

**Nykredit
Group**

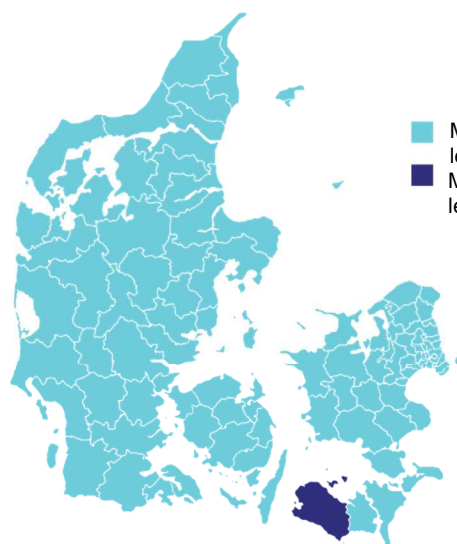
H1 Interim Report 2019



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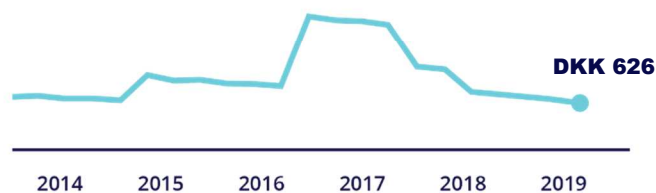
HIGHLIGHTS



- 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 Group	H1/ 2019	H1/ 2018	Q2/ 2019	Q1/ 2019	2018
BUSINESS PROFIT AND PROFIT FOR THE PERIOD					
Net interest income	4,592	4,557	2,310	2,283	9,226
Net fee income	1,155	1,028	671	484	1,951
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 ¹	(103)	(107)	(23)	(80)	(248)
Trading, investment portfolio and other income	1,301	367	623	679	89
Income	7,492	6,337	3,865	3,627	12,023
Costs	2,502	2,414	1,273	1,230	4,890
Business profit before impairment charges	4,990	3,923	2,593	2,397	7,133
Impairment charges for loans and advances	433	103	213	219	380
Business profit	4,557	3,821	2,379	2,178	6,753
Legacy derivatives	(269)	219	(50)	(219)	280
Profit before tax for the period	4,288	4,040	2,329	1,959	7,033
Tax	681	755	352	329	1,242
Profit for the period	3,606	3,285	1,977	1,629	5,792
Other comprehensive income, remaining items	(3)	(12)	29	(32)	(7)
Comprehensive income for the period	3,604	3,273	2,006	1,598	5,785
Interest on Additional Tier 1 capital charged against equity	116	116	58	58	233
SUMMARY BALANCE SHEET					
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	29,003	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	83,929	60,131	83,929	67,528	64,608
Total assets	1,540,695	1,422,282	1,540,695	1,488,693	1,447,976
Liabilities and equity					
Payables to credit institutions and central banks	26,647	17,541	26,647	21,653	15,692
Deposits excluding repo deposits	79,940	72,314	79,940	79,634	76,918
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	78,796	64,147	78,796	82,184	68,243
Equity	80,569	77,456	80,569	78,681	79,883
Total liabilities and equity	1,540,695	1,422,282	1,540,695	1,488,693	1,447,976
FINANCIAL RATIOS					
Profit for the period as % pa of average business capital (ROAC) ²	12.2	11.6	13.2	11.3	10.2
Profit for the period as % pa of average equity ³	9.2	8.6	10.1	8.3	7.5
Costs as % of income	33.4	38.1	32.9	33.9	40.7
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, %	23.2	23.0	23.2	22.7	23.5
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	10.1	10.0
Average number of staff, full-time equivalent	3,378	3,376	3,434	3,322	3,382

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

² "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".

³ 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

	Business profit for H1/2019	Profit for H1/2019	Income for H1/2019
	DKK 4,557 million	DKK 4,288 million	DKK 7,492 million
	Business profit	Profit before tax for the period	Income

	ROAC	Return on equity	Cost:income ratio
	12.2%	9.2%	33.4%
	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 4,288 million (H1/2018: DKK 4,040 million). The business profit amounted to DKK 4,557 million (H1/2018: DKK 3,821 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 2,502 million (H1/2018: DKK 2,414 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 33.4% in H1/2019 (H1/2018: 38.1%).

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 681 million (H1/2018: DKK 755 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 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 2,329 million in Q2/2019 (Q1/2019: DKK 1,959 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 1,273 million in Q2/2019 (Q1/2019: DKK 1,230 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.

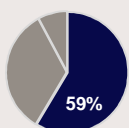
No further events have occurred in the period up to the presentation of the H1 Interim Report 2019 which materially affect the Group's financial position.



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.

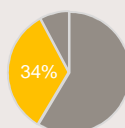
Business profit:
DKK 2,120 million

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.

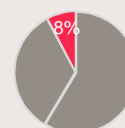
Business profit:
DKK 1,219 million

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 – Banking	H1/ 2019	H1/ 2018	Q2/ 2019	Q1/ 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
Income	4,359	4,512	2,275	2,084	8,767
Costs	1,867	1,819	972	895	3,733
Business profit before impairment charges	2,492	2,693	1,303	1,189	5,034
Impairment charges for mortgage lending	278	19	143	135	(11)
Impairment charges for bank lending	94	98	58	36	259
Business profit	2,120	2,576	1,102	1,018	4,786
Legacy derivatives	(269)	220	(50)	(219)	280
Profit before tax	1,851	2,795	1,052	799	5,066

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

Banking	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Retail Personal Banking				
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
Retail Business Banking				
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
Corporates & Institutions				
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/	H1/	Q2/	Q1/	
Totalkredit Partners	2019	2018	2019	2019	2018
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
Income	1,566	1,538	814	752	3,070
Costs	290	271	137	152	551
Business profit before impairment charges	1,277	1,267	677	599	2,519
Impairment charges for mortgage lending	58	(44)	34	24	122
Business profit	1,219	1,311	643	576	2,397

