing the value of mortgage loans. The base case scenario enters with a probability of 70% (2021: 70%), the downside scenario with a probability of 20% (2021: 20%) and the upside scenario with a probability of 10% (2021: 10%). If the base case scenario was assigned a probability of 100%, the fair value adjustment at end-2022 would be DKK 2,600 million (2021: DKK 2,600 million). The fair value adjustment at the end of 2022 would increase to DKK 4,000 million (2021: DKK 4,300 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 2,500 million (2021: DKK 2,550 million). The applied macroeconomic scenarios in 2022 differ from those used at 31 December 2021. In Q4 2022 the downside scenario was changed to capture the severe recession scenario with high interest rates (reflecting a stagflation scenario) applied in the Group's Internal Capital Adequacy Assessment Process 8 (ICAAP) processes and is similar in nature to regulatory stress tests. The severe recession scenario reflects negative growth, increasing interest rates, and falling property prices for a longer period. The change of the downside scenario has been made to better capture the increasing risk and in order for the ECL calculation to include potential downside risks due to the elevated asset prices across the Nordics.

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 2022, the allowance account would increase by DKK 25 million (2021: DKK 19 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 2022, the post-model adjustments amounted to DKK 1,220 million (2021: DKK 1,334 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.

On the other hand, covid-related uncertainties have been reduced from the end of 2021, and the related post-model adjustments were fully released during 2022, as the new virus variants has not resulted in prolonged lockdown.

Consolidation

Group undertakings

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

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

Segment reporting

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

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

Offsetting

Assets and liabilities are offset when the Group and the counterparty have a legally enforceable right to set off a recognised amount and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Holdings of own bonds do not constitute a claim on a counterparty, but reduce the Group's liability under the issued bonds. Holdings of own mortgage bonds are therefore set off against Issued mortgage bonds at fair value.

Translation of transactions in foreign currencies

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

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

Notes

Note

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 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.

Notes

Note

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

	Amortised cost	Fair value through profit or loss			Designated	Total
		Trading portfolio	Managed on fair-value basis	Due to SPPI test		
Assets						
Cash in hand and demand deposits with central banks	5,612	-	-	-	-	5,612
Due from credit institutions and central banks	3,149	-	-	-	-	3,149
Bonds	33,448	-	13,270	-	-	46,718
Loans	204	-	-	724,438	-	724,642
Shares	-	-	4	-	-	4
Derivatives (Other assets)	-	103	-	-	-	103
Total assets	42,413	103	13,274	724,438	-	780,228
Liabilities						
Due to credit institutions and central banks	2,000	-	-	-	-	2,000
Issued bonds	-	-	-	-	724,105	724,105
Derivatives (Other liabilities)	-	9	-	-	-	9
Total liabilities	2,000	9	-	-	724,105	726,114

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.

Notes

Note

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 10 or 11. For customers in rating category 10, the stage 3 classification only applies to customers where a loss is expected in the most likely scenario. For rating category 11, all exposures are classified as stage 3. The Realkredit Danmark Group uses the option to continue to recognise interest income on mortgage loans measured at fair value on the basis of the contractual interest rates.

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 implemented the new requirements related to the definition of default in January 2022 in order to align the existing definition of default to the new requirements outlined in the Guidelines and the RTS.

The newly 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. According to the revised definition of default, 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.

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

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

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

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

Notes

Note

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

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

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

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

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

Assets temporarily taken over

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

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

Other assets

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

Tangible assets

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

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

Tangible assets are tested for impairment if evidence of impairment exists, and the asset is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

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.

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.

Notes

Note

Deferred tax assets/Deferred tax liabilities

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

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

Current tax assets/Current tax liabilities

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

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

Other liabilities

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

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

Shareholders' equity

Reserves in series

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

Other reserves

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

Proposed dividends

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

INCOME STATEMENT

Interest income and expense

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

Fees and commission income and expense

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

Value adjustments

Value adjustments comprise realised and unrealised capital gains and losses on bonds at fair value, mortgage loans, issued mortgage bonds and fixed-price agreements as well as exchange rate adjustments.

Staff costs and administrative expenses

Staff costs

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

Performance-based pay and share-based payments

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

The fair value of share-based payments at the grant date is expensed over the service period that unconditionally entitles the employee to the payment. The intrinsic value of the share-based payments is expensed in the year in which the share-based payments are earned, whereas the time value (if any) is accrued over the remaining service period. Expenses are set off against shareholders' equity. The increase in shareholders' equity is eliminated by set-off against an interim account with Danske Bank A/S. Subsequent changes in the fair value are not recognised in the income statement.

Pension obligations

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

Notes

Note

Loan impairment charges

Loan impairment charges include the fair value adjustment of the credit risk on mortgage loans as well as losses on and impairment charges for other loans and amounts due.

The item also includes impairment charges and realised gains and losses on acquired assets if the assets qualify as assets temporarily taken over. Similarly, subsequent value adjustments of assets that the Group has taken over and does not expect to sell within 12 months are recognised under loan impairment charges, provided that the Group has a right of recourse against the borrower.

Tax

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

Comprehensive income

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

Cash flow statement

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

Cash and cash equivalents consists of Cash in hand and demand deposits with central banks and amounts due from credit institutions and central banks with 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 2022 the ESEF Taxonomy for 2021 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 have 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-2022-12-31-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 one new accounting standard (IFRS 17) and amendments to existing international accounting standards (IFRS 1, IFRS 9, IFRS 16, IAS 1, IAS 8 and IAS 12) 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 and Executive Order No. 1593 of 9 November 2020. The amendments of 9 November 2020 incorporate a requirement to provide a description of policies for data ethics applicable for annual reporting periods beginning on or after 1 January 2021. 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				
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
2021		Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin		5,857	-	5,857	-	5,857
Net interest income		-154	200	46	382	428
Net fee income		-127	-	-127	-	-127
Income from investment portfolios		10	45	55	-55	-
Value adjustments		-	-	-	-327	-327
Other income		136	-	136	-	136
Total income		5,722	245	5,967	-	5,967
Expenses		990	5	995	-	995
Profit before loan impairment charges		4,732	240	4,972	-	4,972
Loan impairment charges		269	-	269	-	269
Profit before tax		4,463	240	4,703	-	4,703
Tax				1,034	-	1,034
Net profit for the year				3,669	-	3,669
Total assets		830,055	46,944	876,999	-	876,999

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 96 million, which is recognised over the term of the franchise agreement (2021: DKK 148 million).

