Interim Report – First Nine Months 2021

REALKREDIT Danmark

Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKK millions)	Q1-Q3 2021	Q1-Q3 2020	Index 21/20	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Full year 2020
Administration margin	4,396	4,447	99	1,460	1,462	1,474	1,476	1,474	5,923
Net interest income	43	71	61	1	2	40	26	23	97
Net fee income*	-81	-11	736	-86	-48	53	-10	-86	-21
Income from investment portfolios*	48	35	137	-1	38	11	31	30	66
Other income	111	83	134	35	40	36	31	29	114
Total income	4,517	4,625	98	1,409	1,494	1,614	1,554	1,470	6,179
Expenses	688	621	111	241	240	207	243	222	864
Profit before loan impairment charges	3,829	4,004	96	1,168	1,254	1,407	1,311	1,248	5,315
Loan impairment charges	258	552	47	94	49	115	-217	82	335
Profit before tax	3,571	3,452	103	1,074	1,205	1,292	1,528	1,166	4,980
Tax	785	759	103	236	265	284	338	256	1,097
Net profit for the period	2,786	2,693	103	838	940	1,008	1,190	910	3,883

BALANCE SHEET (END OF PERIOD) (DKK millions)									
Due from credit institutions etc.	21,270	22,225	96	21,270	19,351	29,978	25,045	22,225	25,045
Mortgage loans	803,643	807,271	100	803,643	803,233	805,001	816,577	807,271	816,577
Bonds and shares	42,840	49,528	86	42,840	43,607	45,588	47,187	49,528	47,187
Other assets	2,062	2,807	73	2,062	2,531	3,435	2,459	2,807	2,459
Total assets	869,815	881,831	99	869,815	868,722	884,002	891,268	881,831	891,268
Due to credit institutions etc.	2,000	4,000	50	2,000	2,000	2,000	2,000	4,000	2,000
Issued mortgage bonds	815,427	825,712	99	815,427	816,135	830,468	835,217	825,712	835,217
Other liabilities	3,809	3,725	102	3,809	2,857	4,737	4,461	3,725	4,461
Shareholders' equity	48,579	48,394	100	48,579	47,730	46,797	49,590	48,394	49,590
Total liabilities and equity	869,815	881,831	99	869,815	868,722	884,002	891,268	881,831	891,268

RATIOS AND KEY FIGURES									
Net profit for the period as % p.a. of average shareholders' equity	7.6	7.3		7.0	8.0	8.4	9.7	7.6	7.8
Impairment charges as % p.a. of mortgage lending	0.04	0.09		0.05	0.02	0.06	-0.11	0.04	0.04
Cost/income ratio (%)	15.2	13.4		17.1	16.1	12.8	15.6	15.1	14.0
Total capital ratio (%)	27.3	27.4		27.3	28.2	27.4	27.4	27.4	27.4
Tier 1 capital ratio (%)	26.9	26.9		26.9	27.7	26.9	26.9	26.9	26.9
Full-time-equivalent staff (end of period)	216	232		216	224	224	234	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 nine months 2021

- The Realkredit Danmark Group recorded a net profit of DKK 2,786 million in the first nine months of 2021, against DKK 2,693 million in the first nine months of 2020. The profit was affected by lower loan impairment charges and costs for ongoing compliance and digitisation.
- Loan impairment charges amounted to an expense of DKK 258 million in the first nine months of 2021, against DKK 552 million in the first nine months of 2020. Loan impairment charges reached a more normal level in the first nine months of 2021.
- During the first nine months, the nominal outstanding bond debt rose DKK 9 billion, with the third quarter accounting for DKK 6 billion of the increase.
- Realkredit Danmark maintained its focus on green bond initiatives. Customer responses have been very positive, and at 30 September 2021, total lending amounted to DKK 16.1 billion.
- Customer interest in Realkredit Danmark's most recently launched products, the variable-rate FlexLife® and fixed-rate FlexLife® loans, remained very strong, and at 30 September 2021, Realkredit Danmark had disbursed loans of these types for DKK 72 billion.
- Fixed-rate mortgages are low-risk and low-margin loans. They have regained the role as the preferred mortgage loan among homeowners in Denmark. 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 somewhat lower than net profit for 2020.

