

**Stock Exchange Announcement of  
16 December 2019  
and extract of  
Annual Report  
1 October 2018 - 30 September 2019  
(The Company's 46th financial year)**

**Investeringselskabet**

**Luxor A/S**

**Annual Report 2018/19**

16 December 2019

Announcement No 2 2019/20

The Supervisory Board of Investeringsselskabet Luxor A/S has today considered and adopted the Company's Annual Report for 2018/19.

**The Annual Report:**

- Basic earnings amount to DKK 29.0 million (DKK 27.1 million), which is higher than the expected basic earnings level of approx. DKK 28 million stated in the Interim Report of 29 August 2019. The higher basic earnings are primarily attributable to increased net yield on mortgage deeds and bad debts recovered.

Basic earnings are calculated as profit before tax for the year adjusted for fair value adjustments of financial assets, interest swaps and debt.

- The Group's profit before tax amounts to DKK 19.7 million (DKK 29.6 million). The Group's profit after tax amounts to DKK 15.3 million (DKK 23.3 million).

The Group's profit before tax is DKK 9.3 million lower than basic earnings due to:

- DKK 6.5 million from fair value adjustments of securities;
- DKK 0.2 million from fair value adjustments of investment properties;
- DKK -16.0 million from fair value adjustments of interest swaps and fair value adjustments of debt to mortgage credit institutes as well as expenses relating to the raising of mortgage credit loans.

**Dividend:**

- The Supervisory Board proposes to the General Meeting that dividend of DKK 23 million (DKK 23 million) be distributed, corresponding to DKK 23 (DKK 23) per share, which is a dividend yield of 5.5%.

**Fourth quarter of the financial year 2019**

- Basic earnings for the quarter amount to DKK 6.6 million (DKK 8.7 million).
- The Group's profit before tax amounts to DKK 3.8 million (DKK 13.8 million).

The profit before tax for the quarter is DKK 2.8 million lower than basic earnings due to:

- DKK 0.8 million from fair value adjustments of investment properties;
- DKK 0.1 million from fair value adjustments of securities;
- DKK -3.7 million from fair value adjustments of interest swaps and fair value adjustments of debt to mortgage credit institutes as well as expenses relating to the raising of mortgage credit loans.

**Expected basic earnings for 2019/20:**

- For the coming financial year 2019/20, basic earnings of approx. DKK 31 million are expected.
- Fair value adjustments of interest swaps are not included in basic earnings and would at 9 December 2019 affect the Group's profit before tax by DKK 3.8 million.

For additional information concerning the Annual Report, please contact Jannik Rolf Larsen, CEO (tel: +45 33325015).

## Financial Highlights of the Group

### OCTOBER - SEPTEMBER

| <u>DKK million</u>   | <u>2018/19</u> | <u>2017/18</u> | <u>2016/17</u> | <u>2015/16</u> | <u>2014/15</u> | Q4<br><u>2018/19</u> | Q4<br><u>2017/18</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------------|----------------------|
| <u>Key figures</u>   |                |                |                |                |                |                      |                      |
| Income .....   | 81.6           | 69.3           | 63.7           | 75.7           | 49.0           | 18.3                 | 20.9                 |
| Gross earnings .....   | 69.0           | 61.6           | 54.5           | 69.2           | 42.7           | 15.7                 | 20.0                 |
| Profit/loss before tax.....                                  | 19.7           | 29.6           | 27.4           | 29.1           | -10.2          | 3.8                  | 13.8                 |
| Net profit/loss .....  | 15.3           | 23.3           | 20.9           | 22.1           | -8.5           | 3.0                  | 11.0                 |
| Basic earnings.....  | 29.0           | 27.1           | 24.9           | 31.1           | 24.1           | 6.6                  | 8.7                  |
| Assets.....  | 908.3          | 867.1          | 846.8          | 868.6          | 915.5          | 908.3                | 867.1                |
| Investment in property, plant and equipment .....            | 0.0            | 0.3            | 0.1            | 0.4            | 0.7            | 0.0                  | 0.0                  |
| Equity .....   | 345.8          | 353.6          | 352.3          | 356.4          | 354.3          | 345.8                | 353.6                |
| Proposed dividend for the year.....                          | 23.0           | 23.0           | 22.0           | 25.0           | 20.0           | 23.0                 | 23.0                 |
| Profit/loss for analytical purposes:                         |                |                |                |                |                |                      |                      |
| Net profit/loss (after tax) .....                            | <u>15.3</u>    | <u>23.3</u>    | <u>20.9</u>    | <u>22.1</u>    | <u>-8.5</u>    | <u>3.0</u>           | <u>11.0</u>          |
| <u>Ratios</u>  |                |                |                |                |                |                      |                      |
| <u>Values per DKK 100 share</u>                              |                |                |                |                |                |                      |                      |
| Earnings per share (EPS) (DKK).....                          | 15.26          | 23.32          | 20.90          | 22.06          | -8.48          | 2.97                 | 11.01                |
| Net asset value per share in circulation (DKK).....          | 345.83         | 353.57         | 352.25         | 356.35         | 354.29         | 345.83               | 353.57               |
| Return on equity in percentage p.a. ....                     | 4.36           | 6.61           | 5.90           | 6.21           | -2.21          | 3.45                 | 12.65                |
| Equity share in percentage.....                              | 38.07          | 40.77          | 41.60          | 41.03          | 38.70          | 38.07                | 40.77                |
| Dividend per share (DKK)* .....                              | 23.00          | 23.00          | 22.00          | 25.00          | 20.00          | 23.00                | 23.00                |
| <u>Share capital</u>   |                |                |                |                |                |                      |                      |
| Nominal share capital, end of year (DKK million) .....       | 100.0          | 100.0          | 100.0          | 100.0          | 100.0          | 100.0                | 100.0                |
| Number of shares in circulation (DKK million) .....          | 100.0          | 100.0          | 100.0          | 100.0          | 100.0          | 100.0                | 100.0                |
| Official price on the Stock Exchange per DKK 100 share:      |                |                |                |                |                |                      |                      |
| Lowest .....   | 402            | 405            | 333            | 310            | 261            | 402                  | 406                  |
| Highest.....   | 555            | 460            | 440            | 360            | 362            | 416                  | 450                  |
| End of year .....  | 416            | 426            | 408            | 334            | 317            | 416                  | 426                  |
| Volume of trade on the Stock Exchange, number of shares..... |                |                |                |                |                |                      |                      |
|  | 11,104         | 13,249         | 14,695         | 16,011         | 32,385         | 814                  | 1,888                |
| Listed on the Stock Exchange, number of shares.....          | 825,000        | 825,000        | 825,000        | 825,000        | 825,000        | 825,000              | 825,000              |

The key figures have been calculated in accordance with "Recommendations & Ratios" January 2018 issued by the Danish Society of Financial Analysts. EPS and diluted EPS are in accordance with IAS 33.

\* Calculated on the basis of proposed dividend distribution.

### Basic earnings and results for the year

The Group's basic earnings in 2018/19 amounted to DKK 29.0 million (DKK 27.1 million), which is higher than the expected basic earnings level of approx. DKK 28 million stated in the Interim Report of 29 August 2019. The higher basic earnings are primarily attributable to increased net yield on mortgage deeds and bad debts recovered.

Basic earnings are calculated as profit before tax for the year adjusted for fair value adjustments of financial assets, interest swaps and debt.

The profit before tax for the year amounts to DKK 19.7 million (DKK 29.6 million); after recognition of tax for the year of DKK 4.4 million (DKK 6.3 million), the profit for the year after tax amounts to DKK 15.3 million (DKK 23.3 million).

