

**Nykredit  
Realkredit  
Group**

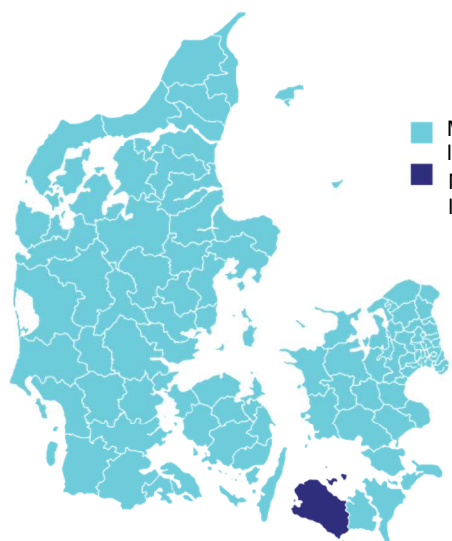
**H1 Interim Report 2019**



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## HIGHLIGHTS



- Municipalities in which Totalkredit's lending has grown in H1/2019.
- Municipalities in which Totalkredit's lending has not grown in H1/2019.

### We are increasing lending throughout Denmark

We provide loans all across the country. Together with our partner banks, Totalkredit has again increased lending to Danish homeowners all across Denmark.



### We share our progress

Nykredit is owned by an association. This is why we can give money back to our customers. In H1 we expanded our benefits programme – so customers with Totalkredit secured homeowner loans now also get KundeKroner discounts. Our customers have received more than DKK 700 million from the KundeKroner, ErhvervsKroner and MineMål programmes.

### We make it more attractive for our customers

Totalkredit customers receive discounts under the KundeKroner benefits programme. This reduces their administration margin payments, which today average DKK 626 monthly for each DKK 1 million borrowed. This is the lowest level for more than five years.



### We contribute to the green transition

We have registered growing demand for green bonds, making it more attractive for our corporate clients to finance energy-efficient buildings.



### We are official Danish Tokyo 2020 Olympic partner

Next summer when the Olympic flame is lit in Tokyo, Nykredit will be official partner to the Danish athletes at the 2020 Olympic Games. We feel a special bond with the local communities, which, thanks to the engagement of volunteers all across Denmark, organise community sports activities. And being owned by an association, we know that together we can do more.

# FINANCIAL HIGHLIGHTS

DKK million

| Nykredit Realkredit Group   | H1/<br>2019      | H1/<br>2018      | Q2/<br>2019      | Q1/<br>2019      | 2018             |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>BUSINESS PROFIT AND PROFIT FOR THE PERIOD</b>                              |                  |                  |                  |                  |                  |
| Net interest income   | 4,592            | 4,557            | 2,310            | 2,283            | 9,226            |
| Net fee income  | 1,155            | 1,028            | 671              | 484              | 1,950            |
| Wealth management income  | 719              | 670              | 369              | 350              | 1,361            |
| Net interest from capitalisation  | (172)            | (176)            | (84)             | (89)             | (356)            |
| Net income relating to customer benefits programmes <sup>1</sup>              | (103)            | (107)            | (23)             | (80)             | (248)            |
| Trading, investment portfolio and other income                                | 1,301            | 367              | 623              | 679              | 87               |
| <b>Income</b>   | <b>7,492</b>     | <b>6,337</b>     | <b>3,865</b>     | <b>3,627</b>     | <b>12,023</b>    |
| Costs   | 2,492            | 2,402            | 1,264            | 1,228            | 4,865            |
| <b>Business profit before impairment charges</b>                              | <b>5,001</b>     | <b>3,935</b>     | <b>2,601</b>     | <b>2,399</b>     | <b>7,157</b>     |
| Impairment charges for loans and advances                                     | 433              | 103              | 213              | 219              | 380              |
| <b>Business profit</b>  | <b>4,568</b>     | <b>3,832</b>     | <b>2,388</b>     | <b>2,180</b>     | <b>6,777</b>     |
| Legacy derivatives  | (269)            | 219              | (50)             | (219)            | 280              |
| <b>Profit before tax for the period</b>                                       | <b>4,298</b>     | <b>4,052</b>     | <b>2,338</b>     | <b>1,961</b>     | <b>7,057</b>     |
| Tax   | 684              | 758              | 354              | 330              | 1,247            |
| <b>Profit for the period</b>  | <b>3,615</b>     | <b>3,294</b>     | <b>1,984</b>     | <b>1,631</b>     | <b>5,810</b>     |
| Other comprehensive income, remaining items                                   | (3)              | (12)             | 29               | (32)             | (7)              |
| <b>Comprehensive income for the period</b>                                    | <b>3,612</b>     | <b>3,282</b>     | <b>2,013</b>     | <b>1,599</b>     | <b>5,803</b>     |
| Interest on Additional Tier 1 capital charged against equity                  | 117              | 116              | 59               | 58               | 233              |
| <b>SUMMARY BALANCE SHEET</b>  |                  |                  |                  |                  |                  |
| Assets  | 30.06.2019       | 30.06.2018       | 30.06.2019       | 31.03.2019       | 31.12.2018       |
| Receivables from credit institutions and central banks                        | 43,475           | 29,002           | 43,475           | 37,744           | 29,691           |
| Mortgage loans at fair value  | 1,232,135        | 1,178,370        | 1,232,135        | 1,217,330        | 1,193,667        |
| Bank loans excluding reverse repurchase lending                               | 63,505           | 58,344           | 63,505           | 60,723           | 60,566           |
| Bonds and equities  | 117,650          | 96,434           | 117,650          | 105,368          | 99,444           |
| Remaining assets  | 83,943           | 60,159           | 83,943           | 67,543           | 64,624           |
| <b>Total assets</b>   | <b>1,540,708</b> | <b>1,422,310</b> | <b>1,540,708</b> | <b>1,488,708</b> | <b>1,447,991</b> |
| Liabilities and equity  |                  |                  |                  |                  |                  |
| Payables to credit institutions and central banks                             | 26,647           | 17,541           | 26,647           | 21,653           | 15,692           |
| Deposits excluding repo deposits  | 79,959           | 72,365           | 79,959           | 79,682           | 76,946           |
| Bonds in issue at fair value  | 1,263,666        | 1,179,842        | 1,263,666        | 1,215,506        | 1,196,229        |
| Subordinated debt   | 11,077           | 10,982           | 11,077           | 11,034           | 11,011           |
| Remaining liabilities   | 78,786           | 64,139           | 78,786           | 82,154           | 68,236           |
| Equity  | 80,573           | 77,442           | 80,573           | 78,678           | 79,878           |
| <b>Total liabilities and equity</b>   | <b>1,540,708</b> | <b>1,422,310</b> | <b>1,540,708</b> | <b>1,488,708</b> | <b>1,447,991</b> |
| <b>FINANCIAL RATIOS</b>   |                  |                  |                  |                  |                  |
| Profit for the period as % pa of average business capital (ROAC) <sup>2</sup> | 12.2             | 11.6             | 13.2             | 11.2             | 10.2             |
| Profit for the period as % pa of average equity <sup>3</sup>                  | 9.2              | 8.6              | 10.1             | 8.3              | 7.5              |
| Costs as % of income  | 33.3             | 37.9             | 32.7             | 33.8             | 40.5             |
| Total provisions for loan impairment and guarantees                           | 7,914            | 8,058            | 7,914            | 7,925            | 8,184            |
| Impairment charges for the period, %  | 0.03             | 0.01             | 0.02             | 0.01             | 0.03             |
| Total capital ratio, %  | 24.7             | 24.8             | 24.7             | 21.4             | 25.4             |
| Common Equity Tier 1 capital ratio, %   | 20.5             | 20.5             | 20.5             | 20.4             | 21.0             |
| Internal capital adequacy requirement, %                                      | 10.1             | 10.1             | 10.1             | 10.0             | 10.0             |
| Average number of staff, full-time equivalent                                 | 3,378            | 3,376            | 3,434            | 3,322            | 3,382            |

<sup>1</sup> "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures" on page 26.

<sup>2</sup> "Profit for the period as % pa of average business capital (ROAC)" shows profit for the period relative to business capital. Profit corresponds to profit for accounting purposes less interest expenses for Additional Tier 1 (AT1) capital plus value adjustment of strategic equities recognised as "Other comprehensive income".

<sup>3</sup> For the purpose of return on equity etc, the AT1 capital raised in 2015 is treated as a financial obligation for accounting purposes, and the dividends thereon for accounting purposes are included as interest expenses on subordinated debt in profit for the period.

# EXECUTIVE SUMMARY

In H1/2019 all of Nykredit's business areas delivered a very satisfactory financial performance. The period was marked by high remortgaging activity, increased customer growth and solid investment portfolio income. Consequently, business profit grew to DKK 4,557 million from DKK 3,821 million in the same period last year, and profit before tax for the period, which was adversely impacted by legacy derivatives, came to DKK 3,606 million against DKK 3,285 million in H1/2018.

Backed by the positive H1 performance, Nykredit's outlook for business profit and profit before tax was raised to between DKK 7.25 billion and DKK 7.75 billion on 16 July. In the Annual Report for 2018, the outlook for business profit and profit before tax was between DKK 6.5 billion and 7.0 billion.

## The benefits of being owned by customers

Nykredit's majority shareholder is the association Forenet Kredit. Thanks to our special ownership structure, we are able to give money back to our customers. In H1 alone our customers received more than DKK 700 million from the KundeKroner, ErhvervsKroner and MineMål benefits programmes.

Since 1 July 2017 all customers with Totalkredit mortgage loans have received KundeKroner discounts. As from Q3/2019 customers with Totalkredit secured homeowner loans will also get back money in the form of KundeKroner discounts. Business customers with Nykredit Realkredit mortgage loans will get ErhvervsKroner discounts. KundeKroner and ErhvervsKroner are discounts that are automatically deducted from customers' administration margin.

Finally, our personal full-service banking customers who have consolidated all of their finances with Nykredit Bank also get a share of the contribution received from Forenet Kredit via the MineMål benefits programme. This means that customers receive a bonus of DKK 250 each quarter. In May Nykredit paid the contributions for Q2 into the MineMål accounts of customers who could now access a MineMål app and get attractive propositions from our business partners.

From 1 July 2019 customers qualifying for the MineMål programme may also receive a 0.15% discount on their debt outstanding on interest expenses for home loans with Nykredit Bank.

## Lowest administration margin payments for more than five years

KundeKroner and ErhvervsKroner discounts have a large impact on the costs of a mortgage loan. For instance, today homeowners' average administration margin payments to Totalkredit are the lowest for more than five years. This is partly due to the KundeKroner discounts. The programme also means that Totalkredit currently charges the lowest administration margin payments in the market on the most popular types of mortgage loans, such as fixed-rate mortgages and ARMs with 5-year interest reset.

## Lending growth in 97 out of 98 municipalities

Totalkredit's nominal lending grew by DKK 50.2 billion to DKK 701 billion and for the first time exceeds DKK 700 billion, corresponding to a 7.7% increase since 30 June 2018. And now more than 798,000 homeowners have Totalkredit loans. The solid progress is mainly attributable to the strong alliance with Totalkredit's partner banks and their customer growth.

It is satisfactory that we are welcoming new customers throughout Denmark, and Totalkredit recorded lending growth in 97 out of 98 municipalities in H1. It makes us proud to know that we, in concert with our business partners, provide loans all across Denmark – also in regions where other lenders tend to hold back.

The strong alliance with Nykredit's partner banks will be further consolidated with the implementation of the new shared property valuation unit serving the Totalkredit partners, which is well underway and will ensure uniform property valuations, fast response times and focus on customer experience.

## Growth in Nykredit Bank

Bank lending grew by DKK 5.2 billion to DKK 63.5 billion, corresponding to an 8.8% increase since 30 June 2018. Including secured homeowner loans of DKK 6.7 billion transferred to Totalkredit, lending has increased by 10.4% since June 2018. Assets under management rose by 15% in the same period, bearing testament to the current success of our Wealth Management division.

## Organisational adjustments

As previously announced, we have implemented organisational adjustments to consolidate our Winning the Double strategy even further and to take the customer experience to the next level. As from 1 June, Tonny Thierry Andersen joined Nykredit as Group Managing Director with responsibility for our Banking division. The new business segments have been incorporated into the Group's financial reporting as from Q2/2019.

## Nykredit wins awards

Nykredit's wealth propositions won several awards in H1. In April, Nykredit Private Banking won the category European Private Bank Domestic Clients Team 2019 from WealthBriefing, a global financial media and market research company. In June, for the second consecutive year Nykredit Private Banking won Outstanding Private Banking Customer Relationship Service and Engagement at the Private Banker International Awards in London.

Furthermore, Nykredit Asset Management achieved a higher ranking by the largest institutional clients in Prospera's annual survey.

Morningstar, an independent research provider, has named Nykredit Invest the best investment fund in Denmark in three out of eight categories. For the second year running, Nykredit Invest won the two main categories: best manager of equities and bonds, and best bond manager. Nykredit Invest was also named best balanced fund.

## Nykredit's corporate responsibility

As one of Denmark's largest financial undertakings, Nykredit is committed to actively supporting long-term, stable and sustainable development of society. We are committed to minimising any negative impacts of our business and to contributing positively to society by creating maximum shared value for our owners, our customers and society as a whole.

We have set a goal to increase the amount of green assets in our loan portfolios year by year. To this end, we have just launched green

mortgage loans and bonds to make it more attractive to finance energy-efficient buildings. The green bonds will initially be offered to major corporate clients.

We also offer green car loans to finance electric and hybrid cars. We believe that minor adjustments in, for example, the price of car loans, could foster greener behaviour.

#### **Official Danish Tokyo 2020 Olympic partner**

Next summer when the Olympic flame is lit in Tokyo, Nykredit will be official partner to the Danish athletes at the 2020 Olympic Games together with other Danish companies. We are proud to support the Danish athletes before, during and after the Olympic Games. Nykredit feels a special bond with Denmark's community-based associations all across Denmark, coming from the long-standing Danish tradition of association, and is the only of its kind in Denmark that is still owned by an association of customers. Being customer-owned, we know that individual training will take us far but only a team effort will get us across the finish line.

#### **Endorsing the Principles for Responsible Banking**

Nykredit has endorsed the UN Principles for Responsible Banking (PRB), which are a set of global guiding principles for responsible banking. Banks worldwide agree to respect the principles when developing strategies as well as in their day-to-day operations. Banks which endorse the PRB are also obliged to report and set goals for their impact on society in a number of key areas. The endorsement aligns with Nykredit's pledge to society and the customer-ownership structure as well as our sustainability commitment.

#### **Joining strengths with Sparinvest**

As announced in the Q1/2019 Interim Report, Nykredit has entered into a conditional agreement with Sparinvest to obtain 75% of its shares. The acquisition of Sparinvest is a significant investment in the future competitiveness of both Nykredit and the Totalkredit alliance. Many of the current owners are part of the Totalkredit alliance. Joining strengths with Sparinvest will increase our joint competitiveness and distribution power, consolidate our wealth management skills and secure a wider and stronger product portfolio, improving our capacity to meet the demands that both personal customers and institutional clients place on us as an asset manager, also in the long run.


In July the Danish Competition and Consumer Authority approved the acquisition of Sparinvest, and subsequently, on 14 August 2019, the Luxembourg supervisory authority (CSSF) also approved the Sparinvest acquisition. Completion is expected immediately after Sparinvest Holdings SE's general meeting on 30 August 2019.


#### **Conditional agreement on the acquisition of shares in LR Realkredit**

In April Nykredit entered into a conditional agreement to acquire all shares in LR Realkredit A/S. The agreement is subject to approval by the authorities.



# FINANCIAL REVIEW

|   |                                    |                                  |                           |
|---|------------------------------------|----------------------------------|---------------------------|
|  | <b>Business profit for H1/2019</b> | <b>Profit for H1/2019</b>        | <b>Income for H1/2019</b> |
|   | <b>DKK 4,568 million</b>           | <b>DKK 4,298 million</b>         | <b>DKK 7,492 million</b>  |
|   | Business profit                    | Profit before tax for the period | Income                    |

|   |   |   |                          |
|---|---|---|--------------------------|
|  | <b>ROAC</b>   | <b>Return on equity</b>                         | <b>Cost:income ratio</b> |
|   | <b>12.2%</b>  | <b>9.2%</b>                                     | <b>33.3%</b>             |
|   | Profit for the period as % pa of average business capital | Profit for the period as % pa of average equity | Costs as % of income     |

## FINANCIAL PERFORMANCE IN H1/2019

Nykredit delivered a satisfactory profit before tax for H1 of DKK 4,298 million (H1/2018: DKK 4,052 million). The business profit amounted to DKK 4,568 million (H1/2018: DKK 3,832 million). The higher-than-expected profit was driven by increasing business volumes, high remortgaging activity combined with equity market gains etc, which had a favourable impact on investment portfolio income.

On 16 July we consequently raised our outlook for 2019 to business profit and profit before tax of between DKK 7.25 billion and DKK 7.75 billion.

### Income

Total income came to DKK 7,492 million in H1/2019 (H1/2018: DKK 6,337 million).

Net interest income came to DKK 4,592 million (H1/2018: DKK 4,557 million). Continued increasing bank and mortgage lending positively affected net interest income, but margins are under pressure as more and more customers opt for fixed-rate repayment loans.

Net fee income, chiefly from lending activities, including mortgage loan refinancing and other services, increased to DKK 1,155 million in H1/2019 (H1/2018: DKK 1,028 million), primarily due to noticeably higher remortgaging activity in Q2.

Wealth Management income came to DKK 719 million (H1/2018: DKK 670 million); mainly backed by strong growth in assets under management.

Net interest expenses from capitalisation, which includes interest on subordinated debt, were stable at DKK 172 million (H1/2018: DKK 176 million).

Net income relating to the customer benefits programmes KundeKroner, ErhvervsKroner and MineMål was a negative DKK 103 million (H1/2018: a negative DKK 107 million). The amount includes contributions received from Forenet Kredit.

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, increased to DKK 1,301 million (H1/2018: DKK 367 million). Investment portfolio income was noticeably higher in H1/2019 than in the same period last year, driven by con-

siderable capital gains from, for instance, our Danish bank equity portfolio, yet partly offset by negative value adjustments of swaps, which were impacted by falling interest rates.

### Costs

Total costs came to DKK 2,492 million (H1/2018: DKK 2,402 million). The increase was mainly due to the costs of establishing the new shared property valuation unit, provisions for termination benefits in connection with the organisational adjustments, extraordinary expenses related to increasing remortgaging activity as well as investments in compliance. Costs as a percentage of income totalled 33.3% in H1/2019 (H1/2018: 37.9%).

The Group still invests substantial resources in compliance and observance of new regulatory requirements, as well as in the development of the new future-proof mortgage lending platform.

The average headcount was 3,378 (H1/2018: 3,376).

### Impairment charges for loans and advances

Impairment charges for loans and advances remained low at DKK 433 million in H1/2019 (H1/2018: DKK 103 million).

### Legacy derivatives

Legacy derivatives, which are not included in business profit, saw a negative value adjustment of DKK 269 million (H1/2018: a gain of DKK 219 million). The decline was primarily driven by decreasing interest rates. Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 6.2 billion (end-2018: DKK 5.6 billion). The portfolio was written down to DKK 4.0 billion at end-June 2019.

### Tax

Tax calculated on profit for the period was DKK 684 million (H1/2018: DKK 758 million).



## Balance sheet

Nominal mortgage lending was DKK 1,197 billion at end-June 2019, equal to an increase of DKK 25.2 billion on end-2018 and DKK 43.4 billion on end-June 2018. All business areas recorded growth.

The Group's market share of total Danish mortgage lending was 41.7% at end-June 2019 (end-2018: 41.3%).

Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 70.2 billion (end-2018: DKK 66.8 billion). At 30 June 2019 secured homeowner loans transferred to Totalkredit amounted to DKK 6.7 billion (end-2018: DKK 6.2 billion).

Guarantees provided by Nykredit amounted to DKK 6.2 billion at end-June 2019 (end-2018: DKK 5.9 billion).

Deposits, excluding repo deposits, increased by DKK 3.0 billion to DKK 79.9 billion (end-2018: DKK 76.9 billion).

Nykredit Bank's deposits exceeded lending by DKK 16.6 billion at end-June 2019 (end-2018: DKK 16.6 billion).

## Equity

The Nykredit Realkredit Group's equity stood at DKK 80.6 billion at end-June 2019 (end-2018: 79.9 billion). In March 2019 dividend of DKK 2.8 billion was distributed to the Company's shareholders.

## RESULTS FOR Q2/2019 RELATIVE TO Q1/2019

The Group recorded a profit before tax of DKK 2,338 million in Q2/2019 (Q1/2019: DKK 1,961 million).

Income went up to DKK 3,865 million in Q2 (Q1/2019: DKK 3,627 million), chiefly driven by rising net interest income and Wealth Management income as well as higher net fee income resulting from extraordinarily high remortgaging activity. In addition, there is a continued positive trend in investment portfolio income.

Costs rose to DKK 1,264 million in Q2/2019 (Q1/2019: DKK 1,228 million), mainly spurred by increased costs of extraordinary remortgaging activity, onboarding of staff for the shared property valuation unit as well as investments in compliance.

Impairment charges for loans and advances were DKK 213 million (Q1/2019: DKK 219 million) and remain low.

Legacy derivatives resulted in a negative value adjustment of DKK 50 million (Q1/2019: DKK 219 million), primarily driven by changes in interest rates and a tightening of the credit and funding spreads.

## OUTLOOK FOR 2019

The Nykredit Group's outlook for business profit and profit before tax for 2019 was raised on 16 July 2019 to between DKK 7.25 billion and DKK 7.75 billion. The previously announced outlook for business profit and profit before tax for 2019 was DKK 6.5-7.0 billion.

The upward revision is a result of high growth in lending and assets under management, high remortgaging activity, as well as to a substantial extent a very positive trend in investment portfolio income driven by considerable capital gains from, for instance, our Danish bank equity portfolio.

The Sparinvest transaction is scheduled for completion on 30 August 2019 having clearance from the relevant authorities, and Sparinvest is therefore included in the above outlook for 2019. Inclusion of Sparinvest has not affected the above outlook for 2019, seeing that Sparinvest is not expected to have a significant impact on the Group's profit in the first year, as increased costs are expected in connection with the integration of Sparinvest.

Since the end of the period under review long-term market rates have fallen significantly, adversely affecting particularly legacy derivatives. As a consequence of the interest rate decline the value of legacy derivatives as well as profit before tax are subject to significant uncertainty.

In addition, the following significant uncertainty factors apply to the 2019 outlook: Investment portfolio income due to Nykredit's portfolio of bank equities, as well as loan impairments.

## SPECIAL ACCOUNTING CIRCUMSTANCES

### Implementation of IFRS 16 "Leases"

IFRS 16 was implemented with effect from 1 January 2019. The standard implies capitalisation of Nykredit's rights to leased assets, including leasehold premises, and the recognition of liabilities arising from such leases.

A simplified transition approach has been applied to leases where Nykredit acts as lessee, and therefore comparative figures have not been restated. This implementation has increased Nykredit's assets and liabilities by just above DKK 0.8 billion, or about 0.1% of the balance sheet total.

Further reference is made to note 1, accounting policies, in the Financial Statements.

### Change in accounting policies following implementation of annual improvements to IFRS standards 2015-2017

With effect from 1 January 2019 IAS 12 "Income Taxes" has been changed. For Nykredit, this means that taxes relating to interest expenses for Additional Tier 1 capital will be recognised in profit as from 1 January 2019. The tax effect was previously recognised directly in equity together with the interest expense.



### **Changed presentation of impact of customer benefits programmes**

The presentation of the impact of customer benefits programmes was changed with effect from 1 January 2019. The impact was previously presented under each business area. In future, the impact will be presented separately under Group Items as income. The change is aimed at providing a more transparent presentation of the performance of business areas, which, in future, will be presented excluding the impact of the Group's customer benefits programmes. Net income relating to customer benefits programmes will be presented as "Net income relating to customer benefits programmes" in Group Items. Comparative figures for 2017 and 2018 have been restated to reflect the change of presentation. The change does not affect the presentation in the income statement on page 28.

### **OTHER**

#### **KundeKroner, ErhvervsKroner and MineMål**

The Committee of Representatives of Forenet Kredit decided on 21 March 2019 to make a total contribution of DKK 1.25 billion to Nykredit Realkredit, Nykredit Bank and Totalkredit to the benefit of the customers in 2020.

Totalkredit will thus receive DKK 725 million in 2020. Nykredit Realkredit A/S will receive DKK 225 million, and Nykredit Bank A/S will receive DKK 300 million, also in 2020. These amounts will be used to secure the funding of our customer benefits programmes.

#### **Conditional agreement on purchase of shares in Sparinvest**

Nykredit has entered into a conditional agreement with Sparinvest, a Danish asset manager, to obtain 75% of its shares.

In July the Danish Competition and Consumer Authority approved the acquisition of Sparinvest, and subsequently, on 14 August 2019, the Luxembourg supervisory authority (CSSF) also approved the Sparinvest acquisition. Completion is expected immediately after Sparinvest Holdings SE's general meeting on 30 August 2019. Sparinvest will subsequently become a subsidiary of Nykredit Bank A/S.

#### **Conditional agreement on purchase of shares in LR Realkredit A/S**

On 11 April Nykredit entered into a conditional purchase agreement with the group of owners behind LR Realkredit A/S to acquire all shares in the company at a price of DKK 2.6 billion. The agreement is subject to approval by the authorities.

### **UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT**

Measurement of certain assets and liabilities is based on accounting estimates made by Group Management.

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment and unlisted financial instruments, see note 1, accounting policies, to which reference is made.

### **MATERIAL RISKS**

The Group's most material risks are described in detail in note 49 of the Annual Report for 2018, to which reference is made.

