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Statement on inspection at Realkredit Danmark A/S

Introduction

In the first half of 2017, the Danish Financial Supervisory Authority (the FSA) conducted an inspection (a functional inspection) at Realkredit Danmark A/S.

The inspection comprised a review of the 30 largest consolidated loans and the 10 largest loan impairment charges at 31 December 2016, the exception being loans granted to central and local governments, credit institutions and subsidised housing associations.

The FSA reviewed the board of directors' rules of procedure and written guidelines for the executive board with a focus on the credit area. Moreover, the FSA reviewed the credit policy, business procedures and reporting in the area.

Summary and risk assessment

The FSA is of the opinion that the credit quality of Realkredit Danmark's large loans is on a par with that of comparable institutions.

However, in respect of one sub-loan, discussions between Realkredit Danmark and the FSA gave rise to a downgrading of the rating by another two notches in relation to the downgrading made by the institution immediately prior to the inspection.

As regards three other sub-loans, Realkredit Danmark had downgraded the rating after the announcement of the inspection. The FSA agreed to the need for such downgrading.

The inspection did not give rise to any supervisory reactions or adjustment of the solvency need.