



Interim Report - First Half 2021

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Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKK millions)	First half 2021	First half 2020	Index 21/20	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Full year 2020
Administration margin	2,936	2,973	99	1,462	1,474	1,476	1,474	1,476	5,923
Net interest income	42	48	88	2	40	26	23	18	97
Net fee income*	5	75	7	-48	53	-10	-86	-17	-21
Income from investment portfolios*	49	5	-	38	11	31	30	47	66
Other income	76	54	141	40	36	31	29	26	114
Total income	3,108	3,155	99	1,494	1,614	1,554	1,470	1,550	6,179
Expenses	447	399	112	240	207	243	222	193	864
Profit before loan impairment charges	2,661	2,756	97	1,254	1,407	1,311	1,248	1,357	5,315
Loan impairment charges	164	470	35	49	115	-217	82	-235	335
Profit before tax	2,497	2,286	109	1,205	1,292	1,528	1,166	1,592	4,980
Tax	549	503	109	265	284	338	256	350	1,097
Net profit for the period	1,948	1,783	109	940	1,008	1,190	910	1,242	3,883

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	19,351	6,539	296	19,351	29,978	25,045	22,225	6,539	25,045
Mortgage loans	803,233	800,058	100	803,233	805,001	816,577	807,271	800,058	816,577
Bonds and shares	43,607	52,561	83	43,607	45,588	47,187	49,528	52,561	47,187
Other assets	2,531	3,335	76	2,531	3,435	2,459	2,807	3,335	2,459
Total assets	868,722	862,493	101	868,722	884,002	891,268	881,831	862,493	891,268
Due to credit institutions etc.	2,000	4,000	50	2,000	2,000	2,000	4,000	4,000	2,000
Issued mortgage bonds	816,135	807,682	101	816,135	830,468	835,217	825,712	807,682	835,217
Other liabilities	2,857	3,332	86	2,857	4,737	4,461	3,725	3,332	4,461
Shareholders' equity	47,730	47,479	101	47,730	46,797	49,590	48,394	47,479	49,590
Total liabilities and equity	868,722	862,493	101	868,722	884,002	891,268	881,831	862,493	891,268

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	8.0	7.3		8.0	8.4	9.7	7.6	10.6	7.8
Impairment charges as % p.a. of mortgage lending	0.04	0.12		0.02	0.06	-0.11	0.04	-0.12	0.04
Cost/income ratio (%)	14.4	12.6		16.1	12.8	15.6	15.1	12.5	14.0
Total capital ratio (%)	28.2	27.9		28.2	27.4	27.4	27.4	27.9	27.4
Tier 1 capital ratio (%)	27.7	27.4		27.7	26.9	26.9	26.9	27.4	26.9
Full-time-equivalent staff (end of period)	224	232		224	224	234	232	232	234

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

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 2021

- The Realkredit Danmark Group recorded a net profit of DKK 1,948 million in the first half of 2021, against DKK 1,783 million in the first half of 2020. The profit was affected by lower loan impairment charges.
- Loan impairment charges amounted to an expense of DKK 164 million in the first half of 2021, against DKK 470 million in the first half of 2020. Loan impairment charges have reached a more normal level in the first half of 2021.
- Realkredit Danmark has in 2021 maintained its focus on green bond initiatives. Customer responses have been very positive and total lending now amounted to DKK 11.5 billion.
- The customer interest for the newest products from Realkredit Danmark, FlexLife® with variable rate and FlexLife® with fixed rate is still very strong, and at 30 June 2021, Realkredit Danmark had disbursed loans for DKK 66 billion.
- Fixed-rate mortgages are low risk and low margin loans. They 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 2021 to be marginally lower than in 2020.

Corona crisis

In the first half of 2021, Realkredit Danmark recognised losses and impairments of DKK 164 million, against DKK 470 million in the first half of 2020. Loan impairment charges have reached a more normal level in the first half of 2021.

The total allowance account at 30 June 2021 amounted to DKK 2,927 million, against DKK 2,849 million at 31 December 2020, of which DKK 708 million is related to the continued uncertainty as to how the corona crisis affects the economy.

Green funding of commercial property

Realkredit Danmark has in 2021 maintained its focus on green bond initiatives to contribute to the green transition in Denmark and customer responses have been very positive. Also, investors have welcomed our green initiative by pricing the bonds slightly better than similar non-green bonds.

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.

In Denmark green loans funded by RD Cíbor6®Green have been disbursed in the amount of DKK 8.5 billion.

In Sweden, demand for green financing options have also been strong. As a result, Realkredit Danmark has extended its product range in the Swedish commercial property market, opening for RD Stíbor3® Green in mid-2020. RD Stíbor3®Green loans for DKK 3.0 billion had been disbursed.

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

FlexLife®

The customer interest for the newest products from Realkredit Danmark, FlexLife® with variable rate and FlexLife® with fixed rate is still very strong.

At 30 June 2021, Realkredit Danmark had disbursed loans for DKK 49 billion for FlexLife® with variable rate and DKK 17 billion for FlexLife® with fixed rate.

The loans are available to personal as well as business customers. Approximately 90% of all FlexLife® loans are disbursed to personal customers and 10% to business customers.

Mortgage credit market

The Danish economy emerged largely unscathed from the second round of severe lockdowns at the end of 2020 and through the first quarter of 2021. Preliminary GDP figures show that the economy only contracted by 1% in the first quarter compared with the fourth quarter of 2020. By way of comparison, GDP fell by a full 6.3% in the second quarter of last year in the wake of the first lockdown. This difference was no major surprise and was fully consistent with the many economic indicators we received through the first quarter of 2021. These developments may be explained by the fact that we have learned to cope better with the pandemic, relief packages had been granted and, lastly, a global industrial recovery was well underway at the beginning of 2021.

In a broader perspective, GDP overall is 1.5% lower than at the end of 2019, before COVID-19 struck. Despite the relative big decline in GDP, the crisis fortunately has been far less severe than we had feared, and Denmark would appear to emerge from the crisis in fine shape, underpinned by vaccine roll-outs, a reopening of society and accommodative economic policies.

