

Interim Report – First Quarter 2020



REALKREDIT
Danmark

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Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKK millions)	Q1 2020	Q1 2019	Index 20/19	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Full year 2019
Administration margin	1,497	1,535	98	1,497	1,510	1,515	1,522	1,535	6,082
Net interest income	30	22	136	30	65	77	39	22	203
Net fee income	-136	-154	88	-136	-97	-140	-137	-154	-528
Income from investment portfolios	186	223	83	186	176	253	187	223	839
Other income	28	27	104	28	30	31	29	27	117
Total income	1,605	1,653	97	1,605	1,684	1,736	1,640	1,653	6,713
Expenses	206	190	108	206	222	193	207	190	812
Profit before loan impairment charges	1,399	1,463	96	1,399	1,462	1,543	1,433	1,463	5,901
Loan impairment charges	705	134	526	705	-29	7	153	134	265
Profit before tax	694	1,329	52	694	1,491	1,536	1,280	1,329	5,636
Tax	153	292	52	153	328	338	282	292	1,240
Net profit for the period	541	1,037	52	541	1,163	1,198	998	1,037	4,396

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	21,280	28,421	75	21,280	53,826	86,606	57,150	28,421	53,826
Mortgage loans	791,804	801,409	99	791,804	802,579	808,181	803,966	801,409	802,579
Bonds and shares	54,144	46,661	116	54,144	52,363	50,040	44,832	46,661	52,363
Other assets	3,831	4,029	95	3,831	3,780	4,691	4,581	4,029	3,780
Total assets	871,059	880,520	99	871,059	912,548	949,518	910,529	880,520	912,548
Due to credit institutions etc.	4,075	12,175	33	4,075	4,003	8,265	7,220	12,175	4,003
Issued mortgage bonds	814,731	810,608	101	814,731	853,479	884,499	848,707	810,608	853,479
Issued senior debt	-	5,346	-	-	-	3,182	3,182	5,346	-
Other liabilities	6,020	5,734	105	6,020	5,073	4,737	3,777	5,734	5,073
Shareholders' equity	46,233	46,657	99	46,233	49,993	48,835	47,643	46,657	49,993
Total liabilities and equity	871,059	880,520	99	871,059	912,548	949,518	910,529	880,520	912,548

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	4.5	8.6		4.5	9.4	9.9	8.5	8.6	8.8
Impairment charges as % p.a. of mortgage lending	0.36	0.07		0.36	-0.01	0.01	0.08	0.07	0.03
Cost/income ratio (%)	12.8	11.5		12.8	13.2	11.1	12.6	11.5	12.1
Total capital ratio (%)	28.0	29.9		28.0	31.1	29.9	30.2	29.9	31.1
Tier 1 capital ratio (%)	27.5	29.7		27.5	30.7	29.6	29.8	29.7	30.7
Full-time-equivalent staff (end of period)	231	228		231	237	231	230	228	237

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.

Overview, first quarter 2020

- The Realkredit Danmark Group recorded a net profit of DKK 541 million in the first quarter of 2020, against DKK 1,037 million in the first quarter of 2019. The profit was affected by higher impairments.
- Impairments amounted to an expense of DKK 705 million in the first quarter of 2020, against DKK 134 million in the first quarter of 2019. The development reflects Realkredit Danmark's expectation that the Danish economy will go into recession in 2020 due to the corona crisis. This had a negative impact on impairments, which increased significantly due to changes in macroeconomic model assumptions, and of which a large part was recognised in the first quarter of the year.
- Collaborating with Danske Bank, Realkredit Danmark is strongly committed to helping and supporting customers who are financially impacted by the corona crisis.
- With interest rates falling to all-time lows, the remortgaging activity recorded in 2019 has continued into 2020.
- In the first quarter of 2020, borrower demand centred primarily on fixed-rate mortgages and FlexLån® with 5-year refinancing intervals, and customers are increasingly amortising. This resulted in a small drop in administration margin income.
- Realkredit Danmark expects net profit for 2020 to be somewhat lower than in 2019.

Corona crisis

In the first quarter of 2020, Realkredit Danmark recognised losses and impairments of DKK 705 million, against DKK 134 million in the first quarter of 2019. The strong increase reflects Realkredit Danmark's expectation that the Danish economy will go into recession in 2020. This had a negative impact on impairments, which increased significantly due to changes in macroeconomic model assumptions, and of which a large part was recognised in the first quarter of the year. The figures are adjusted to reflect high-risk industries.

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

Remortgaging

The Remortgaging activity from 2019 have continued into 2020. After a decent level in the first two months 2020, activity came to an abrupt halt when the corona crisis set in, resulting in a decline for the month of March.

Realkredit Danmark has remortgaged loans for DKK 29 billions in the first quarter. The effect on earnings in Realkredit Danmark has been modest.

Mortgage credit market

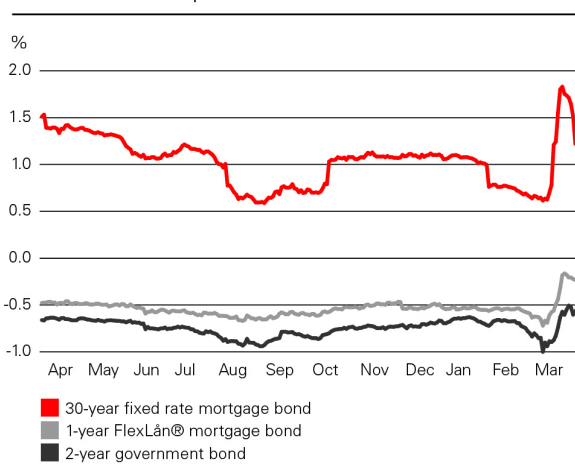
The year started off with guarded economic optimism amid a more constructive tone in the trade war between the USA and China and a reduced risk of a hard Brexit. However, the cautious optimism was soon squashed by the spread of COVID-19 from China to the rest of the world. This caused many countries to lock down their economies to contain the virus. The lockdown has had disruptive effects on global supply chains and production while the demand side of the economies have been hit hard by reduced consumption and investment activity.

