

Interim Report – First Nine Months 2020



REALKREDIT
Danmark

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Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKK millions)	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Full year 2019
Administration margin	4,447	4,572	97	1,474	1,476	1,497	1,510	1,515	6,082
Net interest income	71	138	51	23	18	30	65	77	203
Net fee income	-461	-431	107	-172	-153	-136	-97	-140	-528
Income from investment portfolios	485	663	73	116	183	186	176	253	839
Other income	83	87	95	29	26	28	30	31	117
Total income	4,625	5,029	92	1,470	1,550	1,605	1,684	1,736	6,713
Expenses	621	590	105	222	193	206	222	193	812
Profit before loan impairment charges	4,004	4,439	90	1,248	1,357	1,399	1,462	1,543	5,901
Loan impairment charges	552	294	188	82	-235	705	-29	7	265
Profit before tax	3,452	4,145	83	1,166	1,592	694	1,491	1,536	5,636
Tax	759	912	83	256	350	153	328	338	1,240
Net profit for the period	2,693	3,233	83	910	1,242	541	1,163	1,198	4,396

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	22,225	86,606	26	22,225	6,539	21,280	53,826	86,606	53,826
Mortgage loans	807,271	808,181	100	807,271	800,058	791,804	802,579	808,181	802,579
Bonds and shares	49,528	50,040	99	49,528	52,561	54,144	52,363	50,040	52,363
Other assets	2,807	4,691	60	2,807	3,335	3,831	3,780	4,691	3,780
Total assets	881,831	949,518	93	881,831	862,493	871,059	912,548	949,518	912,548
Due to credit institutions etc.	4,000	8,265	48	4,000	4,000	4,075	4,003	8,265	4,003
Issued mortgage bonds	825,712	884,499	93	825,712	807,682	814,731	853,479	884,499	853,479
Issued senior debt	-	3,182	-	-	-	-	-	3,182	-
Other liabilities	3,725	4,737	79	3,725	3,332	6,020	5,073	4,737	5,073
Shareholders' equity	48,394	48,835	99	48,394	47,479	46,233	49,993	48,835	49,993
Total liabilities and equity	881,831	949,518	93	881,831	862,493	871,059	912,548	949,518	912,548

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	7.3	8.7		7.6	10.6	4.5	9.4	9.9	8.8
Impairment charges as % p.a. of mortgage lending	0.09	0.05		0.04	-0.12	0.36	-0.01	0.01	0.03
Cost/income ratio (%)	13.4	11.7		15.1	12.5	12.8	13.2	11.1	12.1
Total capital ratio (%)	27.4	29.9		27.4	27.9	28.0	31.1	29.9	31.1
Tier 1 capital ratio (%)	26.9	29.6		26.9	27.4	27.5	30.7	29.6	30.7
Full-time-equivalent staff (end of period)	232	231		232	232	231	237	231	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 nine months 2020

- The Realkredit Danmark Group recorded a net profit of DKK 2,693 million in the first nine months of 2020, against DKK 3,233 million in the first nine months of 2019. The profit was affected by higher impairments.
- Impairments amounted to an expense of DKK 552 million in the first nine months of 2020, against DKK 294 million in the first nine months of 2019. Third-quarter impairments amounted to an expense of DKK 82 million, primarily driven by a reversal of the modelled expected credit losses of DKK 399 million in all main industries. This is after a new post-model adjustment of DKK 450 million has been implemented in the third quarter of 2020 in relation to the continued uncertainty as to how the corona crisis affects the economy.
- In September 2020, Realkredit Danmark launched FlexLife® with fixed rate of interest for 30 years and enhanced flexibility. FlexLife® with fixed rate was very well received by customers, and at 30 September 2020, Realkredit Danmark had secured loans for more than DKK 1 billion.
- 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, but at a lower level than in 2019.
- Fixed-rate mortgages have regained the role as the preferred mortgage loan among Danish homeowners. This, combined with the fact that customers are increasingly making repayments on their loans resulted in a small drop in administration margin income.
- Realkredit Danmark expects net profit for 2020 to be somewhat lower than in 2019.