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

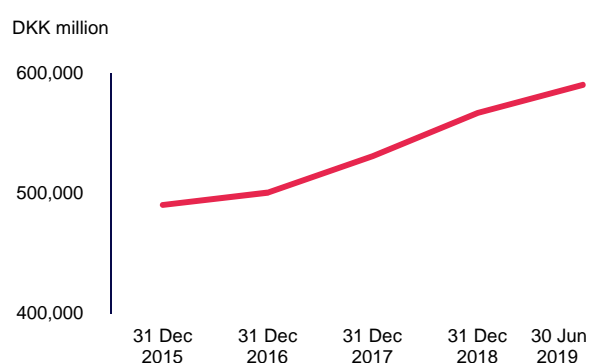
Totalkredit Partners	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Personal Banking				
Loans and advances	584,910	571,469	562,459	546,360
- of which mortgage lending, nominal value	574,364	560,664	551,454	535,022
- of which secured homeowner loans	10,545	10,805	11,005	11,338
Business Banking				
Loans 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/ 2019	H1/ 2018	Q2/ 2019	Q1/ 2019	2018
Wealth Management					
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
Income	510	423	267	244	863
Costs	234	228	116	118	471
Business profit before impairment charges	276	195	150	126	392
Impairment charges for mortgage lending	0	(1)	0	0	(5)
Impairment charges for bank lending	(5)	22	(24)	19	24
Business profit	281	174	174	107	373
Legacy derivatives	0	0	0	0	0
Profit before tax	281	174	174	107	373

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

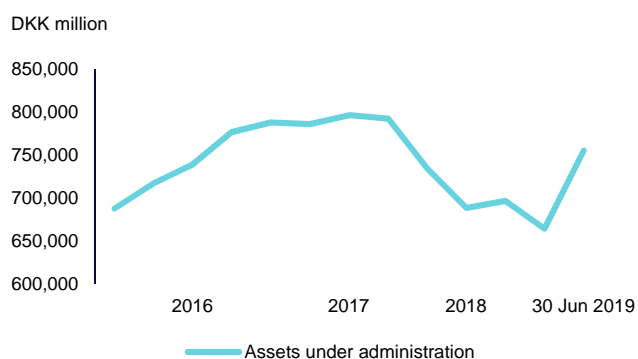
Selected balance sheet items**Wealth Management**

	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Assets under management:	232,852	230,297	210,623	202,425
- of which Nykredit Group investment funds	78,069	74,837	68,758	67,756
Assets under administration:	755,342	734,513	664,590	688,620
Lending/deposits				
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 – Group Items	H1/ 2019	H1/ 2018	Q2/ 2019	Q1/ 2019	2018
Net interest income	0	(5)	0	0	(2)
Net fee income	(8)	(8)	(1)	(6)	(36)
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	(581)
Income	1,057	(136)	509	548	(678)
Costs	112	96	47	65	135
Business profit (loss) before impairment charges	945	(232)	462	483	(813)
Impairment charges for mortgage lending	-	-	-	-	-
Impairment charges for bank lending	8	9	2	6	(9)
Business profit (loss)	937	(240)	460	478	(804)

	DKK million			
Selected balance sheet items Group Items	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Lending/deposits				
Loans and advances	(290)	142	526	501
- of which bank lending	(290)	142	526	501
Deposits	2,314	7,202	3,787	2,886

¹ "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 1,178 million relative to H1/2018 to DKK 937 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 shareholders.

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		
Nykredit Group		
Equity (including AT1 capital)	30.06.2019	31.12.2018
Equity, beginning of period	79,883	78,770
Profit for the period	3,606	5,737
Other adjustments	(2,920)	(4,625)
Equity, end of period	80,569	79,883

DKK million		
Nykredit Group		
Capital and capital adequacy	30.06.2019	31.12.2018
Credit risk	307,965	290,524
Market risk	27,309	27,390
Operational risk	25,499	25,709
Total risk exposure amount	360,773	343,623
Equity (including AT1 capital)	80,569	79,883
AT1 capital etc	(3,769)	(3,772)
Proposed dividend	-	(2,800)
CET1 capital additions/deductions	(2,672)	(907)
CET1 capital	74,128	72,404
Additional Tier 1 capital	2,238	1,862
Additional Tier 1 capital deductions	(105)	(28)
Tier 1 capital	76,261	74,239
Tier 2 capital	6,846	6,208
Tier 2 capital additions/deductions	676	454
Own funds	83,783	80,900
CET1 capital ratio, %	20.5	21.0
Tier 1 capital ratio, %	21.1	21.6
Total capital ratio, %	23.2	23.5
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 360.8 billion (end-2018: DKK 343.6 billion). With own funds at DKK 83.8 billion, this corresponded to a total capital ratio of 23.2% (end-2018: 23.5%). 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 76.3 billion at 30 June 2019. CET1 capital came to DKK 74.1 billion at end-June 2019 and AT1 capital to DKK 3.8 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 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
Nykredit Group	1 July 2019 -
Refinancing¹	30 June 2020
Total maturity before set-off of self-issued bonds	279.7
- ordinary principal payments and known ² prepayments (paid up)	84.1
- ordinary principal payments and known ² prepayments (unpaid)	26.0
- pre-issued bonds and interest rate risk ²	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

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

² 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		
Nykredit Group		
Bonds in issue	30.06.2019	31.12.2018
Covered bonds (ROs), see note 14 a	130,309	138,809
Covered bonds (SDOs), see note 14 b	1,204,303	1,107,963
Senior secured debt, see notes 14 c	933	4,704
Senior unsecured debt, see notes 14 d and in Nykredit Bank A/S	5,824	5,908
Senior non-preferred (SNP), see note 15	22,958	17,152
Subordinate loan capital, see note 17	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.

Nykredit Bank A/S		
Supervisory Diamond	30.06.2019	31.12.2018
Large exposures ¹ (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 ² (limit value >100%)	172.0%	183.8%

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

² The liquidity benchmark replaces the former benchmark "Excess liquidity coverage".