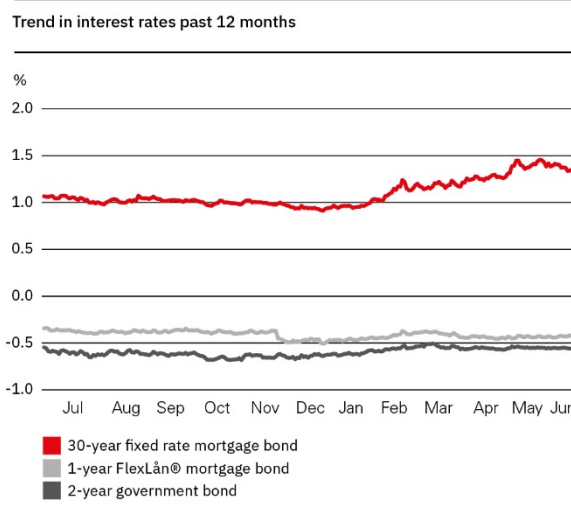
The Danish economy appears to have already gathered momentum, and there is a good chance that second-quarter growth data will put GDP at a higher level than at the end of 2019. In terms of government finances, the crisis has also been more benign than expected. Recent figures show that the public deficit ended at DKK 14 billion in 2020, whereas the Danish Ministry of Finance in May 2020 expected a deficit as high as DKK 160 billion. Key explanations behind this development is lower-than-expected use of relief packages, tax income from the disbursement of holiday pay and taxation of the large pension returns obtained in 2020.

Although the Danish economic recovery appears to be on track and the many forecasts for the Danish economy are pointing to relatively strong economic growth both in 2021 and 2022, this does not mean that we have put the crisis behind us entirely. Firstly, there is still much uncertainty as to whether the pandemic is about to finally lose its grip on society. Secondly, many businesses have lost earnings during the crisis which they will not be able to recover and with the added risk of later going bankrupt when, for example, deferred tax and VAT payments fall due. Lastly, some lines of business especially within the service industry continue to face headwinds due to restrictions and a lack of visiting tourists, and also because customers may change their behaviour with some degree of permanence in the wake of the pandemic.

Generally, we are witnessing a recovery that is more unevenly distributed than previously, and a sector such as construction is at risk of overheating in the upcoming period. About one in every three construction companies are already reporting challenges in sourcing enough qualified labour, and in recent months the sector has met with capacity restraints due to a shortage of materials. We have also witnessed a shortage of materials in the industrial sector due to strong global demand pressure for goods and housing in a period when consumers to a wide extent stayed at home, unable to spend money on hospitality and travels.

As mentioned above, strong global demand for goods contributed to capacity restraints due to a shortage of materials, which has also caused added pressure on commodity prices. Obviously, this has an impact on inflationary developments, and one of the dominant themes in the financial markets is whether we will see a relatively short period of higher inflation than we have been used to in the global economy, or whether it will be a more persistent inflation spike. Initially, it is impossible to draw any definitive conclusions, and much will depend on the degree to which policymakers tighten their fiscal and monetary policies in coming years.

Initially, fears of more persistent inflation have pushed interest rates higher because expectations have been moved forward with respect to the timing of the US Federal Reserve's tapering of its extensive asset purchases. This has also left a visible imprint on Danish mortgage bond yields. Interest rates especially on 30-year mortgages have moved higher by a fair deal since the start of the year, while the ultra-short mortgage rates are largely unchanged because they are to a greater extent pegged to the policy rates of the European Central Bank and the Danish central bank. In January, the coupon on the benchmark 30-year fixed-rate mortgage was 0.5%, and in May and early June it had climbed to 1.5%. With respect to FlexLife® with fixed rate and an interest-only period of up to 30 years, the 2% mortgage was the recommended product to homeowners towards the end of the second quarter, whereas in autumn 2020 the product was launched at a coupon of 1%.



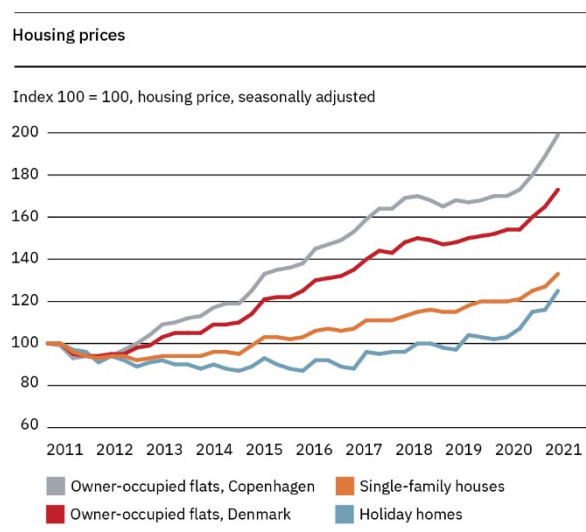
House prices continued surge in the second quarter, although there were signs of lower sales activity during the quarter, and the housing supply appears to have stabilised following an extended period of reduced supply. Sales activity and housing supply developments are typically leading indicators of price developments in the housing market, but it is still too early to say whether rising interest rates and the reopening of society are starting to cause a more subdued trend in the Danish housing market. Finally, we must remember to put things into perspective, and despite the slight decline activity remains strong and the housing supply low in a historical context. Consequently, we still believe there is an underlying pressure on house prices. Having said that, however, we expect the housing market boom to subside considerably during the second half and into 2022 because of the above-mentioned factors, fully consistent with other leading housing market forecasts.

Discussions about potential political intervention in the housing market were also given much media attention in the second quarter, which may have contributed to the slightly lower level of activity in the housing market. As announced back in March, the Systemic Risk Council submitted its recommendation to the Danish government at its meeting in June. The risk council aims to minimise access to interest-only mortgages because they are concerned that the combination of deferred amortisation and a very low level of interest rates will increase the incentive to bid up prices in the housing market. Specifically, they want to remove the possibility to take out interest only mortgages if the loan-to-value ratio of the home exceeds 60%. The limitation must be general and independent of geography or debt-to-income ratio. Also, homeowners with an LTV above 60% must amortise on the full mortgage loan.