FlexLife® with fixed rate

In September 2020, Realkredit Danmark launched FlexLife® with fixed rate of interest for 30 years and enhanced flexibility. FlexLife® with fixed rate was very well received by customers, and at 30 September 2020, Realkredit Danmark had secured loans for more than DKK 1 billion. This matches the start of FlexLife® with variable interest rate. At 30 September 2020, Realkredit Danmark had issued FlexLife® with variable interest rate for DKK 39 billion.

FlexLife® with fixed rate allows customers who prefer a high level of certainty about future interest payments to also enjoy the high degree of flexibility that FlexLife® offers in terms of adapting the mortgage loan to their situation and needs. The mortgage is tailored to each individual borrower on disbursement and may later be adjusted as required to match any changes in the customer's life situation within pre-defined limits, but without the usual costs of having to take out a completely new mortgage loan. For example, the customer can raise or lower repayments, decide how any interest rate changes should affect the loan and also the amount of outstanding debt remaining in the property after 30 years. Customers can adjust FlexLife® with fixed rate every quarter, while FlexLife® with variable interest rate can be adjusted in connection with refinancing.

FlexLife® with fixed rate is also aimed at customers with some home equity, as the maximum amount homeowners can borrow is 75% of the property's value. A unique feature of the loan is that the part representing less than 60% of the property's value may be eligible for an interest-only period of up to 30 years. This allows customers to combine mortgage repayments and an interest-only option in one loan, which they can regularly adjust.

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

The loan is available to personal as well as business customers.

Corona crisis

In the first nine months of 2020, Realkredit Danmark recognised losses and impairments of DKK 552 million, against DKK 294 million in the first nine months of 2019.

Third-quarter impairments amounted to an expense of DKK 82 million, primarily driven by a reversal of the modelled expected credit losses of DKK 399 million in all main industries. This is after a new post-model adjustment of DKK 450 million has been implemented in the third quarter of 2020 in relation to the continued uncertainty as to how the corona crisis affects the economy. The DKK 450 million expresses risks that impairment models and the macro scenarios do not fully take into consideration.

The delinquency rate at 30 September 2020 was unchanged from the level at the end of 2019, and at a persistently low level.

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

rary exemption from the Danish FSA from carrying out an inspection of property interiors.

Remortgaging

The remortgaging activity from 2019 has continued into 2020, but at a lower level than in 2019. After a decent level in the first quarter of 2020, activity fell when the corona crisis set in, resulting in a lower level of activity in the second and third quarters of 2020. Realkredit Danmark remortgaged loans for DKK 63 billion in the first nine months of 2020. The effect on earnings in Realkredit Danmark has been modest.

Mortgage market

The national lockdown in the spring in response to the COVID-19 pandemic caused a record plunge in economic activity. Preliminary GDP figures for the second quarter declined by no less than 6.8%, following negative growth of 1.6% in the first quarter. Economic activity in the second quarter was down 8.3% overall relative to activity in the fourth quarter of 2019. The severe impact on the economy is, of course, not surprising. Shutting down large parts of society automatically stops many of the economic wheels spinning from one day to the next. Moreover, the pandemic increased uncertainty about the future, causing households and businesses alike to stop spending.

Despite the slump in the Danish economy in the first half-year, we have weathered the storm relatively well compared to other countries. A strong economy prior to the corona crisis, with healthy public finances, no major imbalances in the economy and a favourable mix of businesses are some of the key explanations for this. Naturally, another important factor was that Denmark initially managed to curb the virus outbreak, allowing the country to gradually reopen after a relatively short lockdown period.

Denmark's economic recovery is well underway, and in fact started just after the Easter holidays when society began to reopen. The speed of the recovery has, in many areas, probably been faster than most people anticipated. When the restrictions on retail stores and shopping centres were lifted, customers returned to the shops relatively quickly, and by the end of May consumer spending was nearly back to 2019 levels following a sharp drop of 30-40% in the weeks after lockdown. So far, the Danish labour market has also fared far better than feared. By June, some 250,000 people were furloughed with salary compensation, yet the scheme was phased out by the end of August without causing any major leap in the unemployment figures. Nevertheless, unemployment remains at a somewhat higher level than before the crisis, though the trends have been quite positive in recent months and businesses have shown a growing propensity to recruit, as measured by the number of new job ads.