Supervisory Diamond for mortgage lenders

Benchmark	Definition	Nykredit Realkredit Group 30 June 2019	Nykredit Realkredit A/S 30 June 2019	Limit value
Lending growth in segment				
Personal customers ¹	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%

¹ 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.

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 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
Mortgage lending, nominal value						
Nykredit Realkredit	495,977	499,304	3,600	3,493	260	(42)
Totalkredit	700,687	672,144	1,553	1,532	82	139
Total	1,196,664	1,171,449	5,153	5,025	342	97
Loans and advances etc						
Nykredit Bank	63,505	60,566	2,741	2,767	78	263
Total	63,505	60,566	2,741	2,767	78	263
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)
Loan impairment, %¹						
Nykredit Realkredit	-	-	0.73	0.69	0.05	(0.01)
Totalkredit	-	-	0.22	0.23	0.01	0.02
Total	-	-	0.43	0.43	0.03	0.01
Nykredit Bank	-	-	4.14	4.53	0.12	0.26
Total	-	-	4.14	4.53	0.12	0.26

¹ 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 Group

Debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value) ²						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 ¹	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
Total H1/2019	756,388	261,629	125,168	11,181	3,279	3,646	1,232,135	62.3
Total 2018	737,623	253,159	117,982	8,880	3,477	3,334	1,193,667	62.3

¹ Including cooperative housing.

² 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 Group

Mortgage lending by property type¹

	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)
Total	5,153	338	5,025	89

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

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

Payment date	Arrears relative to total mortgage payments	Debt outstanding in arrears relative to total debt outstanding	Debt outstanding affected by arrears
	%	%	DKK billion
2019			
- March	0.37	0.28	3.36
2018			
- 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
2017			
- 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 Group

Credit exposures in terms of bank lending, reverse repurchase lending and guarantees by sector¹

DKK million

	30.06.2019			31.12.2018		
	Lending, end of period	Total impairment provisions	Earnings impact	Lending, end of period ²	Total impairment provisions	Earnings impact
Public sector	818	1	(1)	639	3	(1)
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
Total business customers	111,335	2,285	112	92,742	2,192	279
Personal customers	28,969	586	(18)	27,140	689	(14)
Total	141,122	2,873	93	120,520	2,884	265
- of which provisions for losses under guarantees		132	15		117	(3)
Impairment provisions for credit institutions		17	4		12	9
- of which intercompany guarantees and total	21,767	2,890	97	16,614	2,896	274

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

² Comparative figures for 2018 have been restated, and certain loans, advances and guarantees of personal customers have been reclassified from personal customers to industry groups under business customers in order to achieve a better presentation of the connection between 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 A/S and the Nykredit 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*

Lasse Nyby

Claus E. Petersen

Inge Sand*

Leif Vinther*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Group	Note	H1/2019	H1/2018	Q2/2019	Q2/2018
INCOME STATEMENT					
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	7,504	3,740	3,738
Net interest income	6	5,450	5,444	2,774	2,763
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
Net interest and fee income		5,336	5,329	2,792	2,744
Value adjustments	6, 7	1,180	786	640	343
Other operating income		705	439	382	222
Staff and administrative expenses		2,295	2,301	1,168	1,167
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	9	2	2	0	1
Profit before tax		4,288	4,040	2,329	1,983
Tax		681	755	352	373
Profit for the period		3,606	3,285	1,977	1,610
Distribution of profit for the period					
Shareholders of Nykredit A/S		3,491	3,169	1,919	1,552
Holders of Additional Tier 1 capital notes		116	116	58	58
Profit for the period		3,606	3,285	1,977	1,610
COMPREHENSIVE INCOME					
Profit for the period		3,606	3,285	1,977	1,610
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(4)	(15)	37	6
Tax on actuarial gains/losses on defined benefit plans		1	3	(8)	(1)
Total items that cannot be reclassified to profit or loss		(3)	(12)	29	5
Other comprehensive income		(3)	(12)	29	5
Comprehensive income for the period		3,604	3,273	2,006	1,614
Distribution of comprehensive income					
Shareholders of Nykredit A/S		3,488	3,157	1,948	1,556
Holders of Additional Tier 1 capital notes		116	116	58	58
Comprehensive income for the period		3,604	3,273	2,006	1,614

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit A/S	Note	H1/2019	H1/2018	Q2/2019	Q2/2018
INCOME STATEMENT					
Interest expenses		0	0	0	0
Net interest income	6	(0)	(0)	(0)	(0)
Staff and administrative expenses		10	12	8	5
Profit from investments in associates and Group enterprises	10	3,499	3,169	1,926	1,543
Profit before tax		3,488	3,156	1,917	1,537
Tax		(2)	(3)	(2)	(1)
Profit for the period		3,491	3,159	1,919	1,539
Distribution of profit for the period					
Shareholders of Nykredit A/S		3,491	3,159	1,919	1,539
Profit for the period		3,491	3,159	1,919	1,539
COMPREHENSIVE INCOME					
Profit for the period		3,491	3,159	1,919	1,539
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Share of comprehensive income in associates and Group enterprises		(3)	(12)	29	5
Total items that cannot be reclassified to profit or loss		(3)	(12)	29	5
Other comprehensive income		(3)	(12)	29	5
Comprehensive income for the period		3,488	3,147	1,948	1,543
Distribution of comprehensive income					
Shareholders of Nykredit A/S		3,488	3,147	1,948	1,543
Comprehensive income for the period		3,488	3,147	1,948	1,543

BALANCE SHEETS

		DKK million		
Nykredit A/S			Nykredit Group	
31.12.2018	30.06.2019	Note	30.06.2019	31.12.2018
				ASSETS
-	-		7,223	8,861
28	19		36,252	20,829
-	-	10	1,232,455	1,193,975
-	-	11	112,995	98,311
-	-	12	110,979	93,622
-	-		6,671	5,821
-	-		38	38
76,106	76,803		-	-
-	-		302	281
				Land and buildings
-	-		79	86
-	-		714	-
-	-		793	86
-	-			
-	-		117	108
6	8		353	349
9	9		133	134
-	-		63	160
1	0		31,645	24,935
1	1		674	465
76,151	76,842		1,540,695	1,447,976
				Total assets