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2022	2021	2022	2021
4	Interest income				
	Reverse transactions with credit institutions and central banks	-12	-116	-12	-116
	Credit institutions and central banks	1	-8	1	-8
	Loans and other amounts due	9,068	7,686	9,068	7,685
	Administration margin	5,733	5,857	5,733	5,857
	Bonds at fair value	96	125	96	125
	Bonds at amortised cost	1	17	1	17
	Derivatives				
	Interest rate contracts	266	175	266	175
	Other interest income	3	2	3	2
	Total	15,156	13,738	15,156	13,737
	Interest income derived from				
	Assets at fair value	15,163	13,843	15,163	13,842
	Assets at amortised cost	-7	-105	-7	-105
	Total	15,156	13,738	15,156	13,737
5	Interest expense				
	Repo transactions with credit institutions and central banks	-2	-56	-2	-56
	Due to credit institutions and central banks	18	10	18	9
	Issued mortgage bonds etc.	9,026	7,503	9,026	7,503
	Other interest expense	4	-4	4	-4
	Total	9,046	7,453	9,046	7,452
	Interest expense derived from				
	Liabilities at fair value	9,026	7,503	9,026	7,503
	Liabilities at amortised cost	20	-50	20	-51
	Total	9,046	7,453	9,046	7,452
<p>Negative interest income and interest expenses due to negative interest rates were insignificant during 2021 and 2022 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.</p>					
6	Value adjustments				
	Mortgage loans	-80,172	-21,229	-80,172	-21,229
	Bonds	-212	-170	-212	-170
	Currency	-6	3	-6	3
	Derivatives	-683	-818	-683	-818
	Other assets	8	9	8	9
	Issued mortgage bonds	80,829	21,878	80,829	21,878
	Total	-236	-327	-236	-327
	Value adjustments derived from				
	Assets and liabilities at fair value	-244	-336	-244	-336
	Assets and liabilities at amortised cost	8	9	8	9
	Total	-236	-327	-236	-327

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2022	2021	2022	2021
7	Staff costs and administrative expenses				
	Salaries and remuneration of Executive Board, Board of Directors				
	Executive Board	7	8	7	8
	Board of Directors	-	1	-	1
	Total	7	9	7	9
	Staff costs				
	Salaries	156	152	133	129
	Defined benefit pensions	20	19	18	17
	Other social security costs and taxes	26	23	26	23
	Total	202	194	177	169
	Other administrative expenses	893	791	869	762
	Total staff costs and administrative expenses	1,102	994	1,053	940
	Number of full-time-equivalent staff (avg.)	227	223	200	194
	Remuneration of the Board of Directors (DKK thousands)				
	Total remuneration	494	616	494	616
	Remuneration for committee work included in total remuneration	150	200	150	200
	Members of the Board end of year	7	6	7	6

Remuneration Report 2022 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 9.5 million was earned from Danske Bank A/S in 2022 (2021: DKK 19.8 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 board 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 Board of DKK 7.4 million for 2022 (2021: DKK 8.0 million) consists of a fixed remuneration of DKK 5.9 million (2021: DKK 7.0 million) and a variable remuneration of DKK 1.5 million (2021: DKK 1.0 million).</p> <p>The remuneration of the Executive Board was paid by the parent company Realkredit Danmark A/S. No member of the Executive Board has received remuneration for membership of the executive board or board of directors of the subsidiary home a/s.</p> <p>Remuneration Report 2022 available at rd.dk provides a detailed description of remuneration paid to the Executive Board.</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 Board or Board of Directors.</p> <p>Variable payment for other material risk takers is granted in accordance with the rules of the Danske Bank Group's remuneration policy, which Realkredit Danmark has adopted, the rules of the European Banking Authority (EBA) and the rules of the Danish FSA with respect to split into cash and share-based payment and postponement of disbursement. All variable payments are subject to claw back provisions if granted on the basis of data which has subsequently proven to be manifestly misstated or inaccurate.</p> <p>For 2022, Realkredit Danmark A/S paid remuneration totalling DKK 15.9 million for 10 other material risk takers (2021: DKK 14.0 million for 11 other material risk takers). The remuneration consists of fixed remuneration of DKK 13.2 million and a variable remuneration of DKK 2.7 million (2021: DKK 13.0 million and DKK 1.0 million). Variable pay for 2022 is estimated and will be finalised at the end of February 2023. The final variable pay will be published no later than in March 2023 in the Realkredit Danmark Group Remuneration Report 2022, 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 2022, the net present value of pension obligations was DKK 508 million (2021: DKK 642 million), and the fair value of plan assets was DKK 698 million (2021: DKK 861 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 2022 arising from share-based payments was DKK 0.7 million (2021: DKK 0.5 million). All share-based payments are equity-settled. The exact number of shares granted for 2022 will be determined at the end of March 2023.</p> <p>Part of the variable remuneration of Realkredit Danmark's Executive Board has been granted by way of conditional shares under the bonus structure for material risk takers and other employees, as part of their variable remuneration. Such employees have a performance agreement based on the performance of the Group. Part of the Danske Bank shares granted to material risk takers are, as required by EBA, deferred, see section above on variable payment. The fair value at grant date is measured at the expected monetary value of the underlying agreement.</p> <p>Rights to 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 2017			
2021, beg.	442		
Vested 2021	-442		
Forfeited 2021	-		
Other changes 2021	-		
2021, end	-	-	-
Granted in 2018			
2021, beg.	1,379		
Vested 2021	-847		
Forfeited 2021	-		
Other changes 2021	-		
2021, end	532	0.1	0.1
Vested 2022			
	-532		
Forfeited 2022	-		
Other changes 2022	-		
2022, end	-	-	-
Granted in 2019			
2021, beg.	2,620		
Vested 2021	-		
Forfeited 2021	-		
Other changes 2021	-		
2021, end	2,620	0.3	0.3
Vested 2022			
	-1,293		
Forfeited 2022	-		
Other changes 2022	-		
2022, end	1,327	0.2	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 2020		
		2021, beg.	4,652	
		Vested 2021	-	
		Forfeited 2021	-	
		Other changes 2021	-	
		2021, end	4,652	0.4 0.5
		Vested 2022	-	
		Forfeited 2022	-	
		Other changes 2022	-	
		2022, end	4,652	0.4 0.6
		Granted in 2021		
		Granted 2021	8,511	
		Vested 2021	-5,107	
		Forfeited 2021	-	
		Other changes 2021	-	
		2021, end	3,404	0.4 0.4
		Vested 2022	-	
		Forfeited 2022	-	
		Other changes 2022	-	
		2022, end	3,404	0.4 0.5
		Granted in 2022		
		Granted 2022	11,257	
		Vested 2022	-6,258	
		Forfeited 2022	-	
		Other changes 2022	-	
		2022, end	4,999	0.6 0.7