The profit before tax for the year is DKK 9.3 million lower than basic earnings due to:

- DKK 6.5 million from fair value adjustments of securities;
- DKK 0.2 million from fair value adjustments of investment properties;
- DKK -16.0 million from fair value adjustments of interest swaps and fair value adjustments of debt to mortgage credit institutes as well as expenses relating to the raising of mortgage credit loans.

### Fourth quarter of the financial year 2019

The Group's basic earnings for the fourth quarter of the financial year 2019 amount to DKK 6.6 million (DKK 8.7 million), and profit before tax amounts to DKK 3.8 million (DKK 13.8 million).

The profit before tax for the quarter is DKK 2.8 million lower than basic earnings due to:

- DKK 0.8 million from fair value adjustments of investment properties;
- DKK 0.1 million from fair value adjustments of securities;
- DKK -3.7 million from fair value adjustments of interest swaps and fair value adjustments of debt to mortgage credit institutes as well as expenses relating to the raising of mortgage credit loans.

### Business areas

The Group's balance sheet, DKK 908.3 million (DKK 867.1 million), includes the following business areas:

|                             | <u>2018/19</u><br>DKK million | <u>2017/18</u><br>DKK million |
|-----------------------------|-------------------------------|-------------------------------|
| Mortgage deeds .....        | 687.4                         | 645.1                         |
| Shares .....                | <u>0.6</u>                    | <u>1.0</u>                    |
| Total securities            | 688.0                         | 646.1                         |
| Investment properties ..... | <u>191.4</u>                  | <u>189.5</u>                  |
| Total .....                 | <u>879.4</u>                  | <u>835.6</u>                  |

Below, the individual business areas are described. The financing and the effect of interest and currency hedging are described in the section financing and debt.

## Mortgage deeds

The fair value of the Group's portfolio of mortgage deeds amounts to DKK 687.4 million (DKK 645.1 million), and the nominal value amounts to DKK 739.6 million (DKK 713.9 million).

The fair value of the Group's portfolio of mortgage deeds is distributed with DKK 517.3 million (DKK 479.1 million) in fixed-interest mortgage deeds and DKK 170.1 million (DKK 166.0 million) in floating-rate cibor mortgage deeds.

The total return on the portfolio of mortgage deeds for the financial year is specified as follows:

|   | 2018/19<br>DKK million | 2017/18<br>DKK million |
|---|------------------------|------------------------|
| Interest income.....  | 53.8                   | 51.3                   |
| Capital gains, mortgage deeds .....   | 7.5                    | 7.2                    |
| Fair value adjustment.....  | 6.8                    | -0.1                   |
|   | 68.1                   | 58.4                   |
| Realised losses on mortgage deeds, fair value adjustment for credit risk as well as gain on sale of properties acquired for the purpose of resale ..... | -10.2                  | -12.4                  |
| Bad debts recovered.....  | 6.7                    | -5.9                   |
|   | 64.6                   | 52.5                   |

Fixed-interest mortgage deeds of a nominal amount of DKK 514.9 million (nom. DKK 482.8 million) have been measured in the balance sheet at fair value on the basis of an effective interest rate of 8.25% p.a. (8.5% p.a.). The total effect of the change of the effective interest rate is approx. DKK 6.6 million, which has been recognised in the item fair value adjustments of mortgage deeds. The adjustment of the effective interest rate is due to strengthening of the price in the mortgage deed market as a result of the general decrease in interest rates.

Fixed-interest mortgage deeds of a nominal amount of DKK 32.9 million (nom. DKK 40.1 million) and cibor mortgage deeds of a nominal amount of DKK 191.8 million (nom. DKK 191.0 million) are measured at fair value, which substantially corresponds to the cost of the mortgage deeds.

At the measurement of the portfolio of mortgage deeds at fair value, adjustment for credit risk has been deducted.

The Group's portfolio of mortgage deeds has an average market value per mortgage deed of kDKK 300.3 (kDKK 295.3).

The nominal amount of the mortgage deed portfolio has increased from DKK 713.9 million to DKK 739.6 million. The increase consists of additions of DKK 152.6 million (DKK 166.9 million) and redemptions of DKK 126.9 million (DKK 152.6 million). The addition of mortgage deeds in the financial year primarily consists of specific mortgage deeds purchased on the basis of an individual assessment.

The rate of redemption of mortgage deeds in the financial year 2018/19 is lower than in the financial year 2017/18. For the coming year, the Group expects a small net increase in the portfolio of mortgage deeds and repayments in line with 2018/19.

Capital gains on redeemed mortgage deeds amount to DKK 7.5 million (DKK 7.2 million). The marginally higher capital gains primarily relate to the composition of the cost of the redeemed mortgage deeds.

Net loss/gain, mortgage deeds amounts to DKK -3.5 million (DKK -5.9 million).

Net loss/gain, mortgage deeds includes:

- realised net losses on mortgage deeds and mortgage deed receivables of DKK 10.2 million (DKK 12.4 million), including adjustment to meet credit risk on mortgage deeds, properties acquired for the purpose of resale and mortgage deed receivables, which is in line with expectations;
- bad debts recovered of DKK 6.7 million (DKK 6.5 million), which is higher than expected.

The total fair value adjustment of credit risk on mortgage deeds amounts to DKK 15.1 million (DKK 17.6 million), corresponding to 2.2% (2.7%) of the portfolio.

The mortgage deed portfolio is distributed on the following types of property:

|   | <u>2018/19</u>     | <u>2017/18</u>     |
|---|--------------------|--------------------|
| Single-family houses.....                 | 57.11%             | 53.88%             |
| Freehold flats .....                      | 6.60%              | 6.47%              |
| Cooperative housing .....                 | 4.71%              | 4.49%              |
| Holiday houses.....                       | 6.13%              | 6.22%              |
| Disused farms.....                        | 2.22%              | 2.48%              |
| Residential and business properties ..... | 4.36%              | 5.25%              |
| Farms.....                                | 1.56%              | 1.32%              |
| Rental properties .....                   | 15.01%             | 17.27%             |
| Trade and industry .....                  | 1.80%              | 2.19%              |
| Andre.....                                | <u>0.50%</u>       | <u>0.43%</u>       |
| <br>Total .....                           | <br><u>100.00%</u> | <br><u>100.00%</u> |

The average term to maturity of the mortgage deed portfolio before extraordinary and premature repayments is approx. 9.5 years (10.5 years).

### Investment properties

The Group's balance sheet includes 5 (5) rental properties with a fair value of DKK 191.4 million (DKK 189.5 million).

Return on investment properties for the financial year is specified as follows:

|  | <u>2018/19</u><br><u>DKK million</u> | <u>2017/18</u><br><u>DKK million</u> |
|--|--------------------------------------|--------------------------------------|
| Rental income.....                             | 14.0                                 | 12.5                                 |
| Fair value adjustment .....                    | 0.2                                  | 1.3                                  |
| Direct expenses, investment<br>properties..... | <u>10.8</u>                          | <u>5.8</u>                           |
|  | <u>3.4</u>                           | <u>8.0</u>                           |

In connection with the leases, the m2 let out have been considerably rebuilt and renovated, corresponding to approx. DKK 4.3 million.

As to the Group's total portfolio of rental properties, which comprises approx. 34,000 m2 (approx. 34,000 m2), it can be stated that at 1 October 2019 the lease rate in m2 is 91.3% (79.7%). In the financial year,

the Group has had average floorage vacancy of 14.7% (23.2%), corresponding to lost rental income of approx. DKK 2.6 million (DKK 4.3 million). Calculation of lost rental income compared with obtainable rental income shows an average rental vacancy of approx. 7.6% (22.0%).

The fair value of the Group's property portfolio corresponds to a yield of 7.3% (7.3%) calculated as expected rental income at full lease less expected operating expenses.