BALANCE SHEETS

Nykredit A/S				DKK million	
31.12.2018	30.06.2019		Note	30.06.2019	Nykredit Group 31.12.2018
		LIABILITIES AND EQUITY			
33	33	Payables to credit institutions and central banks		26,647	15,692
-	-	Deposits and other payables	13	95,356	93,164
-	-	Bonds in issue at fair value	14	1,263,666	1,196,229
-	-	Bonds in issue at amortised cost	15	28,515	22,590
-	-	Other non-derivative financial liabilities at fair value	16	7,823	5,592
-	-	Current tax liabilities		102	47
8	9	Other liabilities		26,112	23,027
-	-	Deferred income		19	10
41	42	Total payables		1,448,239	1,356,351
		Provisions			
-	-	Provisions for pensions and similar obligations		107	130
-	-	Provisions for deferred tax		394	338
-	-	Repayable reserves in pre-1972 series		46	47
-	-	Provisions for losses under guarantees		132	117
-	-	Other provisions		131	100
-	-	Total provisions		809	731
-	-	Subordinated debt	17	11,077	11,011
		Equity			
1,327	1,327	Share capital		1,327	1,327
		Accumulated value adjustments			
-	-	- revaluation reserves		5	5
		Other reserves			
57,925	58,622	- statutory reserves		-	-
-	-	- series reserves		36,575	36,575
-	-	- non-distributable reserve fund		1,646	1,646
14,058	16,850	- retained earnings		37,247	33,757
2,800	-	- proposed dividend		-	2,800
76,111	76,800	Shareholders of Nykredit A/S		76,800	76,111
-	-	Holders of Additional Tier 1 capital		3,769	3,772
76,111	76,800	Total equity		80,569	79,883
76,151	76,842	Total liabilities and equity		1,540,695	1,447,976
		OFF-BALANCE SHEET ITEMS			
-	-	Contingent liabilities		6,703	5,913
-	-	Other commitments		20,012	16,948
-	-	Total		26,715	22,861

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Group

	Share capital ¹	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Non-distributable reserve fund ²	Retained earnings	Proposed dividend	Shareholders of Nykredit A/S	Additional Tier 1 capital ³	Total equity
2019										
Equity, 1 January	1,327	5	-	36,575	1,646	33,757	2,800	76,111	3,772	79,883
Profit for the period	-	-	-	-	-	3,491	-	3,491	116	3,606
Total other comprehensive income	-	-	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income	-	-	-	-	-	3,488	-	3,488	116	3,604
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)
Equity, 30 June	1,327	5	-	36,575	1,646	37,247	-	76,800	3,769	80,569
2018										
Equity, end-2017, see the Annual Report	1,327	19	973	38,038	1,646	29,003	4,000	75,005	3,765	78,770
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
Equity, 1 January	1,327	19	-	38,038	1,646	29,534	4,000	74,564	3,765	78,329
Profit for the period ⁴	-	-	-	-	-	3,169	-	3,169	116	3,285
Total other comprehensive income	-	-	-	-	-	(12)	-	(12)	-	(12)
Total comprehensive income	-	-	-	-	-	3,157	-	3,157	116	3,273
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 ⁴	-	-	-	-	-	(1)	-	(1)	-	(1)
Distributed dividend	-	-	-	-	-	-	(4,000)	(4,000)	-	(4,000)
Realised from the sale of properties	-	(14)	-	-	-	14	-	-	-	-
Portfolio of self-issued bonds	-	-	-	-	-	-	-	-	(29)	(29)
Equity, 30 June	1,327	5	-	38,038	1,646	32,700	-	73,716	3,740	77,456

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

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

³ 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.

⁴ 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 A/S

	Share capital ¹	Statutory reserves ²	Retained earnings	Proposed dividend	Total equity
2019					
Equity, 1 January	1,327	57,925	14,058	2,800	76,111
Profit for the period	-	3,499	(8)	-	3,491
Total other comprehensive income	-	(3)	-	-	(3)
Total comprehensive income	-	3,496	(8)	-	3,488
Distributed dividend	-	-	-	(2,800)	(2,800)
Dividend received from subsidiaries	-	(2,800)	2,800	-	-
Adjustment relating to subsidiaries	-	1	-	-	1
Equity, 30 June	1,327	58,622	16,850	-	76,800
2018					
Equity, end-2017, see the Annual Report	1,327	56,901	12,777	4,000	75,005
Changes in impairment charges owing to implementation of IFRS 9	-	(566)	-	-	(566)
Changes in taxes due owing to implementation of IFRS 9	-	125	-	-	125
Equity, 1 January	1,327	56,460	12,777	4,000	74,564
Profit (loss) for the period	-	3,169	(9)	-	3,159
Total other comprehensive income	-	(12)	-	-	(12)
Total comprehensive income	-	3,157	(9)	-	3,147
Distributed dividend	-	-	-	(4,000)	(4,000)
Dividend received from subsidiaries	-	(4,100)	4,100	-	-
Adjustment relating to subsidiaries	-	21	-	-	21
Equity, 30 June	1,327	55,537	16,868	-	73,732

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

² The item relates to a transfer to reserves for net revaluation according to the equity method. The item includes a non-distributable reserve fund of DKK 1,646 million in Totalkredit A/S.

