

# Annual Report 2021

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# 5-year financial highlights – Realkredit Danmark Group

## NET PROFIT FOR THE YEAR

(DKK millions)	2021	2020	2019	2018	2017
Administration margin	5,857	5,923	6,082	6,222	6,186
Net interest income	46	97	203	142	59
Net fee income*	-127	-21	-528	-617	-601
Income from investment portfolios*	55	66	839	577	662
Other income	136	114	117	125	180
<b>Total income</b>	<b>5,967</b>	<b>6,179</b>	<b>6,713</b>	<b>6,449</b>	<b>6,486</b>
Expenses	995	864	812	703	736
Profit before loan impairment charges	4,972	5,315	5,901	5,746	5,750
Loan impairment charges	269	335	265	-204	147
Profit before tax	4,703	4,980	5,636	5,950	5,603
Tax	1,034	1,097	1,240	1,301	1,235
<b>Net profit for the year</b>	<b>3,669</b>	<b>3,883</b>	<b>4,396</b>	<b>4,649</b>	<b>4,368</b>

## BALANCE SHEET (AT 31 DECEMBER)

(DKK millions)	2021	2020	2019	2018	2017
Due from credit institutions etc.	18,643	25,045	53,826	21,446	30,072
Mortgage loans	810,139	816,577	802,579	796,045	788,765
Bonds and shares	46,435	47,187	52,363	51,158	54,851
Other assets	1,782	2,459	3,780	2,568	3,202
<b>Total assets</b>	<b>876,999</b>	<b>891,268</b>	<b>912,548</b>	<b>871,217</b>	<b>876,890</b>
Due to credit institutions etc.	2,000	2,000	4,003	778	4,294
Issued mortgage bonds	820,950	835,217	853,479	809,091	810,050
Issued senior debt	-	-	-	5,952	6,616
Other liabilities	4,577	4,461	5,073	5,481	6,039
Shareholders' equity	49,472	49,590	49,993	49,915	49,891
<b>Total liabilities and equity</b>	<b>876,999</b>	<b>891,268</b>	<b>912,548</b>	<b>871,217</b>	<b>876,890</b>

## RATIOS AND KEY FIGURES

Net profit for the year as % of avg. shareholders' equity	7.4	7.8	8.8	9.3	8.8
Cost/income ratio (%)	16.7	14.0	12.1	10.9	11.3
Total capital ratio (%)	25.3	27.4	31.1	30.6	28.3
Tier 1 capital ratio (%)	24.9	26.9	30.7	30.3	28.1
Full-time-equivalent staff, end of year	217	234	237	229	232

\* Comparative information has been restated as described in note 1 for 2020.

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.

# Financial review

## Overview

- The Realkredit Danmark Group recorded a net profit of DKK 3,669 million in 2021, against DKK 3,883 million in 2020. The profit was affected by lower income relating to lending activity, higher costs for ongoing compliance and digitalisation and lower loan impairment charges.
- Loan impairment charges amounted to an expense of DKK 269 million in 2021, against DKK 335 million in 2020. Loan impairment charges reached a more normalised level in 2021.
- During 2021, the nominal outstanding bond debt rose DKK 15 billion. The overall personal customer portfolio increased DKK 4 billion. The pace of the growth in the personal market picked up in the second half of the year.
- Realkredit Danmark has in 2021 maintained its focus on green bond initiatives. Customer responses have been very positive, and at 31 December 2021, total lending amounted to DKK 16.9 billion.
- Since Realkredit Danmark initially launched FlexLife® with variable interest rate, and later with fixed interest rate, the overall portfolio of FlexLife® mortgages has witnessed a stable and very positive development. At 31 December 2021 total lending of these types of loans amounted to DKK 76 billion. The average loan-to-value (LTV) for these customers are better than for the rest of the loan portfolio.
- 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 2022 to be somewhat lower than net profit for 2021.

## The year 2021

Realkredit Danmark had a satisfactory year in 2021 with enhanced focus on green bond initiatives and a portfolio increase of DKK 15 billion but with a lower profit than in 2020. The profit was affected by lower income relating to lending activity, higher costs for ongoing compliance and digitalisation and lower loan impairment charges.

In 2021, Realkredit Danmark recognised losses and impairments of DKK 269 million, against DKK 335 million in 2020. Loan impairment charges reached a more normalised level in 2021.

The total allowance account at 31 December 2021 amounted to DKK 2,971 million, against DKK 2,849 million at 31 December 2020, of which DKK 0.7 billion is related 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.

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

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.

The green loan is typically granted for commercial property used for letting purposes, and mainly for residential letting. The properties must comply with a number of requirements to be financed with green mortgages.

Also, investors have welcomed our green initiative by pricing the bonds slightly better than similar non-green bonds.

RD Cibor6®Green was launched in Denmark in 2019 and at 31 December 2021 total lending amounted to DKK 13.9 billion. In 2021 mortgages for DKK 7.7 billion were disbursed.

In Sweden, demand for green financing options has been even stronger than has been the case in Denmark up until now. As a result, Realkredit Danmark expanded its product range in the Swedish commercial property market by opening RD Stibor3® Green in mid-2020. At 31 December 2021 total lending amounted to DKK 3.0 billion.

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

Since Realkredit Danmark initially launched FlexLife® in September 2017 with variable interest rate and, later, in September 2020 with fixed interest rate, the overall portfolio of FlexLife® mortgages has witnessed a stable and very positive development. At the end of 2021, total lending amounted to DKK 76 billion, with variable rate mortgages accounting for DKK 54 billion and fixed rate for DKK 22 billion. This translates into growth in overall FlexLife® mortgages in 2021 of DKK 28 billion. The average loan-to-value (LTV) for these customers are better than for the rest of the loan portfolio.

Nearly one in six kroner lent concerning FlexLife® relates to repayment from other Danish mortgage institutions.

FlexLife® is also being offered to selected business customers. In particular, co-operative housing societies make use of FlexLife® with fixed interest rate.

FlexLife® offers a whole new approach to mortgage loans. The product provides a new level of flexibility allowing customers to adjust the mortgage to their current or future situation and needs. Under the right preconditions, the interest-only option may apply throughout the term of the mortgage, which may be up to 30 years.

Realkredit Danmark remortgaged loans for DKK 56 billion in 2021, against DKK 80 billion in 2020.

In 2021, borrower demand centred primarily on low risk and low margin fixed-rate mortgages and FlexLån® with 5-year refinancing intervals.

In nominal terms, repayment of principal is now at the same level as before interest-only mortgages were launched in 2003. Total ordinary repayments in 2021 equalled 2% of the mortgage portfolio.

Realkredit Danmark consistently seeks to make it easier for its customers to access and obtain an overview of information about their mortgages.

In autumn 2021, Realkredit Danmark launched a new website, which makes it easier for customers to find the relevant services and get into contact with us. This is an important step to increase and support our customers digital interaction with us.

Realkredit Danmark is accessible when customers need it, among other things by providing personal service and advice by telephone and through virtual and physical channels.

To facilitate the house-buying process, Realkredit Danmark offers customers a home purchase certificate as documentation of how much the customer can afford to borrow to buy a home.

Corporate responsibility and sustainability are key elements of Realkredit Danmark's strategy. We want our customers and other stakeholders to be absolutely confident that in operating our business we factor in environmental, social, ethical and governance considerations. Realkredit Danmark believes that responsible business conduct is a prerequisite for a company's long-term value creation.

Realkredit Danmark keeps focusing on ensuring a robust compliance culture across its organisation, thereby ensuring that we live our core value of integrity in all interactions with our customers and stakeholders.

Danske Bank has developed a set of ethical principles for its use of data. They define how we strive to act with regard to data use across the Group and in our business relations. Realkredit Danmark has adopted these principles and will continue to integrate them into our processes, steering and control mechanisms.

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 declined during 2021, from DKK 40.2 billion end-2020 to DKK 24.6 billion end-2021.

Realkredit Danmark complies with all threshold values of the supervisory diamond for mortgage credit institutions.

## Results

In 2021, Realkredit Danmark's net profit was DKK 3,669 million, against DKK 3,883 million the year before. Developments in net profit for 2021 was affected by lower income relating to lending activity, higher costs for ongoing compliance and digitalisation and lower loan impairment charges.

Administration margin income fell DKK 66 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 146 million in 2021, due to lower indirect fees earned on mortgage loans.

Total income was lower than in 2020.

Expenses amounted to DKK 995 million, against DKK 864 million in 2020. The increase was attributable to costs for ongoing compliance, digitalisation and contribution to the Danish resolution fund.

Loan impairment charges amounted to an expense of DKK 269 million in 2021, against DKK 335 million in 2020. Loan impairment charges reached a more normalised level in 2021.

The total allowance account at 31 December 2021 amounted to DKK 2,971 million, against DKK 2,849 million at 31 December 2020, of which DKK 0.7 billion is related 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.

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

Loan impairment charges equalled 0.03% of total mortgage lending, on par with full year 2020.

The tax charge totalled DKK 1,034 million. The effective tax rate for the period was 22%.

#### **Balance sheet**

Gross lending amounted to DKK 146 billion, against DKK 160 billion in 2020. Mortgage lending at fair value fell DKK 6 billion to DKK 810 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 15 billion and a decrease of DKK 21 billion in the market value adjustment in 2021. The nominal outstanding bond debt increased DKK 12 billion in the second half of 2021.

The overall personal customer portfolio increased DKK 4 billion in 2021. The pace of the growth in the personal market picked up in the second half of the year.

In 2021, fixed-rate mortgages accounted for approximately 53% of all disbursed loans, while about 11% of all FlexLån® were disbursed with refinancing intervals of less than five years.

At end-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 10 in 2021. The number of properties repossessed decreased from year-end 2020, standing at 7, of which 4 were owner-occupied dwellings and 3 were commercial properties. The value of the properties repossessed was DKK 7 million. The delinquency rate at 31 December 2021 was unchanged from the level at the end of 2020, and at a persistently low level.

Issued mortgage bonds fell DKK 14 billion to DKK 821 billion. The nominal value of issued mortgage bonds was DKK 815 billion, which was DKK 8 billion more than at the end of 2020. The amounts are exclusive of holdings of own mortgage bonds. Realkredit Danmark

issued bonds for a total of DKK 146 billion exclusive of bonds issued for refinancing auctions.

Realkredit Danmark is subject to the specific principle of balance and therefore has very limited exposure to market risks. At the end of 2021, Realkredit Danmark's interest rate risk and exchange rate risk amounted to DKK 1,178 million and DKK 2 million, respectively.

#### **Capital and solvency**

At the end of 2021, shareholders' equity stood at DKK 49.5 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. The Board of Directors is recommending that dividends of DKK 3.6 billion be paid for 2021.

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) was 25.3%. 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 183.4 billion at 31 December 2021, against DKK 169.6 billion at the end of 2020.

At the end of 2021, Realkredit Danmark's solvency need, including the combined buffer requirement, was calculated at DKK 28.6 billion, corresponding to a solvency need ratio including buffers of 15.6% of the total REA. With total capital of DKK 46.4 billion, Realkredit Danmark had DKK 17.8 billion in excess of the total capital requirement.

Under Danish law, Realkredit Danmark must publish its total capital and solvency need on a quarterly basis. The [rd.dk](http://rd.dk) site provides further information.

#### **Fourth quarter 2021**

Realkredit Danmark recorded a profit after tax of DKK 883 million in the fourth quarter of 2021, against DKK 838 million in the third quarter. The change in profit was attributable primarily to income from the refinancing of FlexLån® in the fourth quarter and a reversal of expected credit losses.

**Outlook for 2022**

Realkredit Danmark expects that the Danish economy will still be affected by the corona crisis in 2022. The outlook is therefore subject to uncertainty and depends on economic conditions in Denmark.

In 2022, Realkredit Danmark expects income to be at a lower level than in 2021 due to lower average administration margins and a lower remortgaging activity.

Realkredit Danmark expects expenses to be at a somewhat higher level than in 2021 due to higher costs for ongoing compliance and digitalisation.

Loan impairment charges are expected to be at the same level as in 2021.

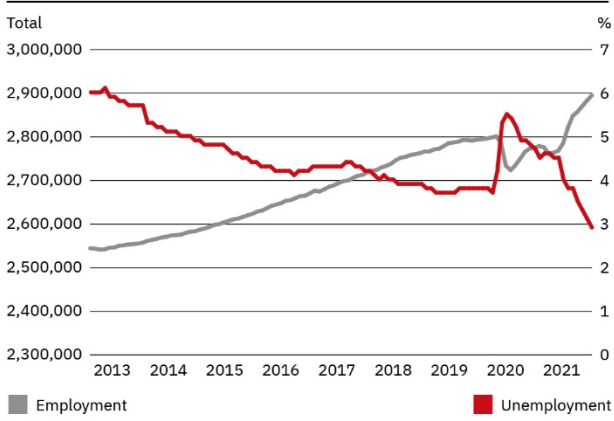
Realkredit Danmark therefore expects net profit to be somewhat lower than in 2021.

# Macroeconomics and Property market

## Strong growth in the Danish economy

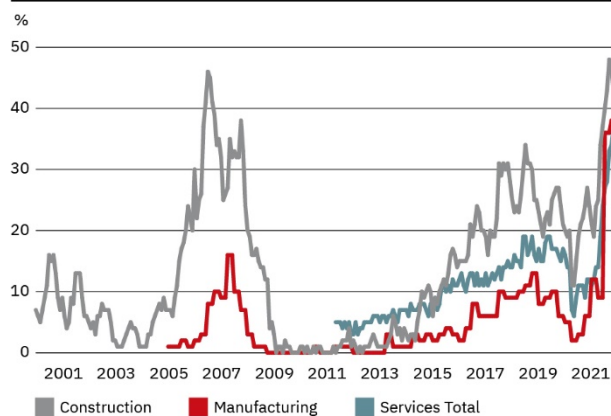
The Danish economy performed surprisingly well in 2021 despite a tough start to the year with extensive restrictions and lockdowns in parts of the economy due to the pandemic. All in all, GDP increased by close to 4% for the year, the highest since 2006. The expansion was broad-based, with healthy growth in exports, investment and private consumption. This strong growth does, of course, need to be seen in the light of a recovery effect following the sharp slide in activity when the pandemic began early in 2020, but highly expansionary economic policy both at home and abroad also contributed to the rebound.

### Employment and unemployment



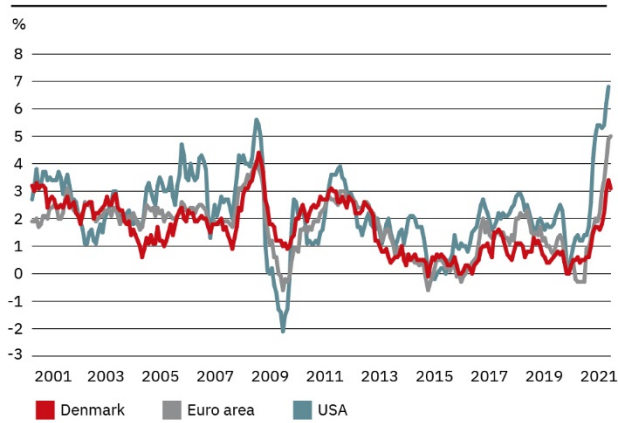
The economic pendulum having swung firmly the other way over the past year, the biggest risk would now seem to be fear of the economy overheating rather than a lack of demand on account of the pandemic. Employment has broken record after record, with no fewer than close to 115,000 more people in work at the end of the year than when the pandemic struck. Unemployment, meanwhile, has dropped right down to around 3%, a level not seen since the economy overheated back around the time of the financial crisis. Although the pandemic flared up again towards the end of the year, with high infection rates and new restrictions, the risk of overheating will remain in 2022. All else equal, growth will be pulled down in the first quarter, but as the hard lockdown last winter illustrated, we have begun to learn to live with the virus, and the uncertainty is much reduced. This means that there will be only a limited impact on growth, and it will bounce back quickly as cases come down and restrictions are phased out.

### Shortage of labour force



Given the way things went in 2021, it is unsurprising that more and more firms are reporting labour shortages. The biggest problems are in construction, but they also present a real challenge in manufacturing and services. Many firms are also battling with shortages of materials in the wake of global supply chain disruption during the pandemic. These same trends can be seen in the global economy and have combined with rising energy costs to send consumer prices up sharply. Inflation in the US leapt to around 7% in 2021, the highest for almost 40 years. Inflationary pressures are not as strong in Denmark and the rest of Europe, but prices are still climbing relatively quickly in both cases, with inflation in Denmark hitting 3.1% in November.

### Inflation



One key issue for the economy in 2022 is what impact capacity pressures and high inflation will have on wage formation, and thus whether inflation will become entrenched at a higher level than otherwise. The higher the rate of inflation and the more established it becomes, the more quickly central banks will need to tighten monetary policy.

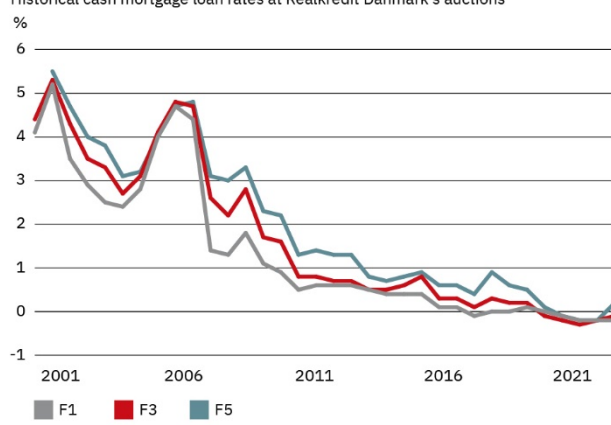


### Rising mortgage rates – but interest rates still low

Mortgage rates were generally headed upwards in 2021, but this mostly affected products with longer fixed-rate periods, such as F5 adjustable-rate mortgages and, in particular, fixed-rate mortgages with terms up to 30 years, while there were no major movements in rates for loans with short refinancing intervals. We began 2021 with an F5 rate down around -0.25%, but once we completed the ARM auctions in November for new rates from 1 January, the F5 finished up in positive territory at 0.11%. This was the first time since the April 2019 auction that we ended up with a positive auction rate for F5 mortgages. With the 30-year fixed-rate products, there was a sensible price for the 0.5% repayment mortgage at the beginning of the year, but this had been replaced by a 1.5% loan by the end of the year.

#### Rates on Flexlån®

Historical cash mortgage loan rates at Realkredit Danmark's auctions

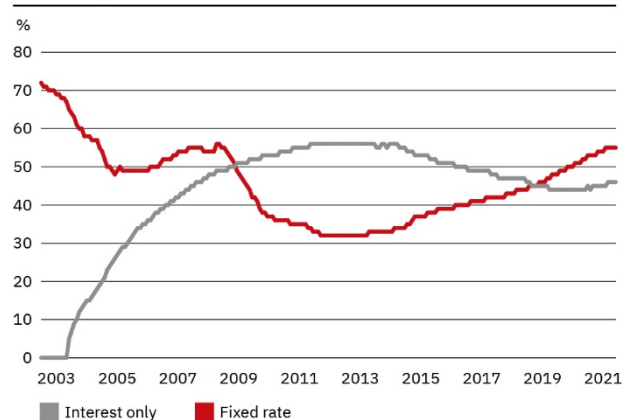


These movements need to be seen in the light of the surprisingly strong growth in the global economy and high rate of inflation. This pushed monetary tightening up the agenda during the year, with financial markets increasingly beginning to price in a tapering of central banks' extensive asset purchase programmes and expecting multiple policy rate hikes in the USA in 2022. This mainly affected longer maturities, while very short rates were held more in check by actual central bank policy rates.

There is no doubt that the interest rate outlook is somewhat less clear than in previous years. Given our current take on the economy, we see a far greater risk of rates rising further in 2022 than falling. For one thing, we expect to see a comeback for the 2% 30-year fixed-rate repayment mortgage in the course of the year. We also anticipate a continuation of slightly larger rate increases for F3/F5 mortgages than for products with short refinancing intervals such as F1 and FlexKort loans. The rate curve will therefore generally become a little steeper.

This will presumably mean a slight increase in the number of borrowers looking at variable-rate products. In the wake of the rising rates for fixed-rate mortgages, we also saw these products gaining market share slightly more slowly in the second half of the year.

#### Share of outstanding amounts, Owner-occupied dwellings and Holiday homes

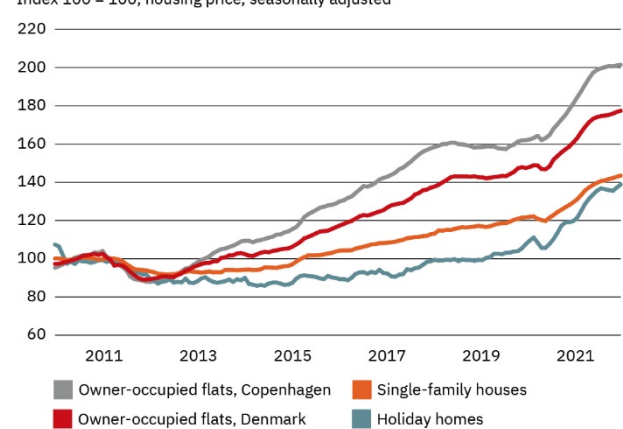


### Record-high activity in the housing market

The housing market had a particularly busy year in 2021 whether we look at turnover or prices. Transactions hit record levels at the beginning of the year, and although turnover then softened somewhat, the year as a whole saw record-high sales of owner-occupied dwellings and holiday homes. Prices climbed around 12% for single-family houses, and slightly further still for owner-occupied flats and holiday homes. We have to go right back to 2006 to find a year when prices rose more quickly.