The Group's portfolio of investment properties distributed on type is as follows:

|                               | 2018/19            |                     | 2017/18            |                     |
|-------------------------------|--------------------|---------------------|--------------------|---------------------|
|                               | <u>DKK million</u> | <u>Yield range</u>  | <u>DKK million</u> | <u>Yield range</u>  |
| Office/shop/residential ..... | 28.3               | 6.50%               | 27.1               | 6.50%               |
| Warehouse/production/office   | <u>163.1</u>       | <u>6.50 - 8.00%</u> | <u>162.4</u>       | <u>6.50 - 8.00%</u> |
| Total .....                   | <u>191.4</u>       | <u>6.50 - 8.00%</u> | <u>189.5</u>       | <u>6.50 - 8.00%</u> |

### Financing and debt

The fair value of the Group's short-term debt to credit institutions amounts to DKK 425.6 million, raised in Danish kroner (DKK 422.7 million).

The Group has pegged the interest rate on a total of DKK 250 million (DKK 250.0 million) through DKK interest swaps with a remaining duration of up to approx. 9.5 years. Fair value adjustments of interest swaps for the year amount to DKK -14.3 million (DKK 0.1 million) due to decreasing interest rates.

The interest swaps entered into are used to hedge the interest rate risk on basic earnings. The total fair value adjustment of interest swaps with credit institutions is DKK -19.3 million (DKK -5.0 million). The amount is counterbalanced through current fair value adjustments over the terms of the contracts.

### Mortgage credit loans, investment properties

The fair value of the Group's debt to mortgage credit institutes amounts to DKK 95.3 million (DKK 68.0 million).

Fair value adjustment of mortgage credit institutes for the financial year is DKK -0.4 million (DKK 0.3 million).

The Group has pegged the interest rate on DKK 31.9 million (DKK 36.0 million) through interest swaps with a remaining duration of up to 8.25 years. Fair value adjustment of interest swaps for mortgage credit loans for the financial year is DKK -0.3 million (DKK 1.0 million).

The interest swaps entered into are used to hedge floating-rate loans from mortgage credit institutes. The total fair value adjustment of interest swaps with mortgage credit institutes is DKK -4.8 million (DKK 4.4 million). The amount is counterbalanced through current fair value adjustments over the terms of the contracts.

During the year, the Group has raised mortgage credit loans of DKK 34 million. The loans have been raised as cash loans issued on the basis of 1.5% bonds with maturity in 2040, DKK 22 million, and 0.5% bonds with maturity in 2040, DKK 12 million, respectively. Moreover, during the year, DKK 21 million has been converted into 0.5% bonds with maturity in 2040.

### Cash flows and liquidity

Cash flows from the Group's operating activities amount to DKK 25.7 million (DKK 25.1 million). In 2018/19, cash flows from operating activities were affected by the inflow of cash from properties acquired for the purpose of resale and expenses relating to the sale of mortgages in default of DKK -0.2 million (DKK 2.3 million).

Based on the current cash generation and the credit facilities available at the end of September 2019, the Group is able to carry through the planned activities in the coming financial year.

### Risk factors

The Group's activities are exposed to a number of risk factors, which may be divided into categories. For an elaboration of these and other factors, reference is made to the description of the Group's risk factors in note 32.

### Risk relating to equity and market values upon change of parameter

The below table shows the sensitivity of a number of significant balance sheet items at 30 September 2019 and 30 September 2018.

| <u>DKK million</u>               | <u>Parameter</u>              | <u>2018/19<br/>Fair<br/>value</u> | <u>2018/19<br/>Change<br/>of value</u> | <u>2017/18<br/>Fair<br/>value</u> | <u>2017/18<br/>Change<br/>of value</u> |
|----------------------------------|-------------------------------|-----------------------------------|--|-----------------------------------|--|
| Mortgage deeds                   | 1% effective rate of interest | 687.4                             | 26.7                                   | 645.1                             | 24.8                                   |
| Shares                           | 10% change in value           | 0.6                               | 0.1                                    | 1.0                               | 0.1                                    |
| Investment properties            | 0.5% yield requirement        | 191.4                             | 12.3                                   | 189.5                             | 12.3                                   |
| Securities in foreign currencies | 10% change in value           | 0.6                               | 0.1                                    | 1.0                               | 0.1                                    |
| Interest swaps                   | 0.5% per cent (decrease)      | -24.1                             | -8.8                                   | -9.4                              | -8.7                                   |

It should be added that if the above parameters were to develop negatively due to an increase in interest rates, this would be counterbalanced by a certain reduction of the cash value of mortgage credit loans and other fixed-interest loans raised. A 1% change in interest rates on the part of the Company's financing which is not raised at a fixed interest rate over a multi-year period will affect the profit/loss for the year before tax by approx. DKK 1.8 million (DKK 1.7 million) on an annual basis.

### Uncertainty relating to recognition and measurement

In connection with the preparation of the Annual Report, Management makes a number of accounting estimates and lays down the assumptions forming the basis of the presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and assessments appear from the paragraph significant accounting estimates and assessments in note 2 to the Annual Report, accounting policies.

### Dividend, repurchase of own shares and other capital issues

Based on an overall assessment of results for the year, the development in basic earnings, the present earnings expectations and more efficient utilisation of the capital structure, etc, the Supervisory Board proposes a dividend of DKK 23.0 (DKK 23.0) per share - corresponding to DKK 23.0 million (DKK 23.0 million).

The Supervisory Board is authorised to let the Company acquire own shares for up to a nominal amount of DKK 10.0 million. The acquisition must take place at prices which do not deviate more than +/- 10% from the official price for the Company's shares quoted on Nasdaq Copenhagen A/S at the time of the acquisition. The authorisation was granted at the Annual General Meeting on 30 January 2015 and applies for 5 years.

During the financial year, no repurchases were made under the scheme for repurchase of own shares, and the Company holds no own shares at present.



**Future prospects and post balance sheet events**

At present, basic earnings of approx. DKK 31 million are expected for the coming financial year. Fair value adjustments of interest swaps are not included in basic earnings and would at 9 December 2019 affect profit before tax for the year by DKK 3.8 million.

The expectations relating to basic earnings are subject to a number of risks and uncertainties. Therefore, actual basic earnings may differ from the expectations in the Annual Report.

The Company publishes the expected level of basic earnings for the year in its Annual Report and Interim Reports. The earnings expectations are not specified in detail as the yield on fixed asset investments changes on a daily basis, which means that the earnings expectations differ from the actual expectations already at the time of publication.

**Alternative investment fund manager**

Investeringsselskabet Luxor A/S has a permission of 28 November 2014 to carry on management activities as an alternative investment fund manager according to section 6 (1) of the Danish Act on Alternative Investment Fund Managers etc.

There have been no significant changes in the Parent Company's information.

The Company's shares are listed on Nasdaq Copenhagen A/S, and therefore the Company's shares cannot be redeemed; consequently, the market value of the share may differ from the net asset value of the Company.

Information to the investors can be read on [www.luxor.dk](http://www.luxor.dk) under Investor information.

**Reporting on corporate social responsibility**

As a result of the Company's size and composition of assets, which primarily consists of investment in mortgage deeds with recorded mortgage on real property in Denmark and investment in and leasing of investment properties in Denmark, the Supervisory Board has decided not to adopt any policies on corporate social responsibility. There have been no issues in 2018/19 causing Management to introduce separate policies for the individual areas.

It is assessed on a current basis whether there is a need for adopting policies in the area.