CASH FLOW STATEMENT

DKK million

Nykredit Group

	H1/2019	H1/2018
Profit for the period	3,606	3,285
Adjustments		
Net interest income	(5,450)	(5,444)
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	(201)	(66)
Tax calculated on profit for the period	681	755
Other adjustments	(2,189)	(170)
Total	(2,986)	(1,491)
Change in operating capital		
Loans, advances and other receivables	(53,597)	(20,602)
Deposits and payables to credit institutions	13,147	20,474
Bonds in issue	73,363	(4,605)
Other operating capital	(2,084)	(19,259)
Total	27,843	(25,483)
Interest income received	13,611	14,068
Interest expenses paid	(8,180)	(8,681)
Corporation tax paid, net	(581)	(811)
Cash flows from operating activities	32,693	(20,907)
Cash flows from investing activities		
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
Total	(17,505)	5,685
Cash flows from financing activities		
Distributed dividend	(2,800)	(4,000)
Purchase and sale of self-issued subordinated debt instruments	0	(4)
Total	(2,800)	(4,004)
Total cash flows for the period	12,389	(19,226)
Cash and cash equivalents, beginning of period	29,691	48,031
Foreign currency translation adjustment of cash	1,397	197
Total cash flows for the period	12,389	(19,226)
Cash and cash equivalents, end of period	43,475	29,003
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	7,223	5,125
Receivables from credit institutions and central banks	36,252	23,878
Total	43,475	29,003

NOTES

Nykredit 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 A/S and the Nykredit 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 A/S		Nykredit Group		
31.12.2018	30.06.2019		30.06.2019	31.12.2018
2. CAPITAL AND CAPITAL ADEQUACY				
76,111	76,800	Equity for accounting purposes	80,569	79,883
-	-	Carrying amount of Additional Tier 1 capital recognised in equity	(3,769)	(3,772)
-	(1,745)	Statutory deduction for estimated dividend	(1,745)	-
76,111	75,055	Equity excluding Additional Tier 1 capital and minority interests	75,054	76,111
(2,800)	-	Proposed dividend	-	(2,800)
-	-	Prudent valuation adjustment	(72)	(57)
-	-	Intangible assets excluding deferred tax liabilities	(241)	(221)
-	-	Other additions/deductions	(308)	(327)
-	-	Deduction for treasury shares	(306)	(302)
(2,800)	-	Common Equity Tier 1 capital deductions	(926)	(3,706)
73,311	75,055	Common Equity Tier 1 capital	74,128	72,404
-	-	Additional Tier 1 capital	2,238	1,862
-	-	Additional Tier 1 capital deductions	(105)	(28)
-	-	Total Additional Tier 1 capital after deductions	2,133	1,835
73,311	75,055	Tier 1 capital	76,261	74,239
-	-	Tier 2 capital	6,846	6,208
-	-	Tier 2 capital additions/deductions	676	454
73,311	75,055	Own funds	83,783	80,900
281,595	284,174	Credit risk	307,965	290,524
-	-	Market risk	27,309	27,390
0	1	Operational risk	25,499	25,709
281,595	284,175	Total risk exposure amount	360,773	343,623
Financial ratios				
26.0	26.4	Common Equity Tier 1 capital ratio, %	20.5	21.0
26.0	26.4	Tier 1 capital ratio, %	21.1	21.6
26.0	26.4	Total capital ratio, %	23.2	23.5

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.

Nykredit 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
Results									
H1/2019									
Results by business area									
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 ¹	-	-	-	-	-	-	-	(103)	(103)
Trading, investment portfolio and other income	4	52	56	146	202	11	12	1,075	1,301
Income	1,355	1,793	3,149	1,210	4,359	1,566	510	1,057	7,492
Costs	992	567	1,559	308	1,867	290	234	112	2,502
Business profit before impairment charges	364	1,226	1,590	902	2,492	1,277	276	945	4,990
Impairment charges for loans and advances	47	357	403	(31)	372	58	(5)	8	433
Business profit	317	869	1,187	933	2,120	1,219	281	937	4,557
Legacy derivatives	(4)	(162)	(166)	(103)	(269)	-	(0)	-	(269)
Profit before tax	313	707	1,021	830	1,851	1,219	281	937	4,288
BALANCE SHEET, 30 JUNE 2019									
Assets									
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
Assets by business area	189,582	257,545	447,127	228,707	675,834	607,394	13,047	48,856	1,345,131
Unallocated assets									195,564
Total assets									1,540,695
Liabilities and equity									
Repo deposits								15,416	15,416
Bank deposits and other payables at amortised cost	33,124	19,370	52,494	8,569	61,063	-	16,567	2,309	79,940
Liabilities by business area	33,124	19,370	52,494	8,569	61,063	-	16,567	17,726	95,356
Unallocated liabilities									1,364,769
Equity									80,569
Total liabilities and equity									1,540,695

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

NOTES

DKK million

Nykredit Group

3. BUSINESS AREAS (CONTINUED)

Results H1/2018	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Totalcredit Partners	Wealth Management	Group Items	Total
Results by business area									
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 ¹	-	-	-	-	-	-	-	(107)	(107)
Trading, investment portfolio and other income	24	213	237	223	460	1	7	(100)	367
Income	1,415	1,900	3,315	1,198	4,512	1,538	423	(136)	6,337
Costs	992	530	1,522	297	1,819	271	228	96	2,414
Business profit (loss) before impairment charges	423	1,370	1,793	900	2,693	1,267	195	(232)	3,923
Impairment charges for loans and advances	154	(49)	105	13	118	(44)	21	9	103
Business profit (loss)	269	1,419	1,688	888	2,576	1,311	174	(240)	3,821
Legacy derivatives	0	156	157	63	220	-	(0)	-	219
Profit (loss) before tax	269	1,576	1,845	951	2,795	1,311	174	(240)	4,040
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
Assets by business area	190,394	257,749	448,144	215,102	663,246	561,413	11,855	31,693	1,268,208
Unallocated assets									154,074
Total assets									1,422,282
Liabilities and equity									
Repo deposits								19,851	19,851
Bank deposits and other payables at amortised cost	29,383	17,785	47,169	10,160	57,328	-	12,051	2,935	72,314
Liabilities by business area	29,383	17,785	47,169	10,160	57,328	-	12,051	22,786	92,165
Unallocated liabilities									1,252,660
Equity									77,456
Total liabilities and equity									1,422,282

¹ 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	5,444
Dividend on equities etc		151	151		101	101
Fee and commission income, net	1,155	(1,419)	(265)	1,028	(1,243)	(216)
Net interest and fee income		(412)	5,336		(255)	5,329
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
Income	7,492			6,337		
Costs	2,502	-	2,502	2,414	-	2,414
Business profit before impairment charges	4,990			3,923		
Impairment charges for loans and advances etc	433	-	433	103	-	103
Profit from investments in associates and Group enterprises		2	2		2	2
Business profit	4,557			3,821		
Legacy derivatives	(269)	269	-	219	(219)	-
Profit before tax	4,288	-	4,288	4,040	-	4,040

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 Group

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

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.