The overall effect of this has been a general upward adjustment of economic forecasts over the course of the summer and autumn months. At present, GDP is

expected to contract by 3-4% this year. While this is a dramatic decline from a historical perspective, it is somewhat more benign than the forecasts published this spring, when the worst-case scenario saw GDP contracting by up to 10% in 2020.

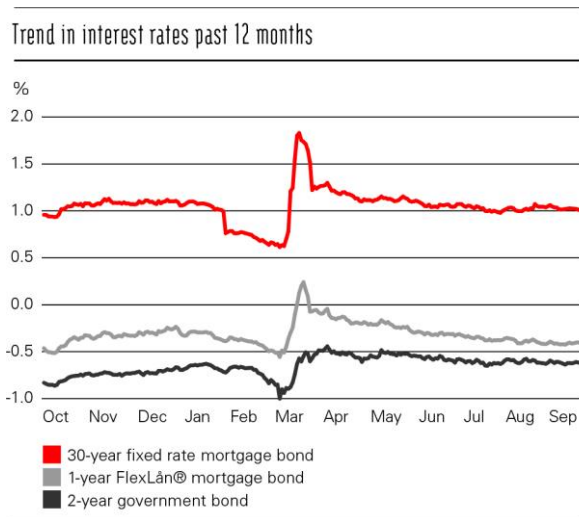
Consequently, the current recession is very different from earlier recessions, both in terms of a sharp plunge in activity, but also a quick rebound. The reason is a different recession anatomy due to the slump being caused by a health crisis rather than by economic imbalances. However, the health crisis has still not released its grip on economies, and there are no prospects of a quick recovery and return to pre-crisis levels. In Denmark, we have seen a coronavirus resurgence and new restrictions this autumn which weigh on already hard-hit sectors, such as hotels and restaurants and industries and retailers that rely heavily on earnings from tourists. Furthermore, we should expect that export industries in general will be challenged by weaker demand because many countries have been hit harder by the crisis. Overall, we believe economic activity and unemployment will not return to pre-crisis levels until the end of 2021, or perhaps into 2022.

If the spread of coronavirus continues to escalate during the course of the winter period, and vaccines do not become available, economic recovery may take longer to materialise than outlined in our forecast. That would also increase the risk of the health crisis turning into a more traditional economic recession. Furthermore, other risks are looming in the background, including the risk of a hard Brexit at the turn of the year.

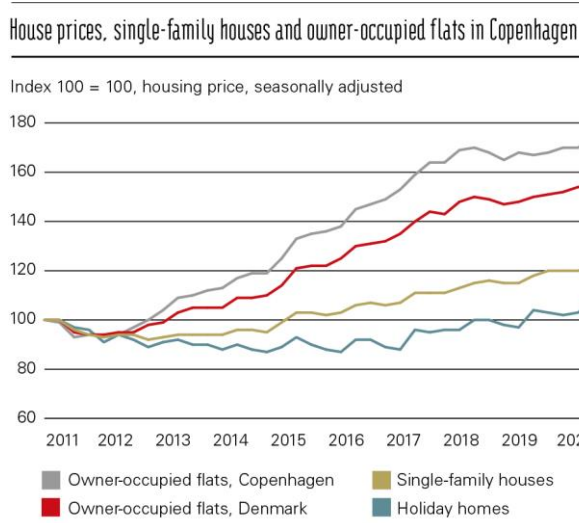
Having risen sharply in March, interest rates are now back close to previous lows, driven by accommodative monetary policies and large-scale asset purchase programmes from central banks, which have helped calm the waters in the financial markets. The situation has also resulted in a normalisation of credit premiums on mortgage bonds. Quite a few homeowners have exploited the falling interest rates to remortgage to a lower mortgage rate over the course of the summer and autumn months, with particularly strong demand for 30-year fixed-rate 1% mortgages. Homeowners are generally opting for fixed-rate mortgages, which currently make up more than half of mortgage loans for owner-occupied dwellings and holiday homes for the first time since 2009. The market share for fixed-rate mortgages hit a low of just 30% back in 2012.