**Environmental and climate impact**

Investeringsselskabet Luxor A/S has not adopted any policy for environmental and climate impact as the Group's primary activities comprise investment in mortgage deeds with mortgage on real property in Denmark and investment properties in Denmark. This point of view is due to the fact that a number of significant issues relating to environmental and climate impact are already being regulated by law.

**Social and employee matters**

Investeringsselskabet Luxor A/S has not adopted any policy for social and employee matters as the Group's activities take place in Denmark where these areas are already being regulated by law.

Management attaches great importance to ensuring a satisfactory and up-to-date working environment.

The employees are one of the Group's most important resources and are crucial to value creation as the Group's future development depends on its ability also in future to retain and attract qualified employees for the performance of the Group's main activities. The matter is addressed in the Group's conditions of employment.

### **Human rights**

In Management's opinion, there is no need for adopting a separate policy for compliance with human rights as Investeringsselskabet Luxor A/S is only represented in Denmark where the risk of non-compliance with human rights is limited, and moreover it complies with applicable law and regulations in Denmark.

According to Management, there have been no instances of human rights violations in 2018/19.

### **Anti-corruption and anti-bribery**

Investeringsselskabet Luxor A/S has not adopted any policy for anti-corruption and anti-bribery as the Group is only represented in Denmark where the risk of corruption and bribery is limited, and moreover it complies with applicable law and regulation in the individual countries.

According to Management, there have been no instances of corruption and bribery in 2018/19.

### **Capital**

Information the purpose of which is to promote the sale of the Company's shares is included partly in note 20 and partly in continuation of the Company's statement of Corporate Governance on the Company's website under Investor information.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD  
1 OCTOBER 2018 - 30 SEPTEMBER 2019**

| Parent Company      |                     |      | Group   |                     |                     |
|---------------------|---------------------|------|---|---------------------|---------------------|
| 2018/19<br>DKK '000 | 2017/18<br>DKK '000 | Note |   | 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |
| 61,797              | 44,358              | 4    | Financial income .....  | 61,797              | 44,358              |
| -3,511              | -5,927              | 5    | Net loss/gain, mortgage deeds.....  | -3,511              | -5,927              |
| <u>8,522</u>        | <u>19,052</u>       | 6    | Fair value adjustment of financial assets.....                            | <u>6,463</u>        | <u>14,694</u>       |
| <u>66,808</u>       | <u>57,483</u>       |      |   | <u>64,749</u>       | <u>53,125</u>       |
| 9,526               | 8,139               | 7    | Rental income.....  | 13,987              | 12,549              |
| 0                   | 0                   |      | Other income.....   | 2,615               | 2,373               |
| <u>500</u>          | <u>529</u>          |      | Fair value adjustment of investment<br>properties.....                    | <u>219</u>          | <u>1,256</u>        |
| <u>10,026</u>       | <u>8,668</u>        |      |   | <u>16,821</u>       | <u>16,178</u>       |
| 76,834              | 66,151              |      | <b>Total income .....</b>   | 81,570              | 69,303              |
| 1,853               | 1,931               |      | Direct expenses, securities .....   | 1,853               | 1,931               |
| <u>8,110</u>        | <u>4,463</u>        | 8    | Direct expenses, properties .....   | <u>10,759</u>       | <u>5,768</u>        |
| 66,871              | 59,757              | 9    | <b>Total gross earnings .....</b>   | 68,958              | 61,604              |
| <u>33,740</u>       | <u>16,737</u>       | 10   | Financial expenses .....  | <u>32,773</u>       | <u>15,386</u>       |
| <u>33,131</u>       | <u>43,020</u>       |      |   | <u>36,185</u>       | <u>46,218</u>       |
| 3,052               | 2,716               | 11   | Other external expenses .....   | 3,299               | 2,916               |
| 0                   | 78                  |      | Other income.....   | 0                   | 78                  |
| 10,615              | 11,334              | 12   | Staff expenses.....   | 12,753              | 13,336              |
| <u>350</u>          | <u>350</u>          | 14   | Depreciation and amortisation .....                                       | <u>412</u>          | <u>401</u>          |
| <u>14,017</u>       | <u>14,322</u>       |      |   | <u>16,464</u>       | <u>16,575</u>       |
| 19,114              | 28,698              |      | <b>Profit/loss before tax .....</b>                                       | 19,721              | 29,643              |
| <u>3,778</u>        | <u>5,320</u>        | 13   | Tax on profit/loss for the year.....                                      | <u>4,459</u>        | <u>6,326</u>        |
| <u>15,336</u>       | <u>23,378</u>       |      | <b>NET PROFIT/LOSS FOR THE YEAR<br/>(COMPREHENSIVE INCOME).....</b>       | <u>15,262</u>       | <u>23,317</u>       |
| 15.3                | 23.4                | 23   | Earnings per share (EPS) for A & B shares in DKK                          | 15.3                | 23.3                |
| 15.3                | 23.4                |      | Earnings per share (EPS) for A & B shares in DKK<br>(diluted value) ..... | 15.3                | 23.3                |
|                     |                     | 22   | Distribution of profit  |                     |                     |

**BALANCE SHEET AT 30 SEPTEMBER 2019**

**ASSETS**

| Parent Company        |                       |      | Group                 |                       |
|-----------------------|-----------------------|------|-----------------------|-----------------------|
| 2018/19               | 2017/18               |      | 2018/19               | 2017/18               |
| DKK '000              | DKK '000              | Note | DKK '000              | DKK '000              |
| 10,642                | 10,831                |      | 10,642                | 10,831                |
| <u>289</u>            | <u>450</u>            |      | <u>486</u>            | <u>709</u>            |
| <u>10,931</u>         | <u>11,281</u>         | 14   | <u>11,128</u>         | <u>11,540</u>         |
|                       |                       |      |                       |                       |
| 127,900               | 127,400               | 15   | 191,400               | 187,886               |
| <u>0</u>              | <u>0</u>              |      | <u>0</u>              | <u>1,614</u>          |
| <u>127,900</u>        | <u>127,400</u>        |      | <u>191,400</u>        | <u>189,500</u>        |
|                       |                       |      |                       |                       |
| 79,905                | 80,347                | 16   | 0                     | 0                     |
| <u>687,984</u>        | <u>646,054</u>        | 17   | <u>687,984</u>        | <u>646,054</u>        |
| <u>767,889</u>        | <u>726,401</u>        |      | <u>687,984</u>        | <u>646,054</u>        |
|                       |                       |      |                       |                       |
| <u>238</u>            | <u>3,582</u>          | 13   | <u>0</u>              | <u>0</u>              |
| <u>906,958</u>        | <u>868,664</u>        |      | <u>890,512</u>        | <u>847,094</u>        |
|                       |                       |      |                       |                       |
| 6,278                 | 8,284                 | 18   | 7,063                 | 8,917                 |
| <u>996</u>            | <u>499</u>            |      | <u>1,081</u>          | <u>588</u>            |
| <u>7,274</u>          | <u>8,783</u>          |      | <u>8,144</u>          | <u>9,505</u>          |
|                       |                       |      |                       |                       |
| <u>8,687</u>          | <u>9,696</u>          | 19   | <u>9,659</u>          | <u>10,535</u>         |
| <u>15,961</u>         | <u>18,479</u>         |      | <u>17,803</u>         | <u>20,040</u>         |
| <b><u>922,919</u></b> | <b><u>887,143</u></b> |      | <b><u>908,315</u></b> | <b><u>867,134</u></b> |

