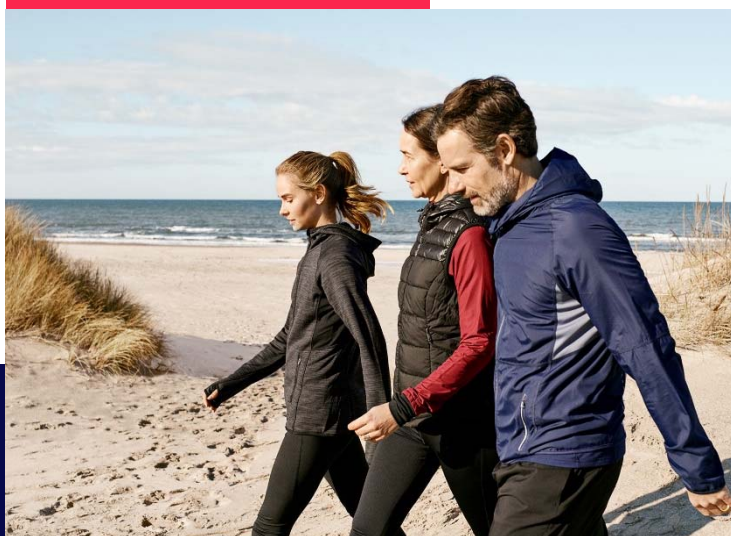


**Nykredit
Bank**

H1 Interim Report 2019



CONTENTS

MANAGEMENT COMMENTARY

Financial highlights	3
Financial review	4
Performance highlights for H1/2019	4
Results for Q2/2019 relative to Q1/2019	6
Outlook for 2019	6
Special accounting circumstances	6
Other	6
Uncertainty as to recognition and measurement	6
Events since the balance sheet date	6
Capital	7
Equity and own funds	7
Credit ratings	7
Supervisory Diamond for banks	8
Impairment and lending	9
Alternative performance measures	11
MANAGEMENT STATEMENT	12
Statement by the Board of Directors and the Executive Board	12
FINANCIAL STATEMENTS	13
Statements of income and comprehensive income	13
Balance sheets	15
Statement of changes in equity	17
Cash flow statement	19
Notes	20

FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group	H1/ 2019	H1/ 2018	Q2/ 2019	Q1/ 2019	2018
BUSINESS PROFIT AND PROFIT FOR THE PERIOD					
Net interest income	742	752	373	369	1,533
Net fee income	267	273	139	128	521
Wealth management income	719	670	369	350	1,361
Net interest from capitalisation	(15)	(15)	(7)	(7)	(30)
Trading, investment portfolio and other income	349	523	220	129	756
Income	2,062	2,202	1,093	969	4,141
Costs	1,048	988	528	520	2,029
Business profit before impairment charges	1,014	1,215	565	448	2,112
Impairment charges for loans and advances	97	129	36	61	274
Business profit	917	1,086	529	387	1,838
Legacy derivatives	(269)	219	(50)	(219)	280
Profit before tax	647	1,305	479	168	2,118
Tax	141	281	104	37	458
Profit for the period	506	1,025	375	131	1,660
SUMMARY BALANCE SHEET					
Assets	30.06.2019	30.06.2018	30.06.2019	31.03.2019	31.12.2018
Cash balances and receivables from credit institutions and central banks	24,385	12,724	24,385	26,493	17,909
Reverse repurchase lending	49,147	31,192	49,147	36,548	37,427
Loans, advances and other receivables at amortised cost	63,505	58,344	63,505	60,723	60,566
Bonds and equities etc	49,041	49,075	49,041	44,933	49,289
Remaining assets	28,555	22,755	28,555	24,261	21,943
Total assets	214,634	174,090	214,634	192,958	187,135
Liabilities and equity					
Payables to credit institutions and central banks	77,760	42,434	77,760	49,098	54,620
Repo deposits	3,216	11,851	3,216	10,475	5,745
Deposits and other payables	80,088	72,442	80,088	79,856	77,119
Bonds in issue at amortised cost	5,511	4,779	5,511	4,849	5,411
Other non-derivative financial liabilities at fair value	9,411	6,059	9,411	11,363	7,618
Remaining liabilities	14,751	13,811	14,751	13,765	13,236
Provisions	295	254	295	326	290
Subordinated debt	2,000	2,000	2,000	2,000	2,000
Equity	21,601	20,460	21,601	21,226	21,095
Total liabilities and equity	214,634	174,090	214,634	192,958	187,135
FINANCIAL RATIOS¹					
Profit for the period as % pa of average equity	4.7	10.2	7.0	2.5	8.1
Costs as % of income	50.8	44.8	48.3	53.7	49.0
Total provisions for loan impairment and guarantees	2,758	2,853	2,758	2,862	2,896
Impairment charges for the period, %	0.06	0.14	0.03	0.10	0.30
Total capital ratio, %	20.7	22.4	20.7	20.8	21.5
Tier 1 capital ratio, %	18.7	20.0	18.7	19.0	19.4
Common Equity Tier 1 capital ratio, %	18.7	20.0	18.7	19.0	19.4
Average number of staff, full-time equivalent	843	830	856	830	837

¹ Financial ratios are defined on page 113 in the Annual Report 2018.

FINANCIAL REVIEW

	Business profit for H1/2019	Profit for H1/2019	Income in H1/2019
	DKK 917 million	DKK 647 million	DKK 2,062 million
	Business profit for the period	Profit before tax for the period	Income

	Return on equity	Cost:income ratio	Impairment charges, %
	4.7%	50.8%	0.06%
	Profit for the period as % of average equity	Costs as % of income	Impairment charges for the period divided by loans, advances and guarantees

PERFORMANCE HIGHLIGHTS FOR H1/2019

The financial performance in H1/2019 was in accordance with our expectations. Business profit amounted to DKK 917 million (H1/2018: DKK 1,086 million). Profit before tax amounted to DKK 647 million (H1/2018: DKK 1,305 million). The profit decline was mainly due to the lower interest level affecting value adjustments of swaps.

Nykredit Bank is an important part of the Nykredit Group and many mortgage customers are also full-service banking customers of Nykredit Bank. Nykredit Bank widely underpins the Group's mortgage business, eg by offering market making in the Group's covered bonds and thus contributing to ensuring high liquidity.

Nykredit Bank aims to be customers' preferred bank, always striving to further enhance the customer experience. Nykredit's customer concepts continued to generate satisfactory growth in the number of full-service (BoliBank) customers and increasing business volumes.

Bank lending increased by DKK 5.2 billion to DKK 63.5 billion, corresponding to a 8.8% increase since 30 June 2018. Including secured homeowner loans transferred to Totalkredit of DKK 6.7 billion, loans and advances have increased by 10.4% since end-June 2018.

To our full-service personal banking customers who have consolidated all of their finances with Nykredit, we have launched the MineMål benefits programme aimed at helping customers achieve their goals and dreams as homeowners. Under this programme, customers receive a cash bonus of DKK 250 each quarter. In May we paid the bonus for Q2 into customers' MineMål accounts, and at the same time we launched the MineMål app which offers customers a string of special deals from some of Nykredit's business partners.

From 1 July 2019, customers under the MineMål benefits programme also get an interest rate discount of 0.15% on the outstanding debt on homeowner loans with Nykredit Bank.

Assets under management continued the strong growth of recent years, particularly driven by international clients, professional Danish clients and Private Banking Elite clients. Assets under management have grown by DKK 22.2 billion since end-2018 to DKK 232.9 billion at end-H1/2019. At end-June, the formal agreement to acquire 75% of the shares in Sparinvest was signed. Closing is subject to regulatory approval, but is expected in H2/2019 and will further increase Nykredit's assets under management. 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 accommodate the demands that both personal customers and institutional clients place on us as asset manager, also in the long run.

Nykredit Private Banking has received several private banking awards in 2019. Nykredit Private Banking Elite won Best Domestic Clients Team in the category European Private Banking at the Wealth Briefing European Awards 2019 and was honoured with first place in the category Outstanding Private Banking Customer Relationship Service and Engagement by Private Banker International in London for the second consecutive year.