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2022	2021	2022	2021
8	Share-based payments				
cont'd					
	Holdings of the Executive Board and fair value, end of 2022				
	Grant year			2019-2022	
	(DKK millions)			Number	FV
	Total			3,884	0,5
	Holdings of the Executive Board and fair value, end of 2021				
	Grant year			2018-2021	
	(DKK millions)			Number	FV
	Total			5,677	0.6
	In 2022, the average price at the vesting date for rights to conditional shares was DKK 114.58 (2021: DKK 110.29).				
	Remuneration Report 2022 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	1	2	1
	Fees for other assurance engagements	-	-	-	-
	Fees for tax advisory services	-	-	-	-
	Fees for other services	-	-	-	-
	Total	2	1	2	1
10	Loan impairment charges				
	ECL on new assets	377	304	377	304
	ECL on assets derecognised	683	470	683	470
	Impact of remeasurement	318	400	318	400
	Write-offs charged directly to income statement	25	49	25	49
	Received on claims previously written off	-175	14	-175	14
	Total	212	269	212	269
11	Tax				
	Tax on profit for the year	1,023	1,027	1,016	1,010
	Deferred tax	2	7	1	7
	Adjustment of prior-year tax charges	8	-	8	-
	Total	1,033	1,034	1,025	1,017
	Effective tax rate				
	Current Danish tax rate	22.0	22.0	22.0	22.0
	Adjustment of prior-year tax charge	-	-	-	-
	Non-taxable items	-	-	-0.1	-
	Change in deferred tax charge as a result of increased tax rate	0.2	-	0.1	-
	Effective tax rate	22.2	22.0	22.0	22.0

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2022	2021	2022	2021
12	Due from credit institutions and central banks				
	On demand	1,071	962	996	851
	3 months or less	2,078	14,007	2,078	14,007
	3-12 months	-	-	-	-
	Total	3,149	14,969	3,074	14,858
	Due from credit institutions	3,149	14,969	3,074	14,858
	Term deposits with central banks	-	-	-	-
	Total	3,149	14,969	3,074	14,858
	At fair value	3,149	14,969	3,074	14,858
	Portion attributable to reverse transactions	2,078	14,007	2,078	14,007

The fair value is based on quoted prices.

In 2022, reverse transactions of DKK 11,953 million were offset against repo transactions (2021: DKK 12,555 million).

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

In 2022, securities worth DKK 0 million were sold or remortgaged (2021: DKK 0 million).

13	Bonds at fair value				
	Own mortgage bonds	42,082	40,234	42,082	40,234
	Other mortgage bonds	12,873	11,782	12,873	11,782
	Government bonds	397	1,286	397	1,286
	Total	55,352	53,302	55,352	53,302
	Own mortgage bonds set off against issued mortgage bonds	42,082	40,234	42,082	40,234
	Total	13,270	13,068	13,270	13,068

Of Realkredit Danmark's bond portfolio, DKK 11.6 billion has a maturity of less than 12 months, while DKK 1.7 billion has a maturity of 1-5 years (2021: DKK 8.5 billion and DKK 4.6 billion).

14	Bonds at amortised cost				
	Other mortgage bonds	27,659	27,526	27,659	27,526
	Government bonds	5,789	5,837	5,789	5,837
	Total	33,448	33,363	33,448	33,363
	Fair value of held-to-maturity assets	31,493	33,302	31,493	33,302

The fair value is based on quoted prices.

Of Realkredit Danmark's bond portfolio, DKK 30.5 billion has a term to maturity of less than five years, while DKK 2.9 billion has a term to maturity of 5-10 years (2021: DKK 26.9 billion and DKK 6.5 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	
		2022	2021	2022	2021
15	Total lending				
	Mortgage loans, nominal value	802,024	807,621	802,024	807,621
	Fair value adjustment of underlying bonds	-74,724	5,448	-74,724	5,448
	Adjustment for credit risk	2,862	2,930	2,862	2,930
	Mortgage loans at fair value	724,438	810,139	724,438	810,139
	Arrears and outlays	124	94	124	94
	Other loans	80	314	60	294
	Total	724,642	810,547	724,622	810,527
	Apart from being backed by mortgages on properties, loans are backed by central and local government guarantees and insurance guarantees of	61,659	54,442	61,659	54,442
	Pass books and bonds have been deposited and guarantees provided as supplementary security in a total amount of	99,839	101,714	99,839	101,714
	<p>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 2022, DKK 68 million was booked as an income concerning adjustment for credit risk on loans (2021: an expense of DKK 129 million). The accumulated adjustment for credit risk amounts to DKK 2.9 billion (2021: DKK 2.9 billion).</p>				
16	Mortgage loans at fair value				
	Mortgage loans (nominal value) broken down by property category (percentage)				
	Owner-occupied dwellings	51	53	51	53
	Holiday homes	3	3	3	3
	Subsidised residential property	11	11	11	11
	Private residential rental property	14	13	14	13
	Industrial and skilled trades property	3	2	3	2
	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	969	1,217	969	1,217
	1-3 months	5,018	6,426	5,018	6,426
	3-12 months	14,388	18,531	14,388	18,531
	1-5 years	88,432	102,715	88,432	102,715
	5-10 years	131,439	148,699	131,439	148,699
	Over 10 years	484,192	532,551	484,192	532,551
	Total	724,438	810,139	724,438	810,139
17	Loans and other amounts due at amortised cost				
	On demand	124	94	124	94
	3 months or less	3	16	2	14
	3-12 months	9	46	5	41
	1-5 years	24	97	11	86
	Over 5 years	44	155	42	153
	Total	204	408	184	388

Notes

Note	(DKK millions)	Realkredit Danmark Group			Realkredit Danmark A/S						
		2022	2021	2022	2021						
18	Arrears and outlays										
	Arrears before impairment charges	112	87	112	87						
	Outlays before impairment charges	61	47	61	47						
	Impairment charges	49	40	49	40						
	Total	124	94	124	94						
19	Loans etc.										
	Credit exposure – gross carrying amount (i.e. before impairments)										
	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
	Gross carrying amount at 1 January 2021	778,098	29,355	11,925	25,139	18	331	30,844	202	673	876,585
	Transferred to stage 1	11,738	-10,571	-1,167	-	-	-	3	-3	-	-
	Transferred to stage 2	-18,802	20,348	-1,546	-14	15	-1	-77	79	-2	-
	Transferred to stage 3	-8,697	-2,027	10,724	-	-1	1	-	-	-	-
	New assets	137,071	4,938	852	4	5	104	20,853	1,092	26	164,945
	Assets derecognised (other than written off)	101,720	5,949	2,876	10,029	2	178	20,307	104	662	141,827
	Other	-36,006	-1,846	-773	-10	-1	37	-1,274	20	-5	-39,858
	Gross carrying amount 31 December 2021	761,682	34,248	17,139	15,090	34	294	30,042	1,286	30	859,845
	Transferred to stage 1	8,178	-6,393	-1,785	-	-	-	-	-	-	-
	Transferred to stage 2	-18,009	22,664	-4,655	-	1	-1	-91	91	-	-
	Transferred to stage 3	-1,079	-1,094	2,173	-	-1	1	-	-5	5	-
	New assets	132,797	5,933	577	2	1	36	13,366	605	381	153,698
	Assets derecognised (other than written off)	122,684	6,955	3,014	11,823	5	107	22,230	723	28	167,569
	Other	-85,361	-5,485	-1,577	-61	-14	-45	4,464	84	8	-87,987
	Gross carrying amount 31 December 2022	675,524	42,918	8,858	3,208	16	178	25,551	1,338	396	757,987

The nominal value of loans written off in 2022 and for which Realkredit Danmark has maintained the claim amounts to DKK 61 million (2021: DKK 77 million).