#### Housing prices

Index 100 = 100, housing price, seasonally adjusted



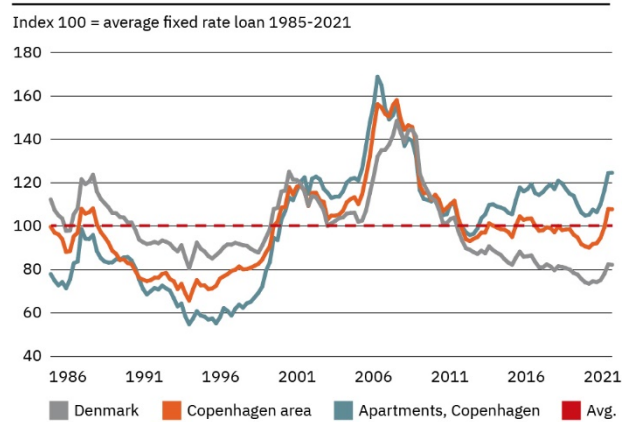
Given these trends, it was unsurprising that the housing market attracted considerable media attention. This applied especially to whether or not the government would impose restrictions on interest-only mortgages, as both the Danish central bank and the Systemic Risk Council had recommended during the year. In the end, the government decided in September not to intervene, referring to recent years' tightening of the financial regulation of the mortgage market, the cooling of the housing market during the year, and moderate growth in homeowners' borrowing. The last of these contrasts starkly with the period before the financial crisis, when homeowners were very active in borrowing against rising home equity. That led to a rapid increase in homeowners' debt, prolonging the downturn after the financial crisis.

Housing prices rose much more slowly in the second half of 2021. We expect this to continue into 2022, and we believe the big price rises in the wake of the pandemic to be over for now. One key factor here is the return to a more normal life as more and more people have been vaccinated, and hence a return to a consumption pattern where experiences and travel account for more of the household budget at the expense of spending on the home. At the same time, rising interest rates and the sharp rise in property prices over the past couple of years will put a natural brake on the market, especially in the areas that are already the most expensive. All in all, we expect price rises of 2-4% in 2022 on a nationwide basis.

There are a number of risks to the housing market in the coming years. There is no doubt that the coronavirus effect is one joker in the pack. Much of the upswing in the housing market can be put down to this effect, not only in Denmark but also in comparable countries. This means there could be a backlash in the housing market as, fingers crossed, we finally put the pandemic behind us in 2022.

Another housing market joker, of course, is interest rates. There is no question that the housing market is sensitive to interest rates. This goes especially for owner-occupied flats in Copenhagen, but the market for single-family houses in and around Copenhagen and Aarhus will also be vulnerable if rates shoot up. This is largely because prices have risen to relatively high levels, and the housing burden in these areas is already on the high side by historical standards.

Housing burden - cost of owning a house compared to disposable income

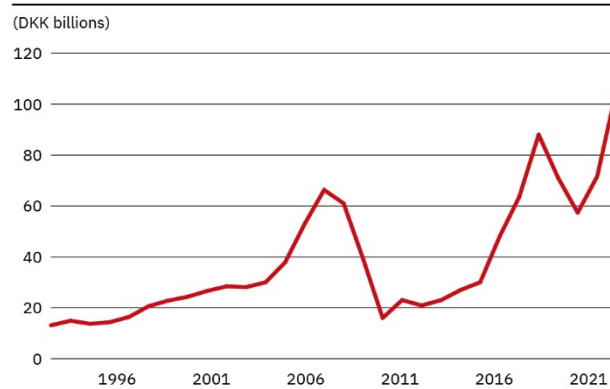


Finally, there is the looming property tax reform. While this will be neutral for the housing market as a whole, it will have negative effects on prices in the most expensive areas and especially for owner-occupied flats. The reform will come into force on 1 January 2024 and so will probably not seriously start to be an issue in the housing market until we approach the second half of 2022. This applies particularly to the market for owner-occupied flats in Copenhagen and Aarhus and sales of project housing.

### Record-high transactions in the commercial property market

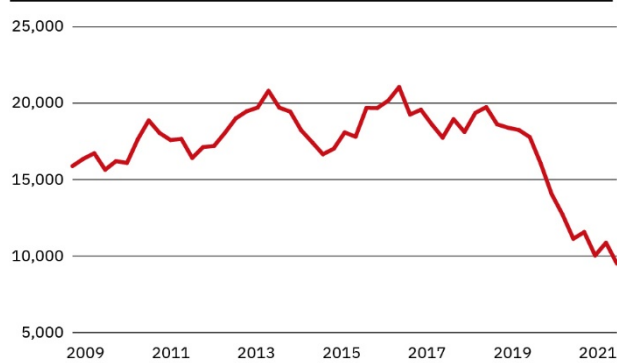
Like the housing market, the commercial property market had a surprisingly good year. Sales of investment and commercial properties hit a record high of around DKK 100 billion in 2021. This was reflected in our quarterly gauge of the commercial property market, with all three segments (office, housing and retail) mostly performing positively during the year in terms of a weighted combination of prices, vacancies, yields and rents in the different segments.

Transaction volume in Danish commercial real estate



Alongside logistics, residential letting properties remained the preferred segment for investors, again accounting for more than half of the transaction volume. It is worth noting, however, that the urbanisation trend has slowed considerably in recent years, with annual population growth in the four largest cities now half what it was at the beginning of 2019. Based on data for housing starts, it appears that construction activity is shifting down a gear to more neutral levels, but this is something that will be worth monitoring in the time ahead.

Annual change in population in Copenhagen, Aarhus, Aalborg and Odense



Retail seems to have had a good year. The number of retail businesses increased in 2020 for the first time since the financial crisis, and we believe that this positive trend continued in 2021. Many retailers have benefited from consumers spending a little more in the stores to compensate for all the other things they were unable to spend their money on during the year, such as travel, concerts and sporting events. It also seems that consumers overwhelmingly chose to shop at physical stores when they reopened after the winter lockdown. But there are challenges ahead. One is that consumer spending will normalise at some point, and so retail sales growth will slow somewhat. Also looming is a substantial bill for deferred income tax and VAT, a scheme that retailers in particular have made use of during the pandemic.

Developments in the office segment have been more mixed recently. Is it the effects of people working from home that we are now beginning to see in the data, or is it just noise? Strong employment growth is pulling in the other direction, but the hybrid workplace is here to stay and nobody yet knows its full impact. This will without doubt be a recurring topic in the office market in the coming years. In Copenhagen, where prime offices are selling at ever lower entry yields, there will also be the challenge of large amounts of new office space coming onto the market in the coming years.

There is still strong interest in logistics, with modern facilities close to the main arteries into Copenhagen and the motorway network in particularly short supply.

When it comes to hotels, occupancy has returned to normal since the summer outside the Copenhagen region, but there is still some way to go in the capital, which has been hit harder by foreign visitor numbers still being some way off normalising. Given the latest upsurge in infections, it has to be assumed that this process will now take even longer.

Looking ahead, we expect commercial property to have a decent year in 2022, but a quieter one than in 2021. The positive reopening effect is over, there will be no more instalments of holiday pay going out, and, as discussed earlier, interest rates are expected to rise further.

### Earnings down in agriculture

Overall, Danish farmers saw a drop in earnings in 2021 after two good years by historical standards, but this masks a big difference between pig farmers on the one hand and arable and dairy farmers on the other.

Pig farmers saw a marked drop in earnings in 2021 after two good years, with prices for both weaners and slaughter pigs falling from high to low levels, and feed prices rising. This is mainly a result of China importing less pork from Europe and elsewhere as domestic production recovers from the steep fall due to African swine fever. Pandemic restrictions have also adversely affected consumption, and weaner prices have been hit by African swine fever spreading further in Poland and Germany.

Dairy farmers saw higher milk prices in 2021 than in recent years, thanks partly to increased demand from China. This generally pushed dairy farmers' earnings up to high levels by historical standards despite higher feed and energy costs.

Arable farmers also generally enjoyed healthy earnings, despite below-average yields of some crops. Grain prices have risen to historically high levels on the back of a global supply imbalance and relatively low stocks in the grain-exporting countries.

With the prospect of milk and grain prices remaining higher than normal in 2022, and prices for pigs rising as a result of the ongoing correction of global production of pigs, agricultural earnings as a whole are expected to be stronger than in 2021. There is, however, considerable uncertainty about pandemic restrictions, African swine fever in Europe, and energy prices and their effect on fertiliser prices.

# Lending

## Green bonds

Customer interest in green financing solutions continued to grow in 2021. RD Cibor6®Green was launched in Denmark in 2019 and at 31 December 2021 total lending amounted to DKK 13.9 billion. In 2021 mortgages for DKK 7.7 billion were disbursed.

The mortgages are typically granted for commercial property used for letting purposes, and mainly for residential letting. The properties must comply with a number of requirements to be financed with green mortgages.

In Sweden, demand for green financing options has been even stronger than has been the case in Denmark up until now. As a result, Realkredit Danmark expanded its product range in the Swedish commercial property market by opening RD Stibor3® Green in mid-2020. At 31 December 2021 total lending amounted to DKK 3.0 billion.

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

## FlexLife®

Since Realkredit Danmark initially launched FlexLife® in September 2017 with variable interest rate and, later, in September 2020 with fixed interest rate, the overall portfolio of FlexLife® mortgages has witnessed a stable and very positive development. At the end of 2021, total lending amounted to DKK 76 billion, with variable rate mortgages accounting for DKK 54 billion and fixed rate for DKK 22 billion. This translates into growth in overall FlexLife® mortgages in 2021 of DKK 28 billion. The average loan-to-value (LTV) for these customers are better than for the rest of the loan portfolio.

Nearly one in six kroner lent concerning FlexLife® relates to repayment from other Danish mortgage institutions.

FlexLife® is also being offered to selected business customers. In particular, co-operative housing societies make use of FlexLife® with fixed interest rate.

FlexLife® offers a whole new approach to mortgage loans. The product provides a new level of flexibility allowing customers to adjust the mortgage to their current or future situation and needs. Under the right preconditions, the interest-only option may apply throughout the term of the mortgage, which may be up to 30 years.

## Total lending

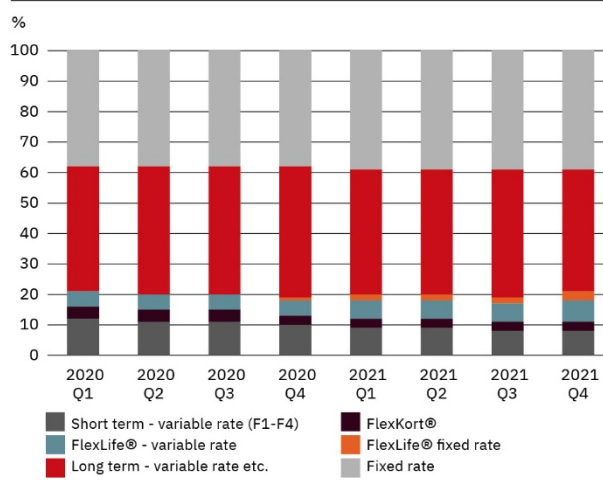
Lending activity in 2021 was on a slightly lower level than in 2020. In 2021, total gross lending thus stood at DKK 146 billion, against DKK 160 billion in 2020.

Realkredit Danmark's total mortgage lending rose by DKK 15 billion in 2021. At the end of 2021, the total loan portfolio amounted to DKK 808 billion, against DKK 793 billion the year before.

Remortgaging activity amounted to DKK 56 billion in 2021, against DKK 80 billion in 2020.

Borrowers continue to show strong interest in making repayments on their debts, as a result of which the share of interest-only mortgages was 30% against 31% in 2020.

Development in loan portfolio by loan type (%)



## Personal market

Realkredit Danmark recorded positive developments in its portfolio in 2021. The overall portfolio thus increased by DKK 4 billion in 2021, against a decline in 2020 of DKK 1 billion. The pace of the growth in the personal market picked up in the second half of the year.

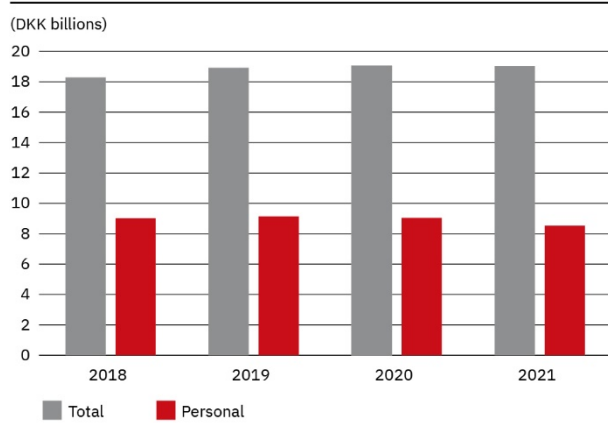
Lending activity in 2021 was more or less unchanged from 2020. In 2021, Realkredit Danmark's total gross lending thus stood at DKK 90 billion, against DKK 92 billion in 2020.

As interest rates rose during specific periods of 2021, customers are again starting to look at short-term variable rate mortgages. While six out of ten customers opted for fixed-rate mortgages in 2020, this share fell to five out of ten customers in 2021.

This resembles the distribution in the overall portfolio in which about 40% hold on to long-term variable rate mortgages, with the 5-year F5 mortgage remaining the preferred loan type.

The tendency to make mortgage repayments continued in 2021. Generally, seven out of ten mortgages were with repayment in 2021. Total ordinary repayments in 2021 thus amounted to DKK 19 billion, which is on the same level as in 2020. The personal market accounted for DKK 9 billion, which is on the same level as in 2020.

### Ordinary Payments



For personal customers, FlexLife® continued to attract strong interest in 2021. Total gross lending for FlexLife® amounted to DKK 28 billion in 2021.

## Business market

At end-2021, the mortgage portfolio amounted to DKK 357 billion, which was an increase of DKK 11 billion on the year before.

The business market also recorded growing demand for long-term variable rate mortgages. In 2020, close to every other mortgage loan carried a fixed-rate of interest, but this share had dropped to only one in four in the second half of 2021.

In 2018, Realkredit Danmark opened a new capital centre (capital centre A) for the issuance of state-guaranteed mortgage bonds to fund subsidised loans to the subsidised housing sector. In 2021, the remaining share of existing subsidised mortgages were moved to capital centre A. Mortgages for the subsidised housing sector amount to DKK 81 billion.

Co-operative housing societies were again the segment showing the greatest interest in FlexLife® with fixed interest rate, which give the societies an opportunity to combine a fixed interest rate with an interest-only period of up to 30 years and flexibility to regularly adjust the rate at which the mortgage is repaid to the finances of the association.

## Distribution channels

Realkredit Danmark consistently seeks to make it easier for its customers to access and obtain an overview of information about their mortgages.

Realkredit Danmark is accessible when customers need it, among other things by providing personal service and advice by telephone and through virtual and physical channels.

Realkredit Danmark's personal customers are served at Danske Bank primarily by home finance advisers. Customers who are also Danske Bank customers are generally served by Danske Bank branches, while customers who are customers only with Realkredit Danmark are served by Home Direct, which provides telephone and virtual advice during extended opening hours.

The largest property customers in Denmark, the largest administrators and all customers within Subsidised Housing are served at Large Real Estate, which is a nationwide double-branded Realkredit Danmark unit. In addition, Large Real Estate is responsible for providing expert mortgage advice to large non-property customers and to customers in Norway and Sweden who have a mortgage loan with Realkredit Danmark.

Small and medium-sized business and property customers are offered several service channels at Danske Bank. For organisational purposes, all property specialists are placed at Realkredit Business, which consists of a number of local entities and of Realkredit Business Direct.

In autumn 2021, Realkredit Danmark launched a new website, which makes it easier for customers to find the relevant services and get into contact with us. This is an important step to increase and support our customers digital interaction with us.

The property specialists at the local entities provide personal service and advice at Danske Bank's business centres. Realkredit Business Direct provides telephone and virtual advice and other services.

Danske Bank's agricultural centre provides personal service and advice to all agricultural customers.

#### home

"home", the real-estate agency chain of the Group, is wholly-owned by Realkredit Danmark A/S. The selling of owner-occupied dwellings is the business area of "home", and mortgages distributed via "home" are primarily intended for a change of ownership. Over the course of the year, "home" strengthened its market position, and the profit of the franchise business thus rose from DKK 44.3 million in 2020 to DKK 63.6 million in 2021.

Activities and portfolio	Gross lending		Net new lending		Loan portfolio					
	(DKK millions)		2021	2020	2021	2020	2021	%	2020	%
Personal market	90,155	92,302	14,214	9,331	450,188	56	445,772	56		
Business market	55,522	68,086	21,823	21,600	357,433	44	346,929	44		
Total (nominal value)	145,677	160,388	36,037	30,931	807,621	100	792,701	100		

Lending broken down by loan type	Share of gross lending		Share of loan portfolio			
	%		2021	2020	2021	2020
Short-term variable rate (F1-F4)			3	2	8	10
FlexKort®			1	2	3	4
FlexLife® variable rate			10	7	7	5
FlexLife® - fixed-rate			11	4	3	1
Fixed-rate			42	56	39	38
Long-term variable rate etc.			33	29	40	42
Total			100	100	100	100

# Funding

## Bond issuance

Realkredit Danmark operates under the specific balance principle and funds its lending to borrowers by issuing mortgage-covered bonds and to a very limited extent mortgage bonds listed on NASDAQ Copenhagen.

Issued bonds are carried in the financial statements at their fair value after deduction of own holdings. The following text and table are based on nominal values before deduction of own holdings, as these reflect the volume of bonds issued and listed on NASDAQ Copenhagen.

## Bonds issued in 2021

Realkredit Danmark issued bonds worth DKK 146 billion exclusive of bonds issued for refinancing auctions. This represents a decrease of 9% relative to 2020. The bond market was characterised by volatile interest rates in 2021 due to the uncertainty caused by the corona crisis as well as a general increase in inflation. The volatile interest rates resulted in some, but not high remortgaging activity. Of bonds issued in 2021, 53% were callable and 47% were non-callable. In 2020, there was also an overweight of callable bonds.

## Refinancing in 2021

In 2021, Realkredit Danmark held auctions in connection with all four ordinary payment dates. To diversify the risk attached to refinancing, Realkredit Danmark has opted to refinance FlexLån® at the 1 January and 1 April payment dates and floating-rate bonds at the 1 July and 1 October payment dates.

All four auctions were carried out without any difficulties and attracted strong investor interest and competitive prices.

The auctions for the refinancing of FlexLån® at 1 April 2021 were held in February 2021. Total issuance amounted to DKK 46 billion, against DKK 49 billion in 2020. In November 2021, bonds worth DKK 17 billion were issued in connection with the refinancing of FlexLån® at 1 January 2022. Refinancing at 1 January 2021 amounted to DKK 19 billion.

To level out refinancing volumes, all new mortgages taken out since November 2019 are disbursed with 1 January as refinancing date as opposed to 1 April. FlexLån® denominated in EUR and state-guaranteed FlexLån® will still have 1 April as the refinancing date.

In May 2021, Realkredit Danmark auctioned bonds for DKK 12 billion to refinance RD Cibor6® and DKK 6 billion to refinance FlexKort®.

Lastly, in August 2021 SEK 2.1 billion was refinanced in RD Stibor3® and NOK 2.0 billion in RD Nibor3®. Further, DKK 1 billion of FlexGaranti® as well as DKK 0.2 billion of RD Cibor6® (RO) was refinanced.

At end-2021, Realkredit Danmark had issued mortgage bonds for a total amount of DKK 839 billion, of which mortgage-covered bonds accounted for DKK 807 billion.

## Debt issuance

In December 2020, Realkredit Danmark raised a debt buffer requirement eligible loan with the parent group, Danske Bank A/S, in the amount of DKK 2 billion in order to comply with the debt buffer requirement.

## Investor distribution

Foreign investors continued to show strong interest in Danish mortgage bonds in 2021 despite the turmoil caused by the corona crisis. The interest is partly due to the fact that the bonds are considered to offer good security, partly because they offer a relatively higher return than similar European securities at present. In recent years, long-term fixed-rate bonds have become increasingly popular especially with Japanese investors. At end-2021, foreign investors held about 25% of all Danish mortgage bonds, which was unchanged from end-2020.

## 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 declined during 2021, from DKK 40.2 billion end-2020 to DKK 24.6 billion end-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 2022. 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.

### Debt buffer

In 2021, the phasing-in of the debt buffer requirement of 2% of the credit institution's lending was finalised. The requirement equals about DKK 16 billion.

Realkredit Danmark currently meets the debt buffer requirement using excess shareholders' equity only. To ensure future compliance with the requirement, Realkredit Danmark raised a bail-inable loan from Danske Bank A/S in December 2020.

### Bonds issued at 31 December (nominal value)

Bond type (DKK billions)	Currency	Mortgage- covered bonds		Mortgage bonds	
		2021	2020	2021	2020
Fixed rate	DKK	326	313	3	3
FlexLån®	DKK	287	319	-	-
FlexLån®	EUR	3	4	-	-
FlexLife®	DKK	76	48	-	-
FlexKort®	DKK	24	27	-	-
Index-linked loans	DKK	-	-	16	17
FlexGaranti® and RenteDyk™	DKK	1	2	5	6
RD Cibur6®	DKK	75	71	5	6
RD Nibor3®	NOK	5	6	-	-
RD Stibor3®	SEK	8	13	3	-
RD Euribor3®	EUR	2	2	-	-
Total DKK		807	805	32	32

In 2021, the calculation was adjusted to reflect double-funding of DKK 16 billion because of the refinancing of FlexLån® (2020: DKK 17 billion).



# Capital and risk management

## Capital management

The Realkredit Danmark Group's capital management policies and practices support the selected business strategy and ensure that the Group remains sufficiently capitalised to withstand severe macroeconomic downturns. Moreover, the Group aims to retain the current AAA ratings from both S&P Global, Scope Ratings and Fitch Ratings, which are in line with those assigned to comparable issuers.

At 31 December 2021, the total capital of DKK 46.4 billion consisted primarily of conventional equity after statutory deductions.