### **EVENTS SINCE THE BALANCE SHEET DATE**

On 9 July 2019 the Danish competition authorities approved the acquisition of Sparinvest, and on 14 August 2019, the Luxembourg supervisory authority (CSSF) also approved the Sparinvest acquisition. Inclusion of Sparinvest is not expected to have a significant impact on the Group's profit before tax, as increased costs are expected in connection with the integration of Sparinvest.

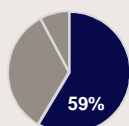
No further events have occurred in the period up to the presentation of the H1 Interim Report 2019 which materially affect the Group's financial position.



# BUSINESS AREAS

Nykredit's governance and organisational structure is based on the following business areas:

## Banking



Includes Retail and Corporates & Institutions.

Retail comprises mortgage lending and banking services tailored to Nykredit's personal customers and SME's, including agricultural customers and residential rental customers. Retail also includes estate agency and leasing activities.

Corporates & Institutions comprises Nykredit's corporate and institutional clients, the public housing segment, large housing cooperatives and mortgage lending to business customers for properties abroad. The division is also responsible for Nykredit's activities within securities trading and financial instruments.

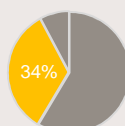
**Business profit:**  
DKK 2,120 million

**Income:** DKK 4,359 million

**Impairment charges for loans and advances:** DKK 372 million

**Total loans and advances:**  
DKK 657.8 billion

## Totalkredit Partners



Includes Totalkredit-branded mortgage loans to personal and business customers arranged by 55 Danish local and regional banks. Mortgage loans arranged by Nykredit are included in the business area Banking.

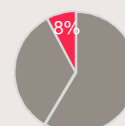
**Business profit:**  
DKK 1,219 million

**Income:** DKK 1,566 million

**Impairment charges for loans and advances:** DKK 58 million

**Total loans and advances:**  
DKK 589.9 billion

## Wealth Management



Includes Asset and wealth management activities. The division includes the business units Nykredit Asset Management, Nykredit Portefølje Administration and Private Wealth Management.

**Business profit:**  
DKK 281 million

**Income:** DKK 510 million

**Total loans and advances:**  
DKK 12.8 billion

**Assets under management:**  
DKK 233 billion

**Assets under administration:**  
DKK 755 billion

Percentages show the share of the business divisions' business profit for H1/2019 excluding Group Items.

To this should be added Group Items, which comprises other income and costs not allocated to the business areas as well as core income from securities and investment portfolio income.

Please refer to note 3 in the Financial Statements for complete segment financial statements with comparative figures.

The Group's profit before tax by business area is described in more detail on the following pages.

# BANKING

DKK million

| Results –<br>Banking                             | H1/<br>2019  | H1/<br>2018  | Q2/<br>2019  | Q1/<br>2019  | 2018         |
|--|--------------|--------------|--------------|--------------|--------------|
| Net interest income                              | 3,155        | 3,150        | 1,580        | 1,575        | 6,354        |
| Net fee income                                   | 877          | 763          | 491          | 386          | 1,485        |
| Wealth management income                         | 291          | 312          | 147          | 144          | 630          |
| Net interest from capitalisation                 | (167)        | (173)        | (88)         | (79)         | (343)        |
| Trading, investment portfolio and other income   | 202          | 460          | 145          | 58           | 641          |
| <b>Income</b>                                    | <b>4,359</b> | <b>4,512</b> | <b>2,275</b> | <b>2,084</b> | <b>8,767</b> |
| Costs  | 1,867        | 1,819        | 972          | 895          | 3,733        |
| <b>Business profit before impairment charges</b> | <b>2,492</b> | <b>2,693</b> | <b>1,303</b> | <b>1,189</b> | <b>5,034</b> |
| Impairment charges for mortgage lending          | 278          | 19           | 143          | 135          | (11)         |
| Impairment charges for bank lending              | 94           | 98           | 58           | 36           | 259          |
| <b>Business profit</b>                           | <b>2,120</b> | <b>2,576</b> | <b>1,102</b> | <b>1,018</b> | <b>4,786</b> |
| Legacy derivatives                               | (269)        | 220          | (50)         | (219)        | 280          |
| <b>Profit before tax</b>                         | <b>1,851</b> | <b>2,795</b> | <b>1,052</b> | <b>799</b>   | <b>5,066</b> |

## H1 in summary

Banking will continue its efforts to become the best bank for customers. The steady focus on enhancing the customer experience resulted in a continued satisfactory intake of full-service customers under Nykredit's homeowner banking programme, BoligBank. Our customer benefits programmes, MineMål, KundeKroner and ErhvervsKroner, which provide unique benefits to Nykredit's customers, form an active part of our customer advisory proposition.

Banking is making every effort to fulfil customers' wishes to take advantage of the favourable remortgaging opportunities, which have marked H1/2019. The strong demand affords many opportunities in the market.

Banking was set up in connection with the organisational adjustments in March 2019 and comprises the former business areas Retail Personal Banking, Retail Business Banking as well as Corporate & Institutional Banking and Markets (together Corporates & Institutions).

Merging these areas into one Banking division will support our efforts to strengthen the customer experience by, for example,

- expanding our MineMål benefits programme with a MineMål app
- improving accessibility through a new service concept
- enhancing services for major corporate clients by concentrating specialist skills in five new corporate banking centres
- maintaining expertise within strategic financial advisory services and capital market transactions.

The MineMål benefits programme, which is aimed at full-service homeowner customers of Nykredit, now includes a MineMål app. The app enables customers to use the bonus paid into their MineMål accounts for a variety of services tailored to homeowners. As from 1 July customers also get a discount on home bank loans.

Nykredit business customers may now use our new self-service solution, which enhances customer experience through a faster assessment and onboarding of new customers. In addition, a specialist team has been set up to ensure smooth customer onboarding.

Furthermore, Banking is committed to ensuring that Nykredit complies with all the tightened regulatory requirements concerning the treatment of personal data and prevention of money laundering.

## Results for H1/2019 relative to H1/2018

Banking delivered a business profit of DKK 2,120 million in H1/2019 (H1/2018: DKK 2,576 million).

Increasing bank and mortgage lending affected net interest income positively, just as the significantly higher remortgaging activity in Q2 impacted net fee income as demonstrated by a 15% increase on H1/2018. Total income amounted to DKK 4,359 million, down DKK 154 million on the same period last year (H1/2018: DKK 4,512 million). This decrease was primarily driven by lower trading, investment portfolio and other income, generated by negative value adjustments of swaps.

Costs rose by DKK 48 million to DKK 1,867 million (H1/2018: DKK 1,819 million) owing to the considerable resources allocated to compliance as well as increased expenses in connection with mortgage refinancing activity.

Impairment charges for loans and advances increased to DKK 372 million (H1/2018: DKK 118 million) despite the continued favourable economic trends. This increase was due to an adjustment in the use of property values in the impairment model at portfolio level.

Legacy derivatives saw a negative value adjustment of DKK 269 million (H1/2018: a gain of DKK 220 million).

## Results for Q2/2019 relative to Q1/2019

Banking delivered a business profit of DKK 1,102 million in Q2 (Q1/2019: DKK 1,018 million).

Income increased to DKK 2,275 million (Q1/2019: DKK 2,084 million), mainly driven by higher net fee income from high remortgaging activity in Q2 and increased trade and investment portfolio income and net interest income.

Costs rose to DKK 972 million (Q1/2019: DKK 895 million) as a result of the organisational adjustments in March and extraordinary expenses for remortgaging activity.

The earnings impact of impairment charges for loans and advances is stable. Impairment charges for loans and advances were DKK 201 million (Q1/2019: DKK 171 million).

Legacy derivatives saw a negative value adjustment of DKK 50 million (Q1/2019: DKK 219 million), primarily driven by changes in interest rates and a tightening of the credit and funding spreads.

**Selected balance sheet items**

| <b>Banking</b>                             | 30.06.2019 | 31.03.2019 | 31.12.2018 | 30.06.2018 |
|--|------------|------------|------------|------------|
| <b>Retail Personal Banking</b>             |            |            |            |            |
| Loans and advances                         | 184,406    | 182,903    | 183,533    | 185,620    |
| - of which mortgage lending, nominal value | 166,585    | 165,565    | 166,635    | 169,348    |
| - of which secured homeowner loans         | 7,723      | 7,451      | 7,074      | 6,568      |
| - of which bank lending                    | 10,099     | 9,886      | 9,824      | 9,704      |
| Deposits                                   | 33,185     | 30,788     | 30,332     | 29,404     |
| <b>Retail Business Banking</b>             |            |            |            |            |
| Loans and advances                         | 250,663    | 252,199    | 251,981    | 253,380    |
| - of which mortgage lending, nominal value | 228,097    | 230,038    | 230,847    | 232,948    |
| - of which bank lending                    | 22,565     | 22,161     | 21,134     | 20,432     |
| Deposits                                   | 19,406     | 18,121     | 19,055     | 17,797     |
| <b>Corporates &amp; Institutions</b>       |            |            |            |            |
| Loans and advances                         | 222,714    | 219,486    | 216,702    | 211,000    |
| - of which mortgage lending, nominal value | 197,674    | 196,971    | 193,360    | 188,794    |
| - of which bank lending                    | 25,040     | 22,515     | 23,342     | 22,206     |
| Deposits                                   | 8,585      | 10,162     | 11,708     | 10,167     |

**Activities**

Loan volumes totalled DKK 657.8 billion at 30 June 2019 (end-2018: DKK 652.2 billion), of which DKK 7.7 billion was secured homeowner loans (end-2018: DKK 7.1 billion).

Bank lending in Retail Personal Banking came to DKK 10.1 billion (end-2018: DKK 9.8 billion). Bank deposits in Retail Personal Banking rose by DKK 2.9 billion in the same period to DKK 33.2 billion.

Bank lending in Retail Business Banking increased by DKK 1.4 billion to DKK 22.6 billion (end-2018: DKK 21.1 billion).

Bank lending in Corporates & Institutions stood at DKK 25.1 billion (end-2018: 23.3 billion).

**Arrears**

At the March due date 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.76% against 0.87% at the same date in 2018.



# TOTALKREDIT PARTNERS

DKK million

| Results –  | H1/<br>2019  | H1/<br>2018  | Q2/<br>2019 | Q1/<br>2019 | 2018         |
|--|--------------|--------------|-------------|-------------|--------------|
| <b>Totalkredit Partners</b>                      |              |              |             |             |              |
| Net interest income                              | 1,372        | 1,354        | 697         | 675         | 2,754        |
| Net fee income                                   | 270          | 260          | 170         | 100         | 478          |
| Net interest from capitalisation                 | (87)         | (78)         | (47)        | (40)        | (177)        |
| Trading, investment portfolio and other income   | 11           | 1            | (6)         | 17          | 14           |
| <b>Income</b>                                    | <b>1,566</b> | <b>1,538</b> | <b>814</b>  | <b>752</b>  | <b>3,070</b> |
| Costs  | 290          | 271          | 137         | 152         | 551          |
| <b>Business profit before impairment charges</b> | <b>1,277</b> | <b>1,267</b> | <b>677</b>  | <b>599</b>  | <b>2,519</b> |
| Impairment charges for mortgage lending          | 58           | (44)         | 34          | 24          | 122          |
| <b>Business profit</b>                           | <b>1,219</b> | <b>1,311</b> | <b>643</b>  | <b>576</b>  | <b>2,397</b> |

## H1 in summary

Totalkredit Partners focuses on further strengthening the alliance with our partner banks, and in H1/2019 this resulted in

- growth in lending of DKK 23.4 billion all across the country
- Totalkredit now offers the lowest administration margin payments in the market on the most popular types of mortgage loans, such as fixed-rate mortgages and ARMs with 5-year interest reset, due to the KundeKroner discounts
- exceptionally high remortgaging activity
- the launch of a shared property valuation unit as from Q1/2019
- a joint IT platform, supporting our continued ability to offer customers the best home financing options
- two new loan types that offer customers an interest-only period of up to 30 years.

The Totalkredit alliance is developing a joint future-proof IT platform, which in the coming years will ensure that the alliance as a whole is better positioned to offer customers the best home financing options. All three of the collaborating IT partners have implemented the first part of the platform, offering customers and advisers a better overview of customers' aggregate facilities, including Totalkredit mortgage loans.

Implementation of a new shared property valuation unit serving the Totalkredit alliance, Shared Valuation, is well underway. As a result, Totalkredit has transferred a number of staff members from the partner banks. Shared Valuation will ensure uniform property valuations, fast response times and focus on customer experience. The unit is expected to be fully implemented by end-Q3.

In Q1 Totalkredit launched two new types of loan with an interest-only option of up to 30 years. The loans are aimed at customers requiring a loan of not more than 75% of the property value and come with an interest-only option of up to 30 years if the loan-to-value ratio does not exceed 60% during the term of the loan. The loans are flexible as customers are offered the option to increase or decrease their repayments each quarter.

Totalkredit business mortgages are offered to the segments Office and Retail, Residential Rental as well as Industry and Trades. A total of 38 banks, representing the majority of partner banks having business customers with mortgage needs, offer business mortgages.

## Results for H1/2019 relative to H1/2018

Totalkredit Partners recorded business profit of DKK 1,219 million (H1/2018: DKK 1,311 million).

Income, which amounted to DKK 1,566 million (H1/2018: DKK 1,538 million), was satisfactory.

Net interest income increased to DKK 1,372 million (H1/2018: DKK 1,354 million) and was positively affected by rising mortgage lending, but margins are under pressure as more and more customers opt for fixed-rate repayment loans.

Net fee income increased by DKK 10 million to DKK 270 million relative to the same period last year (H1/2018: DKK 260 million), primarily spurred by exceptionally high growth in remortgaging activity in Q2 offset by high refinancing volumes in H1/2018.

Costs rose to DKK 290 million (H1/2018: DKK 271 million), primarily due to extraordinary expenses for mortgage refinancing business, establishment of the new shared property valuation unit as well as rising expenses for compliance.

Impairment charges for loans and advances were DKK 58 million compared with a net reversal of DKK 44 million in Q2/2018. The negative earnings impact is attributable to an increased total loan portfolio.

## Results for Q2/2019 relative to Q1/2019

Totalkredit Partners delivered a business profit of DKK 643 million in Q2 (Q1/2019: DKK 576 million).

Income rose by DKK 63 million to DKK 814 million (Q1/2019: DKK 752 million), mainly driven by higher net interest income and net fee income related to high remortgaging activity.

Impairment charges for loans and advances were DKK 34 million (Q1/2019: DKK 24 million).



DKK million

**Selected balance sheet items**

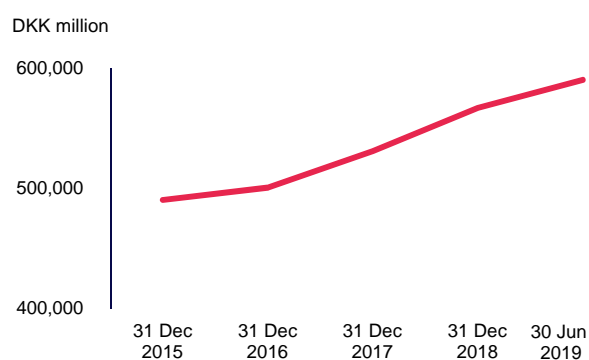
| <b>Totalkredit Partners</b>                | 30.06.2019 | 31.03.2019 | 31.12.2018 | 30.06.2018 |
|--|------------|------------|------------|------------|
| <b>Personal Banking</b>                    |            |            |            |            |
| Loans and advances                         | 584,910    | 571,469    | 562,459    | 546,360    |
| - of which mortgage lending, nominal value | 574,364    | 560,664    | 551,454    | 535,022    |
| - of which secured homeowner loans         | 10,545     | 10,805     | 11,005     | 11,338     |
| <b>Business Banking</b>                    |            |            |            |            |
| Loans and advances                         | 4,998      | 4,322      | 4,093      | 3,114      |
| - of which mortgage lending, nominal value | 4,998      | 4,322      | 4,093      | 3,114      |

**Activities**

Totalkredit Partners recorded heavy growth in lending in H1/2019, and lending to personal customers came to DKK 584.9 billion at end-June 2019 (end-2018: DKK 562.5 billion), equal to an increase of 4.0%. The business loan portfolio increased by DKK 0.9 billion to DKK 5.0 billion (end-2018: DKK 4.1 billion).

**Arrears**

At the March due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.21% against 0.17% at the same date in 2018.

**Lending, Totalkredit Partners**



## WEALTH MANAGEMENT

DKK million

| Results –  | H1/<br>2019 | H1/<br>2018 | Q2/<br>2019 | Q1/<br>2019 | 2018       |
|--|-------------|-------------|-------------|-------------|------------|
| <b>Wealth Management</b>                         |             |             |             |             |            |
| Net interest income                              | 65          | 58          | 33          | 33          | 120        |
| Net fee income                                   | 15          | 12          | 10          | 5           | 24         |
| Wealth management income                         | 422         | 350         | 220         | 203         | 714        |
| Net interest from capitalisation                 | (5)         | (3)         | (2)         | (2)         | (8)        |
| Trading, investment portfolio and other income   | 12          | 7           | 7           | 6           | 13         |
| <b>Income</b>                                    | <b>510</b>  | <b>423</b>  | <b>267</b>  | <b>244</b>  | <b>863</b> |
| Costs  | 234         | 228         | 116         | 118         | 471        |
| <b>Business profit before impairment charges</b> | <b>276</b>  | <b>195</b>  | <b>150</b>  | <b>126</b>  | <b>392</b> |
| Impairment charges for mortgage lending          | 0           | (1)         | 0           | 0           | (5)        |
| Impairment charges for bank lending              | (5)         | 22          | (24)        | 19          | 24         |
| <b>Business profit</b>                           | <b>281</b>  | <b>174</b>  | <b>174</b>  | <b>107</b>  | <b>373</b> |
| Legacy derivatives                               | 0           | 0           | 0           | 0           | 0          |
| <b>Profit before tax</b>                         | <b>281</b>  | <b>174</b>  | <b>174</b>  | <b>107</b>  | <b>373</b> |

### H1 in summary

Wealth Management serves high-net-worth clients and offers asset management and portfolio administration services to institutional clients, foundations, municipalities and businesses. By joining forces with Sparinvest we make considerable investments in our future competitiveness and distribution power, consolidate our wealth management skills and secure a wider and stronger product portfolio, improving our capacity to meet the demands that both personal customers and institutional clients place on us as an asset manager.

Wealth Management wants to enhance the customer experience by, for example,

- strengthening wealth management skills through the acquisition of Sparinvest
- expanding our business area within administration of credit and lending strategies in Nykredit Portefølje Administration

Nykredit Private Banking continued winning awards in 2019. Most recently, Private Banking won Outstanding Private Banking Customer Relationship Service and Engagement for the second consecutive year at the Private Banker International Awards in London. Nykredit Private Banking Elite also won Best Domestic Clients Team in the category European Private Banking at the Wealth Briefing European Awards 2019 and was honoured with second place in the category Best Private Banking Service in Denmark by Euromoney.

70.0% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2019, and 74.3% generated above-benchmark returns over the past three years. Both are considered satisfactory.

Nykredit Portefølje Administration applied for and obtained authorisation to administer a number of credit and lending strategies. In recent years, an increasing number of investors have turned towards alternative investments. This trend is expected to continue. Nykredit Portefølje Administration has several different alternative asset classes under administration, and with the increasing demand for this asset class, new authorisations have been applied for and obtained from the Danish FSA.

### Results for H1/2019 relative to H1/2018

Wealth Management's business profit remained high at DKK 281 million in H1/2019 (H1/2018: DKK 174 million).

Income amounted to DKK 510 million and was rising compared with H1/2018 (H1/2018: DKK 423 million). The increase was driven by growth in wealth management income from Nykredit Markets products and asset management products, which in H1/2019 came to DKK 422 million (H1/2018: DKK 350 million). Income rose due to growth in assets under management and in Nykredit's investment funds.

### Results for Q2/2019 relative to Q1/2019

Wealth Management's business profit totalled DKK 174 million in Q2, which was a rise of DKK 68 million compared with the previous quarter (Q1/2019: DKK 107 million).

Income went up by DKK 267 million in Q2/2019 (Q1/2019: DKK 244 million), mainly due to higher activity in Nykredit Markets.

Impairment charges for loans and advances were a net reversal of DKK 24 million (Q1/2019: a charge of DKK 19 million).

DKK million

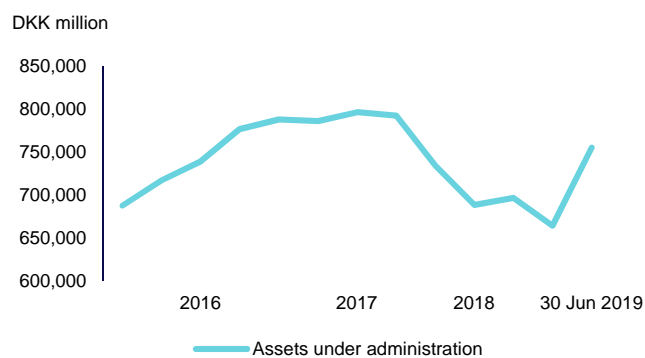
**Selected balance sheet items**

| <b>Wealth Management</b>                   | 30.06.2019 | 31.03.2019 | 31.12.2018 | 30.06.2018 |
|--|------------|------------|------------|------------|
| <b>Assets under management:</b>            | 232,852    | 230,297    | 210,623    | 202,425    |
| - of which Nykredit Group investment funds | 78,069     | 74,837     | 68,758     | 67,756     |
| <b>Assets under administration:</b>        | 755,342    | 734,513    | 664,590    | 688,620    |
| <b>Lending/deposits</b>                    |            |            |            |            |
| Loans and advances                         | 12,771     | 13,077     | 12,721     | 11,679     |
| - of which mortgage lending, nominal value | 7,716      | 8,104      | 7,902      | 7,537      |
| - of which secured homeowner loans         | 1,172      | 1,138      | 1,111      | 987        |
| - of which bank lending                    | 3,883      | 3,835      | 3,708      | 3,155      |
| Deposits                                   | 16,598     | 13,457     | 12,090     | 12,060     |

**Activities**

Assets under management continues the strong growth of recent years, driven by particularly international, professional Danish and Private Banking Elite clients. Total assets under management went up by DKK 22.2 to DKK 232.9 at end-June 2019 (end-2018: DKK 210.6 billion). The increase was attributable to positive net sales of DKK 8.9 billion as well as positive value adjustments of DKK 13.3 billion.

Total assets under administration rose by DKK 90.7 billion compared with end-2018 to DKK 755.3 billion at end-June 2019 (end-2018: DKK 664.6 billion). The increase comprised net growth of DKK 17.9 billion, driven by demand from institutional customers as well as from the Group's savings products, and value adjustments of DKK 72.8 billion.

**Assets under management and assets under administration by Wealth Management**

## GROUP ITEMS

| DKK million   |              |              |             |             |              |
|---|--------------|--------------|-------------|-------------|--------------|
| Results –<br>Group Items                                | H1/<br>2019  | H1/<br>2018  | Q2/<br>2019 | Q1/<br>2019 | 2018         |
| Net interest income                                     | 0            | (5)          | 0           | 0           | (1)          |
| Net fee income  | (8)          | (8)          | (1)         | (6)         | (37)         |
| Wealth management income                                | 5            | 8            | 2           | 3           | 16           |
| Net interest from capitalisation                        | 87           | 78           | 54          | 33          | 173          |
| Net income relating to customer benefits programmes     | (103)        | (107)        | (23)        | (80)        | (248)        |
| Trading, investment portfolio and other income          | 1,075        | (100)        | 478         | 598         | (579)        |
| <b>Income</b>   | <b>1,057</b> | <b>(136)</b> | <b>509</b>  | <b>546</b>  | <b>(679)</b> |
| Costs   | 102          | 85           | 38          | 63          | 112          |
| <b>Business profit (loss) before impairment charges</b> | <b>956</b>   | <b>(220)</b> | <b>471</b>  | <b>485</b>  | <b>(789)</b> |
| Impairment charges for mortgage lending                 | 0            | 0            | 0           | 0           | 0            |
| Impairment charges for bank lending                     | 8            | 9            | 2           | 6           | (9)          |
| <b>Business profit (loss)</b>                           | <b>948</b>   | <b>(229)</b> | <b>469</b>  | <b>479</b>  | <b>(789)</b> |

| DKK million                                 |            |            |            |            |  |
|---|------------|------------|------------|------------|--|
| Selected balance sheet items<br>Group Items | 30.06.2019 | 31.03.2019 | 31.12.2018 | 30.06.2018 |  |
| <b>Lending/deposits</b>                     |            |            |            |            |  |
| Loans and advances                          | (290)      | 142        | 526        | 501        |  |
| - of which bank lending                     | (290)      | 142        | 526        | 501        |  |
| Deposits                                    | 2,314      | 7,202      | 3,787      | 2,937      |  |

<sup>1</sup> "Net income relating to customers benefits programmes" are described in detail in "Alternative performance measures".

A few income statement and balance sheet items are not allocated to the business areas but are included in Group Items.

Group Items also includes Nykredit's total return on the securities portfolio. The activities of the companies Nykredit Ejendomme A/S (wound up) and Ejendomsselskabet Kalvebod A/S also form part of Group Items.

The presentation of the impact of customer benefits programmes was changed with effect from 1 January 2019. The impact was previously presented under each business area but will be presented under Group Items in future. The change is aimed at providing a more transparent presentation of the performance of the business areas. Comparative figures for 2018 have been restated to reflect the change of presentation.

### Results for H1/2019 relative to H1/2018

The business profit of Group Items rose by DKK 1,177 million relative to H1/2018 to DKK 948 million.

This trend was primarily driven by rising investment portfolio income due to significant capital gains on the portfolio of, for example, Danish bank equities as well as positive earnings on the remaining trading book.