Income

Income declined by DKK 140 million to DKK 2,062 million (H1/2018: DKK 2,202 million), which was primarily attributable to the lower interest rate level affecting value adjustments of swaps negatively.

Net interest income declined by DKK 10 million to DKK 742 million (H1/2018: DKK 752 million) and net fee income declined by DKK 6 million to a total of DKK 267 million (H1/2018: DKK 273 million). Net interest income was negatively affected by a decrease in lending margins.

Wealth management income increased by DKK 49 million to DKK 719 million (H1/2018: DKK 670 million). Income rose mainly due to growth in assets under management.

Net interest from capitalisation, which includes interest on subordinated debt etc, totalled an expense of DKK 15 million (H1/2018: a loss of DKK 15 million).

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, fell by DKK 174 million to DKK 349 million (H1/2018: DKK 523 million), driven by the lower interest rate level affecting value adjustments of swaps negatively, which was partly offset by a rise in investment portfolio income.

Costs

Costs increased by DKK 60 million to DKK 1,048 million (H1/2018: DKK 988 million). The Group still maintains focus on building organisational efficiency, while investing significant resources in compliance and implementation of new regulatory requirements as well as extending the partnership with BEC.

The average number of full-time equivalent staff totalled 843 (830 in H1/2018).

Impairment charges for loans and advances and provisions for guarantees etc

Impairment charges for the period remained low at 0.06% (H1/2018: 0.14%). Impairment charges and provisions came to DKK 97 million (H1/2018: DKK 129 million). Retail Banking accounted for DKK 123 million, C&I Banking accounted for a net reversal of DKK 28 million and Wealth Management accounted for a net reversal of DKK 5 million.

Legacy derivatives

This item includes credit value adjustment of swaps involving an increased risk of loss. These value adjustments are not included in the business profit and comprise all net income from a number of derivative products which Nykredit no longer offers to customers.

Value adjustment was a negative DKK 269 million (H1/2018: an income of DKK 219 million). The decline in legacy derivatives primarily resulted from decreasing interest rates.

The portfolio of legacy derivatives had a total market value of DKK 6.2 billion (DKK 5.6 billion at end-2018). The portfolio was written down to DKK 4.0 billion (DKK 3.5 billion at end-2018).

Tax

Tax on profit for the period was DKK 141 million (H1/2018: DKK 281 million).

Balance sheet

The balance sheet stood at DKK 214.6 billion at end-June 2019 (DKK 187.1 billion at end-2018).

Receivables from credit institutions and cash balances etc rose by DKK 6.5 billion to DKK 24.4 billion, and reverse repurchase lending increased by DKK 11.7 billion to DKK 49.1 billion.

Lending at amortised cost (excluding reverse repurchase lending) rose by DKK 2.9 billion relative to end-2018 to DKK 63.5 billion at end-June 2019.

In recent years, Nykredit Bank has transferred a number of secured homeowner loans to Totalkredit, which has reduced the Bank's balance sheet. At 30 June 2019 these loans amounted to DKK 6.7 billion

(DKK 6.2 billion at end-2018). Loan balances including secured homeowner loans totalled DKK 70.2 billion (DKK 66.8 billion at end-2018).

The bond and equity portfolios totalled DKK 49.0 billion (DKK 49.3 billion at end-2018). The bond portfolio might fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management. The same applies to balances with credit institutions.

Remaining assets were DKK 28.6 billion (DKK 21.9 billion at end-2018). At end-June 2019 DKK 22.6 billion was attributable to positive market values of derivatives (DKK 17.8 billion at end-2018). The positive market values related to the Bank's customer activities in derivatives and positions for hedging own risk. The Bank's interest rate risk is widely hedged through offsetting interest rate swaps.

Payables to credit institutions and central banks rose by DKK 23.1 billion to DKK 77.8 billion (DKK 54.6 billion at end-2018), while repo deposits fell by DKK 2.5 billion to DKK 3.2 billion (DKK 5.7 billion at end-2018).

Deposits and other payables (excluding repo deposits) went up by DKK 3.0 billion to DKK 80.1 (DKK 77.1 billion at end-2018).

Bonds in issue totalled DKK 5.5 billion (DKK 5.4 billion at end-2018). The Bank's issues under the ECP and EMTN programmes are continuously adapted to the Bank's liquidity needs.

Other non-derivative financial liabilities at fair value, which include negative bond portfolios, for which the Bank has a repurchase obligation, came to DKK 9.4 billion (DKK 7.6 billion at end-2018).

Remaining payables and provisions amounted to DKK 15.0 billion (DKK 13.5 billion at end-2018). The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The negative market values of derivative financial instruments were DKK 12.7 billion (DKK 10.7 billion at end-2018).

Equity

Equity stood at DKK 21.6 billion at end-June 2019 (DKK 21.1 billion at end-2018).

		DKK million
Nykredit Bank Group		
Equity	30.06.2019	31.12.2018
Equity, beginning of year	21,095	19,877
IFRS 9 impact	-	(441)
Profit after tax	506	1,660
Total equity	21,601	21,095

RESULTS FOR Q2/2019 RELATIVE TO Q1/2019

Profit before tax was DKK 479 million (Q1/2019: DKK 168 million), corresponding to an increase of DKK 311 million.

Income went up by DKK 125 million to DKK 1,093 million (Q1/2019: DKK 969 million), primarily due to positive equity market trends, which impacted investment portfolio income favourably.

Costs amounted to DKK 528 million (Q1/2019: DKK 520 million) on par with previous quarter.

Impairment charges declined DKK 25 million and amounted to DKK 36 million.

Value adjustment of legacy derivatives resulted in a negative DKK 50 million in Q2/2019 (Q1/2019: A negative DKK 219 million), primarily driven by changes in interest rates and tightened credit spreads.

Business profit was consequently DKK 529 million in Q2/2019 (Q1/2019: DKK 387 million).

OUTLOOK FOR 2019

The outlook for 2019 is unchanged. Nykredit Bank expects a business profit and profit before tax of between DKK 1.5 billion and DKK 2.0 billion.

The Sparinvest transaction is expected to be completed on 30 August 2019 after clearance from the relevant authorities. Sparinvest has been included in the outlook for 2019 but is not expected to have material effect on the Bank's profit in the first year due to costs related to the integration of Sparinvest.

From the end of Q2 2019 long-term interest rates have declined significantly, which has had a substantial negative effect particularly on legacy derivatives. As a consequence, there is significant uncertainty related to losses on legacy derivatives and thus profit before tax.

Other significant uncertainty factors related to the outlook for 2019 are impairment charges for loans and advances.

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. The income statement, balance sheet or equity is not impacted by the implementation.

OTHER

New organisation

A Group-wide reorganisation was implemented with effect from 21 March to further strengthen Nykredit's capacity to take the Winning the Double strategy and the customer experience to the next level. The new organisation is reflected in our H1 Interim Report 2019 (please see note 3).

On 1 June 2019, Tonny Thierry Andersen joined the Board of Directors in Nykredit Bank Group, which now consists of six directors.

Tonny Thierry Andersen has been appointed Group Managing Director and member of the Group Executive Board in Nykredit Realkredit A/S with responsibility for the Nykredit Group's Banking division.

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.

Sparinvest is today owned by 49 banks and seven Danish insurance and pension companies. If the transaction is completed, the current owners combined will hold 25% of the shares.

On 9 July the Danish competition authorities approved Nykredit's acquisition of Sparinvest, and subsequently the authorities in Luxembourg (CSSF) announced on 14 August 2019 their approval of the acquisition. The completion of the acquisition is expected immediately after Sparinvest Holdings SE's general meeting, which will be held on 30 August 2019. Sparinvest will become a subsidiary of Nykredit Bank A/S. It is expected that the capital ratios of the Nykredit Bank Group will fall by about 1.9 percentage points. The drop is primarily due to capital deductions as a result of goodwill related to the acquisition of Sparinvest.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

EVENTS SINCE THE BALANCE SHEET DATE

On 9 July the Danish competition authorities approved Nykredit's acquisition of Sparinvest, and the authorities in Luxembourg (CSSF) announced on 14 August 2019 their approval of the acquisition of Sparinvest.

