

Company Announcement for the First Quarter 2022

Kamilla Hammerich Skytte, CEO, comments on the financial results:

“We saw a positive development in the loan portfolio, which grew from DKK 793 billion in the first quarter of 2021 to DKK 809 billion in the first quarter of 2022. We also saw strong activity on the back of the significant increase in interest rates. In the first quarter of 2022, we saw a significant remortgaging activity and we helped more than 2,500 customers who wanted to remortgage to a higher coupon. Corona-related losses remained at a low level in the first quarter. However, we reaffirm our existing estimate of loan impairment charges due to the uncertainty caused by the war in Ukraine, rising energy prices and significantly higher interest rate levels. It is our assessment that the Danish economy and most homeowners are well prepared for a period of increased uncertainty.”

Mortgage Market

The war in Ukraine and geopolitical tensions have brought increased economic and financial uncertainty. For now, the Danish economy remains in good form, operating very near or perhaps even above capacity. Unlike before the financial crisis, Danish home-owners are not living beyond their means.

The surge in inflation has surprised central banks forcing them to act. This has helped push Danish mortgage rates up, and 30-year fixed-rate repayment mortgages went from 1.5% at the beginning of the year to 3% at the end of the first quarter 2022. Rates for three- and five-year FlexLån mortgages have also jumped now that multiple rate hikes are expected in the euro area in the coming years. All in all, the yield curve steepened sharply in the first quarter, prompting many homeowners to look to variable-rate loans. This has meant that, for the first time for several years, fixed-rate mortgages are losing market share to variable-rate products, and we expect this trend to continue. Rising rates for fixed-rate loans have also given many homeowners the opportunity to remortgage to a higher or variable rate, so that they can reduce their outstanding debt.

Generally speaking, housing market indicators through to March 2022 showed a market still in pretty good shape. It is however probably only a matter of time before increased inflation, with adhering erosion of real wages, and higher interest rates feed through to the housing market, and we expect the housing market to slow further during 2022.

First Quarter 2022

The Realkredit Danmark Group recorded a net profit of DKK 961 million in the first quarter of 2022, against DKK 1,008 million in the same period of 2021. The profit 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 16 million, due to lower average loan-to value (LTV) for the customers.

Loan impairment charges amounted to an expense of DKK 31 million in the first quarter of 2022, against DKK 115 million in the same period of 2021. Charges related to the corona crisis were limited in the first quarter of 2022. The total allowance account at 31 March 2022 amounted to DKK 2,965 million, against DKK 2,971 million at 31 December 2021. The level is maintained due to the financial uncertainty mentioned.

Gross lending amounted to DKK 47 billion, against DKK 46 billion in the first quarter of 2021. Mortgage lending at fair value fell DKK 31 billion to DKK 779 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 2 billion and a decrease of DKK 33 billion in the market value adjustment in the first quarter of 2022.

In the first quarter of 2022, Realkredit Danmark maintained its focus on green bond initiatives. Customer responses are still very positive, and at 31 March 2022, total lending amounted to DKK 18.0 billion.

In Denmark, total lending of green loans funded by RD Cíbor6®Green amounted to DKK 14.5 billion. In Sweden, demand for green financing options has also been strong. As a result, Realkredit Danmark has extended its product range in the Swedish commercial property market, opening for RD Stíbor3® Green in mid-2020. At 31 March 2022, total lending amounted to DKK 3.5 billion. In the future, Realkredit Danmark will also offer green covered bonds in Norway.

Realkredit Danmark expects net profit for 2022 to be somewhat lower than net profit for 2021.

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Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKK millions)	Q1 2022	Q1 2021	Index 22/21	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Full year 2021
Administration margin	1,458	1,474	99	1,458	1,461	1,460	1,462	1,474	5,857
Net interest income	6	40	15	6	3	1	2	40	46
Net fee income	57	53	108	57	-46	-86	-48	53	-127
Income from investment portfolios	-27	11	-	-27	7	-1	38	11	55
Other income	25	36	69	25	25	35	40	36	136
Total income	1,519	1,614	94	1,519	1,450	1,409	1,494	1,614	5,967
Expenses	256	207	124	256	307	241	240	207	995
Profit before loan impairment charges	1,263	1,407	90	1,263	1,143	1,168	1,254	1,407	4,972
Loan impairment charges	31	115	27	31	11	94	49	115	269
Profit before tax	1,232	1,292	95	1,232	1,132	1,074	1,205	1,292	4,703
Tax	271	284	95	271	249	236	265	284	1,034
Net profit for the period	961	1,008	95	961	883	838	940	1,008	3,669

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	18,688	29,978	62	18,688	18,643	21,270	19,351	29,978	18,643
Mortgage loans	779,211	805,001	97	779,211	810,139	803,643	803,233	805,001	810,139
Bonds and shares	45,523	45,588	100	45,523	46,435	42,840	43,607	45,588	46,435
Other assets	3,322	3,435	97	3,322	1,782	2,062	2,531	3,435	1,782
Total assets	846,744	884,002	96	846,744	876,999	869,815	868,722	884,002	876,999
Due to credit institutions etc.	2,000	2,000	100	2,000	2,000	2,000	2,000	2,000	2,000
Issued mortgage bonds	792,508	830,468	95	792,508	820,950	815,427	816,135	830,468	820,950
Other liabilities	5,403	4,737	114	5,403	4,577	3,809	2,857	4,737	4,577
Shareholders' equity	46,833	46,797	100	46,833	49,472	48,579	47,730	46,797	49,472
Total liabilities and equity	846,744	884,002	96	846,744	876,999	869,815	868,722	884,002	876,999

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	8.0	8.4		8.0	7.2	7.0	8.0	8.4	7.4
Impairment charges as % p.a. of mortgage lending	0.02	0.06		0.02	0.01	0.05	0.02	0.06	0.03
Cost/income ratio (%)	16.9	12.8		16.9	21.2	17.1	16.1	12.8	16.7
Total capital ratio (%)	27.9	27.4		27.9	25.3	27.3	28.2	27.4	25.3
Tier 1 capital ratio (%)	27.6	26.9		27.6	24.9	26.9	27.7	26.9	24.9
Full-time-equivalent staff (end of period)	228	224		228	217	216	224	224	217

The company announcement for the first quarter of 2022 has not been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim reports of issuers of listed bonds.