# CAPITAL, LIQUIDITY AND FUNDING

## EQUITY AND OWN FUNDS

### Equity

Nykredit's equity was DKK 80.6 billion at end June-2019, equivalent to an increase of DKK 0.7 billion on end-2018. In March 2019 dividend of DKK 2.8 billion was distributed to the Company's shareholder.

Equity carried for accounting purposes includes Additional Tier 1 (AT1) capital of EUR 500 million (DKK 3.8 billion). For capital adequacy purposes, AT1 capital is included in Tier 1 capital rather than in Common Equity Tier 1 (CET1) capital.

| DKK million                           |                   |                   |
|---------------------------------------|-------------------|-------------------|
| <b>Nykredit Realkredit Group</b>      |                   |                   |
| <b>Equity (including AT1 capital)</b> | <b>30.06.2019</b> | <b>31.12.2018</b> |
| Equity, beginning of period           | 79,878            | 78,847            |
| Profit for the period                 | 3,615             | 5,756             |
| Other adjustments                     | (2,920)           | (4,725)           |
| <b>Equity, end of period</b>          | <b>80,573</b>     | <b>79,878</b>     |

| DKK million   |                   |                   |
|---|-------------------|-------------------|
| <b>Nykredit Realkredit Group</b>                                  |                   |                   |
| <b>Capital and capital adequacy</b>                               | <b>30.06.2019</b> | <b>31.12.2018</b> |
| Credit risk   | 309,094           | 291,637           |
| Market risk   | 27,309            | 27,390            |
| Operational risk  | 25,499            | 25,709            |
| <b>Total risk exposure amount</b>                                 | <b>361,903</b>    | <b>344,736</b>    |
| Equity (including AT1 capital)                                    | 80,573            | 79,878            |
| AT1 capital etc   | (3,769)           | (3,772)           |
| Proposed dividend   | -                 | (2,800)           |
| CET1 capital additions/deductions                                 | (2,371)           | (605)             |
| <b>CET1 capital</b>   | <b>74,433</b>     | <b>72,701</b>     |
| Additional Tier 1 capital   | 3,727             | 3,729             |
| Additional Tier 1 capital deductions                              | (105)             | (28)              |
| <b>Tier 1 capital</b>   | <b>78,055</b>     | <b>76,403</b>     |
| Tier 2 capital  | 10,822            | 10,828            |
| Tier 2 capital additions/deductions                               | 676               | 453               |
| <b>Own funds</b>  | <b>89,553</b>     | <b>87,683</b>     |
| CET1 capital ratio, %   | 20.5              | 21.0              |
| Tier 1 capital ratio, %   | 21.5              | 22.1              |
| Total capital ratio, %  | 24.7              | 25.4              |
| Internal capital adequacy requirement (Pillar I and Pillar II), % | 10.1              | 10.0              |

Own funds and capital adequacy are specified further in note 2 to the Financial Statements.

### Capital

Nykredit's own funds include CET1 capital, AT1 capital and Tier 2 capital after deductions.

As at 30 June 2019 Nykredit's risk exposure amount (REA) totalled DKK 361.9 billion (end-2018: DKK 344.7 billion). With own funds at DKK 89.6 billion, this corresponded to a total capital ratio of 24.7% (end-2018: 25.4%). The CET1 capital ratio was 20.5% (end-2018: 21.0%).

Nykredit's Tier 1 capital consists mainly of Common Equity Tier 1 (CET1) capital. Tier 1 capital amounted to DKK 78.1 billion at 30 June 2019. CET1 capital came to DKK 74.4 billion at end-June 2019 and AT1 capital to DKK 3.7 billion.

### Capital target

Nykredit's capital policy is laid down annually by the Board of Directors and is to support the Group's strategy and objectives.

In accordance with the business model, we aim to have stable earnings, a strong capital structure and competitive credit ratings. Based on a long-term capital management framework, the Group aims to be able to maintain its business activities independently of significant fluctuations in economic trends. This implies having adequate access to capital to withstand an economic downturn and losses, thus being able to maintain active lending also during and after a crisis. The Board of Directors has set the CET1 capital requirement at 15.5-16.5% of the total risk exposure amount (REA). Furthermore, Nykredit has reserved CET1 capital to meet the upcoming Basel requirements, the estimated impact of which is still an increase in REA of around DKK 100 billion. Nykredit may obtain new CET1 capital from Forenet Kredit and through investment commitments from a number of Danish pension companies.

### Dividend policy

Nykredit's long-term ambition is to provide our owners with a competitive return in the form of dividend in the region of 50% of profit for the year, taking into account the current capital policy. The purpose is to ensure that Forenet Kredit strengthens its capital position and can continue to make contributions to the Group to be used for KundeKroner discounts for example.

## FUNDING AND LIQUIDITY

Nykredit coordinates its liquidity and funding at Group level and generally issues bonds, senior debt and capital instruments through Nykredit Realkredit A/S.

Nykredit's balance sheet mainly consists of lending secured by mortgages on real estate funded through the issuance of mortgage covered bonds (SDOs and ROs). Mortgage covered bonds are issued by way of daily tap issuance coupled with refinancing auctions for adjustable-rate mortgages (ARMs) and floating-rate loans etc. Further, the Group may issue different kinds of senior debt, such as bail-inable senior debt, serving as statutory supplementary collateral etc.

Bank lending is mainly funded by deposits. At end-H1/2019 Nykredit Bank's deposits equalled 126% of lending (end-2018: 137%).

### Liquidity

Nykredit's liquid assets are mainly placed in Danish and other European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are thus directly applicable for raising liquidity.

Nykredit Bank's stock of liquid assets was DKK 55.5 billion at end-H1/2019 (end-2018: DKK 48.8 billion), determined under the Liquidity Coverage Ratio (LCR) requirement.

The unencumbered part of the liquid assets of the Group's mortgage banks totalled DKK 79 billion at end-H1/2019 (end-2018: DKK 86 billion).

Nykredit's liquidity reserves meet the requirements of 100% of the Danish FSA by a comfortable margin, as illustrated in the table below.

|   | (%)        |            |            |
|---|------------|------------|------------|
| Nykredit Realkredit Group   |            |            |            |
| LCR determination   | 30.06.2019 | 30.06.2018 | 31.12.2018 |
| Nykredit Realkredit Group*  | 693        | 316        | 660        |
| Nykredit Realkredit Group, LCR requirement in EUR                     | 554        | 491        | 566        |
| Nykredit Realkredit and Totalkredit*                                  | 1,833      | 776        | 1,581      |
| Nykredit Realkredit and Totalkredit including LCR minimum requirement | 156        | 157        | 143        |
| Nykredit Bank   | 151        | 167        | 157        |

\* An error in the determination of the liquid assets of Nykredit Realkredit and Totalkredit means that the portfolio of liquid assets has a lower value than previously stated, which had an impact on the liquidity coverage ratios (LCR) of 92 and 43 percentage points, respectively, as at 31 December 2018. Comparative figures have been restated.

Nykredit has been granted an exemption from including some of the mortgage-related cash flows in the determination of the LCR, and the Danish FSA has instead set a minimum liquidity requirement. In practice, the requirement means that Nykredit must hold a stock of liquid assets of 2.5% of mortgage lending, corresponding to DKK 30.8 billion. The stock of liquid assets eligible to meet the minimum liquidity requirement amounted to DKK 47.9 billion at end-H1/2019 (end-2018: DKK 42.8 billion), calculated according to the LCR.

### Benchmark bond series

Nykredit strives to build large, liquid benchmark bond series to obtain an effective pricing of its bonds. Nykredit Realkredit and Totalkredit's joint bond issuance contributes to creating large volumes and deep liquidity in the Group's key bond series.

With the introduction of the LCR, banks prefer bonds with outstanding amounts of more than EUR 500 million and high ratings. As much as 93% of the outstanding amounts in Nykredit's active bond series are today classified in the top LCR category, while 4% is in the second-best category.

### Green bonds

In H1/2019 Nykredit launched its first green bonds; a 4-year Cibor-linked SDO bond, a 4-year Cibor-linked RO bond and a 3-year Stibor-linked bond. Nykredit will offer green mortgage bonds to finance energy-efficient buildings with energy label A or B or equivalent certification. The loan is offered to major corporate clients. DKK 4.5 billion had been issued in green Stibor bonds as at H1/2019.

Nykredit's Green Bond Framework which was established in compliance with IMCA's Green Bond Principles (GBP) describes the principles of green loans and determines which buildings are eligible for financing with green mortgage bonds.

### Refinancing and issuance schedule for 2019

Nykredit Realkredit will continue to issue mortgage covered bonds on tap and at refinancing auctions. Nykredit holds refinancing auctions four times a year. That way, auction volumes are deconcentrated, and the refinancing risk is reduced.

Nykredit expects to refinance bonds worth DKK 44 billion and DKK 39 billion at the auctions in August and November 2019.

The annual maturity one year ahead totals DKK 279.7 billion, of which ordinary principal payments, prepayments etc totalled DKK 117.9 billion. Thus, refinancing volumes are expected to make up DKK 161.8 billion.

|  | DKK billion                |
|--|----------------------------|
| <b>Nykredit Realkredit Group</b>   |                            |
| <b>Refinancing<sup>1</sup></b>   | 1 July 2019 - 30 June 2020 |
| Total maturity before set-off of self-issued bonds                         | 279.7                      |
| - ordinary principal payments and known <sup>2</sup> prepayments (paid up) | 84.1                       |
| - ordinary principal payments and known <sup>2</sup> prepayments (unpaid)  | 26.0                       |
| - pre-issued bonds and interest rate risk <sup>2</sup>                     | 7.8                        |
| Total refinancing volume   | 161.8                      |
| - pre-auctioned amount sold under forward contracts                        | 25.9                       |
| Refinancing volume remaining for 1 July 2019 to 30 June 2020               | 135.9                      |
| - of which SDOs and ROs  | 132.2                      |
| - of which other issues  | 3.7                        |

<sup>1</sup> Applicable for the July and October 2019 payment dates as well as January and April 2020 payment dates.

<sup>2</sup> Known as at 30 June 2019.

Because of the low interest rate levels, borrowers increasingly request loans funded by bonds with maturities from 5 to 30 years. This has reduced refinancing volumes to about DKK 160 billion pa. The refinancing volumes are expected to be maintained at this level going forward.

| DKK million  |                   |                   |
|--|-------------------|-------------------|
| <b>Nykredit Realkredit Group</b>                               |                   |                   |
| <b>Bonds in issue</b>  | <b>30.06.2019</b> | <b>31.12.2018</b> |
| Covered bonds (ROs), see note 15 a                             | 130,309           | 138,809           |
| Covered bonds (SDOs), see note 15 b                            | 1,204,303         | 1,107,963         |
| Senior secured debt, see notes 15 c                            | 933               | 4,704             |
| Senior unsecured debt, see notes 15 d and in Nykredit Bank A/S | 5,824             | 5,908             |
| Senior non-preferred (SNP), see note 16                        | 22,958            | 17,152            |
| Subordinate loan capital, see note 18                          | 11,077            | 11,011            |
| Additional Tier 1 capital, see note 2                          | 3,732             | 3,734             |
| ECP issues of Nykredit Bank A/S                                | 3,419             | 3,237             |

Nykredit must meet the statutory debt buffer requirements towards 2020, amounting to at least 2% of total mortgage lending when fully phased in. At end-2021 the debt buffer will be adjusted so that, together with the MREL requirement, it amounts to at least 8% of the consolidated balance sheet.

In H1/2019, Nykredit issued SEK 1 billion and EUR 1.2 billion of bail-inable senior debt totalling DKK 9.5 billion, bringing total bail-inable senior debt in issue to DKK 22.9 billion at end-H1/2019.

In light of the debt buffer requirement and S&P's ALAC criteria, Nykredit expects to issue additionally DKK 5-10 billion of bail-inable senior debt in 2019. Nykredit does not expect to issue secured and unsecured senior debt in 2019 in excess of regular ECP issues.

### Supervisory Diamond

Nykredit is subject to the Danish FSA's Supervisory Diamond, both at the level of the Group and the individual companies.

The Supervisory Diamond model for banks uses five key benchmarks to measure if a bank is operating at an elevated risk. Nykredit complies with all Supervisory Diamond benchmark limits as at 30 June 2019.

| <b>Nykredit Bank A/S</b>                             |                   |                   |
|--|-------------------|-------------------|
| <b>Supervisory Diamond</b>                           | <b>30.06.2019</b> | <b>31.12.2018</b> |
| Large exposures <sup>1</sup> (limit value <175%)     | 99.4%             | 91.7%             |
| Lending growth (limit value <20%)                    | 9.2%              | 8.9%              |
| Property exposure (limit value <25%)                 | 10.0%             | 10.7%             |
| Funding ratio (limit value <1.0)                     | 0.60              | 0.60              |
| Liquidity benchmark <sup>2</sup> (limit value >100%) | 172.0%            | 183.8%            |

<sup>1</sup> The benchmark "Large exposures" has been changed in 2018 and is now showing the 20 largest exposures relative to Common Equity Tier 1 capital.

<sup>2</sup> The liquidity benchmark replaces the former benchmark "Excess liquidity coverage".

### Supervisory Diamond for mortgage lenders

| <b>Benchmark</b>                           | <b>Definition</b>  | <b>Nykredit Realkredit Group<br/>30 June 2019</b> | <b>Nykredit Realkredit A/S<br/>30 June 2019</b> | <b>Limit value</b> |
|--|--|---|---|--------------------|
| Lending growth in segment                  |  |   |   |                    |
| Personal customers <sup>1</sup>            | Annual lending growth may not exceed 15% in each of the segments personal customers, commercial residential properties, agricultural properties and other commercial.                          | 5.1%  | (15.1)%   | 15.0%              |
| Commercial residential properties          |  | 5.2%  | 4.8%  | 15.0%              |
| Agricultural properties                    |  | (1.8)%  | (1.8)%  | 15.0%              |
| Other commercial                           |  | 1.6%  | 0.9%  | 15.0%              |
| Borrower's interest rate risk              | The proportion of lending where the LTV ratio exceeds 75% of the statutory LTV limit and where the loan rate is fixed for up to two years only may not exceed 25% of the total loan portfolio. |   |   |                    |
| Private residential and residential rental |  | 13.4%   | 21.1%   | 25.0%              |
| Interest-only period                       | The proportion of IO loans for owner-occupied and holiday homes with an LTV ratio above 75% of the statutory LTV limit may not exceed 10% of total lending.                                    |   |   |                    |
| Personal customers                         |  | 8.2%  | 6.6%  | 10.0%              |
| Loans with short-term funding              | The proportion of loans to be refinanced must be below 25% per year and below 12.5% per quarter.   |   |   |                    |
| Refinancing (annually)                     |  | 11.9%   | 15.5%   | 25.0%              |
| Refinancing (quarterly)                    |  | 2.9%  | 0.7%  | 12.5%              |
| Large exposures                            | The sum of the 20 largest exposures must be less than equity.  |   |   |                    |
| Loans and advances:equity                  |  | 35.9%   | 35.9%   | 100.0%             |

<sup>1</sup> The decrease in loans and advances to personal customers in Nykredit Realkredit A/S is a natural consequence of new lending for personal customers being issued through Totalkredit A/S.



## **CREDIT RATINGS**

Nykredit Realkredit and Nykredit Bank have rating relationships with the international credit rating agencies S&P Global Ratings (S&P) and Fitch Ratings regarding the credit rating of the companies and their funding.

### **S&P Global Ratings**

Nykredit Realkredit and Nykredit Bank each have long-term and short-term issuer credit ratings of A/A-1 with S&P. The rating outlook is positive.

Nykredit Realkredit and Nykredit Bank have been assigned long-term and short-term Resolution Counterparty Ratings of A+/A-1.

Senior unsecured non-preferred debt has a BBB+ rating with S&P.

### **Fitch Ratings**

Nykredit Realkredit and Nykredit Bank each have long-term and short-term issuer credit ratings of A/F1 with Fitch Ratings. The rating outlook is stable.

Nykredit Realkredit's and Nykredit Bank's long-term senior unsecured preferred debt ratings are A+, while Nykredit Bank's long-term and short-term deposit ratings are A+/F1.

Senior unsecured non-preferred debt has an A rating with Fitch Ratings.

### **Listing of ratings**

A table listing Nykredit's credit ratings with S&P and Fitch Ratings is available at [nykredit.com/rating](http://nykredit.com/rating).

## CREDIT RISK

Credit risk reflects the risk of loss resulting from Nykredit's customers and counterparties defaulting on their obligations.

Nykredit's credit exposures mainly consist of mortgage loans. As the mortgage loans are secured by real estate, credit risk is low. Credit risk on mortgage loans is typically characterised by a stable development.

Nykredit's loan portfolio has shown a positive trend over the past year, and the level of credit risk is low. Arrears ratios have been declining for some portfolios and are stable for others. Write-offs have been low. Property prices have continued their upward trend all over Denmark, thereby increasing the mortgage security. General macroeconomic conditions have developed favourably.

### Credit models

Nykredit uses credit models to determine the capital requirement for credit risk. Nykredit also uses internal ratings-based (IRB) models in the determination of credit risk for the greater part of the loan portfolio. The determination of credit risk is based on three key parameters: Probability of Default (PD), expected Loss Given Default (LGD) and expected Exposure at Default (EAD). The three key parameters are estimated on the basis of Nykredit's customer default and loss history.

The PD is customer-specific, while the other parameters are product-specific. One PD is therefore assigned to each customer, while each of the customer's products has a separate LGD and EAD.

### Nykredit Realkredit Group

#### Loans, advances, guarantees and impairment charges for loans and advances

| DKK million                            | Loans, advances and guarantees |                  | Total provisions for loan impairment and guarantees |              | Impairment charges for loans and advances, earnings impact |             |
|--|--------------------------------|------------------|---|--------------|--|-------------|
|  | 30.06.2019                     | 31.12.2018       | 30.06.2019  | 31.12.2018   | H1/2019  | FY/2018     |
| <b>Mortgage lending, nominal value</b> |                                |                  |   |              |  |             |
| Nykredit Realkredit                    | 495,977                        | 499,304          | 3,600   | 3,493        | 260  | (42)        |
| Totalkredit                            | 700,687                        | 672,144          | 1,553   | 1,532        | 82   | 139         |
| <b>Total</b>                           | <b>1,196,664</b>               | <b>1,171,449</b> | <b>5,153</b>  | <b>5,025</b> | <b>342</b>   | <b>97</b>   |
| <b>Loans and advances etc</b>          |                                |                  |   |              |  |             |
| Nykredit Bank                          | 63,505                         | 60,566           | 2,741   | 2,767        | 78   | 263         |
| <b>Total</b>                           | <b>63,505</b>                  | <b>60,566</b>    | <b>2,741</b>  | <b>2,767</b> | <b>78</b>  | <b>263</b>  |
| Receivables from credit institutions   | 36,252                         | 20,829           | 20  | 21           | (2)  | 21          |
| Reverse repurchase lending             | 49,147                         | 37,427           | -   | -            | -  | -           |
| Guarantees                             | 6,703                          | 5,913            | 132   | 117          | 15   | (1)         |
| <b>Loan impairment, %<sup>1</sup></b>  |                                |                  |   |              |  |             |
| Nykredit Realkredit                    | -                              | -                | 0.73  | 0.69         | 0.05   | (0.01)      |
| Totalkredit                            | -                              | -                | 0.22  | 0.23         | 0.01   | 0.02        |
| <b>Total</b>                           | <b>-</b>                       | <b>-</b>         | <b>0.43</b>   | <b>0.43</b>  | <b>0.03</b>  | <b>0.01</b> |
| Nykredit Bank                          | -                              | -                | 4.14  | 4.53         | 0.12   | 0.26        |
| <b>Total</b>                           | <b>-</b>                       | <b>-</b>         | <b>4.14</b>   | <b>4.53</b>  | <b>0.12</b>  | <b>0.26</b> |

<sup>1</sup> Loan impairment excluding receivables from credit institutions, reverse repurchase lending and guarantees.

## MORTGAGE LENDING

At end-June 2019, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,197 billion, corresponding to an increase of DKK 25 billion (end-2018: DKK 1,171 billion).

The security underlying mortgage lending is substantial. Furthermore, mortgage loans granted via Totalkredit are covered by set-off agreements. The loss risk relating to personal loans is mitigated through an agreement with the partner banks. Under the agreement, incurred losses corresponding to the cash part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments to the partner banks having arranged the loan.

Since 2014 a minor part of the right of set-off has been replaced by a loss guarantee provided by the partner banks.

The average LTV ratio was 62.3% at end-H1/2019 (end-2018: 62.3%).

The LTV ratios of the mortgage loan portfolio are shown in the table below with individual loans relative to the estimated values of the individual properties at end-H1/2019.

## Total provisions for mortgage loan impairment

Total impairment provisions for mortgage lending equalled 0.43% of total mortgage lending (end-2018: 0.43%). At end-June 2019, total impairment provisions amounted to DKK 5,153 million (end-2018: DKK 5,025 million).

## Earnings impact

Impairment charges for mortgage lending came to DKK 338 million. Of the impairment charges for loans and advances for the period, DKK 131 million was attributable to owner-occupied dwellings and DKK 207 million to the business segment.

### Mortgage lending

#### Nykredit Realkredit Group

#### Debt outstanding relative to estimated property values

| DKK million                 | LTV (loan-to-value) <sup>2</sup> |                |                |               |              |              | Total            | LTV average, % |
|-----------------------------|----------------------------------|----------------|----------------|---------------|--------------|--------------|------------------|----------------|
|                             | 0-40                             | 40-60          | 60-80          | 80-90         | 90-100       | >100         |                  |                |
| Owner-occupied dwellings    | 488,174                          | 182,716        | 101,675        | 8,649         | 2,129        | 1,872        | 785,215          | 67.2           |
| Private rental <sup>1</sup> | 90,622                           | 30,057         | 12,750         | 1,168         | 522          | 545          | 135,664          | 62.6           |
| Industry and trades         | 19,051                           | 3,327          | 296            | 75            | 68           | 351          | 23,167           | 48.1           |
| Office and retail           | 87,965                           | 23,550         | 2,624          | 396           | 189          | 260          | 114,984          | 53.1           |
| Agricultural property       | 59,873                           | 19,937         | 7,209          | 861           | 358          | 596          | 88,833           | 62.3           |
| Public housing              | -                                | -              | -              | -             | -            | -            | 70,845           | -              |
| Other                       | 10,703                           | 2,042          | 614            | 32            | 14           | 22           | 13,427           | 49.7           |
| <b>Total H1/2019</b>        | <b>756,388</b>                   | <b>261,629</b> | <b>125,168</b> | <b>11,181</b> | <b>3,279</b> | <b>3,646</b> | <b>1,232,135</b> | <b>62.3</b>    |
| <b>Total 2018</b>           | <b>737,623</b>                   | <b>253,159</b> | <b>117,982</b> | <b>8,880</b>  | <b>3,477</b> | <b>3,334</b> | <b>1,193,667</b> | <b>62.3</b>    |

<sup>1</sup> Including cooperative housing.

<sup>2</sup> Determined as the top part of the debt outstanding relative to estimated property values.

Note: The figures are actual LTV ratios including any co-financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the public housing segment. For this reason, LTVs of public housing offer no relevant risk data and have been excluded. In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

### Nykredit Realkredit Group

#### Mortgage lending by property type<sup>1</sup>

|                          | 30.06.2019                  |                       | 31.12.2018                  |                       |
|--------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
|                          | Total impairment provisions | Total earnings impact | Total impairment provisions | Total earnings impact |
| Owner-occupied dwellings | 2,477                       | 131                   | 2,433                       | 163                   |
| Private rental           | 354                         | 54                    | 314                         | (10)                  |
| Industry and trades      | 67                          | 7                     | 60                          | (19)                  |
| Office and retail        | 497                         | 64                    | 472                         | 40                    |
| Agricultural property    | 1,248                       | 12                    | 1,304                       | 103                   |
| Public housing           | 55                          | 3                     | 53                          | 20                    |
| Cooperative housing      | 388                         | 68                    | 322                         | (191)                 |
| Other                    | 67                          | (0)                   | 66                          | (18)                  |
| <b>Total</b>             | <b>5,153</b>                | <b>338</b>            | <b>5,025</b>                | <b>89</b>             |

<sup>1</sup> The breakdown by property type is not directly comparable with Nykredit's business areas.

**Nykredit Realkredit Group****Arrears ratio – 75 days past due**

| Payment date | Arrears relative<br>to total mort-<br>gage payments | Debt outstand-<br>ing in arrears<br>relative to total<br>debt outstand-<br>ing | Debt outstand-<br>ing affected by<br>arrears |
|--------------|---|--|--|
|              | %   | %  | DKK billion                                  |
| <b>2019</b>  |   |  |  |
| - March      | 0.37  | 0.28   | 3.36   |
| <b>2018</b>  |   |  |  |
| - December   | 0.38  | 0.23   | 2.80   |
| - September  | 0.39  | 0.23   | 2.70   |
| - June       | 0.40  | 0.31   | 3.60   |
| - March      | 0.42  | 0.32   | 3.60   |
| <b>2017</b>  |   |  |  |
| - December   | 0.38  | 0.27   | 3.10   |

**Arrears**

Mortgage loan arrears are determined when they are 15 and 75 days past their due date. Mortgage loan arrears dropped to 0.37% of total mortgage payments due 75 days past the March due date (March 2018: 0.42).

Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding also decreased to 0.28% (March 2018: 0.32).

**Properties acquired by foreclosure**

In H1/2019 the Group acquired 16 properties by foreclosure and sold 27. The property portfolio counted 24 properties at 30 June 2019 (end-2018: 35).

## BANK LENDING

Bank lending at amortised cost amounted to DKK 63.5 billion (end-2018: DKK 60.6 billion).