Notes

Note	(DKK millions)	Realkredit Danmark Group			Realkredit Danmark A/S	
		2022	2021	2022	2021	
19	Loans etc.					
cont'd						

Reconciliation of total allowance account

Realkredit Danmark Group	Mortgage loans			Other loans			Loan commitments			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
ECL at 1 January 2021, incl. impact on loans	786	874	1,141	10	12	15	7	3	1	2,849
Transferred to stage 1	638	-401	-237	3	-2	-1	-	-	-	-
Transferred to stage 2	-78	163	-85	-	-	-	-	-	-	-
Transferred to stage 3	-112	-149	261	-	-1	1	-	-	-	-
ECL on new assets	110	138	38	-	1	-	10	6	1	304
ECL on assets derecognised	386	14	68	2	-	-	-	-	-	470
Impact of remeasurement	-275	597	101	-8	-5	-10	-	-	-	400
Write-offs, allowance account	62	2	48	-	-	-	-	-	-	112
Total allowance account at 31 December 2021	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	-	-	-	-	-	-	-
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 21 million in home are excluded (recognised in other loans in the tables) (2021: DKK 20 million).

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Other tangible assets

Cost at 1 January	24	24	5	5
Additions	-	-	-	-
Disposals	10	-	-	-
Cost at 31 December	14	24	5	5
Depreciation and impairment charges at 1 January	18	18	-	-
Depreciation charges	3	-	2	-
Depreciation and impairment charges reversed on disposals etc.	10	-	-	-
Depreciation and impairment charges at 31 December	11	18	2	-
Carrying amount at 31 December	3	6	3	5

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S		
		2022	2021	2022	2021	
21	Deferred tax assets and liabilities					
	Deferred tax liabilities	43	55	-	-	
	Provision for deferred tax	-	-	48	61	
	Total	43	55	48	61	
	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.
	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			
	2021					
	Intangible assets	-1	1	-	-	-
	Tangible assets	-3	5	-	-	2
	Securities	4	-1	-	-	3
	Provisions	28	22	4	-	54
	Other	-5	1	-	-	-4
	Total	23	28	4	-	55
	Adjustment of prior-year tax charges included in total		-			
	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.
	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			
	2021					
	Intangible assets	-1	1	-	-	-
	Tangible assets	-2	5	-	-	3
	Securities	4	-1	-	-	3
	Provisions	29	22	4	-	55
	Other	-	-	-	-	-
	Total	30	27	4	-	61
	Adjustment of prior-year tax charges included in total		-1			

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2022	2021	2022	2021
22	Assets temporarily taken over				
	Assets temporarily taken over consist of properties taken over in a forced sale under non-performing loan agreements. The properties are expected to be sold through a real-estate agent within one year from the takeover date. In 2022, the Group took over properties for DKK 10 million (2021: DKK 8 million). The effect on profit or loss on properties taken over was DKK 0 million (2021: DKK 0 million).				
23	Other assets				
	Interest due	381	300	381	300
	Pension assets	190	219	190	219
	Lease assets	141	33	-	-
	Other assets	1,384	760	1,352	723
	Total	2,096	1,312	1,923	1,242
24	Due to credit institutions and central banks				
	On demand	-	-	-	-
	3 months or less	-	-	-	-
	3-12 months	-	-	-	-
	1-5 years	2,000	2,000	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 2022, repo transactions of DKK 11,953 million were offset against reverse transactions (2021: DKK 12,555 million).				
25	Issued mortgage bonds at fair value				
	Issued mortgage bonds, nominal value*	842,304	854,988	842,304	854,988
	Fair value adjustment	-76,117	6,196	-76,117	6,196
	Issued mortgage bonds at fair value, before set-off	766,187	861,184	766,187	861,184
	Set-off of own mortgage bonds at fair value	42,082	40,234	42,082	40,234
	Issued mortgage bonds at fair value	724,105	820,950	724,105	820,950
	The fair value is based on quoted prices.				
	0-1 month	19,976	31,375	19,976	31,375
	1-3 months	-	-	-	-
	3-12 months	87,634	97,939	87,634	97,939
	1-5 years	352,041	351,892	352,041	351,892
	5-10 years	99,148	113,744	99,148	113,744
	Over 10 years	165,306	226,000	165,306	226,000
	Total	724,105	820,950	724,105	820,950
	* Portion pre-issued	28,741	21,061	28,741	21,061
	* Portion drawn at 2 January 2023, or 3 January 2022	29,565	30,451	29,565	30,451

*In 2022, Realkredit Danmark issued bonds under the green bond framework, with a nominal value of DKK 21,544 million outstanding at the end of 2022 (2021: DKK 17,008 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 2022, the Danish mortgage bond yield spread narrowed and the fair value of issued mortgage bonds thus increased by approximately DKK 0.7 billion. In 2021, the Danish mortgage bond yield spread increased, causing an decrease in the fair value of issued mortgage bonds. Based on the outstanding portfolio at the end of 2022, Realkredit Danmark estimates that there has been a net widening of the spread since the issuance of the bonds, which produces a positive fair value of approximately DKK 0.3 billion (2021: positive fair value of approximately DKK 0.5 billion). Net profit and shareholders' equity remain unaffected by the change in fair value because the spread widening decreased 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 2022 or the period since the issue has been required.

Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2022	2021	2022	2021
26	Other liabilities				
	Interest accrued	4,866	4,120	4,866	4,120
	Reserves in early series subject to a reimbursement obligation*	4	5	-	-
	Lease liabilities	141	33	-	-
	Other creditors	1,556	364	1,545	351
	Total	6,567	4,522	6,411	4,471

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

27	Reserves in early series subject to a reimbursement obligation*				
	Carrying amount, beginning of year	5	9	5	9
	Utilised	-1	-3	-1	-3
	Increase due to shortening of maturity	-	-1	-	-1
	Carrying amount, end of year	4	5	4	5

* 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	
		2022	2021	2022	2021
28	Risk exposure amount (REA)				
	Credit risk (IRB approach)	129,219	123,520	129,162	123,450
	Credit risk (standardised approach)	19,422	48,486	19,409	48,618
	Counterparty risk	215	466	215	466
	Total credit risk	148,856	172,472	148,786	172,534
	Market risk	329	366	329	366
	Operational risk	10,125	10,609	10,013	10,486
	Total	159,310	183,447	159,128	183,386

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.