The strong demand for fixed-rate mortgages is also one of the reasons why Realkredit Danmark launched FlexLife® with fixed rate in September. This mortgage loan provides borrowers with more flexibility compared to other mortgage products, as the borrower has greater decision-making powers in terms of mortgage payments and outstanding debt. Should a need arise to change the mortgage along the way, borrowers may do so once every quarter. Lastly, the mortgage offers security in the sense that borrowers can now

combine a fixed rate of interest with an interest-only period of up to 30 years. FlexLife® with fixed rate is off to a good start with strong interest among borrowers as well as investors.



So far, the housing market has weathered the corona crisis surprisingly well. The lockdown of the Danish economy triggered a plunge in activity and prices, but housing prices quickly recovered and are now higher than they were early in the year. At the same time, the stage is set for housing market activity to reach its highest level since 2005, while activity in the holiday home market is likely to reach an all-time high this year. Housing market uncertainty is closely linked to the strength of the economic recovery, but a recovery that remains on track combined with historically low interest rates will help the housing market upswing continue with modest price increases.



Unlike in the housing market, activity in the market for commercial property has slowed somewhat. Second-quarter transaction volume amounted to just under DKK 9 billion, which is the lowest level of second-quarter activity since 2013. Activity has by no means

grinded to a complete standstill, but there were no large-scale transactions in the second quarter. Overall, the commercial property market has been moving sideways lately when looking at return requirements, for example, while there is a tendency towards slightly higher vacancy rates. The hotel business is obviously particularly hard hit by the current situation.

Recently, investors have been focusing on residential rental properties, which is hardly surprising given the uncertain times we live in, as residential rental properties would appear to offer relatively stable rental income. Before the corona crisis, the market for office property was considered one of the most attractive investment cases among investors, but their interest has cooled somewhat lately as the rise in employment in recent years has been replaced by a downward trend. A current topic of discussion is whether the corona crisis will have more permanent demand effects on the office property market if distance working becomes more widespread, resulting in a need for less office space.

For now though, it is too soon to come up with a definitive answer regarding the impact of behavioural changes on the office property market, and the same goes for the retail segment, where the corona crisis initially accelerated the transition to even more e-commerce. Yet, while the lockdown of the Danish economy produced a noticeable tendency towards increased e-commerce among all age groups, e-commerce appears to have returned to its old growth trends after Denmark reopened. Quite a few Danish consumers have apparently not turned to e-commerce on a more permanent basis and still prefer brick-and-mortar shopping.

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 mortgages with a total value of DKK 5.9 billion have been disbursed to date.

Realkredit Danmark now also offer green covered bonds to fund properties in Sweden. RD Stibor3® Green mortgages with a total value of DKK 2.2 billion have been disbursed to date.

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

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

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

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

Results

For the first nine months of 2020, Realkredit Danmark's net profit was DKK 2,693 million, against DKK 3,233 million in the same period of 2019.

Developments in net profit for the period were primarily due to higher loan impairments and lower income from investment portfolios.

Administration margin income fell DKK 125 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. Customers are also increasingly making repayments on their loans.

Other income fell DKK 279 million in the first nine months of 2020, driven especially by lower income from the investment portfolio.

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

Expenses amounted to DKK 621 million, against DKK 590 million in the first nine months of 2019. The increase was attributable to costs for the Better Bank transformation and ongoing compliance remediation.

Impairments totalled an expense of DKK 552 million in the first nine months of 2020, against DKK 294 million in the same period of 2019.

Impairments in the third quarter of 2020 amounted to an expense of DKK 82 million, primarily driven by a reversal of the modelled expected credit losses of DKK 399 million in all main industries. This is after a new post-model adjustment of DKK 450 million was implemented in the third quarter of 2020 in relation to the continued uncertainty as to how the corona crisis affects the economy. The DKK 450 million expresses risks that impairment models and the macro scenarios do not fully take into consideration.

