

Interim Report - First Half 2020



REALKREDIT
Danmark

Management's report	
Financial highlights – Realkredit Danmark Group	3
Overview, First Half 2020	4
Outlook for 2020	8
Interim financial statements – Realkredit Danmark Group	
Income statement and Comprehensive income	9
Balance sheet	10
Statement of capital	11
Cash flow statement	12
Notes	13
Interim financial statements – Realkredit Danmark A/S	22
Statement by the management	27
Supplementary information	28

Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKK millions)	First half 2020	First half 2019	Index 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Full year 2019
Administration margin	2,973	3,057	97	1,476	1,497	1,510	1,515	1,522	6,082
Net interest income	48	61	79	18	30	65	77	39	203
Net fee income	-289	-291	99	-153	-136	-97	-140	-137	-528
Income from investment portfolios	369	410	90	183	186	176	253	187	839
Other income	54	56	96	26	28	30	31	29	117
Total income	3,155	3,293	96	1,550	1,605	1,684	1,736	1,640	6,713
Expenses	399	397	101	193	206	222	193	207	812
Profit before loan impairment charges	2,756	2,896	95	1,357	1,399	1,462	1,543	1,433	5,901
Loan impairment charges	470	287	164	-235	705	-29	7	153	265
Profit before tax	2,286	2,609	88	1,592	694	1,491	1,536	1,280	5,636
Tax	503	574	88	350	153	328	338	282	1,240
Net profit for the period	1,783	2,035	88	1,242	541	1,163	1,198	998	4,396

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	6,539	57,150	11	6,539	21,280	53,826	86,606	57,150	53,826
Mortgage loans	800,058	803,966	100	800,058	791,804	802,579	808,181	803,966	802,579
Bonds and shares	52,561	44,832	117	52,561	54,144	52,363	50,040	44,832	52,363
Other assets	3,335	4,581	73	3,335	3,831	3,780	4,691	4,581	3,780
Total assets	862,493	910,529	95	862,493	871,059	912,548	949,518	910,529	912,548
Due to credit institutions etc.	4,000	7,220	55	4,000	4,075	4,003	8,265	7,220	4,003
Issued mortgage bonds	807,682	848,707	95	807,682	814,731	853,479	884,499	848,707	853,479
Issued senior debt	-	3,182	-	-	-	-	3,182	3,182	-
Other liabilities	3,332	3,777	88	3,332	6,020	5,073	4,737	3,777	5,073
Shareholders' equity	47,479	47,643	100	47,479	46,233	49,993	48,835	47,643	49,993
Total liabilities and equity	862,493	910,529	95	862,493	871,059	912,548	949,518	910,529	912,548

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	7.3	8.3		10.6	4.5	9.4	9.9	8.5	8.8
Impairment charges as % p.a. of mortgage lending	0.12	0.07		-0.12	0.36	-0.01	0.01	0.08	0.03
Cost/income ratio (%)	12.6	12.1		12.5	12.8	13.2	11.1	12.6	12.1
Total capital ratio (%)	27.9	30.2		27.9	28.0	31.1	29.9	30.2	31.1
Tier 1 capital ratio (%)	27.4	29.8		27.4	27.5	30.7	29.6	29.8	30.7
Full-time-equivalent staff (end of period)	232	230		232	231	237	231	230	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 half 2020

- The Realkredit Danmark Group recorded a net profit of DKK 1,783 million in the first half of 2020, against DKK 2,035 million in the first half of 2019. The profit was affected by higher impairments.
- Impairments amounted to an expense of DKK 470 million in the first half of 2020, against DKK 287 million in the first half of 2019. The second quarter of 2020 resulted in an income of DKK 235 million, primarily driven by the implementation of new macro scenarios that are more likely to reflect the economic crisis caused by the corona outbreak. This is after a new negative post-model adjustment of DKK 170 million has been implemented in the second quarter of 2020 in relation to the continued uncertainty as to how the corona crisis affects the economy.
- 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.
- Fixed-rate mortgages have regained the role as the preferred mortgage loan among Danish homeowners. 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 half of 2020, Realkredit Danmark recognised losses and impairments of DKK 470 million, against DKK 287 million in the first half of 2019. The second quarter of 2020 resulted in an income of DKK 235 million, primarily driven by the implementation of new macro scenarios that are more likely to reflect the economic crisis caused by the corona outbreak. This is after a new negative post-model adjustment of DKK 170 million has been implemented in the second quarter of 2020 in relation to the continued uncertainty as to how the corona crisis affects the economy. The DKK 170 million expresses risks that impairment models and the macro scenarios does not consider to take full account of.