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

CAPITAL

EQUITY AND OWN FUNDS

Equity

Equity carried for accounting purposes totalled DKK 21.6 billion at end June-2019 (DKK 21.1 billion at end-2018). Equity is identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

DKK million		
Nykredit Bank Group		
Capital and capital adequacy	30.06.2019	31.12.2018
Credit risk	95,476	87,742
Market risk	11,286	12,794
Operational risk	8,143	7,765
Total risk exposure amount	114,904	108,300
Share capital	8,045	8,045
Retained earnings	13,556	13,050
Equity, end of period	21,601	21,095
Prudent valuation adjustment	(26)	(32)
Intangible assets and deferred tax assets	(15)	(16)
Deduction for difference between IRB losses and impairments	-	-
Other deductions	-	-
Transitional adjustment of deductions	-	-
Common Equity Tier 1 capital	21,561	21,048
Additional Tier 1 capital	-	-
Other deductions	-	-
Tier 1 capital	21,561	21,048
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	227	336
Transitional adjustment of Tier 2 capital	-	-
Own funds	23,787	23,384
Common Equity Tier 1 capital ratio, %	18.7	19.4
Tier 1 capital ratio, %	18.7	19.4
Total capital ratio, %	20.7	21.5
Internal capital adequacy requirement (Pillar I and II), %	10.8	10.2

DKK million		
Nykredit Bank Group		
Required own funds and internal capital adequacy requirement	30.06.2019	31.12.2018
Credit risk (including CVA)	7,638	7,019
Market risk	903	1,023
Operational risk	651	621
Total Pillar I	9,192	8,664
Slightly weaker economic climate etc.	704	976
Other risks	2,516	1,196
Model and calculation uncertainties	-	192
Total Pillar II	3,220	2,364
Total required own funds	12,412	11,029
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.8	10.2

Capital

At end June-2019 Nykredit Bank's total own funds came to DKK 23.8 billion (DKK 23.4 billion at end-2018) determined inclusive of profit for H1/2019. Common Equity Tier 1 (CET1) capital is the most important capital concept in the determination of capital, as this is the type of capital required to comply with most of the regulatory capital requirements in the future. The Bank's CET1 capital amounted to DKK 21.6 billion (DKK 21.0 billion at end-2018).

The risk exposure amount (REA) totalled DKK 114.9 billion (DKK 108.3 billion at end-2018), mainly due to increased credit risk.

At end-June 2019 the total capital ratio was 20.7% and the CET 1 capital ratio 18.7% (21.5% and 19.4% at end-2018).

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks. Nykredit Bank's required own funds totalled DKK 12.4 billion (DKK 11.0 billion at end-2018). Nykredit Bank's internal capital adequacy requirement is calculated as the required own funds as a percentage of REA. The internal capital adequacy requirement was 10.8% (10.2% at end-2018).

CREDIT RATINGS

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

S&P Global Ratings

Nykredit Realkredit and Nykredit Bank each have long-term and short-term issuer 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 were 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.

SUPERVISORY DIAMOND FOR BANKS

The Supervisory Diamond sets out benchmark limits for five key ratios that indicate when a bank is operating at an elevated risk. Nykredit complies with all Supervisory Diamond benchmark limits as of 30 June 2019.

Nykredit Bank recorded lending growth of 9.2%, excluding reverse re-purchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

The Bank's property exposure was 10.0% (10.7% at end-2018).

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".



IMPAIRMENT AND LENDING

Earnings impact

Impairment charges for loans and advances were a charge of DKK 97 in H1/2019 (H1/2018: DKK 129 million). Of the total impairment charges, impairment charges for loans and advances etc represented DKK 124 million (end-2018: DKK 322 million), while recoveries on loans and advances previously written off were DKK 27 million (end-2018: DKK 48 million).

DKK million		
Nykredit Bank Group		
Provisions for loan impairment and guarantees	30.06.2019	31.12.2018
Impairment provisions, beginning of period	2,779	2,800
Impairment provisions and reversals	(21)	(21)
Impairment provisions, end of period	2,758	2,779
- of which impairment provisions for loans and advances etc	2,741	2,767
- of which impairment provisions for loans and advances to banks	17	12
Provisions for guarantees and loan commitments		
Provisions, beginning of period	117	120
Provisions, end of period	132	117
Total provisions	2,890	2,896
Earnings impact		
New impairment provisions and write-offs for the period, net	109	325
Recoveries on loans and advances previously written off	27	48
Total	82	277
Provisions for guarantees and loan commitments	15	(3)
Total earnings impact	97	274

Total provisions

Total provisions reduced to DKK 2,890 million at 30 June 2019 from DKK 2,896 million at end-2018.

In addition, value adjustment of interest rate swaps of DKK 3.3 billion was recorded, of which credit value adjustments amounted to DKK 2.9 billion, comprising DKK 2.3 billion relating to legacy derivatives and DKK 0.6 billion relating to other items.

Provisions for guarantees amounted to DKK 132 million (117 million at end-2018).

Relative to total loans, advances and guarantees, provisions amounted to 2.0% (2.3% at end-2018).



Loans, advances and guarantees by sector

The carrying amount of Group loans, advances and guarantees was DKK 141.1 billion (DKK 120.5 billion at end-2018), corresponding to a rise of DKK 20.6 billion.

This figure comprised a rise in reverse repurchase lending of DKK 11.7 billion, a rise in other loans and advances of DKK 3.0 billion and a rise in guarantees of DKK 5.9 billion. Reverse repurchase lending totalled DKK 49.1 billion (DKK 37.4 billion at end-2018).

Finance and insurance remained the largest single sector exposure at DKK 53.4 billion (DKK 41.9 billion at end-2018). The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 38.8% (34.8% at end-2018) and personal customers 20.5% (22.5% at end-2018).

At 30 June 2019, loan impairment provisions for the real estate sector totalled DKK 0.6 billion (DKK 0.5 billion at end-2018), or 4.0% of total loans and advances to the sector (3.4% at end-2018).

Nykredit Bank 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, year end 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, advances and 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 also 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 3 and the business areas (note 3) reflects the internal management reporting.

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 interest income from bank lending and deposits. The corresponding item in the income statement (page 13) includes all interest.

"Net fee income" comprising 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 divisions serving the customers.

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt.

"Trading, investment portfolio and other income" comprising 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.

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 (loss) for the period as % pa of average equity. 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 1 January – 30 June 2019 of Nykredit Bank A/S and the Nykredit Bank Group.

The Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The Interim Financial Statements of the Parent, Nykredit Bank A/S, 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 the profit for the period in own funds have been met.