As a result, we are now in a global recession with prospects of negative economic growth in Denmark in 2020. Unemployment has moved drastically higher in Denmark since the lockdown commenced in March because of the abrupt slowdown in economic activity, which unfolded almost overnight. At the same time, businesses are uncertain about how long it will take before the pandemic is over. In Denmark, financial relief packages which provide access to wage compensation and support to help cover fixed expenses (including rent) for businesses which have been forced to shut down entirely help cushion the economic shock, but cannot eliminate it altogether.

Initially, Denmark is expected to experience a relatively short lockdown period, and the Danish economy is expected to recover during the second half of the year, although uncertainties remain very high. The longer economies are locked down, the higher the risk of a prolonged and deep economic crisis in Denmark.

The corona crisis has also left an indelible negative impression on the financial markets causing stock prices to plummet, and investors have from time to time found it extremely difficult to identify safe havens. Even yields on government bond markets rose drastically for a period in response to the market turmoil, and the Danish mortgage bond market was also dealt a hard blow. At the beginning of March, the stage was set for a new remortgaging wave from, among other things, 1.5% mortgages to 0.5% mortgages, but over the course of only a couple of weeks borrowers started to focus on refinancing to a higher rather than a lower coupon. The 0.5% mortgage had been the benchmark, but suddenly fixed-rate 2% mortgages were back on the shelves.

Trend in interest rates past 12 months



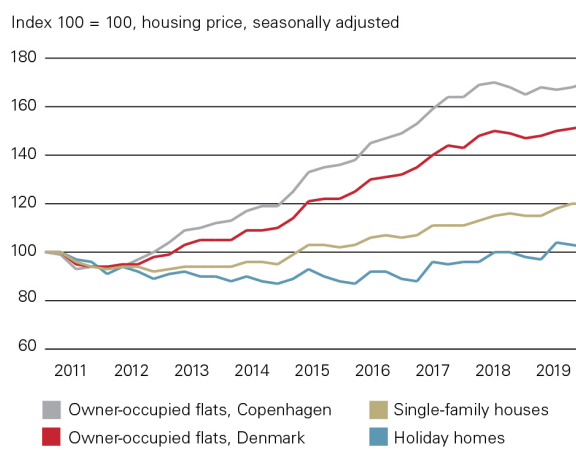
During the current crisis, central banks have actively attempted to attenuate the financial turmoil by providing liquidity to the markets. Several central banks have cut interest rates to a minimum, and extensive asset purchase programmes have been launched, including by the European Central Bank and the US Federal Reserve. These initiatives helped ease some of the strong market volatility towards the end of March. In Denmark, on the other hand, the central bank effected a unilateral rate hike of 15bp as market volatility had caused added pressure to weaken the Danish krone. This illustrates the fact that owing to the currency peg Danmarks Nationalbank (DN) has less monetary policy room to manoeuvre than many other central banks.

Before the market turmoil broke out in earnest, Realkredit Danmark completed the largest refinancing auction of the year at the end of February for new rates at 1 April. At the auction, Realkredit Danmark witnessed all-time low interest rates on its FlexLån®. The interest rate on 1-year FlexLån® ended at -0.27 %, on 3-year FlexLån® it ended at -0.39 %, while the rate on 5-year FlexLån® was fixed at -0.29 %.

Going into the year, we took an optimistic view of the Danish housing market, expecting prices to move higher. The housing market was in fact off to a good start to 2020 with strong house-buying interest, a high level of activity and rising prices. However, the uncertainty facing the Danish economy with rapidly rising unemployment and mortgage bond yields moving higher throughout March mean that the situation has reversed. Housing prices are now expected to fall for 2020 as a whole. Housing market activity is set to slow dramatically over the coming months, and we are likely more often to see substantial price reductions in the housing market for sellers and buyers to reach agreement.

The market for commercial property is also vulnerable to an economic setback and the measures taken to contain the spread of COVID-19. This applies especially to retail stores and hotels, but the market for office property will also feel negative repercussions of the economic slump. The market for residential rental property and logistic property would initially appear to be the least exposed in the current situation. The strong uncertainty attaching to macroeconomic trends in 2020 will in any case significantly curb the investment propensity in a market where foreign investors have accounted for a substantial part of the activity. In 2019, foreign investors accounted for some 40% of activity across Denmark and for nearly 60% of activity in the Greater Copenhagen area.

House prices, single-family houses and owner-occupied flats in Copenhagen



The total transaction volume in the commercial property market ended just over DKK 60 billion in 2019, a high level in a historical context. Still, the level of activity has decreased in recent years after peaking at just over DKK 90 billion in 2017. Investor interest has centred on the office market in the centre of Copenhagen, while activity in the residential letting market for parts of 2019 was hampered by political uncertainty with respect to intervention against the abuse of section 5(2) of the Danish Act on Housing Regulation.

At the beginning of 2020, a political agreement was reached with the aim of limiting “rent increases resulting from investors speculating in quick, short-term gains from large-scale modernisation of old-stock residential rental properties”.