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

Remortgaging

The remortgaging activity from 2019 has continued into 2020. After a decent level in the first quarter of 2020, activity fell when the corona crisis set in, resulting in a lower activity in the second quarter of 2020.

Realkredit Danmark remortgaged loans for DKK 47 billion in the first half 2020. The effect on earnings in Realkredit Danmark has been modest.

Mortgage market

Denmark GDP suffered from the corona crisis during the first half of 2020. Preliminary first quarter GDP figures showed a contraction of 2.1% when compared to the preceding quarter. For a single quarter this is the largest contraction in GDP since fourth quarter 2008 when the financial crisis escalated.

The contraction in GDP is rooted in the lockdown in March. Likely, we experienced an even greater contraction in second quarter with Denmark beginning the quarter in lockdown mode to only gradually reopen throughout the quarter.

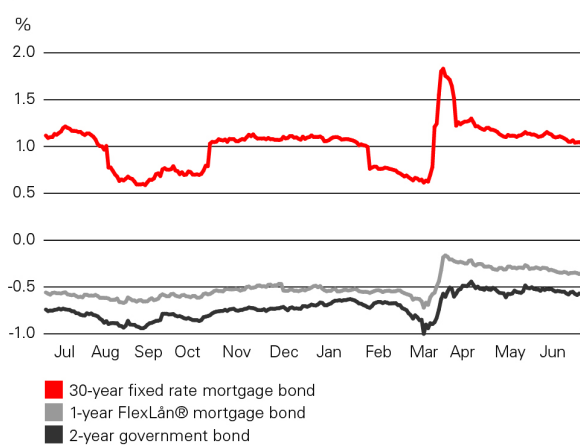
We do however expect Denmark to stage a strong comeback during the second half of 2020. With the resolute response to the corona outbreak Denmark managed to contain the virus. Further, Denmark introduced a number of support schemes to soften the impact of the lockdown. Notably, the salary compensation scheme may have saved more than 200,000 from at least temporary unemployment. Consequently, Danes remain fairly optimistic and consumer spending has already approached pre-lockdown levels.

We do not however expect the comeback to be sufficiently strong to recover the entire loss of GDP suffered during first half of 2020. For the full year of 2020 our expectations are in line with recent forecasts of the Danmarks Nationalbank and the Danish Government which point to a contraction in GDP of 5%. For a full recovery of Denmark GDP we will have to wait until mid-next year. That said, uncertainties remain. The recovery in GDP could suffer a setback from renewed corona virus outbreaks, a slower than expected recovery in the global economy or from the impact of a hard Brexit or a US vs. China trade war. Further, we have the support scheme phase out starting in August ahead of us adding uncertainty to the GDP recovery.

Financial markets recovered from the volatility which immediately followed the outbreak of the corona crisis in March. Danish covered bonds did not escape the market volatility and within a few days the benchmark 30-year coupon shifted from 0.5% to 2.0% only to fall to 1.0% during April. End second quarter the benchmark 30-year coupon remains at 1.0% at a price just below par.

Persistently low interest rates mean that fixed-rate mortgages continue to win market share from floating-rate mortgages. We expect fixed-rate mortgages to reach a milestone in 2020, once again accounting for more than 50% of outstanding mortgages for owner-occupied dwellings and holiday homes. Fixed-rate mortgages are thus set to regain the role as the preferred mortgage among Danish homeowners. That has not been the case since 2009. In 2012, the market share reached an all-time low of close to 30% of lending.

Trend in interest rates past 12 months

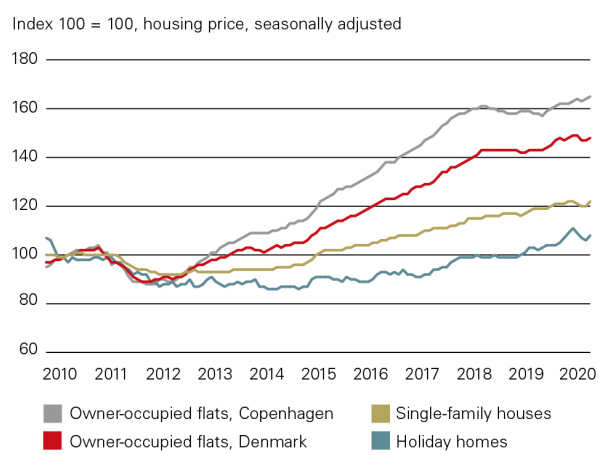


Property markets have weathered the corona crisis surprisingly well. Trading activity in home-owner segments fell sharply in April by nearly 30 percent only to fully recover in May helped along by the reopening of Denmark and interest rates approaching pre-corona crisis levels. Holiday homes saw strong demand and in May sales reached at an all-time high. Owner-occupied flat trading activity did not recover until June.