Still uncertainty as to how the corona pandemic will impact the economy
In the first nine months of 2021, Realkredit Danmark recognised losses and impairments of DKK 258 million, against DKK 552 million in the first nine months of 2020. Loan impairment charges reached a more normal level in the first nine months of 2021.

The total allowance account at 30 September 2021 amounted to DKK 2,994 million, against DKK 2,849 million at 31 December 2020, of which DKK 704 million is related to the continued uncertainty as to how the corona pandemic will affect 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 Cibor6®Green have been disbursed in the amount of DKK 13.1 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 Stibor3® Green in mid-2020. RD Stibor3®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 September 2021, Realkredit Danmark had disbursed loans for DKK 52 billion for FlexLife® with variable rate and DKK 20 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 market
Activity in the Danish economy has recovered. GDP was already 1.9% higher in the second quarter than at the end of 2019 before the pandemic struck. This means it took only 18 months for GDP to pass its previous peak, as opposed to seven years in the wake of the financial crisis. This highlights once again the difference between the two events. This has been a health crisis, whereas the financial crisis was very much about economic imbalances, which take time to correct.

The recovery appears to have continued in the third quarter, with the various data for the Danish economy pointing to robust GDP growth. Employment soared during the spring and summer, and the statistics now show over 50,000 more people in work than when jobs last peaked at the beginning of 2020.

There are, of course, a number of risks to the Danish economy. First, there are still parts of the economy that are suffering as a result of the pandemic, most notably tourism, and industries that are under pressure from lost revenue during the lockdowns and a substantial bill from the government looming as deferred tax and VAT payments fall due. Second, there is the risk of new COVID-19 variants emerging and vaccines becoming less effective. In a worst-case scenario, this could lead to new restrictions and lockdowns during the autumn and winter.

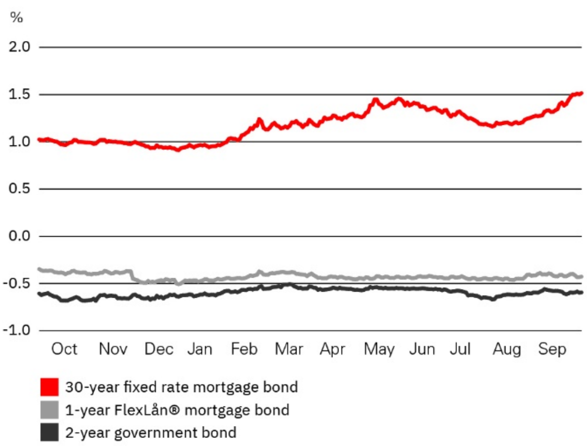
That said, there is no doubt that the risk of overheating is currently the most pressing issue facing the Danish economy. No fewer than 48% of construction firms reported shortages of skilled labour in September, and almost one in five reported shortages of materials. We have to go right back to 2006/2007 to find similar production constraints. In manufacturing, the pressures are even greater than back then, with almost 40% of firms having problems sourcing labour or materials. There are also clear labour shortages in the service sector, where activity came under immense pressure during the pandemic, and more than one in three firms are reporting challenges.

There is no doubt, therefore, that the labour market is under considerable pressure, which needs to be seen partly in the light of so many firms looking to recruit at the same time following the reopening of the economy. There is also a transitioning of the labour force, for example out of parts of the health sector which were scaled up during the pandemic and are now being phased out as the situation normalises. Finally, we are seeing global supply chain disruption following a period of extraordinarily strong demand for goods and challenges with production due to periods of fluctuating COVID-19 case numbers around the world.

All in all, the risk of overheating is not an isolated Danish phenomenon in the wake of the reopening of economies and a period of particularly accommodative fiscal and monetary policy. Fears of persistently high inflation have also become a theme in financial markets, with rising commodity prices and freight rates pulling in the same direction. Over the summer and autumn, we saw remarkably high inflation numbers from the USA in particular, where prices in September were up no less than 5.4% on a year earlier. So far, inflation has held below 3.4% in the euro area, and the latest data for Denmark show a more modest 2.2%.