Initially, the Danish government denied having any plans to intervene in the housing market, and they will instead wait and see how the market develops over the next three months before reporting back to the risk council. The government's initial assessment is that there is no call for market intervention as they expect a lower rate of price increases in the housing market going forward, and because lending rules have been tightened on several occasions in recent years.

Obviously, the implementation of measures such as those presented by the Systemic Risk Council would have negative repercussions for the housing market and house prices. The measures would increase the first year's payment for borrowers and reduce flexibility both for first-time buyers and existing homeowners who want to make use of interest-only loans and who have an LTV above 60%. It is impossible to precisely quantify the price effect of such measures and, ultimately, much will depend on the correlation with other factors such as interest rates, economic developments, the upcoming property tax reform and general market psychology.

At its June meeting, the Systemic Risk Council also recommended to rebuild the countercyclical capital buffer. The buffer is intended to ensure a buffer in the financial sector through a higher requirement for Danish institutions' equity. The countercyclical capital buffer was released in March 2020 when the corona crisis struck, allowing the financial sector to better support the economy through a higher lending capacity. The risk council wants the countercyclical capital buffer set at 1% from 30 September 2022, and the government has opted to follow this recommendation.



The market for investment and commercial property remains awash with risk capital, and rising yields on long-term mortgage bonds have not changed that. During the first quarter, properties for DKK 16.5 billion were sold. Annualised, this translates into DKK 66 billion, which is in line with the figure for 2020, when properties for DKK 70 billion were sold. According to commercial estate agents, the positive trends continued in the second quarter.

Our quarterly gauge for the commercial property market, based on data from Realkredit Danmark's property valuation specialists, also confirms a positive underlying trend. For all three segments, office, housing and retail, the gauge is pointing slightly upward, indicating the market is in slightly better shape than in the preceding quarter. Especially the positive sentiment in the transaction market has had an impact as especially a reduced return requirement and rising property prices have contributed to an upward trend. At the same time, the positive signal in our gauge is underpinned by unchanged vacancy rates and low delinquency rates both for office and housing property.

We are slightly more sceptical about the positive signals for the retail segment, which during the past quarter was largely driven by a lower return and higher property prices. Relatively fewer property valuations combined with a large share of prime-location retail properties than usual make our gauge data more uncertain, and it may have resulted in a more positive signal than warranted by underlying developments. Although we are still seeing relatively few bankruptcies in active retail businesses, perhaps also because of the access to interest-free government loans to pay the deferred VAT, rental arrears are at a relatively elevated level. This would indicate that parts of the sector remain challenged.

The same applies to the hotel business, in which occupancy rates remain extremely low across the board. The slump is to a large extent due to the absence of foreign tourists and business customers, and it is felt especially by hotels in Copenhagen.

Results

For the first half of 2021, Realkredit Danmark's net profit was DKK 1,948 million, against DKK 1,783 million in the same period of 2020. Developments in net profit for the period were primarily due to lower loan impairment charges.

Administration margin income fell DKK 37 million, especially due to lower average administration margins because an increasing number of customers opt out of interest-only mortgages and into mortgages with longer refinancing intervals. Customers are also increasingly making repayments on their mortgages.

Other income fell DKK 10 million in the first half of 2021.

Total income was at the same level as in the first half of 2020.

Expenses amounted to DKK 447 million, against DKK 399 million in the first half of 2020. The increase was attributable to costs for digitising, ongoing compliance remediation and contribution to the Danish resolution fund.

Loan impairment charges amounted to an expense of DKK 164 million in the first half of 2021, against DKK 470 million in the same period of 2020. Loan impairment charges have reached a more normal level in the first half of 2021.

The total allowance account at 30 June 2021 amounted to DKK 2,927 million, against DKK 2,849 million at 31 December 2020, of which DKK 708 million is related to the continued uncertainty as to how the corona crisis affects the economy.

Despite the corona crisis, the underlying credit quality remains strong with low delinquencies and robust collateral.

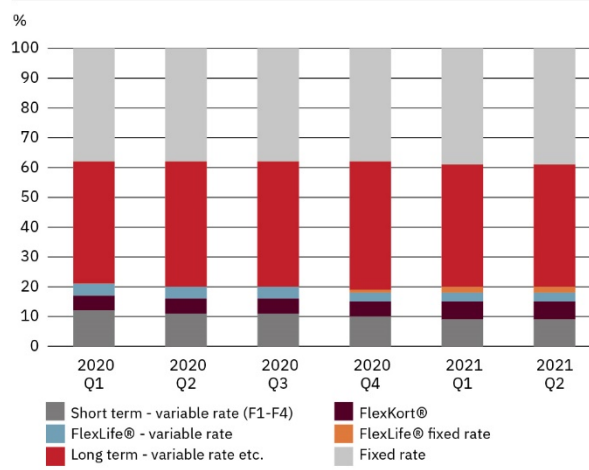
Loan impairment charges equalled 0.04% p.a. of total mortgage lending at par with full year 2020.

The tax charge totalled DKK 549 million. The effective tax rate for the period was 22.0%.

Balance sheet

Gross lending amounted to DKK 78 billion, against DKK 79 billion in the first half of 2020. Mortgage lending at fair value fell DKK 13 billion to DKK 803 billion. The decrease is attributable to lower bond prices due to rising interest rate levels.

Development in loan portfolio by loan type (%)



In the first half of 2021, fixed-rate mortgages accounted for approximately 60% of all disbursed loans, while about 12% of all variable-rate loans were disbursed with refinancing intervals of less than five years.

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

At 30 June 2021, the average loan-to-value (LTV) ratio stood at 56%, against 60% at the end of 2020. The decrease is attributable to higher housing prices.