The agreement includes components such as a five-year qualifying period and stricter requirements for energy-efficiency improvements to the property before the rent can be recategorised as market rent instead of cost-regulated rent.

The debate on the section 5(2) measures has naturally been sidelined by the corona crisis. However, other things being equal, there is no doubt that the pricing effects of the section 5(2) measures are subject to a high degree of uncertainty. This applies both to the market for residential rental properties and to the market for co-operative housing, where values are in fact pegged to the market for residential rental property. Other things being equal, the pricing effect will be negative, but it is too soon to say anything about the final effects. The negative pricing effect will be less pronounced for the co-operative housing market, for which the qualifying period does not apply. The combination of the section 5(2) measures and the corona crisis means that we risk seeing prices of co-operative housing moving lower in 2020.

The favourable conditions enjoyed by Danish agriculture throughout 2019 continued in the first quarter of 2020. Especially pig farmers are benefitting from very high pork prices driven by African swine fever in China and Asia, which has boosted pork export opportunities for EU and Danish farmers. Still, the risk of African swine fever spreading to the large pork-producing nations in Europe persists and could reverse the situation for Danish pig producers. The situation is therefore being monitored closely. The stable milk price that Dairy farmers experienced throughout 2019 has continued going into 2020, with a slightly more positive outlook.

The favourable conditions are currently expected to hold throughout 2020, however the very wet autumn and winter could negatively influence this year’s harvest for some of the farmers.

Green funding of commercial property

Realkredit Danmark was the first among Danish mortgage credit institutions to launch green covered bond in Denmark. Named RD Cibor6® Green, the bond is issued to fund properties with documentation of energy efficiency.

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

RD Cibor6® Green loans with a total value of DKK 1,759 million have been disbursed to date.

With the launch of the green bonds Realkredit Danmark aims to contribute to the green transition in Denmark. Customer responses have been very positive, and investors have welcomed our green initiative by pricing the bonds slightly better than similar non-green bonds.

Results

For the first quarter of 2020, Realkredit Danmark’s net profit was DKK 541 million, against DKK 1,037 million in the same period of 2019.

Developments in the net profit for the period were primarily due to higher loan impairments

Administration margin income fell DKK 38 million, especially due to lower average administration margins because an increasing number of customers opt out of interest-only loans and into loans with longer refinancing intervals.

Other income fell DKK 10 million in the first quarter of 2020, driven especially by lower income from the investment portfolio.

Total income was on a level with the the first quarter of 2019.

Expenses amounted to DKK 206 million, against DKK 190 million in the first quarter of 2019. The increase was attributable, among other things, to higher IT costs and compliance.

Impairments totalled an expense of DKK 705 million in the first quarter of 2020, against DKK 134 million in the same period of 2019. Macroeconomic scenarios used to calculate expected credit losses under IFRS 9 have been adjusted downwards to reflect the assumption of a mild recession in 2020, with a significant risk of a severe recession. The figures are adjusted to reflect high-risk industries. Impairments are based on conservative estimates of the effect of the corona crisis across the impairment model, affecting both individual customers and the macroeconomic outlook for the coming quarters. Due to the extensive and conservative changes to forward-looking estimates in the first quarter of 2020, a substantial downside on the affected portfolios was included in the first quarter. Impairments are therefore expected to be significantly lower in coming quarters. Despite the corona crisis, the underlying credit quality remains strong with low delinquencies and robust collateral.

Impairments equalled 0.09% of total mortgage lending in the first quarter of 2020, against 0.03% at the end of 2019.

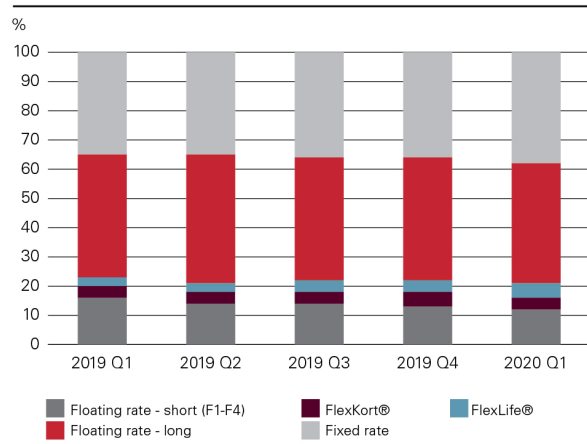
The tax charge totalled DKK 153 million. The effective tax rate for the period was 22.0%.

Balance sheet

Gross lending amounted to DKK 46 billion, against DKK 28 billion in the first quarter of 2019. Mortgage lending at fair value fell DKK 11 billion to DKK 792 billion. The development in mortgage lending at fair value is composed of a decrease in the nominal outstanding bond debt of DKK 3 billion, primarily as a result of an increase in ordinary repayments, and a DKK 8 billion decrease in market value adjustments in the same period.

In the first quarter of 2020, fixed-rate mortgages accounted for approximately 59% of all disbursed loans, while about 86% of all floating-rate loans were disbursed with refinancing intervals of five years.

Development in loan portfolio by loan type (%)



Low interest rates have made more customers lock-in the interest rate on their loan for a longer period.

At 31 March 2020, the average loan-to-value (LTV) ratio stood at 59%, which was at par with last year's ratio. An increase in loans calculated at market value was offset by rising property prices.

The number of new foreclosures was 10 in the first quarter of 2020. The number of foreclosures rose from year-end 2019, standing at 19, of which 13 were owner-occupied dwellings and 6 were commercial properties. The value of the foreclosures was DKK 23 million. The delinquency rate at 31 March 2020 was unchanged from the level at the end of 2019, and at a persistently low level.