Reverse repurchase lending totalled DKK 49.1 billion (end-2018: DKK 37.4 billion). Guarantees provided amounted to DKK 6.7 billion (end-2018: DKK 5.9 billion).

### Total provisions for bank loan impairment etc

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 2,741 million (end-2018: DKK 2,767 million).

## Guarantees

Guarantees provided were DKK 6,703 million (end-2018: DKK 5,913 million), which represented a rise of 5.0%. At end-H1/2019, provisions for guarantees amounted to DKK 132 million (end-2018: DKK 117 million).

## Earnings impact

Provisions for bank loan impairment and guarantees for the period were DKK 97 million (H1/2018: DKK 129 million).

## Nykredit Realkredit Group

### Credit exposures in terms of bank lending, reverse repurchase lending and guarantees by sector<sup>1</sup>

DKK million

|  | 30.06.2019             |                             |                 | 31.12.2018                          |                             |                 |
|--|------------------------|-----------------------------|-----------------|-------------------------------------|-----------------------------|-----------------|
|  | Lending, end of period | Total impairment provisions | Earnings impact | Lending, end of period <sup>2</sup> | Total impairment provisions | Earnings impact |
| <b>Public sector</b>                                 | <b>818</b>             | <b>1</b>                    | <b>(1)</b>      | <b>639</b>                          | <b>3</b>                    | <b>(1)</b>      |
| Agriculture, hunting, forestry and fishing           | 3,735                  | 147                         | 6               | 3,332                               | 125                         | 1               |
| Manufacturing, mining and quarrying                  | 9,321                  | 284                         | (2)             | 7,482                               | 272                         | 56              |
| Energy supply  | 1,793                  | 22                          | 4               | 1,372                               | 18                          | (16)            |
| Construction   | 3,235                  | 163                         | (4)             | 2,620                               | 171                         | 15              |
| Trade  | 6,979                  | 533                         | 68              | 5,882                               | 334                         | 129             |
| Transport, accommodation and food service activities | 6,501                  | 95                          | 14              | 6,296                               | 62                          | (38)            |
| Information and communication                        | 3,366                  | 72                          | 13              | 3,291                               | 45                          | 16              |
| Finance and insurance                                | 54,691                 | 135                         | (18)            | 41,924                              | 243                         | 155             |
| Real estate  | 13,307                 | 556                         | 18              | 13,328                              | 475                         | (197)           |
| Other  | 8,406                  | 278                         | 13              | 7,215                               | 447                         | 157             |
| <b>Total business customers</b>                      | <b>111,335</b>         | <b>2,285</b>                | <b>112</b>      | <b>92,742</b>                       | <b>2,192</b>                | <b>279</b>      |
| Personal customers                                   | 28,969                 | 586                         | (18)            | 27,140                              | 689                         | (14)            |
| <b>Total</b>   | <b>141,122</b>         | <b>2,873</b>                | <b>93</b>       | <b>120,520</b>                      | <b>2,884</b>                | <b>265</b>      |
| - of which provisions for losses under guarantees    |                        | 132                         | 15              |                                     | 117                         | (3)             |
| Impairment provisions for credit institutions        |                        | 17                          | 4               |                                     | 12                          | 9               |
| <b>- of which intercompany guarantees and total</b>  | <b>21,767</b>          | <b>2,890</b>                | <b>97</b>       | <b>16,614</b>                       | <b>2,896</b>                | <b>274</b>      |

<sup>1</sup> As the breakdown is based on public sector statistics, it is not directly comparable with the Bank's business areas.

<sup>2</sup> Comparative figures for 2018 have been restated, thus certain loans and advances and provisions for guarantees by personal customers have been reclassified from personal customers to business sectors in order to achieve a better presentation of loans and advances and the credit risk profile. Total loans and advances and provisions for guarantees are unchanged.

## ALTERNATIVE PERFORMANCE MEASURES

In the opinion of Management, the Management Commentary should be based on the internal management and business division reporting, which forms part of Nykredit's financial governance. Readers of the financial reports are thus provided with information that is relevant to their assessment of Nykredit's financial performance.

The income statement format of the financial highlights on page 4 and the business areas (pages 10-17 and note 3) reflects the internal management reporting. The presentation was changed in 2019, and "Net income relating to customer benefits programmes" is now shown as part of "Group Items".

In certain respects, the presentation of the financial highlights differs from the format of the Financial Statements prepared under the International Financial Reporting Standards (IFRS). No correcting entries have been made, implying that the profit for the period is the same in the financial highlights and in the IFRS-based Financial Statements. The reclassification in note 4 shows the reconciliation between the presentation in the financial highlights table of the Management Commentary and the presentation in the Consolidated Financial Statements prepared according to the IFRS and includes:

"Net interest income" comprising net administration margin income from mortgage lending as well as interest income from bank lending and deposits. The corresponding item in the income statement (page 28) includes all interest.

"Net fee income" comprising income from mortgage refinancing and mortgage lending, income from bank lending, service fees, provision of guarantees and leasing business etc.

"Wealth management income" comprising asset management and administration fees etc. This item pertains to business with customers performed through the Group's entities Nykredit Markets, Nykredit Asset Management and Nykredit Portefølje Administration A/S but where income is ascribed to the business areas serving the customers.

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt etc. Net interest is composed of the interest expenses related to debt, adjusted for the internal liquidity interest. "Trading, investment portfolio and other income", which includes income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business divisions, including income from the sale of real estate.

"Net income relating to customer benefits programmes" comprising discounts etc in the form of KundeKroner, ErhvervsKroner and MineMål granted to the Group's customers. The amount includes contributions received. The change is aimed at presenting the earnings of the individual business areas excluding the impact of the Group's customer benefits programmes whilst also presenting the impact on income of the programmes in a separate item. In the financial highlights and the presentation of business areas (note 3) the change reclassifies net income from "Net interest income" to "Net income relating to customer benefits programmes". The change will not impact total in-

come or total results. Comparative figures have been restated. The income statement and balance sheet on pages 28 and 30 have not been impacted by the change.

### Supplementary financial ratios etc

In relation to the internal presentation of income, a number of supplementary financial ratios are included in the Management Commentary.

*Profit for the period as % pa of average business capital (ROAC).* The return target appearing from the table in the financial highlights shows profit for the period relative to average business capital. Profit corresponds to net profit or loss less interest expenses for Additional Tier 1 capital, which is treated as dividend in the Financial Statements. Business capital corresponds to a capital target of 16% of the risk exposure amount.

*Profit for the period as % pa of average equity.* Profit for the period is calculated as stated above. Average equity is calculated on the basis of the value at the beginning of the period and at the end of all quarters of the period.

*Costs as % of income* is calculated as the ratio of "Costs" to "Income".

*Impairment charges for the period, %.* Impairment charges are calculated based on impairment charges for loans and advances relative to loans and advances.



# MANAGEMENT STATEMENT

## STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 30 June 2019 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

The Consolidated Financial Statements have been presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The Interim Financial Statements of the Parent have been prepared in accordance with the Danish Financial Business Act and the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

Moreover, the Interim Report has been prepared in accordance with additional Danish disclosure requirements for interim reports of issuers of listed bonds.

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 30 June 2019 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 30 June 2019.

Further, in our opinion, the Management Commentary gives a fair review of the development in the operations and financial circumstances of the Group and the Parent as well as a description of the material risk and uncertainty factors which may affect the Group and the Parent.

The Interim Report has not been subject to audit or review, but the external auditors have verified the profit, and it was ascertained that the conditions for continuing recognition of profit for the period in own funds have been met.

Copenhagen, 20 August 2019

### Executive Board

Michael Rasmussen  
Group Chief Executive

Tonny Thierry Andersen  
Group Managing Director

David Hellemann  
Group Managing Director

Anders Jensen  
Group Managing Director

### Board of Directors

Steffen Kragh  
Chairman

Merete Eldrup  
Deputy Chairman

Nina Smith  
Deputy Chairman

Helge Leiro Baastad

Olav Bredgaard Brusen\*

Michael Demsitz

Per W. Hallgren

Marlene Holm\*

Hans-Ole Jochumsen

Vibeke Krag

Allan Kristiansen\*

Inge Sand\*

Leif Vinther\*

\* Staff-elected member

# STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

| Nykredit Realkredit Group  | Note | H1/2019      | H1/2018      | Q2/2019      | Q2/2018      |
|--|------|--------------|--------------|--------------|--------------|
| <b>INCOME STATEMENT</b>  |      |              |              |              |              |
| Interest income  |      | 11,866       | 11,951       | 5,977        | 5,949        |
| Interest income based on the effective interest method   |      | 989          | 997          | 537          | 552          |
| Interest expenses  |      | 7,406        | 7,503        | 3,740        | 3,738        |
| <b>Net interest income</b>   | 6    | <b>5,450</b> | <b>5,445</b> | <b>2,774</b> | <b>2,763</b> |
| Dividend on equities etc   | 6    | 151          | 101          | 101          | 79           |
| Fee and commission income  | 5    | 1,516        | 1,278        | 832          | 647          |
| Fee and commission expenses  |      | 1,781        | 1,494        | 915          | 744          |
| <b>Net interest and fee income</b>   |      | <b>5,336</b> | <b>5,330</b> | <b>2,792</b> | <b>2,745</b> |
| Value adjustments  | 6, 7 | 1,180        | 786          | 640          | 343          |
| Other operating income   |      | 705          | 439          | 382          | 222          |
| Staff and administrative expenses  |      | 2,285        | 2,289        | 1,159        | 1,162        |
| Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets |      | 136          | 48           | 66           | 22           |
| Other operating expenses   |      | 71           | 65           | 39           | 28           |
| Impairment charges for loans, advances and receivables etc   | 8    | 433          | 103          | 213          | 110          |
| Profit from investments in associates and Group enterprises  | 10   | 2            | 2            | 0            | 1            |
| <b>Profit before tax</b>   |      | <b>4,298</b> | <b>4,052</b> | <b>2,338</b> | <b>1,988</b> |
| Tax  |      | 684          | 758          | 354          | 374          |
| <b>Profit for the period</b>   |      | <b>3,615</b> | <b>3,294</b> | <b>1,984</b> | <b>1,614</b> |
| <b>Distribution of profit for the period</b>   |      |              |              |              |              |
| Shareholder of Nykredit Realkredit A/S   |      | 3,499        | 3,178        | 1,926        | 1,556        |
| Holders of Additional Tier 1 capital notes   |      | 116          | 116          | 58           | 58           |
| <b>Profit for the period</b>   |      | <b>3,615</b> | <b>3,294</b> | <b>1,984</b> | <b>1,614</b> |
| <b>COMPREHENSIVE INCOME</b>  |      |              |              |              |              |
| <b>Profit for the period</b>   |      | <b>3,615</b> | <b>3,294</b> | <b>1,984</b> | <b>1,614</b> |
| <b>Other comprehensive income</b>  |      |              |              |              |              |
| <b>Items that cannot be reclassified to profit or loss:</b>  |      |              |              |              |              |
| Actuarial gains/losses on defined benefit plans  |      | (4)          | (15)         | 37           | 6            |
| Tax on actuarial gains/losses on defined benefit plans   |      | 1            | 3            | (8)          | (1)          |
| <b>Total items that cannot be reclassified to profit or loss</b>   |      | <b>(3)</b>   | <b>(12)</b>  | <b>29</b>    | <b>5</b>     |
| <b>Other comprehensive income</b>  |      | <b>(3)</b>   | <b>(12)</b>  | <b>29</b>    | <b>5</b>     |
| <b>Comprehensive income for the period</b>   |      | <b>3,612</b> | <b>3,282</b> | <b>2,013</b> | <b>1,618</b> |
| <b>Distribution of comprehensive income</b>  |      |              |              |              |              |
| Shareholder of Nykredit Realkredit A/S   |      | 3,496        | 3,166        | 1,955        | 1,560        |
| Holders of Additional Tier 1 capital notes   |      | 116          | 116          | 58           | 58           |
| <b>Comprehensive income for the period</b>   |      | <b>3,612</b> | <b>3,282</b> | <b>2,013</b> | <b>1,618</b> |

# STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Realkredit A/S

|  | Note | H1/2019      | H1/2018      | Q2/2019      | Q2/2018      |
|--|------|--------------|--------------|--------------|--------------|
| <b>INCOME STATEMENT</b>  |      |              |              |              |              |
| Interest income  |      | 9,314        | 9,436        | 4,709        | 4,699        |
| Interest expenses  |      | 7,340        | 7,426        | 3,709        | 3,683        |
| <b>Net interest income</b>   |      | <b>1,974</b> | <b>2,010</b> | <b>1,000</b> | <b>1,015</b> |
| Dividend on equities etc   |      | 146          | 96           | 98           | 77           |
| Fee and commission income  |      | 359          | 355          | 197          | 180          |
| Fee and commission expenses  |      | 153          | 113          | 71           | 52           |
| <b>Net interest and fee income</b>   |      | <b>2,325</b> | <b>2,348</b> | <b>1,224</b> | <b>1,221</b> |
| Value adjustments  | 7    | 1,021        | 24           | 437          | (89)         |
| Other operating income   |      | 642          | 444          | 335          | 222          |
| Staff and administrative expenses  |      | 1,332        | 1,397        | 691          | 704          |
| Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets |      | 131          | 43           | 64           | 20           |
| Other operating expenses   |      | 59           | 54           | 33           | 23           |
| Impairment charges for loans, advances and receivables etc   | 9    | 256          | (29)         | 146          | 114          |
| Profit from investments in associates and Group enterprises  | 10   | 1,748        | 2,235        | 1,060        | 1,223        |
| <b>Profit before tax</b>   |      | <b>3,959</b> | <b>3,588</b> | <b>2,123</b> | <b>1,716</b> |
| Tax  |      | 344          | 278          | 140          | 102          |
| <b>Profit for the period</b>   |      | <b>3,615</b> | <b>3,310</b> | <b>1,984</b> | <b>1,614</b> |
| <b>Distribution of profit for the period</b>   |      |              |              |              |              |
| Shareholder of Nykredit Realkredit A/S   |      | 3,499        | 3,194        | 1,925        | 1,556        |
| Holders of Additional Tier 1 capital notes   |      | 116          | 116          | 58           | 58           |
| <b>Profit for the period</b>   |      | <b>3,615</b> | <b>3,310</b> | <b>1,984</b> | <b>1,614</b> |
| <b>COMPREHENSIVE INCOME</b>  |      |              |              |              |              |
| <b>Profit for the period</b>   |      | <b>3,615</b> | <b>3,310</b> | <b>1,984</b> | <b>1,614</b> |
| <b>Other comprehensive income</b>  |      |              |              |              |              |
| <b>Items that cannot be reclassified to profit or loss:</b>  |      |              |              |              |              |
| Actuarial gains/losses on defined benefit plans  |      | (4)          | (15)         | 37           | 6            |
| Tax on actuarial gains/losses on defined benefit plans   |      | 1            | 3            | (8)          | (1)          |
| <b>Total items that cannot be reclassified to profit or loss</b>   |      | <b>(3)</b>   | <b>(12)</b>  | <b>29</b>    | <b>5</b>     |
| <b>Other comprehensive income</b>  |      | <b>(3)</b>   | <b>(12)</b>  | <b>29</b>    | <b>5</b>     |
| <b>Comprehensive income for the period</b>   |      | <b>3,612</b> | <b>3,298</b> | <b>2,013</b> | <b>1,618</b> |
| <b>Distribution of comprehensive income</b>  |      |              |              |              |              |
| Shareholder of Nykredit Realkredit A/S   |      | 3,496        | 3,182        | 1,954        | 1,560        |
| Holders of Additional Tier 1 capital notes   |      | 116          | 116          | 58           | 58           |
| <b>Comprehensive income for the period</b>   |      | <b>3,612</b> | <b>3,298</b> | <b>2,013</b> | <b>1,618</b> |

## BALANCE SHEETS

|                           |                  | DKK million   |                  |                  |
|---------------------------|------------------|---|------------------|------------------|
| Nykredit Realkredit A/S   |                  | Nykredit Realkredit Group                               |                  |                  |
| 31.12.2018                | 30.06.2019       | Note  | 30.06.2019       | 31.12.2018       |
| <b>ASSETS</b>             |                  |   |                  |                  |
| 276                       | 248              | Cash balances and demand deposits with central banks    | 7,223            | 8,861            |
| 37,485                    | 52,091           | Receivables from credit institutions and central banks  | 36,252           | 20,829           |
| 1,223,721                 | 1,314,930        | Loans, advances and other receivables at fair value     | 11 1,232,455     | 1,193,975        |
| 229                       | 241              | Loans, advances and other receivables at amortised cost | 12 112,995       | 98,311           |
| 34,026                    | 38,367           | Bonds at fair value                                     | 13 110,979       | 93,622           |
| 5,587                     | 6,387            | Equities measured at fair value through profit or loss  | 6,671            | 5,821            |
| 32                        | 29               | Investments in associates                               | 38               | 38               |
| 49,714                    | 51,303           | Investments in Group enterprises                        | -                | -                |
| 257                       | 280              | Intangible assets                                       | 302              | 281              |
| <b>Land and buildings</b> |                  |   |                  |                  |
| 21                        | 15               | Owner-occupied properties                               | 79               | 86               |
| -                         | 714              | Leased properties                                       | 714              | -                |
| <b>21</b>                 | <b>729</b>       | <b>Total</b>  | <b>793</b>       | <b>86</b>        |
| 101                       | 110              | Other property, plant and equipment                     | 117              | 108              |
| 90                        | 40               | Current tax assets                                      | 344              | 343              |
| -                         | -                | Deferred tax assets                                     | 124              | 125              |
| 141                       | 53               | Assets in temporary possession                          | 63               | 160              |
| 6,481                     | 6,908            | Other assets  | 31,677           | 24,966           |
| 378                       | 514              | Prepayments   | 673              | 463              |
| <b>1,358,540</b>          | <b>1,472,231</b> | <b>Total assets</b>                                     | <b>1,540,708</b> | <b>1,447,991</b> |

# BALANCE SHEETS

DKK million

| Nykredit Realkredit A/S              |                  | Nykredit Realkredit Group |                  |                  |
|--------------------------------------|------------------|---------------------------|------------------|------------------|
| 31.12.2018                           | 30.06.2019       | Note                      | 30.06.2019       | 31.12.2018       |
| <b>LIABILITIES AND EQUITY</b>        |                  |                           |                  |                  |
| 1,094                                | 2,825            |                           | 26,647           | 15,692           |
| 10,500                               | 12,200           |                           | 95,376           | 93,191           |
| 1,229,273                            | 1,331,312        |                           | 1,263,666        | 1,196,229        |
| 17,179                               | 23,004           |                           | 28,515           | 22,590           |
| 3                                    | 719              |                           | 7,823            | 5,592            |
| -                                    | -                |                           | 102              | 47               |
| 9,177                                | 10,025           |                           | 26,102           | 23,020           |
| -                                    | -                |                           | 19               | 10               |
| <b>1,267,226</b>                     | <b>1,380,085</b> |                           | <b>1,448,250</b> | <b>1,356,371</b> |
| <b>Provisions</b>                    |                  |                           |                  |                  |
| 129                                  | 106              |                           | 107              | 130              |
| 183                                  | 248              |                           | 394              | 338              |
| 47                                   | 46               |                           | 46               | 47               |
| -                                    | -                |                           | 132              | 117              |
| 62                                   | 92               |                           | 131              | 100              |
| <b>420</b>                           | <b>492</b>       |                           | <b>809</b>       | <b>731</b>       |
| <b>11,011</b>                        | <b>11,077</b>    | <b>18</b>                 | <b>11,077</b>    | <b>11,011</b>    |
| <b>Equity</b>                        |                  |                           |                  |                  |
| 1,182                                | 1,182            |                           | 1,182            | 1,182            |
| <b>Accumulated value adjustments</b> |                  |                           |                  |                  |
| -                                    | -                |                           | 5                | 5                |
| <b>Other reserves</b>                |                  |                           |                  |                  |
| 18,526                               | 20,112           |                           | -                | -                |
| 36,575                               | 36,575           |                           | 36,575           | 36,575           |
| -                                    | -                |                           | 1,646            | 1,646            |
| 17,023                               | 18,934           |                           | 37,395           | 33,898           |
| 2,800                                | -                |                           | -                | 2,800            |
| <b>76,106</b>                        | <b>76,803</b>    |                           | <b>76,803</b>    | <b>76,106</b>    |
| 3,777                                | 3,774            |                           | 3,769            | 3,772            |
| <b>79,883</b>                        | <b>80,577</b>    |                           | <b>80,573</b>    | <b>79,878</b>    |
| <b>1,358,540</b>                     | <b>1,472,231</b> |                           | <b>1,540,708</b> | <b>1,447,991</b> |
| <b>OFF-BALANCE SHEET ITEMS</b>       |                  |                           |                  |                  |
| -                                    | -                |                           | 6,703            | 5,913            |
| 7,392                                | 9,546            |                           | 20,012           | 16,948           |
| <b>7,392</b>                         | <b>9,546</b>     |                           | <b>26,715</b>    | <b>22,861</b>    |

# STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit Group

|   | Share capital <sup>1</sup> | Revaluation reserves | Accumulated value adjustment of equities available for sale | Series reserves | Non-distributable reserve fund <sup>2</sup> | Retained earnings | Proposed dividend | Shareholder of Nykredit Realkredit A/S | Additional Tier 1 capital <sup>3</sup> | Total equity  |
|---|----------------------------|----------------------|---|-----------------|---|-------------------|-------------------|--|--|---------------|
| <b>2019</b>   |                            |                      |   |                 |   |                   |                   |  |  |               |
| <b>Equity, 1 January</b>  | <b>1,182</b>               | <b>5</b>             | <b>-</b>  | <b>36,575</b>   | <b>1,646</b>                                | <b>33,898</b>     | <b>2,800</b>      | <b>76,106</b>                          | <b>3,772</b>                           | <b>79,878</b> |
| Profit for the period   | -                          | -                    | -   | -               | -   | 3,499             | -                 | 3,499                                  | 116                                    | 3,615         |
| Total other comprehensive income                                      | -                          | -                    | -   | -               | -   | (3)               | -                 | (3)                                    | -                                      | (3)           |
| <b>Total comprehensive income</b>                                     | <b>-</b>                   | <b>-</b>             | <b>-</b>  | <b>-</b>        | <b>-</b>                                    | <b>3,496</b>      | <b>-</b>          | <b>3,496</b>                           | <b>116</b>                             | <b>3,612</b>  |
| Interest paid on Additional Tier 1 capital                            | -                          | -                    | -   | -               | -   | -                 | -                 | -                                      | (117)                                  | (117)         |
| Foreign currency translation adjustment of Additional Tier 1 capital  | -                          | -                    | -   | -               | -   | 2                 | -                 | 2                                      | (2)                                    | -             |
| Tax on Additional Tier 1 capital                                      | -                          | -                    | -   | -               | -   | (0)               | -                 | (0)                                    | -                                      | (0)           |
| Distributed dividend  | -                          | -                    | -   | -               | -   | -                 | (2,800)           | (2,800)                                | -                                      | (2,800)       |
| Portfolio of self-issued bonds  | -                          | -                    | -   | -               | -   | -                 | -                 | -                                      | (0)                                    | (0)           |
| <b>Equity, 30 June</b>  | <b>1,182</b>               | <b>5</b>             | <b>-</b>  | <b>36,575</b>   | <b>1,646</b>                                | <b>37,395</b>     | <b>-</b>          | <b>76,803</b>                          | <b>3,769</b>                           | <b>80,573</b> |
| <b>2018</b>   |                            |                      |   |                 |   |                   |                   |  |  |               |
| Equity, end-2017, see the Annual Report                               | 1,182                      | 19                   | 973   | 38,038          | 1,646                                       | 29,124            | 4,100             | 75,082                                 | 3,765                                  | 78,847        |
| Transferred to equities measured at fair value through profit or loss | -                          | -                    | (973)   | -               | -   | 973               | -                 | -                                      | -                                      | -             |
| Changes in impairment charges owing to implementation of IFRS 9       | -                          | -                    | -   | -               | -   | (566)             | -                 | (566)                                  | -                                      | (566)         |
| Changes in taxes due owing to implementation of IFRS 9                | -                          | -                    | -   | -               | -   | 125               | -                 | 125                                    | -                                      | 125           |
| <b>Equity, 1 January</b>  | <b>1,182</b>               | <b>19</b>            | <b>-</b>  | <b>38,038</b>   | <b>1,646</b>                                | <b>29,655</b>     | <b>4,100</b>      | <b>74,641</b>                          | <b>3,765</b>                           | <b>78,406</b> |
| Profit for the period <sup>4</sup>                                    | -                          | -                    | -   | -               | -   | 3,178             | -                 | 3,178                                  | 116                                    | 3,294         |
| Total other comprehensive income                                      | -                          | -                    | -   | -               | -   | (12)              | -                 | (12)                                   | -                                      | (12)          |
| <b>Total comprehensive income</b>                                     | <b>-</b>                   | <b>-</b>             | <b>-</b>  | <b>-</b>        | <b>-</b>                                    | <b>3,166</b>      | <b>-</b>          | <b>3,166</b>                           | <b>116</b>                             | <b>3,282</b>  |
| Interest paid on Additional Tier 1 capital                            | -                          | -                    | -   | -               | -   | -                 | -                 | -                                      | (116)                                  | (116)         |
| Foreign currency translation adjustment of Additional Tier 1 capital  | -                          | -                    | -   | -               | -   | (4)               | -                 | (4)                                    | 4                                      | -             |
| Tax on Additional Tier 1 capital <sup>4</sup>                         | -                          | -                    | -   | -               | -   | (1)               | -                 | (1)                                    | -                                      | (1)           |
| Distributed dividend  | -                          | -                    | -   | -               | -   | -                 | (4,100)           | (4,100)                                | -                                      | (4,100)       |
| Realised from the sale of properties                                  | -                          | (14)                 | -   | -               | -   | 14                | -                 | -                                      | -                                      | -             |
| Portfolio of self-issued bonds  | -                          | -                    | -   | -               | -   | -                 | -                 | -                                      | (29)                                   | (29)          |
| <b>Equity, 30 June</b>  | <b>1,182</b>               | <b>5</b>             | <b>-</b>  | <b>38,038</b>   | <b>1,646</b>                                | <b>32,831</b>     | <b>-</b>          | <b>73,702</b>                          | <b>3,740</b>                           | <b>77,442</b> |

<sup>1</sup> The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

<sup>2</sup> A non-distributable reserve fund in Totalkredit A/S.