Copenhagen, 20 August 2019

Executive Board

Henrik Rasmussen

Dan Sørensen

Board of Directors

Michael Rasmussen
Chairman

Anders Jensen
Deputy Chairman

Tonny Thierry Andersen

David Hellemann

Flemming Ellegaard*

Allan Kristiansen*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank Group	Note	H1/2019	H1/2018	Q2/2019	Q2/2018
INCOME STATEMENT					
Interest income based on the effective interest method		983	997	499	501
Other interest income		(42)	(48)	(13)	4
Negative interest, income		(111)	(90)	(62)	(40)
Positive interest expenses		(128)	(130)	(68)	(59)
Interest expenses		151	160	74	85
Net interest income	6	807	829	418	439
Dividend on equities etc	6	5	4	3	2
Fee and commission income		1,085	1,014	548	523
Fee and commission expenses		196	173	94	91
Net interest and fee income		1,700	1,674	876	873
Value adjustments	6, 7	68	732	157	415
Other operating income		21	14	9	8
Staff and administrative expenses		1,036	976	522	485
Other operating expenses		12	12	6	6
Impairment charges for loans, advances and receivables etc	8	97	129	36	(9)
Profit from investments in associates and Group enterprises	10	3	1	1	1
Profit before tax		647	1,305	479	816
Tax		141	281	104	174
Profit for the period		506	1,025	375	642
Proposal for the distribution of profit					
Statutory reserves		-	-	-	-
Retained earnings		506	1,025	375	642
Profit for the period		506	1,025	375	642
COMPREHENSIVE INCOME					
Profit for the period		506	1,025	375	642
Other comprehensive income		-	-	-	-
Comprehensive income for the period		506	1,025	375	642

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank A/S

	Note	H1/2019	H1/2018	Q2/2019	Q2/2018
INCOME STATEMENT					
Interest income based on the effective interest method		898	917	457	460
Other interest income		(42)	(48)	(13)	4
Negative interest, income		(111)	(90)	(62)	(40)
Positive interest expenses		(128)	(130)	(68)	(59)
Interest expenses		153	161	75	86
Net interest income		720	748	374	398
Dividend on equities etc		5	4	3	2
Fee and commission income		852	820	441	425
Fee and commission expenses		175	159	85	84
Net interest and fee income		1,402	1,413	733	740
Value adjustments	7	68	733	158	416
Other operating income		5	2	3	1
Staff and administrative expenses		932	870	470	432
Other operating expenses		10	10	5	5
Impairment charges for loans, advances and receivables etc	9	84	125	31	(12)
Profit from investments in associates and Group enterprises	10	155	127	72	66
Profit before tax		605	1,271	460	798
Tax		99	246	85	156
Profit for the period		506	1,025	375	642
Proposal for the distribution of profit					
Statutory reserves		155	127	73	66
Retained earnings		351	897	302	576
Profit for the period		506	1,025	375	642
COMPREHENSIVE INCOME					
Profit for the period		506	1,025	375	642
Other comprehensive income		-	-	-	-
Comprehensive income for the period		506	1,025	375	642

BALANCE SHEETS

Nykredit Bank A/S				DKK million	
End-2018	H1/2019		Note	H1/2019	End-2018
		ASSETS			
8,585	6,975	Cash balances and demand deposits with central banks		6,975	8,585
9,323	17,398	Receivables from credit institutions and central banks		17,399	9,324
96,699	111,292	Loans, advances and other receivables at amortised cost	11	112,655	97,993
41,926	41,497	Bonds at fair value	12	42,256	42,772
6,282	6,502	Bonds at amortised cost		6,502	6,282
233	282	Equities etc		284	234
8	11	Investments in associates		11	8
1,643	1,795	Investments in Group enterprises		-	-
14	14	Intangible assets		14	14
-	-	Other property, plant and equipment		0	0
17	54	Current tax assets		54	17
127	124	Deferred tax assets		124	127
2	(0)	Assets in temporary possession		-	2
21,664	28,219	Other assets		28,253	21,707
59	99	Prepayments		109	69
186,581	214,090	Total assets		214,634	187,135

BALANCE SHEETS

DKK million

Nykredit Bank A/S			Nykredit Bank Group		
End-2018	H1/2019		Note	H1/2019	End-2018
LIABILITIES AND EQUITY					
54,620	77,760	Payables to credit institutions and central banks	13	77,760	54,620
82,942	83,400	Deposits and other payables	14	83,304	82,864
5,411	5,511	Bonds in issue at amortised cost	15	5,511	5,411
7,618	9,411	Other non-derivative financial liabilities at fair value	16	9,411	7,618
-	-	Current tax liabilities		85	35
12,751	14,233	Other liabilities		14,647	13,191
6	14	Deferred income		19	10
163,347	190,330	Total payables		190,737	163,749
PROVISIONS					
-	-	Provisions for deferred tax		136	151
117	132	Provisions for losses under guarantees		132	117
22	27	Other provisions		27	22
139	159	Total provisions		295	290
2,000	2,000	Subordinated debt	17	2,000	2,000
Equity					
8,045	8,045	Share capital		8,045	8,045
Other reserves					
1,181	1,336	- statutory reserves		-	-
11,869	12,220	- retained earnings		13,556	13,050
21,095	21,601	Total equity		21,601	21,095
186,581	214,090	Total liabilities and equity		214,634	187,135
OFF-BALANCE SHEET ITEMS					
22,626	28,569	Contingent liabilities		28,470	22,527
8,724	9,411	Other commitments		9,636	8,924
31,350	37,980	Total		38,106	31,450

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

	Share capital ¹	Retained earnings	Total equity
2019			
Equity, 1 January	8,045	13,050	21,095
Profit for the period	-	506	506
Total comprehensive income	-	506	506
Total changes in equity	-	506	506
Equity, 30 June	8,045	13,556	21,601
2018			
Equity, end-2017, see the Annual Report	8,045	11,832	19,877
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	8,045	11,391	19,436
Profit for the period	-	1,025	1,025
Total comprehensive income	-	1,025	1,025
Total changes in equity	-	1,025	1,025
Equity, 30 June	8,045	12,415	20,460

¹ The share capital breaks down into 19 shares in multiples of DKK 1 million. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of the association Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 78.9% of Nykredit Realkredit A/S. The Financial Statements (in Danish) of Forenet Kredit f.m.b.a. may be obtained from the association.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

	Share capital ¹	Statutory reserves	Retained earnings	Total equity
2019				
Equity, 1 January	8,045	1,181	11,869	21,095
Profit for the period	-	155	351	506
Total comprehensive income	-	155	351	506
Total changes in equity	-	155	351	506
Equity, 30 June	8,045	1,336	12,220	21,601
2018				
Equity, end-2017, see the Annual Report	8,045	930	10,902	19,877
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	8,045	930	10,461	19,436
Profit for the period	-	127	897	1,025
Total comprehensive income	-	127	897	1,025
Total changes in equity	-	127	897	1,025
Equity, 30 June	8,045	1,057	11,357	20,460

¹ The share capital breaks down into 19 shares in multiples of DKK 1 million. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of the association Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 78.9% of Nykredit Realkredit A/S. The Financial Statements (in Danish) of Forenet Kredit f.m.b.a. may be obtained from the association.

CASH FLOW STATEMENT

DKK million

Nykredit Bank Group	H1/2019	H1/2018
PROFIT FOR THE PERIOD	506	1,025
Adjustments		
Interest income, net	(807)	(829)
Amortisation and impairment charges for intangible assets	-	0
Other non-cash changes	(4)	4
Impairment charges for loans, advances and receivables etc	124	156
Tax on profit for the period	141	281
Total	(40)	636
Change in operating capital		
Loans, advances and other receivables	(14,762)	(6,903)
Deposits and other payables	(313)	7,583
Payables to credit institutions and central banks	23,695	1,987
Bonds	(924)	(1,443)
Equities etc	(53)	16
Other operating capital	(3,298)	(8,342)
Total	4,305	(6,465)
Interest income received	909	1,822
Interest expenses paid	(107)	(961)
Corporation tax paid, net	(148)	(181)
Cash flows from the above operating activities	4,959	(5,785)
Cash flows from financing activities		
Bonds in issue	104	(1,719)
Total	104	(1,719)
Total cash flows for the period	5,063	(7,504)
Cash and cash equivalents, beginning of period:	17,909	19,991
Foreign currency translation adjustment of cash	1,413	237
Total cash flows for the period	5,063	(7,504)
Cash and cash equivalents, end of period	24,385	12,724
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	6,975	4,950
Receivables from credit institutions and central banks	17,410	7,774
Total	24,385	12,724

NOTES

Nykredit Bank Group

1. Accounting policies	21
2. Capital and capital adequacy	22
3. Business areas	23
4. Reconciliation of internal and regulatory income statement	25
5. Income	26
6. Net interest income etc and value adjustments	27
7. Value adjustment	28
8. Impairment charges for loans, advances and receivables etc, group	29
9. Impairment charges for loans, advances and receivables etc, parent	32
10. Profit from investments in associates and group enterprises	34
11. Loans, advances and other receivable at amortised cost	35
12. Bonds at fair value	35
13. Payables to credit institutions and central banks	36
14. Deposits and other payables	36
15. Bonds in issue at amortised cost	36
16. Other non-derivative financial liabilities at fair value	36
17. Subordinated debt	36
18. Related party transactions and balances	37
19. Fair value disclosures	38
20. Group structure	42
21. Five year financial highlights	43

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).