**BALANCE SHEET AT 30 SEPTEMBER 2019**

**LIABILITIES AND EQUITY**

| <u>Parent Company</u> |                |      |  | <u>Group</u>   |                |
|-----------------------|----------------|------|--|----------------|----------------|
| 2018/19               | 2017/18        |      |  | 2018/19        | 2017/18        |
| DKK '000              | DKK '000       | Note |  | DKK '000       | DKK '000       |
| 100,000               | 100,000        | 20   | Share capital .....                    | 100,000        | 100,000        |
| 6,829                 | 4,771          |      | Fair value reserve, subsidiaries ..... | 0              | 0              |
| 23,000                | 23,000         |      | Proposed dividend .....                | 23,000         | 23,000         |
| <u>216,062</u>        | <u>225,784</u> |      | Retained earnings .....                | <u>222,829</u> | <u>230,567</u> |
| <u>345,891</u>        | <u>353,555</u> |      | <b>Equity .....</b>                    | <u>345,829</u> | <u>353,567</u> |
| 0                     | 0              | 13   | Deferred tax .....                     | 6,253          | 2,682          |
| 71,232                | 50,921         | 24   | Mortgage credit institutes .....       | 86,723         | 60,983         |
| 22,761                | 8,114          | 29   | Interest swaps .....                   | 23,775         | 9,086          |
| <u>77</u>             | <u>0</u>       |      | Other payables .....                   | <u>97</u>      | <u>0</u>       |
| <u>94,070</u>         | <u>59,035</u>  |      | <b>Non-current liabilities .....</b>   | <u>116,848</u> | <u>72,751</u>  |
| 6,212                 | 5,125          | 24   | Mortgage credit institutes .....       | 8,381          | 6,915          |
| 425,559               | 422,679        | 25   | Credit institutions .....              | 425,559        | 422,679        |
| 2,488                 | 1,329          |      | Deposits .....                         | 4,363          | 3,153          |
| 42,382                | 38,349         |      | Payables to subsidiaries .....         | 0              | 0              |
| 618                   | 1,476          | 13   | Corporation tax .....                  | 618            | 1,476          |
| 4,842                 | 3,569          | 28   | Other payables .....                   | 5,837          | 4,517          |
| 290                   | 398            | 29   | Interest swaps .....                   | 290            | 398            |
| <u>567</u>            | <u>1,628</u>   |      | Deferred income .....                  | <u>590</u>     | <u>1,678</u>   |
| <u>482,958</u>        | <u>474,553</u> |      | <b>Current liabilities .....</b>       | <u>445,638</u> | <u>440,816</u> |
| <u>577,028</u>        | <u>533,588</u> |      | <b>Liabilities .....</b>               | <u>562,486</u> | <u>513,567</u> |
| <u>922,919</u>        | <u>887,143</u> |      | <b>LIABILITIES AND EQUITY .....</b>    | <u>908,315</u> | <u>867,134</u> |

**STATEMENT OF CHANGES IN EQUITY**  
**Parent Company**

|   | Share<br>capital<br>A shares<br>DKK '000 | Share<br>capital<br>B shares<br>DKK '000 | Retained<br>earnings<br>DKK '000 | Fair value<br>reserve,<br>subsi-<br>diaries<br>DKK '000 | Proposed<br>dividend<br>DKK '000 | Total<br>DKK '000 |
|---|--|--|----------------------------------|---|----------------------------------|-------------------|
| <b>Equity A &amp; B shares<br/>at 1 October 2017</b> .....    | <b>17,500</b>                            | <b>82,500</b>                            | <b>229,764</b>                   | <b>413</b>  | <b>22,000</b>                    | <b>352,177</b>    |
| Dividend paid .....   | 0  | 0  | 0                                | 0   | -22,000                          | -22,000           |
| Proposed dividend .....                                       | 0  | 0  | -23,000                          | 0   | 23,000                           | 0                 |
| Net profit/loss for the year<br>(comprehensive income) .....  | 0  | 0  | 19,020                           | 4,358   | 0                                | 23,378            |
| <b>Equity A &amp; B shares<br/>at 30 September 2018</b> ..... | <b>17,500</b>                            | <b>82,500</b>                            | <b>225,784</b>                   | <b>4,771</b>  | <b>23,000</b>                    | <b>353,555</b>    |
| <b>Equity A &amp; B shares<br/>at 1 October 2018</b> .....    | <b>17,500</b>                            | <b>82,500</b>                            | <b>225,784</b>                   | <b>4,771</b>  | <b>23,000</b>                    | <b>353,555</b>    |
| Dividend paid .....   | 0  | 0  | 0                                | 0   | -23,000                          | -23,000           |
| Proposed dividend .....                                       | 0  | 0  | -23,000                          | 0   | 23,000                           | 0                 |
| Net profit/loss for the year<br>(comprehensive income) .....  | 0  | 0  | 13,278                           | 2,058   | 0                                | 15,336            |
| <b>Equity A &amp; B shares<br/>at 30 September 2019</b> ..... | <b>17,500</b>                            | <b>82,500</b>                            | <b>216,062</b>                   | <b>6,829</b>  | <b>23,000</b>                    | <b>345,891</b>    |

According to the Articles of Association, the Company's share classes have the following rights in connection with dividend distribution:

B shareholders have the right to an interim dividend of 6% of the nominal B share capital. If the adopted dividend exceeds 6% of the nominal B share capital, the A shareholders receive up to 6% dividend of the nominal A share capital. When both A and B shareholders have received 6% dividend of the nominal amount, any remaining adopted dividend is divided between all shareholders in proportion to the nominal amount of their respective shares without any distinction between A and B shares. The right to dividend cannot be accumulated.

**STATEMENT OF CHANGES IN EQUITY**  
**Group**

|   | Share<br>capital<br>A shares<br>DKK '000 | Share<br>capital<br>B shares<br>DKK '000 | Retained<br>earnings<br>DKK '000 | Proposed<br>dividend<br>DKK '000 | Total<br>DKK '000 |
|---|--|--|----------------------------------|----------------------------------|-------------------|
| <b>Equity A &amp; B shares<br/>at 1 October 2017</b> .....    | <b>17,500</b>                            | <b>82,500</b>                            | <b>230,250</b>                   | <b>22,000</b>                    | <b>352,250</b>    |
| Dividend paid .....   | 0  | 0  | 0                                | -22,000                          | -22,000           |
| Proposed dividend .....                                       | 0  | 0  | -23,000                          | 23,000                           | 0                 |
| Net profit/loss for the year (comprehensive income) .....     | 0  | 0  | 23,317                           | 0                                | 23,317            |
| <b>Equity A &amp; B shares<br/>at 30 September 2018</b> ..... | <b>17,500</b>                            | <b>82,500</b>                            | <b>230,567</b>                   | <b>23,000</b>                    | <b>353,567</b>    |
| <b>Equity A &amp; B shares<br/>at 1 October 2018</b> .....    | <b>17,500</b>                            | <b>82,500</b>                            | <b>230,567</b>                   | <b>23,000</b>                    | <b>353,567</b>    |
| Dividend paid .....   | 0  | 0  | 0                                | -23,000                          | -23,000           |
| Proposed dividend .....                                       | 0  | 0  | -23,000                          | 23,000                           | 0                 |
| Net profit/loss for the year (comprehensive income) .....     | 0  | 0  | 15,262                           | 0                                | 15,262            |
| <b>Equity A &amp; B shares<br/>at 30 September 2019</b> ..... | <b>17,500</b>                            | <b>82,500</b>                            | <b>222,829</b>                   | <b>23,000</b>                    | <b>345,829</b>    |