In general, this higher inflation is not expected to become entrenched, as expectations are considered to be well-anchored, nor is there expected to be any lasting pressure on wage growth. This is nevertheless a theme that will attract attention for some time to come, and much will ultimately depend on the economic policies pursued, and whether the various stimulus packages are scaled back. The Federal Reserve has announced that it will soon start to taper its bond purchases, and a first rate hike could very well come towards the end of next year. Interest rates will rise somewhat later in the euro area, but again there is the prospect of an imminent reduction in the ECB’s asset purchase programmes.

Trend in interest rates past 12 months



Strong inflation combined with the prospect of monetary tightening has contributed to rising interest rates, especially for fixed-rate mortgages. The coupon for the benchmark 30-year fixed-rate mortgage was 1.5% during the third quarter, but the prospect of 2% mortgages loomed towards the end of the period. The rising rates for fixed-rate mortgages during the course of this year have meant that remortgaging activity has been at its lowest levels for more than five years. However, the option of switching to a smaller loan at a higher interest rate may well become attractive to homeowners in the time ahead, especially if rates move up another notch. That said, we do not expect rising interest rates to prompt a major wave of remortgaging. Some homeowners will initially bide their time in an environment where there is probably an expectation that rates will climb somewhat further and bring the potential of an even greater gain. And the vast majority of homeowners on 0.5% or 1% mortgages will probably be even happier with their low fixed rate if interest rates move higher. Experience from previous periods of rising interest rates has been that the sense of security that comes with a low fixed rate overshadows the attraction of reducing the outstanding debt.

Turning to the housing market, we seem to be looking at a soft landing in the wake of the economy reopening. Prices have slowed over the summer and autumn, and turnover has dropped back from the record-high levels seen at the beginning of the year. There are no signs, however, of the bottom falling out of the market. It will therefore be worth keeping an eye on the housing market to see whether this soft landing stays on track. On the one hand, record-high employment, rising incomes and persistently low interest rates will buoy the housing market. On the other hand, there could be a looming negative rebound from the reopening of the economy, and rising interest rates combined with the recent strong price increases could present a risk to the housing market. Our expectation is that the more moderate housing price inflation is here to stay, and we expect price rises in the region of 2-4% in 2022, down from around 12% this year.

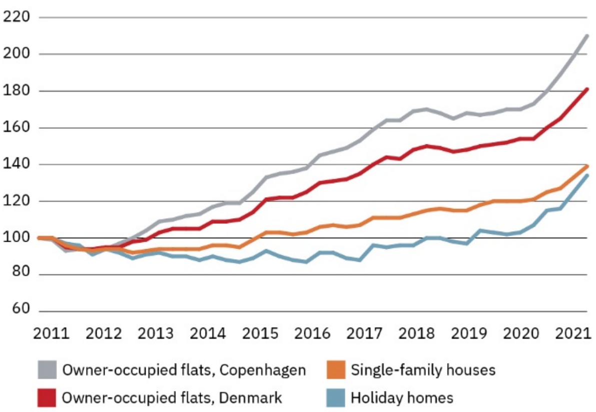
At the end of September, the government rejected the Systemic Risk Council's recommendation to restrict access to interest-only mortgages for homeowners with a loan-to-value above 60%. This was justified by the recent cooling of the housing market, recent years' tightening of the financial regulation of the housing market, and continued moderate growth in homeowners' borrowing. In the wake of this decision, however, the government promised closer monitoring of not only the housing market but also developments in interest-only loans.

The transaction market for investment and commercial properties remains busy. Sales came to an impressive DKK 24.5 billion in the second quarter, and this strength continued into the third quarter, with sales of around DKK 15 billion by mid-September. Transactions in the year to date total around DKK 60 billion, which means that the previous record of around DKK 90 billion in 2017 is still within sight.

The buoyant market is also reflected in our quarterly gauge of the commercial property market, where the signals for all three segments (office, housing and retail) in the second quarter were positive, which is the highest possible score and one level stronger than the signals for the first quarter, which came out at "mildly positive".