Nykredit Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

H1/2019	Interest income	Interest expenses	Net interest income	Dividend on equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	4	27	(23)	-	-	(23)
Lending and deposits	968	(0)	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
Total	927	203	725	-	5	730
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	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)
Total	11,928	7,203	4,725	151	1,138	6,014
Foreign currency translation adjustment					37	37
Net interest income etc and value adjustments	12,855	7,406	5,450	151	1,180	6,780
KundeKroner and ErhvervsKroner discounts recognised in interest income for the period (charge)	644					
H1/2018						
Financial portfolios at amortised cost						
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
Total	942	159	783	-	9	791
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	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
Total	12,006	7,344	4,662	101	711	5,473
Foreign currency translation adjustment					67	67
Net interest income etc and value adjustments	12,948	7,504	5,444	101	786	6,331
KundeKroner and ErhvervsKroner discounts recognised in interest income for the period (charge)	470					

¹ Recognised at fair value through fair value option.

NOTES

		DKK million	
Nykredit A/S		Nykredit Group	
H1/2018	H1/2019	H1/2019	H1/2018
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
-	- Mortgage loans	13,266	(475)
-	- Other loans, advances and receivables at fair value	5	9
-	- Bonds	1,223	209
-	- Equities etc	789	8
-	- Foreign exchange	37	67
-	- Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(878)	432
-	- Other assets	22	6
Liabilities measured at fair value through profit or loss			
-	- Bonds in issue	(13,283)	531
-	- Total	1,180	786

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 ²	Guarantees etc ²	Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total impairment provisions										
Beginning of period	5,025	5,567	2,767	2,290	21	-	117	58	7,930	7,916
Impact following implementation of IFRS 9		-		506		3		62	-	571
Balance, 1 January	5,025	5,567	2,767	2,796	21	3	117	120	7,930	8,486
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	3,079
Impairment provisions written off	204	392	102	177	-	-	-	-	307	569
Interest from impaired facilities	-	-	31	-	-	-	-	-	31	-
Transferred to "Impairment provisions for properties acquired by foreclosure"	2	6	-	-	-	-	-	-	2	6
Total impairment provisions	5,153	5,204	2,741	2,751	20	36	132	103	8,046	8,094
Earnings impact										
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)
Total	479	56	86	133	(2)	33	15	(17)	578	206
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 ¹	(79)	(101)	-	-	-	-	-	-	(79)	(101)
Earnings impact	342	(44)	78	130	(2)	33	15	(17)	433	103

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

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

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		
Total, beginning of period	953	1,626	2,447	326	187	2,274	36	29	53	7,930	
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	
Total impairment provisions, end of period	892	1,648	2,613	374	189	2,198	38	45	49	8,046	
Total, end of period	5,153			2,761			132			8,046	
Impairment provisions, end of period, are moreover attributable to:											
Credit institutions				20	-	-					20
Earnings impact, H1/2019	(279)	186	428	(85)	58	72	(16)	19	12	395	

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		
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles	975	1,791	2,801	463	177	2,160	36	25	59	8,486	
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	
Total impairment provisions, end of period	911	2,003	2,290	372	210	2,204	38	27	38	8,094	
Total, end of period	5,204			2,785			103			8,094	
Impairment provisions, end of period, are moreover attributable to:											
Credit institutions				36	-	-					36
Earnings impact, H1/2018	(360)	109	286	(21)	(66)	250	7	(3)	(20)	182	

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. 2019: Loans, advances and guarantees etc by stage, at 30 June 2019

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
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
Value, end of period	1,189,103	36,425	6,608	1,232,135
Loans and advances at amortised cost etc, gross				
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
Value, end of period	110,093	2,094	808	112,995
Guarantees etc				
Guarantees etc	24,565	666	155	25,385
Total impairment provisions, end of period	38	45	49	132
Value, end of period	24,527	621	106	25,253

8 c. 2018: Loans, advances and guarantees etc by stage, at end-2018

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
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
Value, end of period	1,154,564	31,322	7,781	1,193,667
Loans and advances at amortised cost etc, gross				
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
Value, end of period	93,911	3,666	735	98,311
Guarantees etc				
Guarantees etc	39,923	481	218	40,622
Total impairment provisions, end of period	36	29	53	117
Value, end of period	39,887	452	165	40,505

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
H1/2018	H1/2019	H1/2019	H1/2018

NOTES

		DKK million	
Nykredit A/S		Nykredit Group	
31.12.2018	30.06.2019	30.06.2019	31.12.2018
	10. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
-	- Mortgage loans	1,232,135	1,193,667
-	- Arrears and outlays	320	308
-	- Total	1,232,455	1,193,975
	10 a. Mortgage loans		
-	- Balance, beginning of period, nominal value	1,171,449	1,138,109
-	- New loans	151,051	206,869
-	- Indexation	139	258
-	- Foreign currency translation adjustment	(762)	(823)
-	- Ordinary principal payments	(13,834)	(25,942)
-	- Prepayments and extraordinary principal payments	(111,378)	(147,023)
-	- Balance, end of period, nominal value	1,196,664	1,171,449
-	- Loans transferred relating to properties in temporary possession	(22)	(72)
-	- Total	1,196,643	1,171,376
-	- Adjustment for interest rate risk etc	40,484	27,167
-	- - of which adjustment relating to sold foreign portfolio	-	15
	Adjustment for credit risk		
-	- Impairment provisions	(4,991)	(4,876)
-	- Balance, end of period, fair value	1,232,135	1,193,667
	As collateral for loans and advances, Nykredit has received mortgages over real estate and:		
-	- Supplementary guarantees totalling	88,790	74,117
-	- Interim loan guarantees totalling	22,370	20,554
-	- Mortgage registration guarantees etc totalling	39,566	19,847
	10 b. Arrears and outlays		
-	- Arrears before impairment provisions	347	403
-	- Outlays before impairment provisions	135	53
-	- Individual impairment provisions for arrears and outlays	(163)	(148)
-	- Total	320	308