Impairment charges at 30 September 2020 amounted to DKK 3,119 million, against DKK 2,799 million at 31 December 2019. Despite the corona crisis, the un-

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

Impairments equalled 0.09% p.a. of total mortgage lending, against 0.03% at the end of 2019.

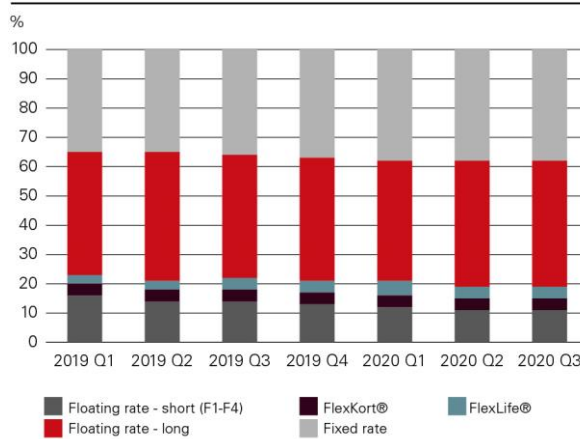
The tax charge totalled DKK 759 million. The effective tax rate for the period was 22.0%.

Balance sheet

Gross lending amounted to DKK 118 billion, against DKK 162 billion in the first nine months of 2019. Mortgage lending at fair value rose DKK 5 billion to DKK 807 billion. The development in mortgage lending at fair value is composed of an increase in the nominal outstanding bond debt of DKK 2 billion, and a DKK 3 billion increase in market value adjustments in the same period.

In the first nine months of 2020, fixed-rate mortgages accounted for approximately 60% of all disbursed loans, while about 13% of all floating-rate loans were disbursed with refinancing intervals of less than 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 September 2020, the average loan-to-value (LTV) ratio stood at 60%, which was at par with last year's ratio. An increase in loans calculated at market value was offset by rising property prices.

The number of new foreclosures was 17 in the first nine months of 2020. The number of foreclosures was unchanged from year-end 2019, standing at 16, of which 9 were owner-occupied dwellings and 7 were commercial properties. The value of the foreclosures was DKK 21 million.

Capital and solvency

At the end of September 2020, shareholders' equity stood at DKK 48.4 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 27.4%. At 31 December 2019, the corresponding figures were DKK 46.2 billion and 31.1%, respectively.

Realkredit Danmark uses the internal ratings-based (IRB) approach to calculate the risk exposure amount for credit risks. The total risk exposure amount (REA) was DKK 169.2 billion at 30 September 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-September 2020, the capital requirement was calculated at DKK 26.4 billion and 15.6% of the REA. Realkredit Danmark thus has a capital buffer of DKK 19.9 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 September 2020, the requirement for supplementary collateral for mortgage-covered bonds was DKK 10.8 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 38 billion after haircuts and thus has a buffer of DKK 18 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.

The issuer ratings from Scope Ratings and Fitch Ratings are still A+ and A respectively (negative and stable outlook).

All rated bonds continue to have an AAA rating from all agencies except for Fitch Rating assigning AA+ to the bonds issued from capital centre T.

In the third quarter of 2020, S&P Global lowered its required overcollateralisation significantly due to changed rating criteria. This improved Realkredit Danmark's buffer to the total requirement from the three agencies by DKK 6 billion. The total requirement has decreased to DKK 39 billion, which is the lowest requirement since 2011.

Supervisory diamond for mortgage credit institutions

Realkredit Danmark complies with all threshold values.

Threshold value	Q3 2020	Limit
Growth in lending¹		
Owner-occupied dwellings and holiday homes	-0.5%	15%
Residential rental property	6.7%	15%
Agriculture	-2.9%	15%
Other	-2.5%	15%
Borrower interest-rate risk²		
Properties for residential purposes	6.9%	25%
Interest-only option³		
Owner-occupied dwellings and holiday homes	6.2%	10%
Loans with short-term funding⁴		
Refinancing, annually	13.6%	25%
Refinancing, quarterly	0.4%	12.5%
Large exposures⁵		
Loans relative to shareholders' equity	47%	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% per year of the total loan portfolio.