The regulatory framework for the Group's capital management practices is rooted in the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD), which can be divided into three pillars:

- **Pillar I** contains a set of mathematical formulas for the calculation of risk exposure amounts for credit risk, market risk and operational risk. The minimum capital requirement is 8% of the total REA. In parallel, a minimum leverage ratio of 3% has to be met at all times as Pillar I requirement as per CRR II.
- **Pillar II** contains the framework for the contents of the ICAAP, including the identification of a credit institution's risks, the calculation of the solvency need and stress testing.
- **Pillar III** deals with market discipline and sets forth disclosure requirements for risk and capital management.

While Pillar I entails the calculation of risks and the capital requirement on the basis of uniform rules for all credit institutions, the ICAAP under Pillar II takes into account the individual characteristics of a given institution and covers all relevant risk types, including risks not addressed under Pillar I. The combined capital requirements under Pillar I and Pillar II represent the credit institution's solvency need and solvency need ratio.

## Internal Capital Adequacy Assessment Process (ICAAP)

As part of the ICAAP, the Group assesses its solvency need on the basis of internal models and ensures that it uses the proper risk management systems. The ICAAP also includes capital planning to ensure that the Group always has sufficient capital to support its chosen business strategy. Stress testing is an important tool used for capital planning purposes in the efforts to ensure that the Realkredit Danmark Group, also going forward, is sufficiently capitalised to withstand severe macroeconomic downturns. For additional information about the ICAAP, reference is made to the ICAAP report available at [danskebank.com/IR](https://danskebank.com/IR).

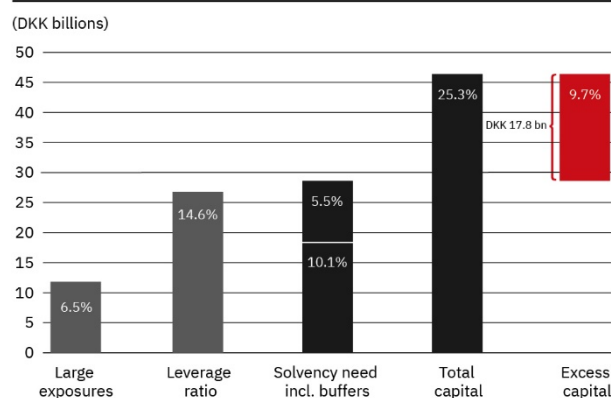
## Capital requirements

As stipulated in Danish legislation, a credit institution must disclose its solvency need and solvency need ratio. The solvency need is the total capital of the size, type and composition needed to cover the risks to which an institution is exposed.

In addition to the solvency need ratio, the institution must have capital to comply with the combined capital buffer requirement. The combined buffer requirement consists of a SIFI buffer of 3%, a capital conservation buffer of 2.5% and a countercyclical buffer of 0%.

In June 2021, the Danish Minister for Industry, Business and Financial Affairs reactivated the countercyclical capital buffer at 1.0%, effective from 30 September 2022 and subsequently announced in December 2021, that the countercyclical capital buffer will be further increased to 2.0% effective from 31 December 2022.

Solvency need ratio and total capital ratio, end 2021



At the end of 2021, Realkredit Danmark's solvency need, including the combined buffer requirement, was calculated at DKK 28.6 billion, corresponding to a solvency need ratio including buffers of 15.6% of the total REA. With total capital of DKK 46.4 billion, the Realkredit Danmark Group had DKK 17.8 billion in excess of the total capital requirement.

## Leverage ratio

A minimum leverage ratio requirement of 3% was implemented in the second quarter of 2021 with the adoption of CRR II. The leverage ratio requirement of 3% was calculated at DKK 26.8 billion. At the end of December 2021, the Group's leverage ratio was 5.1%.

## Large exposures

Large exposures are defined as exposures amounting to at least 10% of the capital base after deduction of particularly secure claims. At the end of 2021, Realkredit Danmark had 1 exposure that exceeded 10% of its capital base.

### **Supplementary collateral**

As an institution issuing mortgage-covered bonds, Realkredit Danmark must provide supplementary collateral if the value of the properties on which the loans are secured is such that the LTV ratio rises above 80% for residential property and 60% for commercial property. At the end of 2021, the need for supplementary collateral was DKK 9.0 billion, against DKK 10.8 billion at end-2020. Of the DKK 9.0 billion, DKK 1.4 billion was provided in the form of loan loss guarantees. The remaining DKK 7.6 billion was provided in the form of unencumbered liquid assets.

A large proportion of Realkredit Danmark's mortgages are covered by loan loss guarantees provided by Danske Bank. The loan loss guarantee covers the top 20 percentage points of the statutory loan limit at the time when the mortgage originates.

The loan loss guarantees amounted to DKK 47 billion of the loan portfolio at 31 December 2021.

### **Risk management**

Realkredit Danmark Group's principal risks are credit risk from mortgage loans and liquidity risk primarily related to refinancing auctions.

The credit risk on mortgages comprises the risk that the borrower is unable to repay the loan and the expected loss if the borrower does not repay the loan. Liquidity risk is the risk that payments to the bondholder fall due before Realkredit Danmark has secured the necessary liquidity. This is usually mitigated by early payments received from Realkredit Danmark's borrowers or the sale of new bonds at refinancing auctions.

Realkredit Danmark is also exposed to market risks, which comprise interest rate, equity market and exchange rate risks. However, the statutory principle of balance eliminates most of the interest rate and exchange rate risks on the Group's assets and liabilities.

Risk management is described in the note on risk management.

### **Liquidity Coverage Ratio**

As a credit institution, Realkredit Danmark is subject to the Liquidity Coverage Ratio. In addition, Realkredit Danmark is subject to a requirement for the institution's buffer of liquid assets to constitute minimum 2.5% of its total mortgage lending, which is a binding requirement for Realkredit Danmark. At the end of 2021, this corresponded to approximately DKK 20.5 billion. Realkredit Danmark has unencumbered liquid assets of DKK 39.3 billion after haircuts, which means Realkredit Danmark has a buffer of DKK 18.8 billion to the requirement.

The Danish FSA's has since 2019 worked on a new model for calculating the liquidity requirement. The new model is expected to take effect once the new EU directive on covered bonds enters into force in July 2022. Realkredit Danmark intends to comply with the new requirement during the entire observation period.

### **Future rules**

In December 2017, the Basel Committee on Banking Supervision (BCBS) published the finalisation of the Basel III framework, which includes the

- standardised approach for credit risk,
- internal ratings-based (IRB) approach for credit risk,
- minimum capital requirements for CVA risk,
- minimum capital requirements for operational risk,
- output floor and
- leverage ratio.

In addition, the BCBS published the revised minimum capital requirements for market risk in January 2019. These standards are collectively referred to as "Basel IV".

As a part of the EU's Banking Package 2021, and in order to implement Basel IV, the European Commission adopted proposals, in October 2021, to amend, inter alia, Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU (CRD). The proposals include some adjustments to the Basel IV standard, and the output floor is subject to a transitional arrangement, which entails that the output floor must be fully implemented on 1 January 2030. The outcome of the EU legislative negotiations, regarding the proposals, is uncertain and may result in further adjustments to the proposal.

In June 2021, the Danish implementation of the EU covered bonds package was adopted by the Danish Parliament. The new rules will apply from 8 July 2022. This includes a requirement for a cover pool liquidity buffer and stipulates eligible cover pool assets. Further, a new requirement on a minimum level of cover pool over-collateralisation is introduced. Based on the adopted law, the new rules are assessed to have a limited impact on Realkredit Danmark.

### Supervisory diamond for mortgage credit institutions

Realkredit Danmark continues to comply with all threshold values by a satisfactory margin.

The volume of loans with short-term funding continues to trend downwards, reducing the refinancing risk. Utilisation is well within both the quarterly and annually thresholds.

For all the threshold values, Realkredit Danmark has defined internal limits to ensure that action is taken in due time before a threshold value is potentially exceeded.

Threshold value	2021	2020	Limit
<b>Growth in lending<sup>1</sup></b>			
Owner-occupied dwellings and holiday homes	1.0%	-0.3%	15%
Residential rental property	5.8%	6.8%	15%
Agriculture	-5.1%	-1.6%	15%
Other	1.1%	-0.4%	15%
<b>Borrower interest-rate risk<sup>2</sup></b>			
Properties for residential purposes	4.9%	6.4%	25%
<b>Interest-only option<sup>3</sup></b>			
Owner-occupied dwellings and holiday homes	5.5%	6.1%	10%
<b>Loans with short-term funding<sup>4</sup></b>			
Refinancing, annually	10.9%	13.2%	25%
Refinancing, quarterly	2.1%	2.6%	12.5%
<b>Large exposures<sup>5</sup></b>			
Loans relative to shareholders' equity	65%	46%	100%

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

<sup>2</sup> 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.

<sup>3</sup> 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.

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

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

# Organisation and management

## Management

Realkredit Danmark A/S is a wholly-owned subsidiary of Danske Bank A/S. The Board of Directors consists of six directors, two of whom are elected by the employees.

At the annual general meeting on 3 March 2021 Carsten Rasch Egeriis, Claus Harder, Line Munkholm Haukrogh and Jesper Koefoed were re-elected to the Board of Directors. Carsten Rasch Egeriis was appointed Chairman.

The Board also has two members elected by the employees: Majken Hammer Sløk and Christian Hilligsøe Hejnig.

At an extraordinary general meeting on 21 July 2021, Glenn Söderholm and Mark Majgaard Wraa-Hansen were elected to the Board of Directors. At the same time, Carsten Rasch 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 appointed Chairman and Mark Majgaard Wraa-Hansen Vice chairman.

On 3 May 2021, CEO Carsten Nøddebo Rasmussen indicated that he wished to resign his position as CEO of Realkredit Danmark. In that connection Kamilla Hammerich Skytte has been employed effective 1 February 2022 to replace Carsten Nøddebo Rasmussen as CEO on 1 March 2022, when Carsten Nøddebo will step down. Kamilla Hammerich Skytte, age 49, holds a Masters Degree in Economics from the University of Copenhagen. Since 1999, she has held a number of different positions in the Nordea Group. During the period from May 2017 to April 2021, she was a member of the Executive Board of Nordea Kredit, serving as CEO in the period from June 2020 to April 2021.

The Board of Directors defines the overall principles for Realkredit Danmark A/S's operations. The Executive Board is in charge of the day-to-day management and must comply with the guidelines and directions given by the Board of Directors. The rules of procedure lay down the precise division of responsibilities between the Board of Directors and the Executive Board.

Board members elected by the shareholders in general meeting are elected for a term of one year and are eligible for reelection. Employee representatives are elected for a term of four years (most recently in 2021) and are eligible for reelection.

## Employees

At the end of 2021, the number of full-time equivalent staff at the Realkredit Danmark Group was 217.

## Diversity policy

In 2021, the Danske Bank Group continued the efforts to advance the Diversity & Inclusion agenda both in the Danske Bank Group and towards society in general. During the year the Diversity & Inclusion Policy was reviewed and Diversity & Inclusion subject matter experts hired to develop and implement actions. Also further LGBTQ+ rights and conditions were improved together with Transgender instruction.

Realkredit Danmark's Board of Directors has adopted the Danske Bank Group's Diversity and Inclusion policy. One of the focus areas of the policy is to increase the percentage of female managers. For example, this is achieved through a separate assessment of female applicants for managerial positions. The principles are available on Danske Banks website: [danskebank.com](https://danskebank.com)

The table below shows the gender composition at 31 December 2021 relative to the 2023 targets:

Management level	Total	Men	Women	Share of women	Target for share of women 2023
Board of Directors*	4	3	1	25%	38%
Executive Board	2	2	-	-	-
Senior leadership	10	7	3	30%	35%
Management level - other	21	13	8	38%	40%

\*Employee representatives not included. There are one woman and one man.

## Data ethics

In many ways, the rapid technological development has changed the way in which Danske Bank operates. The rising level of digitalisation and increased amount of data offer us new possibilities for using data, to the benefit of both Danske Bank and our customers, but also raise several ethical dilemmas related to the use of the data available.

To address these dilemmas, Danske Bank has developed a set of ethical principles for its use of data. They define how we strive to act with regard to data use across the Group and in our business relations. The application of data ethics principles enables us to consider more than mere compliance with the law, thus supporting good conduct and building trust.

Some of the principles are already integrated into our privacy and security processes, and during 2022, we will elaborate on the principles and continue to integrate them into our processes, steering and control mechanisms.

The Data Ethics Principles document constitutes a Report on Data Ethics as required under section 135d of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. The principles are available on Danske Bank's website: [danskebank.com](https://danskebank.com)

### Compliance

Realkredit Danmark keeps focusing on ensuring a robust compliance culture across its organisation, thereby ensuring that we live our core value of integrity in all interactions with our customers and stakeholders.

Realkredit Danmark is subject to the Danish Financial Business Act and other regulation applying for mortgage credit institutions in Denmark. Managing and controlling the compliance of this regulation is performed by the Realkredit Danmark organisation in accordance with a three lines of defence risk management and control model, thereby ensuring that compliance is an integral part of the day-to-day operation of the business at all levels in Realkredit Danmark.

The second line of defence is anchored in Realkredit Danmark's Compliance unit. Some of the day-to-day compliance tasks continue to be outsourced to Danske Bank A/S, but the overall responsibility for the second line compliance function lies with the Head of the Compliance unit, who reports directly to the Executive Board.

The responsibilities of the first line Regulatory Risk unit, are continuously to support and provide advice to the organisation and units in Realkredit Danmark on compliance risk management within their areas of activities and responsibilities, including implementation of policies and other frameworks applicable to them.

Regulatory Risk reports directly to the Executive Board and participates in Realkredit Danmark risk committee and product committee meetings. Further, the head of Regulatory Risk is the designated anti-money laundering officer as well as the designated outsourcing officer for Realkredit Danmark.

In 2021, Realkredit Danmark retained its strong focus on financial crime compliance to prevent criminals from using mortgage loans and properties mortgaged with loans from Realkredit Danmark for criminal purposes.

Realkredit Danmark has outsourced the responsibilities on designing, implementing, operating and maintaining relevant financial crime processes and controls to

Danske Bank. Throughout 2021, the outsourcing governance model for financial crime risk management and controls has been strengthened significantly, and Realkredit Danmark has been fully integrated into the Danske Bank plans towards 2023 for enhancing the group's financial crime framework, processes and controls.

In 2021, Realkredit Danmark decided to strengthen its financial crime risk oversight processes as well as its processes on ongoing monitoring of the outsourced financial crime activities. As a consequence, a new AML secretariat will be established in early 2022.

To a large extent, Realkredit Danmark has outsourced the day-to-day operation of its business activities to Danske Bank A/S. Throughout 2021, Realkredit Danmark conducted a review of all outsourcing agreements with the bank so as to achieve more clarity on the in-scope activities, roles and responsibilities, KPIs, management information and more. Besides, Realkredit Danmark has enhanced its outsourcing governance model for all outsourced activities in accordance with the Danish Executive Order on Outsourcing from 2020, thereby strengthening the foundation for senior management risk oversight on outsourced business activities.

Treating customers fairly compliance remains a high focus area in Realkredit Danmark, including GDPR compliance. Realkredit Danmark has outsourced the statutory data protection officer role and responsibilities and other GDPR processes to Danske Bank A/S, but maintains its own internal experts to support the organisation in Realkredit Danmark in its day-to-day operation of activities comprising personal data.

### Internal control and risk management systems used in the financial reporting process and Internal Audit

As laid down in the Danish Financial Business Act, the Board of Directors is responsible for ensuring that the Executive Board maintains effective procedures to identify, monitor and report on risks, adequate internal control procedures as well as satisfactory IT controls and security measures.

Good accounting practices are based on authorities, segregation of duties, regular reporting requirements and significant transparency in respect of the Group's business.

Realkredit Danmark regularly assesses risks in relation to financial reporting, with particular focus on items where estimates and assessments could significantly affect the value of assets or liabilities. These critical financial statement items are listed under Significant accounting estimates and assessments.

Realkredit Danmark has implemented controls to counter identified financial reporting risks and regularly monitors changes in and compliance with relevant legislation and other financial reporting rules and regulations. Controls have been established for the purpose of preventing, detecting and correcting any errors or irregularities in the financial reporting.

Realkredit Danmark has outsourced a number of activities to Danske Bank A/S. In this connection, Realkredit Danmark has established a governance structure to monitor the outsourced activities and to ensure a procedure involving ongoing reporting for the individual organisational levels within Realkredit Danmark. Internal management reporting is based on the same principles as external reporting.

Internal Audit performs audit of operational processes at Realkredit Danmark to assess the effectiveness of the company's risk management, controls and governance. The planning and performance of the work of Internal Audit is subject to the provisions of the Danish Executive Order on Auditing, the International Standards on Auditing (ISAs) as well as the International Standards for the Professional Practice of Internal Auditing (IPPF).

The Executive Board regularly reports to the Board of Directors on compliance with the risk and investment framework set out and the statutory investment rules. The Board of Directors also receives accounting information on an ongoing basis. Compliance reports to the Board of Directors in respect of compliance and any non-compliance with internal business procedures and policies.

#### **Audit Committee**

The Board of Directors has set up an audit committee to prepare the work of the Board of Directors on financial reporting and audit matters, including related risk matters, which the Board of Directors, the committee itself, the external auditors or the head of Internal Audit intend to review further. The committee works on the basis of clearly defined terms of reference. The committee has no independent decision-making powers but reports to the Board of Directors as a whole. In 2021, the Audit Committee held six meetings.

#### **Corporate responsibility and sustainability**

Corporate responsibility and sustainability are key elements of Realkredit Danmark's strategy. We want our customers and other stakeholders to be absolutely confident that in operating our business we factor in environmental, social, ethical and governance considerations. Realkredit Danmark believes that responsible business conduct is a prerequisite for a company's long-term value creation.

Realkredit Danmark is incorporated in Danske Bank Group's corporate responsibility and sustainability work. Along with its Annual Report 2021, the Danske Bank Group has published a Sustainability Report 2021 detailing the Group's corporate responsibility. The Sustainability Report is supplemented by the Sustainability Fact Book 2021, and together they provide a comprehensive view of the principal corporate responsibility and sustainability aspects of the Group's activities. As a part of the Group, we refer to Danske Bank's Sustainability report for the statutory report on corporate social responsibility in pursuance of section 135a and b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. The Sustainability Report 2021 is available for download at [danskebank.com](https://www.danskebank.com)

# Income statement and Comprehensive income

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
	<b>Income statement</b>				
4	Interest income	13,738	14,609	13,737	14,609
5	Interest expense	7,453	8,113	7,452	8,113
	Net interest income	6,285	6,496	6,285	6,496
3	Fee and commission income*	1,107	1,207	1,107	1,207
	Fee and commission expense	1,234	1,228	1,234	1,228
2	Net fee and commission income	6,158	6,475	6,158	6,475
2, 6	Value adjustments*	-327	-410	-327	-410
3	Other operating income	136	114	-	2
7-9	Staff costs and administrative expenses	994	863	940	809
	Impairment, depreciation and amortisation charges	1	1	-	-
10	Loan impairment charges	269	335	269	335
34	Income from associates and group undertakings	-	-	64	44
	Profit before tax	4,703	4,980	4,686	4,967
11	Tax	1,034	1,097	1,017	1,084
	Net profit for the year	3,669	3,883	3,669	3,883
	Proposal for allocation of profits				
	Net profit for the year			3,669	3,883
	Transferred from other reserves			2,911	3,008
	Total for allocation			6,580	6,891
	Portion attributable to				
	Reserves in series			2,980	3,091
	Other reserves			-	-
	Proposed dividends			3,600	3,800
	Total allocation			6,580	6,891
	<b>Comprehensive income</b>				
	Net profit for the year	3,669	3,883	3,669	3,883
	Other comprehensive income				
	Items that will not be reclassified to profit or loss				
	Actuarial gains/losses on defined benefit plans	17	18	17	18
	Tax	4	4	4	4
	Total other comprehensive income	13	14	13	14
	Total comprehensive income	3,682	3,897	3,682	3,897

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

# Balance sheet

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
	<b>ASSETS</b>				
	Cash in hand and demand deposits				
	with central banks	3,674	52	3,674	52
12	Due from credit institutions and central banks	14,969	24,993	14,858	24,900
13	Bonds at fair value	13,068	14,177	13,068	14,177
14	Bonds at amortised cost	33,363	33,006	33,363	33,006
15-16, 19	Mortgage loans at fair value	810,139	816,577	810,139	816,577
15, 17-19	Loans and other amounts due at amortised cost	408	449	388	426
	Shares	4	4	-	-
34	Holdings in group undertakings	-	-	166	147
20	Other tangible assets	6	6	5	5
	Current tax assets	48	-	49	4
21	Deferred tax assets	-	-	-	-
22	Assets temporarily taken over	7	39	7	39
19, 23	Other assets	1,312	1,964	1,242	1,860
	Prepayments	1	1	-	1
	<b>Total assets</b>	<b>876,999</b>	<b>891,268</b>	<b>876,959</b>	<b>891,194</b>
	<b>LIABILITIES AND EQUITY</b>				
	<b>AMOUNTS DUE</b>				
24	Due to credit institutions and central banks	2,000	2,000	2,000	2,000
25	Issued mortgage bonds at fair value	820,950	835,217	820,950	835,217
	Current tax liabilities	-	-	-	-
21	Deferred tax liabilities	55	23	-	-
26, 27	Other liabilities	4,522	4,438	4,471	4,348
	<b>Total amounts due</b>	<b>827,527</b>	<b>841,678</b>	<b>827,421</b>	<b>841,565</b>
	<b>PROVISIONS</b>				
21	Deferred tax	-	-	61	30
27	Reserves in early series subject to a reimbursement obligation	-	-	5	9
	<b>Total provisions</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>39</b>
	<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	630	630	630	630
	Reserves in series	45,191	45,086	45,191	45,086
	Other reserves	51	74	51	74
	Proposed dividends	3,600	3,800	3,600	3,800
	<b>Total shareholders' equity</b>	<b>49,472</b>	<b>49,590</b>	<b>49,472</b>	<b>49,590</b>
	<b>Total liabilities and equity</b>	<b>876,999</b>	<b>891,268</b>	<b>876,959</b>	<b>891,194</b>



# Statement of capital

## Realkredit Danmark Group

(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 year	-	2,980	689	-	3,669
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	17	-	17
Tax	-	-	-4	-	-4
Total other comprehensive income	-	-	13	-	13
Total comprehensive income	-	2,980	702	-	3,682
Transferred from/to Other reserves	-	-2,875	2,875	-	-
Dividend paid	-	-	-	-3,800	-3,800
Proposed dividends	-	-	-3,600	3,600	-
Shareholders' equity at 31 December 2021	630	45,191	51	3,600	49,472
Shareholders' equity at 1 January 2020	630	44,978	85	4,300	49,993
Net profit for the year	-	3,091	792	-	3,883
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	18	-	18
Tax	-	-	-4	-	-4
Total other comprehensive income	-	-	14	-	14
Total comprehensive income	-	3,091	806	-	3,897
Transferred from/to Other reserves	-	-2,983	2,983	-	-
Dividend paid	-	-	-	-4,300	-4,300
Proposed dividends	-	-	-3,800	3,800	-
Shareholders' equity at 31 December 2020	630	45,086	74	3,800	49,590

# Statement of capital

## Realkredit Danmark A/S

(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 year	-	2,980	689	-	3,669
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	17	-	17
Tax	-	-	-4	-	-4
Total other comprehensive income	-	-	13	-	13
Total comprehensive income	-	2,980	702	-	3,682
Transferred from/to Other reserves	-	-2,875	2,875	-	-
Dividend paid	-	-	-	-3,800	-3,800
Proposed dividends	-	-	-3,600	3,600	-
Shareholders' equity at 31 December 2021	630	45,191	51	3,600	49,472
Shareholders' equity at 1 January 2020	630	44,978	85	4,300	49,993
Net profit for the year	-	3,091	792	-	3,883
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	18	-	18
Tax	-	-	-4	-	-4
Total other comprehensive income	-	-	14	-	14
Total comprehensive income	-	3,091	806	-	3,897
Transferred from/to Other reserves	-	-2,983	2,983	-	-
Dividend paid	-	-	-	-4,300	-4,300
Proposed dividends	-	-	-3,800	3,800	-
Shareholders' equity at 31 December 2020	630	45,086	74	3,800	49,590

At the end of 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.