**CASH FLOW STATEMENT FOR THE PERIOD 1 OCTOBER 2018 - 30 SEPTEMBER 2019**

| Parent Company      |                     |  | Group               |                     |
|---------------------|---------------------|--|---------------------|---------------------|
| 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |  | 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |
|                     |                     | <b>Cash flows from operating activities</b>                          |                     |                     |
| 53,771              | 51,451              | Interest received on mortgage deeds .....                            | 53,771              | 51,451              |
| 377                 | 336                 | Other financial income .....   | 377                 | 336                 |
| 0                   | 0                   | Other income .....   | 2,615               | 2,373               |
| 9,763               | 8,460               | Rental income .....  | 14,247              | 12,920              |
| -16,252             | -16,320             | Interest payments .....  | -16,859             | -16,847             |
| -21,239             | -20,239             | Operating expenses and other payments .....                          | -26,510             | -24,265             |
| 0                   | 2,336               | Net proceeds, properties acquired for the<br>purpose of resale ..... | 0                   | 2,336               |
| -201                | 0                   | Expenses relating to the sale of<br>mortgages in default .....       | -201                | 0                   |
| -1,746              | -3,241              | Corporation tax .....  | -1,746              | -3,241              |
| 24,473              | 22,783              | <b>Cash flows from operating activities .....</b>                    | 25,694              | 25,063              |
|                     |                     | <b>Cash flows from investing activities</b>                          |                     |                     |
| -152,637            | -169,044            | Additions of mortgage deeds .....                                    | -152,637            | -169,044            |
| 119,811             | 155,568             | Disposals of mortgage deeds and shares .....                         | 119,811             | 155,568             |
| 13,283              | 4,951               | Payments, subsidiaries .....   | 0                   | 0                   |
| 1,159               | 420                 | Deposits received .....  | 1,262               | 585                 |
| 0                   | -527                | Capital investments .....  | -1,681              | -3,410              |
| -18,384             | -8,632              | <b>Cash flows from investing activities .....</b>                    | -33,245             | -16,301             |
|                     |                     | <b>Cash flows from financing activities</b>                          |                     |                     |
| 2,880               | 27,346              | Raising of loans, credit institutions .....                          | 2,880               | 27,346              |
| 47,124              | 0                   | Raising of loans, mortgage credit institutes .....                   | 54,975              | 0                   |
| -26,059             | -4,685              | Repayment, mortgage credit institutes .....                          | -28,129             | -6,312              |
| -8,043              | -6,830              | Payments, subsidiaries .....   | 0                   | 0                   |
| -23,000             | -22,000             | Dividend .....   | -23,000             | -22,000             |
| 0                   | -18                 | Deposits paid .....  | -51                 | -106                |
| -7,098              | -6,187              | <b>Cash flows from financing activities .....</b>                    | 6,675               | -1,072              |
| -1,009              | 7,964               | Net change in cash and cash equivalents .....                        | -876                | 7,690               |
| 9,696               | 1,732               | Cash and cash equivalents, beginning of year .....                   | 10,535              | 2,845               |
| 8,687               | 9,696               | <b>Cash and cash equivalents, end of year .....</b>                  | 9,659               | 10,535              |

## NOTES TO THE ANNUAL REPORT

### 1. Segment information

|                         | Mortgage<br>deeds<br><u>DKK '000</u> | Bonds<br><u>DKK '000</u> | Shares<br><u>DKK '000</u> | Investment<br>properties<br><u>DKK '000</u> | Other<br><u>DKK '000</u> | Total<br><u>DKK '000</u> |
|-------------------------|--------------------------------------|--------------------------|---------------------------|---|--------------------------|--------------------------|
| <b>Group 2018/19</b>    |                                      |                          |                           |   |                          |                          |
| Income (realised) ..... | 61,694                               | 40                       | 63                        | 13,987                                      | 2,615                    | 78,399                   |
| Fair value adjustment   | 6,803                                | 0                        | -340                      | 219   | 0                        | 6,682                    |
| Gross earnings .....    | 63,133                               | 40                       | -277                      | 3,447                                       | 2,615                    | 68,958                   |
| Assets .....            | 693,434                              | 0                        | 613                       | 192,433                                     | 21,835                   | 908,315                  |
| Capital investments ... | 152,637                              | 0                        | 0                         | 1,681                                       | 0                        | 154,318                  |
| Liabilities (segments)  | 444,491                              | 0                        | 379                       | 122,587                                     | -12,113                  | 555,344                  |

|                         |         |         |       |         |         |         |
|-------------------------|---------|---------|-------|---------|---------|---------|
| <b>Group 2017/18</b>    |         |         |       |         |         |         |
| Income (realised) ..... | 58,852  | -15,153 | 659   | 12,549  | 2,373   | 59,280  |
| Fair value adjustment   | -101    | 14,989  | -194  | 1,256   | 0       | 15,950  |
| Gross earnings .....    | 50,893  | -164    | 465   | 8,037   | 2,373   | 61,604  |
| Assets .....            | 652,818 | 0       | 956   | 190,032 | 23,328  | 867,134 |
| Capital investments ... | 166,908 | 663     | 1,473 | 3,100   | 310     | 172,454 |
| Liabilities (segments)  | 427,066 | 0       | 669   | 96,383  | -18,222 | 505,896 |

Gross earnings of the segments do not include depreciation, amortisation and interest expenses. Consequently, there is an asymmetry between interest expenses and liabilities.

For a specification from gross earnings to net profit/loss for the year, please refer to the Consolidated Income Statement.

The segment mortgage deeds includes fair value adjustments relating to credit risks of kDKK 15,066 (kDKK 17,627). The financial period saw a positive fair value adjustment relating to credit risks on mortgage deeds and mortgage deed receivables of kDKK 3,826 (kDKK 2,112), see note 5. For mortgage deeds, fair value adjustments relating to credit risks are made on the basis of an individual assessment, and for mortgage deed receivables, partly as a general provision and partly on the basis of an individual assessment.

For all segments, gross earnings include the item fair value adjustment, which is not a cash income/expense. The item is specified in note 6.

Gross earnings in the segment reporting can be reconciled with The Group's profit for the year as follows:

|                                     | <u>Group</u>    |                 |
|-------------------------------------|-----------------|-----------------|
|                                     | <u>2018/19</u>  | <u>2017/18</u>  |
|                                     | <u>DKK '000</u> | <u>DKK '000</u> |
| Gross earnings .....                | 68,958          | 61,604          |
| Financial expenses .....            | 32,773          | 15,386          |
| Other external expenses .....       | 3,299           | 2,916           |
| Other income .....                  | 0               | 78              |
| Staff expenses .....                | 12,753          | 13,336          |
| Depreciation and amortisation ..... | 412             | 401             |
| Profit/loss before tax .....        | <u>19,721</u>   | <u>29,643</u>   |



The liabilities in the segment reporting can be reconciled with group totals as follows:

|                             | Group               |                     |
|-----------------------------|---------------------|---------------------|
|                             | 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |
| Liabilities, segments ..... | 555,344             | 505,896             |
| Other payables .....        | 5,934               | 4,517               |
| Corporation tax .....       | 618                 | 1,476               |
| Deferred income .....       | 590                 | 1,678               |
| Liabilities.....            | 562,486             | 513,567             |

| <b>3. Basic earnings</b>            | Group               |                     |
|-------------------------------------|---------------------|---------------------|
|                                     | 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |
| Financial income .....              | 61,733              | 59,185              |
| Rental income .....                 | 13,987              | 12,549              |
| Other income .....                  | 2,615               | 2,373               |
| Net loss/gain, mortgage deeds ..... | -3,511              | -5,927              |
| Direct expenses, securities.....    | 1,853               | 1,931               |
| Direct expenses, properties.....    | 10,759              | 6,362               |
| Financial expenses.....             | 16,749              | 16,252              |
| Other external expenses.....        | 3,299               | 2,838               |
| Staff expenses.....                 | 12,753              | 13,336              |
| Depreciation and amortisation.....  | 412                 | 401                 |
| <b>Basic earnings .....</b>         | <b>28,999</b>       | <b>27,060</b>       |