Market prices have mirrored trading activity. After falling in March market prices on home-owner property have recovered to a level just below pre-corona crisis, when seasonally adjusted. For home-owner flats in Copenhagen market prices are now higher than pre-corona crisis. We do however advice caution when reading market value statistics month-on-month.

For the full year we expect market values on home-owner property to remain flat against expectations of deflation three months ago. From this level, we expect market value to rise in 2021. Expectations are revised to reflect the performance of home-owner property markets during the corona crisis so far though uncertainty remains high. Market values may be negatively affected by renewed corona virus outbreaks or higher unemployment for a sustained period of time. Housing markets remain cyclical with a clear long-term correlation between developments in housing markets and developments in the Danish economy in general and unemployment in particular

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



Commercial property performed reasonably well during the first months of the corona crisis. During first quarter sales reached DKK 15 billion which was higher than first quarter 2019 and at par with first quarter 2017 which saw record-high trading activity. Coming into second quarter reports suggested trading activity remained fairly high though statistics are not yet available to support these observations. Given the accommodative monetary policy and plenty of investor liquidity to be placed, commercial property enjoys the benefits of an attractive yield gap offering a decent risk premium relative to a risk-free interest rate offered from e.g. Danish government bonds. At the same time, the market also traditionally offers more stability than the equity markets. If the economic crisis does not take a firm hold, we foresee no prolonged property market slump.

Obviously, the crisis affects some property segments more than others. Properties relying on tourism such as hotels, luxury stores, the experience industry, are hit relatively harder. Furthermore, retail shops face even more headwind from the transition to e-commerce fortified by the crisis. Growing e-commerce, on the other hand, may support logistics, while the market for residential rental property is initially relatively unaffected. Lastly, for the cyclical office market it is vital that the crisis does not persist.

Attractive loans for energy improvements

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

Green funding of commercial property

Realkredit Danmark was the first among Danish mortgage credit institutions to launch green covered bonds 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 4,6 billion has been disbursed to date.

Realkredit Danmark now also offer green covered bonds, named RD Stibor3® Green, to fund properties in Sweden and in the near future will offer green covered bonds in Norway.

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

Results

For the first half of 2020, Realkredit Danmark's net profit was DKK 1,783 million, against DKK 2,035 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 84 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 54 million in the first half of 2020, driven especially by lower income from the investment portfolio.

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

Expenses amounted to DKK 399 million, against DKK 397 million in the first half of 2019.

Impairments totalled an expense of DKK 470 million in the first half of 2020, against DKK 287 million in the same period of 2019.

The second quarter of 2020 resulted in an income of DKK 235 million, primarily driven by the implementation of new macro scenarios that are more likely to reflect the economic crisis caused by the corona outbreak. This is after a new negative post-model adjustment of DKK 170 million has been implemented in the second quarter of 2020 in relation to the continued uncertainty as to how the corona crisis affects the economy. In the first quarter, more general macro scenarios were used. Large amounts of reversals have been made, particularly for service functions and for the private market. The DKK 170 million expresses risks that impairment models and the macro scenarios does not considered to take full account of.

Impairment charges at 30 June 2020 amounted to DKK 3,131 million, against DKK 2,799 million at 31 December 2019. Despite the corona crisis, the underlying credit quality remains strong with low delinquencies and robust collateral.

Impairments equalled 0.12% p.a. of total mortgage lending, against 0.03% at the end of 2019.

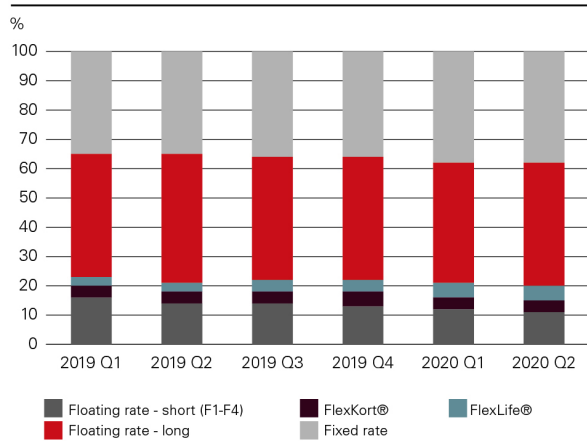
The tax charge totalled DKK 503 million. The effective tax rate for the period was 22.0%.