Housing prices

Index 100 = 100, housing price, seasonally adjusted



As in the first quarter, the financial signal, required rate of return and price of property, was at the highest possible level, which ties in well with the strong transaction market. New, though, was a marked improvement in the economic signal, vacancy and rent, from the first quarter, supported by record-high employment, a strong increase in physical sales at stores following the reopening, and the positive knock-on effects on rental housing from the upswing in the owner-occupied market.

There are, however, still a number of risks to this positive trend. We still do not know the full effect of more people working from home on the office market, of increased online shopping on physical stores, and of the repayment of the government's interest-free loans to cover income tax and VAT, which retailers in particular have benefited from. Finally, there may be a risk of more rental properties being built in the biggest cities than there is an immediate need for. The pandemic has brought increased uncertainty about future migration patterns, and population growth in Copenhagen and Aarhus, for example, has slowed recently.

The hotel industry is still split in two: hotels outside the Copenhagen area enjoyed some really good summer months with decent occupancy, whereas those in Copenhagen continue to face challenges, with the rising number of Danish guests unable to offset the absence of foreign visitors.

Results

For the first nine months of 2021, Realkredit Danmark's net profit was DKK 2,786 million, against DKK 2,693 million in the same period of 2020. Developments in net profit for the period were primarily due to lower loan impairment charges and costs for ongoing compliance and digitisation.

Administration margin income fell DKK 51 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 57 million in the first nine months of 2021, due to lower indirect fees earned on mortgage loans.

Total income was lower than in the first nine months of 2020.

Expenses amounted to DKK 688 million, against DKK 621 million in the first nine months of 2020. The increase was attributable to costs for ongoing compliance, digitisation and contribution to the Danish resolution fund.

Loan impairment charges amounted to an expense of DKK 258 million in the first nine months of 2021, against DKK 552 million in the same period of 2020. Loan impairment charges reached a more normal level in the first nine months of 2021.

The total allowance account at 30 September 2021 amounted to DKK 2,994 million, against DKK 2,849 million at 31 December 2020, of which DKK 704 million is related to the continued uncertainty as to how the corona crisis will affect the economy.

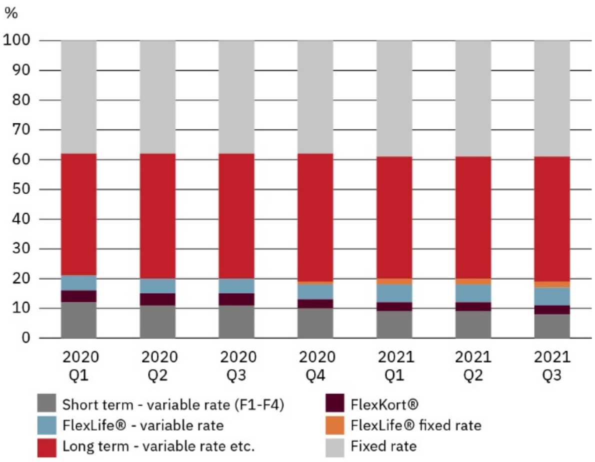
The underlying credit quality remains strong with low delinquencies and robust collateral.

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

The tax charge totalled DKK 785 million. The effective tax rate for the period was 22%.

Balance sheet
Gross lending amounted to DKK 110 billion, against DKK 118 billion in the first nine months of 2020. Mortgage lending at fair value fell DKK 13 billion to DKK 804 billion. The decrease is attributable to lower bond prices due to rising interest rate levels. The development in mortgage lending at fair value is composed of an increase in the nominal outstanding bond debt of DKK 9 billion and a decrease of DKK 22 billion in the market value adjustment in the same period. The nominal outstanding bond debt has increased DKK 6 billion in the third quarter of 2021.

Development in loan portfolio by loan type (%)



In the first nine months of 2021, fixed-rate mortgages accounted for approximately 56% of all disbursed loans, while about 11% of all FlexLån® 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 September 2021, the average loan-to-value (LTV) ratio stood at 54%, against 60% at the end of 2020. The decrease is attributable to higher housing prices.

The number of new properties repossessed was 6 in the first nine months of 2021. The number of properties repossessed decreased from year-end 2020, standing at 6, of which 2 were owner-occupied dwellings and 4 were commercial properties. The value of the properties repossessed was DKK 7 million. The delinquency rate at 30 September 2021 was unchanged from the level at the end of 2020, and at a persistently low level.