<sup>3</sup> Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500 million (nominal) of AT1 capital, which may be redeemed from 26 October 2020. AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%, the loan will be written down.

<sup>4</sup> Profit for the period has changed by DKK 25.4 million relative to the H1 Interim Report for 2018, as taxes relating to interest expenses for the Additional Tier 1 capital must be recognised in the income statement following the amendments to IAS 12. "Tax on Additional Tier 1 capital" has been adjusted correspondingly. This is solely a reclassification of taxes, and therefore total equity remains unchanged.



# STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit A/S

|  | Share capital <sup>1</sup> | Statutory reserves <sup>2</sup> | Series reserves | Retained earnings | Proposed dividend | Shareholder of Nykredit Realkredit A/S | Additional Tier 1 capital <sup>3</sup> | Total equity  |
|--|----------------------------|---------------------------------|-----------------|-------------------|-------------------|--|--|---------------|
| <b>2019</b>  |                            |                                 |                 |                   |                   |  |  |               |
| <b>Equity, 1 January</b>   | <b>1,182</b>               | <b>18,526</b>                   | <b>36,575</b>   | <b>17,023</b>     | <b>2,800</b>      | <b>76,106</b>                          | <b>3,777</b>                           | <b>79,883</b> |
| Profit for the period  | -                          | 1,748                           | -               | 1,751             | -                 | 3,499                                  | 116                                    | 3,615         |
| Total other comprehensive income                                     | -                          | -                               | -               | (3)               | -                 | (3)                                    | -                                      | (3)           |
| <b>Total comprehensive income</b>                                    | <b>-</b>                   | <b>1,748</b>                    | <b>-</b>        | <b>1,748</b>      | <b>-</b>          | <b>3,496</b>                           | <b>116</b>                             | <b>3,612</b>  |
| Interest paid on Additional Tier 1 capital                           | -                          | -                               | -               | -                 | -                 | -                                      | (117)                                  | (117)         |
| Foreign currency translation adjustment of Additional Tier 1 capital | -                          | -                               | -               | 2                 | -                 | 2                                      | (2)                                    | -             |
| Tax on Additional Tier 1 capital                                     | -                          | -                               | -               | (0)               | -                 | (0)                                    | -                                      | (0)           |
| Distributed dividend   | -                          | -                               | -               | -                 | (2,800)           | (2,800)                                | -                                      | (2,800)       |
| Dividend from Group enterprises                                      | -                          | (162)                           | -               | 162               | -                 | -                                      | -                                      | -             |
| <b>Equity, 30 June</b>   | <b>1,182</b>               | <b>20,112</b>                   | <b>36,575</b>   | <b>18,934</b>     | <b>-</b>          | <b>76,803</b>                          | <b>3,774</b>                           | <b>80,577</b> |
| <b>2018</b>  |                            |                                 |                 |                   |                   |  |  |               |
| Equity, end-2017, see the Annual Report                              | 1,182                      | 15,239                          | 38,038          | 16,523            | 4,100             | 75,082                                 | 3,765                                  | 78,847        |
| Changes in impairment charges owing to implementation of IFRS 9      | -                          | (566)                           | -               | -                 | -                 | (566)                                  | -                                      | (566)         |
| Changes in taxes due owing to implementation of IFRS 9               | -                          | 125                             | -               | -                 | -                 | 125                                    | -                                      | 125           |
| <b>Equity, 1 January</b>   | <b>1,182</b>               | <b>14,797</b>                   | <b>38,038</b>   | <b>16,523</b>     | <b>4,100</b>      | <b>74,641</b>                          | <b>3,765</b>                           | <b>78,406</b> |
| Profit for the period <sup>4</sup>                                   | -                          | 2,235                           | -               | 959               | -                 | 3,194                                  | 116                                    | 3,310         |
| Total other comprehensive income                                     | -                          | -                               | -               | (12)              | -                 | (12)                                   | -                                      | (12)          |
| <b>Total comprehensive income</b>                                    | <b>-</b>                   | <b>2,235</b>                    | <b>-</b>        | <b>947</b>        | <b>-</b>          | <b>3,182</b>                           | <b>116</b>                             | <b>3,298</b>  |
| Interest paid on Additional Tier 1 capital                           | -                          | -                               | -               | -                 | -                 | -                                      | (116)                                  | (116)         |
| Foreign currency translation adjustment of Additional Tier 1 capital | -                          | -                               | -               | (4)               | -                 | (4)                                    | 4                                      | -             |
| Tax on Additional Tier 1 capital <sup>4</sup>                        | -                          | -                               | -               | (1)               | -                 | (1)                                    | -                                      | (1)           |
| Distributed dividend   | -                          | -                               | -               | -                 | (4,100)           | (4,100)                                | -                                      | (4,100)       |
| Dividend from associates   | -                          | (2)                             | -               | 2                 | -                 | -                                      | -                                      | -             |
| Dividend from Group enterprises                                      | -                          | (319)                           | -               | 319               | -                 | -                                      | -                                      | -             |
| Other movements concerning equity investments                        | -                          | (42)                            | -               | 42                | -                 | -                                      | -                                      | -             |
| Other reserves transferred to retained earnings                      | -                          | 309                             | -               | (309)             | -                 | -                                      | -                                      | -             |
| <b>Equity, 30 June</b>   | <b>1,182</b>               | <b>16,978</b>                   | <b>38,038</b>   | <b>17,519</b>     | <b>-</b>          | <b>73,718</b>                          | <b>3,768</b>                           | <b>77,486</b> |

<sup>1</sup> The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

<sup>2</sup> A non-distributable reserve fund in Totalkredit A/S.

<sup>3</sup> Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500 million (nominal) of AT1 capital, which may be redeemed from 26 October 2020. AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%, the loan will be written down.

<sup>4</sup> Profit for the period has changed by DKK 25.4 million relative to H1/2018, as taxes relating to interest expenses for the Additional Tier 1 capital must be recognised in the income statement following the amendments to IAS 12. "Tax on Additional Tier 1 capital" has been adjusted correspondingly. This is solely a reclassification of taxes, and therefore total equity remains unchanged.

# CASH FLOW STATEMENT

DKK million

Nykredit Realkredit Group

|  | H1/2019         | H1/2018         |
|--|-----------------|-----------------|
| <b>Profit for the period</b>   | <b>3,615</b>    | <b>3,294</b>    |
| <b>Adjustments</b>   |                 |                 |
| Net interest income  | (5,450)         | (5,445)         |
| Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets | 136             | 48              |
| Profit from investments in associates  | (2)             | (2)             |
| Impairment charges for loans, advances and receivables etc   | 433             | 103             |
| Prepayments/deferred income, net   | (202)           | (66)            |
| Tax calculated on profit for the period  | 684             | 758             |
| Other adjustments  | (2,189)         | (170)           |
| <b>Total</b>   | <b>(2,975)</b>  | <b>(1,480)</b>  |
| <b>Change in operating capital</b>   |                 |                 |
| Loans, advances and other receivables  | (53,597)        | (20,563)        |
| Deposits and payables to credit institutions   | 13,139          | 20,524          |
| Bonds in issue   | 73,363          | (4,605)         |
| Other operating capital  | (2,086)         | (19,260)        |
| <b>Total</b>   | <b>27,843</b>   | <b>(25,383)</b> |
| Interest income received   | 13,611          | 14,068          |
| Interest expenses paid   | (8,180)         | (8,681)         |
| Corporation tax paid, net  | (581)           | (811)           |
| <b>Cash flows from operating activities</b>  | <b>32,693</b>   | <b>(20,807)</b> |
| <b>Cash flows from investing activities</b>  |                 |                 |
| Dividend received from associates  | 2               | 2               |
| Purchase and sale of bonds and equities, net   | (17,431)        | 5,692           |
| Purchase of intangible assets  | (55)            | (48)            |
| Purchase of property, plant and equipment  | (21)            | (10)            |
| Sale of property, plant and equipment  | 1               | 50              |
| <b>Total</b>   | <b>(17,505)</b> | <b>5,685</b>    |
| <b>Cash flows from financing activities</b>  |                 |                 |
| Distributed dividend   | (2,800)         | (4,100)         |
| Purchase and sale of self-issued subordinated debt instruments   | 0               | (4)             |
| <b>Total</b>   | <b>(2,800)</b>  | <b>(4,104)</b>  |
| <b>Total cash flows for the period</b>   | <b>12,389</b>   | <b>(19,226)</b> |
| <b>Cash and cash equivalents, beginning of period</b>  | <b>29,691</b>   | <b>48,031</b>   |
| Foreign currency translation adjustment of cash  | 1,397           | 197             |
| Total cash flows for the period  | 12,389          | (19,226)        |
| <b>Cash and cash equivalents, end of period</b>  | <b>43,476</b>   | <b>29,002</b>   |
| <b>Cash and cash equivalents, end of period:</b>   |                 |                 |
| Cash balances and demand deposits with central banks   | 7,223           | 5,125           |
| Receivables from credit institutions and central banks   | 36,252          | 23,878          |
| <b>Total</b>   | <b>43,475</b>   | <b>29,002</b>   |

# NOTES

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Nykredit Realkredit Group

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## 1. ACCOUNTING POLICIES

### GENERAL

The Consolidated Financial Statements for H1/2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the Annual Report.

The Parent Interim Financial Statements for H1/2019 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on Financial Reports) issued by the Danish Financial Supervisory Authority (FSA).

In addition to implementation of

- IFRS 16 "Leases"
- annual improvements to IFRS standards 2015-2017, and
- changes to the earnings presentation in financial highlights on page 4 as well as business areas (note 3), see "Alternative performance measures",

the accounting policies of Nykredit Realkredit A/S and the Nykredit Realkredit Group are unchanged compared with the Annual Report for 2018 (note 1) and compared with the information disclosed in the Annual Report for 2018 no new reporting standards or interpretations have been issued or approved, and no amendments have been made to the Danish Executive Order on Financial Reports of the Danish FSA which influence the H1 Interim Report 2019.

The accounting policies as well as a description of the Company's and the Group's material risks appear from the Annual Report for 2018.

All figures in the Annual Report are rounded to the nearest million Danish kroner (DKK), unless otherwise specified. The totals stated are calculated on the basis of actual figures prior to rounding. Due to the rounding-off to the nearest whole million Danish kroner, the sum of individual figures and the stated totals may differ slightly.

### **Change in accounting policies following implementation of IFRS 16 Leases and corresponding amendments to the Danish Executive Order on Financial Reports**

The standard, which was implemented on 1 January 2019, implies capitalisation of Nykredit's rights of use to leased assets (leasehold premises) and the recognition of liabilities arising from the lease.

For Nykredit the implementation implies a calculated liability corresponding to the present value of expected rents and capitalisation of a leased asset corresponding to the liability. The lease term used to determine the rental liability corresponds to the period in which Nykredit as lessee has the right to, and expects to, use the underlying assets. The period is 7 years on average. For leases which have been terminated or are expected to be terminated, the period is about 3 years. The implementation has increased Nykredit's assets and liabilities by approx DKK 0.8 billion, or about 0.1% of the balance sheet total.

The rental expense has so far been recognised as administrative costs through profit or loss. As of 1 January 2019, the expense will be recognised through profit or loss as depreciation of the leased asset and interest expense on the lease liability. The impact on equity, profit after tax and comprehensive income comprises a charge of about DKK 7 million in 2019. The impact will be neutral throughout the entire lease term, however.

Comparative figures have not been restated, as the change has just been implemented.

### **Change in accounting policies following implementation of annual improvements to IFRS standards 2015-2017**

The change was approved by the EU in H1/2019 and has been implemented as at 1 January 2019. For Nykredit, the amendment of IAS 12 "Income Taxes" implies that taxes relating to interest expenses for Additional Tier 1 capital will be recognised in profit from and including 1 January 2019. The tax effect was previously recognised directly in equity together with the interest expense.

Tax, profit and comprehensive income for the period were positively impacted in H1/2019 and H1/2018 by DKK 25 million and DKK 25 million, respectively. For the full-year 2018 tax, profit for the year and comprehensive income were positively affected by DKK 51 million. Comparative figures have been restated.

Total balance sheet and equity were not affected by the change.

### **Significant accounting estimates and assessments**

The preparation of the Financial Statements involves the use of qualified accounting estimates and assessments. These estimates and assessments are made by Nykredit's Management in accordance with accounting policies and based on past experience and an assessment of future conditions.

Accounting estimates are tested and assessed regularly. The estimates and assessments applied are based on assumptions which Management considers reasonable and realistic, but which are inherently uncertain and unpredictable.

Areas implying a high degree of assessment or complexity or areas in which assumptions and estimates are material to the Financial Statements include provisions for loan and receivable impairment as well as valuation of unlisted financial instruments, see the Annual Report for 2018.

# NOTES

|  |                | DKK million  |                |                |
|--|----------------|--|----------------|----------------|
| Nykredit Realkredit A/S                |                | Nykredit Realkredit Group  |                |                |
| 31.12.2018                             | 30.06.2019     |  | 30.06.2019     | 31.12.2018     |
| <b>2. CAPITAL AND CAPITAL ADEQUACY</b> |                |  |                |                |
| 79,883                                 | 80,577         | Equity for accounting purposes   | 80,573         | 79,878         |
| (3,777)                                | (3,774)        | Carrying amount of Additional Tier 1 capital recognised in equity        | (3,769)        | (3,772)        |
| -                                      | (1,750)        | Statutory deduction for estimated dividend                               | (1,750)        | -              |
| <b>76,106</b>                          | <b>75,053</b>  | <b>Equity excluding Additional Tier 1 capital and minority interests</b> | <b>75,053</b>  | <b>76,106</b>  |
| (2,800)                                | -              | Proposed dividend  | -              | (2,800)        |
| (24)                                   | (40)           | Prudent valuation adjustment   | (72)           | (57)           |
| (200)                                  | (219)          | Intangible assets excluding deferred tax liabilities                     | (241)          | (221)          |
| (98)                                   | (147)          | Provisions for expected credit losses in accordance with IRB approach    | -              | -              |
| (327)                                  | (308)          | Other additions/deductions   | (308)          | (327)          |
| <b>(3,449)</b>                         | <b>(714)</b>   | <b>Common Equity Tier 1 capital deductions</b>                           | <b>(620)</b>   | <b>(3,405)</b> |
| <b>72,657</b>                          | <b>74,339</b>  | <b>Common Equity Tier 1 capital</b>                                      | <b>74,433</b>  | <b>72,701</b>  |
| 3,734                                  | 3,732          | Additional Tier 1 capital  | 3,727          | 3,729          |
| (25)                                   | (102)          | Additional Tier 1 capital deductions                                     | (105)          | (28)           |
| <b>3,709</b>                           | <b>3,630</b>   | <b>Total Additional Tier 1 capital after deductions</b>                  | <b>3,622</b>   | <b>3,702</b>   |
| <b>76,365</b>                          | <b>77,969</b>  | <b>Tier 1 capital</b>  | <b>78,055</b>  | <b>76,403</b>  |
| 10,828                                 | 10,822         | Tier 2 capital   | 10,822         | 10,828         |
| (44)                                   | (44)           | Tier 2 capital additions/deductions                                      | 676            | 453            |
| <b>87,149</b>                          | <b>88,747</b>  | <b>Own funds</b>   | <b>89,553</b>  | <b>87,683</b>  |
| 389,503                                | 411,758        | Credit risk  | 309,094        | 291,637        |
| 12,762                                 | 13,664         | Market risk  | 27,309         | 27,390         |
| 12,910                                 | 12,175         | Operational risk   | 25,499         | 25,709         |
| <b>415,175</b>                         | <b>437,598</b> | <b>Total risk exposure amount</b>  | <b>361,903</b> | <b>344,736</b> |
| <b>Financial ratios</b>                |                |  |                |                |
| 17.5                                   | 16.9           | Common Equity Tier 1 capital ratio, %                                    | 20.5           | 21.0           |
| 18.3                                   | 17.8           | Tier 1 capital ratio, %  | 21.5           | 22.1           |
| 20.9                                   | 20.2           | Total capital ratio, %   | 24.7           | 25.4           |

Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 as well as the Danish transitional rules laid down by the Danish FSA.

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement of 2% applies to the Nykredit Realkredit Group. To this should be added the permanent CET1 capital buffer requirement of 2.5% and the countercyclical buffer of 1% in Denmark which must also be met with Common Equity Tier 1 capital.

Nykredit has entered into a conditional agreement with the owners of Sparinvest to obtain 75% of the shares and also entered into a conditional agreement to acquire LR Realkredit A/S. On 9 July the Danish competition authorities approved Nykredit's acquisition of Sparinvest, and subsequently, on 14 August 2019, the Luxembourg supervisory authority (CSSF) also approved the Sparinvest acquisition. The capital ratios of the Nykredit Realkredit Group and the Nykredit Bank Group are expected to fall by about 0.7 percentage points and about 1.9 percentage points, respectively. The drop is primarily due to capital deductions as a result of goodwill related to the acquisition of Sparinvest.

# NOTES

DKK million

Nykredit Realkredit Group

## 3. BUSINESS AREAS

The business areas reflect Nykredit's organisation and internal reporting. In March 2019 the business areas were reorganised, now comprising Banking, Totalkredit Partners and Wealth Management. Banking includes: Retail, which serves personal customers and SMEs (small and medium-sized enterprises). It also includes Corporates & Institutions, comprising activities with corporate and institutional clients, securities trading and derivatives trading. Wealth Management comprises wealth and asset management activities. Please refer to the Management Commentary.

The presentation is based on the segments used for the internal management reporting.

|  | Personal Banking | Business Banking | Total Retail   | Corporates & Institutions | Banking        | Totalkredit Partners | Wealth Management | Group Items   | Total            |
|--|------------------|------------------|----------------|---------------------------|----------------|----------------------|-------------------|---------------|------------------|
| <b>Results</b>   |                  |                  |                |                           |                |                      |                   |               |                  |
| <b>H1/2019</b>   |                  |                  |                |                           |                |                      |                   |               |                  |
| <b>Results by business area</b>                                  |                  |                  |                |                           |                |                      |                   |               |                  |
| Net interest income  | 929              | 1,429            | 2,358          | 797                       | 3,155          | 1,372                | 65                | 0             | 4,592            |
| Net fee income   | 289              | 315              | 604            | 274                       | 877            | 270                  | 15                | (8)           | 1,155            |
| Wealth management income   | 166              | 74               | 241            | 51                        | 291            | -                    | 422               | 5             | 719              |
| Net interest from capitalisation                                 | (33)             | (77)             | (110)          | (58)                      | (167)          | (87)                 | (5)               | 87            | (172)            |
| Net income relating to customer benefits programmes <sup>1</sup> | -                | -                | -              | -                         | -              | -                    | -                 | (103)         | (103)            |
| Trading, investment portfolio and other income                   | 4                | 52               | 56             | 146                       | 202            | 11                   | 12                | 1,075         | 1,301            |
| <b>Income</b>  | <b>1,355</b>     | <b>1,793</b>     | <b>3,149</b>   | <b>1,210</b>              | <b>4,359</b>   | <b>1,566</b>         | <b>510</b>        | <b>1,057</b>  | <b>7,492</b>     |
| Costs  | 992              | 567              | 1,559          | 308                       | 1,867          | 290                  | 234               | 102           | 2,492            |
| <b>Business profit before impairment charges</b>                 | <b>364</b>       | <b>1,226</b>     | <b>1,590</b>   | <b>902</b>                | <b>2,492</b>   | <b>1,277</b>         | <b>276</b>        | <b>956</b>    | <b>5,001</b>     |
| Impairment charges for loans and advances                        | 47               | 357              | 403            | (31)                      | 372            | 58                   | (5)               | 8             | 433              |
| <b>Business profit</b>   | <b>317</b>       | <b>869</b>       | <b>1,187</b>   | <b>933</b>                | <b>2,120</b>   | <b>1,219</b>         | <b>281</b>        | <b>948</b>    | <b>4,568</b>     |
| Legacy derivatives   | (4)              | (162)            | (166)          | (103)                     | (269)          | -                    | (0)               | -             | (269)            |
| <b>Profit before tax</b>   | <b>313</b>       | <b>707</b>       | <b>1,021</b>   | <b>830</b>                | <b>1,851</b>   | <b>1,219</b>         | <b>281</b>        | <b>948</b>    | <b>4,298</b>     |
| <b>BALANCE SHEET, 30 JUNE 2019</b>                               |                  |                  |                |                           |                |                      |                   |               |                  |
| <b>Assets</b>  |                  |                  |                |                           |                |                      |                   |               |                  |
| Mortgage loans etc at fair value                                 | 177,565          | 234,858          | 412,423        | 203,533                   | 615,957        | 607,394              | 8,785             | -             | 1,232,135        |
| Reverse repurchase lending                                       |                  |                  |                |                           |                |                      |                   | 49,147        | 49,147           |
| Loans and advances at amortised cost                             | 12,017           | 22,686           | 34,704         | 25,174                    | 59,877         | -                    | 4,262             | (292)         | 63,848           |
| <b>Assets by business area</b>                                   | <b>189,582</b>   | <b>257,545</b>   | <b>447,127</b> | <b>228,707</b>            | <b>675,834</b> | <b>607,394</b>       | <b>13,047</b>     | <b>48,856</b> | <b>1,345,131</b> |
| Unallocated assets   |                  |                  |                |                           |                |                      |                   |               | 195,578          |
| <b>Total assets</b>  |                  |                  |                |                           |                |                      |                   |               | <b>1,540,708</b> |
| <b>Liabilities and equity</b>                                    |                  |                  |                |                           |                |                      |                   |               |                  |
| Repo deposits  |                  |                  |                |                           |                |                      |                   | 15,416        | 15,416           |
| Bank deposits and other payables at amortised cost               | 33,132           | 19,375           | 52,507         | 8,571                     | 61,078         | -                    | 16,571            | 2,310         | 79,959           |
| <b>Liabilities by business area</b>                              | <b>33,132</b>    | <b>19,375</b>    | <b>52,507</b>  | <b>8,571</b>              | <b>61,078</b>  | <b>-</b>             | <b>16,571</b>     | <b>17,726</b> | <b>95,376</b>    |
| Unallocated liabilities  |                  |                  |                |                           |                |                      |                   |               | 1,364,760        |
| Equity   |                  |                  |                |                           |                |                      |                   |               | 80,573           |
| <b>Total liabilities and equity</b>                              |                  |                  |                |                           |                |                      |                   |               | <b>1,540,708</b> |

<sup>1</sup> The item comprises contributions and discounts relating to Nykredit's benefits programmes, see "Alternative performance measures".

# NOTES

DKK million

Nykredit Realkredit Group

## 3. BUSINESS AREAS (CONTINUED)

|  | Personal Banking | Business Banking | Total Retail | Corporates & Institutions | Banking      | Totalcredit Partners | Wealth Management | Group Items  | Total        |
|--|------------------|------------------|--------------|---------------------------|--------------|----------------------|-------------------|--------------|--------------|
| <b>Results</b>   |                  |                  |              |                           |              |                      |                   |              |              |
| <b>H1/2018</b>   |                  |                  |              |                           |              |                      |                   |              |              |
| <b>Results by business area</b>                                  |                  |                  |              |                           |              |                      |                   |              |              |
| Net interest income  | 952              | 1,449            | 2,401        | 749                       | 3,150        | 1,354                | 58                | (5)          | 4,557        |
| Net fee income   | 298              | 254              | 551          | 211                       | 763          | 260                  | 12                | (8)          | 1,028        |
| Wealth management income   | 177              | 72               | 249          | 63                        | 312          | -                    | 350               | 8            | 670          |
| Net interest from capitalisation                                 | (36)             | (87)             | (123)        | (50)                      | (173)        | (78)                 | (3)               | 78           | (176)        |
| Net income relating to customer benefits programmes <sup>1</sup> | -                | -                | -            | -                         | -            | -                    | -                 | (107)        | (107)        |
| Trading, investment portfolio and other income                   | 24               | 213              | 237          | 223                       | 460          | 1                    | 7                 | (100)        | 367          |
| <b>Income</b>  | <b>1,415</b>     | <b>1,900</b>     | <b>3,315</b> | <b>1,198</b>              | <b>4,512</b> | <b>1,538</b>         | <b>423</b>        | <b>(136)</b> | <b>6,337</b> |
| Costs  | 992              | 530              | 1,522        | 297                       | 1,819        | 271                  | 228               | 85           | 2,402        |
| <b>Business profit before impairment charges</b>                 | <b>423</b>       | <b>1,370</b>     | <b>1,793</b> | <b>900</b>                | <b>2,693</b> | <b>1,267</b>         | <b>195</b>        | <b>(220)</b> | <b>3,935</b> |
| Impairment charges for loans and advances                        | 154              | (49)             | 105          | 13                        | 118          | (44)                 | 21                | 9            | 103          |
| <b>Business profit (loss)</b>                                    | <b>269</b>       | <b>1,419</b>     | <b>1,688</b> | <b>888</b>                | <b>2,576</b> | <b>1,311</b>         | <b>174</b>        | <b>(229)</b> | <b>3,832</b> |
| Legacy derivatives   | 0                | 156              | 157          | 63                        | 220          | -                    | (0)               | -            | 219          |
| <b>Profit before tax</b>   | <b>269</b>       | <b>1,576</b>     | <b>1,845</b> | <b>951</b>                | <b>2,795</b> | <b>1,311</b>         | <b>174</b>        | <b>(229)</b> | <b>4,052</b> |

## BALANCE SHEET, 30 JUNE 2018

### Assets

|                                      |                |                |                |                |                |                |               |               |                  |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|------------------|
| Mortgage loans etc at fair value     | 178,427        | 237,317        | 415,743        | 192,896        | 608,640        | 561,413        | 8,317         | -             | 1,178,370        |
| Reverse repurchase lending           |                |                |                |                |                |                |               | 31,192        | 31,192           |
| Loans and advances at amortised cost | 11,968         | 20,433         | 32,401         | 22,206         | 54,606         | -              | 3,539         | 501           | 58,646           |
| <b>Assets by business area</b>       | <b>190,394</b> | <b>257,749</b> | <b>448,144</b> | <b>215,102</b> | <b>663,246</b> | <b>561,413</b> | <b>11,856</b> | <b>31,693</b> | <b>1,268,207</b> |
| Unallocated assets                   |                |                |                |                |                |                |               |               | 154,102          |
| <b>Total assets</b>                  |                |                |                |                |                |                |               |               | <b>1,422,310</b> |

### Liabilities and equity

|  |               |               |               |               |               |          |               |               |                  |
|--|---------------|---------------|---------------|---------------|---------------|----------|---------------|---------------|------------------|
| Repo deposits                                      |               |               |               |               |               |          |               | 19,851        | 19,851           |
| Bank deposits and other payables at amortised cost | 29,404        | 17,797        | 47,201        | 10,167        | 57,368        | -        | 12,060        | 2,937         | 72,365           |
| <b>Liabilities by business area</b>                | <b>29,404</b> | <b>17,797</b> | <b>47,201</b> | <b>10,167</b> | <b>57,368</b> | <b>-</b> | <b>12,060</b> | <b>22,788</b> | <b>92,216</b>    |
| Unallocated liabilities                            |               |               |               |               |               |          |               |               | 1,252,652        |
| Equity   |               |               |               |               |               |          |               |               | 77,442           |
| <b>Total liabilities and equity</b>                |               |               |               |               |               |          |               |               | <b>1,422,310</b> |

<sup>1</sup> The item comprises contributions and discounts relating to Nykredit's benefits programmes, see "Alternative performance measures". Comparative figures for income and profit from the business areas for H1/2018 have been restated as follows: Personal Banking increased by DKK 18.8 million, Business Banking by DKK 1.0 million, Totalcredit Partners by DKK 86.8 million and Corporates & Institutions by DKK 0.4 million. Total profit is not impacted. This amount was previously recognised in "Net interest income".