Balance sheet

Gross lending amounted to DKK 79 billion, against DKK 81 billion in the first half of 2019. Mortgage lending at fair value fell DKK 3 billion to DKK 800 billion. The development in mortgage lending at fair value is composed of a decrease in the nominal outstanding bond debt of DKK 4 billion, primarily as a result of an increase in ordinary repayments, and a DKK 1 billion increase in market value adjustments in the same period.

In the first half of 2020, fixed-rate mortgages accounted for approximately 57% of all disbursed loans, while about 85% 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 30 June 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 13 in the first half of 2020. The number of foreclosures rose from year-end 2019, standing at 17, of which 11 were owner-occupied dwellings and 6 were commercial properties. The value of the foreclosures was DKK 27 million. The delinquency rate at 30 June 2020 was unchanged from the level at the end of 2019, and at a persistently low level.

Capital and solvency

At the end of June 2020, shareholders' equity stood at DKK 47.5 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 27.9%. 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 166.3 billion at 30 June 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-June 2020, the capital requirement was calculated at DKK 26.0 billion and 15.7% of the REA. Realkredit Danmark thus has a capital buffer of DKK 20.3 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 June 2020, the requirement for supplementary collateral for mortgage-covered bonds was DKK 11.7 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's mortgage-covered bonds are rated by the European rating agency Scope Ratings, Fitch Ratings and S&P Global.

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

S&P Global further rates the bonds issued from the Other reserves series AAA.

Realkredit Danmark has an A issuer rating from Fitch Ratings. The outlook was negative due to the economic environment caused by the corona crisis but has recently been revised to stable again.

Further, Scope Ratings continue to assign an A+ issuer rating to Realkredit Danmark.

Supervisory diamond for mortgage credit institutions

Realkredit Danmark complies with all threshold values.

Threshold value	Q2 2020	Limit
Growth in lending¹		
Owner-occupied dwellings and holiday homes	-0.4%	15%
Residential rental property	6.5%	15%
Agriculture	-2.4%	15%
Other	-2.3%	15%
Borrower interest-rate risk²		
Properties for residential purposes	7.1%	25%
Interest-only option³		
Owner-occupied dwellings and holiday homes	6.3%	10%
Loans with short-term funding⁴		
Refinancing, annually	13.7%	25%
Refinancing, quarterly	3.9%	12.5%
Large exposures⁵		
Loans relative to shareholders' equity	45%	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

On 9 June Jacob Aarup-Andersen, chairman of the Board of Directors, has resigned from the Board of Directors of Realkredit Danmark. Consequently, the Board of Directors has elected Carsten Rasch Egeriis as chairman.

Outlook for 2020

Realkredit Danmark expects that the Danish economy will be affected by the corona crisis for the rest of 2020. 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 part 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)	First half 2020	First half 2019	Q2 2020	Q2 2019	Full year 2019
	Income statement					
	Interest income	7,483	8,531	3,685	4,249	16,782
	Interest expense	4,182	5,133	2,054	2,567	9,877
	Net interest income	3,301	3,398	1,631	1,682	6,905
	Dividends from shares	-	-	-	-	-
	Fee and commission income	304	305	123	189	888
	Fee and commission expense	593	596	276	326	1,416
	Net fee and commission income	3,012	3,107	1,478	1,545	6,377
	Value adjustments	89	130	46	66	219
	Other operating income	54	56	26	29	117
	Staff costs and administrative expenses	398	396	192	206	811
	Impairment, depreciation and amortisation charges	1	1	1	1	1
3	Loan impairment charges	470	287	-235	153	265
	Income from associates and group undertakings	-	-	-	-	-
	Profit before tax	2,286	2,609	1,592	1,280	5,636
	Tax	503	574	350	282	1,240
	Net profit for the period	1,783	2,035	1,242	998	4,396
	Comprehensive income					
	Net profit for the period	1,783	2,035	1,242	998	4,396
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Actuarial gains/losses on defined benefit plans	4	-9	5	-16	-23
	Tax	-1	2	-1	4	5
	Total other comprehensive income	3	-7	4	-12	-18
	Total comprehensive income for the period	1,786	2,028	1,246	986	4,378