Capital and solvency
At the end of September 2021, shareholders' equity stood at DKK 48.6 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 46.3 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD IV) was 27.3%. 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 169.6 billion at 30 September 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-September 2021, the capital requirement was calculated at DKK 26.1 billion and 15.4% of the REA. Realkredit Danmark thus has a capital buffer of DKK 20.2 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 2021, the requirement for supplementary collateral for mortgage-covered bonds was DKK 9.2 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 38.4 billion after haircuts, which means Realkredit Danmark has a buffer of DKK 18.3 billion to the requirement.

Supervisory diamond for mortgage credit institutions

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

Threshold value	Q3 2021	Full year 2020	Limit
Growth in lending[1]			
Owner-occupied dwellings and holiday homes	0.7%	-0.3%	15%
Residential rental property	6.0%	6.8%	15%
Agriculture	-3.4%	-1.6%	15%
Other	3.9%	-0.4%	15%
Borrower interest-rate risk[2]			
Properties for residential purposes	5.4%	6.4%	25%
Interest-only option[3]			
Owner-occupied dwellings and holiday homes	5.8%	6.1%	10%
Loans with short-term funding[4]			
Refinancing, annually	11.3%	13.2%	25%
Refinancing, quarterly	0.5%	2.6%	12.5%
Large exposures[5]			
Loans relative to shareholders' equity	45%	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% per year of the total loan portfolio.

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

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 remained very stable during 2021, and currently stands at DKK 40.3 billion as of 30 September 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.

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 somewhat higher level than in 2020 due to higher costs for ongoing compliance and digitisation.

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

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

Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	Q1-Q3 2021	Q1-Q3 2020	Q3 2021	Q3 2020	Full year 2020
	Income statement					
	Interest income	10,339	11,039	3,384	3,556	14,609
	Interest expense	5,600	6,176	1,846	1,994	8,113
	Net interest income	4,739	4,863	1,538	1,562	6,496
	Fee and commission income*	839	897	199	229	1,207
	Fee and commission expense	920	908	285	315	1,228
	Net fee and commission income	4,658	4,852	1,452	1,476	6,475
	Value adjustments*	-252	-310	-78	-35	-410
	Other operating income	111	83	35	29	114
	Staff costs and administrative expenses	687	620	241	222	863
	Impairment, depreciation and amortisation charges	1	1	-	-	1
3	Loan impairment charges	258	552	94	82	335
	Profit before tax	3,571	3,452	1,074	1,166	4,980
	Tax	785	759	236	256	1,097
	Net profit for the period	2,786	2,693	838	910	3,883
	Comprehensive income					
	Net profit for the period	2,786	2,693	838	910	3,883
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Actuarial gains/losses on defined benefit plans	4	10	14	6	18
	Tax	-1	-2	-3	-1	-4
	Total other comprehensive income	3	8	11	5	14
	Total comprehensive income for the period	2,789	2,701	849	915	3,897

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

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 September 2021	31 December 2020	30 September 2020
	ASSETS			
	Cash in hand and demand deposits with central banks	2,057	52	50
	Due from credit institutions and central banks	19,213	24,993	22,175
	Bonds at fair value	9,445	14,177	17,079
	Bonds at amortised cost	33,391	33,006	32,445
4, 8	Mortgage loans at fair value	803,643	816,577	807,271
4	Loans and other amounts due at amortised cost	434	449	415
	Shares	4	4	4
	Other tangible assets	6	6	6
	Current tax assets	305	-	308
	Deferred tax assets	-	-	-
	Assets temporarily taken over	7	39	21
4	Other assets	1,289	1,964	2,039
	Prepayments	21	1	18
	Total assets	869,815	891,268	881,831
	LIABILITIES AND EQUITY			
	AMOUNTS DUE			
	Due to credit institutions and central banks	2,000	2,000	4,000
	Issued mortgage bonds at fair value	815,427	835,217	825,712
	Current tax liabilities	-	23	-
	Deferred tax liabilities	45	-	38
	Other liabilities	3,764	4,438	3,687
	Total amounts due	821,236	841,678	833,437
	SHAREHOLDERS' EQUITY			
	Share capital	630	630	630
	Reserves in series	45,086	45,086	44,978
	Other reserves	2,863	74	2,786
	Proposed dividends	-	3,800	-
	Total shareholders' equity	48,579	49,590	48,394
	Total liabilities and equity	869,815	891,268	881,831