The number of new properties repossessed was 5 in the first half of 2021. The number of properties repossessed decreased from year-end 2020, standing at 7, of which 3 were owner-occupied dwellings and 4 were commercial properties. The value of the properties repossessed was DKK 8 million. The delinquency rate at 30 June 2021 was unchanged from the level at the end of 2020, and at a persistently low level.

Capital and solvency

At the end of June 2021, shareholders' equity stood at DKK 47.7 billion, against DKK 49.6 billion at the end of 2020. The ordinary dividend payment of DKK 3.8 billion and the consolidation of the net profit for the period accounted for the change.

Realkredit Danmark's total capital amounted to DKK 46.4 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD IV) was 28.2%. At 31 December 2020, the corresponding figures were DKK 46.4 billion and 27.4%, 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 164.7 billion at 30 June 2021, against DKK 169.6 billion at the end of 2020.

The binding capital requirement is the solvency need ratio plus the combined buffer requirement. At end-June 2021, the capital requirement was calculated at DKK 25.5 billion and 15.5% of the REA. Realkredit Danmark thus has a capital buffer of DKK 20.9 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 June 2021, the requirement for supplementary collateral for mortgage-covered bonds was DKK 10.1 billion, against DKK 10.8 billion at the end of 2020.

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 20.1 billion. Realkredit Danmark has unencumbered liquid assets of DKK 38.5 billion after haircuts, which means Realkredit Danmark has a buffer of DKK 18.4 billion to the requirement.

Rating

Realkredit Danmark's bonds are rated by S&P Global, Fitch Ratings and Scope Ratings. All three rating agencies assign a rating of AAA to the bonds in both capital centre S and T.

The Other reserves series capital centre is rated exclusively by S&P Global and these bonds also hold a rating of AAA.

The effective overcollateralisation requirement from the three agencies has declined during the first half of 2021, from DKK 40.2 billion end-2020 to DKK 40.1 billion end Q2 2021.

The overcollateralisation requirements for the capital centres are covered by funds from Realkredit Danmark's equity and the loan raised with Danske Bank A/S. Realkredit Danmark expects stable overcollateralisation requirements from the rating agencies in 2021. If the requirements are tightened, Realkredit Danmark plans to raise further bail-inable debt on market terms in order to comply with the stricter requirements. This type of debt may also be used to comply with the debt buffer requirement.

Supervisory diamond for mortgage credit institutions

Realkredit Danmark complies with all threshold values by a satisfactory margin.

Threshold value	Q2 2021	Full year 2020	Limit
Growth in lending¹			
Owner-occupied dwellings and holiday homes	0.6%	-0.3%	15%
Residential rental property	7.6%	6.8%	15%
Agriculture	-2.6%	-1.6%	15%
Other	1.1%	-0.4%	15%
Borrower interest-rate risk²			
Properties for residential purposes	5.7%	6.4%	25%
Interest-only option³			
Owner-occupied dwellings and holiday homes	5.7%	6.1%	10%
Loans with short-term funding⁴			
Refinancing, annually	11.2%	13.2%	25%
Refinancing, quarterly	2.3%	2.6%	12.5%
Large exposures⁵			
Loans relative to shareholders' equity	44%	46%	100%

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

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

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

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

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

Management

At an extraordinary general meeting on 21 July 2021, Glenn Söderholm and Mark Wraa-Hansen were elected to the Board of Directors. At the same time, Carsten Egeriis and Claus Harder stepped down as members of the Board of Directors. Jesper Koefoed and Line Munkholm Haukrogh were reelected as board members at the general meeting.

Glenn Söderholm was subsequently appointed chairman and Mark Wraa-Hansen vice chairman. Jesper Koefoed was elected to chair the Audit Committee and Line Munkholm Haukrogh was elected as a member of the committee.

Chairman of the Executive Board Carsten Nøddebo Rasmussen has indicated, that he wish to resign his position as Chairman of the Executive Board of Realkredit Danmark A/S. In that connection Kamilla Hammerich Skytte will be employed at the latest on 1 February 2022 as member of the Executive Board of Realkredit Danmark with a view to replace Carsten Nøddebo Rasmussen as Chairman of the Executive Board after a short transition period.

Outlook for 2021

Realkredit Danmark expects that the Danish economy will still be affected by the corona crisis in 2021. The outlook is therefore subject to uncertainty and depends on economic conditions in Denmark.

In 2021, Realkredit Danmark expects income to be at a lower level than in 2020 due to lower average administration margins and a lower remortgaging activity.

Realkredit Danmark expects expenses to be at a marginally higher level than in 2020 due to higher costs to compliance.

Loan impairment charges are expected to be at the same level or lower than in 2020.

Realkredit Danmark therefore expects net profit to be marginally lower than in 2020.

Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	First half 2021	First half 2020	Q2 2021	Q2 2020	Full year 2020
Income statement						
	Interest income	6,955	7,483	3,473	3,685	14,609
	Interest expense	3,754	4,182	1,871	2,054	8,113
	Net interest income	3,201	3,301	1,602	1,631	6,496
	Fee and commission income*	640	668	239	259	1,207
	Fee and commission expense	635	593	287	276	1,228
	Net fee and commission income	3,206	3,376	1,554	1,614	6,475
	Value adjustments*	-174	-275	-100	-90	-410
	Other operating income	76	54	40	26	114
	Staff costs and administrative expenses	446	398	239	192	863
	Impairment, depreciation and amortisation charges	1	1	1	1	1
3	Loan impairment charges	164	470	49	-235	335
	Profit before tax	2,497	2,286	1,205	1,592	4,980
	Tax	549	503	265	350	1,097
	Net profit for the period	1,948	1,783	940	1,242	3,883
Comprehensive income						
	Net profit for the period	1,948	1,783	940	1,242	3,883
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Actuarial gains/losses on defined benefit plans	-10	4	-9	5	18
	Tax	2	-1	2	-1	-4
	Total other comprehensive income	-8	3	-7	4	14
	Total comprehensive income for the period	1,940	1,786	933	1,246	3,897