# Statement of capital

	<b>Realkredit Danmark Group</b>	
(DKK millions)	31 December 2021	31 December 2020
<b>Total capital and Total capital ratio</b>		
Shareholders' equity	49,472	49,590
Proposed dividends	-3,600	-3,800
Deferred tax assets	-	-
Prudent valuation	-1	-1
Minimum Loss Coverage for Non-Performing Exposures	-42	-
Defined benefit pension fund assets	-171	-157
Common equity tier 1 capital	45,658	45,632
Difference between expected losses and impairment charges	-	-
Tier 1 capital	45,658	45,632
Reserves in series subject to a reimbursement obligation	-	-
Difference between expected losses and impairment charges	742	811
Total capital	46,400	46,443
Risk exposure amount	183,447	169,564
Common equity tier 1 capital ratio (%)	24.9	26.9
Tier 1 capital ratio (%)	24.9	26.9
Total capital ratio (%)	25.3	27.4

At end-2021, the total capital and the total risk exposure amount is calculated in accordance with the Capital Requirements Regulation (CRR/CRD).  
The solvency need calculation is described in more detail on [rd.dk](https://rd.dk).

# Statement of capital

	Realkredit Danmark A/S	
(DKK millions)	31 December 2021	31 December 2020
<b>Total capital and Total capital ratio</b>		
Shareholders' equity	49,472	49,590
Proposed dividends	-3,600	-3,800
Deferred tax assets	-	-
Prudent valuation	-1	-1
Minimum Loss Coverage for Non-Performing Exposures	-42	-
Defined benefit pension fund assets	-171	-157
Common equity tier 1 capital	45,658	45,632
Difference between expected losses and impairment charges	-	-
Tier 1 capital	45,658	45,632
Reserves in series subject to a reimbursement obligation	-	-
Difference between expected losses and impairment charges	741	811
Total capital	46,399	46,443
Risk exposure amount	183,386	169,596
Common equity tier 1 capital ratio (%)	24.9	26.9
Tier 1 capital ratio (%)	24.9	26.9
Total capital ratio (%)	25.3	27.4

At end-2021, the total capital and the total risk exposure amount is calculated in accordance with the Capital Requirements Regulation (CRR/CRD). The solvency need calculation is described in more detail on [rd.dk](https://rd.dk).

# Cash flow statement

	<b>Realkredit Danmark Group</b>	
(DKK millions)	2021	2020
<b>Cash flow from operating activities</b>		
Profit before tax	4,703	4,980
Adjustment for other non-cash operating items		
Amortisation, depreciation and impairment charges	1	1
Loan impairment charges	122	50
Tax paid	-1,055	-1,145
Cash flow from operations before changes in operating capital	3,771	3,886
Cash flow from operating capital		
Bonds and shares	785	5,256
Mortgage loans	-14,921	-9,710
Issued mortgage bonds	7,584	-21,648
Due to credit institutions	-	-2,003
Other assets/liabilities	179	-262
Cash flow from operating activities	-2,602	-24,481
<b>Cash flow from investing activities</b>		
Acquisition of tangible assets	-	-
Sale of tangible assets	-	-
Cash flow from investing activities	-	-
<b>Cash flow from financing activities</b>		
Dividends	-3,800	-4,300
Cash flow from financing activities	-3,800	-4,300
Cash and cash equivalents at 1 January	25,045	53,826
Change in cash and cash equivalents	-6,402	-28,781
Cash and cash equivalents at 31 December	18,643	25,045
Cash and cash equivalents at 31 December		
Cash in hand and demand deposits with central banks	3,674	52
Amounts due from credit institutions and central banks within 3 months	14,969	24,993
<b>Total</b>	<b>18,643</b>	<b>25,045</b>

# Notes

Note

## 1 SIGNIFICANT ACCOUNTING POLICIES

### General

Realkredit Danmark prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) and applicable interpretations (IFRIC) issued by the International Accounting Standards Board (IASB), as adopted by the EU. Furthermore, the consolidated financial statements comply with the Danish FSA's executive order No. 1306 dated 16 December 2008 on the use of IFRSs by undertakings subject to the Danish Financial Business Act.

### *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.

The implementation has been applied retrospectively without restatement of prior periods. The implementation had no impact on the shareholders' equity at 1 January 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 538 million in 2021. Comparative information has been restated, leading to a reclassification to Fee income from Value adjustments of DKK 590 million for 2020.

Apart from these changes, the accounting policies are unchanged from those applied in Annual Report 2020.

For the purpose of clarity, the notes to the financial statements are prepared using the concepts of materiality and relevance. This

means that information not considered material in terms of quantitative and qualitative measures or relevant to financial statement users is not presented in the notes.

### 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, published October 2021, and reflects an expectation of further recovery of the Nordic economies over the coming two years, although lack of labour, materials and equipment is becoming a break on growth. In the upside scenario, consumers run down a large proportion of the substantial savings accumulated during the pandemic. There is a consumer-led global recovery, and in this scenario there is slightly more support for the housing market. GDP is about 1 percent higher by the end of this scenario compared to the base case. We have assumed that 10Y yields will move slightly higher compared to the base case scenario as inflation expectations move higher. The European Central Bank / Danish Central Bank is no longer expected to keep rates unchanged throughout the forecast period, but hikes are still not expected to materialize before 2024 (year 3).

The Group's downside scenario is a severe recession scenario, calibrated to a level of severity resembling the recession in 2008-2009.

# Notes

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## Note

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A trigger of the economic setback could be another wave of coronavirus causing a new round of countrywide lockdowns or just very cautious consumers, an escalating confidence crisis in Europe and some degree of financial crisis. Slowing private consumption will shock the economy and plunging global demand will hit European exports. This will lead to a severe slowdown in the economies in which the Group is represented.

At the end of 2021, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 2,930 million (2020: DKK 2,801 million), reducing the value of mortgage loans. The base case scenario enters with a probability of 70% (2020: 60%), the downside scenario with a probability of 20% (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 end-2021 would be DKK 2,600 million (2020: DKK 2,700 million). The fair value adjustment at the end of 2021 would increase to DKK 4,300 million (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 2,550 million (2020: DKK 2,650 million). The applied scenarios in 2021 differ from those used at 31 December 2020. In Q1 2021 the downside scenario was changed from a W-shaped trend in 2020 (reflecting lockdowns due to the coronavirus pandemic) to the severe recession scenario applied in the Group's ICAAP processes and is similar in nature to regulatory stress tests. The severe recession scenario reflected negative growth and falling property prices for a longer period. The change of the downside scenario was made to capture the risk of prolonged lockdowns due to new coronavirus variants, and in order for the ECL calculation to include potential downside risks due to the elevated asset prices across the Nordics.

The scenario weightings were also changed, and kept stable for the first nine months of 2021. However in Q4 2021 the scenarios weightings have been updated to the current weights.

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 31 December 2021, the allowance account would increase by DKK 19 million (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 the end of 2021, the post-model adjustments amounted to DKK 1,334 million (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 the extent to

which governments will continue to support the economies. Such post-model adjustments amount to DKK 0.7 billion (2020: 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.

### **Consolidation**

#### *Group undertakings*

The financial statements consolidate the parent company and group undertakings in which the Group has control. Control exists if Realkredit Danmark A/S is exposed to variable returns from the entity and, directly or indirectly, holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions affecting the variable returns.

The consolidated financial statements are prepared by consolidating items of the same nature and eliminating intra-group transactions, balances and trading profits and losses.

### **Segment reporting**

Realkredit Danmark operates two primary business segments, mortgage finance and a proprietary portfolio. The business segments are based on ongoing internal reporting of customer-facing activities (mortgage finance) and risk management (proprietary portfolio).

The part of the bond portfolio that is not related to mortgage lending operations is managed under the proprietary portfolio segment.

### **Offsetting**

Assets and liabilities are offset when the Group and the counterparty have a legally enforceable right to set off a recognised amount and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Holdings of own bonds do not constitute a claim on a counterparty, but reduce the Group's liability under the issued bonds. Holdings of own mortgage bonds are therefore set off against Issued mortgage bonds at fair value.

### **Translation of transactions in foreign currencies**

The presentation currency of the consolidated financial statements is Danish kroner, which is the functional currency of Realkredit Danmark.

Transactions in foreign currencies are translated into Danish kroner using the exchange rates applicable on the transaction date. Gains and losses on exchange rate differences arising between the transaction date and the settlement date are recognised in the income statement.

# Notes

Note

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates at the transaction date and at the balance sheet date are recognised in the income statement.

## **Financial instruments – general**

Regular way purchases and sales of financial instruments are recognised and derecognised at the settlement date. Fair value adjustments of unsettled financial instruments are recognised from the trade date to the settlement date for financial instruments subsequently recognised at fair value over profit or loss.

### *Classification*

Financial assets are classified at initial recognition on the basis of the company's business model adopted for managing the assets and on their contractual cash flow characteristics (including embedded derivatives, if any) into one of the following measurement categories:

- Amortised cost if the assets are held exclusively for the purpose of collecting contractual cash flows and if the cash flows are payments of principal and interest on the principal amount outstanding solely.
- Fair value through other comprehensive income if the assets are held for the purpose of both collecting contractual cash flows and selling and if cash flows are payments of principal and interest on the principal amount outstanding solely. The Group has no financial assets in this category.
- Fair value through profit or loss for all other financial assets.

At initial recognition, a financial liability is assigned to one of the following categories:

- Issued mortgage bonds are designated at fair value through profit or loss using the fair value option of IFRS 9 in order not to create an accounting mismatch that would otherwise arise. See below.
- Other financial liabilities, including "Senior debt" measured at amortised cost.

### *Mortgage loans and issued mortgage bonds at fair value through profit or loss (FVPL)*

Mortgage loans granted under Danish mortgage finance law are funded by issuing listed mortgage bonds with matching terms. Borrowers may repay such mortgage loans by delivering the underlying bonds. This represents an option to prepay at the fair value of

the underlying bonds, which can be both above and below the principal amount plus accrued interest. Such an option is not consistent with the so-called SPPI test in IFRS 9, as changes in the fair value of the underlying bonds reflect other factors than interest rate development. Consequently, regardless of the fact that the business model is to receive the contractual cash flow, such loans are mandatorily recognised at fair value through profit or loss.

If the issued mortgage bonds are valued at amortised cost, and the mortgage loans, which are funded by the issued mortgage bonds with matching terms, are valued at fair value through profit or loss, a timing difference will arise in the recognition of gains and losses in the financial statements.

To eliminate this random timing difference in the recognition of gains and losses, both mortgage loans and issued mortgage bonds are valued at fair value through profit or loss (for the issued bonds by using the fair value option of IFRS 9).

The fair value of the mortgage loans is based on the fair value of the underlying mortgage bonds adjusted for the credit risk on borrower/the Group's customer. This entails that the fair value adjustment of the mortgage loans in all material respects balance out the fair value adjustment of the issued bonds. Consequently, the total fair value adjustment of the issued mortgage bonds, including the proportion relating to own credit risk, is recognised in the income statement, as recognition of the fair value adjustment of own credit risk in other comprehensive income would lead to an accounting mismatch in the income statement.

The fair value adjustment of the mortgage loans and the issued mortgage bonds is recognised under Value adjustments, except for the part of the value adjustment that concerns the credit risk on mortgage loans: this part is recognised under Loan impairment charges.



# Notes

Note

The table below shows the distribution of the Group's financial instruments by valuation method:

	Amortised cost	Fair value through profit or loss			Designated	Total
		Trading portfolio	Managed on fair-value basis	Due to SPPI test		
<b>Assets</b>						
Cash in hand and demand deposits with central banks	3,674	-	-	-	-	3,674
Due from credit institutions and central banks	14,969	-	-	-	-	14,969
Bonds	33,363	-	13,068	-	-	46,431
Loans	408	-	-	810,139	-	810,547
Shares	-	-	4	-	-	4
Derivatives (Other assets)	-	9	-	-	-	9
<b>Total assets</b>	<b>52,414</b>	<b>9</b>	<b>13,072</b>	<b>810,139</b>	<b>-</b>	<b>875,634</b>
<b>Amounts due</b>						
Due to credit institutions and central banks	2,000	-	-	-	-	2,000
Issued bonds	-	-	-	-	820,950	820,950
Derivatives (Other liabilities)	-	15	-	-	-	15
<b>Total amounts due</b>	<b>2,000</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>820,950</b>	<b>822,965</b>

## BALANCE SHEET

### Bonds at fair value

At initial recognition, these bonds are measured at fair value, excluding transaction costs. Subsequently, bonds are measured at fair value through profit or loss. The bonds form part of a portfolio, which is managed on a fair value basis.

If an active market exists, fair value is based on the most recently observed market price at the balance sheet date.

If a bond is quoted in a market that is not active, the Group bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar bonds that are motivated by normal business considerations.

If no active market exists, fair value is estimated on the basis of generally accepted valuation techniques and market-based parameters.

### Bonds at amortised cost

Realkredit Danmark has a bond portfolio held for the purpose of generating a known return until maturity. The bonds are measured at amortised cost. Interest rate risk is not hedged. Impairments are made for expected credit losses on the basis of a classification of

the bonds into stages 1, 2 and 3, and the impairment equals 12-month expected credit losses for bonds in stage 1 and the present value of lifetime expected credit losses for bonds in stages 2 and 3, cf. the description below in the section 'Mortgage loans and Issued mortgage bonds at fair value'. For calculating the present value of expected credit losses for discounting purposes, the original effective interest rate is used instead of the current interest rate.

### Mortgage loans and Issued mortgage bonds at fair value

At initial recognition, mortgage loans and issued mortgage bonds are measured at fair value, excluding transaction costs. Subsequently, these financial instruments are measured at fair value through profit or loss.

The fair value of the issued mortgage bonds will usually equal the quoted market price. However, a small part of the issued bonds are illiquid, and the fair value of these bonds is calculated on the basis of a discounted cash flow valuation model.

# Notes

Note

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 the borrowers. The IFRS 13 estimate of the fair value of the expected credit losses is calculated on the basis of the IFRS 9 model for calculating impairment of losses on loans at amortised cost: expected credit losses, including the classification of loans between stages 1, 2 and 3:

Stage 1: If the credit risk has not increased significantly, the impairment equals the expected credit losses resulting from default events that are possible within the next 12 months, see however below on the collective assessment of the need for further adjustments.

Stage 2: If the credit risk has increased significantly, the loan is transferred to stage 2 and an impairment equal to the lifetime expected credit losses is recognised. A significant credit risk increase is considered to occur when the following increase in the probability of default (PD) is observed:

- For loans originated below 1% in PD: An increase in the loan's 12-month PD of at least 0.5 of a percentage point since origination and a doubling of the loan's lifetime PD since origination
- For loans originated above 1% in PD: An increase in the loan's 12-month PD of 2 percentage points since origination or a doubling of the loan's lifetime PD since origination
- Further, loans that are more than 30 days past due are moved from stage 1 to stage 2. Finally, customers subject to forbearance measures are placed in stage 2, if the Group, in the most likely outcome, expects no loss or the customers are in the 2-year probation period for performing forbore exposures.

Stage 3: If the loan is in default or otherwise credit impaired, it is transferred to stage 3. A facility becomes credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. This includes observable data about (a) significant financial difficulty of the borrower; (b) a breach of contract, such as a default or past due event; (c) the borrower, for reasons relating to the borrower's financial difficulty, is granted a concession; (d) it is probable that the borrower will enter into bankruptcy. Credit-impaired facilities are placed in Realkredit Danmark's rating category 10 or 11. For customers in rating category 10, the stage 3 classification only applies to customers where a loss is expected in the most likely scenario. For rating category 11, all exposures are classified as stage 3. The Realkredit Danmark Group uses the option to continue to recognise interest income on mortgage loans measured at fair value on the basis of the contractual interest rates.

To support a more harmonised approach regarding the application of the definition of default, the European Banking Authority (EBA) has issued the following products that guides the application of the definition of default: the Guidelines on the application of the definition of default, EBA/GL/2016/07 and the Regulatory Technical Standards (RTS) on the materiality threshold for credit obligations past due, EBA/RTS/2016/06.

The Group has implemented the new requirements related to the definition of default in January 2022 in order to align the existing definition of default to the new requirements outlined in the Guidelines and the RTS.

The newly definition of default is used in the measurement of expected credit losses and the assessment to determine movements between stages. The definition of default is also used for internal credit risk management and capital adequacy purposes. According to the revised definition of default, exposures that are considered default are also considered Stage 3 exposures. This is applicable for exposures that are default due to either the 90 days past due default trigger or the unlikelihood to pay default triggers.

The newly implemented definition of default has been incorporated in post-model adjustments for 2021.

The expected credit loss is calculated for all individual loans as a function of the probability of default (PD), the exposure at default (EaD) and the loss given default (LGD).

The lifetime expected credit losses cover the expected remaining lifetime of the loan. For most loans, the expected lifetime is limited to the remaining contractual maturity and adjusted for expected prepayment. For exposures with weak credit quality, the likelihood of prepayment is not included.

The forward-looking elements of the calculation reflect the current unbiased expectations of the management. The process consists of the creation of macroeconomic scenarios (base case, upside and downside), including an assessment of the probability for each scenario, by the Danske Bank Group's independent macroeconomic research unit, the review and sign-off of the scenarios (throughout the organisation) and a process for adjusting scenarios given new information during the quarter. Management's approval of scenarios can include adjustments to the scenarios, probability weighting and management overlays to cover the outlook for particular high-risk portfolios, which are not provided by the Group's macroeconomists. The approved scenarios are used to calculate the impairment levels. Technically, the forward-looking information is used directly in the PDs through an estimate of general changes to the PDs and the LGDs in the expected credit loss calculation. However, for significant exposures in stage 3, an individual assessment of the scenarios, changes to expected credit losses and the related probabilities are performed by senior credit officers.

In addition, a collective assessment determines the need for further 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 of increasing the credit margin if the credit risk increases. This assessment also takes into consideration the fact that initial recognition of 12-month expected credit losses is not in accordance with fair value, and the fact that the expected credit losses during the lifetime of the asset should be included in the assessment even if the credit risk has not increased significantly.

# Notes

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Note

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Loans considered uncollectible are written off. Write-offs are debited to the allowance account. Loans are written off once the usual collection procedure has been completed and the loss on the individual loan can be calculated.

#### **Due from credit institutions and central banks and Loans and other amounts due at amortised cost**

Amounts due from credit institutions and central banks comprise amounts due from other credit institutions and time deposits with central banks. Reverse transactions (purchases of securities from credit institutions and central banks that the Group agrees to resell at a later date) are recognised as Amounts due from credit institutions and central banks with collateral in the securities received. Reverse transactions are made on standard terms and conditions.

These financial assets are held for the purpose of achieving the contractual return until expiry and have contractual cash flows reflecting repayment of principal and interest thereon. Loans and other amounts due are therefore carried at amortised cost and consist of mortgage payments due and other outlays relating to mortgage loans as well as claims against individual borrowers and reserve fund mortgages, etc.

Impairments are made for expected credit losses on the basis of a classification of the loans into stages 1, 2 and 3, and the impairment equals 12-month expected credit losses for loans in stage 1 and the present value of lifetime expected credit losses for loans in stages 2 and 3, cf. the description above in the section 'Mortgage loans and Issued mortgage bonds at fair value'. For calculating the present value of expected credit losses for discounting purposes, the original effective interest rate is used instead of the current interest rate.

#### **Assets temporarily taken over**

Assets temporarily taken over include tangible assets, which according to a publicly announced plan, the Group expects to sell within twelve months. Such assets are measured at the lower of their carrying amount at the time of classification and their fair value less expected costs to sell and are no longer depreciated.

Properties taken over in connection with non-performing loans and which are likely to be sold within 12 months are presented under Assets temporarily taken over. Subsequent fair value adjustments and gains or losses on disposal are recognised under Loan impairment charges.