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	-	-	2,786	-	2,786
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	4	-	4
Tax	-	-	-1	-	-1
Total comprehensive income for the period	-	-	2,789	-	2,789
Dividends paid	-	-	-	-3,800	-3,800
Shareholders' equity at 30 September 2021	630	45,086	2,863	-	48,579
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

At 30 September 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.

(DKK millions)	30 September 2021	31 December 2020	30 September 2020
Shareholders´ equity	45,790	49,590	45,693
Proposed dividends	-	-3,800	-
Deferred tax assets	-	-	-
Prudent valuation	-2	-1	-9
Minimum Loss Coverage for Non-Performing Exposures	-41	-	-
Defined benefit pension fund assets	-160	-157	-152
Common equity tier 1 capital	45,587	45,632	45,532
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	45,587	45,632	45,532
Reserves in series subject to a reimbursement obligation	-	-	-
Difference between expected losses and impairment charges	735	811	799
Total capital	46,322	46,443	46,331
Risk exposure amount	169,619	169,564	169,158
Common equity tier 1 capital ratio (%)	26.9	26.9	26.9
Tier 1 capital ratio (%)	26.9	26.9	26.9
Total capital ratio (%)	27.3	27.4	27.4

At 30 September 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)	Q1-Q3 2021	Q1-Q3 2020	Full year 2020
Cash flow from operating activities			
Profit before tax	3,571	3,452	4,980
Tax paid	-1,070	-1,098	-1,145
Adjustment for non-cash operating items	145	320	51
Cash flow from operating capital	-2,621	-29,975	-28,367
Total	25	-27,301	-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	-3,775	-31,601	-28,781
Cash and cash equivalents, end of period	21,270	22,225	25,045
Cash and cash equivalents, end of period			
Cash in hand and demand deposits with central banks	2,057	50	52
Amounts due from credit institutions and central banks within 3 months	19,213	22,175	24,993
Total	21,270	22,225	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 nine months 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 411 million in the first nine months of 2021. Comparative information has been restated, leading to a reclassification to Fee income from Value adjustments of DKK 450 million in the first nine months 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 September 2021, the base case scenario reflects a recovery later in 2021. To fully capture the downside risk, the downside scenario used at 30 September 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 September 2021, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 2,950 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 September 2021 would be DKK 2,700 million (31 December 2020: DKK 2,700 million). The fair value adjustment at the end of September 2021 would increase to DKK 4,325 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 2,675 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 third quarter 2021 are therefore not directly comparable, especially due to the downside scenario being a severe downside scenario at 30 September 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 September 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 September 2021, the post-model adjustments amounted to DKK 1,338 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**

Q1-Q3 2021	Mortgage finance	Own holdings	Highlights	Reclassi-fication	IFRS
Administration margin	4,396	-	4,396	-	4,396
Net interest income	-109	152	43	300	343
Net fee income	-81	-	-81	-	-81
Income from investment portfolios	5	43	48	-48	-
Value adjustments	-	-	-	-252	-252
Other income	111	-	111	-	111
Total income	4,322	195	4,517	-	4,517
Expenses	686	2	688	-	688
Profit before loan impairment charges	3,636	193	3,829	-	3,829
Loan impairment charges	258	-	258	-	258
Profit before tax	3,378	193	3,571	-	3,571
Tax			785	-	785
Net profit for the period			2,786	-	2,786
Total assets	822,880	46,935	869,815	-	869,815

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
Net fee income*	-11	-	-11	-	-11
Income from investment portfolios*	5	30	35	-35	-
Value adjustments*	-	-	-	-310	-310
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
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

* 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 cont´d **Profit broken down by activity**

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.