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

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.

Realkredit Danmark expects expenses to be at a higher level than in 2019 due to increased costs to compliance.

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)	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019	Full year 2019
	Income statement					
	Interest income	11,039	12,753	3,556	4,222	16,782
	Interest expense	6,176	7,622	1,994	2,489	9,877
	Net interest income	4,863	5,131	1,562	1,733	6,905
	Dividends from shares	-	-	-	-	-
	Fee and commission income	447	598	143	293	888
	Fee and commission expense	908	1,029	315	433	1,416
	Net fee and commission income	4,402	4,700	1,390	1,593	6,377
	Value adjustments	140	242	51	112	219
	Other operating income	83	87	29	31	117
	Staff costs and administrative expenses	620	589	222	193	811
	Impairment, depreciation and amortisation charges	1	1	-	-	1
3	Loan impairment charges	552	294	82	7	265
	Income from associates and group undertakings	-	-	-	-	-
	Profit before tax	3,452	4,145	1,166	1,536	5,636
	Tax	759	912	256	338	1,240
	Net profit for the period	2,693	3,233	910	1,198	4,396
	Comprehensive income					
	Net profit for the period	2,693	3,233	910	1,198	4,396
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Actuarial gains/losses on defined benefit plans	10	-16	6	-7	-23
	Tax	-2	3	-1	1	5
	Total other comprehensive income	8	-13	5	-6	-18
	Total comprehensive income for the period	2,701	3,220	915	1,192	4,378

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 September 2020	31 December 2019	30 September 2019
ASSETS				
	Cash in hand and demand deposits with central banks	50	54	49
	Due from credit institutions and central banks	22,175	53,772	86,557
	Bonds at fair value	17,079	23,022	18,249
	Bonds at amortised cost	32,445	29,339	31,789
4, 8	Mortgage loans at fair value	807,271	802,579	808,181
4	Loans and other amounts due at amortised cost	415	543	577
	Shares	4	2	2
	Other tangible assets	6	6	6
	Current tax assets	308	-	299
	Deferred tax assets	-	-	-
	Assets temporarily taken over	21	15	16
4	Other assets	2,039	3,215	3,774
	Prepayments	18	1	19
Total assets		881,831	912,548	949,518
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	4,000	4,003	8,265
	Issued mortgage bonds at fair value	825,712	853,479	884,499
	Issued bonds at amortised cost	-	-	3,182
	Current tax liabilities	-	31	-
	Deferred tax liabilities	38	36	37
	Other liabilities	3,687	5,006	4,700
Total amounts due		833,437	862,555	900,683
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Reserves in series	44,978	44,978	44,654
	Other reserves	2,786	85	3,551
	Proposed dividends	-	4,300	-
Total shareholders' equity		48,394	49,993	48,835
Total liabilities and equity		881,831	912,548	949,518

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	-	-	2,693	-	2,693
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	10	-	10
Tax	-	-	-2	-	-2
Total comprehensive income for the period	-	-	2,701	-	2,701
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 30 September 2020	630	44,978	2,786	-	48,394
Shareholders' equity at 1 January 2019	630	44,654	331	4,300	49,915
Net profit for the period	-	-	3,233	-	3,233
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-16	-	-16
Tax	-	-	3	-	3
Total comprehensive income for the period	-	-	3,220	-	3,220
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 30 September 2019	630	44,654	3,551	-	48,835

At 30 September 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)	30 September 2020	31 December 2019	30 September 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	-9	-9	-2
Defined benefit pension fund assets	-152	-146	-152
Common equity tier 1 capital	45,532	45,538	45,461
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	45,532	45,538	45,461
Reserves in series subject to a reimbursement obligation	-	-	-
Revaluation reserve	-	-	-
Difference between expected losses and impairment charges	799	631	591
Total capital	46,331	46,169	46,052
Risk exposure amount	169,158	148,353	153,774
Common equity tier 1 capital ratio (%)	26.9	30.7	29.6
Tier 1 capital ratio (%)	26.9	30.7	29.6
Total capital ratio (%)	27.4	31.1	29.9