#### **Other assets**

Other assets include derivatives, interest receivable, tangible assets, assets under sub-leases and pension assets. Derivatives are recognised at fair value through profit or loss.

#### *Tangible assets*

Equipment, vehicles, furniture, fixtures and property improvement expenditure are recognised at cost less depreciation and impairment charges. Assets are depreciated over their expected useful lives, which are usually three years, according to the straight-line method. Property improvement expenditure is depreciated over the term of the lease, with a maximum of ten years.

Tangible assets also include lease assets under lease contracts in which the Group acts as lessee, except for leases of low value assets and contracts with terms of 12 months or less. On initial recognition, the lease asset represents the present value of future lease payments (using the Group's borrowing rate). Lease assets are depreciated on a straight-line basis over the lease term.

Tangible assets are tested for impairment if evidence of impairment exists, and the asset is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

#### *Pension assets*

The Group's pension obligations generally consist of defined contribution pension plans for its staff. Under the defined contribution plans, the Group pays regular contributions to insurance companies and other institutions. Such payments are expensed as they are earned by the staff, and the obligations under the plans are taken over by the insurance companies and other institutions.

Furthermore, the Group operates a defined benefit plan maintained under Kreditforeningen Danmarks Pensionsafviklingskasse (pension fund). Realkredit Danmark A/S guarantees future payment of a defined benefit from the time of retirement.

The pension fund and Realkredit Danmark's defined benefit plan has not accepted new members since 1971, so no pension contributions are made. Accordingly, there are no service costs.

The amounts payable are recognised on the basis of an actuarial computation of the present value of expected benefits. The present value is calculated on the basis of expected future trends in salaries and interest rates, time of retirement, mortality rate and other factors.

The fair value of pension assets less the present value of pension benefits is carried as a pension asset under Other assets in the balance sheet.

#### **Amounts due to credit institutions and central banks**

Amounts due to credit institutions and central banks include amounts received under repo transactions. These deposits are recognised as debt with collateral in the securities surrendered. Repo transactions are made on standard terms and conditions. Amounts due to credit institutions and central banks are measured at amortised cost.

# Notes

Note

## **Deferred tax assets/Deferred tax liabilities**

Deferred tax on all temporary differences between the tax base of assets and liabilities and their carrying amounts is accounted for in accordance with the balance sheet liability method. Deferred tax is recognised under Deferred tax assets or Deferred tax liabilities.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of adopted changes in tax rates are recognised in the income statement based on expected cash flows.

## **Current tax assets/Current tax liabilities**

Current tax assets and liabilities are recognised in the balance sheet as the estimated tax charge on the profit for the year adjusted for prepaid tax and prior-year tax payables and receivables.

Tax assets and liabilities are offset if the Group has a legally enforceable right to set off such assets and liabilities and intends either to settle the assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

## **Other liabilities**

Other liabilities includes derivatives, interest payable, accrued fee and lease liabilities. Further, other liabilities also includes Reserves in early series subject to a reimbursement obligation and other provisions.

Other liabilities includes lease liabilities under leases contracts in which the Group acts as lessee, except for leases of low value assets and contracts with terms of 12 months or less. On initial recognition, the lease liability represents the present value of future lease payments (using the Group's borrowing rate). Subsequently, the lease liability is adjusted to reflect accrued interest, instalments and correction due to modification or reassessment.

## **Shareholders' equity**

### *Reserves in series*

Reserves in series comprise series established before 1972 with joint and several liability, series established after 1972 without joint and several liability, other series, including Danske Kredit and mortgage-covered bonds.

### *Other reserves*

Other reserves comprise the mortgage credit business that is not included in reserves in series.

### *Proposed dividends*

The Board of Directors' proposal for dividends for the year submitted to the general meeting is included as a separate reserve in shareholders' equity. The dividends are recognised as a liability when the general meeting has adopted the proposal.

## **INCOME STATEMENT**

### **Interest income and expense**

Interest income and expenses include interest and administration margins on financial instruments measured at fair value.

### **Fees and commission income and expense**

Income, including origination fees, from mortgage loans carried at fair value is recognised when the transaction is completed. Income and expenses for services provided over a period of time are accrued over the period. Transaction fees are recognised on completion of the individual transaction.

### **Value adjustments**

Value adjustments comprise realised and unrealised capital gains and losses on bonds at fair value, mortgage loans, issued mortgage bonds and fixed-price agreements as well as exchange rate adjustments.

### **Staff costs and administrative expenses**

#### *Staff costs*

Salaries and other remuneration that the Group expects to pay for work carried out during the year are expensed under Staff costs and administrative expenses. This item comprises salaries, bonuses, expenses for share-based payments, holiday allowances, anniversary bonuses, pension costs and other remuneration. Performance-based pay is expensed as it is earned.

#### *Performance-based pay and share-based payments*

Performance-based pay is expensed as it is earned. Part of the performance-based pay for the year is paid in the form of conditional shares issued by Danske Bank. Rights to shares under the conditional share programme vest up to three years after being granted provided that the employee, with the exception of retirement, has not resigned from the Group. Retirement is not considered as resignation.

The fair value of share-based payments at the grant date is expensed over the service period that unconditionally entitles the employee to the payment. The intrinsic value of the share-based payments is expensed in the year in which the share-based payments are earned, whereas the time value (if any) is accrued over the remaining service period. Expenses are set off against shareholders' equity. The increase in shareholders' equity is eliminated by set-off against an interim account with Danske Bank A/S. Subsequent changes in the fair value are not recognised in the income statement.

#### *Pension obligations*

The Group's contributions to defined contribution pension plans are recognised in the income statement as they are earned by the employees. For the defined benefit pensions plans in Kreditforeningen Danmarks Pensionsafvklingskasse no contributions are made any longer, and therefore there are no service costs. Gains or losses as a result of the difference between expected trends and actual trends are recognised in Other comprehensive income.

# Notes

Note

## **Loan impairment charges**

Loan impairment charges include the fair value adjustment of the credit risk on mortgage loans as well as losses on and impairment charges for other loans and amounts due.

The item also includes impairment charges and realised gains and losses on acquired assets if the assets qualify as assets temporarily taken over. Similarly, subsequent value adjustments of assets that the Group has taken over and does not expect to sell within 12 months are recognised under loan impairment charges, provided that the Group has a right of recourse against the borrower.

## **Tax**

Calculated current and deferred tax on the profit for the year and adjustments of tax charges for previous years are recognised in the income statement. Tax on items recognised in Other comprehensive income is recognised in Other comprehensive income. Similarly, tax on items recognised in shareholders' equity is recognised in Shareholders' equity.

## **Comprehensive income**

Total comprehensive income includes the net profit for the year and other comprehensive income.

## **Cash flow statement**

The cash flow statement is prepared according to the indirect method. The statement is based on profit for the year before tax and shows the consolidated cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

Cash and cash equivalents consists of Cash in hand and demand deposits with central banks and Amounts due from credit institutions and central banks with original maturities shorter than three months.

## **Reporting on the ESEF Regulation**

The Commission's Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) requires a special digital reporting format for annual report for publicly listed entities. The ESEF Regulation includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements key elements including income statement, statement of comprehensive income, balance sheet, statement of capital and cash flow statement.

Realkredit Danmark A/S' iXBRL tagging is prepared in accordance to the ESEF taxonomy which is included in the appendices of the ESEF Regulation and is developed based on the IFRS taxonomy that is published by IFRS Foundation. For the annual report for 2021 the ESEF Taxonomy for 2020 has been applied.

The account balances in the consolidated financial statement is XBRL tagged to the elements in the ESEF Regulation that is assessed to correspond to the content of the account balances. For account balances that are assessed not to be covered by the account balances defined in the ESEF taxonomy, Realkredit Danmark A/S have incorporated entity specific extensions to the taxonomy. These

extensions are – except subtotals – embedded in the elements in the ESEF Taxonomy.

The annual report comprises – in accordance with the requirements of the ESEF Regulation – of a zip-file rd-2021-12-31.zip, that includes an XHTML-file, that can be opened with standard web browsers and a number of technical XBRL files that make automated extracts of the incorporated XBRL data possible.

## **Standards and interpretations not yet in force**

The International Accounting Standards Board (IASB) has issued one new accounting standard (IFRS 17) and amendments to existing international accounting standards (IFRS 1, IFRS 3, IFRS 9, IFRS 16, IAS 1, IAS 8, IAS 12, IAS 16 and IAS 37) that have not yet come into force. The changes are not expected to have any material impact on the Group's financial statements.

## **Accounting policies for the parent company**

The financial statements of the parent company 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, Executive Order No. 1043 of 5 September 2017, Executive Order No. 1441 of 3 December 2018 and Executive Order No. 1593 of 9 November 2020. The amendments of 9 November 2020 incorporate a requirement to provide a description of policies for data ethics applicable for annual reporting periods beginning on or after 1 January 2021. The rules are consistent with the Group's measurement principles under IFRS.

Holdings in subsidiary undertakings are measured using the equity method.

# Notes

Note (DKK millions)

2	Profit broken down by activity	Realkredit Danmark Group				
		Mortgage finance	Own holdings	Highlights	Reclassification	IFRS
2021						
	Administration margin	5,857	-	5,857	-	5,857
	Net interest income	-154	200	46	382	428
	Net fee income	-127	-	-127	-	-127
	Income from investment portfolios	10	45	55	-55	-
	Value adjustments	-	-	-	-327	-327
	Other income	136	-	136	-	136
	<b>Total income</b>	<b>5,722</b>	<b>245</b>	<b>5,967</b>	<b>-</b>	<b>5,967</b>
	Expenses	990	5	995	-	995
	Profit before loan impairment charges	4,732	240	4,972	-	4,972
	Loan impairment charges	269	-	269	-	269
	Profit before tax	4,463	240	4,703	-	4,703
	Tax			1,034	-	1,034
	Net profit for the year			3,669	-	3,669
	Total assets	830,055	46,944	876,999	-	876,999
2020						
	Administration margin	5,923	-	5,923	-	5,923
	Net interest income	-184	281	97	476	573
	Net fee income*	-21	-	-21	-	-21
	Income from investment portfolios*	11	55	66	-66	-
	Value adjustments*	-	-	-	-410	-410
	Other income	114	-	114	-	114
	<b>Total income</b>	<b>5,843</b>	<b>336</b>	<b>6,179</b>	<b>-</b>	<b>6,179</b>
	Expenses	860	4	864	-	864
	Profit before loan impairment charges	4,983	332	5,315	-	5,315
	Loan impairment charges	335	-	335	-	335
	Profit before tax	4,648	332	4,980	-	4,980
	Tax			1,097	-	1,097
	Net profit for the year			3,883	-	3,883
	Total assets	843,937	47,331	891,268	-	891,268

\* 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.

Realkredit Danmark has no branch offices or subsidiaries outside Denmark.

IFRSs require disclosure if 10% or more of the income derives from a single customer. The Realkredit Danmark Group has no such customers.

# Notes

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Note (DKK millions)

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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.

3 **Fee and commission income and other operating income**

Fee and commission income relates to mortgage credit activities and primarily concern income from the establishment and change of loans. These are recognised at the date of transaction as the loans are measured at fair value through profit or loss. In the business segment reporting and internal management, fees are presented as net figures, i.e. fee income and fee expenses are offset.

Other income includes franchise income in the amount of DKK 148 million, which is recognised over the term of the franchise agreement (2020: DKK 123 million).

# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
4	<b>Interest income</b>				
	Reverse transactions with credit institutions and central banks	-116	-60	-116	-60
	Credit institutions and central banks	-8	-25	-8	-25
	Loans and other amounts due	7,686	8,347	7,685	8,347
	Administration margin	5,857	5,923	5,857	5,923
	Bonds at fair value	125	123	125	123
	Bonds at amortised cost	17	75	17	75
	Derivatives				
	Interest rate contracts	175	224	175	224
	Other interest income	2	2	2	2
	<b>Total</b>	<b>13,738</b>	<b>14,609</b>	<b>13,737</b>	<b>14,609</b>
	Interest income derived from				
	Assets at fair value	13,843	14,617	13,842	14,617
	Assets at amortised cost	-105	-8	-105	-8
	<b>Total</b>	<b>13,738</b>	<b>14,609</b>	<b>13,737</b>	<b>14,609</b>
5	<b>Interest expense</b>				
	Repo transactions with credit institutions and central banks	-56	-24	-56	-24
	Due to credit institutions and central banks	10	6	9	6
	Issued mortgage bonds etc.	7,503	8,124	7,503	8,124
	Other interest expense	-4	7	-4	7
	<b>Total</b>	<b>7,453</b>	<b>8,113</b>	<b>7,452</b>	<b>8,113</b>
	Interest expense derived from				
	Liabilities at fair value	7,503	8,124	7,503	8,124
	Liabilities at amortised cost	-50	-11	-51	-11
	<b>Total</b>	<b>7,453</b>	<b>8,113</b>	<b>7,452</b>	<b>8,113</b>
	Negative interest income and interest expenses due to negative interest rates were insignificant during 2020 and 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.				
6	<b>Value adjustments</b>				
	Mortgage loans	-21,229	4,353	-21,229	4,353
	Bonds	-170	-203	-170	-203
	Currency	3	-7	3	-7
	Derivatives	-818	-761	-818	-761
	Other assets	9	11	9	11
	Issued mortgage bonds*	21,878	-3,803	21,878	-3,803
	<b>Total</b>	<b>-327</b>	<b>-410</b>	<b>-327</b>	<b>-410</b>
	Value adjustments derived from				
	Assets and liabilities at fair value*	-336	-421	-336	-421
	Assets and liabilities at amortised cost	9	11	9	11
	<b>Total</b>	<b>-327</b>	<b>-410</b>	<b>-327</b>	<b>-410</b>

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



# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
7	<b>Staff costs and administrative expenses</b>				
	Salaries and remuneration of Executive Board, Board of Directors				
	Executive Board	8	7	8	7
	Board of Directors	1	1	1	1
	<b>Total</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>8</b>
	Staff costs				
	Salaries	152	154	129	130
	Defined benefit pensions	19	19	17	17
	Other social security costs and taxes	23	24	23	24
	<b>Total</b>	<b>194</b>	<b>197</b>	<b>169</b>	<b>171</b>
	Other administrative expenses	791	658	762	630
	<b>Total staff costs and administrative expenses</b>	<b>994</b>	<b>863</b>	<b>940</b>	<b>809</b>
	Number of full-time-equivalent staff (avg.)	223	233	194	203
	<b>Remuneration of the Board of Directors (DKK thousands)</b>				
	Total remuneration	616	725	616	725
	Remuneration for committee work included in total remuneration	200	167	200	167
	Members of the Board end of year	6	7	6	7

Remuneration Report 2021 available at [rd.dk](http://rd.dk) provides a detailed description of remuneration paid to the Board of Directors.

Members of the Board of Directors employed by Danske Bank A/S do not receive remuneration from Realkredit Danmark.

In 2021, Carsten Rasch Egeriis and Glenn Söderholm have been members of the board of directors or executive board of other companies in the Danske Bank Group. For their total remuneration from such companies in 2021 see the Danske Bank Group Remuneration Report 2021 available at [danskebank.com/remuneration](http://danskebank.com/remuneration). In 2021, Jesper Koefoed have been member of the board of directors of Danica Pensions, Livsforsikrings-selskab. For the total remuneration from this company in 2021 see the Danica Pensions, Livsforsikringsselskab Annual Report 2021 available at [danicapension.dk](http://danicapension.dk). In 2020, Jacob Aarup-Andersen, Berit Behring, Carsten Rasch Egeriis and Jakob Groot have been members of the board of directors or executive board of other companies in the Danske Bank Group. For their total remuneration from such companies in 2020 see the Danske Bank Group Remuneration Report 2020 available at [danskebank.com/remuneration](http://danskebank.com/remuneration). In 2020, Jesper Koefoed and Kim Andersen have been members of the board of directors of Danica Pensions, Livsforsikringsselskab. For their total remuneration from this company in 2020 see the Danica Pensions, Livsforsikringsselskab Annual Report 2020 available at [danicapension.dk](http://danicapension.dk).

At the annual general meeting on 3 March 2021 Carsten Rasch Egeriis, Claus Harder, Line Munkholm Haukrogh and Jesper Koefoed were re-elected to the Board of Directors. Carsten Rasch Egeriis was appointed Chairman.

The Board also has two elected members by the employees Majken Hammer Sløk and Christian Hilligsøe Heinig.

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

# Notes

Note	(DKK millions)
7 cont'd	<p><b>Staff costs and administrative expenses</b></p> <p>At the annual general meeting on 9 March 2020, Jakob Groot, Berit Behring and Kim Andersen resigned from the Board of Directors. At the same time, Jesper Koefoed, Claus Harder and Line Munkholm Haukrogh were elected as new board members. After the general meeting, Jacob Aarup-Andersen was appointed chairman and Carsten Rasch Egeriis vice chairman of the Board of Directors.</p> <p>On 9 June 2020, Jacob Aarup-Andersen resigned from the Board of Directors. The Board of Directors elected Carsten Rasch Egeriis as chairman.</p> <p>Members of the Board of Directors only receive a fixed fee. They are not covered by any incentive programmes at Realkredit Danmark. In addition to the fixed fee, a committee fee is paid to the chairman of the Audit Committee.</p> <p>Board fees are paid by the parent company Realkredit Danmark A/S. No board member has received remuneration for membership of the executive board or board of directors of the home a/s subsidiary.</p> <p>The Group has no pension obligations towards its board members.</p> <p>The total remuneration of the Executive Board of DKK 8.0 million for 2021 (2020: DKK 7.0 million) consists of a fixed remuneration of DKK 7.0 million (2020: DKK 6.0 million) and a variable remuneration of DKK 1.0 million (2020: DKK 1.0 million).</p> <p>The remuneration of the Executive Board was paid by the parent company Realkredit Danmark A/S. No member of the Executive Board has received remuneration for membership of the executive board or board of directors of the subsidiary home a/s.</p> <p>Remuneration Report 2021 available at <a href="https://rd.dk">rd.dk</a> provides a detailed description of remuneration paid to the Executive Board.</p> <p><b>Remuneration of other material risk takers</b></p> <p>In accordance with current legislation of the Danish Financial Business Act and the accompanying order, Realkredit Danmark is required to identify all employees whose professional activities could have a material impact on the risk profile of Realkredit Danmark. Other material risk takers do not comprise members of the Executive Board or Board of Directors.</p> <p>Variable payment for other material risk takers is granted in accordance with the rules of the Danske Bank Group's remuneration policy, which Realkredit Danmark has adopted, the rules of the European Banking Authority (EBA) and the rules of the Danish FSA with respect to split into cash and share-based payment and postponement of disbursement. All variable payments are subject to claw back provisions if granted on the basis of data which has subsequently proven to be manifestly misstated or inaccurate.</p> <p>For 2021, Realkredit Danmark A/S paid remuneration totalling DKK 14.0 million for 11 other material risk takers (2020: DKK 32.9 million for 32 other material risk takers). The remuneration consists of fixed remuneration of DKK 13.0 million and a variable remuneration of DKK 1.0 million (2020: DKK 31.3 million and DKK 1.6 million). Variable pay for 2021 is estimated and will be finalised at the end of February 2022. The final variable pay will be published no later than in March 2022 in the Realkredit Danmark Group Remuneration Report 2021, where additional quantitative information on the remuneration of material risk takers can be found. The Remuneration Report will be available at <a href="https://rd.dk">rd.dk</a>.</p> <p>Realkredit Danmark A/S has no pension obligation towards other material risk takers, as these are covered by defined contribution plans through pension funds.</p>

# Notes

Note	(DKK millions)
7	<b>Staff costs and administrative expenses</b>
cont'd	
	<b>Pension plans</b>
	Most of the Group's pension plans are defined contribution plans under which the Group pays contributions to insurance companies. Such payments are expensed regularly. The Group has to a minor extent entered into a defined benefit pension plan through Kreditforeningen Danmarks Pensionsafviklingskasse, where the Group is under an obligation to pay defined future benefits from the time of retirement. The pension fund and the Group's defined benefit plan has not accepted new members since 1971, so no pension contributions are made. Accordingly, there are no service costs.
	The fair value of pension assets less the present value of obligations is recognised under Other assets. At 31 December 2021, the net present value of pension obligations was DKK 642 million (2020: DKK 711 million), and the fair value of plan assets was DKK 861 million (2020: DKK 913 million). Actuarial gains or losses are recognised in Other comprehensive income.
	The calculation of the net obligation is based on valuations made by external actuaries. These valuations rely on assumptions about a number of variables, including discount and mortality rates and salary increases. The measurement of the net obligation is particularly sensitive to changes in the discount rate. The discount rate is determined by reference to yields on Danish mortgage bonds with terms to maturity matching the terms of the pension obligations.
8	<b>Share-based payments</b>
	The total expense recognised as Operating expenses in 2021 arising from share-based payments was DKK 0.5 million (2020: DKK 0.5 million). All share-based payments are equity-settled. The exact number of shares granted for 2021 will be determined at the end of March 2022.
	Part of the variable remuneration of Realkredit Danmark's Executive Board has been granted by way of conditional shares under the bonus structure for material risk takers and other employees, as part of their variable remuneration. Such employees have a performance agreement based on the performance of the Group. Part of the Danske Bank shares granted to material risk takers are, as required by EBA, deferred, see section above on variable payment. The fair value at grant date is measured at the expected monetary value of the underlying agreement.
	Rights to conditional shares vest up to four years after the grant date, provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, the vesting of rights is conditional on certain targets being met.

# Notes

Note (DKK millions)

8 The fair value of the conditional shares was calculated as the share price less the payment made by the employee.  
cont'd

Danske Bank A/S carries hedged the share price risk.