Note		Q1-Q3 2021	Q1-Q3 2020
3	**Loan impairment charges**		
	ECL on new assets	235	347
	ECL on assets derecognised	374	486
	Impact of remeasurement	382	640
	Write-offs charged directly to income statement	32	60
	Received on claims previously written off	17	9
	Total	258	552

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 2,950 million at 30 September 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 29 million at 30 September 2021, against DKK 37 million at the beginning of the year.
For loan commitments, expected credit losses at 30 September 2021 amounted to DKK 15 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	588	-427	-161	-
Transferred to stage 2	-39	110	-71	-
Transferred to stage 3	-118	-149	267	-
ECL on new assets	104	98	33	235
ECL on assets derecognised	304	16	54	374
Impact of remeasurement	-340	562	160	382
Write-offs, allowance account	29	5	64	98
Total allowance account at 30 September 2021	665	1,062	1,267	2,994

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 2021, against DKK 0 million at end-2020.

5 **Assets deposited as collateral**

At 30 September 2021, Realkredit Danmark had deposited securities worth DKK 6,017 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 September 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 September 2021, mortgage lending totalling DKK 803,643 million and other assets totalling DKK 9,151 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 September 2021	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	7,288	2,157	-	9,445
	Mortgage loans at fair value	-	803,643	-	803,643
	Shares	-	-	4	4
	Derivatives	-	17	-	17
	Total	7,288	805,817	4	813,109
	Issued mortgage bonds at fair value	815,427	-	-	815,427
	Derivatives	-	31	-	31
	Total	815,427	31	-	815,458
	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 nine months of 2021 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 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 nine 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 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 contribution to the Danish resolution fund is recognised as expenses.

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 2021	31 December 2020	30 September 2020
Other contingent liabilities			
Irrevocable loan commitments	33,209	31,721	34,181
Other commitments	24	25	24
Total	33,233	31,746	34,205

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 0 billion, which corresponds to 0.0% of the total loan portfolio (end-2020: DKK 2 billion and 0.2%).

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

	LTV ratio					Total
Rating category	0-20%	20-40%	40-60%	60-80%	>80%	DKK billions
1	-	-	-	-	-	-
2	27	19	8	1	-	55
3	90	64	32	9	6	201
4	88	62	32	8	6	196
5	76	61	34	8	3	182
6	38	31	19	5	1	94
7	21	18	11	3	-	53
8	6	5	3	1	-	15
9	1	-	-	-	-	1
10	3	2	2	1	-	8
11	1	1	-	-	-	2
Total	351	263	141	36	16	807

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

	LTV ratio					Total
Rating category	0-20%	20-40%	40-60%	60-80%	>80%	DKK billions
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.

REALKREDIT Danmark

Notes – Realkredit Danmark Group

Note

8 Cont´d **Risk management**

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 2021

Rating	PD level		Gross Exposure			Expected Credit Loss			Net Exposure		
category	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	401	-	-	-	-	-	401	-	-
2	0.01	0.03	54,034	22	453	4	1	10	54,030	21	443
3	0.03	0.06	199,009	299	1,496	17	4	34	198,992	295	1,462
4	0.06	0.14	192,683	594	2,322	37	8	52	192,646	586	2,270
5	0.14	0.31	178,766	527	2,254	65	7	49	178,701	520	2,205
6	0.31	0.63	89,783	2,670	1,303	129	26	28	89,654	2,644	1,275
7	0.63	1.90	42,466	9,393	1,094	188	147	29	42,278	9,246	1,065
8	1.90	7.98	6,690	7,677	617	190	370	58	6,500	7,307	559
9	7.98	25.70	174	1,178	86	16	375	4	158	803	82
10	25.70	100.00	166	1,506	6,495	-	107	583	166	1,399	5,912
11	100.00	100.00	9	35	2,391	2	4	406	7	31	1,985
Total			764,181	23,901	18,511	648	1,049	1,253	763,533	22,852	17,258

31 December 2020

Rating	PD level		Gross Exposure			Expected Credit Loss			Net Exposure		
category	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 33,391 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.

Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Nine Months 2021 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 2021 and of the results of the Group's operations and the consolidated cash flows for the period starting on 1 January 2021 and ending on 30 September 2021. 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, 29 October 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
- 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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