Comparative figures for 2018 have been restated to reflect the organisational adjustment, which took effect on 21 March 2019.



| 4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT | H1/2019  |                  |                  | H1/2018  |                  |                  |
|---|--|------------------|------------------|--|------------------|------------------|
|   | Earnings presentation in Management Commentary | Reclassification | Income statement | Earnings presentation in Management Commentary | Reclassification | Income statement |
| Net interest income   | 4,592  | 857              | 5,450            | 4,557  | 887              | 5,445            |
| Dividend on equities etc                                      |  | 151              | 151              |  | 101              | 101              |
| Fee and commission income, net                                | 1,155  | (1,419)          | (265)            | 1,028  | (1,243)          | (216)            |
| <b>Net interest and fee income</b>                            |  | <b>(412)</b>     | <b>5,336</b>     |  | <b>(255)</b>     | <b>5,330</b>     |
| Wealth management income                                      | 719  | (719)            | -                | 670  | (670)            | -                |
| Net interest from capitalisation                              | (172)  | 172              | -                | (176)  | 176              | -                |
| Net income relating to customer benefits programmes           | (103)  | 103              | -                | (107)  | 107              | -                |
| Trading, investment portfolio and other income                | 1,301  | (1,301)          | -                | 367  | (367)            | -                |
| Value adjustments   |  | 1,180            | 1,180            |  | 786              | 786              |
| Other operating income  |  | 705              | 705              |  | 439              | 439              |
| <b>Income</b>   | <b>7,492</b>                                   |                  |                  | <b>6,338</b>                                   |                  |                  |
| Costs   | 2,491  | -                | 2,491            | 2,402  | -                | 2,402            |
| <b>Business profit before impairment charges</b>              | <b>5,001</b>                                   |                  |                  | <b>3,935</b>                                   |                  |                  |
| Impairment charges for loans and advances etc                 | 433  | -                | 433              | 103  | -                | 103              |
| Profit from investments in associates and Group enterprises   |  | 2                | 2                |  | 2                | 2                |
| <b>Business profit</b>  | <b>4,568</b>                                   |                  |                  | <b>3,832</b>                                   |                  |                  |
| Legacy derivatives  | (269)  | 269              | -                | 219  | (219)            | -                |
| <b>Profit before tax</b>                                      | <b>4,298</b>                                   | <b>-</b>         | <b>4,298</b>     | <b>4,052</b>                                   | <b>-</b>         | <b>4,052</b>     |

Note 4 combines the earnings presentation in the Management Commentary (internal presentation), including the financial highlights and presentation of business areas, and the formal income statement of the Financial Statements.

The most important difference is that all income is recognised in two main items in the internal presentation: "Income", including sub-items, and "Legacy derivatives". The sum of these two items thus corresponds to "Net interest and fee income", "Value adjustments", "Other operating income" and "Profit from investments in associates and Group enterprises" in the income statement of the Financial Statements. The column "Reclassification" thus comprises only differences between the internal presentation and the income statement with respect to these items.

"Costs" in the internal presentation corresponds to total costs recognised in the Financial Statements: "Staff and administrative expenses", "Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets" and "Other operating expenses".

"Impairment charges for loans and advances etc" corresponds to the presentation in the income statement.

The internal presentation is based on the same recognition and measurement principles as the IFRS-based Financial Statements. Thus, profit before tax is unchanged.

# NOTES

DKK million

Nykredit Realkredit Group

|   | H1/2019      | H1/2018      |
|---|--------------|--------------|
| <b>5. INCOME</b>  |              |              |
| <b>Interest income (IFRS 9 instruments)</b>                             |              |              |
| Interest income   | 12,775       | 12,874       |
| <b>Income from leasing activities, net</b>                              |              |              |
| Interest income   | 80           | 74           |
| <b>Revenue from contracts with customers (IFRS 15)</b>                  |              |              |
| <b>Fees</b>   |              |              |
| Total   | 1,516        | 1,278        |
| <b>Other ordinary income</b>  |              |              |
| Other income  | 705          | 439          |
| <b>Revenue from contracts with customers (IFRS 15) by business area</b> |              |              |
| Retail  | 315          | 410          |
| Corporates & Institutions   | 235          | 213          |
| Totalkredit Partners  | 312          | 217          |
| Wealth Management   | 624          | 411          |
| Group Items   | 30           | 27           |
| <b>Total</b>  | <b>1,516</b> | <b>1,278</b> |

The allocation of fees to business divisions shows the business divisions where fees are included on initial recognition. These fees, together with other income are subsequently reallocated to the business divisions serving the customers on a net basis, see note 3.

IFRS 15 was implemented as at 1 January 2018 without impacting profit, comprehensive income, balance sheet and equity. The standard implies that revenue is not recognised until control of goods or services is passed to the customer. The standard also specifies rules on how companies should identify contracts with customers, the related performance obligations and determination of the transaction price.

Nykredit's revenue consists of net income recognised in items governed by the accounting standards IFRS 9 (Financial Instruments) and IAS 17 (Leases). Fees and transaction costs that are integral to the effective interest rate of an instrument are covered by IFRS 9.

Revenue recognised according to IFRS 15 partly includes fees from guarantees and other commitments (off-balance sheet items) as well as net revenue from Nykredit Markets, Asset Management and custody business, where revenue is recognised pursuant to the contractual provisions of the underlying agreements or price lists. Generally, business activities do not imply contract assets or liabilities for accounting purposes.

Revenue comprised by IFRS 15 mainly relates to:

- Fees in connection with deposits, lending and guarantee activities, consisting of fixed fees and/or determined as a percentage of the amount borrowed or the guarantee amount. Lending activities comprise eg mortgage lending. Fees are recognised at the time of the transaction or at fixed payment dates.
- Custody fees are based on a percentage of the size of the individual custody account and/or fixed fees. Fees are recognised at fixed payment dates in accordance with contractual provisions or price lists.
- Revenue from Nykredit Markets activities comprises trading in financial instruments and is recognised simultaneously with the transaction. Revenue in connection with eg Capital Markets transactions is recognised at the time of delivery of the service and when Nykredit's obligation has been settled.
- Revenue from wealth management activities comprises Nykredit's business within asset and wealth management, including banking and pension activities. Revenue is recognised as the services are performed and delivered to the customers. Revenue is determined as a percentage of assets under management and administration or in the form of transaction fees.

Revenue from specific custody and Asset Management activities are determined based on the price movements of the underlying contracts, and therefore earnings cannot be finally calculated until at a specified, agreed date, but not later than end-financial year.

Recognition of revenue is not impacted by special conditions which may significantly impact the size thereof or cash flows. Nykredit has no IFRS 15 obligations in the form of buybacks or guarantees etc.

# NOTES

DKK million

Nykredit Realkredit Group

## 6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

| H1/2019  | Interest income | Interest expenses | Net interest income | Dividend on equities | Value adjustments | Total        |
|--|-----------------|-------------------|---------------------|----------------------|-------------------|--------------|
| <b>Financial portfolios at amortised cost</b>  |                 |                   |                     |                      |                   |              |
| Receivables from and payables to credit institutions and central banks                         | 4               | 27                | (23)                | -                    | -                 | (23)         |
| Lending and deposits   | 968             | (1)               | 968                 | -                    | 5                 | 973          |
| Repo transactions and reverse repurchase lending   | (98)            | (49)              | (49)                | -                    | -                 | (49)         |
| Subordinated debt  | -               | 178               | (178)               | -                    | -                 | (178)        |
| Other financial instruments  | 53              | 47                | 7                   | -                    | -                 | 7            |
| <b>Total</b>   | <b>927</b>      | <b>203</b>        | <b>725</b>          | <b>-</b>             | <b>5</b>          | <b>730</b>   |
| <b>Financial portfolios at fair value and financial instruments at fair value</b>              |                 |                   |                     |                      |                   |              |
| Mortgage loans and bonds in issue <sup>1</sup>   | 11,731          | 7,203             | 4,528               | -                    | (17)              | 4,511        |
| Bonds  | 225             | -                 | 225                 | -                    | 1,223             | 1,447        |
| Equities etc   | -               | -                 | -                   | 151                  | 789               | 939          |
| Derivative financial instruments   | (28)            | -                 | (28)                | -                    | (856)             | (884)        |
| <b>Total</b>   | <b>11,928</b>   | <b>7,203</b>      | <b>4,725</b>        | <b>151</b>           | <b>1,138</b>      | <b>6,014</b> |
| Foreign currency translation adjustment  |                 |                   |                     |                      | 37                | 37           |
| <b>Net interest income etc and value adjustments</b>   | <b>12,855</b>   | <b>7,406</b>      | <b>5,450</b>        | <b>151</b>           | <b>1,180</b>      | <b>6,780</b> |
| KundeKroner and ErhvervsKroner discounts recognised in interest income for the period (charge) | 644             |                   |                     |                      |                   |              |
| <b>H1/2018</b>   |                 |                   |                     |                      |                   |              |
| <b>Financial portfolios at amortised cost</b>  |                 |                   |                     |                      |                   |              |
| Receivables from and payables to credit institutions and central banks                         | (6)             | 24                | (30)                | -                    | -                 | (30)         |
| Lending and deposits   | 987             | (15)              | 1,002               | -                    | -                 | 1,002        |
| Repo transactions and reverse repurchase lending   | (82)            | (68)              | (13)                | -                    | 9                 | (5)          |
| Subordinated debt  | -               | 177               | (177)               | -                    | -                 | (177)        |
| Other financial instruments  | 43              | 42                | 1                   | -                    | -                 | 1            |
| <b>Total</b>   | <b>942</b>      | <b>159</b>        | <b>783</b>          | <b>-</b>             | <b>9</b>          | <b>792</b>   |
| <b>Financial portfolios at fair value and financial instruments at fair value</b>              |                 |                   |                     |                      |                   |              |
| Mortgage loans and bonds in issue <sup>1</sup>   | 11,876          | 7,344             | 4,532               | -                    | 56                | 4,588        |
| Bonds  | 231             | -                 | 231                 | -                    | 209               | 440          |
| Equities etc   | -               | -                 | -                   | 101                  | 8                 | 109          |
| Derivative financial instruments   | (101)           | -                 | (101)               | -                    | 438               | 337          |
| <b>Total</b>   | <b>12,006</b>   | <b>7,344</b>      | <b>4,662</b>        | <b>101</b>           | <b>711</b>        | <b>5,473</b> |
| Foreign currency translation adjustment  |                 |                   |                     |                      | 67                | 67           |
| <b>Net interest income etc and value adjustments</b>   | <b>12,948</b>   | <b>7,503</b>      | <b>5,445</b>        | <b>101</b>           | <b>786</b>        | <b>6,331</b> |
| KundeKroner and ErhvervsKroner discounts recognised in interest income for the period (charge) | 470             |                   |                     |                      |                   |              |

<sup>1</sup> Recognised at fair value through fair value option.

# NOTES

|  |              | DKK million   |                  |
|--|--------------|---|------------------|
| Nykredit Realkredit A/S  |              | Nykredit Realkredit Group   |                  |
| H1/2018  | H1/2019      | H1/2019   | H1/2018          |
| <b>7. VALUE ADJUSTMENTS</b>                                      |              |   |                  |
| <b>Assets measured at fair value through profit or loss</b>      |              |   |                  |
| (497)  | 4,182        | Mortgage loans  | 13,266 (475)     |
| 61   | 9,121        | Totalkredit mortgage loan funding   | (0) (0)          |
| (5)  | (2)          | Other loans, advances and receivables at fair value   | 5 9              |
| 34   | 859          | Bonds   | 1,223 209        |
| (9)  | 756          | Equities etc  | 789 8            |
| 19   | 1            | Foreign exchange  | 37 67            |
| (70)   | (576)        | Foreign exchange, interest rate and other contracts as well as derivative financial instruments | (878) 432        |
| -  | -            | Other assets  | 22 6             |
| <b>Liabilities measured at fair value through profit or loss</b> |              |   |                  |
| 553  | (4,199)      | Bonds in issue  | (13,283) 531     |
| (60)   | (9,121)      | Other liabilities   | - -              |
| <b>24</b>  | <b>1,021</b> | <b>Total</b>  | <b>1,180 786</b> |

Value adjustments mainly relate to financial assets, financial liabilities and derivative financial instruments included in the Group's trading activities. No value adjustments have been made for own credit risk of bonds in issue or other financial liabilities.

## 8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP)

### 8 a. Impairment charges for loans, advances and receivables etc

|   | Loans and advances at fair value | Loans and advances at fair value | Loans and advances at amortised cost | Loans and advances at amortised cost | Credit institutions | Credit institutions | Guarantees etc <sup>2</sup> | Guarantees etc <sup>2</sup> | Total        | Total        |
|---|----------------------------------|----------------------------------|--------------------------------------|--------------------------------------|---------------------|---------------------|-----------------------------|-----------------------------|--------------|--------------|
|   | 2019                             | 2018                             | 2019                                 | 2018                                 | 2019                | 2018                | 2019                        | 2018                        | 2019         | 2018         |
| <b>Total impairment provisions</b>  |                                  |                                  |                                      |                                      |                     |                     |                             |                             |              |              |
| <b>Beginning of period</b>  | <b>5,025</b>                     | <b>5,567</b>                     | <b>2,767</b>                         | <b>2,290</b>                         | <b>21</b>           | <b>-</b>            | <b>117</b>                  | <b>58</b>                   | <b>7,930</b> | <b>7,916</b> |
| Impact following implementation of IFRS 9                                     |                                  | -                                |                                      | 506                                  |                     | 3                   |                             | 62                          | -            | 571          |
| <b>Balance, 1 January</b>   | <b>5,025</b>                     | <b>5,567</b>                     | <b>2,767</b>                         | <b>2,796</b>                         | <b>21</b>           | <b>3</b>            | <b>117</b>                  | <b>120</b>                  | <b>7,930</b> | <b>8,486</b> |
| New impairment provisions as a result of additions and change in credit risk  | 1,614                            | 2,314                            | 749                                  | 847                                  | 4                   | 36                  | 75                          | 63                          | 2,442        | 3,260        |
| Releases as a result of redemptions and change in credit risk                 | 1,278                            | 2,280                            | 703                                  | 716                                  | 6                   | 3                   | 60                          | 80                          | 2,047        | 3,078        |
| Impairment provisions written off   | 178                              | 392                              | 102                                  | 177                                  | -                   | -                   | -                           | -                           | 281          | 569          |
| Interest from impaired facilities   | -                                | -                                | 31                                   | -                                    | -                   | -                   | -                           | -                           | 31           | -            |
| Transferred to "Impairment provisions for properties acquired by foreclosure" | 29                               | 6                                | -                                    | -                                    | -                   | -                   | -                           | -                           | 29           | 6            |
| <b>Total impairment provisions</b>  | <b>5,153</b>                     | <b>5,204</b>                     | <b>2,741</b>                         | <b>2,751</b>                         | <b>20</b>           | <b>36</b>           | <b>132</b>                  | <b>103</b>                  | <b>8,046</b> | <b>8,094</b> |
| <b>Earnings impact</b>  |                                  |                                  |                                      |                                      |                     |                     |                             |                             |              |              |
| Change in impairment provisions for loans and advances (stages 1-3)           | 335                              | 35                               | 46                                   | 131                                  | (2)                 | 33                  | 15                          | (17)                        | 395          | 182          |
| Write-offs for the year, not previously written down for impairment           | 196                              | 62                               | 66                                   | 32                                   | -                   | -                   | -                           | -                           | 262          | 94           |
| Recoveries on claims previously written off                                   | (52)                             | (41)                             | (27)                                 | (30)                                 | -                   | -                   | -                           | -                           | (79)         | (71)         |
| <b>Total</b>  | <b>479</b>                       | <b>56</b>                        | <b>86</b>                            | <b>133</b>                           | <b>(2)</b>          | <b>33</b>           | <b>15</b>                   | <b>(17)</b>                 | <b>578</b>   | <b>206</b>   |
| Value adjustment of assets in temporary possession                            | (28)                             | (9)                              | -                                    | -                                    | -                   | -                   | -                           | -                           | (28)         | (9)          |
| Value adjustment of claims previously written off                             | (30)                             | 9                                | (8)                                  | (3)                                  | -                   | -                   | -                           | -                           | (38)         | 6            |
| Losses offset, in accordance with partnership agreement <sup>1</sup>          | (79)                             | (101)                            | -                                    | -                                    | -                   | -                   | -                           | -                           | (79)         | (101)        |
| <b>Earnings impact</b>  | <b>342</b>                       | <b>(44)</b>                      | <b>78</b>                            | <b>130</b>                           | <b>(2)</b>          | <b>33</b>           | <b>15</b>                   | <b>(17)</b>                 | <b>433</b>   | <b>103</b>   |

<sup>1</sup> According to the partnership agreement with the partner banks Totalkredit A/S has a right of set-off against commission in connection with write-offs on lending.

<sup>2</sup> "Guarantees etc" comprises off-balance sheet items in the form of guarantees and other commitments.

# NOTES

DKK million

Nykredit Realkredit Group

## 8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)

| 8 b. 2019: Total impairment provisions by stage                            | Loans and advances at fair value |              |              | Loans and advances at amortised cost |              |              | Guarantees etc |            |           | Total        |
|--|----------------------------------|--------------|--------------|--------------------------------------|--------------|--------------|----------------|------------|-----------|--------------|
|  | Stage 1                          | Stage 2      | Stage 3      | Stage 1                              | Stage 2      | Stage 3      | Stage 1        | Stage 2    | Stage 3   |              |
| <b>Total, beginning of period</b>  | <b>953</b>                       | <b>1,626</b> | <b>2,447</b> | <b>326</b>                           | <b>187</b>   | <b>2,274</b> | <b>36</b>      | <b>29</b>  | <b>53</b> | <b>7,930</b> |
| Transfer to stage 1  | 254                              | (235)        | (19)         | 141                                  | (119)        | (22)         | 21             | (10)       | (11)      | -            |
| Transfer to stage 2  | (34)                             | 175          | (141)        | (7)                                  | 77           | (70)         | (3)            | 9          | (6)       | -            |
| Transfer to stage 3  | (2)                              | (103)        | 105          | (1)                                  | (14)         | 15           | (0)            | (1)        | 2         | -            |
| Impairment provisions for new loans and advances (additions)               | 53                               | 51           | 79           | 69                                   | 23           | 48           | 8              | 5          | 3         | 340          |
| Additions as a result of change in credit risk                             | 219                              | 578          | 634          | 98                                   | 121          | 394          | 6              | 26         | 26        | 2,102        |
| Releases as a result of change in credit risk                              | 551                              | 443          | 285          | 253                                  | 86           | 370          | 30             | 12         | 18        | 2,047        |
| Previously written down for impairment, now written off                    | -                                | -            | 207          | -                                    | -            | 102          | -              | -          | -         | 309          |
| Interest from impaired facilities  | -                                | -            | -            | -                                    | -            | 31           | -              | -          | -         | 31           |
| <b>Total impairment provisions, end of period</b>                          | <b>892</b>                       | <b>1,648</b> | <b>2,613</b> | <b>374</b>                           | <b>189</b>   | <b>2,198</b> | <b>38</b>      | <b>45</b>  | <b>49</b> | <b>8,046</b> |
| <b>Total, end of period</b>  |                                  | <b>5,153</b> |              |                                      | <b>2,761</b> |              |                | <b>132</b> |           | <b>8,046</b> |
| <b>Impairment provisions, end of period, are moreover attributable to:</b> |                                  |              |              |                                      |              |              |                |            |           |              |
| Credit institutions  |                                  |              |              | 20                                   | -            | -            |                |            |           | 20           |
| <b>Earnings impact, H1/2019</b>  | <b>(279)</b>                     | <b>186</b>   | <b>428</b>   | <b>(85)</b>                          | <b>58</b>    | <b>72</b>    | <b>(16)</b>    | <b>19</b>  | <b>12</b> | <b>395</b>   |

| 8 b. 2018: Total impairment provisions by stage   | Loans and advances at fair value |              |              | Loans and advances at amortised cost |              |              | Guarantees etc |            |             | Total        |
|---|----------------------------------|--------------|--------------|--------------------------------------|--------------|--------------|----------------|------------|-------------|--------------|
|   | Stage 1                          | Stage 2      | Stage 3      | Stage 1                              | Stage 2      | Stage 3      | Stage 1        | Stage 2    | Stage 3     |              |
| <b>Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles</b> | <b>975</b>                       | <b>1,791</b> | <b>2,801</b> | <b>463</b>                           | <b>177</b>   | <b>2,160</b> | <b>36</b>      | <b>25</b>  | <b>59</b>   | <b>8,486</b> |
| Transfer to stage 1   | 376                              | (132)        | (244)        | 8                                    | (1)          | (7)          | 0              | (0)        | -           | -            |
| Transfer to stage 2   | (57)                             | 496          | (439)        | (70)                                 | 118          | (48)         | (5)            | 5          | (1)         | -            |
| Transfer to stage 3   | (23)                             | (261)        | 284          | (7)                                  | (18)         | 26           | (0)            | (0)        | 0           | -            |
| Impairment provisions for new loans and advances (additions)                                | 49                               | 86           | 263          | 67                                   | 13           | 54           | 4              | 1          | 1           | 537          |
| Additions as a result of change in credit risk  | 617                              | 755          | 545          | 164                                  | 115          | 468          | 26             | 19         | 13          | 2,723        |
| Releases as a result of change in credit risk   | 1,025                            | 732          | 522          | 252                                  | 194          | 273          | 23             | 23         | 34          | 3,078        |
| Previously written down for impairment, now written off                                     | -                                | -            | 398          | -                                    | -            | 177          | -              | -          | -           | 575          |
| <b>Total impairment provisions, end of period</b>   | <b>911</b>                       | <b>2,003</b> | <b>2,290</b> | <b>372</b>                           | <b>210</b>   | <b>2,204</b> | <b>38</b>      | <b>27</b>  | <b>38</b>   | <b>8,094</b> |
| <b>Total, end of period</b>   |                                  | <b>5,204</b> |              |                                      | <b>2,785</b> |              |                | <b>103</b> |             | <b>8,094</b> |
| <b>Impairment provisions, end of period, are moreover attributable to:</b>                  |                                  |              |              |                                      |              |              |                |            |             |              |
| Credit institutions   |                                  |              |              | 36                                   | -            | -            |                |            |             | 36           |
| <b>Earnings impact, H1/2018</b>   | <b>(360)</b>                     | <b>109</b>   | <b>286</b>   | <b>(21)</b>                          | <b>(66)</b>  | <b>250</b>   | <b>7</b>       | <b>(3)</b> | <b>(20)</b> | <b>182</b>   |

The principles of impairment are described in detail in the accounting policies (note 1) of the Annual Report 2018.

Stage 1 covers loans and advances etc without significant increase in credit risk since initial recognition. For this category, impairment provisions are made corresponding to the expected credit losses over a period of 12 months for lending etc at amortised cost. For loans and advances at fair value the initial impairment was calculated at DKK 0.

Stage 2 covers loans and advances etc with significant increase in credit risk since initial recognition. For this category, impairment provisions are made corresponding to the expected credit losses over the asset's maturity.

Stage 3 covers loans and advances etc that are credit impaired, and which have been subject to individual provisioning on the specific assumption that the customers will default on their loans.