Capital and solvency

At the end of March 2020, shareholders' equity stood at DKK 46.2 billion, against DKK 50.0 billion at the end of 2019. The ordinary dividend payment of DKK 4.3 billion and the consolidation of the net profit for the period accounted for the change.

Realkredit Danmark's total capital amounted to DKK 46.3 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD IV) was 28.0%. At 31 December 2019, the corresponding figures were DKK 46.2 billion and 31.1%, respectively.

Realkredit Danmark uses the internal ratings-based (IRB) approach to calculate the risk exposure amount for credit risks. The total risk exposure amount (REA) was DKK 165.4 billion at 31 March 2020, against DKK 148.4 billion at the end of 2019.

The binding capital requirement is the solvency need ratio plus the combined buffer requirement. At end-March 2020, the capital requirement was calculated at DKK 25.9 billion and 15.7% of the REA. Realkredit Danmark thus has a capital buffer of DKK 20.4 billion.

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

Supplementary collateral

Realkredit Danmark issues mortgage-covered bonds. Under Danish law, it must provide supplementary collateral to the bondholders when the LTV ratio exceeds predefined limits, which are 80% for residential property and 60% for commercial property. At the end of March 2020, the requirement for supplementary collateral for mortgage-covered bonds was DKK 11.8 billion, against DKK 13.3 billion at the end of 2019.

Liquidity Coverage Ratio

The Danish Financial Supervisory Authority has set a floor of 2.5% of total mortgage lending for the buffer needed to comply with the Liquidity Coverage Ratio. This corresponds to approximately DKK 20 billion. Realkredit Danmark has liquid assets of DKK 39 billion after haircuts and thus has a buffer of DKK 19 billion relative to the requirement.

Rating

Realkredit Danmark continues to pursue a strategy of having its issues rated by at least two rating agencies.

Since 2018 Realkredit Danmark's mortgage-covered bonds have been rated by the European rating agency Scope Ratings, Fitch Ratings and S&P Global.

Scope Ratings and S&P Global have both assigned the bonds issued from capital centres S and T their highest rating, AAA. The bonds issued from capital centre S are rated AAA by Fitch Ratings, while the bonds issued from capital centre T have been assigned a rating of AA+.

In addition, S&P Global rates the bonds issued from the Other reserves series, which also hold the highest rating of AAA.

Realkredit Danmark has an A+ issuer rating (negative outlook) from Scope Ratings. Fitch Ratings has assigned an A rating but due to the economic environment caused by the corona crisis, the outlook has been revised from stable to negative. Even in case of an unexpected issuer downgrade, this will not affect the rating of the mortgage-covered bonds because of the minimum three unused notches of uplift above the issuer rating in Fitch covered bond criteria.

Supervisory diamond for mortgage credit institutions

Realkredit Danmark complies with all threshold values.

Threshold value	Q1 2020	Limit
Growth in lending¹		
Owner-occupied dwellings and holiday homes	-0.3%	15%
Residential rental property	6.6%	15%
Agriculture	-2.9%	15%
Other	-3.0%	15%
Borrower interest-rate risk²		
Properties for residential purposes	7.0%	25%
Interest-only option³		
Owner-occupied dwellings and holiday homes	6.4%	10%
Loans with short-term funding⁴		
Refinancing, annually	12.5%	25%
Refinancing, quarterly	6.5%	12.5%
Large exposures⁵		
Loans relative to shareholders' equity	41%	100%

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

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

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

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

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

Management

At the annual general meeting on 9 March Jacob Aarup-Andersen and Carsten Rasch Egeriis were re-elected to the Board of Directors.

Kim Andersen, Jakob Groot and Berit Behring decided to resign as member of the Board of Directors and were not re-elected. Jesper Koefoed, Claus Harder and Line Munkholm Haukrogh were elected to the Board of Directors.

Jacob Aarup-Andersen was appointed Chairman and Carsten Rasch Egeriis was appointed Vice Chairman.

The Audit Committee has Jesper Koefoed as Chairman and Claus Harder as member.

Outlook for 2020

Realkredit Danmark expects that the Danish economy will go into recession in 2020 affected by the corona crisis. The outlook is therefore subject to uncertainty and depends on economic conditions in Denmark.

In 2020, Realkredit Danmark expects income to be at a lower level than in 2019 due to lower average administration margins and a lower remortgaging activity.

Through a persistent focus on cost control, Realkredit Danmark expects to keep expenses at the same level as in 2019.

Loan impairment charges are expected to be at a significantly higher level than in 2019 due to the corona crisis, with a large part recognised in the first quarter of the year.

Realkredit Danmark therefore expects net profit to be somewhat lower, than in 2019.

Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	Q1 2020	Q1 2019	Full year 2019
Income statement				
	Interest income	3,798	4,282	16,782
	Interest expense	2,128	2,566	9,877
	Net interest income	1,670	1,716	6,905
	Dividends from shares	-	-	-
	Fee and commission income	181	116	888
	Fee and commission expense	317	270	1,416
	Net fee and commission income	1,534	1,562	6,377
	Value adjustments	43	64	219
	Other operating income	28	27	117
	Staff costs and administrative expenses	206	190	811
	Impairment, depreciation and amortisation charges	-	-	1
3	Loan impairment charges	705	134	265
	Income from associates and group undertakings	-	-	-
	Profit before tax	694	1,329	5,636
	Tax	153	292	1,240
	Net profit for the period	541	1,037	4,396
Comprehensive income				
	Net profit for the period	541	1,037	4,396
	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	Actuarial gains/losses on defined benefit plans	-1	7	-23
	Tax	-	-2	5
	Total other comprehensive income	-1	5	-18
	Total comprehensive income for the period	540	1,042	4,378