At 30 September 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-Q3 2020	Q1-Q3 2019	Full year 2019
Cash flow from operating activities			
Profit before tax	3,452	4,145	5,636
Tax paid	-1,098	-1,209	-1,209
Adjustment for non-cash operating items	320	70	-63
Cash flow from operating capital	-29,975	66,454	32,316
Total	-27,301	69,460	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	-31,601	65,160	32,380
Cash and cash equivalents, end of period	22,225	86,606	53,826
Cash and cash equivalents, end of period			
Cash in hand and demand deposits with central banks	50	49	54
Amounts due from credit institutions and central banks within 3 months	22,175	86,557	53,772
Total	22,225	86,606	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 nine months 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. See further in separate section below on the impact from the corona virus on the macroeconomic scenarios used.

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 third quarter of 2020, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 3,065 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 2,825 million (end-2019: DKK 2,600 million). The fair value adjustment would increase to DKK 4,150 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 2,650 million (end-2019: DKK 2,450 million). 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 September 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 September 2020, the post-model adjustments amounted to DKK 1,172 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 from the second quarter of 2020 to capture the immediate effects from the corona crisis, see separate section below. Further, adjustments are made to take into account non-linear downside risks, for instance related to the property market in Copenhagen and other high growth areas.

The 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. We still remain to see further credit deterioration as the effect is currently limited and mitigated by the continued government support packages. Based on the measures taken by governments across the world to contain the virus, economies are seeing lower activity in the short-term, although especially in the Nordic economies, the activity in many sectors were back to a normal activity level already in the second quarter of 2020 after the reopening. However, significant continued uncertainty remains. Although, new lock-downs in the Nordics are considered less likely, economic activity is likely to be impacted and it is yet unknown to which extent governments will continue to support the economies.

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

Compared to at the end of June 2020, a smaller part of the impact on the expected credit losses from the corona crisis relates to changes to the forward-looking information. The macroeconomic scenarios applied and the weighting assigned to each scenario remain unchanged from the second quarter of 2020 as no new Nordic Outlook reports have been issued during the third quarter of 2020. The base case reflects a significant decline in economic activity in 2020 followed by a recovery in 2021. The downside scenario reflects 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%.

As the base case macroeconomic scenario reflects a recovery in 2021, being in the third quarter of 2020, the forward-looking information is more positive than at the end of June 2020, leading to a reversal of the modelled expected credit losses of DKK 0.4 billion in all main industries, including commercial property and personal customer. Due to the continued significant uncertainty related to the magnitude of the pandemic and to the extent to which government will continue to support the economies, the management has deemed it appropriate to increase the post-model adjustment in the third quarter of 2020 to offset the significant reversal of the modelled expected credit losses.

The post-model adjustment of DKK 0.5 billion relates to industries highly affected by the corona crises, including retailing, hotels and restaurants and for which the macroeconomic scenarios themselves do not lead to a sufficient increase in expected credit losses. It also includes expected, but not yet materialised, credit deterioration in relation to the Personal customers and Commercial property industries in Denmark as government support ends. Further, additional risks related directly to the corona crisis are included.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity

Q1-Q3 2020	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin	4,447	-	4,447	-	4,447
Net interest income	-143	214	71	345	416
Dividends from shares	-	-	-	-	-
Net fee income	-461	-	-461	-	-461
Income from investment portfolios	455	30	485	-485	-
Value adjustments	-	-	-	140	140
Other income	83	-	83	-	83
Total income	4,381	244	4,625	-	4,625
Expenses	618	3	621	-	621
Profit before loan impairment charges	3,763	241	4,004	-	4,004
Loan impairment charges	552	-	552	-	552
Income from associates	-	-	-	-	-
Profit before tax	3,211	241	3,452	-	3,452
Tax	-	-	759	-	759
Net profit for the period			2,693	-	2,693
Total assets	832,507	49,324	881,831	-	881,831
Q1-Q3 2019	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin	4,572	-	4,572	-	4,572
Net interest income	-70	208	138	421	559
Dividends from shares	-	-	-	-	-
Net fee income	-431	-	-431	-	-431
Income from investment portfolios	549	114	663	-663	-
Value adjustments	-	-	-	242	242
Other income	87	-	87	-	87
Total income	4,707	322	5,029	-	5,029
Expenses	587	3	590	-	590
Profit before loan impairment charges	4,120	319	4,439	-	4,439
Loan impairment charges	294	-	294	-	294
Income from associates	-	-	-	-	-
Profit before tax	3,826	319	4,145	-	4,145
Tax	-	-	912	-	912
Net profit for the period			3,233	-	3,233
Total assets	902,091	47,427	949,518	-	949,518