Basic earnings are calculated for the Group only.

| Parent Company             |                     |  | Group               |                     |
|----------------------------|---------------------|--|---------------------|---------------------|
| 2018/19<br>DKK '000        | 2017/18<br>DKK '000 |  | 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |
| <b>4. Financial income</b> |                     |  |                     |                     |
| 53,824                     | 51,256              | Mortgage deeds, interest .....   | 53,824              | 51,256              |
| 40                         | 331                 | Bonds, interest.....   | 40                  | 331                 |
| 53,864                     | 51,587              |  | 53,864              | 51,587              |
| 7,494                      | 7,213               | Capital gains, mortgage deeds.....   | 7,494               | 7,213               |
| 0                          | -15,358             | Capital gains, bonds .....   | 0                   | -15,358             |
| 62                         | 678                 | Capital gain, shares .....   | 62                  | 678                 |
| 1                          | -47                 | Currency swaps .....   | 1                   | -47                 |
| 0                          | -98                 | Exchange adjustments, securities.....  | 0                   | -98                 |
| 376                        | 383                 | Other financial income.....  | 376                 | 383                 |
| 61,797                     | 44,358              |  | 61,797              | 44,358              |
| 61,797                     | 44,358              | Financial income relating to assets measured at<br>fair value in the income statement..... | 61,797              | 44,358              |

**Note 4 continued**

Interest income on lost and impaired mortgage deeds amounts to kDKK 3,534 (kDKK 3,310) distributed as follows: kDKK 2,693 (kDKK 2,966) relating to impaired mortgage deeds and kDKK 841 (kDKK 344) relating to realised losses on mortgage deeds.

Capital gain on mortgage deeds consists of gains from current repayments and from premature repayments as the mortgage deeds usually include a clause concerning premature repayment at a fixed price which is typically higher than 100.

| <u>Parent Company</u>                               |                     |  | <u>Group</u>        |                     |
|---|---------------------|--|---------------------|---------------------|
| 2018/19<br>DKK '000                                 | 2017/18<br>DKK '000 |  | 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |
| <b>5. Net loss/gain, mortgage deeds</b>             |                     |  |                     |                     |
| 13,812  | 14,094              | Realised net losses on mortgage deeds and mortgage deed receivables .....              | 13,812              | 14,094              |
| 3,826   | 2,112               | Fair value adjustment of credit risk, mortgage deeds and mortgage deed receivables ... | 3,826               | 2,112               |
| 0   | -692                | Loss/gain on sale of properties acquired for the purpose of resale .....               | 0                   | -692                |
| 201   | 0                   | Expenses relating to the sale of mortgages in default.....                             | 201                 | 0                   |
| 0   | 200                 | Provision for losses on properties acquired for the purpose of resale.....             | 0                   | 200                 |
| <u>-10,187</u>                                      | <u>-12,474</u>      |  | <u>-10,187</u>      | <u>-12,474</u>      |
| 6,676   | 6,547               | Bad debts recovered .....  | 6,676               | 6,547               |
| <u>-3,511</u>                                       | <u>-5,927</u>       |  | <u>-3,511</u>       | <u>-5,927</u>       |
| <b>6. Fair value adjustment of financial assets</b> |                     |  |                     |                     |
| 6,803   | -101                | Fair value adjustment, mortgage deeds .....  | 6,803               | -101                |
| 0   | 14,989              | Fair value adjustment, bonds.....  | 0                   | 14,989              |
| -340  | -194                | Fair value adjustment, shares .....  | -340                | -194                |
| <u>2,059</u>  | <u>4,358</u>        | Fair value adjustment, subsidiary.....   | <u>0</u>            | <u>0</u>            |
| <u>8,522</u>  | <u>19,052</u>       |  | <u>6,463</u>        | <u>14,694</u>       |

Fixed-interest mortgage deeds have been measured at fair value on the basis of an effective interest rate of 8.25% compared with 8.5% until 30 June 2019. The total effect of the change of the effective interest rate is approx. DKK 6.6 million.

Fixed-interest mortgage deeds of a nominal amount of DKK 514.9 million (DKK 482.8 million) have been measured at fair value on the basis of an average effective interest rate of 8.25% (8.5%).

|                     |                     | Total fair value adjustment included in notes 4, 6 and 10, respectively: |                     |               |
|---------------------|---------------------|--|---------------------|---------------|
| 2018/19<br>DKK '000 | 2017/18<br>DKK '000 | 2018/19<br>DKK '000  | 2017/18<br>DKK '000 |               |
| 8,522               | 19,052              | Securities .....   | 6,463               | 14,694        |
| 44                  | -13                 | Forward contracts, currency swaps .....                                  | 44                  | -13           |
| -14,583             | 704                 | Forward contracts, interest swaps .....                                  | -14,626             | 902           |
| <u>-3,987</u>       | <u>-4,087</u>       | Interest swaps, realised fair value .....                                | <u>-4,218</u>       | <u>-4,334</u> |
| -10,004             | 15,656              | Mortgage credit institutes.....  | -12,337             | 11,249        |
| <u>-398</u>         | <u>208</u>          |  | <u>-425</u>         | <u>281</u>    |
| <u>-10,402</u>      | <u>15,864</u>       |  | <u>-12,762</u>      | <u>11,530</u> |

| Parent Company                              |                     |  | Group               |                     |
|---|---------------------|--|---------------------|---------------------|
| 2018/19<br>DKK '000                         | 2017/18<br>DKK '000 |  | 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |
| <b>10. Financial expenses</b>               |                     |  |                     |                     |
| 10,803                                      | 10,863              | Credit institutions .....  | 10,805              | 10,865              |
| 3,063                                       | 3,083               | Interest swaps, realised fair value,<br>credit institutions .....                  | 3,063               | 3,083               |
| 14,299                                      | 65                  | Interest swaps, credit institutions,<br>fair value adjustment .....                | 14,299              | 65                  |
| 0   | -31                 | Exchange loss/gain on foreign loans etc, net .....                                 | 0                   | -31                 |
| 28,165                                      | 13,980              |  | 28,167              | 13,982              |
| 1,353                                       | 1,120               | Mortgage credit institutes.....  | 1,725               | 1,399               |
| 924   | 1,004               | Interest swaps, realised fair value,<br>mortgage credit institutes .....           | 1,155               | 1,251               |
| 398   | -208                | Mortgage credit institutes, fair value adjustment..                                | 425                 | -281                |
| 284   | -769                | Interest swaps, mortgage credit institutes,<br>fair value adjustment .....         | 327                 | -967                |
| 1,748                                       | 1,608               | Interest expenses, subsidiaries .....  |                     | 0                   |
| 868   | 0                   | Expenses relating to the raising of loans from<br>mortgage credit institutes ..... | 974                 | 0                   |
| 0   | 2                   | Other interest expenses .....  | 0                   | 2                   |
| 33,740                                      | 16,737              |  | 32,773              | 15,386              |
| Interest expenses are specified as follows: |                     |  |                     |                     |
| 10,803                                      | 10,863              | Credit institutions .....  | 10,805              | 10,865              |
| 1,353                                       | 1,120               | Mortgage credit institutes.....  | 1,725               | 1,399               |
| 1,748                                       | 1,608               | Interest expenses, subsidiaries .....  | 0                   | 0                   |
| 0   | 2                   | Other interest expenses .....  | 0                   | 2                   |
| 13,904                                      | 13,593              |  | 12,530              | 12,266              |
| 33,537                                      | 16,595              | Financial expenses on debt measured<br>at fair value in the income statement.....  | 32,570              | 15,244              |
| 203   | 142                 | Financial expenses on debt measured<br>at amortised value .....                    | 203                 | 142                 |

The average effective interest rate for the year is 3.30% (3.37%) based on total average financial expenses in the Group.

