

MEMORANDUM

20 June 2025

File no. 24-013076

Statement on inspection at Realkredit Danmark A/S

During the periods from 4 November to 7 November 2024 and from 15 January to 17 January 2025, the Danish Financial Supervisory Authority (the Danish FSA) conducted an inspection at Realkredit Danmark A/S. The purpose of the inspection was twofold with a focus on the institution's largest impairment exposures and amounts in arrears as well as the institution's automated valuation model (the AVM).

During the inspection, the Danish FSA reviewed relevant policies, business procedures, reports and validations within the two areas.

The inspection of impairment charges and amounts in arrears comprised a review of 20 selected exposures. In addition, the Danish FSA reviewed Realkredit Danmark's governance setup in relation to impairment charges, including how Realkredit Danmark distributes management overlays. The Danish FSA did not consider the overall level of either impairment charges or management overlays.

The inspection of the AVM comprised a review of Realkredit Danmark's setup for the approval of a model value for mortgaging purposes and the related control environment.

Summary and risk assessment

Realkredit Danmark forms part of Denmark's largest SIFI group. Danske Bank arranges loans. Realkredit Danmark's market share has been modestly declining for a number of years.

Realkredit Danmark has outsourced significant business areas to Danske Bank, and this entails governance risks. This is also the case in the impairment area, and Realkredit Danmark's management should be aware of this situation.

Realkredit Danmark has been exempt from the requirement of inspection of all-year owner-occupied homes and may use the institution's AVM for mortgaging purposes.

The exemption is granted for one year at a time provided that the institution meets a number of conditions. At the time of inspection, the compliance function had not examined whether procedures had been established at Realkredit Danmark to ensure that the conditions of the exemption were met. The AVM is an important model for Realkredit Danmark, and it is therefore important that the institution ensures, on an ongoing basis, that the conditions of the exemption are met.

Realkredit Danmark has therefore been ordered to ensure that the compliance function has procedures in place to check that the conditions of the exemption are met. In the event that the task is placed with other units, the compliance function must ensure that documentation of such division of tasks is available and that relevant checks are performed.¹

¹ Section 17(2) of Danish Executive Order no. 1103 of 30 June 2022 on Management and Control of Banks etc. as amended.