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

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 June 2021	31 December 2020	30 June 2020
ASSETS				
	Cash in hand and demand deposits with central banks	4,488	52	50
	Due from credit institutions and central banks	14,863	24,993	6,489
	Bonds at fair value	11,630	14,177	20,052
	Bonds at amortised cost	31,973	33,006	32,507
4, 8	Mortgage loans at fair value	803,233	816,577	800,058
4	Loans and other amounts due at amortised cost	427	449	487
	Shares	4	4	2
	Other tangible assets	6	6	6
	Current tax assets	541	-	564
	Deferred tax assets	-	-	-
	Assets temporarily taken over	8	39	27
4	Other assets	1,509	1,964	2,216
	Prepayments	40	1	35
Total assets		868,722	891,268	862,493
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	2,000	2,000	4,000
	Issued mortgage bonds at fair value	816,135	835,217	807,682
	Current tax liabilities	-	23	-
	Deferred tax liabilities	42	-	36
	Other liabilities	2,815	4,438	3,296
Total amounts due		820,992	841,678	815,014
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Reserves in series	45,086	45,086	44,978
	Other reserves	2,014	74	1,871
	Proposed dividends	-	3,800	-
Total shareholders' equity		47,730	49,590	47,479
Total liabilities and equity		868,722	891,268	862,493

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 2021	630	45,086	74	3,800	49,590
Net profit for the period	-	-	1,948	-	1,948
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-10	-	-10
Tax	-	-	2	-	2
Total comprehensive income for the period	-	-	1,940	-	1,940
Dividends paid	-	-	-	-3,800	-3,800
Shareholders' equity at 30 June 2021	630	45,086	2,014	-	47,730
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

At 30 June 2021, 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 June 2021	31 December 2020	30 June 2020
Shareholders' equity	45.790	49.590	45.693
Proposed dividends	-	-3.800	-
Deferred tax assets	-	-	-
Prudent valuation	-1	-1	-6
Minimum Loss Coverage for Non-Performing Exposures	-14	-	-
Defined benefit pension fund assets	-149	-157	-148
Common equity tier 1 capital	45.626	45.632	45.539
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	45.626	45.632	45.539
Reserves in series subject to a reimbursement obligation	-	-	-
Difference between expected losses and impairment charges	746	811	800
Total capital	46.372	46.443	46.339
Risk exposure amount	164.662	169.564	166.328
Common equity tier 1 capital ratio (%)	27,7	26,9	27,4
Tier 1 capital ratio (%)	27,7	26,9	27,4
Total capital ratio (%)	28,2	27,4	27,9

At 30 June 2021, 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 2021	First half 2020	Full year 2020
Cash flow from operating activities			
Profit before tax	2,497	2,286	4,980
Tax paid	-1,070	-1,098	-1,145
Adjustment for non-cash operating items	78	332	51
Cash flow from operating capital	-3,399	-44,507	-28,367
Total	-1,894	-42,987	-24,481
Cash flow from investing activities			
Acquisition/sale of tangible assets	-	-	-
Total	-	-	-
Cash flow from financing activities			
Dividends	-3,800	-4,300	-4,300
Total	-3,800	-4,300	-4,300
Cash and cash equivalents at 1 January	25,045	53,826	53,826
Change in cash and cash equivalents	-5,694	-47,287	-28,781
Cash and cash equivalents, end of period	19,351	6,539	25,045
Cash and cash equivalents, end of period			
Cash in hand and demand deposits with central banks	4,488	50	52
Amounts due from credit institutions and central banks within 3 months	14,863	6,489	24,993
Total	19,351	6,539	25,045

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 2021 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 2021, the Group implemented the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform, phase 2) and IFRS 16 (Covid-19 Related Rent Concessions).

The amendments included in the Interest Rate Benchmark Reform, phase 2 cover the effects on the financial statements when old interest rate benchmarks are altered or replaced by alternative benchmark rates as a result of the benchmark reform. A practical expedient to account for a change to the basis for determination of the contractual cash flows at the date on which interest rate benchmarks are altered or replaced is introduced. The practical expedient is relevant for variable interest rate financial instruments measured at amortised cost. The amendments further introduce reliefs from existing hedge accounting requirements. Lastly, IFRS 7 introduces further disclosure requirements. The disclosures relate to how the transition to alternative rates is managed, the progress on the transition and the risks arising from financial assets and financial liabilities due to the reform.

The implementation is applied retrospectively without restatement of prior periods. The implementation had no impact on the shareholders' equity at 1 January 2021. No significant impact on the financial statement are expected, as the Group primarily measures financial instruments at fair value through profit or loss and hedge accounting is not applied. The added disclosures on the transition to alternative rates will be included in Annual report 2021.

The amendments included in Covid-19 related rent concessions introduce a practical expedient under which a lessee may elect not to assess whether a COVID-19 related rent concession meets the definition of a modification. The Group has not been granted any concessions and the amendment has no impact on the financial statements.

The Group has changed the presentation of indirect fees earned on mortgage loans. When customers are granted, refinance or prepay such loans, the Group earns direct fees as well as indirect fees with the latter being charged as a discount or premium to the quoted price on the bonds funding the specific loan. In the income statement, the indirect fees are now included within Fee income to align with the presentation of the direct fees. Previously, the indirect fees were included within Value adjustments. The change in presentation has increased Fee income and decreased Value adjustments by DKK 327 million in the first half of 2021. Comparative information has been restated, leading to a reclassification to Fee income from Value adjustments of DKK 364 million in the first half of 2020 and DKK 590 million for full year 2020.

Other than this, the Group has not changed its significant accounting policies from those followed in Annual Report 2020 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 assumptions that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

Fair value measurement of mortgage loans

The fair value of mortgage loans is based on the fair value of the underlying issued mortgage bonds adjusted for changes in the fair value of the credit risk on borrowers. In addition to the expected credit losses, a collective assessment determines the need for adjustments to reflect other components in the fair value measurement, such as an assessment of an investor's risk premium, compensation for administrative costs related to the loans and the possibility to increase the credit margin if the credit risk increases.