29 Assets deposited as collateral

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

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

Bonds at fair value	8,033	6,050	8,033	6,050
Portion issued by Realkredit Danmark	4,003	2,150	4,003	2,150

Assets sold under repo transactions

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

At 31 December 2022, mortgage lending totalling DKK 724,438 million and other assets totalling DKK 4,565 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (2021: DKK 810,139 million and DKK 9,028 million).

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

Notes

Note	(DKK millions)
30	<p>Contingent liabilities</p> <p>Owing to its size and business volume, Realkredit Danmark Group is continually a party to various disputes. The Group does not expect the outcomes of the disputes pending to have any material effect on its financial position.</p> <p>As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafviklingskasse. The pension fund and the Group's defined benefit plan have not accepted new members since 1971.</p> <p>In connection with implementation of the EU Bank Recovery and Resolution Directive, a Danish resolution fund has been established. The resolution fund must amount to 1% of the covered deposits of all Danish credit institutions by 31 December 2024. The first contribution to the fund was made at 31 December 2015. The individual institution must make contributions to the fund on the basis of its size and risk relative to other credit institutions in Denmark. The intention is that losses should be covered by the annual contributions made by the participating credit institutions. If sufficient means are not available in the resolution fund, extraordinary contributions can be required of up to three times the latest annual contribution. Realkredit Danmark pays an annual contribution to the resolution fund. 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	
	2022	2021	2022	2021
Other contingent liabilities				
Irrevocable loan commitments	27,287	31,362	27,285	31,358
Other commitments	28	24	6	7
Total	27,315	31,386	27,291	31,365

Notes

Note	(DKK millions)				
31	Related party transactions				
	Transactions between related parties are concluded and settled on an arm's length or on a cost-reimbursement basis. No unusual transactions were made with associates and group undertakings in 2022.				
	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	
		2022	2021	2022	2021
	Fees, etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans	1,197	1,131	1,174	1,108
	Fees received from Danske Bank A/S for referral of customers and for property valuation	71	88	71	88
	Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions, etc.	682	641	638	601
	Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	-10	-118	-10	-118
	Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	32	-42	32	-42
	Amounts due from Danske Bank A/S	3,148	14,962	3,073	14,851
	Loss guarantees from Danske Bank A/S	38,181	47,273	38,181	47,273
	Other guarantees from Danske Bank A/S	16,217	17,187	16,217	17,187
	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.				
32	Loans etc. to management				
	Mortgage loans established on an arm's length basis for Board of Directors of Realkredit Danmark A/S	12	14	12	14
	Executive Board of Realkredit Danmark A/S	10	6	10	6
	Board of Directors and Executive Leadership Team of Danske Bank A/S	68	81	68	81
	Average interest rate and administration margin for loans etc. to management	1.5%	1.6%	1.5%	1.6%

Notes

Note	(DKK millions)	Realkredit Danmark Group			
33	Financial instruments at fair value				
	2022	Quoted prices	Observable input	Non-observable input	Total
	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
	2021				
	Bonds at fair value	5,124	7,944	-	13,068
	Mortgage loans at fair value	-	810,139	-	810,139
	Shares	-	-	4	4
	Derivatives	-	9	-	9
	Total	5,124	818,092	4	823,220
	Issued mortgage bonds at fair value	820,950	-	-	820,950
	Derivatives	-	15	-	15
	Total	820,950	15	-	820,965

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 2022.

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

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

Notes

Note	(DKK millions)				
34	Group holdings and undertakings	Share capital (DKK thousands)	Net profit (DKK millions)	Shareholders' equity (DKK millions)	Holding of share capital (%)
	Realkredit Danmark A/S, Copenhagen	630,000	3,626	49,477	
	Subsidiaries				
	Real-estate agency business				
	home a/s, Aarhus	15,000	25	128	100

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

Notes

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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 2022 by maintaining a total capital ratio of 29.1%, well above the regulatory requirement of 18.0%, 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 54% of lending. Residential accounts for 25%, 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 2022, 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 2023. When granting credit, the Group requires the customer to be able to service a fixed-rate loan with principal repayment. When granting a FlexLån®, the customer must also be able to service a fixed-rate loan with principal repayment with an interest rate equal to a fixed rate over 30 years plus 1%, however, not less than 4%.

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

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

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

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

Depending on the customer's loan facility and customer type, customers are classified using rating models or statistical scoring models. The rating models typically rely on the customer's financial statements, industry information and an assessment of the company's situation in terms of management and competition. The rating is assessed in the central 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	2022 Total	2021 Total
1	-	2	2	-
2	52	1	53	55
3	117	55	172	200
4	99	85	184	197
5	69	90	159	189
6	25	65	90	96
7	16	28	44	50
8	2	6	8	15
9	-	-	-	1
10	4	2	6	8
11	5	4	9	2
Total	389	338	727	813

Probability of Default (PD) %

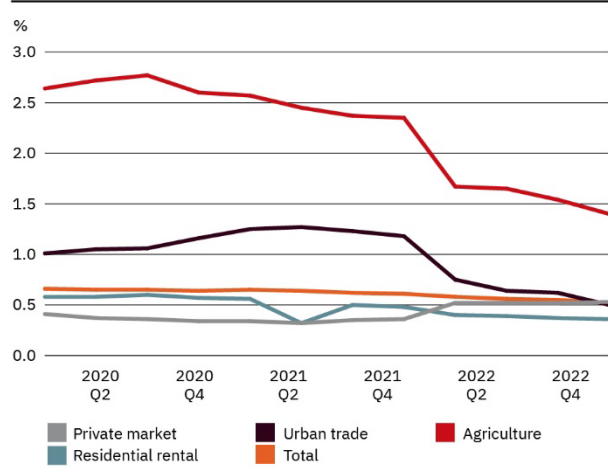
Rating category	Low PD	High PD
1	0.00	0.01
2	0.01	0.03
3	0.03	0.06
4	0.06	0.14
5	0.14	0.31
6	0.31	0.63
7	0.63	1.90
8	1.90	7.98
9	7.98	25.70
10	25.70	100.00
11	100.00	100.00

Notes

Note

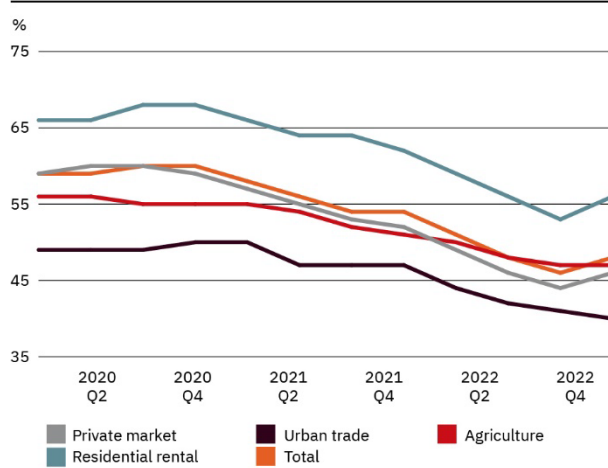
Over the past year, the average defaults probability has improved for all segments except for the Private market. The development is heavily influenced by the introduction of a new default definition.