NOTES

		DKK million	
Nykredit A/S		Nykredit Group	
31.12.2018	30.06.2019	30.06.2019	31.12.2018
	11. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
-	- Bank loans and advances	66,246	63,333
-	- Mortgage loans	10	12
-	- Reverse repurchase lending	49,147	37,427
-	- Other loans and advances	332	305
-	- Balance, end of period	115,737	101,078
	Adjustment for credit risk		
-	- Impairment provisions	(2,741)	(2,767)
-	- Balance after impairment, end of period	112,995	98,311
-	- Set-off of self-issued "Other loans and advances" against "Bonds in issue at amortised cost" – note 15	-	-
-	- Total	112,995	98,311
	12. BONDS AT FAIR VALUE		
-	- Self-issued SDOs	94,406	57,145
-	- Self-issued ROs	21,675	22,661
-	- Self-issued corporate bonds	177	175
-	- Self-issued senior debt	245	274
-	- Other covered bonds	94,722	79,174
-	- Government bonds	10,981	8,656
-	- Other bonds	5,276	5,792
-	- Total	227,483	173,878
-	- Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 14	(94,395)	(57,133)
-	- Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 15	(11)	(13)
-	- Set-off of self-issued ROs against "Bonds in issue at fair value" – note 14	(21,675)	(22,661)
-	- Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 15	(177)	(175)
-	- Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 14	-	(197)
-	- Self-issued senior unsecured debt against "Bonds in issue at fair value" – note 14	(245)	(77)
-	- Total	110,979	93,622
	Of bonds at fair value before set-off of self-issued bonds:		
-	- 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 A/S		Nykredit Group	
31.12.2018	30.06.2019	30.06.2019	31.12.2018
13. DEPOSITS AND OTHER PAYABLES			
-	- On demand	73,002	66,664
-	- At notice	77	176
-	- Time deposits	3,722	7,092
-	- Special deposits	3,139	2,986
-	- Repo deposits	15,416	16,245
-	- Total	95,356	93,164
14. BONDS IN ISSUE AT FAIR VALUE			
-	- ROs	139,762	147,490
-	- SDOs	1,235,334	1,126,449
-	- Senior secured debt	1,152	4,900
-	- Senior unsecured debt	3,735	3,740
-	- Total	1,379,982	1,282,579
-	- Self-issued bonds transferred from "Bonds at fair value" and "Bonds at amortised cost"	(116,315)	(86,350)
-	- Total	1,263,666	1,196,229
14 a. ROs			
-	- ROs at nominal value	130,309	138,809
-	- Fair value adjustment	9,453	8,681
-	- ROs at fair value	139,762	147,490
-	- Self-issued ROs	(21,675)	(22,661)
-	- Total	118,087	124,828
-	- Of which pre-issuance	131	478
-	- ROs redeemed and maturing at next creditor payment date	11,900	4,686
14 b. SDOs			
-	- SDOs at nominal value	1,204,303	1,107,963
-	- Fair value adjustment	31,031	18,486
-	- SDOs at fair value	1,235,334	1,126,449
-	- Self-issued SDOs	(94,395)	(57,133)
-	- Total	1,140,939	1,069,316
-	- Of which pre-issuance	16,916	5,867
-	- SDOs redeemed and maturing at next creditor payment date	91,718	55,200

NOTES

		DKK million	
Nykredit A/S		Nykredit Group	
31.12.2018	30.06.2019	30.06.2019	31.12.2018
	14. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)		
	14 c. Senior secured debt		
-	- Senior secured debt at nominal value	933	4,704
-	- Fair value adjustment	219	195
-	- Senior secured debt at fair value	1,152	4,900
-	- Self-issued senior secured debt	-	(197)
-	- Total	1,152	4,703
-	- Senior secured debt maturing at next creditor payment date	-	-
	14 d. Senior unsecured debt		
-	- Senior unsecured debt at nominal value	3,732	3,734
-	- Fair value adjustment	3	7
-	- Total	3,735	3,740
-	- Self-issued senior unsecured debt	(245)	(77)
-	- Total	3,489	3,663
	15. BONDS IN ISSUE AT AMORTISED COST		
-	- Corporate bonds	5,688	5,585
-	- SDOs	11	13
-	- Senior unsecured debt	22,958	17,152
-	- Other securities	45	27
-	- Total	28,703	22,777
-	- Self-issued corporate bonds	(177)	(175)
-	- Self-issued SDOs	(11)	(13)
-	- Total	28,515	22,590
	16. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
-	- Negative securities portfolios	7,823	5,592
-	- Total	7,823	5,592

NOTES

		DKK million	
Nykredit A/S		Nykredit Group	
31.12.2018	30.06.2019	30.06.2019	31.12.2018
	17. SUBORDINATED DEBT		
	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.		
	Subordinate loan capital		
	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	4,584	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	6,120	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
-	Total subordinate loan capital	11,077	11,011
-	Portfolio of self-issued bonds	-	-
-	Total subordinated debt	11,077	11,011
-	Subordinated debt that may be included in own funds	6,846	6,208

18. RELATED PARTY TRANSACTIONS AND BALANCES

Forenet Kredit, Group enterprises and associates of Nykredit A/S as stated in the Group structure as well as Nykredit 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.