Following standards etc are implemented in H1/2019 without any impact on the accounting policies:

- IFRS 16 "Leases"
- annual improvements to IFRS 2015-2017

The accounting policies of Nykredit Bank A/S and the Nykredit Bank Group are thus unchanged compared with the Annual Report 2018 (note 1), and compared with the information disclosed in the Annual Report 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.

Presentation of business areas

Following an organisational adjustment, minor changes have been made to the presentation of business areas (note 3) which do not affect results, comprehensive income, balance sheet or equity.

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.

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 the Bank'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 2018.

NOTES

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
End-2018	H1/2019		H1/2019	End-2018
2. CAPITAL AND CAPITAL ADEQUACY				
21,095	21,601	Equity	21,601	21,095
(32)	(26)	Prudent valuation adjustment	(26)	(32)
(16)	(15)	Intangible assets excluding deferred tax liabilities	(15)	(16)
-	-	Provisions for expected credit losses in accordance with IRB approach	-	-
-	-	Other additions/deductions	-	-
-	-	Transitional adjustment of deductions	-	-
(47)	(41)	Common Equity Tier 1 capital deductions	(41)	(47)
21,048	21,561	Common Equity Tier 1 capital	21,561	21,048
-	-	Additional Tier 1 capital	-	-
-	-	Additional Tier 1 capital deductions	-	-
-	-	Total Additional Tier 1 capital after deductions	-	-
21,048	21,561	Tier 1 capital	21,561	21,048
2,000	2,000	Tier 2 capital	2,000	2,000
336	227	Tier 2 capital additions/deductions	227	336
23,384	23,787	Own funds	23,787	23,384
93,375	102,142	Credit risk	95,476	87,742
12,794	11,286	Market risk	11,286	12,794
6,899	7,180	Operational risk	8,143	7,765
113,067	120,608	Total risk exposure amount	114,904	108,300
Financial ratios				
18.6	17.8	Common Equity Tier 1 capital ratio, %	18.7	19.4
18.6	17.8	Tier 1 capital ratio, %	18.7	19.4
20.6	19.7	Total capital ratio, %	20.7	21.5

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% 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. On 9 July the Danish competition authorities approved Nykredit's acquisition of Sparinvest and the authorities in Luxembourg (CSSF) announced on 14 August 2019 their approval of the acquisition of Sparinvest. It is expected that the capital ratios of the Nykredit Realkredit Group and the Nykredit Bank Group are expected to fall by about 1.1 percentage points and about 1.9 percentage points, respectively. The drop is primarily due to capital deductions as a result of goodwill related to the acquisition of Sparinvest.

NOTES

DKK million

Nykredit Bank 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	Wealth Management	Group Items	Total
Results								
H1/2019								
Results by business area								
Net interest income	162	312	474	237	711	27	4	742
Net fee income	76	81	157	111	267	8	(9)	267
Wealth management income	166	74	241	51	291	422	5	719
Net interest from capitalisation	(10)	(24)	(33)	(27)	(61)	(4)	50	(15)
Trading, investment portfolio and other income	27	31	58	197	255	25	69	349
Income	422	473	896	569	1,464	478	119	2,062
Costs	360	209	569	234	803	225	21	1,048
Business profit before impairment charges	62	265	327	335	662	254	98	1,014
Impairment charges for loans and advances	7	116	123	(28)	94	(5)	8	97
Business profit	55	149	204	363	568	259	91	917
Legacy derivatives	(4)	(162)	(166)	(103)	(269)	(0)	-	(269)
Profit (loss) before tax	52	(13)	38	260	298	259	91	647
BALANCE SHEET								
Assets								
Reverse repurchase lending at amortised cost	-	-	-	-	-	-	49,147	49,147
Loans and advances at amortised cost	11,953	22,565	34,519	25,040	59,558	4,239	(290)	63,508
Assets by business area	11,953	22,565	34,519	25,040	59,558	4,239	48,857	112,655
Unallocated assets								101,979
Total assets								214,634
Liabilities and equity								
Repo deposit at amortised cost							3,216	3,216
Deposits and other payables at amortised cost	33,185	19,406	52,591	8,585	61,176	16,598	2,314	80,088
Liabilities by business area	33,185	19,406	52,591	8,585	61,176	16,598	5,530	83,304
Unallocated liabilities								109,728
Equity								21,601
Total liabilities and equity								214,634

Nykredit Bank Group

3. BUSINESS AREAS

Results H1/2018

Results by business area

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Wealth Management	Group Items	Total
Net interest income	207	301	508	220	727	26	(2)	752
Net fee income	87	80	167	112	279	6	(12)	273
Wealth management income	177	72	249	63	312	350	8	670
Net interest from capitalisation	(10)	(21)	(30)	(26)	(56)	(3)	44	(15)
Trading, investment portfolio and other income	44	187	232	271	502	18	3	523
Income	506	619	1,125	640	1,765	396	41	2,202
Costs	348	180	527	226	754	220	15	988
Business profit before impairment charges	158	440	598	414	1,011	177	27	1,215
Impairment charges for loans and advances	66	33	99	(0)	98	22	9	129
Business profit	92	407	499	414	913	155	18	1,086
Legacy derivatives	0	156	157	63	220	(0)	-	219
Profit (loss) before tax	92	563	655	477	1,132	155	18	1,305

BALANCE SHEET

Assets

Reverse repurchase lending at amortised cost	-	-	-	-	-	-	31,192	31,192
Loans and advances at amortised cos	11,666	20,433	32,099	22,206	54,304	3,539	501	58,344
Assets by business area	11,666	20,433	32,099	22,206	54,304	3,539	31,693	89,536
Unallocated assets								84,554
Total assets								174,090

Liabilities and equity

Repo deposit at amortised cost							11,851	11,851
Deposits and other payables at amortised cost	29,404	17,797	47,201	10,167	57,368	12,060	3,014	72,442
Liabilities by business area	29,404	17,797	47,201	10,167	57,368	12,060	14,865	84,293
Unallocated liabilities								69,337
Equity								20,460
Total liabilities and equity								174,090

Comparative figures for 2018 have been adjusted to reflect the new organisation effective from 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	742	65	807	752	77	829
Dividend on equities etc		5	5		4	4
Fee and commission income, net	267	621	888	273	568	841
Net interest and fee income		691	1,700		650	1,674
Wealth management income	719	(719)	-	670	(670)	-
Net interest from capitalisation	(15)	15	-	(15)	15	-
Trading, investment portfolio and other income	349	(349)	-	523	(523)	-
Value adjustments		68	68		732	732
Other operating income		21	21		14	14
Total income	2,062			2,203		
Costs	1,048	-	1,048	988	-	988
Business profit before impairment charges	1,014			1,215		
Impairment charges for loans and advances etc	97	-	97	129	-	129
Profit from investments in associates		3	3		1	1
Business profit	917			1,086		
Legacy derivatives	(269)	269	-	219	(219)	-
Profit before tax	647	-	647	1,305	-	1,305

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 Bank Group	H1/2019	H1/2018
5. INCOME		
Interest income (IFRS 9 instruments)		
Interest income	750	785
Income from leasing activities, net		
Interest income	80	74
Revenue from contracts with customers (IFRS 15)		
Fees, net:		
- securities trading and custody accounts	692	608
- payment services	73	65
- loan fees and guarantee commission	61	56
- other fees	259	285
Other ordinary income		
Other income	21	14
Revenue from contracts with customers (IFRS 15) by business area		
Total Retail	205	337
Corporates & Institutions	239	235
Total Banking	444	572
Wealth Management	606	413
Group Items	35	29
Total	1,085	1,014

¹ The distribution of fees by business area shows the business areas for which the fees are included on initial recognition. The fees are subsequently reallocated together with other income on a net basis to the business areas serving the customers, 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 transactions, 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. Revenue arising from these activities will not be determined until at the end of the financial year at the latest, and revenue recognised in the Annual Report is consequently considered final at the end of the financial year.