Development in average PD



The increasing interest rates has decreased the market value of the loans. The positive effect from this on Loan-to-Value (LTV) has more than offset the negative impact from decreasing property prices, and as a result has led to improved average LTV. For the entire loan portfolio, the LTV stood at 48 at end-2022, compared with 54 at end-2021.

Development in average LTV



The loan portfolio remained very secure. 96% of the loan portfolio was secured within 60% of the value of the property, and 99% was secured within 80% of the value.

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

Loan portfolio broken down by loan-to-value ratios 2021

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	195	154	80	17	2	448
Urban trade	58	41	18	3	1	121
Agriculture	18	15	8	1	-	42
Residential rental	87	56	34	13	12	202
Weighted distribution	44%	33%	17%	4%	2%	100%
Total DKK billions	358	266	140	34	15	813

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 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

Notes

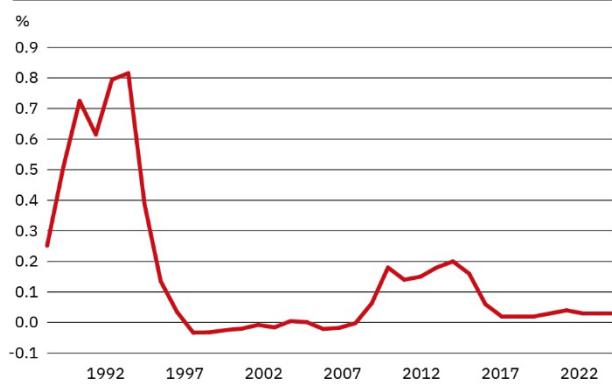
Note

Portfolio broken down by loan to value and rating category 2021

Rating category	Loan to Value				80-100%	Total DKK billions
	0-20%	20-40%	40-60%	60-80%		
1	-	-	-	-	-	-
2	28	19	7	1	-	55
3	92	63	31	9	5	200
4	88	62	33	8	6	197
5	80	64	35	7	3	189
6	39	33	19	4	1	96
7	20	17	10	3	-	50
8	6	5	3	1	-	15
9	1	-	-	-	-	1
10	3	2	2	1	-	8
11	1	1	-	-	-	2
Total	358	266	140	34	15	813

Loan impairment charges for 2022 amounted to DKK 212 million, corresponding to 0.03% of total mortgage lending. This is a minor decrease relative to 2021, when the charges amounted to DKK 269 million. The high inflation rates and increased interest rates has not resulted in any substantial increase in customers facing financial difficulty in 2022. The increased interest rates and the corresponding decreased marked value of the loans had a positive effect partly offsetting the negative effect from more severe macroeconomic forecast.

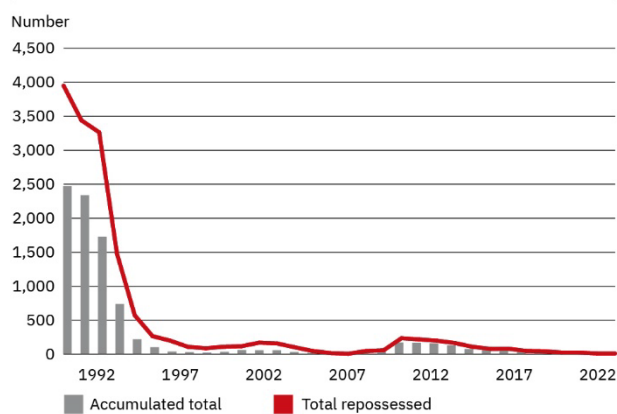
Historical loss percentage



The number of new properties repossessed by Realkredit Danmark at a forced sale in 2022 were 10. The stock of repossessed properties stood at 6 properties year-end 2022 compared to 7 properties at the beginning of the year.

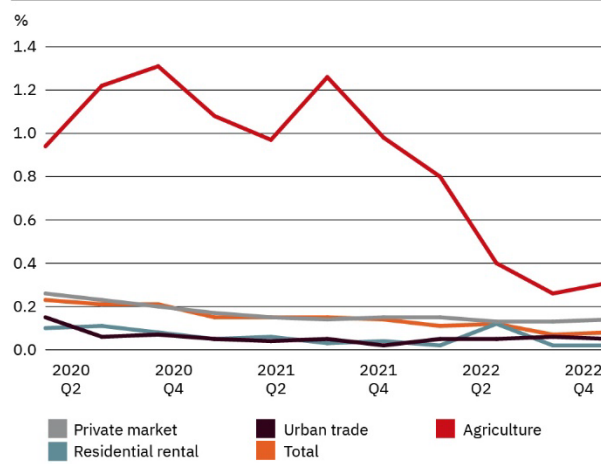
In a historical context, the number of properties repossessed in 2022 were much lower than during the crisis of the early 1990s, when more than 4,000 properties were repossessed in the worst year.

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 196 billion was partly covered by this loss guarantee at the end of 2022. The total guarantee in 2022 amounted to DKK 38 billion.

3-month delinquency rates

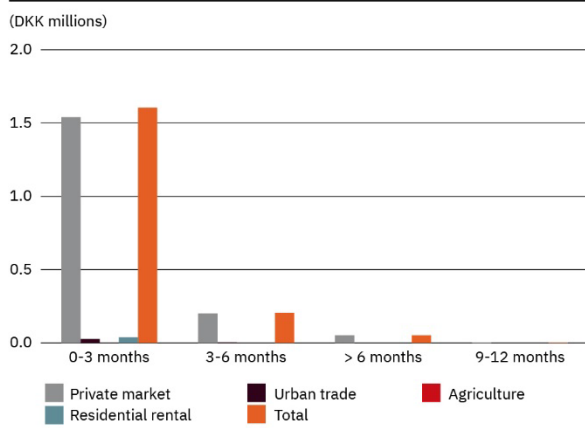


The delinquency rate, calculated as the proportion of due payments remaining unpaid 3 months after the last due payment date, generally trended lower in 2022 compared with 2021. The decline was driven by falling delinquencies for Agriculture and Residential rental, while the rate for the Private market was stable. There was a small increase for the Urban trade.

Notes

Note

Arrears on loans without OEI at 31 December 2022



The chart shows arrears on loans without OEI at 31 December 2022. Total arrears on loans without OEI amounted to DKK 1.9 million at the end of 2022. Of total arrears on loans without OEI, 68.5% 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 2022, the total exposure to loans with forbearance terms amounted to DKK 5.3 billion. This is an increase of DKK 2.3 billion relative to 2021.

Arrears	Loan portfolio (DKK millions)		Loan to value %		Arrears Sept. paym. in %	
	2022	2021	2022	2021	2022	2021
Privat market	389,037	447,831	46	52	0.14	0.15
Urban trade	115,789	201,808	40	47	0.05	0.02
Agriculture	37,581	42,217	47	51	0.31	0.98
Residential rental	184,893	121,213	56	62	0.02	0.04
Total	727,300	813,069	48	54	0.08	0.14

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 2022 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 2022, the Group's exposures did not exceed these limits.