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 June 2020	31 December 2019	30 June 2019
ASSETS				
	Cash in hand and demand deposits with central banks	50	54	151
	Due from credit institutions and central banks	6,489	53,772	56,999
	Bonds at fair value	20,052	23,022	13,956
	Bonds at amortised cost	32,507	29,339	30,874
4, 8	Mortgage loans at fair value	800,058	802,579	803,966
4	Loans and other amounts due at amortised cost	487	543	594
	Shares	2	2	2
	Other tangible assets	6	6	6
	Current tax assets	564	-	636
	Deferred tax assets	-	-	-
	Assets temporarily taken over	27	15	19
4	Other assets	2,216	3,215	3,290
	Prepayments	35	1	36
Total assets		862,493	912,548	910,529
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	4,000	4,003	7,220
	Issued mortgage bonds at fair value	807,682	853,479	848,707
	Issued bonds at amortised cost	-	-	3,182
	Current tax liabilities	-	31	-
	Deferred tax liabilities	36	36	39
	Other liabilities	3,296	5,006	3,738
Total amounts due		815,014	862,555	862,886
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Reserves in series	44,978	44,978	44,654
	Other reserves	1,871	85	2,359
	Proposed dividends	-	4,300	-
Total shareholders' equity		47,479	49,993	47,643
Total liabilities and equity		862,493	912,548	910,529

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	-	-	1,783	-	1,783
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	4	-	4
Tax	-	-	-1	-	-1
Total comprehensive income for the period	-	-	1,786	-	1,786
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 30 June 2020	630	44,978	1,871	-	47,479
Shareholders' equity at 1 January 2019	630	44,654	331	4,300	49,915
Net profit for the period	-	-	2,035	-	2,035
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-9	-	-9
Tax	-	-	2	-	2
Total comprehensive income for the period	-	-	2,028	-	2,028
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 30 June 2019	630	44,654	2,359	-	47,643

At 30 June 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.

TOTAL CAPITAL AND TOTAL CAPITAL RATIO (DKK millions)	30 June 2020	31 December 2019	30 June 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	-6	-9	-2
Defined benefit pension fund assets	-148	-146	-156
Common equity tier 1 capital	45,539	45,538	45,457
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	45,539	45,538	45,457
Reserves in series subject to a reimbursement obligation	-	-	-
Revaluation reserve	-	-	-
Difference between expected losses and impairment charges	800	631	600
Total capital	46,339	46,169	46,057
Risk exposure amount	166,328	148,353	152,401
Common equity tier 1 capital ratio (%)	27.4	30.7	29.8
Tier 1 capital ratio (%)	27.4	30.7	29.8
Total capital ratio (%)	27.9	31.1	30.2

At 30 June 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)	First half 2020	First half 2019	Full year 2019
Cash flow from operating activities			
Profit before tax	2,286	2,609	5,636
Tax paid	-1,098	-1,209	-1,209
Adjustment for non-cash operating items	332	141	-63
Cash flow from operating capital	-44,507	38,463	32,316
Total	-42,987	40,004	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	-47,287	35,704	32,380
Cash and cash equivalents, end of period	6,539	57,150	53,826
Cash and cash equivalents, end of period			
Cash in hand and demand deposits with central banks	50	151	54
Amounts due from credit institutions and central banks within 3 months	6,489	56,999	53,772
Total	6,539	57,150	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 half 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), amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform phase I) and amendments to references to the Conceptual Framework in IFRS Standards.

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

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 have been revised during 2020, see further in separate section below.

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 second quarter of 2020, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 3,058 million (end-2019: DKK 2,736 million), reducing the value of mortgage loans. The base case scenario enters with a probability of 70% (end-2019: 60%), the upside scenario with a probability of 10% (end-2019: 10%), and the downside scenario with a probability of 20% (end-2019: 30%). If the base case scenario was assigned a probability of 100%, the fair value adjustment would decrease to DKK 2,725 million (end-2019: DKK 2,600 million). The fair value adjustment would increase to DKK 4,525 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 2,525 million (end-2019: DKK 2,450 million). However, note that the applied scenarios used on 30 June 2020 differ from the scenarios used on 31 December 2019, and the impact from a 100% weighting of the different scenarios end of Q2 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 do 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 30 June 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 30 June 2020, the post-model adjustments amounted to DKK 755 million (end-2019: DKK 678 million). The adjustments cover for instance specific macroeconomic risks that are not specifically captured by the expected credit loss model like specific macroeconomic risk in the Agriculture industry. Supplementary calculations are made in order to ensure sufficient impairment coverage. Such adjustments are also introduced in the second quarter of 2020 to capture the immediate effects from the corona crisis, see separate section below. Further, adjustments are made to take into account non-linear downside risks, for instance related to the property market in Copenhagen and other high growth areas.

The 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. However, we remain to see further credit deterioration as the effect is currently limited and mitigated by the continued government support packages. Based on the measures taken by governments across the world and in the Group's market areas to contain the virus, economies are seeing lower activity in the short-term, although especially in the Nordic economies, the activity in many sectors are back to a normal activity level already in the second quarter of 2020 after the reopening. However, the implications of the corona crisis is expected to have an impact on the credit quality of the Group's credit exposure in future periods. The forward-looking elements of expected credit losses implies that impairment for expected credit losses for upcoming credit deteriorations are covered through the estimated worsening in macroeconomic scenarios used.