## 8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)

| 8 c: Loans, advances and guarantees etc by stage, at 30 June 2019    | Stage 1          | Stage 2        | Stage 3        | Total            |
|--|------------------|----------------|----------------|------------------|
| <b>Loans and advances at fair value, gross</b>                       |                  |                |                |                  |
| Loans and advances at fair value, gross                              | 1,189,994        | 38,074         | 9,058          | 1,237,126        |
| Total impairment provisions, end of period                           | 892              | 1,648          | 2,450          | 4,991            |
| <b>Value, end of period</b>  | <b>1,189,103</b> | <b>36,425</b>  | <b>6,608</b>   | <b>1,232,135</b> |
| <b>Loans and advances at amortised cost etc, gross</b>               |                  |                |                |                  |
| Loans and advances at amortised cost etc, gross                      | 110,447          | 2,283          | 3,006          | 115,737          |
| Total impairment provisions, end of period                           | 354              | 189            | 2,198          | 2,741            |
| <b>Value, end of period</b>  | <b>110,093</b>   | <b>2,094</b>   | <b>808</b>     | <b>112,995</b>   |
| <b>Guarantees etc</b>  |                  |                |                |                  |
| Guarantees etc   | 24,565           | 666            | 155            | 25,385           |
| Total impairment provisions, end of period                           | 38               | 45             | 49             | 132              |
| <b>Value, end of period</b>  | <b>24,527</b>    | <b>621</b>     | <b>106</b>     | <b>25,253</b>    |
| <b>8 c: Loans, advances and guarantees etc by stage, at end-2018</b> | <b>Stage 1</b>   | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>     |
| <b>Loans and advances at fair value, gross</b>                       |                  |                |                |                  |
| Loans and advances at fair value, gross                              | 1,155,517        | 32,947         | 10,079         | 1,198,543        |
| Total impairment provisions, end of period                           | 953              | 1,626          | 2,298          | 4,876            |
| <b>Value, end of period</b>  | <b>1,154,564</b> | <b>31,322</b>  | <b>7,781</b>   | <b>1,193,667</b> |
| <b>Loans and advances at amortised cost etc, gross</b>               |                  |                |                |                  |
| Loans and advances at amortised cost etc, gross                      | 94,215           | 3,853          | 3,009          | 101,077          |
| Total impairment provisions, end of period                           | 305              | 187            | 2,274          | 2,767            |
| <b>Value, end of period</b>  | <b>93,911</b>    | <b>3,666</b>   | <b>735</b>     | <b>98,311</b>    |
| <b>Guarantees etc</b>  |                  |                |                |                  |
| Guarantees etc   | 39,923           | 481            | 218            | 40,622           |
| Total impairment provisions, end of period                           | 36               | 29             | 53             | 117              |
| <b>Value, end of period</b>  | <b>39,887</b>    | <b>452</b>     | <b>165</b>     | <b>40,505</b>    |



Nykredit Realkredit A/S

## 9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT)

### 9 a. Impairment charges for loans, advances and receivables etc

|   | Loans and advances at<br>fair value | Loans and advances at<br>fair value | Credit institutions | Credit institutions | Total        | Total        |
|---|-------------------------------------|-------------------------------------|---------------------|---------------------|--------------|--------------|
|   | 2019                                | 2018                                | 2019                | 2018                | 2019         | 2018         |
| <b>Total impairment provisions</b>  |                                     |                                     |                     |                     |              |              |
| <b>Balance, 1 January 2019</b>  | <b>3,493</b>                        | <b>4,004</b>                        | <b>5</b>            | <b>-</b>            | <b>3,498</b> | <b>4,004</b> |
| New impairment provisions as a result of additions and change in credit risk  | 958                                 | 1,495                               | -                   | 9                   | 958          | 1,504        |
| Releases as a result of redemptions and change in credit risk                 | 752                                 | 1,536                               | 4                   | -                   | 756          | 1,536        |
| Impairment provisions written off   | 97                                  | 230                                 | -                   | -                   | 97           | 230          |
| Transferred to "Impairment provisions for properties acquired by foreclosure" | 2                                   | 5                                   | -                   | -                   | 2            | 5            |
| <b>Total impairment provisions</b>  | <b>3,600</b>                        | <b>3,728</b>                        | <b>1</b>            | <b>9</b>            | <b>3,601</b> | <b>3,737</b> |
| <b>Earnings impact</b>  |                                     |                                     |                     |                     |              |              |
| Change in impairment provisions for loans and advances (stages 1-3)           | 206                                 | (42)                                | (4)                 | 9                   | 202          | (33)         |
| Write-offs for the year, not previously written down for impairment           | 134                                 | 5                                   | -                   | -                   | 134          | 5            |
| Recoveries on claims previously written off                                   | (33)                                | (30)                                | -                   | -                   | (33)         | (30)         |
| <b>Total</b>  | <b>307</b>                          | <b>(66)</b>                         | <b>(4)</b>          | <b>9</b>            | <b>303</b>   | <b>(57)</b>  |
| Value adjustment of assets in temporary possession                            | (30)                                | 8                                   | -                   | -                   | (30)         | 8            |
| Value adjustment of claims previously written off                             | (17)                                | 20                                  | -                   | -                   | (17)         | 20           |
| <b>Earnings impact</b>  | <b>260</b>                          | <b>(38)</b>                         | <b>(4)</b>          | <b>9</b>            | <b>256</b>   | <b>(29)</b>  |

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## 9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT), CONTINUED

### 9 b. 2019: Total impairment provisions by stage

|  | Loans and advances |              |              | Total        |
|--|--------------------|--------------|--------------|--------------|
|  | Stage 1            | Stage 2      | Stage 3      |              |
| <b>Total, 1 January 2019</b>   | <b>589</b>         | <b>673</b>   | <b>2,236</b> | <b>3,498</b> |
| Transfer to stage 1  | 103                | (88)         | (16)         | -            |
| Transfer to stage 2  | (25)               | 141          | (117)        | -            |
| Transfer to stage 3  | (2)                | (54)         | 55           | -            |
| Impairment provisions for new loans and advances (additions)               | 20                 | 28           | 61           | 109          |
| Additions as a result of change in credit risk                             | 104                | 227          | 518          | 850          |
| Releases as a result of change in credit risk                              | 345                | 187          | 224          | 756          |
| Previously written down for impairment, now written off                    | -                  | -            | 99           | 99           |
| <b>Total impairment provisions, end of period</b>                          | <b>444</b>         | <b>741</b>   | <b>2,416</b> | <b>3,601</b> |
| <b>Total, end of period</b>  |                    | <b>3,601</b> |              | <b>3,601</b> |
| <b>Impairment provisions, end of period, are moreover attributable to:</b> |                    |              |              |              |
| Credit institutions  | 1                  | -            | -            | 1            |
| <b>Earnings impact, H1/2019</b>  | <b>(221)</b>       | <b>68</b>    | <b>355</b>   | <b>202</b>   |

### 9 b. 2018: Total impairment provisions by stage

|   | Loans and advances |              |              | Total        |
|---|--------------------|--------------|--------------|--------------|
|   | Stage 1            | Stage 2      | Stage 3      |              |
| <b>Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles</b> | <b>528</b>         | <b>951</b>   | <b>2,524</b> | <b>4,004</b> |
| Transfer to stage 1   | 325                | (81)         | (244)        | -            |
| Transfer to stage 2   | (28)               | 454          | (426)        | -            |
| Transfer to stage 3   | (23)               | (238)        | 261          | -            |
| Impairment provisions for new loans and advances (additions)                                | 34                 | 58           | 214          | 306          |
| Additions as a result of change in credit risk  | 426                | 338          | 433          | 1,197        |
| Releases as a result of change in credit risk   | 727                | 406          | 404          | 1,536        |
| Previously written down for impairment, now written off                                     | -                  | -            | 235          | 235          |
| <b>Total impairment provisions, end of period</b>   | <b>536</b>         | <b>1,077</b> | <b>2,124</b> | <b>3,737</b> |
| <b>Total, end of period</b>   |                    | <b>3,737</b> |              | <b>3,737</b> |
| <b>Impairment provisions, end of period, are moreover attributable to:</b>                  |                    |              |              |              |
| Credit institutions   | 9                  | -            | -            | 9            |
| <b>Earnings impact, H1/2018</b>   | <b>(266)</b>       | <b>(9)</b>   | <b>243</b>   | <b>(33)</b>  |

Nykredit Realkredit A/S

## 9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT), CONTINUED

| 9 c: Loans and advances etc by stage, at 30 June 2019 | Stage 1        | Stage 2       | Stage 3      | Total          |
|---|----------------|---------------|--------------|----------------|
| <b>Loans and advances at fair value, gross</b>        |                |               |              |                |
| Loans and advances at fair value, gross               | 484,495        | 20,899        | 8,482        | 513,876        |
| Total impairment provisions, end of period            | 443            | 741           | 2,287        | 3,472          |
| <b>Loans and advances, carrying amount</b>            | <b>484,052</b> | <b>20,158</b> | <b>6,195</b> | <b>510,405</b> |

| 9 c: Loans and advances etc by stage, at end-2018 | Stage 1        | Stage 2       | Stage 3      | Total          |
|---|----------------|---------------|--------------|----------------|
| <b>Loans and advances at fair value, gross</b>    |                |               |              |                |
| Loans and advances at fair value, gross           | 485,411        | 17,945        | 9,231        | 512,588        |
| Total impairment provisions, year-end             | 584            | 673           | 2,107        | 3,364          |
| <b>Loans and advances, carrying amount</b>        | <b>484,828</b> | <b>17,273</b> | <b>7,124</b> | <b>509,225</b> |

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| Nykredit Realkredit A/S |              |   | DKK million |            |
|-------------------------|--------------|---|-------------|------------|
| H1/2018                 | H1/2019      |   | H1/2019     | H1/2018    |
|                         |              | <b>9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (CONTINUED)</b>  |             |            |
|                         |              | <b>9 d. Impairment provisions for properties acquired by foreclosure</b>  |             |            |
| <b>114</b>              | <b>73</b>    | <b>Impairment provisions, beginning of period</b>   | <b>88</b>   | <b>139</b> |
| 5                       | 2            | Transfer from impairment provisions for loans and advances  | 2           | 6          |
| 12                      | 19           | Impairment provisions for the period  | 27          | 14         |
| (3)                     | (49)         | Impairment provisions reversed  | (55)        | (23)       |
| (41)                    | (4)          | Impairment provisions written off   | (10)        | (46)       |
| <b>87</b>               | <b>41</b>    | <b>Impairment provisions, end of period</b>   | <b>52</b>   | <b>90</b>  |
|                         |              | Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession". |             |            |
|                         |              | <b>10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>  |             |            |
| 1                       | (1)          | Profit (loss) from investments in associates  | 2           | 2          |
| 2,234                   | 1,749        | Profit from investments in Group enterprises  | -           | -          |
| <b>2,235</b>            | <b>1,748</b> | <b>Total</b>  | <b>2</b>    | <b>2</b>   |

# NOTES

|  |                  | DKK million  |                  |                  |
|--|------------------|--|------------------|------------------|
| Nykredit Realkredit A/S  |                  | Nykredit Realkredit Group  |                  |                  |
| 31.12.2018   | 30.06.2019       |  | 30.06.2019       | 31.12.2018       |
| <b>11. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE</b>                                     |                  |  |                  |                  |
| 509,225  | 510,405          | Mortgage loans   | 1,232,135        | 1,193,667        |
| 208  | 202              | Arrears and outlays  | 320              | 308              |
| 1,689  | 968              | Loans to Totalkredit serving as collateral in capital centres    | -                | -                |
| 712,600  | 803,355          | Totalkredit mortgage loan funding                                | -                | -                |
| <b>1,223,721</b>   | <b>1,314,930</b> | <b>Total</b>   | <b>1,232,455</b> | <b>1,193,975</b> |
| <b>11 a. Mortgage loans</b>  |                  |  |                  |                  |
| <b>508,622</b>   | <b>499,304</b>   | <b>Balance, beginning of period, nominal value</b>               | <b>1,171,449</b> | <b>1,138,109</b> |
| 65,385   | 43,574           | New loans  | 151,051          | 206,869          |
| 258  | 139              | Indexation   | 139              | 258              |
| (823)  | (762)            | Foreign currency translation adjustment                          | (762)            | (823)            |
| (14,019)   | (7,247)          | Ordinary principal payments                                      | (13,834)         | (25,942)         |
| (60,118)   | (39,031)         | Prepayments and extraordinary principal payments                 | (111,378)        | (147,023)        |
| <b>499,304</b>   | <b>495,977</b>   | <b>Balance, end of period, nominal value</b>                     | <b>1,196,664</b> | <b>1,171,449</b> |
| (50)   | (13)             | Loans transferred relating to properties in temporary possession | (22)             | (72)             |
| <b>499,255</b>   | <b>495,964</b>   | <b>Total</b>   | <b>1,196,643</b> | <b>1,171,376</b> |
| 13,333   | 17,912           | Adjustment for interest rate risk etc                            | 40,484           | 27,167           |
| 15   | -                | - of which adjustment relating to sold foreign portfolio         | -                | 15               |
| <b>Adjustment for credit risk</b>  |                  |  |                  |                  |
| (3,364)  | (3,472)          | Impairment provisions  | (4,991)          | (4,876)          |
| <b>509,225</b>   | <b>510,405</b>   | <b>Balance, end of period, fair value</b>                        | <b>1,232,135</b> | <b>1,193,667</b> |
| <b>As collateral for loans and advances, Nykredit has received mortgages over real estate and:</b> |                  |  |                  |                  |
| 37,348   | 50,531           | Supplementary guarantees totalling                               | 88,790           | 74,117           |
| 376  | 429              | Interim loan guarantees totalling                                | 22,370           | 20,554           |
| 2,464  | 3,243            | Mortgage registration guarantees etc totalling                   | 39,566           | 19,847           |
| <b>11 b. Arrears and outlays</b>   |                  |  |                  |                  |
| 277  | 233              | Arrears before impairment provisions                             | 347              | 403              |
| 61   | 98               | Outlays before impairment provisions                             | 135              | 53               |
| (129)  | (129)            | Individual impairment provisions for arrears and outlays         | (163)            | (148)            |
| <b>208</b>   | <b>202</b>       | <b>Total</b>   | <b>320</b>       | <b>308</b>       |
| <b>11 c. Totalkredit mortgage loan funding</b>   |                  |  |                  |                  |
| <b>672,888</b>   | <b>699,285</b>   | <b>Balance, beginning of period, nominal value</b>               | -                | -                |
| 213,245  | 150,278          | New loans  | -                | -                |
| (18,195)   | (5,356)          | Ordinary principal payments                                      | -                | -                |
| (168,654)  | (62,942)         | Prepayments and extraordinary principal payments                 | -                | -                |
| <b>699,285</b>   | <b>781,264</b>   | <b>Balance, end of period, nominal value</b>                     | -                | -                |
| 13,315   | 22,091           | Adjustment for interest rate risk                                | -                | -                |
| <b>712,600</b>   | <b>803,355</b>   | <b>Balance, end of period, fair value</b>                        | -                | -                |

# NOTES

|                         |               | DKK million  |                |                |
|-------------------------|---------------|--|----------------|----------------|
| Nykredit Realkredit A/S |               | Nykredit Realkredit Group  |                |                |
| 31.12.2018              | 30.06.2019    |  | 30.06.2019     | 31.12.2018     |
|                         |               | <b>12. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST</b>   |                |                |
| -                       | -             | Bank loans and advances  | 66,246         | 63,333         |
| 13                      | 11            | Totalkredit mortgage loan funding  | -              | -              |
| -                       | -             | Mortgage loans   | 10             | 12             |
| -                       | -             | Reverse repurchase lending   | 49,147         | 37,427         |
| 217                     | 231           | Other loans and advances   | 332            | 305            |
| <b>229</b>              | <b>241</b>    | <b>Balance, end of period</b>  | <b>115,737</b> | <b>101,078</b> |
|                         |               | <b>Adjustment for credit risk</b>  |                |                |
| -                       | -             | Impairment provisions  | (2,741)        | (2,767)        |
| <b>229</b>              | <b>241</b>    | <b>Balance after impairment, end of period</b>   | <b>112,995</b> | <b>98,311</b>  |
| -                       | -             | Set-off of self-issued "Other loans and advances" against "Bonds in issue at amortised cost" – note 16   | -              | -              |
| <b>229</b>              | <b>241</b>    | <b>Total</b>   | <b>112,995</b> | <b>98,311</b>  |
|                         |               | <b>13. BONDS AT FAIR VALUE</b>   |                |                |
| 31,369                  | 26,751        | Self-issued SDOs   | 94,406         | 57,145         |
| 14,121                  | 14,789        | Self-issued ROs  | 21,675         | 22,661         |
| -                       | -             | Self-issued corporate bonds  | 177            | 175            |
| 274                     | 245           | Self-issued senior debt  | 245            | 274            |
| 22,948                  | 25,524        | Other covered bonds  | 94,722         | 79,174         |
| 7,643                   | 9,267         | Government bonds   | 10,981         | 8,656          |
| 3,434                   | 3,577         | Other bonds  | 5,276          | 5,792          |
| <b>79,789</b>           | <b>80,154</b> | <b>Total</b>   | <b>227,483</b> | <b>173,878</b> |
| (31,356)                | (26,741)      | Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 15   | (94,395)       | (57,133)       |
| (13)                    | (11)          | Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 16   | (11)           | (13)           |
| (14,121)                | (14,789)      | Set-off of self-issued ROs against "Bonds in issue at fair value" – note 15  | (21,675)       | (22,661)       |
| -                       | -             | Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 16  | (177)          | (175)          |
| (197)                   | -             | Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 15  | -              | (197)          |
| (77)                    | (245)         | Self-issued senior unsecured debt against "Bonds in issue at fair value" – note 15   | (245)          | (77)           |
| <b>34,026</b>           | <b>38,367</b> | <b>Total</b>   | <b>110,979</b> | <b>93,622</b>  |
|                         |               | <b>Of bonds at fair value before set-off of self-issued bonds:</b>   |                |                |
| 13,123                  | 17,657        | As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of  | 20,553         | 13,696         |
|                         |               | The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment term of very few value days. |                |                |
|                         |               | Collateral security was provided on an arm's length basis.   |                |                |

# NOTES

|   |                  | DKK million  |                  |                  |
|---|------------------|--|------------------|------------------|
| Nykredit Realkredit A/S                 |                  | Nykredit Realkredit Group  |                  |                  |
| 31.12.2018                              | 30.06.2019       |  | 30.06.2019       | 31.12.2018       |
| <b>14. DEPOSITS AND OTHER PAYABLES</b>  |                  |  |                  |                  |
| -                                       | -                | On demand  | 73,022           | 66,692           |
| -                                       | -                | At notice  | 77               | 176              |
| -                                       | -                | Time deposits  | 3,722            | 7,092            |
| -                                       | -                | Special deposits   | 3,139            | 2,986            |
| 10,500                                  | 12,200           | Repo deposits  | 15,416           | 16,245           |
| <b>10,500</b>                           | <b>12,200</b>    | <b>Total</b>   | <b>95,376</b>    | <b>93,191</b>    |
| <b>15. BONDS IN ISSUE AT FAIR VALUE</b> |                  |  |                  |                  |
| 139,935                                 | 132,867          | ROs  | 139,762          | 147,490          |
| 1,126,449                               | 1,235,334        | SDOs   | 1,235,334        | 1,126,449        |
| 4,900                                   | 1,152            | Senior secured debt  | 1,152            | 4,900            |
| 3,740                                   | 3,735            | Senior unsecured debt  | 3,735            | 3,740            |
| <b>1,275,024</b>                        | <b>1,373,088</b> | <b>Total</b>   | <b>1,379,982</b> | <b>1,282,579</b> |
| (45,751)                                | (41,776)         | Self-issued bonds transferred from "Bonds at fair value" and "Bonds at amortised cost" | (116,315)        | (86,350)         |
| <b>1,229,273</b>                        | <b>1,331,312</b> | <b>Total</b>   | <b>1,263,666</b> | <b>1,196,229</b> |
| <b>15 a. ROs</b>                        |                  |  |                  |                  |
| 131,773                                 | 123,896          | ROs at nominal value   | 130,309          | 138,809          |
| 8,162                                   | 8,972            | Fair value adjustment  | 9,453            | 8,681            |
| <b>139,935</b>                          | <b>132,867</b>   | <b>ROs at fair value</b>   | <b>139,762</b>   | <b>147,490</b>   |
| (14,121)                                | (14,789)         | Self-issued ROs  | (21,675)         | (22,661)         |
| <b>125,814</b>                          | <b>118,078</b>   | <b>Total</b>   | <b>118,087</b>   | <b>124,828</b>   |
| 478                                     | 131              | Of which pre-issuance  | 131              | 478              |
| 4,353                                   | 11,561           | ROs redeemed and maturing at next creditor payment date                                | 11,900           | 4,686            |
| <b>15 b. SDOs</b>                       |                  |  |                  |                  |
| 1,107,963                               | 1,204,303        | SDOs at nominal value  | 1,204,303        | 1,107,963        |
| 18,486                                  | 31,031           | Fair value adjustment  | 31,031           | 18,486           |
| <b>1,126,449</b>                        | <b>1,235,334</b> | <b>SDOs at fair value</b>  | <b>1,235,334</b> | <b>1,126,449</b> |
| (31,356)                                | (26,741)         | Self-issued SDOs   | (94,395)         | (57,133)         |
| <b>1,095,093</b>                        | <b>1,208,593</b> | <b>Total</b>   | <b>1,140,939</b> | <b>1,069,316</b> |
| 5,867                                   | 16,916           | Of which pre-issuance  | 16,916           | 5,867            |
| 55,200                                  | 91,718           | SDOs redeemed and maturing at next creditor payment date                               | 91,718           | 55,200           |



# NOTES

|   |               | DKK million               |               |
|---|---------------|---------------------------|---------------|
| Nykredit Realkredit A/S   |               | Nykredit Realkredit Group |               |
| 31.12.2018  | 30.06.2019    | 30.06.2019                | 31.12.2018    |
| <b>15. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)</b>                 |               |                           |               |
| <b>15 c. Senior secured debt</b>                                    |               |                           |               |
| 4,704   | 933           | 933                       | 4,704         |
| 195   | 219           | 219                       | 195           |
| <b>4,900</b>  | <b>1,152</b>  | <b>1,152</b>              | <b>4,900</b>  |
| (197)   | -             | -                         | (197)         |
| <b>4,703</b>  | <b>1,152</b>  | <b>1,152</b>              | <b>4,703</b>  |
| -   | -             | -                         | -             |
| <b>15 d. Senior unsecured debt</b>                                  |               |                           |               |
| 3,734   | 3,732         | 3,732                     | 3,734         |
| 7   | 3             | 3                         | 7             |
| <b>3,740</b>  | <b>3,735</b>  | <b>3,735</b>              | <b>3,740</b>  |
| (77)  | (245)         | (245)                     | (77)          |
| <b>3,663</b>  | <b>3,489</b>  | <b>3,489</b>              | <b>3,663</b>  |
| <b>16. BONDS IN ISSUE AT AMORTISED COST</b>                         |               |                           |               |
| -   | -             | 5,688                     | 5,585         |
| 13  | 11            | 11                        | 13            |
| 17,152  | 22,958        | 22,958                    | 17,152        |
| 27  | 45            | 45                        | 27            |
| <b>17,192</b>   | <b>23,014</b> | <b>28,703</b>             | <b>22,777</b> |
| -   | -             | (177)                     | (175)         |
| (13)  | (11)          | (11)                      | (13)          |
| <b>17,179</b>   | <b>23,004</b> | <b>28,515</b>             | <b>22,590</b> |
| <b>17. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE</b> |               |                           |               |
| 3   | 719           | 7,823                     | 5,592         |
| <b>3</b>  | <b>719</b>    | <b>7,823</b>              | <b>5,592</b>  |

# NOTES

| Nykredit Realkredit A/S  |               | Nykredit Realkredit Group |               |
|--|---------------|---------------------------|---------------|
| 31.12.2018   | 30.06.2019    | 30.06.2019                | 31.12.2018    |
| <b>18. SUBORDINATED DEBT</b>   |               |                           |               |
| Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.  |               |                           |               |
| Subordinated debt is included in Nykredit's own funds etc in accordance with the EU's Capital Requirements Regulation.   |               |                           |               |
| <b>Subordinate loan capital</b>  |               |                           |               |
| Nominally EUR 600 million. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Group falls below 7%, the loan will be written down |               |                           |               |
| 4,586  | 4,584         | 4,584                     | 4,586         |
| Nominally EUR 800 million. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next five years   |               |                           |               |
| 6,052  | 6,120         | 6,120                     | 6,052         |
| Nominally EUR 50 million. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first two years after issuance. In the remaining loan term, the interest rate will be fixed every six months  |               |                           |               |
| 373  | 373           | 373                       | 373           |
| <b>11,011</b>  | <b>11,077</b> | <b>11,077</b>             | <b>11,011</b> |
| <b>Total subordinate loan capital</b>  |               |                           |               |
| -  | -             | -                         | -             |
| Portfolio of self-issued bonds   |               |                           |               |
| <b>11,011</b>  | <b>11,077</b> | <b>11,077</b>             | <b>11,011</b> |
| <b>Total subordinated debt</b>   |               |                           |               |
| 10,828   | 10,822        | 10,822                    | 10,828        |
| Subordinated debt that may be included in own funds  |               |                           |               |

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

Forenet Kredit, the Parent Nykredit A/S, Group enterprises and associates of Nykredit Realkredit A/S as stated in the Group structure as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in H1/2019.

The companies have entered into various intercompany agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, sales commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks.

Intercompany trading in goods and services took place on an arm's length, cost reimbursement or profit split basis.

