

## **Statement on inspection at Realkredit Danmark A/S (large loans)**

### **Introduction**

In March 2012, the Danish Financial Supervisory Authority (the FSA) conducted a function-based inspection at Realkredit Danmark.

During the inspection, the FSA reviewed a selection of the institution's large loans and its ten largest loan impairment charges, with the exception of charges against loans to central and local governments, credit institutions and subsidised housing associations.

### **Summary and risk assessment**

The loans reviewed were 43 large loans. In addition, the FSA received a status update on 27 other large loans.

The inspection also included a discussion of Realkredit Danmark A/S's strategy for its large loans and a review of its organisation, rules of procedure, risk policy and management and audit reports in this area.

The FSA is of the opinion that, at this point in time, the collateral held by Realkredit Danmark A/S in respect of the exposures reviewed has reasonable rankings. The FSA also finds that the credit quality of Realkredit Danmark A/S's large loans does not deviate negatively from the credit quality found at comparable institutions.

On the basis of the inspection, the FSA finds that, in general, Realkredit Danmark A/S has a good knowledge of its exposures and follows up on them.

In connection with the inspection, the FSA reprimanded Realkredit Danmark A/S for the delay in monitoring properties mortgaged as collateral for mortgage covered bonds (SDROs) that resulted in the institution's non-compliance with the minimum requirements regarding the time limits set for monitoring. The institution has also been ordered to make sure that, in future, staffing will be adequate in the valuation organisation. Realkredit Danmark A/S has informed us that, despite the delay in monitoring, there has never been any doubt about the adequacy of the additional collateral provided for SDRO loans.

At 31 December 2011, Realkredit Danmark A/S had calculated its solvency need at 16.3% and its capital requirement under the transitional rules for institutes with an IRB approval at 19.8%. Its actual solvency at 31 December 2011 was 35.8%.

The inspection did not give rise to any comments from the FSA on Realkredit Danmark A/S's calculation of its solvency need in the areas reviewed.