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	31 March 2020	31 December 2019	31 March 2019
ASSETS				
	Cash in hand and demand deposits with central banks	49	54	148
	Due from credit institutions and central banks	21,231	53,772	28,273
	Bonds at fair value	21,568	23,022	15,706
	Bonds at amortised cost	32,574	29,339	30,953
4, 8	Mortgage loans at fair value	791,804	802,579	801,409
4	Loans and other amounts due at amortised cost	468	543	556
	Shares	2	2	2
	Other tangible assets	6	6	6
	Current tax assets	915	-	918
	Deferred tax assets	-	-	-
	Assets temporarily taken over	23	15	21
4	Other assets	2,417	3,215	2,514
	Prepayments	2	1	14
Total assets		871,059	912,548	880,520
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	4,075	4,003	12,175
	Issued mortgage bonds at fair value	814,731	853,479	810,608
	Issued bonds at amortised cost	-	-	5,346
	Current tax liabilities	-	31	-
	Deferred tax liabilities	35	36	42
	Other liabilities	5,985	5,006	5,692
Total amounts due		824,826	862,555	833,863
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Reserves in series	44,978	44,978	44,654
	Other reserves	625	85	1,373
	Proposed dividends	-	4,300	-
Total shareholders' equity		46,233	49,993	46,657
Total liabilities and equity		871,059	912,548	880,520

Statement of capital – Realkredit Danmark Group

CHANGES IN SHAREHOLDERS' EQUITY (DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2020	630	44,978	85	4,300	49,993
Net profit for the period	-	-	541	-	541
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-1	-	-1
Tax	-	-	-	-	-
Total comprehensive income for the period	-	-	540	-	540
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 31 March 2020	630	44,978	625	-	46,233
Shareholders' equity at 1 January 2019	630	44,654	331	4,300	49,915
Net profit for the period	-	-	1,037	-	1,037
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	7	-	7
Tax	-	-	-2	-	-2
Total comprehensive income for the period	-	-	1,042	-	1,042
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 31 March 2019	630	44,654	1,373	-	46,657

At 31 March 2020, the share capital was made up of 6,300,000 shares of DKK 100 each. All shares carry the same rights; there is thus only one class of shares. The company is wholly-owned by Danske Bank A/S, Copenhagen. Realkredit Danmark A/S and group undertakings are included in the consolidated financial statements of Danske Bank A/S, Copenhagen.

TOTAL CAPITAL AND TOTAL CAPITAL RATIO (DKK millions)	31 March 2020	31 December 2019	31 March 2019
Shareholders' equity	45,693	49,993	45,615
Tax effect	-	-	-
Total equity calculated in accordance with the rules of the Danish FSA	45,693	49,993	45,615
Proposed/expected dividends	-	-4,300	-
Revaluation reserve	-	-	-
Deferred tax assets	-	-	-
Prudent valuation	-5	-9	-3
Defined benefit pension fund assets	-145	-146	-168
Common equity tier 1 capital	45,543	45,538	45,444
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	45,543	45,538	45,444
Reserves in series subject to a reimbursement obligation	-	-	-
Revaluation reserve	-	-	-
Difference between expected losses and impairment charges	762	631	319
Total capital	46,305	46,169	45,763
Risk exposure amount	165,395	148,353	153,250
Common equity tier 1 capital ratio (%)	27.5	30.7	29.7
Tier 1 capital ratio (%)	27.5	30.7	29.7
Total capital ratio (%)	28.0	31.1	29.9

At 31 March 2020, the total capital and the total risk exposure amount is calculated in accordance with the Capital Requirements Directive (CRR/CRD IV).

The profit for the period will not be recognised in the statement of total capital and total capital ratio until in connection with the audited full-year financial statements. The statement of total capital and total capital ratio will therefore be based on shareholders' equity at 1 January reduced by the dividend distributed in March.

The solvency need calculation is described in more detail on rd.dk.

Cash flow statement – Realkredit Danmark Group

(DKK millions)	Q1 2020	Q1 2019	Full year 2019
Cash flow from operating activities			
Profit before tax	694	1,329	5,636
Tax paid	-1,098	-1,209	-1,209
Adjustment for non-cash operating items	656	54	-63
Cash flow from operating capital	-28,498	11,101	32,316
Total	-28,246	11,275	36,680
Cash flow from investing activities			
Acquisition/sale of tangible assets	-	-	-
Total	-	-	-
Cash flow from financing activities			
Dividends	-4,300	-4,300	-4,300
Total	-4,300	-4,300	-4,300
Cash and cash equivalents at 1 January	53,826	21,446	21,446
Change in cash and cash equivalents	-32,546	6,975	32,380
Cash and cash equivalents, end of period	21,280	28,421	53,826
Cash and cash equivalents, end of period			
Cash in hand and demand deposits with central banks	49	148	54
Amounts due from credit institutions and central banks within 3 months	21,231	28,273	53,772
Total	21,280	28,421	53,826

Notes – Realkredit Danmark Group

Note

1 Significant accounting policies

and significant accounting estimates and assessments

The Group's interim report for the first quarter of 2020 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim reports of issuers of listed bonds.

Changes to significant accounting policies

On 1 January 2020, the Group implemented the amendments to IAS 1 and IAS 8 (definition of material), amendments to IFRS 3, Business Combinations (definition of a business) and amendments to references to the Conceptual Framework in IFRS Standards.

The implementation of changes to IFRS not mentioned below had no impact on the Group's financial statements.