It is expected that the impacts on the specific customers adversely affected by the corona crisis will materialise over the coming quarters. A continued customer assessment has been ongoing throughout the second quarter of 2020 and impairments have been revisited in light of the changed outlooks. While customer activity in the first half of 2020 were higher than usual, most customers are still assessing the consequences and the financial consequences at customer level still remain to be seen as for instance government support packages will come to an end. Therefore, 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 continues to be related to changes to the forward-looking information. The macroeconomic scenarios applied have been changed during 2020. The Group's base case scenario at the end of June 2020 is based on the Nordic Outlook and reflects a significant decline in economic activity in 2020 followed by a recovery in 2021. The downside scenario has been updated to a longer lasting corona scenario that includes a steeper decline than during the global financial crisis with double-digit decrease in GDP. The base case scenario is considered the most likely scenario with a likelihood of 70% while the downside scenario is attached a likelihood of 20%. Compared to the scenarios used in the first quarter of 2020, the scenarios have been updated to more corona virus bespoke scenarios that reflect the latest developments in the market. Most notably, the new downside scenario replaces the downside scenario used in the first quarter of 2020, which was aligned with the severe recession scenario applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests.

Due to the corona crisis, management has judged it appropriate to recognise further post-model adjustments of DKK 170 million. This relates to industries highly affected by the corona crises, including retailing, hotels and restaurants and for which the macroeconomic scenarios do not lead to a sufficient increase in expected credit losses. Further, additional risks related directly to the corona crisis are included.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity

First half 2020	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin	2,973	-	2,973	-	2,973
Net interest income	-96	144	48	280	328
Dividends from shares	-	-	-	-	-
Net fee income	-289	-	-289	-	-289
Income from investment portfolios	369	-	369	-369	-
Value adjustments	-	-	-	89	89
Other income	54	-	54	-	54
Total income	3,011	144	3,155	-	3,155
Expenses	397	2	399	-	399
Profit before loan impairment charges	2,614	142	2,756	-	2,756
Loan impairment charges	470	-	470	-	470
Income from associates	-	-	-	-	-
Profit before tax	2,144	142	2,286	-	2,286
Tax			503	-	503
Net profit for the period			1,783	-	1,783
Total assets	813,103	49,390	862,493	-	862,493
First half 2019	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin	3,057	-	3,057	-	3,057
Net interest income	-72	133	61	280	341
Dividends from shares	-	-	-	-	-
Net fee income	-291	-	-291	-	-291
Income from investment portfolios	358	52	410	-410	-
Value adjustments	-	-	-	130	130
Other income	56	-	56	-	56
Total income	3,108	185	3,293	-	3,293
Expenses	395	2	397	-	397
Profit before loan impairment charges	2,713	183	2,896	-	2,896
Loan impairment charges	287	-	287	-	287
Income from associates	-	-	-	-	-
Profit before tax	2,426	183	2,609	-	2,609
Tax			574	-	574
Net profit for the period			2,035	-	2,035
Total assets	863,043	47,486	910,529	-	910,529

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.

	First half 2020	First half 2019
3 Loan impairment charges		
ECL on new assets	228	67
ECL on assets derecognised	326	165
Impact of remeasurement	556	386
Losses incurred	24	22
Received on claims previously written off	12	23
Total	470	287

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 3,058 million at 30 June 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 40 million at 30 June 2020, against DKK 51 million at the beginning of the year.

For loan commitments, expected credit losses at 30 June 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	287	-192	-95	-
Transferred to stage 2 during the period	-25	64	-39	-
Transferred to stage 3 during the period	-5	-88	93	-
ECL on new assets	31	146	51	228
ECL on assets derecognised	197	57	72	326
Impact of remeasurement	17	451	88	556
Write-offs, allowance account	26	3	97	126
Impairment charges at 30 June 2020	388	1,264	1,479	3,131

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 30 June 2020, against DKK 0 million at end-2019.

5 Assets deposited as collateral

At 30 June 2020, Realkredit Danmark had deposited securities worth DKK 10,177 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 30 June 2020, the carrying amount of such securities totalled DKK 0 million (end-2019: DKK 3 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 30 June 2020, mortgage lending totalling DKK 800,058 million and other assets totalling DKK 11,688 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				
	30 June 2020	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	15,267	4,785	-	20,052
	Mortgage loans at fair value	-	800,058	-	800,058
	Shares	-	-	2	2
	Derivatives	-	3	-	3
	Total	15,267	804,846	2	820,115
	Issued mortgage bonds at fair value	807,682	-	-	807,682
	Derivatives	-	64	-	64
	Total	807,682	64	-	807,746
	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 six months of 2020 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.