## Share-based payments

### Conditional shares

	Number			Fair Value (FV)	
	Executive Board	Other employees	Total	At issue (DKK millions)	End of year (DKK millions)
<b>Granted in 2016</b>					
2020, beg.	521	-	521		
Vested 2020	-521	-	-521		
Forfeited 2020	-	-	-		
Other changes 2020	-	-	-		
2020, end	-	-	-	-	-
<b>Granted in 2017</b>					
2020, beg.	442	1,037	1,479		
Vested 2020	-	-1,037	-1,037		
Forfeited 2020	-	-	-		
Other changes 2020	-	-	-		
2020, end	442	-	442	0.1	-
<b>Vested 2021</b>					
Forfeited 2021	-442	-	-442		
Other changes 2021	-	-	-		
2021, end	-	-	-	-	-
<b>Granted in 2018</b>					
2020, beg.	532	847	1,379		
Vested 2020	-	-	-		
Forfeited 2020	-	-	-		
Other changes 2020	-	-	-		
2020, end	532	847	1,379	0.3	0.1
<b>Vested 2021</b>					
Forfeited 2021	-	-847	-847		
Other changes 2021	-	-	-		
2021, end	532	-	532	0.1	0.1

# Notes

Note	(DKK millions)				
8 cont'd	<b>Share-based payments</b>				
	<b>Conditional shares cont'd.</b>				
	Number			Fair Value (FV)	
	Executive Board	Other employees	Total	At issue (DKK millions)	End of year (DKK millions)
<b>Granted in 2019</b>					
2020, beg.	1,327	1,293	2,620		
Vested 2020	-	-	-		
Forfeited 2020	-	-	-		
Other changes 2020	-	-	-		
2020, end	1,327	1,293	2,620	0.3	0.3
<b>Vested 2021</b>					
Forfeited 2021	-	-	-		
Other changes 2021	-	-	-		
2021, end	1,327	1,293	2,620	0.3	0.3
<b>Granted in 2020</b>					
Granted 2020	5,709	5,919	11,628		
Vested 2020	-3,425	-3,551	-6,976		
Forfeited 2020	-	-	-		
Other changes 2020	-	-	-		
2020, end	2,284	2,368	4,652	0.4	0.5
<b>Vested 2021</b>					
Forfeited 2021	-	-	-		
Other changes 2021	-	-	-		
2021, end	2,284	2,368	4,652	0.4	0.5
<b>Granted in 2021</b>					
Granted 2021	3,836	4,675	8,511		
Vested 2021	-2,302	-2,805	-5,107		
Forfeited 2021	-	-	-		
Other changes 2021	-	-	-		
2021, end	1,534	1,870	3,404	0.4	0.4

# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
8	<b>Share-based payments</b>				
cont'd					
	<b>Holdings of the Executive Board and fair value, end of 2021</b>				
	Grant year			2018-2021	
	(DKK millions)			Number	FV
	Total			5,677	0.6
	<b>Holdings of the Executive Board and fair value, end of 2020</b>				
	Grant year			2017-2020	
	(DKK millions)			Number	FV
	Total			4,585	0.4
	In 2021, the average price at the vesting date for rights to conditional shares was DKK 110.29 (2020: DKK 92.62).				
	Remuneration Report 2021 available at <a href="http://rd.dk">rd.dk</a> provides a detailed description of share-based payments to the Board of Directors.				
9	<b>Audit fees</b>				
	Audit firms appointed by the general meeting				
	Statutory audit of financial statements	1	1	1	1
	Fees for other assurance engagements	-	-	-	-
	Fees for tax advisory services	-	-	-	-
	Fees for other services	-	-	-	-
	Total	1	1	1	1
10	<b>Loan impairment charges</b>				
	ECL on new assets	304	380	304	380
	ECL on assets derecognised	470	558	470	558
	Impact of remeasurement	400	436	400	436
	Write-offs charged directly to income statement	49	89	49	89
	Received on claims previously written off	14	12	14	12
	Total	269	335	269	335
11	<b>Tax</b>				
	Tax on profit for the year	1,027	1,099	1,010	1,084
	Deferred tax	7	-2	7	-
	Adjustment of prior-year tax charges	-	-	-	-
	Total	1,034	1,097	1,017	1,084
	<b>Effective tax rate</b>				
	Current Danish tax rate	22.0	22.0	22.0	22.0
	Adjustment of prior-year tax charge	-	-	-	-
	Non-taxable items	-	-	-	-0.2
	Effective tax rate	22.0	22.0	22.0	21.8

# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
12	<b>Due from credit institutions and central banks</b>				
	On demand	962	898	851	805
	3 months or less	14,007	24,095	14,007	24,095
	3-12 months	-	-	-	-
	<b>Total</b>	<b>14,969</b>	<b>24,993</b>	<b>14,858</b>	<b>24,900</b>
	Due from credit institutions	14,969	23,839	14,858	23,746
	Term deposits with central banks	-	1,154	-	1,154
	<b>Total</b>	<b>14,969</b>	<b>24,993</b>	<b>14,858</b>	<b>24,900</b>
	At fair value	14,969	24,993	14,858	24,900
	Portion attributable to reverse transactions	14,007	22,941	14,007	22,941

The fair value is based on quoted prices.

In 2021, reverse transactions of DKK 12,555 million were offset against repo transactions (2020: DKK 5,654 million).

In connection with reverse transactions, Realkredit Danmark is entitled to sell or remortgage the securities.

In 2021, DKK 0 million were sold or remortgaged (2020: DKK 0 million).

13	<b>Bonds at fair value</b>				
	Own mortgage bonds	40,234	47,011	40,234	47,011
	Other mortgage bonds	11,782	8,803	11,782	8,803
	Government bonds	1,286	5,374	1,286	5,374
	<b>Total</b>	<b>53,302</b>	<b>61,188</b>	<b>53,302</b>	<b>61,188</b>
	Own mortgage bonds set off against issued mortgage bonds	40,234	47,011	40,234	47,011
	<b>Total</b>	<b>13,068</b>	<b>14,177</b>	<b>13,068</b>	<b>14,177</b>

Of Realkredit Danmark's bond portfolio, DKK 8.5 billion has a maturity of less than 12 months, while DKK 4.6 billion has a maturity of 1-5 years (2020: DKK 12.2 billion and DKK 2.0 billion).

14	<b>Bonds at amortised cost</b>				
	Other mortgage bonds	27,526	31,983	27,526	31,983
	Government bonds	5,837	1,023	5,837	1,023
	<b>Total</b>	<b>33,363</b>	<b>33,006</b>	<b>33,363</b>	<b>33,006</b>
	Fair value of held-to-maturity assets	33,302	33,259	33,302	33,259

The fair value is based on quoted prices.

Of Realkredit Danmark's bond portfolio, DKK 26.9 billion has a term to maturity of less than five years, while DKK 6.5 billion has a term to maturity of 5-10 years (2020: DKK 27.4 billion and DKK 5.6 billion).

After implementation of IFRS 9, the bonds are recognised in connection with impairment for expected credit losses.

The bonds are recognised in stage 1, and the expected credit losses resulting from default events within the next 12 months are insignificant.

# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
15	<b>Total lending</b>				
	Mortgage loans, nominal value	807,621	792,701	807,621	792,701
	Fair value adjustment of underlying bonds	5,448	26,677	5,448	26,677
	Adjustment for credit risk	2,930	2,801	2,930	2,801
	Mortgage loans at fair value	810,139	816,577	810,139	816,577
	Arrears and outlays	94	80	94	80
	Other loans	314	369	294	346
	<b>Total</b>	<b>810,547</b>	<b>817,026</b>	<b>810,527</b>	<b>817,003</b>
	Apart from being backed by mortgages on properties, loans are backed by central and local government guarantees and insurance guarantees of	54,442	48,355	54,442	48,355
	Pass books and bonds have been deposited and guarantees provided as supplementary security in a total amount of	101,714	97,876	101,714	97,876
	<p>Realkredit Danmark has also received various declarations of indemnification without specification of amounts. The valuation of the loans is based on the quoted price of the underlying bonds with which borrowers may repay the loans. The regular fluctuations in the price of the bonds will therefore be offset by a corresponding change in the value of the loans with the result being unaffected by the ongoing market value fluctuations, both in terms of interest and the credit risk on the issued bonds. In addition, the value of the loans is affected by credit risk changes. In 2021, DKK 129 million was booked as an expense concerning adjustment for credit risk on loans (2020: an expense of DKK 65 million). The accumulated adjustment for credit risk amounts to DKK 2.9 billion (2020: DKK 2.8 billion).</p>				
16	<b>Mortgage loans at fair value</b>				
	Mortgage loans (nominal value) broken down by property category (percentage)				
	Owner-occupied dwellings	53	53	53	53
	Holiday homes	3	3	3	3
	Subsidised residential property	11	11	11	11
	Private residential rental property	13	12	13	12
	Industrial and skilled trades property	2	2	2	2
	Office and retail property	11	11	11	11
	Agricultural property etc.	5	6	5	6
	Property for social, cultural and training activities	2	2	2	2
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
	0-1 month	1,217	994	1,217	994
	1-3 months	6,426	3,561	6,426	3,561
	3-12 months	18,531	14,069	18,531	14,069
	1-5 years	102,715	85,814	102,715	85,814
	5-10 years	148,699	132,086	148,699	132,086
	Over 10 years	532,551	580,053	532,551	580,053
	<b>Total</b>	<b>810,139</b>	<b>816,577</b>	<b>810,139</b>	<b>816,577</b>
17	<b>Loans and other amounts due at amortised cost</b>				
	On demand	94	81	94	81
	3 months or less	16	18	14	16
	3-12 months	46	55	41	49
	1-5 years	97	114	86	101
	Over 5 years	155	181	153	179
	<b>Total</b>	<b>408</b>	<b>449</b>	<b>388</b>	<b>426</b>



# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
18	<b>Arrears and outlays</b>				
	Arrears before impairment charges	87	107	87	107
	Outlays before impairment charges	47	18	47	18
	Impairment charges	40	45	40	45
	<b>Total</b>	<b>94</b>	<b>80</b>	<b>94</b>	<b>80</b>

## 19 Loans etc.

### Credit exposure – gross carrying amount (i.e. before impairments)

Realkredit Danmark Group	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	
Gross carrying amount at 1 January 2020	749,704	44,879	10,732	53,013	87	1,276	32,686	574	257	893,208
Transferred to stage 1	19,324	-18,437	-887	3	-2	-1	-	-	-	-
Transferred to stage 2	-8,808	9,812	-1,004	-1	2	-1	-154	154	-	-
Transferred to stage 3	-2,415	-2,693	5,108	-	-3	3	-	-	-	-
New assets	151,128	5,054	1,066	-	18	98	21,742	102	667	179,875
Assets derecognised (other than written off)	114,801	8,642	2,624	27,876	84	673	23,661	572	248	179,181
Other	-16,034	-618	-466	-	-	-371	231	-56	-3	-17,317
Gross carrying amount 31 December 2020	778,098	29,355	11,925	25,139	18	331	30,844	202	673	876,585
Transferred to stage 1	11,738	-10,571	-1,167	-	-	-	3	-3	-	-
Transferred to stage 2	-18,802	20,348	-1,546	-14	15	-1	-77	79	-2	-
Transferred to stage 3	-8,697	-2,027	10,724	-	-1	1	-	-	-	-
New assets	137,071	4,938	852	4	5	104	20,853	1,092	26	164,945
Assets derecognised (other than written off)	101,720	5,949	2,876	10,029	2	178	20,307	104	662	141,827
Other	-36,006	-1,846	-773	-10	-1	37	-1,274	20	-5	-39,858
Gross carrying amount 31 December 2021	761,682	34,248	17,139	15,090	34	294	30,042	1,286	30	859,845

The nominal value of loans written off in 2021 and for which Realkredit Danmark has maintained the claim amounts to DKK 77 million (2020: DKK 154 million).

# Notes

Note	(DKK millions)	Realkredit Danmark Group			Realkredit Danmark A/S						
		2021	2020	2021	2020	2021	2020				
19 cont'd	<b>Loans etc.</b>										
	<b>Reconciliation of total allowance account</b>										
	<b>Realkredit Danmark Group</b>	Mortgage loans			Other loans			Loan commitments			
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
	ECL at 1 January 2020, incl. impact on loans	290	925	1,521	6	17	28	10	1	1	2,799
	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	6	-	1	3	-	-	558
	Impact of remeasurement	126	314	5	-1	-1	-7	-	-	-	436
	Write-offs, allowance account	83	4	118	1	-	2	-	-	-	208
	<b>Total allowance account at 31 December 2020</b>	<b>786</b>	<b>874</b>	<b>1,141</b>	<b>10</b>	<b>12</b>	<b>15</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>2,849</b>
	Transferred to stage 1	638	-401	-237	3	-2	-1	-	-	-	-
	Transferred to stage 2	-78	163	-85	-	-	-	-	-	-	-
	Transferred to stage 3	-112	-149	261	-	-1	1	-	-	-	-
	ECL on new assets	110	138	38	-	1	-	10	6	1	304
	ECL on assets derecognised	386	14	68	2	-	-	-	-	-	470
	Impact of remeasurement	-275	597	101	-8	-5	-10	-	-	-	400
	Write-offs, allowance account	62	2	48	-	-	-	-	-	-	112
	<b>Total allowance account at 31 December 2021</b>	<b>621</b>	<b>1,206</b>	<b>1,103</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>17</b>	<b>9</b>	<b>2</b>	<b>2,971</b>

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. For Realkredit Danmark A/S, the credit exposure and total impairments correspond to the calculation for the Group with the sole difference that loans in the amount of DKK 20 million in home are excluded (recognised in other loans in the tables) (2020: DKK 23 million).

20	<b>Other tangible assets</b>					
	Cost at 1 January		24	24	5	5
	Additions		-	-	-	-
	Disposals		-	-	-	-
	<b>Cost at 31 December</b>		<b>24</b>	<b>24</b>	<b>5</b>	<b>5</b>
	Depreciation and impairment charges at 1 January		18	18	-	-
	Depreciation charges		-	1	-	-
	Depreciation and impairment charges reversed on disposals etc.		-	1	-	-
	<b>Depreciation and impairment charges at 31 December</b>		<b>18</b>	<b>18</b>	<b>-</b>	<b>-</b>
	<b>Carrying amount at 31 December</b>		<b>6</b>	<b>6</b>	<b>5</b>	<b>5</b>

# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S		
		2021	2020	2021	2020	
21	<b>Deferred tax assets and liabilities</b>					
	Deferred tax liabilities	55	23	-	-	
	Provision for deferred tax	-	-	61	30	
	<b>Total</b>	<b>55</b>	<b>23</b>	<b>61</b>	<b>30</b>	
	<b>Change in deferred tax</b>					
	<b>Realkredit Danmark Group</b>	<b>At 1 Jan.</b>	<b>Recognised in net profit for the year</b>	<b>Recognised in other comprehensive income</b>	<b>Other adjustments</b>	<b>At 31 Dec.</b>
	2021					
	Intangible assets	-1	1	-	-	-
	Tangible assets	-3	5	-	-	2
	Securities	4	-1	-	-	3
	Provisions	28	22	4	-	54
	Other	-5	1	-	-	-4
	<b>Total</b>	<b>23</b>	<b>28</b>	<b>4</b>	<b>-</b>	<b>55</b>
	Adjustment of prior-year tax charges included in total		-			
	2020					
	Intangible assets	-1	-	-	-	-1
	Tangible assets	-3	-	-	-	-3
	Securities	6	-2	-	-	4
	Provisions	36	-12	4	-	28
	Other	-2	-3	-	-	-5
	<b>Total</b>	<b>36</b>	<b>-17</b>	<b>4</b>	<b>-</b>	<b>23</b>
	Adjustment of prior-year tax charges included in total		-14			
	<b>Change in deferred tax</b>					
	<b>Realkredit Danmark A/S</b>	<b>At 1 Jan.</b>	<b>Recognised in net profit for the year</b>	<b>Recognised in other comprehensive income</b>	<b>Other adjustments</b>	<b>At 31 Dec.</b>
	2021					
	Intangible assets	-1	1	-	-	-
	Tangible assets	-2	5	-	-	3
	Securities	4	-1	-	-	3
	Provisions	29	22	4	-	55
	Other	-	-	-	-	-
	<b>Total</b>	<b>30</b>	<b>27</b>	<b>4</b>	<b>-</b>	<b>61</b>
	Adjustment of prior-year tax charges included in total		-1			
	2020					
	Intangible assets	-1	-	-	-	-1
	Tangible assets	-2	-	-	-	-2
	Securities	6	-2	-	-	4
	Provisions	36	-11	4	-	29
	Other	-	-	-	-	-
	<b>Total</b>	<b>39</b>	<b>-13</b>	<b>4</b>	<b>-</b>	<b>30</b>
	Adjustment of prior-year tax charges included in total		-14			

# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
22	<b>Assets temporarily taken over</b>				
	Assets temporarily taken over consist of properties taken over in a forced sale under non-performing loan agreements. The properties are expected to be sold through a real-estate agent within one year from the takeover date. In 2021, the Group took over properties for DKK 8 million (2020: DKK 44 million). The effect on profit or loss on properties taken over was DKK 0 million (2020: DKK 0 million).				
23	<b>Other assets</b>				
	Interest due	300	357	300	357
	Pension assets	219	202	219	202
	Lease assets	33	67	-	-
	Other assets	760	1,338	723	1,301
	<b>Total</b>	<b>1,312</b>	<b>1,964</b>	<b>1,242</b>	<b>1,860</b>
24	<b>Due to credit institutions and central banks</b>				
	On demand	-	-	-	-
	3 months or less	-	-	-	-
	3-12 months	-	-	-	-
	1-5 years	2,000	2,000	2,000	2,000
	<b>Total</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>
	At fair value	2,000	2,000	2,000	2,000
	Portion attributable to repo transactions	-	-	-	-
	In 2021, repo transactions of DKK 12,555 million were offset against reverse transactions (2020: DKK 5,654 million).				
25	<b>Issued mortgage bonds at fair value</b>				
	Issued mortgage bonds, nominal value*	854,988	853,855	854,988	853,855
	Fair value adjustment	6,196	28,373	6,196	28,373
	Issued mortgage bonds at fair value, before set-off	861,184	882,228	861,184	882,228
	Set-off of own mortgage bonds at fair value	40,234	47,011	40,234	47,011
	<b>Issued mortgage bonds at fair value</b>	<b>820,950</b>	<b>835,217</b>	<b>820,950</b>	<b>835,217</b>
	The fair value is based on quoted prices.				
	0-1 month	31,375	50,381	31,375	50,381
	1-3 months	-	-	-	-
	3-12 months	97,939	93,094	97,939	93,094
	1-5 years	351,892	363,085	351,892	363,085
	5-10 years	113,744	110,372	113,744	110,372
	Over 10 years	226,000	218,285	226,000	218,285
	<b>Total</b>	<b>820,950</b>	<b>835,217</b>	<b>820,950</b>	<b>835,217</b>
	* Portion pre-issued	21,061	24,551	21,061	24,551
	* Portion drawn at 3 January 2022, or 4 January 2021	30,451	46,022	30,451	46,022

\*In 2021, Realkredit Danmark issued bonds under the green bond framework, with a nominal value of DKK 17,008 million outstanding at the end of 2021 (2020: DKK 9,809 million).

Fair value adjustment for the credit risk on issued mortgage bonds is calculated on the basis of the option-adjusted spread (OAS). The calculation incorporates maturity, nominal holdings and OAS sensitivity. As a number of estimates are made, the calculation is subject to uncertainty.

In 2021, the Danish mortgage bond yield spread increased, and the fair value of issued mortgage bonds thus decreased by approximately DKK 7 billion. In 2020, the Danish mortgage bond yield spread narrowed, causing an increase in the fair value of issued mortgage bonds. Based on the outstanding portfolio at the end of 2021, Realkredit Danmark estimates that there has been a net widening of the spread since the issuance of the bonds, which produces a positive fair value of approximately DKK 0.5 billion (2020: negative fair value of approximately DKK 5.0 billion). Net profit and shareholders' equity remain unaffected by the change in fair value because the spread widening decreased the value of mortgage loans correspondingly.

Fair value adjustment for the credit risk on issued mortgage bonds may also be calculated on the basis of changes in similar AAA rated mortgage bonds offered by other Danish issuers. The market for such bonds is characterised by an absence of measurable price differences between bonds with similar features from different issuers. Using this method, no fair value adjustment for credit risk in 2021 or the period since the issue has been required.

# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
26	<b>Other liabilities</b>				
	Interest accrued	4,120	4,102	4,120	4,102
	Reserves in early series subject to a reimbursement obligation*	5	9	-	-
	Lease liabilities	33	67	-	-
	Other creditors	364	260	351	246
	<b>Total</b>	<b>4,522</b>	<b>4,438</b>	<b>4,471</b>	<b>4,348</b>

\* Recognised in the balance sheet of the parent company, Realkredit Danmark A/S, under "Provisions".

27	<b>Reserves in early series subject to a reimbursement obligation*</b>				
	Carrying amount, beginning of year	9	13	9	13
	Utilised	-3	-2	-3	-2
	Increase due to shortening of maturity	-1	-2	-1	-2
	<b>Carrying amount, end of year</b>	<b>5</b>	<b>9</b>	<b>5</b>	<b>9</b>

\* Recognised in the balance sheet of the Realkredit Danmark Group under "Other liabilities".

Reserves in early series subject to a reimbursement obligation relate to mortgage loan agreements under which the borrower's share of the series reserve fund is disbursed to the borrower on repayment of the loan in accordance with the terms and conditions applying to the series. Until 2031, the Group's obligations will gradually be reduced in step with individual borrower repayments. Factors that affect the repayment pattern include changes in interest rates, cash flows, etc.

# Notes

Note	(DKK millions)	Realkredit Danmark Group		Realkredit Danmark A/S	
		2021	2020	2021	2020
28	<b>Risk exposure amount (REA)</b>				
	Credit risk (IRB approach)	123,520	135,210	123,450	135,141
	Credit risk (standardised approach)	48,486	23,026	48,618	23,253
	Counterparty risk	466	139	466	139
	<b>Total credit risk</b>	<b>172,472</b>	<b>158,375</b>	<b>172,534</b>	<b>158,533</b>
	Market risk	366	286	366	286
	Operational risk	10,609	10,903	10,486	10,777
	<b>Total</b>	<b>183,447</b>	<b>169,564</b>	<b>183,386</b>	<b>169,596</b>

The total capital and tier 1 capital ratios are calculated in accordance with the CRR/CRD.