Other than this, the Group has not changed its significant accounting policies from those followed in Annual Report 2019 which provides a full description of the Group's significant accounting policies. The interim report has not been reviewed or audited.

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 premises that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values. In view of the inherent uncertainties and the high level of subjectivity and judgement involved in the recognition and measurement of the items listed below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based.

Fair value measurement of mortgage loans

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

The fair value of the credit risk on the borrower is based on the three-stage 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 estimation of expected credit losses involves forecasting future economic conditions over a number of years. Such forecasts are subject to management judgement and those judgements may be sources of measurement uncertainty that have significant risk of resulting in a material adjustment to a carrying amount in future periods.

The incorporation of forward-looking elements reflects management's expectations and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. Due to the corona crisis, the scenarios used in Q1 2020 have been changed to reflect the worsening of the macroeconomic outlook, see further in separate section below. Thus, scenarios are adjusted so the expected credit losses are now based on a base case scenario reflecting a significant decline in economic activity in 2020 followed by a rapid recovery in 2021 supported by government support packages. A severe recession scenario is introduced as the downside scenario with a likelihood of 25% to reflect the risk that government support packages are not sufficient to sustain the recovery.

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

At the end of the first quarter of 2020, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 3,386 million (end-2019: DKK 2,736 million), reducing the value of mortgage loans. The base case scenario enters with a probability of 65% (end-2019: 60%), the upside scenario with a probability of 10% (end-2019: 10%), and the downside scenario with a probability of 25% (end-2019: 30%). If the base case scenario was assigned a probability of 100%, the fair value adjustment would decrease to DKK 3,225 million (end-2019: DKK 2,600 million). The fair value adjustment would increase to DKK 5,400 million (end-2019: DKK 3,125 million) if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100%, the fair value adjustment would decrease to DKK 2,675 million (end-2019: DKK 2,450 million). However, note that the applied scenarios used on 31 March 2020 differ from the scenarios used on 31 December 2019, and the impact from a 100% weighting of the different scenarios end of Q1 2020 is therefore not comparable to the amounts end of 2019. Further, it should be noted that the expected credit losses in the individual scenarios does not represent expected credit losses forecasts.

Notes – Realkredit Danmark Group

Note

1 **Significant accounting policies and significant accounting estimates and assessments**

cont'd

In determining the expected credit losses, management is required to exercise judgement in defining what is considered a significant increase in credit risk. According to the Group's definition of a significant increase in credit risk 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 March 2020, the allowance account would increase by DKK 5 million (end-2019: DKK 5 million), if instead an increase in the loan's 12-month PD by at least 0.25 of a percentage point combined with a doubling of the lifetime PD was considered a significant increase in credit risk.

Management applies judgement when determining the need for post-model adjustments. As at 31 March 2020, the post-model adjustments amounted to DKK 637 million (end-2019: DKK 678 million). The adjustments cover loans to high-risk industries such as Agriculture, where the Group has no specific expected credit loss models in place, and consequently makes supplementary calculations in order to ensure sufficient impairment coverage. Further, adjustments are made to take into account non-linear downside risks, for instance related to the property market in Copenhagen for which the macroeconomic forecasts used in the models are based on the Danish property market as a whole and adjustments are therefore made to reflect the fact that a further specific downside risk currently exists for properties in Copenhagen.

The Group's principal risks and the external factors that may affect the Group are described in greater detail in Annual Report 2019.

Accounting treatment of the impacts from the corona crisis

The effect of the corona crisis began to affect the Group's credit portfolio in the first quarter of 2020. Based on the measures taken by governments across the world and in the Group's market areas to contain the virus, economies are seeing lower activity in the short-term. This will impact the credit quality of the Group's credit exposure. Due to the forward-looking elements of expected credit losses, this affects the Group's accounting approach already in the first quarter.

It is expected that the impacts on the specific customers negatively affected by the corona crisis will materialise over the coming quarters. However, the financial consequences on customer level will not be clear in the short term. Therefore, the impact on most of the disclosures on the credit portfolio in the risk disclosure do not yet capture the full impact of the corona crisis. This applies particularly for the disclosures on rating categories and PDs and for the assessment of the transfer of exposures from stage 1 to stage 2 and 3.

A large part of the impact on the expected credit losses from the corona crisis comes through changes to the forward-looking information. The macroeconomic scenarios applied have been changed since Q4 2019. The Group's base case scenario reflects a downturn in 2020 followed by a rapid recovery in 2021 as the Group sees a significant mitigating effect from the unprecedented fiscal support packages being launched by governments across the Group's market areas. In Q4 2019, the downside scenario showed the same expected macroeconomic development. As a result, a severe recession scenario has been introduced as the new downside scenario in Q1 2020. This scenario is aligned to the severe recession scenarios applied in the Group's ICAAP processes and are similar in nature to regulatory stress tests. The base case scenario is considered the most likely scenario with a likelihood of 65% while the downside scenario is attached a likelihood of 25%.