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 six months 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:

	30 June 2020	31 December 2019	30 June 2019
Other contingent liabilities			
Irrevocable loan commitments	37,458	33,522	37,594
Other commitments	24	23	23
Total	37,482	33,545	37,617

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 0.2% of the total loan portfolio.

Portfolio broken down by LTV ratio and rating category

30 June 2020

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	21	15	7	2	-	45
3	81	59	35	13	7	195
4	84	60	37	14	5	200
5	70	60	38	13	3	184
6	35	31	20	7	1	94
7	19	18	13	4	1	55
8	5	4	3	1	-	13
9	1	1	1	-	-	3
10	3	2	2	1	1	9
11	1	1	1	1	1	5
Total	320	251	157	56	19	803

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 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):

30 June 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	364	-	50	-	-	-	364	-	50
2	0.01	0.03	45,427	33	4	6	-	-	45,421	33	4
3	0.03	0.06	194,418	364	72	23	2	6	194,395	362	66
4	0.06	0.14	198,676	1,213	274	53	14	13	198,623	1,199	261
5	0.14	0.31	179,653	3,600	384	87	18	23	179,566	3,582	361
6	0.31	0.63	83,825	10,073	254	78	49	19	83,747	10,024	235
7	0.63	1.90	34,008	21,085	263	95	299	10	33,913	20,786	253
8	1.90	7.98	2,669	10,384	374	26	585	12	2,643	9,799	362
9	7.98	25.70	173	2,121	231	3	196	17	170	1,925	214
10	25.70	100.00	134	1,335	7,105	-	69	617	134	1,266	6,488
11	100.00	100.00	137	109	4,304	-	8	730	137	101	3,574
Total			739,484	50,317	13,315	371	1,240	1,447	739,113	49,077	11,868

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 32,507 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.

Interim financial statements – Realkredit Danmark A/S

Note (DKK millions)

The financial statements of the parent company, Realkredit Danmark A/S, have been prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order no. 281 dated 26 March 2014 on Financial Reports of 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 and Executive Order no. 1441 of 3 December 2018.

Realkredit Danmark A/S has not changed its significant accounting policies from those applied in the Annual Report 2019.

The format of the parent company's financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRSs.

Income statement and Comprehensive income – Realkredit Danmark A/S

Note	(DKK millions)	First half 2020	First half 2019
	Income statement		
	Interest income	7,483	8,531
	Interest expense	4,182	5,133
	Net interest income	3,301	3,398
	Dividends from shares	-	-
	Fee and commission income	304	305
	Fee and commission expense	593	596
	Net fee and commission income	3,012	3,107
1	Value adjustments	89	130
	Other operating income	1	-
	Staff costs and administrative expenses	371	362
	Impairment, depreciation and amortisation charges	-	-
	Loan impairment charges	470	287
	Income from associated and group undertakings	20	16
	Profit before tax	2,281	2,604
	Tax	498	569
	Net profit for the period	1,783	2,035
	Comprehensive income		
	Net profit for the period	1,783	2,035
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Actuarial gains/losses on defined benefit plans	4	-9
	Tax	-1	2
	Total comprehensive income	3	-7
	Total comprehensive income for the period	1,786	2,028

Balance sheet – Realkredit Danmark A/S

Note	(DKK millions)	30 June 2020	31 December 2019	30 June 2019
ASSETS				
	Cash in hand and demand deposits with central banks	50	54	151
	Due from credit institutions and central banks	6,426	53,694	56,945
	Bonds at fair value	20,052	23,022	13,956
	Bonds at amortised cost	32,507	29,339	30,874
2	Mortgage loans at fair value	800,058	802,579	803,966
2	Loans and other amounts due at amortised cost	463	515	564
	Holdings in group undertakings	122	137	118
	Other tangible assets	5	5	5
	Current tax assets	562	-	633
	Deferred tax assets	-	-	-
	Assets temporarily taken over	27	15	19
2	Other assets	2,090	3,079	3,134
	Prepayments	34	1	35
Total assets		862,396	912,440	910,400
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	4,000	4,003	7,220
	Issued mortgage bonds at fair value	807,682	853,479	848,707
	Issued bonds at amortised cost	-	-	3,182
	Current tax liabilities	-	28	-
	Other liabilities	3,183	4,885	3,589
	Deferred income	-	-	-
Total amounts due		814,865	862,395	862,698
PROVISIONS				
	Deferred tax	40	39	42
	Reserves in early series subject to a reimbursement obligation	12	13	17
Total provisions		52	52	59
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Reserves in series	44,978	44,978	44,654
	Other reserves	1,871	85	2,359
	Proposed dividends	-	4,300	-
Total shareholders' equity		47,479	49,993	47,643
Total liabilities and equity		862,396	912,440	910,400