The fair value of the credit risk on the borrower is based on the expected credit loss impairment model in IFRS 9. The expected credit loss is calculated for all individual loans as a function of PD (probability of default), EAD (exposure at default) and LGD (loss given default) and incorporates forward-looking information. The forward-looking information reflects management's expectations and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario.

The forward-looking information is based on a three-year forecast period converging to steady state in year seven. The base-case is based on the Nordic Outlook report. At 30 June 2021, the base case scenario reflects a recovery later in 2021. To fully capture the downside risk, the downside scenario used at 30 June 2021 is the severe recession scenario applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests. The severe recession scenario reflects negative growth and falling property prices for a longer period. At 31 December 2020, the down-side scenario reflected a W-shaped trend in the light of the corona crisis with the economies being back on track in the second or third quarter of 2021.

Notes – Realkredit Danmark Group

Note

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

cont'd

At the end of June 2021, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 2,886 million (31 December 2020: DKK 2,801 million), reducing the value of mortgage loans. The base case scenario enters with a probability of 75% (2020: 60%), the downside scenario with a probability of 15% (2020: 25%) and the upside scenario with a probability of 10% (2020: 15%). If the base case scenario was assigned a probability of 100%, the fair value adjustment at 30 June 2021 would be DKK 2,650 million (31 December 2020: DKK 2,700 million). The fair value adjustment at the end of June 2021 would increase to DKK 4,225 million (31 December 2020: DKK 3,100 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 2,600 million (31 December 2020: DKK 2,650 million). However, note that the applied scenarios differ from the scenarios used at 31 December 2020, and the changes in the weighting and sensitivities from end of 2020 to end of the second quarter 2021 are therefore not directly comparable, especially due to the downside scenario being a severe downside scenario at 30 June 2021 to fully capture the downside risks. Further, it shall be noted that the expected credit losses in the individual scenarios do not reflect forecasts of the Group's expected credit losses.

According to the Group's definition of a significant increase in credit risk, i.e. when a loan is transferred from stage 1 to stage 2, loans with an initial PD below 1% are transferred to stage 2 if the loan's 12-month PD has increased by at least 0.5 of a percentage point and the loan's lifetime PD has doubled since origination. The allowance account is relatively stable in terms of changes to the definition of significant increase in credit risk. At 30 June 2021, the allowance account would increase by DKK 3 million (31 December 2020: DKK 3 million), if instead an increase in the loan's 12-month PD by at least 0.25 of a percentage point combined with a doubling of the lifetime PD was considered a significant increase in credit risk.

Management applies judgement when determining the need for post-model adjustments. At 30 June 2021, the post-model adjustments amounted to DKK 1,341 million (31 December 2020: DKK 1,347 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 agricultural sector. Supplementary calculations are made in order to ensure sufficient impairment coverage. The adjustments continue to cover the immediate risks arising from the corona crisis due to the continued significant uncertainty related to the magnitude of the pandemic, the effectiveness of the roll-out of the vaccine programmes and to the extent to which governments will continue to support the economies. Such post-model adjustments amount to DKK 0.7 billion (31 December 2020: of DKK 0.7 billion) and

relate to industries highly affected by the corona crises to reflect expected, but not yet materialised, credit deterioration in relation to the Personal customers and Commercial property industries in Denmark as government support ends. It also includes retailing, hotels and restaurants. Further, post-model 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.

Further information on the Group's accounting treatment of the impacts from the corona crisis can be found on page 30 of Annual Report 2020.

The Group's principal risks and the external factors that may affect the Group are described in greater detail in Annual Report 2020.

Notes – Realkredit Danmark Group

Note	(DKK millions)					
2	Profit broken down by activity					
	First half 2021	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
	Administration margin	2,936	-	2,936	-	2,936
	Net interest income	-66	108	42	223	265
	Net fee income	5	-	5	-	5
	Income from investment portfolios	4	45	49	-49	-
	Value adjustments	-	-	-	-174	-174
	Other income	76	-	76	-	76
	Total income	2,955	153	3,108	-	3,108
	Expenses	446	1	447	-	447
	Profit before loan impairment charges	2,509	152	2,661	-	2,661
	Loan impairment charges	164	-	164	-	164
	Profit before tax	2,345	152	2,497	-	2,497
	Tax			549	-	549
	Net profit for the period			1,948	-	1,948
	Total assets	821,752	46,970	868,722	-	868,722
	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
	Net fee income*	75	-	75	-	75
	Income from investment portfolios*	5	-	5	-5	-
	Value adjustments*	-	-	-	-275	-275
	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
	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

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

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 2021	First half 2020
3 Loan impairment charges		
ECL on new assets	139	228
ECL on assets derecognised	280	326
Impact of remeasurement	302	556
Write-offs charged directly to income statement	18	24
Received on claims previously written off	15	12
Total	164	470

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 2,886 million at 30 June 2021, against DKK 2,801 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 25 million at 30 June 2021, against DKK 37 million at the beginning of the year.

For loan commitments, expected credit losses at 30 June 2021 amounted to DKK 16 million, against DKK 11 million at the beginning of the year.

Reconciliation of total allowance account	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January incl. impact on loans	306	943	1,550	2,799
Transferred to stage 1	826	-482	-344	-
Transferred to stage 2	-8	67	-59	-
Transferred to stage 3	-9	-106	115	-
ECL on new assets	136	174	70	380
ECL on assets derecognised	489	16	53	558
Impact of remeasurement	125	313	-2	436
Write-offs, allowance account	84	4	120	208
Total allowance account at 31 December 2020	803	889	1,157	2,849
Transferred to stage 1	473	-380	-93	-
Transferred to stage 2	-30	101	-71	-
Transferred to stage 3	-118	-143	261	-
ECL on new assets	61	69	9	139
ECL on assets derecognised	178	40	62	280
Impact of remeasurement	-299	485	116	302
Write-offs, allowance account	10	5	68	83
Total allowance account at 30 June 2021	702	976	1,249	2,927

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 2021, against DKK 0 million at end-2020.