Credit exposure to groups representing 10% or more of the capital base amounted to DKK 5 million at 31 December 2022 (2021: DKK 0 million). At the end of 2022, 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 464 million. At the end of 2022, this interest rate risk amounted to DKK 0.5 million against DKK 12 million in 2021.

The interest rate risk on other assets and liabilities and on off-balance-sheet items, including in particular the proprietary investment portfolio, may not exceed 8% of the total capital, or DKK 3,711 million, in accordance with Danish law. At the end of 2022, the interest rate risk on these items amounted to DKK 845 million, against DKK 1,166 million the year before.

At the end of 2022, the total interest rate risk amounted to DKK 846 million. The year before, Realkredit Danmark's interest rate risk was DKK 1,178 million.

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 after implementation of the new Definition of Default in January 2022, 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 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

31 December 2021

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	359	-	-	-	-	-	359	-	-
2	0.01	0.03	54,863	38	419	4	1	11	54,859	37	408
3	0.03	0.06	197,771	315	1,468	18	3	31	197,753	312	1,437
4	0.06	0.14	192,567	1,724	2,261	43	4	53	192,524	1,720	2,208
5	0.14	0.31	184,502	1,880	2,145	79	12	47	184,423	1,868	2,098
6	0.31	0.63	88,838	6,389	1,142	142	55	32	88,696	6,334	1,110
7	0.63	1.90	37,895	11,332	970	177	189	23	37,718	11,143	947
8	1.90	7.98	4,624	9,727	371	148	468	47	4,476	9,259	324
9	7.98	25.70	107	1,189	27	9	388	1	98	801	26
10	25.70	100.00	140	1,554	6,255	-	79	495	140	1,475	5,760
11	100.00	100.00	16	100	2,081	1	7	363	15	93	1,718
Total			761,682	34,248	17,139	621	1,206	1,103	761,061	33,042	16,036

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-2022, the market value and hence the equity market risk amounted to DKK 132 million, against DKK 170 million the year before. Nearly all the risk relates to the Group's ownership of home a/s.

Exchange rate risk

Realkredit Danmark intends to hedge all currency positions. The exchange rate risk is calculated in accordance with exchange rate indicator 2 of the Danish FSA and may, in accordance with legislation, not exceed 0.1% of the total capital, that is DKK 46 million. At the end of 2022, the exchange rate risk amounted to DKK 1 million, against DKK 2 million the year before.

Derivatives (DKK millions)	Nominal value	2022		2021		Negative market value	
		Positive market value	Negative market value	Positive market value	Negative market value		
Interest rate contracts							
Forward/futures bought	27,924	11	5	21,080	30	-	
Forward/futures sold	17,501	99	8	10,008	9	15	
Currency contracts							
Forward/futures bought	2	-	-	147	-	-	
Forward/futures sold	16	-	-	-	-	-	
Interest rate and currency contracts held for trading purposes, total		110	13		39	15	
Outstanding spot transactions							
Interest rate contracts bought	1,646	4	-	731	1	-	
Interest rate contracts sold	1,612	-	1	2,303	-	1	
Total outstanding spot transactions		4	1		1	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. Each year, Realkredit Danmark assesses and reports operational risks and IT risks. When new products are launched there is a coverage of the non-financial risks prior to launch.

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

Realkredit Danmark's IT portfolio is outsourced to Danske Bank including cyber security. Realkredit Danmark is part of Danske Bank's Security 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 36

Realkredit Danmark Group					
(DKK millions)	2022	2021	2020	2019	2018
HIGHLIGHTS					
Net interest and fee income*	6,128	6,158	6,475	6,377	6,391
Value adjustments*	-236	-327	-410	219	-67
Staff costs and administrative expenses	1,102	994	863	811	702
Loan impairment charges	212	269	335	265	196
Income from associates	-	-	-	-	-
Net profit for the year	3,626	3,669	3,883	4,396	4,337
Loans	724,642	810,547	817,026	803,122	796,594
Shareholders' equity	49,477	49,472	49,590	49,993	49,915
Total assets	782,228	876,999	891,268	912,548	871,217
RATIOS AND KEY FIGURES					
Total capital ratio (%)	29.1	25.3	27.4	31.1	30.6
Tier 1 capital ratio (%)	28.6	24.9	26.9	30.7	30.3
Return on equity before tax (%)	9.4	9.5	10.0	11.3	11.1
Return on equity after tax (%)	7.3	7.4	7.8	8.8	8.7
Cost/core income ratio DKK	4.54	4.72	5.15	6.23	7.17
Foreign exchange position (%)	0.7	0.8	0.6	0.6	0.5
Gearing of loans	14.6	16.4	16.5	16.1	16.0
Growth in lending for the year (%)	-0.7	1.9	1.2	0.7	1.1
Impairment ratio for the year (%)	0.03	0.03	0.04	0.03	0.02
Return on assets (%)	0.5	0.4	0.4	0.5	0.5
Realkredit Danmark A/S					
HIGHLIGHTS					
Net interest and fee income*	6,128	6,158	6,475	6,377	6,391
Value adjustments*	-236	-327	-410	219	-67
Staff costs and administrative expenses	1,053	940	809	748	634
Loan impairment charges	212	269	335	264	197
Income from associates and group undertakings	25	64	44	36	38
Net profit for the year	3,626	3,669	3,883	4,396	4,337
Loans	724,622	810,527	817,003	803,094	796,565
Shareholders' equity	49,477	49,472	49,590	49,993	49,915
Total assets	782,084	876,959	891,194	912,440	871,206
RATIOS AND KEY FIGURES					
Total capital ratio (%)	29.2	25.3	27.4	31.2	30.6
Tier 1 capital ratio (%)	28.7	24.9	26.9	30.7	30.4
Return on equity before tax (%)	9.4	9.5	10.0	11.3	11.1
Return on equity after tax (%)	7.3	7.4	7.8	8.8	8.7
Cost/core income ratio DKK	4.67	4.88	5.34	6.56	7.67
Foreign exchange position (%)	0.7	0.8	0.6	0.6	0.5
Gearing of loans	14.6	16.4	16.5	16.1	16.0
Growth in lending for the year (%)	-0.7	1.9	1.2	0.7	1.1
Impairment ratio for the year (%)	0.03	0.03	0.04	0.03	0.02
Return on assets (%)	0.5	0.4	0.4	0.5	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 37