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

NOTES

DKK million

Nykredit Bank 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	7	(24)	31	-	-	31
Lending and deposits	968	(22)	989	-	4	993
Repo transactions and reverse repurchase lending	(97)	-	(97)	-	-	(97)
Bonds in issue at amortised cost	-	7	(7)	-	-	(7)
Subordinated debt	-	20	(20)	-	-	(20)
Other financial instruments	1	42	(42)	-	-	(42)
Total	878	23	855	-	4	858
Financial portfolios at fair value and financial instruments at fair value						
Bonds	58	-	58	-	103	162
Equities etc	-	-	-	5	33	38
Derivative financial instruments etc	(106)	-	(106)	-	(107)	(213)
Total	(48)	-	(48)	5	29	(14)
Foreign currency translation adjustment					36	36
Net interest income etc and value adjustments	830	23	807	5	68	880

H1/2018

Financial portfolios at amortised cost

Receivables from and payables to credit institutions and central banks	3	9	(6)	-	-	(6)
Lending and deposits	987	(16)	1,003	-	7	1,010
Repo transactions and reverse repurchase lending	(81)	(57)	(24)	-	-	(24)
Bonds in issue at amortised cost	-	37	(37)	-	-	(37)
Subordinated debt	-	20	(20)	-	-	(20)
Other financial instruments	1	38	(37)	-	-	(37)
Total	910	30	880	-	7	887

Financial portfolios at fair value and financial instruments at fair value

Bonds	43	-	43	-	10	53
Equities etc	-	-	-	4	17	22
Derivative financial instruments etc	(95)	-	(95)	-	650	555
Total	(51)	-	(51)	4	677	630
Foreign currency translation adjustment					48	48
Net interest income etc and value adjustments	859	30	829	4	732	1,565

NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
H1/2018	H1/2019	H1/2019	H1/2018
7. VALUE ADJUSTMENT			
Assets measured at fair value through profit or loss			
7	4	4	7
11	104	103	10
17	33	33	17
48	36	36	48
644	(129)	(130)	644
6	22	22	6
733	68	68	732

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

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

	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions and other	Credit institutions and other	Guarantees etc ¹	Guarantees etc ¹	Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018
Total impairment provisions								
Beginning of period	2,767	2,290	12	-	117	58	2,896	2,349
Impact owing to implementation of IFRS 9		506		3		62	-	571
Balance, 1 January 2019	2,767	2,796	12	3	117	120	2,896	2,920
New impairment provisions as a result of additions and change in credit risk	749	847	4	19	75	65	829	931
Releases as a result of redemptions and change in credit risk	703	716	0	3	60	80	763	799
Impairment provisions written off	102	177	-	-	-	-	102	177
Interest on impaired facilities	31	-	-	-	-	-	31	-
Total impairment provisions, end of period	2,741	2,751	17	19	132	104	2,890	2,874
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	46	131	4	16	15	(17)	66	130
Write-offs for the year, not previously written down for impairment	66	32	-	-	-	-	66	32
Recoveries on claims previously written off	(27)	(30)	-	-	-	-	(27)	(30)
Total	86	133	4	16	15	(17)	105	132
Value adjustment of assets in temporary possession	-	-	-	-	-	-	-	-
Value adjustment of claims previously written off	(8)	(3)	-	-	-	-	(8)	(3)
Earnings impact H1	78	130	4	16	15	(17)	97	129

¹ "Guarantees etc" comprises off-balance sheet items in the form of guarantees and other commitments, including loan commitments.

NOTES

DKK million

Nykredit Bank Group

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

8 b. 2019: Total impairment provisions by stage	loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2019	317	187	2,274	36	29	53	2,896
Transfer to stage 1	141	(119)	(22)	21	(10)	(11)	(0)
Transfer to stage 2	(7)	77	(70)	(3)	9	(6)	0
Transfer to stage 3	(1)	(14)	15	(0)	(1)	2	0
Impairment provisions for new loans and advances (additions)	69	23	48	8	5	3	157
Additions as a result of change in credit risk	98	121	394	6	26	26	671
Releases as a result of change in credit risk	247	86	370	30	12	18	763
Previously written down for impairment, now written off	0	0	102	-	-	-	102
Interest on impaired facilities	-	-	31	-	-	-	31
Total impairment provisions, end of period	371	189	2,198	38	45	49	2,890
Total	2,758			132			2,890
Impairment provisions, end of period, are moreover attributable to:							
Credit institutions	17	-	-				17
Earnings impact for H1/2019	(79)	58	72	(16)	19	12	66

8 b. 2018: Total impairment provisions by stage	loans, advances and receivables at amortised cost			Guarantees			Total
	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	463	177	2,160	36	25	59	2,920
Transfer to stage 1	8	(1)	(7)	0	(0)	-	-
Transfer to stage 2	(70)	118	(48)	(5)	5	(1)	-
Transfer to stage 3	(7)	(18)	26	(0)	(0)	0	-
Impairment provisions for new loans and advances (additions)	67	13	54	4	1	1	140
Additions as a result of change in credit risk	147	115	468	27	19	13	789
Releases as a result of change in credit risk	252	194	273	23	23	34	799
Previously written down for impairment, now written off	0	-	177	-	-	-	177
Total impairment provisions, end of period	355	210	2,204	39	27	38	2,873
Total impairment provisions, end of period	2,768			105			2,873
Impairment provisions, end of period, are attributable to:							
Credit institutions	19	-	-				19
Earnings impact for H1/2018	(38)	(66)	250	7	(3)	(20)	130

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

NOTES

DKK million

Nykredit Bank Group

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

8 c. 2019: Distribution of provisions for loan impairment and guarantees etc, end of period

	Stage 1 (12-month expected credit losses)	Stage 2 (12-month expected credit losses)	Stage 3 (12-month expected credit losses)	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	110,104	2,283	3,006	115,394
Total impairment provisions, end of period	354	189	2,198	2,741
Loans and advances, carrying amount	109,750	2,094	808	112,652
Guarantees and loan commitments				
Guarantees etc	47,152	666	155	47,973
Total impairment provisions, end of period	38	45	49	132
Guarantees and loan commitments, carrying amount	47,114	621	106	47,841

8 c. end-2018: Distribution of provisions for loan impairment and guarantees etc, end of period

	Stage 1 (12-month expected credit losses)	Stage 2 (12-month expected credit losses)	Stage 3 (12-month expected credit losses)	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	93,750	4,001	3,009	100,760
Total impairment provisions, end of period	305	187	2,274	2,766
Loans and advances, carrying amount	93,445	3,814	735	97,993
Guarantees and loan commitments				
Guarantees etc	39,862	542	218	40,622
Total impairment provisions, end of period	36	29	53	118
Guarantees and loan commitments, carrying amount	39,826	513	165	40,504

Nykredit Bank A/S

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

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

	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions and other	Credit institutions and other	Guarantees etc1	Guarantees etc1	Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018
Total impairment provisions								
Beginning of period	2,670	2,214	12	-	117	58	2,799	2,272
Impact owing to implementation of IFRS 9		506		3		62	-	571
Balance, 1 January 2019	2,670	2,720	12	3	117	120	2,799	2,843
New impairment provisions as a result of additions and change in credit risk	718	815	4	19	75	63	797	897
Releases as a result of redemptions and change in credit risk	681	688	0	3	60	80	741	771
Impairment provisions written off	98	173	-	-	-	-	98	173
Interest on impaired facilities	31	-	-	-	-	-	31	-
Total impairment provisions, end of period	2,639	2,674	17	19	132	103	2,788	2,796
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	37	131	4	16	15	(17)	56	130
Write-offs for the year, not previously written down for impairment	55	31	-	-	-	-	55	31
Recoveries on claims previously written off	(19)	(30)	-	-	-	-	(19)	(30)
Total	73	133	4	16	15	(17)	92	132
Value adjustment of assets in temporary possession	-	-	-	-	-	-	-	-
Value adjustment of claims previously written off	(8)	(3)	-	-	-	-	(8)	(3)
Earnings impact H1	65	130	4	16	15	(17)	84	129