19. 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 5.5 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 Group

19. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2019

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- 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 ³	-	1,232,455	-	1,232,455
- owner-occupied properties	-	-	77	77
Total	38,683	1,329,313	5,519	1,373,515
Percentage	2.8	96.8	0.4	100.0

Financial liabilities:

- 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 ³	1,259,490	4,176	-	1,263,666
Total	1,264,178	21,380	-	1,285,557
Percentage	98.3	1.7	-	100.0

Assets and liabilities measured on the basis of unobservable inputs

	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	86	65	2,956	1,495	4,601
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 ¹	-	-	-	(777)	(777)
Transferred to Listed prices and Observable inputs ²	-	-	-	1,474	1,474
Reclassification to "Other assets"	(7)	-	-	-	(7)
Fair value, end of period, assets	77	45	2,852	2,545	5,519

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

² 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.

³ Recognised at fair value through fair value option.

19. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2018

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- 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 ³	-	1,193,975	-	1,193,975
- owner-occupied properties	-	-	86	86
Total	11,236	1,296,124	4,601	1,311,961
Percentage	0.9	98.8	0.4	100.0

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 ³	1,192,143	4,085	-	1,196,229
Total	1,194,779	18,772	-	1,213,552
Percentage	98.5	1.5	-	100.0

Assets and liabilities measured on the basis of unobservable inputs

	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	273	22	2,623	1,104	4,022
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 ¹	-	-	-	(493)	(493)
Transferred to Listed prices and Observable inputs ²	-	-	-	564	564
Fair value, end of period, assets	86	65	2,956	1,495	4,601

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

² 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.

³ Recognised at fair value through fair value option.

NOTES

DKK million

Nykredit Group	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015
20. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	5,450	5,444	5,822	5,483	5,959
Net fee income etc	(114)	(115)	(37)	(18)	125
Net interest and fee income	5,336	5,329	5,786	5,464	6,084
Value adjustments	1,180	786	2,860	(740)	658
Other operating income	705	439	135	105	92
Staff and administrative expenses	2,295	2,301	2,185	2,264	2,270
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
Profit before tax	4,288	4,040	6,860	2,261	3,967
Tax	681	755	1,407	444	868
Profit for the period	3,606	3,285	5,453	1,817	3,099
Value adjustment and reclassification of strategic equities against equity	-	-	125	(157)	306
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2019	30.06.2018	30.06.2017	30.06.2016	30.06.2015
Assets					
Cash balances and receivables from credit institutions and central banks	43,475	29,003	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	57,534	49,554	49,441
Bonds and equities etc	117,650	96,434	95,088	106,387	109,404
Remaining assets	83,929	60,131	52,824	79,934	81,781
Total assets	1,540,695	1,422,282	1,379,697	1,407,306	1,407,116
Liabilities and equity					
Payables to credit institutions and central banks	26,647	17,541	14,420	28,131	39,322
Deposits and other payables	95,356	92,165	69,442	69,537	65,919
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	63,379	44,296	68,004	88,790	84,509
Equity	80,569	77,456	76,401	67,027	65,745
Total liabilities and equity	1,540,695	1,422,282	1,379,697	1,407,306	1,407,116
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,703	6,296	7,224	6,245	8,394
Other commitments	20,012	8,732	7,664	7,203	5,593
FINANCIAL RATIOS¹					
Total capital ratio, %	23.2	23.0	23.9	21.5	18.6
Tier 1 capital ratio, %	21.1	21.0	21.6	20.4	18.2
Return on equity before tax, %	5.3	5.2	9.4	3.1	6.9
Return on equity after tax, %	4.5	4.2	7.2	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

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 54 in the Annual Report 2018.

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DKK million

Nykredit A/S	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015
20. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	(0)	(0)	(0)	-	-
Net fee income etc	-	-	-	-	-
Net interest and fee income	(0)	(0)	(0)	-	-
Staff and administrative expenses	10	12	8	14	2
Profit from investments in associates	3,499	3,169	5,442	1,529	3,308
Profit before tax	3,488	3,156	5,434	1,515	3,305
Tax	(2)	(3)	(4)	(3)	(1)
Profit for the period	3,491	3,159	5,437	1,518	3,306
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2019	30.06.2018	30.06.2017	30.06.2016	30.06.2015
Assets					
Cash balances and receivables from credit institutions and central banks	19	50	-	11	16
Remaining assets	19	17	9	12	8
Investments in Group enterprises	76,803	73,718	72,647	63,251	61,949
Total assets	76,842	73,786	72,656	63,274	61,973
Liabilities and equity					
Payables to credit institutions and central banks	33	46	10	-	-
Remaining liabilities	9	8	5	12	1
Equity	76,800	73,732	72,641	63,262	61,972
Total liabilities and equity	76,842	73,786	72,656	63,274	61,973
OFF-BALANCE SHEET ITEMS					
Other commitments	-	-	-	-	-
FINANCIAL RATIOS¹					
Total capital ratio, %	26.4	26.4	27.0	27.0	26.9
Tier 1 capital ratio, %	26.4	26.4	27.0	27.0	26.9
Return on equity before tax, %	4.6	4.2	7.8	2.4	5.5
Return on equity after tax, %	4.6	4.2	7.8	2.4	5.5
Income:cost ratio	336.1	266.7	679.0	106.1	1,422.0
Return on capital employed, %	4.54	4.28	7.48	2.40	5.33

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 54 in the Annual Report 2018.

Nykredit Group

21. 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 A/S (Parent), Copenhagen, h)	-	3,491	76,800	5,507	76,111
Nykredit Realkredit A/S, Copenhagen, a)	100	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 ²	Profit (loss) before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	3,377	15,076	4,291	681	-
Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a) (discontinued in 2018)	1	0	(3)	-	-

¹ 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 A/S is consolidated with Forenet Kredit f.m.b.a. for accounting purposes. The financial statements of Forenet Kredit (in Danish) and Nykredit Realkredit A/S are available from:

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

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