Series accounts

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

Note	(DKK millions)	Jysk Grundejer- Kredit- forening	Ny jyske Kjøbstad- Credit- forening	Østifternes Kredit- forening	Series not subject to a reimbursement obligation	Danske Kredit
Income statement						
	Income from lending	0.1	0.2	0.6	18.2	0.1
1	Net interest income etc.	-	-	0.4	6.8	-
1	Administrative expenses etc.	1.1	0.9	1.3	13.5	0.6
	Loan impairment charges	-	-	-	-2.7	-0.4
	Tax	-0.2	-0.1	-0.1	3.1	-
2	Net profit for the year	-0.8	-0.6	-0.2	11.1	-0.1
Balance sheet - assets						
	Mortgage loans etc.	14.6	26.7	97.0	11,497.6	25.1
	Other assets	1.4	3.9	62.7	1,361.9	2.7
	Total assets	16.0	30.6	159.7	12,859.5	27.8
Balance sheet - liabilities and equity						
3	Issued bonds	15.0	29.2	108.0	11,953.1	27.2
	Other liabilities	0.1	0.1	0.7	58.4	0.1
4	Shareholders' equity	0.9	1.3	51.0	848.0	0.5
5	Total liabilities and equity	16.0	30.6	159.7	12,859.5	27.8
	(DKK millions)	SDRO S	SDRO T	SDRO Almen	Other reserves	Total
Income statement						
	Income from lending	1,857.3	3,633.4	186.3	94.4	5,790.6
1	Net interest income etc.	146.7	234.2	10.8	30.8	429.7
1	Administrative expenses etc.	530.9	556.2	108.7	162.5	1,375.7
	Loan impairment charges	-368.4	546.8	-	37.1	212.4
	Tax	405.2	608.1	19.4	-10.4	1,025.0
2	Net profit for the year	1,436.3	2,156.5	69.0	-64.0	3,607.2
Balance sheet - assets						
	Mortgage loans etc.	219,175.7	428,228.9	46,180.9	19,298.9	724,545.4
	Other assets	24,031.4	65,510.3	3,610.4	5,419.0	100,003.7
	Total assets	243,207.1	493,739.2	49,791.3	24,717.9	824,549.1
Balance sheet - liabilities and equity						
3	Issued bonds	224,050.1	466,572.0	48,358.7	20,202.1	771,315.4
	Other liabilities	1,106.9	2,247.1	226.6	112.5	3,752.5
4	Shareholders' equity	18,050.1	24,920.1	1,206.0	4,403.3	49,481.2
5	Total liabilities and equity	243,207.1	493,739.2	49,791.3	24,717.9	824,549.1

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.	
		2022
2	Net profit for the year, series accounts	
	Net profit for the year, Realkredit Danmark A/S's financial statements	3,626
	Transferred to other reserves etc.	-
	Adjustment of defined benefit plans	-19
	Net profit for the year, series accounts	3,607
3	Issued bonds, series accounts	
	Issued bonds, Realkredit Danmark A/S's financial statements	724,105
	Own mortgage bonds, not offset in the series accounts	42,082
	Accrued interest, own bonds	5,128
	Issued bonds, series accounts	771,315
4	Shareholders' equity, series accounts	
	Shareholders' equity, Realkredit Danmark A/S's financial statements	49,477
	Reserves in pre-1972 series subject to a reimbursement obligation	4
	Shareholders' equity, series accounts	49,481
5	Total assets, series accounts	
	Total assets, Realkredit Danmark A/S's financial statements	782,084
	Own mortgage bonds, not offset in the series accounts	42,082
	Accrued interest, own bonds	383
	Total assets, series accounts	824,549
6	Transfers to and from reserves subject to a reimbursement obligation	
	In 2022, the following net transfers of funds to and from the reserves were made between individual associations and other reserves.	
	Transferred from and to shareholders' equity:	
	Series not subject to a reimbursement obligation	-2,959
	Other reserves	2,959
	Total	-

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

Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved the annual report of Realkredit Danmark A/S for the financial year 2022.

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

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 31 December 2022 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 2022. Moreover, in our opinion, the management's report includes a fair view 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 consolidated financial statements and the parent financial statements of Realkredit Danmark A/S for the financial year 01.01.2022 – 31.12.2022 with the filename rd-2022-12-31-en.zip is 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 2023

Executive Board

Kamilla Hammerich Skytte
Chief Executive Officer

Klaus Kristiansen
Member of the Executive Board

Board of Directors

Christian Bornfeld
Chairman

Magnus Thor Agustsson
Vice Chairman

Jesper Koefoed

Peter Smith

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 2022 to 31 December 2022, pages 23-68, which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including the summary of significant accounting policies, for the Group as well as for the Parent, and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2022, and of its financial performance and cash flows for the financial year 1 January 2022 to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2022, and of its financial performance for the financial year 1 January 2022 to 31 December 2022 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 8 years up to and including the financial year 2022.

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 2022 to 31 December 2022. 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	
<p>Loans for the Group amounted to DKK 724,438 million at 31 December 2022 (DKK 810,139 million at 31 December 2021), and loan impairment charges of DKK 212 million in 2022 (DKK 269 million at 31 December 2021).</p> <p>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.</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none">• Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.• Timely identification of exposures with significant increase in credit risk and credit impaired exposures.• Valuation of collateral and assumptions of future cash flows on manually assessed credit-impaired exposures.	<p>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.</p> <p>Our examination included the following elements:</p> <ul style="list-style-type: none">• Testing of key controls over assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.• Obtaining and substantively testing evidence to support the assumptions used in the expected credit loss models concerning methods applied to derive loss given default.• Testing of key controls over timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures.• Obtaining and substantively testing evidence of timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures.

Auditor's report

<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 International Financial Reporting 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 2022 to 31 December 2022 with the file name rd-2022-12-31-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 2022 to 31 December 2022 with the file name rd-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 2 February 2023

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 for the chairman of the board of directors)

FR I af 16 September 2015 A/S (personal substitute for 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

Pihl Holding A/S (chairman)

Koefoed Invest 2019 A/S

Nordic Investment Opportunities A/S (Vice Chairman)

BG40-5 A/S

Peter Smith

Head of Buying & Owning Real Estate DK

Born on 8 August 1981

Joined the Board of Directors on 22 July 2022

Member of the Audit Committee

Directorships and other offices:

home a/s

Kjell Pedersen Enterprise A/S

MAP Group A/S

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

Directorships

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

Executive Board

Kamilla Hammerich Skytte

Chief Executive Officer

Born on 3 October 1972

Joined the Executive Board 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)

Klaus Kristiansen

Member of the Executive Board

Born on 28 May 1971

Joined the Executive Board on 1 November 2017

Directorships and other offices:

Association of Danish Mortgage Banks

Kreditforeningen Danmarks Pensionsafviklingskasse

Supplementary information

Management's report, continued

Financial calendar

- Annual General Meeting:
9 March 2023
- Company Announcement - First Quarter results 2023:
28 April 2023
- Interim Report – First Half 2023:
21 July 2023
- Company Announcement - First Nine Months results 2023:
27 October 2023

Contact

Chief Executive Officer
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DK-2100 København Ø
Telephone +45 70 12 53 00
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