[rd.dk](http://rd.dk) provides more details about Realkredit Danmark's solvency need. The solvency need calculation is not covered by the statutory audit.

- 29 **Assets deposited as collateral**  
Realkredit Danmark deposits securities as collateral in connection with repo and securities transactions undertaken on usual terms and conditions for such agreements.

In connection with clearing, Realkredit Danmark has deposited the following securities with the Danish Central Bank

Bonds at fair value	6,050	12,324	6,050	12,324
Portion issued by Realkredit Danmark	2,150	4,000	2,150	4,000
<b>Assets sold under repo transactions</b>				
Bonds at fair value	-	-	-	-
Portion issued by Realkredit Danmark	-	-	-	-

At 31 December 2021, mortgage lending totalling DKK 810,139 million and other assets totalling DKK 9,828 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (2020: DKK 816,577 million and DKK 10,819 million).

Pursuant to Danish mortgage credit legislation, issued mortgage bonds, including mortgage-covered bonds, are secured against the underlying mortgage loans.

# Notes

Note	(DKK millions)
30	<p><b>Contingent liabilities</b></p> <p>Owing to its size and business volume, 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Realkredit Danmark operates out of leased premises. Leases are concluded by the parent company. Realkredit Danmark pays monthly rent to the parent company.</p> <p>Guarantees and indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised in the balance sheet amount to:</p>

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2021	2020	2021	2020
<b>Other contingent liabilities</b>				
Irrevocable loan commitments	31,362	31,721	31,358	31,719
Other commitments	24	25	7	6
Total	31,386	31,746	31,365	31,725

# Notes

Note (DKK millions)

## 31 Related party transactions

Transactions between related parties are concluded and settled on an arm's length or on a cost-reimbursement basis. No unusual transactions were made with associates and group undertakings in 2021.

Realkredit Danmark A/S made the below-mentioned major intra-group transactions with companies directly or indirectly associated with the Group/company. Danske Bank A/S is the parent company of Realkredit Danmark A/S.

	Realkredit Danmark Group		Realkredit Danmark A/S	
	2021	2020	2021	2020
Fees, etc. paid to Danske Bank A/S for the arranging and guaranteeing of mortgage loans	1,131	1,142	1,108	1,119
Fees received from Danske Bank A/S for referral of customers and for property valuation	88	82	88	82
Fees paid to Danske Bank A/S for managing Realkredit Danmark's IT operations and development, portfolio management and finance functions, etc.	641	532	601	498
Interest received by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	-118	-62	-118	-62
Interest paid by Realkredit Danmark A/S on outstanding accounts with Danske Bank A/S	-42	-19	-42	-19
Amounts due from Danske Bank A/S	14,962	23,831	14,851	23,738
Loss guarantees from Danske Bank A/S	47,273	49,522	47,273	49,522
Other guarantees from Danske Bank A/S	17,187	25,332	17,187	25,332
Amounts due to Danske Bank A/S	2,000	2,000	2,000	2,000

Any amounts due to related parties in the form of issued bonds have not been included in the above outstanding accounts as such bonds are bearer securities. In these cases, the Group does not know the identity of the creditors.

## 32 Loans etc. to management

Mortgage loans established on an arm's length basis for

Board of Directors of Realkredit Danmark A/S	14	18	14	18
Executive Board of Realkredit Danmark A/S	6	3	6	3
Board of Directors and Executive Leadership Team of Danske Bank A/S	81	89	81	89

Average interest rate and administration margin for loans etc. to management

1.6%	1.5%	1.6%	1.5%
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# Notes

Note (DKK millions)

		<b>Realkredit Danmark Group</b>			
33	<b>Financial instruments at fair value</b>	Quoted prices	Observable input	Non-observable input	Total
	2021				
	Bonds at fair value	5,124	7,944	-	13,068
	Mortgage loans at fair value	-	810,139	-	810,139
	Shares	-	-	4	4
	Derivatives	-	9	-	9
	<b>Total</b>	<b>5,124</b>	<b>818,092</b>	<b>4</b>	<b>823,220</b>
	Issued mortgage bonds at fair value	820,950	-	-	820,950
	Derivatives	-	15	-	15
	<b>Total</b>	<b>820,950</b>	<b>15</b>	<b>-</b>	<b>820,965</b>
	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
	<b>Total</b>	<b>11,542</b>	<b>819,220</b>	<b>4</b>	<b>830,766</b>
	Issued mortgage bonds at fair value	835,217	-	-	835,217
	Derivatives	-	17	-	17
	<b>Total</b>	<b>835,217</b>	<b>17</b>	<b>-</b>	<b>835,234</b>

Fair value is the amount at which a financial asset can be traded between knowledgeable, willing parties. If an active market exists, Realkredit Danmark uses the quoted price.

Developments in the financial markets did not lead to reclassification of bonds between listed prices and observable input in 2021.

Mortgage loans and issued mortgage bonds are recognised at the fair value of the issued mortgage bonds. In accordance with the accounting policies, the fair value of the credit risk on the mortgage loans is adjusted.

Valuation techniques are generally used for OTC derivatives and unlisted shares. The most frequently used valuation models include pricing of businesses with future settlement and swap models using present value calculations. The valuation is based substantially on observable input.

# Notes

Note	(DKK millions)				
34	<b>Group holdings and undertakings</b>	Share capital (DKK thousands)	Net profit (DKK millions)	Shareholders' equity (DKK millions)	Holding of share capital (%)
	<b>Realkredit Danmark A/S, Copenhagen</b>	630,000	3,669	49,472	
	<b>Subsidiaries</b>				
	<b>Real-estate agency business</b>				
	home a/s, Aarhus	15,000	64	166	100

The information published is extracted from the most recent annual report of the companies

# Notes

Note

## RISK MANAGEMENT

The principal risk faced by Realkredit Danmark is credit risk on mortgage loans. Realkredit Danmark only has limited exposure to market risk due to the balance principle and the fact that Realkredit Danmark does not invest in equities. The principal market risk is interest rate risk on Realkredit Danmark's proprietary portfolio of bonds.

In recent years, Realkredit Danmark has increased its focus on non-financial risks like operational risks and risks related to financial crime.

### Total capital

The purpose of capital management is to ensure efficient use of capital in relation to risk tolerance and business development. The Group must have sufficient capital to comply with regulatory capital requirements, and the Group has also defined a goal of maintaining bond ratings from external rating agencies that are on a level with those of its peers.

The Group met this goal in 2021 by maintaining a total capital ratio of 25.3, well above the regulatory requirement of 15.6, and AAA ratings from both S&P Global, Scope Ratings and Fitch Ratings. The capital requirement has been covered by tier 1 capital and also by proceeds from the issuance of senior debt as described in Funding.

### Credit risk

Realkredit Danmark serves mortgage credit customers in Denmark, Sweden and Norway. Realkredit Danmark serves all customer segments in Denmark, while the strategy in Sweden and Norway is to serve large business customers. Realkredit Danmark's principal segment is loans to the Personal customer market, which accounts for 56% of lending. Residential accounts for 24%, Urban trade for 15% and Agriculture for the remaining 5%. The current composition of the exposure matches Realkredit Danmark's target that residential property loans should account for at least two-thirds of the total exposure.

In 2021, Realkredit Danmark continued its prudent credit-granting process, accommodating the Group's existing and new customers. Continuing this prudent credit-granting process will remain the objective in 2022. When granting credit, the Group requires the customer to be able to service a fixed-rate loan with principal repayment. When granting a FlexLån®, the customer must also be able to service a fixed-rate loan with principal repayment with an interest rate equal to a fixed rate over 30 years plus 1%, however, not less than 4%.

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 is unable to repay the loan, which largely depends on the value of the property. These two factors are commonly designated by the abbreviations "PD" (Probability of Default) and "LGD" (Loss Given Default). The higher the PD and LGD, the higher risk a loan involves. The value of the property is automatically determined in a property value model. This property value model is regularly monitored, and it is also subjected to an annual validation.

The credit process widely builds on the two above-mentioned components and the size of the loan. Most often, the Group performs a decentralised assessment of whether a customer has the ability and the willingness to repay his loan. However, the Group handles the largest customers at a central corporate centre, which has the expertise to serve this customer segment.

When the Group assesses that there is a high credit risk, the credit granting process will be assigned to the central credit department. A high credit risk may arise for less financially strong customers (high PD), but it may also be due to expectations of a high LGD if the credit involves a property type that is difficult to sell and which may lose much of its value if it has to be sold in a forced sale. Very large loans must be approved by Realkredit Danmark's Executive Board or Board of Directors.

Realkredit Danmark applies customer classification models as a key tool in deciding when to grant the loan.

Depending on the customer's loan facility and customer type, customers are classified using rating models or statistical scoring models. The rating models typically rely on the customer's financial statements, industry information and an assessment of the company's situation in terms of management and competition. The rating is assessed in the central rating department by a rating specialist and a credit officer, before it is fixed. The customer's rating is translated into a PD.

The statistical scoring models rely on factors such as relevant sector information and payment records. The calculated PD is translated into a rating category.

The customer classification models break down customers into 11 rating categories, with category 1 being the most creditworthy.

### Portfolio broken down by customer type and rating category (DKK billions)

Rating category	Personal	Business	2021 Total	2020 Total
1	-	-	-	-
2	54	1	55	49
3	138	62	200	200
4	119	78	197	198
5	83	106	189	187
6	29	67	96	96
7	19	31	50	60
8	3	12	15	15
9	-	1	1	2
10	2	6	8	8
11	1	1	2	4
Total	448	365	813	819

### Probability of Default (PD) %

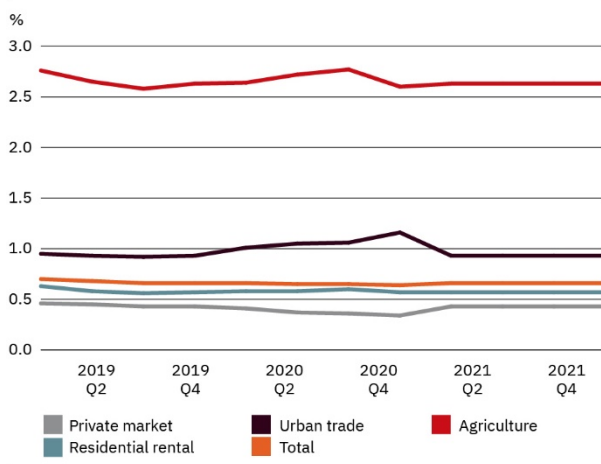
Rating category	Low PD	High PD
1	0.00	0.01
2	0.01	0.03
3	0.03	0.06
4	0.06	0.14
5	0.14	0.31
6	0.31	0.63
7	0.63	1.90
8	1.90	7.98
9	7.98	25.70
10	25.70	100.00
11	100.00	100.00

# Notes

Note

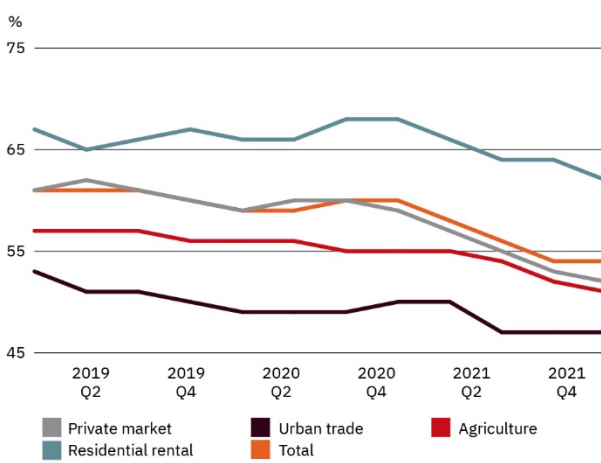
Over the past year, Realkredit Danmarks customer classifications has been stable compared with 2020. However, the total average PD has increased marginally driven by slightly higher PDs in the Private Market compared with the level a year ago.

## Development in average PD



Property prices have risen in recent years. This trend in property prices led to improved average loan-to-value ratios (LTV). For the entire loan portfolio, the LTV stood at 54 at end-2021, compared with 60 at end-2020.

## Development in average LTV



The loan portfolio remained very secure. 94% of the loan portfolio was secured within 60% of the value of the property, and 98% was secured within 80% of the value.

## Loan portfolio broken down by loan-to-value ratios 2021

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	195	154	80	17	2	448
Urban trade	58	41	18	3	1	121
Agriculture	18	15	8	1	-	42
Residential rental	87	56	34	13	12	202
Weighted distribution	44%	33%	17%	4%	2%	100%
Total DKK billions	358	266	140	34	15	813

## Loan portfolio broken down by loan-to-value ratios 2020

Sector, %	0-20	20-40	40-60	60-80	>80	Total DKK billions
Personal market	176	147	95	33	4	455
Urban trade	54	43	20	3	1	121
Agriculture	18	15	10	2	-	45
Residential rental	78	52	34	18	16	198
Weighted distribution	40%	31%	19%	7%	3%	100%
Total DKK billions	326	257	159	56	21	819

As shown in the table, no loans with an LTV ratio higher than 80% is granted to customers in one of the four lowest categories.

## Portfolio broken down by loan to value and rating category 2021

Rating category	Loan to Value					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	28	19	7	1	-	55
3	92	63	31	9	5	200
4	88	62	33	8	6	197
5	80	64	35	7	3	189
6	39	33	19	4	1	96
7	20	17	10	3	-	50
8	6	5	3	1	-	15
9	1	-	-	-	-	1
10	3	2	2	1	-	8
11	1	1	-	-	-	2
Total	358	266	140	34	15	813

# Notes

Note

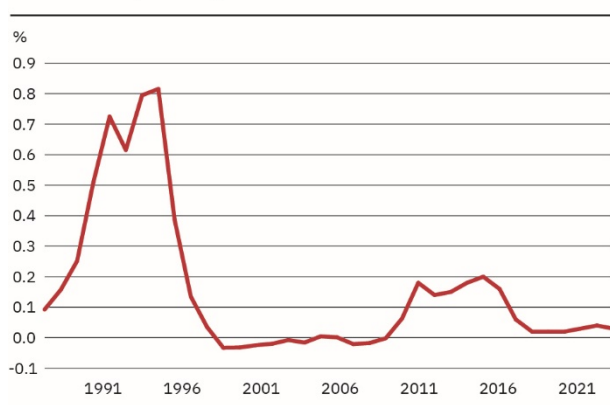
## Portfolio broken down by loan to value and rating category 2020

Rating category	Loan to Value					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
<b>Total</b>	<b>326</b>	<b>257</b>	<b>159</b>	<b>56</b>	<b>21</b>	<b>819</b>

Loan impairment charges for 2021 amounted to DKK 269 million, corresponding to 0.03% of total mortgage lending. This is a minor decrease relative to 2020, when the charges amounted to DKK 335 million. The Corona pandemic has not resulted in any substantial increase in customers facing financial difficulty in 2021. The corona-related impairments made in 2020 have been maintained at the initial level. Despite the Corona pandemic the property market has developed positively with increasing property prices, which has had a positive impact on the impairment level.

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

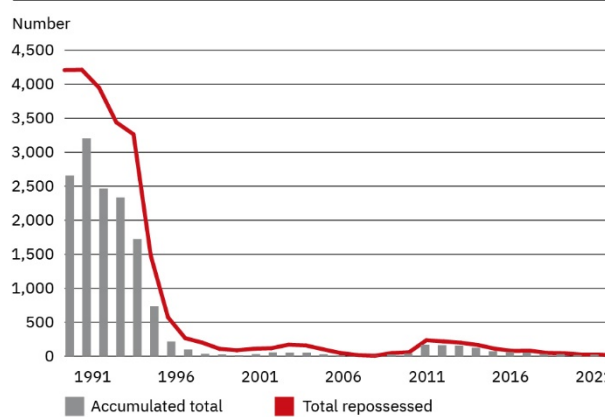
## Historical loss percentage



The number of new properties repossessed by Realkredit Danmark at a forced sale in 2021 were 10. The stock of repossessed properties stood at 7 properties year-end 2021 compared to 24 properties at the beginning of the year.

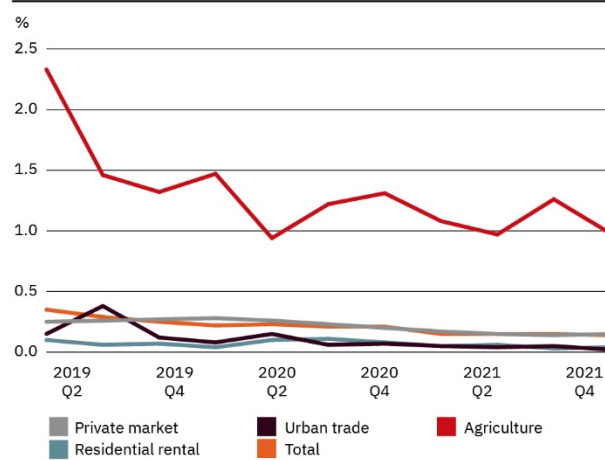
In a historical context, the number of properties repossessed in 2021 were much lower than during the crisis of the early 1990s, when more than 4,000 properties were repossessed in the worst year.

## Holding of mortgages repossessed



Realkredit Danmark is to a certain extent covered against losses, as Danske Bank provides a loss guarantee for loans granted via the bank. The guarantee covers the part of the loan which at the date of disbursement is within the last 20% of the statutory lending limits. Total lending of DKK 255 billion was partly covered by this loss guarantee at the end of 2021. The total guarantee in 2021 amounted to DKK 47 billion.

## 3-month delinquency rates



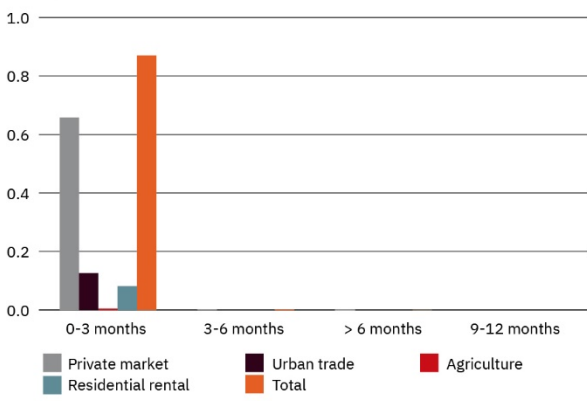
# Notes

Note

The delinquency rate, calculated as the proportion of due payments remaining unpaid 3 months after the last due payment date, generally trended lower in 2021 compared with 2020. The decline was driven by falling delinquencies for all sectors.

## Arrears on loans without OEI at 31 December 2021

(DKK millions)



The chart shows arrears on loans without OEI at 31 December 2021. Total arrears on loans without OEI amounted to DKK 0.9 million at the end of 2021. Of total arrears on loans without OEI, 99.8% are less than three months old.

Arrears	Loan portfolio (DKK millions)		Loan to value %		Arrears Sept. paym. in %	
	2021	2020	2021	2020	2021	2020
Private market	447,831	455,215	52	59	0.15	0.20
Urban trade	201,808	121,245	47	50	0.02	0.07
Agriculture	42,217	45,158	51	55	0.98	1.31
Residential rental	121,213	197,760	62	68	0.04	0.08
Total	813,069	819,378	54	60	0.14	0.21

## Non-performing loans

At 31 December 2021, the total exposure to non-performing loans amounted to DKK 17.1 billion. This is an increase compared with the end of 2020, when non-performing loans amounted to DKK 11.9 billion. This increase is due to an adjustment of the internal definition on Non-performing loans.

## Single-name concentration

The exposure to a single customer or a group of related customers, after deduction of particularly secure claims, may not exceed 25% of the capital base. In 2021, the Group's exposures did not exceed these limits.

## Forbearance practices

Under certain circumstances, Realkredit Danmark will grant concessions in borrowing terms to customers in financial difficulty, for example if a personal customer becomes unemployed or a business customer experiences a substantial drop in revenue. Concessions are granted mainly if the financial difficulty is considered to be temporary, but may also be granted if a restructuring is considered necessary to limit Realkredit Danmark's losses on an exposure.

Forbearance measures include the granting of respite for a short period of time. The customer will be downgraded to a lower rating category. The exposure is then written down to the amount that the customer is estimated to be able to service in the future. Once a customer has proven able to service the exposure, it will, after a certain period, no longer be considered subject to objective evidence of impairment, and the customer will move to a better rating category.

At 31 December 2021, the total exposure to loans with forbearance terms amounted to DKK 3.0 billion. This is a decrease of DKK 1.0 billion relative to 2020.

Credit exposure to groups representing 10% or more of the capital base amounted to DKK 0 million at 31 December 2021 (2020: DKK 4,764 million). At the end of 2021, 0 exposures exceeded 10% of the capital base. Intra-group accounts are not included in the calculation.

# Notes

## Note

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

31 December 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	359	-	-	-	-	-	359	-	-
2	0.01	0.03	54,863	38	419	4	1	11	54,859	37	408
3	0.03	0.06	197,771	315	1,468	18	3	31	197,753	312	1,437
4	0.06	0.14	192,567	1,724	2,261	43	4	53	192,524	1,720	2,208
5	0.14	0.31	184,502	1,880	2,145	79	12	47	184,423	1,868	2,098
6	0.31	0.63	88,838	6,389	1,142	142	55	32	88,696	6,334	1,110
7	0.63	1.90	37,895	11,332	970	177	189	23	37,718	11,143	947
8	1.90	7.98	4,624	9,727	371	148	468	47	4,476	9,259	324
9	7.98	25.70	107	1,189	27	9	388	1	98	801	26
10	25.70	100.00	140	1,554	6,255	-	79	495	140	1,475	5,760
11	100.00	100.00	16	100	2,081	1	7	363	15	93	1,718
Total			761,682	34,248	17,139	621	1,206	1,103	761,061	33,042	16,036

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 is the risk of losses because of changes in market prices and interest rates. Realkredit Danmark's Board of Directors defines the overall framework for interest rate, equity market and exchange rate risks in accordance with the limits laid down in the Danish Mortgage Credit Loans and Mortgage Credit Bonds, etc. Act. Realkredit Danmark calculates, monitors and reports these risks on a regular basis, and the Group pursues a policy of only having limited market risk exposure. By complying with the statutory principle of balance, Realkredit Danmark eliminates interest rate, exchange rate and liquidity risks on most of its assets and liabilities.