Notes – Realkredit Danmark Group

Note	(DKK millions)					
2	Profit broken down by activity					
	Q1 2020	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
	Administration margin	1,497	-	1,497	-	1,497
	Net interest income	-46	76	30	143	173
	Dividends from shares	-	-	-	-	-
	Net fee income	-136	-	-136	-	-136
	Income from investment portfolios	228	-42	186	-186	-
	Value adjustments	-	-	-	43	43
	Other income	28	-	28	-	28
	Total income	1,571	34	1,605	-	1,605
	Expenses	205	1	206	-	206
	Profit before loan impairment charges	1,366	33	1,399	-	1,399
	Loan impairment charges	705	-	705	-	705
	Income from associates	-	-	-	-	-
	Profit before tax	661	33	694	-	694
	Tax	-	-	153	-	153
	Net profit for the period			541	-	541
	Total assets	821,692	49,367	871,059	-	871,059
	Q1 2019	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
	Administration margin	1,535	-	1,535	-	1,535
	Net interest income	-47	69	22	159	181
	Dividends from shares	-	-	-	-	-
	Net fee income	-154	-	-154	-	-154
	Income from investment portfolios	206	17	223	-223	-
	Value adjustments	-	-	-	64	64
	Other income	27	-	27	-	27
	Total income	1,567	86	1,653	-	1,653
	Expenses	189	1	190	-	190
	Profit before loan impairment charges	1,378	85	1,463	-	1,463
	Loan impairment charges	134	-	134	-	134
	Income from associates	-	-	-	-	-
	Profit before tax	1,244	85	1,329	-	1,329
	Tax	-	-	292	-	292
	Net profit for the period			1,037	-	1,037
	Total assets	830,901	49,619	880,520	-	880,520

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.

Notes – Realkredit Danmark Group

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.

	Q1 2020	Q1 2019
3 Loan impairment charges		
ECL on new assets	128	19
ECL on assets derecognised	234	80
Impact of remeasurement	815	194
Losses incurred	7	15
Received on claims previously written off	11	14
Total	705	134

Notes – Realkredit Danmark Group

Note (DKK millions)

4 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,386 million at 31 March 2020, against DKK 2,736 million at the beginning of the year.

Of total loan charges for the credit risk on loans and other amounts due at amortised cost, charges were recognised as an expense of DKK 36 million at 31 March 2020, against DKK 51 million at the beginning of the year.

For loan commitments, expected credit losses at 31 March 2020 amounted to DKK 33 million, against DKK 12 million at the beginning of the year.

Reconciliation of total allowance account

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January 2019 incl. impact at mortgage loan	666	534	1,663	2,863
Transferred to stage 1 during the period	244	-213	-31	-
Transferred to stage 2 during the period	-398	551	-153	-
Transferred to stage 3 during the period	-31	-188	219	-
ECL on new assets	18	175	37	230
ECL on assets derecognised	94	176	178	448
Impact of remeasurement	-96	277	323	504
Write-offs, allowance account	3	17	330	350
Impairment charges at 31 December 2019	306	943	1,550	2,799
Transferred to stage 1 during the period	89	-80	-9	-
Transferred to stage 2 during the period	-26	61	-35	-
Transferred to stage 3 during the period	-3	-59	62	-
ECL on new assets	7	110	11	128
ECL on assets derecognised	34	96	104	234
Impact of remeasurement	29	625	161	815
Write-offs, allowance account	-	-	53	53
Impairment charges at 31 March 2020	368	1,504	1,583	3,455

Information on the accounting treatment of the impacts on the expected credit losses from the corona crisis is described in note 1.

Value adjustments of assets taken over amounted to DKK 0 million at 31 March 2020, against DKK 0 million at end-2019.

5 Assets deposited as collateral

At 31 March 2020, Realkredit Danmark had deposited securities worth DKK 11,996 million (end-2019: DKK 10,389 million) as collateral with the Danish central bank.

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and amounts received are recognised as due to credit institutions and central banks. Repo transaction securities are treated as assets provided as collateral for liabilities. At 31 March 2020, the carrying amount of such securities totalled DKK 75 million (end-2019: DKK 3 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 31 March 2020, mortgage lending totalling DKK 791,804 million and other assets totalling DKK 11,814 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (end-2019: DKK 802,579 million and DKK 13,330 million).

Notes – Realkredit Danmark Group

Note	(DKK millions)				
6	Financial instruments at fair value				
		Quoted prices	Observable input	Non-observable input	Total
	31 March 2020				
	Bonds at fair value	16,442	5,126	-	21,568
	Mortgage loans at fair value	-	791,804	-	791,804
	Shares	-	-	2	2
	Derivatives	-	399	-	399
	Total	16,442	797,329	2	813,773
	Issued mortgage bonds at fair value	814,731	-	-	814,731
	Derivatives	-	160	-	160
	Total	814,731	160	-	814,891
	31 December 2019				
	Bonds at fair value	11,799	11,223	-	23,022
	Mortgage loans at fair value	-	802,579	-	802,579
	Shares	-	-	2	2
	Derivatives	-	95	-	95
	Total	11,799	813,897	2	825,698
	Issued mortgage bonds at fair value	853,479	-	-	853,479
	Derivatives	-	5	-	5
	Total	853,479	5	-	853,484

Negative interest income and interest expenses due to negative interest rates were insignificant during the first quarter of 2020 when taking into account that negative interest expenses on issued mortgage bonds are passed over to the customers as part of the interest on the mortgage loans funded by those bonds. Negative interest income and interest expenses are offset against interest income and interest expenses, respectively.

Note 34 to Annual Report 2019 provides a description of the valuation techniques used for financial instruments. Financial market developments did not result in reclassification of bonds between listed prices and observable input during the first quarter of 2020.

Notes – Realkredit Danmark Group

Note (DKK millions)

7 Contingent liabilities

Owing to its size and business volume, the 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.

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.

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 company is registered jointly with all major Danish subsidiaries of the Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.

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.

Realkredit Danmark operates out of leased premises. Leases are concluded by the parent company. Realkredit Danmark pays monthly rent to the parent company.