## 17. Securities

The portfolio of securities in the Parent Company and the Group at 30 September 2019 is specified as follows:

|  | Mortgage<br>deeds | Shares     | Total          |
|--|-------------------|------------|----------------|
| Total cost .....                         | 689,985           | 1,610      | 691,595        |
| Fair value adjustment .....              | 12,452            | -997       | 11,455         |
| Fair value adjustment, credit risk ..... | <u>-15,066</u>    | <u>0</u>   | <u>-15,066</u> |
| Fair value .....                         | <u>687,371</u>    | <u>613</u> | <u>687,984</u> |

| <u>Parent Company</u> |                     |   | <u>Group</u>        |                     |
|-----------------------|---------------------|---|---------------------|---------------------|
| 2018/19<br>DKK '000   | 2017/18<br>DKK '000 |   | 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |
| <u>2,339</u>          | <u>2,244</u>        | Mortgage deeds, number .....                      | <u>2,339</u>        | <u>2,244</u>        |
|                       |                     | Mortgage deeds distributed on nominal value:      |                     |                     |
|                       |                     | Fixed-interest mortgage deeds:                    |                     |                     |
|                       |                     | Measured at fair value based on an average        |                     |                     |
|                       |                     | effective interest rate of 8.25% p.a. (8.5% p.a.) |                     |                     |
| 514,947               | 482,755             | Measured at fair value, which substantially       | 514,947             | 482,755             |
|                       |                     | corresponds to the cost of the mortgage           |                     |                     |
| <u>32,865</u>         | <u>40,106</u>       | deeds.....  | <u>32,865</u>       | <u>40,106</u>       |
|                       |                     | Total fixed-interest mortgage deeds.....          | 547,812             | 522,861             |
| 547,812               | 522,861             | Cibor mortgage deeds, measured at fair value      |                     |                     |
|                       |                     | based on the cost of the mortgage deeds.....      | <u>191,826</u>      | <u>191,010</u>      |
| <u>191,826</u>        | <u>191,010</u>      |   | <u>739,638</u>      | <u>713,871</u>      |
| <u>739,638</u>        | <u>713,871</u>      |   |                     |                     |

Adjustment for credit risk has been deducted at the fair value measurement of the portfolio of mortgage deeds.

At the fair value measurement, no redeemable mortgage deeds have been recognised at a value higher than the nominal value or minimum the redemption price. The difference between fair value and nominal amount is kDKK 52,267 (kDKK 68,773), of which kDKK 15,066 (kDKK 17,627) relates to fair value adjustment for credit risk.

Fair value adjustment for credit risk for the year to meet losses on mortgage deeds in default and mortgage deed receivables is a positive kDKK 3,826 (kDKK 2,112) and has been recognised in the income statement under the item net loss/gain, mortgage deeds, see note 5.

| Parent Company                                     |                     |   | Group               |                     |
|--|---------------------|---|---------------------|---------------------|
| 2018/19<br>DKK '000                                | 2017/18<br>DKK '000 |   | 2018/19<br>DKK '000 | 2017/18<br>DKK '000 |
| <b>24. Mortgage credit institutes</b>              |                     |   |                     |                     |
| 76,457   | 55,392              | Cash loan, outstanding debt .....   | 93,933              | 67,087              |
| 77,674   | 56,186              | Fair value of outstanding debt, bonds .....   | 95,334              | 68,038              |
| Measurement of debt to mortgage credit institutes: |                     |   |                     |                     |
| 70,098   | 51,644              | Investment properties, fair value .....   | 87,758              | 63,496              |
| 7,346  | 4,402               | Domicile property, amortised cost .....   | 7,346               | 4,402               |
| 77,444   | 56,046              |   | 95,104              | 67,898              |
| <b>25. Credit institutions</b>                     |                     |   |                     |                     |
| 425,559  | 422,679             | Fair value of debt to credit institutions.....  | 425,559             | 422,679             |
| 425,559  | 422,679             | Nominal debt to credit institutions repayable<br>on demand within one year .....          | 425,559             | 422,679             |
| 425,559  | 422,679             | Floating-rate loans from credit institutions<br>with agreed interest below one year ..... | 425,559             | 422,679             |

The fair value of loans is calculated as the present value of expected future repayments and interest payments using the current market rate as discount rate. Bank overdrafts are measured at fair value, which substantially corresponds to nominal amount. The difference between fair value and nominal amount is kDKK 0 (kDKK 0).

## 29. Interest swaps

The Parent Company and the Group have entered into interest swaps for the hedging of interest risks on floating-rate loans from mortgage credit institutes with a contractual nominal value of DKK 31.9 million (DKK 36.0 million) and loans from credit institutions with a contractual value of DKK 250.0 million (DKK 250.0 million). The interest swaps entered into do not qualify for hedge accounting.

| <b>Interest swaps,<br/>mortgage credit institutes</b> | <u>Contractual<br/>value<br/>DKK million</u> | <u>Remaining<br/>term</u> | <u>Fair value<br/>DKK '000</u> | <u>Value ad-<br/>justment in<br/>the income<br/>statement<br/>DKK '000</u> |
|---|--|---------------------------|--------------------------------|--|
| 2018/2019   |  |                           |                                |  |
| Parent Company  |  |                           |                                |  |
| 30 September 2019                                     |  |                           |                                |  |
| Interest swaps cibor 6 months                         | DKK 14.5                                     | 31.12.2027                | -3,080                         | -130   |
| Interest swaps cibor 3 months                         | DKK 12.7                                     | 31.12.2024                | -660                           | -154   |
|   |  |                           | -3,740                         | -284   |
| Group   |  |                           |                                |  |
| 30 September 2019                                     |  |                           |                                |  |
| Interest swaps cibor 6 months                         | DKK 19.2                                     | 31.12.2027                | -4,094                         | -173   |
| Interest swaps cibor 3 months                         | DKK 12.7                                     | 31.12.2024                | -660                           | -154   |
|   |  |                           | -4,754                         | -327   |

**Note 29 continued**

| <b>Interest swaps,<br/>mortgage credit institutes</b> | Contractual<br>value<br><u>DKK million</u> | Remaining<br>term<br><u>                    </u> | Fair value<br><u>DKK '000</u> | Value ad-<br>justment in<br>the income<br>statement<br><u>DKK '000</u> |
|---|--|--|-------------------------------|--|
| 2018/2019   |  |  |                               |  |
| Parent Company/Group                                  |  |  |                               |  |
| 30 September 2019                                     |  |  |                               |  |
| Interest swap (expired)                               | DKK 25.0                                   | 13.03.2019                                       | 0                             | 354  |
| Interest swap   | DKK 25.0                                   | 03.07.2020                                       | -290                          | 155  |
| Interest swap   | DKK 50.0                                   | 09.07.2022                                       | -2,216                        | -617   |
| Interest swap   | DKK 25.0                                   | 26.06.2025                                       | -1,677                        | -1,508   |
| Interest swap   | DKK 25.0                                   | 29.07.2025                                       | -2,614                        | -1,425   |
| Interest swap   | DKK 25.0                                   | 26.06.2026                                       | -2,102                        | -1,905   |
| Interest swap   | DKK 50.0                                   | 26.06.2027                                       | -5,064                        | -4,616   |
| Interest swap   | DKK 25.0                                   | 25.01.2028                                       | -3,137                        | -2,526   |
| Interest swap   | DKK 25.0                                   | 22.03.2029                                       | <u>-2,211</u>                 | <u>-2,211</u>  |
|   |  |  | <u>-19,311</u>                | <u>-14,299</u>   |