Statement of capital – Realkredit Danmark A/S

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	-	-	1,783	-	1,783
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	4	-	4
Tax	-	-	-1	-	-1
Total comprehensive income for the period	-	-	1,786	-	1,786
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 30 June 2020	630	44,978	1,871	-	47,479
Shareholders' equity at 1 January 2019	630	44,654	331	4,300	49,915
Net profit for the period	-	-	2,035	-	2,035
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-9	-	-9
Tax	-	-	2	-	2
Total comprehensive income for the period	-	-	2,028	-	2,028
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 30 June 2019	630	44,654	2,359	-	47,643

At 30 June 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.

Notes - Realkredit Danmark A/S

Note	(DKK millions)	First half 2020	First half 2019
1	Value adjustments		
	Mortgage loans	1,311	11,295
	Bonds	-102	-133
	Currency	-8	2
	Derivatives	-1,685	29
	Other assets	5	5
	Issued mortgage bonds	568	-11,068
	Other liabilities	-	-
	Total	89	130

2 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,058 million at 30 June 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 38 million at 30 June 2020, against DKK 49 million at the beginning of the year.

For loan commitments, expected credit losses at 30 June 2020 amounted to DKK 33 million, against DKK 12 million at the beginning of the year.

Reconciliation of total allowance account

	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 2019 incl. impact at mortgage loan	646	523	1,623	11	10	40	7	1	-	2,861
Transferred to stage 1 during the period	239	-209	-30	5	-4	-1	-	-	-	-
Transferred to stage 2 during the period	-391	541	-150	-7	10	-3	-	-	-	-
Transferred to stage 3 during the period	-30	-185	215	-1	-3	4	-	-	-	-
ECL on new assets	15	172	35	-	3	1	3	-	1	230
ECL on assets derecognised	92	173	175	2	3	3	-	-	-	448
Impact of remeasurement	-94	273	327	-2	4	-4	-	-	-	504
Write-offs, allowance account	3	17	324	-	-	6	-	-	-	350
Impairment charges at 31 December 2019	290	925	1,521	4	17	28	10	1	1	2,797
Transferred to stage 1 during the period	284	-190	-94	3	-2	-1	-	-	-	-
Transferred to stage 2 during the period	-25	63	-38	-	1	-1	-	-	-	-
Transferred to stage 3 during the period	-5	-87	92	-	-1	1	-	-	-	-
ECL on new assets	29	137	39	-	2	-	2	7	12	228
ECL on assets derecognised	194	56	71	3	1	1	-	-	-	326
Impact of remeasurement	18	451	94	-1	-	-6	-	-	-	556
Write-offs, allowance account	26	3	96	-	-	1	-	-	-	126
Impairment charges at 30 June 2020	371	1,240	1,447	3	16	19	12	8	13	3,129

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.

Value adjustment of assets taken over amounted to DKK 0 million at 30 June 2020, against DKK 0 million at end-2019.

Statement by the management

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

The consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and the Parent Company's interim financial statements have been prepared in accordance with the Danish Financial Business Act. 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 and the Parent Company's assets, liabilities, shareholders' equity and financial position at 30 June 2020 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period starting on 1 January 2020 and ending on 30 June 2020. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 17 July 2020

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Klaus Kristiansen
Member of the Executive Board

Board of Directors

Carsten Rasch Egeriis
Chairman

Jesper Koefoed

Claus Harder

Line Munkholm Haukrogh

Anna-Marie Mikkelsen

Lisbeth Sahlertz Nielsen

Majken Hammer Sløk

Supplementary information

Financial calendar

- Interim Report – First Nine Months 2020:
4 November 2020
- Annual Report 2020:
4 February 2021
- Annual General Meeting:
3 March 2021
- Interim Report – First Quarter 2021:
28 April 2021
- Interim Report – First Half 2021:
23 July 2021
- Interim Report – First Nine Months 2021:
29 October 2021

Contact


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

Address

Realkredit Danmark A/S
Lersø Parkallé 100
DK-2100 København Ø
Tel. +45 70 12 53 00
CVR No. 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