Guarantees and indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised in the balance sheet amount to:

	31 March 2020	31 December 2019	31 March 2019
Other contingent liabilities			
Irrevocable loan commitments	37,312	33,522	38,061
Other commitments	23	23	23
Total	37,335	33,545	38,084

Notes – Realkredit Danmark Group

Note

8 Risk management

The Board of Directors defines Realkredit Danmark's risk management framework, while the Executive Board monitors Realkredit Danmark's risks and ensures compliance with the framework. The principal risk faced by Realkredit Danmark is the credit risk on mortgage loans. Realkredit Danmark has only limited exposure to market risk.

Credit risk

As a mortgage credit institution, Realkredit Danmark provides loans secured on real property. 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 does not repay the loan. The latter depends largely on the value of the mortgaged property. The table below shows a breakdown of the loan portfolio on customer classification by creditworthiness (rating categories) and loan-to-value (LTV) ratios. Loans to customers with an LTV ratio of more than 80% in the four lowest rating categories total DKK 2 billion, which corresponds to 0.3% of the total loan portfolio.

Portfolio broken down by LTV ratio and rating category

31 March 2020

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	19	13	7	1	-	40
3	84	58	34	13	7	196
4	79	58	35	13	5	190
5	70	60	38	12	4	184
6	36	31	21	7	2	97
7	20	18	13	5	1	57
8	5	5	3	2	-	15
9	1	1	1	-	-	3
10	2	2	2	1	1	8
11	1	1	1	1	1	5
Total	317	247	155	55	21	795

Portfolio broken down by LTV ratio and rating category

31 December 2019

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

In the financial statements, mortgage loans, and thus the associated credit risk, are recognised at fair value. Calculating the fair value of credit risk involves significant estimates and assumptions. This is described in detail in note 1 including the accounting treatment of the impacts from the corona crisis on the credit risk. The total fair value adjustment of credit risk is described in note 4.

Notes – Realkredit Danmark Group

Note

8 Risk management

Cont'd

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

31 March 2020

Rating category	PD level		Gross Exposure			Expected Credit Loss			Net Exposure		
	Lower	Upper	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0.00	0.01	385	-	37	-	-	-	385	-	37
2	0.01	0.03	39,768	119	3	5	-	-	39,763	119	3
3	0.03	0.06	195,416	681	140	22	2	1	195,394	679	139
4	0.06	0.14	188,319	1,599	108	53	14	10	188,266	1,585	98
5	0.14	0.31	179,684	3,828	236	86	18	9	179,598	3,810	227
6	0.31	0.63	86,034	10,931	308	74	54	5	85,960	10,877	303
7	0.63	1.90	33,896	22,691	253	82	341	9	33,814	22,350	244
8	1.90	7.98	3,371	11,744	332	24	706	27	3,347	11,038	305
9	7.98	25.70	552	2,052	235	2	259	16	550	1,793	219
10	25.70	100.00	235	1,258	6,307	-	82	668	235	1,176	5,639
11	100.00	100.00	96	50	4,522	-	5	812	96	45	3,710
Total			727,756	54,953	12,481	348	1,481	1,557	727,408	53,472	10,924

31 December 2019

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

Market risk

Market risk comprises interest rate, equity market and exchange rate risks and, to a very limited extent, liquidity risk and operational risk. In addition, the Group is exposed to some degree to pension risk on defined benefit plans for current and/or former employees.

However, the statutory principle of balance eliminates most of the interest rate, exchange rate and liquidity risks on Realkredit Danmark's loans. Realkredit Danmark's other assets and liabilities involve some degree of market risk, mainly in the form of interest rate risk. Realkredit Danmark uses derivatives to hedge the interest rate risk on some of the bonds in the proprietary portfolio. The derivatives and the hedged bonds are recognised at fair value. Realkredit Danmark has placed DKK 32,574 million of its proprietary portfolio in fixed-rate bonds, which are recognised in the financial statements as held-to-maturity investments and are thus measured at amortised cost. As a result, Realkredit Danmark knows the return on the portfolio until maturity, and the fixed-rate held-to-maturity portfolio is therefore not considered to entail an interest rate risk that needs to be hedged through derivatives.

The Group's management of credit risk and market risk is described in detail in the risk management note in Annual Report 2019.

Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Quarter 2020 of the Realkredit Danmark Group.

The consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. Furthermore, the interim report has been prepared in accordance with Danish disclosure requirements for interim reports of issuers of listed bonds.

In our opinion, the consolidated interim financial statements give a true and fair view of the Group's assets, liabilities, shareholders' equity and financial position at 31 March 2020 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2020 and ending on 31 March 2020. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group.

Copenhagen, 30 April 2020

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Klaus Kristiansen
Member of the Executive Board

Board of Directors

Jacob Aarup-Andersen
Chairman

Carsten Rasch Egeriis
Vice Chairman

Jesper Koefoed

Claus Harder

Line Munkholm Haukrogh

Anna-Marie Mikkelsen

Lisbeth Sahlertz Nielsen

Majken Hammer Sløk

Supplementary information

Financial calendar

- Interim Report – First Half 2020:
17 July 2020
- Interim Report – First Nine Months 2020:
4 November 2020

Contact


Chairman of the Executive Board
and Chief Executive Officer
Carsten Nøddebo Rasmussen
Tel. +45 45 13 20 77

Address

Realkredit Danmark A/S
Lersø Parkallé 100
DK-2100 København Ø
Tel. +45 70 12 53 00
CVR-nr. 13 39 91 74 – København

Links

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



Realkredit Danmark A/S
Lersø Parkallé 100
DK-2100 København Ø
Telephone +45 70 12 53 00

rd.dk
E-mail rd@rd.dk