5 Assets deposited as collateral

At 30 June 2021, Realkredit Danmark had deposited securities worth DKK 9,312 million (end-2020: DKK 12,324 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 2021, the carrying amount of such securities totalled DKK 0 million (end-2020: DKK 0 million).

Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 30 June 2021, mortgage lending totalling DKK 803,233 million and other assets totalling DKK 10,097 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (end-2020: DKK 816,577 million and DKK 10,819 million).

Notes – Realkredit Danmark Group

Note	(DKK millions)				
6	Financial instruments at fair value				
	30 June 2021	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	8,489	3,141	-	11,630
	Mortgage loans at fair value	-	803,233	-	803,233
	Shares	-	-	4	4
	Derivatives	-	7	-	7
	Total	8,489	806,381	4	814,874
	Issued mortgage bonds at fair value	816,135	-	-	816,135
	Derivatives	-	28	-	28
	Total	816,135	28	-	816,163
	31 December 2020				
	Bonds at fair value	11,542	2,635	-	14,177
	Mortgage loans at fair value	-	816,577	-	816,577
	Shares	-	-	4	4
	Derivatives	-	8	-	8
	Total	11,542	819,220	4	830,766
	Issued mortgage bonds at fair value	835,217	-	-	835,217
	Derivatives	-	17	-	17
	Total	835,217	17	-	835,234

Negative interest income and interest expenses due to negative interest rates were insignificant during the first six months of 2021 when taking into account that negative interest expenses on issued mortgage bonds are passed over to the customers as part of the interest on the mortgage loans funded by those bonds. Negative interest income and interest expenses are offset against interest income and interest expenses, respectively.

Note 33 to Annual Report 2020 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 2021.

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 Pensionsafvklingskasse. 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 2021	31 December 2020	30 June 2020
Other contingent liabilities			
Irrevocable loan commitments	37,057	31,721	37,458
Other commitments	24	25	24
Total	37,081	31,746	37,482

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 1 billion, which corresponds to 0.1% of the total loan portfolio (end-2020: DKK 2 billion and 0.2%).

Portfolio broken down by LTV ratio and rating category
30 June 2021

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	26	18	8	2	-	54
3	88	62	34	10	7	201
4	87	63	34	11	5	200
5	71	60	34	8	3	176
6	38	31	19	5	1	94
7	21	19	12	4	-	56
8	4	4	3	1	-	12
9	1	1	-	-	-	2
10	3	2	2	-	1	8
11	1	1	1	-	-	3
Total	340	261	147	41	17	806

Portfolio broken down by LTV ratio and rating category
31 December 2020

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	23	16	8	2	-	49
3	83	60	36	13	8	200
4	83	60	36	13	6	198
5	71	61	39	13	3	187
6	36	31	21	7	1	96
7	21	20	13	5	1	60
8	5	5	3	1	1	15
9	1	1	-	-	-	2
10	2	2	2	1	1	8
11	1	1	1	1	-	4
Total	326	257	159	56	21	819

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

Notes – Realkredit Danmark Group

Note

8 Risk management Cont'd

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

30 June 2021

Rating category	PD level		Gross Exposure			Expected Credit Loss			Net Exposure		
	Lower	Upper	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0.00	0.01	380	-	-	-	-	-	380	-	-
2	0.01	0.03	53,062	25	469	4	-	11	53,058	25	458
3	0.03	0.06	198,816	318	1,600	18	3	34	198,798	315	1,566
4	0.06	0.14	196,984	687	2,513	34	9	57	196,950	678	2,456
5	0.14	0.31	172,359	823	2,331	59	8	52	172,300	815	2,279
6	0.31	0.63	90,068	2,139	1,484	128	19	39	89,940	2,120	1,445
7	0.63	1.90	46,539	8,719	1,162	202	143	27	46,337	8,576	1,135
8	1.90	7.98	7,232	4,923	311	205	305	20	7,027	4,618	291
9	7.98	25.70	295	1,367	164	29	408	10	266	959	154
10	25.70	100.00	200	1,232	7,059	-	65	541	200	1,167	6,518
11	100.00	100.00	19	31	2,808	-	3	453	19	28	2,355
Total			765,954	20,264	19,901	679	963	1,244	765,275	19,301	18,657

31 December 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	-	35	-	-	-	355	-	35
2	0.01	0.03	49,305	29	8	7	1	-	49,298	28	8
3	0.03	0.06	199,297	304	75	34	2	3	199,263	302	72
4	0.06	0.14	197,377	589	157	75	4	8	197,302	585	149
5	0.14	0.31	185,201	1,425	125	176	11	8	185,025	1,414	117
6	0.31	0.63	89,490	6,166	575	170	52	32	89,320	6,114	543
7	0.63	1.90	49,383	10,173	261	221	98	9	49,162	10,075	252
8	1.90	7.98	7,042	7,833	167	89	427	9	6,953	7,406	158
9	7.98	25.70	283	1,675	280	12	228	24	271	1,447	256
10	25.70	100.00	318	1,101	6,768	2	47	502	316	1,054	6,266
11	100.00	100.00	47	60	3,474	-	4	546	47	56	2,928
Total			778,098	29,355	11,925	786	874	1,141	777,312	28,481	10,784

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 31,973 million (end-2020: DKK 33,006 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 2020.

Interim financial statements – Realkredit Danmark A/S

Note (DKK millions)

The financial statements of the parent company, Realkredit Danmark A/S, are prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order no. 281 of 26 March 2014 on Financial Reports for Credit Institutions and Investment Companies, etc. as amended by Executive Order no. 707 of 1 June 2016, the Executive Order no. 1043 of 5 September 2017, the Executive Order no. 1441 of 3 December 2018 and the Executive Order no. 1593 of 9 November 2020.