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-Q3 2020	Q1-Q3 2019
3 Loan impairment charges		
ECL on new assets	347	154
ECL on assets derecognised	486	299
Impact of remeasurement	640	450
Losses incurred	60	22
Received on claims previously written off	9	33
Total	552	294

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 3,065 million at 30 September 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 29 million at 30 September 2020, against DKK 51 million at the beginning of the year.

For loan commitments, expected credit losses at 30 September 2020 amounted to DKK 25 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	513	-321	-192	-
Transferred to stage 2 during the period	-13	70	-57	-
Transferred to stage 3 during the period	-8	-99	107	-
ECL on new assets	97	162	88	347
ECL on assets derecognised	328	29	129	486
Impact of remeasurement	173	326	141	640
Write-offs, allowance account	51	3	127	181
Impairment charges at 30 September 2020	689	1,049	1,381	3,119

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 September 2020, against DKK 0 million at end-2019.

5 Assets deposited as collateral

At 30 September 2020, Realkredit Danmark had deposited securities worth DKK 10,334 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 September 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 September 2020, mortgage lending totalling DKK 807,271 million and other assets totalling DKK 10,765 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 September 2020	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	16,254	825	-	17,079
	Mortgage loans at fair value	-	807,271	-	807,271
	Shares	-	-	4	4
	Derivatives	-	5	-	5
	Total	16,254	808,101	4	824,359
	Issued mortgage bonds at fair value	825,712	-	-	825,712
	Derivatives	-	27	-	27
	Total	825,712	27	-	825,739
	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 nine 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 nine 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 September 2020	31 December 2019	30 September 2019
Other contingent liabilities			
Irrevocable loan commitments	34,181	33,522	37,990
Other commitments	24	23	23
Total	34,205	33,545	38,013

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 September 2020

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	21	15	8	2	-	46
3	80	59	35	13	8	195
4	80	59	36	14	7	196
5	72	61	39	13	4	189
6	37	32	21	8	1	99
7	20	18	13	5	1	57
8	5	4	3	1	-	13
9	1	1	-	-	-	2
10	2	2	2	1	1	8
11	1	1	1	1	1	5
Total	319	252	158	58	23	810

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 September 2020

Rating category	PD level		Gross Exposure			Expected Credit Loss			Net Exposure		
	Lower	Upper	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0.00	0.01	355	-	41	-	-	-	355	-	41
2	0.01	0.03	46,849	27	4	7	1	-	46,842	26	4
3	0.03	0.06	193,718	515	455	32	2	4	193,686	513	451
4	0.06	0.14	194,915	787	173	73	7	11	194,842	780	162
5	0.14	0.31	186,578	1,756	187	161	10	7	186,417	1,746	180
6	0.31	0.63	90,727	8,081	594	166	56	10	90,561	8,025	584
7	0.63	1.90	41,517	15,273	348	176	161	12	41,341	15,112	336
8	1.90	7.98	3,756	8,835	187	41	546	25	3,715	8,289	162
9	7.98	25.70	213	2,009	271	6	191	26	207	1,818	245
10	25.70	100.00	68	1,332	6,887	-	60	600	68	1,272	6,287
11	100.00	100.00	22	44	3,812	-	3	671	22	41	3,141
Total			758,718	38,659	12,959	662	1,037	1,366	758,056	37,622	11,593

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 32,445 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 Nine Months 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 30 September 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 30 September 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, 4 November 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

- 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


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