### Interest rate risk

Realkredit Danmark calculates interest rate risk as the change in net present value from an upward parallel shift in interest rates of 1 percentage point.

In accordance with Danish law, the cash flows received from interest payments and instalments received on mortgage loans and payments made on issued bonds may not result in an interest rate risk exceeding 1% of Realkredit Danmark's total capital, that is, DKK 464 million. At the end of 2021, this interest rate risk amounted to DKK 12 million against DKK 15 million in 2020.

The interest rate risk on other assets and liabilities and on off-balance-sheet items, including in particular the proprietary investment portfolio, may not exceed 8% of the total capital, or DKK 3,712 million, in accordance with Danish law. At the end of 2021, the interest rate risk on these items amounted to DKK 1,166 million, against DKK 1,086 million the year before.

At the end of 2021, the total interest rate risk amounted to DKK 1,178 million. The year before, Realkredit Danmark's interest rate risk was DKK 1,101 million.

# Notes

Note

## Equity market risk

The equity market risk is calculated as the market value of Realkredit Danmark Group's equity portfolios and holdings in subsidiary and group undertakings etc. The Group intends to maintain strategic share portfolios only and hence the Group has defined very low exposure thresholds with respect to overall equity market risk. At end-2021, the market value and hence the equity market risk amounted to DKK 170 million, against DKK 151 million the year before. Nearly all the risk relates to the Group's ownership of home a/s.

## Exchange rate risk

Realkredit Danmark intends to hedge all currency positions. The exchange rate risk is calculated in accordance with exchange rate indicator 2 of the Danish FSA and may, in accordance with legislation, not exceed 0.1% of the total capital, that is DKK 46 million. At the end of 2021, the exchange rate risk amounted to DKK 2 million, against DKK 2 million the year before.

Derivatives (DKK millions)	Nominal value	2021		2020		Negative market value
		Positive market value	Negative market value	Positive market value	Negative market value	
<b>Interest rate contracts</b>						
Forward/futures bought	21,080	30	-	24,767	33	-
Forward/futures sold	10,008	9	15	14,377	1	17
<b>Currency contracts</b>						
Forward/futures bought	147	-	-	146	-	-
Forward/futures sold	-	-	-	1	-	-
Interest rate and currency contracts held for trading purposes, total		39	15		34	17
<b>Outstanding spot transactions</b>						
Interest rate contracts bought	731	1	-	659	5	-
Interest rate contracts sold	2,303	-	1	784	-	-
Total outstanding spot transactions		1	1		5	-

All derivatives have a maturity of less than one year.

The calculation applies to the Realkredit Danmark Group and Realkredit Danmark A/S.

## Derivatives

The Group does not employ derivatives for hedging purposes in relation to mortgage finance business but exclusively to hedge the interest rate risk on fixed-rate liabilities from issued senior debt and are carried at fair value in the financial statements. The market risk on these instruments is included in the risk calculations mentioned above.

## Pension risk

The Group's pension risk is the risk of a pension shortfall in the Group's defined benefit plans, which means that it will have to make additional contributions to cover its pension obligations to former employees. The Group aims to reduce the pension risk of the defined benefit pension plans in the same way that it handles other risks in the Group. To achieve this goal, the Group matches pension obligations with assets similar mainly in terms of maturity and volatility.

## Liquidity risk

Realkredit Danmark finances its lending activities by issuing bonds on an ongoing basis. Consequently, Realkredit Danmark's main liquidity risk is not related to the ongoing funding of loans but to the refinancing auctions at which large volumes of bonds need to be sold during a short period of time. Realkredit Danmark constantly seeks to mitigate this risk by spreading the auctions across the year and giving borrowers an incentive to opt for loans without or with less frequent needs for refinancing.

The refinancing auctions are also supported by the well-functioning Danish bond market. The refinancing risk is governed by the Danish FSA by two indicators in the supervisory diamond for mortgage credit institutions in Denmark.

## Non-financial risks

In recent years, Realkredit Danmark has focused increasingly on non-financial risks. Each year, Realkredit Danmark assesses and reports operational risks and when new products are launched there is a coverage of the non-financial risks prior to launch.

These endeavours have helped ensure that Realkredit Danmark has not experienced significant repeating operational errors during the past five years. Operational events are reported in in-house systems and losses caused by operational events have generally been limited.

## Compliance

Realkredit Danmark is exposed to compliance risks, such as financial crime risks, market integrity risks, outsourcing risks, GDPR risks and other governance and conduct risks. See, also Compliance under "Organisation and management".



# Notes

Note

	<b>Realkredit Danmark Group</b>				
(DKK millions)	2021	2020	2019	2018	2017
<b>HIGHLIGHTS</b>					
Net interest and fee income*	6,158	6,475	6,377	6,391	6,339
Value adjustments*	-327	-410	219	-67	-32
Staff costs and administrative expenses	994	863	811	702	733
Loan impairment charges	269	335	265	196	147
Income from associates	-	-	-	-	-1
Net profit for the year	3,669	3,883	4,396	4,337	4,368
Loans	810,547	817,026	803,122	796,594	789,392
Shareholders' equity	49,472	49,590	49,993	49,915	49,891
Total assets	876,999	891,268	912,548	871,217	876,890
<b>RATIOS AND KEY FIGURES</b>					
Total capital ratio (%)	25.3	27.4	31.1	30.6	28.3
Tier 1 capital ratio (%)	24.9	26.9	30.7	30.3	28.1
Return on equity before tax (%)	9.5	10.0	11.3	11.1	11.3
Return on equity after tax (%)	7.4	7.8	8.8	8.7	8.8
Cost/core income ratio DKK	4.72	5.15	6.23	7.17	7.35
Foreign exchange position (%)	0.8	0.6	0.6	0.5	1.5
Gearing of loans	16.4	16.5	16.1	16.0	15.8
Growth in lending for the year (%)	1.9	1.2	0.7	1.1	1.9
Impairment ratio for the year (%)	0.03	0.04	0.03	0.02	0.02
Return on assets (%)	0.4	0.4	0.5	0.5	0.5

	<b>Realkredit Danmark A/S</b>				
<b>HIGHLIGHTS</b>					
Net interest and fee income*	6,158	6,475	6,377	6,391	6,338
Value adjustments*	-327	-410	219	-67	-33
Staff costs and administrative expenses	940	809	748	634	642
Loan impairment charges	269	335	264	197	148
Income from associates and group undertakings	64	44	36	38	35
Net profit for the year	3,669	3,883	4,396	4,337	4,337
Loans	810,527	817,003	803,094	796,565	789,363
Shareholders' equity	49,472	49,590	49,993	49,915	49,891
Total assets	876,959	891,194	912,440	871,206	876,874
<b>RATIOS AND KEY FIGURES</b>					
Total capital ratio (%)	25.3	27.4	31.2	30.6	28.4
Tier 1 capital ratio (%)	24.9	26.9	30.7	30.4	28.1
Return on equity before tax (%)	9.5	10.0	11.3	11.1	11.2
Return on equity after tax (%)	7.4	7.8	8.8	8.7	8.7
Cost/core income ratio DKK	4.88	5.34	6.56	7.67	8.03
Foreign exchange position (%)	0.8	0.6	0.6	0.5	1.5
Gearing of loans	16.4	16.5	16.1	16.0	15.8
Growth in lending for the year (%)	1.9	1.2	0.7	1.1	1.9
Impairment ratio for the year (%)	0.03	0.04	0.03	0.02	0.02
Return on assets (%)	0.4	0.4	0.5	0.5	0.5

\* Comparative information has been restated as described in note 1 to the consolidated financial statements for 2020.

The ratios and key figures are defined in the Danish FSA's executive order on financial reports of credit institutions, investment companies, etc.

# Notes

## Series accounts

Pursuant to the executive order on the presentation of series accounts by mortgage credit institutions, Realkredit Danmark A/S' financial statements are broken down by the individual underlying mortgage credit associations as follows:

Note	(DKK millions)	Jysk Grundejer- Kredit- forening	Ny jyske Kjøbstad- Credit- forening	Østifternes Kredit- forening	Series not subject to a reimbursement obligation	Danske Kredit
<b>Income statement</b>						
	Income from lending	0.1	0.2	0.6	18.4	0.2
1	Net interest income etc.	-	-	0.3	5.2	-
1	Administrative expenses etc.	1.1	0.9	1.3	12.4	0.6
	Loan impairment charges	-	-	-	27.3	-0.2
	Tax	-0.2	-0.2	0.1	-3.5	-
2	Net profit for the year	-0.8	-0.5	-0.5	-12.6	-0.2
<b>Balance sheet - assets</b>						
	Mortgage loans etc.	17.1	32.0	128.5	11,982.8	36.9
	Other assets	2.3	4.5	62.2	1,348.7	7.0
	Total assets	19.4	36.5	190.7	13,331.5	43.9
<b>Balance sheet - liabilities and equity</b>						
3	Issued bonds	18.1	34.9	138.0	12,443.2	43.1
	Other liabilities	0.1	0.1	0.5	36.3	0.1
4	Shareholders' equity	1.2	1.5	52.2	852.0	0.7
5	Total liabilities and equity	19.4	36.5	190.7	13,331.5	43.9
	(DKK millions)	SDRO S	SDRO T	SDRO Almen	Other reserves	Total
<b>Income statement</b>						
	Income from lending	2,021.9	3,602.8	151.8	110.3	5,906.3
1	Net interest income etc.	105.4	188.0	3.8	21.0	323.7
1	Administrative expenses etc.	497.0	533.7	88.2	130.3	1,265.5
	Loan impairment charges	132.9	65.2	-	44.0	269.2
	Tax	329.4	702.1	14.8	-25.5	1,017.0
2	Net profit for the year	1,168.0	2,489.8	52.6	-17.5	3,678.3
<b>Balance sheet - assets</b>						
	Mortgage loans etc.	306,429.1	425,992.8	43,646.9	21,952.9	810,219.0
	Other assets	26,368.9	71,957.1	1,881.4	5,683.7	107,315.8
	Total assets	332,798.0	497,949.9	45,528.3	27,636.6	917,534.8
<b>Balance sheet - liabilities and equity</b>						
3	Issued bonds	316,024.9	468,386.1	45,313.3	23,150.7	865,552.3
	Other liabilities	908.7	1,359.6	124.3	75.5	2,505.2
4	Shareholders' equity	15,864.4	28,204.2	90.7	4,410.4	49,477.3
5	Total liabilities and equity	332,798.0	497,949.9	45,528.3	27,636.6	917,534.8

# Notes

Note	(DKK millions)	
1	Pursuant to section 3(1) and (2) of the executive order on the presentation of series accounts by mortgage credit institutions, a share of net interest etc. equivalent to the ratio of the individual series reserve fund to other series reserve funds has been allocated to each series. Pursuant to section 3(3) of the executive order on the presentation of series accounts by mortgage credit institutions, the Danish FSA has approved the allocation of administrative expenses etc. to individual associations using a distribution scale by which the number of loans in the association is weighted at 3, and the principal of the loans is weighted at 1. The same distribution scale is used for allocation to individual series and series reserve funds, however, allocation to pre-1972 series is made in accordance with the statutes etc. of the associations in question.	
		<b>2021</b>
2	<b>Net profit for the year, series accounts</b>	
	Net profit for the year, Realkredit Danmark A/S's financial statements	3,669
	Transferred to other reserves etc.	-
	Adjustment of defined benefit plans	9
	Net profit for the year, series accounts	3,678
3	<b>Issued bonds, series accounts</b>	
	Issued bonds, Realkredit Danmark A/S's financial statements	820,950
	Own mortgage bonds, not offset in the series accounts	40,234
	Accrued interest, own bonds	4,368
	Issued bonds, series accounts	865,552
4	<b>Shareholders' equity, series accounts</b>	
	Shareholders' equity, Realkredit Danmark A/S's financial statements	49,472
	Reserves in pre-1972 series subject to a reimbursement obligation	5
	Shareholders' equity, series accounts	49,477
5	<b>Total assets, series accounts</b>	
	Total assets, Realkredit Danmark A/S's financial statements	876,959
	Own mortgage bonds, not offset in the series accounts	40,234
	Accrued interest, own bonds	342
	Total assets, series accounts	917,535
6	<b>Transfers to and from reserves subject to a reimbursement obligation</b>	
	In 2021, the following net transfers of funds to and from the reserves were made between individual associations and other reserves.	
	Transferred from and to shareholders' equity:	
	Series not subject to a reimbursement obligation	-2,875
	Other reserves	2,875
	Total	-

Financial statements for the individual series may be obtained from Realkredit Danmark.

# Statement by the management

The Board of Directors and the Executive Board (the management) have considered and approved the annual report of Realkredit Danmark A/S for the financial year 2021.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Parent Company's financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with Danish disclosure requirements for annual reports of issuers of listed bonds.

In our opinion, the consolidated financial statements and the Parent Company's 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 31 December 2021 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 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.

In our opinion, the consolidated financial statements and the parent financial statements of Realkredit Danmark A/S for the financial year 01.01.2021 – 31.12.2021 with the filename rd-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

The management will submit the annual report to the general meeting for approval.

Copenhagen, 3 February 2022

## Executive Board

Carsten Nøddebo Rasmussen  
Chairman of the Executive Board

Klaus Kristiansen  
Member of the Executive Board

## Board of Directors

Glenn Söderholm  
Chairman

Mark Majgaard Wraa-Hansen  
Vice Chairman

Jesper Koefoed

Line Munkholm Haukrogh

Majken Hammer Sløk

Christian Hilligsøe Heinig

# Auditor's report

## Independent auditor's report

To the shareholders of Realkredit Danmark A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Realkredit Danmark A/S for the financial year 1 January 2021 to 31 December 2021, pages 22-66, which comprise the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including the summary of significant accounting policies, for the Group as well as for the Parent, and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2021, and of its financial performance and cash flows for the financial year 1 January 2021 to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Also, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2021, and of its financial performance for the financial year 1 January 2021 to 31 December 2021 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Realkredit Danmark A/S for the first time on 05 March 2015 for the financial year 2015. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 7 years up to and including the financial year 2021.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matters were addressed in our audit
<b>Impairment charges for loans</b>  Loans for the Group amounted to DKK 810,139 million at 31 December 2021 (DKK 816,577 million at 31 December 2020), and loan impairment charges of DKK 269 million in 2021 (DKK 335 million at 31 December 2020).  Measurement of loan impairment charges for loans is deemed a key audit matter as the determination of assumptions for expected credit losses is highly subjective due to the level of judgement applied by Management.  The most significant judgements are: <ul style="list-style-type: none"><li>Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.</li><li>Timely identification of exposures with significant increase in credit risk and credit impaired exposures.</li><li>Valuation of collateral and assumptions of future cash flows on manually assessed credit-impaired exposures.</li></ul>	 Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.  Our examination included the following elements: <ul style="list-style-type: none"><li>Testing of key controls over assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.</li><li>Obtaining and substantively testing evidence to support the assumptions used in the expected credit loss models concerning methods applied to derive loss given default.</li><li>Testing of key controls over timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures.</li><li>Obtaining and substantively testing evidence of timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures.</li><li>Testing of key controls over models and manual processes for valuation of collateral and assumptions of future cash flows.</li></ul>

# Auditor's report

- Post model adjustments related to the property market in Copenhagen and other high growth areas, which are not appropriately captured in the expected credit loss model.
- Effects of corona crisis in relation to the significant judgements listed above.

Management has provided further information about the loan impairment charges in notes 10, 15-16 and 19 and Risk management to the consolidated financial statements.

- Obtaining and substantively testing evidence to support appropriate determination of assumptions for loan impairment charges and provisions for guarantees including valuation of collateral and assumptions of future cash flows on manually assessed credit impaired exposures.
- Testing of key controls over Post model adjustments applied to manage non-linearity that are not included in the modelled expected credit losses
- Obtaining and substantively testing evidence of Post model adjustments for high-risk portfolios including COVID19-affected industries with particular focus on the methodology applied, evidence of assumptions-setting processes and the consistency thereof by:
  - Assessing the key developments since last year against industry standards and historical data.
  - Assessing the appropriateness of the different identified Post model adjustments compared with the embedded macro forecasts applied in the expected credit loss models.
  - Challenging the methodologies applied by using our industry knowledge and experience.

## Statement on the Management's report

Management is responsible for the Management's report.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the Management's report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the Management's report and, in doing so, consider whether the Management's report is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's report provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's report is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's report.

## Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds, as well as for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# Auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of Realkredit Danmark A/S we performed procedures to express an opinion on whether the annual report of Realkredit Danmark A/S for the financial year 01.01.2021 – 31.12.2021 with the file name rd-2021-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format.
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary.
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format.
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process.
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified.

# Auditor's report

- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Realkredit Danmark A/S for the financial year 01.01.2021 – 31.12.2021 with the file name rd-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 3 February 2022

**Deloitte**  
Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

**Kasper Bruhn Udam**  
State-Authorised  
Public Accountant  
MNE no 29421

**Jens Ringbæk**  
State-Authorised  
Public Accountant  
MNE no 27735



# Directorships

Management's report, continued

Under section 80(8) of the Danish Financial Business Act, financial institutions are required to publish information at least once a year about directorships held with the approval of the Board of Directors by persons employed by the Board (section 80(1) of the Act).

This page also lists directorships held by members of the Board of Directors outside the Realkredit Danmark Group.

## Board of Directors

### **Glenn Söderholm** Chairman

Member of the Executive Leadership Team of Danske Bank A/S

Born on 26 July 1964

Joined the Board of Directors on 21 July 2021

Directorships and other offices:

Danske Leasing A/S (chairman)

Danica Pension, Livsforsikringsaktieselskab (chairman)

Finance Denmark (personal substitute to the chairman of the board of directors)

FRI af 16. September 2015 A/S (personal substitute to the chairman of the board of directors)

NASDAQ Nordic Ltd. Suomi Finland

### **Mark Majgaard Wraa-Hansen**

Head of Personal Customers, Denmark, Danske Bank A/S

Born on 14 December 1977

Joined the Board of Directors on 21 July 2021

Directorships and other offices:

MobilePay A/S (chairman)

### **Jesper Koefoed**

Managing Director

Born on 18 June 1964

Joined the Board of Directors on 9 March 2020

Independent

Chairman of the Audit Committee

The combined members of the Board of Directors have appointed Jesper Koefoed as a qualified member of the Audit Committee. Jesper Koefoed holds an MSc in Business Administration and Auditing from CBS (1989) and has since 1992 been working as a state authorised public accountant, but in July 2019 he deposited his license to start a career as a professional board member. He has long-standing experience in auditing and advisory services, especially to large corporates,

and corporate governance services, including his work on the Audit Committee. He also has extensive domestic and international management experience from the auditing and consulting industry and is now a board member in several Danish companies.

On the basis of his qualifications, the Board of Directors believes that Jesper Koefoed is able to make an independent assessment of whether the Realkredit Danmark Group's financial reporting, internal controls, risk management and statutory audit are planned and conducted in an expedient manner in relation to the Group's size and complexity.

Directorships and other offices:

Pihl & Søn A/S (chairman)

Koefoed Invest 2019 A/S

Nordic Investment Opportunities

Pihl Holding A/S (chairman)

Danica Pension, Livsforsikringsaktieselskab

BG40-5 A/S

### **Line Munkholm Haukrogh**

Executive Vice President, Chief Strategy Officer, Danske Bank A/S

Born on 1 June 1980

Joined the Board of Directors on 9 March 2020

Member of the Audit Committee

Directorships and other offices:

MobilePay A/S

Danske Invest Management

# Directorships

**Majken Hammer Sløk** (elected by the employees)

Chief Consultant, Realkredit Danmark A/S

Born on 2 January 1965

Joined the Board of Directors on 6 March 2017

**Christian Hilligsøe Heinig** (elected by the employees)

Chief Economist, Realkredit Danmark A/S

Born on 7 December 1978

Joined the Board of Directors on 3 March 2021

## Executive Board

**Carsten Nøddebo Rasmussen**

Chairman of the Executive Board

Born on 15 August 1964

Joined the Executive Board on 1 December 2006

Directorships and other offices:

home a/s (chairman)

Association of Danish Mortgage Banks

The Popular Educational Association, Copenhagen (chairman)

Kreditforeningen Danmarks Pensionsafviklingskasse (chairman)

Danske Hypotek AB, Sverige

**Klaus Kristiansen**

Member of the Executive Board

Born on 28 May 1971

Joined the Executive Board on 1 November 2017

Directorships and other offices:

Association of Danish Mortgage Banks

# Supplementary information

Management's report, continued

## Financial calendar

- 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

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

## Adresse

Realkredit Danmark  
Lersø Parkallé 100  
DK-2100 København Ø  
Telephone +45 70 12 53 00  
CVR no. 13 39 91 74 København

## Links

[rd.dk](http://rd.dk)  
[danskebank.dk](http://danskebank.dk)  
[danskebank.com](http://danskebank.com)  
[home.dk](http://home.dk)

## ESEF data

Domicile of entity	Denmark
Description of nature of entity's operations and principal activities	Mortgage finance
Country of incorporation	Denmark
Principal place of business	Denmark
Legal form of entity	A/S
Name of reporting entity or other names of identification	Realkredit Danmark Group
Name of parent	Realkredit Danmark A/S
Name of ultimate parent of group	Realkredit Danmark A/S
Address of entity's registered office	Lersø Parkallé 100, DK-2100 København Ø