Significant related party transactions prevailing/entered into as at 30 June 2019 include:

### **Agreements between Nykredit Realkredit A/S and Totalkredit A/S**

As part of the Group's joint funding activities, Nykredit Realkredit A/S has funded mortgage loans granted by its subsidiary Totalkredit A/S on an ongoing basis.

Totalkredit A/S funds its lending by issuing a master bond for each capital centre with Nykredit Realkredit A/S as the only creditor. The master bond constitutes security for Nykredit Realkredit A/S's issuance of covered bonds (ROs and SDOs) and serves to ensure that Totalkredit A/S transfers all payments to bondholders under the loans and advances granted by Totalkredit A/S to Nykredit Realkredit A/S, not later than at the same time as Nykredit Realkredit A/S makes payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet.

Nykredit Realkredit A/S has granted loans, see section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans totalled DKK 1.0 billion at 30 June 2019. The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

An agreement has been made to hedge market risk relating to collateral, including investments, in Totalkredit's capital centres.

Agreement on the distribution of mortgage loans to personal customers via Totalkredit A/S (this agreement was concluded on the same terms as apply to other business partners, including commission payments).

Nykredit Realkredit A/S has granted loans of DKK 2.0 billion to Totalkredit A/S in the form of subordinated debt and DKK 4.0 billion in the form of Additional Tier 1 capital.

### **Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S**

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas etc.

Nykredit Realkredit contributed DKK 2.0 billion to Nykredit Bank A/S in the form of Tier 2 capital.

## 20. FAIR VALUE DISCLOSURES

### Listed prices

The Group's assets and liabilities at fair value are to the widest extent possible recognised at listed prices or prices quoted in an active market or authorised market place.

Bonds at fair value are recognised at listed prices if external prices have been updated within the past three trading days prior to the balance sheet date. If no listed prices have been observed during this time span, the portfolio is recognised at observable inputs.

### Observable inputs

When an instrument is not traded in an active market, measurement is based on the most recent listed price in an inactive market, the price of comparable transactions or generally accepted valuation techniques based on, for instance, discounted cash flows and option models.

Observable inputs are typically yield curves, volatilities and market prices of similar instruments, which are usually obtained through ordinary providers such as Reuters, Bloomberg and market makers. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length. Unlisted derivatives generally belong to this category.

Bonds not traded in the past three trading days belong to this category. The valuation is based on the most recent observed price, and adjustments are made for subsequent changes in market conditions, eg by including transactions in similar instruments (matrix pricing). Redeemed bonds are transferred to this category, as there is no access to official prices in active markets.

Further, the valuation of derivatives implies the use of Credit Valuation Adjustment (CVA), thus including counterparty credit risk in the valuation. The CVA of derivatives with positive market value is primarily based on external credit curves such as Itraxx Main, but also on internal data as regards customers without impairment in the lowest rating categories, as there are no external curves suitable for the calculation of credit risk on these customers. Finally, calculations are made to simulate future exposures to interest rate swaps. Calculations entailing increased CVA are included in the value adjustment.

Furthermore, a Funding Valuation Adjustment (FVA) for the valuation of derivatives is used. FVA allows for Nykredit's future funding costs incurred by derivatives transactions where clients have not provided sufficient collateral. Nykredit has used a funding curve for this calculation, which is assessed on the basis of objective prices of Danish SIFI banks' traded bonds. This calculation is made on the basis of a discount curve method.

FVA may involve both a funding benefit and a funding cost, but for Nykredit, the net FVA adjustment will be a funding cost resulting from customers' insufficient or lacking provision of collateral. Debit Valuation Adjustment (DVA) is now a sub-element of the FVA adjustment.

Net value adjustment due to CVA, DVA and FVA amounted to DKK 603 million at 30 June 2019 against DKK 588 million at end-2018.

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital etc. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 June 2019, the non-amortised minimum margin amounted to DKK 142 million against DKK 147 million at end-2018. With regard to liquidity and credit risk, DKK 194 million for 30 June 2019 and DKK 201 million at end-2018 have been included above in the net adjustment of FVA and CVA. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

In some cases, markets, eg the bond market, have become inactive and illiquid. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discounting techniques.

### Unobservable inputs

When it is not possible to measure financial instruments at fair value based on prices in active markets or observable inputs, measurement is based on own assumptions and extrapolations etc. Where possible and appropriate, measurement is based on actual transactions adjusted for differences in eg the liquidity, credit spreads and maturities etc of the instruments. The Group's unlisted equities are generally classified under this heading, and valuation is based on the IPEV Valuation Guidelines.

The positive market values of a number of interest rate swaps with customers in the lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by Nykredit to calculate expected credit losses on loans and advances at amortised cost. Interest rate swaps which have been fair value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty are also included in the category "Unobservable inputs".

Following value adjustment, the fair value came to DKK 2,545 million at 30 June 2019. Credit value adjustments came to DKK 2,551 million at 30 June 2019 (2018: DKK 2,308 million).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 88 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 June 2019, the proportion was thus 0.4% compared with 0.4% at end-2018. The proportion of financial liabilities was 0.0% against 0.0% at end-2018.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 5.7 billion (2018: DKK 4.6 billion) belonged to this category.

Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be DKK 552 million at 30 June 2019 (0.68% of equity at 30 June 2019). The earnings impact for 2018 was estimated at DKK 460 million (0.58% of equity at 31 December 2018).

## Transfers between categories

Transfers between the categories Listed prices, Observable inputs and Unobservable inputs are made when an instrument is classified differently on the balance sheet date than at the beginning of the financial year. The value transferred to another category corresponds to the fair value at the beginning of the year. With respect to interest rate swaps that have been fair value adjusted to DKK 0 due to credit risk adjustment, separate calculations are made at the end of each month.

In 2019 and 2018, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and primarily concerned interest rate swaps, as regards financial instruments with positive market value.

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. As at 30 June 2019, financial assets of DKK 1.4 billion have been transferred from Listed prices to Observable inputs and DKK 9.1 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0.1 billion were transferred from Listed prices to Observable inputs and DKK 0.2 billion from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 June 2019 the amount was DKK 0.3 billion against DKK 0.0 billion at end-2018.

No transfers were made between the categories Listed prices and Unobservable inputs.

Nykredit Realkredit Group

## 20. FAIR VALUE DISCLOSURES (CONTINUED)

### 20. Fair value of assets and liabilities recognised at fair value (IFRS hierarchy)

30 June 2019

|   | Listed<br>prices | Observable<br>inputs | Unobservable<br>inputs | Total<br>fair value |
|---|------------------|----------------------|------------------------|---------------------|
| <b>Financial assets:</b>                                  |                  |                      |                        |                     |
| - bonds at fair value                                     | 34,806           | 76,129               | 45                     | 110,979             |
| - equities measured at fair value through profit or loss  | 3,819            | -                    | 2,852                  | 6,671               |
| - positive fair value of derivative financial instruments | 58               | 20,729               | 2,545                  | 23,332              |
| - mortgage loans, arrears and outlays <sup>3</sup>        | -                | 1,232,455            | -                      | 1,232,455           |
| - owner-occupied properties                               | -                | -                    | 77                     | 77                  |
| <b>Total</b>  | <b>38,683</b>    | <b>1,329,313</b>     | <b>5,519</b>           | <b>1,373,515</b>    |
| <b>Percentage</b>   | <b>2.8</b>       | <b>96.8</b>          | <b>0.4</b>             | <b>100.0</b>        |

|  |                  |               |          |                  |
|--|------------------|---------------|----------|------------------|
| <b>Financial liabilities:</b>                              |                  |               |          |                  |
| - other non-derivative financial liabilities at fair value | 4,499            | 3,324         | -        | 7,823            |
| - negative fair value of derivative financial instruments  | 188              | 13,879        | -        | 14,067           |
| - bonds in issue at fair value <sup>3</sup>                | 1,259,490        | 4,176         | -        | 1,263,666        |
| <b>Total</b>   | <b>1,264,178</b> | <b>21,380</b> | <b>-</b> | <b>1,285,557</b> |
| <b>Percentage</b>  | <b>98.3</b>      | <b>1.7</b>    | <b>-</b> | <b>100.0</b>     |

### Assets and liabilities measured on the basis of unobservable inputs

|   | Real estate | Bonds     | Equities     | Derivatives  | Total        |
|---|-------------|-----------|--------------|--------------|--------------|
| <b>Fair value, beginning of period, assets</b>                    | <b>86</b>   | <b>65</b> | <b>2,956</b> | <b>1,495</b> | <b>4,601</b> |
| Value adjustment recognised through profit or loss                | (1)         | 1         | 119          | 441          | 560          |
| Purchases for the period  | 0           | -         | 100          | -            | 100          |
| Sales for the period  | -           | (21)      | (323)        | (89)         | (433)        |
| Transferred from Listed prices and Observable inputs <sup>1</sup> | -           | -         | -            | (777)        | (777)        |
| Transferred to Listed prices and Observable inputs <sup>2</sup>   | -           | -         | -            | 1,474        | 1,474        |
| Reclassification to "Other assets"                                | (7)         | -         | -            | -            | (7)          |
| <b>Fair value, end of period, assets</b>                          | <b>77</b>   | <b>45</b> | <b>2,852</b> | <b>2,545</b> | <b>5,519</b> |

<sup>1</sup> Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.

<sup>2</sup> Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

<sup>3</sup> Recognised at fair value through fair value option.

## 20. FAIR VALUE DISCLOSURES (CONTINUED)

### 20. Fair value of assets and liabilities recognised at fair value (IFRS hierarchy) (continued)

31 December 2018

|   | Listed<br>prices | Observable<br>inputs | Unobservable<br>inputs | Total<br>fair value |
|---|------------------|----------------------|------------------------|---------------------|
| <b>Financial assets:</b>                                  |                  |                      |                        |                     |
| - bonds at fair value                                     | 8,308            | 85,250               | 65                     | 93,622              |
| - equities measured at fair value through profit or loss  | 2,865            | -                    | 2,956                  | 5,821               |
| - positive fair value of derivative financial instruments | 63               | 16,899               | 1,495                  | 18,457              |
| - mortgage loans, arrears and outlays <sup>3</sup>        | -                | 1,193,975            | -                      | 1,193,975           |
| - owner-occupied properties                               | -                | -                    | 86                     | 86                  |
| <b>Total</b>  | <b>11,236</b>    | <b>1,296,124</b>     | <b>4,601</b>           | <b>1,311,961</b>    |
| <b>Percentage</b>   | <b>0.9</b>       | <b>98.8</b>          | <b>0.4</b>             | <b>100.0</b>        |

#### Financial liabilities:

|  |                  |               |          |                  |
|--|------------------|---------------|----------|------------------|
| - other non-derivative financial liabilities at fair value | 2,574            | 3,018         | -        | 5,592            |
| - negative fair value of derivative financial instruments  | 62               | 11,669        | -        | 11,731           |
| - bonds in issue at fair value <sup>3</sup>                | 1,192,143        | 4,085         | -        | 1,196,229        |
| <b>Total</b>   | <b>1,194,779</b> | <b>18,772</b> | <b>-</b> | <b>1,213,552</b> |
| <b>Percentage</b>  | <b>98.5</b>      | <b>1.5</b>    | <b>-</b> | <b>100.0</b>     |

#### Assets and liabilities measured on the basis of unobservable inputs

|   | Real estate | Bonds     | Equities     | Derivatives  | Total        |
|---|-------------|-----------|--------------|--------------|--------------|
| <b>Fair value, beginning of period, assets</b>                    | <b>273</b>  | <b>22</b> | <b>2,623</b> | <b>1,104</b> | <b>4,022</b> |
| Value adjustment recognised through profit or loss                | 41          | 18        | 261          | 377          | 697          |
| Purchases for the year  | -           | 51        | 182          | -            | 234          |
| Sales for the year  | (229)       | (27)      | (110)        | (57)         | (422)        |
| Transferred from Listed prices and Observable inputs <sup>1</sup> | -           | -         | -            | (493)        | (493)        |
| Transferred to Listed prices and Observable inputs <sup>2</sup>   | -           | -         | -            | 564          | 564          |
| <b>Fair value, end of period, assets</b>                          | <b>86</b>   | <b>65</b> | <b>2,956</b> | <b>1,495</b> | <b>4,601</b> |

<sup>1</sup> Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.

<sup>2</sup> Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

<sup>3</sup> Recognised at fair value through fair value option.



# NOTES

DKK million

| Nykredit Realkredit Group  | H1/<br>2019      | H1/<br>2018      | H1/<br>2017      | H1/<br>2016      | H1/<br>2015      |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>21. FIVE-YEAR FINANCIAL HIGHLIGHTS</b>  |                  |                  |                  |                  |                  |
| <b>SUMMARY INCOME STATEMENT</b>  |                  |                  |                  |                  |                  |
| Net interest income  | 5,450            | 5,445            | 5,822            | 5,483            | 5,959            |
| Net fee income etc   | (114)            | (115)            | (37)             | (18)             | 125              |
| <b>Net interest and fee income</b>   | <b>5,336</b>     | <b>5,330</b>     | <b>5,786</b>     | <b>5,464</b>     | <b>6,084</b>     |
| Value adjustments  | 1,180            | 786              | 2,860            | (740)            | 658              |
| Other operating income   | 705              | 439              | 135              | 105              | 92               |
| Staff and administrative expenses  | 2,285            | 2,289            | 2,177            | 2,250            | 2,268            |
| Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets | 136              | 48               | 116              | 103              | 119              |
| Other operating expenses   | 71               | 65               | 71               | 82               | 34               |
| Impairment charges for loans, advances and receivables etc   | 433              | 103              | (448)            | 125              | 449              |
| Profit from investments in associates and Group enterprises  | 2                | 2                | 4                | 6                | 4                |
| <b>Profit before tax</b>   | <b>4,298</b>     | <b>4,052</b>     | <b>6,868</b>     | <b>2,275</b>     | <b>3,969</b>     |
| Tax  | 684              | 758              | 1,411            | 447              | 868              |
| <b>Profit for the period</b>   | <b>3,615</b>     | <b>3,294</b>     | <b>5,457</b>     | <b>1,828</b>     | <b>3,101</b>     |
| Value adjustment and reclassification of strategic equities against equity                                       | -                | -                | 125              | (157)            | 306              |
| <b>SUMMARY BALANCE SHEET, END OF PERIOD</b>  |                  |                  |                  |                  |                  |
|  | 30.06.2019       | 30.06.2018       | 30.06.2017       | 30.06.2016       | 30.06.2015       |
| <b>Assets</b>  |                  |                  |                  |                  |                  |
| Cash balances and receivables from credit institutions and central banks   | 43,475           | 29,002           | 33,704           | 43,707           | 47,410           |
| Mortgage loans at fair value   | 1,232,135        | 1,178,370        | 1,140,548        | 1,127,725        | 1,119,080        |
| Bank loans excluding reverse repurchase lending  | 63,505           | 58,344           | 57,544           | 49,554           | 49,441           |
| Bonds and equities etc   | 117,650          | 96,434           | 95,088           | 106,387          | 109,404          |
| Remaining assets   | 83,943           | 60,159           | 52,815           | 79,922           | 81,773           |
| <b>Total assets</b>  | <b>1,540,708</b> | <b>1,422,310</b> | <b>1,379,698</b> | <b>1,407,294</b> | <b>1,407,108</b> |
| <b>Liabilities and equity</b>  |                  |                  |                  |                  |                  |
| Payables to credit institutions and central banks  | 26,647           | 17,541           | 14,420           | 28,131           | 39,322           |
| Deposits and other payables  | 95,376           | 92,216           | 69,442           | 69,547           | 65,935           |
| Bonds in issue at fair value   | 1,263,666        | 1,179,842        | 1,140,474        | 1,142,561        | 1,146,975        |
| Subordinated debt  | 11,077           | 10,982           | 10,956           | 11,260           | 4,646            |
| Remaining liabilities  | 63,370           | 44,288           | 67,998           | 88,778           | 84,508           |
| Equity   | 80,573           | 77,442           | 76,407           | 67,017           | 65,722           |
| <b>Total liabilities and equity</b>  | <b>1,540,708</b> | <b>1,422,310</b> | <b>1,379,698</b> | <b>1,407,294</b> | <b>1,407,108</b> |
| <b>OFF-BALANCE SHEET ITEMS</b>   |                  |                  |                  |                  |                  |
| Contingent liabilities   | 6,703            | 6,296            | 7,224            | 6,245            | 8,394            |
| Other commitments  | 20,012           | 8,732            | 7,664            | 7,203            | 5,593            |
| <b>FINANCIAL RATIOS<sup>1</sup></b>  |                  |                  |                  |                  |                  |
| Total capital ratio, %   | 24.7             | 24.8             | 25.5             | 24.8             | 20.3             |
| Tier 1 capital ratio, %  | 21.5             | 21.6             | 22.0             | 21.3             | 19.0             |
| Return on equity before tax, %   | 5.4              | 5.2              | 9.4              | 3.2              | 6.9              |
| Return on equity after tax, %  | 4.5              | 4.2              | 7.4              | 2.5              | 5.4              |
| Income:cost ratio  | 2.5              | 2.6              | 4.6              | 1.8              | 2.5              |
| Foreign exchange position, %   | 0.7              | 0.0              | 0.3              | 0.7              | 0.4              |
| Loans and advances:equity (loan gearing)   | 16.7             | 16.4             | 16.0             | 18.0             | 18.2             |
| Growth in loans and advances for the period, %   | 2.3              | 1.5              | 0.6              | (1.0)            | (0.5)            |
| Impairment charges for the period, %   | 0.03             | 0.01             | (0.04)           | 0.01             | 0.04             |
| Return on capital employed, %  | 0.23             | 0.23             | 0.39             | 0.13             | 0.22             |

<sup>1</sup> Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 55 in the Annual Report 2018.

# NOTES

|  | DKK million      |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
| Nykredit Realkredit A/S  | H1/<br>2019      | H1/<br>2018      | H1/<br>2017      | H1/<br>2016      | H1/<br>2015      |
| <b>21. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)</b>  |                  |                  |                  |                  |                  |
| <b>SUMMARY INCOME STATEMENT</b>  |                  |                  |                  |                  |                  |
| Net interest income  | 1,974            | 2,010            | 2,146            | 2,393            | 2,593            |
| Net fee income etc   | 351              | 339              | 391              | 442              | 539              |
| <b>Net interest and fee income</b>   | <b>2,325</b>     | <b>2,348</b>     | <b>2,537</b>     | <b>2,834</b>     | <b>3,132</b>     |
| Value adjustments  | 1,021            | 24               | 623              | (186)            | 52               |
| Other operating income   | 642              | 444              | 443              | 483              | 431              |
| Staff and administrative expenses  | 1,332            | 1,397            | 1,310            | 1,452            | 1,494            |
| Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets | 131              | 43               | 103              | 82               | 98               |
| Other operating expenses   | 59               | 54               | 60               | 68               | -                |
| Impairment charges for loans, advances and receivables etc   | 256              | (29)             | (303)            | 166              | 224              |
| Profit from investments in associates  | 1,748            | 2,235            | 3,577            | 587              | 1,918            |
| <b>Profit before tax</b>   | <b>3,959</b>     | <b>3,588</b>     | <b>6,008</b>     | <b>1,950</b>     | <b>3,717</b>     |
| Tax  | 344              | 278              | 426              | 280              | 311              |
| <b>Profit for the period</b>   | <b>3,615</b>     | <b>3,310</b>     | <b>5,582</b>     | <b>1,670</b>     | <b>3,406</b>     |
| <b>SUMMARY BALANCE SHEET, END OF PERIOD</b>  |                  |                  |                  |                  |                  |
|  | 30.06.2019       | 30.06.2018       | 30.06.2017       | 30.06.2016       | 30.06.2015       |
| <b>Assets</b>  |                  |                  |                  |                  |                  |
| Cash balances and receivables from credit institutions and central banks   | 52,339           | 37,420           | 37,623           | 23,991           | 23,934           |
| Mortgage loans at fair value   | 510,405          | 513,601          | 524,283          | 538,544          | 560,350          |
| Totalcredit mortgage loan funding  | 803,355          | 710,703          | 659,095          | 611,178          | 596,145          |
| Bonds and equities etc   | 44,755           | 38,166           | 42,259           | 51,811           | 53,417           |
| Remaining assets   | 61,378           | 58,580           | 59,664           | 58,982           | 68,030           |
| <b>Total assets</b>  | <b>1,472,231</b> | <b>1,358,470</b> | <b>1,322,924</b> | <b>1,284,506</b> | <b>1,301,876</b> |
| <b>Liabilities and equity</b>  |                  |                  |                  |                  |                  |
| Payables to credit institutions and central banks  | 2,825            | 1,811            | 9,976            | 20,756           | 20,978           |
| Deposits and other payables  | 12,200           | 8,000            | -                | -                | -                |
| Bonds in issue   | 1,331,312        | 1,237,219        | 1,187,285        | 1,164,671        | 1,189,717        |
| Subordinated debt  | 11,077           | 10,985           | 10,957           | 11,260           | 4,546            |
| Remaining liabilities  | 34,240           | 22,969           | 38,299           | 20,807           | 20,913           |
| Equity   | 80,577           | 77,486           | 76,407           | 67,013           | 65,722           |
| <b>Total liabilities and equity</b>  | <b>1,472,231</b> | <b>1,358,470</b> | <b>1,322,924</b> | <b>1,284,506</b> | <b>1,301,876</b> |
| <b>OFF-BALANCE SHEET ITEMS</b>   |                  |                  |                  |                  |                  |
| Other commitments  | 9,546            | 1,399            | 1,360            | 1,193            | 1,019            |
| <b>FINANCIAL RATIOS<sup>1</sup></b>  |                  |                  |                  |                  |                  |
| Total capital ratio, %   | 20.2             | 20.5             | 21.8             | 21.0             | 17.7             |
| Tier 1 capital ratio, %  | 17.8             | 17.9             | 19.0             | 18.1             | 16.7             |
| Return on equity before tax, %   | 4.9              | 4.6              | 8.2              | 2.9              | 6.0              |
| Return on equity after tax, %  | 4.5              | 4.2              | 7.4              | 2.5              | 5.4              |
| Income:cost ratio  | 3.2              | 3.5              | 6.2              | 2.1              | 3.1              |
| Foreign exchange position, %   | 0.5              | 0.0              | 0.2              | 0.7              | 0.3              |
| Loans and advances:equity (loan gearing)   | 6.3              | 6.6              | 6.9              | 8.0              | 8.5              |
| Growth in loans and advances for the period, %   | (0.7)            | (1.2)            | (0.3)            | (2.8)            | (3.1)            |
| Impairment charges for the period, %   | 0.02             | (0.00)           | (0.06)           | 0.03             | 0.04             |
| Return on capital employed, %  | 0.25             | 0.24             | 0.42             | 0.13             | 0.26             |

<sup>1</sup> Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 55 in the Annual Report 2018.

# NOTES

DKK million

Nykredit Realkredit Group

## 22. GROUP STRUCTURE

### Name and registered office

|   | Ownership interest as %, 30 June 2019 | Profit for the period, 2019 | Equity, 30 June 2019 | Profit for 2018 | Equity, 31 December 2018 |
|---|---------------------------------------|-----------------------------|----------------------|-----------------|--------------------------|
| Nykredit Realkredit A/S (Parent), Copenhagen, a)          | -                                     | 3,615                       | 80,577               | 5,810           | 79,883                   |
| Totalkredit A/S, Copenhagen, a)                           | 100                                   | 1,202                       | 29,336               | 2,120           | 28,229                   |
| Nykredit Bank A/S, Copenhagen, b)                         | 100                                   | 506                         | 21,601               | 1,660           | 21,095                   |
| Nykredit Portefølje Administration A/S, Copenhagen, g)    | 100                                   | 103                         | 990                  | 163             | 887                      |
| Nykredit Leasing A/S, Gladsaxe, e)                        | 100                                   | 50                          | 805                  | 84              | 755                      |
| Nykredit Mægler A/S, Copenhagen, c)                       | 100                                   | 34                          | 102                  | 67              | 133                      |
| Nykredit Ejendomme A/S, Copenhagen (wound up in 2018), d) | -                                     | -                           | -                    | 24              | 0                        |
| Ejendomsselskabet Kalvebod A/S, Copenhagen, h)            | 100                                   | 7                           | 263                  | 25              | 256                      |
| Kalvebod Ejendomme I A/S, Copenhagen, d)                  | 100                                   | 5                           | 122                  | 7               | 117                      |
| Kalvebod Ejendomme II A/S, Copenhagen, d)                 | 100                                   | 2                           | 136                  | 20              | 135                      |

The Group structure only includes significant subsidiaries. Financial information is provided in the order in which the subsidiaries are recognised in the Consolidated Financial Statements.

All banks and mortgage providers subject to national financial supervisory authorities must comply with the statutory capital requirements. The capital requirements may limit intercompany facilities and dividend payments.

### Geographical distribution of activities

|  | Number of staff | Revenue <sup>2</sup> | Profit (loss) before tax | Tax | Government aid received |
|--|-----------------|----------------------|--------------------------|-----|-------------------------|
| Denmark: Names and activities appear from the Group structure above                      | 3,377           | 15,076               | 4,301                    | 684 | -                       |
| Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a) (discontinued in 2018) | 1               | 0                    | (3)                      | -   | -                       |

<sup>1</sup> For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as interest, fee and commission income and other operating income.

- a) Mortgage bank
- b) Bank
- c) Estate agency business
- d) Property company
- e) Leasing business
- g) Investment management company
- h) Holding company, no independent activities

Nykredit Realkredit A/S is wholly owned by and consolidated with Nykredit A/S for accounting purposes, which is consolidated with Forenet Kredit f.m.b.a. for accounting purposes. The financial statements of Forenet Kredit (in Danish) and Nykredit A/S are available from:

Nykredit Realkredit A/S  
Kalvebod Brygge 1-3  
DK-1780 Copenhagen V

*This document is an English translation of the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.*