Note 1 to the consolidated financial statements provides further information on changes in accounting policies implemented as at 1 January 2021. Except for these changes, Realkredit Danmark A/S has not changed its significant accounting policies from those applied in the Annual Report 2020.

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 2021	First half 2020
	Income statement		
	Interest income	6,955	7,483
	Interest expense	3,754	4,182
	Net interest income	3,201	3,301
	Fee and commission income*	640	668
	Fee and commission expense	635	593
	Net fee and commission income	3,206	3,376
1	Value adjustments*	-174	-275
	Other operating income	-	1
	Staff costs and administrative expenses	419	371
	Impairment, depreciation and amortisation charges	-	-
	Loan impairment charges	164	470
	Income from associated and group undertakings	38	20
	Profit before tax	2,487	2,281
	Tax	539	498
	Net profit for the period	1,948	1,783
	Comprehensive income		
	Net profit for the period	1,948	1,783
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Actuarial gains/losses on defined benefit plans	-10	4
	Tax	2	-1
	Total comprehensive income	-8	3
	Total comprehensive income for the period	1,940	1,786

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

Balance sheet – Realkredit Danmark A/S

Note	(DKK millions)	30 June 2021	31 December 2020	30 June 2020
ASSETS				
	Cash in hand and demand deposits with central banks	4,488	52	50
	Due from credit institutions and central banks	14,784	24,900	6,426
	Bonds at fair value	11,630	14,177	20,052
	Bonds at amortised cost	31,973	33,006	32,507
2	Mortgage loans at fair value	803,233	816,577	800,058
2	Loans and other amounts due at amortised cost	405	426	463
	Holdings in group undertakings	140	147	122
	Other tangible assets	5	5	5
	Current tax assets	546	4	562
	Deferred tax assets	-	-	-
	Assets temporarily taken over	8	39	27
2	Other assets	1,412	1,860	2,090
	Prepayments	40	1	34
Total assets		868,664	891,194	862,396
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	2,000	2,000	4,000
	Issued mortgage bonds at fair value	816,135	835,217	807,682
	Current tax liabilities	-	-	-
	Other liabilities	2,742	4,348	3,183
	Deferred income	-	-	-
Total amounts due		820,877	841,565	814,865
PROVISIONS				
	Deferred tax	48	30	40
	Reserves in early series subject to a reimbursement obligation	9	9	12
Total provisions		57	39	52
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Reserves in series	45,086	45,086	44,978
	Other reserves	2,014	74	1,871
	Proposed dividends	-	3,800	-
Total shareholders' equity		47,730	49,590	47,479
Total liabilities and equity		868,664	891,194	862,396

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 2021	630	45,086	74	3,800	49,590
Net profit for the period	-	-	1,948	-	1,948
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-10	-	-10
Tax	-	-	2	-	2
Total comprehensive income for the period	-	-	1,940	-	1,940
Dividends paid	-	-	-	-3,800	-3,800
Shareholders' equity at 30 June 2021	630	45,086	2,014	-	47,730
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

Notes - Realkredit Danmark A/S

Note	(DKK millions)	First half 2021	First half 2020
1	Value adjustments		
	Mortgage loans	-16,302	1,311
	Bonds	-92	-102
	Currency	2	-8
	Derivatives	-1,163	-1,685
	Other assets	4	5
	Issued mortgage bonds*	17,377	204
	Total	-174	-275

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

2 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 2,886 million at 30 June 2021, against DKK 2,801 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 25 million at 30 June 2021, against DKK 37 million at the beginning of the year.

For loan commitments, expected credit losses at 30 June 2021 amounted to DKK 16 million, against DKK 11 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 incl. impact on loans	290	925	1,521	4	17	28	10	1	1	2,797
Transferred to stage 1	816	-476	-340	10	-6	-4	-	-	-	-
Transferred to stage 2	-8	66	-58	-	1	-1	-	-	-	-
Transferred to stage 3	-9	-105	114	-	-1	1	-	-	-	-
ECL on new assets	134	170	69	2	2	1	-	2	-	380
ECL on assets derecognised	480	16	52	4	-	1	3	-	-	556
Impact of remeasurement	126	314	5	-1	-1	-7	-	-	-	436
Write-offs, allowance account	83	4	118	1	-	2	-	-	-	208
Total allowance account at 31 December 2020	786	874	1,141	10	12	15	7	3	1	2,849
Transferred to stage 1	469	-377	-92	4	-3	-1	-	-	-	-
Transferred to stage 2	-30	100	-70	-	1	-1	-	-	-	-
Transferred to stage 3	-117	-142	259	-1	-1	2	-	-	-	-
ECL on new assets	56	68	8	-	1	-	5	-	1	139
ECL on assets derecognised	176	39	61	2	-	1	-	1	-	280
Impact of remeasurement	-294	487	118	-5	-2	-2	-	-	-	302
Write-offs, allowance account	10	5	67	-	-	1	-	-	-	83
Total allowance account at 30 June 2021	684	966	1,236	6	8	11	12	2	2	2,927

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 2021, against DKK 0 million at end-2020.

Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Half 2021 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 2021 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 2021 and ending on 30 June 2021. 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, 23 July 2021

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Klaus Kristiansen
Member of the Executive Board

Board of Directors

Glenn Söderholm
Chairman

Mark Wraa-Hansen
Vice Chairman

Jesper Koefoed

Line Munkholm Haukrogh

Majken Hammer Sløk

Christian Hilligsøe Heinig

Supplementary information

Financial calendar

- Interim Report – First Nine Months 2021:
29 October 2021
- Annual Report 2021:
3 February 2022
- Annual General Meeting:
10 March 2022
- Company Announcement - First Quarter results 2022:
29 April 2022
- Interim Report – First Half 2022:
22 July 2022
- Company Announcement - First Nine Months results 2022:
28 October 2022

Effective from 2022, the management has decided no longer to publish interim reports for the first quarter and the first nine months of the year. Instead, a company announcement will be published.

Contact

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and Chief Executive Officer
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