Nykredit Bank A/S

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

9 b. 2019: Total impairment provisions by stage regarding loans and advances at fair value through profit or loss

	loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2019	308	182	2,192	36	29	53	2,800
Transfer to stage 1	140	(119)	(21)	21	(10)	(11)	0
Transfer to stage 2	(7)	74	(67)	(3)	9	(6)	0
Transfer to stage 3	(1)	(14)	15	(0)	(1)	2	(0)
Impairment provisions for new loans and advances (additions)	67	22	44	8	5	3	150
Additions as a result of change in credit risk	96	119	374	6	26	26	647
Releases as a result of change in credit risk	243	82	356	30	12	18	741
Previously written down for impairment, now written off	-	-	98	-	-	-	98
Interest on impaired facilities	-	-	31	-	-	-	31
Total impairment provisions	360	183	2,114	38	45	49	2,788
Total impairment provisions, end of period	2,656			132			2,788
Impairment provisions, end of period, are attributable to:							
Credit institutions	17	-	-				17
Earnings impact for H1/2019	(81)	59	63	(16)	19	12	56

9 b. 2018: Total impairment provisions by stage regarding loans and advances at fair value through profit or loss

	loans, advances and receivables at amortised cost			Guarantees			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles	446	172	2,105	36	25	59	2,843
Transfer to stage 1	4	(4)	-	0	(0)	-	-
Transfer to stage 2	(70)	118	(47)	(5)	5	(1)	-
Transfer to stage 3	(8)	(18)	26	(0)	(0)	0	-
Impairment provisions for new loans and advances (additions)	64	12	50	4	1	1	132
Additions as a result of change in credit risk	147	113	446	27	19	13	765
Releases as a result of change in credit risk	239	188	264	23	23	34	771
Previously written down for impairment, now written off	-	-	173	-	-	-	173
Total impairment provisions	344	205	2,143	39	27	38	2,795
Total impairment provisions, end of period	2,691			105			2,795
Impairment provisions, end of period, are attributable to:							
Credit institutions	19	-	-	19			
Earnings impact for H1/2018	(27)	(63)	232	7	(3)	(20)	126

NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
H1/2018	H1/2019	H1/2019	H1/2018
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
1	-	-	1
126	155	3	0
127	155	3	1
Total			

NOTES

Nykredit Bank A/S		DKK million		
		Nykredit Bank Group		
End-2018	H1/2019		H1/2019	End-2018
11. LOANS, ADVANCES AND OTHER RECEIVABLE AT AMORTISED COST				
61,943	64,785	Bank loans and advances	66,249	63,333
37,427	49,147	Reverse repurchase lending	49,147	37,427
99,370	113,929	Balance, end of period	115,394	100,760
Adjustment for credit risk				
(2,671)	(2,640)	Impairment provisions	(2,741)	(2,767)
96,699	111,292	Balance after impairment, end of period	112,655	97,993
12. BONDS AT FAIR VALUE				
38,382	38,079	Covered bonds	38,838	39,228
1,020	1,714	Government bonds	1,714	1,020
2,699	1,881	Other bonds etc	1,881	2,699
42,101	41,674	Total	42,433	42,947
175	177	Self-issued bonds offset against bonds in issue	177	175
41,926	41,497	Total	42,256	42,772
The effect of fair value adjustment is recognised in the income statement.				
373	865	Of which redeemed bonds	869	377
15,993	15,518	Assets sold as part of genuine sale and repurchase transactions	15,518	15,993

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
End-2018	H1/2019		H1/2019	End-2018
13. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
37,673	59,022	Payables to credit institutions	59,022	37,673
6,685	6,447	Payables to central banks	6,447	6,685
10,026	12,291	Repo transactions with credit institutions	12,291	10,026
236	-	Repo transactions with central banks	-	236
54,620	77,760	Total	77,760	54,620
14. DEPOSITS AND OTHER PAYABLES				
66,942	73,285	On demand	73,151	66,865
176	38	At notice	77	176
7,092	3,722	Time deposits	3,722	7,092
2,986	3,139	Special deposits	3,139	2,986
5,745	3,216	Repo deposits	3,216	5,745
82,942	83,400	Total	83,304	82,864
15. BONDS IN ISSUE AT AMORTISED COST				
5,585	5,688	Bonds in issue	5,688	5,585
(175)	(177)	Own portfolio	(177)	(175)
5,411	5,511	Total	5,511	5,411
Issues				
2,164	2,082	EMTN issues*	2,082	2,164
3,237	3,419	ECP issues*	3,419	3,237
10	10	Other issues	10	10
5,411	5,511	Total	5,511	5,411
* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.				
16. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
7,618	9,411	Negative securities portfolios	9,411	7,618
7,618	9,411	Total	9,411	7,618
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.				
Subordinate loan capital. The loan is non-callable and falls due in its entirety on 1 January 2027 and carries an interest rate of 2.25% pa above 3M Cibur.				
2,000	2,000		2,000	2,000
2,000	2,000	Total subordinated debt	2,000	2,000
2,000	2,000	Subordinated debt that may be included in own funds	2,000	2,000

18. RELATED PARTY TRANSACTIONS AND BALANCES

The Parent Nykredit Realkredit, its parent as well as Group enterprises and associates are regarded as related parties. In addition, Nykredit Bank's Group enterprises and associates as stated in the Group structure are included as well as the Bank's Board of Directors, its Executive Board and related parties thereof.

No unusual related party transactions occurred in 2019 and 2018.

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, insurance, 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.

Moreover, Nykredit Realkredit A/S contributed DKK 2.0 billion to Nykredit Bank in the form of Tier 2 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. Transactions in financial instruments are covered by master netting agreements involving an ongoing exchange of collateral in the form of cash and bonds.

Agreements between Totalkredit A/S and Nykredit Bank A/S

Nykredit Bank may transfer secured homeowner loans to Totalkredit A/S. In 2018 and 2019 Nykredit Bank transferred secured homeowner loans to Totalkredit A/S.

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 values 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".

Fair value totalled DKK 2.545 million at 30 June 2019 after value adjustment. Credit value adjustments came to DKK 2.551 million at 30 June 2019 (End-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 4,1% compared with 2,6% 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 2,6 billion (end-2018: DKK 1,6 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 264 million at 30 June 2019 (1,22% of equity at 30 June 2019). The earnings impact at 31 December 2018 was estimated at DKK 158 million (0.75% 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 1,2 billion have been transferred from Listed prices to Observable inputs and DKK 1,8 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0,3 billion were transferred from Listed prices to Observable inputs and DKK 0,1 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 0.4 billion at end-2018.

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

Nykredit Bank Group

19. FAIR VALUE DISCLOSURES (CONTINUED)

19. 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	20,915	21,341	-	42,256
- equities measured at fair value through profit or loss	191	-	93	284
- positive fair value of derivative financial instruments	43	19,973	2,545	22,560
Total	21,148	41,314	2,638	65,100
Percentage	32.5	63.5	4.1	100.0

Financial liabilities:				
- other non-derivative financial liabilities at fair value	4,499	4,912	-	9,411
- negative fair value of derivative financial instruments	126	12,560	-	12,687
Total	4,625	17,472	-	22,098
Percentage	20.9	79.1	-	100.0

Assets and liabilities measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	82	1,495	1,577
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	2	441	443
Purchases for the period	-	4	-	4
Sales for the period	-	-	(89)	(89)
Transferred from Listed prices and Observable inputs	-	7	1,474	1,482
Transferred to Listed prices and Observable inputs	-	(2)	(777)	(779)
Fair value, end of period, assets	-	93	2,545	2,638

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 Bank Group

19. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2018

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	10,504	32,268	-	42,772
- equities measured at fair value through profit or loss	152	-	82	234
- positive fair value of derivative financial instruments	56	16,212	1,495	17,763
Total	10,712	48,480	1,577	60,769
Percentage	17.6	79.8	2.6	100.0

Financial liabilities:

- other non-derivative financial liabilities at fair value	3,514	4,104	-	7,618
- negative fair value of derivative financial instruments	50	10,662	-	10,712
Total	3,564	14,767	-	18,330
Percentage	19.4	80.6	-	100.0

Assets and liabilities measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	79	1,104	1,183
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	6	377	383
Sales for the period	-	(3)	(57)	(60)
Transferred from Listed prices and Observable inputs	-	-	564	564
Transferred to Listed prices and Observable inputs	-	-	(493)	(493)
Fair value, end of period, assets	-	82	1,495	1,577

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

Nykredit Bank Group

20. GROUP STRUCTURE

Name and registered office

Nykredit Bank A/S (Parent), Copenhagen, a)		506	21,601	1,660	21,096
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	103	990	163	887
Nykredit Leasing A/S, Gladsaxe c)	100	50	805	84	755

Geographical distribution of activities

Denmark: Names and activities appear from the Group structure above

a) Investment company

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S and consolidated with Nykredit A/S for accounting purposes, which is consolidated with Forenet Kredit for accounting purposes.

The financial statements of Forenet Kredit (in Danish) and Nykredit A/S are available from:

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

NOTES

DKK million

Nykredit Bank Group	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015
21. FIVE YEAR FINANCIAL HIGHLIGHTS					
Summary income statement					
Net interest income	807	829	743	703	865
Net fee income etc	893	846	800	526	510
Net interest and fee income	1,700	1,674	1,543	1,228	1,375
Value adjustments	68	732	2,241	(778)	954
Other operating income	21	14	17	14	15
Staff and administrative expenses	1,036	976	934	953	932
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	0	0	7	8	8
Other operating expenses	12	12	11	13	33
Impairment charges for loans, advances and receivables etc	97	129	(207)	(86)	(89)
Profit (loss) from investments in associates and Group enterprises	3	1	-	(0)	0
Profit (loss) before tax	647	1,305	3,054	(424)	1,460
Tax	141	281	671	(107)	342
Profit (loss) for the period	506	1,025	2,383	(317)	1,118
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	24,385	12,724	25,486	37,410	31,953
Loans, advances and other receivables at fair value	-	-	21,511	30,350	29,765
Loans, advances and other receivables at amortised cost	112,652	89,536	57,544	49,554	49,441
Bonds and equities etc	42,539	49,075	36,205	38,144	44,109
Remaining assets	35,057	22,755	25,041	39,558	37,689
Total assets	214,634	174,090	165,787	195,016	192,957
LIABILITIES AND EQUITY					
Payables to credit institutions and central banks	77,760	42,434	41,252	40,205	45,693
Deposits and other payables	83,304	84,293	69,716	69,643	66,056
Bonds in issue at amortised cost	5,511	4,779	6,366	14,990	25,763
Other non-derivative financial liabilities at fair value	9,411	6,059	10,149	21,075	8,171
Remaining liabilities	14,751	13,811	16,958	33,081	31,286
Provisions	295	254	219	221	195
Subordinated debt	2,000	2,000	2,000	-	100
Equity	21,601	20,460	19,127	15,801	15,693
Total liabilities and equity	214,634	174,090	165,787	195,016	192,957
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	28,470	21,692	19,627	13,689	21,156
Other commitments	9,636	7,315	6,291	6,022	4,671

NOTES

Nykredit Bank Group	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015
21. FIVE YEAR FINANCIAL HIGHLIGHTS (CONTINUE)					
FINANCIAL RATIOS¹					
Total capital ratio, %	20.7	22.4	20.8	20.0	18.9
Tier 1 capital ratio, %	18.7	20.0	18.7	19.6	18.5
Return on equity before tax, %	3.0	6.5	17.0	(2.7)	10.3
Return on equity after tax, %	2.4	5.1	13.3	(2.0)	7.9
Cost:income ratio	1.57	2.17	5.09	0.52	2.65
Foreign exchange position, %	0.6	0.1	0.4	0.1	0.1
Loans and advances:equity (loan gearing)	5.2	4.4	4.1	5.1	5.0
Growth in loans and advances for the period, excluding repo transactions %	4.9	4.6	4.6	6.0	5.1
Impairment charges for the period, %	0.1	0.1	(0.2)	(0.1)	(0.1)
Return on capital employed, %	0.2	0.6	1.4	(0.2)	0.6
Average number of staff, full-time equivalent	843	830	827	791	761

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 53 in the Annual Report 2018

NOTES

DKK million					
Nykredit Bank A/S	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015
21. FIVE YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
Summary income statement					
Net interest income	720	748	671	636	805
Net fee income etc	681	665	637	379	382
Net interest and fee income	1,402	1,413	1,308	1,015	1,187
Value adjustments	68	733	2,241	(779)	957
Other operating income	5	2	2	1	0
Staff and administrative expenses	932	870	829	841	831
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	-	-	8	8	8
Other operating expenses	10	10	10	10	31
Impairment charges for loans, advances and receivables etc	84	125	(209)	(91)	(95)
Profit from investments in associates and Group enterprises	155	127	111	86	73
Profit (loss) before tax	605	1,271	3,024	(446)	1,440
Tax	99	246	641	(129)	322
Profit (loss) for the period	506	1,025	2,383	(317)	1,118
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	24,377	12,723	25,486	37,410	31,953
Loans, advances and other receivables at fair value	-	-	21,511	30,350	29,765
Loans, advances and other receivables at amortised cost	111,289	88,116	56,254	48,121	48,162
Bonds and equities etc	48,111	51,942	35,618	37,633	43,718
Remaining assets	30,314	20,594	26,278	40,594	38,629
Total assets	214,090	173,375	165,147	194,108	192,226
Liabilities and equity					
Payables to credit institutions and central banks	77,760	42,164	40,982	39,665	45,153
Deposits and other payables	83,400	84,364	69,809	69,704	66,183
Bonds in issue at amortised cost	5,511	4,779	6,366	14,990	25,763
Other non-derivative financial liabilities at fair value	9,411	6,059	10,149	21,075	8,171
Remaining liabilities	14,247	13,415	16,598	32,743	31,014
Provisions	159	134	116	131	149
Subordinated debt	2,000	2,000	2,000	-	100
Equity	21,601	20,460	19,127	15,800	15,693
Total liabilities and equity	214,090	173,375	165,147	194,108	192,226
Off-balance sheet items					
Contingent liabilities	-	22,132	19,996	14,327	21,256
Other commitments	-	6,578	6,145	5,922	4,583

NOTES

Nykredit Bank A/S	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015
21. FIVE YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
Financial ratios¹					
Total capital ratio, %	19.7	21.4	19.8	19.3	18.3
Tier 1 capital ratio, %	17.8	19.2	17.9	18.8	17.9
Return on equity before tax, %	2.8	6.4	16.9	(2.8)	10.2
Return on equity after tax, %	2.4	5.1	13.3	(2.0)	7.9
Cost:income ratio	1.59	2.27	5.74	0.42	2.86
Foreign exchange position, %	0.6	0.1	0.4	0.1	0.1
Loans and advances:equity (loan gearing)	5.2	4.3	4.1	5.0	5.0
Growth in loans and advances for the period, excluding repo transactions %	4.8	4.6	5.2	6.1	(1.8)
Impairment charges for the period, %	0.1	0.1	(0.2)	(0.1)	(0.1)
Return on capital employed, %	0.2	0.6	1.4	(0.2)	0.6
Average number of staff, full-time equivalent	668	659	666	633	608

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 53 in the Annual Report 2018